



RATING ACTION COMMENTARY

Fitch Affirms Ratings on Four Florida Municipal Investment Trust Bond Funds

Thu 01 Aug, 2024 - 6:00 PM ET

Fitch Ratings - New York - 01 Aug 2024: Fitch Ratings has affirmed the Fund Credit Quality Ratings (FCQR) and Fund Market Risk Sensitivity Ratings (MRSR) assigned to the following funds:

--Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund (FMIvT 0-2 Yr Bond Fund) at 'AAAf/S1';

--Florida Municipal Investment Trust 1-3 Year High Quality Bond Fund (FMIvT 1-3 Yr Bond Fund) at 'AAAf/S2';

--Florida Municipal Investment Trust Broad Market High Quality Bond Fund (FMIvT Broad Bond Fund) at 'AAf/S4';

--Florida Municipal Investment Trust Intermediate High-Quality Bond Fund (FMIvT Intermediate Bond Fund) at 'AAf/S3'

Fitch used portfolio holdings as of March 31, 2024 to complete the analysis for the rating actions.

KEY RATING DRIVERS

The ratings reflect Fitch's review of the portfolios' investment and credit guidelines, credit quality and diversification, as well as the capabilities of Atlanta Capital Management Co. to manage the assets of the funds. The 'AAAf' and 'AAf' FCQRs indicate the highest underlying credit quality (or lowest vulnerability to default) and very high underlying credit quality (or lower vulnerability to default), respectively. The 'S1', 'S2', 'S3' and 'S4' MRSRs indicate increasing levels of sensitivity to market risk, from "very low" up to "moderate to high". FCQRs and MRSRs do not opine on the probability of extraordinary liquidity management measures being applied, nor the redemption risk of the fund.

Portfolio Credit Quality

Per Fitch's Bond Fund Rating Criteria, the pools' weighted average rating factors (WARF) are the primary driver of their FCQRs. A fund's WARF is a function of the credit ratings of the securities held in the fund's portfolio and their remaining term to maturity, weighted by market value. As of March 31, 2024, the WARFs of the FMIvT 0-2 Yr Bond Fund and the FMIvT 1-3 Yr Bond Fund were 0.05 and 0.13, respectively, are less than 0.3 and therefore, are in line with WARF-implied FCQRs of 'AAAf'. As of the same review date, the WARFs of the FMIvT Broad Bond Fund and FMIvT Intermediate Bond Fund were 0.44 and 0.39, respectively, are less than 0.9 and therefore, are in line with WARF-implied FCQRs of 'AAf'.

Market Risk Sensitivity

The funds' MRSRs are primarily based on the portfolios' market risk factors (MRFs). A portfolio's MRF is calculated by combining the portfolio interest rate duration and risk-adjusted spread duration of the securities in the portfolio, and adjusting for the effect of any leverage. The higher the portfolio's market risk factor then the higher the sensitivity to interest rate, spread and other market risk variables.

As of March 31, 2024, the MRFs of the FMIvT 0-2 Yr Bond Fund and the FMIvT 1-3 Yr Bond Fund were 0.89 and 1.78, respectively, both in line with the thresholds for MRSRs of 'S1' (<2.0) and 'S2' (<4.0). As of the same review date, the MRFs of the FMIvT Broad Bond Fund and FMIvT Intermediate Bond Fund were 6.16 and 4.53, respectively, and are in line with the thresholds for MRSRs of 'S4' (≤ 12.5) and 'S3' (≤ 7.5), respectively. While the FMIvT 1-3 Yr Bond Fund's and the FMIvT Broad Market Bond Fund's current MRFs are below the assigned MRSRs' criteria range, Fitch is affirming the assigned MRSRs given the funds' investment policies permit a potential future portfolio composition that is commensurate with the assigned MRSRs. At the time of Fitch's analysis, the funds did not employ leverage or any derivatives.

Maturity Profile

The maturity profile of each portfolio is managed to meet the redemption needs of the Trust's portfolio and execute its stated investment strategy. The Trust maintains sufficient amounts of liquidity in investments including repurchase agreements, open repurchase agreements, negotiable certificates of deposit, banker's acceptances, commercial paper, U.S Treasury direct and agency obligations all having a maturity of 90 days or less as purchased under the guidelines of the investment policy.

Participant Profile

The Trust provides its members with an investment vehicle to pool their surplus and pension funds in one or more investment funds or portfolios under the direction and daily supervision of an investment advisor. Membership is open to any agency or political subdivision of the State of Florida.

Stress Tests

Fitch conducted stress tests as outlined in its "Bond Fund Rating Criteria," including concentration and market-based stresses, to test the sensitivity of the funds' ratings against potential changes in the portfolios' credit quality. There was no material deterioration in the WARFs or MRFs of the portfolios as a result of these stressed scenarios, supporting Fitch's view that the portfolios' credit quality is consistent with the assigned rating levels.

Furthermore, Fitch conducted additional stress tests that went beyond the stress tests outlined in its Bond Fund Rating Criteria, applying greater credit and spread risk factors to the portfolio holdings. Two of these additional stress tests included a hypothetical three-notch downgrade to the largest issuers in the portfolios and a hypothetical one-notch downgrade to all issuers on the lower cusp of a rating category (e.g., downgrading all issuers currently rated 'AA-' to 'A+' and downgrading all issuers currently rated 'A-' to 'BBB+', etc.). These scenarios were run to further test the resiliency of the portfolios' WARFs and MRFs. Although the funds breached the three-notch downgrade test at the assigned rating level, Fitch believes the breach does not negatively impact the ratings because the agency deems this level of negative migration to be unlikely in the current environment, particularly given the active management of the funds and, in most circumstances, the stable outlooks of issuers captured in Fitch's testing.

Portfolio Composition

Fitch deems the overall portfolio quality to be sound and concentrations are managed prudently. As of March 31, 2024, all pools had concentrations of 41% or more to U.S. Treasuries and 29% or more in asset-backed securities.

Derivatives

The fund's investment policy statement (IPS) allows the fund to invest in derivatives only to offset unexpected conditions and not for speculative gain or profit.

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.

INVESTMENT MANAGER

FMIvT funds are managed by the Atlanta Capital Management Co. on behalf of the Florida League of Cities. Atlanta Capital Management Co. was established in 1969 and is owned by Eaton Vance Company.

Fitch views the investment management capabilities, resources, 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 Negative Rating Action/Downgrade

The ratings are sensitive to material changes in the credit quality and maturity profile of the funds. A material decrease in portfolio credit quality or increase in security maturities could result in the applicable fund's FCQR being lowered if the pool's resulting WARF exceeds the maximum threshold for their respective ratings and/or the MRSR being lowered if the pool's MRF exceeds the maximum threshold for their respective ratings. However, Fitch perceives this as unlikely in the near term absent significant credit migration, or a change in the funds' investment strategies.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

A material and sustained improvement in portfolio credit quality could result in upgrades of the FCQRs assigned to FMIvT Broad Bond Fund and FMIvT Intermediate Bond Fund. However, Fitch perceives this as unlikely in the near term given this unlikely to occur absent a change in the funds' investment strategies.

A material and sustained decrease in portfolio duration could result in upgrades of the MRSRs assigned to FMIvT 1-3 Yr Bond Fund, FMIvT Broad Bond Fund and FMIvT Intermediate Bond Fund. However, Fitch perceives this as unlikely in the near term given this unlikely to occur absent a change in the funds' investment strategies.

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 ◆		PRIOR ◆
Florida Municipal Investment Trust	Fund Cr Qual Rtg	AAAf	AAAf
1-3 Year High Quality Bond Fund	Affirmed		
	Sensitivity	S2	Affirmed
			S2

Florida Municipal Investment Trust Intermediate High Quality Bond Fund	Fund Cr Qual Rtg		AAf	AAf
	Affirmed			
	Sensitivity	S3	Affirmed	S3
Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund	Fund Cr Qual Rtg		AAAf	AAAf
	Affirmed			
	Sensitivity	S1	Affirmed	S1
Florida Municipal Investment Trust Broad Market High Quality Bond Fund	Fund Cr Qual Rtg		AAf	AAf
	Affirmed			
	Sensitivity	S4	Affirmed	S4

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

ADDITIONAL DISCLOSURES

[Solicitation Status](#)

Endorsement Policy

ENDORSEMENT STATUS

Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund	-
Florida Municipal Investment Trust 1-3 Year High Quality Bond Fund	-
Florida Municipal Investment Trust Broad Market High Quality Bond Fund	-
Florida Municipal Investment Trust Intermediate High Quality Bond Fund	-



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