

Payden & Rygel

Los Angeles

Boston

London

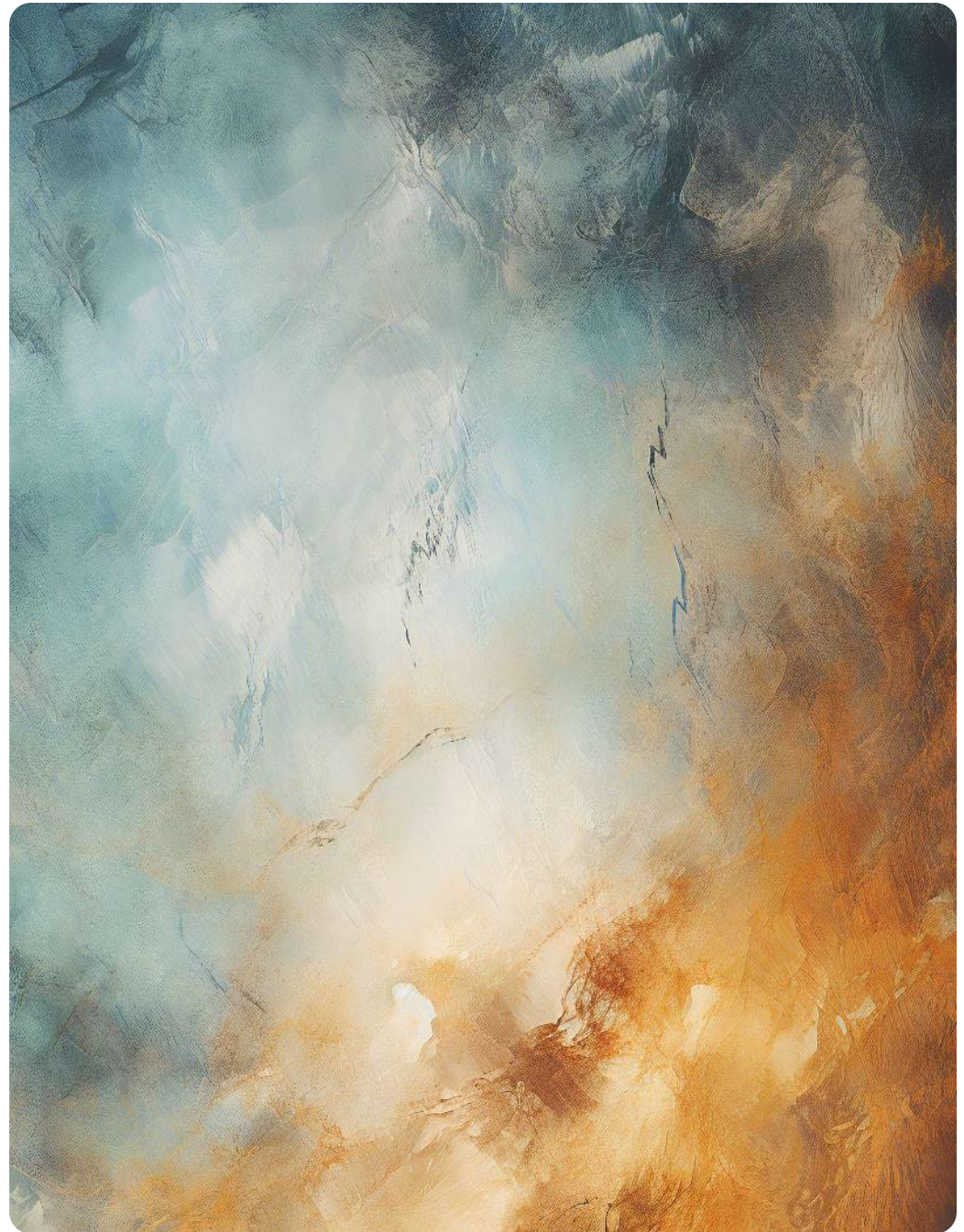
Milan

Orange County Transportation Authority

Economic and Market Update

February 19, 2026

For Institutional Use Only



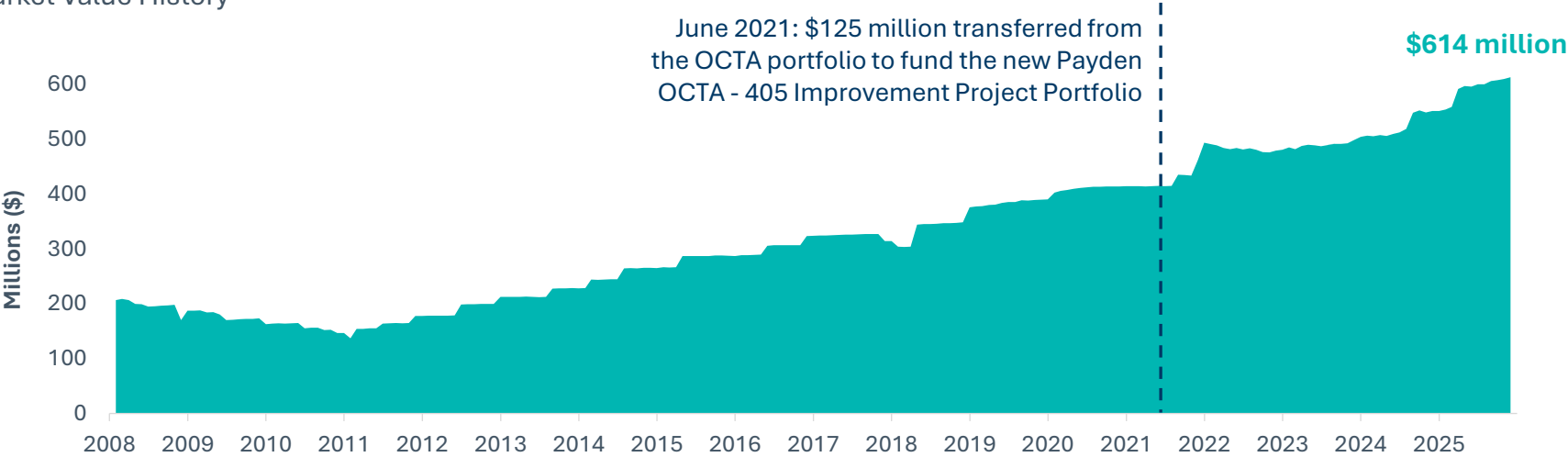
Executive Summary

Payden & Rygel has had a long-standing relationship with OCTA for over 26 years.

	OCTA	OCTA – Sub-Portfolio
Inception	February 2000	June 2021
Market Value	\$409 million	\$205 million
Duration	1.93 years	2.64 years
Credit Quality	AA	AA
Yield to Maturity	3.72%	3.79%
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

\$166 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
Pension Funds

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
Insurers

As of 12/31/2025

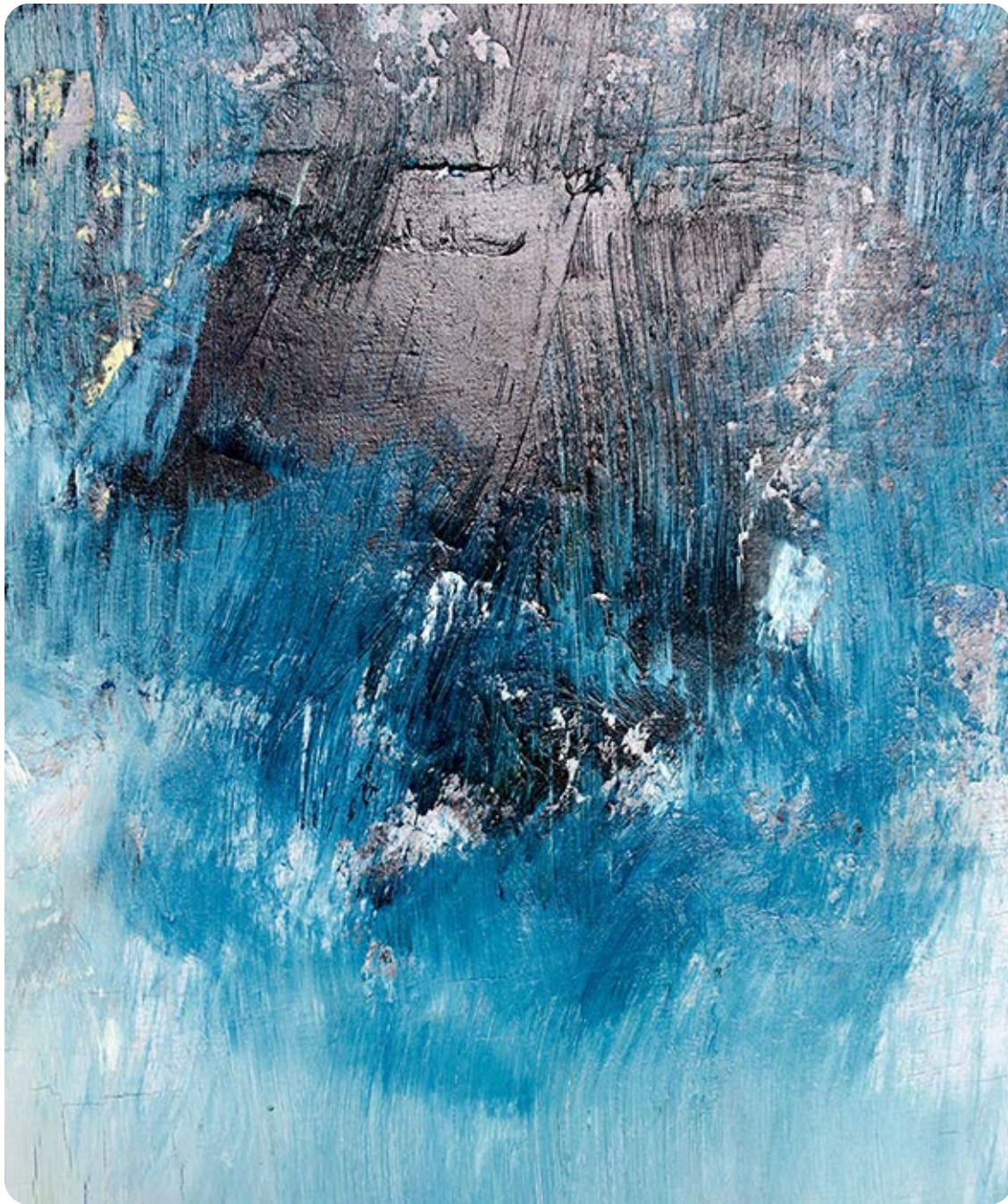


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I.

Economic Outlook

Macro Scenarios 2026: Continued Tech-Led Growth Or Labor Market Slump

As Tariff Impacts Fade, Tech Spending Could Continue Boosting Private Demand Growth

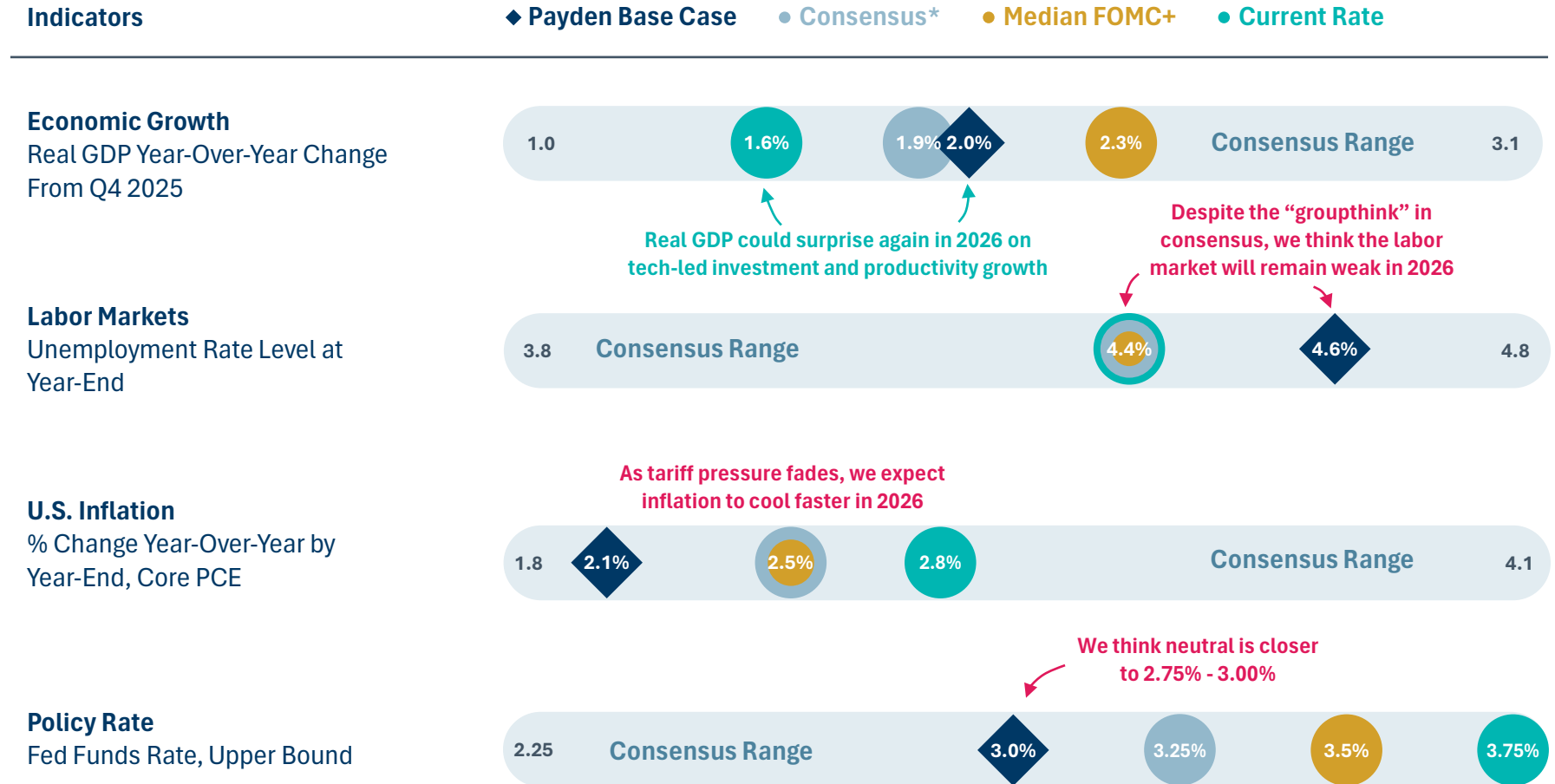
	Scenario	GDP	Unemployment Rate	Core PCE* Inflation	Probability Next 12 Months	Rates Implication Next 12 Months (%)**	Equities	U.S. Dollar
Aggregate expansion probability is 55%	Reacceleration	3.0% Above trend growth	3.4% – 4.3%	3% – 4%	5%	Fed funds: 4.38 10-year: 4.50-5.00	—	▲
	Tech-led Growth (Base Case)	2.0% -3.0% Trend or above trend growth	4.3% – 4.7%	~2%	45%	Fed funds: 2.83 10-year: 3.00-3.50	▲	—
	Sluggish Growth	0.0% to 1.5% Below trend growth	4.7% – 5.0%	1 – 2%	5%	Fed funds: 2.13 10-year: 2.75-3.25	▲	▼
Aggregate recession probability is 45%	Stagflation	1.4% to –1.0% Mild contraction	~ 4.7 – 5.9 %	3 – 6%	0%	Fed funds: 3.63 10-year: 3.75-4.25	▼	▲
	Recession	0.0% to –1.0% Mild contraction	~ 4.7 – 5.9 %	1 – 3%	40%	Fed funds: 1.38 10-year: 1.75-2.25	▼	▲
	Severe Recession	–1.0% to –4.0% Severe GDP contraction	> 6.0%	0 – 2%	5%	Fed funds: 0.33 10-year: 0.75-1.25	▼	▲

