



Alliance of the Ports of Canada, the Caribbean,  
Latin America and the United States

# Challenges and Solutions for Today's Investment Markets

Presented by:

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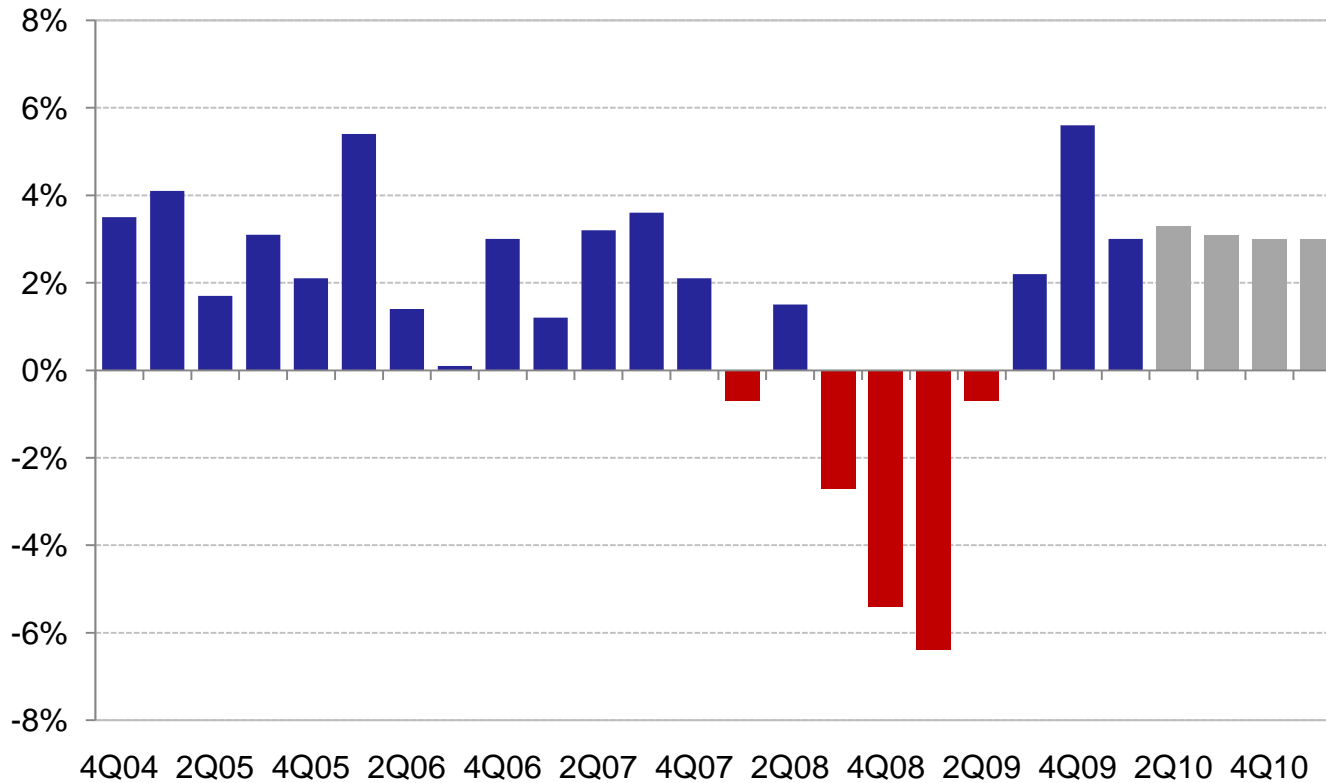
# Summary of Economic Conditions

- **Economic activity in the U.S. appears to be “leveling out.” Signs of improvement in the economy include:**
  - GDP is growing
  - Manufacturing sector is expanding
  - Home sales are stronger; prices stabilizing
  - Economy is slowly adding jobs
  - Stock markets have led the way, sort of
- **Significant challenges remain, meaning recovery will be relatively slow compared to past business cycles. These “headwinds” include:**
  - High unemployment
  - Weak consumer spending
  - Rising mortgage delinquencies
  - Reduced availability of credit



# Gross Domestic Product

## Fourth Quarter 2004 – First Quarter 2011 (projected)

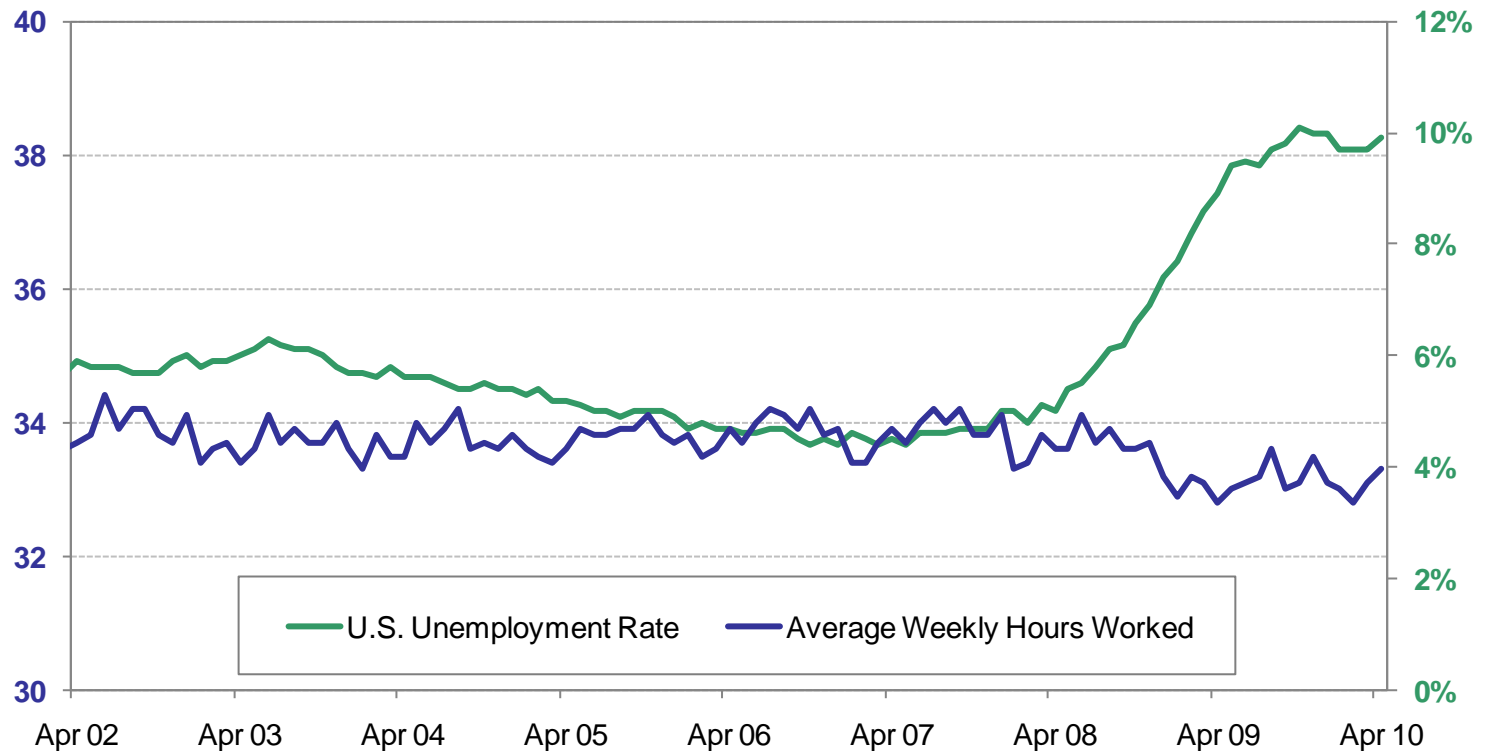


Source: Bloomberg



# Recovery Hindered by Unemployment

## Unemployment Rate vs. Average Weekly Hours Worked April 2002 – April 2010

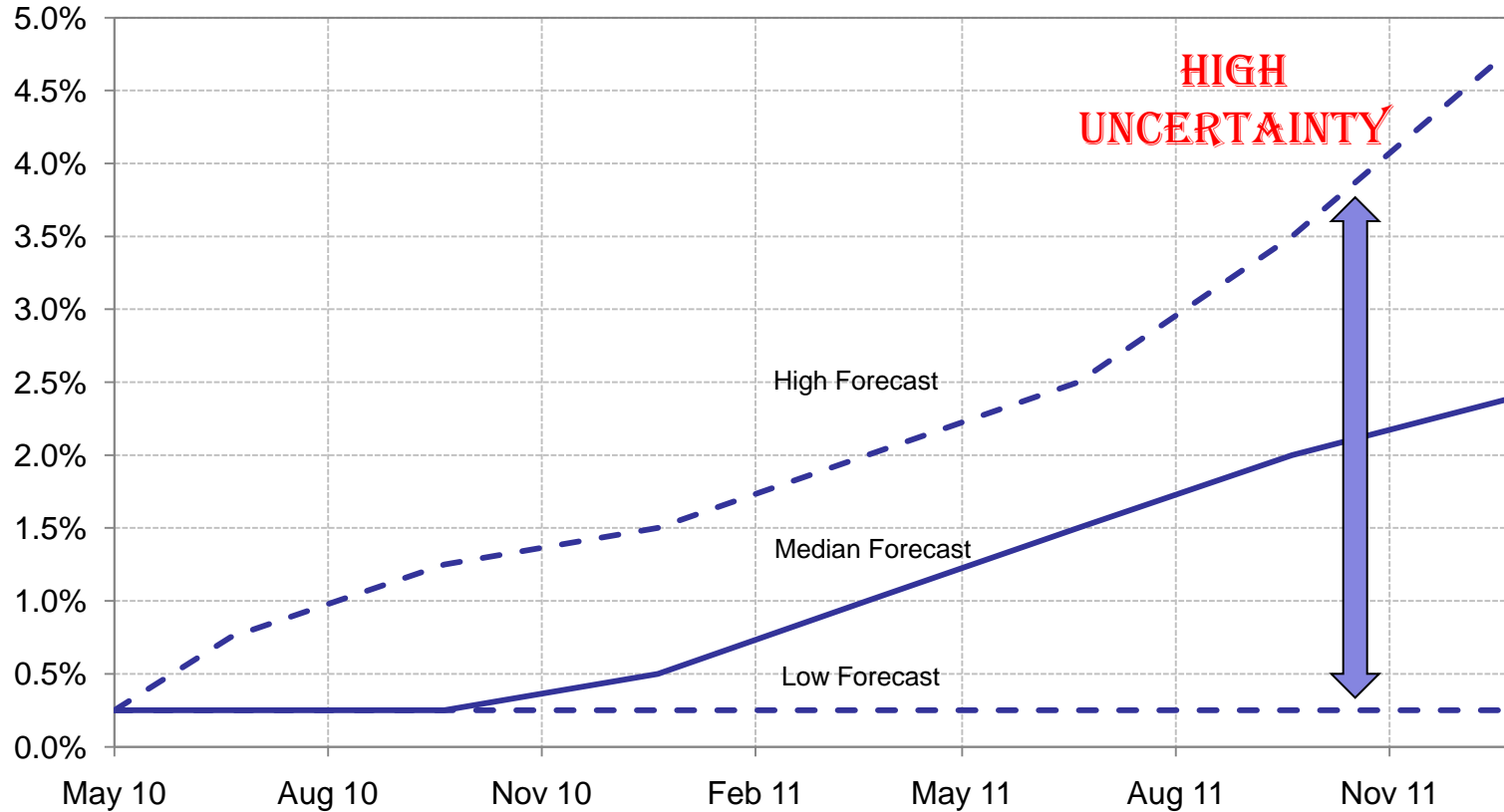


Source: Bloomberg



# Fed Funds Are Expected To Stay Low...

## Federal Funds Target Rate

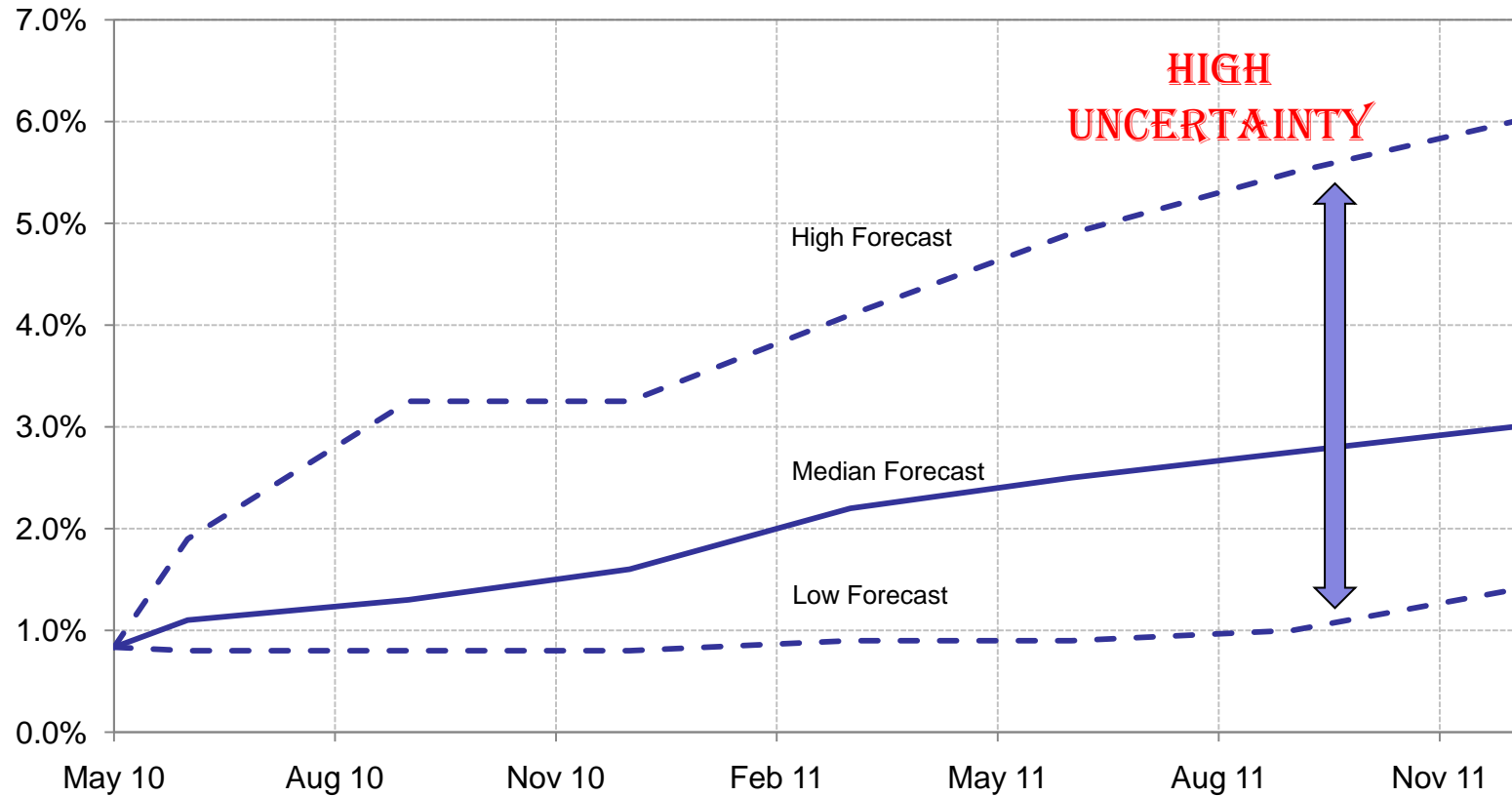


Source: Bloomberg



# ... As Are Treasury Yields

## 2-Year U.S. Treasury Note Yield



Source: Bloomberg



# Strategies for Enhancing Returns



# Strategies Should Be Prudent & Comprehensive

## Short-term Funds

- Utilize high-quality money fund for liquidity and flexibility
- Safely maximize earnings for short-term cash needs
- Consider likelihood of future interest rate risk

## “Core” Funds

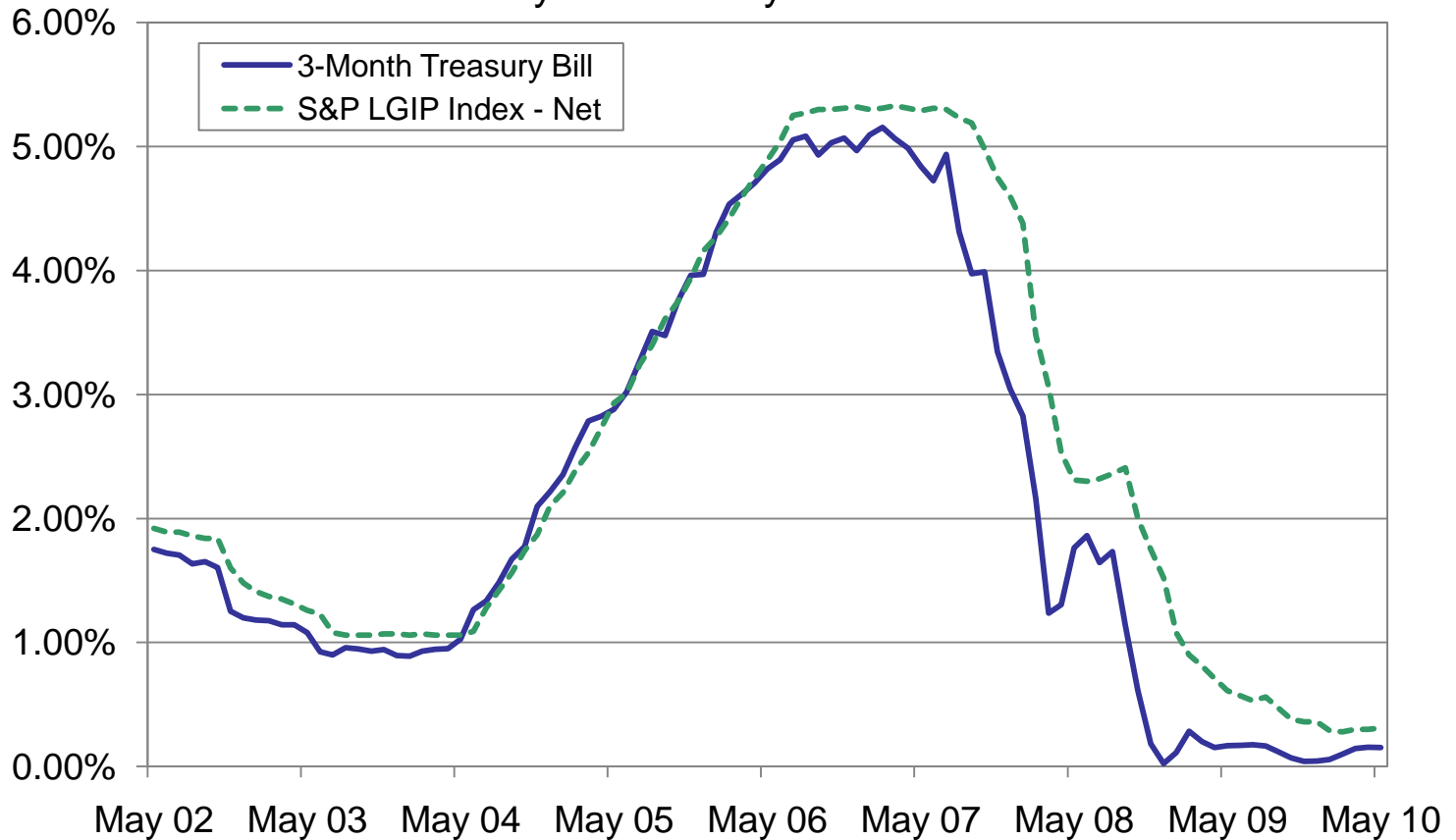
- Take advantage of steepness in yield curve
- Employ active management strategies
- Manage credit exposure carefully





# Short-Term Funds: Money Market Fund Yields Lag the Market

**Average Monthly Yields**  
May 2002 – May 2010

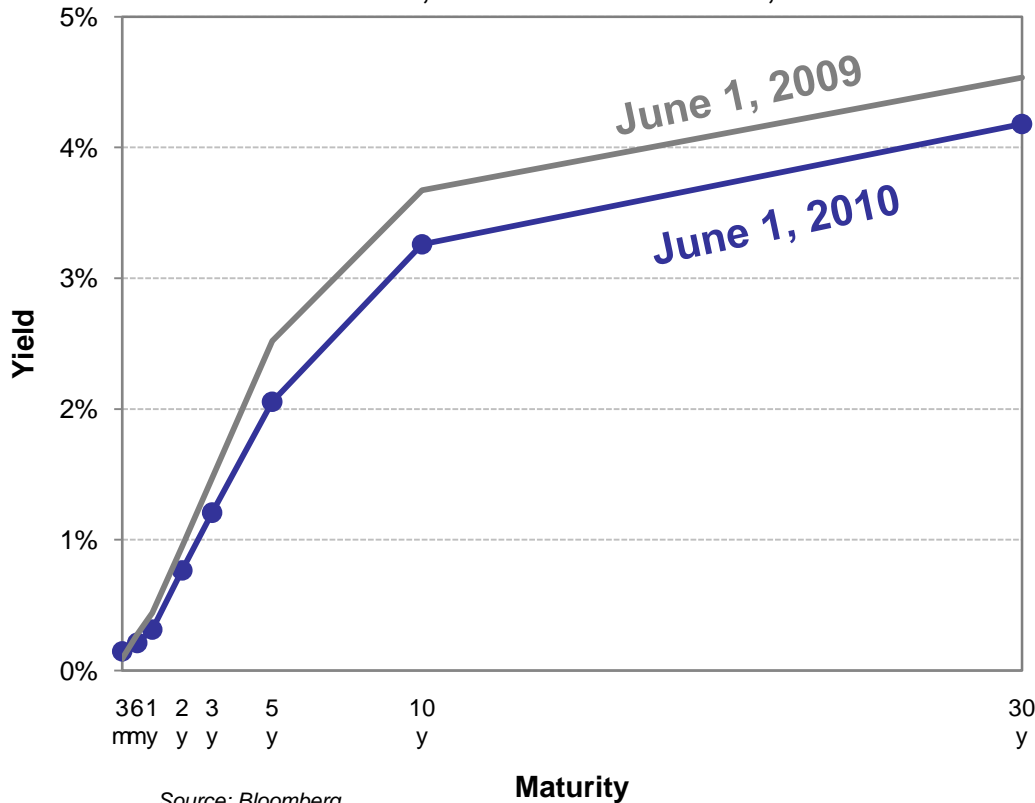


Source: Bloomberg



# Core Funds: Yield Curve Is Exceptionally Steep

**U.S. Treasury Yield Curve**  
June 1, 2009 versus June 1, 2010



Source: Bloomberg

	June 1, 2010	Pick up Over 3 Month
3 month	0.15%	-
6 month	0.21%	+0.07%
1 year	0.31%	+0.17%
2 year	0.77%	+0.62%
3 year	1.21%	+1.06%
5 year	2.06%	+1.91%
10 year	3.26%	+3.11%
30 year	4.18%	+4.03%



# Depository Opportunities

- Above-market ECR (Earnings Credit Rate)
- TAGP (Transaction Account Guarantee Program)
  - Unlimited FDIC insurance on certain bank accounts
  - Many banks have dropped out due to changing participation requirements:
    - ◆ Non-Interest Bearing Transactions accounts (rate of less than 0.50% through June 30, 2010)
    - ◆ Non-Interest Bearing Transactions accounts (rate of less than 0.25% through December 31, 2010)
- Aggressive CD Rates
  - Collateralization/insurance important
  - Understand the basis for rates



## Broker / Dealers as a Resource

- Ready source of market information
- Many specialize in a market sector
- Buys for and sells from “house” inventory
- Extremely beneficial to maintain multiple broker/dealer relationships

### Sample Trade on May 15, 2008

Buy: FHLMC, coupon 4.75%, November 3, 2009, par \$10,000,000

Broker	Offered Yield	Offered Price	Principal	Difference Over Low Price
Broker A	2.68%	102.951	\$ 10,295,117	\$ 17,277
Broker B	2.72%	102.892	\$ 10,289,298	\$ 11,459
Broker C	2.76%	102.834	\$ 10,283,485	\$ 5,645
Broker D	<b>2.80%</b>	<b>102.778</b>	<b>\$ 10,277,840</b>	<b>\$ 0</b>



# Investment Advisor

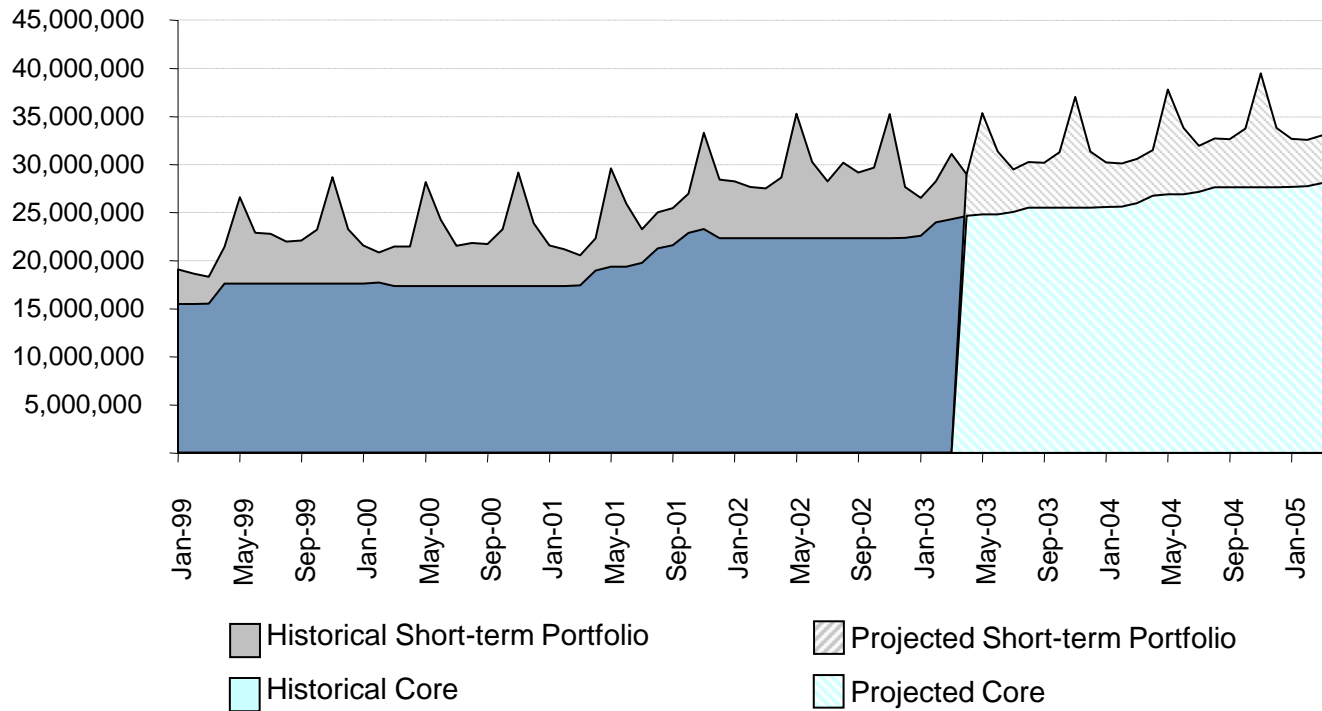
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- Discretionary and non-discretionary services
- No “house” inventory – must competitively shop for every security
- Ready source of market information
- Assist clients with the development of cash flow forecasts, investment strategies and investment policy
- Fiduciary responsibility to clients



# Cash Flow Forecast

## Analysis of Core Portfolio



### Short-Term Portfolio

- Highly liquid
- Stable returns
- Low market risk
- Flexible

### Core Portfolio

- Longer-term investments
- Higher returns over time



# Benchmarking

- Longer investment strategies can achieve higher returns but expose the portfolio to more volatility

<b>Risk/Return of Various Benchmarks</b> <i>10 Years Ended 3/31/2010</i>				
<b>Merrill Lynch Index</b>	<b>Duration</b>	<b>Overall Return</b>	<b>Cumulative Value of \$20,000,000</b>	<b>Quarters With Negative Returns</b>
Money Market Mutual Fund	0.00 Years	3.08%	\$27,092,325	0 out of 20
3-Month Treasury Bill	0.23 Years	2.84%	\$26,477,942	0 out of 40
6-Month Treasury Bill	0.48 Years	3.25%	\$27,543,328	0 out of 40
1 Year Treasury Index	0.99 Years	3.69%	\$28,752,958	3 out of 40
1-3 Year Treasury Index	1.92 Years	4.42%	\$30,832,276	4 out of 40
1-5 Year Treasury Index	2.65 Years	4.93%	\$32,382,776	10 out of 40
1-10 Year Treasury Index	3.94 Years	5.39%	\$33,813,574	11 out of 40
3-5 Year Treasury Index	3.88 Years	5.96%	\$35,696,762	14 out of 40

Source: Bloomberg – Merrill Lynch Indices



# Create Customized, Comprehensive Investment Program for AAPA

## Branded Investment Program



High quality securities  
Open to operating funds and bond proceeds  
Sponsorship fee back to association

### Money Market Fund

- Liquidity
- Checking account sweep
- Cash management services
- Online transactions

### Managed Portfolios

- Individual investments
- Structured to investment policy and liquidity needs
- Earnings/maturities to pool account

### CD Purchase Program

- FDIC-insured CDs
- Opportunity for enhanced yield
- Fixed terms from 60 days to one year

### Purchasing Card

- Streamlined purchases
- Rebates on spending
- Enhanced reporting





## Important Disclosures and Disclaimers

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