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Fitch Assigns Senfin Money Market Fund First-Time 'BBBf(Ika)'/ 'S2(Ika)' Ratings

Fitch Ratings - Shanghai/London - 02 Apr 2024: Fitch Ratings has assigned Senfin Money Market Fund a first-time National Fund Credit Quality Rating of 'BBBf(Ika)' and National Fund Market Risk Sensitivity Rating of 'S2(Ika)'.

KEY RATING DRIVERS

The National Fund Credit Quality Rating is driven by the credit quality of the underlying assets in the portfolio, taking into consideration of fund's investment strategy. The fund mainly invests in Sri Lankan government securities, repurchase agreements backed by Sri Lankan government securities and some time deposits at financial institutions, according to portfolio holdings as of end-January 2024.

The National Fund Market Risk Sensitivity Rating is driven by the fund's low sensitivity to interest rate and spread risk.

NATIONAL CREDIT QUALITY

The National Fund Credit Quality Rating considers the fund's actual and prospective credit quality. The weighted-average rating factor (WARF), Fitch's proprietary measure of fund credit risk, was 5.41 as of end-January 2024, within the 'BBBf(Ika)' rating range of 2.1-6.1. A WARF is a function of the credit ratings of the securities held in a fund's portfolio and the remaining term to maturity, weighted by market value.

Fitch bases the WARF on Fitch ratings where available. Fitch assumes the exposure, which is not publicly rated by any globally recognised rating agencies, is rated 'CCC(Ika)' for the purpose of the WARF calculation. The rating and maturity of the collateral is used in the WARF calculation if the counterparty of the repurchase agreement transactions is non-investment grade.

LOW SENSITIVITY TO MARKET RISK

The National Fund Market Risk Sensitivity rating reflects the fund's low sensitivity to interest-rate and spread risk. The market risk factor, Fitch's proprietary measure of fund market risk, is within the 'S2(Ika)' rating range of 2.0-4.0.

The weighted-average maturity has been short, at around 120 days at end-January. Sri Lanka's money market fund regulation requires a maximum weighted-average maturity of 210 days, which limits funds' interest rate and spread duration.

FUND PROFILE

The fund, launched in 2014, is an open-end money market fund domiciled in Sri Lanka (Long-Term Local-Currency Issuer Default Rating: CCC-) and is regulated by the Securities and Exchange Commission of Sri Lanka. The fund seeks to provide investors with regular short-term returns and liquidity by investing in a portfolio of diversified short-term fixed-income securities.

The fund's assets are segregated with the trustee, Hatton National Bank PLC (A(Ika)/Stable). The fund's assets under management reached LKR4.711 billion at end-January 2024.

INVESTMENT MANAGER

Fitch views Senfin Asset Management (Pvt) Ltd (SenFin) as a suitably qualified, competent and capable investment manager. SenFin was founded in 2010 and is a wholly owned subsidiary of Senkadagala Finance PLC (BBB(Ika)/Stable). Its assets under management totalled LKR9.3 billion as of January 2024, accounting for 2% of Sri Lanka's mutual fund market. SenFin manages six equity funds (31%), one bond fund (17%), one money market fund (51%) and one shariah compliant MMF (1%). It also provides private portfolio management services.

RATING SENSITIVITIES

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

The National Fund Credit Quality Rating could be upgraded if the credit quality of the underlying assets improves. This could occur upon an upgrade of Sri Lanka's sovereign rating or a lower exposure to unrated assets.

The National Fund Market Risk Sensitivity Rating could be upgraded if duration shortens or if the fund is less exposed to repurchase agreements with non-investment grade counterparties backed by longer-dated collateral.

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

The National Fund Credit Quality Rating could be downgraded if the portfolio suffers negative rating migration. This could occur following an increased exposure to assets that are not publicly rated by any globally recognised rating agency or if it expands its investment guidelines to allow it to invest in lower quality securities.

The National Fund Market Risk Sensitivity Rating could be downgraded if the investment guidelines are changed to allow the fund to assume increased duration risk or if the fund increases its exposure to repurchase agreements with non-investment grade counterparties backed by longer-dated collateral.

Date of Relevant Committee

06 March 2024

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Senfin Money Market Fund	Natl Fund Cr Qual	BBBf(lka)	New Rating
	Natl Sensitivity	S2(lka)	New Rating

RATINGS KEY OUTLOOK WATCH**POSITIVE****NEGATIVE****EVOLVING****STABLE**

Applicable Criteria

[Bond Fund Rating Criteria \(pub.16 Aug 2022\)](#)

Additional Disclosures

[Solicitation Status](#)

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