

PETER HENSHAW

SENIOR PORTFOLIO MANAGER



Peter a senior portfolio manager for taxable money market funds at Dreyfus. He has been with the firm since June 2004 and is responsible for taxable money market portfolios, including 2a-7 money market funds, Undertakings for Collective Investment in Transferable Securities (UCITS), and bank collective short-term investment funds.

Prior to joining Dreyfus, Peter worked at Mellon Investor Services for five years. He earned a BS from the University of Scranton.

What drove your initial interest in investment management?

I graduated from the University of Scranton with a degree in economics and political science. Entering the workforce, I gravitated toward pursuing a career in the financial industry and joined in the transfer agency division at BNY Mellon. At the time, the division was known as Chase Mellon Shareholder Services, subsequently known as Mellon Investor Services.

One of my responsibilities was working on solicitations for annual shareholder meeting proxy votes and tender offers. We advised companies on proposals for annual meetings as well as solicited votes for those meetings. That experience gave me valuable exposure to corporate governance and how investors make their voices known to management and the board of directors. In 1999 when I started, environmental, social, and governance (ESG) was emerging as a critical input. The importance of corporate engagement and board diversity were becoming more prevalent. Certain institutional investors were actively engaging with corporations, and not simply "voting with their feet." It's been interesting to follow how ESG has developed over the years.

The role provided me with an opportunity to interact with corporate secretaries, heads of investor relations, and various other high-level executives. On the investor side, I had the opportunity to interact with large institutional shareholders as well as proxy advisory firms that represented those shareholders. I saw how investors would review proposals and either exercise support or criticism of management's operation of the company. These daily interactions provided insight into a variety of factors that drive the investment process. From those experiences, I knew I wanted to pursue a career on the investment management side.

Why liquidity solutions?

I wanted to be more involved in investment management and trading, and so I pursued internal opportunities across BNY Mellon. In 2004, I jumped at the opportunity to join the Dreyfus taxable money market desk. I was aware of the strong history of Dreyfus' money market funds dating back to 1974, as well as Dreyfus' formidable industry presence. I joined a talented team of seasoned professionals and was excited by the scope of front-end investing.

Daily, we make portfolio decisions based on our expectations for Federal Reserve (Fed) policy, upcoming economic data, issuer credit quality, regulatory constraints, and technicals like future supply of government securities. It's a much more dynamic environment than many appreciate.

Why are money market funds such an important tool for investors and what could potentially change about the tools available?

Money market funds are important for many reasons. The sheer volume of assets in domestic money market funds, \$4.8 trillion (as of December 2022), speaks to its role in the broader economy. Corporates look to money market funds for sources of funding at low interest rates. The U.S. Treasury and U.S. government-sponsored agencies all borrow significantly from money market funds.

Both institutional and retail investors entrust their cash managers with considerable responsibility. They employ us to be stewards of a very critical portion of their assets – assets they utilize for short-term operational liquidity as well as for capital preservation.

The passion for my job only grows when I engage directly with investors. Many investors we talk to are knowledgeable about the front end of the curve, and they are particularly eager to discuss monetary policy and the Fed. After an extended period of money market rates at 0.00%, the current tightening cycle has produced 4.25% of interest rate increases in 2022, with additional hikes still expected in 2023. Investors are happy to see yield on their cash. They are also concerned about when interest rates will peak, how persistent this excessive inflation will be, and the possibility of an upcoming recession.

Forthcoming regulatory changes are also at the forefront of investor' minds and how institutional prime funds are managed is likely to change. The Securities Exchange Commission (SEC) modified 2a-7 rules

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after the Great Financial Crisis (GFC), and the COVID-19 pandemic is the impetus for another round of reforms. It will be well-received if the SEC decouples money market fund liquidity thresholds from fee and gate thresholds. However, “swing pricing,” where a fund’s net asset value (NAV) is adjusted by a swing factor representing certain trading and portfolio costs during periods of significant redemptions, will be more challenging for investors and fund managers to accept and implement. Increases to required daily and weekly liquidity thresholds should have little impact on government money market funds, if mandated.

What should people know about taxable money portfolios? What risks or skills are underrated?

One of the things that gets overlooked is the collaboration necessary to effectively manage money market funds. These funds are regulated by the SEC and, in many cases, rating agencies as well. On a given day, our team will invest close to \$200 billion. In addition to the portfolio management/trading team, a qualified and dedicated group of professionals in many support functions — including operations, middle office trade settlement, risk, accounting, compliance, legal, and distribution — are all needed to deliver the level of performance investors seek. The individuals in these various roles are the backbone of any successful cash manager.

There is considerable amount of work throughout the day that goes into things like trade settlement and oversight. The quality of the experienced team we have at Dreyfus was most notable during the pandemic. The performance of these professionals was exemplary as we migrated from the office to a work-from-home environment. Our collegial culture is something we pride ourselves on at Dreyfus. So, when we talk about underrated skills, the ability to develop strong relationships with associates across different parts of the organization has been particularly important. Since I began working on the cash desk, senior managers have always encouraged collaboration for this very reason.

The goal is always to minimize risks wherever they may lie. Discipline is paramount in all facets of managing money market funds, from credit and security selection to compliance and trade settlements. Collaboration and operational redundancies are important tools to achieve the best possible outcomes.

Who is your personal hero and why?

My father has always been the person I most look up to. He retired after a career with the New York Police Department (NYPD) from the mid-1960s through the 1980s. In his days on the job, he had a great commitment to the community he served, as well as his family. As a child, I would watch him put on his bullet proof vest before heading out to work nights. The selflessness associated with that image has remained with me since those days long ago. Despite his tiring schedule, he always found time to play basketball and baseball with me as a kid. He retired from the NYPD in the late 1980s and had a subsequent career in security at Fordham University. I still possess that same admiration for him and marvel at his ability to have a joke ready for any occasion, a talent I do not have! My favorite pastime remains playing golf with my dad, whenever the opportunity arises. This is the reason golf is truly the game of a lifetime.

All investments involve risk, including the possible loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing.

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