

Colorado Statewide Investment Pool - CSIP TERM Portfolio (/gws/en/esp/issr/96514251)**Fitch Rates Colorado Statewide Investment Pool Term Program**

Fitch Ratings-New York-15 May 2017: Fitch Ratings has assigned an 'AAAF' International Fund Credit Quality Rating (FCQR) to Colorado Statewide Investment Pool - CSIP TERM Portfolio. The term program is managed by PFM Asset Management LLC (PFMAM).

The term portfolio is a series of fixed-rate, fixed-term portfolios with a maximum term of one year and is designed to meet the cash flow requirements of investors with cash flows from the portfolio. Expected to open to investors in late May 2017, the program consists of multiple series with staggered termination dates. Individual series will terminate within two years of inception.

The rating reflects Fitch's review of the term program's investment and credit guidelines, the portfolio's expected credit quality and diversification, as well as the capabilities of PFMAM as investment manager. The 'AAAF' FCQR indicates the highest underlying credit quality (or lowest vulnerability to default).

KEY RATING DRIVERS**Asset Credit Quality**

The main driver of the fund credit rating is the expected high credit quality of the portfolios. As per the term program's investment policies, the objective for each 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 all Colorado state statutes as well as additional standards set by PFMAM. Securities permitted by the term program investment policy include U.S. Treasury securities, U.S. government agency securities, commercial paper, deposits including certificates of deposit, municipal obligations, repurchase agreements and government money market funds. Securities are rated at least 'A/F1' by Fitch or equivalent.

Each term portfolio's weighted average rating factor (WARF) is expected to be 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 portfolios are expected to comprise monies deposited by Colorado local governments including county municipalities, school districts and special districts.

The maturity profile of each term portfolio will be managed to meet pre-set redemptions of the term portfolio's participants. Upon investing in a portfolio, a participant selects a planned maturity date on which the portfolio seeks to produce a share price of at least \$1.00 for the participant that redeems on said date. Participants may request premature redemption, but the portfolio 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.

INVESTMENT MANAGER

The pool is managed by PFMAM, a member of the PFM Group of companies. 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 35 years' experience in managing high-quality portfolios. As of March 31, 2017, PFMAM had approximately \$118.7 billion in total assets, including \$77.3 billion in discretionary assets under management and \$41.4 billion in assets under advisement.

PFMAM considers itself a relative value manager with a focus on downside protection. It specializes in managing high-quality, short- and intermediate-duration fixed income portfolios as well as multi-asset class portfolios. A fixed-income investment strategy committee convenes at least monthly and is responsible for establishing overall investment policies and providing oversight on the management of all fixed-income portfolios. Committee members review and discuss materials compiled by the Portfolio Strategies Group covering topics including performance analysis, corporate holdings analysis, economic outlook, model portfolios, and sector analysis. The committee is responsible for setting the curve, duration and asset allocation targets for all fixed-income portfolios.

PFMAM relies on independent research, focusing primarily on traditional credit sectors while avoiding areas of the market that in its view are highly cyclical and prone to volatility, as well as external sources to complement its internal research. The firm utilizes

a top-down, bottom-up approach in regards to credit. The credit committee participates in formal monthly meetings with ad hoc meetings as needed. The credit committee is composed of the Chief Credit Officer, Chief Investment Officer and Senior Portfolio Managers. Traders and analysts provide insight and participate as well while the Chief Compliance Officer (CCO) observes. The committee reviews fundamental changes in approved issuers as well as macro events and general industry conditions. The approved credit list is the primary credit risk management tool employed by PFMAM, taking into account the tenors of exposures. Portfolio managers and traders are restricted by the approved list with limits integrated into trading and compliance systems.

The investment policy of the term portfolio is reviewed and approved at least annually by the pool's Board of Trustees. A majority of board members are elected by the pool's investors.

An internal compliance department provides review and independent oversight of the portfolio. The CCO reports directly to the PFM Group Board. The term portfolio is also subject to annual financial statement audits by independent external auditors.

RATING SENSITIVITIES AND SURVEILLANCE

The rating is sensitive to material changes in the credit quality of the term program. A material decrease in portfolio credit quality could result in the FCQR being lowered.

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

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Applicable Criteria

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

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