

# City of Reno

## Monthly Investment Report

August 31, 2022

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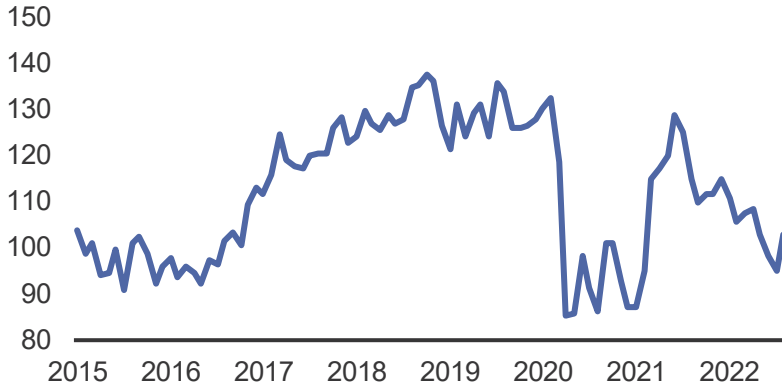
*PFM Asset Management LLC*

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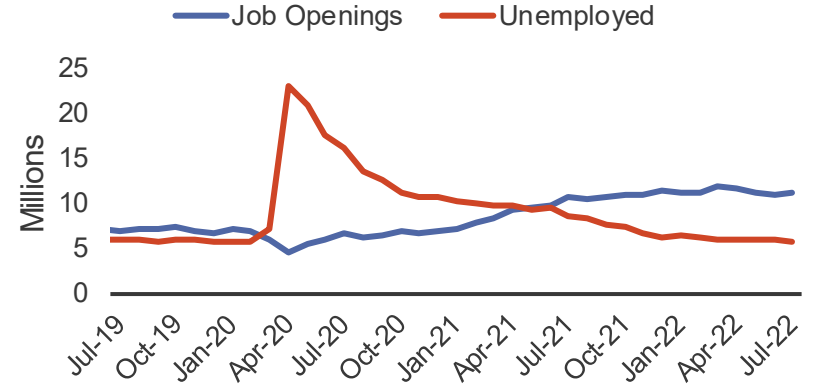
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# Consumer Confidence Surprises to the Upside While Job Openings Still Far Outweigh the Number of Unemployed

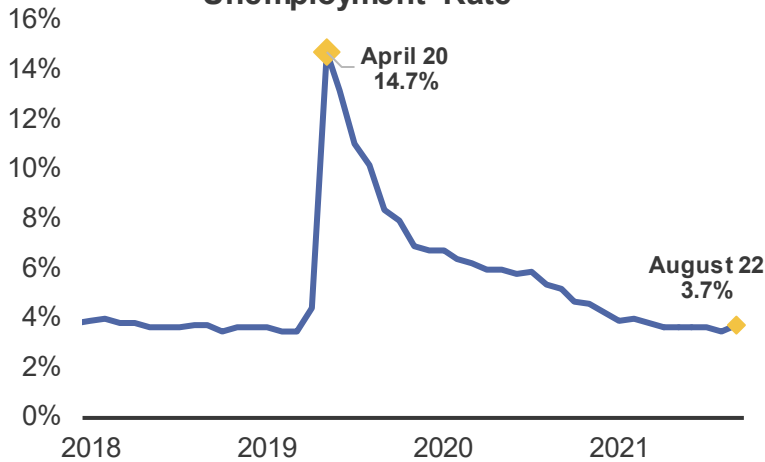
### Consumer Confidence



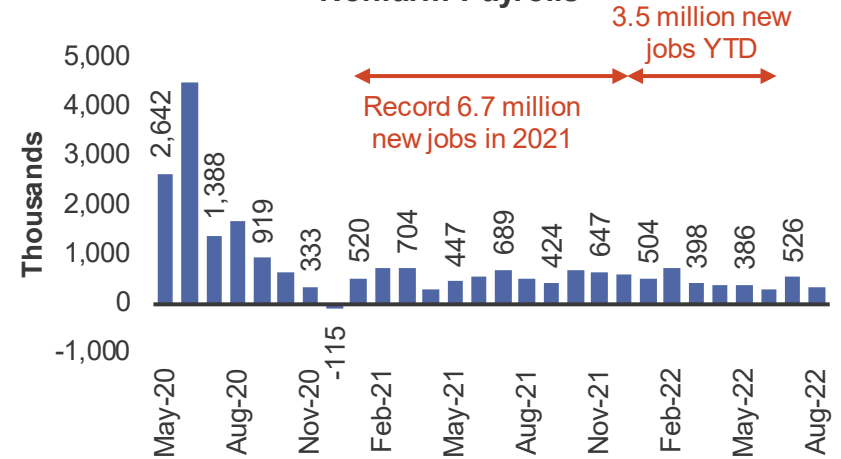
### Job Openings vs. Unemployed Workers



### Unemployment Rate



### Monthly Change In Nonfarm Payrolls



Source: Bloomberg, as of August 2022 (bottom left and right). Data is seasonally adjusted. JOLTS and BLS, as of July 2022 (top right). Bloomberg, Conference Board Consumer Confidence Survey, as of August 2022 (top left).

# Current Market Themes

## Economic Highlights

- ▶ While economic growth may be slowing and certain industries such as housing are showing softening amid a series of hefty rate hikes, the labor market has remained strong — a little too strong for the Fed's liking. Fed chairman Jerome Powell said late August the labor market is "clearly out of balance, with demand for workers substantially exceeding the supply of available workers."
- ▶ Market eyes turned to Jackson Hole where Fed Chair Powell spoke at the annual economic symposium on monetary policy. Strong undertones regarding combating inflation reinforced the unflinching path towards more rate hikes. Chair Powell noted that the path to higher rates would likely "also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain."
- ▶ The improved second estimate of gross domestic product (GDP) put the decline in the nation's economic growth for the second quarter at -0.6%, an improvement over the -0.9% initially reported, while the first-quarter decline of -1.6% remained unchanged. Much of the revision came from better data on consumer spending.
- ▶ The Consumer Price Index (CPI) declined from a cycle high of 9.1% to a better-than-expected 8.5% year-over-year through July. In August, CPI fell to 8.3%. Consumers were expecting a larger drop in CPI from July to August, so this small decline was somewhat disappointing.

## Market Reaction

- ▶ The U.S. Treasury yield curve gravitated higher in August and inverted further as the drumbeat of hawkish rhetoric from Federal Reserve officials continued, emphasizing commitment to fighting inflation, setting the stage for another 50 to 75 basis point (0.50% - 0.75%) rate hike at the September meeting and pushing back against market expectations for rate cuts in early 2023.
- ▶ What began as a strong month for the three major indices ended on a weaker note, cementing the weakest August performance in seven years as worries about aggressive interest rate hikes from the Federal Reserve persisted. The Dow finished August down nearly 4.1%, while the S&P and Nasdaq posted monthly losses of 4.2% and 4.6%, respectively.

# Summary of the City's Funds

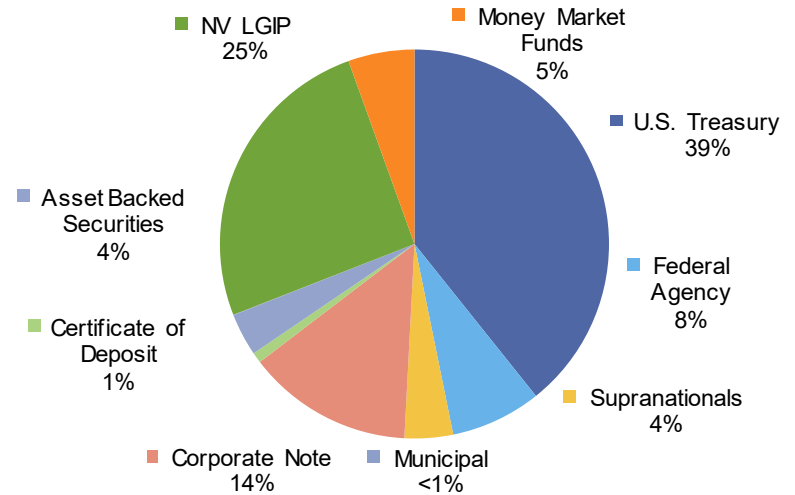
City of Reno as of  
8/31/22

City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$307,100,498
Liquidity Portfolio	\$43,649,083
Liquid Funds	\$157,061,981
<i>Nevada LGIP</i>	<i>\$129,082,735</i>
<i>U.S. Bank</i>	<i>\$1,689,223</i>
<i>Bank of America</i>	<i>\$387,087</i>
<i>Wells Fargo</i>	<i>\$25,902,936</i>
<b>Managed Account Subtotal</b>	<b>\$507,811,563</b>
Reserve Fund Portfolios	\$12,414,252
<b>Total</b>	<b>\$520,225,815</b>

