

AFP® Annual Conference



November 7-10, 2010 | San Antonio

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ESSENTIAL
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INFORMATION



Money Market Mutual Funds & Cash Investments: Doing More Due Diligence

November 9, 2010



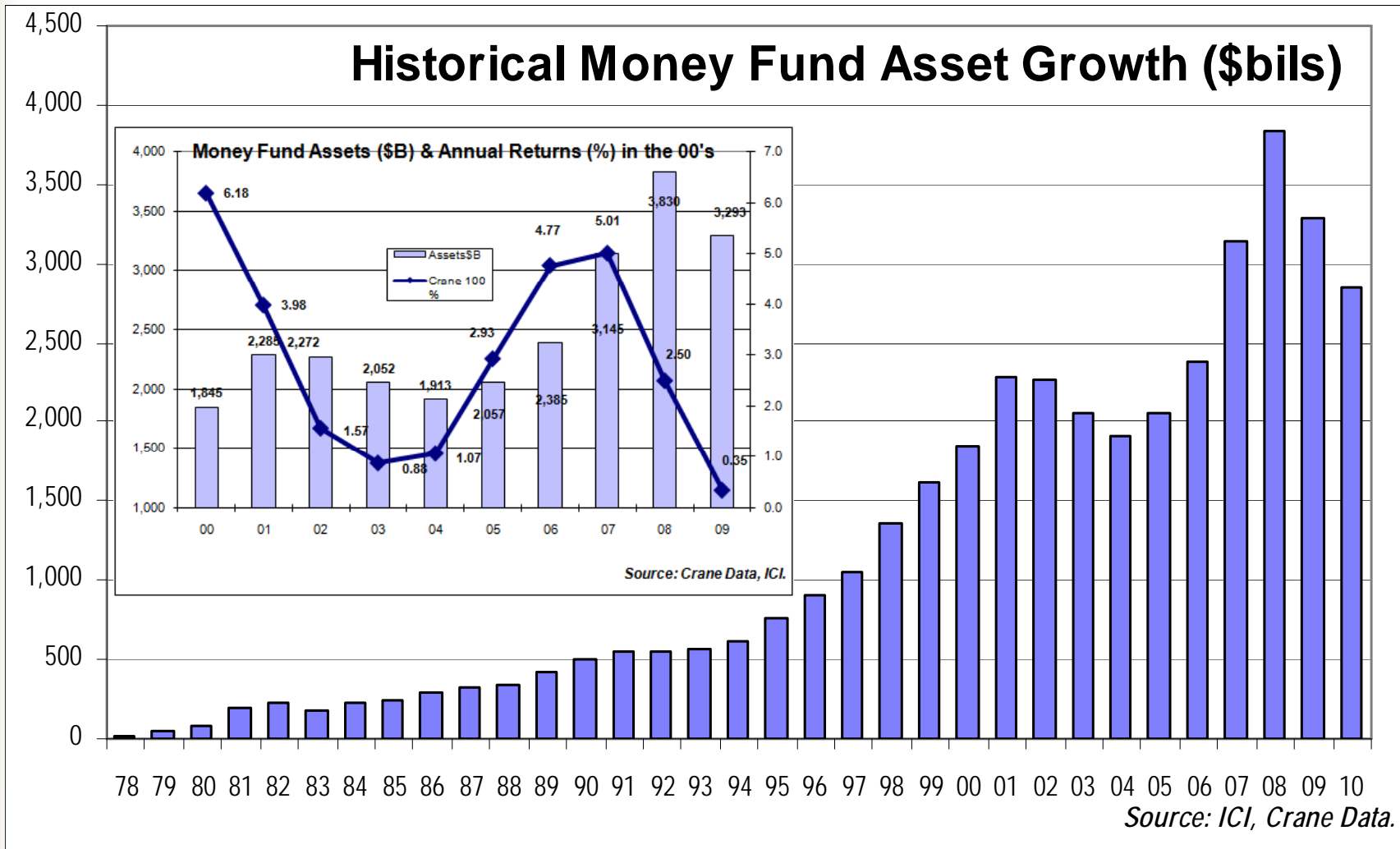
Peter G. Crane
President & Publisher
Crane Data LLC

Kenneth E. Bodell
Treasurer
The Mosaic Company

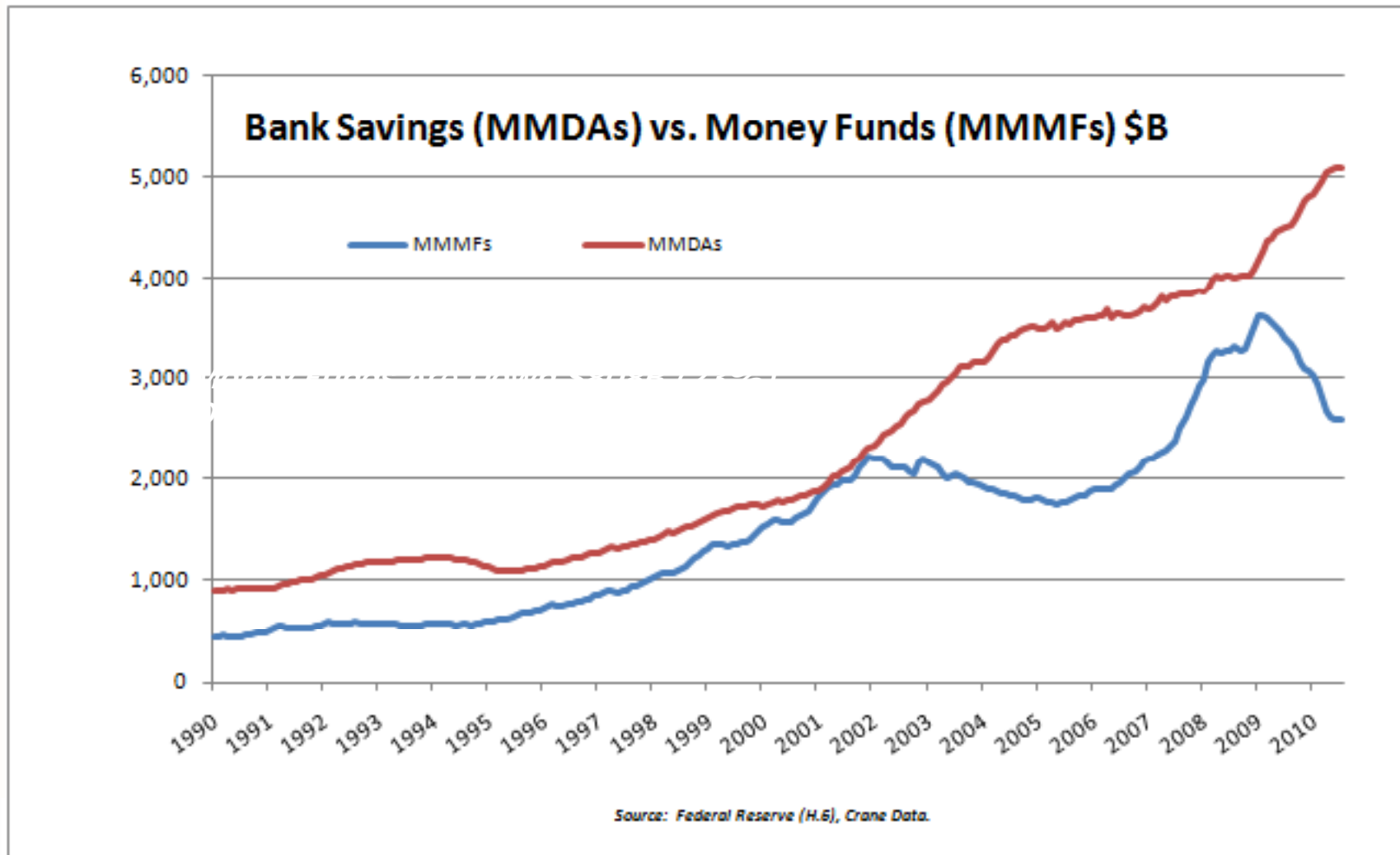
Money Market Mutual Funds & Cash Investments: Doing More Due Diligence

