



# **Investment Management Report**

## **MetLife Investment Management**

# Orange County Transportation Authority

FINANCE AND ADMINISTRATION COMMITTEE MEETING

FEBRUARY 24, 2021

Scott Pavlak, CFA – Portfolio Management

Erin Klepper – Client Service



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# 1. MetLife Investment Management Overview

# Overview

**MetLife Investment Management (MIM)**<sup>1</sup> manages Public Fixed Income, Private Capital and Real Estate assets for institutional investors worldwide by applying our deep asset class expertise to build tailored portfolio solutions. We also leverage the broader resources and 150-year history of MetLife to skillfully navigate markets.

## MIM Highlights

Total Assets Under Management of \$651.1 billion<sup>2</sup> as of September 30, 2020

Separate accounts, proprietary commingled funds and client-specific portfolio solutions

Experienced and tenured investment teams

Deep fundamental research

Leverages the broader resources of the MetLife enterprise

## Global Presence<sup>1,3</sup>



1. As of September 30, 2020, subsidiaries of MetLife, Inc. that provide investment management services to MetLife's general account, separate accounts and/or unaffiliated/third party investors include Metropolitan Life Insurance Company, MetLife Investment Management, LLC, MetLife Investment Management Limited, MetLife Investments Limited, MetLife Investments Asia Limited, MetLife Latin America Asesorias e Inversiones Limitada, MetLife Asset Management Corp. (Japan), and MIM I LLC.

2. As of September 30, 2020. At estimated fair value. See Appendix – End Notes for additional information.

3. Illustration shown depicts locations of select MIM regional offices, chosen in MIM's discretion; not a complete representation of MIM's regional offices.

# Short Duration Fixed Income Team

Portfolio Management		
Name	Responsibility	Industry Experience (yrs)
<b>Scott Pavlak, CFA</b>	Head of Short Duration Fixed Income	33
<b>Juan Peruyero</b>	Portfolio Manager	20

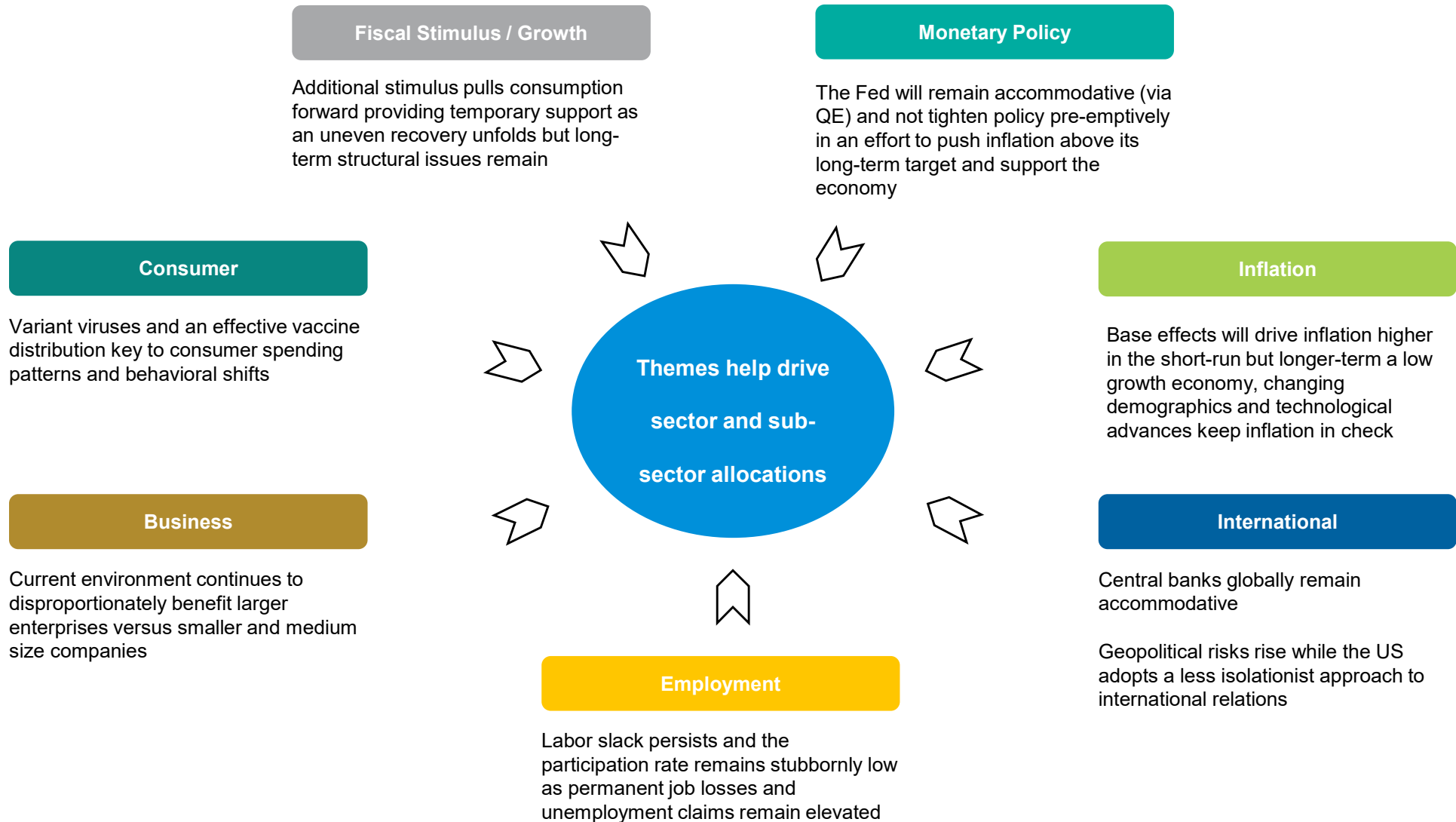
Portfolio Management Support		
Name	Sector	Industry Experience (yrs)
<b>David Wheeler, CFA</b>	Credit	34
<b>Steve Kelly, CFA</b>	Credit	32
<b>Kimberley Slough</b>	Municipals	27
<b>John Palphreyman, CFA</b>	Structured Products	21
<b>Phil Tran</b>	Treasuries, Agencies, Money Markets	17

Trading			
Name	Role	# of Traders	Average Industry Experience (yrs)
<b>Dana Cottrell</b>	Head of Investment Grade Trading	5	14
<b>Thomas McClintic</b>	Head of High Yield Trading	3	18
<b>Jason Valentino</b>	Head of Structured Products Trading	8	15

Research			
Name	Role	# of Analysts	Average Industry Experience (yrs)
<b>Brian Funk, CFA</b>	Head of Credit Research		23
<b>Ian Bowman</b>	Sector Leader – Consumer & Healthcare	7	17
<b>Park Benjamin, CFA</b>	Sector Leader – Energy, Basics, Materials	7	12
<b>Scott O'Donnell</b>	Sector Leader – Financials	10	15
<b>Richard Davis, CFA</b>	Sector Leader – Industrials	7	18
<b>Zach Bauer, CFA</b>	Sector Leader – Telecom, Media, Technology	7	15
<b>Susan Young</b>	Sector Leader – Utilities & Midstream	8	13
<b>Brent Garrels</b>	Sector Leader – Special Situations	2	17
<b>Joseph Gankiewicz, CFA</b>	Sector Leader – Municipals	5	25
	Credit Strategy	2	16
Name	Role	# of Analysts	Average Industry Experience (yrs)
<b>Francisco Paez, CFA</b>	Head of Structured Products Research		24
<b>Loritta Cheng</b>	Sector Leader – ABS	2	17
<b>Meena Pursnani</b>	Sector Leader – CMBS	2	23
<b>Vivian Kim, CFA</b>	Sector Leader - RMBS	1	14
<b>Angela Best</b>	Sector Leader – CLO	2	14

## 2. Market Review

# Current Themes



The views present are MetLife Investment Management's only, are subject to change, and may not reflect the manager's current views.



