CCXAP affirms mfAAA$_g$ to China Life Franklin USD Money Market Fund

Hong Kong, 31 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the money market fund ("MMF") rating of China Life Franklin USD Money Market Fund (the "Fund") at mfAAA$_g$. The Fund was launched on 18 March 2025 and domiciled in Hong Kong. It is a sub-fund of China Life Franklin Open-End Funded Company, which is a public umbrella open-ended fund company established under Hong Kong law with limited liability and segregated liability between sub-funds. The Fund is managed by China Life Franklin Asset Management Co., Limited ("CLFAMC", or the "Manager"), which is a joint-ventured professional asset manager from China Life Group and Franklin Templeton Investments Group. The Fund's objective is to achieve a return in USD in line with prevailing money market rate, with primary considerations of both capital preservation and liquidity.

Rating Rationale

The mfAAA$_g$ rating reflects the Fund's very strong capacity in providing liquidity and capital preservation, underpinned by its strong credit quality of investment portfolio, prudent investment strategy, good liquidity and short maturity profile. We determine the rating based on the Fund's actual and prospective investment portfolio and its credit quality and stability.

The Fund mainly invests in short-term deposits and high-quality money market investments. The average credit quality of the Fund's assets is strong, as at least 70% of the Fund's Net Asset Value ("NAV") are invested in short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organizations, financial institutions and corporations. Meanwhile, the Fund is constructed out of investments with short maturity days. According to the Fund's investment guideline, the Fund will maintain a portfolio with a weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days. Derivatives (if employed) are only used for hedging purposes, and the Manager will hedge non-USD-denominated investments into USD ones to manage any material currency risk such that the USD exposure will be at least 70% of the NAV. We believe that the Fund's market risk is manageable, as its exposure to marketable fixed-income securities such as certificates of deposit issued by renowned financial institutions was less than 20% of the Fund's NAV as of 29 May 2026.

Nevertheless, the Fund may be exposed to some concentration risk as its deposits are congregated in a few banks, which can, to a large extent, be mitigated by placement selection in banks with strong credit quality under our internal rating assessment. In addition, the Fund sets limitations on its investment exposure to a single entity. In general, the aggregate value of its holding on debt instruments or deposits issued by a single entity will not exceed 10% of NAV or 25% for substantial financial institutions[1].

The Fund's good liquidity is expected to be sufficient for meeting investors' fund flows in most cases. It has maintained high daily and weekly liquidity ratios, with daily and weekly liquidity

[1] As defined in the HK SFC's Code on Unit Trusts and Mutual Funds

assets constituting at least 7.5% and 15% of its total net asset value, respectively. However, we take into account the risk associated with the sudden large withdrawal of the Fund, given its relatively concentrated investor base. We believe that the concentration risk of the Fund's investor base is still manageable and would be improved by its increasing number of investors along with expansion in size.

CLFAMC, the Fund's manager, is considered to be suitably qualified, competent, and capable of managing the Fund. The Manager is the first Sino-foreign joint venture asset management company in Hong Kong with an insurance background, under the umbrella of China Life Insurance Group and Franklin Templeton Strategic Investments Limited. The Manager is 50.0% owned and ultimately controlled by China Life Asset Management Company Limited, which is one of the first insurance asset management organizations in China with state-owned background. The remaining 26% and 24% shares of the Manager are held by Franklin Templeton Strategic Investments Limited and China Life Insurance (Overseas) Co., Ltd., respectively. CLFAMC provides comprehensive cross-border asset management services and has become one of the largest Chinese-funded asset managers in Hong Kong, with assets under management of HKD259.4 billion by the end of 2025.

Rating Sensitivity

What could upgrade the rating?

An upgrade is not possible, as the rating is already at the highest level.

What could downgrade the rating?

The rating is sensitive to significant changes in its portfolio's credit quality, asset risk, liquidity risk, market risk or the quality of the manager. A significant adverse deviation from CCXAP's expectation for any key rating driver could also result in rating downgrade.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Money Market Fund (August 2024).

Regulatory Disclosures

MMF ratings are not credit ratings. MMF ratings are opinions on the relative quality of an MMF or similar investment vehicle to meet its primary goals of preserving principal and providing liquidity. CCXAP uses an "mf" prefix to the six rating categories (mfAAA$_g$, mfAA$_g$, mfA$_g$, mfBBB$_g$, mfB$_g$, and mfC$_g$) to differentiate MMF ratings from its credit ratings (the conventional issuer or issue rating). MMF ratings are not and should not be construed as an investment recommendation.

For Risk Disclosure of the Fund, it can be found on the Manager's website https://www.clamc.com.hk/index.php?a=Ehome&f=service&cid=3&id=378. CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

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