



## Investment Options for Larger Units

*Presented by :*

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### 11 Steps To Prudent Investing

1. Identify the entity's objectives, constraints, preferences and capabilities
2. Develop investment policies – Sample provided by LGC on website

**Department of State Treasurer  
Policy Manual for Local Governments  
Section 30: Cash and Investments**

<https://www.nctreasurer.com/slq/Policies%20Manual/30Policy.pdf>

3. Develop administrative systems and internal controls
4. Prepare a cash forecast
5. Determine the investment horizon
6. Establish an investment/economic outlook and strategy
7. Analyze the yield curve
8. Select the proper investment instruments
9. Monitor the markets and investment results
10. Report results
11. Adjust and rebalance the portfolio accordingly



## UNC School of Government: Cash Management & Investment of Public Funds

- Identify the entity's objectives, constraints, preferences and capabilities
  - Safety First –
    - **Primary investment objective – preserve/protect capital**
    - **Secondary objective** - earn market rates of return
      - Volatile instruments should be avoided except with long-term funds such as pension funds.
  - Legal Constraints –
    - State statute (NC 159-30) dictates investment alternatives in NC
    - The unit's governing board or management may impose further restrictions on the unit.



## UNC School of Government: Cash Management & Investment of Public Funds

- Preferences –
  - Local officials should indicate their preferences toward acceptable risk
  - Some units are more willing to accept higher levels of risk
    - This will change the range of investments that are available to them.
  - GFOA suggests a trading agreement
    - Should include applicable statutes and a copy of your policy.
    - Put burden of compliance on the broker.
  - **Do Not agree to arbitration when signing account documents.**
- Capabilities – Can include:
  - Available Resources - Does the unit have the investable resources to initiate an investment program?
  - Capacity of Local Personnel- Does the unit have the in-house personnel necessary to manage the unit's funds or will they have to hire someone?
  - Local Experience - A previous incident of mismanagement of public assets can change the attitude of elected officials and the public toward an in-house investment program.



## UNC School of Government: Cash Management & Investment of Public Funds

- Capabilities (Cont.) – Active vs. Passive Management
  - **“Many practitioners believe that local governments will perform best if they simply calculate the investment horizon for which funds are available, and obtain the best return feasible within the standards of prudence. Trading should be left to the professionals and the investment officer is insulated from public attacks over the wisdom of specific strategies. The public official is charged with the care of public funds and not earning excess return.”**
  - Passive Management Techniques –
    - Managed Assets – simplest of all passive strategies; usually involves turning over assets to a money market mutual fund (NCCMT) or state investment pool.



## UNC School of Government: Cash Management & Investment of Public Funds



- Laddered Maturities – spreading out investments so that some maturities are always rolling off and going to cover the current liability with excess funds going back out the ladder for reinvestment
- Cash Horizon Investing – develop a cash forecast and calculate the cash horizon. Simply invest funds *consistently* to the longest feasible date according to the cash forecast. Sometimes the cash forecast is inaccurate so a liquidity buffer is always necessary.
- Rolling T-Bills – roll T-bills or other short-term marketable securities. Good for uncertain or unstable cash flows, provides constant maturity and ready liquidity



## UNC School of Government: Cash Management & Investment of Public Funds

- Active Management Techniques –
  - Yield Curve Analysis- Predict how the yield curve will change in the future and invest to take advantage of such changes. Use implied forward rate calculations. Drawback is that future rate predictions are inaccurate.
  - Market Timing – Most controversial strategy with official investing longer-term when rates are high and shorter-term when rates are low. At best market timing is used to supplement other techniques.
  - Quality Downgrade – Buying lower credit quality instruments to pick up the additional yield (risk premium) offered.



## UNC School of Government: Cash Management & Investment of Public Funds

- Quality Spreads – Taking advantage of changing quality spreads between different types of instruments.
- Swaps – Swapping one instrument for another to take advantage of temporary price distortions. Markets are very efficient and profitable swaps are hard to come by.
- Odd-lots for Buy-and-Hold – Dealers sometimes find small, odd-lot securities in their portfolios and are willing to accept price concessions to clear these out. Much less liquid than round lots and should be used for buy-and-hold.
- Avoid the Unknown – Don't seek out untested strategies.



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- Cost-Benefit Analysis - Unit should analyze whether it is feasible to have a formal investment program.
  - Assume more aggressive investment management program would be expected to generate an additional 10 basis points in yield.  
(A basis point is 1/100<sup>th</sup> of 1%, therefore 25 basis points = ¼%)
  - \$10,000,000 x 10 basis points = \$10,000 additional earnings
  - \$100,000,000 x 10 basis points = \$100,000 additional earnings
  - At some portfolio level the local unit will be able to justify a full-time or part-time cash manager or investment analyst



## UNC School of Government: Cash Management & Investment of Public Funds

- Develop investment policies -
  - Explicit statement of the entity's investment objectives, preferences, statutory constraints and management capacity
  - Delegation of investment management authority
  - Identification of fund types and investment horizons
  - Identification of appropriate instruments
  - Specify appropriate maturities/volatility
  - Active vs. passive management preference
  - Diversification level
  - Default risk
  - Credit evaluation
  - Securities dealers and depositories
  - Internal controls
  - Documentation and reporting

Customizable Sample Policy on LGC website

<https://www.nctreasurer.com/slq/Policies%20Manual/30Policy.pdf>



## UNC School of Government: Cash Management & Investment of Public Funds

### ■ Develop Administrative Systems and Internal Controls -



- "You are the weakest link."
- Units usually don't put enough time into systems and internal controls
  - used to deter fraud, embezzlement, error and poor judgement
- Periodic reviews of systems and controls, internal and external
- Include organizational structure and optimal staffing levels
- Procedures should be reviewed with all staff
- Cross-train personnel to ensure investment personnel are competent to perform their tasks, should include ongoing education
- System should provide for specific information to individuals who need data for investment management purposes and for monitoring



## UNC School of Government: Cash Management & Investment of Public Funds

### ■ Prepare a Cash Forecast - this has two parts

- Cash Flow Projection - shows inflows and outflows of cash
- Projection of Investable Balances - shows how timing of cash flows and maturities affect investable balances





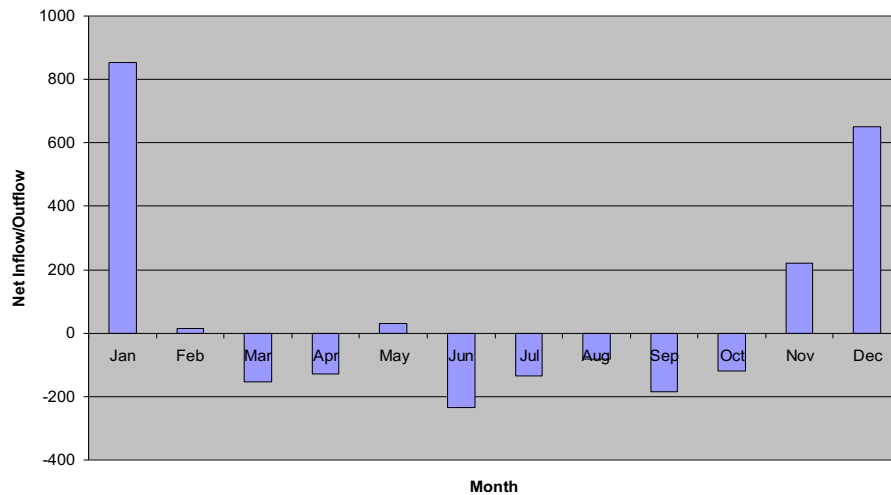
## UNC School of Government: Cash Management & Investment of Public Funds

	Prop. Tax	Sales Tax	Grants	Invest. Inc	Inflow s	Payroll	G/O	Debt Ser	Outflow s	Diff.
Jan	1,000	20		15	1,035	45	60	75	180	855
Feb	25	80	65	25	195	45	60	75	180	15
Mar	20	20		15	55	45	60	135	240	-185
Apr	15	20	2	15	52	45	60	75	180	-128
May	45	65	15	15	140	45	40	25	110	30
Jun	10	20		15	45	95	80	125	300	-255
Jul	10	20		15	45	45	60	75	180	-135
Aug	8	60	15	15	98	45	60	75	180	-82
Sep	8	20	3	15	46	45	60	125	230	-184
Oct	25	20		15	60	45	60	125	230	-170
Nov	350	20	15	15	400	45	60	75	180	220
Dec	900	20		15	935	100	60	125	285	650



## UNC School of Government: Cash Management & Investment of Public Funds

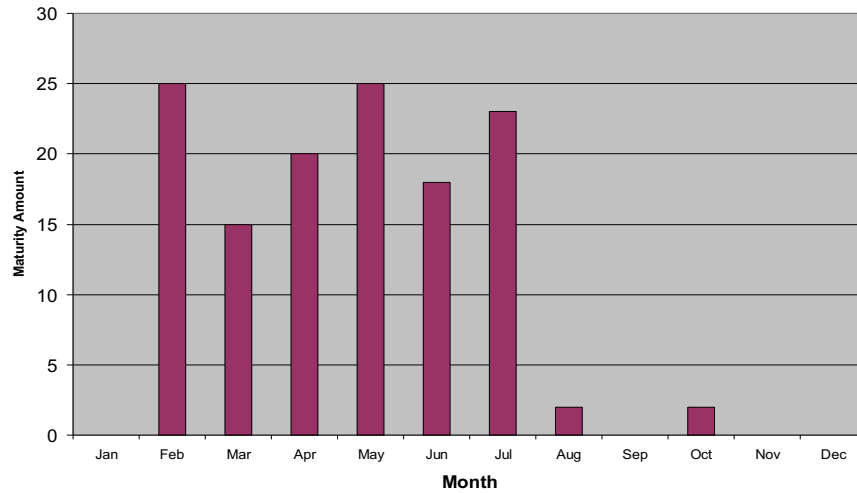
**Cash Flow Forecast  
Any County, N.C.**





