COMMONWEALTH OF VIRGINIA
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Participant Newsletter June 30, 2023

LGIP
Investment Guidelines Compliance (06-30-23):

● Diversification:	Actual	Max.
U. S. Treasury/Agency	25%	100%
Repurchase Agreements	9%	50%
Negotiable CDs & BAs	36%	40%
Commercial Paper	30%	35%
Corporate	0%	25%
AAA Sovereign Govt	0%	10%
● Maturity Limitations:		
Average Days to Maturity	51 days	60 days

LGIP EM
Investment Guidelines Compliance (06-30-23):

● Diversification:	Actual	Max.
U. S. Treasury/Agency	57%	100%
Repurchase Agreements	0%	50%
Negotiable CDs & BAs	27%	45%
Commercial Paper	13%	35%
Corporate	1%	25%
AAA Sovereign Govt	1%	10%
Virginia Treasury LGIP Portfolio	0%	15%
● Duration Limitations:	0.77 years	1 Yr +/-3Mo

LGIP Monthly Statistics (06-30-23):

- Avg NAV: $11,675,581,000
- Active Accounts: 842
- Simple Yield: 5.24%
- Effective Yield: 5.37%
- NAV (per Share): $1.00

Quarterly Performance:

● Average Yield:	4th Qtr FY 23	FY 23
LGIP ($ weighted)	5.15%	3.98%
Institutional Money Funds[1]	4.21%	3.51%
Treasury 3-Mo. Constant Maturity[2]	5.27%	4.24%

[1]Consists of 494 institutional money market funds totaling $3.4 trillion as reported by iMoneyNet as of 06-30-23.

[2]Federal Reserve Bank H.15 Release.

LGIP EM Monthly Statistics (06-30-23):

- NAV: $359,910,000
- Active Accounts: 38
- Simple Yield: 3.70%
- Yield as of 03-31-23: 3.87%
- NAV (per Share): $9.86

Quarterly Performance:

•**Total Return:**	4th Qtr FY 23	FY 23
LGIP EM	0.77%	2.79%
U.S. 1-Year Treasury Bill Index[1]	0.45%	2.48%
● Average Yield:		
LGIP EM ($ weighted)	3.66%	2.86%
U.S. 1-Year Treasury Bill Index[2]	5.07%	4.42%

[1]The annual performance benchmark is BofA Merrill Lynch U.S. 1-year Treasury Bill Index + 15 bps.

[2]The ICE BofAML US 1-year Treasury Bill Index Yield to Maturity as of 06-30 2023..

Market and Economic News

The yield curve shifted higher in the April to June quarter with the most pronounced increase among one-to-three-year maturities, effectively inverting the curve further (long-term yields solidly lower than shorter dated offerings). The resolution to contentious debt ceiling negotiations at least partially catalyzed the higher move in rates. Diminishing concerns over liquidity in the regional banking sector and positive data prints (suggesting a resilient domestic economy) also pushed rates higher, mostly due to firming expectations that the Fed will continue their restrictive bias and raise policy rates further.

Despite a general consensus among market participants over the Fed's hawkish bias, expectations for the direction of market rates remain very much in flux. In May, the FOMC raised policy rates by 0.25 percent to a range of 5.00 percent to 5.25 percent. The increase was accompanied by a statement leaving open the possibility of a pause in rate increases. However, Federal Reserve Chairman Jerome Powell signaled in the accompanying press conference that a transition away from the present tightening cycle may remain further in the future with the FOMC utilizing a meeting-by-meeting approach to setting policy. Futures markets shifted in response, pushing expectations of a rate cut into 2024 and pricing in an additional summer increase of at least 0.25 percent in policy rates.

Measures of inflation have continued a downward trend but remain well above the Federal Reserve's targeted annual rate of 2.00 percent. This level of price increases remains incompatible with a near term reversal in rates, especially when coupled with stronger than expected economic activity. Employment, a lagging economic indicator, has so far shown little reaction to cumulative rate increases of more than 500 basis points. US GDP increased in the first quarter and was recently revised above market expectations. Signs of elevated stress remain present in the regional banking sector, though the use of Federal Reserve and agency liquidity facilities has addressed immediate concerns. Given resilient economic data, we have growing confidence in the ability of the LGIP to provide an annualized return at or above current levels through the end of 2023.