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RATING METHODOLOGY

Investment Holding Companies and Conglomerates

This rating methodology replaces "Investment Holding Companies and Conglomerates", last revised on December 31, 2015. We have updated some outdated links and removed certain issuer-specific information.

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Summary

This rating methodology explains our approach to assessing credit risk for investment holding companies and conglomerates globally. This document provides general guidance that helps companies, investors, and other interested market participants understand how qualitative and quantitative risk characteristics are likely to affect rating outcomes. This document does not include an exhaustive treatment of all factors that are reflected in our ratings but should enable the reader to understand the qualitative considerations and financial information and ratios that are usually most important for ratings in this sector.[1]

This report includes a detailed scorecard for companies that we consider to be investment holding companies. The scorecard is a reference tool that can be used to approximate credit profiles for investment holding companies in most cases. The scorecard provides summarized guidance for the factors that are generally most important in assigning ratings to companies in this sector. However, the scorecard is a summary that does not include every rating consideration. The weights shown for each factor in the scorecard represent an approximation of their importance for rating decisions but actual importance may vary substantially. The scorecard-indicated outcome is not expected to match the actual rating of each company.

[1] This update may not be effective in certain jurisdictions until certain requirements are met.

This rating methodology is not intended to be an exhaustive discussion of all factors that our analysts consider in assigning ratings. We note that our rating analysis covers factors that are common across all industries such as ownership, management, liquidity, corporate legal structure, governance, and country related risks which are not explained in detail in this document, as well as factors that can be meaningful on a company-specific basis. Our ratings consider these and other qualitative considerations that do not lend themselves to a transparent presentation in a scorecard format. The scorecard used in this methodology reflects a decision to favor a relatively simple and transparent presentation rather than a more complex scorecard that would map scorecard-indicated outcomes more closely to actual ratings.

Highlights of this report include:

» An overview of the rated universe of investment holding companies

» An explanation of the differing characteristics between investment holding companies and conglomerates and the analytical approach for assessing conglomerates

» A summary of the main elements of this rating methodology

» A description of factors that drive rating quality

» Comments on the rating methodology assumptions and limitations, including a discussion of rating considerations that are not included in the scorecard

The Appendix shows the full scorecard.

This methodology describes the analytical framework used in determining credit ratings. In some instances, our analysis is also guided by additional publications which describe our approach for analytical considerations that are not specific to any single sector. Examples of such considerations include but are not limited to: the assignment of short-term ratings, the relative ranking of different classes of debt and hybrid securities, how sovereign credit quality affects non-sovereign issuers, and the assessment of credit support from other entities.[2]

Distinguishing Between an Investment Holding Company and a Conglomerate

We recognize that there are multiple ways to define what constitutes an investment holding company or conglomerate, and that these broad terms can be used in different markets to refer to very different corporate entities. However, we distinguish the two types of entities according to certain characteristics displayed by each, which are summarized in Exhibit 1.

An investment holding company is either a public or a private group holding entity (“Holdco”) that acts as a financial investor, holding a portfolio mainly consisting of majority and/or minority equity stakes in private or publicly traded companies. In addition to companies that take minority holdings in a large number of typically publicly traded companies and whose profile is predominantly driven by equity risk, there are investment holding companies that take predominantly majority stakes in a small number of companies. Ancillary investments in other non-equity securities might exist but are in general not significant. Financing at the Holdco level is generally clearly separated from subsidiary levels, with a lack of Holdco recourse financing and guarantees for operating companies and no cross-default clauses between debt at operating companies and debt at the Holdco.

Only a few corporates are viewed by us as being conglomerates. These companies comprise of several main operating subsidiaries (some may be less than wholly-owned) in completely unrelated industries without

2 The methodologies covering our approach to these cross-sector considerations can be found in the Related Publications section of this report.

the existence of a distinctive leading business segment. In addition, a conglomerate acts as one single entity and there is no significant barrier to reallocation of capital within the group, including issuance of debt at the conglomerate's holding entity to support financing needs at subsidiaries. Many corporates have multiple operations in completely unrelated industries. However, in the vast majority of cases, we identify a leading business segment and use the industry sector for this segment as the sector-specific methodology for the issuer.

The following table summarizes key features that, in our view, differentiate investment holding companies from conglomerates, largely based on the way in which we segregate these companies for the purpose of carrying out an adequate credit risk analysis. We note that some companies may have characteristics of both a conglomerate as well as an investment holding company. We also recognize that private equity firms and asset managers have substantial differences from investment holding companies and conglomerates (these include differences in compensation, investment style and exit horizon) and would not be covered under this methodology.

EXHIBIT 1

Typical Distinctions Between Investment Holding Companies and Conglomerates

	Conglomerate	Investment Holding
Description	Typically several (sometimes more) core operations in completely unrelated businesses. Core businesses are typically majority-owned, although other investments can be minority interests, held directly by Holdco. Holdco may or may not have own operations and cash flows but takes management lead - conglomerate acts as one group.	Holdco is typically a financial investor with a limited number of large holdings. Assets are mainly equity stakes. Asset base can be diverse with a large proportion of minority interests or it may comprise a smaller number of holdings with significant or majority or full ownership stakes. Sometimes significant influence on management. Typically large portion of assets can be traded on short notice.
Operational Integration	Integration typically only among subsidiaries in related businesses. Usually strong planning and strategic integration.	No integration. Holdco typically active only through board membership at subsidiary level.
Management and Strategy	Focused on business portfolio composition. Limited churn of investments and change in business mix. Executive management appointed by Holdco.	Investments are typically exited within a certain time horizon although some holding companies may have a long-term investment horizon. Churn is limited, > 5 to 7 years minimum. More frequent change of business mix possible to capture opportunities in growing market segments. Holdco might follow investment management style strategy (more minority holdings, less active involvement) or operating management style strategy (more majority holdings, more active involvement).
Financing Oversight and Integration	Holdco may opt to centralize funding which can be cross-default to Opcos (Operating Company). Main Opco covenants - if any - typically include specific carve-out for dividends to Holdco. Structure potentially allows shifting support within the group, orchestrated by Holdco.	Subsidiary financing clearly separate from Holdco. Generally no cross-default among Holdco and Opcos. Typically no recourse financing of Opco to Holdco. Guarantees to Opcos are exceptional and temporary.
Board Representation	Holdco board representation at Opco levels. Holdco has distinct management team.	Typically separate board and management structures for each Opco and Holdco. But Holdco board representation at Opcos possible depending on significance of influence.
Control	Holdco typically controls core strategic assets and is able to exercise significant influence due to limited shareholder diversification (if minority exists).	Holdco may have influence or even have control over strategic decisions where stakes are significant. Major strategic decisions may be reviewed with shareholder.

EXHIBIT 1

Typical Distinctions Between Investment Holding Companies and Conglomerates

	Conglomerate	Investment Holding
Our Approach	Focus of analysis is on conglomerate's individual business segments and group financial statements.	Analysis includes evaluation of Holdco non-consolidated accounts, predictability of cash flow available to Holdco from dividends, Holdco liquidity, investment volatility, and portfolio asset value.
	For investment holding companies where dividends from certain concentrated investments generate a significant proportion of Holdco cash flow, analysis may also consider the credit profile of these companies on a standalone basis. This highlights some areas of overlap with the analytical approach taken for conglomerates as the credit linkage between the Holdco and its major investments could be stronger than what is typical for an investment holding company.	

Considerations for Analyzing Investment Holding Companies

The portfolio of an investment holding company in general covers several industry sectors and is typically relatively stable over a 5 to 7 year investment horizon, but changes in business mix might occur to some extent to capture opportunities in growing markets or to reflect a re-balancing of portfolio risk. There is also typically a degree of delinkage between the credit risk of the holding company and that of the companies the holding company has invested in, with generally limited to moderate credit risk contagion among these entities.

Our analysis takes into account some features that differentiate investment holding companies from other corporate issuers. The scorecard for investment holding companies is comprised of five broad factors:

1. Investment Strategy
2. Asset Quality
3. Financial Policy
4. Estimated Market Value-Based Leverage (MVL)
5. Debt Coverage and Liquidity

Some of these factors also encompass a number of sub-factors. An issuer's scoring on a particular scorecard factor or sub-factor often will not match its overall rating.

It is important to note that the analysis of the credit risk of an investment holding company considers the Holdco's non-consolidated financial statements and respective asset values and cash flow streams rather than focusing on consolidated group accounts and on a bottom-up credit analysis that would be more typical for other corporate issuers.

About the Rated Universe

Issuers that we view as being investment holding companies are a particularly diverse group.

About This Rating Methodology

This report explains the rating methodology for investment holding companies and conglomerates in seven sections, which are summarized as follows:

1. Identification and Discussion of the Scorecard Factors

The scorecard in this rating methodology is comprised of five factors. Some of the five factors are comprised of sub-factors that provide further detail.

EXHIBIT 2

Investment Holding Companies Scorecard

Factors	Factor Weighting	Sub-Factors	Sub-Factor Weighting
Investment Strategy	10%	Investment Strategy	10%
Asset Quality	40%	Asset Concentration	10%
		Geographic Diversity	10%
		Business Diversity	10%
		Investment Portfolio Transparency	10%
Financial Policy	10%	Financial Policy	10%
Estimated Market Value-Based Leverage (MVL)	20%	Estimated Market Value-Based Leverage	20%
Debt Coverage and Liquidity	20%	(FFO + Interest Expense) / Interest Expense	10%
		Liquidity	10%
Total	100%	Total	100%

2. Measurement or Estimation of Factors in the Scorecard

We explain our general approach for scoring each scorecard factor and show the weights used in the scorecard. We also provide a rationale for why each of these scorecard components is meaningful as a credit indicator. The information used in assessing the sub-factors is generally found in or calculated from information in company financial statements, derived from other observations or estimated by our analysts.

Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of a company's performance as well as for peer comparisons. We utilize historical data from recent twelve-month periods of reported results (the calendar period might not be the same for all companies) in the scorecard. However, the factors in the scorecard can be assessed using various time periods. For example, rating committees may find it analytically useful to examine both historic and expected future performance for periods of several years or more.

All of the quantitative credit metrics incorporate Moody's standard adjustments to the income and cash flow statements as well as balance sheet amounts for restructuring, impairment, off-balance sheet accounts, receivable securitization programs, under-funded pension obligations, and recurring operating leases.[3] We may also make other analytical adjustments that are specific to a particular company.

[3] More information about our financial statement adjustments in the analysis of non-financial corporations can be accessed using the link in the Related Publications section of this report.

The main data source for a number of quantitative rating factors is the Holdco-level (i.e. non-consolidated) financial statements. Considering the specific investment style of an investment holding company (i.e. typically equity participations in operating companies with potentially significant portions invested as minority stakes, and no or only limited financial support by the holding to subsidiary debt), the holding's group consolidated financial statements are often not the best source of financial information in order to assess the credit risks at the Holdco level. However, Holdco level accounts may not always be available or have the same level of detail as audited consolidated accounts, complicating the analysis and requiring certain assumptions to be made.

Asset concentration, leverage, debt coverage, and liquidity can typically be better measured or estimated based on information stemming directly from Holdco level accounts rather than consolidated group accounts. For example, using the carrying value of operating companies from the Holdco's consolidated group accounts would not accurately assess the asset value because of the effect of group consolidation.

Key to our analysis is the market value of the Holdco's investment portfolio in order to assess the strength of the company's asset coverage. This relies on either available stock prices or our estimated enterprise value assessments, which may be based on standard multiple valuation techniques, including a more cautious approach to valuations for unlisted or illiquid investments. Where appropriate, we may also consider the financial statements of material subsidiaries.

3. Mapping Scorecard Factors to the Rating Categories

After estimating or calculating each sub-factor, the outcomes for each of the sub-factors are mapped to a broad Moody's rating category (Aaa, Aa, A, Baa, Ba, B, or Caa).

4. Assumptions, Limitations and Rating Considerations Not Included in the Scorecard

This section discusses limitations in the use of the scorecard to map against actual ratings, some of the additional factors that are not included in the scorecard but can be important in determining ratings, and limitations and assumptions that pertain to the overall rating methodology.

5. Determining the Overall Scorecard-Indicated Outcome[4]

To determine the overall scorecard-indicated outcome, we convert each of the sub-factor scores into a numeric value based upon the scale below.

Aaa	Aa	A	Baa	Ba	B	Caa
1	3	6	9	12	15	18

The numerical score for each sub-factor is multiplied by the weight for that sub-factor with the results then summed to produce a composite weighted-factor score. The composite weighted factor score is then mapped back to an alphanumeric rating based on the ranges in the table below.

[4] In general, the scorecard-indicated outcome is oriented to the Corporate Family Rating (CFR) for speculative-grade issuers and the senior unsecured rating for investment-grade issuers. For issuers that benefit from ratings uplift due to parental support, government ownership or other institutional support, the scorecard-indicated outcome is oriented to the baseline credit assessment. For an explanation of baseline credit assessment, please refer to our rating methodology on government-related issuers. Individual debt instrument ratings also factor in decisions on notching for seniority level and collateral. The documents that provide broad guidance for these notching decisions are our rating methodologies on loss given default for speculative grade non-financial companies and for aligning corporate instrument ratings based on differences in security and priority of claim. The link to these and other sector and cross-sector credit rating methodologies can be found in the Related Publications section of this report.

Scorecard-Indicated Outcome

Scorecard-Indicated Outcome	Aggregate Weighted Total Factor Score
Aaa	x < 1.5
Aa1	1.5 ≤ x < 2.5
Aa2	2.5 ≤ x < 3.5
Aa3	3.5 ≤ x < 4.5
A1	4.5 ≤ x < 5.5
A2	5.5 ≤ x < 6.5
A3	6.5 ≤ x < 7.5
Baa1	7.5 ≤ x < 8.5
Baa2	8.5 ≤ x < 9.5
Baa3	9.5 ≤ x < 10.5
Ba1	10.5 ≤ x < 11.5
Ba2	11.5 ≤ x < 12.5
Ba3	12.5 ≤ x < 13.5
B1	13.5 ≤ x < 14.5
B2	14.5 ≤ x < 15.5
B3	15.5 ≤ x < 16.5
Caa1	16.5 ≤ x < 17.5
Caa2	17.5 ≤ x < 18.5
Caa3	18.5 ≤ x < 19.5

For example, an issuer with a composite weighted factor score of 11.7 would have a Ba2 scorecard-indicated outcome.

6. Considerations for Analyzing Conglomerates

This section explains the rating approach for companies that we consider to be conglomerates that do not have any single industry sector representing their leading business area.

7. Appendix

The Appendix provides the full scorecard.

Factor 1: Investment Strategy (10% Weight)

Why it Matters

Transparent and more conservative investment strategies can provide a longer-term view of an investment holding company's business profile, which is particularly important given the tendency for investment holding companies to acquire and divest assets. Greater visibility over the evolution of the company's investment portfolio is supported by clearly-defined investment strategies in terms of the types of assets the company seeks to invest in, the intended tenure of its investments and the targeted composition of its investment portfolio. Strategies that are more focused on longer-term ownership positions in cash generative companies may support more stability in values of investments compared to more speculative and opportunistic strategies.

Management track record in executing investment strategies is also an important consideration for the strength of an investment holding company's future business profile. As an example, we would consider the performance of an investment holding company's portfolio relative to peers and respective indexes over the long-term and the ability to develop and integrate assets with more stable growth in market values and dividend income. A demonstrated ability by management to balance its exposure in riskier investments by conservatively managing other parts of its investment portfolio would be viewed positively, particularly if investment policies on areas such as investment concentration are clearly specified. Track record becomes even more important where an investment holding company's strategy is focused on generating cash flows through value creation and asset sales (e.g. engaging in opportunistic investments in turnaround situations).

How We Assess it For the Scorecard

We qualitatively assess the company's investment strategy to understand the degree to which the company's risk profile could change over the course of time. This includes an assessment of the investment holding company's investment policies and guidelines, as well as management track record. The existence of publicly communicated goals and a commitment to adhere to these is also helpful in our assessment, particularly when a proven track record is present.

In many cases, an investment holding company's existing investment portfolio would reflect the success (or lack thereof) of its investment strategy. Exposure to mature companies with stable revenue streams is likely to carry less risk than investments in greenfield projects where execution risks are higher. Equally important is the asset class in which investments are made, with alternative investments in private equity, leveraged buyouts, and speculative investments being riskier than traditional listed and mature investments.

Strategies that require the investment holding company to invest in liquid investments, such as those that can be easily sold close to fair value, can also be viewed more positively. This is because on occasions where an investment holding company needs to raise cash urgently, liquid assets can be sold in a timely manner while having to only pay a minimal liquidity premium. We also recognize that large majority listed stakes may be difficult to sell in a relatively short timeframe and management may also be unwilling to lose its controlling interest in its investment. However, we would generally view high exposure to illiquid or volatile equity investments, particularly in emerging markets, to be a riskier investment strategy due to the additional risk they create for the holding company. As an example, a sharp drop in equity prices may erode existing asset coverage quickly and the illiquidity in the market could further constrain the investment holding company's ability to dispose its investment in a timely manner. Economic conditions and geopolitical risk in countries to which the underlying investments are exposed, are also meaningful indicators of the risk appetite of the investment holding company.

FACTOR 1

Investment Strategy (10%)

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa
Investment Strategy	10%	Not Applicable*	Highly conservative investment strategy and excellent track record in execution. Highly liquid investments with low volatility of holdings. Typically large blue chips, highly rated issuers in stable industries. Strong commitment and focus on credit profile of the underlying investments. Very low risk of significant quality transition of the portfolio. Clearly-defined investment guidelines that provide long-term visibility of business profile.	Conservative investment strategy with strong track record in execution. Fairly liquid investments with low volatility of holdings. Typically IG companies, stable industries / diversified economic drivers. Commitment and focus on credit profile of the underlying investments. Low risk of unexpected and material investment portfolio weakness. Transparent investment guidelines.	Prudently managed investment strategy and/or good but mixed success in execution of its strategy. Reasonably liquid investments with moderate volatility of holdings. Typically core companies have an IG profile. Balanced focus on credit profile of the underlying investments. Manageable risk of business profile transitioning to a weaker state. Investment guidelines limit the company's credit profile from weakening materially.	Moderately aggressive investment strategy and/or limited or untested track record. Aimed towards a mixture of mature and growth investments with liquidity playing a primary role in investment decisions. Management willing to have material exposure in risky operating profiles and environments or leveraged companies. Visible willingness for aggressive or opportunistic investments and uncertainty around investment strategy and guidelines.	Aggressive investment strategy and/or largely unsuccessful track record. Aimed towards a mixture of mature and growth investments with liquidity playing a secondary role in investment decisions. Management willing to have substantial exposure in risky operating profiles and environments. Visible willingness to invest in special situation opportunities such as start-ups, turnarounds, and leverage buyouts and no clear investment guidelines.	Very aggressive investment strategy and/or poor execution of strategy. Aimed towards a mixture of mature and growth investments with liquidity playing a negligible role in investment decisions. Management willing to have substantial exposure in risky operating profiles and environments. Visible willingness to invest in highly risky, speculative investments with substantial event risk and limited track record.

* Given the business nature of a holding company with investments primarily in a portfolio of equities, we do not foresee a scenario where a company's investment strategy has Aaa characteristics

Factor 2: Asset Quality (40% Weight)

Why it Matters

The asset quality of the investment portfolio represents one of the drivers of the company's credit risk. Our assessment considers investment concentration, geographic and business diversity and transparency.

The main business focus of an investment holding company is investing in assets via equity participation. A less risky portfolio is one that has low asset concentration. The mix of assets and their respective values can change rapidly in an investment portfolio for many reasons. Asset concentration can trend upwards even in long-term and stable portfolios, for example, when a Holdco chooses to participate in equity rights issues in order to avoid dilution of its control over investees.

Typically, the more diverse investment participations are in terms of their business and geographic mix, the less correlated they are to each other, and the less likely it is that the investment holding company will suffer adverse effects impacting its ability to cover its debt either through up-streamed dividends and/or through the sale of equity participations. This said, we recognize that greater diversification has not always translated to greater market value and dividend stability - different sectors can be economically-linked and there can be advantages to concentrations in less cyclical sectors.

Having an in-depth understanding of the portfolio's individual investments is an important aspect of our analysis. As a result, the transparency and consistency of management in communicating information is a key element. Listed investments in markets where regulatory disclosure requirements are strong can help to provide more reliable information.

How We Assess it For the Scorecard

Asset Concentration: Market value of the three largest investments (excluding cash balances) as a percentage of total portfolio market value (including cash balances).

This sub-factor is used to capture the concentration risk of investments and recognizes that certain investment holding companies may hold meaningful cash balances in order to deploy them in the future or to manage portfolio-wide risk. We therefore include cash in the total value of the portfolio but in order to assess the concentration of risky assets, exclude cash when selecting the three largest investments.

The fair value of the investment portfolio involves analyst judgment and is calculated using a combination of market value for listed assets and estimated value by us for unlisted assets. In specific cases where core investments are unlisted and the carrying value does not represent economic reality, a valuation technique may be used. For example, a standard multiple approach (e.g. EBITDA or Enterprise Value based multiple) to assess the fair value of the most significant holdings can be utilized where benchmark for appropriate multiples is available through comparable listed companies and/or comparable recent merger and acquisition transactions within the same business segment[5]. This approach would not be appropriate in markets where there is no benchmarking data and limited transparency is a constraint to accurately valuing a company.

In the event that there is no third party information or other reliable indicator of market values to corroborate asset values, we would defer to the book value in the audited accounts and typically apply a haircut (or in some cases where we have reason to believe assets are undervalued, we could use a value above the book value). The haircut reflects the uncertainty surrounding the asset value and the challenges in monitoring the valuation on a frequent basis and may be applied more generally in order to reflect forward

[5] Cash flow-based models may also be used if appropriate and sufficient data exists.

looking expectations, such as when assets are impaired and book value is materially higher than the estimated fair value. We note that using the book value in some cases may understate the value of unlisted investments where holding periods are extremely long[6] and where the historical cost does not reflect the fair value of the investment. Reliance on book value where the investment portfolio is concentrated in a few unlisted investments is generally not appropriate and a more in-depth analysis of the operating company is necessary.

Geographic Diversity: We estimate geographic diversity based on the number of core assets residing in different countries or regions, with core assets defined as assets with ownership typically at least 20% or with a market value typically at least 10% of the total investment portfolio value. We also take into consideration geographic diversity at the investment level as this can contribute to greater stability of investment earnings and more stable market values and dividend income.

For the geographic diversity measure, our relative ranking of companies is influenced by an assessment of potential regional economic correlations – for example, a diversification within the US might be economically more beneficial than a diversification in two Benelux countries such as Belgium and Netherlands. Consequently, a well-diversified company in the US might receive a higher factor rating than an issuer invested in only two adjacent European countries.

Business Diversity: Number of business sectors covered.

For the business diversity measure, we consider various sectors identified by us for other corporate methodologies and may also consider segment reporting disclosed in the company's audited financials. While the scorecard scoring is based on number of business sectors, our rating analysis also considers the weight of investment in each sector and the extent to which exposure in the main sector(s) is balanced by exposure to other non-correlated sectors. As with the geographic diversity measure, we also take into consideration business sectors at the investment level as this can contribute to greater stability of investment earnings and more stable market values and dividend income.

Investment Portfolio Transparency: Degree of public transparency on the underlying assets in the investment portfolio.

We qualitatively assess the degree of transparency available on the investment portfolio. Companies listed in highly regulated mature markets typically are required to have good disclosures which in turn provide timely and quality information that helps to have an in-depth understanding of the individual investments. Stock market listings also help to value the investments, fundamental in our ability to calculate market value-based leverage accurately on an ongoing basis. On the other hand, it is challenging to analyze the investment portfolio where there is limited availability of information about specific investments and where data cannot be independently verified.

This is not to say that we do not view the many benefits of privately-owned assets in our analysis when considering the quality of an investment holding company's portfolio. We understand that some investment holding companies intentionally divest their portfolio to reach a better balance between privately-owned assets and listed assets in order to increase their proprietary cash flow and to target higher growth in the longer-term. Privately/fully-owned companies are not subject to public scrutiny and short-term goals and this enables shareholders to develop these companies at their own speed, often with a view to realizing the value through an IPO or sale at a later date.

6 Some holding companies employ long-term investment strategies and can have holding periods of more than 20 to 30 years.

FACTOR 2

Asset Quality (40%)

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa
Asset Concentration	10%	Minimal concentration; <10%	Very low concentration; 10% - 20%	Low concentration; 20% - 35%	Moderate concentration; 35% - 50%	High concentration; 50% - 60%	Very high concentration; >= 60%	Highly concentrated; Typically top two investments >=60%
Geographic Diversity	10%	Globally diversified; Core assets are fully globally diversified.	Very strong; Core assets fully cover major economic regions.	Strong; Core assets cover several major regions with diversification within regions.	Moderate; Core assets cover major countries in a couple of local regions or a few large countries.	Weak; Core assets cover various large countries in a local region.	Very Weak; Core assets cover only 2-3 mid-size countries in a local region or one large country.	Minimal; Core assets cover only one mid-size country or a few small countries.
Business Diversity	10%	>= 13 sectors	10 - 12 sectors	8 - 9 sectors	6 - 7 sectors	4 - 5 sectors	2 - 3 sectors	1 sector
Investment Portfolio Transparency	10%	Full Transparency; All (or nearly all) investments are listed and public disclosures are of very high quality with regular reporting (typically not less than on a quarterly basis). Public listings provide a timely and accurate valuation estimate of portfolio.	Excellent Transparency; Vast majority of investments are listed and public disclosures are of high quality with regular reporting (typically not less than on a quarterly basis). Public listings provide a very good valuation estimate of core investments.	Good Transparency; Investments comprising of at least half of the portfolio's value are listed and public disclosures are of good quality with reporting typically not less than on a semi-annual basis. Available information is sufficient to value non-listed assets.	Moderate Transparency; Core investments are generally listed but significant part of unlisted investments in markets where there is moderate quality of public information available to estimate value of investments.	Limited Transparency; Core investments are a mix of listed and unlisted assets in markets where there is limited public information available to estimate value of unlisted investments.	Weak Transparency; Significant investments are unlisted and/or are in markets where there is limited public information available to estimate value of investments.	Poor Transparency; Most investments are unlisted, have poor quality of information available for estimating portfolio valuation. Valuation may rely on book value which may be exposed to severe write-downs.

Factor 3: Financial Policy (10% weight)

Why it Matters

Management and board tolerance for financial risk is a rating determinant as it directly affects debt levels, credit quality, and the risk of adverse changes in financing and capital structure. This is important given an investment holding company's exposure to equity risks, which can result in greater volatility in leverage metrics relative to other corporates. The acquisition and divestiture activities of investment holding companies also make it more challenging to estimate future leverage.

Our assessment of financial policies includes the perceived tolerance of a company's governing board and management for financial risk and the future direction for the company's capital structure. Considerations include a company's public commitments in this area, its track record for adhering to commitments, and our views on the ability for the company to achieve its targets.

Financial risk tolerance serves as a guidepost to investment and capital allocation. An expectation that management will be committed to sustaining an improved credit profile is often necessary to support an upgrade. For example, we may not upgrade a company that has built flexibility within its rating category if we believe the company will use that flexibility to fund a strategic acquisition, cash distribution to shareholders, spin-off or other leveraging transaction. Conversely, a company's credit rating may be better able to withstand a moderate leveraging event if management places a high priority on returning credit metrics to pre-transaction levels and has consistently demonstrated the commitment to do so through prior actions.

How We Assess it For The Scorecard

We assess the issuer's desired capital structure or targeted credit profile, history of prior actions and adherence to its commitments. Attention is paid to management's operating performance and use of cash flow through different phases of economic and industry cycles. Also of interest is the way in which management responds to key events, such as changes in the credit markets and liquidity environment, legal actions, competitive challenges, and regulatory pressures. In particular, we positively view commitments to market value-based leverage targets as this allows us to assess leverage over a longer time period, especially given the tendency for investment holding companies to acquire and divest assets and their exposure to equity market risk. This can mean that market value-based leverage is both more volatile and far more difficult to forecast.

Management's appetite for portfolio and strategic change is assessed, with a focus on the type of transactions (i.e. core competency or new business) and funding decisions. Frequency and materiality of acquisitions and previous financing choices are evaluated. A history of debt-financed or credit-transforming acquisitions will typically result in a lower score for this factor.

We also consider a company and its owners' past record of balancing shareholder returns and debt holders' interests. A track record of favoring shareholder returns at the expense of debt holders is likely to be viewed negatively in scoring this factor.

FACTOR 3

Financial Policy (10%)

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa
Financial Policy	10%	Expected to have extremely conservative financial policies; very stable metrics; public commitment to very strong credit profile over the long term.	Expected to have very stable and conservative financial policies; stable metrics; minimal event risk that would cause a rating transition; public commitment to strong credit profile over the long term.	Expected to have predictable financial policies that preserve creditor interests. Although modest event risk exists, the effect on leverage is likely to be small and temporary; strong commitment to a solid credit profile.	Expected to have financial policies that balance the interest of creditors and shareholders; some risk that debt funded acquisitions or shareholder distributions could lead to a weaker credit profile.	Expected to have financial policies that tend to favor shareholders over creditors; above average financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that favor shareholders over creditors; high financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that create elevated risk of debt restructuring in varied economic environments.

Factor 4: Estimated Market Value-Based Leverage (20% Weight)

Why it Matters

The majority of an investment holding company's assets are typically equity participations in subsidiaries and associates. In the event that the holding company decides to lever its equity returns by funding part of the investments through the issuance of debt, the credit risk of this debt is significantly impacted by asset values available to cover potential fixed debt charges.

How We Assess It For The Scorecard

Estimated Market Value-based Leverage (MVL): Net Debt/Estimated market value of portfolio assets.

In order to reflect the potential high asset cover available to repay any debt commitments, we measure the portfolio value on a market price/fair value basis when such information is independently verifiable and available on a frequent basis as is common for actively traded listed shares. In other instances, as is common for unlisted investments, a conservative approach is taken and the book value of investments is used typically with a haircut (or in some cases where we have reason to believe assets are undervalued, we could use a value above the book value). We may also assess potential hedging contracts against movements in the fair values of investments. The portfolio value used for this calculation excludes cash balances as it is already reflected in the net debt numerator. In addition, a debt adjustment is made when the Holdco has guaranteed debt at the level of its investments.

In cases where an acquisition is funded through non-recourse debt raised by a special purpose vehicle (SPV), we will generally 'roll-up' the SPV debt and include it as part of the holding company's debt for the MVL calculation. Although the holding company does not have any contractual obligation towards the non-recourse debt, we believe that the holding company generally remains committed to the investment and that the SPV is expected to be supported by the holding company should the dividend payments of the acquired company be insufficient to service interest and principal payments. A debt default by the SPV entity could have far greater consequences for the investment holding company as opposed to the acquired company, with a possible loss of ownership interest in the investment as well as the holding company's reputational damage in the broader market.

FACTOR 4

Estimated Market Value-Based Leverage (MVL) (20%)

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa
Estimated Market Value-Based Leverage	20%	Minimal; Typically less than 10%	Very Low; Typically between 10%-15%	Low; Typically between 15%-25%	Moderate; Typically between 25%-35%	High; Typically between 35%-45%	Very High; Typically between 45%-60%	Highly Leveraged; Typically greater than or equal to 60%

Factor 5: Debt Coverage and Liquidity (20% Weight)

Why it Matters

Operational cash flows that can regularly cover interest expenses reflect positively on the investment holding company's financial flexibility and long-term viability. Investment holding companies that do not have a sufficiently mature portfolio paying an adequate level of dividends to cover their interest and debt payments are more reliant upon cash and credit facilities, which we believe should be reserved for a market downturn.

The timing of debt repayments can play a particularly significant role in the credit profile of an investment holding company as the concentration of maturities can present liquidity challenges and heighten refinancing risk. Other things being equal, the longer the debt maturity profile, the greater the financial flexibility the firm will have as it will give the issuer more time and options to repay or refinance debt. This flexibility is also enhanced by the amount of cash balances a company maintains relative to upcoming debt maturities.

How We Assess it For The Scorecard

(FFO + Interest Expense) / Interest Expense: The FFO interest coverage is calculated as (Funds from Operations + Interest Expense) / Interest Expense.

The FFO interest coverage is used to assess the ability of the holding company to pay interest expenses through funds from operations. An investment holding company's recurring cash income is for the most part from dividends and cash interest but can also include other sources such as interest payments received from related party loans to operating companies, or management fees received from operating companies for services provided by the parent. One-off or unusual cash flows, such as gains from asset sales or one-time restructuring costs are excluded from this measure, but are factored into the overall rating assessment on a qualitative basis.

Recurring expenses are primarily related to interest expenses, operational costs (such as employee salaries and office rent) as well as tax expenses. Dividends paid by the company to its shareholders are not part of the calculation because we do not consider them part of FFO and can be discretionary in nature.

Liquidity: Number of years that cash balances and committed credit facilities cover upcoming debt maturities.

A company's cash balances and committed credit lines are assessed against its debt maturity profile to derive the number of years of available liquidity. The benefit of credit facilities should be limited to the maturity date of the facility. For example, an undrawn 5-year credit facility can be used to pay a debt obligation due in year 3, but this facility will become due in year 5.

One approach to calculating this metric is to assume that available committed credit facilities are drawn down immediately, and this will require the debt maturity profile to be adjusted by the drawn down amount due at the facility maturity date. As can be seen from Example 1 below, in the absence of material cash balance, the 3-year credit line is sufficient to cover year 1 debt obligations but becomes due in year 3. On the other hand, in Example 2, the cash balance is sufficient to cover year 1 debt obligations but remaining liquidity is inadequate to cover year 4 debt obligations.

