

## **RATING ACTION COMMENTARY**

# **Fitch Assigns WISC Term Series II 'AAAF' Rating**

Wed 13 Aug, 2025 - 4:07 PM ET

Fitch Ratings - New York - 13 Aug 2025: Fitch Ratings has assigned a 'AAAF' International Fund Credit Quality Rating (FCQR) to WISC 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 WISC Term Series II is part of the Wisconsin Investment Series Cooperative (WISC), an investment vehicle created in 1988 for Wisconsin municipalities to invest their respective available funds to enhance their investment opportunities pursuant to an investment program conducted in accordance with Wisconsin law. WISC is governed by a commission of representatives from participating entities that has the full power, control, and authority over the affairs, investments, and assets of the pools.

The WISC 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 WISC Term Series II portfolio is expected to launch on August 18, 2025. Fitch used a representative model portfolio from PMA for the analysis and considered the investment policy and applicable Wisconsin statutes.

## **KEY RATING DRIVERS**

The rating reflects Fitch's review of the WISC 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

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## Portfolio Credit Quality

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 0.12 falls below 0.3, corresponding to a WARF-implied FCQR of 'AAAf'.

Each series of the WISC Term Series II follows the general investment objective of WISC, which is to invest only in instruments authorized by Wisconsin law governing the temporary investment of funds by municipalities and to provide a competitive yield for its participants while maintaining liquidity and preserve capital. Permitted investments include obligations of the U.S. government and its agencies and instrumentalities, bonds or securities of any county, city, drainage district, technical college district, village, town or school district of Wisconsin, and CP and other corporate obligations rated at the time of purchase within one of the two highest classifications established by a nationally recognized rating agency.

The WISC Term Series II is not permitted to borrow money or incur indebtedness except for in limited and specific circumstances, and in such cases the borrowing period must not exceed one business day.

## Maturity Profile

The WISC 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 WISC Term Series II portfolio, additional WISC 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

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## 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 WISC Term Series II 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, 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, 78% of the market value of the WISC Term Series II's model portfolio was allocated to CP and 22% was invested in certificates of deposit.

## Derivatives

The WISC 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 investment manager is Fidelity Investments Management Company, LLC ("Fidelity").

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Public Trust Advisors, LLC, PMA Financial Network, LLC, PMA Securities, LLC and PMA Asset Management, LLC (collectively PTMA Financial Solutions) are under common ownership. Public Trust Advisors, LLC and PMA Asset Management, LLC are both SEC-registered investment advisers and continue to operate as individual investment advisers in the interim. As of June 30, 2025, the combined firm 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/distributor, 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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Fund Cr Qual Rtg	AAAf	New Rating
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**NEXT**

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

## Bond Fund Rating Criteria (pub. 13 Jun 2025)

## Endorsement Policy

## Wisconsin Investment Series Cooperative - WISC Term Series II

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