

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Martin E. Nohe, and Members
Northern Virginia Transportation Authority

FROM: Michael Longhi, Chief Financial Officer

DATE: May 4, 2018

SUBJECT: Investment Portfolio Report

1) Purpose: To provide the Northern Virginia Transportation Authority (NVTa) with required reports on investment activities and portfolio performance through March 31, 2018.

2) Background:

- a. This report is on the March 2018 investment activity and affirms the portfolio investments were acquired on the basis of safety, liquidity and then yield. This report summarizes the portfolio structure, and adherence to the NVTa Investment Policy.
- b. Additional monthly reports are attached to comply with all reporting requirements prescribed in the NVTa Investment Policy.

3) Current Period Reports:

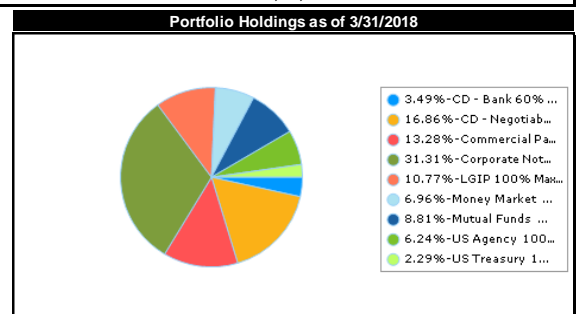
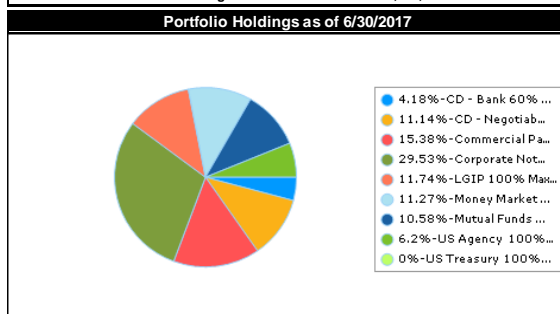
- a. The safety of the portfolio is reflected in the actual composition of the portfolio as shown below:



**Northern Virginia Transportation Authority
Distribution by Asset Category - Book Value
Report Group: Regional Revenue Fund**

Begin Date: 6/30/2017, End Date: 3/31/2018

Asset Category Allocation				
Asset Category	Book Value 6/30/2017	% of Portfolio 6/30/2017	Book Value 3/31/2018	% of Portfolio 3/31/2018
CD - Bank 60% Maximum	30,000,000.00	4.18	30,000,000.00	3.49
CD - Negotiable 25% Maximum	80,025,646.50	11.14	145,029,071.21	16.86
Commercial Paper 30% / 5% Maximum	110,411,194.94	15.38	114,273,298.61	13.28
Corporate Notes 50% Maximum	212,033,951.94	29.53	269,368,376.82	31.31
LGIP 100% Maximum	84,288,369.11	11.74	92,633,000.89	10.77
Money Market 60% Maximum	80,916,527.41	11.27	59,900,280.52	6.96
Mutual Funds 20% Maximum	75,940,388.98	10.58	75,806,837.21	8.81
US Agency 100% Maximum	44,488,574.35	6.20	53,679,560.36	6.24
US Treasury 100% Maximum	0.00	0.00	19,670,764.92	2.29
Total / Average	718,104,653.23	100.00	860,361,190.54	100.00



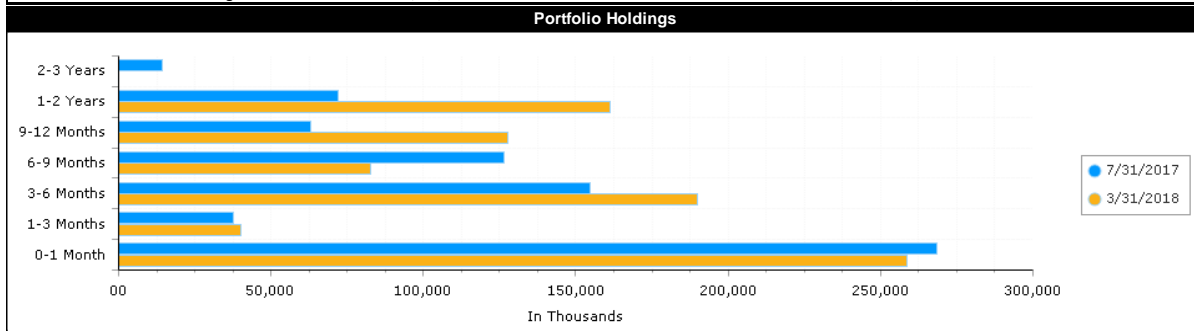
- b. The liquidity of the portfolio is reflected in the portfolio's duration/maturity schedule shown below:



**Northern Virginia Transportation Authority
Distribution by Maturity Range - Book Value
Report Group: Regional Revenue Fund**

Begin Date: 7/31/2017, End Date: 3/31/2018

Maturity Range Allocation				
Maturity Range	Book Value 7/31/2017	% of Portfolio 7/31/2017	Book Value 3/31/2018	% of Portfolio 3/31/2018
0-1 Month	268,574,340.63	36.43	258,684,854.81	30.07
1-3 Months	37,502,039.71	5.09	39,913,969.36	4.64
3-6 Months	154,892,660.44	21.01	189,963,840.12	22.08
6-9 Months	126,536,737.52	17.16	82,602,884.24	9.60
9-12 Months	63,132,030.18	8.56	127,772,115.13	14.85
1-2 Years	72,204,775.13	9.79	161,423,526.88	18.76
2-3 Years	14,447,695.74	1.96	0.00	0.00
Total / Average	737,290,279.35	100.00	860,361,190.54	100.00



- c. The yield on the portfolio at the end of March 2018 was 1.79%. The NVTAs investment Policy specifies the benchmarks shown below for yield performance comparison:

NVTA Investment Benchmarks	FY 2017 Year End	Mar. 2018 Month end
Fed Funds Rate	1.16%	1.68%
Treasury 90 Day T Bill	1.09%	1.70%
Local Government Investment Pool	1.00%	1.76%
Virginia Non-Arbitrage Program	1.16%	1.76%
NVTA Performance	1.20%	1.79%

4) Fiscal Implications:

- a. The fixed income investment market is continuing the increase in interest rates. The increase in rates through March is reflective of several changes previously reported including:
- i) The Federal Open Market Committee's (FOMC) adjustments in the Fed Funds target rate.
 - ii) FOMC's positioning to approve additional Fed Funds interest rate increases in calendar 2018.
 - iii) Increasing inflation pressures from economic growth.

- b. The prior efforts of the FOMC to hold rates down generated a disincentive for investing in securities of durations beyond two years. Although the FOMC has initiated interest rate increases, longer-term maturities' rates are experiencing a slower pattern of increase when compared to rates of security maturities of less than two years, resulting in a relatively flat yield curve. This pattern, if it persists, will continue the incentive for investing in fixed rate maturities of one to two years.

- 5) **Looking Forward:** Actual interest earnings continue to be ahead of budget. The two major factors which are causing NVTA's FY 2018 portfolio earnings to exceed the budget are:
- a. The FOMC's actions to increase interest rates to manage the market as noted above.
 - b. Regional Revenue Fund FY 2018 revenues are remaining in the portfolio, pending adoption of the Six Year Program, causing it to grow significantly during the year. The size of the portfolio has increased by \$142 million since the beginning of FY 2018.
- 6) **Policy Required Reports:** The following reports are attached to address specific Investment Policy requirements regarding the purchase and holding of securities. The attached required reports, in order of presentation are:
- a. **Compliance Report – Investment Policy, Summary.** This report shows the percentage of the portfolio by each type of investment.
 - b. **Investment Portfolio – By Maturity Range.** This report shows the yield to maturity, and percentage of the portfolio which each type of investment represents.
 - c. **Portfolio Holdings by Custodian.** This report shows each depository, investment firm or custodian holding NVTA securities or cash.
 - d. **Compliance - GASB 40 Report.** This report shows reporting requirements not otherwise presented. This report is also fundamental for the Authority's Annual Financial Statements and Annual Audit.

Attachments:

Portfolio Reports through March 31, 2018:

- Attachment 1: Compliance Report – Investment Policy, Summary
- Attachment 2: Investment Portfolio – By Maturity Range
- Attachment 3: Portfolio Holdings by Custodian
- Attachment 4: Compliance - GASB 40 Report