

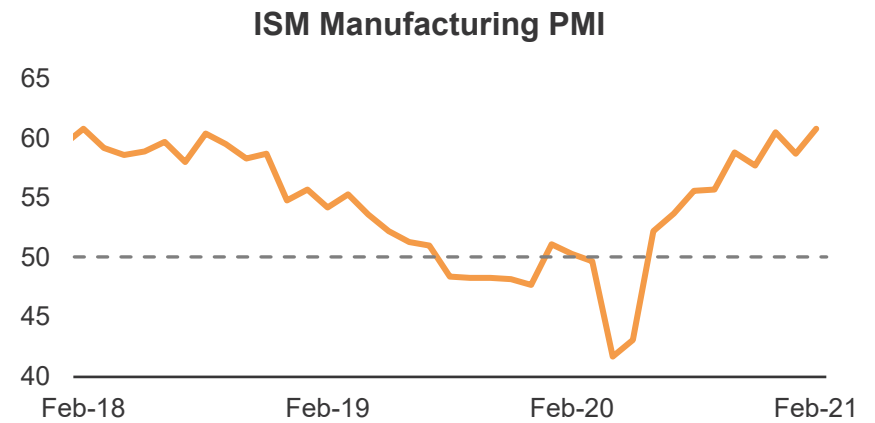
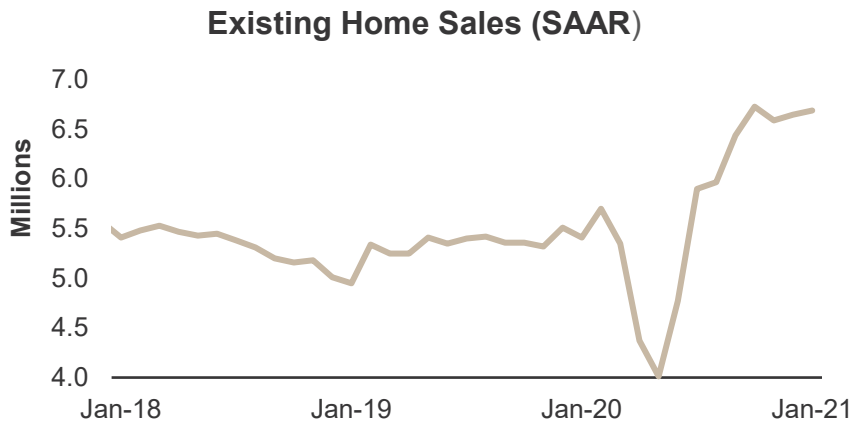
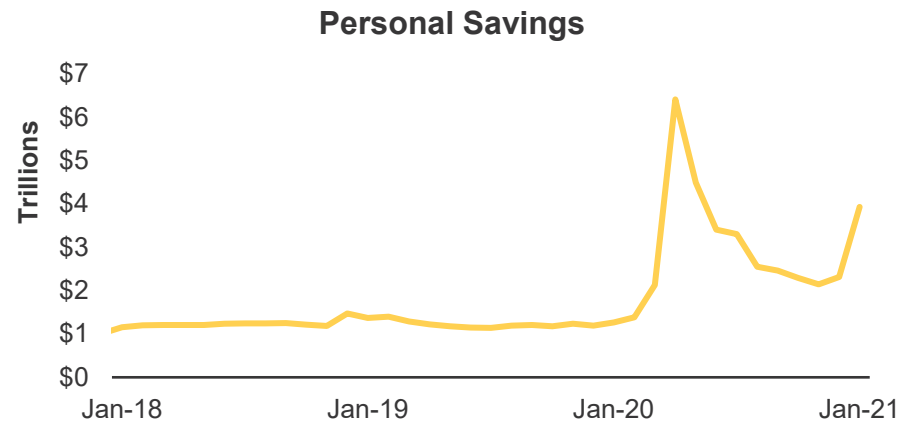
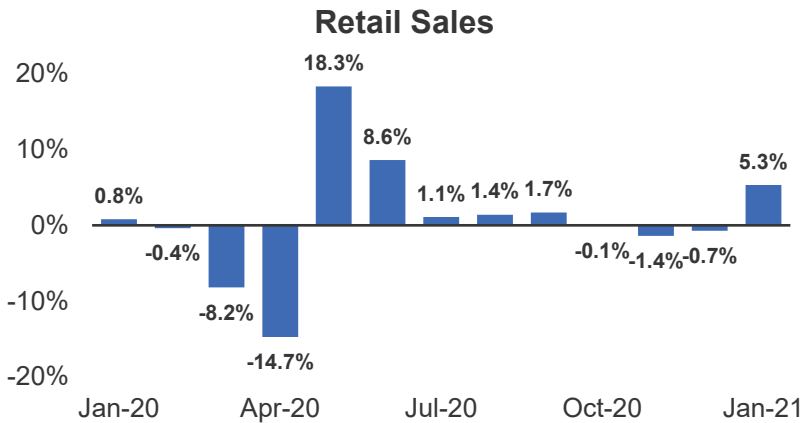
# **City of Reno**

## **Monthly Investment Report**

**February 28, 2021**



# Economic Recovery Looks Promising Amid Additional Stimulus



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



# Market Summary

## Economic Conditions

- The U.S. House of Representatives and Senate passed the \$1.9 trillion Covid-19 relief package that includes \$1,400 stimulus checks to individuals, an extension of unemployment benefits, and additional aid for small businesses. The American Rescue Plan Act of 2021, H.R. 1319, was signed into law by President Joe Biden on March 12<sup>th</sup>.
- In congressional testimony, Federal Reserve (Fed) Chair Jerome Powell commented that “the economy is a long way from employment and inflation goals” and reaffirmed the Fed’s commitment to maintain easy monetary policy until the economy has recovered further from the pandemic. Near-zero interest rate and asset purchases remain in place for the foreseeable future.
- Inflation expectations continued to rise, according to Treasury breakeven rates. But actual realized inflation continued to lag the Federal Reserve’s average target rate of 2%. Meanwhile, the labor market improved as the U.S. economy added 379,000 jobs and the unemployment rate fell to 6.2% in February.

## Market Reaction

- U.S. Treasury yield curve steepened quickly and significantly. Shorter-term yields (less than two years) remained stable, anchored by the Fed’s near zero rate policy, while the 10-year Treasury yield jumped over 30 basis points (0.30%). Positive developments on vaccinations, renewed optimism about a large stimulus package, an improving economic and business outlook, and hints of brewing inflation catalyzed the jump in longer-term yields.
- Equities rebounded in February – reaching new records highs – and weathered a minor pullback late in the month due to rising yields.

## Summary of the City's Funds

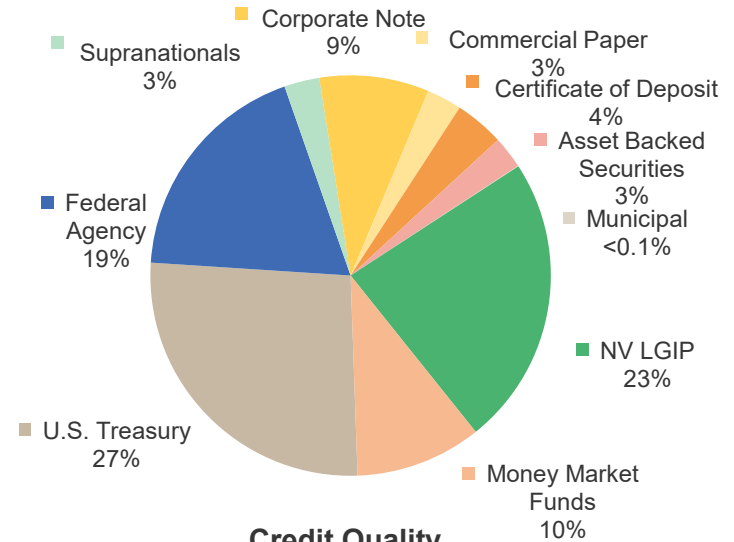
City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$214,510,279
Liquidity Portfolio	\$53,475,062
Liquid Funds	\$135,795,347
<i>Nevada LGIP</i>	<i>\$94,654,549</i>
<i>U.S. Bank</i>	<i>\$10,804,911</i>
<i>Bank of America</i>	<i>\$30,335,887</i>
<b>Managed Account Subtotal</b>	<b>\$403,780,688</b>
Reserve Fund Portfolios	\$13,894,400
<b>Total</b>	<b>\$417,675,089</b>

1. Market Values exclude accrued interest.

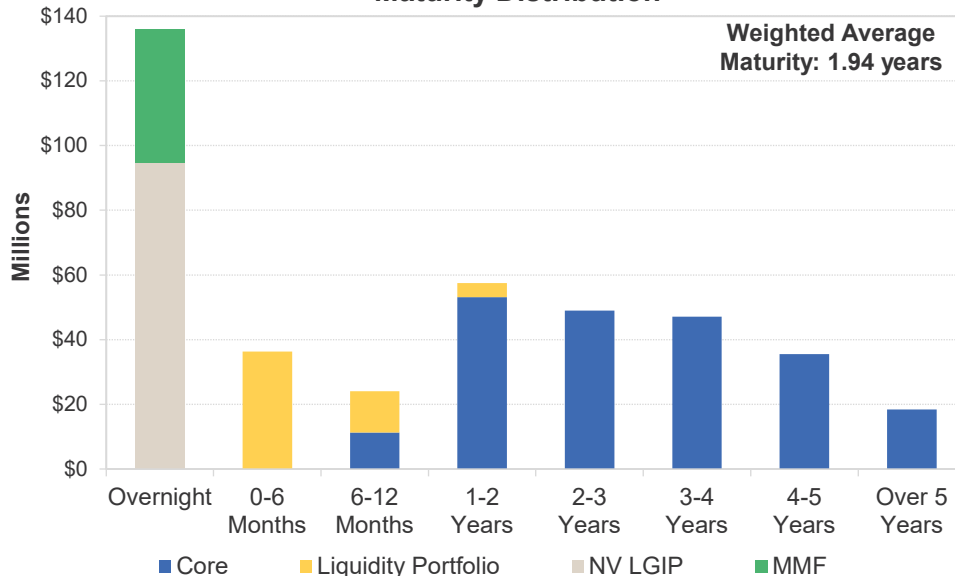
# Executive Summary<sup>1,2,3</sup>

Account Summary	Ending Values as of 1/31/21	Ending Values as of 2/28/21
Market Value	\$397,904,101	\$403,780,688
Book Value	\$393,644,232	\$400,398,176
Unrealized Gain/(Loss)	\$4,259,870	\$3,382,512
Yield at Market	0.44%	0.50%
Yield at Cost	1.20%	1.21%

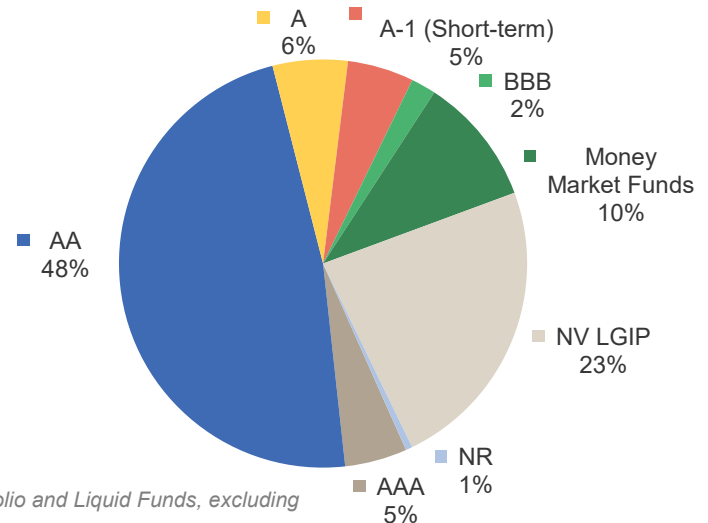
## Allocation by Security Type



## 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	\$107,346,785	26.6%	100%	✓
Federal Agency	\$75,178,427	18.6%	100%	✓
Supranationals	\$11,510,474	2.9%	30%	✓
Corporate Note	\$35,699,802	8.8%	20%	✓
Commercial Paper	\$11,422,229	2.8%	20%	✓
Certificate of Deposit	\$16,115,632	4.0%	30%	✓
Asset Backed Securities	\$10,527,108	2.6%	30%	✓
Municipal	\$184,885	<0.1%	20%	✓
NV LGIP	\$94,654,549	23.4%	100%	✓
Money Market Funds	\$41,140,797	10.2%	100%	✓
<b>Total Market Value</b>	<b>\$403,780,688</b>	<b>100.0%</b>		

Maturity	Market Value	% of Portfolio	Permitted by Policy	Compliance
Overnight	\$135,795,347	33.6%	No Limit	✓
0-6 Months	\$36,341,143	9.0%	No Limit	✓
6-12 Months	\$24,053,264	6.0%	No Limit	✓
1-2 Years	\$57,515,428	14.2%	No Limit	✓
2-3 Years	\$48,954,497	12.1%	No Limit	✓
3-4 Years	\$47,143,761	11.7%	No Limit	✓
4-5 Years	\$35,563,395	8.8%	No Limit	✓
Over 5 Years	\$18,413,853	4.6%	No Limit	✓
<b>Total Market Value</b>	<b>\$403,780,688</b>	<b>100.0%</b>		

Accrual Basis Earnings <sup>4</sup>	1/31/21 through 2/28/21
<b>Total Estimated Earnings</b>	<b>\$250,470</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	\$107,346,785	26.6%	100%	✓
Nevada LGIP	\$94,654,549	23.4%	100%	✓
Federal National Mortgage Association	\$42,079,639	10.4%	100%	✓
Money Market Funds	\$41,140,797	10.2%	100%	✓
Federal Home Loan Mortgage Corporation	\$26,442,887	6.5%	100%	✓
Asian Development Bank	\$7,244,279	1.8%	100%	✓
Toyota Motor Corp	\$5,071,827	1.3%	5%	✓
Intl Bank Of Reconstruction And Dev	\$3,264,674	0.8%	100%	✓
Sumitomo Mitsui Financial Group Inc	\$3,170,391	0.8%	5%	✓
Credit Agricole SA	\$2,999,691	0.7%	5%	✓
Bank Of New York Mellon	\$2,510,430	0.6%	5%	✓
Royal Bank Of Canada	\$2,501,278	0.6%	5%	✓
Government National Mortgage Association	\$2,456,793	0.6%	100%	✓
Blackrock Inc.	\$2,359,514	0.6%	5%	✓
JPMorgan Chase & Co	\$2,295,959	0.6%	5%	✓
Federal Home Loan Bank	\$2,195,730	0.5%	100%	✓
Federal Farm Credit Bank	\$2,003,378	0.5%	100%	✓
HSBC Holdings PLC	\$2,000,128	0.5%	5%	✓
Burlington Northern Santa Fe	\$1,825,077	0.5%	5%	✓
Bank Of America Co	\$1,777,003	0.4%	5%	✓
Novartis Capital Corp	\$1,549,475	0.4%	5%	✓
Skandinaviska Enskilda Banken Ab	\$1,537,503	0.4%	5%	✓
Nordea Bank Ab	\$1,537,280	0.4%	5%	✓
Toronto-Dominion Bank	\$1,500,926	0.4%	5%	✓
Barclays Bank	\$1,500,570	0.4%	5%	✓
BNP Paribas	\$1,499,784	0.4%	5%	✓
Lloyds Bank Corp	\$1,498,851	0.4%	5%	✓
Abbott Laboratories	\$1,351,568	0.3%	5%	✓
Citigroup Inc	\$1,346,124	0.3%	5%	✓
The Walt Disney Corporation	\$1,333,658	0.3%	5%	✓
Goldman Sachs Group Inc	\$1,329,092	0.3%	5%	✓
Societe Generale	\$1,302,540	0.3%	5%	✓
BB&T Corporation	\$1,301,510	0.3%	5%	✓
DNB Bank	\$1,290,399	0.3%	5%	✓
Morgan Stanley	\$1,288,779	0.3%	5%	✓
Verizon Owner Trust	\$1,283,466	0.3%	5%	✓
Capital One Financial Corp	\$1,272,314	0.3%	5%	✓

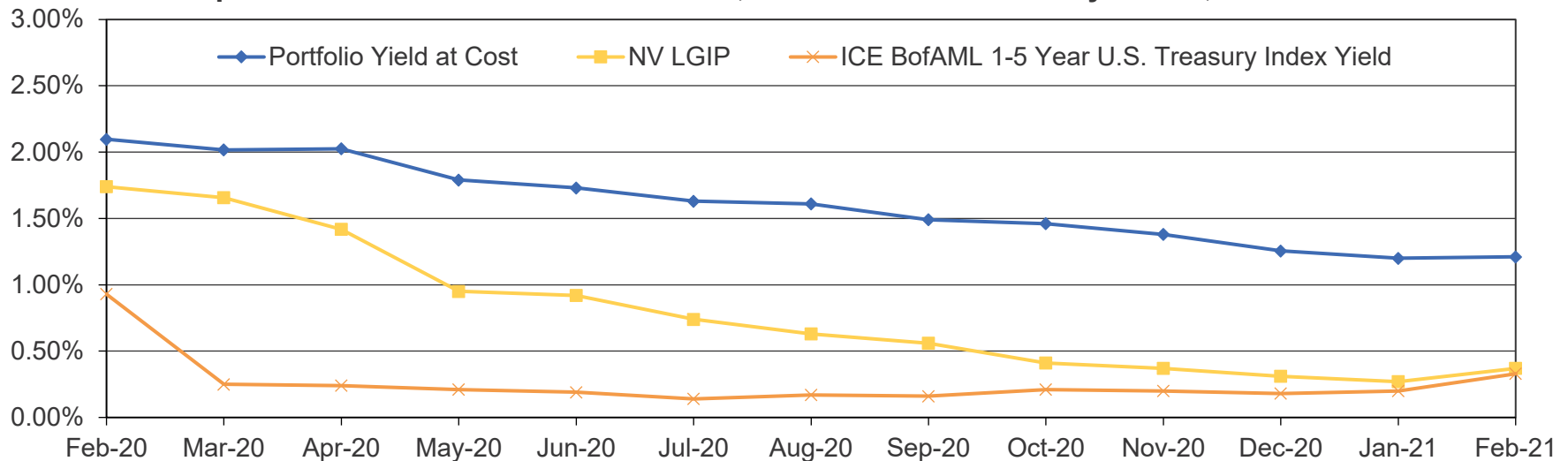
Issuer	Market Value	% of Portfolio	Permitted by Policy	Compliance
Wal-Mart Stores Inc	\$1,262,238	0.3%	5%	✓
American Express Co	\$1,222,233	0.3%	5%	✓
Caterpillar Inc	\$1,203,560	0.3%	5%	✓
IBM Corp	\$1,200,977	0.3%	5%	✓
Charles Schwab	\$1,080,588	0.3%	5%	✓
US Bancorp	\$1,059,946	0.3%	5%	✓
Comcast Corp	\$1,057,787	0.3%	5%	✓
American Honda Finance	\$1,030,232	0.3%	5%	✓
PNC Financial Services Group	\$1,016,079	0.3%	5%	✓
Inter-American Development Bank	\$1,001,520	0.2%	100%	✓
UBS AG	\$996,274	0.2%	5%	✓
Credit Suisse Group	\$977,704	0.2%	5%	✓
Wells Fargo & Company	\$927,014	0.2%	5%	✓
Apple Inc	\$909,266	0.2%	5%	✓
Gm Financial Securitized Term	\$883,133	0.2%	5%	✓
Chevron Corporation	\$825,354	0.2%	5%	✓
Carmax Auto Owner Trust	\$728,152	0.2%	5%	✓
Mercedes-Benz Auto Lease Trust	\$666,284	0.2%	5%	✓
Honda Auto Receivables	\$664,407	0.2%	5%	✓
World Omni Auto Rec Trust	\$512,078	0.1%	5%	✓
Verizon Communications	\$500,376	0.1%	5%	✓
John Deere Owner Trust	\$489,991	0.1%	5%	✓
Lockheed Martin Corp	\$473,330	0.1%	5%	✓
Nissan Auto Receivables	\$472,116	0.1%	5%	✓
Fifth Third Auto Trust	\$401,994	0.1%	5%	✓
Ford Credit Auto Lease Trust	\$378,766	0.1%	5%	✓
Amazon.Com Inc	\$351,153	0.1%	5%	✓
Capital One Prime Auto Rec Trust	\$339,817	0.1%	5%	✓
Deere & Company	\$322,549	0.1%	5%	✓
Pepsico Inc	\$303,276	0.1%	5%	✓
Paccar Financial Corp	\$282,610	0.1%	5%	✓
Harley-Davidson Motorcycle Trust	\$279,668	0.1%	5%	✓
Bristol-Myers Squibb Co	\$240,692	0.1%	5%	✓
Hyundai Auto Receivables	\$215,137	0.1%	5%	✓
State of Mississippi	\$184,885	<0.1%	5%	✓
Adobe Inc	\$148,904	<0.1%	5%	✓
BMW Financial Services	\$105,949	<0.1%	5%	✓
<b>Total</b>	<b>\$403,780,688</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>
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%
Feb-21	400,398,176	1.21%	2.12	0.37%	0.33%

**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.