

City of Reno

Monthly Investment Report

July 31, 2022

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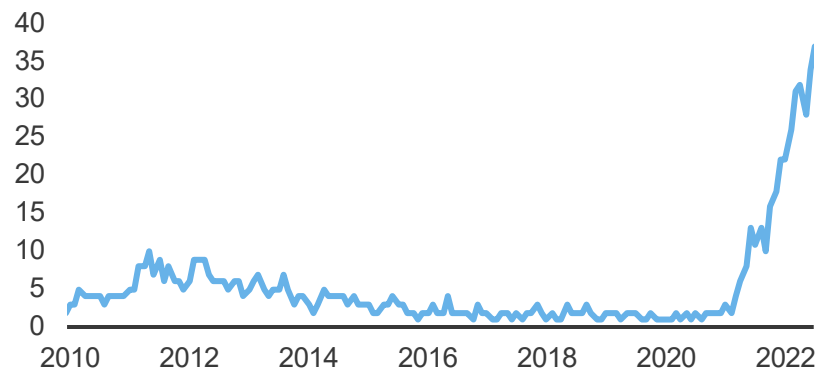
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Consumer Sentiment and Small Business Optimism Begin to Rebound While Inflation Remains an Issue

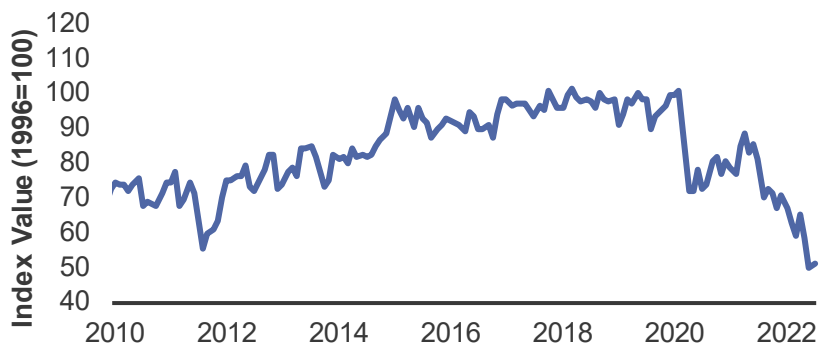
NFIB Small Business Optimism Index



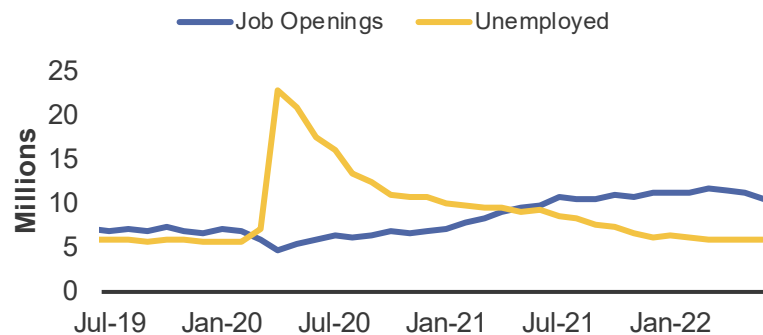
Inflation Single Most Important Problem



Index of Consumer Sentiment



Job Openings vs. Unemployed Workers



Source: NFIB Small Business Survey, as of July 2022 (top left). Bloomberg, as of July 2022 (top right). University of Michigan Consumer Sentiment and underlying index components, as of July 2022 (bottom left). JOLTS and BLS, as of June 2022.

Current Market Themes

Economic Highlights

- ▶ The U.S. Consumer Price Index (CPI) increased 8.5% in July from a year earlier, cooler than both the 8.7% survey and the June reading of 9.1%.
- ▶ As was widely expected, the U.S. Federal Reserve boosted the overnight federal funds target rate by 75 basis points (0.75%) on July 27th, to the new range of 2.25% to 2.50%. After beginning the year at a range of 0% to 0.25%, this was the fourth consecutive meeting met with a hike and the second consecutive 75 basis point hike. Market expectations call for additional hikes through the balance of the year, but how tightly the Fed can thread the needle between combating inflation and hindering growth prospects remains the delicate balance.
- ▶ U.S. Real GDP declined at an annualized rate of -0.9% in the second quarter, marking the second consecutive quarter of contraction. The advance release was somewhat of a surprise as initial estimates called for slightly positive growth of 0.4%.
- ▶ Despite some cooling, the U.S. labor market remains hot as demand is still elevated and joblessness is low. The high level of competition for hires is the main source of strong wage growth, although salary gains for many have been wiped out by inflation.

Market Reaction

- ▶ The U.S. Treasury yield curve flattened in July as short-end yields increased on Fed hikes while yields on maturities greater than two years declined on expectations for the Fed to cut rates in 2023, following the current hiking cycle, underscoring the delicacy of current markets and growth prospects.
- ▶ July 2022 was the best month for S&P 500 since November 2020, with the leading index jumping 9.2% amidst expectations for a Fed pivot and a modest reprieve from the rampant risk-off sentiment in 2022. The Nasdaq was up by 12.4%, and the Dow increased 6.8%.

Summary of the City's Funds

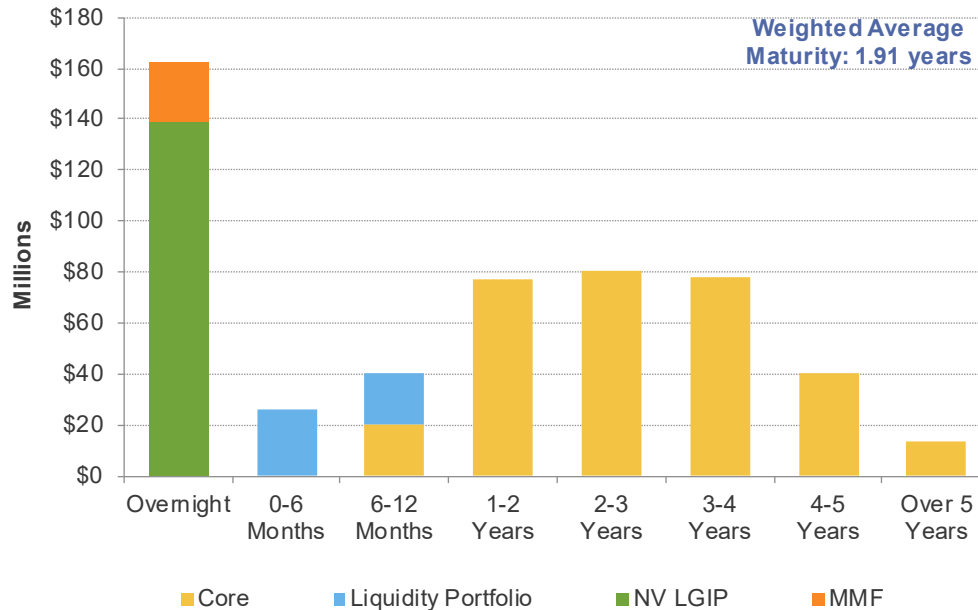
City of Reno as of
7/31/22

City of Reno Funds	Market Value ¹
Core Portfolio	\$309,209,373
Liquidity Portfolio	\$46,663,231
Liquid Funds	\$162,810,953
<i>Nevada LGIP</i>	<i>\$138,951,582</i>
<i>U.S. Bank</i>	<i>\$363,774</i>
<i>Bank of America</i>	<i>\$3,398,107</i>
<i>Wells Fargo</i>	<i>\$20,097,491</i>
Managed Account Subtotal	\$518,683,557
Reserve Fund Portfolios	\$12,472,077
Total	\$531,155,634

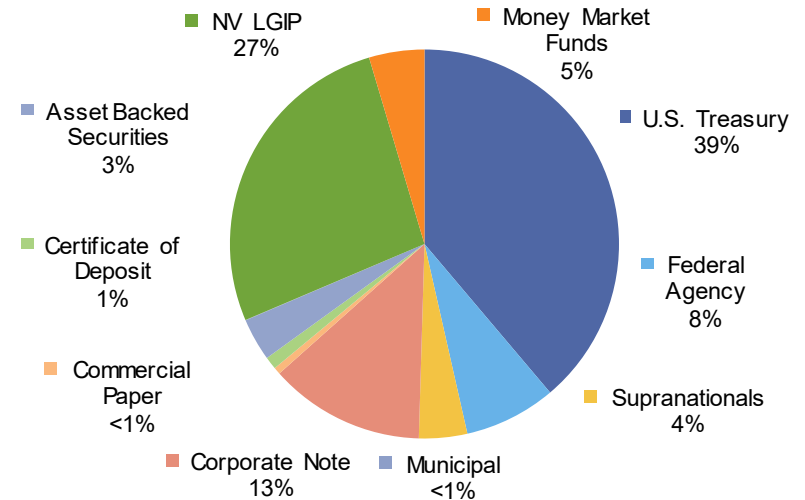
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 6/30/22	Ending Values as of 7/31/22
Market Value	\$457,498,486	\$518,683,557
Book Value	\$472,787,781	\$531,715,560
Unrealized Gain/(Loss)	(\$15,289,294)	(\$13,032,003)
Yield at Market	3.04%	2.98%
Yield at Cost	1.19%	1.30%

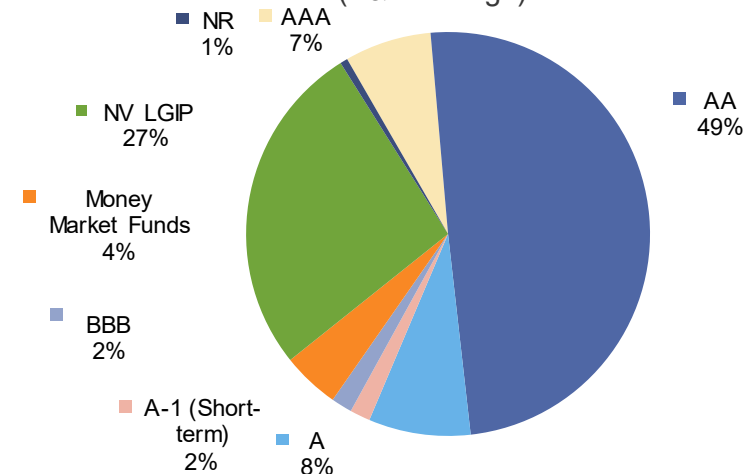
Maturity Distribution



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, 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
7/31/22

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$201,379,469	38.8%	100%
Federal Agency	\$39,592,408	7.6%	100%
Supranationals	\$20,782,924	4.0%	15%
Corporate Note	\$67,126,027	12.9%	20%
Commercial Paper	\$2,998,593	0.6%	20%
Certificate of Deposit	\$5,446,675	1.1%	30%
Asset Backed Securities	\$18,373,878	3.5%	30%
Municipal	\$172,629	0.0%	20%
NV LGIP	\$138,951,582	26.8%	100%
Money Market Funds	\$23,859,372	4.6%	100%
Total Market Value	\$518,683,557	100%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$162,810,953	31.4%	No Limit
0-6 Months	\$26,284,857	5.1%	No Limit
6-12 Months	\$40,631,925	7.8%	No Limit
1-2 Years	\$76,931,804	14.8%	No Limit
2-3 Years	\$80,144,194	15.5%	No Limit
3-4 Years	\$77,921,700	15.0%	No Limit
4-5 Years	\$40,647,490	7.8%	No Limit
Over 5 Years	\$13,310,633	2.6%	No Limit
Total Market Value	\$518,683,557	100.00%	

Accrual Basis Earnings ⁴	6/30/22 through 7/31/22
Total Estimated Earnings	\$257,138

