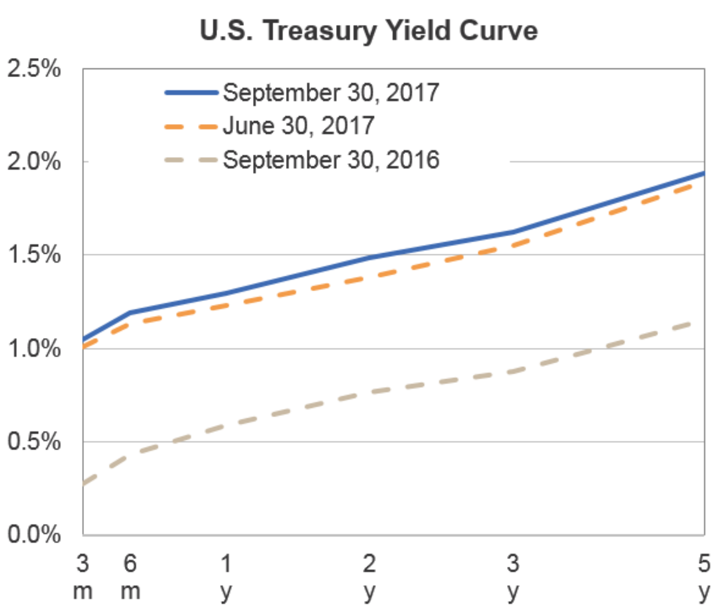
Exhibit A
Investment Portfolio Review
Quarter Ending September 30, 2017

<u>OVERVIEW</u> July 1, 2017 – September 30, 2017

During the July-September quarter, the two-year treasury yields continued to slowly move upward in response to the Fed's efforts to normalize policy by raising the interest rates. However, current inflation and growth expectations are keeping longer term yields relatively low. Despite the impact of Hurricanes in the 1st quarter, inflation pressures continue to decline from levels at the beginning of the year and the labor market remains strong. The unemployment rate went down to 4.2%, hitting the lowest level in more than 16 years and the average hourly earnings, an important gauge of wage growth, grew 2.9% over the past 12 years providing a positive outlook for a future rate hike. Although the Federal Open Market Committee (FOMC) did not raise the federal funds rate this quarter, the probabilities increased for a third-rate hike by the end of the year due to these conditions.

U.S. TREASURY YIELD CURVE

- Treasury yields are substantially higher compared to a year ago. Short-term yields continue to rise in response to the Fed raising rates in their efforts to normalize policy. Longer-term yields still remain relatively low in response to lower inflation and growth expectations.

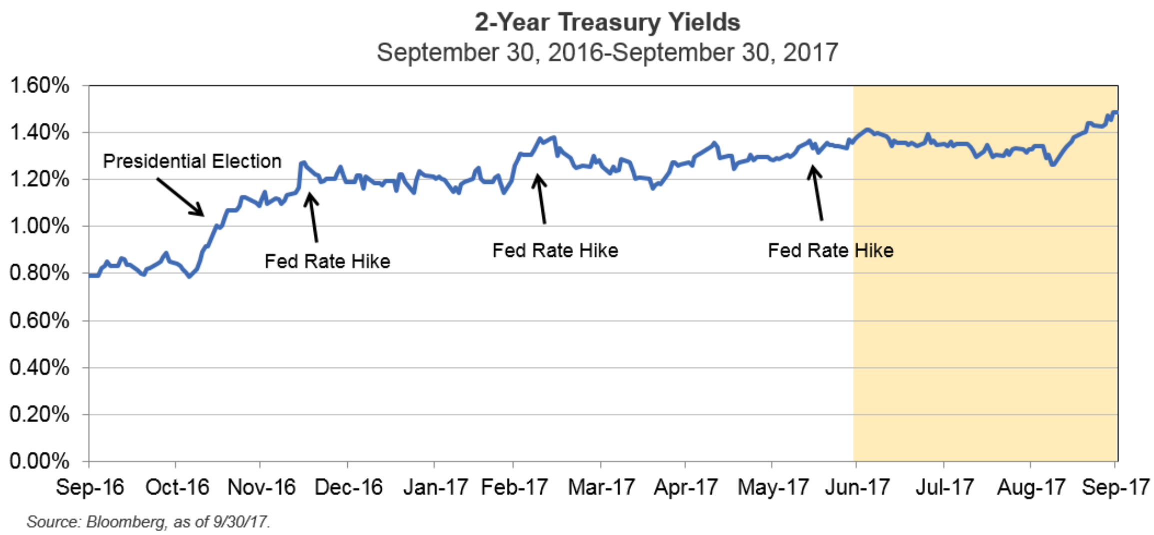


Source: Bloomberg, as of 9/30/17.

Yield Curve History

Maturity	6/30/17	9/30/17	Change
3-Mo.	1.01	1.05	0.04
6-Mo.	1.13	1.19	0.06
1-Yr.	1.23	1.29	0.06
2-Yr.	1.38	1.49	0.11
3-Yr.	1.55	1.62	0.07
5-Yr.	1.89	1.94	0.05
10-Yr.	2.31	2.33	0.02
20-Yr.	2.61	2.60	0.01
30-Yr.	2.84	2.86	0.02

Two-year treasury yields moved modestly higher towards the end of the quarter, possibly due to heightened expectations of another increase in the Fed funds target rate later this year and a tax overhaul that could increase government borrowing.



The County Treasury continues to outperform 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 U.S. 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, investment purchases included the purchase of a CD for the main portfolio and various U.S Treasuries, Federal Agency Bonds, a CD and Corporate Notes to establish a custom investment portfolio for MCOE/MERMA. 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 116 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
16.7%	7.1%	14.70%	27.5%	31.6%	2.5%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 83.4% 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 (16.7%) 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-	A-1+ (Short-Term)	A-1 (Short-Term)	Aaf/S1+ (CalTrust)	BBB+	Not Rated (LAIF/ MMF)
1%	11%	60%	1%	6%	5%	3%	2%	4%	2%	3%	1%	1%

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 July-September quarter. The portfolio's average weighted maturity was 339 days, and the County maintained $189M (15%) in overnight investments to provide immediate liquidity. In addition, the County maintained $564M (44%) in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	June 30, 2017	September 30, 2017
Total Assets	$1,406,749,451.38	$1,291,516,016.16
Market Value	$1,404,654,946.58	$1,289,937,988.14
Days to Maturity	398	339
Yield	1.22%	1.25%
Estimated Earnings	$4,367,421.71	$4,012,209.73

FUTURE STRATEGY

The Treasurer has 41% of the portfolio invested in the 1-3-year maturity range and 44% invested in maturities under one year to take advantage of the higher yields offered in those parts of the yield curve. We will continue to run the portfolio to manage safety and liquidity while maximizing the rate of return.