

RATING ACTION COMMENTARY

Fitch Assigns 'AAAf' Rating to the NCIP Term Portfolio

Fri 18 Jul, 2025 - 3:56 PM ET

Fitch Ratings - New York - 18 Jul 2025: Fitch Ratings has assigned a 'AAAf' International Fund Credit Quality Rating (FCQR) to the NCIP Term Portfolio managed by PFM Asset Management (PFMAM), a division of U.S. Bancorp Asset Management, Inc. (USBAM).

The NCIP Term Portfolio is a series of fixed-rate, fixed-term portfolios with a maximum maturity of one year for underlying holdings. The NCIP Term Portfolio is designed to match the cash flow requirements of investors with the cash flows from the portfolio.

The NCIP Term Portfolio is part of the North Carolina Investment Pool, which is a commingled local government investment pool established to invest excess funds of its participants in various short-term investments, in accordance with North Carolina general statutes.

The NCIP Term Portfolio is a variable net asset value (NAV) vehicle; however, Fitch's FCQR does not speak to the volatility of the NAV. The FCQR reflects the overall credit profile and vulnerability to losses from defaults. The initial series of the NCIP Term Portfolio is expected to launch on July 21, 2025. Fitch used a representative model portfolio from PFMAM for the analysis and considered the investment policy and applicable North Carolina statutes.

KEY RATING DRIVERS

The rating reflects Fitch's review of the NCIP Term model portfolio, investment and credit guidelines, expected credit quality and diversification, and PFMAM's asset management

We use cookies to deliver our online services, to understand how they are used and for advertising purposes. Details of the cookies we use and instructions on how to disable them are set out in our Privacy Policy.

The model portfolio's weighted average rating factor (WARF) primarily drives the FCQR. The WARF reflects the credit ratings and remaining term to maturity of the securities, weighted by market value. The model portfolio's 0.14 WARF falls below 0.3, corresponding to a 'AAAF' WARF-implied FCQR.

Each series of the NCIP Term Portfolio can invest exclusively in securities consistent with permitted investments, including obligations of the U.S. government and its agencies and instrumentalities, bankers' acceptances, repurchase agreements collateralized by U.S. government and agency obligations, commercial paper and collateralized or FDIC insured bank deposits or certificates of deposit.

The primary objective of the NCIP Term Portfolio is to produce the highest earnings consistent with maintaining principal at maturity and meeting the redemption schedule.

Maturity Profile

Each series of the NCIP Term Portfolio offers fixed rate investment options ranging from 60 days to a maximum of one year. Multiple series of the NCIP Term Portfolio are created with staggered maturity dates and series-specific termination dates. The maximum term of a series is two years.

Each series of the NCIP Term Portfolio seeks to assure the return of principal on the planned maturity date, although principal value may fluctuate prior to that date, and therefore may be greater or less than \$1.00 a share.

Participant Profile

NCIP Term Portfolio is offered exclusively to North Carolina public entities.

Stress Tests

Fitch conducted stress tests as outlined in its "Bond Fund Rating Criteria," including concentration and market-based stresses, to test the sensitivity of the pool's rating against potential changes in the portfolio's credit quality. There was no material deterioration in the WARF of the model portfolio because of these stressed scenarios, supporting Fitch's

We use cookies to deliver our online services, to understand how they are used and for advertising purposes. Details of the cookies we use and instructions on how to disable them are set out in our Privacy Policy.

Fitch conducted additional stress tests beyond those outlined in its criteria to test the portfolio's WARF resiliency, including a hypothetical two-notch downgrade of all portfolio securities that are rated two categories or more below the non-stressed WARF, 'AAAF'. This specific test did have an impact to the WARF, but Fitch believes the breach within this stress test does not negatively impact the rating because the agency deems this level of negative migration to be unlikely given the active management of the fund and the downgraded issuers' are all assigned Stable Rating Outlooks as of the analysis.

Portfolio Composition

As of the initial analysis, 90% of the NCIP Term model portfolio was invested in and commercial paper and the remaining was invested in U.S. Treasuries and U.S. Government Agency securities. The model portfolio did not utilize any leverage as of the review date.

Derivatives

The NCIP Term Portfolio is not permitted to use derivatives for hedging or speculative purposes.

Surveillance

Fitch expects to receive monthly fund portfolio holdings information including credit quality, market value, and duration of the individual securities to conduct surveillance against Fitch's criteria.

INVESTMENT MANAGER

The portfolio is managed by PFMAM, a division of U.S. Bancorp Asset Management, Inc. PFMAM specializes in creating investment strategies and managing funds for public sector, not-for-profit and other institutional clients.

U.S. Bancorp Asset Management, Inc. is registered with the SEC under the Investment Advisers Act of 1940. As of March 31, 2025, the combined assets (including PFMAM) under administration of U.S. Bancorp Asset Management, Inc. totaled \$456.5 billion. This includes over \$399.7 billion of discretionary assets under management and \$56.8 billion of non-

We use cookies to deliver our online services, to understand how they are used and for advertising purposes. Details of the cookies we use and instructions on how to disable them are set out in our Privacy Policy.

the assigned ratings and investment strategy.

RATING SENSITIVITIES

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

--A material decrease in portfolio credit quality and/or a material increase in portfolio duration could result in the series' WARFs to exceed 0.30, which could result in the FCQR being lowered. However, Fitch perceives this as unlikely in the near term absent significant credit migration, or a change in the fund's investment strategy.

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

--A positive rating action is not applicable as the assigned rating is the highest rating outcome under Fitch's "Bond Fund Ratings Criteria".

SOURCES OF INFORMATION

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		
NCIP Term Portfolio	Fund Cr Qual Rtg	AAAf	New Rating

PREVIOUS

Page1of 1

10 rows

NEXT

VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

We use cookies to deliver our online services, to understand how they are used and for advertising purposes. Details of the cookies we use and instructions on how to disable them are set out in our Privacy Policy.

ADDITIONAL DISCLOSURES

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

NCIP Term Portfolio

-

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating s

[READ MORE](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.



We use cookies to deliver our online services, to understand how they are used and for advertising purposes. Details of the cookies we use and instructions on how to disable them are set out in our [Privacy Policy](#).