

Global Transaction Services

Cash Management Trade Services and Finance Securities and Fund Services

Trends in Investments 2007

March 7 & 8 2007

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Agenda

- **Welcome**

- Arlene Husni, Director, Global Transaction Services, Citigroup

- **2007 Outlook for Money Markets**

- Daniel Burke, Vice President, Investment Management Division, Goldman Sachs
- Jennifer Ryan, Vice President, Investment Management Division, Goldman Sachs

- **Managing Investments: Current Trends and Best Practices**

- Anthony Carfang, Partner, Treasury Strategies, Inc.

- **Using the Citibank® Online Investments Portal to Implement an Investment Strategy**

- Mali Bartlett, Director, Global Transaction Services, Citigroup

- **Question & Answer**



GSAM Global Cash Services Overview and Economic Outlook

March 2007

25 YEARS \$ € £ AAA

A lasting impression in cash management

GSAM money market funds overview

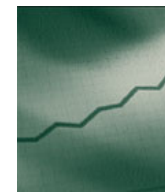
Asset Management

- GSAM Money Markets manages over \$127 billion in money market assets in a variety of money market mutual funds, as well as in separate accounts
- GSAM manages a full range of cash products including:
 - Taxable, tax-advantaged and tax-exempt portfolios;
 - US\$, Euro, and Sterling denominated portfolios
- The GSAM Money Markets team utilizes the Goldman, Sachs & Co. Credit Department, a separate operating entity of Goldman Sachs, which is highly regarded in the industry for its credit research
- The following funds are available on the Citi OLI platform:
 - GS Financial Square Prime Obligations Fund
 - GS Financial Square Government Fund
 - GS Financial Square Federal Fund
 - GS Financial Square Treasury Instruments Fund
 - GS Financial Square Tax-Free Money Market Fund
 - GS US\$Liquid Reserves Fund

An investment in a money market portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market portfolio seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in a money market portfolio.

GSAM money market funds key events

Asset Management



Asset Management

1981	1988	1990 / 1991	1996	2001	2002	2006
Goldman Sachs enters money market fund business with launch of Institutional Liquid Assets (ILA) Portfolios	Goldman Sachs Asset Management formed around institutional cash management business	U.S. recession; Goldman Sachs Financial Square Funds SM launch ¹	Goldman Sachs US\$ Liquid Reserves Fund launches	Fed cuts interest rates by 475 basis points; GS money market fund AUM surpass US\$100 billion	Money market fund industry assets exceed US\$2 trillion ²	GSAM marks 25 years of managing money market fund assets

¹ Financial Square FundsSM is a registered service mark of Goldman, Sachs & Co.

² iMoneyNet

- Official Goldman Sachs interest rate call is for the Fed to begin easing by mid-2007, ending the year with the Fed Funds rate at 4.5%
- Estimate for 2007 GDP at 2.3%
- Unemployment rises in response to an economic slowdown – estimate for 2007 unemployment rate at 4.9%
- Inflation remains benign – Core CPI falls to 2.3% for 2007
- Oil returns to \$69/barrel in 2007

Source: GS Economic Department

The economic and market forecasts presented herein have been generated by GSAM for informational purposes as of the date of this presentation.

They are based on proprietary models and there can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

Economic forecasts: Federal funds, GDP and CPI

**Asset
Management**

Fed Funds	Q1'07	Q2'07	Q3-07	Q4'07
Goldman, Sachs & Co.	5.25%	5.00%	4.50%	4.50%
Citigroup	5.25%	5.25%	5.00%	5.00%
Bank of America	5.25%	5.25%	5.25%	5.25%
JPMorgan	5.25%	5.25%	5.25%	5.75%
Morgan Stanley	5.25%	5.25%	5.25%	5.25%

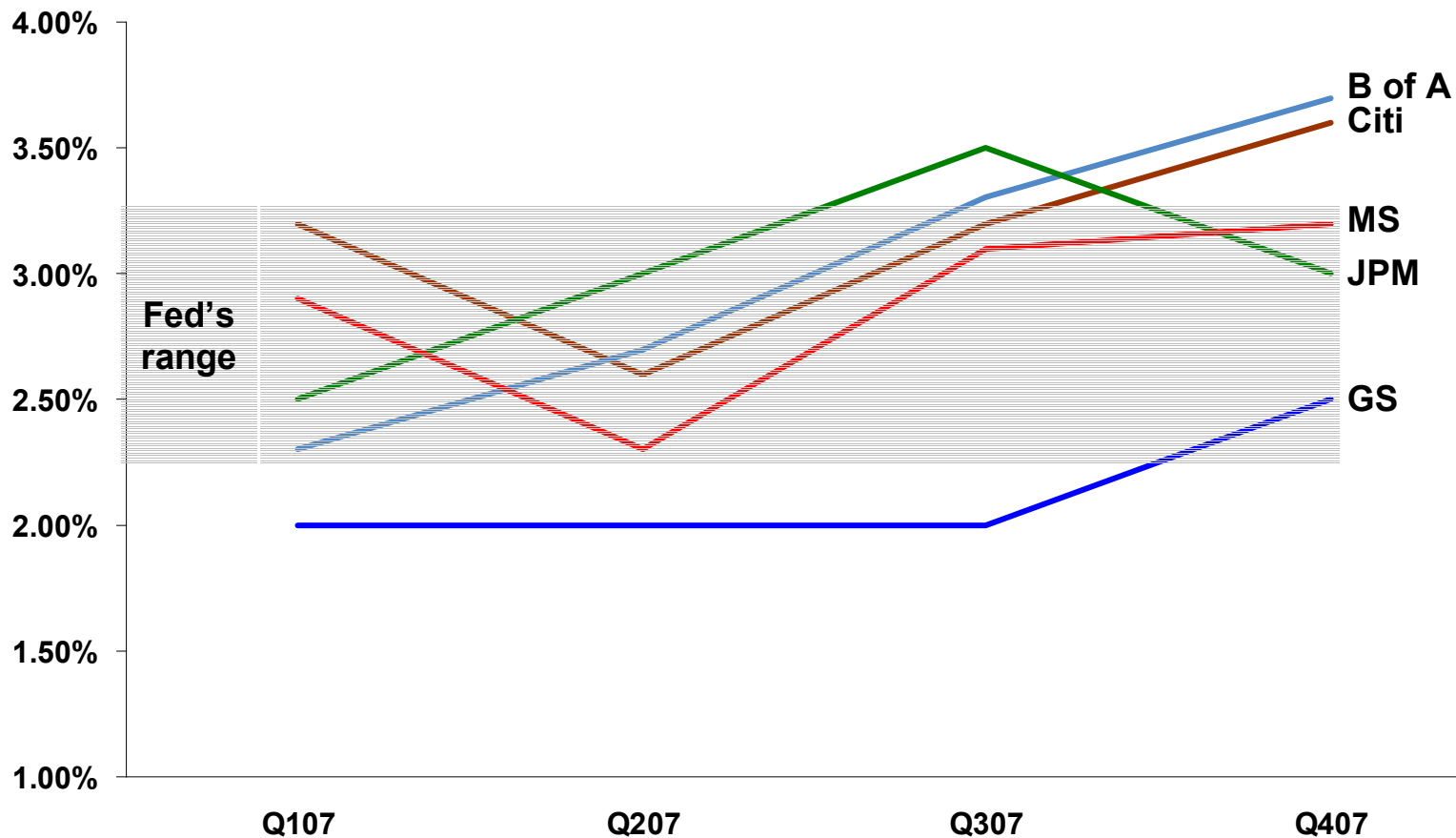
GDP	Q1'07	Q2'07	Q3'07	Q4'07
Goldman, Sachs & Co.	2.00%	2.00%	2.00%	2.50%
Citigroup	3.80%	2.60%	3.20%	3.60%
Bank of America	2.30%	2.70%	3.30%	3.70%
JPMorgan	2.50%	3.00%	3.50%	3.00%
Morgan Stanley	2.90%	2.30%	3.10%	3.20%

CPI	Q1'07	Q2'07	Q3'07	Q4'07
Goldman, Sachs & Co.	2.30%	2.30%	2.00%	1.80%
Citigroup	1.90%	1.20%	1.00%	2.10%
Bank of America	0.60%	1.60%	2.30%	2.60%
JPMorgan	2.50%	2.70%	2.80%	2.80%
Morgan Stanley	2.70%	2.50%	2.30%	2.20%

Source: GS & Co., Citigroup, Lehman Brothers, JP Morgan, Morgan Stanley

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GDP forecast versus fed's range

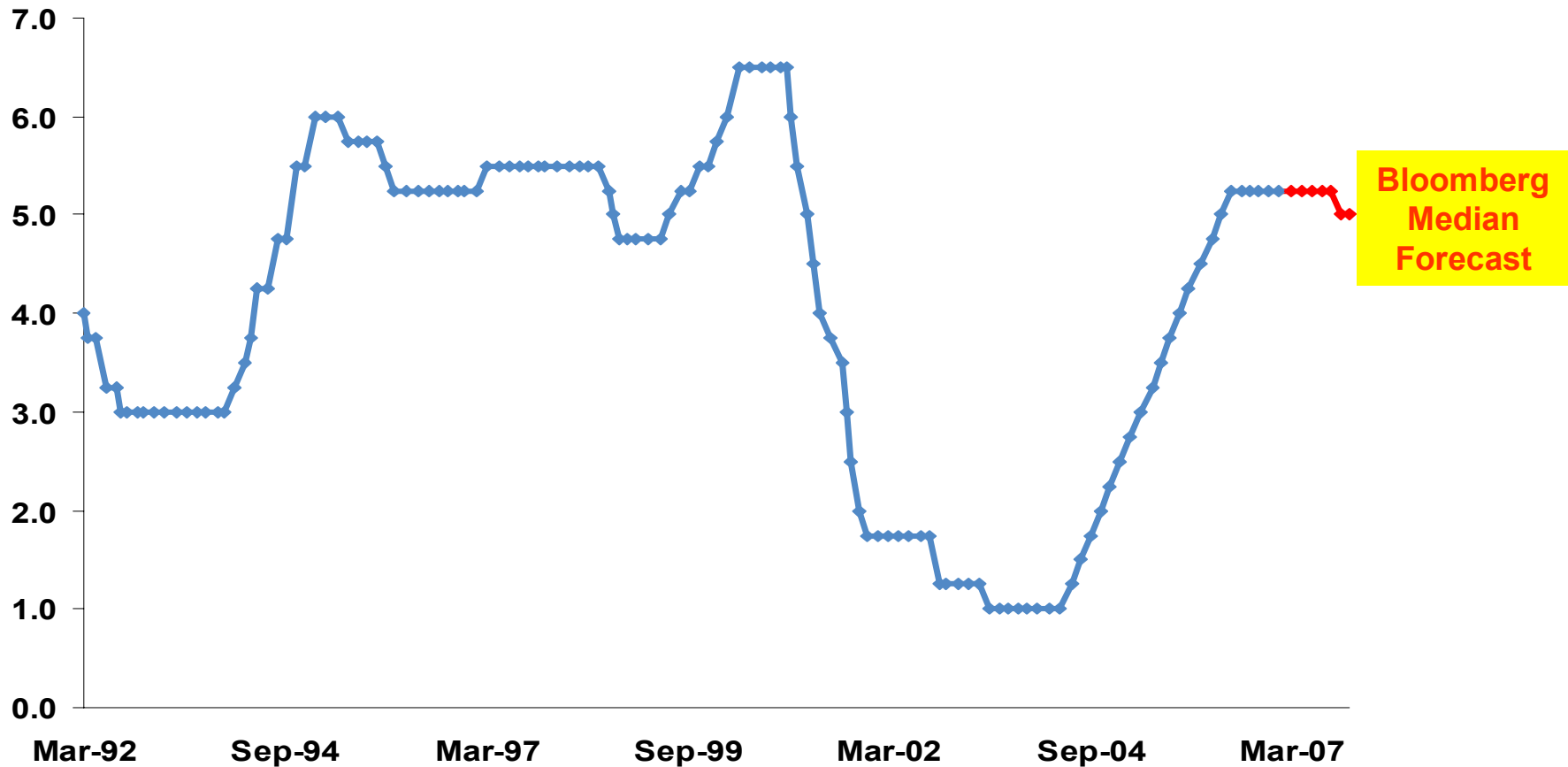


Source: GS & Co., Citigroup, Lehman Brothers, JP Morgan, Morgan Stanley

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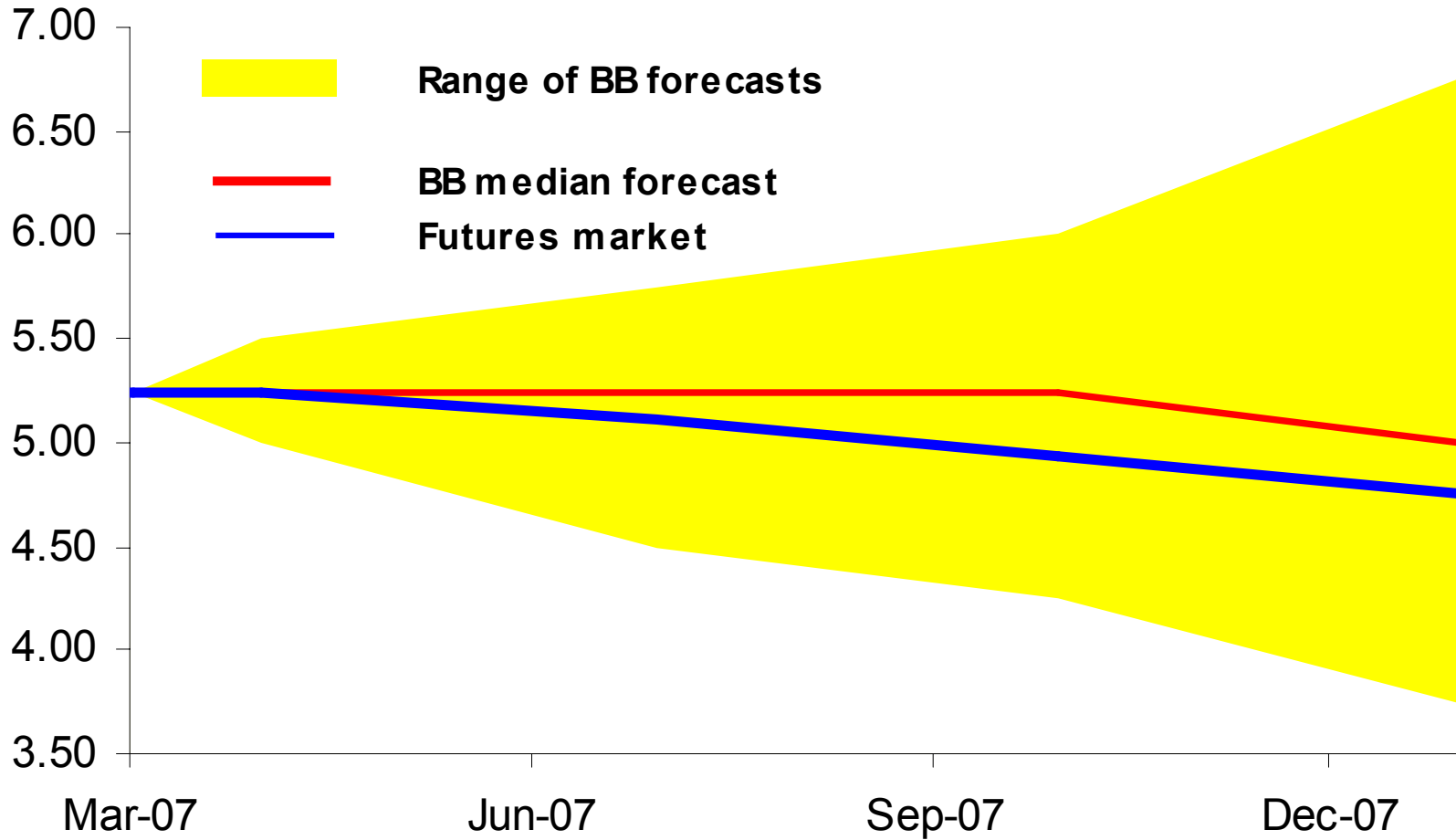
Historical fed funds target and forecast

Asset Management



Source: Bloomberg

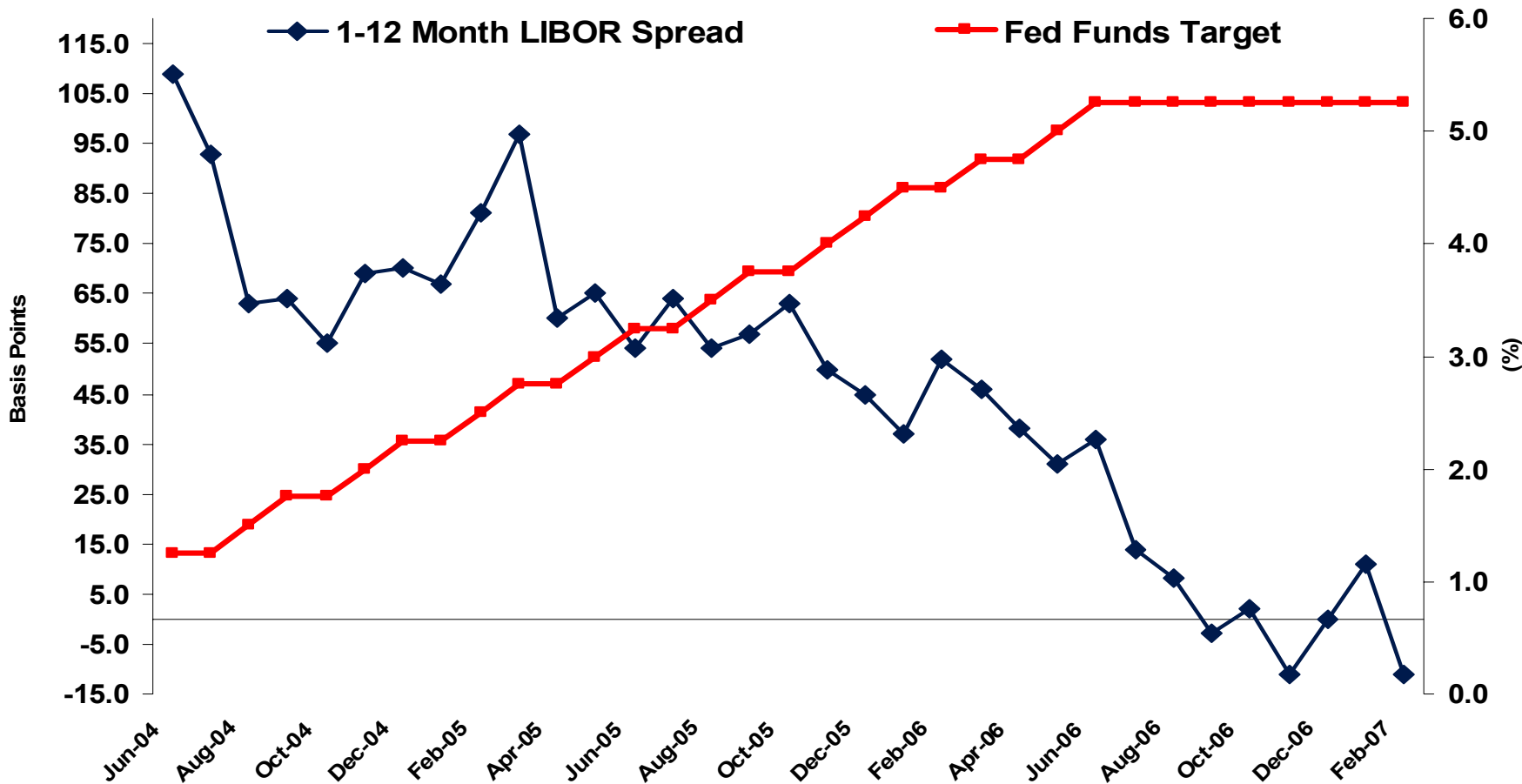
Fed Fund Expectations for 2007



Source: JPMorgan, Bloomberg Markets

Comparison between the LIBOR yield curve and the Federal Funds target rate

June 2004 – February 2007



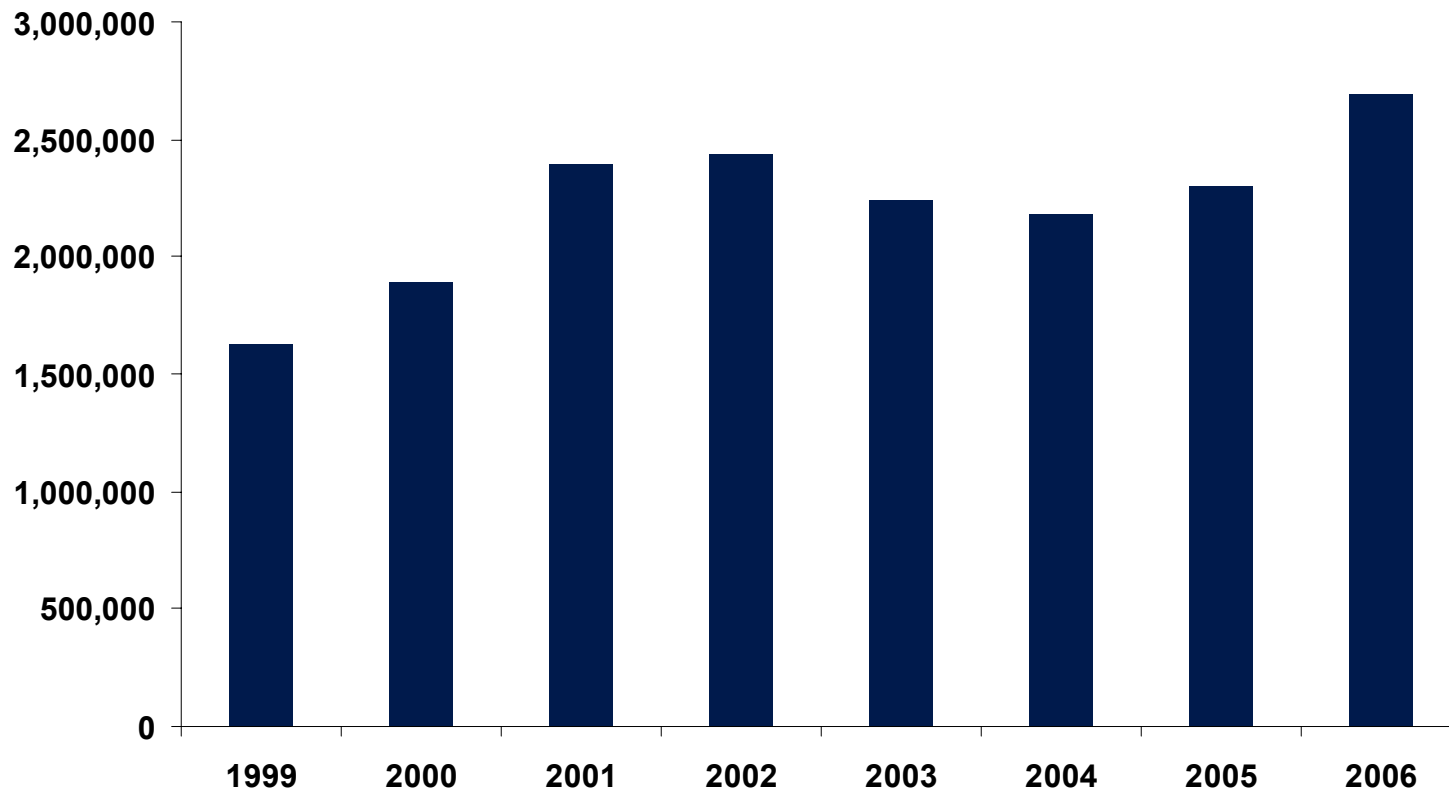
Source: Bloomberg

Growth in Money Market Industry

Assets from 1996 – 2006

U.S. and Offshore

Year-End Assets



Source: iMoneyNet

Money market funds vs. direct securities

Funds		Direct Securities	
Diversification:	Reduces asset volatility risk Reduces risk of underperformance associated with negative credit events	Diversification Problems:	Concentrated credit exposure Small trade size reduces ability to diversify
Economies of scale:	A large asset pool allows greater exploitation of market opportunities	Labor intensive:	Daily reinvestment / Daily management Harder to obtain best execution on small trades
Liquidity:	Daily – and without the need to reinvest – for money market funds	Market risk:	Unexpected liquidity demand may require selling at a loss
Yield potential:	Active management by experienced sector specialists offers potential for yield enhancement	Hidden costs:	Limited yield potential (OTDs) Historical rate volatility Management costs can detract from yield Resources taken away from main treasury focus
Ease of investing:	Eliminates securities settlement problems	Investing difficulties:	Custody expenses and settlement issues (short-term portfolios)

IRS Circular 230 disclosure

**Asset
Management**

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Diversification does not protect an investor from market risk and does not ensure a profit.

Opinions expressed are current opinions as of the date appearing in this material only.

The portfolio risk management process includes an effort to monitor and manage risk, but should not be confused with and does not imply low risk.

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Important disclosures

Asset Management

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The Power of ExperienceSM

Liquidity: Current Trends and Best Practices

March 2007

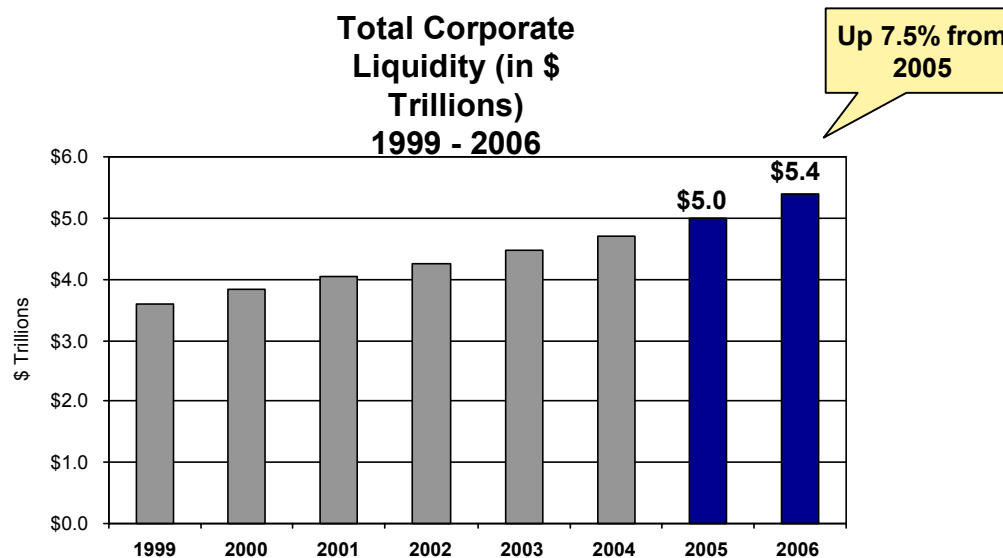
Anthony J. Carfang, Partner

Tony_Carfang@TreasuryStrategies.com

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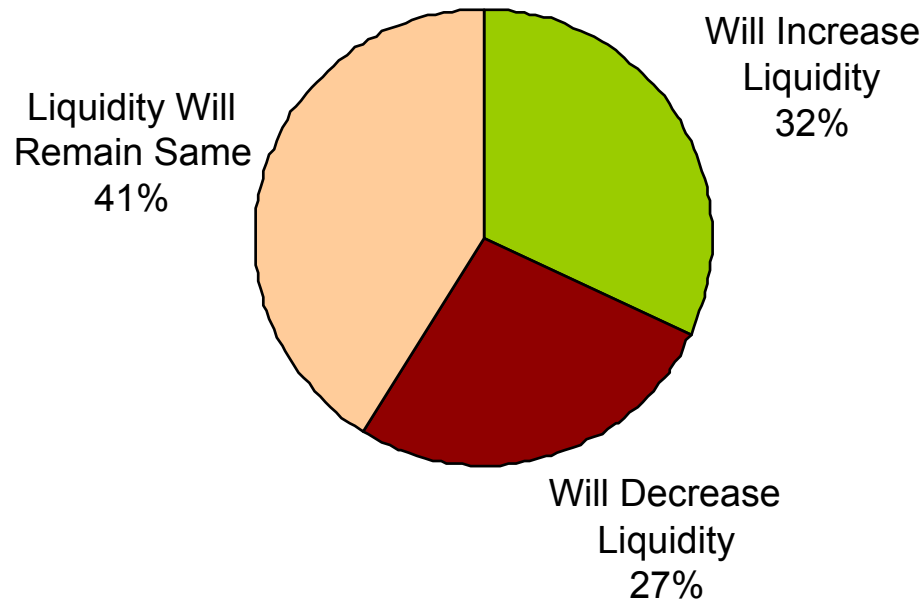
Liquidity Continues to Grow

- US corporations hold roughly \$5.4 trillion in liquidity, up considerably from 1999 and up 7.5% from 2005.
- Treasury Strategies defines liquidity as cash, deposits and short-term investments with maturities less than three years.



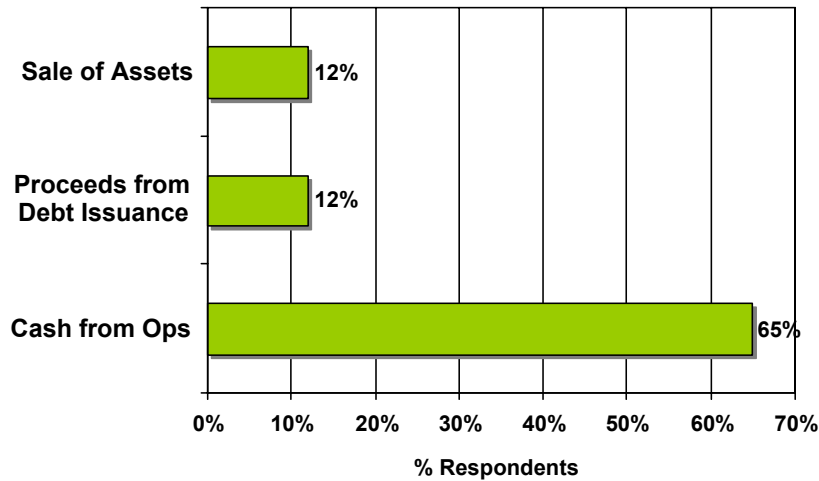
Liquidity Levels - Looking Ahead

Expected Changes in Liquidity Levels Next 12 Months

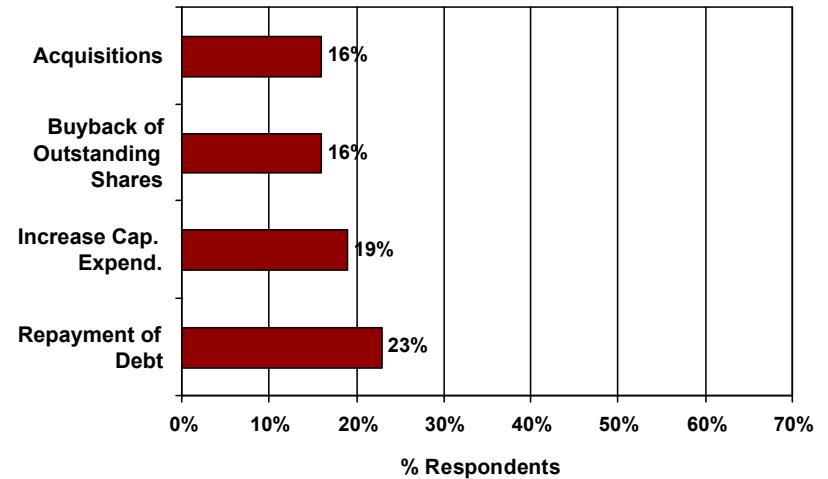


Liquidity Levels - Looking Ahead

Reasons for Future Increase in Liquidity Levels



Reasons for Future Decrease in Liquidity Levels



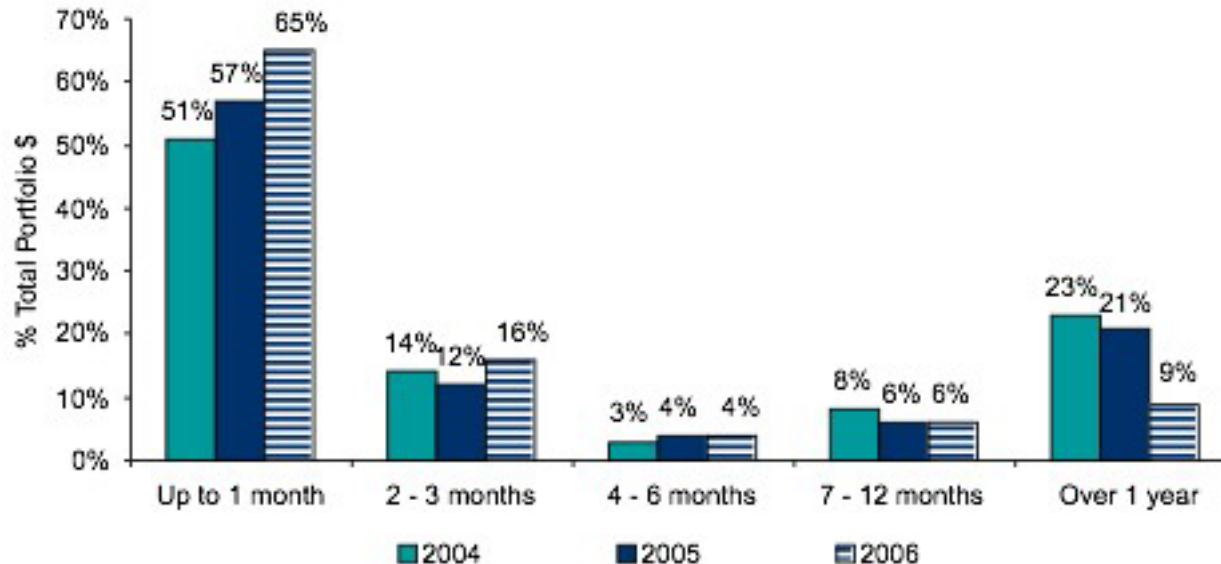
Not All Cash is Created Equal

We identify four distinct types of corporate liquidity. Each type has unique characteristics and objectives.

- Operating Cash is the daily transaction flow of a corporation. It is the “payroll to payroll” cycle and must be 100% convertible into cash at zero risk.
- Reserve Cash is the buffer or cushion. This cash sustains a corporation through an entire business cycle. There is little need to convert this entire amount to cash on a daily basis.
- Accumulation Cash is cash in excess of operating and reserve balances. It is set aside for strategic purposes or a major financial event.
- Required Cash represents funds that must be set aside for specific activities, usually with restrictions. This includes escrows, performance deposits, sinking funds, etc.

Most Liquidity is Very Short-term

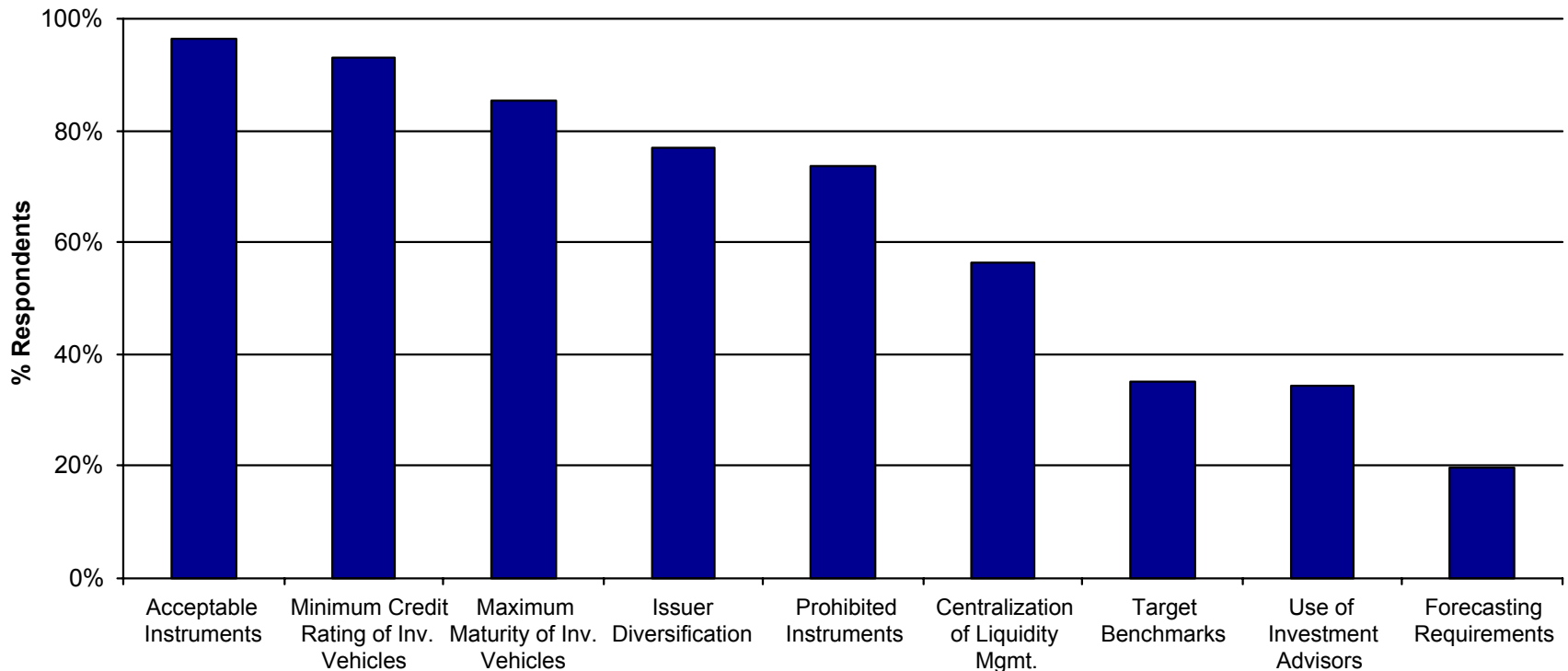
Corporates are shifting even more of their liquidity portfolios into shorter maturities.



Investment Policy Components

- Policy components reflect the concern for capital preservation rather than capital optimization.
- Relatively few investment policies include certain liquidity best practices.

Components of Short-Term Investment Policies



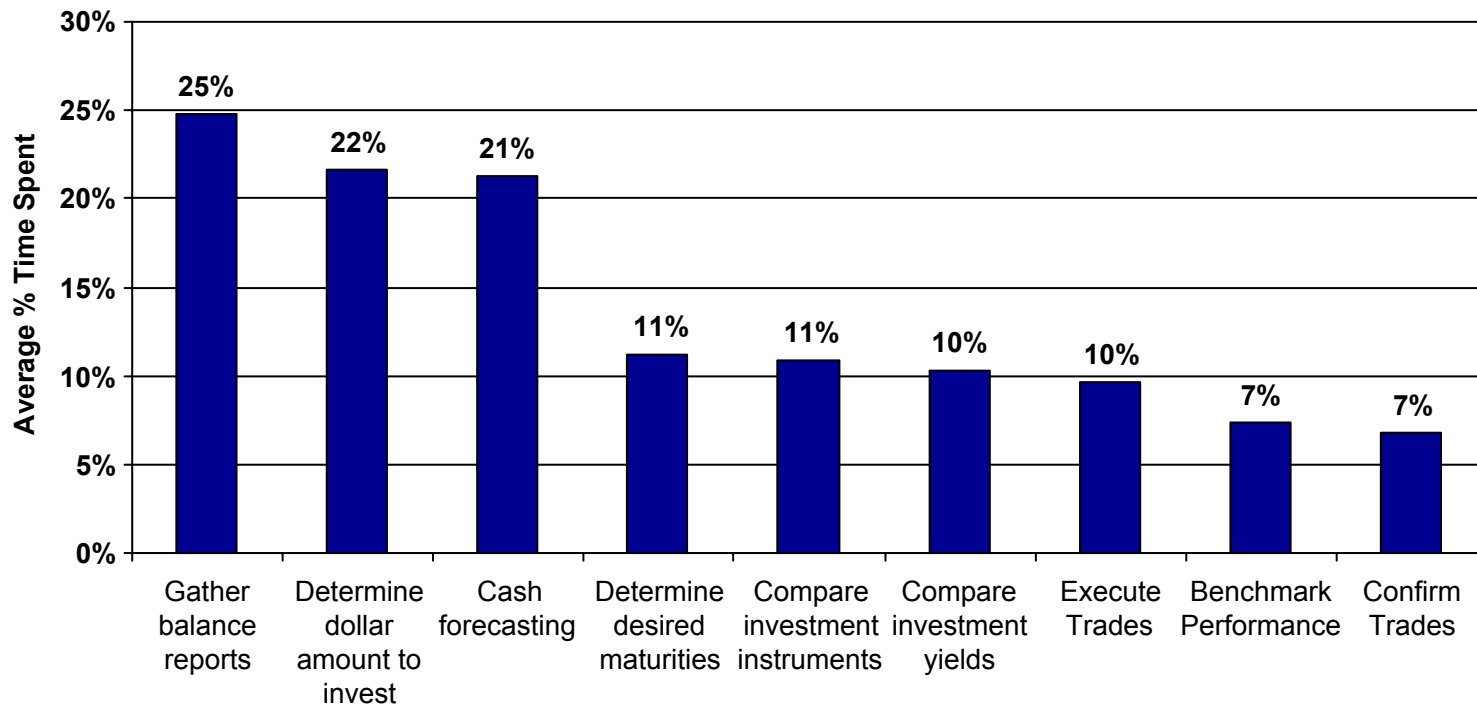
Organizations Limited Use of Technology for Liquidity

Tools Utilized for Liquidity Management Processes (% Respondents)

	Phone	Fax	E-Mail	Online	Spreadsheet	Workstation
Gather Balance Reports	10%	7%	12%	61%	18%	21%
Determine Dollar Amount to Invest	10%	3%	7%	25%	47%	21%
Cash Forecasting	4%	2%	6%	11%	68%	13%
Determine Desired Maturities	8%	2%	4%	12%	50%	9%
Compare Investment Instruments	18%	4%	10%	31%	25%	6%
Compare Investment Yields	17%	4%	10%	33%	27%	6%
Confirm Trades	31%	16%	24%	38%	3%	5%
Benchmark Performance	4%	2%	7%	24%	32%	5%
Execute Trade	29%	14%	17%	44%		3%

Indications That Technology is Not Fully Leveraged

Percentage of Time Spent on Liquidity Management Processes



Best Practices in Liquidity Management

- Define liquidity holistically
 - Liquidity truly begins at cash concentration and bank account structure and includes processes broader than cash positioning and trade execution.
- Centralize liquidity management
 - Streamline management of liquidity, even if cash pools remain separate.
- Maximize technology
 - Utilize automated reporting tools where possible.
 - Leverage technology to aggregate and manage information.
 - Talk to liquidity providers to fully understand options.
- Ensure solid policy management
 - Establish documented investment policy.
 - Review policy annually.
 - Monitor policy compliance with every investment or at least daily.
 - Ensure policy reflects appropriate risk management.

Best Practices in Liquidity Management

- Benchmark entire portfolio
 - Implement disciplined benchmarking processes.
 - Establish appropriate benchmarks for your portfolio.
- Optimize cash forecasts
 - Utilize bank products to aid in cash flow forecasting.
 - Ensure maturity structure of investment and debt match forecast.
- Optimize bank account structure
 - Segregate payroll, AP and collection accounts that are then connected to a central account for investment or debt reduction.

Summary

Key takeaways from today's session:

- US corporations hold roughly \$5.4 trillion in liquidity.
- Not all cash is created equal.
- Organizations should re-visit current liquidity levels to ensure they are optimal, and that liquidity is appropriately allocated by maturity and instrument.
- Organizations have an opportunity to improve liquidity management processes by implementing best practices and further leveraging technology.

About Treasury Strategies, Inc.

Who We Are

Treasury Strategies, Inc. is the leading Treasury consulting firm working with corporations, financial institutions, and securities firms. Our experience and thought leadership in treasury management, liquidity, working capital management, and payments, combined with our comprehensive view of the market, rewards our clients with a unique perspective, unparalleled insights and actionable solutions.

What We Do

Corporations

We help you maximize worldwide Treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

Financial Institutions

Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your payments and liquidity businesses.

Securities Firms

In addition to our Corporate Treasury work, we also develop solutions around design, positioning and delivery channels for your commercial investment and liquidity products.

Market Intelligence

We deliver the keys to informed decision making through customized research that cuts to the heart of what's happening in the marketplace.

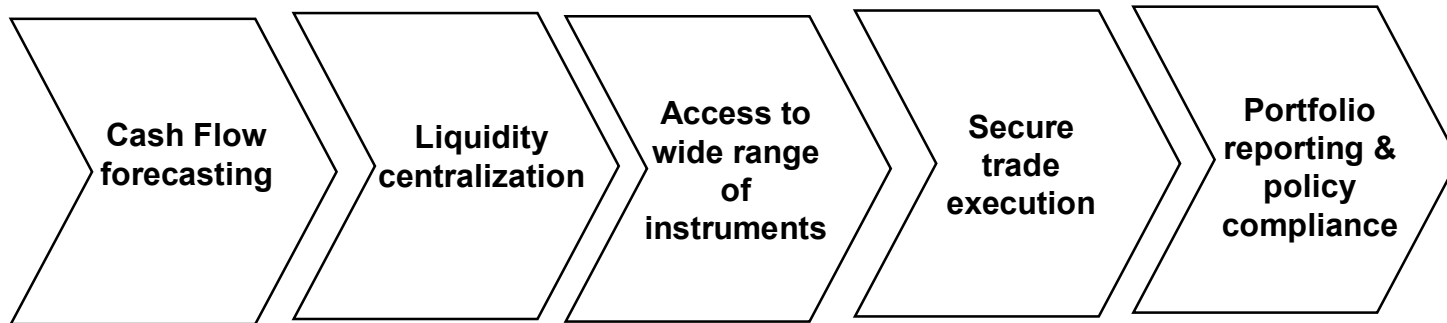
Global Transaction Services

Cash Management Trade Services and Finance Securities and Fund Services

Using the Citibank® Online Investments
Portal to Implement an Investment Strategy

Using the Citibank® Online Investments Portal to Implement an Investment Strategy

Investing Process



Citibank Online Investments

TreasuryVision

- | | | | | |
|---|--|--|---|---|
| <ul style="list-style-type: none"> • Cash Analytics • Investments Analytics • Debt Analytics • Cash Flow Forecasting Workflow | <ul style="list-style-type: none"> • Automated global target balancing • Multibank target balancing • Single and multicurrency notional pooling | <ul style="list-style-type: none"> • Money market funds • Time deposits • CP, CD, Repo • Money Mkt Deposit Accts | <ul style="list-style-type: none"> • Automated, “closed-loop” settlement • User entitlements • Maker / checker | <ul style="list-style-type: none"> • Consolidated trade history • Instrument utilization • Integration with Investment Analytics |
|---|--|--|---|---|

Citibank Online Investments – Investment Alternatives

■ Money Market Funds (US only)*

- AIM Investments
- American Beacon Advisors
- Barclays Global Investors Funds
- The Dreyfus Corporation
- Federated Investors
- Goldman Sachs Asset Management
- JPMorgan Asset Management
- Putnam Investments
- Western Asset Management

** Offshore funds available starting 3rd Quarter 2007.*

■ Certificates of Deposit

■ Commercial Paper

■ Money Market Deposit Accounts

■ Repurchase Agreements

■ Time Deposits

- Australian Dollar (AUD)
- Canadian Dollar (CAN)
- Chinese Yuan Renminbi (CNY)
- Danish Krone (DKK)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- New Zealand Dollar (NZD)
- Norwegian Krone (NOK)
- Singapore Dollar (SGD)
- Sri Lanka Rupee (LKR)
- Swedish Krona (SEK)
- Swiss Franc (CHF)
- Pound Sterling (GBP)
- U.S. Dollar (USD)
- Vietnam Dollar (VND)

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- **Investors should consider a fund's objectives, risks, and charges and expenses, and read the prospectus carefully before investing or sending money. The prospectus contains this and other information about the Funds.**

Questions?

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