



INVESTING IN TODAY'S MARKETS

Organizing Information

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Making Investment Decisions

Economic



Fundamentals



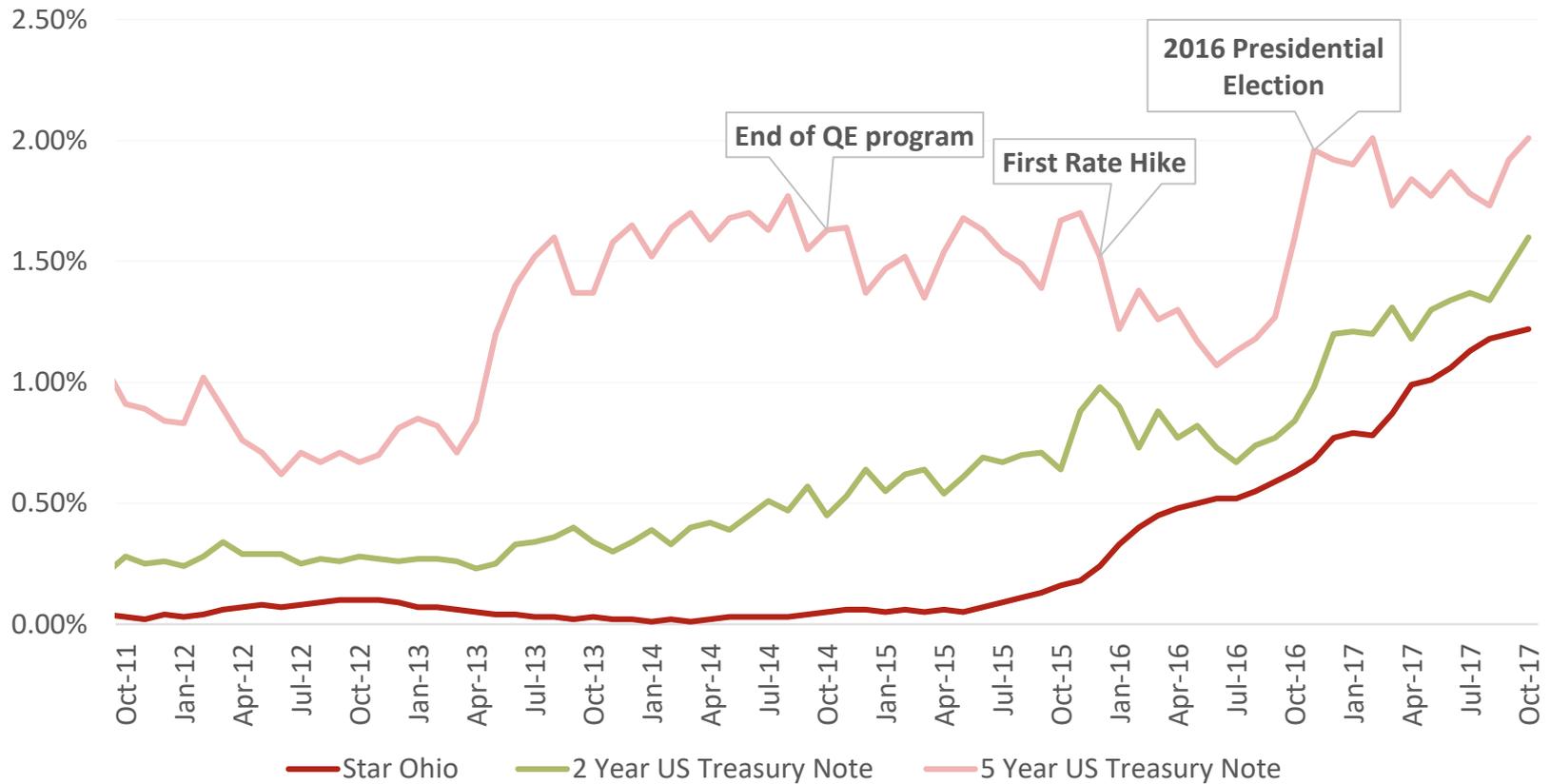
Strategy



Economic



Historical Interest Rates: Off Zero, Finally!



