

Ratings On Two FL SAFE Funds Affirmed Following Investment Adviser Change

October 1, 2024

ENGLEWOOD (S&P Global Ratings) Oct. 1, 2024--S&P Global Ratings today affirmed its 'AAAm' principal stability fund rating (PSFR) on the FL SAFE Stable NAV Fund and its 'AAAf/S1' fund credit quality rating (FCQR) and fund volatility rating (FVR), respectively, on the FL SAFE Variable NAV Fund.

Our rating affirmations follow FL SAFE's decision to change its investment adviser to Chandler Asset Management from PMA Asset Management. We expect Chandler Asset Management to assume the day-to-day management of the FL SAFE funds on Oct. 1, 2024. We affirmed our ratings on the FL SAFE funds given our view of the creditworthiness of the fund investments and counterparties, market price exposure, and maturity structure. Our 'AAAm' rating on the FL SAFE Stable NAV Fund indicates our view of the fund's extremely strong capacity to maintain principal stability and to limit exposure to principal losses as a result of credit risk. 'AAAm' is the highest PSFR that we assign.

Similarly, our 'AAAf' FCQR indicates that the credit quality of the funds' portfolio exposure is extremely strong. In reviewing the rating, we first determined a preliminary FCQR by undertaking a quantitative assessment of the funds' portfolio credit risk, which reflects the weighted-average credit risk of their investments. The final rating did not differ from our preliminary assessment given our strong qualitative assessment of Chandler Asset Management. The qualitative assessment entailed a review of the investment manager's management and organization, risk management and compliance, credit culture, and credit research.

The 'S1' FVR on the FL SAFE Variable Fund signifies the fund exhibits low volatility of returns, comparable to a portfolio of short-duration government securities typically maturing within one to three years and denominated in U.S. dollars. We affirmed the FVR following our review of historical volatility and the dispersion of funds' returns relative to reference index.

In our evaluation of portfolio risk, we considered duration, credit exposures, liquidity, and investment concentration. We determined that these portfolio risks were neutral and therefore made no adjustment to the preliminary FVR.

Finally, we compared the funds with the other funds that have a similar portfolio strategy and composition. The comparative rating analysis did not result in any adjustment to the FCQR or FVR.

FL SAFE And Investment Adviser

FL SAFE (Florida Surplus Asset Fund Trust) was established in 2007 to be an investment pool to meet the investment needs of local governments in Florida. The general objective of the funds is to provide the participants the highest possible investment yield while maintaining liquidity and

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preserving capital by investing only in instruments authorized by Florida laws, which govern the investment of funds. As of Aug. 30, 2024, FL SAFE's Stable NAV Fund and Variable NAV Fund totaled \$1.31 billion in net assets. BMO Bank N.A. is the custodian for the FL SAFE Stable NAV Fund and FL SAFE Variable NAV Fund.

We expect that the Stable NAV Fund will maintain a weighted average maturity no greater than 60 days and a weighted average life no greater than 90 days, with certain extensions. Similarly, the Variable NAV Fund is expected to invest in such a manner as to result in a weighted average maturity for the portfolio that does not exceed two years and expects a target duration of approximately one year.

San Diego-based Chandler Asset Management is an independent and employee-owned firm specializing in investment management for public agencies. It was established in 1988 and managed \$36.2 billion as of June 30, 2024.

S&P Global Ratings' Fund Ratings Definitions

A principal stability fund rating, also known as a "money market fund rating," is a forward-looking opinion about a fixed-income fund's capacity to maintain stable principal (net asset value) and to limit exposure to principal losses due to credit risk. When assigning a principal stability rating to a fund, S&P Global Ratings analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from an S&P Global Ratings traditional issue or issuer credit rating.

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 comprises 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 make this distinction because fund volatility ratings do not reflect creditworthiness, but rather our view of a fund's volatility of returns.

We review pertinent fund information and portfolio reports weekly as part of our surveillance process of our PSFRs, and monthly as part of our surveillance process of our FCQRs and FVRs.

Related Criteria

- Criteria | Financial Institutions | Fixed-Income Funds: Fund Credit Quality Ratings Methodology, July 26, 2024
- Criteria | Financial Institutions | Fixed-Income Funds: Principal Stability Fund Rating Methodology, July 26, 2024
- Criteria | Financial Institutions | Fixed-Income Funds: Fund Volatility 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.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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