

# City of Reno

## Monthly Investment Report

September 30, 2022

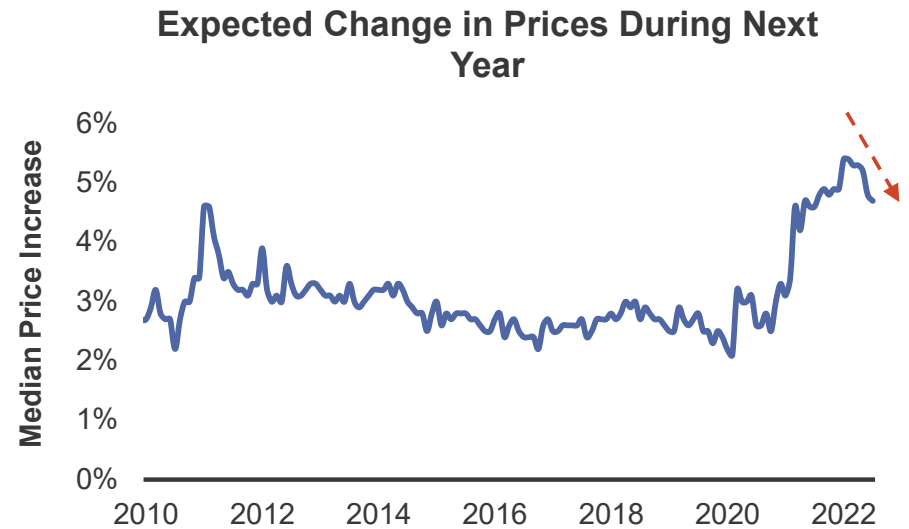
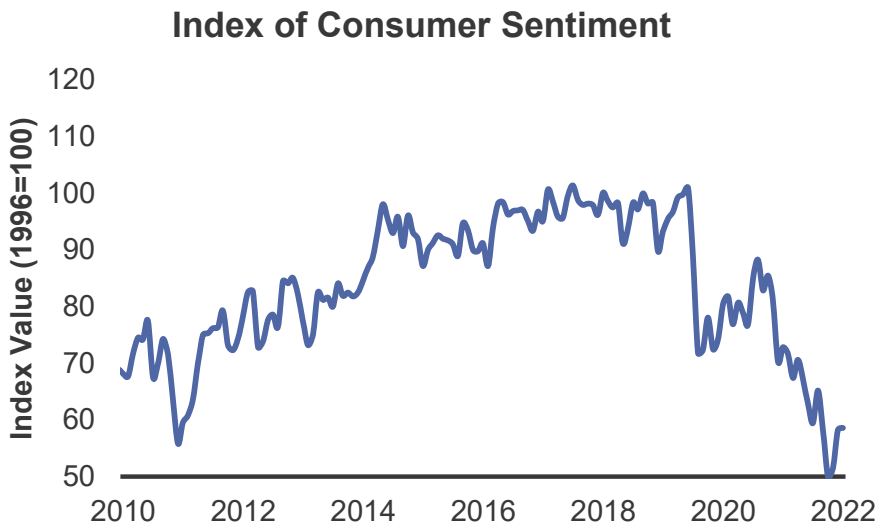
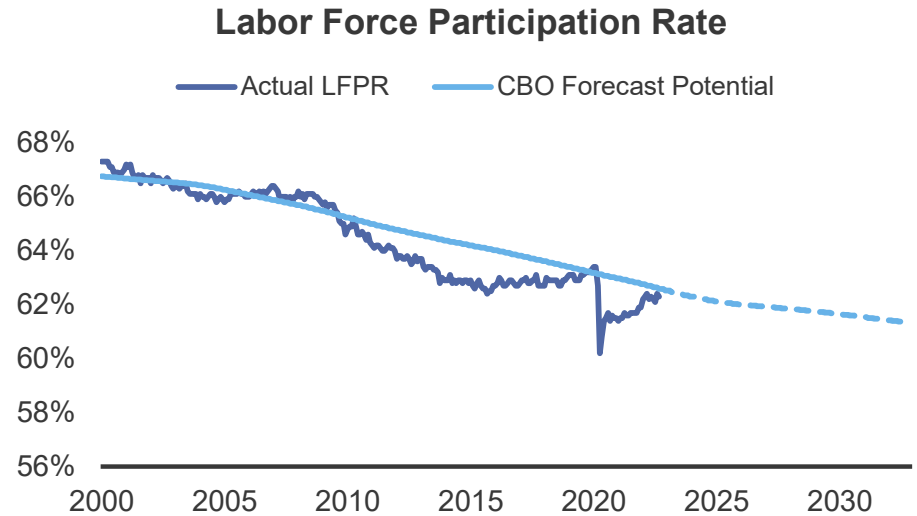
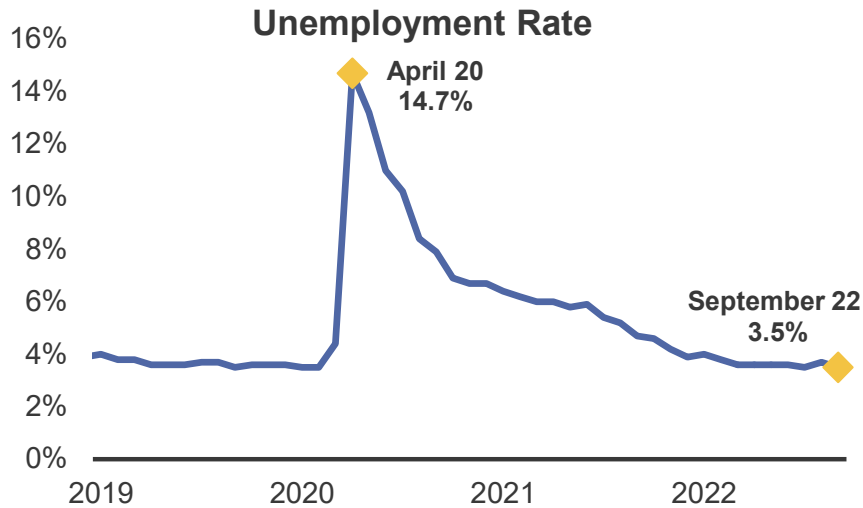
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*PFM Asset Management LLC*

