

Real World Case Studies: Investing and Portfolio Management

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TODAY'S PRESENTERS



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"Experience is what you get when you didn't get what you wanted."

– Randy Pausch

"Experience is the best teacher." – Latin Proverb





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Case Study #1

CASH FLOW AND THE INVESTMENT DECISION

CASH AND INVESTMENTS





National Average Deposit rate





HISTORICAL CASH FLOW











CASH AND INVESTMENTS







Note: Based on the \$62 million earning 1.00% above the cash rate





Case Study #2

WORKING WITH SERVICE PROVIDERS/ BUSINESS CONTINUITY





Suitability vs. Fiduciary

"People may confuse the terms suitability and fiduciary. Both seek to protect the investor from foreseeable harm or excessive risk. However, the standards of investor care are different. An investment fiduciary is any person who has the legal responsibility for managing someone else's money. Investment advisors, who are usually fee-based, are bound to fiduciary standards. Broker-dealers, customarily compensated by commission, generally have to fulfill only a suitability obligation."

Source: Investopedia



MAYBE I SHOULD HAVE SOMEONE ELSE TAKE A LOOK AT THIS...

Hi,

We have some maturities in your portfolio this week. Similar to what we've done in the past, I would like to reinvest these in A1/P1 commercial paper to yield 2.15%.

Thanks,

Questions

- What are my other alternatives?
- What issuers would be purchased?
- Would I remain in compliance?
- What rates are available elsewhere?



PREVIOUS EXECUTION

- 2 purchases of commercial paper
- Both were for 150-day maturity
- Both were sold to yield 2.30%
- These same issuers were shown by other brokers that day to yield 2.76%
- Difference in yield equates to \$1,916.67 per million

Issuers purchased:





• 4(a)2 commercial paper



"A man who asks is a fool for five minutes. A man who never asks is a fool for life."

– Chinese Proverb



EXHIBIT B



How did it get here?



What if you need cash?

- New project
- Negotiations
- Funding change



Hypothetical Portfolio Illustration portfolio as of 5/9/2022



MEEDER INVESTMENT MANAGEMENT

PORTFOLIO ILLUSTRATION IS HYPOTHETICAL IN NATURE, DOES NOT REFLECT ACTUAL INVESTMENT RESULTS, AND DOES NOT GUARANTEE FUTURE RETURNS. YIELD IS QUOTED GROSS OF ADVISORY OR CUSTODY FEES.

KNOW THE TYPES OF SERVICE PROVIDERS

LGIP

- Understand how the program works
- Know the investments of the pool
- Look at the annual report
- How are they compensated?

BANKS

- Make sure they understand nuances of public entities
- Work with banks you know and trust
- How are they compensated?

BROKER

- Recommends suitable investments
- What is their specialty/focus?
- How are they compensated?
- Check them out: <u>www.finra.org</u>

INVESTMENT ADVISOR

- Acts as a fiduciary in the client's best interest
- Who do they work with?
- What are their credentials?
- How are they compensated?
- Check them out: <u>www.investor.gov</u>



INVESTMENT OBJECTIVES & GOALS

LEGAL	Legal may not be suitable
SAFETY	Preservation of principal
LIQUIDITY	What are your liquidity needs?
YIELD	Does the investment have a competitive yield?





Case Study #3

VALUE ADD OPPORTUNITIES

TREATINGTING III

HISTORICAL YIELDS





LOW Yielding Investments

EXISTING INVESTMENT HOLDING			
CUSIP	3133ELG81		
ISSUE	FFCB 0.30% 6/8/2023		
PURCHASED	6/8/2020		
PAR VALUE	\$3,000,000		
COST BASIS	\$2,994,630		
YIELD TO MATURITY	0.36%		
MARKET VALUE AS OF 5/12/2022	\$2,939,730		
UNREALIZED LOSS	(\$54,900)		



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LOW Yielding Investments



RECEIVE COUPON INCOME OF \$9,700 AND DISCOUNT OF \$5,370

REALIZE THE LOSS OF \$54,900

REINVEST AT UNKNOWN RATES AT MATURITY DATE

REINVEST AT TODAY'S RATES



FOR INFORMATIONAL PURPOSES ONLY. SEE IMPORTANT DISCLOSURES AT THE END OF THE PRESENTATION.

Example CURRENT Investment

REINVESTMENT AT CURRENT RATES		
CUSIP	147330FUE9	
ISSUE	C 2.75% 6/16/23	
PAR VALUE	\$3,000,000	
COST BASIS	\$3,000,000	
YIELD TO MATURITY	2.75%	
INTEREST INCOME	\$90,750	



Why is this **IMPORTANT**?

VALUE ADD \$20,780

VALUE ADD	\$20,780
LESS: LOST DISCOUNT IF HELD TO MATURITY	(\$5,370)
LESS: LOST INTEREST INCOME IF HELD TO MATURITY	(\$9,700)
LESS: REALIZED LOSS ON SALE	(\$54,900)
INTEREST INCOME ON NEW INVESTMENT	\$90,750





Case Study #4

DEBUTRATION II

BENEFIT OF A LONG-TERM INVESTMENT PLAN

CYCLE OF EMOTIONS

BEHAVIORAL FINANCE



Herding MENTALITY

BECOMING INFLUENCED BY PEERS TO FOLLOW A TREND





PUBLIC ENTITY PORTFOLIO

AS OF 12/31/2019

Maturity Distribution



Portfolio



What's Priced In Now

Treasuries Fully Pricing In Interest Rate Hikes



Fed's Evolving Rate Plans

Fed's Rate Outlook Evolved Amid Persistent Inflation Pressures And A Faster Decline In Unemployment



Fed Rate Projections (Median) By Meeting

SOURCE: FEDERAL RESERVE



US TREASURY YIELD CURVES



- Yield curve has steepened with improved economic conditions
- Probability for faster pace of Fed rate hikes has increased
- Discussions on yield curve inversion starting to set in as 2 year and 10 year spreads narrowing

SOURCE: BLOOMBERG 5/31/2022



FOR INFORMATIONAL PURPOSES ONLY. SEE IMPORTANT DISCLOSURES AT THE END OF THE PRESENTATION.

WHAT CAN YOU DO?

Have a Plan!

- Review your Investment Policy
- Spend time with your cash flow
- Know your service providers
- Have a strategy





"The time is always right to do what is right."

– Martin Luther King, Jr.



QUESTIONS



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