



RATING ACTION COMMENTARY

Fitch Assigns 'AAAmmf' Rating to the North Carolina Investment Pool-Liquid Portfolio

Wed 28 Apr, 2021 - 2:28 PM ET

Fitch Ratings - New York - 28 Apr 2021: Fitch Ratings has assigned a 'AAAmmf' money market fund (MMF) rating to the North Carolina Investment Pool-Liquid Portfolio (NCIP). The commingled local government investment pool was established pursuant to North Carolina's state code as a statutory trust for the benefit of the North Carolina local governments, and is governed by a board of trustees that are representatives of participant units of local government. PFM Asset Management LLC (PFMAM) serves as the pool's investment adviser and administrator.

NCIP was established to invest idle funds of its participants in various high-quality money market investments, in accordance with North Carolina General Statutes. NCIP seeks to maintain a stable NAV of \$1.00.

The pool is expected to receive participant investments on May 3, 2021. Fitch used a representative pro forma portfolio to complete the analysis for the assigned rating.

KEY RATING DRIVERS

Feedback

The ratings reflect Fitch's review of the pool's investment and credit guidelines, expected credit quality and diversification, expected liquidity profile, as well as the capabilities of PFMAM to manage the assets of the pool. The 'AAAmmf' rating assigned to NCIP indicates an extremely strong capacity to achieve the investment objectives of preserving principal and providing liquidity through limiting credit, market and liquidity risk.

Asset Credit Quality

The pool is expected to invest primarily in direct obligations of the U.S. government and its agencies, State of North Carolina state and municipal obligations, commercial paper, repurchase agreements backed by U.S. government and agency obligations, bank deposits benefiting from letters of credit, etc. Based on the pro forma portfolio, Fitch calculated the pool's Portfolio Credit Factor (PCF) to be 1.15, which is consistent with Fitch's 'AAAmmf' criteria of 1.50 or less.

NCIP's investment policy statement is designed to comply with North Carolina General Statute §159-30. The pool was organized to provide local government entities access to investment vehicles focused on the safety and preservation of principal, liquidity and commensurate investment income.

Maturity Profile

The pool seeks to limit interest rate and spread risk by maintaining a weighted average maturity (WAM) and a weighted average life (WAL) below 60 days and 120 days, respectively, consistent with Fitch's 'AAAmmf' criteria. In addition, the pool intends to hold only investments that have either a final or effective maturity of 397 days or less at the time of purchase.

Liquidity Profile

The pool seeks to maintain sufficient levels of daily and weekly liquidity to meet participant redemption requests. Specifically, the pool will invest at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity consistent with Fitch's 'AAAmmf' criteria.

Participant Profile

The portfolio will comprise moneys deposited by North Carolina local government, public and other eligible entities. Based on discussions with the advisor, Fitch expects that

elevated levels of liquidity will be maintained until NCIP's investor base ramps up over time. PFMAM aims to structure the portfolio in such a manner as to provide sufficient liquidity to pay expected same or next day redemptions.

Surveillance

Fitch expects to receive bimonthly fund portfolio holdings information, including credit quality, market value and duration of the individual securities to conduct surveillance.

INVESTMENT MANAGER

The pool is managed by PFMAM, a member of the PFM Group of companies. PFMAM is registered with the SEC under the Investment Advisers Act of 1940, and specializes in creating investment strategies and managing funds for public sector, not-for-profit and other institutional clients. The firm is based in Harrisburg, PA, and when including affiliates, has more than 40 years of experience in managing public sector portfolios. As of Dec. 31, 2020, PFMAM had approximately \$164 billion in total assets under management and advisement.

Fitch views the investment-management capabilities, resource commitment, operational controls, compliance and oversight processes of the pool's investment advisor as appropriate for the assigned ratings and investment strategy.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--The assigned rating is the highest rating outcome under the MMF rating criteria. Therefore, upward rating momentum is not possible.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A material and sustained breach of any of Fitch's criteria measures at the 'AAAmmf' level would result in the rating being lowered.

SOURCES OF INFORMATION

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

RATING ACTIONS

ENTITY/DEBT	RATING		
North Carolina Investment Pool	MMF	AAAmmf	New Rating

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Brian Jarmakowicz, CFA
Associate Director
Primary Rating Analyst
+1 646 582 4586
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Peter Gargiulo
Director
Secondary Rating Analyst
+1 212 612 7762

Greg Fayvilevich
Senior Director
Committee Chairperson
+1 212 908 9151

MEDIA CONTACTS

Sandro Scenga
New York

Feedback

+1 212 908 0278

sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Money Market Fund Rating Criteria \(pub. 23 Apr 2020\)](#)

ADDITIONAL DISCLOSURES

[Solicitation Status](#)

[Endorsement Policy](#)

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

[READ LESS](#)

COPYRIGHT

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All

rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for

the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch’s approach to endorsement in the EU and the UK can be found on Fitch’s [Regulatory Affairs](#) page on Fitch’s website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Fund and Asset Managers North America United States

ga('set', '732-ckh-767', 'USER_ID');

Feedback