



Payden & Rygel

LOS ANGELES | BOSTON | LONDON | MILAN

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

Economic and Market
Update

February 14, 2024



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.



Siddharth Saravat

Vice President – Economist – Joined 2014

Siddharth Saravat is a Vice President and Economist at Payden & Rygel. As part of the economics team, he is responsible for researching and developing views on the US and global economy. He focuses on global economic growth drivers, the visualization of data, the US labor market, and new approaches to economic activity tracking through high-frequency data.

Born in India and raised in Thailand, Siddharth brings a global perspective to Payden & Rygel. Before joining the firm, he also spent time as a diplomatic attaché at the United Kingdom Mission to the United Nations, focusing on economic and financial issues. He serves as a Vice Chair on the Occidental College Fund Executive Council, encouraging fundraising from young alumni.

Siddharth earned a Master's in Financial Engineering (MFE) from the UCLA Anderson School of Business and a BA in Economics from Occidental College in Los Angeles, graduating cum laude. He is a CFA Level II candidate.



Orange County Transportation Authority Executive Summary – As of 1/30/2024

Portfolio Characteristics

Mandate: Short maturity bond portfolios subject to California Government Code
Total OCTA Assets Under Management: \$506 million

	OCTA	OCTA – 405 Imp. Project
Inception Date	February 2000	June 2021
Portfolio Market Value	\$372 Million	\$134 Million
Average Portfolio Credit Quality	AA	AA
Average Duration	1.8	1.8
Average Yield-to-Maturity	4.8%	4.8%

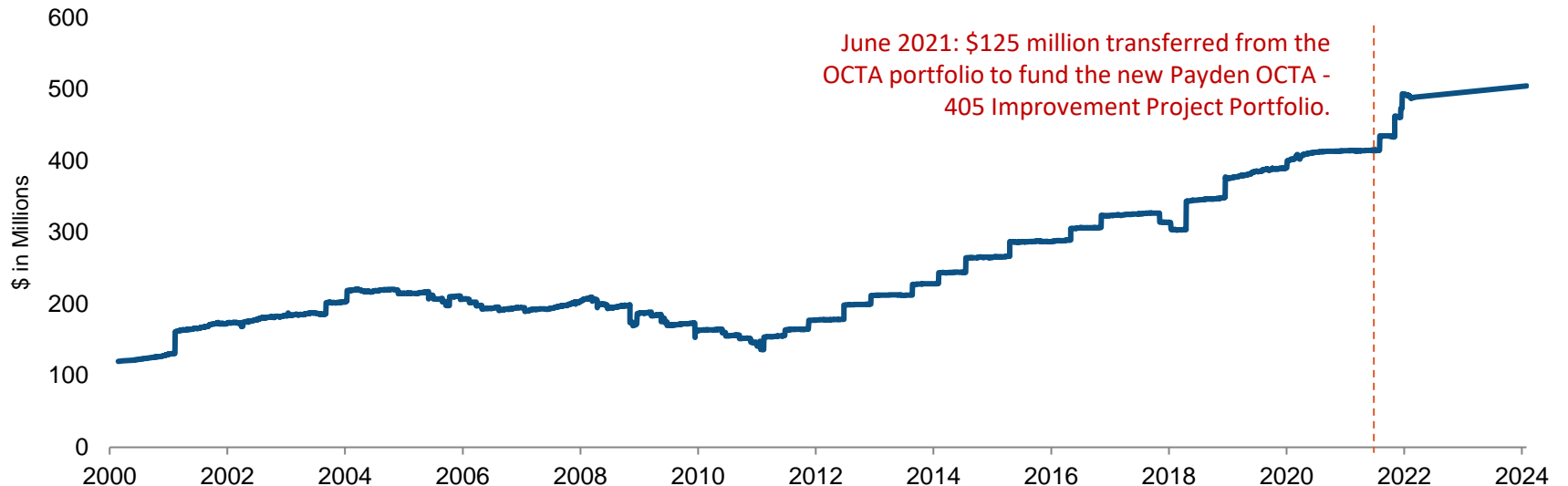
Objectives

- 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 Year Government/Corporate AAA-A

Market Value History Since Inception





Payden: Who We Are

OUR FIRM

ESTABLISHED IN 1983

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

\$151 BILLION AUM

A fully-resourced and 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 & RYGEL OFFICES



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I Portfolio Review

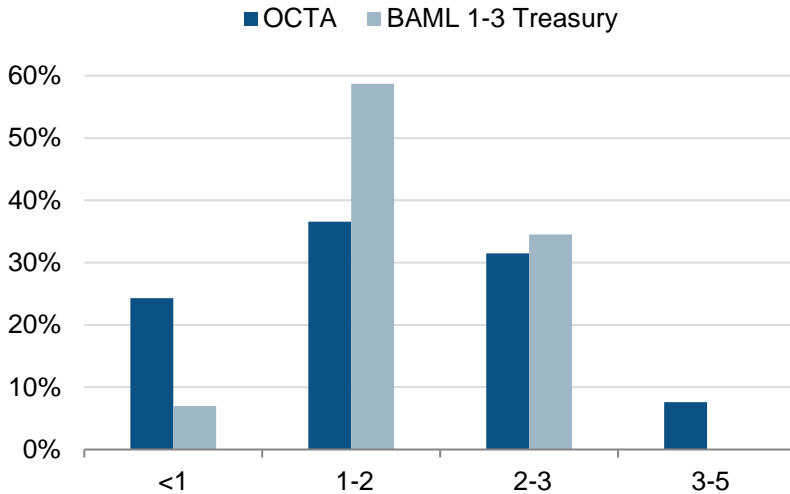


OCTA Portfolio Characteristics as of January 30, 2024

OCTA Portfolio and Benchmark Characteristics

	Portfolio Market Value	Average Duration	YTM
OCTA	\$372M	1.8	4.8%
OCTA 405 Imp. Project³	\$134M	1.8	4.8%
BAML 1-3 Treasury	-	1.8	4.4%
BAML 1-3 Govt/Corp AAA-A	-	1.7	4.6%

Duration Distribution



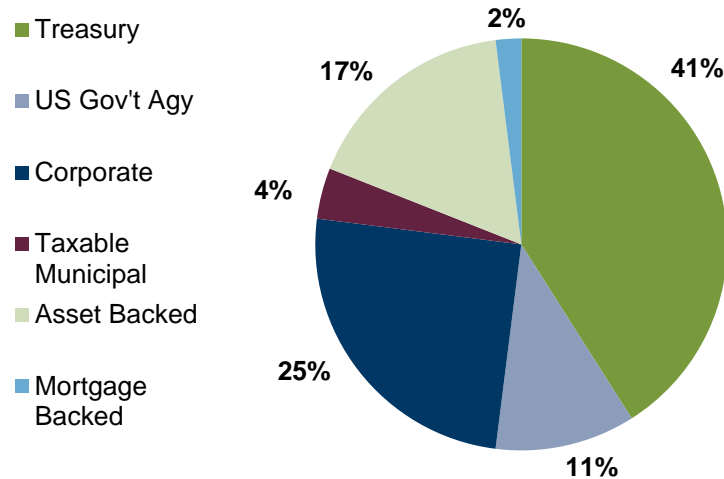
Strategy Themes

- Maintain neutral duration to reduce interest rate exposure
- Overweight to diversified mix of credit sectors for income generation
- Allocate to high-quality asset-backed and mortgage-backed securities for their added yield and diversification benefits

Portfolio Return (12/31/2023) – Periods Over One Year Annualized

	1 Year	3 Years	5 Years	July 1, 2021	March 1, 2000
OCTA	4.9%	0.6%	1.8%	0.7%	2.8%
OCTA 405 Imp. Project³	4.9%	-	-	0.7%	-
BAML 1-3 Treasury	4.3%	0.0%	1.3%	0.0%	2.5%
BAML 1-3 Govt/Corp AAA-A	4.5%	0.1%	1.4%	0.1%	2.7%

Sector Allocation



¹Bank of America Merrill Lynch 1-3 year Treasury

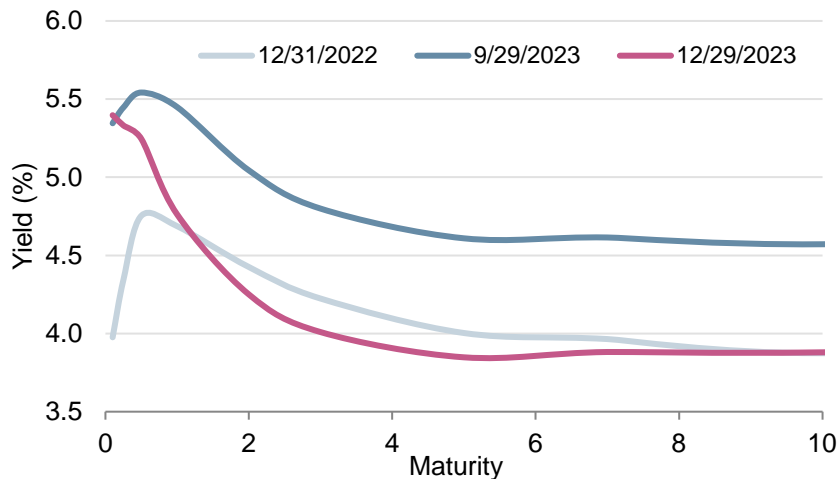
²Bank of America Merrill Lynch 1-3 Government/Corporate, AAA-A

³OCTA 405 Imp. Project performance start date is July 1, 2021



U.S. Treasury Rate Environment

As of December 31, 2023



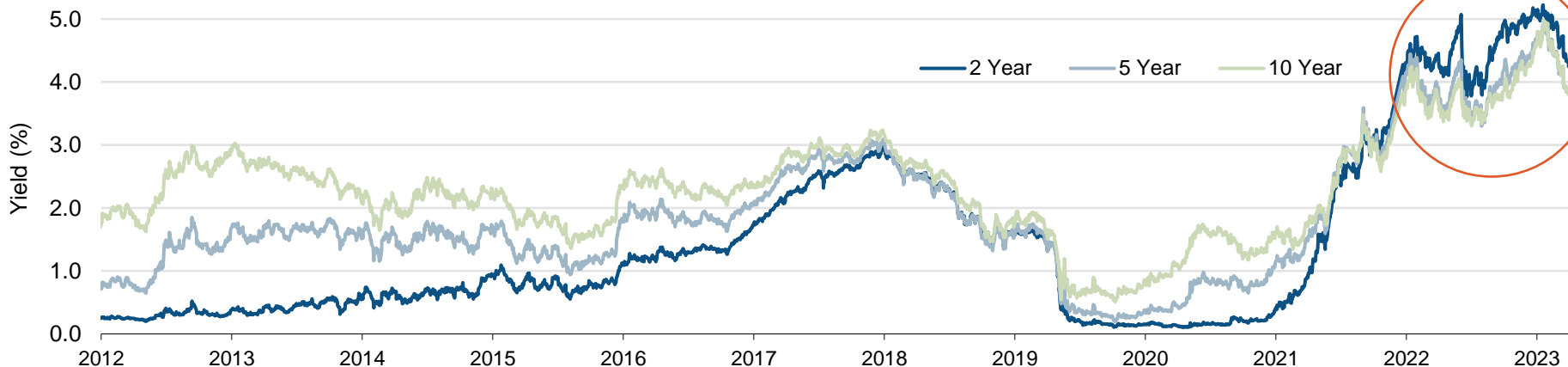
U.S. Treasury Yields

UST Tenor	Yields (%) 12/31/2022	Yields (%) 12/29/2023	Bps ▲ YTD
1-month	3.98	5.40	+142
3-month	4.34	5.33	+99
6-month	4.75	5.25	+49
1-year	4.69	4.76	+8
2-year	4.43	4.25	-18
3-year	4.22	4.01	-22
5-year	4.00	3.85	-16
7-year	3.97	3.88	-8
10-year	3.87	3.88	+0
30-year	3.96	4.03	+7

Source: Bloomberg. Figures in percent unless indicated otherwise. Bps: basis points

Treasury Yields – December 2013 through December 2023

Treasury yields have spiked



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



II Economic and Market Update



2024 U.S. Macroeconomic Outlook: GDP Growth Defying Expectations Again!?

Our base case for 2024 is for GDP growth at or near trend (2%), a sub-4% unemployment rate, and moderating core inflation. In short, a “soft landing.” And, if core inflation descends below 3% year-over-year in 2024, the Fed will likely reduce rates to avoid “overtightening.”

Indicators	Payden 2024 Forecast	Bloomberg Consensus*	Median FOMC Projection ⁺
Economic Growth Q4/Q4 Real GDP % Change	2.0%	1.0%	1.4%
Labor Markets Unemployment Rate Level at Year End	3.9%	4.2%	4.1%
U.S. Inflation % Change Year-Over-Year by Year-End, Core PCE	2.4%	2.3%	2.4%
Policy Rate (Fed Funds Rate)	4.50-4.75%	4.25-4.50%	4.50-4.75%

Consensus implies a sharper slowdown.

Fed will likely cut 3 times in 2024 if our inflation forecast is correct

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

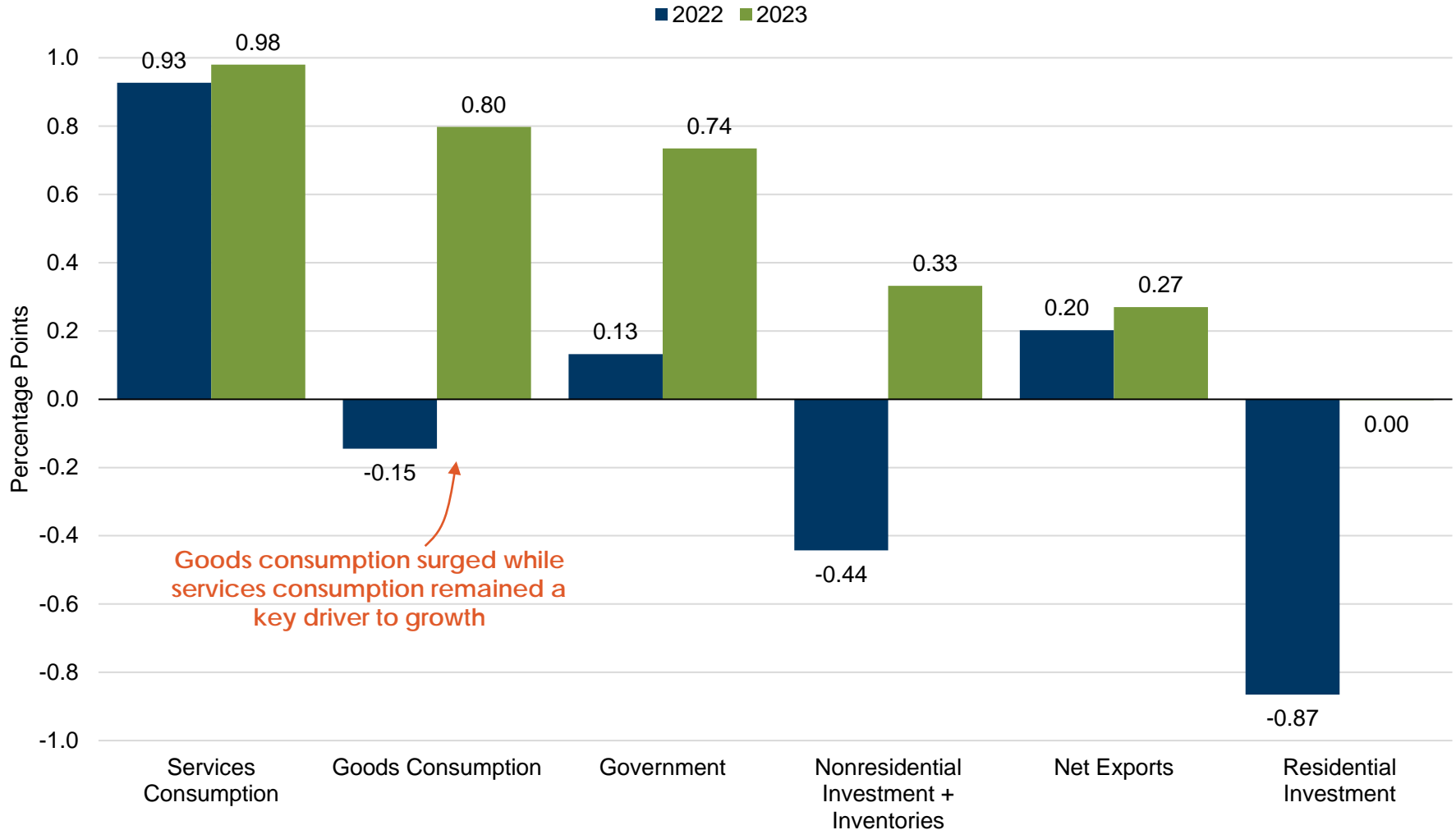
*Bloomberg surveys estimate quarterly averages

⁺As of the December 2023 Meeting



What Improved Over 2023? In Two Words, Consumers & Housing!

Average Contribution to Real GDP Growth In 2022 and 2023

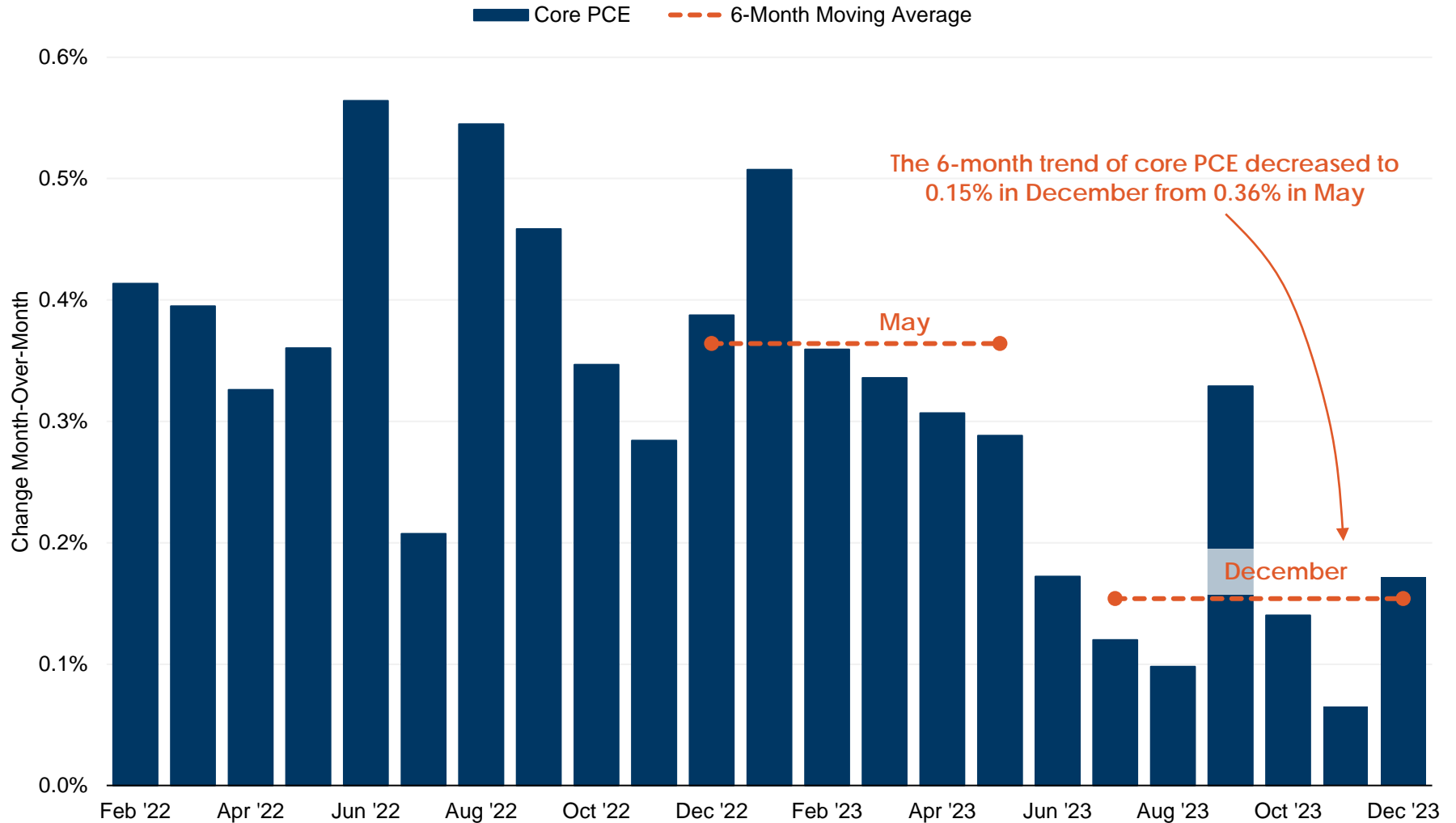


Source: Bureau of Economic Analysis, Payden Calculations



Fed Mind Changer? 6-Month Trend In Core PCE Remained At 0.15% In December

Core PCE* Month-Over-Month Change Versus 6-Month Moving Average Trend



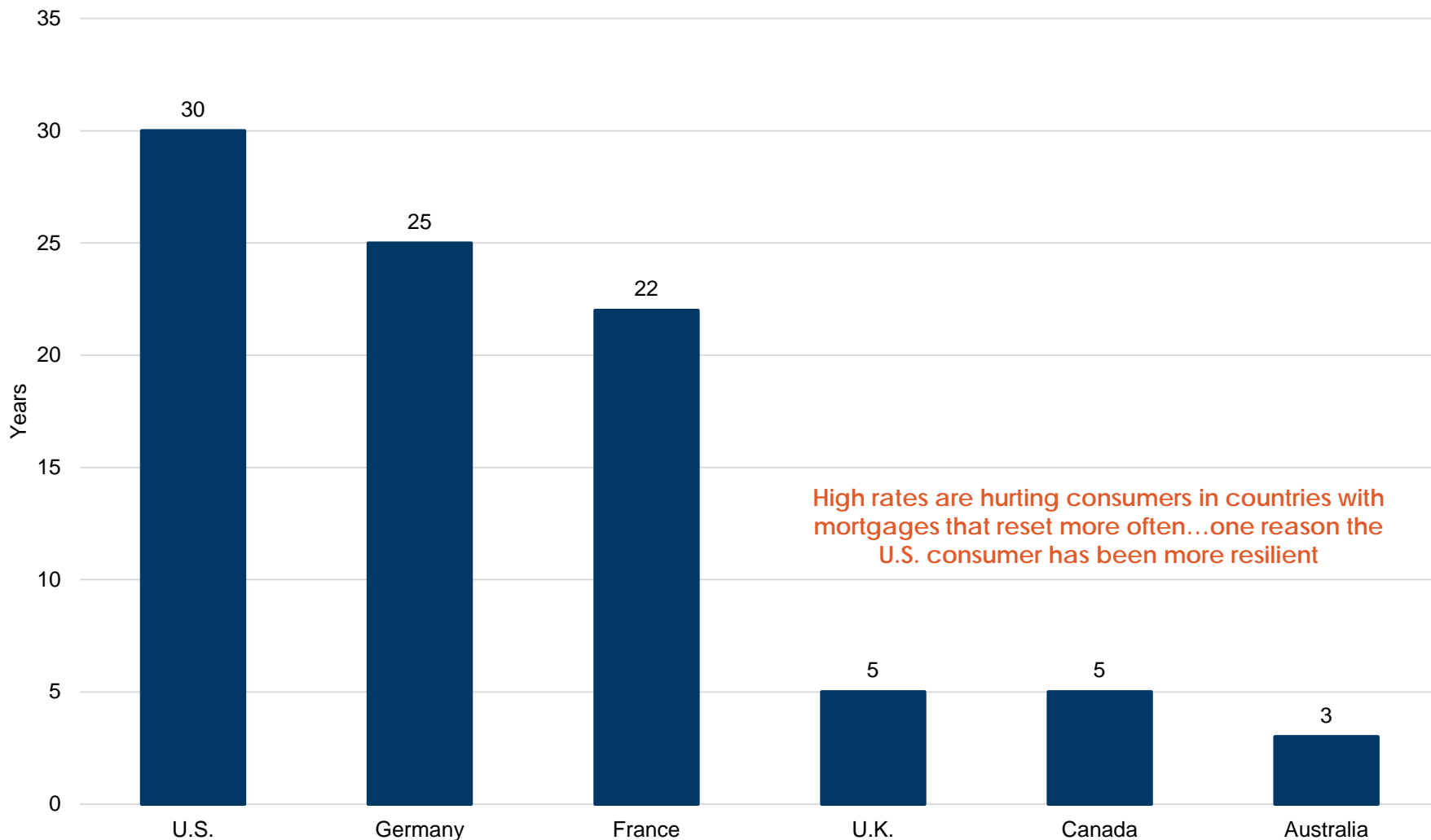
Source: Bureau of Economic Analysis, Payden Calculations