Example 1	
Cash balance	25
Available 3-year committed facility	50
Total available liquidity	75

	Amount Due	Adj. Amount Due	Liquidity Remaining
Year 1	50	50	25
Year 2	0	0	25
Year 3	0	0 + 50	*inadequate*
Year 4	50	50	
Year 5	50	50	
Years of liquidity			**2 years**

Example 2	
Cash balance	50
Available 5-year committed facility	25
Total available liquidity	75

	Amount Due	Adj. Amount Due	Liquidity Remaining
Year 1	50	50	25
Year 2	0	0	25
Year 3	0	0	25
Year 4	50	50	*inadequate*
Year 5	50	50 + 25	
Years of liquidity			**3 years**

FACTOR 5

Debt Coverage and Liquidity (20%)

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa
(FFO + Interest Expense) / Interest Expense	10%	>= 7x	5.5x - 7x	4x - 5.5x	3x - 4x	2x - 3x	1x - 2x	< 1 x
Liquidity	10%	>= 10 years	7 - 10 years	5 - 7 years	3 - 5 years	2 - 3 years	1 - 2 years	< 1 year

Assumptions, Limitations and Rating Considerations That Are Not Covered in the Scorecard

The scorecard in this rating methodology represents a decision to favor simplicity that enhances transparency and to avoid greater complexity that would enable the scorecard to map more closely to actual ratings. Accordingly, the five rating factors in the scorecard do not constitute an exhaustive treatment of all of the considerations that are important for ratings of investment holding companies. In addition, our ratings incorporate expectations for future performance, while the financial information that is used for mapping in the scorecard is mainly historical. In some cases, our expectations for future performance may be informed by confidential information that we cannot disclose. In other cases, we estimate future results based upon past performance, industry trends, competitor actions or other factors. In either case, predicting the future is subject to the risk of substantial inaccuracy.

Assumptions that may cause our forward-looking expectations to be incorrect include unanticipated changes in any of the following factors: the macroeconomic environment and general financial market conditions, industry competition, disruptive technology, regulatory and legal actions.

Key rating assumptions that apply include our view that sovereign credit risk is strongly correlated with that of other domestic issuers, that legal priority of claim affects average recovery on different classes of debt sufficiently to generally warrant differences in ratings for different debt classes of the same issuer, and the assumption that access to liquidity is a strong driver of credit risk.

In choosing metrics for this rating methodology scorecard, we did not explicitly include certain important factors that are common to all companies in any industry such as the quality and experience of management, assessments of corporate governance and the quality of financial reporting and information disclosure. Therefore, ranking these factors by rating category in a scorecard would in some cases suggest too much precision in the relative ranking of particular issuers against all other issuers that are rated in various industry sectors.

Ratings may include additional factors that are difficult to quantify or that have a meaningful effect in differentiating credit quality only in some cases, but not all. Such factors include financial controls, exposure to uncertain licensing regimes and possible government interference in some countries. Regulatory, litigation, liquidity, technology and reputational risk as well as changes to consumer and business spending patterns, competitor strategies and macroeconomic trends also affect ratings. While these are important considerations, it is not possible to precisely express these in the rating methodology scorecard without making the scorecard excessively complex and significantly less transparent. Ratings may also reflect circumstances in which the weighting of a particular factor will be substantially different from the weighting suggested by the scorecard.

This variation in weighting rating considerations can also apply to factors that we choose not to represent in the scorecard. For example, liquidity is a consideration frequently critical to ratings and which may not, in other circumstances, have a substantial impact in discriminating between two issuers with a similar credit profile. As an example of the limitations, ratings can be heavily affected by extremely weak liquidity that magnifies default risk. However, two identical companies might be rated the same if their only differentiating feature is that one has a good liquidity position while the other has an extremely good liquidity position, unless these are low rated companies for which liquidity can be a substantial differentiator for relative default risk.

Other Rating Considerations

Ratings reflect a number of additional considerations. These include but are not limited to: corporate governance, financial controls, liquidity management, group complexity, degree of influence over dividends of investees, event risk, as well as parental and institutional support.

Corporate Governance

Among the areas of focus in corporate governance are audit committee financial expertise, the incentives created by executive compensation packages, related party transactions, interactions with outside auditors, and ownership structure.

Financial Controls

We rely on the accuracy of audited financial statements to assign and monitor ratings in this sector. The quality of financial statements may be influenced by internal controls, including centralized operations and the proper tone at the top and consistency in accounting policies and procedures. An auditor's comments in financial reports and unusual financial statement restatements or delays in regulatory filings may indicate weaknesses in internal controls.

Liquidity Management

Liquidity is an important rating consideration for all investment holding companies and can be an overriding factor in times of stress. We form an opinion on likely near-term liquidity requirements from both a cash source and cash use aspect and assess both internal and external liquidity, including the quality of committed bank credit facilities and degree of reliance on short-term debt financing and uncommitted credit lines.

Group Complexity

Typically, the more complex the group is, the less clear-cut it becomes to separate the holding company from the rest of the group or its shareholders. It is therefore more likely that the holding company will be potentially affected by factors that have a negative impact on one part of the group. At the extreme, this might actually prompt us to view the company as a conglomerate rather than an investment holding company and hence to modify our analytical approach as the risk of credit contagion between the holding company and its individual investments becomes significant. Increasing group complexity can also imply more sophisticated management capacity in the form of accessing additional means of liquidity, savings from tax optimization, and improved treasury management, but at the same time this also increases the risk of credit contagion between the holding company and the various investments in the portfolio.

We identify four indicators below which characterize group complexity.

1. Share cross-holdings among participations
2. Intercompany transactions among participations and/or holding and participations
3. Related-party transactions of shareholders of the holding company
4. Multiple debt-funding entities, i.e. participations within the holding's portfolio provide funding among themselves

Degree of Influence over Dividends of Investees

The more an investment holding company can influence operating companies, the greater its flexibility in making additional liquidity available for its own needs through a change in dividend policy or intercompany loans at the respective operating companies. At the same time, we note that companies that tend to maintain high ownership in their investees also tend to have high asset concentration, reflecting their investment strategy of having a less diversified portfolio in order to maintain control over key investments. An assessment of the balance between these two factors can become an important consideration, as a high degree of influence could lead to credit linkages between the investment holding company and its key investments.

Event Risk

We also recognize the possibility that an unexpected event could cause a sudden and sharp decline in an issuer's fundamental creditworthiness. Typical special events include mergers and acquisitions, asset sales, spin-offs, capital restructuring programs, litigation and shareholder distributions. Key person risk can in some instances also negatively impact ratings if there is no clear succession planning.

Parental and Institutional Support

Parental Support

Ownership can provide ratings lift for a particular company if it is owned by a highly rated owner(s) and is viewed to be of strategic importance to those owners. In our analysis of parental support, we consider whether the parent has the financial capacity and strategic incentives to provide support to the company in times of stress or financial need (e.g., a major capital investment), or has already done so in the past. Conversely, if the parent puts a high dividend burden on the issuer which in turn, reduces its flexibility, the ratings would reflect this risk.

Other Institutional Support

In some countries, notably Japan and South Korea, certain large corporates are likely to receive government or banking support in the event of financial difficulties because of the strategic importance of the company. In Japan, our corporate ratings consider the unique system of support that operates there for large and systemically important organizations. Over the years, this has resulted in lower levels of default than might otherwise have occurred. Our approach emphasizes group and banking system relationships.

Considerations for Analyzing Conglomerates

While recognizing that many companies describe themselves as conglomerates, this methodology characterizes conglomerates narrowly such that only a very small number of companies would be rated as conglomerates using this methodology. Several principal features distinguish such entities from other industrial companies:

» A conglomerate invests in several completely unrelated industries with generally majority-owned or wholly-owned operating subsidiaries but lacks a distinctive leading business segment. While a very large number of companies have multiple operating subsidiaries and investments in completely unrelated industries, the vast majority have a leading business segment in our view. In rating such companies, we use the relevant industry sector methodology for the leading business segment while considering differences in risk (which can include diversification benefits) and financial performance related to the other business segments.

» A conglomerate acts as one single entity and there is no significant barrier to reallocation of capital within the group, including issuance of debt at the conglomerate's holding entity to support financing needs at subsidiaries.

Credit risk assessment of a conglomerate needs to incorporate a balanced view about the credit risk in each business segment and its overall contribution to the credit quality of the group. A conglomerate rating under this particular definition is more likely to be a weighted sum-of-the-parts, as opposed to a weak-link risk or best credit risk within a group of companies. Consideration also needs to be given to any potential overall reduction in the conglomerate's credit risk due to industry and country diversification of assets and cash flows.

The lack of significant barriers to reallocation of capital within the group necessitates an analysis based on the overall group's credit profile on a consolidated basis, including issues relating to group management strategy and discipline, corporate governance and financial policy. In addition, a re-allocation of capital within the group may potentially lead to credit risk contagion from weak to strong entities within the conglomerate. As a consequence, an analysis also needs to assess the impact of the likelihood as well as the magnitude and direction of any supporting capital flows on the respective credit risk of the involved entities.

If a conglomerate has a modest level of debt, it may be possible to view its credit quality as being supported only by the stronger business segment(s); but that view would depend on there being little or no scope for the weaker business segment(s) to be a drag on overall credit quality. In most cases, group debt will rely to some extent at least on the credit quality of each major segment, which makes a sum-of-the-parts approach more appropriate.

A conglomerate typically has a high degree of oversight over the group's business strategy and a coherent financial policy. It is generally expected that the entity will provide various forms of financial support, if necessary to its major/flagship subsidiaries and it is not uncommon that it also provides guarantees and collateral for financing arrangements of its subsidiaries, if such entities have financing arrangements of their own. In addition, it may provide significant administrative or support services to subsidiaries such as legal advice, centralized cash management, or other administrative services. A conglomerate acts as one group and may show a high degree of operational and managerial integration. In addition, the investment strategy of a conglomerate typically includes some form of permanence in the business mix on a longer time horizon with no specific exit strategy though it may at times arbitrage assets in an opportunistic manner.

We assess the individual business and credit risk profile of each major industry segment of a conglomerate by applying the scorecard from the respective industry sector methodology. In most cases, it is most meaningful to do this only for the two or three largest industry segments. Based on the outcomes, an overall risk weighted scorecard-indicated outcome can be estimated for the conglomerate. In line with the relevant industry sector rating methodologies, the scorecard-indicated outcome is not expected to match the actual rating and there are additional considerations that are not included in the scorecard. These can include the benefits of diversification in some cases. We recognize that conglomerates may choose to also take into consideration tax and currency issues when allocating debt within the group. Consideration of consolidated statements and the theoretical debt capacity by rating category of each business will to a large extent mitigate this potential distortion in debt allocation.

Where necessary, this approach will include an allocation of the conglomerate's Holdco debt to its subsidiary businesses in order to estimate individual ratios which allow for a weighted average calculation for the total group. The weighting is usually centered around cash flow metrics (such as each major segment's contribution to EBITDA) since this can represent an approximation for the debt capacity of the various subsidiaries. Despite this preference for cash flow metrics, it will nonetheless be up to a rating committee to determine the most relevant metrics for weighting – such as assets for capital intensive companies – or operating profits if the rating committee believes that these measures are more appropriate for a particular company.

Other factors such as portfolio stability, ownership and diversification

Portfolio Stability

The stability of a conglomerate's portfolio during a certain time period can be assessed by analyzing the stability of investments in assets and their asset mix (e.g. by sector, country or revenue vs. cash flow focus), the number of acquisitions, spin-offs and "greenfield" developments. Strong discipline with clear guidance on a balanced investment strategy and limited event risk would be considered as a positive step for the overall credit risk of the conglomerate. Predictability of behavior is also typically a positive credit consideration. This does not imply that the conglomerate needs to maintain a constant business mix, but rather that we will value a clearly articulated strategy on how the conglomerate intends to manage its business mix.

Associate and Subsidiary Control

It is not uncommon for a conglomerate to have less than 100% ownership in the shares of a subsidiary. Even though the conglomerate might still exert significant control, minority shareholders typically have rights to participate in distributable income equivalent to their relative ownership position. Those cash flows to minorities are not available for debt repayment at the conglomerate's holding level. As a consequence, the true economic cash flow position of a majority-owned subsidiary, which would be fully consolidated according to accounting practices, might be better reflected by a pro-rata consolidation which could also be appropriate for participations which are accounted for in the conglomerate's group financial statements under the equity method.

Parent – Subsidiaries Relationship and Support within the Group

There might be circumstances under which the parent holding provides specific financial support to a business which is part of the overall conglomerate. This may be accomplished, for example, through inter-company loans, equity top-ups, asset transfers, granting of financial guarantees or debt forgiveness. The overall strength of support depends on the type of measure and our assessment of the willingness and ability of the parent to grant this support.

Since a conglomerate is normally assumed to be acting as one single entity, extending support to one business typically could come at the expense of another business within the whole group. The premise is that a conglomerate is typically only as good as the sum of its parts with a likely fluidity in the capital structure (subject to diversification described below) that results in an "averaging out" of the credit strength within the entities of the group. Moreover, it may not be uncommon for support to be provided from other entities within the family.

A conglomerate's track record in shifting financial support from one business to another presents an indication whether a specific business is more affected than others or whether all businesses would be affected equally. Important for such an analysis are also potential restrictions such as debt covenants at subsidiaries which may prevent transactions with affiliates and other external parties and therefore would limit the potential support a subsidiary is able to provide. We note that for conglomerates, one key success factor is the ability to use funds across the whole group to pursue business opportunities.

Ownership Structure

The type of ownership might be a potential source of benefit for the credit assessment of the conglomerate. For example, a conglomerate with stable ownership (possibly majority remaining with a family) and a clear succession plan can be seen as a positive factor. Conversely, unclear ownership influences or weak governance structures may impair the overall rating outcome.

Positive Diversification Effects

Business diversification within a conglomerate can bring potential benefits for creditors. At the same time, diversification exists only to the extent that correlation is low across the various businesses. We therefore take a very pragmatic and cautious approach to diversification.

Appendix: Investment Holding Companies Factor Scorecard

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa
Investment Strategy								
Investment Strategy	10%	Not Applicable*	Highly conservative investment strategy and excellent track record in execution. Highly liquid investments with low volatility of holdings. Typically large blue chips, highly rated issuers in stable industries. Strong commitment and focus on credit profile of the underlying investments. Very low risk of significant quality transition of the portfolio. Clearly-defined investment guidelines that provide long-term visibility of business profile.	Conservative investment strategy with strong track record in execution. Fairly liquid investments with low volatility of holdings. Typically IG companies, stable industries / diversified economic drivers. Commitment and focus on credit profile of the underlying investments. Low risk of unexpected and material investment portfolio weakness. Transparent investment guidelines.	Prudently managed investment strategy and/or good but mixed success in execution of its strategy. Reasonably liquid investments with moderate volatility of holdings. Typically core companies have an IG profile. Balanced focus on credit profile of the underlying investments. Manageable risk of business profile transitioning to a weaker state. Investment guidelines limit the company's credit profile from weakening materially.	Moderately aggressive investment strategy and/or limited or untested track record. Aimed towards a mixture of mature and growth investments with liquidity playing a primary role in investment decisions. Management willing to have material exposure in risky operating profiles and environments or leveraged companies. Visible willingness for aggressive or opportunistic investments and uncertainty around investment strategy and guidelines.	Aggressive investment strategy and/or largely unsuccessful track record. Aimed towards a mixture of mature and growth investments with liquidity playing a secondary role in investment decisions. Management willing to have substantial exposure in risky operating profiles and environments. Visible willingness to invest in special situation opportunities such as start-ups, turnarounds, and leverage buyouts and no clear investment guidelines.	Very aggressive investment strategy and/or poor execution of strategy. Aimed towards a mixture of mature and growth investments with liquidity playing a negligible role in investment decisions. Management willing to have substantial exposure in risky operating profiles and environments. Visible willingness to invest in highly risky, speculative investments with substantial event risk and limited track record.
Asset Quality								
Asset concentration	10%	Minimal concentration; <10%	Very low concentration; 10% - 20%	Low concentration; 20% - 35%	Moderate concentration; 35% - 50%	High concentration; 50% - 60%	Very high concentration; >= 60%	Highly concentrated; Typically top two investments >=60%
Geographic Diversity	10%	Globally diversified; Core assets are fully globally diversified.	Very strong; Core assets fully cover major economic regions.	Strong; Core assets cover several major regions with diversification within regions.	Moderate; Core assets cover major countries in a couple of local regions or a few large countries.	Weak; Core assets cover various large countries in a local region.	Very Weak; Core assets cover only 2-3 mid-size countries in a local region or one large country.	Minimal; Core assets cover only one mid-size country or a few small countries.
Business Diversity	10%	>= 13 sectors	10 - 12 sectors	8 - 9 sectors	6 - 7 sectors	4 - 5 sectors	2 - 3 sectors	1 sector

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa
Investment Portfolio Transparency	10%	Full Transparency; All (or nearly all) investments are listed and public disclosures are of very high quality with regular reporting (typically not less than on a quarterly basis). Public listings provide a timely and accurate valuation estimate of portfolio.	Excellent Transparency; Vast majority of investments are listed and public disclosures are of high quality with regular reporting (typically not less than on a quarterly basis). Public listings provide a very good valuation estimate of core investments.	Good Transparency; Investments comprising of at least half of the portfolio's value are listed and public disclosures are of good quality with reporting typically not less than on a semi-annual basis. Available information is sufficient to value non-listed assets.	Moderate Transparency; Core investments are generally listed but significant part of unlisted investments in markets where there is moderate quality of public information available to estimate value of investments.	Limited Transparency; Core investments are a mix of listed and unlisted assets in markets where there is limited public information available to estimate value of unlisted investments.	Weak Transparency; Significant investments are unlisted and/or are in markets where there is limited public information available to estimate value of investments.	Poor Transparency; Most investments are unlisted, have poor quality of information available for estimating portfolio valuation. Valuation may rely on book value which may be exposed to severe write-downs.
Financial Policy								
Financial Policy	10%	Expected to have extremely conservative financial policies; very stable metrics; public commitment to very strong credit profile over the long term.	Expected to have very stable and conservative financial policies; stable metrics; minimal event risk that would cause a rating transition; public commitment to strong credit profile over the long term.	Expected to have predictable financial policies that preserve creditor interests. Although modest event risk exists, the effect on leverage is likely to be small and temporary; strong commitment to a solid credit profile.	Expected to have financial policies that balance the interest of creditors and shareholders; some risk that debt funded acquisitions or shareholder distributions could lead to a weaker credit profile.	Expected to have financial policies that tend to favor shareholders over creditors; above average financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that favor shareholders over creditors; high financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that create elevated risk of debt restructuring in varied economic environments.
Estimated Market Value-Based Leverage (MVL)								
Estimated Market Value-Based Leverage	20%	Minimal; Typically less than 10%	Very Low; Typically between 10%-15%	Low; Typically between 15%-25%	Moderate; Typically between 25%-35%	High; Typically between 35%-45%	Very High; Typically between 45%-60%	Highly Leveraged; Typically greater than or equal to 60%
Debt Coverage and Liquidity								
(FFO + Interest Expense) / Interest Expense	10%	>= 7x	5.5x - 7x	4x - 5.5x	3x - 4x	2x - 3x	1x - 2x	< 1 x
Liquidity	10%	>= 10 years	7 - 10 years	5 - 7 years	3 - 5 years	2 - 3 years	1 - 2 years	< 1 year

* Given the business nature of a holding company with investments primarily in a portfolio of equities, we do not foresee a scenario where a company's investment strategy has Aaa characteristics

Moody's Related Publications

Credit ratings are primarily determined by sector credit rating methodologies. Certain broad methodological considerations (described in one or more cross-sector rating methodologies) may also be relevant to the determination of credit ratings of issuers and instruments. An index of sector and cross-sector credit rating methodologies can be found here.

For data summarizing the historical robustness and predictive power of credit ratings, please click here.

For further information, please refer to Rating Symbols and Definitions, which is available here.

Moody's Basic Definitions for Credit Statistics (User's Guide) can be found here.

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