

MANAGING INVESTMENT PORTFOLIOS WITH CONFIDENCE: FOUNDATIONS & FRAMEWORKS

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PURPOSE

HOW CAN WE PRUDENTLY MANAGE OUR INVESTMENTS TO MAXIMIZE INCOME, KEEP OUR FUNDS SAFE AND PROVIDE FOR OUR CASH NEEDS?

AGENDA

- Identify our goals and limitations
- Establish our infrastructure
- Determine our cash flows
- Transition from policy to plan
- Communicate our process

SUMMARY

- We generally share the same goals and limitations
- Our infrastructure should work for us
- Cash flow is the key to prudent investing
- A policy is not a plan
- We should be able to share our challenges and successes with others

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GOALS

- Safeguard principal
- Provide for liquidity
- Earn a reasonable market rate of return...with a portfolio that is:
 - Suitable
 - Marketable
 - Diversified

LIMITATIONS

- PFIA
- Investment Policy
- Risk!
 - Concentration
 - Default
 - Market
 - Liquidity
 - POLITICAL

RATE COMPARISON

	7-DAY YIELD	6-MONTH	1-YEAR	2-YEARS	3-YEARS
TREASURY	-	2.31%	2.34%	2.28%	2.26%
CALLABLE AGENCY*	-	2.37%	2.45%	2.50%	2.63%
TAXABLE MUNI	-	2.33%	2.47%	2.45%	2.47%
CD	-	2.35%	2.40%	2.50%	2.60%
GOV POOL	2.47%	-	-	-	-
PRIME POOL	2.61%	-	-	-	-

WHAT'S THIS ABOUT DIVERSIFICATION?

- Various:
 - Issuers
 - Maturities
 - Security types
 - Credit quality
- The finished product of a well-executed plan:
 - Creates balance
 - Reduces risk
 - Enhances return

RISK REDUCTION

- Balance...risks are spread across:
 - Issuers
 - Maturities
 - Credit qualities
 - Security types

RETURN ENHANCEMENT

- Various security types and credit qualities
 - Changing yield spread relationships
- Various maturities
 - Changing yield movements
 - Changing yield curve

AGENDA

- Identify our goals and limitations
- **Establish our infrastructure**
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INFRASTRUCTURE

- Internal Controls
- Custody
- Investment Policy

INTERNAL CONTROLS

- Segregation of duties
- Completeness of documentation
- Compliance with laws and regulations

CUSTODY

- Accounting
- Trade settlement
- Cash management

INVESTMENT POLICY

- Define appropriate asset mix
- Establish compliance with existing laws
- Identify responsibilities

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CASH FLOWS – ONE IDEA

- Total investment portfolio
 - Liquidity portfolio
 - Primary
 - Secondary
 - Income portfolio

LIQUIDITY CHECK – FINDING “NORMAL”

- Largest monthly deficit:
 - Past 12 months
 - Pas 36 months

LIQUIDITY CHECK – FINDING YOUR “PERFECT STORM”

- Lowest Fund Balance (previous 12-36 months)
- Largest disbursement
- Lowest revenue collected

AGENDA

- Identify our goals and limitations
- Establish our infrastructure
- Determine our cash flows
- **Transition from policy to plan**
- Communicate our process

FROM POLICY TO PLAN

- Determine a suitable risk tolerance
- Define a management style
- Create an investment plan
- Construct the portfolio

