

City of Reno

Monthly Investment Report

January 31, 2023

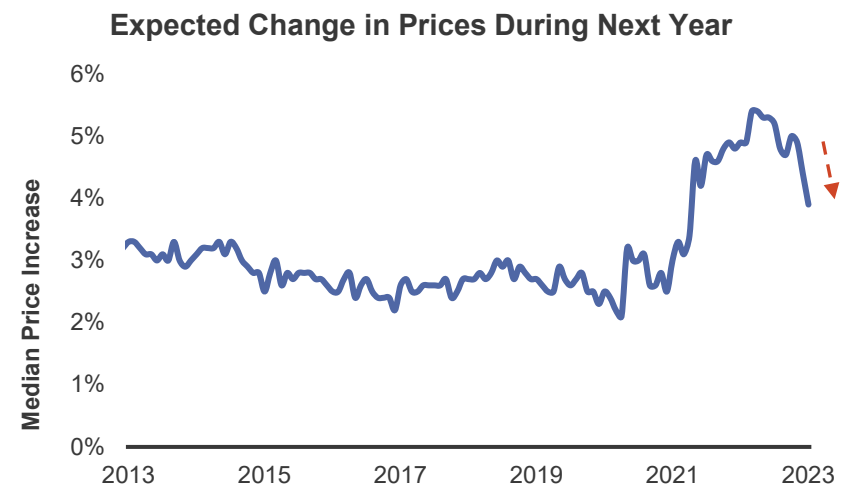
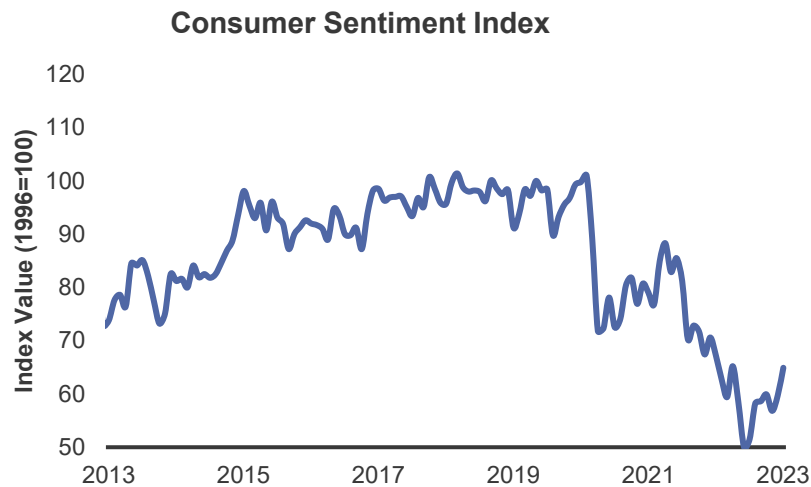
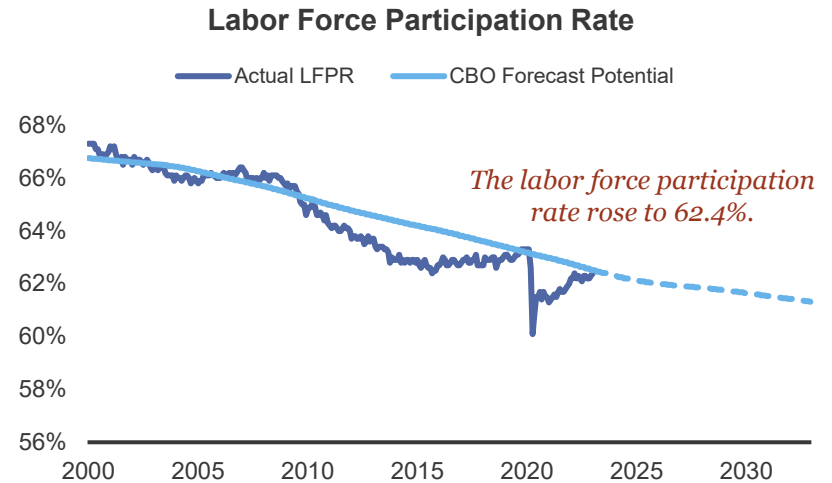
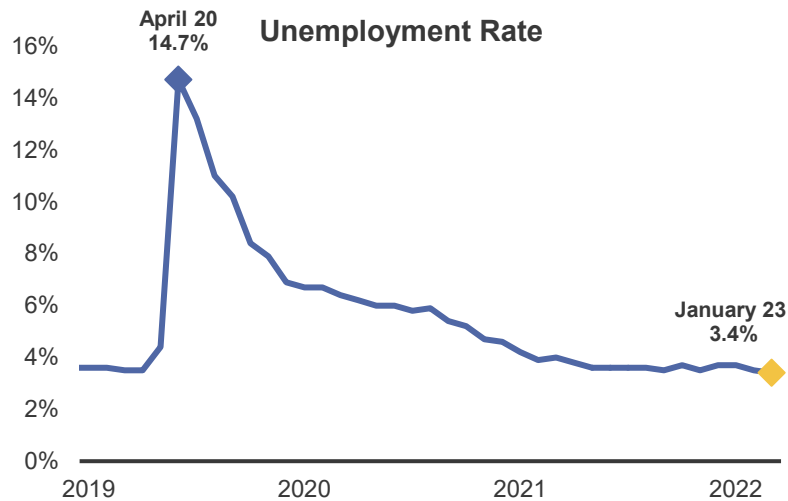
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Consumer Sentiment Rose in January While Unemployment and Inflation Expectations Fell



