

Investment Review Third Quarter 2022

Prepared for Management Committee

Mark Thompson, Director Treasury

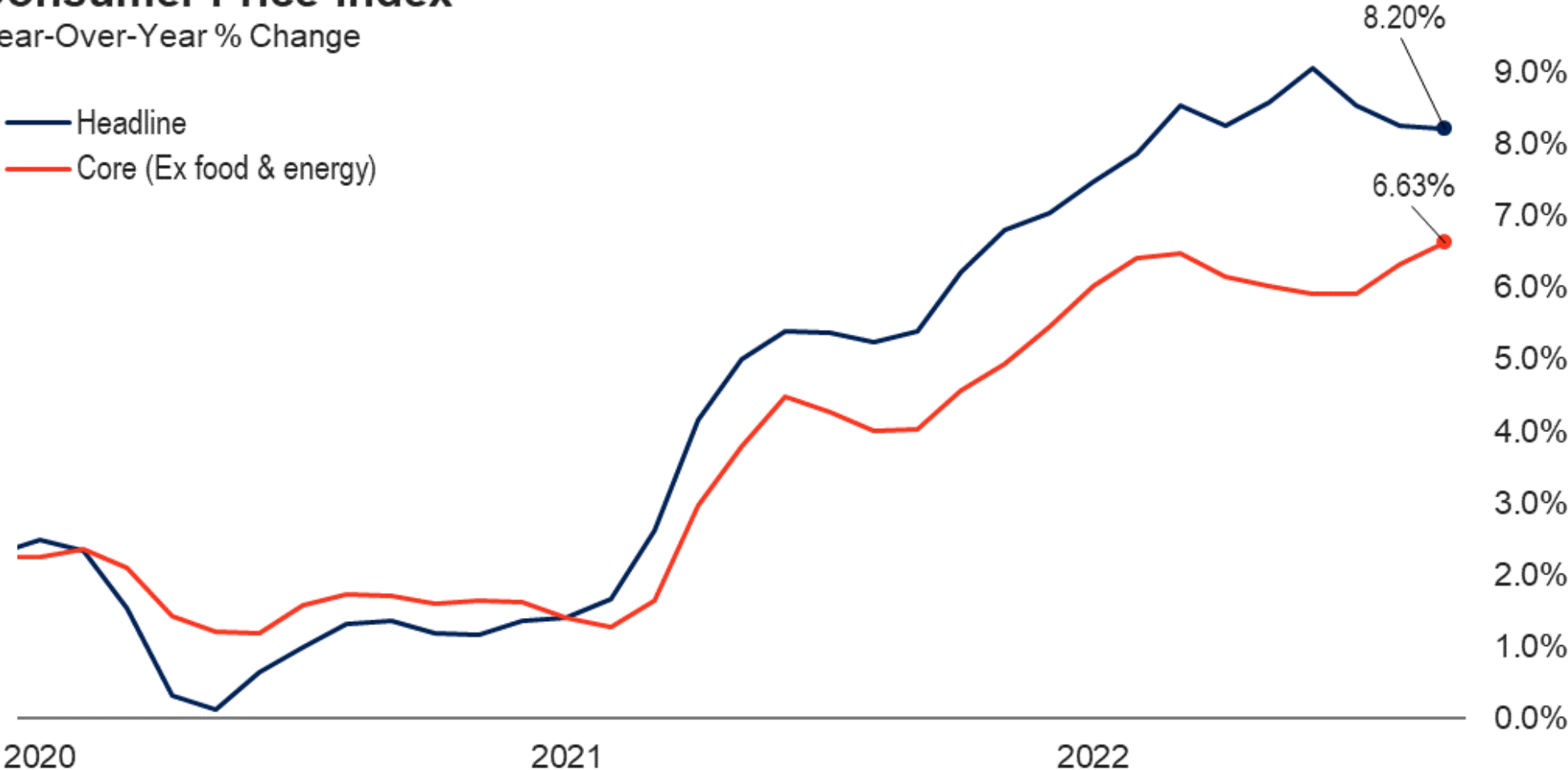


November 9, 2022

Inflation

Consumer Price Index
Year-Over-Year % Change

— Headline
— Core (Ex food & energy)

