



SSF RATE CALCULATION DATA SUPPORT

OFFICE OF THE TREASURER & CASH MANAGEMENT POLICY BOARD

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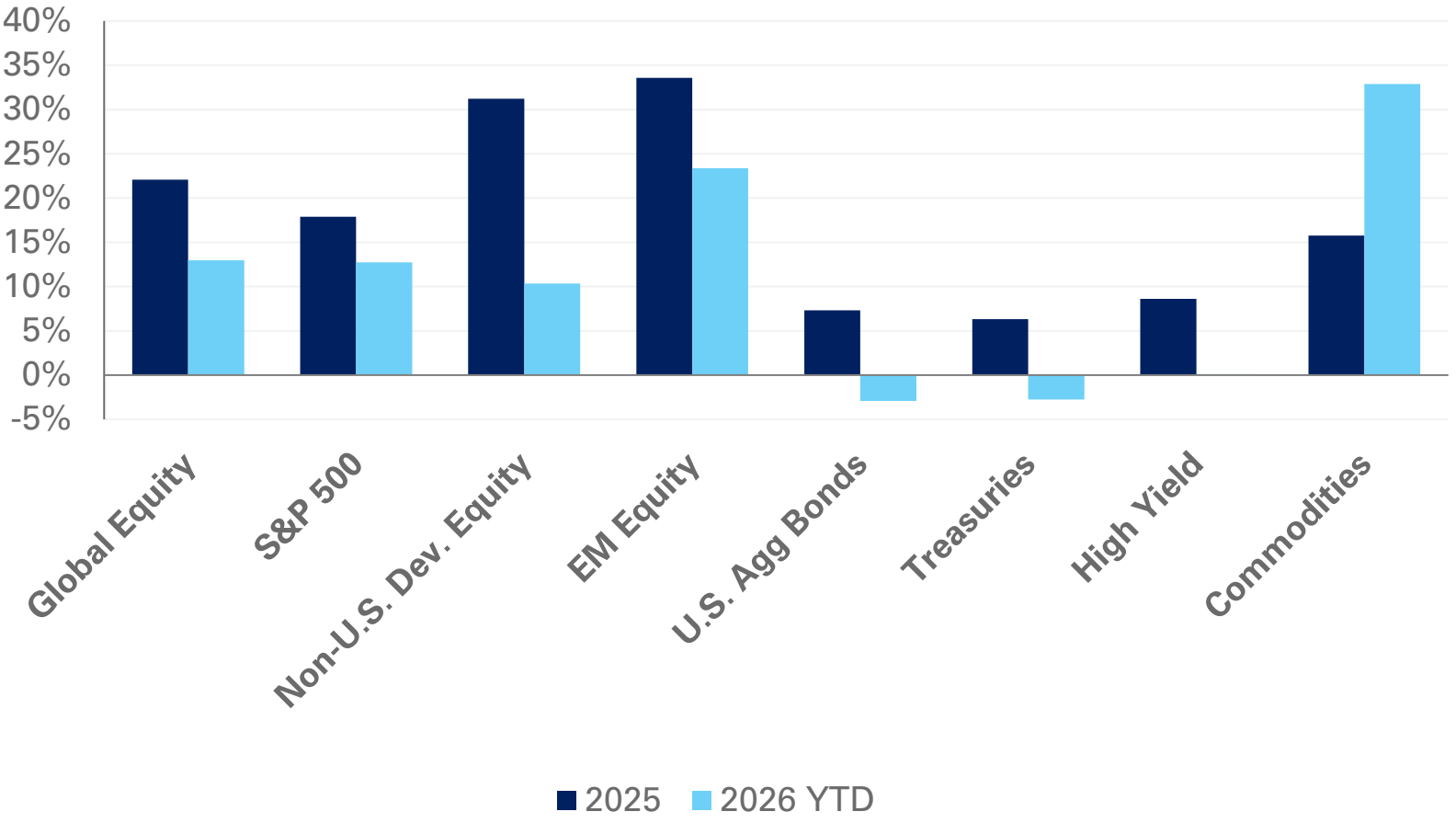
PROPRIETARY & CONFIDENTIAL

