

**FOR IMMEDIATE RELEASE**

January 20, 2012

**ICRA's first mutual fund rating in Sri Lanka  
NDB Aviva's Gilt Edged Fund rated [SL] AAAMf**

ICRA Lanka Limited, a wholly owned subsidiary of ICRA Ltd., an associate of Moody's Investors Service, has assigned a credit risk rating of '[SL] AAAMf' to NDB Aviva Wealth Managements Eagle Gilt Edged Fund. The rating indicates that the underlying portfolio has the lowest credit risk and the highest degree of safety from credit losses. The rating in Sri Lanka is assigned on an eight-point scale developed specifically for the country, and ranges from '[SL] AAA' to '[SL] D'. The suffix of "mf" is to denote that the rating pertains to the local mutual fund schemes. This rating scale ranks the relative default risk associated with issuers/debt/schemes in Sri Lanka. ICRA's venturing into Sri Lanka and its increasing footprint beyond the Indian borders underscore the growing international acceptance of an agency that is already a leading provider of credit rating and investment information services in India. Significantly, in addition to the presence in Sri Lanka through a wholly owned subsidiary and in Indonesia through a 99% subsidiary, ICRA has also helped in establishing rating agencies in several other countries, like CRAB in Bangladesh, CRC in Kuwait and BCRA in Bulgaria.

The rating assigned to NDB Aviva's Eagle Gilt Edged Fund is not only ICRA's first-ever mutual fund credit risk rating in the Sri Lankan market but is also the first such rating in the country.

**Asset Management Company and Fund Details**

The Eagle Gilt Edged Fund is part of the "myeaglefunds" family of mutual funds and is one of the fixed income funds managed and marketed by NDB Aviva Wealth Management Limited. The asset management company is a 51:49 joint venture between National Development Bank Plc, one of the largest private sector banking groups in Sri Lanka, and Aviva Group, sixth largest insurance group in the world. The Eagle Gilt Edged Fund was established in 1997 and has a track record of 15 years and has been established under the SEC Act No 36 of 1997 amended Act No 26 of 1991 and the Unit Trust Code of 1994. The NDB Aviva Wealth Management is one of the largest private sector fund management company, in Sri Lanka with LKR 50.5 Billion of assets under management as at December 2011, of which mutual funds under management amounted to LKR 5.2 Bn. The company is licensed with and regulated by the Securities and Exchange Commission of Sri Lanka (SEC) as a Unit Trust Fund Manager.

Launched in December 1997 Eagle Gilt Edged Fund is an open ended Government of Sri Lanka securities fund with an objective of maximising returns from investments in government securities and government guaranteed securities. The fund may also invest in short term deposits of commercial banks. The funds/assets under management stood at LKR 4,552 million as at December 2011 and had an average residual maturity of around 11 months as on that date. The scheme had been maintaining an average residual maturity of 1.5 years in the past few months coupled with having around 25% of its assets in bank deposits. The rating factors in the commitment to restrict deposits to under 10% of the assets and such deposits to be placed for tenures of less than 3 months with banks having a high external credit rating.

**ICRA Lanka's Credit Quality Rating Methodology for debt mutual fund schemes**

ICRA Lanka's mutual fund rating methodology is based on evaluating the inherent credit quality of the funds portfolio. As a measure of the credit quality of a debt fund's assets, ICRA Lanka uses the concept of "credit scores". These scores are based on ICRA Lanka's estimates of credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA Lanka uses its database of historical default rates for various rating categories for various maturity buckets. The credit risk ratings incorporate ICRA Lanka's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA Lanka reviews relevant fund information on an ongoing basis to support its published rating opinions. If the portfolio credit score meets the benchmark of the assigned rating during the review, the rating is retained. In an event that the benchmark credit score is breached, ICRA Lanka gives a month's time to the debt fund manager to bring the portfolio credit score within the benchmark credit score. If the debt fund manager is able to reduce the portfolio credit score within the benchmark credit score, the rating is retained. If the portfolio still continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.

**January 20, 2012**

## ICRA Lanka's Rating Scale for Mutual Fund Schemes in Sri Lanka

**[SL]AAAmf:** The rating indicates that the underlying portfolio has the lowest credit risk and the highest degree of safety from credit losses.

**[SL]AAmf:** The rating indicates that the underlying portfolio has low credit risk and high degree of safety from credit losses.

**[SL]Amf:** The rating indicates that the underlying portfolio has adequate credit risk and degree of safety from credit losses.

**[SL]BBBmf:** The rating indicates that the underlying portfolio has moderate credit risk and moderate degree of safety from credit losses.

**[SL]BBmf:** The rating indicates that the underlying portfolio has high credit risk and inadequate degree of safety from credit losses.

**[SL]Bmf:** The rating indicates that the underlying portfolio has very high credit risk and low degree of safety from credit losses.

**[SL]Cmf:** The rating indicates that the underlying portfolio has extremely high credit risk and negligible degree of safety from credit losses.

**Note:** Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories [SL]AAmf to [SL]Cmf. The modifiers reflect the comparative standing within the category.

For further details please contact:

**W. Don Barnabas**

**ICRA Lanka Limited**

10-02, East Tower, World Trade Centre, Colombo 01, Sri Lanka.

Tel: +94-11-4339907, Fax: +91-11-2333307

[wdbarnabas@icralanka.com](mailto:wdbarnabas@icralanka.com)

[www.icralanka.com](http://www.icralanka.com)