

# Investment Review Fourth Quarter 2022

Prepared for Management Committee  
Mark Thompson, Director Treasury



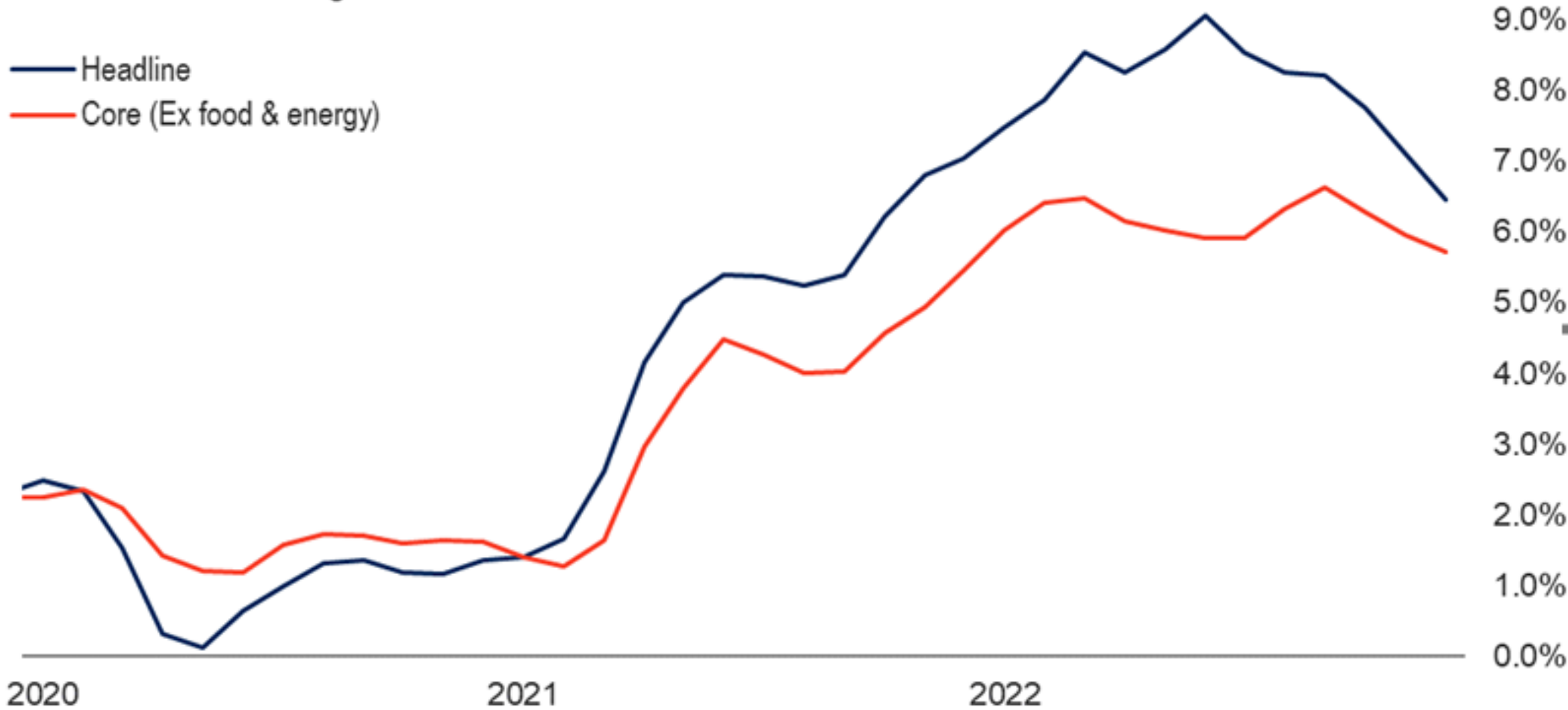
---

February 8, 2023

# Inflation

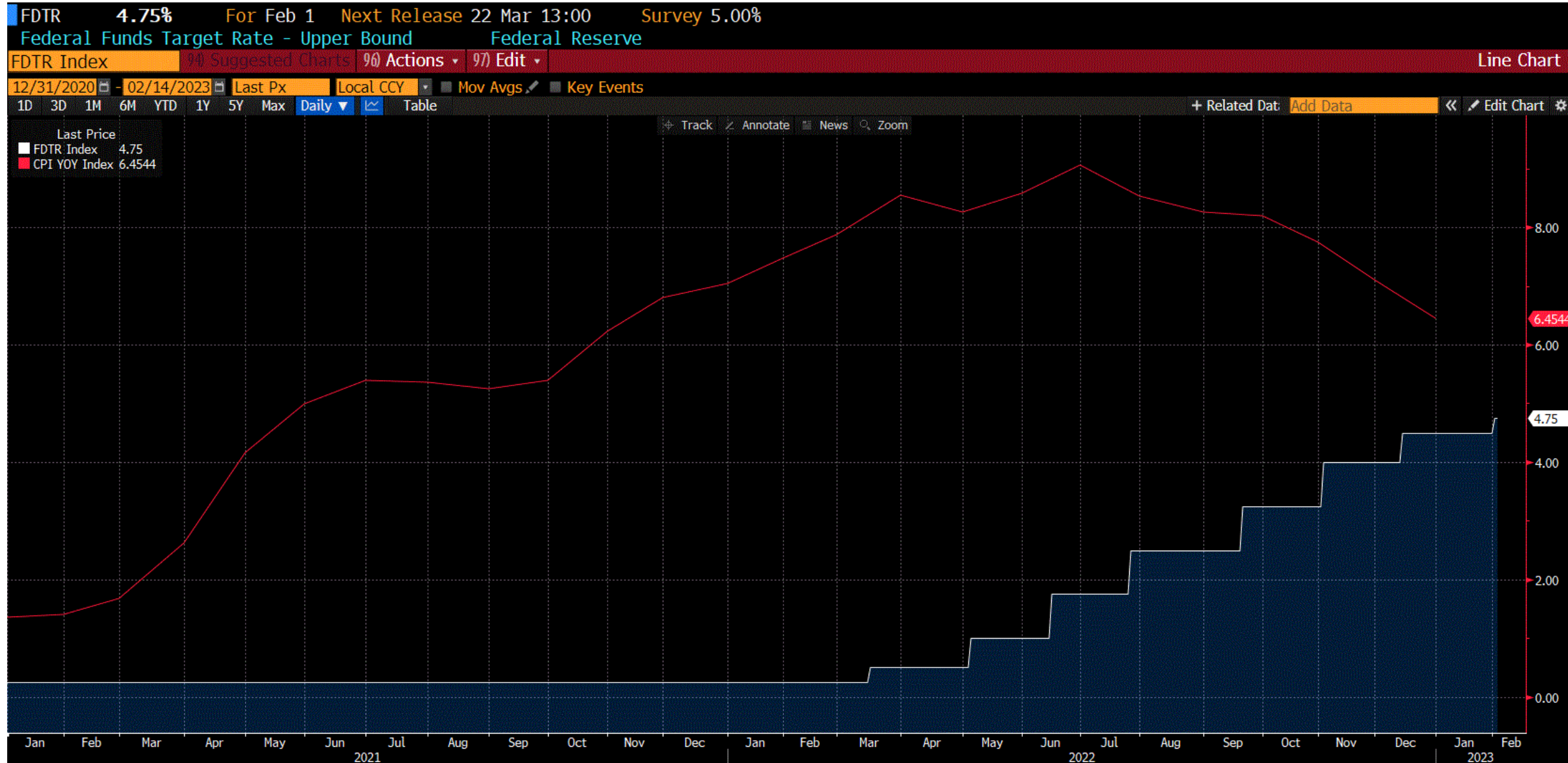
**Consumer Price Index**  
Year-Over-Year % Change

— Headline  
— Core (Ex food & energy)

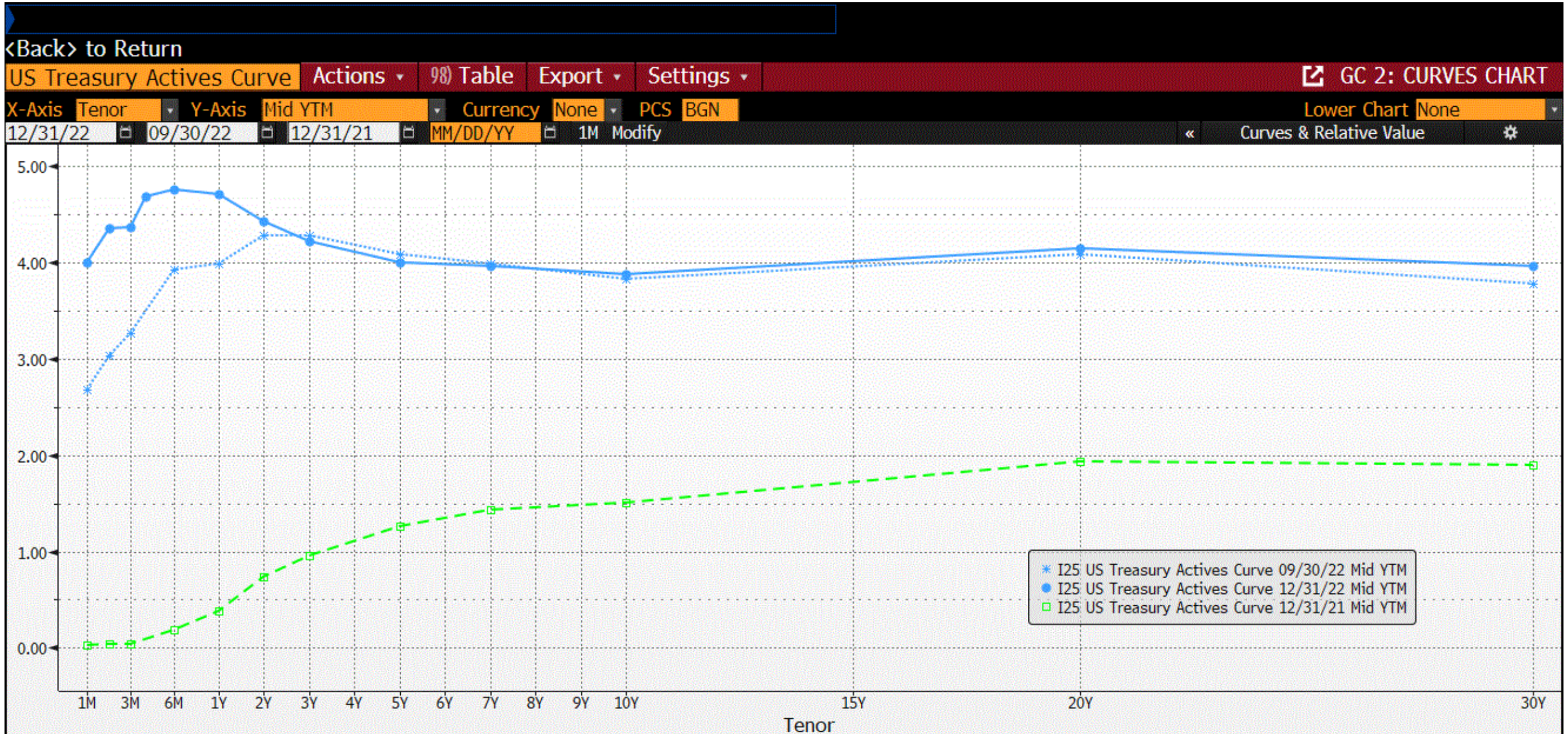


- 7.7% October
- 7.1% November
- 6.5% December
- Fed's goal 2.0%

# Federal Reserve's Inflation Fight



# Treasury Yield Curve



# S&P 500 Index

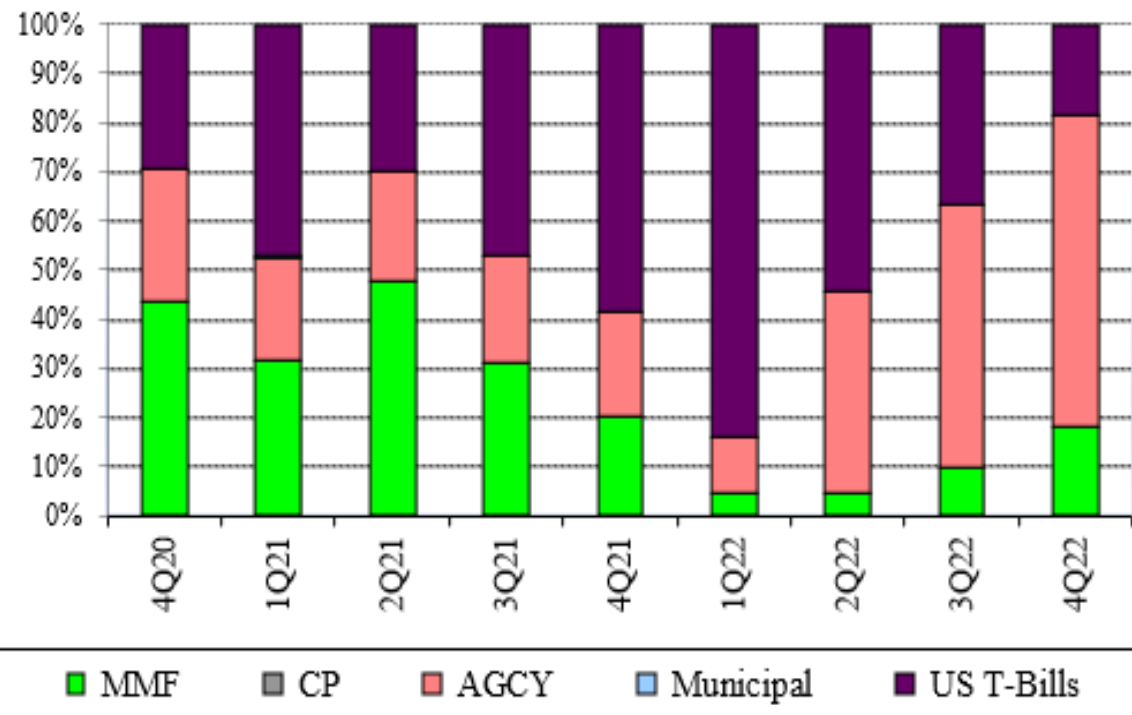
- OPEB Trust invests in S&P 500 pool at State Board of Investment
- Q4 Positive return of +7.55%
- Total return of -18.12% for full year 2022
- Energy sector was top performing sector
- Hurt by high inflation, rising interest rates and fear of recession
- High of 4796 on Jan 3
- Low of 3577 on Oct 12
- Finished year at 3839



S&P 500 Total Returns by Month in 2022											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
-5.17%	-2.99%	3.71%	-8.72%	0.18%	-8.25%	9.22%	-4.08%	-9.21%	8.10%	5.59%	-5.90%

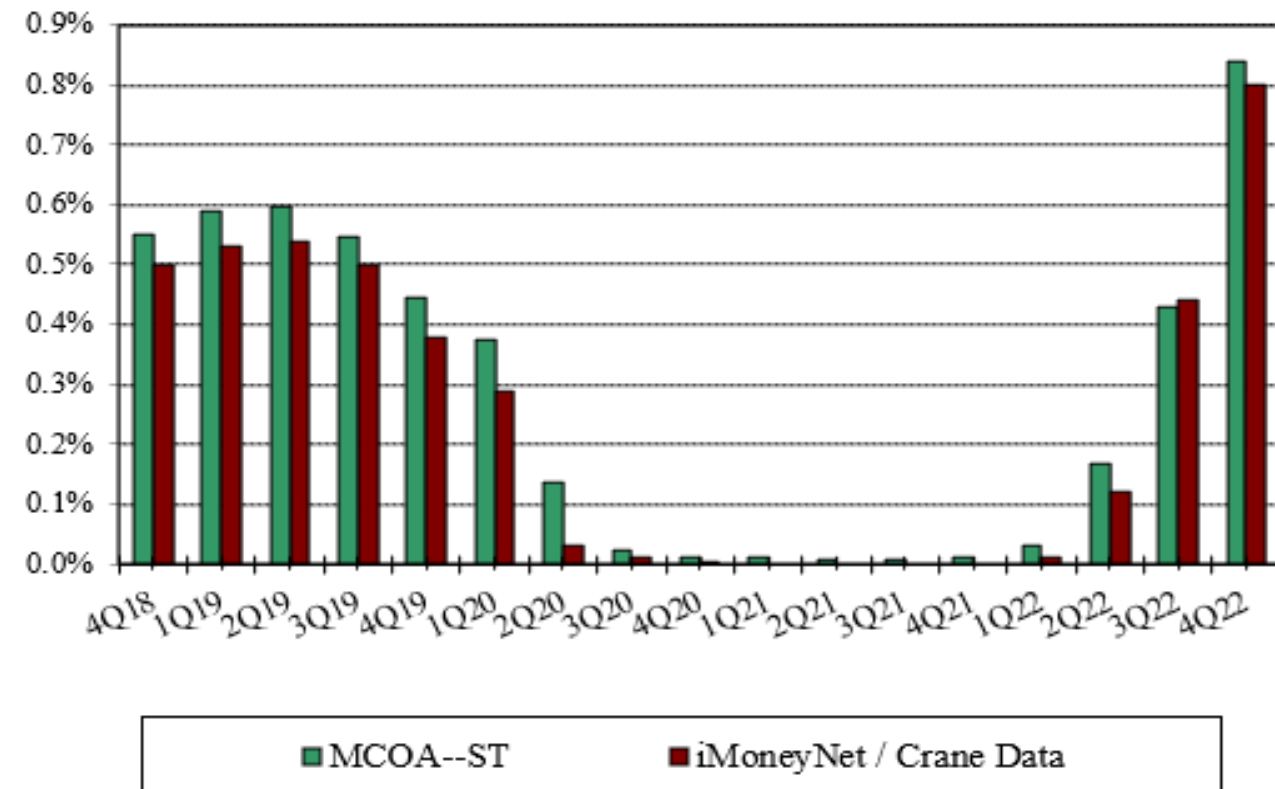
# Short-term Portfolio

Sector Allocation



- \$1.07 billion
- U.S. Treasury Bills (\$198 million, 19%)  
Government Discount Notes (\$675 million, 63%)  
Money Market Fund (\$194 million, 18%)

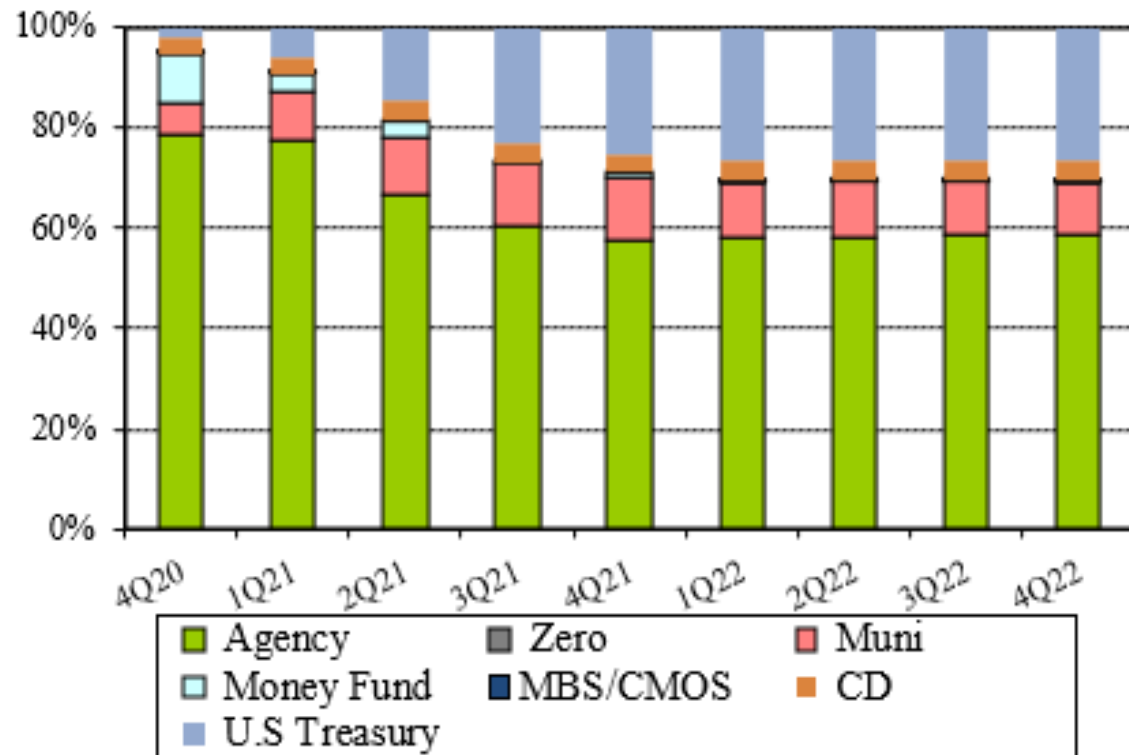
Total Return



- 4Q total return +.841% vs. benchmark .80%
- Average yield 4.124%, up from 2.49% in 3Q
- 4Q interest income \$8.9M vs 4.1M in 2Q

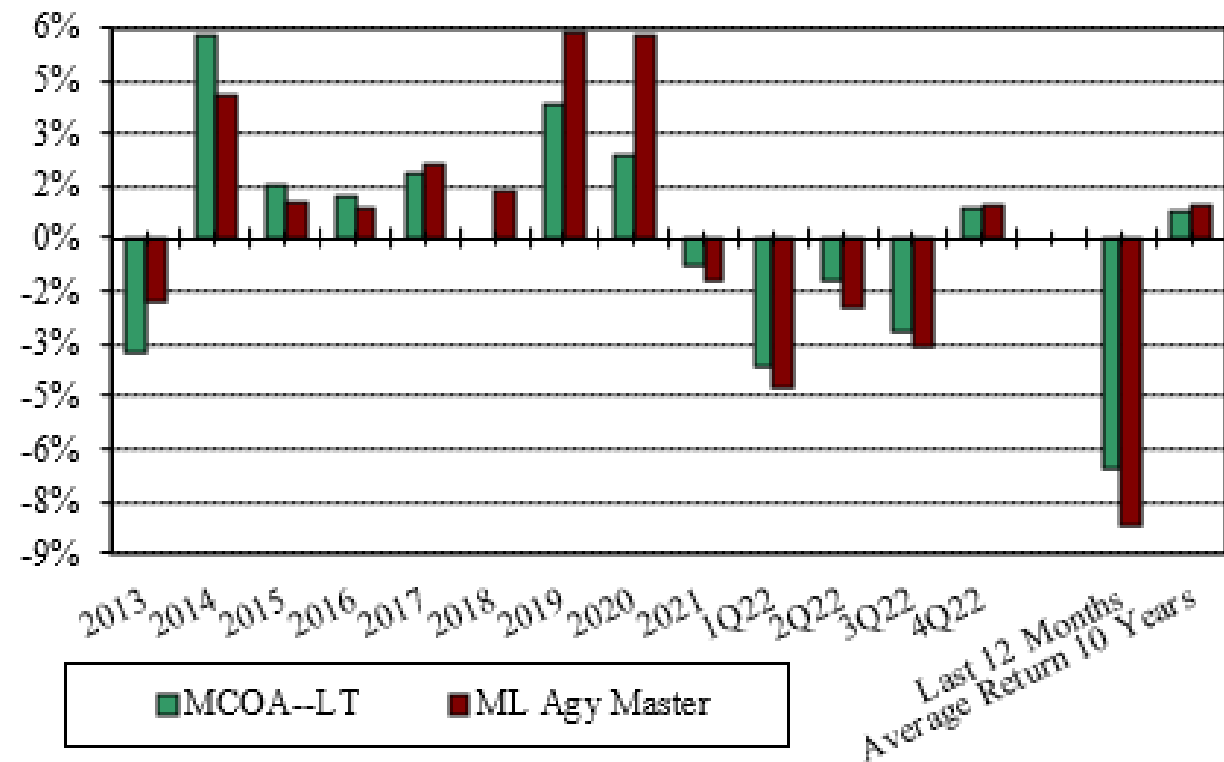
# Long-Term Portfolio

## Sector Allocation



- \$444 million
- U.S. Government Agency (\$260 million, 59%)
- U.S. Treasury Notes (\$116 million, 26%)
- Municipal Bonds (\$47 million, 11%)
- Certificate of Deposits (\$18.5 million, 4%)