- Current State of Money Market Funds
- Statistics: Yields, Composition, Trends
- Fund Options, Portals, Offshore Funds
- Mosaic: Case Study in Cash
- Due Diligence: Monitoring Tips & Info
- Questions & Discussion

Money Market Fund Assets 1978-2010



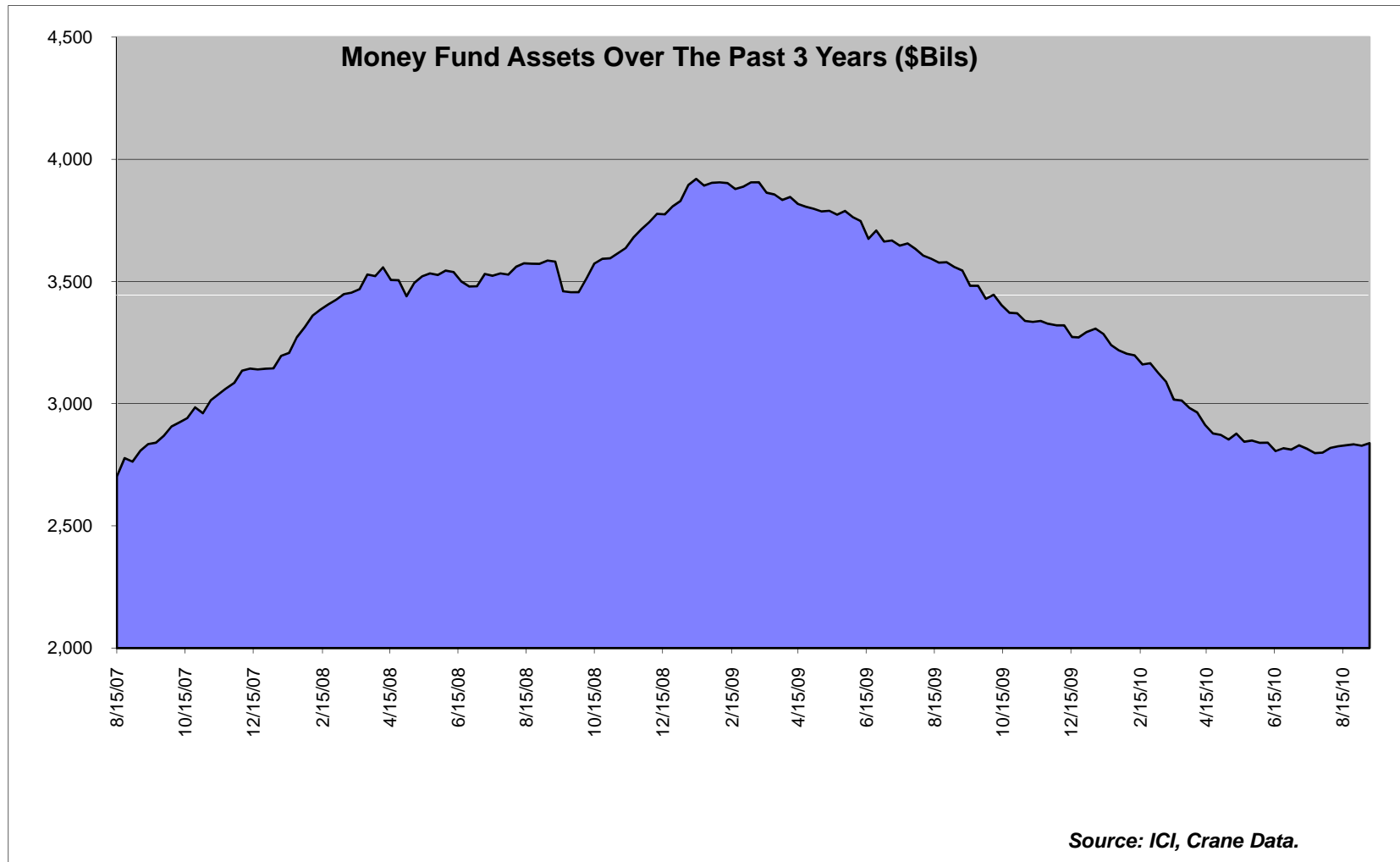
Banks Gain at Expense of Money Funds



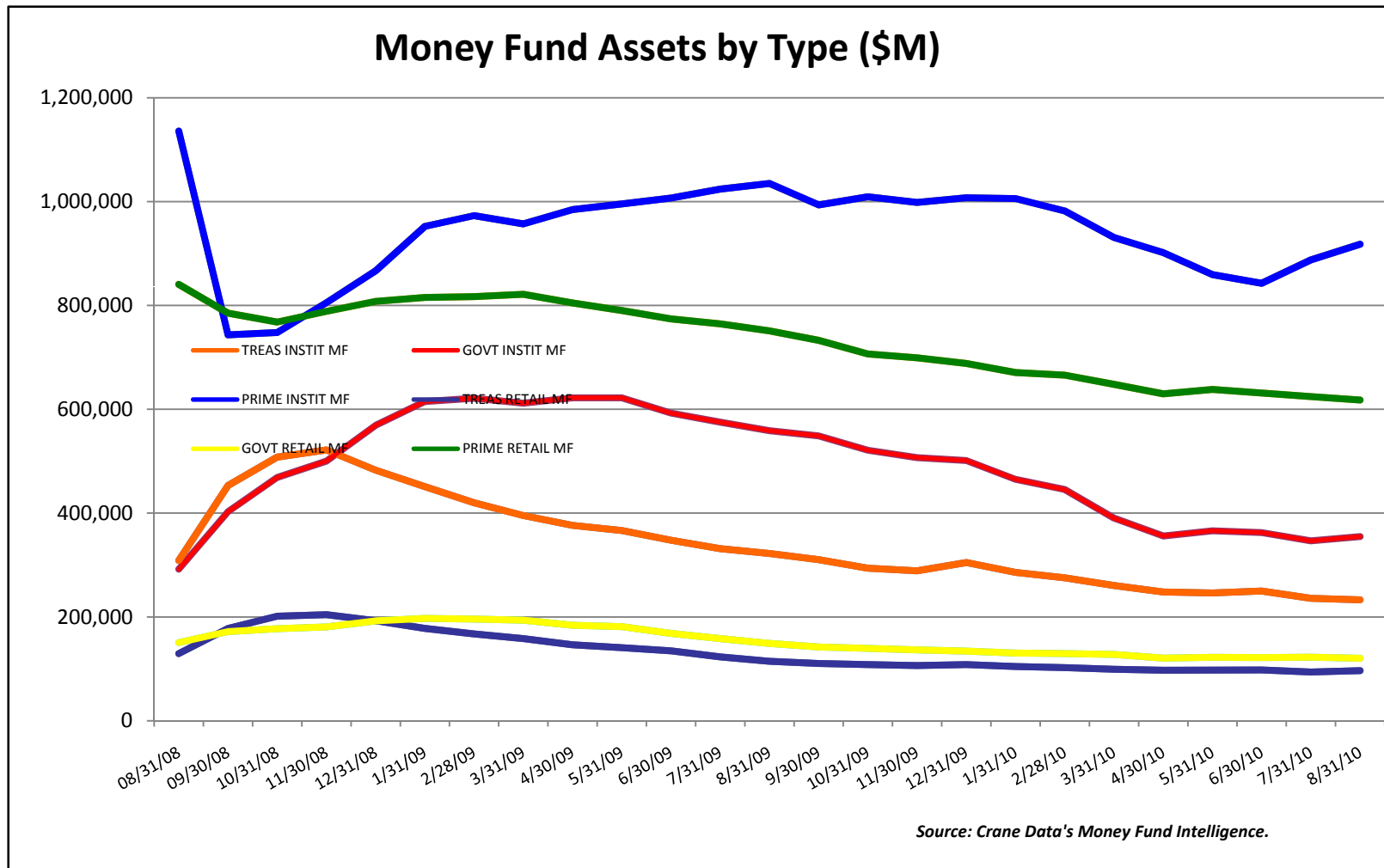
Current State of Money Fund Industry

- MMF Assets \$2.8 Trillion (Record was \$3.9T)
 - Bank Savings Over \$5.0 Trillion
- Approx. 30 Million Shareholders
- \$7 Billion in Annual Revenue? (down from \$11B)
- Approx. 1/3 Share of “Cash” Markets
- “Breaking the Buck,” Near-Death Experience
- Shifting Regulatory & Competitive Landscape
- Zero Yields, Consolidation, Rising Rates?

MMF Assets Still Higher Over 3 Years



Monthly Shifts in Assets by Category



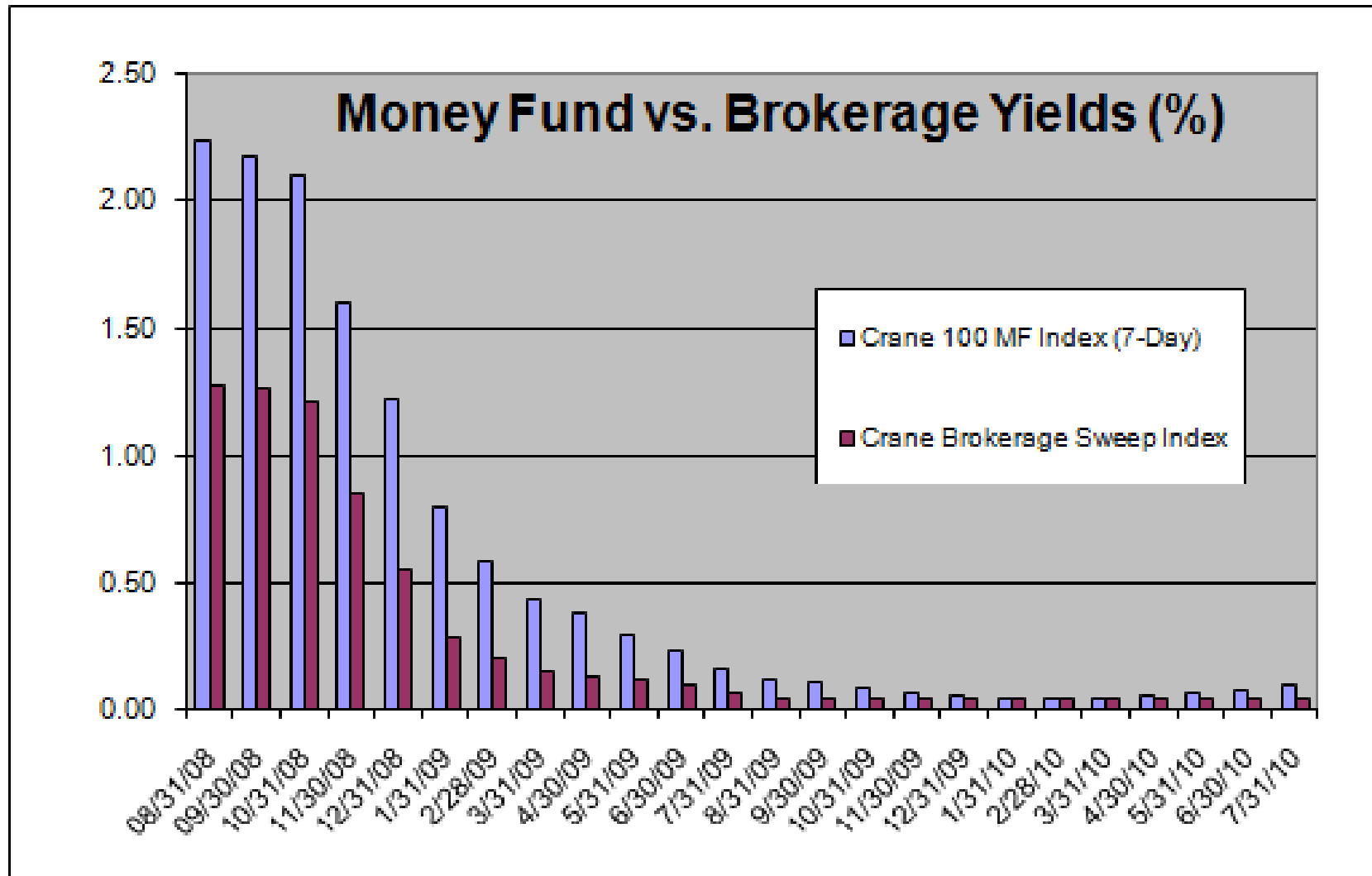
SEC's Money Market Fund Reforms

- New Liquidity Buckets (10% Daily, 30% Weekly)
- Lower Illiquid Securities (5%), Second Tier (3%)
- WAM 60 Days (from 90); Spread WAM (120 Days)
- Stress Tests, Know Your Investor, 4 NRSROs
- Disclose Monthly Portfolio Holdings, Shadow NAV
- Processing Non-\$1, Suspend Redemptions
