

# Fitch Ratings

## **Fitch Affirms 'AAAmf' Ratings on 110 Money Market Funds; \$1.3 Trillion in Assets Affected**

Fitch Ratings has affirmed the ratings on 110 U.S. and European taxable and tax-exempt money market funds (MMFs) at 'AAAmf' following a regularly scheduled global review of the sector. Collectively, the funds comprised about \$1.3 trillion of assets under management (AUM) as of the end of May 2018.

A complete list of the funds and the associated ratings is included at the end of this press release.

### **KEY RATING DRIVERS**

The main rating drivers for the affirmations are:

- The MMF portfolios' overall credit quality and diversification;
- Low exposure to interest rate and spread risks;
- Holdings of daily and weekly liquid assets consistent with shareholder profiles;
- Asset maturity profiles meeting Fitch's rating criteria;
- The capabilities and resources of the respective investment advisors.

### **PORTFOLIO CREDIT QUALITY/DIVERSIFICATION**

Consistent with Fitch's criteria for rating MMFs at 'AAAmf', the reviewed funds maintain high credit quality portfolios by investing exclusively in short-term securities rated at least 'F1' by Fitch or the equivalent. MMFs rated 'AAAmf' and 'Ammf' may elect to invest a small percent of their assets in securities rated 'F2' by Fitch or the equivalent.

Those MMFs rated at 'AAAmf' manage their portfolios to limit their exposures to individual issuers at 10% of the fund's assets, with no more than 5% of assets for those exposures above seven days in tenor. Minor and temporary deviations from these parameters may occur from time to time, mainly due to cash outflows. The funds also seek to limit their individual repurchase agreement (repo) exposures to individual counterparties to 25% of a fund's total assets, provided the counterparties are rated 'A' or higher and that such repos are fully collateralized by high credit quality and liquid government securities. In the case of repo with counterparties rated 'A-'/F2' or 'BBB+'/F2', funds seek to limit their exposure to individual counterparties to 10% of assets, as long as the repo is collateralized by high quality government securities and matures in one week or less. MMFs also seek to limit their exposure to government agencies, with exposures above 35% of assets limited to short-dated securities.

The reviewed prime MMFs' Portfolio Credit Factors (PCF), which is a risk-weighted measure that considers the credit quality and maturity profile of the portfolio securities, generally met Fitch's 'AAAmf' rating criterion of 1.50 or less. PCFs outside of 1.50 were viewed as temporary in nature or otherwise sufficiently mitigated.

### **MATURITY PROFILES**

The reviewed MMFs seek to limit interest rate and spread risk by maintaining their weighted average maturities (WAM) and weighted average lives (WAL) below 60 days and 120 days, respectively. These funds also seek to limit the maturity date of any single investment to 397 days with the exception of floating rate securities issued by highly rated sovereigns, supranationals, or government agencies benefiting from strong market liquidity, which could have maturities as long as 762 days. Portfolios and/or individual securities maturity limits may be lower, in line with the funds' or asset managers' investment policy and depending on issuers' creditworthiness.

### **LIQUIDITY PROFILES**

The funds seek to maintain sufficient levels of daily and weekly liquidity to meet investors' redemption requests. Specifically, taxable MMFs rated 'AAAmf' invest at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity in line with Fitch's rating criteria. Tax-exempt MMFs invest at least 30% of their assets in securities offering weekly liquidity, consistent with Fitch's MMF rating criteria.

### **INVESTMENT ADVISORS**

Fitch views the investment advisory capabilities, resource commitments, operational controls, corporate governance,

and compliance procedures of the respective funds' investment advisors as consistent with the ratings assigned to the funds.

#### EUROPEAN MONEY FUND REFORM

European Union money fund legislation was finalized in June 2017. Reforms become effective for new funds as of July 21, 2018. Existing funds will need to submit applications to competent authorities by Jan. 21, 2019 at the latest. Fitch's rating criteria allows it to rate both existing European money funds and the funds which will be available in Europe post-reform, including the Low Volatility Net Asset Value (LVNAV) fund type, which Fitch anticipates will become the largest European money fund segment post reform. Irrespective of the outcome of the recent regulatory discussion on LVNAVs denominated in euros, volumes in sterling and U.S. dollar transitioning to this fund type will still make it the largest segment.

#### CRITERIA VARIATION ANALYSIS

Fitch's analysis of the PFM Funds Government Select Series included a variation from Fitch's Global Money Market Fund Rating Criteria. Fitch's criterion does not establish a limit for exposures guaranteed by highly rated government agencies; therefore, Fitch conservatively aggregated these exposures together with direct agency obligations under the direct exposure concentration limit stated in the rating criteria. The variation did not result in any change to the rating.

#### SURVEILLANCE

Fitch receives regular holdings information and other pertinent fund data from the funds' administrators and managers to conduct surveillance against ratings guidelines and maintain its MMF ratings.

For additional information about Fitch's MMF ratings guidelines, please review the criteria referenced below.

#### RATING SENSITIVITIES

The ratings may be sensitive to material changes in the credit quality, market risk, and/or liquidity profiles of the funds, or large changes in shareholder asset flows. Temporary deviations from Fitch's criteria need not automatically result in rating changes, provided the fund manager is able to address them with credible near-term remedial actions. However, material adverse and continued deviations from Fitch's criteria for any key rating driver may lead to the rating being placed on Rating Watch Negative or downgraded.

Fitch has affirmed the following ratings:

- AB Fixed-Income Shares, Inc.- AB Government Money Market Portfolio, affirmed at 'AAAmmf';
- Aberdeen Liquidity Fund (Lux) - Canadian Dollar Fund, affirmed at 'AAAmmf';
- Aberdeen Liquidity Fund (Lux) - Euro Fund, affirmed at 'AAAmmf';
- Aberdeen Liquidity Fund (Lux) - Sterling Fund, affirmed at 'AAAmmf';
- Aberdeen Liquidity Fund (Lux) - US Dollar Fund, affirmed at 'AAAmmf';
- Amundi Money Market Fund - Short Term (EUR), affirmed at 'AAAmmf';
- Amundi Money Market Fund - Short Term (GBP), affirmed at 'AAAmmf';
- Amundi Money Market Fund - Short Term (USD), affirmed at 'AAAmmf';
- BMO Government Money Market Fund, affirmed at 'AAAmmf';
- BMO Prime Money Market Fund, affirmed at 'AAAmmf';
- BNY Mellon U.S. Dollar Liquidity Fund, affirmed at 'AAAmmf';
- BlackRock ICS Institutional Euro Government Liquidity Fund, affirmed at 'AAAmmf';
- BlackRock ICS Institutional Euro Liquidity Fund, affirmed at 'AAAmmf';
- BlackRock ICS Institutional Sterling Government Liquidity Fund, affirmed at 'AAAmmf';
- BlackRock ICS Institutional Sterling Liquidity Fund, affirmed at 'AAAmmf';
- BlackRock ICS Institutional US Dollar Liquidity Fund, affirmed at 'AAAmmf';
- BlackRock ICS Institutional US Treasury Fund, affirmed at 'AAAmmf';
- CCLA Public Sector Investment Fund - The Public Sector Deposit Fund, affirmed at 'AAAmmf';
- Deutsche Global Liquidity Series p.l.c - Deutsche Managed Dollar Fund, affirmed at 'AAAmmf';
- Deutsche Global Liquidity Series p.l.c - Deutsche Managed Euro Fund, affirmed at 'AAAmmf';
- Deutsche Global Liquidity Series p.l.c - Deutsche Managed Sterling Fund, affirmed at 'AAAmmf';
- Dreyfus Cash Management, affirmed at 'AAAmmf';
- Dreyfus Institutional Preferred Government Money Market Fund, affirmed at 'AAAmmf';
- Dreyfus Institutional Treasury & Agency Cash Advantage Fund, affirmed at 'AAAmmf';
- Dreyfus Institutional Treasury Securities Cash Advantage Fund, affirmed at 'AAAmmf';

--Dreyfus Institutional Treasury Securities Cash Advantage Fund, affirmed at 'AAAmmf' ,  
--Federated Government Obligations Fund, affirmed at 'AAAmmf';  
--Federated Institutional Money Market Management, affirmed at 'AAAmmf';  
--Federated Institutional Prime Obligations Fund, affirmed at 'AAAmmf';  
--Federated Institutional Prime Value Obligations Fund, affirmed at 'AAAmmf';  
--Federated Institutional Tax-Free Cash Trust, affirmed at 'AAAmmf';  
--Federated Prime Cash Obligations Fund, affirmed at 'AAAmmf';  
--Federated Prime Private Liquidity Fund, affirmed at 'AAAmmf';  
--Federated Short-Term Sterling Prime Fund, affirmed at 'AAAmmf';  
--Federated Short-Term U.S. Prime Fund, affirmed at 'AAAmmf';  
--Federated Tax-Free Obligations Fund, affirmed at 'AAAmmf';  
--First American Government Obligations Fund, affirmed at 'AAAmmf';  
--First American Treasury Obligations Fund, affirmed at 'AAAmmf';  
--Goldman Sachs Euro Liquid Reserves Fund, affirmed at 'AAAmmf';  
--Goldman Sachs Financial Square Prime Obligations Fund, affirmed at 'AAAmmf';  
--Goldman Sachs Sterling Liquid Reserves Fund, affirmed at 'AAAmmf';  
--Goldman Sachs US Dollar Liquid Reserves Fund, affirmed at 'AAAmmf';  
--Insight Liquidity Funds p.l.c. - ILF USD Liquidity Fund, affirmed at 'AAAmmf';  
--Insight Liquidity Funds plc - ILF GBP Liquidity Fund, affirmed at 'AAAmmf';  
--JPMorgan Liquidity Funds - Euro Liquidity Fund, affirmed at 'AAAmmf';  
--JPMorgan Liquidity Funds - Sterling Gilt Liquidity Fund, affirmed at 'AAAmmf';  
--JPMorgan Liquidity Funds - Sterling Liquidity Fund, affirmed at 'AAAmmf';  
--JPMorgan Liquidity Funds - US Dollar Government Liquidity Fund, affirmed at 'AAAmmf';  
--JPMorgan Liquidity Funds - US Dollar Liquidity Fund, affirmed at 'AAAmmf';  
--JPMorgan Liquidity Funds - US Dollar Treasury Liquidity Fund, affirmed at 'AAAmmf';  
--JPMorgan Prime Money Market Fund, affirmed at 'AAAmmf';  
--JPMorgan U.S. Government Money Market Fund, affirmed at 'AAAmmf';  
--LGIM Liquidity Funds PLC - LGIM Sterling Liquidity Fund, affirmed at 'AAAmmf';  
--LGIM Liquidity Funds PLC - LGIM US Dollar Liquidity Fund, affirmed at 'AAAmmf';  
--LO Funds (CH) - Short-Term Money Market (USD), affirmed at 'AAAmmf';  
--Milestone Treasury Obligations Fund, affirmed at 'AAAmmf';  
--Morgan Stanley Institutional Liquidity Fund - Prime Portfolio, affirmed at 'AAAmmf';  
--Morgan Stanley Institutional Liquidity Funds - Government Portfolio, affirmed at 'AAAmmf';  
--Morgan Stanley Institutional Liquidity Fund - Tax Exempt Portfolio, affirmed at 'AAAmmf';  
--Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio, affirmed at 'AAAmmf';  
--MS Liquidity Funds - Euro Liquidity Fund, affirmed at 'AAAmmf';  
--MS Liquidity Funds - Sterling Liquidity Fund, affirmed at 'AAAmmf';  
--MS Liquidity Funds - US Dollar Liquidity Fund, affirmed at 'AAAmmf';  
--Ostrum Cash A1P1, affirmed at 'AAAmmf';  
--PFM Funds Government Select Series, affirmed at 'AAAmmf';  
--Royal London Bond Funds ICVC - Royal London Short-Term Money Market Fund, affirmed at 'AAAmmf';  
--Short-Term Investments Co. (Global Series) plc - Euro Liquidity Portfolio (Invesco), affirmed at 'AAAmmf';  
--Short-Term Investments Co. (Global Series) plc - Sterling Liquidity Portfolio (Invesco), affirmed at 'AAAmmf';  
--Short-Term Investments Co. (Global Series) plc - US Dollar Liquidity Portfolio (Invesco), affirmed at 'AAAmmf';  
--Short-Term Investments Trust - Invesco Government & Agency Portfolio, affirmed at 'AAAmmf';  
--Short-Term Investments Trust - Invesco Liquid Assets Portfolio, affirmed at 'AAAmmf';  
--Short-Term Investments Trust - Invesco STIC Prime Portfolio, affirmed at 'AAAmmf';  
--Short-Term Investments Trust - Invesco Treasury Portfolio, affirmed at 'AAAmmf';  
--Standard Life Investments Euro Liquidity Fund, affirmed at 'AAAmmf';  
--Standard Life Investments Sterling Liquidity Fund, affirmed at 'AAAmmf';  
--State Street Global Advisors Liquidity PLC - SSgA EUR Liquidity Fund, affirmed at 'AAAmmf';  
--State Street Global Advisors Liquidity PLC - SSgA GBP Liquidity Fund, affirmed at 'AAAmmf';  
--State Street Global Advisors Liquidity PLC - SSgA USD Liquidity Fund, affirmed at 'AAAmmf';  
--State Street Global Advisors Liquidity PLC - State Street US Treasury Liquidity Fund, affirmed at 'AAAmmf';  
--State Street Institutional Liquid Reserves Fund, affirmed at 'AAAmmf';  
--State Street Institutional Treasury Money Market Fund, affirmed at 'AAAmmf';  
--State Street Institutional Treasury Plus Money Market Fund, affirmed at 'AAAmmf';  
--State Street Institutional U.S. Government Money Market Fund, affirmed at 'AAAmmf';  
--State Street Treasury Obligations Money Market Fund, affirmed at 'AAAmmf';  
--UBS (IRL) Select Money Market Fund - EUR, affirmed at 'AAAmmf';  
--UBS (IRL) Select Money Market Fund - GBP, affirmed at 'AAAmmf';  
--UBS (IRL) Select Money Market Fund - USD, affirmed at 'AAAmmf';  
--UBS Select Government Institutional Fund, affirmed at 'AAAmmf';

--UBS Select Government Investor Fund, affirmed at 'AAAmmf';  
--UBS Select Government Preferred Fund, affirmed at 'AAAmmf';  
--UBS Select Prime Institutional Fund, affirmed at 'AAAmmf';  
--UBS Select Prime Investor Fund, affirmed at 'AAAmmf';  
--UBS Select Prime Preferred Fund, affirmed at 'AAAmmf';  
--UBS Select Treasury Institutional Fund, affirmed at 'AAAmmf';  
--UBS Select Treasury Investor Fund, affirmed at 'AAAmmf';  
--UBS Select Treasury Preferred Fund, affirmed at 'AAAmmf';  
--Wells Fargo Municipal Cash Management Money Market Fund, affirmed at 'AAAmmf';  
--Wells Fargo National Tax-Free Money Market Fund, affirmed at 'AAAmmf';  
--Western Asset Government Money Market Fund, Ltd., affirmed at 'AAAmmf';  
--Western Asset Government Reserves, affirmed at 'AAAmmf';  
--Western Asset Institutional Cash Reserves, Ltd., affirmed at 'AAAmmf';  
--Western Asset Institutional Government Reserves, affirmed at 'AAAmmf';  
--Western Asset Institutional Liquid Reserves, affirmed at 'AAAmmf';  
--Western Asset Institutional Liquid Reserves, Ltd., affirmed at 'AAAmmf';  
--Western Asset Institutional U.S. Treasury Obligations Money Market Fund, affirmed at 'AAAmmf';  
--Western Asset Institutional U.S. Treasury Reserves, affirmed at 'AAAmmf';  
--Western Asset Liquidity Funds plc - Western Asset US Dollar Liquidity Fund, affirmed at 'AAAmmf';  
--Western Asset Premium U.S. Treasury Reserves, affirmed at 'AAAmmf';  
--Western Asset U.S. Treasury Obligations Money Market Fund, Ltd., affirmed at 'AAAmmf';  
--Western Asset U.S. Treasury Reserves, affirmed at 'AAAmmf'.  
--Western Asset U.S. Treasury Reserves, Ltd., affirmed at 'AAAmmf'.

Contact:

Primary Analyst  
Greg Fayvilevich  
Senior Director  
+1-212-908-9151  
Fitch Ratings, Inc.  
33 Whitehall Street  
New York, NY 10004

Secondary Analyst  
Alastair Sewell  
Senior Director  
+44 20 3530 1147

Committee Chairperson  
Ralph Aurora  
Senior Director  
+1-212-908-0528

The sources of information used to assess these ratings were the funds' asset managers and/or fund administrators and the public domain.