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# Consumer Sentiment Bounces, But Remains Troubling While Unemployment Drops to 3.5%



Source: Congressional Budget Office September 2022 economic projections, Bureau of Labor Statistics. Bloomberg, as of September 2022. Data is seasonally adjusted (top right and left). Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of September 2022 (bottom right and left).

# Current Market Themes

## Economic Highlights

- ▶ Inflation remained sticky, with the consumer price index (CPI) rising 8.2% over the past year, as of September 30, 2022. The most recent report showed gasoline and energy prices fell sharply, but rents rose the most since 1991 and food prices have continued to rise.
- ▶ Fed officials doubled down on their inflation-fighting mantra by raising the target rate by an additional 0.75% at their September meeting, bringing the rate to 3.25%. Based on the Fed's Summary of Economic Projections, rates are expected to increase another 125-150 basis points (1.25%-1.50%) by year end.
- ▶ The U.S. economy shrank by 0.6% during the year's second quarter, according to the third and final estimate released by the Bureau of Economic Analysis. That matches the most recent GDP estimate and shows the economy was in contraction for the entire first half of the year as businesses readjusted to pandemic-era supply chain disruptions.
- ▶ The unemployment rate dropped to 3.5% from 3.7% in September, and 263,000 jobs were added over the month, beating expectations. These strong labor figures will only intensify the Fed's need to restore balance in the labor market.

## Market Reaction

- ▶ Interest rate volatility has been a major theme for fixed-income markets in 2022. As we've noted several times this year, volatility will likely remain elevated until there is more clarity with regard to the path of inflation and the consequential Fed response. The last two months provided no relief on either front.
- ▶ The Fed's consistently hawkish tone pushed U.S. Treasury yields higher, resulting in fixed income U.S. Treasury index total returns that were mostly negative for the month. The benchmark 6-month, 2-year, and 10-year Treasury yields finished at 3.90%, 4.28%, and 3.83%, up 54, 79, and 64 basis points (0.54%, 0.79%, and 0.64%) for September, respectively.
- ▶ Wall Street closed out a miserable September with a loss of 9.3%, the worst monthly decline since March 2020. The benchmark index has lost ground for six of the last seven weeks and posted its third straight losing quarter. The Dow finished September down nearly 8.8%, while Nasdaq posted monthly losses of 11.0%.

