Federal Reserve – Atlanta Conference

April 11, 2012

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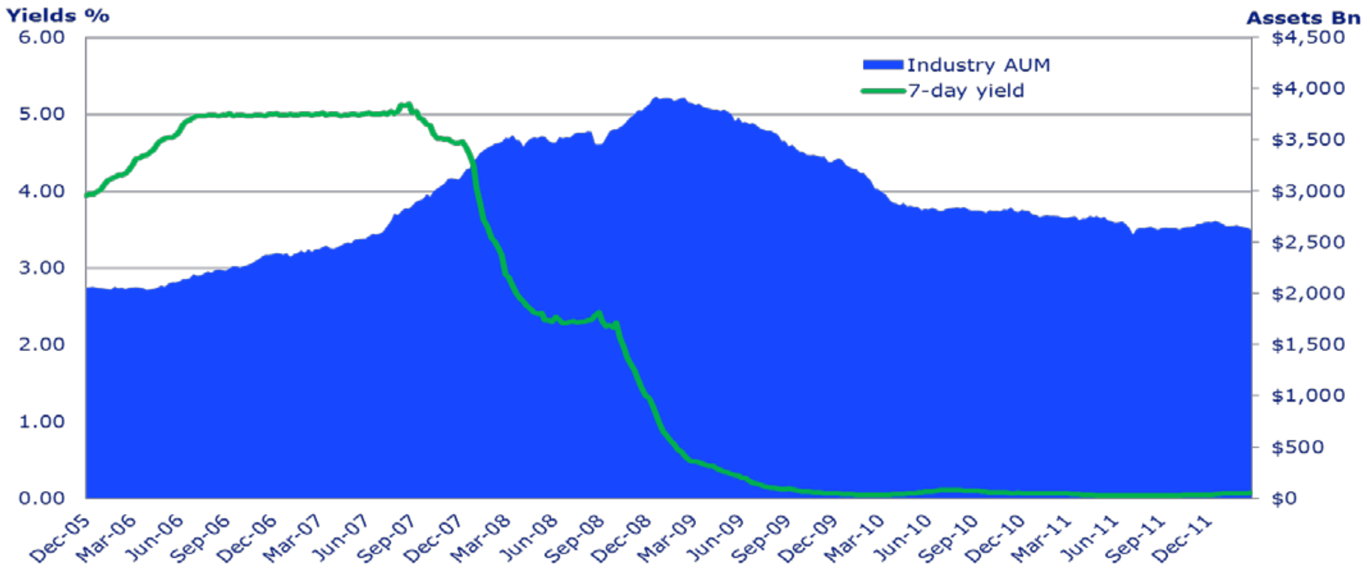
Impact and Role of MMFs in the Economy

- Despite low yields, MMFs remain a desired investment option as evidenced by stability of assets at $2.7 trillion compared to pre-crisis levels.
- For the 56 million shareholders, MMFs offer access to credit expertise, daily liquidity and secure and efficient operational processes with lower costs.
- For retail investors, MMFs have paid $242 billion more in returns than competing bank products since 1990.

Money Market Fund Yields and Total Net Assets



Source: Investment Company Institute and iMoneyNet, Inc.

Economy Without MMFs – Devastating Impact on Corporations, Government and Municipalities

- MMFs taxable instruments holdings totaled $2.2 trillion, or 21%, of all taxable instruments outstandings at year-end 2011.
  - MMFs held nearly 40% of all commercial paper issued by businesses, which if lost would remove financing used for payrolls, inventories and operations.
  - MMFs represented $865 billion, or 23%, of short-term U.S. Treasury and Agency financing.
  - MMFs held $432 billion, or 14%, of bank CDs and Eurodollar deposits, providing much needed financing to banks.

Data as of 12/31/2011	Total	MMF Holdings	
Source: Investment Company Institute	($ billions)	($ billions)	% of Total
Treasury & Agency secs.	3,760	865	23
Commercial paper	969	362	37
Repurchase agreements	2,622	494	19
CDs & Eurodollar deposits	3,050	432	14
Total Taxable Instruments	**10,402**	**2,153**	**21**

- MMFs tax-exempt holdings totaled $343 billion, or over 2/3rds, of short-term debt that finances state and local governments for public projects such as roads, bridges, airports, water and sewage treatment facilities, hospitals, and low-income housing.

Data as of 12/31/2011	Total	MMF Holdings	
Source: Investment Company Institute	($ billions)	($ billions)	% of Total
Tax-exempt instruments	**510**	**343**	**67**

2a-7 Reforms From 2010 Are Working

Transformational improvement in governance, portfolio structure, liquidity, and transparency reduces the likelihood and mitigates potential impact of runs.

- GOVERNANCE
- TRANSPARENCY
- PORTFOLIO LIQUIDITY AND STRUCTURE
- STABILITY IN NAVS

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Governance

- <u>Greater governance</u> required from fund boards with more oversight & responsibilities including a mechanism (<u>pre-ordained orderly liquidation mechanism</u>) to minimize or stop runs at an individual fund through its orderly wind-down.
- Rules around this <u>pre-ordained orderly liquidation mechanism</u> ensure that <u>objectives of shareholders, regulators, and advisors are aligned</u> more than ever before.

Reform

Irrevocable Board approval, to suspend redemptions and liquidate the fund. Putting into place a **pre-ordained orderly liquidation mechanism** for MMFs

Benefits

+ Fund Boards can halt redemptions and liquidate if MMF is in jeopardy of "breaking the buck"

+ Fund advisors highly incentivized to manage portfolio structure and stability to avoid this possibility

+ Procedures and systems required to facilitate an orderly liquidation

Source: Invesco

Transparency

- More <u>frequent & detailed</u> portfolio disclosures providing greater evidence of the stability and resiliency of MMFs.

	Detailed portfolio holdings data reporting to SEC	Public disclosure of Shadow NAVs	Public and consistent monthly disclosure of portfolio holdings
Reform	Detailed portfolio holdings data reporting to SEC	Public disclosure of Shadow NAVs	Public and consistent monthly disclosure of portfolio holdings
Benefits	+ A pubic interactive database allows for easy access to detailed information + It creates the ability to review and compare funds on a 60-day delay	+ NAVs provide statistical confirmation of the stability of a $1.00 NAV + Trends in NAVs can identify more aggressive, riskier funds	+ Public disclosure and uniformity of information provides investors, issuers, and the industry clear and consistent information

Source: Invesco

Portfolio Liquidity & Structure

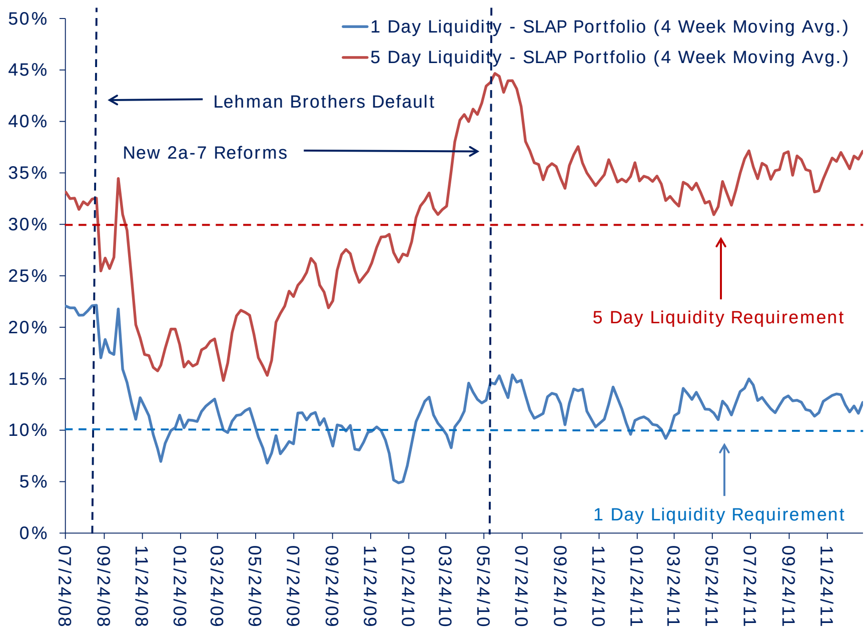
- Higher liquidity levels provides greater shareholder confidence in redemption availability even during periods of market stress.
- Shorter maximum weighted average maturity and introduction of weighted average life result in lower volatility and greater flexibility to address changes in the market.

Reform	Weighted Average Maturity limited to 60 days or less	Weighted Average Life limited to 120 days or less	10% and 30% of assets in daily and weekly liquid assets
Benefits	+ Funds are more resilient to changes in interest rates or other market shocks + Rule enhances the portfolio liquidity profile of the funds	+ Ensure funds can maintain stability even during volatile markets + Rule enhances the portfolio liquidity profile of the funds	+ Provides greater certainty and comfort that both expected and unexpected redemptions can be met

Source: Invesco

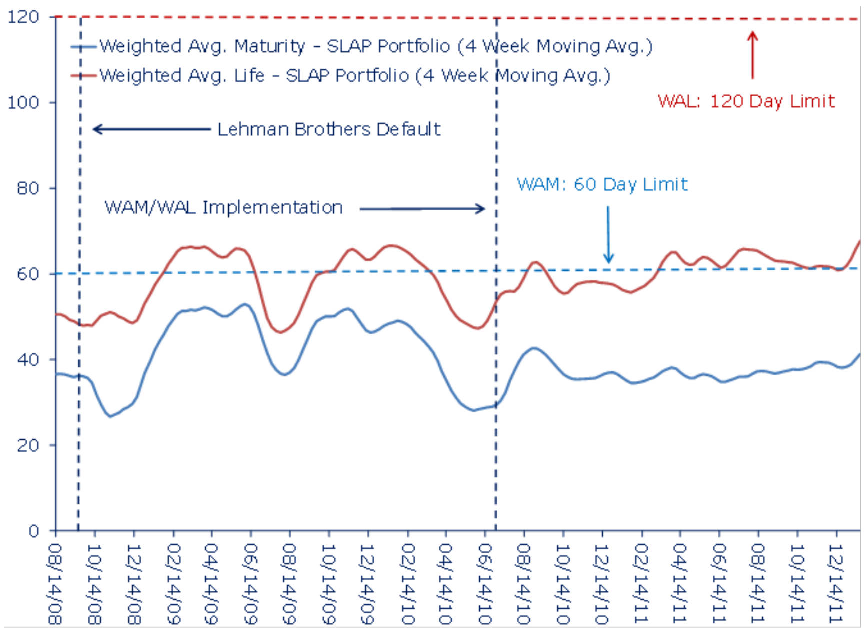
Portfolio Liquidity and Structure

1/5 Day Liquidity %'s



Note: Invesco STIT Liquid Assets Portfolio ("SLAP")
Source: Invesco

WAM/WAL in # of Days



Note: Invesco STIT Liquid Assets Portfolio ("SLAP")
Source: Invesco

- 1-day and 5-day liquidity stabilized at higher levels post 2010 reforms.
- WAM and WAL levels stabilized and remain significantly within 2010 reform parameters.

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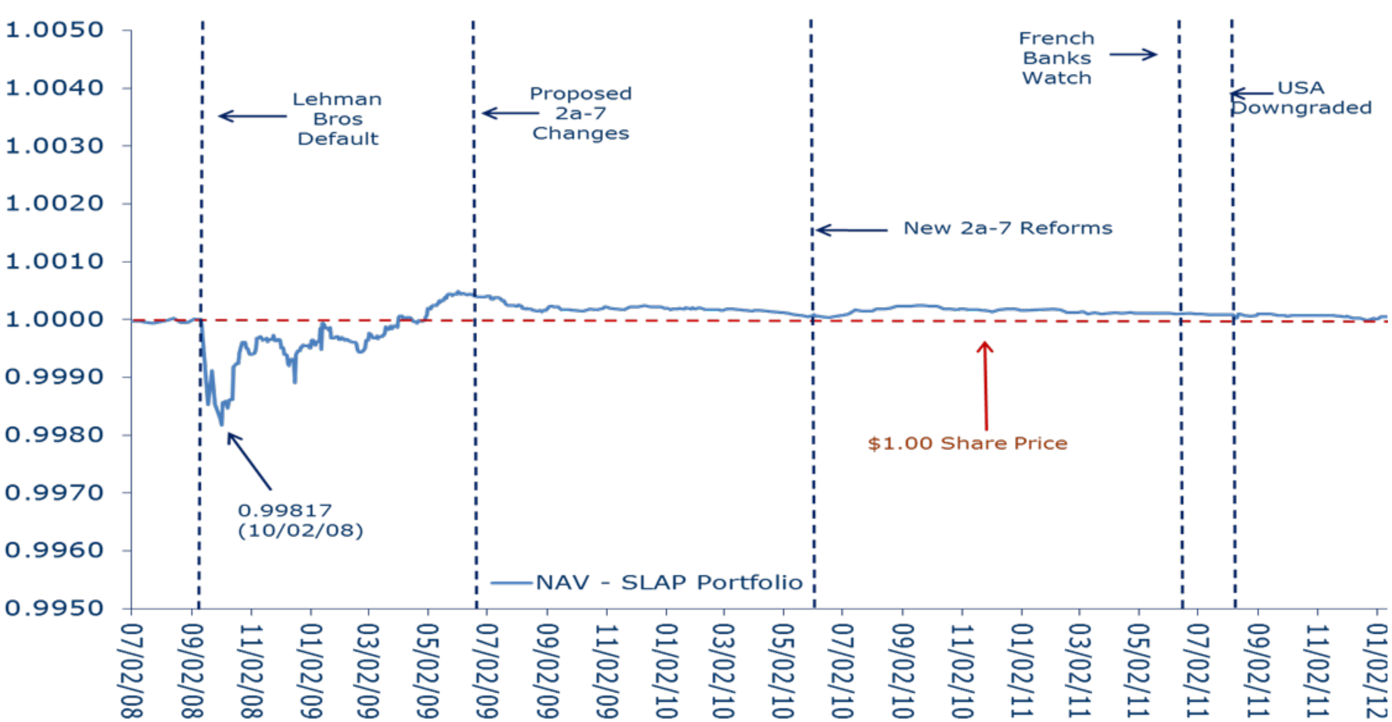
Stability in NAVs

- Demonstrated stability in NAVs, even during periods of market stress.
- Investor confidence in MMFs with assets of $2.7T due to success of reforms.

Daily "Shadow" NAV – SLAP Portfolio



Note: Invesco STIT Liquid Assets Portfolio ("SLAP")
Source: Invesco

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Conclusion: 2a-7 Reforms From 2010 Are Working

Transformational improvement in governance, portfolio structure, liquidity, and transparency reduces the likelihood and mitigates potential impact of runs.

- Greater governance required from fund boards with more oversight & responsibilities including a mechanism (pre-ordained orderly liquidation mechanism) to minimize or stop runs at an individual fund through its orderly wind-down.
- Rules around this pre-ordained orderly liquidation mechanism ensure that objectives of shareholders, regulators, and advisors are aligned more than ever before.
- Higher liquidity levels provides greater shareholder confidence in redemption availability even during periods of market stress.
- Shorter maximum weighted average maturity and introduction of weighted average life result in lower volatility and greater flexibility to address changes in the market.
- More frequent & detailed portfolio disclosures providing greater evidence of the stability and resiliency of MMFs.
- Demonstrated stability in NAVs, even during periods of market stress.
- Investor confidence in MMFs with assets of $2.7T due to success of reforms.

Because current reforms are working, extreme proposals, such as floating NAV, capital buffers and holdbacks, are not warranted. Introduction of unnecessary regulation during a period of slow economic growth will restrict access to credit for the economy, disrupt market functioning and damage a fragile economic recovery.