



Tagging Info

Fitch Affirms Riverside County Treasurer's Pooled Investment Fund Rating at

'AAA/V1' Ratings

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Fitch Ratings-New York-27 September 2011: Fitch Ratings has affirmed the 'AAA/V1' ratings assigned to the Riverside County Treasurer's Pooled Investment Fund, a local government investment pool (LGIP) managed by the Riverside County Treasurer. As of Aug. 31, 2011, the fund had approximately \$5.1 billion in invested securities.

Key Rating Drivers

The main driver of the fund credit rating is the high credit quality of the portfolio, which is invested largely in U.S. Treasury and government agency securities. The 'AAA' fund credit rating reflects the lowest vulnerability to losses as a result of defaults, and is based on the actual and prospective weighted average credit quality of the portfolio assets. As such, the portfolio is expected to maintain a weighted average rating of 'AAA', taking into account certain adjustments for the reduced credit risk of high-quality, short-term securities.

The main drivers of the fund volatility rating are the stability of the portfolio's market risk profile, as reflected by the duration of the invested assets, the high allocation to U.S. Treasury and government agency securities, as well as appropriate levels of liquidity relative to redemption parameters. The 'V1' fund volatility rating reflects the fund's low market risk and capacity to return stable principal value to meet anticipated cash flow requirements, even in adverse interest rate environments.

Credit Quality

As per the fund's investment policy the primary investment objectives are the safety and preservation of investment principal, liquidity sufficient to meet daily cash flow requirements and reasonable rates of return or yields consistent with these objectives. The fund's investment policy permits investments in securities rated at least 'A/F1' by Fitch or equivalent. Specifically, permitted investments include direct U.S. government obligations, U.S. government agency securities, and money market-eligible obligations (including commercial paper, bankers acceptances, certificates of deposit, time deposits, and money market funds).

As of Aug. 31, 2011, 83% of the fund's portfolio was invested in securities issued or guaranteed by the U.S. government. The remainder was invested in corporate commercial paper (6%), certificates of deposit (3%), cash (3%), municipal bonds and securities issued by other local agencies (2%), money market funds (1%), and CalTrust, a joint powers authority created by California public agencies to pool their assets (1%).

By its investment policy, the portfolio is also permitted to enter into repurchase agreements with counterparties rated at least 'A/F1' by Fitch or equivalent, backed by government securities and overcollateralized by at least 102%. As of Aug. 31, 2011 the fund held \$150 million in repurchase agreements. As of the same date, the weighted average credit quality of the fund, as measured by Fitch's weighted average rating factor (WARF), was 0.07 which corresponds to an 'AAA' fund credit rating as per Fitch published criteria.

Liquidity Considerations

Liquidity risk is mitigated by the liquid nature of the fund investments, the predictability of cash outflows, and the redemption restrictions imposed by the fund which require 30 days advance notice to the Treasurer. The fund's anticipated redemptions include payroll and benefit payments, accounts payable, debt services and other planned expenditures of the county and other fund participants.

The portfolio is permitted by its investment policy to invest in securities with a final maturity up to five years from the date of purchase, with no less than 40% maturing within one year. These requirements, along with the fund's redemption limitations and liquid nature of its investments, are viewed as providing an appropriate level of liquidity.

As of Aug. 31, 2011, 14% of the portfolio's assets matured within one month and 64% matured within one year. As of the same date, the fund's weighted average final maturity (WAMf) and weighted average maturity to reset (WAMr) were both 437 days, or 1.2 years. The fund is permitted by its investment policy to maintain a WAMr of up to 1.5 years. Given the short-dated nature of the portfolio, along with the high allocation to government and agency securities (which receive a 0.00 spread risk factor under Fitch's analytical framework for determining fund volatility ratings), the market risk of the portfolio is viewed as consistent with a 'V1' fund volatility rating.

Participant Profile

Participation in the fund consists of Riverside County and political subdivisions of the county such as municipalities, special districts, school districts, and other governmental entities. While captive participants amount to approximately 75%, the remainder are voluntary participants which could moderately increase potential outflows.

Investment Management

The fund is managed by the Riverside County Treasurer-Tax Collector on behalf of the county, school districts, special districts, and discretionary depositors. The County of Riverside Treasurer's office provides Fitch with monthly information, including details of the portfolios' holdings, credit quality and transactions, and a risk management report. Fitch monitors the credit composition of the portfolio, the credit counterparties used by the manager and the overall market risk profile of the investments.

Rating Sensitivity

The ratings may be sensitive to material changes in the credit quality or market risk profiles of the fund. A material adverse deviation from Fitch guidelines for any key rating driver could cause the rating to be lowered by Fitch. 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 the fund's investment mandate of investing primarily in U.S. Treasury and government agency securities, the ratings may also be sensitive to materially adverse changes in the U.S. government's financial condition and that of the broader U.S. economy.

Contact:

Primary Analyst
Gwen Fink-Stone
Associate Director
+1-212-908-9128
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Viktoria Baklanova, CFA
Senior Director
+1-212-908-9162

Committee Chairperson
Ralph Aurora
Senior Director
+1-212-908-0528

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

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

The sources of information used to assess these ratings were the public domain and the Riverside County Treasurer's Office.

Applicable Criteria and Related Research:

--'Global Bond Fund Rating Criteria', dated Aug. 16, 2011;

--'Local Gov't Pools' Ratings Weather Volatile Environment', dated Aug. 23, 2011.

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Global Bond Fund Rating Criteria

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