

City of Reno

Monthly Investment Report

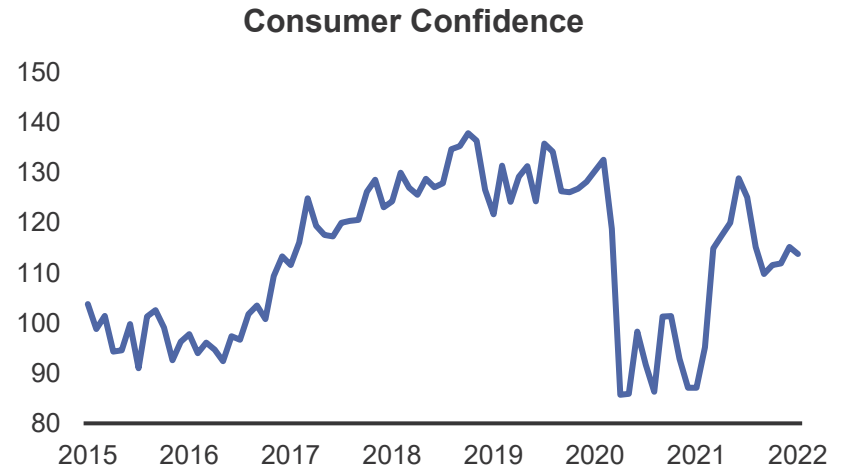
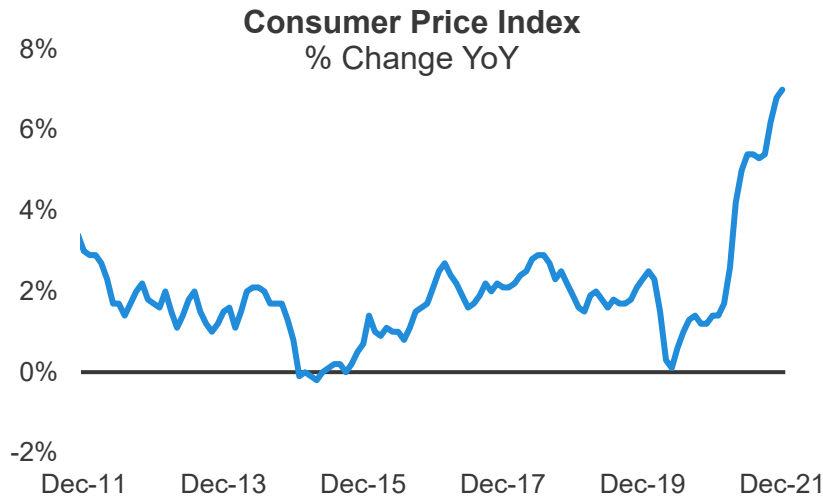
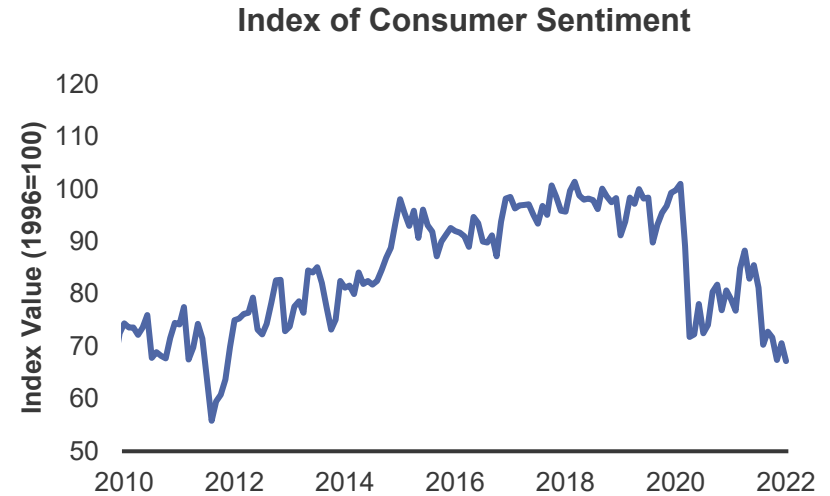
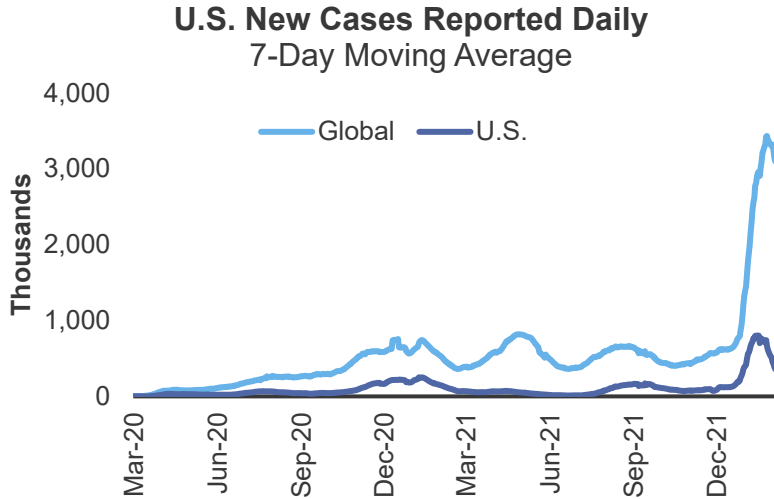
January 31, 2022

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PFM Asset Management LLC

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COVID Cases Are Falling, Inflation Remains Elevated, and Consumer Sentiment is Down



Source: Bloomberg, John Hopkins University Coronavirus Resource Center, as of 2/04/2022 (top left). Bloomberg, University of Michigan Consumer Sentiment and underlying index components January 2022 (top right). Bloomberg, as of December 2021 (bottom left). Bloomberg, Conference Board Confidence Survey, as of January 2022 (bottom right).

Current Market Themes

- ▶ U.S. economic conditions are characterized by:
 - Coronavirus cases declining from pandemic high but remaining elevated
 - Historic inflation and low consumer confidence, but strong payroll growth
 - Fed laying the groundwork for policy normalization, and countdown to a March rate lift-off
- ▶ U.S. Treasury yields continued to march higher resulting in an upward shift in the yield curve. In January, the yield on the benchmark 2-year Treasury note jumped 45 basis points (0.45%) to 1.18% while the yield on the benchmark 10-year Treasury increased 27 basis points to 1.78%.
- ▶ Equity markets declined in January, suffering their worst monthly performance since March 2020. The S&P 500 fell 5.2%; Dow Jones fell 3.2%; while the Nasdaq tumbled 9.0%, its worst January since 2008.
- ▶ U.S. GDP grew 6.9% in the fourth quarter of 2021, fueled by the rebuilding of inventories. The 4Q 2021 GDP report capped off a strong rebound year, with the highest annual growth rate (5.7%) since 1984. But the Omicron variant stifled consumer activity as December retail sales declined and consumer activity slowed sharply.
- ▶ The U.S. economy added 467,000 jobs in January. The unemployment rate ticked slightly higher to 4.0% (from 3.9%) largely due to a rise in the labor force participation rate to 62.2% (from 61.9%), the largest participation rate since March 2020.
- ▶ Inflation reached 7.0% year over year in December, its fastest pace since 1982 as pandemic-related supply and demand imbalances persist. Consumer optimism is at a decade low, on Omicron variant fears and high inflation (near record food and energy prices), and growing concerns among consumers that there have not been any effective policies developed to reduce the damage to consumer buying power.
- ▶ To rein in inflation, the Fed signaled “it will soon be appropriate to raise the target range for the federal funds rate”. The central bank pointed to strengthening activity and “solid” job gains while acknowledging that supply chain issues and “the reopening of the economy have continued to contribute to elevated levels of inflation”. Meanwhile, markets have moved towards pricing in five 0.25% hikes this year and two more in 2023.

Summary of the City's Funds

City of Reno as of
1/31/22

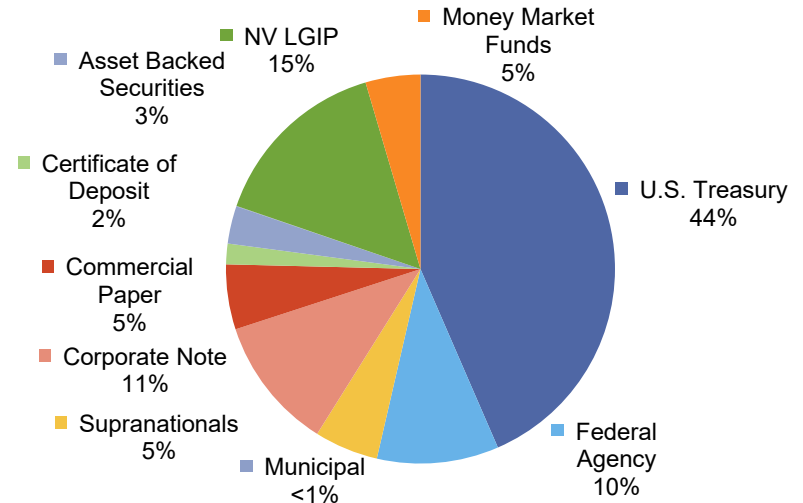
City of Reno Funds	Market Value ¹
Core Portfolio	\$312,807,326
Liquidity Portfolio	\$50,912,993
Liquid Funds	\$89,444,877
<i>Nevada LGIP</i>	\$68,781,779
<i>U.S. Bank</i>	\$1,525,033
<i>Bank of America</i>	\$19,138,065
Managed Account Subtotal	\$453,165,196
Reserve Fund Portfolios	\$12,553,548
Total	\$465,718,745

1. Market Values exclude accrued interest

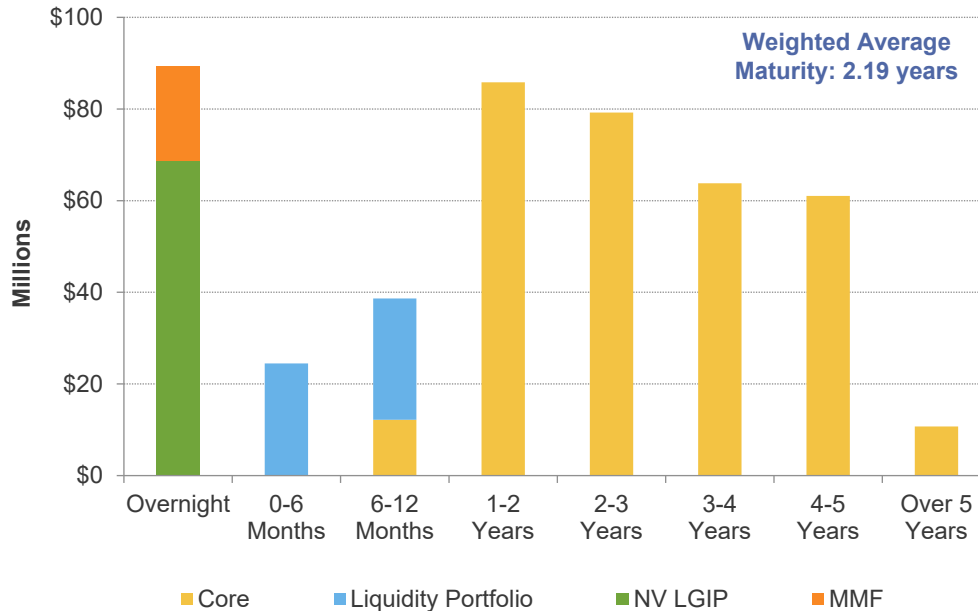


Account Summary	Ending Values as of 12/31/21	Ending Values as of 1/31/22
Market Value	\$439,174,922	\$453,165,196
Book Value	\$440,819,783	\$457,938,429
Unrealized Gain/(Loss)	(\$1,644,861)	(\$4,773,233)
Yield at Market	0.94%	1.27%
Yield at Cost	0.82%	0.81%

