

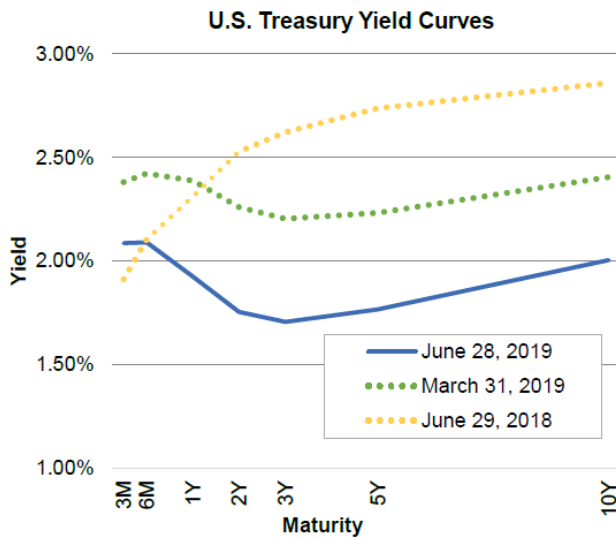
Exhibit A Investment Portfolio Review Quarter Ending June 30, 2019

OVERVIEW April 1, 2019 – June 30, 2019

During the April – June quarter, U.S. Treasury yields reinforced their downward trend amid persistent concern about escalating trade tensions. The yield curve inversion deepened further but remained relatively shallow on a historical basis. The Federal Reserve (FED) revealed a shift in stance on monetary policy from “patient” to “appropriate.” Fed Chair Powell affirmed that the Fed will “act as appropriate to sustain the expansion.” The market also appears to be factoring in rate cuts by year end.

U.S. TREASURY YIELD CURVE

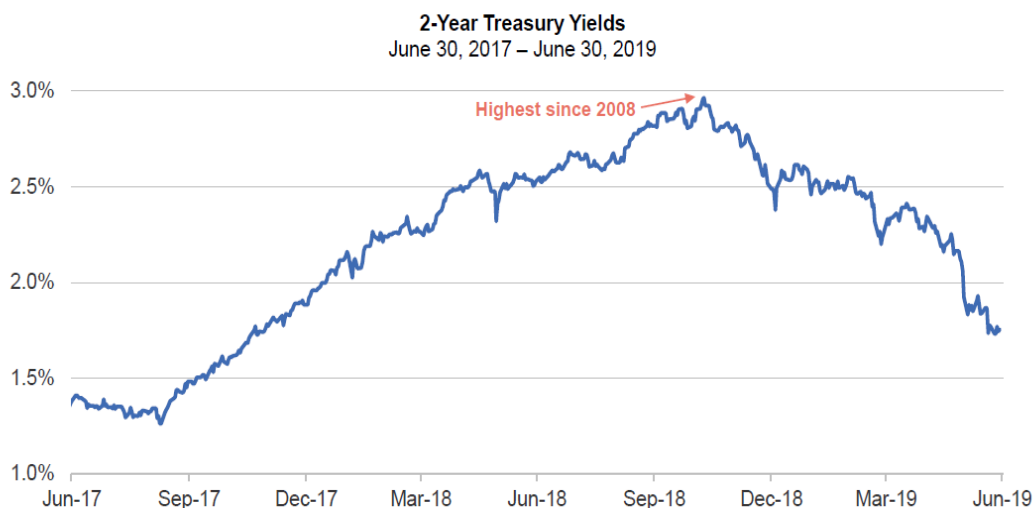
- Treasury yields fell across maturities throughout the quarter, with intermediate-term interest rates declining by bigger margins.
- The 3-month and 10-year Treasury yields inverted once again in May, and the inversion deepened throughout the remainder of the quarter.



Source: Bloomberg, as of 6/30/2019.

	2Q2019 6/28/19	1Q2019 3/29/19	QoQ Change
3 month	2.09%	2.38%	-0.29%
6 month	2.09%	2.42%	-0.33%
1 year	1.93%	2.39%	-0.46%
2 year	1.75%	2.26%	-0.41%
3 year	1.71%	2.20%	-0.49%
5 year	1.77%	2.23%	-0.46%
10 year	2.01%	2.41%	-0.40%

- The 2-year Treasury decreased by 51 basis points (0.51%) to end the quarter at 1.75%.
- Yields felt the pressure of heightened trade tensions, weakening economic data and the shift in Fed rate hike/cut expectations, declining across the board throughout the quarter.



Source: Bloomberg, as of 6/30/2019.

The County Treasury investments continue to focus on capturing relative value while remaining cautious. The following indicators reflect key aspects of the investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, investment purchases for the portfolio included U.S. Treasuries, Corporate Notes and a Certificate of Deposit. 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 169 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	Supranationals	Municipal Bonds	Asset Backed Securities
13.2%	2.4%	22.1%	50.4%	5.4%	3.7%	2.7%	<0.1%	0.6%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 84% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, negotiable CDs and other liquid funds. All assets have a better than investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. All corporate debt (13.2%) is rated in the

higher levels of investment grade and all Federal Agency and municipal holdings are rated AA ratings. The Supranationals (2.7%) and the Asset Backed Security (0.6%) are rated AAA. The credit quality of the Treasurer’s portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition								
AAA	AAAm	AA	A	A-1 (Short Term)	Aaf/S1+ (CalTRUST)	BBB+ (split rated)	Not Rated (LAIF/MMF)	Not Rated
3.4%	7.1%	61.6%	7.8%	4.5%	11.7%	<1%	2.8%	.6%

4. **Liquidity Risk** – Liquidity risk, as measured by the ability of the County Treasury to meet withdrawal demands on invested assets, was managed during the April – June quarter. The portfolio’s average weighted maturity was 337 days, and the Treasurer maintained \$381M in overnight investments to provide immediate liquidity, be able to react quickly to opportunities in the current market, and take advantage of a higher yield on the money market rates. In addition, the Treasurer maintained \$967M in securities with maturities under a year, as the older investments mature, providing additional enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	<u>March 31, 2019</u>	<u>June 30, 2019</u>
Total Assets	\$1,683,748,933.92	\$1,765,188,987.34
Market Value	\$1,672,221,350.10	\$1,755,722,012.68
Days to Maturity	335	337
Yield	2.32%	2.43%
Estimated Earnings	\$9,095,864.80	\$10,742,479.77

FUTURE STRATEGY

The Treasurer has 55% of the portfolio invested in maturities under one year and 45% invested in the 1-3-year maturity range. In the current interest rate environment, we continue to utilize available maturities to add high-quality securities and maintain a well-diversified portfolio. This strategy will also help to position the portfolio insuring that liquidity needs are met. We will continue to manage the portfolio under the established tenets of safety and liquidity while seeking to maximize the rate of return.