2017 AFP

Liquidity Survey

REPORT OF SURVEY RESULTS

AFP ASSOCIATION FOR FINANCIAL PROFESSIONALS

Underwritten by

STATE STREET GLOBAL ADVISORS

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July 2017

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ASSOCIATION FOR FINANCIAL PROFESSIONALS

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Dear Corporate Practitioner/Financial Professional:

State Street Global Advisors (SSGA) is pleased to once again partner with the AFP to sponsor the 2017 Liquidity Survey. This research continues to provide critical insights to the challenges we face as financial professionals in navigating the seminal shifts in the geopolitical, interest rate, and regulatory landscapes in the context of cash management. While the SEC's Money Market Fund Reform implementation has been officially completed in the U.S., the second half of 2017 continues to be one of the most formative periods in the industry's history. We are eager and ready to support your organization as you work towards achieving your financial goals and beyond.

It is clear from the results that treasurers continue to place the highest priority on the safety of their organizations' cash and short-term investments. This investment objective remains paramount as capital preservation is as important as ever given the complex macroeconomic picture and global political uncertainty.

A final takeaway from the study is the degree to which treasurers truly rely on their cash management partners for market expertise and support, as well as investment execution. SSGA has been privileged to nurture this type of relationship with many institutions and organizations over the last several decades.

Regardless of which way the markets turn and what strategy and solutions you choose to reach your goals, SSGA is here to help. Our 30+ years serving institutional investors in addressing their needs in the short-term liquidity space underscores our commitment to thought leadership, collaboration and client-centric innovation.

I hope you find the 2017 Liquidity Survey helpful to your organization as we continue to grow as an industry. We look forward to working together with you in 2017 and for many years to come.

Sincerely,
Yeng Felipe Butler
Global Head of Cash Business

www.ssga.com/cash

Introduction

Since April 2016, signs of economic recovery in the U.S. have been encouraging: wages have inched upward, job growth generally steady and consumer spending on the rise. In January, a new presidential administration and its promises of a business-friendly agenda had business leaders optimistic for the first time in many months. (See *AFP 2017 Corporate Cash Indicators®, January 2017*.)

But that optimism was short-lived. A number of geopolitical events—U.S. actions in Syria, a volatile situation with North Korea and postponement of corporate tax reform—resulted in organizations continuing to accumulate their cash while holding back on outlays. While consensus forecasts as of May 2017 suggested the U.S. economy would continue to grow, the overall outlook called for tepid growth.

The global economy, too, faced—and continues to face—severe headwinds. The summer of 2016 began with the United Kingdom's decision to exit the European Union. Following that unexpected Brexit vote was a year of contentious political campaigns in several European countries, all of which did nothing to invigorate an already sluggish global economy.

Still, treasury and finance professionals remain cautiously optimistic. Safety is still of the utmost importance to them. Despite encouraging signs from the Federal Reserve—particularly the Federal Open Market Committee's decisions to gradually raise short-term interest rates—organizations' investment policies are still not focused on yield. Indeed, a general feeling of apprehension is reflected in companies' heavy reliance on bank deposits as their investment vehicles of choice: 53 percent of all corporate cash holdings are still maintained at banks. That is slightly lower than the 55 percent reported last year.

With the final stage of money fund reform implementation in October of 2016, investor sentiment was leaning towards stable NAV—net asset value—money market funds. As a result, the market saw a massive shift of balances from prime funds to government or Treasury-backed funds. Floating NAVs, along with gates and fees, did not sit well with corporate treasurers who needed to provide preservation of principal and liquidity in an environment where yield is not a priority. The Investment Company Institute (ICI) reported that government money market funds received \$851 billion of inflows in 2016, while prime and municipal money market funds accounted for \$881 billion of outflows.[1]

To examine current and emerging trends in organizations' cash and short-term investment holdings, investment policies and strategies, the Association for Financial Professionals® (AFP) conducted its 12th annual *Liquidity Survey* in April 2017. The survey generated 683 responses which are the basis of this report. Results from this survey will provide treasury and finance professionals with critical benchmarks on short-term investment holdings and strategies.

AFP thanks State Street Global Advisors (SSGA) for underwriting the 2*017 AFP Liquidity Survey*. The Research Department of AFP designed the survey questionnaire, analyzed the survey results and produced the report and is solely responsible for its content.

[1] www.icifactbook.org

Holdings of Cash and Short-term Investments/Securities

Past 12 Months[2]

A tepid economic recovery and uncertainty about future business and regulatory conditions have contributed to a business outlook mired in caution. This view is shaping organizations' cash and short-term investment decisions. One-third of finance professionals report an increase in their organizations' cash holdings within the U.S., and 51 percent indicate no significant change; 18 percent report a decrease. These results are comparable to those in the *2016 AFP Liquidity Survey* in which 33 percent of finance professionals reported an increase in U.S. cash holdings and 47 percent indicated cash balances were maintained.

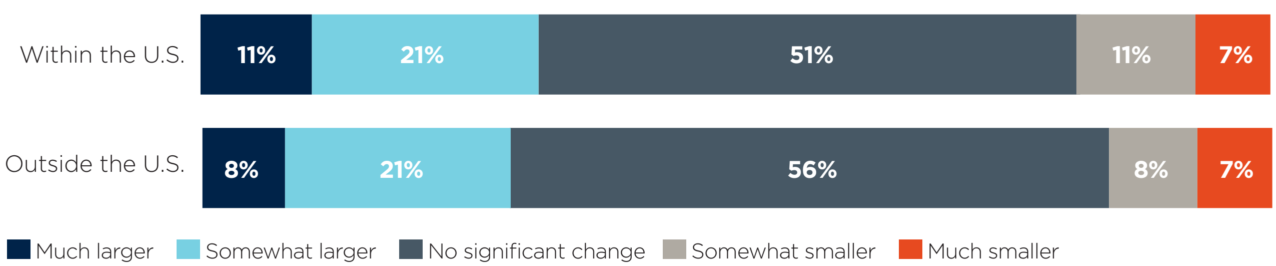
Fifty-six percent of finance professionals indicate that in the past 12 months their organizations' investments outside the U.S. were unchanged—comparable to the 58 percent reported last year. Of those organizations with non-U.S. cash holdings, a larger share of organizations increased their cash holdings compared to the share that decreased them (29 percent versus 15 percent). These results are, again, similar to those in 2016 when 27 percent of organizations increased balances outside the U.S. while only 15 percent decreased balances.

The *2017 AFP Liquidity Survey* results reveal that year-over-year changes in cash and short-term investment balances are similar across key organizational demographics. But there are some differences. Organizations that are net investors are more likely than net borrowers to have increased their cash holdings in the past year (44 percent versus 31 percent).

It is important to note that variations in cash holdings often depend on current economic conditions. As companies weigh their business prospects against business environment uncertainty, they may build up cash balances awaiting better economic conditions and/or an appropriate growth opportunity, thus creating fluctuations in cash holdings.

32% of finance professionals report an increase in their organizations' cash holdings within the U.S. in the past 12 months

Change in Cash and Short-Term Balances in the Past 12 Months: U.S. and Non-U.S. Cash Holdings
(Percentage Distribution of Organizations with Cash and Short-Term Investments Inside and Outside the U.S.)



Over 60 percent of organizations hold some amount of cash outside of the U.S.—slightly less than the 64 percent that reported the same last year. The share increases to 78 percent for publicly owned organizations; 38 percent of these companies hold at least half of their cash outside the U.S. Two-thirds of large organizations—those with at least $1 billion in annual revenue—hold cash outside the U.S. versus just over half of organizations with annual revenue under $1 billion that do so. This difference may reflect what is more typical of larger, publicly owned companies that are more likely to invest in emerging markets than are smaller organizations.

[2] From April 2016 to April 2017

Percent of Organizations' Cash and Short-Term Investments Currently Outside the U.S.
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Zero percent	37%	46%	33%	35%	42%	43%	30%	22%	39%
Less than 10 percent	19	15	20	17	20	17	22	19	19
10-24 percent	9	9	8	9	7	8	9	10	9
25-49 percent	10	8	10	7	11	8	10	12	9
50-74 percent	10	6	13	13	8	10	11	16	9
At least 75 percent	16	15	16	19	12	15	18	22	13

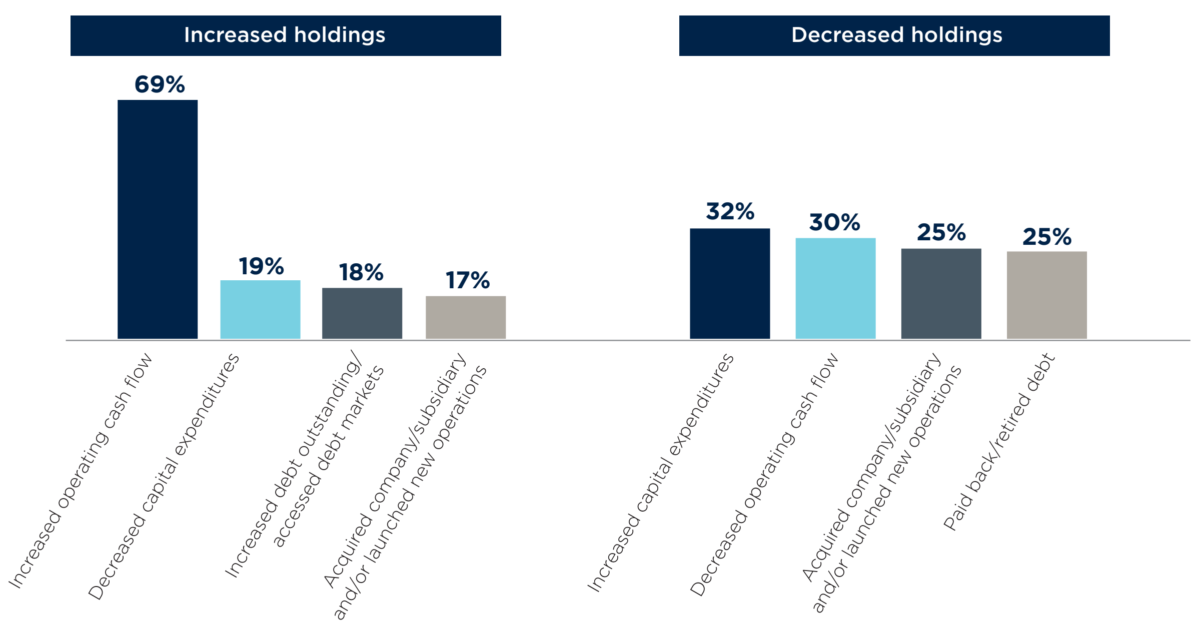
A few factors account for much of the change in overall cash balances, with one—operating cash flow—particularly important. Similar to results in previous surveys, this year's results also suggest organizations that increased their cash holdings in the past 12 months did so because they were generating higher operating cash flow (cited by 69 percent respondents). That share is larger than the 64 percent of finance professionals who reported the same in last year's survey and slightly lower than the 72 percent who did so in 2015. The next most commonly cited causes are decreased capital expenditures (19 percent), increased debt outstanding/accessed debt markets (18 percent) and acquired company/subsidiary and/or launched new operations (17 percent).

63% of organizations hold some amount of cash outside the U.S.

For those organizations that had smaller cash holdings compared to a year ago, the key reasons for the reduced cash holdings include:

- **Increased capital expenditures** (cited by 32 percent of respondents)
- **Decreased operating cash flow** (30 percent)
- **Acquired company/subsidiary and/launched new operations** (25 percent)
- **Paid back/retired debt** (25 percent)

Leading Causes of the Net Change in Organizations' Cash Holdings in the Past 12 Months
(Percent of Organizations with Increased or Decreased Cash Holdings in the Past 12 Months)



Next 12 Months[3]

Nearly 60 percent of finance professionals anticipate that their organizations will maintain current levels of cash balances over the next 12 months. A larger share of survey respondents indicates their organizations are likely to see cash balances increase over the next year rather than decrease: 24 percent of respondents anticipate their organizations will grow their cash balances over the next 12 months while 17 percent expect their companies' cash balances to contract. For comparison, in 2016, 55 percent of survey respondents reported cash balances at their organizations would remain unchanged over the ensuing 12 months, while 25 percent anticipated an increase and the remaining 20 percent believed their cash balances would decrease.

The expected growth of cash and short-term investment balances in the next 12 months is fairly consistent across organizational categories. Expected changes in cash holdings reflect underlying fluctuations in business outlook and operations. Changes in cash balances can also reflect merger and acquisition activity, capital expenditures, share repurchases and possible dividends.

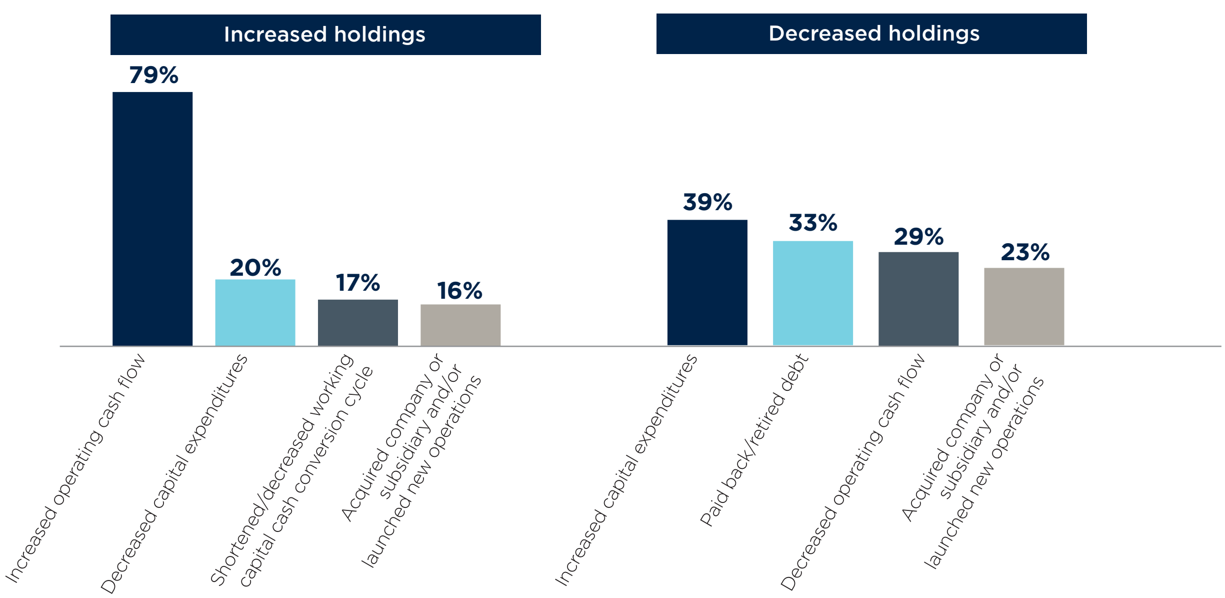
Expected Change in Cash and Short-Term Investment Balances in the Next 12 Months
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Larger (+10%)	24%	24%	24%	20%	28%	24%	26%	26%	26%
About the same	59	64	56	63	56	62	54	57	57
Smaller (-10%)	17	12	20	17	16	14	20	17	17

Among those respondents who anticipate their organizations will increase cash holdings in the next 12 months, nearly eight out of ten anticipate that larger amounts of cash will be the direct result of increased operating cash flow. That share is slightly larger than the 74 percent who reported the same last year.

Thirty-nine percent of finance professionals who expect their organizations to decrease cash holdings in the next 12 months indicate this result will be primarily because of increased capital expenditures. In addition, a one-third of those anticipating a decline in cash cite paying down or retiring debt and 29 percent from these organizations cite decreased operating cash flow as reasons for such action.

Primary Drivers of Anticipated Change in Short-Term Cash Balances in the Next 12 Months
(Percent of Organizations Anticipating an Increase or Decrease in Cash Holdings)



[3] From April 2017 to April 2018

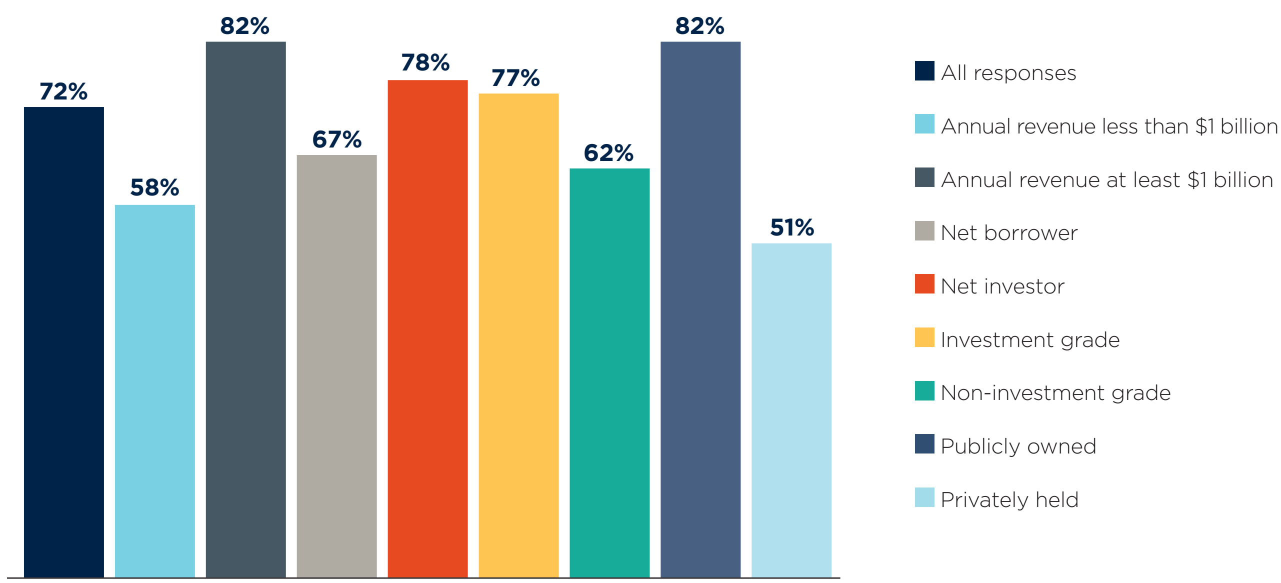
Investment Policies

Written investment policies are widely used for setting parameters for managing cash and short-term investments. These documents typically outline permitted investment vehicles and the percentage of an organization's portfolio that may be allocated to those vehicles, and often specify the maximum maturity and the minimum credit rating required for each vehicle. They may include not only investment strategies but also tactical approaches to investing cash. They typically address many issues: the purpose of an investment, who can invest, who approves changes, credit-quality standards, approved investments, risk parameters and escalation process. Written investment policies are considered a best practice.

Seventy-two percent of organizations have a written investment policy that dictates their short-term investment strategy. This is just one percentage point lower than the figure reported in 2016. A significantly larger share of organizations (82 percent) with annual revenue of at least $1 billion have written investment policies compared to smaller organizations with annual revenue less than $1 billion (58 percent). Most large, investment-grade and publicly owned organizations have such written policies; a significant percentage of smaller organizations, as well as those with non-investment grade ratings and which are privately held, do not.

72% of organizations have a written investment policy that dictates their short-term investment strategies

Prevalence of Written Cash Investment Policies
(Percent of Organizations)



When planning their organizations' investment policies, finance professionals look to maintain a balance between safety and liquidity against a competitive rate of return. Safety of principal continues to be paramount: two-thirds (67 percent) of survey respondents indicate that safety is the most important short-term investment objective for their organizations. This is just one percentage point lower than the figure reported in last year's survey.

Thirty percent of survey respondents indicate their organizations' most important cash investment policy objective is liquidity. This is exactly the same share reported last year, and just one percentage point lower than the largest share recorded in 2015—31 percent.

Liquidity is defined as having immediate access to cash when an organization needs it in order to meet short-term obligations. As companies seek to position their cash holdings to respond to changes in the business environment, many of the leading drivers underlying increases or decreases in cash balances may also be driving the rising importance of liquidity in companies' investment objectives. For instance, companies that access debt markets, make acquisitions, pay dividends, increase capital expenditures and experience changes in operating cash flows are all candidates for greater emphasis on liquidity.

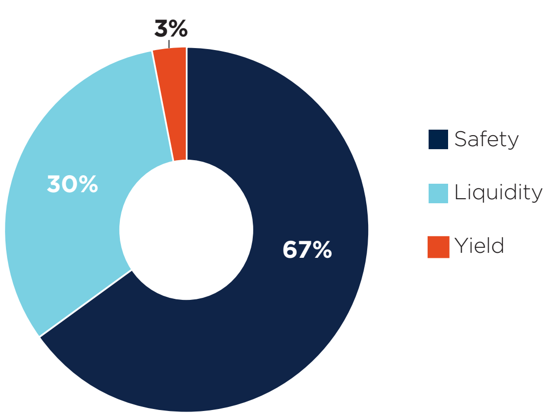
Although the shift from preservation of principal and liquidity has not been significant in the past couple of years, this year's survey results reflect an increased focus among treasury and finance professionals on managing liquidity. Not only are treasurers doing a better job now of forecasting liquidity needs and identifying where liquidity gaps might exist, but they are also planning around those needs and gaps to effect smooth business operations. Accessing better information internally and identifying key partners in different departments to understand their liquidity needs helps treasurers forecast cash and liquidity more accurately. Ultimately this frees them up to focus on strategic liquidity management and communicating that strategy internally across an organization.

Yield continues to be ranked a distant third as the most important objective of an organization's cash investment policy. Only three percent of finance professionals cite return as the most important investment objective. The prevailing low-yield environment remains a headwind for any organization whose primary cash or short-term investment objective is return.

It's interesting to note that money market fund yields have not risen equally with the increases in short-term interest rates determined by the Federal Reserve's Federal Open Market Committee (FOMC). There is still some fee recapture occurring and less dependence on prime funds, despite an increase in rates on those funds. The safety and liquidity afforded by government and treasury funds are taking precedence over the enhanced yield of prime funds, consistent with the investment objectives reported above .

67% of survey respondents indicate that safety is the most important short-term investment objective for their organizations

The Most Important Objective of Organization's Cash Investment Policy
(Percentage Distribution of Organizations with a Written Cash Investment Policy)



Organizations monitor their investment policies as part of their normal functions. Corporate investments undergo periodic review to adjust for many factors. Among them are changes in the financial condition of an organization, changes to an organization's risk tolerance, changes in overall market conditions and evolving preferences of an organization's Board of Directors or its management.

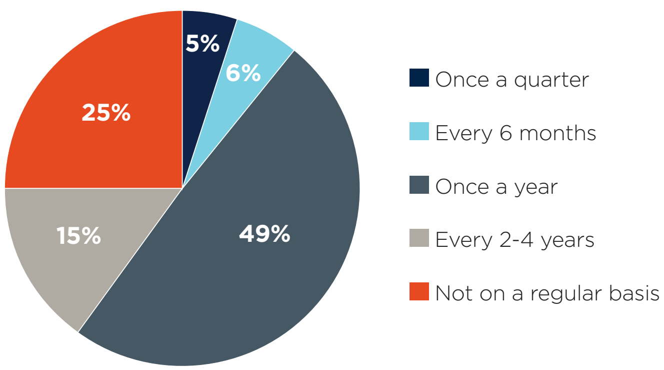
While not all organizations that maintain written cash investment policies review or update them regularly, a large majority of them does review those policies on a regular basis, highlighting the importance organizations place on monitoring investment policies. Seventy-six percent of organizations with written investment policies review the policies on a regular basis. This figure is down slightly from the 80 percent in 2016, and is the lowest percentage in the past five years.

Six out of ten organizations with written policies review those policies at least once a year. Forty-nine percent review them annually and 11 percent review/update policies even more frequently, including five percent that do so every quarter.

76% of organizations with written investment policies review their policies on a regular basis

Frequency of Review/Update of Cash Investment Policy

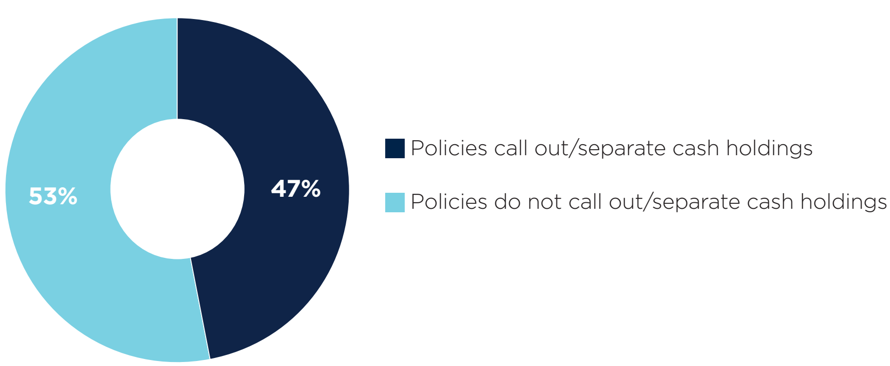
(Percentage Distribution of Organizations with a Written Cash Investment Policy)



At nearly half (47 percent) of organizations, investment policies call out and/or separate cash holdings used for day-to-day liquidity from the rest of the company's cash and short-term investment holdings. This includes a policy stipulating the *amount* of cash holdings that are set aside for day-to-day liquidity versus other uses. Smaller organizations that are net investors, as well as those that have an investment-grade credit rating and are privately held, are more likely to have investment policies that separate the cash used for day-to-day liquidity than are other organizations. This is higher than the 41 percent of companies that had policies that call out/separate cash holdings last year.

Organizations With Investment Policies that Call Out/Separate Cash Holdings Used for Day-to-Day Liquidity

(Percentage Distribution of Organizations with a Written Cash Investment Policy)



Eighty-three percent of corporate practitioners report that their organizations' investment policies require money funds to be rated. The stipulations regarding ratings are fairly stringent: 36 percent of companies require that at least one rating agency assign a AAA rating and 27 percent mandate that money market funds earn AAA ratings from at least two agencies. Investment policies at larger organizations and publicly owned companies are more likely than those at other companies to require funds to be rated.

83% of corporate practitioners report that their organizations' investment policies require money funds to be rated

Rating Requirements for Money Funds
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
One agency assigning AAA ratings	36%	35%	39%	41%	34%	38%	38%	42%	31%
At least two agencies assigning AAA ratings	27	21	32	24	32	27	30	32	26
Does not require ratings	17	22	12	15	14	15	14	10	18
At least two agencies assigning less than AAA ratings	6	8	4	4	7	5	4	3	9
One agency assigning less than AAA ratings	5	5	5	8	3	4	10	7	5
Other	10	9	9	8	10	11	5	6	10

Current Allocations

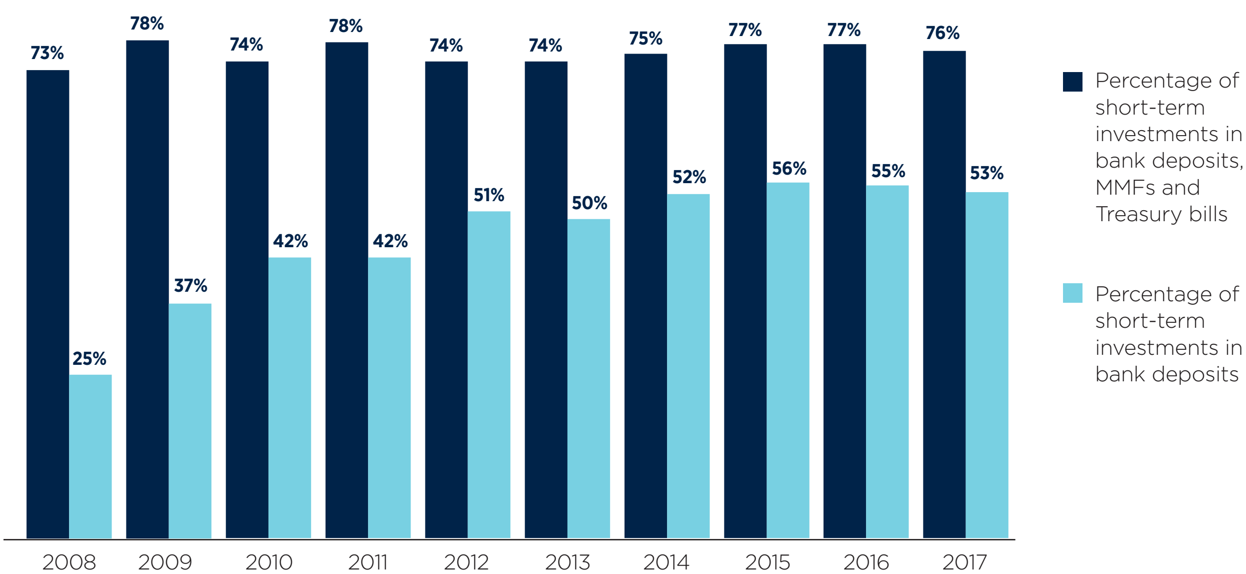
Despite sustained improvement and a relatively healthy job market, the momentum of economic recovery continues to be tepid. Finance leaders are cautiously optimistic as they operate in a global economy which has been characterized by volatility and uncertainty. This cautious optimism is best demonstrated by the fact that the typical organization maintains 53 percent of its short-term investment portfolio in bank deposits. That allocation is a two-percentage-point decrease from the 55 percent reported in 2016.

Companies maintain their investments in relatively few investment vehicles. Organizations invest in an average of 2.3 vehicles for their cash and short-term investments, slightly lower than the average 2.4 investment vehicles reported in the 2016 survey.

The overall majority of organizations continues to allocate most of their short-term portfolio—an average of 76 percent in 2017—in three safe and liquid investment vehicles: bank deposits, money market funds (MMFs) and Treasury securities. MMFs currently account for 21 percent of organizations' short-term investment portfolios, a larger share than the 17 percent reported in the 2016 survey. Organizations are investing 14 percent of their short-term investments in government/Treasury money market mutual funds, again a larger share than the nine percent and six percent reported in 2016 and 2015, respectively. The primary reason for this change in allocation is the recent money market reform that became effective in October 2016. As noted in the introduction, the massive outflows from prime funds were primarily into government funds. Larger organizations with at least $1 billion in annual revenue and those that are publicly owned continue to allocate more of their short-term investments to MMFs than do other companies.

The typical organization currently keeps **53%** of its short-term investments in bank deposits

Percentage of Organizations' Short-Term Portfolios Allocated to Specific Investment Vehicles
(Mean Percentage Distribution of Cash and Short-Term Investment Holdings)



Percentage of Organizations' Short-Term Portfolios Currently Allocated to Specific Investment Vehicles
(Mean Percentage Distribution of Cash and Short-Term Investment Holdings)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held	2016 Survey All Respondents
Bank deposits (DDAs, Time deposits, CDs, etc.)	53%	61%	48%	58%	48%	48%	62%	56%	65%	55%
Government/Treasury money market mutual funds	14	10	19	15	15	16	12	21	9	7
Treasury bills	5	5	5	5	4	4	5	4	3	4
Separately managed accounts	4	3	4	2	5	4	3	4	3	3
Eurodollar deposits (U.S. dollar-denominated time deposits at banks outside the United States)	3	2	4	4	3	3	3	4	4	4
Agency securities	3	5	2	4	3	4	3	1	1	3
Commercial paper	3	3	3	2	4	4	2	2	2	–
Repurchase agreements	2	2	1	1	2	2	1	1	2	1
Prime/diversified money market mutual funds	2	2	2	2	3	2	2	2	2	9
Muni/Tax-exempt money market funds	2	–	3	2	2	2	1	1	1	1
Asset-backed securities	1	1	1	1	1	1	–	–	1	1
Municipal securities	1	–	1	–	1	–	1	–	–	1
Variable rate demand notes	1	1	1	–	1	1	–	1	1	1
Enhanced cash/conservative income/ultrashort bond funds (e.g., cash plus)	1	1	1	1	1	1	1	–	1	1
Other	6	5	5	4	7	6	4	3	5	5
Mean number of investment vehicles used	2.3	2.0	2.5	2.0	2.7	2.5	1.9	2.2	2.0	2.4

Those organizations with cash and short-term investment holdings outside of the United States manage those cash and holdings similarly as how they manage their domestic balances: most of their cash is held in short-term investments maintained in banks, money market funds and government securities. Seventy-one percent of non-U.S. cash holdings are maintained in bank-type investments (including certificates of deposits, time deposits, etc.). Another eight percent of cash holdings are held in money market mutual funds and government securities.

Percentage of Organizations' Short-Term Portfolios Currently Allocated to Specific Investment Vehicles—Outside the U.S.
(Mean Percentage Distribution of Cash and Short-Term Investment Holdings Among Organizations with Cash Outside of the U.S.)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Bank-type investments (CDs, Time deposits, etc.)	71%	80%	72%	75%	75%	75%	76%	76%	75%
Government-type securities	8	8	8	7	9	8	8	8	7
Money market mutual funds	8	5	9	9	5	8	7	9	6
Commercial paper	2	1	3	2	2	2	2	2	2
Other	11	6	8	6	9	7	7	4	11

As noted above, banks are the dominant repositories for organizations' cash and short-term investment holdings. Finance professionals continue to seek the safest option for cash and investment holdings, a result of the prevailing uncertainty and volatility in the current business environment, and the lack of investment opportunities that generate yield.

Finance professionals consider a number of factors when deciding where to place their organizations' cash and short-term investments. The top two determinants are perhaps self-evident: the overall relationship with a bank (cited by 92 percent of survey respondents) and the credit quality of the bank (69 percent). This is similar to the 90 percent and 67 percent reported for each of the factors in the 2016 survey report.

Other important factors organizations consider when selecting a bank are:

- **Compelling rates offered on deposits** (cited by 44 percent of respondents)
- **Simplicity of working with the bank** (35 percent)
- **Earnings credit rates (ECR)** (34 percent)

71% of organizations with short-term holdings outside the U.S. typically maintain them in bank-type investments

Major Determinants of Which Banks to Use When Investing in Bank Deposits
(Percent of Respondents)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Overall relationship with bank	92%	92%	93%	94%	91%	92%	95%	95%	96%
Credit quality of the bank	69	59	75	65	74	71	66	76	62
Compelling rates offered on deposits	44	42	47	43	46	45	42	45	42
Simplicity of working with bank	35	40	30	32	38	34	38	34	39
Earnings credit rates (ECR)	34	37	34	34	34	35	34	31	39
Regulatory considerations	18	21	15	16	19	17	16	20	15
KYC process the bank uses	11	9	11	11	9	10	11	12	11
Ability to determine how to apply ECR	6	8	5	8	5	6	8	5	7
Other	3	3	3	3	3	2	4	3	2

Organizations rely on various bank instruments for their cash and short-term investments which, as noted previously, currently account for more than half the typical organization's portfolio. The most commonly used bank products are time deposits; 54 percent of finance professionals report that their organizations use time deposits. That percentage is slightly lower than the 57 percent reported in 2016. Forty-three percent of respondents report using structured bank deposit products (e.g., money market demand accounts, or MMDA products), and that percentage is a significant increase from last year's figure of 23 percent. Non-interest-bearing deposit accounts are being used by 39 percent of organizations, a decrease from the 42 percent reported in 2016.

As long as the rank order of investment objectives remains (1) safety, (2) liquidity and (3) yield, corporate treasurers will continue to be indifferent to their bank exposure provided they value their bank relationships. It's interesting to note that the use of MMDA-type products increased the most since the 2016 survey was conducted, suggesting this is a key area where new players have positioned themselves in the marketplace with compelling products. The use of demand deposit accounts (DDAs) declined, most likely due to the lag time for interest rate increases to impact DDAs. Depending on how the earnings credit rate (ECR) is calculated by an organization's bank, there will likely be a delay before any benefit from interest rate increases is realized. Time deposits typically see the impact from interest rate increases sooner—which is likely why the overall allocation to time deposits did not change that much from the previous survey.

Instruments Used When Investing in Bank Deposits
(Percent of Organizations that Maintain Cash and Short-Term Investment Holdings at Banks)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Time deposits (e.g., CDs)	54%	49%	58%	55%	54%	59%	47%	60%	54%
Structured bank deposit product (e.g., MMDA products)	43	41	48	41	51	45	46	47	44
Non-interest bearing deposit accounts	39	45	32	37	36	34	43	31	44
Structured certificates of deposit (e.g., bulk CD products)	18	15	20	16	22	21	15	18	15
Other bank products	5	6	4	5	4	5	3	5	4

Maturity

Finance professionals report their organizations continue to place most of their short-term investment portfolios into instruments with very short maturities. On average, 69 percent of all short-term investment holdings are in vehicles with maturities of one month or less—a result unchanged from the 2016 survey, but a three-percentage-point decrease from 2015. Another 15 percent of short-term investments are held in vehicles with maturities between 31 and 90 days. Larger organizations with annual revenue of at least $1 billion manage their cash in instruments with shorter maturity horizons than do smaller organizations with annual revenue less than $1 billion.

Four in five finance professionals anticipate their organizations will maintain the current profile for maturity within their short-term investment portfolio over the next 12 months. Only 12 percent of survey respondents report that their organizations expect to lengthen the average maturity of their short-term investment portfolio, with seven percent expecting their organizations to further shorten the average maturity over the next year.

For short-term operating cash needs—cash that typically represents cash and cash equivalents on the balance sheet—the timeframe is typically under a year. This fits in well with corporate mandates to keep maturities short.

On average, **69%** of all short-term investment holdings are in vehicles with maturities of one month or less

Organization's Short-Term Investment Portfolio in Terms of Maturity
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
0-30 days	69%	66%	71%	75%	63%	66%	73%	73%	73%
31-90 days	15	17	14	14	17	16	15	15	14
91-180 days	6	6	6	4	7	6	4	5	5
181-365 days	5	6	4	3	6	6	3	4	4
More than a year	5	6	5	4	7	6	5	3	4

Expectations for Change in Average Maturity of Holdings in the Next 12 Months
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Lengthen	12%	12%	14%	11%	15%	13%	14%	14%	12%
Keep the same	81	80	80	83	77	79	80	83	80
Shorten	7	9	6	7	7	7	6	3	9

Survey respondents list various reasons why they expect their organizations to lengthen, shorten or maintain current maturity horizons. The most-often cited reason for lengthening maturity is to increase the rate of return in a rising interest-rate environment. Those organizations choosing to shorten average maturity do so primarily to meet operational cash flow needs, use cash for special projects and plan for further investments. A large majority (81 percent) is maintaining the average maturity of their holdings for a variety of reasons: they see no compelling reason to change their strategy, no change in operations or cash needs and they want to maintain liquidity at current levels. Some suggest that the prevailing uncertainty is driving their strategy.

Resources

Banks support organizations in their cash and short-term investment strategies by providing them with information on economic indicators and trends, the direction of the bond market, yield-curve changes and credit ratings information. In the current business environment which is mired with uncertainty and volatility, finance professionals are more likely to seek this type of support from their banking partners. The survey results bear this out: the vast majority (87 percent) of finance professionals identifies banks as resources their organizations use to access cash and short-term investment holdings information.

Other information resources include:

- **Investment research from brokers/investment banks** (cited by 43 percent of respondents)
- **Credit rating agencies** (31 percent)
- **Money market portals** (28 percent)
- **Money market funds** (25 percent)

Practitioners from larger organizations and those that are net investors are more likely to use credit rating agencies as resources. A larger share of organizations with annual revenue of at least $1 billion and those that are publicly owned are more likely to use money market portals and data feeds from information sources than are their counterparts.

87% of practitioners cite banks as resources their organizations use to access information about operating cash and short-term investment holdings

Resources Organizations Utilize to Access Operating Cash and Short-Term Investment Holdings Information
(Percent of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Banks	87%	87%	87%	90%	83%	85%	89%	86%	91%
Investment research from brokers/investment banks	43	40	47	39	49	44	44	40	40
Credit rating agencies	31	28	32	28	35	30	32	34	27
Money market portals	28	19	36	28	32	29	31	40	21
Money market funds	25	23	27	22	28	27	20	25	23
Data feeds from information sources	23	16	27	21	23	24	18	24	13
Custodians	17	15	19	13	22	21	9	12	15
Credit research firms or third party	13	14	12	10	17	12	15	11	14
Other	3	2	3	1	5	3	3	2	3

SEC Reform of Money Market Rules

In response to the 2007-2008 financial crisis, the Securities and Exchange Commission (SEC) adopted in 2010 a first series of amendments to its rules on money market funds that were designed to make money market funds more resilient by reducing the interest rate, credit and liquidity risks of their portfolios. Although these reforms improved money market fund resiliency, the SEC indicated at the time that it would continue to consider whether further, more fundamental changes to money market fund regulation might be warranted. On July 23, 2014, the Commission adopted more fundamental structural changes to money market fund regulations. Those reforms required prime institutional money market funds to "float their net asset value (NAV)" (i.e., no longer maintain a stable price) and provide non-government money market fund boards with new tools—liquidity fees and redemption gates—to address runs. These changes took effect on October 14, 2016.[4]

As one result of these changes, the money market fund industry saw a tremendous shift in asset balances flowing from prime/floating NAV funds to government/stable NAV products. As noted earlier in this report, the Investment Company Institute reported that $881 billion moved out of floating NAV funds and $851 billion flowed into government or Treasury funds. This tremendous shift caused the LIBOR curve to rise, creating a temporary inverted yield curve. It also drove up borrowing costs for companies that normally used commercial paper markets—outflows from prime funds eroded a critical source of capital for funding the purchase of commercial paper. Many companies discontinued investing in prime funds—with no plans to resume. Others are taking a wait and see approach, provided they are comfortable with the accounting and have the staff to support the administrative task of credit/diversification monitoring.

As a result of the SEC reforms, 41 percent of survey respondents indicate that their companies do not plan to invest in prime funds. Twenty-three percent report they would consider investing in prime funds if the NAV doesn't move very much, and 20 percent indicate they would consider investing in prime funds if the spread between prime funds and other investments becomes significant. Seventeen percent do not plan to make any changes in how their organizations invest in prime MMFs. A significant spread between prime funds and other short-term investments will more likely impact the decision to resume investing in prime funds among larger organizations and those that are publicly owned than among other companies.

41% of survey respondents whose organizations had discontinued investing in prime funds post SEC Money Fund Reform indicate that their companies do not plan to resume investing in such funds

Conditions that Could Lead to Resumption of Investment in Prime Funds
(Percent of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Will not invest in prime funds altogether	41%	42%	39%	43%	37%	41%	40%	39%	40%
NAV will have to prove that it doesn't move much	23	21	25	17	28	24	19	24	24
Spread between prime funds and other investments becomes significant	20	14	25	18	23	22	19	26	17
Removal of gates and fees	18	16	21	14	24	20	16	17	18
Rule changes have not significantly impacted how my organization invests in prime MMFs	17	17	17	18	16	16	18	14	22
Balances in prime funds increase	10	7	12	8	11	10	10	13	7
Modify investment policy to permit only stable NAV funds	9	7	9	6	10	8	10	12	7
Other	4	4	4	5	3	4	4	4	2

[4] https://www.sec.gov/spotlight/money-market.shtml" U.S. Securities and Exchange Commission

AFP asked survey participants what would be the necessary spread between government funds and prime funds to incentivize organizations to stay invested or return to investing in prime funds. Forty percent of finance professionals indicate that regardless of the spread, their organizations would not invest in prime funds. This is a 10-percentage-point larger share than those who held this view last year when the question addressed intended actions. It also suggests that their decisions are final since the SEC changes have been implemented.

One-third of respondents reports that their organizations would invest in prime funds if the spread were at least 50 basis points or more. An additional 18 percent would invest if the spread were at least 15 bps.

Spread Between Government Funds and Prime Funds Necessary to Incentivize Organizations to Stay Invested in or Return to Investing in Prime Funds
(Percentage Distribution of Organizations)

Basic Points (bps)	All Responses from 2017 Survey	All Responses from 2016 Survey
5 bps or more	4%	*
10 bps or more	14	11%
25 bps or more	*	25
50 bps or more	33	25
75 bps or more	*	4
100 bps or more	10	5
No amount would be worth the difference; we can't invest in prime/muni funds	40	30

* Was not an option provided in the survey

Finance professionals anticipate other changes in their organizations' investment policies as their companies plan for changes resulting from SEC money market fund reform. Nearly a third of respondents (31 percent) are considering separately managed accounts in response to the new regulations, 21 percent are planning to extend maturities and 26 percent cite ultrashort funds as a strategy they will implement in response to the implementation of the rules.

Other changes organizations are considering as a result of the new SEC rules are:

- **2a-7 like funds with stable NAV** (cited by 26 percent of survey respondents)
- **ETFs bond or cash strategies** (16 percent)
- **Doing direct repo transactions** (14 percent)

For the past three years, adding separately managed accounts to investment policies has been the most common change organizations are making as a result of money fund reform. Using separately managed accounts underscores the importance of having a defined investment policy with specific investment parameters for permitted asset classes, credit quality, duration and maturity to enable asset managers to effectively manage these accounts consistent with each organization's investment profile rather than by a broad investor base governed by each fund's specific investment parameters. The costs associated with this type of product and the economies of scale needed to support the asset levels often makes the option cost-prohibitive for some organizations.

In light of money fund reform and increased regulations, the number of new product ideas from the money fund marketplace has been somewhat limited. One area of innovation is in repo and bank collateral products. Bank collateral products are similar to MMDA/FDIC-insured products and several are new to the market. Based on the results this year there has been limited traction on these products since they continue to have to "prove" themselves to companies that are often prudently skeptical and need to see more of a track record. In terms direct repo programs, only large publicly held companies with significant balances typically enter into those arrangements or those that have the administrative and legal capacity to warrant using the products.

Three key themes have come in the wake of SEC reform during this transition period: historically low Federal Funds rates, money market fund reform in tandem with other banking regulations (Basel

III, Dodd-Frank, Bank Secrecy/Anti Money Laundering, and FATCA, to name a few), and banks changing their own risk profiles to address regulators' concerns regarding client risk.

The result is a money market fund industry with a more risk-averse mentality that starved financial innovation that companies could have used to invest their operating cash. Instead, more money flowed into bank products, creating more demand for deposits when banks were risk-profiling their customers as a result of regulatory mandates. This created an imbalance in the market, less innovation, and companies relied on earnings credit rates to subsidize their bank fees and gave up interest income in the process. As yields have increased for the first time in seven years, there is more differentiation in yields, but money fund yields have not kept pace with the rise in rates due to the fees they are recapturing.

Companies rely more than ever on their bank relationships. This will continue to be an important aspect of investing operating cash going forward. Investing in safe, liquid products and getting credit for it on a bank scorecard are important to corporate treasurers—especially in an environment where they primarily manage department costs over managing yield. Picking up an extra 10 basis points in yield may not be worth it if principal might be at risk.

In response to the SEC regulations nearly a third of respondents indicate their organizations are considering separately managed accounts

Alternative Investment Options Organizations Considered to Complement Current Investment Selection in Response to SEC's Money Market Reform Rule
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Separately managed accounts	31%	26%	34%	19%	40%	30%	31%	28%	33%
Extending maturities	29	31	29	29	29	29	30	31	28
Ultrashort funds	26	22	30	23	30	28	23	28	21
2a7-like funds with stable NAV (pre-money fund reform basis)	23	17	28	21	26	27	16	30	11
ETFs bond or cash strategies	16	21	13	15	18	15	18	13	21
Doing direct repo transactions	14	10	16	11	17	13	16	13	14
Promissory notes/demand notes/private placements	12	14	11	11	13	10	14	12	14
Extending credit risk	11	12	11	12	11	9	17	9	14
Investing in Tier 2 securities	10	13	8	12	7	10	7	10	12
VRDNs	8	4	11	8	8	9	8	9	6
Unregistered funds that have a stable NAV but no fees or gates	6	6	6	5	6	7	4	6	4
3(c)(7) private partnerships	2	2	3	2	2	3	–	2	1
Unrated funds	1	2	–	1	1	–	2	–	2
Other	8	8	8	10	6	7	10	8	7

Finance professionals anticipate other changes in their organizations' investment policies in the next 12 months as their companies deal with the effects of SEC money market fund reform. Twenty percent of survey respondents indicate they will implement changes in defining counterparty risk limits for bank deposits, and 20 percent also plan to make changes with cash segmentation with specific policy parameters for each bucket of cash.

Other changes survey respondents anticipate in their investment policies over the next 12 months are:

- **Adding separately managed accounts** (cited by 18 percent of survey respondents)
- **Maturity changes** (16 percent)
- **Buying direct commercial paper** (14 percent)
- **Spread duration risk** (13 percent)
- **Ultra-short bond fund strategies/funds** (13 percent)

It's noteworthy that counterparty risk and cash segmentation are equally important in this year's survey. As companies become more accurate at forecasting their cash needs, they are able to become more opportunistic in pursuing yield through cash segmentation strategies. However, these strategies increase the importance of the timing of cash flows in order to ensure adequate liquidity to meet those needs.