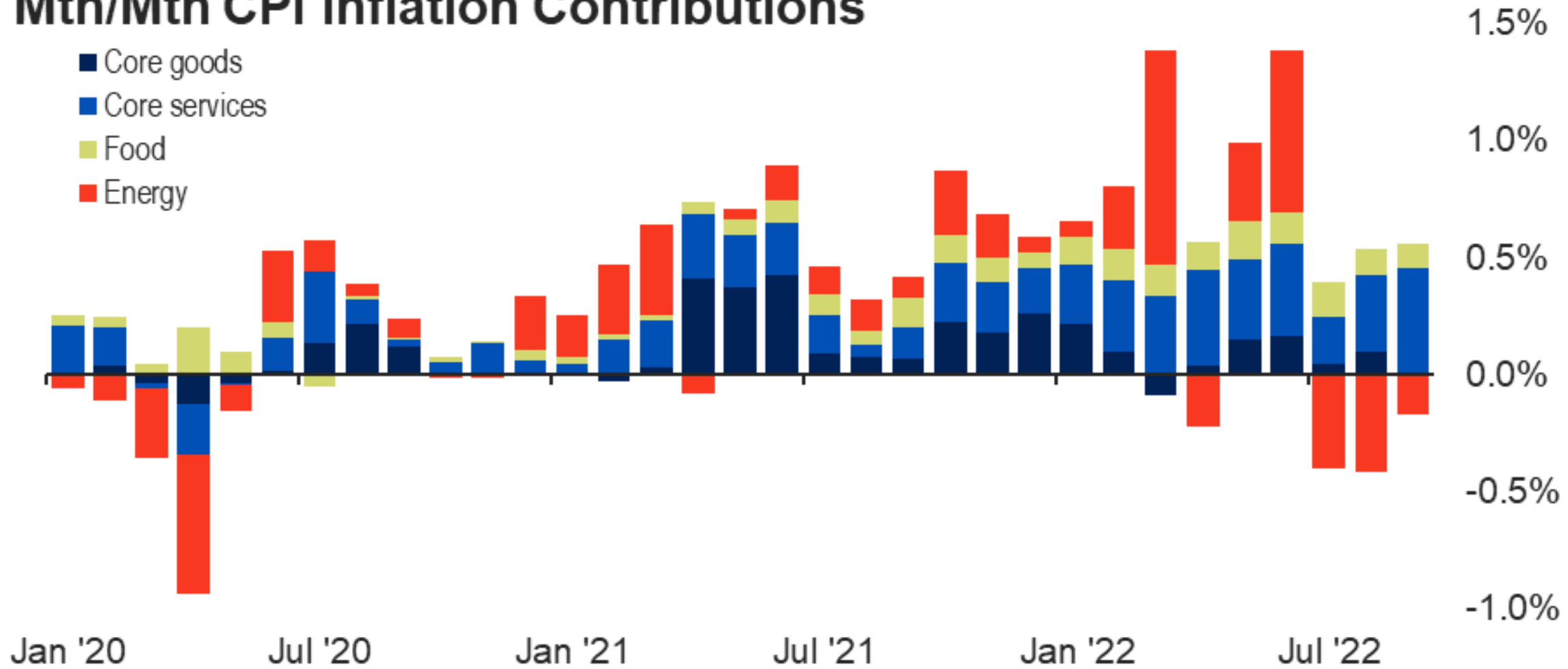


- **8.5% July**
- **8.3% August**
- **8.2% September**
- **Fed's goal 2.0%**

Source: Bureau of Labor Statistics

Inflation

Mth/Mth CPI Inflation Contributions

