

Exhibit A

Investment Portfolio Review

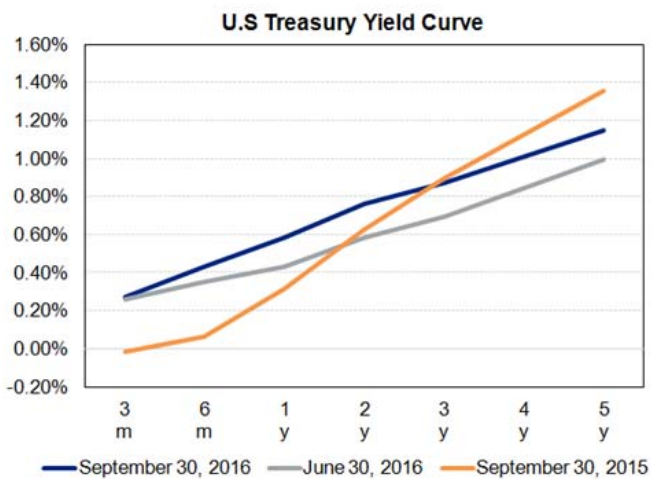
Quarter Ending September 30, 2016

OVERVIEW July 1, 2016 – September 30, 2016

During the July - September quarter yields on U.S. Treasuries increased modestly over the previous quarter, but still remain substantially lower than a year ago. The Federal Reserve's reluctance to raise rates this quarter put downward pressure on short and intermediate term yields, while the perception of a modest rise in labor costs and increase in commodity prices pressured long-term maturity yields upward. This movement heightened expectations for a possible hike in the Federal Rate for later this year. Inflation has continued to run below the Fed Committee's 2% objective, partly reflecting earlier declines in energy prices and decreasing prices of non-energy imports. In addition, the unemployment data shows that job gains have been solid on average.

U.S. TREASURY YIELD CURVE

- Longer-maturity U.S. Treasury yields have fallen substantially this year over concerns about global growth and global demand given negative yields abroad.
- On the shorter end of the curve, rates rose during the quarter, as market expectations for a rate hike this year inched up following speeches by Fed officials and the FOMC seeing a stronger case for increasing rates by year-end.



Yield Curve History

	9/30/15	6/30/16	9/30/16
3-Month	-0.02%	0.26%	0.28%
6-Month	0.07%	0.35%	0.43%
1-Year	0.31%	0.44%	0.59%
2-Year	0.63%	0.58%	0.76%
3-Year	0.90%	0.69%	0.88%
5-Year	1.36%	1.00%	1.15%
7-Year	1.74%	1.28%	1.42%
10-Year	2.04%	1.47%	1.60%
30-Year	2.85%	2.29%	2.32%

Source: Bloomberg

The County Treasury continues to outperform all 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 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 Federal Agencies and highly rated corporate debt. The Treasurer continues to keep a high 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 82 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
16%	9%	20%	10%	36%	11%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 86% 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 (16%) 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%	6%	48%	2%	10%	1%	3%	2%	14%	10%	3%

4. Liquidity Risk – Liquidity risk, as measured by the ability of the County’s Treasury to meet withdrawal demands on invested assets, was adequately managed during the July to September quarter. The portfolio’s average weighted maturity was 491 days, and the County maintained \$206M (18%) in overnight investments to provide immediate liquidity. In addition, the County maintained \$191M (17%) in securities with maturities under a year to provide additional liquidity.

PORTFOLIO CHARACTERISTICS

	<u>June 30, 2016</u>	<u>September 30, 2016</u>
Total Assets	\$1,299,086,359.71	\$1,118,029,849.61
Market Value	\$1,298,648,951.83	\$1,120,520,653.12
Days to Maturity	491	491
Yield	1.03%	1.54%
Estimated Earnings	\$3,429,732.19	\$4,530,360.12

FUTURE STRATEGY

The Treasurer has 64% 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 risk while maximizing the rate of return.