MARKETS HAVE BEEN RESILIENT DESPITE HIGHER RATES

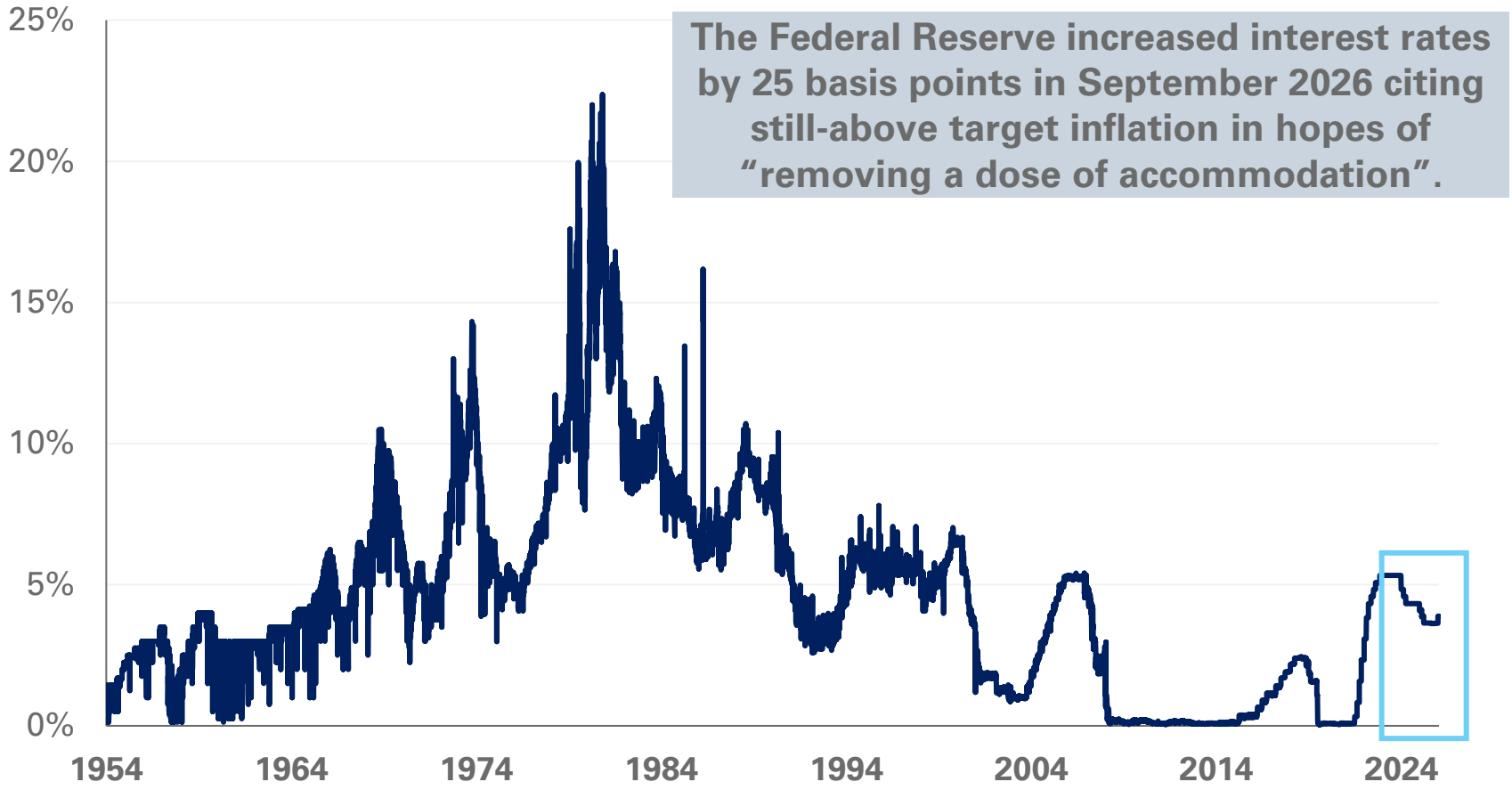
MARKET INDEX RETURNS



Notes: Year-to-date reflects returns 12/31/2025-09/30/2026
Sources: S&P, Russell, MSCI, JPM, Bloomberg, FactSet

A LONG-TERM HISTORY OF INTEREST RATES

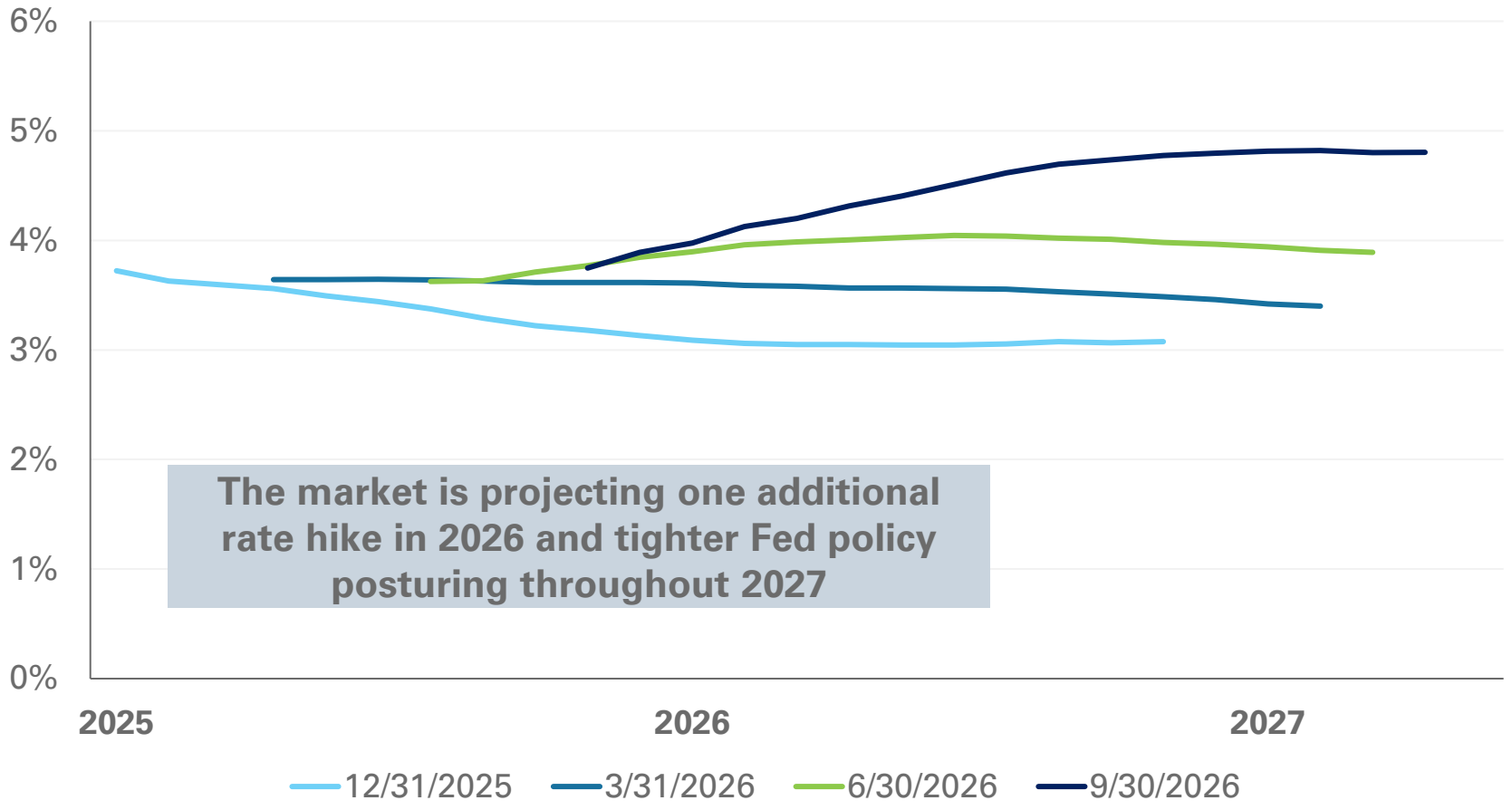
FED FUNDS EFFECTIVE RATE LONG-TERM HISTORY (1954-PRESENT)



