

Municipal Credit > Investment Grade



Texas Permanent School Fund (PSF), TX Revenue Bonds

Updated: Oct 31, 2015

Trade Idea:

- ▶ Buy Texas Permanent School Fund (PSF) revenue bonds.
- ▶ This is a name specific recommendation. The fund provides solid carry with little downside risk.

Investment Rationale:

- ▶ **Security:** The fund guarantees the debt of qualifying school districts. Texas school districts may be eligible to participate in the fund if their rating is below AAA, the district is accredited by the state, and the district's application is approved by the Commissioner of Education.
- ▶ Large high-quality and liquid asset pool.
- ▶ Strong legal provisions limit the maximum amount of debt that can be backed by the fund.
- ▶ The fund's assets increased by \$4.3 billion to \$35 billion in FY14.
- ▶ The fund's leverage is low. The ratio of guaranteed debt to the fair market value of the fund was 1.52:1 in FY14.

Recommendation(s):

View	Trade Horizon	Credit	Moody's/S&P /Fitch Ratings	Internal Rating	Cusip	Maturity	Par Amount of Selected Maturity	Last Trade to AAA Curve	Next Expected Issuance
Buy	12 Months	Texas Permanent School Fund (PSF), TX Revenue Bonds	Aaa/AAA/AAA	AAA/Stable	704879Z81	2/15/2028	\$14 million	+20	Ongoing