King County Investment Pool

Portfolio Review

Quarter Ended June 30, 2018

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Executive Summary

Purpose, Scope and Approach	• PFM Asset Management LLC ("PFM") prepared this report to update our ongoing analysis and to address any Investment Pool developments since our March 2018 review. Our approach included a detailed portfolio analysis and Investment Policy Compliance review, based on the County's Investment Policy, dated July 26, 2017. • Our analysis was based on the Investment Pool's holdings as of June 30, 2018, with reference to holdings in past periods. • The review encompasses all current investments in the County's Investment Pool.
Investment Program and Portfolio Review	• PFM reviewed the County's portfolio with respect to Investment Policy Compliance, Sector Allocation, Issuer Concentration, Credit Quality, Maturity Distribution, and Duration Distribution. • The County's Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality. All holdings are investment grade and pose very low risk to principal.
Market Recap	• A strong US economy gave the Federal Reserve (Fed) the confidence to raise interest rates again in June and signaled two further hikes to come this year, followed by three more next year. • The probability priced into the federal-funds futures for a total of four rate increases this year went from 9% at the beginning of the year to 41% by the end of June. • The labor market continues to strengthen with recent monthly job gains, low unemployment and an improving labor-force participation. • Investment grade credit spreads widened in the second quarter, which has been a result of increased corporate leverage in the market and rising interest rates. • Due to disappointing economic data and low core inflation, the European Central Bank (ECB) announced that interest rates in the Eurozone will not increase until at least the summer of 2019. • Trade wars and additional tariffs have added to increased volatility in the market with the CBOE VIX, a proxy for market volatility, producing its highest six month average in more than a decade.
Observations	• The portfolio is of very high credit quality. The majority of securities (82%) are explicitly guaranteed or carry a high level of support by the U.S. Government (U.S. Treasury and federal agency) and/or possess overnight liquidity (Washington State LGIP, bank deposits, and repurchase agreements). • The County continued to diversify its issuers over the quarter with purchases of supranational agencies in the International Bank of Reconstruction and Development, as well as the European Bank of Reconstruction and Development. • The Pool lengthened duration over the quarter from 84% to 94% of the benchmark's duration, due to longer-term purchases of supranational agencies and US Treasuries. • The County Pool appears to provide adequate liquidity, with 12% (or $861 million) invested in a combination of the State LGIP, bank deposits, and repurchase agreements (overnight) and an additional 4% of the portfolio's holdings scheduled to mature within the next 31 days. • In anticipation of the upcoming quarter, during the third quarters of the past five years, the Pool experienced an average net <u>outflow</u> of $279 million

Investment Pool Portfolio Review

Portfolio Review

I. **Investment Policy Compliance**

II. **Sector Allocation**

- U.S. Treasuries
- Federal Agencies
- Supranational Agencies
- Commercial Paper
- Corporate Notes
- Repurchase Agreements
- LGIP and Cash Equivalents

III. **Issuer Concentration**

IV. **Overall Credit Quality**

V. **Maturity and Duration Distribution**

Investment Policy Compliance – Investment Policy Summary

- The Investment Policy summary is based on the current Investment Policy for the County Investment Pool, dated July 26, 2017.

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
U.S. Treasuries	100%	None	N/A	Up to 5 years
U.S. Agencies	100%	35% exposure to any single Agency	Senior debt obligations issued by any government sponsored enterprise, agency or instrumentality of the United States.	Up to 5 years
Repurchase Agreements – Top Tier Rating (A-1 or P1)	100%	100% for repurchase agreements with the Federal Reserve Bank of New York 25% maximum exposure to any one repo counterparty. For the purposes of aggregating issuers across sectors, overnight repo counterparties are not included.	The counterparty must have: 1. A rating in the highest short-term credit rating category by at least one Nationally Recognized Statistical Rating Organization (NRSRO) or possess a guarantee by an entity with such a rating; and 2. A minimum asset and capital size of $5 billion in assets and $175 million in capital	60 days or less
Repurchase Agreements – Second Tier Rating (A-2 or P-2)	10%	5% maximum exposure to any one repo counterparty. For the purposes of aggregating issuers across sectors, overnight repo counterparties shall NOT be included.	1. A rating in the second highest short-term credit rating category by at least one Nationally Recognized Statistical Rating Organization (NRSRO) or possesses a guarantee by an entity with such a rating; and 2. A minimum asset and capital size of $5 billion in assets and $175 million in capital	Overnight only
Reverse Repurchase Agreement	20%	5% per investment dealer	1. rated in the highest short-term credit rating category by at least one NRSRO or possesses a guarantee by an entity with such a rating; and 2. a minimum asset and capital size of $5 billion in assets and $175 million in capital	6 months or less
Local Government Investment Pool ("LGIP")	25%	State of Washington LGIP	N/A	N/A

Investment Policy Compliance – Investment Policy Summary (cont'd)

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
Bankers' Acceptances	25% When combined with Term Repos (greater than overnight), Certificates of Deposit, Commercial Paper and Corporate Notes not to exceed 50% of the Pool assets.	Must be issued by a bank organized and operating in the U.S. Maximum 5% per issuer applied across investment types.	Rated in the highest short-term credit rating category by at least two NRSROs.	Up to 180 days
Certificates of Deposit	25% When combined with Banker's Acceptance, Term Repos (greater than overnight), Commercial Paper and Corporate Notes not to exceed 50% of the Pool assets.	Must be a public depository in the State of Washington. Maximum 5% per issuer applied across investment types.	See RCW 39.58 of the state Code. If not 100% collateralized, must be rated in the highest short-term rating category by at least one NRSRO. Those institutions not meeting the 100% collateralization or minimum credit requirements may receive deposits up to the FDIC or federally guaranteed amounts.	Up to 1 year
Commercial Paper	25% of total market value when combined with Corporate Notes. When combined with Banker's Acceptance, Certificates of Deposit, Term Repos (greater than overnight) and Corporate Notes not to exceed 50% of the Pool assets.	Secondary market purchases only. Must be issued by a bank or corporation organized and operating in the U.S. Maximum 3% per issuer in combined categories of commercial paper and corporate notes. Maximum 5% per issuer applied across investment types.	Purchases with greater than 100 days maturity must have an issuer long-term rating in one of the three highest credit rating categories by one major NRSRO. Rated in the highest short-term rating category by at least two major NRSROs. If the commercial paper is rated by more than two major NRSROs, it must have the highest rating from all of the organizations. State law requires that Commercial Paper be purchased only from dealers.	270 days
General Obligation Municipal Bonds	20%	5% of portfolio: bond issues by pool participants must be purchased on the secondary market only	Rated in at least the highest three long-term rating categories by at least one NRSRO.	5 years

Investment Policy Compliance – Investment Policy Summary (cont'd)

Type	Maximum Portfolio Allocation	Issuer Restrictions	Credit Ratings	Maturity Restrictions
Mortgage-Backed Securities	25%	Must be issued by Federal Agencies of the United States. Investments in MBS will count toward the total that can be invested in any one agency as described in U.S. Agencies above. Full faith and credit MBS are limited to 25%.	Senior debt obligations issued by any government sponsored enterprise, agency or instrumentality of the United States. The securities must pass the Federal Financial Institutions Examination Council ("FFIEC") suitability test, which banks use to determine lowest risk securities.	5 year average life at time of purchase
Corporate Notes	25% of total market value when combined with commercial paper When combined with Banker's Acceptance, Certificates of Deposit, Commercial Paper and Term Repos (greater than overnight) not to exceed 50% of the Pool assets.	3% per issuer rated AA or better. 2% per issuer rated in broad single A category. Split ratings will take most conservative rating. Maximum 3% per issuer in combined categories of commercial paper and corporate notes. Maximum 5% per issuer applied across investment types.	Must be rated at least in the broad single A category or better. Broad single A category with a negative outlook may not be purchased.	5 years The maximum duration of the corporate notes portfolio shall not exceed 3 years.

<u>Additional Notes to the Investment Policy</u>

- The Pool will maintain an effective duration of 1.5 years or less.
- The Pool will maintain at least 40% of its total value in securities having a remaining maturity of 12 months or less.
- Floating rate and variable rate securities are permitted subject to the following criteria:
  1) The rate on the FRN/VRN resets no less frequently than quarterly; and
  2) The FRN/VRN is indexed to a money market rate.
- Major NRSRO is defined as Moody's and Standard & Poor's.
- Purchases prior to 9/15/16 are considered grandfathered in for issuer limit purposes and can be held to maturity.

I. Investment Policy Compliance – County Investment Pool

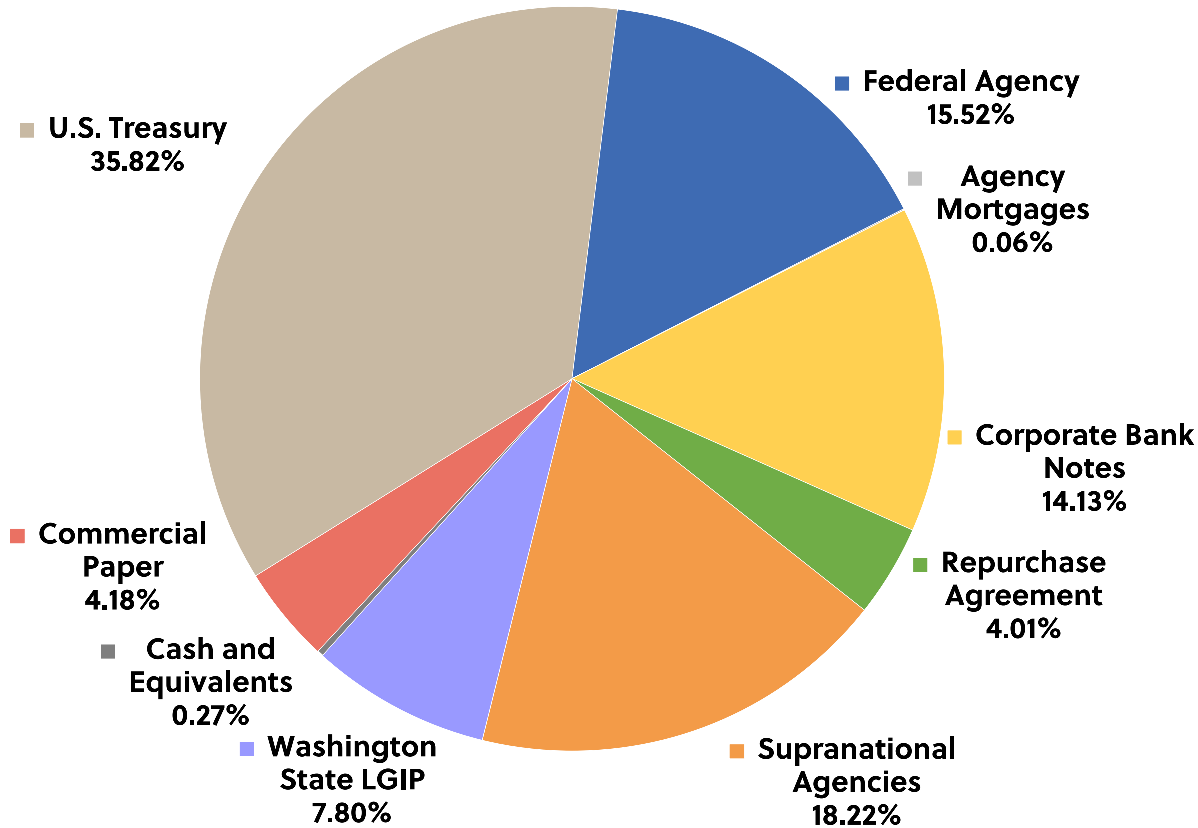
Topic	Observations
Sector Allocation	• All sector allocations fall within the limits set forth by the County's Investment Policy Statement. The Pool is predominantly invested in U.S. government securities which are either explicitly guaranteed or carry a high level of support by the U.S. government. • The County's Investment Pool balance (market value) as of June 30, 2018 was $7.1 billion and it experienced a net increase of approximately $699 million over the quarter. • Over the quarter, sectors that experienced allocation percentage increases included: supranational agencies (+10.06%), and repurchase agreements (+0.61%). All sectors experiencing an increase over the quarter still remain within applicable policy limits. • Sectors that experienced decreases in quarter-over-quarter allocation percentages included: federal agencies (-7.57%), corporate bank notes (-1.70%) and the Washington State LGIP (-0.86%).
Credit Quality	• Approximately 70% of the County pool's assets are guaranteed or supported by the U.S. government. Furthermore, 8% is invested in the State LGIP, where 54% of the LGIP is invested directly in U.S. Treasuries or federal agencies. Additionally, considering the County pool's holdings of repurchase agreements and bank accounts collateralized by government securities, the overall government-related credit quality exceeds 82%. • Corporate allocations (both commercial paper and corporate notes) remained steady over the quarter at 18% of the portfolio, and all securities are investment grade. Allocations to corporates continue to be below the maximum allocation limit of 25%. • Total allocations of corporates and commercial paper also do not exceed the 50% allocation limit set forth in the County's Investment Policy.
Maturity Distribution	• All maturities fall within the limits set forth in the County's Investment Policy. • Approximately 51% of the Pool's assets mature in one year or less, well above the minimum of 40% that is mandated by the Investment Policy.

Security Type	Market Value($)	Allocation Percentage	Within Policy Limits	Max Maturity Held	Within Policy Limits
U.S. Treasury	2,556,616,860.00	35.82%	✓	2.71 years	✓
Federal Agency (non-MBS)	1,107,582,682.10	15.52%	✓	2.39 years	✓
Corporate Notes	1,008,412,036.98	14.13%	✓	3.11 years	✓
Washington State LGIP	556,587,574.68	7.80%	✓	1 day	✓
Supranational Agencies	1,300,235,202.25	18.22%	✓	3.58 years	✓
Commercial Paper	298,412,180.50	4.18%	✓	186 days	✓
Repurchase Agreements	286,000,000.00	4.01%	✓	2 day	✓
Cash and Equivalents	19,167,088.93	0.27%	✓	1 day	✓
Agency Mortgages	4,396,955.49	0.06%	✓	2.78 years (WAL)	✓
TOTAL	7,137,410,580.93	100.00%			

**Percentages may not total to 100% due to rounding.*

II. Sector Allocation

Sector Diversification
as of June 30, 2018

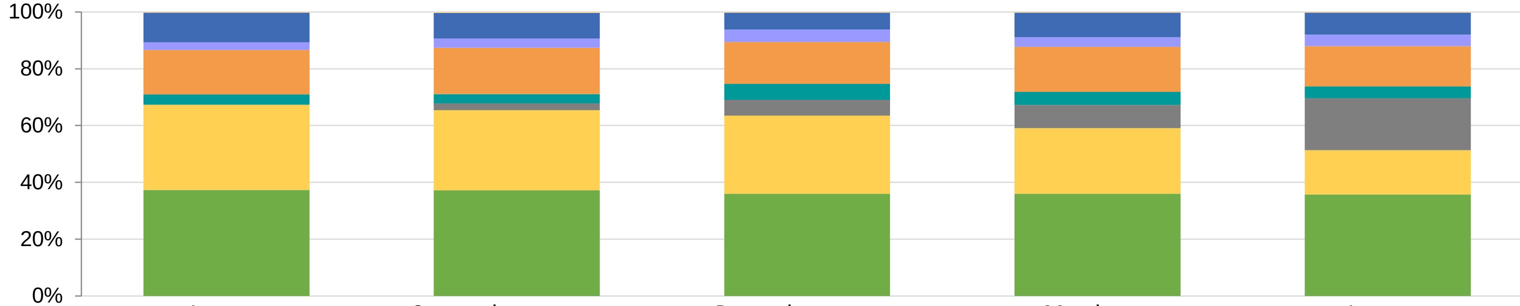


**Percentages may not total to 100% due to rounding.*

II. Changes in Portfolio Sector Allocation over the Past 12 Months

Changes in Sector Allocation

- The County's investment pool increased percentage allocations to supranational agencies (+10.06%), and repurchase agreements (+0.61%), while decreases occurred in federal agencies (-7.57%), corporate bank notes (-1.70%) and the Washington State LGIP (-0.86%).
- U.S. Treasuries During the first quarter U.S. Treasuries increased by $242 million. However the overall allocation to the sector held steady at 36% over the quarter.
- Federal Agencies Federal agency allocations decreased over the quarter by $379 million, or -7.57%. Approximately $538 million of all agency holdings matured during the quarter and $934 million was reinvested into the sector, particularly $875 million into supranational agencies.
- Corporate Notes The portfolio decreased allocations to corporate notes over the quarter, now accounting for 14.1% of the overall portfolio totaling approximately $1.0 billion.
- Commercial Paper Commercial paper allocations remained mostly unchanged over the quarter with a small decrease in the portfolio. These holdings now account for $298 million (or 4.2% of the total portfolio).
- Washington State LGIP Balances invested in the State LGIP decreased over the quarter by approximately $1 million, and continued to serve as the Pool's primary liquidity vehicle. This sector accounts for approximately 7.8% of the overall portfolio.
- Repurchase Agreements and Bank Deposits Allocations to repurchase agreements increased by $67 million over the quarter and account for 4.0% of the total portfolio. Bank deposits increased slightly by about $5 million over the quarter to $19 million (or to 0.27% of the total portfolio).



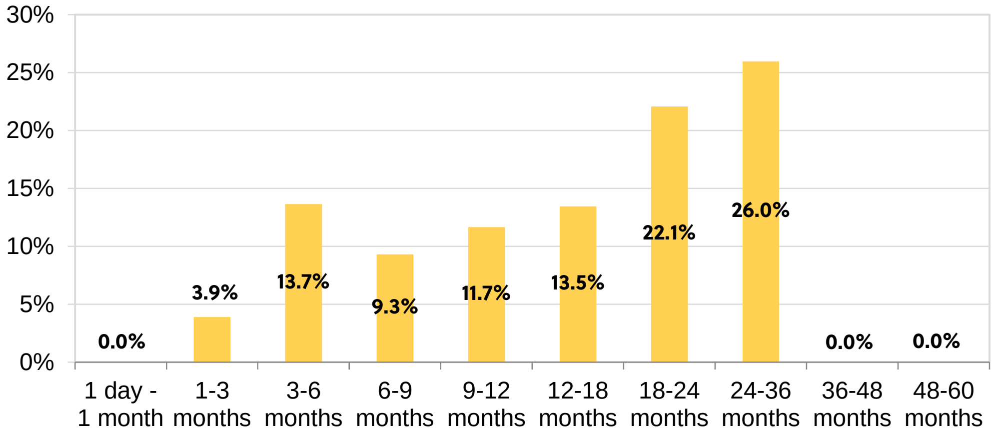
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
U.S. Treasury	37.37%	37.24%	36.03%	35.94%	35.82%
Federal Agencies	29.87%	28.18%	27.49%	23.08%	15.52%
Agency Mortgages	0.08%	0.08%	0.07%	0.07%	0.06%
Supranational Agencies	0.00%	2.26%	5.47%	8.16%	18.22%
Commercial Paper	3.61%	3.36%	5.61%	4.63%	4.18%
Corporate Notes	15.70%	16.28%	14.77%	15.83%	14.13%
Repurchase Agreements	2.67%	3.22%	4.29%	3.40%	4.01%
Washington State LGIP	10.44%	8.95%	6.02%	8.66%	7.80%
Cash and Equivalents	0.26%	0.43%	0.25%	0.22%	0.27%

**Percentages may not total to 100% due to rounding.*

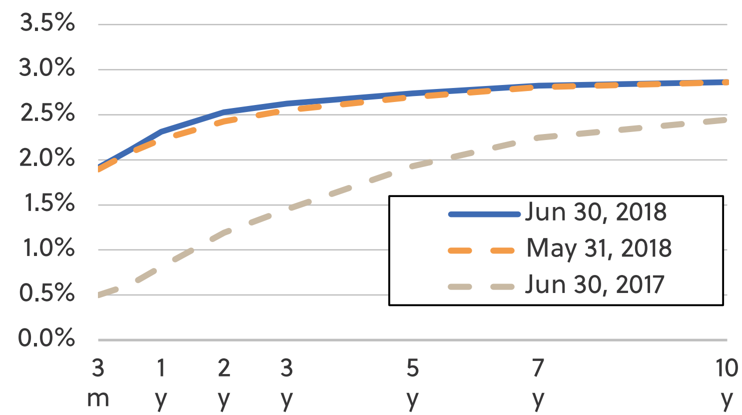
II. Sector Allocation – U.S. Treasury Securities

Topic	Observations
Observations	• The County's balances held in U.S. Treasuries remained stable over the quarter, at 35.8% of the total portfolio. – Treasury yields across the curve, especially on the shorter end of the yield curve, ended the quarter higher in light of the well marketed June Federal Funds Rate hike and continuing reduction in the Fed's balance sheet. o The 10-year Treasury yield was up 11 bps, while the two-year yield rose 24 bps. o The yield curve continued to flatten as long-term rates have only slight increases due to looming fears over the possibility of trade war. – The majority of the Pool's Treasury investments ($1.57 billion, or 61.5% of all Treasury holdings) have remaining maturities of greater than one year and are positioned in the steeper portions of the U.S. Treasury yield curve. • The County's weighted average maturity (WAM) of its Treasury allocation increased over the quarter by 10 days, from 494 days on March 31st, to 504 days on June 30th due to investments in longer-dated securities. • The chart below, on the left, illustrates the current maturity distribution of the County's allocations to U.S. Treasuries and the chart on the right illustrates the current shape of the U.S. Treasury yield curve, compared to the yield curve a month ago and one year ago. • The County found the most value in the 24-36 month area of the curve.

U.S. Treasury Maturity Distribution
as of June 30, 2018



U.S. Treasury Yield Curve
6/30/17 vs 5/31/18 vs 6/30/18

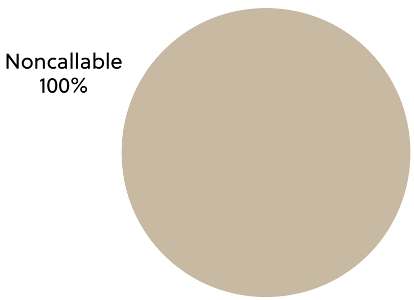


** Source Bloomberg Financial Systems*

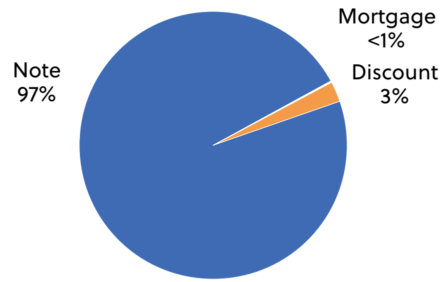
II. Sector Allocation – Federal Agencies

Topic	Observations			
Structure *(as % of Federal Agency Allocations)*	• Non-Callable • Callable	100.0% 0.0%	• Discount Notes • Coupon Bearing Notes • Agency Mortgage	2.5% 97.4% <1%
Diversification *(as % of Federal Agency Allocations)*	• Freddie Mac (FHLMC) • Federal Home Loan Bank (FHLB) • Fannie Mae (FNMA) • Supranational Agencies	9.8% 12.3% 15.6% 53.9%	• Federal Farm Credit Bank (FFCB) • Freddie Mac Mortgage-Backed (FHR) • Fannie Mae Mortgage-Backed (FNR)	8.1% 0% <1%
Conclusions	• The County's federal agency holdings continue to be well diversified. All issuer allocations fall within the issuer guidelines and security structures in the County's investment policy (max per agency issuer 35%). • All supranational agency holdings are below the 35% limit. • The dollar amount invested in federal agencies decreased during the first quarter by $379 million or 7.6%. • In the previous quarter, the one callable holding is now no longer callable and will mature at the end of July, leaving the account with no more holdings eligible to be called. • The County Pool's only remaining allocation to agency mortgages is in Fannie Mae pools, totaling approximately $4.4 million. • Increases were also made to supranational holdings, up by 10.1% over the quarter, or $775 million.			

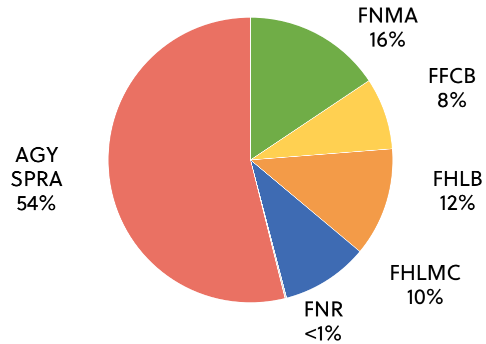
Callable vs. Non-Callable
as of June 30, 2018



Structure Distribution
as of June 30, 2018



Issuer Diversification
as of June 30, 2018

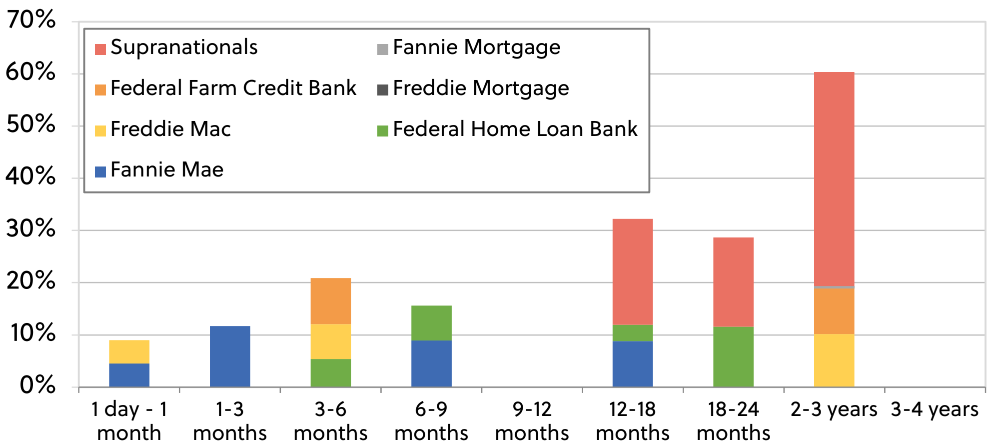


**All calculations above are based on total cash equivalents exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

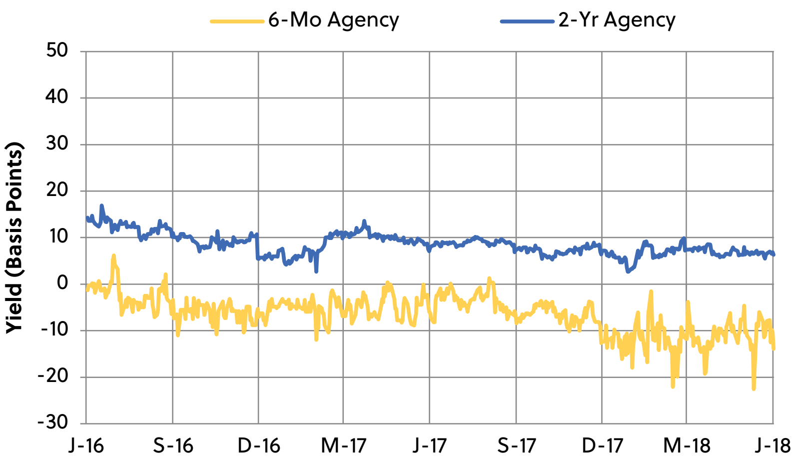
II. Sector Allocation – Federal Agencies

Topic	Observations
Maturity Distribution	• The County's federal agency maturity distribution falls within the limits set forth by the Investment Policy Statement. • Over the quarter, the County's weighted average maturity (WAM) of federal agency holdings increased by 105 days, from 393 days on March 31st to 498 days on June 30th. — Agency spreads remain tight. While value exists in price concessions when new issues are first traded, the supranational sector offers additional income benefit relative to both Treasury and agency securities. — When yields of federal agencies and Treasuries are relatively close, the U.S. Treasury security is typically preferred. • In previous quarters, the County preferred to hold short-term agencies with maturities less than 1 year, paired with longer-term US Treasuries with maturities greater than 1 year. — This quarter however, due to the significant additions to supranational agency holdings, the County does not have a majority of agency holdings invested in maturities less than 1 year and now holds 59% of all agency holdings in maturities greater than 1 year.

Federal Agency Maturity Distribution by Name
as of June 30, 2018



Federal Agency Yield Spreads
Past 24 Months



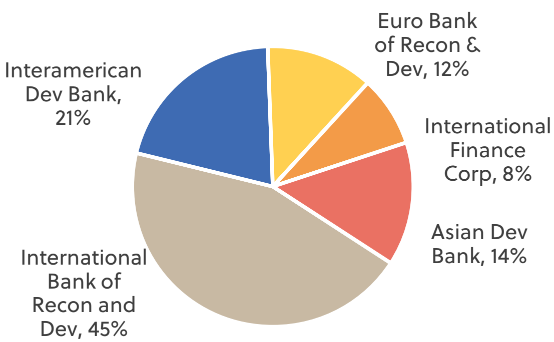
** Source Bloomberg Financial Systems*

- *Agency Mortgage maturities are calculated as average life. Average life data taken from Bloomberg Financial Markets*
- *Callable securities are shown to their next call date.*
- *All other Agency maturities are calculated as days to maturity.*

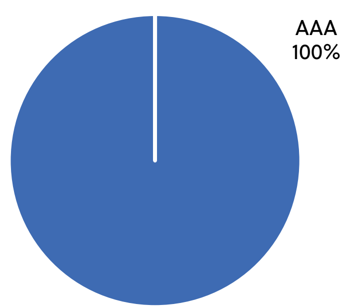
II. Sector Allocation – Supranational Agencies

Topic	Observations
Credit Distribution	• The County purchased additional supranational agency holdings during the second quarter. These holdings are of high credit quality, being backed by various member countries and are created in order to support economic development and poverty reduction. • The County maintained is exposure to five supranational issuers over the quarter, but significantly increased its allocation to the International Bank of Reconstruction and Development and the European Bank of Reconstruction and Development. – The U.S. is the largest country from a shareholder perspective for all five Supranational issuers (co-largest with Japan for the Asian Development Bank), meaning the U.S. has the largest decision making power, and these securities are considered to have been issued by federal instrumentalities. • By continuing to invest in this sector, the County is able to diversify the portfolio and add to its high credit quality. – The portfolio's allocation to supranational agencies is mostly for the longer term with 73% of its holdings having over a year in maturity.
Spread to Agency rates	• The chart on the right shows the spread between supranational agencies and federal agency securities. – Supranational agencies remain a strong alternative to both comparable maturity Treasuries and federal agencies. With the seasonality of elevated supranational supply slowing toward the end of the second quarter, current yield spreads shown below are attractive but are following a downward trend.

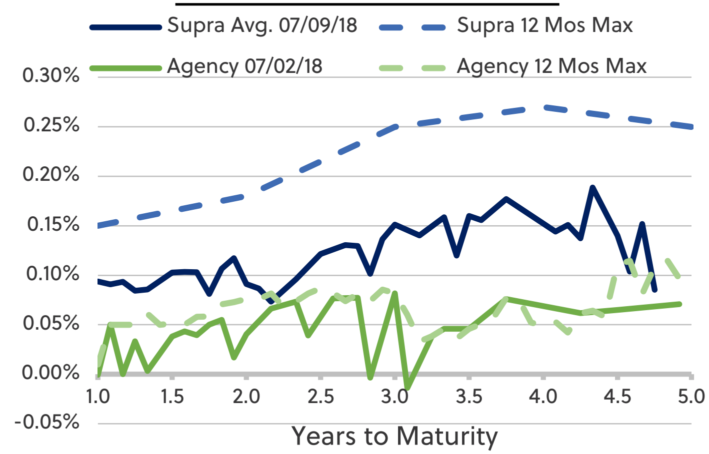
Issuer Distribution
as of June 30, 2018



Credit Distribution
as of June 30, 2018



Supranational Agency vs.
Federal Agency Yield Spreads

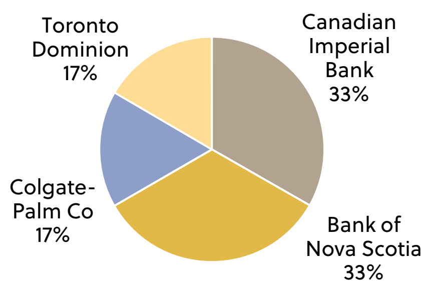


** Source Bloomberg Financial Systems*

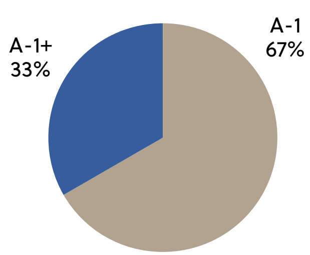
II. Sector Allocation – Commercial Paper

Topic	Observations
Issuer Diversification	• The County's allocation to commercial paper decreased slightly over the quarter, by approximately $303,347, and now accounts for 4.2% of the total portfolio, down from 4.6% at the end of the first quarter. • The portfolio added two issuers, Colgate Palmolive and Toronto Dominion, to its other commercial paper holdings: Canadian Imperial Bank, and the Bank of Nova Scotia. All previously held Apple Inc. securities have matured over the quarter, removing this issuer. • The incremental yield offered by commercial paper is now modest but continues to outperform compared to similar term government securities. – "Rolling" short-term commercial paper is an attractive investment strategy relative to most other short-term permitted investment options in the current fixed income market.
Credit Distribution	• Standard & Poor's rates the short-term credit of Colgate Palmolive and Toronto Dominion as A-1+, and Bank of Nova Scotia and Canadian Imperial Bank each as A-1. • Moody's rates the short-term credit of all of the County's CP issuers as P-1.
Conclusions	• High-quality commercial paper has offered a noticeable yield advantage relative to similar maturity Treasury and agency securities over the past several years. This yield advantage of commercial paper is even more pronounced at longer maturities and has grown with regulatory changes to money market mutual funds. • From an overall portfolio duration perspective, utilizing short term commercial paper helps the County to offset the purchasing of longer term securities. These commercial paper investments generally offer greater yields than other short term securities and overnight investments.

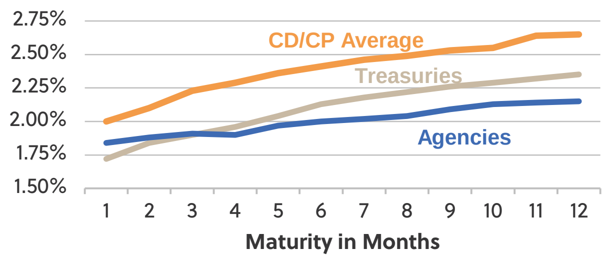
Issuer Distribution
as of June 30, 2018



Credit Distribution
as of June 30, 2018



Current Short-Term Yields
as of June 30, 2018



** Source Bloomberg Financial Systems*

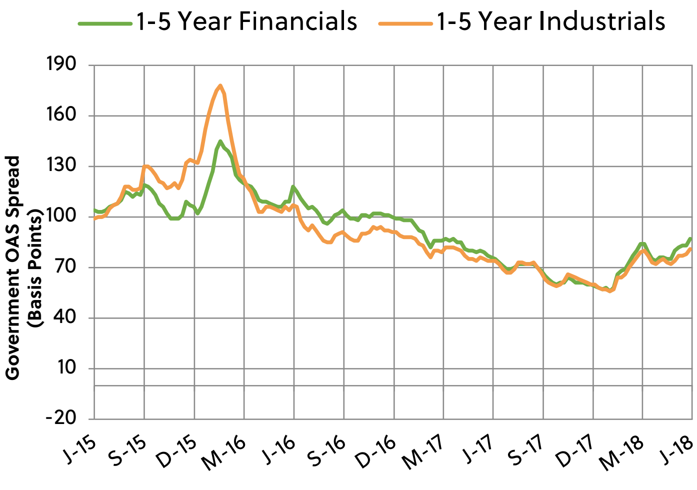
**All calculations above are based on total cash equivalents exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

II. Sector Allocation – Corporate Notes

Topic	Observations
Maturity Distribution	• The County modestly decreased allocations over the quarter to high-quality corporate notes. This sector accounts for 14.1% of the overall portfolio, totaling approximately $1.0 billion. • When viewing the County's corporate note holdings to the next call date, the weighted average maturity of these investments is 1.0 year. • Of the County's total allocation to this sector, 48% is held in maturities beyond 1 year, below the 60% last quarter, due to the natural shortening of corporate holdings.

Credit & Issuer Distribution	S&P Short	S&P Long	Moody's Short	Moody's Long	% of Corporate Holdings	% of Portfolio
Toronto Dominion Bank	A-1+	AA-	P-1	Aa2	15.60%	2.20%
Royal Bank of Canada	A-1+	AA-	P-1	A1	13.77%	1.95%
Microsoft Corp	A-1+	AAA	P-1	Aaa	11.69%	1.65%
US Bank	A-1+	AA-	P-1	A1	10.30%	1.46%
JP Morgan Chase	A-1	A+	P-1	Aa3	9.20%	1.30%
PNC Bank	A-1	A	P-1	A2	7.57%	1.07%
Wells Fargo Bank	A-1	A+	P-1	Aa2	7.37%	1.04%
Bank of Montreal	A-1	A+	P-1	A1	6.93%	0.98%
Proctor & Gamble Co	A-1+	AA-	P-1	Aa3	5.41%	0.76%
Bank of Nova Scotia	A-1	A+	P-1	A1	4.44%	0.63%
Apple Inc.	A-1+	AA+	P-1	Aa1	3.32%	0.47%
Canadian Imperial Bank	A-1	A+	P-1	A1	2.93%	0.41%
Walt Disney Co	A-1+	A+	P-1	A2	1.46%	0.21%

Corporate/Treasury Yield Spreads
June 2015 through June 2018



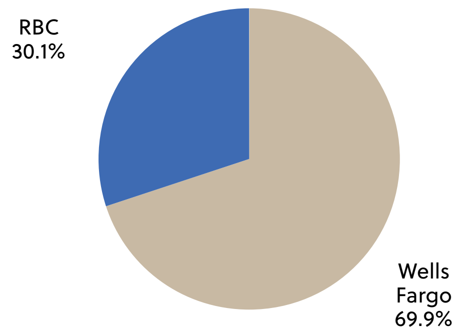
** Source Bloomberg Financial Systems*

**Percentages may not total to 100% due to rounding.*
***Source Moody's*

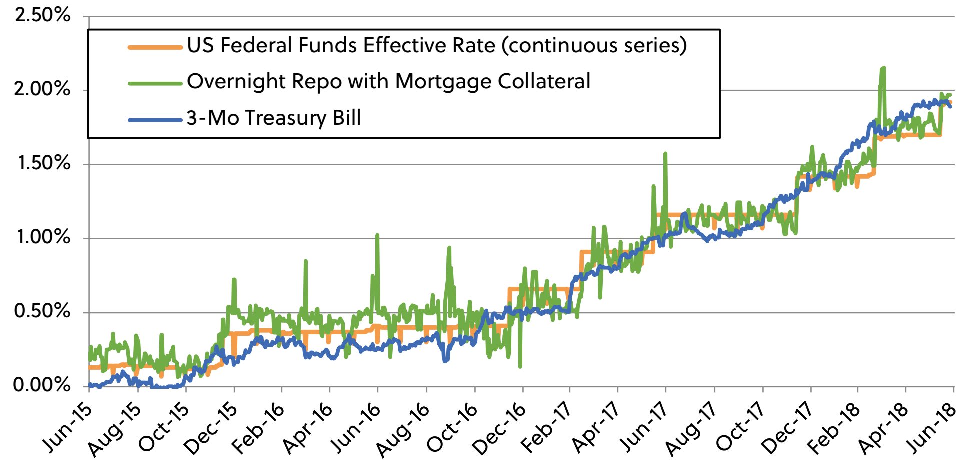
II. Sector Allocation – Repurchase Agreements

Topic	Observations
Issuer Diversification	• The County added an RBC Capital Markets tri-party repurchase agreement to its repurchase agreement allocation and ended June with 4.0% of the portfolio allocated to the sector, up from 3.4% in March. • The portfolio utilizes two repo counterparties: Wells Fargo Bank with an allocation of $200 million on June 30, 2018, and RBC Capital Markets with an allocation of $86 million. • This allocation falls within the permitted investment guidelines of 25% per issuer and 100% maximum to the sector.
Credit Distribution	• Standard & Poor's rates Wells Fargo's short-term issuer credit as A-1 and RBC as A-1+. • While both issuers maintain very high-quality ratings from S&P, the ultimate quality of the repurchase agreement depends on the underlying collateral.
Conclusions	• As of June 30, 2018, the repurchase agreement sector's weighted average yield was 2.08%, which is an additional 28 bps over last quarter.

Issuer/Credit Distribution
as of June 30, 2018



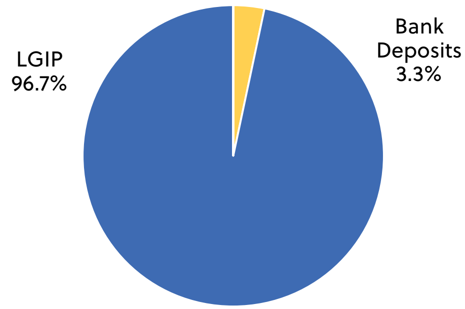
Short-Term Yields
June 2015 through June 2018



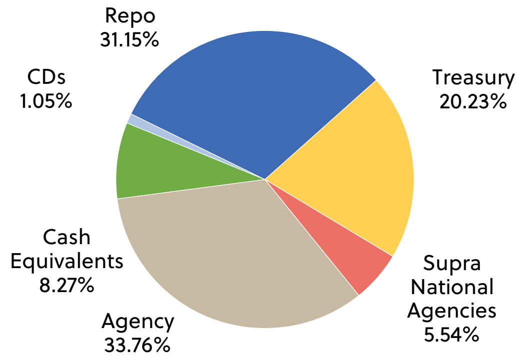
II. Sector Allocation – LGIPs and Cash Equivalents

	Underlying Investments	Rating (Short-Term: S&P/ Moody's/Fitch)	Observations
Washington State LGIP	• U.S. Treasuries 20.2% • Federal Agencies 33.8% • Supra National Agencies 5.5% • Repurchase Agreements 31.2% • Certificates of Deposit 1.1% • Cash Equivalents 8.3% *As of June 30, 2018*	• N/A	• The County currently has allocated $557 million to the Washington State LGIP, which is a decrease of approximately $1 million over the previous quarter. • The County's allocation to the State LGIP continues to serve as the primary source of overnight liquidity for the portfolio. • The State LGIP decreased holdings of Treasuries (down 13.5%), and increased agency holdings by 5.1%, as well as repurchase agreement holdings by 10.0%. All other sectors experienced modest, small changes in percentage allocations over the quarter.
Cash Equivalents	• State LGIP 96.7% • U.S. Bank 2.5% • Key Bank 0.8% • Bank of America <1%	• U.S. Bank: A-1+/P-1/F1+ • Key Bank: A-2/P-2/F-1 • Bank of America: A-2/P-2/F1	• The County's deposit accounts at U.S. Bank, Key Bank, and Bank of America are FDIC-insured up to FDIC limits, and are collateralized by the Public Deposit Protection Commission. • The County slightly increased its allocation to bank deposits over the quarter, by $5 million, ending June at $19 million. The U.S. Bank account represents 75% of the Pool's bank deposits (Key Bank 24% and Bank of America <1%).

Cash Equivalents Distribution
as of June 30, 2018



Washington State LGIP Sector Distribution
as of June 30, 2018



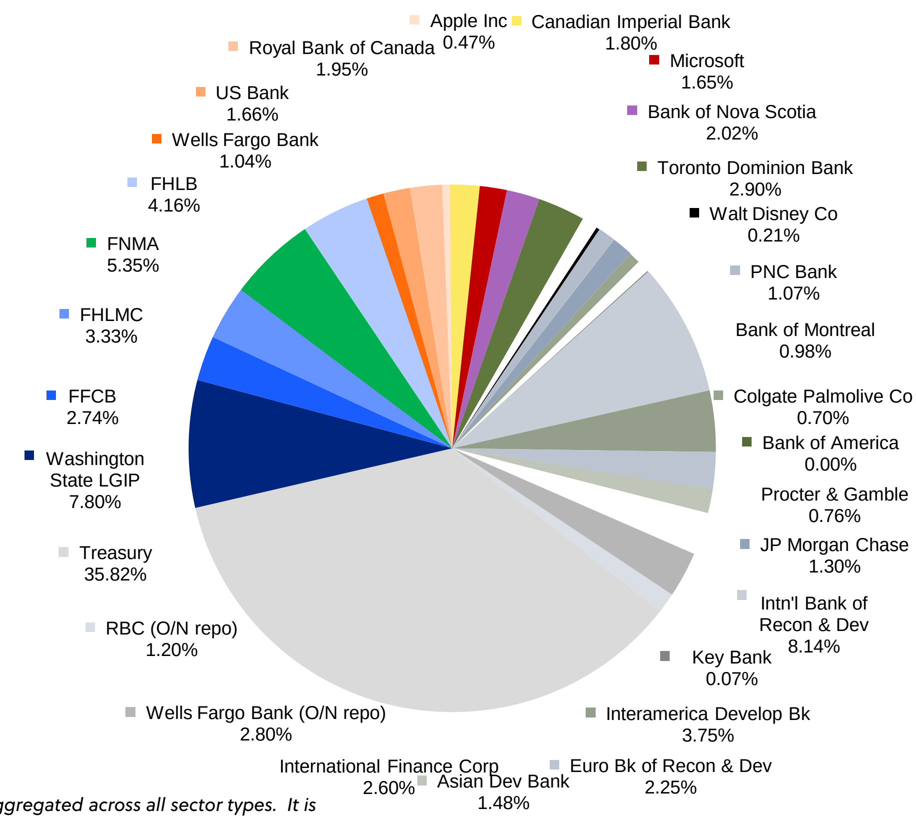
**All calculations above are based on total cash equivalents exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

III. Issuer Concentration

Issuer Exposure

- The County continues to maintain a well-diversified portfolio by issuer, as is evidenced by the chart below.
- Approximately 69.6% of the portfolio is allocated directly to U.S. government guaranteed or government supported entities.
- Of the remaining 30.4% of the portfolio, 12.1% is allocated to ultra short-term or overnight investment vehicles, including the State LGIP, repurchase agreements, and bank deposits. The remaining 18.3% is allocated to credit issuers, including commercial paper and corporate notes.
- The County added to its commercial paper issuer with Colgate-Palmolive Co and Toronto Dominion Bank, as well as Repurchase Agreements adding RBC Capital Markets to its issuers.

Issuer Distribution	Value	Percentage	Issuer Limit
Treasury	2,556,616,860	35.82%	100%
Intn'l Bank of Recon & Dev	580,836,887	8.14%	35%
Washington State LGIP	556,587,575	7.80%	25%
FNMA	381,698,237	5.35%	35%
FHLB	297,272,100	4.16%	35%
Interamerican Develop Bk	267,469,929	3.75%	35%
FHLMC	237,393,350	3.33%	35%
Toronto Dominion Bank	206,820,649	2.90%	5%
Wells Fargo Bank (O/N repo)	200,000,000	2.80%	25%
FFCB	195,615,950	2.74%	35%
International Finance Corp	185,306,707	2.60%	35%
Euro Bk of Recon & Dev	160,828,141	2.25%	35%
Bank of Nova Scotia	144,472,614	2.02%	5%
Royal Bank of Canada	138,875,500	1.95%	5%
Canadian Imperial Bank	128,823,422	1.80%	5%
US Bank	118,249,590	1.66%	5%
Microsoft	117,848,422	1.65%	5%
Asian Dev Bank	105,793,540	1.48%	35%
JP Morgan Chase	92,780,341	1.30%	5%
RBC (O/N repo)	86,000,000	1.20%	5%
PNC Bank	76,305,196	1.07%	5%
Wells Fargo Bank	74,328,000	1.04%	5%
Bank of Montreal	69,930,800	0.98%	5%
Procter & Gamble	54,582,700	0.76%	5%
Colgate Palmolive Co	49,975,000	0.70%	5%
Apple Inc	33,432,624	0.47%	5%
Walt Disney Co	14,751,450	0.21%	5%
Key Bank	4,667,411	0.07%	5%
Bank of America	147,588	0.00%	5%
Total	$7,137,410,581	100.00%	



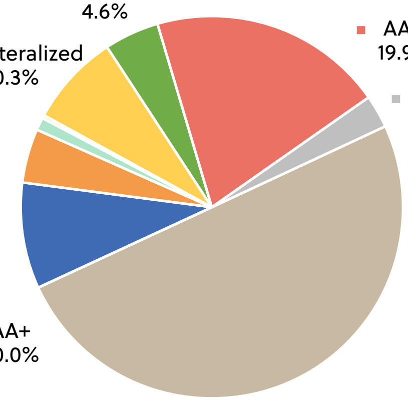
Percentages may not add to 100% due to rounding.
** For the purposes of totaling issuer concentration, issuers are aggregated across all sector types. It is noted however that issuers across sector types may maintain separately rated issuer credits.*

IV. Overall Credit Quality

County Investment Pool Credit Analysis

- The County Pool's overall average credit position remains very strong and is primarily concentrated in U.S. government guaranteed and/or supported securities which maintain a long-term credit rating of AA+ by Standard & Poor's and federal agency discount notes, which maintain a short-term credit rating of A-1+ by S&P.
- The County also significantly increased its holdings of supranational agencies, which are rated AAA.
- The County slightly decreased its credit exposure through commercial paper and corporate notes over the quarter, ending at approximately 18.3% of the portfolio, compared to 20.5% last quarter.
  - Commercial paper now accounts for 4.2% of the entire portfolio, while corporate notes account for 14.1%.
- Allocations were maintained to corporate notes for all previously held issuers except for Colgate Palmolive, which matured in May, along with commercial paper allocations to Apple Inc. that matured over the quarter.
  - The portfolio added two commercial paper issuers, Colgate Palmolive and Toronto Dominion, to its exposure.
  - Corporate note allocations held throughout the quarter have ratings of A/A1 or higher.
  - Commercial paper allocations are all rated A-1/P-1 or higher.
- The 7.8% NR allocation represents the County's investment in the Washington State LGIP, which is not currently rated by any ratings agency.
- The County's investment in the Washington LGIP includes indirect corporate exposure:
  - Through the LGIP, 2.5% of the County's Pool is allocated indirectly to corporate securities (repurchase agreements and certificates of deposit).

Total Pool Credit Distribution*
as of June 30, 2018



Corporate/CP Issuer Ratings Table
as of June 30, 2018

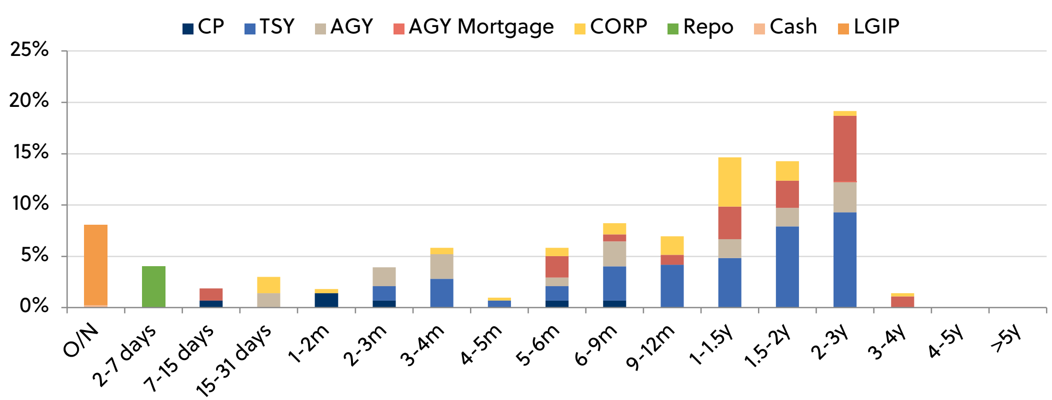
Issuer Distribution	Sectors Invested	S&P Short	S&P Long	Moody's Short	Moody's Long
Toronto Dominion Bank	Corp/CP	A-1+	AA-	P-1	Aa2
Royal Bank of Canada	Corp	A-1+	AA-	P-1	A1
Microsoft Corp	Corp	A-1+	AAA	P-1	Aaa
US Bank	Corp	A-1+	AA-	P-1	A1
PNC Bank	Corp	A-1	A	P-1	A2
Bank of Montreal	Corp	A-1	A+	P-1	A1
Wells Fargo Bank	Corp	A-1	A+	P-1	Aa1
Proctor & Gamble Co	Corp	A-1+	AA-	P-1	Aa3
Bank of Nova Scotia	Corp/CP	A-1	A+	P-1	A1
JP Morgan Chase	Corp	A-1	A+	P-1	Aa3
Apple Inc.	Corp	A-1+	AA+	P-1	Aa1
Canadian Imperial Bank	Corp/CP	A-1	A+	P-1	A1
Colgate-Palmolive Co	CP	A-1+	AA-	P-1	Aa3
Walt Disney Co	Corp	A-1+	A+	P-1	A2

Ratings by S&P
***Percentages may not add to 100% due to rounding.*
**** Source Moody's*

V. Maturity Distribution

Maturity Distribution	Observations
Weighted Average Maturity ("WAM")	• The County continues to diversify holdings across its permitted maturity range, as seen in the chart below. • A majority of the holdings – 51% of the portfolio – are scheduled to mature or have a call date within the next twelve months, in line with the previous quarter-end and well above the 40% mandated by the investment policy. • It appears the County's maturity strategies over the past several quarters have included: – Allowing previously purchased, longer-dated U.S. Treasury, federal agency, and corporate note investments to naturally shorten in maturity and roll-down the yield curve. – Targeting purchases in the following spaces: o Supranational agency purchases totaling $875 million were made throughout the curve, as well as $59 million of federal agency purchases in the 6-month maturity range. o US Treasury purchases targeting the 1-3 year maturity range totaling $543 million. • The WAM of the portfolio ended the first quarter at 404 days, up from 354 days at previous quarter-end. – The increase in portfolio WAM can primarily be attributed to the purchase of longer-term supranational agencies.
Liquidity	• The County Pool appears to provide adequate liquidity, both in terms of final maturities and the sectors in which the Pool has invested. In addition to the 12.1% (or $862 million) invested in a combination of the Washington State LGIP, bank deposits, and repurchase agreements (overnight liquidity), 4.9% of the portfolio's holdings are scheduled to mature within the next thirty-one days.

Maturity Distribution as of June 30, 2018

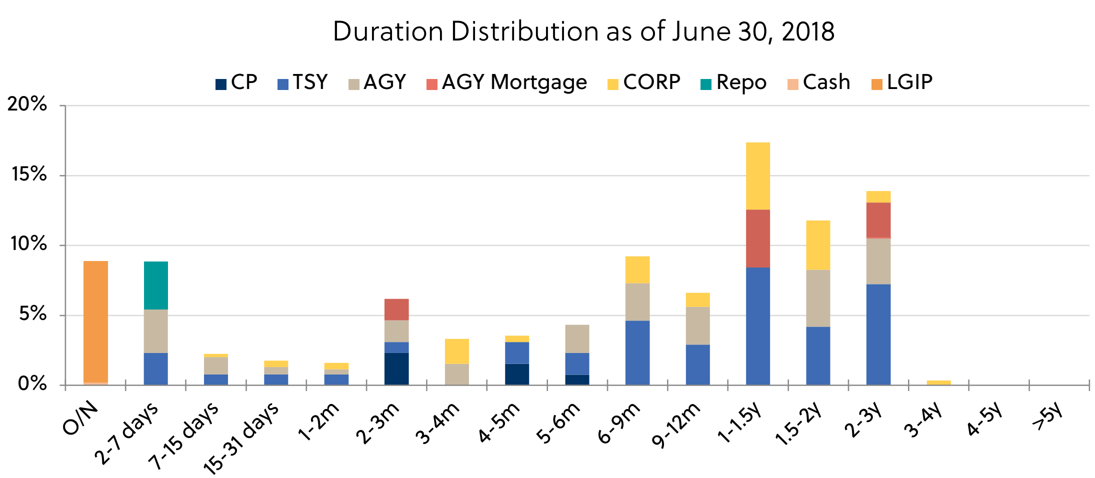


Contribution to Maturity		
Sector	**6/30/18**	**3/31/18**
Supranational Agencies	110.68	58.17
Cash	0.00	0.00
Corporate Notes	51.94	65.79
Commercial Paper	3.51	4.95
Federal Agencies	56.99	64.02
The Washington State LGIP	0.08	0.09
Agency Mortgages	0.63	0.77
Repurchase Agreements	0.08	0.10
US Treasuries	180.36	159.70
Maturity:	**404 days**	**354 days**

Agency Mortgage maturities are reported as average life. Average life data taken from Bloomberg Financial Markets
Callable securities shown to their call date.
All other security maturities are reported as days to maturity. WA LGIP is considered to have a one day maturity.

V. Duration Distribution

Duration Distribution	Observations
Definition	• Duration is a measure of the sensitivity of the value of principal of an investment to a change in interest rates. The value of a portfolio with a higher duration is more sensitive to interest rate increases and decreases. • Duration is often quoted in years and is commonly used as a measure of the market risk of a security or portfolio. Duration can be derived in a number of ways; please refer to the notes at the bottom of this page for details.
Duration	• The portfolio's weighted average duration is within the IPS guidelines (no greater than 1.5 years). • As of June 30th, the duration of the County Investment Pool was 1.06 years, an increase from the previous quarter which ended at 0.94 years. – The increase in portfolio duration can be attributed the purchase of longer dated supranational agency purchases. • For performance and duration comparison purposes, the portfolio is measured against a blended benchmark consisting of 40% Bank of America Merrill Lynch 3-Month Treasury Index and 60% Bank of America Merrill Lynch 1-3 Year Treasury & Agency Index. – Due to the longer-term supranational agency and US Treasury purchases, the Pool lengthened duration over the quarter from 84% of the benchmark's duration for the first quarter of 2018, to 94% of the benchmark's duration of 1.13 years for the second quarter of 2018. – In anticipation of continued rising rates, this defensive duration bias helps mitigate the adverse impact that potential interest rate increases may have on market value.



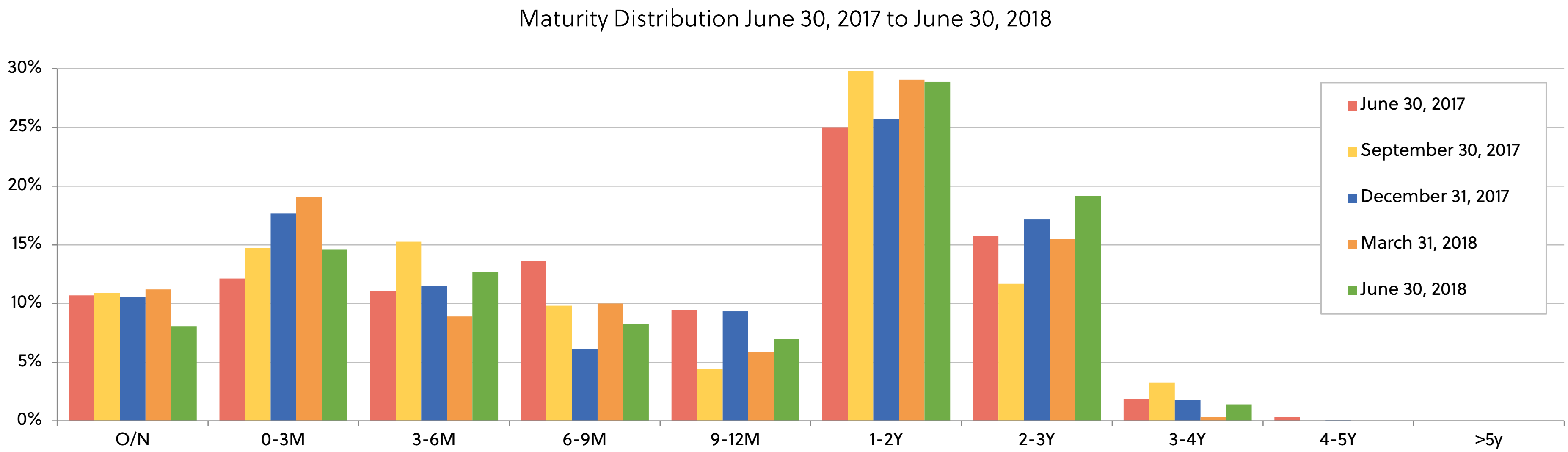
Contribution to Duration		
Sector	**6/30/18**	**3/31/18**
Supranational Agencies	0.29	0.15
Cash	0.00	0.00
Corporate Notes	0.13	0.18
Commercial Paper	0.01	0.01
Federal Agencies	0.15	0.17
The Washington State LGIP	0.00	0.00
Agency Mortgages	0.00	0.00
Repurchase Agreements	0.00	0.00
US Treasuries	0.48	0.43
Duration:	**1.06 years**	**0.94 years**

Agency Mortgage durations are shown as effective duration taken from Bloomberg Financial Markets.
Duration for Federal Agency Discount Notes and Repurchase Agreements are calculated as days to maturity. WA LGIP and bank deposits considered to have a one day duration.
All other security durations are calculated as effective duration as given by Bloomberg Financial Markets.

V. Changes in Portfolio Maturity Distribution

Changes in Portfolio Maturity Distribution

- When viewing the current maturity distribution (green bars) in relation to previous periods, a few primary observations are noted:
  - It appears the County targeted increased allocations in the 3- to 6-month and 2- to 4-year portion of the yield curve during the second quarter of 2018.
    - The increase in allocations to the 3- to 6-month range is due to both a reinvestment in federal agency securities and supranational agency purchases.
    - Similarly, increases to the 2- to 4-year maturity range are due to new purchases of US Treasury, federal agency and supranational holdings.
    - Targeting these areas of the curve could offer additional income potential and roll-down opportunities, which add value in a rising rate environment.
- Seasonality of cash flows is critical to maturity distribution and liquidity management and the following is a snapshot of the historical cash flow averages for upcoming quarters.
  - Over the past five years, for the quarters ending September 30, the Investment Pool has experienced an average net outflow of $279 million.
  - Over the past five years, for the quarters ending December 31, the average net inflow from the Investment Pool was $227 million.



Agency Mortgage maturities are reported as average life. Average life data taken from Bloomberg Financial Markets
Callable securities shown to their call date.
All other security maturities are calculated as days to maturity. WA LGIP is considered to have a one day maturity.

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