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ORIGINAL → ESSENTIAL → UNBIASED → **INFORMATION**

Alaska Airlines

Approach to Corporate Cash and Short Term Investments

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Overview of Approach to Managing Corporate Cash

Alaska Airlines

- Historical Program
- Current Structure
- Outsourcing Process

Wells Capital Management

- Approach to managing corporate cash
- Conclusions about the ways to optimize the management of each pool

Key Take-Aways

Alaska Evaluated Our Corporate Cash and Investment Structure in 2006

Prior to Evaluation

One set of investment guidelines

One external investment manager

Daily cash in DDA accounts and money market funds

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After Evaluation

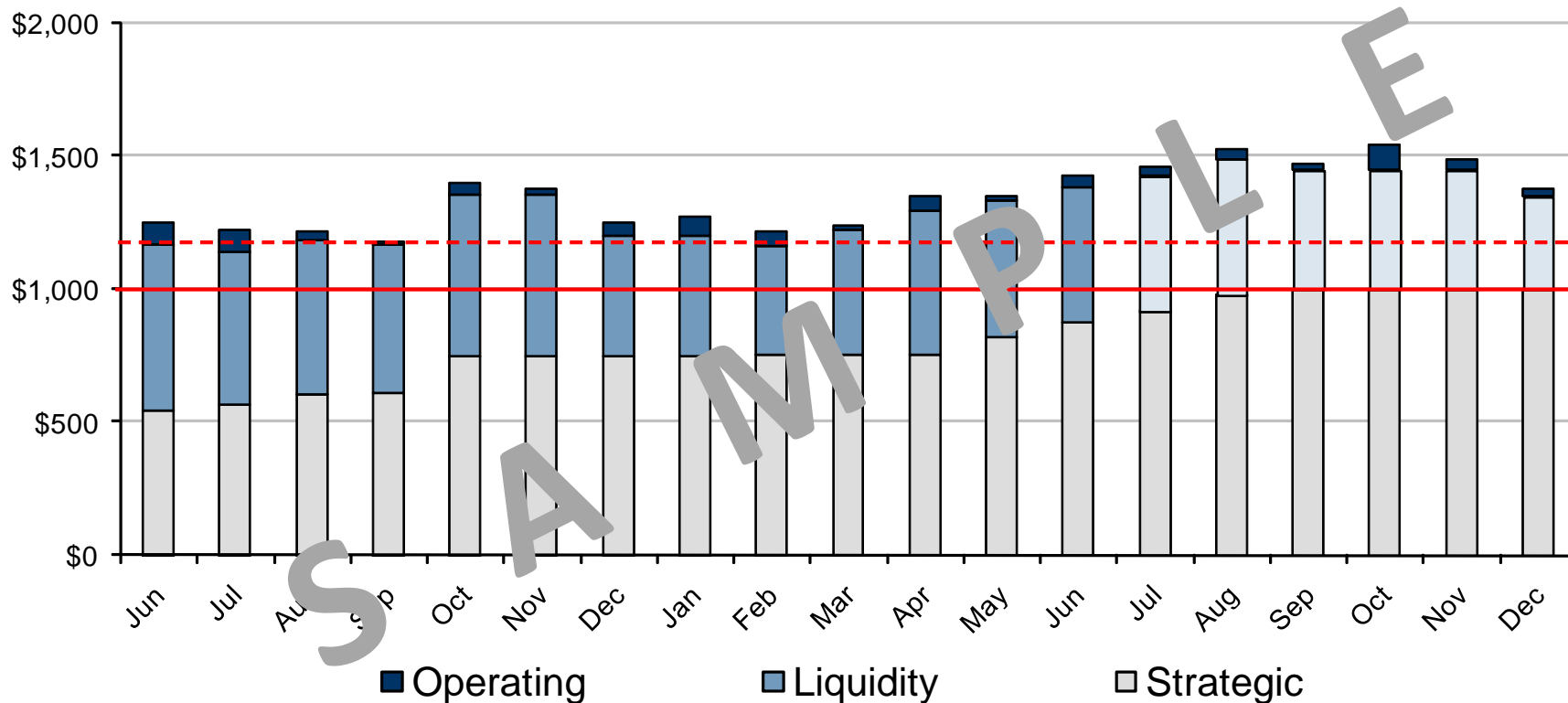
Two sets of investment guidelines

Four external investment managers

Daily cash in DDA accounts and money market funds

Cash Needs Were Analyzed

Corporate cash analysis assessed liquidity needs and risk profile.



Corporate Cash Was Segmented into Three Distinct Pools

Operating: Meet Daily Cash Needs

- Purpose is safety of principal and liquidity
- Vehicle is DDA account, money market fund, or combination

Liquidity: Meet Projected and Unexpected Cash Needs

- Purpose is safety of principal, liquidity and yield
- 3 year maximum maturity; 1.5 year average duration
- A- minimum credit quality; AA- average credit quality

Strategic: Reserve Account with No Forecasted Cash Flows

- Purpose is safety of principal and yield
- 7 year maximum maturity; 3.5 year average duration
- BBB- minimum credit quality; AA- average credit quality

Why Outsource Investment Management?

Alaska has a history of outsourcing where it makes sense:

- It is cost-effective
- It leverages outside investment expertise
- It provides solid risk management
- It is a way to grow relationships with financial partners

Proper third-party oversight is vital:

- A custodian acts as safe-keeper
- A reporting provider consolidates data and monitors compliance
- An independent consultant assists with hiring and ongoing evaluation

Due Diligence Begins with Our Investment Consultant

The consultant assists with guideline construction and vendor selection.

Factors assessed include:

- Organizational structure and people
- Philosophy and process
- Credit research capabilities
- Historical performance
- Assets under management
- Fees
- Thoughtful and detailed proposal response

Alaska Considers Our Own Criteria

Will communication be effective?

- Have we met the people and do we understand the organization?
- Is commentary timely, straight-forward and useful?

Will the manager offer support beyond managing the portfolio?

- Recommend guideline updates
- Share best practices
- Offer risk assessments
- Provide ad-hoc resources

Will the relationship add value over the long-term?

Evaluation is Ongoing

Informal Evaluation

- Communication effectiveness
- Relationship value

Formal Evaluation

- Quarterly portfolio reviews
- Consultant evaluations
- On-site visits

WellsCap's Approach to Corporate Cash

Philosophical Fit

- Investment advisor vs. broker
 - Directed investments vs. outsourcing
- Separate account vs. mutual fund
 - Customizing risk profile
 - Disciplined investment philosophy and process
- Risk Management
 - Proprietary credit research
 - Firmwide independent risk management review
 - Internal guidelines more conservative than client guidelines

WellsCap's Approach to Corporate Cash

Knowing the Client

- What is their business?
 - Background of decision maker and key contacts?
 - Key to communication
- What does the pool of money represent?

	Operating Cash	Working Capital (Liquidity)	Investment Assets (Strategic)
Liquidity Needs	1-Day to 30-Days	1-Month to 12 Months	1-Year to 5-Years
Investment Objectives	← Overnight/Cash →	← Enhanced Cash →	← Limited Duration →
Taxable Strategies	Taxable 3-Month	Taxable 6-Month Taxable Ultra Short Plus Taxable 1-Year	Taxable 1- to 3-Year Taxable Plus 1- to 3-Year Taxable 1- to 5-Year Montgomery U.S. Short Duration
Tax-Advantaged Strategies	Cash Tax-Advantaged	Enhanced Cash Tax-Advantaged Ultra Short Tax-Advantaged Ultra-Short Plus Tax-Advantaged	Limited Duration Tax-Advantaged Limited Duration Plus Tax-Advantaged Short-Term Plus Tax-Advantaged

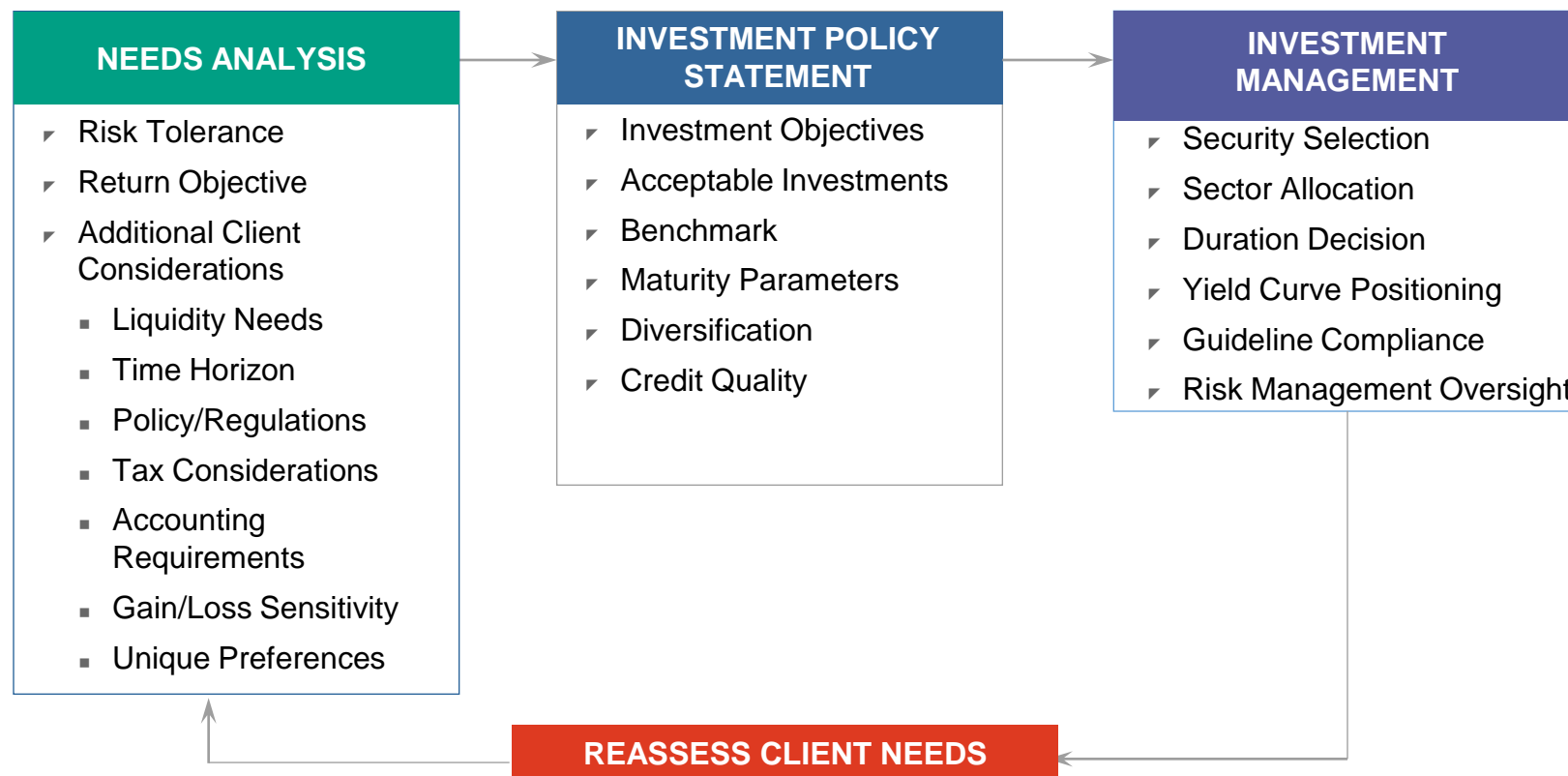
WellsCap's Approach to Corporate Cash

Knowing the Client

- What are their investment guidelines?
 - What was their experience during the credit crisis?
 - Recommended changes
- Reporting requirements?
 - Anything special beyond normal monthly statements
 - Attribution, pricing analytics, etc.

WellsCap's Approach to Corporate Cash

- We work with clients from the onset of the relationship in the development of portfolio guidelines. Through a personalized consultative approach, we establish and review policies, guidelines, and performance benchmarks in conjunction with client needs.



WellsCap's Approach to Corporate Cash

Value Added Beyond Portfolio Management

- We understand that managing institutional cash is a service sensitive business due to the unique needs of each of our clients.
- We serve as an extension of our client's staff by providing other value add financial resources.

Client Experience



Investment Management Take-Aways

Key Take-Aways

- Understand cash needs and risk tolerance
- Document a prudent process
- Consider staffing levels and expertise
- Focus on building good relationships
- Does your structure stand the test of time?

Questions?