

Floating NAV (FNAV) prime funds: still a compelling option for liquidity investors

Replicating the operational benefits of stable NAV prime funds

On October 14, 2016, the two most significant reforms introduced by the Securities and Exchange Commission (SEC) for institutional prime money market funds (MMFs) came into effect: the option to introduce gates and fees, and the obligation to transact at FNAV.

WHAT HAS CHANGED?

Prime MMF boards can now opt to impose liquidity fees and redemption gates, but only if they believe it is in the best interests of their funds—and only if weekly liquid assets (WLA) fall below 30%. Additionally, institutional prime and municipal MMFs must transact at FNAV. For liquidity investors—and retail clients, in particular—these new requirements have acted as a barrier to investment, driving assets out of prime and into government funds.

SO WHAT'S THE RELATIVE IMPACT ON PRIME AND GOVERNMENT MMFS?

Very little has actually changed. From an operational point of view, prime MMFs remain as easy to use as their government counterparts: they still offer the same easy access, flexible trading and multiple T+0 settlements per day. Crucially, NAV volatility remains reassuringly benign in the wake of the move to FNAV.

It's also worth remembering that neither the boards of prime nor government MMFs are under any obligation to impose fees and gates on their funds.

MULTIPLE NAV STRIKES AND SETTLEMENT CYCLES PER DAY

INTRA-DAY NAV STRIKES AND SAMPLE SETTLEMENT CYCLE FOR JPMORGAN PRIME MONEY MARKET FUND		
MORNING NAV 8 AM ET	MID-DAY NAV NOON ET	END-OF-DAY NAV 3 PM ET
		
SAMPLE SETTLEMENT CYCLE		
Place trade at	Transact at	if redemption
9:00 AM	12:00 PM NAV	would typically receive cash prior to 2:00 PM
1:00 PM	3:00 PM NAV	would typically receive cash prior to 5:00 PM
5:00 PM	8:00 AM NAV	would typically receive cash as soon as 9:30 AM
<ul style="list-style-type: none"> • An investor will receive the price calculated at the next NAV strike after placing a trade • A dividend will only be paid to investors that remain invested in the fund overnight 		

Source: Per the supplement to the registration statements for the JPMorgan Money Market Funds filed with the SEC on March 2, 2016, effective on or about October 1, 2016, the NAV of each class of shares of the JPMorgan Prime MMF will ordinarily be calculated as of 8:00 AM, 12:00 PM and 3:00 PM ET on each day the Fund accepts purchases and redemptions. Intraday wires are not guaranteed. Payment of the redemption proceeds generally will be made on the Business Day that the redemption is effective, although there can be no assurances that redemption proceeds will be paid on such day.

THE JPMORGAN PRIME MONEY MARKET FUND:

KEY FEATURES

- T+0 settlement
- 3 PM ET dealing deadline
- Multiple ways to trade: by phone, fax, third-party portal or via the Global Cash Portal—our proprietary platform
- Intraday NAV strikes at 8 AM, 12 PM and 3 PM ET
- Three settlement cycles per day (as shown in Exhibit 1)

TRANSPARENT NAV

- Easy access to most recent and current day's NAV strikes via www.jpmsgloballiquidity.com, the Global Cash Portal or email blast produced three times per day
- Rolling six-month historic share class and fund-level NAV via our website

TAX TREATMENT AND ENHANCED REPORTING

- FNAV prime funds treated as **cash and cash equivalent** by IRS
- Monthly client statement provides data inputs needed to book aggregated gain/loss on shares of FNAV MMF

BUILDING THE RIGHT CASH STRATEGY WITH J.P. MORGAN

Rigorous credit and risk management, combined with access to J.P. Morgan's global resources and expertise, help us to deliver the most effective short-term fixed income solutions for our clients.

Global coordination, lasting partnerships

- Harness the power of our research-driven, globally coordinated investment process, led by our dedicated team of liquidity professionals.
- Make investment decisions based on actionable insights from our senior investors, and build portfolios based on the output of proprietary benchmarking tools.
- Select from a breadth of outcome-oriented solutions designed to help you build the most effective cash strategy.
- Tap into award-winning innovation and success of one of the world's top liquidity fund managers, with over 30 years of demonstrated results across market cycles.

NEXT STEPS

For further information, please contact your client advisor.

Visit our website for additional insight www.jpmgloballiquidity.com

Contact JPMorgan Distribution Services at 1-800-766-7722 for a Fund prospectus. You can also visit us at www.jpmorganfunds.com. Investors should carefully consider the investment objectives and risks as well as charges and expenses of the mutual fund before investing. The prospectus contains this and other information about the mutual fund. Read the prospectus carefully before investing.

You could lose money by investing in the Fund. Because the share price of the Fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time. Any gain resulting from the sale or exchange of Fund shares will be taxable as long-term or short-term gain, depending upon how long you have held your shares.

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