Anticipated Changes in Organization's Investment Policy in the Next 12 Months in Response to SEC's Changes in Money Fund Rules
(Percent of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Defining counterparty risk limits for bank deposits	20%	20%	21%	20%	22%	22%	18%	25%	22%
Cash segmentation with specific policy parameters for each bucket of cash	20	17	21	19	21	19	21	20	21
Adding separately managed accounts	18	16	19	11	21	18	19	19	14
Maturity changes	16	15	13	12	14	14	13	11	19
Including buying direct commercial paper	14	14	17	11	20	17	15	21	10
Spread duration risk	13	14	12	8	17	11	18	8	16
Ultrashort bond fund strategies/funds	13	11	16	11	16	16	11	17	10
Add in floating NAV, fees and gates to policy	12	15	12	13	12	11	16	19	7
Fund ratings changes	10	10	7	6	10	9	6	8	5
Credit quality changes	10	9	10	8	10	8	11	9	12
ETF investments that resemble money market funds	10	7	11	14	6	11	8	9	14
Fund concentration risk changes if invested in prime funds	9	9	7	7	7	7	6	8	8
Adding floating rate investments	8	12	6	5	10	9	5	3	14
Adding 2a7-like products but are unregulated	7	5	9	6	8	8	8	10	3
Adding in a position statement on negative yielding investments	6	4	8	4	9	6	10	7	8
Offshore cash investments and parameters	6	1	8	7	4	4	8	8	5
Allowing direct repo	4	6	1	3	3	3	3	1	3
Other	16	21	14	17	17	16	19	14	21

Money Market Funds (MMFs)

Finance professionals select their MMFs after careful consideration of various factors. Survey respondents ranked in order of importance the primary drivers they consider when selecting a MMF for their organizations. Fixed or floating NAV is most important for 24 percent of finance professionals. This reflects what we have heard from AFP members that a floating NAV was a deal breaker for their organizations. Fund ratings is the second most preferred driver (the top choice for 19 percent of respondents). Yield was third (cited by 14 percent of respondents).

Primary Drivers Considered when Selecting a Money Market Fund
(Percentage Distribution of Organizations that Permit MMFs as an Investment Vehicle)

Fixed or floating NAV	24%
Fund ratings	19
Yield	14
Counterparty risk of underlying instruments	11
Gates and fees	8
Fund sponsor as part of our overall bank relationship	8
Ease of transaction process	5
Investment manager for separately managed accounts	4
Diversification of underlying instruments	4
Accounting treatment for the fund	3

Managing Cash Balances in Europe

AFP members report that managing euro-denominated balances has been challenging. Provided their bank passes the fees on accordingly, some finance professionals have worked with their financial institutions to have those fees waived. Some have also reexamined their legal entity structures, and pooled cash or have done netting where allowed. Relying on bank relationships has become even more important—and transitional for some—in a negative rate environment as they have moved to new banks.

Over half of survey respondents indicate that their organizations do not maintain cash balances in countries where yields on investment securities are negative. Of those that do have such investments, a majority of finance professionals reports their organizations are leveraging their bank relationships as much as possible to minimize the impact of negative yields. Forty-five percent of organizations are choosing to invest in banks that do not charge for deposits or bank products.

Larger organizations with annual revenue of at least $1 billion and those that are publicly owned are more likely than smaller and privately held ones to leverage their bank relationships to minimize any impact from negative returns on their investments, as well as centralize balances in non-EUR currencies.

Other steps being taken by organizations to manage cash balances in countries where yields on investment securities are currently negative are:

- **Repatriate cash due to our legal entity structure** (cited by 27 percent of respondents)
- **Centralize balances in non-EUR countries** (25 percent)
- **Work with tax structure to move cash to different entities/currencies** (24 percent)

Managing Cash Balances in Countries in Europe where Invested Securities are Negative
(Percent of Organizations with Cash Balances in Impacted Countries)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Leverage our bank relationships as much as possible to minimize the impact	54%	41%	63%	55%	53%	55%	56%	60%	47%
Invest in banks that don't charge for deposits or bank products	45	40	48	48	42	43	44	48	43
Repatriate cash due to our legal entity structure	27	26	28	30	24	25	30	26	28
Centralize balances in non-EUR currencies	25	15	33	22	29	25	25	33	18
Work with our tax structure to move cash to different entities/currencies	24	22	26	24	24	21	26	30	18
Other	9	13	6	8	9	9	9	5	11

Awareness of Rules that Will Impact European MMFs

In 2008 the G20 group of countries agreed to reforms for money market funds. The European Commission proposed legislation in response in 2013. The culmination of this is new regulations on money market funds in Europe. The rules were expected to published in the summer of 2017, although full compliance will not take effect until the end of 2018.

The Institutional Money Market Funds Association (IMMFA)[5] reports that tighter provisions will apply to all money market funds that are established, marketed or managed in the European Union. The revisions are somewhat similar to those in the U.S., with slight variations. There will be three types of money market funds:

- **Public debt constant NAV funds** (similar to government/Treasury Funds in the U.S.)
- **Low volatility NAV funds** (stringent liquidity provisions similar to U.S. prime funds)
- **Variable NAV funds** (similar to U.S. prime funds)

Public debt and low volatility funds will have amortized cost accounting applied and mandatory gates and fees should the fund liquidity fall below 10 percent on a weekly basis. Variable NAV funds will have market or model accounting applied. Discretional gates and fees as determined by Collective Investment in Transferable Securities (UCITS) provisions on fund redemptions will apply to all funds, and there will be further liquidity requirements for Constant Net Asset Value (CNAV) funds. ***It's important that companies talk to their fund providers to understand changes to their fund lineup.***

Nearly two-thirds of finance professionals are unaware of the changes in the rules that will impact European MMFs. Only 15 percent are aware of these changes and planning for them. The remaining 20 percent, while aware of these changes, have no plans in place to deal with the new rules.

65% of finance professionals are unaware of changes in the rules that will impact European MMFs

Awareness of Rules that will Impact European MMFs

(Percentage Distribution of Organizations with Cash in an European MMF)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Yes, we are aware and currently planning for it	15%	12%	17%	15%	15%	17%	12%	19%	14%
Yes we are aware, but we are currently not planning for it	20	21	19	15	25	22	16	22	19
Unaware of the rule changes	65	67	64	70	59	61	73	59	67

[5] https://www.immfa.org/about-mmfs/mmf-reform-overview.html

Conclusion

The management of corporate cash and short-term investments in 2017 is relatively stable compared to that in 2016. However, there are numerous macroeconomic and regulatory shifts MAC that could alter the picture in the near future.

The majority of cash continues to be maintained in bank deposits, and there are few signs that organizations' reliance on bank deposits as their primary investment vehicles will change, at least in the near future. Safety continues to be the top priority for finance professionals when mapping out organizations' investment policies. This, combined with the lower yield generated from other opportunities, is one reason banks remain a more attractive option.

The regulatory changes implemented last October by the SEC requiring prime institutional money market funds to float their NAV seems to be continuing to discourage greater investments in prime funds. Finance professionals appear to be taking a "wait and see" approach, and want to ensure that the NAV doesn't move much, or are working to understand the mechanics of a fund and its underlying securities.

The pace of the economic recovery will be a big factor that will impact cash investment decisions during the remainder of 2017 and in the future. The quarterly *AFP Corporate Cash Indicators®* suggests that U.S. businesses were encouraged by the pro-business agenda proposed by the new administration early in the year and were eager to loosen their purse strings. But three months later they felt differently, and are again leaning towards accumulating cash. Also a factor is when and how many times the Federal Reserve will increase interest rates. Whether those increases will generate sufficient yield to pique the interest of corporate investors and encourage them to shift to vehicles outside of those traditionally thought to be ultra-safe is yet to be seen.

It is difficult to predict what short-term cash and investment allocations will look like a year from now. Treasury and finance professionals will weigh their decisions based on the economic and business climate. The uncertain and volatile environment in which they have been operating of late appears to be the new normal, and therefore more challenging for them when making decisions on managing their organizations' investments.

