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Moody's Asset Management Conference

9 April 2013, London

Agenda

08:30 - 09:00 Registration and Welcome Coffee

09:00 – 09:15 Opening Remarks

Yaron Ernst, Managing Director, Managed Investments Group, Moody's Investors Service

09:15 – 09:45 Euro Area Crisis - Have we Turned the Corner?
Lucie Villa, Assistant Vice President-Analyst, Sovereign Risk Group, Moody's Investors Service

09:45 – 10:15 Asset Managers: Navigating Through an Uncertain Risk Environment
Rory Callagy, Vice President - Senior Analyst, Managed Investments Group, Moody's Investors Service

10:15 – 11:00 Panel: Opportunities for Asset Managers in Insurance Asset Management
Moderator:
Michael Eberhardt, Vice President - Senior Analyst, Managed Investments Group, Moody's Investors Service

Panelists:
Jayne Styles, Chief Investment Officer, Amlin plc
Paul Forshaw, Head of Insurance Asset Management, Schroders
Matthieu Louanges, Executive Vice President, PIMCO
Antonello Aquino, Senior Vice President, EMEA Insurance, Moody's Investors Service

11:00 – 11:30 Networking Break

Agenda

11:30 – 12:00 Bond Funds and High-Yield Bonds: Will the Good Times Continue?
Soo Shin-Kobberstad, Vice President - Senior Analyst Managed Investments Group, Moody's Investors Service
Anthony Hill,Vice President - Senior Analyst, Corporate Finance Group, Moody's Investors Service

12:00 – 12:30 Money Market Funds: In the Midst of the Storm
Vanessa Robert, Vice President - Senior Credit Officer,Managed Investments Group, Moody's Investors Service

12:30 – 13:15 Money Market Funds Panel: Product Transformation on the Horizon?
Moderator:
Yaron Ernst, Managing Director, Managed Investments Group, Moody's Investors Service

Panelists:
Michael Cha, Executive Director, Morgan Stanley
Susan Baron Hindle, Secretary General, IMMFA
Greg Readings, Client Executive, Arlingclose

13:15 Closing Remarks
Yaron Ernst, Managing Director, Managed Investments Group, Moody's Investors Service

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Euro Area Crisis – Fundamental Progress Amidst High Event Risk

LUCIE VILLA, ASSISTANT VICE PRESIDENT – ANALYST

APRIL 2013

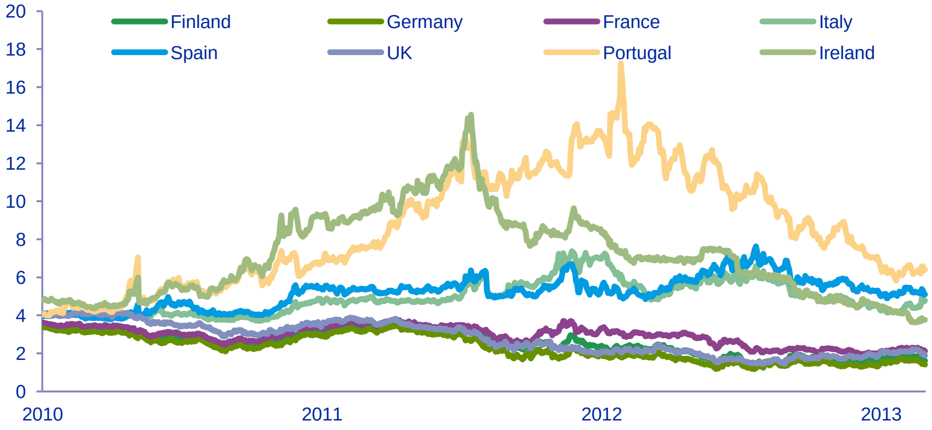
Agenda

1. Some Positive News in Euro Area Periphery
2. But Political and Implementation Risks Remain
3. Recent Rating Actions and Current Ratings
4. Conclusion

1 Some Positive News In Periphery

Market Tensions Have Eased

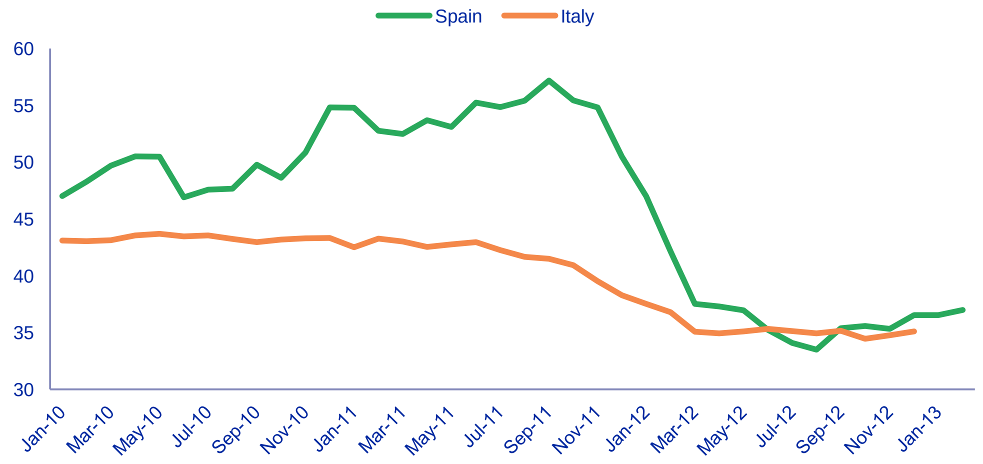
10 Y Government Bond Yields



Source: Haver Analytics, FT

Non-Resident Holdings of Government Bonds

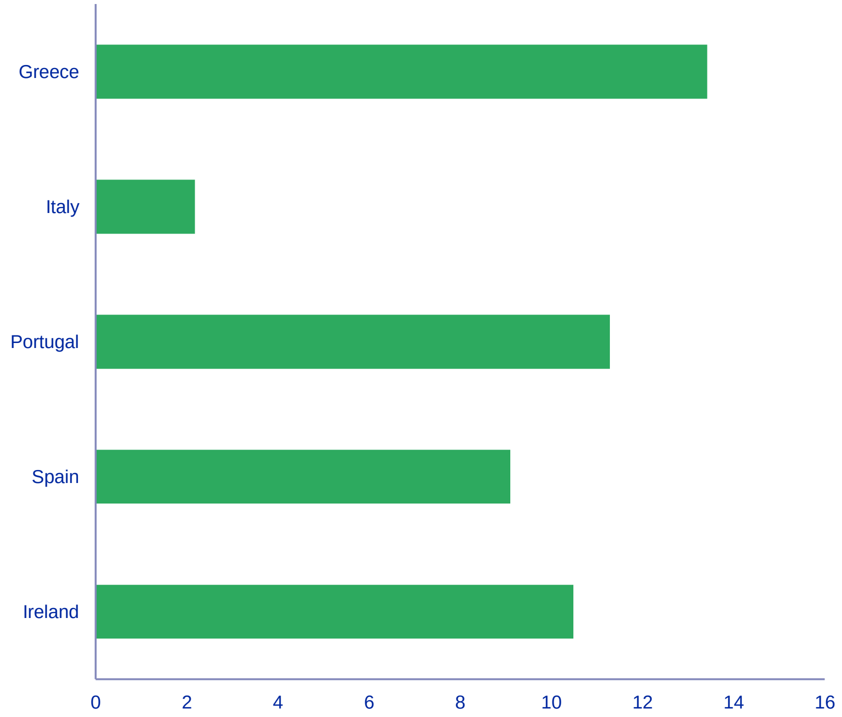
%



Source: National Sources, Moody's

External Rebalancing Is Under Way…

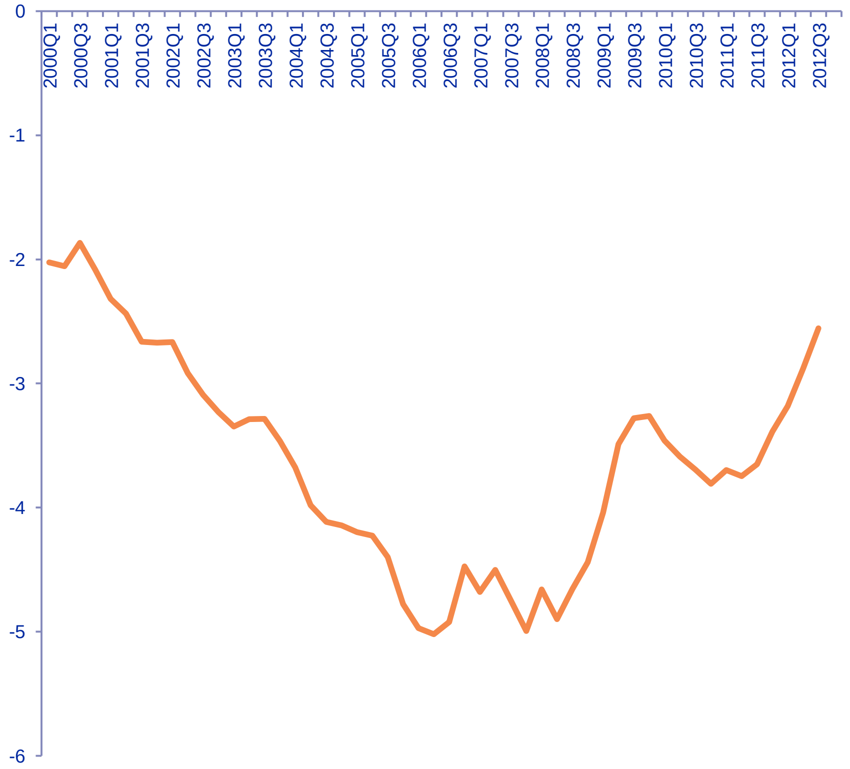
Current Account Adjustment between 2008 and 2012
(% of average 2008-2012F GDP)



[1] 2012 Data for Ireland, Italy, Greece is a Moody's estimate

Source: Haver Analytics, Eurostat

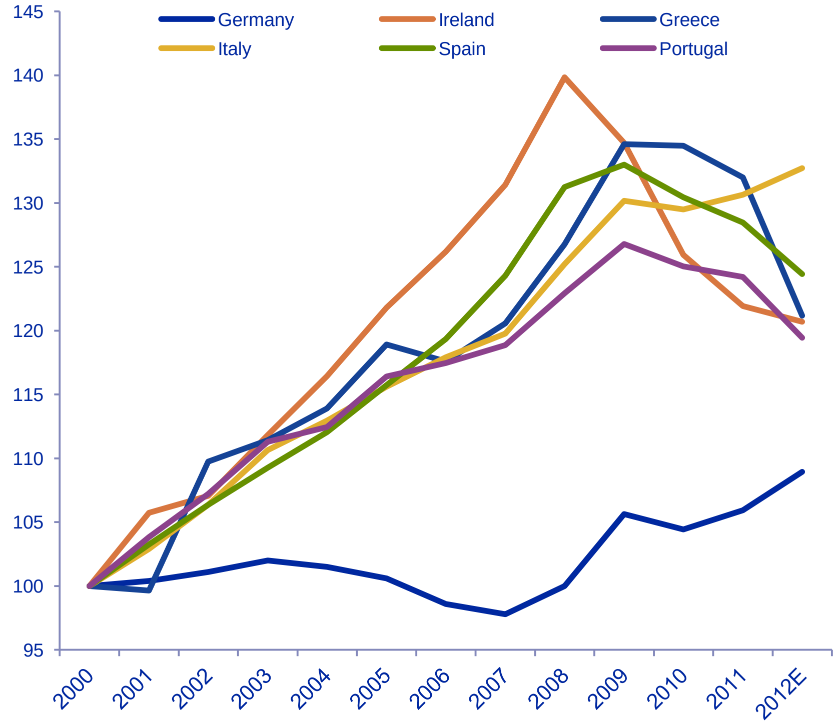
Periphery: Trade Balance with Germany
EUR Bn, weighted 4Q moving avg.



Source: Haver Analytics, Moody's

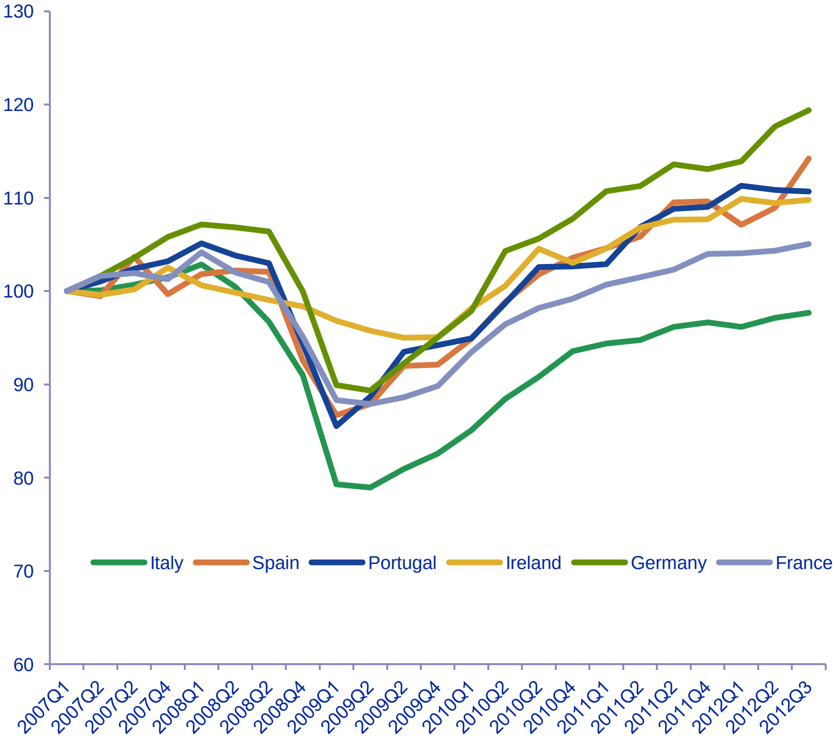
…Driven By Improvements In Competitiveness

Unit Labour Cost
2000=100



Source: Eurostat, Moody's

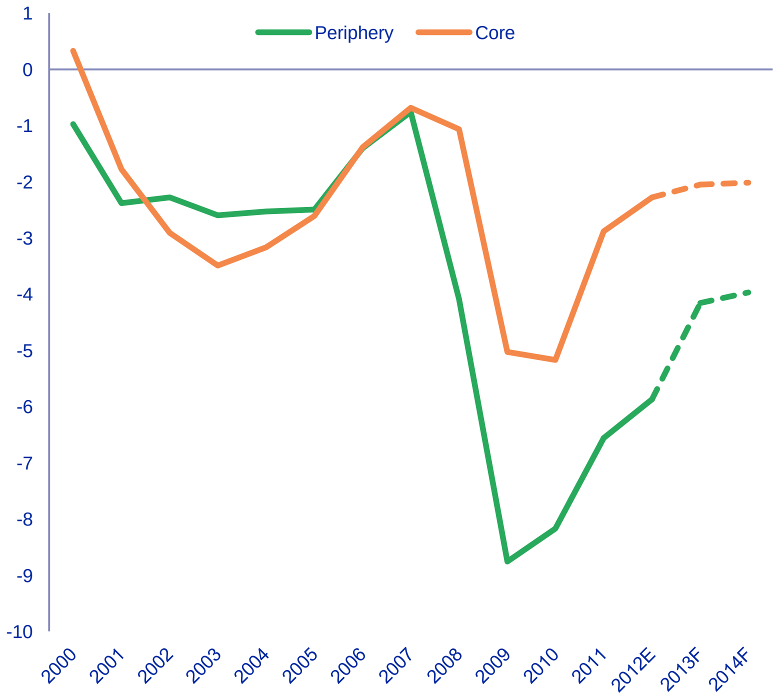
Real Exports of Goods and Services Index
(2007Q1 = 100)



Source: Eurostat, Moody's

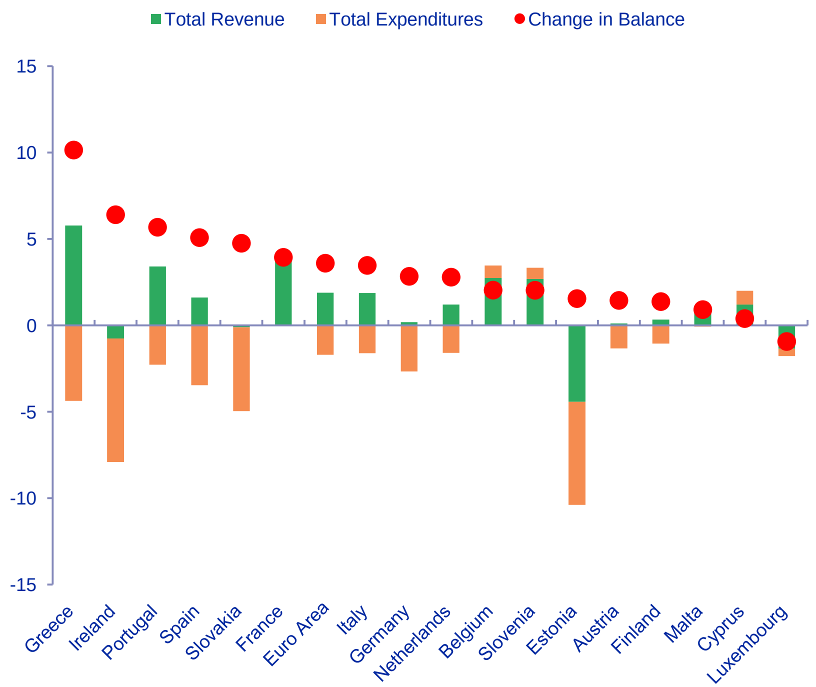
Fiscal Consolidation Is Progressing

General Government Deficit
% of GDP, weighted average



Source: Eurostat, European Commission

Change in Fiscal Balance, 2013F/2009
% of GDP



Source: European Commission

Both Revenues and Expenditure Affected

Change in Expenditure Items, 2013F/2009
% of GDP

Change in Revenue Items, 2013F/2009
% of GDP

Source: EC AMECO, Moody's

2 But Political And Implementation Risks Remain

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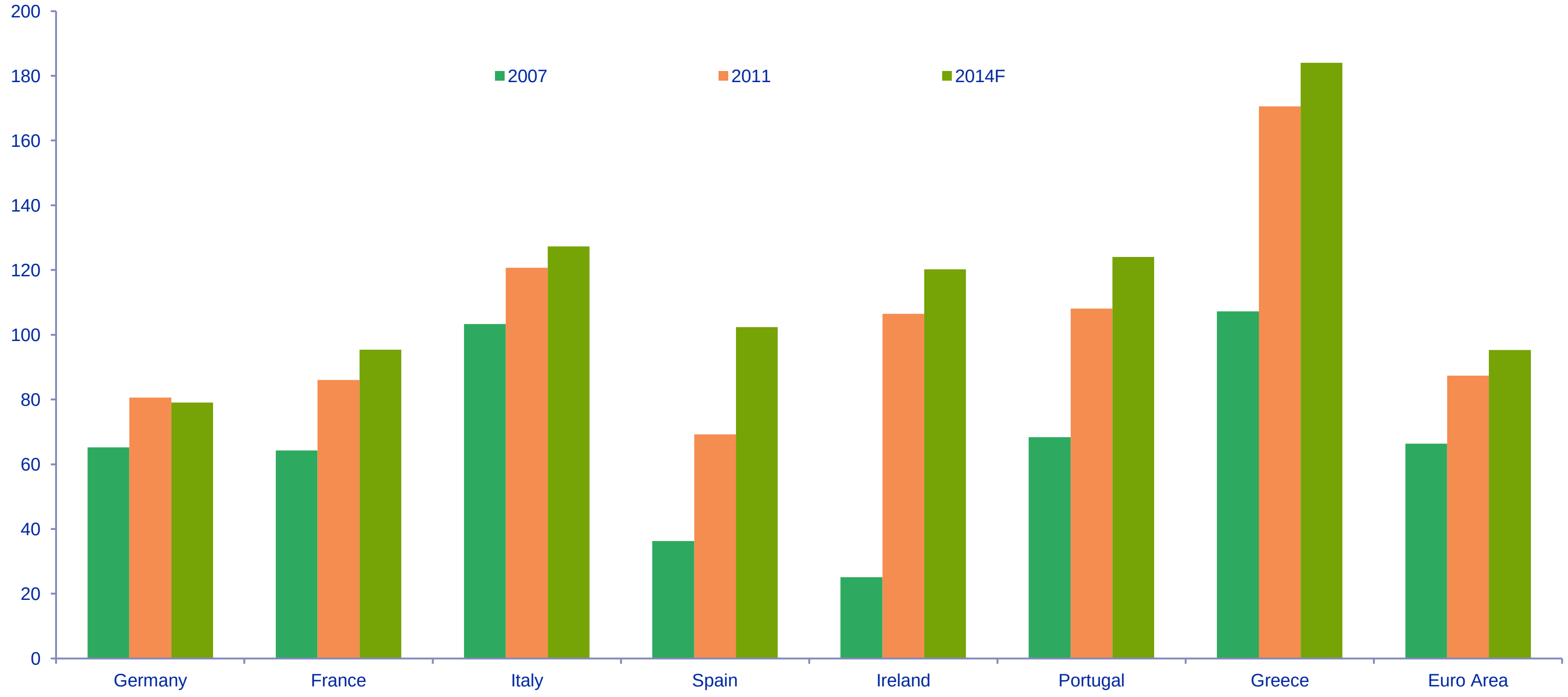
Stock Adjustment Much Slower