*Personal Consumption and Expenditures (PCE) Index



Fixed-Rate Loan Terms Might Explain The Divergence In Consumer Spending

Most Common Fixed-Rate Mortgage Loan Terms In Various Countries

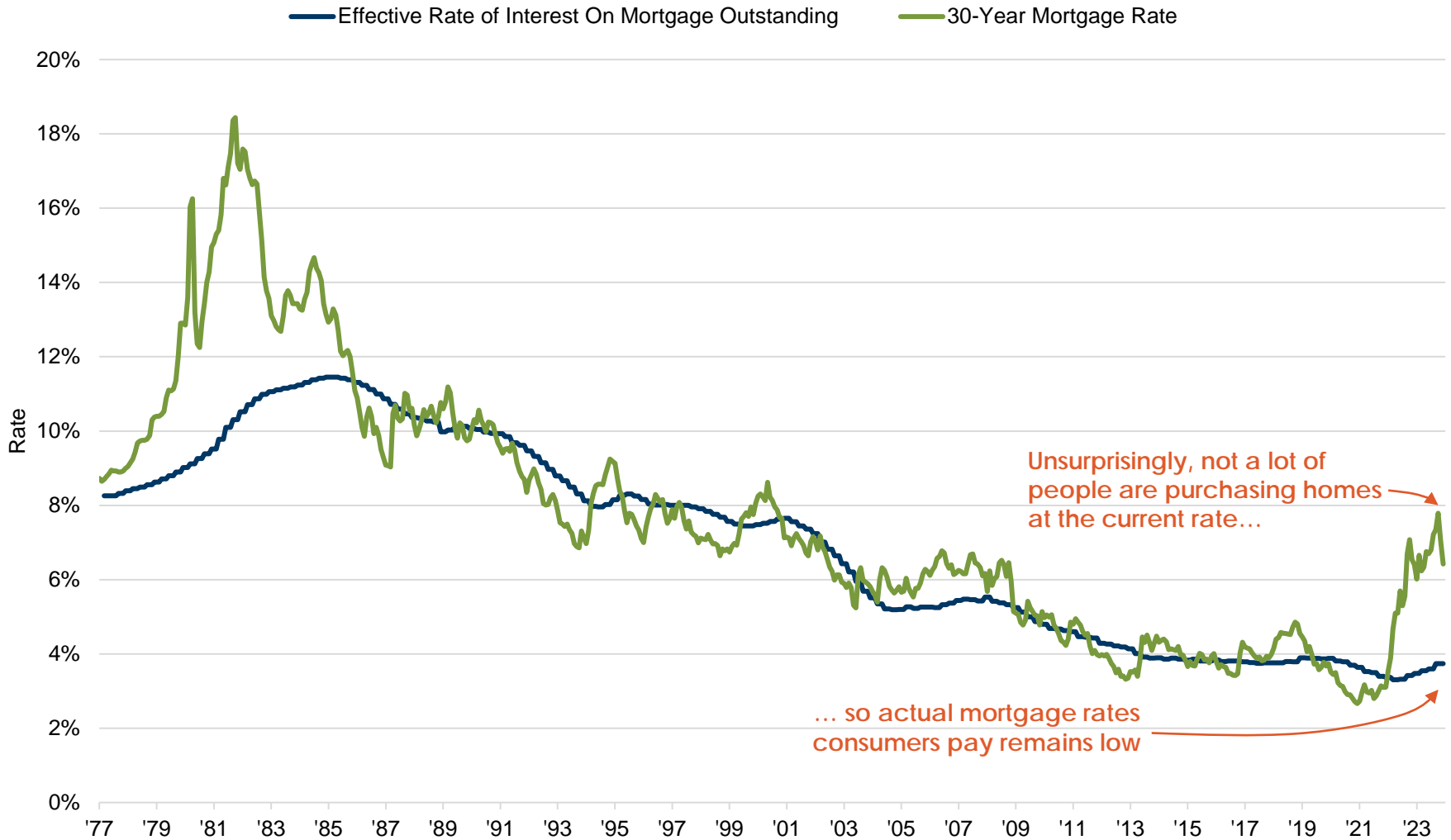


Source: Truist Bank



Rising Mortgage Rates Have Yet To Affect Consumer Budgets

Effective Versus Actual Mortgage Rate

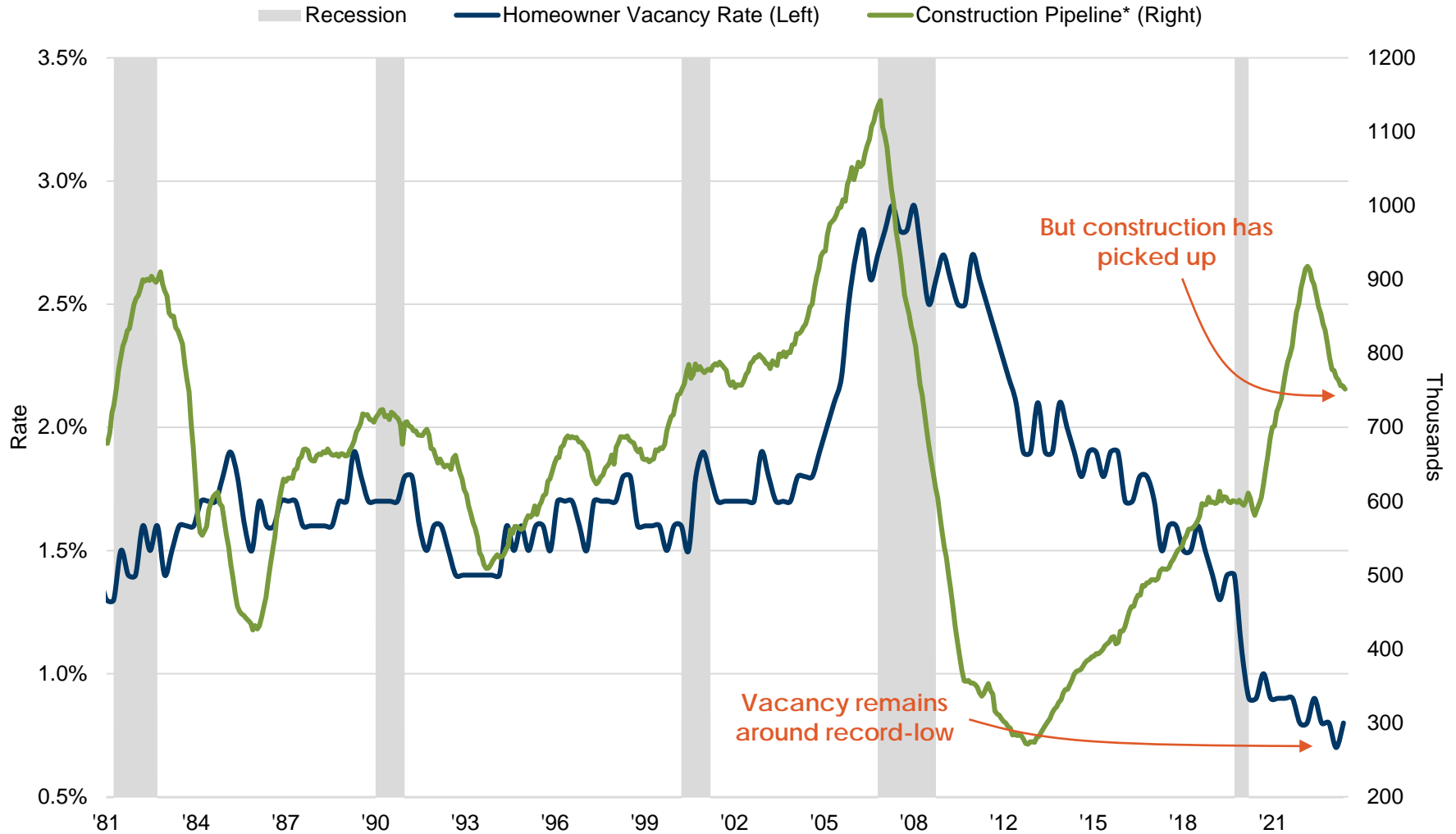


Source: Federal Reserve, Bloomberg, Payden Calculations



Homeowner Vacancy Is At Record-Low, But A Lot Is In The Supply Pipeline

Homeowner Vacancy Rate Versus Construction Pipeline*



Source: U.S. Census Bureau, Payden Calculations

*Construction pipeline is measured as the sum of all single units completed but not sold and under construction, at seasonally adjusted monthly levels

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