

# San Mateo County Transportation Authority

Investment Performance Review  
For the Quarter Ended September 30, 2017

December 7, 2017



# Compliance and Allocation

<u>Security Type</u>	<u>Market Value as of September 30, 2017</u>	<u>% of Portfolio</u>	<u>Permitted by Policy</u>	<u>In Compliance</u>	<u>Average Credit Rating</u>
U.S. Treasury	\$33,116,392	21.0%	100%	✓	AA+
Federal Agency/GSE	\$37,785,058	24.0%	100%	✓	AA+
Federal Agency/CMO	\$5,044,745	3.2%	20%	✓	AA+
Corporate Notes	\$34,559,608	21.9%	30%	✓	A
Negotiable CDs	\$15,507,459	9.8%	10%	✓	A+
Asset-Backed Securities	\$16,294,372	10.3%	30%	✓	A+
Commercial Paper	\$15,336,737	9.7%	15%	✓	A-1
Money Market Fund	\$70,202	<1%	10%	✓	AAAm
<b>Total Investments</b>	<b>\$157,714,573</b>	<b>100.0%</b>			



# Earnings and Total Return

- Over the quarter the portfolio
  - Outperformed the benchmark by 11 basis points
  - Total realized earnings of \$546,671

	<u>Earnings</u> <sup>1</sup>	<u>Yield to Maturity</u>		<u>Duration</u>	<u>Return</u>		
	Current Quarter	Cost	Market	(Years)	Current Quarter	1 Year	Since Inception <sup>2</sup>
SMCTA	\$546,671	1.64%	1.67%	2.17	0.40%	0.69%	0.91%
Performance Benchmark <sup>3</sup>	-	-	1.50%	2.15	0.29%	0.11%	0.87%

As of September 30, 2017.

1. Accrual basis earnings. Total realized earnings in the previous quarter equal to \$502,978.

2. Since March 31, 2015.

3. Composed of the 0-5 Year U.S. Treasury Index since 6/30/2016. Before 6/30/2016, composed of 15% 0-1 Government Index, 15% 0-1 Year Federal Agency 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

- **Moderate readings on key economic data in the U.S.**
  - The labor market strengthened despite September job losses from recent hurricanes
  - Inflation remains below 2% target; outlook remains weak
- **The FOMC maintained interest rates in September.**
- **Strong appetite for high quality bonds is creating tightness in yield spreads.**

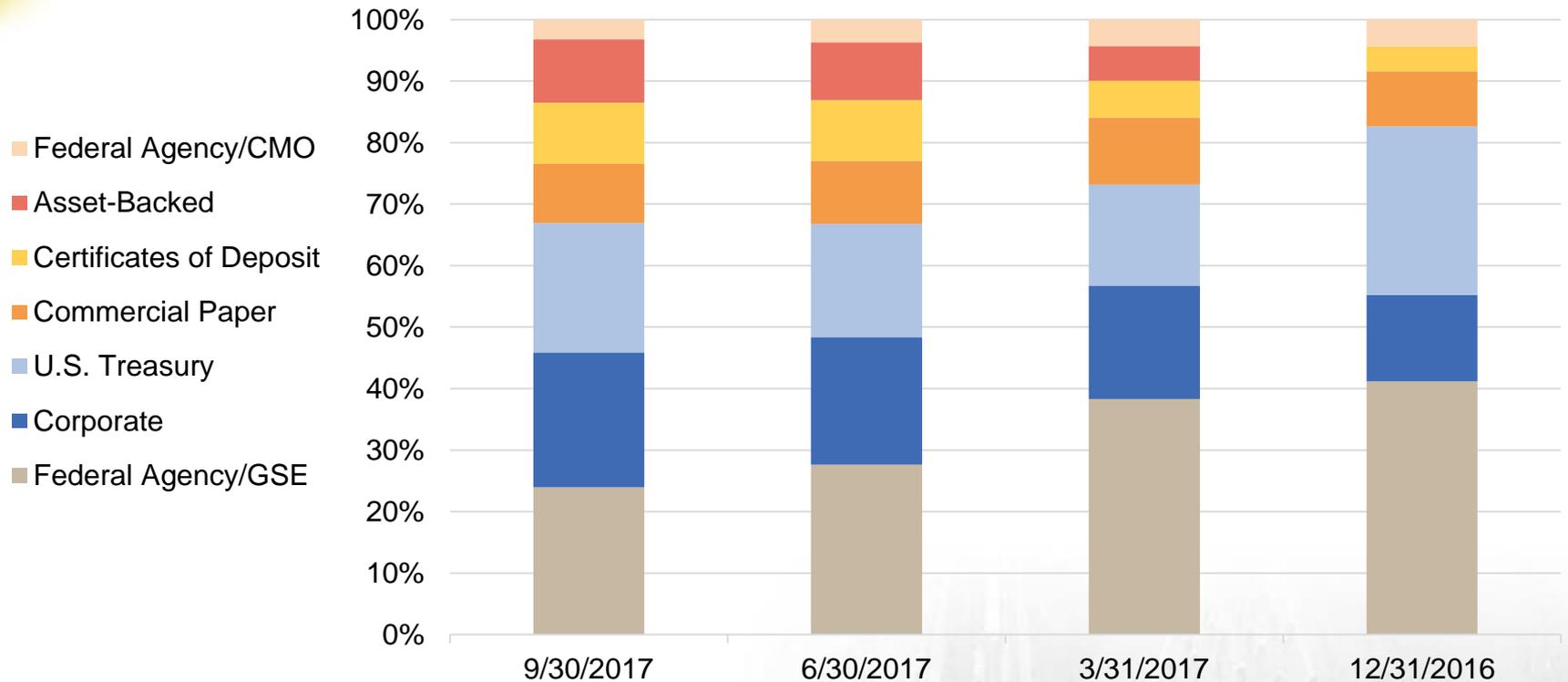


# Portfolio Recap

- **We continued to diversify the portfolio.**
  - Increasing exposure to credit sectors
  - We sold select agency holdings for higher yielding comparable-maturity Treasuries



# Sector Allocation





# Outlook

- **We expect continued modest growth in the U.S., however, recent hurricanes will have a near term impact on GDP.**
- **Potential further improvements in labor market, healthy consumer demand, and a stable corporate backdrop.**
- **Possibility of additional rate hike on the horizon.**



# Strategy

- **We will manage the portfolio duration to closely match the benchmark duration.**
- **We favor Treasuries over agencies, except for new issues that offer a fair yield concession.**
- **We will seek opportunities to enhance portfolio yield, while focusing on safety and liquidity.**