King County Investment Pool

Portfolio Review

Quarter Ended March 31, 2020

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Executive Summary

Purpose, Scope and Approach	• PFM Asset Management LLC ("PFM") prepared this report to update our ongoing analysis and to address any Investment Pool developments since our December 2019 review. Our approach included a detailed portfolio analysis and Investment Policy Compliance review, based on the County's Investment Policy, dated July 26, 2017. • Our analysis was based on the Investment Pool's holdings as of March 31, 2020, with reference to holdings in past periods. • The review encompasses all current investments in the County's Investment Pool.
Investment Program and Portfolio Review	• PFM reviewed the County's portfolio with respect to Investment Policy Compliance, Sector Allocation, Issuer Concentration, Credit Quality, Maturity Distribution, and Duration Distribution. • The County's Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality. All holdings are investment grade and pose very low risk to principal.
Market Recap	• Although the U.S. economy entered the year on strong footing, conditions deteriorated quickly as the COVID-19 pandemic took hold across the globe, including within the U.S. This created a threefold crisis: (1) a global health crisis, (2) an economic shutdown in the U.S. and elsewhere, and (3) unprecedented moves in the financial markets. The immediate impact of the pandemic on global economies rendered typical economic indicators, most of which are backward-looking, essentially irrelevant. • The Federal Reserve responded aggressively by cutting rates at two emergency meetings to a new target range of 0% to 0.25% and initiated unlimited bond buying (quantitative easing) of various security types. • U.S. Treasury yields plunged in response to the Fed's new zero interest rate policy, with longer-term Treasury yields reaching new historic lows. In a move reminiscent of 2008, credit spreads spiked as investors grappled with unprecedented uncertainty. • Due to market disruption, ICE Data Services, the organization that oversees indices commonly used as fixed-income benchmarks, postponed the March 31, 2020, month-end rebalancing for all fixed-income indices. In doing so, ICE's goal was to alleviate the need for asset managers to execute forced trades in highly volatile markets just to stay in line with benchmarks. • U.S. equities experienced an historic decline entering bear market territory to then rally modestly at quarter-end. The abrupt stop in economic activity over coronavirus concerns has led companies to revise earnings guidance for the year. For the month of March, the S&P 500 fell 12.5%; the NASDAQ plunged 10.1%; and the Dow sank 13.7%.
Observations	• The portfolio is of very high credit quality. The majority of securities (86%) are explicitly guaranteed or carry a high level of support by the U.S. Government (U.S. Treasury, federal agency and U.S. instrumentalities) and/or possess overnight liquidity (Washington State LGIP, bank deposits, and repurchase agreements). • While the credit piece of the portfolio had a tilt to the financial sector, the County maintained broad issuer diversification during the quarter. • The Portfolio's duration over the quarter was 73% of the benchmark's duration. • The County Pool appears to provide adequate liquidity, with 18% (or $1.3 billion) invested in a combination of the State LGIP, bank deposits, and repurchase agreements (overnight) and 30% of the portfolio invested in U.S. Treasuries.

Investment Pool Portfolio Review

Portfolio Review

I. **Investment Policy Compliance**

II. **Sector Allocation**

- U.S. Treasuries
- Federal Agencies
- Supranational Agencies
- Commercial Paper
- Corporate Notes
- Repurchase Agreements
- LGIP and Cash Equivalents

III. **Issuer Concentration**

IV. **Overall Credit Quality**

V. **Maturity and Duration Distribution**

Investment Policy Compliance – Investment Policy Summary

- The Investment Policy summary is based on the current Investment Policy for the County Investment Pool, dated July 26, 2017.

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
U.S. Treasuries	100%	None	N/A	Up to 5 years
U.S. Agencies	100%	35% exposure to any single Agency	Senior debt obligations issued by any government sponsored enterprise, agency or instrumentality of the United States.	Up to 5 years
Repurchase Agreements – Top Tier Rating (A-1 or P1)	100%	100% for repurchase agreements with the Federal Reserve Bank of New York 25% maximum exposure to any one repo counterparty. For the purposes of aggregating issuers across sectors, overnight repo counterparties are not included.	The counterparty must have: 1. A rating in the highest short-term credit rating category by at least one Nationally Recognized Statistical Rating Organization (NRSRO) or possess a guarantee by an entity with such a rating; and 2. A minimum asset and capital size of $5 billion in assets and $175 million in capital	60 days or less
Repurchase Agreements – Second Tier Rating (A-2 or P-2)	10%	5% maximum exposure to any one repo counterparty. For the purposes of aggregating issuers across sectors, overnight repo counterparties shall NOT be included.	1. A rating in the second highest short-term credit rating category by at least one Nationally Recognized Statistical Rating Organization (NRSRO) or possesses a guarantee by an entity with such a rating; and 2. A minimum asset and capital size of $5 billion in assets and $175 million in capital	Overnight only
Reverse Repurchase Agreement	20%	5% per investment dealer	1. rated in the highest short-term credit rating category by at least one NRSRO or possesses a guarantee by an entity with such a rating; and 2. a minimum asset and capital size of $5 billion in assets and $175 million in capital	6 months or less
Local Government Investment Pool ("LGIP")	25%	State of Washington LGIP	N/A	N/A

Investment Policy Compliance – Investment Policy Summary (cont'd)

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
Bankers' Acceptances	25% When combined with Term Repos (greater than overnight), Certificates of Deposit, Commercial Paper and Corporate Notes not to exceed 50% of the Pool assets.	Must be issued by a bank organized and operating in the U.S. Maximum 5% per issuer applied across investment types.	Rated in the highest short-term credit rating category by at least two NRSROs.	Up to 180 days
Certificates of Deposit	25% When combined with Banker's Acceptance, Term Repos (greater than overnight), Commercial Paper and Corporate Notes not to exceed 50% of the Pool assets.	Must be a public depository in the State of Washington. Maximum 5% per issuer applied across investment types.	See RCW 39.58 of the state Code. If not 100% collateralized, must be rated in the highest short-term rating category by at least one NRSRO. Those institutions not meeting the 100% collateralization or minimum credit requirements may receive deposits up to the FDIC or federally guaranteed amounts.	Up to 1 year
Commercial Paper	25% of total market value when combined with Corporate Notes. When combined with Banker's Acceptance, Certificates of Deposit, Term Repos (greater than overnight) and Corporate Notes not to exceed 50% of the Pool assets.	Secondary market purchases only. Must be issued by a bank or corporation organized and operating in the U.S. Maximum 3% per issuer in combined categories of commercial paper and corporate notes. Maximum 5% per issuer applied across investment types.	Purchases with greater than 100 days maturity must have an issuer long-term rating in one of the three highest credit rating categories by one major NRSRO. Rated in the highest short-term rating category by at least two major NRSROs. If the commercial paper is rated by more than two major NRSROs, it must have the highest rating from all of the organizations. State law requires that Commercial Paper be purchased only from dealers.	270 days
General Obligation Municipal Bonds	20%	5% of portfolio: bond issues by pool participants must be purchased on the secondary market only	Rated in at least the highest three long-term rating categories by at least one NRSRO.	5 years

Investment Policy Compliance – Investment Policy Summary (cont'd)

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
Mortgage-Backed Securities	25%	Must be issued by Federal Agencies of the United States. Investments in MBS will count toward the total that can be invested in any one agency as described in U.S. Agencies above. Full faith and credit MBS are limited to 25%.	Senior debt obligations issued by any government sponsored enterprise, agency or instrumentality of the United States. The securities must pass the Federal Financial Institutions Examination Council ("FFIEC") suitability test, which banks use to determine lowest risk securities.	5 year average life at time of purchase
Corporate Notes	25% of total market value when combined with commercial paper When combined with Banker's Acceptance, Certificates of Deposit, Commercial Paper and Term Repos (greater than overnight) not to exceed 50% of the Pool assets.	3% per issuer rated AA or better. 2% per issuer rated in broad single A category. Split ratings will take most conservative rating. Maximum 3% per issuer in combined categories of commercial paper and corporate notes. Maximum 5% per issuer applied across investment types.	Must be rated at least in the broad single A category or better. Broad single A category with a negative outlook may not be purchased.	5 years The maximum duration of the corporate notes portfolio shall not exceed 3 years.

Additional Notes to the Investment Policy

- The Pool will maintain an effective duration of 1.5 years or less.
- The Pool will maintain at least 40% of its total value in securities having a remaining maturity of 12 months or less.
- Floating rate and variable rate securities are permitted subject to the following criteria:
    1) The rate on the FRN/VRN resets no less frequently than quarterly; and
    2) The FRN/VRN is indexed to a money market rate.
- Major NRSRO is defined as Moody's and Standard & Poor's.
- Purchases prior to 9/15/16 are considered grandfathered in for issuer limit purposes and can be held to maturity.

I. Investment Policy Compliance – County Investment Pool

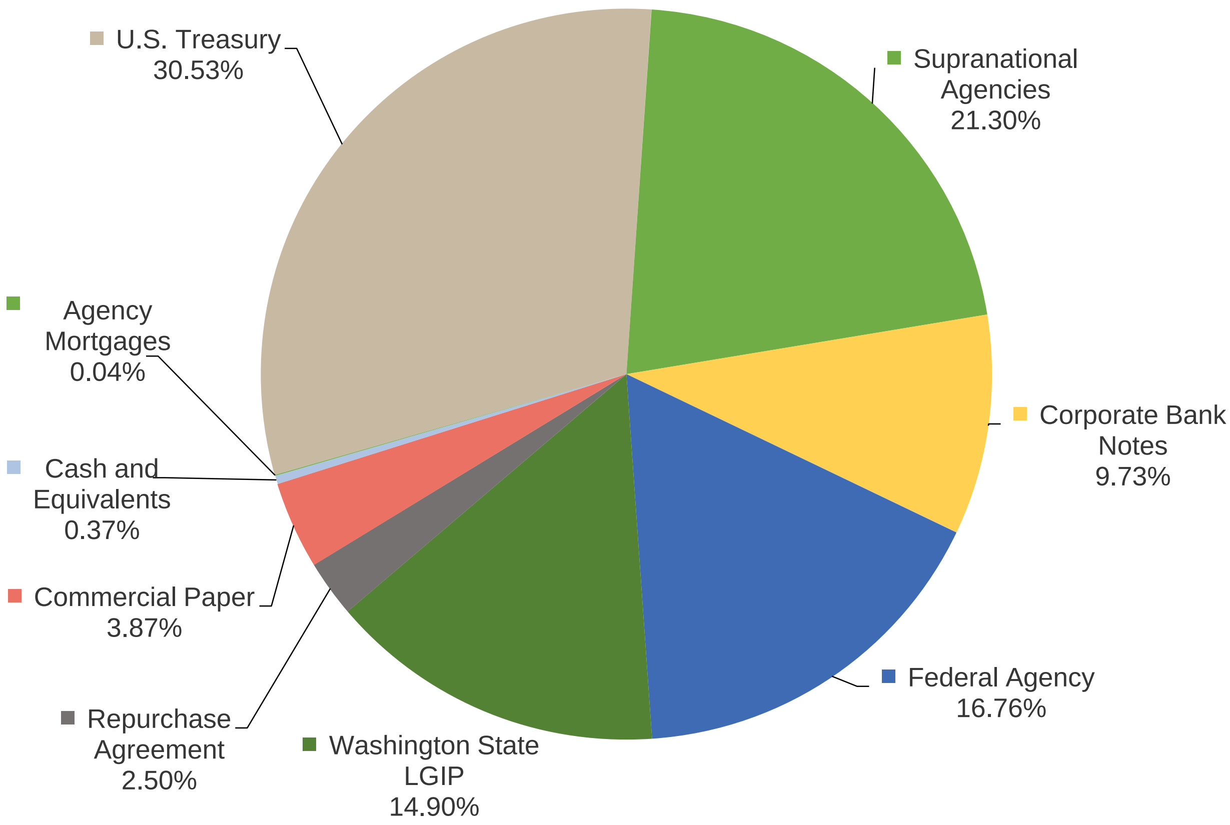
Topic	Observations
Sector Allocation	• All sector allocations fall within the limits set forth by the County's Investment Policy Statement. The Pool is predominantly invested in U.S. government securities which are either explicitly guaranteed or carry a high level of support by the U.S. government. • The County's Investment Pool balance (market value) as of March 31, 2020 was $7.4 billion, a decrease of approximately $75 million over the quarter. • The County's investment pool decreased percentage allocations to U.S. Treasuries (-6.49%), Commercial Paper (-3.43%), Corporates (-1.97%), and Repos (-0.74%). All sectors remain with applicable policy limits. • Sectors that grew over the quarter were Supranational Agencies (+0.89%), Federal Agencies (+5.19%), State LGIP (+6.54%), and cash and equivalents (+0.02%).
Credit Quality	• Approximately 69% of the County pool's assets are guaranteed or supported by the U.S. government. Furthermore, 15% is invested in the State LGIP, where about 73% of the LGIP is invested directly in U.S. Treasuries, federal agencies, and supranational agencies. Additionally, considering the County pool's holdings of repurchase agreements and bank accounts collateralized by government securities, the overall government-related credit quality exceeds 75%. • Combined corporate allocations (both commercial paper and corporate notes) decreased over the quarter from 19% of the portfolio to 14%, and all securities remain investment grade. Combined allocations to corporate notes and commercial paper continue to be below the maximum allocation limit of 25%. • Total allocations to corporate related issues also do not exceed the 50% allocation limit set forth in the County's Investment Policy.
Maturity Distribution	• All maturities fall within the limits set forth in the County's Investment Policy. • Approximately 70% of the Pool's assets mature in one year or less, above the minimum of 40% that is mandated by the Investment Policy.

Security Type	Market Value($)	Allocation Percentage	Within Policy Limits	Max Maturity Held	Within Policy Limits
U.S. Treasury	2,260,012,500	30.53%	✓	4.25 years	✓
Supranational Agencies	1,576,244,212	21.30%	✓	3.22 years	✓
Corporate Notes	720,204,331	9.73%	✓	4.10 years	✓
Federal Agency	1,240,209,165	16.76%	✓	2.31 years	✓
Washington State LGIP	1,102,852,541	14.90%	✓	1 day	✓
Repurchase Agreement	185,000,000	2.50%	✓	1 day	✓
Commercial Paper	286,362,097	3.87%	✓	192 days	✓
Cash and Equivalents	27,547,171	0.37%	✓	1 day	✓
Agency Mortgages	3,085,190	0.04%	✓	3.1 years (WAL)	✓
TOTAL	**7,401,517,208**	**100.00%**			

**Percentages may not total to 100% due to rounding.*

II. Sector Allocation

Sector Diversification
as of March 31, 2020

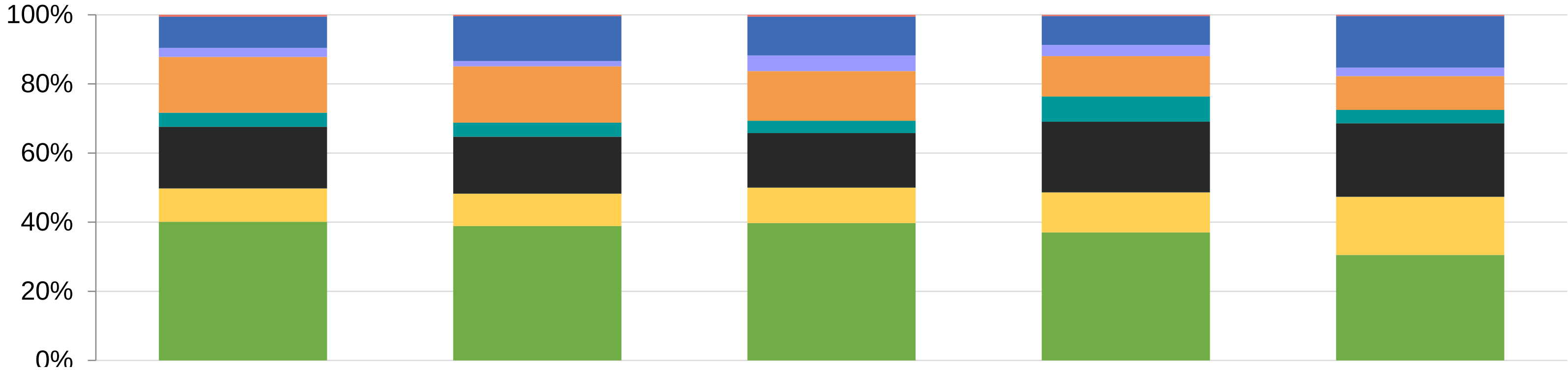


**Percentages may not total to 100% due to rounding.*

II. Changes in Portfolio Sector Allocation over the Past 12 Months

Changes in Sector Allocation

- The portfolio increased exposure to federal agencies by +5.22%, supranational agencies by +0.92%, and the Washington State LGIP by +6.56% while decreasing or maintaining allocations to all other sectors.
- **U.S. Treasuries** During the first quarter, exposure to U.S. Treasuries decreased from 37.03% to 30.53%.
- **Federal Agencies** Federal agency allocations, including supranationals and mortgage securities, increased by +6.07% over the period.
- **Corporate Notes** The County's allocation to corporate notes decreased over the quarter from 11.70% to 9.73%.
- **Commercial Paper** Commercial paper decreased over the period from 7.29% to 3.87% of the portfolio.
- **Washington State LGIP** Balances invested in the State LGIP increased from 8.36% of the portfolio to 14.90%.
- **Repurchase Agreements** The portfolio's allocation to repurchase agreements decreased from 3.24% to 2.50% of the portfolio.



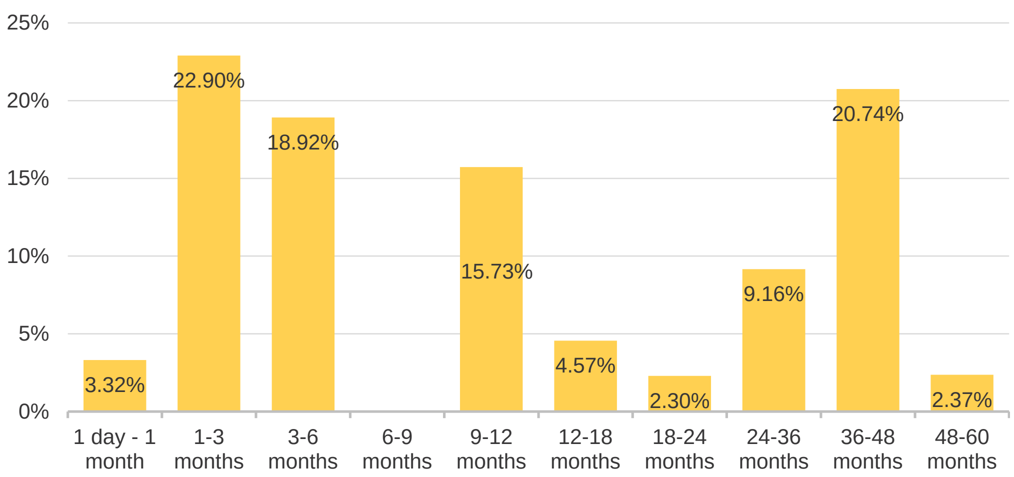
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
U.S. Treasury	40.12%	38.88%	39.73%	37.03%	30.53%
Federal Agencies	9.59%	9.35%	10.21%	11.56%	16.76%
Agency Mortgages	0.05%	0.05%	0.05%	0.05%	0.04%
Supranational Agencies	17.86%	16.44%	15.78%	20.41%	21.30%
Commercial Paper	4.04%	4.08%	3.58%	7.29%	3.87%
Corporate Notes	16.1%	16.26%	14.35%	11.70%	9.73%
Repurchase Agreements	2.59%	1.57%	4.50%	3.24%	2.50%
Washington State LGIP	9.06%	12.96%	11.23%	8.36%	14.90%
Cash and Equivalents	0.55%	0.41%	0.55%	0.35%	0.37%

**Percentages may not total to 100% due to rounding.*

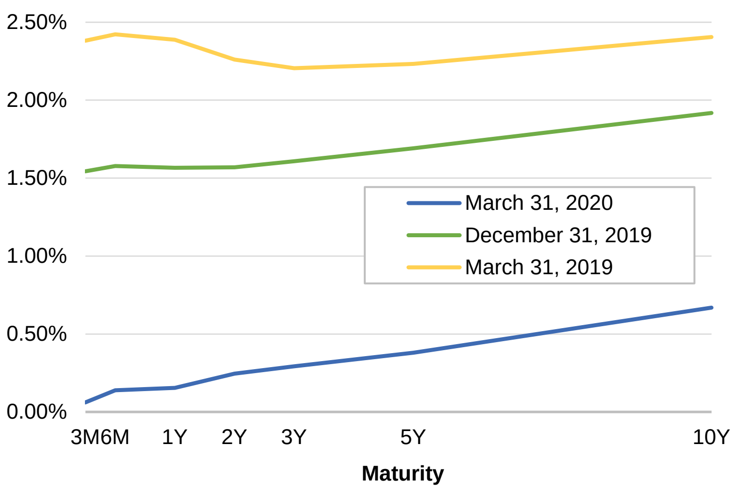
II. Sector Allocation – U.S. Treasury Securities

Topic	Observations
Observations	• The County's balances held in U.S. Treasuries decreased from 37.03% of the total portfolio to 30.53%. • The U.S. Treasury yields fell dramatically across the curve over the quarter following two consecutive emergency rate cuts. 3-month Treasury yields ended the quarter near zero while longer-term Treasury yields reached historic lows. These moves led to positive returns on Treasury indices. o The 10-year Treasury yield declined 125 bps (-1.25%), while the 2-year yield fell 132 bps (-1.32%). • The majority of the Pool's Treasury investments (60.86% of all Treasury holdings) have remaining maturities of one year or less. • The weighted average maturity (WAM) of the County's Treasury allocation increased over the quarter from 504 days to 532 days due to eight shorter Treasury securities maturing. • The chart on the left below displays the current maturity distribution of the County's allocations to U.S. Treasuries while the chart on the right compares the current shape of the U.S. Treasury yield curve to the yield curve last quarter, and the yield curve one year ago, when it was still inverted. The County's Treasury holdings continue to be concentrated in shorter term securities, primarily in the 1-12 month area of the curve as longer term issues remain expensive relative to securities in the shorter term end.

U.S. Treasury Maturity Distribution
as of March 31, 2020



U.S. Treasury Yield Curve
3/31/20 vs 12/31/19 vs 3/31/19

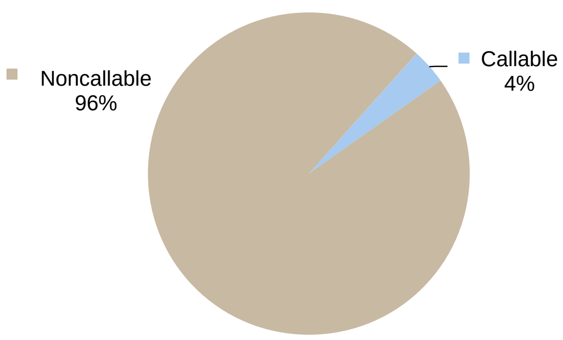


** Source Bloomberg Financial Systems*

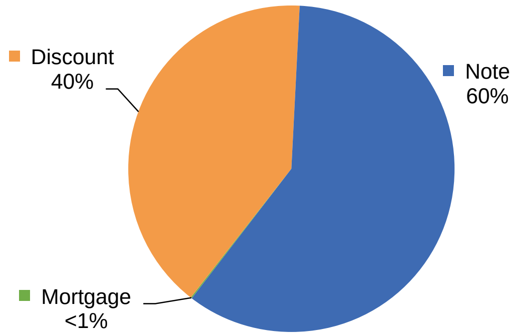
II. Sector Allocation – Federal Agencies

Topic	Observations	
Structure *(as % of Federal Agency Allocations)*	• Non-Callable 96.4% • Callable 3.6%	• Discount Notes 40.3% • Coupon Bearing Notes 59.6% • Agency Mortgage 0.1%
Diversification *(as % of Federal Agency Allocations)*	• Federal Farm Credit Bank (FFCB)*** 12.7% • Freddie Mac (FHLMC) 11.2% • Federal Home Loan Bank (FHLB)*** 20.1% • Supranational Agencies*** 55.9%	• Fannie Mae (FNMA)*** 0.0% • Fannie Mae Mortgage-Backed (FNR) 0.1% • Freddie Mac Mortgage-Backed (FHR) 0.0%
Conclusions	• The County's federal agency holdings continue to be well diversified. All issuer allocations fall within the issuer guidelines and security structures in the County's investment policy (max per agency issuer 35%). • The percentage of the portfolio invested in federal agencies, excluding supranationals and mortgage securities, increased by +5.19% in the quarter from 11.56% to 16.76%. • All supranational agency holdings are below the 35% issuer limit, and represent approximately 21% of the entire portfolio. • The County Pool's only allocation to agency mortgages is in Fannie Mae pools, totaling approximately 0.04% of the total portfolio.	

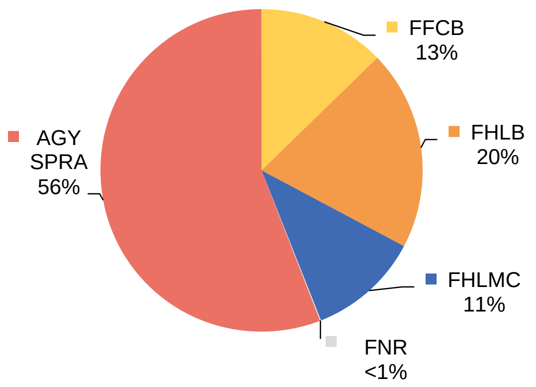
Callable vs. Non-Callable
as of March 31, 2020



Structure Distribution
as of March 31, 2020



Issuer Diversification
as of March 31, 2020

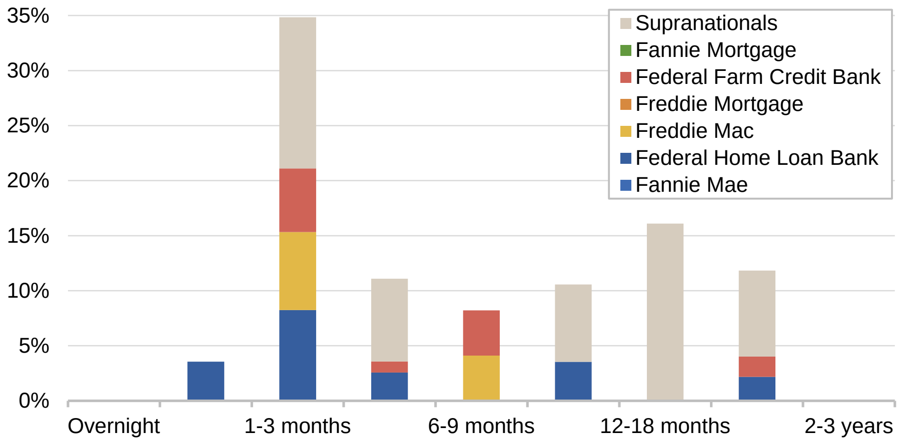


**All calculations above are based on total federal agency exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*
****Includes discount notes*

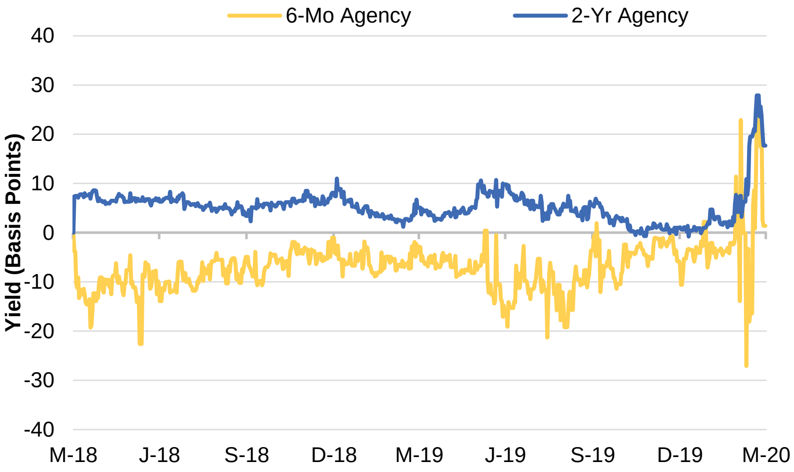
II. Sector Allocation – Federal Agencies

Topic	Observations
Maturity Distribution	• The County's federal agency maturity distribution falls within the limits set forth by the Investment Policy Statement. • Over the quarter, the weighted average maturity (WAM) of the County's federal agency holdings decreased from 236 days on December 31st to 214 days on March 31st. • The portfolio purchased approximately $300 million Agency securities over the quarter with an average WAM of 138 days. • After several quarters of federal agencies offering unattractive levels and limited supply, yield spreads widened in the first quarter to levels not seen since 2009. The spread between 2-year agency securities and 2-year U.S. Treasuries (chart bottom right) widened significantly in the month of March, although spreads tightened modestly back by month-end. — Federal agencies currently offer value, materially less credit risk, and better liquidity than most other sectors. — Given the substantial drop in Treasury yields, federal agencies are an attractive reinvestment of Treasuries or cash.

Federal Agency Maturity Distribution by Name
as of March 31, 2020



Federal Agency Yield Spreads to Treasuries
Past 24 Months



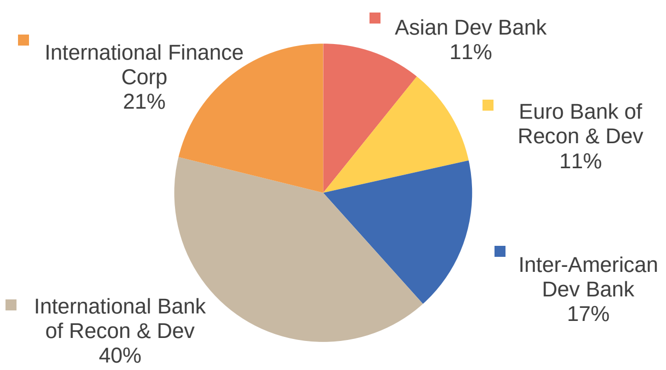
** Source Bloomberg Financial Systems*

- *Agency Mortgage maturities are calculated as average life. Average life data taken from Bloomberg Financial Markets*
- *Callable securities are shown to their next call date.*
- *All other Agency maturities are calculated as days to maturity.*

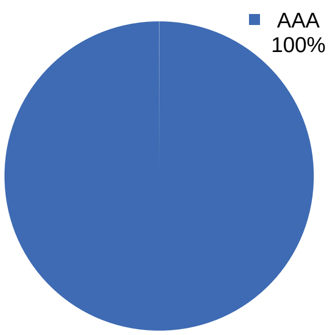
II. Sector Allocation – Supranational Agencies

Topic	Observations
Credit Distribution	• Based on the holdings as of March 31st, six supranational securities will mature over the next quarter. • The County maintained exposure to five supranational issuers. – The U.S. is the largest country from a shareholder perspective for all five Supranational issuers (co-largest with Japan for the Asian Development Bank), meaning the U.S. has the largest decision making power, and these securities are considered to have been issued by federal instrumentalities. • By continuing to invest in this sector, the County is able to diversify the portfolio and add to its high credit quality, while also capturing additional yield over federal agency and Treasury securities. – The portfolio's allocation to supranational agencies is well-balanced across maturities, with 49% having a remaining maturity of over 1 year.
Spread to Agency Rates	• The chart on the right shows the spread between supranational agencies and federal agency securities. – Supranational spreads relative to Treasuries are at their widest levels since 2016. Despite the move wider, secondary offerings are still in line with similar maturity federal agencies, which may be the favorable option given the greater liquidity of federal agency securities.

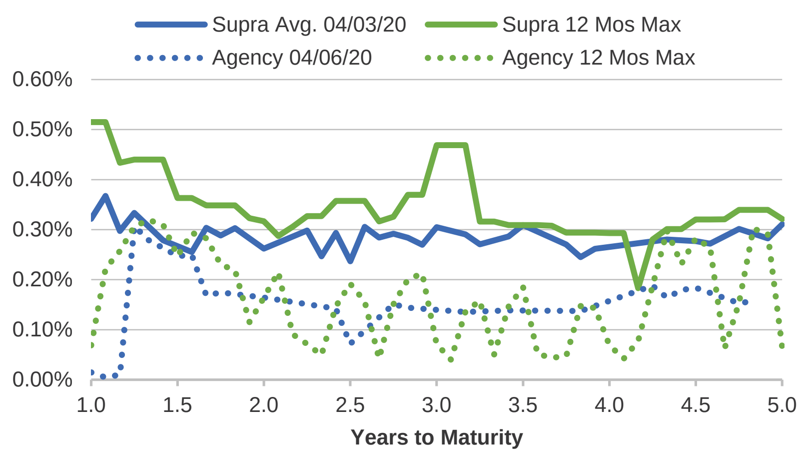
Issuer Distribution
as of March 31, 2020



Credit Distribution
as of March 31, 2020



Supranational Agency vs. Federal Agency Yield Spreads

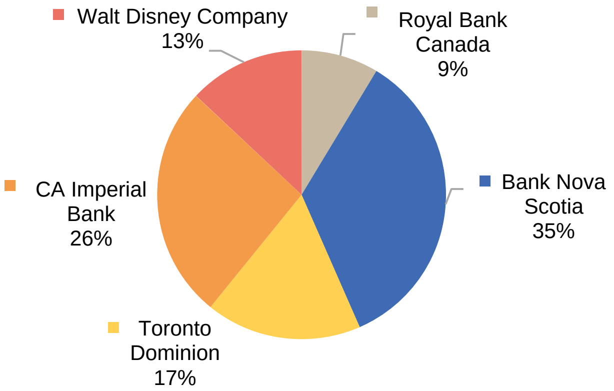


** Source Bloomberg Financial Systems*

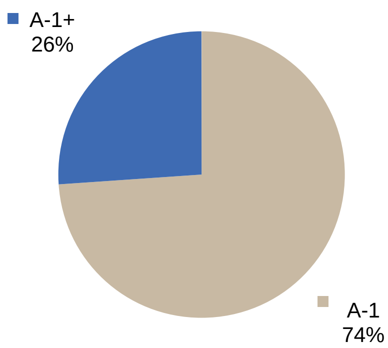
II. Sector Allocation – Commercial Paper

Topic	Observations
Issuer Diversification	• The County's allocation to commercial paper decreased by -3.43% over the quarter, ending the period at 3.87% of the total portfolio. • The portfolio holds Toronto-Dominion Bank, the Bank of Nova Scotia, the Royal Bank of Canada, the Canadian Imperial Bank, and the Walt Disney Company. • Short-term commercial paper spreads widened sharply during the quarter due to credit and liquidity concerns. Spreads have since narrowed but are still wide from a historic perspective. – Commercial paper, particularly at current levels, continues to provide the County incremental returns while allowing the County to tap into a broader universe of issuers compared to the alternative of U.S. T-bills and federal agency discount notes.
Credit Distribution	• Standard & Poor's rates the short-term credit of Royal Bank of Canada and Toronto-Dominion as A-1+, and the Bank of Nova Scotia, the Canadian Imperial Bank, and the Walt Disney Company as A-1.
Conclusions	• From an overall portfolio duration perspective, utilizing short term commercial paper helps the County to offset the purchasing of longer term securities. These commercial paper investments generally offer greater yields than other short term securities and overnight investments. • The Portfolio's allocation to commercial paper decreased over the quarter as two of the County's commercial paper investments matured and the proceeds were reinvested in federal agencies and the State LGIP.

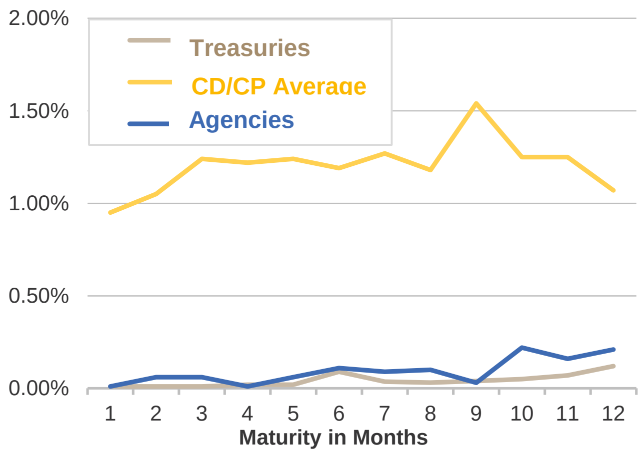
Issuer Distribution
as of March 31, 2020



Credit Distribution
as of March 31, 2020



Current Short-Term Yields
as of March 31, 2020



**All calculations above are based on total commercial paper exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

** Source Bloomberg Financial Systems*

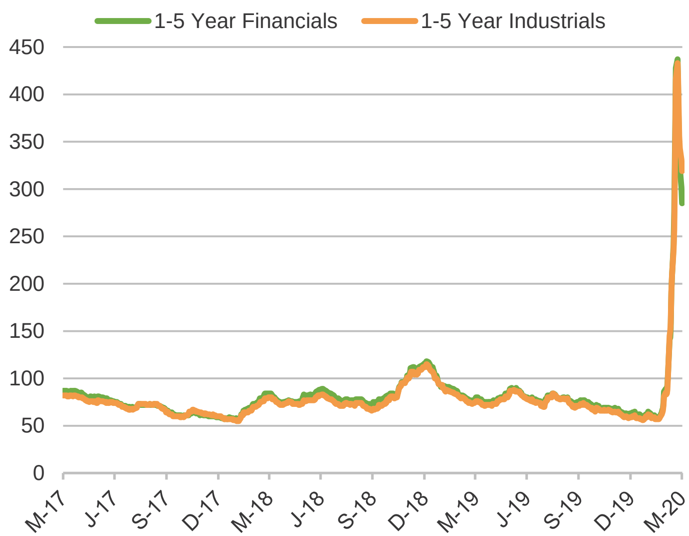
II. Sector Allocation – Corporate Notes

Topic	Observations
Maturity Distribution	• The County's exposure to corporate notes declined by -1.97% over the quarter, from 11.70% to 9.73%. To end the period, the Pool's corporate note holdings were from high quality issuers, with 51% of it's corporate notes carrying a rating of at least AA- by S&P. – Callable corporate notes made up 45% of the County's corporate sleeve, with the majority of the call dates being about a month before maturity. – All corporate holdings mature in less than 5 years and the weighted average maturity of the corporate note portion of the portfolio is 1.51 years. – The graph on the right below shows the spread for financial corporates and industrial corporates when compared to similar-maturity Treasuries. Investment grade corporate bond spreads widened significantly in the second half of the quarter, although not to the same degree as during the 2008-09 financial crisis. The move in spreads resulted in significant negative excess returns in the corporate credit sector. – The investment grade corporate market faces numerous challenges and uncertainties entering the second quarter. We believe the prudent action is to remain cautious and vigilant until longer-term economic consequences are better understood and market liquidity stabilizes.

Credit & Issuer Distribution	S&P Short	S&P Long	Moody's Short	Moody's Long	% of Corporate Holdings	% of Portfolio
Bank of Montreal	A-1	A+	P-1	Aa2	14.43%	1.41%
Apple Inc.	A-1+	AA+	P-1	Aa1	13.09%	1.28%
US Bank	A-1+	AA-	P-1	A1	9.77%	0.95%
Toronto-Dominion Bank	A-1+	AA-	P-1	Aa1	9.27%	0.90%
Microsoft Corp	A-1+	AAA	P-1	Aaa	8.70%	0.85%
JP Morgan Chase	A-1	A+	P-1	Aa2	6.83%	0.67%
Procter & Gamble Co	A-1+	AA-	P-1	Aa3	6.38%	0.62%
Bank of Nova Scotia	A-1	A+	P-1	Aa2	6.02%	0.59%
PNC Bank	A-1	A	P-1	A2	5.46%	0.53%
United Parcel Service	A-1	A	P-1	A2	4.16%	0.41%
Honeywell International	A-1	A	P-1	A2	3.98%	0.39%
Canadian Imperial Bank	A-1	A+	P-1	Aa2	3.80%	0.37%
3M Company	A-1	A+	P-1	A1	3.53%	0.34%
Bank Of New York Mellon	A-1+	AA-	P-1	Aa2	3.42%	0.33%
Home Depot Inc.	A-1	A	P-1	A2	1.15%	0.11%

