

## Overview of Day One: Critical Considerations for Portfolio Management

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# PUBLIC FUND INVESTMENT BOOT CAMP

1) What is the first analysis that should be done when managing a public fund operating portfolio?

- a) Technical Analysis
- b) Interest Rate Analysis
- c) Cash Flow Analysis
- d) Credit Analysis

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2) Callable bonds generally outperform (produce more investment income) over the long run in which rate environment?

- a) Rates Up
- b) Rates Down
- c) Rates Unchanged
- d) All of the Above

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3) Which type of return/benchmarking performance is best to express the realized income your entity received?

- a) Book Return
- b) Total Return
- c) Weighted Book Yield

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# LEVERAGING AVAILABLE DATA AND TECHNOLOGY

# DON'T LET ACCOUNTING PRACTICES HAMSTRING YOUR PORTFOLIO

1) If two securities in your portfolio, same par value, same coupon dates have different day counts, the daily interest accrual for each security will be:

- a) The same
- b) Different
- c) Day count doesn't impact accrual
- d) Not enough info to determine

# DON'T LET ACCOUNTING PRACTICES HAMSTRING YOUR PORTFOLIO

2) If a municipal entity chooses a modified accrual method, purchase interest accrued is usually counted against current month earnings. Offsetting purchase accrued with current month earnings, could:

- a) Lead to a positive increase
- b) Can smooth out return numbers
- c) Create negative income for the month
- d) Is the primary reason to buy secondary issues

# DURATION AND ASSET/LIABILITY MANAGEMENT (ALM): A PRACTICAL APPROACH, THEORY AND CASE STUDY

1. In determining the duration of a portfolio strategy to ensure adequate liquidity, the core component is:
  - a) Following your Investment Policy
  - b) Cash Flow Immunization
  - c) Market dynamics
  - d) Asset sector selection

# DURATION AND ASSET/LIABILITY MANAGEMENT (ALM): A PRACTICAL APPROACH, THEORY AND CASE STUDY

2. What is the benefit of using a cash flow based/ALM approach to developing portfolio strategy:
- a) Uses simple methods by utilizing a single/multiple indices that are easily observed
  - b) Captures the alpha that makes for a successful total return strategy
  - c) Uses an institution's actual cash flow data to measure future liabilities and derive a duration

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# Buy & Hold versus Total Return Strategy: A Brief Overview

- 1) The characteristics of a Buy and Hold Investment strategy in managing public funds are:
  - a) Securities are purchased to immunize portfolio cash outflows
  - b) Produces stable investment returns
  - c) Requires fewer resources and is relatively easy to implement and monitor
  - d) Emphasis is on optimizing portfolio earnings not portfolio growth
  - e) All of the above

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# Buy & Hold versus Total Return Strategy: A Brief Overview

The characteristics of a Total Return Strategy in managing public funds are:

- a) Emphasis is focused on taking advantage of market inefficiencies and price appreciation after liquidity needs are satisfied
- b) Requires substantial resources and market sophistication
- c) Portfolio needs to be able to take losses
- d) Returns can be very volatile
- e) All of the above

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Questions??????

**Hubert R White, III CFA, CTP**

Chief Investment Officer

City and County of San Francisco  
Office of the Treasurer and Tax Collector

1 Dr Carlton B Goodlett Place  
San Francisco, CA 94102-4638

415-554-4776 (Work)

415-542-6796 (Cell)

[hubert.white@sfgov.org](mailto:hubert.white@sfgov.org)