

Portfolio Breakdown

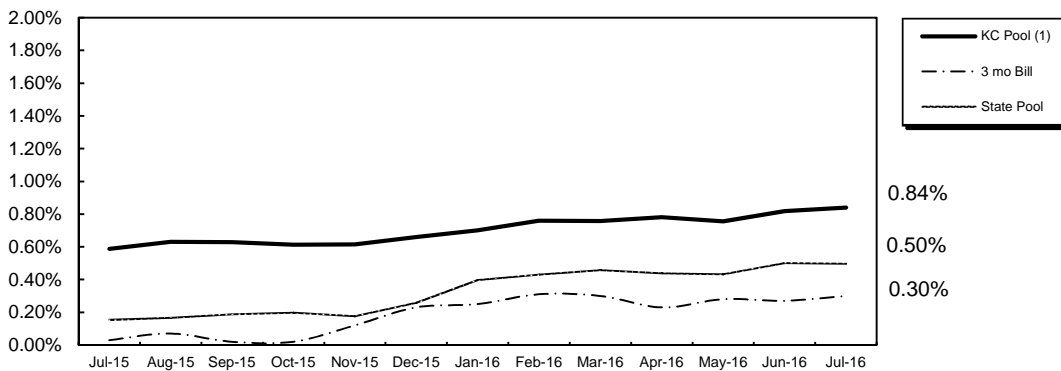
The following is a breakdown of the Investment Pool holdings for July 2016

	Average (\$000)	% of Portfolio
U.S. Agency Securities	1,803,219	30.4%
Commercial Paper	326,635	5.5%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Bank Corporate Notes	918,268	15.5%
U.S. Agency Mortgage-backed Securities	6,122	0.1%
Repurchase Agreements (Repos)	120,097	2.0%
Treasury Securities	2,225,002	37.5%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	533,009	9.0%
Reverse Repurchase Agreements	-	0.0%
Total	\$5,932,351	100%

*Average Pool Effective Duration: 0.98 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 July 31, 2016

Net Assets ⁽²⁾	\$5,897,775,214.29
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$5,881,129,615.99
Undistributed and unrealized gains(losses)	\$16,645,598.30
Net Assets	\$5,897,775,214.29
Net asset value at fair value price per share ((\$5,897,775,214.29 divided by 5,881,129,615.99 units)	\$1.0028

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

Investment Pool Comments:

Asset Allocation: The pool held nearly 68% of its assets in highly-rated U.S. government securities during July. The dollars allocated to commercial paper, US Treasury, and US Agency securities decreased as proceeds from those securities were used to meet normal July cash disbursements. July is typically a large debt service month, and this July was no exception, with nearly \$91 million going out for debt service. We also allocated more dollars to highly-rated bank notes, which had a positive impact on the pool's yield.

Pool Asset Size & Return: The pool's balance decreased by \$313 million from June's ending balance. While the pool's distribution yield increased to 0.84%, which was a 2 basis point improvement from June's rate.

Market Value & Duration: The financial markets were reassured when the payroll number released in early July came in better than expected, and this moved yields higher as it reduced some of the economic uncertainty caused by the pro-Brexit vote in Britain. Equity markets recovered during the month following the payroll report, and the movement of money back into stocks from bonds also contributed to the rise in interest rates by 5 to 7 basis points in the 1 to 3-year part of the yield curve. We used the increase in yields to buy some additional securities in the 2 to 3-year area and this helped extend the pool's duration slightly. The duration at the end of July was 0.98 years, which was above the prior month's level of 0.91 years.

We remain committed to sharing information with pool members, so if you have any questions, please email us at investment.pool@kingcounty.gov

**Impaired Pool Holdings Report
7/31/2016**

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	84,407.60	84,407.60	-
VFNC Trust/Victoria Finance (2)	Restructured	9,351,916.69	5,025,948.00	4,325,968.69
Total		10,223,826.43	5,618,105.60	4,605,720.83

Fair Value Ratio	0.5495
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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.

(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 July totaled \$150,453.22. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 82%. 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 July to the last estimated price (47.3) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 92%, 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. Rhinebridge made a payment on 5//27/16 and we expect them to make just one more small payment by the end of 2016. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed.