



LIQUIDITY BENCHMARK DISCUSSION

DELAWARE OFFICE OF THE
TREASURER & CASH MANAGEMENT
POLICY BOARD

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LIQUIDITY BENCHMARKING OPENING THOUGHTS

- **The Liquidity portfolio encompasses high-quality, short duration funds that are used to handle the State's seasonal cash flow profile**

- **The benchmark for the Liquidity mandate serves a few key functions:**
 - Establishes the investment objective
 - Provides a standardized measure to evaluate manager performance
 - Provides a consistent reference point

- **NEPC prepared analysis on four representative benchmarks**
 - Bloomberg Short Treasury Bills (1-3 Months)
 - Bloomberg 3-Month Treasury Bill
 - Bloomberg Short Treasury Bills (3-6 Months)
 - ICE BofA 6-Month Treasury Bill

- **NEPC also considered modestly longer duration benchmarks, but opted not to include them as they focused on more narrow parts of the yield curve and/or are not widely utilized within the industry**

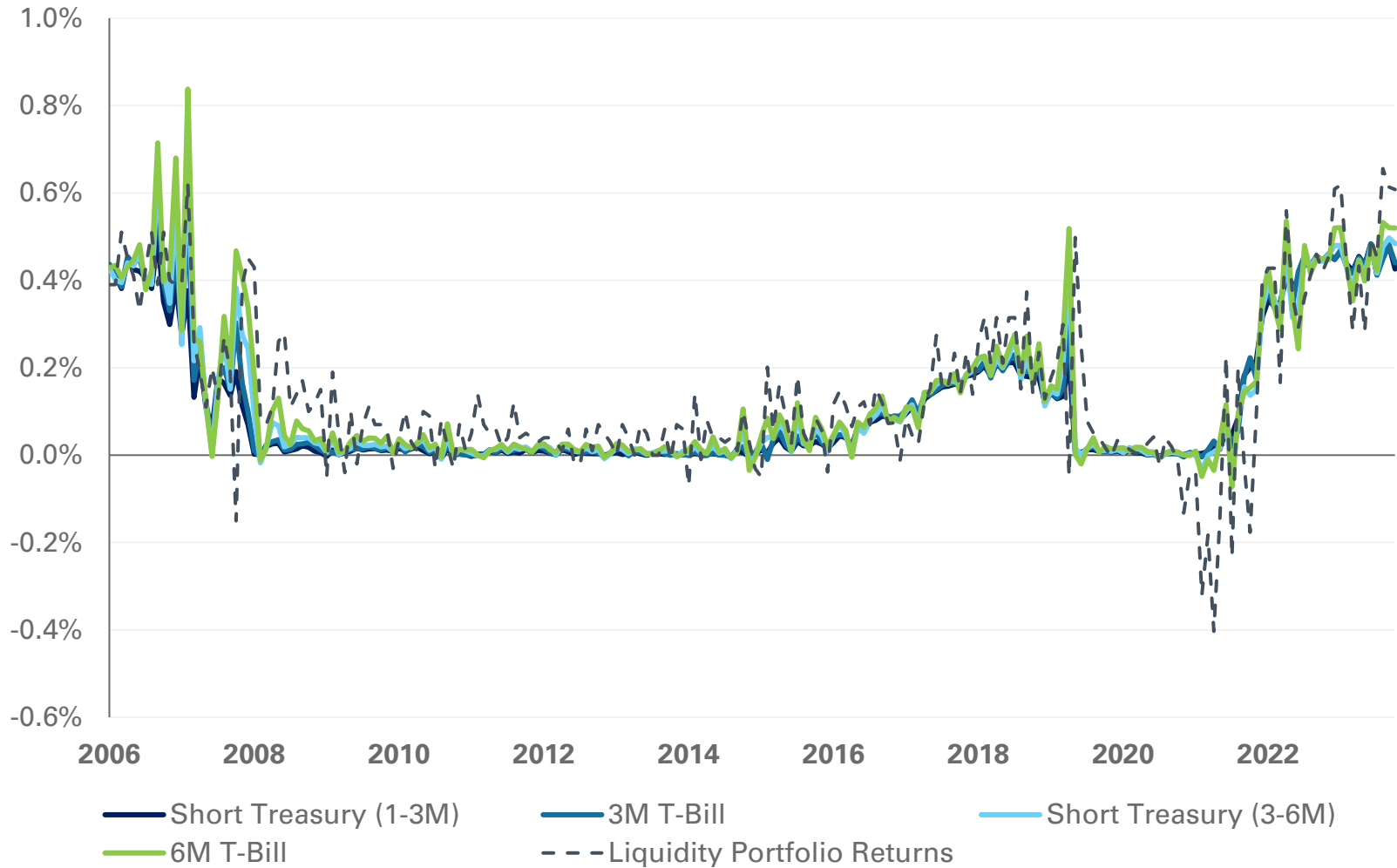
LIQUIDITY BENCHMARK COMPARISON

	Yield	Duration
BBG Short T-Bills (1-3M)	4.71%	0.08
BBG 3M T-Bill	4.63%	0.16
BBG Short T-Bills (3-6M)	4.51%	0.29
ICE BofA 6M T-Bill	4.36%	0.49
PFM	4.85%	0.59
Liquidity	4.43%	0.74
Total Liquidity Portfolio	4.64%	0.66

Note: Data as of September 30, 2024
Sources: Bloomberg, ICE, FactSet



HISTORICAL RETURNS COMPARISON



Sources: Bloomberg, ICE BofA, NEPC

CONCLUSIONS AND RECOMMENDATION

- **NEPC recommends the ICE BofA 6-Month Treasury Bill Index to evaluate the Liquidity portfolio and investment managers**
 - This benchmark best aligns with the Liquidity mandate and historical yield/duration profile of the portfolio
 - We recommend introducing the benchmark to monthly and quarterly performance reports to aid in portfolio performance discussions

- **We encourage a periodic review of portfolio benchmarks to ensure they are reflective of the stated mandate and align with industry best practices**
 - We also recommend revisiting the benchmarks should there be significant changes to the interest rate regime, such as what was experienced in 2020

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