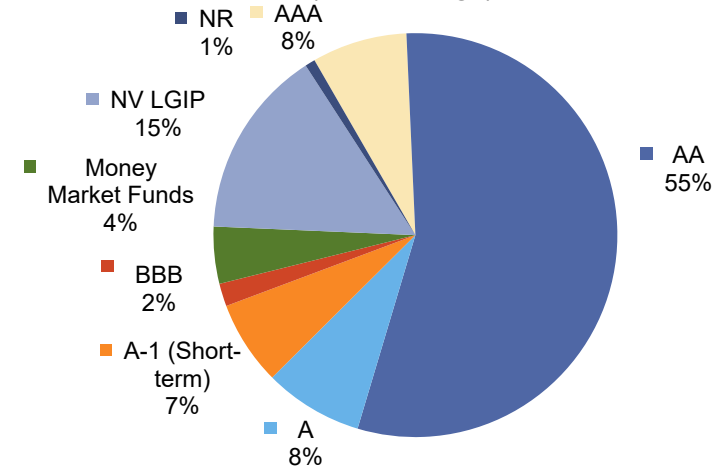
Allocation by Security Type



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^{1,2,3,4}

City of Reno as of
1/31/22

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$197,061,133	43.5%	100%
Federal Agency	\$45,867,992	10.1%	100%
Supranationals	\$24,047,774	5.3%	15%
Corporate Note	\$50,184,372	11.1%	20%
Commercial Paper	\$24,467,956	5.4%	20%
Certificate of Deposit	\$7,749,472	1.7%	30%
Asset Backed Securities	\$14,161,538	3.1%	30%
Municipal	\$180,083	0.0%	20%
NV LGIP	\$68,781,779	15.2%	100%
Money Market Funds	\$20,663,098	4.6%	100%
Total Market Value	\$453,165,196	100%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$89,444,877	19.7%	No Limit
0-6 Months	\$24,470,819	5.4%	No Limit
6-12 Months	\$38,643,109	8.5%	No Limit
1-2 Years	\$85,805,126	18.9%	No Limit
2-3 Years	\$79,232,452	17.5%	No Limit
3-4 Years	\$63,803,700	14.1%	No Limit
4-5 Years	\$61,018,178	13.5%	No Limit
Over 5 Years	\$10,746,935	2.4%	No Limit
Total Market Value	\$453,165,196	100.00%	

Accrual Basis Earnings ⁴	12/31/21 through 1/31/22
Total Estimated Earnings	\$308,336

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^{1,2,3,4}

City of Reno as of
1/31/22

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$197,061,133	43.5%	100%
Nevada LGIP	\$68,781,779	15.2%	100%
Federal National Mortgage Association	\$25,291,275	5.6%	100%
Money Market Funds	\$20,663,098	4.6%	100%
Federal Home Loan Mortgage Corporation	\$17,231,124	3.8%	100%
Inter-American Development Bank	\$7,379,497	1.6%	15%
Mitsubishi Ufj Financial Group Inc	\$6,489,587	1.4%	5%
Asian Development Bank	\$5,654,435	1.2%	0%
Intl Bank Of Reconstruction And Dev	\$5,594,936	1.2%	15%
African Development Bank	\$5,418,905	1.2%	0%
Toyota Motor Corp	\$5,133,173	1.1%	5%
Credit Agricole SA	\$4,994,365	1.1%	5%
JPMorgan Chase & Co	\$3,826,360	0.8%	5%
Goldman Sachs Group Inc	\$3,760,549	0.8%	5%
Natixis NY Branch	\$3,494,036	0.8%	5%
Credit Suisse Group	\$3,131,474	0.7%	5%
Rabobank Nederland	\$2,995,902	0.7%	5%
Bank Of Montreal	\$2,979,200	0.7%	5%
Bmw Financial Services Na Llc	\$2,574,020	0.6%	5%
Royal Bank Of Canada	\$2,482,763	0.5%	5%
Bank Of New York Mellon	\$2,416,068	0.5%	5%
Federal Home Loan Bank	\$2,148,892	0.5%	100%
Deere & Company	\$2,098,968	0.5%	5%
Citigroup Inc	\$1,819,319	0.4%	5%
American Honda Finance	\$1,817,224	0.4%	5%
Burlington Northern Santa Fe	\$1,744,000	0.4%	5%
Bank Of America Co	\$1,698,321	0.4%	5%
AstraZeneca Finance LLC	\$1,547,795	0.3%	5%
Novartis Capital Corp	\$1,501,601	0.3%	5%
Barclays Bank	\$1,500,017	0.3%	5%
BOFA Securities Inc.	\$1,498,143	0.3%	5%
Bank Of Nova Scotia	\$1,483,776	0.3%	5%
Amazon.Com Inc	\$1,472,543	0.3%	5%
Capital One Financial Corp	\$1,414,745	0.3%	5%
Kubota Credit Owners Trust	\$1,379,849	0.3%	5%
Carmax Auto Owner Trust	\$1,357,203	0.3%	5%
Abbott Laboratories	\$1,297,404	0.3%	5%
The Walt Disney Corporation	\$1,288,152	0.3%	5%
CNH Equipment Trust	\$1,284,557	0.3%	5%
Verizon Owner Trust	\$1,263,610	0.3%	5%
DNB Bank	\$1,263,281	0.3%	5%
Morgan Stanley	\$1,245,615	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
BB&T Corporation	\$1,243,438	0.3%	5%
Wal-Mart Stores Inc	\$1,226,761	0.3%	5%
Government National Mortgage Assoc	\$1,196,701	0.3%	100%
American Express Co	\$1,173,087	0.3%	5%
Caterpillar Inc	\$1,157,642	0.3%	5%
Target Corporation	\$1,127,786	0.2%	5%
Discover Financial Services	\$1,083,222	0.2%	5%
General Dynamics Corp	\$1,050,284	0.2%	5%
Charles Schwab	\$1,035,414	0.2%	5%
US Bancorp	\$1,018,081	0.2%	5%
Comcast Corp	\$1,007,229	0.2%	5%
UBS AG	\$999,590	0.2%	5%
PNC Financial Services Group	\$972,080	0.2%	5%
Apple Inc	\$883,653	0.2%	5%
World Omni Auto Rec Trust	\$859,435	0.2%	5%
HSBC Holdings PLC	\$857,584	0.2%	5%
Chevron Corporation	\$807,038	0.2%	5%
Hyundai Auto Receivables	\$720,146	0.2%	5%
Honda Auto Receivables	\$643,182	0.1%	5%
Gm Financial Securitized Term	\$604,915	0.1%	5%
Unilever Plc	\$497,583	0.1%	5%
Verizon Communications	\$480,326	0.1%	5%
Lockheed Martin Corp	\$454,884	0.1%	5%
Nissan Auto Receivables	\$379,448	0.1%	5%
Mercedes-Benz Auto Lease Trust	\$329,473	0.1%	5%
John Deere Owner Trust	\$304,725	0.1%	5%
Pepsico Inc	\$298,572	0.1%	5%
Paccar Financial Corp	\$278,111	0.1%	5%
Bristol-Myers Squibb Co	\$235,030	0.1%	5%
State of Mississippi	\$180,083	<0.1%	5%
Harley-Davidson Motorcycle Trust	\$155,305	<0.1%	5%
Adobe Inc	\$146,077	<0.1%	5%
Fifth Third Auto Trust	\$111,108	<0.1%	5%
Capital One Prime Auto Rec Trust	\$104,895	<0.1%	5%
Ford Credit Auto Lease Trust	\$63,615	<0.1%	5%
Total Market Value	\$453,165,196		

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.

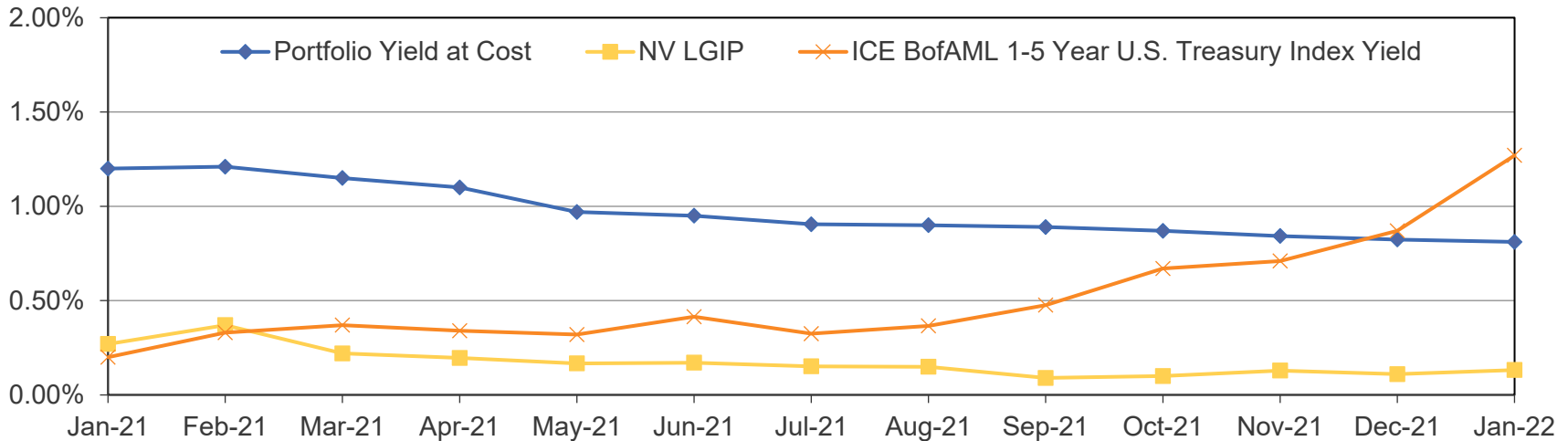
4. Securities issued by the Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

Portfolio Yield Summary

City of Reno as of
1/31/22

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Jan-22	457,938,429	0.81%	2.25	0.13%	1.27%

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.



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)	✓	✓

Disclaimer

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