COMMONWEALTH OF VIRGINIA
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Participant Newsletter March 31, 2023

LGIP
Investment Guidelines Compliance (03-31-23):

● Diversification:	Actual	Max.
U. S. Treasury/Agency	21%	100%
Repurchase Agreements	9%	50%
Negotiable CDs & BAs	41%*	40%
Commercial Paper	29%	35%
Corporate	0%	25%
AAA Sovereign Govt	0%	10%

* passive overage due to large participant withdrawals on 3-31-2023.

● Maturity Limitations:		
Average Days to Maturity	51 days	60 days

LGIP Monthly Statistics (03-31-23):

- Avg NAV: $10,196,384,000
- Active Accounts: 835
- Simple Yield: 4.83%
- Effective Yield: 4.93%
- NAV (per Share): $1.00

Quarterly Performance:

● Average Yield:	3rd Qtr FY 23	YTD FY 23
LGIP ($ weighted)	4.73%	3.58%
Institutional Money Funds[1]	4.21%	3.11%
Treasury 3-Mo. Constant Maturity[2]	4.78%	3.47%

[1]Consists of 494 institutional money market funds totaling $3.2 trillion as reported by iMoneyNet as of 03-31-23.

[2]Federal Reserve Bank H.15 Release.

LGIP EM
Investment Guidelines Compliance (03-31-23):

● Diversification:	Actual	Max.
U. S. Treasury/Agency	59%	100%
Repurchase Agreements	0%	50%
Negotiable CDs & BAs	18%	45%
Commercial Paper	18%	35%
Corporate	4%	25%
AAA Sovereign Govt	1%	10%
Virginia Treasury LGIP Portfolio	0%	15%

● Duration Limitations:	0.81 years	1 Yr +/-3Mo

LGIP EM Monthly Statistics (03-31-23):

- NAV: $358,146,000
- Active Accounts: 38
- Simple Yield: 3.32%
- Yield as of 03-31-23: 3.40%
- NAV (per Share): $9.87

Quarterly Performance:

	3rd Qtr FY 23	YTD FY 23
● Total Return:		
LGIP EM	1.31%	1.99%
U.S. 1-Year Treasury Bill Index[1]	1.34%	2.02%
● Average Yield:		
LGIP EM ($ weighted)	3.29%	2.57%
U.S. 1-Year Treasury Bill Index[2]	4.68%	4.20%

[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 03-31 2023..

Market and Economic News

LGIP Stable Value portfolio performance is highly correlated with movements in Federal Reserve monetary policy (‘Federal funds’) rates. In this context, the near-term outlook for LGIP returns is contingent on a number of uncertainties that muddy the waters of expected future official Fed policy action. During much of the last year, price stabilization of US goods and services has been the primary focus of the Federal Open Market Committee (FOMC), motivating the most hawkish rates policy actions in over 40 years. Recently, however, regional banks have come under pressure, primarily because interest rates have increased so quickly. Many market observers suggest this financial market instability will force the FOMC to cut rates, possibly within the next few months. While there are upside and downside risks to yields for the remainder of the year, our baseline expectation is that the LGIP will continue to provide an annualized return close to current levels for the remainder of 2023.

In March, the FOMC raised policy rates by 0.25 percent to a range of 4.75 percent to 5.00 percent. This action marked the ninth consecutive time that policy rates have been tightened over the last year. Market volatility has been elevated leading up to and after the meeting, as sticky inflation readings and strong jobs data coincided with

recent banking sector stability concerns. Funding stress and market volatility will likely result in tighter lending standards, but the full extent of tightening remains to be seen. Fed Chair Powell has stated that the FOMC remains focused on its inflation mandate and, according to the Summary of Economic Projections, most committee members expect additional tightening by year-end, pointing to a peak policy rate range of 5.0 percent to 5.25 percent. However, futures market trading is pricing a different path, factoring in the risks of a domestic recession in the near-term, and suggesting one more 25 basis point hike in May before embarking on an easing cycle in the fall.

Financial market volatility, largely tied to the speed at which the Fed has raised policy rates over the last year, was punctuated by several bank failures during March. Silicon Valley Bank and Signature Bank fell into FDIC receivership after experiencing runs on their deposits, causing customers of all but the largest banks to question the safety of balances above the $250,000 deposit insurance threshold. Seeking to circumvent further deposit flight contagion, banks quickly raised cash balances via Fed facilities and through advances from the Federal Home Loan Bank System. Banks have since held total usage of these liquidity facilities steady and deposit flight pressures have eased, although market participants are still moving cash out of bank deposits into higher yielding money market alternatives. Credit Suisse, which had already been experiencing internal governance issues, also experienced a devastating loss of confidence, leading Swiss authorities to backstop a takeover of the bank by stronger Swiss rival UBS.

It is the policy of the LGIP portfolio to invest in high quality, diversified assets. Investments are monitored for changes in fundamentals with purchases limited to issuers ranked among the highest tiers of credit quality. The LGIP portfolio has no exposures to the failed banks or to Credit Suisse and has not incurred any related losses.