

# Colorado Statewide Investment Pool — CSIP TERM Portfolio

## Full Rating Report

### Pool Characteristics

Fitch Rating	AAAf
Investment Advisor	PFM Asset Management LLC (PFMAM)
Objective	To provide an investment subject to pre-set redemptions occurring from 60 days to one year from the time of investment and that will produce the highest earnings consistent with maintaining principal at maturity and meeting the redemption schedule.

### Key Rating Drivers

**High-Quality Credit Portfolio:** The Colorado Statewide Investment Pool (CSIP, or the pool) TERM Series invests in highly rated securities including U.S. Treasury and U.S. government agency securities, CDs and CP. Other securities permitted by the term portfolio's investment policy include municipal obligations, repurchase agreements and government money market funds. Securities are rated at least 'A'/F1 by Fitch Ratings or equivalent. Investments in the term portfolio are designed to comply with Section 24-75-601 et. seq. of Colorado Revised Statutes as well as additional standards set by PFMAM.

**Stable Investor Base:** The portfolio is managed by PFMAM on behalf of the portfolio's participants. The term portfolio consists of moneys deposited by Colorado local governments and agencies, instrumentalities and political subdivisions thereof.

**Matched Cash Flows:** The term portfolio is a fixed-rate, fixed-term portfolio with a maximum term of one year. The term program is designed to meet the cash flow requirements of investors with the cash flows from the portfolio. The program consists of multiple series with staggered termination dates. Individual series typically terminate within two years of inception.

The maturity profile of each term portfolio is managed to meet pre-set redemptions of the 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 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 may be more or less than \$1.00 per share.

**Capable Investment Advisor:** The portfolio 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, PA, and, when including affiliates, has more than 35 years' experience in managing high-quality portfolios.

**Oversight Decreases Operational Risk:** Portfolio oversight and operational controls are consistent with the assigned rating. The investment policy of the 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. PFMAM's internal compliance department provides review and independent oversight of the portfolio. The chief compliance officer reports directly to the PFM group board. Each term portfolio is also subject to annual financial statement audits by an independent certified public accounting firm.

**Industry Standard Administration and Systems:** PFMAM uses appropriate systems for investment, administration, portfolio management and trading. Processes provide decisionmaking tools for risk analysis and investment allocation tools.

**Rating Rationale:** CSIP TERM Series is rated 'AAAf' by Fitch. The 'AAAf' Fund Credit Quality Rating reflects the investment portfolio's vulnerability to losses as a result of defaults in its bond holdings and is based on the actual and expected average credit quality of the portfolio's investments. Fitch's evaluation of the term portfolios also considered the management and operational capabilities of PFMAM and the legal and regulatory framework under which the portfolio operates.

### Analysts

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### Related Criteria

[Global Bond Fund Rating Criteria \(August 2016\)](#)

Operational Assessment

✓ Pass

● Attention Required

X Fail

**Service Providers**

Investment Manager	✓	PFM Asset Management LLC.
Auditor	✓	The portfolio is subject to an annual external financial audit performed by an independent certified public accounting firm. Ernst & Young LLP currently serves as the independent auditor of the portfolio.

**Investments**

Composition	✓	The portfolio invests in highly rated securities including U.S. treasury securities, U.S. government agency securities, CDs and CP. Other securities permitted by the program's investment policy may include municipal obligations, repurchase agreements and government money market funds. Securities are rated at least 'A'/F1 by Fitch or equivalent.
Maturity	✓	The maturity profile is managed to meet pre-set redemptions of the 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 at least \$1.00 for the participant that redeems on said date.

**Regulation and Governance**

Governance	✓	CSIP is governed by the pool's board of trustees. The trustees oversee the actions of all service providers, professional advisers and consultants to the portfolio and decides on general policies. A majority of members of the board of trustees are elected by the pool's investors. Regular reports are provided to the board.
Control Framework	✓	Compliance controls are in place to ensure adherence with investment guidelines.

**Disclosure and Transparency**

Level of Disclosure	✓	Good level of transparency: the program's website contains financial reports, investment policy and information on other policies pertinent to portfolio management.
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**Operations**

Pricing Responsibility	✓	U.S. Bank National Association serves as the custodian and depository bank for the portfolio. PFAM uses Bloomberg AIM for pre-trade checks.
Technology	✓	Appropriate and integrated portfolio management system.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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