



San Mateo County Transit District

Investment Performance Review
For the Quarter Ended December 31, 2018

January 2019



Compliance and Allocation



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

As of December 31, 2018.

*Total market values exclude accrued interest.

- 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.

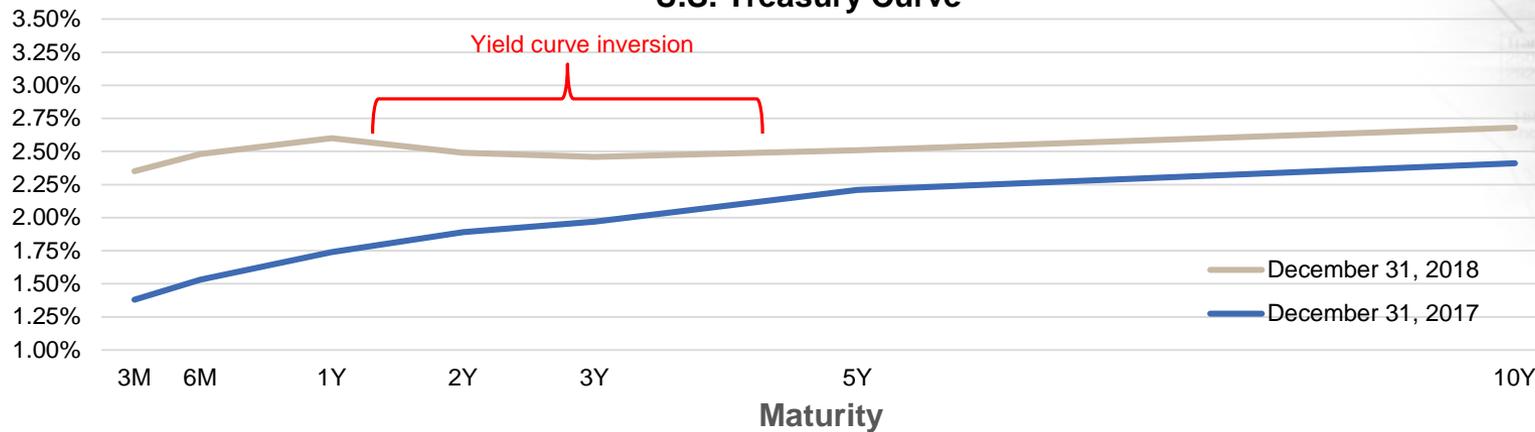
A Changing Yield Curve



2-Year U.S. Treasury



U.S. Treasury Curve



Portfolio Recap

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- **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 Performance



- 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%**

	<u>Duration</u>	<u>Total Return As of December 31, 2018</u>		
	(Years)	QQ18	1 Yr	Since Inception ¹
Reserve Portfolio	1.94	1.21%	1.68%	1.00%
Paratransit Portfolio	1.95	1.22%	1.69%	0.97%
Performance Benchmark²	2.09	1.48%	1.61%	1.08%

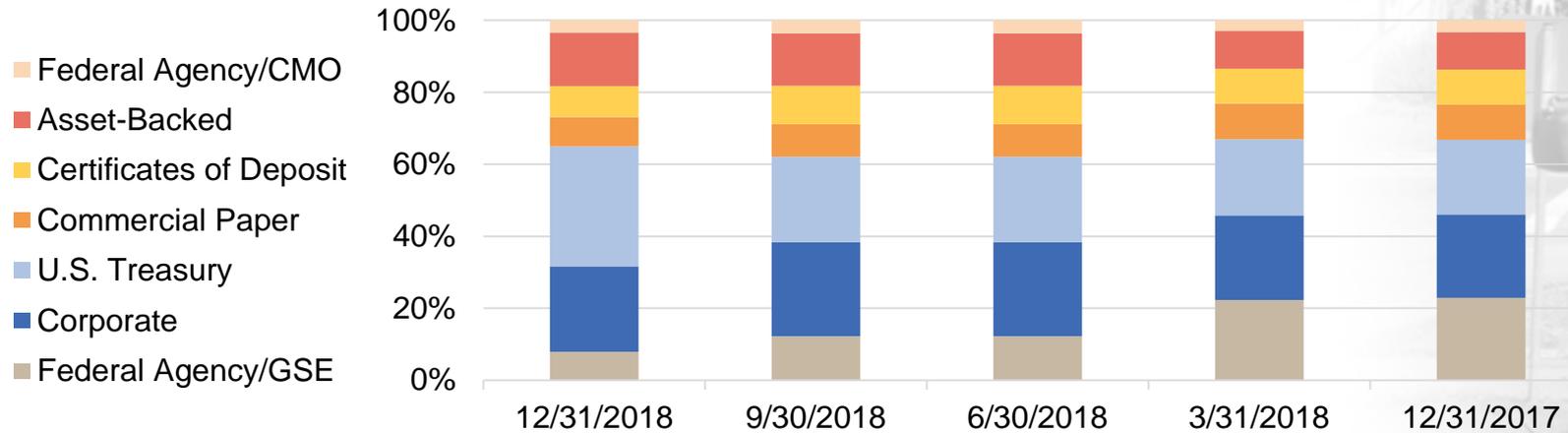
1. Inception date is March 31, 2015.

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.

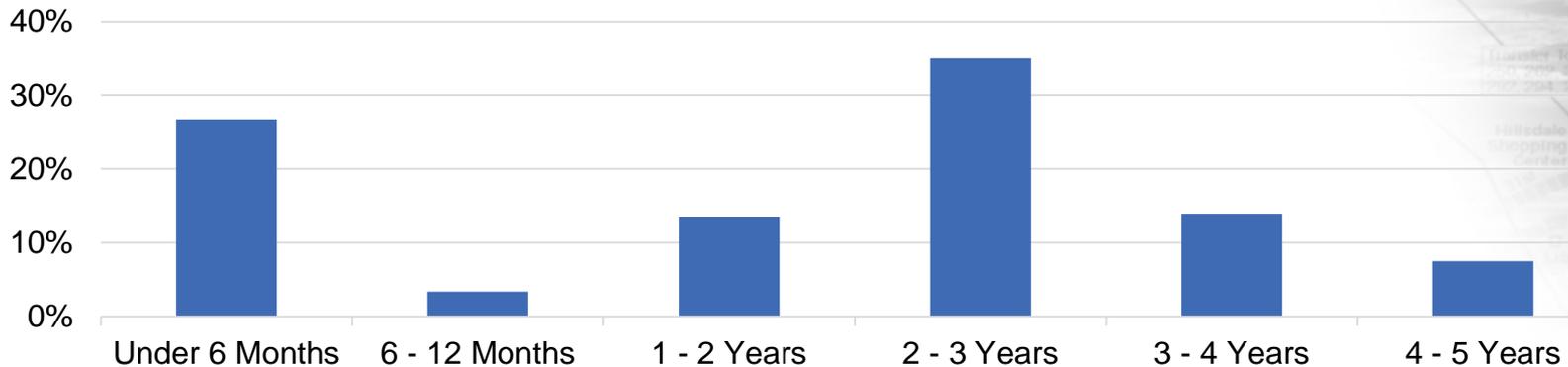
Portfolio Positioning



Sector Allocation



Maturity Distribution



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

Outlook and Strategy

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- **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**