

# City of Reno

## Monthly Investment Report

October 31, 2022

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*PFM Asset Management LLC*

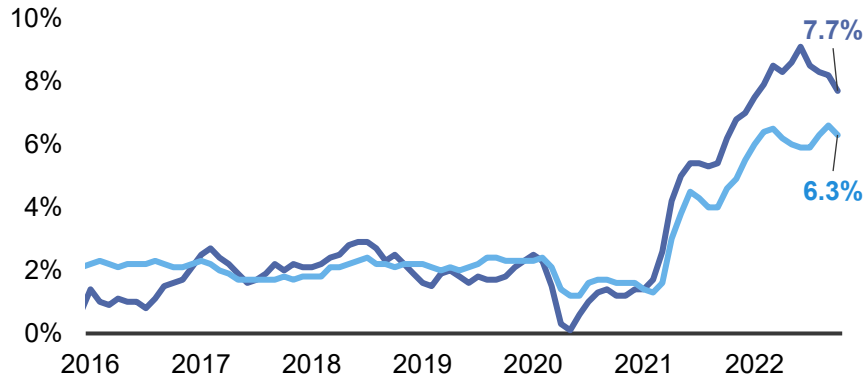
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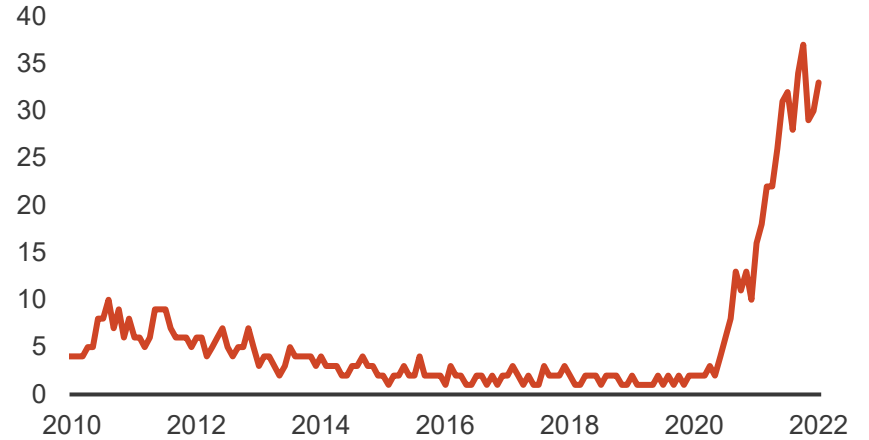
# Core CPI Decelerates, Though Inflation Remains High; Consumer Sentiment Improves

### Consumer Price Index (YOY)

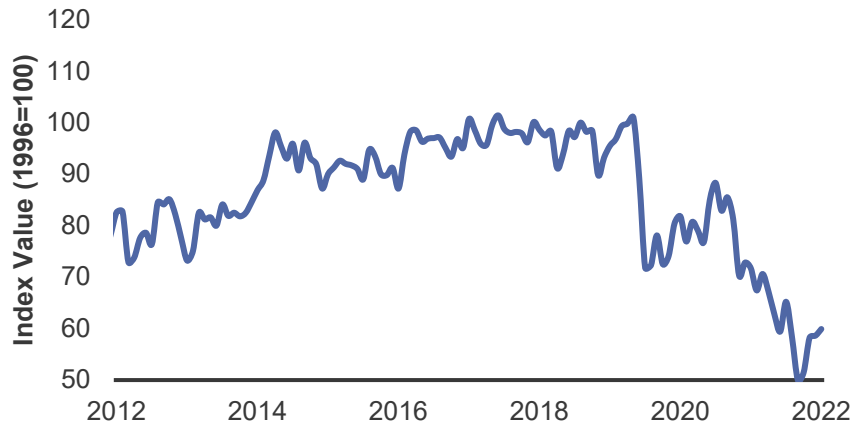
— Headline CPI — Core CPI



### Inflation Single Most Important Problem



### Consumer Sentiment Index



### NFIB Small Business Optimism Index



Source: Bloomberg, Bureau of Labor Statistics as of October 2022 (top left). Bloomberg, as of October 2022 (top right). Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of September 2022 (bottom left). NFIB Small Business Survey, as of October 2022 (bottom right).

