MONEY MARKET

FUTUREGROWTH
/ ASSET MANAGEMENT

WHAT ARE MONEY MARKET INSTRUMENTS?

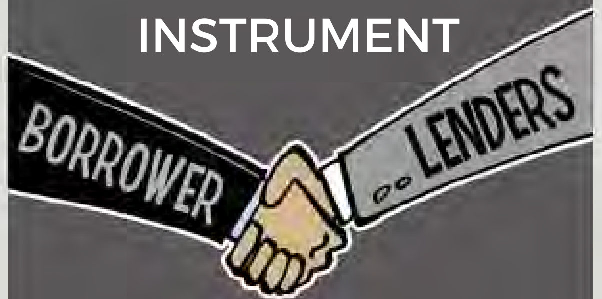
Short-term investment products (generally up to one year) with low interest rate volatility and high liquidity.

BORROWER

Banks and corporates borrow money:

- So that they can lend money to consumers and other organisations
- To ensure they have cash reserves

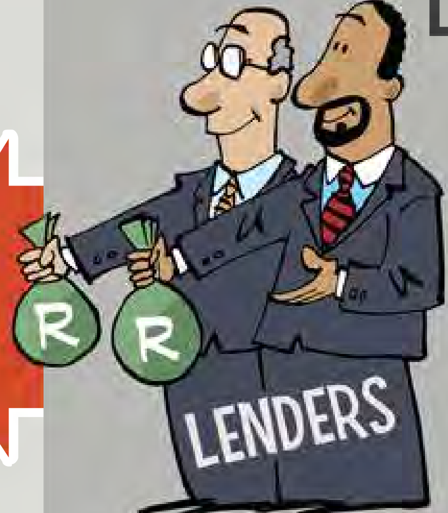
DECISION TO BUY OR SELL AN INSTRUMENT



Money market instruments can include:

- Negotiable certificates of deposit (NCD)
- Treasury Bills
- Promissory Notes
- Short-term Bonds (< 1 Year)
- Commercial paper

INSTITUTIONAL LENDERS



Lenders are looking for investments with a high credit quality and an appropriate level of return:

- **Generally to earn a higher return than what is offered on bank deposits.**
- To access a diverse range of instruments
- To access a diverse range of issuers (banks and corporates)

Lenders can also be retail and wholesale market participants.

WHAT ARE THE ADVANTAGES OF MONEY MARKET FUNDS?

- Diversification
  - Term risk
  - Credit risk
- Liquidity management

WHAT INFLUENCES THE PRICE OF THE INSTRUMENTS?

- Interest rate cycle (repo rate)
- Inflation
- Demand and supply of instruments
- Money supply
- Gross domestic product (GDP)

If liquidity is required, previously issued money market instruments are bought and sold in the secondary market at the current market pricing.

WHY ARE MONEY MARKET INSTRUMENTS NECESSARY?

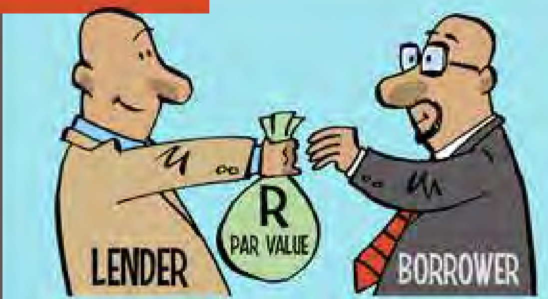
Pension funds are governed by regulations that stipulate that a certain amount of their assets should be in short-term, low risk and liquid assets for capital preservation (minimising capital loss). This forms part of a broader asset allocation strategy which could include longer-term, higher yielding assets like bonds and shares.

WHAT IS PAR VALUE?

Par value (also known as nominal value or face value) refers to the initial investment amount on the issue date of the instrument.

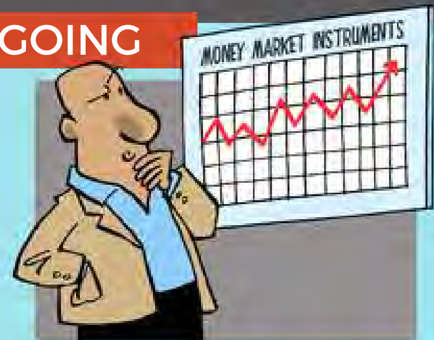
LIFE OF A MONEY MARKET INSTRUMENT

DAY 1



The lender pays the borrower the agreed par value.

ONGOING



The lender monitors the instrument's performance and credit quality .

AT MATURITY

The lender holds on to the instrument and receives par value and accrued interest at maturity.

The lender can decide to sell the instrument at the best price if the market changes and will earn a capital gain and interest.