

# Amendments to “Dist” Share Classes in JPMorgan Liquidity Funds - GBP Liquidity LVNAV Fund

13 July 2021

## Background

To prepare for operating in a negative GBP interest rate environment, the Prospectus of JPMorgan Liquidity Funds has been updated to allow changes to be made to the “Dist” share classes’ distribution policy if such circumstances arise.

## How do the “Dist” share classes work today?

Currently, all, or a substantial amount, of the net investment income is declared daily as a dividend and distributed to investors on a monthly basis.

How will they work in a negative interest environment?

If net investment income is negative, no distribution will take place and the negative net investment income will be accrued and reflected in the net asset value per share, which will decline over time.

## FREQUENTLY ASKED QUESTIONS

### How will this happen?

If circumstances arise requiring us to make these changes to the “Dist” share classes, an advance notice will be issued to the relevant Shareholders. A redenomination to allow the shares to behave as accumulating shares and accrue the negative net investment income will take place. If such a redenomination is implemented, the nominal value of each share in your share class will change from £1.00 to £10,000.00, and the shares will behave as accumulating shares by accruing and reflecting the negative net investment income in the Net Asset Value Per Share, which will, as a consequence, decline over time.

For example, if an investor holds 9,687,000.000 shares at £1.00 per share at the conversion date, that investor will hold 968.700 shares at £10,000.00 per share the day following the conversion.

The NAV per share will be published to two decimal places.

Share class ISIN codes and transfer agent codes will remain the same.

### Will same-day settlement still be available on the Dist share classes?

Same-day settlement will still be available. There will be two dealing cut-offs per day, at 10:00am and 1:00pm London time, and redemption payment will be initiated approximately two hours after this.

## WHAT STAYS THE SAME?

- The share classes will continue to be called “Dist” share classes.
- The fund name will not change and it will remain a Low Volatility Net Asset Value (LVNAV) structure
- The “Dist” share classes will continue to provide same day (t+0) liquidity.
- Share class ISIN codes and transfer agent (TA) codes will remain the same.
- When the net yield is positive, the “Dist” share class will distribute net income daily.

## WHAT IS CHANGING?

- When the net yield is negative, the “Dist” share class will behave in a manner similar to the accumulating (acc) share classes in the fund, and the negative net yield will cause the NAV per share to fall.
- The dealing cut-off time will change from 1:30pm to 1:00pm London time.
- The nominal value per share of the “Dist” share classes will be redenominated from £1.00 to £10,000.00

## WHEN WILL THE CHANGES OCCUR?

- If they need to occur, the changes will be implemented over a weekend of a date yet to be determined, and communicated in advance to investors. The changes will be effective on the following Monday.

### **What do investors in the “Dist” share classes need to do?**

For investors who are comfortable with the changes being made to the Prospectus, no action needs to be taken at this time. If circumstances arise requiring us to make these changes to the “Dist” share classes, a notice will be sent in advance, explaining the changes that are being made and setting out investors’ options. As these changes might have tax implications, investors may wish to speak to their tax or financial advisors. We expect to give at least 30 days prior notice.

### **How will each investor know how many shares they have after conversion?**

Each investor will receive a contract note confirming their new share balance.

### **What will happen to the existing accumulating (“acc”) share classes?**

The accumulating share classes will continue to operate as they have previously - they will not pay out a distribution and will continue to settle on t+1. In a positive yield environment, the NAV per share of these share classes will trend upwards (accumulate), and in a negative yield environment, the NAV per share of these share classes will trend downwards (decumulate). The dealing cut-off time will change to 1:00pm London time.

### **What will happen to the historical performance of the “Dist” share classes?**

We will continue to calculate and publish an income yield on a daily basis.

### **Will there be changes to the rounding of shares?**

No, the number of shares held by investors in the Dist share classes will continue to be rounded to three decimal places.

### **Will the 20 basis points (bps) threshold for monitoring the NAV of an LVNAV MMF still apply?**

Yes, the fund continues to operate as an LVNAV MMF. Therefore, the rules for the valuation of an LVNAV MMF remain in place. The portfolio’s holdings that have a residual maturity of up to 75 days will continue to be valued using the amortised cost methodology, provided the price of that asset calculated with the amortised cost method does not deviate from its mark-to-market price by more than 10 bps. Instruments longer than 75 days will be valued using mark-to-market pricing. In the event that the 20 bps fund-level threshold is exceeded, the entire portfolio will be valued at mark-to-market; however, this will not impact the way in which investors deal in the fund, and the NAV per share will continue to be rounded to two decimal places. The mark-to-market deviation will continue to be published daily on the website [www.jpmmgloballiquidity.com](http://www.jpmmgloballiquidity.com).

### **Will subscriptions and redemptions be accepted in both cash amount and number of shares?**

Subscriptions may only be made in cash amount; however, redemptions may be placed in both cash amount and number of shares.

## **NEXT STEPS**

For further information, please contact your J.P. Morgan Global Liquidity Client Advisor or Client Services Representative at:

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