

Media Release:

Rating On Eastspring Investments Well Pool MMF Raised To 'twAAAf' On Investment Strategy Change

December 11, 2023

Overview

- We believe the fund manager of **Eastspring Investments Well Pool Money Market Fund** has demonstrated the ability to consistently manage the credit quality of the portfolio commensurate with our 'twAAAf' rating over the past year.
- We view the manager has the willingness to maintain this higher credit quality of the invested portfolio over the next few years, given the new strategy for the management of the money market fund, which is aimed to align with the standard of Eastspring group.
- The new strategy particularly includes the implementation of more stringent liquidity guidelines to prioritize liquidity management.
- Our other qualitative assessments on the fund remain unchanged despite the more stringent investment strategy.
- We have raised the fund credit quality rating on Eastspring Investments Well Pool Money Market Fund to 'twAAAf' from 'twAA+f', to reflect our view that the credit quality of the fund's portfolio exposure is extremely strong relative to that of other funds in the Taiwan market.

Rating Action

Taiwan Ratings Corp. today raised its fixed-income fund credit quality rating on **Eastspring Investments Well Pool Money Market Fund** to 'twAAAf' from 'twAA+f'.

Rationale

The rating action reflects our view that the fund manager has the willingness and ability to maintain the credit quality of the fund's invested portfolio at a level commensurate with our 'twAAAf' fixed-income fund credit quality rating.

Over the past 12 months, our assessment of the fund credit score--a quantitative measurement of the portfolio credit quality per our rating criteria--has remained consistently within the threshold to support the 'twAAAf' rating level. Evidence for this comes from the fund's much lower exposure to commercial papers, repurchase agreements and deposit banks rated at non-investment grade (based on S&P Global Ratings' global ratings scale) throughout the past year than previously, which makes the fund credit score supportive of the higher rating level with sufficient buffer.

We believe that the change in investment strategy demonstrates the fund manager's strong willingness to maintain this higher credit quality commensurate with our 'twAAAf' rating over the

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next few years. We see compliance with new guidance from Eastspring group as the driver behind the shift in the fund manager's investment strategy. Prudential PLC owns more than 99% state of Eastspring Securities Investment Trust Co. Ltd. and has been involved in the daily operation, including but not limited to, risk management, product development and audit review for many years. We believe the integration between the fund house and its parent will continue.

The new investment strategy includes prioritizing liquidity preparation with more stringent guidelines. These updated guidelines include set out minimum holdings of investments in short-tenor assets, which makes us believe the weighed-averaged-maturity under the new strategy will be shorter than previously. In addition, the unitholder structure of the fund has become more retail investor-based over recent years, which lowers the likelihood that the fund will experience large overnight redemption compared with funds dominated by institutional investors. Strengthened liquidity management should also help reduce the risk of sudden changes in portfolio credit quality in the face of unexpected large redemptions or subscriptions, in our view.

While a more stringent liquidity guideline is generally favorable to our qualitative assessments, particularly for credit culture, we have kept our management assessment unchanged, including strong management and organization, risk management and compliance, as well as adequate credit culture and credit research of the fund manager. This is because minor divergence from the new liquidity guidelines is possible, likely due to changing market conditions; however, we believe such divergence will not affect the manager's ability to maintain the fund rating at 'twAAAf'.

In addition, our neutral portfolio risk assessment reflects no indicators gauging potential rating volatility. These factors collectively support our assessment of a fund credit quality rating of 'twAAAf'.

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

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 8, 2023
- Criteria - Financial Institutions - Fixed-Income Funds: Fund Credit Quality Ratings Methodology – June 26, 2017

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Upgraded

	To	From
Eastspring Investments Well Pool Money Market Fund		
Fixed-income Fund Credit Quality Rating	twAAAf	twAA+f

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