

# European 'AAAm' Money Market Fund Quarterly Trends (Second-Quarter 2020)

July 17, 2020

Index name	7-day net yield (%)	30-day net yield (%)	WAM (R) (days)	Total netassets (bil.)	Credit quality (%) (A-1+/A-1)
S&P Global Ratings 'AAAm' euro principal stability funds	(0.46)	(0.52)	37	€94.7	70/30
S&P Global Ratings 'AAAm' sterling principal stability funds	0.12	0.18	40	£249.4	67/33
S&P Global Ratings 'AAAm' U.S. dollar principal stability funds	0.21	0.25	44	\$495.4	76/24

S&P Global Ratings' 'AAAm' money market fund quarterly trends highlight statistics of European managed funds that seek to maintain principal preservation. These statistics provide a benchmarking tool of the 'A-1+' credit quality, portfolio composition, maturity distribution, net asset movements, and yields of 'AAAm' principal stability rated funds.

The statistics demonstrate the investment practices of funds conforming to the principal stability fund rating criteria. An individual fund's metrics below that of S&P Global Ratings' 'AAAm' metrics may indicate a more conservative approach to investment while a fund's metrics well above the average may signal a more aggressive approach, albeit undertaken within the constraints of a 'AAAm' principal stability fund rating.

#### **Market Comment**

Market turmoil has not dented the ability of European-domiciled money market funds (MMFs) rated by S&P Global Ratings to source assets and provide institutional investors a valuable cash management service. In fact, rated European-domiciled MMFs net assets continued to flourish during the second quarter of 2020, with euro funds rising  $\[ \in \]$ 7 billion (9%), sterling funds rising £32 billion (15%), and U.S. dollar funds rising \$81 billion (20%). U.S. dollar and sterling funds remain at record levels with \$495 billion and £249 billion, respectively, and euro funds finished the quarter at  $\[ \in \]$ 95 billion.

With the dramatic actions taken by the Federal Reserve and Bank of England during March to offset the effects of COVID-19, it is no surprise the seven-day yields of U.S. dollar- and sterling-denominated funds took a marked fall. In a general sense, MMF returns lag the actions of central banks due to their maturity profiles. But with operating in a post-regulatory era and MMFs holding more short-dated assets, the lag is not as great as it once was. Surprisingly, negative-yielding euro MMFs saw a positive return on a relative basis, with the average seven-day yield improving 14 basis points over the quarter (see table 1).

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Table 1

'AAAm' Principal Stability Funds Seven-Day Net Yield (%)							
Index	December 2019	March 2020	June 2020				
S&P Global Ratings 'AAAm' euro MMFs	(0.52)	(0.60)	(0.46)				
S&P Global Ratings 'AAAm' sterling MMFs	0.64	0.35	0.12				
S&P Global Ratings 'AAAm' U.S. dollar MMFs	1.62	0.72	0.21				

In terms of weighted average maturities (WAM), the historical divergence has dissipated (see chart 1), and in June there was just a one-day difference among all three currencies (see table 2). This seems to reflect the current differences between Europe and the U.S., with sterling and euro funds desiring short-dated maturities. For U.S. dollar funds with their higher allocation to Treasury and agency securities, WAMs have rebounded to November 2019 levels as there is no expectation of an interest rate "lift-off" within an MMFs investment horizon (see chart 1).

Table 2

'AAAm' Principal Stability Funds Weighted Average Maturity (In Days)							
Index	December 2019	March 2020	June 2020				
S&P Global Ratings 'AAAm' euro MMFs	46	41	40				
S&P Global Ratings 'AAAm' sterling MMFs	43	37	40				
S&P Global Ratings 'AAAm' U.S. dollar MMFs	33	32	39				

We consider credit quality to play a key role in net asset value (NAV) stability and view higher-rated assets as reflecting higher price stability. During the second quarter, funds continued to increase their exposure to 'A-1+' names. This is particularly related to euro-dominated MMFs, which increased to an average 70% 'A-1+' in June compared to March with 63% 'A-1+'. Historically, euro funds have maintained a lower average credit quality (see chart 2) seeking a higher return, but with the potential for increased redemptions, these funds have found more comfort in higher credit quality investment for the time being.

Chart 1

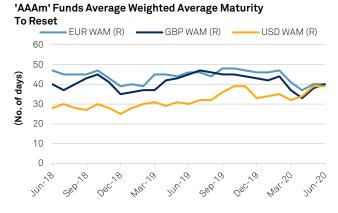
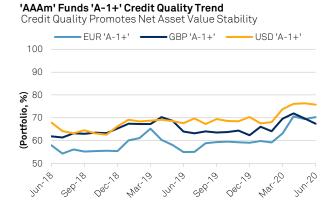


Chart 2



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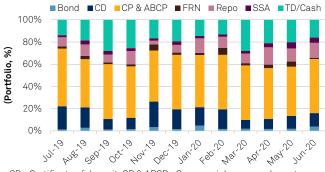
#### Chart 3

#### 'AAAm' Euro Funds Net Assets



#### Chart 4

#### 'AAAm' Euro Portfolio Composition



CD--Certificate of deposit. CP & ABCP--Commercial paper and asset-backed commercial paper. FRN--Floating nate note. SSA--Sovereign/Supra/Agency. TD/Cash--Time deposits/Cash.

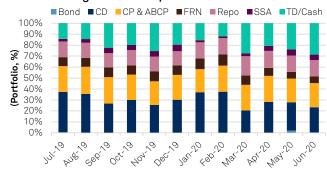
Chart E

#### 'AAAm' Sterling Funds Net Assets



Chart 6

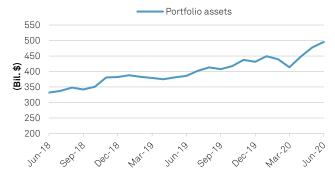
#### 'AAAm' Sterling Portfolio Composition



CD--Certificate of deposit. CP & ABCP--Commercial paper and asset-backed commercial paper. FRN--Floating nate note. SSA--Sovereign/Supra/Agency. TD/Cash--Time deposits/Cash.

