INSTITUTIONAL REPORT

The Rail Is the Product

Tokenised cash funds and their traditional comparators sit under two different disclosure regimes, so the most natural question an allocator can ask has no common basis on which to be answered. This report sets out where the product belongs, what can be established about it, and what cannot.

Three Horizons Capital | Cash and liquidity | Fund data read 19 August 2026, tokenised figures re-confirmed 20 August | US dollars | Professional investors | No individual fund, provider or issuer is named

$16.19bn
The whole tokenised cash segment, across 87 products. Roughly double where it stood a year ago

$158.7m
Three on-chain funds resolve directly in our own fund database

9bp
The entire fee spread across the six largest incumbent vehicles

Executive summary

FINDING 1

This is a liquidity operations instrument, not a yield instrument. It is held so a position can move or be pledged when the rails that normally move it are shut. It belongs in the treasury and collateral sleeve, budgeted against settlement risk rather than measured against yield. JUDGEMENT

FINDING 2

The incumbent shelf is $686.3bn across 164 funds, and its six largest listed vehicles price inside nine basis points, from 0.09% to 0.18%. That is the yardstick every tokenised fee is held against. OURS

FINDING 3

The premium is not a number. Against a tokenised category fee of roughly fifteen to fifty basis points, the premium runs from nothing at all to more than forty, depending which two funds are placed side by side. Our own all-in build-up lands at five to thirty. All three answers are defensible. EXTERNAL

FINDING 4

The reference layer has not decided what these products are. Three on-chain funds resolve directly in our database at $158.7m combined. Each is named like a share class of an existing fund and recorded as a wholly new one. Those two paths carry completely different economics. OURS

FINDING 5

Identifiers are already colliding. One ticker widely cited in coverage of tokenised Treasury funds resolves, in our database, to an unrelated listed short-term bond fund holding $2.49bn. We published a near-identical collision a fortnight ago in a physical gold fund sharing its ticker with an unrelated European miners vehicle. **Twice in two papers is not a coincidence.** OURS

1 Where the product belongs

A listed cash fund is a yield instrument. It is held to earn the bill rate at the lowest available cost, so every basis point of fee is a direct deduction from the only thing it exists to produce. Judged on that basis, dearer is simply worse.

A tokenised cash fund does a different job. It is held so that a position can be moved or pledged at a moment when the banking and wire rails are closed. That capability is not measured in yield, and its fee is not a deduction from yield. It is the price of the capability. **Budget it against settlement risk and size it to the cash that has to move on a closed day.** JUDGEMENT

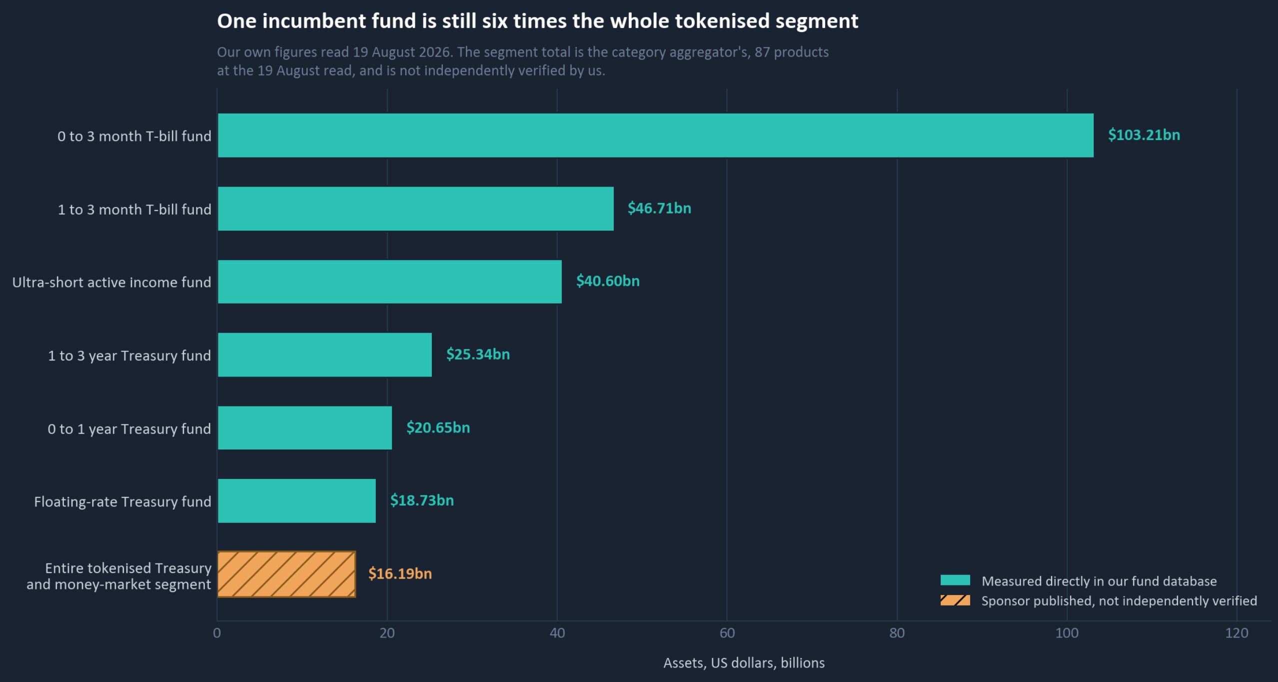
2 The incumbent shelf, and what it costs

Across US cash and ultra-short strategies our fund database resolves **164 funds holding $686.3bn**, counted at strategy level rather than share-class level. The six largest US-listed exchange-traded vehicles price as follows. OURS

VEHICLE	ASSETS	EXPENSE RATIO
0 to 3 month Treasury bill fund	$103.21bn	0.09%
1 to 3 month Treasury bill fund	$46.71bn	0.14%
Ultra-short active income fund	$40.60bn	0.18%
1 to 3 year Treasury fund	$25.34bn	0.15%
0 to 1 year Treasury fund	$20.65bn	0.15%
Floating-rate Treasury fund	$18.73bn	0.15%

Our fund database, read 19 August 2026, collapsed to fund level. Ranked by assets across US-domiciled exchange-traded vehicles in the three cash-like categories. Expense ratios are unioned across both fee tables, because one carries exchange-traded wrappers and the other carries open-end wrappers. OURS

Against $686.3bn, the entire tokenised Treasury and money market segment stands at **$16.19bn across 87 products** on the category aggregator's 19 August read. EXTERNAL A single incumbent fund is still more than six times the whole segment, and the segment is roughly double where it stood a year ago.



Assets, US dollars, billions. Traditional vehicles measured directly in our fund database at the 19 August 2026 read. The tokenised segment total is the category aggregator's figure at the same date, covering 87 products, and is not independently verified by us.

> **Price is the wrong axis.** A premium that swings from nothing to more than forty basis points depending which pair is chosen cannot be the basis of the decision. The product has to be bought for a capability, or not bought.

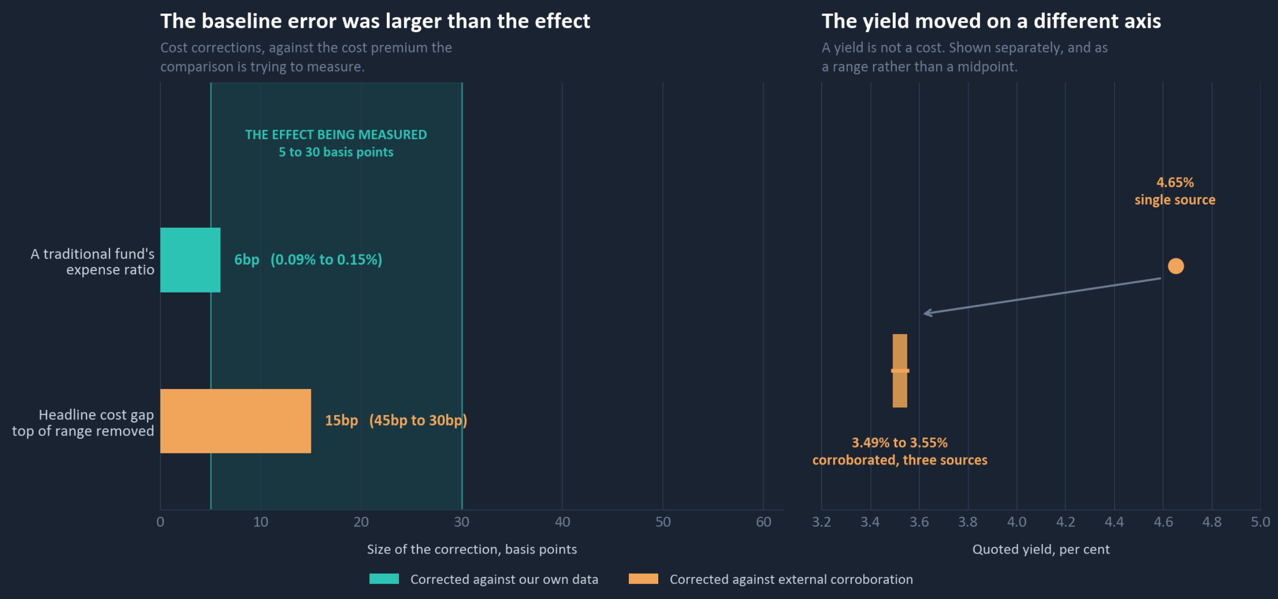
3 The comparison has to be built

Three load-bearing figures in our own first assembly of this comparison were wrong. Each was corrected by checking it against something, and the size of the corrections is the finding.

A traditional fund's expense ratio, carried as an external estimate at 0.09%, is 0.15% in our own data. OURS The estimate had applied the 0 to 3 month fund's fee to the 0 to 1 year fund. Six basis points, against an effect being measured of five to thirty. At the tight end the baseline error was larger than the entire effect.

A tokenised fund's yield, reported once at 4.65%, corroborated at 3.49% to 3.55% across three independent sources, and reads 3.40% on the category aggregator today. EXTERNAL Cash yields move. A figure of this kind has a shelf life measured in days, and any comparison built on one has to carry its date.

The headline cost gap, first stated as 10 to 45 basis points, is 5 to 30 on our own build-up, EXTERNAL with custody, network and onboarding costs separated out rather than folded in.



Left, the two cost corrections against the cost premium the comparison is trying to measure. Right, the yield correction, shown on its own axis and as a range rather than a midpoint, because a yield and a cost are not the same quantity and do not belong on one scale.

> **The comparison is not hard because the technology is new.** It is hard because the two sides answer to different disclosure regimes, and neither regime publishes the translation to the other.

This is the fourth time this year we have found the same failure mode in a different market. A flow score measuring the pace of buying, read as its direction. A fund distribution rate measuring cash sent, read as income earned. A fee field populated for one wrapper type, compared against another. And now a sponsor's seven-day rate, read as a standardised yield. Every one of those figures was correct. Every one answered a narrower question than the one being asked of it. JUDGEMENT

4 What the record says about these products

Our fund database resolves three on-chain Treasury and liquidity funds directly. OURS

VEHICLE	DOMICILE	ASSETS
Treasury digital fund, on-chain	United States	$76.8m
On-chain government liquidity fund	Luxembourg	$56.9m
On-chain liquidity fund	United States	$25.0m
Combined		**$158.7m**

Our fund database, all three read 19 August 2026 at fund level. OURS

One of the three is named as a share class, carrying a class designation and a distribution suffix in its legal name. In the database it is modelled as its own separate portfolio, with no parent fund and no sibling classes. The same is true of the other two. **The industry is describing this wave in both languages at once, and the reference data currently records both the same way.** An allocator reading a size or a flow figure for this segment cannot presently tell which of the two they are looking at. JUDGEMENT

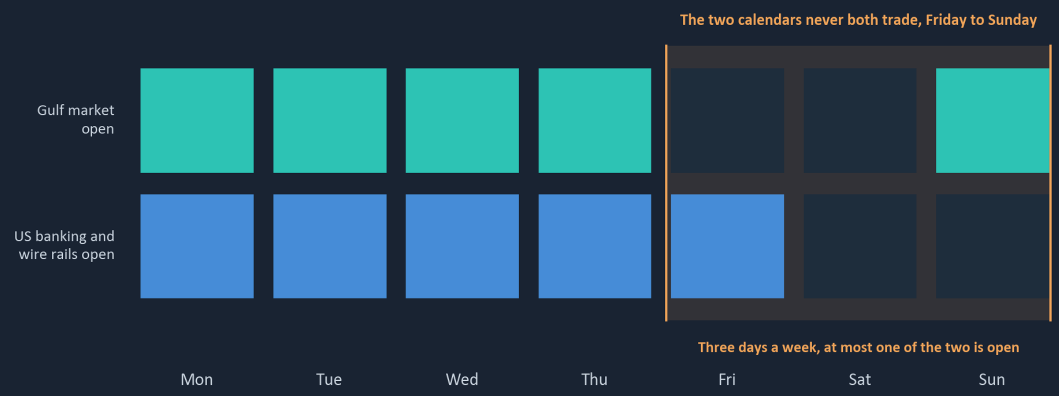
5 What the rail buys, and how to size it

On the static comparison the traditional vehicle wins. It is cheaper, deeper, discloses more, and its yield is computed under a formula an allocator can verify. On a buy-and-hold cash allocation with no intraday requirement there is no return argument for the tokenised version.

What it buys is settlement. For a Gulf-based holder of US dollar cash, local markets trade Sunday to Thursday and US banking and wire rails run Monday to Friday. Three days a week at most one of the two is open. The cost is not the whole three days but the cutoff: an instruction that misses the local Thursday cutoff cannot be raised at home until Sunday, and one that misses the US Friday cutoff cannot settle until Monday.

The gap the rail closes is the three days the calendars do not share

This, and not a yield comparison, is what the tokenised premium buys. Size the sleeve to the cash that actually has to move on a closed day.



Trading and settlement calendars for a Gulf-based holder of US dollar cash. The window in which the two calendars do not both trade is the gap a continuously settling instrument closes.

If the alternative to a settlement gap is an emergency bridge facility or an over-collateralised margin draw, the implied cost of the gap runs to several hundred basis points annualised on a short-dated borrowing. JUDGEMENT Against that, a premium of at most a few tens of basis points on the sleeve that needs to move is inexpensive, wherever in the range it falls.

Three questions to put to anyone showing you one of these, then one that requires a view.

What is the yield figure, and under whose formula? A seven-day annualised sponsor rate and a standardised thirty-day yield are both correct and are not comparable. **Is the fee subsidised, and what sits outside it?** Custody, network costs and onboarding are frequently disclosed separately or not at all. **Is this a new fund, or a new version of an existing one?** If it is a share class of a fund with a record, that record is available to you. Then the question that requires a view: what proportion of this liquidity book has to be able to move on a day the banks are shut. That number is the size of the tokenised sleeve.

WHAT THIS REPORT DOES NOT CONTAIN

No performance comparison. Every tokenised figure here is sponsor or aggregator published and is not independently verified by us. We hold no proprietary return, flow or holdings series for these funds.

No price for the settlement option in a stress event. That requires data on actual weekend liquidity events, which we do not hold. The sizing rule is offered as a method rather than as a number.

No technology view. Which ledger a fund settles on is not an allocator's decision variable and does not appear in this analysis.

No extension to private credit. Tokenised private-credit pools sit at a different point on the risk curve and belong in a different paper.

No credit-spread context. Material that appeared in an internal draft of this work could not be re-derived at the date of writing and was removed rather than carried forward.

VERIFICATION STATEMENT

The three tags used here are the same three used in the long-form paper. Every figure tagged **Ours** is read directly from the Three Horizons Capital data platform at the date stated, collapsed from share-class records to fund level, with expense ratios unioned across both fee tables. It is a claim about provenance, not a claim that an external audit has been performed. Every figure tagged **External** is sponsor or aggregator published, carries its own date, and is not independently verified by us. Every item tagged **Judgement** is reasoned inference rather than measured data.

Two corrections were made to earlier drafts of this work and are disclosed here. First, a draft of 17 August carried an incumbent table headed as the six largest vehicles which was not: three larger funds were missing. It was rebuilt on 19 August from the stated rule printed beneath the table, and the table in this report and in the current paper is that rebuilt version. Second, drafts of 17 and 19 August put the tokenised segment at five to six billion dollars, assembled from four sponsors and two aggregators on mixed dates. Re-confirmed against the category aggregator on 20 August 2026, the figure is $16.19bn. Both corrections are the reason this report dates every figure at the point of use.