Short term rates have risen over past 23 months, due to rate increases from Federal Reserve.

* Data Source: Bloomberg, Star Ohio. Through October 2017

Star Ohio: Over the Years

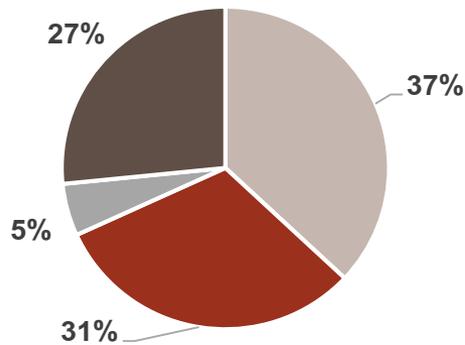
Current monthly income is approximately 40 times greater today than in 2013

Annual Income on \$1 Million

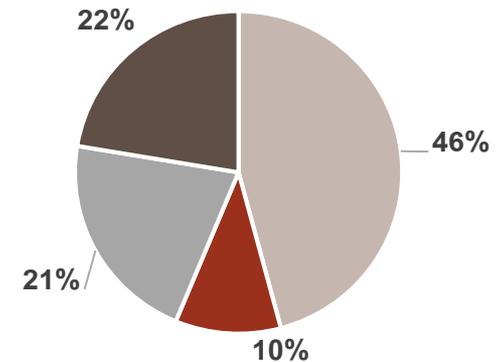


Asset Allocation: Historical Comparison

October 2014



October 2017

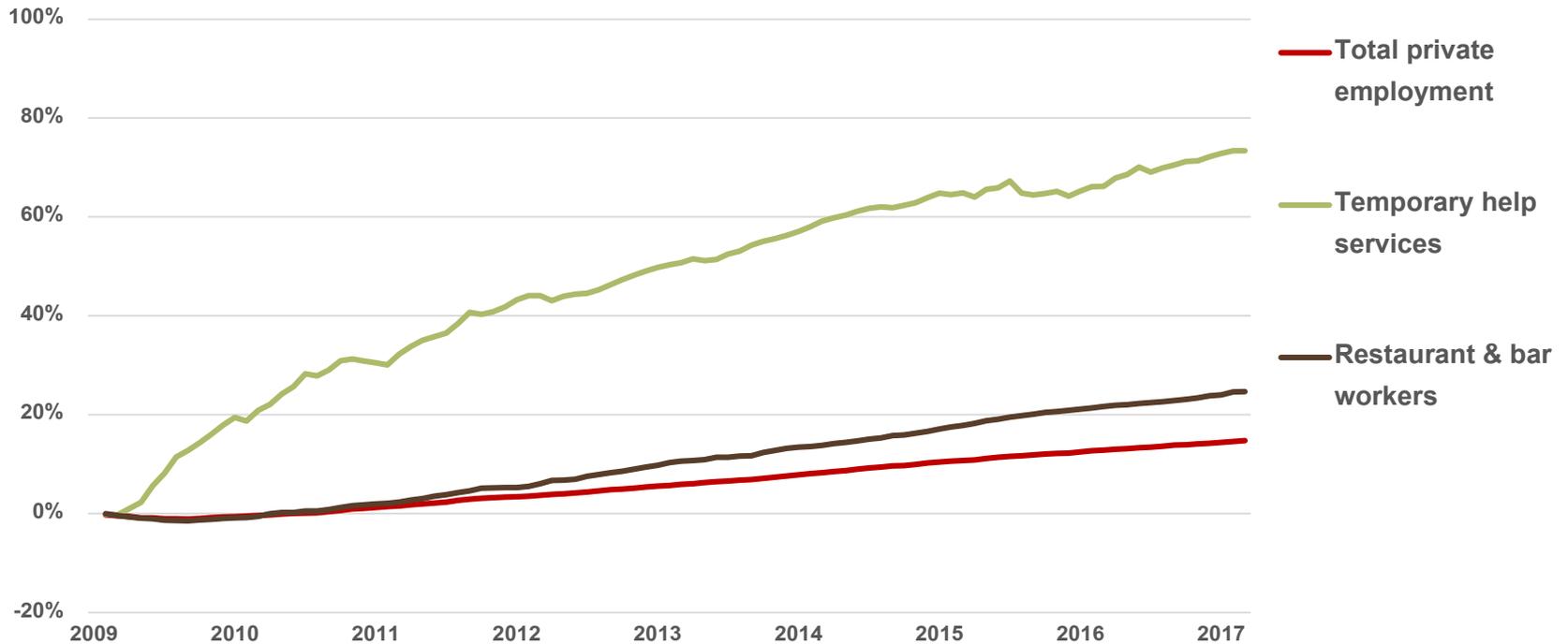


*Data Source: Star Ohio – Ohio State Treasurer: Other assets includes Bank Deposits, Repurchase Agreements, Municipal Holdings, Corporate Debt, US Treasury's.

**2017 Projected Income: Daily rate as of 10/31/17 1.23% extended through end of 2017. For illustrative purposes only.

Employment Trends: Temporary Help

Change in Employment since June 2009

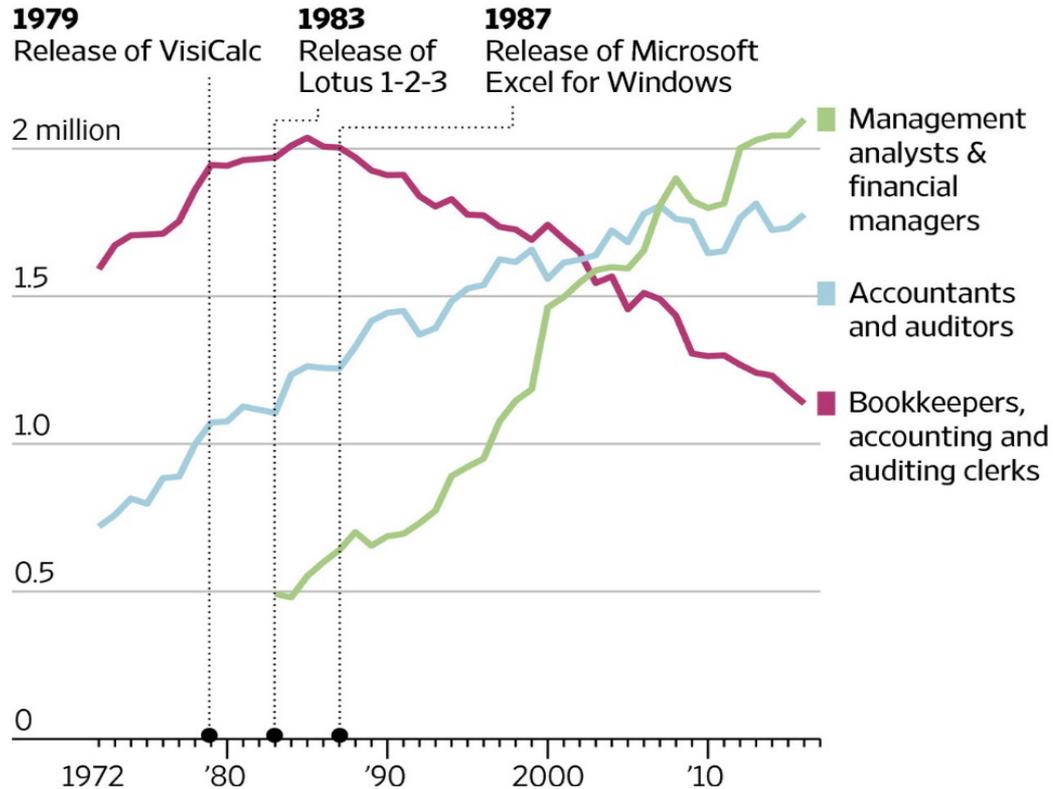


Temporary help has increased nearly 5 times total employment since end of recession

*Data Source: BLS.gov, Wall Street Journal: 9/11/17

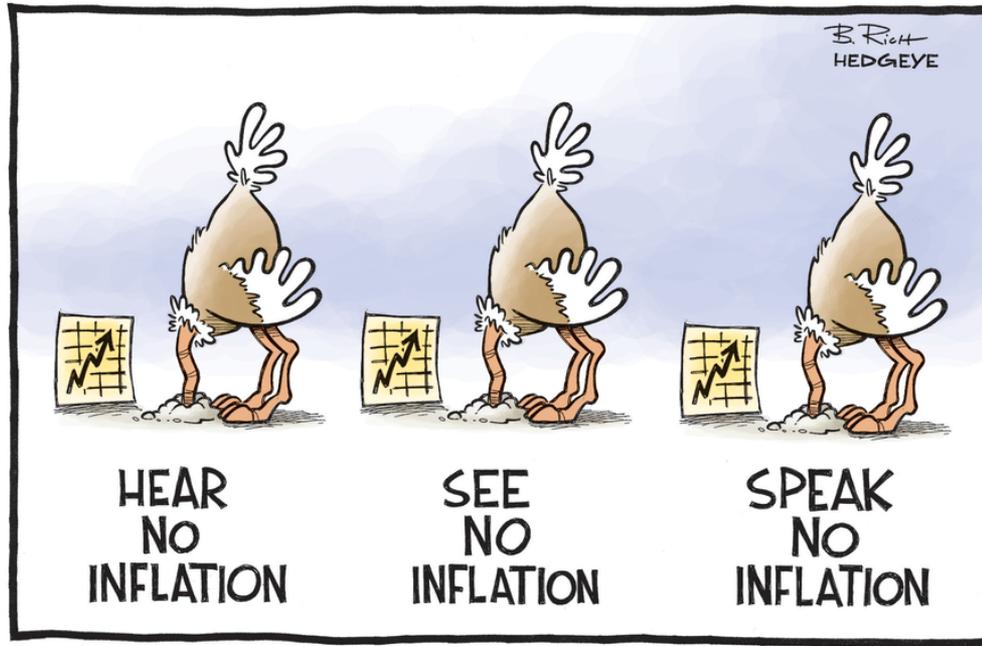
Automation: Jobs in the Future

The Spreadsheet Apocalypse, Revisited



*Sources: BLS.gov, Wall Street Journal: 8/3/17

Inflation Outlook



Fundamentals



Monetary Policy – Interest Rates are Heading...

The Fed

- Direct influence in how monetary policy is conducted
- Vocal in relaying thoughts on path of monetary policy
- Differing view among voting members

Economists

- Eager to give opinion on what Fed is thinking
- Typically employed by big banks
- Job is to project where global and US economy are heading

The Market

- Indirect influence in how traders view path of monetary policy
- Viewed through futures contracts

Source: RedTree

Fiscal Policy: What's happening?

Current Topics

Tax Reform

Working towards changes by end of 2017

Healthcare

More questions than answers

Hurricane Relief

Long-term economic consequences

Trade Deals

What is best for U.S. economy?

Infrastructure

New roads, bridges?

Strategy



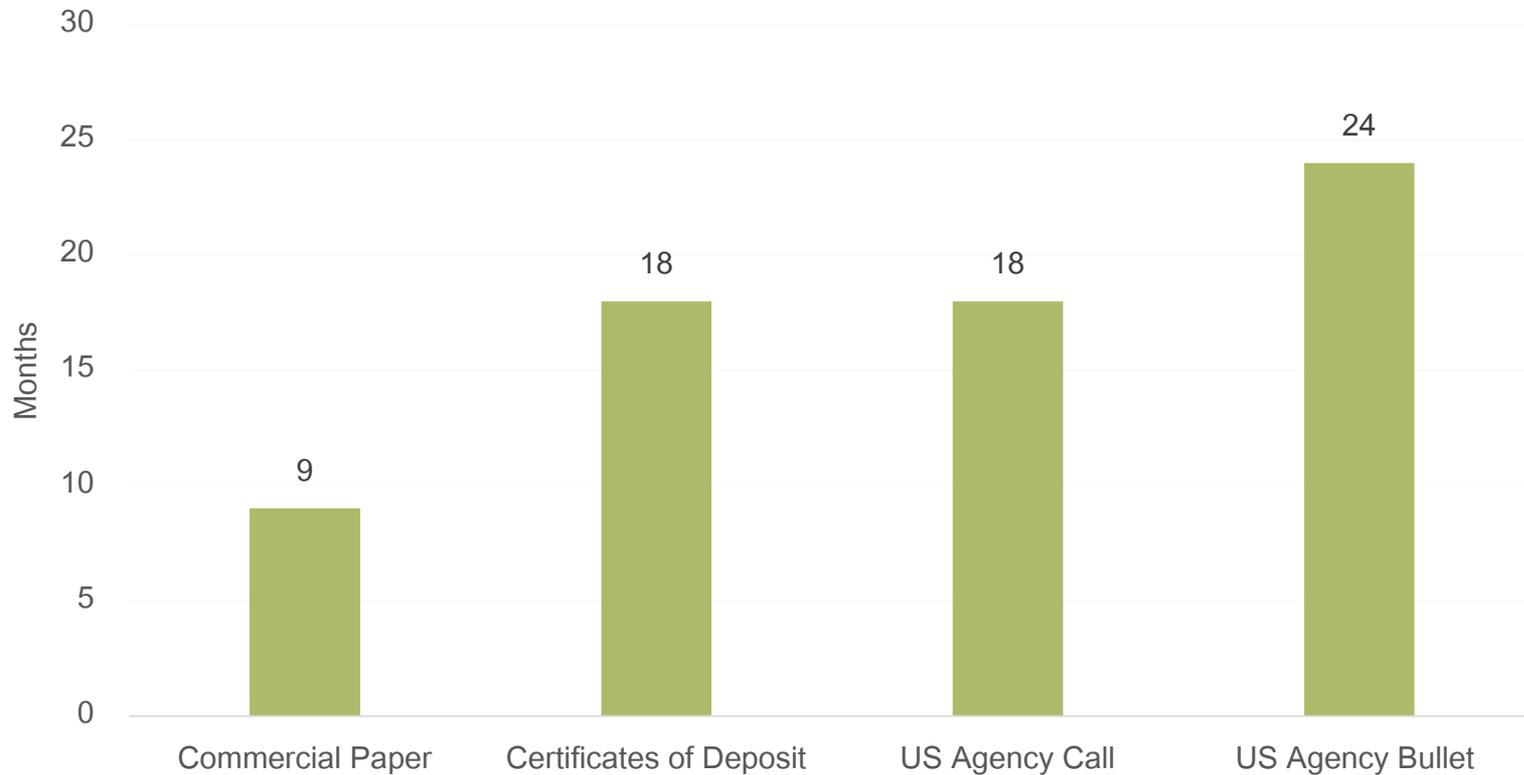
Investment Strategy

- ✓ Have one
- ✓ Every entity approaches differently
- ✓ Think long-term in the short term
- ✓ Understand the value in different investment options
- ✓ Have a credit evaluation process in place

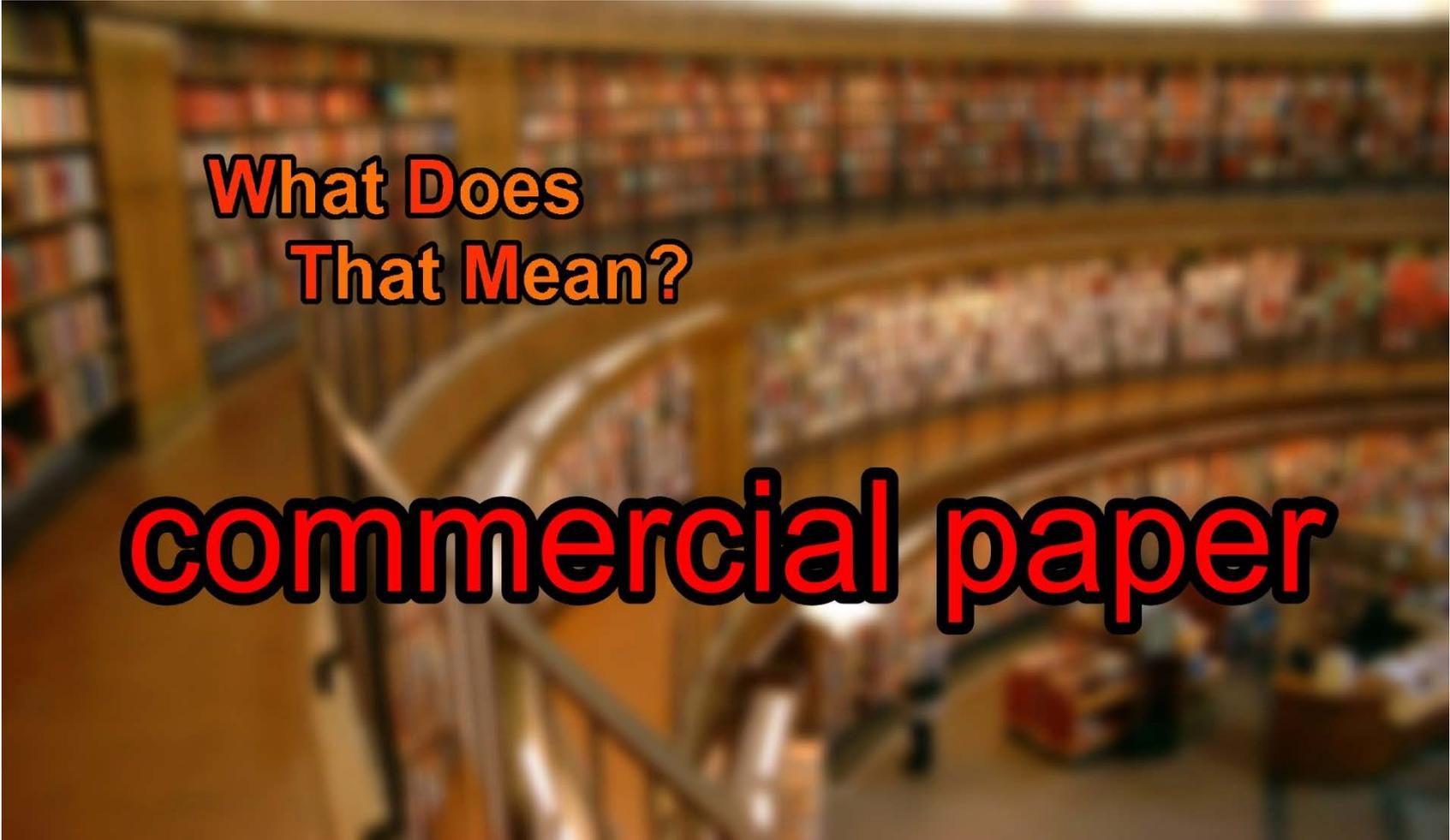
“An investment in knowledge pays the best interest.” – Ben Franklin

Where's the Value?

How many months to achieve a yield of 1.65% in today's market?



*Data shown as of November 7th, 2017. For illustrative purposes only.



