

Media Release:

# Rating On Capital Taiwan Money Market Fund Lowered To 'twAA-f' On Investment Strategy Change

October 21, 2021

## Overview

- The fund manager for Capital Money Market Fund intends to adopt a more flexible investment strategy in the very near future. This will make it more difficult for the fund manager to maintain the credit quality of the invested portfolio commensurate with a 'twAAf' rating level.
- We believe the fund manager has the willingness and ability to maintain the fund's credit quality of the investment portfolio at a level commensurate with our 'twAA-f' rating, despite the fund remains subject to sensitivity tests due to its concentration risk.
- Our other assessments on the fund remain unchanged.
- We have lowered the fund credit quality rating on **Capital Money Market Fund** to 'twAA-f' from 'twAAf', to reflect our view that the credit quality of the fund's portfolio exposure remains very strong relative to that of other funds in the Taiwan market.

## Rating Action

Taiwan Ratings Corp. today lowered its fixed-income fund credit quality rating on **Capital Money Market Fund** to 'twAA-f' from 'twAAf'.

## Rationale

The rating action reflects our view that the credit quality of the fund's invested portfolio may not stay at the current level and is likely to move in tandem with the more flexible investment strategy that the fund manager will soon adopt. This new strategy could increase the number of investments with higher credit risk in the portfolio. This is despite the credit quality of the invested portfolio, as indicated by the fund credit score, has so far not demonstrated material fluctuation.

The fund manager's revised investment strategy could dent the fund's portfolio credit quality such that it may not remain consistent with a 'twAAf' rating. Nonetheless, stringent local regulations along with the fund house's sophisticated risk management and relatively stable investment track record of the portfolio manager make us confident that the fund manager has the willingness and ability to support the rating level at 'twAA-f'. We also believe that while the concentration risk may continue for some commercial paper issuers, our sensitivity tests show that the risk should be manageable and not affect the 'twAA-f' rating. This signifies

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to us that the credit quality of the fund's portfolio exposure remains very strong relative to other funds in the Taiwan market.

Our other assessments for the fund remained unchanged, including our assessment of strong risk management and compliance, adequate management and organization, as well as adequate credit culture and credit research of the fund manager, Capital Investment Trust Corp. The stringent regulations in Taiwan also support our view on the fund's credit quality and management strengths. Capital Money Market Fund's relatively high concentration on commercial paper issuers and the industry risk of market-sensitive fund size fluctuation continue to counterbalance these rating strengths factors but collectively support our assessment of a fund credit quality rating of 'twAA-f'.

## 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
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018

### Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

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## Ratings List

### Downgraded

	To	From
<b>Capital Money Market Fund</b>		
Fixed-income Fund Credit Quality Rating	twAA-f	twAAf

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