

Fitch Affirms 2 CCLA Money Market Funds at 'AAAmmf'

Fitch Ratings-London-11 November 2020:

Fitch Ratings has affirmed CCLA's COIF Charities Deposit Fund and The Public Sector Deposit Fund at Money Market Fund Ratings of 'AAAmmf'. The funds are managed by CCLA Investment Management Limited (CCLA) and CCLA Fund Managers Limited, respectively.

KEY RATING DRIVERS

The affirmation of the Money Market Fund (MMF) Ratings is driven by the funds' high credit quality and diversification, high levels of daily and weekly liquid assets and low exposure to interest-rate and spread risks. The ratings also reflect the capabilities and resources of CCLA Investment Management Limited and CCLA Fund Managers Limited as investment managers.

CREDIT RISK

The funds' Portfolio Credit Factor (PCF), which is a risk-weighted measure that considers the credit quality and maturity profile of the portfolios' securities, met Fitch's 'AAAmmf' rating criterion of 1.5 or less throughout the review period from mid-October 2019 to end-August 2020.

LIQUIDITY RISK

The funds had at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity, consistent with the 'AAAmmf' rating range, throughout the review period.

MATURITY RISK

The funds' weighted average maturity (WAM) and weighted average life (WAL) were below 60 days and 120 days (the 'AAAmmf' rating range), respectively, throughout the review period.

FUND PROFILE

COIF Charities Deposit Fund is a common deposit fund, governed by the Charities Act 2011 (as amended) and authorised by the Charity Commission. It is managed as an alternative investment fund and falls under the alternative investment fund managers directive (AIFMD) legislation as

defined in the scheme particulars. The fund is authorised and supervised in the UK by the Financial Conduct Authority as a short-term low volatility net asset value MMF as defined in EU Money Market Fund Regulation 2017/1131.

The Public Sector Deposit Fund is a sub-fund of the umbrella fund, CCLA Public Sector Investment Fund, which is an open-ended investment company that falls under the UCITS directive. The fund is authorised and supervised in the UK by the Financial Conduct Authority as a low volatility net asset value MMF as defined in Regulation (EU) Money Market Fund 2017/1131.

Fitch considers the legal and regulatory framework of the funds satisfactory.

INVESTMENT MANAGER

The Public Sector Deposit Fund is managed by CCLA, and the COIF Charities Deposit Fund by CCLA Fund Managers Limited, a wholly owned subsidiary of CCLA.

CCLA is owned by The CBF Church of England Investment Fund, The COIF Charities Investment Fund, The Local Authorities Mutual Investment Trust, as well as current and former employees. CCLA had GBP9.8 billion assets under management as of end-March 2020, including 26% in short-term cash products. Although the parent company is not rated, Fitch considers CCLA, competent and capable of managing the rated funds given the manager's financial position, established investment and operational processes and long record in managing cash and liquidity products.

RATING SENSITIVITIES

In light of the COVID-19 outbreak, Fitch is assessing all ratings under its baseline and downside risk scenarios anchored in its macro-economic forecasts. In the case of MMFs, Fitch's stress tests assess sensitivity to assumed rating downgrades and redemptions. Fitch's liquidity baseline stress test scenario assumes daily outflow of 10%. Fitch's liquidity downside stress scenario additionally assumes overall weekly outflow of 40%. On the credit side, Fitch's baseline stress test scenario assumes all securities on Fitch Rating Watch Negative are downgraded by one notch. Fitch's credit downside stress scenario assumes all securities on Fitch Rating Outlook Negative and on Fitch Rating Watch Negative are downgraded by one notch. Post-stressed long-term ratings are mapped to short-term ratings under our MMF Criteria to assess the impact on PCF. Consistent with standard practice across all rating groups, (see: Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases - Update, dated 8 September 2020), Fitch orients its rating analysis to the baseline scenario and found the ratings are robust under the baseline stress cases. For COIF Charities Deposit Fund, the credit downside scenario shows a limited exposure to securities that could

potentially be downgraded to 'F2'. While 'F2' securities are not eligible at the 'AAAmmf' rating level, Fitch believes that the fund would be able to adjust its portfolio holdings swiftly, given its limited exposure to such securities and their short maturities. The fund saw its stressed PCF increase by 15bp to 1.53, above Fitch's 'AAAmmf' rating criterion of 1.5 or less. For The Public Sector Deposit Fund, the credit downside scenario shows some exposure to securities that could potentially be downgraded to 'F2'. While 'F2' securities are not eligible at the 'AAAmmf' rating level, Fitch believes that the fund would be able to adjust its portfolio holdings swiftly, given its small exposure to such securities and their short maturities. The fund saw its stressed PCF increase by 28bp to 1.5, which is at Fitch's 'AAAmmf' rating criterion of 1.5 or less. -Factors that could, individually or collectively, lead to positive rating action/upgrade: The ratings are at the highest on Fitch's scale and therefore cannot be upgraded. -Factors that could, individually or collectively, lead to negative rating action/downgrade: The ratings may be sensitive to material adverse changes in the credit quality, market risk or liquidity profile of the funds. A material adverse and continued deviation from Fitch guidelines for any key rating drivers could cause the ratings to be downgraded.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

CCLA - COIF Charities Deposit Fund; Money Market Fund Rating; Affirmed; AAAmmf
CCLA Public Sector Investment Fund - The Public Sector Deposit Fund; Money Market Fund Rating; Affirmed; AAAmmf

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Applicable Criteria

[Money Market Fund Rating Criteria \(pub. 23 Apr 2020\)](#)

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