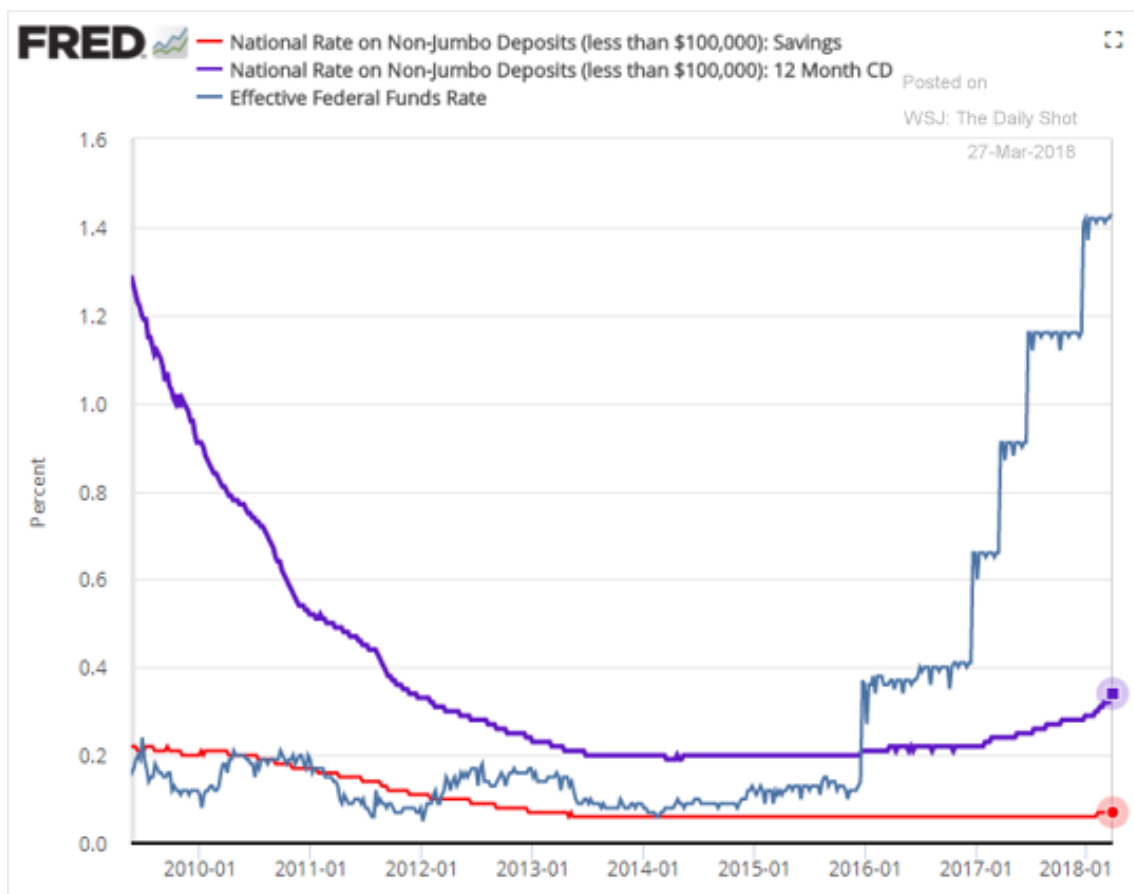


ARX PERSPECTIVES

A Picture Is Worth A Thousand Dollars

April 9, 2018

Or rather, thousands of dollars for attorneys and plaintiffs who have a stake in a Qualified Settlement Fund. I wanted to share an interesting chart recently published by the Federal Reserve, which paints an encouraging picture for QSF participants. It shows the difference between the interest rate the US Government pays to borrow money overnight (blue line) and what banks pay their clients to borrow overnight and for one year (red and purple lines, respectively). As you can see below, bank deposits and CDs no longer offer attractive relative value vs. US treasuries as in the 2010 to 2016 period.



The good news for QSF participants is that, for the first time in a decade, there are better options than simply depositing settlement funds with a large bank. In our view, a diversified portfolio of high quality government-guaranteed securities and conservative money market instruments offers QSF investors higher returns with less risk than large bank escrow programs.

We ran some hypothetical scenarios comparing an actively managed QSF with an assumed (very achievable) 1.50% net annual yield vs. a recent QSF placed with a large bank escrow

agent paying 0.24% annually. The results are striking, especially considering the escrow product concentrates risk with one bank and offers only \$250,000 in deposit insurance. As you can see below, the advantages for plaintiffs and their attorneys are significant.

Monthly Interest Earned: Actively Managed QSF vs. Bank Escrow Account*

Gross Settlement	Active QSF	Escrow Account	Difference
\$10 million	\$12,500	\$2,000	\$10,500
\$25 million	\$31,250	\$5,000	\$26,250
\$50 million	\$62,500	\$10,000	\$52,500

The table below shows the estimated difference in monthly interest earned on the attorney fee portion alone, assuming a 40% contract rate.

Monthly Interest Earned on Attorney Fee: Actively Managed QSF vs. Bank Escrow Account*

Gross Settlement	Active QSF	Escrow Account	Difference
\$10 million	\$5,000	\$800	\$4,200
\$25 million	\$12,500	\$2,000	\$10,500
\$50 million	\$25,000	\$4,000	\$21,000

**Assumptions: Contract Rate: 40%, Active QSF earns 1.50% net annually, Bank Escrow Account pays 0.24% annually. Results are simple interest based on (good) estimates of hypothetical scenarios, are not intended to be performance guarantees, and may change as market dynamics shift.*

About ARX Management:

Founded by professionals with direct experience in complex litigation and institutional investment management, ARX offers an unmatched mix of expertise relevant to managing 1.468b Qualified Settlement Funds. Prior to establishing ARX in 2011, our partners actively managed \$8 billion in fixed income assets together for a large institutional asset manager. Our expertise investing conservative capital preservation products, such as money market and enhanced cash strategies, is directly applicable to the management of institutional QSFs.

Contact us today to discuss how we can help you, or to arrange a meeting April 11-13 at Mass Torts Made Perfect in Las Vegas.

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