Minutes of the February 14, 2024, TexPool Investment Advisory Board Meeting

The TexPool Investment Advisory Board met on Wednesday, February 14, 2024 at the LBJ State Office Building, 111 E. 17th Street, Room 1011, Austin, Texas, 78701.

Board Members present:
Dina Edgar, David Garcia, Patrick Krishock, Deborah Laudermilk, Sharon Searcy Mathews and Belinda Weaver.

Board Members Absent: David Landeros and Valarie Van Vlack.

Comptroller of Public Accounts Staff Presiding and Present

Comptroller Glenn Hegar

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

Mike Reissig, CEO; Anca Ion, CIO; Gena Minjares, CFO; Whitney Blanton, General Counsel; Eduardo "Lalo" Torres, Senior Portfolio Manager; and Nora Arredondo, Program Specialist

Additional Participants

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

Call to Order

Comptroller Glenn Hegar declared that a quorum was present and called the meeting to order at 10:07 a.m.

1. **Approval of Minutes of November 29, 2023 Meeting**
   On a motion by Ms. Mathews-Searcy, and seconded by Ms. Laudermilk, the Board voted to approve the November 29, 2023 proposed meeting minutes as presented.

2. **Presentation of Independent Auditor's Report for the Trust Company (under separate cover)**
   Mr. Robledo and Mr. 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, 2023. 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. Wilhelm reviewed Federated's investment report for TexPool and TexPool Prime for the quarter ending December 31, 2023. 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 overview for the fourth quarter. She reported that the Federal Reserve Board (Fed) paused to assess the market and stopped raising interest rates in July 2023. New issuances from the Treasury Department in July and again in the Fall helped boost yields, for TexPool in particular. By the end of the fourth quarter, yields began to decline as the market was anticipating and pricing in interest rate cuts from the Fed in December 2023 or January 2024. The current Fed Funds target range is 5.25% - 5.50%. At the recent January Fed meeting, the Fed decided to continue to keep interest rates on hold.

Ms. Wilhelm reviewed the TexPool and TexPool Prime portfolios. Both portfolios experienced seasonal inflows. Assets for TexPool ended the year at $31.9 billion, an increase of $3.2 billion from the previous quarter. TexPool Prime's assets increased by approximately $467 million to $12.9 billion over the same period. TexPool's portfolio composition decreased repurchase agreements from 44.5% to 25.3%, while treasury securities increased to 36.8% from 16.3%. The weighted average maturity for TexPool increased to 38 days and for TexPool Prime it decreased to 44 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 2023 and Related Matters**

Mr. Torres presented a portfolio review of TexPool and TexPool Prime for the fourth quarter of 2023 and reviewed all graphs and charts behind Tab 3. He reported the average daily yield for TexPool through December 31, 2023 was 5.37% and 5.60% for TexPool Prime. The combined assets under management for both pools was approximately $44.9 billion, which represented an 18% growth rate year-over-year. Both portfolios remained competitive when compared to other Texas pools and performing as expected versus their benchmarks.

5. **Report on Services Provided to TexPool and TexPool Prime Participants and Related Matters**

Ms. Froehlich reviewed the information behind Tab 4. She reported the Pools recently hit a high watermark of over $54 billion. The participant base continues to expand and there were now 21 new participants added to TexPool and 24 new participants added to TexPool Prime for the quarter bringing the total to 76 new participants in 2023. School districts account for 33% of the participant balance. She reported that new courses continue to be

added to TexPool Academy and automatic enrollment into the Academy now occurs with new accounts.

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

7. **Public Comment**
   Ms. Debbie Fleming thanked Federated for the excellent training tools and opportunity to receive CPE training credit.

Comptroller Hegar declared the TexPool Investment Advisory Board meeting adjourned at 10:47 a.m.