

Florida Local Government Investment Trust - Short Term Bond Fund 'AAAf/S1' Fund Ratings Affirmed

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NEW YORK (S&P Global Ratings) Oct. 24, 2017--S&P Global Ratings today said it affirmed its 'AAAf' fund credit quality rating (FCQR) and 'S1' fund volatility rating (FVR) on the Florida Local Government Investment Trust - Short Term Bond Fund. At the same time, we removed the ratings from under criteria observation (UCO). We placed all fund ratings on UCO on June 26, 2017, following the publication of our criteria for assigning FCQRs and FVRs (see "Fixed-Income Funds Ratings Placed Under Criteria Observation On Publication Of Revised Criteria" and "S&P Global Ratings Publishes Fund Credit Quality And Fund Volatility Ratings Criteria").

The 'AAAf' FCQR signifies that the credit quality of the fund's portfolio exposure is extremely strong. In reviewing the rating, we first determined a preliminary FCQR by doing a quantitative assessment of the fund's portfolio credit risk. The assessment reflects the weighted-average credit risk of the portfolio of investments. The final rating did not differ from our preliminary assessment given our strong qualitative assessment of the fund's investment manager, Payden & Rygel.

The 'S1' FVR signifies that the fund exhibits low volatility of returns comparable to a portfolio of short-duration government securities, typically maturing within one to three years and denominated in U.S. dollars. We determined the FVR following our review of historical volatility and the dispersion of fund returns relative to reference indices. Next, we evaluated

portfolio risk, taking into account duration, credit exposures, liquidity, and investment concentration. Given the determination that the portfolio risk factors were consistent with the rating, we made no adjustment based on the return volatility and dispersion. We then used the strong assessment of the qualitative components to determine no adjustment was required to the FVR.

The qualitative assessment of the investment manager entailed a review of management and organization, risk management and compliance, credit culture, and credit research. The portfolio risk assessment focused on four indicators: counterparty risk, concentration risk, liquidity, and fund credit score cushion (the proximity of the preliminary FCQR to a fund rating threshold). We also compared the fund with other funds that have similar portfolio strategy and composition, and we formed a holistic view of the fund's portfolio credit quality and characteristics relative to its peers. The comparative rating analysis did not result in any adjustment to either rating.

Payden & Rygel has been managing short-duration investment portfolios for over 30 years and currently manages \$114 billion in assets. Of that amount, the firm manages about \$64 billion in enhanced cash and low-duration assets. Payden & Rygel is one of the largest privately owned global investment advisers. The firm was founded in 1983 and is a leader in the active management of equity and fixed-income portfolios, through domestic and international solutions.

The Florida Local Government Investment Trust, which launched in 1992, is a local government investment pool (LGIP) developed through the joint efforts of the Florida Court Clerks and Comptrollers (FCCC) and the Florida Association of Counties (FAC). The Florida Trust is an authorized investment under Florida law, F.S. 218.415 (16) (a). The Florida Trust is an intergovernmental investment pool created by interlocal agreement under F.S. 163.01. The Short Term Bond Fund's investment objective is to seek value over money market funds while maintaining safety of principal and liquidity. Other objectives include maximizing return while assuming minimum risk through a balance of quality and diversification. The fund seeks to achieve its investment objective by actively managing its assets by investing primarily in U.S. Treasuries, mortgages, commercial paper, government-related securities, and asset-backed securities rated 'AAA' or 'A-1', as well as corporate bonds rated 'A' or better.

An S&P Global Ratings' FCQR, also known as a "bond fund rating," is a forward-looking opinion about the overall credit quality of a fixed-income investment fund. FCQRs, identified by the 'f' suffix, are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values. The ratings reflect the credit risks of the portfolio investments, the level of a fund's counterparty risk, and the risk of a fund's management ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), an FCQR does not address a fund's ability to meet payment obligations and is not a commentary on yield levels.

An S&P Global Ratings' FVR is a forward-looking opinion about a fixed-income investment fund's volatility of returns relative to that of a "reference index" denominated in the base currency of the fund. A reference index comprises government securities associated with a fund's base currency. FVRs are not globally comparable. They reflect our expectation of a fund's future volatility of returns to remain consistent with its historical volatility of returns. FVRs reflect S&P Global Ratings' view of a fund's sensitivity to interest rate risk, credit risk, and liquidity risk, as well as other factors that may affect returns such as use of derivatives, use of leverage, exposure to foreign currency risk, and investment concentration and fund management. Different symbology is used to distinguish FVRs from S&P Global Ratings' traditional issue or issuer credit ratings. We make this distinction because FVRs do not reflect creditworthiness, but rather our view of a fund's volatility of returns.

We review pertinent fund information and portfolio reports monthly as part of our surveillance process of our fund credit quality and volatility ratings.

RELATED CRITERIA

- Criteria - Financial Institutions - Fixed-Income Funds: Fund Credit Quality Ratings Methodology, June 26, 2017
- Criteria - Financial Institutions - Fixed-Income Funds: Fund Volatility Ratings Methodology, June 26, 2017

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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