Florida Education Investment Trust Fund (FEITF)

Affirmed	Ratings
Florida Education Investment Trust Fund FEITF TERM Portfolio	AAAkf

Methodology:

Global Investment Funds Rating Methodology

Analytical Contacts:

Jared Hong, Analyst
(646) 731-3311
jhong@kbra.com

Kristine H. Pfeilsticker, Director
(646) 731-2449
kpfeilsticker@kbra.com

William Cox, Senior Managing Director
(646) 731-2472
wcox@kbra.com

Rating Summary: The Florida Education Investment Trust Fund (the Fund) was created in October 2010. FEITF is a common law trust organized under the laws of the State of Florida. The sponsors of the Fund are the Florida School Boards Association and the Florida Association of District School Superintendents. The Fund is designed to meet the cash management and short-term investment needs of school districts, political subdivisions of the State of Florida or instrumentalities of political subdivisions of the State. Specifically, the Fund is meant as an investment option for all public funds including general and operating funds, proceeds from debt issuance, capital reserves, and debt service reserve funds.

FEITF is classified as a Local Government Investment Pool (LGIP). The Fund's primary investment objectives are safety of funds and investments, maintenance of sufficient liquidity, diversification to avoid unreasonable risks, and a competitive yield.

Fund documents permit and provide for the creation of specialized asset portfolios within the FEITF structure. This allows FEITF to offer participants portfolios designed to meet specific investment objectives and needs of those participating. Currently, FEITF offers two portfolios: the FEITF Portfolio and the FEITF Term Portfolio.

The FEITF Term Portfolio is a fixed rate, fixed-term investment with an investment strategy designed to match the cash flow requirements of investors with the cash flows from the portfolio. The FEITF Term Portfolio investment objective is to provide an investment subject to present redemptions occurring from 60 days to one year that will produce the highest earnings consistent with preserving principal at maturity and meeting the redemption schedule. The FEITF Term Portfolio seeks to return principal on the planned maturity date. There is a penalty for early withdrawal and the NAV may fluctuate prior to maturity. The minimum initial investment is $1.0 million, the minimum investment period is 60 days with a maximum of one year, and liquidity is limited to maturity unless the participant is willing to pay an early withdrawal fee.

PFM Asset Management (PFMAM) serves as the investment adviser to FEITF and has done so since the Fund's inception in 2010. In February 2015, PFMAM was also engaged to be the Fund's Administrator. Wells Fargo Bank serves as the custodian, and Carr, Riggs & Ingram serves as the auditor.

KBRA reviewed the portfolio, management, personnel, and systems and determined that the Primary Quantitative Rating Assessment is AA and the resulting Qualitative Shadow Rating is Strong, which provides two notches of uplift and results in a rating of AAAkf. There were no significant changes since our prior review and KBRA affirms the AAAkf rating.

Key Rating Strengths

- Strong management structure and investment team
- Superior branding and reputational strength based on historical presence in market space
- Strong credit process

Key Rating Concerns

- Low, but rising, rate environment
- Minimal valuation procedures

Drivers for Rating Change

• N/A	+
• A decrease in credit quality of the underlying assets could drive the overall PQR of the Fund down.	-

Program Details	
Inception Date	October 2010
Program AUM	$1.14 billion, as of March 31, 2019
Redemption	At Maturity
Minimum Investment	$1.0 Million
Parties Involved	
Investment Manager	PFM Asset Management
Administrator	PFM Asset Management
Custodian	Wells Fargo Bank NA
Sponsors	Florida School Boards Assoc. & Florida Assoc. of District School Superintendents
Auditor	Carr, Riggs & Ingram LLC

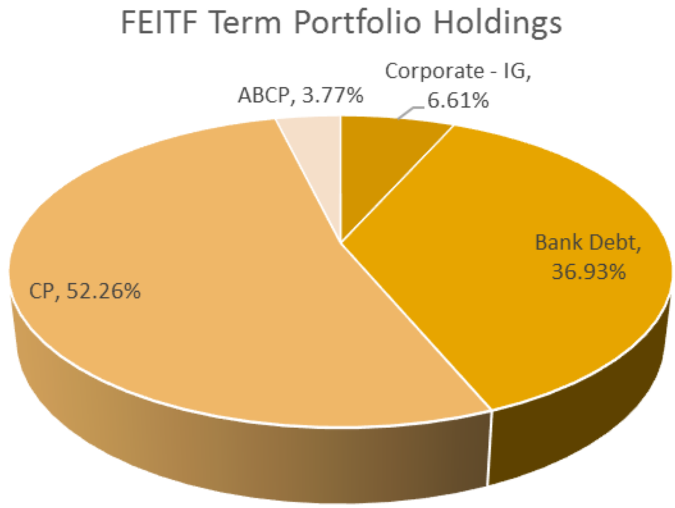
Rating Determinants (RD)	
1. Primary Quantitative Rating Assessment (PQR)	AA
2. Qualitative Shadow Rating (QSR)	Strong

RD 1: PQR

Permitted Investments

PFMAM, as Investment Advisor, must abide by certain investment restrictions. The portfolios only purchase U.S. dollar denominated instruments, and the investment advisor will invest in a security only if they are satisfied that credit risk of that instrument is minimal. The following investments are permitted for the Fund:

- Obligations of the United States Government and its Agencies and Instrumentalities
  - Bills, notes, and bonds issued by the U.S. Treasury and backed by the full faith and credit of the United States.
  - Obligations of any agency or instrumentality of the U.S., including, but not limited to, obligations of Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit Banks, and the Government National Mortgage Association (Ginnie Mae).
  - Obligations issued by entities with liquidity support from the U.S. Government, or its agencies or instrumentalities.
- Repurchase Agreements (repo)
  - Repo agreements will be collateralized at 102%, backed by securities or instruments listed in the obligations of the United States Government and its agencies and instrumentalities listed above.
- Commercial Paper (CP)
  - Tier 1 CP of corporations organized under the laws of the U.S. or any state thereof, including that issued by bank holding companies and asset-backed securities with a maturity of 270 days or less and rated in the top short-term rating category by a nationally recognized statistical rating organization (NRSRO).
- Corporate Notes and Bonds
  - Bonds, notes and obligations issued by corporations organized under the laws of the U.S. or any state having a remaining maturity less than or equal to 397 days and rated 'A' or better by an NRSRO.
- Obligations of Banks
  - Bankers' acceptances (BAs); certificates of deposit (CDs); and bank deposit notes with maturities of one year or less if rated in the top short-term rating category of an NRSRO and a remaining maturity of over one year if rated 'A' or better by any NRSRO.
  - Savings accounts of institutions to the extent those deposits are insured by the Federal Deposit Insurance Corp. or National Credit Union Administration.
  - In all cases, the bank obligation must have a remaining maturity of 397 days or less.
- Floating Rate and Variable Rate Obligations
- Municipal Obligations
  - Bonds, notes and obligations issued by municipal entities including any state, city, county, town of the U.S. with remaining maturity less than or equal to 397 days rated 'A' or better by an NRSRO.
- Securities Issued by Money Market Funds
  - SEC registered money market funds rated, with a stable NAV, and rated 'AAA' by an NRSRO.



Source: PFM Asset Management

as of March 31, 2019

Investment Period & Liquidity

The minimum initial investment for FEITF Term Portfolio is $1.0 million. The minimum investment period is 60 days, with a maximum of one year. Upon becoming a participant in the program, that entity contracts to a specific target date maturity within those minimums and maximums.

The FEITF Term Portfolio seeks the return of principal on the planned maturity date. Due to the target maturity date of the FEITF Term Portfolio, participants' ultimate liquidity is limited to that maturity target date. Participants can request redemption prior to the maturity date subject to an early withdrawal penalty. Because the NAV is floating, this penalty can be more or less than $1.00 per share.

Duration

As discussed above, duration will stay between 60 days and one year. As of March 31, 2019, the WAM is 136.1 days.

Diversification

Investments and subsequent allocations are driven by investor demand. The Term Portfolio does not have diversification requirements. FEITF Term can purchase longer-dated maturities up to the maximum maturity date of 365 days (1 year). PFMAM typically abides by soft diversification limits for portfolios under management such as limiting exposures to an issuer to around 5% of the portfolio at the time of purchase.

As of March 31, 2019, the portfolio's three largest issuer exposures are: Natixis, 5.68%; Toronto Dominion Bank, 5.39%; and BNP Paribas, 5.21%.

Notable Counterparties

PFMAM is the investment advisor. As such, PFMAM is responsible for supervising the Fund's investment program, managing the Fund's assets, and providing the Fund Trustees with quarterly performance evaluations.
PFMAM is also the administrator of the Fund, which requires it to provide certain services, including calculating the NAV of each portfolio; arranging for quarterly Board of Trustees meetings; overseeing Board of Trustees, Participant reports; and coordinating activities with other service providers.

The custodian of the Fund is Wells Fargo Bank, NA, and the auditor is Carr, Riggs & Ingram.

PQR

Credit quality is analyzed utilizing a matrix approach. The matrix utilizes 1-year idealized default probabilities for investment funds with a duration of 1.5 years and less, and 5-year idealized default probabilities for investment funds with a duration of greater than 1.5 years. Weights are based on the percentage of the overall portfolio's value that is associated with each rating or credit risk proxy.

Utilizing the KBRA Funds Credit Quality Rating Matrix, public ratings, and credit estimates, the March 31, 2019 portfolio generated a PQR of AA. Portfolios for this LGIP are typically in the AA- to AA category.

RD 2: QSR

Harrisburg, Pennsylvania-based PFM Asset Management LLC is the investment advisor for the rated Fund. PFMAM, founded in 1982 and a registered investment advisor, is a subsidiary of the PFM Group. The PFM Group was founded in 1975 with a stated mandate of providing financial services exclusively for the benefit of government and not-for-profit clients. The PFM Group has grown steadily over the years and today has more than 500 professionals in over 40 office locations across the U.S., offering a diversified line of products and an ever-expanding number of services while at the same time staying true to the firm's original mandate. The PFM Group is considered a national leader in providing independent financial advice; investment advisory services; and management and consulting services to local, state, and regional governments, non-profit organizations, and other institutional clients.

As of December 31, 2018, PFMAM's assets under management and advisement increased to $136.1 billion, of which $94.1 billion is discretionary. The group views itself as a relative value manager with a focus on downside protection and a specialist in high-quality, short- and intermediate-duration fixed income portfolios.

Marty Margolis is Chief Investment Officer and founder of PFM's investment management business; he has over 40 years of financial services experience, most of which was at PFM. John Bonow is Chief Executive Officer and has over 30 years of experience in the financial services industry and nearly 30-year tenure at PFM. Mike Varano is a Senior Portfolio Manager and head of the portfolio team responsible for short-term fixed income asset management for public agencies; he has over 35 years of industry experience, most of which was at PFM. Kerri Staub Muskin is the primary portfolio manager of the LGIP TERM programs and bond proceeds accounts, which are the subject of this rating, and she has been with PFMAM since 2007. She also acts as the firm's sector specialist for bank obligations including non-negotiable certificates of deposit and FDIC/NCUA insured deposits. KBRA believes that PFMAM's management structure and ownership is well-suited to meet its investment mandate.

Bob Cheddar is the Chief Credit Officer and head of credit. His team's mandate is to focus on safety of principal while using a top-down, bottom-up analysis approach. KBRA reviewed PFMAM's Credit organizational structure, policies and procedures, analysis, and technology and systems, and determined that it is sufficient to meet the investment mandate.

LGIP fund investment policies and processes are generally defined by the state-sponsored entities and contain well-defined investment eligibility criteria. At PFMAM, portfolio management and credit assessment are distinct functions. KBRA reviewed PFMAM's investment policies and processes and determined that they are well-suited to meet the investment mandate.

Leo Karwejna is PFMAM's Chief Compliance Officer and leads compliance efforts. During KBRA's surveillance, PFM stated that the firm is in the process of replacing its portfolio and fund accounting systems with FIS InvestOne. KBRA reviewed PFM's risk management and compliance policies, organization, and technology and systems, and determined that it is well-suited to meet the investment mandate.

KBRA held a call with PFM management on April 17, 2019 to review changes and updates over the past year. There were no significant changes relevant to the rating.

Qualitative Shadow Rating	
Rating Sub-Determinants	**Sub-Determinant Assessment Score**
Management	Strong
Credit	Average
Fund Investment Policy & Process	Strong
Risk Management	Strong
QSR	**Strong**

KBRA affirms its 'strong' QSR. There were no notable or significant changes in management, credit, investment policy and process, or risk management.

Conclusion

Based on the program guidelines, credit quality and qualitative assessment, KBRA affirms its ‘AAAkf’ rating.