

**Minutes (Draft) of the
Cash Management Advisory Board
October 29, 2014
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:02 a.m., and asked if there were any comments regarding the minutes of the July 2014 Cash Management Advisory Board meeting. Without any objections, the minutes were approved.

Mr. Terry stated that despite the volatility in the long end of the interest rate curve, the short-term market had not changed much over the past year. Mr. Terry added that short-term rates have remained steady, and therefore, we have been investing at similar levels since our last CMAB meeting. Further, Mr. Terry stated that it does not look like there is going to be any significant near-term changes in the market that STIF invests in.

Mr. Terry stated that the current banking regulatory environment will force banks' balance sheets to be more constrained. The repo market will be less attractive to banks as they seek better allocation of capital for higher returns. As such, STIF recently added Royal Bank of Canada as a repo counter-party. According to Mr. Terry, the portfolio continues to be conservatively managed while at the same time, being one of the top performing government investment pools in the country. Mr. Desautelle stated that it looks as though the Federal Reserve will push interest rate increases further out into the future.

Mr. Coudert reviewed the performance of STIF. Mr. Coudert stated that for the quarter ending September 30, 2014, STIF earned an average annualized yield of 15 basis points, while our benchmark earned 2 basis points. Mr. Coudert continued, saying that for the one year period ending September 30, 2014, STIF returned 15 basis points, outperforming our benchmark by 13 basis points. Mr. Coudert indicated that STIF's current yield was 14 basis points and that its weighted average maturity was 41 days. Mr. Coudert added that STIF currently is not contributing to its \$50.3 million reserves and has not contributed since April 30, 2014 due to the aggregate size of the fund.

Mr. Coudert discussed the current composition of STIF, indicating that one-day liquidity was approximately \$2.6 billion, or 59 percent of STIF assets, and that 60 percent of the portfolio was invested in securities with some type of federal government support, such as U.S. Treasuries, agency securities, FDIC-insured securities, or repurchase agreements backed by such securities.

Mr. Thompson asked if it would be a good idea to purchase short-term TIPS if the yield was higher than the rates on nominal treasury securities. Mr. Terry stated that we have not purchased them, but we would analyze them to see if it made sense.

Mr. Wilson stated that Standard & Poor's had just completed their annual review of STIF. Mr. Wilson added that although STIF's AAAM rating is essentially affirmed on a daily basis, a formal letter from S&P is expected in the next few weeks.

With no further business, Mr. Wilson adjourned the meeting at 10:17 a.m.