

# San Mateo County Transportation Authority

Investment Performance Review  
For the Quarter Ended December 31, 2018

January 2019



# Compliance and Allocation

Security Type	Market Value* as of December 31, 2018	% of Portfolio	Permitted by Policy	In Compliance	Average Credit Rating
U.S. Treasury	\$53,870,450	33.5%	100%	✓	AA+
Federal Agency/GSE	\$11,322,290	7.0%	100%	✓	AA+
Federal Agency/CMO	\$5,493,480	3.4%	20%	✓	AA+
Corporate Notes	\$37,161,286	23.1%	30%	✓	A+
Negotiable CDs	\$13,552,625	10.0%	10%	✓	A+
Asset-Backed Securities	\$23,270,082	14.5%	20%	✓	AAA
Commercial Paper	\$14,594,379	9.1%	15%	✓	A-1
<b>Securities Sub-Total</b>	<b>\$159,264,591</b>	<b>99.0%</b>			
Accrued Interest	\$709,263				
<b>Securities Total</b>	<b>\$159,973,855</b>				
Money Market Fund	\$619,068	<1%	10%	✓	AAAm
LAIF	\$1,003,847	<1%	100%	✓	NR
<b>Total Investments</b>	<b>\$161,596,770</b>	<b>100.0%</b>			

As of December 31, 2018.

\*Total market values exclude accrued interest.

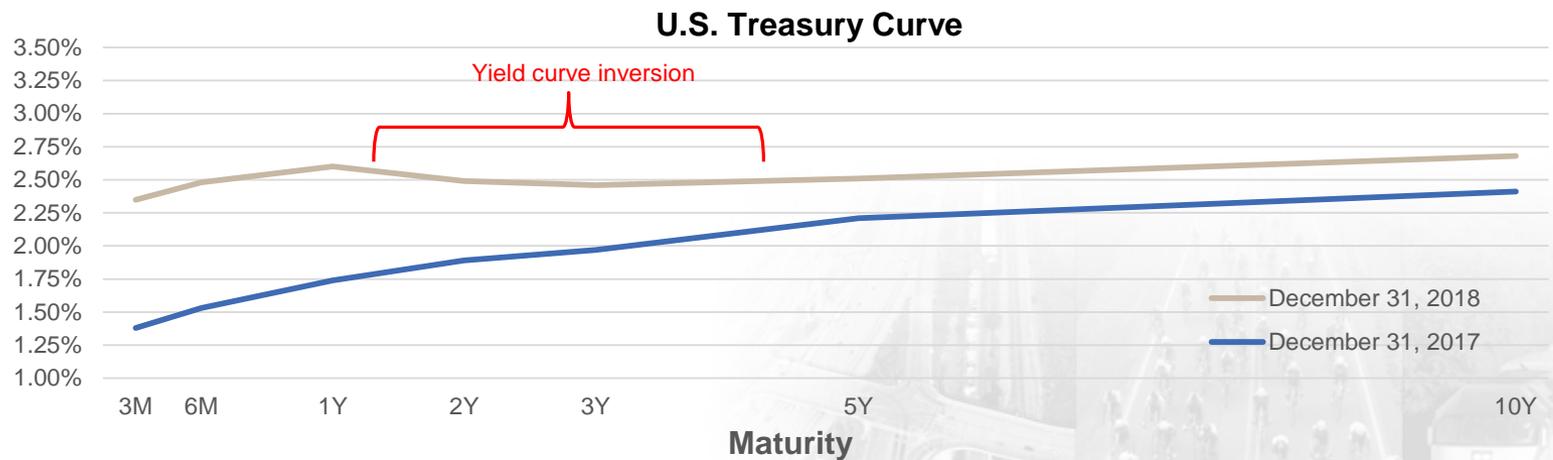


# Market Themes

- **In general, economic fundamentals in the U.S. remained positive.**
- **Return of volatility to equity markets**
- **A flight to quality. Yields reversed course and declined in Q4.**
- **Yield curve inverted in some areas along the curve.**



# A Changing Yield Curve



Accrual-based earnings for the period. Third quarter accrual-based earnings totaled \$775,900.



# Portfolio Recap

- **Continued downside risk management.**
  - **Invested in high-quality assets, with a bias to US Treasuries**
  - **Selectively added short-term credit exposure**
  - **Maintained portfolio duration shorter relative to its benchmark**
  - **Maintained a diversified portfolio in compliance with the investment policy and with CA Government Code**



# Portfolio Earnings & Performance

- The diversified portfolio had total earnings of **\$798,957\*** for Q4 2018, a **\$23,057** increase from the prior quarter
  - The portfolio yields increased by **~10 bps** over the quarter to **2.25%**

	<u>Duration</u>	<u>Total Return As of December 31, 2018</u>		
	(Years)	4Q18	1 Yr	Since Inception <sup>1</sup>
<b>SMCTA</b>	<b>1.92</b>	<b>1.21%</b>	<b>1.68%</b>	<b>1.00%</b>
<b>Performance Benchmark<sup>2</sup></b>	<b>2.09</b>	<b>1.48%</b>	<b>1.61%</b>	<b>0.94%</b>

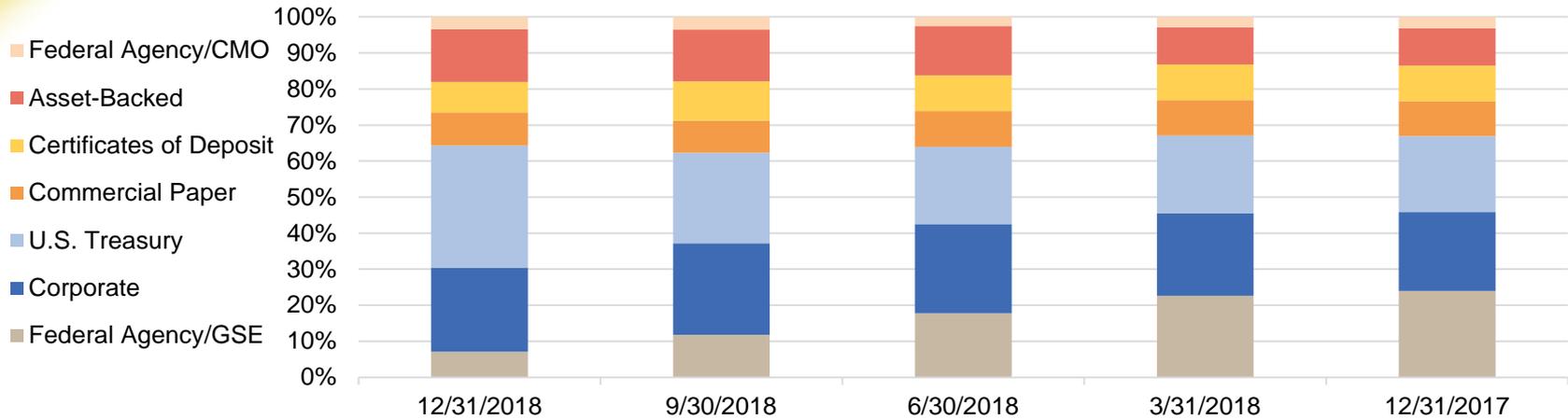
1. Inception date is March 31, 2015.

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.

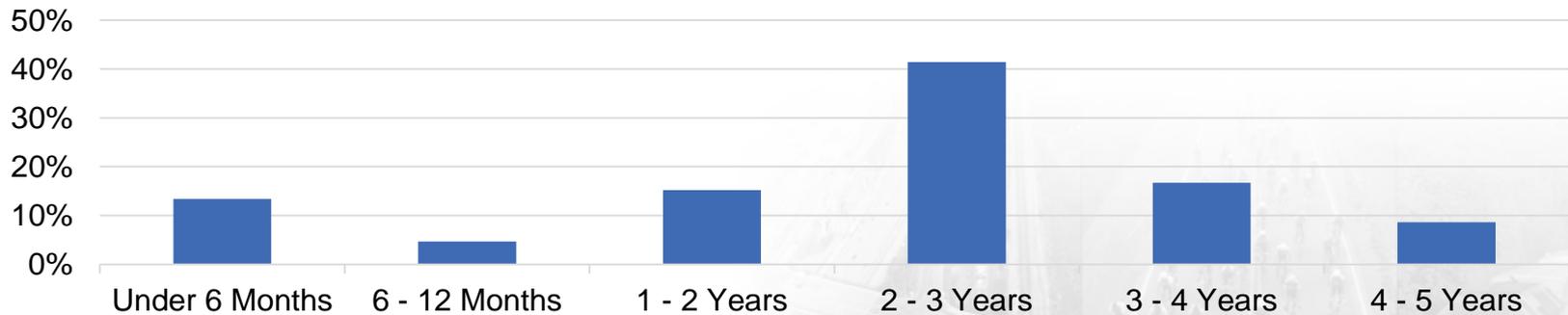


# Portfolio Positioning

## Sector Allocation



## Maturity Distribution



\*Totals may not add due to rounding. As of December 31, 2018



# Outlook and Strategy

- **Fed's path to raising rates has softened moving forward**
- **Neutral duration positioning**
- **Preserve broad diversification and maintain high credit quality**
- **Selectively add to corporate issuers with strong fundamentals**