# Summary of the City's Funds

City of Reno as of  
9/30/22

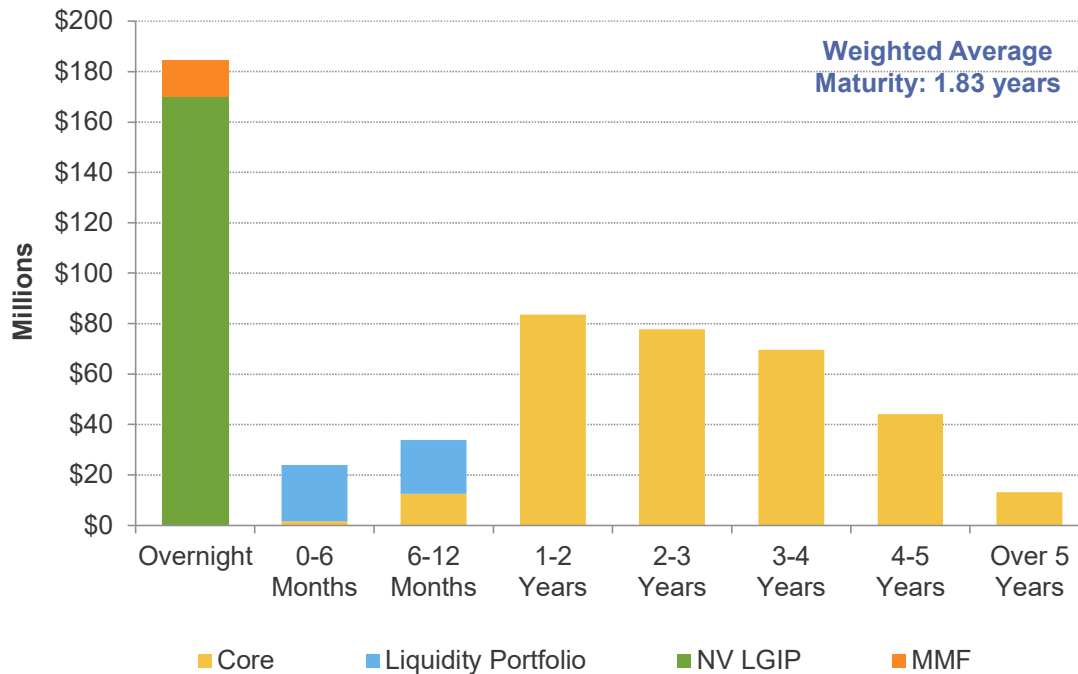
City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$302,217,243
Liquidity Portfolio	\$43,621,443
Liquid Funds	\$184,470,647
<i>Nevada LGIP</i>	<i>\$170,254,900</i>
<i>U.S. Bank</i>	<i>\$1,433,928</i>
<i>Bank of America</i>	<i>\$774,933</i>
<i>Wells Fargo</i>	<i>\$12,006,886</i>
<b>Managed Account Subtotal</b>	<b>\$530,309,334</b>
Reserve Fund Portfolios	\$12,327,749
<b>Total</b>	<b>\$542,637,083</b>

