

Portfolio Breakdown

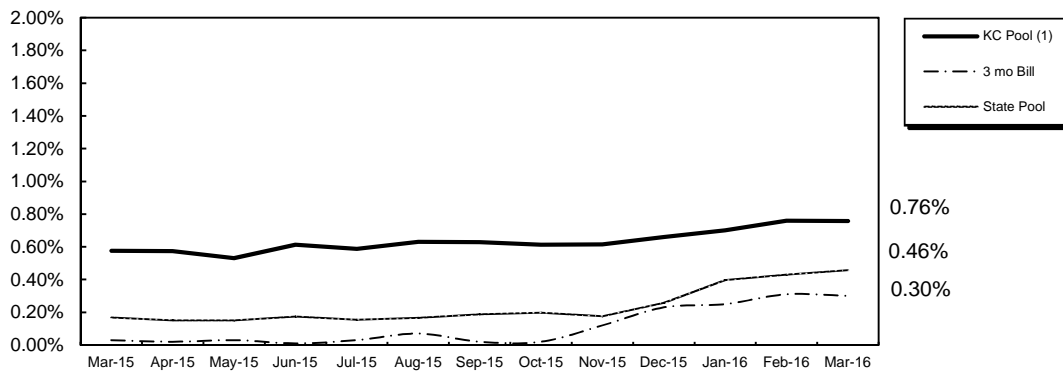
The following is a breakdown of the Investment Pool holdings for March 2016

	Average (\$000)	% of Portfolio
U.S. Agency Securities	1,847,997	32.6%
Commercial Paper	88,582	1.6%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Bank Corporate Notes	863,513	15.3%
U.S. Agency Mortgage-backed Securities	6,499	0.1%
Repurchase Agreements (Repos)	242,742	4.3%
Treasury Securities	2,279,662	40.3%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	332,345	5.9%
Reverse Repurchase Agreements	-	0.0%
Total	\$5,661,340	100%

*Average Pool Effective Duration: 0.92 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 March 31, 2016

Net Assets ⁽²⁾	\$5,623,692,797.20
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$5,613,236,598.60
Undistributed and unrealized gains(losses)	\$10,456,198.60
Net Assets	\$5,623,692,797.20
Net asset value at fair value price per share ($\$5,623,692,797.20$ divided by $\$5,613,236,598.60$ units)	\$1.0019

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

Investment Pool Comments:

Asset Allocation: The pool held over 73% of its assets in highly-rated U.S. government securities during March, but the allocation of the pool's government holdings was weighted more toward U.S. Treasuries than U.S. agencies. The yield pick up from investing in agencies was very small, which made U.S Treasuries look more attractive. The pool's exposure to commercial paper and repurchase agreements increased modestly, while the allocation to other asset categories remained about where it was in the prior month.

Pool Asset Size & Return: The pool's balance did not change significantly from February's level, and the pool's distribution yield remained at 0.76% for March. Looking forward, the pool's yield for April and May will probably be closer to 0.70% because of the inflow of property taxes. Interest rates in the short end of the yield curve are lower than the pool's rate, so investing this new money will temporarily push the pool's overall yield down slightly.

Market Value & Duration: Interest rates between 3 months and 6 months decreased by 12 to 10 basis points, while rates between 1 and 5 years decreased by 2 to 5 basis points. This decrease in rates caused the pools' unrealized gain to rise by about \$5 million. Interest rates have remained low because of comments from the Fed Chair Yellen that the Fed is concerned about global economic conditions, so this means the Fed may not increase rates as much, or as fast, as many believed they would.

King County remains committed to sharing information with pool members. Please email us at investment.pool@kingcounty.gov if you have any questions.

**Impaired Pool Holdings Report
3/31/2016**

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	9,760,776.94	6,192,522.00	3,568,254.94
Total		12,433,587.96	7,834,872.00	4,598,715.96

Fair Value Ratio	0.6301
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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 March totaled \$77,922.97. 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 March 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 half of 2016. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed..