

Exhibit A

Investment Portfolio Review

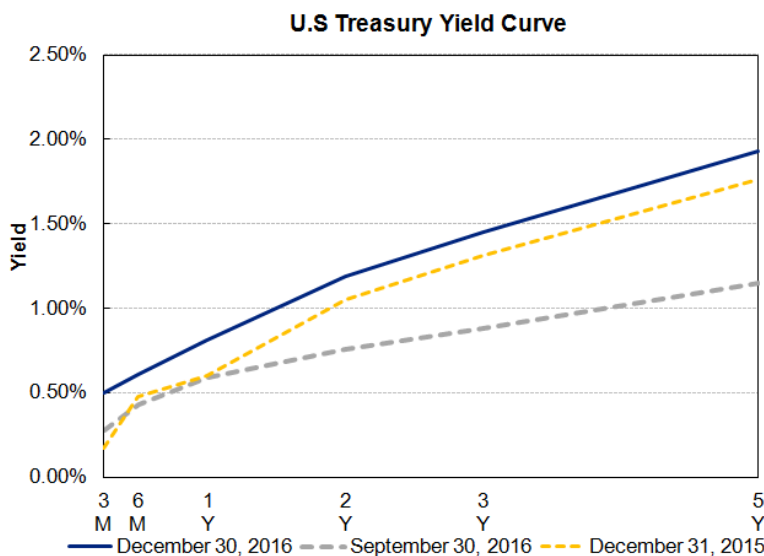
Quarter Ending December 31, 2016

OVERVIEW October 1, 2016 – December 31, 2016

During the October - September quarter yields on U.S. Treasuries surged over the previous quarter, as well as the yields as of a year ago. Information received since the Federal Reserve's Federal Open Market Committee (FOMC) met in November indicates that the labor market has continued to strengthen and that economic activity has been expanding at a moderate pace since mid-year. Job gains have been solid in recent months and the unemployment rate has declined. Inflation has increased somewhat since earlier this year but is still below the FOMC's 2 percent longer-run objective, partly reflecting earlier declines in energy prices and in prices on non-energy imports. In view of realized and expected labor market conditions and inflation, on December 14, 2016 the Committee decided to raise the target range for the federal funds rate to 0.50% - 0.75%. This action continues to support further strengthening in labor market conditions and a return to a 2 percent inflation rate.

U.S. TREASURY YIELD CURVE

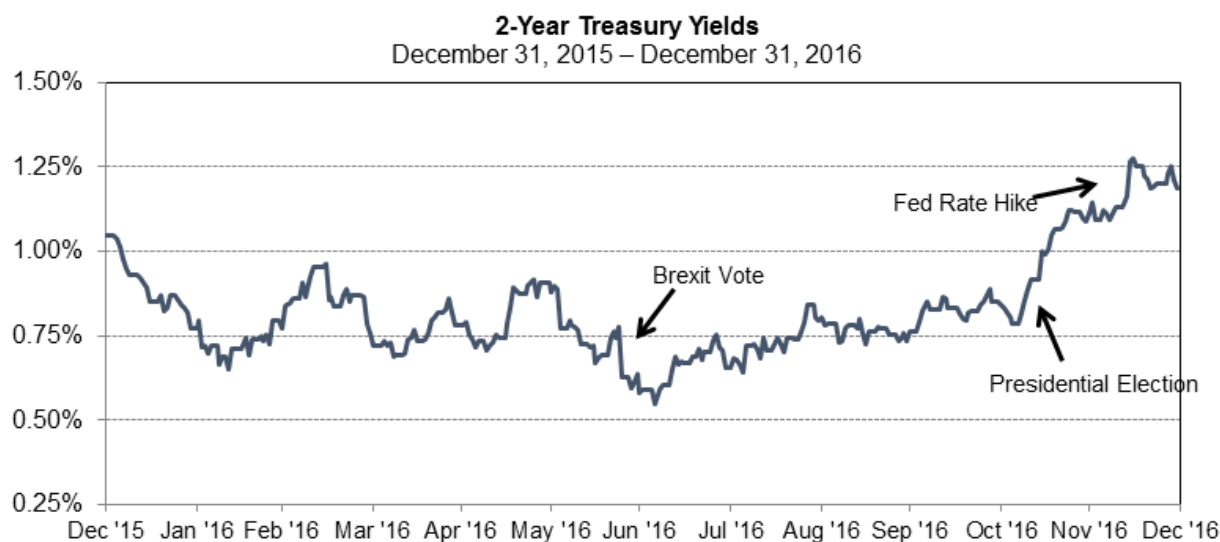
- Treasury rates have surged following the U.S. elections, with the longer end rising substantially over higher inflation expectations from the President-elect's proposed fiscal policies.
- As a result, the yield curve has risen significantly, even when compared to a year ago.