Sources: Federal Reserve, FactSet, NEPC

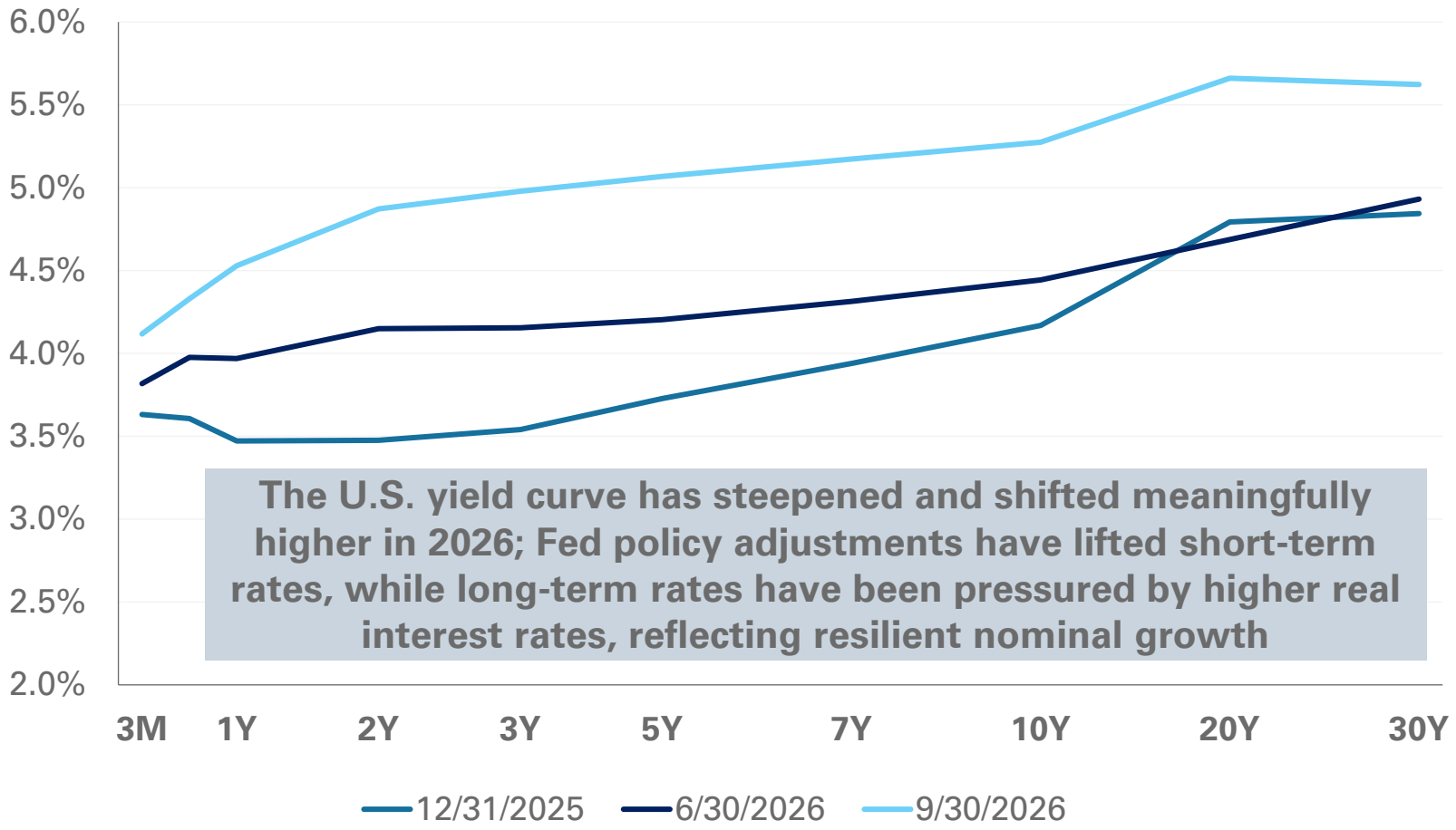
MARKET INTEREST RATE EXPECTATIONS TODAY

FEDERAL FUND FUTURES



Source: FactSet

EVOLUTION OF THE U.S. TREASURY YIELD CURVE



Sources: FactSet, NEPC

