

City of Reno

Monthly Investment Report

March 31, 2022

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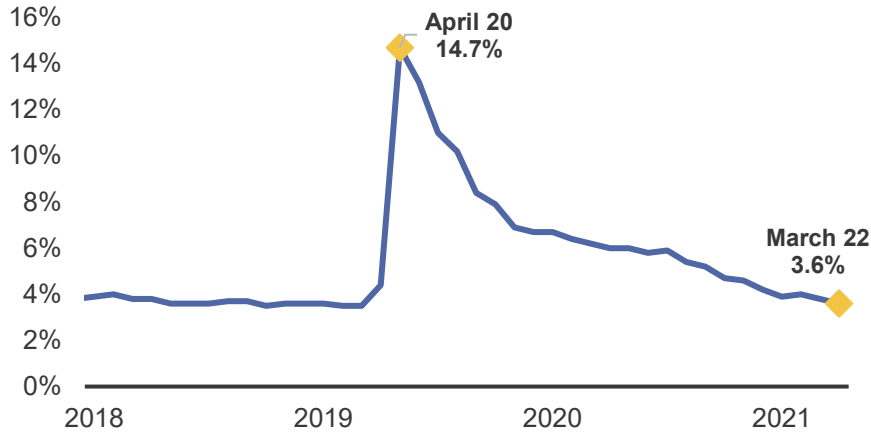
PFM Asset Management LLC

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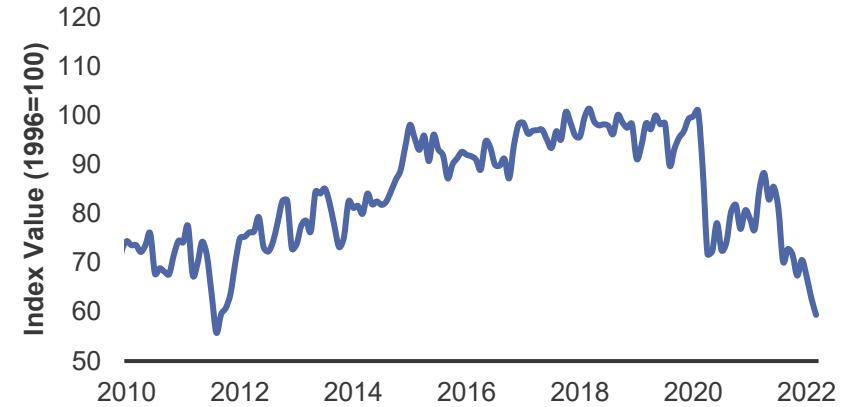
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Unemployment Rate Falls While Inflation Surges Higher and Consumer Sentiment Declines

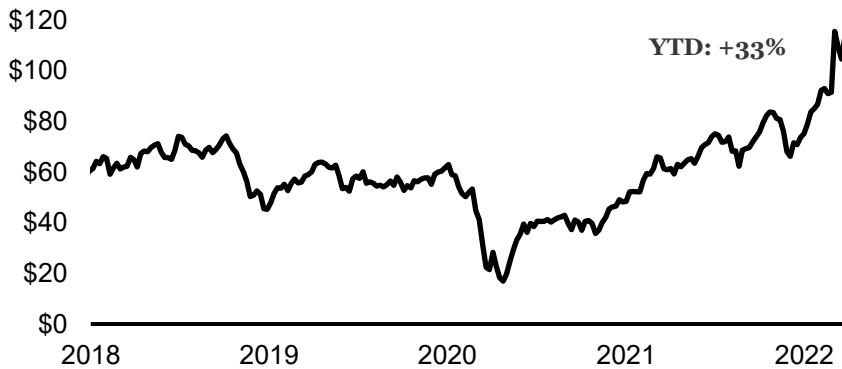
Unemployment Rate



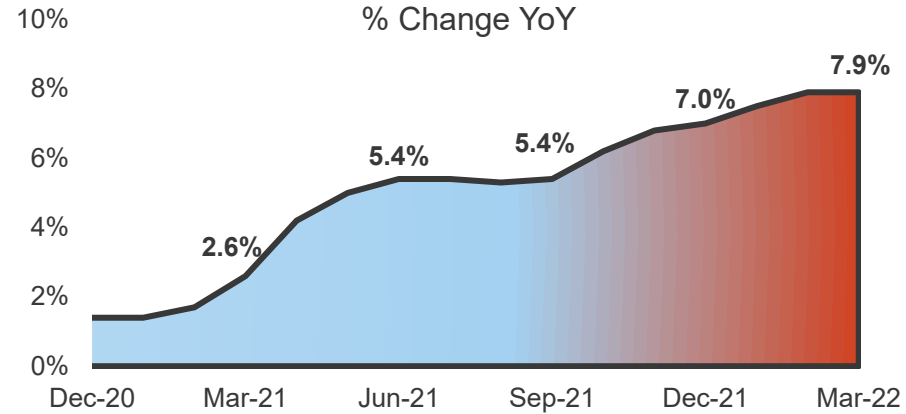
Index of Consumer Sentiment



WTI Crude Oil (per barrel)



Consumer Price Index % Change YoY



Source: Bloomberg, as of March 2022. Data is seasonally adjusted (top left). Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of March 2022. (top right). Bloomberg, as of 4/01/2022 (bottom left). Bloomberg, data as of 4/01/2022 (bottom right).

Current Market Themes

- ▶ The fog of war clouded the global economic outlook as Russia continued its assault on Ukraine. The U.S. and its allies have imposed additional sanctions on Russia and progress on peace negotiations seem to have stalled.
- ▶ Although Europe is highly vulnerable to the Russia-Ukraine conflict due to its reliance on Russian oil and gas, the impact on the U.S. economy largely results from just higher prices for agricultural goods, metals and energy commodities.
- ▶ Inflation continued to run hot with the consumer price index (CPI) increasing 8.5% over the past year, as of March 31, 2022 – a new 40 year high. Energy costs again led the surge, with gasoline prices nearly doubling and fuel oil rising 70% from a year ago. Used car prices moderated, but food, transportation and shelter costs all rose at a strong clip. Rising costs are negatively impacting consumer finances, felt most acutely by lower-income households, pushing consumer sentiment readings to a decade low.
- ▶ The Federal Reserve (Fed) raised interest rates by 25 basis points (bps) (0.25%) in March and signaled 7 total rate hikes in 2022. The rate hike occurred after two years of highly accommodative monetary policy to support the economy amid the Covid-19 pandemic. The Fed has taken a decidedly hawkish tilt, suggesting that reduction of its \$8.9 trillion balance sheet will begin soon and 50 bp (0.50%) rate hikes could occur at the next few FOMC meetings.
- ▶ Treasury yields continued to rise significantly. The yields on the benchmark 2-year and 10-year Treasury notes finished the quarter at 2.33% and 2.34%, having jumped 90 bps (0.90%) and 51 bps (0.51%), respectively, for the month of March. The jump in yields comes as Fed policymakers are increasingly voicing support for front-loading the rate hike cycle to curb persisting inflation. Prospects of aggressive rate increases inspired the selloff in Treasuries.
- ▶ As a result of the surge in rates, U.S. Treasuries posted some of the worst monthly returns over the past 40 years. For the month, the ICE BofAML 2-, 5-, and 10-year Treasury indices returned -1.29%, -2.98%, and -4.60%, respectively.

Summary of the City's Funds

City of Reno as of
3/31/22

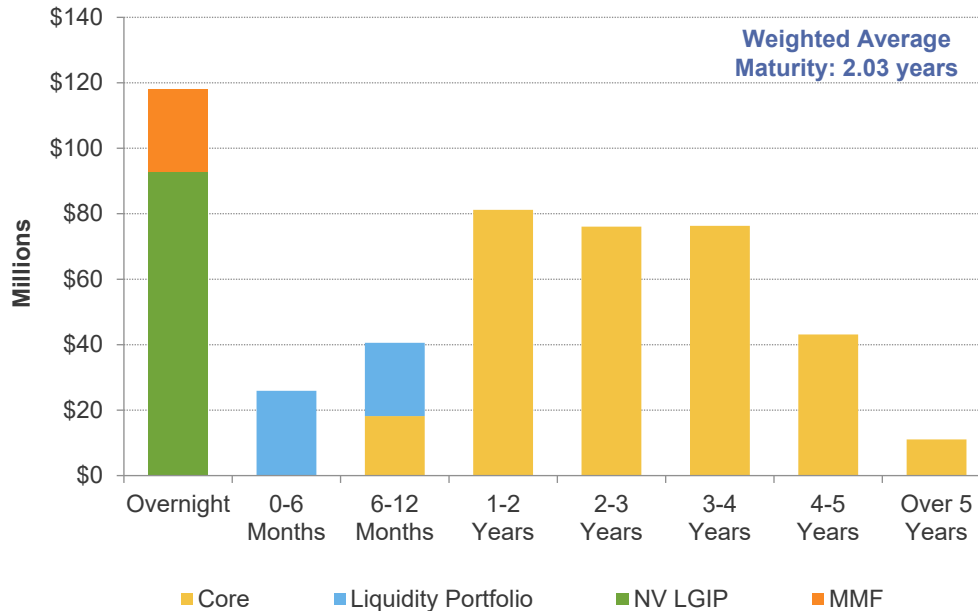
City of Reno Funds	Market Value ¹
Core Portfolio	\$305,906,432
Liquidity Portfolio	\$48,282,862
Liquid Funds	\$118,062,470
<i>Nevada LGIP</i>	\$92,801,089
<i>U.S. Bank</i>	\$2,318,829
<i>Bank of America</i>	\$22,942,552
Managed Account Subtotal	\$472,251,764
Reserve Fund Portfolios	\$12,340,004
Total	\$484,591,767