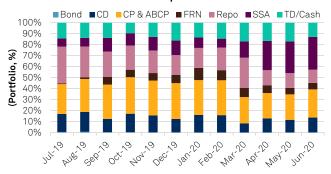
Chart 7

#### 'AAAm' U.S. Dollar Funds Net Assets



#### Chart 8

#### 'AAAm' U.S. Dollar Portfolio Composition



CD--Certificate of deposit. CP & ABCP--Commercial paper and asset-backed commercial paper. FRN--Floating nate note. SSA--Sovereign/Supra/Agency. TD/Cash--Time deposits/Cash.

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## Top 10 European-domiciled 'AAAm' MMFs - Euro, Sterling, And U.S. Dollar -- By Assets -- Key Statistics

# 'AAAm' euro principal stability funds – delete 'A-1' column across all three tables - just have 'A-1+ column. All figures should be whole numbers.

Rating	Fund name	Net assets	Portfolio maturity (days)		Portfolio credit quality (%)
		(mil €)	WAM (R)	WAM (F)	A-1+
AAAm	Institutional Cash Series plc - BlackRock ICS Euro Liquidity Fund	38,564	27	29	73
AAAm	Goldman Sachs Funds, plc - Goldman Sachs Euro Liquid Reserves Fund	12,193	31	31	68
AAAm	BNP Paribas Insticash EUR 1D Short Term VNAV	10,316	40	58	68
AAAm	DWS Deutsche Global Liquidity Series PLC - Deutsche Managed Euro Fund	7,223	41	42	74
AAAm	State Street Liquidity plc - State Street EUR Liquidity LVNAV Fund	6,028	37	40	54
AAAm	HSBC Global Liquidity Funds PLC - HSBC Euro Liquidity Fund	5,608	42	53	68
AAAm	MS Liquidity Funds - Euro Liquidity Fund	5,562	49	50	73
AAAm	Aberdeen Standard Liquidity Fund (Lux) - Euro Fund	3,375	40	42	67
AAAm	Fidelity Institutional Liquidity Fund PLC - The Euro Fund	1,790	28	30	81
AAAm	Amundi Money Market Fund - Short Term (EUR)	1,350	21	23	75

WAM (R)--Weighted average maturity to reset. WAM (F)--Weighted average maturity final.

### 'AAAm' sterling principal stability funds

Rating	Fund name	Net assets	Portfolio maturity (days)		Portfolio credit quality (%)
		(mil €)	WAM (R)	WAM (F)	A-1+
AAAm	Institutional Cash Series plc - BlackRock ICS Euro Liquidity Fund	45,167	32	45	67
AAAm	LGIM Liquidity Funds PLC - LGIM Sterling Liquidity Fund	37,286	44	49	64
AAAm	Aberdeen Standard Liquidity Fund (Lux) - Sterling Fund	32,244	39	51	59
AAAm	Insight Liquidity Funds PLC - ILF GBP Liquidity Fund	26,807	32	35	72
AAAm	Aviva Investors Liquidity Funds PLC - Aviva Investors Sterling Liquidity Fund	23,343	57	70	58
AAAm	Goldman Sachs Funds, plc - Goldman Sachs Sterling Liquid Reserves Fund	15,554	27	32	79
AAAm	JPMorgan Liquidity Funds - GBP Liquidity LVNAV Fund	15,431	52	65	70
AAAm	HSBC Global Liquidity Funds PLC - HSBC Sterling Liquidity Fund	9,368	48	62	71
AAAm	DWS Deutsche Global Liquidity Series PLC - Deutsche Managed Sterling Fund	8,752	54	59	70
AAAm	Aviva Investors Liquidity Funds PLC - Aviva Investors Sterling Government Liquidity Fund	6,551	32	32	89

WAM (R)--Weighted average maturity to reset. WAM (F)--Weighted average maturity final.

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## 'AAAm' U.S. dollar principal stability funds (EU-domiciled)

Rating	Fund name	Net assets	Portfolio maturity (days)		Portfolio credit quality (%)
		(mil \$)	WAM (R)	WAM (F)	A-1+
AAAm	JPMorgan Liquidity Funds - USD Liquidity LVNAV Fund	112,401	52	71	62
AAAm	Goldman Sachs Funds, plc - Goldman Sachs US\$ Treasury Liquid Reserves Fund	64,572	45	65	96
AAAm	JPMorgan Liquidity Funds - USD Treasury CNAV Fund	53,531	32	53	99
AAAm	Institutional Cash Series plc - BlackRock ICS US Dollar Liquidity Fund	49,983	38	55	67
AAAm	Goldman Sachs Funds, plc - Goldman Sachs US\$ Liquid Reserves Fund	39,250	47	56	62
AAAm	HSBC Global Liquidity Funds PLC - HSBC US Dollar Liquidity Fund	31,781	48	71	66
AAAm	MS Liquidity Funds - US Dollar Liquidity Fund	18,659	54	60	70
AAAm	Institutional Cash Series plc - BlackRock ICS US Treasury Fund	18,532	40	84	99
AAAm	BNY Mellon Liquidity Funds, PLC - BNY Mellon U.S. Treasury Fund	15109	50	73	100
AAAm	JPMorgan Liquidity Funds - USD Liquidity VNAV Fund	12,810	52	77	55

WAM (R)--Weighted average maturity to reset. WAM (F)--Weighted average maturity final.

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