

SESSION THREE

Understanding Investment Pools



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Agenda

- Tools for you, the Local Investment Guru
- Money Market Funds
- JPA Funds Liquidity Funds
- Local Agency Investment Fund
- JPA “Duration” Funds
- The Role of Ratings
- The User’s perspective

SESSION THREE

Understanding Investment Pools

WILL GOLDTHWAIT

Client Portfolio Manager
State Street Investment Management



California Asset Management Program (CAMP)

CAMP is governed by a board of nine trustees representing 400+ public agencies that invest in the program.

Since inception in 1989, PFM Asset Management* has served as the Investment Advisor and Administrator of the program.

POOL	TERM
Nearly \$22 billion AUM as of 12/31/25	Over \$1.2 billion AUM as of 12/31/25
Same-day liquidity with a noon cut-off time	Fixed-rate, fixed-maturity investment from 60 days to one year
Follows GASB 79, which allows the pool to market a stable NAV of \$1.00	Allows Shareholders to: <ul style="list-style-type: none">• Match assets to liabilities• Manage cash flow gaps and surpluses• Hedge excess liquidity



*PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc., CAMP's investment adviser and administrator, that services public sector clients.

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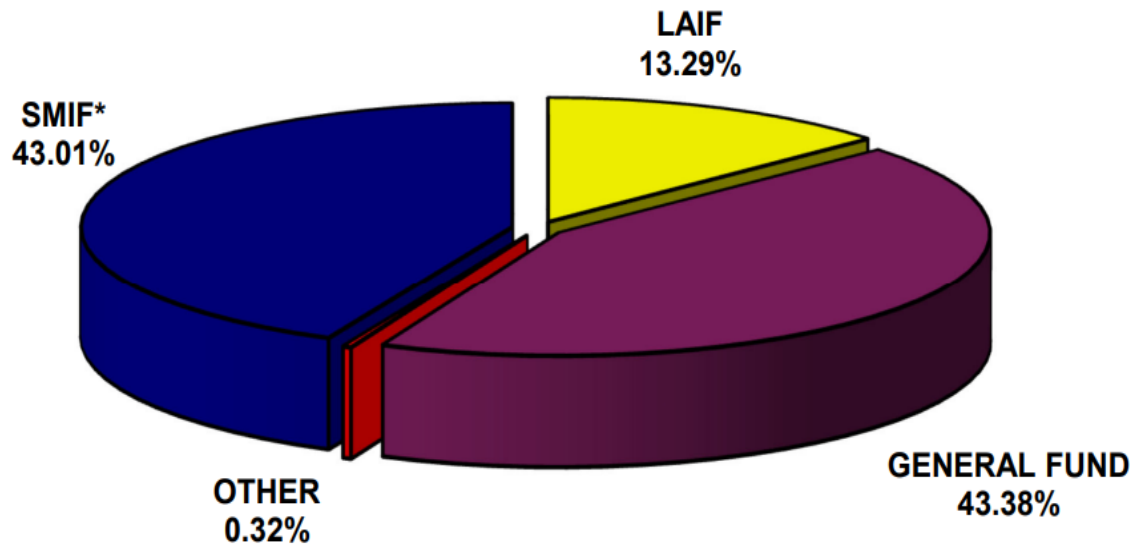
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Pooled Money Investment Account (PMIA) Local Agency Investment Fund (LAIF)



Pooled Money Investment Account

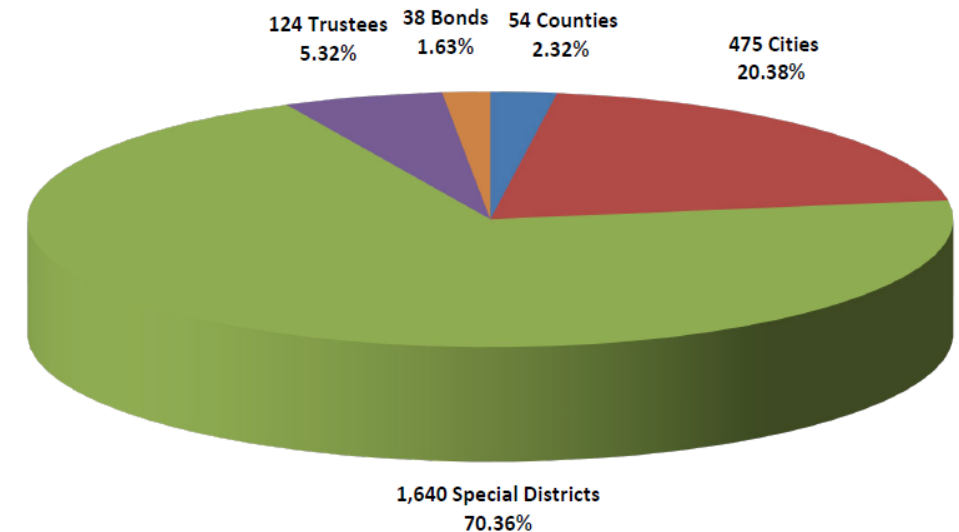
SOURCE OF FUNDS Average Quarterly Balance 09/30/25 \$169.161 billion



