

What are Money Market Funds?

A money market fund (MMF) is a highly regulated mutual fund that invests in cash equivalents and short-term investments. MMFs provide organisations with a secure, efficient and competitively yielding cash management investment solution with daily access. The main features of money market funds are:

Security: MMFs invest in high-quality, short-term investments including government bonds, certificates of deposit, financial company commercial paper and time deposits.

Liquidity: MMFs are highly liquid investments, allowing investors to quickly access their funds same day or next day when required.

Return: MMFs provide competitive yields despite their conservative investment approach.

Multi-Currency

Available in Sterling, Euro and US Dollar via one account.

AAA or AA rated

Funds highly rated by S&P, Moody's & Fitch.

Daily or T+1 access

Access cash balances on a same or next day basis.

Understanding Money Market Funds

Money market funds provide investors with the opportunity to earn income by purchasing units. These funds consist of highly-rated, short-term securities, along with longer-dated securities that can extend up to 397 days.

The majority of MMFs maintain a constant net asset value (NAV) of 1.00 in their respective currency.

To comply with regional regulations, money market funds must ensure sufficient liquidity to accommodate foreseeable redemptions. Typically, these funds are required to allocate at least 10% of their portfolio to assets that offer daily liquidity, and at least 30% to assets that provide weekly liquidity.

Government MMFs

Rating: AAA rated

Investment horizon: 1-day+

Access: Daily (T+0)

Interest: Accrues daily, settles monthly

Investments can consist of cash and high-quality, short-term government securities such as gilts, T-bills, and government bonds, as well as repurchase agreements that are backed and secured by government securities.

Prime / Flagship MMFs

Rating: AAA rated

Investment horizon: 1-day+

Access: Daily (T+0)

Interest: Accrues daily, settles monthly

Investments can consist of cash as well as securities issued by highly-rated governments, banks, and corporations. These include time deposits, commercial paper, certificates of deposit, and repurchase agreements.

Short Duration Funds

Rating: AA rated

Investment horizon: 3m+

Access: Next day (T+1)

Interest: Accrues daily, accumulated into NAV

Aimed at enhancing returns over a longer investment horizon, making them suitable for strategic cash balances. Investments are similar to Prime but with a longer average maturity and a broader investment universe.

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Important information

FOR PROFESSIONAL CLIENTS ONLY – NOT FOR RETAIL USE OR DISTRIBUTION

Key Risks: A Money Market Fund (MMF) is not a guaranteed investment vehicle. An investment in MMFs is different from an investment in deposits; the principal invested in an MMF is capable of fluctuation and the risk of loss of the principal is to be borne by the investor. The MMF does not rely on external support for guaranteeing the liquidity of the MMF or stabilising the NAV per share. Short Term Money Market Funds cannot guarantee stability. Changes in interest rates will impact the Fund.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk: The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Capital at Risk: All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed.

Investors should refer to the relevant fund prospectus for a full list of risks.

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