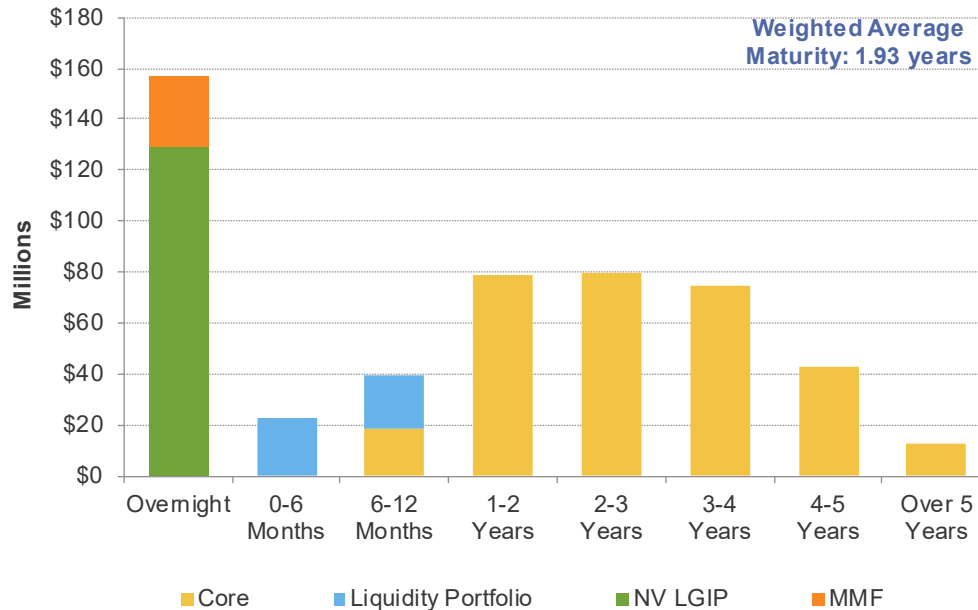
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 7/31/22	Ending Values as of 8/31/22
Market Value	\$518,683,557	\$507,811,563
Book Value	\$531,715,560	\$524,819,664
Unrealized Gain/(Loss)	(\$13,032,003)	(\$17,008,101)
Yield at Market	2.98%	3.50%
Yield at Cost	1.30%	1.38%

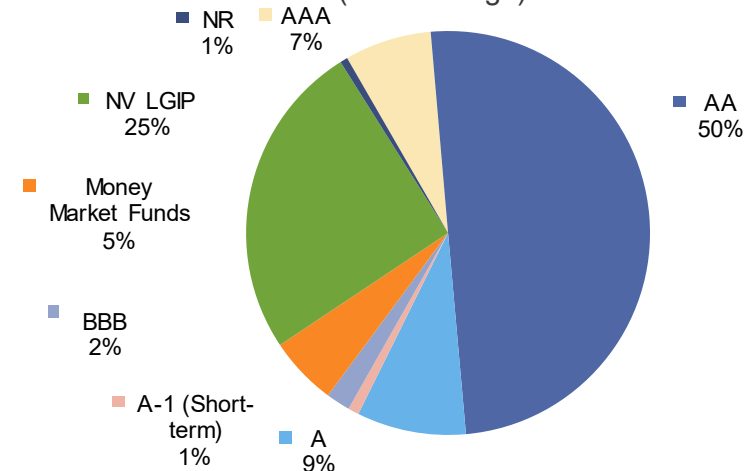
## Allocation by Security Type



## 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	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$199,394,742	39.3%	100%
Federal Agency	\$38,276,634	7.5%	100%
Supranationals	\$20,451,410	4.0%	15%
Corporate Note	\$70,047,462	13.8%	20%
Certificate of Deposit	\$4,453,161	0.9%	30%
Asset Backed Securities	\$17,955,036	3.5%	30%
Municipal	\$171,136	0.0%	20%
NV LGIP	\$129,082,735	25.4%	100%
Money Market Funds	\$27,979,246	5.5%	100%
<b>Total Market Value</b>	<b>\$507,811,563</b>	<b>100%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$157,061,981	30.9%	No Limit
0-6 Months	\$22,307,127	4.4%	No Limit
6-12 Months	\$39,812,850	7.8%	No Limit
1-2 Years	\$78,574,556	15.5%	No Limit
2-3 Years	\$79,999,086	15.8%	No Limit
3-4 Years	\$74,906,021	14.8%	No Limit
4-5 Years	\$42,886,079	8.4%	No Limit
Over 5 Years	\$12,263,862	2.4%	No Limit
<b>Total Market Value</b>	<b>\$507,811,563</b>	<b>100.00%</b>	