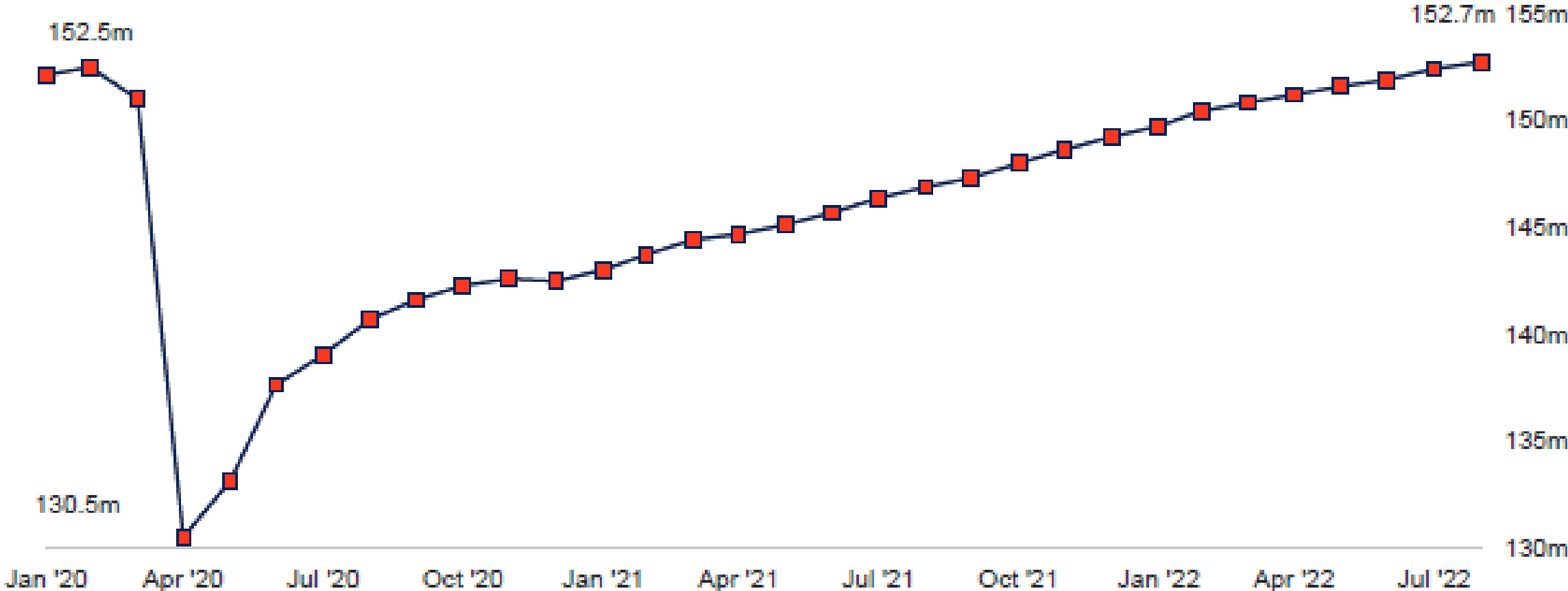


Source: Bureau of Labor Statistics

Labor Market

Nonfarm Payrolls

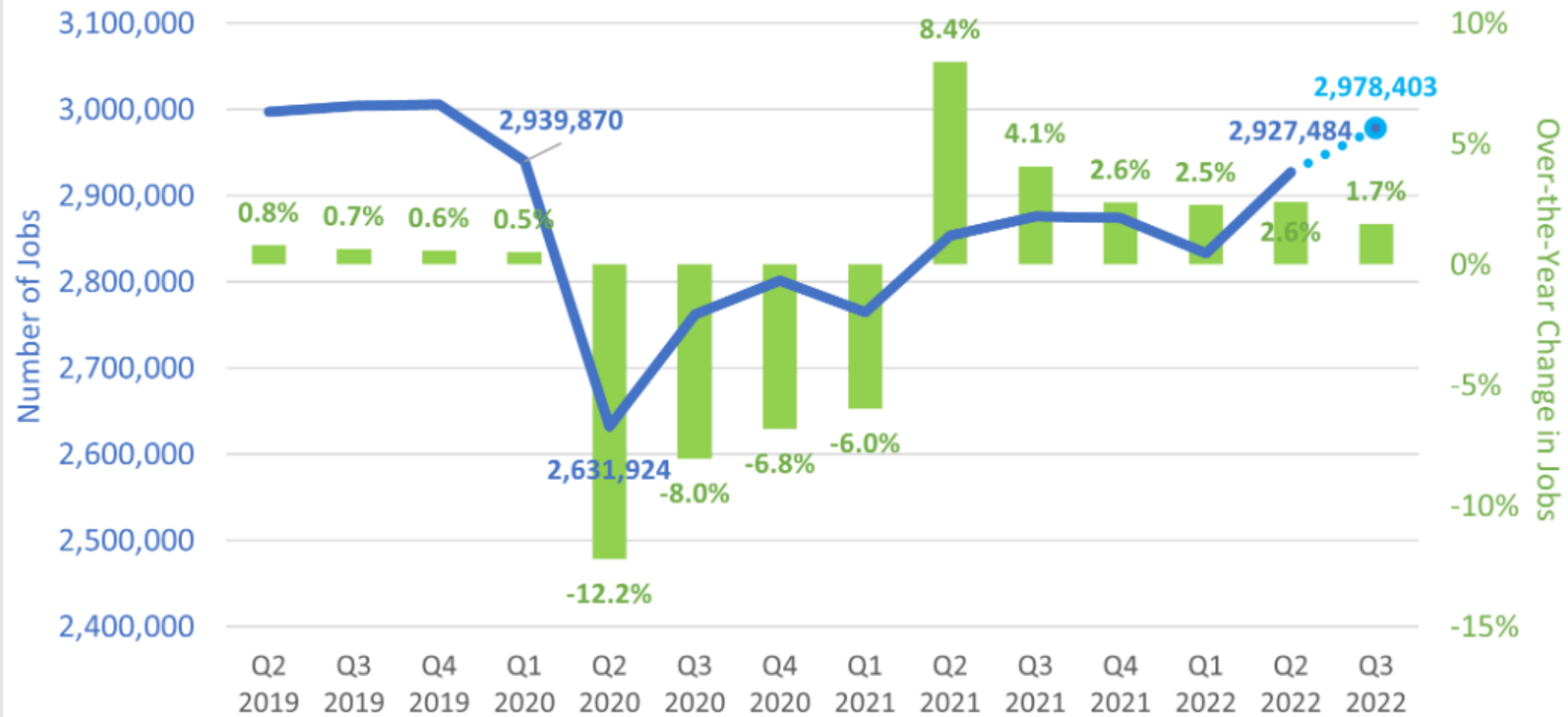
Level, in millions, seasonally adjusted



Source: Bureau of Labor Statistics, FHN Financial

