

SSF RATE CALCULATION DATA SUPPORT

OFFICE OF THE TREASURER & CASH
MANAGEMENT POLICY BOARD

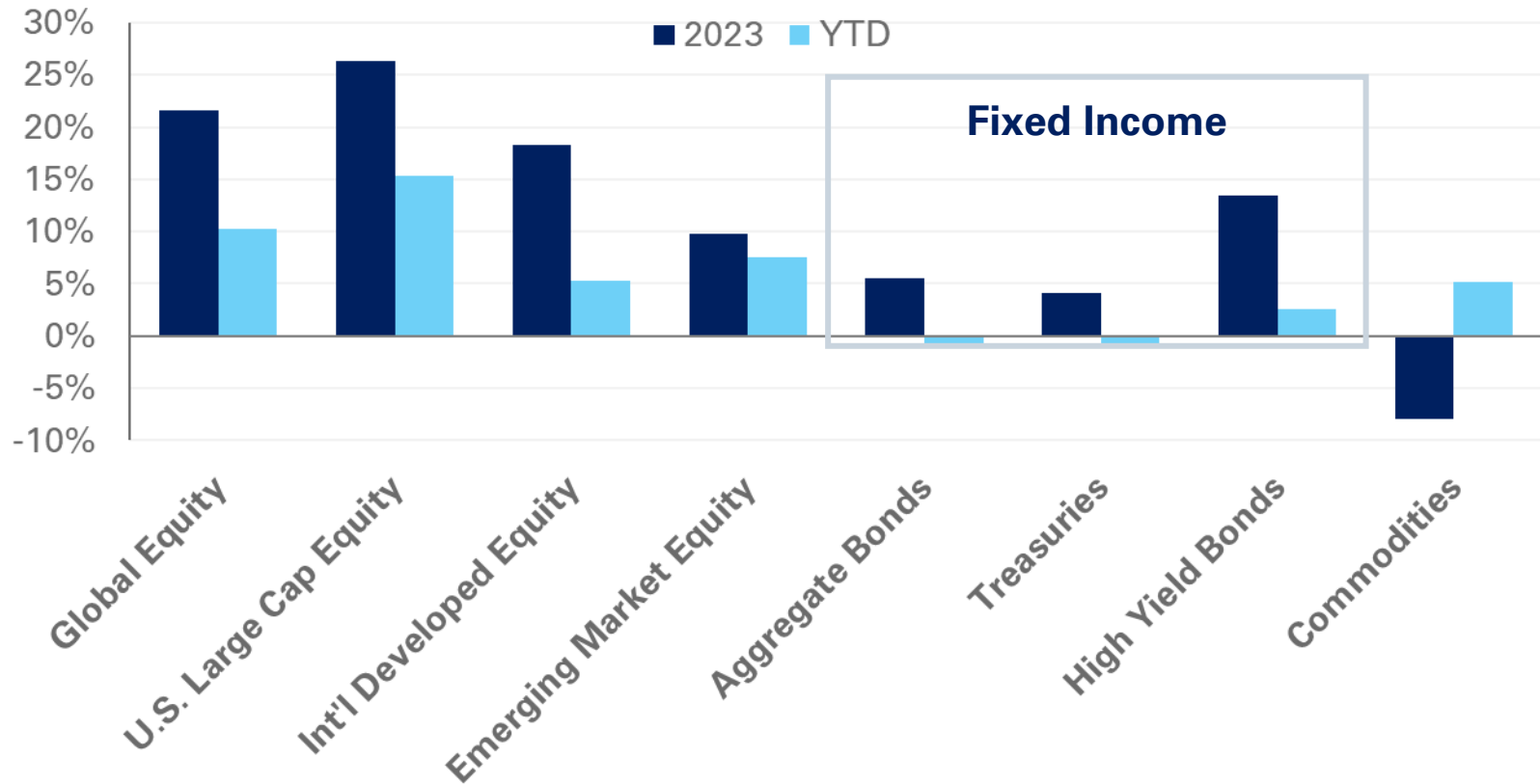
AUGUST 2024

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EQUITY MARKETS POSTED STRONG RETURNS

MARKET INDEX RETURNS

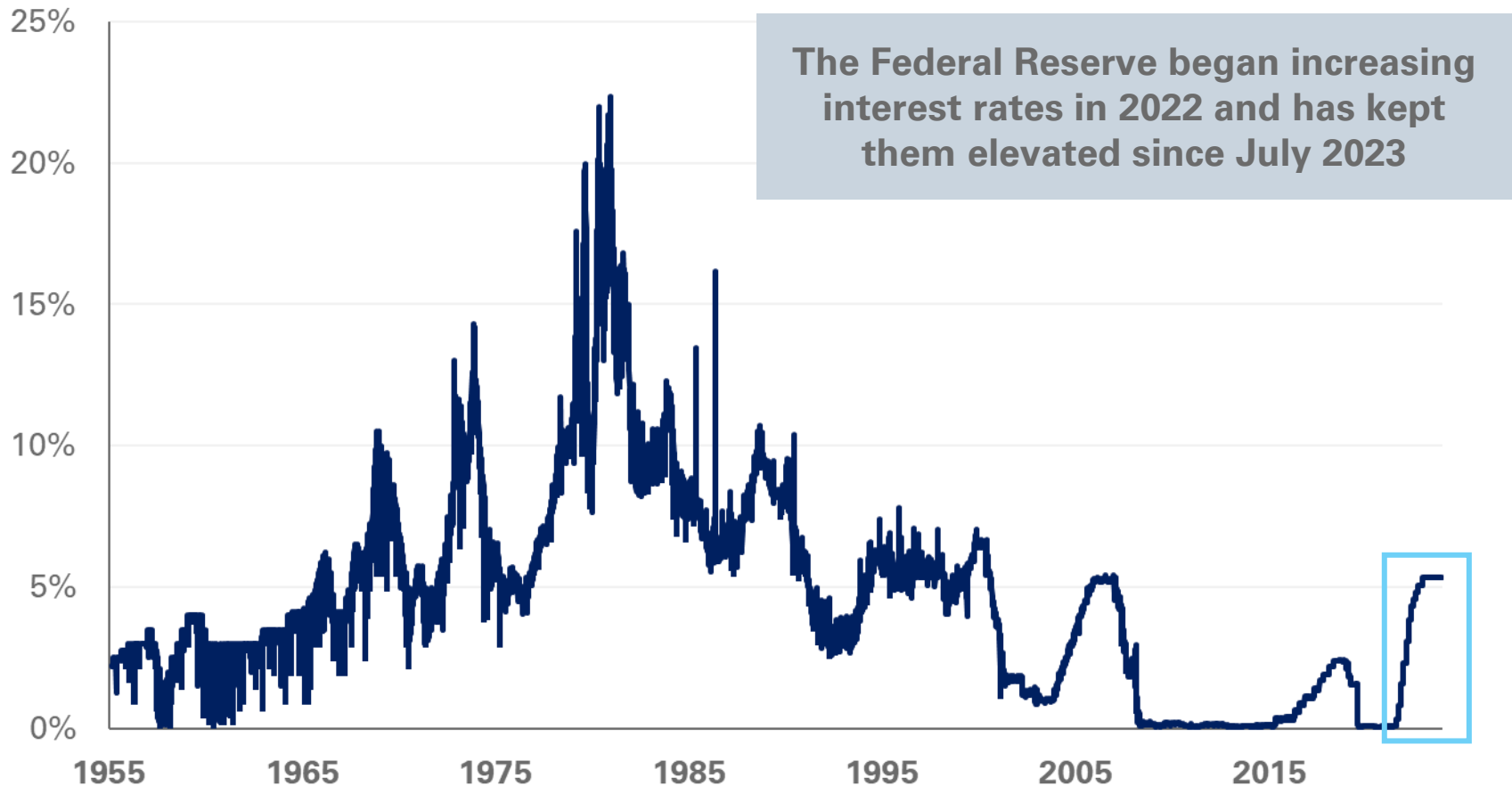


Notes: Year-to-date reflects returns 12/31/2023-06/30/2024
Sources: S&P, Russell, MSCI, JPM, Bloomberg, FactSet



