

Talking Heads with Thibault Malin, Deputy Head Global Money Markets

Daniel Morris: Hello and welcome to the BNP Paribas Asset Management Talking Heads podcast. Every week, Talking Heads will bring you in-depth insights and analysis on the topics that really matter to investors. In this episode, we'll be discussing developments in the money market fund industry. I'm Daniel Morris, Chief Market Strategist, and I'm joined today by Thibault Malin, Deputy Head Global Money Markets. Welcome Thibault, and thanks for joining me.

Thibaut Malin: Hello, Daniel. It's a pleasure to be here.

DM: Given all the volatility that we've had, geopolitical events, big swings in equity markets, at least some investors, look to money markets as a safe haven. Maybe Thibault, you can talk a little bit about how you've seen flows evolving over the last couple years and any new developments that are taking place in the industry.

TM: Money market assets under management have significantly evolved over mainly the past five years. We had about 2.2 trillion of assets under management at the end of 2025, and that's about a trillion more than where we were five years ago.

In light of this market volatility, changing monetary policy, money market funds have become a new preferred asset allocation for many investors. Within these flows, we see a new market that is starting to emerge. We have now public debt constant net asset value money market funds. It's a small market at the moment. They represent close to 10 billion today, but these funds are very particular.

In contrast to other money market funds where we mainly invest in financial issuers or many different private sectors, public debt constant net asset value portfolios invest at least 99.5% of their assets in public debt instruments. That means close to 100% in sovereigns, supernationals, or agencies.

That makes it appropriate to basically all institutional client needs. It aims at offering a stable performance over the time, and it invests in highly liquid, short-term securities while offering a robust framework to preserve the capital.

And why wasn't it a trend earlier? First of all, in the Euro currency in particular, maintaining a stable net asset value wasn't possible. And the credit spread that was offered on public issues was low or even negative. Now between public debt and standard money market funds, [it] is more to the advantage of public issues and public debt money market funds. We now have a highly positive rate environment with a larger sovereign short-term credit spread that renders these public debt money market funds attractive.

DM: As you said, this is a new development. Is this addressing a new type of client or what are the clients that are going to be interested by this type of money market fund.

TM: We see growing and potential demand from many investor types who seek secured money market funds, but also trying to avoid further concentration in private sectors and particularly financials. This concerns mainly banks, where public debt constant net asset value money market funds can be considered as high-quality liquid assets and support liquidity coverage ratios.

This is also the case for insurance companies where these funds have low solvency capital requirements because the combination of government debt investments.

It is also interesting for corporates, asset managers, and lately fintechs to which we are seeing growing demand for such solutions. So, they can be used both for liquidity, core allocation, but also as a tactical investment.

DM: Maybe you can talk to us a little bit more about how these public debt money market funds differentiate themselves or how they're different compared to other money market funds, and probably most importantly, how do the returns compare?

TM: First of all, contrasting with other money market funds, they have absolutely no exposure to financials and other corporates. They also can combine stable and variable net asset value, which is not possible to all types of money market funds. And they have a strong liquidity profile. We talk about portfolios that will aim to maintain between 30 and 50% of overnight liquidity.

Compared to traditional money market funds who can optimise their returns by investing in financials and other sectors, which tend to pay a higher credit spread than sovereign issues, public debt money market funds can only invest in sovereign securities with lower credit spreads at the moment.

So, how do their returns compare with other standard money market funds? A few years ago, we had sovereign spreads in negative territory. We today have better conditions: the spread is positive almost on all maturities. That means it is becoming attractive and sets public debt money market funds competitive against the overnight rates in the Euro.

With the European Central Bank balance sheet reducing progressively in the years to come, we believe public debt money market funds would benefit from this trend and therefore the gap in performance between public debt money market funds and traditional money market funds would get closer and closer. We see a bright future for this particular investment vehicle.

DM: Thank you, Thibault. Let me summarise some of the key points you shared with us. You pointed out that over the last five years, you've had a trillion or so of net new inflow. So, clearly a popular asset class. One of the key new developments has been public debt money market funds which are innovative because they invest 99.5% or so of their assets in public debt instruments. In contrast to additional funds that are investing in corporate issuers, particularly banks, these are of interest to clients that are looking to diversify their exposure away from corporates. Beyond the lack of exposure to corporate issuers, providing stable performance and spreads that are approaching those that are available on traditional money market funds. Thibault, thank you very much for joining me.

TM: It was a pleasure, Daniel.

Daniel: That's it for this week's episode of Talking Heads. If you would like more information or about public debt money market funds, please reach out to your asset management contact or checkout Viewpoint, our website for investment insights at Viewpoint dot BNP Paribas am.com. Just before we go, I'd like to mention that the Talking Heads podcast is available on Spotify and on YouTube. For YouTube, visit youtube.com/bnp/playlist and click on Talking Heads. You've been

listening to the BNP Paribas Asset Management Talking Heads podcast with me, Daniel Morris, and Thibault Malin. Please do join me next week. Until then, take care.