

Exhibit A

Investment Portfolio Review

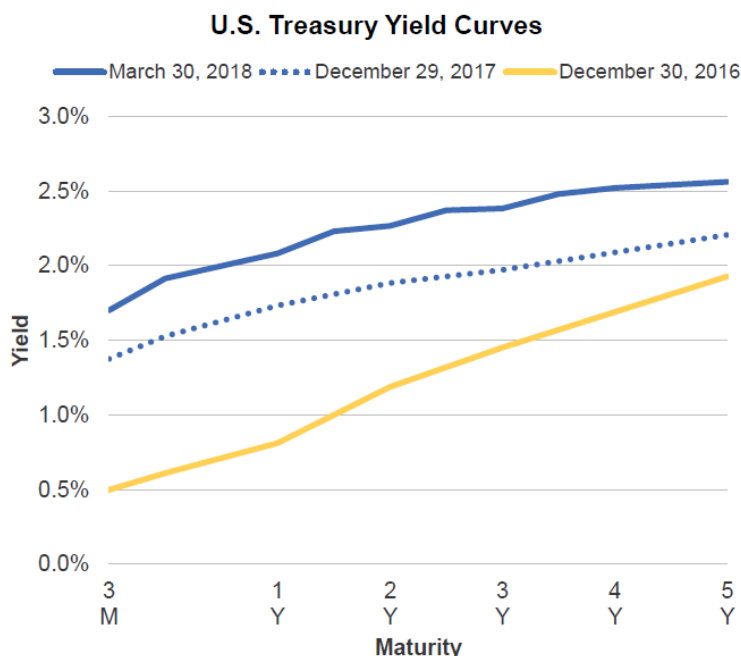
Quarter Ending March 31, 2018

OVERVIEW January 1, 2018 – March 31, 2018

During the January - March quarter interest rates continued their ascent over the quarter and the FED remained true to its stated course, raising short term rates by ¼ percent in March. Economic growth remained strong as the economy grew at an average of 2.6% on a quarterly basis (annualized), the fastest pace since 2014. Strong growth in consumer spending and business investment continues to fuel economic activity. Market volatility surged as investor's concerns focused on possible trade wars, tax cuts, an expansionary fiscal budget, and stretched valuations. The U.S. labor market growth eased in March but remains sound. The unemployment rate continued to hold steady at 4.1% for the sixth straight month, and the labor force participation rate increased slightly from 62.7% to 62.9%. The tight labor market is slowly pushing up worker pay and average hourly earnings – a key measure of wage growth – rose 2.7% over the past 12 months.

U.S. TREASURY YIELD CURVE

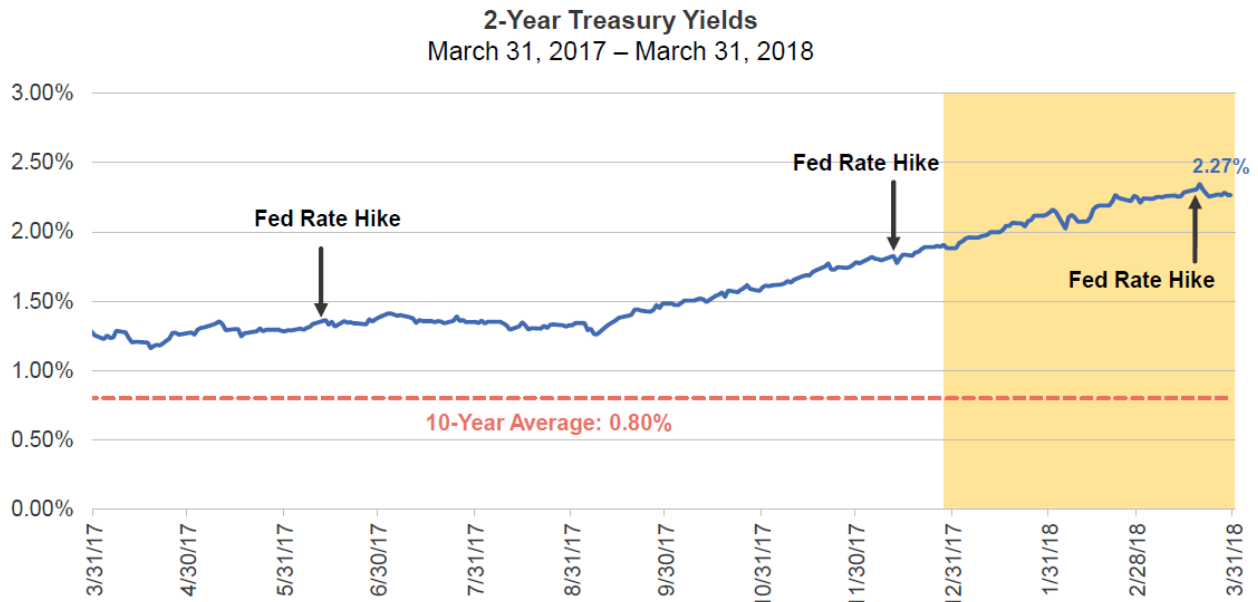
- Rates moved higher across the yield curve on a long list of positive economic data including an upward revision to the fourth quarter GDP, strong job growth, consumer confidence at a 14 year high, and manufacturing at a 3-year high.



	Year-End 12/29/17	Current 3/31/18	QoQ Change
3 month	1.38%	1.70%	+0.32%
6 month	1.53%	1.91%	+0.38%
1 year	1.73%	2.08%	+0.35%
2 year	1.88%	2.27%	+0.39%
3 year	1.97%	2.38%	+0.41%
5 year	2.21%	2.56%	+0.35%
10 year	2.41%	2.74%	+0.33%

- Interest rates continued their ascent over the quarter and the FED remained true to its stated course, raising short term rates by ¼ percent in March.

Interest Rate Update



Source: Bloomberg, as of 3/31/18.

The County Treasury continues to perform comparatively to 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 investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, investment purchases for the portfolio included U.S. Treasuries 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 119 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
12.7%	3.9%	25.6%	25.4%	22.3%	10.1%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 87.3% 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 (12.7%) 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 Treasurer's portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition												
<u>AAA</u>	<u>AAAm</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>	<u>A-1+</u> <u>(Short Term)</u>	<u>A-1</u> <u>(Short Term)</u>	<u>Aa1/S1+</u> <u>(CalTRUST)</u>	<u>BBB+</u> <u>(split rated)</u>	<u>Not Rated</u> <u>(LAIF/MMF)</u>
1%	12%	49%	1%	3%	4%	2%	2%	3%	9%	9%	1%	4%

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 January-March quarter. The portfolio's average weighted maturity was 233 days, and the Treasurer maintained \$95.3M in overnight investments to provide immediate liquidity. In addition, the Treasurer maintained \$994M in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	<u>December 31, 2017</u>	<u>March 31, 2018</u>
Total Assets	\$1,558,052,557.25	\$1,516,664,506.96
Market Value	\$1,551,822,253.16	\$1,509,587,099.98
Days to Maturity	261	233
Yield	1.27%	1.41%
Estimated Earnings	\$4,456,424.41	\$5,262,243.84

FUTURE STRATEGY

The Treasurer has 99.34% of the portfolio invested in the 1-3-year maturity range and 71.84% invested in maturities under one year to take advantage of the higher yields offered in those parts of the yield curve and to be able to react quickly to opportunities in current market. We will continue to manage the portfolio under the established tenets of safety and liquidity while seeking to maximize the rate of return.