

## Capital Alliance Investment Grade Fund assigned mutual fund rating of [SL]Amfs

July 23, 2019

### Summary of rating action

Instrument*	Previous Rated Amount (LKR Mn)	Current Rated Amount (LKR Mn)	Rating Action
Capital Alliance Investment Grade Fund	-	-	[SL]Amfs; assigned
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure-1

### Rationale and Key Rating Drivers

ICRA Lanka Limited, subsidiary of ICRA Limited, a group company of Moody's Investors Service, has assigned the rating of [SL]Amfs (pronounced as Sri Lanka A mutual fund scheme) to the Capital Alliance Investment Grade Fund (CALIG Fund or "Fund") which is held under Capital Alliance Investments Limited (CALI). Schemes with this rating are considered to have adequate degree of safety regarding timely receipt of payments from the investments that they have made.

The basis of the rating assigned to the CALIG Fund is the portfolio of the scheme with the credit score of the portfolio being comfortable at the rating level of [SL]Amfs.

The rating indicates ICRA Lanka's opinion on the credit quality of the portfolio held by the fund. It does not indicate CALI's willingness or ability to make timely payments to the fund's investors. The rating should not be construed as an indication of expected returns, prospective performance of the mutual fund scheme, net asset value (NAV) or volatility in its returns.

ICRA Lanka's mutual fund rating methodology is based on evaluating the inherent credit quality of the fund's 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 the 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 and 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.

**Outlook: Not applicable**

**Liquidity position: Not applicable**

## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA- Mutual Fund Credit Risk Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation / Standalone	Not applicable

## About the company

### Capital Alliance Investments Limited

Capital Alliance Investments Limited (“CALI”) was incorporated in 2011, and operates as a Unit Trust Fund Manager which is licensed and regulated by the Securities and Exchange Commission of Sri Lanka (SEC). CALI is one of the leading asset management companies in Sri Lanka and had total assets under management (AUM) of LKR 13 Bn as in June 2019.

CALI is a 100% owned subsidiary of Capital Alliance Holdings, which is a diversified financial and investment solution provider, with services offered in securities trading, asset management and financial advisory. CALI acts as the investment manager to the CALIG Fund.

### CALIG Fund

Launched in August 2013, the CALIG Fund is an open-ended fixed income fund investing in government treasury bills/bonds and other government securities, deposits in commercial banks and specialized banks, and investment grade corporate debt securities, such as debentures, commercial papers, securitization etc.

The overall objective of the Fund is to optimize income at low levels of risk through investments in only investment grade securities. The Fund’s asset under management stood at ~ LKR 7,167 Mn as on May 31, 2019 with an average residual maturity of around 10 months.

### Key financial indicators: Not applicable

### Any other information: None Rating history for last three years:

Instrument	Type	Current Rating (FY2020)		FY2020 Jul-19	Chronology of Rating History for the past 3 years		
		Amount Rated (LKR Mn)	Amount Outstanding (LKR Mn)		FY2019	FY2018	FY2017
Capital Alliance Investment Grade Fund	Long Term	-	-	[SL]Amfs	-	-	-

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (LKR Mn)	Current Rating and Outlook
NA	NA	NA	NA	NA	NA	NA

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