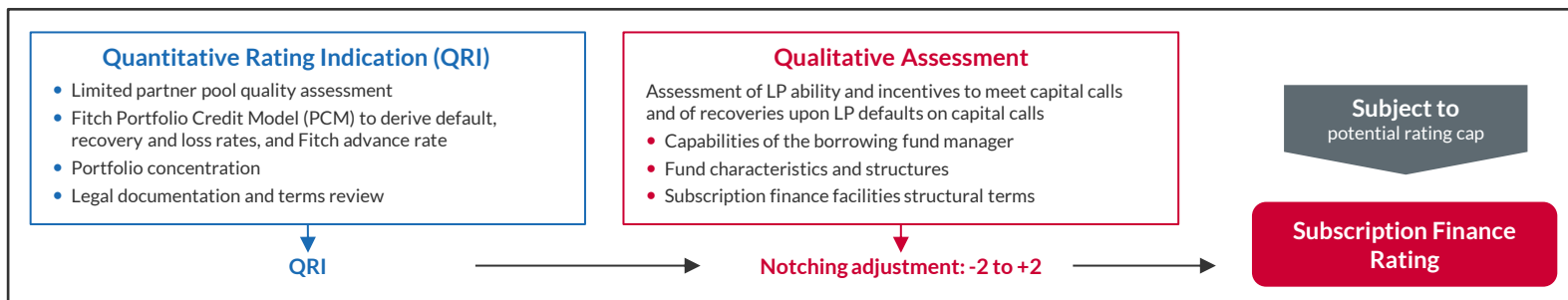


Criteria Essentials – Subscription Finance Ratings (1/2)

Scan QR code or visit
<https://www.fitchratings.com/criteria/fund-asset-managers> to view detailed Subscription Finance Rating Criteria

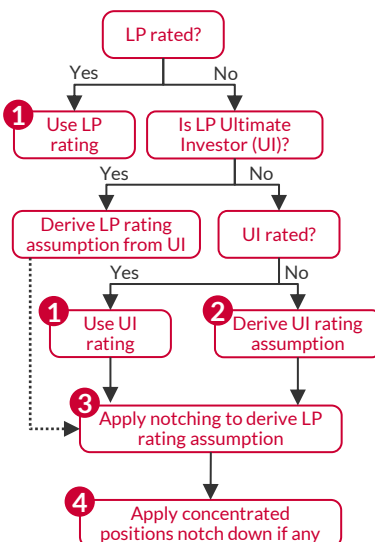


Scope

- Ratings assigned to obligations backed by capital call commitments, also known as subscription finance facilities
- Facilities are provided to alternative investment funds and backed by their limited partners' capital commitments

Limited Partner Pool Quality - Each LP assigned a rating or rating assumption

LP Rating Derivation Framework



1 Public or private ratings or credit opinion from Fitch, or if not available, lowest of S&P/Moody's

2 If UI not rated, rating assumption derived from UI tiering
 All tier's thresholds must be met. Tier 3 if Tier 1 and Tier 2 not met

Investor Type	Factor	Tier 1	Tier 2
Common to all	AUM* (\$bn)	≥ 50	5 ≤ x < 50
	Operating history (years)	≥ 15	5 ≤ x < 15
	Domicile country ceiling	≥ BBB-	BB+ to B-
SWF	Sovereign rating	≥ A-	BBB+ to BB-
Investment fund	Fund size (\$bn)	≥ 5	1 ≤ x < 5
Defined benefit pension fund	Sovereign, state, parent rating	≥ A-	BBB+ to BB-
	Funded ratio (%)	≥ 80	40 ≤ x < 80
Rating assessment correspondence (Tier 3: CCC)		BBB-	B-

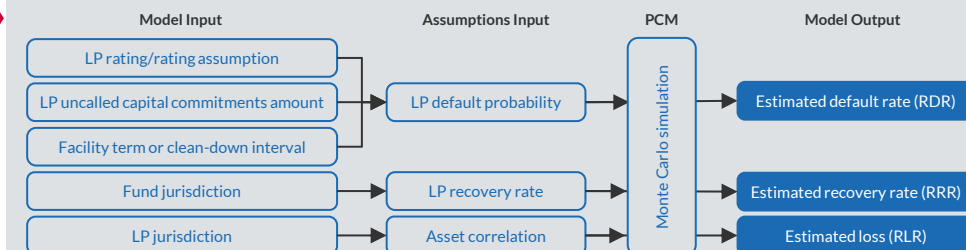
3 Notching to derive LP rating assumption from UI rating/rating assumption informed by UI's obligation or incentives to fund LP's capital call

UI – LP Linkage	Notching
Strong contractual links	0
Reputational and economic links and weaker contractual links	-3
All others	-6

4 For each concentrated position:
 Notch down of exposure portion > concentration threshold
 No notching to exposure portion up to threshold

# of UI in pool	Threshold for single UI concentration		UI notch impact to excess exposure
	Unrated UI	Rated UI	
1 to 3	QRI approach for concentrated LP pools applied		
4 to 14	3%	3%	-3
≥ 15	5%	n.a.	-3

Fitch Portfolio Credit Model (PCM)



- Recovery rate assumptions:** Upper (95%) and lower (60%) bounds typically used as recovery rates for 'CCC' and 'AAA' model rating stress levels, respectively. Linear interpolation for notch-specific assumptions.
- Asset correlation assumptions:** Global correlation of 6%; regional correlation as typically used in PCM; country, emerging markets and industry-specific correlations set at 0%
- In fundraising phase,** expected and stressed LP composition assumptions may be considered

- Fitch Advance Rate (AR)** = 100% - PCM estimated loss (RLR)
- RLR = projected capital call defaults and recoveries at a given rating level
- Fitch AR = implied advance rates at different rating levels based on LP pool's total UCC
- If estimated default rate (RDR) > 70% for a given rating level, Fitch AR = 100% - RDR, i.e. no recoveries
- Maximum permitted AR determined = Maximum AR against the collateral, considering reductions in the effective AR through concentration limits, LP exclusions or other considerations

- Baseline QRI** set at highest rating where Fitch AR ≥ Max AR (e.g., if Max AR = 70% and Fitch AR = 76%, 72% and 68% at A-, A, A+ rating levels, respectively, then QRI = A)
- Adjustments informed by sensitivity analyses, e.g. changes in LP

QRI

QRI for Concentrated LP Pools

# of UI in pool	QRI approach
Single UI	QRI linked to Fitch LP rating
2 – 3 UIs	QRI based on two-risk or three-risk credit-linked notes matrices

Criteria Essentials – Subscription Finance Ratings (2/2)

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Qualitative Assessment of the fund, manager and structural terms of the subscription finance facility

Qualitative assessment score ranging from 1 to 5

- Based on factors scores
- Weights assigned as high, medium, low
- Drives notching from QRI to derive subscription finance rating

Qualitative Assessment and Notching to QRI

Qualitative assessment score	Best	1	2	3	4	Worst
Notching from QRI		+2	+1	0	-1	-2

Section	Factor	Typical weight
Manager	Resources and scale	Medium
	Franchise and fundraising	Medium
	Historical performance	Medium
Fund	Strategy and assets	Medium
	Manager alignment	Lower
	Performance	Medium
	Economic incentives	Higher
	LP agreement (LPA) terms	Medium
Facility	Structural features	Medium
	Currency risk	Lower

Fund Qualitative Assessment – Scoring Guidelines

Factor	Sub-factor	Score 1	2	3	4	5
Strategy and assets	Market development	Very high	High	Medium	Low	Very low
	Stability	Very high	High	Medium	Low	Very low
	Diversification	Very high	High	Medium	Low	Very low
Manager alignment	Fund strategy importance to manager	Core competency, down market experience	Near core competency	Adjacent competency	Tactical fundraise or tangential competency	Opportunistic fundraise outside competencies
Fund performance	Relative to expectations	Material outperformance	Out-performance	In line or no meaningful measures	Under-performance	Negative returns driven by poor investments
Economic incentives	Funded % of total commitments called	≥ 40	20 ≤ x < 40	10 ≤ x < 20	0 < x < 10	0
LPA terms	Incentives to meet capital calls; provisions to recovery funds	Very strong	Strong	Adequate	Weak	Very weak

Manager Qualitative Assessment – Scoring Guidelines

Factor	Sub-factor	Score 1	2	3	4	5
Resources and scale	Scale					
	• Staff	• Very large	• Large	• Adequate	• Small	• Very small
	• Key person risk	• None	• Limited	• Moderate	• Elevated	• High
	• Operations	• Multiple strategies geographies	• Multiple strategies or geographies	• Multiple strategies or geographies, or strong flagship franchise	• Limited strategies or funds number	• Very limited platform
Franchise and fundraising	Total AUM (\$bn)	≥ 50	15 ≤ x < 50	5 ≤ x < 15	1 ≤ x < 5	< 1
	Experience (years)	≥ 25	15 ≤ x < 25	7 ≤ x < 15	1 ≤ x < 7	< 1
	Alternative AUM (\$bn)	≥ 50	15 ≤ x < 50	5 ≤ x < 15	1 ≤ x < 5	< 1
Historical performance	Traction	Large recent funds; Size > previous funds	Medium recent funds size = previous funds	Small recent funds; size < previous funds		
	Pacing	Consistent fundraising cycles, and often in the market across strategies	Some fundraising for key strategies	Inconsistent or no recent fundraising		
Historical performance		Consistently strong (incl. down market)	Mostly strong (incl. down market)	Mostly moderate	Moderate, sometimes weak	Consistently weak

Facility Qualitative Assessment – Scoring Guidelines

Factor	Sub-factor	Score 1	2	3	4	5
Structural features	Limits to borrowing; control of LP quality and lender rights	Very strong	Strong	Adequate	Weak	Very weak
Currency risk	Unhedged exposure	Not material	Limited	Some	High	Very high

Rating Caps

Key considerations

Rating cap

Unrated LPs portion ≥ 20%

Max AA+

Material unmitigated weakness at the manager that could present a risk to the SFF rating

Cap may be applied based on a combination of factors detailed below

Material unhedged FX risk

Max BBB if high perceived FX risk
Max BB if very high perceived FX risk

Considerations for Manager-Driven Rating Caps

Factors	Rating cap		
	A	BBB	BB
AUM (\$bn)	5 ≤ x < 10	1 ≤ x < 5	< 1
Operating experience	7 ≤ x < 15	1 ≤ x < 7	< 1
# funds managed	3	2	1
Total staff	50 ≤ x < 70	30 ≤ x < 50	< 30
Senior staff	5 ≤ x < 6	3 ≤ x < 4	< 2
Key person risk	Moderate	Elevated	High

Umbrella Facilities and Multiple Independent LP Pools

- Multiple Ratings:** For SFFs with multiple independent LP pools (e.g., umbrella facilities), each loan obligation typically rated separately, provided the pools are not cross-collateralized and lack cross-default provisions that tie their creditworthiness together.
- Single Rating Scenarios:**
 - Cross-collateralized LP pools:** Assigned a single rating with QRI analyzed as one unified pool. If investment strategies differ across pools, conduct fund-level qualitative assessments weighted by borrower exposure to each fund.
 - Material cross-default without cross-collateralization:** Separate QRI, qualitative, and SFF ratings assigned to each pool. Overall SFF rating reflects the lowest individual rating, particularly where one fund's default could trigger accelerations other funds cannot cure.
 - Uniform outcomes:** Single weakest-link rating may apply when multiple non-cross-collateralized, non-cross-default-linked LP pools would independently get the same rating.