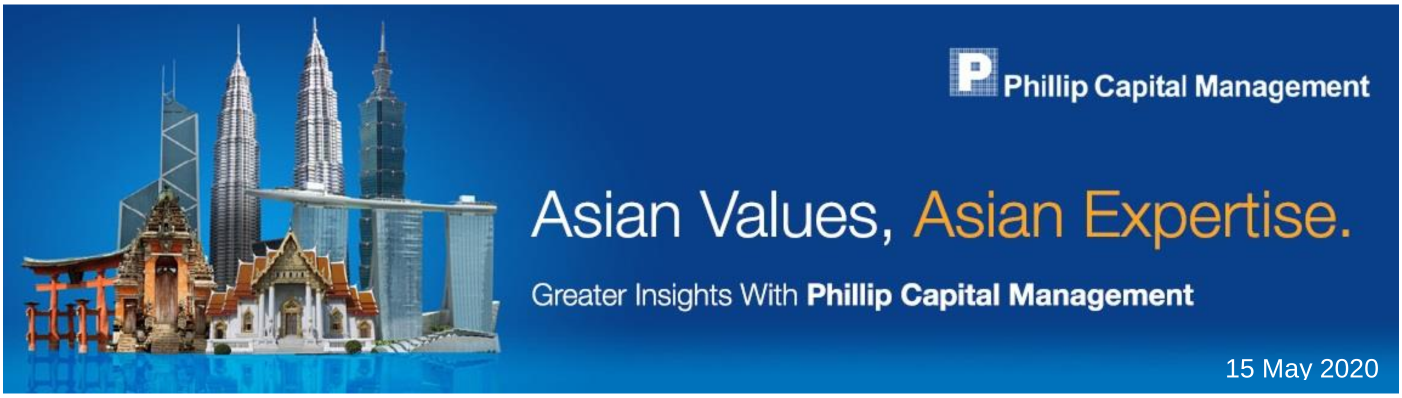

A BETTER WAY TO MANAGE SURPLUS CASH & CASE STUDY OF A GOVERNMENT AGENCY

Idle cash is generally a neglected aspect amongst the business community. In Singapore, where banks savings deposits average about **0.16% per annum***, idle cash in bank accounts do not work as hard. Ironically, despite the liquidity of bank accounts, business owners tend to let funds build up inertia subconsciously. This can impede the timely flow of cash into potential business or investment opportunities.

The genesis of money market funds as an effective alternative cash management tool for businesses had largely been underappreciated in Singapore. However, there is a growing trend of adoption as the community becomes more savvy, which helps in dispelling some past misconceptions about money market funds.

One major hurdle for acceleration of local adoption has been the fact that money market funds are not insured by the Singapore Depository Insurance Corporation ("SDIC"). However, as money market funds invest into high quality[#] money market securities and instruments issued by institutions, government entities and corporations, the risk of default is mitigated while generating slightly higher yields on investors' monies.

As one of the pioneers in Singapore's money market funds, Phillip Capital Management ("PCM") has been leading the drive in the adoption of money market funds for retail savers, businesses and institutions to leverage on money market funds as an effective alternative cash management tool. Due to Phillip Money Market Fund's ("PMMF") large fund size, PMMF is able to maintain substantial cash float during uncertain periods such as the current pandemic and continue to meet **daily redemptions****. This ability to meet investors' liquidity needs, coupled with the enhanced returns on surplus cash helps investors better utilize their idle monies more efficiently while waiting to deploy the monies into potential business or investment opportunities.

There are several additional benefits to being the largest Singapore dollar-denominated money market fund. One major advantage of the PMMF's large fund size and substantial cash float is that it enables the professional fund managers to pick-up quality assets at better rates during downturns like the current coronavirus pandemic. In fact, during this challenging period, some financial institutions have turned to PMMF to support their short-term liquidity needs, in return for slightly higher rate of return for PMMF compared to existing assets in the marketplace. In addition, holdings of money market securities and instruments can be meaningfully diversified and maturities laddered to achieve the intended interest-rate stability for PMMF.

PMMF is the only Singapore-domiciled Singapore dollar-denominated money market fund with institutional class (“I Class”) shares. There is one other fund denominated in Singapore dollar with I-Class shares which is the offshore (Luxembourg) JPMorgan SGD Liquidity LVNAV Institutional (dist.) Fund.

Table 1: Singapore Dollar Money Market Funds (I Class) Profile

	Phillip Money Market Fund	**JPMorgan SGD Liquidity LVNAV Institutional (dist.) Fund**
Domiciled	Singapore	Luxembourg
Fund Size (S$' million)	1058.00	652.4
Weighted Average Maturity (days)	35.1	39
Settlement Period	**T+0****	T+0
`Fund Cut-Off (SGT)	11.30am	12.00pm
Annualised Returns (1-year)	1.50%	1.41%
30 Day Average yield (%, annualised)	1.28%	0.98%

Source: PCM, JPMorgan; As of 31 March 2020

 # “high quality” as defined in the Appendix 2 of the Code on Collective Investment Schemes (last revised on 16 April 2020).
*** Interest Rates of Banks and Finance Companies, Monetary Authority of Singapore**
**** For direct clients only. Redemptions via other distribution channels will be subjected to redemption policies set by distributors.**

CASE HIGHLIGHT: GOVERNMENT AGENCY

Prior to the Global Financial Crisis in 2008, a Government Agency was searching for facilities to generate a more favourable return for its daily surplus cash flow which was lying idle in the bank. The nature of the public fund meant that the Government Agency had the duty to safeguard the principal and maintain short-term liquidity.

The Government Agency made their evaluation based on these factors:

i. **Reputation** – Facilitate trusts throughout the entire business relationship
ii. **True Liquidity** – Ability to redeem and receive funds to deal with contingencies
iii. **Long track record** – Stability of performance
iv. **Quality of holdings** – A measure of prudence
v. **Fund size** – To avoid building up substantial stake and redemption stress

The decision was made to allocate the funds to PMMF due to these reasons:

- PCM, as the asset management arm of Phillip Capital Group, has established itself as a household name
- Settlement period of **T+0**** satisfy the requirement for liquidity of maintenance
- One of the longest running Singapore dollar money market fund in Singapore, incepted since 2001
- Having displayed prudence through its holdings which had faced zero credit defaults
- Largest in Singapore which satisfy the Agency's risk management framework

During the Global Financial Crisis, the Agency requested the full-redemption of its funds which PCM delivered.

Ms. Sabrina Loh, Investment Director at PCM, highlights that "the greater emphasis on prudence instead of performance has been the hallmark of PMMF. Testament to the importance of this, PMMF is still seeing net positive inflows during this COVID-19 crisis period. In fact, PMMF just reached a significant milestone of hitting $1 billion in asset under management ("AUM") in March 2020".

"The fact that PMMF grew its AUM significantly (during the same period), indicates that the market and more investors continue to embrace our highly defensive strategies," she added.

Businesses not taking advantage of money market funds might be missing out. Ms. Loh elaborated: "Even regardless of the investment climate, idle resources are unproductive. If the performance of PMMF is compared to interest rates of Singapore deposit accounts and used as a measure for productivity, PMMF would appear many times more efficient."

Important Information