## Total Return

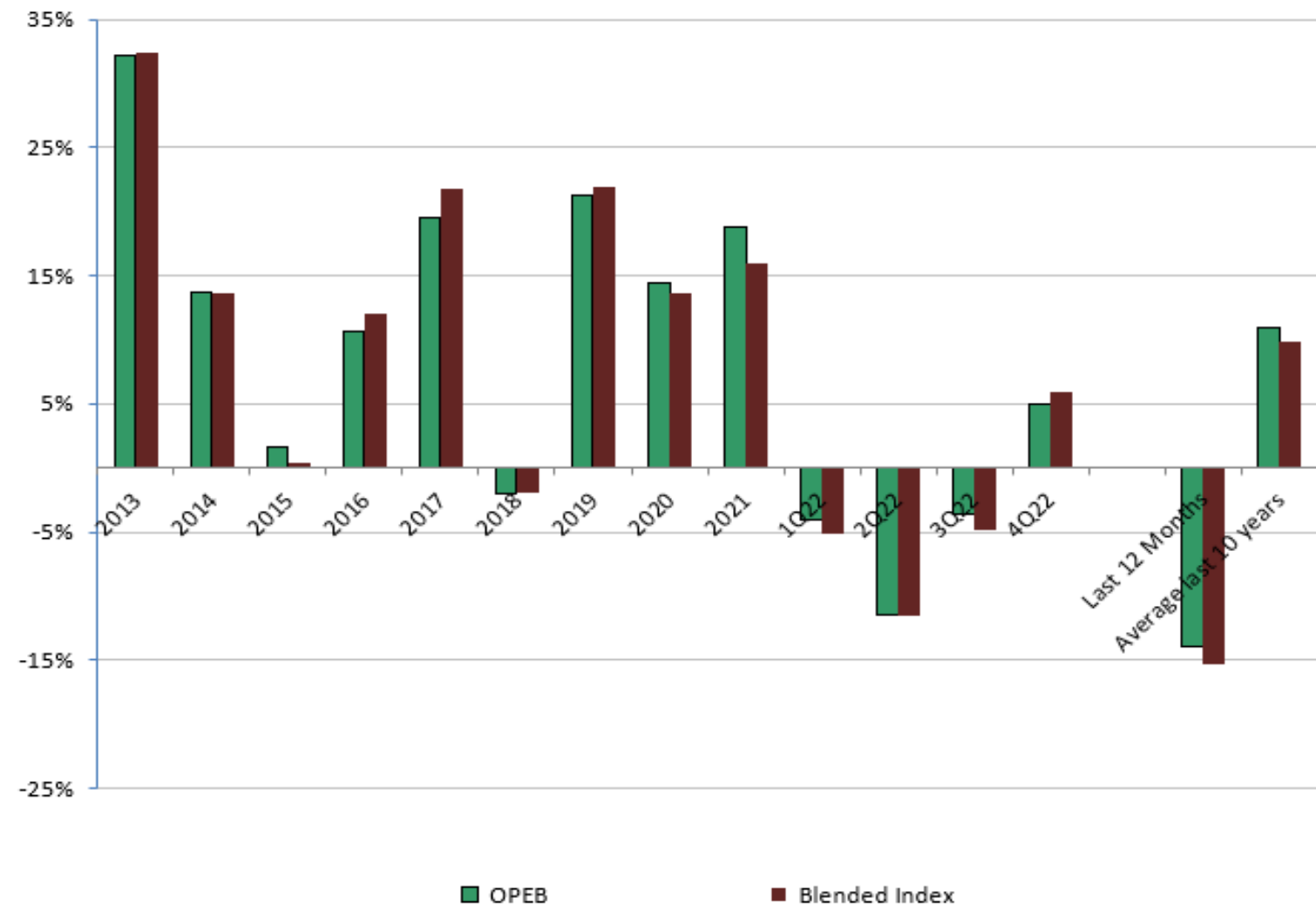


- Total Return .83% vs benchmark .92%
- Duration 1.90 years vs benchmark 3.57 years
- Average Yield 1.05% vs .99% in 3Q

# OPEB Trust

- **Trust Value:**
  - 12-31-21 361.2 million
  - 03-31-22 346.4
  - 06-30-22 306.9
  - 09-30-22 282.5
  - 12-31-22 296.8
- **Total Return 4Q22 +5.03%**
- **Average Return: 6.59% over 5 years  
10%+ over 10 years**
- **62% Equity  
38% Fixed Income/Cash**
- **Projected OPEB Liabilities Fully Funded**

OPEB Trust Total Return







Thank you



Mark Thompson, Director Treasury

651-629-1629

[mark.thompson@metc.state.mn.us](mailto:mark.thompson@metc.state.mn.us)