

Local Government Investment Pool / U.S.A.

San Diego County Investment Pool

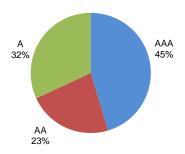
Full Rating Report

Pool Characteristics

Fitch Rating AAAf/S1 Inception Date Circa 1853 Investment Advisor San Diego County Treasurer's Office Assets (\$) As of Feb. 2, the pool has approximately \$8.8 billion in invested securities

San Diego Pooled Money **Fund Credit Quality** Distribution

(As of Feb. 2, 2017)



Source: San Diego Pooled Money Fund.

Key Rating Drivers

High Quality Credit Portfolio: The San Diego County Investment Pool (the pool) invests in highly rated securities such as U.S. Treasury, government agency securities, CP, and certificates of deposit (CD). The investment policy details minimum credit ratings by security type. Permissible securities include securities rated at least 'A/F1' by Fitch Ratings or equivalent and medium-term notes, FDIC insured deposit accounts, supranational securities, and government money market funds.

Stable Investor Base: The pool is comprised of monies deposited by mostly mandatory participants, with a small segment of voluntary participants. Participants include county funds, school districts, community colleges, and other public agencies within the county.

Liquidity Management a Key Objective: The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool's participants. Cash flow projections are an integral part of the overall cash management responsibilities of the pool administrator. Cash flows have historically been highly predictable.

Low Sensitivity to Market Risk: The pool employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. By its investment policy, the maximum effective duration is 1.5 years. Market risk is mitigated by the duration of the pool as well as the predictable nature of the cash outflows of the largely mandatory participant base.

Oversight Decreases Operational Risk: Portfolio oversight and operational controls are consistent with the assigned ratings. The pool is organized and invested in accordance with the state of California government code section 53600 and section 53635 and is not registered under federal law. A treasury oversight committee reviews the pool on a regular basis. The pool is also subject to external compliance monitoring and annual audits from external auditors.

Industry Standard Administration and Systems: The San Diego County treasurer's office uses appropriate systems for investment, administration, portfolio management, and trading. Processes provide decision making tools for risk analysis and investment-allocation tools.

Analysts

Winnie Lee-Cember +1 212 612-7890 winnie.lee-cember@fitchratings.com

Brian Knudsen +1 646 582-4904 brian.knudsen@fitchratings.com

www.fitchratings.com February 28, 2017



Rating Rationale

The San Diego County Investment Pool is rated 'AAAf/S1' by Fitch. The 'AAAf' Fund Credit Quality Rating reflects the investment portfolio's vulnerability to losses as a result of defaults in its bond holdings and is based on the actual and expected average credit quality of the portfolio's investments. The 'S1' Fund Market Risk Sensitivity Rating reflects the relative sensitivity of a portfolio's net asset value to assumed changes in credit spreads and interest rates.

Fitch's evaluation of the pool also considers the management and operational capabilities of the San Diego County treasurer's office and the legal and regulatory framework under which the pool operates.

Organizational Overview

The pool is managed by the San Diego County Treasurer on behalf of the pool participants. Participants include county funds, school districts, community colleges, and other public agencies within the county.

The pool's investment policies are reviewed annually by the County Treasury Oversight Committee. The oversight committee is comprised of county officials, school district officials, a special district official, and public members. The pool is also subject to an annual external financial audit performed by an independent certified public accounting firm. An independent third party investment advisor provides reporting and compliance monitoring for the pool.

Pool's Objectives and Investment Practices

The pool's primary investment objective is preservation of capital. The secondary objective is to maintain sufficient liquidity to enable participants to meet their operating requirements. The tertiary objective of the pool is to obtain a rate of return consistent with the first two objectives.

Asset Credit Quality

By its investment policy, the pool sets forth minimum credit ratings for different security types. The pool also restricts concentrations in any one issuer (other than the U.S. government and its agencies) to minimize single-issuer exposure. In the event of a downgrade below the minimum credit ratings, the security is evaluated on a case-by-case basis to determine whether to hold or dispose of the security.

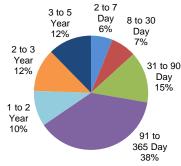
Liquidity Management

The pool maintains an allocation to overnight securities and government money funds to meet anticipated and unexpected withdrawal requests. In addition, the pool maintains a significant position in U.S. government agency securities, which are expected to demonstrate secondary market liquidity even during periods of market stress.

The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool's participants. Per the pool's investment policy, the pool invests a minimum of 50% in securities that mature within one year or less, furthermore, at least 25% of the pool must mature within 90 days.

San Diego Pooled Money **Fund Asset Maturity** Distribution

(As of Feb. 2, 2017)



Source: San Diego Pooled Money Fund.

Related Criteria Global Bond Fund Rating Criteria (August 2016)



Operational Assessment

		✓ Pass • Attenti	on	Required X	Fail	
Service Providers				Investments		
Investment Manager	✓	San Diego County Treasurer's Office		Composition	\	The pool invests in government securities, direct agencies, corporate certificates of deposit and commercial paper. Other permissible securities include securities rated at least 'A/F1' by Fitch or equivalent and medium-term notes, FDIC insured deposit accounts, supranational securities and government money market funds.
Auditors	✓	In accordance with the California government code, an investment oversight committee performs an annual audit. The pool is also subject to an annual external financial audit performed by an independent certified public accounting firm.		Liquidity Managemen	nt ✓	Per the pool's investment policy, the pool is required to invest 50% of the pool in instruments with remaining maturities of one year or less. Furthermore, at least 25% of the investments must mature within 90 days. The maximum effective duration of the pool is limited to 1.5 years or less.
Regulation and Governance				Disclosure and Transparency		
Governance	√	The County Treasury Oversight Committee is established pursuant to Sections 27130-27137 of the California Government Code. The investment policy is reviewed and monitored by the County Treasury Oversight Committee and then reviewed and approved at a public hearing by the Board of Supervisors.		Level of Disclosure	✓	Good level of transparency: the county's website contains financial reports, investment policy and information on other policies pertinent to pool management.
Control Framework	✓	Compliance controls are in place to ensure adherence with investment guidelines.				
Operations						
Pricing Responsibility	√	The pools' custodian bank provides daily and ad-hoc custodian reports. The treasurer's office uses Bloomberg for pre-trade checks.				
Technology	✓	Appropriate and integrated portfolio management system.				



The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS PLEASE READ THESE LIMITATIONS AND **DISCLAIMERS** BY **FOLLOWING** THIS S://FITCHRATINGS.COM/UNDERSTANDING CREDITRATINGS. IN ADDITION. RATING DEFINITIONS AND THE THE SYNFTICHRATINGS.COM/UNDERSTANDINGCREDITIRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.