

City of Reno

Monthly Investment Report

May 31, 2023

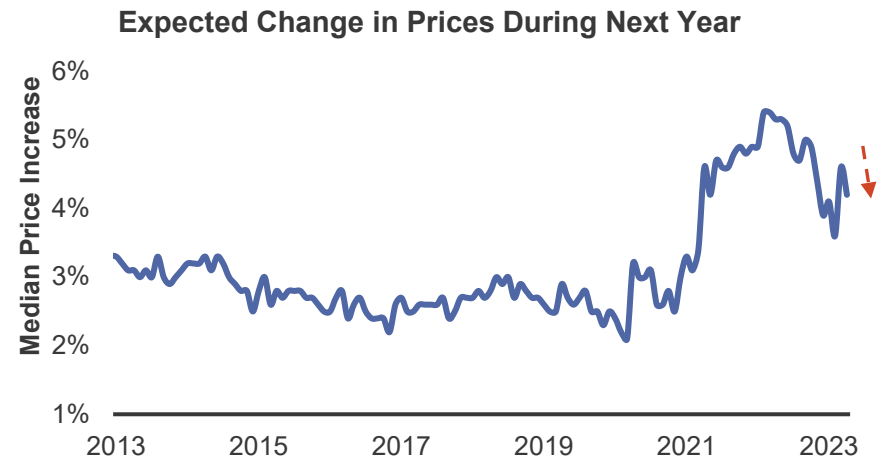
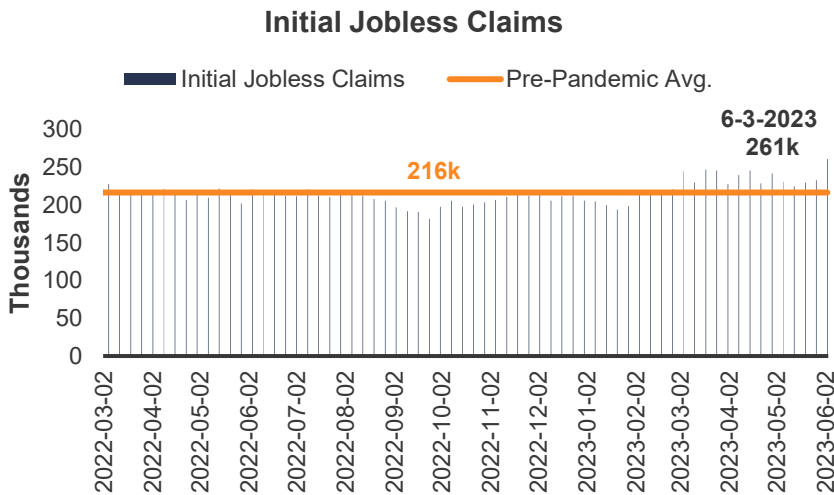
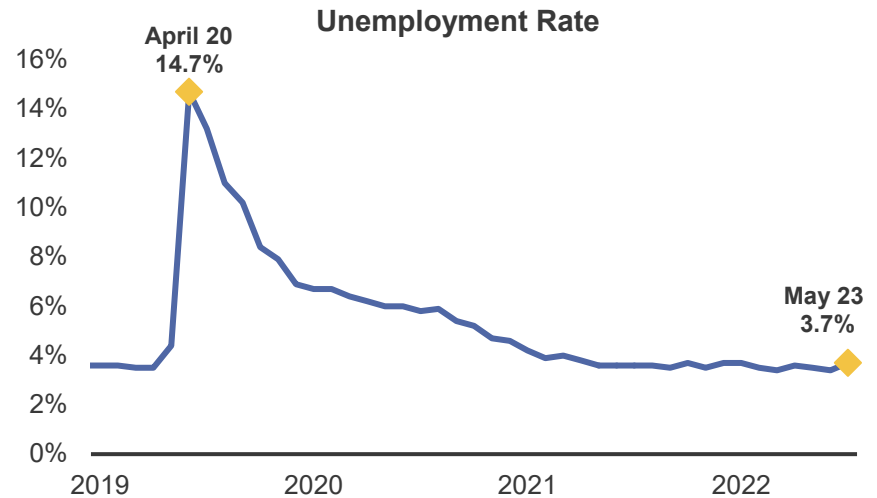
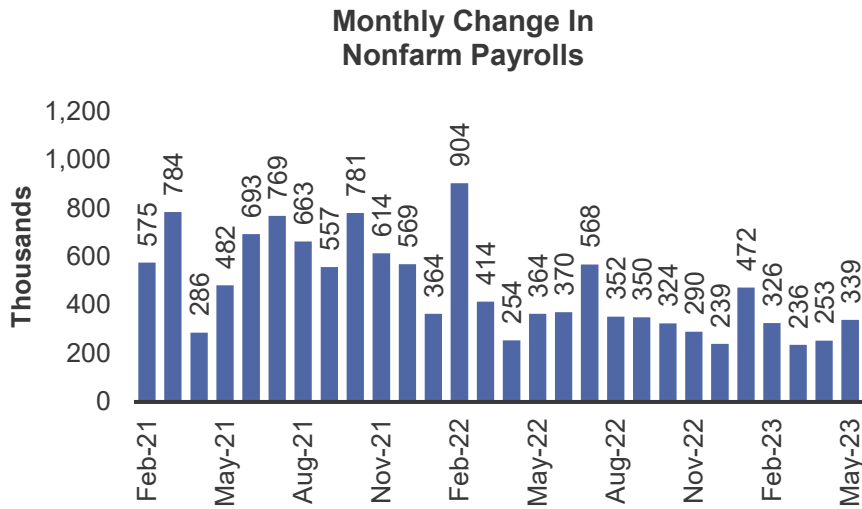
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PFM Asset Management LLC

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New Jobs Exceed Expectations, but Unemployment Rate Rises and Jobless Claims Increase; Consumers' Inflation Expectations Retreat Slightly



Source: Congressional Budget Office February 2023 economic projections, Bureau of Labor Statistics. Bloomberg, as of May 2023. Data is seasonally adjusted (top left). U.S. Department of Labor; as of June 3rd, 2023 (top right). Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of May 2023 (bottom right and left).

Current Market Themes

Economic Highlights

- ▶ Following the 25 basis point (bp) (0.25%) rate hike on May 3rd—which increased the federal funds overnight target rate range to 5.00%-5.25%—markets are now pricing in one more 25 bp hike by the July meeting. A pause remains widely anticipated following a hike as the Fed carries out its ‘higher for longer’ approach.
- ▶ Annual inflation dropped below 5% for the first time in two years, signaled by consumer prices (CPI) climbing 0.4% in April and 4.9% year-over-year. The indices for shelter, used cars and trucks, vehicle insurance, and recreation were among the largest contributors to April’s CPI increase.
- ▶ The labor market remained resilient throughout the month. The May employment report far exceeded expectations, with employers adding 339,000 new jobs. Employment continued its upward trend in areas such as professional and business services, health care, leisure and hospitality, and social assistance. Meanwhile, idiosyncrasies in data-compiling methodologies gained attention as the unemployment rate actually inched higher to 3.7% from 3.5% one month prior.
- ▶ Mortgage rates had surged past 7% by the end of May, touching the high end of their recent 12-month range. As a result, demand for home purchases and refinancing declined. Tight inventory remains a driving force behind high prices.

Market Reaction

- ▶ Treasury yields increased across all maturities in May, led by one-year maturities increasing 43 bps (0.43%) over the month as markets repriced on ‘higher for longer’ expectations. Benchmark U.S. Treasuries for 3-month, 5-year, and 10-year maturities finished the month at 5.39%, 3.75%, and 3.64%, moving up 36, 27, and 22 bps, respectively.
- ▶ Equity markets were carried by the notable rally in technology sectors, as the spotlight on artificial intelligence raised valuations. The Nasdaq soared on the tech rally up 5.9% for the month, while the Dow Jones Industrial average dropped 3.2% and the S&P 500 Index managed only a 0.4% gain.

Summary of the City's Funds

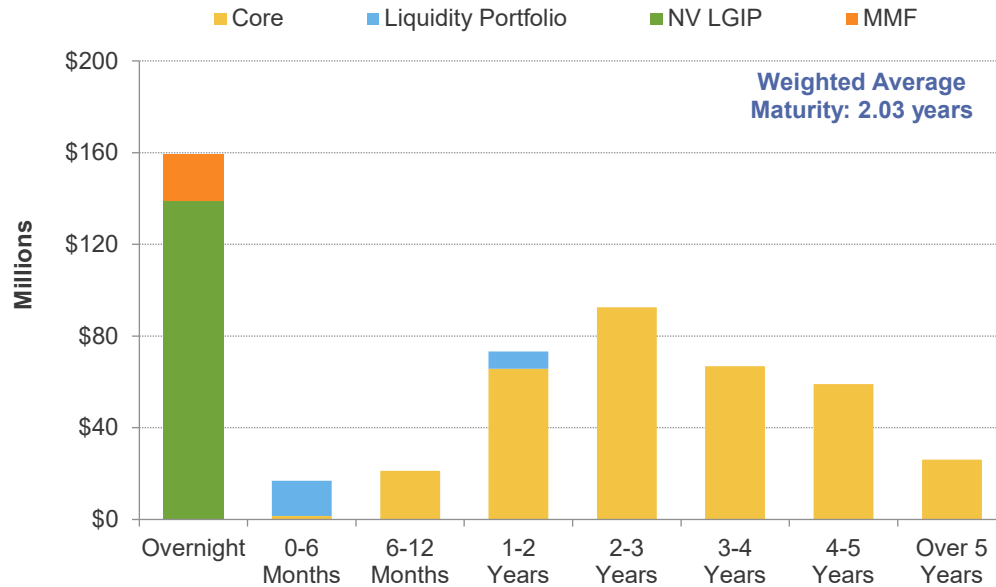
City of Reno as of
5/31/23

City of Reno Funds	Market Value ¹
Core Portfolio	\$332,675,861
Liquidity Portfolio	\$22,878,254
Liquid Funds	\$159,474,690
<i>Nevada LGIP</i>	<i>\$139,173,809</i>
<i>U.S. Bank</i>	<i>\$1,797,364</i>
<i>Bank of America</i>	<i>\$0</i>
<i>Wells Fargo</i>	<i>\$18,503,517</i>
Managed Account Subtotal	\$515,028,805
Reserve Fund Portfolios	\$12,366,161
Total	\$527,394,966

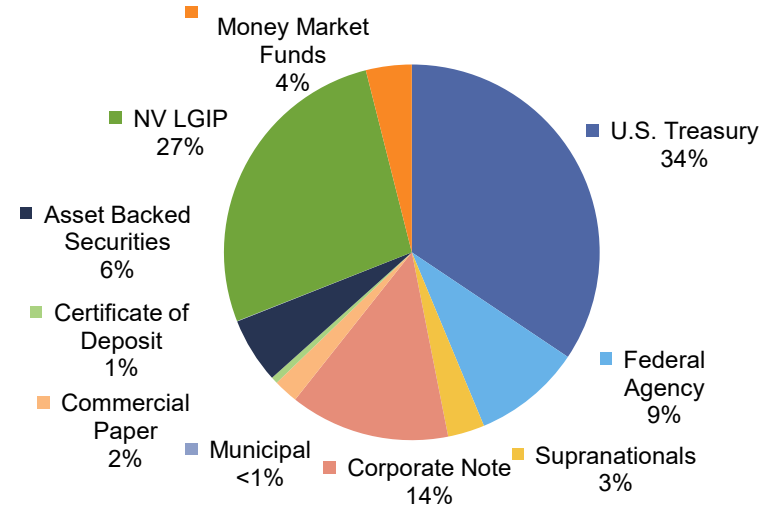
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 4/30/23	Ending Values as of 5/30/23
Market Value	\$545,143,157	\$515,028,805
Book Value	\$558,272,505	\$529,261,806
Unrealized Gain/(Loss)	(\$13,129,348)	(\$14,233,000)
Yield at Market	4.23%	4.46%
Yield at Cost	2.27%	2.55%

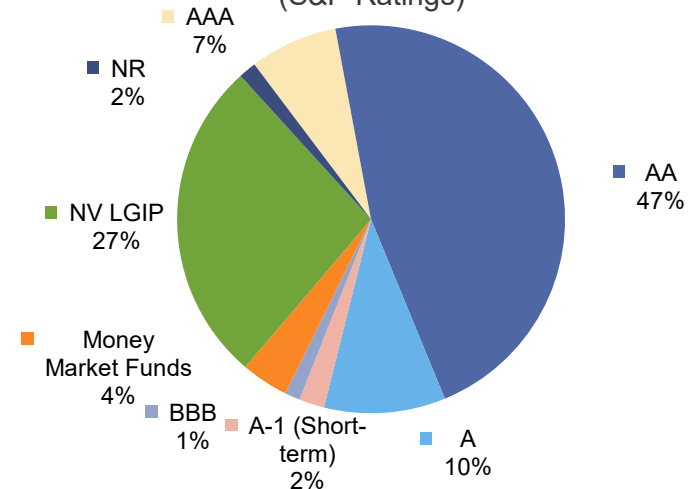
Maturity Distribution



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 and Maturity Analytics^{1,2,3,4}

City of Reno as of
5/31/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$177,159,140	34.4%	100%
Federal Agency	\$48,050,059	9.3%	100%
Supranationals	\$16,320,168	3.2%	15%
Corporate Note	\$70,905,532	13.8%	20%
Commercial Paper	\$10,910,833	2.1%	20%
Certificate of Deposit	\$2,997,810	0.6%	30%
Asset Backed Securities	\$29,037,392	5.6%	30%
Municipal	\$173,182	<0.1%	20%
NV LGIP	\$139,173,809	27.0%	100%
Money Market Funds	\$20,300,880	3.9%	100%
Total Market Value	\$515,028,805	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$159,474,690	31.0%	No Limit
0-6 Months	\$16,793,220	3.3%	No Limit
6-12 Months	\$21,125,989	4.1%	No Limit
1-2 Years	\$73,276,911	14.2%	No Limit
2-3 Years	\$92,468,710	18.0%	No Limit
3-4 Years	\$66,856,189	13.0%	No Limit
4-5 Years	\$58,949,752	11.4%	No Limit
Over 5 Years	\$26,083,344	5.1%	No Limit
Total Market Value	\$515,028,805	100.0%	

Accrual Basis Earnings ⁴	4/30/23 through 5/31/23
Total Estimated Earnings	(\$19,847)

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
5/31/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$177,159,140	34.4%	100%
Nevada LGIP	\$139,173,809	27.0%	100%
Federal National Mortgage Association	\$26,229,893	5.1%	100%
Money Market Funds	\$20,300,880	3.9%	100%
Federal Home Loan Mortgage Corporation	\$18,267,122	3.5%	100%
Mitsubishi Ufj Financial Group Inc	\$8,460,008	1.6%	5%
Inter-American Development Bank	\$6,124,766	1.2%	15%
Toronto-Dominion Bank	\$5,946,261	1.2%	5%
Credit Agricole SA	\$5,453,963	1.1%	5%
African Development Bank	\$5,090,556	1.0%	0%
Capital One Financial Corp	\$4,242,594	0.8%	5%
Discover Financial Services	\$3,489,090	0.7%	5%
Bank Of America Co	\$3,317,575	0.6%	5%
Skandinaviska Enskilda Banken Ab	\$2,895,183	0.6%	5%
Citigroup Inc	\$2,675,875	0.5%	5%
Intl Bank Of Reconstruction And Dev	\$2,666,216	0.5%	15%
Mercedes-Benz Auto Receivables	\$2,469,117	0.5%	5%
Asian Development Bank	\$2,438,630	0.5%	0%
Westpac Banking Corp	\$2,431,775	0.5%	5%
Government National Mortgage Association	\$2,419,702	0.5%	100%
Toyota Motor Corp	\$2,412,806	0.5%	5%
Bmw Financial Services Na Llc	\$2,388,087	0.5%	5%
Carmax Auto Owner Trust	\$2,387,119	0.5%	5%
Royal Bank Of Canada	\$2,357,233	0.5%	5%
Wal-Mart Stores Inc	\$2,292,624	0.4%	5%
Intel Corporation	\$2,275,930	0.4%	5%
American Express Co	\$2,263,849	0.4%	5%
National Australia Bank Ltd	\$2,226,906	0.4%	5%
JPMorgan Chase & Co	\$2,188,587	0.4%	5%
Goldman Sachs Group Inc	\$2,181,070	0.4%	5%
Northern Trust Corp	\$2,134,246	0.4%	5%
Bank Of Montreal	\$2,121,639	0.4%	5%
Roche Holdings	\$2,058,555	0.4%	5%
Comcast Corp	\$2,054,230	0.4%	5%
Hyundai Auto Receivables	\$1,991,461	0.4%	5%
IBM Corp	\$1,961,710	0.4%	5%
Bank Of New York Mellon	\$1,931,138	0.4%	5%
Nordea Bank Ab	\$1,927,800	0.4%	5%
John Deere Owner Trust	\$1,864,362	0.4%	5%
Deere & Company	\$1,679,553	0.3%	5%
Daimler Truck	\$1,671,517	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Burlington Northern Santa Fe	\$1,640,910	0.3%	5%
AstraZeneca Finance LLC	\$1,448,915	0.3%	5%
Unitedhealth Group Inc	\$1,429,203	0.3%	5%
Novartis Capital Corp	\$1,428,272	0.3%	5%
Honeywell International	\$1,422,490	0.3%	5%
Bank Of Nova Scotia	\$1,407,861	0.3%	5%
Kubota Credit Owners Trust	\$1,313,351	0.3%	5%
The Walt Disney Corporation	\$1,233,292	0.2%	5%
BB&T Corporation	\$1,175,847	0.2%	5%
Wells Fargo & Company	\$1,174,281	0.2%	5%
Federal Home Loan Bank	\$1,133,342	0.2%	100%
Morgan Stanley	\$1,111,568	0.2%	5%
American Honda Finance	\$1,074,744	0.2%	5%
Target Corporation	\$1,039,419	0.2%	5%
CNH Equipment Trust	\$989,999	0.2%	5%
General Dynamics Corp	\$979,868	0.2%	5%
Caterpillar Inc	\$976,975	0.2%	5%
US Bancorp	\$960,993	0.2%	5%
PNC Financial Services Group	\$913,972	0.2%	5%
Apple Inc	\$842,800	0.2%	5%
Gm Financial Securitized Term	\$729,462	0.1%	5%
BMW Financial Services	\$684,285	0.1%	5%
World Omni Auto Rec Trust	\$663,326	0.1%	5%
Unilever Plc	\$483,399	0.1%	5%
Chevron Corporation	\$471,411	0.1%	5%
Verizon Communications	\$447,409	0.1%	5%
National Rural Utilities Co Finance Corp	\$430,837	0.1%	5%
Truist Financial Corp	\$413,223	0.1%	5%
Honda Auto Receivables	\$379,163	0.1%	5%
Lockheed Martin Corp	\$259,043	0.1%	5%
Home Depot Inc	\$231,754	<0.1%	5%
Bristol-Myers Squibb Co	\$223,062	<0.1%	5%
State of Mississippi	\$173,182	<0.1%	5%
Verizon Owner Trust	\$100,100	<0.1%	5%
Total	\$515,028,805		

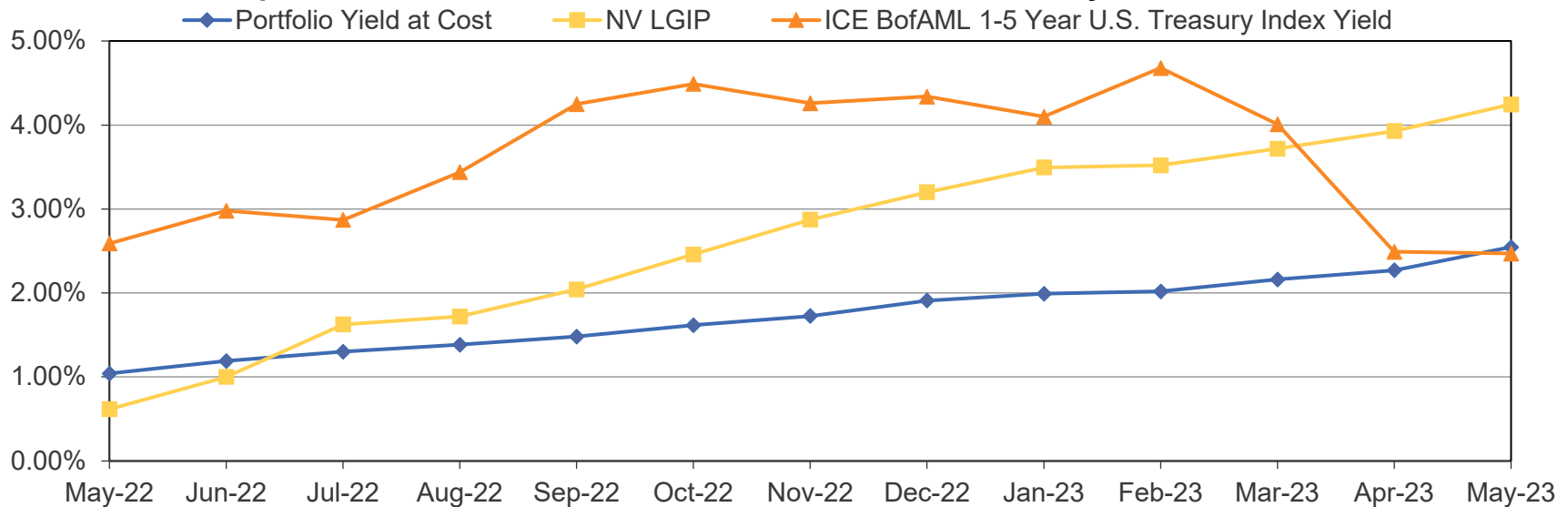
1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated December 2022.
4. Securities issued by Asian Development 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
5/31/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Apr-23	558,272,505	2.27%	2.22	3.93%	2.49%
May-23	529,261,806	2.55%	2.36	4.25%	2.47%

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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