

San Mateo County Transit District

Update on Portfolio, Strategy, and Market Conditions

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Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ Economic resilience but expectations for a slowdown
 - ▶ Cooling inflation that still remains above the Federal Reserve's ("Fed") target
 - ▶ The labor market coming into better balance
 - ▶ Consumers that continue to support growth through spending



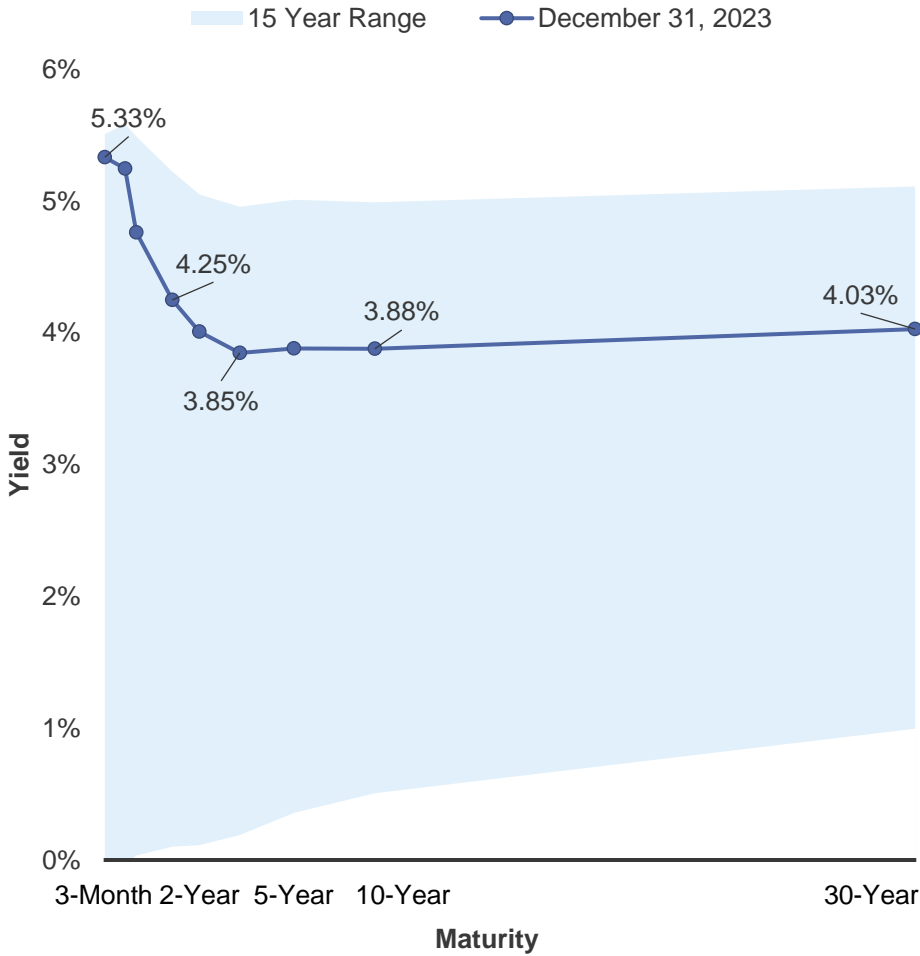
- ▶ Federal Reserve signals end to rate hiking cycle
 - ▶ Fed funds target rate ended the year at a range of 5.25%-5.50%
 - ▶ Fed projected to cut the short-term Fed funds rate in 2024
 - ▶ Markets have been pricing a more aggressive pace of cuts by year end
 - ▶ Fed officials reaffirm that restoring price stability is the priority



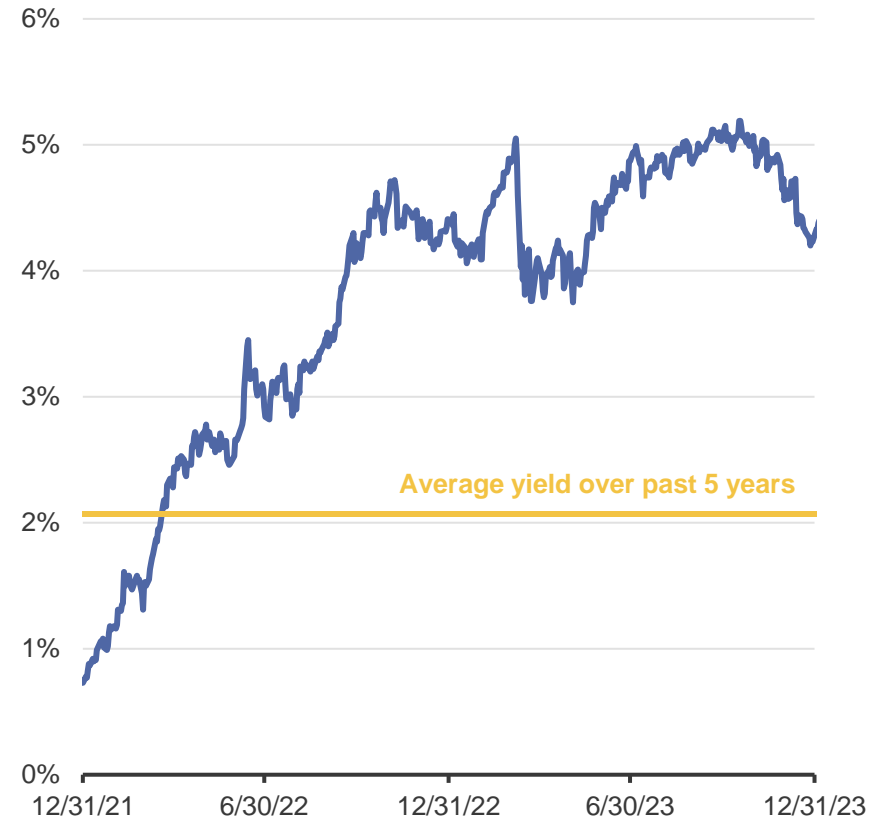
- ▶ Treasury yields ended the quarter materially lower
 - ▶ After peaking in October, yields reversed course on dovish Fed pivot
 - ▶ Yield curve inversion persisted throughout the rally
 - ▶ Credit spreads narrowed sharply on increased expectations for a soft landing

Interest Rates Moderate but Remain High

U.S. Treasury Yield Curve



2-Year Treasury Yield December 31, 2021 – December 31, 2023



Source: Bloomberg, as of December 31, 2023.

District's Investment Objectives

Safety

- High quality investments
- Diversification by sector, issuer, and maturity
- Management of credit and market risk

Liquidity

- Allocation to overnight funds
- Cash flow coordination

Return on Investment

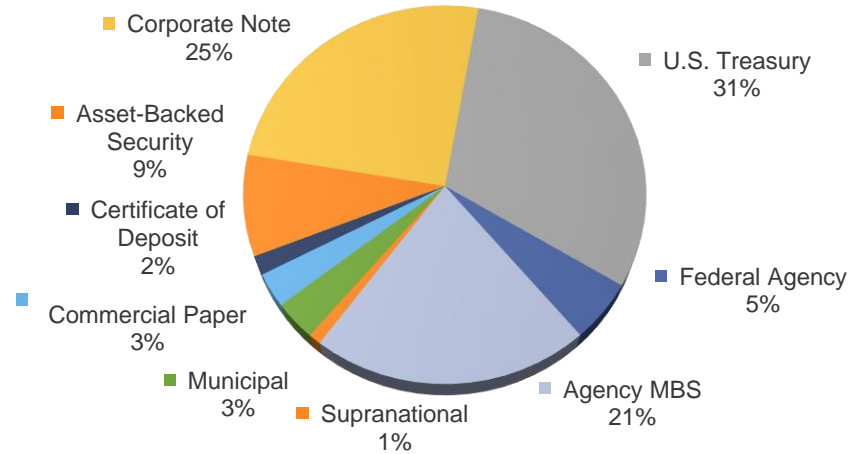
- Duration management
- Active trading and continual evaluation of relative value among allowable sectors

SamTrans Portfolio Snapshot

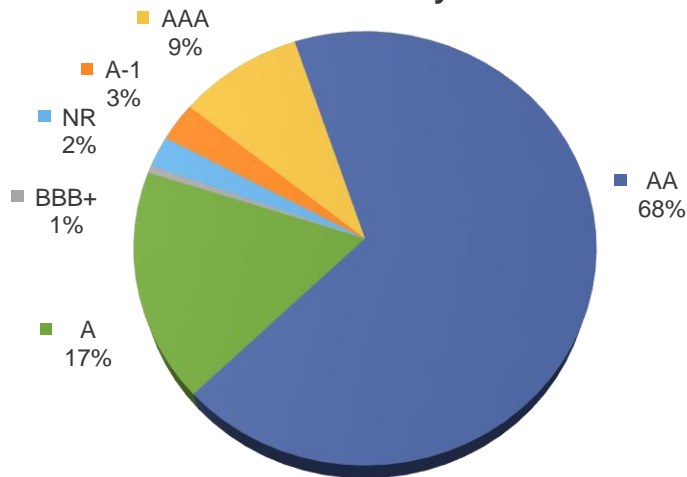
As of December 31, 2023

Portfolio Statistics	
Total Market Value	\$212,185,838
Yield at Cost	2.75%
Yield at Market	4.46%
Average Maturity	3.21 years
Average Credit Quality	AA

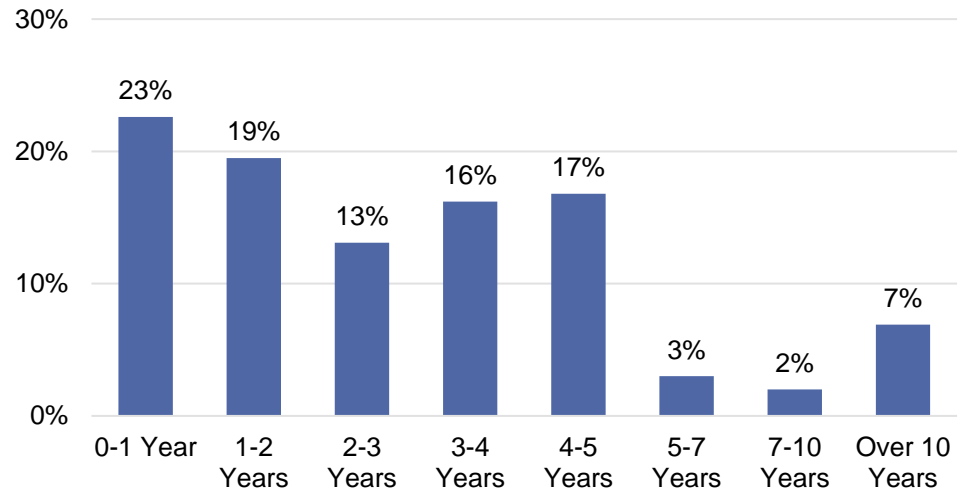
Sector Allocation



Credit Quality



Maturity Distribution

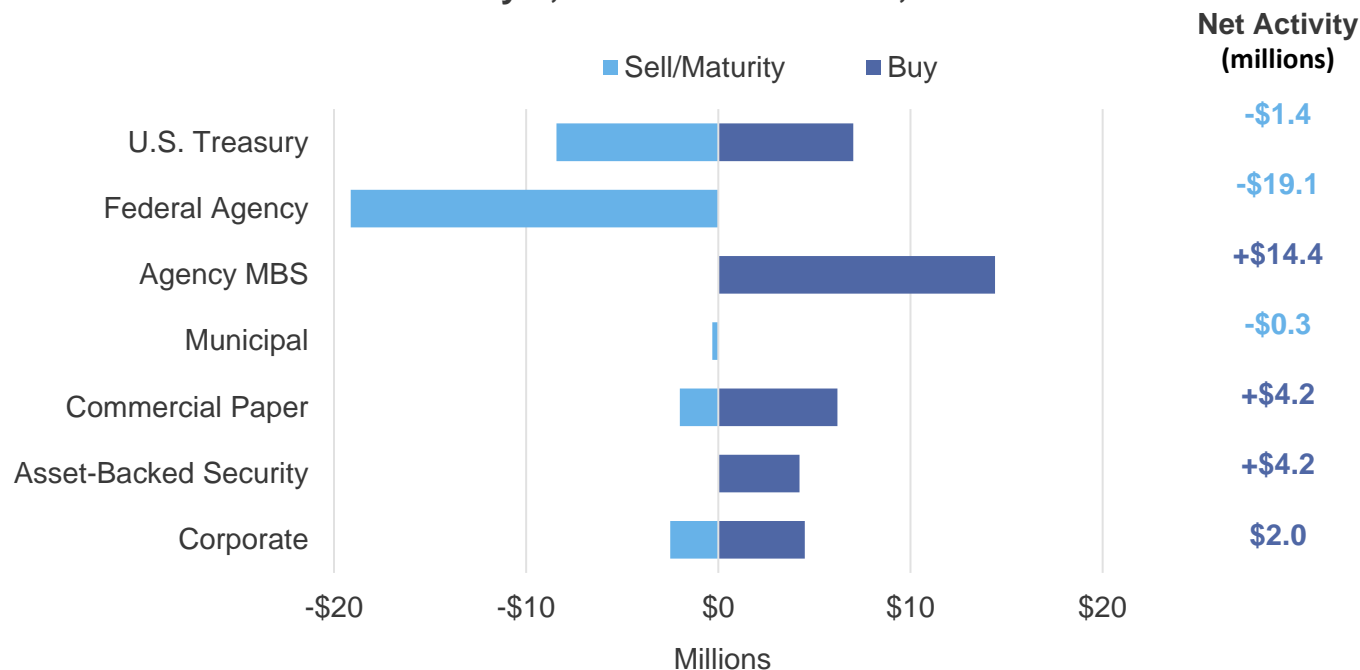


Data includes both the District Reserve and Paratransit portfolios. Market value excludes accrued interest and includes cash. Ratings by Standard & Poor's as of December 31, 2023. Securities in the District's portfolio are in compliance with California Government Code and the District's investment policy. Portfolio 4 information excludes funds in CAMP and funds outside of PFAMM's management.

Active Management Captures Higher Yields; Increases Diversification

- ▶ Trade activity increased allocation to sectors offering relative value, including agency mortgage-backed securities, and high-quality credit instruments.
- ▶ New securities purchased for the portfolios locked in yields near their highest levels in over 15 years.
 - ▶ Average yield of purchases: 5.06%
 - ▶ Average maturity of purchases: 4 years

Portfolio Trade Activity
July 1, 2023 - December 31, 2023

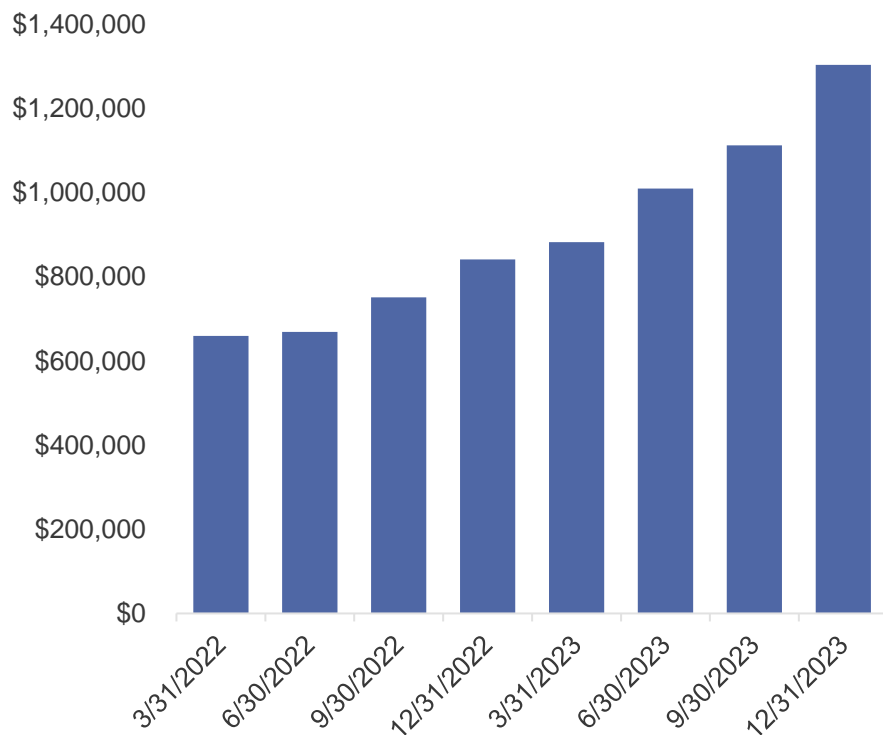


Data includes buys, sells, and maturities in both the District Reserve and Paratransit portfolios from July 1, 2023 – December 31, 2023.

SamTrans Results

- ▶ Interest earnings have doubled over past two years, as higher yielding securities have been purchased for the portfolios.
- ▶ The portfolios continue to return strong total return performance and to outperform the benchmark.

Quarterly Interest Earnings



Total Return Performance

Reserve	2023	Past 5 Year	Since Inception
Reserve Portfolio	5.01%	1.63%	1.33%
Benchmark	4.49%	1.38%	1.25%
Outperformance	+0.52%	+0.25%	+0.08%

Paratransit	2023	Past 5 Year	Since Inception
Paratransit Portfolio	5.01%	1.63%	1.32%
Benchmark	4.49%	1.38%	1.25%
Outperformance	+0.52%	+0.25%	+0.07%

*Earnings and performance data as of December 31, 2023. Interest earnings includes earnings on both the Reserve and Paratransit portfolios. District returns are shown net of PFMAM's fee; approximately 0.05% annually. Performance inception date is March 31, 2015. Returns are presented on an annualized basis. The portfolios' benchmark is currently the ICE BofA 0-5 Year U.S Treasury Index. Prior to 6/30/16 it was 40% ICE BofA 1-3 U.S Treasury Index, 10% 1-3 High Grade Corporate Index, 40% ICE BofA 3-5 U.S. Treasury Index, 10% ICE BofA 3-5 High Grade Corporate Index.

Outlook

Economy and Interest Rates

- ▶ Strong labor market and wage growth
- ▶ Inflation still at 3% to 3.5% -- over the Fed's 2% target
- ▶ U.S. consumer showing continued strength into new year
- ▶ Federal Reserve commentary moderating; speakers have recalled some overly dovish commentary
- ▶ Risk of rates moving lower as outweighing significant moves higher

Portfolio Strategy

- ▶ Continued focus on safety and liquidity
- ▶ Continue to purchase longer-maturity securities, locking in elevated yields
- ▶ Maintain broad diversification by sector, industry, and issuer
- ▶ Evaluate all opportunities to safely add value to the portfolios

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