

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

FROM: Michael Longhi, Chief Financial Officer

DATE: October 3, 2019

SUBJECT: Investment Portfolio Report

- 1) **Purpose:** To provide the Northern Virginia Transportation Authority (NVTa) with required reports on investment activities and portfolio performance through July 31, 2019.

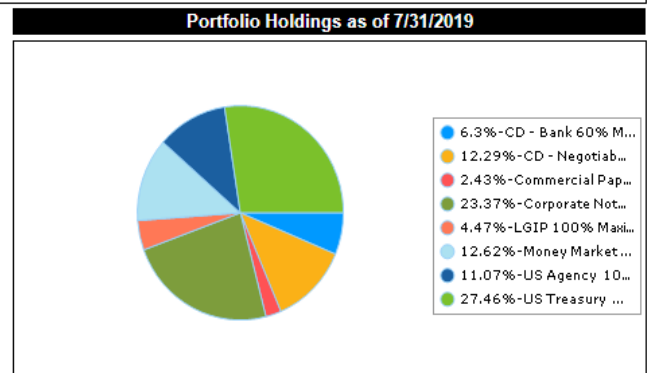
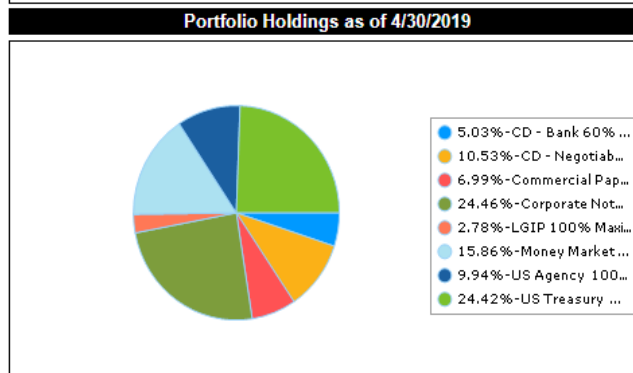
- 2) **Background:** This report is on investment activity through July 2019 and affirms the portfolio investments were acquired on the basis of safety, liquidity and then yield. This report summarizes the portfolio structure, and adherence to the NVTa Investment Policy.



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

Begin Date: 4/30/2019, End Date: 7/31/2019

Asset Category Allocation				
Asset Category	Book Value 4/30/2019	% of Portfolio 4/30/2019	Book Value 7/31/2019	% of Portfolio 7/31/2019
CD - Bank 60% Maximum	50,137,423.53	5.03	65,137,423.53	6.30
CD - Negotiable 25% Maximum	105,002,950.68	10.53	127,001,933.29	12.29
Commercial Paper 30% / 5% Maximum	69,694,504.89	6.99	25,111,050.62	2.43
Corporate Notes 50% Maximum	244,036,166.95	24.46	241,631,947.08	23.37
LGIP 100% Maximum	27,715,245.20	2.78	46,184,874.95	4.47
Money Market 60% Maximum	158,209,673.10	15.86	130,425,030.50	12.62
US Agency 100% Maximum	99,198,944.54	9.94	114,415,397.08	11.07
US Treasury 100% Maximum	243,592,311.96	24.42	283,887,973.90	27.46
Total / Average	997,587,220.85	100.00	1,033,795,630.95	100.00



3) Current Period Reports:

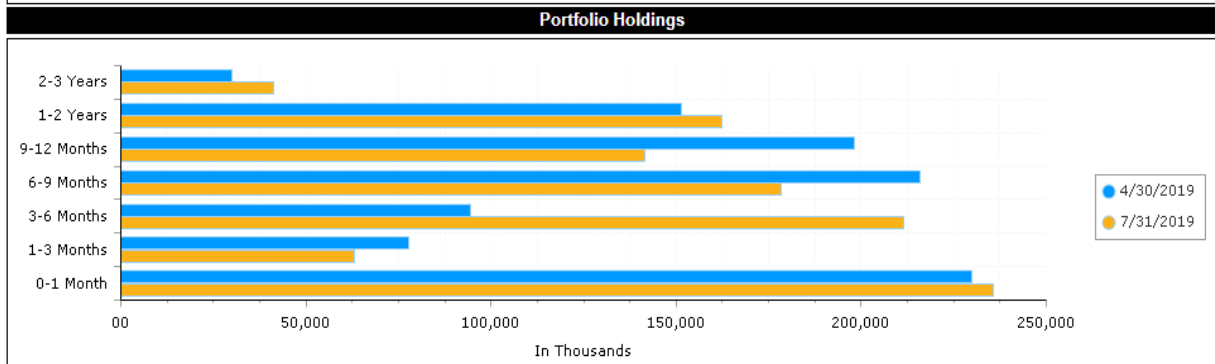
- a. The safety of the portfolio is reflected in the actual composition of the portfolio as shown above:



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

Begin Date: 4/30/2019, End Date: 7/31/2019

Maturity Range Allocation				
Maturity Range	Book Value 4/30/2019	% of Portfolio 4/30/2019	Book Value 7/31/2019	% of Portfolio 7/31/2019
0-1 Month	229,922,415.62	23.05	235,795,909.23	22.81
1-3 Months	77,674,839.69	7.79	62,954,597.78	6.09
3-6 Months	94,326,486.85	9.46	211,315,239.01	20.44
6-9 Months	215,900,464.72	21.64	178,478,694.01	17.26
9-12 Months	198,176,519.17	19.87	141,687,765.46	13.71
1-2 Years	151,599,539.66	15.20	162,327,874.07	15.70
2-3 Years	29,986,955.14	3.01	41,235,551.39	3.99
Total / Average	997,587,220.85	100.00	1,033,795,630.95	100.00



- b. The liquidity of the portfolio is reflected in the portfolio's duration of .56 (1.0 = 1 year) and the maturity schedule shown above:

NVTA Investment Benchmarks	Jul-19 Month End
Fed Funds Rate	2.39%
U.S. Treasury 90 Day T Bill	2.16%
2-Year U.S. Treasury	1.62%
Local Government Investment Pool	2.43%
Virginia State Non-Arbitrage Program	2.45%
NVTA Performance	2.55%

Source: Bloomberg, Fund Statements

- c. The yield on the portfolio at the end of July 2019 was 2.55%. The NVTA's Investment Policy specifies the benchmarks shown above for yield performance comparison:

4) Portfolio Analysis & Statistics Overview

a) **Safety:** The portfolio is invested primarily in;

- i) AAA/AA rated U.S. Treasury and Agency Bonds
- ii) AAA/AA rated investment grade corporate bonds
- iii) Collateralized bank money market accounts.

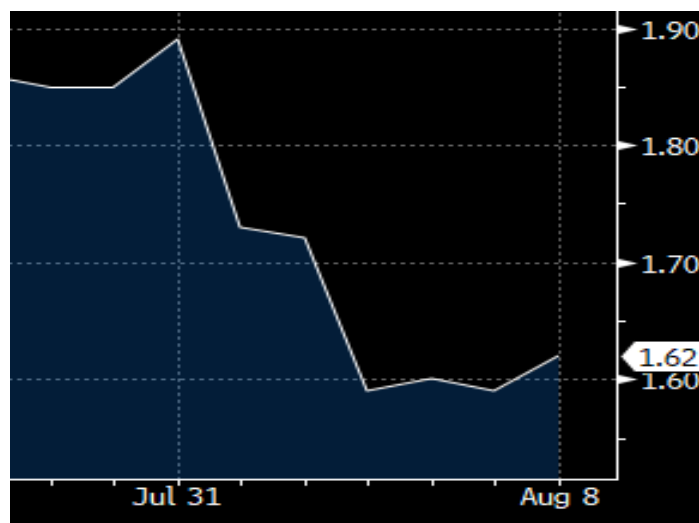
b) **Liquidity:**

- i) Since our last report on May 10, the NVTA Portfolio average duration has been flat at .56 or a little more than 6 months – reflecting U.S. Treasury purchases that replaced called Agency securities.
- ii) As noted previously, analysis of forward transportation project liabilities (reimbursements) associated with the Six Year Program found that the portfolio has the flexibility to extend modestly to 2-3 year maturities (4% of the portfolio presently).

c) **Yield:**

- i) **Fed Rate Cuts:** The Federal Reserve (FOMC) on July 31, 2019 lowered its benchmark Fed Funds rate by a quarter point, dropping the target range to 2% to 2.25%, in response to an apparent global growth slowdown, the tariff war and muted inflation. The central bank has reversed its previous hawkishness, and markets now are predicting more Fed rate cuts in the next few months (there is even speculation of negative rates as in Europe) which will challenge portfolio performance.
- ii) **Rate Strategy Update:** The 2-year Treasury has suffered an unprecedented 65 basis point decline to 1.62% from 2.27%, since our last report, see chart. As we noted in the June meeting, our rate shock model anticipated a decline, and we took steps to preserve value and reduce risk by increasing our Treasury holdings. But NVTA's portfolio performance will ultimately decline with the market.

Bloomberg Constant Maturity 2-Year U.S. Treasury Index



- 5) **Custodian Certification:** BB&T Retirement & Institutional Services is the custodian of all of NVTA's investment purchases and is where all of NVTA's non-deposit investments are held. Deposit type investments are protected through the Commonwealth of Virginia collateralization program or FDIC Insurance.
- 6) **Policy Required Reports:** The attached Compliance - GASB 40 Report addresses specific Investment Policy requirements regarding the purchase and holding of securities. The attached report, documents:
- a. **Compliance – Investment Policy, Summary.** The report shows the percentage of the portfolio by each type of investment.
 - b. **Investment Portfolio – By Maturity Range.** The 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.

Attachments: Compliance - GASB 40 Report shows reporting requirements as listed above, and not otherwise presented. This report is also fundamental for the Authority's Annual Financial Statements and annual audit.