

Payden&Rygel

Los Angeles

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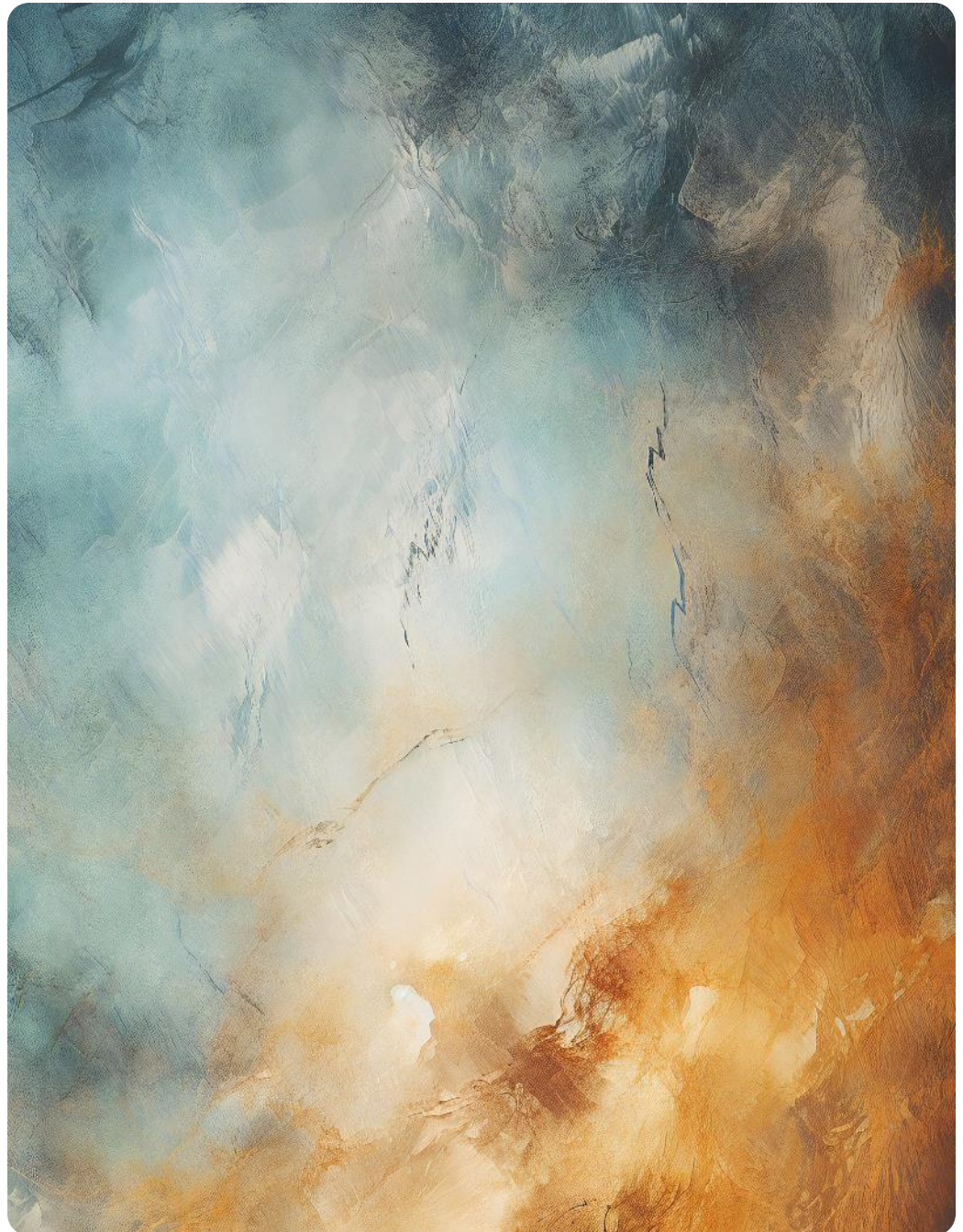
Milan

Orange County Transportation Authority

Portfolio Review

March 26, 2025

For Institutional Use Only



Biographies



James P. Sarni, CFA

Managing Director – Joined 1991

James Sarni is a Managing Director at Payden & Rygel. James serves as a Senior Portfolio Manager advising pension funds, insurance companies, corporations, health care organizations, Taft-Hartley plans, universities and endowments.

Prior to joining Payden & Rygel, James was a Vice President and senior portfolio manager at First Interstate Bank where he managed the trust department's commingled bond funds as well as institutional client portfolios.

James is a member of the University of Southern California's Marshall School of Business Board of Leaders, the Board of Directors of USC's Center for Investment Studies, Mount Saint Mary's University Board of Trustees, the Pasadena City College Foundation and Legatus International. He is past president of the Washington, DC-based Investment Adviser Association, Pasadena City College Foundation, CFA Society of Los Angeles and St. Philip the Apostle School board of trustees.

James earned an MBA with an emphasis in finance and a BS from the University of Southern California.



Gunther Denk, CFA

Senior Associate – Joined 2024

Gunther Denk is a Senior Associate in the client portfolio management group at Payden & Rygel. He works with a wide array of institutional clients and portfolio consultants to create and implement appropriate investment strategies and customized asset allocations.

Prior to joining Payden & Rygel, Gunther was an Associate in the Global Client Group at Dimensional Fund Advisors in Santa Monica, where he worked with investment decision makers on portfolio construction and fund research. Prior to that, he was part of the Global Strategy team at the Eurasia Group in New York City, where he worked on political and economic research for corporate and financial market clients.

Gunther graduated from Georgetown University in Washington D.C., where he earned a BSFS in International Politics. He is a member of the CFA Institute and the CFA Society of Los Angeles.

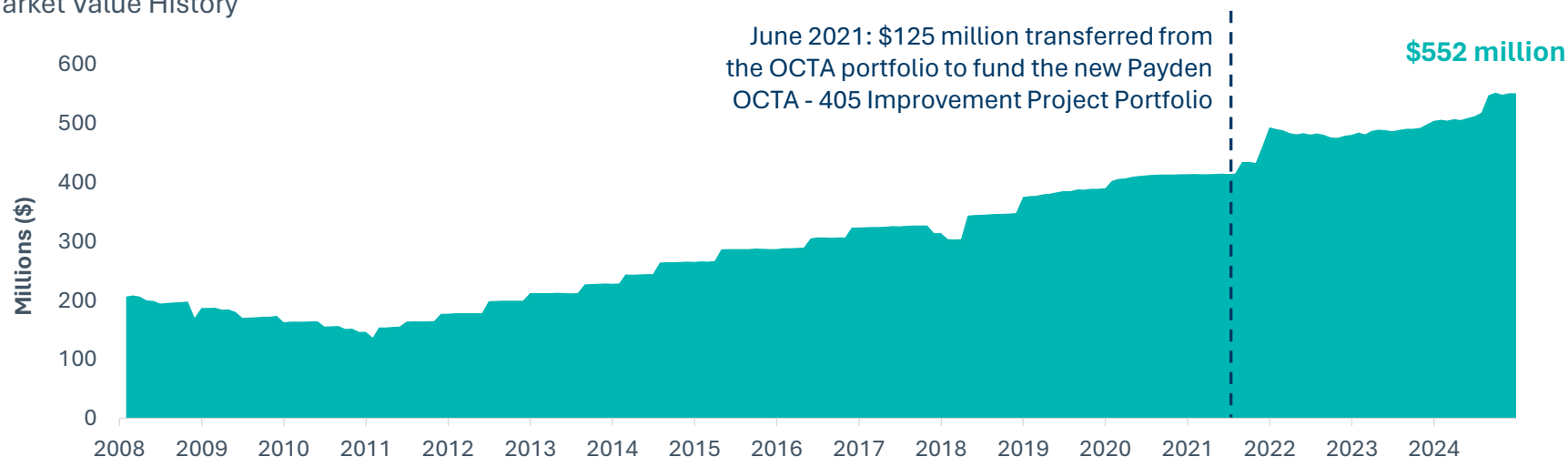
Executive Summary

Payden & Rygel has had a long-standing relationship with OCTA for over 24 years.

	OCTA	OCTA – Sub-Portfolio
Inception	February 2000	June 2021
Market Value	\$388 million	\$164 million
Duration	1.92 years	2.63 years
Credit Quality	AA	AA+
Yield to Maturity	4.48%	4.51%
Benchmarks	ICE BofA 1-3 Year US Treasury Index & ICE BofA 1-3 Year Govt/Corp AAA-A Index	ICE BofA 1-5 Year US Treasury Index & ICE BofA 1-5 Year Govt/Corp AAA-A Index

OCTA Combined Account Total Portfolio

Market Value History



Payden & Rygel

Who we are

AT A GLANCE

Established in 1983

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

\$159 billion AUM

Fully-resourced and flexible

One governance center

Centralized, coordinated decision making

100% independently owned

OUR CULTURE

Global investing perspective

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 Offices

North America

Fortune 100 Corporations
Pension Funds
Insurers
Non-Profits
Wealth Management
Public Entities

Bermuda

Government Offices /
Public Entities
Insurers

United Kingdom

FTSE Clients
Pension Funds
Insurers
Wealth Management

Switzerland

Wealth Management
Pension Funds
Family Offices

Nordics

Wealth Management
Family Offices

Eurozone

Central Banks
United Nations Agencies
Pension Funds
Wealth Management
Insurers

Middle East

Central Banks
Sovereign Wealth

Africa

Insurers

South Africa

Wealth Management

Japan

Global Insurers

Asia

Central Banks

Australia

Superannuation Funds
Wealth Management

As of 12/31/2024



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I.

Market and Economic Landscape

2025 U.S. Macroeconomic Outlook

We Expect The Unemployment Rate To Tick Up While Inflation Moderates Faster Toward Target

Our base case for 2025 is on-trend GDP growth (2.0%), a slightly higher unemployment rate (4.2%), and core inflation trending towards 2%.

We expect **growth to be on trend**, supported by solid consumer spending.

In the same vein, we **expect the unemployment rate to tick up slightly, to 4.2%**.

We also expected **core inflation to moderate toward 2%** in 2025, although Q1 readings could remain sticky due to seasonal effects.

Consequently, the Fed could **cut rates by 75 basis points over 2025, faster than what markets expect but slower than the pace of cuts in 2024.**

Indicators	Payden 2025 Forecast	Bloomberg Consensus*	Median FOMC Projection ⁺
Economic Growth Q4/Q4 Real GDP % Change	2.0%	2.0%	2.1%
Labor Markets Unemployment Rate Level at Year-End	4.2%	4.2%	4.3%
U.S. Inflation % Change Year-Over-Year by Year-End, Core PCE	2.2%	2.5%	2.5%
Policy Rate (Fed Funds Rate)	3.50-3.75%	3.75-4.00%	3.75-4.00%

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Payden Calculations

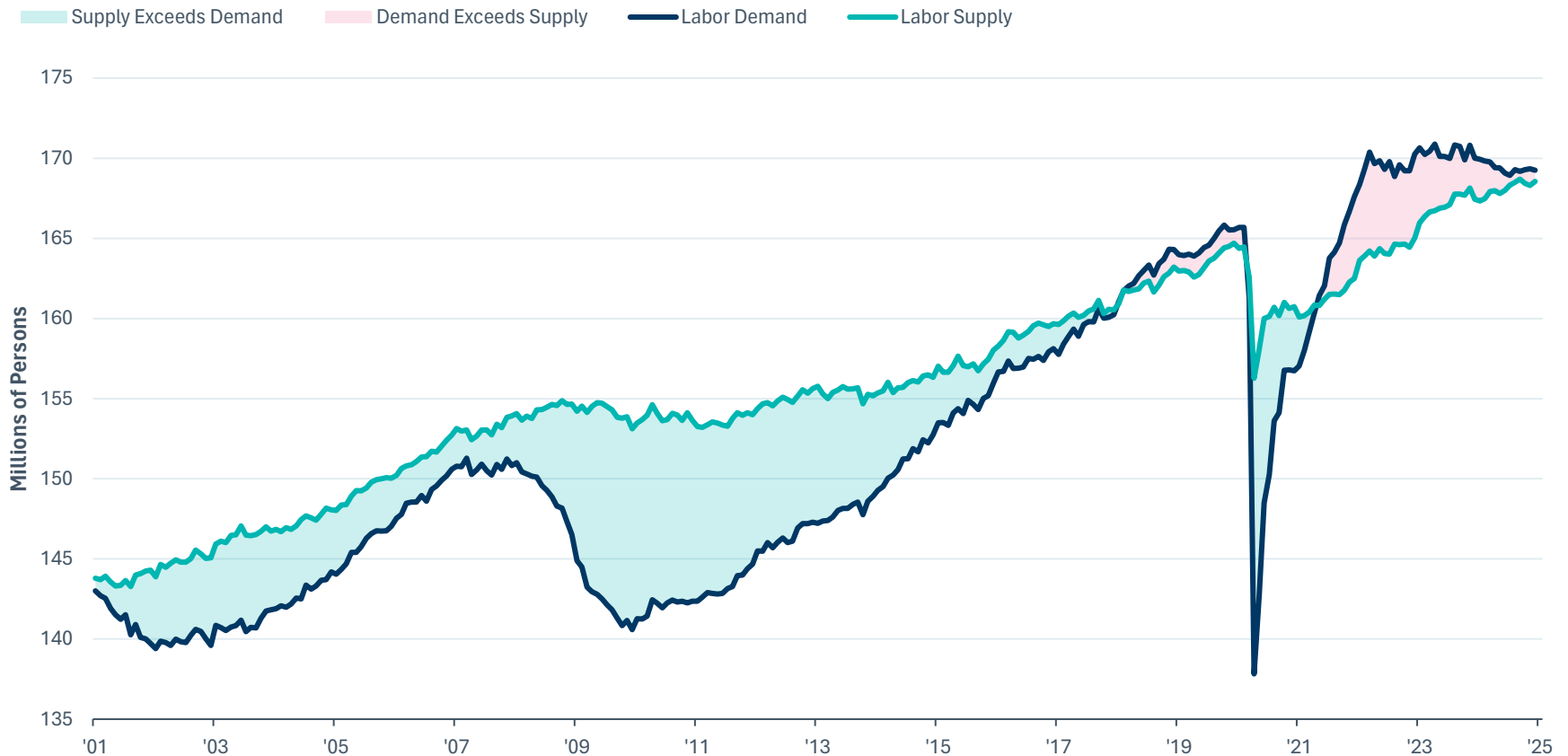
*Bloomberg surveys estimate quarterly averages
+As of the December 2024 Meeting

The Labor Market Is Softer Than It Was Prior To Covid-19

Supply Is Catching Up While Demand Eases From Record High Levels

Comparison of Labor Supply and Demand

Labor Demand = Total Employed + Job Openings; Labor Supply = Workers in the Labor Force



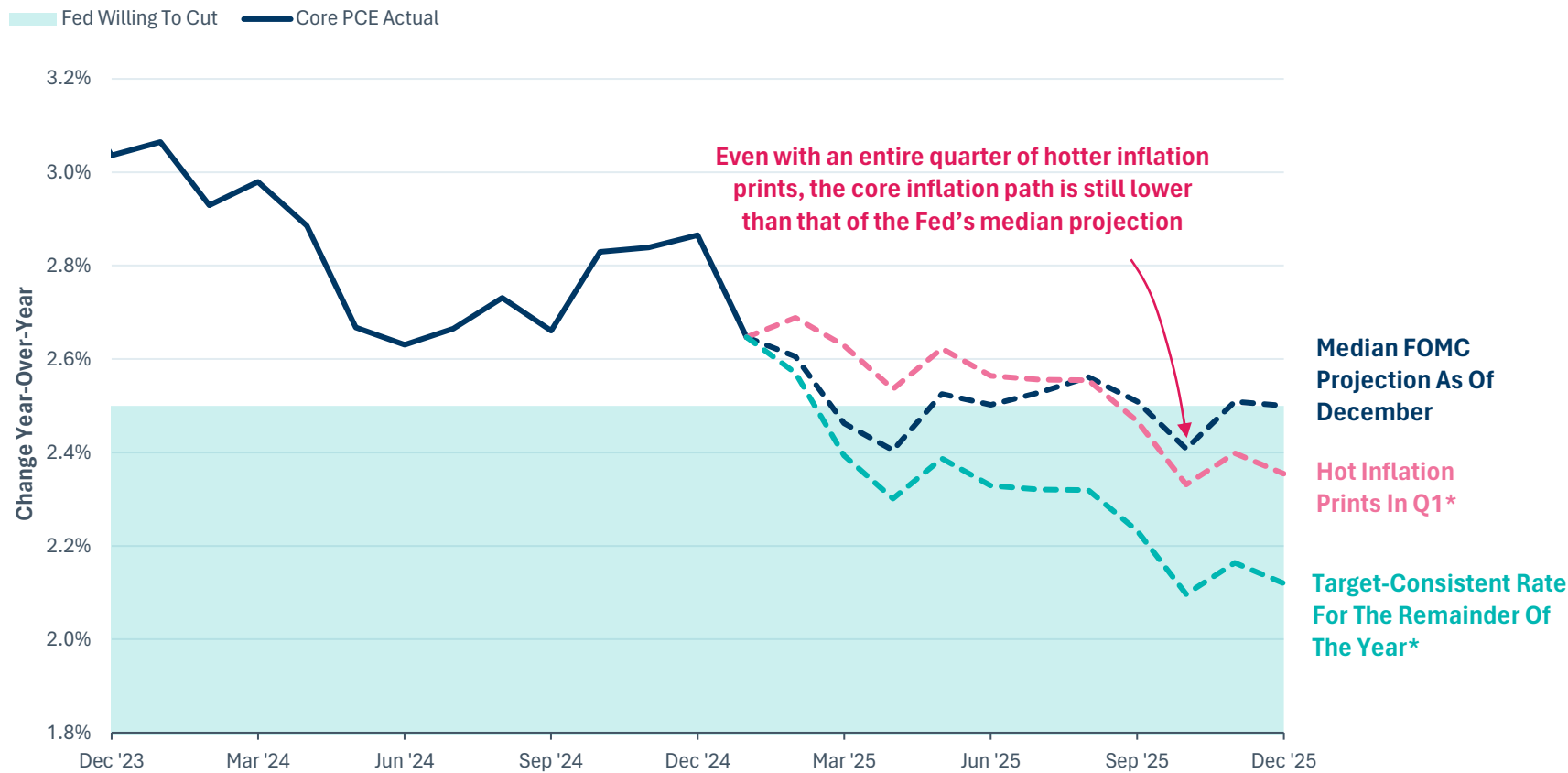
Sources: Bureau of Labor Statistics, Payden Calculations

First Quarter Inflation Prints Will Be The Key For Policymakers

If Monthly Inflation Prints Remain Hot Through Q1, The Fed Would Stay On Hold For Longer

Core PCE Inflation Path Based On Various Monthly Pace of Inflation Scenarios

Personal Consumption Expenditure (PCE) Price Index, ex. Food And Energy



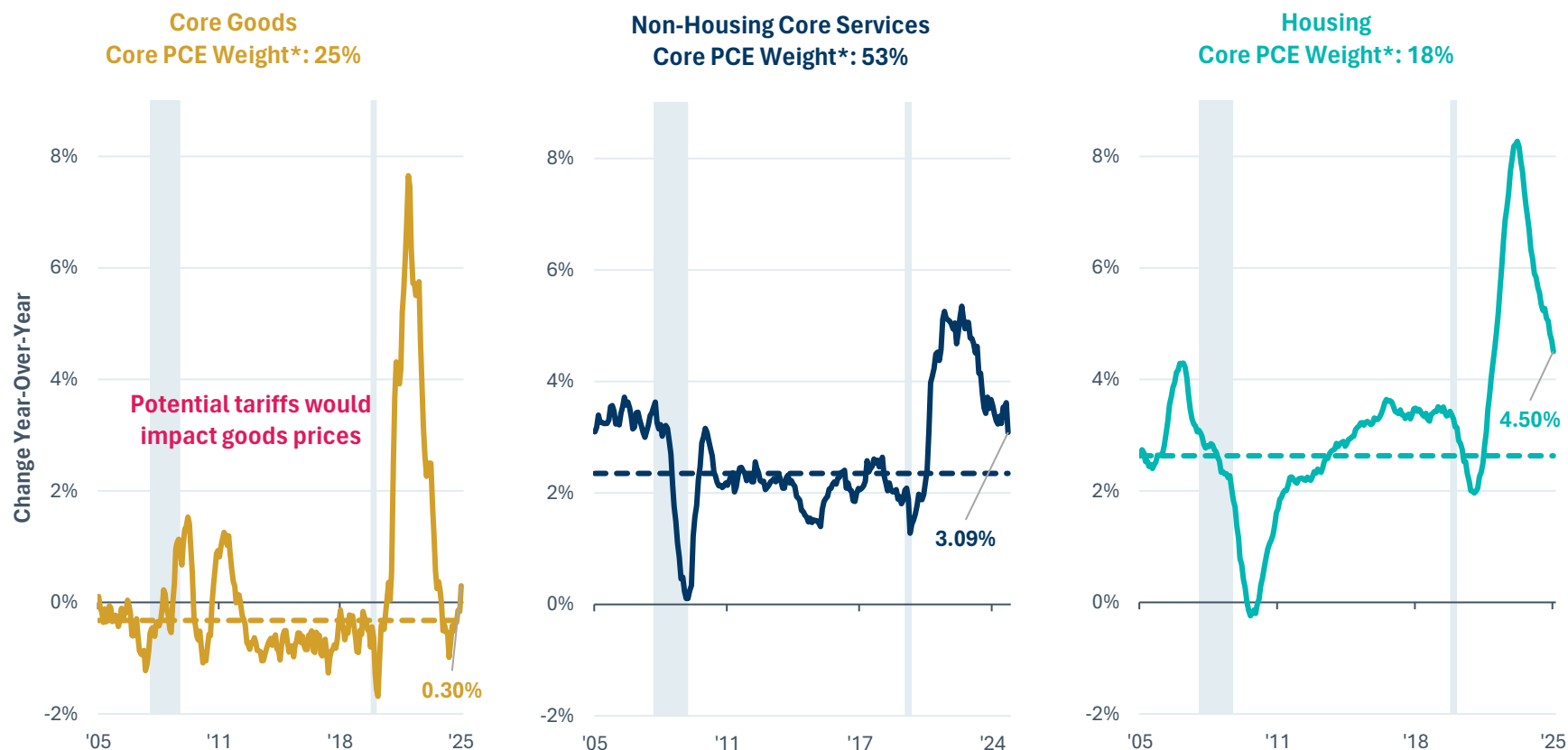
Sources: Bureau of Economic Analysis, Federal Reserve, Bloomberg, Payden Calculations

*Assumes core inflation to increase at 0.165% monthly after the fluke; 0.165% is the average rate we had in summer of 2024

All Three Components Of Core Inflation Have Made Progress

Housing Inflation Will Continue To Fade With A Lag Sometime In 2025

Trends In Core Personal Consumption Expenditure (PCE) Price Index Components Versus Long-Term Averages, Represented In Dashed Lines



Source: Bureau of Economic Analysis

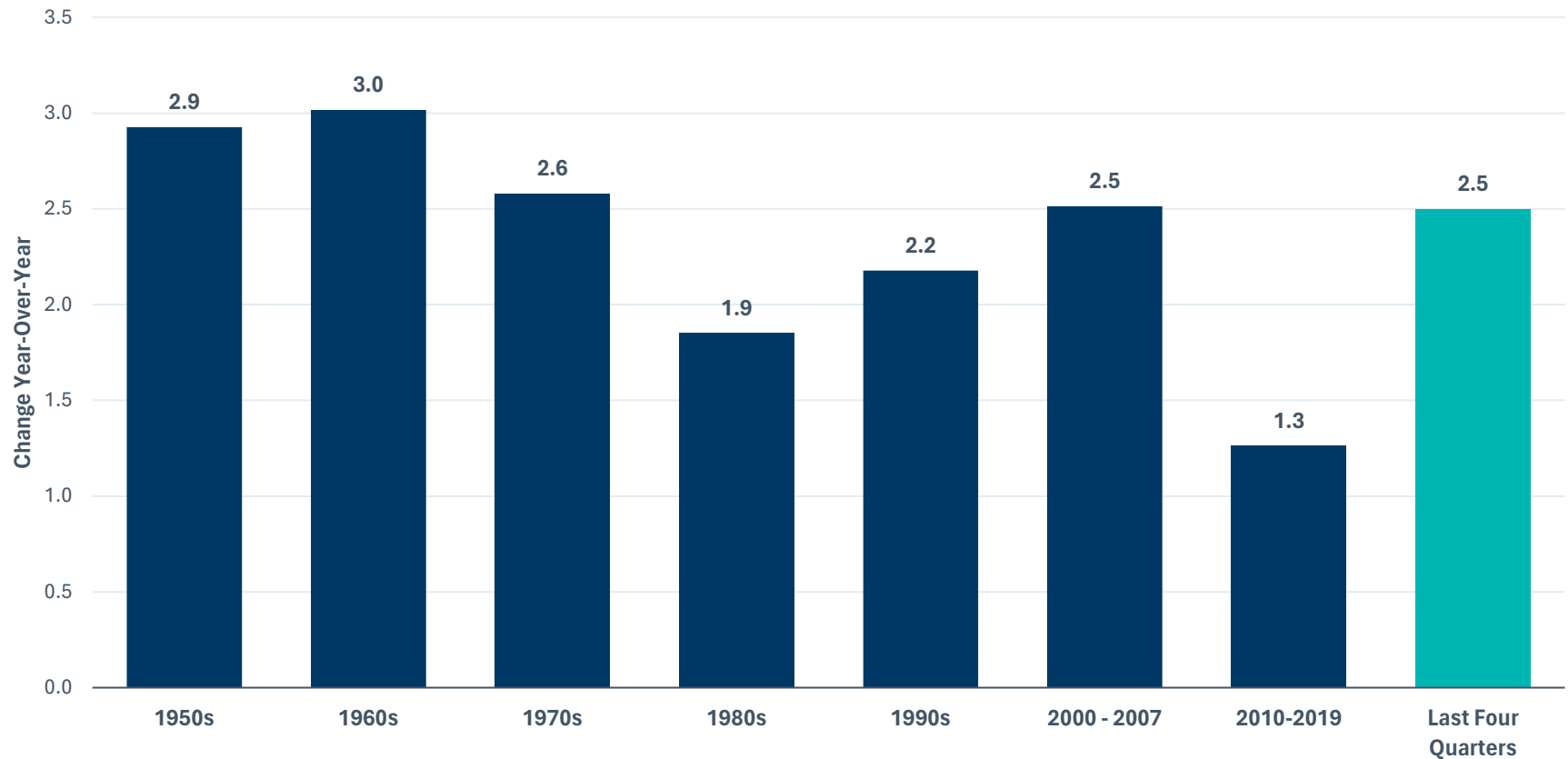
*The remaining 3% in core PCE Price Index weight is spending from nonprofit organizations

Better Productivity Growth Will Keep Inflation In Check

Average Productivity Growth In The Last Four Quarters Is On Par With The Roaring 1990s!

Total Factor Productivity Growth In Past Decades Excluding Recessions

Total Factor Productivity Is Measured By Total Business Sector Output Growth Minus Change In Hours Worked



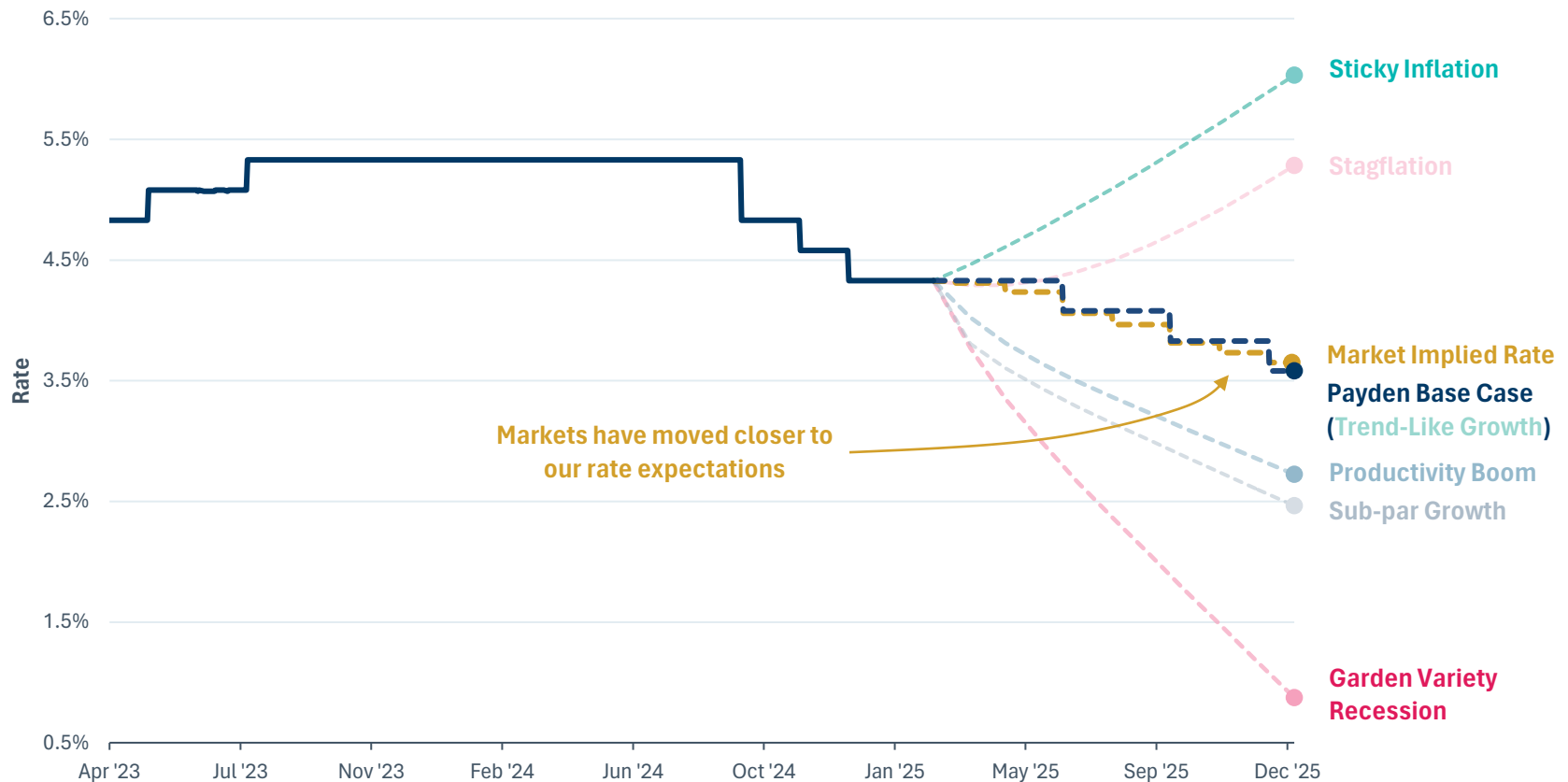
Sources: Bureau of Labor Statistics, Bureau of Economic Analysis