**Source: Bloomberg Financial Systems as of 3/31/2020*

Corporate/Treasury Yield Spreads
March 2017 through March 2020 (in basis points)



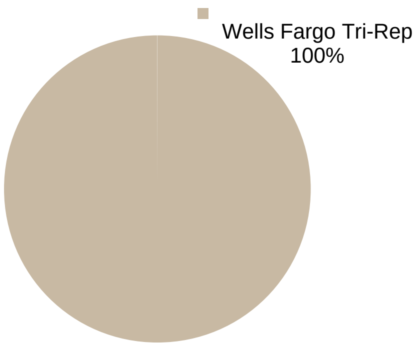
**Source Bloomberg Financial Systems*

**Percentages may not total to 100% due to rounding.*

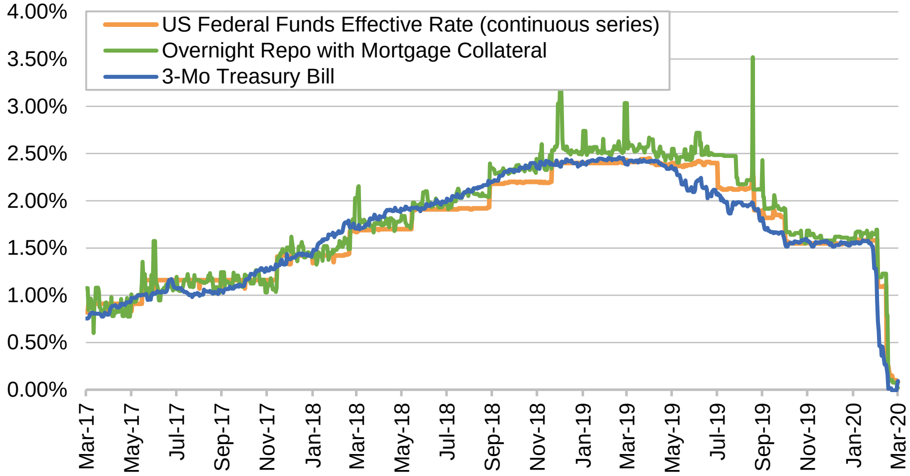
II. Sector Allocation – Repurchase Agreements

Topic	Observations
Issuer Diversification	• The County decreased its tri-party repurchase agreement allocation over the quarter, with 2.50% of the portfolio allocated to the sector at quarter-end, compared to 3.24% at December 31, 2019. • At the end of the quarter, the portfolio utilized one repurchase agreement provider, Wells Fargo Bank, with an allocation of $185 million. • This allocation falls within the permitted investment guidelines of 25% per issuer and 100% maximum to the sector.
Credit Distribution	• Standard & Poor's rates Wells Fargo's short-term issuer credit as A-1. • While this issuer has a high-quality rating from S&P, the ultimate quality of the repurchase agreement depends on the underlying collateral.
Conclusions	• As of March 31, 2020, the repurchase agreement sector's weighted-average yield was 0.01%, down 154 bps (1.54%) compared to the last quarter. Yields for overnight repurchase agreements fell dramatically in the latter half of the quarter, in-line with short-term Treasuries, as the Fed cut rates two times to a new target range of 0% - 0.25% and continued to inject liquidity into the market.

Issuer/Credit Distribution
as of March 31, 2020



Short-Term Yields
March 2017 through March 2020

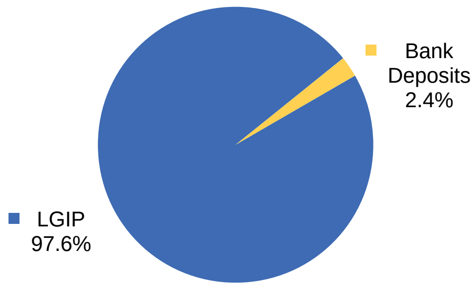


**Source Bloomberg Financial Systems*

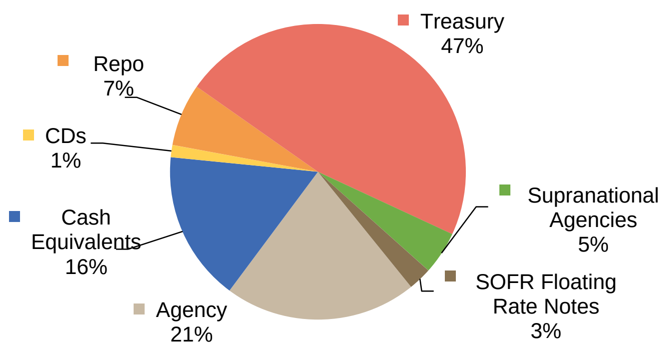
II. Sector Allocation – LGIPs and Cash Equivalents

	Underlying Investments	Rating (Short-Term: S&P/ Moody's/Fitch)	Observations
Washington State LGIP	• U.S. Treasuries 47.2% • Federal Agencies 21.0% • Supra National Agencies 4.7% • Repurchase Agreements 6.8% • Certificates of Deposit 1.3% • Cash Equivalents 16.4% • SOFR Floating Notes 2.6% *As of March 31, 2020*	• N/A	• The County currently has allocated $1.1 billion to the Washington State LGIP, an increase from last quarter's $625 million figure. • The County's allocation to the State LGIP continues to serve as the primary source of overnight liquidity for the portfolio. • The State LGIP increased its exposure to U.S. Treasuries (+3.36%) and SOFR Floating Rate Notes (+1.16%), while it decreased its supranational, federal agency, and repurchase agreement allocations.
Cash Equivalents	• State LGIP 97.6% • U.S. Bank 2.26% • Key Bank 0.13% • Bank of America 0.04%	• U.S. Bank: A-1+/P-1/F1+ • Key Bank: A-2/P-2/F1 • Bank of America: A-2/P-1/F1	• The County's deposit accounts at U.S. Bank, Key Bank, and Bank of America are FDIC-insured up to FDIC limits, and are collateralized by the Public Deposit Protection Commission. • The portfolio's cash holdings increased over the quarter, from 0.35% to 0.37% of the total portfolio.

Cash Equivalents Distribution
as of March 31, 2020



Washington State LGIP Sector Distribution
as of March 31, 2020



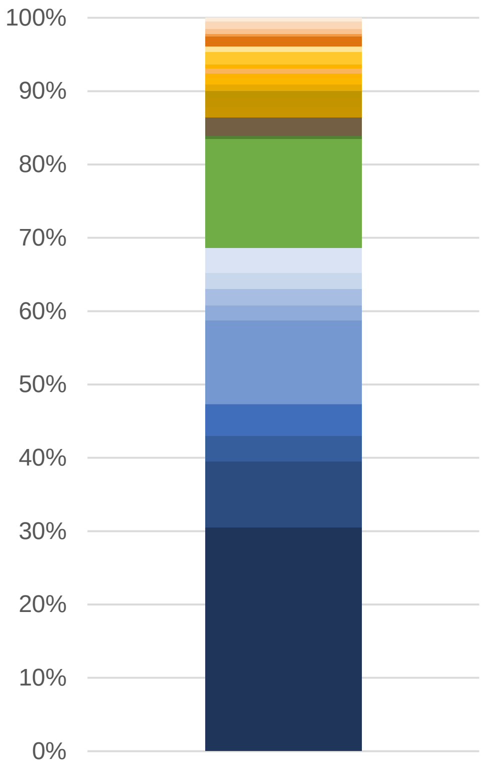
**All calculations above are based on total cash equivalents exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

III. Issuer Concentration

Issuer Exposure

- The County continues to maintain a well-diversified portfolio by issuer, as shown in the tables and graph below.
- Approximately 69% of the portfolio is allocated directly to U.S. government guaranteed or government supported entities.
- Of the remaining 31% of the portfolio, 18% is allocated to ultra short-term or overnight investment vehicles, including the State LGIP, repurchase agreements, and bank deposits. The remaining 13% is allocated to credit issuers, including commercial paper and corporate notes.

