



RATING ACTION COMMENTARY

Fitch Affirms Payden & Rygel Managed Florida LGIP at 'AAAf'/'S1'

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Fitch Ratings - New York - 09 Sep 2020: Fitch Ratings has affirmed the 'AAAf'/'S1' International Fund Credit Quality Ratings (FCQR) and Fund Market Risk Sensitivity Rating to the Florida Local Government Investment Trust - Short Term Bond Fund, managed by Payden & Rygel.

The ratings reflect Fitch's review of the fund's investment and credit guidelines, the portfolio's credit quality and diversification. The 'AAAf' FCQR indicates the highest underlying credit quality (or lowest vulnerability to default). The 'S1' rating indicates a very low sensitivity to market risk.

KEY RATING DRIVERS

Asset Credit Quality

The main driver of the fund credit rating is the high credit quality of the portfolio. As per the portfolio's investment policies, permissible securities include securities rated at least 'A' or equivalent.

In terms of asset diversification, as of the date of the review, the portfolio primarily invested in asset-backed securities, U.S. government agency securities, U.S. treasury securities and corporate bonds. Other investments included repurchase agreements, municipal bonds, and obligations of U.S. state and local entities.

Weighted average rating factor (WARF) is a risk-weighted measure of a portfolio of assets that accounts for the portfolio's credit quality and maturity profile. As of the date of the review, the portfolio's WARF was in line with Fitch's 'AAAf' rating criteria of 0.3 or less.

Portfolio Sensitivity to Market Risks

Market risk is mitigated by the duration of the pool, as well as the high allocation to agency securities. As of the review date, the pool's duration corresponds to an 'S1' fund sensitivity rating.

Fund Objective

The fund was launched in 1992 and sponsored by the Florida Court Clerks and Comptrollers and the Florida Association of Counties. The Short Term Bond Fund's objective includes the safety and preservation of principal, liquidity sufficient to meet the redemption schedule and income consistent with these objectives.

Coronavirus Impact

The coronavirus-driven heightened market volatility in 1Q did not have a material impact on the pool, as the portfolio's credit quality remained high. The pool's rating could be adversely affected in the event of meaningful portfolio credit deterioration in the future.

U.S. Government and Agencies on Negative Outlook

The recent revision of the United States' Rating Outlook to Negative from Stable has no immediate impact on the pool. A Negative Outlook does not impact Fitch's calculation of the WARF that is the primary driver of FCQR, nor does a Negative Outlook impact Fitch's calculation of the Market Risk Sensitivity Factor (MRSF) that is the primary driver of the Market Risk Sensitivity Ratings (MRSR). These dynamics also apply to the subsequent Rating Outlook revisions with respect to U.S. government sponsored entities.

However, if U.S. government and agency debt were subsequently downgraded to 'AA+', this could impact LGIP ratings, as these securities would be assigned higher rating factors and

market risk factors. Based on a review of recent surveillance reports, a hypothetical downgrade of U.S. government and agency debt to 'AA+' would impact the pool's WARF and MRSR, assuming no changes to the current portfolio.

INVESTMENT MANAGER

The fund is managed by Payden & Rygel, which specializes in low duration strategies and managing funds for institutional clients including public/government entities. As of Jun. 30, 2020, Payden & Rygel had approximately \$128 billion in total assets.

Fitch views Payden & Rygel's investment advisory capabilities, financial and resource commitments, operational controls, corporate governance and compliance procedures as consistent with the 'AAAF/'S1' ratings assigned to the Florida Local Government Investment Trust - Short Term Bond Fund.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Positive rating actions are not applicable as the assigned ratings are the highest ratings outcomes under Fitch's "Bond Fund Ratings Criteria".

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

The ratings are sensitive to material changes in the credit quality or market risk profiles of the fund. A material decrease in portfolio credit quality could result in the FCQRs being lowered. A material increase in portfolio duration could result in the fund market risk sensitivity ratings being lowered.

Fitch conducted stress tests as outlined in its rating criteria to test the sensitivity of the fund's ratings against potential changes in the portfolios' credit quality.

Fitch receives monthly fund portfolio holdings information including credit quality, market value and duration of the individual securities to conduct surveillance against the rating criteria. For additional information about Fitch bond fund ratings criteria, please review the criteria referenced below, which can be found on Fitch's website.

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 this rating were the public domain and Payden & Rygel.

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 Local Government Investment Trust - Short Term Bond Fund	Fund Cr Qual Rtg	AAAf	Affirmed	AAAf
●	Sensitivity	S1	Affirmed	S1

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Brian Jarmakowicz, CFA**

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Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**[Bond Fund Rating Criteria \(pub. 22 Jul 2019\)](#)**ADDITIONAL DISCLOSURES**[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

Florida Local Government Investment Trust - Short Term Bond Fund

EU Endorsed

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