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Portfolio of Verses, Redux

A sampler of ditties for investment managers

By Jim Reber

Five years has often been the time period for an interest rate “cycle.” Veteran community bankers recall that there was a bear market for bonds in 1994, 1999 and 2004. Happily or otherwise, we skipped 2009 and 2014. Nonetheless, one of these days we’ll get back to this pattern of rates rising and falling, even if we’re a few years behind.

It occurs to me it’s also been five years since I took pen in hand and crafted some poetry related to investment management. Seeing as how Valentine’s Day is upon us, I again feel the spirit. Let’s start with an ode to a community bank portfolio manager, inspired by Franklin Pierce Adams’ ditty about the famous Chicago Cubs’ double-play combo “Tinker to Evers to Chance”:

*How’s an investor decide what to do—
Munis, or govies or cash?
Remember your rate risk and loan
demand too.
Pass-throughs, vanillas or cash?
Seamlessly marrying shareholder
pleads
With kindly examiners’ rational needs
Is one of a CFO’s many good deeds!
Floaters, or corporates, or cash?*

But since we seem to be on the cusp of a long-overdue (by historical standards) rising rate setting, here’s a thought about an investment strategy for such an environment:

*According to Yellen, fixed-income
sellin’
Mightn’t be painful at all.
The slowness of pace in her rate-
increase case
Could take on the look of a stall.*

*But yields that do float like many a
boat
Can be the proverbial cushion
’Gainst a market retreat, or an egg
on Wall Street,
Or if 2 percent inflation starts
pushin’.*

Enough of this secular, capitalistic blather! This is a column in verse after all. It’s time for a story of unfulfilled promises and unrequited salvation. Let’s close with a feature about those star-crossed government-sponsored enterprises, Fannie and Freddie:

*Mae and Mac were
once thought to
hold
The blueprint
for certain
success;
Government
backing, low-
cost funding,
And limited comp,
no less.*

*Add to this mix a housing market
That obviously had no ceiling,
So buyers, lenders, investors and
appraisers
All wanted in on the dealing.*

*(Did I mention examiners were
thought to suggest
Mae and Mac were suitable buys?)
’Bout the time all the players were
fully bought in
They received a nasty surprise.*

*Our darling siblings, as we now
know
Couldn’t stand up to the weight
Shareholder attempts at shedding
their stock
Were sadly too little, too late.*

*So seven years hence, Mae and Mac
are still owned
By you and me and the rest,
Perhaps one day there will finally
emerge
A starry-eyed fool to invest.*

We’re done. Gotta run. Been fun. 



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