

Portfolio Breakdown

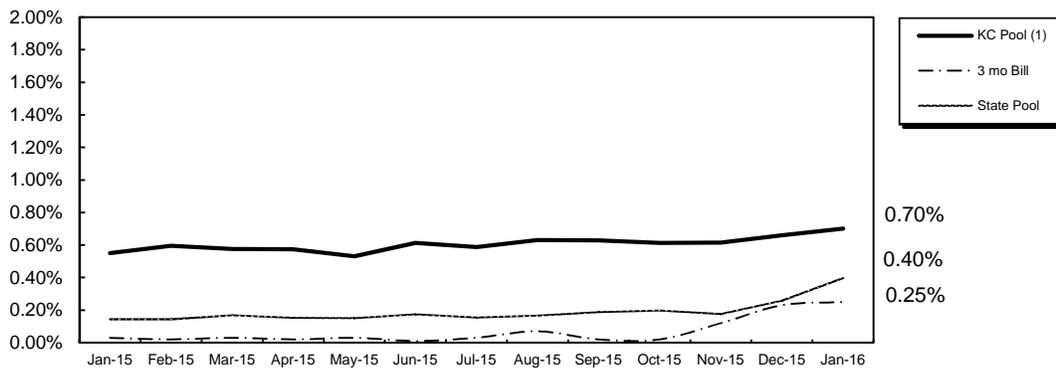
The following is a breakdown of the Investment Pool holdings for January 2016

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,312,201	39.4%
Commercial Paper	67,369	1.1%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Bank Corporate Notes	829,537	14.1%
U.S. Agency Mortgage-backed Securities	6,721	0.1%
Repurchase Agreements (Repos)	105,806	1.8%
Treasury Securities	2,212,683	37.7%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	332,125	5.7%
Reverse Repurchase Agreements	-	0.0%
Total	\$5,866,443	100%

*Average Pool Effective Duration: 0.94 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, 2016

Net Assets ⁽²⁾	\$5,841,659,593.66
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$5,836,980,369.47
Undistributed and unrealized gains(losses)	\$4,679,224.19
Net Assets	\$5,841,659,593.66
Net asset value at fair value price per share (\$5,841,659,593.66 divided by 5,836,980,369.47 units)	<u>\$1.0008</u>

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

Investment Pool Comments:

Asset Allocation: The pool held over 77% of its assets in highly-rated U.S. government securities during January, and the pool's exposure to high-quality bank notes continued to grow, reaching 14% of the pool's assets. The pool's exposure to commercial paper, the LGIP, and U.S. Agencies decreased slightly.

Pool Asset Size & Return: The pool's balance declined by \$334 million during January, which is normal because of large debt service payments that are typically due January 1st. The pool's distribution yield was 0.70%, which was a 4 basis point improvement from last month's rate. The Fed raised its target rate in mid-December by 25 basis points, so this helped improve the pool's performance.

Market Value & Duration: Interest rates between one year and five years decreased by 15 to 43 basis points during the month, and this decrease in rates caused the pool's market value to increase by \$12 million, which brought the pool's unrealized gain to \$4.7 million. Interest rates decreased when the markets became concerned about the slowing growth of China's economy and the impact falling oil prices might have on companies in oil-related industries. Slower growth may make it more likely that the Fed slows the pace of any future interest rate increases.

Finally, the presentation from the pool's annual meeting is now available on the pool's web page under the Meeting Calendar section.

King County remains committed to sharing information with pool members. Please call the Treasury Operations number at 206-263-2821 if you have any questions.

**Impaired Pool Holdings Report
 1/31/2016**

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	1,885,308.88	1,134,600.00	750,708.88
VFNC Trust/Victoria Finance (2)	Restructured	9,920,728.47	6,275,829.00	3,644,899.47
Total		12,593,539.49	7,918,179.00	4,675,360.49

Fair Value Ratio	0.6287
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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 2016 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate. We do expect Rhinebridge to make its final payment early in 2016.

(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 a market price from a single dealer and the county expects to recover more than this "liquidation" 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 \$135,972.83. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 81%. 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 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 January to the latest dealer price (55) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 93%, 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, and it now appears that Rhinebridge may make its final payment in the 1st quarter of 2016. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed..