

Contra Costa County Investment Pool 'AAAf/S1+' Ratings Affirmed

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SAN FRANCISCO (S&P Global Ratings) Dec. 13, 2017--S&P Global Ratings today said it affirmed its 'AAAf' fund credit quality rating (FCQR) and 'S1+' fund volatility rating (FVR) on the Contra Costa County Investment Pool. The affirmation follows our review of the fund under our revised FCQR and FVR criteria (see "Fund Credit Quality Ratings Methodology" and "Fund Volatility Ratings Methodology," published June 26, 2017). At the same time, we removed the regulatory identifier "UCO" (under criteria observation) from the ratings. The ratings were designated UCO on June 26, 2017, in conjunction with the release of the revised criteria.

The county of Contra Costa, California was incorporated in 1850 as one of the original 27 counties of the State of California and is one of nine counties in the San Francisco-Oakland Bay Area. The Contra Costa County Investment Pool is managed by the treasurer/tax collector, which acts as a depository for more than 40 units of local government, including funds of the county school districts, special districts, and other entities. The county maintains a contract with The Bank of New York Mellon to provide custodial services for the pool. The primary objective of the pool is to safeguard the principal of the pool under its control. The secondary objective is to meet the depositors' liquidity needs. The third objective is to achieve a return on the pool under its control. The Contra Costa County Investment Pool operates under a directed investment policy in which the withdrawal of funds in the Treasury should coincide with investment maturities or authorized sale of securities by the local agency's legislative or governing body.

The Contra Costa County Investment Pool is invested in accordance with the county's investment policy and the State of California's government code. Based on these guidelines, the pool is generally invested in U.S. Treasuries, U.S. agencies, municipal bonds, money-market instruments, repurchase agreements, banker's acceptances, commercial paper, negotiable certificates of deposit, corporate notes, medium-term notes, and time deposits.

The 'AAAf' FCQR signifies that the credit quality of the fund's portfolio exposure is extremely strong. When assigning the 'AAAf' rating, we first determined a preliminary FCQR through our quantitative assessment of the fund's portfolio risk using our fund credit quality matrix. Our assessment reflects the weighted average credit risk of the portfolio of investments. The final rating did not differ from our preliminary assessment given our adequate assessment of the qualitative components of the Contra Costa County Treasury team and neutral portfolio risk assessment.

The 'S1+' FVR signifies that the fund exhibits extremely low volatility of returns comparable to a portfolio of short-duration government securities representing the highest-quality fixed-income instruments available in each country or currency zone with a maturity of 12 months or less. We determined the FVR by assessing the historical volatility and dispersion of fund returns relative to reference indices. Next, we evaluated portfolio risk, taking into account duration, credit exposures, liquidity, derivatives, leverage, foreign currency, and investment concentration. Given the determination that these portfolio risk factors were consistent, we made no adjustment to the preliminary FVR derived in our review of return volatility and dispersion. We then used the adequate assessments of the qualitative components to determine no adjustment was required to the FVR.

We also performed a comparable rating analysis with other funds that have similar portfolio strategies 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 rating to determine the final FCQR or FVR.

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 a fund's future volatility of returns to remain consistent with its historical volatility of returns. FVRs reflect S&P Global Ratings' view of a 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 column.

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