

City of Reno

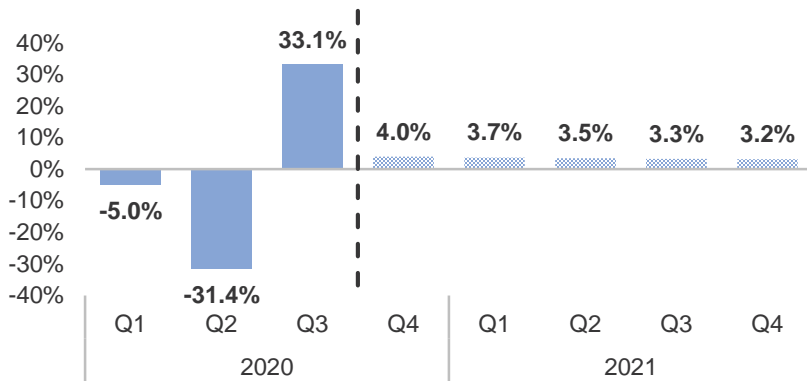
Monthly Investment Report

October 31, 2020

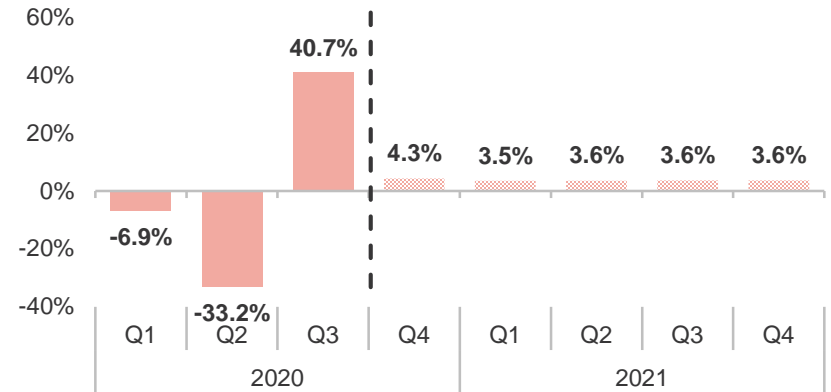


Economic Indicators Show Resilience, But Future Improvement May Slow

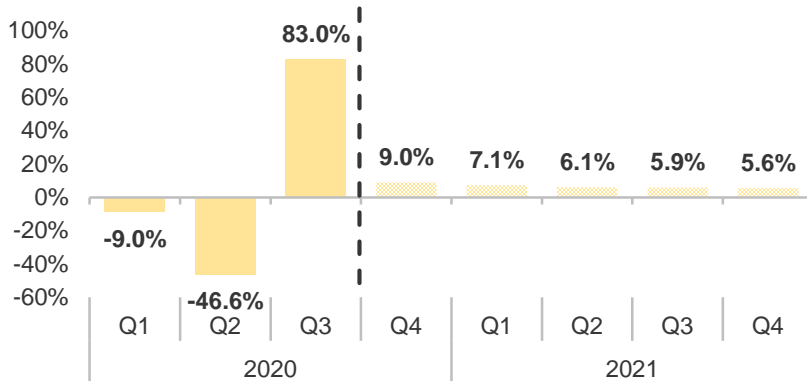
U.S. GDP Forecasts Annualized Rate



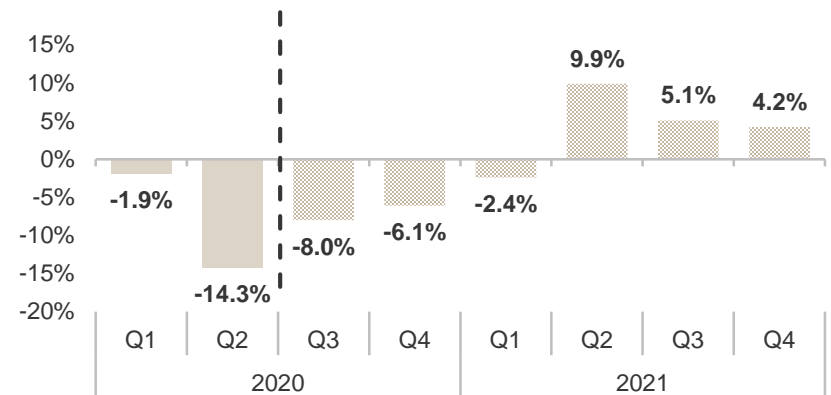
Consumer Spending (QoQ SAAR)



Private Investment (QoQ SAAR)



Industrial Production (YoY)



Source: Bloomberg, latest available data as of 11/4/2020.



