

## Principal PNB Asset Management Company Private Limited

Scheme	Rating Action
Principal Cash Management Fund	[ICRA]A1+mfs reaffirmed
Principal Low Duration Fund (erstwhile Principal Debt Opportunities Fund – Conservative Plan)	[ICRA]A1+mfs reaffirmed

ICRA has reaffirmed the credit risk rating of [ICRA]A1+mfs (pronounced ICRA A One plus m f s) to Principal Cash Management Fund and Principal Low Duration Fund (erstwhile Principal Debt Opportunities Fund – Conservative Plan). The ratings should, however, not be construed as an indication of expected returns, prospective performance of the Mutual Fund scheme, NAV or of volatility in its returns.

### Asset Management Company and Fund Details:

The above funds are mutual fund schemes of Principal Mutual Fund and are managed by Principal PNB Asset Management Company Private Limited. The AMC is formed by Principal Financial Services Inc., Punjab National Bank and Vijaya Bank. The AMC had average assets under management of around Rs.4,678 crore as on June 30, 2016.

Launched in October 2000, Principal Cash Management Fund is an open ended liquid scheme with a stated investment objective to provide investors with as high a level of income available from short - term investments as is considered consistent with preservation of capital and maintenance of liquidity, by investing in a portfolio of money market and investment grade debt instruments. The fund's assets under management stood at Rs. 1431.92 crore as on May 31, 2016 and had an average residual maturity of around 40 days as on that date.

Launched in September 2004, Principal Low Duration Fund (erstwhile Principal Debt Opportunities Fund – Conservative Plan) is an open-ended income scheme with a stated investment objective to generate regular income & capital appreciation through investments in debt securities and money market instruments. The fund's assets under management stood at Rs.390.04 crore as on May 31, 2016 and had an average residual maturity of around 10 months as on that date.

### ICRA Credit Quality Rating Methodology for debt mutual fund schemes

ICRA'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 uses the concept of "credit scores". These scores are based on ICRA's estimates of credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA uses its database of historical default rates for various rating categories for various maturity buckets. The credit risk ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA 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 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.

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