

# MTC INVESTMENT PORTFOLIO REVIEW

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# Background and Agenda

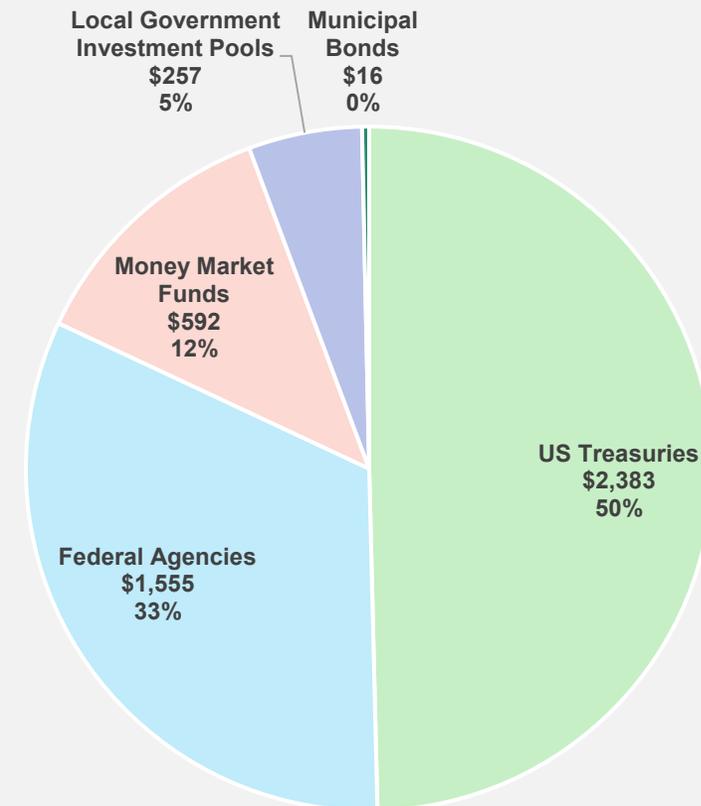
- MTC currently has a \$4.6 billion investment portfolio
- Investments are managed in accordance with MTC Investment Policy, Resolution 4563
  - Follows California Government Code
  - Objectives: safety, liquidity, and yield
- In December 2024, MTC allocated funds to external investment managers for the first time
  - Historical context
  - Rationale for appointing external investment managers
  - Selection process
  - Current portfolio snapshot

# MTC Investment Portfolio

## As of November 30, 2024

- Historically, MTC's investments have been internally managed
  - Relatively short average maturity
  - Limited diversification

As of November 2024 (\$ millions)  
Avg Duration – 7 months, Avg Maturity – 8.5 months



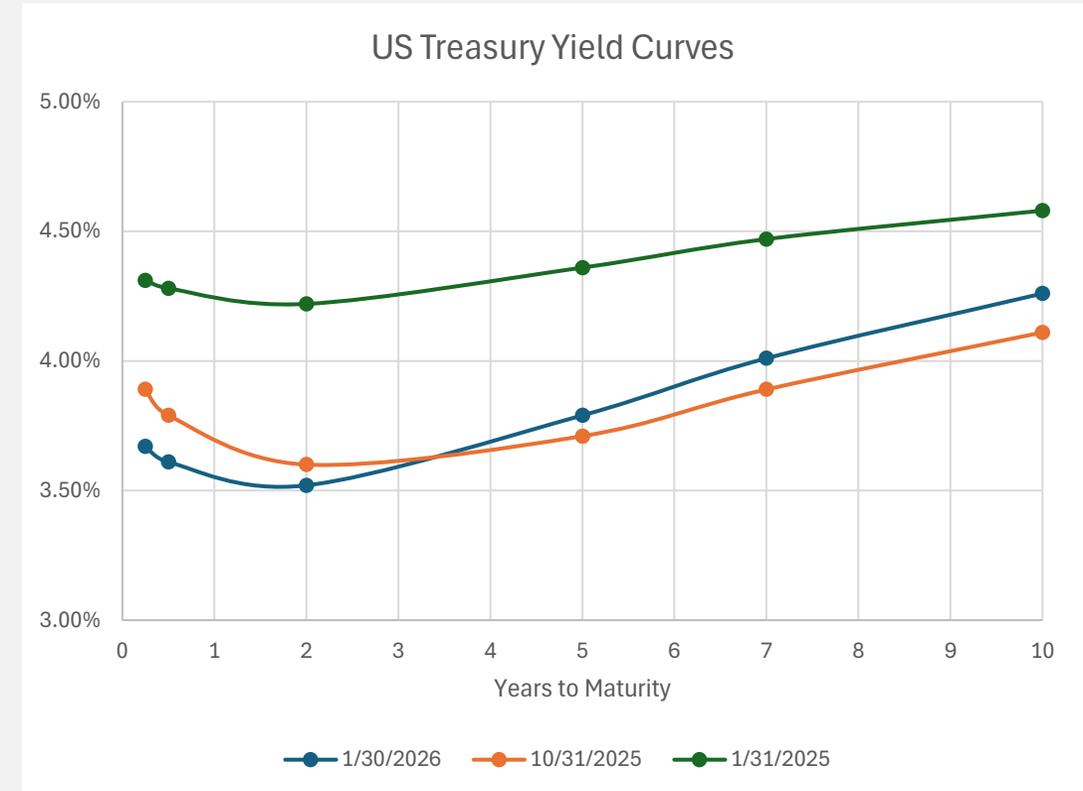
Total: \$4,803

# Implementing a New Investment Strategy

- Desire for a more sophisticated investment strategy to improve returns while still maintaining safety and liquidity
  - Credit diversification
  - Diversify investment maturity
    - Some of the agencies' funds are expected to be held for many years
  - Duration management
    - Duration is a measure of a bond's sensitivity to market interest rate changes
    - How the duration is positioned can impact risk and return

# US Treasury Yield Curve

- Yield curve shows interest rate by maturity for US Treasuries
- Yield curve is typically upward sloping
  - In general, long-term bonds have higher yields than short-term bonds
- Active management allows us to better position the portfolio



# Selection of Investment Managers

January 2024 – Request for Qualifications for Investment Management and Advisory Services issued

June 2024 - Selection of investment manager bench was approved by MTC

- Chandler Asset Management, Inc.
- Meeder Public Funds, Inc.
- Public Trust Advisors, LLC
- U.S. Bancorp Asset Management, Inc. dba PFM Asset Management LLC

December 2024 - investment managers onboarded

- Three of the managers are focused on a one-to-five-year portfolio
- One is focused on a zero-to-two-year portfolio with funds that are expected to be spent in the near-term

# MTC Investment Portfolio

## As of December 31, 2025

- \$2.0 billion is currently managed by external investment managers
  - Diversified the investments
  - Extended the average duration and average maturity of the portfolio
    - \$1.4 billion of managed one-to-five-year portfolios have an average duration of 2.5 years and average maturity of 3.0 years
- \$2.6 billion balance is managed internally

As of December 2025 (\$ millions)  
 Avg Duration – 1.3 years, Avg Maturity – 1.6 years

