Minutes of the February 18, 2025, TexPool Investment Advisory Board Meeting

The TexPool Investment Advisory Board met on Tuesday, February 18, 2025, at the LBJ State Office Building, 111 E. 17th Street, Room 113, Austin, Texas 78701.

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

Board Members Absent
None

Comptroller of Public Accounts Staff Presiding and Present
Lisa Craven, Deputy Comptroller; Tom Currah, Associate Deputy Comptroller; and Comptroller Glenn Hegar

Texas Treasury Safekeeping Trust Company ("Trust Company") Executive Staff, Presenters & Facilitators
Mike Reissig, CEO; Anca Ion, CIO; Whitney Blanton, General Counsel; Gena Minjares, CFO; Lalo Torres, Senior Portfolio Manager; and Nora Arredondo, Program Specialist

Additional Participants
Tino Robledo and Heath Jackson; Auditors, RSM US, LLP
Paige Wilhelm; Federated Advisory Company
Heather Froehlich, David Perez and Colby Anthony; Federated Securities Corporation

Call to Order
Deputy Comptroller Lisa Craven declared a quorum was present and called the meeting to order at 9:59 a.m.

1. **Approval of Minutes of November 13, 2024, Meeting**
   On a motion by Ms. Valarie Van Vlack, and seconded by Ms. Dina Edgar, the Board voted unanimously to approve the November 13, 2024 proposed meeting minutes as presented.

2. **Presentation of Independent Auditor's Report for the Trust Company (under separate cover)**
   Mr. Tino Robledo and Mr. Heath Jackson summarized the audit reports issued by RSM US for TexPool and TexPool Prime. They reported unqualified opinions with respect to both funds for the fiscal year ending August 31, 2024. They also reported that both Pools were in compliance with their investment policies and that no audit adjustments were required during the audit engagement, nor was a management letter issued.

3. **Economic Update and Discussion of Portfolio Positioning**
   Ms. Paige Wilhelm reviewed Federated's investment report for TexPool and TexPool Prime for the quarter ending December 31, 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. Wilhelm presented an economic market overview for the quarter and reviewed the information behind Tab 2. She reported that the Federal Reserve Board (Fed) cut interest rates by 50 basis points during the fourth quarter, which moved the target range to 4.25% – 4.50%. After the presidential election, rising inflation concerns linked to fiscal policies led the Fed to revise its economic outlook and reduce its planned rate cuts. Markets anticipate rates to remain in the target range for a longer period, which benefits both Pools. Federated expects possibly one more rate cut for the year. Inflation continues to move towards the 2% target, but at a slower pace.

Ms. Wilhelm reviewed the TexPool and TexPool Prime portfolios. She explained that the fourth quarter is the beginning of seasonal inflows for the Pools. Assets for TexPool ended the quarter at approximately $35 billion, an increase of approximately $4 billion. TexPool Prime's assets were approximately $14.7 billion, an increase by approximately $860 million from the previous quarter. Federated increased repurchase agreements to 34.1% and decreased agencies to 33.9% in TexPool. In TexPool Prime, commercial paper increased to 53.7% from 43.3%, and variable rate instruments decreased to 12.5% from 26.2%. TexPool Prime's weighted average maturity was 48 days while TexPool's was 33 days. The stress test of the Pools appropriately reflected current interest rate environment by the Fed, and results were in line with expectations.

4. TexPool and TexPool Prime Portfolio and Performance Review for the 4th Quarter of 2024 and Related Matters

Mr. Lalo Torres presented a portfolio review of TexPool and TexPool Prime for the fourth quarter of 2024 and reviewed all graphs and charts behind Tab 3. He reported the average daily yield for TexPool through December 31, 2024 was 4.56% and 4.69% for TexPool Prime. The combined assets under management for both Pools was approximately $49.7 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 4. She reported that both Pools were thriving, and yields remained elevated amid the recent rate cuts. Assets within the Pools remained high and show strong year-over-year growth. She reported that the participant base continued to expand and there were 14 new participants added to TexPool and 17 to TexPool Prime. in the fourth quarter, bringing the total to 2,907 participants. She noted that there was a significant increase in online usage with TexConnect. Federated is dedicated to ensuring the safety and privacy of TexPool participants and conducts rigorous due diligence of service providers and vendors. During the quarter, the TexPool Academy added a webcast with Comptroller Hegar and one of Federated's TexPool portfolio managers, Sue Hill.

6. **Discussion of Next Meeting and Agenda Items**
   The Board will be contacted for the next meeting date in May. No future agenda items were noted.

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

   Comptroller Hegar declared the TexPool Investment Advisory Board meeting adjourned at 10:44 a.m.