

Media Release:

# UPAMC James Bond Money Market Fund Rating Placed On WatchNeg On Disciplinary Action Related To The Fund Company

July 23, 2020

## Overview

- The fund company recently received regulatory disciplinary action related to a compliance incident involving previous equity fund managers.
- Although the incident was not directly related to UPAMC James Bond Money Market Fund, we believe there could be a ripple effect on this fund, which could lead to an unexpected plunge in the fund size, forcing the fund manager to liquidate some portions of the invested portfolio, which could subsequently degrade the portfolio credit quality.
- We are therefore placing the 'twAAf' fixed-income fund credit quality rating on UPAMC James Bond Money Market Fund on CreditWatch with negative implications.
- We aim to resolve the CreditWatch after we have greater clarity on the potential impact of the incident, particularly on whether the fund manager can sustain the credit quality of UPAMC James Bond Money Market Fund at the level commensurate with the current rating.

## Rating Action

Taiwan Ratings Corp. today placed its 'twAAf' fixed-income fund credit quality rating on **UPAMC James Bond Money Market Fund** on CreditWatch with negative implications.

## Rationale

The CreditWatch placement follows disciplinary action by the local regulatory on the fund company, Uni-President Assets Management Corp. (Uni-President AMC), concerning the misconduct of previous equity fund portfolio managers.

Despite the compliance incident is not directly related to UPAMC James Bond Money Market Fund, we believe this event has to some extent harmed the fund company's reputation and there is a potential flow-on effect to the rated money market fund. If this leads to significant redemptions that are beyond the fund manager's expectation, it could result in unexpected liquidation of some invested assets and materially impair the near-term credit quality of the fund's invested portfolio. This incident, however, does not change our assessment of the fund house's risk management and compliance as strong. This is because we typically evaluate the

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fund's management at the fund investment manager level, while stringent regulations for Taiwan money market funds support our assessment.

Our fixed-income fund credit quality rating on UPAMC James Bond Money Market Fund reflects several other factors that all remain unchanged. These include the adequate credit quality of the fund's portfolio exposure compared with global peers', our strong assessment of Uni-President AMC's risk management and compliance, as well as the adequate management and organization, credit culture and credit research of the fund company, and our assessment of neutral portfolio risk. Additionally, the rating reflects our positive assessment and associated one-notch upward adjustment to our comparable ratings analysis on the fund. This mainly reflects assessment of the fund company's strong risk management and compliance under rigorous regulatory requirements enforced on fixed-income funds in Taiwan.

### Credit Watch

We aim to resolve the CreditWatch placement within the next 90 days or as soon as we receive more clarity on the impact of the incident on the fund size and more importantly its credit quality. We could resolve the CreditWatch status and lower the fixed-income fund credit quality rating on UPAMC James Bond Money Market Fund by one-notch if the size of any net redemption materially exceeds the industry average, which in turn results in significant deterioration in the fund's portfolio credit quality. Conversely, we could affirm the rating if Uni-President AMC and the fund portfolio manager can effectively manage the risk of redemption and maintain the credit quality of the invested portfolio.

### 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 – June 26, 2018
- Fund Credit Quality Ratings Methodology - June 26, 2017

(Unless otherwise stated, these articles are published on [www.taiwanratings.com](http://www.taiwanratings.com))

## Ratings List

### CreditWatch Action

	To	From
<b>UPAMC James Bond Money Market Fund</b>		
Fixed-income Fund Credit Quality Rating	twAAf/Watch Neg	twAAf

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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