



Invesco Global Liquidity

37th Annual SoCal EXPO – Cash Segmentation Solutions

May 10, 2018



FOR INSTITUTIONAL INVESTOR USE ONLY – NOT FOR USE WITH THE PUBLIC

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is being provided for informational purposes only, is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in any investment making decision. This should not be considered a recommendation to purchase any investment product. As with all investments there are associated inherent risks.

This does not constitute a recommendation of any investment strategy for a particular investor. Investors should consult a financial professional before making any investment decisions if they are uncertain whether an investment is suitable for them. The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities.



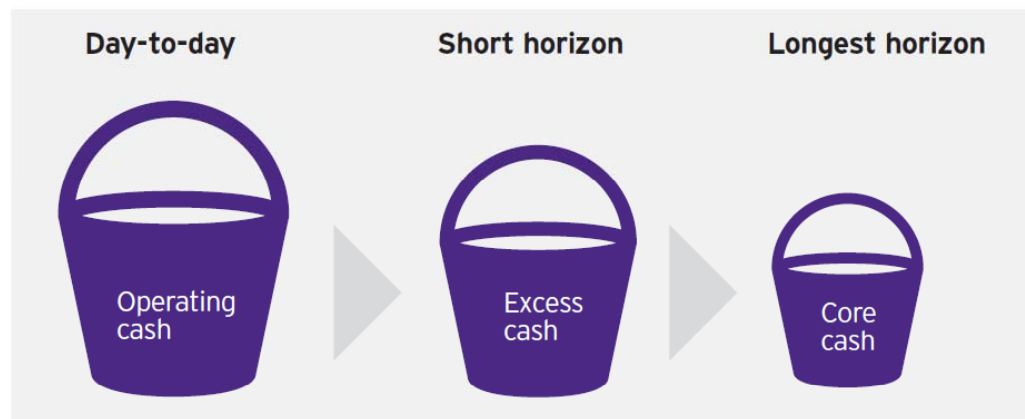
Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Active “cash segmentation” approach

- Separates cash balances by investment horizon and liquidity needs with an objective to improve investment returns
- Can potentially improve yield and return while maintaining liquidity
- Similar to long-term asset allocation, think of cash segmentation as asset allocation for cash



Source: Invesco, for illustrative purposes only.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Active “cash segmentation” approach

- Select from numerous investment strategies to meet their unique preferences and risk tolerances
- Examples of solutions include bank deposits, mutual funds, exchange traded funds, offshore funds and individual securities
- Investments in individual securities can be accomplished in a separate account structure

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Active “cash segmentation” approach

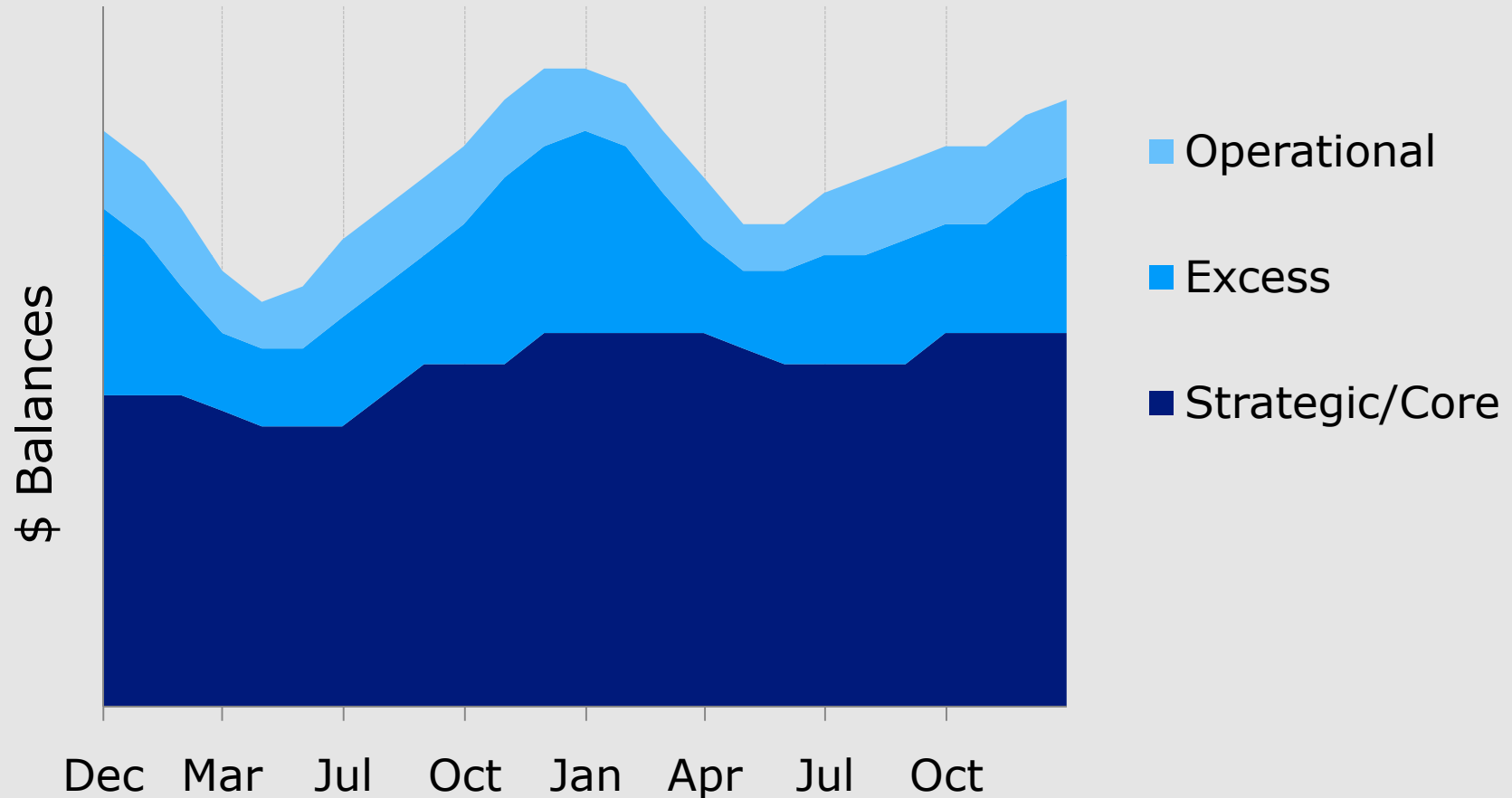
- Key advantage is that investors have control over how much cash is distributed to each bucket
- Allocations can be tailored to projected future liquidity needs and investment horizons

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Hypothetical example of liquidity layering, or “bucketing”, approach to cash management



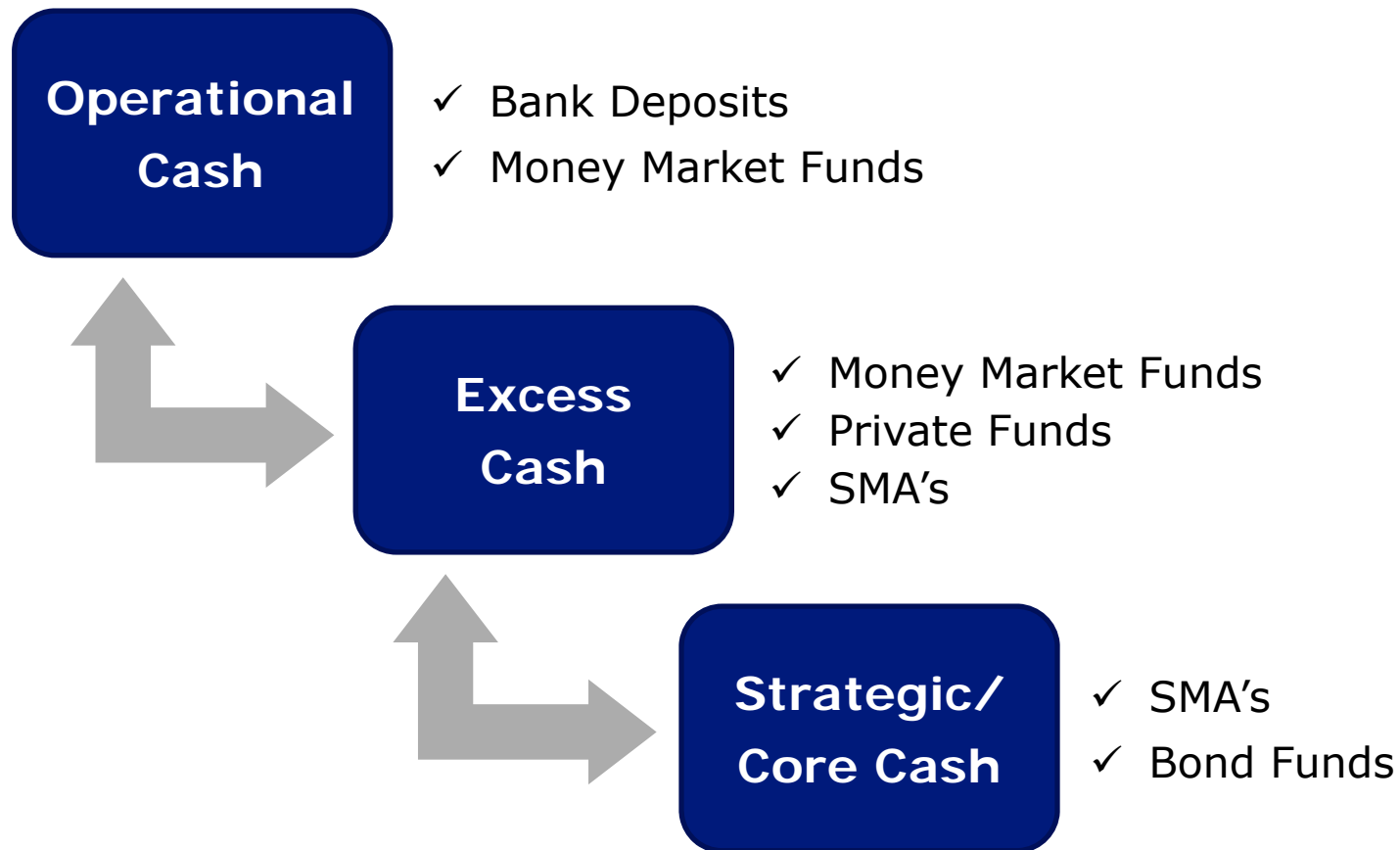
Source: Invesco; this hypothetical example is provided for illustrative purposes only and does not constitute a recommendation of the suitability of any investment strategy for a particular investor.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Example of cash segmentation buckets and investment products



Source: Invesco, for illustrative purposes only.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Active “cash segmentation” approach

Table 1: Example cash segmentation strategy

	Investment horizon		
	“Operating Cash” Immediate to one month	“Excess Cash” One month to six months	“Core Cash” Longer than six months
Bank solutions	Bank deposit accounts	Certificates of deposit (CDs) and time deposits (TDs)	
US Mutual funds	Government MM funds Retail CNAV MM funds	Institutional FNAV MM funds Ultrashort bond funds	Ultrashort bond funds Short-term bond funds
Offshore funds	CNAV short-term MM funds	CNAV short-term MM funds VNAV MM funds	VNAV MM Funds Short-term bond funds
Exchange traded funds (ETFs)	Ultrashort ETFs & short-term ETFs		
Individual securities - and - Separately managed accounts (SMAs)	Repurchase agreements, time deposits (TDs), VRDNs	US Treasury bills, US agency discount notes, commercial paper (CP), negotiable certificates of deposit (CDs)	
		Fixed rate and floating rate US Treasury securities, US agency securities, corporate bonds, asset backed securities	
			Mortgage backed securities

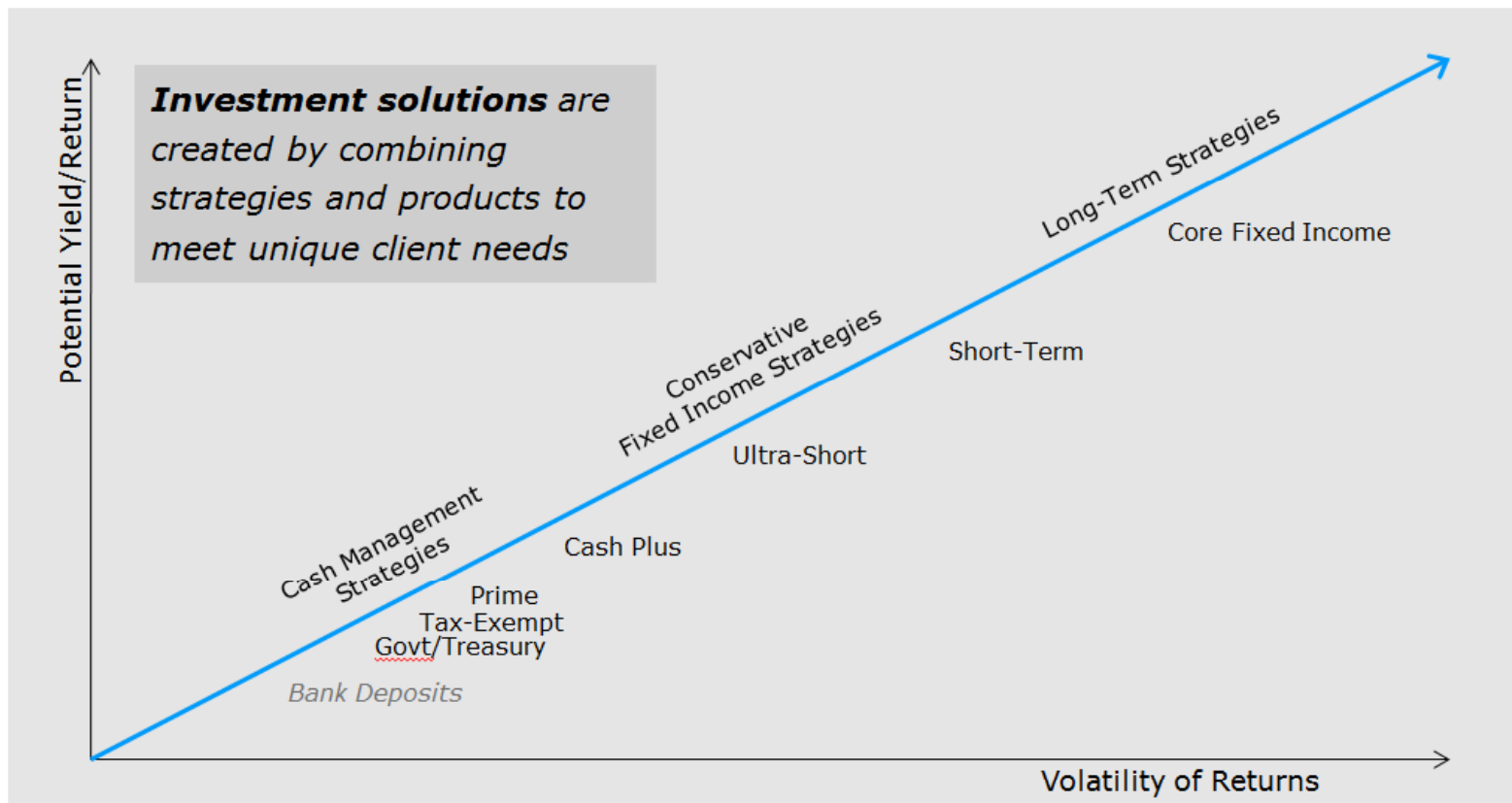
Source: Invesco; this hypothetical example is provided for illustrative purposes only and does not constitute a recommendation of the suitability of any investment strategy for a particular investor.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



There are opportunities in the liquidity and short-term fixed income markets to potentially increase return through strategic duration and credit selection.



