

# City of Reno

## Monthly Investment Report

June 30, 2023

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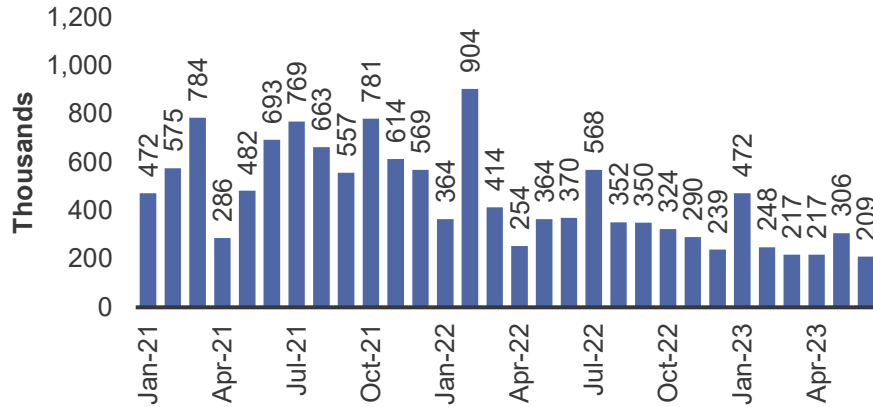
*PFM Asset Management LLC*

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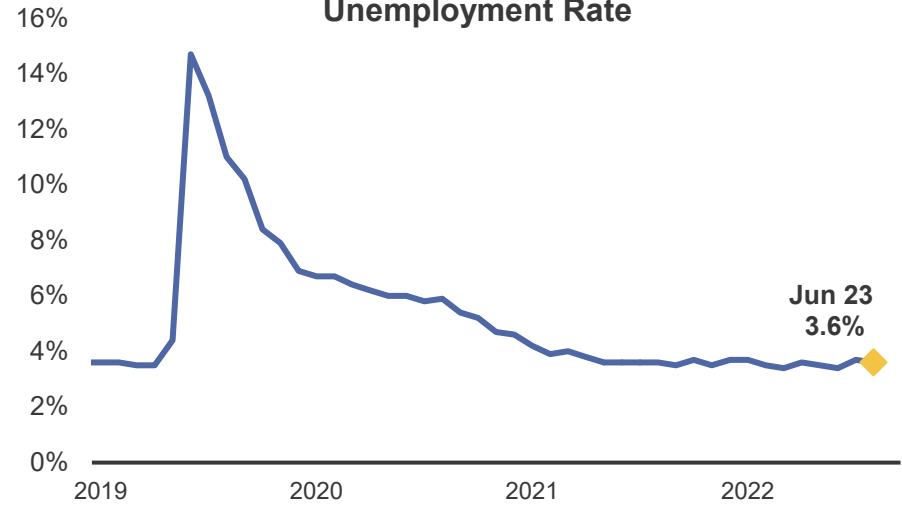
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# Hiring Cooled Slightly in June, Consumer Sentiment Improves, Retail Sales Unexpectedly Rose

