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# Fitch Upgrades Senfin Money Market Fund to 'AAf(Ika)'/ 'S1(Ika)'

Fitch Ratings - Shanghai/London - 05 Mar 2025: Fitch Ratings has upgraded Senfin Money Market Fund's National Fund Credit Quality Rating to 'AAf(Ika)', from 'BBBf(Ika)', and its National Fund Market Risk Sensitivity Rating to 'S1(Ika)' from 'S2(Ika)'.

## KEY RATING DRIVERS

The upgrade was driven by the recent recalibration of the Sri Lanka sovereign rating (CCC+) and the upgrade of Sri Lankan banks and non-bank financial institutions (NBFIs); see [Fitch Upgrades Sri Lanka to 'CCC+', dated 20 December 2024](#), [Fitch Upgrades 10 Sri Lankan Banks' National Ratings and Affirms Five after Scale Recalibration](#), dated 21 January 2025, and [Fitch Upgrades 10 Sri Lankan NBFIs' Ratings, Affirms 8 Following National Scale Recalibration](#), dated 24 January 2025.

The fund mainly invests in Sri Lankan government securities, repurchase agreements backed by Sri Lankan government securities and time deposits at financial institutions. The upgrades of the Sri Lanka sovereign, banks and NBFIs have had a positive impact on the fund's National Fund Credit Quality Rating and National Fund Market Risk Sensitivity Rating.

## NATIONAL CREDIT QUALITY

The National Fund Credit Quality Rating takes into account the fund's actual and prospective credit quality. The weighted-average rating factor (WARF), Fitch's proprietary measure of fund credit risk, was 0.36 as of end-January 2025, within the 'AAf(Ika)' rating range of 0.3-0.9. A fund's WARF is a function of the credit ratings of the securities held in its 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 counterparties of repurchase agreement transactions are 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. Weighted-average maturity and weighted-average life are short, standing at around 150 days at end-January 2025. Sri Lanka's money market fund regulations require a maximum weighted-average maturity of 210 days, which limits funds' interest rate and spread duration.

The Market Risk Factor, Fitch's proprietary measure of fund market risk, was within the 'S1(lka)' rating range of 0.0-2.0 at end-January 2025.

## **FUND PROFILE**

The fund, launched in 2014, is an open-end money market fund domiciled in Sri Lanka and 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 (AA-(lka)/Stable). Assets under management reached LKR5.3 billion at end-January 2025.

## **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(lka)/Stable). It had assets under management of LKR12.8 billion as of end-2024, accounting for 2% of Sri Lanka's mutual fund market. SenFin manages six equity funds, one bond fund and two money market funds. It also provides private portfolio management services.

## **RATING SENSITIVITIES**

### **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.

### **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 further improves.

The National Fund Market Risk Sensitivity Rating cannot be upgraded, as it is already at the highest rating level.

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**Rating Actions**

ENTITY/DEBT	RATING		RECOVERY		PRIOR
Senfin Money Market Fund	Natl Fund Cr Qual	AAf(lka)	Upgrade		BBBf(lka)
	Natl Sensitivity	S1(lka)	Upgrade		S2(lka)

**RATINGS KEY   OUTLOOK   WATCH**

POSITIVE	+	◆
NEGATIVE	-	◆
EVOLVING	◊	◆

## RATINGS KEY OUTLOOK WATCH

STABLE



### Applicable Criteria

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

### Additional Disclosures

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