

GUIDANCE FOR THE PRESENTATION OF CREDIT RATINGS OF FIXED INCOME FUNDS'S HOLDINGS

Adopted on September 15th, 2020, revised on January 20th, 2021

General principles

- The publication is voluntary but those who choose to present the credit ratings of the holdings should follow the guidance.
- The guidance is developed for funds that primarily invest directly in fixed income instruments.
- Credit ratings shall be presented for the holdings on the last day of the relevant reporting period.
- Fund management companies can use their own assessments of the creditworthiness of the instruments that lack official credit ratings.
- In addition to the chart, the capital weighted share of the fund's fixed income instruments with official credit rating (regardless of what the fund management company has access to) should be stated.

Presentation of credit ratings of fixed income funds

Fund management companies can choose to publish the holdings of the fund sorted by credit ratings in order to describe the credit risk of the fund. There are different ways to present this and in order to promote a uniform and comparable presentation the association has decided on the following standardised chart. Any deviations from this should be explained.

Chart for presentation of fund holdings by credit ratings

	Credit rating, holdings	Share of fund, %
Investment grade	AAA	0,0
	AA+/AA/AA-	25,6
	A+/A/A-	16,8
	BBB+/BBB/BBB-	29,8
High Yield	BB+/BB/BB-	14,3
	B+/B/B-	12,0
	CCC/CC/C	0,0
Default	D	0,0
Cash/Other market value		1,5

The share of fixed income instruments with official credit rating amounted to 80 %.

Method:

Use the worst/lowest¹ external credit rating, available to the fund management company, for the holding. If external credit rating is not available, use internal.

External credit ratings for the issuer can be used, but in that case as input for the internal credit ratings. There are exceptions where instruments can be considered officially rated even though only the issuer has an official rating. For example, Swedish government bonds are considered having official credit rating even though it is often only the State of Sweden that has an official

¹ If large deviations occur (>one credit rating step) a weighting can be used.

credit rating. Such exceptions ought to be considered on a case by case basis and should for example not be used on subordinated credits.