What better way to usher in the new football season than to reduce common gridiron phraseology to its investment portfolio equivalent? I’m shocked I haven’t thought of it before. And just to be clear, I’m not related to Roy “Wrong Way” Riegels, who gained lasting notoriety by running toward his own goal with a fumble in the 1929 Rose Bowl. Are you ready for some football?

The Fullback Dive
This most boring of plays actually has a place in community bank portfolio management. If your bank’s investments include a ladder of bullet (that is, non-callable) agency securities, you have the comfort of knowing that a certain amount of certain liquidity is within easy reach. Your portfolio’s yield, or yards per carry, may not lead the conference, but it can set up other, higher-yield opportunities.

The Forward Pass
Darrell Royal, the famed Texas coach, was credited with the observation that “three things can happen when you throw the ball, and two of them are bad.” Yet, by diversifying a bank’s portfolio into certain mortgage-backed securities (MBS), adjustable-rate MBS and tax-free munis, a manager has greatly increased the likelihood that the bonds will perform well. As more community banks avail themselves of this strategy, the evidence becomes more compelling.

The Weight Room
I can’t help but mention that value-added services provided by ICBA Securities are not a luxury, but a necessity for success. Included are the Performance Profile, which is our in-depth portfolio analysis, and the myriad features of our interactive Web site. I recommend frequent visits to both.

The Hail Mary
We see this play more often than we care to. It still happens that a bank will agree to a leverage strategy, in which a bond or series of bonds are purchased with borrowed money (usually Federal Home Loan Bank advances). If the manager buys callable securities, funded with callable advances, the strategy has no chance of succeeding. Actually, I’m being charitable calling this the Hail Mary, because that all-or-nothing desperation heave occasionally works.

The Double Reverse
I would characterize this gadget play as “chasing yield.” Any business day, the broker-dealer community will create and distribute a range of new issues. The yield that accompanies the issues is a function of the risk. Bankers who systematically buy the highest-yielding bond available will,
over time, underperform relative to their peers. In rare instances the strategy will go the distance for six points.

**The Sack**

Having your quarterback tackled for a loss while attempting to pass is a big momentum killer. Oftentimes, the QB is afraid to pass for fear of interception and a tongue-lashing by the coach. Community bank portfolio managers can be prone to not making decisions, even when evidence is compelling that a certain bond or strategy would be beneficial. Market conditions can change or bonds can trade away in an instant.

So, as you’ve heard fans bellow, “Get rid of the ball!”

**Red Zone Turnover**

Defensively speaking, there is no better time to create an interception or a fumble than when your opponent is about to score. One way to take advantage of an offense’s carelessness, or market inefficiencies, is to keep some powder dry. For example, Friday afternoons, especially near month or quarter end, can see some spread widening. Year-end, as I touch on below, is usually a great time to buy bonds.

**Fourth Quarter Rally**

The third quarter of the calendar year for broker-dealers is often a period of low volume. Some of it has to do with portfolio managers not taking time to identify beneficial portfolio opportunities until the last minute (the two-minute warning). The bad news is that there are a lot of bankers who operate in a last-second mode. Late December is rarely a good time to be selling securities. Make decisions early—10 minutes to go in the game is still relatively early. Late fourth-quarter catch-ups are hard to pull off.

Go team!

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