



San Mateo County Transit District

Investment Performance Review
For the Quarter Ended December 31, 2017

February 2018



Compliance and Allocation



Security Type	Reserve Portfolio	Paratransit Portfolio	Total Funds	% of Portfolio	Permitted by Policy	Average Credit Rating
U.S. Treasury	\$18,802,174	\$5,447,526	\$24,249,700	21.1%	100%	AA+
Federal Agency/GSE	\$19,597,266	\$5,863,136	\$25,460,402	22.1%	100%	AA+
Federal Agency/CMO	\$2,621,982	\$726,828	\$3,348,810	2.9%	20%	AA+
Corporate Notes	\$20,915,999	\$5,852,268	\$26,768,268	23.3%	30%	A+
Negotiable CDs	\$8,670,977	\$2,491,881	\$11,162,858	9.7%	10%	A
Asset-Backed Securities	\$9,311,669	\$2,646,276	\$11,957,945	10.4%	30%	A+
Commercial Paper	\$8,938,771	\$2,280,607	\$11,219,378	9.8%	15%	A-1
Money Market Fund	\$826,694	\$56,113	\$882,807	0.8%	10%	AAAm
Totals*	\$89,685,532	\$25,364,635	\$115,050,167	100.0%		

As of December 31, 2017.

*Total market values exclude accrued interest.

Earnings and Total Return



- The overall portfolio outperformed the benchmark by 6 basis points.
- The portfolio yield rose to 1.70% and generated earnings of \$486,598.

	<u>Earnings</u> ¹	<u>Yield</u>		<u>Duration</u>	<u>Total Return</u>		
	Current Quarter	Cost	Market	(Years)	Current Quarter	1 Year	Since Inception ²
Reserve Portfolio	\$382,504	1.70%	2.02%	2.13	-0.19%	1.18%	0.76%
Paratransit Portfolio	\$104,093	1.69%	2.02%	2.11	-0.20%	1.13%	0.70%
Performance Benchmark³	-	-	1.89%	2.12	-0.25%	0.69%	0.89%

As of December 31, 2017.

1. Accrual basis earnings. Total realized earnings in the previous quarter equal to \$397,344.

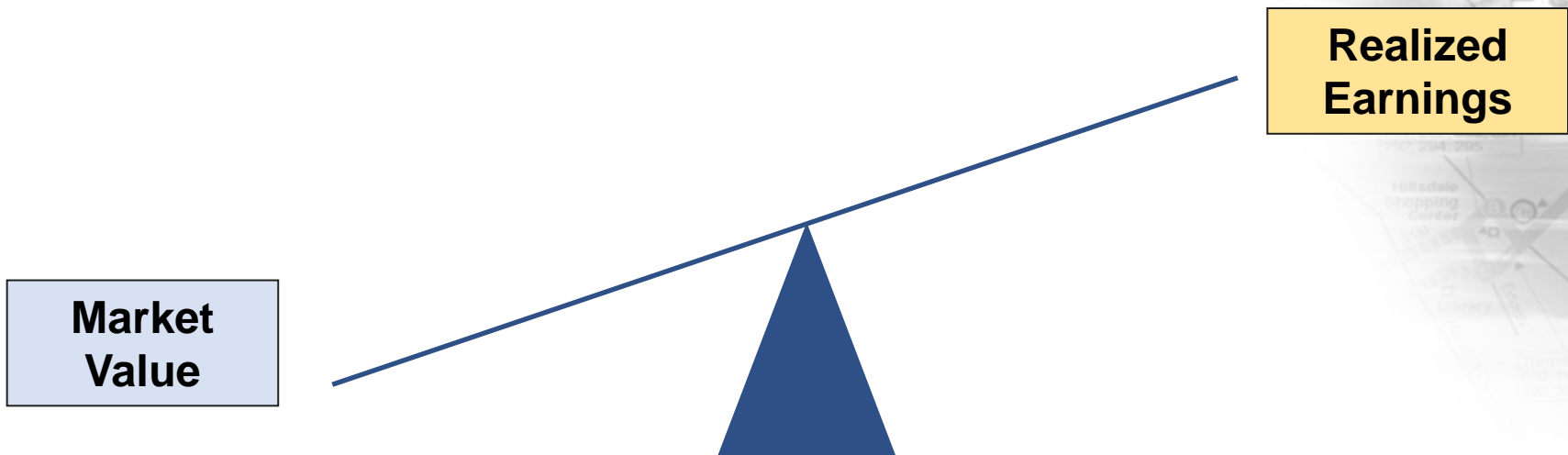
2. Since March 31, 2015.

3. 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.

- **Investors focused on tax reform.**
- **Yield curve flattened as long-term rates fell modestly while short-term rates rose.**
- **FOMC raised target rate by 25 basis points, the third 25 basis point increase in 2017.**

Impact of Rising Rates

- **For fixed-income holdings, when rates rise...**
 - Market values decline, resulting in unrealized losses and possibly negative return
 - Realized earnings will increase over time as new securities are added at higher interest rates



Portfolio Recap

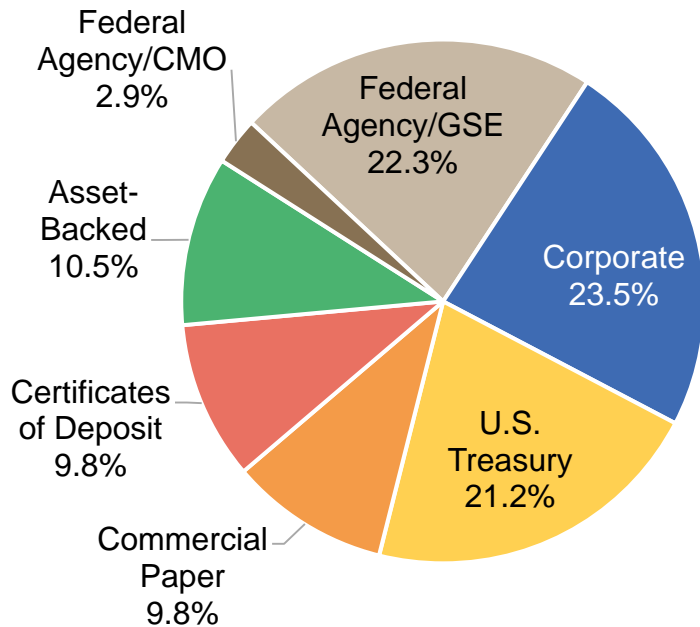
samTrans

- **We managed duration in anticipation of a rate increase in December.**
- **We maintained allocations to credit sectors.**
- **We sold select holdings for higher yielding comparable-maturity Treasuries.**

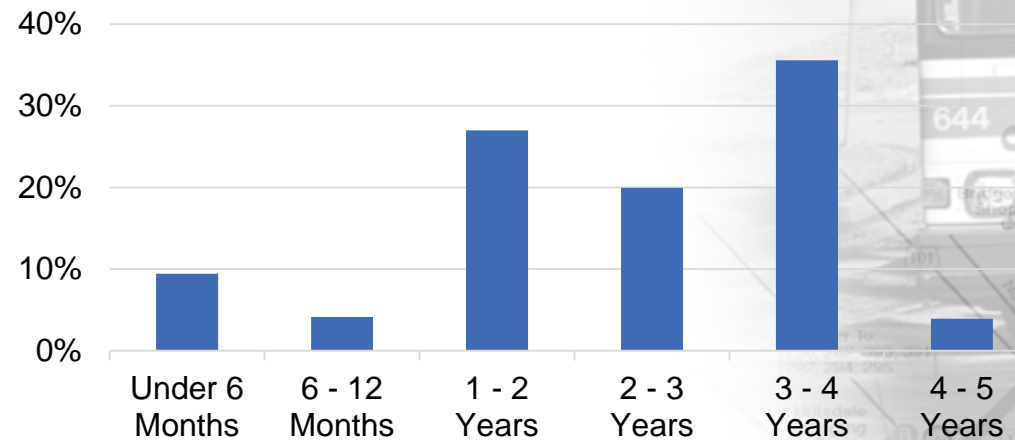
Portfolio Characteristics



Sector Allocation
December 31, 2017



Maturity Distribution
December 31, 2017



Outlook and Strategy

samTrans

- **We expect continued modest growth in the U.S.**
- **The Fed forecasts three additional hikes for 2018.**
- **We will maintain a duration neutral posture to protect principal in a rising rate environment.**
- **We will continue to invest in high quality assets and maintain a diversified portfolio.**