1. Market Values exclude accrued interest

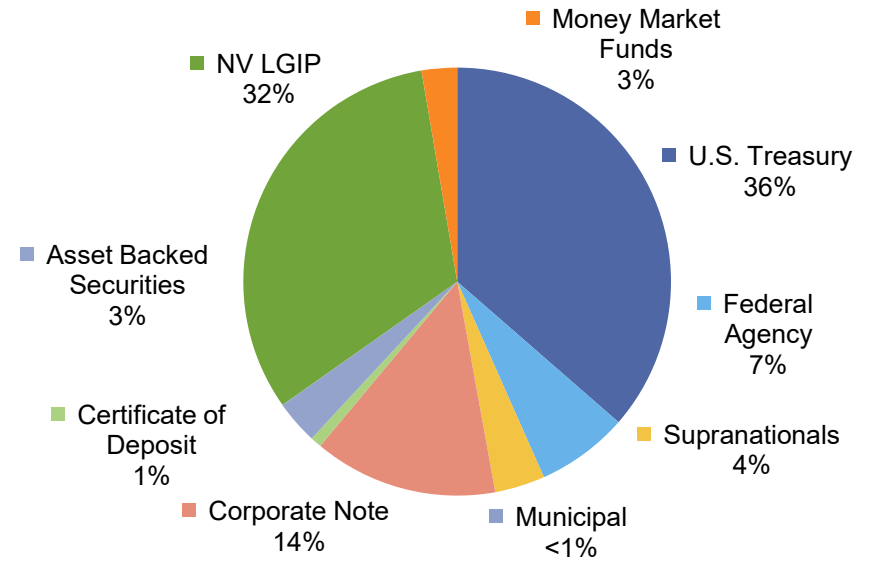


Account Summary	Ending Values as of 8/31/22	Ending Values as of 9/30/22
Market Value	\$507,811,563	\$530,309,334
Book Value	\$524,819,664	\$552,483,491
Unrealized Gain/(Loss)	(\$17,008,101)	(\$22,174,157)
Yield at Market	3.50%	4.22%
Yield at Cost	1.38%	1.48%

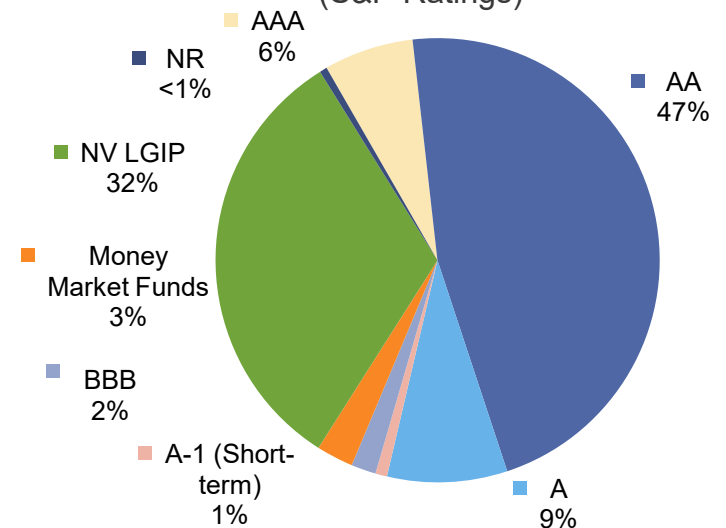
### Maturity Distribution



### Allocation by Security Type



### Credit Quality (S&P Ratings)



1. Summary 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. 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  
9/30/22

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$193,026,233	36.4%	100%
Federal Agency	\$36,880,927	7.0%	100%
Supranationals	\$20,118,337	3.8%	15%
Corporate Note	\$73,749,531	13.9%	20%
Certificate of Deposit	\$4,447,463	0.8%	30%
Asset Backed Securities	\$17,447,011	3.3%	30%
Municipal	\$169,184	<0.1%	20%
NV LGIP	\$170,254,900	32.1%	100%
Money Market Funds	\$14,215,747	2.7%	100%
<b>Total Market Value</b>	<b>\$530,309,334</b>	<b>100%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$184,470,647	34.8%	No Limit
0-6 Months	\$23,950,548	4.5%	No Limit
6-12 Months	\$33,758,488	6.4%	No Limit
1-2 Years	\$83,541,480	15.8%	No Limit
2-3 Years	\$77,730,600	14.7%	No Limit
3-4 Years	\$69,578,902	13.1%	No Limit
4-5 Years	\$44,157,889	8.3%	No Limit
Over 5 Years	\$13,120,778	2.5%	No Limit
<b>Total Market Value</b>	<b>\$530,309,334</b>	<b>100.00%</b>	

Accrual Basis Earnings <sup>4</sup>	8/31/22 through 9/30/22
<b>Total Estimated Earnings</b>	<b>\$179,127</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  
9/30/22

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$193,026,233	36.4%	100%
Nevada LGIP	\$170,254,900	32.1%	100%
Federal National Mortgage Association	\$23,998,608	4.5%	100%
Money Market Funds	\$14,215,747	2.7%	100%
Federal Home Loan Mortgage Corporation	\$12,730,223	2.4%	100%
Inter-American Development Bank	\$5,993,531	1.1%	15%
Asian Development Bank	\$5,378,861	1.0%	0%
African Development Bank	\$4,941,689	0.9%	0%
American Express Co	\$4,359,192	0.8%	5%
Toronto-Dominion Bank	\$3,941,180	0.7%	5%
Intl Bank Of Reconstruction And Dev	\$3,804,257	0.7%	15%
Toyota Motor Corp	\$3,187,327	0.6%	5%
Skandinaviska Enskilda Banken Ab	\$2,877,795	0.5%	5%
Carmax Auto Owner Trust	\$2,826,109	0.5%	5%
Citigroup Inc	\$2,585,103	0.5%	5%
Westpac Banking Corp	\$2,421,598	0.5%	5%
Bmw Financial Services Na Llc	\$2,400,469	0.5%	5%
Royal Bank Of Canada	\$2,313,570	0.4%	5%
Hyundai Auto Receivables	\$2,307,712	0.4%	5%
Intel Corporation	\$2,230,883	0.4%	5%
Wal-Mart Stores Inc	\$2,229,990	0.4%	5%
National Australia Bank Ltd	\$2,190,228	0.4%	5%
Goldman Sachs Group Inc	\$2,154,608	0.4%	5%
JPMorgan Chase & Co	\$2,132,716	0.4%	5%
Northern Trust Corp	\$2,124,725	0.4%	5%
Caterpillar Inc	\$2,065,420	0.4%	5%
Roche Holdings	\$2,032,682	0.4%	5%
Bank Of New York Mellon	\$1,929,830	0.4%	5%
IBM Corp	\$1,919,840	0.4%	5%
Nordea Bank Ab	\$1,908,116	0.4%	5%
Bank Of Montreal	\$1,842,062	0.3%	5%
Deere & Company	\$1,637,282	0.3%	5%
Burlington Northern Santa Fe	\$1,631,154	0.3%	5%
Bank Of America Co	\$1,623,604	0.3%	5%
Credit Suisse Group	\$1,611,941	0.3%	5%
Amazon.Com Inc	\$1,411,673	0.3%	5%
Novartis Capital Corp	\$1,406,897	0.3%	5%
AstraZeneca Finance LLC	\$1,404,402	0.3%	5%
Unitedhealth Group Inc	\$1,396,526	0.3%	5%
Bank Of Nova Scotia	\$1,377,563	0.3%	5%
Honeywell International	\$1,374,466	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Capital One Financial Corp	\$1,334,000	0.3%	5%
Kubota Credit Owners Trust	\$1,318,863	0.2%	5%
CNH Equipment Trust	\$1,253,406	0.2%	5%
Abbott Laboratories	\$1,240,207	0.2%	5%
The Walt Disney Corporation	\$1,214,500	0.2%	5%
BB&T Corporation	\$1,184,173	0.2%	5%
Wells Fargo & Company	\$1,160,027	0.2%	5%
Morgan Stanley	\$1,089,493	0.2%	5%
American Honda Finance	\$1,047,656	0.2%	5%
Discover Financial Services	\$1,027,625	0.2%	5%
Target Corporation	\$1,012,896	0.2%	5%
Sumitomo Mitsui Financial Group Inc	\$988,101	0.2%	5%
Charles Schwab	\$975,857	0.2%	5%
General Dynamics Corp	\$970,908	0.2%	5%
US Bancorp	\$957,984	0.2%	5%
Comcast Corp	\$948,925	0.2%	5%
PNC Financial Services Group	\$909,679	0.2%	5%
Gm Financial Securitized Term	\$899,853	0.2%	5%
HSBC Holdings PLC	\$859,614	0.2%	5%
Apple Inc	\$824,837	0.2%	5%
Verizon Owner Trust	\$698,083	0.1%	5%
BMW Financial Services	\$687,898	0.1%	5%
World Omni Auto Rec Trust	\$685,692	0.1%	5%
Unilever Plc	\$473,394	0.1%	5%
Chevron Corporation	\$462,592	0.1%	5%
Verizon Communications	\$445,302	0.1%	5%
National Rural Utilities Co Finance Corp	\$428,903	0.1%	5%
Truist Financial Corp	\$419,433	0.1%	5%
Honda Auto Receivables	\$419,349	0.1%	5%
Home Depot Inc	\$228,819	0.0%	5%
Bristol-Myers Squibb Co	\$216,954	0.0%	5%
State of Mississippi	\$169,184	0.0%	5%
Nissan Auto Receivables	\$161,870	0.0%	5%
Government National Mortgage Association	\$152,097	0.0%	100%
John Deere Owner Trust	\$111,488	0.0%	5%
Mercedes-Benz Auto Lease Trust	\$80,591	0.0%	5%
Harley-Davidson Motorcycle Trust	\$48,375	0.0%	5%
<b>Total Market Value</b>	<b>\$530,309,334</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.

