

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, reaching towards a bright blue sky with some white clouds. The perspective creates a sense of height and architectural grandeur.

Payden & Rygel

LOS ANGELES | BOSTON | LONDON | MILAN

# ORANGE COUNTY TRANSPORTATION AUTHORITY

Finance & Administrative  
Committee Meeting

April 08, 2020



# Orange County Transportation Authority Executive Summary

As of March 31, 2020

## Portfolio Characteristics

**Mandate:** Short maturity bond portfolio subject to California Government Code

**Inception Date** February 2000

Portfolio Market Value \$407 million

Average Duration 1.8 years

Average Portfolio Credit Quality AA+

Average Yield-to-Maturity 1.1%

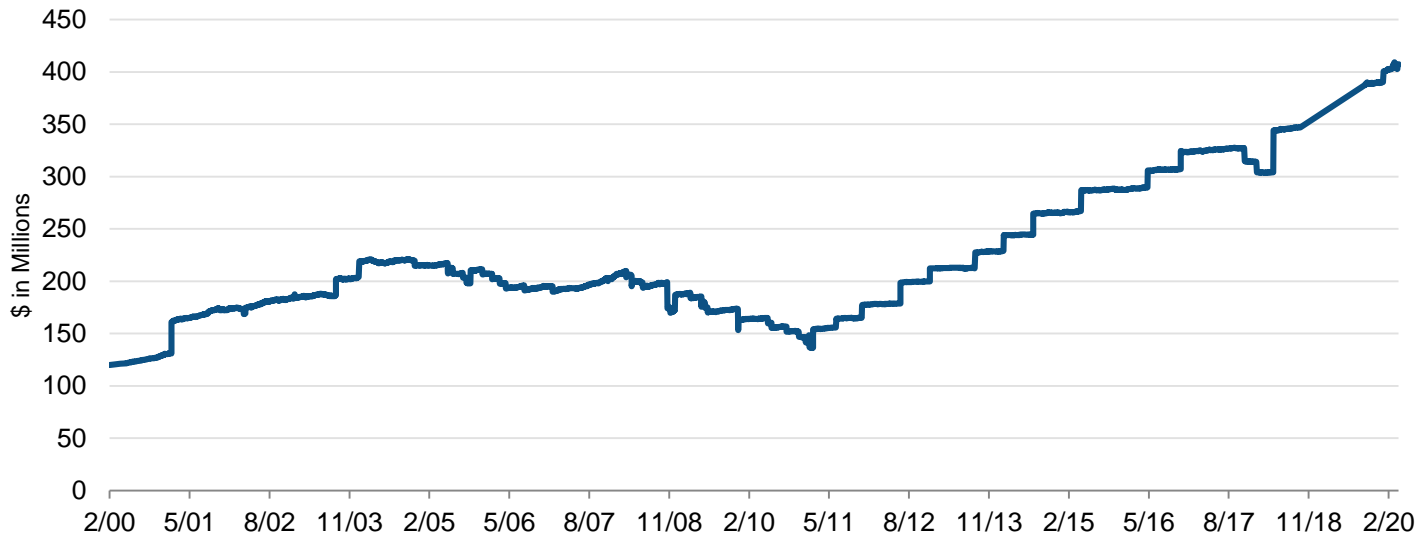
## Objectives

- Safety of Principal
- Liquidity
- Total return consistent with the above objectives
- Diversification

## Benchmarks

- Bank of America Merrill Lynch 1-3 year Treasury
- Bank of America Merrill Lynch 1-3 Government/Corporate, AAA-A

## Market Value History Since Inception





## OUR FIRM

### ESTABLISHED IN 1983

Los Angeles-based, offices in Boston, London, Milan

### OVER \$119 BILLION AUM

A fully-resourced – yet flexible – firm

### ONE GOVERNANCE CENTER

Clients have direct access to business owners

### 100% EMPLOYEE OWNED

## OUR CULTURE

### GLOBAL PERSPECTIVE ON INVESTING

Regardless of benchmark

### COLLABORATIVE APPROACH

Sharing best ideas, constructive debate

### EXCEPTIONAL RETENTION

of talented people and clients

### ALIGNMENT OF INTERESTS

Fully focused on our clients

## OUR GLOBAL REACH

### ★ PAYDEN & RYCEL OFFICES







## Economic and Market Overview

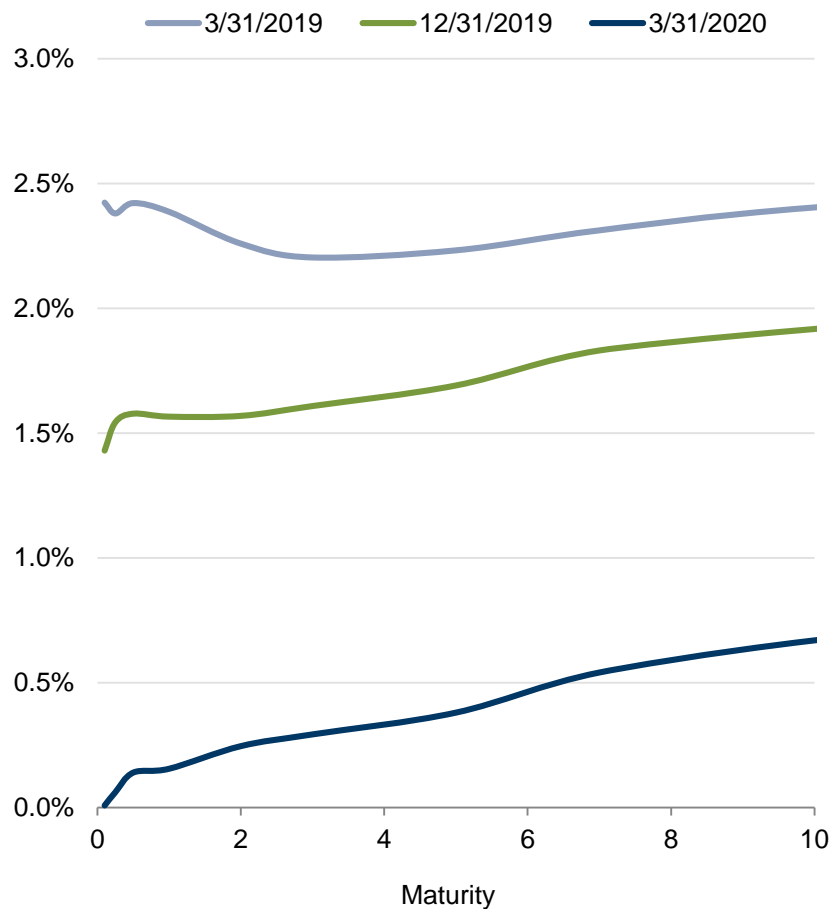
First Quarter 2020

- The longest economic expansion in U.S. history halted as COVID-19 spread globally. **We now appear to be heading into a recession** in the second quarter.
- Fixed income market behavior in **March was driven by the need for liquidity**. Selling pressure from de-risking strained bank balance sheets and bifurcated bond prices and intrinsic value.
- **Corporate bond prices fell over the quarter** - energy, autos, and airline/travel bonds were hit hardest by the drop in economic activity. **Mortgage-backed, asset-backed, and municipal bonds also experienced negative returns**.
- However, a **flight to quality drove U.S. Treasury prices higher**, up 8.8%, the best quarterly performance since Q4 2008.
- In response, **the Fed has stepped in to cut rates to nearly zero** and purchase bonds on an unprecedented scale to stabilize the market.
- Looking ahead, we know that the markets will move beyond COVID-19 eventually, but when is anyone's guess. **Near-term uncertainty can create long-term opportunities**, supported by the aggressive moves by the Fed and Congress, low oil prices, and a historically resilient economy.

