Minutes of the August 27, 2024, TexPool Investment Advisory Board Meeting

The TexPool Investment Advisory Board met on Tuesday, August 27, 2024, at the LBJ State Office Building, 111 E. 17th Street, Room 113, Austin, Texas 78701.

Board Members present:
Dina Edgar, Patrick Krishock, David Landeros, Valarie Van Vlack and Belinda Weaver

Board Members Absent: Deborah Laudermilk
Sharon Mathews Searcy resigned and David Garcia passed away

Comptroller of Public Accounts Staff Presiding and Present

Comptroller Glenn Hegar and Tom Currah, Associate Deputy Comptroller

Texas Treasury Safekeeping Trust Company ("Trust Company") Executive Staff, Presenters & Facilitators

Mike Reissig, CEO; Anca Ion, CIO; Whitney Blanton, General Counsel; Lalo Torres, Portfolio Manager; and Nora Arredondo, Program Specialist

Additional Participants
Deborah Cunningham, Federated Advisory Companies and Heather Froehlich, David Perez and Colby Anthony, Federated Securities Corporation

Call to Order

Comptroller Glenn Hegar declared a quorum was not present and would wait for one board member who was in route. He delayed the approval of the minutes and called the meeting to order at 10:04 a.m.

1. **Annual Review of TexPool and TexPool Prime Investment Policies**
   Mr. Whitney Blanton reported that the policies were reviewed by staff and that there were no recommended revisions to review at this time.

2. **Economic Update and Discussion of Portfolio Positioning**
   Ms. Deborah Cunningham reviewed Federated's investment report for TexPool and TexPool Prime for the quarter ending June 30, 2024. She reported that TexPool and TexPool Prime portfolios were in compliance with the Texas Public Funds Investment Act, Governmental Accounting Standards Board Statement No. 79, and their respective investment policies. Both Pools maintained AAAm ratings by Standard and Poor's and net asset values were never less than $0.995 or greater than $1.005.

   Ms. Cunningham presented an economic market overview for the quarter and reviewed the information behind Tab 3. She reported that the Federal Reserve Board (Fed) kept interest rates in the target range of 5.25% - 5.50%, benefiting the weighted average maturities (WAM) for the Pools. Federated expects rates cuts will not go below 3% and the market is not pricing below 3%

at this point. From a markets perspective, yields on 1, 3, 6 and 12-month treasury bills were 5.35%, 5.37%. 5.33% and 5.12% respectively. A positive environment from liquidity products in general.

Ms. Cunningham reviewed the TexPool and TexPool Prime portfolios. Assets for TexPool ended the quarter at $33.2 billion, a decrease of $2.3 billion. TexPool Prime's assets increased by $53 million to $15.1 billion over the same period. TexPool Prime successfully increased their WAM from 38 to 41 days while TexPool went from 38 to 36 days. The stress test of the Pools appropriately reflected current interest rate environment by the Fed, and results were in line with expectations.

3. **Approval of Minutes of May 30, 2024 Meeting**
   On a motion by Ms. Belinda Weaver and seconded by Mr. David Landeros, the Board voted unanimously to approve the May 30, 2024 proposed meeting minutes as presented.

4. **TexPool and TexPool Prime Portfolio and Performance Review for the 2nd Quarter of 2024 and Related Matters**
   Mr. Lalo Torres presented a portfolio review of TexPool and TexPool Prime for the second quarter of 2024 and reviewed all graphs and charts behind Tab 4. He reported the average daily yield for TexPool through June 30, 2024 was 5.31% and 5.46% for TexPool Prime. The combined assets under management for both pools was approximately $48.3 billion. The Pools continue to experience robust growth within the portfolios. Both portfolios remained competitive when compared to other Texas Pools and performed as expected versus their benchmarks.

5. **Report on Services Provided to TexPool and TexPool Prime Participants and Related Matters**
   Ms. Heather Froehlich summarized the information behind Tab 5. She reported that both Pools were thriving in this higher interest rate environment. Assets within the pools remained high despite seasonal outflows. Mr. David Perez reported that the participant base continued to expand and there were 23 new participants added to TexPool and 28 to TexPool Prime in the second quarter, bringing the total to 2,879 participants. Ms. Froehlich noted that the category under "other" in the participant balance analysis reports will be set up as a new asset class for toll and transit authorities and another class for river and port authorities. She reported that Federated is dedicated to ensuring the safety and privacy of TexPool participants and conducts rigorous due diligence of service providers and vendors.

6. **Discussion of Next Meeting and Agenda Items**
   Next meeting will tentatively be scheduled for November 13, 2024. The Board will be contacted. No future agenda items were noted.

7. **Public Comment**
   No public comments.

Comptroller Hegar declared the TexPool Investment Advisory Board meeting adjourned at 10:43 a.m.