Curtis M. Loftis, Jr., Treasurer

QUARTERLY UPDATE **MAY 2021**

SOUTH CAROLINA
LOCAL GOVERNMENT INVESTMENT POOL

Administered by South Carolina State Treasurer's Office

TREASURER'S MESSAGE

Curtis M. Loftis, Jr.
Treasurer

Greetings and Happy Spring! I hope your year is off to a great start. Our LGIP team is staying focused on delivering a well-managed portfolio.

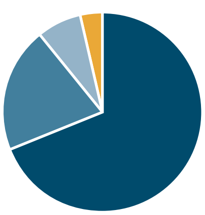
Our investment team continues to monitor rates and market activity as our nation welcomed a new U.S. Secretary of the Treasury in late January. The Federal Reserve appears poised to keep rates steady for the foreseeable future.

While rates remain low, investors continue to search for a yield advantage. I invite you to keep reading about the many benefits of investing in LGIP as compared to various bank products you may be considering.

As always, we appreciate your business and are here to help meet your financial goals.

LGIP AT A GLANCE

PORTFOLIO COMPOSITION (%)
AS OF 3/31/21



MARCH 31, 2021

- Mkt Value: $8,806,390,265
- LGIP Rate: 0.13%

LGIP PARTICIPANT BREAKDOWN

- 40 Counties
- 95 Municipalities
- 70 School Districts
- 59 Special Purpose Districts
- 12 Disability and Special Needs
- 8 Council of Governments

COMPARING LGIP TO BANK OFFERINGS

LGIP:

- Daily Liquidity
- Low fees
- Diversification
- Actively managed to maximize yield
- Account size does not dictate yield
- No minimum investment
- Seeks to preserve $1.00 NAV
- Unlimited transactions
- Transparent
- Not insured or federally guaranteed

BANK PRODUCTS:

- Liquidity differs by product type
- Stable principal
- Insured [1]
- Fixed rates
- Rates set by bank, not market
- Limited Investment Options

[1] The FDIC limits insurance on deposit accounts to $250,000 per bank.

PORTFOLIO OVERVIEW AS OF 3/31/21

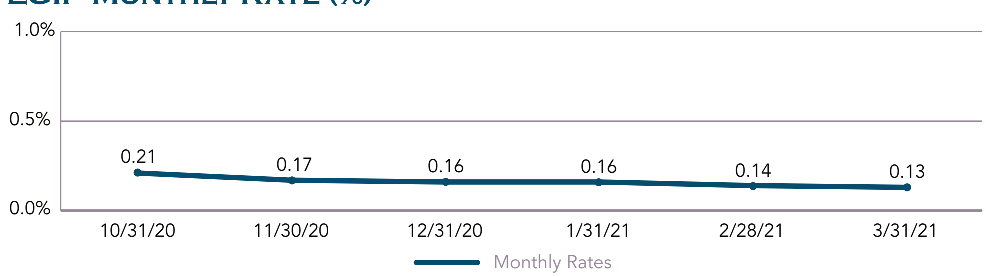
- Weighted Average Maturity: 51.47
- Weighted Average Life: 55.42

iPAS allows participants to stay up to date on account information, including transactions.

Visit the iPAS website here:
https://lgip.sc.gov/iPAS/login.ipas

Visit the LGIP website here:
https://www.treasurer.sc.gov/what-we-do/for-governments/local-government-investment-pool

LGIP MONTHLY RATE (%)



NACHA Compliance Update

The State Treasurer's Office wants to remind state agencies, local governments and other public institutions who originate ACH transactions about important NACHA rule changes going into effect soon. Please review the information provided on our website's Banking page to learn about the upcoming NACHA Rule changes and the relevant deadlines for implementation.

https://treasurer.sc.gov/what-we-do/for-governments/banking/

Contact Information

For more information about the Local Government Investment Pool, please contact:

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If you have any questions about LGIP please email sto.lgip@sto.sc.gov

Commentary

Asked the same questions countless times and in numerous ways, the Federal Reserve did not budge from its position on monetary policy in the first quarter of 2021. The question most often volleyed at policymakers was their view of inflation. Their response was to take the long view that they expect it to remain subdued in the coming years.

The quarter began with the hope that the new year might be an inflection point in the Covid-19 pandemic and political strife. This was not to be the case due to a tight election for two Senate seats in Georgia, a riot at the Capitol building and multiple lawmakers objecting to the legitimacy of President Biden's win. Similarly, the pandemic continued to engulf the U.S. and vaccine distribution was slow. Data showed that the mandated restrictions over the winter stalled the economic recovery, even reversing gains in the labor market. The Federal Open Market Committee (FOMC) meeting in January left rates in the 0-0.25% range and purchases of government securities at $120 billion a month.

February shifted to a positive direction. The vaccination rollout improved and new cases of Covid-19 slowly fell. The confirmation of former Fed Chair Janet Yellen as Secretary of the Treasury suggested that fiscal and monetary policy might be better aligned. This, along with the Democratic majority in Congress, increased the likelihood of another stimulus package. Both pent-up consumer demand and the prospect that the end of pandemic was in sight created sentiment that a rebound in gross domestic product would follow. But this shift in mood began to play out with a swift rise in longer rates. The yield on the 10-year U.S. Treasury began to soar as expectations grew that a robust recovery amid highly accommodative monetary policy might spur inflation.

In many speeches and appearances, Fed Chair Jerome Powell acknowledged the apprehension but stated that policymakers believe an uptick in prices would be transitory. In the March FOMC meeting, this stance was affirmed as they made only slight shifts to rate projections. While the updated Summary of Economic Projections pushed estimates for core inflation above 2% at the end of 2021, Powell reiterated that the Fed would be willing to let it pass that mark until the labor market and economy seemed on steady footing.

In March, more federal economic relief arrived. The $1.9 trillion American Rescue Plan sent stimulus checks to those who qualified and provided direct and substantial aid to state and local governments and other entities.

Treasury yields ended the quarter with 1-month at 0.01%, 3-month at 0.02%, 6-month at 0.04%, and 12-month at 0.07%. The London interbank offered rate (Libor) ended the quarter with 1-month at 0.11%, 3-month at 0.19%, 6-month at 0.21% and 12-month at 0.28%.

Portfolio composition is subject to change.
An investment in LGIP is not insured or guaranteed by any government or government agency.