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TO: South Dakota Investment Council
Matthew L. Clark, SIO

FROM: Tammy V. Otten, CPA CFA
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DATE: August 1, 2024

RE: Cash Flow Fund Short Term Portfolio Guidelines

The Cash Flow Fund Short Term Portfolio changed management with Sherry Nelson's retirement from portfolio responsibilities. Chris Nelson and I have assumed responsibility for managing this portfolio. No incentive is currently based on the Cash Flow Fund Short Term Portfolio.

Jim Terwilliger, Commissioner of Bureau of Finance and Management, asked if funds could be allocated and invested for specific purposes within the portfolio. To better facilitate the needs of the State, the Cash Flow Fund Short-Term Portfolio will increase the benchmark allocation to Treasury securities, decrease the benchmark allocation to Investment Grade Corp securities, and remove the specific allocation to Short-Term Investments (cash).

The Portfolio Guidelines

Portfolio Limits: Current	<u>Min</u>	<u>Benchmark</u>	<u>Max</u>
Investment Grade Corp	40%	60%	75%
Treasury/Agency	10%	27%	50%
Short-Term Investments	10%	13%	30%

Portfolio Limits: New			
Investment Grade Corp	25%	50%	60%
Treasury/Agency	40%	50%	75%

A Short-Term Treasury ETF and a Short-Term Corporate Bond ETF will be observed as a benchmark alternative to internal management.

The other portfolios within the Cash Flow Fund will remain the same with the Cash Flow Fund Money Market Portfolio meeting the State's daily cash needs, the Cash Flow Fund Intermediate Term Fixed Income Portfolio managed similarly to SDRS investment grade fixed income, and the 1-year CD Program. Over the next year, an analysis of agency cash needs will be refreshed to determine if a change is required in the size of the Intermediate Term Fixed Income Portfolio.

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