

Media Release:

Ratings On UPAMC James Bond Money Market Fund Affirmed At 'twAAf'; Off CreditWatch

September 17, 2020

Overview

- The credit quality of UPAMC James Bond Money Market Fund's invested portfolio has remained stable after we placed the rating on CreditWatch with negative implications in July 2020 due to one compliance incident involving the fund house's former equity fund managers.
- The degree of fluctuation in UPAMC James Bond Money Market Fund's portfolio size did not significantly deviate from the industry average over the same period. This supports our view that the risk of unexpected material redemption stemming from the compliance event has largely diminished. We originally assessed a risk of unplanned asset liquidation that could impair the fund's portfolio credit quality.
- We now believe fund manager has effectively managed the risks associated with the compliance event and maintains the willingness and ability to sustain the current credit quality of the fund's portfolio.
- We are therefore affirming the 'twAAf' rating on UPAMC James Bond Money Market Fund and removing the rating from CreditWatch with negative implications.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAAf' fixed-income fund credit quality rating on **UPAMC James Bond Money Market Fund**. At the same time, we removed the rating from CreditWatch with negative implications where we placed it on July 23, 2020.

Rationale

The rating affirmation reflects our view of a much diminished risk of unexpected material redemption related to an earlier compliance incident. We believe this will support the fund manager to better manage liquidity preparation and the credit quality of the invested portfolio. This, together with the continued stable credit quality of the fund's invested portfolio after we placed the rating on CreditWatch with negative implications, makes us believe the fund manager has the willingness and ability to maintain current credit quality of the fund's portfolio at an adequate level. The earlier CreditWatch placement followed a compliance incident involving the previous equity fund managers at Uni-President Assets Management

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Corp. (Uni-President AMC), although the incident was not directly related to UPAMC James Bond Money Market Fund.

The stable portfolio credit quality of the money market fund during the period on which we placed the rating on CreditWatch underpins our view that the fund manager has effectively managed the risk of redemption. We believe this risk has stabilized because the fund size has largely fluctuated along with the industry trend since the event.

Our assessments for all other rating factors remain unchanged. These include our strong assessment of Uni-President AMC's risk management and compliance, as well as the adequate management and organization, credit culture and credit research of the fund company, and our assessment of neutral portfolio risk. Other than these factors, the rating continues to reflect our positive assessment of the comparable ratings analysis which will lead to a one-notch upward adjustment from the intermediate fund credit quality rating which ultimately determines the final fund credit quality rating. In our view, such the adjustment is underpinned by the fund company's strong risk management and compliance under rigorous regulatory requirements enforced on fixed-income funds in Taiwan.

Definition of A Fixed-Income Fund Credit Quality Rating

A Taiwan Ratings fund credit quality rating is a forward-looking opinion about the overall credit quality of a fixed-income investment fund relative to that of other fixed-income investment funds in Taiwan. Taiwan Ratings fund credit quality ratings, identified by the 'f' suffix (as are the global scale fund credit quality ratings), are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values, and also include a country prefix denoted as 'tw'. Taiwan Ratings fund credit quality ratings reflect the credit risks of the fund's portfolio investments, the level of the fund's counterparty risk, and the risk of the fund's management ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), a Taiwan Ratings fund credit quality rating does not address a fund's ability to meet payment obligations and is not a commentary on yield levels.

Related Criteria & Research

Related Criteria

- Fund Credit Quality Ratings Methodology - June 26, 2017
- Principles Of Credit Ratings – February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

	To	From
UPAMC James Bond Money Market Fund		
Fixed-income Fund Credit Quality Rating	twAAf	twAAf/WatchNeg

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