Forbes INSIGHTS

CASH RICH:

ARE YOU PREPARED TO HANDLE THE RISKS?

IN ASSOCIATION WITH: Northern Trust

Forbes INSIGHTS

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FOREWORD

It could be a conscious cushion against future volatility. Or perhaps so much cash serves as a war chest for future acquisitions. It may be that after turning the screws on working capital management following the downturn, companies are now simply generating more cash than anticipated. Or it could be that companies are keeping cash offshore to delay the consequences of U.S. taxation.

Whatever the reason, whatever the motivation, corporations are holding on to significantly more cash now than before the financial crisis of 2008.

Arguably, this could be the most striking finding of the survey Northern Trust sponsored with Forbes Insights. But it is by no means the only useful insight.

Start with the fact that corporations are viewing their treasuries in a more value-added role. Next, consider what the research has to say about investing in general and investment horizons. Nearly half say they are becoming more aggressive in their cash investments—a figure rising to two-thirds of organizations who self-describe their investment operations as world-class.

Closely related, a significant number of companies are moving out on the yield curve in pursuit of higher returns. In addition, both the survey and its associated qualitative interviews show that companies are meanwhile expanding the array of permitted investments within their cash portfolios. Some are even allocating a portion of these portfolios to emerging markets. Others are doing what they can to diversify away from traditional investments toward a greater proportion of industrial and other industry instruments.

Our belief was that, amid so much cash—and with so many new strategies—the survey would also reveal a renewed focus on improving the control environment. But surprisingly, only a minority of companies seem to be taking steps we would view as vital. While this could signal prior sophistication in trading, the findings are enough to suggest that at the very least, companies need a second look at current policies, practices and controls.

This is to say nothing about the emergence of new technologies for managing treasury and investment, new regulations playing a role in cash investing or even the emerging influence of activist investors who often rail against companies holding too much cash.

So how much cash are you holding? What are you doing to ensure its safety while at the same time increasing returns? Are you deploying new technologies? Have you updated your control environment? We hope our findings help your company determine more of the right questions it should be asking.

— Northern Trust Global Product Solutions Team

KEY FINDINGS

Corporate treasurers are managing significantly more cash than in the recent past.

With so much cash on their balance sheets, a growing number of companies are seeking greater value from their treasuries—including increased investment returns.

Companies say they are taking steps to upgrade their investment operations—but whether they've done enough to strengthen their system of governance and control isn't clear.

In terms of working capital management, while some financial executives are working to ensure hard-fought improvements do not give way to pre-downturn bad habits, a large number are still concerned that they haven't done enough to prevent these habits from recurring.

62%

SAY THEIR COMPANIES LEAN TOWARD BEING CASH RICH

CORPORATE TREASURERS ARE MANAGING SIGNIFICANTLY MORE CASH THAN IN THE RECENT PAST

- Two out of three financial executives, 65%, say their companies are today holding significantly more cash than prior to the 2008 downturn.

- 62% say their companies lean toward being cash rich (with cash on hand far exceeding that needed to fund operations), whereas only 10% view themselves as cash strapped (forced to conserve cash or borrow).

- Against this backdrop, note that less than one in five financial executives, 19%, self-describe their treasury's investment management capabilities as world-class. *Note that nearly half of such world-class investment organizations, 46%, describe their companies as cash rich.*

INSIGHT

"No question, there are a lot of cash-rich companies today," says Barbara Shegog, director of peer knowledge exchange at the NeuGroup, a treasury and financial management–focused consultancy and publisher of *iTreasurer*. So many in fact, says Shegog, that NeuGroup is now opening a second chapter of its already very popular peer group, focused on the interests of companies with $2.5 billion or more in excess cash. Such treasurers "are looking for guidance and benchmarking on how to manage such large cash portfolios," says Shegog. "The numbers with more cash on the balance sheet are definitely growing."

Rising ranks of the cash rich are driven by a number of factors. For many if not most, the sharpness of the downturn of 2008 drove companies not only to pare their operating costs but also to tighten their grip on cash. Cash conservation became a rallying cry, resulting in cost-cutting, reduced inventories, credit term adjustment and a host of similar actions.

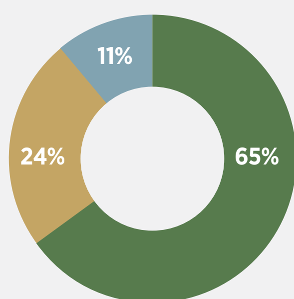
Then, as the economy began to improve, rather than revert to prior habits, companies continued holding the reins on costs. Accordingly, cash balances began to increase.

But even as cash accumulated—well beyond pre-2008 levels—most companies, the survey shows, continued making conscious decisions to hold on to this cash. With stated reasons ranging from a heightened sense of volatility amid an anemic recovery to a lack of strategic investment options, cash balances remain swollen. The bottom line is that, today, corporate treasuries are holding on to unprecedented levels of cash.

A good example is VMware, a provider of cloud infrastructure and business mobility software and services technology with sales of over $6 billion. As Treasurer Tina Kobetsky explains, following the company's 2007 IPO "we had just over $1 billion in cash." But since then, "the business has grown to where we've generated so much cash flow, we're now holding $7.2 billion in cash." Most of this, says Kobetsky, "is offshore," but in general, the surplus is a key means for the company to maintain strategic options and navigate "potential economic uncertainty."

The treasurer of a large consumer products maker says his company is also holding on to significantly more cash today than in prior years. "When the financial downturn hit, we immediately ratcheted up our focus on cash conservation and working capital management." But now that crisis conditions have abated, "we have nonetheless kept tight control over spending and cash."

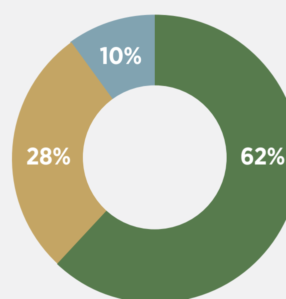
Figure 1. Companies are holding significantly more cash*



- Significantly more cash
- About the same
- Less

**Than prior to the downturn of 2008.*

Figure 2. Two-thirds of companies say they are cash rich



- Cash rich (significantly more cash on hand than needed to fund operations)
- Neither cash rich nor cash strapped
- Cash strapped (forced to conserve cash and/or borrow)

The resulting cash accumulation leaves the company today holding "well over $10 billion" in cash beyond current operating needs. Most of this is held offshore, "largely for tax purposes," but there are also "some operational drivers." Still, rather than issuing a dividend or executing a share buyback, the treasurer says, "senior management believes higher cash levels are warranted given the degree of risk in the global economy." The company, says the treasurer, "needs this cash as a potential cushion—and to give us strategic flexibility, for example, in M&A or other investments."

One concern companies may face amid relatively higher cash levels on corporate balance sheets is the rising influence of activist investors. An activist group could descend on a company to demand a dividend or some other action to release the value of the cash. However, as the above treasurer explains, "we are very proactive in this area. We have a clear case as to why the cash is needed—we openly discuss why it's prudent—and we are prepared to defend that to any group of investors."

As for the number of companies describing their short-term investment capabilities as world-class, the questions are (a) What does it mean to be world-class? and (b) With so much cash on the balance sheet, why is this figure less than one in five? Both are addressed later in the report.

With stated reasons ranging from a heightened sense of volatility amid an anemic recovery to a lack of strategic investment options, cash balances remain swollen.

Figure 3. What is driving your company to hold on to its cash?

	Overall	World-class
A lack of strategic investment opportunities	37%	38%
Heightened volatility	55%	55%
Strong liquidity (operations generating cash)	48%	50%
Consciously avoiding liquidity risk	58%	72%
Desire to be M&A "ready"	50%	57%
Fear of another significant downturn	45%	39%
Tax impact of repatriation	43%	41%

43%

ARE BECOMING MORE AGGRESSIVE IN THEIR SHORT-TERM INVESTMENT MANAGEMENT

WITH SO MUCH CASH ON THEIR BALANCE SHEETS, A GROWING NUMBER OF COMPANIES ARE SEEKING GREATER VALUE FROM THEIR TREASURIES—INCLUDING INCREASED INVESTMENT RETURNS

- 43% say they are becoming more aggressive in their short-term investment management.

- Nearly half of financial executives, 49%, agree that in the pursuit of greater return, they are extending the maturities of their investments—a figure rising to 65% for world-class companies.

- Three out of 10 companies are reclassifying at least a portion of their balance-sheet cash as a longer-term asset.

Companies have always sought to hold on to an appropriate level of cash to deal with their own unique liquidity characteristics. Traditional factors include investment to cash cycles, access to capital markets and general risk tolerances. But for various reasons, many earlier stated, companies are today holding cash well in excess of any levels formerly deemed appropriate.

For example, at a major U.S. manufacturer of consumer and industrial durable products, "our cash target provides sufficient cash to satisfy minimum operating requirements, as well as a prudent cash cushion to protect for a severe economic downturn," says a treasury spokesperson. Meanwhile, the accompanying investment strategy "is based on clearly defined risk and liquidity guidelines to maintain liquidity, minimize risk and earn a reasonable return." Safety of principal "is the primary objective, and risk-adjusted return is the secondary objective," says the spokesperson.

So, in addition to investing for longer maturities, other possible or even likely actions include expanding the universe of permissible investments and, in some cases, eking out more return by investing in slightly lower-grade instruments.

Note that the company says its cash levels today could help it weather a severe—not a mild—downturn. Generally, as a cash cushion increases, the size of the cash position becomes even more material. Meanwhile, there arises an almost irresistible inclination to seek greater return from at least a portion of this larger cash portfolio. So, in addition to investing for longer maturities, other possible or even likely actions include expanding the universe of permissible investments and, in some cases, eking out more return by investing in slightly lower-grade instruments.

Longer durations

Patrick Guido is treasurer of VF Corporation, a global apparel and footwear company with sales in excess of $12 billion. Asked if his company was extending maturities or categorizing more cash as a long-term asset, his answer is: "Yes and no." As Guido explains:

"We put our cash into three buckets: liquid cash that must be available immediately for working capital needs; reserve cash, which we think we won't need for at least 12 months; and strategic cash, which is a base layer of cash we do not anticipate needing for up to three years."

To date, "all of our cash has been categorized as liquid or reserve," he continues. This is simply because "VF is an acquisitive company and needs to have its cash at the ready for that next strategic opportunity." The company is also, meanwhile, working to prevent cash from building up on the balance sheet. "So any excess cash we don't think we will need in the longer term goes back to shareholders," says Guido.

That all said, when it comes to the question of seeking greater returns on cash, the answer from VF Corporation is "yes." Specifically, says Guido, "we have invested our reserve cash in longer-dated instruments with higher yields, such as bank time deposits of up to three months."

The VMware approach

Alternatively, VMware's Kobetsky submits her company's investing strategies are an example of treasury's adding value. "After the financial crisis, we took a step back to consider the ways we could use cash as an asset to generate greater returns but also do it in a conservative way." What the company came up with is an approach that both extends durations and expands investment choices.

As Kobetsky explains, the prior policy had been to invest only in money-market or government instruments of very short duration. But today, the company invests in a wider range of fixed-income instruments including corporate bonds, as well as agency-issued or asset-backed securities.

In addition, over the years, the company has "gone further out on the curve." In fact, just under 10% of the corporate cash portfolio is "now allocated to the longer term, while still a short-duration strategy," says Kobetsky. The overall objective, she explains, "is to be diversified across the yield curve, [albeit] with some cash in the steeper end."

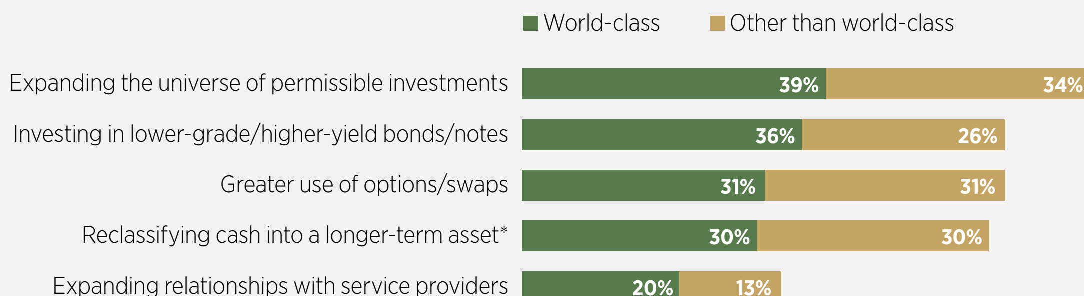
But perhaps the most intriguing aspect is the company's decision to lower the credit rating threshold for its investments. In the past, the company would invest its cash in securities with the highest ratings only. However, as Kobetsky explains, this actually has the unexpected side effect of concentrating all exposure in the financial services industry. "There are very few industrial names that are AA- or AAA-rated—those ratings are generally associated only with financial firms." But especially in light of the financial crisis, the company decided that "we don't want to have our credit risk concentrated in one industry."

So today the company invests in mid-investment-grade corporate debt—which, as Kobetsky explains, delivers two sets of benefits. Number one, "it increases returns," as lesser-rated companies offer higher interest rates to attract investors. Number two, "and more important, we achieve reduction in concentration risk," as the company can now broaden investment into a wider spectrum of non-financial companies.

"These are still household-name companies," says Kobetsky, "so we're getting diversification across asset classes and sectors with incrementally higher returns and lower risk." Moreover, she adds, "we meet with the audit committee each year to discuss all investment strategies and policies."

Figure 4. Companies are becoming more aggressive—pursuing higher returns from their cash portfolios

Steps being taken include:



**74% say such a reclassification will require additional reporting capabilities, including performance and tax.*

Yet another likely benefit of VMware's diversification beyond financial services is avoidance of what many believe is a coming liquidity crunch in short-dated financial instruments issued by banks. As NeuGroup's Shegog explains, "Under Basel III [updated guidance for bank capital risk frameworks], banks are going to be penalized for holding short-term paper." Consequently, "they will fund themselves more in the longer-dated paper, meaning less supply in the short-term." In fact, says Shegog, "many are saying this is already happening."

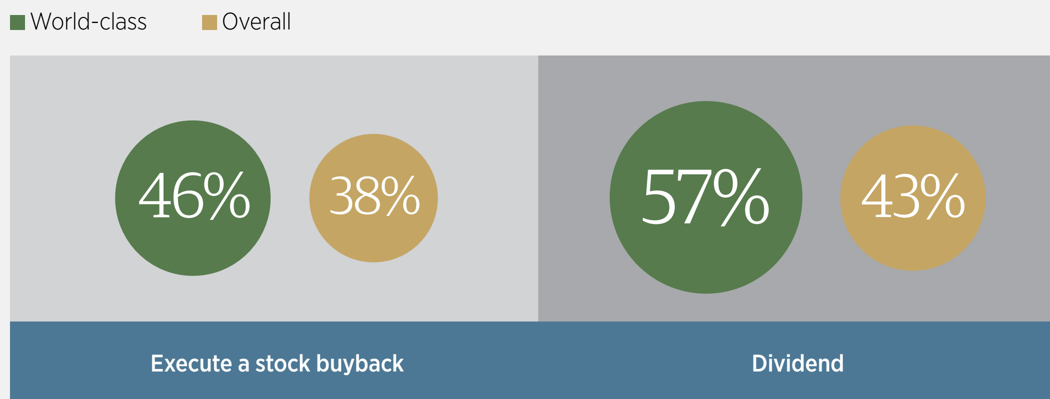
Other strategies

As more companies hold on to more cash in a wider range of instruments over longer durations, they naturally seek out a more sophisticated tool kit. Nearly a third of companies are expanding their use of yield-curve, credit and related risk management tools such as options and swaps. Thirty percent are going so far as to designate at least a portion of these larger-than-usual cash portfolios as a longer-term asset. Finally, as NeuGroup's Shegog explains, "we are also seeing companies allocate a piece of their cash investments to emerging market and high-yield securities—generally no more than 5% of total." This is particularly true of some of the largest companies with the largest balance-sheet cash positions.

AT LEAST SOME WILL GO TO SHAREHOLDERS

Though companies are holding on to significantly more cash than in the past, this is not to say they aren't meanwhile feeling pressured to share at least some of this bounty with shareholders. Over two-thirds (38%) are contemplating a stock buyback (46% of world-class companies), while 43% may dividend at least part of their cash (57% of world-class). Nonetheless, even amid such actions, it is likely that for most companies, cash balances will remain significantly higher than in prior years.

Figure 5. Which of the following actions are likely?



57%

ARE CONSIDERING MOVES TO CONCENTRATE ELEMENTS OF THEIR SHORT- TO MEDIUM-TERM INVESTING

COMPANIES SAY THEY ARE TAKING STEPS TO UPGRADE THEIR INVESTMENT OPERATIONS—BUT ARE THEY ENOUGH?

- 36% of financial executives say their companies are devoting more resources to investing short-term cash.

- 30% are implementing more-stringent reporting and controls.

- 28% are elevating the role of the investment manager.

- For various reasons, some control related, 57% are considering moves to concentrate elements of their short- to medium-term investing.

INSIGHT

As companies move away from more traditional cash investments (such as overnights and short-term, high-grade commercial paper) toward more-diverse and longer-term investments (like those above), they begin to function less like a traditional cash manager and more like a pension management operation. The question becomes: awash in cash and with investment strategies becoming more aggressive, are companies doing all they need to in order to manage heightened investment risks?

Though over two-thirds say they are reporting cash balances that are significantly greater than in prior periods, only 36% say, yes, they are devoting more resources to investing. Even fewer (30%) say they are implementing stricter controls, while fewer still (28%) are elevating the role of the investment manager or investing in improved analytics and reporting.

Certainly such executives are familiar with their company's pension management practices. Such assets are managed in a way to generate returns sufficient to meet specific future requirements. But such investment programs feature an array of policies and controls in accordance with heightened values, complexity and risk.

As short-term corporate cash balances rise and as companies invest in more types of instruments more aggressively, their short-term investment begins to take on characteristics of pension management. Accordingly, companies need to make certain the direction, safety and professionalism of their investment environment keeps pace. For most, this means revisiting all aspects of short-term investment, including:

- **Overall governance**
The institution of a formal organizational hierarchy or structure that is responsible for review of specific policy, control and program metrics.

- **Mission statement**
The CFO and CEO need to clearly describe the goals and objectives of any investment operation—and the board should review and approve.

- **Policies**
Specific rules should address issues such as risk tolerances, allowable instruments and maturities, acceptable counterparties and balance limits with each institution—to name just a few.

Figure 6. Steps being taken in pursuit of higher return include:

	World-class	Other than world-class
Devoting more resources to investing	39%	35%
Implementing more-stringent reporting/controls	36%	28%
Investing in more-sophisticated in-house analytics	31%	29%
Elevating the role of the investment manager	31%	27%
Elevating governance/oversight of short-term investing	28%	19%
Selecting banks able to provide sophisticated reporting	23%	23%

• **Objectives and metrics**
The objectives described in the mission statement need to be translated into specific short-, medium- and longer-term investment goals. In turn, performance of the investment team should be evaluated against clearly stated investment metrics.

• **Controls**
Companies need to precisely define their control environment. This includes everything from frequency and form of reporting to separation of duties and investment limits by individual. Policies should be communicated to all counterparties as an added layer of control.

It also bears noting that nearly three out of five financial executives say they are considering moves to consolidate key aspects of their investment operations. The most frequently cited motivations include consolidating balances to gain negotiating leverage and altering practices to take advantage of tax-efficient investing and withholding treaties. But companies also value the benefits of further concentration of investment expertise and the improvement of the control environment.

Harnessing technology

Companies should also do more to evaluate the capabilities of today's technologies. Such tools can not only improve investment returns but can also provide quantum improvements in planning, analysis and control. VMware, for example, has just implemented a sophisticated treasury management system. As Kobetsky explains, this is a set of tools "that centralizes processes and gives us better visibility into our cash and investments." The system further resides in the cloud, which Kobetsky says "makes this accessible to treasury staff in different regions." Moreover, she explains, with "significant efforts to build in redundancy," the risk of the system "going down" is greatly reduced.

Updating the control environment is also an area "where we've been very active," says VF's Guido. VF is both global, operating in 125 companies, and decentralized. Those in treasury are responsible for cash in multiple countries, across numerous subsidiaries, denominated in multiple currencies. Given this complexity, says Guido, "we have employed several new technologies to give us full visibility and control of our cash."

Companies should also do more to evaluate the capabilities of today's technologies. Such tools can not only improve investment returns but can also provide quantum improvements in planning, analysis and control.

It begins with a treasury workstation in both the U.S. and Europe. These workstations automate several tasks that used to be manual (using spreadsheets, email, phone, etc.), "including consolidating our cash across bank networks, investing cash and generating reports for our accounting group," says Guido.

Next, in the past two years, "we have implemented notional pooling for the vast majority of our foreign cash," says Guido. This system allows the company to consolidate all of its cash each day into a single currency that can be invested in one lump sum, increasing negotiating leverage and improving investment returns. "We consolidate close to $2 billion of cash flows daily through over 1,200 bank accounts around the globe in over 10 different currencies using notional pooling," says Guido.

Beyond the obvious improvement in overall investment operations, another key benefit of so much automation is the degree to which it allows treasury staff to focus on issues of greater strategic importance.

Finally, the company utilizes investment portals "that give us access to most types of investment alternatives permitted by our policy," says Guido. "Because everything you need is contained within the portal, you can select investments with just the click of a button and analyze the attributes of the consolidated cash investment portfolio." These electronic portals provide all the information needed to make an investment, in addition to handling all the tracking and associated reporting.

Beyond the obvious improvement in overall investment operations, another key benefit of so much automation is the degree to which it allows treasury staff to focus on issues of greater strategic importance. Day-to-day work is now so streamlined, says Guido, "we have freed up countless hours for treasury associates to tackle other issues and be more proactive in managing cash."

While VMware has chosen to invest internally to improve its control environment, other companies may prefer to look to external providers who can guide them in this effort. Outsourcing is an option for companies that don't want to or can't devote extensive internal resources to improving their system of governance and controls.

Toward world-class

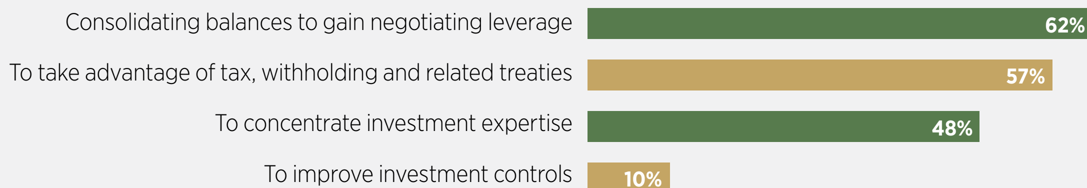
While the above steps are by no means exhaustive, this begins to describe the elements of a truly world-class investment operation. Those companies describing their investment operations as world-class should recognize all of the above elements and more. As for other companies, the question is, if cash balances are significantly greater than in the past and/or if their treasuries are pursuing greater return from short-term investing: have they taken a fresh and critical look at their mission statement, policies and controls?

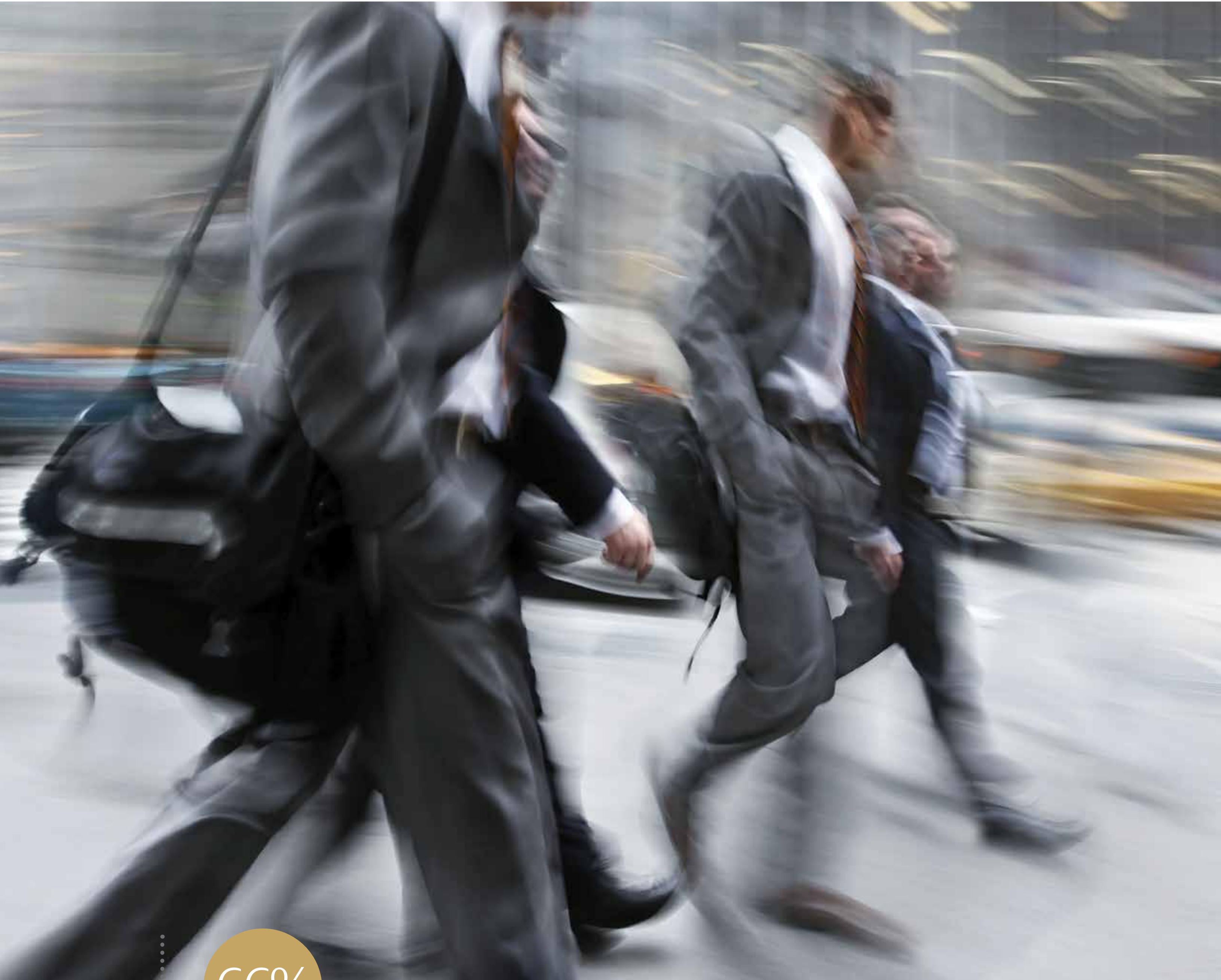
FORD'S "PREDICTIVE" CREDIT RISK RADAR

At Ford Motor Company, explains Eric Boehm, director, global banking and trading, a portion of the corporate cash portfolio is placed in short-term bank time deposits and corporate securities with exposure to investment-grade counterparties. So the team at Ford treasury partnered with the company's global analytics staff to develop an early warning radar that monitors the condition of global counterparties. The radar "is a statistical tool," says Boehm "that uses public market data—e.g., equity price, bid-to-offer spreads, investment volume, credit default swap spreads—to predict changes in a specific counterparty's health."

Figure 7. Why concentrate investment management?

Fifty-seven percent of executives say they are considering moves to further concentrate key aspects of their short- to medium-term investment. Key drivers include:





66%

COMPANIES THAT SAY THEY TOOK DRAMATIC STEPS TO CONSERVE CASH AND WORKING CAPITAL

IN TERMS OF WORKING CAPITAL MANAGEMENT, FINANCIAL EXECUTIVES SEEK TO ENSURE HARD-FOUGHT IMPROVEMENTS DO NOT GIVE WAY TO PRE-DOWNTURN BAD HABITS

- Following the downturn of 2008, two-thirds of companies, 66%, say they took dramatic steps to conserve cash and working capital.

- 83% of executives say such efforts were successful.

- Nearly a third, 31%, say it is likely their companies are no longer paying close enough attention to working capital management.

- 38% say it is likely that pre-downturn bad habits are returning.

INSIGHT

One of the primary drivers behind corporations being so awash in cash today is the degree to which, at the start of the downturn, emergency measures were put in place to conserve working capital. The most visible and painful of these "included layoffs, asset sales and downsizing," says the treasurer of a large consumer goods maker.

But companies also took less drastic but still important steps such as conducting audits of working capital practices and adding working capital metrics to performance frameworks. As the consumer goods treasurer again explains, "When the crisis was at its peak, we formed a task force to look at working capital practices across the board. When times are good, there's a tendency to let things slip, and definitely that was the case for us."

The fixes included closer examination of payment and receivables processes. In addition, the company hired an external consultant to assist with a top-to-bottom analysis of inventory levels and logistics. This in turn led to the consolidation of distribution as well as the outsourcing of a range of logistics processes.

A key finding of the analysis was that the crisis had significantly increased the company's supplier risks. That is, says the treasurer, "a number of those companies that we rely on for various products and services were facing severe duress." This was translating into both actual and potential problems such as non-compliance with production schedules or quality. The fix, says the executive, "was to consolidate the supply chain, keeping only the healthiest partners."

"When the crisis was at its peak, we formed a task force to look at working capital practices across the board. When times are good, there's a tendency to let things slip, and definitely that was the case for us."

—Treasurer of a large consumer goods maker

The crisis may be over, but according to the treasurer, "we're maintaining our tight focus on cash and working capital management." This means the company "is now operating under historically high margins, which in turn is driving our cash accumulation." His advice for others is that they take the needed steps to ensure that the lessons learned and improvements made during the downturn don't give way to old, bad habits.

NOW RISING: THE STRATEGIC VALUE OF TREASURY

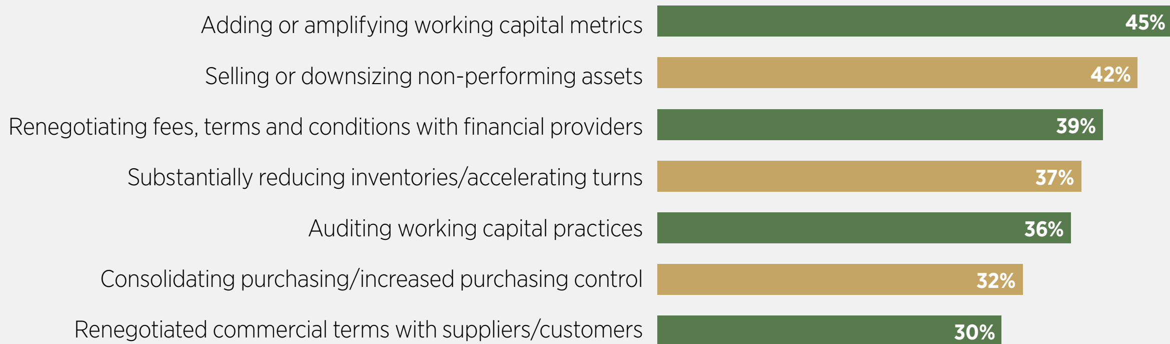
Sixty percent of financial executives say that the strategic value of treasury is increasing. This, no doubt, is driven at least to some degree by the role treasury plays in optimizing risk and return on today's comparatively larger cash balances. Note that among those self-described as world-class, those viewing the role of treasury as growing in strategic value rises to 74%.

This resonates strongly with those interviewed for this report. But as Kobetsky explains, "The key to adding strategic value in treasury is that not only do you have to understand your own company's cash flows, but you must be externally focused."

That means "paying attention to conditions in the marketplace and thinking about how that should be driving investment and operating decisions, capital structure, Capex, M&A or FX." These are areas where Kobetsky believes "we have to be a strategic partner and trusted advisor." Consequently, "it's my philosophy to invest in training and development for our people," plus to "pay close attention and learn from what other companies are doing."

Figure 8. Cash and working capital conservation: Spurred by the downturn

When the economy sank, steps companies took to improve working capital management included:



56%

WORLD-CLASS COMPANIES THAT USE MONEY MARKETS AS AN INSTRUMENT FOR INVESTMENT

CONCLUSION: NO TIME FOR COMPLACENCY

So—is your company managing more cash than prior to the downturn? Are you one of those companies seeking to extract greater return from such balances, perhaps sliding further out on the yield curve or expanding the range of permissible investment choices?

Or when it comes to working capital management—a key engine of operational cash conservation and optimization—are you allowing prior bad habits to reemerge?

Leading companies are enacting significant change within their treasury and investment operations. Amid so much change, it is not enough to simply hope or assume that your strategies, policies and control environment are in proper working order.

As the above research suggests, it may be time for a comprehensive review of your company's short-term investing. In particular, companies should revisit fundamental issues such as their mission statement, policies, investment objectives, performance metrics and control environment. As for overall cash and working capital management, executives should revisit all aspects of their operations, including commercial terms and inventories.

Treasury today can contribute significant value. It is up to each company to review and update which strategies are most appropriate for their specific circumstances. But recognize: new opportunities to create value abound.

ABOUT THIS SURVEY

This report is based on a global survey developed by Forbes Insights in conjunction with Northern Trust, a provider of investment services including asset and fund administration. The survey was completed by 374 senior financial executives in December 2014. Key demographics include:

- **Title:** CFO (16%), VP Finance (19%), Finance Director (25%), Treasurer (11%), Assistant Treasurer (5%), Senior Investments Manager (12%), Senior Treasury Manager (6%)
- **Respondent location:** US/Canada (28%), Europe (34%), Asia/Pacific (28%), Mexico/Latin America/ South America (10%)
- **Type of location:** Headquarters Treasury (70%), Regional Treasury (30%)
- **Annual sales of parent:** Over $20 billion (21%), $10 billion to $20 billion (20%), $5 billion to $9.9 billion (28%), $1 billion to $4.9 billion (32%)

To achieve an added layer of insight, Forbes Insights approached executives from eight leading companies and consultancies. We wish to especially thank the four quoted here:

- **Eric Boehm,** Director, Global Banking and Trading, Ford Motor Company
- **Patrick Guido,** Treasurer, VF Corporation
- **Tina Kobetsky,** Treasurer, VMware
- **Barbara Shegog,** Director, peer knowledge exchange, NeuGroup

APPENDIX

The survey provides an array of additional insights.

Figure 9. How often are group balances consolidated?

	World-class	Other
Intraday	28%	13%
Daily/overnight	35%	34%
Weekly	21%	32%
Monthly	10%	14%
Quarterly	6%	4%
As needed	1%	4%

Figure 10. What instruments do you use: Pre-downturn and today?

As for specific investments, pre- and post-2008, the survey shows very little in the way of significant changes to the specific types of investment vehicles.

	Prior to 2008	Today
Money markets	53%	49%
Government-issued medium-term bonds	45%	41%
Commercial paper	44%	41%
Government-issued short-term notes	41%	40%
Corporate-issued medium-term bonds	36%	40%
Individual stocks	36%	33%
Indexed securities	27%	25%
Options	25%	26%
Bank CDs	24%	21%
Swaps	23%	20%

Figure 11. World-class companies: What instruments are you using today?

Looking at today's investments, relative to others, world-class investors tend to be heavier users of each set of instruments.

	World-class	Others
Money markets	56%	47%
Government-issued medium-term bonds	53%	39%
Government-issued short-term notes	53%	37%
Commercial paper	49%	39%
Corporate-issued medium-term bonds	44%	39%
Individual stocks	40%	31%
Indexed securities	28%	24%
Swaps	28%	18%
Options	25%	26%
Bank CDs	25%	21%

Figure 12. World-class: Pre- and post-2008

Relative to 2008, world-class investors are pruning the types of instruments in which they invest:

	Prior to 2008	Today
Money markets	63%	56%
Government-issued short-term notes	63%	53%
Government-issued medium-term bonds	60%	53%
Commercial paper	53%	49%
Corporate-issued medium-term bonds	49%	44%
Individual stocks	42%	40%
Indexed securities	36%	28%
Swaps	31%	28%
Options	29%	25%
Bank CDs	29%	25%

Figure 13. Aggressive investors: What do you invest in today?

For those saying they are becoming more aggressive with their investing, the trend is reversed—this group is using a wider variety of instruments.

What do you invest in today?	World-class	"Aggressive"*
Commercial paper	49%	69%
Money markets	56%	58%
Government-issued short-term notes	53%	51%
Corporate-issued medium-term bonds	44%	49%
Government-issued medium-term bonds	53%	40%
Options	25%	40%
Individual stocks	40%	33%
Indexed securities	28%	29%
Swaps	28%	22%
Bank CDs	25%	22%

**Those self-described as "becoming more aggressive" in their investments management.*

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