

25 AUG 2022

Fitch Affirms Texas Range Local Government Investment Program - TexasTERM Series at 'AAAf'

Fitch Ratings - New York - 25 Aug 2022: Fitch Ratings has affirmed the 'AAAf' International Fund Credit Quality Ratings (FCQR) for the Texas Range Local Government Investment Program - TexasTERM Series managed by PFM Asset Management LLC (PFMAM).

The term program is a series of fixed-rate, fixed-term portfolios with a maximum term of one year. Individual series will terminate within two years of their inception. The term program is designed to meet the cash flow requirements of investors with the cash flows from the portfolios. The term program consists of multiple series with staggered termination dates.

KEY RATING DRIVERS

The ratings reflect Fitch's review of the term program's investment and credit guidelines, and the portfolio's credit quality and diversification. The 'AAAf' FCQR indicates the highest underlying credit quality (or lowest vulnerability to default). FCQRs do not opine on the probability of extraordinary liquidity management measures being applied, nor the redemption risk of the fund.

ASSET CREDIT QUALITY

The main driver of the fund credit quality rating is the high credit quality of the portfolio. As per the term program's investment policy, the objective of the portfolio includes the safety and preservation of principal, liquidity sufficient to meet the redemption schedule and highest earnings consistent with these objectives.

Investments in any portfolio are designed to comply with Texas state statutes as well as additional standards set by PFMAM. As of the review date, the portfolio was primarily invested in U.S. Treasuries and commercial paper. Other securities permitted by the term program investment policy may include municipal obligations, repurchase agreements and government money market funds. Securities are rated 'A'/F1' by Fitch or an equivalent.

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.

PARTICIPANT PROFILE

The term program is comprised of monies deposited by cities, counties, school districts, political subdivisions, and other public investors within the state of Texas.

The maturity profile of each term portfolio is managed to meet pre-set redemptions of the term portfolio's participants. Upon investing in the program, a participant selects a planned maturity date on which the portfolio seeks to produce a share price of \$1.00 for the participant that redeems on a stated date. Participants may request premature redemption, but the portfolios may charge significant penalties for any redemption prior to the agreed-upon redemption date and net asset value (NAV) may be more or less than \$1.00 per share.

SURVEILLANCE

Fitch receives monthly fund portfolio holdings information including credit quality, market value and duration of the individual securities to conduct surveillance against the bond fund rating criteria. For additional information about Fitch's bond fund ratings criteria, please review the criteria referenced below, which can be found on Fitch's website.

Fitch conducted stress tests as outlined in its rating criteria to test the sensitivity of the fund's ratings against potential changes in the portfolios' credit quality. Due to the pool's exposure to U.S. government and agency debt, part of the stress tests included a one notch downgrade to 'AA+' from 'AAA'. A hypothetical downgrade of U.S. government and agency debt to 'AA+' would not impact the pool, assuming no changes to the current portfolio.

INVESTMENT MANAGER

The program is managed by PFMAM, a subsidiary of U.S. Bancorp Asset Management, Inc. through acquisition as of Dec. 8, 2021. 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, Pennsylvania, and, when including affiliates, has more than 40 years of experience in managing public sector portfolios.

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:

Positive rating actions are not applicable as the assigned ratings are the highest ratings outcomes under Fitch's bond fund ratings criteria.

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

The ratings are sensitive to material changes in the credit quality or market risk profiles of the fund. A material decrease in portfolio credit quality could result in the FCQR being lowered.

SOURCES OF INFORMATION

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

Fitch Ratings Analysts

Kimberly Green

Senior Analyst

Primary Rating Analyst

+1 646 582 4042

Fitch Ratings, Inc. Hearst Tower 300 W. 57th Street New York, NY 10019

Peter Gargiulo

Director

Secondary Rating Analyst

+1 212 612 7762

Ralph Aurora

Senior Director

Committee Chairperson

+1 212 908 0528

Media Contacts

Anne Wilhelm

New York

+1 212 908 0530

anne.wilhelm@thefitchgroup.com

Sandro Scenga

New York

+1 212 908 0278

sandro.scenga@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
Texas Range Local Government Investment Program - TexasTERM Series	Fund Cr Qual Rtg	AAAf	Affirmed	AAAf

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◇
NEGATIVE	⊖	◇
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Bond Fund Rating Criteria \(pub.16 Aug 2022\)](#)

Additional Disclosures

[Solicitation Status](#)

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