

U.S. 'AAAm' Fund Risk Metrics (March 2020)

April 30, 2020

Index name	7-day net yield (%)	30-day net yield (%)	WAM (R) (days)	Total net assets (bil. \$)	Credit quality (%) (A-1+/A-1)
S&P Global Ratings 'AAAm' U.S. dollar principal stability funds	0.72	1.11	36	3,006.7	91/8

S&P Global Ratings' 'AAAm' principal stability fund risk metrics are risk indicators for U.S. onshore managed funds that maintain stable net asset values. These risk metrics provide a benchmarking tool for the credit quality, portfolio composition, maturity distribution, net assets, monthly growth, and performance of 'AAAm' principal stability funds.

The risk metrics provide users with an illustration of the investment practices of their rated funds, each of which conforms to S&P Global Ratings' criteria for 'AAAm' principal stability fund ratings. S&P Global Ratings' 'AAAm' principal stability fund risk metrics allow investors and managers to gauge the safety and liquidity of 'AAAm' rated funds. Fund risk metrics below S&P Global Ratings' 'AAAm' principal stability fund risk metrics may indicate a more conservative approach to investment, while fund risk metrics well above the average may signal a more aggressive approach within the constraints of a 'AAAm' principal stability fund rating.

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During the first quarter of 2020, as the COVID-19 pandemic spread through the U.S. and the country broadly implemented social distancing measures, S&P Global Ratings observed extraordinary investment activity within the money market sector. The outbreak led to volatility in U.S. financial markets throughout March; both government and prime funds saw record flows.

Following sell-offs in U.S. equity markets, a flight to quality saw government and Treasury money market funds (MMFs) receive \$620 billion in assets in March, a 32% rise for the month, while prime MMFs lost \$83 billion, a 16% decline. In our view, the outflows from prime MMFs generally did not reflect fundamental credit concerns, but rather stemmed largely from liquidity pressures in March. U.S. MMFs' total assets ended March slightly above \$3 trillion.

Some prime MMFs faced liquidity issues as heavy redemption activity threatened their ability to maintain daily and weekly liquidity levels above regulatory thresholds. To raise additional liquidity and support net asset values (NAVs), some funds utilized external tools, including the Federal Reserve's Money Market Mutual Fund Liquidity Facility (MMLF) and parental capital support.

By mid-March, we observed fund managers rolling maturities into cash and selling assets in a stressed market to increase liquidity levels above regulatory guidelines, which require Rule 2a-7 funds to maintain 10% overnight and 30% weekly liquidity. During the week of March 16, a limited number of prime funds saw weekly liquid assets approach 30%, causing some to engage in forms of parental capital support to raise liquidity and support NAVs, while a larger number of funds tapped the Fed's MMLF.

Despite observable deterioration in NAVs, caused by larger-than-normal outflows and liquidity pressures, prime funds maintained principal stability, and all S&P Global Ratings rated MMFs maintained NAVs of at least 0.9975, the lowest deviation point for the 'AAAm' rating.

Following two rate cuts, taxable seven-day net yields ended March at 0.72% after beginning the month at 1.48%. Net 30-day yields ended the quarter at 1.11%. With volatile yields on Treasury bills, we observed some government MMFs closing their funds to new investors as a protectionary measure, to avoid investing in negative-yielding bills and safeguard returns to existing shareholders.

After years of relative calm, the first quarter highlighted that MMFs are not immune to market stress. While we view the Fed's recent actions to facilitate liquidity and introduce stimulus as supportive of U.S. financial markets, the full economic impact of COVID-19 and the ensuing effects on MMFs will continue to unfold over time.

U.S. 'AAAm' Fund Risk Metrics (March 2020)

Chart 1

'AAAm' U.S. Dollar Funds Average WAM (R)

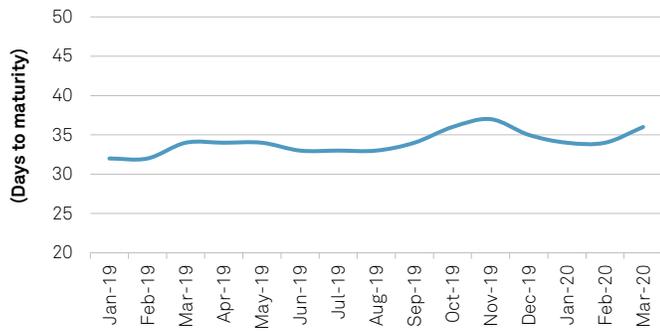


Chart 2

'AAAm' U.S. Dollar Funds A-1+ Credit Quality Trend

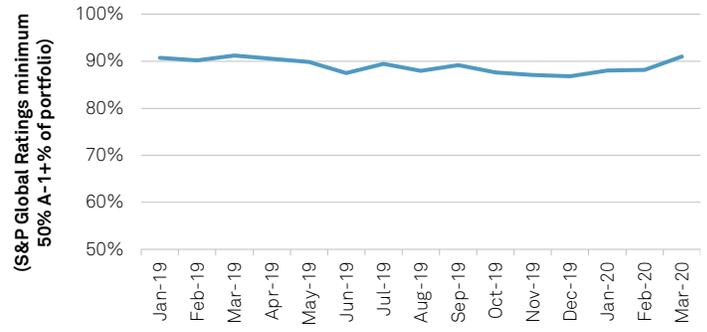


Chart 3

'AAAm' U.S. Dollar Funds Net Assets

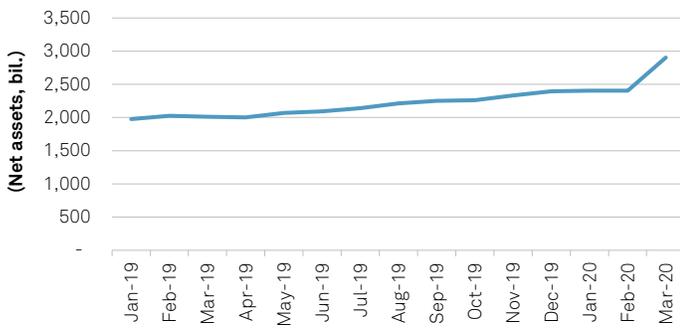


Chart 4

'AAAm' U.S. Dollar Portfolio Composition

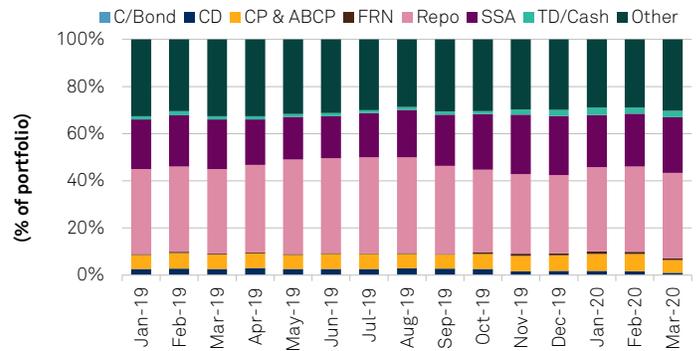


Chart 5

'AAAm' U.S. Dollar Funds Yields

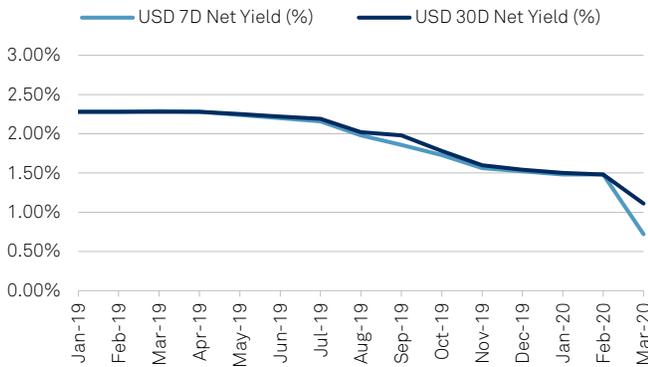
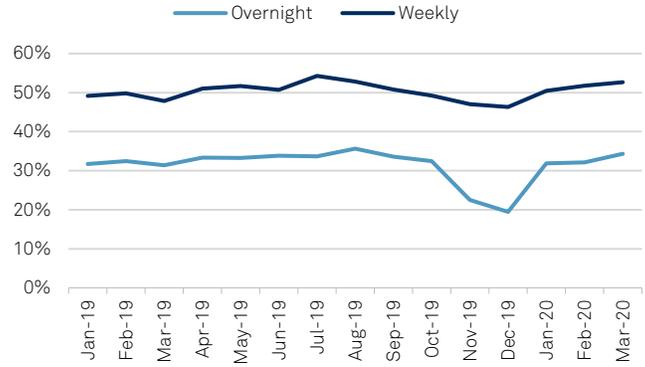


Chart 6

'AAAm' U.S. Dollar Funds Liquidity



Top 25 'AAAm' U.S. Dollar Key Statistics (By Assets)

'AAAm' principal stability funds

Rating	Fund name	Net assets (mil. \$)	Portfolio maturity (days)		Portfolio credit quality (%)	
			WAM (R)	WAM (F)	A-1+	A-1
AAAm	JPMorgan U.S. Government Money Market Fund	187,042.49	32.00	98.00	91.82	6.21
AAAm	Fidelity Investments Money Market Government Portfolio	173,935.67	25.00	97.00	96.54	2.62
AAAm	BlackRock Liquidity Funds FedFund	153,903.40	33.00	92.00	95.98	4.02
AAAm	Goldman Sachs Money Market Funds - Goldman Sachs Financial Square Government Fund	147,222.70	44.00	110.00	100.00	0.00
AAAm	Federated Government Obligations Fund	139,490.63	39.38	106.45	99.25	0.75
AAAm	Wells Fargo Government Money Market Fund	116,576.00	39.00	102.00	93.67	6.35
AAAm	Morgan Stanley Institutional Liquidity Funds - Government Portfolio	103,686.57	23.00	104.00	98.66	1.34
AAAm	BlackRock Liquidity Funds T-Fund	97,692.97	31.00	91.00	97.64	2.36
AAAm	JPMorgan 100% U.S. Treasury Securities Money Market Fund	96,198.02	48.00	101.00	100.00	0.00
AAAm	Goldman Sachs Money Market Funds - Goldman Sachs Financial Square Treasury Instruments Fund	90,444.60	52.00	110.00	100.00	0.00
AAAm	State Street Institutional U.S. Government Money Market Portfolio	85,954.06	25.00	75.00	98.38	1.62
AAAm	Dreyfus Government Cash Management	72,693.00	37.00	108.00	100.00	0.00
AAAm	Northern Institutional Funds: Treasury Portfolio	66,170.39	52.00	94.00	100.00	0.00
AAAm	First American Government Obligations Fund	62,447.00	35.00	106.00	99.00	1.00
AAAm	BlackRock Liquidity Funds Treasury Trust Fund	57,328.93	44.00	92.00	100.00	0.00
AAAm	Federated Treasury Obligations Fund	52,004.98	36.64	88.09	99.02	0.98
AAAm	JPMorgan Prime Money Market Fund	44,147.63	25.00	81.00	51.52	48.48
AAAm	Federated U.S. Treasury Cash Reserves	43,863.90	52.00	93.00	100.00	0.00
AAAm	Fidelity Investments Money Market Treasury Only	42,594.40	35.00	85.00	100.00	0.00
AAAm	Northern Institutional Funds: Government Select Portfolio	39,854.88	51.00	96.00	100.00	0.00
AAAm	Morgan Stanley Institutional Liquidity Funds - Treasury Securities Portfolio	39,020.83	53.00	109.00	100.00	0.00
AAAm	Dreyfus Treasury Securities Cash Management	38,787.00	56.00	104.00	100.00	0.00
AAAm	Fidelity Investments Money Market Treasury Portfolio	37,294.47	20.00	88.00	97.61	1.50
AAAm	Invesco Government & Agency Portfolio	36,926.96	42.00	106.00	98.06	1.94
AAAm	Morgan Stanley Institutional Liquidity Funds - Treasury Portfolio	35,196.51	37.00	101.00	98.00	2.00

Principal Stability Fund Rating Definitions

(Effective Jan. 5, 2010)

An S&P Global Ratings principal stability fund rating, also known as a "money market fund rating," is a forward-looking opinion about a fixed-income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, S&P Global Ratings' analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher-rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter-maturity and higher-quality investments.

Principal stability fund ratings are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from an S&P Global Ratings traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects S&P Global Ratings' view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

Principal Stability Fund Rating Scale

- AAAm** A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings.
- AAm** A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.
- Am** A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories.
- BBBm** A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.
- BBm** A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.
- Dm** A fund rated 'Dm' has failed to maintain principal stability, resulting in a realized or unrealized loss of principal.

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