



RATING ACTION COMMENTARY

Fitch Assigns 'AAAf' Rating to Florida FIT Choice Pool and Texas FIT Choice Pool

Thu 21 Jul, 2022 - 5:28 PM ET

Fitch Ratings - New York - 21 Jul 2022: Fitch Ratings has assigned a 'AAAf' International Fund Credit Quality Rating (FCQR) to the Florida Fixed Income Trust Choice Pool and the Texas Fixed Income Trust Choice Pool. The Florida and Texas FIT (Fixed Income Trust) Choice Pools are fixed-rate, fixed-term portfolios with a maximum term of one year and consists of multiple series with staggered termination dates.

These portfolios are part of the U.S. Fixed Income Trust. The Florida Fixed Income Trust Choice Pool is supervised by the FL-FIT advisory board, which is comprised of six officials representing local governments. The Texas Fixed Income Trust Choice Pool is supervised by the TX-FIT advisory board, which is comprised of five officials representing local governments. Deep Blue Investment Advisors serves as the investment advisor and U.S. Bancorp Fund Services, LLC serves as the administrator for both of the Choice Pools.

Each Choice portfolio is a variable net asset value (NAV) vehicle, although, the ratings assigned do not speak to the volatility of the NAV.

The Choice Pools have not received initial participant investments and Fitch used a representative (model) portfolio to complete the analysis for the assigned ratings as a result.

KEY RATING DRIVERS

The ratings reflect Fitch's review of the term portfolio's investment and credit guidelines, expected credit quality and diversification, as well as the capabilities of Deep Blue Investment Advisors to manage the assets of the term portfolios. The 'AAAF' FCQR indicates the highest underlying credit quality (or lowest vulnerability to default).

Asset Credit Quality

The main driver of the FCQR is the high credit quality of the series reviewed. The model portfolio's weighted average rating factor (WARF) was 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.

Series of the Florida Fixed Income Trust and Texas Fixed Income Trust Choice Pools can invest exclusively in securities consistent with permitted investments, including Direct Obligations of the U.S. Government and its Agencies, State and Local Government Obligations, CDs issued by Banks insured by the FDIC, Bankers' Acceptances, stable value Money Market Funds, Repurchase Agreements, and Highly Rated Commercial Paper.

Each Choice Series invests exclusively in investments permitted for a local government investment pool by applicable Florida and Texas statutes respectively. The investment objectives of the term portfolios is to produce the highest earnings consistent with maintaining principal at maturity.

Maturity Profile

Each Choice portfolio is a fixed-rate, fixed-maturity portfolio with a maximum term of one year. Each Choice portfolio is designed to meet the cash flow requirements of investors with the cash flows from the portfolio. The Choice Pools consist of multiple series with staggered termination dates.

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 NAV may be more or less than \$1.00 per share.

Participant Profile

The Choice portfolios are offered to any municipality, county, school district, or other authority created under applicable state law.

Surveillance

Fitch expects to receive 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.

Fitch conducted stress tests as outlined in its rating criteria to test the sensitivity of the pool's ratings against potential changes in the portfolio's credit quality. After running the proxy portfolio through the stressed scenarios, there was no material deterioration in the underlying scores that support the pool's assigned FCQR. Fitch views the term portfolio's credit quality as consistent with the assigned rating levels.

INVESTMENT MANAGER

Investment Advisor

The portfolios are managed by Deep Blue Investment Advisors. Deep Blue Investment Advisors is registered with the SEC under its legal name, Wertz York Capital Management Group, LLC and specializes in creating investment strategies and managing funds for public sector. The firm is based in Tampa, Florida, and it has more than 20 years of experience in managing public sector portfolios.

Fitch views the investment management capabilities, resource commitment, operational controls, compliance and oversight processes of the 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:

--A positive rating action is not applicable as the assigned rating is the highest rating outcome under Fitch's Bond Fund Rating Criteria.

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

--The rating is sensitive to material changes in the credit quality profile of the fund. A material decrease in portfolio credit quality or increase in security maturities 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.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		
Texas Fixed Income Trust (FIT) - Choice Pool	Fund Cr Qual Rtg	AAAf	New Rating
Florida Fixed Income Trust (FIT) - Choice Pool	Fund Cr Qual Rtg	AAAf	New Rating

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Bond Fund Rating Criteria \(pub. 22 Jul 2019\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Florida Fixed Income Trust (FIT) - Choice Pool	-
Texas Fixed Income Trust (FIT) - Choice Pool	-

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Fund and Asset Managers North America United States
