

**Portfolio Breakdown**

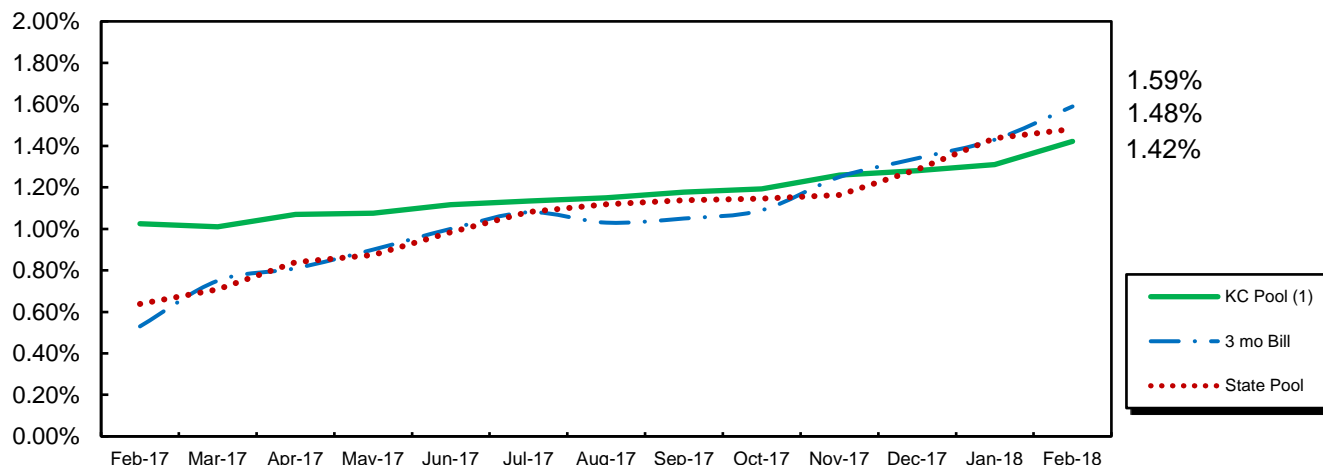
The following is a breakdown of the Investment Pool holdings for February 2018

	Average (\$000)	% of Portfolio
Governmental Agencies	2,087,631	32.7%
Commercial Paper	272,287	4.3%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Corporate Notes	1,054,596	16.5%
U.S. Agency Mortgage-backed Securities	4,635	0.1%
Repurchase Agreements (Repos)	132,214	2.1%
Treasury Securities	2,419,967	37.9%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	416,155	6.5%
Reverse Repurchase Agreements	-	0.0%
<b>Total</b>	<b>\$6,387,486</b>	<b>100%</b>

\*Average Pool Effective Duration: 0.99 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 February 28, 2018**

Net Assets <sup>(2)</sup>	\$6,426,226,972.92
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$6,477,500,197.66
Undistributed and unrealized gains(losses)	(\$51,273,224.74)
<b>Net Assets</b>	<b>\$6,426,226,972.92</b>
Net asset value at fair value price per share ( $\$6,426,226,972.92$ divided by $\$6,477,500,197.66$ units)	<b>\$0.9921</b>

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

**Investment Pool Comments:**

**Good News:** The Executive Finance Committee has approved a reduction in the pool's Administrative Fee that is withheld each month from 2.5 basis points to 2.0 basis points. This will mean slightly higher net distributions to pool participants, and it will also mean that the annual rebate of fees collected in excess of actual costs will be reduced. This change will be effective for the February distribution that will post on 3/1/18.

**Asset Allocation:** The percentage allocated to the various security types in February did not change much from January's levels, and the pool continued to hold over 70% of its assets in highly-rated U.S. government and agency securities.

**Pool Asset Size & Return:** The pool's balance decreased by \$78 million from January's level. The size of this decrease was normal for this time of the year. The pool's distribution yield was 1.42%, which was 11 basis points better than January's rate of 1.31%. We usually see an increase in the pool's rate in February because February has less than 30 days. Since many of our securities assume a 30 day month, two extra days of interest gives a little boost to the yield.

**Market Value & Duration:** The market value of the pool decreased by \$6 million between January and February. This was due to interest rates increasing along the yield curve by 12 to 20 basis points during the month. Also, the Fed is expected to raise rates by 25 basis points on 3/22/18.

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

**Impaired Pool Holdings Report  
 2/28/2018**

Commercial Paper Issuer	Status	Current Book Value	Estimated Fair Value	Fair Value Adjustment
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	84,407.60	84,407.60	-
VFNC Trust/Victoria Finance (2)	Restructured	6,838,180.97	4,658,747.00	2,179,433.97
<b>Total</b>		<b>7,710,090.71</b>	<b>5,250,904.60</b>	<b>2,459,186.11</b>

Fair Value Ratio	0.6810
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be sometime in 2018 or 2019 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) 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 February totaled \$114,448.83. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 87%. 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 through February to the last estimated price (54.8) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 96%, but 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.

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; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

Within the impaired pool, future "tail" payments from Cheyne and Rhinebridge are still possible. We expect Rhinebridge to make one final small payment in 2018, and it is likely that Cheyne will also make at least one distribution in 2018. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed.