

San Luis Obispo County Treasury Investment Pool
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Fitch Affirms San Luis Obispo County Treasury Investment Pool at 'AAAf'/'S1'

Fitch Ratings-New York-21 April 2017: Fitch Ratings has affirmed the international Fund Credit Quality Ratings (FCQR) and Fund Market Risk Sensitivity Ratings for San Luis Obispo County Treasury Investment Pool at 'AAAf/S1'.

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. On a relative basis, changes in net asset value are expected to exhibit high stability, showing low relative volatility across a broad range of market scenarios.

KEY RATING DRIVERS

Asset Credit Quality

The main driver of the fund credit rating is the high credit quality of the portfolio. The pool's investment objectives are safety and preservation of capital; liquidity sufficient to meet all operating requirements; yield, subject to safety, liquidity and competitive pricing requirements; and compliance with California and federal law.

As of the review date, the pool mainly invested in Public Investment Money Market Accounts (PIMMAs), direct agencies, government securities and Local Agency Investment Fund (LAIF). Other permissible securities include money market obligations such as commercial paper, certificates of deposit (CDs), bankers' acceptances, repurchase agreements and medium-term notes.

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

Portfolio Sensitivity to Market Risks

Market risk is mitigated by the pool's cash flow matching investment strategies, as well as the high allocation to government and agency securities. As of the review date, the pool's duration corresponds to a 'S1' fund sensitivity rating.

INVESTMENT MANAGER

The San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector manages the pool. There is also an external oversight committee (County Treasury Oversight Committee (CTOC)) comprised of county officials, school district officials and public members.

The CTOC reviews and approves the County Treasurer's annual Investment Policy prior to its submission to the County Board of Supervisors for review and adoption.

An independent certified public accountant separately contracted by the CTOC conducts compliance audit annually.

RATING SENSITIVITIES

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

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.

Fitch receives monthly fund portfolio holdings information including credit quality, market value and duration of the individual securities to conduct surveillance against ratings criteria.

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The sources of information used to assess this rating were the public domain and San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Global Bond Fund Rating Criteria (pub. 22 Aug 2016)
(<https://www.fitchratings.com/site/re/882068>)

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