

Portfolio Breakdown

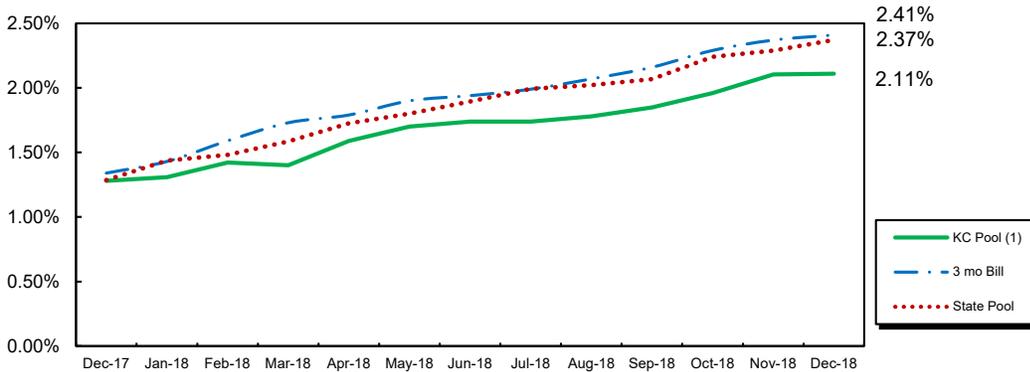
The following is a breakdown of the Investment Pool holdings for December 2018

	Average (\$000)	% of Portfolio
Governmental Agencies	2,002,597	26.7%
Commercial Paper	588,042	7.8%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Corporate Notes	1,074,160	14.3%
U.S. Agency Mortgage-backed Securities	3,925	0.1%
Repurchase Agreements (Repos)	111,290	1.5%
Treasury Securities	2,979,704	39.7%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	739,481	9.9%
Reverse Repurchase Agreements	-	0.0%
Total	\$7,499,199	100%

*Average Pool Effective Duration: 0.94 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 December 31, 2018

Net Assets ⁽²⁾	\$7,459,708,615.02
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$7,486,868,767.51
Undistributed and unrealized gains(losses)	<u>(\$27,160,152.49)</u>
Net Assets	<u>\$7,459,708,615.02</u>
Net asset value at fair value price per share	
(\$7,459,708,615.02 divided by \$7,486,868,767.51 units)	<u>\$0.9964</u>

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

11th Annual Investment Pool Meeting

All investment pool participants are invited to attend the 11th Annual King County Investment Pool meeting that is scheduled for January 23, 2019 at 9 am and will last approximately 90 minutes. The meeting will be held in room ESC 200 of the Bellevue School District located at 12111 NE 1st Street, Bellevue 98005. We are grateful to the Bellevue School District for making this room available to us. The Bellevue School District building is located to the east of Interstate 405 and is just to the southwest of the Bellevue Home Depot. There is a grouping of four buildings at this site, and the meeting will be in the eastern most one.

The annual meeting is a great opportunity to learn more about the investment pool and to hear from the pool's financial advisor, get an economic update from the County's Chief Economist, and hear other presentations from the County personnel involved in the management of the pool. You will also have an opportunity to get any questions you might have about the pool answered. Please save the date and we hope to see you there!

**Impaired Pool Holdings Report
 12/31/2018**

Commercial Paper Issuer	Status	Current Book Value	Estimated Fair Value	Fair Value Adjustment
Cheyne Finance (1)	Restructured	41,185.37	28,829.76	12,355.61
VFNC Trust/Victoria Finance (2)	Restructured	5,633,741.47	3,992,321.00	1,641,420.47
Total		5,674,926.84	4,021,150.76	1,653,776.08

Fair Value Ratio	0.7086
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(1) The Current Book Value represents the County's estimated maximum recovery from the cash being retained by the Receivers. When the Receivership is liquidated, the County is estimating that its recovery will be 70% of the cash in the program. This estimate is based off the recovery from the liquidation of the Rhinebridge program. The liquidation could occur by 2020.

(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 December totaled \$58,572.10. 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 December to the last estimated price 53.7 for the VFNC Trust security results in an estimated recovery rate to senior investors of about 97%, 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. When we determine that no further payments are probable from the impaired securities, any remaining unrealized losses will be distributed.

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.