CAMP®
CALIFORNIA ASSET MANAGEMENT PROGRAM

Investment Pools 101

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Presented By:

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Considerations for Investment Pools: Where Do You Begin?

Review or Establish Your Investment Policy

The investment policy serves as the **foundation** of a local agency's investment goals and priorities…it can help **protect** the assets of the organization…demonstrates that the governing body is performing its fiduciary responsibilities, thereby, **inspiring trust and confidence** among the public that it serves.

~Local Agency Investment Guidelines,
CDIAC January 1, 2025

Important Codes Related to Government Investments

- California Government Code (Code)
  - Investment Surplus (53600-53610)
  - Deposit of Funds (53630-53686)

The State, Counties and JPA Pools…
Oh My!

Types of Pooled Investments in California

State Pool (LAIF)

County Pools

Joint Powers Authorities (JPAs)

Three separate and distinct JPA Pools:

- California Asset Management Program (CAMP)
- CalTRUST
- California CLASS

Due Diligence Questions To Consider

Is it an allowable investment per your policy?

- Example language:

"Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000)."

OR

"Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended."

How liquid is the pool?

- Example: LAIF offers same-day liquidity unless deposits and withdrawals are over $10 million[1]

What are the pool's objectives?

- Does the pool have a stable or floating net asset value (NAV)?

1. *Source: LAIF website.* https://www.treasurer.ca.gov/pmia-laif/answer/procedures.asp.

Due Diligence Questions To Consider (cont'd)

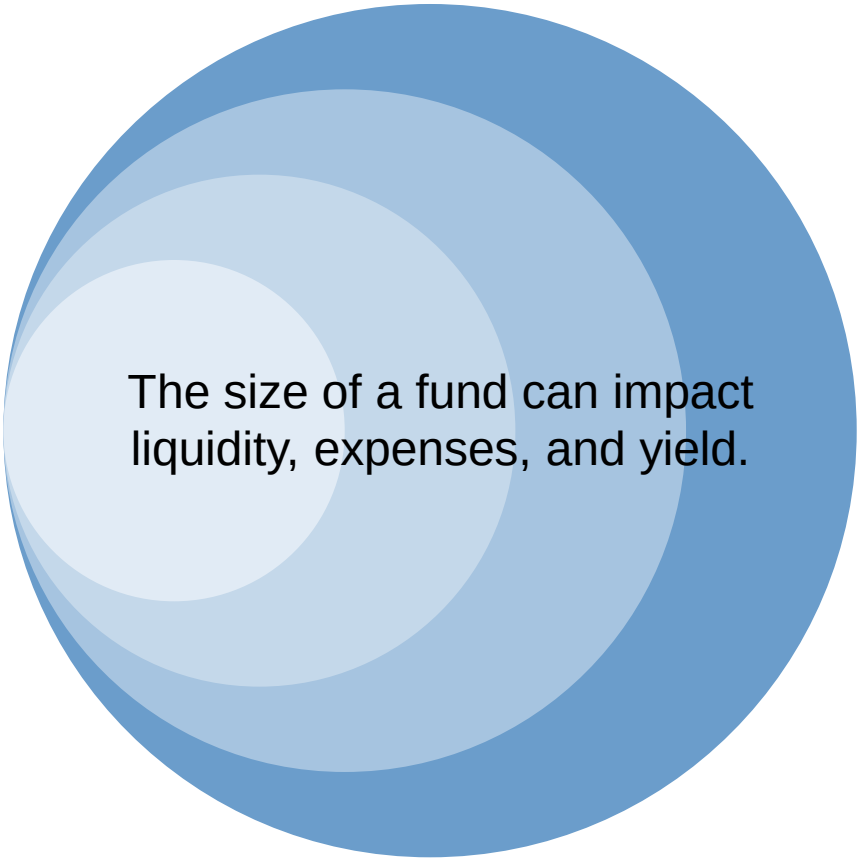
Is the pool rated?

What is the pool's ease of use?

- Cut-off times
- Number of transactions
- Transaction amounts
- Online portal
- Help desk

What is the size of the pool or fund?

Does the pool or fund follow Governmental Accounting Standards Board (GASB) requirements?



Advantages and Disadvantages of Pools

Advantages

- Efficient investment approach
- Economies of scale
- Highly liquid
- Reduced market risk
  - Weighted Average Maturity (WAM)-dependent
- Expenses netted from yield
- Simplified accounting and reconciliation

Disadvantages

- Inability to customize investment strategy
- Other investors' actions can be detrimental
- Fees are pre-determined

Example of a Pooled Investment Comparison

Features of each pool vary depending on the type of investments selected and should be carefully reviewed before investing.

	CAMP [1] *Established in 1989*	LAIF[2] *Established in 1977*
Valuation of NAV	Daily	Monthly
S&P Rating	AAAm	Not Rated
Weighted Average Maturity	36 Days	257 Days
Interest Payment Frequency	Monthly	Quarterly
Investment Limit	10% of the beneficial interest in the Pool	$75 million per account

1. Source: CAMP website. As of November 30, 2024. Please see important disclosures at the end of this presentation.
2. Source: LAIF website. Weighted average maturity is as of November 30, 2024.

So, where to begin?

Review your investment policy.

A Term Program Can Help As Interest Rates Change

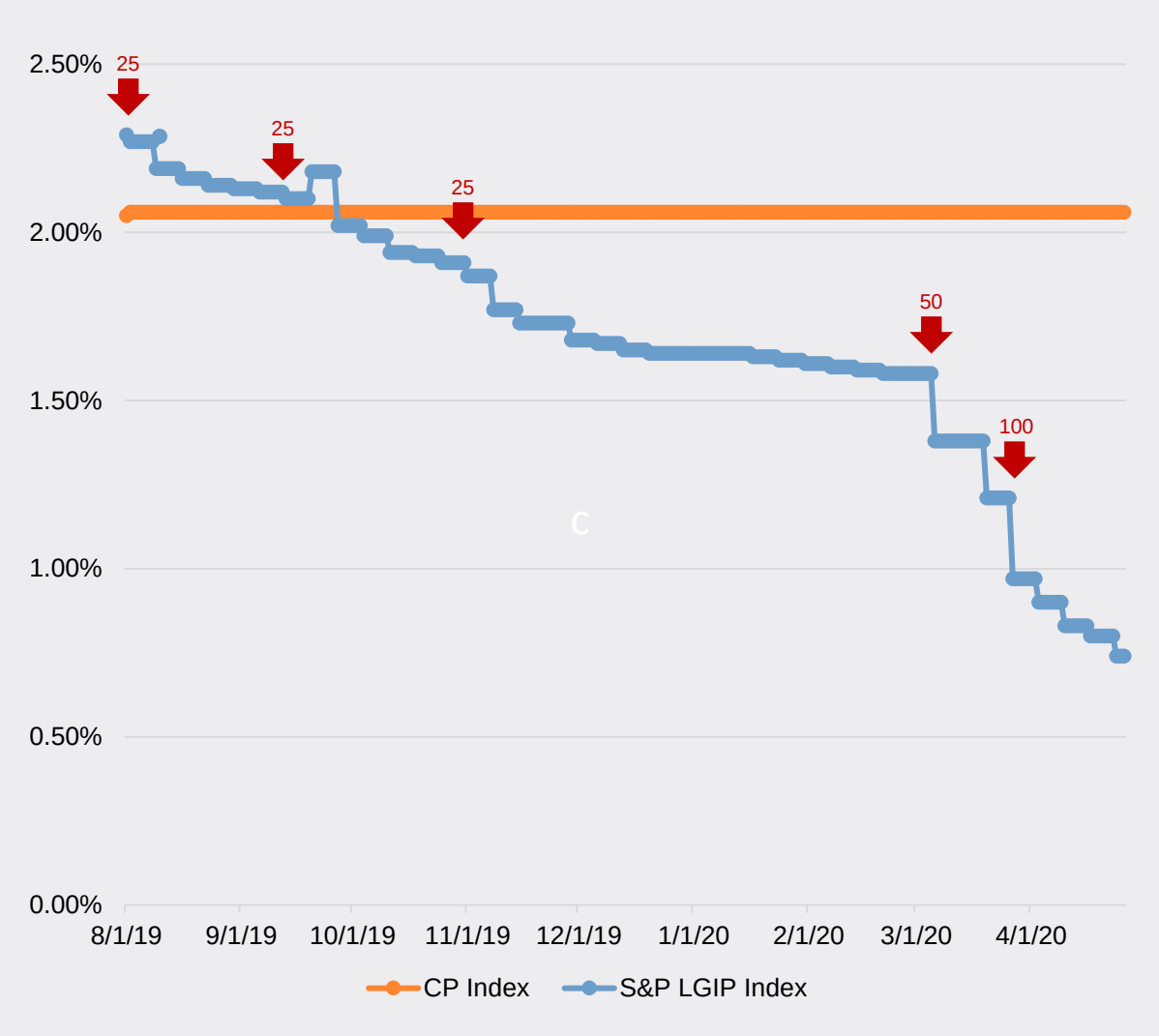
Interest Rate Scenarios

Scenario	Time Period	Description
2019: Easing Cycle, COVID 19 Response	8/01/19 to 4/26/20	Three federal funds rate decreases of 25 basis points and then decreases of 50 and 100 basis points in response to the economic impacts of COVID 19 pandemic
2021: Low, Stable Interest Rates	4/01/21 to 12/26/21	The federal funds rate was held in a range of 0% to 0.25%
2022: Inflation Response, Rapid Rate Increases	3/17/22 to 12/11/22	In response to growing inflation pressures the federal funds rate is increased five times, totaling 375 basis points

- To help provide context for investing funds not needed for immediate liquidity we have identified three interest rate scenarios in which we compared the S&P LGIP Index and the CP Index over 270-day examination periods
- Federal funds rate decreases (in basis points) are denoted by ↓ and rate increases are denoted by ↑ on the following pages

Please see important disclosures at the end of this presentation.

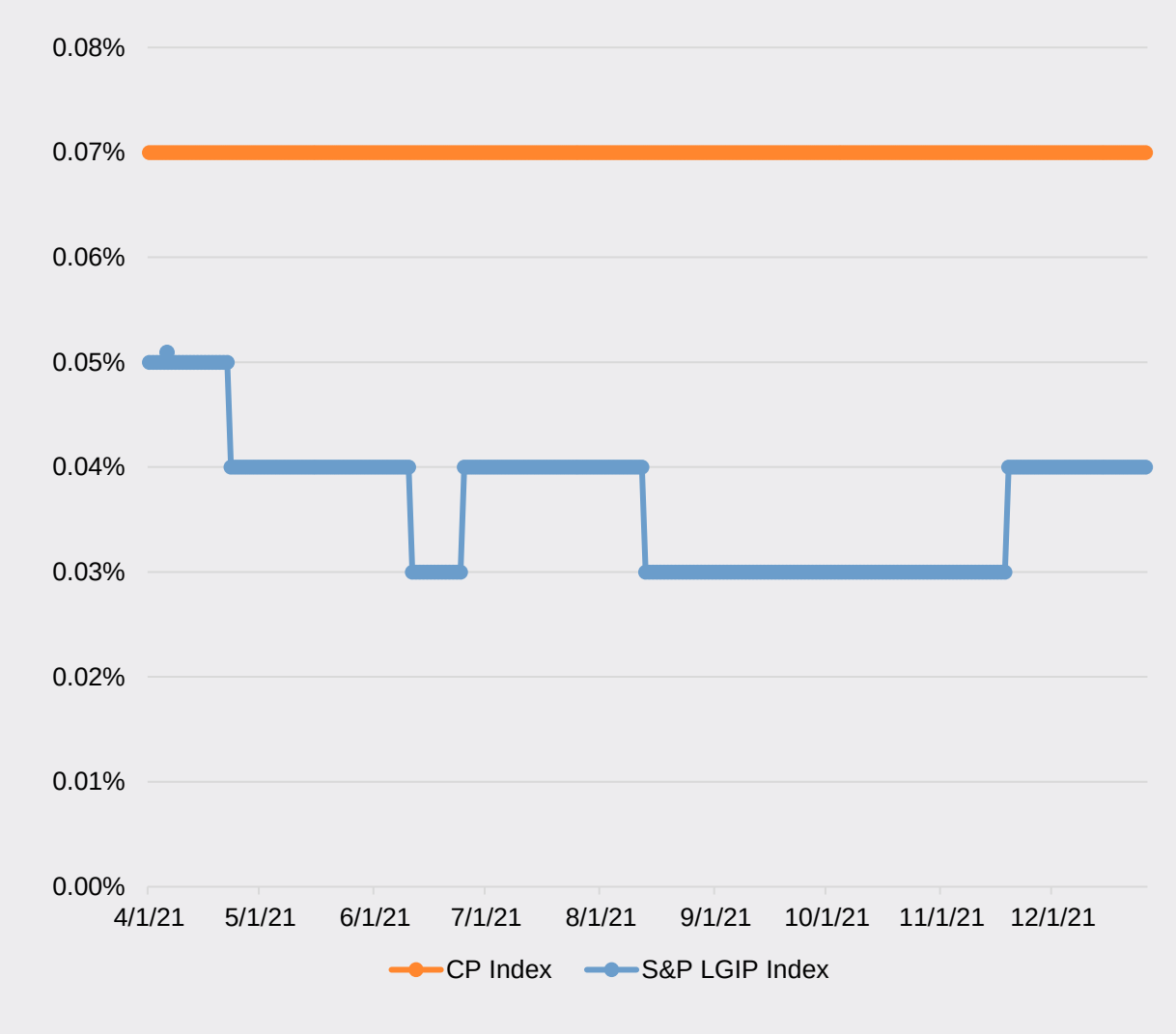
2019: Easing Cycle, COVID 19 Response



- In 2019 the U.S. economy began to slow, and inflation was below the Federal Reserve's 2% target. In response, the FOMC reduced the federal funds rate three times by 25 basis points.
- Rate decreases accelerated in March 2020 in response to the economic effects of the pandemic.
- The S&P LGIP Index fell from 2.29% on 8/1/19 to 0.74% on 4/26/20. The CP Index was below the S&P LGIP Index for the first 57 days of the examination period and had a higher rate for the remaining 213 days of the examination period.

Source: Bloomberg. For illustrative purposes only. Please see important disclosures at the end of this presentation.

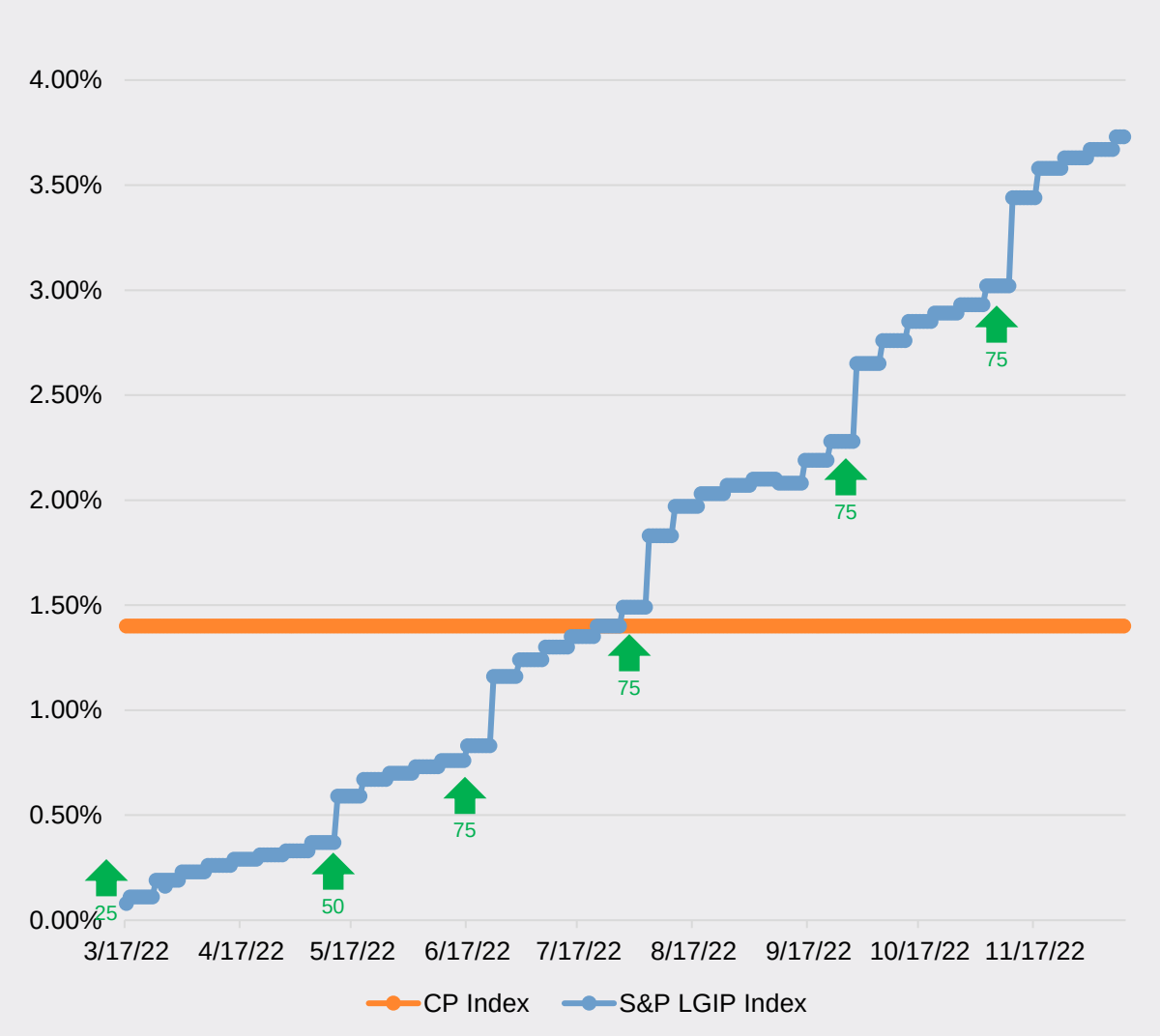
2021: Low, Stable Interest Rates



- During this period, the U.S. economy was recovering from the economic effect of the COVID 19 pandemic.
- During this time period, the FOMC held the federal funds rate in a range of 0% to 0.25%.
- The S&P LGIP Index varied from a high of 0.05% to a low of 0.03%. In comparison, the CP Index was 0.07% on 4/1/21.

Source: Bloomberg. For illustrative purposes only. Please see important disclosures at the end of this presentation.

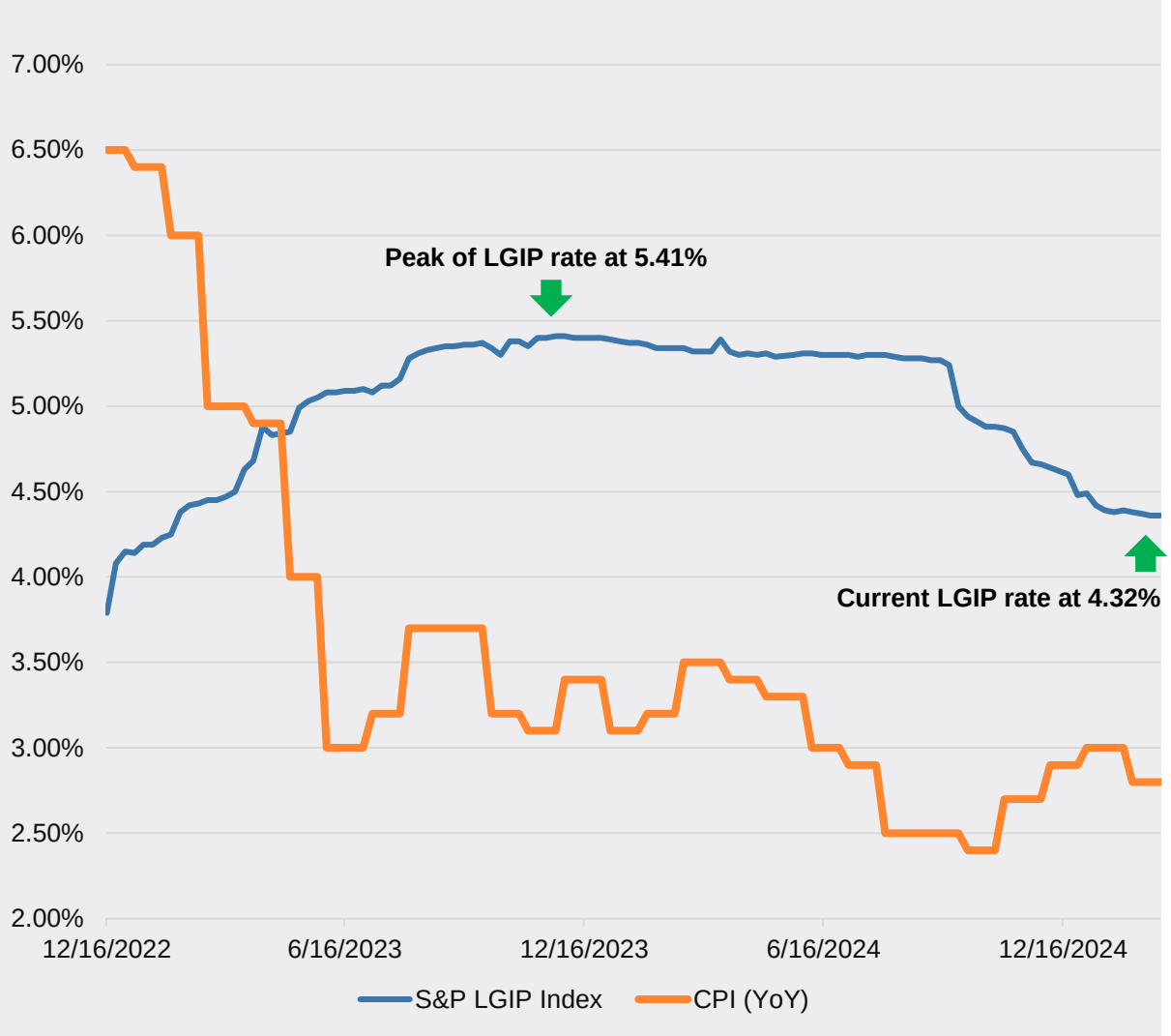
2022: Inflation Response, Rapid Rate Increases



- In 2021, as the U.S. economy began to recover, inflation started to accelerate. In June 2022, the Consumer Price Index peaked at 9.1% (year-over-year), a level well above the Federal Reserve's 2% rate target.
- In response, the FOMC increased the federal funds rate a total of 375 basis points over the examination period shown here.
- The S&P Index increased from 0.08% on 3/17/22 to 3.73% on 12/11/22. In comparison, the CP Index was 1.40% on 3/17/22.

Source: Bloomberg. For illustrative purposes only. Please see important disclosures at the end of this presentation.

2023-Current: Inflation Stagnates, Fed Begins Easing Cycle



- After the rate hike cycle in 2022, inflation readings began to drop fairly rapidly. However, this change slowed in mid-2023 as inflation stagnated above the Fed's 2% target.
- In response, the FOMC began lowering the Fed Funds Rate, eventually reaching the current level of 4.50%, down 100 bps from the peak of 5.50%.
- Roughly corresponding to the FOMC rate cuts, the S&P LGIP Index decreased over 100 bps from 5.41% on 11/24/23 to 4.32% as of 3/28/25.

Source: Bloomberg. For illustrative purposes only. Please see important disclosures at the end of this presentation.

Discussion:

How do you manage funds in your agency?

Here For You and Your Agencies

If you or your agencies are **considering any of CAMP's options**, please contact Kyle.

Kyle Tanaka

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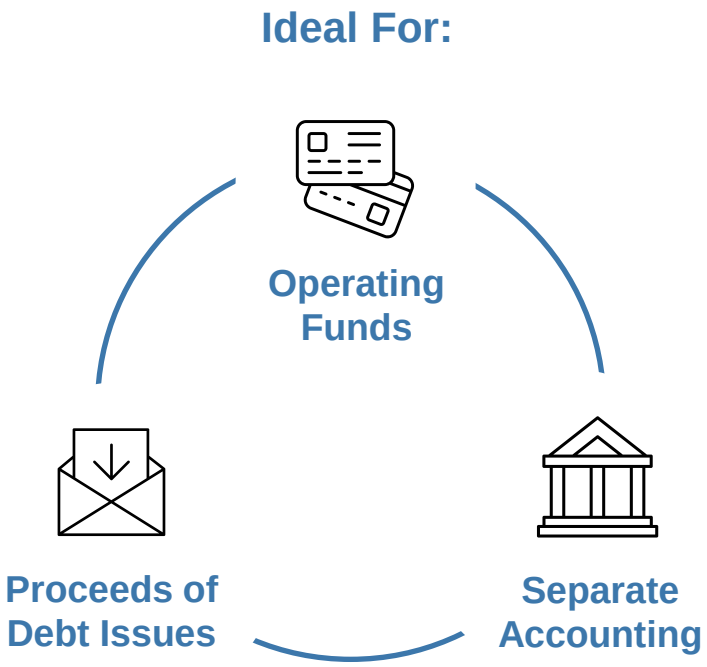
Thank You!

CAMP®

Additional Information on CAMP

Cash Reserve Portfolio (Pool)

- Rated AAAm by Standard & Poors[1]
- Same-day liquidity (11:00 a.m. PST cut-off)
- Unlimited transactions via wire, ACH, or check
- Online account management
- Option to open multiple sub-accounts
- No minimum investment
- Interest paid monthly
- No additional out of pocket expenses
- Specialized services for bond proceeds



1. *Please see important disclosures at the end of this presentation.*

CAMP Term

- Rated AAAf by Fitch Ratings[1]
- Opportunities to seek competitive interest rates
- Ladder maturities to meet known cash flow needs
- Select from a wide range of maturity dates
- Plan around your interest income stream
- Diversify your portfolio's maturity structure
- Minimum investment of $1 million
- Maturities range from 60 days to 1 year

CAMP Pool and Term investments can work in tandem toward the goal of meeting your daily liquidity and longer-term cash flow needs.

1. *Please see important disclosures at the end of this presentation.*

How to Join CAMP

- There is no minimum initial investment or account balance to invest in the Cash Reserve Portfolio. The minimum to invest in Term is $1 million.
- Public agencies are welcome to invest as either a Participant or as an Investor.
- CAMP's Shareholders consist of 47% Participants and 53% Investors.[1]

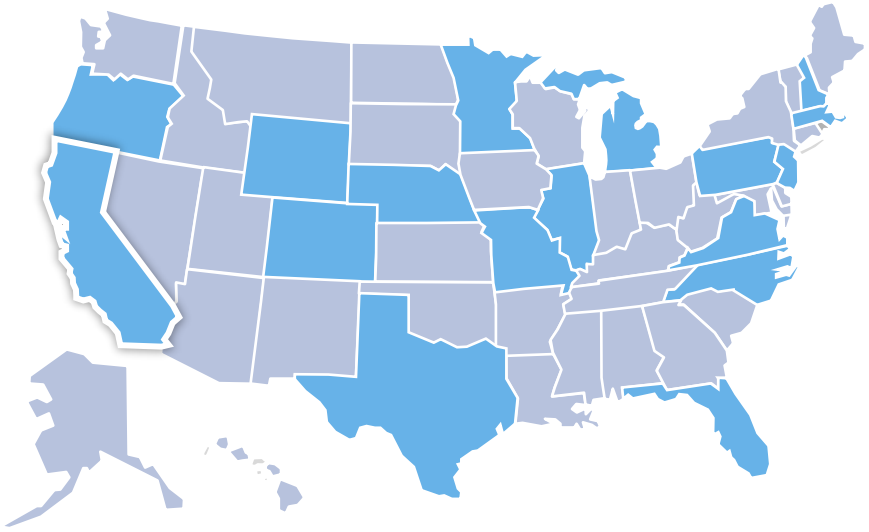
	PARTICIPANTS	INVESTORS
Join CAMP	Complete resolution & account application	Complete account application
Earn competitive yield	✓	✓
Same-day transactions	✓	✓
Vote in annual proxy[2]	✓	-
Eligible for board membership	✓	-

1. As of December 31, 2023.
2. Proxy voters decide on CAMP's investment policy and approve board members.

Advised by a Pioneer in the LGIP Industry

- CAMP's investment advisor helped pioneer the first grassroots LGIP – a Pennsylvania LGIP in 1981.
- Served by resources supporting:
  - 18 local government investment pools
  - $77.7 billion in combined total assets from over 5,900 participants in these programs[1]

CAMP was **established in 1989** as a Joint Powers Authority to provide California public agencies with professional investment services.



