

Portfolio Breakdown

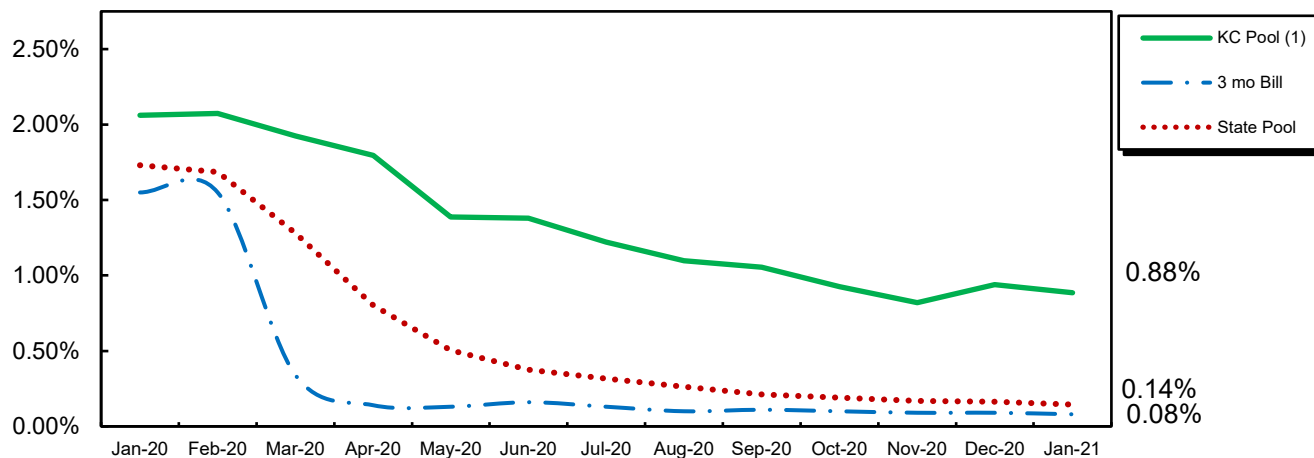
The following is a breakdown of the Investment Pool holdings for January 2021

	Average (\$000)	% of Portfolio
Governmental Agencies	4,570,083	59.8%
Commercial Paper	404,528	5.3%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Corporate Notes	444,956	5.8%
U.S. Agency Mortgage-backed Securities	2,303	0.0%
Repurchase Agreements (Repos)	128,968	1.7%
Treasury Securities	1,086,817	14.2%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	1,007,119	13.2%
Reverse Repurchase Agreements	-	0.0%
Total	\$7,644,773	100%

*Average Pool Effective Duration: 1.15 Years

*Duration is a better measure of interest rate sensitivity than average portfolio maturity.

Investment Pool Performance (before Pool fees)



(1) King County pool distribution rate has not been adjusted for realized losses (or recoveries) from impaired commercial paper investments.

Pool Net Asset Fair Value on January 31, 2021

Net Assets ⁽²⁾	\$7,688,114,951.83
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$7,628,575,682.33
Undistributed and unrealized gains(losses)	\$59,539,269.50
Net Assets	\$7,688,114,951.83
Net asset value at fair value price per share ($\$7,688,114,951.83$ divided by $7,628,575,682.33$ units)	<u>\$1.0078</u>

(2) Excludes impaired assets that have been separated into a separate pool.

Investment Pool Comments:

Asset Allocation: The average dollars allocated to all security sectors declined during January. The pool's allocation to highly-rated U.S. Treasuries and government agencies represented 74% of the pool's investments.

Pool Asset Size & Return: At month-end, the pool's net assets were valued at \$7.7 billion, which was \$369 million lower than the prior month's ending balance. This outflow was related to normal expenses like payrolls and to distributions of collected taxes to the State of Washington and to King County cities. Debt service payments are also high in the month of January, and this year was no different, with pool members paying out \$137 million to bond holders.

The pool's distribution yield was 0.88%, which was down 6 basis points from the rate paid in December. Given the very low interest rate environment, we still expect the pool's yield will continue to trend lower for the foreseeable future.

Market Value & Duration: Interest rates in the 5-year area were up by 6 basis points, while rates were 1 to 3 basis points lower from December's levels. The pool's unrealized gain was \$60 million, which was lower by \$4 million from December's level. The pool's duration ended the month at 1.15 years, which was down from 1.20 years in the prior month.

We remain committed to sharing information with pool members, so if you have any questions, email us at investment.pool@kingcounty.gov

**Impaired Pool Holdings Report
1/31/2021**

Commercial Paper Issuer	Status	Current Book Value	Estimated Fair Value	Fair Value Adjustment
VFNC Trust/Victoria Finance(1)	Restructured	3,625,155.44	2,265,933.00	1,359,222.44
Total		3,625,155.44	2,265,933.00	1,359,222.44

Fair Value Ratio	0.6251
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(1) Victoria Finance's restructuring was completed during September 2009. The name of the restructured entity is VFNC Trust, and the new entity will continue to make monthly principal and interest payments. The *Estimated Fair Value* amount is based on market prices of the underlying securities that are held by VFNC Trust. These prices are provided by the Collateral Agent and the County expects to recover more than this estimated price by receiving regular monthly payments over the coming years.

Impaired Pool Comments:

The majority of the amount remaining in the impaired pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. The monthly distribution for January totaled \$47,649.89. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 93%. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay, and we expect the monthly distributions to continue for at least 5 to 10 years.

We do not foresee distributing any realized losses until it is apparent that no further cash flows will be forthcoming. The market for this type of asset is illiquid and accurate pricing is difficult to obtain. Adding the cash recoveries to the last estimated price as of the end of January \$40.3 for the VFNC Trust security results in an estimated recovery rate to senior investors of about 97%. However, the actual recovery rate will depend on the size and duration of the future monthly cash distributions from VFNC Trust. At the time of Victoria's restructuring the County's financial advisory estimated that by participating in the exchange offer that the overall recovery rate could be between 50 to 76 percent, and potentially higher. When we determine that no further payments are probable from the impaired securities, any remaining unrealized losses will be distributed.

The County settled all lawsuits involving the securities held in the impaired pool, and all the parties involved in these lawsuits have reached a mutually acceptable resolution by way of a negotiated settlement that will avoid protracted litigation, there was no admission of liability, and all sides are satisfied with this resolution.

The King County Executive Finance Committee approved bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct pool from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; and (3) ease the implementation of the restructuring processes for the impaired investments.