

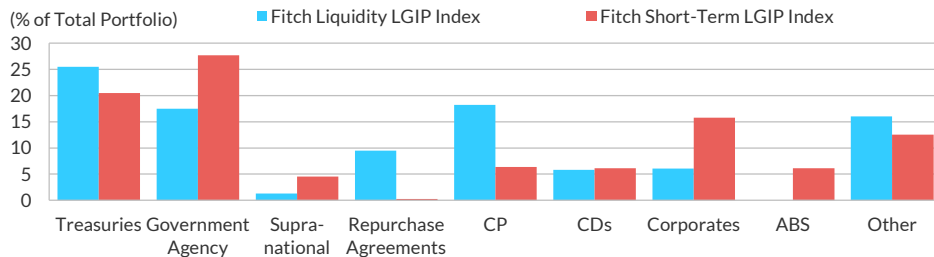
# Local Government Investment Pools: 2Q20

**LGIP Assets Reach New Highs:** Cumulative assets for the Fitch Liquidity LGIP Index and the Fitch Short-Term LGIP Index reached another new high of \$349 billion at the end of 2Q20, an increase of \$27 billion QoQ and \$56 billion YoY. Similar to 1Q20, asset flows for both indices during the second quarter were again on par with their observed historical cyclical patterns (+10% QoQ for the Fitch Liquidity LGIP Index and +4% QoQ for the Fitch Short-Term LGIP Index). Thus far, the economic downturn caused by the coronavirus has not had a visible impact on asset levels for most LGIPs, particularly as assets typically grow during the second quarter due to tax payment deadlines. However, lower sales, income, and other taxes, along with reduced state support for local municipalities, will lead to smaller future inflows into LGIPs relative to prior expectations.

**Net Yields Continue to Fall:** The Fitch Liquidity LGIP Index and the Fitch Short-Term LGIP Index ended the quarter with average net yields of 0.34% (a drop of roughly 70bps from March) and 1.15% (down 53bps from March), respectively. These downward trends for LGIP yields should continue as the Fed's interest rate policy is expected to remain in the zero-bound territory for a prolonged period. LGIP managers extended their interest rate exposures out slightly during the quarter, with the weighted average maturity of the Fitch Liquidity LGIP Index increasing to 44 days (+2 days) and the duration of the Fitch Short-Term LGIP Index ticking up slightly higher to 1.28 years (up from 1.27 at the end of 1Q20).

**LGIPs Positioning Defensively:** Given the elevated uncertainty surrounding the economy and future revenues and expenditures of local governments, LGIP managers have actively shifted more of their portfolios to higher quality asset classes this year. The shift in allocation becomes more apparent when comparing positioning to the prior year. In the Fitch Liquidity LGIP Index specifically, exposure to U.S. Treasury debt increased to approximately 20% of the index as of June 2020 from 11% as of June 2019. On the other hand, combined exposure to corporates (commercial paper and corporate bonds) dropped to 24% of the index from 33% last June.

## LGIP Weighted Average Sector Allocation



Note: "Other" category includes bank deposits, money market funds, municipal securities, etc.  
Source: Fitch Ratings.

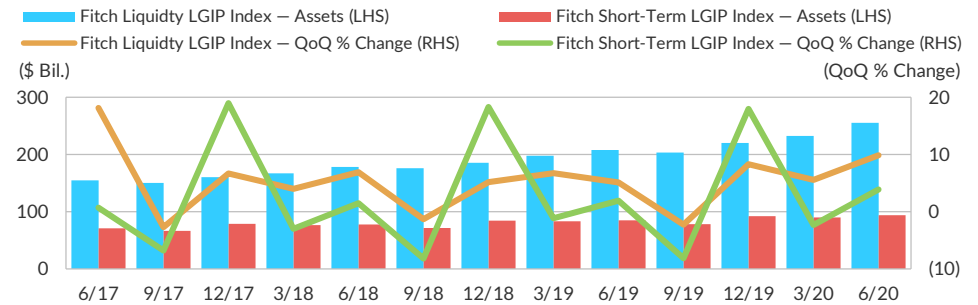


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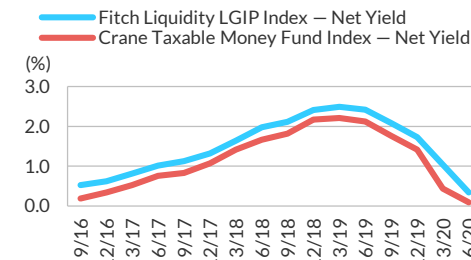
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## Total Assets



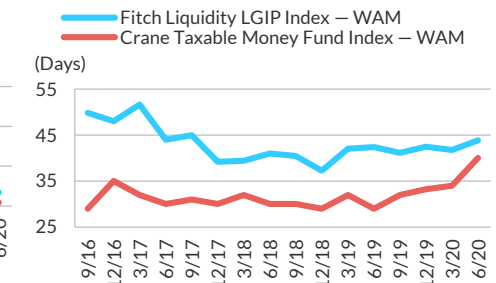
Source: Fitch Ratings.

## Fitch Liquidity LGIP Index – Net Yield



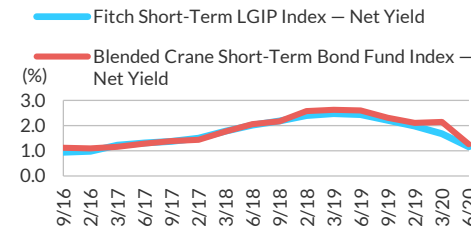
Note: Data reflect average 7-day net yields, or if not available, 30-day yields utilized.  
Source: Fitch Ratings, Crane Data.

## Fitch Liquidity LGIP Index – WAM



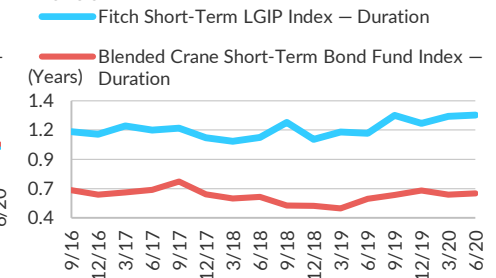
WAM - Weighted average maturity.  
Source: Fitch Ratings, Crane Data.

## Fitch Short-Term LGIP Index – Net Yield



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

## Fitch Short-Term LGIP Index – Duration



Source: Fitch Ratings, Crane Data.

## Summary Statistics

	June 2020	March 2020	QoQ Change
<b>Total Assets (\$ Bil.; Combining Both Indices [46 LGIPs])</b>	349.1	322.6	26.5
<b>Fitch Liquidity LGIP Index</b>			
Total Assets (\$ Bil.)	255.4	232.4	23.0
Average Fund Size (\$ Bil.)	9.1	8.3	0.8
Average WAM (Days)	44	42	2.0
Crane Taxable Institutional Money Fund Average – WAM (Days)	40	34	6.0
Average Net Yield (%)	0.34	1.04	(0.70)
Crane Taxable Institutional Money Fund Average – Net Yield (%)	0.09	0.44	(0.35)
<b>Fitch Short-Term LGIP Index</b>			
Total Assets (\$ Bil.)	93.7	90.2	3.5
Average Fund Size (\$ Bil.)	5.2	5.0	0.2
Average Duration (Years)	1.28	1.27	0.01
Blended Crane Short-Term Bond Fund Index – Duration (Years)	0.61	0.60	0.01
Average Net Yield (%)	1.15	1.68	(0.53)
Blended Crane Short-Term Bond Fund Index – Net Yield (%)	1.26	2.15	(0.89)

Note: The Blended Crane Short-Term Bond Fund Index is a weighted average of the Crane Ultrashort Index and the Crane Conservative Ultrashort Index.

Source: Fitch Ratings, Crane Data.

## Weighted Average Sector Allocation

(%)	Treasuries	Government Agency	Supranational	Repurchase Agreements	CP	CDs	Corporates	ABS	Other
<b>Fitch Liquidity LGIP Index</b>									
June 2020	25.5	17.5	1.3	9.5	18.2	5.8	6.1	0.0	16.0
March 2020	13.1	19.4	2.3	9.7	20.2	11.4	8.0	2.8	13.2
<b>QoQ Change</b>	<b>12.4</b>	<b>(1.9)</b>	<b>(1.0)</b>	<b>(0.2)</b>	<b>(1.9)</b>	<b>(5.6)</b>	<b>(1.9)</b>	<b>(2.8)</b>	<b>2.9</b>
<b>Fitch Short-Term LGIP Index</b>									
June 2020	20.5	27.7	4.5	0.2	6.4	6.1	15.8	6.1	12.5
March 2020	18.6	27.5	5.3	0.2	9.2	6.2	17.3	7.1	8.7
<b>QoQ Change</b>	<b>1.9</b>	<b>0.1</b>	<b>(0.7)</b>	<b>0.0</b>	<b>(2.8)</b>	<b>0.0</b>	<b>(1.5)</b>	<b>(0.9)</b>	<b>3.9</b>

Note: Not all LGIPs disclose the same data on a consistent basis. Fitch uses data available at the time to construct the indices.

Source: Fitch Ratings.

**Additional Statistics: Subcategories**

	June 2020	March 2020	QoQ Change
<b>Liquidity LGIPs (28 LGIPs)</b>			
Total Assets (\$ Bil.)			
Prime (24 LGIPs)	218.7	195.5	23.2
Government (4 LGIPs)	36.7	36.9	(0.2)
Rated (22 LGIPs)	147.2	137.4	9.8
Unrated (6 LGIPs)	108.2	95.0	13.2
Average WAM (Days)			
Prime (24 LGIPs)	45	42	3.0
Government (4 LGIPs)	40	40	0.0
Rated (22 LGIPs)	43	41	2.0
Unrated (6 LGIPs)	48	44	4.0
Average Net Yield (%)			
Prime (24 LGIPs)	0.39	1.12	(0.73)
Government (4 LGIPs)	0.22	0.67	(0.45)
Rated (22 LGIPs)	0.35	1.01	(0.66)
Unrated (6 LGIPs)	0.38	1.18	(0.80)
<b>Short-Term LGIPs (18 LGIPs)</b>			
Total Assets (\$ Bil.)			
Prime (18 LGIPs)	93.7	90.2	3.5
Rated (12 LGIPs)	42.1	41.1	1.0
Unrated (6 LGIPs)	51.6	49.1	2.5
Average Duration (Years)			
Prime (16 LGIPs)	1.28	1.27	0.01
Rated (10 LGIPs)	1.30	1.24	0.06
Unrated (6 LGIPs)	1.25	1.30	(0.05)
Average Net Yield (%)			
Prime (16 LGIPs)	1.15	1.68	(0.53)
Rated (10 LGIPs)	0.99	1.59	(0.60)
Unrated (6 LGIPs)	1.52	1.90	(0.38)

Note: Subcategories above were established by further segmenting the broader population of LGIPs used to create the Fitch Liquidity LGIP and the Fitch Short-Term LGIP indices. As of this edition, publicly sourced data were gathered for 46 individual LGIPs. Government LGIPs invest in U.S. Treasuries, agencies or repos backed by such collateral. Prime LGIPs invest in additional assets beyond government securities, such as corporate CP, bank deposits or ABS.  
 Source: Fitch Ratings.

## Index Construction Methodology

**Fitch Liquidity Local Government Investment Pool (LGIP) Index:** The LGIPs comprising the Fitch Liquidity LGIP Index resemble MMFs that adhere to Rule 2a-7 of the Investment Company Act of 1940. These LGIPs seek to operate with a stable net asset values (NAV) and follow most, although not all, of the SEC regulations applicable to MMFs (such as maturity restrictions). The LGIPs included in this index invest in high credit quality securities and aim to maintain a weighted average maturity (WAM) of less than 60 days and a WA life (WAL) of less than 120 days. Fitch constructed the index using information made available through LGIP public reporting.

**Fitch Short-Term LGIP Index:** The LGIPs comprising the Fitch Short-Term LGIP Index are comparable to SEC-regulated short-term bond funds. These strategies will typically have longer maturities, higher yields and sometimes lower credit quality than the liquidity LGIPs, although this differs by pool. The LGIPs included in the Fitch Short-Term LGIP Index operate with variable NAVs and maintain durations in the range of approximately one to three years. Fitch constructed the index using information made available through LGIP public reporting.

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