

# City of Reno

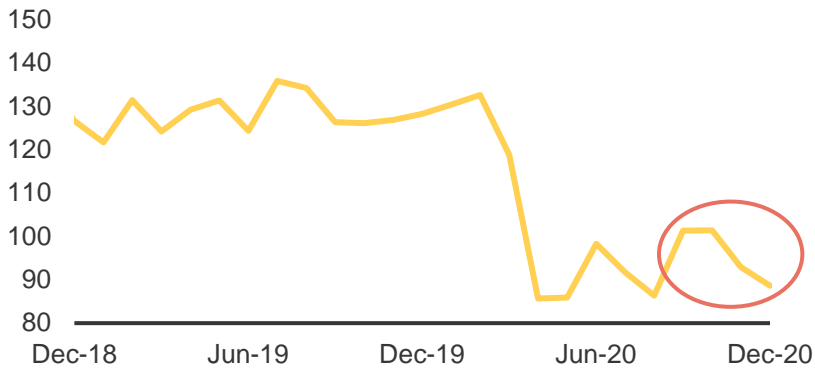
## Monthly Investment Report

January 31, 2021

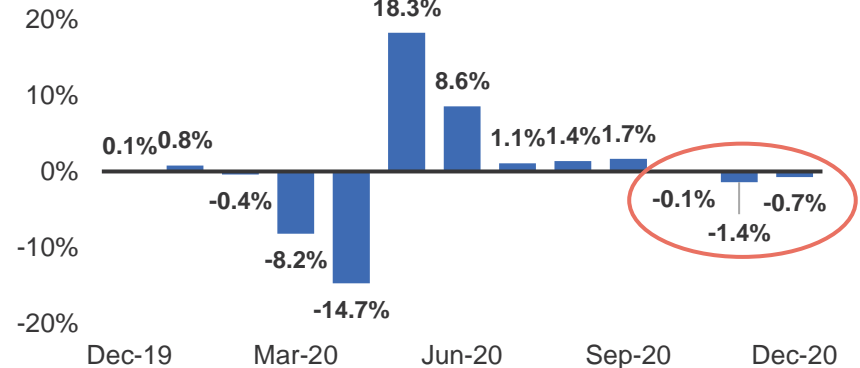


# COVID-19 Surge Slowed Economic Momentum in Q4

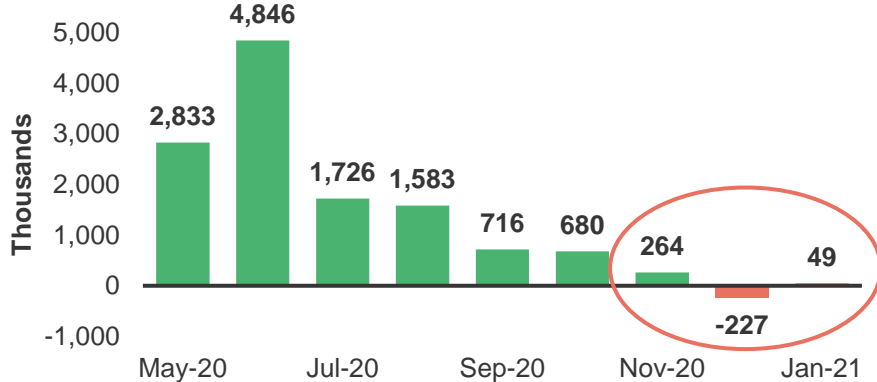
### Conference Board Consumer Confidence



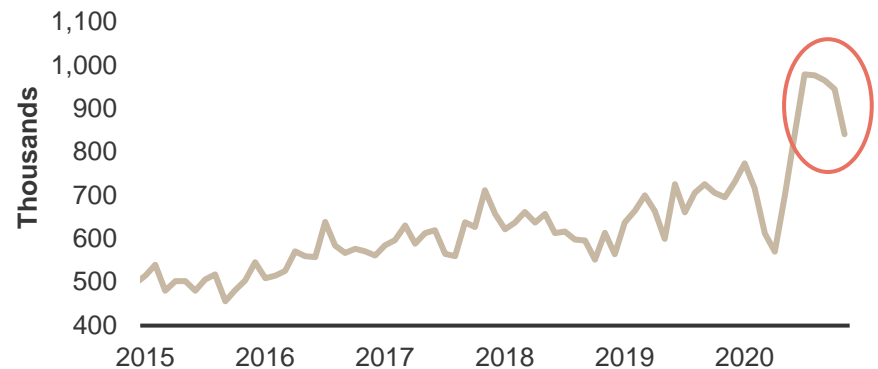
### Retail Sales



### Nonfarm Payrolls MoM



### New Home Sales (SAAR)



Source: Bloomberg, most recent data as of February 2021. SAAR is seasonally-adjusted annual rate.



# Market Summary

## Economic Conditions

- President Biden was sworn in as the 46th President of the United States and immediately signed a historic number of executive actions, reversing many of the policies of the former administration. The immediate priorities were then focused on fighting the Covid-19 pandemic and proposing a \$1.9 trillion economic relief package designed to support families, schools and businesses.
- The Federal Reserve maintained its current accommodative monetary policy stance and reaffirmed its commitment to support the economy. Federal Open Market Committee (FOMC) policymakers left its benchmark interest rate unchanged near 0% and maintained purchases of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month.
- The U.S. labor market struggled as the economy added only 49,000 jobs in January, following a revised-lower 227,000 job loss in December. Although the number of Americans filing for unemployment benefits fell, they have remained above 700,000 for 40 straight weeks. The unemployment rate fell to 6.3% in January, but a 10 million jobs gap remains as compared to pre-pandemic employment levels.

## Market Reaction

- The U.S. Treasury yield curve steepened in January as result of anticipated economic improvement later in the year and the potential for higher inflation. The yield on the benchmark 2-year note was relatively unchanged while the yield on the 10-year note rose, pushing the 2-year to 10-year maturity yield spread to the highest level since 2017.
- After a strong start to the year, equity markets waffled, ultimately posting modest losses for January – the S&P 500 declined 1.0%; the Dow Jones Industrial Average fell 2.0%; while the Nasdaq rose 1.4%, supported by solid earnings season.

## Summary of the City's Funds

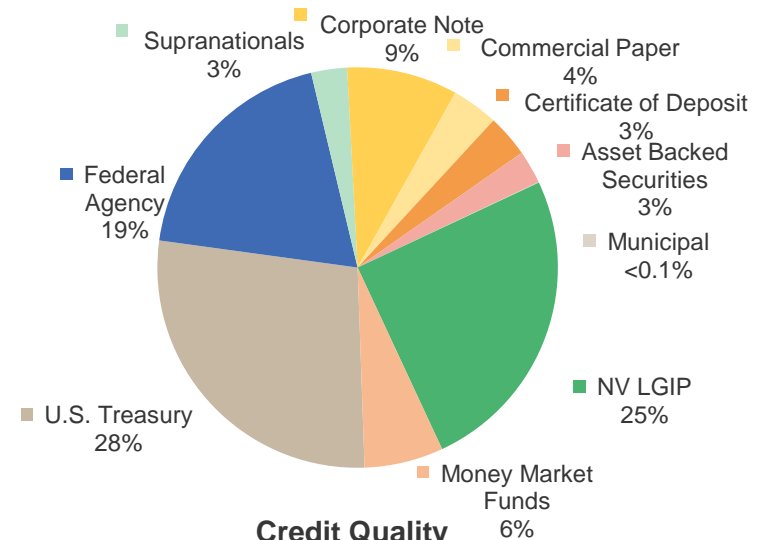
City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$215,496,285
Liquidity Portfolio	\$57,379,281
Liquid Funds	\$125,028,535
<i>Nevada LGIP</i>	\$99,636,485
<i>U.S. Bank</i>	\$9,130,405
<i>Bank of America</i>	\$16,261,645
<b>Managed Account Subtotal</b>	<b>\$397,904,101</b>
Reserve Fund Portfolios	\$13,917,670
<b>Total</b>	<b>\$411,821,771</b>

