Research Update:

Cathay Taiwan Money Market Fund Rating Affirmed At 'twAAf'

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Rating Action

Taiwan Ratings Corp. today affirmed its 'twAAf' fixed-income fund credit quality rating on **Cathay Taiwan Money Market Fund**. The rating reflects our view of the very strong credit quality of the fund's portfolio exposure relative to that of funds in the Taiwan market.

The rating is supported by the track record of the fund credit score for which we base our quantitative assessment of the fund's portfolio quality on the tenor and the rating of the invested entities. While the fund's 12-month credit score suggests a higher assessment, we placed greater emphasis on the manager's need for investment flexibility and the assets' short weighted average maturity in deciding to maintain the rating unchanged, because both factors could trigger rapid shifts in portfolio credit quality. We also factor in regulatory requirements, duration management, the fund manager's investment guidelines, and most importantly its future investment strategy, which can all help us to better form a forward-looking view of the portfolio credit quality.

Other supporting factors include strong management and organization, risk management and compliance, and credit research of the fund house. These assessments are largely bolstered by stringent regulations, which further underpin the fund's credit quality. Additionally, we view the fund house's credit culture as adequate. These factors are tempered by the industry risk of market-sensitive fund size fluctuation. Concentration risk among commercial paper issuers, which was a prior issue, has been resolved within the current portfolio.

Related Criteria

- Criteria - Financial Institutions - Fixed-Income Funds: Fund Credit Quality Ratings Methodology – July 26, 2024
- General Criteria: Methodology For Determining Ratings-Based Inputs – July 26, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 8, 2023

Ratings List

Ratings Affirmed

Cathay Taiwan Money Market Fund	
Fixed-income Fund Credit Quality Rating	twAAf

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.