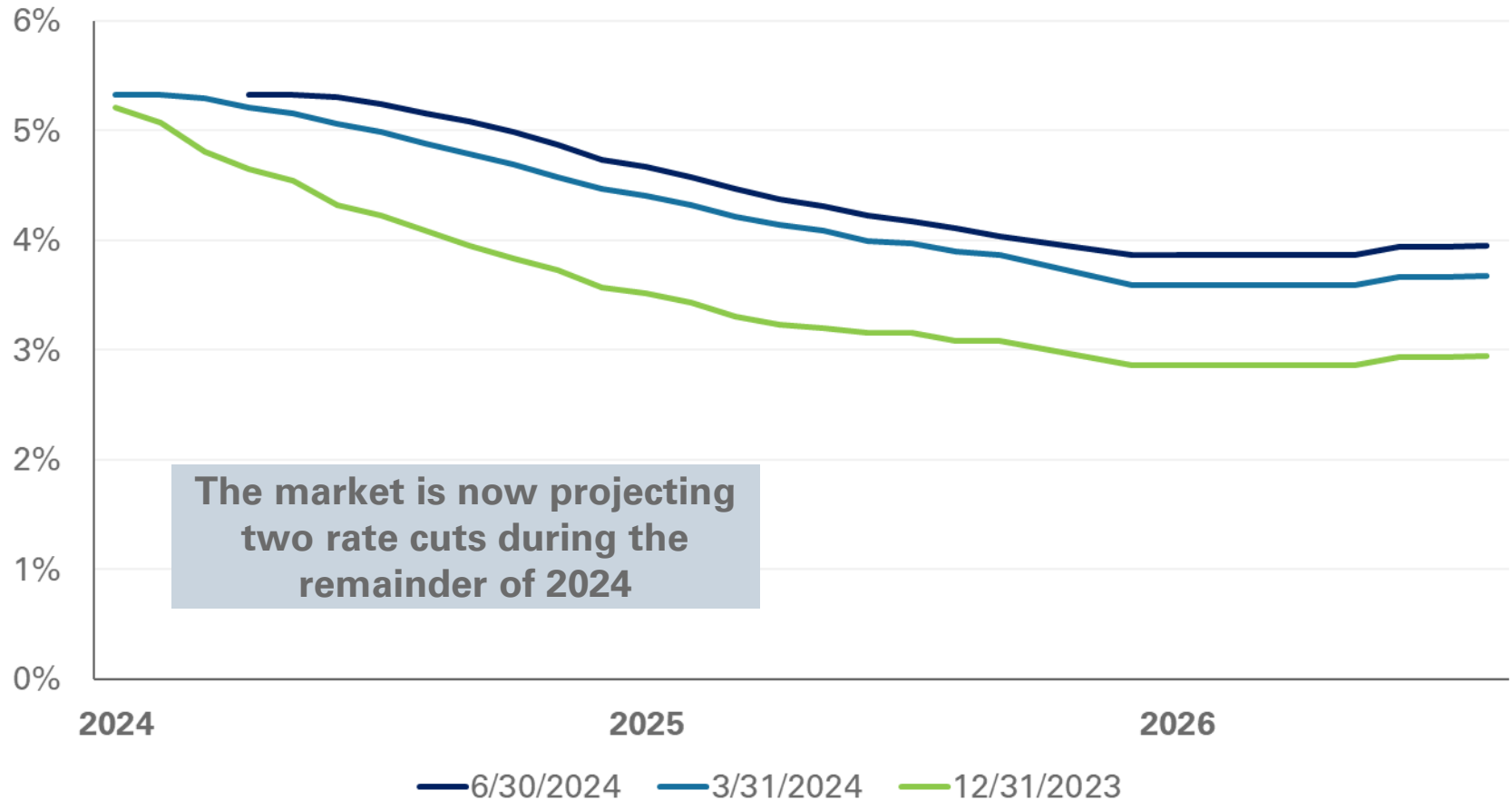
A LONG-TERM HISTORY OF INTEREST RATES

FED FUNDS EFFECTIVE RATE LONG-TERM HISTORY (1954-PRESENT)



