

# Orange County Transportation Authority

## Investment Management Presentation

April 10, 2024

**[pfmam.com](https://pfmam.com)**

*PFM Asset Management LLC*

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# Presenter Bios



**Christopher Harris,  
CFA, CAIA**

Chris joined PFM Asset Management in 2008 and works in the Harrisburg office. He is the head of the Portfolio Strategies Group and the head of the Structured Products Group.

As the head of the Portfolio Strategies Group, Chris focuses on the investment strategy development process for many large and strategically important client relationships. He is also a member of the Fixed Income Investment Committee and Credit Risk Management Committee.

As the head of the Structured Products Group, Chris oversees projects related to the procurement, valuation, and termination of structured investments and the structuring and procurement of asset-liability matching portfolios such as refunding and cash defeasance escrows. Chris also has experience negotiating and monetizing bankruptcy claims settlements and restructuring and terminating leveraged lease portfolios.



**James Sims, CFA**

James Sims is a managing director and senior portfolio manager who manages multi-sector investment-grade fixed-income portfolios for state and local governments across the country. The assets under management (AUM) include operating funds, capital reserves, bond proceeds and other post-employment benefit (OPEB) obligation funds. James specializes in securitized products and has more than 20 years of banking and capital markets experience. He is also a member of the Fixed-Income Investment Committee and Credit Risk Management Committee.

James began his career at SunTrust Banks where he held various positions in commercial and corporate loan analysis, foreign exchange trading and fixed income portfolio management. He continued his career in portfolio management at Evergreen Investments and Columbia-Threadneedle Investments where he managed mutual funds and institutional separate accounts.



**Monique Spyke**

Monique Spyke joined PFM Asset Management in 2003 and serves as a client liaison for Western region clients, where her primary focus is the development and implementation of investment strategies for operating funds and bond proceeds related accounts.

Monique has substantial experience drafting investment policies and indenture and resolution provisions governing permitted investments. She has served as a client manager for billions of assets under management and advisement. Her clients include municipalities, non-profit corporations, hospitals, universities and colleges. Monique has conducted numerous training workshops for clients and is a frequent lecturer on bond proceeds reinvestment-related matters.

# PFM Asset Management LLC

**43 years *of* experience**

**290+ professionals**

- ▶ Specialist in customized, investment-grade fixed income and multi-asset portfolios
- ▶ Fixed income strategies include:
  - ▶ Liquidity management
  - ▶ Enhanced cash
  - ▶ 1–3, 1–5, and 1–10 year mandates
- ▶ Outsourced Chief Investment Officer (OCIO) builds multi-asset portfolios based on client's risk/return objectives

**\$229.8b**

**Total assets nationwide**

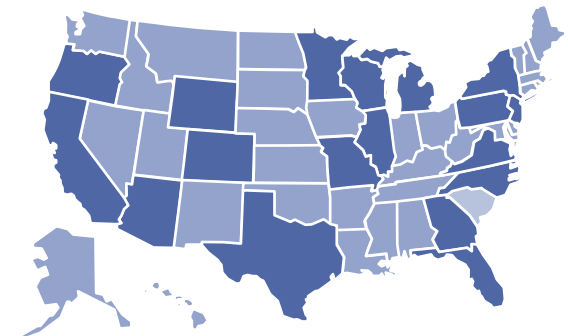
**\$176.3b**

**Discretionary assets under management**

**\$53.4b**

**Non-discretionary assets under  
advisement**

**National Reach:  
PFMAM Offices**



*As of December 31, 2023.*

# Fixed Income Portfolio Management



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## Fixed Income Leadership

**Ken Schiebel, CFA**  
Chief Investment Officer

**Robert Cheddar, CFA**  
Co-Head of Short & Intermediate Fixed Income

**James Sims, CFA**  
Co-Head of Short & Intermediate Fixed Income

**Jeff Rowe, CFA**  
Head of Liquidity Products Portfolio Management



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## Sector Specialist Portfolio Managers

**Joseph Creason, CFA**  
Corporates

**Michael Downs, CFA**  
Mortgage-Backed Securities

**Giancarlo Morales-Belletti**  
Asset Backed Securities

**Meredith LaBuda Sullivan**  
Treasury, Agency, and  
Supranationals

**Brian Raubenstine**  
Municipals

**Kerri Muskin**  
LGIPs and TERM

**John Zhang, CFA**  
Corporates

**Mitul Patel, CFA, FRM**  
Cash & Short-Duration  
Separate Accounts



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## Portfolio Trading

**Laura Creason**  
CP & Agency

**Greta Foust**  
Repo & CDs

**Kylie Bueti, CFA**  
Treasury & Agency

**Ryan Petrasic**  
Treasury & Agency

**Crystal Eckenrode**  
Treasury & Agency



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## Portfolio Strategies Group

**Gray Lepley**  
**Jack Wilhelm**  
**Eric Simpson**  
**Aaron Gober**

**Chris Harris, CFA, CAIA**  
**Chris Rekawek, CFA**  
**Mariana Clark**  
**Andrew Marchesseault**

Portfolio Construction | Investment Analytics &  
Attribution | Structured Products Group



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## Investment Services Group

Trading Support | Trade Settlement  
Data Management



## Investment Resources and Tools

Proprietary Models | Bloomberg AIM | TradeWeb  
MarketAxess | S&P Global | CreditSights | Sustainalytics



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## Supported by Credit Research Group\*

Preserve Principal | Manage Approved Lists  
Generate Alpha

As of February 21, 2024.

\* Credit research is a shared service consisting of resources from U.S. Bancorp Asset Management and PFM Asset Management.

# PFMAM's Approach to Credit

## Formal Groups for Research and Risk Management



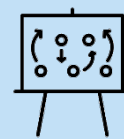
### Research

#### Credit Research Group

- Responsible for all credit analysis on credit, municipal and asset-backed issuers
- Performs fundamental research on individual issuers and maintains Approved Issuers Lists
- Credit research is a shared service, consisting of resources from U.S. Bancorp Asset Management, as well as PFM Asset Management.

**Taxable  
Credit  
Committee**

**Public Finance  
Credit  
Committee**



### PFMAM Risk Assessment

#### Credit Risk Management Committee

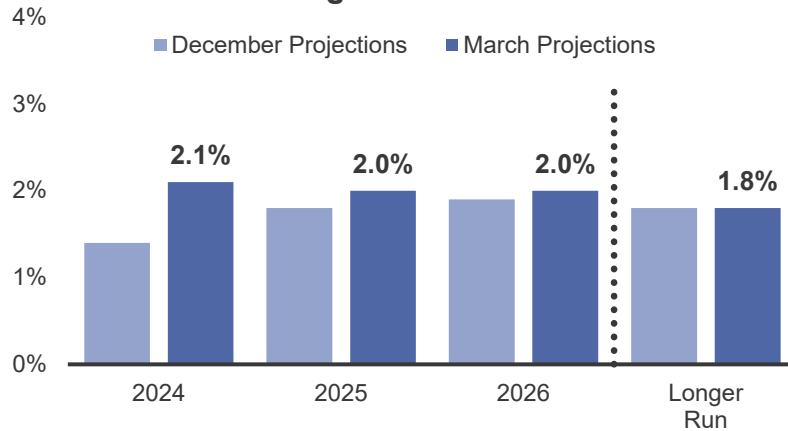
- Establishes and oversees credit management policies within PFMAM client portfolios
- Formulates risk management guidelines, such as issuer-specific diversification and maturity limits
- Utilizes information received from Credit Research Group to manage issuers to internal risk viewpoints

