Management Quality Ratings Criteria

Contents

Scope of the Criteria

1. The management quality ('MQ') ratings provide institutional investors with an independent appraisal of asset management companies. MQ ratings are not credit ratings, therefore they do not measure the relative ability of an entity to meet its financial obligations.

2. Rather, the 'MQ' ratings assess an asset manager's organisational structures, management characteristics, client and market profile, financial sustainability, risk management capabilities, portfolio management, and operational practices/controls, in order to determine the organisation's overall quality.

3. GCR's 'MQ' ratings are intended to assist investors in comparing portfolio managers' skill sets, and facilitate the process of evaluating investment management firms' overall quality, regardless of size, ownership structure, and scope of operations. Although the assessment incorporates a review of the firm's investment performance track record, the ratings are not intended to consider the prospective performance of specific funds managed by the company.

Summary of the Criteria Changes

4. The proposed criteria is based on the principles of the last updated criteria, 'Global Master Criteria for Rating Funds and Asset Managers, updated in March 2017'.

5. The major change to the criteria is the separation of the 'management quality' or 'MQ' ratings from the Fund criteria. Fund ratings have been separated into the criteria titled 'Criteria for Fund Ratings' (currently in RFC stage).

6. GCR has also changed the definitions of 'MQ' ratings, in order to emphasize the difference between issuer credit ratings and management quality ratings. The ratings emphasize qualitative over quantitative factors and are expressed in the form of a scale ranging from 'MQ1' (Excellent) to 'MQ5' (Poor).

Table 1: Management Quality Ratings	
Management Quality Rating Definitions	
MQ1	Entities rated MQ1 are judged to exhibit an excellent management and control environment, which meets or exceeds best international practice and benchmarks
MQ2	Entities rated MQ2 are judged to exhibit a good management and control environment.
MQ3	Entities rated MQ3 are judged to exhibit adequate management and control environment.
MQ4	Entities rated MQ4 are exhibiting poor management and a weak control environment, which leaves a high potential for investor or corporate losses.
MQ5	Entities rated MQ5 have very weak management and controls which has led to investor or corporate loss.

7. Asset Managers assigned with an issuer credit rating will be rated using either the 'Appendix to Criteria for Rating Financial Services Companies: Asset Management Issuer Credit Ratings'.

8. It is possible that Asset Managers will hence forth have both a full issuer credit rating and management quality ('MQ') rating.

Management Quality Ratings

9. Although GCR's analysis of an asset manager's quality takes into account quantitative factors, including the historical performance of funds under management, the financial strength of its balance sheet, and its profitability and prospects, the ratings emphasize qualitative over quantitative analytical factors. As such, the rating process focuses on the following areas:

- Corporate profile;
- Financial sustainability;
- Portfolio management (the investment decision making process); and
- Risk management, controls and systems.

Corporate profile

10. GCR initiates its review of an asset manager's corporate profile by considering organisational structure, which encompasses ownership, governance and control structures, and its human resources and staffing requirements/resources. The business environment, in particular client and market profile are also considered. Analysis of organisational structure is based on identification and assessment of the quality of the reporting structure, and the efficiency of the various organisational functions and responsibilities. It is also a study of the relationships that exist within the firm, with its service providers, clients and with any affiliated entities including parent companies and/or shareholders. This analysis is a critical component in the overall process of assigning asset management quality ratings.

Ownership structure and support

11. The question of whether an asset manager operates as a separate business unit within its corporate structure is addressed. Whether it is a subsidiary, affiliated company, or a joint venture, it is important to determine if the relationship with its parent or shareholders enhances (or places undue pressure on) the manager's operations. If a firm or its parent is publicly listed, this could influence the extent of information available in the public domain, the ability to raise additional capital for planned or unforeseen demands, and its exposure to certain event risks (including the probability of mergers or

takeovers). A recent or upcoming change in corporate ownership can have a major impact on an asset manager's investment philosophy, business culture and overall operating environment.

12. The relationship between the parent company and asset manager can also have a direct impact on the outcome of the rating. A strong parent operating within a vigilant and clear regulatory environment, with a strong financial profile, and demonstrating a willingness to support its affiliates, can enhance an asset manager's rating. On the other hand, a weak parent represents heightened risk as it may look upon its affiliates as a potential funding resource, thereby negatively impacting the rating. Another aspect of the relationship which GCR reviews is the extent to which there are proper and institutionalised 'Chinesewalls' between affiliated companies and also how stringently fiduciary responsibilities are maintained and promoted within the respective entities.

Governance and control structure

13. , GCR identifies if there are clear reporting lines between departments in order to assess whether the size and structure of the organisation provides for an efficient use of resources. In addition, GCR determines whether the reporting structure provides enough independence to allow issues/concerns to be readily identified and reported (without the need for burdensome structural mechanisms that are likely to suppress effective risk management). Compliance control is always a fundamental issue within any fund manager's organisational structure.

14. An in-depth review of management characteristics with regard to experience, track record, independence, style, approach and relationships within management teams is undertaken. GCR reviews management biographies and interviews key senior managers in order to assess the level of experience/qualification present within the firm. Although typically a long track record of success is a positive indicator, it is even more important if that prior management experience matches and is relevant to the current strategy and style of the organisation.

15. Interviews focus on determining the investment approach of the firm's managers, and their specific views on the investment culture within the organisation. It is particularly important, in those organisations that rely heavily on individual managers, to understand the level of risk present in the event of key personnel departures.

16. For those organisations which operate with a more team-based approach, GCR discusses in detail the functions and responsibilities of each of the team members. Responsibilities are broken down to determine the existence of non-core activities that could distract or divert resources from the efficient management of the firm. Many of these teams or key individuals may also manage a number of different funds. The universe of funds under management is assessed, and any disparities in performance are analysed and questioned.

Client and market profile

17. An analysis of the business environment includes identifying the asset manager's client base. Funds geared toward the retail market may require a different operational structure and approach from funds targeting institutional investors. The nature of a fund's client base introduces different risks that must be addressed adequately. For example, an asset manager with large exposures to an institutional client base is prone to large fund flows (both inflows and outflows), and as such the firm should have specific structures and operational procedures in place to handle fund flows efficiently, and a risk management environment which takes the heightened liquidity requirements into consideration.

18. The extent of relationships with clients is another important consideration. A retail operation may rely heavily on its relationships with intermediaries or directly with investors. GCR tries to gauge to what extent those relationships are vital to the firm's operations. Relationships can also be heavily dependent on key personnel. This aspect is further detailed in our analysis of the management team in particular, but here we focus on management's efforts to protect key relationships from risk of personnel turnover and on its personnel policies in regards to retention, compensation and other human resource issues.

19. Another facet of the business environment is an assessment of whether 'brand' is a significant factor in its operations. GCR looks at how the firm markets its brand and what internal procedures are in place for monitoring its markets and its sales processes.

Financial sustainability

20. As an extension of corporate profile, financial resilience is a key element in the successful operation of an asset management organisation. As such, GCR conducts an analysis of a firm's financial sustainability, including its position, profitability and prospects. GCR is particularly concerned with an asset management firm's ability to fund current and future operations and meet capital requirements through internal cash generation, and to be able to do so while supporting current and future business activities. GCR reviews the relative importance, financially, of each fund to the firm's overall business in terms of revenues and profits. This review is further analysed later in the context of questions to management regarding strategic direction within the firm's overall operating philosophy.

21. GCR's assessment of financial fundamentals considers not only the current financial status of the company but also trends in earnings, cash flow, profitability, and capital adequacy. Although size is a consideration when evaluating financial strength, as it can have a direct bearing on the firm's ability to withstand downturns in economic activity, it is not in itself a defining factor for the rating. Size, however, can be a contributing factor in the firm's operational efficiency and is further analysed in that context.

22. Comparative analysis relative to other asset managers is undertaken wherever possible, and is based on an appropriate sampling of peer groups. Financial strength also impacts the firm's ability to retain important staff through appropriate financial incentives, thereby maintaining competitiveness and retaining clients, particularly in the institutional market.

Portfolio management (the investment decision-making process)

23. A review of the historical performance of the various funds under the asset manager's control is an important tool when used as part of the overall analysis for determining the quality of management. However, GCR does not assign management quality ratings based on historical investment performance, but rather on a firm's ability to achieve solid targeted results consistently across a range of market conditions. The portfolio management assessment broadly considers the asset manager's investment philosophy, strategy and style, the fund features, performance and management practices within the funds under management, and whether these comply with investment philosophy, and the extent and quality of investment research and related support structures. Investment philosophy, strategy and style.

24. An analysis is conducted of an asset manager's investment and operational strategies in the context of its stated investment philosophy, policies and goals. Identifying the organisation's strategy and decision-making process is at the heart of this analysis. Questions are posed to understand the investment philosophy and to determine how investment objectives are established. The process undertaken for determining investment strategies is reviewed, including how the strategy is defined, quantified, and most importantly, how it is implemented.

25. Asset allocation decision-making and the bases for identifying eligible securities are reviewed, as are the processes for monitoring strategy implementation, and the circumstances in which the strategy can be altered. Finally, GCR looks to determine the level of consistency with which the investment policy has been applied. Fund features, performance and management practices.

26. The specifics of each of the funds under management are also reviewed. A change in asset size in any fund, for instance, is flagged to determine if there has been any shift or drift in investment philosophy. Fund fundamentals, such as liquidity levels, rate of turnover and the expenses ratio, are reviewed and analysed. A more detailed investigation of the client base is undertaken in order to identify and explain changes in the investor base. Performance is highlighted in the context of broad market performance.

27. Portfolio composition is reviewed and compared to the stated investment objectives of each individual fund. Style changes prompt questioning as to why such a shift has occurred. The specific practices utilised when building a fund portfolio are also reviewed (including identifying whether leverage or derivative products are used to enhance return). Questions regarding these practices are designed to determine the extent of their use, and their place within the investment philosophy and strategy of the organisation. It is also important that management demonstrates a clear and thorough understanding of the risks inherent in their application.

Research and related support structures

28. Ancillary support structures are also reviewed in order to examine the capabilities and breadth of those resources. In-house research teams are analysed to determine the extent and quality of the information used in investment decisions. Equally important is an examination of how external resources such as research from brokers are incorporated into internal research activities. Furthermore, access to company investment information is reviewed to see the extent of interaction that exists between research teams and companies in the portfolio, in terms of visits and timely communication.

Risk management, controls and systems

29. Assessing the firm's ability to exercise proper control over its operations in order to effectively identify and address the various forms of risk it faces is a fundamental part of GCR's analysis. In this regard, compliance with regulatory requirements, the firm's risk management framework and controls, and appropriateness of operations and systems are key areas of focus within GCR's assessment of an asset manager.

Compliance

30. Regarding the regulatory environment, GCR undertakes a comprehensive analysis of the laws and regulations impacting the asset manager's operations. This is done for every market where GCR issues management quality ratings. Through direct contact with the relevant regulatory bodies and constant monitoring of new developments, GCR keeps abreast of key issues in regulatory oversight, and compares an asset manager's risk compliance to the relevant requirements of the environment in which it operates.

Risk management framework and controls

31. A review of a firm's regulatory compliance is an important part of assessing its capability to manage risk. GCR undertakes a comprehensive review of the firm's compliance structure in order to assess its capacity, as well as its compliance philosophy. This includes a review of its written internal procedures and guidelines, reporting systems, its track record with regulators and its compliance with licensing, capital and general reporting requirements. Any history of problems in this area is carefully reviewed for cause and correction. Management's processes for reviewing compliance issues and for updating its procedures are also investigated. GCR analysts question individual managers on their own specific risk management procedures, including what oversight responsibilities and practices are employed over daily trading and investment decisions.

32. It is important to determine who within the organisation is responsible for managing risk related activities and to what extent he or she has the appropriate levels of authority to deal effectively with that risk and to enforce the firm's risk management policies. GCR reviews the quality of the internal and external

audit system and looks specifically at past compliance lapses to evaluate how they were addressed and eventually corrected. Operations and systems Within the context of the firm's organisational structure, as well as its risk management framework and control systems, GCR assesses the efficiency of the firm's operations given the existing infrastructure, systems and mechanisms in place to respond to any inherent challenges.

33. The quality of the asset manager's information systems can have a direct impact on the efficiency of its operations. In particular, GCR evaluates the level of sophistication and quality of the firm's information technology systems. Here, emphasis is placed on processing, storing and retrieval of data, in the front, middle and back-office systems.

34. GCR also evaluates the procedures and policies in place in relation to data backup, computer security and technical support. As it affects both the quality of operations and services delivered, GCR examines the type of network, as well as the communication systems in place. An asset manager's level of technological flexibility, integration and sophistication relative to its peers may affect its market position and prospects. Furthermore, risk management procedures enhanced by high quality information systems provide for better monitoring and lower risk.

35. A review is conducted of the systems in place to communicate with the market, service providers and clients, providing the basis for measuring the efficiency of those processes. In addition, the asset manager's activities in the areas of: management reporting; trading; client servicing and administration; securities processing and custody; and asset valuation; are reviewed from an operations point of view.

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S GLOSSARY

Accounting	A process of recording, summarising, and allocating all items of income and expense of the company and analysing, verifying and reporting the results.
Agency	An insurance sales office which is directed by an agent, manager, independent agent, or company manager.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Benefits	Financial reimbursement and other services provided to insureds by insurers under the terms of an insurance contract.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Borrower	The party indebted or the person making repayments for its borrowings.
Budget	Financial plan that serves as an estimate of future cost, revenues or both.
Business Cycle	Regular fluctuations in overall activity in an economy over time. The cycle has four distinct elements: recession, recovery, peak and slowdown.
Call Option	A security that gives the holder or buyer the right but not the obligation to buy an underlying instrument at an agreed price (the strike price) within a specified time. The seller or writer has the obligation to sell the underlying instrument if the holder exercises the option.
Capacity	The largest amount of insurance available from a company. In a broader sense, it can refer to the largest amount of insurance available in the marketplace.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Collateral	Asset provided to a creditor as security for a loan or performance.
Commodity	Raw materials used in manufacturing industries or in the production of foodstuffs. These include metals, oil, grains and cereals, soft commodities such as sugar, cocoa, coffee and tea, as well as vegetable oils.
Concentrations	A high degree of positive correlation between factors or excessive exposure to a single factor that share similar demographics or financial instrument or specific sector or specific industry or specific markets.
Conditions	Provisions inserted in an insurance contract that qualify or place limitations on the insurer's promise to perform.
Conglomerate	A company made up of subsidiaries that operate in several business sectors that are unrelated to each other.
Contingent Liabilities	Liabilities not recorded in an entity's financial reports, but which might become due.
Contract	An agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured. A 'policy' is the written statement of the terms of the contract.
Corporate Governance	Refers to the mechanisms, processes and relations by which corporations are controlled and directed, and is used to ensure the effectiveness, accountability and transparency of an entity to its stakeholders.
Country Risk	The range of risks emerging from the political, legal, economic and social conditions of a country that have adverse consequences affecting investors and creditors with exposure to the country, and may also include negative effects on financial institutions and borrowers in the country.
Coverage	The scope of the protection provided under a contract of insurance.
Credit Rating Agency	An entity that provides credit rating services.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Creditor	A credit provider that is owed debt obligations by a debtor.
Creditworthiness	An assessment of a debtor's ability to meet debt obligations.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.

Default Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Exchange Rate	The value of one country's currency expressed in terms of another.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Financial Statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time.
Forecast	A calculation or estimate of future financial events.
Fundamental Analysis	A method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors.
Going Concern	An accounting convention that assumes a company will continue to exist and trade normally for the foreseeable future. In practice this is likely to mean at least for the next 12 months.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Guarantor	A party that gives the guarantee.
Index	An assessment of the property value, with the value being compared to similar properties in the area.
Insolvency	When an entity's liabilities exceed its assets.
Insurance	Provides protection against a possible eventuality.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Intermediary	A third party in the sale and administration of insurance products.
International Scale Rating.	An opinion of creditworthiness relative to a global pool of issuers and issues.
Irrevocable	Not able to be changed, reversed, recovered and final.
Issue Ratings	See GCR Rating Scales, Symbols and Definitions.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
Issuer	The party indebted or the person making repayments for its borrowings.
Joint Venture	A project or other business activity in which two persons or companies partner together to conduct the project.
Layer	A horizontal segment of the liability insured, e.g., the second R100,000 of a R500,000 liability is the first layer if the cedent retains R100,000 but a higher layer if it retains a lesser amount.
LC	An LC is a guarantee by a bank on behalf of a corporate customer that payment will be made if that entity cannot to meet its obligations.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liabilities	All financial claims, debts or potential losses incurred by an individual or an organisation.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.

Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Long-Term Rating	A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Long-Term	Not current; ordinarily more than one year.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
Mandate	Authorisation or instruction to proceed with an undertaking or to take a course of action. A borrower, for example, might instruct the lead manager of a bond issue to proceed on the terms agreed.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Monetary Policy	Measures taken by the central bank to influence the quantity of money or the rate of interest with a view to achieving stable prices, full employment and economic growth.
Moratorium	A period of time in which an activity is suspended until such time as a change in circumstances permits its removal. For example, a borrower can declare a moratorium on the repayments of the principal, and sometimes the interest, on a loan.
National Scale Rating	National scale ratings measure creditworthiness relative to issuers and issues within one country.
Notching	A movement in ratings.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Off Balance Sheet	Off balance sheet items are assets or liabilities that are not shown on a company's balance sheet. They are usually referred to in the notes to a company's accounts.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal risk, but excludes strategic risk and reputational risk.
Option	An option gives the buyer or holder the right, but not the obligation, to buy or sell an underlying financial asset at a pre-determined price.
Parent Company	The senior company in a group or fleet of insurers.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Policy	The legal document issued by the company to the policyholder, which outlines the conditions and terms of the insurance.
Political Risk	The risk associated with investing and operating in a country where political changes may have a negative impact on earnings or returns.
Premium	The price of insurance protection for a specified risk for a specified period of time.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Ranking	A priority applied to obligations in order of seniority.
Real Estate	Property that consists of land and / or buildings.
Refinance	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Release	An agreement between the creditor and debtor, in terms of which the creditor release the debtor from its obligations.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Reserve	(1) An amount representing actual or potential liabilities kept by an insurer to cover debts to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.
Reserves	A portion of funds allocated for an eventuality.
Risk Management	Process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Senior	A security that has a higher repayment priority than junior securities.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.

Short Term	Current; ordinarily less than one year.
Sovereign Debt	A bond issued by a government or a government-backed agency.
Sovereign Risk	The risk of default by the government of a country on its obligations.
Spread	The interest rate that is paid in addition to the reference rate for debt securities.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whist reducing risk.
Subordination	The prioritising of the payment of interest and principal payments to tranches (senior, junior etc. Senior tranches are paid before junior tranches.
Taxation	A source of government revenue levied on income and accruals.
Total Risk	Both systematic and unsystematic risks.
Turnover	The total value of goods or services sold by a company in a given period. Also known as revenue or sales. Turnover can also refer to the total volume of trades in a market during a given period.
Unconditional	Not subject to any conditions.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.