

About This Manual

The discussions in this manual are not theoretical. That is, they do not dwell on background information regarding market volumes, issuers, and other basics. Instead, they focus on the everyday problems that portfolio managers face. Nor does the manual use extensive mathematical calculations. Explanations are nontechnical and the examples incorporate mathematics only as necessary for clarification. Many points are illustrated by example. Often, the example uses real bonds and real market data rather than hypothetical numbers. Each major aspect in the field is considered in context, in depth, and in clear language. Most importantly, the manual is written from the point of view of the buyer, the investment purchaser, not the seller. The goal is to provide easy-to-understand, nontechnical analyses of the important issues. The manual does not presume that readers have more than a cursory knowledge of investments. A glossary is included to define the terms used.

The manual does not intend to be a prescriptive or formulaic compliance manual. It is not a “cookbook” with recipes that can be followed step by step. Instead, it aims to give investment officers, their supervisors, and directors enough understanding of the essential issues for them to prudently make investment management decisions. Readers should keep in mind that this manual provides general background information. Investors must determine whether any particular security is a suitable investment vehicle for their particular circumstances.

WHO SHOULD READ THIS MANUAL?

Information in this manual is intended for two distinct groups of readers. Individuals with direct responsibility for buying and selling securities will benefit from information about investment instrument characteristics, how to analyze yield, and how to analyze risks. Specific discussions about callable bonds, step-up bonds, mortgage-backed bonds, CMOs, and floaters should help these individuals improve their performance.

The second intended audience includes individuals with oversight responsibility for investments. Senior credit union managers and directors will benefit from information about policy controls, management reporting, internal controls, reporting and oversight.