



## Participant Newsletter December 31, 2025

### LGIP

#### Investment Guidelines Compliance (12-31-25):

●Diversification:	<u>Actual</u>	<u>Max.</u>
U. S. Treasury/Agency	8%	100%
Repurchase Agreements	24%	50%
Negotiable CDs & BAs	33%	40%
Commercial Paper	31%	35%
Corporate	0%	25%
AAA Sovereign Govt	4%	10%
●Maturity Limitations:		
Average Days to Maturity	47 days	60 days

### LGIP EM

#### Investment Guidelines Compliance (12-31-25):

●Diversification:	<u>Actual</u>	<u>Max.</u>
U. S. Treasury/Agency	35%	100%
Repurchase Agreements	0%	50%
Negotiable CDs & BAs	37%	45%
Commercial Paper	19%	35%
Corporate	3%	25%
AAA Sovereign Govt	3%	10%
Virginia Treasury LGIP Portfolio	3%	15%
●Duration Limitations:	0.76 years	1 Yr +/-3Mo

#### LGIP Monthly Statistics (12-31-25):

- Avg NAV: \$13,483,292,500
- Active Accounts: 915
- Simple Yield: 3.91%
- Effective Yield: 3.98%
- NAV (per Share): \$1.00

#### Quarterly Performance:

	2nd Qtr	YTD
	<u>FY 26</u>	<u>FY 26</u>
●Average Yield:		
LGIP (\$ weighted)	4.07%	4.23%
Institutional Money Funds <sup>1</sup>	3.71%	3.86%
Treasury 3-Mo. Constant Maturity <sup>2</sup>	3.87%	4.06%

<sup>1</sup>Consists of 463 institutional money market funds totaling \$3.6trillion as reported by iMoneyNet as of 12-31-25.  
<sup>2</sup>Federal Reserve Bank H.15 Release.

#### LGIP EM Monthly Statistics (12-31-25):

- NAV: 172,080,144
- Active Accounts: 35
- Simple Yield: 3.88%
- Yield as of 12-31-2025: 3.91%
- NAV (per Share): \$10.08

#### Quarterly Performance:

	2nd Qtr	YTD
	<u>FY 26</u>	<u>FY 26</u>
●Total Return <sup>1</sup> :		
LGIP EM	1.04%	2.19%
U.S. 1-Year Treasury Bill Index <sup>2</sup>	1.03%	2.23%
●Average Yield:		
LGIP EM (\$ weighted)	3.94%	3.87%
U.S. 1-Year Treasury Bill Index <sup>3</sup>	3.57%	3.71%

<sup>1</sup>Periodic return

<sup>2</sup>The annual performance benchmark is BofA Merrill Lynch U.S. 1-year Treasury Bill Index + 15 bps

<sup>3</sup>The ICE BofAML US 1-year Treasury Bill Index Yield to Maturity as of 12-31-2025

### Market and Economic News

During the final quarter of the 2025 calendar year, financial markets continued to navigate an uncertain economic backdrop, largely the result of fluctuating tariff policy, geopolitical concerns, and the temporary cessation of published economic data as a result of the protracted government shutdown. Despite these various market stresses, valuations of risk assets generally increased and rates across the maturity spectrum were mostly stable. Front-end rates out to the 2-year area declined, broadly in-line with the Fed's shift toward policy rate cuts. The Federal Open Market Committee (FOMC) cut policy rates twice by 25 basis points in October and December, citing both 'policy rate normalization' and a softening labor market, and bringing the Fed Funds target range to 3.50-3.75 percent at calendar year-end.

The FOMC statements released alongside recent policy rate adjustments reveal evolving perspectives on the future direction of monetary policy. Internal divergence on recommended policy became more pronounced between the two meetings: the October announcement featured two dissenting votes cast in opposite directions, a number which increased to three in December.

Market analysts keenly scrutinize the official statements for subtle shifts in language that signal these evolving internal views. For instance, the December statement modified the forward guidance regarding future rate changes. It replaced the general phrasing of "additional adjustments" with "the extent and timing of additional adjustments," a deliberate nod to the diverging opinions emerging among members. Furthermore, the December assessment of labor conditions removed the phrase "remains low" when describing unemployment trends, indicating the Committee's slightly less optimistic view on the employment picture.

Futures markets are pricing additional rate cuts during calendar 2026, which will have a direct proportional impact on LGIP yields, although the magnitude and timing of further cuts is highly uncertain. Market participants are closely watching employment trends, generally thought to remain sub-optimal, and progress toward bringing down inflation, which has remained stubbornly higher than the Fed's 2.0-percent target. Furthermore, market observers are closely monitoring increasing politicization of the Fed, which could have an impact on the broader economy and financial markets.