

# City of Reno

## Monthly Investment Report

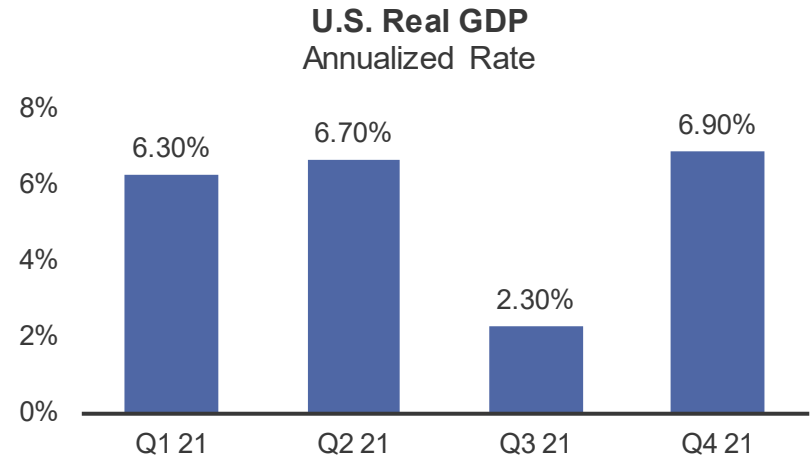
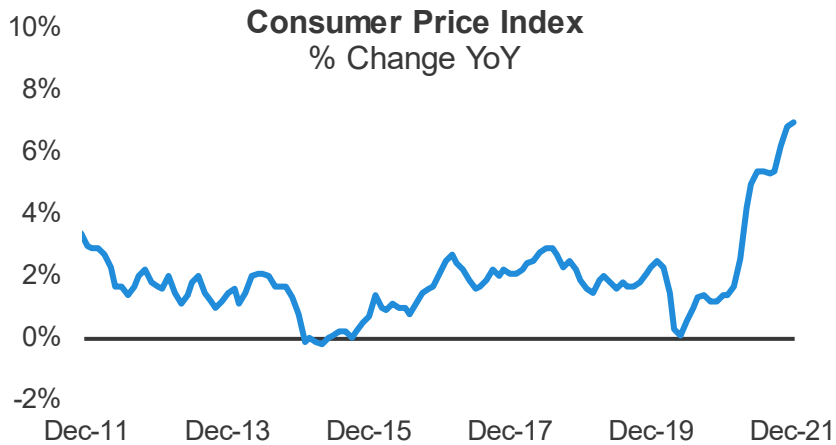
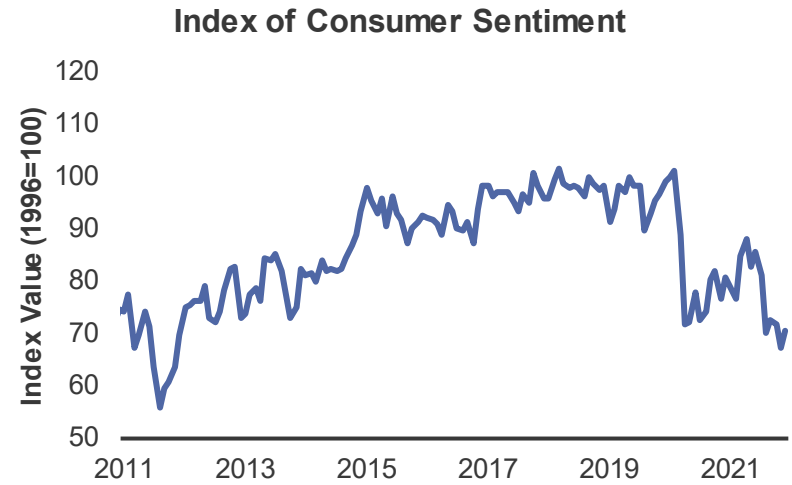
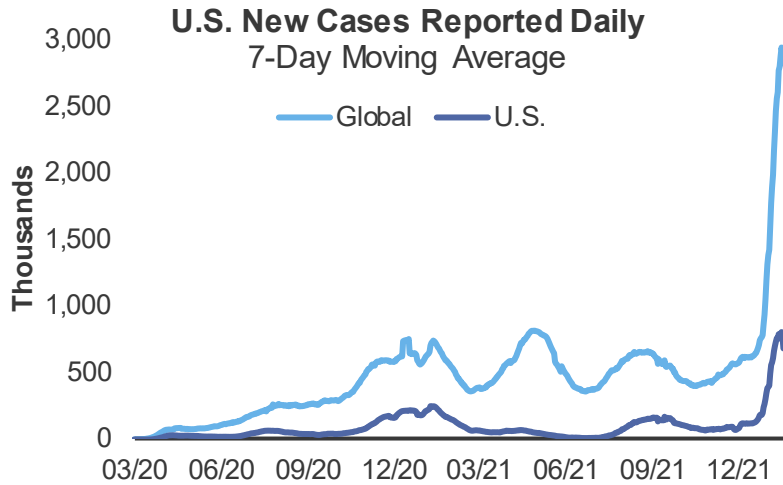
December 31, 2021

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*PFM Asset Management LLC*

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# COVID Cases Hits Record High; Inflation Remains Elevated; GDP is Strong



Source: John Hopkins University Coronavirus Resource Center, PFM calculations; as of 1/17/2022 (top left). Bloomberg, University of Michigan Consumer Sentiment and underlying index components December 2021 (top right). Bloomberg, as of December 2021. Data is seasonally adjusted (bottom left). Federal Reserve, U.S. Real GDP.

# Current Market Themes

- ▶ U.S. economic conditions are characterized by:
  - The mounting Coronavirus cases with the Omicron variant hit record highs
  - High inflation, tight labor market with strong payroll growth
  - Fed considers faster pace of balance sheet runoff
- ▶ U.S. Treasury yields moved higher in December, with 1-5 year yields rising by about 6-16 basis points (0.06%-0.16%). This was the market's reaction to the risk of Fed rate hikes being pulled forward in 2022. Yields moved higher at an even faster pace in the first week of the new year as it became clear the Fed may reduce its balance sheet even more aggressively than their announced tapering plan would indicate.
- ▶ U.S. hiring slowed in December while the jobless rate fell to 3.9%. The economy added 199,000 jobs, indicating labor market is tight and that initial claims of running at pre-pandemic levels were incorrect, which at the time were thought to be quite low.
- ▶ The price of goods and services in the U.S. jumped to 7% in December (rose 0.5% compared with November). The biggest surge in U.S. consumer prices in almost four decades seems to have obvious enough causes-continuing supply-chain disruption amid a surge in consumer demand for goods. Price increases in housing and used cars and trucks were the largest contributors.
- ▶ The FOMC Minutes in December showed that participants thought it would be appropriate to reduce the size of the Fed's balance sheet at the faster pace than during the previous normalization period, as well as starting closer to the first rate hike than the last time. Part of the reasoning was the economic outlook is stronger and the balance sheet is simply a lot bigger now.
- ▶ U.S. Covid cases have hit their highest level of the pandemic as the Omicron and Delta variant circulate throughout the country. Nationwide daily new cases were at a record 7-day moving average of more than 265,000. The CDC announced that roughly 62% of the U.S. population is fully vaccinated. Despite the high levels of caseloads, largely due to the emergence of Omicron, symptoms of the new variant are more mild than previous variants.

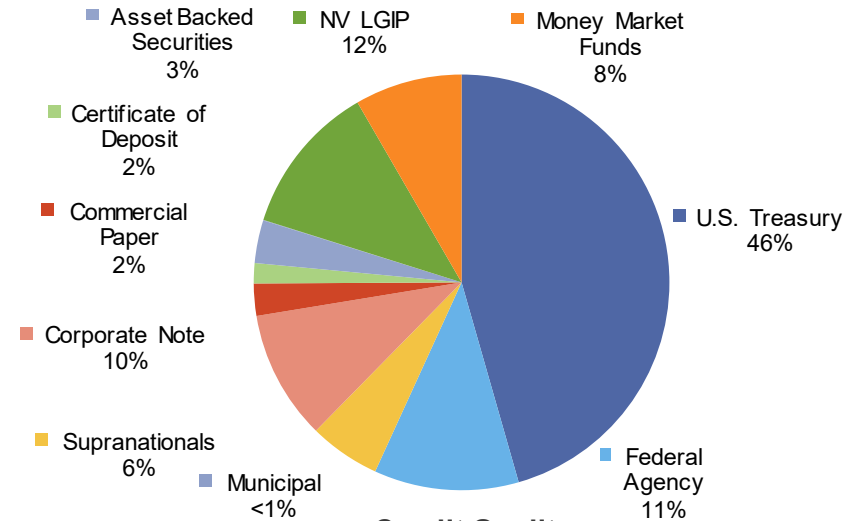
City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$314,747,056
Liquidity Portfolio	\$35,988,172
Liquid Funds	\$88,439,694
<i>Nevada LGIP</i>	\$51,773,967
<i>U.S. Bank</i>	\$15,845,721
<i>Bank of America</i>	\$20,820,006
<b>Managed Account Subtotal</b>	<b>\$439,174,922</b>
Reserve Fund Portfolios	\$12,646,652
<b>Total</b>	<b>\$451,821,574</b>