- Purchases by Affiliates (Support Actions)
- Future: Compliance Dates, Floating NAV, Liquidity Exchange Bank, Duel System, More to Come?

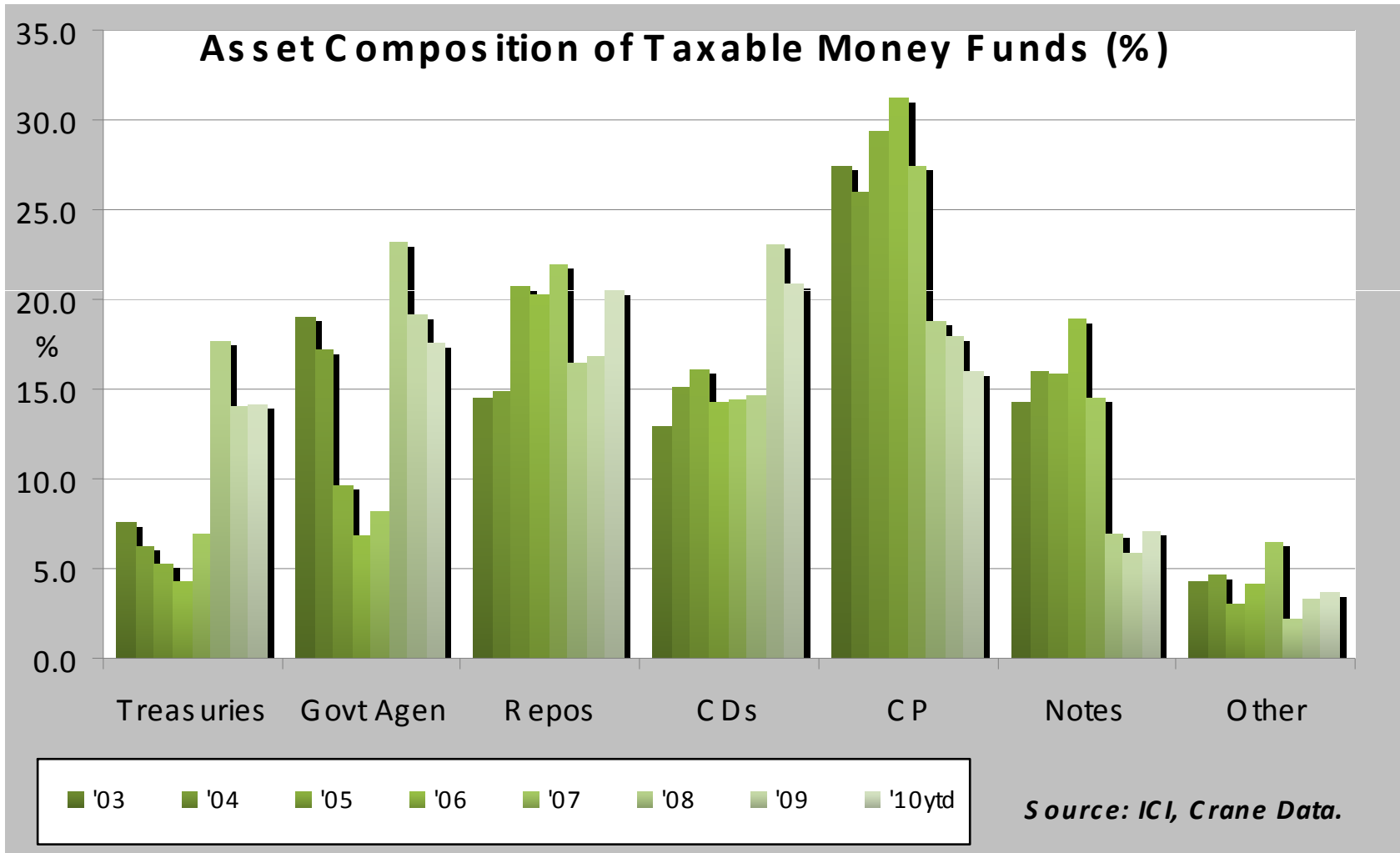
More to Come: Future Changes

- Floating Net Asset Values
 - \$10 Share & Mark-to-Market (slim chance?)
- Capital Requirements/Bank Regulations?
- Liquidity Exchange Bank
- Dual System (Stable & Floating)
- Additional Rule 2a-7 Changes
- Industry Consolidation, Changes?

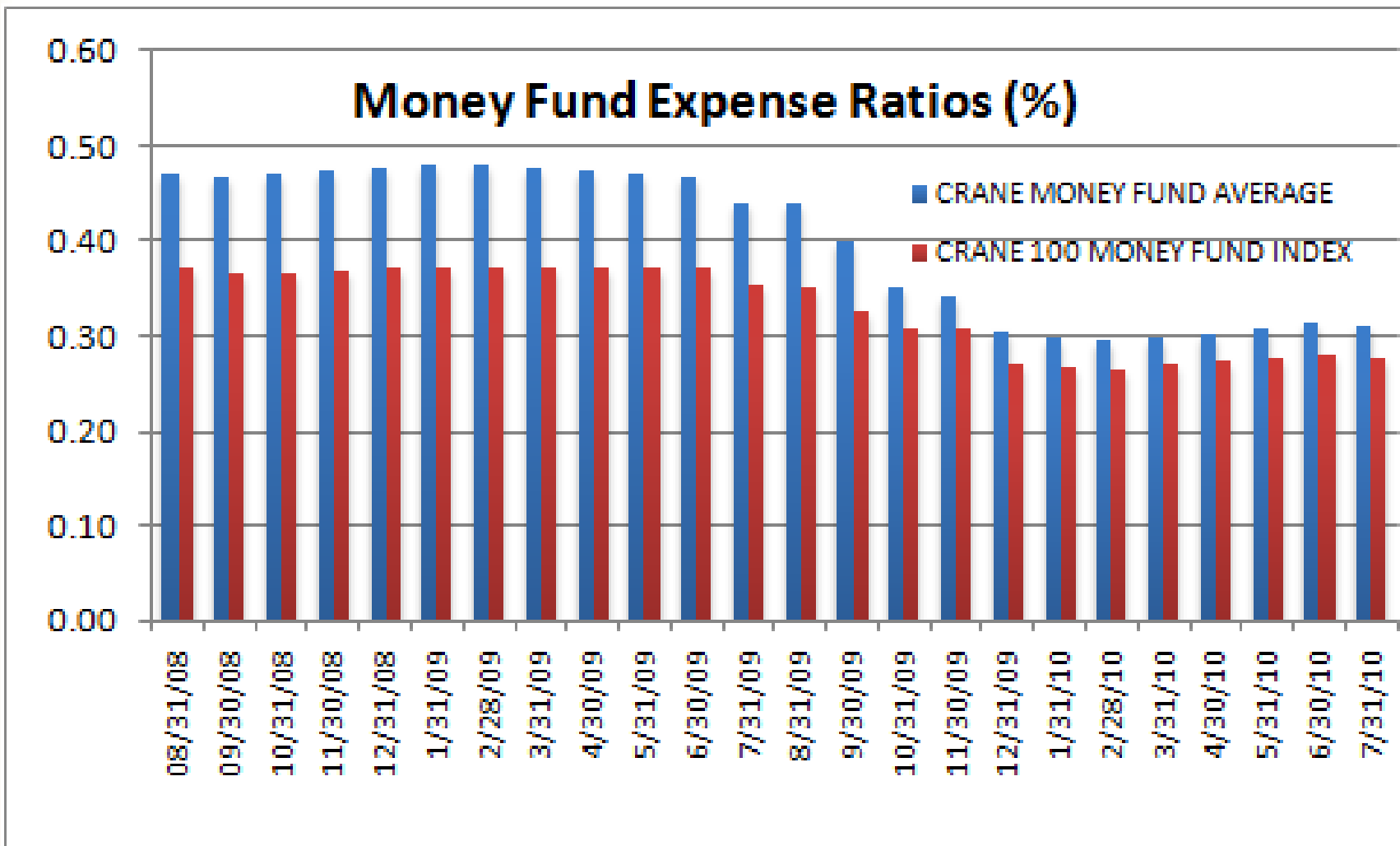
Return to Rock Bottom? Yields Back Down



Diversity & Changes in MF Portfolios



Fund Expense Trends & Fee Waivers



MONEY FUND INTELLIGENCE XLS - Family Market Share Rankings

August 2010 Issue (info as of July 31, 2010)

Rank	Family (\$M)	Prime	Govt	Treas	Tax-Ex	Prime%	Govt%	Treas%	Tax-Ex%	Total	Mkt Share
1	Fidelity	306,517	41,743	29,660	63,710	69.4%	9.5%	6.7%	14.4%	441,630	16.7%
2	JPMorgan	138,837	78,915	32,691	28,475	49.8%	28.3%	11.7%	10.2%	278,918	10.5%
3	Federated	107,733	54,861	32,893	27,519	48.3%	24.6%	14.7%	12.3%	223,006	8.4%
4	Dreyfus	94,863	32,803	37,288	9,903	54.3%	18.8%	21.3%	5.7%	174,857	6.6%
5	BlackRock	110,331	19,369	13,683	26,073	65.1%	11.4%	8.1%	15.4%	169,456	6.4%
6	Vanguard	106,921	6,164	19,035	32,850	64.7%	3.7%	11.5%	19.9%	165,181	6.2%
7	Schwab	91,637	14,367	14,805	29,999	60.8%	9.5%	9.8%	19.9%	150,808	5.7%
8	Goldman Sachs	45,151	50,964	35,847	10,572	31.7%	35.8%	25.1%	7.4%	142,533	5.4%
9	Wells Fargo	76,654	26,929	19,217	17,886	54.5%	19.1%	13.7%	12.7%	140,685	5.3%
10	Western	33,257	16,210	14,825	13,919	42.5%	20.7%	19.0%	17.8%	78,211	3.0%
11	BofA (Columbia)	34,190	10,322	10,249	14,608	49.3%	14.9%	14.8%	21.1%	69,368	2.6%
12	Northern	21,200	23,689	4,331	13,653	33.7%	37.7%	6.9%	21.7%	62,873	2.4%
13	DB Advisors	46,594	4,158	2,929	4,257	80.4%	7.2%	5.1%	7.3%	57,937	2.2%
14	SSgA	39,890	7,452	8,011	491	71.4%	13.3%	14.3%	0.9%	55,844	2.1%
15	UBS	34,668	3,663	7,796	8,208	63.8%	6.7%	14.3%	15.1%	54,335	2.1%
16	Invesco (AIM)	30,103	8,199	13,646	1,478	56.3%	15.3%	25.5%	2.8%	53,425	2.0%
17	Morgan Stanley	24,069	10,527	4,999	8,633	49.9%	21.8%	10.4%	17.9%	48,227	1.8%
18	First American	18,931	13,188	10,013	1,062	43.8%	30.5%	23.2%	2.5%	43,194	1.6%
19	HSBC	10,515	9,960	4,021	725	41.7%	39.5%	15.9%	2.9%	25,221	1.0%
20	RBC (Tamarack)	15,522	5,362	0	1,510	69.3%	23.9%	0.0%	6.7%	22,394	0.8%
21	American Funds	16,198	0	0	0	100.0%	0.0%	0.0%	0.0%	16,198	0.6%
22	Ridgeworth (STI)	6,845	2,697	3,573	1,893	45.6%	18.0%	23.8%	12.6%	15,008	0.6%
23	T Rowe Price	11,246	0	1,863	1,469	77.1%	0.0%	12.8%	10.1%	14,578	0.6%
24	SEI	5,806	2,675	947	1,693	52.2%	24.1%	8.5%	15.2%	11,121	0.4%
25	USAA	5,313	0	170	3,755	57.8%	0.0%	1.9%	40.9%	9,185	0.3%
TOTAL		1,432,990	444,216	322,491	324,339	56.8%	17.6%	12.8%	12.8%	2,524,194	100.0%

Recent Deals; Outlook for Consolidation

- Trend Towards Concentration
- Recent Deals
 - RidgeWorth/Federated
 - Eagle/JPMorgan
 - Exits: AARP, Neuberger
 - Lineup Consolidation: ILA, Munis
- Non-Exits: BofA, USBank
- Mergers: Wells/Evergreen
- Still No Serious Consolidation, But...

ICI: Business Holdings of Money Funds

Money Market Mutual Funds Managed 30 Percent of U.S. Businesses' Short-Term Assets* in 2009

Percentage, year-end, 1995–2009



*U.S. nonfinancial businesses' short-term assets consist of foreign deposits, checkable deposits, time and savings deposits, money market funds, repurchase agreements, and commercial paper.

Source: Investment Company Institute and Federal Reserve Board

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Money Funds & Bank Deposits: Only Options

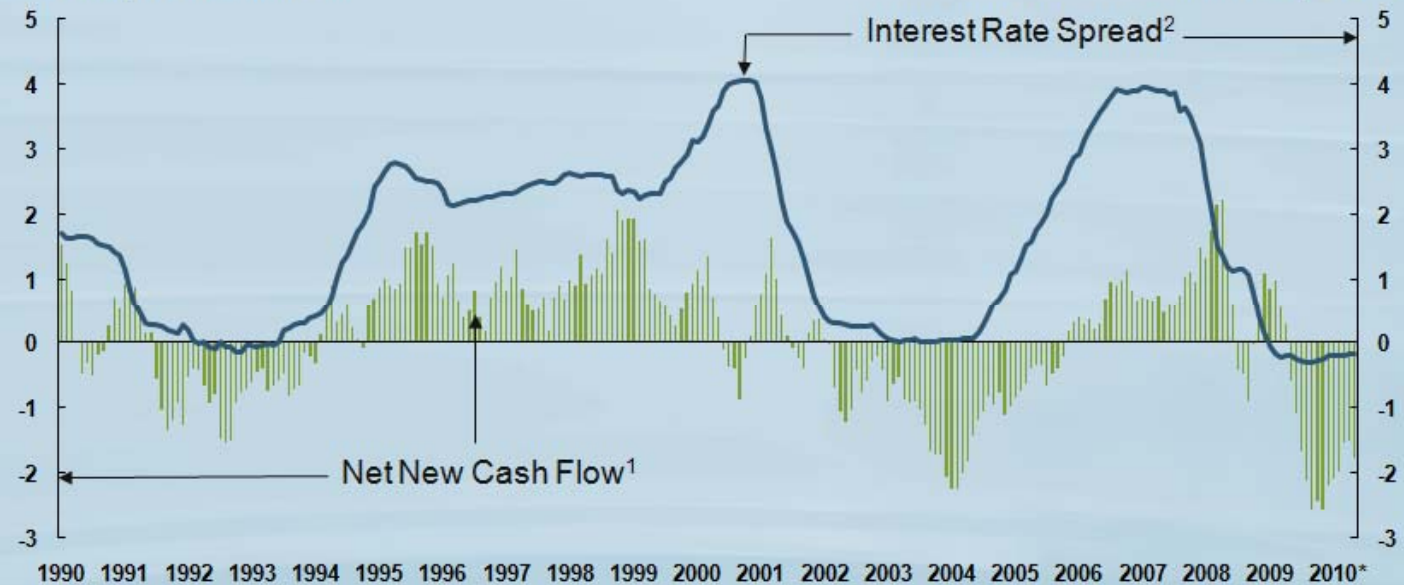
Organization's Short-term Investments								
%	Allocation				Permitted Use			
	'10	'09	'08	'07	'10	'09	'08	'07
Bank deposits	41.5	37.2	25.0	27.1	100	100	100	100
Money market funds	25.1	31.8	39.4	30.9	61/53*	78	82	76
Treasury bills	7.5	9.2	8.1	1.9	83	83	100	100
Agency securities	5.0	3.4	5.3	3.2	60	56	59	56
Repo	4.6	3.1	3.5	6.3	54	50	55	57
Enhanced cash	2.8	1.9	1.6	2.2	16	14	15	22
Eurodollar deposits	2.7	2.9	6.0	4.6	41	37	49	42
Commercial paper	2.6	3.5	6.7	9.4	62	55	66	69
Sep managed accts	1.8	2.1	1.5	3.4	19	16	17	20
Municipal securities	1.1	0.7	0.0	1.1	38	28	36	38
Asset-backed secs	0.7	0.8	0.7	1.1	25	20	31	33
Auction-rate secs	0.6	0.3	0.9	5.1	7	8	18	33
VRDNs	0.1	0.2	0.0	1.5	11	12	17	25
Other	3.9	2.9	1.3	2.2	-	-	-	-
<i>Mean investment vehicles</i>	<i>2.2</i>	<i>2.4</i>	<i>2.4</i>	<i>2.7</i>	<i>4.3</i>	<i>3.7</i>	<i>4.0</i>	<i>6.4</i>
* AFP broke money funds into "Pure treasury" and "Diversified" money funds this year.								
Bank deposits consist of: time deposits (63% use), non-interest bearing TAG accounts (45%), CDARS (17%), and insured cash shelter accounts (9%).								
Source: AFP 2010 Liquidity Survey.								