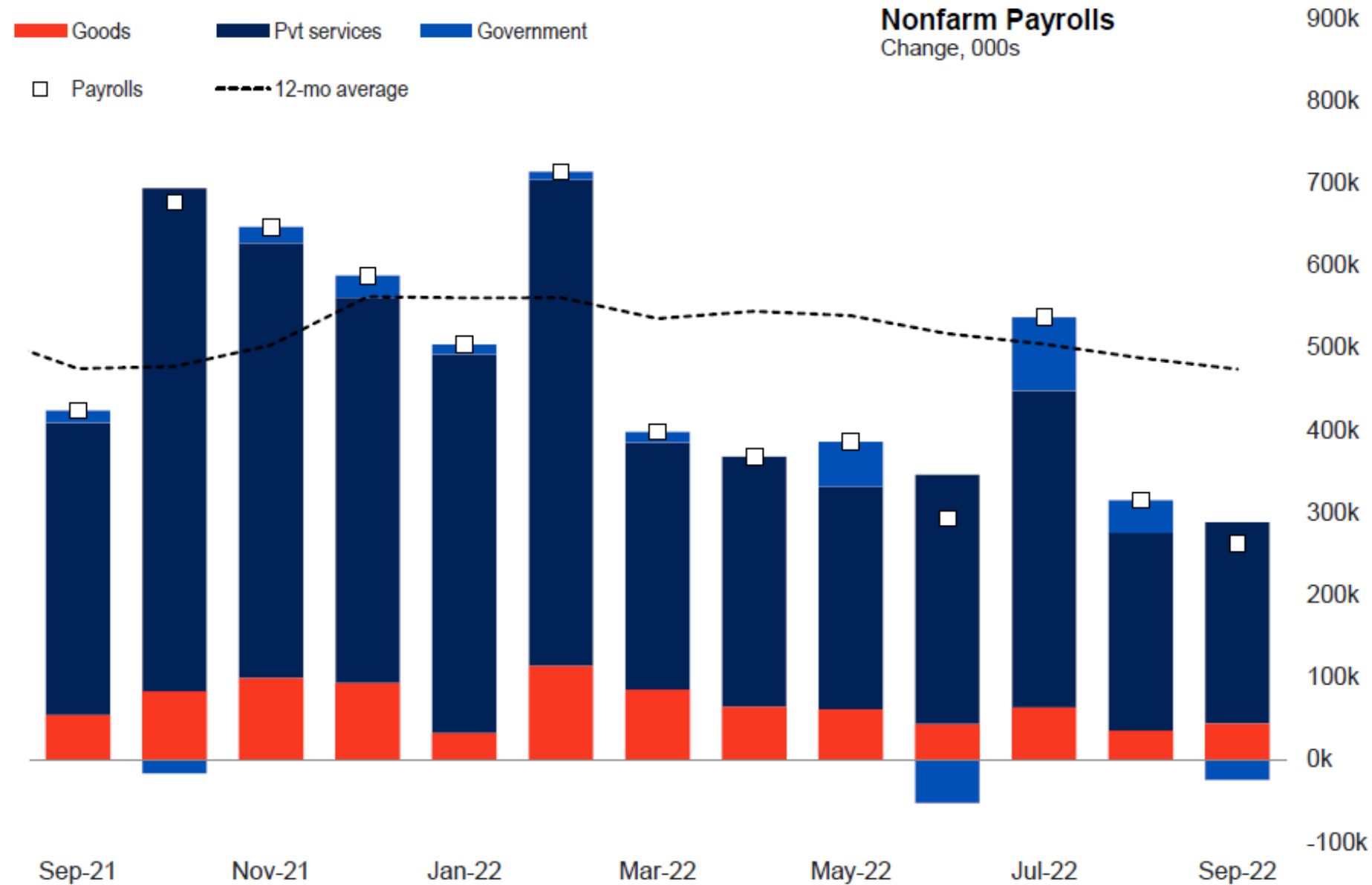
Minnesota Job Growth

Figure 1. Minnesota Employment Trends



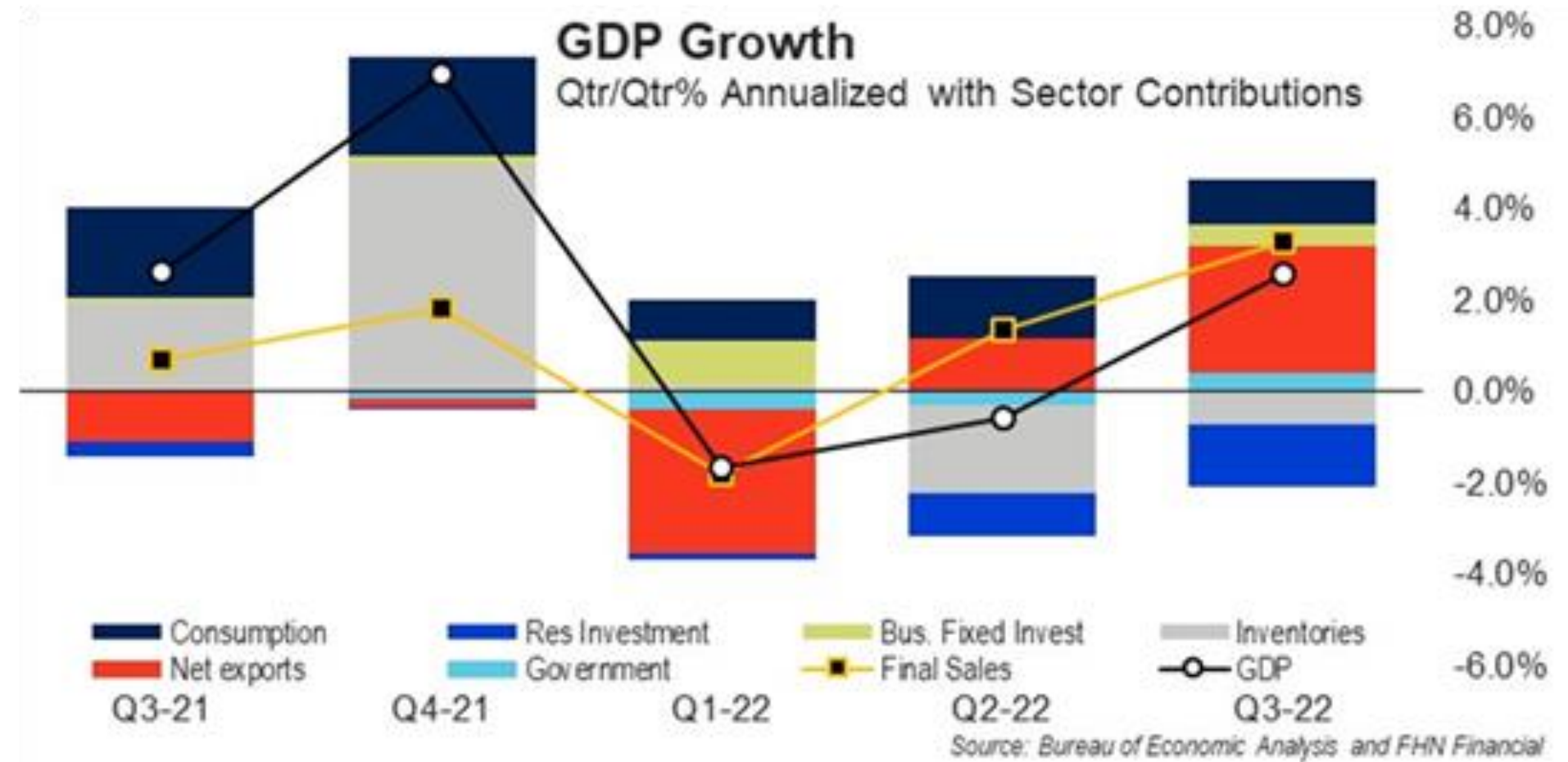
Source: DEED Current Employment Statistics, * - Employment Projections

Job Growth Strong, Slowing

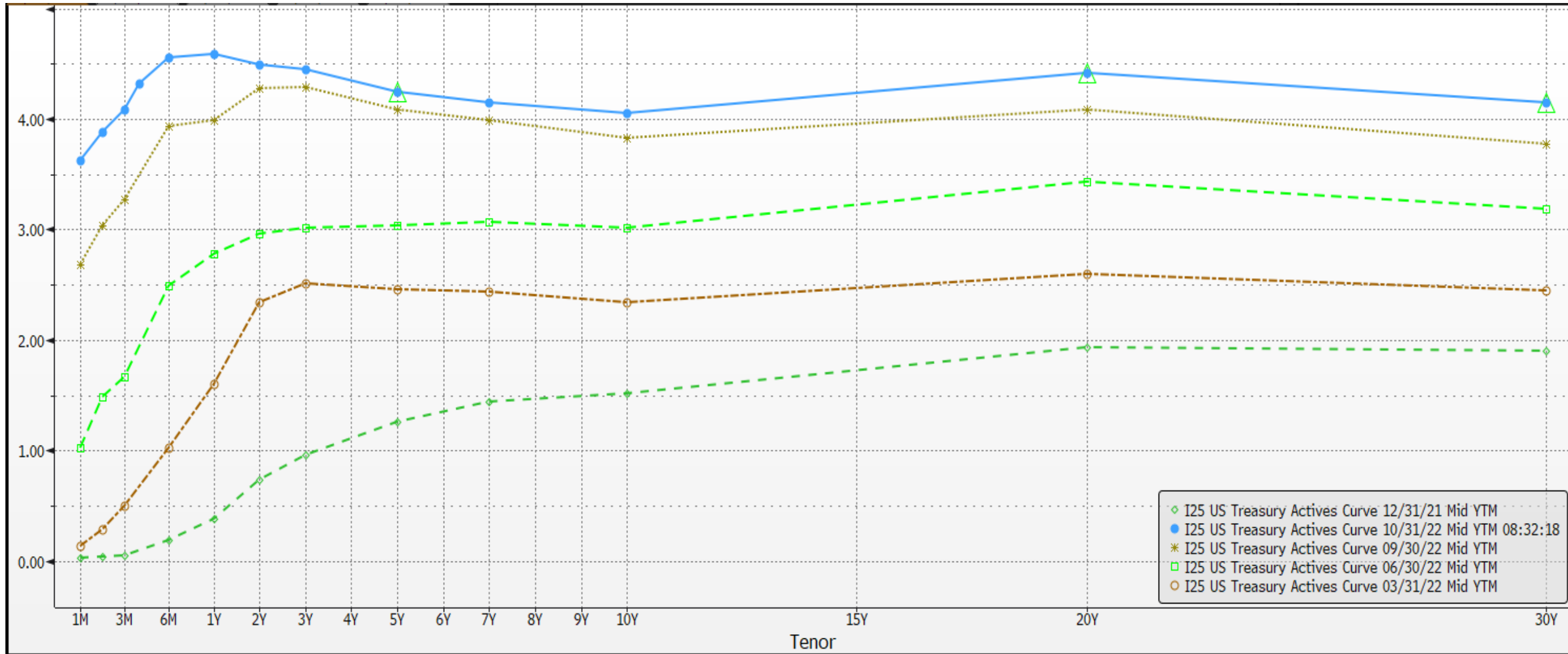


Economic Growth

- GDP +2.6% in 3Q
- After two consecutive negative quarters (1Q -1.6%, 2Q -.6%)
- Not expected to last
- Decrease in residential real estate, and retail inventory reductions
- Growth in consumer spending, exports, business spending



