

ALL ROADS LEAD HERE

INSTITUTIONAL INVESTORS TURN TO ONLINE PORTALS FOR INDEPENDENT, OBJECTIVE ADVICE, INSTANT ACCESS TO INVESTMENTS

By Aron Chazen, Managing Director, [Treasury Curve](#)

As individual investors begin to jump back into Wall Street, they're exhibiting new behavior, unsure that they can truly find the best returns from a single provider. They are now seeking out independent, objective advisers who can give them access to multiple providers from a single platform.

Popular online investment sites such as Charles Schwab, E*Trade and Ameritrade were made to order for individual investors, who last year had \$1.36 trillion in assets under management in money market funds alone. Flows to money market funds remained strong in 2008. (see the top of Chart A, below)

That's a lot of money, to be sure, but it pales when compared to what's going on in the institutional investment world.

Institutional investors — many who might already use online investment sites for their personal trades — are now following the same path as their retail counterparts, but the numbers are even bigger. In 2008, according to the 2009 Investment Company Fact Book, institutional investments in money market funds totaled \$2.48 trillion in assets under management. (see the bottom of Chart A) Money market funds managed 32 percent of U.S. businesses' short-term assets* in 2008. (see Chart B)

The very recent trend of institutional investors spreading out their cash to multiple providers has not gone unnoticed.

ACT/J.P. Morgan Global Cash Management Survey 2008 “revealed, for the first time, a gradual trend towards a greater number of banking relationships with the majority either increasing their relationships or keeping them the same. This is likely to be as a result of a number of high-profile bank collapses which, in turn, has prompted cash managers to spread their net wider to diversify [risk](#).”

Now that the financial world is beginning to thaw from last year's deep freeze, [Treasury Curve](#), a firm based in Menlo Park, Calif., that provides access to institutional money market funds from multiple providers on a single platform, is seeing large corporations and state and local governments looking for an independent, objective perspective on their asset management decisions. These institutions have been consistently called on by banks who desire to manage their institution's operating cash.

As you can imagine, each bank typically leads with their proprietary product. One of our clients recently said to us, “we doubt that any one asset manager would advise us to redeem all of our investments with them if they felt their proprietary product was at [risk](#).”

[Treasury Curve](#) is also witnessing growth in assets from non-bank providers that it has on its platform simply because clients are now giving more consideration to good asset managers regardless if they have an existing relationship with them or not. They do this because they trust their abilities as money managers and they're not blinded by the perception that only banks can be good at managing money.

Clients are really doing their due diligence before selecting investments from any provider. In the past, clients would typically create a short list of funds offered by the banks where they have existing relationships. Clients would then simply compare the performance of one bank fund versus another. In today's market, more than ever, clients are focused on preserving their principle and diversifying more than they are focused on honoring the existing relationship they have with their banks by investing in the funds offered by their banks. Now, they want to dig a little deeper, and are asking all of their fund providers for updated holdings reports and to speak to the portfolio manager.

Institutions, such as corporations and state and local [governments](#), are looking for ways to save time and money using technology. Institutional treasury departments, the department that invests the daily operating cash of the institution, tend to be thinly staffed and without large budgets to employ additional staff or purchase technology to assist them with evaluating investment options for their firms. There is a trend in the market for these institutions to look at [Money Fund Portals](#) which enable the institutional investor to access multiple investment products on one platform.

