

Treasury Strategies' Quarterly Corporate Cash Briefing™ for 4Q 2015

Presented by:

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October 8, 2015



**Treasury
Strategies.**

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Agenda



Corporate Cash Levels

Corporate Focus on Asia Pacific

- Trans-Pacific Partnership

Game Changers

- Central Bank Credibility
- QE Dislocations
- Bond Market Liquidity
- Global Market Volatility

Roundtable

- Federated Investors
- Association of Corporate Treasurers (ACT)
- Fitch Ratings



Corporate Cash Levels

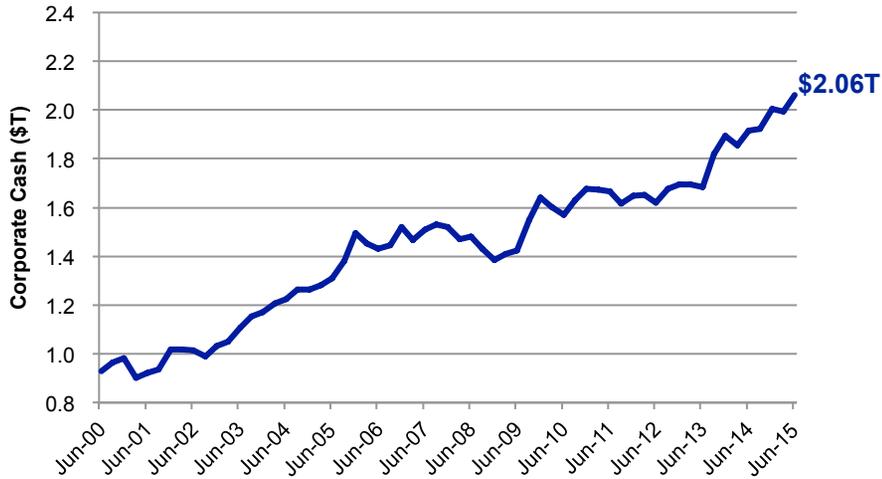


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Corporate Cash Levels



US Corporate Cash



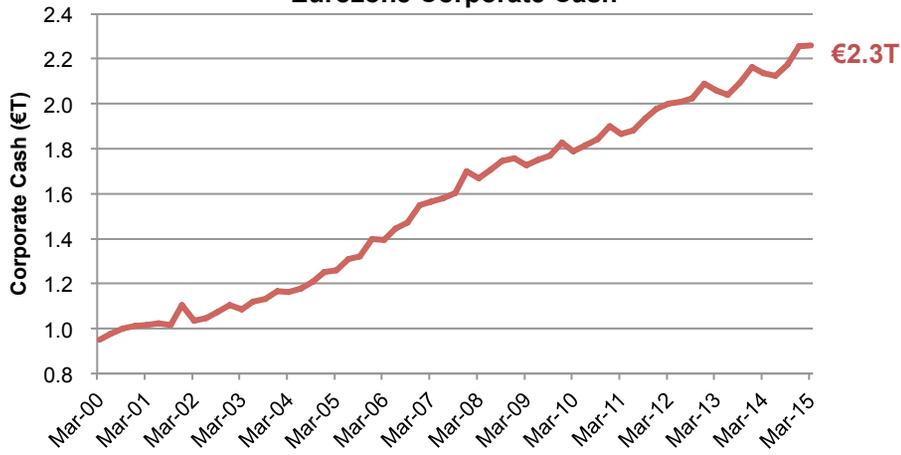
Source: Federal Reserve, Treasury Strategies

UK Corporate Cash



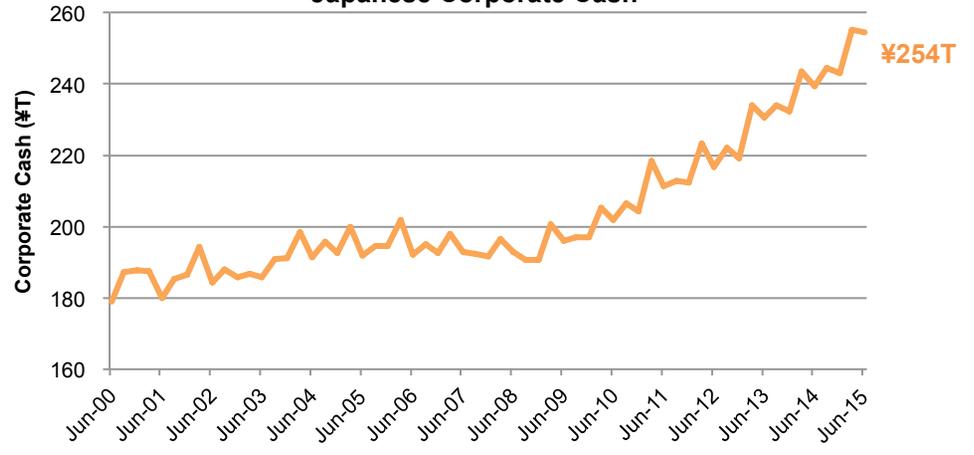
Source: Office of National Statistics, Treasury Strategies

Eurozone Corporate Cash



Source: European Central Bank, Treasury Strategies

Japanese Corporate Cash



Source: Bank of Japan, Treasury Strategies

Corporate Cash Levels

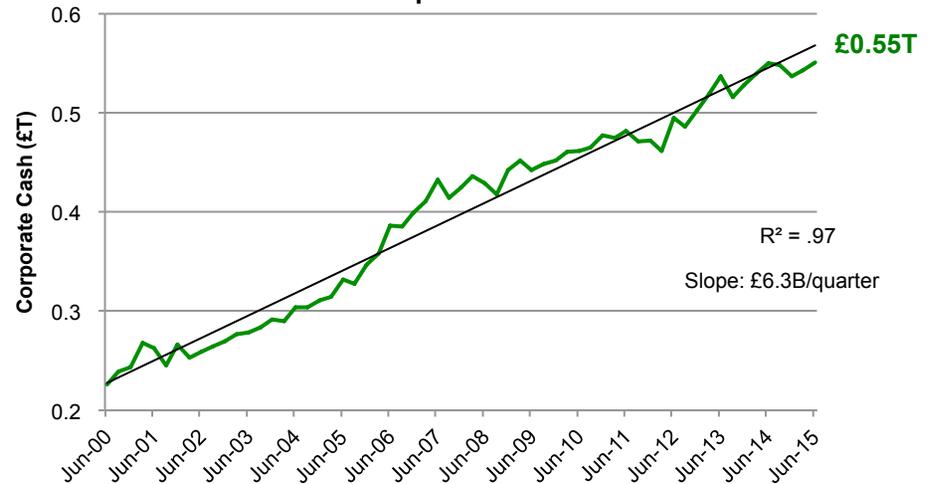


US Corporate Cash



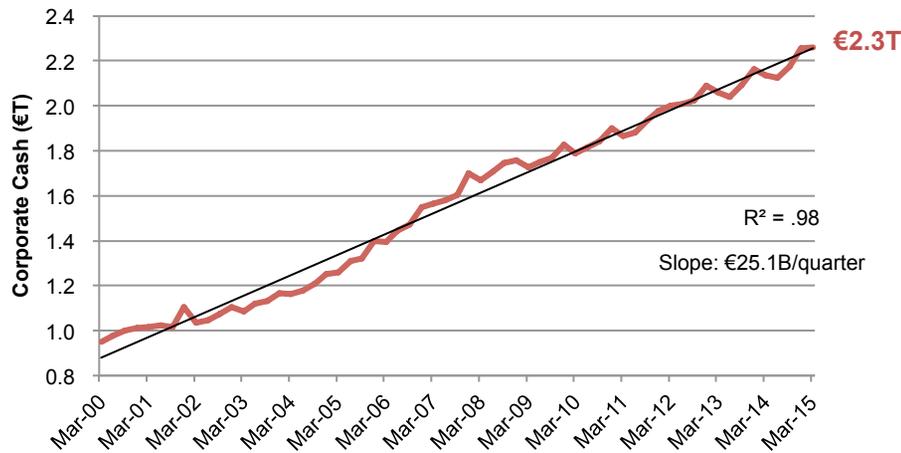
Source: Federal Reserve, Treasury Strategies

UK Corporate Cash



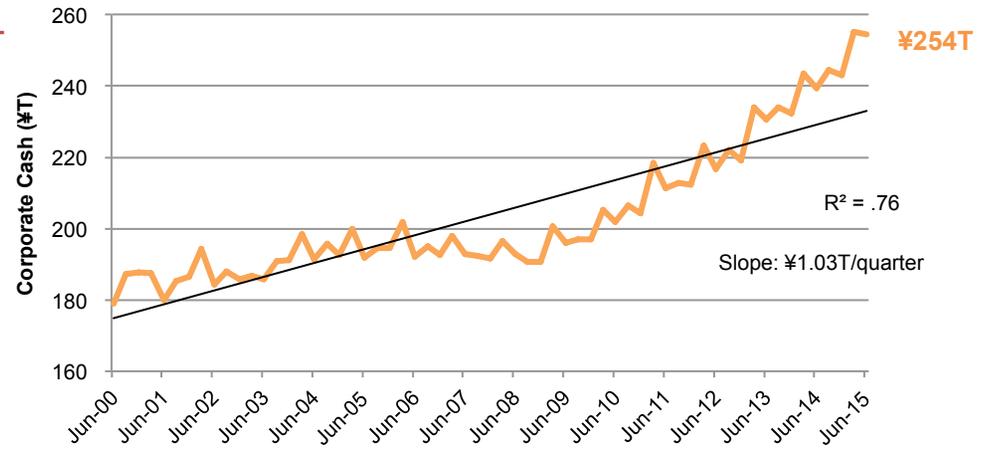
Source: Office of National Statistics, Treasury Strategies

Eurozone Corporate Cash



Source: European Central Bank, Treasury Strategies

Japanese Corporate Cash



Source: Bank of Japan, Treasury Strategies



Corporate Cash as % GDP by Region



Country/Region	June 2000	June 2015
United States	9%	11%
Eurozone	14%	23%
United Kingdom	25%	31%
Japan	37%	52%

Source: Treasury Strategies' estimate





How Cash Trends With Other Economic Variables



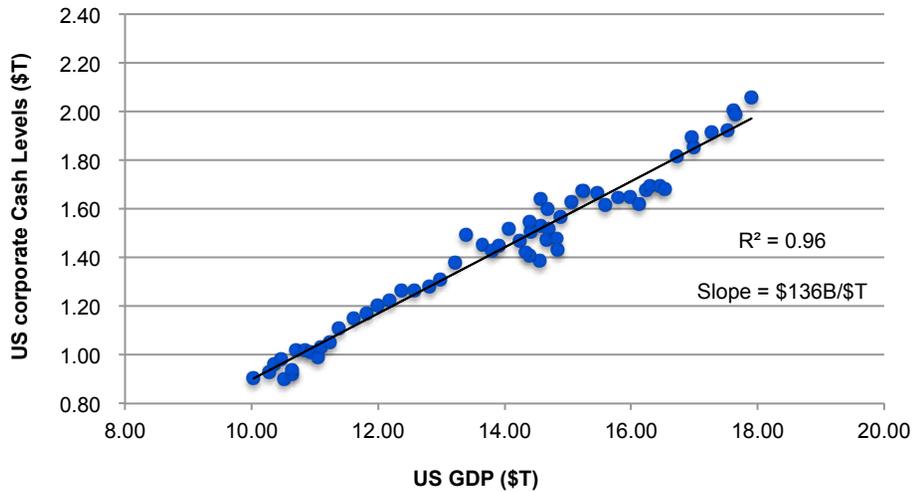
US Economic Analysis	
Independent Variable	R-Squared
GDP	0.9667
Total Assets (Nonfinancial Corporate Business)	0.9263
M2 Money Stock	0.9061
M1 Money Stock	0.7791
Velocity of M2 Money Stock	0.7302
10 Year T-Bill	0.6311
5 Year T-Bill	0.5323
Velocity of M1 Money Stock	0.4125
3 Month T-Bill	0.3212
Effective Federal Funds Rate	0.3095



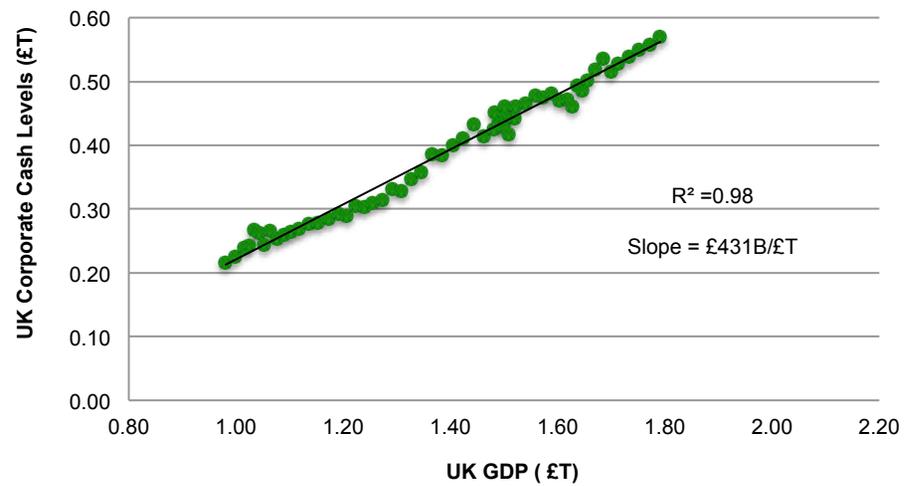
Corporate Cash Relative to Nominal GDP



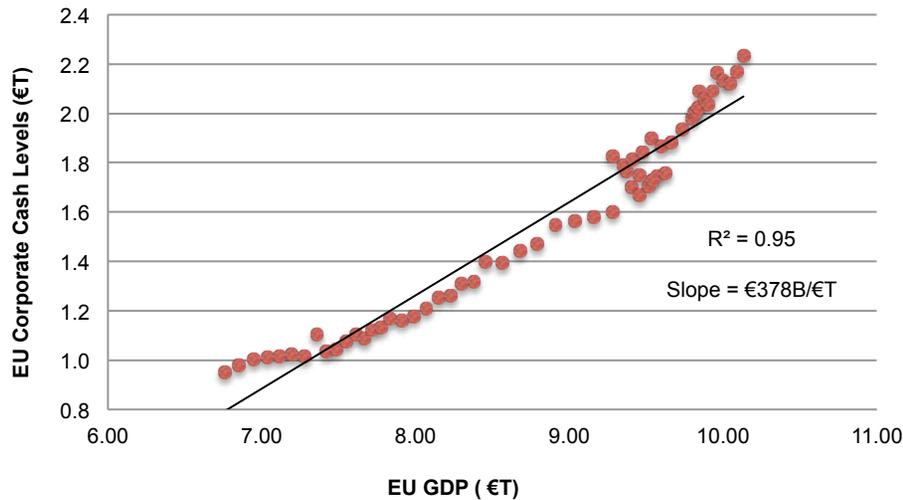
US Corporate Cash Level Relative to US Nominal GDP



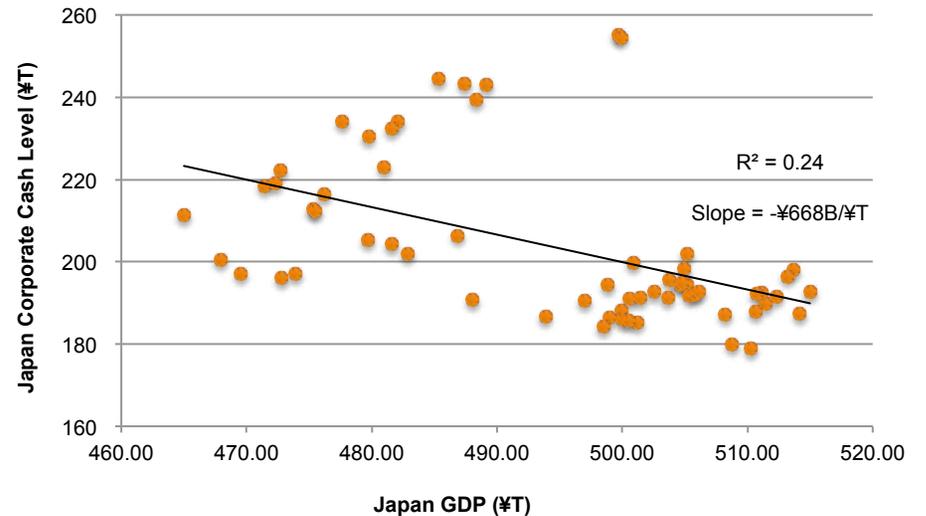
UK Corporate Cash Level Relative to UK Nominal GDP



EU Corporate Cash Level Relative to EU Nominal GDP



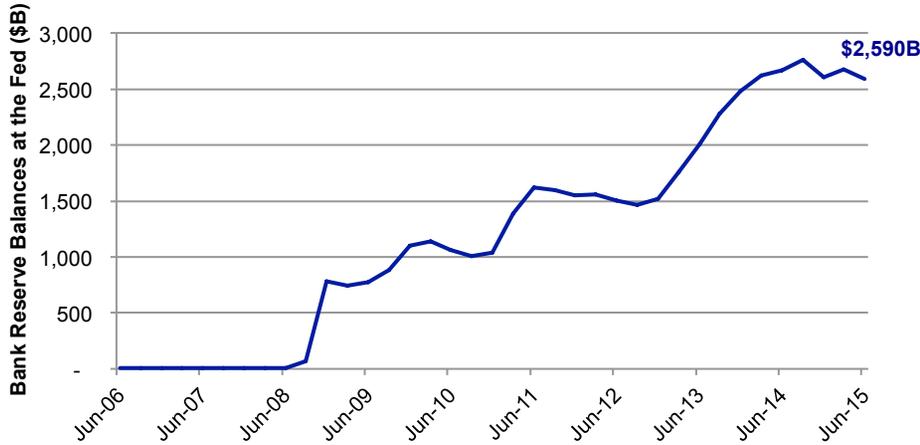
Japan Corporate Cash Level Relative to Japan Nominal GDP



Reserve Balances



Bank Reserve Balances at the US Federal Reserve



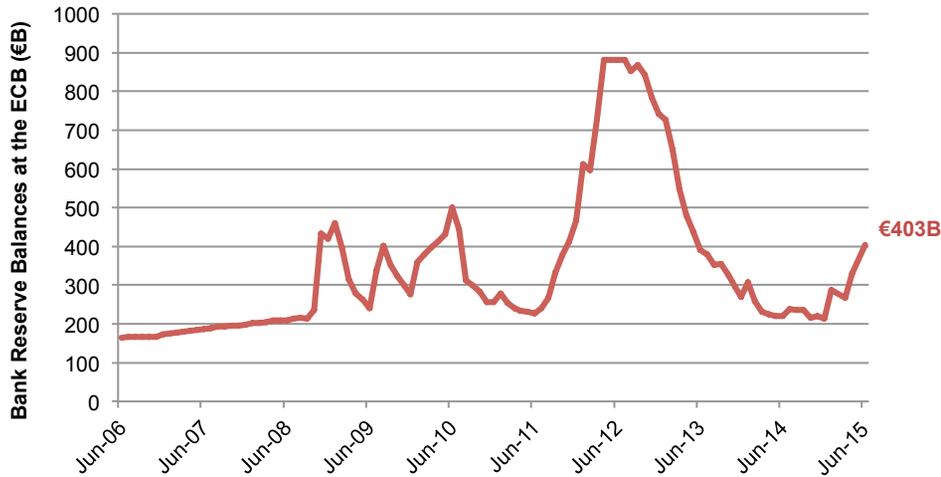
Source: Federal Reserve, Treasury Strategies

Bank Reserve Balances at the BOE



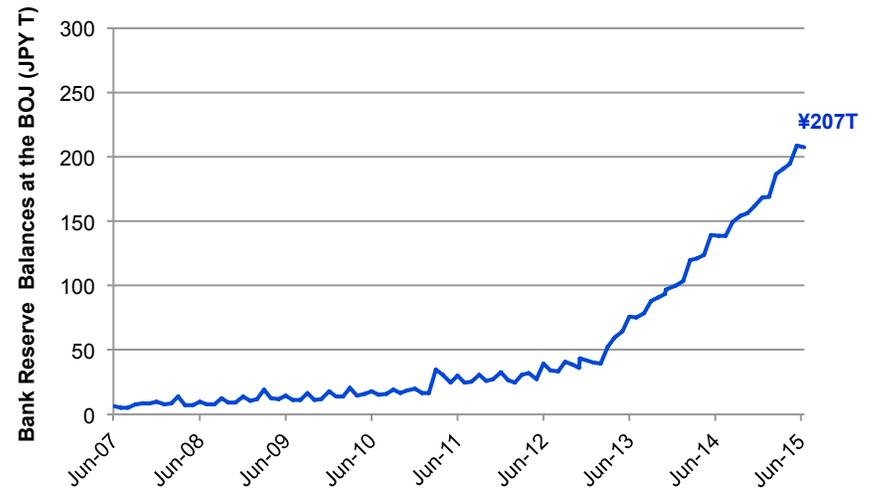
Source: Bank of England, Treasury Strategies

Bank Reserve Balances at the ECB



Source: European Central Bank, Treasury Strategies

Bank Reserve Balances at the BOJ

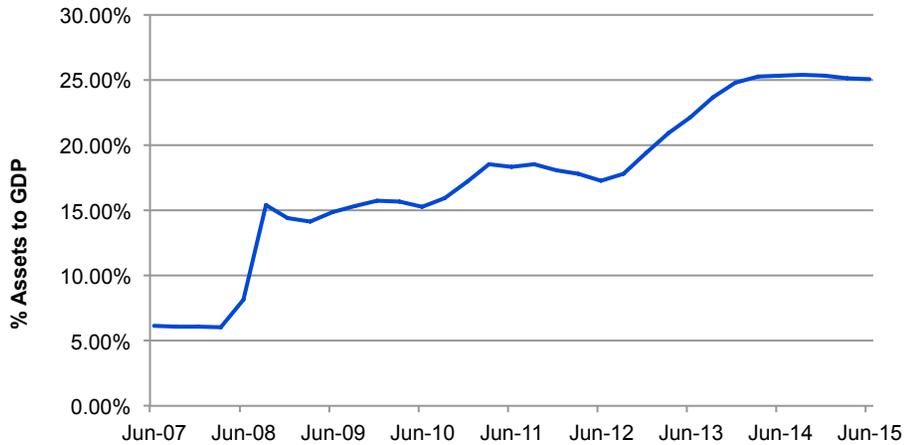


Source: Swiss National Bank, Treasury Strategies

Central Bank Assets as % GDP by Region

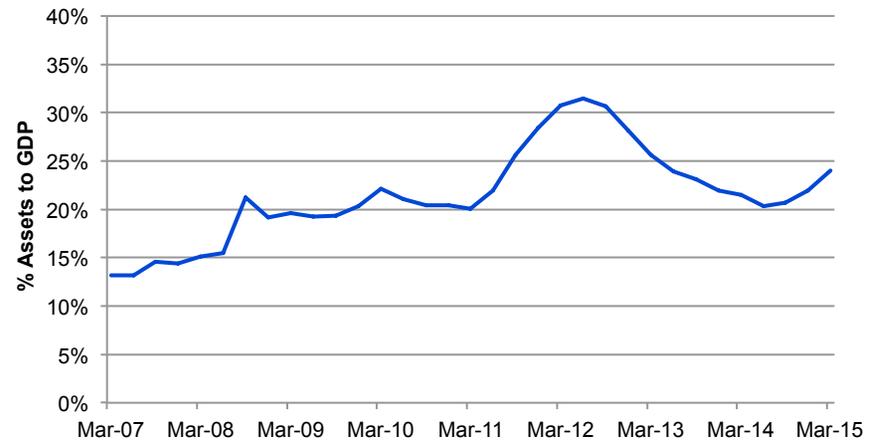


**US Federal Reserve
Total Assets as % of GDP**



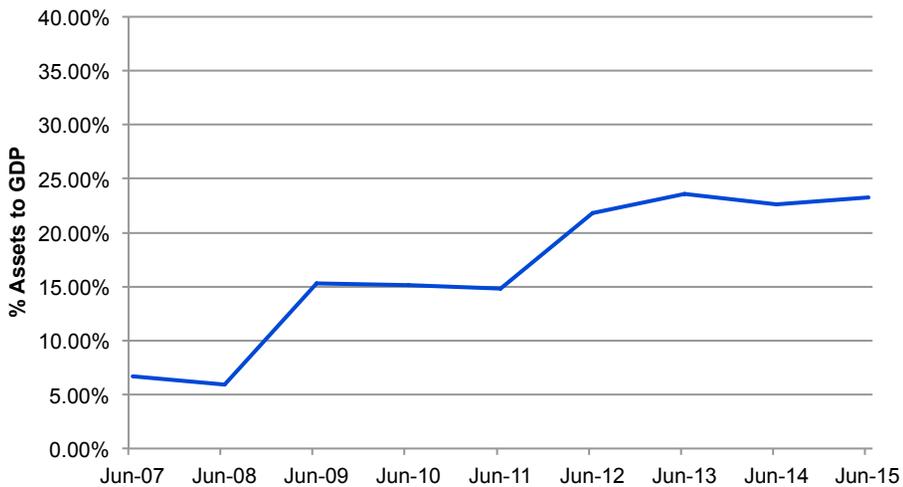
Source: U.S. Bureau of Economic Analysis, St. Louis Federal Reserve, Treasury Strategies

European Central Bank - Total Assets as % of GDP



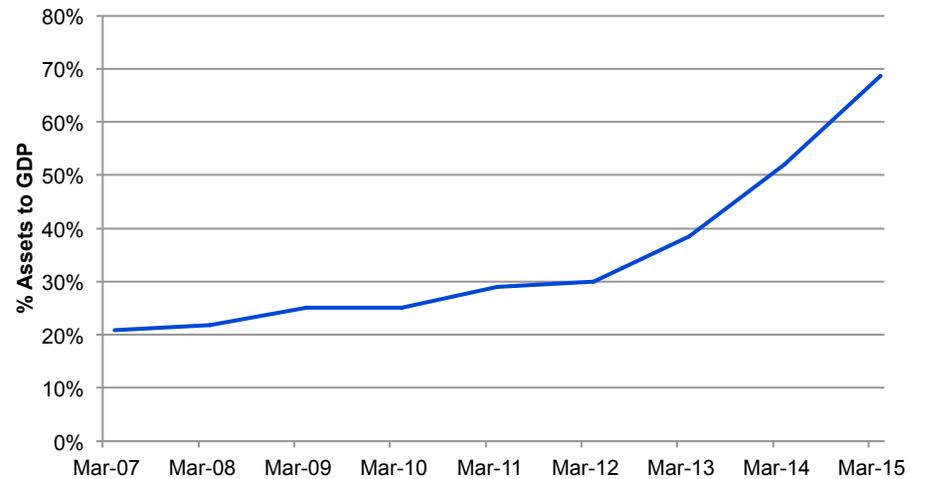
Source: European Central Bank, St. Louis Federal Reserve, Treasury Strategies

BOE - Total Assets as % of GDP



Source: UK Office of National Statistics, Bank of England, Treasury Strategies

Bank of Japan - Total Assets as % of GDP



Source: Bank of Japan, St. Louis Federal Reserve, Treasury Strategies

Corporate Focus on Asia Pacific



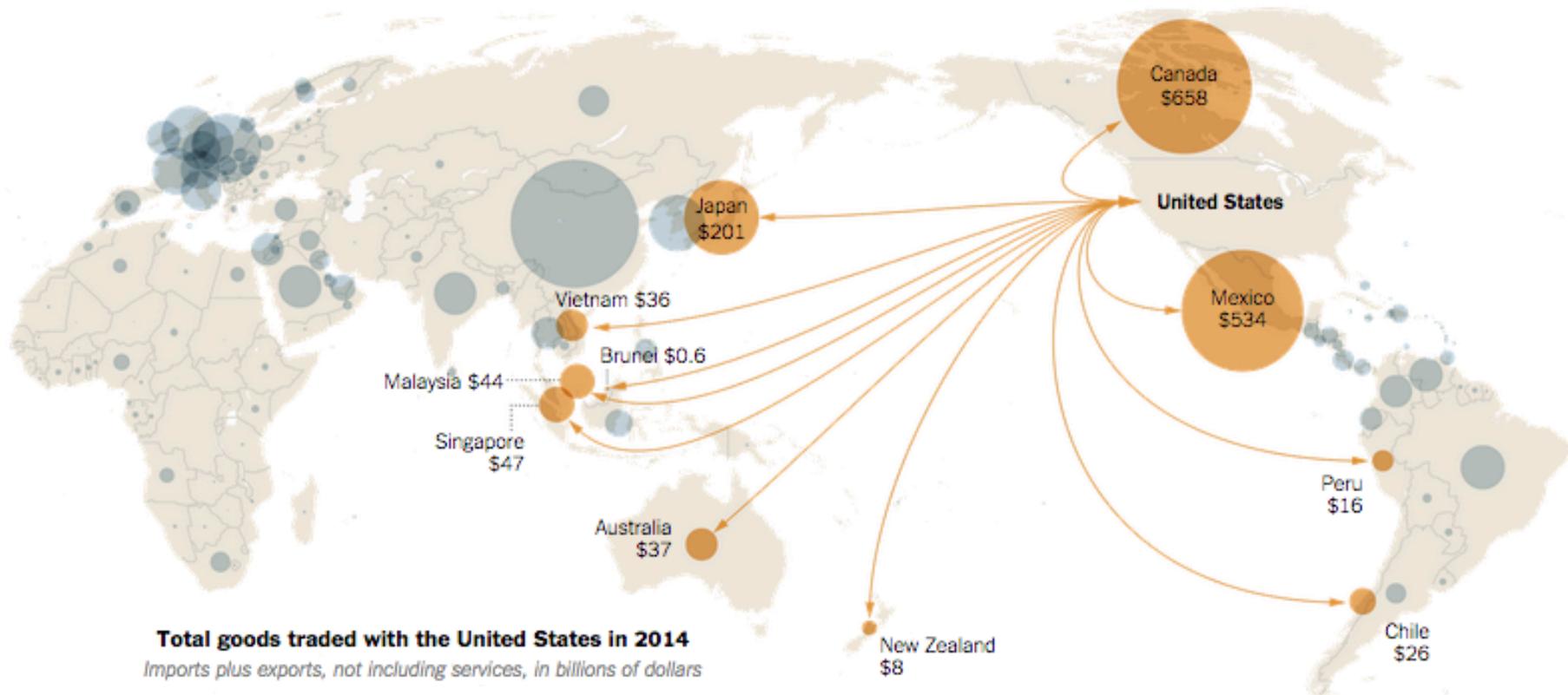
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Pacific Rim – Situation



Trans-Pacific Partnership Countries



Census Bureau
By The New York Times

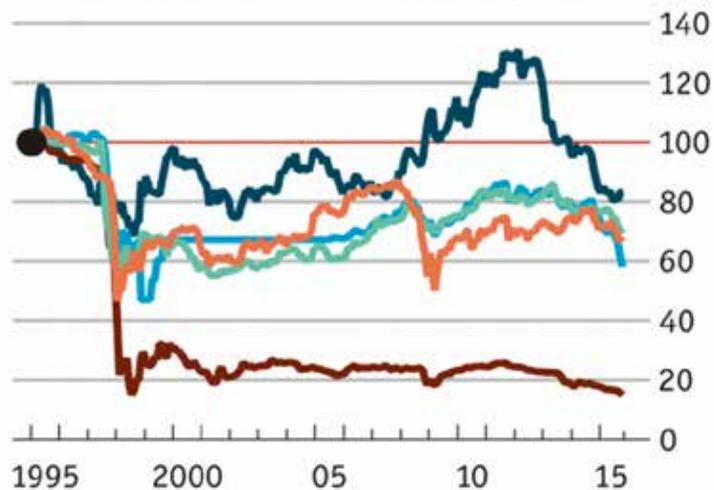
Source: The New York Times http://www.nytimes.com/2015/10/06/business/trans-pacific-partnership-trade-deal-is-reached.html?_r=0



All fall down

Currencies against the dollar, Jan 1995=100

— Japanese ¥ — Thai baht — S. Korean won
— Malaysian ringgit — Indonesian rupiah



Source: The Economist

<https://espresso.economist.com/466243a3c03d2a592bb4ebed94b42e13>

- Increased currency and FX exposure
- Increased business and supply chain exposure
- Increased operational exposure
- Increased country/political risk exposure



Potential Solutions



- No risk = no business
- Visibility and forecasting for smart, risk-informed decision-making
- Greater attention to global cash and currency positions/repatriation
- Greater attention to FX volatility, hedging strategy
- Use of treasury technology and focus on control environment
- Use of treasury centralization strategies (i.e., regional treasury centers)
- “Business Hedging” and natural hedging strategies



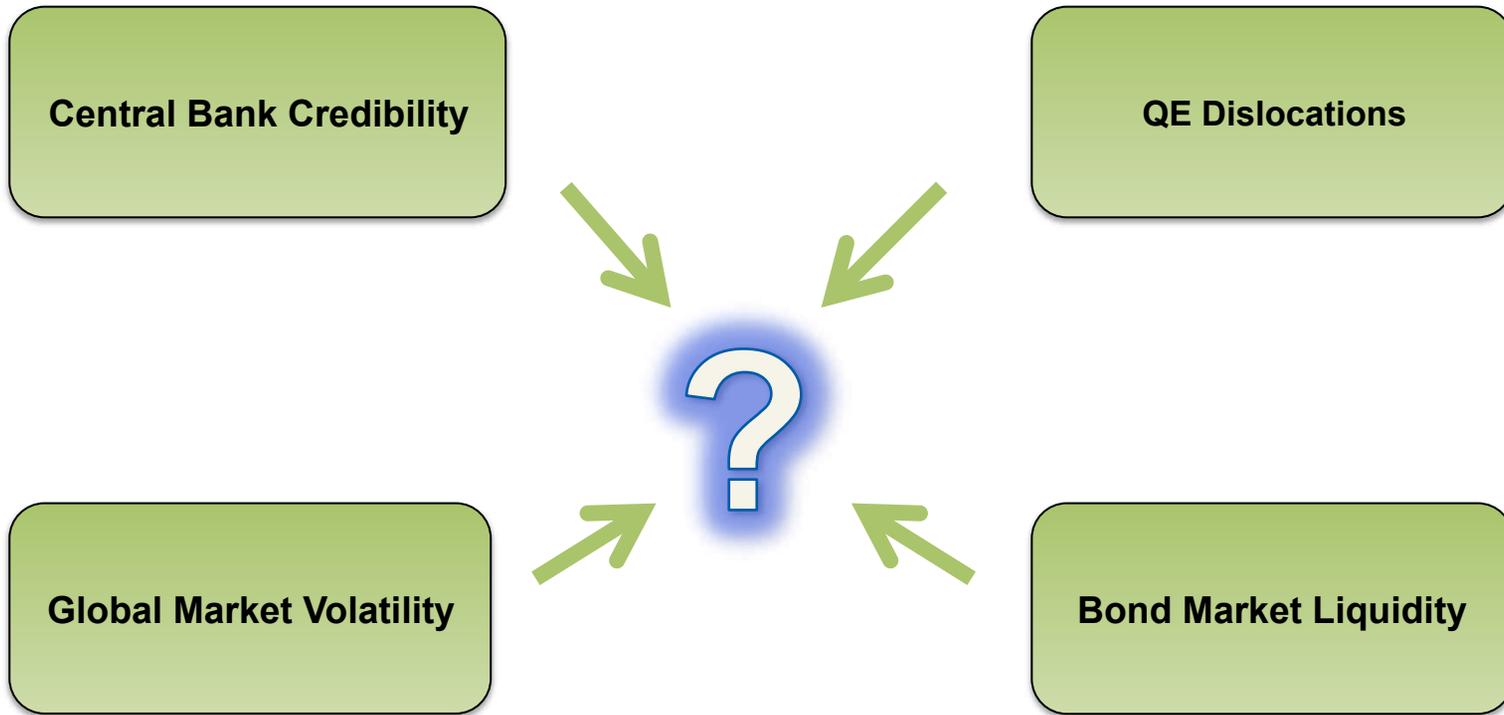
Game Changers



The Power of Experience®



Potential Game Changers



Speakers



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About Treasury Strategies, Inc.



Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

What We Do

Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

Treasury Technology

We provide guidance through every step of the technology process – which includes creating a roadmap, selection, implementation and optimization. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

Financial Services

Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your business.

Accreditations



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About the ACT



Who We Are

The Association of Corporate Treasurers (ACT) sets the benchmark for international treasury excellence. As the Chartered body for treasury, we lead the profession through our internationally recognised suite of treasury qualifications, define standards and support continuing professional development. We are the voice of corporate treasury representing the interests of our members.

What We Do

ACT supports the growth and professional development of treasurers and finance professionals. We are an active global network of treasury, risk and finance professionals with members and students in 98 countries.

- We promote treasury as a discipline, as a profession and as a career.
- We provide informed and unbiased technical advice.
- We teach, examine and qualify treasury professionals and offer ongoing CPD.
- We stimulate debate and facilitate the exchange of ideas and information through our events, conferences, webinars and forums.
- We represent the real economy and influence relevant regulation and market practice.



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About Federated Investors, Inc.



Delivering investment solutions since 1955

Founded: 1955

Headquarters: Pittsburgh

Global Operations: New York, Rochester, Boston, Houston, Dublin, Frankfurt, London and Tokyo

AUM: Approximately \$355 billion

Ownership:

- Publicly traded, privately held (NYSE: FII)
- 20% employee ownership

Revenue Distribution	Equity	46%
	Liquidity	32%
	Fixed-income	22%

- Representative Clients**
- Corporate/Public Defined Benefit
 - Defined Contribution
 - Endowment/Foundation
 - Taft-Hartley
 - Insurance
 - Sub-Advisory
 - Local Government Investment Pools (LGIP)
 - Financial Intermediaries

Equity Management

- Independent investment teams each focused on a specific style or approach with commitment to proprietary research
- Portfolio managers average 23 years of experience, nearly 11 with Federated
- Strategies are a result of both carefully cultivated homegrown initiatives as well as key strategic acquisitions
 - Value (Clover)
 - Quantitative (MDT)
 - Balanced/Macro
 - International Equity
 - Growth/Income
 - Alternatives (Prudent Bear)
 - Dividend Oriented
 - Growth (Kaufmann)
 - Managed Risk

Fixed-Income Management

- Experienced, specialized teams with strength across the yield curve
- Portfolio managers average 25 years of experience, nearly 18 with Federated
- Modular process is portable across fixed-income styles and lends itself to portfolio customization
 - Multi-Sector: Active Cash, Short, Intermediate
 - Sector Specific: Corporate, High-Yield, Emerging Markets, Trade Finance, Municipals

Liquidity Management

- Pioneer in liquidity management for more than 40 years and one of the largest institutional money market fund managers in the industry*
- 34 liquidity management professionals with 19 years working together at Federated
- Have never bought a security out of or infused capital into a money market fund to maintain a stable \$1.00 NAV
 - Prime
 - Tax-Free
 - Government
 - Non-U.S Domiciled

All information is as of 3/31/15 unless stated otherwise.
 *Source: iMoneyNet, Inc. February 28, 2015



About Fitch Ratings



FitchRatings

Fitch Ratings is a leading provider of credit ratings, commentary, and research. Dedicated to providing value beyond the rating through independent and prospective credit opinions, Fitch Ratings offers global perspectives shaped by the strong local market experience and credit market expertise. The additional context, perspective and insights we provide help investors to make important credit judgments with confidence.

Fitch Group is a global leader in financial information services with operations in more than 30 countries. In addition to Fitch Ratings, the group includes Fitch Solutions, an industry-leading provider of credit risk products and services, and Fitch Learning, a preeminent training and professional development firm. Fitch Group is jointly owned by Paris-based Fimalac, S.A. and New York-based Hearst Corporation.

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