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# DAVIS HAMILTON JACKSON & ASSOCIATES

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## **Fourteenth Annual National Pension and Institutional Investor Summit**

*“Fixed Income – How to avoid disaster”*

*December 4, 2008*

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**ACTIVE  
ASSET  
MANAGEMENT**  
IMPLEMENTING A PHILOSOPHY  
& STYLE FOR OVER 25 YEARS

# CRISIS

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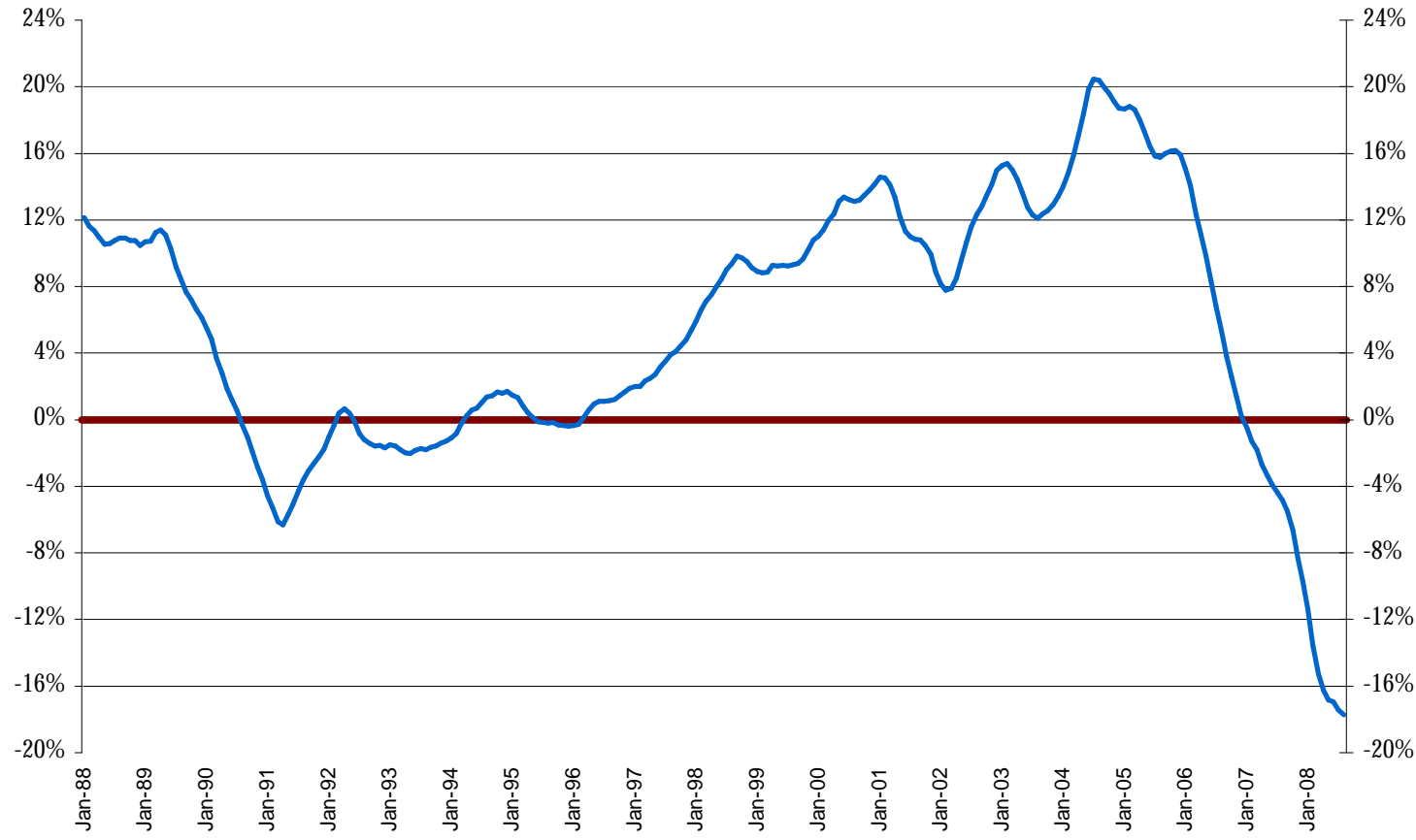
A time of danger

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A time of opportunity

# Falling Home Prices

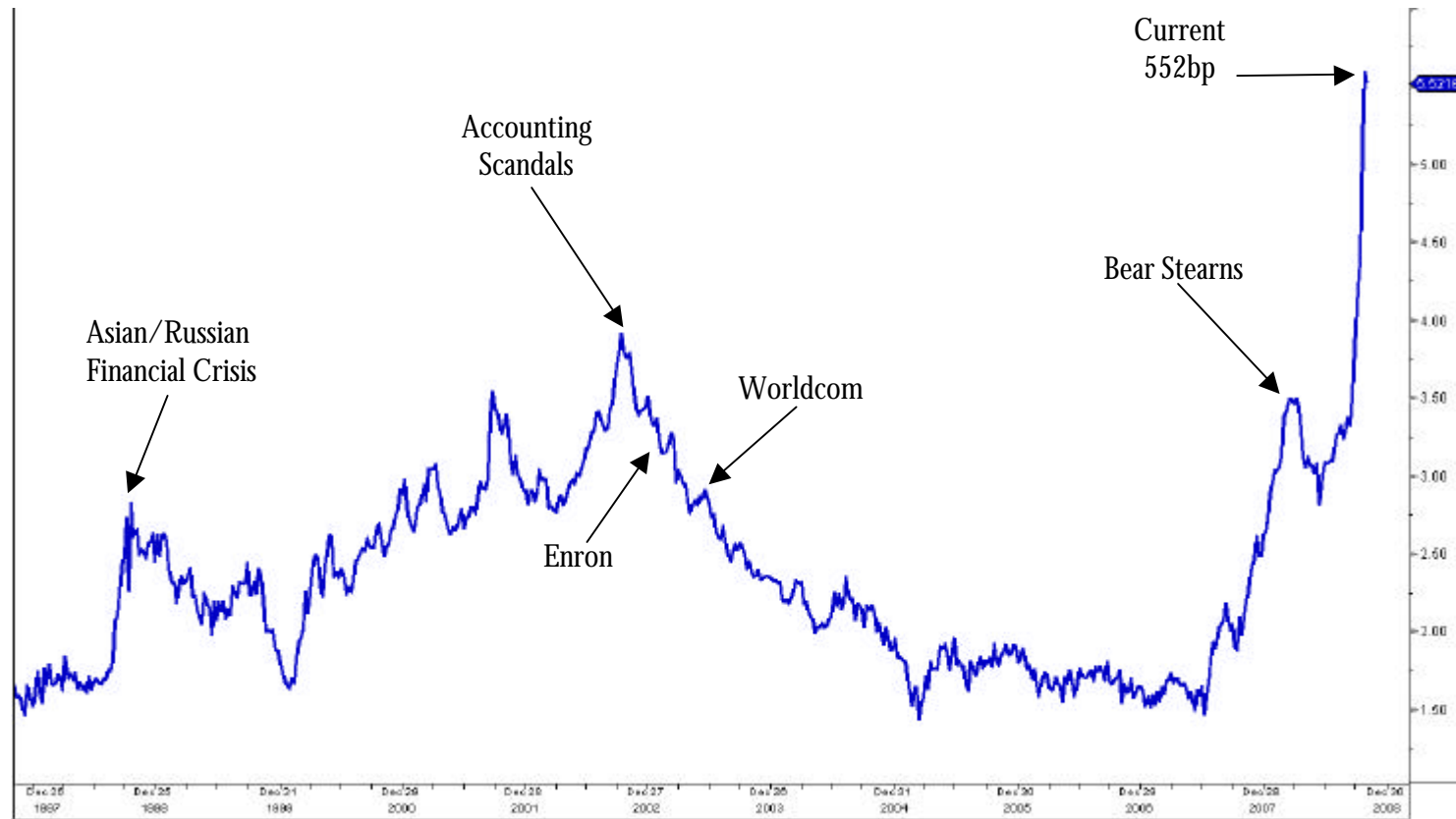
S & P/Case-Shiller Home Price Indices



Source: Standard & Poor's, Fiserv

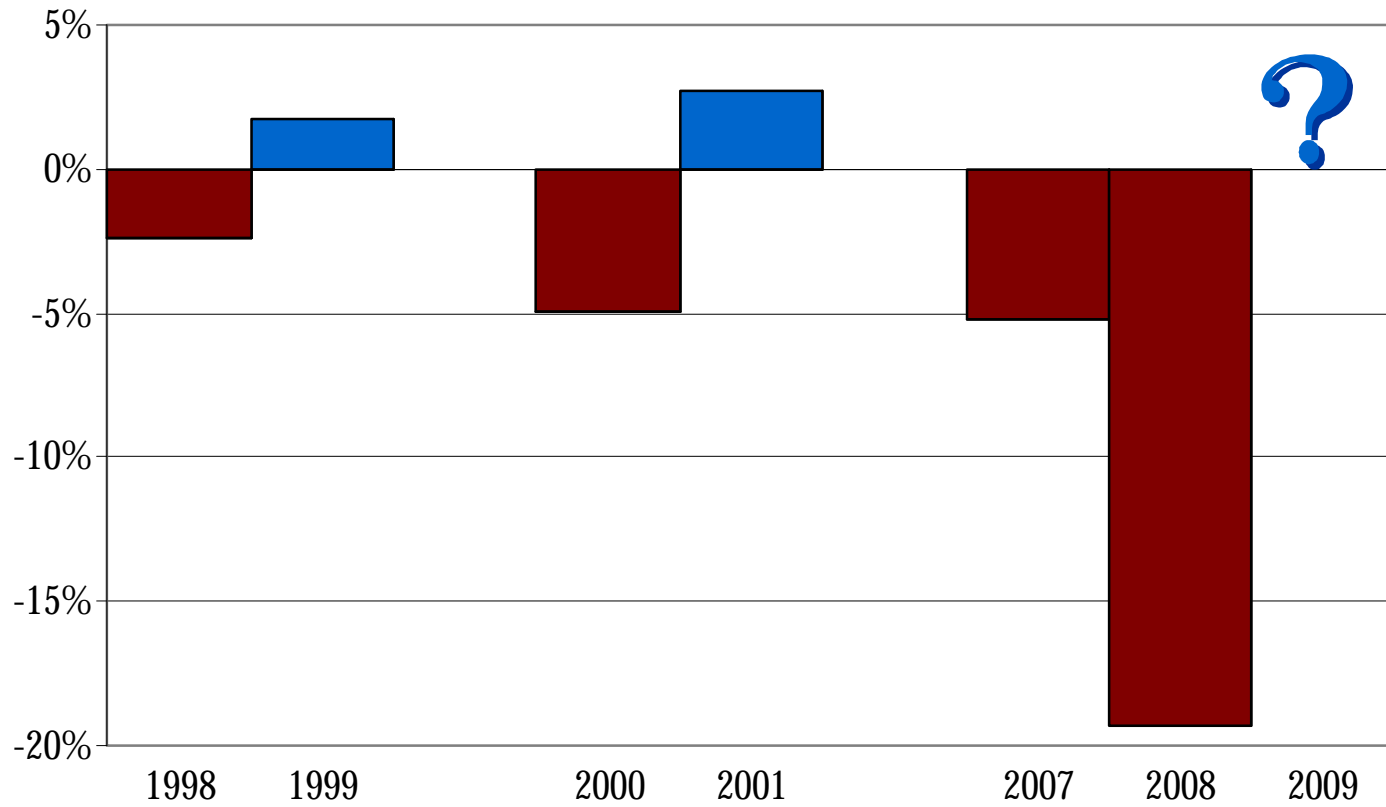


# Corporate Bond Spreads



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# Excess Returns for Corporate Sector



Source: LehmanLive

# Potential Opportunity

<b>Total Return Analysis - 10 Year Finance Bond</b>		
<b>Spreads</b>	<b>1 year</b>	<b>6 months</b>
-150	17.68%	28.70%
-300	27.61%	51.60%

# Government Policy Actions

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- **Commercial Paper Funding Facility (CPFF)**
  - *Provides liquidity to term funding markets*
- **Troubled Asset Relief Program (TARP)**
  - *Treasury purchases up to \$700B in troubled assets*
  - *Federal Reserve pays interest on excess reserve balances*
- **Term Auction Facility (TAF)**
  - *Auction term funds to depository institution*
- **Primary Dealer Credit Facility (PDCF)**
  - *Federal Reserve Bank of New York provides overnight funding to primary dealers*
- **Term Securities Lending Facility (TSLF)**
  - *Lend Treasury securities for up to 28 days*
- **Worldwide Rate Cuts**