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Ventura County Treasury Portfolio 'AAAf/S1+' Ratings Affirmed

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CHICAGO (S&P Global Ratings) Dec. 11, 2017--S&P Global Ratings today said it affirmed its 'AAAf' fund credit quality rating (FCQR) and 'S1+' fund volatility rating (FVR) on the Ventura County Treasury Portfolio. The affirmation follows our review of the county's pool under our revised FCQR and FVR criteria (see "Fund Credit Quality Ratings Methodology" and "Fund Volatility Ratings Methodology," published on June 26, 2017). At the same time, we removed the regulatory identifier "UCO" (under criteria observation) from the ratings. We had placed the ratings on UCO on June 26, when we published the revised criteria.

The fund's primary investment objective is the safety of capital of funds, and all other investment objectives are secondary to the safety of capital. The pool is structured to provide sufficient liquidity to meet the cash flow needs of its participants upon the due date. The pool seeks to achieve its investment objectives by investing in an actively managed portfolio consisting primarily of investment-grade fixed-income securities.

The 'AAAf' FCQR signifies that the credit quality of the pool's exposure is extremely strong. In determining the 'AAAf' rating, we first set a preliminary FCQR through our quantitative assessment of the fund's portfolio credit risk. The assessment reflects the weighted average credit risk of the portfolio of investments. We have an adequate qualitative assessment of Ventura County and a neutral portfolio risk assessment. The final rating did not differ from our preliminary assessment given our qualitative assessment of adequate and a neutral portfolio risk assessment.

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The qualitative assessment entailed a review of the investment manager's management and organization, risk management and compliance, credit culture, and credit research. The portfolio risk assessment focused on four indicators: counterparty risk, concentration risk, liquidity, and fund credit score cushion (the proximity of the preliminary FCQR to a fund rating threshold).

The 'S1+' FVR signifies that the fund exhibits extremely low volatility of returns comparable to a portfolio of short-duration government securities, typically maturing in 12 months or less. We determined the FVR by assessing the historical volatility and dispersion of fund returns relative to reference indices. Next, we evaluated portfolio risk taking into account duration, credit exposures, liquidity, derivatives, leverage, foreign currency, and investment concentration. Given the determination that these portfolio risk factors were consistent with an 'S1+' FVR, no adjustments were made to the preliminary FVR we derived in review of return volatility and dispersion. We then used our adequate qualitative assessment to determine that no additional adjustment was required to the FVR.

In determining the FCQR and FVR, we also compared the Ventura County Treasury Portfolio with other funds that have similar portfolio strategy and composition. We focused on a holistic view of the fund's portfolio credit quality and characteristics relative to its peers. The comparable ratings analysis did not result in any adjustment to determine the final FCQR and FVR.

The ratings reflect the credit quality of the fund's portfolio investments consisting of various high-quality, short-term fixed income securities. The fund will be limited to investment-grade assets, primarily high-quality names rated at least 'A' or 'A-1'. The maximum average maturity of the portfolio holdings is 375 days.

The Ventura County Treasurer-Tax Collector's authority to invest the portfolio is delegated by the Board of Supervisors. The Ventura County Treasurer-Tax Collector is primarily responsible for the day-to-day management of the pool. As of Oct. 30, 2017, Ventura County Treasury Portfolio has more than $2 billion in assets under management. Wells Fargo Institutional Trust Services is the custodian for the pool.

An S&P Global Ratings FCQR, also known as a "bond fund rating," is a forward-looking opinion about the overall credit quality of a fixed-income investment fund. FCQRs, identified by the 'f' suffix, are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values. The ratings reflect the credit risks of the portfolio investments, the level of the fund's counterparty risk, and the risk of the fund management's ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), an FCQR does not address a fund's ability to meet payment obligations and is not a commentary on yield levels.

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An S&P Global Ratings FVR is a forward-looking opinion about a fixed-income investment fund's volatility of returns relative to that of a "reference index" denominated in the base currency of the fund. A reference index is composed of government securities associated with the fund's base currency. FVRs are not globally comparable. FVRs reflect our expectation of a fund's future volatility of returns to remain consistent with its historical volatility of returns. FVRs reflect S&P Global Ratings' view of a fund's sensitivity to interest rate risk, credit risk, and liquidity risk, as well as other factors that may affect returns, such as use of derivatives, use of leverage, exposure to foreign currency risk, and investment concentration and fund management. Different symbology is used to distinguish FVRs from S&P Global Ratings' traditional issue or issuer credit ratings. We do so because FVRs do not reflect creditworthiness, but rather our view of a fund's volatility of returns.

We review pertinent fund information and portfolio reports monthly as part of our surveillance process of our fund credit quality and volatility ratings.

RELATED CRITERIA

- Criteria - Financial Institutions - Fixed-Income Funds: Fund Volatility Ratings Methodology, June 26, 2017
- Criteria - Financial Institutions - Fixed-Income Funds: Fund Credit Quality Ratings Methodology, June 26, 2017

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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