Accrual Basis Earnings <sup>4</sup>	7/31/22 through 8/31/22
<b>Total Estimated Earnings</b>	<b>\$243,624</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, U.S. Bank, and Wells Fargo 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  
8/31/22

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$199,394,742	39.3%	100%
Nevada LGIP	\$129,082,735	25.4%	100%
Money Market Funds	\$27,979,246	5.5%	100%
Federal National Mortgage Association	\$24,751,226	4.9%	100%
Federal Home Loan Mortgage Corporation	\$13,284,702	2.6%	100%
Inter-American Development Bank	\$6,081,813	1.2%	15%
Asian Development Bank	\$5,441,872	1.1%	0%
African Development Bank	\$5,061,083	1.0%	0%
American Express Co	\$4,423,396	0.9%	5%
Intl Bank Of Reconstruction And Dev	\$3,866,643	0.8%	15%
Toyota Motor Corp	\$3,318,468	0.7%	5%
Skandinaviska Enskilda Banken Ab	\$2,947,662	0.6%	5%
Carmax Auto Owner Trust	\$2,882,409	0.6%	5%
Citigroup Inc	\$2,639,827	0.5%	5%
Westpac Banking Corp	\$2,474,343	0.5%	5%
Bmw Financial Services Na Llc	\$2,444,778	0.5%	5%
Royal Bank Of Canada	\$2,357,970	0.5%	5%
Hyundai Auto Receivables	\$2,319,646	0.5%	5%
Intel Corporation	\$2,307,775	0.5%	5%
National Australia Bank Ltd	\$2,262,066	0.4%	5%
Northern Trust Corp	\$2,189,242	0.4%	5%
Goldman Sachs Group Inc	\$2,175,958	0.4%	5%
JPMorgan Chase & Co	\$2,169,353	0.4%	5%
Caterpillar Inc	\$2,103,125	0.4%	5%
Roche Holdings	\$2,068,675	0.4%	5%
IBM Corp	\$1,984,228	0.4%	5%
Bank Of New York Mellon	\$1,970,076	0.4%	5%
Nordea Bank Ab	\$1,954,150	0.4%	5%
Bank Of Montreal	\$1,881,172	0.4%	5%
Deere & Company	\$1,682,230	0.3%	5%
Burlington Northern Santa Fe	\$1,661,893	0.3%	5%
Bank Of America Co	\$1,632,540	0.3%	5%
Credit Suisse Group	\$1,612,268	0.3%	5%
Unitedhealth Group Inc	\$1,450,611	0.3%	5%
AstraZeneca Finance LLC	\$1,445,002	0.3%	5%
Novartis Capital Corp	\$1,433,883	0.3%	5%
Honeywell International	\$1,427,253	0.3%	5%
Amazon.Com Inc	\$1,423,348	0.3%	5%
Bank Of Nova Scotia	\$1,406,601	0.3%	5%
Capital One Financial Corp	\$1,349,709	0.3%	5%
Kubota Credit Owners Trust	\$1,329,181	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
CNH Equipment Trust	\$1,260,216	0.2%	5%
Abbott Laboratories	\$1,251,791	0.2%	5%
The Walt Disney Corporation	\$1,234,065	0.2%	5%
BB&T Corporation	\$1,196,746	0.2%	5%
Wells Fargo & Company	\$1,187,125	0.2%	5%
Morgan Stanley	\$1,109,816	0.2%	5%
American Honda Finance	\$1,080,488	0.2%	5%
Target Corporation	\$1,048,261	0.2%	5%
Discover Financial Services	\$1,037,849	0.2%	5%
Charles Schwab	\$991,942	0.2%	5%
Sumitomo Mitsui Financial Group Inc	\$991,511	0.2%	5%
Toronto-Dominion Bank	\$991,398	0.2%	5%
General Dynamics Corp	\$991,050	0.2%	5%
US Bancorp	\$975,938	0.2%	5%
Comcast Corp	\$963,192	0.2%	5%
Gm Financial Securitized Term	\$945,980	0.2%	5%
PNC Financial Services Group	\$927,533	0.2%	5%
HSBC Holdings PLC	\$857,985	0.2%	5%
Apple Inc	\$839,156	0.2%	5%
Verizon Owner Trust	\$809,256	0.2%	5%
World Omni Auto Rec Trust	\$705,351	0.1%	5%
BMW Financial Services	\$696,754	0.1%	5%
Unilever Plc	\$480,448	0.1%	5%
Chevron Corporation	\$471,836	0.1%	5%
Verizon Communications	\$453,067	0.1%	5%
National Rural Utilities Co Finance Corp	\$437,079	0.1%	5%
Honda Auto Receivables	\$435,412	0.1%	5%
Truist Financial Corp	\$428,932	0.1%	5%
Government National Mortgage Association	\$240,706	0.0%	100%
Home Depot Inc	\$233,492	0.0%	5%
Bristol-Myers Squibb Co	\$221,715	0.0%	5%
Nissan Auto Receivables	\$185,468	0.0%	5%
State of Mississippi	\$171,136	0.0%	5%
John Deere Owner Trust	\$125,078	0.0%	5%
Mercedes-Benz Auto Lease Trust	\$96,638	0.0%	5%
Harley-Davidson Motorcycle Trust	\$59,808	0.0%	5%
Capital One Prime Auto Rec Trust	\$4,446	0.0%	5%
<b>Total Market Value</b>	<b>\$507,811,563</b>		

