Orange County Transportation Authority
Investment Policy Overview
Investing Public Funds

- Governed by California Law
  - Government Code Section 53601
    - Establishes type of investments i.e. treasuries, agencies, corporate notes, asset-backs, negotiable cd’s, mutual funds
    - Establishes minimum credit ratings, maximum allocation, and term

- Investment Policy
  - Agency specific
  - Risk tolerance of the Board of Directors
  - Appropriate for cash flow demands of agency
<table>
<thead>
<tr>
<th>Investment Instruments</th>
<th>Dollar Amount Invested</th>
<th>Percent Of Portfolio</th>
<th>Investment Policy Maximum Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasuries</td>
<td>581,339,593</td>
<td>45.0%</td>
<td>100%</td>
</tr>
<tr>
<td>Federal Agencies &amp; U.S. Government Sponsored</td>
<td>156,315,129</td>
<td>12.1%</td>
<td>100%</td>
</tr>
<tr>
<td>State of California &amp; Local Agencies</td>
<td>6,610,598</td>
<td>0.5%</td>
<td>25%</td>
</tr>
<tr>
<td>Money Market Funds &amp; Mutual Funds</td>
<td>81,289,712</td>
<td>6.3%</td>
<td>20%</td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td>0</td>
<td>0.0%</td>
<td>30%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>13,000,000</td>
<td>1.0%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>10,814,837</td>
<td>0.8%</td>
<td>25%</td>
</tr>
<tr>
<td>Medium Term Maturity Corporate Securities</td>
<td>263,704,253</td>
<td>20.4%</td>
<td>30%</td>
</tr>
<tr>
<td>Mortgage and Asset-backed Securities</td>
<td>91,376,563</td>
<td>7.1%</td>
<td>10%</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>28,993,216</td>
<td>2.2%</td>
<td>75%</td>
</tr>
<tr>
<td>Investment Agreements Pursuant To Indenture</td>
<td>0</td>
<td>0.0%</td>
<td>100%</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>10,158,078</td>
<td>0.8%</td>
<td>$ 40 Million</td>
</tr>
<tr>
<td>Orange County Investment Pool (OCIP)</td>
<td>439,805</td>
<td>0.0%</td>
<td>$ 40 Million</td>
</tr>
<tr>
<td>CAMP</td>
<td>0</td>
<td>0.0%</td>
<td>10%</td>
</tr>
<tr>
<td>Variable &amp; Floating Rate Securities</td>
<td>48,572,129</td>
<td>3.8%</td>
<td>30%</td>
</tr>
<tr>
<td>Debt Service Reserve Funds - Investment Agreements</td>
<td>0</td>
<td>0.0%</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Bank Deposits</td>
<td>0</td>
<td>0.0%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,292,613,914</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>5%</strong></td>
</tr>
</tbody>
</table>
Investment Policy Content

- **Purpose**
  - Sets guidelines for all OCTA funds invested

- **Objectives**
  - Safety of Principal, Liquidity, Total Return, Diversification

- **Compliance**
  - Establishes policy as part of portfolio manager contract

- **Delegation of Authority**
  - The Board of Directors annually renew the authority for the Treasurer to invest funds

- **Permitted Investments**
  - Identifies specific investments types, minimum credit & terms allowable by portfolio
Investment Portfolio as of Sept. 30, 2015

Portfolio Characteristics

- Portfolio Market Value: $1.29 Billion
- Yield to Maturity: 0.73%
- Duration: 1.66 Yrs
- 12-Month Total Return: 1.02%
- Average Credit Quality: AA+

Allocation Sectors

- Treasuries: 45.0%
- Corporates: 20.4%
- Agencies: 12.1%
- Mort/Asset-Backed: 7.1%
- Money Mkt Funds/Repo: 6.3%
- Variable/Floating Rate: 3.8%
- Repurchase Agreements: 2.2%
- Negotiable CDs: 1.0%
- Other: 2.1%

Maturity Distribution

- < 1 Yr: 26.3%
- 1 - 2 Yrs: 37.1%
- 2 - 3 Yrs: 25.5%
- 3 - 4 Yrs: 7.6%
- 4 - 5 Yrs: 3.4%
OCTA Portfolios

- **Liquid Portfolio**
  - Near-term cash needs

- **Bond Proceeds Portfolio**
  - Project specific
  - Two investment managers
    - Cutwater Asset Management and Logan Circle Partners
    - Customized benchmark to match draw schedule

- **Short-term Portfolio**
  - Future projects and services
  - BAML 1-3 Year Treasury Index and BAML 1-3 Year Corp/Gov AAA-A
  - Four investment managers
    - Payden & Rygel, State Street Global Advisors, JP Morgan, and Western Asset Management
Compliance and Reporting

- Each investment manager shares the same objectives
  - Has pre/post-trade compliance systems
  - Investment review committees
  - Extensive research teams
- OCTA monitors each trade
  - Verify credit rating, maturity, asset allocation
  - Ongoing credit review (negative credit watch)
  - Report to the Board of Directors quarterly, and Finance and Administration Committee monthly
- Internal Audit performs semi-annual reviews
  - Reports to Finance and Administration Committee
Clearwater Analytics

- Portfolio management software
  - Delivers daily web-based compliance, risk and performance reporting
  - Consolidated view of all investments
  - Daily feed from banking institutions
  - Single platform for performance reporting