

04 MAR 2022

Fitch Assigns UPAMC James Bond Money Market Fund First-Time 'AA+f(twn)' Rating

Fitch Ratings - Shanghai/London - 04 Mar 2022: Fitch Ratings has assigned UPAMC James Bond Money Market Fund a first-time National Fund Credit Quality Rating of 'AA+f(twn)' and National Fund Market Risk Sensitivity Rating of 'S1(twn)'.

KEY RATING DRIVERS

The National Fund Credit Quality Rating reflects the high credit quality and short maturity profile of the Taiwan-based fund's assets. Fitch bases the rating on the fund's actual and prospective credit quality. The weighted-average rating factor (WARF) suggested a rating of 'AAAf(twn)' as of February 2022, but Fitch recognises that the fund manager may increase exposure to lower-quality securities or extend the maturity profile (within applicable regulatory limits), which could individually or in combination lower aggregate credit quality. Therefore, Fitch has assigned the rating at 'AA+f(twn)'.

The National Fund Market Risk Sensitivity Rating is driven by the fund's very low exposure to interest-rate and spread risk, as reflected in its short weighted-average and individual asset maturity profiles.

ASSET CREDIT QUALITY

The fund shows high credit quality with 100% of its assets rated in the 'A(twn)' to 'AAA(twn)' range. The WARF was 0.15 as of February 2022, which is well within the 'AAAf(twn)' rating range of 0.0-0.3 and lower than that of peers. The average WARF in the last six months was 0.16, indicating stable credit quality. Fitch uses our own ratings in analysing the credit quality of the assets in the fund. Where these ratings are not available, the lowest of other ratings assigned by recognised global agencies is applied.

The fund has high industry concentration in the Taiwanese banking and finance sector, whose credit outlook is stable. The top-five issuers represent 42% of the fund's assets under management, higher than the rated peer average of 39%.

PORTFOLIO SENSITIVITY TO MARKET RISK

The market risk factor is 0.53, which is well within the National Fund Market Risk Sensitivity Rating range of 0.0-2.0 for the 'S1(twn)' rating level.

The weighted-average maturity of the fund was 159 days as of February 2022, longer than the peer average of 103 days.

FUND PROFILE

The fund mainly invests in time deposits, commercial papers and repurchase agreements. The fund has approximately TWD43 billion in assets under management as of February 2022. It ranks eighth among 36 money market funds (MMFs) in Taiwan, representing 5% of the domestic listed money-fund market.

INVESTMENT MANAGER

Fitch considers the investment manager suitably qualified, competent and capable of managing the fund. The fund is managed by Uni-President Assets Management Co., Ltd. (UPAMC). The investment manager, established in 1992, has long experience managing mutual funds, including MMFs. Over 50% of UPAMC's shares are held by the Uni-President group, with President Securities Corporation holding 42.46%, President Chain Store Corp 7.6% and Uni-President Enterprises 1.6%.

UPAMC ranks 13th among 39 asset managers in Taiwan and has TWD108 billion in mutual fund assets under management, which accounted for 2.2% of Taiwan's mutual fund market as of January 2022. Senior management and investment professionals are experienced, with an average tenure of over 10 years.

Fitch believes the regulatory sanction on UPAMC due to the misconduct of previous mandate account managers in April 2021 has a limited impact on this fund.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

An upgrade of the National Fund Credit Quality Rating is possible if the credit quality of the underlying assets improves, the weighted-average maturity becomes shorter and the investment strategy supports the improvement in the long term.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

The ratings may be sensitive to significant changes in the fund's credit quality or market-risk profile. A large, adverse deviation from Fitch's guidelines for any key rating driver could lead to a rating downgrade. Specifically, the increase of 'BBB(twn)' rated securities and an extension of asset maturity could negatively affect the WARF. The fund's rating is also sensitive to deterioration in the credit quality of Taiwan's banking sector due to the large exposure to that sector. In all of Fitch's four stress tests, the WARF indicated a credit-quality rating of 'AAAf(twn)'.

Fitch expects the National Fund Market Risk Sensitivity Rating to remain stable due to the fund's short maturity profile. However, Fitch would expect to downgrade the rating if interest rate or market volatility in Taiwan changes structurally or the fund's maturity profile is extended substantially.

UPAMC provides Fitch with monthly information, including details of the portfolio's holdings, credit quality and transactions, to maintain the fund's ratings. Fitch monitors the portfolio's credit composition, the credit counterparties used by the manager and the overall market-risk profile of the investments.

RATING CRITERIA

Fitch rates MMFs in Taiwan under our global Bond Fund Rating Criteria. This reflects the differences the agency perceives between Taiwanese MMFs and other Fitch-rated MMFs under our Money Market Fund Rating Criteria. Fitch regards Taiwanese MMFs as less liquid, longer dated and with lower credit quality than the MMFs in other markets. Comparisons between different national fund rating scales or an individual national and international scale are inappropriate.

Date of Relevant Committee

03 March 2022

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
UPAMC James Bond Money Market Fund	Natl Fund Cr Qual	AA+f(twn)	New Rating
	Natl Sensitivity	S1(twn)	New Rating

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◆
NEGATIVE	⊖	◆
EVOLVING	⊕	◆
STABLE	⊖	

Applicable Criteria

[Money Market Fund Rating Criteria \(pub.02 Nov 2021\)](#)

Additional Disclosures

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