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FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Colorado Surplus Asset Fund Trust Cash Fund at 'AAAmmf'

Thu 16 Jan, 2025 - 12:17 PM ET

Fitch Ratings - New York - 16 Jan 2025: Fitch Ratings has affirmed the 'AAAmmf' rating for the Colorado Surplus Asset Fund Trust Cash Fund (CSAFE Cash Fund) managed by Zephyr Group at Morgan Stanley following a regularly scheduled review of the sector.

CSAFE Cash Fund is an offering of the Colorado Surplus Asset Fund Trust (CSAFE), established in 1988. Its objectives are to provide local government entities in Colorado with liquidity, capital preservation and a competitive yield. The fund seeks to achieve its investment objective by investing solely in permitted investments consistent with federal and Colorado state law while adhering to GASB Statement 79.

KEY RATING DRIVERS

--The fund's overall credit quality and diversification;

--Low exposure to interest rate and spread risks;

--Holdings of daily and weekly liquid assets consistent with shareholder profiles;

--Asset maturity profiles meeting Fitch's rating criteria; and

--The capabilities and resources of the investment advisor.

Portfolio Credit Quality/Diversification

Consistent with Fitch's criteria for rating money market funds (MMFs) at 'AAAmmf', the fund maintains high credit quality portfolio by investing exclusively in short-term securities

rated at least 'F1' by Fitch or the equivalent.

The fund is a local government investment pool which operates in a manner similar to an MMF. Funds rated 'AAAmmf' seek to manage their portfolios to limit exposure to individual issuers at less than or equal to 10% of net asset value (NAV), with no more than 5% of assets for those exposures above seven days in tenor.

Minor and temporary deviations from these parameters may occur from time to time, mainly due to cash outflows. The fund also seeks to limit its individual repurchase agreement (repo) exposures to individual counterparties to 25% of NAV, provided the counterparties are rated 'F1' or higher and such repos are fully collateralized by high credit quality and liquid government securities.

In the case of repo with counterparties rated 'F2', funds seek to limit their exposure to individual counterparties to 10% of NAV, as long as the repo is collateralized by high quality government securities and matures in one week or less. MMFs also seek to limit their exposure to government agencies, with exposures above 35% of NAV to any one agency limited to short-dated securities.

The fund's Portfolio Credit Factor (PCF) was in line with Fitch's 'AAAmmf' rating criteria of 1.50 or less at the time of this review. PCF is a risk-weighted measure that considers the credit quality and maturity profile of the portfolio securities. Any periodic PCFs in excess of 1.50 since Fitch's last review are viewed as temporary in nature or otherwise sufficiently mitigated.

Maturity Profile

Funds rated 'AAAmmf' seek to limit interest rate and spread risk by maintaining their weighted average maturities (WAM) and weighted average lives (WAL) below 60 days and 120 days, respectively.

Liquidity Profile

Funds rated 'AAAmmf' seek to maintain sufficient levels of daily and weekly liquidity to meet redemption requests. Specifically, Local Government Investment Pools (LGIPs) rated 'AAAmmf' invest at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity, in line with Fitch's rating criteria.

Fitch's rating criteria for MMFs also considers the degree of shareholder diversification and the manager's distribution platform and investor-related risk controls.

Surveillance

Fitch receives bi-weekly fund portfolio holdings information including the credit quality and maturity of the individual securities to conduct surveillance against the MMF Rating criteria. For additional information about Fitch MMF rating criteria, please review the criteria referenced below, which can be found on Fitch's website.

INVESTMENT MANAGER

The Zephyr Group is a Morgan Stanley Smith Barney LLC (Morgan Stanley) institutional portfolio management team specializing in fixed income management for government entities. Fundamental analysis and security selection for the fund are the responsibility of the Zephyr Group. Portfolio managers in the Zephyr Group manage accounts through Morgan Stanley's Institutional Cash Advisory Program.

Fitch views the investment advisor's capabilities, resource commitments, operational controls, corporate governance, and compliance procedures as consistent with the rating assigned to the fund.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Material declines in credit quality that would lead to sustained breaches of PCF or exposure to 'F2'-rated securities;

--Significant outflows that lead to materially reduced liquidity, and would lead to sustained breaches of liquidity metrics outlined in Fitch's criteria;

--Material and sustained breaches of other metrics outlined in the criteria for 'AAAmmf' MMFs.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Not applicable as the assigned rating is the highest rating outcome under the MMF rating scale.

SOURCES OF INFORMATION

The sources of information used to assess this rating was the fund's investment advisor and/or fund administrator and the public domain.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Colorado Surplus Asset Fund Trust Cash Fund	MMF	AAAmmf	Affirmed	AAAmmf

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Money Market Fund Rating Criteria (pub. 26 Jul 2024)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Colorado Surplus Asset Fund Trust Cash Fund	-

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