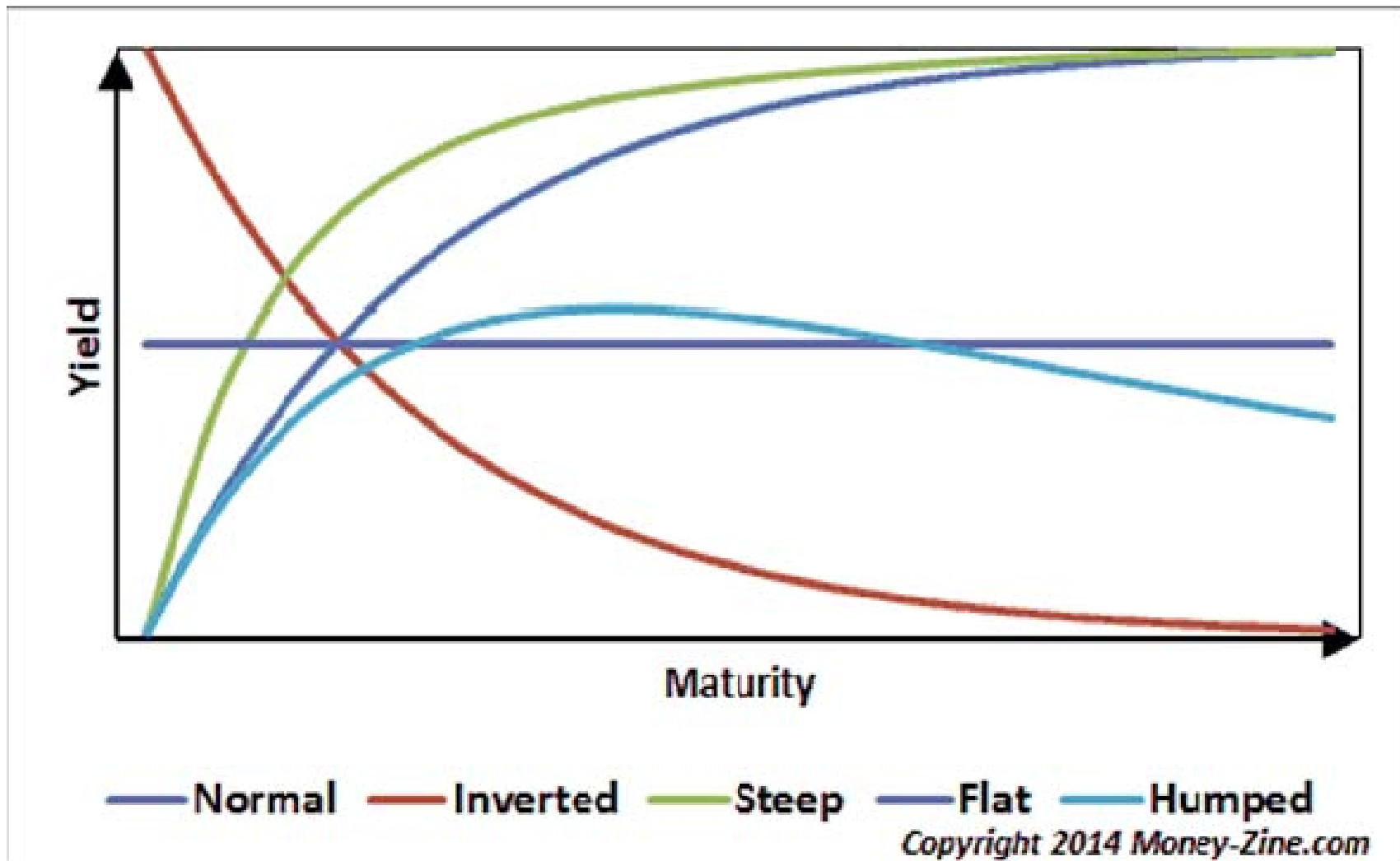
RISK TOLERANCE

- Ability to take on risk
- Willingness to take on risk

MANAGEMENT STYLE

- Passive
 - Liability Matching
 - Ladder
 - Barbell
- Active
 - Defensive
 - Opportunistic
- What is our outlook?

YIELD CURVE ANALYSIS



GRAB

US Treasury Actives Curve

Actions ▾

Table

Export ▾

Settings ▾

Graph Curves

X-Axis Tenor

Y-Axis

Ask YTM

Currency None

PCS

Lower Chart

History Chart ▾

Specific 04/03/19

04/03/19

Relative

Last

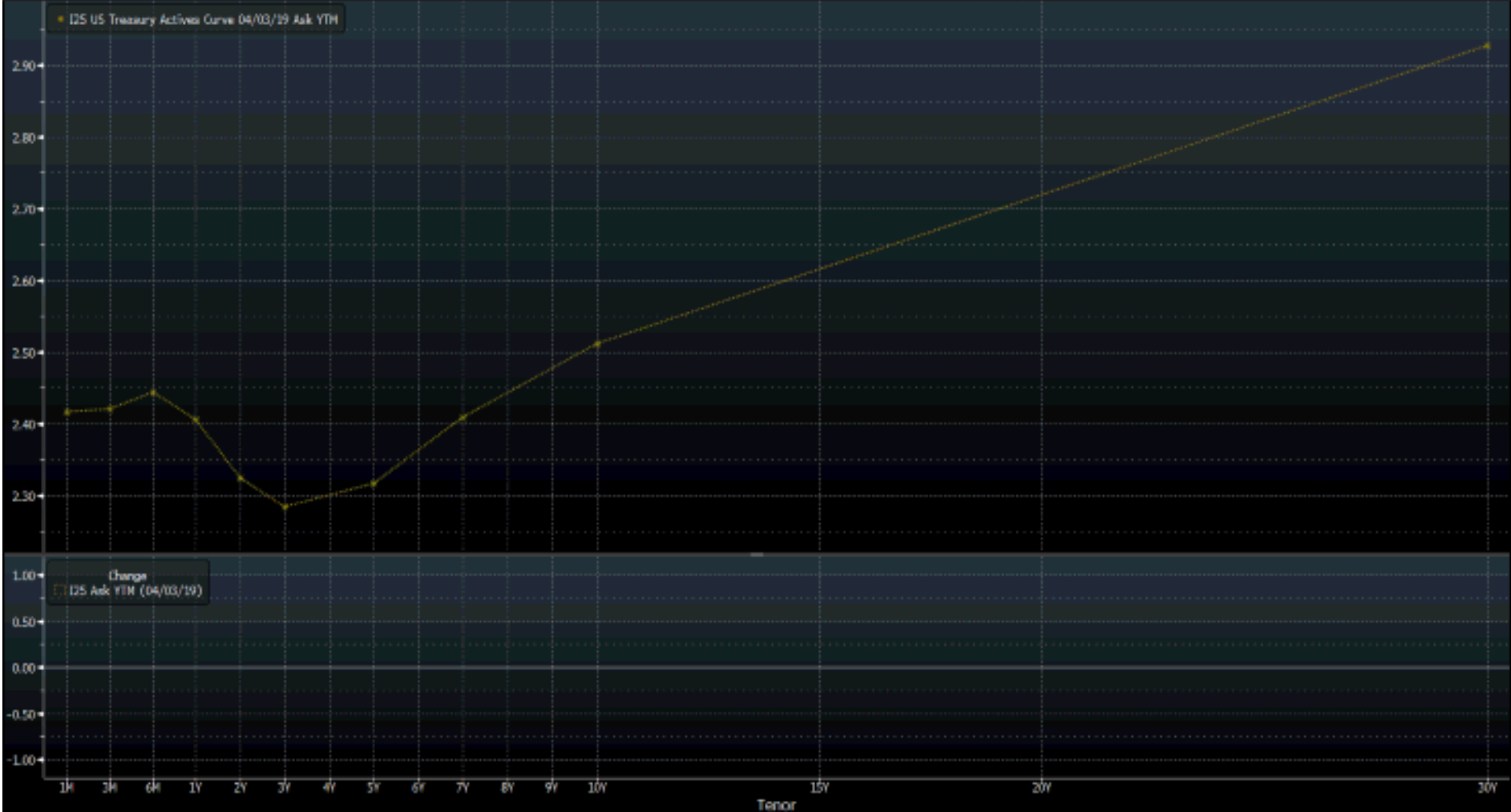
1D

1W

Modify

Curves & Relative Value

⚙



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2019 Bloomberg Finance L.P.
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GRAB

99) Export

World Interest Rate Probability

United States Instrument Futures: Fed Funds - Effective Fed Effective Rate 2.41

1) Overview 2) Future Implied Probability

Current Implied Probabilities

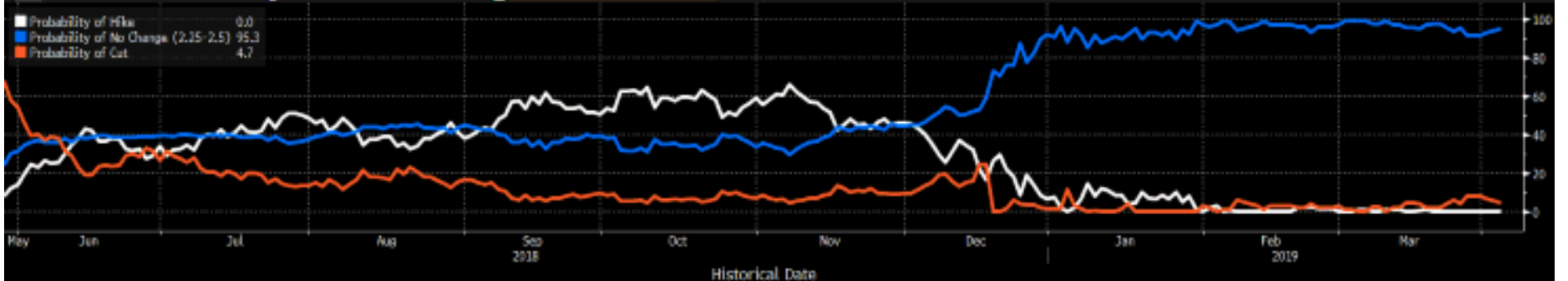
3) Add/Remove Rates

Dates Meeting Calculation Calculated 04/03/2019 Based on rate 2.25-2.50

Meeting	Hike Prob	Cut Prob	1.25-1.5	1.5-1.75	1.75-2	2-2.25	2.25-2.5	Fwd Rate
05/01/2019	0.0%	4.7%	0.0%	0.0%	0.0%	4.7%	95.4%	2.40
06/19/2019	0.0%	16.3%	0.0%	0.0%	0.6%	15.7%	83.7%	2.37
07/31/2019	0.0%	22.7%	0.0%	0.0%	1.7%	20.9%	77.3%	2.35
09/18/2019	0.0%	42.3%	0.0%	0.5%	6.6%	35.2%	57.7%	2.28
10/30/2019	0.0%	47.3%	0.1%	1.0%	9.1%	37.2%	52.7%	2.26
12/11/2019	0.0%	60.0%	0.3%	3.0%	15.9%	40.9%	40.0%	2.20
01/29/2020	0.0%	65.6%	0.6%	4.7%	19.3%	40.8%	34.4%	2.17

4) Historical Analysis for Meeting 05/01/2019

4) Add/Remove Series



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THE PLAN

- Adapt rulebook to playbook
 - Is it realistic?
 - Is it dynamic?

