



RATING ACTION COMMENTARY

Fitch Affirms the Florida Trust Day to Day Fund at 'AAAmmf'

Thu 09 Jul, 2020 - 4:54 PM ET

Fitch Ratings - New York - 09 Jul 2020: Fitch Ratings has affirmed the Florida Trust Day to Day Fund at 'AAAmmf', managed by Payden & Rygel.

KEY RATING DRIVERS

The key rating drivers for the affirmation are:

- The fund's overall credit quality and diversification;
- Low exposure to interest rate and spread risks;
- Holdings of daily and weekly liquid assets consistent with shareholder profiles;
- Asset maturity profiles meeting Fitch's rating criteria;
- The capabilities and resources of the investment advisor.

CORONAVIRUS IMPACT

On March 23, Fitch revised its sector outlook for U.S. prime MMFs to Negative from Stable, reflecting heightened redemptions and reduced liquidity in short-term markets caused by

coronavirus-related volatility, which pressured MMFs' liquidity management capabilities. In response to the market volatility, MMFs have reallocated their portfolios to focus on short-term and high quality investments, in order to meet additional unexpected redemptions and to be able to respond to potential deterioration in credit quality of underlying positions. MMFs have also benefited from the Market Mutual Fund Liquidity Facility established by the Federal Reserve to provide liquidity to MMFs and stabilize short-term markets.

Key considerations in resolving the negative sector outlook include improvement in credit fundamentals of funds' underlying holdings, and stabilization of funds' NAVs, flows and liquidity. U.S. government MMFs saw large inflows and, as a result, the sector outlook remains stable.

PORTFOLIO CREDIT QUALITY/DIVERSIFICATION

Consistent with Fitch's criteria for rating MMFs at 'AAAmmf', the fund maintained a high credit quality portfolio by investing exclusively in short-term securities rated at least 'F1' by Fitch or the equivalent.

MMFs rated at 'AAAmmf' manage their portfolios to limit their exposures to individual issuers at 10% of the fund's assets, with no more than 5% of assets for those exposures above seven days in tenor. Minor and temporary deviations from these parameters may occur from time to time, mainly due to cash outflows. The funds also seek to limit their individual repurchase agreement (repo) exposures to individual counterparties to 25% of a fund's total assets, provided the counterparties are rated 'F1' or higher and that such repos are fully collateralized by high credit quality and liquid government securities. In the case of repo with counterparties rated 'F2', funds seek to limit their exposure to individual counterparties to 10% of assets, as long as the repo is collateralized by high quality government securities and matures in one week or less. MMFs also seek to limit their exposure to government agencies, with exposures above 35% of assets to any one agency limited to short-dated securities.

The fund's Portfolio Credit Factors (PCF) was in line with Fitch's 'AAAmmf' rating criteria of 1.50 or less at the time of this review. PCF is a risk-weighted measure that considers the credit quality and maturity profile of the portfolio securities.

MATURITY PROFILE

The fund seeks to limit interest rate and spread risk by maintaining a weighted average maturity (WAM) and weighted average life (WAL) below 60 days and 120 days, respectively. The fund also seek to limit the maturity date of any single investment to 397 days with the exception of floating rate securities issued by highly rated sovereigns, supnationals, or government agencies benefiting from strong market liquidity, which could have maturities as long as 762 days. Portfolios and/or individual securities maturity limits may be lower, in line with the fund's or asset manager's investment policy and depending on issuers' creditworthiness.

LIQUIDITY PROFILE

The fund seeks to maintain sufficient levels of daily and weekly liquidity to meet redemption requests. Specifically, taxable MMFs rated 'AAAmmf' invest at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity in line with Fitch's rating criteria.

Fitch's rating criteria for MMFs also considers the degree of shareholder diversification and the manager's distribution platform and investor-related risk controls.

SURVEILLANCE

Fitch receives bi-weekly fund portfolio holdings information including credit quality, market value and duration of the individual securities to conduct surveillance against the Money Market Fund Rating criteria. For additional information about Fitch money market fund ratings criteria, please review the criteria referenced below, which can be found on Fitch's website.

INVESTMENT MANAGER

The fund is managed by Payden & Rygel. As of June 30, 2020, the firm had \$127.7 billion in assets under management.

Fitch views the investment advisors capabilities, resource commitments, operational controls, corporate governance, and compliance procedures as consistent with the ratings assigned to the fund.

RATING SENSITIVITIES

The rating is sensitive to material changes in the credit quality or market risk profiles of the fund.

Factors that could, individually or collectively, lead to positive rating action/upgrade are not applicable as the assigned rating is the highest rating outcome under the MMF rating scale.

Factors that could, individually or collectively, lead to negative rating action/downgrade include:

--Further coronavirus-related market volatility and economic impact that would lead to a deterioration in credit quality of fund's underlying exposures and/or affect fund's liquidity.

--A decrease in portfolio credit quality that results in the PCF exceeding 1.50 on a sustained basis.

--An increase in portfolio duration that results in the WAM exceeding 60 days or the WAL exceeding 120 days on a sustained basis.

--A decrease in daily liquidity below 10% or a decrease in weekly liquidity below 30% on a sustained basis.

--The suspension of redemptions by a MMF would result in a downgrade to at least 'BBmmf', consistent with Fitch's MMF rating definitions.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>]

SOURCES OF INFORMATION

The sources of information used to assess the rating were the fund's investment advisor and/or fund administrator and the public domain.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
Florida Trust Day to Day Fund	MMF	AAAmmf	Affirmed	AAAmmf

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Money Market Fund Rating Criteria \(pub. 23 Apr 2020\)](#)

ADDITIONAL DISCLOSURES

[Solicitation Status](#)

[Endorsement Policy](#)

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Florida Trust Day to Day Fund

EU Endorsed

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Fund and Asset Managers North America United States
