

MUTUAL FUND SERVICES - Credit Quality Rating

PEFINDO Credit Quality Rating methodology (PCR) includes quantitative analysis and qualitative analysis.

QUANTITATIVE ANALYSIS

Quantitative analysis carried out by using the matrix developed by PEFINDO PCR to evaluate the level of protection of a fixed-income funds and money market mutual funds against the possibility of default of the portfolio contained in the mutual fund.

The first step in evaluating the credit quality of the portfolio of mutual funds is to establish the ranking of all securities contained in the portfolio. If PEFINDO previously assigned a securities ratings in the portfolio, the ratings can be directly used, while for the other securities that have no rating, then PEFINDO will establish an unsolicited rating after analyzing the credit quality of those securities.

After all securities in the portfolio have been rated, the next step is to establish credit weight for each sub-category rating. The credit weight for each sub-category rating is directly related to the level of default and transition experience historical.

The lower of the rating, will weigh higher credit, along with the increasing likelihood of default of the securities. By calculating the weight of each loan against the proportion of a securities on a specific sub-category ratings, it will get a total credit value that indicates the level of likelihood of default of all securities in the portfolio and also illustrates the possibility of deterioration in credit quality of the portfolio.

Based on the total value of these loans then PEFINDO will determine the PCR from a mutual fund. Thus, PCR will be inversely proportional to the total value of credits, where the greater the total value of credits, it will produce a lower PCR, and vice versa. PEFINDO sets a cluster system in which a mutual fund will get a certain rating if the total value of credits within a certain range. To maintain its rating, a mutual fund must maintain the composition of securities in a portfolio that still has a total credit value in a category rating.

QUALITATIVE ANALYSIS

In the qualitative analysis, PEFINDO looks at the process and the implementation of day-to-day of mutual funds management. There are two things that are done in a qualitative analysis; the first is the evaluation of fund managers. The quality of a mutual fund manager will determine the overall performance of mutual funds. The factors analyzed are the manager's track record in the mutual fund industry and the quality of core employees.

The second factor of qualitative analysis is the investment strategy of fund managers. PEFINDO also learns how fund managers make internal credit analysis and evaluation, selection of assets, and credit monitoring procedures. In addition, an examination of the track record of fund managers adherence to regulations.

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