

Announcement: Moody's updates bond fund ratings based on revised methodology

Global Credit Research - 02 Apr 2012

Paris, April 02, 2012 -- Moody's announced today that its revised methodology for bond fund ratings is now effective, except as qualified below, resulting in updated ratings for affected funds in Europe and North America (a link to the rating list is provided below). These actions follow a process initiated in November 2011 when Moody's published a Request for Comment proposing a new methodology for bond funds, and follows the publication of Moody's revised methodology on February 17, 2012 entitled, "Moody's Revised Bond Fund Rating Methodology and Symbols." Moody's further stated that the revised methodology does not, at this time, apply to its bond fund ratings in Argentina, Bolivia or Mexico, where the previously applicable methodology remains in force.

The primary objectives of Moody's revised bond fund rating methodology are:

(1) To define more clearly the scope of bond fund ratings as primarily addressing the credit quality of the fund's underlying assets; (2) To measure more systematically and objectively portfolio credit quality, by using the portfolio's weighted average life (WAL) as a the key duration benchmark for measuring the portfolio's expected credit loss profile; and (3) To differentiate more clearly bond fund ratings from the credit ratings of long-term obligations, through the use of a distinct set of rating symbols and updated rating definitions.

REVISED SYMBOLS AND DEFINITIONS

Introduced as part of the revised rating methodology are the following revised symbols and definitions that are unique to bond funds:

Aaa-bf - Bond Funds rated Aaa-bf generally hold assets judged to be of the highest credit quality.

Aa-bf - Bond Funds rated Aa-bf generally hold assets judged to be of high credit quality.

A-bf - Bond Funds rated A-bf generally hold assets considered upper-medium credit grade.

Baa-bf - Bond funds rated Baa-bf generally hold assets considered medium credit grade.

Ba-bf - Bond funds rated Ba-bf generally hold assets judged to have speculative elements.

B-bf - Bond funds rated B-bf generally hold assets considered to be speculative.

Caa-bf - Bond funds rated Caa-bf generally hold assets judged to be of poor standing.

Ca-bf - Bond funds rated Ca-bf generally hold assets that are highly speculative and that are likely in, or very near, default, with some prospect of recovery of principal and interest.

C-bf - Bond funds rated C-bf generally hold assets that are in default, with little prospect for recovery of principal or interest.

MOODY'S UPDATED BOND FUND RATINGS

A detailed listing of Moody's updated bond fund ratings is available on Moody's website at the following address:

http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_141027

Moody's updated rating methodology for bond funds, entitled "Moody's Revised Bond Fund Rating Methodology and Symbols" and dated February 17, 2012, is available on Moody's website at the following address:

http://www.moodys.com/research/Moodys-Revised-Bond-Fund-Rating-Methodology-and-Symbols--PBC_138664

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