

**Stability Rating**

Opinion on the relative stability in a fund’s return, the rating provides an objective measure as to the main areas of risk to which fixed-income funds are exposed, that is credit risk, liquidity risk and interest rate risk.

Scale	Definition
AAA (f)	<b>Exceptionally Strong.</b> An exceptionally strong capacity to maintain relative stability in returns and possesses negligible exposure to risks.
AA+ (f) AA (f) AA- (f)	<b>Very strong.</b> A very strong capacity to maintain relative stability in returns and possesses low exposure to risks. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions.
A+ (f) A (f) A- (f)	<b>Strong.</b> A fund with stable performance generally in line with its peers with strong capacity to respond to future opportunities or stress situations.
BBB+ (f) BBB (f) BBB- (f)	<b>Adequate.</b> An adequate capacity to maintain relative stability in returns and possesses high exposure to risks. This capacity may be impacted adversely by changes in circumstances or in economic conditions.
BB+ (f) BB (f) BB- (f)	<b>Inadequate.</b> A low capacity to maintain stability in returns and possesses very high exposure to risks.
B (f)	<b>Weak.</b> A very low capacity to maintain stability in returns and possesses very high exposure to risks.

*The fund stability rating scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer*

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveill the opinion due to lack of requisite information</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**Surveillance:** Surveillance on a mutual fund rating opinion is carried out on a periodic basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months.

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