

City of Reno

Monthly Investment Report

March 31, 2023

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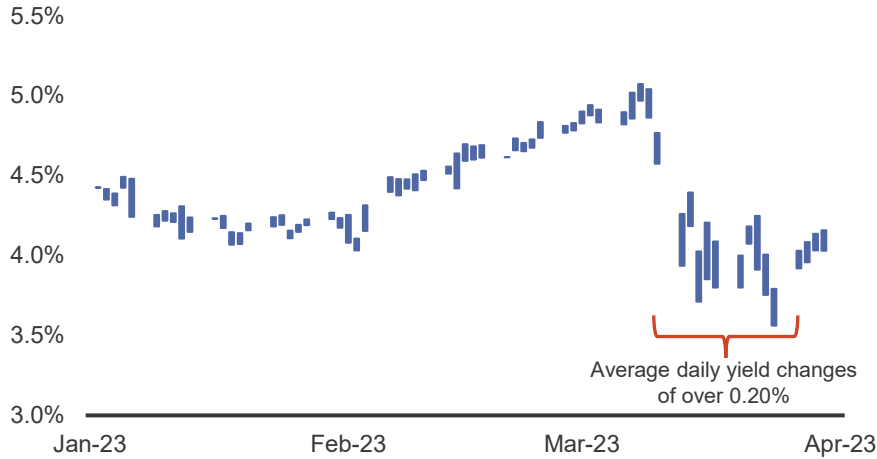
PFM Asset Management LLC

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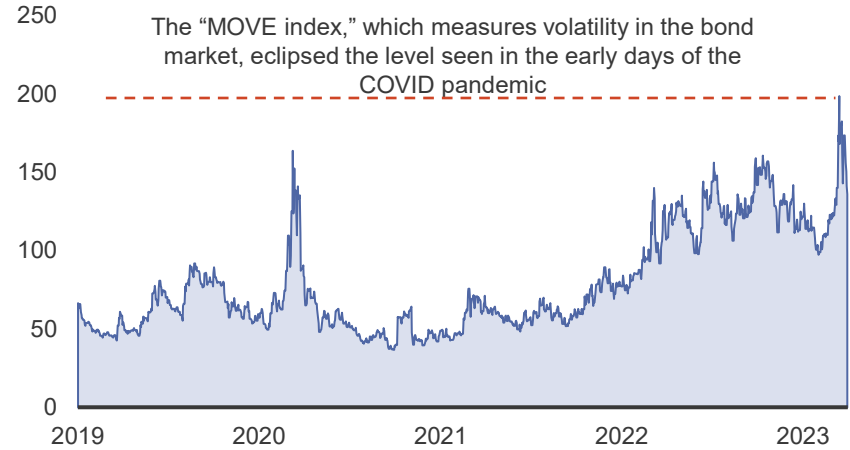
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Bank Failures Cause Unprecedented Market Volatility and Lower Yields; Inflation Moves Lower

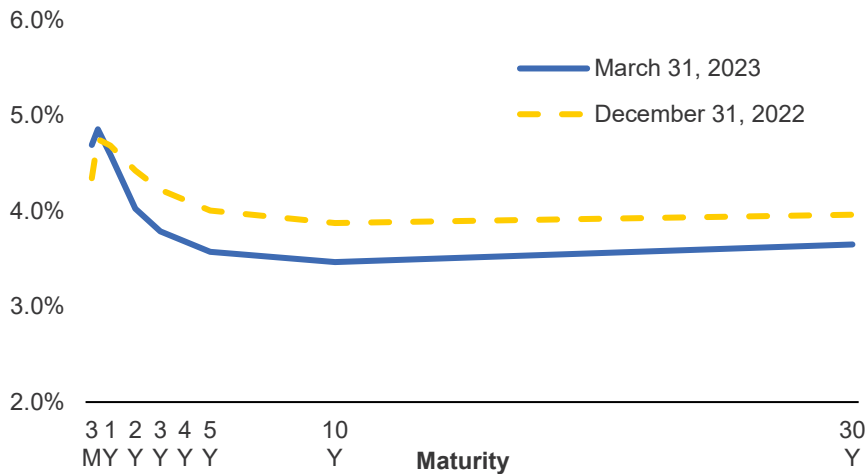
2-Year Treasury Daily High and Low Yield



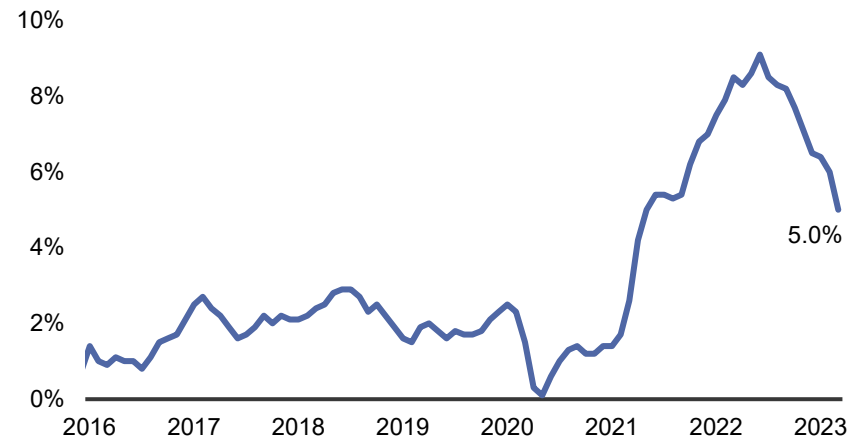
Fixed Income Market Volatility ICE BofA MOVE Index



U.S. Treasury Yield Curve



Consumer Price Index (YOY)



Source: Bloomberg, as of 3/31/23 (top left). ICE BofA Indices, as of 3/31/23. (top right). Bloomberg, as of 3/31/23 (bottom left). Bloomberg, Bureau of Labor Statistics as of March 2023 (bottom right).

Current Market Themes

Economic Highlights

- ▶ The markets dealt with a new challenge in March: heightened volatility and a less certain outlook as a result of the surprise failures of Silicon Valley Bank and Signature Bank and the takeover of a third.
- ▶ March's consumer price index (CPI) was released at 5%, and while this was lower than the 6% rate in February, the level remains stubbornly high. The inflation fight narrative has shifted away from good services – which had been attributed to supply chain disruptions – and is now zeroing in on shelter-related prices and services.
- ▶ The U.S. Federal Reserve raised its benchmark interest rate by 25 basis points (0.25%) on March 22, toeing the line of stoking any further banking sector worries and its battle of attrition with inflation. The 25 basis point increase brings the federal funds rate to a new range of 4.75% to 5%.
- ▶ The Fed's latest Summary of Economic Projections suggest only one more rate hike this year, with the median expectation for the target rate to remain above 5% through most of 2024. Conversely, fed funds futures contracts have diverged notably from Fed expectations, implying markets are betting on rate cuts to begin within six months. Powell has reiterated rate cuts were not in the Fed's "base case."
- ▶ The third estimate for GDP shows the economy grew at 2.6% in the fourth quarter, a modest deceleration from the prior quarter's final release of 3.2%, but generally in line with market expectations. Personal consumption trended down, decreasing from 2.3% in the third quarter to 1% for the fourth quarter.

Market Reaction

- ▶ The surprise failure of two large U.S. banks caused volatility in the markets. In a classic "flight to quality", Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8 to 4.03% on March 31.
- ▶ All Treasury maturities rode the wave of the bond rally, as the benchmark 3-month, 5-year, and 10-year U.S. Treasury yields finished the month at 4.69%, 3.57%, and 3.47%, down 8, 61, and 45 basis points for the month, respectively.
- ▶ As a result, fixed income U.S. Treasury index total returns broadly advanced in March across all maturities. The ICE BofA 2-, 5-, and 10-year Treasury indices returned 1.68%, 2.89%, and 3.86%, respectively.

Summary of the City's Funds

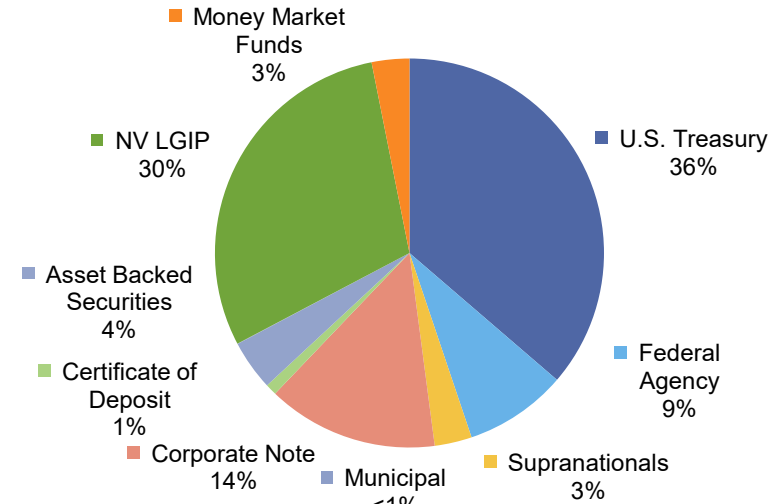
City of Reno as of
3/31/23

City of Reno Funds	Market Value ¹
Core Portfolio	\$331,144,096
Liquidity Portfolio	\$23,984,823
Liquid Funds	\$172,687,046
<i>Nevada LGIP</i>	<i>\$156,177,056</i>
<i>U.S. Bank</i>	<i>\$1,584,398</i>
<i>Bank of America</i>	<i>\$521,576</i>
<i>Wells Fargo</i>	<i>\$14,404,016</i>
Managed Account Subtotal	\$527,815,965
Reserve Fund Portfolios	\$12,316,440
Total	\$540,132,405

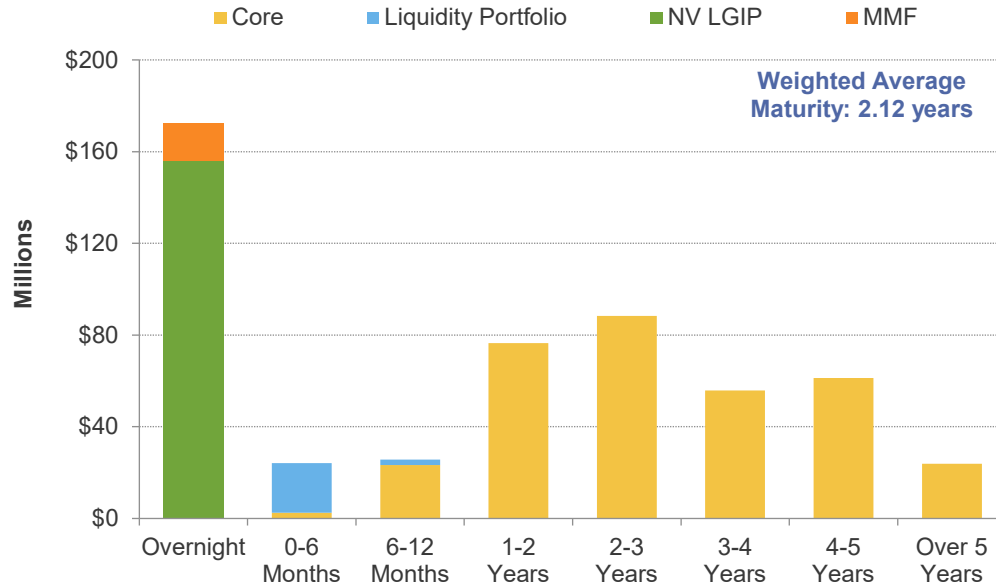
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 2/28/23	Ending Values as of 3/31/23
Market Value	\$508,658,272	\$527,815,965
Book Value	\$528,389,809	\$541,866,538
Unrealized Gain/(Loss)	(\$19,731,538)	(\$14,050,573)
Yield at Market	4.68%	4.18%
Yield at Cost	2.02%	2.16%

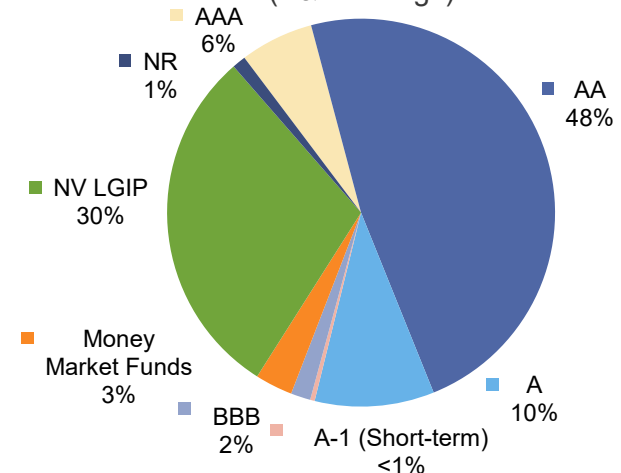
Allocation by Security Type



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	\$191,620,271	36.3%	100.0%
Federal Agency	\$45,000,156	8.5%	100.0%
Supranationals	\$16,344,699	3.1%	15.0%
Corporate Note	\$75,015,802	14.2%	20.0%
Certificate of Deposit	\$4,994,012	0.9%	30.0%
Asset Backed Securities	\$21,981,031	4.2%	30.0%
Municipal	\$172,947	0.0%	20.0%
NV LGIP	\$156,177,056	29.6%	100.0%
Money Market Funds	\$16,509,990	3.1%	100.0%
Total Market Value	\$527,815,965	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$172,687,046	32.7%	No Limit
0-6 Months	\$24,028,052	4.6%	No Limit
6-12 Months	\$25,638,529	4.9%	No Limit
1-2 Years	\$76,393,602	14.5%	No Limit
2-3 Years	\$88,252,854	16.7%	No Limit
3-4 Years	\$55,813,941	10.6%	No Limit
4-5 Years	\$61,162,822	11.6%	No Limit
Over 5 Years	\$23,839,119	4.5%	No Limit
Total Market Value	\$527,815,965	100.0%	

Accrual Basis Earnings ⁴	2/28/23 through 3/31/23
Total Estimated Earnings	\$405

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
3/31/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$191,620,271	36.3%	100%
Nevada LGIP	\$156,177,056	29.6%	100%
Federal National Mortgage Association	\$26,756,504	5.1%	100%
Money Market Funds	\$16,509,990	3.1%	100%
Federal Home Loan Mortgage Corporation	\$15,735,559	3.0%	100%
Toronto-Dominion Bank	\$6,960,122	1.3%	5%
Inter-American Development Bank	\$6,130,748	1.2%	15%
African Development Bank ⁴	\$5,099,459	1.0%	0%
American Express Co	\$3,254,380	0.6%	5%
Comcast Corp	\$3,036,126	0.6%	5%
Mitsubishi Ufj Financial Group Inc	\$3,011,268	0.6%	5%
Skandinaviska Enskilda Banken Ab	\$2,908,167	0.6%	5%
Intl Bank Of Reconstruction And Dev	\$2,673,440	0.5%	15%
Citigroup Inc	\$2,659,744	0.5%	5%
Toyota Motor Corp	\$2,633,758	0.5%	5%
Carmax Auto Owner Trust	\$2,513,483	0.5%	5%
Government National Mortgage Association	\$2,508,093	0.5%	100%
Mercedes-Benz Auto Receivables	\$2,490,698	0.5%	5%
Asian Development Bank ⁴	\$2,441,052	0.5%	0%
Bmw Financial Services Na Llc	\$2,436,023	0.5%	5%
Westpac Banking Corp	\$2,432,725	0.5%	5%
Royal Bank Of Canada	\$2,349,065	0.4%	5%
Wal-Mart Stores Inc	\$2,296,166	0.4%	5%
Intel Corporation	\$2,286,980	0.4%	5%
National Australia Bank Ltd	\$2,253,112	0.4%	5%
Hyundai Auto Receivables	\$2,195,198	0.4%	5%
JPMorgan Chase & Co	\$2,185,635	0.4%	5%
Goldman Sachs Group Inc	\$2,174,010	0.4%	5%
Northern Trust Corp	\$2,155,798	0.4%	5%
Caterpillar Inc	\$2,082,819	0.4%	5%
Roche Holdings	\$2,059,105	0.4%	5%
IBM Corp	\$1,970,430	0.4%	5%
Bank Of New York Mellon	\$1,940,110	0.4%	5%
Nordea Bank Ab	\$1,925,668	0.4%	5%
John Deere Owner Trust	\$1,892,488	0.4%	5%
Bank Of Montreal	\$1,876,918	0.4%	5%
Deere & Company	\$1,680,340	0.3%	5%
Daimler Truck	\$1,676,094	0.3%	5%
Burlington Northern Santa Fe	\$1,644,562	0.3%	5%
Discover Financial Services	\$1,609,300	0.3%	5%
AstraZeneca Finance LLC	\$1,459,782	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Amazon.Com Inc	\$1,440,541	0.3%	5%
Unitedhealth Group Inc	\$1,433,722	0.3%	5%
Honeywell International	\$1,428,358	0.3%	5%
Novartis Capital Corp	\$1,424,439	0.3%	5%
Bank Of Nova Scotia	\$1,401,677	0.3%	5%
Capital One Financial Corp	\$1,350,395	0.3%	5%
Kubota Credit Owners Trust	\$1,343,230	0.3%	5%
The Walt Disney Corporation	\$1,235,449	0.2%	5%
Wells Fargo & Company	\$1,173,691	0.2%	5%
BB&T Corporation	\$1,172,699	0.2%	5%
CNH Equipment Trust	\$1,129,669	0.2%	5%
Morgan Stanley	\$1,111,390	0.2%	5%
American Honda Finance	\$1,077,398	0.2%	5%
Target Corporation	\$1,044,737	0.2%	5%
Sumitomo Mitsui Financial Group Inc	\$998,202	0.2%	5%
General Dynamics Corp	\$978,202	0.2%	5%
US Bancorp	\$962,523	0.2%	5%
PNC Financial Services Group	\$911,959	0.2%	5%
Apple Inc	\$844,325	0.2%	5%
Gm Financial Securitized Term	\$762,301	0.1%	5%
BMW Financial Services	\$686,136	0.1%	5%
World Omni Auto Rec Trust	\$661,790	0.1%	5%
Unilever Plc	\$482,045	0.1%	5%
Chevron Corporation	\$470,741	0.1%	5%
Verizon Communications	\$450,485	0.1%	5%
National Rural Utilities Co Finance Corp	\$431,848	0.1%	5%
Honda Auto Receivables	\$422,938	0.1%	5%
Truist Financial Corp	\$414,344	0.1%	5%
Home Depot Inc	\$232,200	<0.1%	5%
Bristol-Myers Squibb Co	\$222,801	<0.1%	5%
Verizon Owner Trust	\$190,027	<0.1%	5%
State of Mississippi	\$172,947	<0.1%	5%
Nissan Auto Receivables	\$50,508	<0.1%	5%
Amazon.Com Inc	\$1,440,541	0.3%	5%
Unitedhealth Group Inc	\$1,433,722	0.3%	5%
Honeywell International	\$1,428,358	0.3%	5%
Novartis Capital Corp	\$1,424,439	0.3%	5%
Bank Of Nova Scotia	\$1,401,677	0.3%	5%
Total	\$527,815,965		

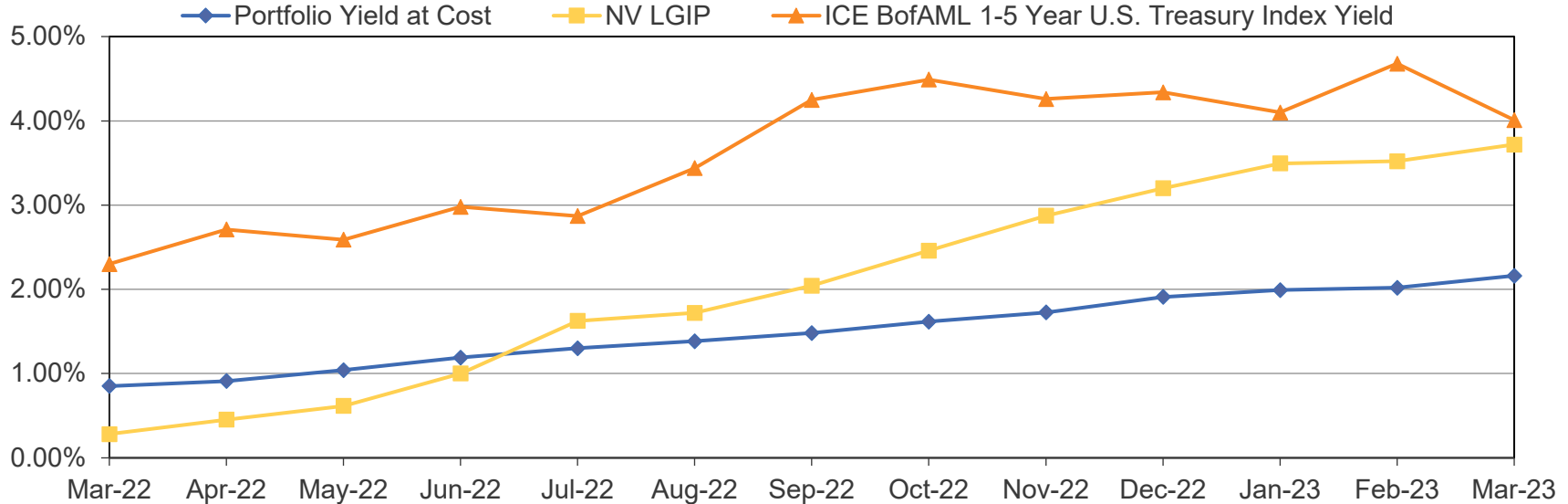
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2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated December 2022.
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

Portfolio Yield Summary

City of Reno as of
3/31/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Feb-23	528,389,809	2.02%	2.19	3.52%	4.68%
Mar-23	541,866,538	2.16%	2.25	3.72%	4.01%

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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