



## Market Update on the Banking and Financial Service Sectors

The primary mission of Florida PRIME™ remains the investment objectives of safety, liquidity, and competitive returns with minimization of risks. Given recent news in the markets, both Federated Hermes and the State Board of Administration (SBA) stand ready to address any question participants of Florida PRIME™ may have about the pool's portfolio and performance. Both teams have and will continue to thoroughly monitor the markets, specifically related to our investments. Federated Hermes, who manages Florida PRIME™, maintains a steadfast dedication to their credit process and is confident in its approved banks and repo counterparties.

Florida PRIME™ seeks to provide an attractive yield compared to depository institutions and other money market vehicles while protecting and preserving capital and maintaining daily liquidity. To help achieve its goals for participants, the Pool purchases high-quality, short-term securities, many of which come from the broad banking and financial services sector.

The reason is both a matter of quantity and quality. First, as has been the case for many years, the bank and financial services sector is responsible for a large supply of securities in the money markets, through issuance of commercial paper (short-term lending), certificates of deposits (CDs), repurchase agreements, time deposits and other instruments. These security types represent a substantial portion of the investable universe for all non-government money market funds including Florida PRIME™.

Second, these offerings meet our high standards for investment. Federated Hermes has strict criteria for the debt purchased for the pool, and only approves banks and financial institutions of the highest quality. To be considered, a security must be rated in the highest category by one or more nationally recognized statistical rating organizations (NRSROs) or be deemed to be of comparable quality. Furthermore, issuers must pass Federated Hermes' intensive credit analysis process and receive an internal rating in order to be considered for our approved list.

Commercial paper represents a key component of the Florida PRIME™ portfolio. Within the commercial paper market, approximately 50% of outstanding securities are issued by the banking and financial services sector. Another 25% of commercial paper is asset backed, which can have credit enhancements from a bank. The remainder is issued by non-financial corporations. For comparison purposes, the prime money fund industry holds between 40-80% of their portfolios in the banking and financial services sector. The Florida PRIME™ portfolio has approximately two-thirds of its assets invested in securities tied to the sector, in line with the industry average. Many of these issues are described further in Federated Hermes' credit review document, available [here](#).

We encourage plan participants to reach out directly by calling us at 1-850-488-7311 with any questions or concerns they may have about the pool's investments, portfolio, and the status of their accounts. We plan to provide periodic market updates relating to the plan and our investments.

Note: views are as of March 31, 2023, and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.



*An investment in the Pool is not insured or guaranteed by any government or government agency. Although the manager of the Pool seeks to preserve principal, it is possible to lose money by depositing money in the Pool.*

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