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Investment Strategy in Today's Market

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Investment Strategy in Today's Market

Productive Capital Management, Inc. is a registered investment adviser with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. The opinions expressed in this presentation are those of Productive Capital Management, Inc. The material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed.

What is “Today’s Market” like?

- Generational low rates
- “Investing in a NO Interest Environment”
- Fed funds target rate = 0 - .25% since Dec ‘08
- STAR Ohio = 0.4% (9-26-11)
- 2 year U.S. Treasury = 0.27% (4 PM 9-26-11)
- 2 year Agency bullet = 0.38% (4 PM 9-26-11)
- 1 year Bank CDs (if available) in the range of 0.05% - 0.60%

What is "Today's Market" like?

**STAR Ohio, 2-Yr. Treasury Note and Federal Funds Rate
June 22, 1990 to September 26, 2011**



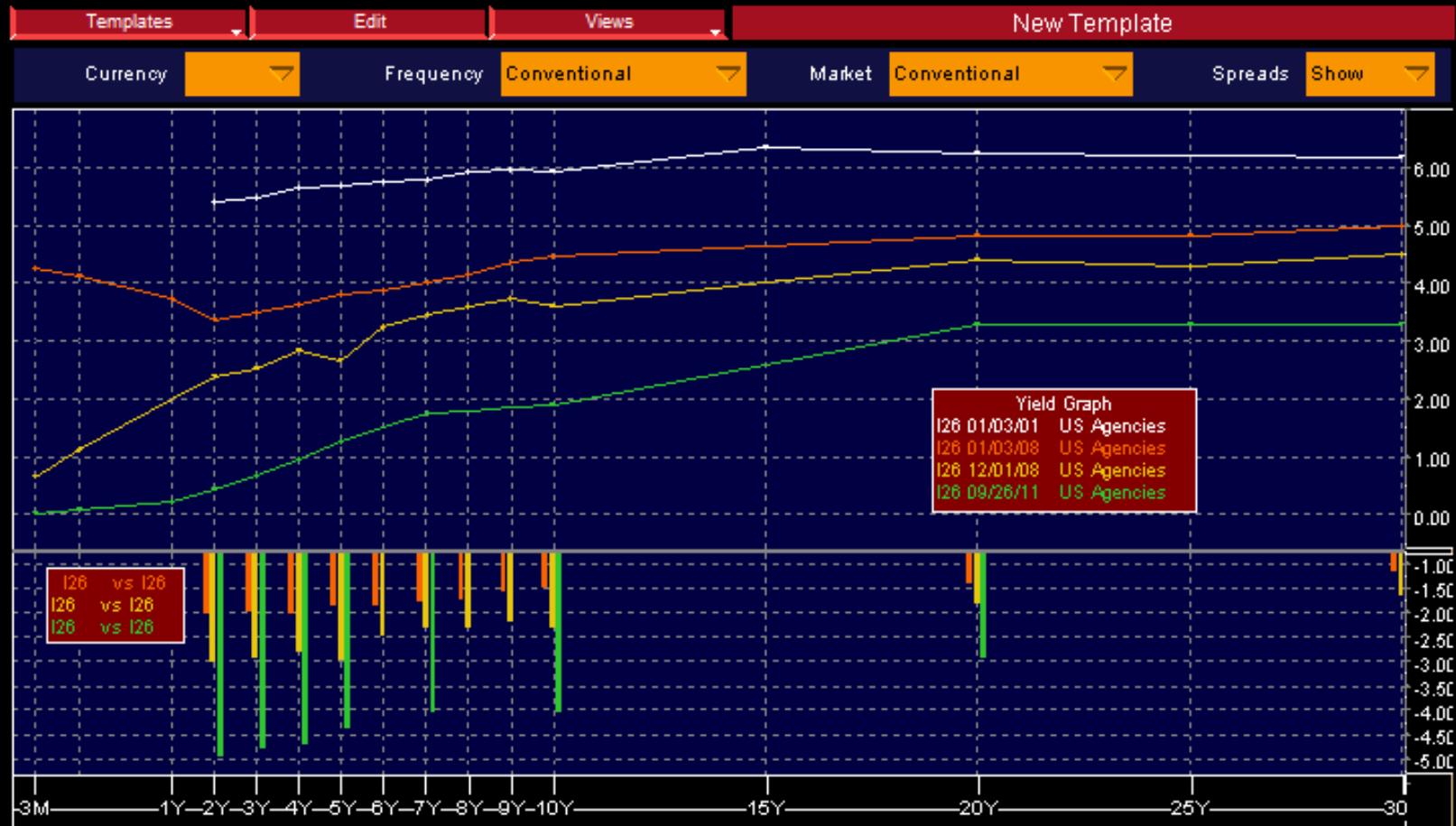
What is "Today's Market" like?

