Riverside County Treasurer's Pooled Investment Fund

Full Rating Report

Pool Features

Inception Date	1893
Pool Type	LGIP
Investment Advisor	Riverside County Treasurer-Tax Collector
Custodian	Union Bank of California, N.A.
Investor Composition	77% Captive Participants
Assets	$4,813,000,000

Key Rating Drivers

High Credit Quality Portfolio: The Riverside County Treasurer's Pooled Investment Fund invests primarily in U.S. Treasury and government agency securities, as well as commercial paper (CP) and certificates of deposit of highly rated entities.

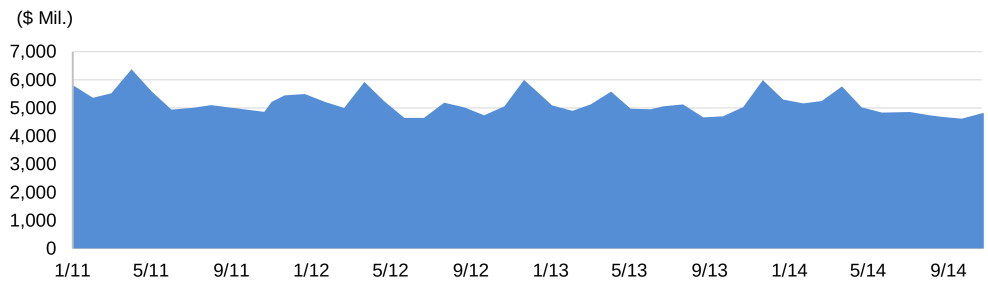
High Levels of Portfolio Diversification: While a substantial portion of the portfolio is invested in U.S. government and agency securities, the pool also invests in a variety of securities including CP, municipal paper and money market funds.

Low Sensitivity to Market Risk: The portfolio is invested to meet anticipated withdrawals and redemptions. Market risk is mitigated by the liquid nature of the U.S. Treasury and government agency securities, which comprise the majority of its investments.

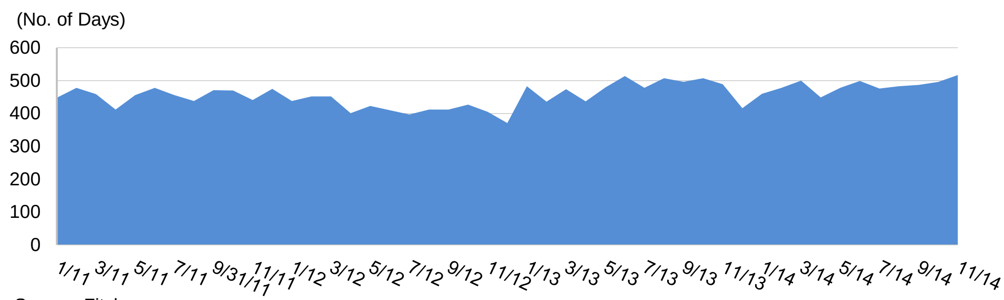
Conservative Liquidity Management: The portfolio maintains high amounts of liquidity by holding U.S. Treasury securities compared to projected cash flow needs. Cash outflows have proven highly predictable given the largely captive participant base, including Riverside County and all of its school districts.

Appropriate Portfolio Management and Oversight: Portfolio oversight and operational controls are consistent with the assigned ratings. The county of Riverside treasurer's office is the investment advisor of the fund.

Assets Under Management



Historical Changes in Weighted-Average Final Maturity: Riverside County Treasurer's Pooled Investment Fund



Source: Fitch.

Analysts
Gwen Fink-Stone, J.D.
+1 212 908-9128
gwen.fink-stone@fitchratings.com

Ian Rasmussen
+1 212 908-9132
ian.rasmussen.fitchratings.com

Rating Rationale

The Riverside County Treasurer's Pooled Investment Fund is a California-based local government investment pool (LGIP) rated 'AAA/V1' by Fitch Ratings, reflecting the high credit quality of portfolio assets and the low sensitivity to market risk.

The 'AAA' fund credit quality rating reflects the pool's lowest level of vulnerability to losses as a result of defaults in its portfolio and is based on the actual and prospective average credit quality of the pool's investments. As such, the pool is expected to maintain a weighted-average portfolio rating of 'AAA', taking into account certain adjustments for the reduced credit risk of short-term securities.

The 'V1' fund volatility rating reflects the relative sensitivity of the pool's net asset value to changes in credit spreads and interest rates, as well as certain other market risk parameters. LGIPs with 'V1' fund volatility ratings are considered to have very low sensitivity to market risk, as evidenced by highly stable total returns across a broad range of market scenarios.

Generally, short-term government or high-quality bond funds offer very low risk exposure to interest rates, credit spreads and other risk factors. As such, the portfolios of short-term or high-quality bond funds typically receive a Fitch market risk factor of less than or equal to two, which corresponds to a fund volatility rating of 'V1'.

While money market reform (Rule 2a-7) as adopted by the Securities Exchange Commission (SEC) on July 23, 2014 has created uncertainty for LGIPs and their investors, the Riverside County Investment Fund takes its directive from the state of California code, which does not expressly reference LGIPS operating in a money market fund-like manner. There is a lengthy implementation period within which other market participants, including the Governmental Accounting Standards Board (GASB), are expected to provide clarity and guidance to LGIPs.

LGIPs are governed by the GASB, which allows LGIPs to use amortized cost as long as their policies and operations are consistent with Rule 2a-7. However, given the money market

Related Research

Global Bond Fund Rating Criteria (December 2014) reform as adopted by the SEC on July 23, 2014, whether LGIPs will now need to adopt floating NAVs if they invest in nongovernment securities (including municipal securities) is unclear. GASB is aware of the ambiguity and has identified it as an agenda item to address in 2015, although LGIPs will remain in limbo while new rules are being written.

Fitch's evaluation of the Riverside County Treasurer's Pooled Investment Fund also considers the management and operational capabilities of the Riverside County treasurer-tax collector and the legal framework under which the pool operates. Portfolio valuation reports are submitted to Fitch on a monthly basis. As of Nov. 30, 2014, the pool had approximately $4.8 billion in assets under management.

Organizational Overview

The fund is managed by the Riverside County treasurer-tax collector on behalf of the county, school districts and other special districts.

The county of Riverside is located in Southern California. The county treasurer maintains one pooled investment fund for all local jurisdictions having funds on deposit in the county treasury. The Riverside County Treasurer's Pooled Investment Fund is managed by the Riverside County treasurer-tax collector on behalf of the county, school districts, special districts and discretionary depositors. The Treasurer-Tax Collector's office is composed of approximately 100 employees in three office locations.

Don Kent, the Riverside County treasurer-tax collector, is responsible for overseeing the pool's investments and operations. Kent joined the Riverside County Treasurer-Tax Collector's office as assistant investment officer in May 1997 and has held various positions since that time. Kent was appointed treasurer-tax collector on Oct. 28, 2008 and was later elected to a four-year term on June 8, 2010 and June 3, 2014.

While no longer required under California state law, an investment oversight committee, composed of representatives of pool participants and the public, reviews the pool's investment practices and policies on a quarterly basis. The committee is required to complete an annual audit to ensure compliance with established investment policies.

Additionally, external audits are conducted at least biennially by an independent auditing firm. Investments and collateral are held in custody by the county's custodial bank, Union Bank (rated 'A/F1'/Stable by Fitch).

In line with the California government code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, the code requires that the investment income be credited to the specific fund in which the investment was made.

Portfolio Investment Practices

The pool's first investment objective is to safeguard investment principal, the second objective is to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements and the third objective is to achieve a reasonable rate of return or yield on the portfolio.

The pool seeks to pursue its investment objectives by investing in a diversified portfolio of securities rated 'A' or higher authorized under the California government code and as further restricted by the pool's investment policy statement, which is reviewed by the treasurer on a periodic basis.

Under its investment policy statement, the pool is permitted to enter into repurchase agreements with counterparties rated at least 'A/F1' by Fitch or equivalent and overcollateralized by at least 102%. Repurchase agreement collateral is restricted to U.S. Treasury and government agency securities. As of Nov. 30, 2014, the pool did not utilize repurchase agreements.

In accordance with its investment policy statement and California government code, the pool retains the ability to enter into reverse repurchase agreements and securities lending, as needed, to meet short-term unanticipated cash flow requirements.

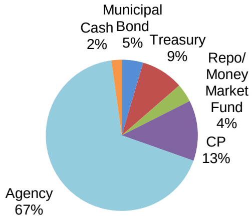
The pool is permitted to enter into reverse repurchase agreements so long as the total value does not exceed 10% of the base value of the portfolio and the terms of the agreements are within 60 calendar days. The pool may engage in securities lending activity limited to 20% of the portfolio's book value on the date of the transaction. The pool did not make use of these programs during the past year.

Asset Credit Quality

The fund invests 77% in U.S. Treasury and government agency securities, with the balance in commercial paper, municipal bonds, cash and money market funds.

As of Nov. 30, 2014, 67.4% of the portfolio was invested in 'AAA' quality U.S. agency securities and 9.1% was invested in U.S. Treasurys. The balance of the pool was invested in various money market securities issued by highly rated entities including 13% in CP of financial and nonfinancial corporations, 4% in municipal bonds and the 6% in other money market obligations, including cash.

Portfolio Composition
(As of Nov. 30, 2014)



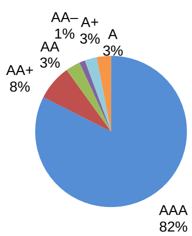
Source: Fitch.

Pursuant to its investment guidelines, the pool invests in securities that are rated at least 'A' by Fitch or equivalent, including:

- U.S. Treasury notes and bills.
- Other obligations that, by their terms, are backed by the full faith and credit of the U.S. government.
- Bonds, notes, warrants or certificates of indebtedness issued by the state of California or local agencies or the county of Riverside.
- Local agency obligations.
- Medium-term notes or corporate notes.
- CalTRUST short-term fund.
- Money market obligations including commercial paper, certificates of deposit, collateralized time deposits, bankers' acceptances, repurchase agreements, reverse repurchase agreements and money market accounts.
- Municipal securities.

The pool's investment team monitors the investments in the portfolio on a continuing basis. In the event of a downgrade of a security, the treasurer is promptly notified. In the event of a downgrade below the minimum credit ratings, the security is evaluated on a case-by-case basis to determine whether to hold or dispose of the security.

Rating Composition
(As of Nov. 30, 2014)

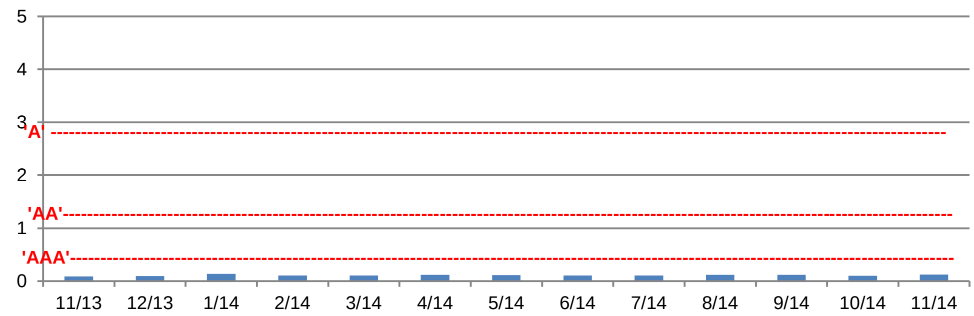


Source: Fitch.

Weighted-Average Rating Factor

Based on the pool's credit quality and maturity profile as of Nov. 30, 2014, the fund's weighted average rating factor was consistent with an 'AAA' fund credit quality rating. The credit factors for portfolio securities maturing within 13 months were reduced in recognition of the lower default probability of such securities relative to longer dated securities. As of Nov. 30, 2014, securities maturing in 13 months or less represented approximately 64% of the portfolio.

Weighted-Average Rating Factor



Rating Distribution and Minimum Ratings

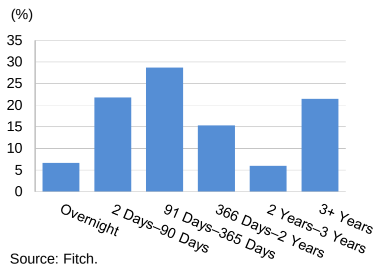
High credit quality. Eighty-two percent of the portfolio is invested in 'AAA' rated securities and 64% of the portfolio will mature in 13 months or less

In evaluating the pool, Fitch also considered the pool's minimum asset ratings, as well as the extent to which it may undertake a barbelled investment strategy. As of Nov. 30, 2014, the pool consisted largely of long-term assets rated 'AAA' and short-term assets rated at least 'F1' or equivalent. As of Nov. 30, 2014, 82% of the pool's portfolio was invested in 'AAA' rated securities. The minimum ratings and absence of a barbelled investment strategy are viewed as consistent with the 'AAA' fund credit quality rating.

Diversification

The pool invests a substantial part of its portfolio in U.S. government and agency securities. Fitch believes that concentration risk of such investments is limited given the high credit quality and liquidity. The pool restricts concentrations in any one issuer (other than the U.S. government and its agencies) to a maximum of 5% of total assets to diversify single-issuer exposure. Excluding the pool's investments in cash, U.S. government and agency securities, its largest aggregate, accounted for 1.21% of total assets as of Nov. 30, 2014.

Portfolio Maturity Profile
(As of Nov. 30, 2014)



Source: Fitch.

Top 10 Holdings by Security

(As of Nov. 30, 2014)

Security	%	Security	%
Cash	2.18	Commercial Paper-Toyota	1.04
Municipal Bond	1.21	Commercial Paper-Toyota	1.04
CALTRUST	1.12	Commercial Paper-Chevron	1.04
FHLB	1.04	Commercial Paper-Nestle	1.04
Farmer Mac	1.04	Freddie Mac	1.04

Duration Management

As of Nov. 30. 2014, the weighted-average life (WAL) of all portfolio securities was 517 days, or 1.44 years. In the past 12 months, the pool ranged from 416 days–517 days. WAL reflects the asset-weighted average number of days to final maturity of all portfolio assets and measures potential exposure to changes in credit spreads.

By policy, the pool must maintain WAL less than 541 days, or 1.5 years, and must invest at least 40% of the portfolio in securities having maturities of one year or less and maintain no investment with a final maturity date of greater than five years from the date of purchase. As of Nov. 30, 2014, approximately 11.4% of the portfolio was invested in securities with maturities of

30 days or less, and approximately 59% was invested in securities having maturities of one year or less.

Liquidity Management

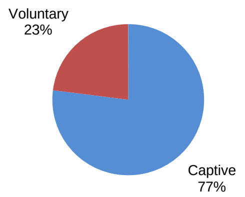
Liquidity risk is mitigated by the largely captive nature of the participants. Additionally, approval from the treasurer and advance notice are required for withdrawals.

The pool has strong liquidity management, and the asset maturity profile is appropriately matched with the projected future pool redemptions. Additionally, in light of the challenging budgetary environment of the state of California, the pool has increased its available daily cash reserves should there be unanticipated draw on the pool's assets.

During fourth-quarter 2014, the fund experienced $2.9 billion in redemptions and exchanges and $4.3 billion in contributions. From the end of fourth-quarter 2013 through the end of fourth-quarter 2014, fund contributions and withdrawals represented a net inflow of $114 billion.

Pool cash flows are forecast on the basis of the prior year's cash flows, which are reviewed by the investment team on a daily basis and updated accordingly to include any identifiable changes in the forecast period. Cash sources for the pool include sales taxes, property taxes, proceeds from bond issuances and state and federal funding. Cash outflows consist of payroll, benefits, debt service and tax apportionment and are such that they allow for the pool to stagger maturities seasonally.

Pool Participation
(As of Nov. 30, 2014)



Source: Fitch.

Approximately 77% of the pool participants are captive county entities and are required to maintain funds in the pool, thus adding to the predictability and stability of cash flow projections. The participants consist of the county and all of the school districts that reside in the county. Some of the voluntary participants include public libraries, cemeteries, the transportation commission and other special districts.

Any large withdrawal by a local agency for the purpose of investing or depositing those funds outside the pool must be preceded by a 30-day written notice and must receive the approval of the county treasurer in accordance with California government code. Approval of a withdrawal request is based on, among other things, the availability of funds, the dollar value of similar requests and the effect of the proposed withdrawal on the liquidity of the remaining portfolio.

The portfolio seeks to meet withdrawal requests with maturing investments. Moreover, cash holdings and investments in money market funds provide additional sources of liquidity to meet daily cash outflows. The pool maintains a significant position (76.4% of total assets) in U.S. Treasury and government agency securities that are expected to demonstrate secondary market liquidity even during periods of market stress.

The pool is prohibited from making investments in inverse floaters, range notes, interest-only strips derived from a pool of mortgages and any derivatives or other investments that could result in zero interest if held to maturity.

Operational Assessment

✓ Pass ● Attention required x Fail

Service providers		
Custodian	✓	Union Bank of California, N.A.
Investment Advisor	✓	Riverside County Treasurer-Tax Collector.
Audits	✓	The investment oversight committee (IOC) annual audit is performed by Van Lant & Fankhanel, LLP; Biannually by RSM McGladrey.
Stability in Service Providers	✓	Unchanged.
Regulation and Governance		
Governance	✓	The California state Legislature declares that local agencies, including school districts, should participate in reviewing the policies that guide the investment of local pools. The Legislature further declares that the creation of county treasury oversight committees promotes the public interest by involving depositors in the management of their funds. The Riverside County's Treasurer's Pool Oversight committee includes: 1. Chief deputy county executive officer. 2. Treasurer-tax collector. 3. A designee of the county superintendent of schools, Riverside County Office of Education. 4. A school district representative. 5. A public member at large (and pool depositor).
Control Framework	✓	Compliance controls are in place to ensure adherence with investment guidelines.
Operations		
Pricing Responsibility	✓	Securities are booked at purchase price and marked to market monthly by the pools' custodian, Union Bank of California, using IDC, as well as SunGard.
Technology	✓	Portfolio management system used: SunGard Treasury (web-based), which is integrated with Bloomberg.
Back-Office Reconciliations	✓	Portfolio income is reconciled daily against cash receipts and quarterly, prior to distributions of earnings among those entities sharing in pooled fund investment income.

Investments		
Investment Objective	✓	The pool's primary investment objectives are the safety and preservation of investment principal, liquidity sufficient to meet scheduled cash flow requirements and reasonable rates of return or yields consistent with these objectives.
Composition	✓	Permitted investments include Treasury notes and bills, U.S. agency securities, commercial paper, medium-term notes, corporate notes, banker's acceptances, certificates of deposit, money-market funds, repurchase agreements and municipal securities.
Liquidity Management	✓	To provide sufficient liquidity, the portfolio shall maintain at least 40% of its total value in securities having maturities one year or less.
Withdrawal Requirements	✓	30-day written notice and receive an approval of the county's treasurer.
Disclosure and Transparency		
Clear Strategy Representation	✓	The fund has a broad mandate but investment policy is posted on the website.
Level of Disclosure	✓	Good level of transparency: website (www.countytreasurer.org) contains monthly factsheets, investment policy and information on investment oversight committee.

IDC – Interactive Data Corp.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.