



San Mateo County Transportation Authority

Investment Performance Review
For the Quarter Ended September 30, 2018

October 2018



Compliance and Allocation

Security Type	Market Value as of September 30, 2018	% of Portfolio	Permitted by Policy	In Compliance	Average Credit Rating
U.S. Treasury	\$46,067,211	29.0%	100%	✓	AA+
Federal Agency/GSE	\$14,391,012	9.1%	100%	✓	AA+
Federal Agency/CMO	\$5,040,960	3.2%	20%	✓	AA+
Corporate Notes	\$38,701,731	24.3%	30%	✓	A+
Negotiable CDs	\$16,988,437	10.0%	10%	✓	A
Asset-Backed Securities	\$23,923,337	15.1%	30%	✓	AAA
Commercial Paper	\$11,457,021	7.2%	15%	✓	A-1
Securities Sub-Total	\$156,569,709	98.5%			
Accrued Interest	714,336	0.5%			
Securities Total	\$157,284,046				
Money Market Fund	\$1,388,867	<1%	10%	✓	AAAm
LAIF	\$998,422	<1%	\$50 million	✓	AAAm
Total Investments*	\$159,671,335	100.0%			

As of September 30, 2018.

*Total market values exclude accrued interest.



Market Themes

- **Strength of U.S. economy persists**
- **Labor market continues to tighten**
- **Our recovery cycle has been long**
- **Consumer confidence near a two-decade high**
- **Inflation near the Fed's 2% target**
- **Yields continued upward momentum**
- **Equity markets remained bullish**

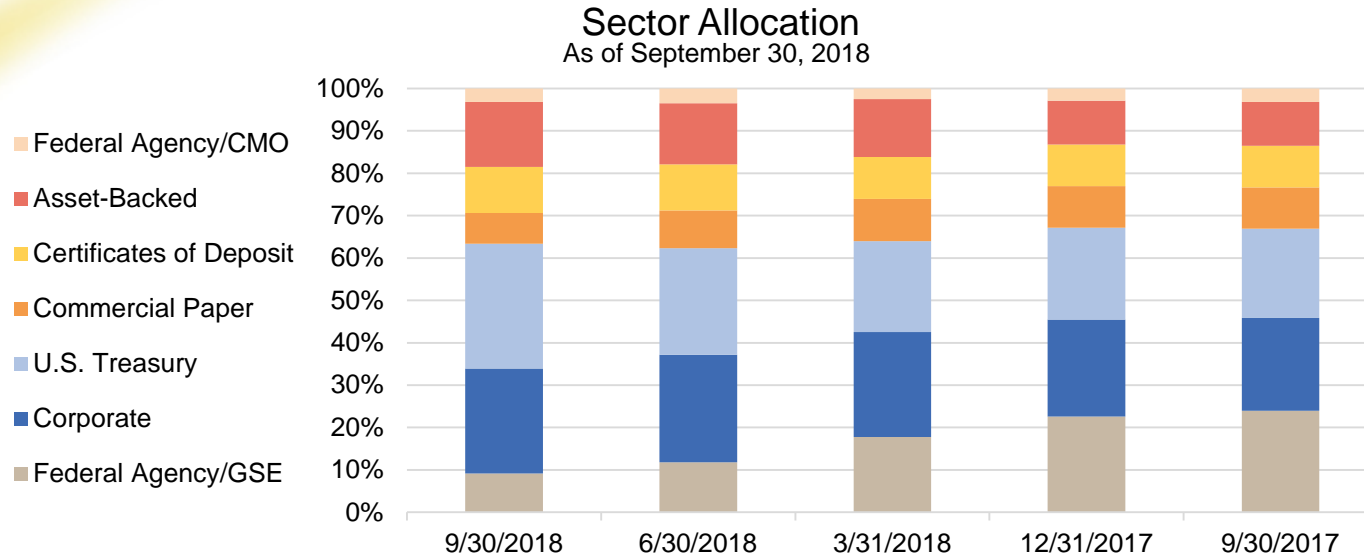


Portfolio Recap

- **Performed downside risk management strategies.**
 - **Invested in high-quality assets**
 - **Maintained diversification**
 - **Kept portfolio duration shorter**
 - **Actively managed the portfolio to invest in higher yielding securities**



A Diversified Portfolio



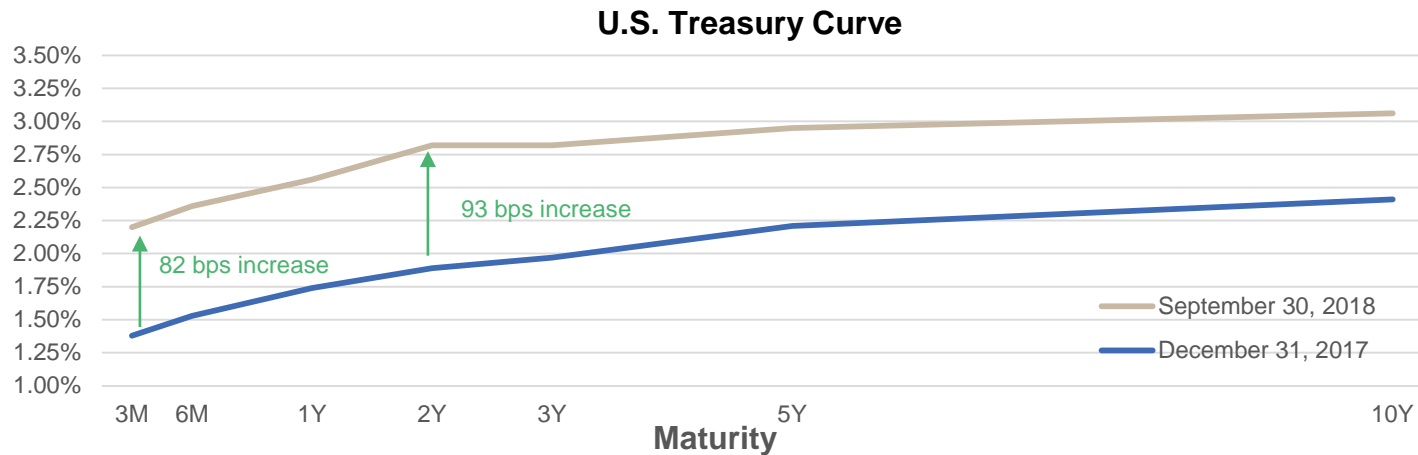
- **The diversified portfolio had total earnings of \$775,900* for Q3 2018, a \$276,529 increase from the prior quarter**
 - **The portfolio yields increased by ~12 bps over the quarter to 2.15%**

**Accrual-based earnings for the period. Second quarter accrual-based earnings totaled \$499,309.*



Portfolio Performance

- **Positive year-to-date total returns despite rising rates**



	<u>Duration</u>	<u>Total Return As of September 30, 2018</u>		
	(Years)	3Q18	1 Yr	Since Inception ¹
SMCTA	1.96	0.41%	0.27%	0.73%
Performance Benchmark²	2.09	0.15%	-0.13%	0.58%

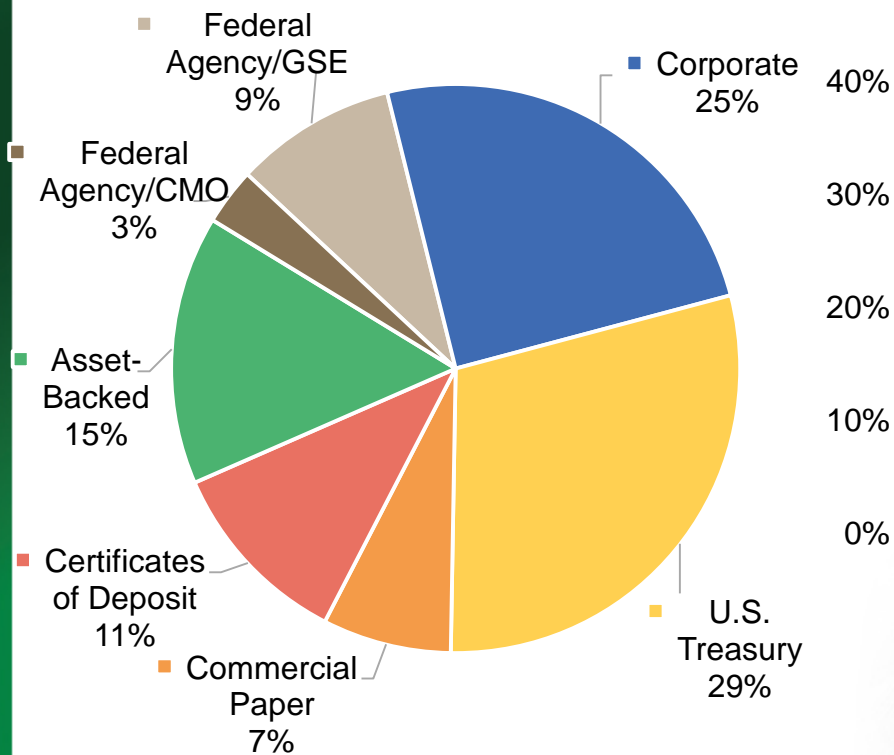
1. Inception date is March 31, 2015.

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.

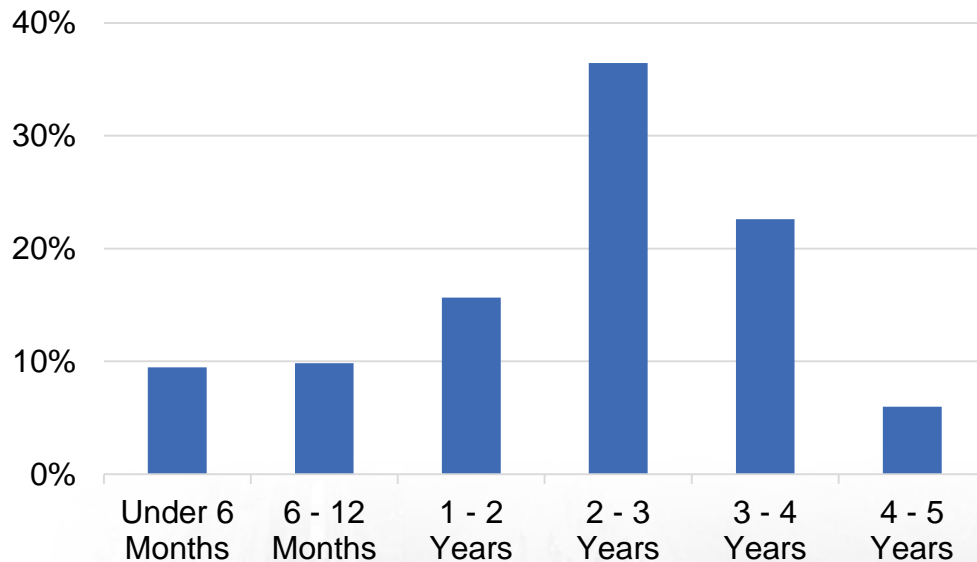


Portfolio Characteristics

Sector Allocation



Maturity Distribution



*Totals may not add due to rounding. As of September 30, 2018



Outlook and Strategy

- **Interest rate hikes are likely to continue at a gradual pace through 2019**
- **Modest defensive duration bias**
- **Preserve broad diversification and maintain high credit quality**
- **Focus on corporate issuers with strong fundamentals**