

Moody's Short-Term Fund Ratings

2006 Money Market Fund Forum

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Moody's Investors Service



Money Market- Plus, Enhanced Cash and Ultrashort Bond Portfolios

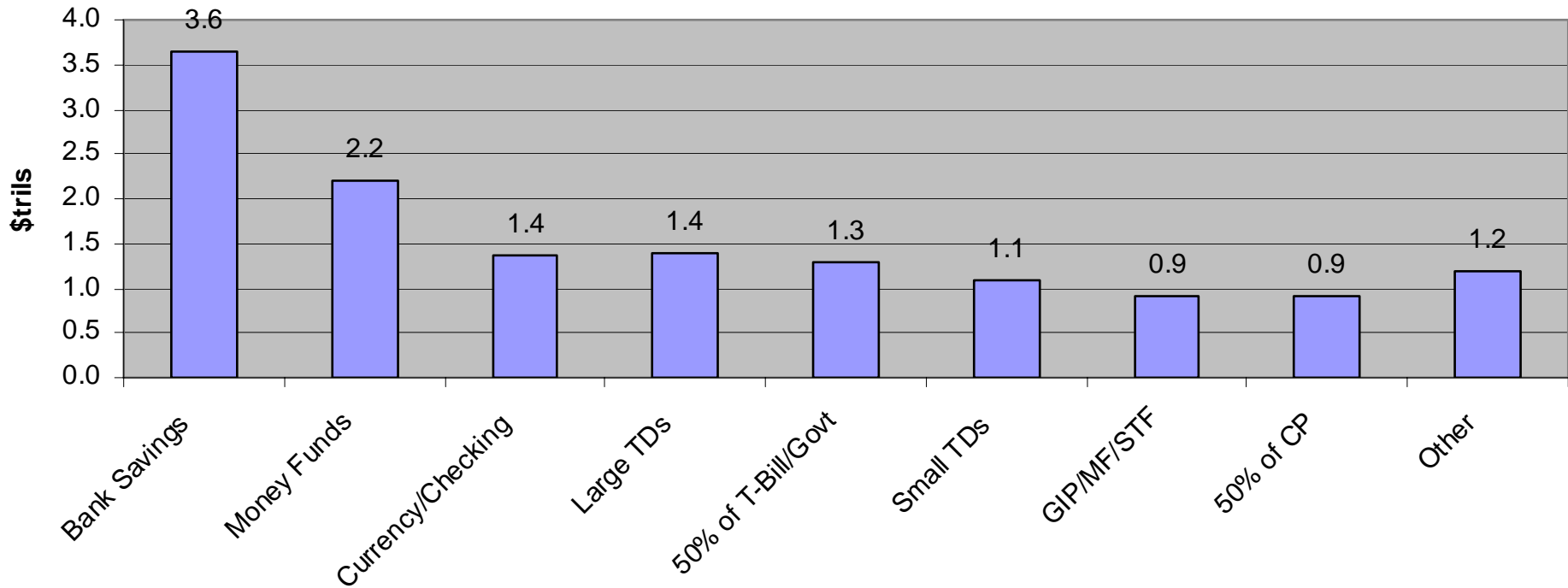


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Cash Market – Institutional and Retail

The \$14 Trillion "Cash" Market

August 2006



Other: auction rate, muni, enhanced cash products (STF)

Source: Federal Reserve, ICI, Bond Market Association, Crane Data.



“In-between” Cash, Not MMF or Bond Fund

Institutional Cash Products

- Money market plus / Enhanced cash
- Ultra short funds
- Commingled pools
 - STIFs
 - GIPs
- Guaranteed fixed-income
- Repurchase agreements pools/transactions
- Securities lending cash
- Separate cash mgmt accounts
 - Single strategy
 - Customized.



Short-Term Fund Ratings

Introduced in U.S. in October 2004

- Short-Term Fund (STF) ratings are targeted at portfolios that investors use for short-term investment management. These STFs seek principal preservation, current income, and liquidity.
- Most, but not all, STFs seek higher returns/surpass money market funds.
- Investor capital valuations
 - Fluctuating capital/NAV
 - CNAV



Global Short-Term Fund Cash Portfolios

Investment Goals	Products	Term/Liquidity	
Cash	<ol style="list-style-type: none"> 1. Principal 2. Liquidity 3. Yield 	<u>Money Market Fund Rating</u> 2a-7 or similarly managed/regulated Highest quality CNAV	60 day WAM/Same day liquidity
Core Cash	<ol style="list-style-type: none"> 1. Principal 2. Yield 3. Liquidity 	<u>Short-Term Fund Rating</u> CNAVs For medium-term cash	90-120 Day WAM/ Same-day or longer liquidity
Total Return Cash	<ol style="list-style-type: none"> 1. Yield/Return 2. Principal 3. Liquidity 	<u>Short-Term Fund Rating</u> Non-CNAV floating capital For long-term cash	Up to 1 Year Duration/ Same-day or longer liquidity



U. S. Cash Products Breakdown

	Fund Market Risk Ratings	Fund Credit Ratings	WAM	NAV	Duration Estimated	NAV Deviation	Credit Matrix Expected-Loss Benchmark
U.S. Money Market Funds	Rule 2a-7	95% Tier 1 5% Tier 2	< 90 days	CNAV	0.25	+ -0.50%	
Moody's Rated Money Funds	MR1+	Aaa, Aa, A	< 60 days	CNAV	0.16	+ -0.50%	13 months
	MR1+	Aa, A	< 75 days	CNAV	0.21	+ -0.50%	13 months
	MR1+	A	< 90 days	CNAV	0.25	+ -0.50%	13 months
Other Fixed-Income Funds	NA	NA	WAL	NAV / CNAV	0.16 – 17.2		
Moody's Rated Short-Term Fds	MR1 – MR2	Aaa, Aa, A, Baa	< 120 days	NAV / CNAV	0.33	Standard Deviation	18 months or higher
	MR1 – MR2	Aaa, Aa, A, Baa	< 180 days	NAV / CNAV	0.49	MR1 < 2.75 MR2 < 3.9	18 months or higher
	MR1 – MR3	Aaa, Aa, A, Baa	< 365 days	NAV	1.0	MR3 < 5.7 MR4 < 8.0	18 months – 2 years
Rated Bond Funds	MR1 – MR5	Invstmnt and Non-Invstmnt Grade	Over 1 year	NAV	Over 1.0	MR5 < 11.5	1 year – 30 years



