



## Concise Investment Plan

### The Cornerstones To An Effective Concise Investment Plan

#### Investment Portfolio:

- > Must be within the guidelines set forth by the State Statutes
- > Must adhere to the Internal Investment Policy
- > Cash Flow Management of the General Operating Fund
- > Portfolio Diversification
- > Portfolio Structured for Maximum Earnings
- > Performance Evaluation; Monthly, Quarterly, Annually



*Investing Public Funds, by the Government Finance Officers Association [GFOA] recommends three elements to portfolio management.*

- 1. Avoid speculation of any kind;*
- 2. The investment portfolio shall be designed with the objective of attaining a market rate of return;*
- 3. Total Return is the most important measure of performance as it is the actual return on investment.*

The Concise Investment Plan is designed to **STRUCTURE THE ENTIRE INVESTMENT PORTFOLIO** for a systematic approach to investment management that is void of speculation and interest rate forecasting. Furthermore, the investment portfolio shall be designed with the objective of attaining a market rate of return as recommended by the Government Finance Officers Association [GFOA].

C2 Investment Group's (C2IG) Concise Investment Plan recommends a segmented portfolio comprised of three funds; Buffer, General Operating and Long Term (1 - 5 Years).



## BUFFER

The Buffer is the segment of the portfolio that consists of funds that are readily available for unexpected events or occurrences. General guidelines for this fund are:

- > Money Market: Maintain 5% - 10 % of Portfolio Value
- > Principal should not be used to fund the General Operating Fund
- > Interest earned should be distributed to the General Operating Fund for disbursement or earmarked for investment purposes
- > The Buffer Funds shall achieve a Market Rate of Return

*If any portion of the Buffer is spent, it should be replenished as soon as feasible possible.*

## GENERAL OPERATING FUND

### Establish a Cash Flow Model:

Create and maintain an investment forecasting tool used to estimate asset balances available for investment. The system should accurately forecast future cash positions so that future asset levels will be known with reasonable precision. Funds should be invested on a first-in first out basis to ensure that all cash payments are made on a timely fashion. Any new revenue is accumulated in a money market account until sufficient revenue is amassed to purchase a longer-term security whose maturity meets the next unmet disbursement requirement. The process should recognize major, scheduled incoming cash receipts and planned disbursements, and to match up those cash flows when possible, thereby investing in slightly longer-term instruments. In most yield curve environments the result will be increased earnings.

### Monthly Cash Flow:

The shortages and excesses in monthly cash flow for General Operations should be projected for a rolling twelve month period. This segment of the portfolio should be structured so that a sufficient amount of securities will mature in months in which there is an estimated shortage of cash to meet projected expenditures. Conversely, no securities shall mature in months in which excess cash is expected.

### Principal and Interest:

The principal and interest should be used to fund general operations. Due to the certainty of funds needed, the utilization of non callable securities should be strictly adhered to in this portfolio.

Typically, a higher rate of return is achieved by extending maturities. The effect of this strategy will result in the maximization of earnings in most yield curve environments.

The General Operating Fund shall achieve a Market Rate of Return

## LONG TERM 1 - 5 YEARS

*Funds In Excess Of The Buffer And General Operating Fund*

### Maximum Performance:

For monies that are in excess of the Buffer and General Operating Fund segments a more aggressive approach should be implemented. This segment of the portfolio should be structured for maximum performance.

### Government Bond Index Tracking:

A long term systematic approach to investment management that is void of speculation and interest rate forecasting. This investment strategy is designed with the objective of replicating the total return of a chosen Government Bond Index, thereby, assuring a market rate of return as recommended by the GFOA.

### Interest Income:

Interest earned should be distributed to the General Operating Fund for disbursement or investment purposes.

The Long Term Investment Fund shall achieve a Market Rate of Return



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## PERFORMANCE EVALUATION CONCISE INVESTMENT PLAN

### Monthly:

Review and track investment activity and evaluate how investment activity conforms to adopted guidelines, policies and investment objectives.

### Quarterly:

The market value of the portfolio shall be calculated at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility has been performed consistent with the GFOA Recommended Practice on Mark-to-Market.

### Annually:

The Concise Investment Plan should be reviewed annually to determine if any adjustments are necessary. The Cash Flow Model should be examined for the accuracy of the cash flow projections. Depending on portfolio value the amount in the Buffer and Long Term Portfolio may need to be adjusted.

## C2IG INVESTMENT TOOLS

C2IG is the leader in providing innovative and user-friendly investment management solutions for governmental entities.

### Cash Manager

Cash Manager is a unique cash flow forecasting and investment tool designed to maximize earnings for general operating funds. This tool accurately forecasts future cash positions available for investment by recognizing major scheduled incoming cash receipts and planned disbursements. Once the cash flow needs are calculated, simply invest the funds consistently until the longest feasible date according to the cash forecast.

The goal of the Cash Manager is to extend maturities to pick up additional yield in a normal yield curve environment. In most cases, this strategy often results in increased earnings.

### Tracker

#### *Portfolio Accounting and Reporting Application.*

Tracker takes essential portfolio information and produces easy to read reports that track investment activity, evaluate performance, monitor adherence to the investment plan and achievement of investment objectives, and assists with internal and regulatory reporting requirements.

### Optimizer

#### *Government Bond Index Tracking System.*

The Optimizer eliminates the uncertainty of day-to-day investment management decisions and takes the guess work out of where interest rates are going. Optimizer creates and manages a small portfolio of government securities that is virtually identical to the much larger government bond index of securities. Optimizer makes specific monthly Buy/Sell recommendations to reflect the changes in the chosen index. The Broker/Dealers to be used for executing all security transactions will be selected by the Client. In essence, the Optimizer portfolio will produce the same return that you would get if you owned all the bonds in the index.

At no time shall C2IG have discretion over funds or transactions.

## CONCLUSION

By establishing and implementing C2IG's Concise Investment Plan, and integrating C2IG's investment tools, a systematic approach to portfolio management will have been implemented and will insure portfolio diversification and maximization of earnings. Furthermore, the leadership of the organization will have integrated professional money management techniques that are in accordance with the GFOA's best recommended investment practices that will result in a market rate of return for the entire portfolio.



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