



Talk to Your Portfolio Manager

As Mitch explains in his [blog article](#), fiduciaries must understand the impact of the European debt crisis on their portfolios. Turns out, this is a lot easier said.

I decided to try and test this out on a large institutional money market fund provided by a well known custodian. So I asked the relationship manager at this custodian to send me the characteristics of the fund. First off, I was surprised to see that they sent me information as of 6/30/11. Was this really the most current data? I requested this information last week. Hopefully, on the institutional side of the business fiduciaries are asking for and getting more timely information and data. Second, with respect to the portfolio characteristics, the fund literature only provided the following:

Commercial Paper 38.6%
Variable Rate Bonds 22.5%
Repos 2.1%
Bank Instruments 36.8%

How helpful is this? Not terribly. Technically the fund could have 100% exposure to European debt, or it can have 0%. This information is practically useless in this context.

Since the money fund's portfolio characteristics were not terribly helpful, one would think that the listing of the top ten issues would shed some light on the subject. Wrong again. The top ten holdings were mostly larger multinational corporations. One might assume, that fundamentals are strong for US banks and corporations — therefore, no European problems. Wrong



again. A couple of large US banks, such as JP Morgan were on the list. As Mitch suggested, these banks might have the most complicated exposures in the marketplace given their various business lines and intricate network of trading partners.

I thought that I posed a straightforward question. It turns out, however, that a lot of the information being given to customers, while not wrong, is certainly not responsive to the European debt crisis.

In this environment customers need a sector breakdown, as well as specific statements from the portfolio manager about the European Debt exposure. Absent being a bank financial analyst there is no better mechanism to determine a fund's exposure to European debt than asking good direct questions.

In the retail market it is very difficult to obtain more specific information. The mass marketing of mutual funds inhibits customized responses to questions.

For institutional fiduciaries, however, it is a whole different story. Frankly, there are few excuses. Plan fiduciaries need to meet with their money market providers. And, don't settle for meetings with client service or relationship managers. Talk to the portfolio manager who is actually responsible for your portfolio. Then pose the simple question: "What's the portfolio's exposure to European Debt?"

Believe me, the managers know the answer to this question!