



Portfolio Breakdown

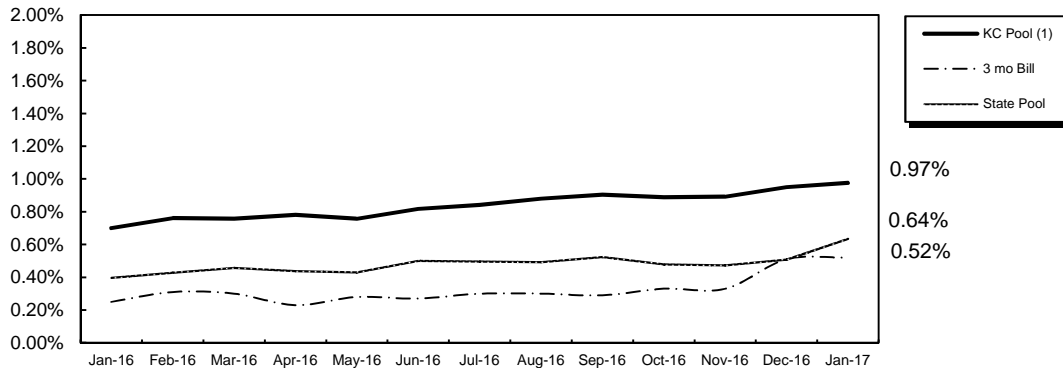
The following is a breakdown of the Investment Pool holdings for January 2017

	Average (\$000)	% of Portfolio
U.S. Agency Securities	1,676,811	28.2%
Commercial Paper	253,349	4.3%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Bank Corporate Notes	902,891	15.2%
U.S. Agency Mortgage-backed Securities	5,710	0.1%
Repurchase Agreements (Repos)	69,065	1.2%
Treasury Securities	2,482,047	41.8%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	546,816	9.2%
Reverse Repurchase Agreements	-	0.0%
Tota	\$5,936,689	100%

*Average Pool Effective Duration: 1.10 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, 2017

Net Assets ⁽²⁾	\$6,202,681,429.00
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$6,213,813,495.20
Undistributed and unrealized gains(losses)	<u>(\$11,132,066.20)</u>
Net Assets	<u>\$6,202,681,429.00</u>
Net asset value at fair value price per share	
(\$6,202,681,429.00 divided by \$6,213,813,495.20 units)	<u>\$0.9982</u>

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

Investment Pool Comments:

Asset Allocation: The pool held 70% of its assets in highly-rated U.S. government securities during January. Except for the amount held at the LGIP, the pool's sector allocation did not change much from December. The balance held at the LGIP fell by nearly \$200 million during the month.

Pool Asset Size & Return: The pool's balance grew by \$151 million from December's level. Usually the pool's balance decreases in January, but two pool participants had large bond closings during the month that totaled nearly \$300 million. This large inflow was the primary reason why the pool's balance increased. The pool's distribution yield was 0.97%, which was 2 basis points better than December's rate of 0.95%

Market Value & Duration: The market value of the pool improved by \$1.6 million between December and January. This was mostly the result of yields in the 2-year area declining somewhat. As expected, the Fed decided raised their interest target by 25 basis points in December. This should help gradually increase the pool's yield over time. The markets expect the next rate increase will not come until the summer or fall. A pick up in wage growth or inflation expectations could force the Fed to move earlier than this.

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
1/31/2017**

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	8,428,057.82	5,276,158.00	3,151,899.82
Total		9,299,967.56	5,868,315.60	3,431,651.96

Fair Value Ratio	0.6310
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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 2017 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 January totaled \$101,796.54. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 84%. 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 last estimated price (52.9) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 94%, 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 2017, and it is likely that Cheyne will also make at least one distribution in 2017. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed.