

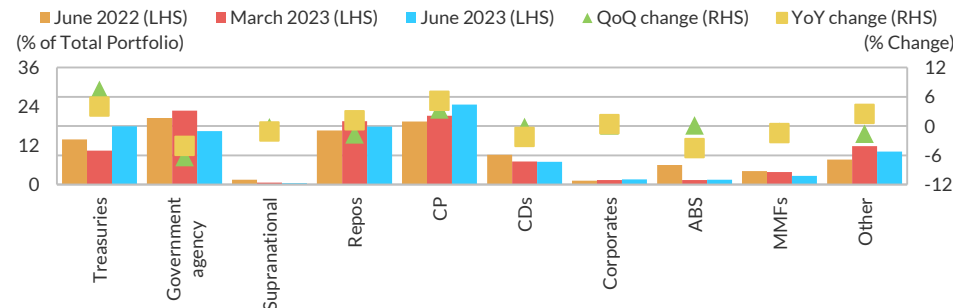
# Local Government Investment Pools: 2Q23

**Indices Reach Third Consecutive Record in Assets Under Management:** Fitch Ratings' two local government investment pool (LGIP) indices experienced an aggregate asset increase in the second quarter of 2023 (2Q23). Combined assets for the Fitch Liquidity LGIP Index and the Fitch Short-Term LGIP Index were \$576 billion at the end of 2Q23, representing increases of \$17 billion qoq and \$70 billion yoy, respectively. The Fitch Liquidity LGIP Index was up 2.2% qoq and the Fitch Short-Term LGIP Index was up 4.6% qoq, compared to average growth of 5.9% and 7.2%, respectively, in the second quarter over the past three years.

**WAMs Rise as Fed Slows Rate Hikes:** Weighted average maturities (WAMs) rose in 2Q23 as the Fed slowed the pace of rate hikes. The WAM of the Fitch Liquidity LGIP Index increased to 30 days, still higher than prime '2a-7' money market funds at 27 days. The Fitch Short-Term LGIP Index ended the quarter with a duration of 1.20 years, up 5% since last quarter. Both Fitch indices ended 2Q23 with improved average yield profiles with average net yields of 5.10% for the Liquidity Index and 3.73% for the Short-Term Index. Due to its duration profile, the Liquidity Index is more positively responsive to the Fed's 2Q23 actions in comparison to the Short-Term Index.

**Liquidity LGIPs Move Away from Government Agencies and into Treasuries:** The Fitch Liquidity LGIP Index increased exposure to Treasuries by 7.42% and decreased exposure to Government Agencies by -6.32% qoq. Exposure to CP, Corporates, and ABS cumulatively increased by 4%. This aligns with investor behavior following the resolution of the U.S. debt ceiling, where managers diversified back into U.S. Treasury exposure.

## Fitch Liquidity LGIP Index Weighted Average Sector Allocation

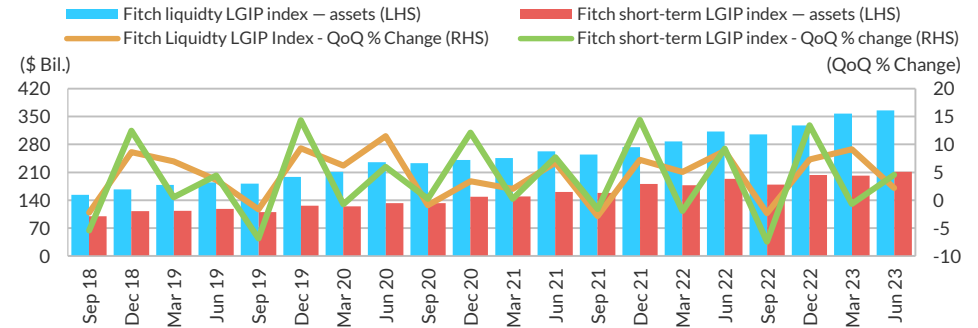


Note: "Other" category includes bank deposits, municipal securities, etc.  
Source: Fitch Ratings

**Steven Johnson**  
+1 646 582-4042  
steven.johnson@fitchratings.com

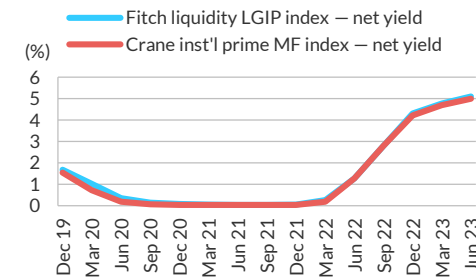
**Christina Giannone**  
+1 646 582-4955  
christina.giannone@fitchratings.com

## Total Assets



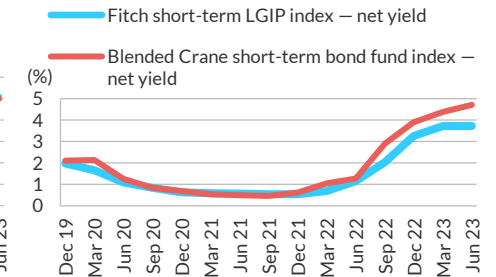
Source: Fitch Ratings

## Fitch Liquidity LGIP Index – Net Yield



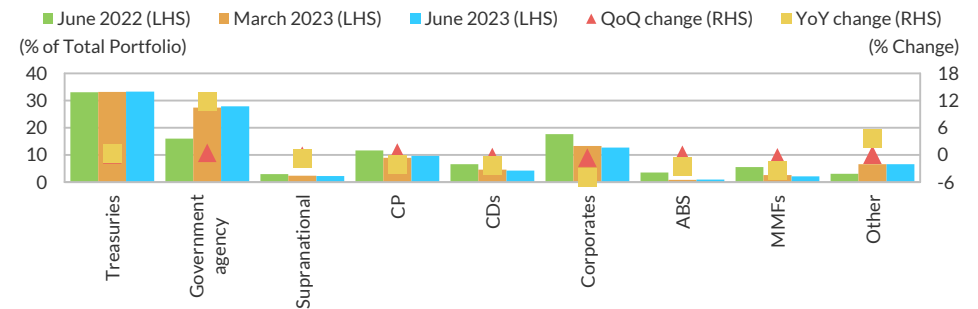
Note: Data reflects average 7-day net yields, or if not available, 30-day yields utilized.  
Source: Fitch Ratings, Crane Data

## Fitch Short-Term LGIP Index - Net Yield



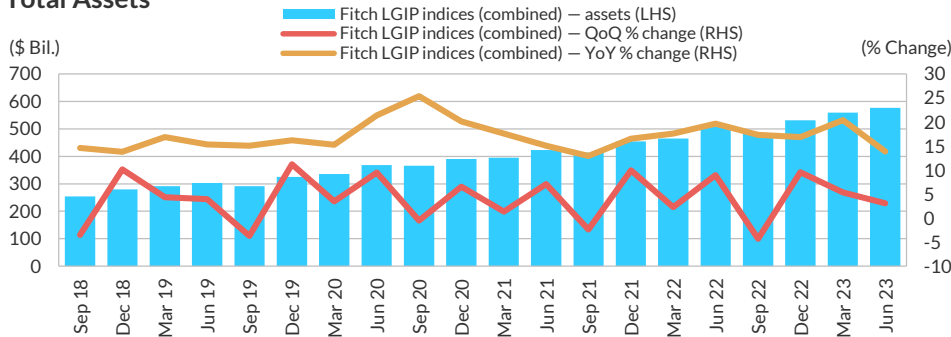
Note: Data reflects average 30-day net yields, or if not available, 7-day yields utilized.  
Source: Fitch Ratings, Crane Data

## Fitch Short-Term LGIP Index Weighted Average Sector Allocation



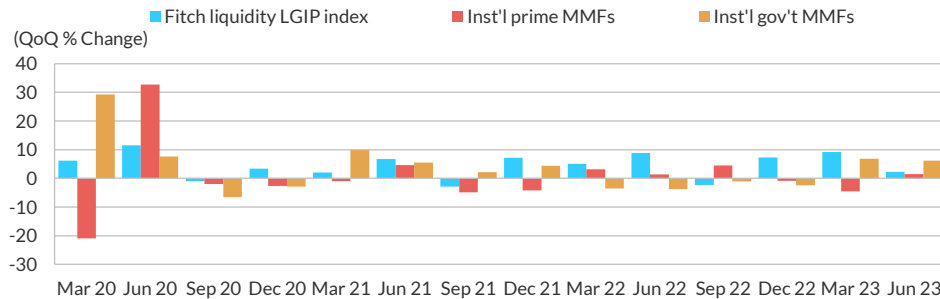
Note: "Other" category includes bank deposits, municipal securities, repos, etc.  
Source: Fitch Ratings

## Total Assets



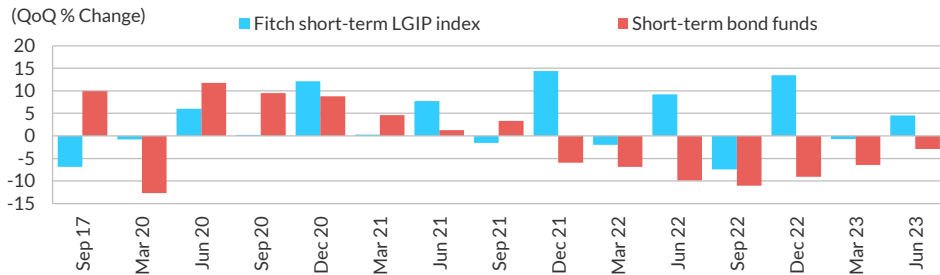
Source: Fitch Ratings

## Quarterly Change in Assets – Liquidity Funds



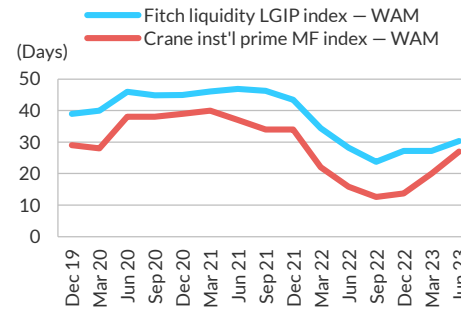
MMFs – Money market funds  
Source: Fitch Ratings, CraneData

## Quarterly Change in Assets – ST Bond Funds



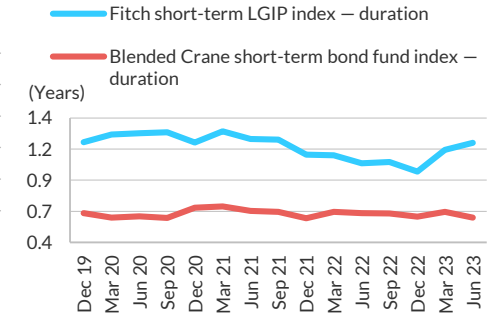
Note: Short-term bond fund assets are derived from a weighted average of the Crane BFI Ultra-Short Index and the Crane BFI Conservative Ultra-Short Index.  
Source: Fitch Ratings, CraneData

## Fitch Liquidity LGIP Index – WAM



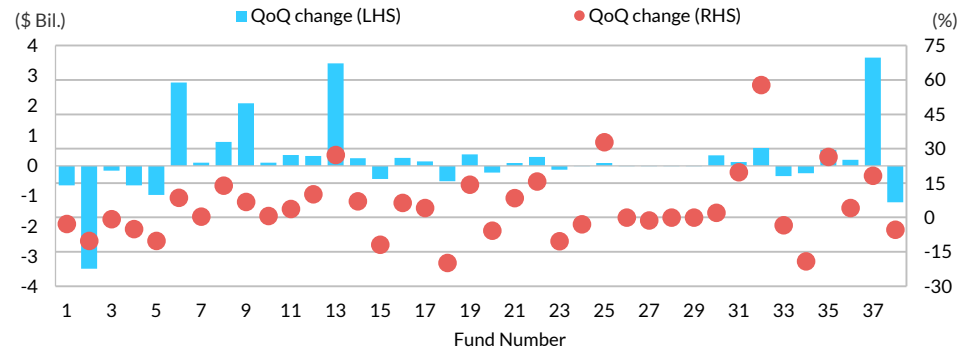
WAM – Weighted Average Maturity  
Source: Fitch Ratings, Crane Data

## Fitch Short-Term LGIP Index – Duration



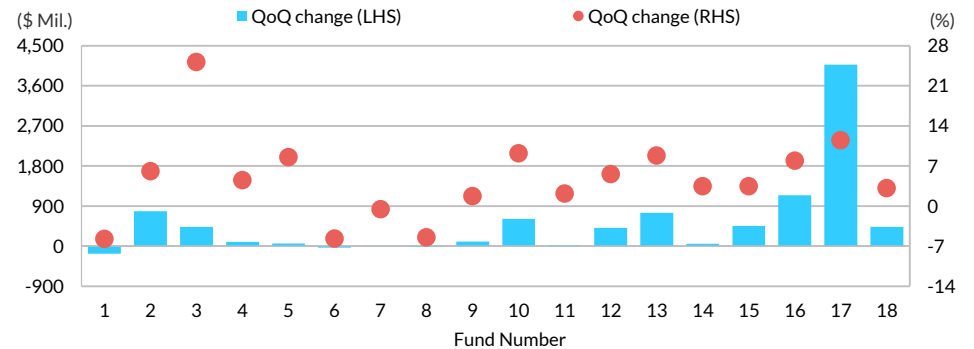
Source: Fitch Ratings, Crane Data

## Fitch Liquidity LGIP Index – Quarterly Change in Assets By Pool



Source: Fitch Ratings

## Fitch Short-Term LGIP Index – Quarterly Change in Assets By Pool



Source: Fitch Ratings

## Summary Statistics

	June 2023	March 2023	QoQ Change	June 2022	YoY Change
Total Assets (combining both indices [61 LGIPs])	576.6	559.4	17.2	506.3	70.3
<b>Fitch Liquidity LGIP Index (40 LGIPs)</b>					
Total Assets (\$ Bil.)	365.4	357.4	7.9	312.6	52.8
Average Fund Size (\$ Bil.)	9.1	8.9	0.2	7.8	1.3
Average WAM (Days)	30	27	3.1	28	2.1
Crane Prime Institutional Money Fund Average – WAM (Days)	27	20	7.0	16	11.2
Average Net Yield (%)	5.10	4.77	0.33	1.27	3.83
Crane Prime Institutional Money Fund Average – Net Yield (%)	4.99	4.70	0.29	1.27	3.72
<b>Fitch Short-Term LGIP Index (21 LGIPs)</b>					
Total Assets (\$ Bil.)	211.2	202.0	9.2	193.7	17.5
Average Fund Size (\$ Bil.)	10.1	9.6	0.4	9.2	0.8
Average Duration (Years)	1.20	1.14	0.06	1.04	0.17
Blended Crane Short-Term Bond Fund Index – Duration (Years)	0.60	0.65	-0.05	0.63	-0.04
Average Net Yield (%)	3.73	3.72	0.01	1.16	2.56
Blended Crane Short-Term Bond Fund Index – Net Yield (%)	4.71	4.37	0.34	1.28	3.44

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

Source: Fitch Ratings, Crane Data

## Weighted Average Sector Allocation

(% of Portfolio)	Treasuries	Government Agency	Supranational	Repurchase Agreements	CP	CDs	Corporates	ABS	MMFs	Other
<b>Fitch Liquidity LGIP Index</b>										
June 2023	17.9	16.4	0.4	17.8	24.6	6.9	1.6	1.5	2.7	10.2
March 2023	10.5	22.7	0.6	19.5	21.2	7.1	1.4	1.3	3.8	11.8
QoQ Change	7.4	-6.3	-0.2	-1.7	3.4	-0.2	0.1	0.1	-1.2	-1.6
June 2022	13.9	20.5	1.4	16.7	19.4	9.2	1.2	6.0	4.1	7.7
YoY Change	4.0	-4.0	-1.1	1.2	5.2	-2.2	0.4	-4.5	-1.4	2.5
<b>Fitch Short-Term LGIP Index</b>										
June 2023	33.4	27.9	2.2	N.A.	9.6	4.3	12.8	0.9	2.1	6.7
March 2023	33.3	27.5	2.4	N.A.	9.0	4.7	13.4	0.9	2.6	6.6
QoQ Change	0.1	0.5	-0.1	–	0.6	-0.4	-0.6	0.1	-0.4	0.1
June 2022	33.0	16.0	3.0	N.A.	11.6	6.6	17.6	3.6	5.5	3.0
YoY Change	0.3	12.0	-0.7	–	-2.0	-2.3	-4.9	-2.6	-3.4	3.6

ABS – Asset-backed securities. MMFs – Money market funds. N.A. – Not available. 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 2023	March 2023	QoQ Change	June 2022	YoY Change
<b>Liquidity LGIPs (40 LGIPs)</b>					
<b>Total Assets (\$ Bil.)</b>					
Prime (31 LGIPs)	275.1	263.1	12.03	236.9	38.2
Government (9 LGIPs)	90.3	94.4	-4.09	75.7	14.6
Rated (37 LGIPs)	273.7	274.2	-0.51	224.1	49.6
Unrated (3 LGIPs)	91.7	83.2	8.45	88.5	3.2
<b>Average WAM (Days)</b>					
Prime (31 LGIPs)	31	29	3	28	4
Government (9 LGIPs)	26	21	4	31	-5
Rated (37 LGIPs)	30	27	3	28	1
Unrated (3 LGIPs)	38	29	9	28	9
<b>Average Net Yield (%)</b>					
Prime (31 LGIPs)	5.14	4.82	0.33	1.32	3.82
Government (9 LGIPs)	4.78	4.55	0.23	1.17	3.61
Rated (37 LGIPs)	5.07	4.76	0.31	1.29	3.79
Unrated (3 LGIPs)	5.25	4.92	0.33	1.43	3.81
<b>Short-Term LGIPs (21 LGIPs)</b>					
<b>Total Assets (\$ Bil.)</b>					
Prime (19 LGIPs)	194.8	186.1	8.68	180.1	14.7
Rated (13 LGIPs)	66.3	63.3	2.94	57.6	8.7
Unrated (8 LGIPs)	144.9	138.7	6.28	136.1	8.8
<b>Average Duration (Years)</b>					
Prime (14 LGIPs)	1.20	1.14	0.06	1.04	0.17
Rated (9 LGIPs)	1.21	1.09	0.12	0.92	0.29
Unrated (6 LGIPs)	1.19	1.24	-0.05	1.24	-0.05
<b>Average Net Yield (%)</b>					
Prime (10 LGIPs)	4.09	3.71	0.38	1.20	2.89
Rated (8 LGIPs)	4.40	4.12	0.28	1.11	3.29
Unrated (3 LGIPs)	2.91	2.64	0.27	1.30	1.61

Note: The 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. 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.

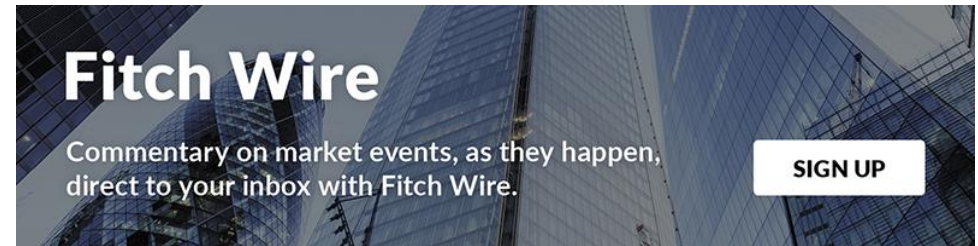
Source: Fitch Ratings

### 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 stable NAVs 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 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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