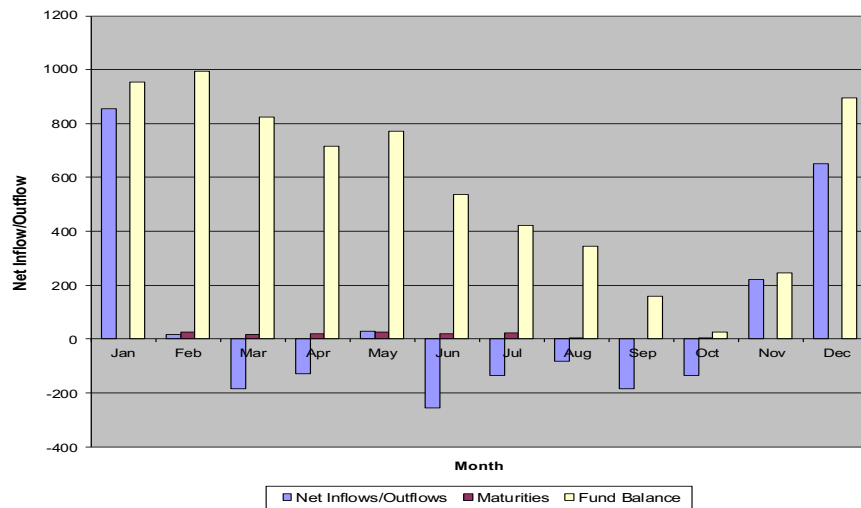
## UNC School of Government: Cash Management & Investment of Public Funds

Maturities  
Any County, N.C.



## UNC School of Government: Cash Management & Investment of Public Funds

Cash Flow & Investable Balance Projection  
Any County, N.C.







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- Determine the Investment Horizon -
  - Use cash flows and investable balance estimates
    - Investment officer can determine the investment horizon that best suits the units needs and comfort level
  - In a normal, upward sloping yield curve, the longer the maturity, the higher the yield, the greater the risk and volatility
  - In an inverted and flat yield curve, the investor is not compensated to invest further out

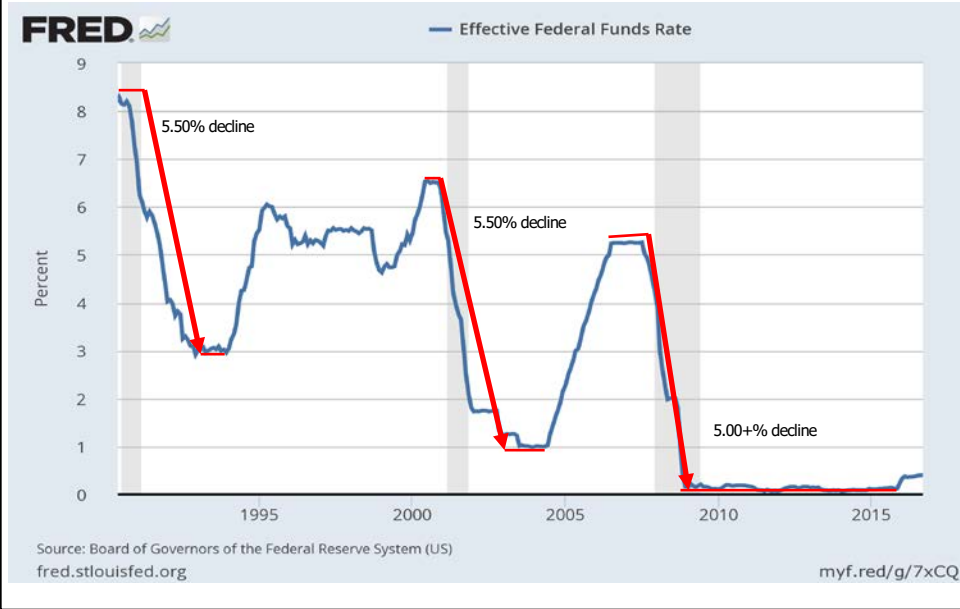


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- Establish an Investment/Economic Outlook
  - Most public investors are not trained economists
  - Most have an unwritten or implicit investment outlook
  - A formalized investment outlook may help improve communications and accountability
  - The outlook may include long-term, macroeconomic, cyclical and short-term expectations

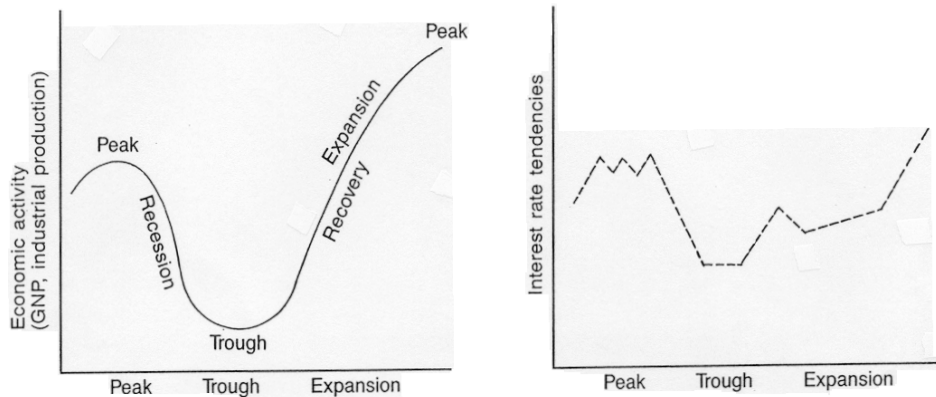


## UNC School of Government: Cash Management & Investment of Public Funds



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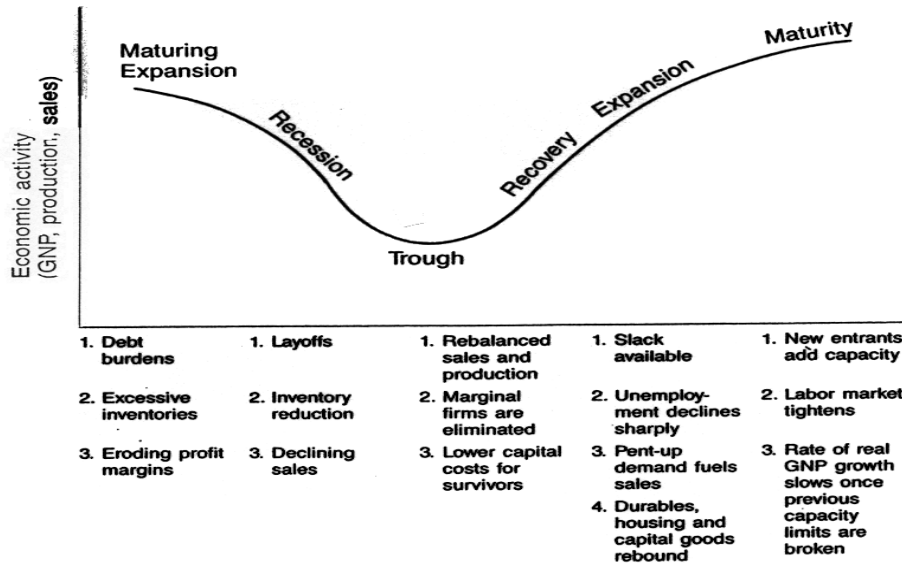
**FIGURE 8  
STANDARD BUSINESS CYCLE  
AND  
INTEREST RATE TENDENCIES  
USA: 1940-1980**





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**FIGURE 26  
BUSINESS CYCLE STAGES**



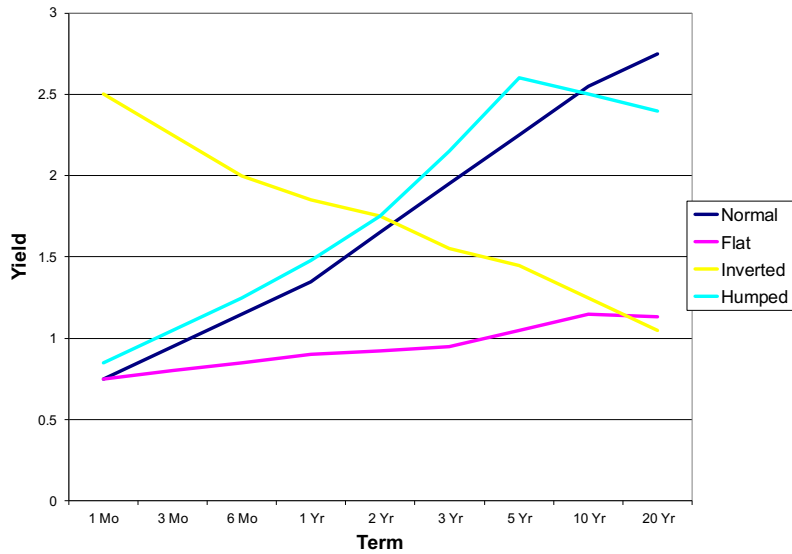
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- Analyze the Yield Curve
  - Yield Curve – graphical representation of interest rates
  - What type of yield curve environment are you in?
    - Normal - short rates lower than long rates
    - Flat
    - Inverted – long rates lower than short rates
    - Humped
  - How do you think the yield curve will change in the future? Analyze the business cycle.
    - Change in shape or level?



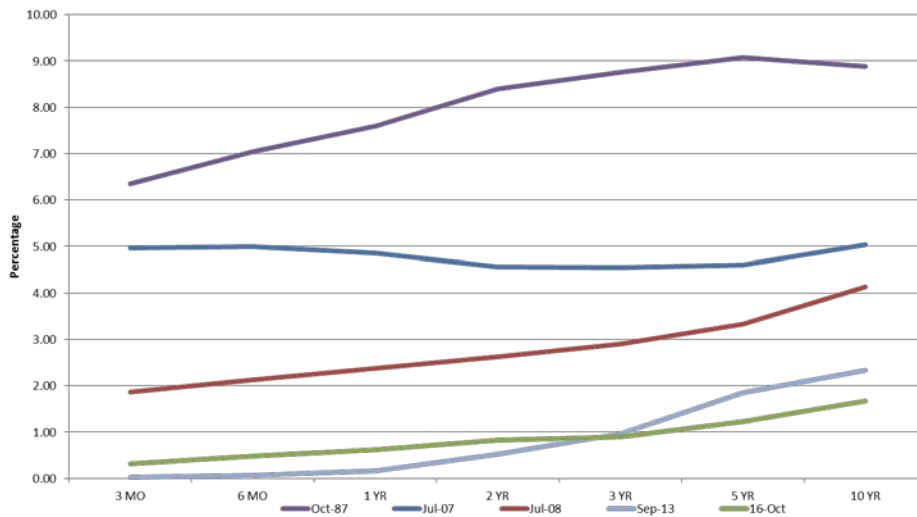
# UNC School of Government: Cash Management & Investment of Public Funds

### Yield Curve Structures



# UNC School of Government: Cash Management & Investment of Public Funds

### Yield Curves Over Time





## UNC School of Government: Cash Management & Investment of Public Funds

- Select the Proper Investment Instruments –
  - Cash - Money in the bank, s/b interest bearing account
  - NCCMT – Basis of your liquidity, AAA rated, state certified money market fund, same day liquidity
  - U.S. Treasuries – default risk free; Bills, issued at a discount, Notes and Bonds issued with coupons
  - U.S. Agency Securities – discount notes (like T-bills), bullet coupon issues, callables, step-ups, floaters. Best known issuers are Federal Home Loan Bank, Federal Home Loan Mortgage Corp., Federal National Mortgage Corp. and Government National Mortgage Association



## UNC School of Government: Cash Management & Investment of Public Funds

- Certificates of Deposit and Other Deposits – Collateralized through pooling method, dedicated method or covered under FDIC insurance
- Commercial Paper – unsecured promissory note of issuing corporation. Types are: Stand Alone, Letter of Credit, Asset Backed
- Bankers' Acceptances – used to finance foreign trade, none eligible now
- Repurchase Agreements – need to use a tri-party repurchase agreement with an independent custodian
- Flex Repo – like repurchase agreements but flexible drawdown schedules

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### ■ Agencies –

- Discount Notes – priced at a discount, resemble T-bills
- Bullets – issued with coupons, like notes and bonds, trade on a 30/360 day basis
- Callables – coupon issues with call options built-in. Option allows issuer to call issue at some point in the future.
  - Types of call options:
    - American Call – anytime after a specified lockout period (continuously)
    - Bermuda Call – callable on interest payment dates by predetermined schedule (IPD)
    - European Call – callable one-time after a specified lockout (one-time only)

## UNC School of Government: Cash Management & Investment of Public Funds

- Step-Ups – Coupons step-up at preset times to higher levels, issues are usually callable on step-up dates.

Ex. – Coupon starts at 1% and steps-up every 6 months to 1.25%, 1.50%, 1.75% respectively, final maturity is 2 years





## UNC School of Government: Cash Management & Investment of Public Funds

- **Commercial Paper** – Promissory notes issued by corporations and maturing in 270 days or less
  - **Stand Alone** – Backed solely by the credit worthiness of the issuer
  - **Letter-of-Credit** – Security for purchaser is provided by a letter-of-credit provided by issuer’s bank that allows issuer to draw down funds to pay off maturities
  - **Asset Backed (ABCP)** – Security interest in some type of asset backing up the issue is the purchaser’s protection. Assets could be credit card receivables, trade receivables, etc...

### Credit Research Team: Intensive Sector Coverage

1	2	3	4	5
<b>Financials Team</b> 7 Analysts 6 Associates	<b>Industrials Team</b> 10 Analysts 7 Associates	<b>Municipal Team</b> 10 Analysts 6 Associates	<b>Macro/Structured</b> 9 Analysts 3 Associates	<b>Legal Team</b> 6 Attorneys 1 Paralegal
<ul style="list-style-type: none"> <li>• U.S. banks</li> <li>• European banks</li> <li>• Asian banks</li> <li>• Canadian banks</li> <li>• Broker/dealers</li> <li>• Asset managers</li> <li>• Finance companies</li> <li>• Life insurance</li> <li>• Property &amp; casualty insurance</li> <li>• Financial guarantors</li> <li>• GSEs/government agencies</li> <li>• ABCP</li> </ul>	<ul style="list-style-type: none"> <li>• Airline/aerospace</li> <li>• Automotive</li> <li>• Railroads</li> <li>• Manufacturing/tech</li> <li>• Paper/chemicals</li> <li>• Pharmaceuticals</li> <li>• Metals/mining</li> <li>• Energy/pipelines</li> <li>• Utilities</li> <li>• Media/entertainment</li> <li>• Telecom/cable</li> <li>• Food and beverage</li> <li>• Tobacco</li> <li>• Retail/supermarkets</li> <li>• Consumer goods</li> <li>• Healthcare</li> </ul>	<ul style="list-style-type: none"> <li>• Tax-Backed Analysis               <ul style="list-style-type: none"> <li>• States</li> <li>• Cities</li> <li>• Counties</li> <li>• School Districts</li> <li>• Special Tax-Credits</li> </ul> </li> <li>• Revenue               <ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Higher Ed</li> <li>• Industrial Dev.</li> <li>• Resource Recovery</li> <li>• Transportation</li> <li>• Utilities</li> <li>• Water &amp; Sewer</li> <li>• Tobacco</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Sovereign debt analysis</li> <li>• Macroeconomic analysis</li> <li>• Central bank watch</li> </ul>	<ul style="list-style-type: none"> <li>• Structured Review</li> <li>• Legal Protection</li> <li>• Documentation</li> <li>• Covenant Analysis</li> <li>• Taxability Determination</li> </ul>
3 Managing Directors   36 Credit Analysts*   22 Associates*				

\* Includes Fidelity London staff.  
 Source: Fidelity Investments as of 3/31/2016.  
 For Institutional Use Only

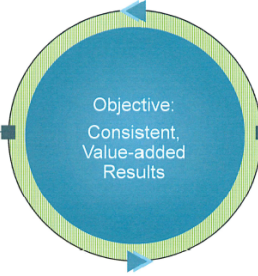


## Multi-Dimensional Approach

Bottom-up, fundamental investment platform complemented by top-down inputs, results in a robust and durable process

### BOTTOM UP FOUNDATION

- Fundamental Analysis
  - 100+ research professionals
  - Fundamental foundation
  - Relative value assessment
- Quantitative Analysis
  - Proprietary risk modeling
  - Security and portfolio level
- Structured Analysis
  - Capital structure analysis
  - Complements fundamentals
- Value-Added Trading
  - Relative value assessment
  - Across curve and structure
  - Macro trends/technical



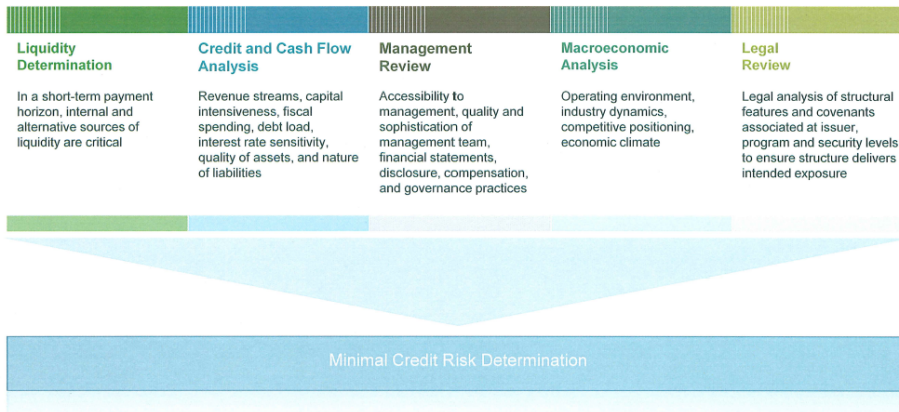
### TOP-DOWN PERSPECTIVES

- Macroeconomic Inputs
  - Federal Reserve expectations
  - Sovereign landscape
  - Tail risk/scenario modeling
- Sector
  - Basis call: transparency
  - Fundamental and relative value
- Yield Curve
  - Breakeven analysis
  - Slope and volatility
  - Relative value opportunities
- Interest Rate
  - Duration views
  - Volatility perspectives

For illustrative purposes only.  
3 For Institutional Use Only



## Elements of Minimal Credit Risk Analysis



4 For Institutional Use Only







UNC School of Government:  
Cash Management & Investment of Public Funds

Default Risk Scale (Lowest-to-highest)

Risk Free	U.S. Treasury (Bills, Notes, Bonds)
^	U.S. Government Guaranteed (GNMA's)
	U.S. Government Agencies
	U.S. Treasury Repos (DVP)
	Bankers' Acceptances
v	Collateralized Bank CD's
Higher Degree of Risk	Prime Commercial Paper A1/P1



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Liquidity Scale (Highest-to-Lowest)

Most Liquid	Overnight Repos
^	NCCMT
	T-Bills
	Other short-term Treasuries
	Government Agencies
	Bankers' Acceptances
	Commercial Paper
	Long-term government bonds
v	Long-term U.S. Agency Bonds
Illiquid	Certificates of Deposit



## UNC School of Government: Cash Management & Investment of Public Funds

- Monitor the Markets and Investment Results –
  - Monitor markets
  - Have a good working knowledge and stay current
  - Don't become obsessed
  - Information Sources –
    - Bloomberg – comprehensive but expensive (\$2,000+/month)
    - TradeWeb – internet based online trading service
    - Internet Sites – most are free for general market information
      - Bloomberg.com
      - Yahoo.com Finance
      - SmartMoney.com



## UNC School of Government: Cash Management & Investment of Public Funds

- Report Results –
  - Internal Reports – Many larger units report daily on purchases/sales
    - Changes in credit ratings
    - Keep management up on current happenings
  - Interim – More substantial reports should be provided, probably monthly. These include:
    - List of Investments – include description cost and market value if available, maturity dates, yields
    - Interest/Earnings – may include current month and Y-T-D, be sure to differentiate between cash received and earnings; **comparison to budgeted amounts**
  - Annual – reports for financial statements and LGC



## School of Government: Cash Management & Investment of Public Funds

- Benchmarks – Used to measure performance of the investment program. Choose an appropriate benchmark for comparison. Benchmarks can be very complicated but many simple ones are available.
- From LGC Sample Policy
  - "The cash management portfolio of the [Unit Type] shall be designed with the objective of regularly meeting or exceeding a selected performance benchmark, selected from the average return on the three-month U.S. Treasury bills, The North Carolina Capital Management Trust or the average rate of Fed funds. These indices are considered benchmarks for lower risk investment transactions ..."



## UNC School of Government: Cash Management & Investment of Public Funds

### LIGHTEN UP



*"First of all I think you should know that last quarter's returns are interfering with my mood stabilizing drugs."*



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- Adjust and Rebalance Portfolio –
  - Portfolio is not a static item; changes occur over time
  - Revisions to economic outlook, cash flows and local situations are sometimes necessary
  - Commercial paper ratings may change, prompting a change in the portfolio



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- Reading a Confirmation Ticket
  - Things you should identify and **confirm**
    - Instrument purchased – issuer and structure
    - Price paid – does it agree with what you had
    - Yield received – bond equivalent yield, money market yield, etc..
    - Terms – settlement date, maturity date, amount purchased, credit rating, call provisions
    - CUSIP – identifying number unique to issue
    - Delivery Instructions – may not appear on confirmation



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SXT  
Enter <I><GO> to send screen via <MESSAGE> System.  
6/23/2003 15:06 TRADE TICKET

P226 Corp SXT  
AS OF: 6/23/03  
ISIN US3136F3CT13  
3136F3CT1  
DATED 3/17/03

TRADER [redacted]  
At [redacted]

SELL 3M M OF FNMA 3 1/4 03/17/08  
MIN PIECE 1000 INCREMENT 1000 \* FANNIE MAE \*  
PRICE 100.468 YIELD 1.203943 to Worst 9/17/03 100  
(100,4680000)

SETTLEMENT ON 6/24/03  
Ratings: Moody's: Aaa S&P: AAA FI: AAA Comp: AAA

NOTES:  
[redacted]  
[redacted]  
{3136F3CT Corp DES<GO>}  
ONCE ONLY CALL 9/17/03@100.00 \* DISCRETE CALL W/ 10 DAYS NOTICE  
VIEW AMOUNTS IN USD @ 1.000000000(US /US ) INVERT?  Highlights off?

TRADE NUMBERS		
PRINCIPAL	\$	3,014,040.00
ACCRUED ( 57 DAYS )		26,270.83
TOTAL	\$	3,040,310.83

Australia 61 2 2077 8500 Brazil 5511 3048 4300 Europe 44 20 7330 7500 Germany 49 69 520410  
Hong Kong 852 2577 6000 Japan 81 3 3201 8500 Singapore 65 6212 1000 U.S. 1 212 319 2000 Copyright 2003 Bloomberg L.P.  
0616-467-1 23-Jun-03 15:07:07

**Bloomberg**  
PROFESSIONAL



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Investment Dialogue – example of a typical

conversation between a broker and large local government customer

**Broker:** Good morning. The talk on the street is that the Fed is going to keep short rates where they are for the time being until they get some indication of inflation. The ISM report and the Beige Book will come out later, we will have to see if the shorts respond.

**Unit:** That can't be good for the long end. You can really get whipsawed out there. What are you seeing 2 years and in and in money markets.



## UNC School of Government: Cash Management & Investment of Public Funds

- Broker:** We've got 3 of the FNMA 3 ¼ of March of '08 one time call in Sep '03 at par point 468. We can do those reg for a 1.204. Also have 10.3 odd Fannie Mae discos to Oct 15 at 1.01. We can do those cash or reg. The discos are all-or-none.
- Unit:** Let me do the Fannies and hold off on the discos.
- Broker:** Hold on while I confirm with my trader. (pause)
- Broker:** You are done there for reg. He said he can go to 1.03 on the discos if you are interested.
- Unit:** I'll pass. Can you give me the numbers and then fax over the confirm.



## UNC School of Government: Cash Management & Investment of Public Funds

- Broker:** You got it. Ready. We are delivering to your agent, VeryGood Bank's trust department, 3 million Fannie Maes, 3.25% due March 17 of '08 at 100.468 yielding 1.024. It's callable one time only on Sep 17 of '03. Settlement is tomorrow, June 24. Proceeds are Principal of \$3,014,040.00 with 97 days accrued of \$26,270.83 for a total of \$3,040,310.83. CUSIP is 3136F3CT1
- Unit:** (Calling VeryGood Bank's Trust Dept.) I'm faxing you the confirm for settlement tomorrow. Let me know if there are any problems. (The End)



## UNC School of Government: Cash Management & Investment of Public Funds

- **Investment Terminology**
- **All-or-none**: an order for multiple round lots that bars partial execution of the order
- **Asked Price**: the lowest price a seller of a security is willing to take at a particular time
- **Basis Point**: 1/100<sup>th</sup> of 1%; an increase from 2.00 to 2.05 is 5 basis points
- **Bear Market**: a situation in the investment market where price trends downward
- **Bid Price**: the highest price a buyer is willing to pay at a particular time