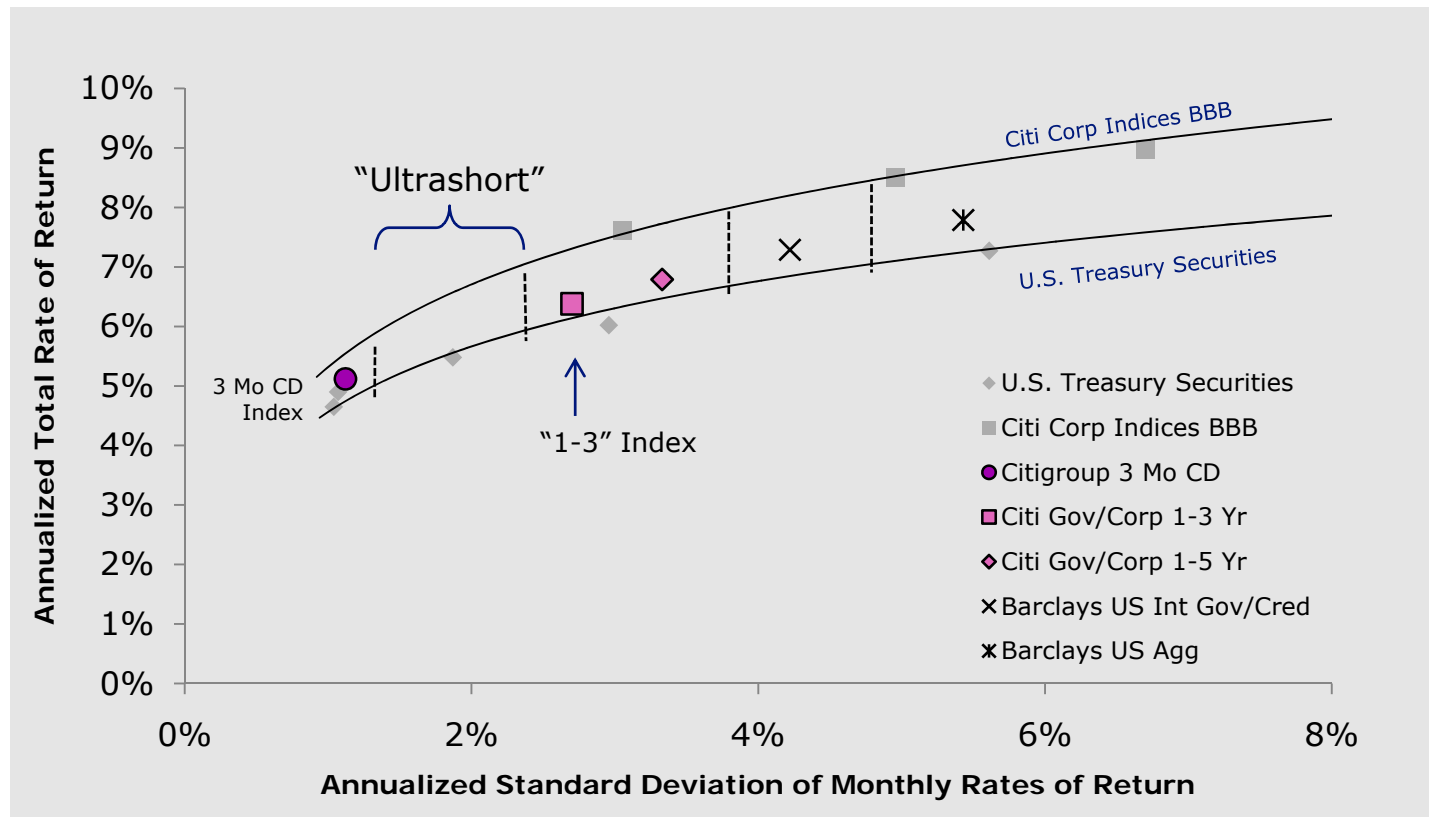
For Illustrative Purposes Only. Source: Invesco. This does not constitute a recommendation of the suitability of any investment strategy for a particular investor.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Opportunities to increase return through strategic duration and credit selection are substantiated through historic market analysis.



Source(s): Bloomberg L.P., Citigroup Fixed Income Indices, Barclays Capital; as of Dec 31 2016

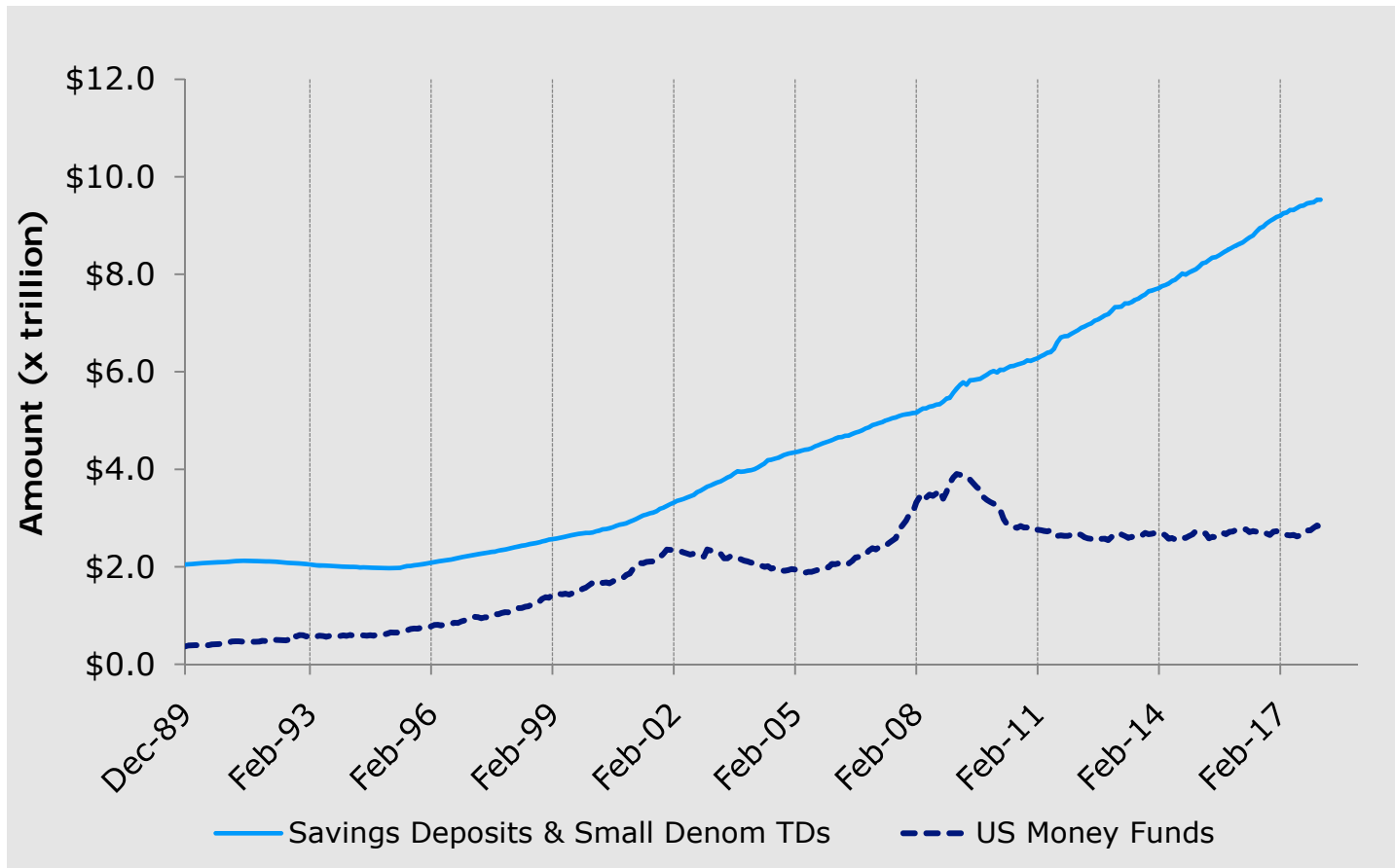
For Illustrative Purposes Only. This does not constitute a recommendation of the suitability of any investment strategy for a particular investor. Past performance is no guarantee of future results. An investment cannot be made into an index.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



US Money Fund Assets vs. Savings Deposits & Small TDs



Source: Bloomberg L.P.; Investment Company Institute - Money Market Fund Assets statistics, Federal Reserve; Monthly data as of Jan 31 2018

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



SMAs can support all strategies and can be further tailored to a client's unique needs and individual investment policies.

- ✓ **Prime, Government, Tax-Exempt Money Market Strategies**
 - *Emphasis on stability and liquidity followed by yield.*
- ✓ **Cash Plus**
 - *Similar to money market strategies, emphasis is on stability and liquidity, but yield has slightly more importance.*
 - *A longer portfolio WAM provides ability to incrementally increase yield*
- ✓ **Ultra-short/Conservative Income**
 - *Typical objectives are generating a competitive yield while seeking principal preservation and liquidity.*
 - *This strategy typically seeks to extend maturities and diversifying asset sectors, while focusing on the investment grade credit markets.*
 - *In the middle of "yield" and "total return" objective.*
- ✓ **Short-term**
 - *Emphasis of yield and total return while seeking principal preservation over market cycles while maintaining liquidity.*
 - *Typical of "1-3 year" or "1-5 year" strategies.*
 - *Can include exposure to high yield and EM if desired.*

This does not constitute a recommendation of the suitability of any investment strategy for a particular investor.

