

Bulletin:

# Eastspring Investments Well Pool MMF Can Manage Regulatory Action

August 1, 2022

Recent disciplinary action by Taiwan's financial regulator on Eastspring Securities Investment Trust Co. Ltd. (Eastspring SITC). is unlikely to result in sizeable fund redemption for **Eastspring Investments Well Pool Money Market Fund**. This limits the risk of significant deterioration in the fund's credit quality or credit score and ultimately the rating.

In response to misconduct by Eastspring SITC's previous Chief Investment Officer, the regulator announced on July 28, 2022, that it would halt the fund house's new discretionary mandate and mutual fund inception for three months. The regulator also announced a penalty of new Taiwan dollar (NT\$) 4 million and the dismissal of the Chief Investment Officer. We believe this regulatory action will somewhat constrain the fund house's business development over the next one to two years.

We see only a remote likelihood of material fund redemption following the compliance incident. We base our view on the impact of similar events on fund size and portfolio credit quality in Taiwan over the past few years. Even assuming a significant withdrawal of funds, we believe that the experienced investment managers of Eastspring Investments Well Pool Money Market Fund (twAA+f) and the fund's credit score buffer should help to weather the redemption risk and maintain stable portfolio credit quality. The compliance incident does not change our management assessments for the fund because the incident is not directly related to the fund's management.

As of June 30, 2022, Eastspring Investments Well Pool Money Market Fund held assets under management of NT\$14.9 billion, comprising bank deposits (59%), commercial papers (34%), and repurchase agreements (7%). The portfolio composition and fund size are similar to before the incident, and the fund credit score is largely unchanged.

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