



Fitch Affirms Colorado Core LGIP at 'AAAf'/'S1'

Fitch Ratings - New York - 16 September 2019: Fitch Ratings has affirmed the International Fund Credit Quality Ratings (FCQR) and Fund Market Risk Sensitivity Ratings to the Colorado Core Local Government Investment Pool at 'AAAf'/'S1'.

The Colorado Core Fund is an ultra-short duration local government investment pool (LGIP) which seeks current income with the additional objective of capital preservation and liquidity. The fund calculates and publishes its shadow NAV daily using third party supplied, marked-to-market pricing. The fund rounds up its Shadow NAV at two decimal places for the determination of transactional share price. The fund seeks to maintain a constant \$2.00 transactional share price. Should its shadow NAV breach \$1.995, the board may authorize the reduction and capitalization of interest income. The board may declare a breach of stable value should the fund's shadow NAV fall below \$1.990 per share. The ratings assigned to the fund do not specifically address the ability of the manager to maintain a constant NAV.

The fund is offered by the Colorado Surplus Asset Fund Trust (CSAFE). Morgan Stanley Consulting Group, acting through its Zephyr Group, serves as investment advisor.

The rating reflects Fitch's review of the fund's investment guidelines, the portfolio's credit quality and diversification, as well as the capabilities of Morgan Stanley as investment advisor. The 'AAAf' FCQR indicates the highest underlying credit quality (or lowest vulnerability to default). The 'S1' rating indicates a very low sensitivity to market risk. On a relative basis, changes in the shadow NAV are expected to continue to exhibit high stability, showing low relative volatility across a broad range of market scenarios.

KEY RATING DRIVERS

Credit Quality

The main driver of the fund's credit rating is the high credit quality of the portfolio. The portfolio's weighted average rating factor (WARF) is in line with Fitch's 'AAAf' rating criteria of 0.3 or less. WARF is a risk-weighted measure of a portfolio of assets that accounts for the portfolio's credit quality and maturity profile.

Market Risk Sensitivity

As of the date of the review, the fund's duration corresponded to a 'S1' fund sensitivity rating. 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, use of derivatives and embedded security-level optionality. The fund does not currently employ leverage.

Investments in the portfolio are designed to comply with all Colorado state statutes, the fund's offering documents, and additional standards set by Morgan Stanley in its role as investment advisor. Securities permitted by the portfolio investment policy include U.S. Treasury securities, U.S. Government Agency securities, municipal securities, commercial paper, corporate bonds, repurchase agreements, shares in certain money market funds, shares in other Colorado Local Government Investment Pool Funds inclusive of other

funds offered by the trust, and Public Deposit Protection Act eligible bank deposits. Securities are rated at least 'A'/F1' by Fitch or equivalent.

INVESTMENT MANAGER

The Zephyr Group at Morgan Stanley serves as investment advisor to the fund. The Zephyr Group is an institutional portfolio management team specializing in fixed income management for government entities. Zephyr Group's 25 years' experience in this space includes Portfolio Management and Institutional Sales & Trading coverage of many of the most active government portfolio managers in Rocky Mountain and Denver Metropolitan regions. Fundamental analysis and security selection for the fund is the responsibility of the Zephyr Group, while Morgan Stanley's desk in New York is responsible for trade execution. The compliance department in New York also provides oversight of the fund.

LT Trust serves as the administrator for the fund and conducts all routine business of the trust. The administrator will calculate the NAV for the fund as of the conclusion of each business day.

The portfolio is subject to annual financial statement audits by BKD, LLP, an independent U.S. accounting and advisory firm.

RATING SENSITIVITIES

The ratings are sensitive to material changes in the credit quality or market risk profiles of the fund. A material decrease in portfolio credit quality could result in the FCQR being lowered, while a material increase in portfolio duration could result in the fund sensitivity rating being lowered.

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 receives monthly fund portfolio holdings information including credit quality, market value and duration of the individual securities to conduct surveillance against ratings criteria.

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Colorado Core	Fund Cr Qual Rtg AAAf Affirmed	AAAf
	Sensitivity S1 Affirmed	S1

Additional information is available on www.fitchratings.com

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Applicable Criteria

Bond Fund Rating Criteria (pub. 22 Jul 2019)

Additional Disclosures

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Endorsement Policy

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