

RATING ACTION COMMENTARY

Fitch Affirms the Florida Local Government Investment Trust STBF at 'AAAf'; Downgrades MRSR to 'S2'

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Fitch Ratings - New York - 01 Jun 2026: Fitch Ratings has affirmed the Florida Local Government Investment Trust Short Term Bond Fund's International Fund Credit Quality Rating (FCQR) at 'AAAf' and downgraded the Fund Market Risk Sensitivity Rating (MRSR) to 'S2' from 'S1'. The pool is managed by Payden & Rygel. Fitch used monthly portfolio holdings as of Mar. 31, 2026 to complete the analysis for the rating action.

The rating action is primarily driven by the fund's increased duration, which raised the portfolio's market risk sensitivity factor (MRF), the primary driver of the MRSR. The portfolio's weighted average duration increased to 2.04 years from 1.66 years over the past year, resulting in a material, sustained deviation from an 'S1' MRF-implied MRSR. The FCQR does not consider NAV volatility but instead reflects the portfolio's overall credit profile and vulnerability to losses from defaults. The MRSR reflects the portfolio's overall sensitivity to market risk.

KEY RATING DRIVERS

The ratings reflect Fitch's review of the portfolio's investment and credit guidelines, credit quality and diversification, as well as Payden & Rygel's capability to manage the assets of the pool. The 'AAAf' FCQR indicates the highest underlying credit quality (or lowest vulnerability to default). The 'S2' MRSR indicates a 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 pool.

Portfolio Credit Quality

The portfolio's weighted average rating factor (WARF) primarily drives the FCQR. The WARF reflects the credit ratings and remaining term to maturity of the securities, weighted by market value. The portfolio's 0.28 WARF falls below 0.30, corresponding to a 'AAAF' WARF-implied FCQR.

Fitch deems the overall portfolio quality to be sound, and concentrations are managed prudently. As of Mar. 31, 2026, the Short-Term Bond Fund portfolio was primarily invested in U.S. treasury securities (32%), corporate bonds (29%), asset-backed securities (22%), and commercial mortgage-backed securities (16%). Approximately 45% of the portfolio's assets mature within two years.

Market Risk Sensitivity

The portfolio's MRF primarily drives the MRSR. The MRF reflects the portfolio's sensitivity to market risk factors, such as interest-rate risk, credit spread risk, currency fluctuations and leverage. The downgrade is primarily driven by the fund's increased duration, which raised the portfolio's MRF to 2.43 as of Mar. 31, 2026. This falls above 2.0 but below 4.0, corresponding to a 'S2' MRF-implied MRSR.

The pool's maturity profile is managed to meet anticipated cash flow needs. The pool had a weighted average duration of 2.04 years as of Mar. 31, 2026.

The portfolio did not utilize any leverage as of the review date.

Stress Tests

Fitch conducted stress tests as outlined in its "Bond Fund Rating Criteria," including concentration and market-based stresses, to test the sensitivity of the pool's rating against potential changes in the portfolio's credit quality. There was no material deterioration in the WARF or MRF of the portfolio because of these stressed scenarios, supporting Fitch's view that the portfolio's credit quality and market risk sensitivity are consistent with criteria guidelines at the assigned rating level.

Derivatives

The pool is not permitted to use derivatives for hedging or speculative purposes.

Surveillance

Fitch receives monthly portfolio holdings information including credit quality, market value and duration of the individual securities to conduct surveillance against the "Bond Fund Rating Criteria."

LEGAL AND REGULATORY REVIEW

Fitch views the legal and regulatory environment in which the Short Term Bond Fund operates as appropriate. The fund is governed under Florida state law.

INVESTMENT MANAGER

The pool is managed by Payden & Rygel, an SEC-registered investment adviser. Fitch views the investment management capabilities, resource commitment, operational controls, compliance and oversight processes of the investment adviser as appropriate for the assigned ratings and investment strategy. As of Mar. 31, 2026, Payden & Rygel had approximately \$169 billion in assets under management.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The ratings are sensitive to material changes in the credit quality and maturity profile of the pool. A material decrease in portfolio credit quality or increase in security maturities could result in a downgrade of the FCQR if the pool's resulting WARF exceeds 0.30 and/or downgrade of the MRSR if the pool's MRF exceeds 4.00.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

A material and sustained decrease in portfolio duration could result in an upgrade of the MRSR if the portfolio's MRF falls below 2.00.

SOURCES OF INFORMATION

The sources of information used to assess these ratings include the investment policy, portfolio holdings as of Mar. 31, 2025, and information from the investment manager, Payden & Rygel.

RATING ACTIONS

ENTITY / DEBT ⇅

RATING
TYPE ⇅

RATING ⇅

RATING
ACTION ⇅

PRIOR ⇅

Florida Local Government Investment Trust - Short Term Bond Fund	Fund Cr Qual Rtg	AAAf	Affirmed	AAAf
	Sensitivity	S2	Downgrade	S1

[VIEW ADDITIONAL RATING DETAILS](#)

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Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**[Bond Fund Rating Criteria \(pub. 13 Jun 2025\)](#)**ADDITIONAL DISCLOSURES**[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

Florida Local Government Investment Trust - Short Term Bond Fund

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