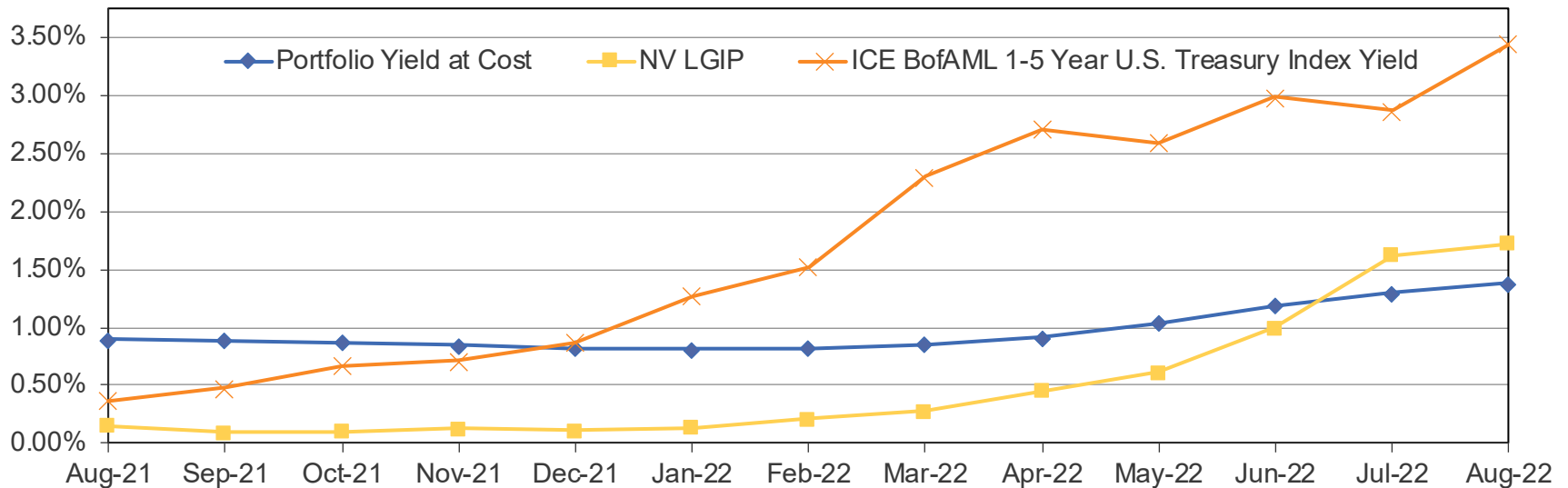
1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated October 2021.
4. Securities issued by Asian Development 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  
8/31/22

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>
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%
Aug-22	524,819,664	1.38%	2.21	1.72%	3.44%

**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 (NVLGIP)	✓	✓

# Disclaimer

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