*Personal Consumption Expenditures (PCE)

**Effective fed funds rate

2026 U.S. Macroeconomic Outlook

We Expect Growth To Remain On Trend With Inflation Moderating Much *Faster* In 2026



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

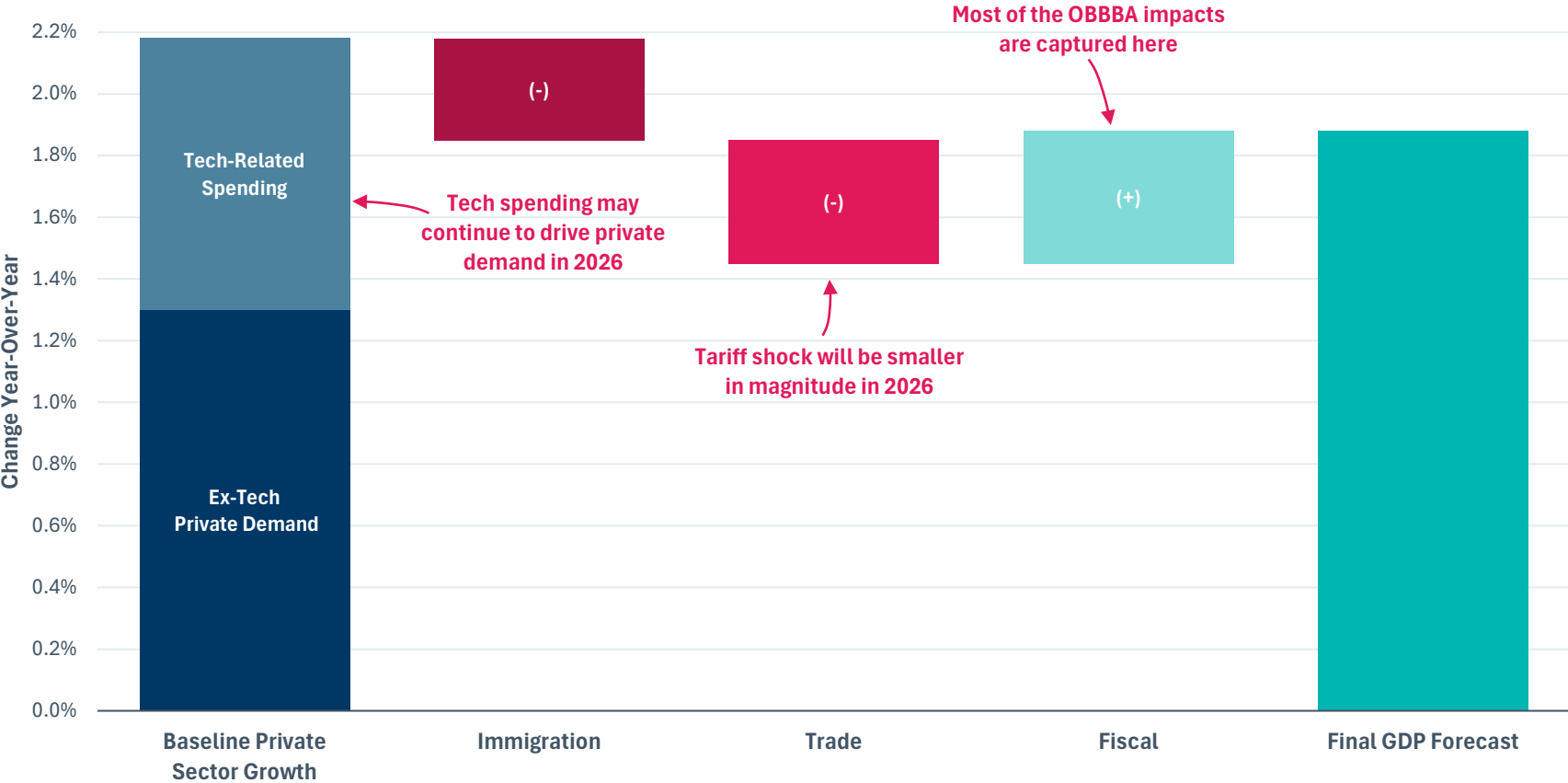
*Bloomberg Monthly Surveys
+As of the December 2025 Meeting

Economic Policy Headwinds To Growth Offset By Tech-Driven Productivity

While Economic Policy Changes Will Impact Growth, The Magnitudes Vary Based On Policy

Major Potential Policy Change Impact On 2026 Real GDP Q4/Q4 Growth

Growth Impact of Policy from Select Research Organizations



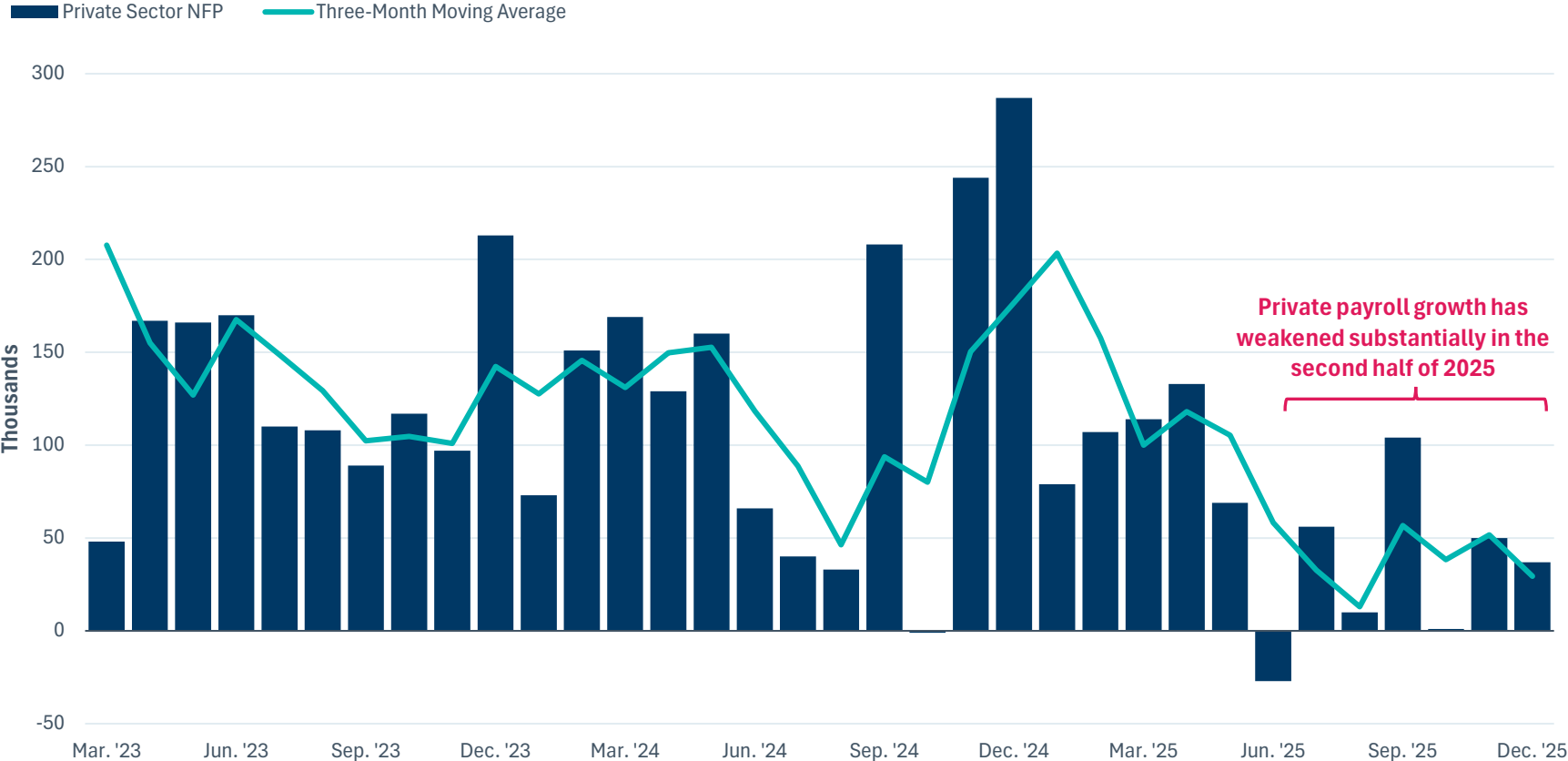
Sources: Bureau of Economic Analysis, Brookings Institution, Yale Budget Lab, McLaughlin, P. and Wong, J.

Private Sector Job Growth Continues To Remain Weak At 2025 Year-End

Historically, We've Never Seen Private Payroll Employment Slow This Much Without A Recession

Private Nonfarm Payroll (NFP) Job Growth

Private Sector Job Growth Is The Best Proxy For Private Sector Demand



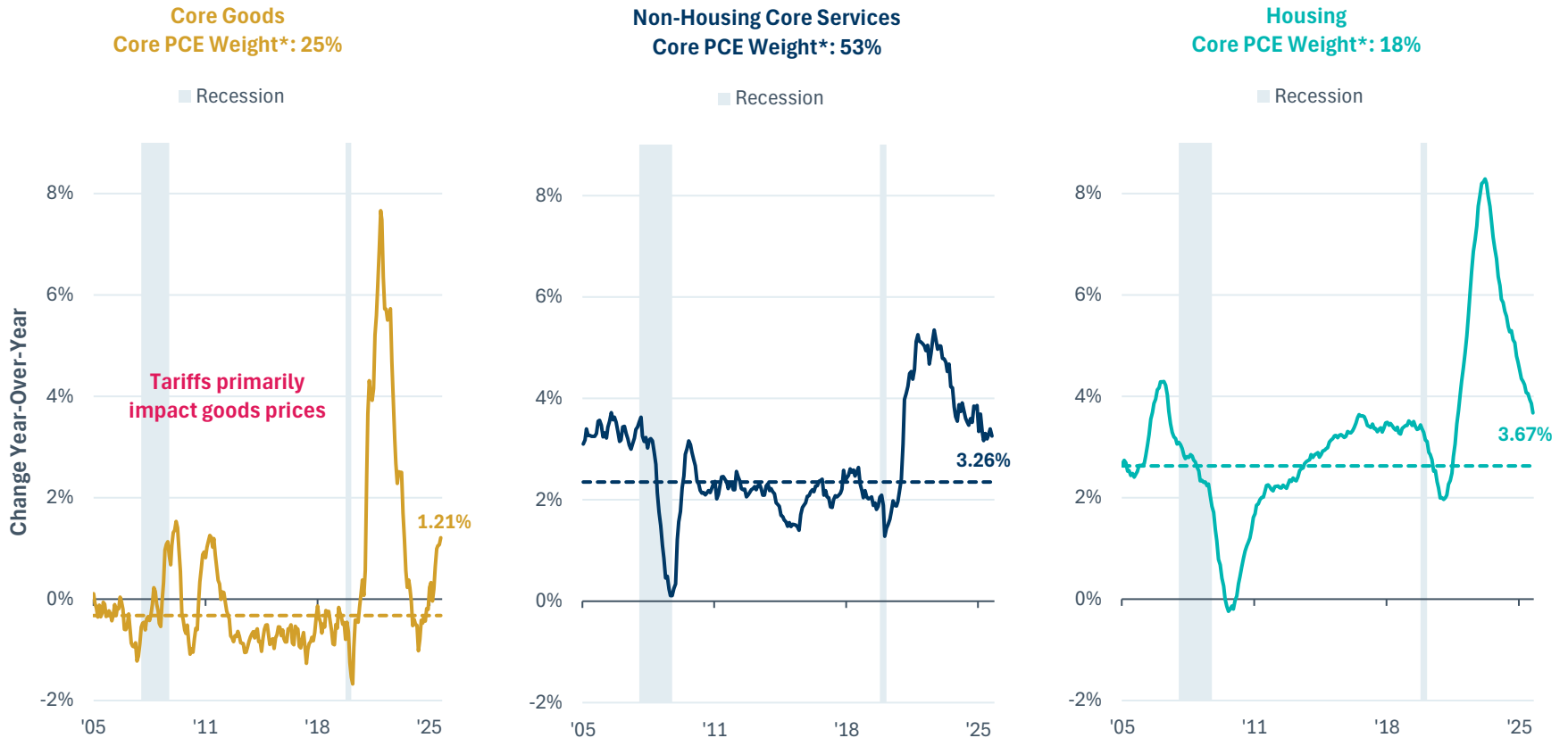
Sources: Bureau of Labor Statistics, Payden Calculations

Goods Price Pressure Have Been Offset By Softer Services Costs In 2025

Housing Inflation Will Continue To Fade With A Lag Sometime In 2026

Trends In Core Personal Consumption Expenditure (PCE) Price Index Components

Versus Long-Term Averages, Represented By Dashed Lines



Source: Bureau of Economic Analysis

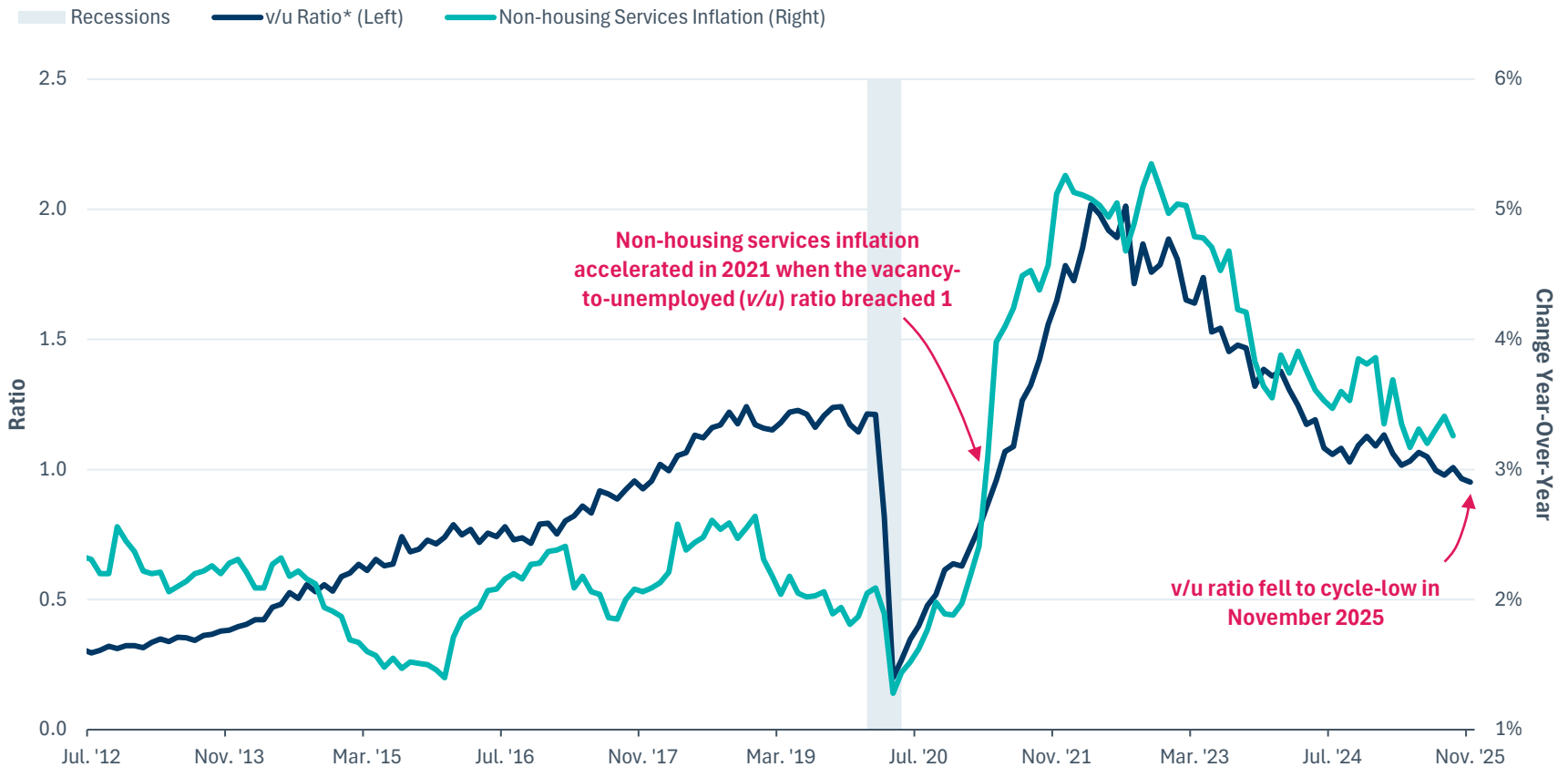
*The remaining 3% in core PCE Price Index weight is spending from nonprofit organizations

Non-housing Services Prices Will Cool As Labor Supply Exceeds Demand

Services Inflation Moves Closely With The Labor Market, As Labor Is The Largest Input For Services

PCE Non-housing Services Inflation Versus Vacancy-To-Unemployed (v/u) Ratio

The v/u Ratio Measures Job Vacancies (v) Versus Unemployed Workers (u)



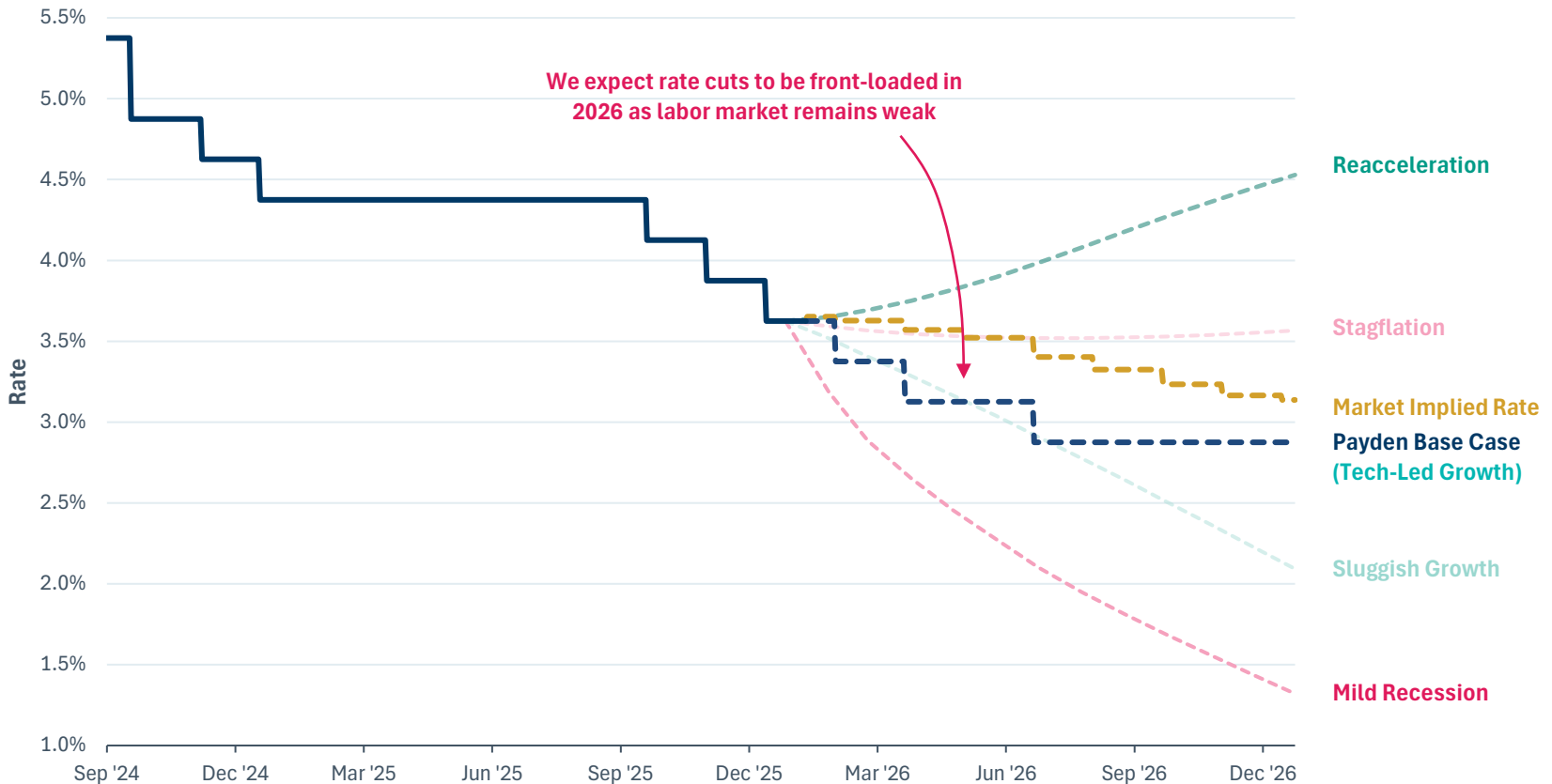
Source: Bureau of Labor Statistics, Bureau of Economic Analysis