YCRV

Corp YCRV

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Yield Graph



Investment Strategy Foundation

- Establish a framework of sound policies and procedures
- Know your cash flows – past, present and future
- Have access to market information and data
 - Bankers, broker/dealers
 - Internet websites
- Understand market participants
 - Know their biases
 - Develop relationships

Investment Strategy

- How does today's market change your strategy?
- Do your goals change?
 - Safety, Liquidity, Yield
- Do the risks you face change?
 - Credit default
 - Interest rate risk
 - Reinvestment risk
 - Liquidity risk

Investment Strategy

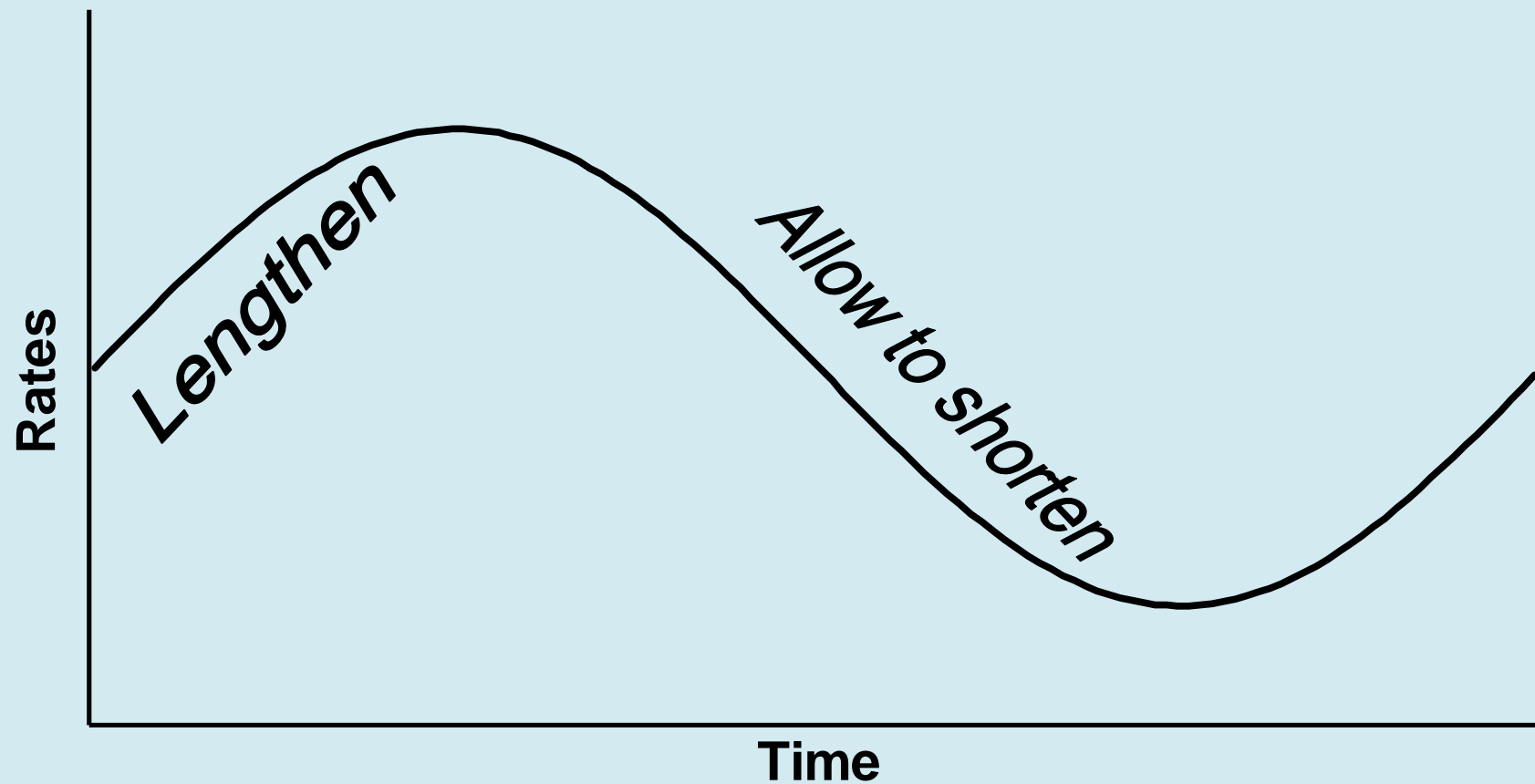
- Does your access to the market change?
 - Banks
 - Broker/dealers
- Does your mix of investments change?
 - Maturity: stay short, go long
 - Asset class: CDs, CP, U.S. Treasuries, Agencies
 - Non-callable, callable

Investment Strategy

- Is there one correct answer?
 - It depends
- Your answer depends on a unique combination of:
 - Policy
 - Cash flow
 - Availability
 - Access
 - Outlook

Investment Strategy

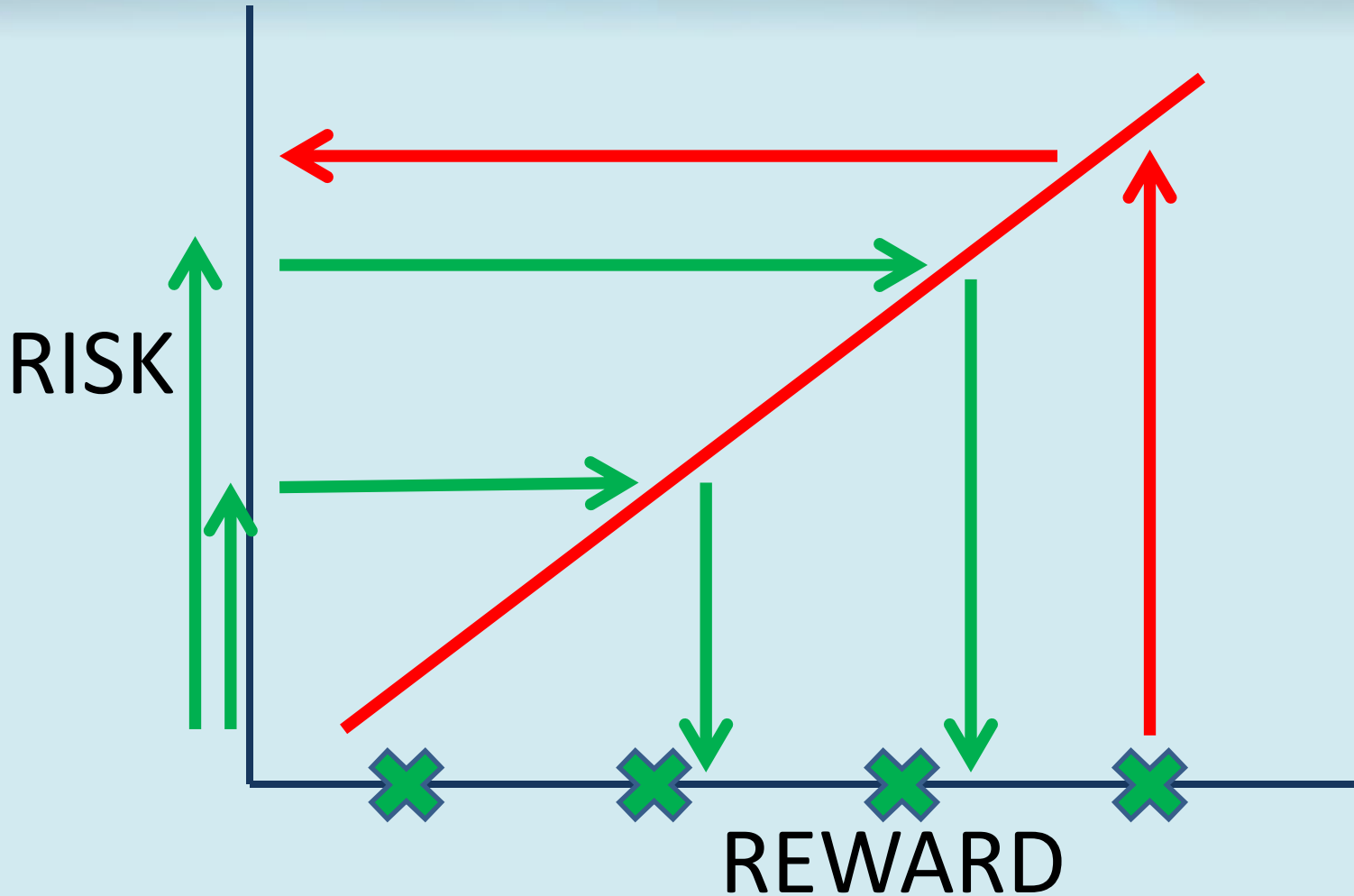
Strategy



Investment Strategy

- The search for higher yields
- Available investments
 - Policy: restrictions?
 - Banking relationships: one or multiple?
 - Broker/dealers: one or multiple?
 - Training:
 - CPIM
 - CP
- Risk/Reward tradeoff

Investment Strategy



Tips for Success in any market

- Pay attention to all the details!
 - Know what you're investing in and who you're dealing with
- Remember convenience has a price
 - Using one broker or one bank may be convenient but may not generate the best return
- Know and manage your cash flows effectively
 - Strive to maximize incremental returns by being fully invested against your cash flow needs
- Focus on your daily return
- Sometimes you have to spend some money to make some money

Tips for Success in any market

- Examples of managing expense vs. revenue:
 - Bank fees
 - Direct pay or compensating balance?
 - Do you know your earnings credit rate vs. your investment opportunity?
 - Staffing
 - Dedicate time (yours, other staff?) to investment process

Helpful websites

- <http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/>

Government Bonds

U.S. UK Germany Japan Hong Kong Australia Brazil

U.S. Treasuries

	COUPON	MATURITY	PRICE/YIELD	PRICE/YIELD CHANGE	TIME
3-Month	0.000	11/03/2011	0.03 / 0.03	-0.030 / -0.031	09:33
6-Month	0.000	02/02/2012	0.09 / 0.09	-0.025 / -0.025	09:31
12-Month	0.000	07/26/2012	0.14 / 0.15	-0.005 / -0.005	09:30
2-Year	0.375	07/31/2013	100-02+ / 0.34	-0-01+ / 0.020	09:31
3-Year	0.625	07/15/2014	100-10+ / 0.52	-0-03+ / 0.035	09:33
5-Year	1.500	07/31/2016	101-06+ / 1.26	-0-05 / 0.032	09:33
7-Year	2.250	07/31/2018	101-31 / 1.95	-0-03½ / 0.017	09:33
10-Year	3.125	05/15/2021	104-10+ / 2.62	-0-03 / 0.009	09:32
30-Year	4.375	05/15/2041	108-06 / 3.91	0-03 / -0.002	09:32


Helpful websites

- <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

Daily Treasury Yield Curve Rates

[Get updates to this content.](#)

XML data are also available in XML format by clicking on the XML icon.

