

# City of Reno

## Monthly Investment Report

February 28, 2022

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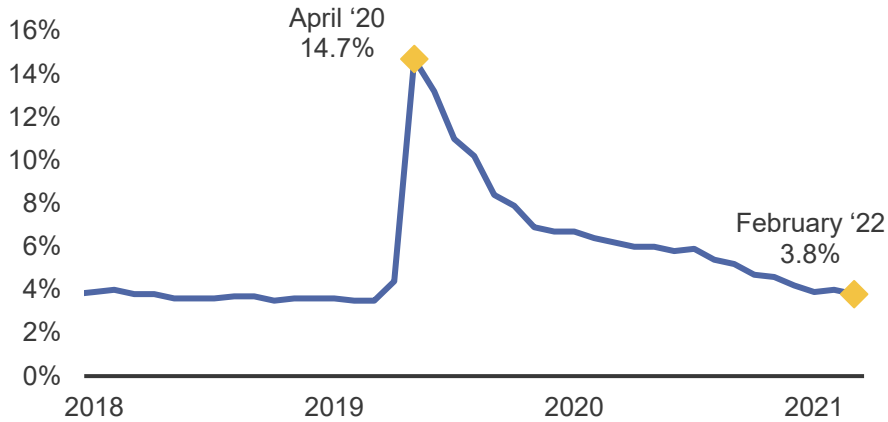
*PFM Asset Management LLC*

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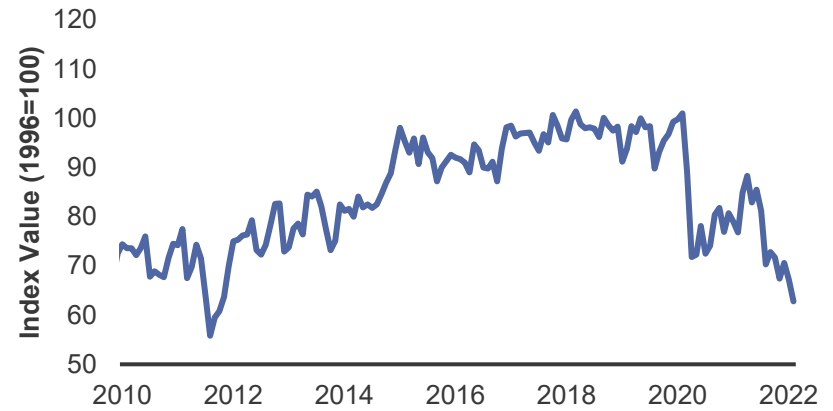
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# Labor Market is Strong, But Consumer Sentiment Drops as Inflation Remains Elevated