Treasury Yield Curve



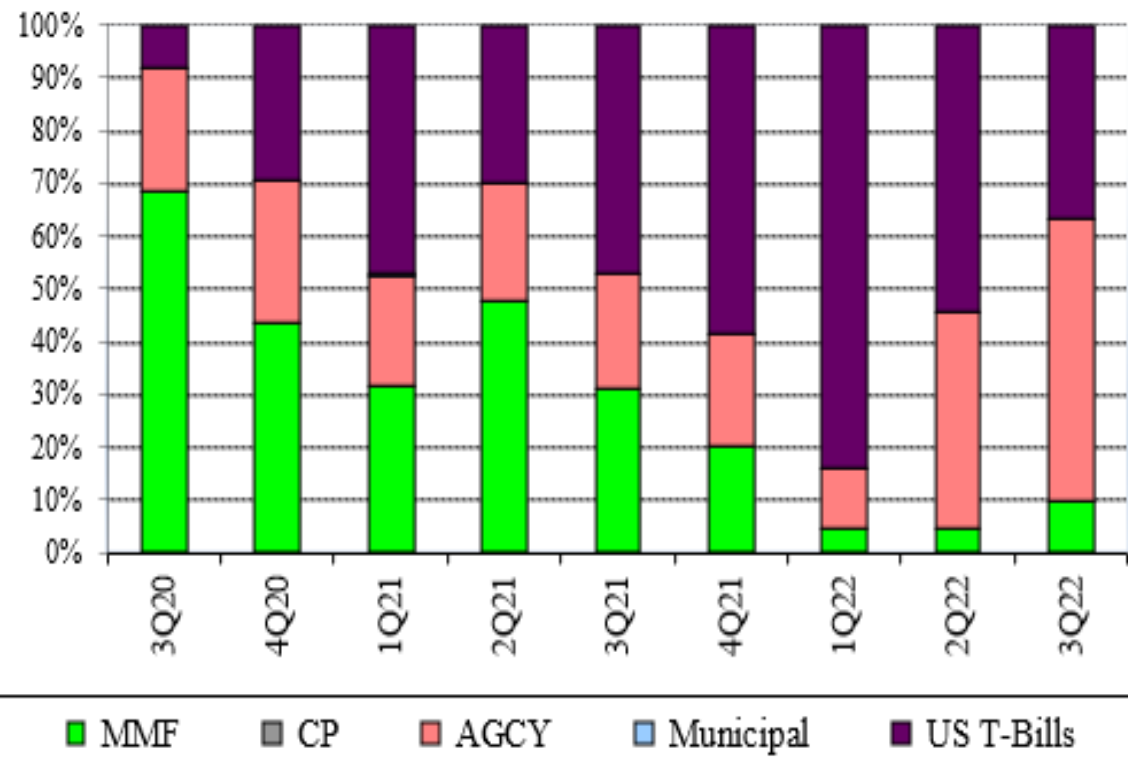
Source : Bloomberg

S&P 500 Index



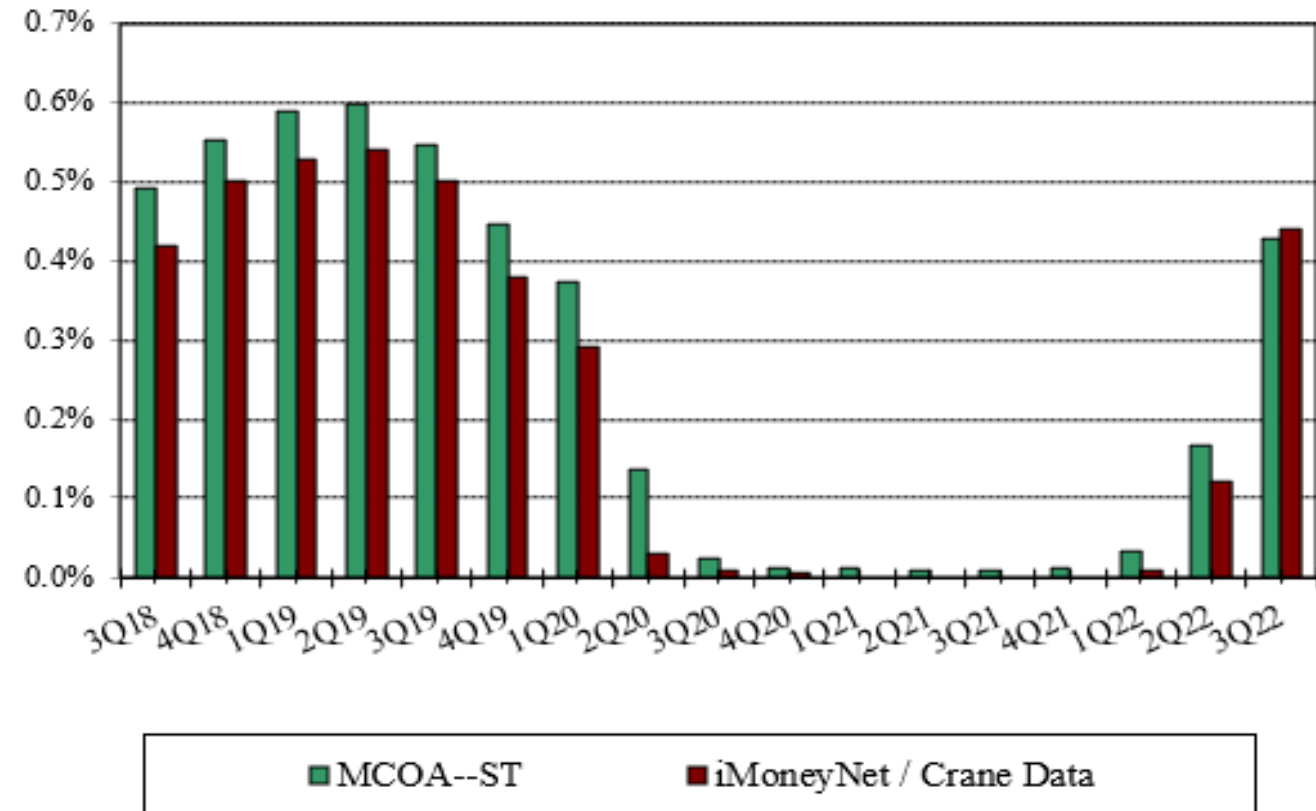
Short-Term Portfolio

Sector Allocation



- \$974 million
- U.S. Treasury Bills (\$359 million, 37%)
Government Discount Notes (\$516 million, 53%)
Money Market (\$99 million, 10%)

