

City of Reno

Monthly Investment Report

July 31, 2023

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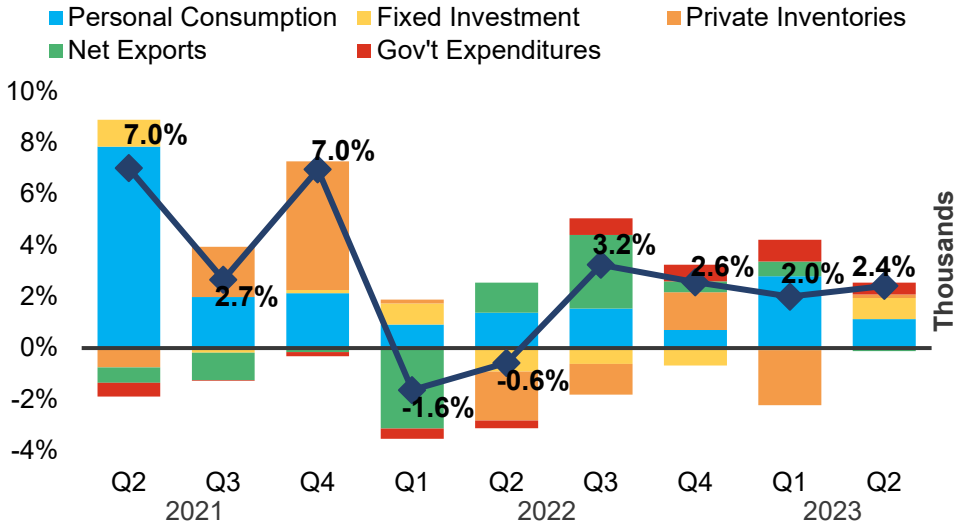
PFM Asset Management LLC

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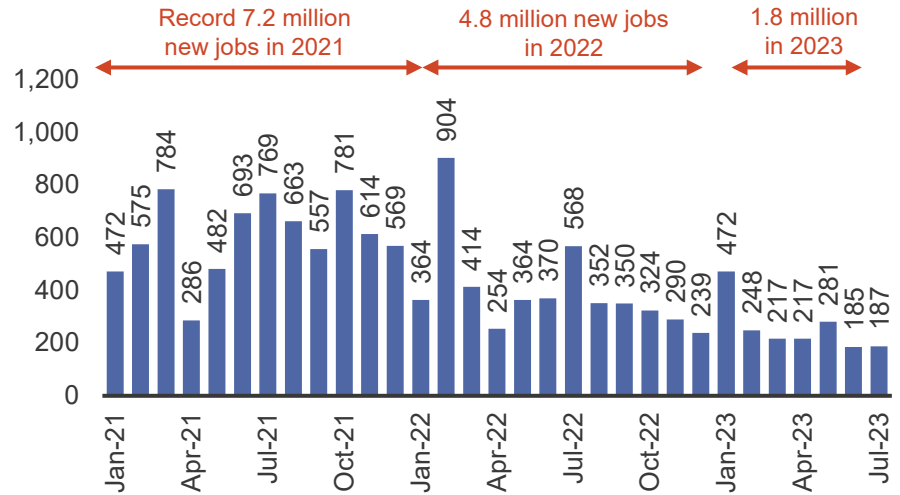
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Better Than Expected GDP, Resilient Labor Market, and Declining Inflation