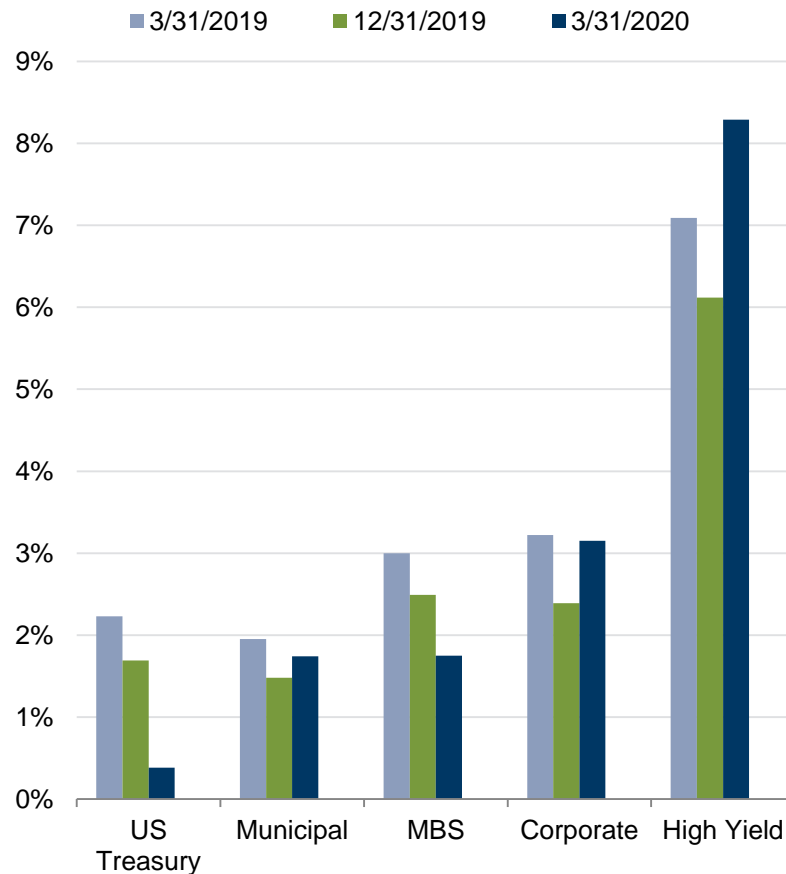


# Broad Bond Market Overview

## Treasury Yield Curve



## 5-Year Yields Across Fixed Income Sectors



Source: Blackrock's Aladdin; Bloomberg Barclays Indices; ICE BofA Indices.



## OCTA Key Investment Policy Guidance vs. California Code 53601 as of March 31, 2020

Permitted Investments	Max %	Maturity	Quality	California Code Allows:
US Treasuries, Agencies and Government Sponsored Enterprises	100%	5 Years	N/A	Same as California Code
Municipal Bonds	30%	5 Years	A-	Same as California Code
Commercial Paper	25%	270 Days	A1 / P1	Same as California Code
Medium Term Maturity Notes (IG Corporates)	30%	5 Years	A-	Same as California Code
Mortgage Pass-Through (MBS)	20% Combined Max 20%	5 Years	AA-	Same as California Code
Asset-Backed Securities (ABS)	Max 10%	5 Years	AA-	Code allows 20%

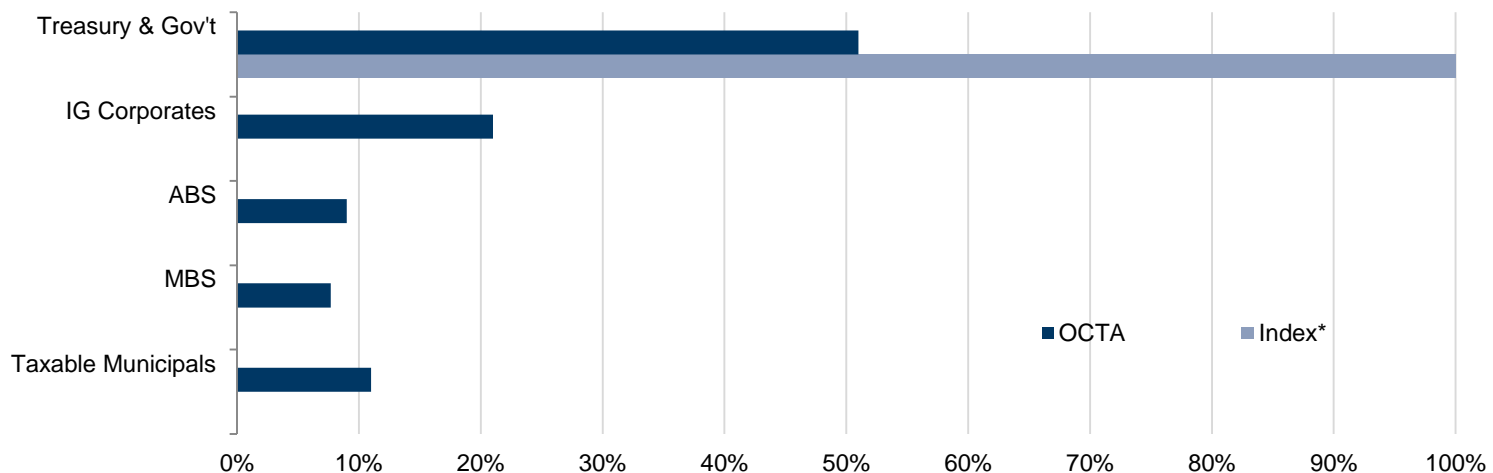
Sector Limits

Shorter Maturity  
Profile

Emphasis to  
High Quality

OCTA Policy More Restrictive

### Portfolio Sector Allocation



\* Bank of America Merrill Lynch 1-3 year Treasury