

BLACKROCK

The Advantages of Money
Market Funds



What is a money market fund?

Money market funds are mutual funds that invest in short term debt instruments. They provide the benefits of pooled investment, allowing investors to invest in a diverse and high quality portfolio. Like other mutual funds, each investor in a money market fund is considered a shareholder of the investment pool. Money market funds are managed within rigid and transparent guidelines to seek preservation of capital, liquidity and competitive yields.

What are the types of money market funds?

There are two basic types of money market funds: constant net asset value (CNAV) – also known as stable NAV – and accumulating NAV (ANAV). Shares in CNAV funds are issued with an unchanging face value (such as US\$1 per share). Income in the fund is accrued daily and can either be paid out to the investor or reinvested in the fund at the end of the month. ANAV funds, operate under the same investment guidelines as CNAV funds and income is accrued daily. However, unlike CNAV funds, income is not distributed. Instead income is reflected by an increase in the value of the fund shares.

Why use a money market fund for your short term cash investment needs?

For a number of reasons, a money market fund is an excellent short term investment option.

Diversification

- ▶ Money market funds invest in a wide range of issuers and money market sectors holding to one of the basic tenants of a conservative investment approach – proper diversification.

Credit risk

- ▶ An IMMFA money market fund is triple-A rated and is required to adhere to rigid credit standards to ensure the portfolio represents an acceptable level of risk.

Ring-fencing of assets

- ▶ Most European money market funds are UCITS compliant and structured as standalone entities. Their investments (excluding physical cash) are entirely ring fenced from the investment manager and from the fund's custodian. In the event of any solvency problem with these parties the assets within the money market fund would not be impacted.

Independent scrutiny of portfolio

- ▶ The rating agencies scrutinise a money fund's portfolio on a frequent basis to ensure the mark-to-market value of all securities is close to 'par'. They also ensure that other investment requirements to attain a triple-A rating are being followed.

Simplicity and flexibility

- ▶ Money market funds offer flexibility in cash forecasting as there is no requirement to commit cash for a specific period, and there are no penalties for redemptions.

Liquidity

- ▶ Money market funds are managed with very high levels of liquidity in order to offer investors same day or next day liquidity.

Fees

- ▶ The fees charged by a money market fund are transparent; there are no fees to subscribe or redeem from money market funds thus allowing you the freedom to move your assets in or out of the fund as and when you need them.

Why should you choose a money market fund from BlackRock?

The 2007-2009 credit crisis has highlighted the importance of using a money market fund that is managed by a capable and highly experienced investment manager.

- ▶ BlackRock has managed cash portfolios for over 35 years and has \$279* billion of liquidity assets under management, making us one of the largest cash management providers globally.
- ▶ BlackRock has successfully demonstrated both performance and safety through many interest rate and credit cycles.
- ▶ Experienced portfolio managers and credit analysts collaborate via a credit committee forum to determine sectors and issuers that represent stability and value to our money market funds.
- ▶ Through a rigorous credit review process, BlackRock Global Credit Teams create internal 'approved lists' of suitable securities. These lists list the funds to instruments that have received appropriate ratings from the credit rating agencies and meet our high standards. We only invest in issuers that we deem 'money good' and anticipate to be fully liquid over the life of the investment.
- ▶ The BlackRock credit team has an excellent record of anticipating ratings downgrades, and withdrawing securities from the approved list, on average, seven months ahead of rating agency downgrades, over the last ten years*.

*31 December 2010

BlackRock's money market funds are recognised as secure, efficient and competitive vehicles for investing cash

- ▶ BlackRock's money market funds are triple-A rated by both Standard & Poor's (S&P) and Moody's.
- ▶ BlackRock's money market funds are managed within extremely tight investment guidelines governing diversification, duration, credit quality and security types.
- ▶ To attain triple-A rating at least 50% of the Fund has to be invested in A1+ /P1 rated paper and the remainder in A1 /P1 with a maximum maturity of any one security of 13 months and maximum weighted average maturity (WAM) of 60 days.
- ▶ The Funds are UCITS compliant and are required to comply with diversification restrictions which limit holdings to a maximum of 10% of the fund with any one issuer. Furthermore UCITS ensures that the aggregate value of any fund holdings of over 5% per issuer do not exceed 40% of the Fund.
- ▶ BlackRock's money market funds are managed on BlackRock's state-of-the-art risk management systems, assuring real-time compliance with all stated guidelines and regulatory requirements for our shareholders.

About BlackRock

BlackRock is a premier provider of asset management, risk management, and advisory services to clients worldwide. The firm manages US\$3.56* trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares® exchange-traded funds.

BlackRock is an expert in liquidity management looking after US\$279* billion short term assets for clients globally. We are not large because we always aim to offer the highest yield; we have grown because we have earned our clients' trust through multiple interest rate cycles and a wide variety of market events. We understand the importance of putting safety and liquidity first – not as a marketing message, but as the core of our investment philosophy.

BlackRock considers cash management a unique investment discipline requiring a distinct skill set for effective management. While our investment strategy is conservative by nature, we strive to deliver competitive, consistent returns over time.

In Europe we offer a broad range of liquidity funds across currencies and strategies, including sovereign funds, prime money market funds, as well as the flexibility of bespoke, segregated mandates for large investors. We also offer ultra short bond funds for those investors who are looking to move modestly out the curve.

* 31 December 2010.

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For more information

Tel: 02 9272 2200

Email: ics-australia@blackrock.com

Website: www.blackrockcash.com

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