

# City of Reno

## Monthly Investment Report

September 30, 2023

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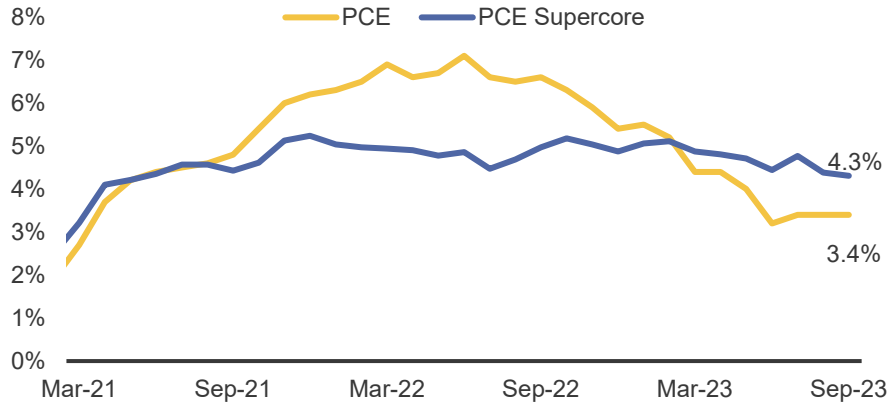
*PFM Asset Management LLC*

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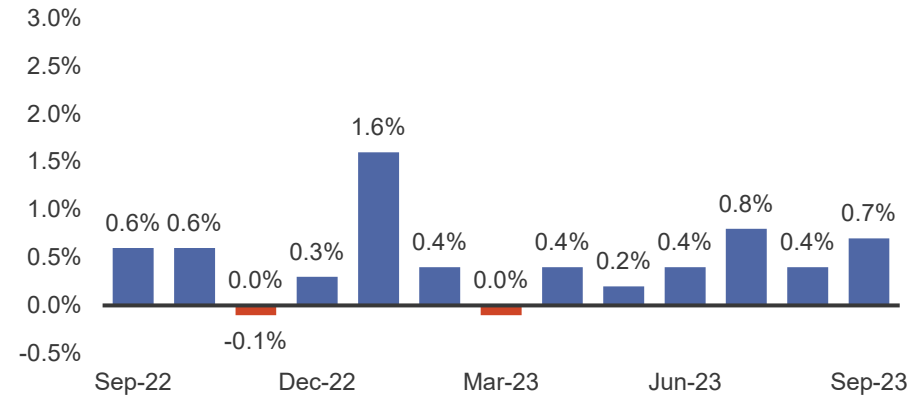
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# Inflation Remains Elevated as Spending Picks Up and Yields Move Higher; Growth Surged in Third Quarter

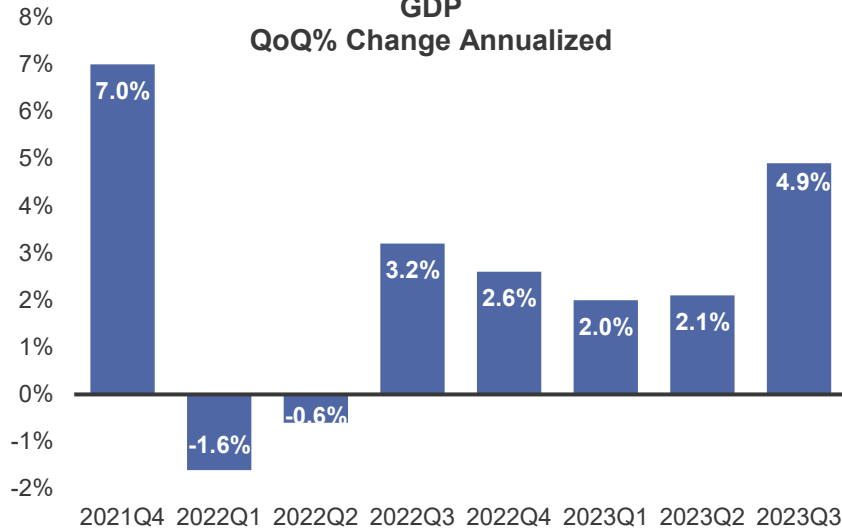
**Personal Consumption Expenditure Price Index**



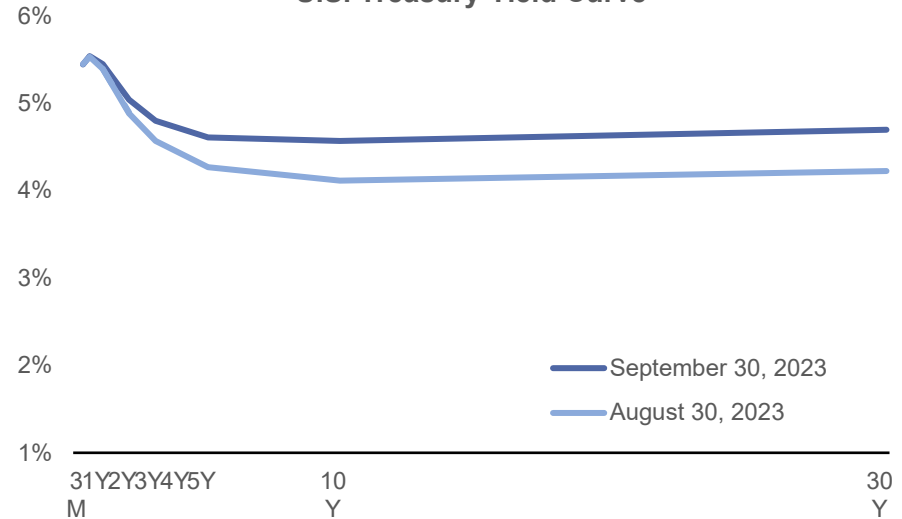
**Personal Spending Personal Consumption Expenditure MoM**



**GDP QoQ% Change Annualized**



**U.S. Treasury Yield Curve**



Source: Bloomberg, Federal Reserve, and U.S. Bureau of Economic Analysis as of September 2023 (Top Right and Top Left). Bureau of Economic Analysis, U.S. Department of Commerce; as of October 26, 2023. (Bottom Left). Bloomberg, as of September 30, 2023 (Bottom Right).

# Market Summary

## Economic Highlights

- ▶ The first estimate of third quarter gross domestic product (GDP) was 4.9%, showing the economy grew at the fastest rate since 2021. Growth was powered by rampant consumer and government spending. Household spending grew 4%, with durable goods expenditures (those lasting more than three years) looking particularly strong at 7.6%. Government spending grew 4.6%, led by an 8% increase in national defense while inventories were built up quite significantly, contributing 1.3% of the 4.9% headline GDP growth.
- ▶ The employment report for September was surprisingly strong, with the U.S. economy adding 336,000 new jobs. The unemployment rate held at 3.8% as the labor force continued to grow. Average hourly earnings, an important gauge of wages, rose 4.2% year over year (YoY), the slowest pace in two years.
- ▶ Inflation, as measured by CPI, posted a second straight significant monthly increase in September (+0.4%). This was in large part due to an increase in both shelter costs and gasoline prices. Overall, the CPI increased 3.7% from a year ago, holding at higher levels than June and July. However, core inflation, excluding food and energy prices, continue to moderate, rising 4.1% YoY, down from 4.3% in August and 4.7% in July. The most recent core inflation reading was the weakest since September 2021.
- ▶ At its September meeting, the Federal Reserve (Fed) kept the overnight target rate unchanged in its current range of 5.25% to 5.50%. They did, however, signal that interest rates may still need to be a bit higher to counteract inflationary pressures, as reflected by the half-percent increase in the year-end 2024 and 2025 median projections for overnight rates compared to June estimates.

## Market Reaction

- ▶ The 10-year U.S. Treasury yield closed September above 4.5% for the first time since October 2007. Sticky inflation, a “higher-for-longer” market consensus, increased Treasury borrowing, and reduced holdings by China and Japan weighed on the long end of the curve.
- ▶ The benchmark 3-month, 2- and 10-year U.S. Treasuries finished the month at 5.45%, 5.05% and 4.57%, moving up 0, 18 and 46 bps, respectively, during September.

# Summary of the City's Funds

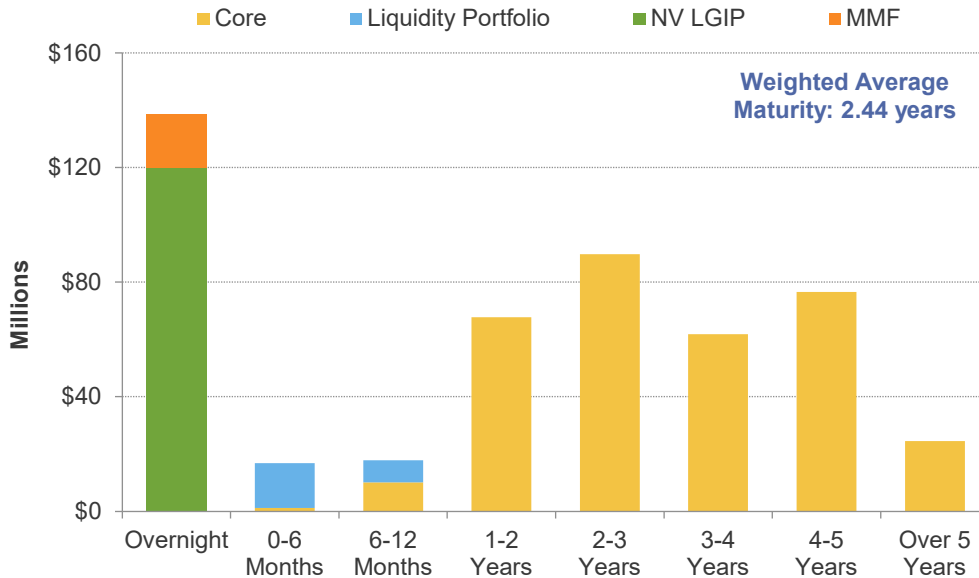
City of Reno as of  
9/30/23

City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$331,744,762
Liquidity Portfolio	\$23,217,542
Liquid Funds	\$138,665,003
<i>Nevada LGIP</i>	<i>\$120,129,947</i>
<i>U.S. Bank</i>	<i>\$1,409,518</i>
<i>Wells Fargo</i>	<i>\$17,125,539</i>
<b>Managed Account Subtotal</b>	<b>\$493,627,307</b>
Reserve Fund Portfolios	\$12,376,051
<b>Total</b>	<b>\$506,003,359</b>

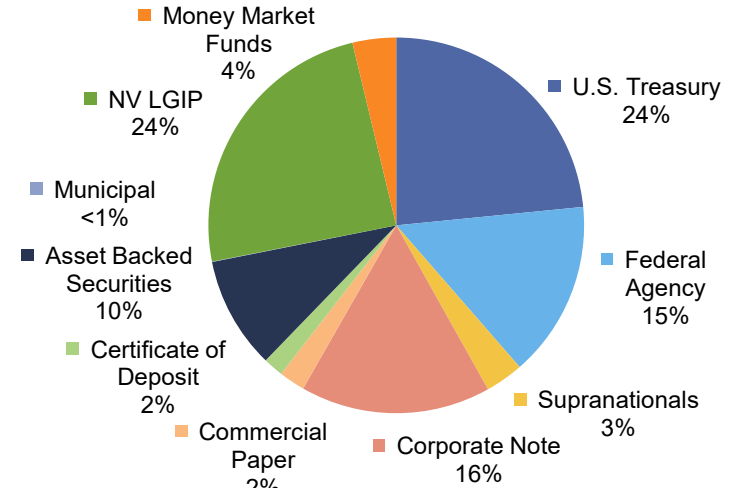
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 8/31/23	Ending Values as of 9/30/23
Market Value	\$482,218,078	\$493,627,307
Book Value	\$496,692,040	\$509,119,003
Unrealized Gain/(Loss)	(\$14,473,962)	(\$15,491,696)
Yield at Market	4.88%	5.11%
Yield at Cost	3.05%	3.24%