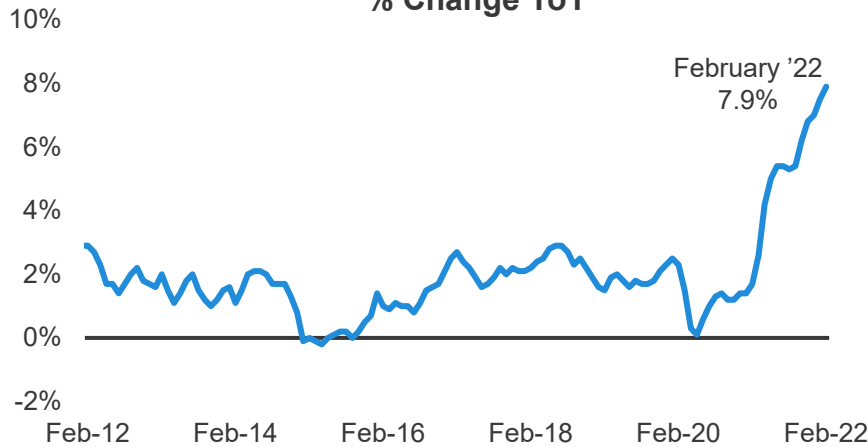
### Unemployment Rate



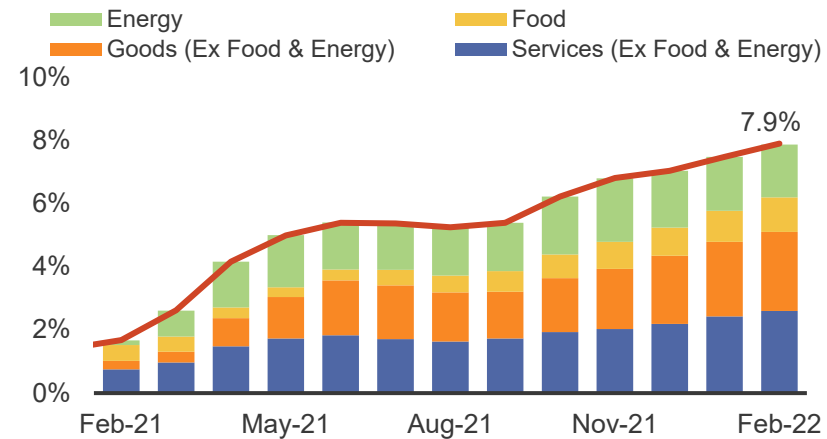
### Index of Consumer Sentiment



### Consumer Price Index % Change YoY



### Top-Line Contributions and CPI YoY



Source: Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of February 2022. (top right and left). Bloomberg, as of January 2022 (bottom right and left).

# Current Market Themes

- ▶ U.S. economic conditions are characterized by:
  - Major disruptions caused by Russia's invasion of Ukraine: heightened geopolitical risk, historic economic sanctions, surging energy prices, realignment of global trade, increased market volatility
  - Strong job growth and rising wages amid higher prices and weak consumer confidence
  - Significant volatility in global equity, bond, currency and commodity markets
  - Anticipation of the Fed's rate-liftoff in March
- ▶ Bond yields rose as the market priced in a series of expected Fed rate hikes. The yield on the 2-year Treasury note reached 1.60%, the highest level since December 2019, and ended the month at 1.43%. Longer-term yields also rose with the 10-year Treasury breaching the 2% level for the first time since mid-2019, before ending the month at a yield of 1.72%.
- ▶ Equity markets sold off on a combination of an expected slowdown in economic growth, looming Fed rate hikes, and the Russia-Ukraine conflict. The S&P 500 declined 3.0%, while the Dow Jones Industrial Average and the tech-heavy Nasdaq fell 3.3%. Through February, the S&P 500 was down 8% on the year.
- ▶ Consumer inflation climbed to 7.9% in February, its fastest annual rate since 1982, amid strong demand with ongoing supply constraints. Food, transportation, apparel and shelter costs have begun to increase at more alarming rates.
- ▶ The U.S. labor market continued to tighten in February with the economy adding a better-than-expected 678,000 jobs in February. The unemployment rate fell to 3.8% while the labor force participation rate reached the highest level of the pandemic recovery period.
- ▶ Fed Chair Powell testified before the House Financial Services Committee and Senate Banking Committee and voiced his support for a rate hike at the upcoming March 16-17 policy meeting. But he noted that officials could raise rates at a faster clip in the future to combat persistent inflation. Powell also acknowledged that geopolitical tensions have added a layer of uncertainty to the outlook, but they have not yet shaken the Fed off its course. Powell emphasized that flexibility was critical.

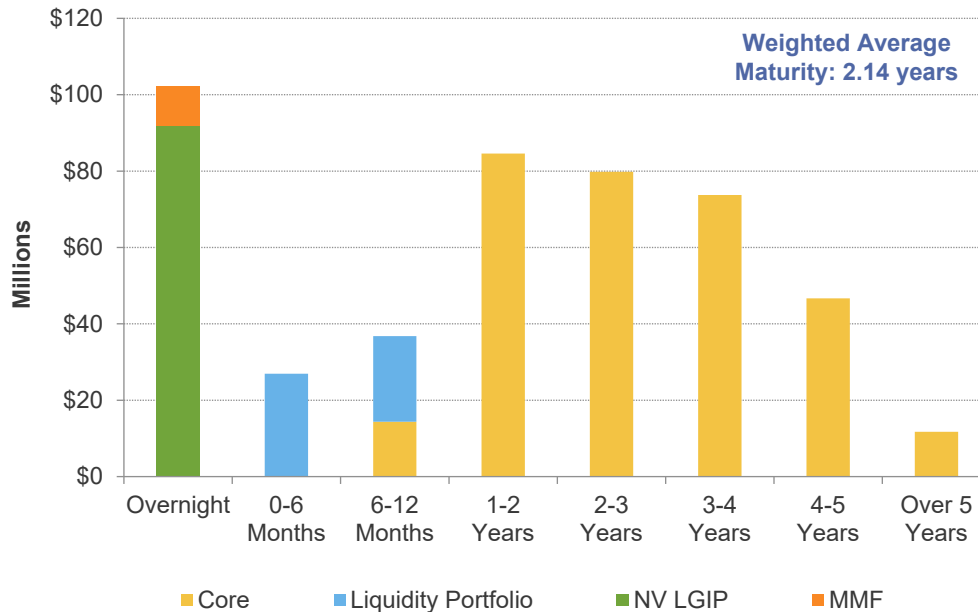
City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$310,966,372
Liquidity Portfolio	\$49,358,979
Liquid Funds	\$102,043,213
<i>Nevada LGIP</i>	\$91,788,228
<i>U.S. Bank</i>	\$1,836,210
<i>Bank of America</i>	\$8,418,776
<b>Managed Account Subtotal</b>	<b>\$462,368,564</b>
Reserve Fund Portfolios	\$12,496,779
<b>Total</b>	<b>\$474,865,343</b>