* Surplus Money Investment Fund

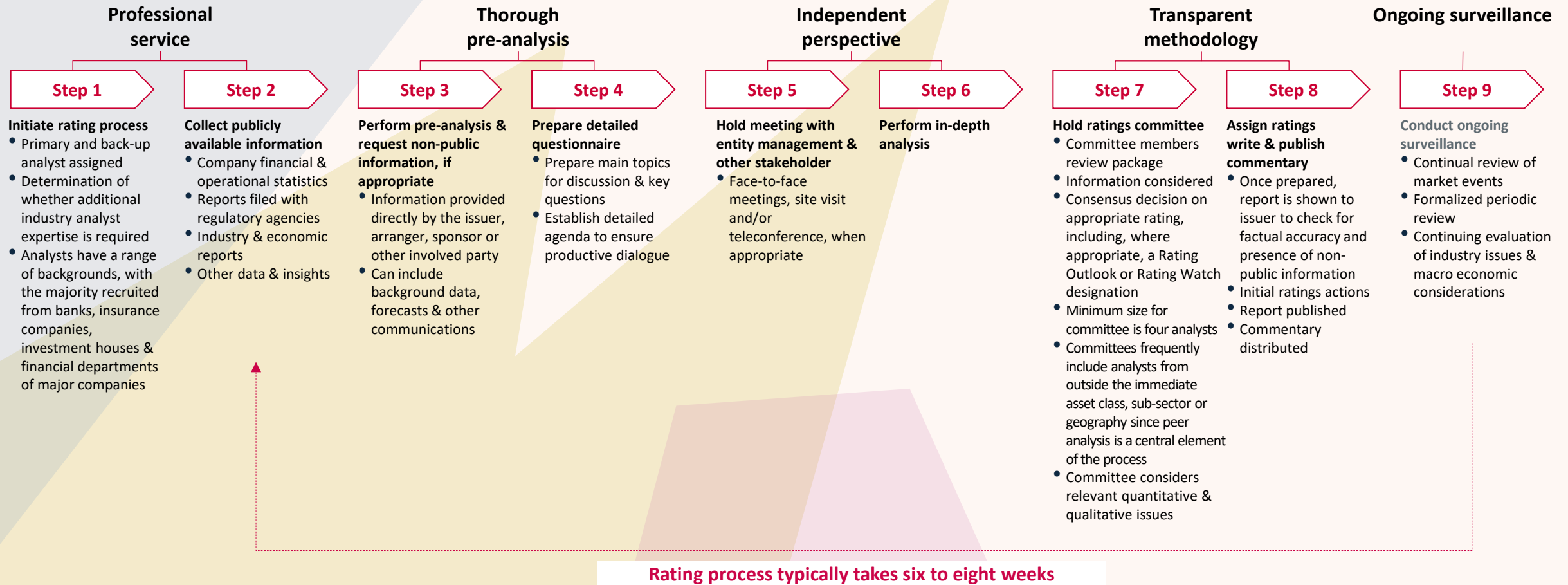


LOCAL AGENCY INVESTMENT FUND Participation as of 9/30/25 2,331 Agencies



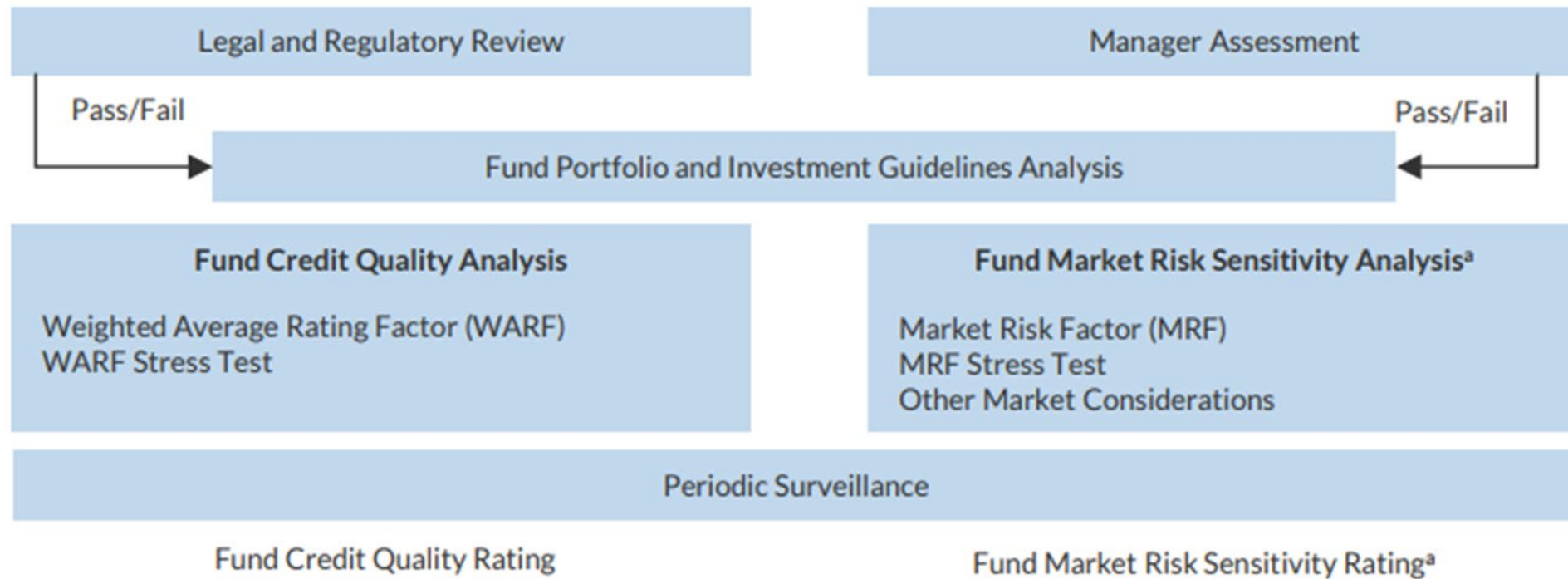
Percentages may not total 100% due to rounding.

Fitch Credit Rating Process



Fitch's Global Bond Fund Rating Criteria Framework

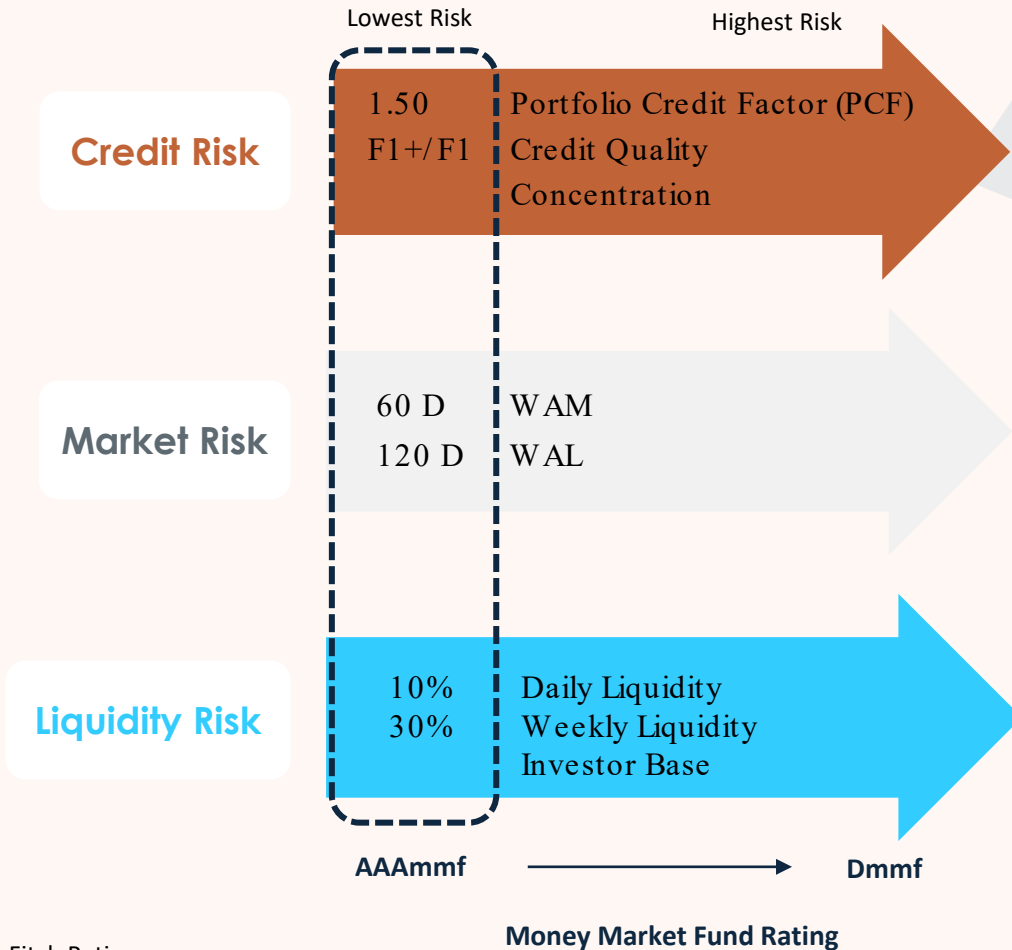
Global Bond Rating Criteria – Simplified Diagram



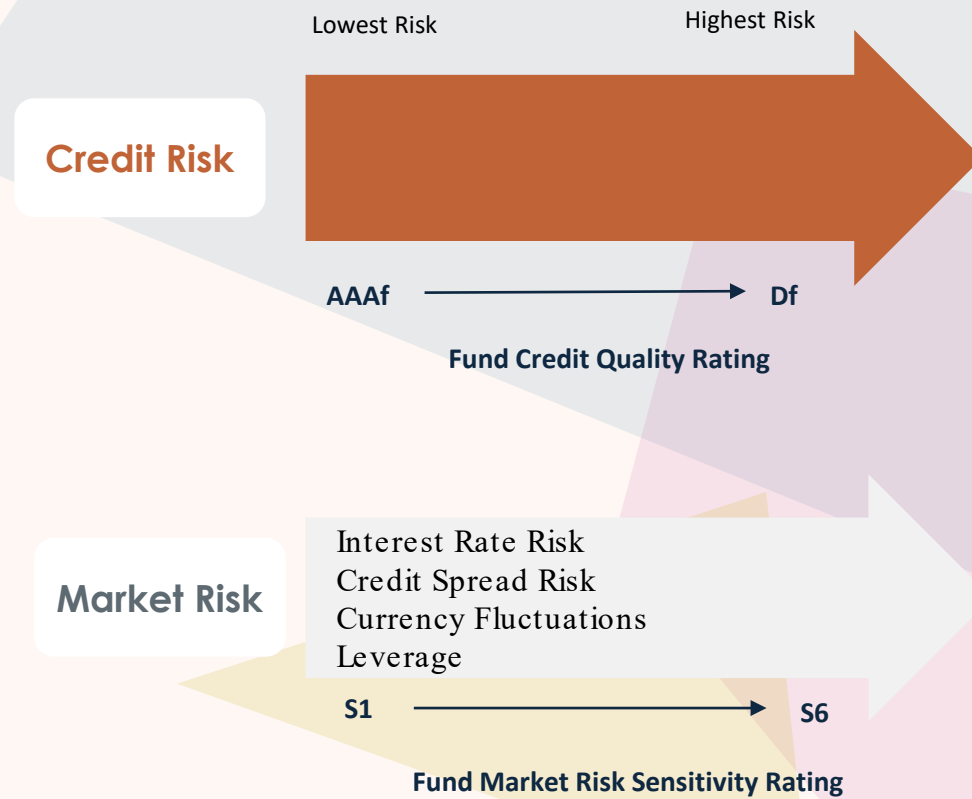
^aSubject to market relevance or regulatory demand.
Source: Fitch Ratings.

Bond Fund Ratings Cover a Broader Scope of Credit and Market Risk

Money Market Fund Ratings



Bond Fund Ratings



Key Rating Driver Components

	Component #1	Component #2
Credit Risk	The manager's credit-selection capabilities and ability to avoid credit events and limit credit-driven losses	The portfolio's key credit attribute is based on WARF (the market value-weighted sum of each portfolio security's credit rating factor), which takes into account the rating and maturity of the instrument (based on legal final maturity dates in most cases)
Liquidity Risk	N/A	N/A
Market Risk	A fund's sensitivity to movements in interest rates (interest rate risk) measured by modified duration or WAM as a proxy	A fund's sensitivity to movements in credit spreads (spread risk) is measured by its spread duration or WAL as a proxy
Asset Manager	The asset manager's capabilities, track record, investment platform and infrastructure are important actors in the rating analysis	The asset manager (with board-level oversight, where applicable) is capable of managing the fund, and has sufficient operational resources and expertise
Surveillance	Monthly surveillance	Fitch periodically meets with senior managers responsible for portfolio management, credit analysis, risk management, operations and legal/regulatory issues

Fitch's Bond Fund & LGIP Ratings Methodology

- WARFs and MRSRs are quantitatively derived, inform rating outcomes and are monitored overtime.

Fund Credit Quality Rating – Credit Risk Factors

(By Underlying Security Rating Category and Remaining Maturity)

Residual Maturity	AAA	AA	A	BBB	BB	B	CCC	CC and Below
0–90 days	0.00	0.02	0.14	0.6	3.2	11.8	23.7	100.0
91–397 days	0.01	0.05	0.3	0.9	4.5	19.6	50.0	100.0
398 days–3 years	0.05	0.2	0.6	1.4	5.8	23.7	50.0	100.0
> 3 years	0.14	0.6	1.6	3.2	11.8	23.7	50.0	100.0

Source: Fitch Ratings

Credit Spread Risk Factors^a

	AAA	AA	A	BBB	BB	B	CCC and Below
Credit Spread Risk Factor	0.0	0.1	0.2	1.0	2.0	4.0	7.0

^a Based on an analysis of Fitch Solutions non-financial corporate CDS spread volatility for the 2007–2022 period and Bank of America Merrill Lynch global fixed-income market index total return volatility for the 1997–2022 period. Spread risk factors are based on volatility of observed CDS spreads relative to those observed at the 'AA' level.

Source: Fitch Ratings

Guideline WARF Ranges

WARF Range (\geq , $<$)	WARF - Implied Fund Credit Quality Rating
0.0–0.3	AAA
0.3–0.9	AA
0.9–2.1	A
2.1–6.1	BBB
6.1–15.8	BB
15.8–32.4	B
32.4–100	CCC and below

Source: Fitch Ratings

Market Risk Sensitivity Ratings

Market Risk Sensitivity	Market Risk Sensitivity Rating	Market Risk Sensitivity Factor ^a (\geq , $<$)
Very Low	S1	<2.0
Low	S2	2.0–4.0
Moderate	S3	4.0–7.5
Moderate to High	S4	7.5–12.5
High	S5	12.5–17.5
Very High	S6	>17.5

^a Different cutoff points may be applied in certain national markets to reflect regulatory and structural characteristics of that specific market as detailed in [Appendix A](#).

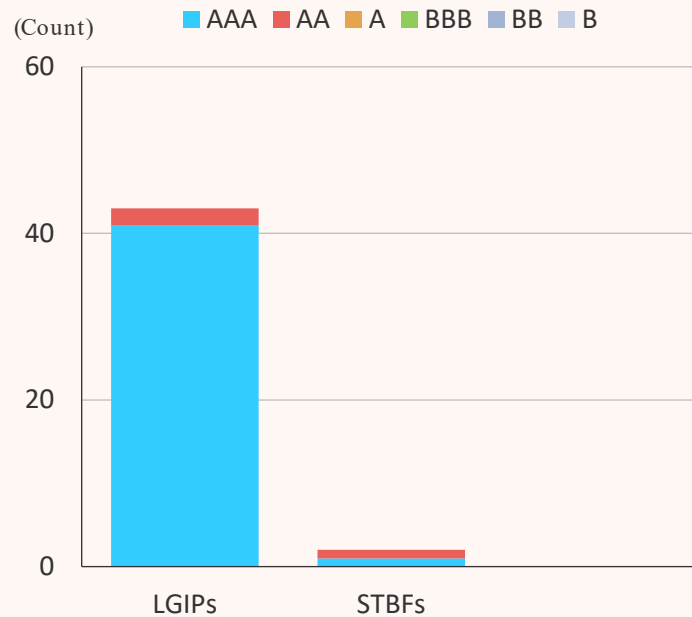
Source: Fitch Ratings

Bond Fund Rating Overview

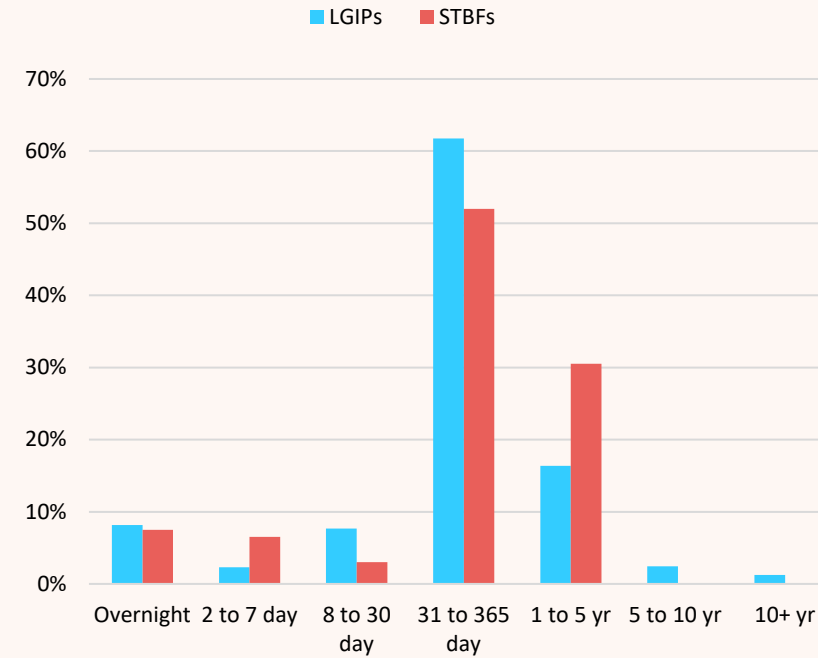
Rating Scales	'AAA' to 'D' and 'S1' to 'S6'
Rating Subscript	'-f'
Summary Rating Definition^a	Fund's overall credit profile and vulnerability to losses as a result of defaults (Fund Credit Quality Rating) and fund's relative sensitivity to changes in interest rate, credit spread and currency risks (Fund Market Risk Sensitivity Rating)
Does Rating Address Credit Risk?	Yes (via Fund Credit Quality Rating)
Does Rating Address Market Risk?	Yes (via Fund Market Risk Sensitivity Rating)
Does Rating Address Liquidity/Redemption Risk?	No
Credit Risk Scoring Approach	WARF
Credit Risk Scoring Time Horizon	Full-time horizon, in increments ranging from 90 days to two-plus years
Market Risk Scoring Approach	Interest rate duration plus risk-adjusted spread duration, adjusted for unhedged currency exposure and leverage
^a For complete rating definitions, please see Fitch's Rating Definitions Source: Fitch Ratings	

Risk Profile of Fitch Rated Funds

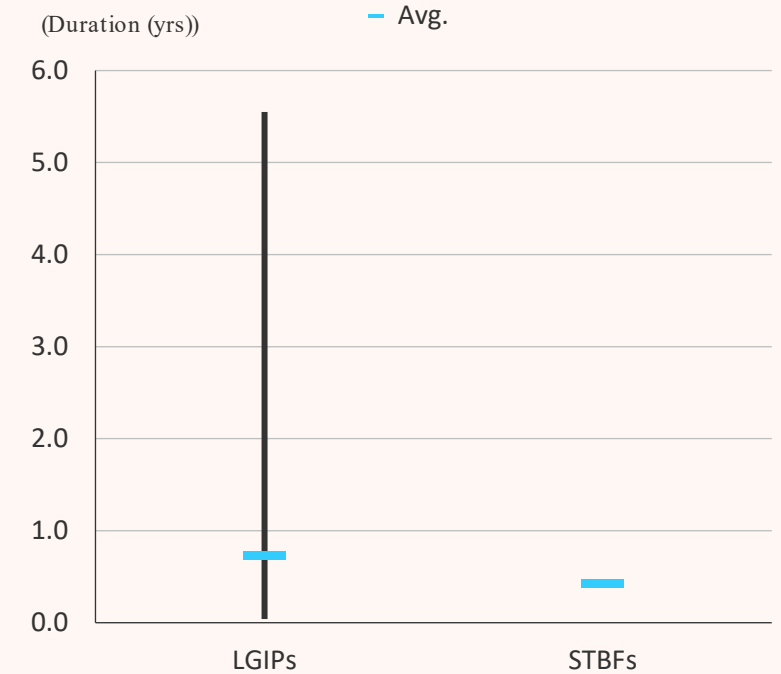
Fitch Rated LGIPs Concentrated on Higher Rated Securities



Majority of LGIP maturities less than one year



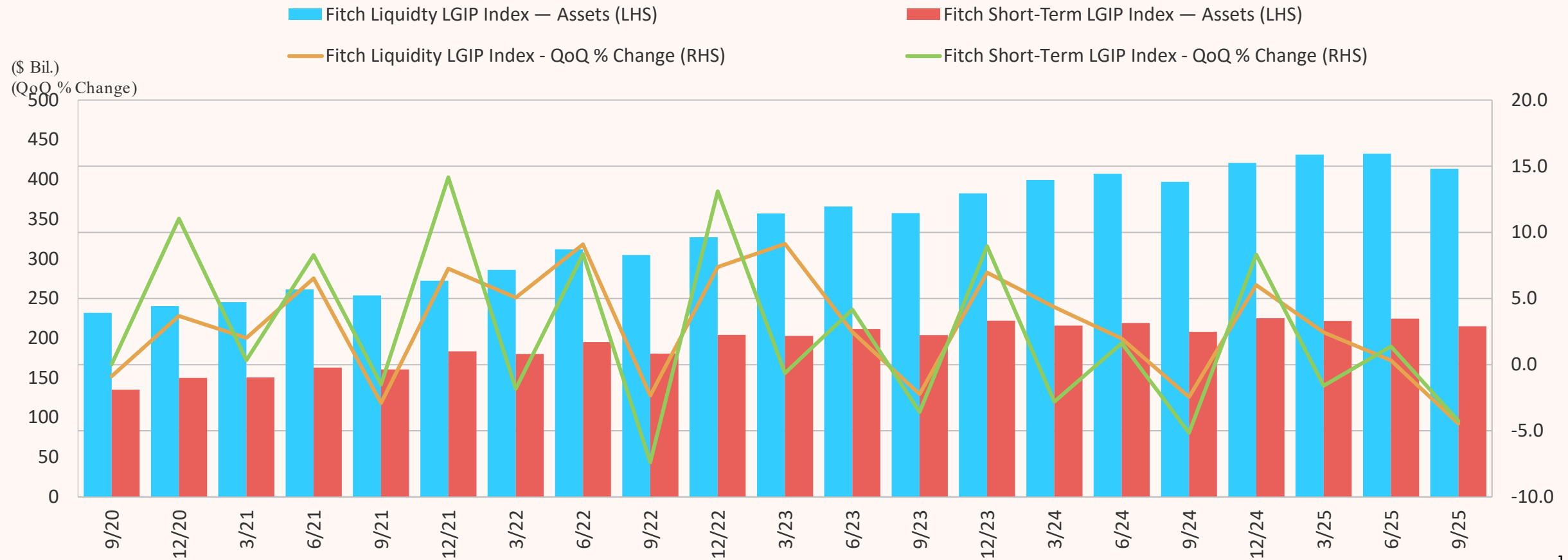
Credit Spread **Duration** Limited for LGIPs



Seasonal Drop in LGIP Assets

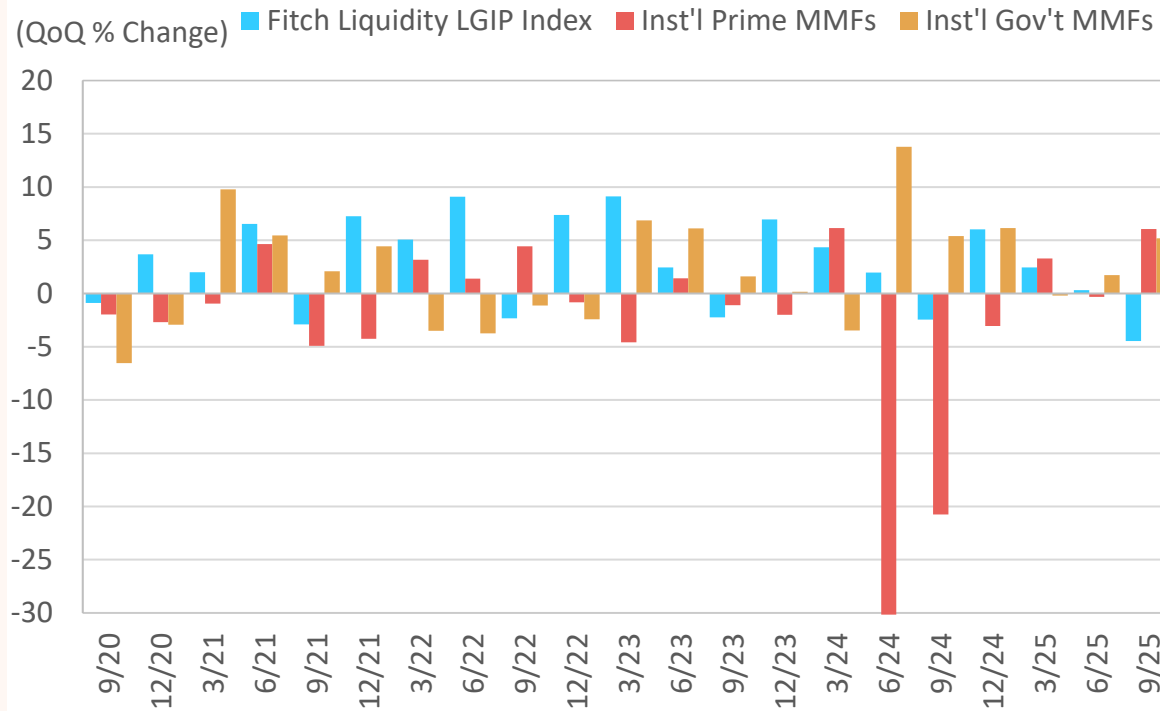
Combined Assets for Both Indices Stood at \$628 Billion as of 3Q25, an Increase of 4% YoY

Total Assets



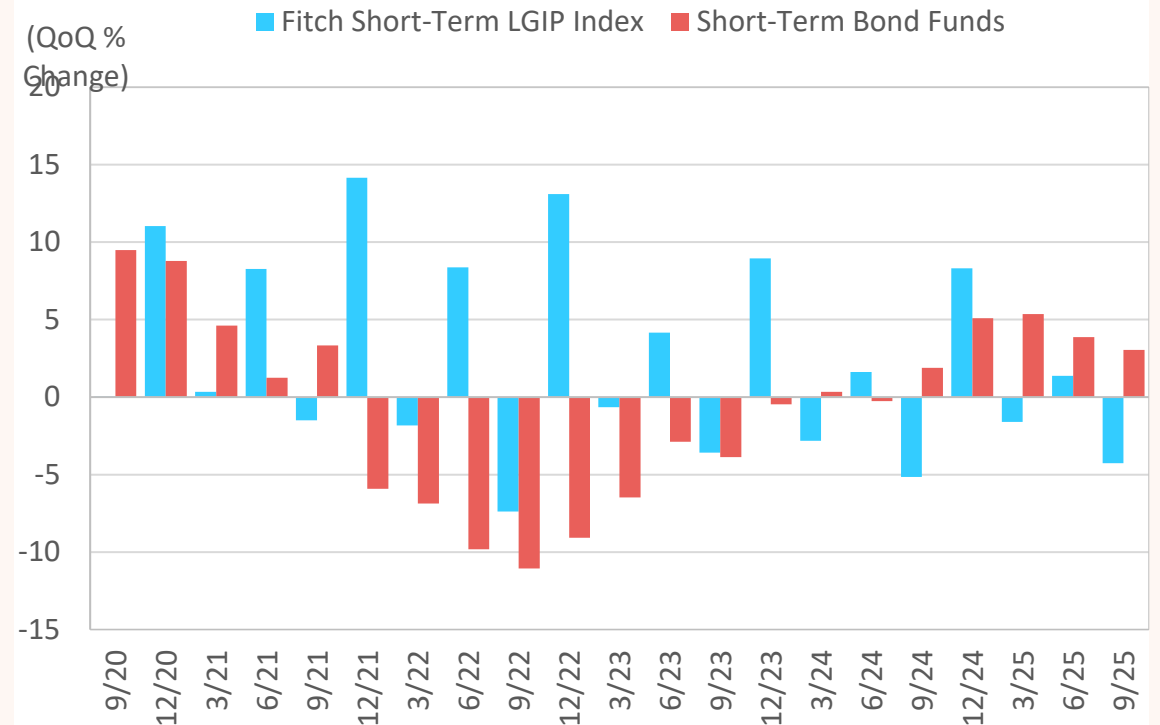
Quarterly Changes In LGIP Assets

Quarterly Change in Assets - Liquidity Funds



MMFs - Money market funds.
Source: Fitch Ratings, CraneData.