1. Market Values exclude accrued interest

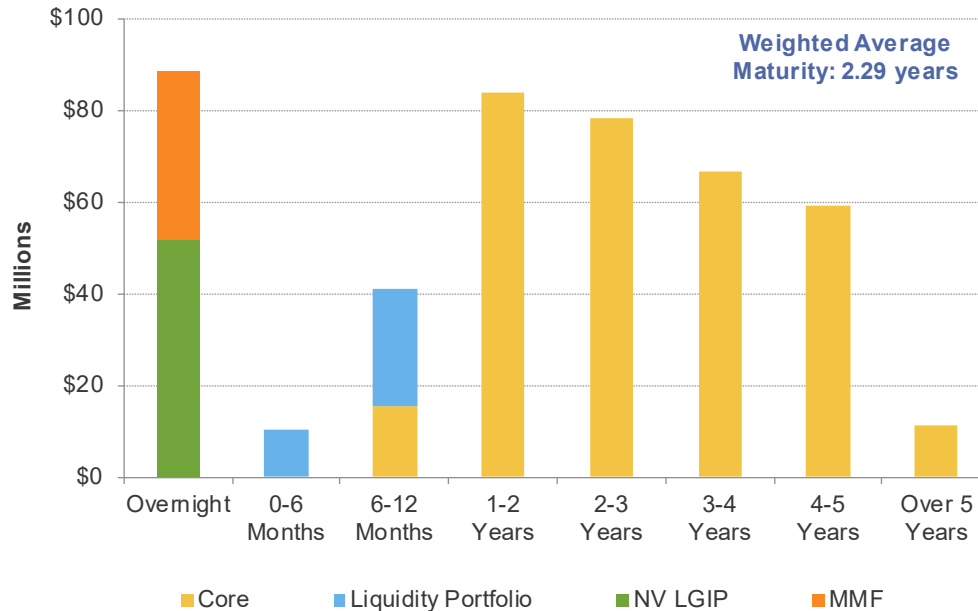


Account Summary	Ending Values as of 11/30/21	Ending Values as of 12/31/21
Market Value	\$439,938,450	\$439,174,922
Book Value	\$440,701,772	\$440,819,783
Unrealized Gain/(Loss)	(\$763,322)	(\$1,644,861)
Yield at Market	0.83%	0.94%
Yield at Cost	0.84%	0.82%

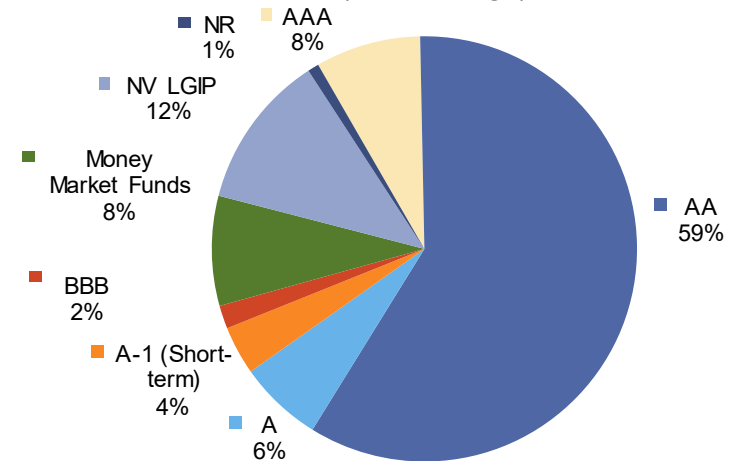
## Allocation by Security Type



## 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 Analytics<sup>1,2,3,4</sup>

City of Reno as of  
12/31/21

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$200,123,990	45.6%	100%
Federal Agency	\$49,428,444	11.3%	100%
Supranationals	\$24,300,334	5.5%	15%
Corporate Note	\$44,174,904	10.1%	20%
Commercial Paper	\$10,985,698	2.5%	20%
Certificate of Deposit	\$6,904,664	1.6%	30%
Asset Backed Securities	\$14,634,309	3.3%	30%
Municipal	\$182,885	0.0%	20%
NV LGIP	\$51,773,967	11.8%	100%
Money Market Funds	\$36,665,726	8.3%	100%
<b>Total Market Value</b>	<b>\$439,174,922</b>	<b>100%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$88,439,694	20.1%	No Limit
0-6 Months	\$10,358,012	2.4%	No Limit
6-12 Months	\$40,785,845	9.3%	No Limit
1-2 Years	\$83,922,448	19.1%	No Limit
2-3 Years	\$78,398,638	17.9%	No Limit
3-4 Years	\$66,716,289	15.2%	No Limit
4-5 Years	\$59,259,828	13.5%	No Limit
Over 5 Years	\$11,294,169	2.6%	No Limit
<b>Total Market Value</b>	<b>\$439,174,922</b>	<b>100.00%</b>	

Accrual Basis Earnings <sup>4</sup>	11/30/21 through 12/31/21
<b>Total Estimated Earnings</b>	<b>\$269,230</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 October 2021.
4. Excludes earnings on Liquid Funds.

# Issuer Diversification<sup>1,2,3,4</sup>

City of Reno as of  
12/31/21

Issuer	Market Value	% of Portfolio	Permitted by Policy
U. S. Treasury	\$200,123,990	45.6%	100%
Nevada LGIP	\$51,773,967	11.8%	100%
Money Market Funds	\$36,665,726	8.3%	100%
Federal National Mortgage Association	\$26,275,171	6.0%	100%
Federal Home Loan Mortgage Corporation	\$19,602,346	4.5%	100%
Federal Home Loan Bank	\$2,164,323	0.5%	100%
Government National Mortgage Association	\$1,386,605	0.3%	100%
Inter-American Development Bank	\$7,455,372	1.7%	15%
Asian Development Bank	\$5,712,945	1.3%	0%
Intl Bank Of Reconstruction And Dev	\$5,631,886	1.3%	15%
African Development Bank	\$5,500,131	1.3%	0%
Toyota Motor Corp	\$4,760,168	1.1%	5%
JPMorgan Chase & Co	\$3,847,914	0.9%	5%
Credit Suisse Group	\$3,138,536	0.7%	5%
Goldman Sachs Group Inc	\$2,782,423	0.6%	5%
Bmw Financial Services Na Llc	\$2,610,629	0.6%	5%
Bank Of New York Mellon	\$2,434,765	0.6%	5%
Blackrock Inc.	\$2,284,014	0.5%	5%
American Honda Finance	\$1,843,335	0.4%	5%
Burlington Northern Santa Fe	\$1,765,993	0.4%	5%
Bank Of America Co	\$1,713,388	0.4%	5%
AstraZeneca Finance LLC	\$1,579,613	0.4%	5%
Novartis Capital Corp	\$1,519,101	0.3%	5%
Barclays Bank	\$1,500,174	0.3%	5%
Mizuho Financial Group Inc.	\$1,499,946	0.3%	5%
BOFA Securities Inc.	\$1,497,657	0.3%	5%
Mitsubishi Ufj Financial Group Inc	\$1,496,838	0.3%	5%
Natixis NY Branch	\$1,496,532	0.3%	5%
Amazon.Com Inc	\$1,489,331	0.3%	5%
Capital One Financial Corp	\$1,429,020	0.3%	5%
Kubota Credit Owners Trust	\$1,391,159	0.3%	5%
Carmax Auto Owner Trust	\$1,386,888	0.3%	5%
Citigroup Inc	\$1,331,224	0.3%	5%
Abbott Laboratories	\$1,310,317	0.3%	5%
The Walt Disney Corporation	\$1,306,029	0.3%	5%
CNH Equipment Trust	\$1,298,419	0.3%	5%
Verizon Owner Trust	\$1,268,771	0.3%	5%
DNB Bank	\$1,267,774	0.3%	5%
BB&T Corporation	\$1,256,027	0.3%	5%
Morgan Stanley	\$1,250,321	0.3%	5%
Wal-Mart Stores Inc	\$1,232,102	0.3%	5%
American Express Co	\$1,182,602	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Caterpillar Inc	\$1,174,813	0.3%	5%
Deere & Company	\$1,125,370	0.3%	5%
Discover Financial Services	\$1,092,940	0.2%	5%
General Dynamics Corp	\$1,068,914	0.2%	5%
Charles Schwab	\$1,046,146	0.2%	5%
US Bancorp	\$1,032,388	0.2%	5%
Comcast Corp	\$1,025,609	0.2%	5%
UBS AG	\$999,590	0.2%	5%
Bank Of Montreal	\$999,498	0.2%	5%
PNC Financial Services Group	\$984,477	0.2%	5%
Wells Fargo & Company	\$899,538	0.2%	5%
Apple Inc	\$897,339	0.2%	5%
World Omni Auto Rec Trust	\$888,318	0.2%	5%
Chevron Corporation	\$815,517	0.2%	5%
Hyundai Auto Receivables	\$723,823	0.2%	5%
Honda Auto Receivables	\$679,226	0.2%	5%
Gm Financial Securitized Term	\$626,665	0.1%	5%
Unilever Plc	\$506,694	0.1%	5%
Verizon Communications	\$489,724	0.1%	5%
Lockheed Martin Corp	\$460,337	0.1%	5%
Nissan Auto Receivables	\$412,622	0.1%	5%
Mercedes-Benz Auto Lease Trust	\$383,295	0.1%	5%
IBM Corp	\$377,838	0.1%	5%
John Deere Owner Trust	\$321,110	0.1%	5%
Pepsico Inc	\$299,963	0.1%	5%
Paccar Financial Corp	\$280,297	0.1%	5%
Bristol-Myers Squibb Co	\$237,543	0.1%	5%
State of Mississippi	\$182,885	0.0%	5%
Harley-Davidson Motorcycle Trust	\$170,192	0.0%	5%
Adobe Inc	\$146,597	0.0%	5%
Fifth Third Auto Trust	\$132,263	0.0%	5%
Capital One Prime Auto Rec Trust	\$121,813	0.0%	5%
Ford Credit Auto Lease Trust	\$108,108	0.0%	5%
<b>Total Market Value</b>	<b>\$439,174,922</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 October 2021.