CURRENT SSF CALCULATION METHODOLOGY

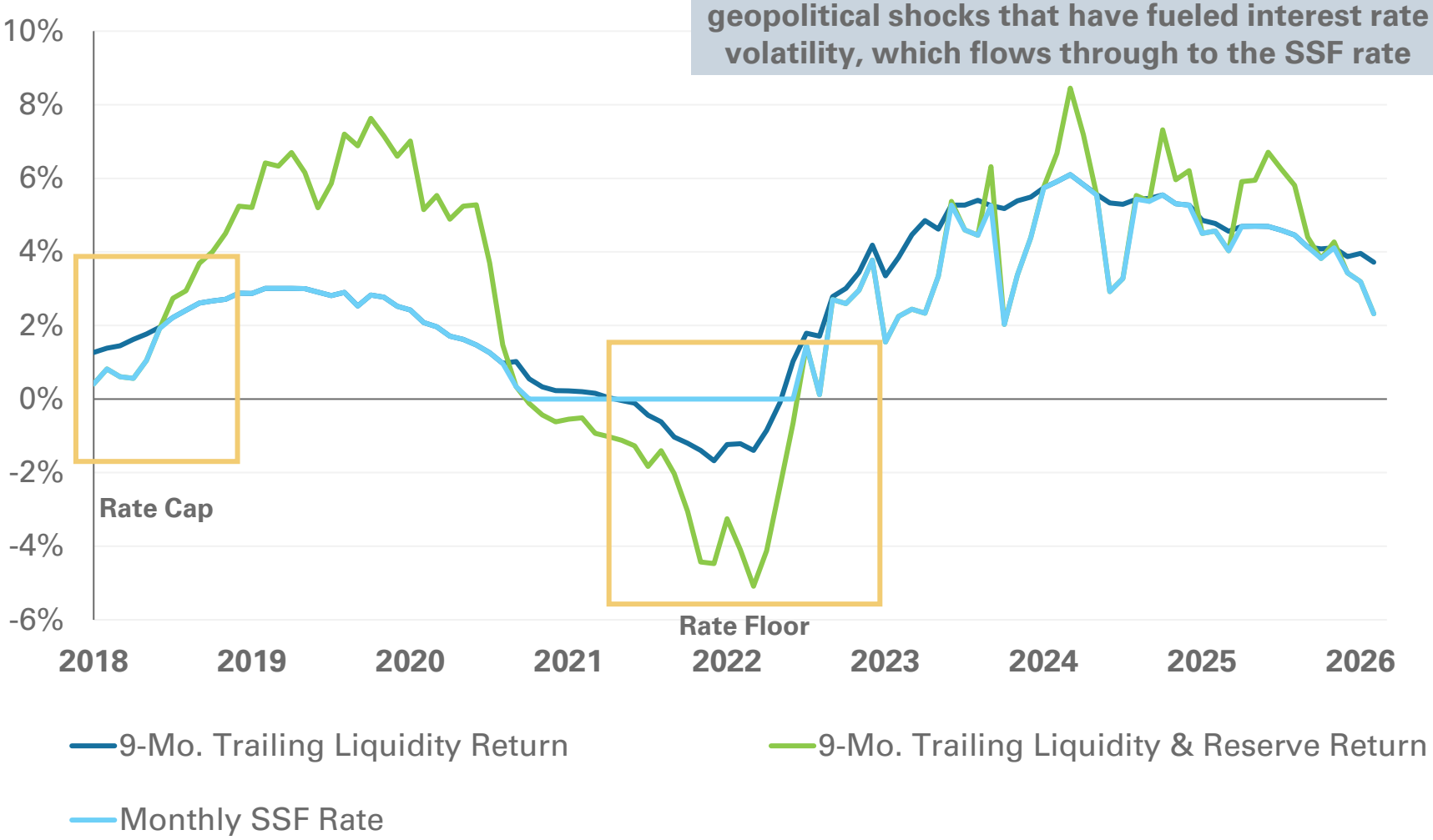
SSF Rate = 9-Month Rolling Average Return on the State's Liquidity Portfolio

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.