Key Highlights from the 2017 AFP Liquidity Survey

- **Organizations that increased cash holdings in the past 12 months** did so because they were generating **higher operating cash flow** (cited by 69 percent respondents). For those organizations that had **smaller cash holdings compared to a year ago**, the key reason for the reduced cash holdings was **increased capital expenditures** (cited by 32 percent of respondents).
- Among those respondents who anticipate their **organizations will increase cash holdings in the next 12 months**, 79 percent indicate that such action will be the direct result of increased operating cash flow. Thirty-nine percent of finance professionals from organizations that expect to **decrease their cash holdings in the next 12 months** will do so primarily because of **increased capital expenditures.**
- **Safety of principal continues to be paramount**: two-thirds (67 percent) indicate that safety is the most important short-term investment objective for their organizations.
- The typical organization maintains 53 percent of its **short-term investment portfolio in bank deposits**.
- The overall majority of organizations continues to allocate most of their short-term investment vehicles—an average of 76 percent in 2017—**in three safe and liquid investment vehicles: bank deposits, MMFs and Treasury securities**.
- With the implementation of the SEC MMF reform in October 2016, 41 percent of survey respondents who had **discontinued investing in prime funds do not plan to resume investing in prime funds**.
- Nearly a third of respondents (31 percent) are **considering separately managed accounts in response to the SEC money market reform**.

About the Survey

In April 2017, the Association for Financial Professionals® (AFP) conducted a survey on current and emerging trends in organizations' cash and short-term investment holdings, investment policies and strategies. AFP received 401 responses from its corporate practitioner members and an additional 282 responses were received from corporate practitioners who are not AFP members. The combined 683 responses are the basis of this report.

AFP thanks State Street Global Advisors for underwriting the *2017 AFP Liquidity Survey*. The survey questionnaire and report were produced by the Research Department of the Association for Financial Professionals which is solely responsible for the content of the report. The demographic profile of the survey respondents mirrors that of AFP's membership. The following tables summarize the characteristics of the survey respondents where organization-level demographics are provided

Annual Revenue (USD)
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Under $50	8%	18%	-	6%	10%	7%	9%	3%	15%
$50-99.9 million	2	6	-	2	2	2	2	1	5
$100-249.9 million	9	21	-	9	9	9	8	2	13
$250-499.9 million	8	20	-	9	7	8	10	4	10
$500-999.9 million	14	35	-	16	14	13	16	10	21
$1-4.9 billion	35	-	60%	35	34	32	39	44	25
$5-9.9 billion	11	-	19	11	12	13	9	16	8
$10-20 billion	7	-	12	9	5	9	3	13	2
Over $20 billion	5	-	9	3	7	7	2	8	1

Ownership Type
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade
Publicly owned	43%	19%	59%	51%	35%	41%	48%
Privately held	38	58	24	35	40	34	45
Non-profit (not-for-profit)	11	13	10	5	18	14	5
Government (or government-owned entity)	8	10	7	9	7	11	2

Industry
(Percentage Distribution of Organizations)

	All Responses
Energy (including utilities)	15
Retail (including wholesale/distribution)	9
Banking/Financial services	8
Government	6
Health services	6
Non-profit (including education)	6
Business services/Consulting	5
Insurance	5
Software/Technology	5
Real estate	3
Telecommunications/Media	3
Transportation	3
Hospitality/Travel	2
Construction	1

Net Borrower or Net Investor
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Net borrower	52%	52%	52%	46%	63%	61%	48%
Net investor	48	48	48	54	38	39	52

Organizations' Credit Ratings
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Publicly Owned	Privately Held
Investment grade	67%	63%	63%	60%	74%	63%	60%
Non-investment grade	33	38	48	40	26	37	40

Appendix

Change in Cash and Short-Term Balances in the Past 12 Months: U.S. and Non-U.S. Cash Holdings
(Percentage Distribution of Organizations with Cash and Short-Term Investments Inside and Outside the U.S.)

	Much Larger	Somewhat Larger	No Significant Change	Somewhat Smaller	Much Smaller
Within the U.S.	11%	21%	51%	11%	7%
Outside the U.S.	8	21	56	8	7

Change in Cash and Short-Term Balances in the Past 12 Months: U.S. Cash Holdings
(Percentage Distribution of Organizations with Cash and Short-Term Investments Within the U.S.)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Much Larger	11%	13%	12%	12%	13%	10%	16%	13%	13%
Somewhat Larger	21	24	25	19	31	28	18	21	28
No Significant Change	51	44	44	48	40	44	43	41	42
Somewhat Smaller	11	13	12	15	10	11	16	17	10
Much Smaller	7	7	7	8	6	7	6	8	7

Change in Cash and Short-Term Balances in the Past 12 Months: Non-U.S. Cash Holdings
(Percentage Distribution of Organizations with Cash and Short-Term Investments Outside the U.S.)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Much Larger	8%	9%	8%	9%	7%	7%	11%	10%	7%
Somewhat Larger	21	18	23	23	19	20	23	29	17
No Significant Change	56	57	53	51	60	58	51	44	58
Somewhat Smaller	8	6	10	11	6	7	12	11	9
Much Smaller	7	9	6	7	8	8	4	5	10

Leading Causes of Net Changes in Organizations' Cash Holdings in the Past 12 Months
(Percent of Respondents Citing Increased or Decreased Holdings)

	All Responses	Organizations Whose U.S. Cash Holdings Increased Over the Past 12 Months	Organizations with U.S. Cash Holdings Decreased Over the Past 12 Months
Increased operating cash flow	48%	69%	22%
Increased capital expenditures	22	19	32
Paid back/retired debt	19	13	25
Acquired company/subsidiary and/or launched new operations	18	17	25
Decreased operating cash flow	15	6	30
Increased debt outstanding/ accessed debt markets	15	18	10
Decreased capital expenditures	14	16	14
Shortened/decreased working capital cash conversion cycle	11	12	7
Increased share repurchases and dividends	9	8	17
Lengthened/increased working capital cash conversion cycle	6	6	5
Divested company/subsidiary and/or closed operations	6	6	3
Issued equity/went public	5	7	2
Company was acquired by private equity	1	1	1
Other	8	6	12

Primary Drivers of Anticipated Change in Short-Term Cash Balances in the Next 12 Months
(Percent of Organizations Anticipating an Increase or Decrease in Cash Holdings)

	All Responses	Organizations Expecting U.S. Cash Holdings to Increase Over the Next 12 Months	Organizations Expecting U.S. Cash Holdings to Decrease Over the Next 12 Months
Increased operating cash flow	49%	79%	13%
Increased capital expenditures	27	13	39
Paid back/retired debt	23	12	33
Acquired company/subsidiary and/or launched new operations	17	16	22
Decreased capital expenditures	12	20	2
Decreased operating cash flow	11	2	29
Shortened/decreased working capital cash conversion cycle	10	17	5
Increased share repurchases or dividends	10	4	17
Increased/accessed debt markets	9	9	5
Lengthened/increased working capital cash conversion cycle	6	6	7
Divested company/subsidiary and/or closed operations	4	6	3
Issued equity	2	3	1
Company was acquired by private equity	2	2	3

Prevalence of Written Cash Investment Policies
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Yes	72%	58%	82%	67%	78%	77%	62%	82%	51%
No	28	42	18	33	22	23	38	18	49

The Most Important Objective of Organization's Cash Investment Policy
(Percentage Distribution of Organizations)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Safety	67%	70%	72%	75%	67%	71%	69%	74%	67%
Liquidity	30	26	26	24	29	26	28	25	29
Yield	3	4	2	1	4	3	2	1	4

Frequency of Review/Update of Cash Investment Policy
(Percentage Distribution of Organizations with a Written Cash Investment Policy)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Once a quarter	5%	3%	5%	2%	6%	4%	2%	3%	8%
Every six months	6	6	5	6	5	7	4	5	5
Once a year	49	49	52	48	54	58	37	50	44
Every 2-4 years	15	16	17	12	21	14	23	15	22
Not on a regular basis	25	26	22	32	14	18	33	27	21

Organizations with Investment Policies that Call Out/Separate Cash Holdings Used for Day-to-Day Liquidity
(Percentage Distribution of Organizations with a Written Cash Investment Policy)

	All Responses	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Net Borrower	Net Investor	Investment Grade	Non-Investment Grade	Publicly Owned	Privately Held
Yes	47%	49%	42%	34%	54%	46%	38%	36%	50%
No	53	51	58	66	46	54	63	64	50

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