



PUBLIC FUNDS INVESTMENT: STRATEGY IN PRACTICE



January 25-26, 2023

*Quiet Cannon Conference and Event Center
901 Via San Clemente
Montebello, CA 90640*

This interactive workshop provides attendees the opportunity to participate in the application of concepts and strategies explored in the Public Funds Investment Essentials webinar series. Through activities and discussion, the program will build from fundamental concepts and operational considerations to strategic portfolio management theory and practice.

Day 1 | January 25, 2023

8:00 AM **Registration and Continental Breakfast**

8:30 AM **Welcome and Opening Remarks**

Robert Berry, Executive Director, CDIAC

Michael Solorza, President, CMTA and Director of Finance, City of Montebello

SESSION ONE

8:40 AM **Public Fund Investment Bootcamp**

This session will provide an introduction to terms and concepts used in the management of public funds and provide a foundational framework for your entity's investment program to meet the primary objectives: safety of principal, having sufficient liquidity, and earning a market rate of investment income. After completing this session, a successful learner will be able to:

- Develop a detailed cash flow model
- Have a responsible amount of interest rate risk and credit risk
- Understand the pros and cons of trying to time the market
- Explain the importance of understanding the difference between unrealized and realized gains/losses
- Recognize the significance of following GAAP (generally accepted accounting principles)
- Understand how to benchmark the investment program and portfolio in multiple ways
- Know how to provide quality, timely, and transparent reporting to your stakeholders

*Rick Phillips, President and Chief Investment Officer,
FHN Financial Main Street Advisors, LLC
Kevin P. Webb, CFA, Managing Director, Robert W. Baird & Co.*

CPE: 2.4

Program Level: Basic

Field of Study: Finance

Prerequisite: None

Advanced Preparation: None

Instructional Delivery Method: Group Live

10:40 AM Break

SESSION TWO

10:50 AM Leveraging Available Data and Technology

Effectively managing a public agency portfolio involves the use of technology and data. From spreadsheets to portfolio tracking software, a public agency needs to understand how to effectively incorporate the use of current tools to manage its portfolio. The pandemic resulted in the availability of more data, which can be used to gauge a portfolio's success and help in setting benchmarks. Over the course of this discussion, the speaker will demonstrate how to prepare spreadsheets with embedded data. After completing this session, a successful learner will be able to:

- Identify tools to manage a public agency portfolio
- Identify sources of data for use in setting portfolio benchmarks
- Incorporate data sources in an excel spreadsheet to track portfolio performance

Kevin P. Webb, CFA, Managing Director, Robert W. Baird & Co.

CPE: 1.4

Program Level: Intermediate

Field of Study: Information Technology

Prerequisite: Two years of treasury, finance, or capital markets education and/or experience

Advanced Preparation: None

Instructional Delivery Method: Group Live

12:00 PM Luncheon for all Participants and Speakers

SESSION THREE

1:00 PM Don't Let Accounting Practices Hamstring Your Portfolio

This session will discuss the fundamental relationship between a public agency's accounting methods and its portfolio. This discussion will address the basics of accounting and how those methods impact the various public investment types. Panelists will follow investment choices through the life history of purchase, interim and annual reporting, and to the call, prepayment, or maturity dates. After completing this session, a successful learner will be able to:

- Recall the difference between original cost, amortized cost and fair market value reporting for investment holdings
- Calculate the initial purchase of a bond, interest payments for different type of bonds and the amortized cost of a bond after initial purchase
- Determine the impacts of accounting choices on investment decisions

*Laura Glenn, CFA, Senior Director, Investment Advisory Services,
Public Trust Advisors*

Jason Klinghoffer, CFA, Director, Debt Capital Markets, Mischler Financial Group

CPE: 2

Program Level: Basic

Field of Study: Finance

Prerequisite: None

Advanced Preparation: None

Instructional Delivery Method: Group Live

2:45 PM Break

SESSION FOUR

3:00 PM Duration and Asset/Liability Management (ALM): Practical Approach, Theory and Case Study

Creating an appropriate strategy for investing can be a daunting task, especially when several schools of thought exist on how to approach it. In this session, we will make the case that, in reality, your strategy must center around the timing and magnitude of cash flows before the economics of the portfolio can be considered. Because you are safety and liquidity driven, you must use a method that first looks in the mirror and makes sense of the asset/liability (ALM) framework your institution faces. We will discuss the idea behind focusing on cash flows and utilizing immunization and cash flow matching techniques to optimize portfolio duration,

assign approximate maturity buckets and use risk/reward techniques to apply sector allocations. After completing this session, a successful learner will be able to:

- Understand the fundamental idea behind developing a strategy and the difference between market-based and cash-flow based approaches to investing
- Understand why Duration matters and why Duration and ALM should be married in their approach
- Follow a case study and observe a methodology that can be utilized to get a cash-flow based strategy set up for your portfolio

Jason Klinghoffer, CFA, Director, Debt Capital Markets, Mischler Financial Group
Hubert R. White III, CFA, CTP, Chief Investment Officer,
City and County of San Francisco

CPE: 2.4

Program Level: Intermediate

Field of Study: Finance

Prerequisite: Two years of treasury, finance, or capital markets education and/or experience

Advanced Preparation: None

Instructional Delivery Method: Group Live

5:00 PM **Closing Remarks and Evaluation**

5:15 PM **Reception**
A reception will be held for all speakers and participants.

Day 2 | January 26, 2023

8:30 AM **Registration and Continental Breakfast**

9:00 AM **Welcome and Opening Remarks**

SESSION ONE

9:05 AM **Overview of Day One: Critical Considerations for Portfolio Management**

This opening session will discuss the practical considerations for an agency portfolio manager and how a strategy can support the agency's portfolio objectives as market and fiscal conditions change. Using a local agency portfolio as an example, the session will explore decisions and strategies used to achieve desired outcomes with respect to safety, liquidity, and yield.

*Hubert R. White III, CFA, CTP, Chief Investment Officer,
City and County of San Francisco*

SESSION TWO

9:35 AM **Portfolio Simulation Application: Portfolio Decision Making**

Based on the information presented throughout the workshop, the simulation will give participants the chance to build and manage a portfolio. Participants will consider the investment policy and portfolio objectives when selecting investments from a list of various securities and to account for the potential rise in rates. Each group will work through the analysis of the securities and portfolio and then present their investment decisions based on credit, price, yield, and convexity. After completing this session, a successful learner will be able to:

- Formulate, build and rebalance a public fund investment portfolio
- Select investments in the context of investment policy and permissible investments
- Propose portfolio analysis strategies to their agencies

*Karl Meng, Portfolio Strategist, Chandler Asset Management
Carlos Oblites, Senior Vice President and Portfolio Strategist,
Chandler Asset Management*

There will be a 10-minute break during this session.

CPE: 3.2

Program Level: Intermediate

Field of Study: Finance

Prerequisite: Two years of treasury, finance, or capital markets education and/or experience

Advanced Preparation: None

Instructional Delivery Method: Group Live

12:30 PM **Luncheon for all Participants and Speakers**

SESSION THREE

1:30 PM

Benchmarking Activity

This session focuses on the purpose and use of benchmarks, including the use of benchmarks as a means to monitor and manage performance, the benefits of benchmarking, the development of benchmarks, and the evaluation of investments against these benchmarks. Participants will work to develop a benchmark using Excel and evaluate their investments against the derived benchmark. After completing this course, a successful learner will be able to:

- Define risk, return, and benchmark, as applied to public funds investing
- Explain how benchmarks tie to public investment objectives
- Consider reliability of economic forecasts
- Differentiate total return and yield

Kevin P. Webb, CFA, Managing Director, Robert W. Baird & Co.

CPE: 2.4

Program Level: Basic

Field of Study: Finance

Prerequisite: None

Advanced Preparation: None

Instructional Delivery Method: Group Live

3:30 PM

Closing Remarks and Evaluation