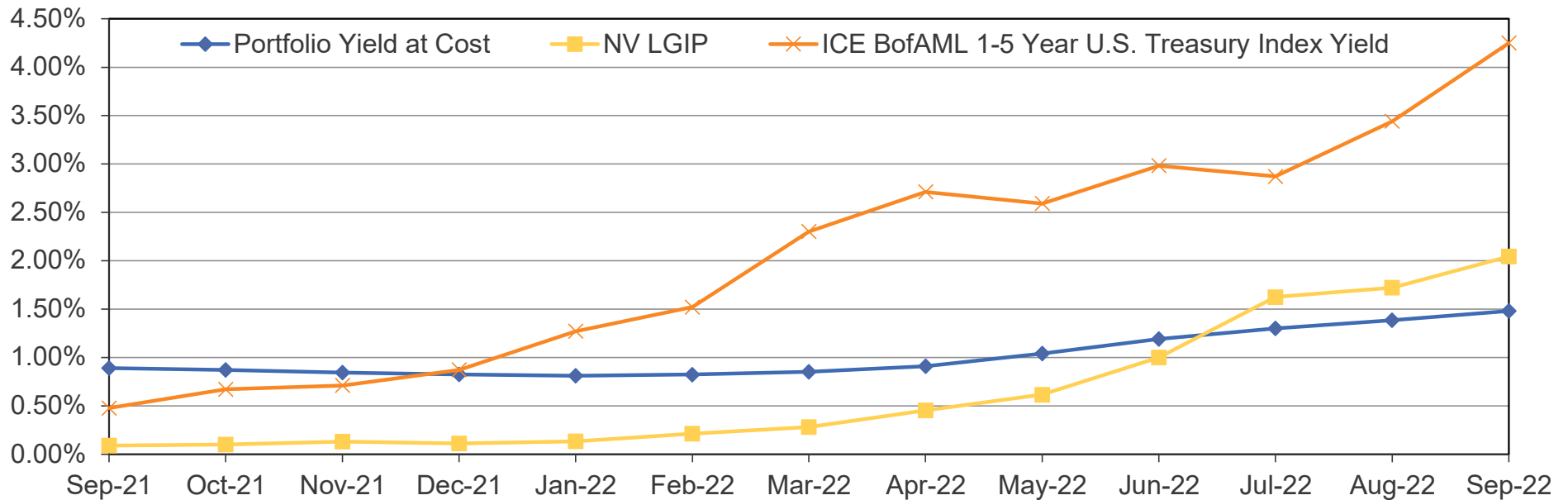
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

# Portfolio Yield Summary

City of Reno as of  
9/30/22

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>
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%
Sep-22	552,483,491	1.48%	2.18	2.04%	4.25%

**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)	✓	✓



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