

Short-Term Investments Compared

The turmoil in the banking industry in 2023 served as a reminder of the risks associated with counterparty concentration. While diversification of cash investments is a liquidity best practice, comparing various short-term products requires investors to weigh the tradeoffs between safety, liquidity and yield. The chart below will aid treasury teams in deciding which of these common short-term investment vehicles aligns best with their goals.



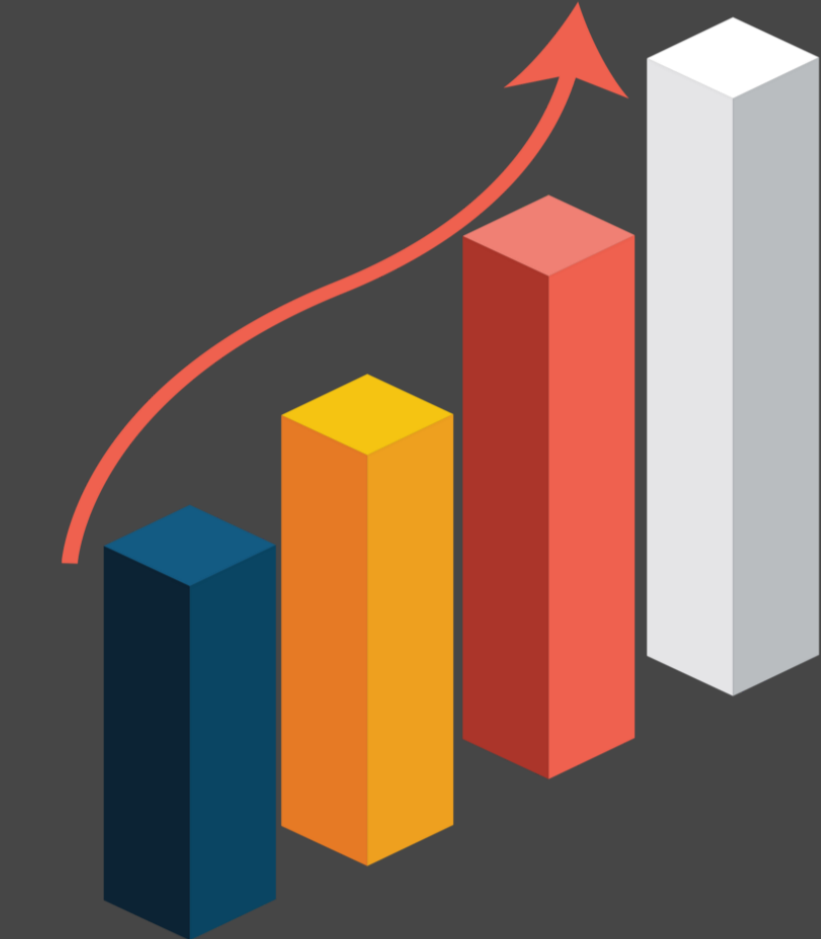
INVESTMENT VEHICLE



SAFETY



LIQUIDITY/ SETTLEMENT



YIELD

INVESTMENT VEHICLE	SAFETY	LIQUIDITY/ SETTLEMENT	YIELD
Bank Deposits	Bank counterparty risk for deposits above \$250,000 FDIC insurance	Same day or per agreement with the bank	Varies by bank client
Time Deposits	Bank counterparty risk for deposits above \$250,000 FDIC insurance, and early withdrawal fees and penalties	At maturity	Higher yielding than bank deposits, depending on time to maturity
Treasury Bills	No interest rate risk to principal, unless sold before maturity	T+1	Guaranteed yield if held to maturity
Govt. Treasury MMFs	US government-backed, short-term interest rate risk	Same day	Competitive yield for diversified government investment
Prime MMFs	Diversified portfolio but some interest rate risk and counterparty risk	Same day	Higher yield than deposits or Government/Treasury money market funds
Commercial Paper	Counterparty risk from corporation selling the paper. Sometimes illiquid, depending on the program	At maturity	Competitive yield but often limited supply
Separately Managed Accounts	Diversified portfolio but some interest rate risk and counterparty risk, and if sold early, can have yield and principal risk	Unwind period, based on portfolio parameters	Competitive yield but needs to be held for the entire time period

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