In Our Base Case, The Fed Will Cut Three Times In 2026

In 2026, We Expect The Fed To Cut 75 Basis Points To A Neutral Of 2.75% - 3.00%

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 1/9/2026



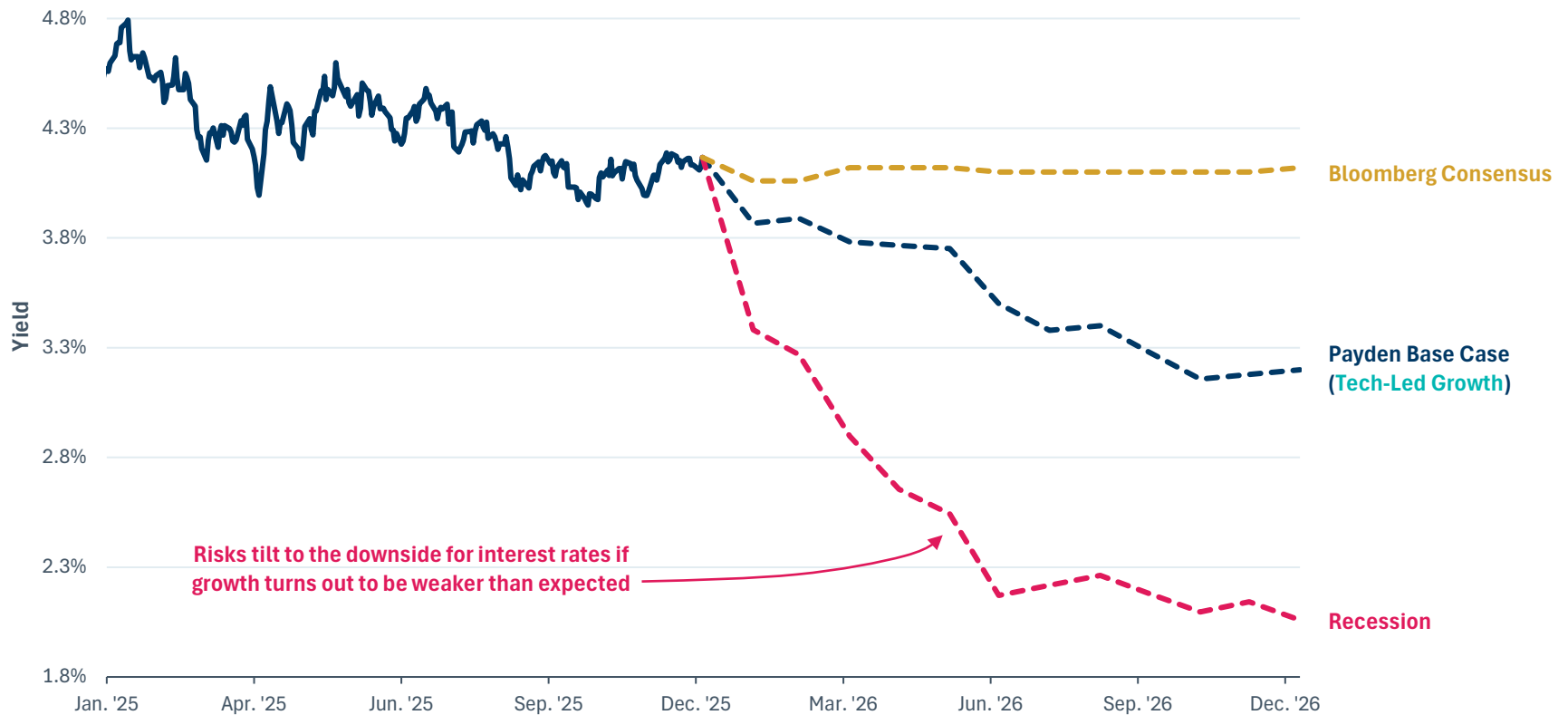
Sources: Federal Reserve, Bloomberg, CBO, Payden Calculations

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 12/31/2025



Sources: Bloomberg, Payden Calculations



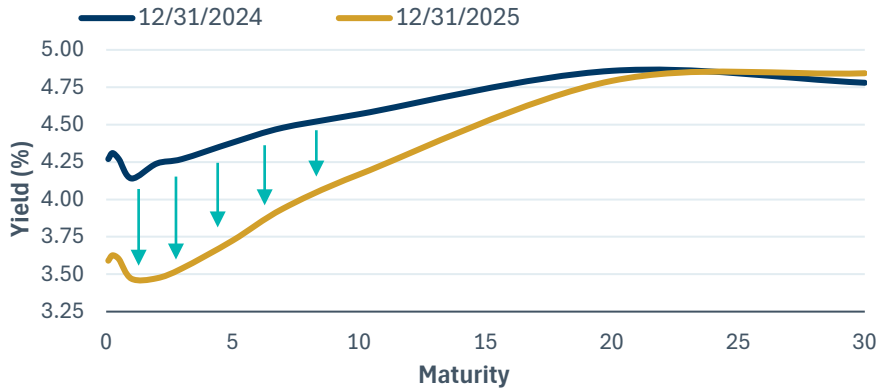
II.

Market and Portfolio Review

U.S. Treasury Rate Environment

As of December 31, 2025

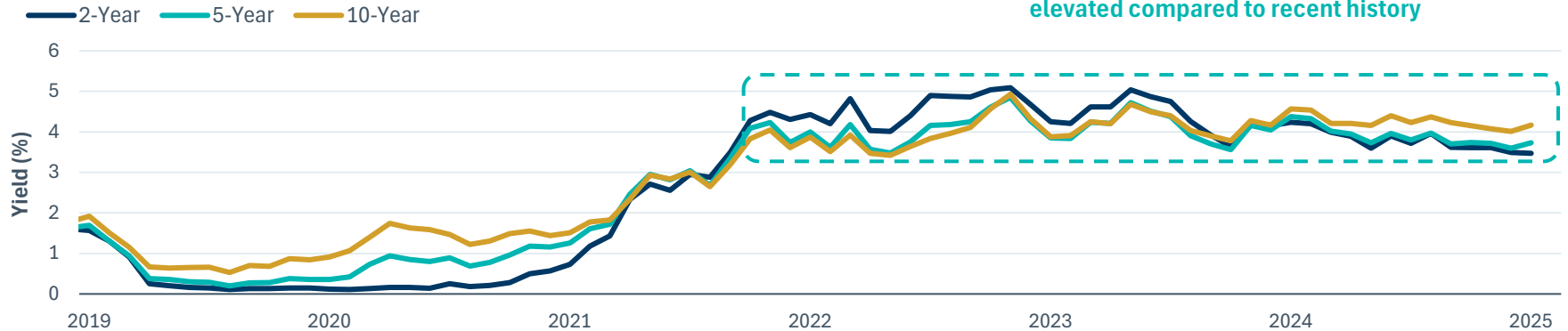
The curve steepened in the fourth quarter, as the market digested Fed rate cuts and further commentary for the 2026 outlook.



UST Tenor	Yields (%) 12/31/2024	Yields (%) 12/31/2025	Bps ▲ YTD
1-month	4.27	3.60	-67
3-month	4.31	3.63	-68
6-month	4.27	3.61	-66
1-year	4.14	3.48	-66
2-year	4.24	3.48	-76
3-year	4.27	3.54	-73
5-year	4.38	3.73	-65
7-year	4.48	3.94	-54
10-year	4.57	4.17	-40
20-year	4.86	4.79	-7
30-year	4.78	4.84	6

Treasury Yields

December 2019 through December 2025

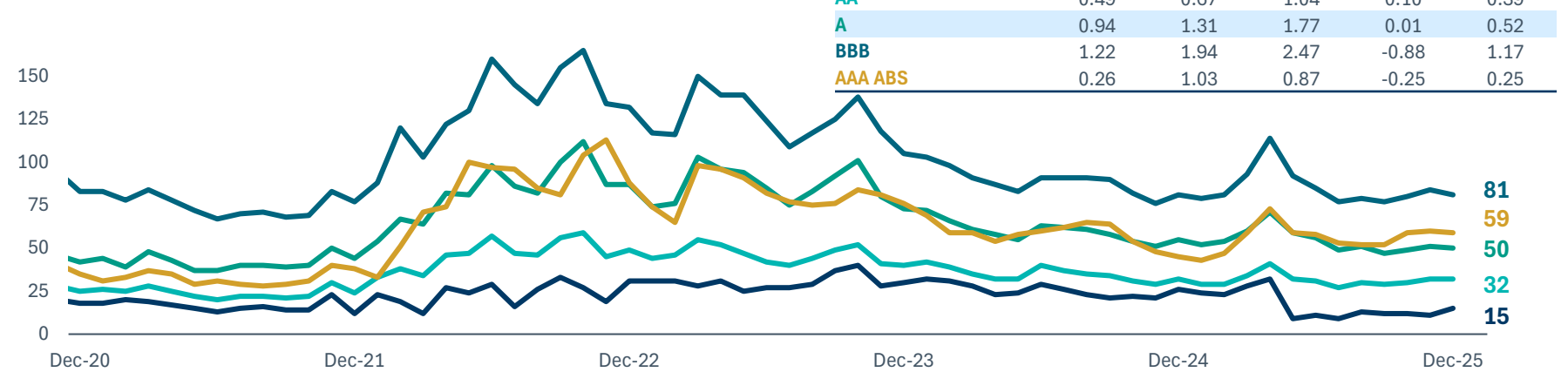


Source: Bloomberg. Past results are not indicative of future performance.

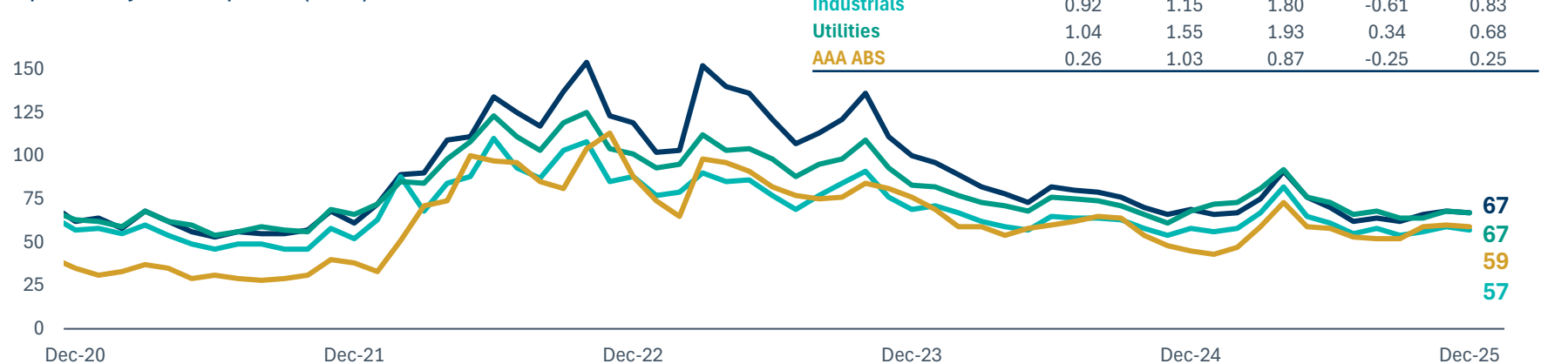
U.S. 1-5 Year Yield Spread and Excess Returns

As of December 31, 2025

Credit Rating Yield Spreads Option Adjusted Spread (OAS)



Sector Yield Spreads Option Adjusted Spread (OAS)



Source: Bloomberg, ICE BofA 1-5 Year Indices. Past results are not indicative of future performance. Figures in percent unless indicated otherwise.