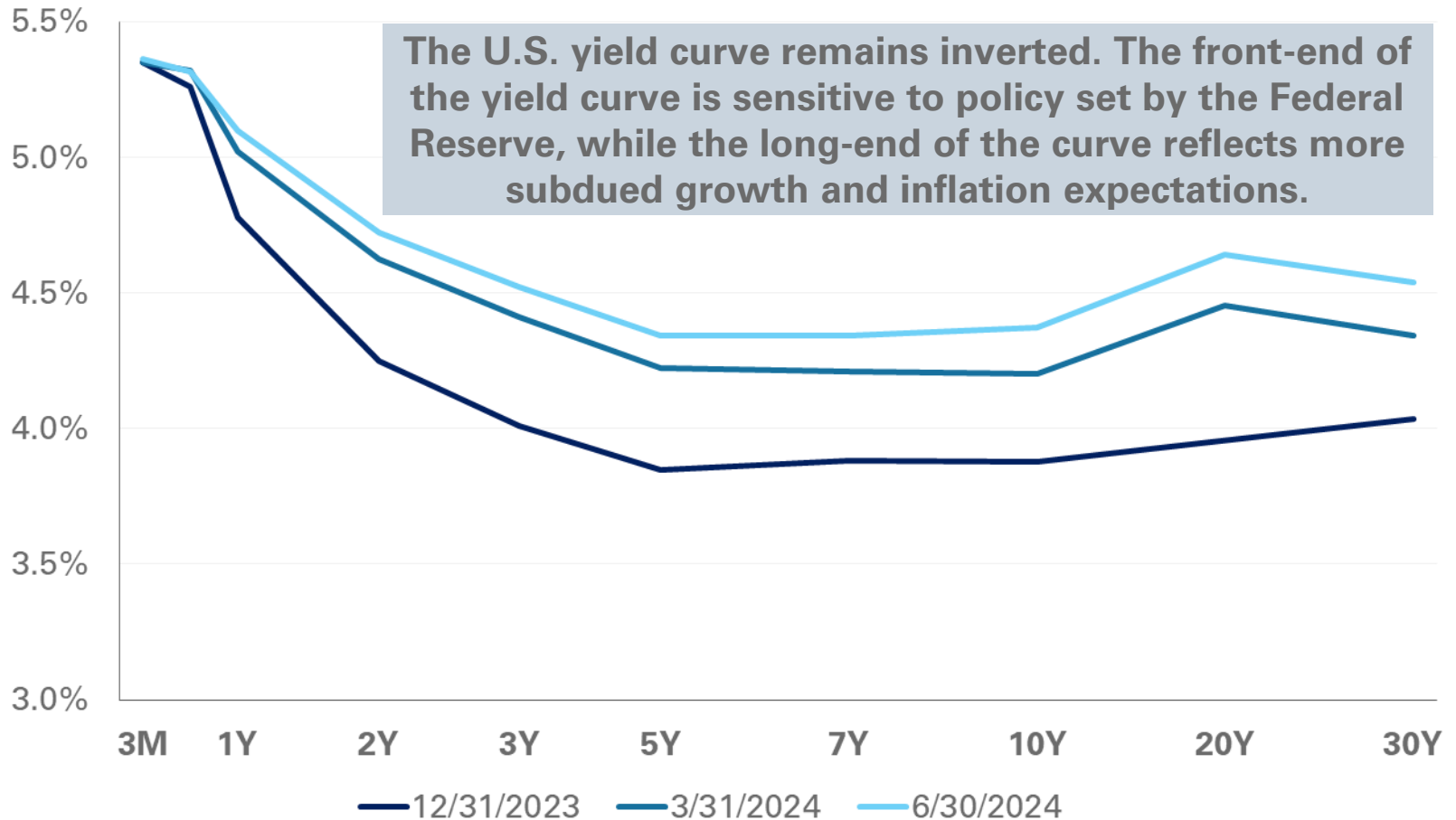
MARKET INTEREST RATE EXPECTATIONS TODAY

FEDERAL FUND FUTURES



Source: FactSet

THE U.S. TREASURY YIELD CURVE



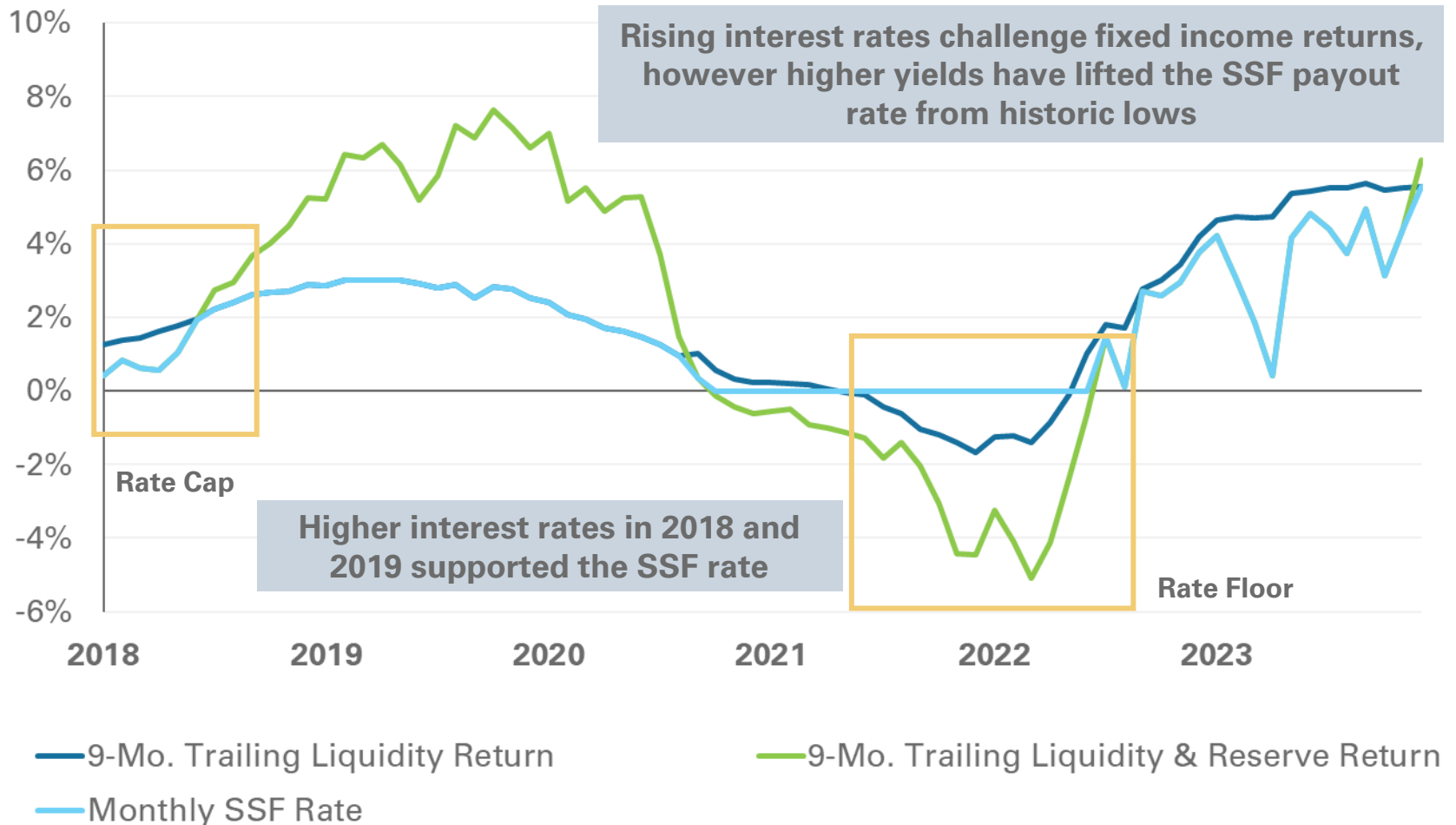
SSF CALCULATION METHODOLOGY

SSF Rate = 9-Month Rolling Average Return on the State's Liquidity Portfolio

The "rate cap" is applied if the liquidity rate is greater than the total portfolio rate. OST will pay the combined rate for the portfolio.

