

City of Reno

Monthly Investment Report

June 30, 2022

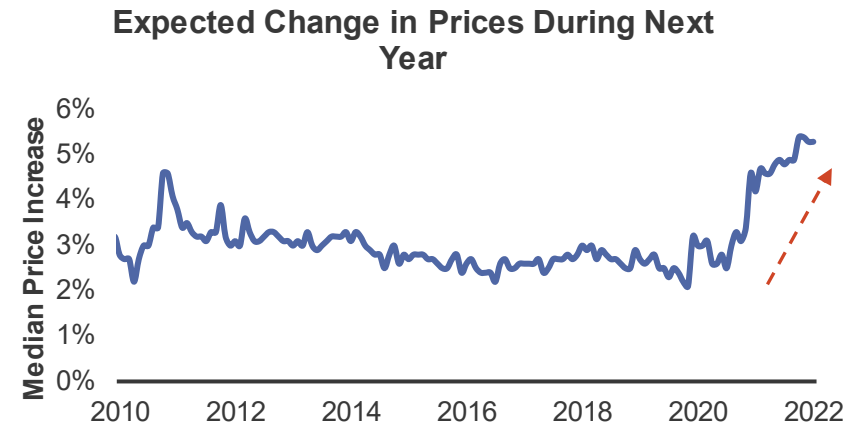
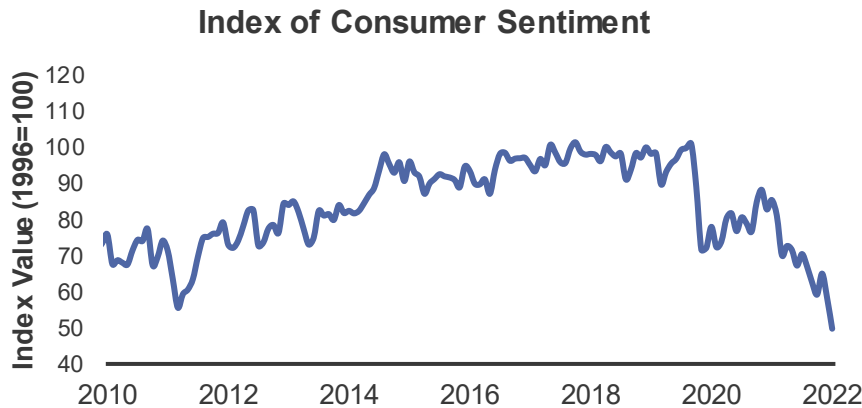
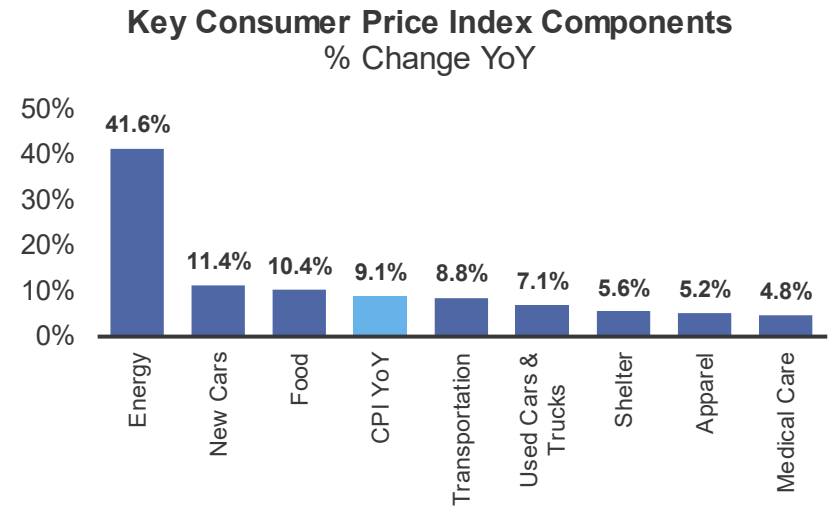
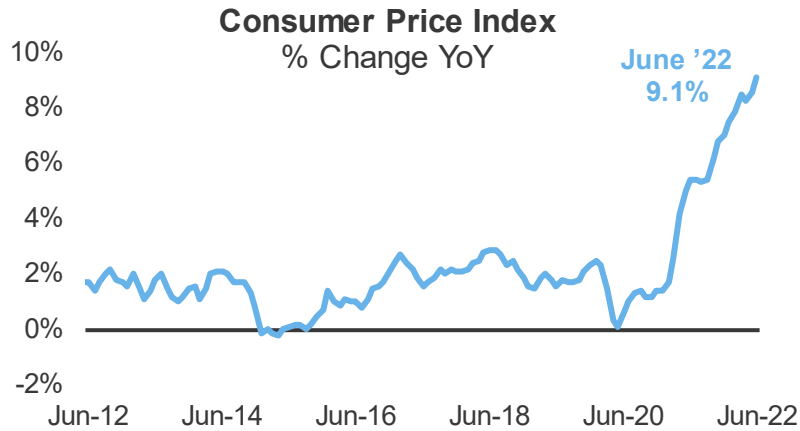
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PFM Asset Management LLC

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Inflation Soars Higher While Consumer Sentiment Plummet



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

Current Market Themes

Economic Highlights

- ▶ Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures. The war in Ukraine has continued to apply upward pressure on inflation and is weighing on global economic activity.
- ▶ The U.S. Consumer Price Index (CPI) increased 9.1% in June, from a year earlier, representing the fastest pace since November 1981. Price increases were broad-based and included higher prices of gasoline, shelter, and food. The June inflation reading was higher than analysts' expectations and exceeded May's 8.6% rate.
- ▶ Labor markets remained strong. Despite worker shortages, the U.S. economy added 372,000 jobs in June. In addition, the unemployment rate remained steady at the post-pandemic low of 3.6%.
- ▶ The Federal Open Market Committee (FOMC) raised the federal funds rate by 75 basis points (0.75%) in June – the biggest increase since 1994 – to a new target range of 1.5%-1.75%. In their latest iteration of economic projections, the Fed increased its expectation for inflation in 2022, lowered its forecast for real gross domestic product (GDP) and increased its projection for the year-end fed funds rate from 1.5% to 3.4%.
- ▶ Concerns over a possible recession have weighed on investor sentiment in recent weeks. As the Fed is “strongly committed” to curbing inflation, investors are increasingly concerned that aggressive monetary tightening would tip the U.S. economy into a recession.

Market Reaction

- ▶ Treasury yields on maturities between 2 and 10 years are substantially higher in June, month over month, more than offsetting the move lower in yields last month. Yields are approximately 20 basis points (0.20%) from the peak reached around the time of the June 15 FOMC meeting, repricing a more aggressive fed.
- ▶ All three U.S. stock indexes ended down in June. Amid this uncertainty over inflation, increasing probability of a recession, and overall low consumer outlook the S&P 500 and Nasdaq indexes declined more than 8%, and Dow Jones Industrials fell 6.6%.

Summary of the City's Funds

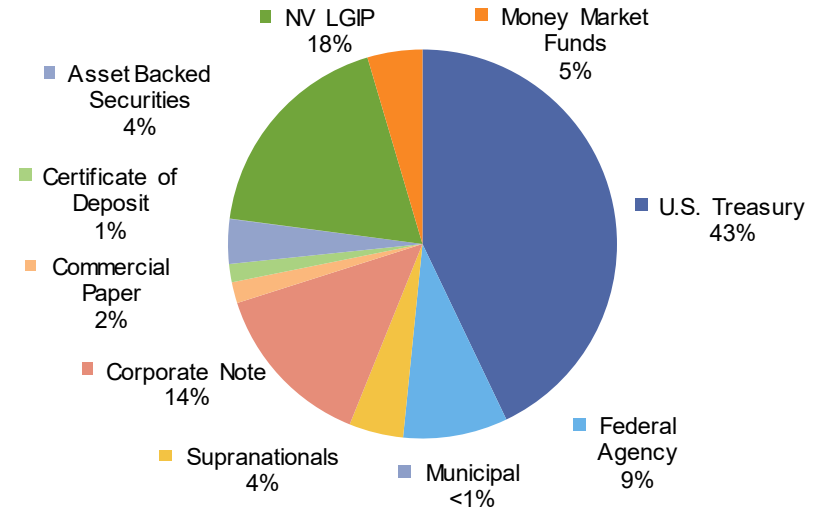
City of Reno as of
6/30/22

| City of Reno Funds | Market Value ¹ |
|---------------------------------|---------------------------|
| Core Portfolio | \$305,994,835 |
| Liquidity Portfolio | \$46,696,070 |
| Liquid Funds | \$104,807,581 |
| <i>Nevada LGIP</i> | \$83,899,540 |
| <i>U.S. Bank</i> | \$1,168,045 |
| <i>Bank of America</i> | \$7,208,003 |
| <i>Wells Fargo</i> | \$12,531,993 |
| Managed Account Subtotal | \$457,498,486 |
| Reserve Fund Portfolios | \$12,261,552 |
| Total | \$469,760,038 |

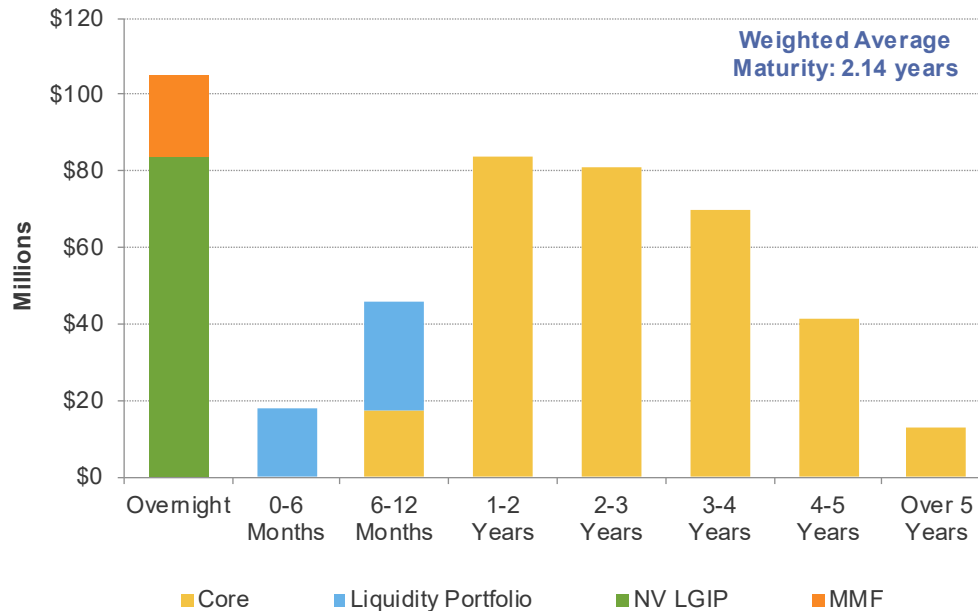
1. Market Values exclude accrued interest

| Account Summary | Ending Values as of 5/31/22 | Ending Values as of 6/30/22 |
|------------------------|-----------------------------|-----------------------------|
| Market Value | \$448,239,064 | \$457,498,486 |
| Book Value | \$461,276,566 | \$472,787,781 |
| Unrealized Gain/(Loss) | (\$13,037,502) | (\$15,289,294) |
| Yield at Market | 2.52% | 3.04% |
| Yield at Cost | 1.04% | 1.19% |

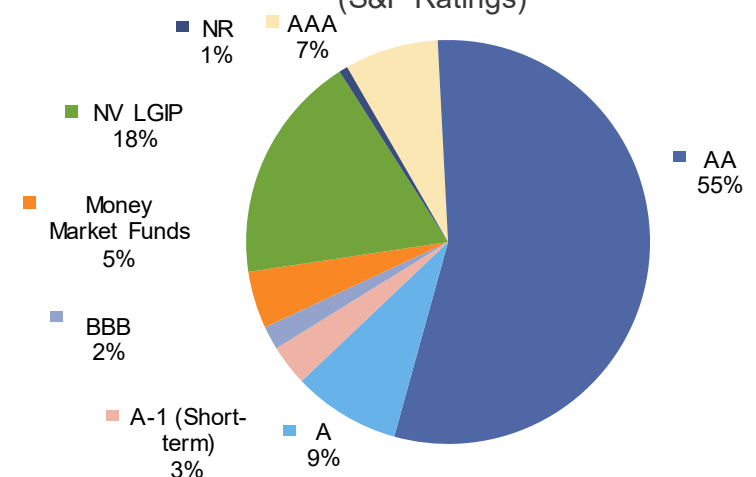
Allocation by Security Type



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, U.S. Bank, and Wells Fargo 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
6/30/22

| Security Type | Market Value | % of Portfolio | Permitted by Policy |
|---------------------------|----------------------|----------------|---------------------|
| U.S. Treasury | \$196,274,022 | 42.9% | 100% |
| Federal Agency | \$39,762,194 | 8.7% | 100% |
| Supranationals | \$20,647,653 | 4.5% | 15% |
| Corporate Note | \$63,991,488 | 14.0% | 20% |
| Commercial Paper | \$7,994,267 | 1.7% | 20% |
| Certificate of Deposit | \$6,937,202 | 1.5% | 30% |
| Asset Backed Securities | \$16,911,593 | 3.7% | 30% |
| Municipal | \$172,487 | 0.0% | 20% |
| NV LGIP | \$83,899,540 | 18.3% | 100% |
| Money Market Funds | \$20,908,041 | 4.6% | 100% |
| Total Market Value | \$457,498,486 | 100% | |

| Maturity | Market Value | % of Portfolio | Permitted by Policy |
|---------------------------|----------------------|----------------|---------------------|
| Overnight | \$104,807,581 | 22.9% | No Limit |
| 0-6 Months | \$17,914,204 | 3.9% | No Limit |
| 6-12 Months | \$46,006,807 | 10.1% | No Limit |
| 1-2 Years | \$83,679,272 | 18.3% | No Limit |
| 2-3 Years | \$81,131,742 | 17.7% | No Limit |
| 3-4 Years | \$69,953,456 | 15.3% | No Limit |
| 4-5 Years | \$41,329,219 | 9.0% | No Limit |
| Over 5 Years | \$12,676,204 | 2.8% | No Limit |
| Total Market Value | \$457,498,486 | 100.00% | |

| Accrual Basis Earnings ⁴ | 5/31/22 through 6/30/22 |
|-------------------------------------|-------------------------|
| Total Estimated Earnings | \$87,798 |

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, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated October 2021.
4. Excludes earnings on Liquid Funds.

Issuer Diversification^{1,2,3,4}

City of Reno as of
6/30/22

| Issuer | Market Value | % of Portfolio | Permitted by Policy |
|--|---------------|----------------|---------------------|
| U.S. Treasury | \$196,274,022 | 42.9% | 100% |
| Nevada LGIP | \$83,899,540 | 18.3% | 100% |
| Federal National Mortgage Association | \$26,285,765 | 5.7% | 100% |
| Money Market Funds | \$20,908,041 | 4.6% | 100% |
| Federal Home Loan Mortgage Corporation | \$13,020,302 | 2.8% | 100% |
| Inter-American Development Bank | \$6,141,057 | 1.3% | 15% |
| Asian Development Bank | \$5,477,644 | 1.2% | 0% |
| African Development Bank | \$5,131,672 | 1.1% | 0% |
| American Express Co | \$4,456,998 | 1.0% | 5% |
| Intl Bank Of Reconstruction And Dev | \$3,897,280 | 0.9% | 15% |
| Goldman Sachs Group Inc | \$3,683,704 | 0.8% | 5% |
| Natixis NY Branch | \$3,497,215 | 0.8% | 5% |
| Toyota Motor Corp | \$3,492,876 | 0.8% | 5% |
| Rabobank Nederland | \$2,999,865 | 0.7% | 5% |
| Skandinaviska Enskilda Banken Ab | \$2,968,005 | 0.6% | 5% |
| Citigroup Inc | \$2,628,528 | 0.6% | 5% |
| Westpac Banking Corp | \$2,490,188 | 0.5% | 5% |
| Bmw Financial Services Na Llc | \$2,454,889 | 0.5% | 5% |
| Royal Bank Of Canada | \$2,363,755 | 0.5% | 5% |
| Hyundai Auto Receivables | \$2,324,983 | 0.5% | 5% |
| National Australia Bank Ltd | \$2,268,053 | 0.5% | 5% |
| Northern Trust Corp | \$2,211,563 | 0.5% | 5% |
| JPMorgan Chase & Co | \$2,169,939 | 0.5% | 5% |
| Roche Holdings | \$2,079,969 | 0.5% | 5% |
| Deere & Company | \$1,993,498 | 0.4% | 5% |
| Bank Of New York Mellon | \$1,977,392 | 0.4% | 5% |
| Nordea Bank Ab | \$1,972,127 | 0.4% | 5% |
| Bank Of Montreal | \$1,885,680 | 0.4% | 5% |
| Burlington Northern Santa Fe | \$1,671,973 | 0.4% | 5% |
| Bank Of America Co | \$1,645,423 | 0.4% | 5% |
| Credit Suisse Group | \$1,608,071 | 0.4% | 5% |
| Mitsubishi Ufj Financial Group Inc | \$1,497,188 | 0.3% | 5% |
| Unitedhealth Group Inc | \$1,463,696 | 0.3% | 5% |
| Novartis Capital Corp | \$1,446,426 | 0.3% | 5% |
| AstraZeneca Finance LLC | \$1,443,747 | 0.3% | 5% |
| Amazon.Com Inc | \$1,430,749 | 0.3% | 5% |
| Honeywell International | \$1,421,016 | 0.3% | 5% |
| Bank Of Nova Scotia | \$1,410,767 | 0.3% | 5% |
| Capital One Financial Corp | \$1,356,809 | 0.3% | 5% |
| Kubota Credit Owners Trust | \$1,331,127 | 0.3% | 5% |
| Abbott Laboratories | \$1,260,389 | 0.3% | 5% |

| Issuer | Market Value | % of Portfolio | Permitted by Policy |
|--|----------------------|----------------|---------------------|
| CNH Equipment Trust | \$1,258,785 | 0.3% | 5% |
| The Walt Disney Corporation | \$1,238,457 | 0.3% | 5% |
| BB&T Corporation | \$1,202,818 | 0.3% | 5% |
| Carmax Auto Owner Trust | \$1,194,125 | 0.3% | 5% |
| Morgan Stanley | \$1,123,006 | 0.2% | 5% |
| Caterpillar Inc | \$1,114,560 | 0.2% | 5% |
| American Honda Finance | \$1,080,576 | 0.2% | 5% |
| Target Corporation | \$1,046,241 | 0.2% | 5% |
| Discover Financial Services | \$1,039,744 | 0.2% | 5% |
| Gm Financial Securitized Term | \$1,021,834 | 0.2% | 5% |
| General Dynamics Corp | \$997,163 | 0.2% | 5% |
| UBS AG | \$996,900 | 0.2% | 5% |
| Charles Schwab | \$996,069 | 0.2% | 5% |
| Sumitomo Mitsui Financial Group Inc | \$990,001 | 0.2% | 5% |
| Toronto-Dominion Bank | \$989,949 | 0.2% | 5% |
| US Bancorp | \$975,244 | 0.2% | 5% |
| Comcast Corp | \$967,758 | 0.2% | 5% |
| PNC Financial Services Group | \$930,397 | 0.2% | 5% |
| Verizon Owner Trust | \$914,475 | 0.2% | 5% |
| HSBC Holdings PLC | \$854,016 | 0.2% | 5% |
| Apple Inc | \$845,437 | 0.2% | 5% |
| World Omni Auto Rec Trust | \$733,640 | 0.2% | 5% |
| BMW Financial Services | \$697,852 | 0.2% | 5% |
| Honda Auto Receivables | \$484,850 | 0.1% | 5% |
| Unilever Plc | \$480,896 | 0.1% | 5% |
| Chevron Corporation | \$474,061 | 0.1% | 5% |
| Verizon Communications | \$456,785 | 0.1% | 5% |
| Government National Mortgage Association | \$456,127 | 0.1% | 100% |
| National Rural Utilities Co Finance Corp | \$442,468 | 0.1% | 5% |
| Paccar Financial Corp | \$274,240 | 0.1% | 5% |
| Home Depot Inc | \$234,890 | 0.1% | 5% |
| Nissan Auto Receivables | \$232,672 | 0.1% | 5% |
| Bristol-Myers Squibb Co | \$222,204 | <0.1% | 5% |
| State of Mississippi | \$172,487 | <0.1% | 5% |
| John Deere Owner Trust | \$156,450 | <0.1% | 5% |
| Mercedes-Benz Auto Lease Trust | \$125,617 | <0.1% | 5% |
| Harley-Davidson Motorcycle Trust | \$84,555 | <0.1% | 5% |
| Capital One Prime Auto Rec Trust | \$29,715 | <0.1% | 5% |
| Fifth Third Auto Trust | \$19,491 | <0.1% | 5% |
| Total Market Value | \$457,498,486 | | |

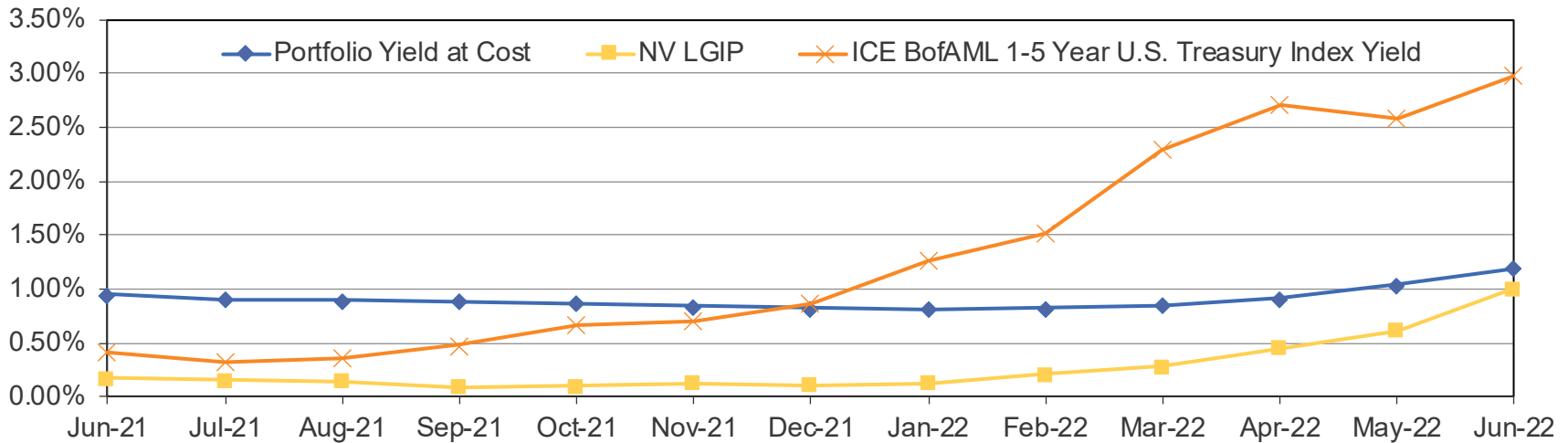
1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated October 2021.
4. Securities issued by Asian Development 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
6/30/22

| Date | Book Value ¹ | Portfolio Yield (Cost) ⁴ | Portfolio Duration ⁴ | NV LGIP Yield (Monthly) ³ | 1-5 Year Treasury Index Yield ² |
|--------|-------------------------|-------------------------------------|---------------------------------|--------------------------------------|--|
| 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% |
| Apr-22 | 479,189,894 | 0.91% | 2.15 | 0.45% | 2.71% |
| May-22 | 461,276,566 | 1.04% | 2.15 | 0.62% | 2.59% |
| Jun-22 | 472,787,781 | 1.19% | 2.18 | 1.00% | 2.98% |

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 (NVLGIP) | ✓ | ✓ |

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