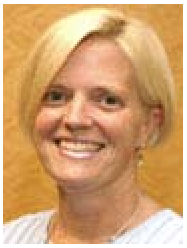
BNY MELLON
CASH INVESTMENT STRATEGIES

Market Commentary



Liquid Products Commentary

Provided by Senior Portfolio Manager
Patricia Loughran
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Money market investing was relatively uneventful during the month of February. London Interbank Offered Rates were basically unchanged at 0.26%, 0.30%, and 0.79% for one month, three month, and one year fixings, respectively. Although commercial paper outstandings increased slightly during the month, the story continues that supply is inadequate to meet demand. As a result, interest rates remain at depressed levels, with very little incentive for investors to reach further out along the money market curve. There was, however, additional floating rate issuance, especially in one year maturities, that attracted investors to extend credit while keeping interest rate risk low.

There was not a Federal Open Market Committee (FOMC) meeting during February. A mixed bag of economic reports throughout the month, coupled with unrest in Egypt, followed by Libya, led to volatility in the Treasury curve. The two-year Treasury traded in a range of 0.61%-0.85%, closing the month out at 0.68%.

Several efforts to reduce systemic, intra-day credit risk within money market settlements have come to the forefront. Tri-party repo reform will require a unified, three-way trade confirmation process for all market participants. In addition, a single settlement window will be implemented, where the unwinding of trades will move from beginning of day to end of day. These, as well as other changes, will be phased in throughout 2011. Also of note, the Money Market Instruments Blue Sky Taskforce released a paper outlining their proposal to reduce risk within the settlement of certain money market instruments through the Depository Trust Company (DTC). This may move settlement cut-off times that are currently in place to earlier in the day. However, it is our understanding that any changes to these times would be internal to DTC and should not affect investors. We are closely following all of these changes to ensure that we are prepared for any effect that they may have on our processes.

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