

FL SAFE Variable NAV Fund Assigned 'AAAf/S1' Ratings

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NEW YORK (S&P Global Ratings) Oct. 17, 2017--S&P Global Ratings today said it assigned its 'AAAf' fund credit quality rating (FCQR) and 'S1' fund volatility rating (FVR) to the FL SAFE Variable NAV Fund. An FCQR of 'AAAf' signifies that the credit quality of FL SAFE Variable NAV Fund's portfolio exposure is extremely strong. The 'S1' FVR signifies that the pool exhibits low volatility of returns comparable to a portfolio of short-duration government securities, typically maturing within one to three years and denominated in the base currency of the fund.

The Florida Surplus Asset Fund Trust was established in 2007 to be an investment pool to meet the investment needs of local governments in Florida and began operations in 2008. The trust is a common law trust under the laws of the State of Florida. The Indenture of Trust provides for the creation of multiple separate specialized investment portfolios called "series" within the trust and sets forth the manner in which the series may be created and managed. Currently the trust includes a liquid stable net asset value (NAV) \$1.00 fund called the FL SAFE Stable NAV Fund (which we rate 'AAAm') and FL SAFE Variable NAV Fund, which is a newly created variable NAV fund.

The FL SAFE Variable NAV Fund seeks to provide current income while maintaining limited price volatility. The fund will invest in a diversified portfolio of short-term, investment-grade fixed income securities selected by the investment adviser that will include obligations guaranteed by the full faith and credit of the U.S., U.S. government agency obligations, corporate obligations, asset-backed securities, bank obligations, and other obligations

permitted by applicable Florida statutes. The fund is expected to be invested in such a manner as to result in an average dollar weighted maturity for the portfolio that does not exceed two years and expects to target duration of approximately one year.

PMA Financial Network Inc., PMA Securities Inc. and Prudent Man Advisors Inc. (collectively, PMA) are three companies under common ownership that work to provide integrated financial solutions to public entities and local government investment pools (LGIPs). The investment adviser for the fund is Prudent Man Advisors Inc. The administrator is Florida Management and Administrative Services LLC. (FMAS), and the distributor is PMA Securities Inc. BMO Harris Bank N.A. is the custodian. PMA provides a variety of administrative, marketing, fixed-rate investment, and investment advisory services to LGIPs. PMA's investment advisory services have total assets under management of \$6.79 billion (as of Sept. 30, 2017) and assets under administration of over \$23 billion. Total assets under administration include both money market pool assets, for which PMA serves as fund administrator/accountant, marketer/distributor, fixed income program provider (brokerage services), investment advisory, or separate institutional account management. In addition to the FL SAFE Stable NAV Fund, PMA also serves as investment adviser for five other 'AAAm' rated local government investment pools.

To derive the FCQR, we conducted a detailed quantitative and qualitative review of the fund and the investment manager. After applying our fund credit quality matrix (which reflects the weighted average credit risk of the portfolio of investments) to determine the quantitative assessment of the portfolio was a credit quality of 'AAAf', we considered our analysis of fund management, as well as a portfolio risk assessment. Since we assessed the qualitative components of the investment manager, PMA, as adequate to strong, and the portfolio risk assessment as neutral, we made no adjustments to the quantitative assessment and came up with the final FCQR of 'AAAf'.

To assign the FVR, we first assessed the historical volatility and dispersion of a proxy fund that maintains similar investment strategy that will be utilized by the newly created fund. This preliminary assessment indicated a volatility profile of 'S1+'. Next, under our portfolio risk assessment, we reviewed the investment policies related to duration, credit exposures, liquidity, derivatives, leverage, foreign currency, and investment concentration. We viewed all of the portfolio risk factors except duration as consistent. We viewed duration as more aggressive based on our view that the fund's portfolio duration could generate a more volatile total return profile than exhibited by the proxy fund in recent years. Based on our assessment of the duration of the fund, we came up with an intermediate FVR of 'S1'. Finally, we applied our assessment of the qualitative components to determine no adjustment was required and thus the final FVR was 'S1'.

In determining the FCQRs and FVRs, we performed a comparable rating analysis on the pool with other funds that have similar portfolio strategy and composition. Here, we focused on a holistic view of the fund's portfolio

credit quality and characteristics relative to its peers. The comparative rating analysis did not result in any adjustment to the ratings.

An FCQR, also known as a "bond fund rating," is a forward-looking opinion about the overall credit quality of a fixed-income investment fund. FCQRs, identified by the 'f' suffix, are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values. The ratings reflect the credit risks of the portfolio investments, the level of the fund's counterparty risk, and the risk of the fund's management ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), an FCQR does not address a fund's ability to meet payment obligations and is not a commentary on yield levels.

An FVR is a forward-looking opinion about a fixed-income investment fund's volatility of returns relative to that of a "reference index" denominated in the base currency of the fund. A reference index is composed of government securities associated with the fund's base currency. FVRs are not globally comparable. FVRs reflect our expectation of the fund's future volatility of returns to remain consistent with its historical volatility of returns. FVRs reflect S&P Global Ratings' view of the fund's sensitivity to interest rate risk, credit risk, and liquidity risk, as well as other factors that may affect returns such as use of derivatives, use of leverage, exposure to foreign currency risk and investment concentration, and fund management. Different symbology is used to distinguish FVRs from S&P Global Ratings' traditional issue or issuer credit ratings. We do so because FVRs do not reflect creditworthiness, but rather our view of a fund's volatility of returns.

We review pertinent fund information and portfolio reports monthly as part of our surveillance process of our fund credit quality and volatility ratings.

RELATED CRITERIA

- Criteria - Financial Institutions - Fixed-Income Funds: Fund Volatility Ratings Methodology, June 26, 2017
- Criteria - Financial Institutions - Fixed-Income Funds: Fund Credit Quality Ratings Methodology, June 26, 2017

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left

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