

MAGIC Portfolio Assigned 'AAAm' Principal Stability Fund Rating

September 1, 2023

ENGLEWOOD (S&P Global Ratings) Sept. 1, 2023--S&P Global Ratings today said it assigned its 'AAAm' principal stability fund rating (PSFR) to the Minnesota Association of Governments Investing for Counties (MAGIC Fund Portfolio). The PSFR reflects our view of the creditworthiness of the fund's investments and counterparties, its market price exposure, its investments' maturity structure, and management's ability to maintain the fund's net asset value, including the policies that it has implemented for this purpose. The 'AAAm' rating is the highest PSFR we assign and indicates an extremely strong capacity to maintain principal stability and to limit exposure to principal losses caused by credit risk. In our view, the fund achieves this through conservative investment practices and strict internal controls. We conduct surveillance on our PSFRs on a weekly basis.

In accordance with stated metrics for 'AAAm' PSFRs, we expect the fund will maintain a diversified portfolio of high-quality fixed-income investments with a portfolio maximum weighted average maturity (WAM) of 60 days and a maximum weighted average life (WAL) between 90 and 120 days. Based on our assessment, the fund maintained an average WAM and WAL of 25 days and 64 days, respectively, over the past 12 months. In our view, a portfolio's WAM is a key measure of a fund's sensitivity to rising interest rates.

The MAGIC Fund was established in 1990 as a joint powers entity in the form of a common law trust, organized and existing in conformity with the Minnesota Joint Powers Act (Minnesota Statutes, Section 471.59). We assign our 'AAAm' PSFR to the MAGIC Portfolio, which is the MAGIC Fund's liquidity portfolio (as defined by its information statement).

The MAGIC Portfolio is offered to counties and county instrumentalities of Minnesota, and all participants are voluntary. Net assets for the portfolio as of June 30, 2023, were approximately \$1.6 billion. U.S. Bank N.A. is the custodian.

The investment objective of the MAGIC Portfolio is to earn the highest income consistent with preserving principal and maintaining liquidity and to maintain a stable \$1.00 net asset value per share. In achieving its objective, the MAGIC Portfolio is able to invest in obligations of the U.S. government and its agencies, state and local obligations, commercial paper, repurchase agreements, money market mutual funds, and obligations of financial institutions, e.g., certificates of deposit and bankers' acceptances. Additionally, such securities are subject to certain minimum credit quality thresholds. Effective 'A-1+' credit quality for the portfolio at the time of our assessment was 55.7%.

The MAGIC Portfolio seeks to be compliant with Governmental Accounting Standards Board Statement No. 79. In accordance with these standards, the portfolio holds at least 10% of its assets in daily liquid assets and 30% in weekly liquid assets. Respective issuer concentrations,

PRIMARY CREDIT ANALYST

Marissa Zuccaro
Englewood
+ 1 (303) 721 4762
marissa.zuccaro
@spglobal.com

SECONDARY CONTACT

Michael Masih
New York
+ 1 (212) 438 1642
michael.masih
@spglobal.com

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outside of government securities, are no more than 5%. The net asset value in the portfolio is calculated daily.

PFM Asset Management LLC (PFMAM), a subsidiary of U.S. Bancorp Asset Management Inc. based in Harrisburg, Pa., is the investment adviser and administrator for the fund. PFMAM currently manages 18 S&P Global Ratings rated local government investment pools at the 'AAAm' level, including the MAGIC Portfolio. As of June 30, 2023, PFMAM's discretionary and nondiscretionary assets under management totaled US\$214.9 billion.

Related Criteria

- Criteria | Financial Institutions | Fixed-Income Funds: Principal Stability Fund Rating Methodology, June 23, 2016

Related Research

- 'AAAm' Local Government Investment Pool Trends (Second-Quarter 2023), July 27, 2023

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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