

City of Reno

Monthly Investment Report

August 31, 2023

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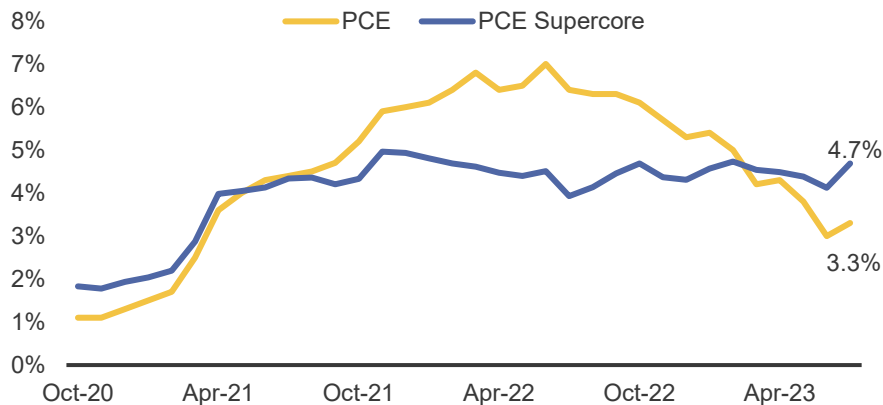
PFM Asset Management LLC

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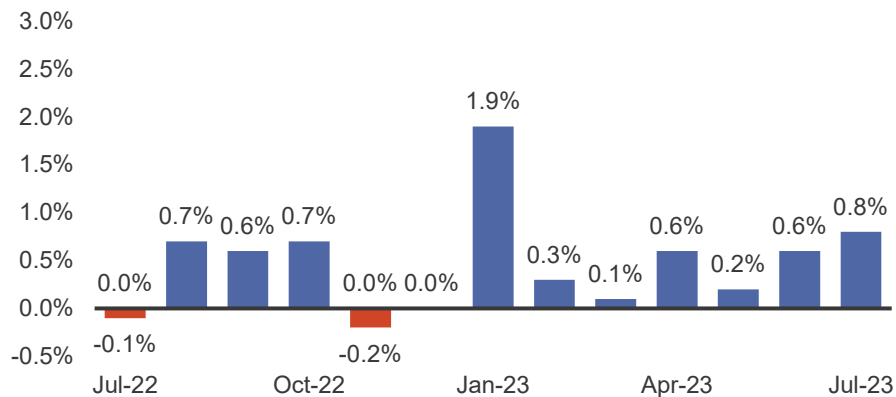
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Fed's Preferred Gauge of Inflation Ticked Up But Spending Is Still Booming, Payrolls Higher than Forecast

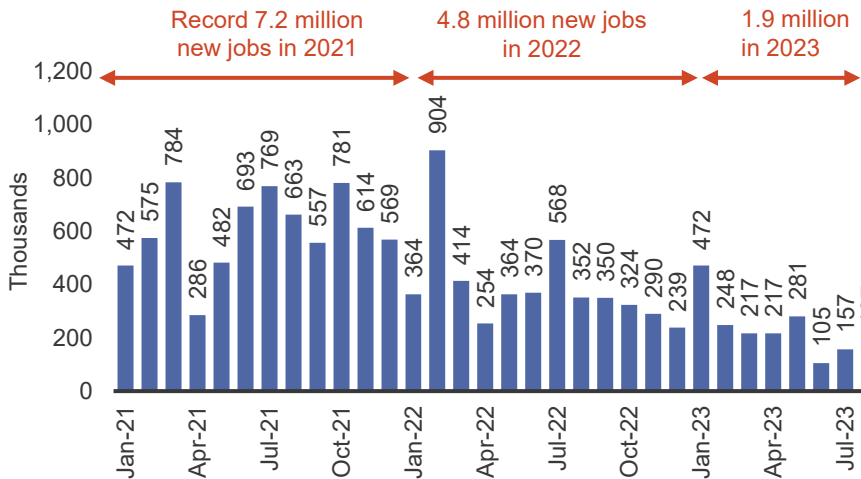
Personal Consumption Expenditure Price Index