 [access interest rate data in the legacy XML format, click here.](#)

Select type of Interest Rate Data

Select type of Interest Rate Data

Daily Treasury Yield Curve Rates

Select Time Period

Select Time Period

Current Month

Date	1 mo	3 mo	6 mo	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	20 yr	30 yr
7/1/2011	0.01	0.02	0.10	0.20	0.50	0.85	1.80	2.54	3.22	4.12	4.40
7/5/2011	0.01	0.02	0.08	0.19	0.44	0.77	1.70	2.46	3.16	4.09	4.39
7/6/2011	0.01	0.01	0.06	0.19	0.43	0.75	1.66	2.41	3.12	4.05	4.35
7/7/2011	0.03	0.03	0.07	0.20	0.49	0.83	1.74	2.48	3.17	4.08	4.37
7/8/2011	0.03	0.03	0.07	0.17	0.40	0.70	1.57	2.32	3.03	3.97	4.27
7/11/2011	0.02	0.03	0.07	0.17	0.37	0.64	1.49	2.22	2.94	3.88	4.20
7/12/2011	0.01	0.03	0.07	0.18	0.37	0.63	1.47	2.20	2.92	3.86	4.19
7/13/2011	0.01	0.01	0.05	0.16	0.37	0.62	1.45	2.18	2.92	3.85	4.17
7/14/2011	0.01	0.01	0.05	0.15	0.38	0.66	1.51	2.24	2.98	3.92	4.25
7/15/2011	0.02	0.02	0.05	0.15	0.37	0.62	1.46	2.19	2.94	3.92	4.26
7/18/2011	0.01	0.02	0.06	0.15	0.37	0.62	1.45	2.18	2.94	3.95	4.29
7/19/2011	0.02	0.03	0.07	0.17	0.39	0.63	1.45	2.17	2.91	3.86	4.19
7/20/2011	0.01	0.02	0.08	0.19	0.40	0.64	1.49	2.22	2.96	3.92	4.25
7/21/2011	0.04	0.05	0.09	0.20	0.40	0.69	1.56	2.30	3.03	3.98	4.31
7/22/2011	0.05	0.05	0.09	0.20	0.40	0.66	1.53	2.26	2.99	3.93	4.26

Helpful websites

- <http://codes.ohio.gov/orc/135>



LAWriter[®] Ohio Laws and Rules

Route: [Ohio Revised Code](#) » [Title \[1\] I STATE GOVERNMENT](#)

Chapter 135: UNIFORM DEPOSITORY ACT

135.01 Uniform depository act definitions.

Except as otherwise provided in sections [135.14](#) and [135.181](#) of the Revised Code, as used in sections 135.

(A) "Active deposit" means a public deposit necessary to meet current demands on the treasury, and that includes:

- (1) A commercial account that is payable or withdrawable, in whole or in part, on demand;
- (2) A negotiable order of withdrawal account as authorized in the "Consumer Checking Account Equity Act of 1994";
- (3) A money market deposit account as authorized in the "Garn-St. Germain Depository Institutions Act of 1982";

(B) "Auditor" includes the auditor of state and the auditor, or officer exercising the functions of an auditor,

Summary

- Be knowledgeable of the O.R.C. and your investment policy
- Know who you are dealing with and their role in the marketplace
- Keep current on market rates and investment opportunities
- Balance the investment of time/expense with investment return
- Remember that every dollar earned through investments is a dollar less needed in taxes.

Thank you!



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