

Media Release:

# Rating On CTBC Hua Win Money Market Fund Lowered To 'twAAf' On Weaker Portfolio Quality

November 24, 2022

## Overview

- The credit quality of the CTBC Hua Win Money Market Fund's invested has recently weakened and breached the threshold to support our 'twAA+f' rating on the fund.
- The magnitude of the breach was limited; however, despite slight improvement in the fund credit score, the fund manager could not resolve the breach within the designated time frame under our rating criteria.
- We have therefore lowered our fixed-income fund credit quality rating on CTBC Hua Win Money Market Fund to 'twAAf' from 'twAA+f' because we believe the fund manager has the willingness and ability to maintain the rating at this level. Our other assessments on the fund remain unchanged.
- The 'twAAf' rating reflects 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 **CTBC Hua Win Money Market Fund** to 'twAAf' from 'twAA+f'.

## Rationale

The downgrade action reflects our view that the portfolio credit quality of CTBC Hua Win Money Market Fund has deteriorated to the level commensurate with the rating of 'twAAf', from the previous higher rating of 'twAA+f'. The credit quality of the portfolio, indicated as the fund credit score, has remained stable over the past few years, but more recently the volatility of the score has breached our threshold for maintaining the previous rating of 'twAA+f'.

Under our criteria, we allow a 30-day period for the fund manager, CTBC Investment Co. Ltd., to resolve the breach. Despite the magnitude of the score breach was limited and there has been a slight improvement in the fund credit score, the fund manager was unable to resolve the breach within the time frame. We therefore believe that the risk tolerance and investment strategy of the fund manager have changed, which is particularly indicated by the fund's increased exposure to instruments with higher credit risk profiles.

We believe the fund retains a sufficient fund credit score buffer for the threshold of our 'twAAf' fixed-income fund credit quality rating, along with sophisticated investment guidelines and comprehensive risk management of the fund manager. These factors lead us believe that the fund

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manager has the willingness and ability to support a 'twAAf' rating. This rating level reflects our view that the credit quality of the fund's portfolio exposure is very strong relative to that of other funds in the Taiwan market.

Our other assessments for the fund remain 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. This view reflects the particular support of stringent local regulations that help foster the rating stability of the pool quality by preventing fund managers from taking on excessive risks in their investment strategies.

The industry risk of market-sensitive fund size fluctuation tempers these rating strengths. In addition, the portfolio currently has maintained a ratio of exposure to non-investment grade entities on S&P Global Ratings' global rating scale above 5% for over the past few months. If this persists for one more month, it could induce further volatility in the fund credit score despite our view that this level is currently manageable according to our assumed sensitivity test.

## 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 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 – November 11, 2021

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## Ratings List

### Downgraded

|   | To    | From   |
|---|-------|--------|
| <b>CTBC Hua Win Money Market Fund</b>   |       |        |
| Fixed-income Fund Credit Quality Rating | twAAf | twAA+f |

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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).



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