

Money Fund Report™

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#1432

◆ MMF SUPERMARKET SPACE HEATS UP, WITH LAUNCH OF INSTITUTIONAL CASH DISTRIBUTORS

Three veterans of the institutional money-market fund industry are the driving forces behind Institutional Cash Distributors, a new “premier broker of money funds serving the short-term investing needs of corporate treasury departments.” ICD is a freshly-minted division of Ralexchange Corp.’s Merriman Curhan Ford & Co. *MFR* recently spoke with co-founders Edwin Baldry, Jeffrey Jellison and Thomas Newton about their new venture and the “money fund supermarket” business.

Senior Managing Director Ed Baldry, formerly with Deutsche/Scudder, said, “We have streamlined the brokerage process for our clients by providing a Web-based, one-stop solution that gives our clients access to a comprehensive money market fund list of over 40 different fund family options.

“The defining principles of our firm are selection, operational efficiency and service. We have the largest and most comprehensive offering of any portal out there. We’ve got over 40 funds available through our platform. We are the only portal out there that is not simultaneously pushing our own product. We aspire to be a distribution partner to all of our vendors and we are truly customer driven,” Baldry stated.

“We have some innovations that separate us from the field and makes us the best portal option out there thus far,” he continued. “In terms of innovations in the space of portals, we are operating with one application that offers 40 products. We have one wire that gets you to all of those. You also receive one consolidated statement, and you have the capacity online to pull up all of your products in one space and look at them. We’re not just reselling and facilitating, we’re providing one-stop delivery.”

Welcome to the Next Portal

MFR asked whether it was the portal features (trading, allocation and market information) or the supermarket aspect (offering multiple money funds in one place) that was attractive to investors. Baldry responded: “When you mention supermarket, you’re absolutely right. We are a customer-focused model. We don’t care what drives your decision. If it’s the rate of return that you’re chasing, fine. If it’s the relationships, fine. You can support your banks’ products, whatever works. We’re also the only portal out there, to my knowledge, that can disclose balances. In other words, if ABC Corp. needs to show they are generating revenue to strengthen a relationship with their bank, we can do that. We went to great lengths for the ability to do that vs. what other portals can do. It’s totally up to the client (whether or not to disclose).”

Newton, also a Deutsche/Scudder alumnus, discussed how ICD chooses funds to offer from a list of available money funds. “We worked with our clearing agent, Bear Stearns, to come up with a group of the most competitive, high-quality funds. We’ve been doing this so long that we know the best products out there. After we came up with our ‘dream list,’ we went to the fund providers to come up with arrangements that allow us to distribute. We cover our territories and we know the funds that people are using. We’ve already brought some new products to longstanding relationships.”

Jellison added, “These corporations get the operational efficiency and can still show the banks that they are doing business

with them. Now they can do both: efficiency and appease the credit bank.... We are an addition to their treasury group, but at no additional cost. They’re now making one phone call and one wire. We really are taking a lot of their work off of their plate.”

More information is available at <http://www.icdfunds.com>. ♦

◆ SUNGARD READIES MERGER OF CPMARKET.COM, MONEYFUNDTRADER.COM

ICD, of course, isn’t the first entrant into the money fund portal/supermarket business, which is currently estimated to account for the distribution of almost \$50 billion in money fund assets. While Bank of New York’s MoneyFunds Direct was the first multi-money fund platform, others getting into the act since include SEI’s Treasurypoint.com and the J.P. Morgan and Goldman global cash portals, along with such niche players as San Francisco-based Capital Network Inc. (www.cniinc.com).

Another site to watch will be www.cpmarket.com, which along with Mid Atlantic’s www.moneyfundtrader.com, was purchased by SunGard. The Treasury workstation-maker is in the process of merging the CP and money fund portals into a new site to be launched at <http://www.stnmoneymarkets.com>. ♦

◆ AMR ENHANCED YIELD BUSINESS TRUST EARNS RATING

AMR Investments Enhanced Yield Business Trust was assigned a credit rating of Aaa and a market risk rating of MR1 by Moody’s Investors Service on May 15. The trust, organized as a Massachusetts business trust, does not have its shares registered with the Securities and Exchange Commission or by any state. Shares are offered only to qualified institutional investors via a confidential private placement memorandum. To enhance its yield and total return, it generally invests in variable-rate obligations that are not eligible for purchase by U.S. money market funds, according to Moody’s.

This private placement trust is one of the only “enhanced cash” vehicles available to investors outside of cash separate accounts. It is the only “money fund-plus” option available via the SunGard portal. ICD says it has plans to add it and other enhanced cash products in the future.

iMoneyNet’s previous survey about cash separate accounts, most of which involve “enhanced cash,” estimated that at least \$250 billion is held in these “money fund-plus” accounts. But just a handful of “trust” vehicles are available in the domestic U.S. market, along with a growing number of ultrashort bond offerings. ♦

MFR COMMENTARY

Total assets of 1,218 taxable MMFs increased by \$2.80 billion to \$1,840.85 billion for the week ended May 20. Government Institutional fund assets were up by \$1.63 billion; \$1.28 billion flowed out of the Prime Institutional funds. Government Retail Funds were up \$1.49 billion; Prime Retail funds increased by \$954.60 million. The 7-Day Average Yield for all Taxable funds held at 0.70 percent for the third consecutive week; the 30-Day Average Yield moved down to 0.70 percent from 0.71 percent. The WAM remained at 53 days for a third week.

Total assets of 538 tax-free and municipal MMFs increased by \$1.89 billion to \$289.14 billion for the week ended May 19. The 7-Day Average Yield for All Tax-Free funds dropped 2 basis points to 0.69 percent; the 30-Day Average Yield remained steady at 0.73 percent for a second week. The WAM held at 32 days for a third week.