San Mateo County
TRANSIT DISTRICT

SAN MATEO COUNTY TRANSIT DISTRICT

Investment Performance Review
For the Quarter Ended September 30, 2016

Quarterly Investment Report

November 2, 2016

Agenda Item x (16 pt)

Client Management Team

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Portfolio Compliance & Sector Allocation
For the Quarter Ended September 30, 2016

Security Type[1]	General Fund	Paratransit Fund	Total Funds	% of Portfolio	Permitted by Policy	Average Credit Rating
U.S. Treasury	\$51,594,409	\$14,308,720	\$65,903,129	57.4%	100%	AA+
Federal Agency/GSE	\$35,702,677	\$10,270,709	\$45,973,386	40.0%	100%	AA+
Federal Agency/CMO	\$2,004,725	\$566,550	\$2,571,275	2.2%	100%	AA+
Money Market Fund	\$195,052	\$187,822	\$382,874	0.3%	20%	AAAm
Total	**\$89,496,864**	**\$25,333,801**	**\$114,830,665**	**100.0%**		

Statement of Compliance

- The portfolios are in compliance with the District’s Investment Policy and the California Government Code.

Notes:
1. *9/30/2016 market values of portfolio holdings, excluding accrued interest*

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Portfolio Earnings and Return
For the Quarter Ended September 30, 2016

- Portfolio Earnings and Return
  - At quarter end, the portfolio's yield at cost, which is the annualized rate of return based on original cost if the portfolio is held to maturity, was 1.00%.
  - Over the quarter, the District earned $424,654 in the primary portfolio and $116,611 in the paratransit portfolio compared with $148,894 and $38,473 for the same period last year.
  - A benchmark is a predetermined set of securities used for comparison purposes. Portfolio performance is measured against the benchmark's performance. The District portfolio performed 2-3 basis points higher than the benchmark's return of -0.12%. The District uses a custom benchmark.
  - The total return for the quarter was -0.10% and -0.09% for the primary and paratransit portfolio respectively. The portfolio performed well relative to the benchmark amid declining market values caused by the rise in interest rates (market values move inversely to the direction of interest rates).

	Yield to Maturity		Duration	Performance		
	Cost	Market	(Years)	3 Months	1 Year	Since Inception*
San Mateo County Transit District	1.00%	0.83%	2.19	-0.10%	1.22%	1.05%
San Mateo County Transit District - Paratransit	0.99%	0.84%	2.20	-0.09%	1.19%	0.98%
Performance Benchmark	--	0.81%	2.16	-0.12%	1.89%	1.73%

As of September 30, 2016.
**Since March 31, 2015.*

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Portfolio Strategy
For the Quarter Ended September 30, 2016

- **1st Quarter 2017 Summary**

I. Market Direction
   - Treasury yields drifted modestly higher during the third quarter as early-quarter Brexit fears faded and U.S. economic data rebounded.

II. SamTrans
   - Third Quarter Actions
     - We revised the District's investment policy.
     - We increased the duration of the portfolio to that of the benchmark in order to reduce potential performance mismatches given the uncertain rate environment.
     - We increased the allocation to federal agencies and maintained a modest amount of mortgage-backed securities (MBS).

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Portfolio Strategy
For the Quarter Ended September 30, 2016

- **Investment Strategy Outlook**

  - Fourth Quarter Strategy
    - Our primary objectives of the District's investment activities, in priority order, shall be safety of principal, liquidity, and return.
    - We will continue to monitor incoming economic data to assess and confirm the prospect for a Fed rate hike by year-end. In the near-term, the upcoming U.S. Presidential election could be a source of market value fluctuations.
    - We plan to keep the duration and maturity distribution of the portfolios generally in line with the distribution of the benchmark, except where shifting to short-term credit securities offers higher risk-adjusted yields.
    - Our strategy will favor broad allocation to various credit sectors, including corporate notes, commercial paper, and negotiable bank CDs since credit sectors continue to provide incremental yield, a key contributor to return in a low rate environment.