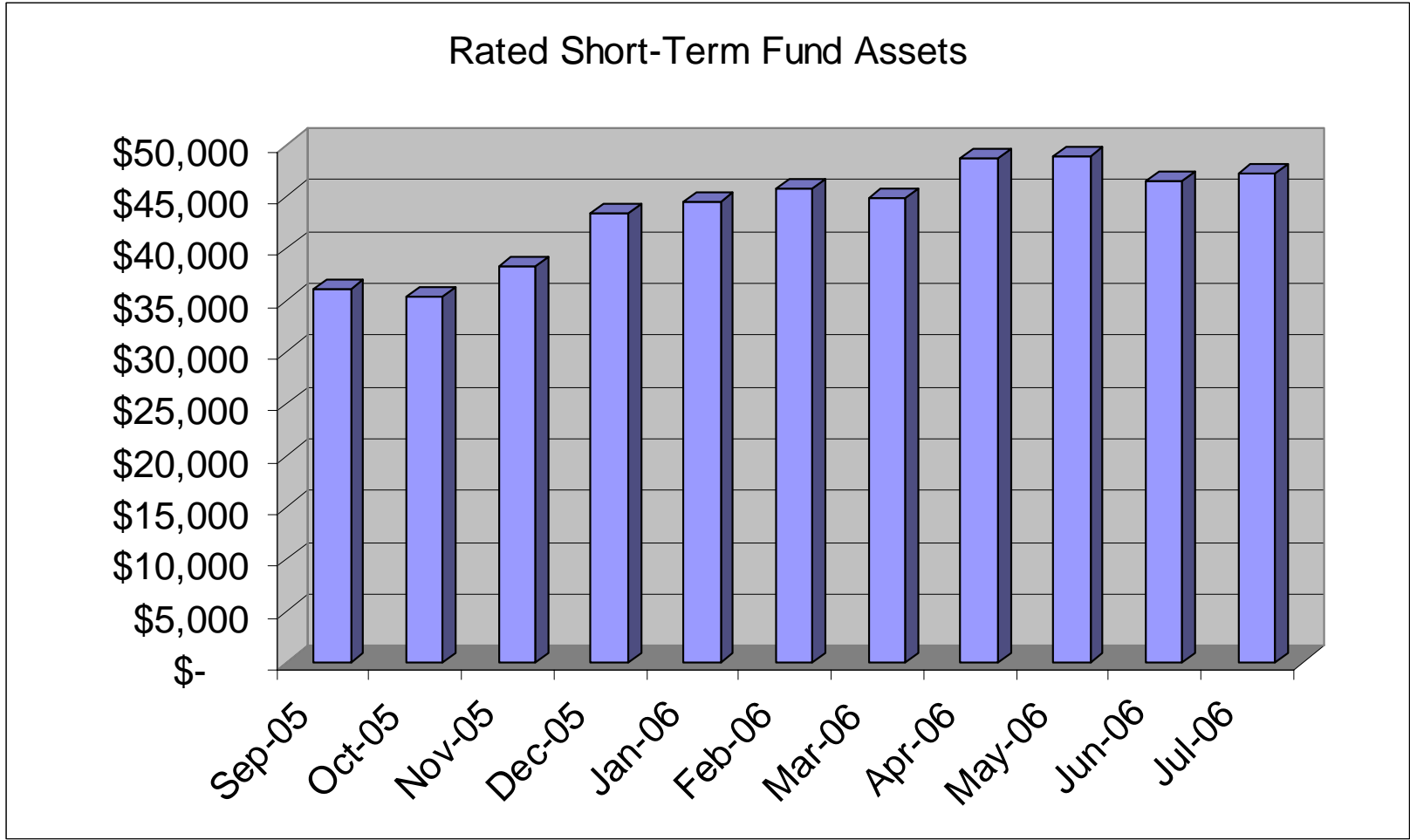
Global MR1 Ratings by WAM

WAM Distribution of 82 MR1 Funds

Days	0 - 60	- 90	- 120	- 180	- 365	Over 1 year
Funds	39	18	6	7	8	4
	48%	22%	7%	9%	10%	5%



Assets of 10 Rated Short-Term Funds



Short-Term Fund Ratings

Credit Rating	Market Risk Rating	Rating Date	Portfolios	Assets				Structure	NAV
				Sept	Dec	Mar	Jun		
Aaa	MR1	5/15/2003	American Beacon Enhanced Business Trust	\$ 4,444	\$ 3,465	\$ 4,060	\$ 3,454	3c7	CNAV \$1.00
Aaa	MR1	10/6/2004	BlackRock Cash Strategies LLC	2,777	3,300	3,627	3,675	3c7	CNAV \$1.00
Aaa	MR1	6/30/2005	Evergreen Institutional Enhanced Income Fund	295	340	818	806	Registered	\$10.00
Aaa	MR1	11/1/2004	Lehman Brothers Enhanced Cash Fund	1,768	2,836	2,892	2,916	3c7	CNAV \$1.00
Aaa	MR1	6/13/2005	Reserve Yield Plus Fund	802	1,072	1,358	1,195	Registered	CNAV \$1.00
Aaa	MR1	8/17/2006	Reserve Enhanced Cash Strategies Portfolio LLC	NA	NA	NA	NA	3c7	CNAV \$1.00
Aaa	MR1	5/7/2004	Suntrust Core Cash Plus Fund	864	813	734	569	3c7	CNAV \$1.00
<u>Private / Unpublished Ratings</u>									
Aaa	MR1	5/27/2005	Fund Company	45	93	155	263	3c7	\$1.00
Aaa	MR1	3/26/2003	Bank Fund Group	25,130	31,507	31,161	33,415	3c7	CNAV \$1.00
Aaa	MR1	4/21/2006	Bank Investment Group	NA	NA	NA	115	3c7	CNAV \$1.00
Aaa	MR1	7/26/2006	Non-Bank Broker / Dealer	NA	NA	NA	NA	3c7	CNAV \$1.00
Total				\$36.125	\$43.425	\$44.805	\$46.408		

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