**Principal Stability Fund Ratings Definitions**

**AAAm** A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings. It is vulnerable to small degree.

**AA** A fund rated 'AA' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

**Am** A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories.

**BBBm** A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

**BBB** A fund rated 'BBB' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**Bm** A fund rated 'Bm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

**Plus (+) or Minus (-)** The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

**Rationale**
S&P Global rates Pennsylvania INVEST Daily Pool 'AAAm', the highest principal stability pool rating. This rating is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating signifies our forward-looking opinion about a fixed-income fund's ability to maintain principal value (i.e., stable net asset value, or 'NAV'). While the Pennsylvania INVEST pools (Pennsylvania INVEST Daily and Pennsylvania INVEST Community) are not required to be registered investment companies under the Investment Company Act of 1940, their investment policies are similar to those established by Rule 2a-7, which governs registered money-market funds.

**Overview**
The Pennsylvania INVEST program offers two separate investment pools that were created to provide safe, liquid, and convenient investment alternatives for local governments and non-profits in Pennsylvania. Both Pennsylvania INVEST Daily and Pennsylvania INVEST Community are AAAm rated by S&P Global, the highest rating available for pools of this type, and are invested using identical investment objectives. The primary investment objective of the INVEST pools is to preserve maximum security and liquidity for local governments and non-profits located in Pennsylvania and still provide a competitive rate of return.

**Management**
The INVEST pools are managed by the Pennsylvania Treasury. The management of the pools is based on the principles of prudent investment and applicable Pennsylvania law. The Pennsylvania Treasury applies its investment guidelines for acceptable investment alternatives, and complies with laws regulating the investment authority of local governmental units. The Pennsylvania Treasury Department has added PNC Bank as a consultant to assist in credit analysis and risk management.

**Portfolio Assets**
The investment objective of the INVEST pool is to generate a competitive return yet preserve principal and maintain sufficient liquidity to meet daily requirements. In pursuit of its objectives, the pools invest in high quality, short-term securities denominated in U.S. dollars. Their investments generally consist of: 1) direct obligations issued by, or obligations that are fully guaranteed as to principal and interest by, the U.S. government, its agencies or instrumentalities; 2) certificates of deposit (CDs); 3) commercial paper with 'A-1+' ratings (CP); and 4) other money market funds with 'A-1+' ratings (MMF). The INVEST pools are managed to a weighted average maturity to reset (WAM(R)) not to exceed 60 days. From April, 2018 to September 2018, the WAM(R) for the Pennsylvania INVEST Daily Pool averaged 52 days.
Principal Stability Rating Approach and Criteria

A S&P Global Ratings principal stability fund rating, also known as a "money market fund rating," is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, S&P Global Ratings analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and investments' maturity structure and management's ability and counterparties, and also its creditworthiness of the fund's principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter maturity and higher quality investments.

Principal stability fund ratings, or money market fund ratings, are identified by the "m" suffix (e.g., "AAAm") to distinguish the principal stability rating from a S&P Global Ratings traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects S&P Global Ratings view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

Principal stability fund ratings, or money market fund ratings, are assigned to domestic money market funds and to certain foreign funds that primarily invest in U.S. dollar denominated instruments.

**Approach and Criteria**

**Principal Stability Rating**

S&P Global Ratings' principal stability ratings are money market fund ratings that reflect a rating agency's opinion on a fund's ability to maintain stable net asset value (NAV). These ratings are based on the fund's ability to maintain stable NAV during periods of high market stress, including the ability to meet redemptions in cash or to avoid significant cash outflows.

**Ratings Analysis**

S&P Global Ratings' principal stability ratings are based on an analysis of the fund's investment portfolio, management structure, and other factors that affect the fund's ability to maintain stable NAV. The ratings take into account the fund's investment strategy, the credit quality of its holdings, and the fund's ability to manage cash flows.

**Rating Criteria**

The principal stability ratings are assigned based on the following criteria:

- **Credit Quality:** The quality of the fund's holdings and the fund's ability to maintain stable NAV during periods of high market stress.
- **Investment Strategy:** The fund's investment strategy and its ability to manage cash flows.
- **Management Structure:** The fund's management structure and its ability to maintain stable NAV during periods of high market stress.

**Rating Levels**

S&P Global Ratings' principal stability ratings range from AAA to NR (not rated).

**AAAm**

The highest level of principal stability, indicating a strong ability to maintain stable NAV during periods of high market stress.

**AAm**

A strong ability to maintain stable NAV during periods of high market stress.

**Aa**

A good ability to maintain stable NAV during periods of high market stress.

**A**

An ability to maintain stable NAV during periods of high market stress.

**B**

A marginal ability to maintain stable NAV during periods of high market stress.

**C**

A weak ability to maintain stable NAV during periods of high market stress.

**D**

A poor ability to maintain stable NAV during periods of high market stress.

**NR**

Not rated.

**References**


**Additional Information**

For more information on S&P Global Ratings' money market fund ratings, visit www.standardandpoors.com/ratingsdirect or contact your S&P Global Ratings representative.