

Local Government Investment Pools: 3Q20

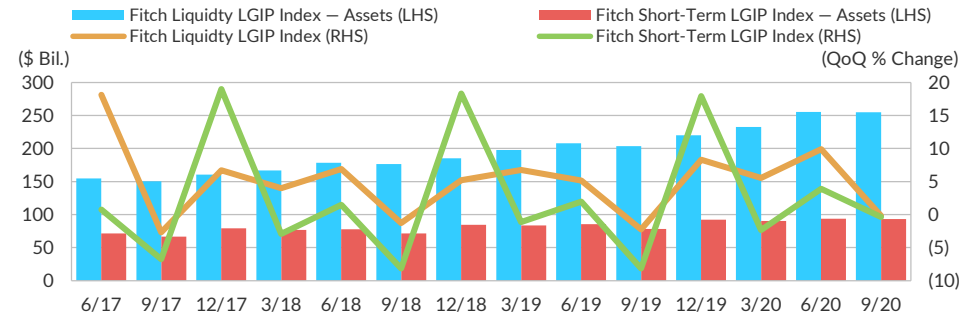
Seasonal Drop in Assets Muted this Year: Fitch Ratings' two local government investment pool (LGIP) indices experienced asset declines during the third quarter (3Q20), in line with the usual seasonal slowdown in tax collections during the summer months. However, the decline in assets was relatively muted in 3Q20 compared to the third quarter in prior years, possibly attributable to the funding provided by the CARES Act and an increase in municipal debt issuances. Over the past three years, the average third-quarter decline in assets was approximately 3.8% for both indices combined, materially larger than the 0.2% decline in 3Q20.

Net Yields Push Lower: The downward trend in net yields continued through the third quarter, although at a slower pace than during the first half of the year. Both Fitch LGIP indices ended 3Q20 with the lowest average net yields since Fitch started compiling the data in 2016, as pool managers were forced to reinvest maturing securities at lower yields. The Fitch Liquidity LGIP Index ended the period with an average net yield of 0.16% (down from 2.09% in September 2019). The Fitch Short-Term LGIP Index ended the period with an average net yield of 0.88% (compared with 2.21% in September 2019).

To mitigate the downward trend in yields, managers continued investing slightly farther out the maturity curve. The weighted average maturity (WAM) of the Fitch Liquidity LGIP Index increased to 45 days (up one day from last quarter and still higher than money funds at 41 days) and the duration of the Fitch Short-Term LGIP Index ticked up higher to 1.29 years (up from 1.28 years at the end of 2Q20). Both metrics have increased in each of the past four quarters as yields have fallen.

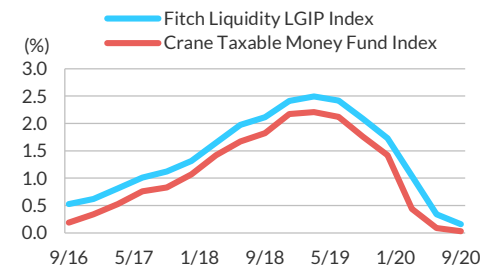
Managers Still Cautious Given Future Uncertainty: Thus far, Fitch-rated LGIPs have navigated through this economic downturn relatively unscathed, with no material unexpected redemptions or significant credit deterioration. However, given remaining economic and market uncertainty, LGIPs continue to maintain elevated levels of liquidity.

Total Assets



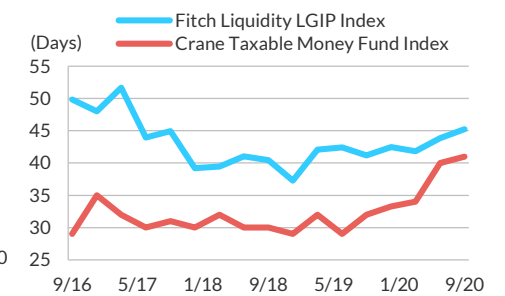
Source: Fitch Ratings.

Fitch Liquidity LGIP Index – Net Yield



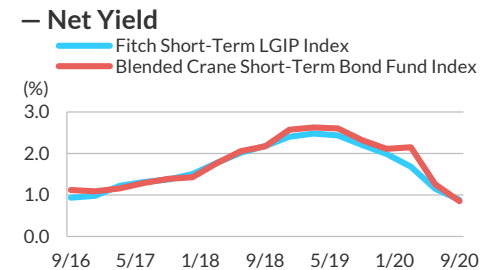
Note: Data reflect average 7-day net yields, or if not available, 30-day yields utilized.
Source: Fitch Ratings, Crane Data.

Fitch Liquidity LGIP Index – WAM



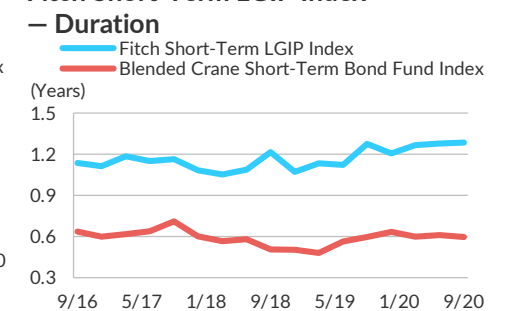
WAM – Weighted average maturity.
Source: Fitch Ratings, Crane Data.

Fitch Short-Term LGIP Index – Net Yield



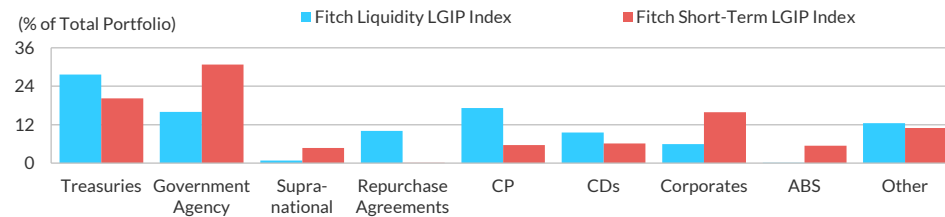
Note: Data reflect average 30-day net yields, or if not available, 7-day yields utilized.
Source: Fitch Ratings, Crane Data.

Fitch Short-Term LGIP Index – Duration



Source: Fitch Ratings, Crane Data.

LGIP Weighted Average Sector Allocation



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



Brian Jarmakowicz, CFA
+1 646 582-4586
brian.jarmakowicz@fitchratings.com



Greg Fayvilevich
+1 212 908-9151
greg.fayvilevich@fitchratings.com

Summary Statistics

(\$ Bil.)	September 2020	June 2020	QoQ % Change
Total Assets (Combining Both Indices [46 LGIPs])	348.3	349.1	(0.8)
Fitch Liquidity LGIP Index			
Total Assets	255.0	255.4	(0.4)
Average Fund Size	9.1	9.1	(0.0)
Average WAM (Days)	45	44	1.0
Crane Taxable Institutional Money Fund Average – WAM (Days)	41	40	1.0
Average Net Yield (%)	0.16	0.34	(0.18)
Crane Taxable Institutional Money Fund Average – Net Yield (%)	0.03	0.09	(0.06)
Fitch Short-Term LGIP Index			
Total Assets	93.3	93.7	(0.4)
Average Fund Size	5.2	5.2	0.0
Average Duration (Years)	1.29	1.28	0.01
Blended Crane Short-Term Bond Fund Index – Duration (Years)	0.60	0.61	(0.01)
Average Net Yield (%)	0.88	1.15	(0.27)
Blended Crane Short-Term Bond Fund Index – Net Yield (%)	0.85	1.26	(0.41)

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
Fitch Liquidity LGIP Index									
September 2020	27.7	16.0	0.8	10.1	17.2	9.6	6.0	0.1	12.5
June 2020	25.5	17.5	1.3	9.5	18.2	5.8	6.1	0.0	16.0
QoQ % Change	2.1	(1.5)	(0.5)	0.5	(1.0)	3.8	(0.0)	0.1	(3.5)
Fitch Short-Term LGIP Index									
September 2020	20.2	30.7	4.8	0.1	5.7	6.1	15.9	5.5	11.0
June 2020	20.5	27.7	4.5	0.2	6.4	6.1	15.8	6.1	12.5
QoQ % Change	(0.3)	3.1	0.3	(0.1)	(0.7)	(0.0)	0.1	(0.6)	(1.6)

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

	September 2020	June 2020	QoQ % Change
Liquidity LGIPs (28 LGIPs)			
Total Assets (\$ Bil.)			
Prime (24 LGIPs)	222.7	218.7	4.0
Government (4 LGIPs)	32.3	36.7	(4.4)
Rated (22 LGIPs)	144.5	147.2	(2.7)
Unrated (6 LGIPs)	100.5	108.2	(7.7)
Average WAM (Days)			
Prime (24 LGIPs)	46	45	1.0
Government (4 LGIPs)	41	40	1.0
Rated (22 LGIPs)	44	43	1.0
Unrated (6 LGIPs)	49	48	1.0
Average Net Yield (%)			
Prime (24 LGIPs)	0.18	0.39	(0.21)
Government (4 LGIPs)	0.09	0.22	(0.13)
Rated (22 LGIPs)	0.16	0.35	(0.19)
Unrated (6 LGIPs)	0.22	0.38	(0.16)
Short-Term LGIPs (18 LGIPs)			
Total Assets (\$ Bil.)			
Prime (18 LGIPs)	93.9	93.7	0.2
Rated (12 LGIPs)	42.2	42.1	0.1
Unrated (6 LGIPs)	51.1	51.6	(0.5)
Average Duration (Years)			
Prime (16 LGIPs)	1.29	1.28	0.01
Rated (10 LGIPs)	1.28	1.30	(0.02)
Unrated (6 LGIPs)	1.30	1.25	0.05
Average Net Yield (%)			
Prime (16 LGIPs)	0.88	1.15	(0.27)
Rated (10 LGIPs)	0.63	0.99	(0.36)
Unrated (6 LGIPs)	1.47	1.52	(0.05)

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 WA 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.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). 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 © 2020 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.