



## RATING ACTION COMMENTARY

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

Thu 25 Aug, 2022 - 4:36 PM ET

Fitch Ratings - New York - 25 Aug 2022: Fitch Ratings has affirmed the 'AAAf'/'S1' International Fund Credit Quality Ratings (FCQR) and Fund Market Risk Sensitivity Rating (MRSR) to the Florida Local Government Investment Trust - Short Term Bond Fund, managed by Payden & Rygel.

## KEY RATING DRIVERS

The ratings reflect Fitch's review of the fund's investment and credit guidelines, and 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. FCQRs and MRSRs do not opine on the probability of extraordinary liquidity management measures being applied, nor the redemption risk of the fund.

### 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.

As of the review date, the portfolio primarily invested in asset-backed securities, U.S. government agency securities, U.S treasury securities and corporate bonds. Other securities permitted by investment guidelines include 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.

### Portfolio Sensitivity to Market Risks

The pool's MRSR is in line with Fitch's 'S1' rating criteria. A portfolio's market risk factor is calculated by combining the portfolio interest rate duration and risk-adjusted spread duration of the securities in the portfolio, and adjusting the result for the effect of any leverage.

### SURVEILLANCE

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

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

Due to the fund's exposure to U.S. government and agency debt, part of the stress tests included a one notch downgrade to 'AA+'. A hypothetical downgrade of U.S. government and agency debt from 'AAA' to 'AA+' would impact the fund, assuming no changes to the current portfolio. This is mitigated by the stable outlook on the U.S. government and the ability of the manager to adjust to portfolios to stay in line with current ratings.

### INVESTMENT MANAGER

The fund is managed by Payden & Rygel, who specializes in low duration strategies and managing funds for institutional clients including public/government entities.

Fitch views the team's investment advisory capabilities, resource commitment, operational controls, corporate governance, and compliance procedures as consistent with the ratings

assigned to the 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.

## SOURCES OF INFORMATION

The sources of information used to assess this rating were the public domain and the investment advisor.

## 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](#)

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**APPLICABLE CRITERIA**

[Bond Fund Rating Criteria \(pub. 16 Aug 2022\)](#)

## ADDITIONAL DISCLOSURES

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## ENDORSEMENT STATUS

Florida Local Government Investment Trust - Short Term Bond Fund

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