

Exhibit A

Investment Portfolio Review

Quarter Ending June 30, 2017

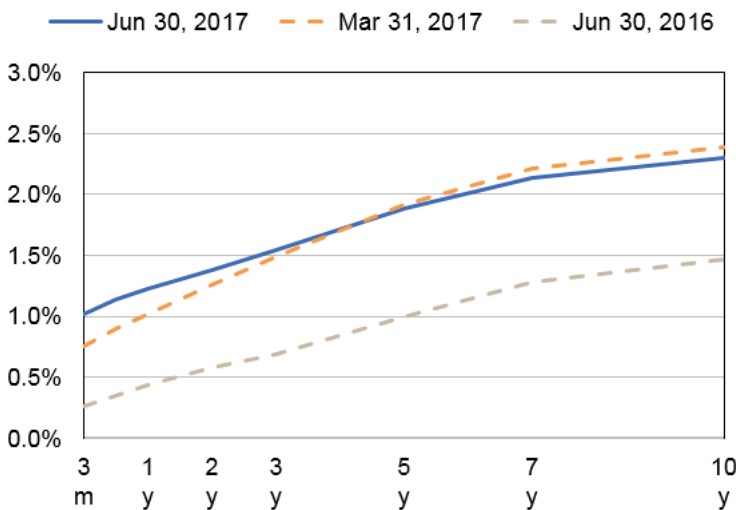
OVERVIEW April 1, 2017 – June 30, 2017

During the April - June quarter, The Federal Open Market Committee (FOMC) raised the federal funds rate by 0.25% to a new target range of 1.0 to 1.25% at its June meeting but probabilities show only a 50% chance of another rate hike by year end. The two-year treasury yields moved modestly higher possibly due to lower expectations of future rate hikes for the remainder of 2017. Weaker economic data and low inflation kept interest rates in check. The initial market reaction to the Fed's June interest rate increase was surprisingly modest, initially moving only short-term rates higher. In recent days, longer-term yields have adjusted as well. The muted reaction is an indication of uncertainty about the pace of U.S. economic growth and future Fed policy.

U.S. TREASURY YIELD CURVE

- Treasury yields are substantially higher compared to a year ago: short-term yields rose as the Fed raised rates to normalize policy, while longer yields moved in tandem with higher inflation expectations following the elections. The yield curve has flattened over the quarter as some of the inflation expectations moderated.

U.S. Treasury Yield Curve

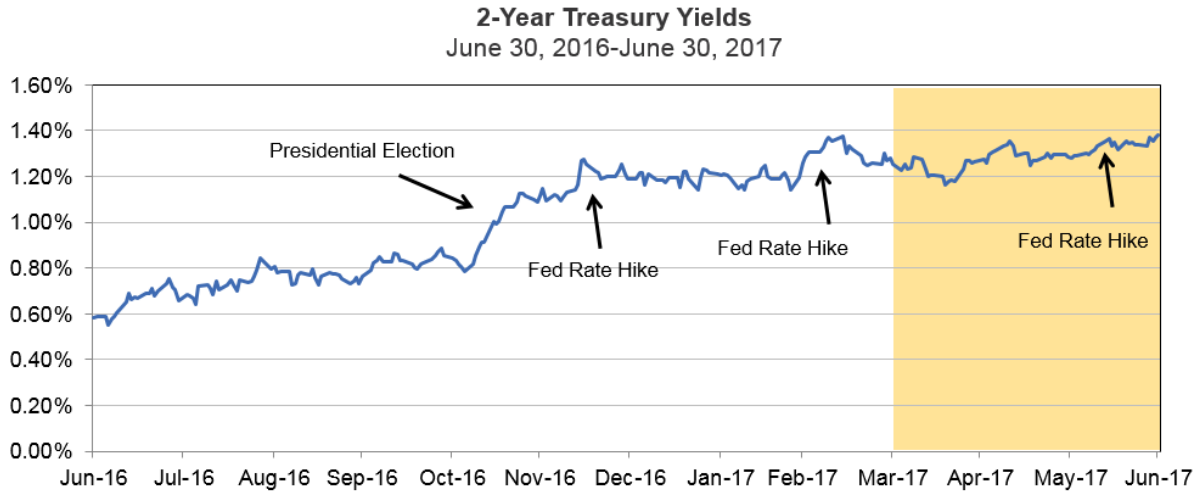


Source: Bloomberg, as of 6/30/17.

Yield Curve History

Maturity	6/30/16	3/31/17	6/30/17
3-Mo.	0.26	0.75	1.01
6-Mo.	0.35	0.90	1.13
1-Yr.	0.44	1.02	1.23
2-Yr.	0.58	1.26	1.38
3-Yr.	0.69	1.49	1.55
5-Yr.	1.00	1.92	1.89
7-Yr.	1.28	2.21	2.14
10-Yr.	1.47	2.39	2.31
30-Yr.	2.29	3.01	2.84

Two-year treasury yields moved modestly higher possibly due to lower expectations of future rate hikes for the remainder of 2017.



Source: Bloomberg, as of 6/30/17.

The County Treasury continues to outperform the majority 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 U.S. Treasuries, commercial paper, corporate 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 U.S. Treasuries, Federal Agencies, Commercial Paper, Negotiable CDs 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 97 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
15.1%	7.5%	13.0%	28.3%	32.2%	4.4%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 85% 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 (15.1%) 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-	A-1+ (Short-Term)	A-1 (Short-Term)	Aaf/S1+ (CalTrust)	BBB+	Not Rated (LAIF/MMF)
1%	5%	62%	1%	9%	5%	3%	1%	1%	4%	5%	1%	2%

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 April - June quarter. The portfolio’s average weighted maturity was 398 days, and the County maintained \$175M (13%) in overnight investments to provide immediate liquidity. In addition, the County maintained \$557M (39%) in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	<u>March 31, 2017</u>	<u>June 30, 2017</u>
Total Assets	\$1,348,216,995.71	\$1,406,749,451.38
Market Value	\$1,346,285,722.86	\$1,404,654,946.58
Days to Maturity	419	398
Yield	1.18%	1.22%
Estimated Earnings	\$3,869,096.96	\$4,367,421.71

FUTURE STRATEGY

The Treasurer has 48% of the portfolio invested in the 1-3-year maturity range and 39% 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.