1. Market Values exclude accrued interest

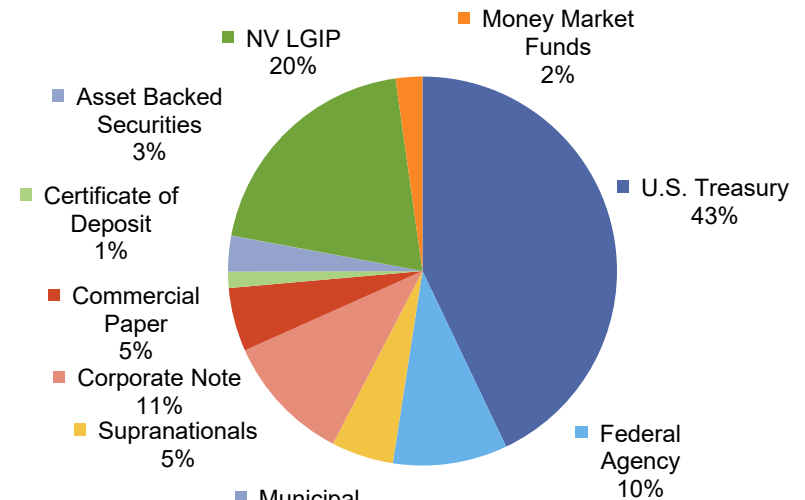


Account Summary	Ending Values as of 1/31/22	Ending Values as of 2/28/22
Market Value	\$453,165,196	\$462,368,564
Book Value	\$457,938,429	\$469,008,339
Unrealized Gain/(Loss)	(\$4,773,233)	(\$6,639,775)
Yield at Market	1.27%	1.52%
Yield at Cost	0.81%	0.82%

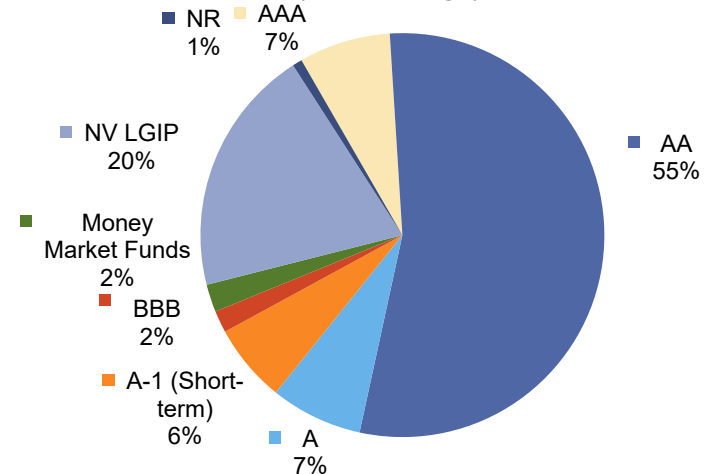
## Maturity Distribution



## Allocation by Security Type



## 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  
2/28/22

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$198,443,172	42.9%	100%
Federal Agency	\$44,040,478	9.5%	100%
Supranationals	\$23,893,390	5.2%	15%
Corporate Note	\$49,489,093	10.7%	20%
Commercial Paper	\$24,455,285	5.3%	20%
Certificate of Deposit	\$6,235,966	1.3%	30%
Asset Backed Securities	\$13,588,895	2.9%	30%
Municipal	\$179,073	0.0%	20%
NV LGIP	\$91,788,228	19.9%	100%
Money Market Funds	\$10,254,985	2.2%	100%
<b>Total Market Value</b>	<b>\$462,368,564</b>	<b>100%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$102,043,213	22.1%	No Limit
0-6 Months	\$26,950,723	5.8%	No Limit
6-12 Months	\$36,808,761	8.0%	No Limit
1-2 Years	\$84,604,935	18.3%	No Limit
2-3 Years	\$79,802,057	17.3%	No Limit
3-4 Years	\$73,750,126	16.0%	No Limit
4-5 Years	\$46,660,429	10.1%	No Limit
Over 5 Years	\$11,748,320	2.5%	No Limit
<b>Total Market Value</b>	<b>\$462,368,564</b>	<b>100.00%</b>	

Accrual Basis Earnings <sup>4</sup>	1/31/22 through 2/28/22
<b>Total Estimated Earnings</b>	<b>\$241,624</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 October 2021.
4. Excludes earnings on Liquid Funds.

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

City of Reno as of  
2/28/22

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$198,443,172	42.9%	100%
Nevada LGIP	\$91,788,228	19.9%	100%
Federal National Mortgage Association	\$24,932,000	5.4%	100%
Federal Home Loan Mortgage Corporation	\$18,061,775	3.9%	100%
Money Market Funds	\$10,254,985	2.2%	100%
Inter-American Development Bank	\$7,334,010	1.6%	15%
Mitsubishi Uff Financial Group Inc	\$6,487,647	1.4%	5%
Asian Development Bank	\$5,624,816	1.2%	0%
Intl Bank Of Reconstruction And Dev	\$5,552,157	1.2%	15%
African Development Bank	\$5,382,407	1.2%	0%
Toyota Motor Corp	\$4,997,577	1.1%	5%
Credit Agricole SA	\$4,989,700	1.1%	5%
JPMorgan Chase & Co	\$3,761,442	0.8%	5%
Goldman Sachs Group Inc	\$3,744,497	0.8%	5%
Natixis NY Branch	\$3,490,775	0.8%	5%
Credit Suisse Group	\$3,124,826	0.7%	5%
Rabobank Nederland	\$2,994,219	0.6%	5%
Bank Of Montreal	\$2,953,068	0.6%	5%
Bmw Financial Services Na Llc	\$2,550,775	0.6%	5%
Royal Bank Of Canada	\$2,447,883	0.5%	5%
Bank Of New York Mellon	\$2,402,628	0.5%	5%
Deere & Company	\$2,083,248	0.5%	5%
American Honda Finance	\$1,801,069	0.4%	5%
Citigroup Inc	\$1,798,158	0.4%	5%
Burlington Northern Santa Fe	\$1,726,081	0.4%	5%
Bank Of America Co	\$1,682,585	0.4%	5%
AstraZeneca Finance LLC	\$1,531,349	0.3%	5%
BOFA Securities Inc.	\$1,497,903	0.3%	5%
Novartis Capital Corp	\$1,490,786	0.3%	5%
Amazon.Com Inc	\$1,467,312	0.3%	5%
Bank Of Nova Scotia	\$1,465,715	0.3%	5%
Capital One Financial Corp	\$1,401,024	0.3%	5%
Kubota Credit Owners Trust	\$1,371,539	0.3%	5%
Carmax Auto Owner Trust	\$1,323,648	0.3%	5%
Abbott Laboratories	\$1,290,244	0.3%	5%
The Walt Disney Corporation	\$1,279,246	0.3%	5%
CNH Equipment Trust	\$1,278,918	0.3%	5%
DNB Bank	\$1,258,816	0.3%	5%
BB&T Corporation	\$1,232,466	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Wal-Mart Stores Inc	\$1,224,204	0.3%	5%
Verizon Owner Trust	\$1,184,003	0.3%	5%
Morgan Stanley	\$1,169,352	0.3%	5%
American Express Co	\$1,164,886	0.3%	5%
Caterpillar Inc	\$1,147,787	0.2%	5%
Target Corporation	\$1,120,424	0.2%	5%
Discover Financial Services	\$1,075,263	0.2%	5%
Government National Mortgage Association	\$1,046,704	0.2%	100%
General Dynamics Corp	\$1,034,118	0.2%	5%
Charles Schwab	\$1,026,122	0.2%	5%
US Bancorp	\$1,008,571	0.2%	5%
Comcast Corp	\$1,000,453	0.2%	5%
UBS AG	\$999,590	0.2%	5%
PNC Financial Services Group	\$962,669	0.2%	5%
Apple Inc	\$878,412	0.2%	5%
HSBC Holdings PLC	\$856,343	0.2%	5%
World Omni Auto Rec Trust	\$832,193	0.2%	5%
Chevron Corporation	\$800,579	0.2%	5%
Hyundai Auto Receivables	\$716,363	0.2%	5%
Honda Auto Receivables	\$606,695	0.1%	5%
Gm Financial Securitized Term	\$571,808	0.1%	5%
Unilever Plc	\$493,351	0.1%	5%
Verizon Communications	\$476,056	0.1%	5%
Lockheed Martin Corp	\$449,922	0.1%	5%
Nissan Auto Receivables	\$348,093	0.1%	5%
Pepsico Inc	\$297,887	0.1%	5%
Mercedes-Benz Auto Lease Trust	\$280,081	0.1%	5%
Paccar Financial Corp	\$277,408	0.1%	5%
John Deere Owner Trust	\$263,527	0.1%	5%
Bristol-Myers Squibb Co	\$232,004	0.1%	5%
State of Mississippi	\$179,073	0.0%	5%
Harley-Davidson Motorcycle Trust	\$141,403	0.0%	5%
Fifth Third Auto Trust	\$92,015	0.0%	5%
Capital One Prime Auto Rec Trust	\$88,989	0.0%	5%
Ford Credit Auto Lease Trust	\$23,526	0.0%	5%
<b>Total Market Value</b>	<b>\$462,368,564</b>		

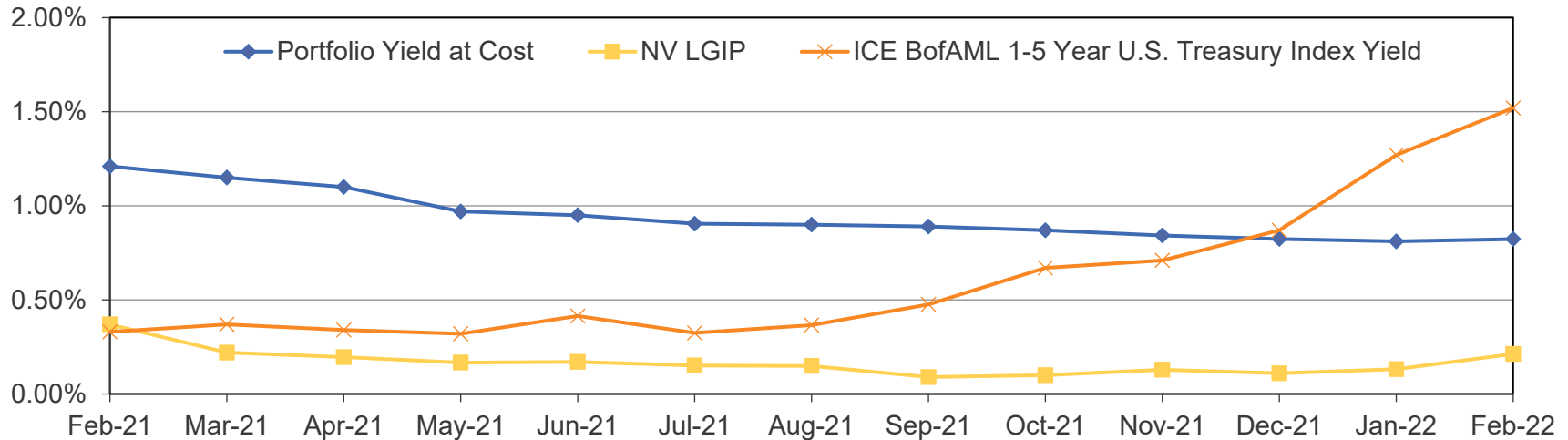
1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include the Bank of America and U.S. Bank balances.
3. Investment policy dated October 2021.
4. Securities issued by Asian Development Bank and the 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  
2/28/22

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-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%
Feb-22	469,008,339	0.82%	2.23	0.21%	1.52%

**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 (NV LGIP)	✓	✓

# Disclaimer

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