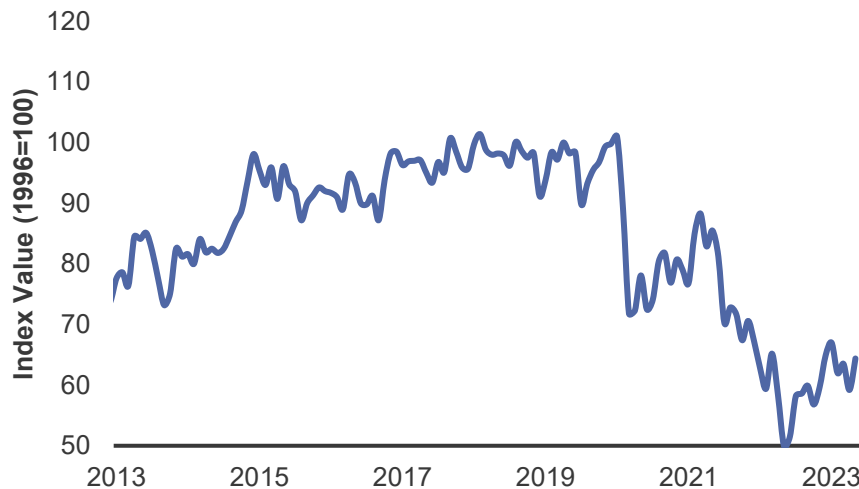
### Monthly Change In Nonfarm Payrolls



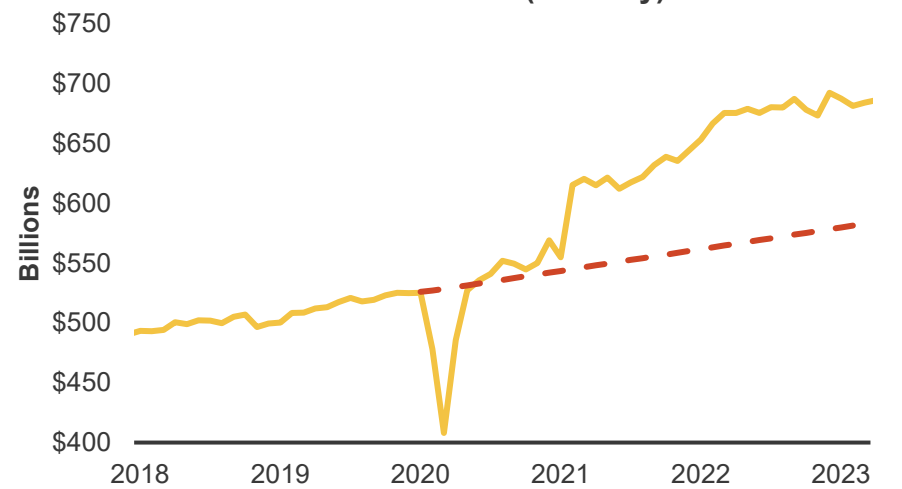
### Unemployment Rate



### Consumer Sentiment Index



### Retail Sales (Monthly)



Source: Bloomberg, as of June 2023. Data is seasonally adjusted (Top right and left). Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of June 2023 (Bottom left). Bloomberg, as of May 2023 (Bottom right).

# Current Market Themes

## Economic Highlights

- ▶ At the end of June, the U.S. economy is characterized by: headline inflation numbers trending lower, but the Fed's current focus, "supercore inflation" (which strips out food, energy, and housing), is showing little sign of slowing; a labor market that has proven to be exceptionally strong; and a more optimistic sentiment around economic growth due to resilient consumer spending.
- ▶ The most aggressive series of interest rate hikes in recent history came to a temporary pause in June, as the Federal Reserve chose to maintain the target range for the federal funds rate at 5% to 5.25% at their June 13-14 meeting. Most meeting participants observed that leaving the target range unchanged at this meeting would allow them more time to assess the economy's progress toward the Committee's goals of maximum employment and price stability. However, there is potential for two additional rate hikes by the end of the year according to the Fed's most recent dot plot.
- ▶ Monthly payroll numbers came in at 209,000 jobs added in June, which is the lowest reading since December of 2020. Regardless, this is still a strong addition to the labor market especially when paired with an unemployment rate at 3.6%.
- ▶ June's consumer price index (CPI) report showed that inflation continues to cool. Overall, consumer prices increased 3% from a year earlier, marking the smallest increase since March of 2021..

## Market Reaction

- ▶ U.S. Treasury yields moved higher across most tenors in June with the largest moves coming in the belly of the curve (two-to-ten-year maturities). Benchmark U.S. Treasuries for 3-month, 5-year, and 10-year maturities finished the month at 5.28%, 4.16%, and 3.84%, moving down 11, up 41, and up 20 basis points, respectively.
- ▶ Equity markets continued their march higher and, as of June 30, 2023, the S&P 500 Index had a year-to-date return of 15.9%.

# Summary of the City's Funds

City of Reno as of  
6/30/23

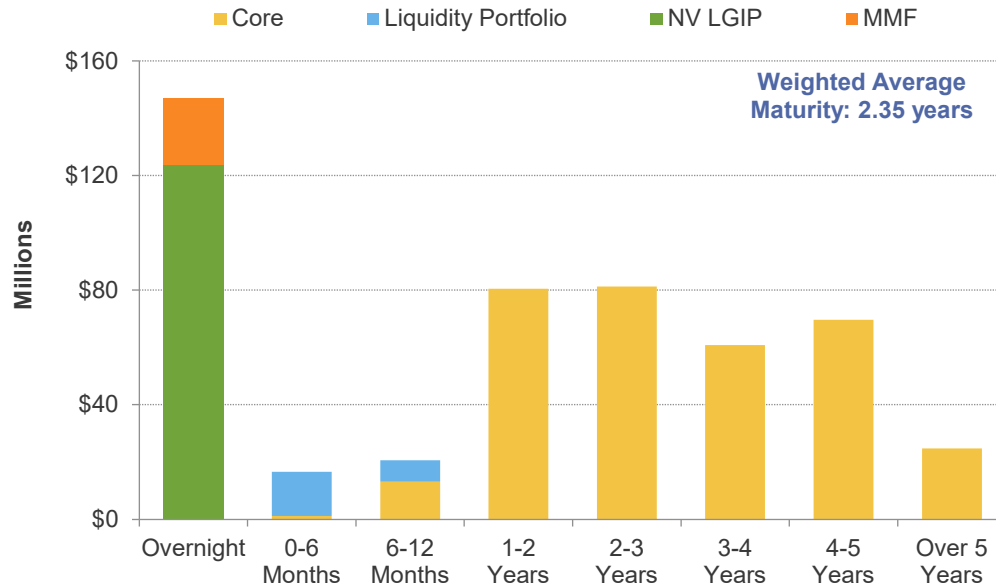
City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$331,149,499
Liquidity Portfolio	\$22,943,662
Liquid Funds	\$146,891,855
<i>Nevada LGIP</i>	<i>\$123,730,064</i>
<i>U.S. Bank</i>	<i>\$1,137,931</i>
<i>Wells Fargo</i>	<i>\$22,023,860</i>
<b>Managed Account Subtotal</b>	<b>\$500,985,015</b>
Reserve Fund Portfolios	\$8,919,526
<b>Total</b>	<b>\$509,904,541</b>

1. Market Values exclude accrued interest

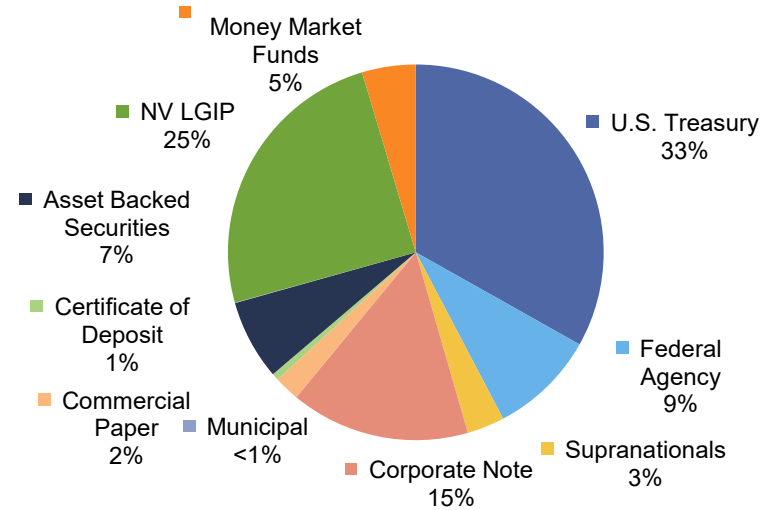


Account Summary	Ending Values as of 5/31/23	Ending Values as of 6/30/23
Market Value	\$515,028,805	\$500,985,015
Book Value	\$529,261,806	\$517,514,561
Unrealized Gain/(Loss)	(\$14,233,000)	(\$16,529,546)
Yield at Market	4.68%	4.79%
Yield at Cost	2.02%	2.69%

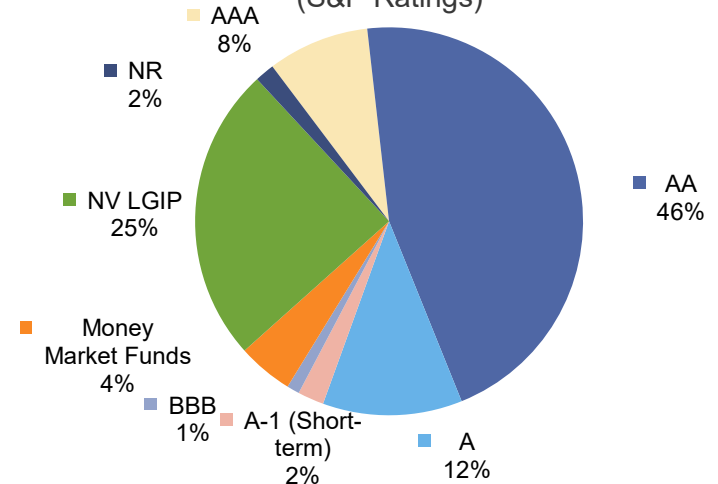
## Maturity Distribution



## 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<sup>1,2,3,4</sup>

City of Reno as of  
6/30/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$166,096,841	33.2%	100%
Federal Agency	\$45,836,274	9.1%	100%
Supranationals	\$16,168,509	3.2%	15%
Corporate Note	\$77,367,982	15.4%	20%
Commercial Paper	\$10,952,889	2.2%	20%
Certificate of Deposit	\$2,997,973	0.6%	30%
Asset Backed Securities	\$34,499,611	6.9%	30%
Municipal	\$173,082	<0.1%	20%
NV LGIP	\$123,730,064	24.7%	100%
Money Market Funds	\$23,161,791	4.6%	100%
<b>Total Market Value</b>	<b>\$500,985,015</b>	<b>100.0%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$146,891,855	29.3%	No Limit
0-6 Months	\$16,548,432	3.3%	No Limit
6-12 Months	\$20,661,054	4.1%	No Limit
1-2 Years	\$80,454,404	16.1%	No Limit
2-3 Years	\$81,242,954	16.2%	No Limit
3-4 Years	\$60,819,100	12.1%	No Limit
4-5 Years	\$69,661,409	13.9%	No Limit
Over 5 Years	\$24,705,808	4.9%	No Limit
<b>Total Market Value</b>	<b>\$500,985,015</b>	<b>100.0%</b>	

Accrual Basis Earnings <sup>4</sup>	5/31/23 through 6/30/23
<b>Total Estimated Earnings</b>	<b>\$474,135</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 December 2022.
4. Excludes earnings on Liquid Funds.

# Issuer Diversification<sup>1,2,3,4</sup>

City of Reno as of  
6/30/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$166,096,841	33.2%	100%
Nevada LGIP	\$123,730,064	24.7%	100%
Federal National Mortgage Association	\$24,392,380	4.9%	100%
Money Market Funds	\$23,161,791	4.6%	100%
Federal Home Loan Mortgage Corporation	\$17,939,449	3.6%	100%
Mitsubishi Ufj Financial Group Inc	\$8,458,632	1.7%	5%
Inter-American Development Bank	\$6,089,284	1.2%	15%
Bank Of America Co	\$6,034,084	1.2%	5%
Toronto-Dominion Bank	\$5,938,078	1.2%	5%
Discover Financial Services	\$5,765,248	1.2%	5%
Credit Agricole SA	\$5,476,587	1.1%	5%
African Development Bank	\$5,030,149	1.0%	0%
Capital One Financial Corp	\$4,218,828	0.8%	5%
Bank Of New York Mellon	\$3,486,487	0.7%	5%
American Express Co	\$3,248,600	0.6%	5%
Skandinaviska Enskilda Banken Ab	\$2,880,738	0.6%	5%
Citigroup Inc	\$2,676,819	0.5%	5%
Intl Bank Of Reconstruction And Dev	\$2,634,890	0.5%	15%
John Deere Owner Trust	\$2,594,195	0.5%	5%
Deere & Company	\$2,545,207	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,447,625	0.5%	5%
Asian Development Bank	\$2,414,186	0.5%	0%
Westpac Banking Corp	\$2,410,333	0.5%	5%
Government National Mortgage Association	\$2,375,593	0.5%	100%
Royal Bank Of Canada	\$2,349,958	0.5%	5%
Carmax Auto Owner Trust	\$2,326,655	0.5%	5%
Toyota Motor Corp	\$2,315,712	0.5%	5%
Bmw Financial Services Na Llc	\$2,276,248	0.5%	5%
Wal-Mart Stores Inc	\$2,254,147	0.4%	5%
Intel Corporation	\$2,246,107	0.4%	5%
National Australia Bank Ltd	\$2,196,364	0.4%	5%
JPMorgan Chase & Co	\$2,183,039	0.4%	5%
Northern Trust Corp	\$2,115,291	0.4%	5%
Bank Of Montreal	\$2,114,691	0.4%	5%
National Rural Utilities Co Finance Corp	\$2,060,865	0.4%	5%
Roche Holdings	\$2,048,778	0.4%	5%
Comcast Corp	\$2,036,584	0.4%	5%
IBM Corp	\$1,941,264	0.4%	5%
Nordea Bank Ab	\$1,916,531	0.4%	5%
Hyundai Auto Receivables	\$1,895,619	0.4%	5%
Daimler Truck	\$1,664,086	0.3%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Burlington Northern Santa Fe	\$1,633,344	0.3%	5%
META Platforms Inc	\$1,630,073	0.3%	5%
AstraZeneca Finance LLC	\$1,444,037	0.3%	5%
Novartis Capital Corp	\$1,422,374	0.3%	5%
Unitedhealth Group Inc	\$1,410,637	0.3%	5%
Honeywell International	\$1,410,459	0.3%	5%
Bank Of Nova Scotia	\$1,403,007	0.3%	5%
Kubota Credit Owners Trust	\$1,284,290	0.3%	5%
The Walt Disney Corporation	\$1,232,449	0.2%	5%
BB&T Corporation	\$1,179,215	0.2%	5%
Wells Fargo & Company	\$1,166,928	0.2%	5%
Federal Home Loan Bank	\$1,128,852	0.2%	100%
Morgan Stanley	\$1,107,754	0.2%	5%
American Honda Finance	\$1,068,917	0.2%	5%
Target Corporation	\$1,033,979	0.2%	5%
Lockheed Martin Corp	\$985,115	0.2%	5%
Ford Credit Auto Owner Trust	\$975,508	0.2%	5%
Goldman Sachs Group Inc	\$973,904	0.2%	5%
General Dynamics Corp	\$970,753	0.2%	5%
Caterpillar Inc	\$970,343	0.2%	5%
US Bancorp	\$964,785	0.2%	5%
CNH Equipment Trust	\$927,272	0.2%	5%
PNC Financial Services Group	\$911,799	0.2%	5%
Apple Inc	\$837,430	0.2%	5%
Gm Financial Securitized Term	\$712,696	0.1%	5%
BMW Financial Services	\$685,512	0.1%	5%
World Omni Auto Rec Trust	\$666,712	0.1%	5%
Unilever Plc	\$482,403	0.1%	5%
Chevron Corporation	\$468,308	0.1%	5%
Verizon Communications	\$444,533	0.1%	5%
Truist Financial Corp	\$412,437	0.1%	5%
Honda Auto Receivables	\$353,512	0.1%	5%
Home Depot Inc	\$229,729	<0.1%	5%
Bristol-Myers Squibb Co	\$221,313	<0.1%	5%
State of Mississippi	\$173,082	<0.1%	5%
Verizon Owner Trust	\$70,483	<0.1%	5%
Nissan Auto Receivables	\$3,046	<0.1%	5%
<b>Total</b>	<b>\$500,985,015</b>		

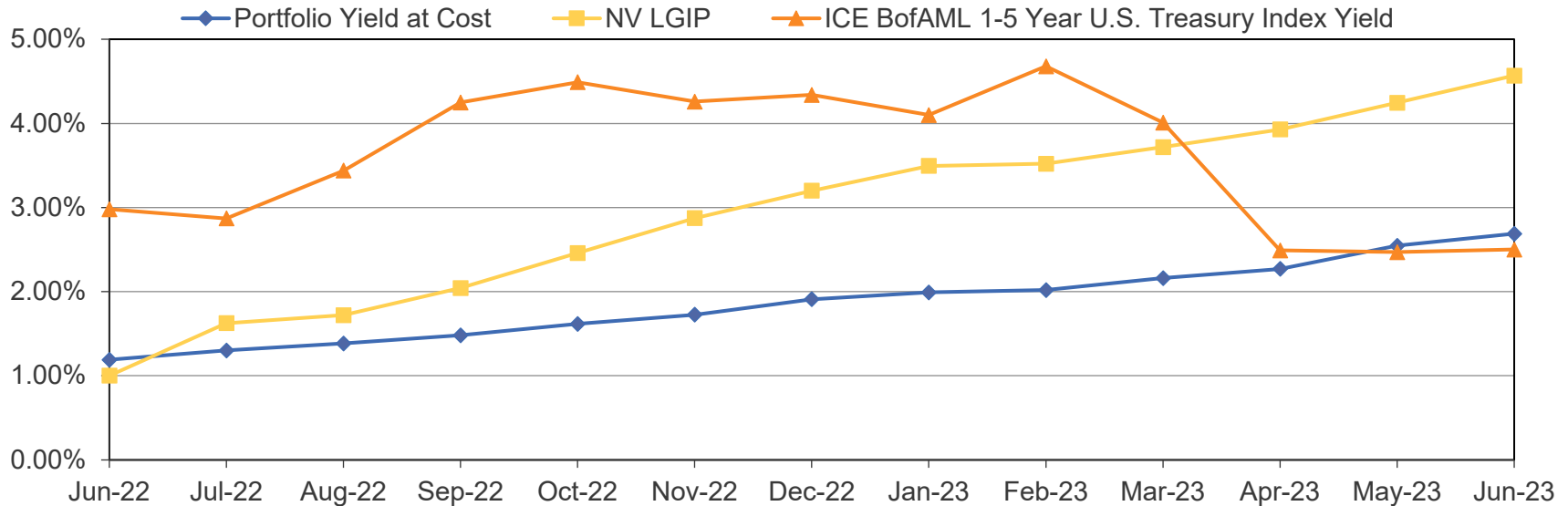
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2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated December 2022.
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior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

# Portfolio Yield Summary

City of Reno as of  
6/30/23

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>
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%
Jun-23	517,514,561	2.69%	2.36	4.57%	2.50%

**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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