




MARCH 28, 2023

Applying Best Practices when Making Investment Decisions

PRESENTED BY EILEEN STANIC, CTP




Today's Presenter

Eileen Stanic, CTP®
Regional Director, Advisory Services
410.662.8268
estanic@meederinvestment.com

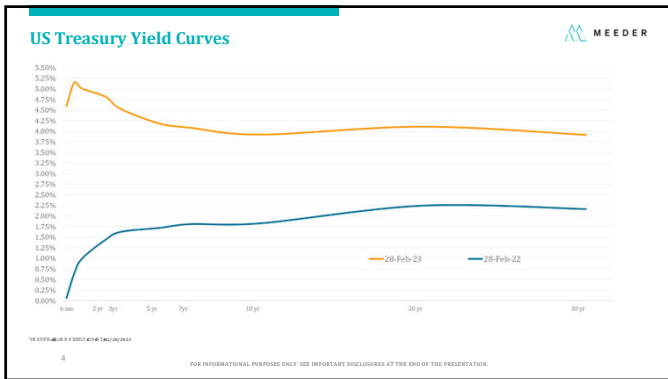
Year In Review



<p>Fed started down the path to aggressive tightening</p> <p>Fed Funds rate went from 0-0.25% to 4.25-4.50% Included 4 extraordinary 0.75% hikes</p>	<p>Markets began the year pricing in a rate of 0.82% for Fed Funds by year end 2022</p> <p>The 2yr Treasury note yielded 0.73% and ended the year at 4.42%</p> <p>The 10yr Treasury note yielded 1.51% in Dec 2021 and ended 2022 at 3.87%</p>	<p>Stock indices endured one of the worst years in recent history</p> <p>The S&P 500 was down 18.13% and the NASDAQ was down 32.51%</p>
<p>Russia invaded the nation of Ukraine, causing market volatility and concerns about energy and grain distribution Hastening a push to de-globalization</p>	<p>The US officially passed 1 million COVID deaths early in the year</p>	<p>Bond markets suffered the same fate</p> <p>Bloomberg Barclays Aggregate Index was down 13%</p>
<p>FTX declared bankruptcy after seeing a valuation of \$24bn in January, in what may be the largest financial crime since Bernie Madoff</p>	<p>The Omicron COVID variant begins to spread and causes many countries to take restrictive steps</p>	<p>Elizabeth Holmes is found guilty of defrauding investors in Theranos</p>
<p>Bitcoin dropped 64%</p>	<p>Will Smith smacks Chris Rock at the Oscar's award ceremonies</p>	<p>Rishi Sunak replaces Liz Truss, who went down in history as the shortest sitting UK Prime Minister</p>
<p>Elon Musk purchased Twitter</p>	<p>Queen Elizabeth of England passed away in September</p>	

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Investment Objectives and 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?

MEEDER

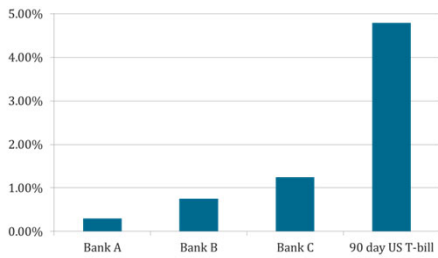
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- ### Agenda
- Earnings Credit Rate
 - Cash Flow Analysis (Right Sizing)
 - Short Term Investment Opportunities
 - Investment Strategies
- MEEDER
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Earnings Credit Rate

Earnings Credit Rates



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Benefits of Investing Excess Balance



	Bank A	Bank B	Bank C
Earnings Credit Rate	0.30%	0.75%	1.25%
Bank Balance	\$5,000,000	\$5,000,000	\$5,000,000
Balance to Cover Banking Services	\$4,000,000	\$1,600,000	\$960,000
Excess Balance	\$1,000,000	\$3,400,000	\$4,040,000
Projected Additional Interest Income at 4.50%	\$42,000	\$127,500	\$131,300

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Cash Flow Analysis

"Right Sizing" Your Portfolio



CURRENT EXPENSES

EXCESS CASH



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Cash Allocation



CURRENT

RIGHT-SIZED

CASH
\$5 million

CASH \$1 million
LIQUIDITY RESERVE
\$3 million • Earning 4.50%

LIQUIDITY RESERVE
\$11 million • Earning 4.50%

CORE
\$4 million • Earning 2.00%
\$12 million • Earning 4.50%

CORE
\$4 million • Earning 2.00%

PROJECTED ADDITIONAL INTEREST INCOME OF \$180,000

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Short-Term Investment Opportunities

Using Commercial Paper in Your Portfolio



Asset-Liability Method

- Short-Term Cash Flow Management

Liquidity Percentage Method

- To provide liquidity for daily operations

"Laddered" or "barbell" portfolio

May be used for diversification in your "core" investment portfolio to balance longer maturities

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SEC Rules and Commercial Paper



Investor Sophistication Tests

• Accredited Investor

- Client Invests \$5 Million or more
- If client Invests less than \$5 Million, then permissible types of commercial paper exclude 4(a)2 (private placements)

• Qualifies Institutional Buyer

- Client Invests more than \$100 Million
- No limitation on permissible types of commercial paper

Rule Applies to the Investor not the Investment Advisor

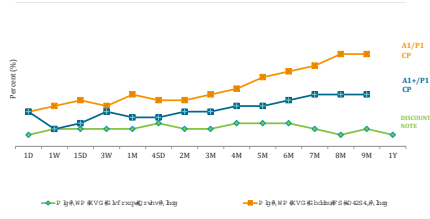
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Yield Spreads



- Always evaluate Yields to determine quality of asset type versus risk premium being placed
- Liquidity can play a role in certain assets offering higher yields across different environments and scenarios



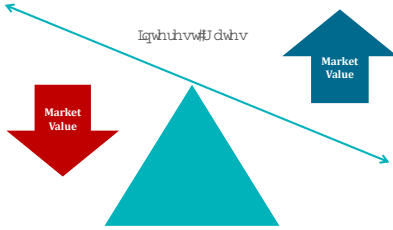
YIELD SPREADS SHOWN ARE FOR ILLUSTRATION PURPOSES ONLY.

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Market Values

Inverse Relationship



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Market Value



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Security Swap 

Sell Existing Security

➔

Purchase New Security


REASONS TO SWAP SECURITIES

Adjust portfolio duration	Increase portfolio earnings
Realize capital gains	Purchase additional future value

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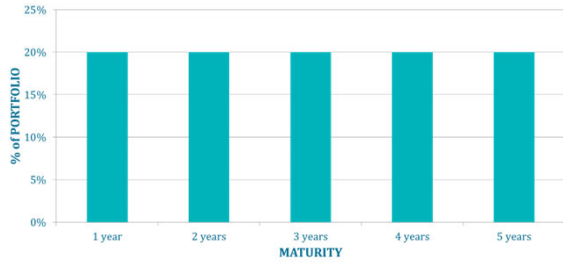
Investment Strategies

Safekeeping Options 

<p>Third-Party Custodian</p> <ul style="list-style-type: none"> • Securities held in public entity's account at bank trust department • Public entity controls account • Securities held in public entity's name • Written custodial agreement • GFOA best practice 	<p>Broker or Bank acting as Broker</p> <ul style="list-style-type: none"> • Securities held in brokerage account • Broker controls account • Securities not held in public entity's name • Safekeeping cost bundled with other services
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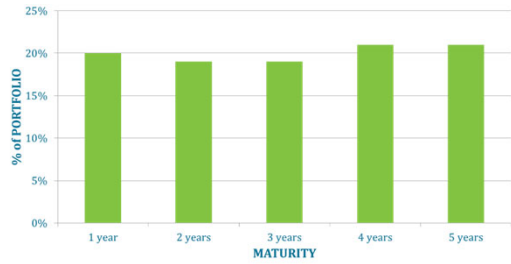
Laddered Portfolio



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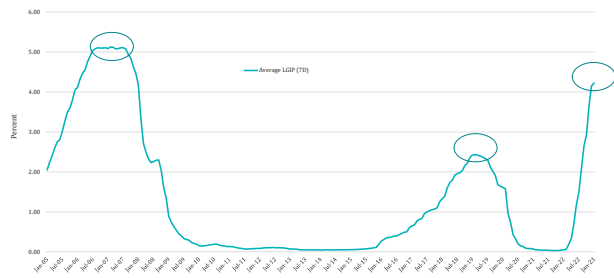
Strategic Portfolio



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Creating Longer-Term Certainty



AS OF 2/28/2023
SOURCE: BLOOMBERG AVERAGE LGIP REPRESENTED BY LGIPD NET INDEX.

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“The time is always right to do what is right.”

—MARTIN LUTHER KING, JR.

Questions



Eileen Stanic, CFP®
Regional Director, Advisory Services
416.662.8268
estanic@meederinvestment.com

Disclosure

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