

Portfolio Breakdown

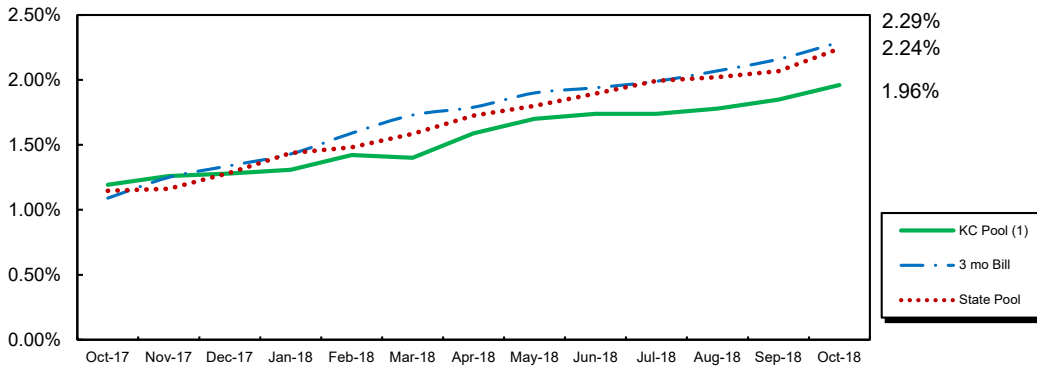
The following is a breakdown of the Investment Pool holdings for October 2018

	Average (\$000)	% of Portfolio
Governmental Agencies	2,191,408	29.7%
Commercial Paper	385,497	5.2%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Corporate Notes	1,070,927	14.5%
U.S. Agency Mortgage-backed Securities	4,016	0.1%
Repurchase Agreements (Repos)	263,548	3.6%
Treasury Securities	2,723,812	36.9%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	750,930	10.2%
Reverse Repurchase Agreements	-	0.0%
Total	\$7,390,139	100%

*Average Pool Effective Duration: 0.89 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 October 31, 2018

Net Assets ⁽²⁾	\$8,526,487,648.18
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$8,580,343,648.73
Undistributed and unrealized gains(losses)	(\$53,856,000.55)
Net Assets	<u><u>\$8,526,487,648.18</u></u>
Net asset value at fair value price per share	
(\$8,526,487,648.18 divided by 8,580,343,648.73 units)	<u><u>\$0.9937</u></u>

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

Investment Pool Comments:

Asset Allocation: The average dollars allocated to government agencies decreased during October, while the allocation to all other sectors increased. The pool's allocation to highly-rated U.S. Treasuries and government agencies represented 67% of the pool's investments.

Pool Asset Size & Return: At month-end, the pool's balance was about \$8.5 billion, which was an increase of \$1.4 billion from the prior month. There is typically an increase in the pool's balance during October because of the large inflow of property tax money. The pool's distribution yield increased to 1.96%, which was an increase of 11 basis points from September.

Market Value & Duration: The market value of the pool decreased by \$1.1 million between September and October due to rising interest rates. Interest rates fluctuated during the month, but ended the month slightly higher. U.S. economic data continued to come in at healthy levels, while signs of inflation continued to moderate. The markets and most economists believe the Fed will increase their target rate by 25 basis points at their meeting on December 19. Finally, the pool's duration ended the month at 0.89 years, which was lower than the prior month's ending duration of 1.03 years. This shortening was mostly due to the large inflow of property tax money, some of which needs to be invested short because we have to distribute it to other governments like cities and the state.

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
 10/31/2018**

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
VFNC Trust/Victoria Finance (2)	Restructured	5,756,664.76	3,906,966.00	1,849,698.76
Total		6,544,166.90	4,414,716.00	2,129,450.90

Fair Value Ratio	0.6746
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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 October totaled \$101,570.10. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 89%. 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 October to the last estimated price 51.9 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.

We still expect future "tail" payments from the Cheyne security, and it is likely that Cheyne will make at least one distribution in 2019. When we determine that no further payments are probable from the impaired securities, any remaining unrealized losses will be distributed.