pfm asset management

King County Investment Pool

Portfolio Review

Quarter Ended
December 31, 2023
717.232.2723

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PFM Asset Management LLC

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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 September 2023 review. Our approach included a detailed portfolio analysis and Investment Policy review, based on the County's Investment Policy, dated July 26, 2017. • Our analysis was based on the Investment Pool's holdings as of December 31, 2023, 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 Asset Management 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	• The U.S. economy is characterized by:
	    • Economic resilience but expectations for a slowdown
	    • Cooling inflation that still remains above the Federal Reserve's ("Fed") target
	    • The labor market coming into better balance
	    • Consumers that continue to support growth through spending
	• Federal Reserve signals end to rate hiking cycle
	    • Fed projected to cut the short-term Fed funds rate by 75 basis points by December 2024,with the overnight rate falling to 4.50% to 4.75%
	    • Markets are pricing a more aggressive 6 rate cuts by year end
	    • Fed officials reaffirm that restoring price stability is the priority
	• Treasury yields ended the quarter materially lower
	    • After peaking in October, yields reversed course on dovish Fed pivot
	    • Yield curve inversion persisted throughout the rally
	    • Credit spreads narrowed sharply on increased expectations for a soft landing

Observations	• The portfolio is of very high credit quality. The majority of securities (approximately 82%) are explicitly guaranteed or carry a high level of support by the U.S. Government (U.S. Treasury, federal agency and U.S. instrumentalities) and/or possess overnight liquidity (Washington State LGIP, bank deposits, and repurchase agreements). • The County maintained broad issuer diversification during the quarter. • The Portfolio's duration increased over the quarter and stands at 69% of the benchmark's duration. • The County increased its allocation to overnight liquidity, from 20% last quarter to 22% this quarter (or $2.07 billion) invested in a combination of the State LGIP, bank deposits, and repurchase agreements.

Portfolio Review

I. **Investment Policy Summary**

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 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 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 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.

Additional Notes to the Investment Policy

- 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.

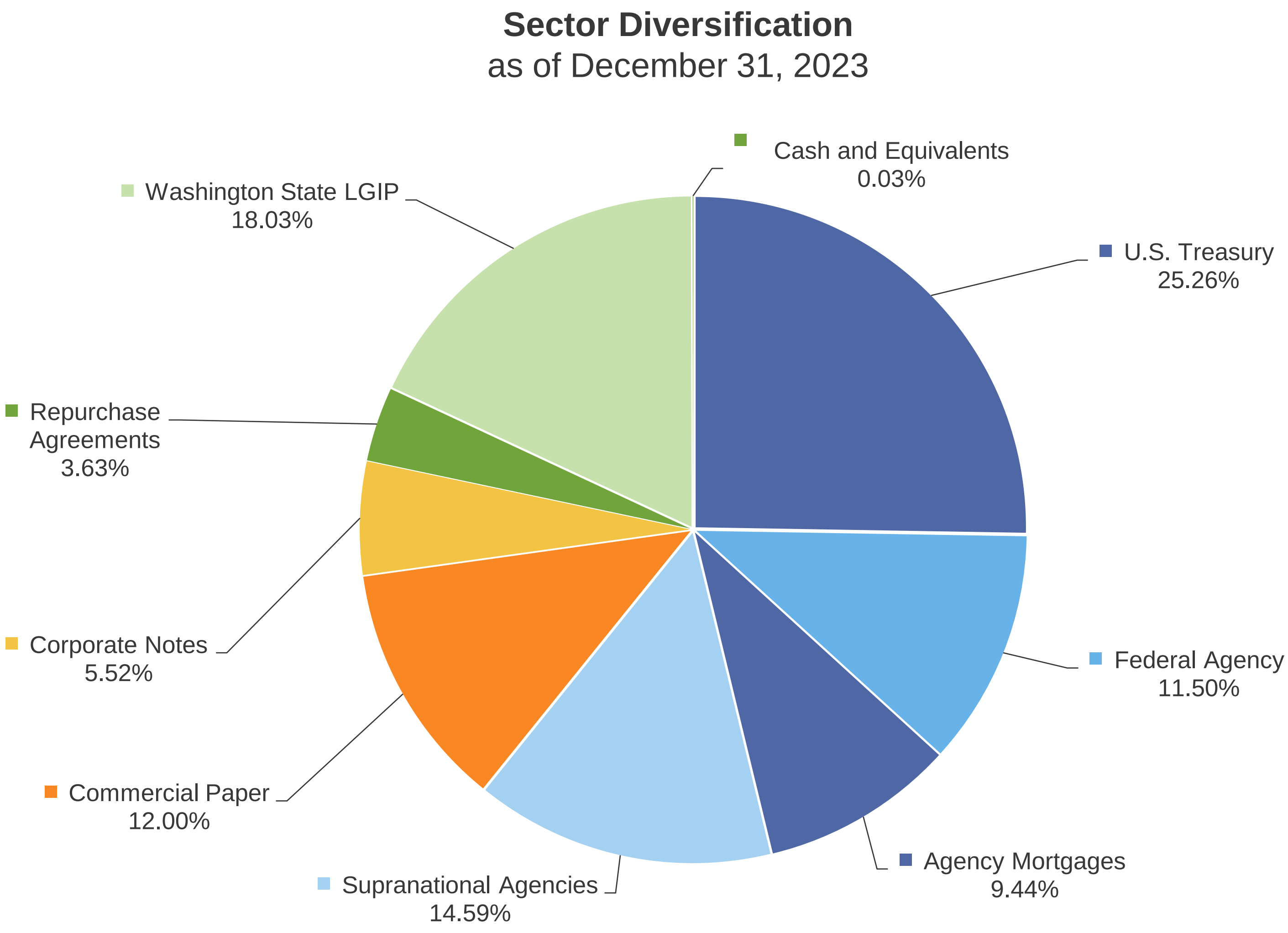
Investment Policy Review

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 December 31, 2023, was \$9.6 billion, a \$362 million increase from last quarter. • The County's Investment Pool decreased allocation to U.S. Treasuries (-0.72%), Federal Agencies (-4.27%), Supranational Agencies (-2.13%), Commercial Paper (-0.26%), the Washington State LGIP (-0.31%), and Cash and Equivalents (-0.12%). • Over the quarter, allocation increased to the following sectors: Agency Mortgages (+4.34%), Corporate Notes (+1.17%), and Repurchase Agreements (+2.30%). • All sectors remain within applicable policy limits.
Credit Quality	• Approximately 61% of the County pool's assets are directly guaranteed or supported by the U.S. government and roughly 10% of the assets are indirectly guaranteed via a portion of the State LGIP allocation and its underlying investments. • Combined corporate allocations (both commercial paper and corporate notes) increased to 17.5% of the portfolio from 16.6% last quarter, and all securities remain investment grade. Combined allocations to corporate notes and commercial paper continue to be below the maximum allocation limit of 25%. • Total allocations to corporate related issues 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 61% of the Pool's assets mature in one year or less, 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	$2,415,126,245	25.26%	✓	4.13 years	✓
Supranational Agencies	$1,394,595,913	14.59%	✓	4.65 years	✓
Corporate Notes	$527,264,671	5.52%	✓	4.60 years	✓
Federal Agency	$1,099,499,289	11.50%	✓	1.43 years	✓
Washington State LGIP	$1,723,538,413	18.03%	✓	1 day	✓
Repurchase Agreement	$347,000,000	3.63%	✓	1 day	✓
Commercial Paper	$1,146,816,292	12.00%	✓	222 days	✓
Cash and Equivalents	$2,653,691	0.03%	✓	1 day	✓
Agency Mortgages	$902,692,991	9.44%	✓	2.50 years (WAL)	✓
TOTAL	**$9,559,187,504**	**100.00%**			

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

Sector Allocation

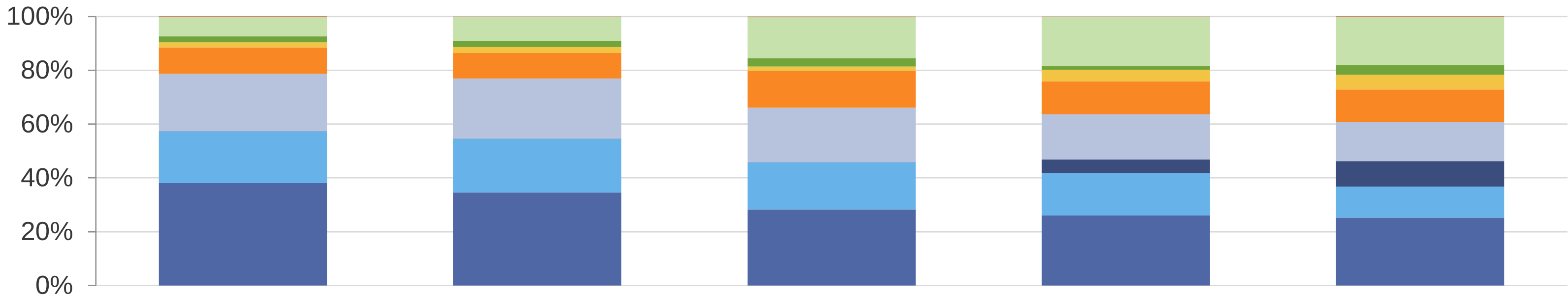


**Percentages may not total to 100% due to rounding.*

Changes In Portfolio Sector Allocation over the Past 12 Months

Changes in Sector Allocation

- Over the past 12 months, the portfolio increased exposure to Agency Mortgages (+9.43%), Corporate Notes (+3.71%), Commercial Paper (+2.20%), Repurchase Agreements (+1.38%) and the Washington State LGIP (+10.72%) while decreasing exposure to U.S. Treasuries (-12.84%), Federal Agencies (-7.74%), Supranational Agencies (-6.78%), and Cash and Equivalents (-0.07%).
- **During the fourth quarter:**
  - **U.S. Treasuries** Exposure to U.S. Treasuries decreased from 25.99% to 25.26%.
  - **Federal Agencies** The allocation to agencies, excluding supranationals and mortgage securities, continued to decrease by 4.27% over the quarter.
  - **Agency Mortgages** Allocation to agency mortgages has increased substantially over the past two quarters, ending the fourth quarter at 9.44%.
  - **Supranational Agencies** Allocation to supranationals decreased moderately by 2.13% over the period.
  - **Corporate Notes** The allocation to corporate notes continued to increase over the quarter, from 4.34% to 5.52%.
  - **Commercial Paper** Commercial paper allocation decreased by 0.26%.
  - **Washington State LGIP** The State LGIP saw a slight decrease from 18.34% to 18.03% of the portfolio over the quarter.
  - **Repurchase Agreements** The portfolio's allocation to repurchase agreements increased from 1.33% to 3.63% of the portfolio.



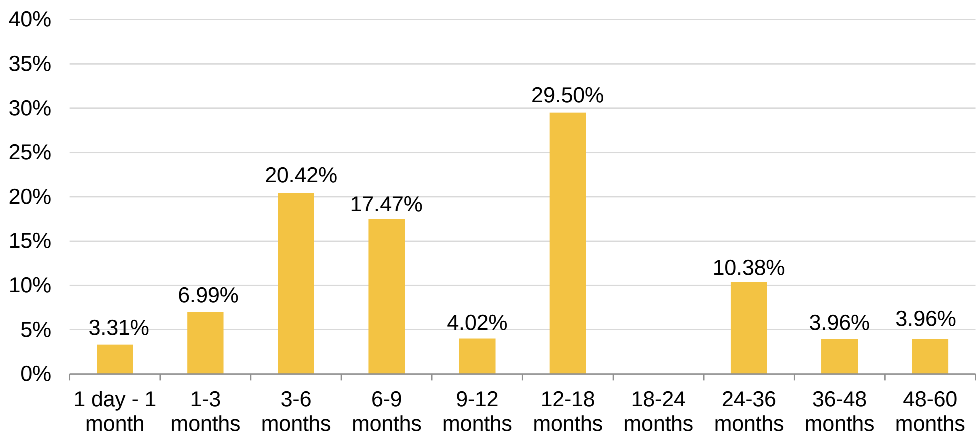
	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
U.S. Treasury	38.11%	34.55%	28.21%	25.99%	25.26%
Federal Agencies	19.24%	20.01%	17.53%	15.77%	11.50%
Agency Mortgages	0.02%	0.02%	0.01%	5.10%	9.44%
Supranational Agencies	21.37%	22.32%	20.38%	16.72%	14.59%
Commercial Paper	9.80%	9.50%	13.74%	12.26%	12.00%
Corporate Notes	1.80%	2.27%	1.53%	4.34%	5.52%
Repurchase Agreements	2.25%	2.21%	3.09%	1.33%	3.63%
Washington State LGIP	7.31%	8.98%	15.23%	18.34%	18.03%
Cash and Equivalents	0.10%	0.14%	0.28%	0.14%	0.03%

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

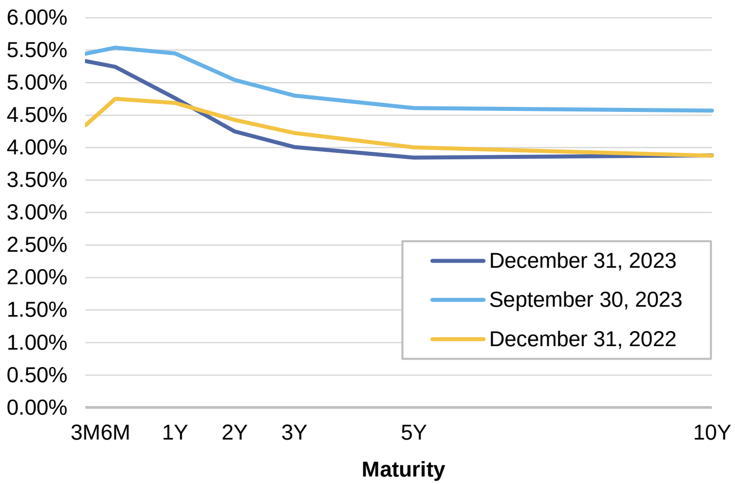
II. Sector Allocation – U.S. Treasury Securities