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
7/31/22

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$201,379,469	38.8%	100%
Nevada LGIP	\$138,951,582	26.8%	100%
Federal National Mortgage Association	\$25,391,224	4.9%	100%
Money Market Funds	\$23,859,372	4.6%	100%
Federal Home Loan Mortgage Corporation	\$13,864,070	2.7%	100%
Inter-American Development Bank	\$6,168,450	1.2%	15%
Asian Development Bank	\$5,506,074	1.1%	0%
African Development Bank	\$5,176,932	1.0%	0%
American Express Co	\$4,478,348	0.9%	5%
Intl Bank Of Reconstruction And Dev	\$3,931,468	0.8%	15%
Toyota Motor Corp	\$3,438,657	0.7%	5%
Skandinaviska Enskilda Banken Ab	\$2,987,319	0.6%	5%
Carmax Auto Owner Trust	\$2,936,077	0.6%	5%
Citigroup Inc	\$2,646,188	0.5%	5%
Westpac Banking Corp	\$2,512,863	0.5%	5%
Bmw Financial Services Na Llc	\$2,475,473	0.5%	5%
Royal Bank Of Canada	\$2,385,895	0.5%	5%
Hyundai Auto Receivables	\$2,330,424	0.4%	5%
National Australia Bank Ltd	\$2,314,968	0.4%	5%
Northern Trust Corp	\$2,264,480	0.4%	5%
Goldman Sachs Group Inc	\$2,190,882	0.4%	5%
JPMorgan Chase & Co	\$2,188,169	0.4%	5%
Roche Holdings	\$2,108,163	0.4%	5%
IBM Corp	\$2,046,562	0.4%	5%
Deere & Company	\$2,024,815	0.4%	5%
Bank Of New York Mellon	\$1,993,484	0.4%	5%
Nordea Bank Ab	\$1,983,393	0.4%	5%
Bank Of Montreal	\$1,908,762	0.4%	5%
Burlington Northern Santa Fe	\$1,680,744	0.3%	5%
Bank Of America Co	\$1,643,074	0.3%	5%
Credit Suisse Group	\$1,609,017	0.3%	5%
Natixis NY Branch	\$1,499,316	0.3%	5%
Mitsubishi Ufj Financial Group Inc	\$1,499,277	0.3%	5%
Unitedhealth Group Inc	\$1,495,512	0.3%	5%
AstraZeneca Finance LLC	\$1,477,498	0.3%	5%
Novartis Capital Corp	\$1,462,422	0.3%	5%
Honeywell International	\$1,457,822	0.3%	5%
Amazon.Com Inc	\$1,437,069	0.3%	5%
Bank Of Nova Scotia	\$1,422,086	0.3%	5%
Capital One Financial Corp	\$1,365,092	0.3%	5%
Kubota Credit Owners Trust	\$1,330,532	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Abbott Laboratories	\$1,257,633	0.2%	5%
CNH Equipment Trust	\$1,256,282	0.2%	5%
The Walt Disney Corporation	\$1,248,550	0.2%	5%
BB&T Corporation	\$1,207,856	0.2%	5%
Morgan Stanley	\$1,126,254	0.2%	5%
Caterpillar Inc	\$1,118,793	0.2%	5%
American Honda Finance	\$1,102,850	0.2%	5%
Target Corporation	\$1,073,681	0.2%	5%
Discover Financial Services	\$1,044,530	0.2%	5%
General Dynamics Corp	\$1,006,302	0.2%	5%
Charles Schwab	\$999,280	0.2%	5%
UBS AG	\$998,100	0.2%	5%
Sumitomo Mitsui Financial Group Inc	\$991,754	0.2%	5%
Toronto-Dominion Bank	\$991,703	0.2%	5%
Gm Financial Securitized Term	\$986,155	0.2%	5%
US Bancorp	\$984,836	0.2%	5%
Comcast Corp	\$971,574	0.2%	5%
PNC Financial Services Group	\$935,333	0.2%	5%
Verizon Owner Trust	\$860,251	0.2%	5%
HSBC Holdings PLC	\$856,101	0.2%	5%
Apple Inc	\$854,666	0.2%	5%
World Omni Auto Rec Trust	\$718,902	0.1%	5%
BMW Financial Services	\$699,332	0.1%	5%
Unilever Plc	\$484,403	0.1%	5%
Chevron Corporation	\$480,666	0.1%	5%
Verizon Communications	\$465,539	0.1%	5%
Honda Auto Receivables	\$459,897	0.1%	5%
National Rural Utilities Co Finance Corp	\$445,531	0.1%	5%
Truist Financial Corp	\$432,552	0.1%	5%
Government National Mortgage Association	\$337,113	0.1%	100%
Paccar Financial Corp	\$274,644	0.1%	5%
Home Depot Inc	\$236,865	0.0%	5%
Bristol-Myers Squibb Co	\$226,403	0.0%	5%
Nissan Auto Receivables	\$208,119	0.0%	5%
State of Mississippi	\$172,629	0.0%	5%
John Deere Owner Trust	\$142,814	0.0%	5%
Mercedes-Benz Auto Lease Trust	\$110,500	0.0%	5%
Harley-Davidson Motorcycle Trust	\$71,767	0.0%	5%
Capital One Prime Auto Rec Trust	\$16,496	0.0%	5%
Fifth Third Auto Trust	\$3,881	0.0%	5%
Total Market Value	\$518,683,557		

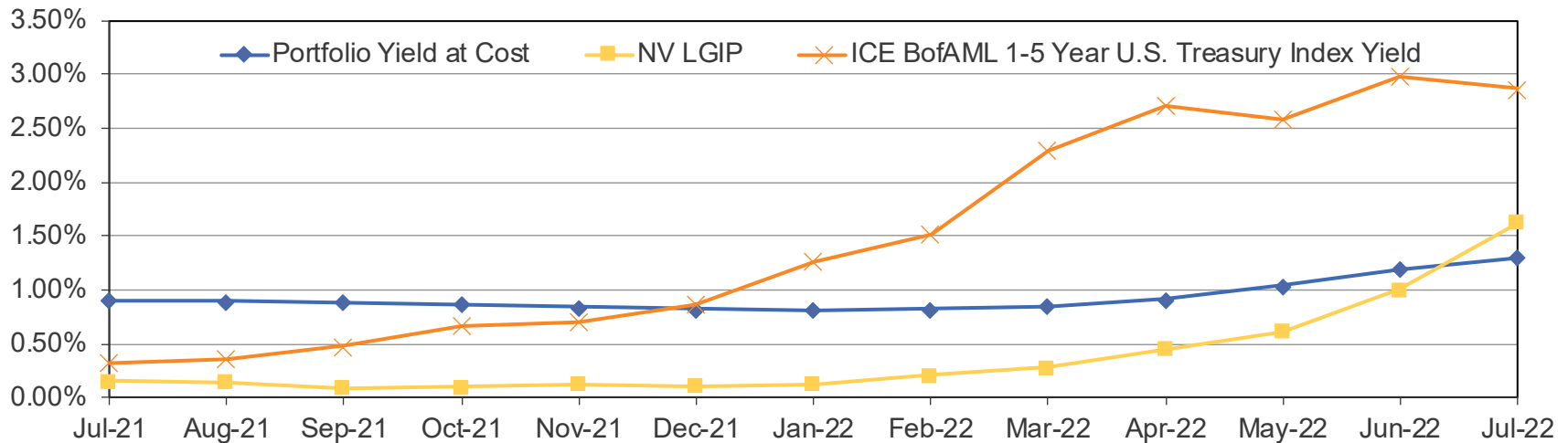
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2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated October 2021.
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

Portfolio Yield Summary

City of Reno as of
7/31/22

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Jul-22	531,715,560	1.30%	2.19	1.62%	2.87%

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)	✓	✓

Disclaimer

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