

Media Release:

Rating On Nomura Taiwan Money Market Fund Raised To 'twAAAf' On Investment Strategy Change

May 22, 2024

Overview

- We assess the fund manager of **Nomura Taiwan 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 believe the manager has the willingness to maintain this higher credit quality of the invested portfolio over the next few years. This is supported by a new strategy to gradually remove the portfolio's non-investment grade assets (on S&P Global Ratings' global rating scale) to enhance the portfolio's overall credit quality.
- Our other qualitative assessments of the fund house remain unchanged despite the more stringent investment strategy.
- We have raised the fund credit quality rating on Nomura Taiwan 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 Nomura Taiwan Money Market Fund to 'twAAAf' from 'twAA+f'.

Rationale

The rating action reflects our view that the fund manager, Nomura Asset Management Taiwan Ltd., 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 has remained consistently within the threshold to support the 'twAAAf' rating level. The fund credit score is a quantitative measurement of the portfolio credit quality based on the tenor and the rating of the invested entities per our rating criteria. To further support a 'twAAAf' rating level over the next few years, the fund manager plans to adopt a more conservative investment strategy. The strategy primarily aims to gradually remove the non-investment grade assets within the portfolio.

The new strategy comes on top of the sophisticated guidelines already in place that govern the fund's maximum exposure to, as well as the industry cap for, investment in commercial paper; a minimum requirement of the exposure for invested repurchase agreements; and the targeted short

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maturity of the fund portfolio. These factors will help to strengthen the fund manager's willingness and ability to support the rating at the 'twAAAf' rating level, in our view.

While a more stringent investment strategy is generally favorable to our qualitative assessments, particularly for credit culture, we have kept our management assessment unchanged. This includes our assessment of strong risk management and compliance, as well as adequate management and organization, credit culture, and credit research of the fund manager. This is because the removal of the non-investment grade assets from the fund's portfolio will be gradual and the strategy is not a hard rule, given that it still allows for some minor exceptions. However, we do not believe that such flexibility in the investment strategy will 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

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

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
Nomura Taiwan Money Market Fund		
Fixed-income Fund Credit Quality Rating	twAAAf	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 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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