MONEY MARKET FUND GLOSSARY

1-day SEC yield: The calculation is similar to the 7-day Yield, only covering a one day time frame. To calculate the 1-day yield, take the net interest income earned by the fund over the prior day and subtract the daily management fee, then divide that amount by the average size of the fund's investments over the prior day, and then multiply by 365. Many market participates can use the 30-day Yield to benchmark money market fund performance over monthly time periods.

7-Day Net Yield: Based on the average net income per share for the seven days ended on the date of calculation, Daily Dividend Factor and the offering price on that date. Also known as the, “SEC Yield.” The 7-day Yield is an industry standard performance benchmark, measuring the performance of money market mutual funds regulated under the SEC’s Rule 2a-7. The calculation is performed as follows: take the net interest income earned by the fund over the last 7 days and subtract 7 days of management fees, then divide that amount by the average size of the fund's investments over the same 7 days, and then multiply by 365/7. Many market participates can use the 7-day Yield to calculate an approximation of interest likely to be earned in a money market fund—take the 7-day Yield, multiply by the amount invested, divide by the number of days in the year, and then multiply by the number of days in question. For example, if an investor has $1,000,000 invested for 30 days at a 7-day Yield of 2%, then: (0.02 x $1,000,000) / 365 = $54.79 per day.

7-Day Effective Yield: Based on the 7-day net yield and is then compounded and annualized.

30-day Yield: Also known as "SEC Yield". Calculated by dividing the net investment income per share for the 30 days ended on the date of calculation by the offering price per share on that date. The figure is compounded and annualized. The calculation is similar to the 7-day Yield, only covering a longer 30-day time frame. To calculate the 30-day yield, take the net interest income earned by the fund over the last 30 days and subtract 30 days of management fees, then divide that amount by the average size of the fund's investments over the same 30 days, and then multiply by 365/30. Many market participates can use the 30-day Yield to benchmark money market fund performance over monthly time periods.

Amortized Cost: A money market fund method of valuation where the fund values its portfolio securities by reference to their acquisition-cost as adjusted for amortization of premium or accretion of discount.

Asset-Backed Commercial Paper: Short-term debt that is backed by physical assets, such as cash flows from receivables. Asset-backed commercial paper is issued by a financial institution and typically has a maturity of three to six months.

Auction Rate Security (ARS): A debt security in which the interest rate is reset through a Dutch auction. The ARS is sold at an interest rate that will clear the market at the lowest yield possible. This ensures that all bidders on an ARS receive the same yield on the debit issue.

Basis Point: One one-hundredths of a percentage point. This term is often used in describing changes in interest rates. For example, if a money market fund’s yield increases from 2.25% to 2.50%, it has moved up 25 basis points.

Bond: A debt security issued by a company, municipality, or government agency. The bond issuer promises to pay the bond holder a stated rate of interest up to the date of maturity, when the issuer promises to repay the principal.

Bond Terms: A short-term bond matures in less than 2 years; an intermediate-term bond matures in 2-10 years; a long-term bond matures in more than 10 years.

Breaking a Buck: A money market fund is said to "break the buck" when its NAV falls below $1.00 per share.

Callable: An option that allows a bond issuer to recall a bond before its maturity date.

Capital Growth: An increase in the market value of a fund's securities which is reflected in the value of the fund's shares. This is a specific long-term objective of many mutual funds.

Certificate of Deposit (CD): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, has a specified fixed interest rate, and can be issued in any denomination. CDs are generally issued by commercial banks and are currently insured by the FDIC up to a maximum of $250,000. The term of a CD generally ranges from one month to five years.

Closing Price: The price of a security at the end of the day, after the final trade.

Commercial Paper: Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Issuers like commercial paper because the maturities are flexible and because the rates are usually marginally lower than bank rates. Investors—actually lenders, since commercial paper is a form of debt—like the flexibility and safety of an instrument that is issued only by top-rated concerns and is nearly always backed by bank lines of credit.

Coupon: The annual rate of interest on a bond's face value that the bond's issuer promises to pay the bondholder.

Credit Analysis: Process of analyzing the record and financial affairs of an individual or a corporation to ascertain creditworthiness, or determining the credit ratings of corporate and municipal bonds by studying the financial condition and trends of the issuers.

Credit Crisis: Term referring to the current global economic situation, beginning as far back as 2005 with U.S. interest rates rising, creating the sub-prime crisis in the housing market. It describes a severe shortage of money or credit.

Current Income: Interest income expressed as a percentage of share price net asset value (NAV).

Credit Quality Ratings: The ratings agencies that provided the ratings are Standard and Poor's, Moody's, and Fitch. When ratings vary, the highest rating is used. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings BB and below are lower-rated securities ("junk bonds"); and credit ratings of CCC or below have high default risk.

Custodian: An organization, usually a bank, which holds in custody and safekeeping the securities and other assets of a mutual fund.

Daily Liquid Assets: Assets that include (i) cash; (ii) direct obligations of the U.S. Government; (iii) securities that will mature or are subject to a demand feature that is exercisable and payable within one business day; or (iv) amounts receivable and due unconditionally within one business day on pending sales of portfolio securities.

Dealer: Acts as principal and buys securities from or sells securities to his/her customers.

Default: Failure to pay principal or interest when due.

Direct Obligation: A U.S. government security, such as a Treasury bill, note, or bond that is backed by the full faith and credit of the federal government.

Duration: A measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Eligible Security: Under the 2014 amendments to Rule 2a-7, money market funds may generally invest in Eligible Securities, which include securities issued by another money market fund, government securities or securities with a remaining maturity of 397 days or less and are determined by a fund's board or its delegate to present minimal credit risk.

Federal Reserve System: A system of Federal Reserve Banks in the United States forming 12 districts under the control of the Federal Reserve Board. These banks regulate the extension of credit as well as other banking activities.

Fixed Income: Paying a specified rate of interest income.

Floating NAV Money Market Fund: A money market fund that prices and transacts its shares out to four digits ($1.0000). Shareholders in a floating NAV money market fund may experience a gain or loss if the per-share value of the fund changes by 1/100th of a penny (also known as a basis point). A floating NAV money market fund is required to utilize current market-based prices to value its securities (except as otherwise permitted to value individual portfolio securities with remaining maturities of 60 days or less at amortized cost in accordance with SEC guidance) and to transact at a floating NAV that uses four-decimal place precision ($1.000), rather than utilize amortized cost accounting and transact at a stable $1.00 NAV, as all money market funds were permitted to do prior to October 14, 2016. Institutional Money Market Funds transact at a floating NAV.

Floating Rate Note (FRN): A note with a variable interest rate. The adjustments to the interest rate are usually made every six months and are tied to a certain money market index. Commonly referred to as a "floater."

Government Agencies: Organizations established to conduct specific government business. Securities issued by U.S. government agencies, unlike U.S. Treasuries, are not generally backed by the full faith and credit of the U.S. government.

Government Money Market Funds: Under the 2014 amendments to Rule 2a-7, a money market fund that invests 99.5% of its total assets in cash, government securities or repurchase agreements collateralized by government securities. A government money market is eligible to price and transact at a stable $1.00 NAV and is not subject to liquidity fees and redemption gates. Treasury Money Market Funds fall under this definition.

Inflation: A general rise in prices.

Institutional Money Market Fund: A money market fund that does not qualify as a government or retail money market fund, under the 2014 amendments to Rule 2a-7. An institutional money market fund does not limit investments in the fund to accounts beneficially owned by natural persons. Institutional money market fund shareholders may include individuals, small businesses or large corporations. Institutional money market funds are required to transact at a floating NAV and must adopt policies and procedures to impose liquidity fees and/or redemption gates in the event a fund's weekly liquid assets were to fall below a designated threshold, if the fund's board determines that such liquidity fees or redemption gates are in the best interests of the fund.

Interest Rate Risk: The risk that a bond's price will decrease due to rising interest rates.

Junk Bond: A debt obligation with a rating of Ba or BB or lower, generally paying interest above the return on more highly rated bonds. Junk bonds are also known as high yield bonds.

LIBOR: London Interbank Offered Rate.

LIBOR Rates: Rates that the most creditworthy international banks dealing in Eurodollars charge each other for large loans. The LIBOR rate is usually the base for other large Eurodollar loans to less creditworthy corporate and government borrowers.

Liquidity: Characteristic of a security or commodity with enough units outstanding to allow large transactions without a substantial drop in price.