1. Market Values exclude accrued interest

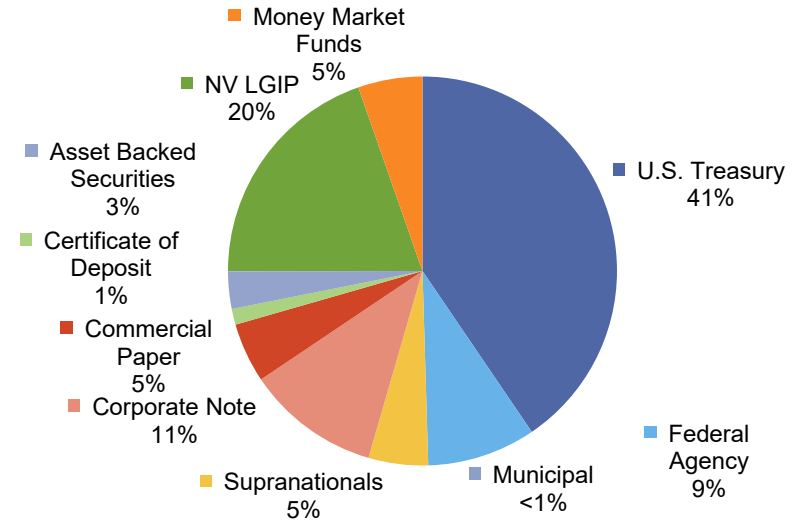


Account Summary	Ending Values as of 2/28/22	Ending Values as of 3/31/22
Market Value	\$462,368,564	\$472,251,764
Book Value	\$469,008,339	\$484,687,240
Unrealized Gain/(Loss)	(\$6,639,775)	(\$12,435,476)
Yield at Market	1.52%	2.22%
Yield at Cost	0.82%	0.85%

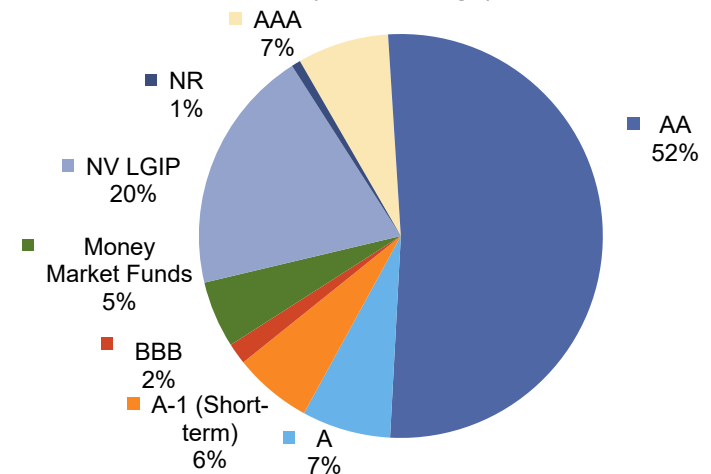
Maturity Distribution



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^{1,2,3,4}

City of Reno as of
3/31/22

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$191,259,855	40.5%	100%
Federal Agency	\$42,630,132	9.0%	100%
Supranationals	\$23,394,574	5.0%	15%
Corporate Note	\$52,450,373	11.1%	20%
Commercial Paper	\$23,446,388	5.0%	20%
Certificate of Deposit	\$6,212,995	1.3%	30%
Asset Backed Securities	\$14,619,659	3.1%	30%
Municipal	\$175,317	<0.1%	20%
NV LGIP	\$92,801,089	19.7%	100%
Money Market Funds	\$25,261,381	5.3%	100%
Total Market Value	\$472,251,764	100%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$118,062,470	25.0%	No Limit
0-6 Months	\$25,936,260	5.5%	No Limit
6-12 Months	\$40,559,739	8.6%	No Limit
1-2 Years	\$81,167,780	17.2%	No Limit
2-3 Years	\$76,071,067	16.1%	No Limit
3-4 Years	\$76,289,924	16.2%	No Limit
4-5 Years	\$43,100,156	9.1%	No Limit
Over 5 Years	\$11,064,367	2.3%	No Limit
Total Market Value	\$472,251,764	100.00%	

Accrual Basis Earnings ⁴	2/28/22 through 3/31/22
Total Estimated Earnings	\$244,606

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
3/31/22

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$191,259,855	40.5%	100%
Nevada LGIP	\$92,801,089	19.7%	100%
Money Market Funds	\$25,261,381	5.3%	100%
Federal National Mortgage Association	\$24,156,914	5.1%	100%
Federal Home Loan Mortgage Corporation	\$17,573,091	3.7%	100%
Inter-American Development Bank	\$7,175,525	1.5%	15%
Mitsubishi Ufj Financial Group Inc	\$6,482,043	1.4%	5%
Asian Development Bank	\$5,521,412	1.2%	0%
Intl Bank Of Reconstruction And Dev	\$5,476,683	1.2%	15%
African Development Bank	\$5,220,955	1.1%	0%
Credit Agricole SA	\$4,987,265	1.1%	5%
Toyota Motor Corp	\$4,837,741	1.0%	5%
JPMorgan Chase & Co	\$3,710,599	0.8%	5%
Goldman Sachs Group Inc	\$3,708,571	0.8%	5%
Natixis NY Branch	\$3,489,479	0.7%	5%
Credit Suisse Group	\$3,115,869	0.7%	5%
Rabobank Nederland	\$2,993,817	0.6%	5%
Bmw Financial Services Na Llc	\$2,498,787	0.5%	5%
Royal Bank Of Canada	\$2,401,483	0.5%	5%
Bank Of New York Mellon	\$2,381,939	0.5%	5%
Hyundai Auto Receivables	\$2,356,900	0.5%	5%
Roche Holdings	\$2,111,863	0.4%	5%
Deere & Company	\$2,033,702	0.4%	5%
Bank Of Montreal	\$1,919,830	0.4%	5%
Citigroup Inc	\$1,775,574	0.4%	5%
American Honda Finance	\$1,757,862	0.4%	5%
Burlington Northern Santa Fe	\$1,697,346	0.4%	5%
Bank Of America Co	\$1,666,810	0.4%	5%
BOFA Securities Inc.	\$1,498,074	0.3%	5%
AstraZeneca Finance LLC	\$1,490,181	0.3%	5%
Honeywell International	\$1,471,102	0.3%	5%
Novartis Capital Corp	\$1,463,085	0.3%	5%
Amazon.Com Inc	\$1,445,312	0.3%	5%
Bank Of Nova Scotia	\$1,439,439	0.3%	5%
Capital One Financial Corp	\$1,374,142	0.3%	5%
Kubota Credit Owners Trust	\$1,342,114	0.3%	5%
Carmax Auto Owner Trust	\$1,285,453	0.3%	5%
Abbott Laboratories	\$1,274,060	0.3%	5%
CNH Equipment Trust	\$1,267,600	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
The Walt Disney Corporation	\$1,261,362	0.3%	5%
DNB Bank	\$1,253,433	0.3%	5%
BB&T Corporation	\$1,217,266	0.3%	5%
Wal-Mart Stores Inc	\$1,217,252	0.3%	5%
American Express Co	\$1,156,206	0.2%	5%
Morgan Stanley	\$1,135,286	0.2%	5%
Caterpillar Inc	\$1,131,054	0.2%	5%
Verizon Owner Trust	\$1,109,154	0.2%	100%
Target Corporation	\$1,091,757	0.2%	5%
Discover Financial Services	\$1,052,606	0.2%	5%
General Dynamics Corp	\$1,016,673	0.2%	5%
Charles Schwab	\$1,010,331	0.2%	5%
UBS AG	\$996,000	0.2%	5%
US Bancorp	\$993,221	0.2%	5%
Comcast Corp	\$986,162	0.2%	5%
PNC Financial Services Group	\$943,988	0.2%	5%
Government National Mortgage Association	\$900,128	0.2%	5%
Apple Inc	\$859,935	0.2%	5%
HSBC Holdings PLC	\$853,598	0.2%	5%
World Omni Auto Rec Trust	\$798,014	0.2%	5%
Chevron Corporation	\$788,228	0.2%	5%
Honda Auto Receivables	\$573,496	0.1%	5%
Gm Financial Securitized Term	\$526,980	0.1%	5%
Unilever Plc	\$485,930	0.1%	5%
Verizon Communications	\$465,403	0.1%	5%
Lockheed Martin Corp	\$441,824	0.1%	5%
Nissan Auto Receivables	\$318,418	0.1%	5%
Pepsico Inc	\$295,768	0.1%	5%
Paccar Financial Corp	\$275,487	0.1%	5%
Home Depot Inc	\$239,318	0.1%	5%
John Deere Owner Trust	\$235,105	<0.1%	5%
Bristol-Myers Squibb Co	\$226,971	<0.1%	5%
Mercedes-Benz Auto Lease Trust	\$220,162	<0.1%	5%
State of Mississippi	\$175,317	<0.1%	5%
Harley-Davidson Motorcycle Trust	\$127,506	<0.1%	5%
Capital One Prime Auto Rec Trust	\$73,808	<0.1%	5%
Fifth Third Auto Trust	\$73,672	<0.1%	5%
Total Market Value	\$472,251,764		

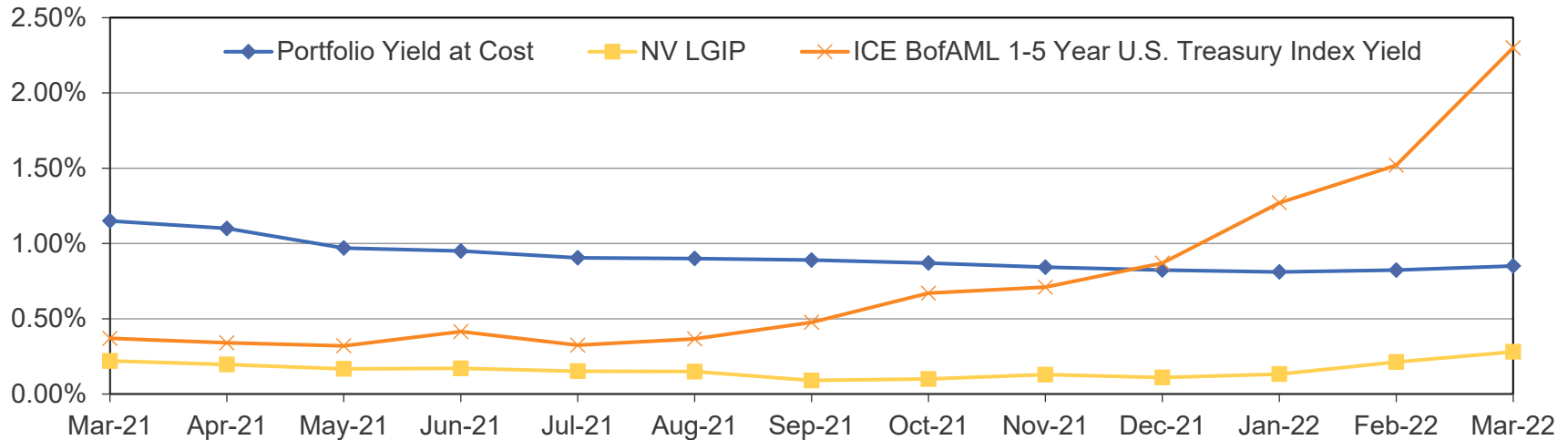
1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include the Bank of America and U.S. Bank balances.
3. Investment policy dated October 2021.
4. Securities issued by Asian Development Bank and the 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
3/31/22

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Mar-22	484,687,240	0.85%	2.18	0.28%	2.30%

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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