

AFP®



Annual Conference

OCTOBER 27-30, 2013 | LAS VEGAS

ORIGINAL → ESSENTIAL → UNBIASED → **INFORMATION**

Global Investments & Risk Management Best Practices, Innovations and Strategies

Moderator

Scott Fox

SVP, Business
Development

ICD

Panelist

Jeff Knapp

Senior Treasury
Analyst

Coca-Cola

Panelist

Devin Parker

Vice President & Assistant Treasurer
Capital Markets, Investments,
Risk & Insurance

Western Union

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moving money for better

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Global Corporations



127 Years Old
Operates in 200+
Countries
Over 3,500 Products
Over 500 Brands
Worldwide



moving money for better

162 Years Old
Operates in 200+
Countries
Over 520,000 Locations
Worldwide



Investment Considerations, Risks and Liquidity Needs

Methods for Evaluating Risk

Understanding the Yield Curve

Analyzing Opportunities to Extend Duration

Using Technology to Manage
Risks & Investments

Summary / Key Takeaways

Investment Considerations & Approach



Developing a successful investment strategy requires thoughtful consideration of cash flow planning, investment objectives and risk tolerances

Investment Risk

RISK TOLERANCE CONSIDERATIONS:

- Tradeoffs of yield versus volatility
- Potential for negative returns
- Effect of interest rate moves

DESCRIPTIONS OF CERTAIN INVESTMENT RISKS:

Interest Rate Risk - the risk that an investment's value will change due to changes in the absolute level of interest rates or the shape of the yield curve; risk rises with increasing duration. Reinvestment risk is a competing risk to interest rate risk.

Credit Risk - adverse changes of a security's value from actual or perceived deterioration in credit quality. Types of risks factors evaluated under credit risk include: profitability, leverage, quality of assets, capital, liquidity, corporate governance, legal risk, and event risk.

Liquidity Risk – risk that a security may not have a ready and deep market into which it may be sold without a substantial discount to price.

Pursuing incremental yield requires a willingness to assume measured risks

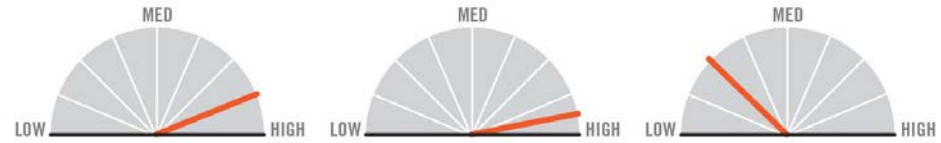
Investment Types

CAPITAL PRESERVATION

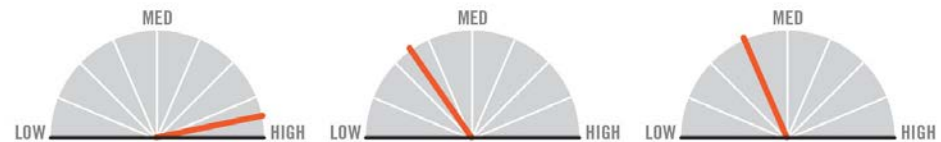
LIQUIDITY

YIELD

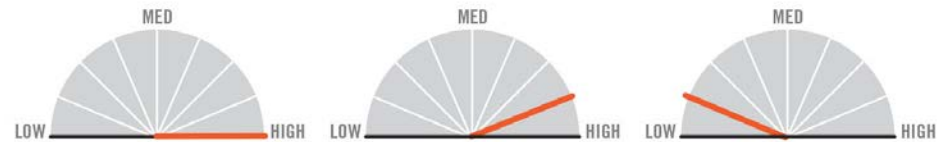
Bank Deposits



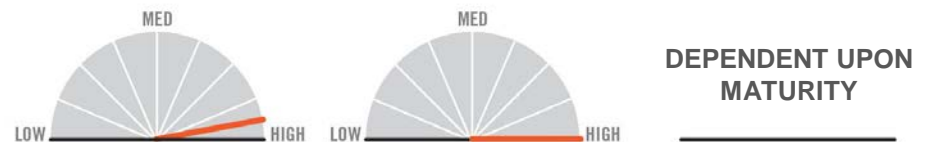
Time Deposits



Repurchase Agreement



Treasury/Agencies



Money Market Funds



Investment Types

CAPITAL
PRESERVATION

LIQUIDITY

YIELD

Bond Funds

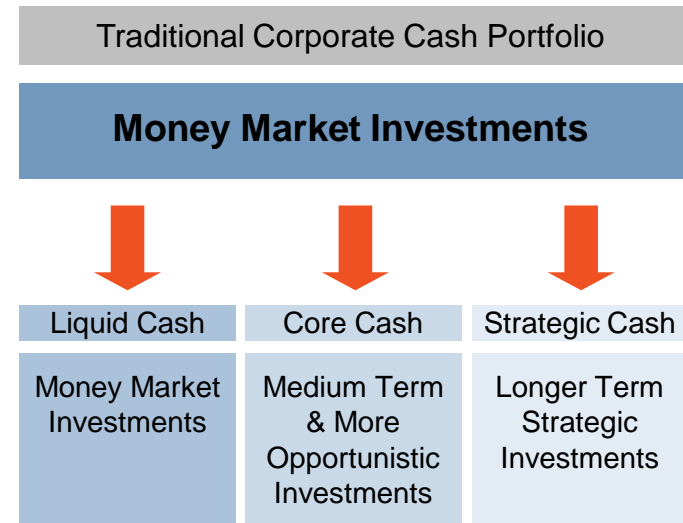
VARIABLE DEPENDENDING UPON FUND'S PROFILE

Separately Managed Accounts

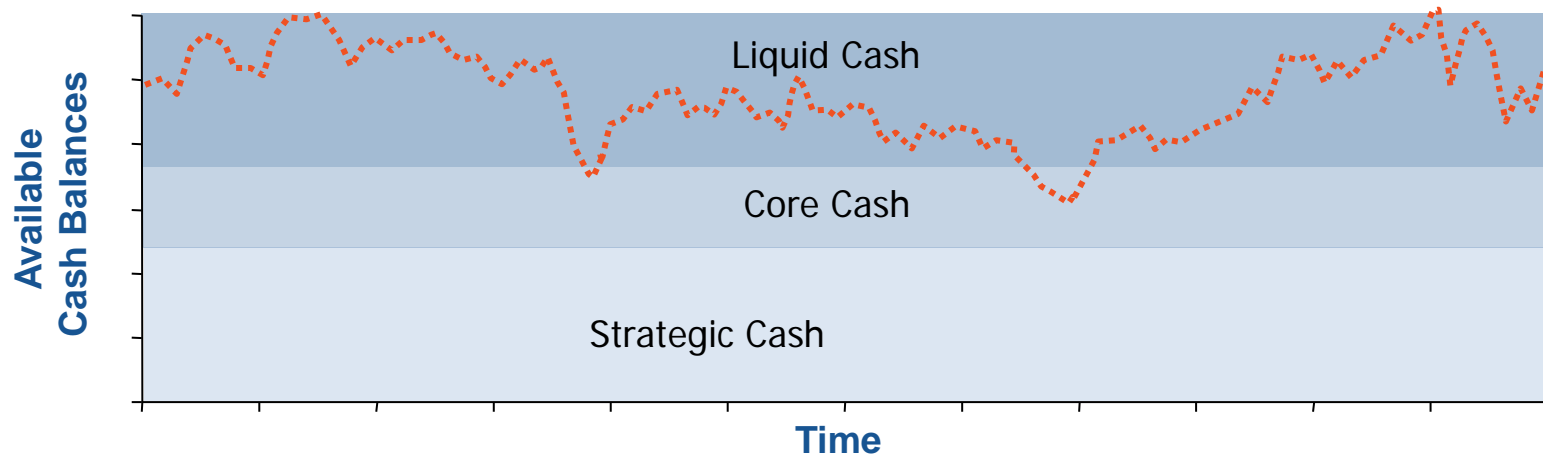
CUSTOMIZABLE TO INVESTMENT POLICY,
RISK TOLERANCE, AND RETURN OBJECTIVES

Identifying Liquidity Characteristics

- Many companies rely solely on money market investments despite the fact that immediate liquidity needs are only a portion of cash balances
- Consider creating 2 to 3 distinct “pools” of cash to improve returns while meeting liquidity needs



Investment “Pools”



Identifying Liquidity Characteristics

Sample Investment Pool Characteristics

	Liquid Cash	Core Cash	Strategic Cash
Investment horizon	0 to 6 months	6 months or longer	1 year +
Typical portfolio duration	60 Days	6 months to 1 Year	2 Years
Cash Flow Volatility	High	Low	Very Low
Objective	Preservation of capital and immediate liquidity	Enhanced returns with minimal principal risk	Risk constrained total return
Strategy	Money Market investments	Curve and Credit	Incremental curve & credit exposure + manager skill
Return Expectation	Low	Improved	Highest

Consider incorporating “best practices” for investment management – matching liquidity considerations, investment horizons, and risk tolerances

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Risks and Liquidity Needs



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Ratings Considerations

Comparative Default Rates for Municipal & Corporate Debt

	Municipal (%)	Corporate (%)
AAA	0.00	1.09
AA	0.06	1.15
A	0.10	2.77
BBB	0.39	7.71
BB	2.04	20.52
B	8.84	34.54
CCC/C ²	41.45	56.55
Investment-Grade	0.15	3.83
Speculative-Grade	6.75	29.40

May add
yield & diversification



(15-Year Cumulative Default Rates) For municipal defaults, S&P's study period was January 1986 to January 2010.
For corporate defaults, S&P's study period was January 1981 to December 2010.

What is CDS?

The ability to buy or sell insurance against default


A swap designed to transfer the credit exposure of fixed income products between parties whereby the purchaser of the swap makes payments to the seller up until the maturity date of a contract, in return, the seller agrees to pay off a third party debt if this party defaults on the loan. A CDS is considered insurance against non-payment.

- **CDS Spread is the amount over LIBOR that a counterparty charges for credit protection**
 - The higher the spread, the higher the credit risk of the underlying asset
- Benefits and considerations of using CDS in your analysis
 - Real time, market based information (unlike credit ratings)
 - Ability to see trends and compare (and ease of use)
 - Liquidity / Technicals
 - A word of caution

Probability of Default

Using a CDS spread, it is possible to calculate a probability of default of the underlying asset for a specific period of time.

$$1 \text{ Year Probability of Default} = \frac{\frac{1 \text{ Year CDS}}{10,000}}{1 - \text{Recovery Rate}}$$

Usually 40% 

$$5 \text{ Year Probability of Default}^1 = [1 - e^x]$$

Where x is calculated as:

$$x = \frac{\frac{5 \text{ Year CDS}}{10,000}}{1 - \text{Recovery Rate}}$$

¹ Where “e” is the mathematical constant 2.71828 (base of the natural log)

JP Morgan (CDS of 91) – 7% Probability of default within 5 years



Citibank (CDS of 103) – 8% Probability of default within 5 years



Puerto Rico (CDS of 589) – 39% Probability of default within 5 years

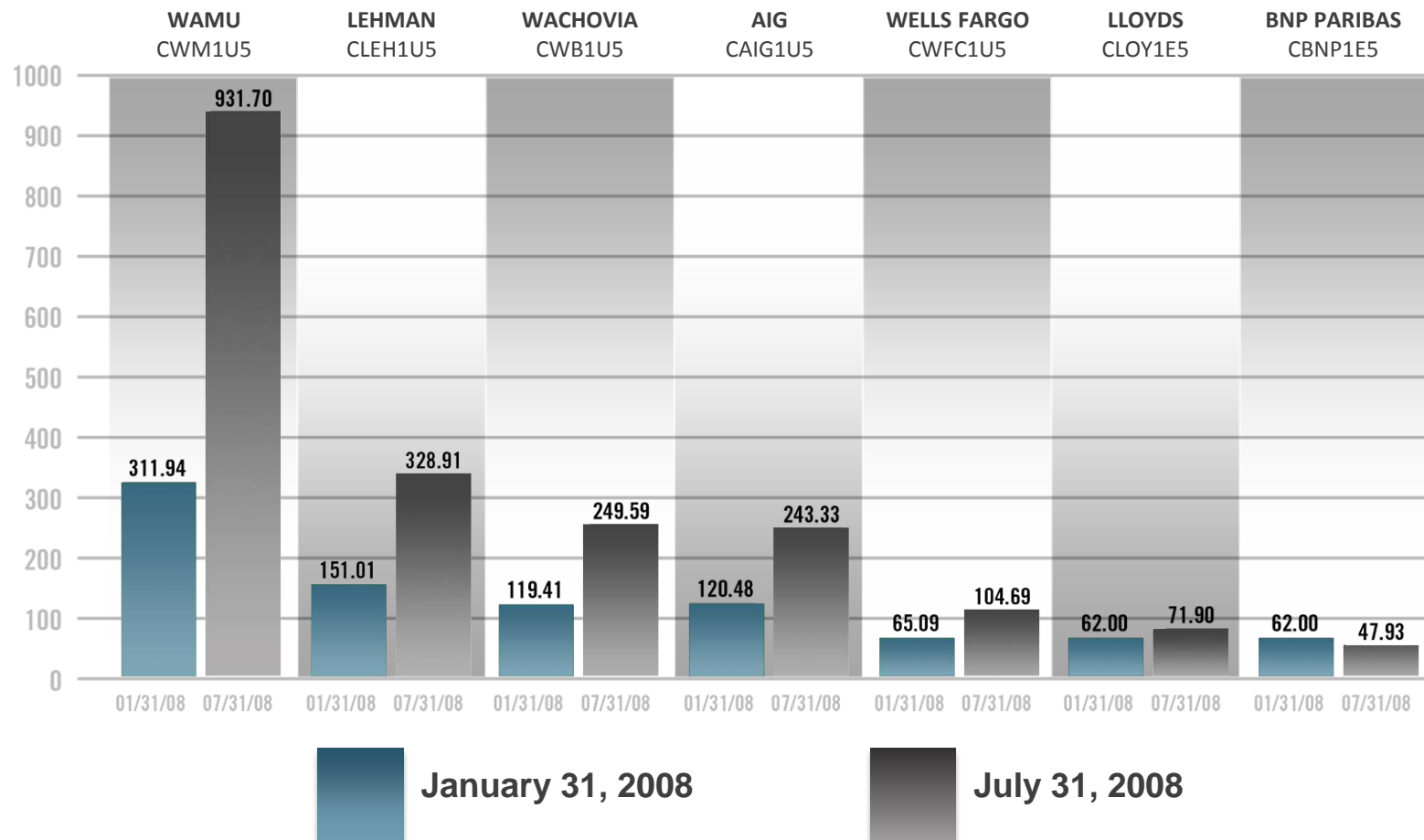


Venezuela (CDS of 988) – 56% Probability of default within 5 years



2008 Headline Name CDS Spreads

2008 5-YEAR CREDIT DEFAULT SWAP (CDS) PRICING



What is Tier 1 Capital?

- A comparison between a banking firm's core equity capital and total risk-weighted assets. A firm's core equity capital is known as its Tier 1 capital and is the measure of a bank's financial strength based on the sum of its equity capital and disclosed reserves, and sometimes non-redeemable, non-cumulative preferred stock. A firm's risk-weighted assets include all assets that the firm holds that are systematically weighted for credit risk.
- Benefits and considerations of using Tier 1 capital in your analysis
 - Helps determine if a bank is well capitalized (6% or higher to be well capitalized)
 - Provides the ability to compare different banks

$$\text{Tier 1 Ratio} = \frac{\text{Common Stock} + \text{Non - Redeemable Common Stock} + \text{Retained Earnings} + \text{Disclosed Reserves}}{\text{Total Assets}}$$

What are Non-Performing Assets?

- A classification used by financial institutions that refer to loans that are in jeopardy of default. Once the borrower has failed to make interest or principal payments for 90 days the loan is considered to be a non-performing asset
- Benefits and considerations of using Non-Performing Assets in your analysis
 - Only as good as the most recent financials
 - May be late to the game

$$\text{Non – Performing Assets to Total Assets} = \frac{\text{Non – Performing Assets}}{\text{Total Assets}}$$

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Methods for Evaluating Risk

 **Understanding the Yield Curve**

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Summary / Key Takeaways

Understanding rate risk when extending maturities to pick-up yield

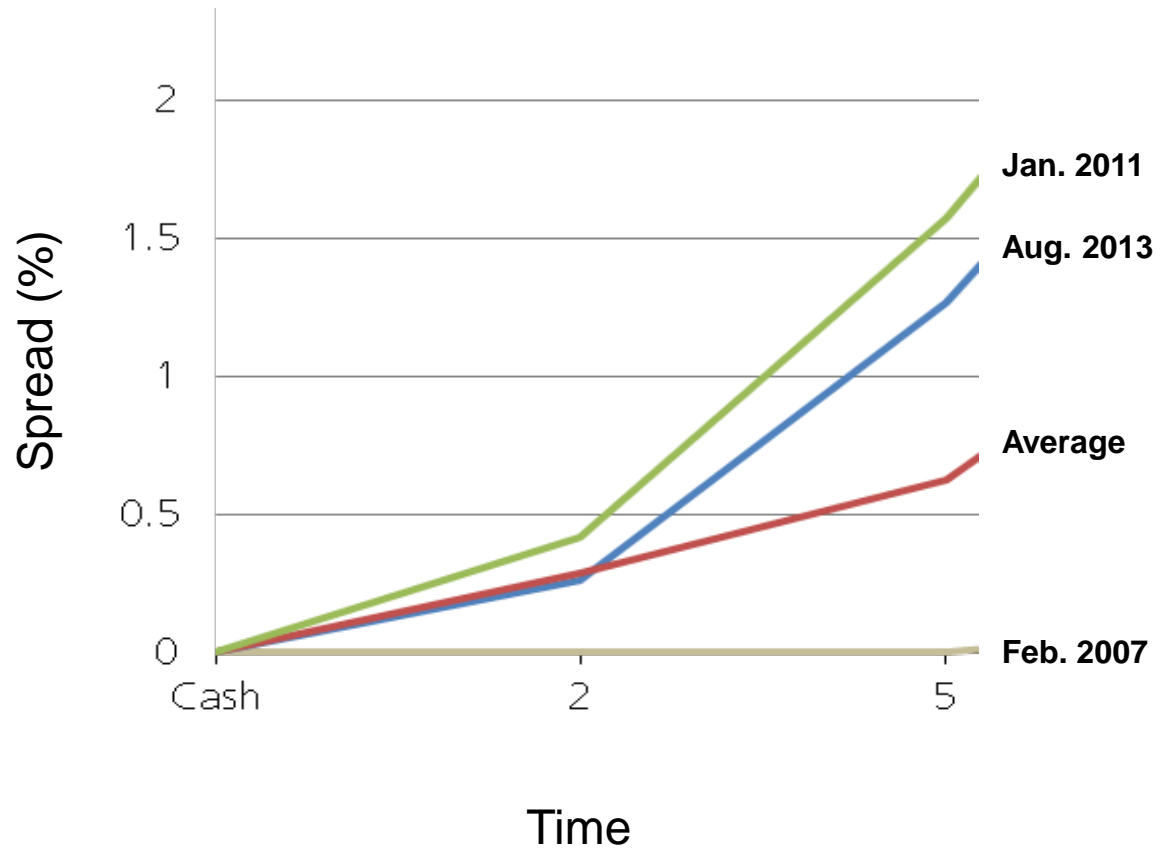
Interest Rate Risk is the risk an investment declines in value due to an increase in interest rates – is it worth extending duration?

- How severe is the move?
- How long does it take?
- Are maturities affected differently?
- How much is priced in?
 - What does the curve tell you?
 - What is the volatility of rates and how big a standard deviation move would it take to regret the trade?
 - Do you get paid over time for extending duration?

Yield Curve Tells a Story...

- The current yield curve tells a story of which direction rates are expected to go
 - An upward sloping curve says that rates are expected to rise
 - A downward (or inverted) yield curve says that rates are expected to decline
- Forward rate (or yield) curves take it a step further. They tell the story of how much and when rates will move over a certain period of time (i.e., 1, 2, 3 years)
 - These calculations are interpolated based on the current yield curve.
- You can use the forward rate curves to calculate what is “priced in”
 - Priced in means that if you own a maturing security over x number of years versus holding cash you would be indifferent
- A key concept to understand is that in a rising rate environment, you can be indifferent because you still earn income and roll down by owning a maturing security

Current Yield Curve



Investment Options – Putting it Simply

OPTION 1

- Buy a 1 year maturity
- 1 year bond yield is 0.25%

• Income	0.25%
• Principal	0.00%
• Return in 1 year	0.25%

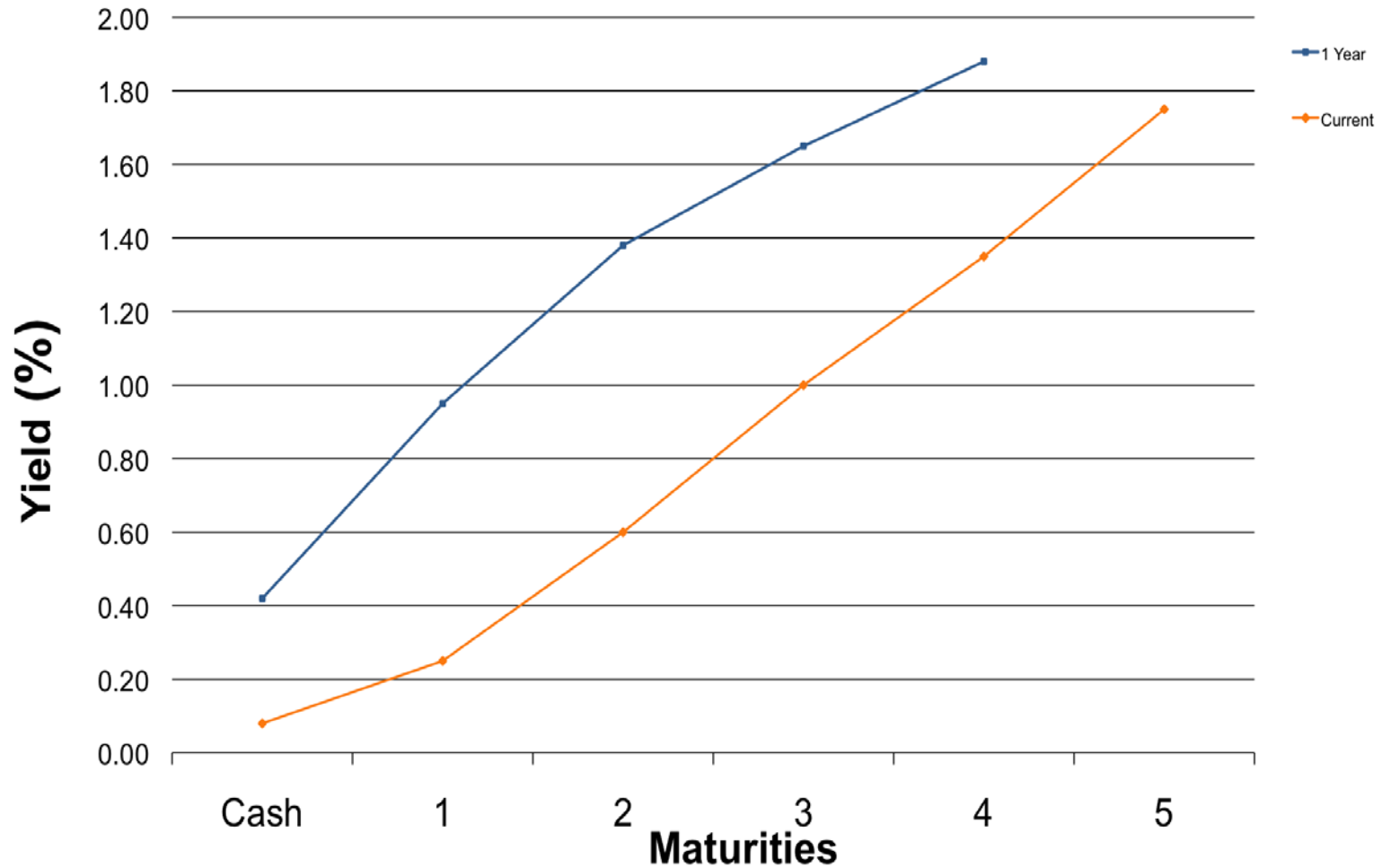
OPTION 2

- Buy a 2 year maturity and sell in 1 year
- 2 year bond yield is 0.60%
- In order to have Option 1 and Option 2 equal each other (or, break even), the 2 year maturity must lose -0.35% in principal value because it's income is 0.60%.

• Income	0.60%
• Principal	-0.35%
• Return in 1 year	0.25%

- Since a 2 year maturity, one year forward, is a 1 year maturity, how much do rates need to rise in order to lose 0.35% of principal? For a 1 year maturity security, that is 0.35% (1 year duration x 35 bps = 0.35%) therefore, 1 year securities will need to yield 0.95% (0.60% + 0.35%).
- Current 1 year security is 0.25% and the breakeven rate is 0.95%, the market is pricing in a 70 bps rise.
- If rates rise more than 70 bps for 1 year securities, an investor is better off in Option 1. If rates rise less, an investor is better off in Option 2.

Expected Yield Curves (forwards) “breakevens”



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Summary / Key Takeaways

Wells Fargo Ultra Short Bond Fund Overview (as of June 2013)

Fund Characteristics:

30-day SEC yield 1.12%

Sharpe Ratio 2.71

Average Return 0.40%

Portfolio turnover 64.89%

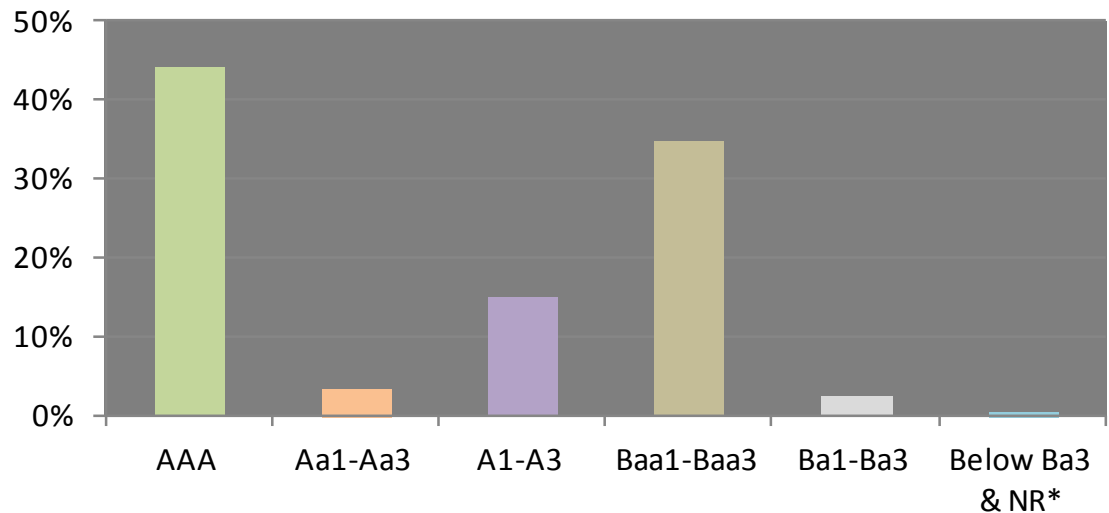
Effective Duration 0.44 years

Number of Holdings 334

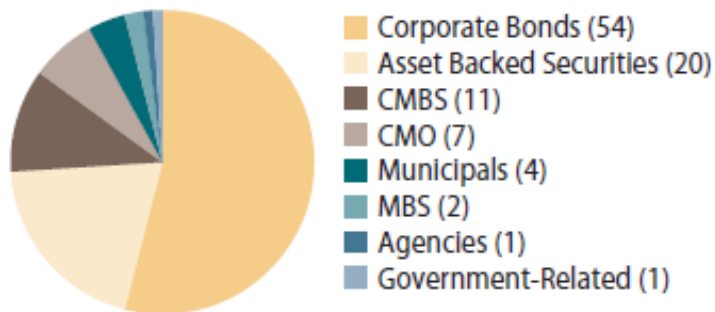
FUND MANAGERS

Name	Years of investment experience
Jay N. Mueller, CFA	29
Thomas M. Price, CFA	22
D. James Newton II, CFA, CPA	14
Christopher Y. Kauffman, CFA	15

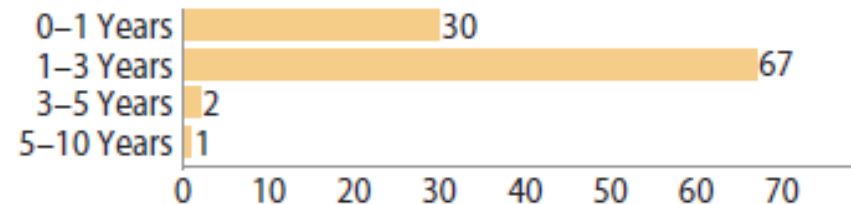
Credit Rating



Portfolio composition (%)

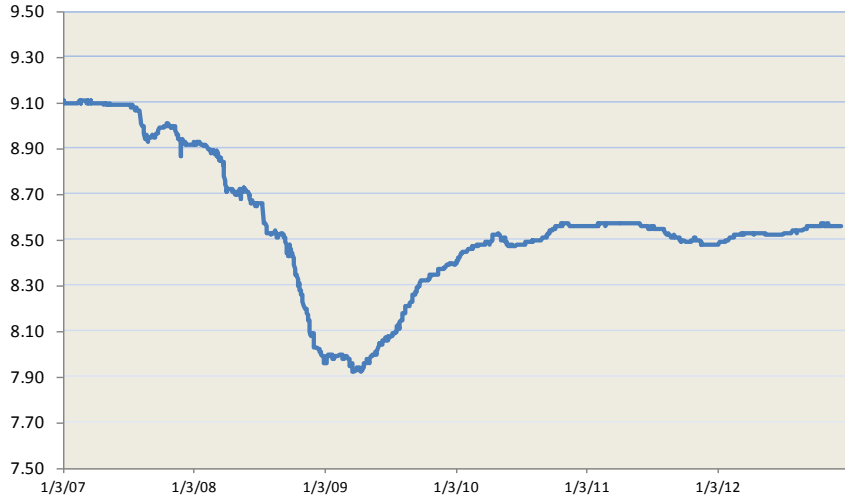


Maturity distribution (%)

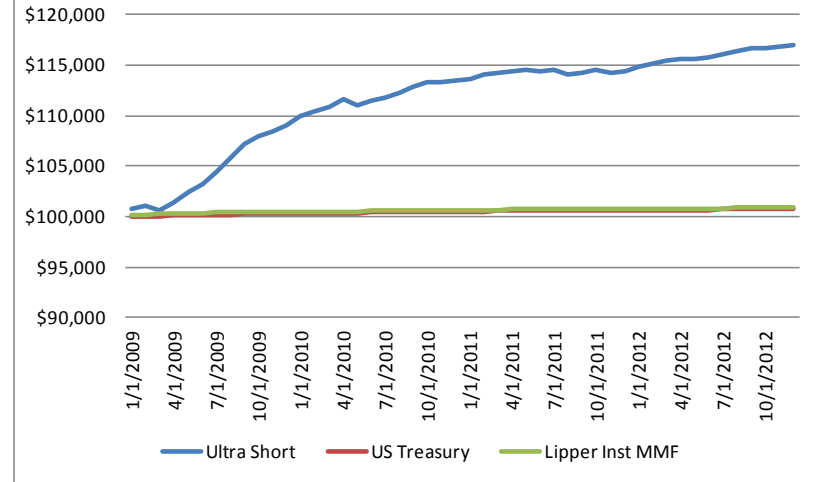


Historical Performance

SADIX net asset value

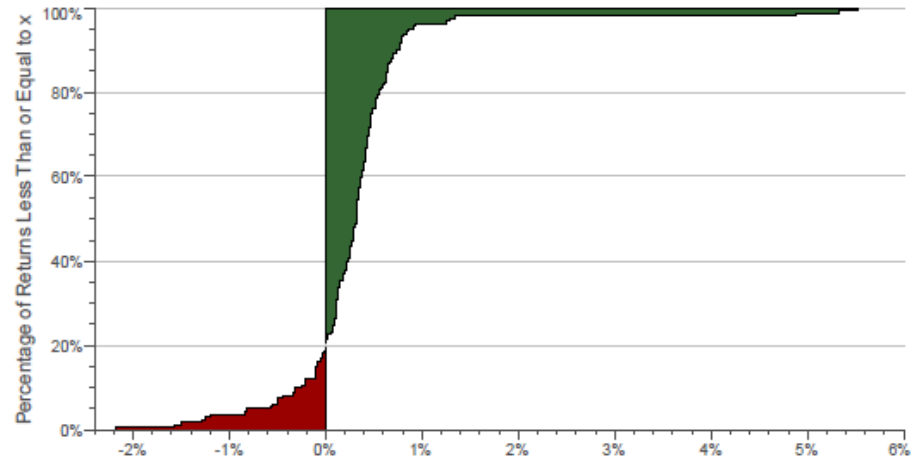


Growth of \$100K

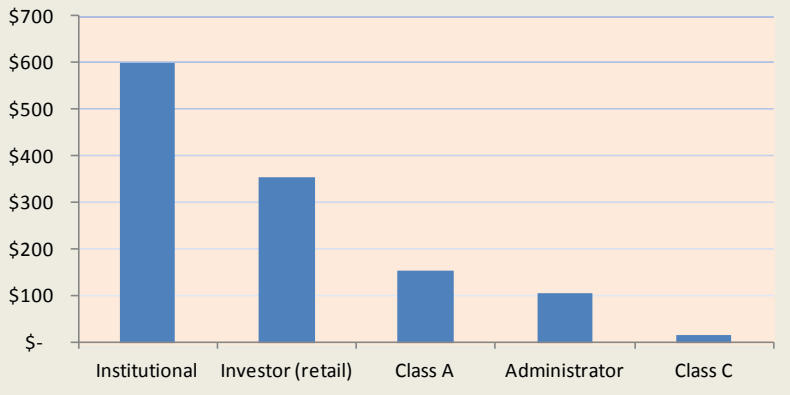


Cumulative Distribution of Returns

September, 1999 - November, 2012



Assets by Share Class

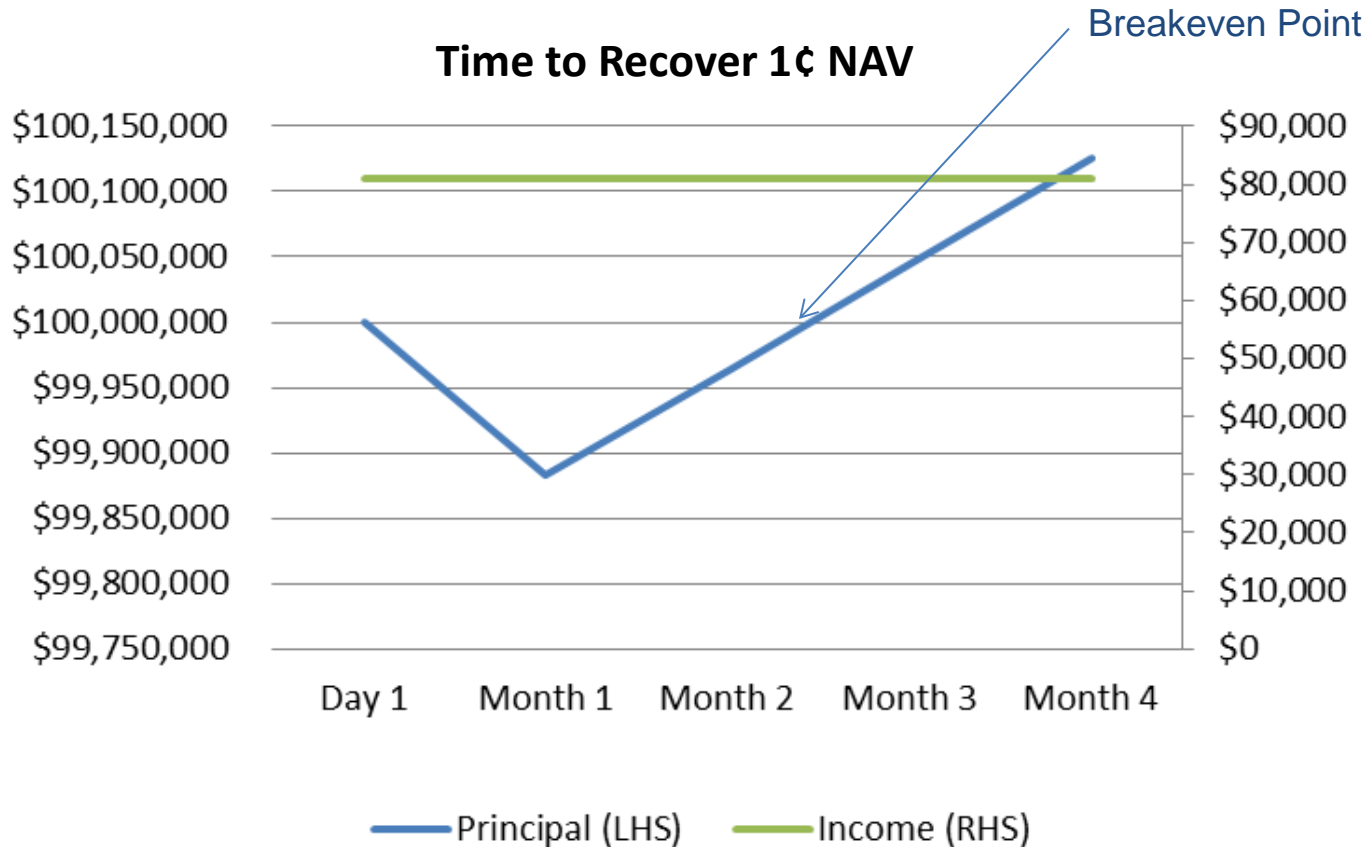


Risk/Reward Trade Off – SADIX

MPT Statistics Compared to Lipper Inst. MF Index	
	SADIX
Alpha	0.2%
Correlation	-0.01
R-Squared	0.00
Beta	-0.02
Excess Return	0.6%
Sharpe	2.7

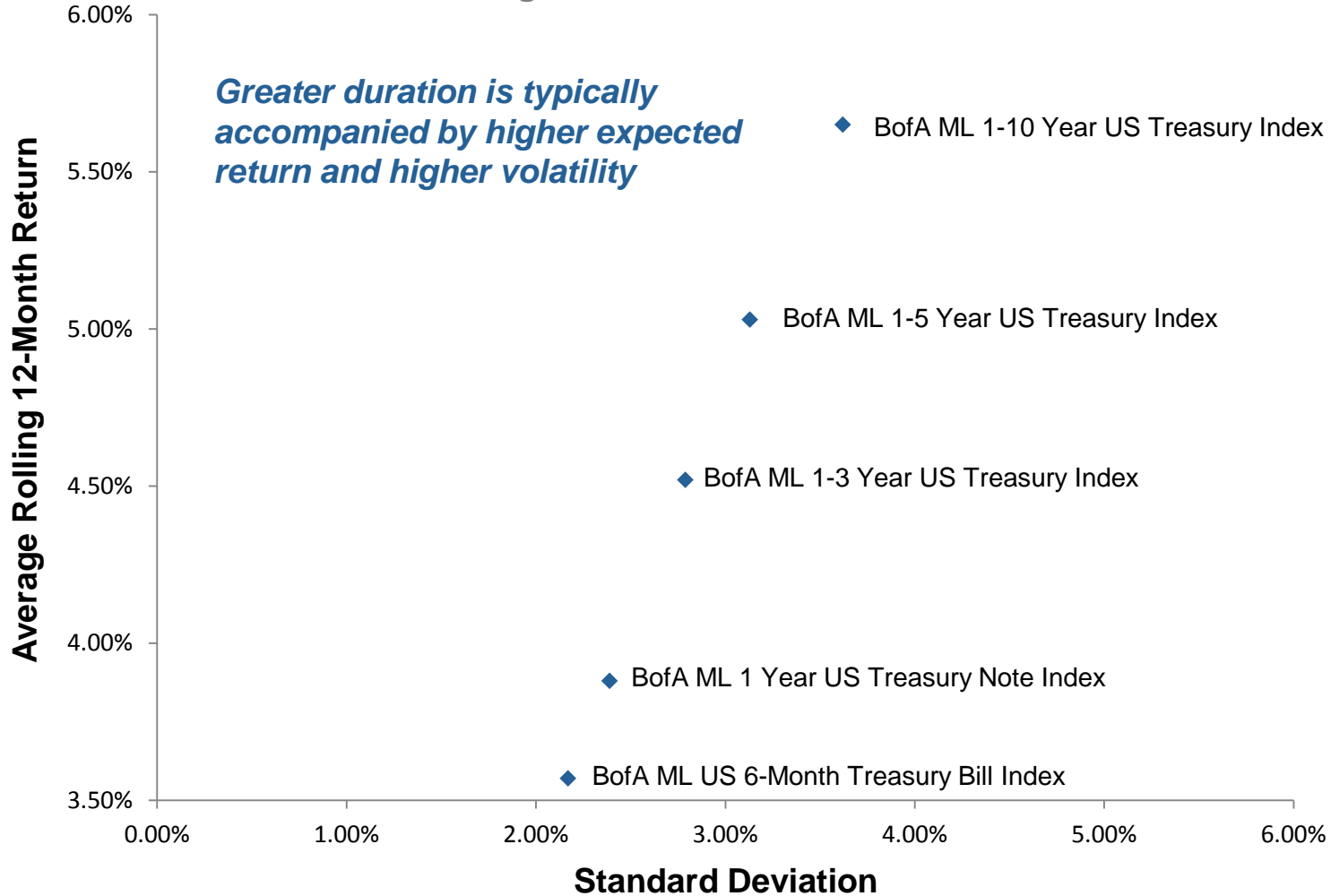
Sponsor	5yr CDS	S&P	Outlook
Wells Fargo	71	A+	Negative
United States	41	AA+	Negative
JPMorgan	81	A	Negative
Ford Motor	165	BB+	Positive
Bank of America	117	A-	Negative
Fiat Industrial	244	BB+	Stable
General Electric	69	AA+	Stable
Citigroup	111	A-	Negative
Morgan Stanley	138	A-	Negative
Nordea Bank	76	AA-	Negative
Svenska Handelsbanken	68	AA-	Negative
Porsche Automobil	61	--	--
Deutsche Bank	99	A+	Negative
Time Warner	54	BBB	Stable
Dominion Resources	36	A-	Stable
Daimler	97	A-	Stable
Weighted Average:	85		

