

RATING ACTION COMMENTARY

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

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Fitch Ratings - New York - 01 Aug 2024: Fitch Ratings has affirmed the Florida Local Government Investment Trust - Short Term Bond Fund's International Fund Credit Quality Rating (FCQR) and Fund Market Risk Sensitivity Rating (MRSR) at 'AAAf'/'S1'.

Fitch used portfolio holdings as of March 31, 2024 to complete the analysis for the rating action.

KEY RATING DRIVERS

The ratings reflect Fitch's review of the portfolio's investment and credit guidelines, credit quality and diversification, as well as the capabilities of Payden & Regal to manage the assets of the fund. 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.

Portfolio Credit Quality

Per Fitch's "Bond Fund Rating Criteria," the fund's weighted average rating factor (WARF) is the primary driver of the FCQR. A fund's WARF is a function of the credit ratings of the securities held in the fund's portfolio and their remaining term to maturity, weighted by market value. The fund's WARF of 0.26 as of March 31, 2024 is less than 0.3 and therefore is in line with a WARF-implied FCQR of 'AAAf'.

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spread duration of the securities in the portfolio, and adjusting for the effect of any leverage. The higher the portfolio's market risk factor then the higher the sensitivity to interest rate, spread and other market risk variables. As of March 31, 2024, the MRF of the fund's portfolio was 1.73, which is less than 2.0 and therefore aligns with a MRSR of 'S1'. The fund's 'S1' MRSR indicates very low sensitivity to market risk. Leverage or derivatives are not permissible under the fund's investment policies.

Maturity Profile

The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool's participants. The pool generally maintains a portion of its assets in daily liquidity provided by government money market funds or money market securities. The planned nature of the pool's cash flows is a significant mitigant to the liquidity risk in the portfolio.

Participant Profile

The fund is comprised of money deposited by various public entity participants in the fund who pool money not immediately required to be disbursed in order to take advantage of permitted investments and maximize net earnings, subject to and in accordance with the provisions of the laws of Florida. Over 30 counties, cities, or districts participated as of March 31, 2024.

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 fund's rating against potential changes in the portfolio's credit quality. There was no material deterioration in the WARF or MRF of the portfolio as a result of these stressed scenarios, supporting Fitch's view that the portfolio's credit quality is consistent with the assigned rating level.

Fitch conducted additional stress tests that went beyond the stress tests outlined in its "Bond Fund Rating Criteria," applying greater credit and spread risk factors to the portfolio holdings. Two of these additional stress tests included a hypothetical three-notch downgrade to the largest issuers in the portfolio and a hypothetical one-notch downgrade to all issuers on the lower cusp of a rating category (e.g., downgrading all issuers currently

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breaches do not negatively impact the rating because the agency deems this level of negative migration to be unlikely in the current environment, particularly given the active management of the fund and, in most circumstances, the Stable Outlooks of issuers captured in Fitch's testing.

Portfolio Composition

Fitch deems the overall portfolio quality to be sound and concentrations are managed prudently. As of March 31, 2024, 60% of the market value of the pool was allocated to asset backed securities or corporate bonds. The remaining 40% was allocated to U.S. treasuries, sovereigns, direct agencies, and mortgage-backed securities.

Derivatives

The fund's investment policy statement (IPS) prohibits the fund from investing in derivatives.

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."

INVESTMENT MANAGER

Payden & Rygel, a professional investment manager registered with the Securities and Exchange Commission and the state of Florida, serves as investment advisor to the fund and is engaged to help the fund achieve its objectives within the limits of the Florida Trust's stated investment policies. This fund was launched in 1992 and has an AUM of \$746.95MM USD as of March 31, 2024.

The pool is subject to an annual compliance audit performed by an external auditor.

Fitch views the investment management capabilities, resources, operational controls, compliance and oversight processes of the investment advisor as appropriate for the

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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 fund. A material decrease in portfolio credit quality or increase in security maturities could result in the FCQR being lowered if the pool's resulting WARF exceeds 0.3 and/or the MRSR being lowered if the pool's MRF exceeds 2.0. However, Fitch perceives this as unlikely in the near term absent significant credit migration, or a change in the fund's investment strategy.

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

--A positive rating action is not applicable as the assigned ratings are the highest rating outcomes under Fitch's "Bond Fund Rating" criteria.

SOURCES OF INFORMATION

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

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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

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Florida Local Government Investment Trust - Short Term Bond Fund

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