Topic	Observations
Observations	• The County's balances held in U.S. Treasuries decreased from 25.99% of the total portfolio to 25.26%. • The U.S. Federal Reserve remained on pause and kept the overnight target rate at its current range of 5.25% to 5.50%. Over the quarter, the yield on a 2-year, 5-year, and 10-year U.S. Treasury security declined 79 basis points, 76 bps, and 69 bps, respectively. The yield on a 3-month U.S. Treasury Bill also declined 11 basis points, reflecting how aggressively markets have begun pricing in potential Fed rate cuts. • Approximately 52% of all Treasury holdings have remaining maturities of one year or less. • The weighted average maturity (WAM) of the County's Treasury allocation increased over the quarter from 358 days to 420 days as a result of new security purchases within the 36-48 month and 48-60 month maturity buckets. • The chart on the left below displays the current maturity distribution of the County's allocations to U.S. Treasuries while the chart on the right compares the current shape of the Treasury yield curve to the curve last quarter, and the yield curve one year ago. • The County's Treasury holdings favor short to intermediate-term securities, however the yield curve decreased the least for shorter-term securities.

U.S. Treasury Maturity Distribution
as of December 31, 2023



U.S. Treasury Yield Curve
12/31/22 vs 9/30/23 vs 12/31/23

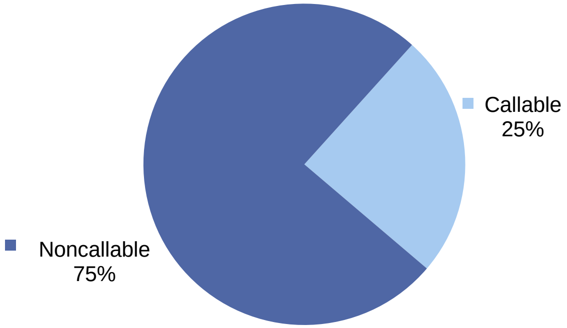


**Percentages may not total to 100% due to rounding.*

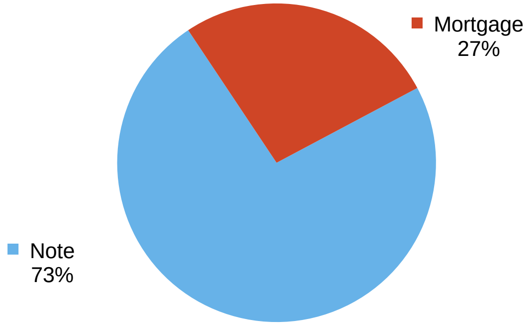
II. Sector Allocation – Federal Agencies

Topic	Observations	
Structure *(as % of Federal Agency Allocations)*	• Non-Callable 75.4% • Callable 24.6%	• Coupon Bearing Notes 73.4% • Discount Notes 0.0% • Agency Mortgage 26.6%
Diversification *(as % of Federal Agency Allocations)*	• Federal Farm Credit Bank (FFCB)*** 8.4% • Freddie Mac (FHLMC) 4.3% • Federal Home Loan Bank (FHLB)*** 18.2% • Supranational Agencies*** 41.1%	• Fannie Mae (FNMA)*** 2.8% • Fannie Mae Mortgage-Backed (FNR) < 0.1% • Government Nat'l Mtg Association 25.2%
Conclusions	• The County's federal agency holdings continue to be well diversified by issuer. All issuer allocations fall within the issuer guidelines and security structures in the County's Investment Policy (max per agency issuer 35%). • The percentage of the portfolio invested in federal agencies, excluding supranationals and mortgage securities, decreased by 4.27% in the quarter from 15.7% to 11.5%. The portion of callable federal agency securities increased to 24.6% this quarter. • All supranational agency holdings are below the 35% issuer limit and represent approximately 15% of the entire portfolio. • The County Pool's allocation to agency mortgages is approximately 9.4% of the total portfolio.	

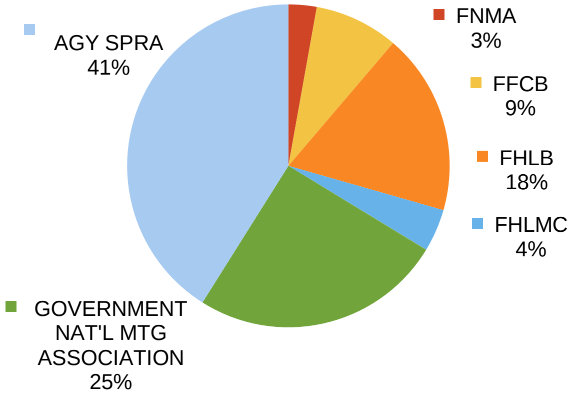
Callable vs. Non-Callable
as of December 31, 2023



Structure Distribution
as of December 31, 2023



Issuer Diversification
as of December 31, 2023

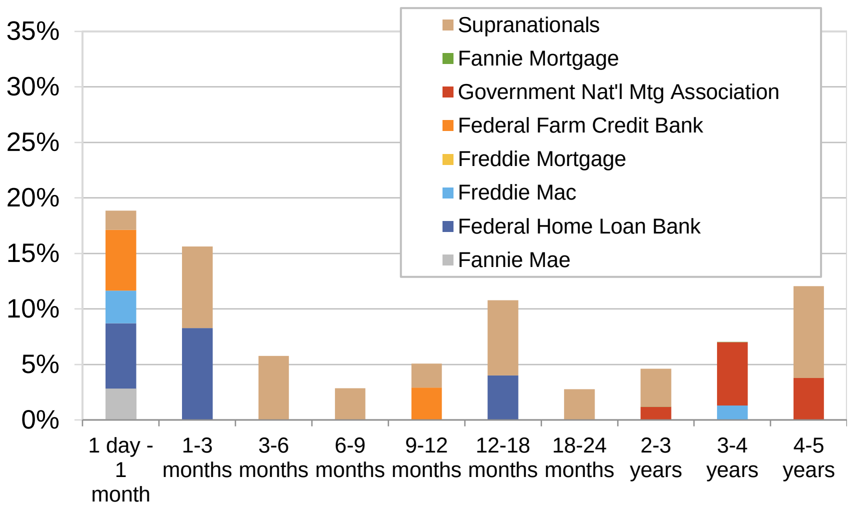


**All calculations above are based on total federal agency exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*
****Includes discount notes*

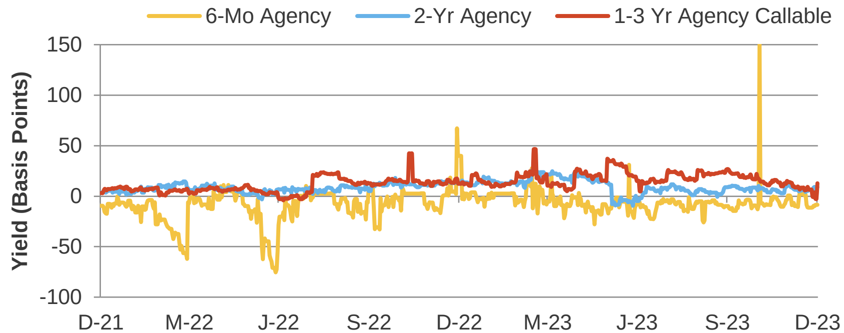
II. Sector Allocation – Federal Agencies

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 weighted average maturity (WAM) of the County's federal agency holdings, including supranationals, increased substantially from 601 days on September 30 to 966 days as of December 31. • The portfolio decreased its allocation to both federal agencies and supranational agencies. – Allocations to the sector were largely reduced during Q4 as value was limited, spreads remained tight, and liquidity in the sector normalized compared to prior periods where bid/ask spreads had traded near the wider end of their historical range. – Expectations are for the sector to remain range bound in 2024 as issuance is projected to remain benign and FHLB advances are expected to decline.

Federal Agency Maturity Distribution by Name
as of December 31, 2023

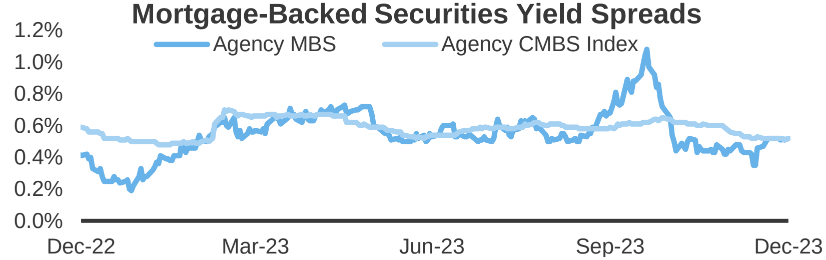


Federal Agency Yield Spreads to Treasuries
Past 24 Months



** Source Bloomberg Financial Systems*

Mortgage-Backed Securities Yield Spreads

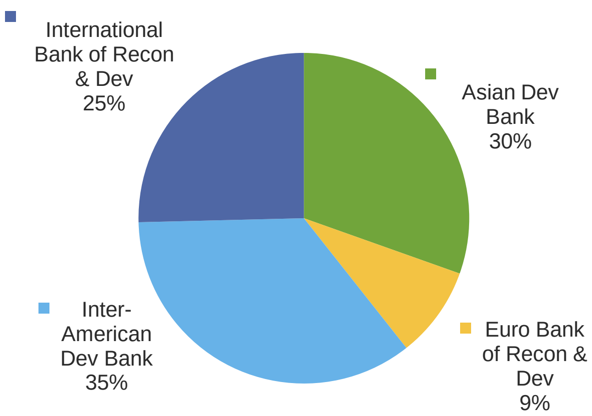


- *Agency Mortgage maturities are calculated as average life. Average life data taken from Bloomberg Financial Markets*
- *Callable securities are shown to their next call date.*
- *All other Agency maturities are calculated as days to maturity.*
- *Spreads on MBS are option-adjusted spreads of 0-5 year indices based on weighted average life via Bloomberg as of December 31, 2023.*

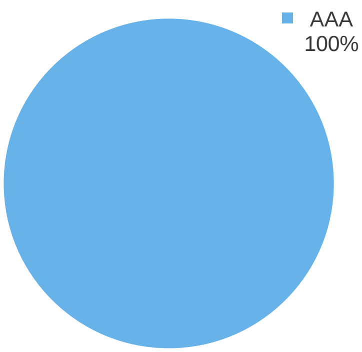
II. Sector Allocation – Supranational Agencies

Topic	Observations
Credit Distribution	• Based on the holdings as of September 30, multiple supranational securities matured through the fourth quarter. • The County maintained its exposure to five supranational issuers, but decreased allocation to the sector by 2.13%. – Supranational spreads, similar to agencies, remained low and range bound on limited supply. We continued to trim allocations and utilize the sector to help fund purchases in other, more favorable sectors. – The portfolio's allocation to supranational agencies is relatively balanced across maturities. However, allocation to supranationals with maturities greater than 1 year increased over the quarter from 39.1% to 51.7%.
Spread to Agency Rates	• The chart on the right shows the spread between supranational agencies and federal agency securities. – Supranational and federal agency spreads drifted slightly lower while remaining in a very narrow range for most of the past year. As a result, these government alternatives to U.S. Treasuries posted positive excess returns as modest incremental income buoyed the sector. Callable agency returns carried the sector as spreads trended lower from prior highs.

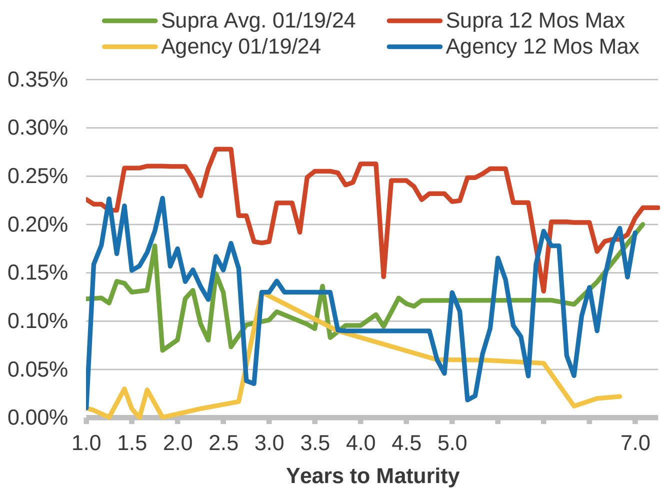
Issuer Distribution
as of December 31, 2023



Credit Distribution
as of December 31, 2023



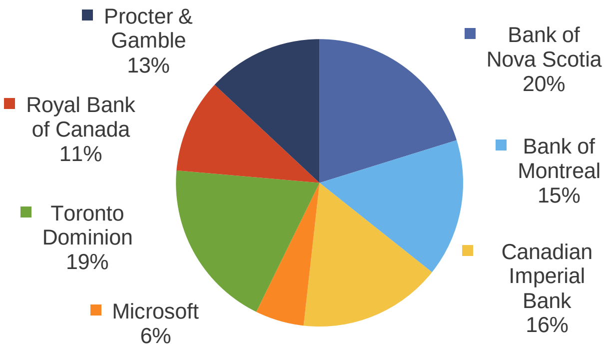
Supranational Agency vs. Federal Agency Yield Spreads



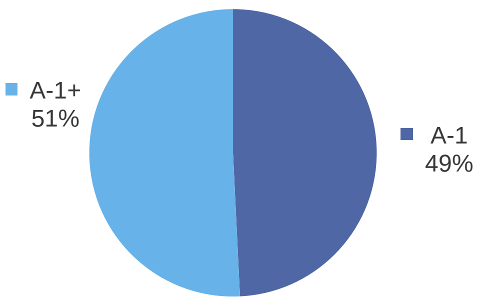
II. Sector Allocation – Commercial Paper

Topic	Observations
Issuer Diversification	• The County's allocation to commercial paper decreased by 0.26% over the quarter, ending the period at 12.00% of the total portfolio. • The portfolio holds commercial paper from Toronto-Dominion Bank, the Royal Bank of Canada, Canadian Imperial Bank, Bank of Nova Scotia, Bank of Montreal, Microsoft, and Procter & Gamble.
Credit Distribution	• The overall credit quality of commercial paper in the portfolio has stayed relatively the same.
Conclusions	• Short-term credit spreads tightened over the quarter and the short-term credit curve flattened modestly. As a result, strategic positioning to avoid narrower maturities less than six months and target issuers further into the steeper curve resulted in strong relative performance during Q4 versus comparable U.S. Treasury maturities. • Short-term credit remains an attractive alternative to similar maturity U.S. Treasury Bills despite narrower incremental income compared to prior periods. Selectivity will be key in deploying cash into short credit issuers, while spreads inside of five months remain very narrow and unappealing.

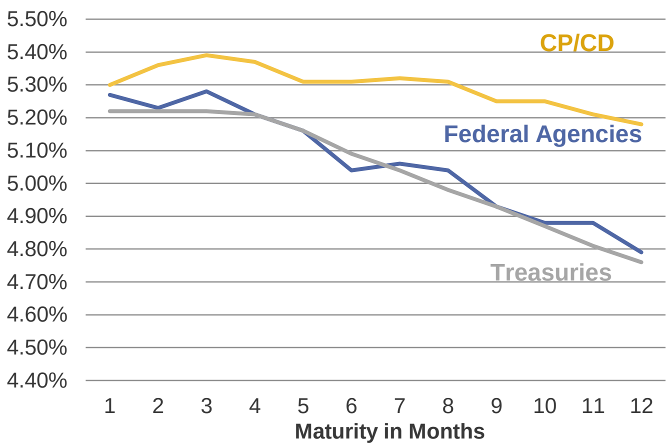
Issuer Distribution
as of December 31, 2023



Credit Distribution
as of December 31, 2023



Current Short-Term Yields
as of December 31, 2023

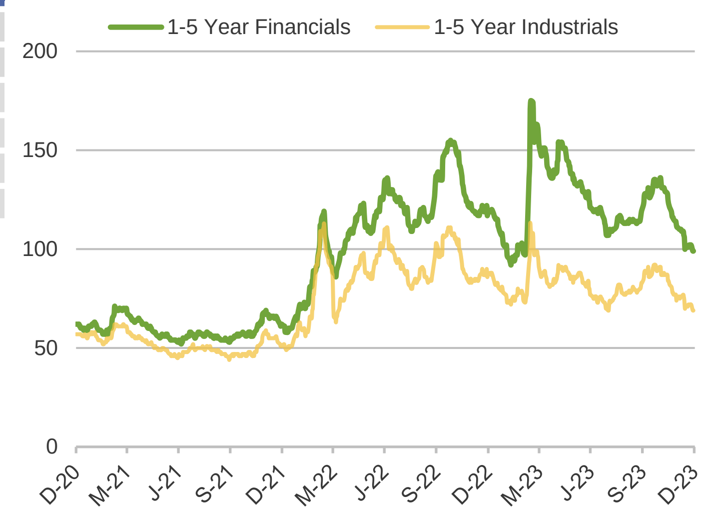


II. Sector Allocation – Corporate Notes

Topic	Observations
Maturity Distribution	• The County's allocation to corporate notes increased through the quarter from 4.34% to 5.52% of the portfolio. To end the period, the Pool's corporate note holdings were from high quality issuers, with 100% of it's corporate notes carrying a rating of A+ or better by S&P. – Callable corporate notes made up 77.1% of the County's corporate sleeve, with most call dates being 1-3 months before maturity. – The weighted average maturity of the corporate note portion of the portfolio is 1.82 years. – The graph on the right below shows the spread for financial corporates and industrial corporates when compared to similar-maturity Treasuries. – Investment-grade corporates were one of the best performing fixed income sectors for both Q4 and calendar year 2023. After a brief broad market de-risking in late September, which continued through most of October, the IG corporate sector did an about-face and finished the year with spreads rallying to their lowest levels in over nine months. As a result, the combination of elevated incremental income and spread contraction helped buoy portfolio performance. – All major corporate sectors performed well with the banking sector leading the charge. Strong economic conditions, the increasing perception of a soft landing, and robust demand for the sector fueled the market rally, as longer duration and lower quality issuers outperformed.

Credit & Issuer Distribution	S&P Short	S&P Long	Moody's Short	Moody's Long	% of Corporate Holdings	% of Portfolio
Apple Inc.	A-1+	AA+	P-1	Aaa	36.2%	2.0%
Microsoft Corp.	A-1+	AAA	P-1	Aaa	1.3%	0.1%
Colgate-Palmolive	A-1+	AA-	P-1	Aa3	3.8%	0.2%
Wells Fargo Bank	A-1	A+	P-1	Aa2	33.6%	0.5%
Bank of Montreal	A-1	A+	P-1	A2	9.6%	0.9%
Bank of America	A-1	A+	P-1	Aa1	15.4%	1.9%

Corporate/Treasury Yield Spreads
December 2020 through December 2023 (in basis points)

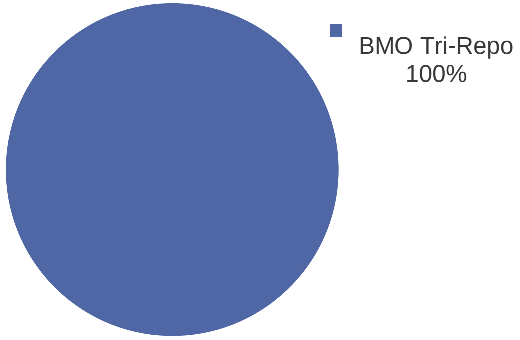


**Source: Bloomberg Financial Systems as of 12/31/2023*
**Percentages may not total to 100% due to rounding.*

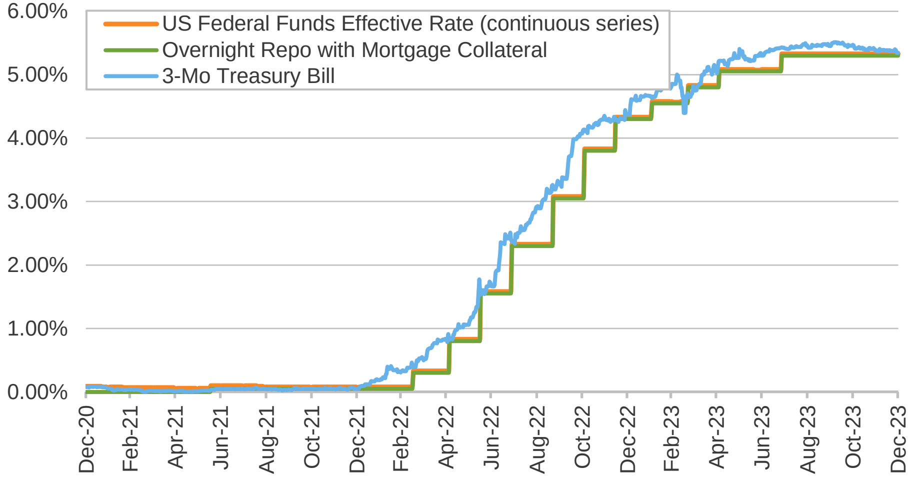
II. Sector Allocation – Repurchase Agreements

Topic	Observations
Issuer Diversification	• The County increased its tri-party repurchase agreement allocation over the quarter by 2.30%. This sector now holds 3.63% allocation in the portfolio compared to the 1.33% allocation at the end of the third quarter of 2023. • At the end of the quarter, the portfolio utilized one repurchase agreement provider, BMO Capital Markets, with an amount of $347 million. • The allocation falls within the permitted investment guidelines of 25% per issuer and 100% maximum to the sector.
Credit Distribution	• Standard & Poor's rates BMO's short-term issuer credit as A-1. • While this issuer has a high-quality rating from S&P, the ultimate quality of the repurchase agreement depends on the underlying collateral.
Conclusions	• Overnight repurchase agreements remain an attractive option to invest excess cash.

Issuer/Credit Distribution
as of December 31, 2023



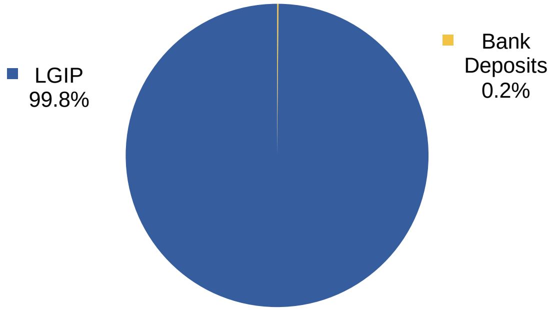
Short-Term Yields
December 2020 through December 2023



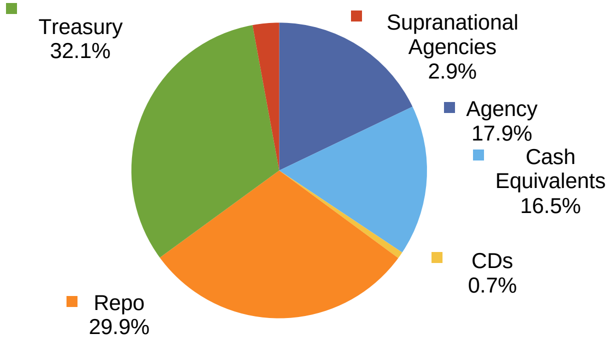
II. Sector Allocation – LGIPs & Cash Equivalents

	Underlying Investments	Rating (Short-Term: S&P/ Moody's/Fitch)	Observations
Washington State LGIP	• U.S. Treasuries 32.1% • Federal Agencies 17.9% • Supranational Agencies 2.9% • Repurchase Agreements 29.9% • Certificates of Deposit 0.7% • Cash Equivalents 16.5% *As of December 31, 2023*	• N/A	• The County currently has allocated about $1.72 billion to the Washington State LGIP, a slight increase from last quarter's $1.69 billion figure. • The County's allocation to the State LGIP continues to serve as the primary source of overnight liquidity for the portfolio. • During the quarter, the State LGIP increased its allocation to Term Repurchase Agreements (+2.2%), Repurchase Agreements (+3.2%), Supranationals (+0.9%), and U.S. Treasuries (+2.4%), and decreased its allocation to Certificates of Deposit (-0.4%) , Federal Agencies (-7.1%), Cash Equivalents (-1.2%).
Cash Equivalents	• State LGIP 99.8% • U.S. Bank 0.10% • Key Bank 0.03% • Bank of America 0.02%	• U.S. Bank: A-1+/P-1/F1+ • Key Bank: A-2/P-2/F1 • Bank of America: A-1/P-1/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 portfolio's cash holdings decreased over the quarter, from 0.14% to 0.03% of the total portfolio.

Cash Equivalents Distribution
as of December 31, 2023



Washington State LGIP Sector Distribution
as of December 31, 2023

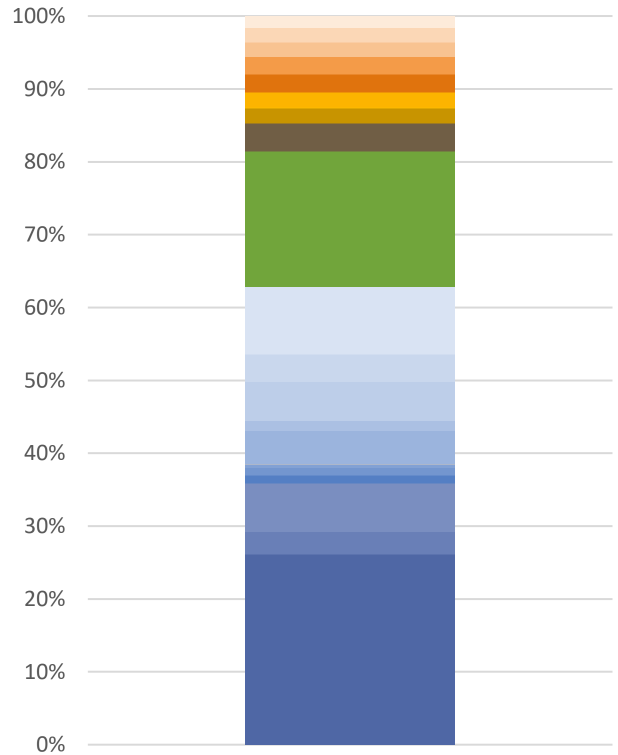


**All calculations above are based on total cash equivalents exposure, not overall Portfolio.*
***Percentages may not total to 100% due to rounding.*

III. Issuer Concentration

Issuer Exposure	
	• The County maintains a well-diversified portfolio by issuer, as shown in the tables and graph below. • Approximately 61% of the portfolio is allocated directly to U.S. government guaranteed or government supported entities. • Of the remaining 39% of the portfolio, about 22% is allocated to very short-term or overnight investment vehicles, including the State LGIP, repurchase agreements, and bank deposits. The remaining 17% is allocated to credit issuers, including commercial paper and corporate notes.

U.S. Treasury (100% Limit)	25.26%
Agency Issuers	**Percentage (35% Limit)**
FFCB	2.99%
FHLB	6.46%
FHLMC	1.51%
FNMA	1.00%
Asian Development Bank	4.44%
Euro Bank for Recon & Dev	1.30%
Inter-American Dev Bank	5.14%
Intl Bank for Recon & Dev	3.70%
FNR	0.01%
Govt Nat'l Mtg Association	8.96%
Washington State LGIP (25% Limit)	**18.03%**
Overnight Deposits	**Percentage (No Limit)**
US Bank	0.019%
Bank of America	0.004%
Key Bank	0.005%
Repo Issuers	**Percentage (25% Limit)**
BMO Capital Markets Corp	3.63%



Corporate Issuers	Percentage (5% Limit)
Apple Inc	2.00%
Colgate-Palmolive Co.	0.21%
Microsoft Corp	0.07%
Wells Fargo Bank	0.53%
Bank of America	1.86%
Bank of Montreal	0.85%
CP Issuers	**Percentage (5% Limit)**
Bank of Nova Scotia	2.42%
Bank of Montreal	2.29%
Canadian Imperial Bank	1.93%
Procter & Gamble	1.86%
Toronto Dominion	1.93%
Royal Bank of Canada	1.56%

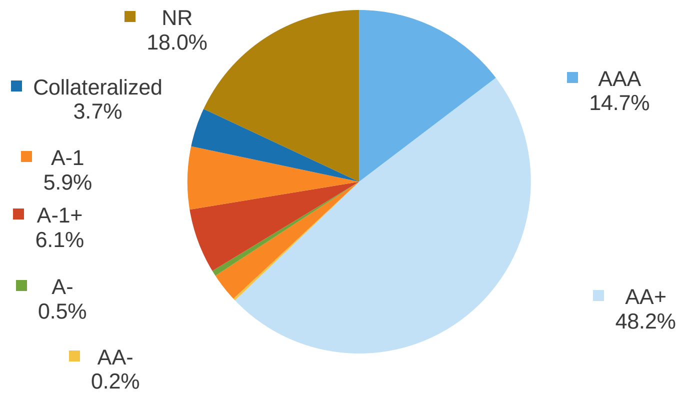
Percentages may not add to 100% due to rounding.
** For the purposes of totaling issuer concentration, issuers are aggregated across all sector types.*
It is noted however that issuers across sector types may maintain separately rated issuer credits.

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.
- The County also continued to hold supranational agencies, which are rated AAA.
- The County increased its credit exposure (commercial paper and corporate notes) through adding to corporate notes over the quarter, with allocations to credit ending at 17.51% of the portfolio, compared to 16.60% last quarter.
  - Commercial paper accounts for 12.00% of the entire portfolio, while corporate notes account for 5.52%.
- Corporate note allocations held throughout the quarter have ratings of A+ or higher.
  - Commercial paper allocations are all rated A-1/P-1 or higher.
- The 18.03% 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, 5.52% of the County's Pool is allocated indirectly to corporate securities (repurchase agreements and certificates of deposit).

Total Pool Credit Distribution*
as of December 31, 2023



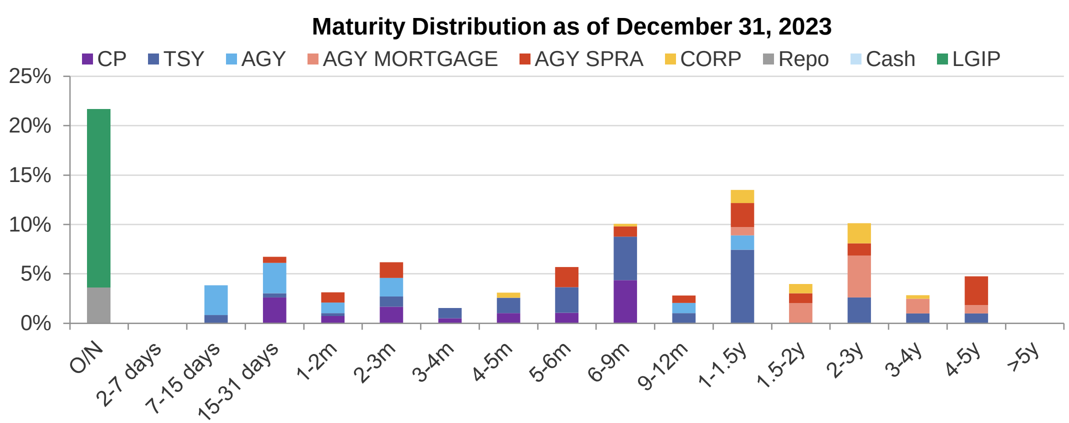
Corporate/CP Issuer Ratings Table
as of December 31, 2023

Issuer Distribution	Sectors Invested	S&P Short*	S&P Long*	Moody's Short*	Moody's Long*
Procter & Gamble	CP	A-1+	AA-	P-1	Aa3
Bank of Nova Scotia	CP	A-1	A+	P-1	Aa2
Bank of Montreal	CP/Corp	A-1	A+	P-1	A2
Microsoft Corp	CP/Corp	A-1+	AAA	P-1	Aaa
Toronto-Dominion Bank	CP	A-1+	AA-	P-1	Aa2
Canadian Imperial Bank	CP	A-1+	A+	P-1	Aa2
Apple Inc	Corp	A-1+	AA+	P-1	Aaa
Royal Bank of Canada	CP	A-1+	AA-+	P-1	Aa1
Wells Fargo Bank	Corp	A-1	A+	P-1	Aa2
Bank of America	Corp	A-1	A+	P-1	Aa1
Colgate-Palmolive	Corp	A-1+	AA-	P-1	Aa3

**Source: Bloomberg Financial Services as of 12/31/2023*

V. Maturity Distribution

Maturity Distribution	Observations
Weighted Average Maturity ("WAM")	• The County continues to invest across its permitted maturity range, as seen in the chart below. • About 65% of the portfolio holdings are scheduled to mature within the next twelve months, well above the 40% mandated by the investment policy. • It appears the County's maturity strategy over the past quarter included: – Targeting the following spaces: o Increasing allocations to shorter-dated Agency Mortgages. o Increasing allocations to Repurchase Agreements and Corporate Notes. – Continuing to allow previously purchased, longer-dated treasuries and federal agencies to naturally shorten in maturity and roll-down the yield curve and repurchasing new treasury and federal agency securities. – The WAM of the portfolio, excluding the State LGIP, ended the quarter at 340 days, slightly shorter than the 364 days WAM from the previous quarter. – The change in portfolio WAM can primarily be attributed to the higher contribution of Agency Mortgages and Agency Supranationals.
Liquidity	• The County has increased allocation in the portfolio to the combination of the Washington State LGIP, bank deposits, and repurchase agreements (overnight liquidity), from 20% in the previous quarter to 22% this quarter. Another 11% of the portfolio's holdings are scheduled to mature within the next thirty-one days.



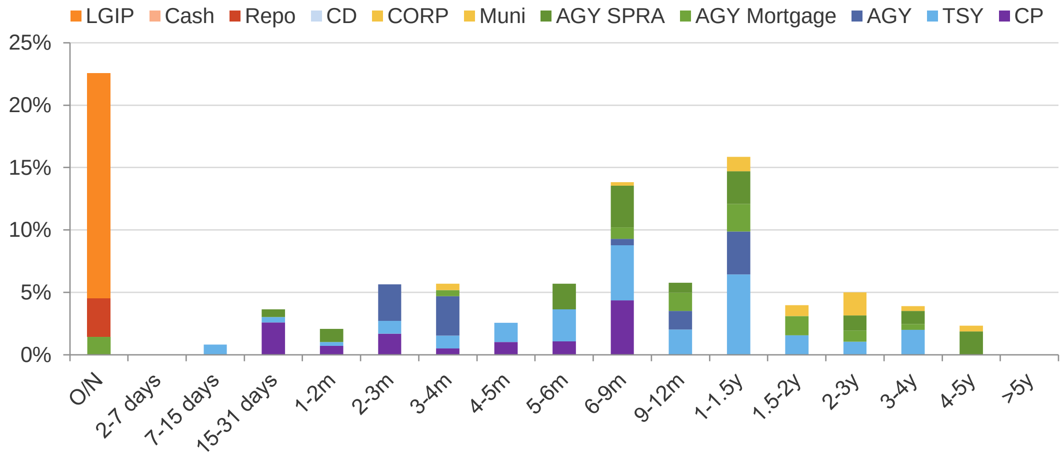
Contribution to Maturity		
Sector	**12/31/2023**	**9/30/2023**
Supranational Agencies	83.91	64.31
Cash	0.00	0.00
Corporate Notes	33.09	30.89
Commercial Paper	18.23	13.86
Federal Agencies	12.62	19.01
The Washington State LGIP	0.18	0.18
Agency Mortgages	86.31	142.50
Repurchase Agreements	0.04	0.01
US Treasuries	106.04	93.01
Maturity:	**340 days**	**364 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 excluded from the WAM calculation.

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 December 31, the duration of the County Investment Pool was 0.82 years, an increase from the previous quarter which ended at 0.80 years. – The portfolio is measured against a blended benchmark consisting of 40% ICE Bank of America Merrill Lynch 3-Month Treasury Index and 60% ICE Bank of America Merrill Lynch 1-3 Year Treasury & Agency Index. – The overall portfolio duration increased by 0.02 years, and the benchmark duration stayed the same over the quarter. The portfolio's duration increased from 68% to 69% of the benchmark duration for the period ending December 31.

Duration Distribution as of December 31, 2023



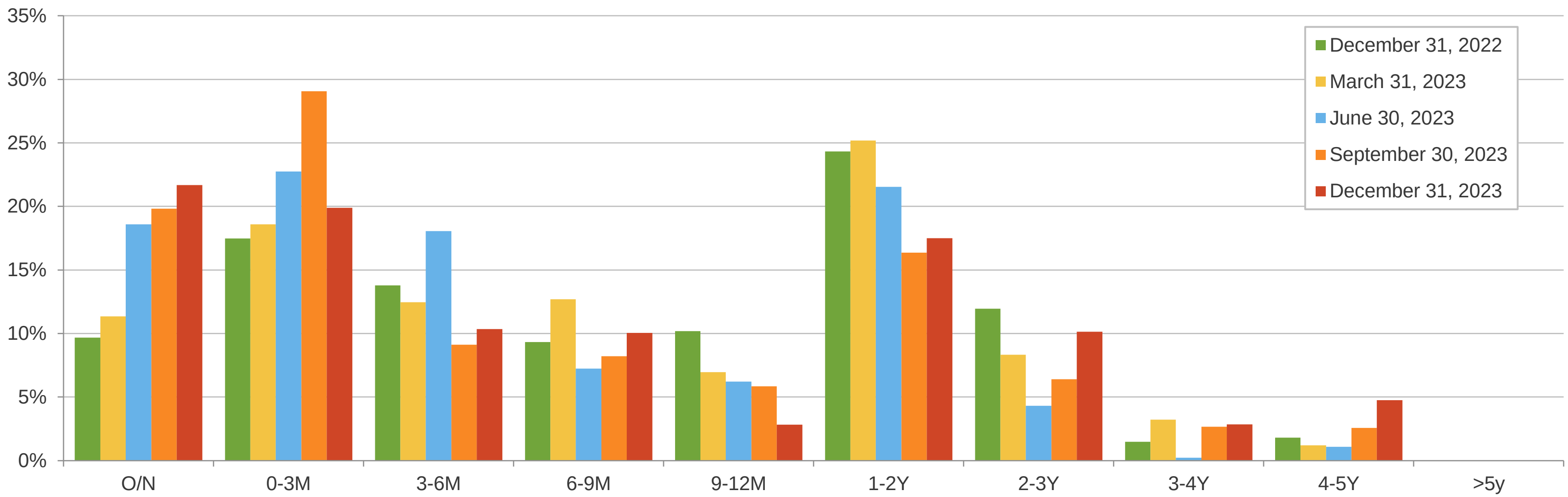
Contribution to Duration		
Sector	**12/31/23**	**9/30/23**
Supranational Agencies	0.22	0.18
Cash	0.00	0.00
Corporate Notes	0.10	0.08
Commercial Paper	0.05	0.04
Federal Agencies	007	0.10
The Washington State LGIP	0.00	0.00
Agency Mortgages	0.11	0.15
Repurchase Agreements	0.00	0.00
US Treasuries	0.27	0.24
Duration:	**0.82 Years**	**0.80 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 (red bars) in relation to previous periods, a few primary observations are noted: – It appears the County targeted a significant expansion in the overnight maturity bucket through liquid investment vehicles. – It also appears that the County has targeted additional investments in the 2-3 year and 4-5 year buckets. – The portfolio is well diversified across maturity buckets under 1 year. • U.S. Treasury yields peaked in mid-October as 2- and 10-year U.S. Treasury yields reached decades-long highs. • Yields are lower by 70-80 basis points over the quarter for maturities greater than one year as markets have now priced five to six rate cuts in 2024. While the curve remains deeply inverted, absolute yield levels remain firmly above their 30-year averages.

Maturity Distribution December 31, 2022 to December 31, 2023



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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