
*Fourteenth Annual National Pension and
Institutional Investor Summit*

“Fixed Income – How To Avoid Disaster”

Panel Discussion

December 4, 2008





Baptist Foundation of Texas

- Founded in 1930
- Manage endowment and planned giving assets for Baptist institutions – Higher Education, Healthcare and Childcare institutions, and Churches
- \$2 billion in assets under management

Fixed Income – How To Avoid Disaster

- Massive deleveraging in the global capital markets is forcing all asset prices down – Riskier assets take larger discounts
- Asset fundamentals don't matter in distressed environment – All spread sectors have lost money
- Spreads to treasuries across all risk sectors have widened to historic levels – 90 day Treasury has traded at yields of 0%
- Through November 30th, aggregate bond index is up 1.5% YTD – Not a *disaster* compared to global equity down 44.0%

Fixed Income – How To Avoid Disaster

- Investment Policy and Guideline compliance
 - Meaningful diversification of portfolio holdings
 - Higher quality
 - Portfolio duration limits
- Avoid leveraged strategies, especially illiquid assets
- Diversify and manage counterparty exposure associated with derivative securities
- Where possible, avoid selling in volatile environment –
Can't be sure of any price

Fixed Income – How To Avoid Disaster

Issues

- Liquidity to meet payout obligations
- Compliance with rebalancing policies – Fixed income allocations are probably overweight to policy targets
- Is there a Treasury “bubble”?
- Risk Management/Control