Risk/Reward Trade Off – SADIX Continued



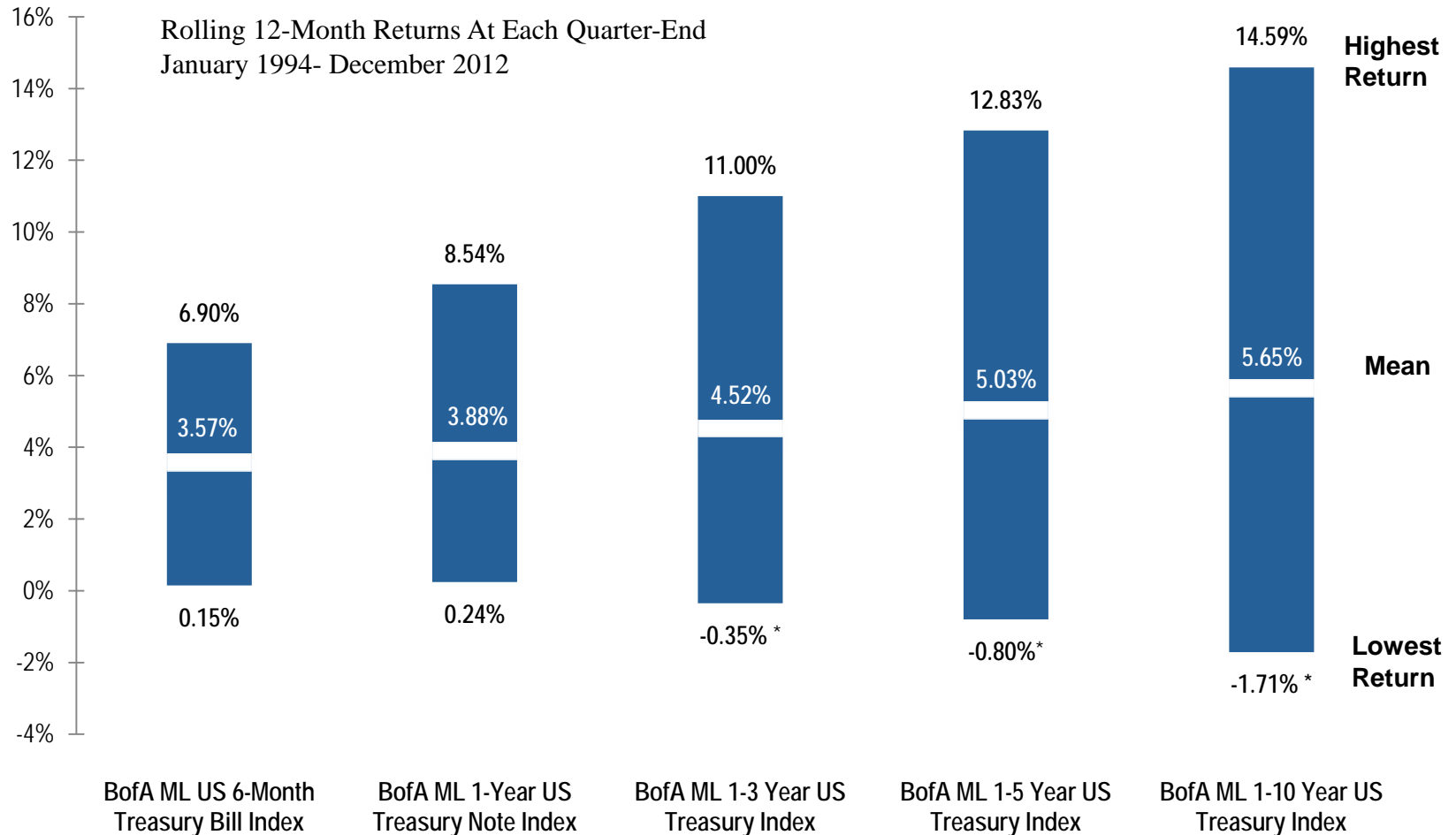
Maturity Risk – Return

1994-2012 Rolling 12-Month Returns At Each Quarter-End



Source: Bloomberg

Total Return for One Year Holding Periods



*The 1994-2012 period includes one negative return period for the 1-3 Year Index, two negative return periods for the 1-5 Year Index, and five negative return periods for the 1-10 Year Index. Source: Bloomberg

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**Using Technology to Manage
Risks & Investments**

Summary / Key Takeaways

Optimize with Integration

Consolidate trading to small number of platforms

- Invest all Money Market Funds through one platform
 - ICD portal
 - Numerous bank portals
- Place time deposit trades electronically
 - Bloomberg RFQ

Bloomberg RFQ

Type	Deposit	
	COLA Deposits	New
Principal	0.00	GBP
Start Date	SPOT	10/22/2013
End Date	1M	11/22/2013
Day Count	ACT/365	31 days
Notes		
Account	<None>	
Portfolio	<None>	

ING BANK NV., Amsterdam (INGD)
BANK OF AMERICA London (BAMO)
BANK OF TOKYO-MITSUBISHI MH SALES, NEW
CITI - Rates London (CISW)
MIZUHO CORPORATE BANK LTD London (MHCC)
Standard Chartered Bank, New York (SCBN)
ANZ DEPO DESK (TREASURY), LONDON (ANZ2)
BLOOMBERG/ Tokyo (BGTO)
RABOBANK, NY (RATD)
UBS AG Stamford Corporate Desk (UBNK)
RABOBANK NEDERLAND FX, NEW YORK (RANY)

Add Deal Code	Add
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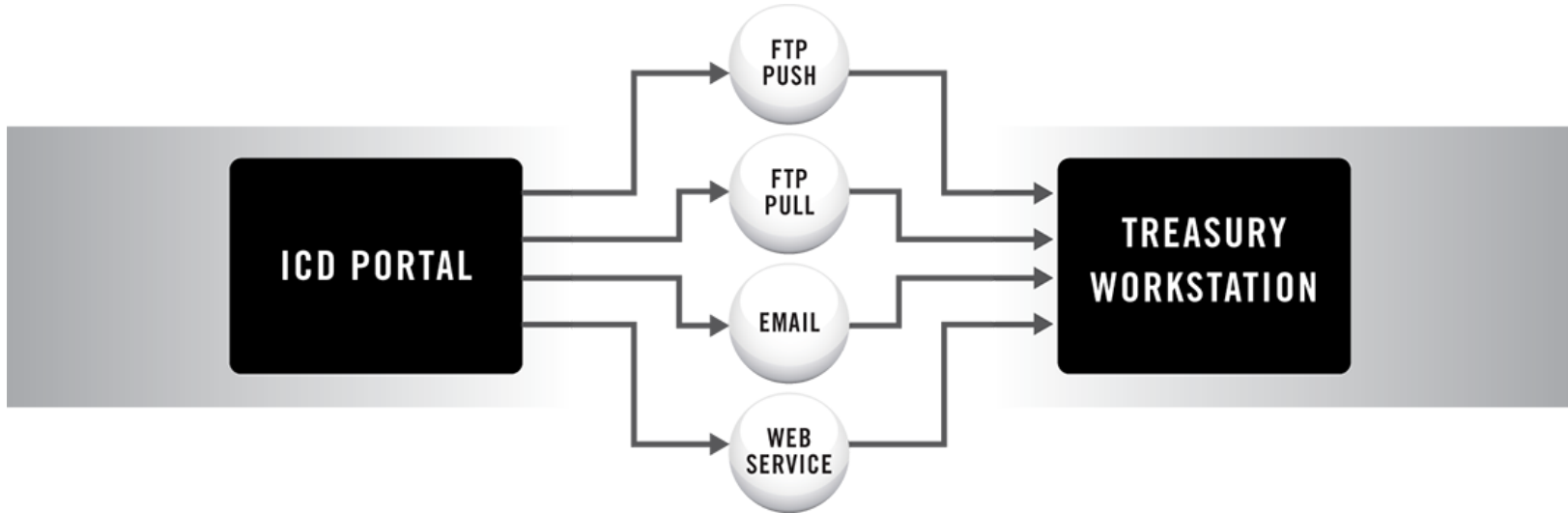
Request Quote	Close Window	Edit List
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Optimize with Integration

Integrate trading platforms to Treasury Workstation

- Eliminates extra work
- Reduces data entry allowing more time for analysis of exposures
- Simplifies reporting
 - If everything is in one place, less work

Optimize with Integration



REVAL[®]
Single Solution. Total Visibility.™

kyriba[™]

SUNGARD[®]

LOGOTECH[®]
Systems

orbit TREASURY
MANAGEMENT
SYSTEMS

WALLSTREET
SYSTEMS

IT2 TREASURY
SOLUTIONS

SALMON
SOFTWARE

Elements to Managing Counterparty Risk

- 1. Avoid concentrating funds with too few counterparties**
- 2. Evaluate the relative financial strength of selected counterparties**
- 3. Understand the exposures that your counterparty may have**
 - a. Bank may have a large exposure to a specific country/counterparty**

Risk Analysis Tool

Bank / Criteria Weighting	Moody's	S&P	Fitch	30 CDS AVG	CDS from Avg	T1 Capital Ratio	NPA/Total Assets	Wt/Avg Score	Change in Stock Price
	10%	10%	10%	25%		25%	20%	100%	
Bank 1	7	8	6	1	ok	1	9	5.38	0.02
Bank 2	10	10	10	10	ok	10	10	5.00	0.10
Bank 3	3	4	4	1	ok	10	1	5.00	0.55
Bank 4	10	10	9	7	ok	2	10	7.90	0.20
Bank 5	7	7	6	1	ok	5	5	5.05	0.01
Bank 6	4	10	4	1	ok	9	3	4.70	0.02
Bank 7	9	10	10	10	ok	9	6	5.18	0.08
Bank 8	10	10	10	3	ok	10	10	6.00	5.00
Bank 9	5	10	4	10	Fail	6	2	3.38	0.03
Bank 10	5	10	4	10	Fail	2	1	2.08	0.01

Risk Management Analysis – Portfolio View



REPORT DATE: 9/19/2013

COMPREHENSIVE REPORT

My Portfolio

Direct Exposure



Short Duration Bond Funds



Separately Managed Accounts



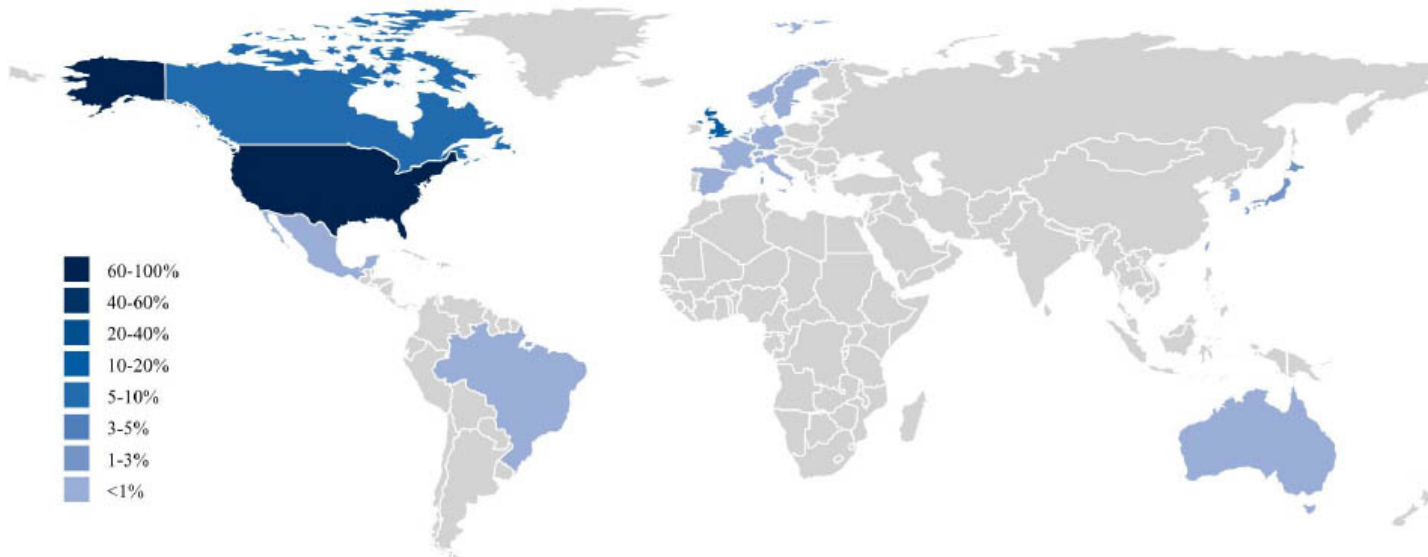
Money Market Funds



PORTFOLIO						CURRENT YIELDS								
INVESTMENT	ICD TICKER	HOLDINGS AS OF	FUND SIZE (000,000's)	WAM	WAL	1 DAY	7 DAY	30 DAY	90 DAY	INVESTED AMT	FX RATE	CONVERTED AMT	% OF FUND AUM	% OF MY PORTFOLIO
Exposure2: JPMorgan Chase & Co (Bank Account)	EXP2 (Bank Account)	9/19/2013	\$45	0		0.00	0.00	0.00	0.00	\$45,000,000	1.00	\$45,000,000	100.000000%	4.5%
Exposure3: Royal Bank of Canada (CD/TIME DEP)	EXP3 (CD/TIME DEP)	9/19/2013	\$65	11	11	0.03	0.03	0.03	0.03	\$65,000,000	1.00	\$65,000,000	100.000000%	6.5%
Exposure1: Bank of America Corp (Bank Account)	EXP1 (Bank Account)	9/19/2013	\$75	0		0.00	0.00	0.00	0.00	\$75,000,000	1.00	\$75,000,000	100.000000%	7.5%
Exposure4: Barclays PLC (CD/TIME DEP)	EXP4 (CD/TIME DEP)	9/19/2013	\$100	51	51	0.04	0.04	0.04	0.04	\$100,000,000	1.00	\$100,000,000	100.000000%	10.0%
Wells Fargo Adv Ultra Short-Term Municipal Income Fund	SMAIX	7/31/2013	\$6,367	3652	3652				1.26	\$50,000,000	1.00	\$50,000,000	0.78528%	5.0%
Wells Fargo Adv Ultra Short-Term Income Fund	SADIX	7/31/2013	\$1,398	2014	2014				2.14	\$50,000,000	1.00	\$50,000,000	3.57588%	5.0%
FDIC CD_Sample1	FDIC CD_Sample1	7/25/2012	\$19	156		0.45	0.45	0.45	0.45	\$40,000,000	1.00	\$40,000,000	211.43467%	4.0%
SMA_Sample2	SMA_Sample2	9/30/2012	\$230	731		0.71	0.71	0.71	0.71	\$120,000,000	1.00	\$120,000,000	52.10884%	12.0%
SMA_Sample1	SMA_Sample1	5/8/2012	\$229	772		0.51	0.51	0.51	0.51	\$150,000,000	1.00	\$150,000,000	65.50859%	15.0%
Amer Beacon MM Select Fund	ASRXX	7/31/2013	\$816	28	28	0.10	0.10	0.10	0.10	\$35,000,000	1.00	\$35,000,000	4.28994%	3.5%
Dreyfus Govt Cash Mgmt/Instit	DGCXX	9/12/2013	\$15,469	53	65	0.01	0.01	0.01	0.01	\$60,000,000	1.00	\$60,000,000	0.38787%	6.0%
Goldman Sachs FS Prime Oblig/Inst	FPOXX	9/6/2013	\$17,391	49	82	0.01	0.01	0.01	0.02	\$70,000,000	1.00	\$70,000,000	0.40251%	7.0%
Goldman Sachs FS Treas Oblig/Inst	FTOXX	9/6/2013	\$10,485	45	49	0.01	0.01	0.01	0.01	\$70,000,000	1.00	\$70,000,000	0.66764%	7.0%
Morgan Stanley ILF/Prime/Inst	MPFXX	9/6/2013	\$22,222	28	58	0.05	0.05	0.06	0.06	\$70,000,000	1.00	\$70,000,000	0.31501%	7.0%
PORTFOLIO TOTALS				512	539	0.22	0.22	0.22	0.37	\$1,000,000,000		\$1,000,000,000		100%

Risk Management Analysis – Country Exposure

Country Distribution



US	United States	64.43%	NL	Netherlands	0.54%	MX	Mexico	0.05%
GB	United Kingdom	10.64%	FR	France	0.52%	KR	Korea, Republic Of (South)	0.03%
CA	Canada	8.99%	SG	Singapore	0.46%	BR	Brazil	0.03%
JP	Japan	1.26%	CH	Switzerland	0.42%	ES	Spain	0.02%
SE	Sweden	0.96%	NO	Norway	0.18%	TW	Taiwan	0.01%
DE	Germany	0.95%	BE	Belgium	0.12%	REPO	Repurchase Agmts	9.42%
AU	Australia	0.90%	IT	Italy	0.08%			



REPORT DATE: 9/18/2013

PORTFOLIO	ICD TICKER	HOLDINGS	FUND SIZE AS OF
Investment Management Group - US (Bank Account)	EXFD (Bank Account)	9/19/2013	\$45
Investment Management Group - Canada (ICD/REPO)	CDIS (ICD/REPO)	9/19/2013	\$10
Investment Management Group - Europe (Bank Account)	EXPI (Bank Account)	9/19/2013	\$75
Investment Management Group - Europe (ICD/REPO)	CDIS (ICD/REPO)	9/19/2013	\$100
Asia Pacific Asia/US/UK/Spain/France/UK/Canada/US/Canada Fund	SMAX	7/31/2013	\$4,367
Asia Pacific Asia/US/UK/Spain/France/UK/Canada Fund	SADXX	7/31/2013	\$1,266
ITAC CD - Sample1	ITAC-CD - Sample1	7/25/2012	\$19
SMA - Sample2	SMA - Sample2	5/29/2012	\$28
SMA - Sample3	SMA - Sample3	5/29/2012	\$29
Asia Pacific 181 Select Fund	ASRXK	7/31/2013	\$918
Canada Dept Cash (Mgt Fund)	DDCKX	9/17/2013	\$15,461
Canadian Structured Finance (Mgt Fund)	FPOCK	9/20/13	\$17,701
Canadian Structured Finance (Mgt Fund)	FTCKX	9/20/13	\$10,445
Malayan Structured Finance (Mgt Fund)	MFFCK	9/20/13	\$22,222
PORTFOLIO TOTALS			

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Risk Management Analysis – Fund Holdings

REPORT DATE: 9/19/2013

PORTFOLIO:

INVESTMENT	ICD TICKER	HOLDINGS AS OF	FUND SIZE (\$B,000)
Investment Company of America	ICM	9/19/2013	\$40
Investment Company of America	ICM	9/19/2013	\$65
Investment Company of America	ICM	9/19/2013	\$75
Investment Company of America	ICM	9/19/2013	\$130
Investment Company of America	ICM	9/19/2013	\$1,367
Investment Company of America	ICM	9/19/2013	\$1,368
Investment Company of America	ICM	9/19/2013	\$19
Investment Company of America	ICM	9/19/2013	\$28
Investment Company of America	ICM	9/19/2013	\$23
Investment Company of America	ICM	9/19/2013	\$11
Investment Company of America	ICM	9/19/2013	\$15,469
Investment Company of America	ICM	9/19/2013	\$17,351
Investment Company of America	ICM	9/19/2013	\$13,485
Investment Company of America	ICM	9/19/2013	\$22,222

POSTED TO TOTALS

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FUND HOLDINGS (TOP 25 HOLDINGS LISTED)						
SPONSOR	TICKER	AMOUNT	% OF MY PORTFOLIO	% OF FUND AUM	% OF FUND HOLDINGS	WAM
TOP 25 HOLDINGS		\$878,444,500	87.84%		1.17266%	455
United States of America						
	3352Z US	\$234,406,006	23.44%		0.31292%	139
Prime SMA	PSMA	\$49,421,394	4.94%	32.94760%	21.58350%	647
Treasury MMF1	TMMF1	\$46,602,017	4.66%	66.57431%	0.44447%	76
Govt SMA	GSMA	\$41,779,426	4.18%	34.81619%	18.14231%	535
FDIC Insured Brokered CDs	FDICBCD	\$40,000,000	4.00%	100.00000%	211.43467%	156
Govt MMF1	GMMF1	\$36,351,327	3.64%	60.58554%	0.23500%	100
Prime MMF2	PMMF2	\$14,078,724	1.41%	20.11246%	0.08096%	161
Govt SDBF	GSDBF	\$6,173,118	0.62%	12.34624%	0.44149%	3,931
Barclays PLC						
	BARC LN	\$101,544,377	10.15%		0.13555%	38
Time Deposit 2	TD1	\$100,000,000	10.00%	100.00000%	100.00000%	51
Prime MMF1	PMMF1	\$1,544,377	0.15%	4.41250%	0.18929%	1
REPO						
	REPO	\$94,070,364	9.41%		0.12558%	7
Prime MMF3	PMMF3	\$25,251,332	2.53%	36.07333%	0.11363%	11
Treasury MMF1	TMMF1	\$23,397,983	2.34%	33.42569%	0.22316%	5
Prime MMF2	PMMF2	\$23,052,360	2.31%	32.93194%	0.13256%	9
Govt MMF1	GMMF1	\$22,368,689	2.24%	37.28115%	0.14460%	1
Bank of America Corp						
	BAC US	\$80,641,143	8.06%		0.10765%	1,202
Bank Deposit 1	BD1	\$75,000,000	7.50%	100.00000%	100.00000%	0
Prime SMA	PSMA	\$3,275,429	0.33%	2.18362%	1.43046%	87
Prime MMF1	PMMF1	\$1,501,477	0.15%	4.28994%	0.18404%	1
Govt SDBF	GSDBF	\$864,237	0.09%	1.72847%	0.06181%	6,901
MUNI						
	MUNI	\$71,830,251	7.18%		0.09589%	2,502

Risk Management Analysis – Stock Performance



REPORT DATE: 9/19/2013

PORTFOLIO	ICO TICKER	HOLDINGS AS OF	FUND SIZE (\$00,000)	WAM	WAL	1 DAY 7 D	CHG
Investment - JP Morgan Chase & Co Bank Account	DPF2 (Bank Account)	9/19/2013	\$45	0	0	0.00	51
Investment - Royal Bank of Canada (2/27/14E - RFP)	DPF3 (CD/TFM DFP)	9/19/2013	\$65	11	11	0.00	51
Investment - Bank of Montreal Corp Bank Account	DPF1 (Bank Account)	9/19/2013	\$75	0	0	0.00	51
Investment - Royal Bank of Canada (2/27/14E - RFP)	DPF4 (CD/TFM DFP)	9/19/2013	\$105	51	51	0.04	51
Invest - Royal Bank of Canada (2/27/14E - RFP)	IBMAX	7/31/2013	\$6,367	3653	3662		
Invest - Royal Bank of Canada (2/27/14E - RFP)	SACX	7/31/2013	\$1,306	2014	2014		
ETIC CD - Sample1	FDCD - Sample1	7/25/2012	\$10	106		0.45	51
SMA - Sample2	SMA - Sample2	3/26/2012	\$206	731		0.71	51
SMA - Sample3	SMA - Sample3	5/8/2012	\$259	772		0.51	51
Ames Research Corp Select Fund	ASRXXX	7/31/2013	\$816	25	28	0.10	51
Variable Cash Cash Management	DCOXXX	9/13/2013	\$75,409	53	65	0.01	51
Goldman Sachs 13 Prime CDS	FXCXXX	5/6/2013	\$12,341	43	62	0.01	51
Goldman Sachs 15 Term CDS	FTOXXX	5/6/2013	\$10,485	45	40	0.01	51
Morgan Stanley CDS	MTFXXX	5/6/2013	\$22,222	25	58	0.06	51
PORTFOLIO TOTALS			192	539	0.22	51	

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FUND HOLDINGS (TOP 25 HOLDINGS LISTED)		STOCK SUMMARY (AS OF 9/17/2013)						
SPONSOR	BLOOMBERG TICKER	CURRENT STOCK	CHANGE					
			1 WK	% CHG	52 WK HIGH	% CHG	52 WK LOW	% CHG
United States of America	3352Z US							
Barclays PLC	BARC LN	299	306	-2.21%	338	-11.59%	212	41.17%
REPO	REPO							
Bank of America Corp	BAC US	15	15	-0.41%	15	-3.19%	9	67.24%
MUNI	MUNI							
Royal Bank of Canada	RY CN	66	66	0.33%	67	-1.01%	55	21.67%
JPMorgan Chase & Co	JPM US	53	54	-1.08%	57	-6.75%	39	36.72%
Federal Home Loan Banks	1799Z US							
Wells Fargo & Co	WFC US	43	42	0.94%	45	-4.32%	31	37.12%
US Bancorp/MN	USB US	38	37	2.21%	38	-1.19%	31	21.19%
General Electric Co	GE US	24	24	2.43%	25	-2.00%	20	23.05%
Toronto-Dominion Bank/The	TD CN	91	91	0.88%	92	-0.89%	78	17.14%
Deutsche Bank AG	DBK GR	36	35	2.36%	39	-8.29%	29	21.31%
Federal Farm Credit Banks	1798Z US							
Berkshire Hathaway Inc	BRK/A US	173299	170489	1.65%	178900	-3.13%	125950	37.59%
Coca-Cola Co/The	KO US	39	39	0.41%	43	-10.68%	36	9.02%
Bank of Nova Scotia	BNS CN	60	60	-0.42%	62	-3.38%	52	14.24%
Toyota Motor Corp	7203 JP	6240	6260	-0.32%	6800	-8.24%	2873	117.19%
Bank of New York Mellon Corp/The	BK US	31	31	0.54%	32	-2.81%	22	40.28%
Caterpillar Inc	CAT US	87	87	0.53%	100	-12.67%	79	9.54%
PepsiCo Inc	PEP US	82	79	2.81%	87	-6.20%	67	21.18%
Bank of Montreal	BMO CN	68	67	1.06%	68	-0.52%	57	18.96%
International Business Machines Corp	IBM US	192	187	2.98%	216	-11.00%	181	6.11%
Cisco Systems Inc	CSCO US	24	24	0.89%	26	-7.99%	17	46.10%
Johnson & Johnson	JNJ US	89	89	0.60%	94	-5.68%	68	31.36%
AVERAGE		7235.02		0.65%		-4.46%		25.53%

Risk Management Analysis – Sector Allocation

Fidelity Instit Prime MMF/Instit (FIPXX)
 PROFILE UPDATE: 3/26/2013 KOD TICKER:FIPXX
 LAST PROFILE UPDATE: 3/19/2013 CUSIP:31672A28

FUND PROFILE			
CURRENCY (USD)	CURRENT	LAST SUMMARY	CHANGE
CURRENT FUND SIZE (\$BLN)	\$48.139	\$48.426	\$287
FUND RATINGS	AAA	AAA	
FUND DAYS	52	54	4%
YTD DIV YD	30	30	2%
YTD YIELD	0.09%	0.10%	14%
EXPENSE RATIO	14%	14%	0%
FUND MANAGER	TBMLYCK		

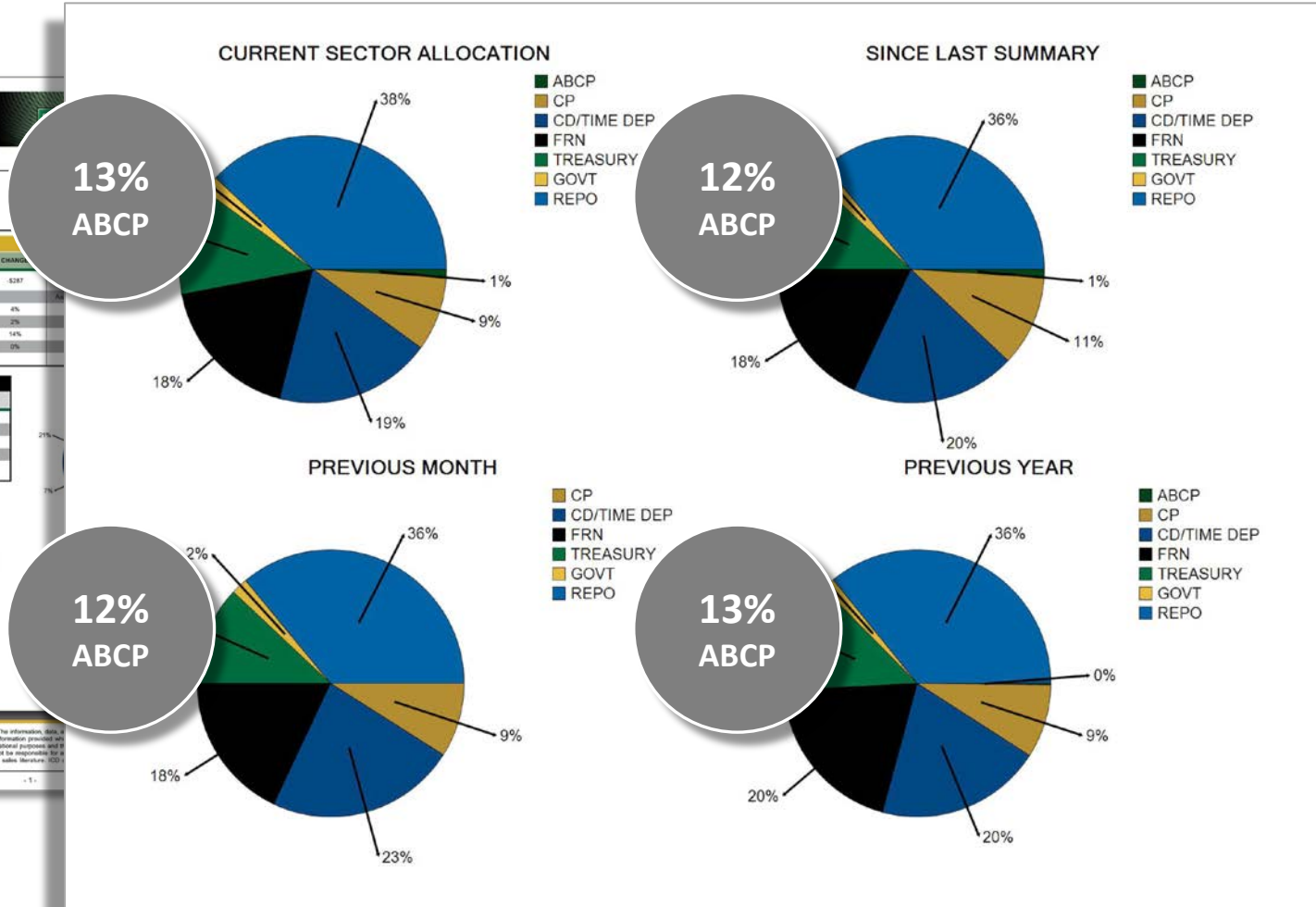
FUND MANAGEMENT COMPANY	
FIRM LLC (RSTX US)	CURRENT
BANK CAPITALIZATION	
DDI	
RISK RATED UNDER MANAGEMENT	
S&P RATING/OUTLOOK	A- Stable
LN OF FUND EXPOSED TO % OF MARKET CAP	

PREVIOUS MONTH

Category	Percentage
Maturity 7 Day	18%
Maturity 30 Day	21%
Maturity 90 Day	11%
Maturity 180 Day	12%
Maturity Other	38%

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Additional Transparency Tools – Separate Accounts



Risk Summary

Account: Account 4 LT (5)

Source Account: 45DE

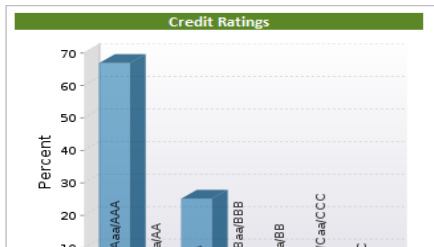
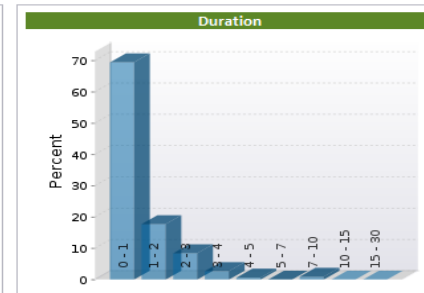
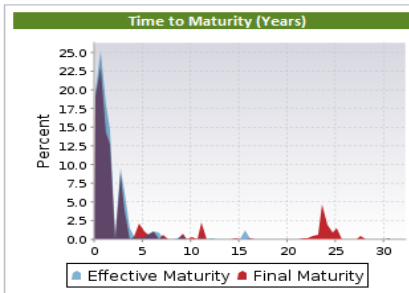
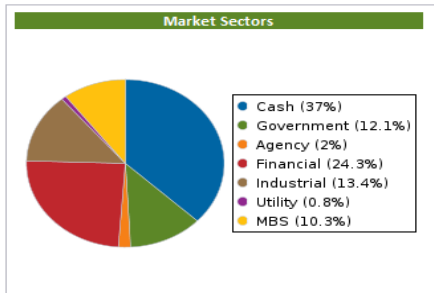
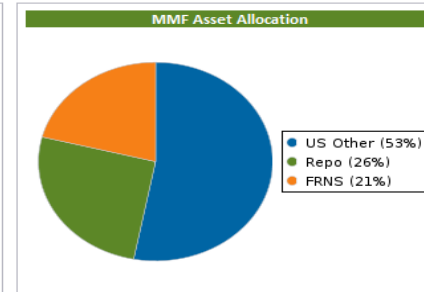
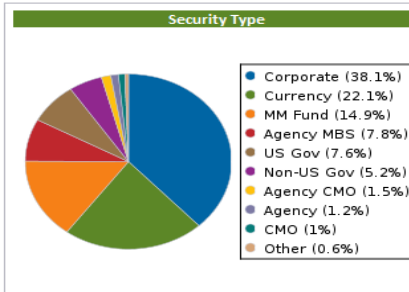
Period: Current Month

Overview Accounting Compliance Risk Performance User Settings Feedback Reconciliation Logout

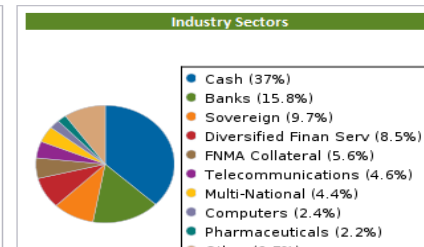
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Complete Portfolio

Summary	
Cash	225,652,377.54
Fixed Income	383,515,289.67
Duration	0.839
Weighted Avg Maturity	2.558
Weighted Avg Eff Maturity	1.050
Yield	0.464%
Purchase Yield	2.290%
Average Credit Rating	AA-/Aa3/AA-



	0-1	1-2	2-3	3-4	4-5	5-7	7-10	10-15	15-30
AAA	43.8	15.3	4.1	2.7	0.0	0.0	1.0	0.0	0.0
AA	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A	18.7	2.1	4.4	0.0	0.0	0.0	0.0	0.0	0.0
BBB	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
BB	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCC	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0



What If Scenarios

Model what can happen in different circumstances

- Default scenarios
- Spread widening scenarios
- Rate shock scenarios / forward curve analysis
 - Duration risk – to extend or not
- Money Fund risk analysis
 - Credit risk in the fund portfolio
 - Interest rate risk
 - Risk from heavy investor redemption
 - What happens if I change my fund lineup

What are the implications on your liquidity planning of a failure of the U.S. Government to increase the debt ceiling and a potential technical default/payment delay resulting from such inaction?

- The chances of such an event are low but are not zero and while the full implications including unintended consequences can't be fully known it is important to have a plan to successfully navigate such a scenario
- We may face this issue multiple times
- The payment delay from a default will be temporary and would impact near term maturities and interest payments (no cross-default)
- Money market funds have run stress tests showing even a severe rate shock should not result in a loss of principle, nevertheless they maintained excess liquidity
 - Prime funds vs. Treasury / Government Funds
- A sound approach is to stay diversified, keep cash liquid in bank accounts and high quality funds with strong bank sponsors and to continue to monitor counterparty strength / underlying exposures
- Dislocations can also create opportunities

Dislocation in T-Bills



Investment Considerations,
Risks and Liquidity Needs

Methods for Evaluating Risk

Understanding the Yield Curve

Analyzing Opportunity to Extend Duration

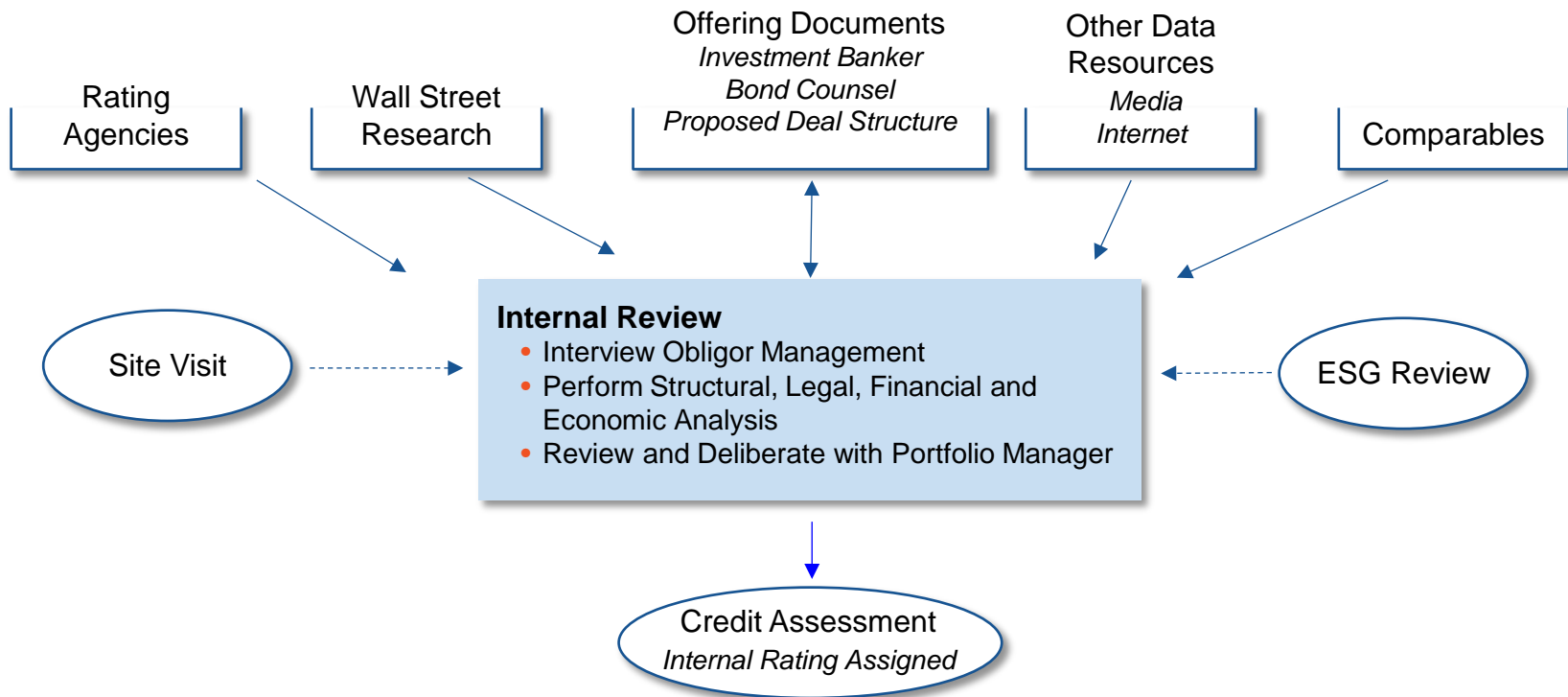
Using Technology to Manage
Risks & Investments



Summary / Key Takeaways

Credit Review Process

- Importance of a dedicated team of independent fixed income credit analysts
 - Internal vs. external resources
- Intensive credit focus on both quantitative and qualitative factors



Disciplined Approach to Security Selection

Utilize a rigorous relative value assessment and a disciplined research process drive security selection with a focus on the factors unique to each sector when evaluating securities for investment.

Security Analysis	Quantitative Analysis	Fundamental Credit Research	Qualitative Analysis
<ul style="list-style-type: none"> ➤ Maturity characteristics ➤ Structure ➤ Scenario analysis 	<ul style="list-style-type: none"> ➤ Historical spread analysis ➤ Volatility ➤ Tax considerations 	<ul style="list-style-type: none"> ➤ Credit score ➤ Proactive approach ➤ Industry / Company outlook 	<ul style="list-style-type: none"> ➤ Liquidity ➤ Supply outlook ➤ Investor demand

RELATIVE VALUE ASSESSMENT

- Identify securities with attractive risk/reward characteristics
- Security misvaluations can be identified and captured

SECURITY SELECTION

Key Takeaways

- Understand liquidity requirements and consider dividing your cash into 2-3 pools / tiers
- Pursuing incremental returns requires assuming measured risks
- Understanding the risks you are assuming is key
 - Discussed multiple tools to assist you (CDS, Ratio Analysis, Non-performing assets)
 - Make active decisions about the risk you want to assume
- Yield curve Analysis can help you make better decisions on extending duration
- Scenario analysis can be a useful tool for managing risk and investments
 - Rate shocks, forward curve analysis
 - Changes in holdings
- Utilize the power of technology to bring it all together and save time
 - Aggregate exposures
 - Analyze trends
 - Manage risk, not data (*manage your time*)

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Scott Fox

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ICD

Panelist

Jeff Knapp

Senior Treasury
Analyst

Coca-Cola

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