U.S. Real GDP Contributors and Detractors

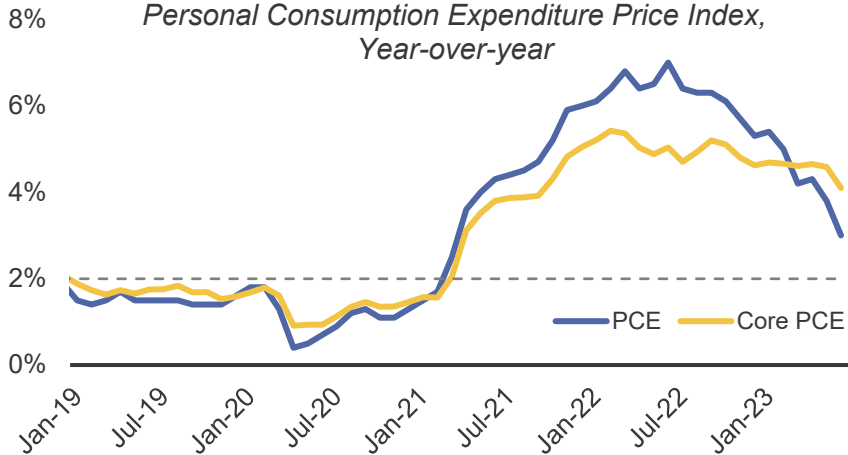


Monthly Change In Nonfarm Payrolls

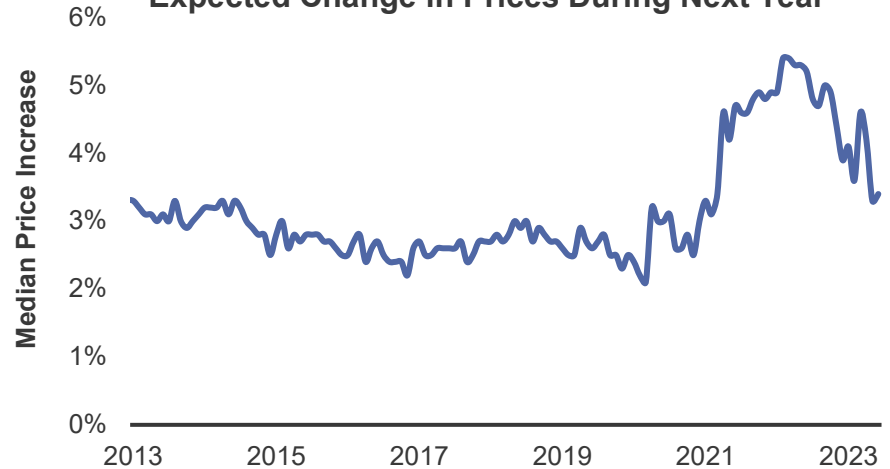


The Fed's Key Inflation Rate

Personal Consumption Expenditure Price Index, Year-over-year



Expected Change in Prices During Next Year



Source: Bloomberg, Bureau of Economic Analysis, as of June 2023 (Top left). Bloomberg, as of July 2023. Data is seasonally adjusted (Top right). Federal Reserve, Bloomberg, Bureau of Economic Analysis as of June 2023 (Bottom left). Bloomberg, University of Michigan Consumer Sentiment, as of July 2023 (Bottom right).

Current Market Themes

Economic Highlights

- ▶ Advanced estimates for second quarter real gross domestic product (GDP) increased at an annual rate of 2.4%, compared to a 1.8% initial estimate and 2.0% in the first quarter. The results reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, private inventory investment, and federal government spending that were partly offset by decreases in exports and residential fixed investment.
- ▶ Non-farm payrolls increased by 187,000 in July, and the unemployment rate fell slightly to 3.5%. Employment continued to trend up in healthcare, social assistance, finance activities, wholesale trade and construction. The labor market remains a tailwind to the U.S. economy.
- ▶ On a year-over-year (YoY) basis, headline CPI rose 3.0% as of June, the lowest annual increase in over two years and another step lower from the 4.0% YoY pace in May. Meanwhile the core CPI rate registered 4.8% over the year in June, a full half-percent decline from May. On a monthly basis, core CPI, which excludes food and energy, increased just 0.2% in June, marking the smallest one-month increase since August 2021. Shelter costs remain the largest contributor to the monthly headline CPI number, accounting for 70% of the increase.
- ▶ The Federal Reserve (Fed) increased the overnight federal funds rate by 0.25% at its July meeting, to a new target range of 5.25% to 5.50%. This comes after the central bank left rates unchanged at its June meeting. Fed Chair Jerome Powell highlighted that the Fed is no longer forecasting a U.S. recession and said that “we do have a shot” for inflation to return to target without high levels of job losses.

Market Reaction

- ▶ U.S. Treasury yields with short- and long-term maturities increased 10 to 20 basis points (0.10% to 0.20%) over the month, while intermediate-term maturities (one to five years) were relatively unchanged.
- ▶ Equity markets have had the best seven months to start a year since 1997, with the S&P 500 Index up 20.6% through July. Markets took comfort in the prospect of a soft landing, and the Fed nearing the final stages of the current hiking cycle. For the month, the Dow Jones Industrial average ended up about 3.4%, while the Nasdaq added 4.1%, and the S&P 500 was up 3.2%.

Summary of the City's Funds

City of Reno as of
7/31/23

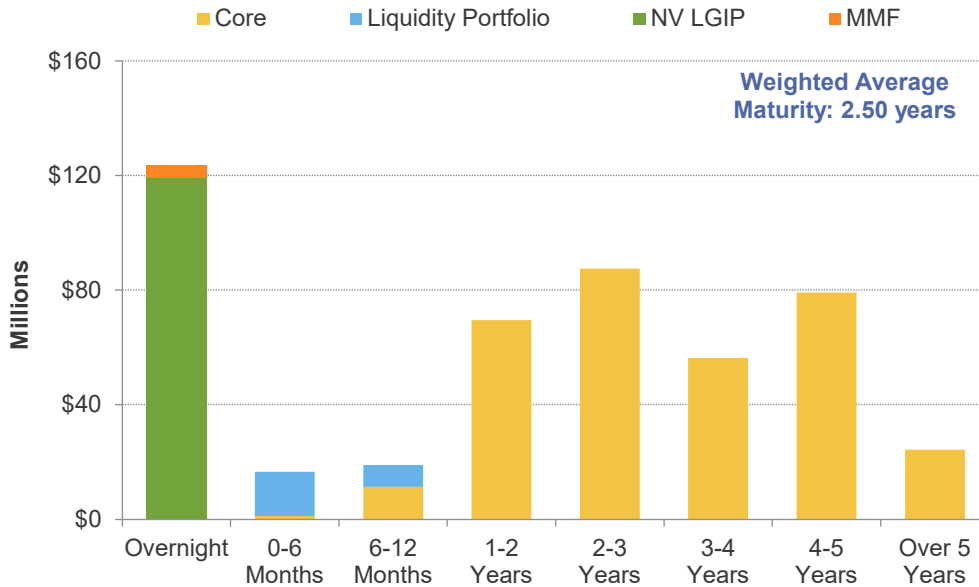
City of Reno Funds	Market Value ¹
Core Portfolio	\$329,379,509
Liquidity Portfolio	\$23,037,342
Liquid Funds	\$123,607,020
<i>Nevada LGIP</i>	\$119,235,643
<i>U.S. Bank</i>	\$1,279,715
<i>Wells Fargo</i>	\$3,091,662
Managed Account Subtotal	\$476,023,871
Reserve Fund Portfolios	\$12,356,510
Total	\$488,380,381

1. Market Values exclude accrued interest

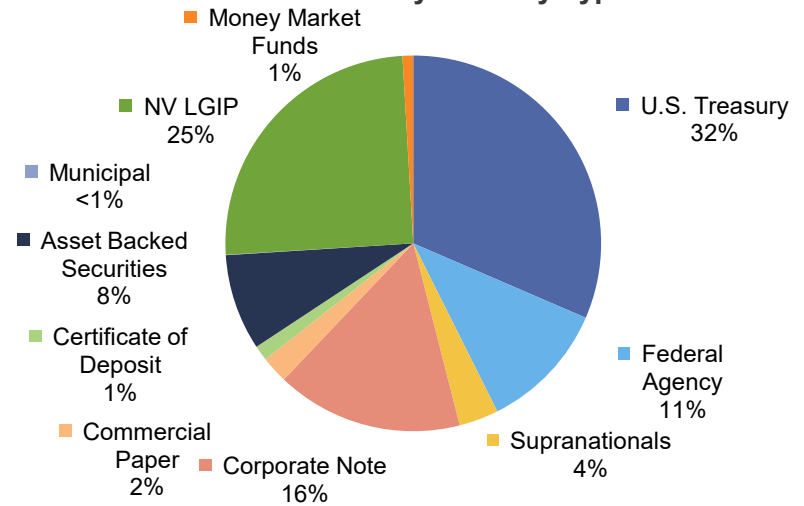


Account Summary	Ending Values as of 6/30/23	Ending Values as of 7/31/23
Market Value	\$500,985,015	\$476,023,871
Book Value	\$517,514,561	\$491,369,636
Unrealized Gain/(Loss)	(\$16,529,546)	(\$15,345,765)
Yield at Market	4.68%	4.81%
Yield at Cost	2.02%	2.86%

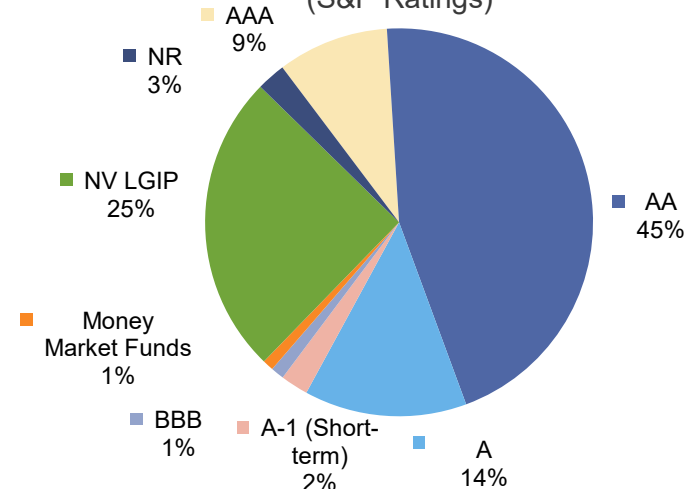
Maturity Distribution



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
7/31/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$149,861,688	31.5%	100%
Federal Agency	\$52,994,789	11.1%	100%
Supranationals	\$16,216,427	3.4%	15%
Corporate Note	\$76,533,160	16.1%	20%
Commercial Paper	\$11,003,866	2.3%	20%
Certificate of Deposit	\$6,249,909	1.3%	30%
Asset Backed Securities	\$39,383,329	8.3%	30%
Municipal	\$173,684	<0.1%	20%
NV LGIP	\$119,235,643	25.0%	100%
Money Market Funds	\$4,371,377	0.9%	100%
Total Market Value	\$476,023,871	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$123,607,020	26.0%	No Limit
0-6 Months	\$16,623,113	3.5%	No Limit
6-12 Months	\$18,932,070	4.0%	No Limit
1-2 Years	\$69,511,413	14.6%	No Limit
2-3 Years	\$87,517,718	18.4%	No Limit
3-4 Years	\$56,358,253	11.8%	No Limit
4-5 Years	\$79,122,377	16.6%	No Limit
Over 5 Years	\$24,351,908	5.1%	No Limit
Total Market Value	\$476,023,871	100.0%	

Accrual Basis Earnings ⁴	6/30/23 through 7/31/23
Total Estimated Earnings	\$145,173

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
7/31/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$149,861,688	31.5%	100%
Nevada LGIP	\$119,235,643	25.0%	100%
Federal Home Loan Mortgage Corporation	\$28,245,537	5.9%	100%
Federal National Mortgage Association	\$21,284,221	4.5%	100%
Mitsubishi Ufj Financial Group Inc	\$8,492,370	1.8%	5%
Inter-American Development Bank	\$6,109,307	1.3%	15%
Bank Of America Co	\$6,047,880	1.3%	5%
Discover Financial Services	\$5,776,059	1.2%	5%
Credit Agricole SA	\$5,500,947	1.2%	5%
African Development Bank	\$5,042,709	1.1%	0%
Toronto-Dominion Bank	\$4,766,925	1.0%	5%
Money Market Funds	\$4,371,377	0.9%	100%
Capital One Financial Corp	\$4,225,910	0.9%	5%
JPMorgan Chase & Co	\$3,844,318	0.8%	5%
Bank Of New York Mellon	\$3,502,271	0.7%	5%
American Express Co	\$3,253,441	0.7%	5%
Rabobank Nederland	\$3,251,577	0.7%	5%
Skandinaviska Enskilda Banken Ab	\$2,892,753	0.6%	5%
Citigroup Inc	\$2,686,151	0.6%	5%
Intl Bank Of Reconstruction And Dev	\$2,643,091	0.6%	15%
Hyundai Auto Receivables	\$2,596,611	0.5%	5%
John Deere Owner Trust	\$2,593,647	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,535,331	0.5%	5%
Deere & Company	\$2,508,397	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,453,626	0.5%	5%
Asian Development Bank	\$2,421,320	0.5%	0%
Westpac Banking Corp	\$2,419,060	0.5%	5%
American Honda Finance	\$2,407,331	0.5%	5%
Royal Bank Of Canada	\$2,360,075	0.5%	5%
Government National Mortgage Association	\$2,335,441	0.5%	100%
Carmax Auto Owner Trust	\$2,272,333	0.5%	5%
Wal-Mart Stores Inc	\$2,257,020	0.5%	5%
Intel Corporation	\$2,252,924	0.5%	5%
National Australia Bank Ltd	\$2,208,883	0.5%	5%
Bmw Financial Services Na Llc	\$2,135,675	0.4%	5%
Northern Trust Corp	\$2,123,865	0.4%	5%
Bank Of Montreal	\$2,118,796	0.4%	5%
Kubota Credit Owners Trust	\$2,065,708	0.4%	5%
National Rural Utilities Co Finance Corp	\$2,063,269	0.4%	5%
Roche Holdings	\$2,052,362	0.4%	5%
Comcast Corp	\$2,034,238	0.4%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
IBM Corp	\$1,943,572	0.4%	5%
Nordea Bank Ab	\$1,928,930	0.4%	5%
Toyota Motor Corp	\$1,758,732	0.4%	5%
Daimler Truck	\$1,664,538	0.3%	5%
META Platforms Inc	\$1,645,005	0.3%	5%
Truist Financial Corp	\$1,600,384	0.3%	5%
AstraZeneca Finance LLC	\$1,445,198	0.3%	5%
State Street Corporation	\$1,417,179	0.3%	5%
Honeywell International	\$1,415,869	0.3%	5%
Unitedhealth Group Inc	\$1,413,987	0.3%	5%
Bank Of Nova Scotia	\$1,412,186	0.3%	5%
Gm Financial Securitized Term	\$1,401,418	0.3%	5%
BAAT 2023-1A A3	\$1,302,855	0.3%	5%
BMW Financial Services	\$1,264,847	0.3%	5%
Ally Auto Receivables Trust	\$1,220,751	0.3%	5%
Wells Fargo & Company	\$1,165,538	0.2%	5%
Federal Home Loan Bank	\$1,129,591	0.2%	100%
Morgan Stanley	\$1,115,384	0.2%	5%
Target Corporation	\$1,035,461	0.2%	5%
Lockheed Martin Corp	\$991,000	0.2%	5%
Goldman Sachs Group Inc	\$978,258	0.2%	5%
Ford Credit Auto Owner Trust	\$975,448	0.2%	5%
Caterpillar Inc	\$972,334	0.2%	5%
US Bancorp	\$968,718	0.2%	5%
PNC Financial Services Group	\$918,766	0.2%	5%
CNH Equipment Trust	\$875,064	0.2%	5%
World Omni Auto Rec Trust	\$632,228	0.1%	5%
Unilever Plc	\$486,035	0.1%	5%
Chevron Corporation	\$469,983	0.1%	5%
Verizon Communications	\$445,110	0.1%	5%
Honda Auto Receivables	\$329,251	0.1%	5%
Bristol-Myers Squibb Co	\$221,258	<0.1%	5%
State of Mississippi	\$173,684	<0.1%	5%
Verizon Owner Trust	\$44,742	<0.1%	5%
Toyota Lease Owner Trust	\$10,480	<0.1%	5%
Total	\$476,023,871		

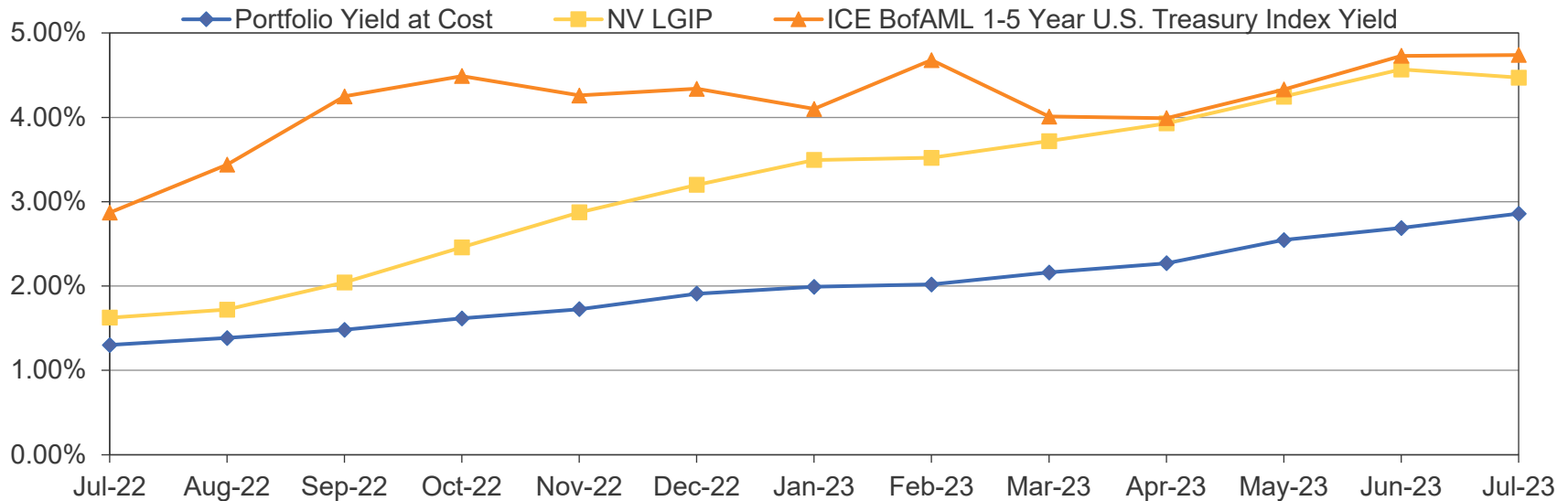
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2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated December 2022.
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior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

Portfolio Yield Summary

City of Reno as of
7/31/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%	3.99%
May-23	529,261,806	2.55%	2.36	4.25%	4.33%
Jun-23	517,514,561	2.69%	2.36	4.57%	4.73%
Jul-23	491,369,636	2.86%	2.37	4.47%	4.74%

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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