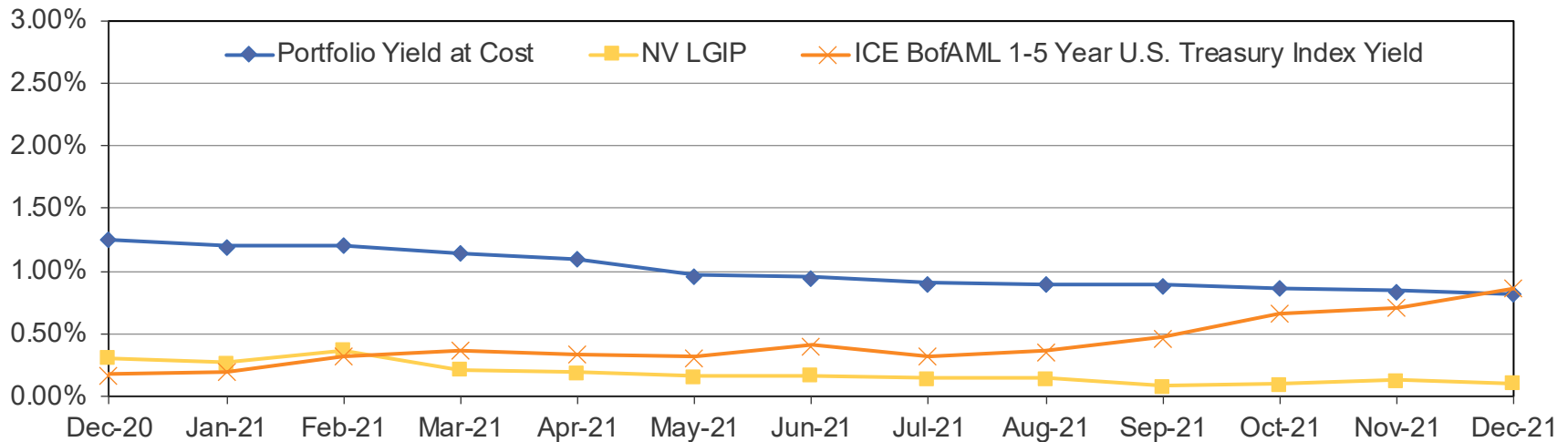
4. Securities issued by the Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

# Portfolio Yield Summary

City of Reno as of  
12/31/21

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>
Jul-21	403,445,736	0.91%	2.47	0.15%	0.32%
Aug-21	400,672,279	0.90%	2.41	0.15%	0.37%
Sep-21	422,085,711	0.89%	2.41	0.09%	0.48%
Oct-21	444,308,528	0.87%	2.35	0.10%	0.67%
Nov-21	440,701,772	0.84%	2.38	0.13%	0.71%
Dec-21	440,819,783	0.82%	2.35	0.11%	0.87%

**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.



# 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 (NVLGIP)	✓	✓

# Disclaimer

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