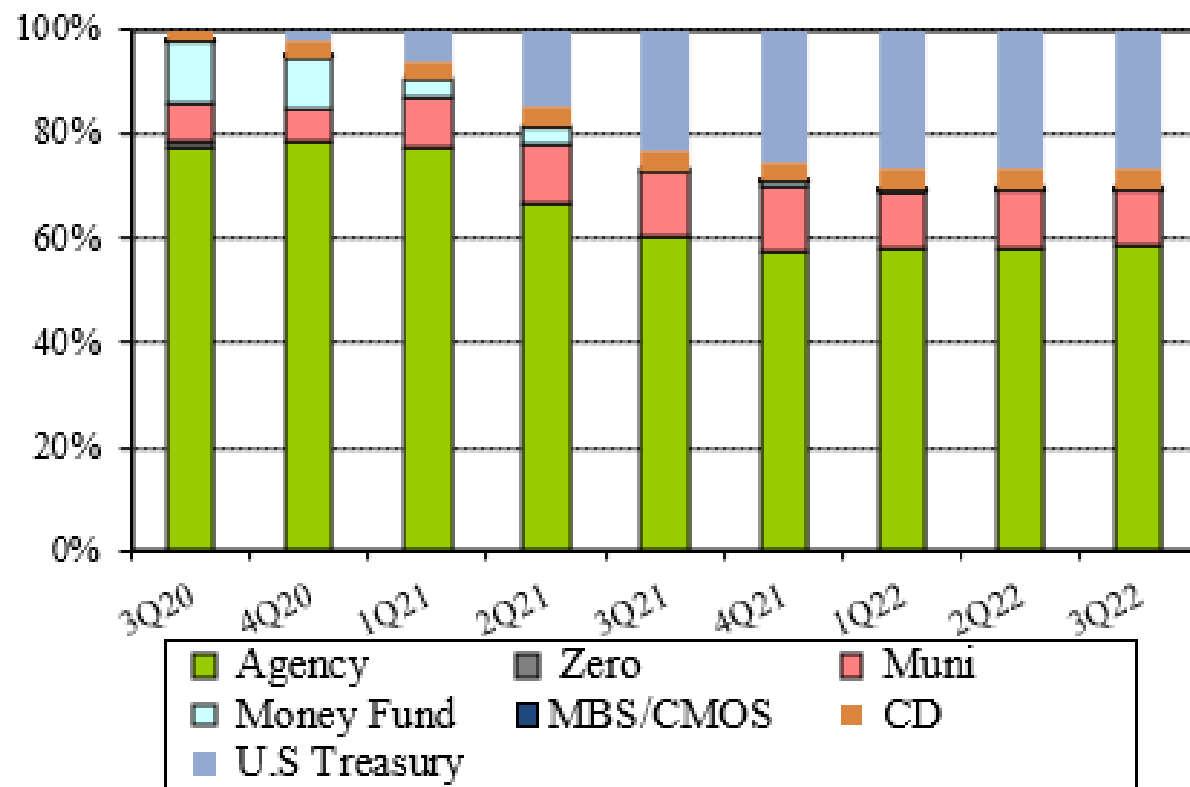
Total Return



- 3Q total return +.43% vs. benchmark .44%
- Average yield increased 1.29% to 2.49%
- 3Q interest income \$4.1M vs \$1.5M 2Q

