San Mateo County Transit District

Investment Performance Review
For the Quarter Ended December 31, 2018

January 2019
### Compliance and Allocation

As of December 31, 2018.

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Reserve Portfolio</th>
<th>Paratransit Portfolio</th>
<th>Total Funds*</th>
<th>% of Portfolio</th>
<th>Permitted by Policy</th>
<th>Average Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>$29,925,984</td>
<td>$8,896,608</td>
<td>$38,822,592</td>
<td>27.6%</td>
<td>100%</td>
<td>AA+</td>
</tr>
<tr>
<td>Federal Agency/GSE</td>
<td>$7,272,201</td>
<td>$1,836,723</td>
<td>$9,108,924</td>
<td>6.5%</td>
<td>100%</td>
<td>AA+</td>
</tr>
<tr>
<td>Federal Agency/CMO</td>
<td>$3,164,867</td>
<td>$881,308</td>
<td>$4,046,175</td>
<td>2.9%</td>
<td>20%</td>
<td>AA+</td>
</tr>
<tr>
<td>Corporate Notes</td>
<td>$21,707,010</td>
<td>$6,042,115</td>
<td>$27,749,125</td>
<td>19.7%</td>
<td>30%</td>
<td>A+</td>
</tr>
<tr>
<td>Negotiable CDs</td>
<td>$7,772,324</td>
<td>$2,167,313</td>
<td>$9,939,637</td>
<td>7.1%</td>
<td>10%</td>
<td>A</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>$13,474,445</td>
<td>$3,813,848</td>
<td>$17,288,294</td>
<td>12.3%</td>
<td>20%</td>
<td>AAA</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>$7,496,299</td>
<td>$1,986,442</td>
<td>$9,482,741</td>
<td>6.7%</td>
<td>15%</td>
<td>A-1</td>
</tr>
<tr>
<td>Money Market Fund</td>
<td>$376,361</td>
<td>$172,114</td>
<td>$548,474</td>
<td>0.4%</td>
<td>10%</td>
<td>AAAm</td>
</tr>
<tr>
<td>LAIF</td>
<td></td>
<td></td>
<td>$23,589,346</td>
<td>16.8%</td>
<td>$65 million</td>
<td>AAAm</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>$91,189,491</td>
<td>$25,796,471</td>
<td>$140,575,309</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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
The diversified portfolio had total earnings of $585,280* for Q4 2018, a $6,148 increase from the prior quarter.

- The portfolio yields increased by ~10 bps over the quarter to 2.23%

<table>
<thead>
<tr>
<th>Duration</th>
<th>Total Return As of December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Years)</td>
</tr>
<tr>
<td>Reserve Portfolio</td>
<td>1.94</td>
</tr>
<tr>
<td>Paratransit Portfolio</td>
<td>1.95</td>
</tr>
<tr>
<td>Performance Benchmark²</td>
<td>2.09</td>
</tr>
</tbody>
</table>

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 40% 1-3 Year U.S. Treasury Index, 10% 1-3 Year High-Grade Corporate Index, 40% 3-5 Year U.S. Treasury Index, and 10% 3-5 Year High-Grade Corporate Index.
Portfolio Positioning

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

Sector Allocation

- Federal Agency/CMO
- Asset-Backed
- Certificates of Deposit
- Commercial Paper
- U.S. Treasury
- Corporate
- Federal Agency/GSE

Maturity Distribution

- Under 6 Months
- 6 - 12 Months
- 1 - 2 Years
- 2 - 3 Years
- 3 - 4 Years
- 4 - 5 Years
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