The Fed Funds Rate Is Headed To Neutral (3.00-3.50%)

Our Baseline Forecast Calls For Three Cuts Through 2025, Beginning In June

Fed Funds Rate Path Based On Different Macro Scenarios Compared to Market Pricing

Payden Economics Forecasts Versus Overnight Index Swap (OIS) Market Implied Rate As Of 2/28/2025



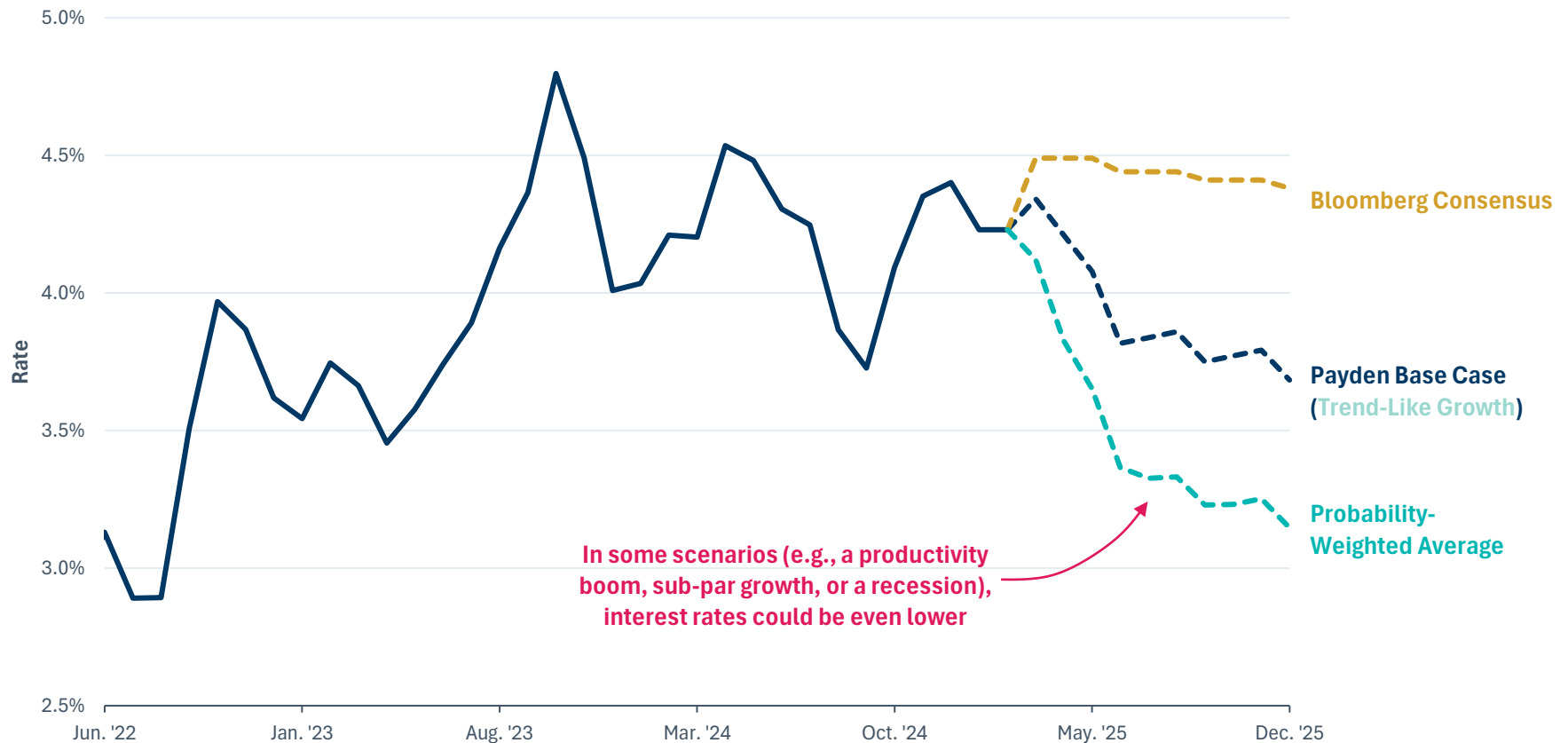
Sources: Federal Reserve, Bloomberg, CBO, Payden Calculations

The 10-Year Yield Could Be A Lot Lower in 12 Months

Our Macro Scenario Probabilities Tilt Toward Lower Rates—In Some Scenarios Substantially Lower

U.S. 10-Year Treasury Yield Path

Based On Different Macro Scenarios And Probabilities, As of 2/28/2025



Sources: Bloomberg, Payden Calculations

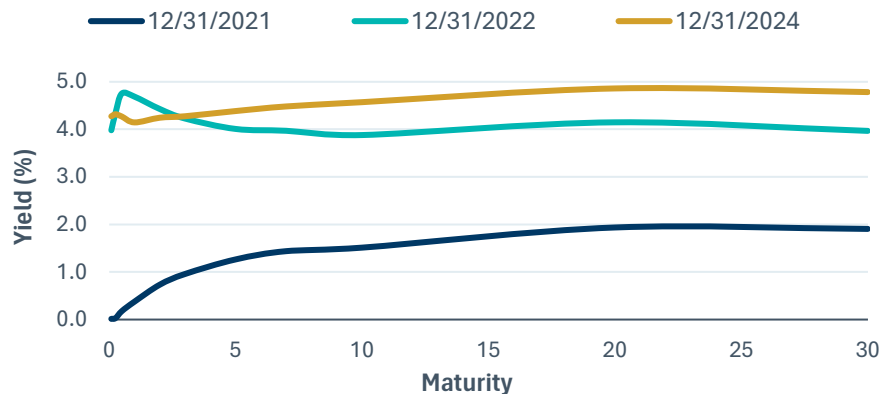


II. Portfolio Review

U.S. Treasury Rate Environment

As of December 31, 2024

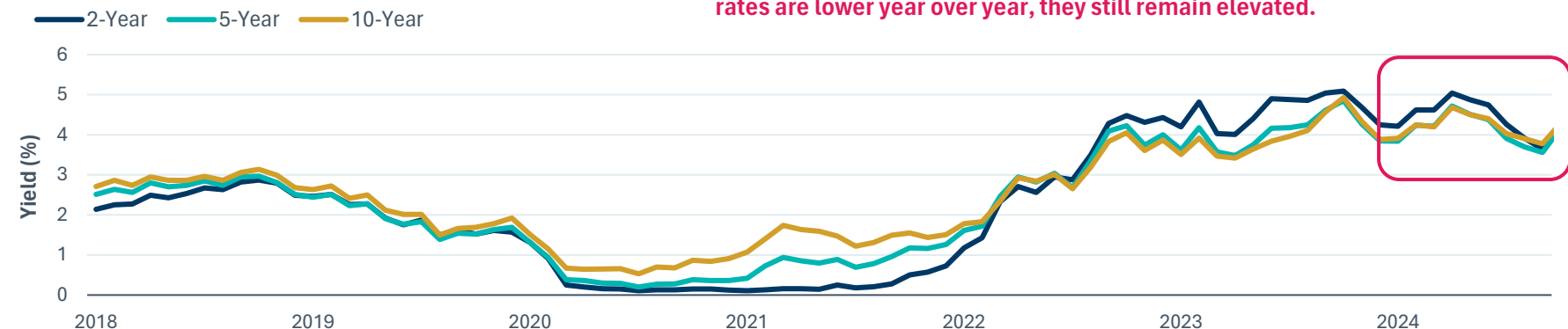
The curve has continued to normalize when compared to 2023 though short tenor US treasuries remain slightly inverted



UST Tenor	Yields (%) 12/31/2021	Yields (%) 12/31/2022	Yields (%) 12/31/2023	Yields (%) 12/31/2024	Bps ▲ '24 YoY
1-month	0.02	3.98	5.40	4.27	-113
3-month	0.03	4.34	5.33	4.31	-102
6-month	0.18	4.75	5.25	4.27	-98
1-year	0.38	4.69	4.76	4.14	-62
2-year	0.73	4.43	4.25	4.24	-1
3-year	0.96	4.22	4.01	4.27	26
5-year	1.26	4.00	3.85	4.38	53
7-year	1.44	3.97	3.88	4.48	60
10-year	1.51	3.87	3.88	4.57	69
20-year	1.93	4.14	4.19	4.86	67
30-year	1.90	3.96	4.03	4.78	75

Treasury Yields

January 2018 through December 2024



Treasury yields saw a spike in December 2024 after optimism for 2025 on the back of strong economic data and the U.S. election uncertainty passing. Though rates are lower year over year, they still remain elevated.

Source: Bloomberg. Past results are not indicative of future performance.

OCTA Portfolio Positioning

As of December 31, 2024

Portfolio Characteristics (1-3 Year)

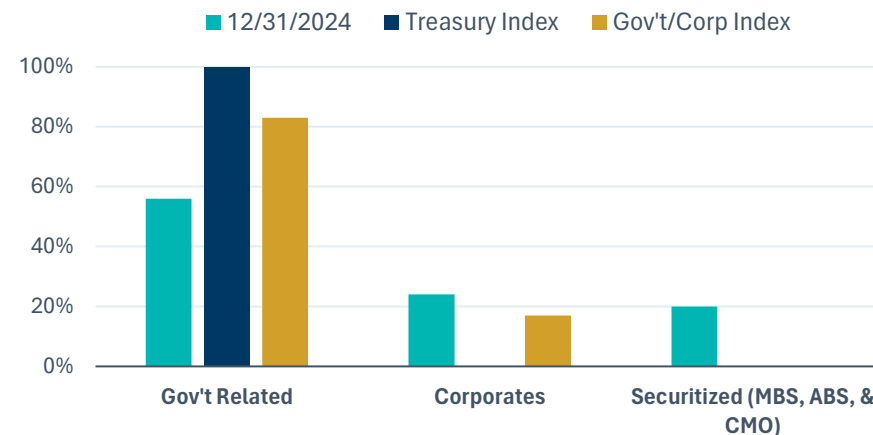
	12/31/2024	Treasury Benchmark	Govt/Corp Benchmark
Market Value	\$388M	-	-
Yield to Maturity	4.48%	4.26%	4.37%
Effective Duration	1.92 yrs.	1.81 yrs.	1.80 yrs.
Average Rating	AA	AA+	AA

Sub-Portfolio Characteristics (1-5 Year)

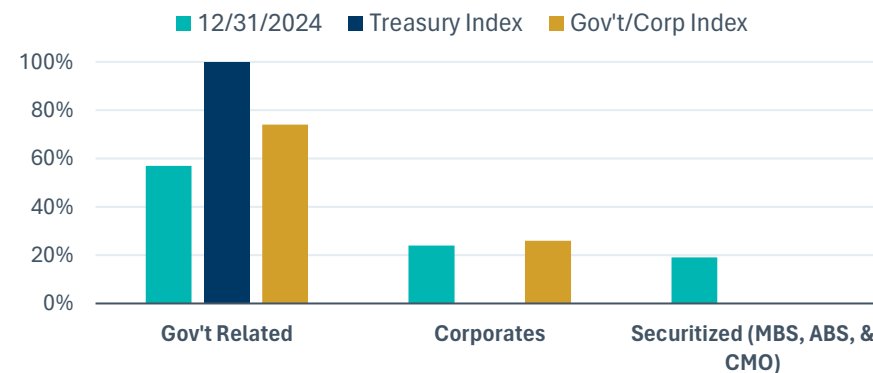
	12/31/2024	Treasury Benchmark	Govt/Corp Benchmark
Market Value	\$164M	-	-
Yield to Maturity	4.51%	4.29%	4.41%
Effective Duration	2.63 yrs.	2.48 yrs.	2.47 yrs.
Average Rating	AA+	AA+	AA

Benchmarks: ICE BofA 1-3 Year US Treasury Index and ICE BofA 1-3 Year AAA-A US Corporate & Government Index / ICE BofA 1-5 Year US Treasury Index and ICE BofA 1-5 Year AAA-A US Corporate & Government Index

Sector Distribution



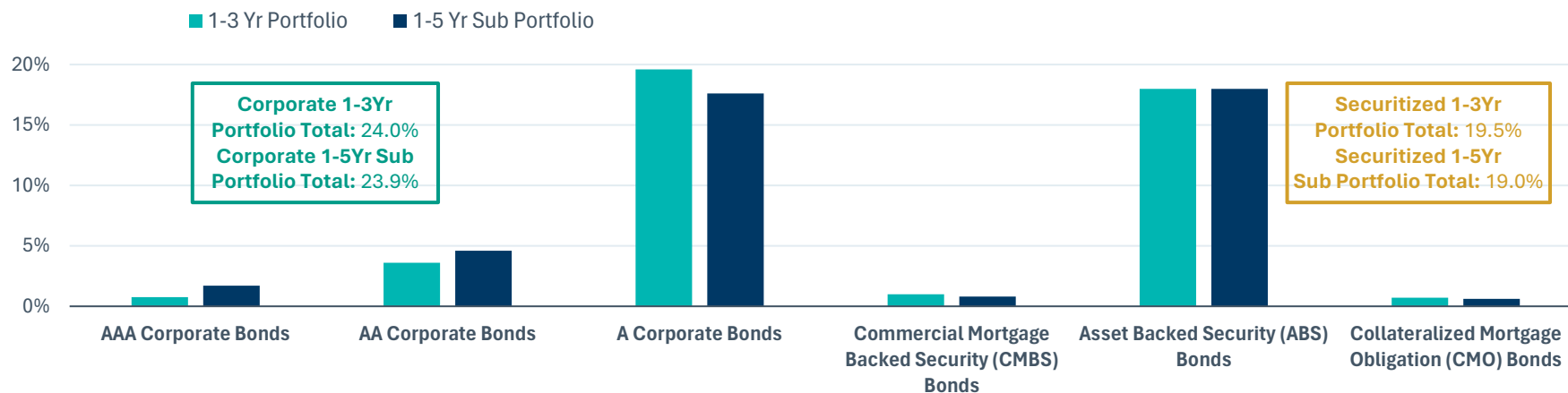
Sector Distribution



OCTA Non-Treasury Portfolio Details

As of December 31, 2024

Sector Distribution Details



Representative Securities by Sector

	Issuer	Yield-to-Maturity
AAA Corporate Bond	New York Life Global	4.52%
AA Corporate Bond	Pacific Life	4.65%
A Corporate Bond	Caterpillar Financial	4.53%
Agency CMBS Bond	FHMS K054 A2 CMBS	4.58%
AAA ABS Bond	FORDF 2024-1 A1 FLOORPLAN 144A	4.53%
AA+ CMO Bond	FNGT 2017-T1 A SFR	4.75%

Benchmarks: ICE BofA 1-3 Year US Treasury Index and ICE BofA 1-3 Year AAA-A US Corporate & Government Index / ICE BofA 1-5 Year US Treasury Index and ICE BofA 1-5 Year AAA-A US Corporate & Government Index

Portfolio Performance

As of December 31, 2024

	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Since Inception
OCTA Portfolio (%)	4.60	2.20	2.00	2.90
ICE BofA 1-3 Year Treasury Bill Index (%)	4.10	1.50	1.40	2.50
ICE BofA 1-3 Year Govt/Corp AAA-A Bill Index (%)	4.30	1.60	1.50	2.70
	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Since Inception
OCTA Sub-Portfolio (%)	3.80	2.00	n/a	1.60
Blended US Treasury Benchmark (%)*	3.30	1.30	n/a	0.90
Blended US Corp & Govt Benchmark (%)*	3.60	1.40	n/a	1.10

Returns for fiscal periods longer than one year are annualized.

*Revised investment guidelines for sub-portfolio effective 10/01/24. The Custom US Treasury Benchmark is comprised of: 06/22/2021 - 09/30/2024 ICE BofA 1-3 Year US Treasury Index (G1O2), after 10/01/2024 ICE BofA 1-5 Year US Treasury Index USD (GVQ0). The Custom US Corp & Govt Benchmark is comprised of: 06/22/2021 - 09/30/2024 ICE BofA 1-3 Year AAA-A US Corporate & Government Index USD (B110), after 10/01/2024 ICE BofA 1-5 Year AAA-A US Corporate & Government Index USD (BV10).

Portfolio inception date: 03/01/2000; Sub-Portfolio inception date: 06/22/2021



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