Quarterly Change in Assets - ST Bond Funds

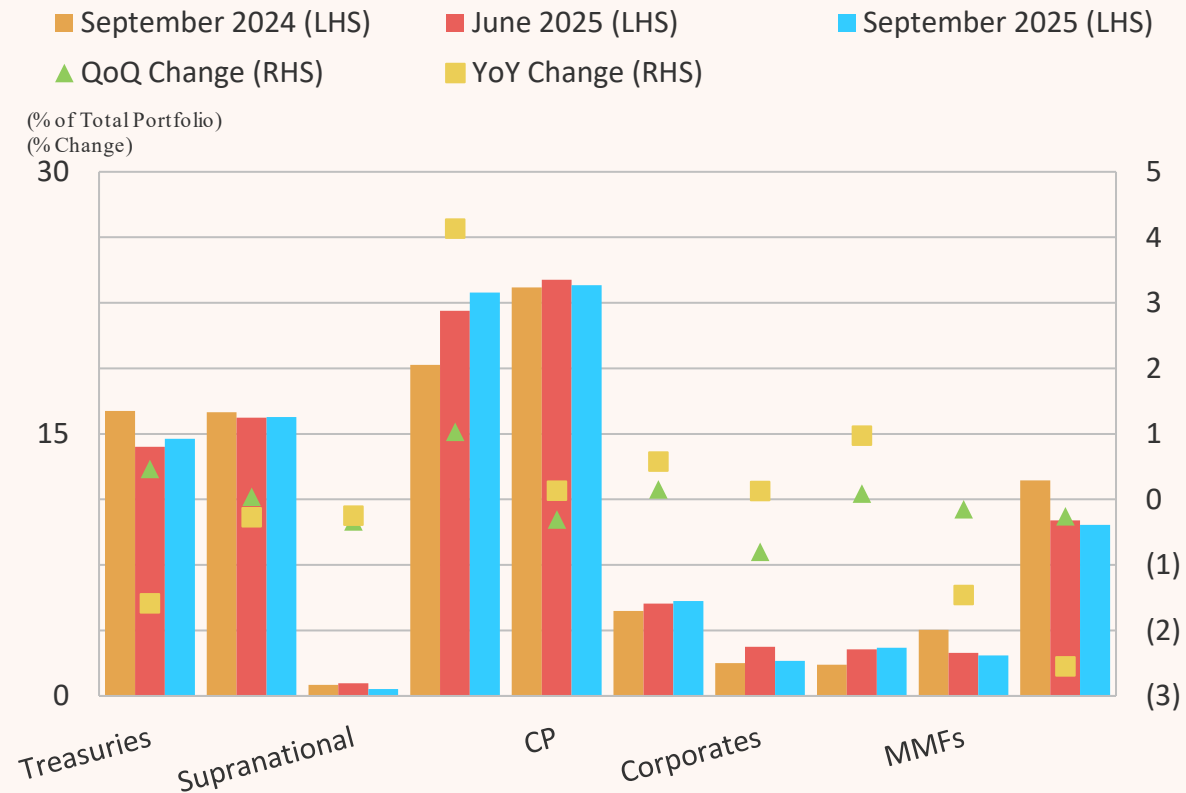


Note: Short-term bond fund assets are derived from a weighted average of the Crane BFI Ultra-Short Index and the Crane BFI Conservative Ultra-Short Index
Source: Fitch Ratings, CraneData.

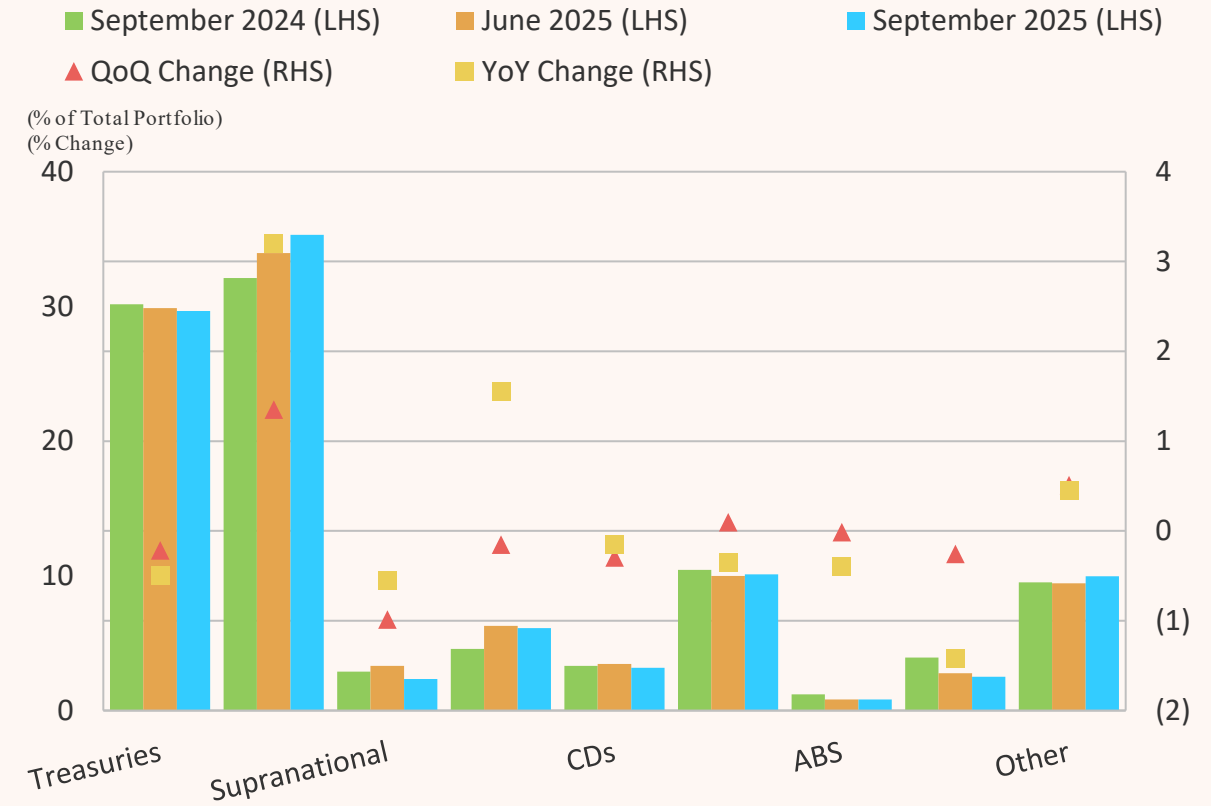
Portfolio Allocations

Liquidity LGIPs Move Away from Corporates and Into Repurchase Agreements:

Fitch Liquidity LGIP Index Weighted Average Sector Allocation



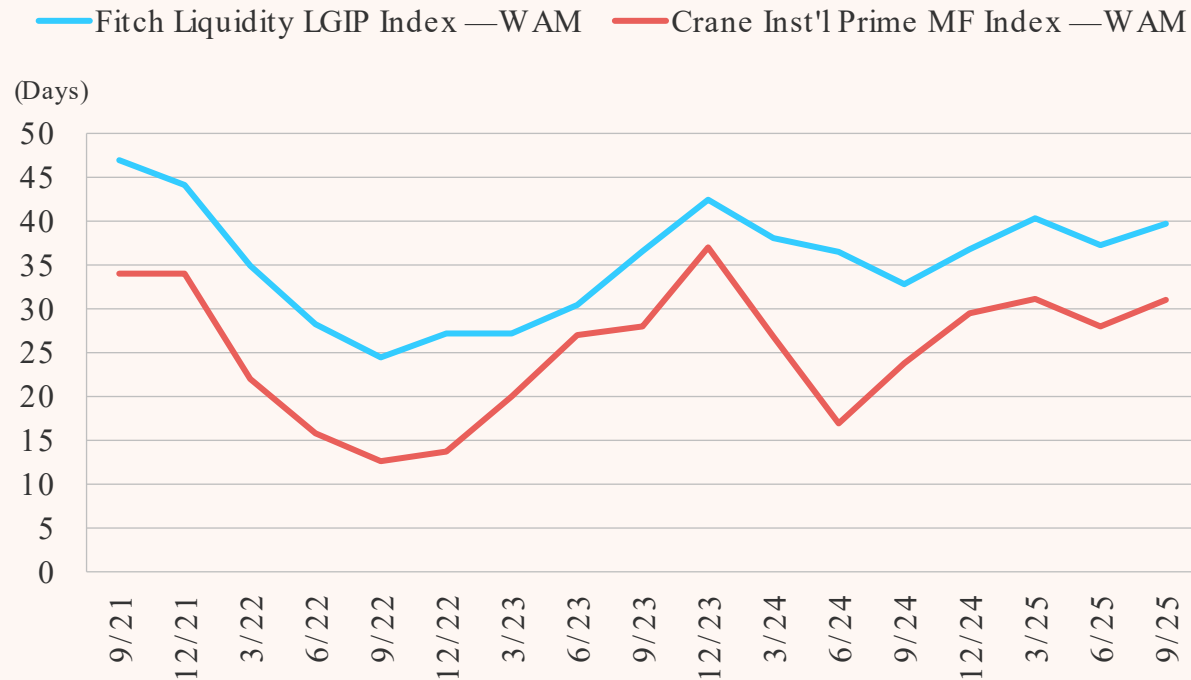
Fitch Short-Term LGIP Index Weighted Average Sector Allocation



Managers Extend WAMs as Yields Fall

**Fitch Liquidity LGIP Index WAM
Increased by 2 Days QoQ**

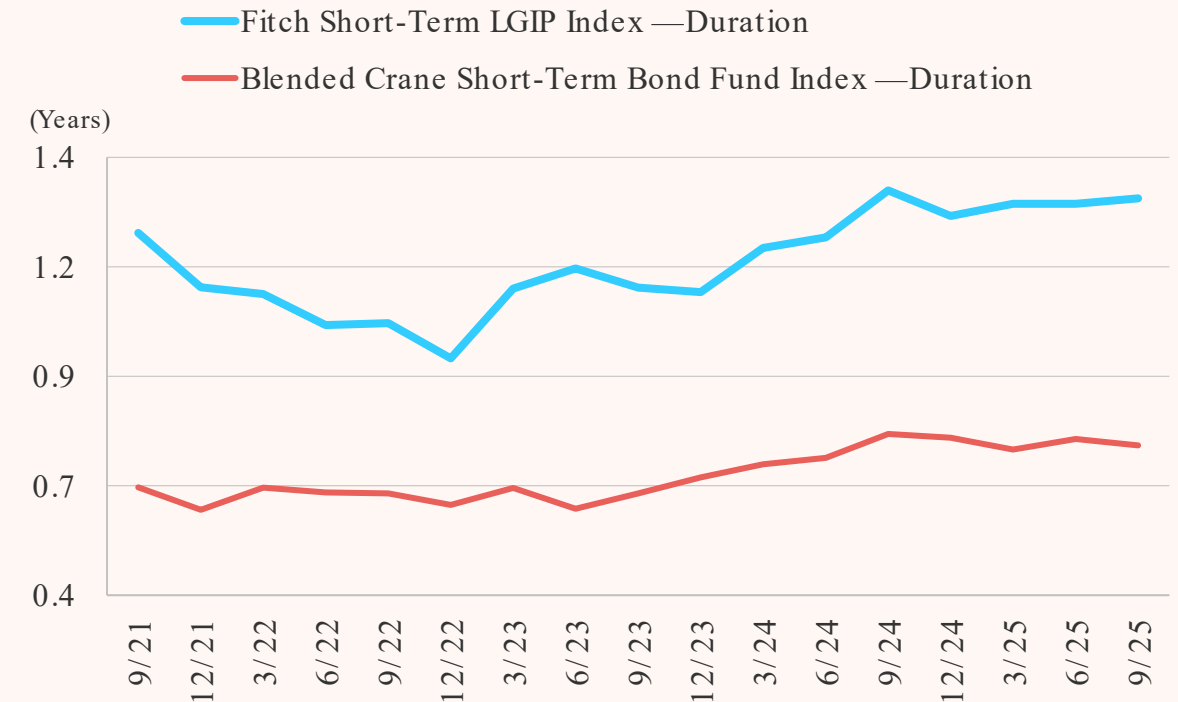
Fitch Liquidity LGIP Index —WAM



WAM – Weighted Average Maturity.
Source: Fitch Ratings, Crane Data.

**Fitch Short-Term LGIP Index Duration
Increased by 0.01 Years QoQ**

Fitch Short-Term LGIP Index —Duration

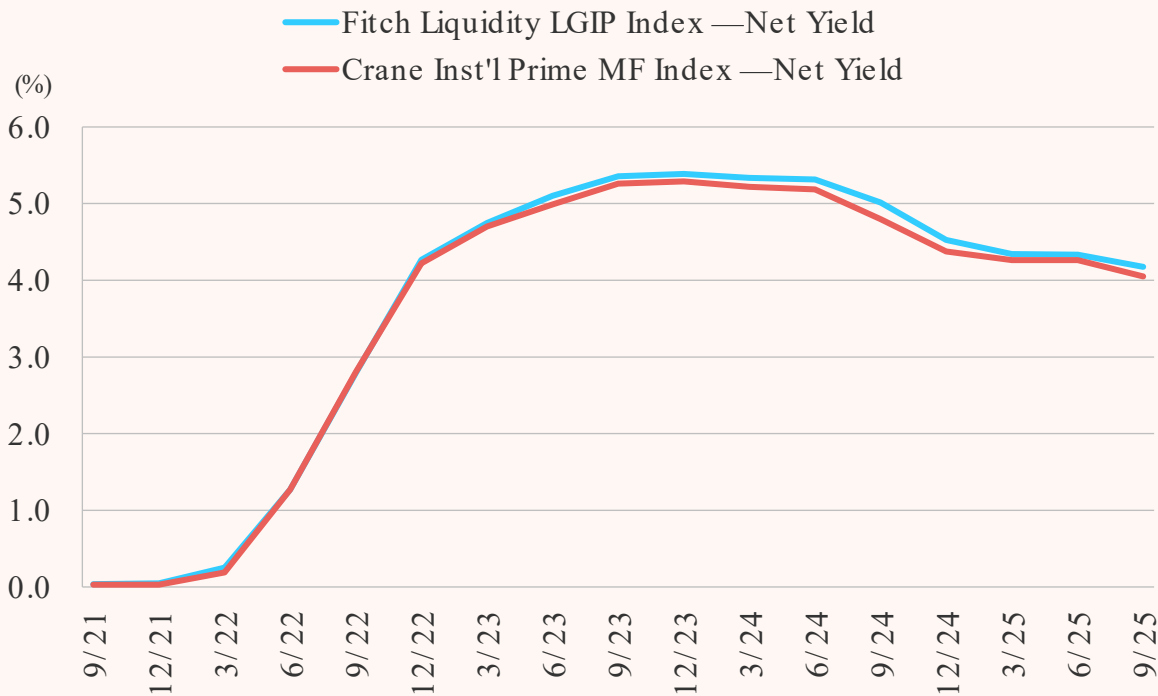


Source: Fitch Ratings, Crane Data.

FED Rate Cuts Lower LGIP Yields

**Fitch Liquidity LGIP Index: 4.17%,
Decrease from 4.34% Last Quarter**

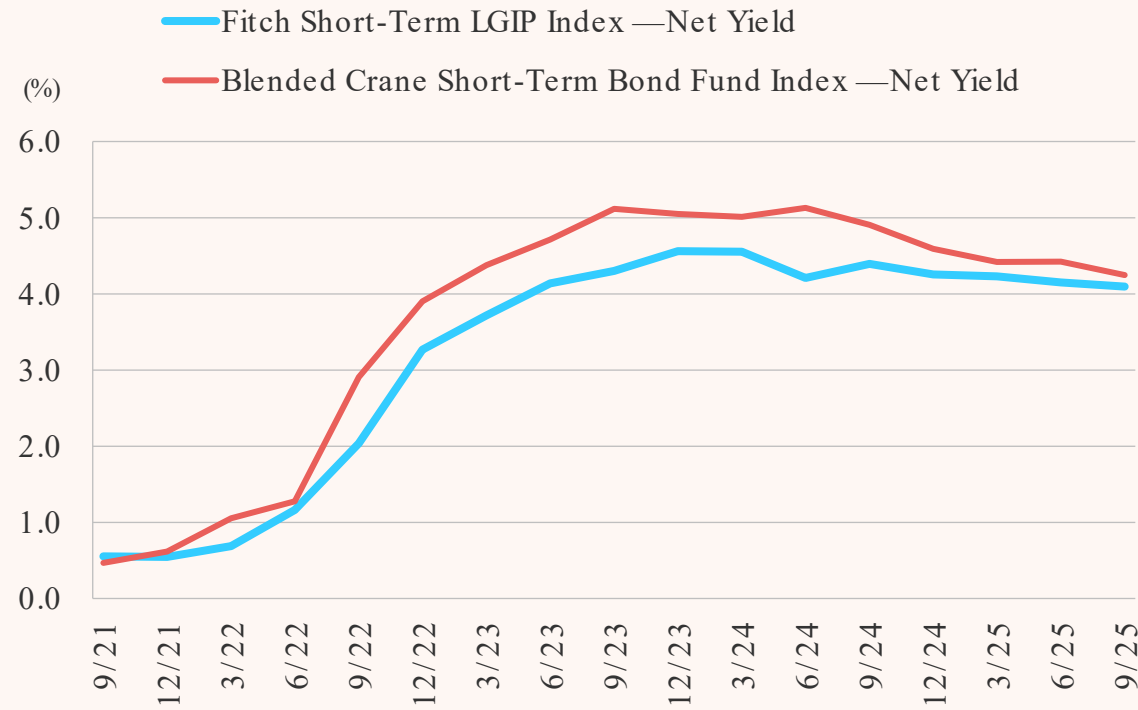
Fitch Liquidity LGIP Index —Net Yield



Note: Data reflects average 7-day net yields, or if not available, 30-day yields utilized.
Source: Fitch Ratings, Crane Data.

**Fitch Short-Term LGIP Index 4.10%,
Decrease from 4.15% Last Quarter**

Fitch Short-Term LGIP Index - Net Yield

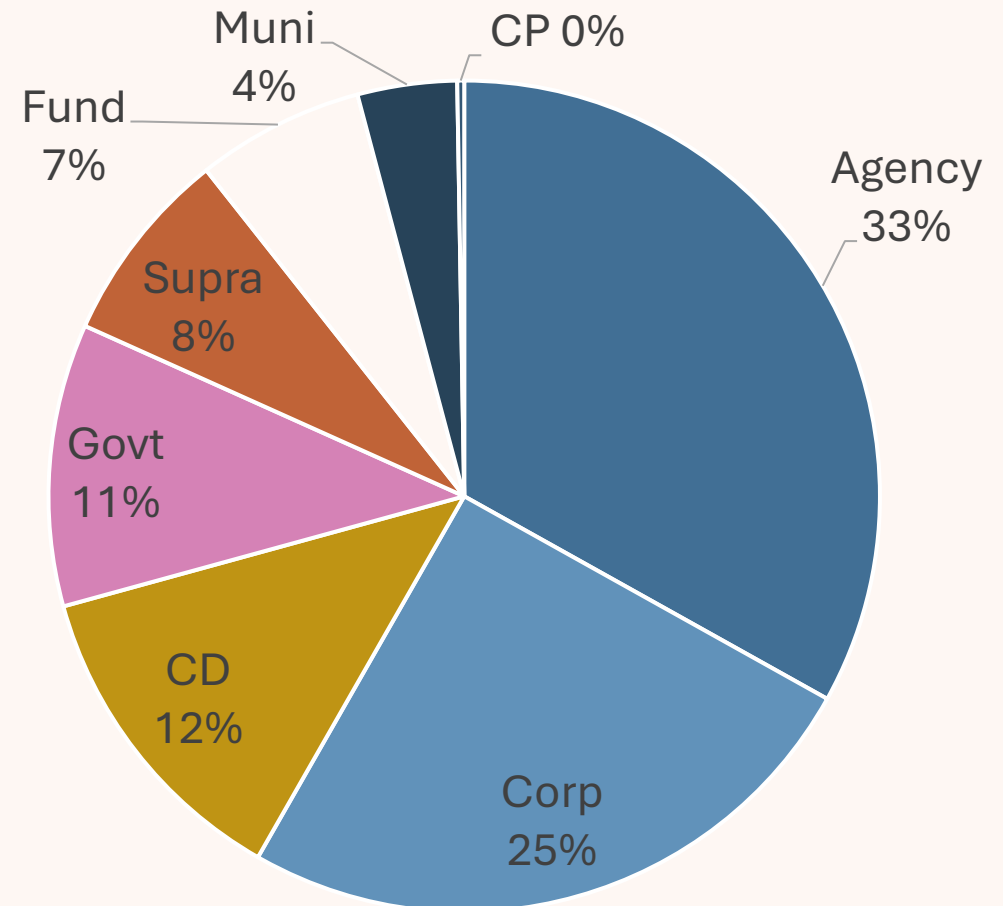


Note: Data reflects average 30-day net yields, or if not available, 7-day yields utilized.
Source: Fitch Ratings, Crane Data.

Sonoma County

- What we do:

- \$3.7bn Pool
- 90%+ managed internally
- Small Money Market exposure
- ~5% JPA Funds
- ~2% LAIF
- No exposure in JPA duration products
- No external mandates



QUESTIONS?



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