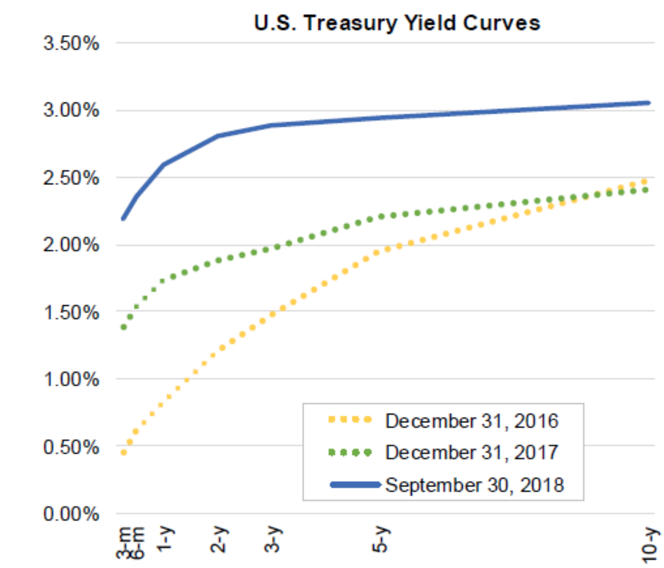
Exhibit A
Investment Portfolio Review
Quarter Ending September 30, 2018

OVERVIEW July 1, 2018 – Sept 30, 2018

During the July - September quarter, the yield curve remained flat as rates on shorter term yields have outpaced longer-term yields. The first quarter marked the tenth straight quarterly rise in the 2-year yield as the U.S. economy remained strong and the Federal Reserve's continued tightening monetary policy raised the federal funds target rate by 25 basis points for the third time during the calendar year. The U.S. economy is experiencing a strong labor market, core inflation is hitting the Fed's long-term target of 2% for the first time since 2012 and the economy is seeing record corporate profits which are driven in part by savings from tax cuts and a continued optimistic business outlook. The Federal Reserve expectations for growth and employment indicators support the Fed's continued pace of gradual rate hikes, however, potential headwinds exist in the form of geopolitical risks, tariffs, slower housing market momentum and rising interest rates.

U.S. TREASURY YIELD CURVE

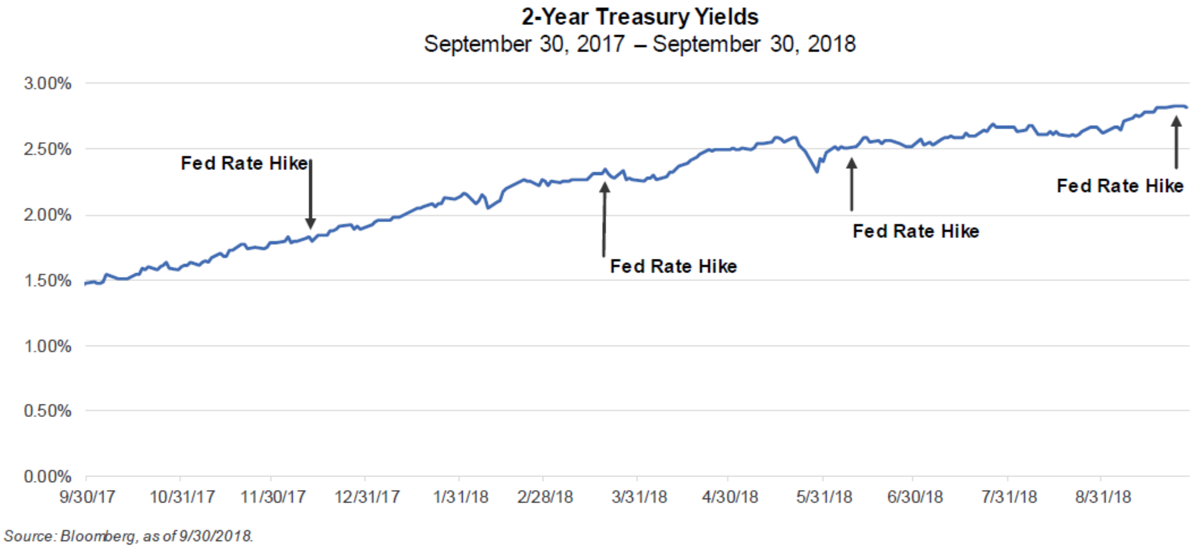
- While the yield curve remains flat, interest rates moved up in almost parallel fashion across the yield curve during the quarter.



Source: Bloomberg, as of 9/30/2018.

	3Q2018 9/30/18	2Q2018 6/30/18	QoQ Change
3 month	**2.20%**	1.91%	+0.29%
6 month	**2.36%**	2.10%	+0.26%
1 year	**2.56%**	2.31%	+0.25%
2 year	**2.82%**	2.53%	+0.29%
3 year	**2.88%**	2.62%	+0.26%
5 year	**2.95%**	2.74%	+0.21%
10 year	**3.06%**	2.86%	+0.20%

- The first quarter marked the tenth straight quarterly rise in the 2-year yield as the U.S. economy remained strong and the Federal Reserve's continued tightening monetary policy raised the federal funds target rate by 25 basis points for the third time this year at its September meeting.
- The 2-year Treasury increased by 29 basis points to 2.82% in the first quarter.



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. <u>Market Access</u> – During the quarter, investment purchases for the portfolio included U.S. Treasuries and Commercial Paper. 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. <u>Diversification</u> - The Monterey County Treasurer's portfolio consists of 127 separate fixed income investments, all of which are authorized by the State of California Government Code 53601.

   <u>The portfolio asset spread is detailed in the table below:</u>

Portfolio Asset Composition								
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper	Supranationals	Municipal Bonds	Asset Backed Securities
14.7%	6.4%	23.3%	24.3%	16.8%	10.2%	3.6%	0.0%	0.7%

- Total may not equal 100% due to rounding

3. Credit Risk – Approximately 81% 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 (14.7%) 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 Supranationals (3.6%) and the Asset Backed Security (0.7%) 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%	5%	43%	1%	3%	4%	2%	2%	7%	8%	14%	1%	5%	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 July - September quarter. The portfolio's average weighted maturity was 222 days, and the Treasurer maintained $324.9 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 $744.2M in securities with maturities under a year to provide enhanced liquidity.

PORTFOLIO CHARACTERISTICS

	June 30, 2018	September 30, 2018
Total Assets	$1,560,422,623.40	$1,331,217,570.21
Market Value	$1,551,265,646.11	$1,323,210,566.84
Days to Maturity	233	222
Yield	1.63%	1.84%
Estimated Earnings	$6,477,652.90	$6,517,874.72

FUTURE STRATEGY

The Treasurer has 80% of the portfolio invested in maturities under one year and 19% 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.