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Federated Investors, Inc. Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. We will now conduct a question-and-answer session. [Operator Instructions]. Our first question comes from the line of Ken Worthington with J.P. Morgan. Please proceed with your question.

Kenneth Worthington - J.P. Morgan

Hi. Good morning.

J. Christopher Donahue - President, Chief Executive Officer and Director

Hi Ken.

Kenneth Worthington - J.P. Morgan

Your money market funds have a number of investments in sales. Some sales have been growing up. You are obviously very comfortable with the investments that you are in. But what do you say to investors who question investments in sales? And can you give us a little bit of a better description about maybe K2 and Sigma, if you did meaningful investments there, and why should we be not... why should we as investors in Federated stock, not to be worried about your investments in these particular investment vehicles?

J. Christopher Donahue - President, Chief Executive Officer and Director

Ken, the main thing here is the credit work that's been done on these securities. There are some 30 of these seats [ph] that are available, and yes, we own four of them, and I am going to have Debbie Cunningham, the Portfolio Manager, talk to the two that you mentioned. But the main thing is to do the credit work on these in order to decide what we think is really high as the best quality. And that's why we have a lot of comfort and confidence in the securities that we continue to own in our money fund. And I'll have Debbie talk about the two that you mentioned.

Deborah A. Cunningham - Portfolio Manager

Hi Ken. This is Debby Cunningham, and just to give you a little bit of background from a structured investment vehicle standpoint. They have been in the marketplace since 1989. Federated was one of the first investors in the first program that was in that marketplace. So we have nearly twenty years of history in this product. As Chris mentioned, due diligence and our internal credit process is the key to making sure of all our investments inclusive of those in the SIV marketplace that we are importantly buying only securities that represent minimal credit risk within the context of rule 2A7 for requirements, but in addition, meet our own stringent internal credit requirement that definitely differ in the context of what other investors are using in the marketplace.

From Sigma and K2's perspective, both of these issuers have been in the marketplace since the early 1990. They are probably the original one, and two of the original five entrants into this marketplace. They have strong systems and control supports, risk control supports within their management and process of investing the assets. We have reviewed in the context of their capital structure, their liquidity structure, their management structure, and then on a monitoring basis, you receive from them

monthly formal reports that allow us to continue to make determinations on a regular basis that they continue to offer minimal credit risk and high quality within the context of the securities that we own and the portfolios that we manage.

So, it is a process by which we are daily receiving updates. We are not concerned about the underlying credit quality of their portfolios and hence the portfolios that we own K2 and Sigma.

Kenneth Worthington - J.P. Morgan

Okay. Thank you. Have you added to your investments any of the search? And what is the capital structure, like how well capitalized are these?

Raymond Hanley - Vice President, Investor Relations

Ken, it's Ray. We continue to be supportive by the program and we look at that every day in terms of the capital structure and Debbie you could speak to that.

Deborah A. Cunningham - Portfolio Manager

Sure. They are different. I can't give you the exact capital structures of each one of them. We... if that... if you like that as a follow-up we can absolutely do that for you. But I can tell you that the general structure has junior as well as senior underlying subordinated notes that are in fact the credit support behind the underlying urban, senior note holders, the capital and medium... commercial paper and medium term note holders. There is also liquidity support in the form of backup bank lines, repurchase agreement facilities, and different types of what I call breakable deposits and investments allow them to gain liquidity in the marketplace. And again, the specific one into these two programs, as well as the other two what we own, we can make available to you, but I won't do that in this call.

Kenneth Worthington - J.P. Morgan

Okay. Thank you. And then, with regard the charge this quarter, the charge, were you forced to buy assets? What... can you give us a little bit more on the nature of the charge? I think it's been quite different from your prepared remarks.

Thomas R. Donahue - Chief Financial Officer and Treasurer

Sure Ken. This is Tom. We had a product and had longer securities in it, and as the credit markets were liquidity and the issues in August and September, and this thing really wound itself in late September, as the clients started calling in and saying we want to take our money out of this product, and we looked at the marketplace and looked at the yields that people would be getting if they stayed in. And we essentially recognized a call with all the clients in there and asked them to redeem so that would now put the fund basically in incubation. No we did not buy any securities out of the enhanced product. And we continue to basically to incubate it, we look to see if there's other way than we should restructure this product to see if there's a... something we want to bring it back out at a later date.

Kenneth Worthington - J.P. Morgan

Okay, perfect. Thank you. And then lastly in terms of Mellon-BoNY, I don't think anything has happened yet. Is there just a really good chance that purging them to anything and you keep all these assets, and deals with the peers in the market are just overdone, any update there would be very helpful? Thank you.

Thomas R. Donahue - Chief Financial Officer and Treasurer

Well Ken... and actually we worked very hard to make that more than just a mere enthusiastic possibility. So far, we have been able to maintain and enhance our overall relationship and the asset with Bank of New York Mellon, and part of the reason for this is that if you listen to their call and follow the things that we have said, we brought excellent people into the relationship with that organization. We have an excellent partnership with them, and the funds that we offer have excellent performance. And this has enabled them in at least our part to help them to be able to make statements like the integration is going very well because we have been able to help with their clients inside purging.

You recall as I have said before that Mr. Kelly's comments have always been that he didn't want to lose any client on this whole transaction and their open architecture inside purging is very important for that and we like that as well. And you'll notice one of the thing that, since they are a growing organizations, when they talked about adding \$20 billion of new flows into their suite platform, they say yes, they put more than half of that into our proprietary product. Whereby the subtraction method that means that almost 50% of it went into others' product, such as Federated's. And so this continues to be a source of growth because they are growing as well. Of course, like every client, they have the right to pull the money, change the money and all of those things. But we worked very hard on loving and keeping our clients and our partners in good shape with us.

Kenneth Worthington - J.P. Morgan

All right. Thank you very much.

Operator

Our next question comes from the line of Prashant Bhatia with Citigroup. Please proceed with your question.

Prashant Bhatia - Citigroup

Hi. Just real quick on the \$18 billion of flows, I think, this quarter, and you said \$8 billion so far... were \$18 last quarter and \$8 billion so far third quarter, do you have a feeling how much of that is related to just the arbitrage between... as a result of fed fund cut and the direct market?

Raymond Hanley - Vice President, Investor Relations

Prashant, it's Ray. The \$18 billion was weighted towards inflows into government money market products early in the quarter as Chris had mentioned. And that was against the backdrop of the August credit markets. The fed cut happened in the middle of September, and the more recent inflows have been weighted towards the prime funds. The money that came into the government funds continues to be there; it did not come at least visibly from any of our products, so it looked like clients allocating money from elsewhere into the security of the government money market fund.

On the prime fund, the 50 basis point decrease, the yield differential there has taken a little bit of time to develop because if you go back to the middle of September, obviously the direct market alternative investments were still had pretty elevated yield to that point. They have come in a bit since then and so we are starting to see a positive spread between the yields of our current money funds and the direct market alternatives. So, we are encouraged by the recent trends of growth on the prime side.

Prashant Bhatia - Citigroup

Okay. So that money will tend to stick overtime on the prime side?

Raymond Hanley - Vice President, Investor Relations

It's hard to say. I mean historically we have done well in periods when the fed is easing.

Prashant Bhatia - Citigroup

Okay.

Thomas R. Donahue - Chief Financial Officer and Treasurer

And what our charts have shown, Prashant, is that if you recall them is that basically we have been able to get higher highs and higher lows throughout these cycles with the fed that once we are able to enhance our asset position, we do a very good a job of service, products, sharing the whole nine yards of the business of money market funds with these clients, and so we are optimistic that we can keep a lion's share of the money. We know we can keep all the clients as clients.

Prashant Bhatia - Citigroup

Okay.

Raymond Hanley - Vice President, Investor Relations

Another backdrop, we have talked about some new applications and new developments, new products that are getting some footing like CFI. So, there's more than a rate differential going on there.

Prashant Bhatia - Citigroup

Okay, great. And then just in terms of the competitive dynamic, we have seen obviously similar trends at some places, and in some places we haven't seen money market flows. Is there any kind of dynamic in the marketplace that's different? I know you said pricing is a constant in this market, is there anything else that's different in terms of the competitive dynamic, people having some riskier assets in the money markets or any thing that's driving flows, and even a larger pace to you versus peers?

J. Christopher Donahue - President, Chief Executive Officer and Director

We aren't exactly in a position to be able to comment on what others have in their money market funds in order to try and access whether we're receiving flows or someone else isn't receiving flows by what they have. So that's a pretty tough one for us to do. In terms of competitors, it's like the regular crowd shuffles in. It's been the same gang that we've been competing against for a considerable amount of time doing the same kinds of things and we're responding in the marketplace much like we always do.

Thomas R. Donahue - Chief Financial Officer and Treasurer

And the other thing there Prashant, the performance does matter. I mean you get ebbs and flows and among that group that Chris mentioned the times you have great advantages and the times you don't. And so, in a near terms sense you have that kind of competitive thing happening that people don't so much associate with money markets, but it does exist.

Prashant Bhatia - Citigroup

Okay, and then just in terms of the margin it look like it's obviously picked up very nicely with the flows coming in. Is that something while the feds in cutting mode that we should anticipate will just continue or at least stay at current level.

Thomas R. Donahue - Chief Financial Officer and Treasurer

Prashant, it's Tom. It's tough to predict to where the margins going to go, what we've said in the past, is look if we get outsized assets flows that's how the margin can go up. Well that's exactly what just happened. We got outsized flows and the margin went up and I will... what's going to happen and where's the money going to come and in what form. You know we just... again if we get outsized flows it can maintain itself.

Prashant Bhatia - Citigroup

Okay. And then just... you talked about the sales, two things on that. One is you addressed the credit quality being very high, is there any type of... on liquidities we're seeing pretty good securities in the marketplace but no liquidity in some cases so obviously prices wouldn't reflect that. But is it fair to say that's a non issue based on the size of the funds that you have and then two in terms of the super save that's being formed. Is there any role that you would end up playing in that?

Deborah A. Cunningham - Portfolio Manager

This is Debbie Cunningham again. From... just from a general SIV liquidity perspective. Liquidity in that marketplace is definitely not returned to a normal stage since probably the end of July and although the FED rate cut helped in September, it helped a lot more on other types of asset backed programs and not as much on the SIV marketplace. Having said that again the core issuers that we use within our portfolios remain liquid and remained calm, it remained with the ability to be able to be traded in the marketplace and roll over securities as they are needed to do that. What I'd said just in the context of MLEC which is super conduit as you referred to it. Federated has been

involved in those discussions at the request of the treasury department since mid-September and it's again a reflection of the comment I just made which was that the liquidity was pretty much restored back to somewhat normal levels in most of the CP market place including what I would call the multi-sellers, traditional types of asset back commercial paper issuers, but SIV to some degree were not as responsive. And there's... the treasury department was concerned about that, so they asked a group of investors, insures and bankers to come in and see if we could figure out a solution as to why that was happening and from an investor perspective it was concerned about liquidity in the marketplace and so what is our role from Federated's perspective at this point in the context of this treasury facilitated discussion about MLEC and the current draft proposal that is in the marketplace is providing input as to what we would see our need to see in a structure going forward that would allow us to feel that this marketplace would return to what I'd call somewhat normal levels of liquidity. Liquidity in the SIV marketplace has traditionally come from partial support in bank lines and other types of traditional liquidity facilities. But a portion of that has been due to the ability to liquidate at market value, the highly rated public securities that they hold within their portfolios. The volatility and illiquidity associated with those exact securities in the August and September timeframe have effectively removed a portion of that liquidity from these SIV issuers just simply because of the sort of current standard deviation and threats that we saw in that marketplace occur during those time periods.

So effectively what we are attempting to counter line in the context of our input is how that liquidity can be regained into these structures.

Prashant Bhatia - Citigroup

Okay, thank you. That's very helpful.

Operator

Our next question comes from the line of Robert Lee with KBW. Please proceed with your question.

Robert Lee - Keefe, Bruyette And Woods

Thank you, good morning guys.

J. Christopher Donahue - President, Chief Executive Officer and Director

Hi Rob.

Robert Lee - Keefe, Bruyette And Woods

I have a quick question on the use of debt because on the past you've mentioned that if you have an opportunity you wouldn't... you would be willing to obviously put some leverage on the balance sheet. But if you look over the past quarter or so you've had several of your competitors try to take advantage I guess of some favorable rates and get some more permanent or a longer term debt on their balance sheet. I mean is that something you would consider, I mean what are your thoughts in doing that?

Thomas R. Donahue - Chief Financial Officer and Treasurer

As background as you know well, that back in '89 when we bought ourselves back from Aetna, we had a considerable amount of debt, as relates to the total balance sheet of Federated. So it's not exactly fear of the dark that keeps us in our current position, we've won this dress before. So what we have to look at is where you have a proper confluence for the reason for doing that and the interest of the shareholders, of Inc. and perhaps the shareholders of the funds or an acquisition, and we just haven't seen that confluence yet. Are we open to do that? Yes, have we discussed it over last several years when all of these various booklets would come into us from various people? Yes we have discussed it. There is no prohibition against doing it but we just haven't decided to do it yet because we haven't determined it to be in the best interest of the fund shareholders and the Inc. shareholders, at this given time.

Robert Lee - Keefe, Bruyette And Woods

Okay.

Raymond Hanley - Vice President, Investor Relations

Rob, just to follow-up on that. During the quarter we announced that we have \$86 million in cash, and that's been low... that's a low number for us in the last few years. And so if something happened kind of on a smaller term, we would be right into our lines if we needed to.

Robert Lee - Keefe, Bruyette And Woods

Okay, fair enough. To see there's also a question on a compensation. You've done a pretty job on the margin and if they look at compensation expense considering the revenue growth you've had sequentially year-over-year, it's been pretty modest? Should we be thinking that there is any potential or any type of catch-up accrual or what have you from true-up on the Q4 and comp expense or is this a pretty good kind of run rate?

Raymond Hanley - Vice President, Investor Relations

Rob we've to go through every quarter and put down our best estimates for the year and then final our lives the way to say that's are best estimate for the year. So as we look at it, that is our best estimate right now. Something happens in the fourth quarter to make performance better, and make sales better, make the whole growth of the company better, then it would move up.

Robert Lee - Keefe, Bruyette And Woods

Okay, great. Thank you guys.

Operator

Our next question comes from the line of William Katz with Buckingham Research. Please proceed with your question.

William R. Katz - Buckingham Research

Okay. Thank you very much. I want to come back to the safe discussion for a second, I appreciate that you've great credit and the Treasury has asked you to sort of step in. But then I counter balance that against the fact that you have to sort of absorb a loss on this enhanced money market or bond fund. I am just trying to understand from the outside looking in what kind of stress test or what type of metrics you are really looking at where it might point to an issue potentially developing for this year at this point in time.

J. Christopher Donahue - President, Chief Executive Officer and Director

Well... just made sure we separate these two before Debbie talked. The longer enhanced reserve product was really an issue with our client saying they want out of that product and because of the marketplace at the time where they were valuing those securities, we took the loss there. In terms of the SIV... and Debbie can answer that.

Deborah A. Cunningham - Portfolio Manager

Sure. When... it's interesting when you look at the overall SIV market price and those that have been most recently in the headline, risky adopt that's in that particularly class and you look at those SIV managers and what they earned, their portfolios... their profiles are vastly different than the bulk majority of that marketplace. If you look at the likes of Chaney and Ryanbridge [ph] and several others that are either in the fall season of that industry or have been downgraded severely and will likely go into default in a relatively short period of time. Their portfolios were comprised of roughly 50% in sub-prime mortgage related asset underlying, that is not at all the profile of certainly the four SIV issuers that we own within our portfolios nor is it that the profile of again the vast majority of the marketplace. Yet a very broad brush is being painted.

If you look at the four issuers that we own, two of them have absolutely no sub-prime exposure, the other two have less than 1% in sub-prime exposure and that includes direct sub-prime as well as

indirect sub-prime through CDOs of any sort that might own them also in those portfolios. So, it's a vastly different profile when you look at what I would call the traditional SIV marketplace and those that have been profiled in the marketplace that sort of being representative of the industry when in fact that's not in the case.

What has been the result however has been in the sort of a volatile and illiquid marketplace from a pricing perspective and so that's where we're continuing to focus our efforts to make sure that in fact that part of the equation gets restored.

William R. Katz - Buckingham Research

Okay, that's very helpful. Chris, just sort of hate to be the down that's really caused, but sort of come back to the equity and fixed income platforms for a second, to sort of count this up, have the call... your equity retail footprints within also of the twelve sequential quarters and the fixed income has been in and out from over 17 quarters and each quarter you are going to have these comments caused, you talked about these real wins here and there, but structurally what is going to shift you out of this ongoing attrition mode to be a more competitive player in both of those platforms. I just sort of struggled with the big picture a little bit.

J. Christopher Donahue - President, Chief Executive Officer and Director

Well the big picture Bill is that's a lot of work and a lot of basic blocking and tackling overtime. It includes adding products like the Rochdale product, the Intercontinental Fund in space which we had been missing for the last several years. You had an industry where the biggest bunch of flows was in that space and we didn't have the broad based product that we're able to accept the flows that were there. So now that's been repaired. There are several funds that needed to be prepared and we went through these... we can go through each one of them again but the nature of it is to repair each one, one at a time and get it right.

Now with capital appreciation which is a pretty good example, it takes a while in a mutual fund to turn the quarter on the net redemption. And it doesn't turn exactly when you get the performance right. It just doesn't work that fast. I wish that it would and I wish that was a silver bullet to do it but that is not what happened. So we continue to maintain the fiduciary duties of the funds and the shareholders and improve the performance and then the flows will come eventually back into those product that it speed bumped. Because of a very competitive world when you hit those speed bumps you get within the penalty box for a while and yes I come on here every time because I do believe that we are going to write those flows and that's how we spend a lot of time doing. But it is a lot of slow steady work, buying things, improving products, working on the sales in order to build it up.

The macro picture from our point of view is very strong. When you look at the Kauffmann and the Kauffmann products that we are talking about building, the MDT, the new Intercontinental and several of our other internal products to include capital appreciation, mid cap growth strategies, community stocks and a bunch of others we think we have a pretty good gang of them. But, as you well know and as I mentioned in the remarks you get some of them that go the other way that are... our absolutely return product market opportunity is now leading the charge on redemptions. Well that was leading the charge on positive sales last year. So, as I mentioned before our duty is to get our sales up in order to be able to get over these speed bumps inflow.

So I do not lament you asking the question Bill because this is something that is a constant discussion here and we know it is an important ingredient in our overall value and our overall growth pattern to get us to the \$400 billion that we said we would get to by 2010.

William R. Katz - Buckingham Research

So on the fixed income side and so a parallel discussion.

J. Christopher Donahue - President, Chief Executive Officer and Director

No, then we see a little bit light... we've actually had some weeks with positive flows and the performance, the people and the principles they are all in good shape and so we're beginning to see those flows turning themselves around and we have the same kind of attitude there. We don't think we need the acquisition by help or the repair voyage in those funds, if they are getting the sales back to where they should be.

William R. Katz - Buckingham Research

Okay. And then just sort of follow-up Tom, just curious, I know it's a tiny number but looks like some of your other expense lines were so lumpy this quarter... particularly professional services and just sort of curious that the numbers have been bouncing around, any thoughts on how we should thinking about that number?

Thomas R. Donahue - Chief Financial Officer and Treasurer

Yes, it's going to continue to bounce around, you have the legal expenses and they hit and then you've professional or severance type things and those bounce around. I have looked... trying to look at it and spread it out over a year period it's how I will look at it.

William R. Katz - Buckingham Research

Thank you.

Operator

Our next comes from the line of Michael Hecht with Banc of America Securities. Please proceed with your question

Michael Hecht - Banc of America Securities

Hi guys, good morning.

Thomas R. Donahue - Chief Financial Officer and Treasurer

Thanks Mike.

Michael Hecht - Banc of America Securities

Just wanted to get... I know you talked about this Chris in your prepared remarks, updated thoughts on consolidation here particularly in the money fund business, I mean any opportunity to kind of buy from market share from maybe smaller players maybe having trouble navigating some of the incremental volatility at the short end of the curve these days?

J. Christopher Donahue - President, Chief Executive Officer and Director

Yes, there are opportunities like that that our currently being analyzed.

Michael Hecht - Banc of America Securities

Okay. And then may be switching over to the outflows from the separate accounts you saw this quarter and it seem like it was a combination of kind of legacy Federated products plus some softness with MDT. I mean with the MDT performance so strong this year as other QAM funds have kind of struggled, and I know it's not a traditional QAM product but have you been surprised that the flows haven't been stronger and what do you think it's going to take to get an acceleration of flows going on?

Thomas R. Donahue - Chief Financial Officer and Treasurer

Well, we are happy we're getting the flows, we think they should be stronger and we are putting all efforts on the get on more... we are getting into more bids we're getting into more finals and so we're looking into the future with optimism on being able to win a bunch of those accounts.

J. Christopher Donahue - President, Chief Executive Officer and Director

And remember Mike that the bulk of the MDT assets were in the SMA world and those strategies they have closed them when we acquired them a year ago. We reopened them at MDT's request in the first quarter and so we've been working to get the sales going there again. But as Chris mentioned we are getting traction on the institutional side, they are literally ahead in each one of their strategies in

every time period and we've won a dozen or so mandates over the last couple of quarters. It tended to be in the \$10 million to \$50 million range but we're seeing some bigger searches and some larger opportunities and we're expected to start to see some larger wins there as well.

Michael Hecht - Banc of America Securities

Okay that's helpful. And then just last one. I am sorry if I missed this in your remarks Chris but can you talk about the trends you are seeing in adding new corporate cash management customers in the third quarter and how that compares with the last few quarters?

J. Christopher Donahue - President, Chief Executive Officer and Director

I'll take that Mike. We did had a handful... at least six, and we didn't have the asset total so we did not include it in the prepaid remarks. But part of the growth in the quarter was from new accounts and new clients. Along the lines of what we've been seeing before may be elevated a bit.

Michael Hecht - Banc of America Securities

Okay, great, thanks a lot. Nice quarter guys.

J. Christopher Donahue - President, Chief Executive Officer and Director

Thank you.

Operator

There are no questions in the queue at this time. [Operator Instructions]. Our next question comes from line of Matt Snowling with FBR Capital Markets. Please proceed with your question.

Matt Snowling - Friedman, Billings, Ramsey & Co.

Good morning guys.

J. Christopher Donahue - President, Chief Executive Officer and Director

Good morning Matt.

Matt Snowling - Friedman, Billings, Ramsey & Co.

Just going back to the SIV question again. Did you quantify how much exposure that you have to those four SIVs, and maybe you can give us little bit better details in terms of the collateral?

Thomas R. Donahue - Chief Financial Officer and Treasurer

The SIV in total across the whole money market assets would be up a couple of percentages that varies by portfolio. And I am sorry, what was the second part of the question?

Matt Snowling - Friedman, Billings, Ramsey & Co.

Just I am trying to get a better sense of what the underlying collateral is?

Deborah A. Cunningham - Portfolio Manager

The vast majority... about 50% of the collateral within the issuers that we use are financials. So the banks, brokers, insurers, and sort of the traditional financials in the three to five years phase of the market. The... they are all... the remaining portion is then basically spread out amongst different sectors of the ADS marketplace.

Matt Snowling - Friedman, Billings, Ramsey & Co.

But you mentioned less than 1% being sub-prime.

Deborah A. Cunningham - Portfolio Manager

That's absolutely right. And in two programs, there's not at all.

Matt Snowling - Friedman, Billings, Ramsey & Co.

Right. But, we are seeing a lot of deterioration in the secondary part of market, is there any real closure there?

Deborah A. Cunningham - Portfolio Manager

Very little.

Matt Snowling - Friedman, Billings, Ramsey & Co.

Okay, great. Thank you.

Deborah A. Cunningham - Portfolio Manager

It's more traditional ADS, non-housing related financing.

Matt Snowling - Friedman, Billings, Ramsey & Co.

Non-housing. Okay.

Operator

Our next question comes from the line of Jim Delisle, Cambridge Place. Please proceed with your question.

James Delisle - Cambridge Place Investment Management

Good morning.

J. Christopher Donahue - President, Chief Executive Officer and Director

Hi.

James Delisle - Cambridge Place Investment Management

You used few phrases like a couple of percent and fund, the total amount and related funds, and a vast majority 50% being... and I am wondering if the lack of precision in those phrases indicates a lack of knowledge at your end, or a lack of willingness to disclose the more exact numbers to the investors?

J. Christopher Donahue - President, Chief Executive Officer and Director

This is Chris. The relative ranges of these things are how we handle a lot of questions that go in ebbs and flow. We know exactly what the numbers are in the portfolios. Thank you very much. But we are trying to give you general numbers. We told you that we were just under \$200 billion in money market funds, and Ray told you it was a couple of percent that we had an exposure in SIV. Now, if you can't figure that out, there is not much more we can do for you. On the other hand, we are interested in giving as much information as possible, but then not being held to specific exact numbers that then stimulate more questions that we don't really think are going to be appropriate, because these money funds have ebbs and flows of what they do and where these percentages are. I tend in between meetings on the subject of flows to make the same kinds of comments within ranges so the people can know roughly where we are, make good judgment, but not be hang-up on what the exact numbers are at some given point in time.

Thomas R. Donahue - Chief Financial Officer and Treasurer

And Jim, just as a follow-up, I mean the money fund portfolios are all out there on our websites. So holding to each fund are clearly a matter of public record.

James Delisle - Cambridge Place Investment Management

And I apologize for offending Chris, but I hope you can understand that when I hear the vast majority to find as approximately 50%, I am a little unclear as to whether a couple is 2% and thus I can do the math or something in the range. Thank you folks. Good luck.

Operator

Our next question comes from William Katz of Buckingham Research. Please proceed with your question.

William R. Katz - Buckingham Research

I just want to follow-up on that last point. If couple of percentages above \$4 billion or so, I am just sort of curious if they were further marks against that \$4 billion and I apologize for the naivety on this part of the question. Is that a hit against net asset value or is that impact the yields? Thank you.

Deborah A. Cunningham - Portfolio Manager

First of all, our positions are dynamic. They... we have maturities as well as purchases on a regular basis, as these are money market funds that we are talking about. So, that's why a couple of percentage points also as relevant as opposed to 4.3 or 6.2 or some specific number relevant to

individual fund. And with regard to the overall pricing in the marketplace, I think that's what you are asking.

William R. Katz - Buckingham Research

Right.

Deborah A. Cunningham - Portfolio Manager

Specifically for SIV paper. The spreads in this marketplace were at their widest during the late August time period, probably the third and fourth weeks in August. As more information has been disseminated on the healthiness of the vast majority, and again I am using that term, sorry about that, but, let's take 24 out of the 30 issuers in the marketplace, the healthiness and overall high credit quality of their portfolios, those spreads have been cut in about more than a half. So, the widest spreads in time and that's the worst portfolio pricing in those securities within our particular portfolios where we own them, is past us by about a month and a half to two months at this point. Having said that they are still wider than they have been historically, but again, we don't necessarily think that's a bad thing. Spreads were at levels that were really unprecedentedly low in the time period that's leading into the volatility of the August marketplace. So, if we are able to see a tearing in the marketplace going forward, with some rewards being due to those who can approximately analyze a complex security, then I don't think that's problematic in the marketplace, it just sort of returns it to what I would call the normalcy fee of the 90s as opposed to the abnormal fee of the 2000 type decade so far.

William R. Katz - Buckingham Research

Okay. I appreciate the improvements in spreads, but in fact there was some kind of event that would sensibly lighten out the spreads you want to take a negative mark. Just help understand the economics. Is there... does it impact the net asset value or is it just in the yield?

Deborah A. Cunningham - Portfolio Manager

It doesn't really do either one of them. I mean amortized cost pricing is just exactly that. We verify our amortized cost pricing to make sure that it, on the mark-to-market basis, is reflecting actual circumstances within the marketplace. There is nothing within our portfolios that is deviating from that amortized cost pricing. Having said that going forward, if yields are lower or higher as we have maturities in the securities, and we purchase them, higher in the context of spreads being wider because of the tearing that I was talking about, but lower in the context of already a 50-basis points cut in the fund target rate by the Fed, but potentially more coming, there will definitely be a yield impact based on what we are able to buy in the security going forward, but not with what we own currently in the portfolios.

William R. Katz - Buckingham Research

Okay. Thank you. I appreciate the... all the time.

Operator

There are no further questions at this time. I would like to turn the floor back over to management for closing comments.

J. Christopher Donahue - President, Chief Executive Officer and Director

Well then that concludes our call and we appreciate you time.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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