



## RATING ACTION COMMENTARY

# Fitch Affirms Ratings on Four Florida Municipal Investment Trust Bond Funds

Thu 25 Aug, 2022 - 4:50 PM ET

Fitch Ratings - New York - 25 Aug 2022: Fitch Ratings has affirmed the International Fund Credit Quality Ratings (FCQR) and Fund Market Risk Sensitivity Ratings (MRSR) on the following funds:

--Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund affirmed at 'AAAf'/'S1';

--Florida Municipal Investment Trust 1-3 Year High Quality Bond Fund affirmed at 'AAAf'/'S2';

--Florida Municipal Investment Trust Intermediate High Quality Bond Fund affirmed at 'AAAf'/'S3';

--Florida Municipal Investment Trust Broad Market High Quality Bond Fund at 'AAf'/'S4'.

## KEY RATING DRIVERS

The ratings reflect Fitch's review of the pool's investment and credit guidelines, and the portfolio's credit quality and diversification. FCQRs and MRSRs do not opine on the

probability of extraordinary liquidity management measures being applied, nor the redemption risk of the fund.

## ASSET CREDIT QUALITY

As of the review date, these bond funds met or were managed more conservatively than the assigned FCQR. Specifically, FMIvT Broad Market Funds' weighted average rating factor (WARF) is currently more conservative than Fitch's rating criterion for the current assigned FCQR. However, the fund's current rating is consistent with the investments allowed under its investment guidelines. WARF is a risk-weighted measure of a portfolio of assets that accounts for the portfolio's credit quality and maturity profile.

The main driver of the FCQRs are the portfolios' high credit quality. As per the pools' investment policies, the objectives include the safety of capital, maintenance of liquidity and optimization of investment returns.

FMIvT funds are managed by the Atlanta Capital Management Co. on behalf of the Florida League of Cities.

The pools' WARF are in line with Fitch's 'AAAF' and 'AAf' rating criteria, respectively. WARF is a risk-weighted measure of a portfolio of assets that accounts for the portfolio's credit quality and maturity profile.

## Portfolio Sensitivity to Market Risks

The pool's MRSR is in line with Fitch's 'S1', 'S2', 'S3', and 'S4' rating criteria, respectively. A portfolio's market risk factor is calculated by combining the portfolio interest rate duration and risk-adjusted spread duration of the securities in the portfolio, and adjusting the result for the effect of any leverage.

## 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. For additional information about Fitch's bond fund ratings criteria, please see the criteria referenced below. It is also available at [www.fitchratings.com](http://www.fitchratings.com).

Fitch conducted stress tests as outlined in its rating criteria to test the sensitivity of the fund's ratings against potential changes in the portfolios' credit quality. Fitch conducted

stress tests as outlined in its rating criteria to test the sensitivity of the funds' ratings against potential changes in the portfolios' credit quality. Due to the pool's exposure to U.S. government and agency debt, part of the stress tests included a one notch downgrade from 'AAA' to 'AA+'.

Based on stress tests performed as part of this review, a hypothetical downgrade of U.S. government and agency debt to 'AA+' would not impact the pools except for Florida Municipal Investment Trust Intermediate High Quality Bond Fund, assuming no changes to the current portfolio. For Florida Municipal Investment Trust Intermediate High Quality Bond Fund, a downgrade would impact the pool. This is mitigated by the stable outlook on the U.S. government and the ability of the manager to adjust the portfolio to stay in line with current ratings.

## **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 a subsidiary of Morgan Stanley Investment Management. Fitch views the team's investment advisory capabilities, resource commitment, operational controls, corporate governance, and compliance procedures as consistent with the ratings assigned to the fund.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--A material increase in portfolio credit quality could result in a higher FCQR. A material decrease in portfolio duration could result in higher MRSRs.

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

--The ratings are sensitive to material changes in the credit quality or market risk profiles of the funds. A material decrease in portfolio credit quality could result in lower FCQRs. Meanwhile, a material increase in portfolio duration could result in lower MRSRs.

## **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 1-3 Year High Quality Bond Fund	Fund Cr Qual Rtg	AAAf	Affirmed	AAAf
	Sensitivity	S2	Affirmed	S2
Florida Municipal Investment Trust Intermediate High Quality Bond Fund	Fund Cr Qual Rtg	AAAf	Affirmed	AAAf
	Sensitivity	S3	Affirmed	S3
Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund	Fund Cr Qual Rtg	AAAf	Affirmed	AAAf
	Sensitivity	S1	Affirmed	S1
Florida Municipal Investment Trust Broad Market High Quality Bond Fund	Fund Cr Qual Rtg	AAf	Affirmed	AAf
	Sensitivity	S4	Affirmed	S4

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

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

## ADDITIONAL DISCLOSURES

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## 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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