Fitch: Local Gov't Pools' Ratings Weather Volatile Environment
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Fitch Ratings-New York-23 August 2011: Ratings assigned to local government investment pools (LGIPs) and other public funds by Fitch Ratings remain unchanged, despite the recent period of heightened market volatility. Fitch is issuing this sector comment in response to questions from various LGIP participants.

Fitch-rated LGIPs and public funds invest in high quality securities and, on average, allocate over 72.4% of their assets to U.S. government and agency securities. Liquidity parameters remained consistent with the policies governing redemption activities of these fund's participants. A list of Fitch-rated LGIPs and other public funds is available at the end of this release.

HIGH ALLOCATIONS TO U.S. GOVERNMENT SECURITIES
Fitch-rated LGIPs and public funds, on average, invest 21.3% of their portfolio in the U.S. Treasury securities (affirmed at ‘AAA/F1+’, Stable Outlook on Aug. 16, 2011), which remain highly liquid, and 51.1% of their portfolios in securities issued by U.S. government agencies. The balance of the public fund portfolios is mainly invested in high quality short-term securities of banks, corporate issuers and registered money market funds.

In addition to considerations of individual asset credit quality, Fitch incorporates a view of aggregate portfolio credit risk as measured by the weighted average rating factor (WARF), in line with its Global Bond Fund Rating Criteria applicable to LGIPs and operating funds. The WARF is determined by aggregating value-weighted credit rating factors of each portfolio securities after factoring in remaining maturities and indicates the portfolio's average credit risk. As of June 30, 2001, all Fitch-rated LGIPs and operating fund portfolios’ WARFs met Fitch’s rating criteria at the assigned rating levels ('AAA' in all but one case).

LIQUIDITY CONSISTENT WITH REDEMPTION PARAMETERS
LGIPs employ differing liquidity risk management strategies, consistent with the redemption practices and participants’ cash flow needs. For example, certain LGIPs are managed to meet the projected cash needs of one or more captive participants. Other LGIPs could be managed in line with investment practices of registered money market funds and offer voluntary participants safety of principal and daily liquidity.

LGIPs may take specific proactive liquidity management actions, including adjustments to cash flow assumptions to reduce or eliminate reliance on state transfers and increases to available liquidity. As of June 30, 2011, Fitch-rated pools managed for one or more captive participants averaged 18.6% of their assets in overnight investments. As of the same date, Fitch-rated LGIP managed for voluntary participants has invested over 50% of its portfolio in securities maturing overnight, thus being able to meet a high level of redemption requests.

SURVEILLANCE REMAINS ONGOING
The data presented in this commentary is based on portfolio holdings as of June 30, 2011 and was provided to Fitch as part of its regular surveillance process for rated LGIPs and public funds. As such it may not reflect more recent (or future) portfolio composition.

Fitch's rating process for LGIPs and public funds includes a regular review of portfolio data and risk metrics relative to Fitch’s published rating criteria as well as periodic discussions with investment officers. Ratings are updated annually, and include a full research report describing Fitch's analysis and key ratings driers. Fitch will continue to monitor investment activities of rated LGIPs and public funds and will comment further as warranted. Comments and fund-specific rating reports are available at www.fitchratings.com.

WHAT COULD TRIGGER A RATING ACTION
Ratings on LGIPs and public funds may be sensitive to material changes in the composition, credit quality of assets, or liquidity profile of the LGIPs and other public funds. For example, a material decrease in portfolio credit quality could result in the fund credit ratings being lowered, while a material increase in portfolio duration could result in fund volatility ratings being lowered. Given that LGIPs and public funds currently allocate a significant part of their assets to U.S. Treasury and government agency securities, the ratings may also be sensitive to material adverse changes in the credit quality and/or
liquidity of these holdings.

FITCH RATED LGIPs AND OTHER PUBLIC FUNDS
As of June 30, 2011, Fitch rated 11 LGIPs and other funds managed exclusively for the benefits of public entities. Combined assets under management of these funds were approximately $16.6 billion.

--CA - City of Oakland Operating Fund - 'AAA/V1';
--CA - Community Redevelopment Agency of Los Angeles (CRA/LA), Investment Portfolio - 'AAA/V1';
--CA - Marin County Investment Pool - 'AAA/V1';
--CA - Riverside County Treasurer's Pooled Investment Fund - 'AAA/V1';
--CA - San Bernardino County Investment Pool - 'AAA/V1';
--CA - San Luis Obispo County Treasury Investment Pool - 'AAA/V1';
--CO - City of Colorado Springs, Colorado Investment Portfolio - 'AAA/V1';
--CO - Colorado Local Government Liquid Asset Trust (COLOTRUST Plus+) - 'AAA/V1';
--FL - Florida Municipal Investment Trust 1-3 Year High Quality Bond Fund - 'AAA/V2';
--FL - Florida Municipal Investment Trust Broad Market High Quality Bond Fund - 'AA/V4';
--FL - Florida Municipal Investment Trust Intermediate High Quality Bond Fund - 'AAA/V3'.

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Additional information is available at 'www.fitchratings.com.'

The sources of information were Fitch-rated LGIPs and public funds' monitoring reports and Fitch Ratings.

Applicable Criteria and Related Research:
--Global Bond Fund Rating Criteria (Aug. 16, 2011);
--Fitch Affirms United States at 'AAA', Outlook Stable (Aug. 16, 2011);

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