Market Summary

Economic Conditions

- The U.S. economy expanded at a record 33.1% annual rate in the third quarter of 2020, recovering a significant portion of the economic loss from Covid-19 that sent the economy to its record contraction in the second quarter (-31.4%). The strong rebound was fueled by increased consumption, business and residential investment, and exports. Despite the strong bounce, economic output remains 3.5% below pre-pandemic levels.
- The Federal Reserve lowered the barriers on its Main Street Lending program for smaller businesses. The Fed stated that the changes would “better target support to smaller businesses that employ millions of workers and are facing continued revenue shortfalls due to the pandemic”.
- The labor market has shown steady improvements with the number of Americans filing weekly for unemployment benefits falling to 751,000, the lowest mark since mid-March. October’s jobs report was solid, albeit less robust than the prior month’s report. The U.S. economy added 661,000 jobs, and the jobless rate fell to 6.9%.
- Personal income increased more than expected in September, which helped boost spending. Meanwhile, the housing market remained strong. Home prices are rising due to lean inventory amid record-low mortgage rates.

Market Reaction

- The U.S. Treasury yield curve steepened due to better-than-projected economic data, large treasury issuance funding the record budget deficit, and increasing inflation expectations. The yield on shorter maturities remained relatively unchanged and anchored near zero, while the yield on longer maturities (greater than two years) moved noticeably higher.
- Equity volatility rose as stimulus optimism, virus infections, and the election all weighed on uncertainty. Prices reflected sentiment as the S&P 500 fell 2.8%; NASDAQ slid 2.3%; and the Dow tumbled 4.6%.

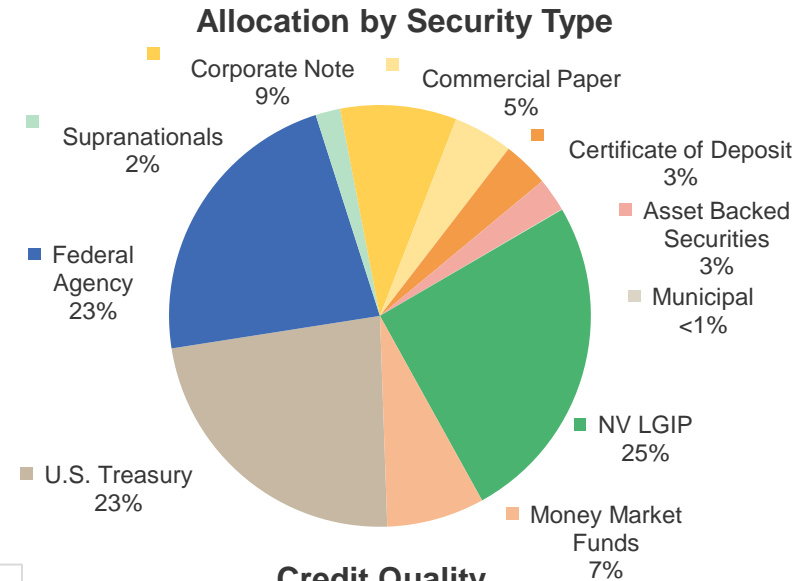
Summary of the City's Funds

City of Reno Funds	Market Value ¹
Core Portfolio	\$179,223,831
Liquidity Portfolio	\$89,749,942
Liquid Funds	\$131,555,352
<i>Nevada LGIP</i>	<i>\$101,548,103</i>
<i>U.S. Bank</i>	<i>\$9,412,322</i>
<i>Bank of America</i>	<i>\$20,594,926</i>
Managed Account Subtotal	\$400,529,124
Reserve Fund Portfolios	\$13,749,191
Total	\$414,278,315

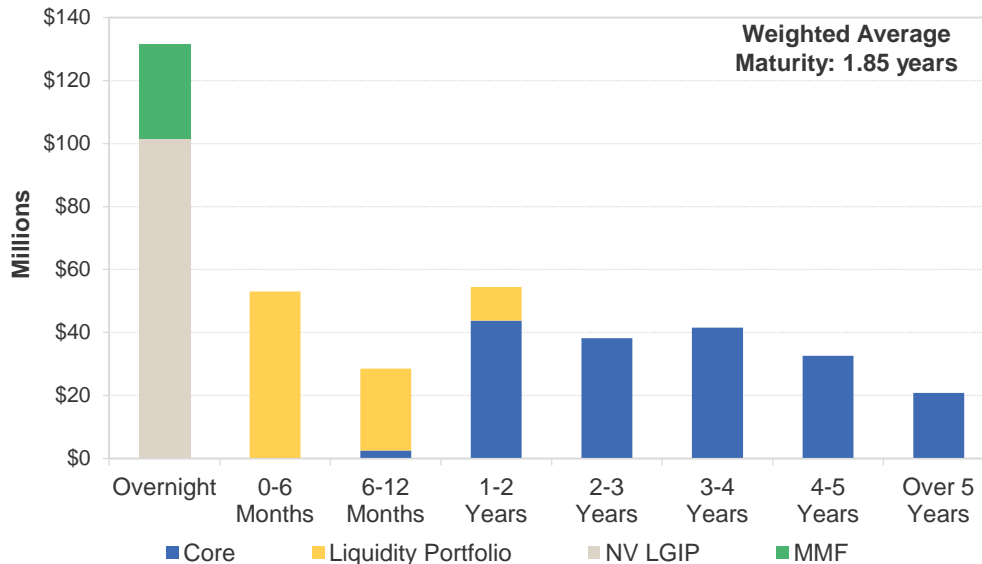
1. Market Values exclude accrued interest.

Executive Summary^{1,2,3}

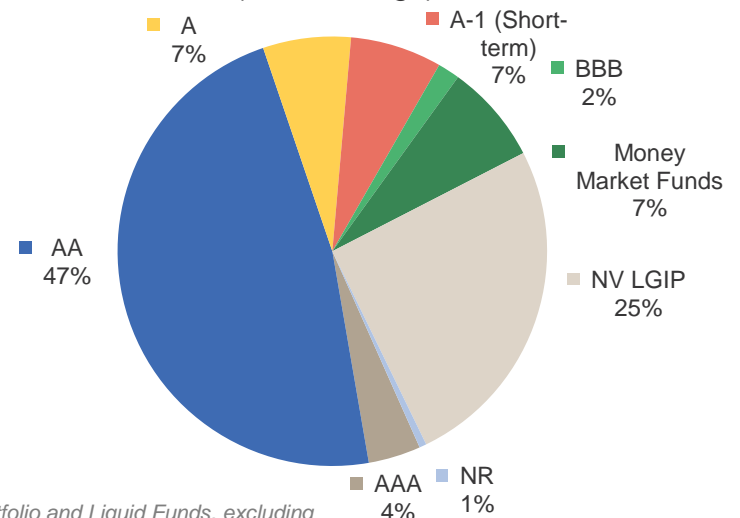
Account Summary	Ending Values as of 9/30/20	Ending Values as of 10/31/20
Market Value	\$370,655,087	\$400,529,124
Book Value	\$365,279,053	\$395,599,258
Unrealized Gain/(Loss)	\$5,376,034	\$4,929,866
Yield at Market	0.48%	0.48%
Yield at Cost	1.49%	1.46%



Maturity Distribution



Credit Quality (S&P Ratings)



- Summary data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
- Money Market Funds include the Bank of America and U.S. Bank balances.
- The weighted average yield at market and yield at cost excludes Liquid Funds.

Security Type and Maturity Compliance^{1,2,3}

Security Type	Market Value	% of Portfolio	Permitted by Policy	Compliance
U.S. Treasury	\$92,472,346	23.1%	100.0%	✓
Federal Agency	\$90,287,614	22.5%	100.0%	✓
Supranationals	\$7,606,386	1.9%	30.0%	✓
Corporate Note	\$35,681,197	8.9%	20.0%	✓
Commercial Paper	\$18,282,119	4.6%	20.0%	✓
Certificate of Deposit	\$14,123,119	3.5%	30.0%	✓
Asset Backed Securities	\$10,336,771	2.6%	30.0%	✓
Municipal	\$184,221	<0.1%	20.0%	✓
NV LGIP	\$101,548,103	25.4%	100.0%	✓
Money Market Funds	\$30,007,249	7.5%	100.0%	✓
Total Market Value	\$400,529,124	100.0%		

Maturity	Market Value	% of Portfolio	Permitted by Policy	Compliance
Overnight	\$131,555,352	27.4%	No Limit	✓
0-6 Months	\$52,975,985	9.7%	No Limit	✓
6-12 Months	\$28,556,038	7.7%	No Limit	✓
1-2 Years	\$54,462,504	18.9%	No Limit	✓
2-3 Years	\$38,136,524	10.1%	No Limit	✓
3-4 Years	\$41,519,021	11.0%	No Limit	✓
4-5 Years	\$32,550,511	9.3%	No Limit	✓
Over 5 Years	\$20,773,190	5.8%	No Limit	✓
Total Market Value	\$400,529,124	100.0%		

Accrual Basis Earnings ⁴	9/30/20 through 10/31/20
Total Estimated Earnings	\$429,231

1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
 2. Money Market Funds include the Bank of America and U.S. Bank balances.
 3. Investment policy dated February 2020.
 4. Excludes earnings on Liquid Funds.

Issuer Compliance^{1,2,3}

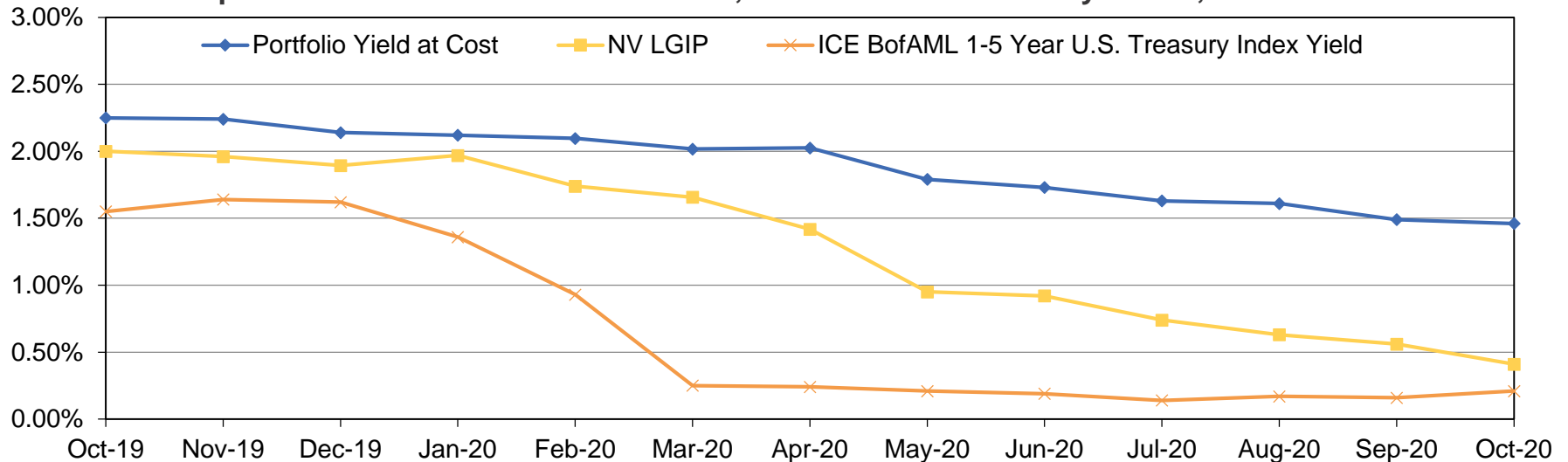
Issuer	Market Value	% of Portfolio	Permitted by Policy	Compliance
Nevada LGIP	\$101,548,103	25.4%	100%	✓
U.S. Treasury	\$82,198,990	20.5%	100%	✓
Federal National Mortgage Association	\$37,677,454	9.4%	100%	✓
Money Market Funds	\$30,007,249	7.5%	100%	✓
Federal Home Loan Mortgage Corp	\$26,224,060	6.5%	100%	✓
Toyota Motor Corp	\$13,178,345	3.3%	5%	✓
BNP Paribas	\$6,572,633	1.6%	5%	✓
Ford Credit Auto Lease Trust	\$6,014,531	1.5%	5%	✓
Federal Farm Credit Bank	\$5,957,277	1.5%	100%	✓
Asian Development Bank	\$4,593,487	1.1%	100%	✓
John Deere Owner Trust	\$4,458,806	1.1%	5%	✓
Federal Home Loan Bank	\$4,315,053	1.1%	100%	✓
Novartis Capital Corp	\$3,193,942	0.8%	5%	✓
Verizon Owner Trust	\$3,083,270	0.8%	5%	✓
US Bancorp	\$2,998,632	0.7%	5%	✓
World Omni Auto Rec Trust	\$2,904,985	0.7%	5%	✓
Inter-American Development Bank	\$2,860,688	0.7%	100%	✓
Wells Fargo & Company	\$2,849,316	0.7%	5%	✓
Nissan Auto Receivables	\$2,849,090	0.7%	5%	✓
Mercedes-Benz Auto Lease Trust	\$2,819,171	0.7%	5%	✓
Honda Auto Receivables	\$2,810,500	0.7%	5%	✓
Credit Agricole SA	\$2,631,513	0.7%	5%	✓
Harley-Davidson Motorcycle Trust	\$2,617,067	0.7%	5%	✓
Bank Of New York Mellon	\$2,530,433	0.6%	5%	✓
Blackrock Inc.	\$2,376,562	0.6%	5%	✓
Societe Generale	\$2,316,837	0.6%	5%	✓
Goldman Sachs Group Inc	\$2,125,625	0.5%	5%	✓
Mizuho Financial Group Inc.	\$1,883,454	0.5%	5%	✓
GM Financial Securitized Term	\$1,856,719	0.5%	5%	✓
Burlington Northern Santa Fe	\$1,837,145	0.5%	5%	✓
Bank Of America Co	\$1,782,601	0.4%	5%	✓
Wal-Mart Stores Inc	\$1,542,932	0.4%	5%	✓
Government National Mortgage Asso	\$1,517,132	0.4%	100%	✓
Verizon Communications	\$1,500,821	0.4%	5%	✓
Abbott Laboratories	\$1,360,207	0.3%	5%	✓
Comcast Corp	\$1,339,477	0.3%	5%	✓
BB&T Corporation	\$1,303,898	0.3%	5%	✓

Issuer	Market Value	% of Portfolio	Permitted by Policy	Compliance
Deere & Company	\$1,295,104	0.3%	5%	✓
JPMorgan Chase & Co	\$1,295,069	0.3%	5%	✓
Capital One Financial Corp	\$1,277,210	0.3%	5%	✓
American Express Co	\$1,231,910	0.3%	5%	✓
Caterpillar Inc	\$1,209,848	0.3%	5%	✓
Canadian Imperial Bank Of Commerce	\$1,205,958	0.3%	5%	✓
Sumitomo Mitsui Financial Group Inc	\$1,183,706	0.3%	5%	✓
Credit Suisse Group	\$1,062,673	0.3%	5%	✓
American Honda Finance	\$1,032,790	0.3%	5%	✓
DNB Bank	\$976,278	0.2%	5%	✓
Apple Inc	\$917,175	0.2%	5%	✓
Chevron Corporation	\$831,039	0.2%	5%	✓
Charles Schwab	\$609,616	0.2%	5%	✓
Fifth Third Auto Trust	\$556,048	0.1%	5%	✓
Bristol-Myers Squibb Co	\$521,702	0.1%	5%	✓
Carmax Auto Owner Trust	\$520,018	0.1%	5%	✓
IBM Corp	\$515,484	0.1%	5%	✓
Intl Bank Of Reconstruction And Dev	\$509,843	0.1%	100%	✓
Paccar Financial Corp	\$450,751	0.1%	5%	✓
PNC Financial Services Group	\$445,826	0.1%	5%	✓
Skandinaviska Enskilda Banken Ab	\$416,832	0.1%	5%	✓
Toronto-Dominion Bank	\$380,303	0.1%	5%	✓
Capital One Prime Auto Rec Trust	\$377,389	0.1%	5%	✓
Amazon.Com Inc	\$350,305	0.1%	5%	✓
State of Mississippi	\$323,813	0.1%	5%	✓
The Walt Disney Corporation	\$322,644	0.1%	5%	✓
Morgan Stanley	\$302,770	0.1%	5%	✓
Pepsico Inc	\$279,319	0.1%	5%	✓
Nordea Bank Ab	\$195,282	0.0%	5%	✓
Adobe Inc	\$149,291	0.0%	5%	✓
BMW Financial Services	\$145,129	0.0%	5%	✓
Total Market Value	\$400,529,124			

Portfolio Yield Summary

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
May-20	340,860,666	1.79%	1.86	0.95%	0.21%
Jun-20	325,930,370	1.73%	1.87	0.92%	0.19%
Jul-20	318,246,425	1.63%	1.88	0.74%	0.14%
Aug-20	337,634,270	1.61%	1.85	0.63%	0.17%
Sep-20	365,279,053	1.49%	1.91	0.56%	0.16%
Oct-20	395,599,258	1.46%	1.84	0.41%	0.21%

Comparison of Combined Portfolio Yield, BAML 1-5 Year Treasury Index², and NV LGIP³



1. Security book values include Core Portfolio, Liquid Portfolio, and Liquid Funds, excluding accrued interest and balances in the reserve funds.
2. Source: ICE Bank of America/Merrill Lynch Global Bond Indices
3. Source: Nevada State Treasurer's website. Monthly net distributed interest rate.
4. The portfolio yield and duration exclude Liquid Funds.

City's Investment Objectives

- **Investment Objectives:** In accordance with the City's Investment Policy, the City's primary objectives in order of priority are:
 - **Safety** – Safety of principal is the foremost objective of the investment program. Investments for the City will be made in a manner that seeks to ensure the preservation of capital in the overall portfolio.
 - **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
 - **Yield** – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints, liquidity needs, and cash flow characteristics of the portfolio.
- **Certification:** The City has sufficient funds to meet expenditures for the following six-month period.

City of Reno Investment Policy dated February 2020.

Portfolio Information Summary

Funds Included in Report

- The following report includes the City's funds held in overnight investment vehicles (savings accounts, money market funds, and Nevada Local Government Investment Pool) and portfolios of individual fixed income securities (Core Portfolio and Liquidity Portfolio).

Portfolio Summary and Characteristics

- Funds are shown on an amortized cost, and market value basis.
 - Amortized Cost Value (Book Value). Represents the original cost of an investment adjusted for amortization of premium or accretion of discount.
 - Market Value. The current price at which that security is trading between buyers and sellers. Valuation is highly dependent on interest rate movements.
- The investment sector, maturity, and credit ratings distribution is shown based on market value basis.
- Demonstrates level of diversification by investment type and credit quality. Additionally, illustrates active management of funds to optimize value in the current market.

Investment Program Maturity Summary

- The maturity distribution of the City's funds (market value plus accrued interest) from one-day to the ten-year mandated limit.
- Demonstrates level of diversification by maturity date. Shows placement of funds to take advantage of opportunities while ensuring that the City has funds to meet its cash flow needs.

Portfolio Yield Summary

- The historical yield and duration of the City's funds, monthly net distribution rate for the Nevada Local Government Investment Pool (NV LGIP), and the monthly yield for the Bank of America/Merrill Lynch 1 – 5 year Treasury Index is shown for the trailing six months.
- A historical record of the City's overall fund balance and earnings rates.

Investment Guidelines

- The City invests in permitted securities consistent with Nevada Revised Statutes (NRS) Chapter 355.170 – 355.200 and the Reno Municipal Code. The City’s Investment Policy includes additional sector allocation and maturity restrictions that reflect the City’s risk tolerances.

Security Type	Nevada Government Code	City’s Investment Policy
U.S. Treasury Notes	✓	✓
Federal Agencies	✓	✓
Supranationals	✓	✓
State and Local Municipal Obligations	✓	✓
Corporate Notes	✓	✓
Mortgage-Backed Securities	✓	✓
Commercial Paper	✓	✓
Time Certificates of Deposit	✓	✓
Negotiable Certificates of Deposit	✓	✓
Bankers’ Acceptances	✓	✓
Repurchase Agreements	✓	✓
Reverse Repurchase Agreements		
Mutual Funds	✓	✓
Money Market Funds	✓	✓
Nevada Local Government Investment Pool (NV LGIP)	✓	✓

City of Reno Investment Policy dated February 2020.