# Current Market Themes

## Economic Highlights

- ▶ Market eyes turned to the Federal Reserve (Fed) meeting early November where it was announced the federal funds target rate was increased by 0.75%, as expected. This latest hike pushed the benchmark rate to a new range of 3.75% to 4.00%. While markets looked for signs on pace and peak of future target rates, Fed Chair Powell noted that “there is significant uncertainty around that level of interest rates. Even so, we still have some ways to go.”
- ▶ U.S. GDP accelerated at 2.6% pace in the quarter ended September 30, 2022, the first expansion release after two consecutive quarters of negative readings. A narrowing trade deficit and increases in consumer spending and government outlays boosted the number.
- ▶ The labor market remained robust in October, in the final glimpse at the state of the economy ahead of midterm elections. Although the unemployment rate rose to 3.7%, Americans are still seeing wage gains. The economy added 261,000 jobs in October, exceeding economists' projections, while September results were revised higher to 315,000 from 263,000.

## Market Reaction

- ▶ Bond market volatility remained near historic levels and yields continued to increase and test new multi-decade highs through October.
- ▶ Fixed income U.S. Treasury index total returns were mixed in October with only the shortest-duration indexes posting positive absolute returns. The ICE BofA 6-month, 2-year, and 10-year Treasury indexes returned 0.17%, -0.21%, and -1.88%, respectively, for the month.
- ▶ The U.S. Treasury yield curve has been inverted now for some time between the 2- and 10-year maturities, a metric that is often monitored when evaluating the steepness of the curve. Further, the curve inverted between the 3-month and 10-year maturities for the first time in October since early 2020 – while largely expected, this metric from a macroeconomic perspective is strongly correlated as a sign to near-term economic downturn.

# Summary of the City's Funds

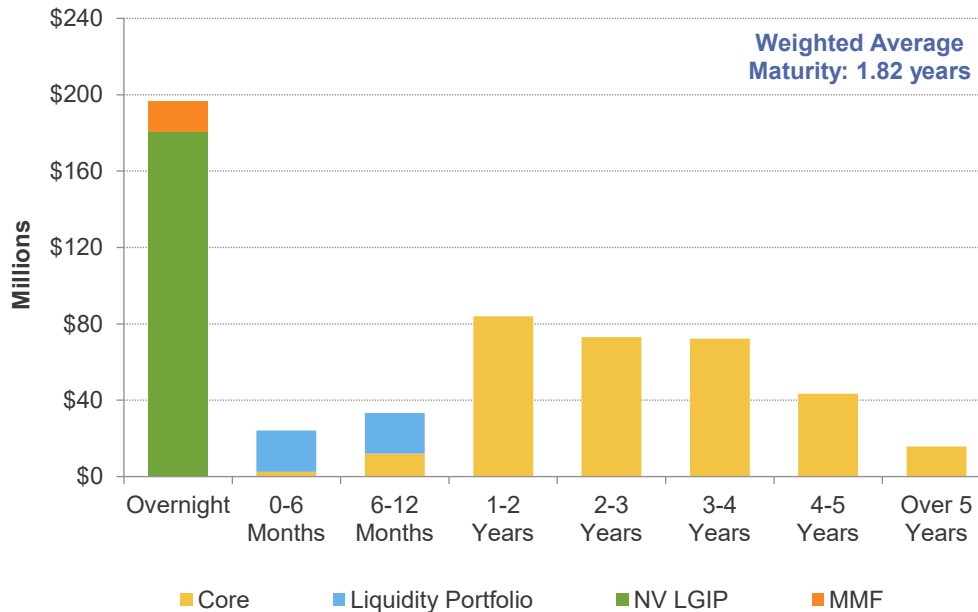
City of Reno as of  
10/31/22

City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$303,184,506
Liquidity Portfolio	\$42,788,447
Liquid Funds	\$196,452,818
<i>Nevada LGIP</i>	<i>\$180,528,325</i>
<i>U.S. Bank</i>	<i>\$598,915</i>
<i>Bank of America</i>	<i>\$755,512</i>
<i>Wells Fargo</i>	<i>\$14,570,067</i>
<b>Managed Account Subtotal</b>	<b>\$542,425,772</b>
Reserve Fund Portfolios	\$12,312,438
<b>Total</b>	<b>\$554,738,210</b>

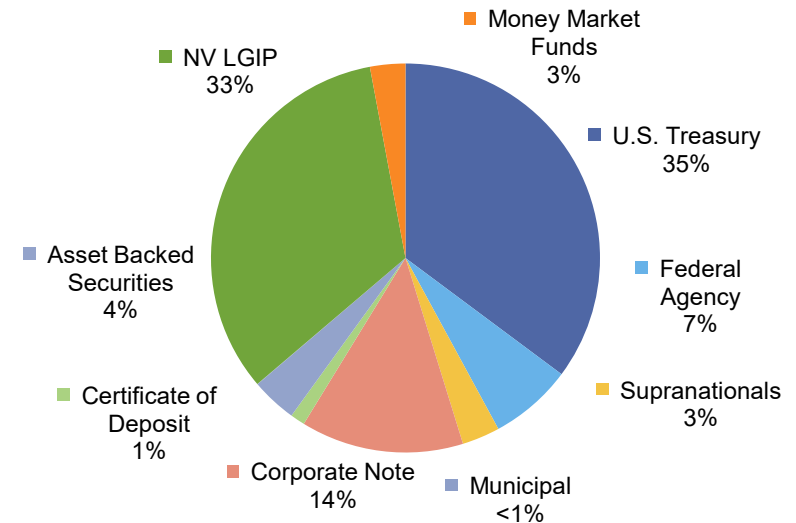
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 9/30/22	Ending Values as of 10/31/22
Market Value	\$530,309,334	\$542,425,772
Book Value	\$552,483,491	\$565,395,652
Unrealized Gain/(Loss)	(\$22,174,157)	(\$22,969,880)
Yield at Market	4.22%	4.53%
Yield at Cost	1.48%	1.62%

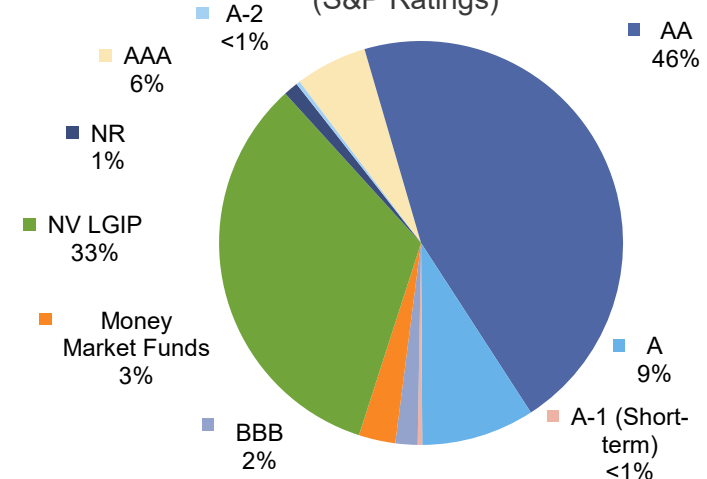
## Maturity Distribution



## 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  
10/31/22

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$190,849,449	35.2%	100%
Federal Agency	\$37,400,232	6.9%	100%
Supranationals	\$17,046,014	3.1%	15%
Corporate Note	\$73,409,307	13.5%	20%
Certificate of Deposit	\$6,586,101	1.2%	30%
Asset Backed Securities	\$20,512,988	3.8%	30%
Municipal	\$168,862	<0.1%	20%
NV LGIP	\$180,528,325	33.3%	100%
Money Market Funds	\$15,924,494	2.9%	100%
<b>Total Market Value</b>	<b>\$542,425,772</b>	<b>100%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$196,452,818	36.2%	No Limit
0-6 Months	\$24,107,244	4.4%	No Limit
6-12 Months	\$33,433,341	6.2%	No Limit
1-2 Years	\$83,982,081	15.5%	No Limit
2-3 Years	\$73,066,631	13.5%	No Limit
3-4 Years	\$72,220,911	13.3%	No Limit
4-5 Years	\$43,367,646	8.0%	No Limit
Over 5 Years	\$15,795,100	2.9%	No Limit
<b>Total Market Value</b>	<b>\$542,425,772</b>	<b>100.00%</b>	

Accrual Basis Earnings <sup>4</sup>	9/30/22 through 10/31/22
<b>Total Estimated Earnings</b>	<b>\$179,972</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  
10/31/22

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$190,849,449	35.2%	100%
Nevada LGIP	\$180,528,325	33.3%	100%
Federal National Mortgage Association	\$26,806,688	4.9%	100%
Money Market Funds	\$15,924,494	2.9%	100%
Federal Home Loan Mortgage Corporation	\$10,535,069	1.9%	100%
Toronto-Dominion Bank	\$6,921,946	1.3%	5%
Inter-American Development Bank	\$5,972,415	1.1%	15%
African Development Bank	\$4,921,732	0.9%	0%
American Express Co	\$4,328,328	0.8%	5%
Intl Bank Of Reconstruction And Dev	\$3,794,039	0.7%	15%
Toyota Motor Corp	\$3,120,046	0.6%	5%
Skandinaviska Enskilda Banken Ab	\$2,857,491	0.5%	5%
Carmax Auto Owner Trust	\$2,756,253	0.5%	5%
Citigroup Inc	\$2,570,264	0.5%	5%
Westpac Banking Corp	\$2,407,098	0.4%	5%
Bmw Financial Services Na Llc	\$2,391,947	0.4%	5%
Asian Development Bank	\$2,357,827	0.4%	0%
Royal Bank Of Canada	\$2,306,295	0.4%	5%
Hyundai Auto Receivables	\$2,286,309	0.4%	5%
Wal-Mart Stores Inc	\$2,227,488	0.4%	5%
Intel Corporation	\$2,208,709	0.4%	5%
National Australia Bank Ltd	\$2,168,521	0.4%	5%
Goldman Sachs Group Inc	\$2,142,431	0.4%	5%
JPMorgan Chase & Co	\$2,126,371	0.4%	5%
Northern Trust Corp	\$2,100,723	0.4%	5%
Caterpillar Inc	\$2,059,859	0.4%	5%
Roche Holdings	\$2,023,495	0.4%	5%
John Deere Owner Trust	\$1,933,270	0.4%	5%
Bank Of New York Mellon	\$1,923,542	0.4%	5%
IBM Corp	\$1,914,004	0.4%	5%
Nordea Bank Ab	\$1,902,235	0.4%	5%
Bank Of Montreal	\$1,837,552	0.3%	5%
Daimler Truck	\$1,668,666	0.3%	5%
Deere & Company	\$1,631,337	0.3%	5%
Burlington Northern Santa Fe	\$1,622,784	0.3%	5%
Bank Of America Co	\$1,620,267	0.3%	5%
Credit Suisse Group	\$1,613,225	0.3%	5%
Amazon.Com Inc	\$1,409,747	0.3%	5%
Novartis Capital Corp	\$1,403,082	0.3%	5%
AstraZeneca Finance LLC	\$1,394,725	0.3%	5%
Unitedhealth Group Inc	\$1,385,086	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Bank Of Nova Scotia	\$1,370,979	0.3%	5%
Honeywell International	\$1,370,680	0.3%	5%
Capital One Financial Corp	\$1,329,209	0.2%	5%
Kubota Credit Owners Trust	\$1,312,158	0.2%	5%
CNH Equipment Trust	\$1,249,514	0.2%	5%
Abbott Laboratories	\$1,236,890	0.2%	5%
The Walt Disney Corporation	\$1,212,415	0.2%	5%
BB&T Corporation	\$1,178,706	0.2%	5%
Wells Fargo & Company	\$1,150,041	0.2%	5%
Morgan Stanley	\$1,080,868	0.2%	5%
American Honda Finance	\$1,042,558	0.2%	5%
Discover Financial Services	\$1,024,274	0.2%	5%
Target Corporation	\$1,008,415	0.2%	5%
Sumitomo Mitsui Financial Group Inc	\$987,423	0.2%	5%
Charles Schwab	\$977,330	0.2%	5%
General Dynamics Corp	\$968,894	0.2%	5%
US Bancorp	\$955,391	0.2%	5%
Comcast Corp	\$946,711	0.2%	5%
PNC Financial Services Group	\$904,740	0.2%	5%
Gm Financial Securitized Term	\$860,828	0.2%	5%
Apple Inc	\$823,474	0.2%	5%
BMW Financial Services	\$681,943	0.1%	5%
World Omni Auto Rec Trust	\$660,666	0.1%	5%
Verizon Owner Trust	\$588,703	0.1%	5%
Unilever Plc	\$473,589	0.1%	5%
Chevron Corporation	\$461,379	0.1%	5%
Verizon Communications	\$443,714	0.1%	5%
National Rural Utilities Co Finance Corp	\$426,632	0.1%	5%
Honda Auto Receivables	\$416,149	0.1%	5%
Truist Financial Corp	\$414,135	0.1%	5%
Home Depot Inc	\$228,278	<0.1%	5%
Bristol-Myers Squibb Co	\$216,126	<0.1%	5%
State of Mississippi	\$168,862	<0.1%	5%
Nissan Auto Receivables	\$140,676	<0.1%	5%
Mercedes-Benz Auto Lease Trust	\$63,935	<0.1%	5%
Government National Mortgage Association	\$58,474	<0.1%	100%
Harley-Davidson Motorcycle Trust	\$37,881	<0.1%	5%
<b>Total Market Value</b>	<b>\$542,425,772</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.

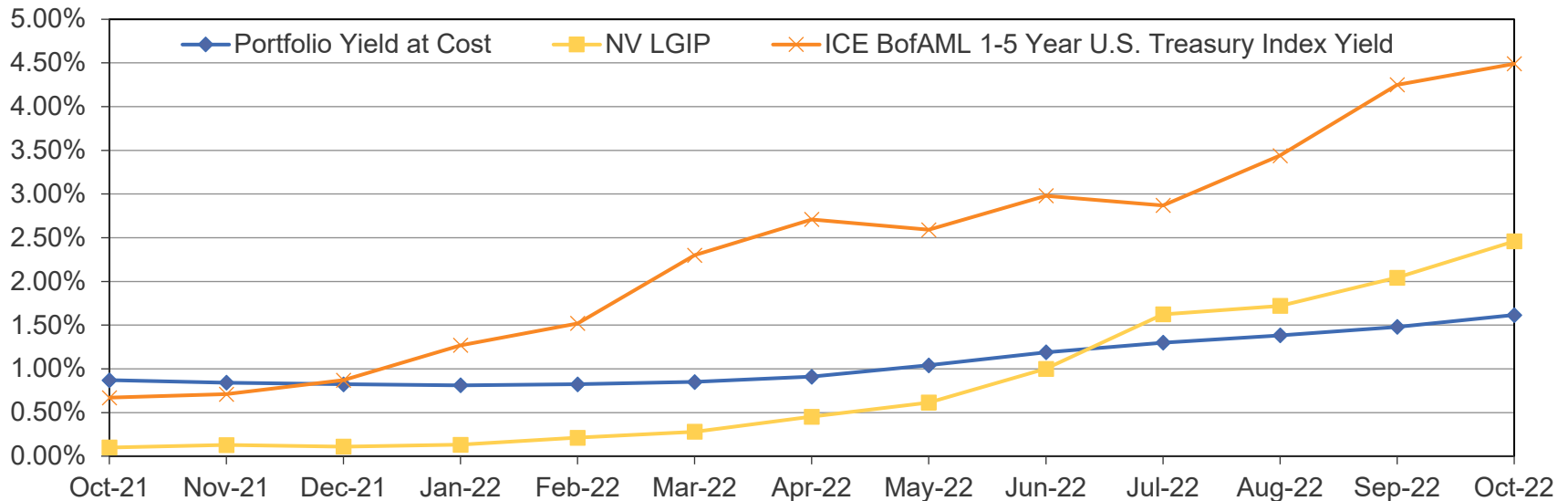
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

# Portfolio Yield Summary

City of Reno as of  
10/31/22

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>
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%
Oct-22	565,395,652	1.62%	2.16	2.46%	4.49%

**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)	✓	✓

# Disclaimer

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