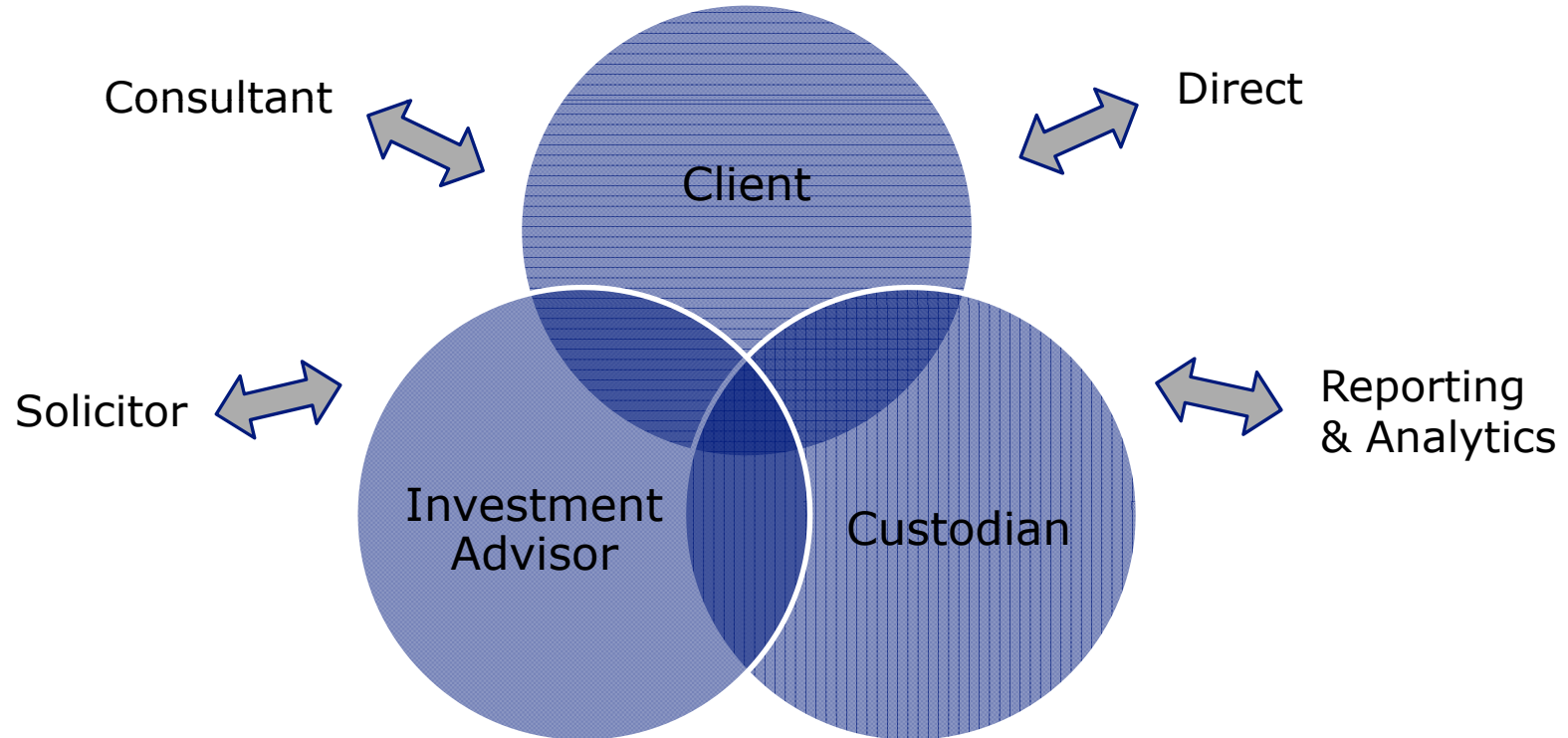
Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Separately managed accounts

- Agreement between client and investment advisor
- Multiple discovery channels including direct with client



Source: Invesco, for illustrative purposes only

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Separately managed accounts

- ✓ Customization
 - Institutional investors looking for a diversified and customizable investment solution may find Separately Managed Accounts (SMA) an attractive alternative.
- ✓ Meeting unique needs
 - SMAs can achieve different returns from registered 2a-7 money market products because they do not have to adhere to the same liquidity, maturity and credit requirements as registered funds do. The characteristics of the SMA can be tailored to meet specific client objectives and goals.
- ✓ Professional investment management
 - SMAs are segregated portfolios that benefit from the same professional management as pooled investment vehicles, but can be more closely aligned with the specific return and risk objectives of investors. Securities are owned directly by the investor, but are managed and traded on their behalf.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Security selection in a separately managed account is defined by client's investment policy. Securities typically available in a managers "tool kit" are highlighted in table below.