Flows to Taxable Retail Money Market Funds Related to Interest Rate Spread

1990–2010*

Percentage of Total Net Assets

Percentage Points



*Data are through May 2010

¹ Net new cash flow is a percent of previous month-end taxable retail money market fund assets and is shown as a six-month moving average.

² The interest rate spread is the difference between the taxable retail money market fund yield and the average interest rate on money market deposit accounts.

Sources: Investment Company Institute, iMoneyNet, and Bank Rate Monitor

Money Market Fund Competitors

- FDIC “Amalgamators”/Brokerages
 - - \$600 Billion+
- Enhanced Cash: Dead Man Recovering?
 - \$200 Billion
 - New Funds: Dreyfus Inst Income Adv.
- Ultra-Short Bonds
 - - \$300 Billion
- Separate Accounts
 - - \$400 Billion
- ETFs, Direct Investments, ARS, etc.

Money Funds' Presence in Money Markets

Selected Money Market Instruments

December 2009

	Total	Money market fund holdings	
	Billions of dollars	Billions of dollars	Percentage of total
Total taxable instruments	\$11,267	\$2,682	24%
Agency securities ¹	1,179	564	48
Commercial paper	1,137	515	45
Treasury securities ²	2,501	380	15
Repurchase agreements ³	2,312	583	25
Certificates of deposit ⁴	2,134	538	25
Eurodollar deposits ⁵	2,004	101	5

¹Debt issued by Fannie Mae, Freddie Mac, and the Federal Housing Finance Agency due to mature by the end of December 2010; category excludes agency-backed mortgage pools.

²Marketable Treasury securities held by the public due to mature by the end of December 2010.

³Repurchase agreements with primary dealers; category includes gross overnight, continuing, and term agreements on Treasury, agency, mortgage-backed, and corporate securities.

⁴Certificates of deposit are large of jumbo CDs, which are issued in amounts greater than \$100,000.

⁵Category includes claims on foreigners for negotiable CDs and non-negotiable deposits payable in U.S. dollars, as reported by banks in the U.S. for those banks or those banks' customers' accounts. Values for customer accounts are for September 2009.

Sources: Investment Company Institute, Federal Reserve Board, U.S. Treasury Department, Fannie Mae, Freddie Mac, Federal Housing Finance Agency, and Federal Reserve Bank of New York

Online Money Fund Trading Portals

- Approx. \$368 Billion in Assets
 - 20% of Institutional MMFs' \$1.84T
- Has Growth Peaked?
- AFP Liquidity Survey
 - 21% of Corps. Use Portals
 - 73% of Trades Via Portal
- Enhancements
 - Adding MM Securities, Tools
- New Entrants, Exits

Online Trading Portal Money Market Fund Assets	
Name	Asset Estimate*
BoA MoneyMarkets Express	\$35B
BNY Mellon Liquidity Direct	\$90B
Capital Network Inc. (CNI)	\$2B
BBH Comset Plus (platform)	\$3B
Citibank Online Investments	\$30B
Comerica Money Market Trader	\$5B
Goldman Global Cash Svcs	\$50B
Institutional Cash Distributors (ICD)	\$45B
Matrix Money Market Portal	\$3B
PNC Pinnacle Express	\$3B
Silicon Valley Bank (SVB) Portal	\$4B
State Street Globallink MM Connect	\$20B
SunGard STN Money Markets	\$45B
Tradefunds (Finacorp MBE)	Defunct
Treasury Curve	\$2B
Treasury Partners (former Bear)	\$3B
Treasurypoint (SEI)	\$1B
UBS Online Cash Portal	\$3B
Union Bank of California	\$4B
US Bank Cash Solutions Portal	\$2B
Wachovia	\$5B
TOTALS	\$355

*Note: Many of these totals are Crane Data's internal estimates. We apologize for any errors or omissions. Please let us know if you have any corrections or clarifications! ◆

Offshore & International MFs

- \$4.8 Trillion Worldwide (U.S. 62%; France 13%)
- Europe: IMMFA, CESR, Ireland & Lux., Definitions
- Other Pockets: Australia, Canada, S. Africa

<i>Fund Family</i>	Rank	TOTAL	USD	EUR	GBP
JPMorgan	1	161,686	113,423	26,617	8,339
BlackRock	2	66,360	20,957	14,144	17,372
Goldman	3	56,747	34,738	11,521	4,342
HSBC	4	51,091	27,137	11,948	5,243
Western Asset	5	38,980	37,242	1,017	249
SSgA	6	24,740	18,871	2,441	1,710
SWIP	7	23,066	0	643	14,546
DB Advisors	8	18,733	7,101	8,461	221
BNP Paribas	9	18,722	0	14,025	0
BNY Mellon	10	18,264	11,955	1,894	2,476
RBS	11	12,916	1,793	1,875	5,646
Standard Life	12	11,501	153	2,367	5,363
Invesco	13	7,629	3,641	1,071	1,678
Federated	14	7,151	6,787	273	0
Fidelity	15	7,047	3,550	1,047	1,375
Morgan Stanley	16	3,989	2,178	944	361
Northern	17	3,909	1,218	458	1,362
Fortis	18	3,822	461	2,211	268
BofA	19	3,012	1,748	947	0
Prime Rate	20	2,388	144	106	1,377
UBS	21	716	716	0	0
MFI International Totals		503,391	256,471	102,993	71,677

