

*Spotlight on information of importance to our members.*



### **Accolade Investment Advisory Takes Off**

With two years in development and some five months under its belt in testing, Southeast Corporate's Accolade Investment Advisory CUSO is off to a running start. Southeast Corporate soft-launched Accolade in October 2007 by beginning a pilot program with Singing River FCU in Moss Point, MS. According to Peter Gibson, Director of Investment Advisory Services for Accolade, the CUSO resulted from member demand for extensive portfolio management. "For credit unions needing high-level asset/liability assistance and modeling services, the price tag can be daunting," Gibson said. "First, there's the time and staff resources that are needed. It's critical to have experienced, well-trained investment and asset/liability management professionals on board. And then there's the cost of sophisticated modeling and analytic systems, which take a considerable financial outlay."

"We're a \$150 million credit union, and we recognize we don't have the experience or expertise on staff to invest in the complex markets on our own," said Jimmy Smith President/CEO of Singing River FCU. "We weren't earning as much as we could on our own. So now, we're fully utilizing the complete potential that NCUA allows. The risk analysis we could utilize through Southeast Corporate, which translates into a CUSO like Accolade, can have a big impact on our bottom line. For our part, we know we can trust Accolade – just like we trust Southeast – to help us along and do what's in our best interest."

Gibson says even among larger, well-funded credit unions, there is recognition that investing in ALM expertise and analytics isn't a good use of their time or resources. "We often hear from members that it doesn't make sense for them to purchase the sophisticated analytic software and systems, or to hire the staff expertise required," he explained. "Credit unions continue to see their primary mission as serving members' financial service needs by meeting their loan demand and offering convenient, cost effective financial services. And, after all, that's why credit unions were

created – not to be mired in back-office detail." Add to that a tighter regulatory environment and growing options for investing, and it becomes essential to place a heavy emphasis on the portfolio decision-making process to provide the "total rate-of-return strategy" Gibson says is a hallmark of Accolade.

"Because working with fixed-income portfolios is a core competency for Southeast Corporate, Accolade was the logical next step, with a goal of taking some of the burden off credit unions' CFOs or other investment professionals," said Gibson. For example, Gibson says many credit unions are often attracted to callable securities, more so than bullets, because of the potential for a higher return. "Callables can be good choices, but they have to be well managed," he said. "They have options and it is vital to know what the yield would be if the call were taken out of the equation; that's impossible without a strong base of knowledge, experience and analytic tools. At Accolade, we can focus on identifying, valuing and monitoring risk within an option-adjusted framework for valuing securities, to ensure credit unions receive appropriate compensation for the risks taken."

For the future, Gibson says Accolade plans to move "full steam ahead" into the investment advisory business. "This is a strong focus for us at Southeast Corporate, and it matches well with our goals for Accolade and our service is strictly fee-based," he said. "We have no plans to add brokerage services to the mix; to us, those functions are mutually exclusive because they would represent a conflict of interest."

*To learn how your credit union might benefit from Accolade Investment Advisory, call Peter Gibson at (866) 537-7302.*