# Market Overview and Portfolio Strategy

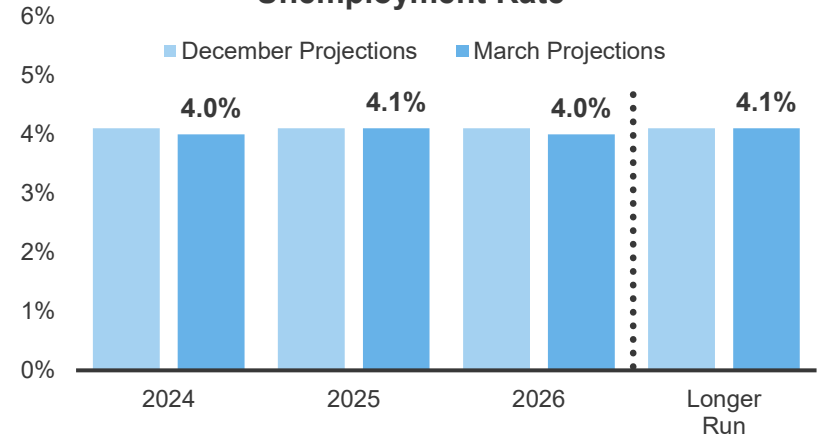


# Federal Reserve Projects a Soft Landing

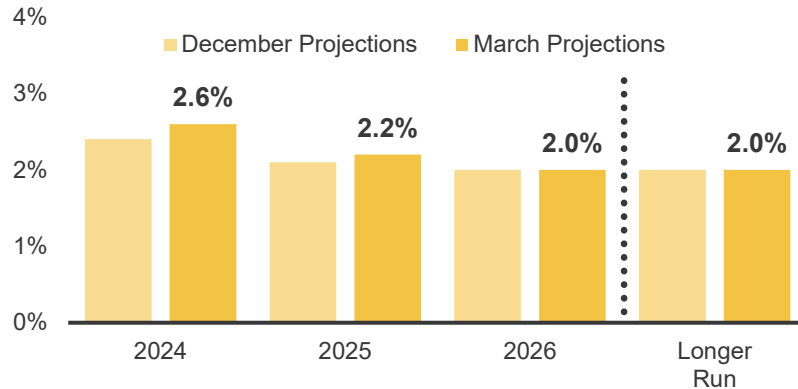
## Change in Real GDP



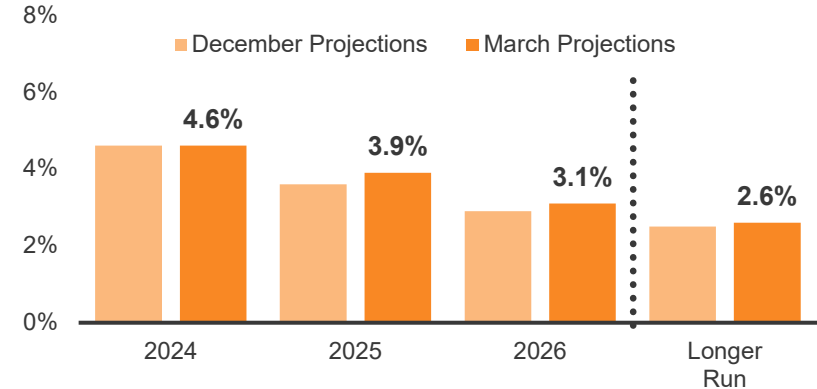
## Unemployment Rate



## PCE Inflation



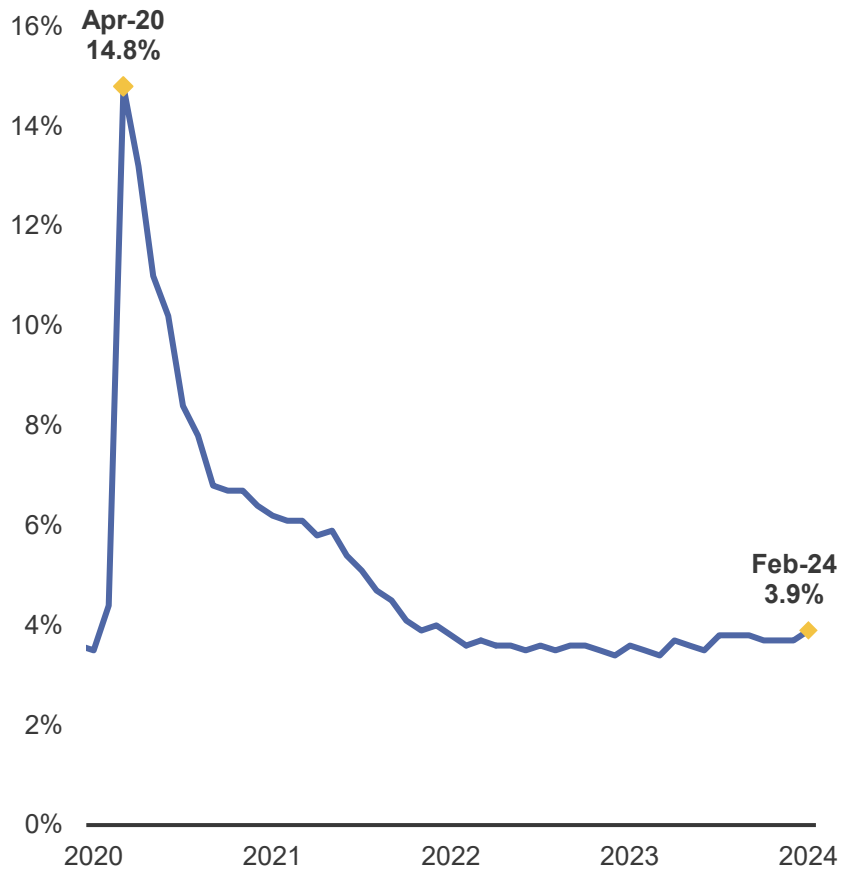
## Federal Funds Rate



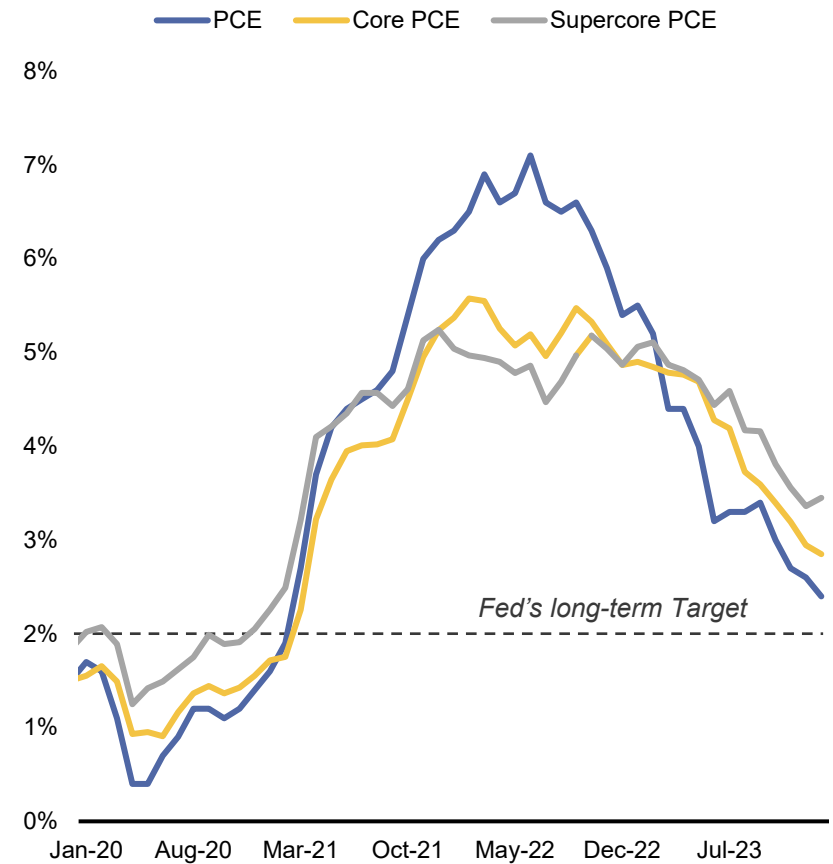
Source: Federal Reserve, latest economic projections as of March 2024.

# Labor Market and Inflation Overview

## Unemployment Rate



## PCE Inflation



Source: Bloomberg, as of February 2024. Data is seasonally adjusted.



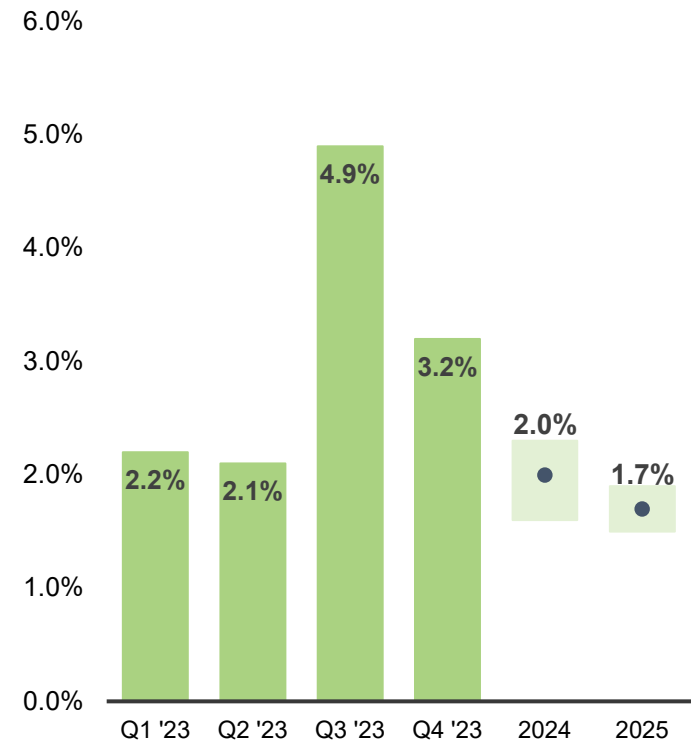
# Balanced Risks Support Soft Landing

<i>Employment</i>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<i>Wages</i>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<i>Consumer</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<i>Inflation</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<i>Housing</i>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>Manufacturing</i>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>Inverted yield curve</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<i>Credit spreads</i>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<i>Fed Policy</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

## U.S. GDP Forecasts

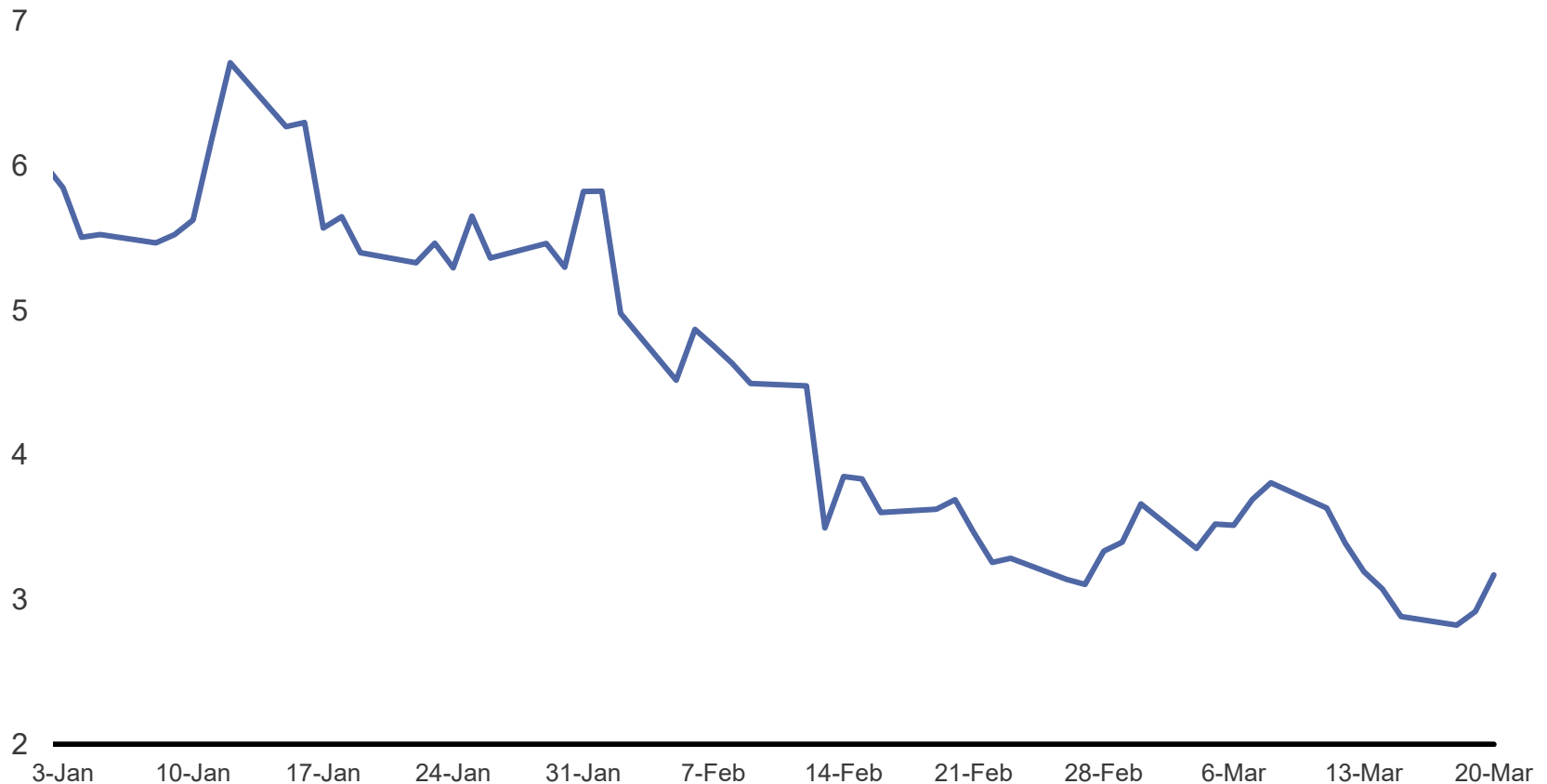
Annualized Rate

■ Actual ■ Range ● Median of Forecasts



# Market Prices in Fewer Rate Cuts by Year End

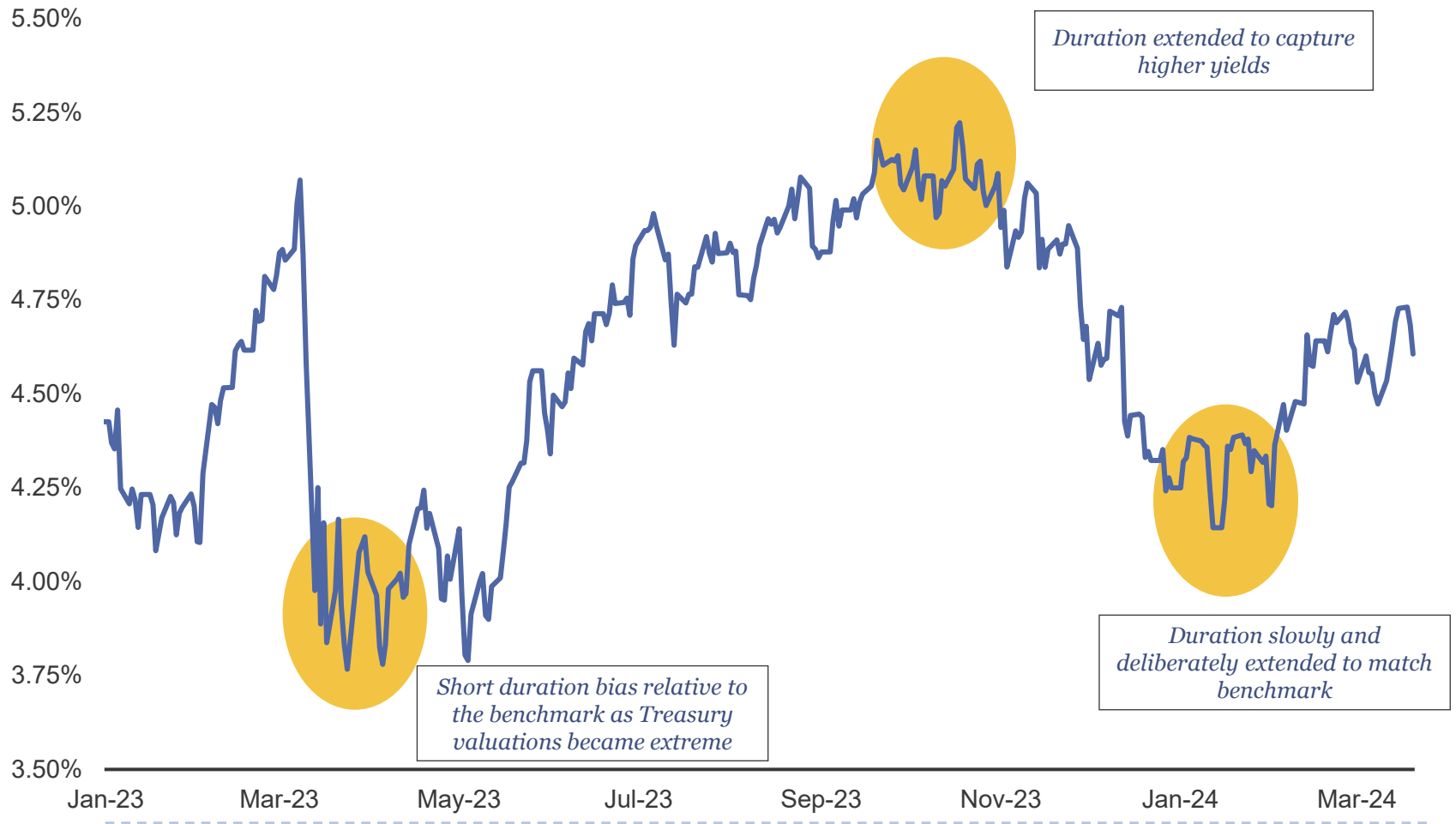
Number of Implied Rate Cuts by December 2024



Source: Bloomberg, as of 03/20/2024.

# 2 Year Treasury Displays Volatility

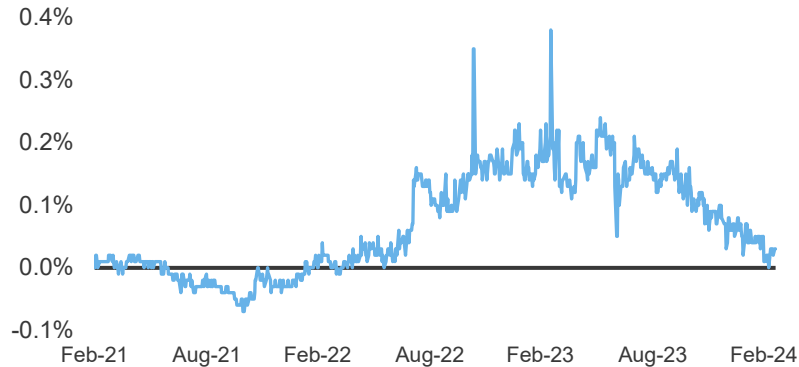
## 2-Year US Treasury Yield



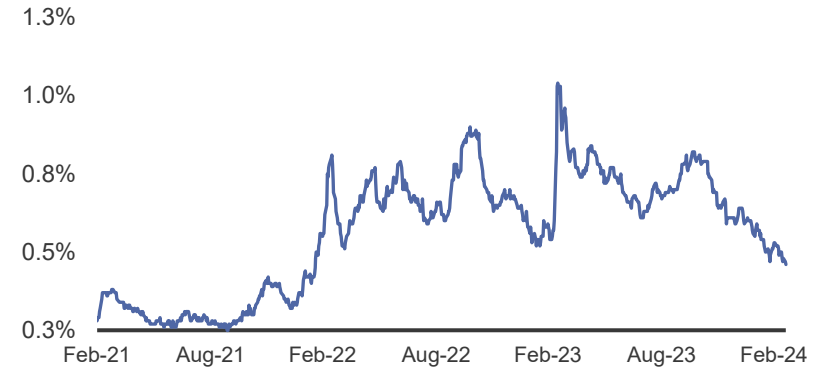
Source: Bloomberg; as of 03/20/2024.

# Fixed-Income Sector Outlook – 1Q 24

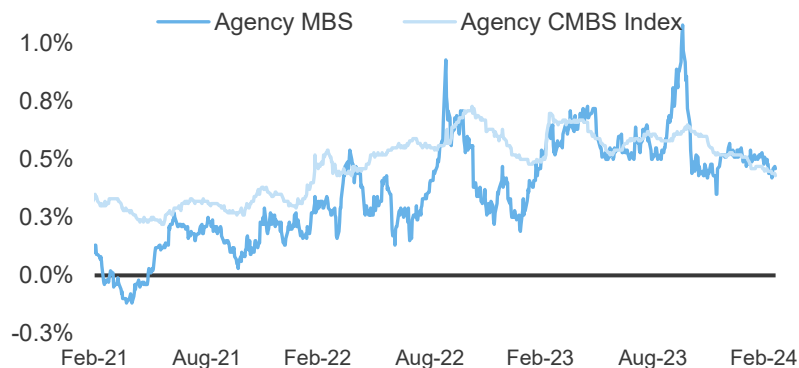
## Federal Agency Yield Spreads



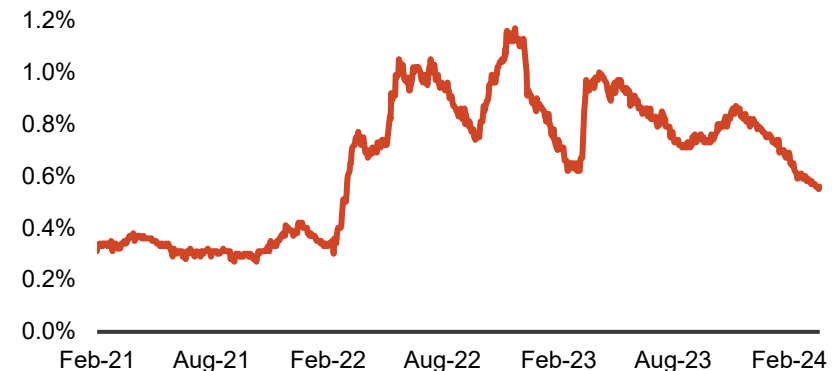
## 1-3 Yr. AAA-A Corp Spreads



## Mortgage-Backed Securities Yield Spreads

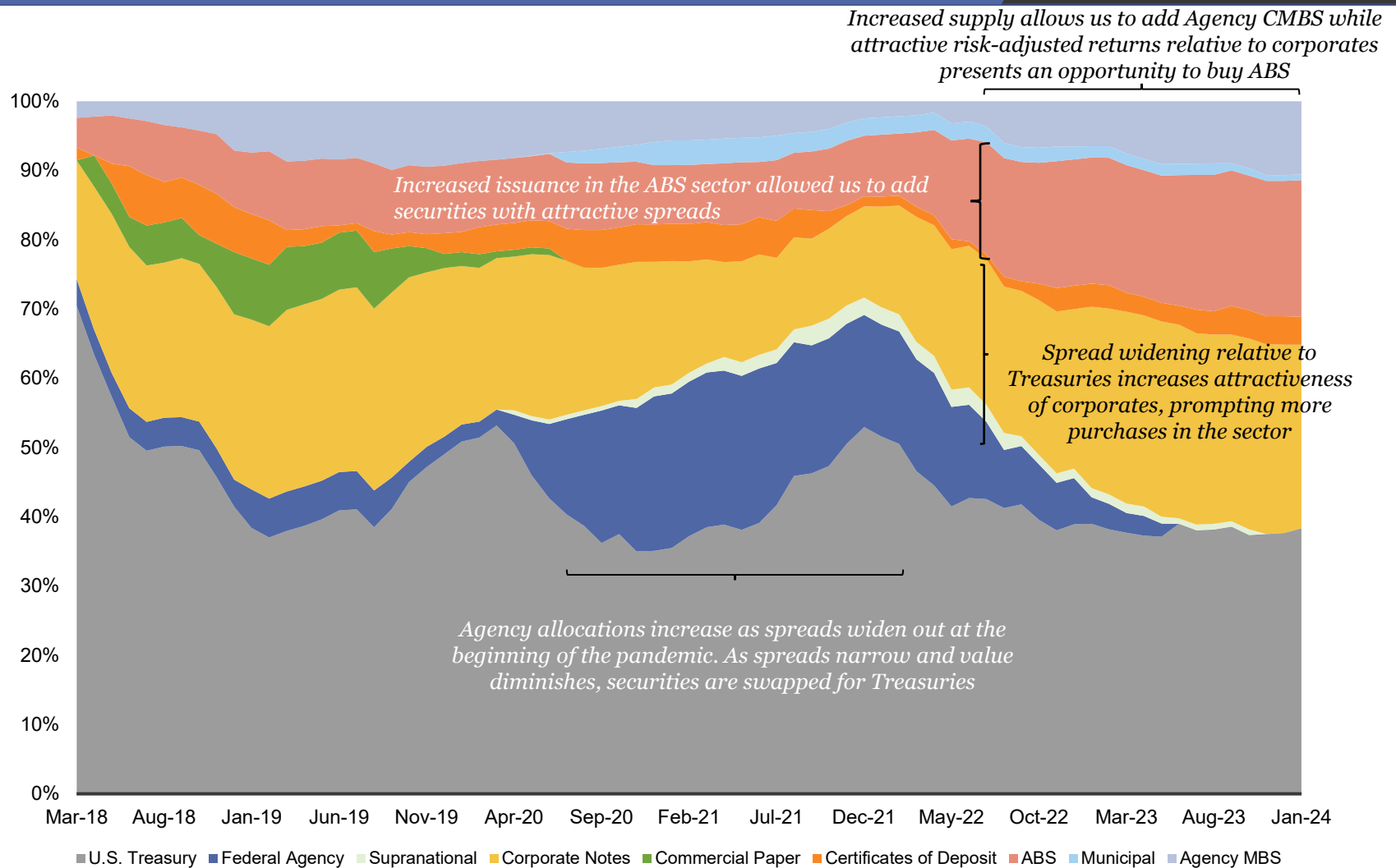


## Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 3/19/2024. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

# Historical Sector Allocation

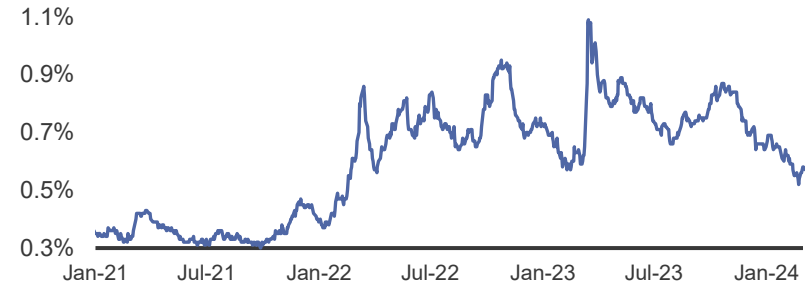


Only includes investments held within the separately managed accounts

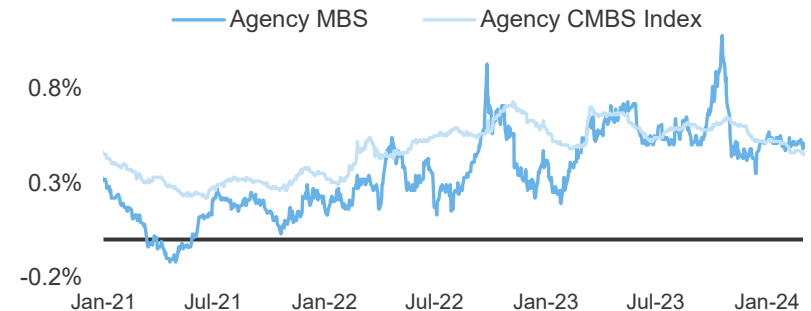
# Fixed-Income Sector Outlook – 1Q 24

	Rich	Fair	Cheap
<i>Treasury Securities</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<i>Agencies/Supranationals</i>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>Agency CMBS</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<i>Municipals</i>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>Asset-Backed Securities</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
<i>Credit</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

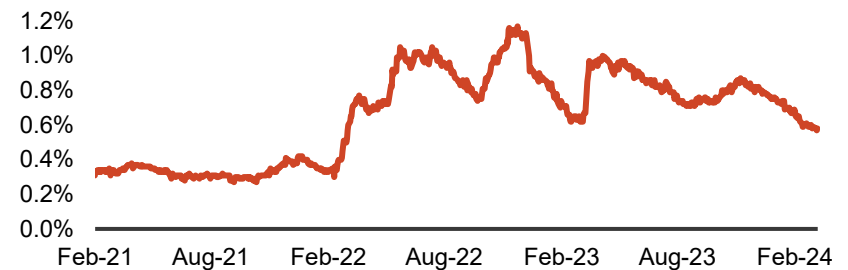
1-3 Yr. AAA-A Corp Spreads



Mortgage-Backed Securities Yield Spreads



Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 2/29/2024. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

# Portfolio Review



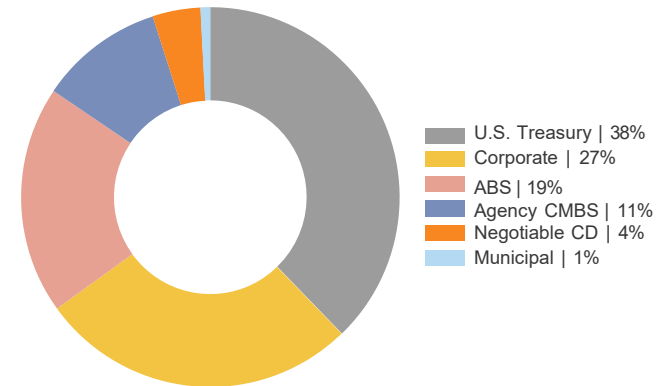
# Consolidated Portfolio Summary

## As of 3/13/2024

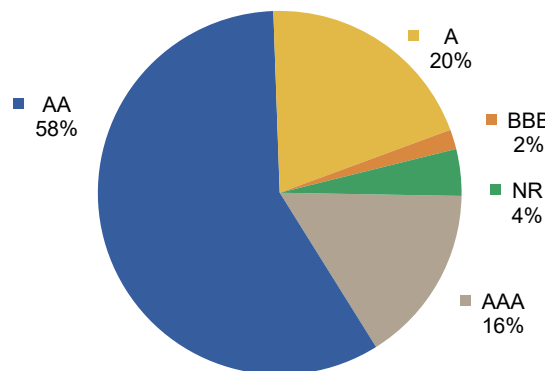
### Account Statistics<sup>1</sup>

Total Market Value	\$496,874,504
Effective Duration	1.74 years
Benchmark Effective Duration	1.75 years
Yield at Cost	4.19%
Yield at Market	4.70%
Portfolio Credit Quality	AA

### Sector Allocation

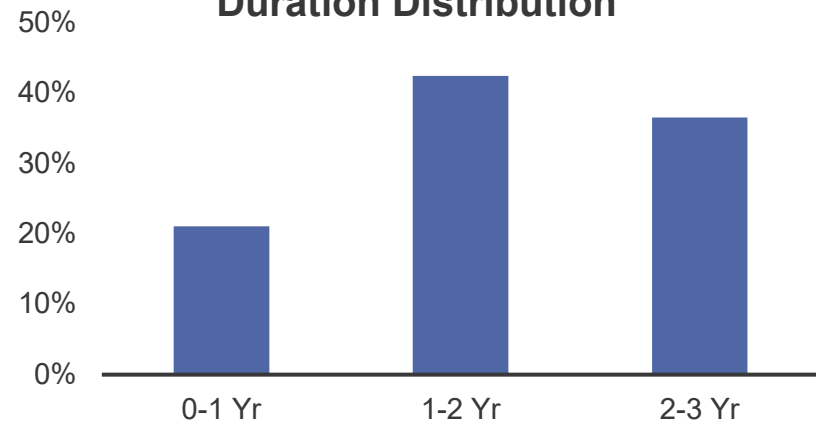


### Credit Quality



S&P Ratings, or Moody's equivalent if not rated by S&P

### Duration Distribution

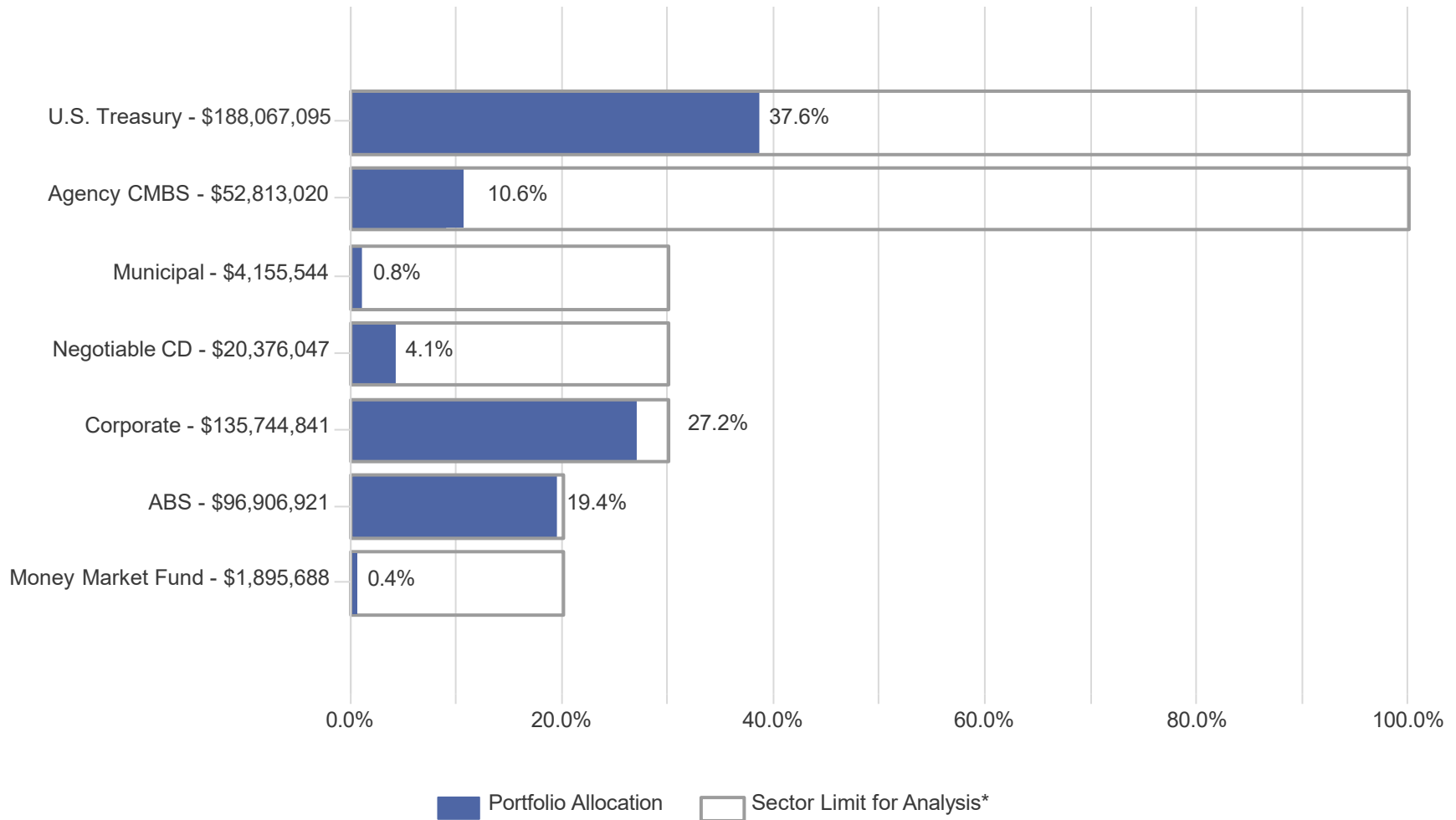


1. Market Values include accrued interest and money market fund balances as of March 13, 2024. Maturity Distribution and sector allocation excludes money market fund balances. Please see important disclosures.
2. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.
3. The portfolio's benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg



# Sector Allocation Analytics

## As of 12/31/2023

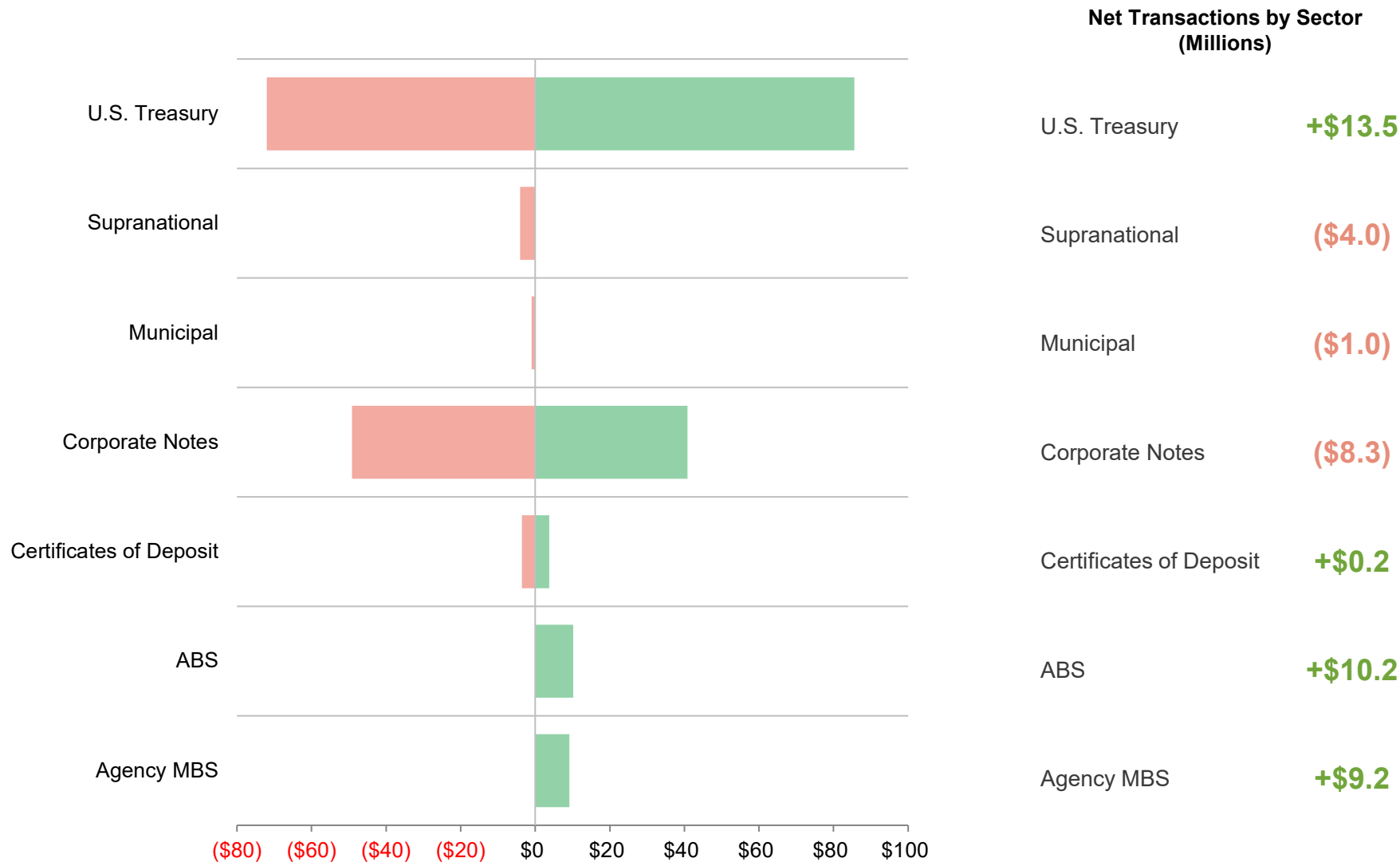


For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

\*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.

# Trade Recap

10/1/2023 through 3/13/2024

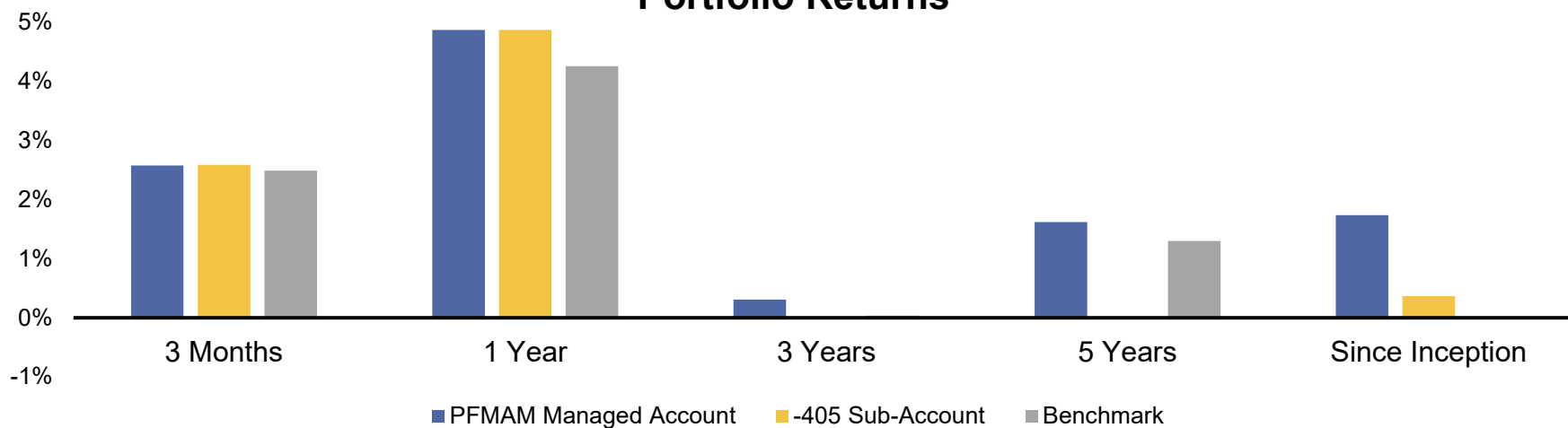


Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns.

# Portfolio Performance

As of 12/31/2023

## Portfolio Returns



Total Return	3 Months	1 Year	3 Years	5 Years	Since Inception
Main Account	2.60%	4.93%	0.37%	1.68%	1.80%
-405 Account	2.61%	4.92%	-	-	0.42%
Benchmark	2.49%	4.26%	-0.04%	1.30%	-
Difference (Main Acct)	0.11%	0.67%	0.39%	0.38%	0.35%
Difference (-405 Acct)	0.12%	0.66%	-	-	0.35%

1. Performance inception date for the combined portfolio is June 30, 2021.

2. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than

3. The portfolio's first benchmark is the ICE BofAML 1-3 Year U.S. Treasury Index. Source: Bloomberg.

# Disclaimer

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