

Exhibit A

Investment Portfolio Review

Quarter Ending December 31, 2019

OVERVIEW

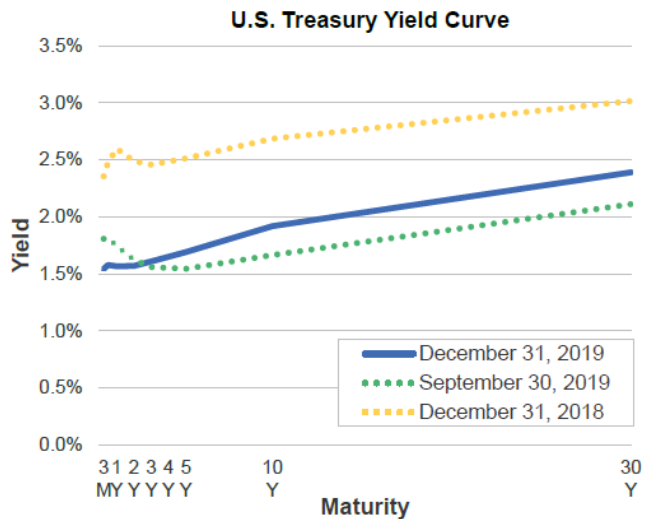
October 1, 2019 – December 31, 2019

During the October – December quarter, U.S. equities finished the year with a strong December, marking the best year since 2013. Major central banks held the global economy together, providing ample liquidity, lowering interest rates, and restoring confidence. After three consecutive rate cuts this year, the Federal Reserve kept rates steady at its December meeting, maintaining the target range at 1 ½ to 1 ¾ percent. In its calculus, the economy is solid; and the current policy stance will remain appropriate as long as “incoming data remains broadly consistent with the outlook.”

U.S. TREASURY YIELD CURVE

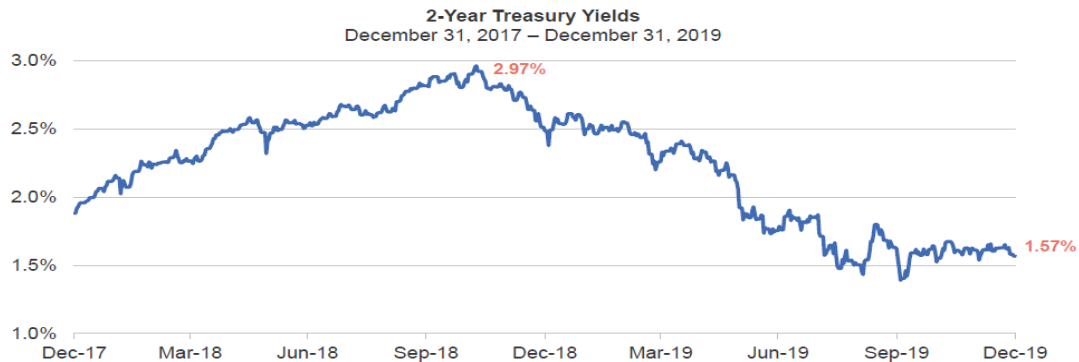
- Treasury yields fell across short term maturities throughout the quarter, while long-term maturities rose.
- Yield movement during the quarter resulted in a Treasury yield curve that is no longer inverted and it has regained its positive slope.

	4Q2019 12/31/19	3Q2019 9/30/19	QoQ Change
3 month	1.54%	1.81%	-0.27%
1 year	1.57%	1.74%	-0.17%
2 year	1.57%	1.62%	-0.05%
3 year	1.61%	1.56%	0.05%
5 year	1.69%	1.54%	0.15%
10 year	1.92%	1.66%	0.26%
30 year	2.39%	2.11%	0.28%



Source: Bloomberg, as of 12/31/19.

- The 2-year Treasury decreased by 5 basis points (0.05%) to end the quarter at 1.57%.
- Yields felt the pressure of continued trade tensions, further weakening in business investment and other economic data, as well as heightened recession fears for the U.S. and global economies.



Source: Bloomberg, as of 12/31/19.

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 a U.S. Treasuries, Commercial Paper and Corporate Notes. 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 179 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%	1.5%	18.1%	57.5%	2.4%	4.1%	2.1%	<0.1%	0.5%

- Total may not equal 100% due to rounding

3. **Credit Risk** – Approximately 83.6% 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. The Supranationals (2.1%) and the Asset Backed Security (0.5%) 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
2.1%	8.9%	64.5%	8.7%	5.0%	6.2%	0.5%	4.0%

• Total may not equal 100% due to rounding

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 October - December quarter. The portfolio’s average weighted maturity was 331 days, and the Treasurer maintained \$347M in overnight investments to provide immediate liquidity to be able to react quickly to opportunities in the current market and take advantage of yields on the money market rates. In addition, the Treasurer maintained \$687M in securities with maturities under a year to provide additional enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	<u>September 30, 2019</u>	<u>December 31, 2019</u>
Total Assets	\$1,557,346,900.60	\$1,853,827,448.73
Market Value	\$1,550,705,225.56	\$1,848,747,198.94
Days to Maturity	350	331
Yield	2.46%	2.32%
Estimated Earnings	\$9,734,550.44	\$9,758,162.96

The Treasurer has 37.1% of the portfolio invested in maturities under one year, 43.6% invested in the 1-3-year maturity range and 0.60% invested in the 3-5-year 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.