



SAN MATEO COUNTY

**Transportation
Authority**

San Mateo County Transportation Authority

Investment Performance Review
For the Quarter Ended March 31, 2018

April 2018



Compliance and Allocation

Security Type	Market Value as of March 31, 2018	% of Portfolio	Permitted by Policy	In Compliance	Average Credit Rating
U.S. Treasury	\$33,507,029	21.4%	100%	✓	AA+
Federal Agency/GSE	\$27,697,994	24.1%	100%	✓	AA+
Federal Agency/CMO	\$3,869,622	2.5%	20%	✓	AA+
Corporate Notes	\$38,736,640	24.8%	30%	✓	A+
Negotiable CDs	\$15,398,416	9.9%	10%	✓	A-
Asset-Backed Securities	\$21,395,284	13.7%	30%	✓	A
Commercial Paper	\$15,387,972	9.8%	15%	✓	A-1
Money Market Fund	\$873,889	<1%	10%	✓	AAAm
Total Investments*	\$156,866,846	100.0%			

As of March 31, 2018.

*Total market values exclude accrued interest.



Earnings and Total Return

- Year-over-year, the portfolio yield has increased from 1.41% to 1.98%.

	Yield-at-Cost 2018	Yield-at-Cost 2017	Difference
SMCTA	1.98%	1.41%	0.57%

- Generating quarterly earnings of \$526,099



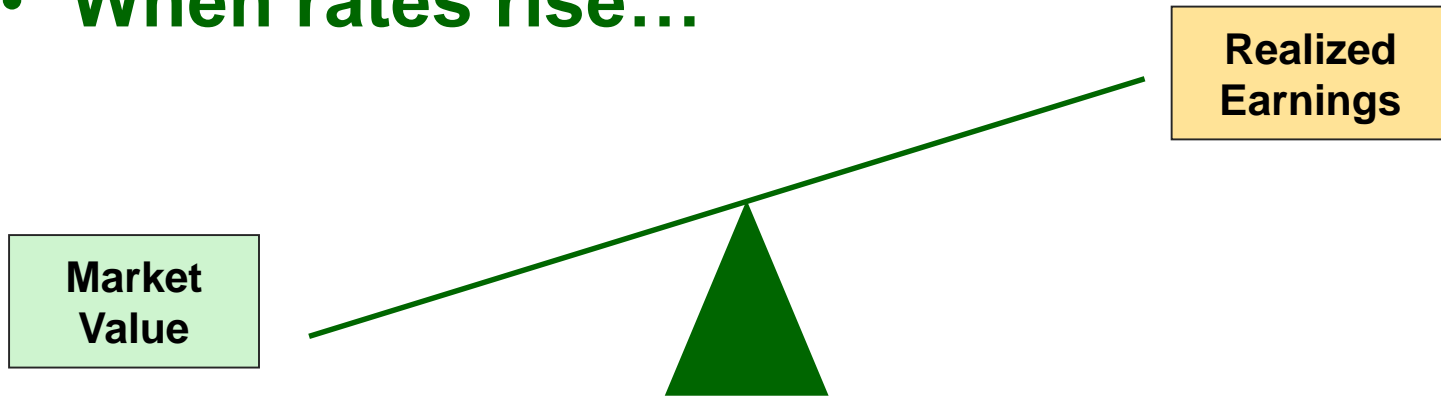
Market Themes

- **Market volatility rose amid increased inflationary risks.**
 - Tax Cuts
 - Government spending
 - Pro-growth deregulation
 - Potential trade wars
 - Low unemployment levels
- **Fed likely to continue to raise rates.**
- **Yield curve remains flat.**



Impact of Rising Rates

- When rates rise...



	<u>Duration</u>	<u>Total Return As of March 31, 2018</u>		
	(Years)	1Q18	1 Yr	Since Inception ¹
SMCTA	1.98	-0.30%	0.40%	0.60%
Performance Benchmark²	2.11	-0.23%	0.14%	0.56%

1. Since March 31, 2015.

2. 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.



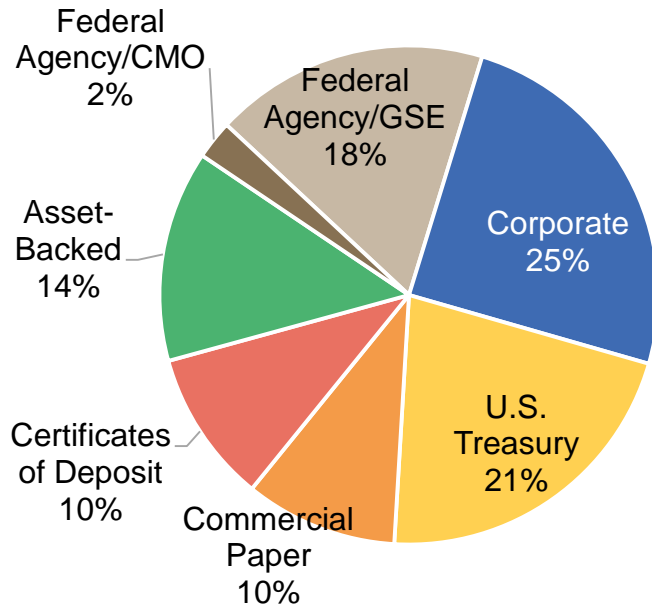
Portfolio Recap

- **We managed the portfolio with a shorter duration posture to minimize risk.**
- **We maintained portfolio diversification.**

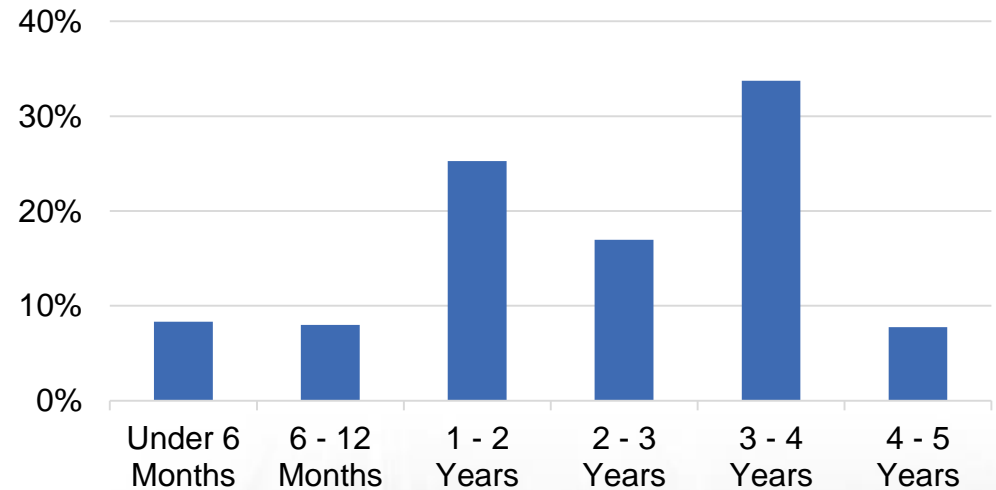


Portfolio Characteristics

Sector Allocation
March 31, 2018



Maturity Distribution
March 31, 2018



*Totals may not add due to rounding.



Outlook and Strategy

- **Interest rate hikes are likely to continue.**
- **Flat yield curve emphasizes importance of maturity and relative value selection.**
- **Sector allocation requires broad diversification.**
 - **Continue to emphasize use of credit instruments**