**What Does
That Mean?**

commercial paper

Credit Evaluation Process: One Perspective

Identify

- Identify potential credit issuers
- Analyze list

Research

- Current and historic credit ratings
- Published credit opinions by well-known resources (i.e. – Moody's, S&P)
- General industry analysis
- Individual prospects of company

Decide

- Does research illustrate company can meet its short-term debt obligations?
- Follow IPS guidelines, record process used to determine allowable percentages

Review

- Continually update current approved issuers
- Has credit changed since last review?
- Set up alerts (i.e. Google)

Source: RedTree

Not All Credits are Alike

- Consider multiple factors:
 - Industry
 - Individual company
 - Country of origin
- Look beyond credit rating
- Challenge stated rating through evaluation and research

Issuer	Rate*	Days	ST Ratings		LT Ratings		Parent Domicile
			S&P	Moody's	S&P	Moody's	
Bank of China Hong Kong	1.92%	270	A-1	P-1	A+	Aa3	China
JP Morgan	1.69%	270	A-1	P-1	A+	A1	U.S.A.
BNP Paribas	1.69%	270	A-1	P-1	A	A1	France
GE Capital Treasury	1.59%	270	A-1+	P-1	AA-	A1	U.S.A.
Coca-Cola	1.38%	270	A-1+	P-1	AA-	Aa3	U.S.A.

Source: Bloomberg

*Data shown as of November 7th, 2017. "For illustrative purposes only. Should not be construed as a recommendation."

Buying Commercial Paper : Patience is a Virtue

How It Works:

- Typically purchased at a discount to par value
- Does not pay regular cash flows
 - Interest received at maturity

EXAMPLE

Month	Transaction Type	Name	Coupon Rate	Trade Date	Maturity Date	Quantity	Price	Net Amount	Yield
November	Buy	JP Morgan	0.00%	11/6/2017	8/3/2018	\$ 1,000,000	98.73194	\$ 987,319.40	1.69%
December									
January									
February									
March									
April									
May									
June									
July									
August	Maturity	JP Morgan	0.00%	8/3/2018	8/3/2018	\$ 1,000,000	100	\$ 1,000,000.00	-----

What Happened?

- Zero cash flows between trade date and maturity date
- At maturity 9 months later, receive initial net amount + interest due

↓

Original Payment:	\$ (987,319.40)
At Maturity Receive:	
Original Payment	\$ 987,319.40
Interest	\$ 12,680.60
Total	\$ 1,000,000.00

Source: Bloomberg

*Data shown as of November 6th, 2017. "For illustrative purposes only. Should not be construed as a recommendation."

Certificate of Deposit



Considerations When Purchasing Brokered CD's

1. Duplicating Banks

American Express Bank FSB – FDIC #35328

American Express Centurion Bank – FDIC #27471

If dealing with multiple providers, be aware of CD purchases made by each party

2. Competitive Rates

Check online sources, ask for multiple offerings

3. Price

Paying >100 will result in funds NOT covered by FDIC insurance

- 1) Buy \$100k Example Bank CD @101.50
- 2) Principal of \$101,500 + accrued interest
- 3) Example Bank fails prior to this CD maturing
- 4) Assuming no other deposits at Example, only \$100,000 + any accrued interest is paid
- 5) Why? The \$1,500 premium over par is not considered a deposit, but a market-driven amount

Important Points

Why do we tell you this?

- To help ensure your entity is not exposed to any undue risk
- CD overlap is not as uncommon as it should be
- Take necessary steps to protect your investments

Simple Steps When Buying Certificates of Deposit



Source: RedTree

Key Takeaways



Economic

- Higher interest rates are helping monthly interest
- Jobs have recovered, but is it enough?
- Economists are still looking for inflation



Fundamentals

- Keep tabs on latest Fed Speak
- All eyes on potential tax reform
- Natural disasters could cause economy to dip briefly



Strategy

- Understand what you are buying
- Have a strategy and process
- Determine where value is today

Questions





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