Oakwood
FINANCIAL ADVISORS

Alternatives To Deposits

We have seen a rise in the number of requests for **Money Market Funds** as the yields on these types of funds have increased. This yield increase can be largely attributed to the ECB deposit rate going from 0% in July 2022 to 4% in September 2023.

In response to this, we have sourced the JPMorgan Standard Money Market Variable Net Interest Asset Value Funds through the Davy Select platform.

There are 3 fund options Euro, GBP, and USD which can be dealt daily.
The yields (one day current yield as of 19th June) are:

- **Euro**: 3.85% - More info on the fund can be found **here.**
- **GBP**: 5.35% - More info on the fund can be found **here**.
- **USD**: 5.68% - More info on the fund can be found **here**.

	JPM EUR Standard Money Market (acc.)	JPM GBP Standard Money Market (acc.)	JPM USD Standard Money Market (acc.)
Currency	EUR	GBP	USD
Ongoing charges *	1%**	1.01%	1.01%
Credit quality	AA	AA	AA

Please note that the funds are only available to **Republic of Ireland resident clients**.

What is a Money Market Fund:
J.P. Morgan's Money Market funds seek to achieve a return in excess of Euro money markets whilst aiming to preserve capital, consistent with prevailing money market rates, and maintain a high degree of liquidity:

- Money market funds invest in short-term debt from governments, banks, and companies with strong balance sheets, high credit ratings along with other deposits.
- They offer diversification of investments, liquidity and relative stability of value.

Recent months have seen a significant flow out of deposits and into money market funds globally, which you can read more about **here**.

Product Details
These Funds seek to achieve a return in the Reference Currency in excess of the applicable [Euro/GBP/USD] money markets whilst aiming to preserve capital, consistent with prevailing money market rates, and maintain a high degree of liquidity.

- Daily dealing which allows for no fixed term
- Withdrawals from this product are permitted. The product is dealt daily, and as a result there are no penalties incurred for redemptions.
- Minimum opening balance €100,000

Reasons you might consider Money Market Funds:

- Yields on money market funds have increased in line with Euro short-term rates and therefore offer a more attractive rate of return than cash deposits.
- A Money Market Fund can be coupled with an Equity / Multi Asset Portfolio to help diversify or offer growth potential.
- Also available to corporate clients with significant company funds on deposit.

Risks of Investing in Money Market Funds:

- **Interest rate risk**
  - In adverse market conditions, the Fund(s) may invest in zero or negative yielding securities which will have an impact on the return of the Funds.
  - The value of Debt Securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer.
  - Issuers of Debt Securities may fail to meet payment obligations, or the credit rating of Debt Securities may be downgraded.
- **Credit risk**
  - The credit worthiness of unrated Debt Securities is not measured by reference to an independent credit rating agency.
- **Exchange rate risk (for USD or GBP)**
  - If investing in a foreign currency movements in exchange rates can adversely affect the return of your investment.

Charges (may vary depending on premium size)
Typical ongoing charges figures refers to the charge on the policy. Total Ongoing Charges Figure 1% which is made up of - Fund charge 0.1% on Euro fund, Oakwood and platform fee 0.9% (0.5% and 0.4% respectively). If the Gross return is 3.30% (as of the 19th June) less 1% OCF giving a net return of 2.30% on the Euro fund.

Taxation Treatment
The taxation treatment which typically applies is known as 'Exit Tax' or 'Gross Roll Up'. Gains under on the JP Morgan Money Market Fund are taxed (at a rate of 41%) when realised or on each 8th anniversary.

Understanding Money Market Funds vs. Government Bonds

As part of our ongoing commitment to provide you with clear and comprehensive financial guidance, this document aims to outline the key differences, benefits, and drawbacks of investing in Money Market Funds and Government Bonds. Each of these investment vehicles offers unique features and fits different investment strategies and risk profiles.

Money Market Funds

Description: Money market funds are mutual funds that invest in short-term, high-quality, fixed-income securities. These typically include government securities, certificates of deposit, commercial paper of companies, and other low-risk, short-term instruments. The goal of money market funds is to provide liquidity and safety with a competitive return, usually more than regular savings accounts.

Pros:

1. **High Liquidity:** Offers high liquidity with typically immediate access and no penalties for early withdrawal.
2. **Low Risk:** Investments are in high-quality securities, making them relatively low risk.
3. **Stable Value:** They aim to maintain a stable net asset value (NAV), typically at €1 per share.
4. **Diversification:** Provides diversification across various high-quality, short-term debt instruments.

Cons:

1. **Lower Returns:** Generally, provide lower returns compared to stocks, bonds, or long-term debt funds.
2. **Interest Rate Sensitivity:** Susceptible to interest rate changes, which can affect the yield.
3. **Inflation Risk:** Might not keep pace with inflation, potentially eroding purchasing power over time.
4. **No Deposit Insurance:** Unlike bank deposits, they are not insured by the FDIC.

Government Bonds

Description: Government bonds are issued by governments to finance its expenditures. They include Treasury bonds, notes, bills, and savings bonds. These bonds have a fixed interest rate and are considered very safe as they are backed by the government's credit. Longer-term bonds typically offer higher yields than shorter-term bonds, but they also carry more risk.

Pros:

1. **Security:** Considered one of the safest investments as they are backed by the government.
2. **Fixed Income:** Provide a predictable stream of income through regular interest payments.
3. **Tax Advantages:** Often come with state and local tax exemptions, particularly for U.S. Treasury securities.

4. **Inflation-protected Variants:** Some bonds, like TIPS, offer a level of protection against inflation.

Cons:

1. **Lower Yield:** Typically offer lower yields compared to corporate bonds or stocks.
2. **Interest Rate Risk:** The value of bonds can decrease if interest rates rise.
3. **Longer Maturity:** Some government bonds have long maturities, which might not be suitable for short-term investment goals.
4. **Liquidity:** Though generally liquid, certain types of bonds might have lower liquidity than others.

Conclusion

The choice between Money Market Funds and Government Bonds largely depends on your individual financial goals, risk tolerance, and investment horizon. Money Market Funds are more suitable for short-term, low-risk tolerance investors looking for liquidity and a slightly better yield than traditional savings accounts. Government Bonds are ideal for investors seeking safe, long-term investments with steady returns and minimal risk.

Risks

Please note the following:

- Investment assets such as equities, bonds, property, cash, currencies, commodities, interest rates, etc and derivatives of these and other investments can be volatile high-risk investments that can significantly fall as well as rise in value.
- The value of an investment is not secure and an investment may be worth less than the original values invested.
- Investment gains and losses are determined by a range of factors, including currency rate movements. Past performance is not a reliable guide to future performance.
- In extreme circumstances, an investment provider (e.g. a country, a bank, an insurance company, other financial institutions, etc) may not be in a position to meet their obligations to investors, and in such extreme circumstance, investors may lose some or all of their original capital and/or returns on capital secure investments.
- The payment of any benefit from an investment with a third-party provider is subject to the provider's ability to make such payments.
- Tax changes and other changes in law and in practice may adversely affect the benefits payable from an investment.

Warnings:

Past performance is no guide to future performance, they are not a reliable guide to the future performance of your funds.

The funds outlined are not guaranteed.

If you invest in these funds you may lose some or all of the money you invest.

The value of your investment may go down as well as up.

The opinions expressed in this report are based on our best-efforts assessment of financial markets, products, and product providers. Opinions in relation to performance, volatility and correlation have been formed on the basis of data provided by third parties.

The portfolio rationale is framed in the context of investments, pensions and other medium/long-term investment instruments.