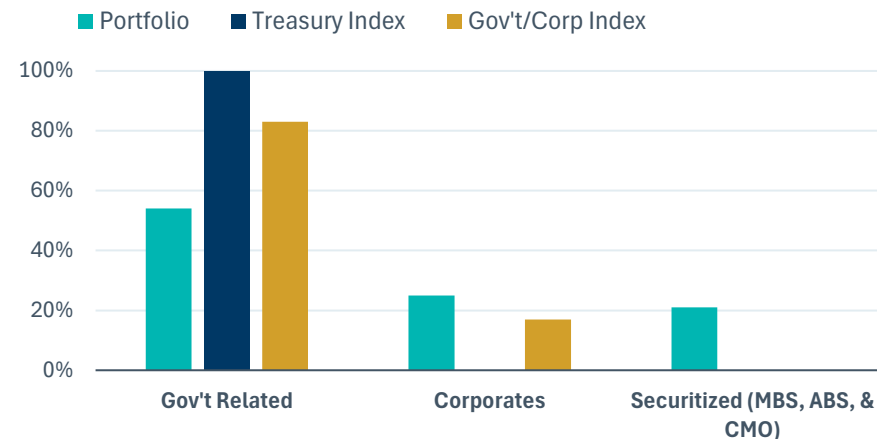
OCTA Portfolio Positioning

As of December 31, 2025

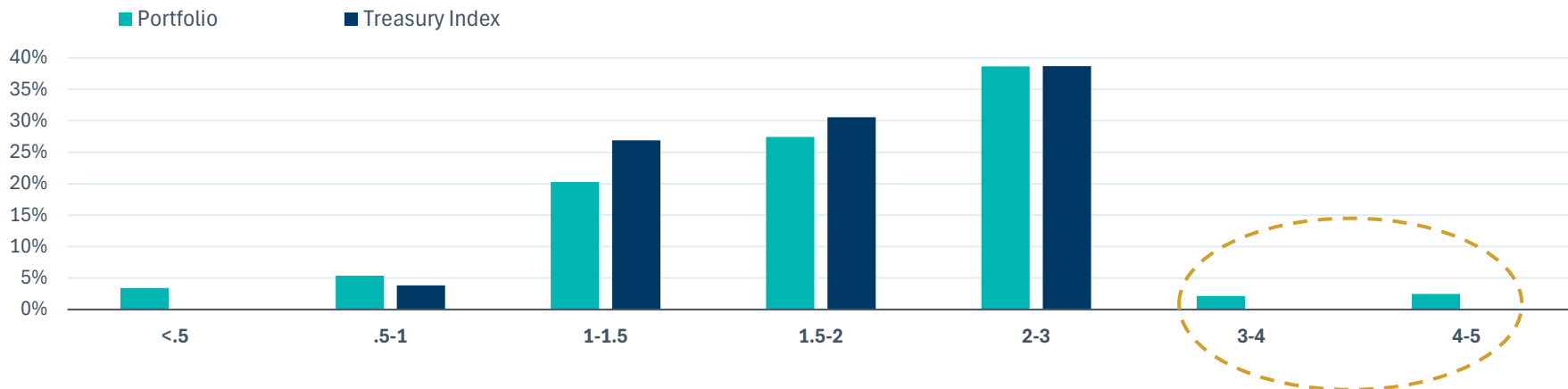
Portfolio Characteristics (1-3 Year)

	12/31/2025	Treasury Benchmark	Govt/Corp Benchmark
Market Value	\$409M	-	-
Yield to Maturity	3.72%	3.50%	3.60%
Effective Duration	1.93 yrs.	1.84 yrs.	1.82 yrs.
Weighted Average Life (WAL)	2.06 yrs.	1.93 yrs.	1.92 yrs.
Average Rating	AA	AA+	AA

Sector Distribution



Duration Distribution



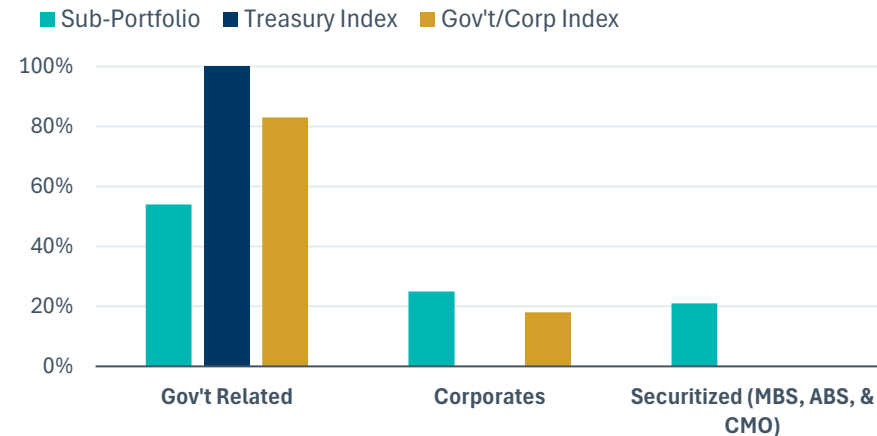
OCTA Sub-Portfolio Positioning

As of December 31, 2025

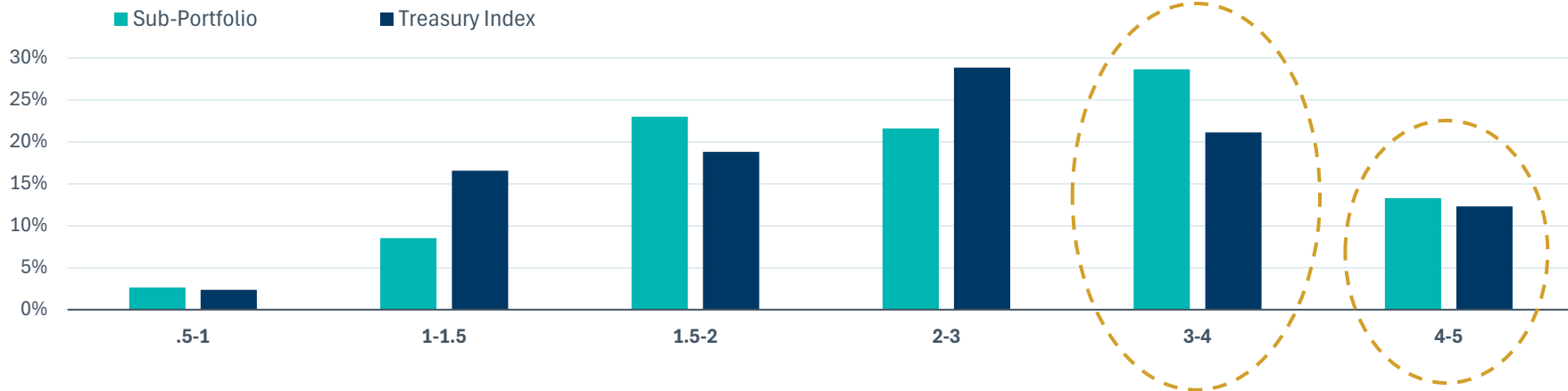
Sub-Portfolio Characteristics (1-5 Year)

	12/31/2025	Treasury Benchmark	Govt/Corp Benchmark
Market Value	\$205M	-	-
Yield to Maturity	3.79%	3.56%	3.66%
Effective Duration	2.64 yrs.	2.54 yrs.	2.55 yrs.
Weighted Average Life (WAL)	2.86 yrs.	2.71 yrs.	2.75 yrs.
Average Rating	AA	AA+	AA

Sector Distribution



Duration Distribution



Portfolio Performance

As of December 31, 2025

	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Since Inception
OCTA Portfolio (%)	5.58	5.00	2.37	3.02
ICE BofA 1-3 Year Treasury Bill Index (%)	5.10	4.47	1.79	2.64
ICE BofA 1-3 Year Govt/Corp AAA-A Bill Index (%)	5.22	4.65	1.91	2.83
	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Since Inception
OCTA Sub-Portfolio (%)	6.20	4.95	n/a	2.60
Blended US Treasury Benchmark (%)*	5.92	4.64	n/a	2.12
Blended US Corp & Govt Benchmark (%)*	5.74	4.44	n/a	1.98

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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