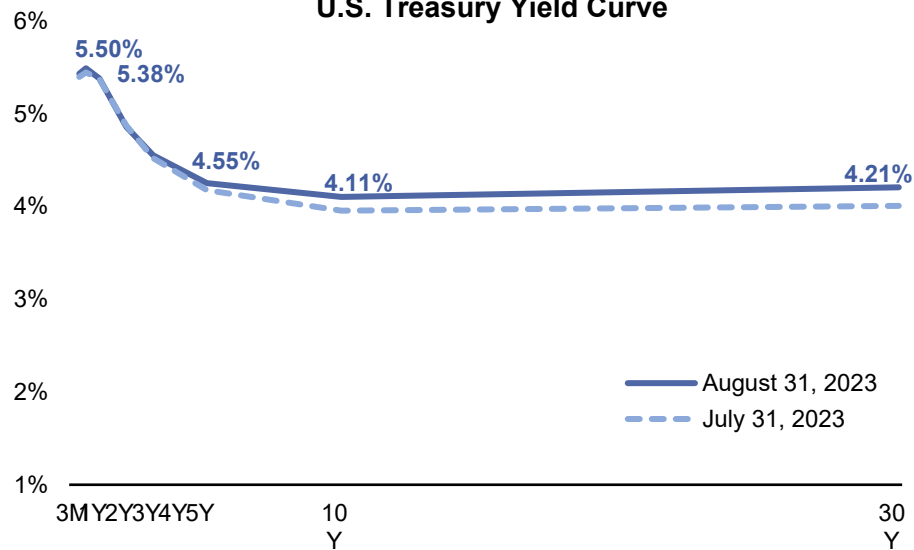
Personal Spending Personal Consumption Expenditure MoM



Monthly Change In Nonfarm Payrolls



U.S. Treasury Yield Curve



Source: Bloomberg, Federal Reserve, and U.S. Bureau of Economic Analysis as of July 2023 (Top Right and Top Left). Bloomberg, as of August 2023. Data is seasonally adjusted (Bottom Left). Bloomberg, as of August 31, 2023 (Bottom Right).

Current Market Themes

Economic Highlights

- ▶ Second quarter gross domestic product (GDP) was revised lower in the second estimate to a 2.1% annual real growth rate. Personal consumption grew at 1.7%, a decline from the torrid pace of 4.2% in the first quarter. Meanwhile, third quarter GDP is shaping up to be a solid number.
- ▶ Non-farm payrolls increased 187,000 in August, modestly beating estimates. The unemployment rate moved up from 3.5% to 3.8%, in large part due to 736,000 new entrants to the work force – a positive development for the tight labor market. Average hourly earnings rose 4.3% YoY, while job openings fell to their lowest level since March 2021.
- ▶ Headline consumer price index (CPI) nudged higher in July to 3.2% over the past year, compared with 3.0% in June. The shelter component of the index was the largest contributor for July, while price increases for food moderated and airfares and used car prices fell. Excluding food and energy prices, core CPI declined to 4.7% from 4.8% year-over-year (YoY), its lowest reading in 22 months, but still well above the Fed's 2.0% inflation target.
- ▶ The July Federal Open Market Committee (FOMC) minutes noted that “future policy decisions should depend on the totality of the incoming information and the implications for the economic outlook and inflation.” Following that, at the annual Jackson Hole economic symposium, Federal Reserve (Fed) Chair Jerome Powell reinforced that the central bank is prepared to raise interest rates further if needed.

Market Reaction

- ▶ The U.S. government was downgraded from AAA to AA+ by Fitch Ratings, citing rising debt at the federal, state, and local levels and a “steady deterioration in standards of governance” over the past two decades. Market response was muted.
- ▶ Despite the downgrade, shorter-term Treasury yields were little changed over the month, although maturities seven years and longer rose 13 to 20 basis points (bps). Intra-month, yields on most Treasury maturities reached 16-year highs.
- ▶ The S&P 500 dropped 1.6% in August, reducing its year-to-date gains to 18.7%, as investors repriced equities for higher rates. For the month, the Dow Jones Industrial average lost 2.0%, while the Nasdaq declined 2.1%.

Summary of the City's Funds

City of Reno as of
8/31/23

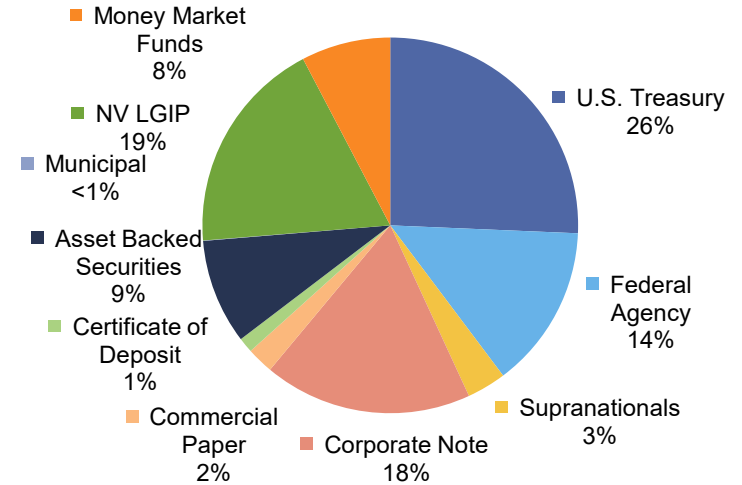
City of Reno Funds	Market Value ¹
Core Portfolio	\$332,335,479
Liquidity Portfolio	\$23,130,046
Liquid Funds	\$126,752,553
<i>Nevada LGIP</i>	<i>\$89,705,346</i>
<i>U.S. Bank</i>	<i>\$2,191,580</i>
<i>Wells Fargo</i>	<i>\$34,855,627</i>
Managed Account Subtotal	\$482,218,078
Reserve Fund Portfolios	\$12,383,502
Total	\$494,601,581

1. Market Values exclude accrued interest

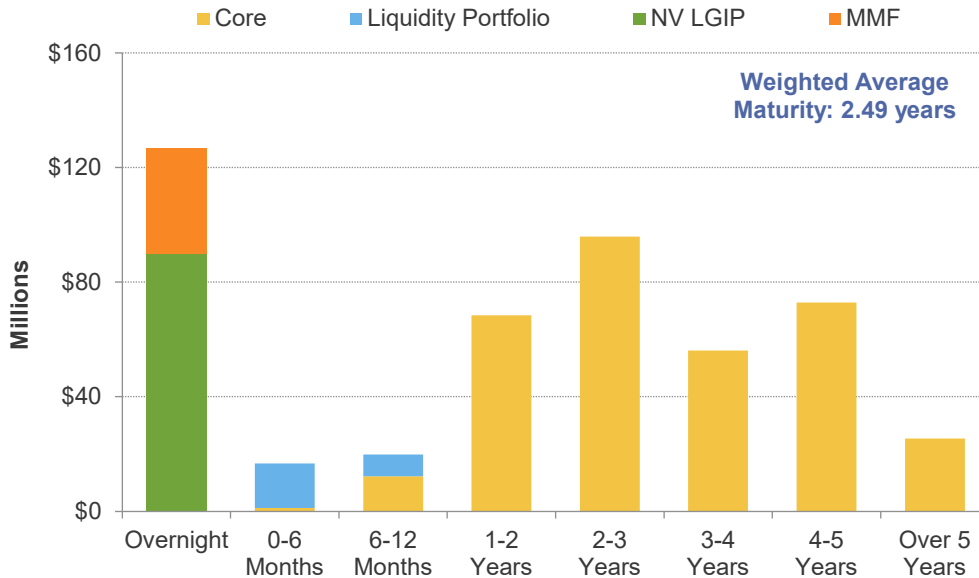


Account Summary	Ending Values as of 7/31/23	Ending Values as of 8/31/23
Market Value	\$476,023,871	\$482,218,078
Book Value	\$491,369,636	\$496,692,040
Unrealized Gain/(Loss)	(\$15,345,765)	(\$14,473,962)
Yield at Market	4.68%	4.88%
Yield at Cost	2.02%	3.05%

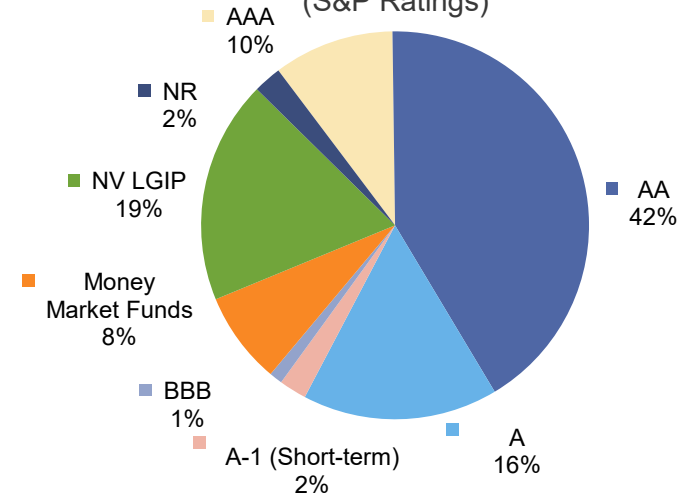
Allocation by Security Type



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

City of Reno as of
8/31/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$123,795,836	25.7%	100%
Federal Agency	\$67,867,606	14.1%	100%
Supranationals	\$16,270,769	3.4%	15%
Corporate Note	\$86,474,911	17.9%	20%
Commercial Paper	\$11,058,751	2.3%	20%
Certificate of Deposit	\$6,252,000	1.3%	30%
Asset Backed Securities	\$43,570,908	9.0%	30%
Municipal	\$174,744	0.0%	20%
NV LGIP	\$89,705,346	18.6%	100%
Money Market Funds	\$37,047,207	7.7%	100%
Total Market Value	\$482,218,078	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$126,752,553	26.3%	No Limit
0-6 Months	\$16,698,238	3.5%	No Limit
6-12 Months	\$19,871,392	4.1%	No Limit
1-2 Years	\$68,433,575	14.2%	No Limit
2-3 Years	\$95,931,467	19.9%	No Limit
3-4 Years	\$56,144,359	11.6%	No Limit
4-5 Years	\$72,928,063	15.1%	No Limit
Over 5 Years	\$25,458,432	5.3%	No Limit
Total Market Value	\$482,218,078	100.0%	

Accrual Basis Earnings ⁴	7/31/23 through 8/31/23
Total Estimated Earnings	\$149,862

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
8/31/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$123,795,836	25.7%	100%
Nevada LGIP	\$89,705,346	18.6%	100%
Federal Home Loan Mortgage Corporation	\$39,163,012	8.1%	100%
Money Market Funds	\$37,047,207	7.7%	100%
Federal National Mortgage Association	\$21,199,951	4.4%	100%
Bank Of America Co	\$9,325,491	1.9%	5%
Mitsubishi Ufj Financial Group Inc	\$8,515,112	1.8%	5%
Inter-American Development Bank	\$6,136,406	1.3%	15%
Discover Financial Services	\$5,775,593	1.2%	5%
Credit Agricole SA	\$5,529,272	1.1%	5%
Wells Fargo & Company	\$5,247,269	1.1%	5%
African Development Bank	\$5,051,269	1.0%	0%
Royal Bank Of Canada	\$4,853,698	1.0%	5%
Toronto-Dominion Bank	\$4,753,172	1.0%	5%
Capital One Financial Corp	\$4,225,039	0.9%	5%
JPMorgan Chase & Co	\$3,839,725	0.8%	5%
Bank Of New York Mellon	\$3,498,890	0.7%	5%
American Express Co	\$3,253,897	0.7%	5%
Rabobank Nederland	\$3,253,380	0.7%	5%
Bmw Financial Services Na Llc	\$3,033,182	0.6%	5%
Skandinaviska Enskilda Banken Ab	\$2,900,685	0.6%	5%
Citigroup Inc	\$2,690,395	0.6%	5%
Intl Bank Of Reconstruction And Dev	\$2,657,752	0.6%	15%
John Deere Owner Trust	\$2,585,818	0.5%	5%
Hyundai Auto Receivables	\$2,575,376	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,517,262	0.5%	5%
Deere & Company	\$2,503,712	0.5%	5%
Mercedes-Benz Group AG	\$2,494,377	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,455,039	0.5%	5%
Honda Auto Receivables	\$2,452,606	0.5%	5%
Westpac Banking Corp	\$2,425,398	0.5%	5%
Asian Development Bank	\$2,425,342	0.5%	0%
American Honda Finance	\$2,399,623	0.5%	5%
Fifth Third Auto Trust	\$2,339,323	0.5%	5%
Government National Mortgage Association	\$2,292,063	0.5%	100%
Wal-Mart Stores Inc	\$2,246,760	0.5%	5%
Intel Corporation	\$2,244,650	0.5%	5%
Carmax Auto Owner Trust	\$2,219,884	0.5%	5%
National Australia Bank Ltd	\$2,199,189	0.5%	5%
Bank Of Montreal	\$2,116,057	0.4%	5%
Northern Trust Corp	\$2,112,306	0.4%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Roche Holdings	\$2,062,354	0.4%	5%
National Rural Utilities Co Finance Corp	\$2,057,224	0.4%	5%
Comcast Corp	\$2,026,402	0.4%	5%
Kubota Credit Owners Trust	\$1,993,579	0.4%	5%
IBM Corp	\$1,931,750	0.4%	5%
Nordea Bank Ab	\$1,926,639	0.4%	5%
Daimler Truck	\$1,664,411	0.3%	5%
META Platforms Inc	\$1,632,246	0.3%	5%
Truist Financial Corp	\$1,603,007	0.3%	5%
AstraZeneca Finance LLC	\$1,445,272	0.3%	5%
Honeywell International	\$1,416,030	0.3%	5%
State Street Corporation	\$1,415,552	0.3%	5%
Bank Of Nova Scotia	\$1,414,098	0.3%	5%
Unitedhealth Group Inc	\$1,407,201	0.3%	5%
Gm Financial Securitized Term	\$1,388,896	0.3%	5%
Toyota Motor Corp	\$1,338,986	0.3%	5%
Paccar Financial Corp	\$1,305,750	0.3%	5%
BAAT 2023-1A A3	\$1,304,955	0.3%	5%
BMW Financial Services	\$1,263,445	0.3%	5%
Ally Auto Receivables Trust	\$1,223,767	0.3%	5%
Federal Home Loan Bank	\$1,130,552	0.2%	100%
Morgan Stanley	\$1,113,326	0.2%	5%
Target Corporation	\$1,032,071	0.2%	5%
Lockheed Martin Corp	\$983,614	0.2%	5%
Goldman Sachs Group Inc	\$981,297	0.2%	5%
Ford Credit Auto Owner Trust	\$979,851	0.2%	5%
Caterpillar Inc	\$971,338	0.2%	5%
US Bancorp	\$969,195	0.2%	5%
PNC Financial Services Group	\$921,960	0.2%	5%
CNH Equipment Trust	\$833,096	0.2%	5%
World Omni Auto Rec Trust	\$599,891	0.1%	5%
Unilever Plc	\$487,896	0.1%	5%
Chevron Corporation	\$470,334	0.1%	5%
Verizon Communications	\$446,227	0.1%	5%
Bristol-Myers Squibb Co	\$222,314	<0.1%	5%
State of Mississippi	\$174,744	<0.1%	5%
Verizon Owner Trust	\$22,446	<0.1%	5%
Total	\$482,218,078		

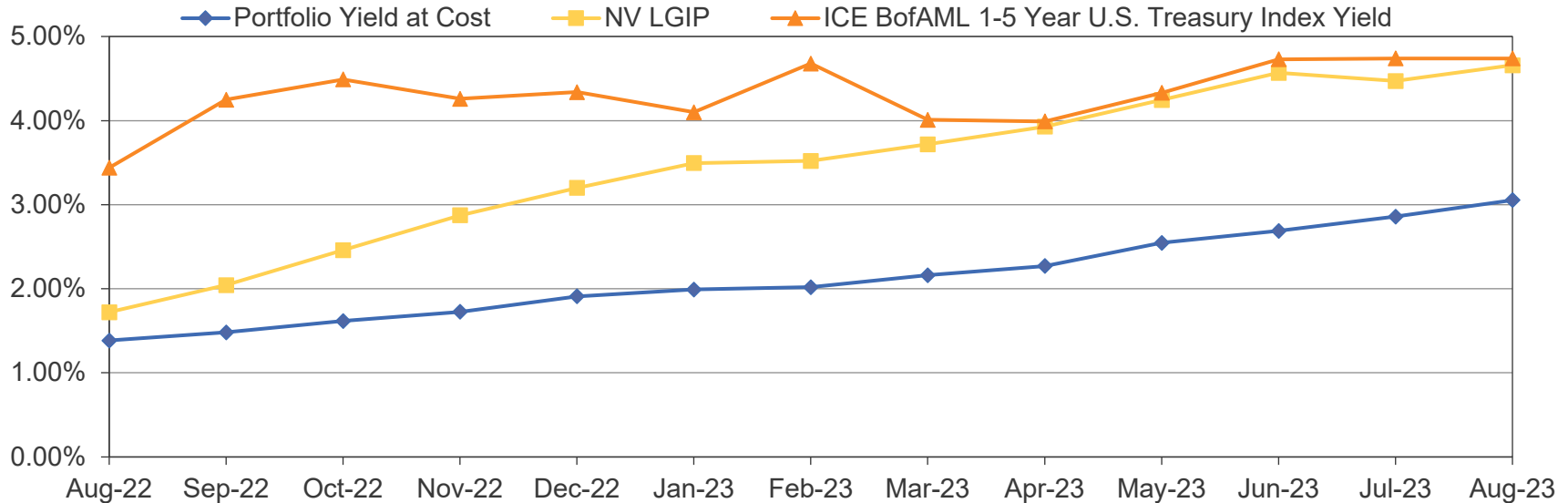
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2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated December 2022.
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior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

Portfolio Yield Summary

City of Reno as of
8/31/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Aug-23	496,692,040	3.05%	2.35	4.66%	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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