THE PORTFOLIO

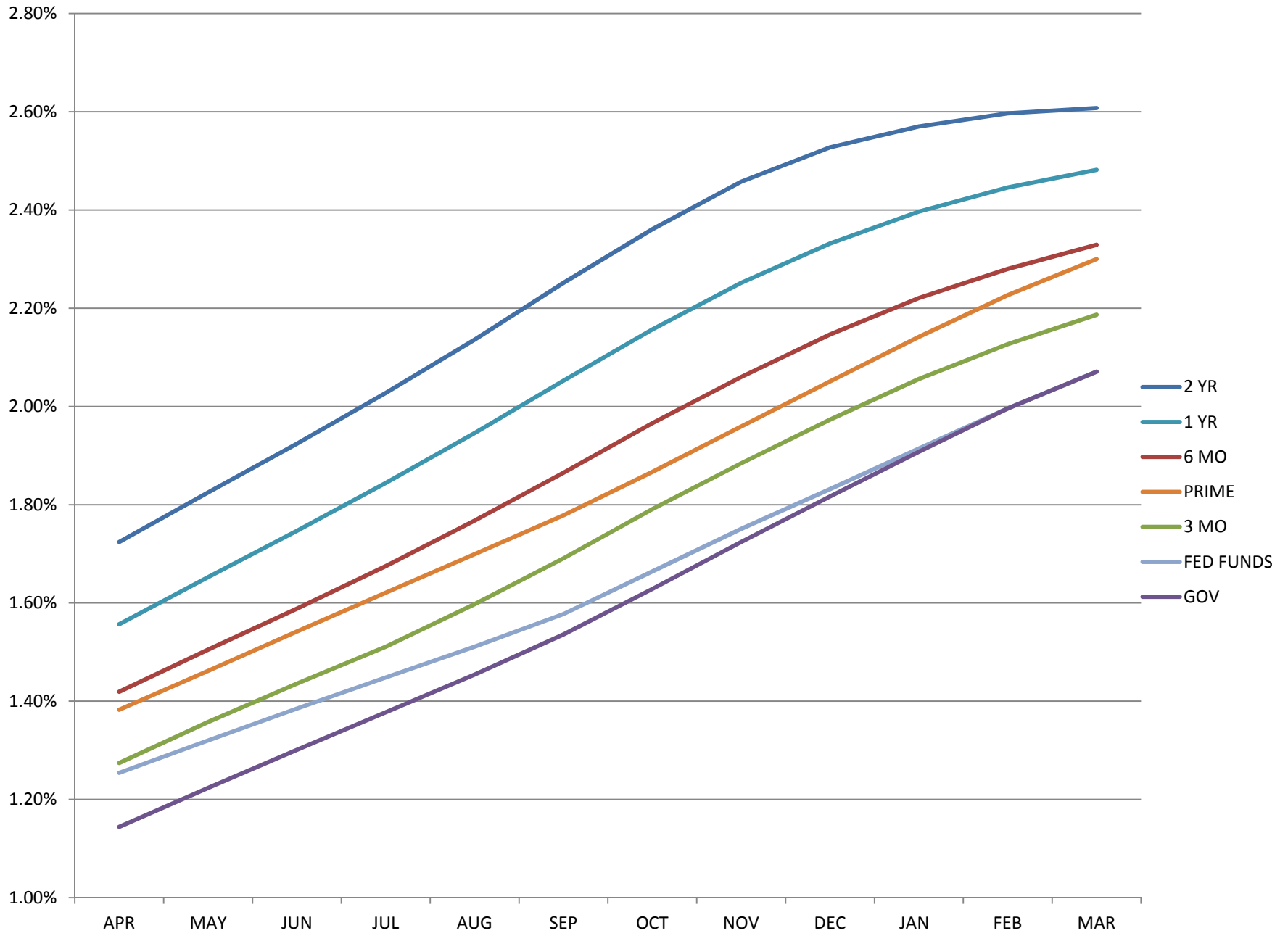
- Allowable investments
- Need for diversification
- Infrastructure in place AND translated to a plan of action
- Cash flows are known

AGENDA

- Identify our goals and limitations
- Establish our infrastructure
- Determine our cash flows
- Understand our investment choices
- **Communicate our process**

Communicate

- Safety, Liquidity, Yield
- Portfolio perspective
- Benchmark



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