# Global Negative-Yielding Debt

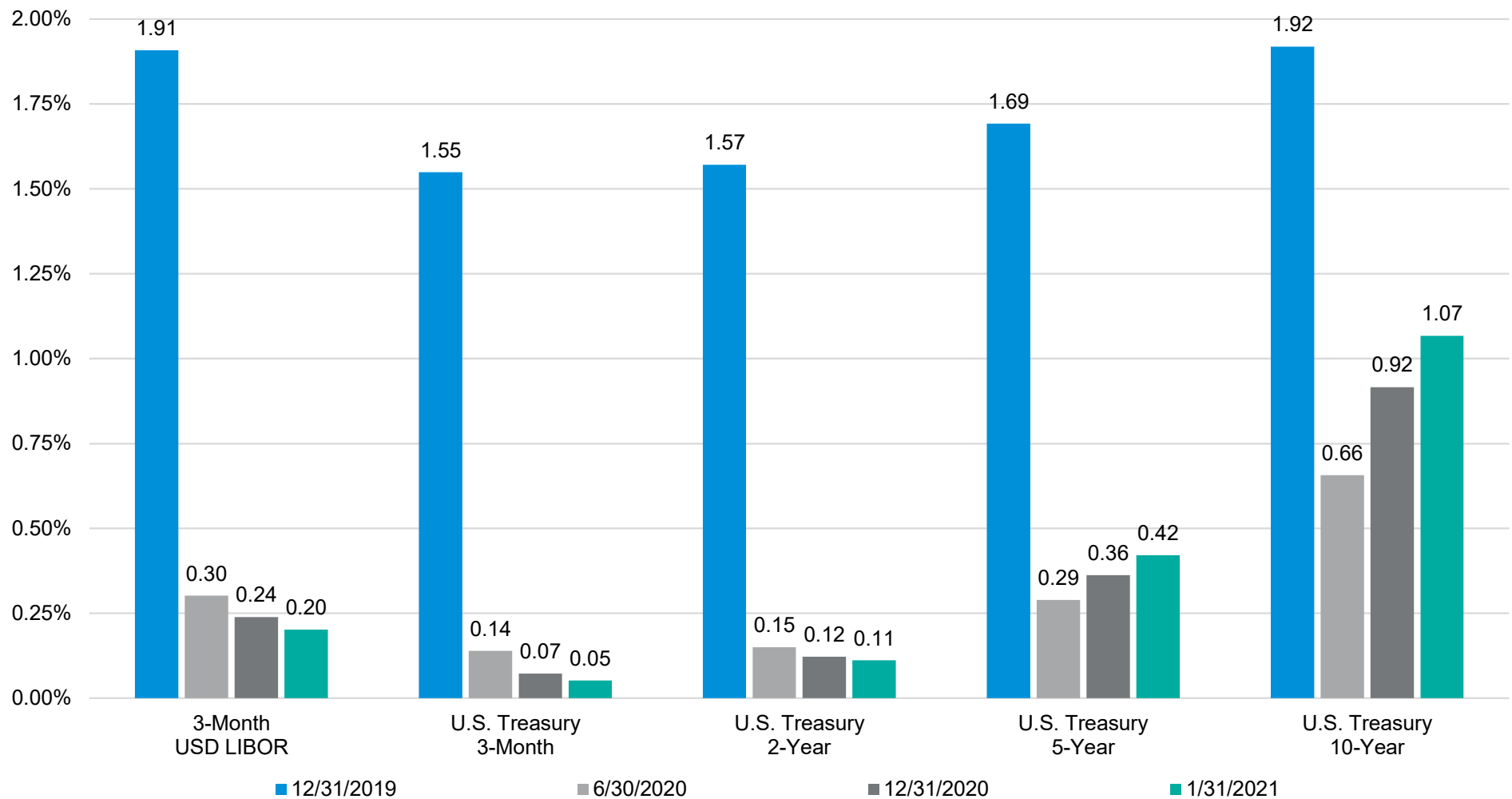
As of January 31, 2021



Source: Bloomberg

# Yields

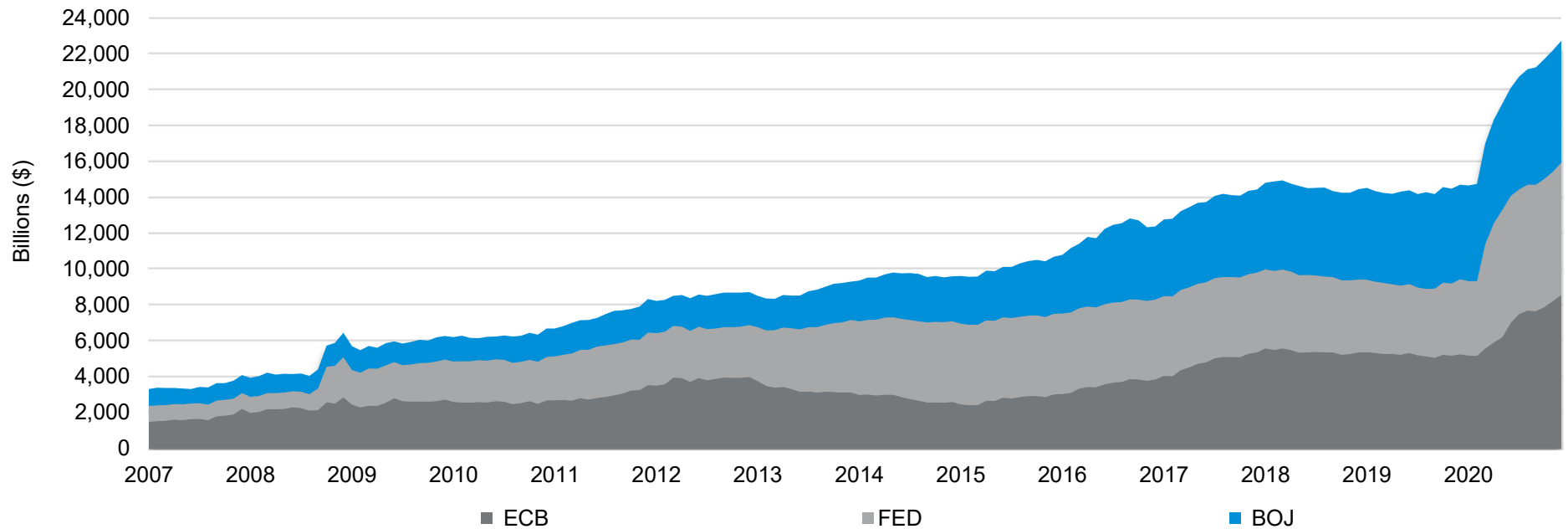
As of January 31, 2021



Source: Bloomberg

# Central Bank Assets

As of December 31, 2020

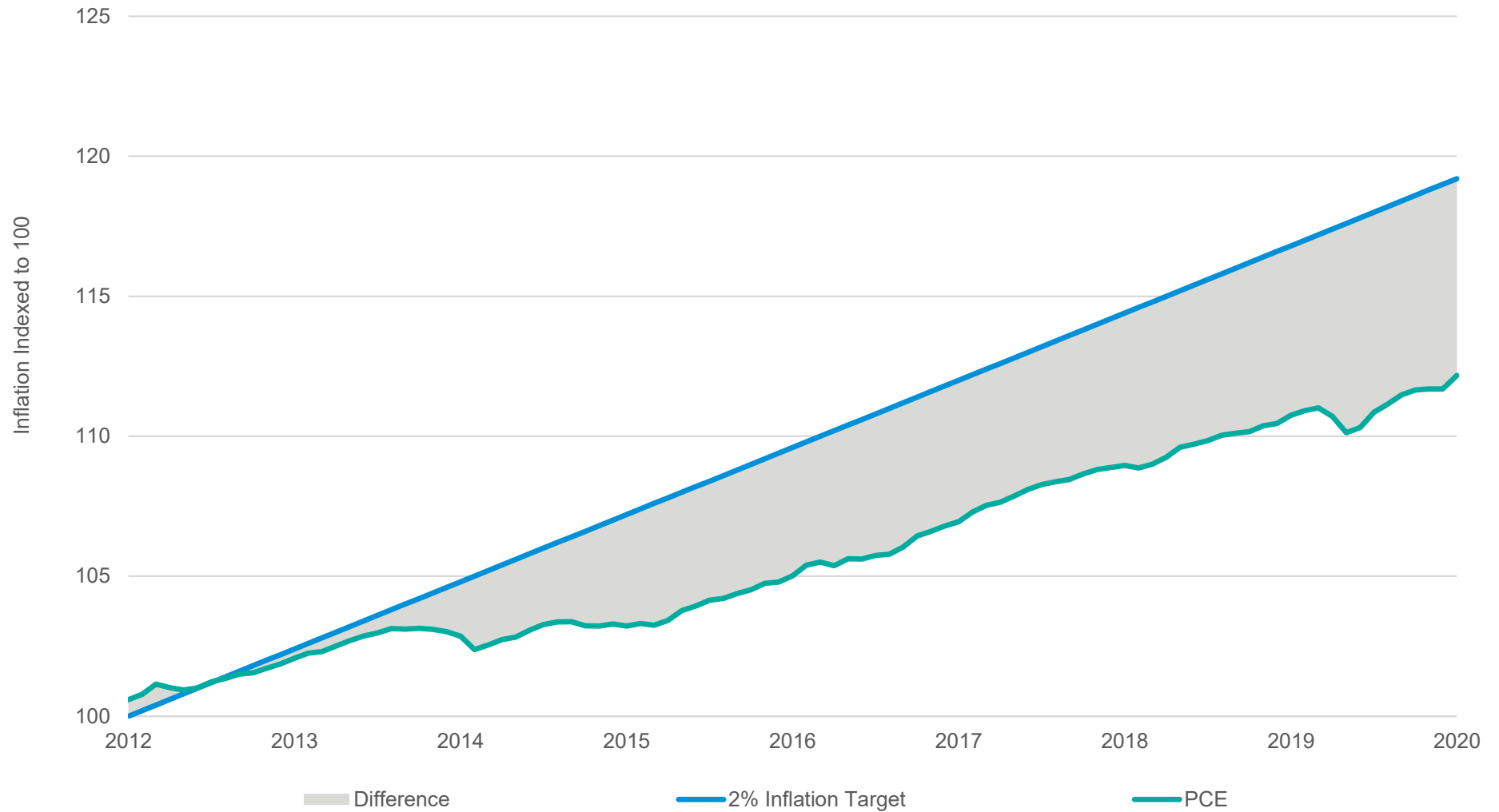


Central Bank	12/31/2008	12/31/2014	12/31/2018	12/31/2019	12/31/2020	1-Year % Change
European Central Bank	\$2,855	\$2,601	\$5,354	\$5,261	\$8,569	+63%
Federal Reserve	\$2,239	\$4,498	\$4,076	\$4,174	\$7,363	+76%
Bank of Japan	\$1,354	\$2,506	\$5,033	\$5,276	\$6,807	+29%
<b>Total</b>	<b>\$6,448</b>	<b>\$9,605</b>	<b>\$14,463</b>	<b>\$14,711</b>	<b>\$22,739</b>	<b>+55%</b>

Source: European Central Bank, Federal Reserve, Bank of Japan

# Fed Inflation Target

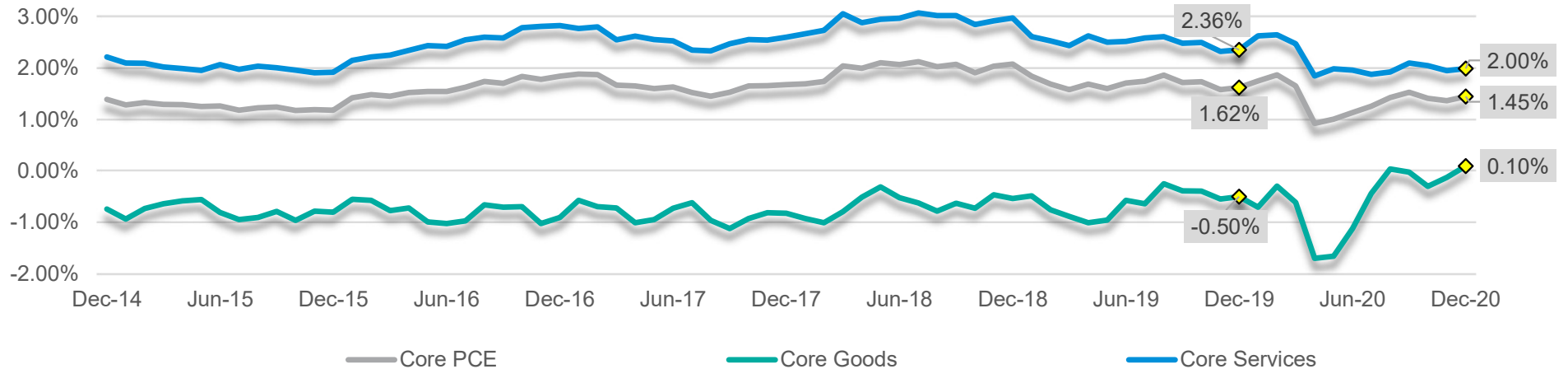
As of December 31, 2020



Source: Bureau of Economic Analysis

# Inflation

PCE Core Breakdown (as of December 31, 2020)



5-Year TIPS Breakeven Rate (as of January 31, 2021)



Source: Bureau of Economic Analysis, Bloomberg

# ICE BofA Corporate 1-5 Year Index

As of December 31, 2020

OCTA Corporate Allocation					
	Dec 18	Jun 19	Dec 19	Jun 20	Dec 20
ICE BofA 1-5 Yr Corporate OAS ( <i>bps</i> )	114	81	61	111	60
OCTA	29%	29%	22%	27%	23%

OAS ( <i>bps</i> )	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Corporate (1-5)	174	70	61	65	62	196	639	166	136	227	110	89	99	121	96	61	114	61	60
Financial (1-5)	165	51	50	57	56	212	663	204	158	308	126	93	96	104	100	60	116	63	62
Industrial (1-5)	176	86	73	75	69	181	624	135	116	164	96	85	103	134	92	61	112	59	57
Utility (1-5)	236	79	63	73	71	175	576	155	131	169	110	99	89	120	101	64	126	70	63

Source: ICE Data Services

Past performance is not indicative of future results.

# Short Duration Cross Sector Relative Value

As of December 31, 2020

Category		WAL (Years)	Min (bps)	Date Range: 01/02/2020 to 12/31/2020*		Max (bps)	BOP (bps)	EOP (bps)	Spread Change (bps)
Credit (1-5 Year)	Overall	2.5	58			430	61	60	-1
	1-5 Year A Corp	2.5	42			309	48	42	-6
	1-5 Year BBB Corp	2.5	78			463	82	82	0
	Financial	2.5	59			376	63	63	0
	Industrial	2.5	57			362	59	58	-1
	Utility	2.5	63			313	70	63	-7
Municipals (1-5 Year)	Taxable	2.5	44			239	60	70	10
Agency RMBS	CMO PAC	3.0	41			106	63	41	-22
	CMO Sequentials	3.0	44			110	65	44	-21
ABS	Auto Floorplan AAA	3.0	29			400	59	29	-30
	Auto Lease AAA	3.0	29			237	48	31	-17
	Auto Prime AAAL	3.0	23			220	40	25	-15
	Auto SubPrime AAAL	3.0	31			237	50	33	-17
	Credit Card AAAL	3.0	20			220	28	22	-6
	Equipment AAA	3.0	33			230	55	36	-19
CMBS	CMBS Agency AAA	3.0	20			150	35	23	-12
	Conduit AAA	3.0	32			210	43	33	-10

Source: ICE Data Services, MetLife Investment Management  
Past performance is not indicative of future results.

### 3. Portfolio Review

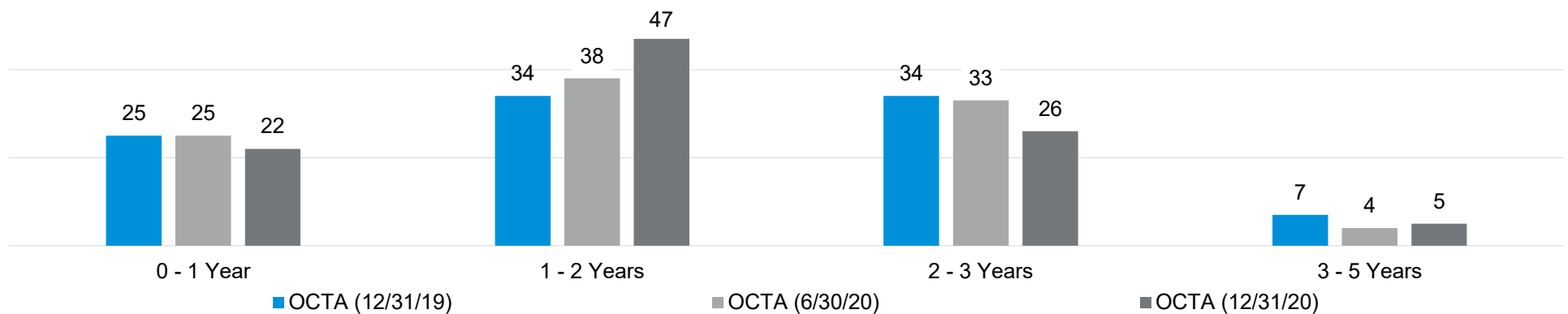


# Portfolio Review

As of December 31, 2020

	12/31/19	6/30/20	12/31/20	ICE BofA U.S. Corp & Gov A+ 1-3 Year <sup>1</sup> (12/31/20)
<b>Yield to Maturity</b>	1.81%	0.56%	0.37%	0.19%
<b>Duration</b>	1.72 Years	1.66 Years	1.66 Years	1.89 Years
<b>Spread Duration</b>	0.95 Years	1.08 Years	1.20 Years	0.46 Years
<b>Fixed / Floater</b>	92% / 8%	94% / 6%	95% / 5%	100% / 0%
<b>Average Quality (Moody's)</b>	Aa1	Aa1	Aa1	Aa1

**Duration Distribution (% Market Value)**



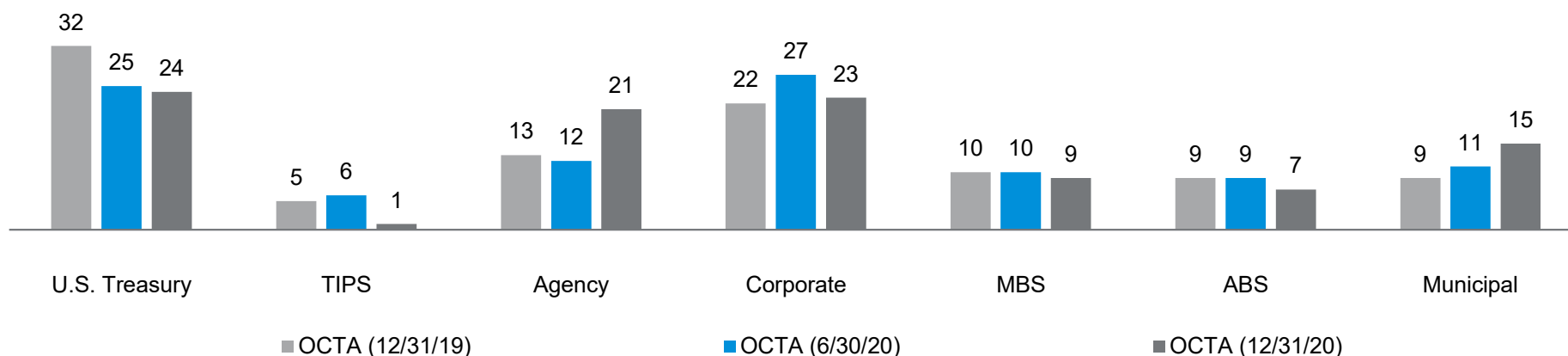
Past performance is not indicative of future results.

<sup>1</sup> The performance benchmark for the Orange County Transportation Authority portfolio is the ICE BofA U.S. Treasury 1-3 Year Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to three years, inclusive, reflecting total return. The ICE BofA U.S. Corporate & Government, A and above, 1-3 Year Index, which is a broad-based Index consisting of U.S. Corporate and Government securities with an outstanding par greater than or equal to \$250 million and a maturity range from one to three years, and securities rated AAA through A3, inclusive reflecting total return, and is presented here for discussion purposes only.

# Portfolio Review

As of December 31, 2020

**Sector Distribution (% Market Value)**



**Quality Ratings<sup>1</sup>**

	12/31/19	6/30/20	12/31/20
Government Guaranteed / Agency	56.5%	48.5%	49.7%
AAA	14.0%	15.9%	14.4%
AA	9.0%	16.2%	18.4%
A	20.5%	19.4%	17.5%

Past performance is not indicative of future results.

1. For split-rated securities, the Orange County Transportation Authority portfolio uses higher of ratings. Government Guaranteed and AGY ratings are generally Aaa/AA+/AAA ratings but may include other lower A and AA ratings equivalents. For more information about individual security ratings please see the monthly account statement prepared by MetLife Investment Management, LLC.

# Portfolio Performance<sup>1</sup>

As of December 31, 2020

	1-Year
<b>Orange County Transportation Authority – Gross of Fees</b>	<b>3.67%</b>
ICE BofA U.S. Treasury 1-3 Year <sup>1</sup>	3.10%
ICE BofA U.S. Corp & Gov't 1-3 Year A and above <sup>1</sup>	3.24%

## Performance Attribution<sup>2</sup>

	Duration/ Yield Curve	Government	Corporate	Municipal	Mortgage/ ABS	Excess Return
vs ICE BofA U.S. Treasury 1-3 Year (YTD)	8	-6	35	14	6	57
vs ICE BofA U.S. Corp & Gov A+ 1-3 Year (YTD)	7	-9	25	14	6	43

Past performance is not indicative of future results. Since Inception, performance is since account's first full monthly reporting period and does not include returns for any partial period. Performance returns for periods greater than 1 year are annualized. Returns are shown gross of fees and do not reflect the deduction of investment advisory fees. Actual performance will be reduced when advisory fees are deducted.

1. The performance benchmarks for the Orange County Transportation Authority portfolio are the ICE BofA U.S. Treasury 1-3 Year, Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to three years, reflecting total return and the ICE BofA U.S. Corporate & Government, A and above, 1-3 Year Index, which is a broad-based Index consisting of U.S. Corporate and Government securities with an outstanding par greater than or equal to \$250 million and a maturity range from one to three years, and securities rated AAA through A3, inclusive reflecting total return, and is presented here for discussion purposes only.

2. Treasury sector selection attribution is included in Duration figure. In Basis Points.

## 4. Appendix

# Senior Team Biographies



## Jude Driscoll

Executive Vice President and Head of Public Fixed Income

Mr. Driscoll is head of MIM's Public Fixed Income business unit. He joined MIM in September 2017, in connection with the acquisition of Logan Circle Partners (LCP) by MetLife. Mr. Driscoll founded LCP in 2007 and served as Chief Executive Officer and Chief Investment Officer. Prior to founding LCP, he was the president and chief executive officer of Delaware Investments. He joined Delaware Investments in 2000 as the head of fixed income and was appointed president and chief executive officer in 2003. Prior to joining Delaware Investments, he was senior vice president of the fixed income group and director of investment processes at Consecro Capital Management from 1998 to 2000. He was previously a managing director of NationsBanc Montgomery Securities from 1996 to 1998 and was head of utility trading for Goldman Sachs from 1991 to 1996. His first tenure at Consecro began in 1989, where he served as vice president, portfolio manager. A native of Boston, Mr. Driscoll received a Bachelor of Science degree in economics from the University of Pennsylvania. He is a trustee for the Center for Community Partnerships at the University of Pennsylvania.



## Scott Pavlak, CFA

Head of Short Duration Fixed Income

Mr. Pavlak is a portfolio manager and leads Short Duration for MIM's Public Fixed Income business unit. He is a portfolio manager for the Short Term Actively Managed Program (STAMP). He joined MIM in September 2017 in connection with the acquisition of Logan Circle Partners (LCP) by MetLife. He served as a portfolio manager for the STAMP strategies at LCP. Prior to joining LCP in 2008, he was a senior managing director and head of fixed income at Bear Stearns Asset Management. He joined Bear Stearns & Co. in 1990 and BSAM in 1992, where he was responsible for BSAM's traditional strategies that included cash, enhanced cash, short-term, intermediate, core and core plus. Prior to joining Bear Stearns, he was a vice president and senior investment officer at Beechwood Securities, specializing in fixed income investments. Mr. Pavlak received a Bachelor of Science degree in finance from Fairleigh Dickinson University, earned an MBA in finance and economics from the Stern School of Business at New York University. He is a CFA® charterholder.



## Juan Peruyero

Portfolio Manager

Mr. Peruyero is a portfolio manager and member of the short duration team for MetLife Investment Management (MIM) Public Fixed Income. Prior to his current role, he was head of credit strategy, responsible for developing MIM's top-down strategy for corporate credit via evaluation of fundamentals and relative value across numerous asset classes globally. Mr. Peruyero has over 20 years of extensive experience across the credit spectrum including credit research, bank loans, high yield bonds, investment grade, emerging markets, bridge loans and hedge funds. Prior to becoming the global credit strategist, he was a co-portfolio manager on an internal long/short credit opportunity fund for approximately three years. Mr. Peruyero received his Bachelor of Science in accounting from The College of New Jersey and his MBA in finance from New York University Stern School of Business. He also is a Certified Public Accountant.



## Erin Klepper

Portfolio Specialist

Ms. Klepper is a member of the Short Duration team in MIM's Public Fixed Income business unit. Previously she assisted in managing MetLife's Workout Unit portfolio through the restructuring of distressed or defaulted corporate credits. Ms. Klepper has been with MetLife for sixteen years and has thirteen years investments experience, including three years of credit analysis. She has held various positions across MetLife Investments including trading assistant for the High Yield/ Bank Loan/ Emerging Markets trading desk and internal Hedge Fund as well as a Bank analyst in the Global Credit Research unit. Previously, she worked at the Bank of New York as a Corporate Trust Associate in the International Structured Finance Unit and at Deutsche Bank in the Project Finance Unit as a Client Service Administrator. Ms. Klepper received both her B.S. and MBA from Rider University where she graduated Magna cum laude and is a member of the Beta Gamma Sigma International Honor Society.

# Disclaimers

**This material is intended for institutional investor, qualified investor and financial professional use only. Not suitable for use with general retail public.**

**Your capital is at risk. Investing in the strategies discussed herein are subject to various risks which must be considered prior to investing.** These risks may include, but are not limited to **Liquidity Risk, Interest Rate Risk, Credit Risk, Prepayment Risk, and Counterparty Risk**. For a more complete list please contact your sales representative.

**Risk of loss** An investment in the strategy described herein is speculative and there can be no assurance that the strategy's investment objectives will be achieved. Investors must be prepared to bear the risk of a total loss of their investment.

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1. As of September 30, 2020, subsidiaries of MetLife, Inc. that provide investment management services to MetLife's general account, separate accounts and/or unaffiliated/third party investors include Metropolitan Life Insurance Company, MetLife Investment Management, LLC, MetLife Investment Management Limited, MetLife Investments Limited, MetLife Investments Asia Limited, MetLife Latin America Asesorias e Inversiones Limitada, MetLife Asset Management Corp. (Japan), and MIM I LLC.

# Disclaimers (Cont'd)

## **Forward-Looking Statements:**

This document may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words and terms such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “will,” and other words and terms of similar meaning, or are tied to future periods in connection with a discussion of future performance. Forward-looking statements are based MIM’s assumptions and current expectations, which may be inaccurate, and on the current economic environment which may change. These statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties and other factors that might cause such differences include, but are not limited to: (1) difficult conditions in the global capital markets; (2) changes in general economic conditions, including changes in interest rates or fiscal policies; (3) changes in the investment environment; (4) changed conditions in the securities or real estate markets; and (5) regulatory, tax and political changes. MIM does not undertake any obligation to publicly correct or update any forward-looking statement if it later becomes aware that such statement is not likely to be achieved.

# End Notes

## Explanatory Note

The following information is relevant to an understanding of our assets under management ("AUM"). Our definitions may differ from those used by other companies.

**Total Assets Under Management** ("Total AUM") is comprised of GA AUM plus Institutional Client AUM (each, as defined below).

**General Account AUM** ("GA AUM") is used by MetLife to describe assets in its general account ("GA") investment portfolio which are actively managed and stated at estimated fair value. GA AUM is comprised of GA total investments and cash and cash equivalents, excluding policy loans, other invested assets, contractholder-directed equity securities and fair value option securities, as substantially all of these assets are not actively managed in MetLife's GA investment portfolio. Mortgage loans (including commercial, agricultural and residential) and real estate and real estate joint ventures included in GA AUM (at net asset value, net of deduction for encumbering debt) have been adjusted from carrying value to estimated fair value. Classification of GA AUM by sector is based on the nature and characteristics of the underlying investments which can vary from how they are classified under GAAP. Accordingly, the underlying investments within certain real estate and real estate joint ventures that are primarily commercial mortgage loans (at net asset value, net of deduction for encumbering debt) have been reclassified to exclude them from real estate equity and include them as commercial mortgage loans.

**Institutional Client AUM** is comprised of SA AUM plus TP AUM (each, as defined below). MIM manages Institutional Client AUM in accordance with client guidelines contained in each investment contract ("Mandates").

**Separate Account AUM** ("SA AUM") is comprised of separate account investment portfolios of MetLife insurance companies, which are managed by MetLife and included in MetLife, Inc.'s consolidated financial statements at estimated fair value.

**Third Party AUM** ("TP AUM") is comprised of non-proprietary assets managed by MetLife on behalf of unaffiliated/third party clients, which are stated at estimated fair value. Such non-proprietary assets are owned by unaffiliated/third-party clients and, accordingly, are not included in MetLife, Inc.'s consolidated financial statements.

Additional information about MetLife's general account investment portfolio is available in MetLife, Inc.'s quarterly financial materials for the quarter ended March 31, 2020, which may be accessed through MetLife's Investor Relations web page at <https://investor.metlife.com>.





# **MetLife Investment Management**