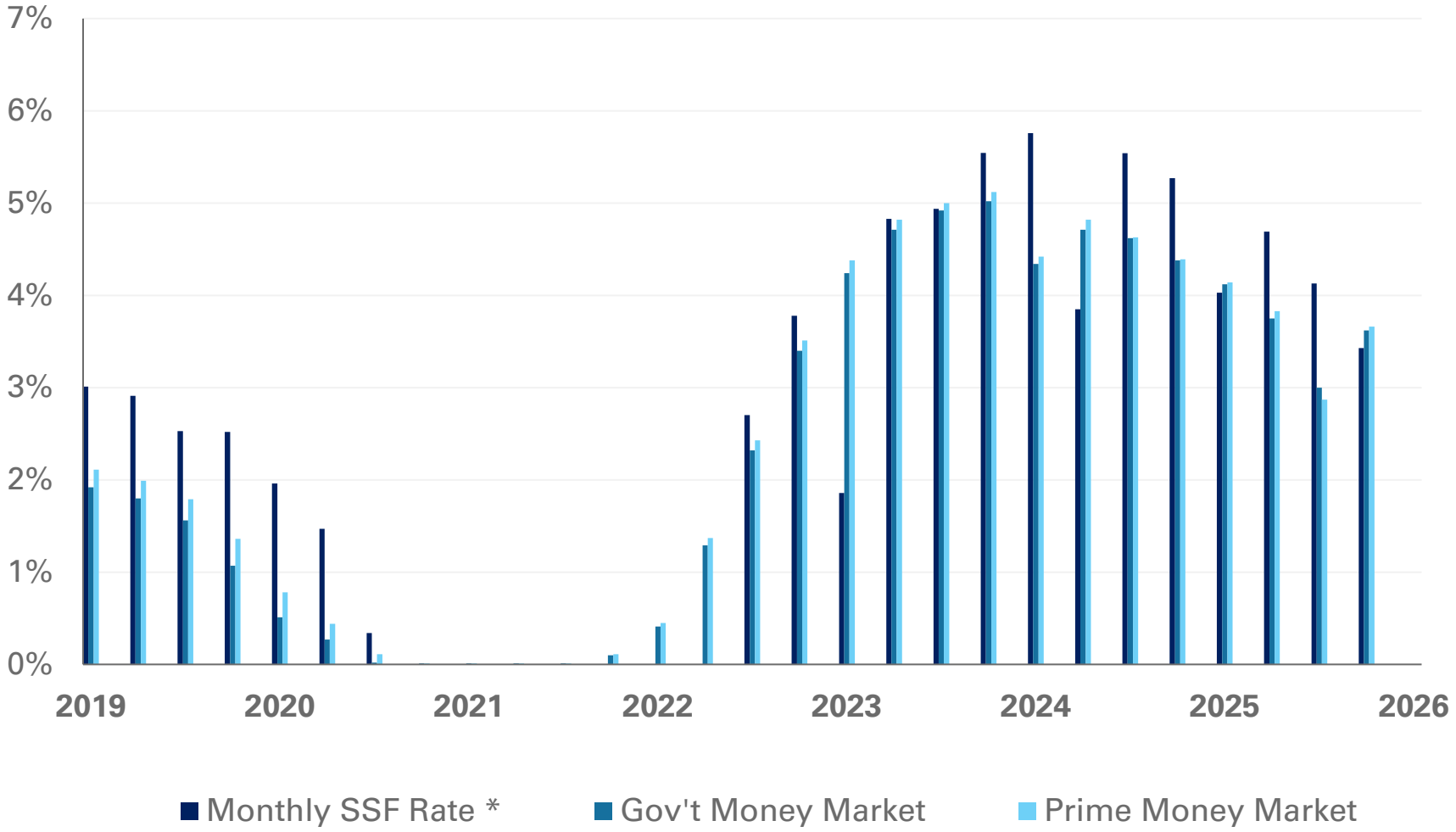
HISTORICAL RETURNS

Portfolio performance has been impacted by persistent inflation pressures and a series of geopolitical shocks that have fueled interest rate volatility, which flows through to the SSF rate



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
12/31/2021	-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%
9/30/2024			5.83%	5.80%	5.80%	4.34%	4.32%
12/31/2024			5.54%	3.89%	3.89%	4.71%	4.82%%
3/31/2025			5.58%	6.26%	5.58%	4.63%	4.62%
6/30/2025			4.45%	3.37%	3.37%	4.38%	4.39%
9/30/2025			4.80%	7.32%	4.80%	4.12%	4.14%
12/31/2025			4.53%	5.65%	4.53%	3.75%	3.83%
3/31/2026			4.02%	3.84%	3.84%	3.00%	2.87%
6/30/2026			3.59%	2.59%	2.59%	3.62%	3.66%

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 have demonstrated continued resilience even as the Federal Reserve increased rates to a range of 3.75%-4.00% and markets underwent a hawkish repricing of interest rate expectations**

- **NEPC maintains a lower rate bias than current market expectations as we believe market pricing is likely too hawkish on near-term interest rates given underlying trends in recent inflation data**
  - As such, we believe the current yield environment is attractive given the current level of interest rates and the potential tailwind for the SSF payout rate against this backdrop
  - Additional interest rate volatility is likely to persist in reaction to updated economic data and as the government continues to fund growing deficits with higher interest expenses
  - With that said, we are not concerned about the status of U.S. Treasuries as a safe-haven asset and still believe they provide appropriate liquidity and downside protection to the State's portfolio

- **NEPC's expected returns for fixed income asset classes remain elevated versus recent years, reflecting the impact of a higher interest regime**

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