`

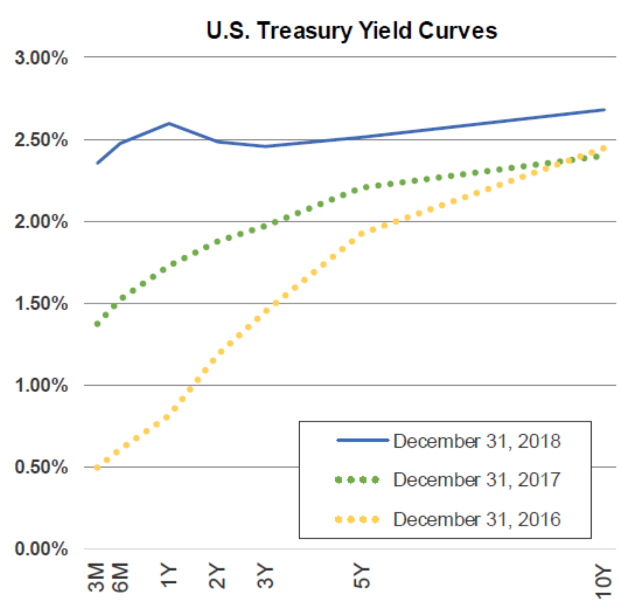
# Exhibit A
# Investment Portfolio Review
# Quarter Ending December 31, 2018

**OVERVIEW** October 1, 2018 – December 31, 2018

During the October – December quarter, the selloff in equity markets pushed investors to seek the relative safety of U.S. Treasury obligations, pushing yields lower. Interest rates with maturities greater than 1-year fell sharply, while short term rates moved up slightly. This resulted in an inverted yield curve at the quarter end, with the 1-year Treasury yielding more than a 5-year Treasury. As was widely expected, the Federal Reserve raised the federal funds target rate by 25 basis points (0.25%) for the fourth time in 2018 at its December meeting. The U.S. economy is experiencing a strong labor market, adding 762K total jobs in the second quarter, a deceleration of inflation to just below the Fed's 2% target and positive contributions from business investment, consumer spending, and federal, state, and local government spending. Potential headwinds exist in the form of geopolitical risks, tariffs, slower housing market momentum, contracting oil supply and rising interest rates.

**U.S. TREASURY YIELD CURVE**

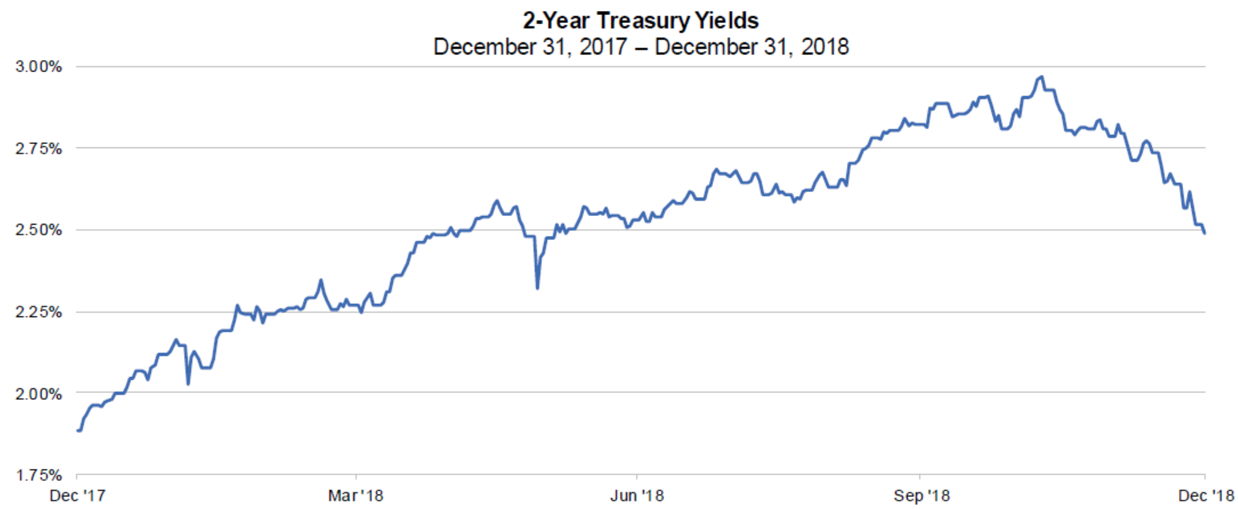
- Interest rates with maturities greater than 1-year fell sharply during the quarter, while short-term rates moved up slightly. This resulted in an inverted yield curve at quarter end, with the 1-year Treasury yielding more than a 5-year Treasury.



Source: Bloomberg, as of 12/31/2018.

| | 4Q2018 12/31/18 | 3Q2018 9/30/18 | QoQ Change |
|---|---|---|---|
| 3 month | 2.35% | 2.20% | +0.15% |
| 6 month | 2.48% | 2.36% | +0.12% |
| 1 year | 2.60% | 2.56% | +0.04% |
| 2 year | 2.49% | 2.82% | -0.33% |
| 3 year | 2.46% | 2.88% | -0.42% |
| 5 year | 2.51% | 2.95% | -0.44% |
| 10 year | 2.68% | 3.06% | -0.38% |

- The selloff in equity markets in the second quarter sparked a flight to quality as investors sought the relative safety of U.S. Treasury obligations, pushing yields lower.
- As was widely expected, the Federal Reserve raised the federal funds target rate by 25 basis points (.0.25%) for the fourth time in 2018 at its December meeting, but the consequential bump in yields was overcome by continued equity market uncertainty.
- The 2-year Treasury decreased by 33 basis points (0.33%) to end the quarter at 2.49%.



Source: Bloomberg, as of 12/31/2018.

The County Treasury continues to perform comparatively to portfolio benchmarks this quarter. Our 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, a Federal Agency, and a Corporate Note. 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 139 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 |
| 15.2% | 4.4% | 25.3% | 29.8% | 13.4% | 8.2% | 3.1% | 0.0% | 0.6% |

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 81.1% 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 (15.2%) 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 Supranationals (3.1%) 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+ | AA | AA- | A+ | A | A- | A-1+ (Short Term) | A-1 (Short Term) | Aaf/S1+ (CalTRUST) | BBB+ (split rated) | Not Rated (LAIF/ MMF) | Not Rated |
| 4% | 10% | 45% | 1% | 3% | 3% | 4% | 2% | 3% | 8% | 11% | 1% | 4% | 1% |

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 272 days, and the Treasurer maintained $385M 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 $711M in securities with maturities under a year to provide enhanced liquidity.

## PORTFOLIO CHARACTERISTICS

| | September 30, 2018 | December 31, 2018 |
|---|---|---|
| Total Assets | $1,331,217,570.21 | $1,528,686,820.37 |
| Market Value | $1,323,210,566.84 | $1,518,307,204.45 |
| Days to Maturity | 222 | 272 |
| Yield | 1.84% | 2.08% |
| Estimated Earnings | $6,517,874.72 | $7,409,471.25 |

## FUTURE STRATEGY

The Treasurer has 72% of the portfolio invested in maturities under one year and 27 % invested in the 1-3-year maturity range. In the current interest rate environment of rising rates, holding shorter-term securities allows the County to capture higher yields as maturities are reinvested. We will continue to manage the portfolio under the established tenets of safety and liquidity while seeking to maximize the rate of return.