- Public debt to peak for most peripheral countries only in middle of the decade – at best
- Considerable fiscal adjustment needed to return to debt level of 60% of GDP

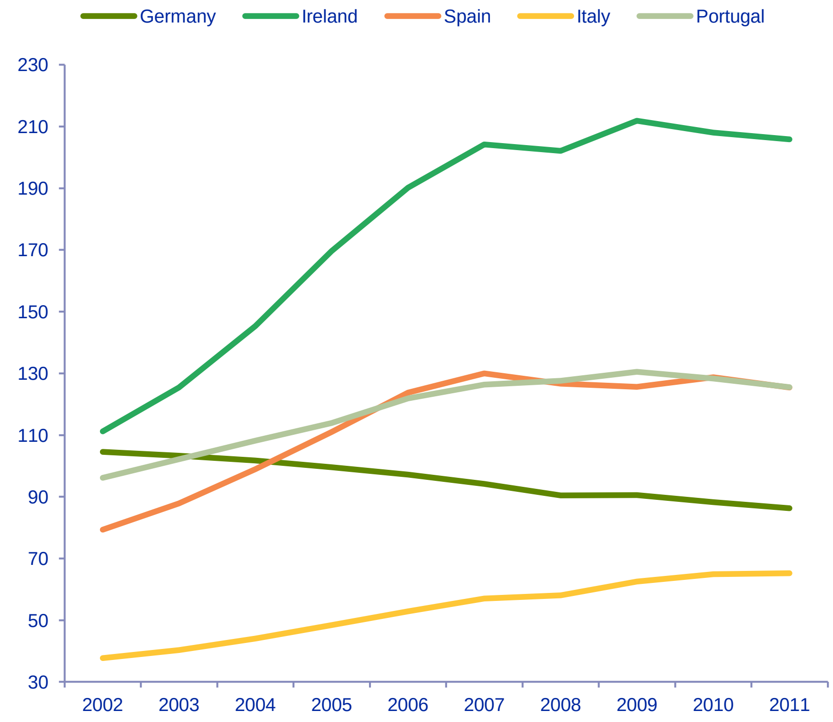
General Government Debt, % of GDP



Source: IMF, Moody's

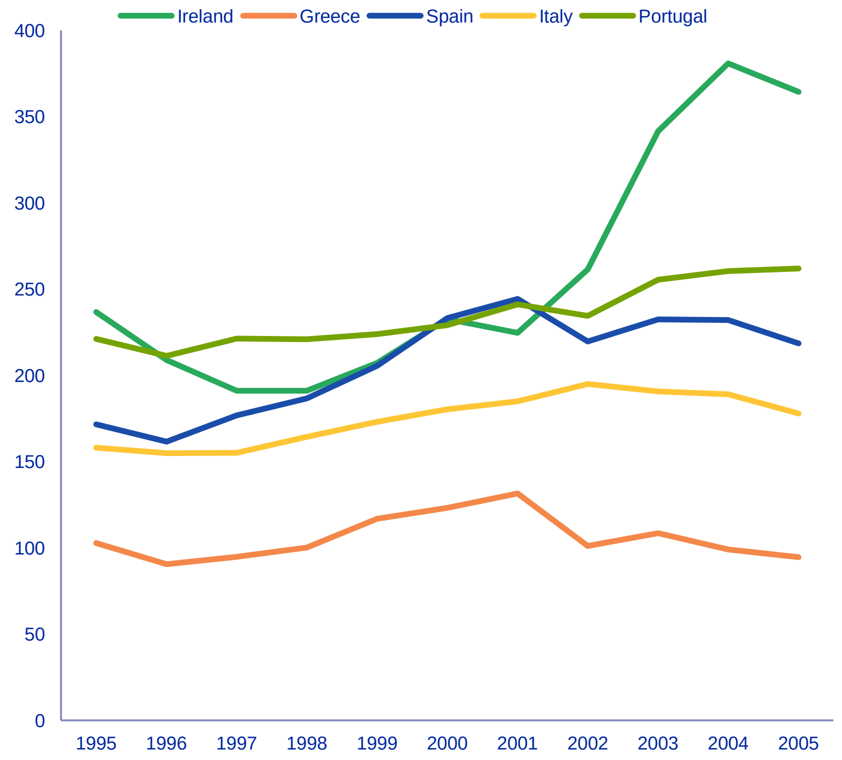
Deleveraging In Private Sector Only Beginning…

Household Gross Debt to Income
%



Source: Eurostat

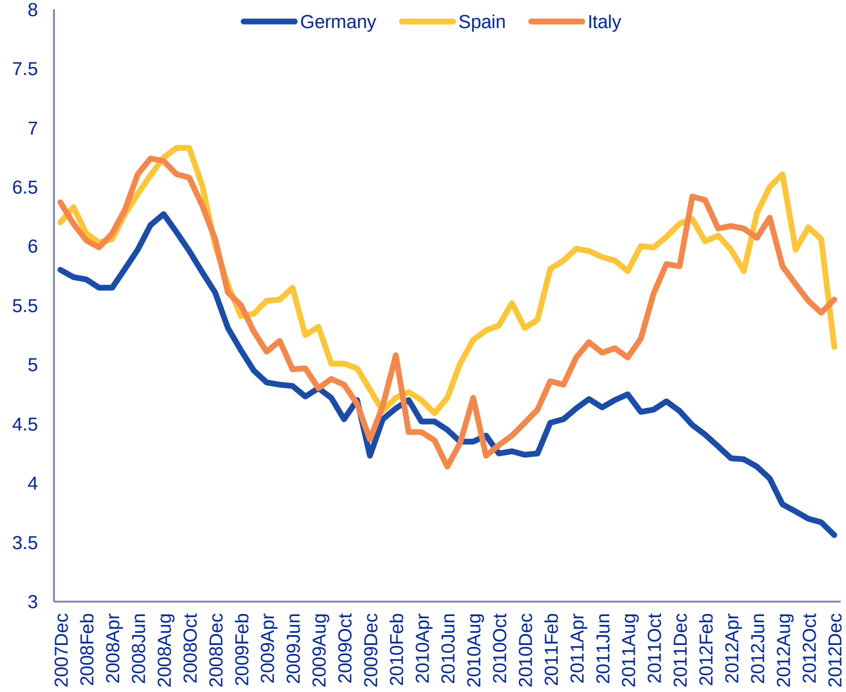
Corporate Financial Liabilities
% of GDP



Source: Eurostat

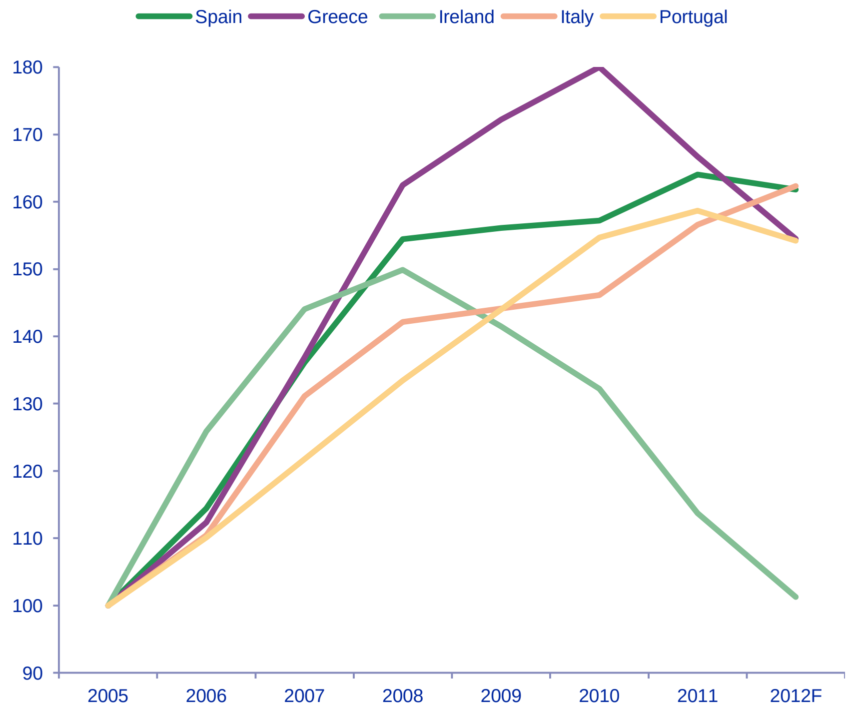
…And Fragmentation of Banking Systems Not Resolved

Lending Rates to Business
Loans up to € 1 million, for 1-5 years



Source: ECB

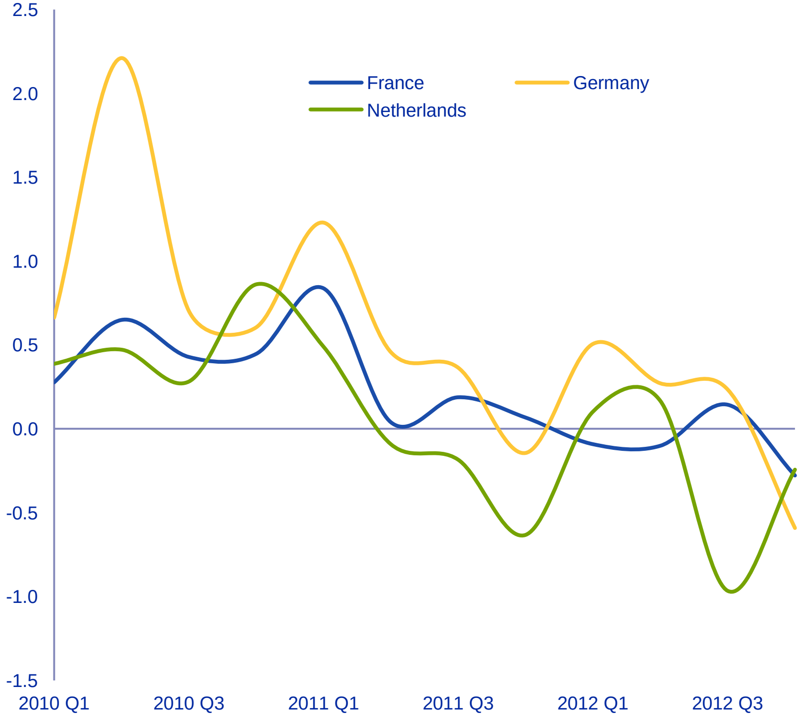
Banking System Assets
2005=100



Source: ECB

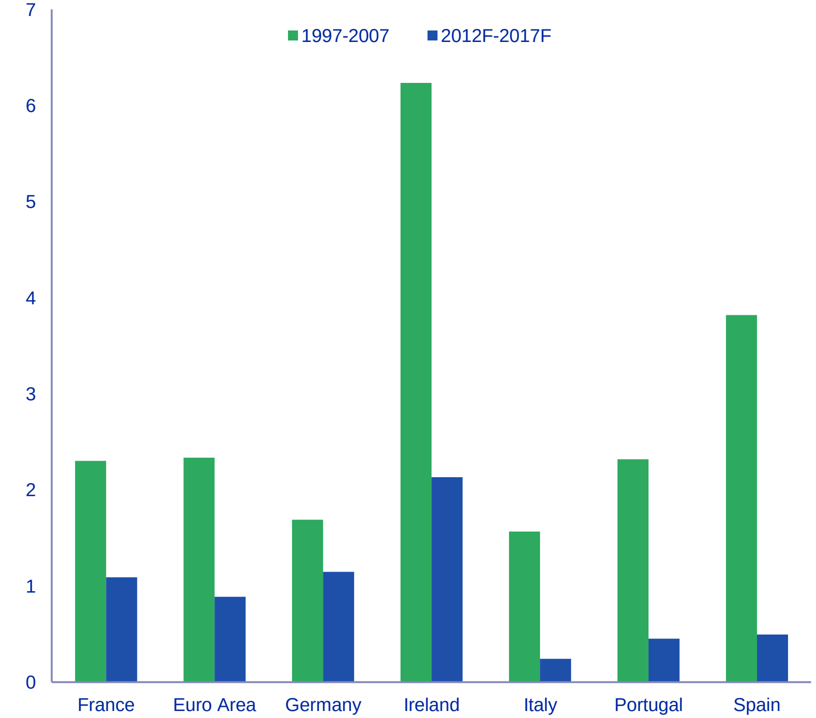
Low Growth Poses Implementation Risks

Real GDP Growth
Quarter-over-quarter change



Source: Eurostat

Average Real GDP Growth
(%)



Source: Moody's, IMF (WEO)

And Political Risks Remain Substantial

- Cyprus (Caa3, negative) – despite the agreement on MoU, risk of default and euro area exit remain
  - A precedent - damage to banking sector has been done, and not only in Cyprus
- Implementation risks to fiscal and banking union
  - Tensions still present between national & euro area agendas and preservation of sovereignty
  - Policy formulation at Euro area level prone to missteps
  - Timing/scope of banking union highly uncertain
  - Contradicting fiscal and economic necessities
- Risk of adjustment fatigue in periphery amid lack of positive euro area vision
- Electoral cycle – inconclusive elections in Italy; German elections this autumn
- Event risks in Greece remain elevated
- Market sentiment remains fragile to shocks/negative news, leaving peripheral countries exposed to sudden changes in market funding conditions

3

Recent Rating Actions And Current Ratings

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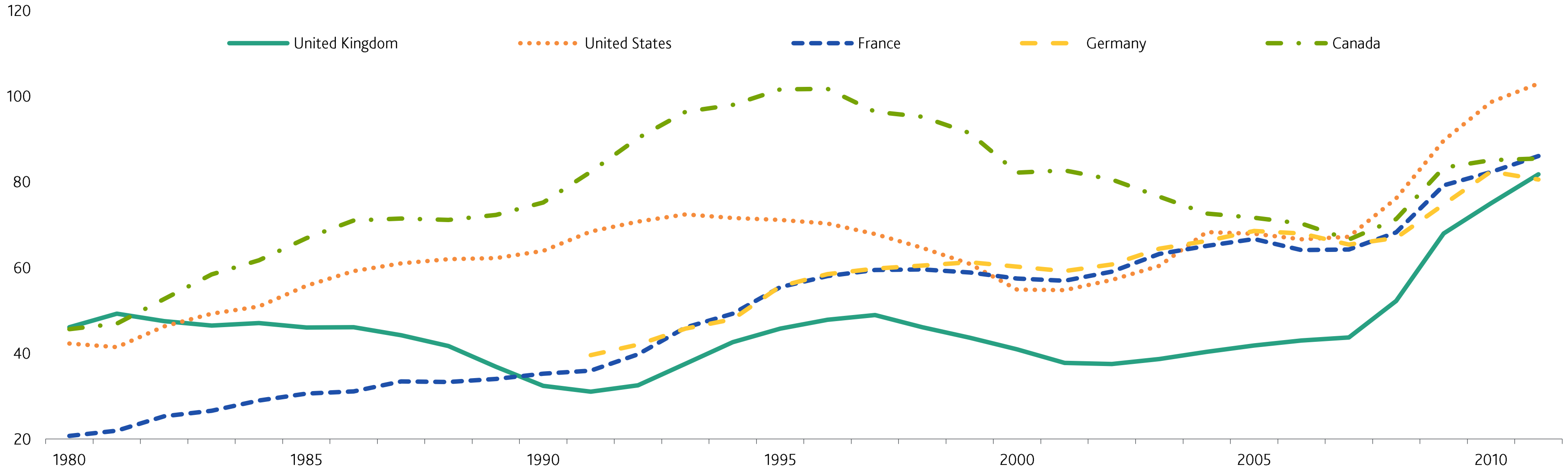
France and UK Both Rated Aa1 Now…

» Common Rating Drivers
  – Structural economic challenges and weakness in the growth outlook
  – Uncertainties with respect to the fiscal outlook
  – High and rising debt burden

General Government Debt
(as % of GDP)



Source: IMF, Moody's

…But With Different Outlooks

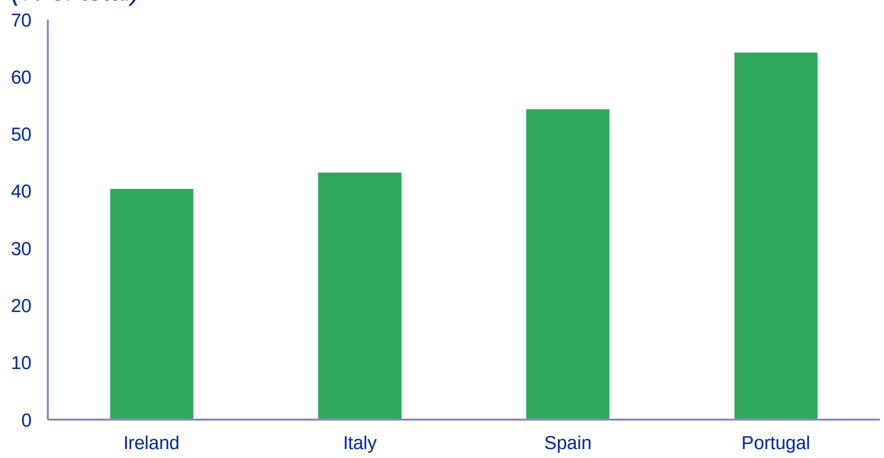
- **France's** negative outlook mainly due to susceptibility to an *escalation in the euro area crisis*
  - High exposure to peripheral European countries (trade linkages and banking system)
  - contingent liabilities to the euro area debt crisis (EFSF, ESM, …)
  - likely to bear a significant share of any required collective support for weaker euro area sovereigns
- No strong track record of fiscal consolidation

- **UK's** stable outlook due to combination of
  - Flexible economy and additional tools of exchange rate and monetary policy directed at domestic needs
  - Proven willingness to address fiscal deterioration
  - Strong and captive domestic investor base
- Stable outlook based on assumption of no further material deterioration in economic or fiscal outlook

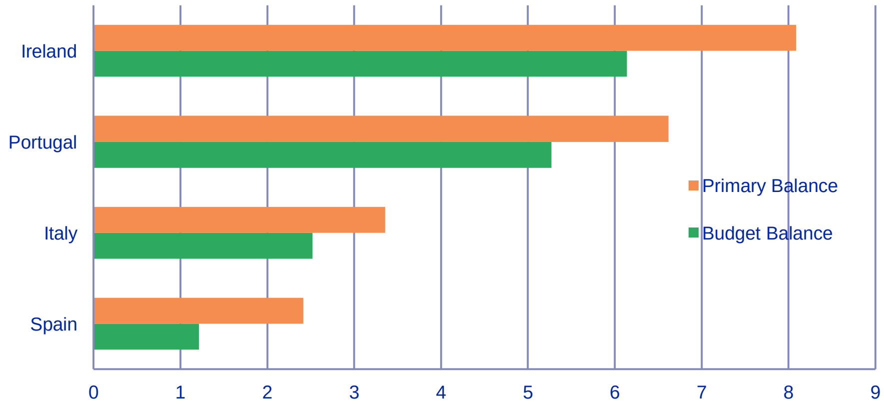
Ireland (Ba1 negative) And Portugal (Ba3 negative)

- Several positive developments in past few months
  - Earlier concerns over market access have materially declined
  - Plus euro area offer to smooth repayment profile of official euro area loans
  - Substantial progress in structural reforms and fiscal consolidation
- But very high debt levels coupled with concerns over growth potential (more so in Portugal)
- Positives currently overshadowed by euro area risks

Exports to Euro Area
(% of total)



Fiscal Adjustment (2009-2012E Change in Balance)
% of GDP

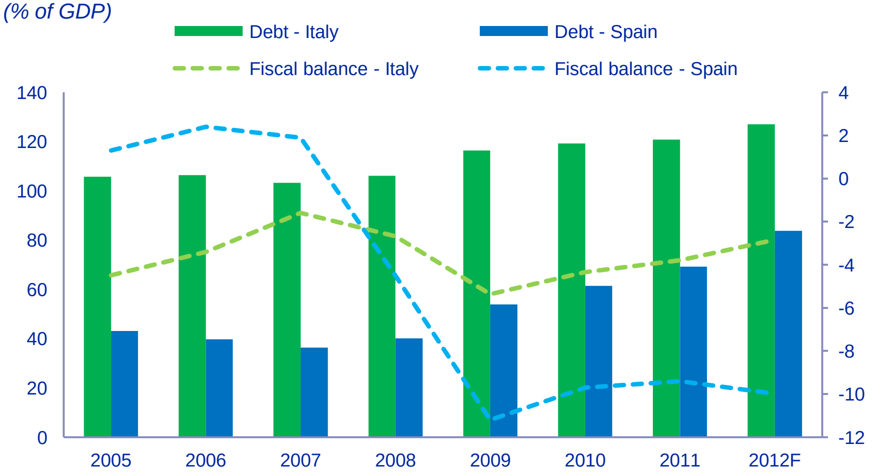


Ratings In Baa Range For Italy And Spain

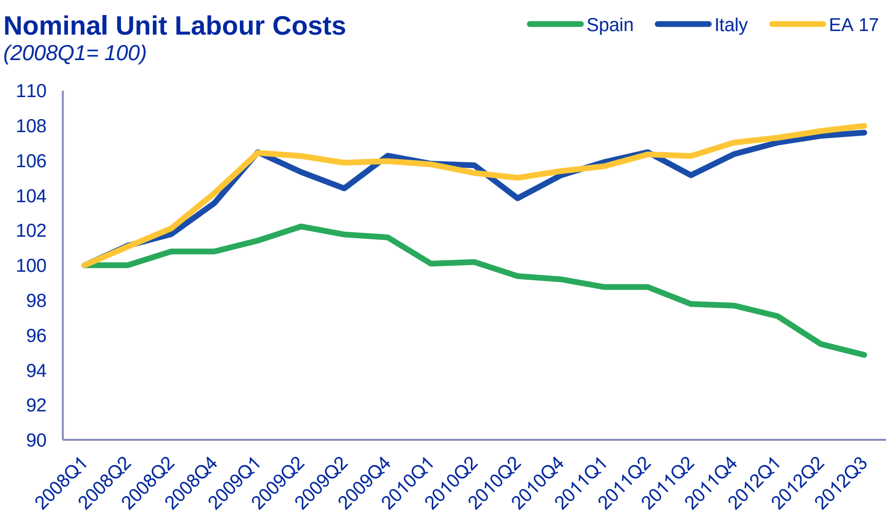
» **Italy (Baa2, neg)**
- High public debt and structural impediments to growth, fiscal position relatively sound
- Large borrowing requirements make sovereign dependent on investor confidence
- Weakening banking sector
- Structural reforms to lift growth potential needed, in the absence stricter fiscal policy but politically difficult

» **Spain (Baa3, neg)**
- Massive fiscal deterioration only slowly being corrected, meanwhile public debt continues to rise
- Banking sector restructuring still under way
- Economic rebalancing and structural reforms are progressing but short-term growth outlook remains depressed

General Government Fiscal Balance and Debt
(% of GDP)



Nominal Unit Labour Costs
(2008Q1= 100)



4 Conclusions

Our central scenario

- Policymakers in the euro area willing to preserve the monetary union
- ECB's initiatives normalised debt markets to allow time for fiscal consolidation and economic reform initiatives to take effect, however economic and political challenges remain
- Thus, for most countries, the balance of risk remains to the downside
- Risk of further sovereign defaults remains high, as reflected in our ratings for Greece and Cyprus
- Negative rating outlooks for some of the stronger members of the monetary union due to
  - Risk of needing to take on additional financial commitments in support of weaker governments
  - Continuing banking system vulnerabilities
  - Possibility and profoundly negative impact of a member country's exit from the currency union
- A return to stable outlooks for individual sovereign ratings could materialise if, in a addition to calm credit markets, at least some of the broader economic and political pressures are reversed

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Global Asset Management: 2013 Outlook and 2012 Review

ROBERT CALLAGY, VP – SENIOR ANALYST

APRIL 2013

Global Asset Management: 2013 Outlook and 2012 Review

» Global Asset Management: Stable Outlook

» Market Developments: Rotation Unlikely

» Investor Preferences: The Mid/Post-Crisis View

» Regulatory Pressures

» Mergers and Acquisitions

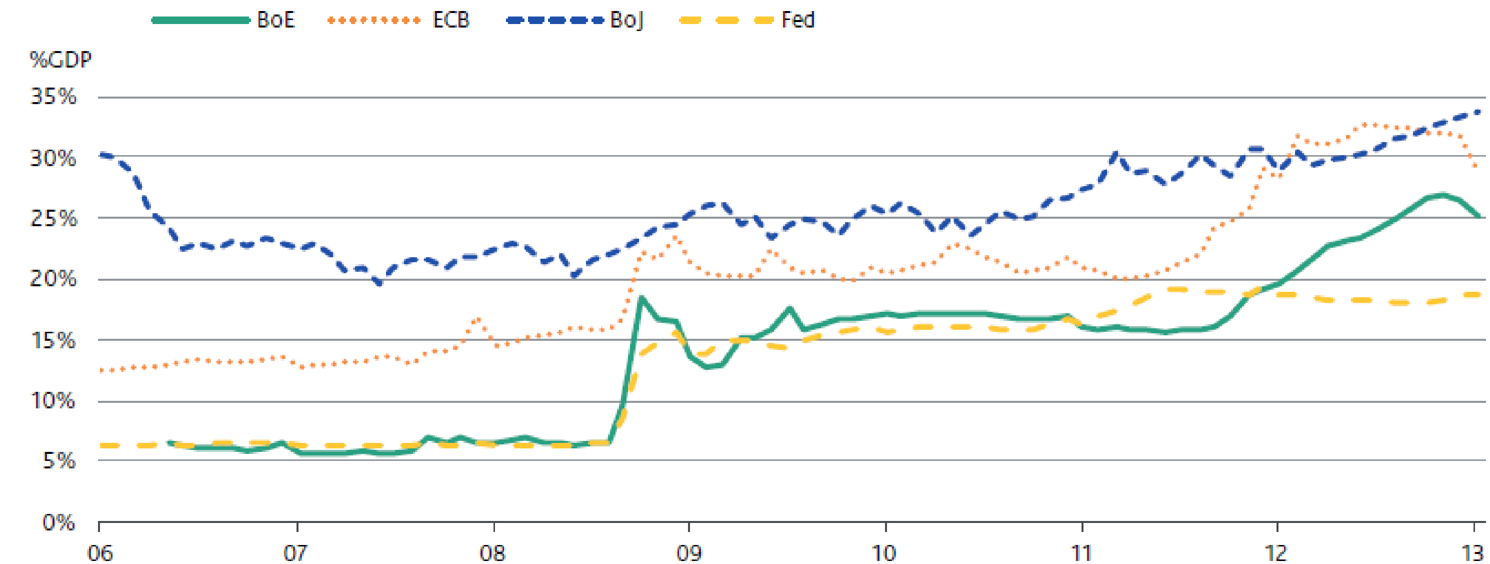
» Q&A

1 Global Asset Management: Stable Outlook

Moody's Global Macroeconomic Outlook

- » Downside Risks Have Diminished
- » Fiscal Reform, Regulation and Deleveraging to weigh on Growth

Expansion of Central Bank Balance Sheets



Source: IMF, US Federal Reserve, ECB, Bank of Japan, Bank of England and Eurostat

Moderate Growth Prospects for Asset Managers Support Stable Outlook

» Sporadic recovery in developed economies; better growth prospects for emerging economies

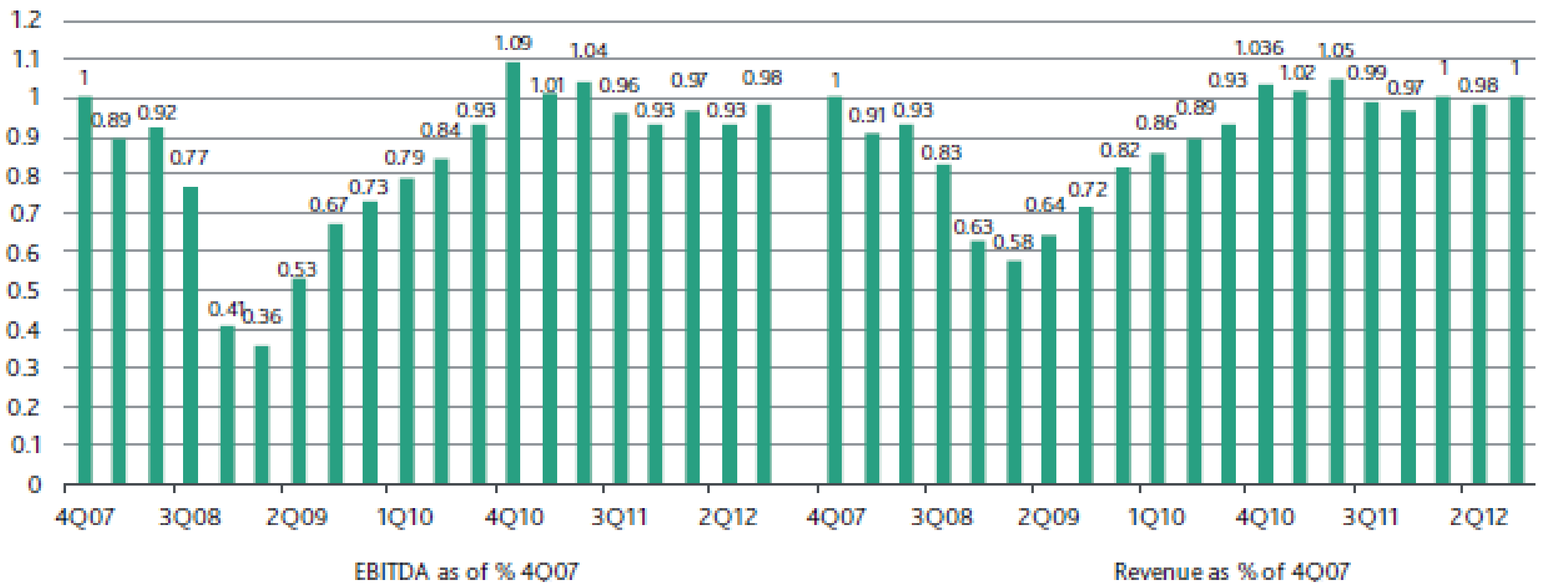
» Risk of a sell-off in fixed income in 2013 is unlikely

» Improving investor confidence; decline in stock market volatility

» Manageable debt burdens, cost management and strong liquidity

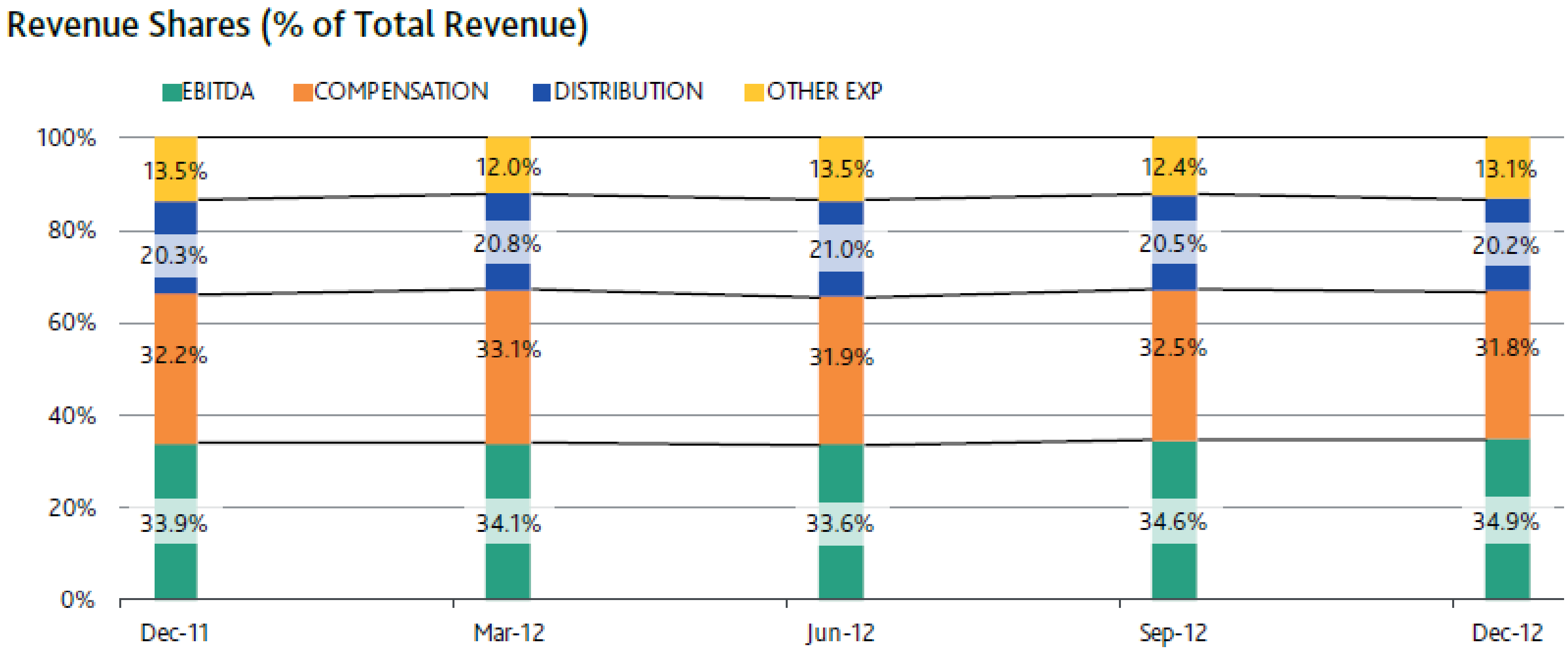
» Regulatory pressures will drive up costs and distract management

Asset Managers Performance Back to Pre-Crisis Levels



Equity market recovery, fixed income growth along with cost containment has brought the industry back to pre-crisis performance levels

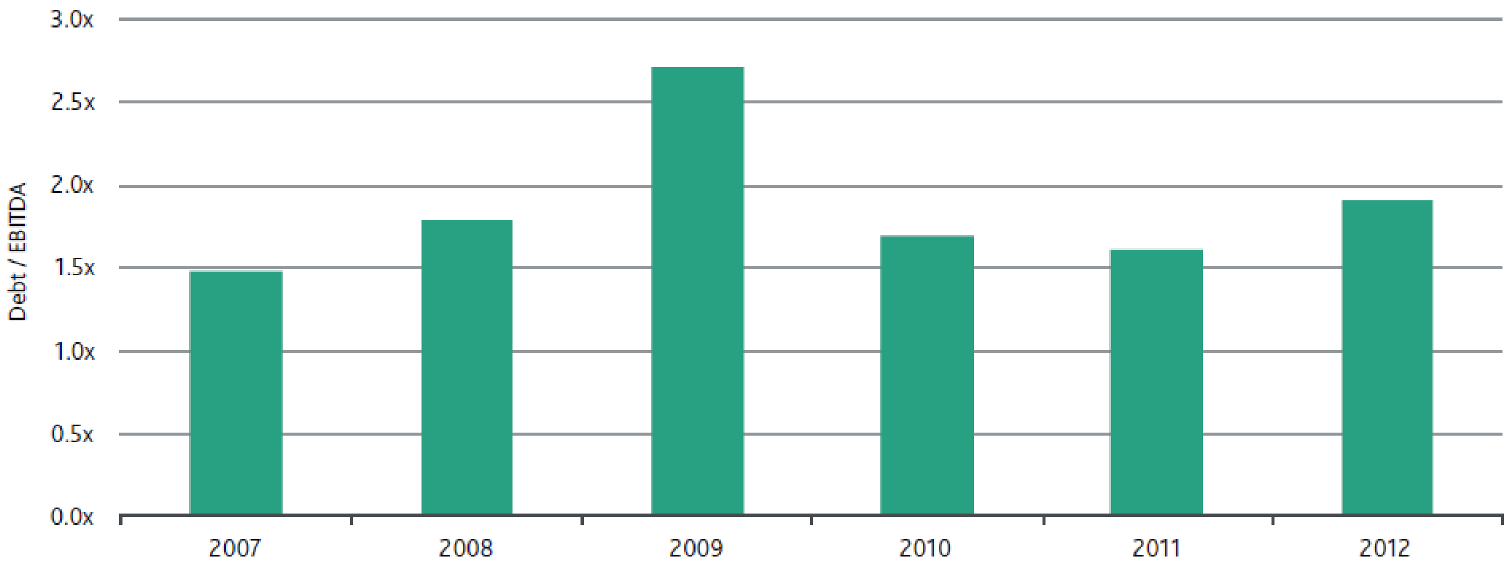
A Flexible Cost Structure Supports Margin Stability



Source: Company reports and Moody's calculations.

Cost increases are offset through efficiencies elsewhere in the business

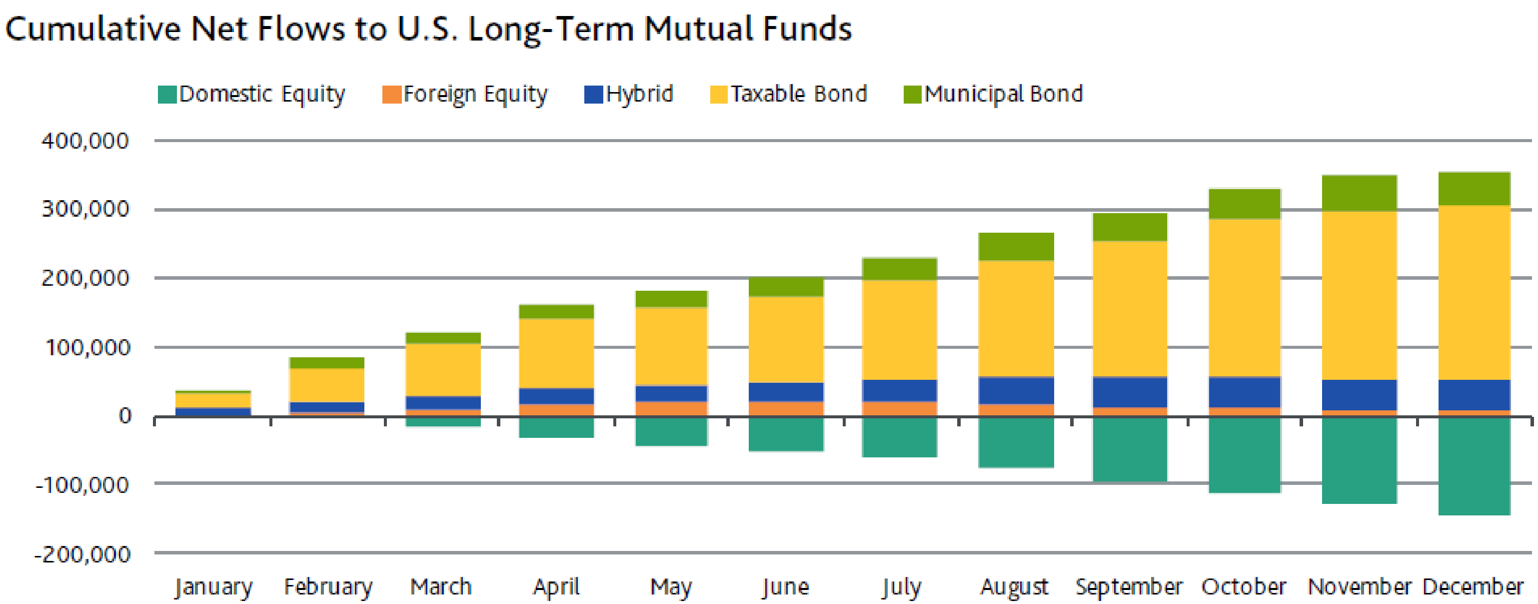
Asset Managers Financial Metrics Supportive



Manager Leverage is rising, although manageable

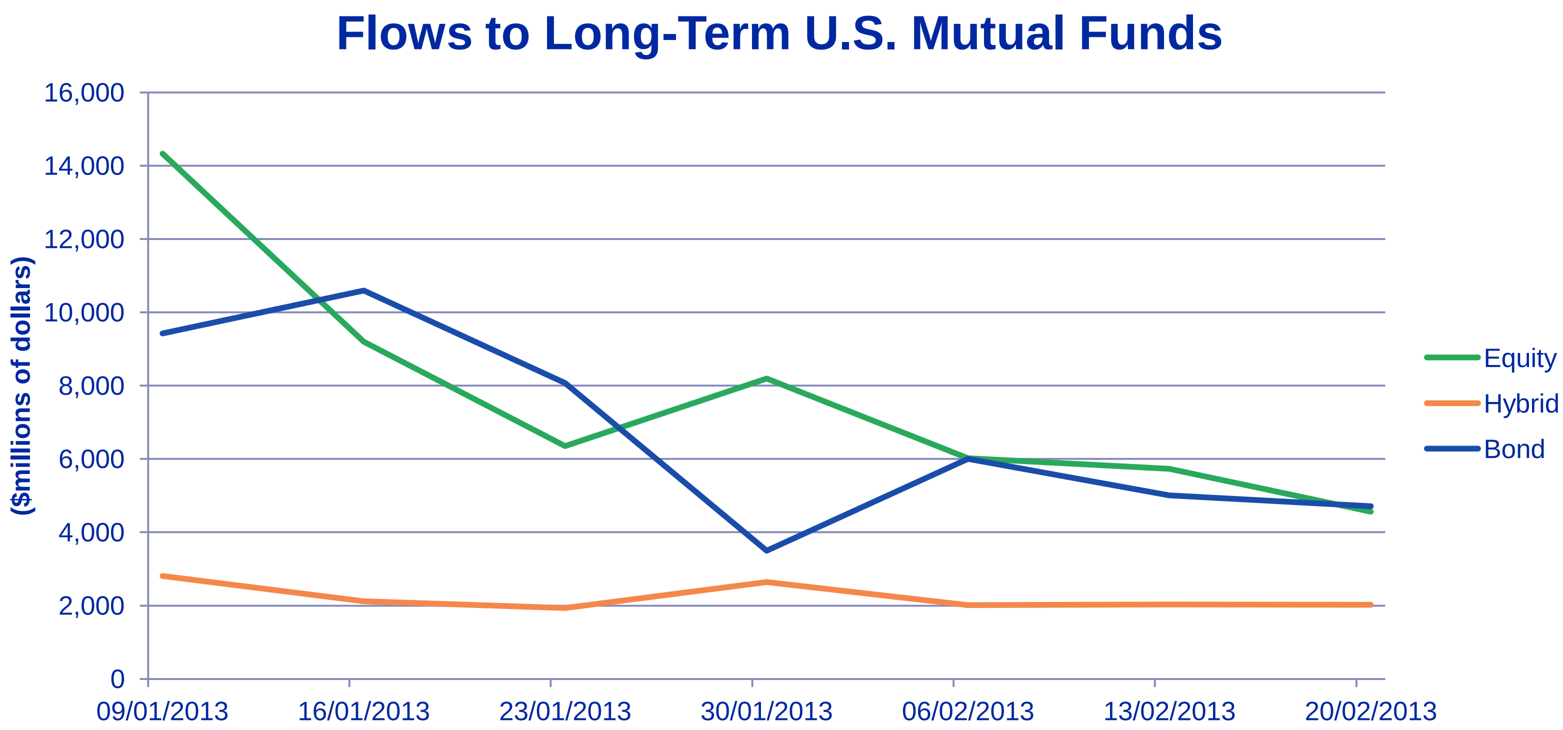
2 Market Developments: Rotation Unlikely

Fixed Income Dominated Investor Flows in 2012



Source: Investment Company Institute

However, Limited Returns in Fixed Income Will Cause Investors to Reconsider Equity Exposure



Source: Investment Company Institute

Though, A Rotation is Unlikely to Unfold Meaningfully

- Pension funds continue to de-risk
- Investor demographics drive demand for safety and income
- Central bank purchases and collateral needs support safe assets
- Scars remain from equity market decline

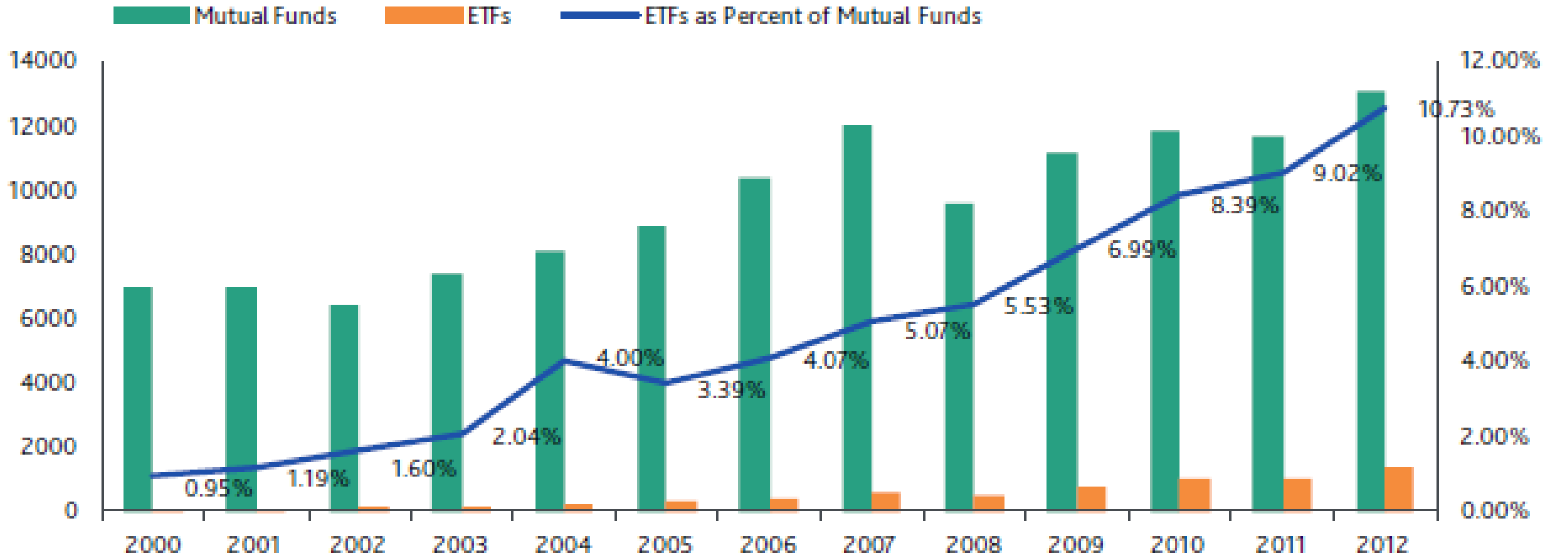
3

Investor Preferences: The Mid/Post-Crisis View

Investor Preferences Continue to Shift

- Continuation in shift of investor flows toward low-cost beta, solution-based and alternative products
- Firms unable to adapt / respond to this dynamic will have difficultly attracting new investor flows
- ETF growth will be supported by higher institutional and financial advisor usage rates
- Growing demand for alternatives driven by appetite for higher returns and greater acceptance among retail investors

ETFs: At one end of the Barbell



Source: Investment Company Institute. Left-hand axis is number of mutual funds. Right hand axis is ETFs as a percent of mutual funds.

Alternatives: At the other end of the Barbell

- Investors continue search for yield, where risk/reward and diversification benefits manifest.
- Longer term investors extract a liquidity premium
  - Infrastructure
  - Senior and mezzanine lending
  - Real Estate
- As a higher fee product, alternatives present an opportunity for margin expansion (growth in effective fee rates).

4 Regulatory Pressures

Regulatory Pressures Increase in 2013

- » Compliance with increased regulatory oversight; higher operating costs and management distraction
- » Expect 2013 to bring closure -or at least clarity- for MMF industry
- » Increased regulation of other financial institutions present opportunities for asset managers

- » Regulation Presents Opportunities for AMs
  - – European bank deleveraging – whether driven by investors or regulation, is presenting an opportunity for AMs
  - – Insurance regulation also likely to drive further outsourcing of asset management to asset managers

5 M&A

M&A Deal Volume To Keep Pace with 2012

- Expect a diverse mix of sellers
- Buyers to focus on specialized investment capabilities and global distribution
- If euro area stabilizes, expect pick-up in European M&A
- Financial sponsors will remain active in asset manager M&A

Q&A

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Managed Investments Group's Website
www.moodys.com/managedinvestments

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Panel: Opportunities for Asset Managers in Insurance Asset Management

Jayne Styles, Chief Investment Officer, Amlin plc
Paul Forshaw, Head of Insurance Asset Management, Schroders
Matthieu Louanges, Executive Vice President, PIMCO
Antonello Aquino, Senior Vice President, EMEA Insurance, Moody’s Investors Service

Michael Eberhardt, Vice President - Senior Analyst, Managed Investments Group,
Moody's Investors Service **(Moderator)**

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Break & Networking

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Bond Funds

Will the Good Times Continue?

SOO SHIN KOBBERSTAD, VICE PRESIDENT – SENIOR ANALYST

APRIL 2013

Agenda

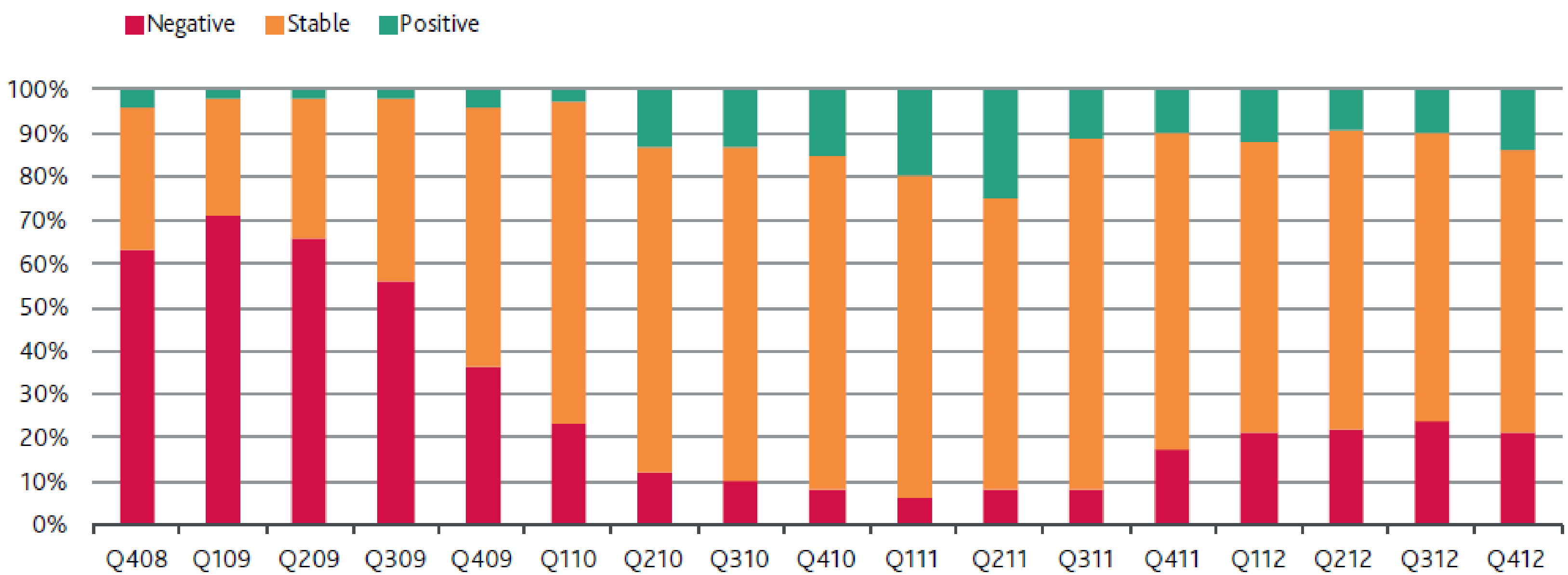
1. Credit outlook
2. Market environment
3. Supply and demand dynamics
4. Key challenges

1 Credit Outlook

Stable Credit Outlook

- Credit quality will vary across regions and sectors
- Increasing fundamental credit divergence
- Increased credit weakness in some sectors

Industry Sector Outlooks, Corporate Finance Group (worldwide)

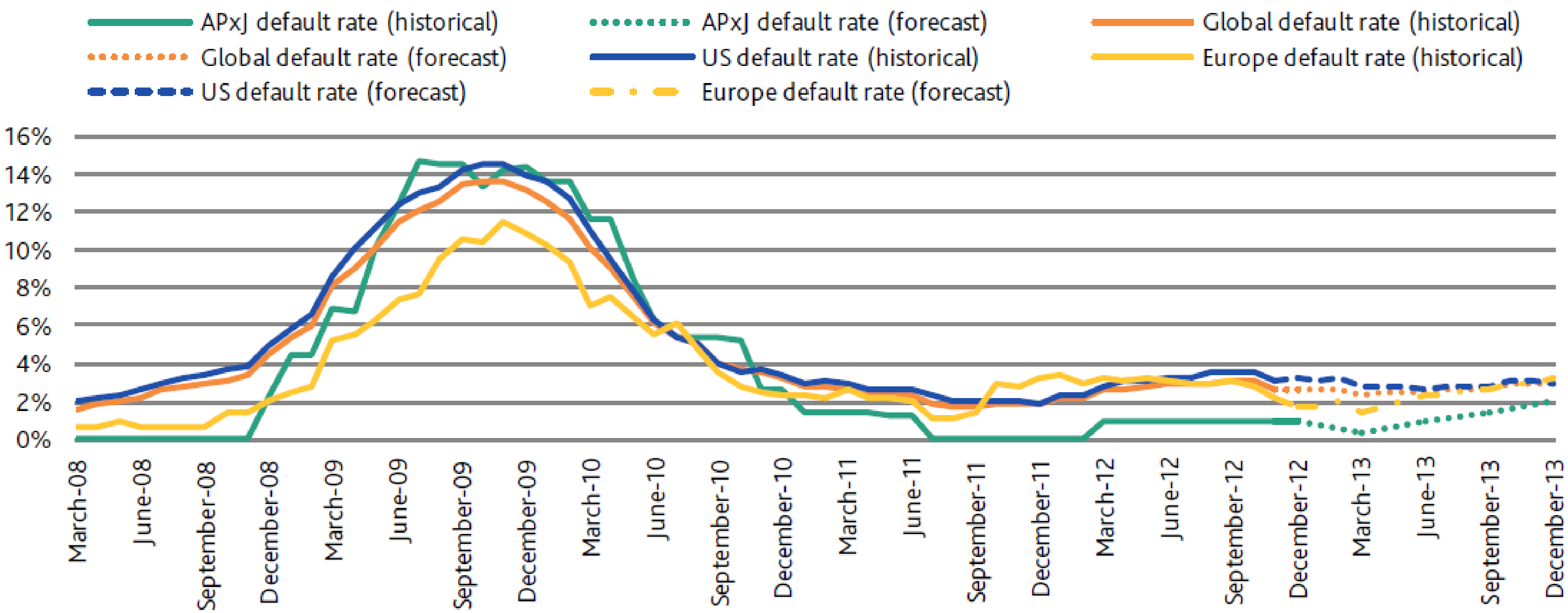


Source: Moody's Investors Service

Bond fund credit quality should remain stable

» No surge in defaults expected

Trailing 12-month default rate across regions (actual and forecast)



Source: Moody's Investors Service

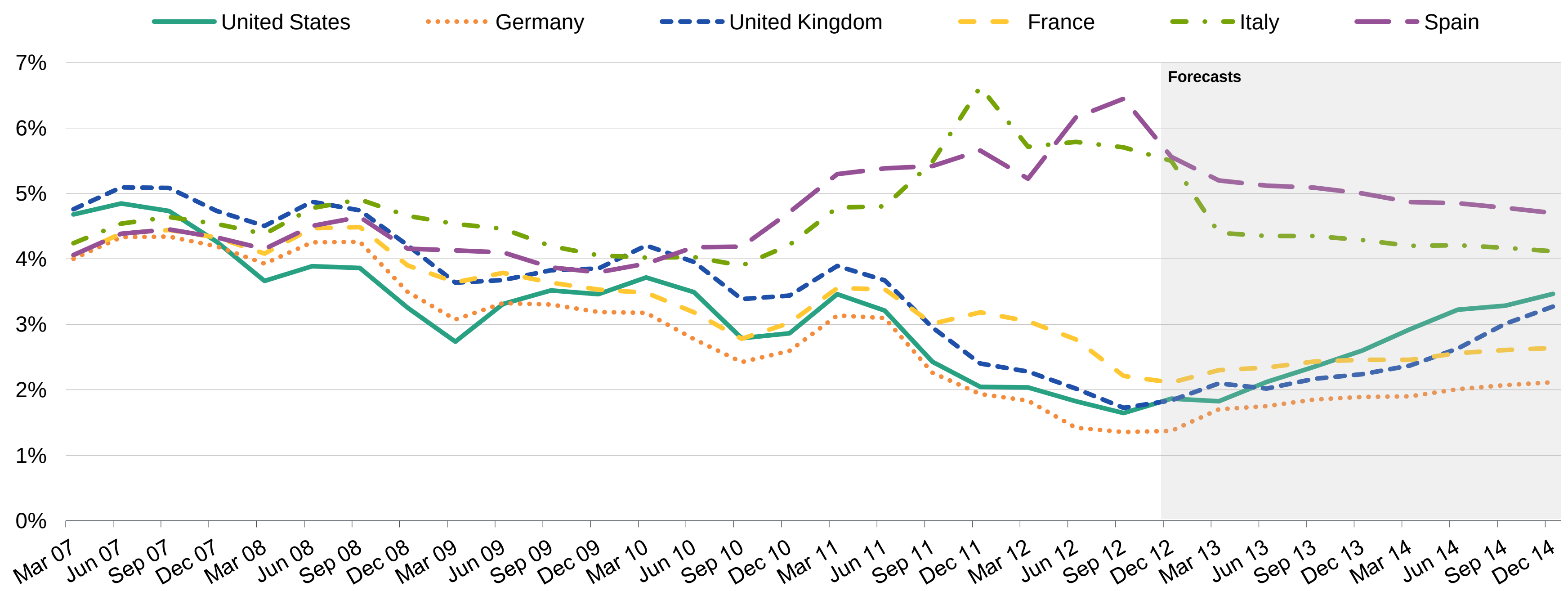
2

Market environment

Low Yield environment to persist in 2013

» Ageing population
» Continued loose monetary policy

10-year government bond yields (%)



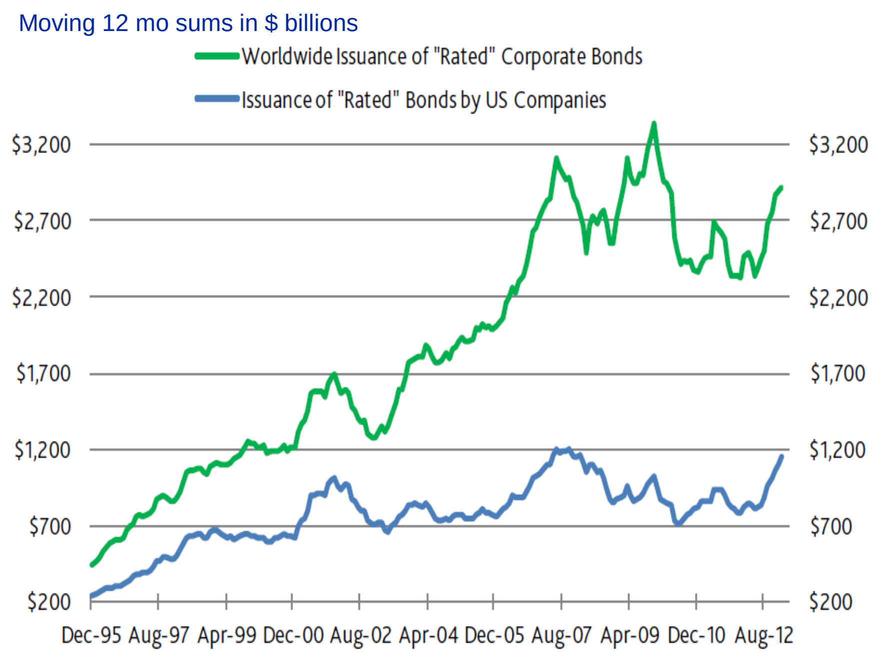
Source: Moody's Investors Service

3 Supply and demand dynamics

Debt supply to remain strong

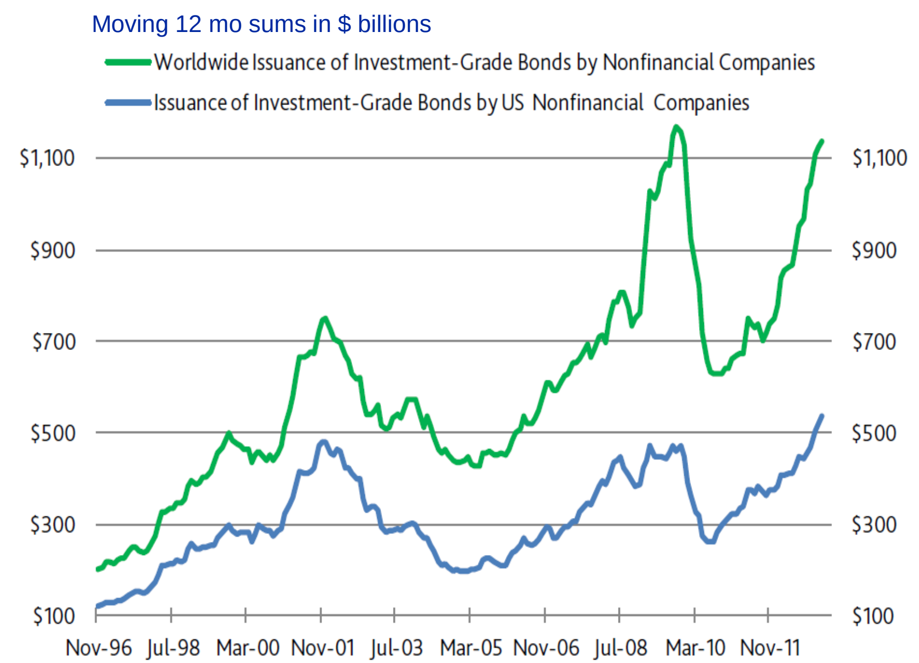
- » Positive issuance driven by bank deleveraging and low interest-rates
- » Demand for higher yield

Worldwide issuance should grow



Source: Moody's Analytics

IG Issuance may slow

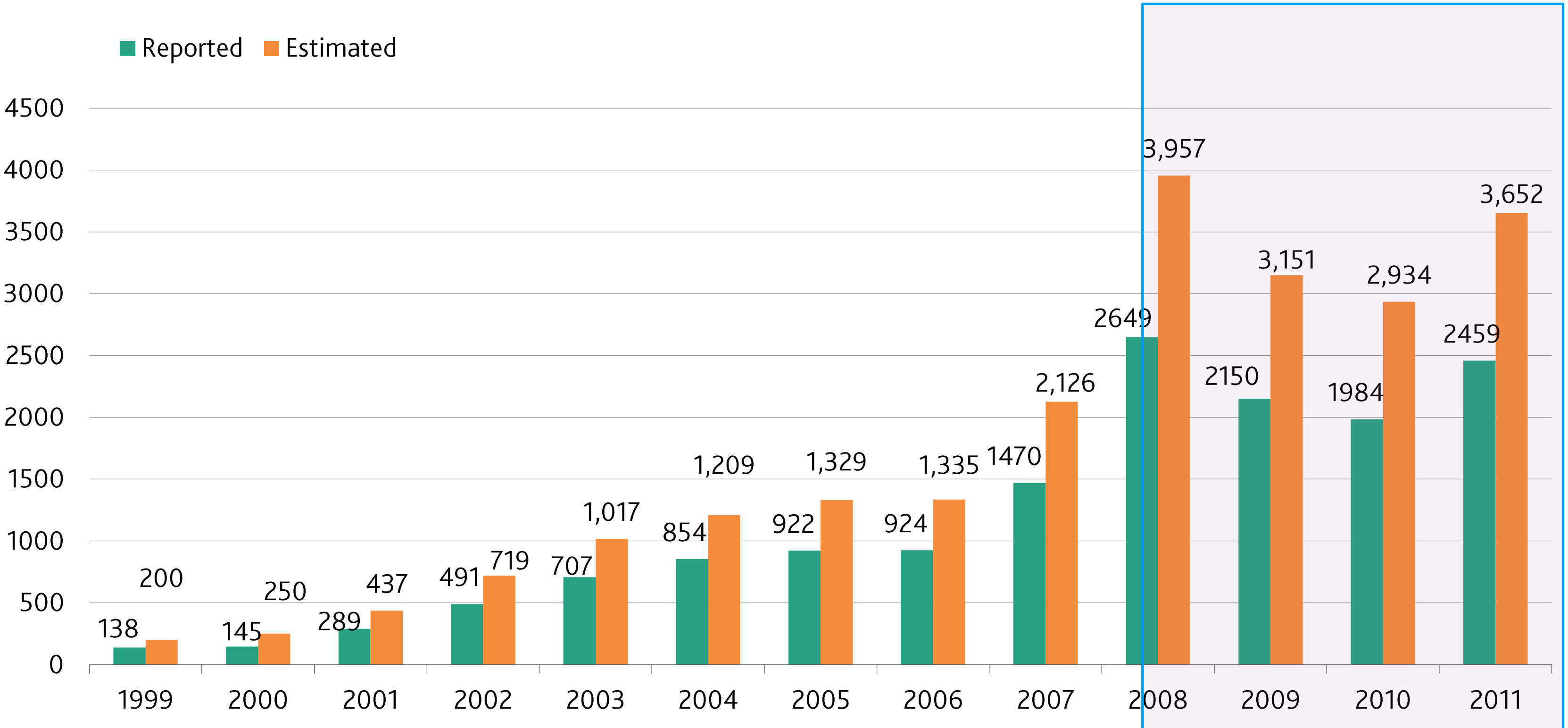


Source: Moody's Analytics

Demand for safe bonds to remain positive

- Continued market uncertainty
- Regulatory changes : Basel III, OTC derivatives rules

Sharp spike in demand for collateral



Source: ISDA, Moody's Investors Service

4 Key challenges

Key challenges

- Low interest rates and search for yield:
  - Maintaining optimum credit selection
  - Keeping portfolios within risk guidelines
  - Maintaining sufficient liquidity

- Credit analysis to avoid mispricing of risk premia

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European High-Yield Bonds*

Will the Good Times Continue?

**rated speculative grade, non-financial corporates*

TONY HILL, VICE PRESIDENT – SENIOR ANALYST, CORPORATE FINANCE GROUP

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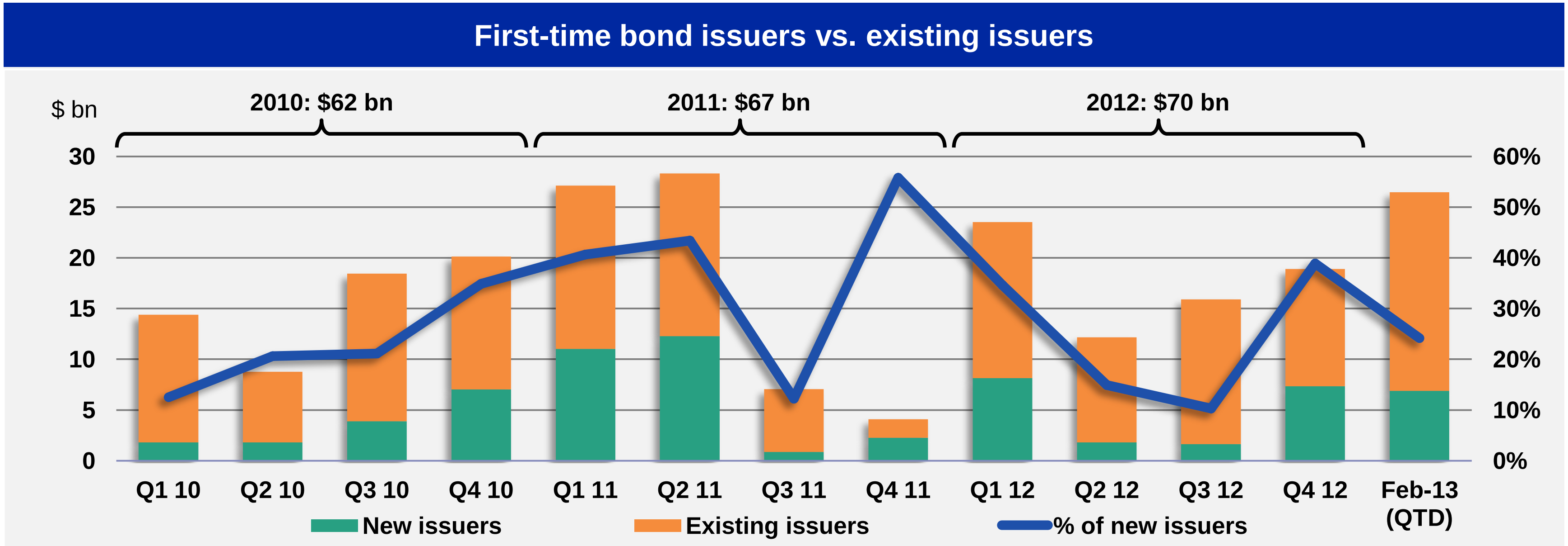
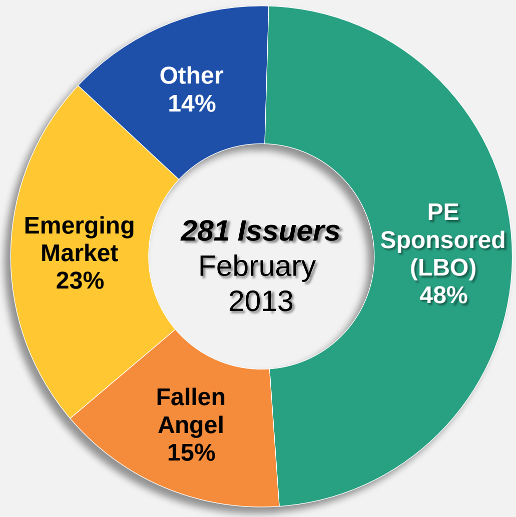
Robust start to high yield issuance in 2013



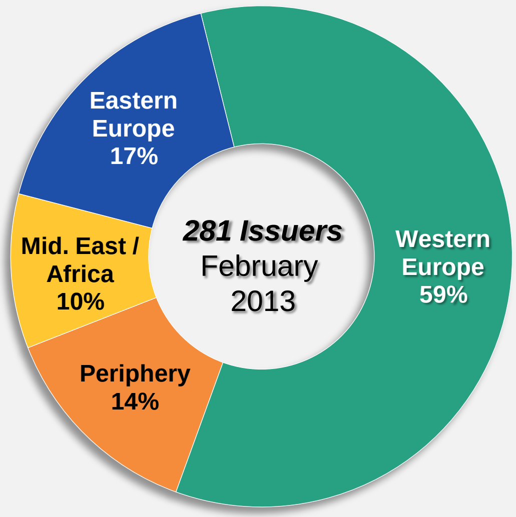
- $70 bn high-yield bond issuance in 2012 broke 2011 record of $67 billion
- Strong surge in first-time bond issuance from Sep 2012
- Robust start of bond issuance in 2013 while loan market continues to struggle

Western Europe & LBOs dominate European high-yield

High-yield issuers by type



High-yield issuers by region

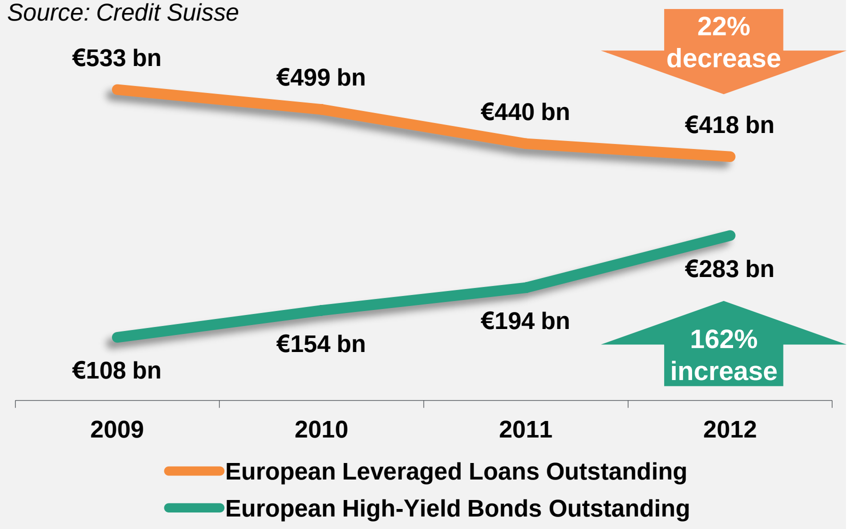


- Private Equity Sponsored LBOs driving growth of high yield universe
- These LBOs are not driven by economic activity, but refinancing and/or exit needs

European public high-yield is growing

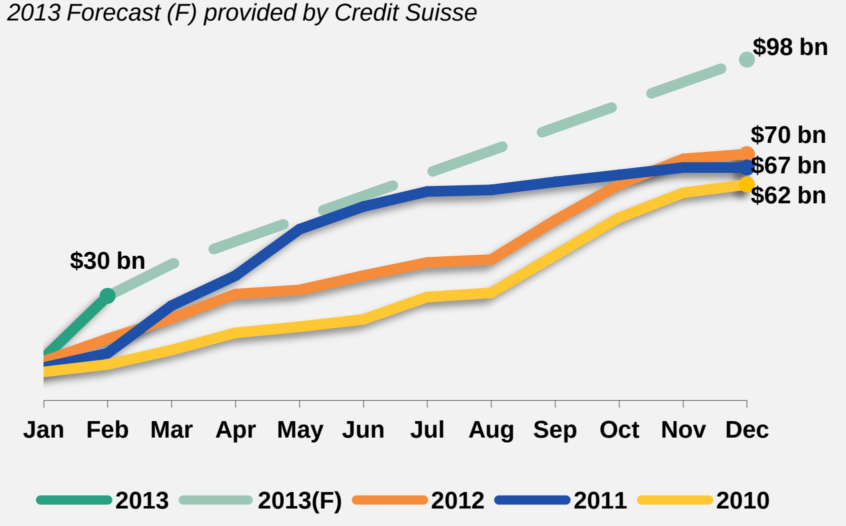
European Loans vs. Bonds Outstanding

Source: Credit Suisse



Robust European High-Yield Bond Issuance

2013 Forecast (F) provided by Credit Suisse

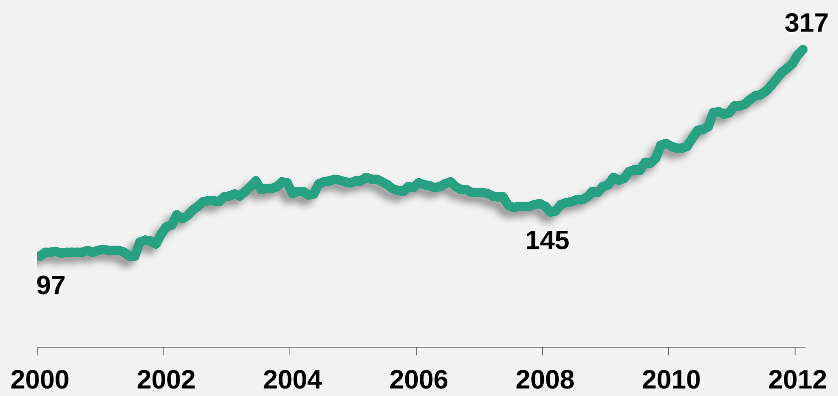


- European loan demand plummets
  - Basel III drives bank deleveraging
  - European CLO bid is all but gone
- Refinancing needs and an accommodating investor base is driving issuance

European public high-yield is diversifying

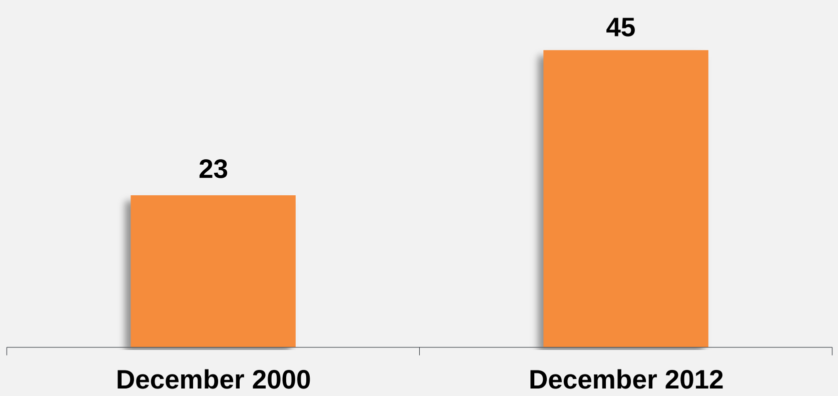
High-yield issuers by CFR

Merrill Lynch's Western European High-Yield Index
Non-Financial Corporate Bonds, Number Outstanding



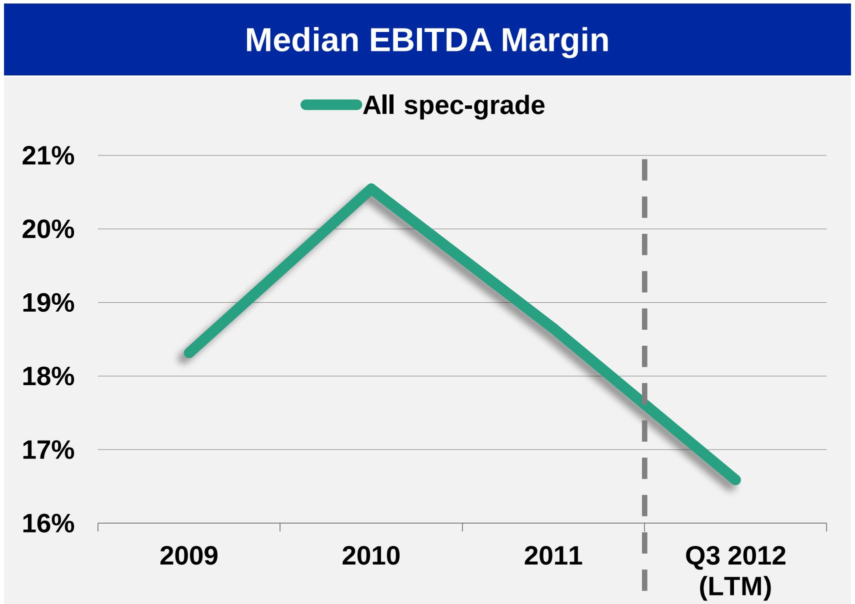
High-yield issuers by CFR and type

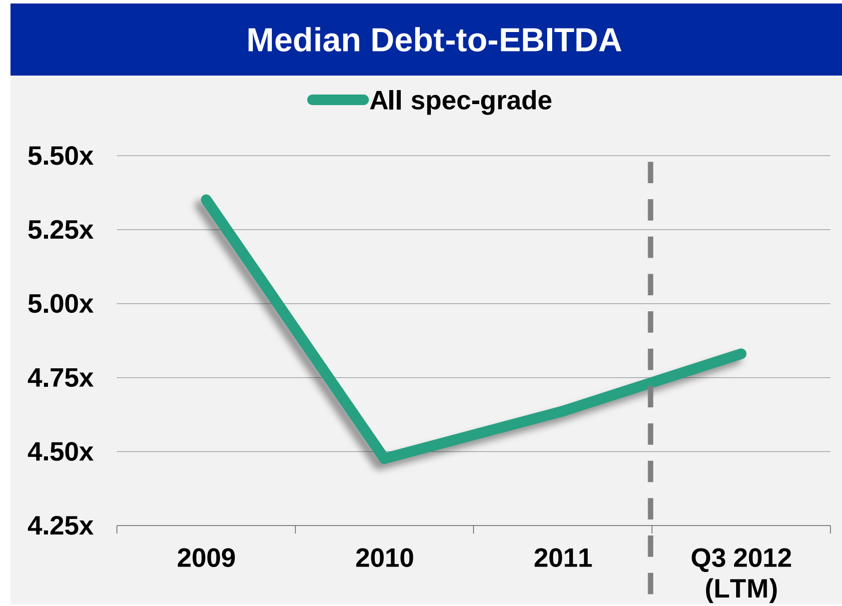
Merrill Lynch's Western European High-Yield Index
Non-Financial Corporate Bonds, Sectors Represented (by number)



- The investable universe is diversifying
- Diversification is accommodative to the global and new European retail investor

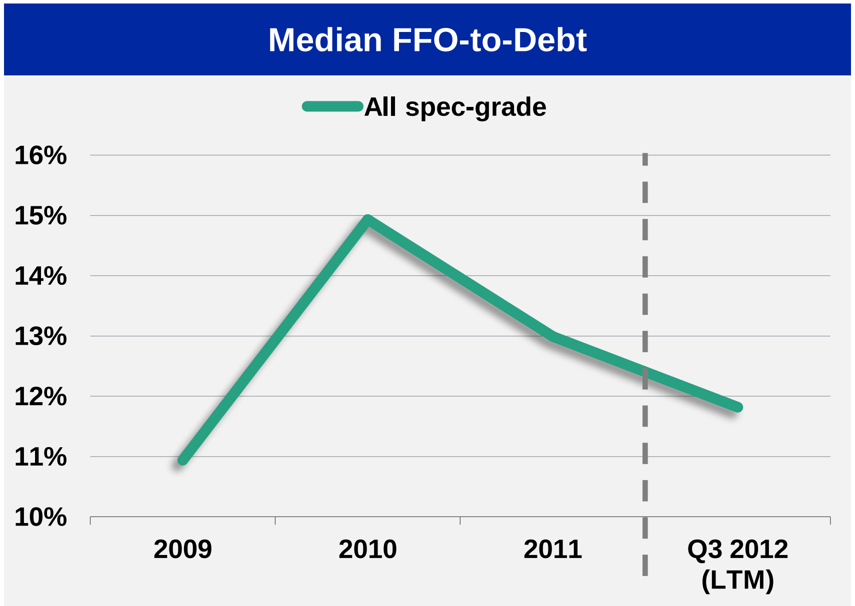
However, European profitability is weak…

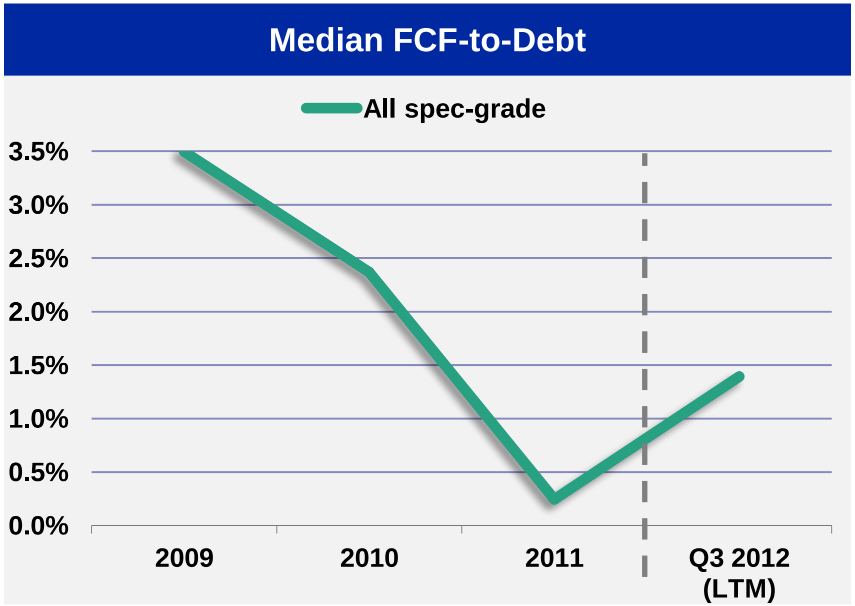




- Margins are falling
- Leverage is increasing

…leading to weakening cash flow generation

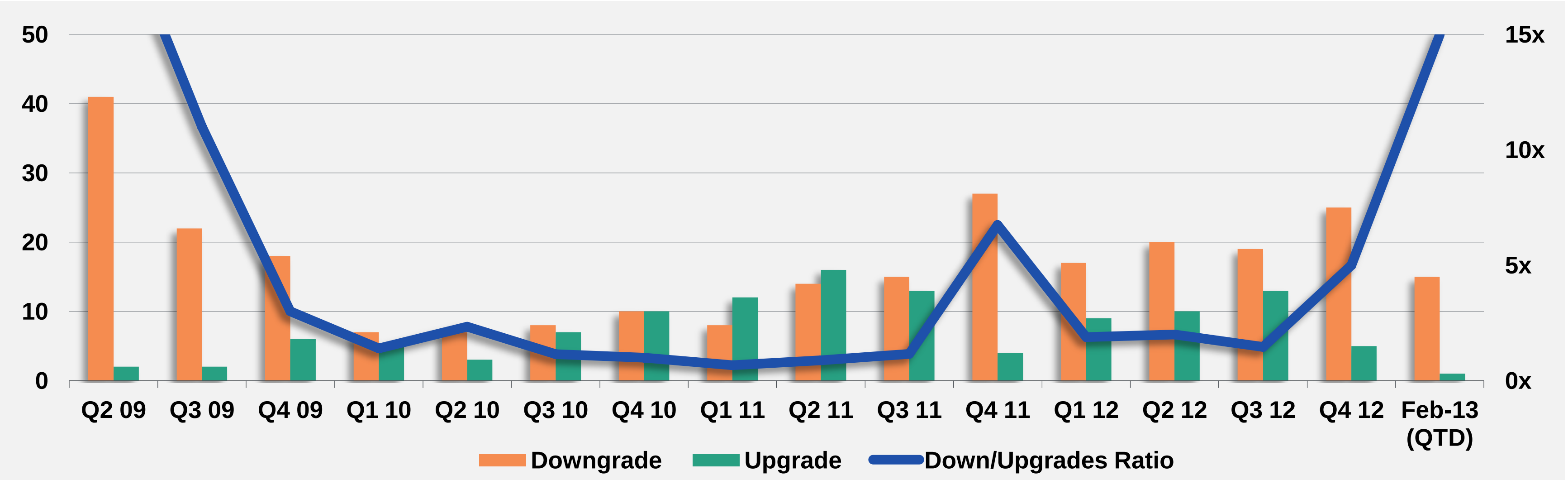




» Operating cash flow and free cash flow remain under pressure

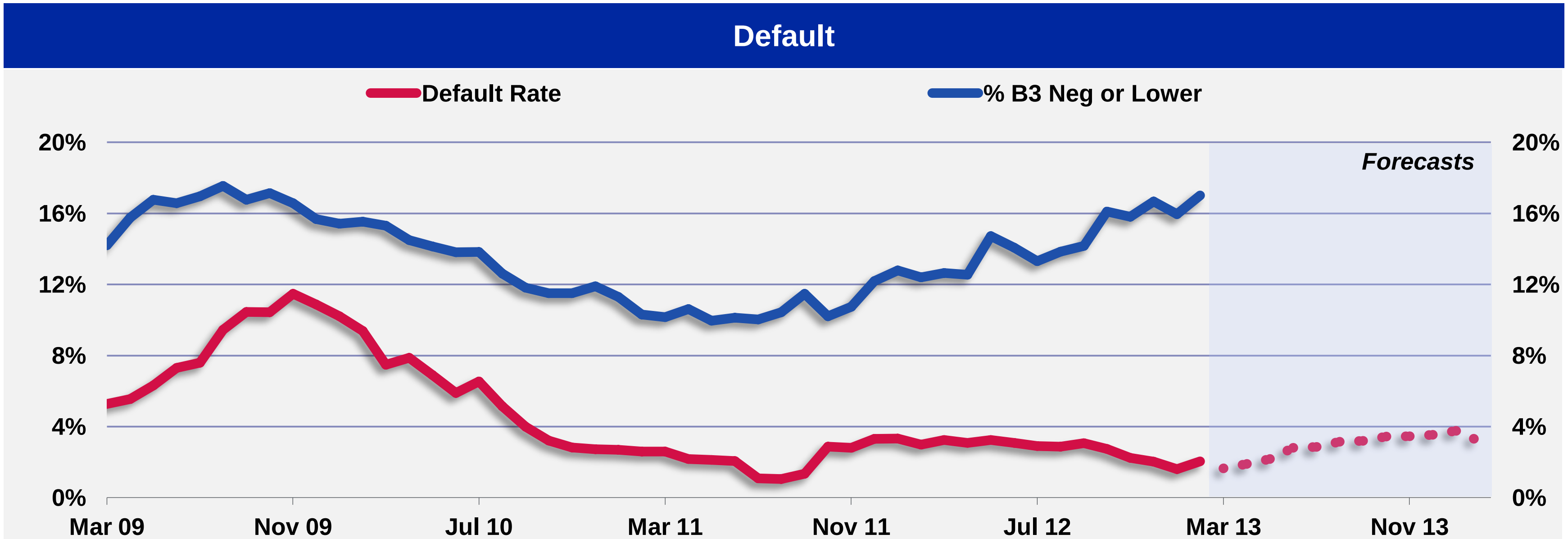
Rating downgrade trend continues

Speculative-grade downgrade and upgrade trends



» Steady downgrade trend from mid-2011 reflects operational weaknesses across Europe

Low default %, but weakening credit quality

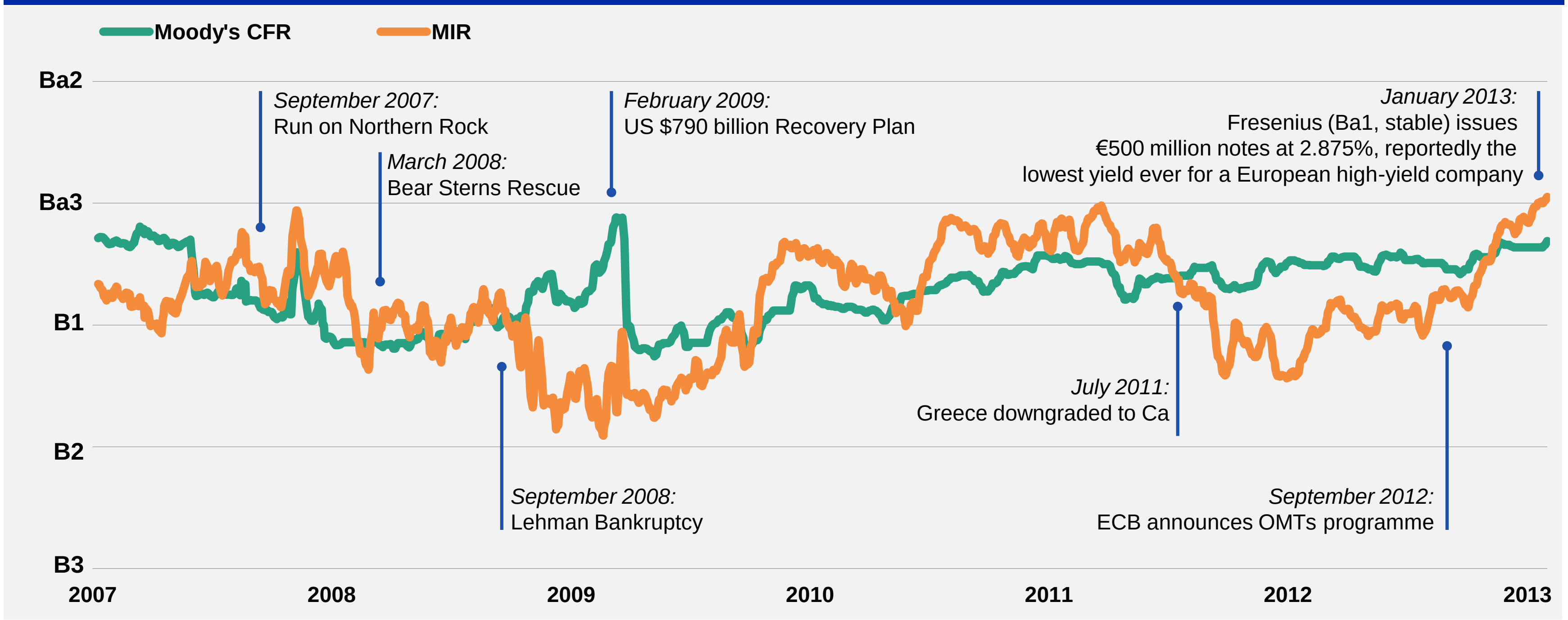


- Strong focus on liquidity management, helped by accommodating high-yield markets and ultra-low interest rates, keeping default rate below historical average
- Credit stress shown in % of B3 negative and lower

Moody's Investors Service

Moody's credit assessment is decoupling from the Market's

Moody's Ratings versus Market Implied Rating

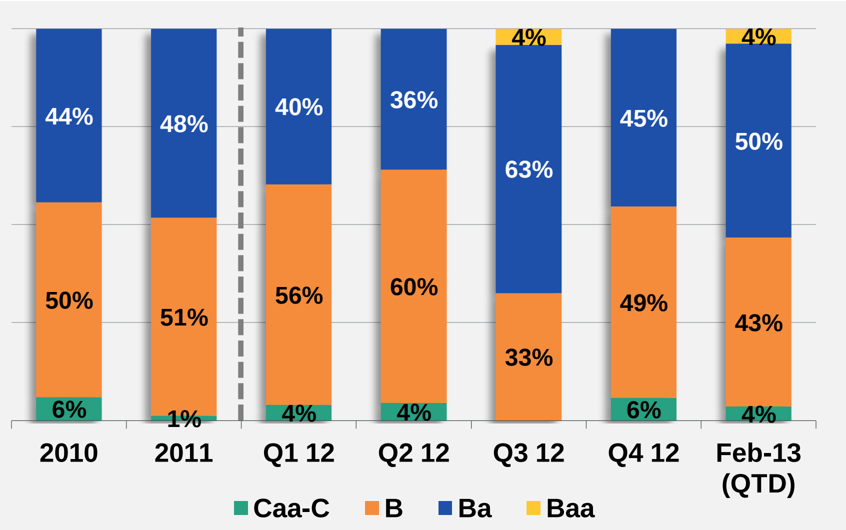


» Average European non-financial, high-yield corporate Moody's Rating (CFR) is B1

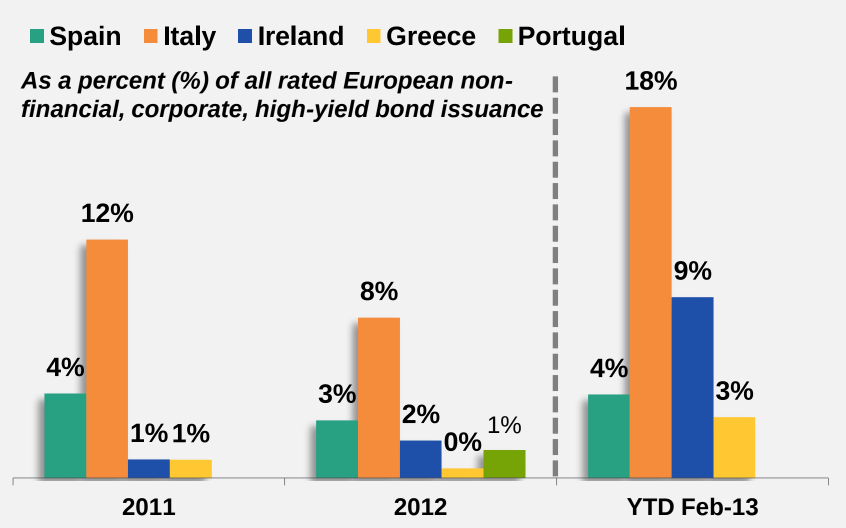
» Average Market Implied Rating for the same is Ba3

Ongoing hunt for yield

High-yield bond issuance by CFR



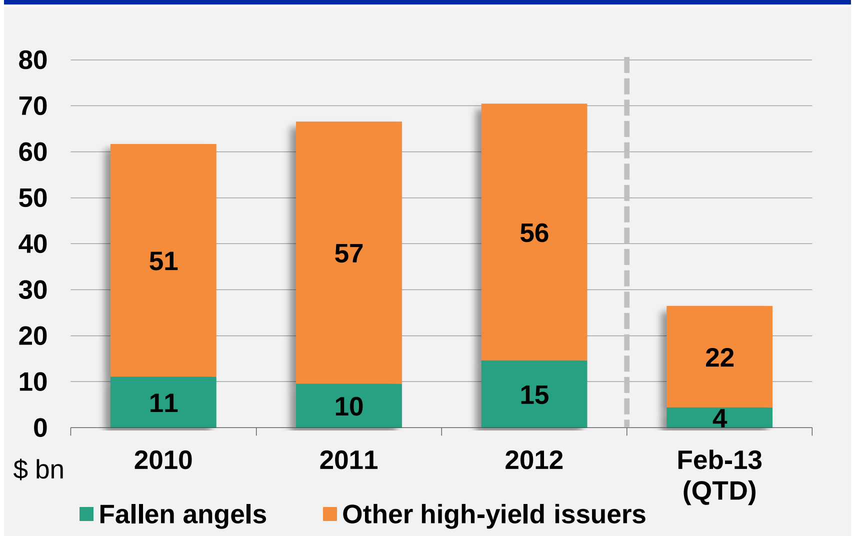
Strong appetite for Euro periphery risk



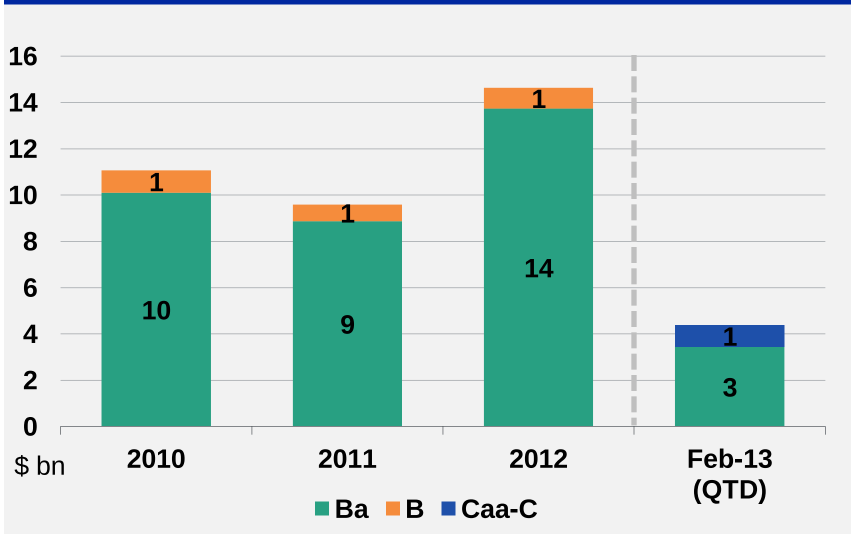
- Recent higher issuance from the periphery and weakly positioned ratings (B and below)
- Strong high-yield market helping to support some weaker companies, many of which would have already failed and restructured their debt in previous economic downturns

Increasing influence of fallen angels

HY bond issuance: Fallen Angels vs. Other HY



Issuance from fallen angels by CFR



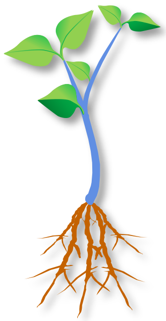
- » Increased share of issuance from fallen angels (20% in 2012 vs. 15% in 2011)
- » Fallen angels are mostly rated Ba, LBOs mostly in B category
- » Lower CFR for LBOs reflects weaker credit metrics (higher leverage)
- » Clear distinction in covenant quality compared to LBOs

Looking forward in 2013

- Weakening documentation
- Prospects for additional CLO issuance following Cairn?
- Renewed M&A activity?
- Rate risk?
- Ongoing euro area political events…

European High-Yield: Will the Good Times Continue?

- Supply: will continue to grow
  - Refinancing needs will continue
  - Banks are not there
  - CLO is not there



- Demand: appetite is currently strong, future unclear
  - Creditworthiness is weakening
  - Risk adjusted returns are compressing
  - However the hunt for yield continues

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Money Market Funds

In the Midst of the Storm

VANESSA ROBERT – VICE PRESIDENT - SENIOR CREDIT OFFICER

APRIL 2013

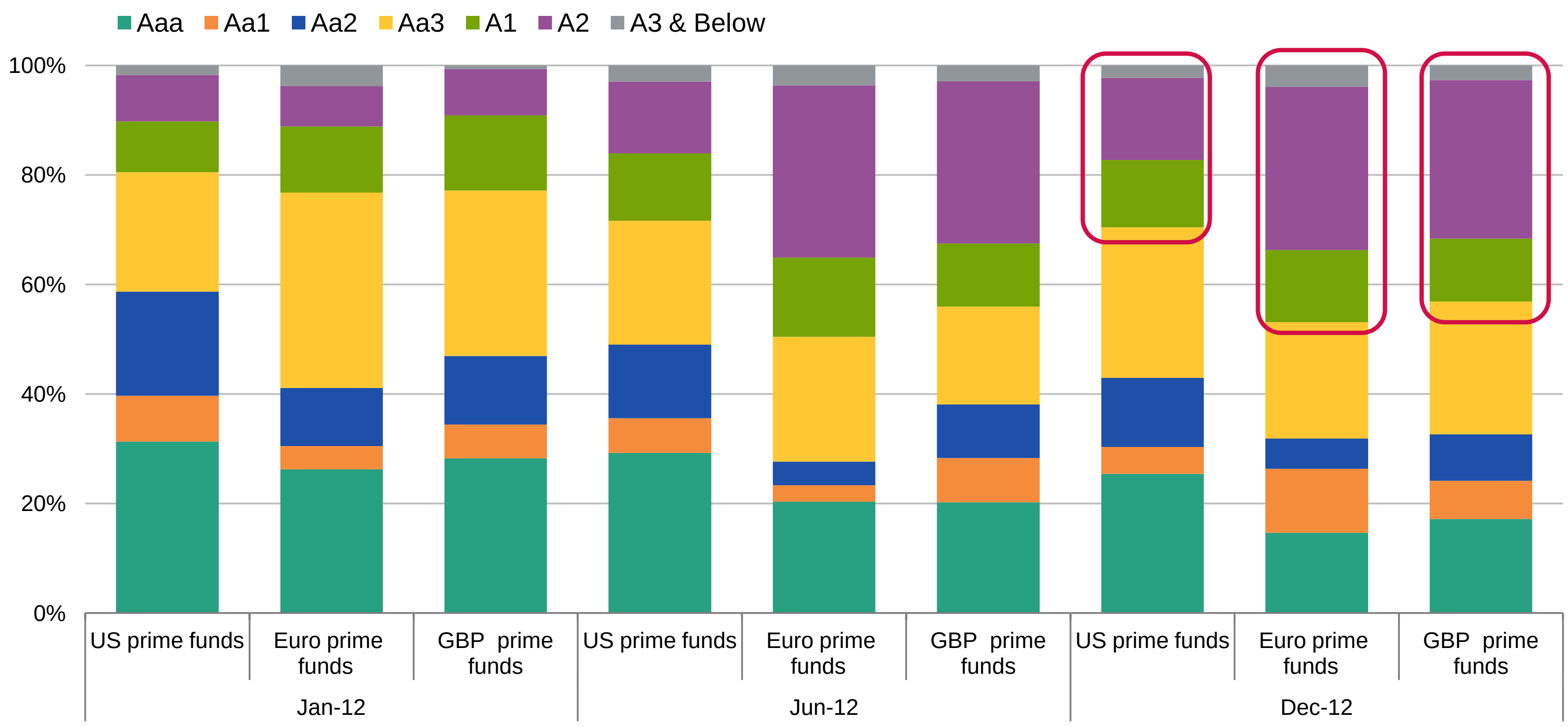
Agenda

1. **Negative Credit Trends**
2. **Sustained Low Short-Term Interest Rates**
3. **Liquidity**
4. **Pending Global Regulatory Reforms**

1 Negative Credit Trends

Credit Profile Deteriorated in 2012…

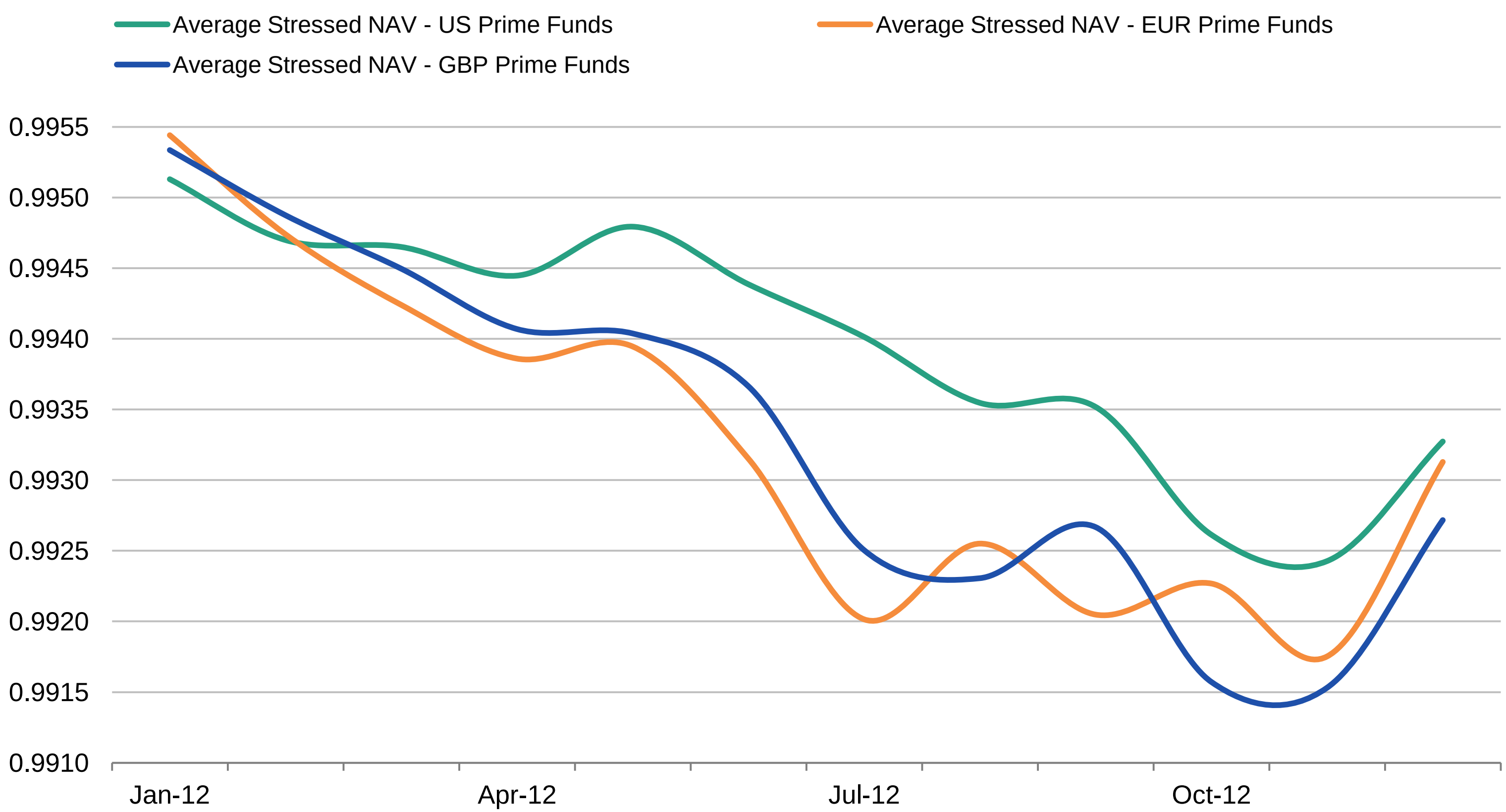
Moody's Rated Prime Fund Portfolio Credit Profile



Source: Moody's Investors Service

…and So Did the Sensitivity to Market Risk

Moody's Rated Prime Fund NAV Stress Test



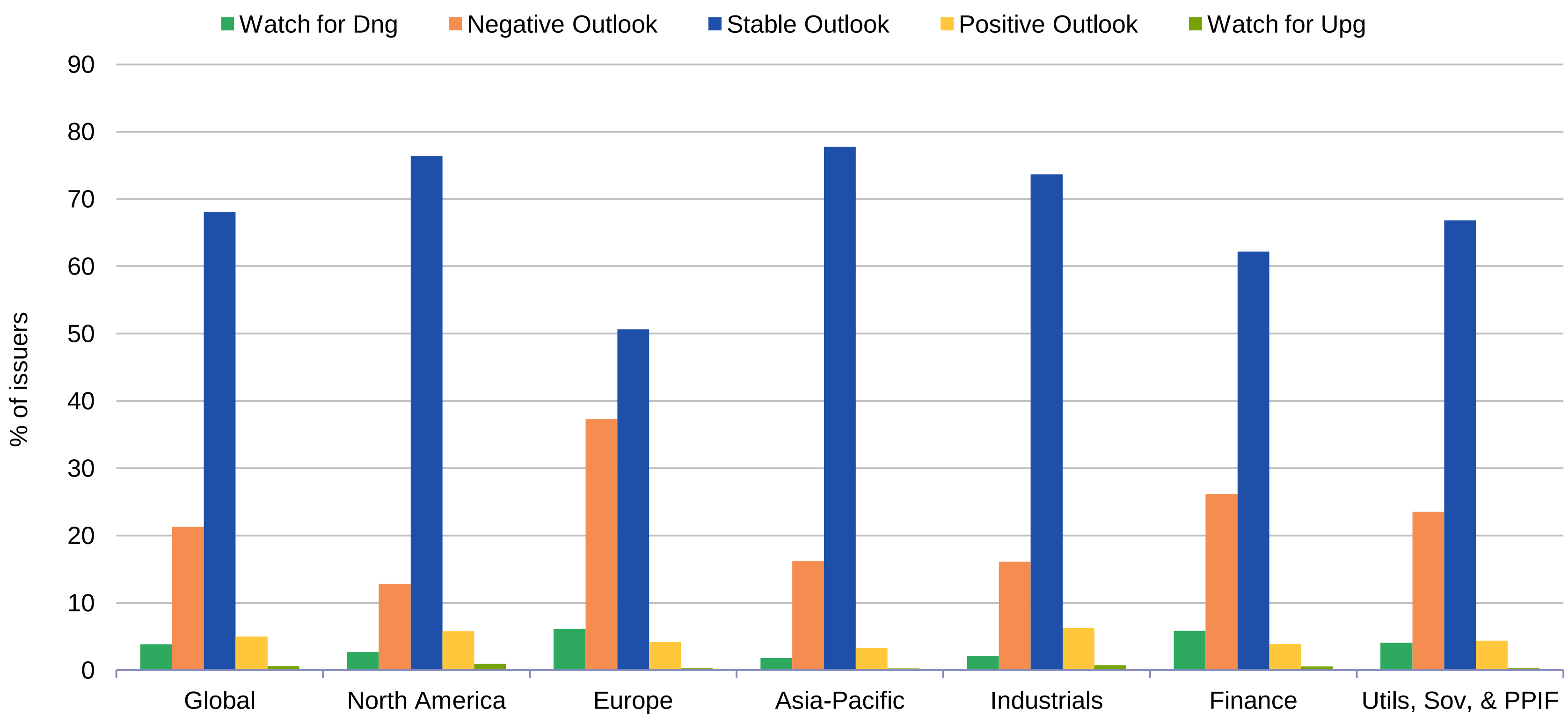
Source: Moody's Investors Service

Key sovereign and banking system ratings and outlooks*

COUNTRY	GOVERNMENT BOND RATINGS LOCAL CURRENCY	OUTLOOK	BANKING SYSTEM RATINGS LOCAL CURRENCY	OUTLOOK
Australia	Aaa	Stable	Aa2	Stable
Canada	Aaa	Stable	A1	NA
France	Aa1	Negative	A2	Negative
Germany	Aaa	Negative	A3	Negative
Japan	Aa3	Stable	A1	Stable
Netherlands	Aaa	Negative	A1	Negative
Norway	Aaa	Stable	A1	Negative
Singapore	Aaa	Stable	Aa1	Stable
Sweden	Aaa	Stable	A1	Stable
Switzerland	Aaa	Stable	A1	Stable
United Kingdom	Aa1	Stable	A2	Negative
United States	Aaa	Negative	A2	Negative

Source: Moody's Investors Service
*as of 4 March 2013

Number of issuers on review for possible downgrade and upgrade

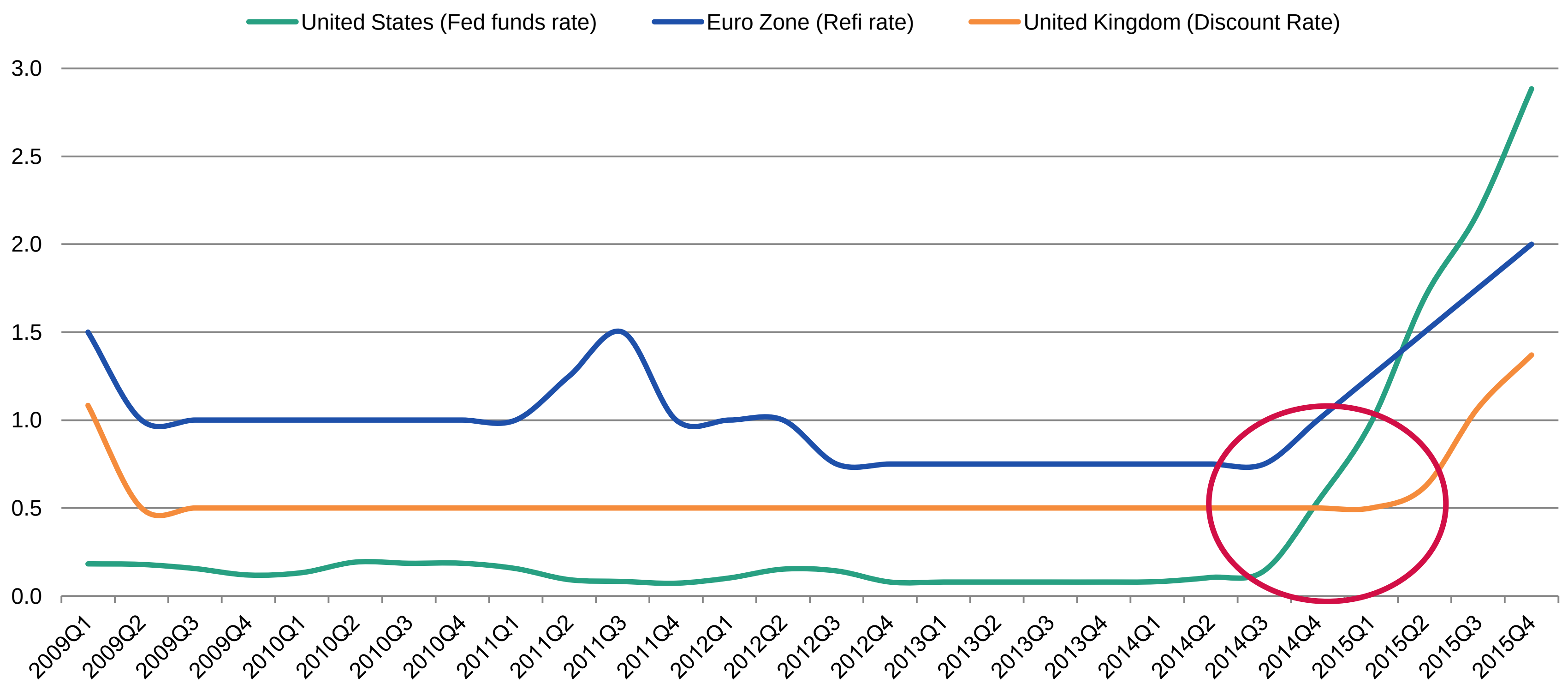


Source: Moody's Investors Service

2

Sustained Low Short-Term Interest Rates

Low Interest Rates Environment to Persist through End of 2014



Source: Moody's Analytics

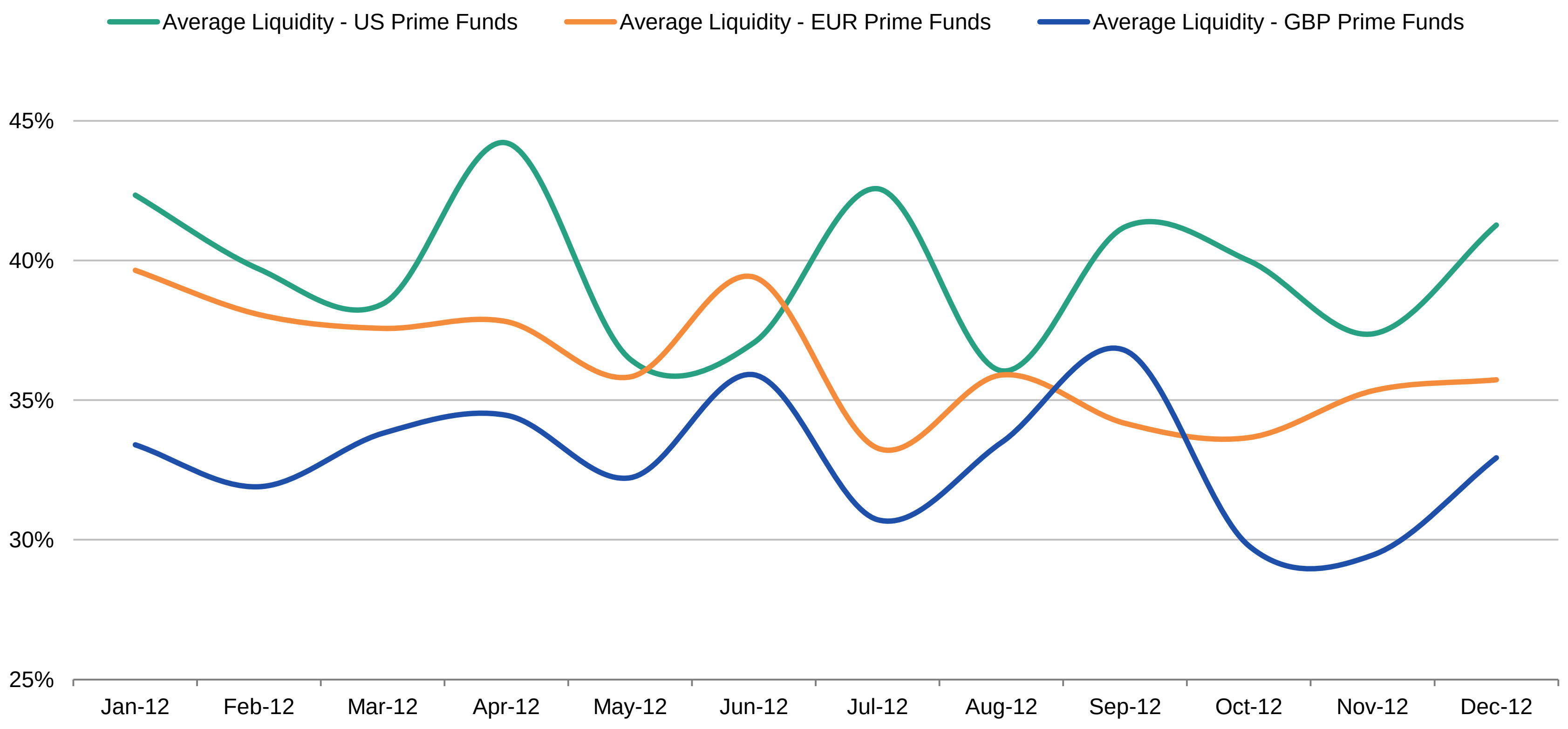
Alternative Scenarios in a Low-to-Negative Interest Rate Environment

INTEREST RATES	POTENTIAL IMPACT
No change: Zero to 25 bps	» Status quo maintained
Rates trend lower: Zero rates	» WAM/WAL extensions within limits » Some funds discontinue operations » Some funds, in particular Treasury funds, close to new investor » Fee waivers/ reimbursements increase » Some AUM declines
Rates trend lower: Negative rates	» As above, and in addition: » Cash on balance sheet of custodian banks tick up » Smaller/medium sized firms that offer MMFs exit business » Changes to the structure of MMFs » AUM declines in favor of alternative liquidity products

Source: Moody's Investors Service

3 Liquidity

Liquidity Remains Strong



Source: Moody's Investors Service

4 Pending Regulatory Reforms

Key Timeline of Money Market Fund Reforms

INITIATIVE	REGION	TIMEFRAME
Institutional Money Market Fund Association (IMMFA) Code of Practice Amended	Europe	Dec-2009
US Securities and Exchange Commission (SEC) Money Market Fund (MMF) Reform Rules Effective	US	May-2010
Committee of European Securities Regulators (CESR) Proposes Definitions for MMFs	Europe	May-2010
President's Working Group on Financial Markets Releases Paper on MMF Reform	US	Oct-2010
French Autorité des Marchés Financiers favours ban on CNAV	Europe	May-2011
Financial Stability Board (FSB) publishes initial recommendations for MMF reform	International	Oct-2011
SEC cancels its vote on MMF Reform Proposals due to majority opposition	US	Aug-2012
Tim Geithner urges Financial Stability Oversight Council (FSOC) to consider less onerous MMF reform alternatives	US	Sep-2012
International Organization of Securities Commissions (IOSCO) issues its MMF reform recommendations	International	Oct-2012
SEC publishes study analyzing effectiveness of its 2010 reforms	US	Nov-2012
FSOC Publishes Proposed Consultation for MMF reform	US	Nov-2012
FSB endorses IOSCO recommendations	International	Nov-2012
SEC commissioners publicly state additional reforms necessary	US	Nov-12 - Jan-13
FSOC Extends Comment Period on MMF Reform Proposal	US	Jan-2013
Federal Reserve Presidents Support FSOC proposal	US	Feb-2013
FSOC Comment Period Ends	US	Feb-2013
SEC Expected to Publish Proposed Rules	US	By March 31, 2013
European Commission (EC) requested to deliver interim report on first stage implementation of proposals	Europe	Jun-2013
FSB Final Recommendations on Shadow Banking due	International	Sep-2013
EC requested to deliver interim report on second stage implementation of proposals	Europe	Jun-2014

Source: Moody's Investors Service

Money Market Fund Regulatory Reforms

FSOC RECOMMENDATIONS

- Floating rate NAV
- 1% risk adjusted capital buffer + holdback provision
- 3% risk adjusted capital buffer

• Fund credit and stability profiles strengthened
• Reduction in AUM and reallocation of assets to Treasury and government agency funds if these are carved out
• AUM levels not as severely impacted if reforms are accompanied by tax and accounting relief

MMF INDUSTRY FEEDBACK

- Gates
- Liquidity fees
- Limit application to selected fund types

• Limited if any impact on fund credit and stability profiles
• Limited if any impact on industry AUM

EUROPEAN SYSTEMIC RISK BOARD (ESRB) RECOMMENDATIONS

- Variable NAV
- Liquidity requirements
- Public disclosure
- Reporting and information sharing

• Some positive impact on fund stability profile but limited if any impact on fund credit profile
• Reduction in AUM and likely reallocation of assets to banks, individual securities, separate accounts, and other investment vehicles
• AUM levels not as severely impacted if reforms are accompanied by tax and accounting relief

Moody's Investors Service

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Managed Investments Group's Website
www.moodys.com/managedinvestments

Money Market Funds Panel: Product Transformation On the Horizon?

Susan Hindle Barone, Secretary General, IMMFA
Michael Cha, Executive Director, Morgan Stanley
Greg Readings, Client Executive, Arlingclose
Yaron Ernst, Managing Director, Moody's Investors Service (moderator)

APRIL 2013

Potential Outcomes

Development	Potential outcomes
Persistent low short-term rates	
Negative rates	
Regulation requires floating NAVs	
Regulation requires capital buffers and min balance at risk	
Intensified credit deterioration of sovereigns/banks	
EU crisis	

Note: Developments may unfold individually or in combination.

Potential Outcomes

Development	Potential outcomes
Persistent low short-term rates	- Continued fee waivers and closing for subscriptions - Fund closures and industry consolidation - WAM/WAL extension - Credit selection migrate downwards - NAVs being challenged current state
Negative rates	
Regulation Requires Floating NAVs	
Capital buffers and min balance at risk	
Intensified credit deterioration of sovereigns/banks	
EU crisis	

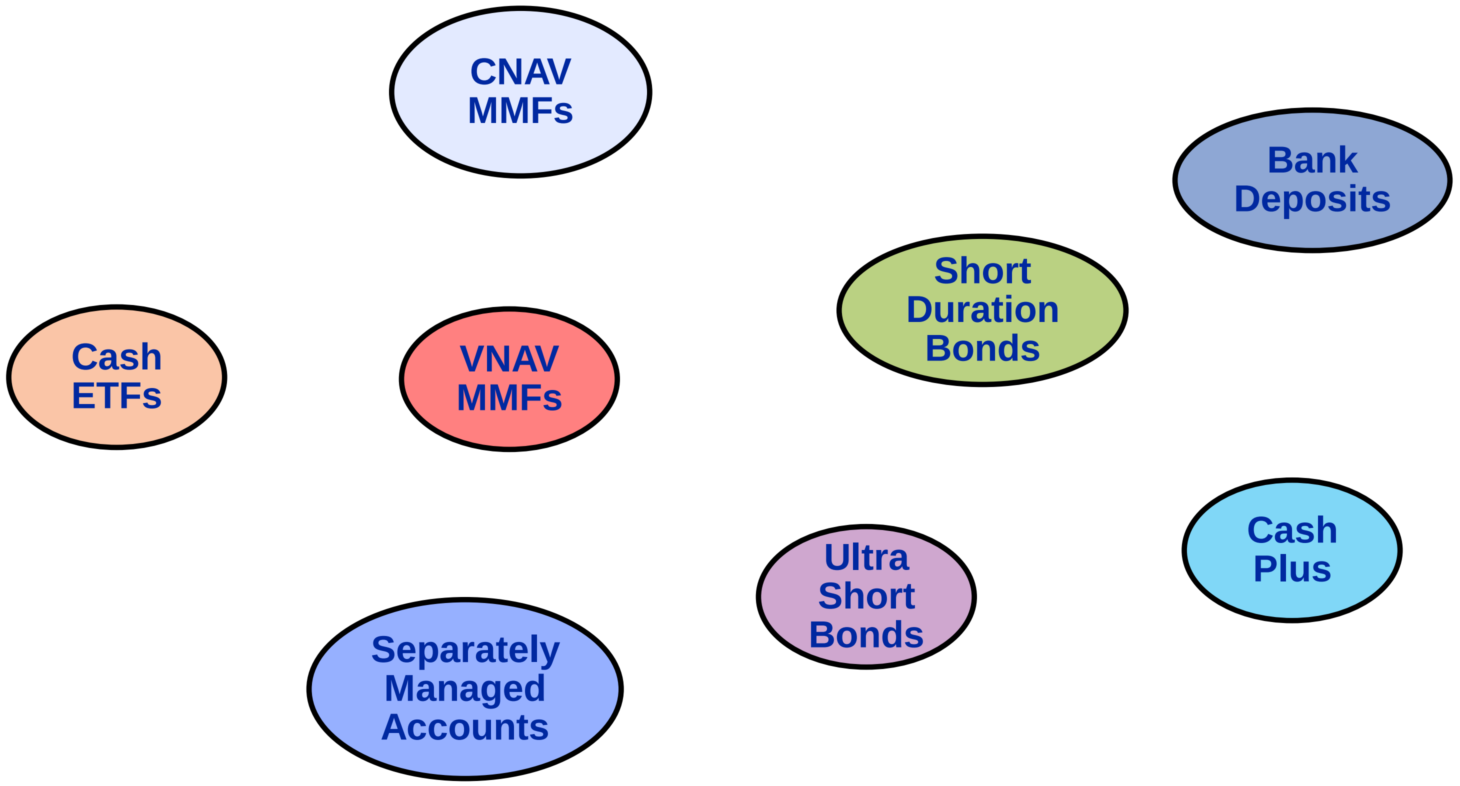
Note: Developments may unfold individually or in combination.

Potential Outcomes

Development	Potential outcomes
Persistent low short-term rates	- Continued fee waivers and closing for subscriptions - Fund closures and industry consolidation - WAM/WAL extension - Credit selection migrate downwards - NAVs being challenged
Negative rates	**Product** ➢ Reverse share split and reduced shares become mainstream ➢ Shift to VNAV; Treasury/Gov't funds potentially preserve CNAV ➢ Product transformation ➢ Alternative short-term cash product proliferation ➢ Regional differences amplified
Regulation Requires Floating NAVs	
Capital buffers and min balance at risk	
Intensified credit deterioration of sovereigns/banks	
EU crisis	

Note: Developments may unfold individually or in combination.

Cash Product Landscape



Potential Outcomes

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Manager
➢ Funds levy external fees/charges
➢ Increased portfolio concentration
➢ Barbell strategies intensified
➢ Business model challenged; Industry consolidation
➢ MMFs become ancillary service for other profitable products</td></tr>
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➢ Business model challenged; Industry consolidation
➢ MMFs become ancillary service for other profitable products

Investor
➢ Investors grapple with (1) whether to switch product, and (2) tax and accounting treatment
➢ Increased investor flows
➢ Potential runs on banks and/or MMFs in extreme scenarios</td></tr>
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