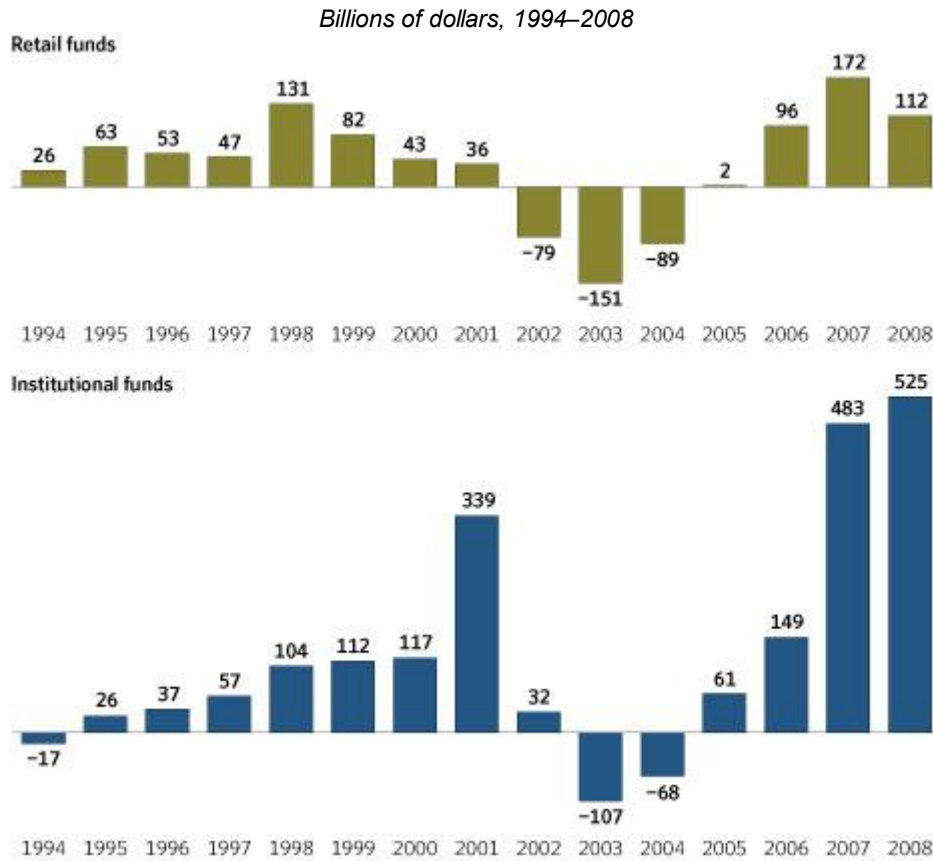
According to the ACT/J.P. Morgan Global Cash Management Survey 2008, "There has been a significant increase in the proportion of respondents who use online portals or platforms for general cash management. Multibank platforms – those that are connected to more than one bank – continue to be more widely used than single-bank platforms for foreign exchange and investments."

The multibank platforms will likely continue to gain in popularity as institutional investors become more comfortable using online portals for their company's investments much like they do for their personal portfolios.

[Aron Chazen](#) is a Managing Director of [Treasury Curve](#). Prior to cofounding the firm, Aron was a Managing Director at J.P. Morgan where he was responsible for running the Global Cash business in the Americas providing asset management solutions for corporations and public sector clients.

Investment Company Institute, 2009 Investment Company Fact Book (Chart A)

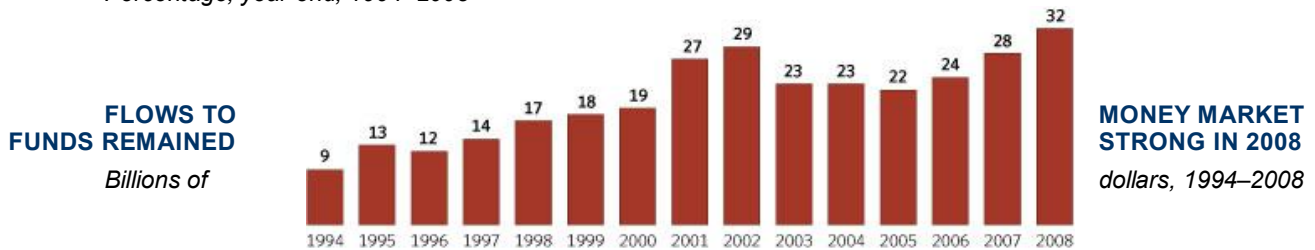
FLOWS TO MONEY MARKET FUNDS REMAINED STRONG IN 2008



Investment Company Institute, 2009 Investment Company Fact Book (Chart B)

MONEY MARKET FUNDS MANAGED 32 PERCENT OF U.S. BUSINESSES' SHORT-TERM ASSETS* IN 2008

Percentage, year-end, 1994–2008



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