**NHPDIP Liquidity Campaign**

**Question 1: What should public agencies understand about their liquidity options? Speaker: Beth Galperin**

New Hampshire public entities have a variety of options when it comes to managing their liquidity. These options range from pooled investments like the New Hampshire Public Deposit Investment Pool (NHPDIP) and U.S. Treasuries and agencies. Today, I’m going to focus on the characteristics of pooled investments you should be aware of when making liquidity decisions for investing your entities’ funds.

There are five characteristics that should be considered when investing in pools:

1. Weighted average maturity
2. Net Asset Value
3. Does the pool or fund follow GASB standards, and in particular GASB 79?
4. Credit quality
5. Frequency of dividend payments

A pool’s weighted average maturity or WAM is the average maturity of all underlying investments and tells us how quickly they will turn over and be replaced and how much interest rate changes may affect the overall value of the pool. The maximum WAM for the NHPDIP is 60 days.

The net asset value or NAV of a pool is the price per share. Pools that maintain a stable dollar NAV manage various elements of the pool’s portfolio to do so which is appealing for investors that are looking for principal protection and interest income.

The GASB 79 standard means public entity investors may treat their share balance as the value of their investment in the pool. Following the GASB 79 means the pool is managing weekly and monthly liquidity buckets, investing in certain tiers of high-quality securities, and limiting the maximum WAM to no more than 60 days. NHPDIP follows the GASB 79 standard.

Credit quality refers to two things:

1. The quality of the credit investments in the portfolio, and
2. The overall credit quality as assigned by a credit rating agency. The NHPDIP is rated AAAm by Standard and Poor’s

Lasty, when investing we are told about the magic of compounding and this is why investors care about the frequency of dividend payments. The sooner your dividend is reinvested, the sooner your entity begins earning interest on its interest. NHPDIP calculates interest daily and pays dividends monthly.

Please remember the Pool’s priorities are Safety, Liquidity and Yield.

\*Standard & Poor's fund ratings are based on analysis of credit quality, market price exposure, and management. According to Standard & Poor's rating criteria, the AAAm rating signifies excellent safety of investment principal and a superior capacity to maintain a $1.00 per share net asset value. However, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell securities. For a full description on rating methodology, visit Standard & Poor's website (Standard & Poor's).

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