	Credit Quality	Money Market	Cash Plus	Ultra-Short	Short-Term
US Government Securities	AA+ to AAA	✓	✓	✓	✓
Repurchase Agreements	Collateral Dependent	✓	✓	✓	
Commercial Paper & Certificates of Deposit	A-1	✓	✓	✓	
	A-2 or A-3			✓	✓
Corporate Bonds (Domestic & Foreign)	Investment Grade		✓	✓	✓
	High Yield				✓
Asset Backed Securities (ABS)	A-AAA		✓	✓	✓
Mortgage Backed Securities (MBS)	A-AAA			✓	✓

For Illustrative Purposes Only. Source: Invesco. This does not constitute a recommendation of the suitability of any investment strategy for a particular investor.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Example comparison of prime money market funds and separately managed accounts

Prime Money Market available to Institutional Investors		Separate Accounts (SMA)
Transacts at a floating net asset value (FNAV)	NAV Type	Securities valued at amortized cost and mark-to-market
Potentially subject to liquidity fees and redemption gates	Fees & Gates	Securities/SMAs not subject to SEC liquidity fees and redemption gates
As established by SEC rule 2a-7	Primary Investments	Can be tailored to be same or similar to a prime money market
Typically pay a monthly net dividend	Performance	Individual securities pay income and may be subject to mark-to-market pricing
Cut-off times determined by product	Cut-off Times	Liquidity needs communicated by client on a day to day, or as needed, basis

This does not constitute a recommendation of the suitability of any investment strategy for a particular investor.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



Product	Type	Additional Requirements
Mutual Fund	Pooled Vehicle	Registered with the SEC
Private Placement (1)	Pooled Vehicle	Unregistered Non-qualified
Collective Investment Fund (2)	Pooled Vehicle	Unregistered ERISA Money
Separate Account	Individual Securities	Investment Management Agreement & Custodian

For illustrative purposes only

(1) Private funds are excluded from the definition of an investment company under the Investment Company Act of 1940 and private placements are unregistered securities offerings under Regulation D of the Securities Act

(2) Collective investment funds are comingled trusts that meet the criteria established by 12 CFR 9.18

This does not constitute a recommendation of the suitability of any investment strategy for a particular investor. Not all products are available in all jurisdictions or to all investors.

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



	Mutual Funds	Private Placements*	Collective Investment Fund	Separate Account
Primary Regulator	SEC	Unregistered	Office of the Comptroller of the Currency (OCC)	None
Pricing Method	CNAV or FNAV	CNAV or FNAV	CNAV	CNAV or FNAV
Shareholder Requirements	Per Prospectus Minimums	Accredited Investor AND Qualified Purchaser	Qualified Plan (ERISA) Only	None
Number of Shareholders	Unlimited	Limited to 2,000	Unlimited	N/A
Tax Reporting	Form 1099	Limited Partnership K-1	Exempt Form 5500	N/A

** There are several types of private placements or unregistered offerings such as 3(c)7 that are exempt from registration with the SEC. Some of these investments are not registered and are offered to qualified investors via private placements. Not all products are available in all jurisdictions or to all investors.*

Cash Segmentation Solutions

Discovering Potential Solutions Across Strategies and Products



A fixed income strategy that fills the void between money markets and short-term fixed income

- Generally defined as “ ≤ 1 year duration”

A relative low volatility fixed income solution

- For excess cash balances
and/or
- To dampen long-term fixed income exposure

Ultra short funds come in many flavors

- Low volatility to high volatility, investors should be aware of the differences in risk profiles of the varied strategies and exposures

Not a money market fund or cash substitute

This does not constitute a recommendation of the suitability of any investment strategy for a particular investor.



Thank You



Invesco Advisers, Inc.