

Media Release

JPMorgan (Taiwan) First Money Market Fund 'twAAAf' Rating Affirmed On Positive Comparable Ratings Analysis

October 24, 2019

Overview

- We have revised our assessment of the fund's comparable ratings analysis to positive from neutral previously, to mainly reflect the fund manager's enhanced internal control mechanism.
- We believe the fund manager remains able and willing to maintain the current preliminary fund credit quality rating, which together with our unchanged assessments of the fund manager's management quality and portfolio risk support our rating assessment.
- We are therefore affirming our 'twAAAf' fixed-income fund credit quality rating on JPMorgan (Taiwan) First Money Market.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAAAf' fixed-income fund credit quality rating (FCQR) on **JPMorgan (Taiwan) First Money Market Fund**.

Rationale

The affirmation primarily reflects our view that the fund manager, JPMorgan Asset Management (Taiwan) Ltd., has enhanced its internal control mechanism following regulatory disciplinary action it received in February 2018. The action resulted from a compliance incident in late 2017 related to the fund manager's reporting of clients' training and related expenses. The enhanced internal control mechanism along with our continued assessment of strong risk management and compliance, result in a positive comparable ratings analysis (CRA) with one notch rating uplift compared with our previous neutral assessment and no rating uplift.

Our strong assessments of the fund company's management and organization, credit research, and credit culture also support the aforementioned positive CRA adjustment. The compliance incident had previously resulted in a neutral CRA assessed, which is different to that of all rated fund peers in Taiwan that have positive CRA assessments.

The credit quality of the invested portfolio has remained very strong over the past year and we believe the fund manager has the ability and willingness to maintain the current preliminary FCQR. This view is largely supported by the fund manager's investment strategy and policy, risk appetite and risk control, as well as track record on the credit quality of the invested portfolio over the past 12 months. Our neutral portfolio risk assessment, reflecting our evaluation of counterparty risk, concentration

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risk, liquidity, and fund credit score cushion (the proximity of the preliminary FCQR to a fund rating threshold), as well as our assessments of strong management and organization, risk management and compliance, and credit research, and credit culture of the fund manager, all remain unchanged.

These assessments together render an intermediate FCQR of the fund at the same level as the preliminary FCQR. Though our revised assessment of a positive CRA provides one notch rating uplift, the rating impact on the final FCQR of JPMorgan (Taiwan) First Money Market Fund is remote because our existing rating on the fund is already '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 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

- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com – June 26, 2018
- Criteria - Financial Institutions - Fixed-Income Funds: Fund Credit Quality Ratings Methodology – June 26, 2017

(Unless otherwise stated, these articles are published on www.standardandpoors.com, access to which requires a registered account)

Ratings List

Ratings Affirmed

JPMorgan (Taiwan) First Money Market Fund	
Fixed-income Fund Credit Quality Rating	twAAAf

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

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