## School of Government: Cash Management & Investment of Public Funds

- **Book Entry**: bond registration procedure in which the bondholder does not receive the physical certificates held by a depository
- **Bull Market**: a situation in the investment market where price trends upward
- **Callable Securities**: securities that may be bought back by the issuer before they are due
- **Cash Settlement**: a trade that is settled on the same day as the trade date
- **Confirmation**: a written report giving details of the trade to the customer



## School of Government: Cash Management & Investment of Public Funds

- CUSIP number: a number assigned to each issue of securities by the Committee on Uniform Securities Identification Procedures to facilitate tracking securities
- DVP: Delivery vs. Payment; a type of settlement, in which the security is paid for when the broker/dealer has it deliverable in the purchaser's name
- Derivative: a contract whose value depends on the performance of some other security, index or other investment (New Tech. Bull. 2003-1, definition in FASB 133, Greg will discuss)
- Discount Rate: the rate of interest the Federal Reserve Board charges member banks for reserves borrowed from the Fed



## UNC School of Government: Cash Management & Investment of Public Funds

- DK Procedures: "Don't Know" Procedures; procedures followed by dealers if confirmations between buyers and sellers are not in agreement, or if one party fails to confirm a trade prior to the settlement date; literally means we "don't know" this trade
- Federal Funds: Fed Funds; very short-term loans, (usually overnight) between banks, without any collateral
- Freddie Mac: Federal Home Loan Mortgage Corporation; purchases conventional mortgages from federally chartered S&L's
- Fannie Mae: Federal National Mortgage Association; an independent association that purchases mortgages from banks and other lenders





## UNC School of Government: Cash Management & Investment of Public Funds

- FOMC: Federal Open Market Committee, which controls the open market operations of the Federal Reserve Banks
- Ginnie Mae: Government National Mortgage Association; government owned corporation that is backed by the full faith and credit of the U.S. government, creates pools of mortgages insured by either the DVA or FHA
- Head and Shoulders: a technical chart formation that resembles a head and shoulders; it is a reversal pattern that represents the end of an up-trend and the beginning of a down-trend
- Institutional Investor: an investor or any other person, corporation, partnership, trust or other entity with total assets of at least \$50 million



## UNC School of Government: Cash Management & Investment of Public Funds

- Liquidity: for an investment, portfolio, or account, the ease with which assets may be converted into cash
- Marking to Market: adjusting the value of a security or a portfolio to the current market value
- Naked Option: a short option position in which the writer does not have a visible means of meeting the exercise requirement
- Odd lot: less than the usual trading unit of 100 shares or 5 bonds



## UNC School of Government: Cash Management & Investment of Public Funds

- Prudent Man Rule: a standard by which a fiduciary is required to invest the funds under his care in some states. The standard demands that the fiduciary should act with the care, skill, prudence and diligence that a prudent man who is familiar with such matters would use if transacting his own affairs
- Quotation: a bid price or an asked price given by a dealer. A two-sided quotation would include both a bid and an asked price
- Regular Way: regular way settlement; for U.S. government securities, the next business day
- Spread: the difference in yield between two dissimilar investments such as U.S. Treasury securities and commercial paper. Quoted as the difference above Treasury yields



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- Street Name: form of registration for a security where it is held in the name of the broker/dealer carrying the account rather than in the name of the customer owning the security (you DO NOT want this type of registration)
- Uptick: a higher price than the previous trade
- When Issued: settlement does not take place until the certificates are printed. New issues usually trade "when issued"



Investment Terminology Quiz

Many investment terms have dual meanings, see how you do. The answers come from the preceding terminology list. (In alphabetical order)

- 1. How you have to eat the giant steak at The Hungry Heifer to get it free. \_\_\_\_\_
- 2. What a husband never gets at an auction. \_\_\_\_\_
- 3. What a wife always pays at an auction. \_\_\_\_\_



- 4. What they record at the library. \_\_\_\_\_
- 5. What rules Donna Karan runs her business by. \_\_\_\_\_
- 6. Your three southern cousins. \_\_\_\_\_
- 7. What you need if you constantly scratch your head. \_\_\_\_\_
- 8. What a kid does with chalk on his way to the grocery store. \_\_\_\_\_
- 9. You might have chosen this for your vacation to a Caribbean island when you were younger, and less modest, but certainly not now. \_\_\_\_\_



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9. What you find at the IOG class for newly elected officials. (Hint: "That sure is an\_\_\_\_\_".)
10. What every man should exercise before he gets married. \_\_\_\_\_
11. What Ted Turner calls his ranch. (Hint; "It's quite a \_\_\_\_\_.")
12. One of the first pieces of information you teach your children. \_\_\_\_\_



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### ■ Sources

- Miller, Girard *Investing Public Funds*, First Edition (Chicago, Illinois, GFOA 1986)
- Pring.com *Asset Allocation Theory*, August 2003