INTERNATIONAL CASH PORTFOLIOS

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While money market funds (MMFs) have been popular investment vehicles since 1973, nearly all MMFs available to Americans are U.S. dollar denominated. A new family of funds – International Cash Portfolios (see attachment) – began operations in September 1987 to offer investors both a U.S. dollar MMF and a set of non-dollar denominated MMFs including Australian dollar, Canadian dollar, DM, Sterling, Swiss franc, and Japanese yen portfolios.

The following questions and calculations are intended to give an indication of the relative risks and rewards (from an American perspective) of investing in

1. short-term dollar denominated securities versus
2. foreign currency securities versus
3. a portfolio of international securities.

To make the calculations, quarterly data for the period 1973-1987 on spot exchange rates and 3-month Eurocurrency interest rates are available in the spreadsheet file: INTLCASH.XLS

1. Examine the time series of quarterly exchange rates for one currency. Does it follow a random walk or is there some identifiable pattern?

**HINT**: First graph the exchange rate and comment on what you see.

Then run a regression of the spot exchange rate on its past values:

\[ S(t+1) = a + b S(t) + e(t) \]

and see whether the coefficient a=0, b=1 and the \( R^2 \) of the regression is high. In other words, is today’s exchange rate closely related to its level last quarter?

Now define the exchange rate changes as \( X(t) = \ln \frac{S(t)}{S(t-1)} \), and re-run your equation as

\[ X(t+1) = a + b X(t) + e(t) \]

and again see whether the coefficient a=0, b=1 and the \( R^2 \) of the regression is high. In other words, is today’s exchange rate change closely related to the change last quarter? (Note: in the above formula "ln" is natural logarithm)
2. Examine the time series of quarterly U.S. dollar denominated returns from investing in one foreign currency (i.e. exchange rate change adjusted for interest earned). Does this series of returns follow a random walk or is there some identifiable pattern?

**HINT:** Remember that the interest rates are expressed on a per annum basis while the investment period is only three months.

The series of returns can be examined using the same approach as you used in question #1.

3. Suppose you had $100 to invest on January 1973. What would be the ending value of this investment at year-end 1987 if you had bought and held:

   a. The U.S. dollar fund
   b. The DM fund
   c. The Yen fund
   d. The Swiss Franc fund
   e. The Sterling fund

4. Compute the mean quarterly U.S. dollar denominated returns and the standard deviation of these returns for 3a - 3e. Plot these five points.

5. Repeat Questions 3 and 4 for the period 1973-1978.


7. Could U.S. investors have improved their U.S. dollar risk-return opportunities in the 1973-87 period by including non-dollar assets in their portfolios?

8. Briefly, how do you assess the future of International Cash Portfolios?

**NOTE:** If you prefer to analyze more recent data, I prepared a spreadsheet (INTLCASH-2.XLS) with 10 years (1989-1999) of monthly data for the same five countries.
International Cash Portfolios (the “Fund”) is a mutual fund, designed for individuals and institutions, that offers a choice of eight separate Portfolios, as follows:

The Global Cash Portfolio – invested in money market instruments effectively denominated in three or more of twelve currencies, with the objective of maximizing the investor’s total return.

The Single Currency - Cash Portfolios individual Portfolios, each of which is invested primarily in money market instruments effectively denominated in a single currency, with the objective of preservation of capital and stability of principal expressed in terms of each Portfolio’s underlying currency and, consistent with that objective, maximum current income. Individual Portfolios currently offered are the: Australian Cash Portfolio, Canadian Cash Portfolio, D-Mark Cash Portfolio, Sterling Cash Portfolio, Swiss Franc Cash Portfolio, U.S. Cash Portfolio, and Yen Cash Portfolio.

The U.S. Cash Portfolio seeks to maintain a constant net asset value of $1.00 per share, although there is no assurance that this objective can be attained. The net asset value per share of each of the other Portfolios expressed in U.S. Dollars is expected to fluctuate.

Huntington Advisors, Inc. (the “Manager”) oversees all activities of the Fund.

BT Investment Management Limited (the “Investment Adviser”), a wholly-owned subsidiary of Bankers Trust Company, serve’s as the Fund’s exclusive investment advisor and professionally manages the Fund’s Portfolios.

Donaldson, Lufkin & Jenrette Securities Corporation, Pershing Division (the “Distributor”), serves as the Fund’s distributor.

The Prospectus sets forth concisely the information about the Fund and each Portfolio that an investor should know before investing. It should be read and retained for future reference.

Part B (also known as the Statement of Additional Information) dated September 1, 1987, as may be amended from time to time, which provides a further discussion of certain items in this Prospectus and other matters which may be of interest to investors, has been filed with the Securities and Exchange Commission and is incorporated herein by reference. For a free copy, call the Distributor at the appropriate phone number above or write to the Fund at the address listed above.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.
Prospectus Summary

International Cash Portfolios (the “Fund”) is an open-end, non-diversified management investment company, known as a mutual fund. The Fund consists of eight Portfolios: the Global Cash Portfolio and seven individual Single Currency Cash Portfolios, all of which are described in the Prospectus. Each Portfolio represents a separate and distinct series of the Fund’s shares of beneficial interest.

Global Cash Portfolio

The investment objective of the Global Cash Portfolio is to maximize the investor’s total return through a combination of interest income and changes in the Portfolio’s net asset value due to changes in the currency exchange rates.

Under normal market conditions, the Global Cash Portfolio invests in interest-bearing money market instruments effectively denominated in at least three of twelve currencies including the U.S. Dollar. The value of money market instruments effectively denominated in currencies other the U.S. Dollar, when expressed in U.S. Dollars, is likely to fluctuate in response to changes in exchange rates between the U.S. Dollar and the currencies in which the instruments are denominated. The Portfolio’s net asset value may also fluctuate as a result of changes in the value of the securities that it owns which are unrelated to changes in currency exchange rates. See “Management Policies.”

Single Currency Cash Portfolios

The investment objective of each of the Single Currency Cash Portfolios is preservation of capital and stability of principal expressed in terms of its underlying currency and, consistent with that objective, maximum current income. These Portfolios, which under normal market conditions invest primarily in interest-bearing money market instruments effectively denominated in a single stated currency, generally do not attempt to avoid the effects of fluctuations in currency exchange rates.
The name and underlying currency of each Single Currency Cash Portfolio are as follows:

<table>
<thead>
<tr>
<th>Portfolio Name</th>
<th>Underlying Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Cash Portfolio</td>
<td>Australian Dollar</td>
</tr>
<tr>
<td>Canadian Cash Portfolio</td>
<td>Canadian Dollar</td>
</tr>
<tr>
<td>D-Mark Cash Portfolio</td>
<td>West German Mark</td>
</tr>
<tr>
<td>Sterling Cash Portfolio</td>
<td>British Pound Sterling</td>
</tr>
<tr>
<td>Swiss Franc Cash Portfolio</td>
<td>Swiss Franc</td>
</tr>
<tr>
<td>U.S. Dollar Cash Portfolio</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>Yen Cash Portfolio</td>
<td>Japanese Yen</td>
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</tbody>
</table>

The U.S. Cash Portfolio seeks to maintain a constant net asset value of $1.00 per share and accordingly values its securities using the amortized cost method of valuation. (No assurances, however, can be given that it will be able to maintain a constant net asset value.) The net asset value of each of the other Single Currency Cash Portfolios (which, together with the Global Cash Portfolio, are collectively referred to as the "International Portfolios"), when expressed in U.S. Dollars, is likely to fluctuate in response to changes in the exchange rate between the U.S. Dollar and each Portfolio's underlying currency.

**Special Considerations**

Investors should recognize that investing in non-U.S. money market instruments involves considerations and possible risks and opportunities not typically associated with investing in U.S. securities, including foreign exchange fluctuations, political risks and the generally higher costs of effecting transactions in foreign currencies. See “Portfolio Securities and Practices.”

Each of the International Portfolios may engage in certain hedging techniques through the use of forward currency contracts, currency futures contracts and options on futures or currencies. See “Portfolio Securities and Practices.” The International Portfolios may also use forward contracts to construct synthetic investment positions. See “Synthetic Investment Positions.”

Each Portfolio invests at least 25% of its assets in the obligations of companies engaged in the financial services industry. There are certain risks associated with such investment concentration. See “Concentration in Financial Services Obligations.”

An investment in shares of any of the Portfolios of the Fund may not be appropriate for all investors and should not be considered a complete investment program. Each prospective purchaser should take into account his investment objectives as well as his other investments when considering the purchase of shares. See “Management Policies – Special Considerations.”

**Management of the Fund**

Huntington Advisors, Inc. (the “Manager”) oversees all activities of the Fund.

BT Investment Management Limited (the “Investment Adviser”), a wholly-owned subsidiary of Bankers Trust Company, serves as the Fund’s exclusive investment adviser and professionally manages the Portfolios’ investments.

Donaldson, Lufkin & Jenrette Securities Corporation, Pershing Division (the “Distributor”), serves as the Fund’s principal underwriter and distributor.
The Fund has agreed to pay the Manager a monthly management fee at the annual rate of 0.40 of 1% of the value of the average daily net assets of each of the International Portfolios and 0.30 of 1% of the value of the average daily net asset of the U.S Cash Portfolio.

The Fund has agreed to pay the Investment Advisors a monthly advisory fee at the annual rate of 0.25 of 1% of the value of the average daily net assets of each of the International Portfolios and 0.20 of 1% of the value of the average daily net asset of the U.S Cash Portfolio.

Pursuant to a shareholder services agreement adopted in accordance with Rule 12b-1 under the Investment Company Act of 1940, the Distributor provides information and services for existing and potential shareholders as they reasonably may request. As compensation for its services in this capacity, the Fund pays the Distributor a quarterly fee at an annual rate of 0.60 of 1% of the average daily net assets of each Portfolio, a portion of which may be reallocated or paid to others.

For further information concerning the management of the Fund, see “Management of the Portfolios.”

Transactions in Shares

Shares of each of the International Portfolios are offered at the public offering price, which is the next determined net asset value per share plus a maximum sales load of 1.25% (1.27% of net amount invested). The sales load is reduced on transactions of $200,000 or more and it is eliminated completely for transactions of $4 million or more. Shares of the U.S. Cash Portfolio are offered at the next determined net asset value without a sales load. For information on how to purchase Fund shares, see “How to Buy Shares.” For information on how to redeem Fund shares, see “How to Redeem Shares.”

Investors may exchange their holdings among the eight Portfolios as their investment outlook or objectives change. Shares of the International Portfolios may be exchanged for shares of the U.S. Cash Portfolio only after a holding period of five business days. Shares of the U.S. Cash Portfolio may be exchanged for shares of any of the International Portfolios with the appropriate sales load charged at the time of the initial exchange. Further information on exchanging shares between Portfolios is included under “Exchange Privilege.”