Yield Curve History

	12/31/15	09/30/16	12/31/16
1-Mo.	0.13	0.19	0.42
3-Mo.	0.17	0.28	0.50
6-Mo.	0.48	0.43	0.61
1-Yr.	0.60	0.59	0.81
2-Yr.	1.05	0.76	1.19
3-Yr.	1.31	0.88	1.45
5-Yr.	1.76	1.15	1.93
7-Yr.	2.09	1.42	2.25
10-Yr.	2.27	1.60	2.45
30-Yr.	3.02	2.32	3.07

Source: Bloomberg.



Source: Bloomberg

The County Treasury continues to outperform most of its portfolio benchmarks this quarter. Our investment strategy positions short term debt to provide liquidity and continues to take advantage of available higher yields on US Treasuries, commercial paper, notes and negotiable CDs as well as maintaining federal agencies with attractive rates. The following indicators reflect key aspects of the County’s investment portfolio in light of the above noted conditions:

1. **Market Access** – During the quarter, the majority of County investment purchases were in the area of U.S. Treasuries. Additional investment purchases involved Federal Agencies, Commercial Paper and a CD. The Treasurer continues to keep a higher level of liquid assets reflecting the need to maintain levels of available cash to ensure the ability to meet all cash flow needs.
2. **Diversification** - The Monterey County Treasurer’s portfolio consists of 89 separate fixed income investments, all of which are authorized by the State of California Government Code 53601.

The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition					
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper
13.1%	8.4%	18.9%	23.3%	28.9%	7.4%

• Total may not equal 100% due to rounding

3. **Credit Risk** – Approximately 86.9% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, Negotiable CDs and other liquid funds. All assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are

considered the safest of all investments. All corporate debt (13.1%) is rated in the higher levels of investment grade and all federal agency securities have AA ratings, or are guaranteed by the U.S. Treasury. The credit quality of the County’s portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition										
AAA	AAAm	AA+	AA	AA-	A+	A	A-1+ (Short-Term)	A-1 (Short-Term)	Aaf/S1+ (CalTrust)	Not Rated (LAIF/MMF)
1%	7%	53%	2%	8%	1%	4%	2%	10%	8%	4%

4. **Liquidity Risk** – Liquidity risk, as measured by the ability of the County’s Treasury to meet withdrawal demands on invested assets, was managed during the October to December quarter. The portfolio’s average weighted maturity was 451 days, and the County maintained \$261M (19%) in overnight investments to provide immediate liquidity. In addition, the County maintained \$279M (20%) in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	<u>September 30, 2016</u>	<u>December 31, 2016</u>
Total Assets	\$1,118,029,849.61	\$1,381,798,946.89
Market Value	\$1,120,520,653.12	\$1,384,251,718.73
Days to Maturity	491	451
Yield	1.54%	1.07%
Estimated Earnings	\$4,530,360.12	\$3,249,517.27

FUTURE STRATEGY

The Treasurer has 59% of the portfolio invested in the 1-3 year maturity range to take advantage of the higher yields offered in that part of the yield curve. We will continue to run the portfolio to manage safety and liquidity while maximizing the rate of return.