

San Bernardino County Investment Pool (/gws/en/esp/issr/86473173)



Fitch Affirms San Bernardino County Investment Pool at 'AAAf'/'S1'

Fitch Ratings-New York-21 April 2017: Fitch Ratings has affirmed the international Fund Credit Quality Ratings (FCQR) and Fund Market Risk Sensitivity Ratings on San Bernardino County Investment Pool at 'AAAf'/'S1'.

The ratings reflect Fitch's review of the fund's investment and credit guidelines, the portfolio's credit quality and diversification. 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. On a relative basis, changes in net asset value are expected to exhibit high stability, showing low relative volatility across a broad range of market scenarios.

KEY RATING DRIVERS

Asset Credit Quality

The main driver of the fund credit rating is the high credit quality of the portfolio. It is the policy of the Treasurer to invest public funds in a manner that will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines.

As of the review date, the pool mainly invested in direct agencies, corporate certificates of deposit and commercial paper. Other permissible securities include government securities, negotiable certificates of deposit and money market funds.

The pool's weighted average rating factor (WARF) is in line with Fitch's 'AAAf'

rating criteria of 0.3 or less. WARF is a risk-weighted measure of a portfolio of assets that accounts for the portfolio's credit quality and maturity profile.

Portfolio Sensitivity to Market Risks

Market risk is mitigated by the duration of the pool, as well as the high allocation to government and agency securities. As of the review date, the pool's duration corresponds to a 'S1' fund sensitivity rating.

INVESTMENT MANAGER

The Treasury Pool is actively managed in accordance with the California Government Code, the Treasurer's Statement of Investment Policy, and internal investment guidelines.

The Investment Policy is reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors.

The pool is subject to an external audit on an annual basis.

RATING SENSITIVITIES

The ratings are sensitive to material changes in the credit quality or market risk profiles of the funds. A material decrease in portfolio credit quality could result in the FCQR being lowered, while a material increase in portfolio duration could result in fund sensitivity ratings being lowered.

Fitch conducted stress tests as outlined in its rating criteria to test the sensitivity of the funds' ratings against potential changes in the portfolios' credit quality.

Fitch receives monthly fund portfolio holdings information including credit quality, market value and duration of the individual securities to conduct surveillance against ratings criteria.

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The sources of information used to assess this rating were the public domain and San Bernardino County Auditor-Controller.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Global Bond Fund Rating Criteria (pub. 22 Aug 2016)
(<https://www.fitchratings.com/site/re/882068>)

Additional Disclosures

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