Source: Congressional Budget Office January 2023 economic projections, Bureau of Labor Statistics. Bloomberg, as of January 2023. Data is seasonally adjusted (top right and left). Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of January 2023 (bottom right and left).

Current Market Themes

Economic Highlights

- ▶ Recession worries persist, but readings of consumer spending and business investment are still showing growth. Strong labor market conditions and slowly-but-surely moderating inflation have kept the door open for a soft landing.
- ▶ On February 1, the Federal Reserve (Fed) voted to raise the federal funds overnight target rate by 25 basis points (0.25%) to a new range of 4.50% to 4.75%. This marks a modest downshift following the 50 basis point hike in December and the preceding four consecutive 75 basis point hikes. Comments from Chair Powell emphasized that the Fed anticipates “ongoing increases” may be needed to tame inflation. The Committee next meets on March 22.
- ▶ The Consumer Price Index (CPI) rose 6.5% year-over-year in December, down from 7.1% in November. Headline CPI has now moderated for six consecutive months following the June peak of 9.1%.
- ▶ The labor market remains strong as the economy added 517,000 jobs in January, significantly outpacing expectations of 189,000 and the prior release of 260,000. The unemployment rate fell to 3.4%. The Fed has reiterated that the current tightening cycle is likely to result in softening in the labor market, although these figures have yet to materialize that notion.

Market Reaction

- ▶ The U.S. Treasury yield curve remained near historically negative levels of inversion, as yields on maturities greater than six months declined through January.
- ▶ As a result of the blockbuster January jobs report, market sentiment adjusted around expectations for a slightly higher terminal fed funds rate and reduced potential for rate cuts in 2023.
- ▶ The benchmark 3-month, 2-year, and 10-year U.S. Treasury yields finished the month at 4.64%, 4.20%, and 3.51%, up 30 basis points (bps), down 23 bps, and down 37 basis points for the month, respectively.
- ▶ Fixed income U.S. Treasury index total returns broadly advanced in January across all maturities. The ICE BofA 6-month and 2-year indexes generated positive returns of 0.34% and 0.64%, respectively. The longer 5-year and 10-year Treasury indexes returned 1.85% and 3.04%, respectively.

Summary of the City's Funds

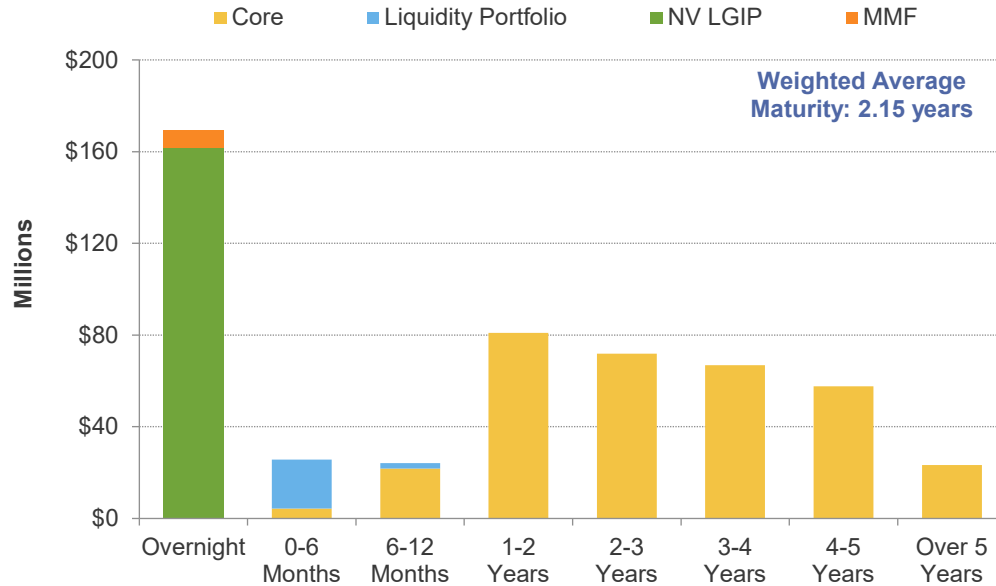
City of Reno as of
1/31/23

City of Reno Funds	Market Value ¹
Core Portfolio	\$326,339,340
Liquidity Portfolio	\$23,849,230
Liquid Funds	\$169,364,857
<i>Nevada LGIP</i>	\$161,778,676
<i>U.S. Bank</i>	\$4,091,016
<i>Bank of America</i>	\$406,623
<i>Wells Fargo</i>	\$3,088,542
Managed Account Subtotal	\$519,553,426
Reserve Fund Portfolios	\$12,231,640
Total	\$531,785,066

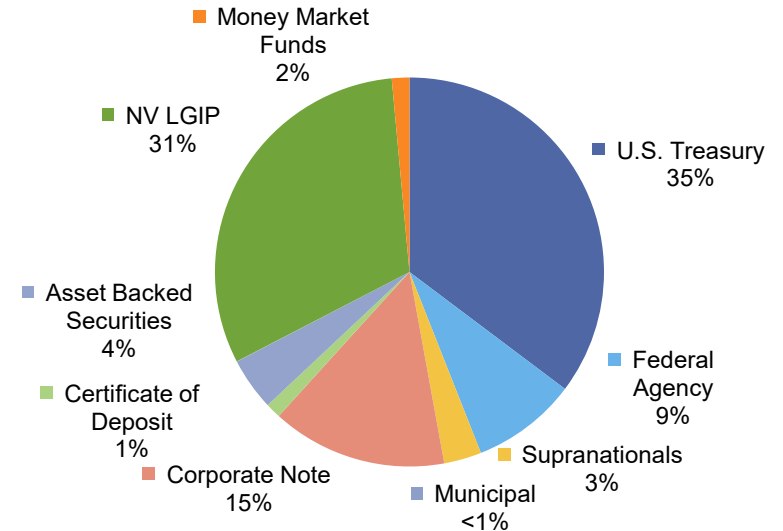
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 12/31/22	Ending Values as of 1/31/23
Market Value	\$505,846,887	\$519,553,426
Book Value	\$524,842,707	\$535,423,677
Unrealized Gain/(Loss)	(\$18,995,820)	(\$15,870,251)
Yield at Market	4.40%	4.19%
Yield at Cost	1.91%	1.99%

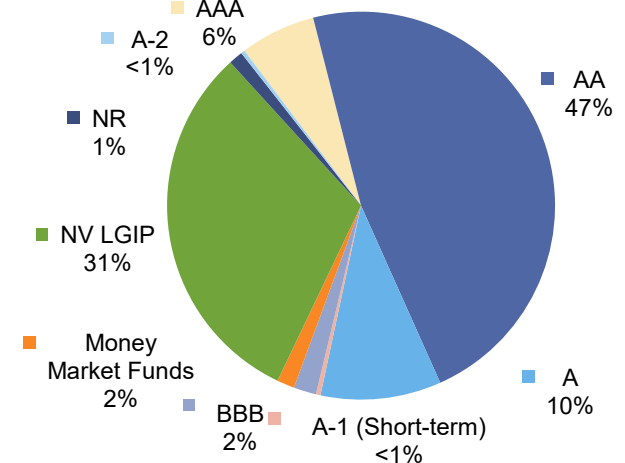
Maturity Distribution



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	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$183,193,332	35.3%	100%
Federal Agency	\$45,495,347	8.8%	100%
Supranationals	\$16,208,756	3.1%	15%
Corporate Note	\$75,820,179	14.6%	20%
Certificate of Deposit	\$6,617,683	1.3%	30%
Asset Backed Securities	\$22,679,997	4.4%	30%
Municipal	\$173,277	0.0%	20%
NV LGIP	\$161,778,676	31.1%	100%
Money Market Funds	\$7,586,181	1.5%	100%
Total Market Value	\$519,553,426	100%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$169,364,857	32.6%	No Limit
0-6 Months	\$25,686,111	4.9%	No Limit
6-12 Months	\$24,120,891	4.6%	No Limit
1-2 Years	\$80,919,751	15.6%	No Limit
2-3 Years	\$71,796,685	13.8%	No Limit
3-4 Years	\$66,840,867	12.9%	No Limit
4-5 Years	\$57,619,413	11.1%	No Limit
Over 5 Years	\$23,204,850	4.5%	No Limit
Total Market Value	\$519,553,426	100.00%	

Accrual Basis Earnings ⁴	12/31/22 through 1/31/23
Total Estimated Earnings	\$607,111

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 December 2022.
4. Excludes earnings on Liquid Funds.

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

City of Reno as of
1/31/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$183,193,332	35.3%	100%
Nevada LGIP	\$161,778,676	31.1%	100%
Federal National Mortgage Association	\$26,824,740	5.2%	100%
Federal Home Loan Mortgage Corporation	\$16,097,955	3.1%	100%
Money Market Funds	\$7,586,181	1.5%	100%
Toronto-Dominion Bank	\$6,967,452	1.3%	5%
Inter-American Development Bank	\$6,081,245	1.2%	15%
African Development Bank	\$5,055,015	1.0%	0%
American Express Co	\$4,383,613	0.8%	5%
Comcast Corp	\$3,035,164	0.6%	5%
Skandinaviska Enskilda Banken Ab	\$2,921,781	0.6%	5%
Toyota Motor Corp	\$2,837,209	0.5%	5%
Citigroup Inc	\$2,653,775	0.5%	5%
Intl Bank Of Reconstruction And Dev	\$2,648,631	0.5%	15%
Carmax Auto Owner Trust	\$2,643,814	0.5%	5%
Government National Mortgage Association	\$2,572,651	0.5%	100%
Mercedes-Benz Auto Receivables	\$2,495,309	0.5%	5%
Westpac Banking Corp	\$2,446,038	0.5%	5%
Bmw Financial Services Na Lic	\$2,434,216	0.5%	5%
Asian Development Bank	\$2,423,865	0.5%	0%
Royal Bank Of Canada	\$2,355,170	0.5%	5%
Wal-Mart Stores Inc	\$2,297,045	0.4%	5%
Intel Corporation	\$2,295,753	0.4%	5%
Hyundai Auto Receivables	\$2,246,149	0.4%	5%
National Australia Bank Ltd	\$2,238,684	0.4%	5%
JPMorgan Chase & Co	\$2,177,192	0.4%	5%
Northern Trust Corp	\$2,171,418	0.4%	5%
Goldman Sachs Group Inc	\$2,170,407	0.4%	5%
Caterpillar Inc	\$2,078,340	0.4%	5%
Roche Holdings	\$2,060,426	0.4%	5%
IBM Corp	\$1,984,412	0.4%	5%
Bank Of New York Mellon	\$1,946,606	0.4%	5%
Nordea Bank Ab	\$1,936,213	0.4%	5%
John Deere Owner Trust	\$1,918,236	0.4%	5%
Bank Of Montreal	\$1,879,010	0.4%	5%
Deere & Company	\$1,677,555	0.3%	5%
Daimler Truck	\$1,669,429	0.3%	5%
Burlington Northern Santa Fe	\$1,643,642	0.3%	5%
Credit Suisse Group	\$1,631,024	0.3%	5%
Bank Of America Co	\$1,624,052	0.3%	5%
Discover Financial Services	\$1,608,002	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
AstraZeneca Finance LLC	\$1,447,282	0.3%	5%
Unitedhealth Group Inc	\$1,440,619	0.3%	5%
Amazon.Com Inc	\$1,427,208	0.3%	5%
Novartis Capital Corp	\$1,424,511	0.3%	5%
Honeywell International	\$1,420,133	0.3%	5%
Bank Of Nova Scotia	\$1,403,433	0.3%	5%
Capital One Financial Corp	\$1,347,412	0.3%	5%
Kubota Credit Owners Trust	\$1,336,092	0.3%	5%
The Walt Disney Corporation	\$1,227,976	0.2%	5%
CNH Equipment Trust	\$1,208,268	0.2%	5%
BB&T Corporation	\$1,183,665	0.2%	5%
Wells Fargo & Company	\$1,181,646	0.2%	5%
Morgan Stanley	\$1,109,719	0.2%	5%
American Honda Finance	\$1,074,797	0.2%	5%
Target Corporation	\$1,042,300	0.2%	5%
Sumitomo Mitsui Financial Group Inc	\$994,696	0.2%	5%
Charles Schwab	\$982,313	0.2%	5%
General Dynamics Corp	\$980,013	0.2%	5%
US Bancorp	\$968,206	0.2%	5%
PNC Financial Services Group	\$924,050	0.2%	5%
Apple Inc	\$838,842	0.2%	5%
Gm Financial Securitized Term	\$796,620	0.2%	5%
BMW Financial Services	\$688,192	0.1%	5%
World Omni Auto Rec Trust	\$657,188	0.1%	5%
Unilever Plc	\$479,928	0.1%	5%
Chevron Corporation	\$470,179	0.1%	5%
Verizon Communications	\$447,348	0.1%	5%
National Rural Utilities Co Finance Corp	\$432,097	0.1%	5%
Truist Financial Corp	\$424,832	0.1%	5%
Honda Auto Receivables	\$420,808	0.1%	5%
Verizon Owner Trust	\$321,916	0.1%	5%
Home Depot Inc	\$231,505	<0.1%	5%
Bristol-Myers Squibb Co	\$221,811	<0.1%	5%
State of Mississippi	\$173,277	<0.1%	5%
Nissan Auto Receivables	\$84,868	<0.1%	5%
Abbott Laboratories	\$29,700	<0.1%	5%
Harley-Davidson Motorcycle Trust	\$12,887	<0.1%	5%
Mercedes-Benz Auto Lease Trust	\$7,663	<0.1%	5%
Total Market Value	\$519,553,426	100%	

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 December 2022.

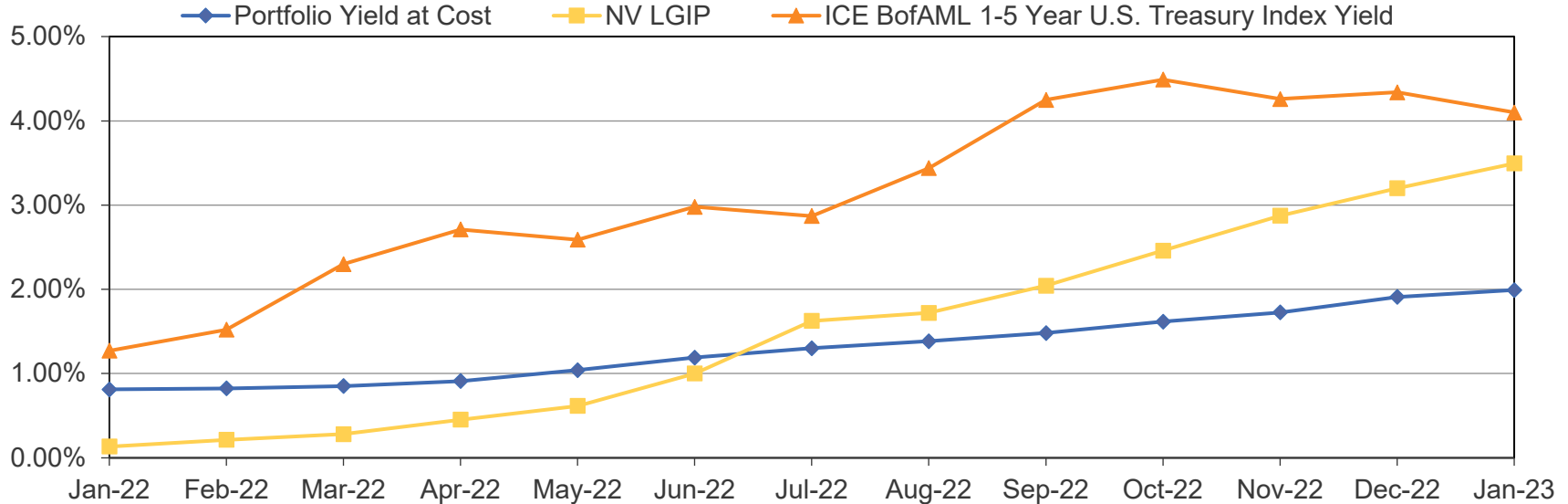
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

Portfolio Yield Summary

City of Reno as of
1/31/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Nov-22	544,723,364	1.73%	2.15	2.87%	4.26%
Dec-22	524,842,707	1.91%	2.26	3.20%	4.34%
Jan-23	535,423,677	1.99%	2.26	3.50%	4.10%

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 (NV LGIP)	✓	✓

Disclaimer

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