The "rate floor" stipulates that the SSF rate cannot go below zero.

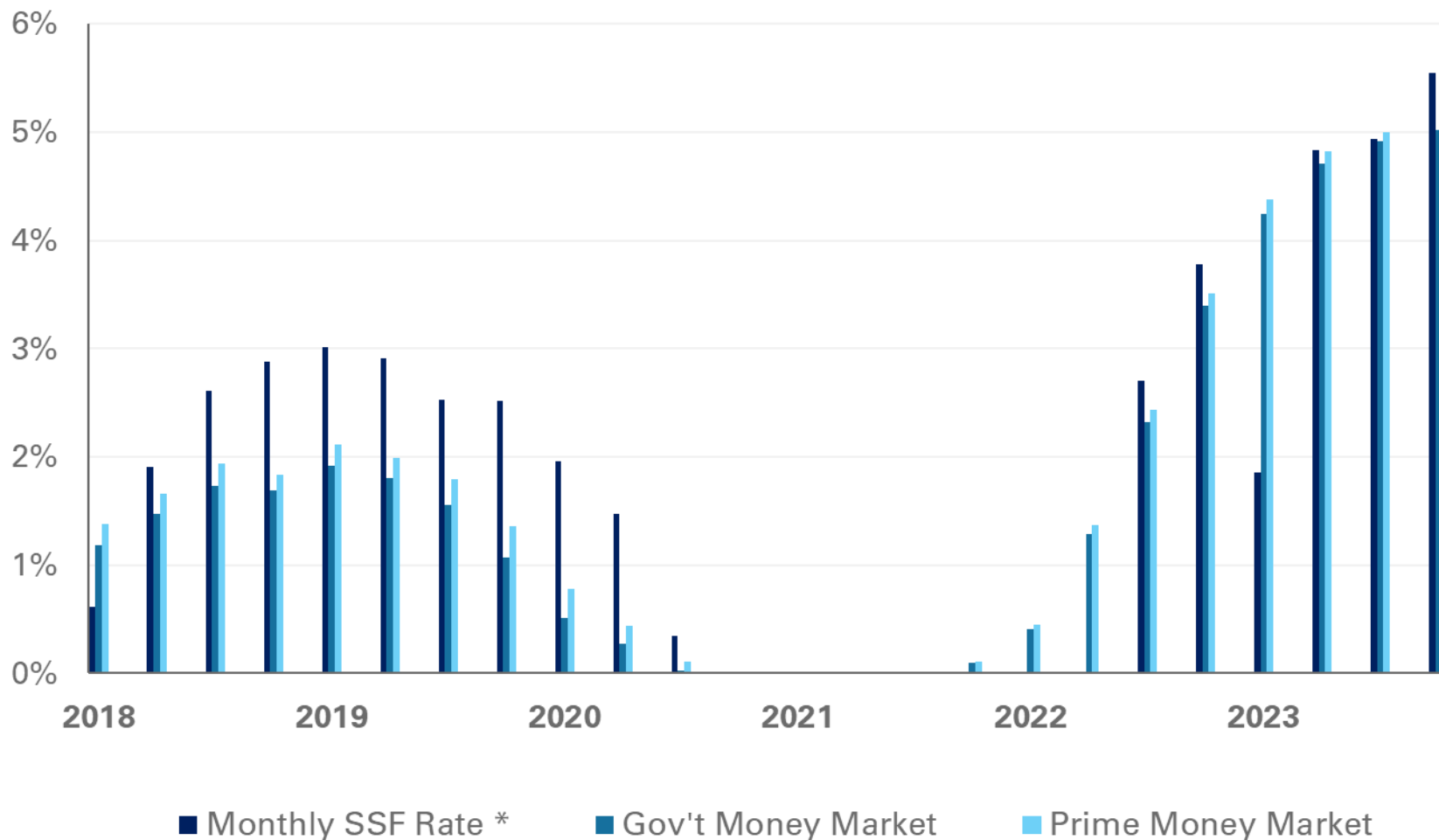
HISTORICAL RETURNS



Note: Starting 5/31/2022, nine-month trailing annualized return calculation used – previously represented trailing 12 months.



