

Portfolio Breakdown

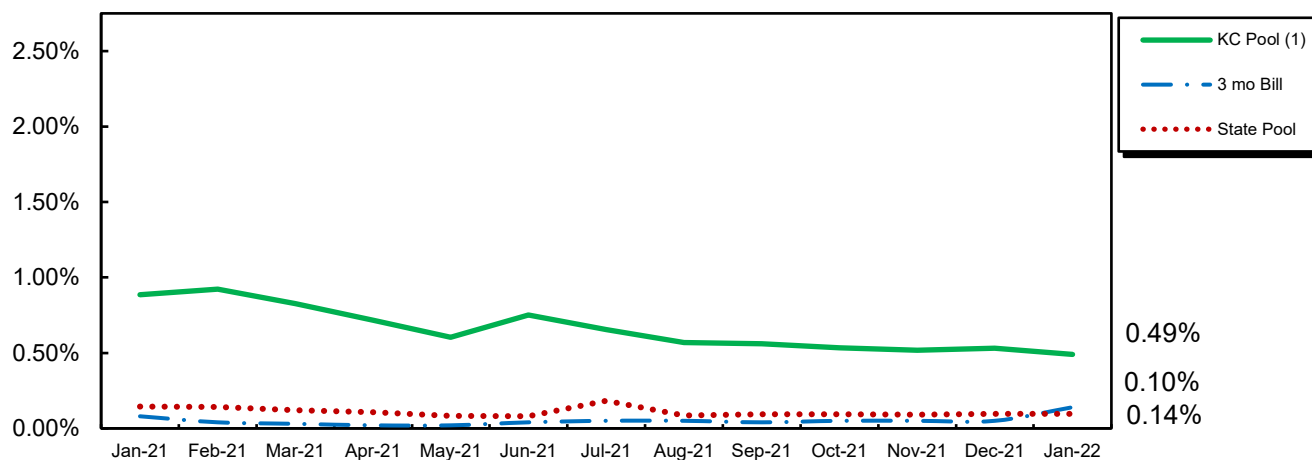
The following is a breakdown of the Investment Pool holdings for January 2022

	Average (\$000)	% of Portfolio
Governmental Agencies	4,015,210	47.9%
Commercial Paper	658,141	7.9%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Corporate Notes	263,197	3.1%
U.S. Agency Mortgage-backed Securities	1,823	0.0%
Repurchase Agreements (Repos)	120,839	1.4%
Treasury Securities	2,491,138	29.7%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	832,834	9.9%
Reverse Repurchase Agreements	-	0.0%
Total	\$8,383,182	100%

*Average Pool Effective Duration: 1.21 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, 2022

Net Assets ⁽²⁾	\$8,148,206,831.49
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$8,202,104,209.05
Undistributed and unrealized gains(losses)	(\$53,897,377.56)
Net Assets	\$8,148,206,831.49
Net asset value at fair value price per share ($\$8,148,206,831.49$ divided by $\$8,202,104,209.05$ units)	\$0.9934

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

Investment Pool Comments:

Asset Allocation: The average dollars allocated to repurchase agreements and corporate notes increased very slightly during the month, while the amount allocated to the LGIP, Treasury securities, commercial paper, and government agencies decreased. The pool's allocation to highly-rated U.S. Treasuries and government agencies represented 78% of the pool's investments.

Pool Asset Size & Return: The pool's investment and cash balances decreased by over 300 million from the prior month. Pool balance typically declines in January because of large debt service payments and other normal outflows like payrolls. The pool's distribution yield was 0.49%, which was down 4 basis points from the rate paid in December. While overnight rates are still extremely low, the market expects that the Fed will have to tighten monetary conditions at its March 16 meeting. It is expected that they will move their target rate up at least 25 basis points, and perhaps as much as 50 basis points. Higher interest rates should stabilize the pool's yield and help the yield to increase as we get further into 2022.

Market Value & Duration: Interest rates in the 6-month to 5-year area increased by 28 to 44 basis points, while 3-month rates moved up by 15 basis points. The pool's unrealized loss grew from \$19.5 million to \$53.9 million by the end of January. The large rise in interest rates caused the unrealized loss to increase. The pool's duration ended the month at 1.21 years, which was down from 1.24 years.

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
1/31/2022**

Commercial Paper Issuer	Status	Current Book Value	Estimated Fair Value	Fair Value Adjustment
VFNC Trust/Victoria Finance(1)	Restructured	3,053,793.10	1,927,283.57	1,126,509.53
Total		3,053,793.10	1,927,283.57	1,126,509.53

Fair Value Ratio	0.6311
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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 \$58,419.89. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 94%. 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 January's estimated price of \$38.113 for the VFNC Trust security, results in an estimated recovery rate to senior investors of about 98%. 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.