

The logo for samTrans, featuring the text "samTrans" in a bold, black, sans-serif font. Below the text are two horizontal bars: a red one on top and a blue one on the bottom. The entire logo is enclosed in a white rectangular box with a thin black border.

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San Mateo County Transit District

Investment Performance Review
For the Quarter Ended March 31, 2018

April 2018

Compliance and Allocation



| Security Type | Reserve Portfolio | Paratransit Portfolio | Total Funds* | % of Portfolio | Permitted by Policy | Average Credit Rating |
|---------------------------|---------------------|-----------------------|----------------------|----------------|---------------------|-----------------------|
| U.S. Treasury | \$18,391,695 | \$5,385,924 | \$23,777,619 | 20.8% | 100% | AA+ |
| Federal Agency/GSE | \$15,719,978 | \$4,555,515 | \$20,275,493 | 17.7% | 100% | AA+ |
| Federal Agency/CMO | \$2,234,371 | \$618,280 | \$2,852,651 | 2.5% | 20% | AA+ |
| Corporate Notes | \$22,659,549 | \$6,330,535 | \$28,990,085 | 25.4% | 30% | A+ |
| Negotiable CDs | \$8,642,005 | \$2,483,616 | \$11,125,620 | 9.7% | 10% | A |
| Asset-Backed Securities | \$12,389,721 | \$3,507,383 | \$15,897,104 | 13.9% | 30% | A+ |
| Commercial Paper | \$8,929,962 | \$2,382,302 | \$11,312,264 | 9.9% | 15% | A-1 |
| Money Market Fund | \$511,478 | \$47,441 | \$558,918 | 0.5% | 10% | AAAm |
| Total Investments* | \$88,967,282 | \$25,263,554 | \$114,230,836 | 100.0% | | |

As of March 31, 2018.

*Total market values exclude accrued interest.

Increased Yield and Earnings



- Year-over-year, the portfolio yield has increased from 1.43% to 1.82%.

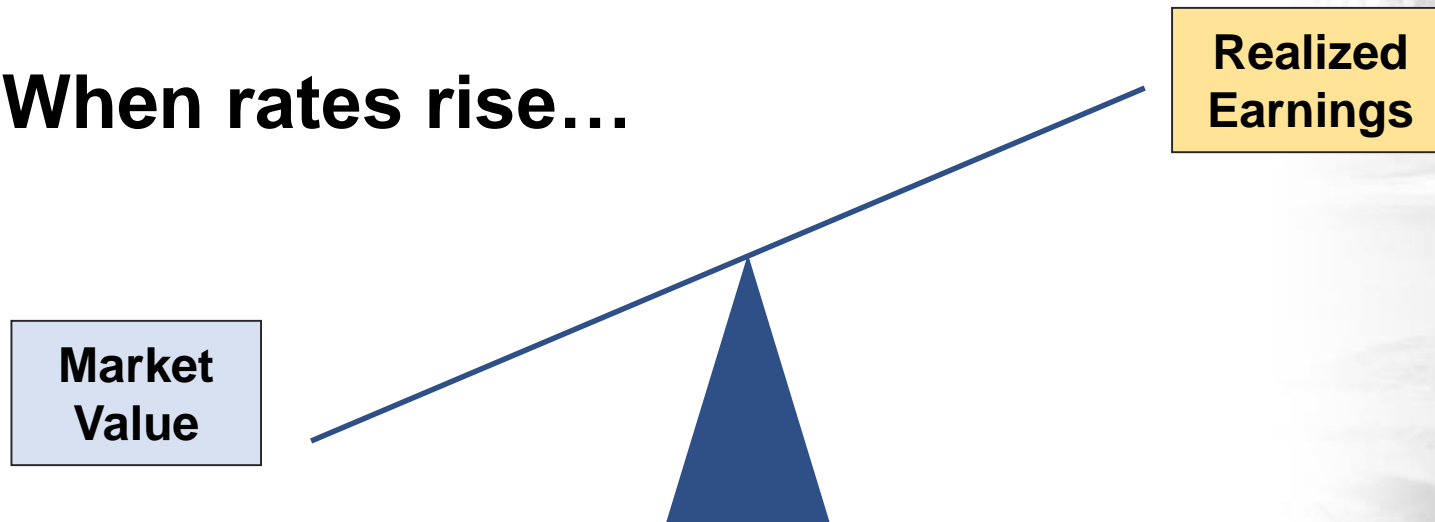
| | Yield-at-Cost 2018 | Yield-at-Cost 2017 | Difference |
|--------------------------|-----------------------|-----------------------|------------|
| Reserve Portfolio | 1.82% | 1.43% | 0.39% |
| Paratransit Portfolio | 1.79% | 1.39% | 0.40% |

- Generating quarterly earnings of \$312,124
 - Reserve Portfolio Earnings = \$289,408
 - Paratransit Portfolio Earnings = \$82,716

- **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 |
| Reserve Portfolio | 2.00 | -0.30% | 0.41% | 0.59% |
| Paratransit Portfolio | 1.97 | -0.30% | 0.39% | 0.54% |
| Performance Benchmark² | 2.11 | -0.23% | 0.14% | 0.74% |

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 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 Recap

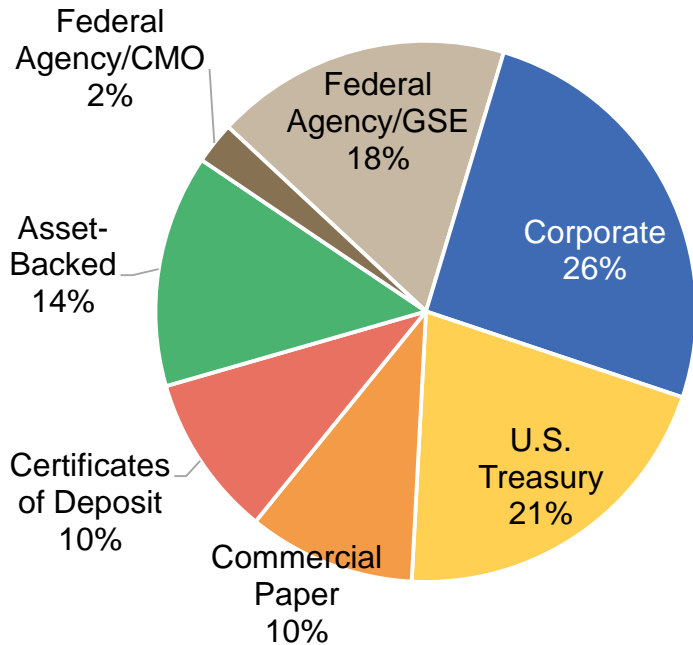
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- **We managed the portfolio with a shorter duration posture to minimize risk.**
- **We maintained portfolio diversification.**

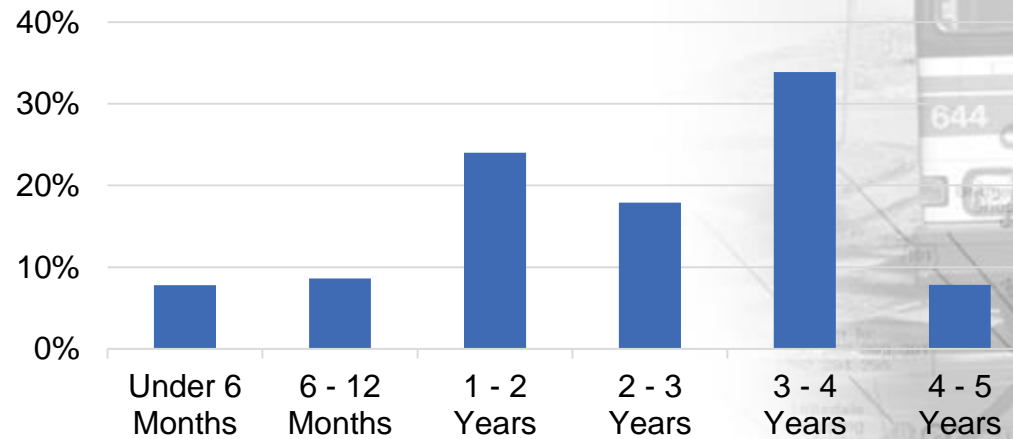
Portfolio Characteristics



Sector Allocation
March 31, 2018



Maturity Distribution
March 31, 2018



*Totals may not add due to rounding.

Outlook and Strategy

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- **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**