COMPARING THE SSF RATE TO COMPARABLE FUNDS



Notes: *Lesser of One-Year Liquidity Return or One-Year Liquidity and Reserve Return, not to fall below zero. Government Institutional Money Market Fund Universe averaged 605 Funds with \$3.89 Trillion. Returns are Universe Median, reported quarterly. Prime (Tier 1) Institutional Money Market Fund Universe averaged 241 Funds with \$686 Billion. Returns are Universe Median, reported quarterly.
Sources: eVestment, NEPC



COMPARING THE SSF RATE TO COMPARABLE FUNDS

	1-Yr Liquidity Return ¹	1-Yr Liquidity & Reserve Return ¹	9-Mo. Liquidity Return ¹	9-Mo. Liquidity & Reserve Return ¹	Monthly SSF Rate*	Gov't Money Market	Prime Money Market
12/31/2019	2.91%	5.20%			2.91%	1.80%	1.99%
3/31/2020	2.53%	6.88%			2.53%	1.56%	1.79%
6/30/2020	2.52%	6.60%			2.52%	1.07%	1.36%
9/30/2020	1.96%	5.53%			1.96%	0.51%	0.78%
12/31/2020	1.47%	5.28%			1.47%	0.27%	0.44%
3/31/2021	1.02%	0.34%			0.34%	0.02%	0.11%
6/30/2021	0.23%	-0.62%			0.00%	0.01%	0.01%
9/30/2021	0.16%	-0.93%			0.00%	0.01%	0.01%
12/31/2021	-0.11%	-1.27%			0.00%	0.00%	0.00%
3/31/2022	-1.03%	-2.03%			0.00%	0.01%	0.01%
6/30/2022			-1.68%	-4.47%	0.00%	0.10%	0.11%
9/30/2022			-1.40%	-5.09%	0.00%	0.41%	0.45%
12/31/2022			1.03%	-0.65%	0.00%	1.29%	1.37%
3/31/2023			2.78%	2.70%	2.70%	2.32%	2.42%
6/30/2023			4.18%	3.78%	3.78%	3.40%	3.51%
9/30/2023			4.71%	1.86%	1.86%	4.24%	4.38%
12/31/2023			5.44%	4.83%	4.83%	4.71%	4.82%
3/31/2024			5.63%	4.94%	4.94%	4.92%	5.00%
6/30/2024			5.54%	6.29%	5.54%	5.02%	5.12%

1. Starting 5/31/22, nine-month annualized return used.

Notes: *Lesser of One-Year Liquidity Return or One-Year Liquidity and Reserve Return, not to fall below zero. Government Institutional Money Market Fund Universe averaged 605 Funds with \$3.89 Trillion. Returns are Universe Median, reported quarterly. Prime (Tier 1) Institutional Money Market Fund Universe averaged 241 Funds with \$686 Billion. Returns are Universe Median, reported quarterly.

Sources: eVestment, NEPC



CONCLUSION

- **Markets remain anchored to a lower interest rate environment, even as the Federal Reserve maintains rates at a range of 5.25%-5.50%**
 - The U.S. has been on a smooth economic path over the last few years as the economy, markets, and consumers have digested higher rates in stride
- **NEPC expects the Fed will lessen their restrictive policy bias given recent trends in inflation and labor market data**
 - With that said, we remain biased to a higher rate environment than the market is expecting in the near-term
 - As such, the current yield environment is supportive for fixed income returns given an elevated carry and a positive SSF payout rate
 - Additional interest rate volatility can persist given expected Treasury bond issuance as the government funds growing deficits and higher interest expenses
- **NEPC's expected returns for fixed income asset classes remain elevated relative to the previous market environment, reflecting the impact of a higher interest regime**

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