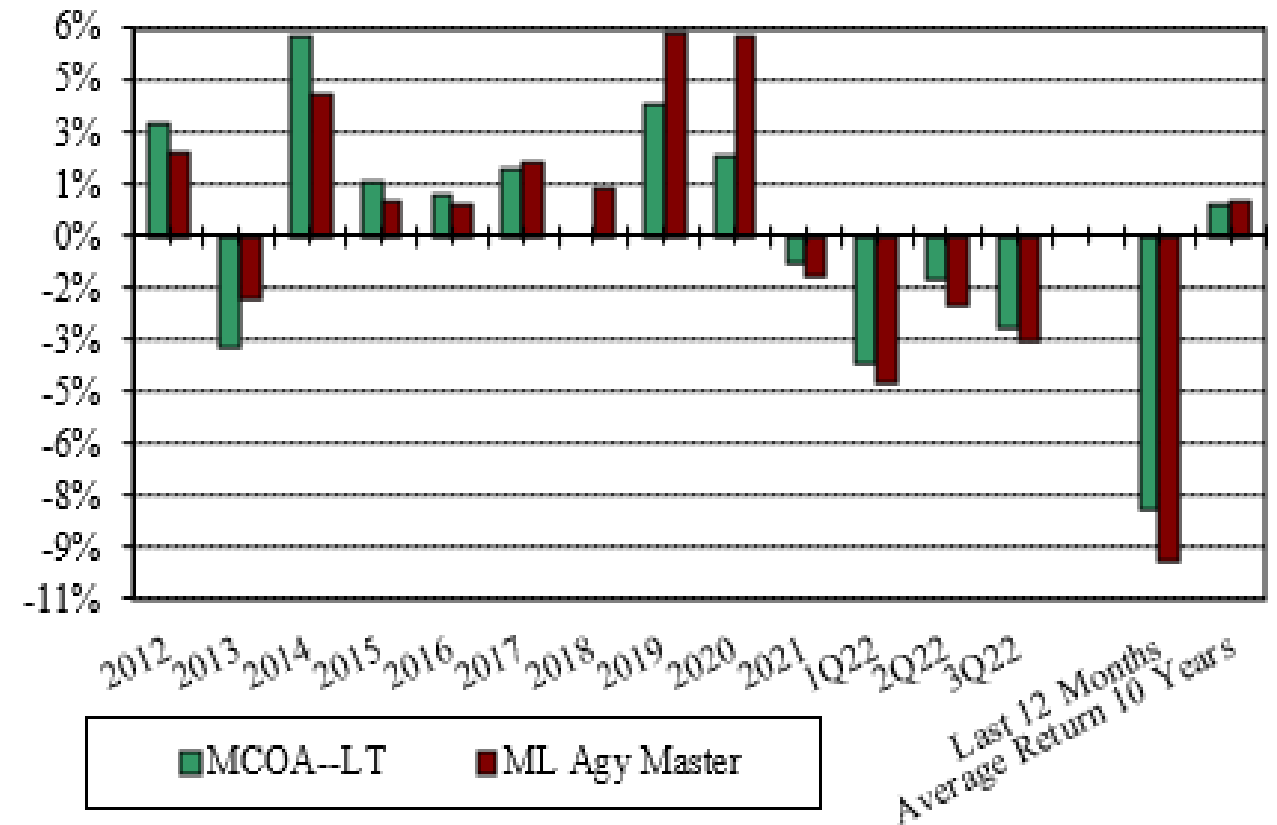
Long-Term Portfolio

Sector Allocation



- \$440 million
- U.S. Government Agency (\$259 million, 59%)
- U.S. Treasury Notes (\$115 million, 26%)
- Municipal Bonds (\$47 million, 11%)
- Certificate of Deposits (\$18.5 million, 4%)

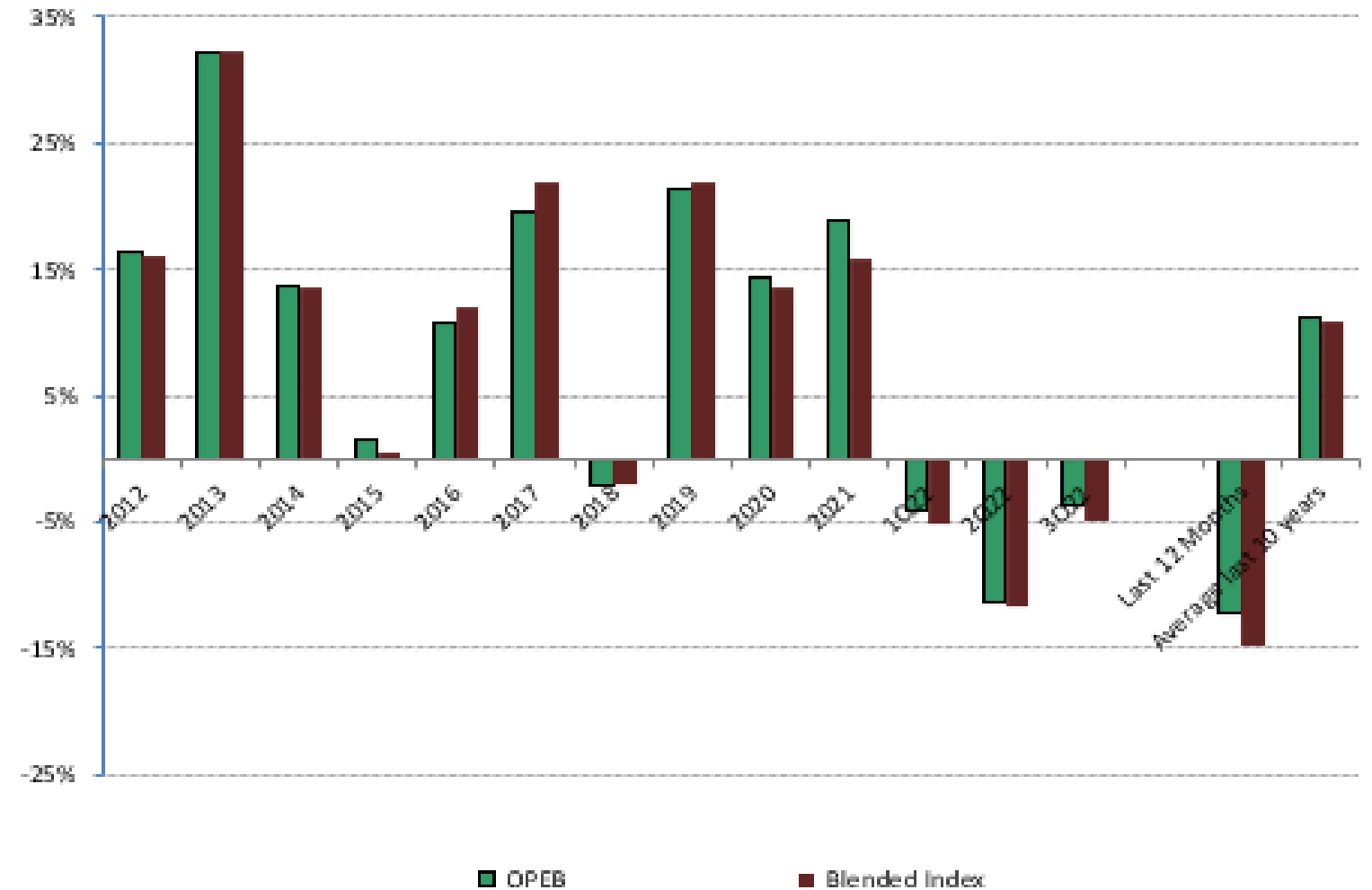
Total Return



- Total Return -2.62% vs benchmark -3.07%
- Duration 2.11 years vs benchmark 3.61 years
- Average Yield .99%

OPEB Trust

OPEB Trust Total Return



- **Trust Value:**
 - 06-30-21 348.9 million
 - 09-30-21 336.9
 - 12-31-21 361.2
 - 03-31-22 346.4
 - 06-30-22 306.9
 - 09-30-22 282.5
- **Total Return 3Q22 -3.61%**
- **Withdrawal of \$13.8 million for annual OPEB expenses**
- **Reduced equity exposure by \$20 million**
- **61% Equity**
- **39% Fixed Income/Cash**
- **Projected OPEB Liabilities remain fully funded**



Thank you



Mark Thompson, Director Treasury

651-629-1629

mark.thompson@metc.state.mn.us