



Fiduciary Responsibilities In A Rising Rate Environment

SC GFOA

April, 30 2018



SC GFOA Discussion Topics:

- I. Introduction to FinTrust Capital Partners, LLC
- II. Who is a Fiduciary
- III. Fiduciary Basics – The Prudent Man v. Prudent Expert Rule
- IV. Fiduciary Concepts In S.C. Code
- V. Market Pricing v. Money Markets
- VI. Yield Example
- VII. Conclusion/Action Items
- VIII. Disclaimer

FINTRUST™
CAPITAL ADVISORS



Part I:

Introduction to FinTrust Capital Partners, LLC



Introduction to FinTrust Capital Advisors, LLC:

FinTrust Capital Partners, LLC is headquartered in Greenville, SC, has 35 employees, and has a heavily credentialed team including, Accredited Investment Fiduciaries (AIF), Chartered Financial Analysts (CFA), Certified Financial Planners (CFP), Certified Public Accountants (CPA), and investment professionals with decades of experience.

FinTrust Capital Advisors, LLC provides fiduciary investment advisory services including discretionary money management for municipalities' investments and or their bond proceeds.

For those who wish to manage their portfolios internally, FinTrust Brokerage Services, LLC, provides expertise, analytics and insight to help them achieve their investment goals.



Our Corporate & Institutional Services:

INVESTMENT MANAGEMENT

Tax Efficient Strategies | Custom Portfolios | Income Focused Strategies

FIDUCIARY & INSTITUTIONAL CONSULTING

Asset Allocation | Strategy Diversification | Manager Selection | Strategic Planning

RETIREMENT PLAN CONSULTING

Fiduciary Consulting Services 3(38) or 3(21) | Employee Education & Right Path Planning | Online Asset Allocation Planning Tools | Investment Policy Design | Fund Selection & Performance Review | Fee Benchmarking

RESEARCH & CAPITAL MARKETS

Equity Research | Fixed Income Research | Capital Introduction | Cash Equity Trading | Fixed Income Portfolio Optimization | Cash Foreign Exchange | Physical Metals | Securities Lending



Our Team:

- 20+ professionals with industry leading credentials
 - Accredited Investment Fiduciary®
 - Chartered Financial Analyst®
 - Certified Financial Planner™
 - Certified Behavioral Finance Analyst
 - Certified Public Accountant
- Multiple locations throughout South Carolina and the Southeast



Allen Gillespie, CFA®
Partner



Chip Hardy, AIF®, CBFA
Senior Vice President
Fiduciary Consultant



Scott Soltau
Senior Vice President
Capital Markets



Will Kibler
Vice President
Investment Advisor

FINTRUST™
CAPITAL ADVISORS



Part II:

Who is a Fiduciary?



Who is a Fiduciary?

Someone who is managing the assets of another person and stands in a special relationship of trust, confidence, and/or legal responsibility.

A fiduciary is a person to whom property or power is entrusted for the benefit of another.





How Does One Fulfill a Fiduciary Duty?

Process & Documentation

- Duty of Care – “informed business decisions.”
- Duty of Loyalty – “not permitted to use position of trust to further private interests.”
- Duty of Good Faith – “advance the interests of the corporation”
- Duty of Disclosure – “disclose all the materials facts and information.”
- Duty of Prudence – ***



Part III:

Fiduciary Basics – The Prudent Man v. Prudent Expert Rule



Prudent Man/Expert Rule

Dictates that a fiduciary manage a portfolio with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.





Prudent Man/Expert Rule

The prudent man rule, written by Massachusetts Justice Samuel Putnam (1768-1853), directs trustees

*"to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, **considering the probable income**, as well as the probable safety of the capital to be invested."*



FINTRUST™
CAPITAL ADVISORS



Part IV:

Fiduciary Concepts In S.C. Code



Summary of Investment Statutes:

CHAPTER 5

Investment of Funds by Political Subdivisions

SECTION 6-5-10. Authorized investments by political subdivisions.

(a) The governing body of any municipality, county, school district, or other local government unit or political subdivision and county treasurers may invest money subject to their control and jurisdiction in:

(1) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

(2) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(3)(i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

(4) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

(5) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

(6) Repurchase agreements when collateralized by securities as set forth in this section.

(7) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.



Summary of Investment Statutes:

- Federal Treasury Securities
- U.S. Agency Securities
- South Carolina G.O. & Revenue Securities
- S&L Accounts Insured by Federal Government
- Collateralized Certificates of Deposits
- Collateralized REPO
- Government agency money market funds
- LGIP – operated by the State Treasurer



Statutes Designed to Address Three Key Elements

Yield

Fiduciary responsibility requires that funds be prudently invested.

Safety

Statute limits investments to highest credit quality instruments.

Liquidity

Statue limits investments to funds in excess of operating need.

FINTRUST™
CAPITAL ADVISORS



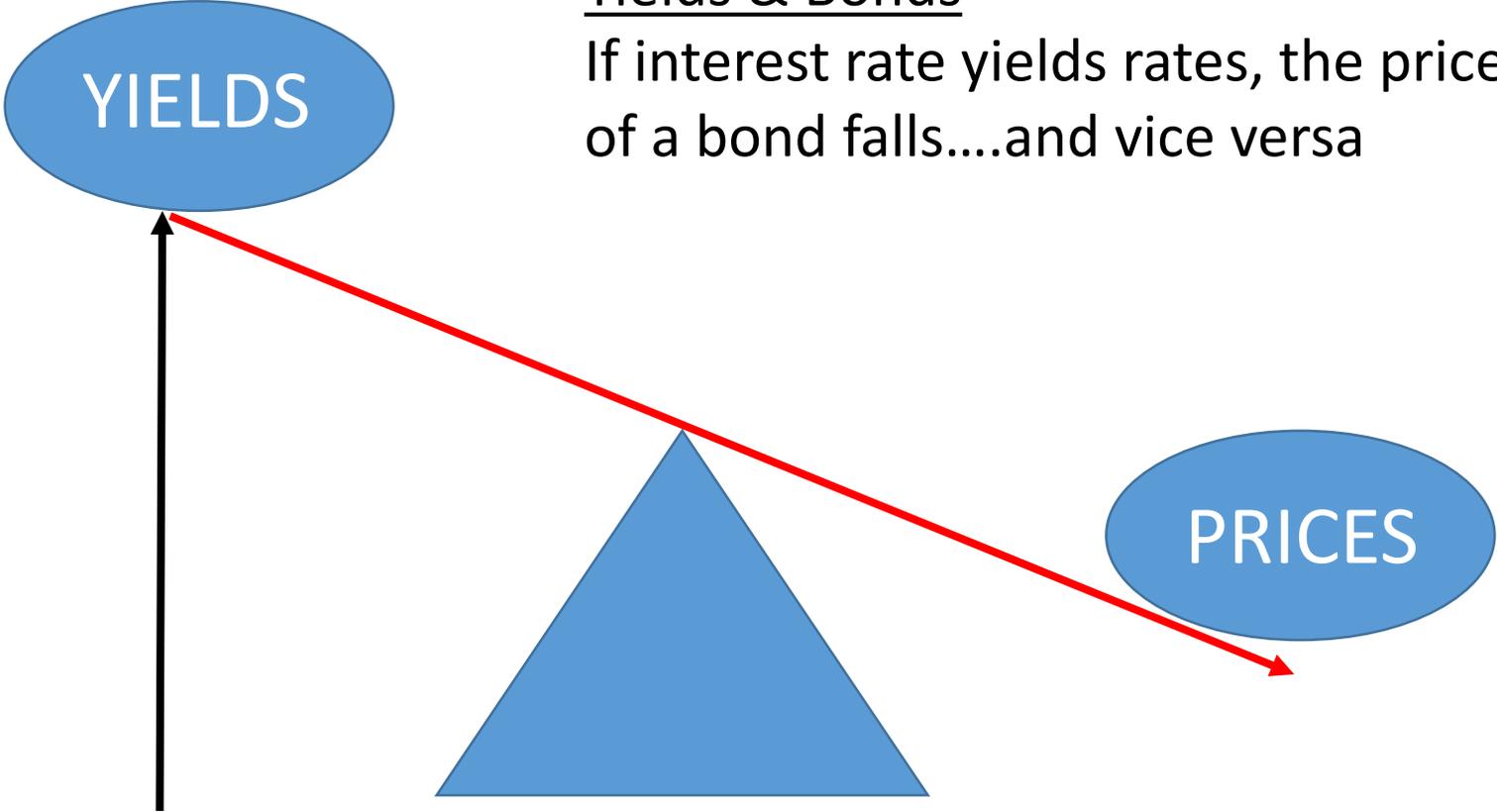
Part V:

Market Pricing v. Money Markets

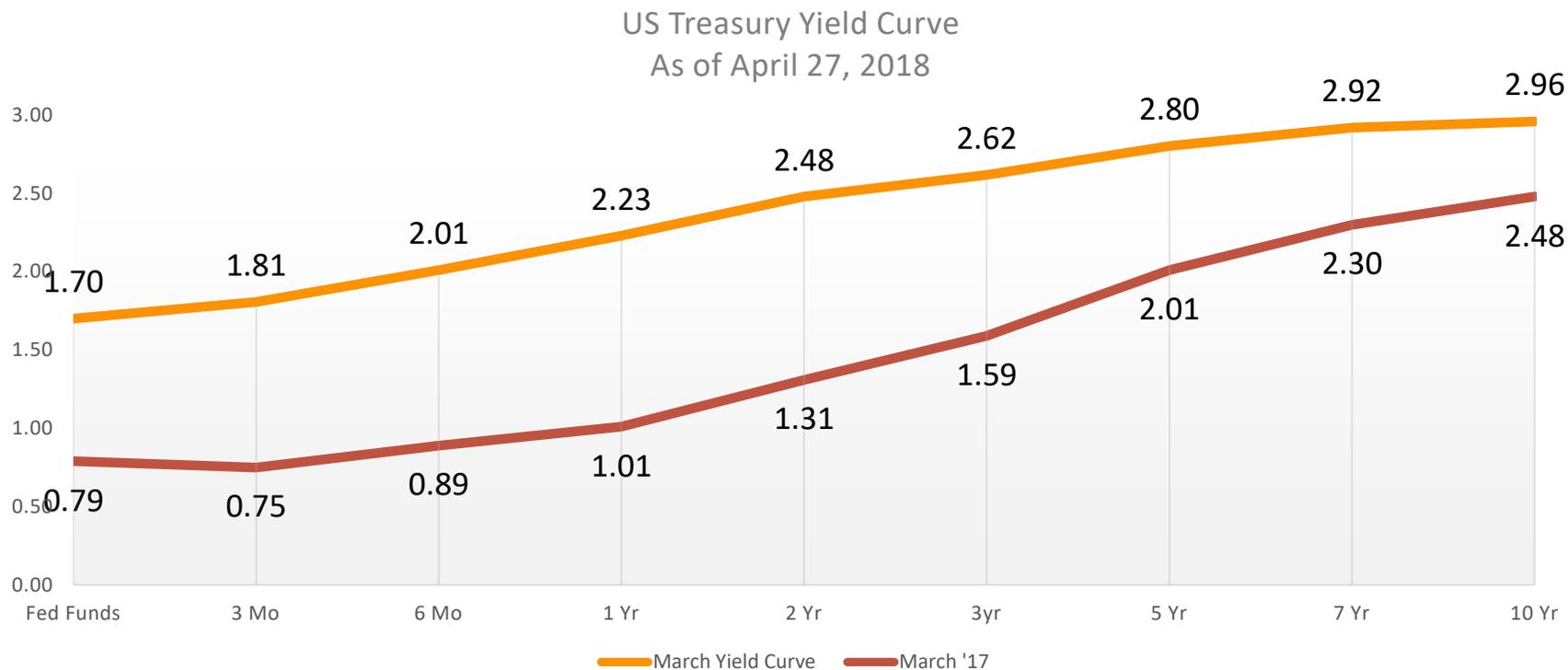
Fiduciary Prudence in a Rising Rate Environment:

Yields & Bonds

If interest rate yields rates, the price of a bond falls....and vice versa



The curve flattened during 4Q17 as the Fed continues to raise short term rates:

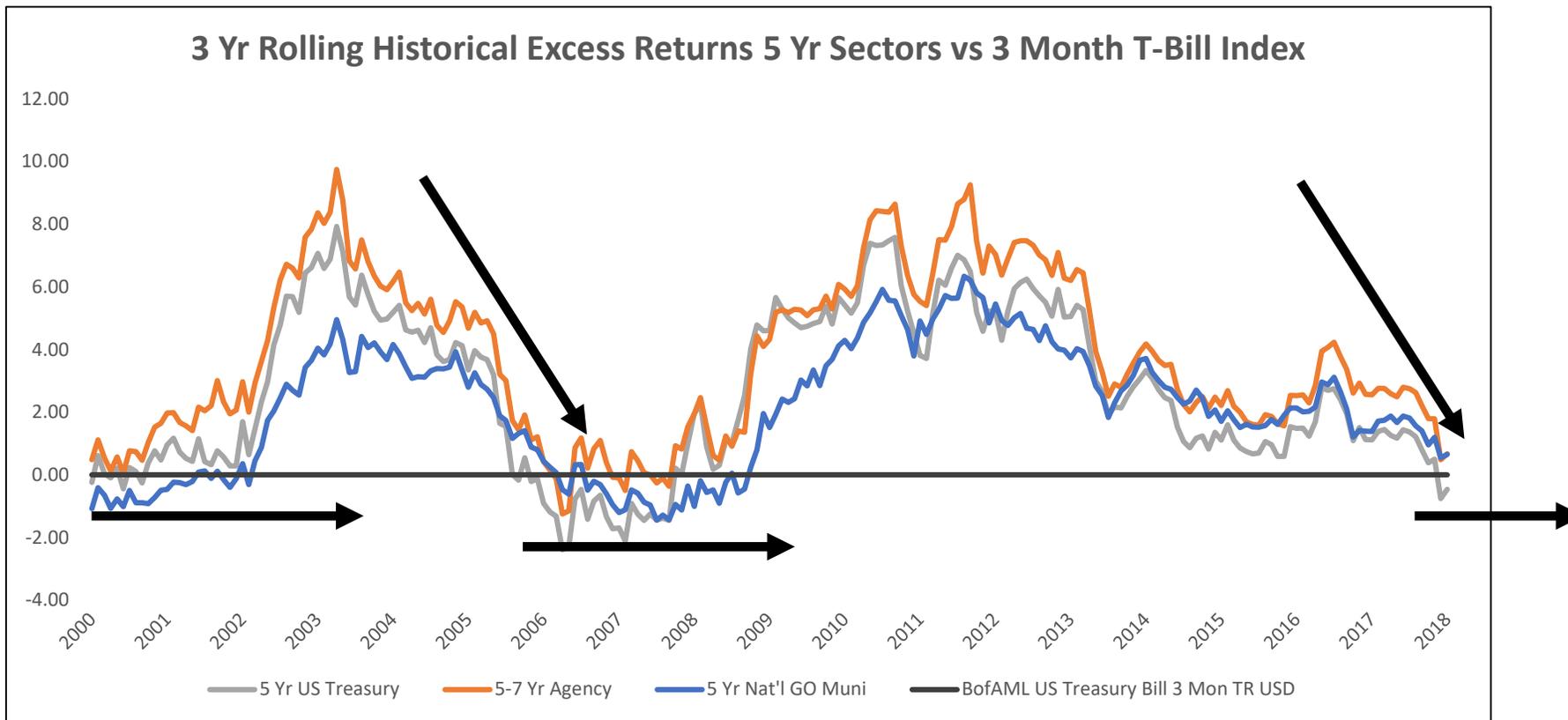


The yield curve has risen 75-100 bps over the last year and remains steep on the front end of the curve as the market prices in Federal Reserve rate hikes. Pooled money market fund accounts generally lag market rates in a rising rate environment.

Source: St. Louis Federal Reserve Economic Data (FRED)



3 Yr Rolling Historical Excess Returns 5 Yr Sectors vs 3 Month T-Bill Index:



FINTRUST™
CAPITAL ADVISORS



Portfolio & Performance: Market Rates, March 31, 2018

Tenor	Treasury		Agency		SC Muni	
6 Mo	H15T6M INDEX	1.86%	bvcsug6m index	1.87%	BMSTSC6M index	1.31%
1 Yr	H15T1Y INDEX	2.07%	bvcsug01 index	2.07%	BMSTSC01 index	1.36%
2 Yr	H15T2Y INDEX	2.25%	bvcsug02 index	2.32%	BMSTSC02 index	1.56%
5 Yr	H15T5Y INDEX	2.65%	bvcsug05 index	2.72%	BMSTSC05 index	1.99%
7 Yr	H15T7Y INDEX	2.80%	bvcsug07 index	2.93%	BMSTSC07 index	2.22%
10 Yr	H15T10Y INDEX	2.87%	bvcsug10 index	3.14%	BMSTSC10 index	2.54%

LGIP Rates	2016	2017	2018
January	0.57	0.90	1.35
February	0.63	0.92	1.44
March	0.70	0.97	1.68
April	0.67	1.01	
May	0.69	1.01	
June	0.70	1.07	
July	0.71	1.08	
August	0.70	1.06	
September	0.78	1.08	
October	0.77	1.10	
November	0.78	1.12	
December	0.86	1.24	

Source: Bloomberg & SC Treasurer Website

FINTRUST™
CAPITAL ADVISORS



FINTRUST™
CAPITAL ADVISORS



Part VI:

Yield Example

FinTrust Capital Advisors Short Treasuries vs LGIP Income Comparison - April 24, 2018:

Maturity	# of Months	Yield*	Wtd Yield	Amount	Annualized Income	Wtd Months	Wtd Amount
Oct-18	6	1.996	0.6653	\$ 10,000,000	\$ 199,600	2.000	0.333
Jan-19	9	2.200	0.7333	\$ 10,000,000	\$ 220,000	3.000	0.333
Apr-19	12	2.276	0.7587	\$ 10,000,000	\$ 227,600	4.000	0.333
Totals				\$ 30,000,000	\$ 647,200		1.000
Total Wtd Averages			2.157			9.00	
Latest LGIP Yield	Mar-18		1.68		\$ 504,000		
Additional Yield in Basis Points			48				
% Yield Pickup			28%				
Additional Annual Income**					\$ 143,200		
Projected 30 Day Income Benefit					\$ 11,933		

*source Bloomberg L. P. (US)

**assumes static LGIP rate

FINTRUST™
CAPITAL ADVISORS





Part VII :

Conclusion / Action Items



Conclusion & Action Items:

- FinTrust, as both an Investment Advisor and Broker Dealer is able to help with portfolio management as well as the investment of bond proceeds.
- We can demonstrate various income enhancing strategies that didn't exist last year.
- We can review your existing portfolio and make observations on diversification and yield opportunities.
- Analyze your portfolio and consider allowing a money manager to help you better fulfill your fiduciary duty by maximizing yield within your restricted investments.
- This is a conversation we are having with regional municipalities and FA's. We will follow up and see how we can help you.

FINTRUST™
CAPITAL ADVISORS



Part VIII :

Disclaimer



This presentation has been prepared by **FinTrust Capital Advisors, LLC** (together with its subsidiaries and affiliates, collectively “FCA”) for the exclusive use of recipient (“Recipient”) using publicly available information. FCA has not independently verified the information contained herein, nor does FCA make any representation or warranty, either express or implied, as to the accuracy, completeness or reliability of the information contained in this presentation. Any estimates or projections as to events that may occur in the future are based upon the best judgment of FCA from publicly available information as of the date of this presentation. Nothing contained herein is, or shall be relied upon as, a promise or representation as to the past or future. FCA expressly disclaims any and all liability relating or resulting from the use of this presentation.

This presentation has been prepared solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. All securities are offered through **FinTrust Brokerage Services, LLC** Member FINRA|SIPC. The Recipient should not construe the contents of this presentation as legal, tax, accounting or investment advice or a recommendation. The Recipient should consult its own counsel, tax and financial advisors as to legal and related matters concerning any transaction described herein. This presentation does not purport to be all-inclusive or to contain all of the information which the Recipient may require. No investment, divestment or other financial decisions or actions should be based solely on the information in this presentation.

This presentation has been prepared on a confidential basis solely for the use and benefit of the Recipient. Distribution of this presentation to any person other than the Recipient and those persons retained to advise the Recipient is unauthorized. This material must not be copied, reproduced, distributed or passed to others at any time without the prior written consent of FCA.