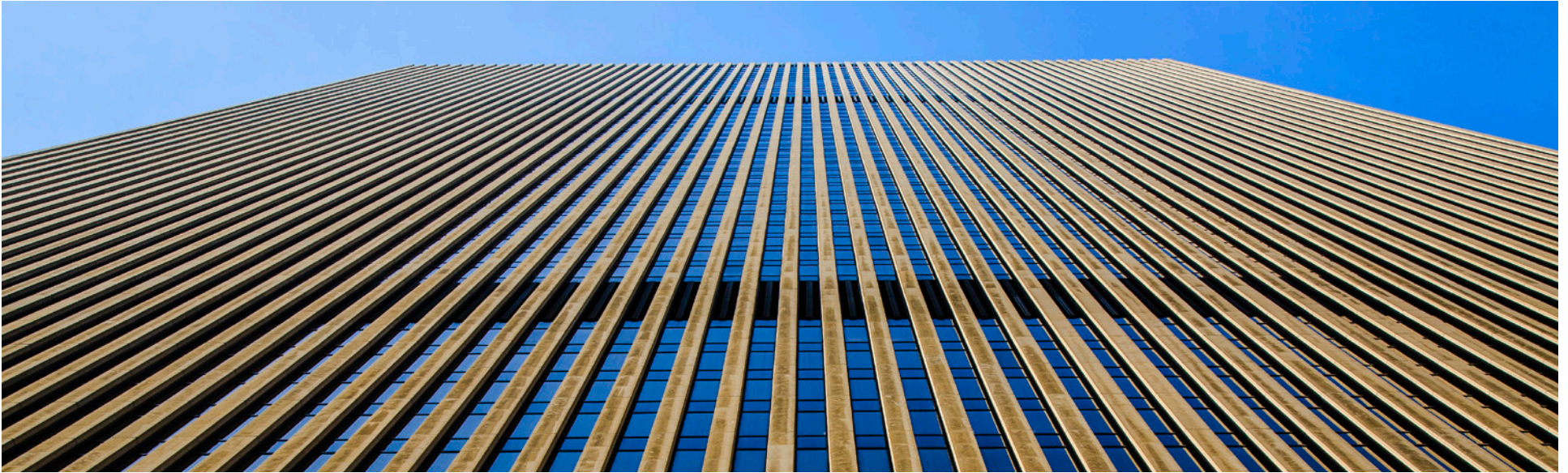


A Guide to Fund Ratings



We rate different types of managed funds within 3 different teams, with the appropriate expertise, using specifically tailored criteria for each type of fund:

- Fixed Income Mutual Funds (Fund Credit Quality & Fund Volatility and Principal Stability Fund Ratings)
- Alternative Investment Funds (traditional Long-term credit ratings on the issuer and/or its securities)
- Structured Finance (Collateralized Fund Obligations ratings)

Fixed Income Mutual Funds

We assign **Fund Credit Quality & Fund Volatility Ratings** to actively or passively managed fixed-income funds, as well as to other collectively managed pools or segregated mandates holding fixed-income assets. These include:

- Short-duration Funds
- Money Market Funds
- Fixed Income Hedge Funds
- Local Government Investment Pools (LGIPs)
- Exchange Trade Funds (ETFs)
- Sovereign Wealth Funds
- Unit Investment Trusts
- Preferred Shares Trusts

Our Fund Credit Quality Rating (FCQR) reflects S&P Global Ratings' forward-looking and independent opinion about the overall credit quality of fixed-income investment funds. The rating categories range from 'AAAf' (credit quality of the portfolio exposure is extremely strong), to 'Df' (fund's portfolio is predominantly exposed to defaulted assets and/or counterparties). **FCQRs** 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.

FCQRs are typically accompanied by Fund Volatility Ratings (FVR) (i.e., 'Af/S3')—when fund volatility ratings can be assigned—to communicate our opinion about certain risks not addressed by a FCQR.

Our Fund Volatility Rating (FVR) reflects S&P Global Ratings' forward-looking opinion of a fund's sensitivity to interest rate risk, credit risk, and liquidity risk, as well as other factors that may affect returns such as use of derivatives, use of leverage, exposure to foreign currency risk, and investment concentration, and fund management. **FVRs** range from 'S1+' (lowest volatility whose asset maturities typically do not exceed one year) to 'S5' (the highest volatility) to distinguish the rating in symbology from an S&P Global Ratings traditional issue or issuer credit rating which reflects, by comparison, reflects our view of a borrower's ability to fully and timely meet its financial obligations.

