

# Investing Cash in a Low Yield Environment



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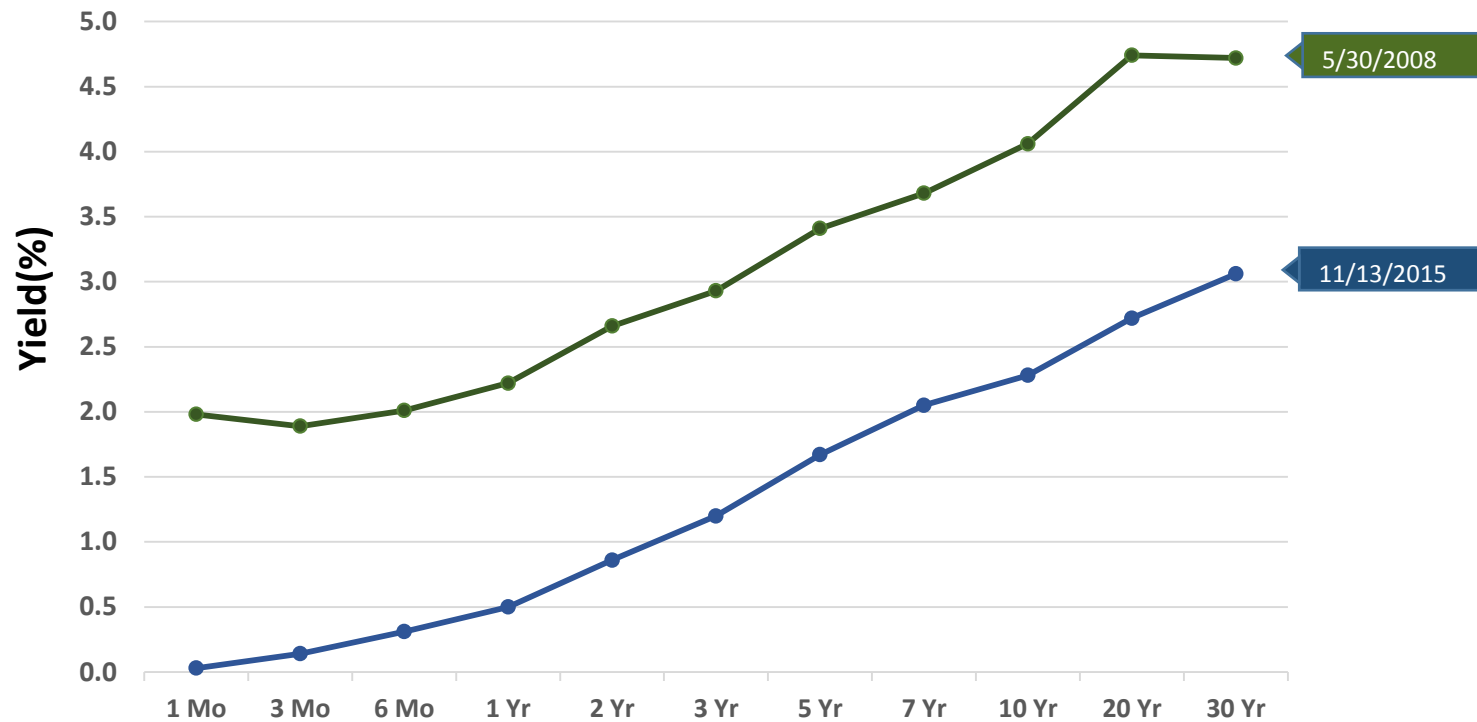
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# Yield Curve Comparison

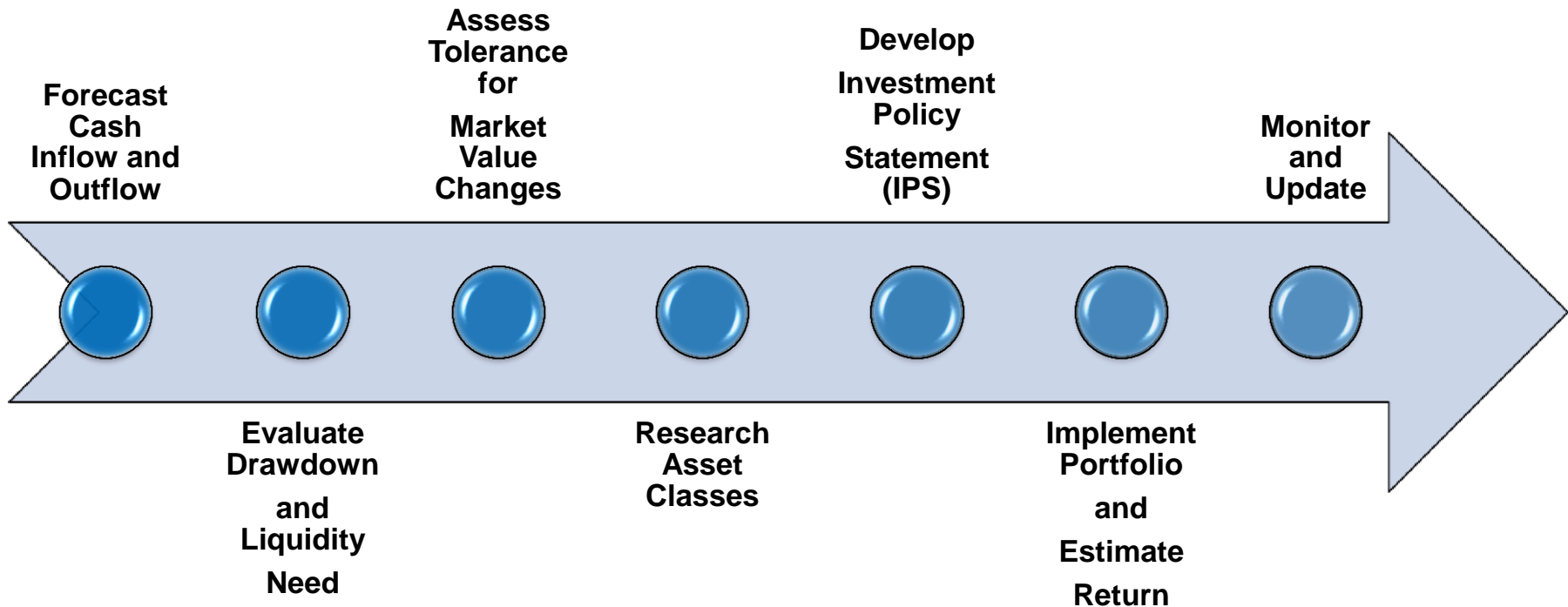


- In 2008, the 6 Month Treasury Yield ~ 2%
- Today, 7 Year Treasury Yield ~ 2%

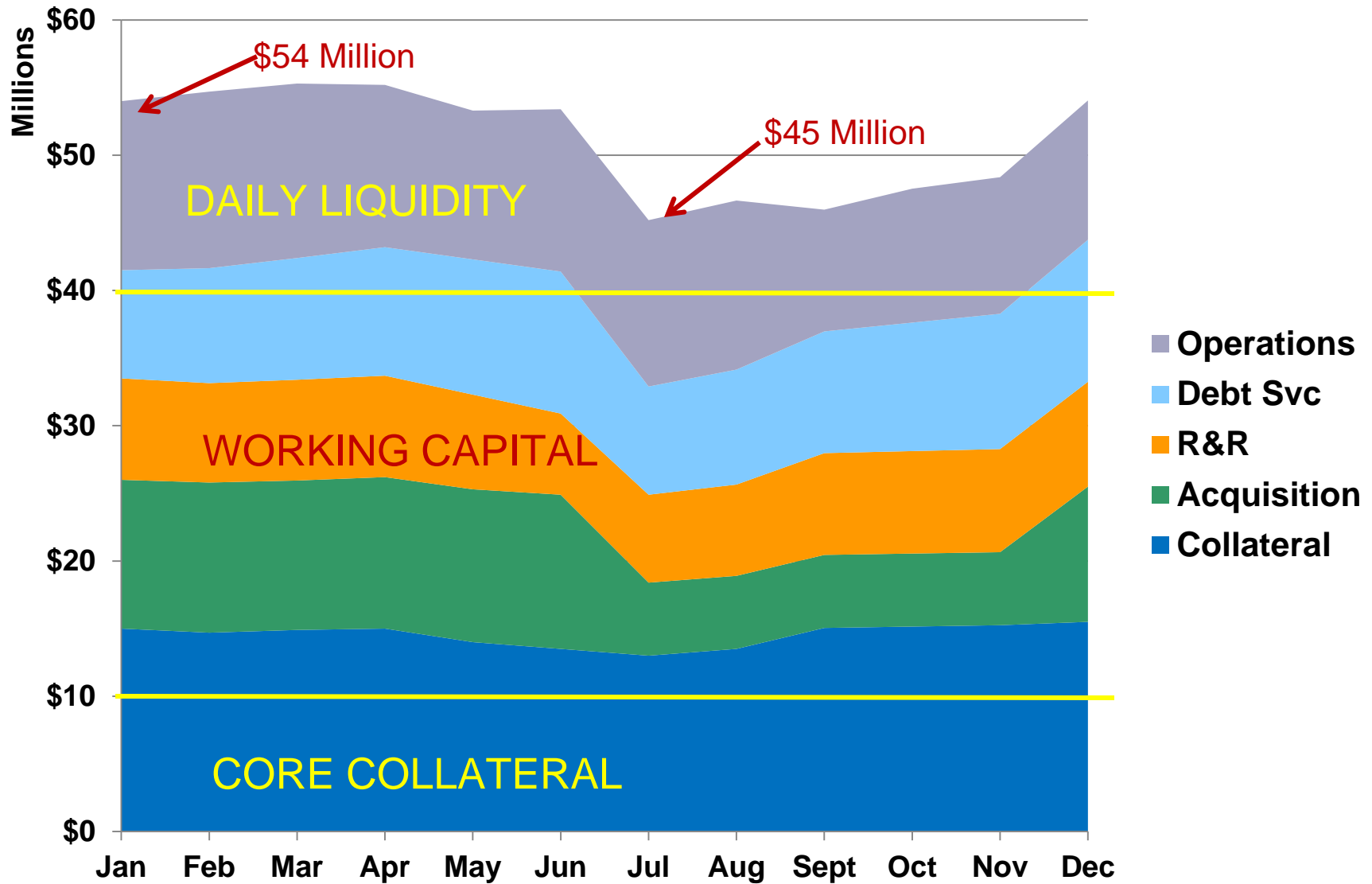
## Uses of Cash

- Make Payroll
- Pay Vendors
- Collateral for Lenders
- 'Dry Powder'
- Volatility Dampener
- Sleep at Night

# Cash Investment Process



# Cash Forecast and Liquidity Needs



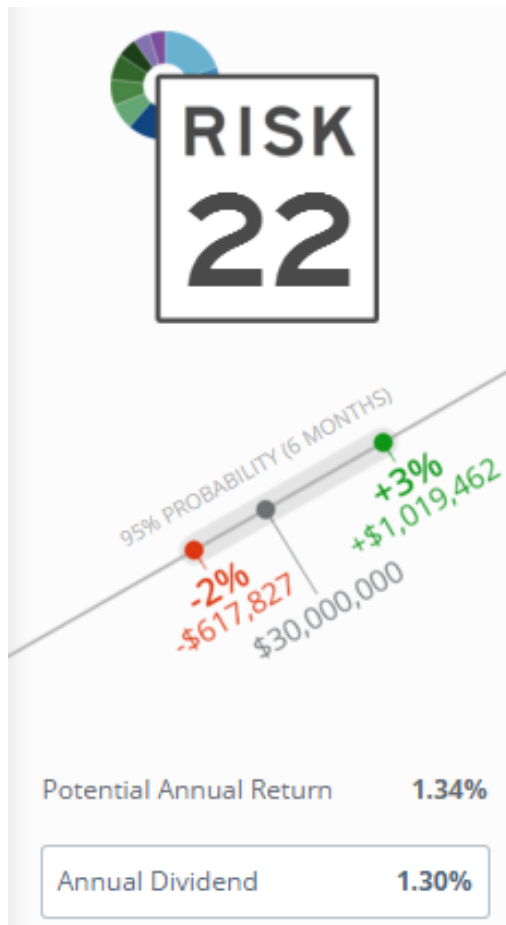
# Tolerance for Market Value Changes

## DAILY LIQUIDITY



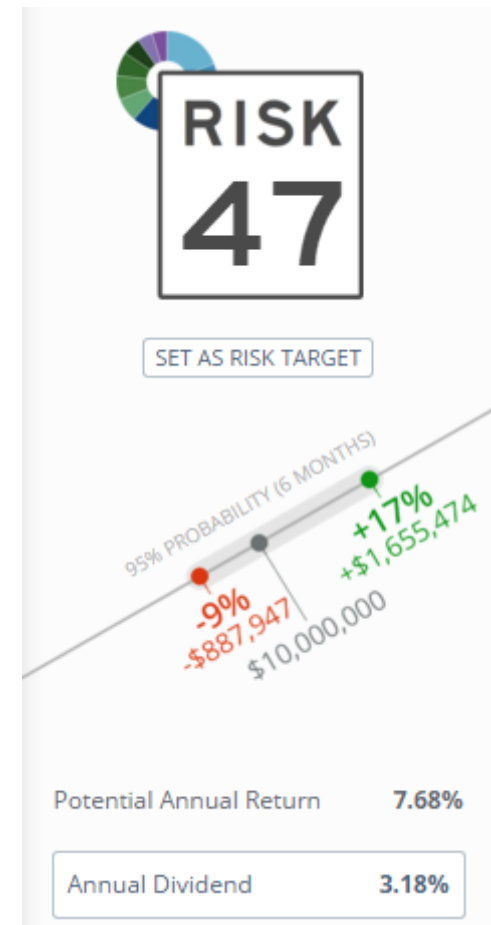
\$14 million  
Stable NAV \$1  
Yield .01%

## WORKING CAPITAL



\$29.4 million to  
\$31.0 million  
Yield 1.30%

## CORE COLLATERAL



\$9.1 million to  
\$11.6 million  
Yield 3.18%  
Apprec. 4.50%

# Asset Class Returns: 2005 - 2015

<b>%</b>	<b>S&amp;P 500 Index</b>	<b>Hi Yield Debt</b>	<b>US Agg. Index</b>	<b>Municipal Debt</b>	<b>1-3 Yr. Treasury</b>
Average	7.7	6.4	4.7	4.1	2.0
Worst Year	-37.0	-25.9	-2.0	-4.1	0.0
Best Year	32.4	58.8	7.9	10.6	7.3
Current Yield	2.0	4.6	2.4	3.3	0.7

Source: Blackrock 11/15/2015

# Investment Policy Statement for Operating Cash

Tranche / Range	Business Purpose	Permissible Investments
Daily Liquidity 11 - 26%	Operations Debt Service	Bank Account Money Market Fund
Working Capital 53 - 67%	Debt Service Repair & Renovation Acquisitions	1 - 3 Year Treasury Bonds 1- 5 Year AAA Agency Bonds Inv. Grade Bonds - Barclay's Agg.
Core 18-22%	Collateral for Creditors	National Municipal Bonds (AA) High Yield Credit Bonds (BBB/BB) S&P 500 Equities



# Implement Portfolio: Estimate Risk and Return

- \$51.1 million average operating pool value
- Fluctuation -\$900k to +2.1 million
- \$55,000 per month income ~ 1.3% dividend yield
- \$550,000 potential annual appreciation



If a 100bps Interest Rate Spike were to happen again...



-5.5%

AGGREGATE BOND INDEX  
MAY 1, 2013 - SEP 5, 2013



-0.8%

THIS PORTFOLIO'S  
ESTIMATED PERFORMANCE

If a 2008-like Bear Market were to happen again...



-38.0%

S&P 500 INDEX  
JAN 1, 2008 - DEC 31, 2008



-0.4%

THIS PORTFOLIO'S  
ESTIMATED PERFORMANCE

# Monitoring

- ◆ Update cash forecast with actual experience
- ◆ Revise Investment Policy Statement
- ◆ Review investment managers
  - Meeting expectations
  - Style drift
  - % share of commingled vehicles



Questions ???

Thank you!

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