LGIPs managed by PFMAM

1. Source: PFM Asset Management LLC as of March 31, 2024.

Appendix

Permitted Investments (53601) – Government Sector

- U.S. Treasuries (b)
- Federal Agencies (f)
- Local agency's own bonds (a)
- State of California bonds (c)
- California local agency bonds (e)
- Bonds issued by 49 other states (d)
- Supranationals (q)
  - Issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank
  - 30% of portfolio
  - 5-year maximum maturity
  - AA or better by an NRSRO

Source: California Government Code, Section 53601, as of June 30, 2022.
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.

Permitted Investments (53601) – Non-Government Sector

- Bankers' acceptances (g)
  - 40% of portfolio
  - 180-day maximum maturity

- Commercial paper (h)
  - 40% of portfolio for agency with investable assets greater than $100 million
  - 25% of portfolio for agency with investable assets less than $100 million
  - 270-day maximum maturity
  - 10% issuer limit combined with medium-term notes (k)
  - Credit criteria

- Negotiable CDs (i)
  - Issued by nationally or state-chartered bank, savings association, federal association, state or federal credit union, or by a federally or state-licensed bank branch of a foreign bank
  - 30% of portfolio
  - Conflict of interest limitation

Source: California Government Code, Section 53601, as of June 30, 2022.
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.

Permitted Investments (53601) – Non-Government Sector cont'd

- Repurchase and reverse repurchase agreements (j)
  - 1 year/92-day maximum maturity
  - Counterparty, collateral, and other requirements

- Medium-term notes (k)
  - 30% of portfolio
  - 10% combined issuer limit with commercial paper (h)
  - 5-year maximum maturity
  - Issued by corporations organized and operating in U.S. or depository institutions licensed by U.S. or any state and operating in U.S.
  - A or better by an NRSRO

- Mortgage- or asset-backed securities (o)
  - 20% of portfolio
  - 5-year maximum maturity
  - AA or better by an NRSRO

Source: California Government Code, Section 53601, as of June 30, 2022.
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.

Permitted Investments (53601) – Pooled

Shares of beneficial interest issued by a diversified management company (l)

- Money market mutual funds (2)
  - 20% of portfolio
  - AAA by two or more NRSROs OR Advisor requirements
  - Net asset value (NAV) may be stable or variable depending on type of fund (government vs. prime, retail vs. institutional)

- Mutual funds (1)
  - 20% of portfolio, no more than 10% in any one fund
  - AAA by two or more NRSROs OR Advisor requirements
  - Variable NAV
  - Underlying investments must be same as California Government Code Section 53601

Source: California Government Code, Section 53601, as of June 30, 2022.
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.

Permitted Investments (53601) – Pooled cont'd

- Shares of beneficial interest issued by a joint powers authority (p)
  - Local government investment pools (LGIPs)
  - Adviser requirements

- State of California's Local Agency Investment Fund (LAIF) (16429.1)

- County Treasurers' pools (53684)

Source: California Government Code, Section 53601, as of June 30, 2022.
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.

Disclaimer

***S&P Global AAAm Rating**: S&P evaluates a number of factors, including credit quality, market price, exposure, and management. Please visit SPGlobal.com/Ratings for more information and ratings methodology.*

***Fitch AAAf Rating:** portfolios with this rating indicate having the highest underlying credit quality. Please visit fitchratings.com for more information and ratings methodology.*

***Fitch AAAmmf Rating**: portfolios with this rating denote the strongest capacity to achieve the investment objective of preserving principal and providing liquidity through limiting credit, market, and liquidity risk. Please visit fitchratings.com for more information and ratings methodology.*

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