OCTA

June 18, 2026

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2026

Overview

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of the Measure M2 Freeway Program. The California Community Foundation manages the non-wasting endowment required to fund the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance.

Recommendation

Receive and file as an information item.

Background

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Annually, approximately $2.9 million is deposited in the endowment. These annual deposits are expected over a ten-to-twelve-year period, or until the fund totals approximately $46.2 million. As of March 31, 2026, the Orange County Transportation Authority (OCTA) has made ten deposits to the CCF Endowment Pool (Pool), each in the amount of $2,877,000.

Discussion

As of March 31, 2026, total assets in the Pool stood at $1.19 billion (Attachment A), while foundation assets totaled $2.60 billion. Pool performance lagged the Blended Benchmark over the short- and mid-term periods (up to ten years) but remained closely aligned over the 20-year horizon.

The endowment balance as of March 31, 2026, was $38,797,315, exceeding the target of $36,628,220 for the third quarter of fiscal year (FY) 2025-26. Based on CCF's performance to date, OCTA remains on track to meet the endowment target of $46.2 million in FY 2027-28 (Attachment C). The total endowment portfolio returned -2.5 percent for the quarter and 10.3 percent over the trailing one-year period.

Global equity markets declined during the third quarter of FY 2025-26, as investor sentiment weakened amid increased geopolitical uncertainty, pressure on U.S. technology stocks, and concerns regarding inflation and interest rates. International equities continued to hold up better than U.S. equities in certain markets, while commodities benefited from higher energy prices. The Federal Reserve maintained its policy rate at a target range of 3.50 – 3.75 percent in March 2026, reflecting a cautious approach as it continued to monitor inflation, economic growth, and evolving market risks.

The Pool's results reflected the weaker market environment during the quarter. Public equities were negatively impacted by the broader equity market pullback, while fixed income and other diversifying asset classes helped moderate overall volatility. Overall, the Pool remains well diversified and positioned to support long-term objectives through disciplined risk management.

Diversification, strategic asset allocation, and appropriately sized investments within the endowment portfolio remain the primary strategies to safeguard the portfolio against outsized volatility while supporting long-term performance objectives.

Summary

Orange County Transportation Authority staff is submitting a copy of the California Community Foundation Investment Report for the quarter ended March 31, 2026.

Attachments

A. California Community Foundation Endowment Pool Investments – March 31, 2026
B. California Community Foundation Fund Statement – 1/1/2026 – 3/31/2026
C. Environmental Mitigation Program Portfolio Performance – Actual/Projection vs. Target

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California COMMUNITY Foundation

Endowment Pool
March 31, 2026

INVESTMENTS

Total Pool Assets

$1.190 billion (Endowment Pool), $2.60 billion (total foundation assets) as of March 31, 2026.

Pool Objective

Prudent investment of funds to provide real growth of the assets over time while protecting the value of the assets from undue volatility or risk of loss. Managed on a total return basis (i.e., yield plus capital appreciation) while taking into account the level of liquidity required to meet withdrawals from the pool - mainly expenses and grants to external organizations. While the Investment Committee recognizes the importance of the preservation of capital, they also adhere to the principle that varying degrees of risk are generally rewarded with commensurate returns over full market cycles (5-10 years).

Outsourced CIO

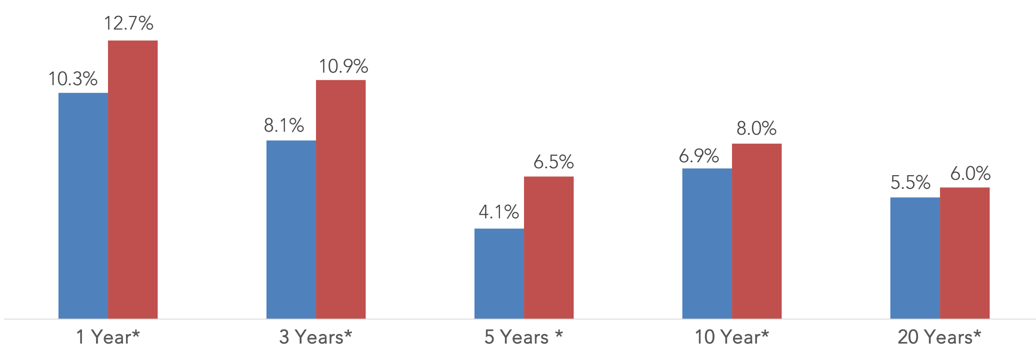
Pathstone (Aka Hall Capital Partners)

Performance & Asset Allocation

Performance for March 2026 was -2.96% (1)

Performance for the three months ended March 31, 2026 was -2.52%

CCF Total Endowment (net of fees) vs. Blended Benchmark (2)



Asset Class	$Millions	% of Port	Long-Term Target Range (4)
Cash & Equivalent (3)	$52	4.4%	0 - 5%
Fixed Income	$130	10.9%	10 -20%
Public Equities	$522	43.9%	40 - 60%
Alternative Assets	$122	10.3%	10 - 25%
Hybrid Investments	$24	2.0%	0 - 10%
Private Investments	$232	19.5%	10 - 20%
Real Assets	$108	9.0%	5 - 10%
Total Endowment Assets	**$1,190**	**100.0%**	

* Represents Annualized Returns.

Footnotes:

1 – Performance is preliminary and at times estimated pending final reporting from all investments. Managers often report on substantial lags, particularly private illiquid investments. In the instances where we do not have actual or estimated performance for a manager, we default to a 0% performance. Investment performance is presented net of investment expenses, including fund manager incentive fees.

2 – Total benchmark intended to roughly match CCF portfolio asset allocation with relevant constituent benchmarks. Current blended benchmark effective since 1/1/24.

Current blended benchmark: ML 3M T-Bills (3%), Barclays Agg. Bond Index (7.8%), Barclays 1-5Y Government-Credit Index (5.2%), MSCI ACWI (45%), Hedge Fund Blend (7.5% BofA ML High Yield, 3.75% ML 3-Month T- bills, 3.75% MSCI ACWI), Cambridge PE Index (9.8%), Cambridge VC Index (4.2%), Cambridge RE Index (7%), S&P Infrastructure Index (3%).

CPI+5%.

CCF blended benchmark 7/1/21 to 12/31/23 : ML Treasury 1-3 (2%), Barclays Agg. Bond Index (18%), MSCI ACWI (50%), Hedge Fund Blend (7.5% BofA ML High Yield, 3.75% ML 3-Month T-bills, 3.75% MSCI ACWI), Cambridge PE Index (3.5%), Cambridge VC Index (1.5%), Cambridge RE Index (7%), S&P Infrastructure Index (3%).

CCF blended benchmark prior to 7/1/21: Total Fund Benchmark is a combination of: 48% MSCI ACWI - 2% Cambridge PE Index 1-Qtr Lag / 14% HFR FOF / 5% ODCE - 5% S&P Global Large Mid NR - 4% S&P Global Infrastructure / 9% Barc Agg. - 3% Barc 1-5 Yr. Gov/Cr - 3% Barc 0-5 Yr. US Treasury TIPs / 2% Barc High Yield - 2% S&P/LSTA Leveraged Loan - 3% JP Morgan EMBI Global Diversified.

3 – Includes cash in transit to or from investments. For example, 3/31 cash could include money that is being sent to an investment on 4/1.

4 – Current portfolio allocations may be outside of strategic ranges as it can take substantial time to adjust investments to meet range goals. This is particularly true for private illiquid investments that call capital into strategies over time and typically necessitate multi-year periods to gain exposure for appropriate vintage diversification

5 – The Endowment Pool weighted-average expense ratio approximates 1.20% excluding fund manager incentive fees.

ATTACHMENT B

Fund Name:	OCTA - Measure M2 Environmental Mitigation Program Fund
Fund Start Date:	2/28/2017
Investment Pool(s):	Endowment Pool

FUND STATEMENT

OCTA - Measure M2 Environmental Mitigation Program Fund (V398)

1/1/2026 - 3/31/2026

Fund Summary

	This Period 01/01/2026 - 03/31/2026	Calendar YTD 1/1/2026 - 3/31/2026
Opening Fund Balance	$39,898,925.35	$39,898,925.35
Contributions	0.00	0.00
Investment Activity, net	(1,002,874.90)	(1,002,874.90)
Administration & Grant Management Fees	(98,735.61)	(98,735.61)
Net Changes to Fund	(1,101,610.51)	(1,101,610.51)
Ending Balance	**$38,797,314.84**	**$38,797,314.84**

Investment Pool Performance as of 03/31/2026

	1 - Year	3 - Years	5 - Years	10 - Years
Endowment Pool	10.3%	8.1%	4.1%	6.9%
Social Impact Endowment Pool	12.0%	13.1%	7.5%	9.2%
Conservative Balanced Pool	8.4%	8.4%	4.5%	5.5%
Short Duration Bond Pool	4.1%	4.3%	1.7%	2.0%
Capital Preservation Pool	4.0%	4.9%	3.4%	2.3%

Endowment Pool - Invested for long-term growth and appreciation across multiple investment managers. It seeks to preserve the purchasing power and provide real growth of assets over an indefinite time horizon through long-term investment opportunities and portfolio diversification, while taking into account the level of liquidity required to meet withdrawals from the pool.

Social Impact Endowment Pool - Invested in a diversified pool of equities and fixed income aiming to offer capital growth for long-term grantmaking. It seeks to preserve the purchasing power of assets over an indefinite time horizon by following a sustainable investing approach that combines rigorous financial, environmental, social and governance (ESG) analysis, while taking into account the level of liquidity required to meet withdrawals from the pool.

Conservative Balanced Pool - Invested to strike a balance between growth and liquidity by combining current income with an opportunity for moderate capital appreciation. It seeks to offer diversified exposure to fixed income with maturities from 1-5 years as well as the entire U.S. equity market for purposes of grantmaking over an intermediate horizon.

Short Duration Bond Pool - Invested to offer diversified exposure to fixed income with maturities from one to five years for the purposes of grants over a near-term one to four year horizon.

Capital Preservation Pool - Invested to meet the needs of funds with short-term grant objectives. It seeks to preserve principal and provide liquidity and working funds for present and future needs through investment in high-quality, short-term fixed income and cash instruments.

Definition of Terms

Opening Fund Balance - Your fund's balance at the beginning of the statement period.

Contributions - Irrevocable financial additions to your fund.

Grants - Grants you recommended to IRS-qualified public charities that have been approved and distributed from your fund. This also includes refunds and voids of grants made.

Administrative Fee - CCF charges administrative fees to cover general operating activities. These activities could include gift establishment, receipt of assets and contributions, grants and fund administration, research on nonprofit agencies and issue areas, and other charitable purposes.

Investment Activity, net – This represents the financial returns from the CCF investment pool(s) in which your fund is invested, including interest, dividends and gains/losses as well as the deduction of any investment-related fees.

Fund Balance Transfer - Money transferred to or from another CCF fund.

Other Expenses - Permissible expenses (i.e., legal, phone charges, etc.) related to the administration of your fund.

Net Changes to Fund - The net amount of your fund after contributions, income, grants, administration and grant management fee, investment managers' fees, fund balance transfers, and other expenses.

Ending Fund Balance - The fund's balance at the end of the statement period reported on this statement. This amount includes any contributions, grant distributions, fund balance transfers, and increase or decrease in market value.

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ATTACHMENT C