1. Market Values exclude accrued interest.

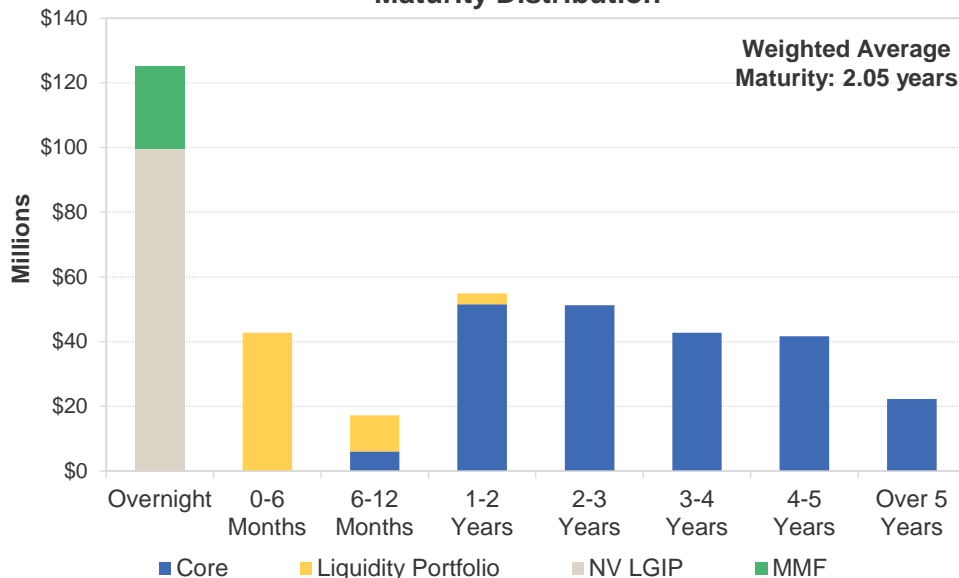
# Executive Summary<sup>1,2,3</sup>

Account Summary	Ending Values as of 12/31/20	Ending Values as of 1/31/21
Market Value	\$382,590,842	\$397,904,101
Book Value	\$378,147,818	\$393,644,232
Unrealized Gain/(Loss)	\$4,443,023	\$4,259,870
Yield at Market	0.45%	0.44%
Yield at Cost	1.26%	1.20%

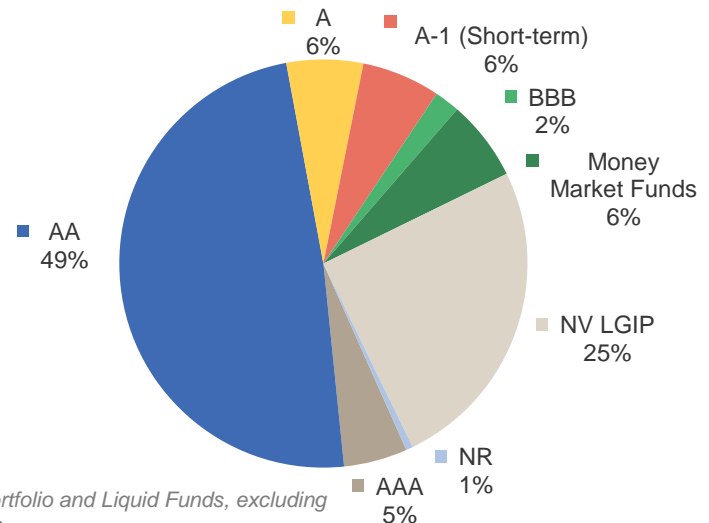
## Allocation by Security Type



## 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<sup>1,2,3</sup>

Security Type	Market Value	% of Portfolio	Permitted by Policy	Compliance
U.S. Treasury	\$110,298,363	27.7%	100%	✓
Federal Agency	\$76,009,653	19.1%	100%	✓
Supranationals	\$11,548,160	2.9%	30%	✓
Corporate Note	\$35,612,468	9.0%	20%	✓
Commercial Paper	\$14,919,357	3.7%	20%	✓
Certificate of Deposit	\$13,622,348	3.4%	30%	✓
Asset Backed Securities	\$10,679,007	2.7%	30%	✓
Municipal	\$186,210	<0.1%	20%	✓
NV LGIP	\$99,636,485	25.0%	100%	✓
Money Market Funds	\$25,392,051	6.4%	100%	✓
<b>Total Market Value</b>	<b>\$397,904,101</b>	<b>100.0%</b>		

Maturity	Market Value	% of Portfolio	Permitted by Policy	Compliance
Overnight	\$125,028,535	31.4%	No Limit	✓
0-6 Months	\$42,727,339	10.7%	No Limit	✓
6-12 Months	\$17,240,650	4.3%	No Limit	✓
1-2 Years	\$54,966,173	13.8%	No Limit	✓
2-3 Years	\$51,234,152	12.9%	No Limit	✓
3-4 Years	\$42,786,442	10.8%	No Limit	✓
4-5 Years	\$41,648,315	10.5%	No Limit	✓
Over 5 Years	\$22,272,494	5.6%	No Limit	✓
<b>Total Market Value</b>	<b>\$397,904,101</b>	<b>100.0%</b>		

Accrual Basis Earnings <sup>4</sup>	12/31/20 through 1/31/21
<b>Total Estimated Earnings</b>	<b>\$307,624</b>

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<sup>1,2,3</sup>

Issuer	Market Value	% of Portfolio	Permitted by Policy	Compliance
U.S. Treasury	\$110,298,363	27.7%	100%	✓
Nevada LGIP	\$99,636,485	25.0%	100%	✓
Federal National Mortgage Association	\$42,623,302	10.7%	100%	✓
Federal Home Loan Mortgage Corporation	\$26,648,846	6.7%	100%	✓
Money Market Funds	\$25,392,051	6.4%	100%	✓
Asian Development Bank	\$7,277,118	1.8%	100%	✓
Toyota Motor Corp	\$5,089,011	1.3%	5%	✓
Intl Bank Of Reconstruction And Dev	\$3,268,916	0.8%	100%	✓
Sumitomo Mitsui Financial Group Inc	\$3,167,927	0.8%	5%	✓
Canadian Imperial Bank Of Commerce	\$2,999,958	0.8%	5%	✓
Credit Agricole SA	\$2,999,385	0.8%	5%	✓
Government National Mortgage Association	\$2,529,878	0.6%	100%	✓
Bank Of New York Mellon	\$2,511,840	0.6%	5%	✓
Royal Bank Of Canada	\$2,501,009	0.6%	5%	✓
Blackrock Inc.	\$2,371,099	0.6%	5%	✓
JPMorgan Chase & Co	\$2,298,589	0.6%	5%	✓
Federal Home Loan Bank	\$2,203,872	0.6%	100%	✓
Federal Farm Credit Bank	\$2,003,756	0.5%	100%	✓
HSBC Holdings PLC	\$2,000,164	0.5%	5%	✓
BNP Paribas	\$1,999,602	0.5%	5%	✓
Burlington Northern Santa Fe	\$1,832,999	0.5%	5%	✓
Bank Of America Co	\$1,778,514	0.4%	5%	✓
Novartis Capital Corp	\$1,565,107	0.4%	5%	✓
Skandinaviska Enskilda Banken Ab	\$1,539,375	0.4%	5%	✓
Nordea Bank Ab	\$1,539,141	0.4%	5%	✓
Toronto-Dominion Bank	\$1,500,607	0.4%	5%	✓
Lloyds Bank Corp	\$1,497,504	0.4%	5%	✓
Abbott Laboratories	\$1,354,632	0.3%	5%	✓
Citigroup Inc	\$1,346,177	0.3%	5%	✓
The Walt Disney Corporation	\$1,336,644	0.3%	5%	✓
Goldman Sachs Group Inc	\$1,329,071	0.3%	5%	✓
BB&T Corporation	\$1,305,612	0.3%	5%	✓
Societe Generale	\$1,303,812	0.3%	5%	✓
DNB Bank	\$1,292,415	0.3%	5%	✓
Morgan Stanley	\$1,291,922	0.3%	5%	✓
Verizon Owner Trust	\$1,282,563	0.3%	5%	✓
Capital One Financial Corp	\$1,273,981	0.3%	5%	✓

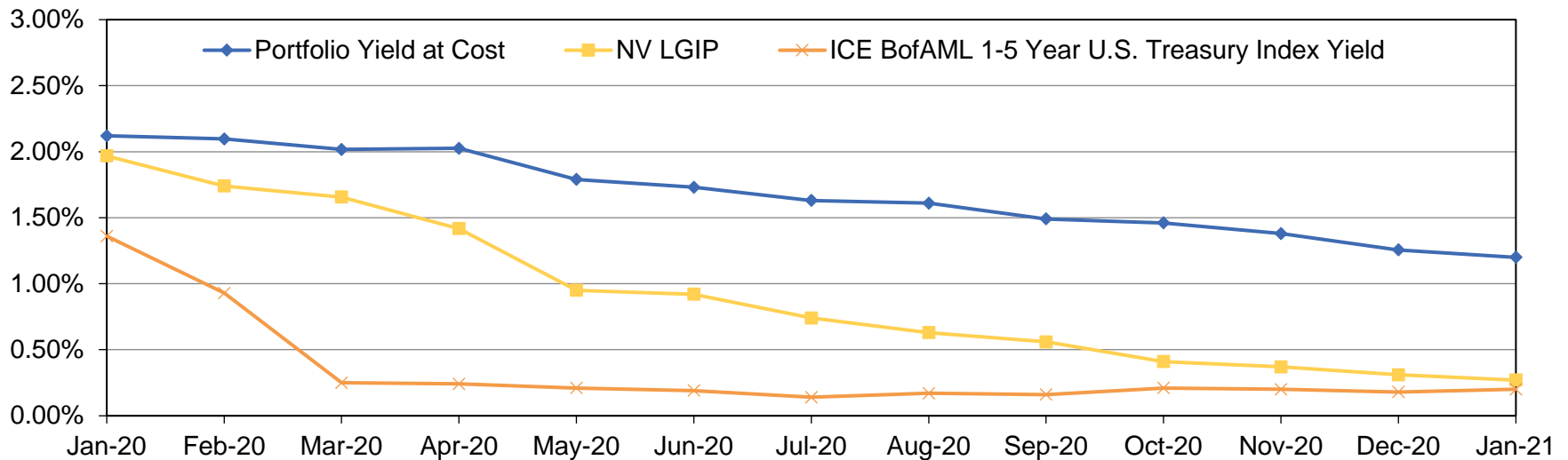
Issuer	Market Value	% of Portfolio	Permitted by Policy	Compliance
Wal-Mart Stores Inc	\$1,262,798	0.3%	5%	✓
American Express Co	\$1,228,045	0.3%	5%	✓
Caterpillar Inc	\$1,211,210	0.3%	5%	✓
IBM Corp	\$1,202,965	0.3%	5%	✓
Charles Schwab	\$1,081,031	0.3%	5%	✓
US Bancorp	\$1,061,263	0.3%	5%	✓
Comcast Corp	\$1,060,631	0.3%	5%	✓
American Honda Finance	\$1,031,703	0.3%	5%	✓
PNC Financial Services Group	\$1,017,700	0.3%	5%	✓
Inter-American Development Bank	\$1,002,125	0.3%	100%	✓
Credit Suisse Group	\$976,725	0.2%	5%	✓
Wells Fargo & Company	\$924,164	0.2%	5%	✓
Apple Inc	\$920,640	0.2%	5%	✓
Gm Financial Securitized Term	\$893,596	0.2%	5%	✓
Chevron Corporation	\$831,263	0.2%	5%	✓
Carmax Auto Owner Trust	\$730,078	0.2%	5%	✓
Honda Auto Receivables	\$686,866	0.2%	5%	✓
Mercedes-Benz Auto Lease Trust	\$667,019	0.2%	5%	✓
World Omni Auto Rec Trust	\$549,806	0.1%	5%	✓
Bristol-Myers Squibb Co	\$514,621	0.1%	5%	✓
Verizon Communications	\$505,561	0.1%	5%	✓
John Deere Owner Trust	\$490,878	0.1%	5%	✓
Nissan Auto Receivables	\$472,203	0.1%	5%	✓
Fifth Third Auto Trust	\$433,654	0.1%	5%	✓
Ford Credit Auto Lease Trust	\$379,451	0.1%	5%	✓
Capital One Prime Auto Rec Trust	\$365,907	0.1%	5%	✓
Amazon.Com Inc	\$351,050	0.1%	5%	✓
Deere & Company	\$322,477	0.1%	5%	✓
Pepsico Inc	\$303,642	0.1%	5%	✓
Paccar Financial Corp	\$283,008	0.1%	5%	✓
Harley-Davidson Motorcycle Trust	\$280,061	0.1%	5%	✓
Hyundai Auto Receivables	\$215,389	0.1%	5%	✓
State of Mississippi	\$186,210	0.0%	5%	✓
Adobe Inc	\$149,065	0.0%	5%	✓
BMW Financial Services	\$120,050	0.0%	5%	✓
<b>Total</b>	<b>\$397,904,101</b>			

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.

## Portfolio Yield Summary

Date	Book Value <sup>1</sup>	Portfolio Yield (Cost) <sup>4</sup>	Portfolio Duration <sup>4</sup>	NV LGIP Yield (Monthly) <sup>3</sup>	1-5 Year Treasury Index Yield <sup>2</sup>
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%
Nov-20	388,723,179	1.38%	2.03	0.37%	0.20%
Dec-20	378,147,818	1.26%	2.10	0.31%	0.18%
Jan-21	393,644,232	1.20%	2.13	0.27%	0.20%

**Comparison of Combined Portfolio Yield, BAML 1-5 Year Treasury Index<sup>2</sup>, and NV LGIP<sup>3</sup>**



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.