Worldwide Money Fund Markets

LARGEST MONEY MARKET MUTUAL FUND MARKETS WORLDWIDE									
Country	2008:Q4		2009:Q4		20010:Q1		1QtrChg	%	
Americas	3,955,512		3,418,763		3,132,485		-286,278	-8.4%	
Europe	1,429,893		1,407,736		1,264,795		-142,941	-10.2%	
Asia And Pacific	383,104		412,595		408,636		-3,959	-1.0%	
Africa	22,471		32,175		34,246		2,071	6.4%	
All MMFs (incl Ire)	6,139,295		5,722,259		5,282,132		442,569		
United States	3,832,244	62.4%	3,316,196	58.0%	2,984,036	56.5%	-332,160	-10.0%	
France	678,594	11.1%	693,211	12.1%	622,816	11.8%	-70,395	-10.2%	
Ireland	360,243	5.9%	430,258	7.5%	442,567	8.4%	12,309	2.9%	
Luxembourg	466,157	7.6%	461,498	8.1%	424,666	8.0%	-36,832	-8.0%	
Australia	176,629	2.9%	236,657	4.1%	244,490	4.6%	7,833	3.3%	
Korea, Rep. of	71,943	1.2%	62,220	1.1%	73,588	1.4%	11,368	18.3%	
Italy	79,547	1.3%	80,907	1.4%	69,101	1.3%	-11,806	-14.6%	
Mexico	35,306	0.6%	35,306	0.6%	50,712	1.0%	15,406	43.6%	
Canada	58,045	0.9%	51,711	0.9%	47,075	0.9%	-4,636	-9.0%	
South Africa	22,471	0.4%	32,175	0.6%	34,246	0.6%	2,071	6.4%	
Brazil	15,818	0.3%	27,453	0.5%	30,241	0.6%	2,788	10.2%	
Taiwan	28,821	0.5%	28,873	0.5%	27,817	0.5%	-1,056	-3.7%	
Switzerland	38,620	0.6%	28,421	0.5%	26,109	0.5%	-2,312	-8.1%	
Japan	28,826	0.5%	26,404	0.5%	25,048	0.5%	-1,356	-5.1%	
India	16,961	0.3%	17,217	0.3%	17,386	0.3%	169	1.0%	
China	56,999	0.9%	38,015	0.7%	17,053	0.3%	-20,962	-55.1%	

Source: Crane Data, ICI.

Due Diligence: Monitoring Tactics & Tips

- Yield: Everything You Need to Know
- Asset Volatility
- Issues w/WAM, WAL?
- Data Providers
- Portfolio Composition
- Portfolio Holdings
 - New SEC Disclosures

Brief Overview of The Mosaic Company



Mosaic is the world's leading producer and marketer of concentrated phosphate and potash, two of the primary nutrients required to grow the food the world needs. Our business engages in every phase of crop nutrition development, from the mining of resources to the production of crop nutrients, feed and industrial products for customers around the globe. Our customer base includes wholesalers, retail dealers and individual growers in more than 40 countries.

Mosaic was formed in 2004 through the combination of IMC Global Inc. and the crop nutrition business of Cargill, Incorporated. Headquartered in Plymouth, Minnesota, we employ approximately 7,400 people in eight countries.

Short Term Investment Due Diligence

- *Assets Under Management*
- *Portal Accessibility-Electronic Trading*
- *Transparency-Fully Disclosed*
- *Concentration Monitoring*
- *Industry Intelligence*

Assets Under Management

- Minimum Thresholds
- Portfolio Diversity
- Historic Performance
- WAM analysis

Portal Accessibility-Electronic Trading

- *Fully Disclosed Portal*
- *Clear path to Fund Websites*
- *Daily Statistical Review*
- *Historic Information*
- *Ad Hoc Reporting*
- *Download Capability*

Transparency-Fully Disclosed

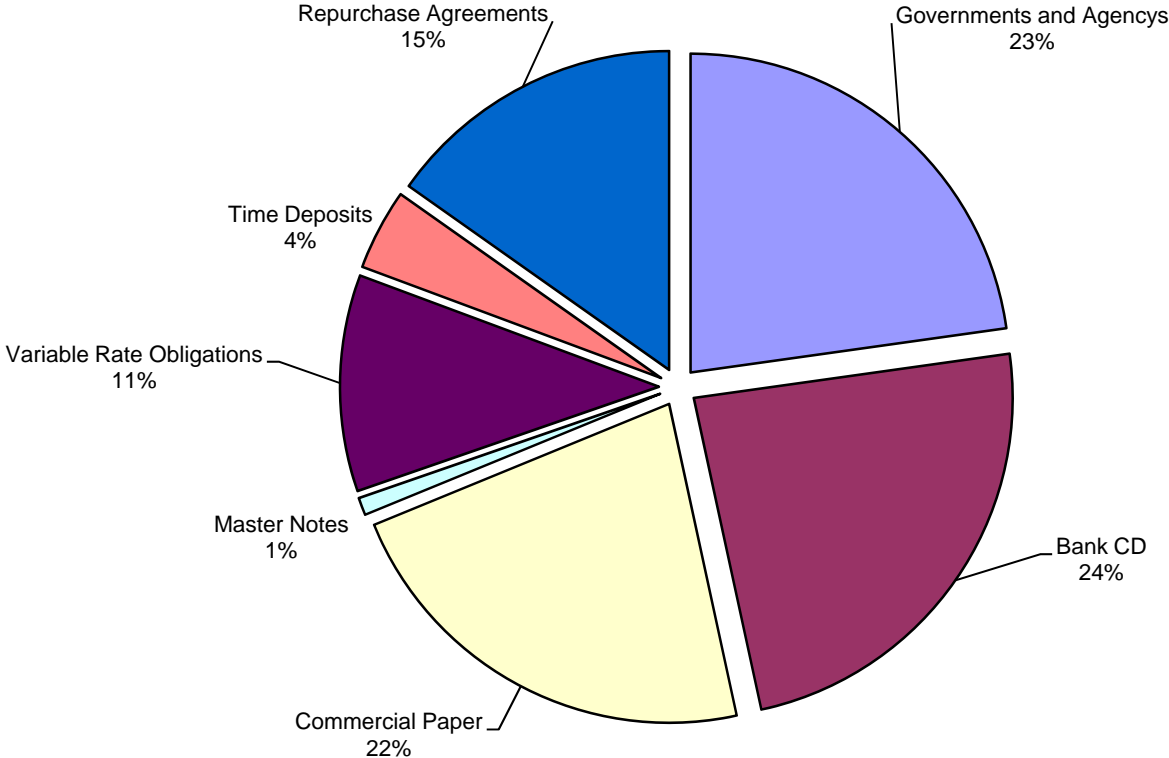
- *Direct Access to Fund (outside of portal)*
- *Frequency of Holdings Report*
- *Direct Access to Portfolio Managers*
- *Key Contacts at Fund-Relationship*

Concentration Monitoring

- *Key to determining overall exposure*
- *Across all Funds*
- *Minimum Monthly Review (more in Market Crisis)*
- *“Watch Lists”*

Concentration Monitoring

Securities Concentration Example



Industry Intelligence

- *Holdings in the “media”*
- *Multiple sources of information*
- *When should I hold/liquidate*
- *“Return OF Capital not necessarily
Return ON Capital”*

- **Questions & Discussion**