Liquidity Crisis: Period of short-term or technical insolvency during which persons or organizations cannot pay the due bills and meet other demands or obligations.

Liquidity Fee: Adopted under the 2014 amendments to Rule 2a-7, a money market fund's board may impose a fee of up to 2% on shareholder redemptions if a fund's weekly liquid assets were to fall below thirty percent. If weekly liquid assets were to fall below ten percent, a fund would be required to impose a 1% liquidity fee unless the fund's board determines that a fee is not in the best interests of the fund. The fee would be removed when weekly liquid assets return to thirty percent or when the fund's board determines a liquidity fee is no longer in the best interests of the fund.

Market Value: Portfolio value based on current market factors, as provided by Florida PRIME's custodial bank.

Maturity: Date on which the principal amount of a note, draft, acceptance, bond, or other debt instrument becomes due and payable. Also denotes the termination or due date on which an installment loan must be paid in full.

Minimal Credit Risk: Under the 2014 amendments to Rule 2a-7, a fund's board of directors or its delegate must assess the credit risk of eligible security upon initial investment and on an ongoing basis in accordance with Rule 2a-7. This determination is based on an assessment of an issuer's credit quality, including the capacity of the issuer or guarantor to meet its financial obligations.

Minimum daily liquidity requirement: A money market fund may not acquire any security other than a daily liquid asset if, immediately after the acquisition, the fund would have invested less than ten percent of its total assets in daily liquid assets. This provision does not apply to tax-exempt funds.

Minimum weekly liquidity requirement: A money market fund may not acquire any security other than a weekly liquid asset if, immediately after the acquisition, the fund would have invested less than thirty percent of its total assets in weekly liquid assets.

Money Market Funds: Open-ended mutual fund regulated by Rule 2a-7 that generally may invest in high quality, short term investments which meet the definition of eligible securities under Rule 2a-7 and pays money market rates of distribution to investors.

Municipal Bond: A debt obligation to obtain funds for various public purposes, including the construction of airports, bridges, highways, housing, hospitals, mass transportation, schools, streets, and water and sewer projects. There are general obligation bonds that are secured by the issuer's pledge of good faith, credit, and taxing power for the payment of principal and interest. There are also revenue bonds that are payable only from the revenues derived from a particular facility or from the proceeds of a special excise tax.

Net Asset Value (NAV): A funds' price per share (or unit), calculated by dividing the total market value of all the securities in its portfolio, less any liabilities, by the number of fund shares (units) outstanding.

Net Yields: These are calculated for money market funds and are based on the average daily income dividend and average net asset value for the 7 days, 30 days and 12 months ended. The 7-day net yield annualized yield is based on the average net income per share for the 7 days ended on the date of calculation and the offering price on that date. The 30-day net yield is the annualized average net investment income per share calculated for each of the previous 30 days. The 12-month net yields are based on the average daily income dividend and average net asset value for the 12 months ended. The monthly average net yield is a simple annualized net yield. It differs from the 30-day yield in that it accounts for the actual days in the month which can be 28, 29, 30 or 31 days depending on the number of days in the months and a fund's accounting procedures.

Non-Callable Bond: A bond that cannot be called for redemption by the issuer before its specified maturity date.

Option Adjusted Yield: Expected yield to maturity of a bond or note after adjusting for the probability-weighted impact of an embedded option, usually an issuer's call provision.

Par Value: The principal amount of a bond due at maturity.

Portfolio: All securities held by a fund.

Premium: The amount by which the price of a security exceeds its principal amount.

Prepayment Risk: The risk that falling interest rates will lead to heavy prepayments of mortgage or other loans—forcing the investor to reinvest at lower prevailing rates.

Prime Money Market Funds: Offer the potential for comparatively higher yields with the same attributes of all money funds governed by SEC Rule 2a-7: credit quality, portfolio diversity and daily liquidity at par. Prime funds invest only in high-quality, First or Second Tier money market instruments and—like all 2a-7 regulated funds—have a dollar-weighted average maturity not greater than 60 days, and final maturity for government notes not greater than 762 days, and for all other individual securities a final maturity not greater than 397 days. Prime Money Market Funds may be designated as either Retail or Institutional Money Market Funds.

Principal: The amount of money you invest.

Premium Bond: A bond selling above par or face value.

Redemption Gate: Adopted under the 2014 amendments to Rule 2a-7, a money market fund’s board may temporarily suspend all shareholder redemptions for up to ten days if a fund’s weekly liquid assets were to fall below thirty percent. The gate would be lifted when weekly liquid assets return to thirty percent or when the fund’s board determines a redemption gate is no longer in the best interests of the fund. Money market funds may not impose a redemption gate for more than 10 business days in any 90 day period.

Repurchase Agreement: Agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and, usually, at a stated time. Repos are widely used both as a money market investment vehicle and as an instrument of Federal Reserve monetary policy.

Retail Money Market Fund: A money market fund that has adopted policies and procedures reasonably designed to limit investments in the fund to accounts beneficially owned by natural persons. Retail money market funds are permitted to continue to use amortized cost to value their portfolio securities and to transact at a stable $1.00

NAV. Retail money market funds are required to adopt policies and procedures to impose liquidity fees and/or redemption gates in the event a fund's weekly liquid assets were to fall below a designated threshold, if the fund's board determines that such liquidity fees or redemption gates are in the fund's best interest.

Revenue Bond: A tax-free municipal bond payable from revenues derived from tolls, charges, or rents paid by users of the facility constructed with the proceeds of the bond issue.

Return: Profit or loss you assume through investing.

Risk: The possibility that an investment may fluctuate in value. Factors that increase an investment's risk or volatility include credit quality, currency exchange rates, and inflation rates.

Risk / Reward Tradeoff: The concept that an investment must offer higher potential returns as compensation for the likelihood of increased price volatility.

Rule 2a-7: Adopted under the Investment Company Act of 1940. Rule 2a-7 regulates money market funds and imposes various requirements on such funds, including, among others, regulations related to maturity, credit qualification and diversification. In March 2010 and July 2014, respectively, the SEC adopted a number of amendments to Rule 2a-7, which were designed to reduce the interest rate, credit and liquidity risks of money market fund portfolios. In addition, in September 2015, the SEC adopted amendments to Rule 2a-7 to remove credit rating references from the rule.

Securities and Exchange Commission (SEC): The federal agency that regulates the registration and distribution of mutual funds

SEC Yield: Since 1988, the SEC has required fund managers to report uniform, annualized 30-day yields. The standardized SEC yield allows different bond funds to be compared to each other by analyzing fund income pursuant to a uniform set of accounting assumptions. SEC yield is more predictive of a fund's total return than distribution yield. SEC yield is calculated by dividing the net investment income per share for the 30 days ended on the date of the calculation by the net asset value per share on that date. To understand a fund's performance, both SEC and distribution yields should be reviewed.

Shadow Net Asset Value (NAV): Separate from the Transactional NAV, the Shadow NAV may be used to measure the reasonableness of the Transactional NAV. The Shadow NAV is a money market fund's price per share based on available market quotations of its securities. Where market valuations for many securities are not available, an independent pricing agent provides an estimated market value for each security based upon a homogenous set of instruments in the market with similar ratings, interest rates, maturities, etc. The mutual fund's price per share (NAV) is then rounded to the fourth decimal place (i.e. $1.0000). Importantly, the Shadow NAV is not the price at which a money market fund sells or redeems shares.

Secondary Market: Market for bond issues previously offered or sold.

Spread Weighted-Asset Maturity (Spread WAM): New calculation described by mutual fund industry's Working Group whereby funds calculate a WAM using only a security's stated (or legal) final maturity date or the date on which the fund may demand payment of principal and interest. Not to exceed 120 days.

Stable Net Asset Value (stable NAV): Government and retail money market funds seek to maintain a stable NAV of $1.00 per share. Under the 2014 amendments to Rule 2a-7, government and retail money market funds will continue to be able to transact at a stable NAV of $1.00 per share and to use amortized cost to value their portfolio securities.

Standard & Poor's (S&P's) Credit Ratings: Obtained after S&P evaluates a number of factors, including credit quality, market price exposure and management. Credit Ratings are subject to change and do not remove market risk.

Standard & Poor's Money Market Ratings: An assessment of the safety of invested principal and the ability to maintain a stable market value of the fund's shares. Ratings are based on an evaluation of several factors, including credit quality, diversification, and maturity of assets in the portfolio, as well as management strength and operational capabilities. Credit Ratings are subject to change and do not remove market risk.

Structured Investment Vehicle (SIV): A limited-purpose operating company that undertakes arbitrage activities by purchasing mostly highly rated medium- and long-term, fixed-income assets and funding itself with cheaper, mostly short-term, highly rated CP and MTNs.

Term Asset-Backed Securities Loan Facility (TALF): A Federal Reserve credit facility authorized under section 13(3) of the Federal Reserve Act. The TALF is intended to assist the credit markets in accommodating the credit needs of consumers and small businesses by facilitating the issuance of asset-backed securities and improving the market conditions for asset-backed securities more generally.

Time Deposit: An interest-bearing deposit, at a savings institution, that has a specific maturity.

Total Return: Represents the change in the value of an investment after reinvesting all income and capital gains.

Transactional Net Asset Value (NAV): The price at which a money market fund sells and redeems shares. For government or retail prime and municipal money market funds, the funds seek to maintain a stable transactional NAV of $1.00 by valuing the portfolio at amortized cost. For institutional prime and municipal money market funds, which may have floating NAVs, it is calculated by valuing all securities with maturities of 60 days or less at their amortized cost (when available) and valuing all other securities at matrix or other value obtained from a pricing service, rounded to the fourth decimal place (i.e. with an initial NAV of $1.0000). Transactional NAVs on institutional municipal and prime money market funds will fluctuate.

Transfer Agent: Organization that is employed by an investment fund to prepare and maintain records relating to the accounts of its investors.

Treasury Bill (T-bill): A short-term debt obligation backed by the U.S. government with a maturity of less than one year. T-bills are sold in denominations of $1,000 up to a maximum purchase of $5 million and commonly have maturities of one month, three months, or six months.

Treasury Bond: Government security with a maturity date of 10 years or more from the date of issue.

Treasury Money Market Funds: A money market fund that invests in cash, U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities. Because a Treasury money market fund will qualify as a government money market fund, it is eligible to price and transact using a stable $1.00 NAV and is not subject to liquidity fees and redemption gates.

Treasury Note: Government security with maturity date of one to 10 years, issued at face value and redeemed at face value.

Variable Rate Demand Note (VRDN): Tax-exempt securities that require the issuer or a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The securities also pay interest at a variable rate intended to cause the securities to trade at their face value. Also referred to as a variable rate demand obligation (VRDO).

Weekly Liquid Assets: Assets that include (i) cash; (ii) direct obligations of the U.S. Government; (iii) government securities issued by a person controlled or supervised by and acting as an instrumentality of the government of the United States pursuant to authority granted by the Congress of the United States, that are issued at a discount to the principal amount to be repaid at maturity and have a remaining maturity of 60 days or less; and (iv) securities that will mature or are subject to a demand feature that is exercisable and payable within five business days.

Weighted Average Life (WAL): WAL, as it applies to money market funds, is calculated in the same manner as the Weighted Average Maturity (WAM), but is based solely on the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid or (b) would be repaid upon a demand by the fund without reference to when interest rates of securities within the fund are scheduled to be readjusted.

Weighted Average Maturity (WAM): For money market funds, Weighted Average Maturity (WAM) is the mean average of the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid, (b) would be repaid upon a demand by the fund or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates if their scheduled maturity is 397 days or less, and the later of the two dates if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

For fluctuating net asset value funds, average maturity is equal to the effective term of each portfolio security, multiplied by each such security's market value, divided by the total market value of the fund. The effective term of a portfolio security is the period remaining until such security's stated maturity date; except that variable rate securities, floating rates securities subject to demand features, securities being hedged with futures contracts, mortgage backed securities, asset backed securities and securities subject to redemption at the option of the issuer on a particular date may be deemed to mature prior to the stated maturity date.

Yield: Return on an investor's capital investment.

Yield to Maturity (YTM): Used to determine the rate of return an investor would receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments.

Yield to Worst (YTW): On a corporate bond, the yield to worst is the lowest yield that a buyer can expect among the reasonable alternatives, such as yield to maturity, yield to call, and yield to refunding.

Sources: State Board of Administration (SBA), Federated Investors, Investment Company Institute, Barron's dictionary, and Standard & Poor's. As of December 2016.