U.S. Treasury (100% Limit)	30.53%
Agency Issuers	**Percentage (35% Limit)**
Intn'l Bk of Recon & Dev	11.44%
FHLB	8.99%
FHLMC	4.27%
FFCB	3.50%
International Finance Corp	3.38%
Asian Dev Bank	2.25%
Euro Bk of Recon & Dev	2.22%
Inter-American Dev Bk	2.01%
FNMA	0.04%
Washington State LGIP (25% Limit)	**14.92%**
Overnight Deposits	**Percentage (No Limit)**
US Bank	0.35%
Key Bank	0.02%
Bank of America	0.01%
Repo Issuers	**Percentage (25% Limit)**
Wells Fargo Tri-Repo	2.50%



Corporate Issuers	Percentage (5% Limit)
Bank of Montreal	1.40%
Apple Inc.	1.27%
US Bank	0.95%
Toronto-Dominion Bank	0.90%
Microsoft Corp	0.85%
JP Morgan Chase	0.66%
Procter & Gamble Co	0.62%
Bank of Nova Scotia	0.59%
PNC Bank	0.53%
United Parcel Service	0.40%
Honeywell International	0.39%
Canadian Imperial Bank	0.37%
3M Company	0.34%
Bank of New York Mellon	0.33%
Home Depot Inc.	0.11%
CP Issuers	**Percentage (5% Limit)**
Bank of Nova Scotia	1.34%
Canadian Imperial Bank	1.01%
Toronto-Dominion Bank	0.67%
Walt Disney Co	0.50%
Royal Bank of Canada	0.34%

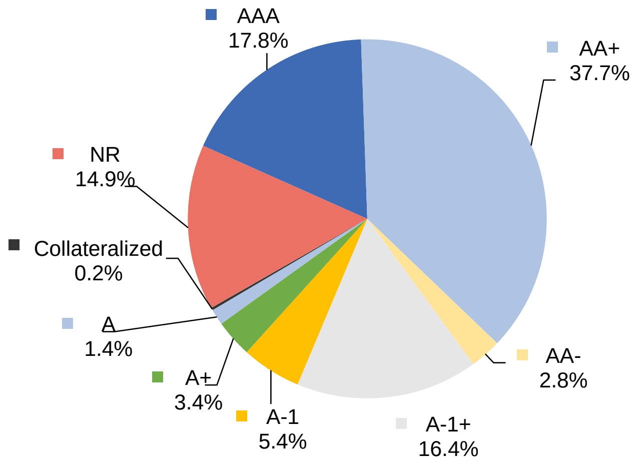
Percentages may not add to 100% due to rounding.
** For the purposes of totaling issuer concentration, issuers are aggregated across all sector types. It is noted however that issuers across sector types may maintain separately rated issuer credits.*

IV. Overall Credit Quality

County Investment Pool Credit Analysis

- The County Pool's overall average credit position remains very strong and is primarily concentrated in U.S. government guaranteed and/or supported securities which maintain a long-term credit rating of AA+ by Standard & Poor's and federal agency discount notes, which maintain a short-term credit rating of A-1+ by S&P.
- The County also maintained its holdings of supranational agencies, which are rated AAA.
- The County decreased its credit exposure through commercial paper and corporate notes over the quarter, ending at 13.60% of the portfolio, compared to 18.99% last quarter.
    – Commercial paper now accounts for 3.87% of the entire portfolio, while corporate notes account for 9.73%.
- Corporate note allocations held throughout the quarter have ratings of A or higher.
    – Commercial paper allocations are all rated A-1/P-1 or higher.
- The 14.9% NR allocation represents the County's investment in the Washington State LGIP, which is not currently rated by any ratings agency.
- The County's investment in the Washington LGIP includes indirect corporate exposure:
    – Through the LGIP, 8.17% of the County's Pool is allocated indirectly to corporate securities (repurchase agreements and certificates of deposit).

Total Pool Credit Distribution*
as of March 31, 2020



Corporate/CP Issuer Ratings Table
as of March 31, 2020

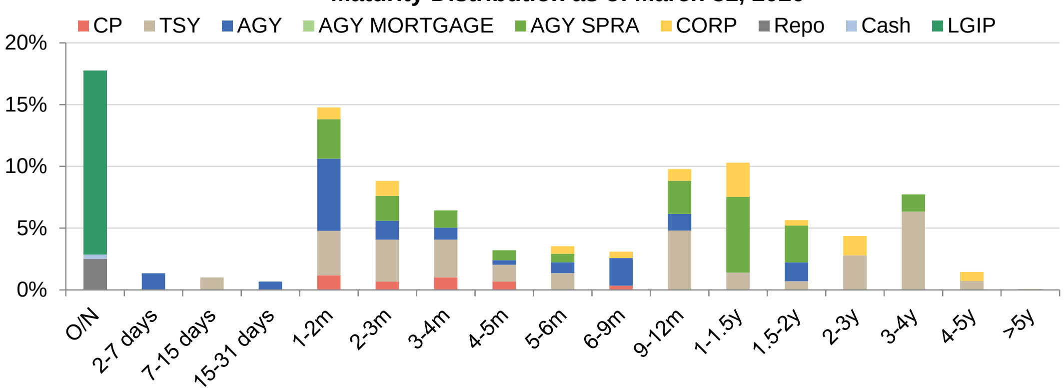
Issuer Distribution	Sectors Invested	S&P Short*	S&P Long*	Moody's Short*	Moody's Long*
Apple Inc.	Corp	A-1+	AA+	P-1	Aa1
Bank of Montreal	Corp	A-1	A+	P-1	Aa2
Microsoft Corp	Corp	A-1+	AAA	P-1	Aaa
PNC Bank	Corp	A-1	A	P-1	A2
US Bank	Corp	A-1+	AA-	P-1	A1
Toronto Dominion Bank	Corp/CP	A-1+	AA-	P-1	Aa1
JP Morgan Chase	Corp	A-1	A+	P-1	Aa2
Proctor & Gamble Co	Corp	A-1+	AA-	P-1	Aa3
Bank of Nova Scotia	Corp/CP	A-1	A+	P-1	Aa2
United Parcel	Corp	A-1	A	P-1	A2
Honeywell International	Corp	A-1	A	P-1	A2
Canadian Imperial Bank	Corp/CP	A-1	A+	P-1	Aa2
3M Co	Corp	A-1	A+	P-1	A1
Bank of New York Mellon	Corp	A-1+	AA-	P-1	Aa2
Home Depot Inc.	Corp	A-1	A	P-1	A2
Royal Bank of Canada	CP	A-1+	AA-	P-1	Aa2
Walt Disney Co	CP	A-1	A	P-1	A2

Source: Bloomberg Financial Services as of 3/31/2020

V. Maturity Distribution

Maturity Distribution	Observations
Weighted Average Maturity ("WAM")	• The County continues to invest across its permitted maturity range, as seen in the chart below. • A majority of the holdings, 70% of the portfolio, are scheduled to mature within the next twelve months, a 6.0% increase from the previous quarter-end and well above the 40% mandated by the investment policy. • It appears the County's maturity strategies over the past several quarters have included: – Allowing previously purchased, longer-dated U.S. Treasury and federal agency investments to naturally shorten in maturity and roll-down the yield curve. – Targeting purchases in the following spaces: o Federal agency purchases in the shorter-end (less than 6 months) of the curve. o Supranational purchases in the longer-end (more than 3 years) of the curve. – The WAM of the portfolio ended the quarter at 336 days, down from 360 days at previous quarter-end. – The decrease in portfolio WAM can primarily be attributed to the corporate note and Treasury sectors as well as the increase in funds to the State LGIP. Corporate notes and Treasuries' contribution to maturity declined due to the decrease in market value of both sectors as a percentage of the total portfolio.
Liquidity	• The County Pool appears to provide adequate liquidity, both in terms of final maturities and the sectors in which the portfolio has invested. In addition to the 18% of the portfolio invested in a combination of the Washington State LGIP, bank deposits, and repurchase agreements (overnight liquidity), another 18% of the portfolio's holdings are scheduled to mature within the next two months. • Given the heightened uncertainty in regards to revenues and expenditures for governmental budgets, it is important to maintain a generous amount in overnight and short-term funds in case of unforeseen cash flow needs.

Maturity Distribution as of March 31, 2020



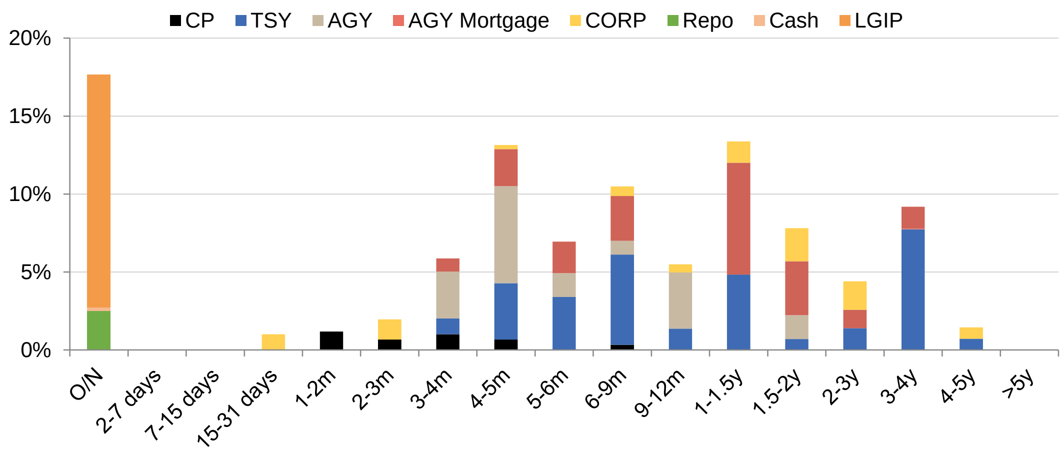
Contribution to Maturity		
Sector	**3/31/20**	**12/31/19**
Supranational Agencies	78.43	74.67
Cash	0.00	0.00
Corporate Notes	53.67	64.87
Commercial Paper	3.80	5.47
Federal Agencies	35.88	26.74
The Washington State LGIP	0.15	0.08
Agency Mortgages	1.97	2.22
Repurchase Agreements	0.02	0.06
US Treasuries	162.41	185.82
Maturity:	**336 days**	**360 days**

Agency Mortgage maturities are reported as average life. Average life data taken from Bloomberg Financial Markets
Callable securities shown to their call date.
All other security maturities are reported as days to maturity. WA LGIP is considered to have a one day maturity.

V. Duration Distribution

Duration Distribution	Observations
Definition	• Duration is a measure of the sensitivity of the value of principal of an investment to a change in interest rates. The value of a portfolio with a higher duration is more sensitive to interest rate increases and decreases. • Duration is often quoted in years and is commonly used as a measure of the market risk of a security or portfolio. Duration can be derived in a number of ways; please refer to the notes at the bottom of this page for details.
Duration	• The portfolio's weighted average duration is within the IPS guidelines (no greater than 1.5 years). • As of March 31st, the duration of the County Investment Pool was 0.84 years, a decrease from the previous quarter which ended at 0.91 years. – The decrease in portfolio duration was driven by the County the decrease in funds to the corporate note and Treasury sectors as well as the increase in funds to the State LGIP. – The portfolio is measured against a blended benchmark consisting of 40% ICE Bank of America Merrill Lynch 3-Month Treasury Index and 60% ICE Bank of America Merrill Lynch 1-3 Year Treasury & Agency Index. – The overall portfolio duration decreased over the quarter while the benchmark duration increased. Compared to the benchmark, the portfolio's duration decreased from 80% to 73% of the benchmark duration for the period ending March 31st.

Duration Distribution as of March 31, 2020



Contribution to Duration

Sector	3/31/20	12/31/19
Supranational Agencies	0.21	0.20
Cash	0.00	0.00
Corporate Notes	0.11	0.14
Commercial Paper	0.01	0.01
Federal Agencies	0.08	0.07
The Washington State LGIP	0.00	0.00
Agency Mortgages	0.00	0.00
Repurchase Agreements	0.00	0.00
US Treasuries	0.43	0.49
Duration:	**0.84 years**	**0.91 years**

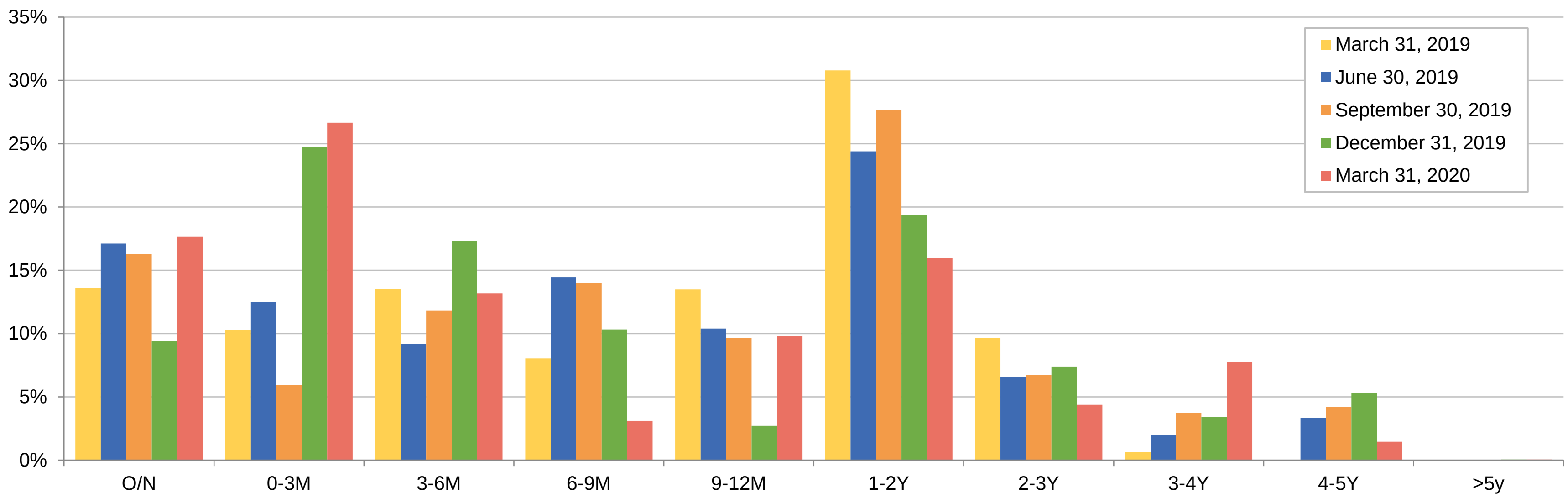
Agency Mortgage durations are shown as effective duration taken from Bloomberg Financial Markets.
Duration for Federal Agency Discount Notes and Repurchase Agreements are calculated as days to maturity. WA LGIP and bank deposits considered to have a one day duration.
All other security durations are calculated as effective duration as given by Bloomberg Financial Markets.

V. Changes in Portfolio Maturity Distribution

Changes in Portfolio Maturity Distribution

- When viewing the current maturity distribution (red bars) in relation to previous periods, a few primary observations are noted:
  - It appears the County targeted increased allocations in the overnight, 0-to-3 month, 9-to-12 month, and 3-to-4 year portion of the yield curve during the first quarter of 2020.
    - The increase in allocation to overnight securities is primarily due the increase in the State LGIP.
    - The increase in the 0-to-3 month portion of the curve is primarily due to roll down from the 0-to-3 month bucket and purchases of new agency discount notes with maturities ranging between 0 and 3 months.
    - Increases in the 9-to-12 month and to the 3-to-4 year maturity bucket were primarily due to roll down from the 1-to-2 year bucket and 4-to-5 year bucket, respectively. The increase in the 3-4 year bucket was also due to the purchase of a supranational security with approximately 3.2 years to maturity.
- Although yields are near or at historic lows across maturities, the yield curve remains positively sloped and therefore offers modest value to invest farther out in the 1-5 year space.
  - Locking in yields in the 1-5 year area of the curve allows the portfolio to benefit from incremental income as we enter another quarter of immense market uncertainty.

Maturity Distribution March 31, 2019 to March 31, 2020



Agency Mortgage maturities are reported as average life. Average life data taken from Bloomberg Financial Markets
Callable securities shown to their call date.
All other security maturities are calculated as days to maturity. WA LGIP is considered to have a one day maturity.

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