

Treasury Strategies Quarterly Corporate Cash Briefing™ for 1Q 2014

Presented by:

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2 April 2014



Treasury
Strategies.

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Agenda



Corporate Cash Levels

Semi-Annual Cash Survey – Findings & Insights

What Treasury Strategies' Clients are Saying

Roundtable:

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



Corporate Cash Levels



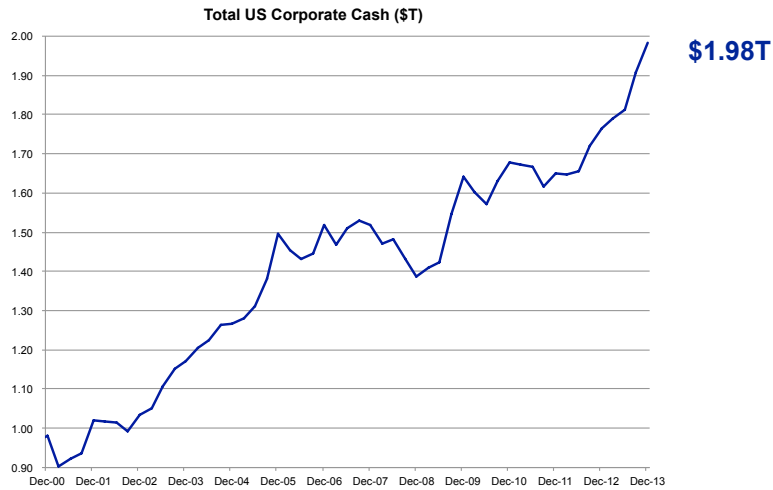
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Corporate Cash Levels

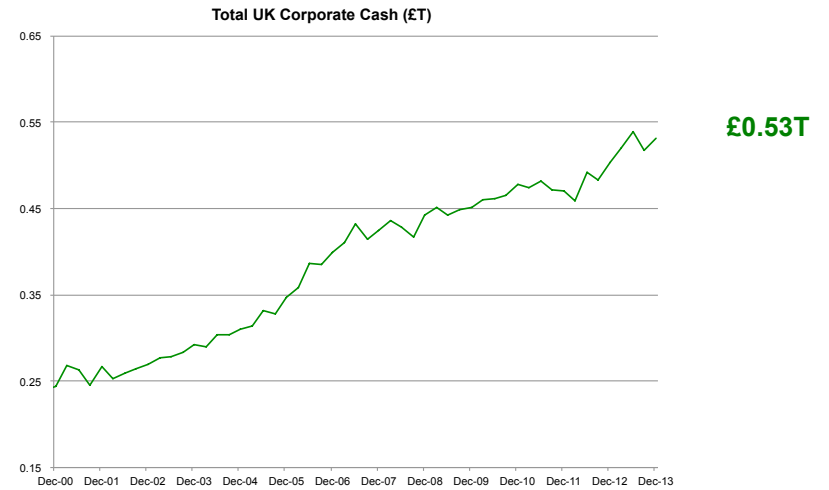


US corporate cash as of Dec 31, 2013



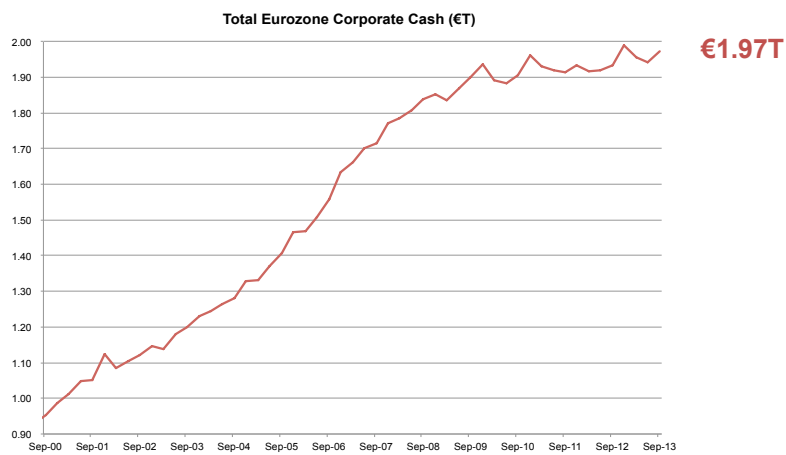
Source: Federal Reserve, Treasury Strategies

UK corporate cash as of Dec 31, 2013



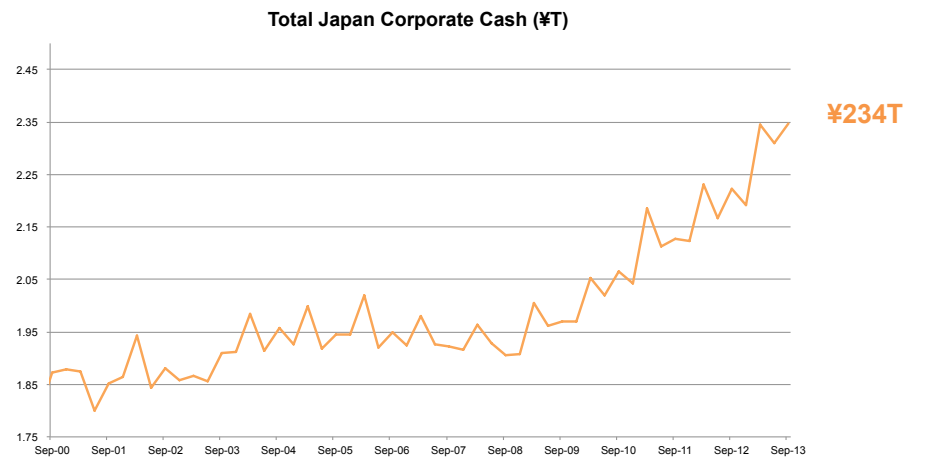
Source: Office of National Statistics, Treasury Strategies

Eurozone corporate cash as of Sept 30, 2013



Source: European Central Bank, Treasury Strategies

Japanese corporate cash as of September 30, 2013



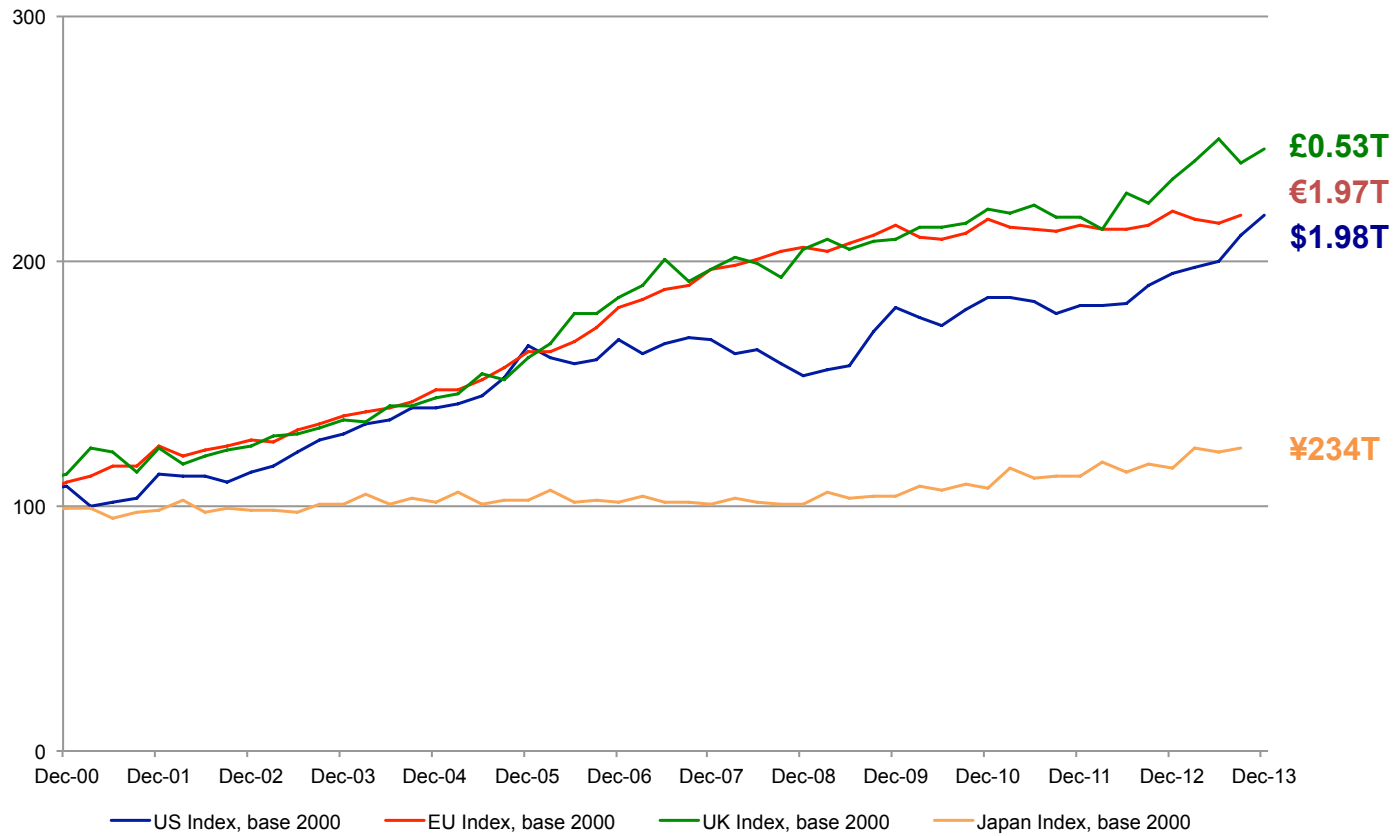
Source: Bank of Japan, Treasury Strategies



Corporate Cash Index



Total Corporate Cash Index



Sources: Treasury Strategies, Inc., Federal Reserve, ECB, ONS
Note: 1Q 2000 = 100





Corporate Cash as % GDP by Region



Country/Region	December 2000	December 2013
United States	9%	12%
Eurozone	14%	21%
United Kingdom	25%	33%
Japan	36%	49%

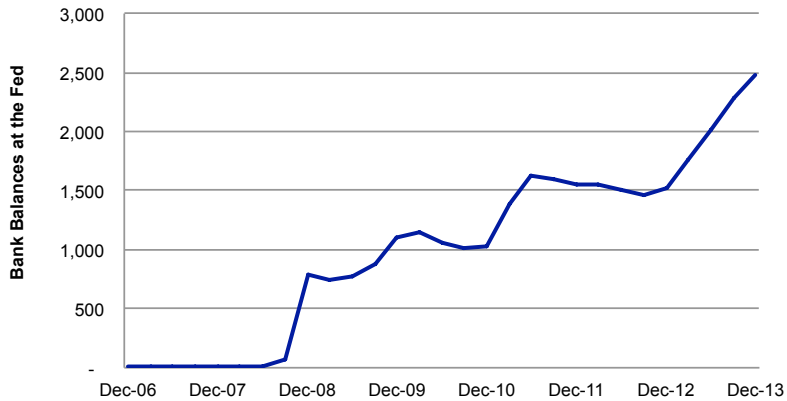
Source: Treasury Strategies' estimate



Reserve Balances

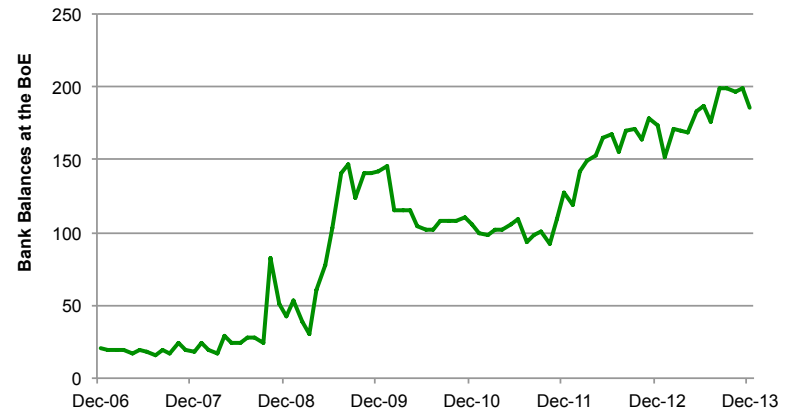


**Bank Balances at the US Federal Reserve
December 2006 - December 2013**



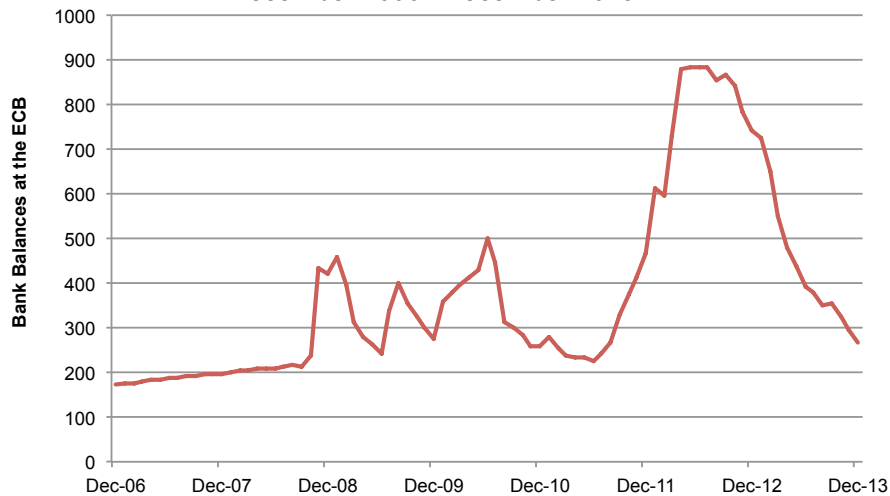
Source: Federal Reserve H3 Report, Treasury Strategies

**Bank Reserve Balances at the BoE
December 2006 - December 2013**



Source: Bank of England, Treasury Strategies

**Bank Reserve Balances at the ECB
December 2006 - December 2013**



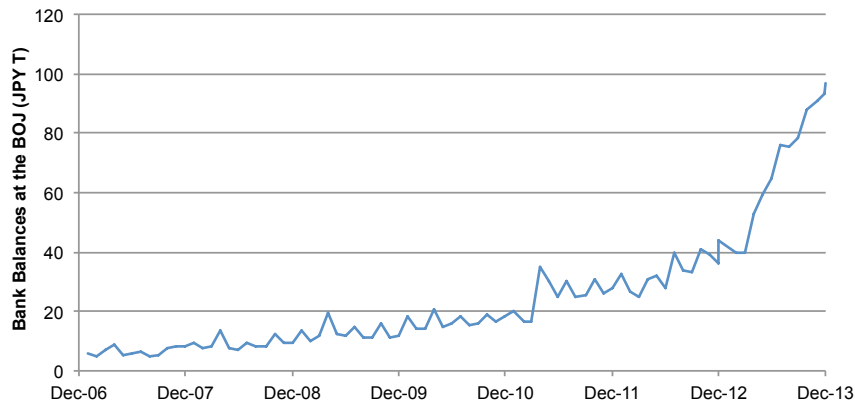
Source: European Central Bank, Treasury Strategies



Reserve Balances

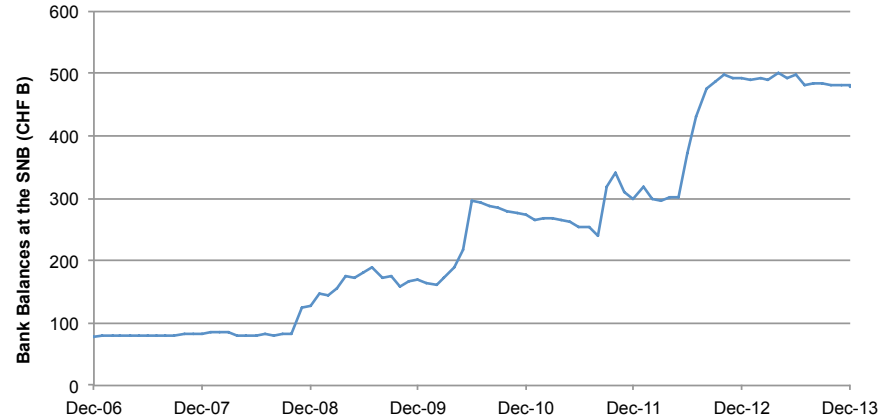


**Bank of Japan Reserves:
December 2006 - December 2013**



Source: Bank of Japan, Treasury Strategies

**Swiss National Bank Reserves:
December 2006 - December 2013**



Source: Swiss National Bank, Treasury Strategies



Quarterly Cash Survey: Findings & Insights



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Changes in Corporate Cash Levels



Change in Corporate Cash Level	Expected in the Next 6 Months			
	<i>April 2011</i>	<i>April 2012</i>	<i>April 2013</i>	<i>April 2014</i>
Increase	31%	36%	44%	42%
Decrease	29%	24%	19%	17%
Remain about the same (within 10%)	40%	40%	37%	42%

Source: Treasury Strategies, Inc. Corporate Cash Report™ April 2011; April 2012; April 2013; April 2014





Sources of Corporate Cash



Sources of Cash	April 2011	April 2012	April 2013	April 2014
Positive cash flow from operations	79%	81%	78%	69%
Reduction of inventories	9%	15%	16%	20%
Debt Issuance (medium- and long-term)	19%	30%	12%	16%
Increased short-term borrowing	6%	10%	8%	15%
Sale of company assets, divestitures	16%	10%	11%	4%
Equity issuance	6%	4%	5%	1%
Reduction in dividends	4%	0%	3%	0%

Source: Treasury Strategies, Inc. Corporate Cash Report™ April 2011; April 2012; April 2013; April 2014





Uses of Corporate Cash



Uses of Cash	April 2011	April 2012	April 2013	April 2014
Capital expenditures	35%	37%	36%	32%
Negative cash flow from operations	14%	12%	18%	18%
Paydown of short-term borrowing	12%	13%	17%	18%
Acquisitions	17%	20%	14%	18%
Increased inventories	14%	10%	12%	15%
Debt redemption (medium- and long-term)	23%	13%	11%	11%
Equity repurchase, stock buyback	16%	15%	9%	10%
Increased dividends or special dividends	10%	10%	13%	4%
Increased pension fund contributions	10%	8%	5%	4%

Source: Treasury Strategies, Inc. Corporate Cash Report™ April 2011; April 2012; April 2013; April 2014





Corporate Cash: Managing Risk



Maturity Risk

Maturity Structure	Past Six Months (April 2014)	Next Six Months (Expected)
Shorter	20%	13%
Longer	11%	16%
About the Same	69%	71%

FX Risk

Hedges of FX Exposures	Past Six Months (April 2014)	Next Six Months (Expected)
Increasing	16%	19%
Decreasing	15%	13%
About the Same	70%	69%

Credit Risk

Credit Risk	Past Six Months (April 2014)	Next Six Months (Expected)
More Conservative	14%	8%
Less Conservative	11%	15%
About the Same	75%	77%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, April 2014



Changes to Treasury Management Practices



Current market dynamics encourage corporate treasurers to expedite the evolution to **Treasury 3.0®**, which positions Treasury as the financial nerve center of the corporation.

Expected Changes in Treasury Management	April 2011	April 2012	April 2013	April 2014
Increasing reliance on cash forecasting	47%	31%	50%	39%
Implementing new technology for cash management	27%	30%	30%	35%
Formally modifying investment policies	17%	22%	24%	29%
Formally modifying risk management policies	9%	17%	19%	27%

Source: Treasury Strategies, Inc. Corporate Cash Report™, April 2011; April 2012; April 2013; April 2014

What Treasury Strategies' Clients Are Saying



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What Treasury Strategies' Clients Are Saying



Do you have any concerns, questions, or market insights regarding liquidity levels?

"The cost of doing business is very capital intensive, and financing has become more costly."

"Liquidity levels continue to rise in the banking sector, due to weak loan demand, and more stringent credit criteria."

"With rates so low, holding most investments does not make sense - you are not compensated for the risk. It is better to pay down debt as quickly as possible - that's a much better yield than holding commercial paper, etc."

"We will continue to ensure that we have adequate liquidity, in accordance with our minimum policy requirements."

"At what pace are interest rates rising over the next month? Year?"

"Liquidity is always a bigger concern, than interest rates paid."

"As rates begin to rise, it will be even more critical that we have a clearly defined liquidity strategy and that the necessary tools for managing liquidity are maintained (including cash forecasting and technology / banking structures to support global visibility)."



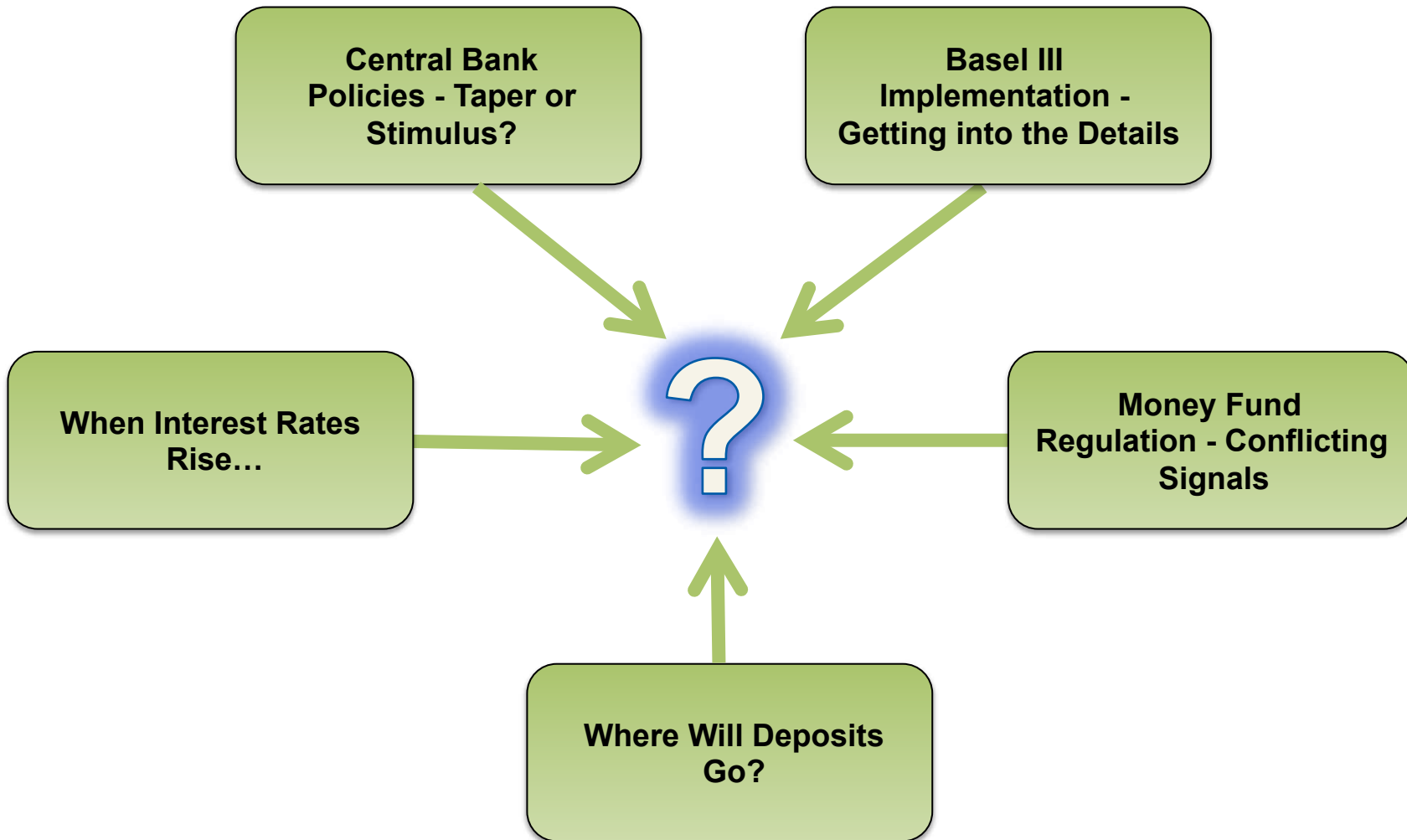
Game Changers



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Potential Game Changers



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Please feel free to join our Financial Services Regulation Group on LinkedIn <http://www.linkedin.com/e/vgh/1799642>



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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. 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.

Locations

Chicago • London • New York

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.



FIRM PROFILE

\$379.8 BILLION IN AUM

History of Quality and Innovation

- Founded and headquartered in Pittsburgh PA, 1955
- Offices in New York, Rochester, Boston, Dublin, Frankfurt, London and Melbourne
- 1,400+ employees worldwide including 223 investment professionals and 84 Chartered Financial Analysts
- Pioneer of money market and fixed income funds

Publicly Traded

- NYSE listed: FII
- Employees share in approximately 20% of firm's ownership

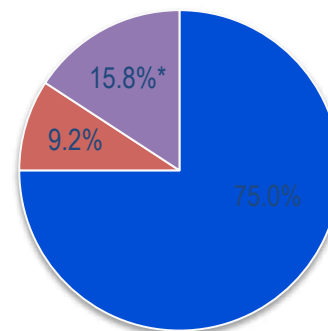
Investment Management Singular Focus

- Committed to delivering long-term outperformance
- Strategies utilize risk-management process and maintain style consistency

Well-Resourced Investment Teams

- Experienced specialized teams committed to delivering long-term outperformance
- Deep historical commitment to proprietary research
- Majority of investment professionals' compensation directly tied to performance

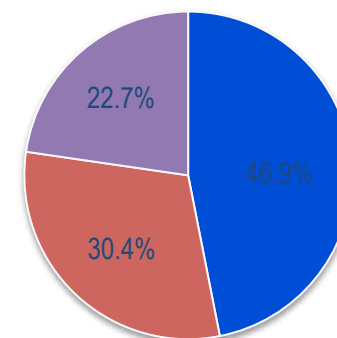
Firm-Wide



■ Liquidity Management ■ Equity ■ Fixed Income

**Liquidation portfolios comprise of 12.2% of firm-wide fixed income total.*

4Q Revenue by Source



■ Liquidity Management ■ Equity ■ Fixed Income

Asset breakdown as of 12/31/12



About Fitch Ratings



Fitch Ratings

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.

For additional information, please visit www.fitchratings.com

