

Portfolio Breakdown

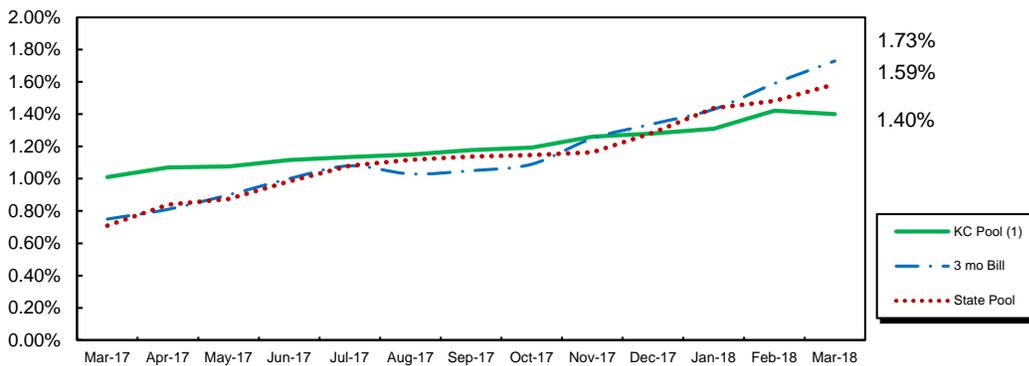
The following is a breakdown of the Investment Pool holdings for March 2018

	Average (\$000)	% of Portfolio
Governmental Agencies	1,987,150	31.2%
Commercial Paper	353,573	5.6%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Corporate Notes	1,064,876	16.7%
U.S. Agency Mortgage-backed Securities	4,575	0.1%
Repurchase Agreements (Repos)	170,065	2.7%
Treasury Securities	2,356,012	37.0%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	425,724	6.7%
Reverse Repurchase Agreements	-	0.0%
Total	\$6,361,974	100%

*Average Pool Effective Duration: 0.95 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, 2018

Net Assets ⁽²⁾	\$6,424,875,793.94
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$6,474,149,729.11
Undistributed and unrealized gains(losses)	(\$49,273,935.17)
Net Assets	<u>\$6,424,875,793.94</u>
Net asset value at fair value price per share	
(\$6,424,875,793.94 divided by \$6,474,149,729.11 units)	<u>\$0.9924</u>

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

Investment Pool Comments:

Asset Allocation: The percentage allocated to the various security types in March did not change materially from February's levels. The pool's exposure to corporate notes and commercial paper increased slightly, while its exposure to highly-rated U.S. government and agency securities decreased by a small amount. Commercial paper yields improved in relation to other securities, and this made them a more attractive sector for investment.

Pool Asset Size & Return: The pool's balance decreased by just \$1 million from February's level. Cash inflows and outflows are typically balanced in March, so it is not unusual to see this type of stability in the pool's balance. The pool's distribution yield was 1.40%, which was 2 basis points lower than February's rate of 1.42%. As we mentioned last month, February's yield gets a temporary boost from having less than 30 days in the month. We expect the pool's yield to resume its slow rise in the coming months, as it is expected that the Fed will increase rates again in June.

Market Value & Duration: The market value of the pool increased by \$2 million between February and March. Interest rates increased slightly for securities with less than 2 years to maturity, while interest rates for securities over 2 years declined somewhat. These movements balanced each other out, and the result was not much change to the pool's market value. The pool's duration declined to just under 1 year. A shorter duration should help the pool's performance since interest rates are still expected to increase further this year.

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
3/31/2018**

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
Rhinebridge (1)	Restructured	84,407.60	84,407.60	-
VFNC Trust/Victoria Finance (2)	Restructured	6,785,629.57	4,636,326.00	2,149,303.57
Total		7,657,539.31	5,228,483.60	2,429,055.71

Fair Value Ratio	0.6828
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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 March totaled \$52,551.40. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 87%. 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 March to the last estimated price (54.8) 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.

Within the impaired pool, future "tail" payments from Cheyne and Rhinebridge are still possible. We expect Rhinebridge to make one final small payment in 2018, and it is likely that Cheyne will also make at least one distribution in 2018. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed.