FitchRatings

RATING ACTION COMMENTARY

Fitch Assigns NPAIT Term Series II 'AAAf' Rating

Fri 22 Aug, 2025 - 4:27 PM ET

Fitch Ratings - New York - 22 Aug 2025: Fitch Ratings has assigned a 'AAAf' International Fund Credit Quality Rating (FCQR) to NPAIT Term Series II. The fund is managed by PMA Asset Management, LLC (PMA) which, along with its affiliate Public Trust Advisors, LLC, is collectively known as PTMA Investment Advisors (PTMA).

The NPAIT Term Series II is part of the Nebraska Public Agency Investment Trust (NPAIT), a complete financial management resource available to Nebraska local governments. Estbalished in 1996, NPAIT is a collective effort of Nebraska public entities to invest funds jointly through a safe, efficient investment program.

The NPAIT Term Series II is a variable net asset value (NAV) vehicle. However, Fitch's FCQR does not reflect the NAV volatility, but instead reflects the overall credit profile and vulnerability to losses from defaults. The first NPAIT Term Series II portfolio is expected to launch during the week of Aug. 25, 2025. Fitch used a representative model portfolio from PMA for the analysis and considered the investment policy and applicable Nebraska statutes.

KEY RATING DRIVERS

The rating reflects Fitch's review of the NPAIT Term Series II model portfolio, investment and credit guidelines, expected credit quality and diversification, and PMA's asset management capabilities. The 'AAAf' FCQR indicates the highest underlying credit quality (or lowest vulnerability to default). FCQRs do not address the probability of extraordinary liquidity management measures or the fund's redemption risk. Consistent with ratings

The main driver of the FCQR is the model portfolio's weighted average rating factor (WARF), which depends on the credit ratings of the securities and their remaining term to maturity, weighted by market value. The model portfolio's WARF of 0.08 falls below 0.3, corresponding to a WARF-implied FCQR of 'AAAf'.

Each series of the NPAIT Term Series II follows the general investment objective of NPAIT, which is to provide a high yield while maintaining liquidity and preserving capital by investing only in instruments permitted by Nebraska law. Permitted investments include obligations of the U.S. government and its agencies, direct obligations of the state, its agencies, and instrumentalities, and commercial paper with a maturity less than 270 days and rated in the highest quality category by at least two nationally recognized rating agencies.

The NPAIT Term Series II is not permitted to borrow money or incur indebtedness.

Maturity Profile

The NPAIT Term Series II consists of fixed-rate, fixed-term portfolios each with a maximum maturity term of two years. Participants can invest on pre-determined dates for terms ranging from 60 days to 397 days. Upon investment, participants select a redemption date with a projected net dividend rate specific to the date of investment and the planned redemption date.

After the launch of the initial NPAIT Term Series II portfolio, additional NPAIT Term Series II portfolios with successive maturity dates are expected. Each portfolio seeks to ensure the return of principal on each planned redemption date. However, the principal value may fluctuate before that date, with the value being greater or less than $1.00 per share.

Participant Profile

NPAIT, including NPAIT Term Series II, is an investment opportunity open to Nebraska public agencies including counties, cities, school districts, community colleges, natural resource districts, public utilities, mental health regions, irrigation districts, and other political subdivisions.

rating against potential changes in the portfolio's credit quality. There was no material deterioration in the WARF of the model portfolio in these stressed scenarios, supporting Fitch's view that the model portfolio's credit quality is consistent with criteria guidelines at the assigned rating level.

Fitch conducted additional stress tests beyond those outlined in its criteria to test the portfolio's WARF resiliency, applying greater credit risk factors to the portfolio holdings. These tests included a hypothetical two-notch downgrade of all portfolio securities that are rated two categories or more below the non-stressed WARF, 'AAAf' and extending the model portfolio's duration closer to the policy limit permitted. There was no material deterioration in the WARF across these scenarios, supporting Fitch's view that the model portfolio's credit quality meets the criteria guidelines for the assigned rating level.

Portfolio Composition

As of the initial analysis, half of the market value of the NPAIT Term Series II's model portfolio was allocated to U.S. Treasuries, with the remaining invested in commercial paper.

Derivatives

The NPAIT Term Series II 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 PMA Asset Management, LLC. On March 19, 2025, it was announced that Public Trust Advisors, LLC and the PMA Companies have combined to create an integrated financial services firm, PTMA Financial Solutions.

the interim. As of June 30, 2025, PTMA Financial Solutions had over $155 billion assets under administration. Total assets under administration include both money market pool assets for which the firm serves as fund administrator/accountant, marketer/distributer, fixed-income program provider (brokerage services), and/or investment advisory, or separate institutional accounts.

Fitch views the investment management capabilities, resource commitment, operational controls, compliance, and oversight processes of the investment advisor, PMA, as appropriate for the assigned rating 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 sources of information used to assess this rating were the public domain and the investment advisor.

RATING ACTIONS

ENTITY / DEBT	RATING

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Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Bond Fund Rating Criteria (pub. 13 Jun 2025)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

NPAIT Term Series II	-

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