Our Principal Stability Fund Rating (PSFRs) reflects S&P Global Ratings' forward-looking opinion of a fixed-income fund's ability to maintain principal value. **PSFRs** are assigned to money market funds with an 'm' suffix, (for example "AAAm").

Selection of Asset Managers with rated mutual/money market/government pool fund rating relationships:

- BNP Paribas Asset Management
- BlackRock
- Credit Suisse Asset Management
- Fidelity
- Goldman Sachs Asset Management
- Invesco Advisers
- J.P. Morgan Asset Management
- Morgan Stanley Investment Management
- SSGA

Selection of rated Local Government Pool Funds:

- California Asset Management Trust/Cash Reserve Portfolio (April 2020)
- Illinois Funds – Money Market Fund (The) (April 2020)
- New York Cooperative Liquid Assets Securities System (April 2020)
- Texas CLASS Government (April 2020)

Alternative Investment Funds

We assign global scale counterparty credit ratings to assess the stand-alone creditworthiness of several types of **Alternative Investment Funds (AIFs)**, based on the investments they make, trading strategies they employ, and funding structures they maintain. We also assign issue ratings to debt instruments issued out of AIF structures.

Alternative Investment Funds typically include:

- Private equity funds
- Hedge funds
- Credit funds
- Fund of funds

Assets within these funds can include but are not limited to:

- Commodities
- Global real estate
- Leveraged loans
- Start-up companies
- Unlisted securities
- Private equity debt
- Private debt
- Derivatives

For rated private equity structures, we consider whether the funds are primarily buy and hold with a focus on harvesting investments. We also consider the funds' maturity attributes (e.g. final maturity within 7–12 years).

In our ratings of hedge funds, we consider factors such as trading strategy, whether the portfolio has meaningful turnover, and funds itself with capital that varies in degree of permanence.

In cases where AIFs are not structured as private equity funds or hedge funds, we consider whether the fund has characteristics similar to a hedge fund or private equity fund, and executes a strategy that includes elements of both private equity investment and hedge fund trading in order to determine its ratability within the AIF criteria.

We rate AIFs on either a private/confidential or public basis. Below are examples of publicly rated alternative investment funds:

- DBSO LP (United States)
- Pershing Square Holdings, Ltd.

Structured Finance

These ratings are assigned by the Non-Traditional ABS ratings team with the Structured Finance practice:

- Collateralized Fund Obligations (CFOs)
 - CFOs are a structured form of financing for diversified private equity portfolios, layering several tranches of debt ahead of the equity holders.

Key Features of Structured Finance Issues:

An SPE (Special Purpose Entity) is structured as bankruptcy remote entity that acts as the Issuer. This is a cornerstone for all Structured Finance transactions. This analysis may require a true sale opinion.

If the structure does NOT contain an SPE, it is NOT structured finance. The rated debt has recourse only to cash flows generated by the assets held by the SPE. There is no recourse to the fund of funds manager or sponsor.

About CFO Ratings:

The CFO criteria is designed to rate debt backed by a diversified fund of funds. The criteria and models are limited to assessing funds of funds with the following underlying fund characteristics:

- **Asset types:** the assets backing the debt must be Limited Partnership (LP) interests in diversified funds. They cannot be individual private equity investments themselves, such as debt, equity or co-investments.
- **Fund types:** we can assess diversified venture capital, buyout and mezzanine funds (we are not able to rate concentrated specialty sector funds, such as those invested exclusively in real estate, commodities, infrastructure, etc.)
- **Geographic scope:** investments can be in U.S., European, or Asian assets.
- **Diversification:** the funds must be well diversified across fund types, geographies, industries, fund vintages, and fund managers.

Below are examples of rated structured finance issues:

- Astrea IV Pte. Ltd. (CFO)
- Astrea V Pte. Ltd. (CFO)

About S&P Global Ratings

S&P Global Ratings is the world's leading provider of credit ratings. Our ratings are essential to driving growth, providing transparency and helping educate market participants so they can make decisions with confidence. We have more than 1 million credit ratings outstanding on government, corporate, financial sector and structured finance entities and securities. We offer a view of the market built on a unique combination of broad perspective and local insight. We provide our opinions and research about relative credit risk; market participants gain information to help support the growth of transparent, liquid debt markets worldwide.

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Contact us

Fixed Income Mutual Funds

Anthony Ivancich

Relationship Manager
+1-212-438-5060
anthony.ivancich@spglobal.com

Structured Finance (CFOs)

Suzanne Henry

Senior Director
+ 1-212-438-3247
suzanne.a.henry@spglobal.com

Alternative Investment Funds

Steve Cooke

Senior Director
+1-212-438-7240
steven.cooke@spglobal.com

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