



SAN MATEO COUNTY

**Transportation
Authority**

San Mateo County Transportation Authority

Investment Performance Review
For the Quarter Ended March 31, 2017



Compliance and Allocation

<u>Security Type</u>	<u>Market Value* as of March 31, 2017</u>	<u>% of Portfolio</u>	<u>Permitted by Policy</u>	<u>In Compliance</u>	<u>Average Credit Rating</u>
U.S. Treasury	\$25,708,369	16.4%	100%	✓	AA+
Federal Agency/GSE	\$59,849,753	38.3%	100%	✓	AA+
Federal Agency/CMO	\$6,699,765	4.3%	20%	✓	AA+
Corporate Notes	\$28,792,860	18.4%	30%	✓	A
Negotiable CDs	\$9,325,814	6.0%	10%	✓	AA-
Asset-Backed Securities	\$8,823,518	5.6%	30%	✓	A
Commercial Paper	\$17,055,264	10.9%	15%	✓	A-1
Money Market Fund	\$161,417	0.1%	10%	✓	AAAm
Totals	\$156,416,760	100.0%			

*Market values exclude accrued interest.



Earnings and Total Return

- Over the quarter the portfolio
 - realized earnings of \$535,845 and
 - outperformed the benchmark by 15 basis points.

	<u>Earnings</u>	<u>Yield to Maturity</u>		<u>Duration</u>	<u>Return</u>		
	Current Quarter	Cost	Market	(Years)	Current Quarter	1 Year	Since Inception*
SMCTA	\$535,845	1.41%	1.54%	2.14	0.47%	0.36%	0.70%
Performance Benchmark	-	-	1.37%	2.16	0.32%	0.16%	0.77%

As of March 31, 2017.

*Since March 31, 2015.

The benchmark is composed of 30% 0-1 Government Index, 20% 1-3 Year U.S. Government Index, 20% 3-5 Year U.S. Government Index, 10% 1-10 Year U.S. Government Index, and 20% 1-5 Year Corporate Index.



Market Themes

- **The U.S. economy continued to expand gradually.**
 - **The labor market continued to strengthen**
 - **Inflation slowly picked up**
- **The FOMC raised interest rates in March.**
- **The “Trump trade” dominated markets for much of the quarter.**



Portfolio Recap

- **We continued to diversify the portfolio.**
 - **Maintained high allocation to government securities.**
 - **Increased allocation to high-quality corporate notes.**
 - **Purchased AAA-rated asset-backed securities, benefiting portfolio return and diversification.**
 - **Took advantage of commercial paper and bank certificates of deposits which offered excellent value.**



Outlook

- **We estimate the Fed will make two additional rate hikes in 2017.**
- **Financial markets may become range-bound as the market awaits clarity on policies proposed and enacted by the Trump administration.**



Strategy

- **We will manage the portfolio duration to closely match the benchmark duration.**
- **We favor Treasuries over agencies unless specific issues offer identifiable value.**
- **We will continue to diversify the portfolio taking advantage of the other sectors allowed by the Investment Policy.**