

Meeting the challenges of cash investing

Corporate treasurers are keenly aware that the financial environment in which they operate has been transformed over the last few years. There are few aspects of the treasurer's role that have not been subjected to more scrutiny, greater regulation, heightened risk management and increased complexity; you are deeply aware of the impact on financing, fund-raising, hedging, cash flow management and forecasting that the crisis and efforts to resolve it have had on your responsibilities and those of your company.

Juggling all of these issues can be a considerable draw on your limited resources in terms of time, costs and people. At State Street Global Advisors (SSgA), we find that companies often allocate fewer resources than appropriate to cash management; a specialist function that demands dedication, relentlessness and precision every day. This is where experienced cash investment professionals such as SSgA, can bridge the resource and expertise gap.

SSgA has €1.6 trillion in assets under management worldwide. With over 30 years' cash management experience it oversees approximately €280 billion in cash and short-term strategies. *As of 31/12/2012.*

Making the difference - credit research

We consider credit research to be the key differentiating factor in the long-term success of any cash strategy. During the credit crisis, thousands of securities were downgraded, including many that went from top-rated secure status to speculative grade very quickly. It became clear that the ratings agencies were moving more slowly than the markets, resulting in many investors without solid credit insights holding illiquid, impaired or in some cases toxic instruments. 'It is no longer sufficient to rely on rating agency opinions to determine where and when an investor should make investment decisions' according to Jennifer Yazdanpanahi, head of EMEA Cash at SSgA. 'Nothing should take the place of sound, expert research.' SSgA's track record in anticipating ratings downgrades and thereby avoiding, or eliminating, potential problem assets is exemplary and underlines the value of high-quality research.

We do this all day, every day, and because we know what is required to stay ahead of a constantly moving cash market, we recognise how easy it could be to overlook potential threats when your

attention is distracted by competing demands on your time. As few non-investment companies can justify the expense of a dedicated research capability, news headlines or an agency downgrade can often be the first hint that credit exposures may not be as secure as originally believed. Investors that do not dedicate the required time and expertise to achieve their safety and liquidity objectives are clearly going to be at a disadvantage to those who can, and the benefits of engaging with professional cash managers should be viewed in this context.



Paul Dunne, head of business development SSgA Ireland

Potential benefit from specialist expertise

Cash investing warrants a different approach to the more return seeking priorities of other asset classes. Through a collaborative partnership with an experienced well-resourced cash manager, you benefit from the insights of highly qualified cash investment experts. As noted, we believe research is the cornerstone of success in this arena and a well-resourced cash credit team is therefore a pre-requisite. 'At SSgA, we have a team of 11 credit analysts that are focused exclusively on fundamental research, and the team is run independently from our portfolio management teams,' said Yazdanpanahi. 'Unlike the situation at many investment houses, this is not a shared resource with adjacent asset classes such as fixed income.'

SSgA teams continually monitor portfolios in an effort to ensure that maturity exposures remain appropriate, while also taking responsibility for shortening maturity limits or removing issuers from our approved list altogether. Large credit resources ensure specialisation across the cash spectrum, enabling greater diversification and enhanced capital preservation characteristics within cash portfolios. In a business that runs on very low margins, our scale allows us to be both meticulous and comprehensive in the execution of your strategy. We strive to catch everything and overlook nothing.

Money market funds allow you to avail of this expertise at a low cost. Investors benefit from the higher yield that cash

STATE STREET GLOBAL ADVISORS.

managers can extract from placing money for longer periods of time, while also providing you with daily access to your funds. We understand that liquidity is as important for you as capital preservation in the hierarchy of your investment needs.

Achieving security, liquidity and yield objectives

To achieve security, liquidity and yield objectives, a whole ecosystem underpins a cash team's investment decisions: a technology platform designed specifically for the demands of cash investing; a specialist compliance function to deliver oversight and focus on regulatory requirements; a highly responsive back-office function; a dedicated relationship management team that is aware of your evolving priorities.

What to look for in a Cash Manager

- Dedicated and experienced global cash management team
- A broad range of cash solutions with a proven investment approach
- Independent credit research and risk management
- The scale and experience of a leading global investment provider
- Daily liquidity within pooled fund vehicles

'An independent investment risk team ensures that our portfolios are monitored and stress-tested to ensure that they are being managed within the defined risk tolerances' said Yazdanpanahi. When one considers the entire suite of internal capabilities that SSgA employs, the challenges of managing cash on an in-house basis are even more starkly exposed.

Once you decide to seek a specialist investment manager, the challenges are reduced to a single one: choosing the manager that best meets your investment objectives. Whether a pooled money market fund or a bespoke portfolio strategy is required, the factors outlined above give an insight into what attributes you should seek when selecting a manager.

For further information on SSgA's range of cash services please contact Paul Dunne at (01) 776 3029, or paul_dunne@ssga.com