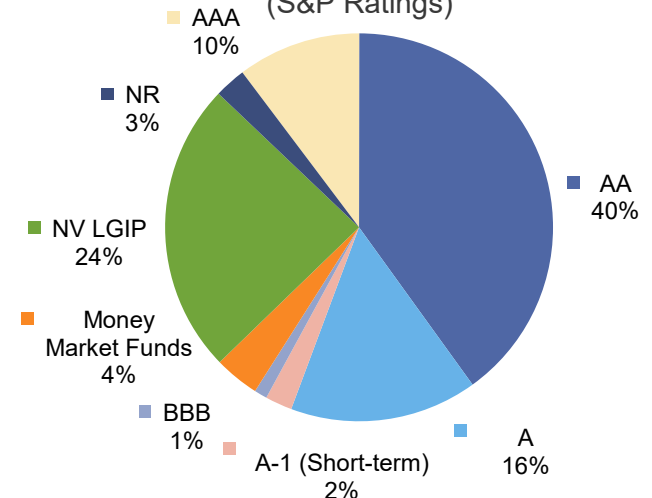
## Maturity Distribution



## 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  
9/30/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$115,664,110	23.4%	100%
Federal Agency	\$74,848,226	15.2%	100%
Supranationals	\$16,226,290	3.3%	15%
Corporate Note	\$80,827,174	16.4%	25%
Commercial Paper	\$11,108,244	2.3%	25%
Certificate of Deposit	\$8,546,736	1.7%	30%
Asset Backed Securities	\$47,566,476	9.6%	30%
Municipal	\$175,047	0.0%	20%
NV LGIP	\$120,129,947	24.3%	100%
Money Market Funds	\$18,535,056	3.8%	100%
<b>Total Market Value</b>	<b>\$493,627,307</b>	<b>100.0%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$138,665,003	28.1%	No Limit
0-6 Months	\$16,769,945	3.4%	No Limit
6-12 Months	\$17,768,573	3.6%	No Limit
1-2 Years	\$67,757,831	13.7%	No Limit
2-3 Years	\$89,758,765	18.2%	No Limit
3-4 Years	\$61,779,529	12.5%	No Limit
4-5 Years	\$76,590,381	15.5%	No Limit
Over 5 Years	\$24,537,280	5.0%	No Limit
<b>Total Market Value</b>	<b>\$493,627,307</b>	<b>100.0%</b>	

Accrual Basis Earnings <sup>4</sup>	8/31/23 through 9/30/23
<b>Total Estimated Earnings</b>	<b>(\$1,577)</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 September 2023.
4. Excludes earnings on Liquid Funds.

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

City of Reno as of  
9/30/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
Nevada LGIP	\$120,129,947	24.3%	100%
U.S. Treasury	\$115,664,110	23.4%	100%
Federal Home Loan Mortgage Corporation	\$46,495,224	9.4%	100%
Federal National Mortgage Association	\$20,962,972	4.2%	100%
Money Market Funds	\$18,535,056	3.8%	100%
Bank Of America Co	\$9,251,074	1.9%	5%
Mitsubishi Ufj Financial Group Inc	\$8,539,732	1.7%	5%
Toronto-Dominion Bank	\$6,505,779	1.3%	5%
Inter-American Development Bank	\$6,130,463	1.2%	15%
Discover Financial Services	\$5,747,425	1.2%	5%
Credit Agricole SA	\$5,554,007	1.1%	5%
Wells Fargo & Company	\$5,199,828	1.1%	5%
African Development Bank	\$5,028,312	1.0%	0%
Royal Bank Of Canada	\$4,794,223	1.0%	5%
Capital One Financial Corp	\$4,209,780	0.9%	5%
JPMorgan Chase & Co	\$3,835,304	0.8%	5%
Daimler Truck	\$3,472,539	0.7%	5%
Rabobank Nederland	\$3,255,142	0.7%	5%
American Express Co	\$3,240,138	0.7%	5%
Bmw Financial Services Na Llc	\$3,013,573	0.6%	5%
Citigroup Inc	\$2,696,486	0.5%	5%
USAA Auto Owners Trust	\$2,669,099	0.5%	5%
Intl Bank Of Reconstruction And Dev	\$2,650,658	0.5%	15%
John Deere Owner Trust	\$2,571,268	0.5%	5%
Hyundai Auto Receivables	\$2,546,398	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,487,656	0.5%	5%
Deere & Company	\$2,467,757	0.5%	5%
Mercedes-Benz Group AG	\$2,457,954	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,448,635	0.5%	5%
Westpac Banking Corp	\$2,418,460	0.5%	5%
Honda Auto Receivables	\$2,417,272	0.5%	5%
Asian Development Bank	\$2,416,857	0.5%	0%
American Honda Finance	\$2,373,902	0.5%	5%
Fifth Third Auto Trust	\$2,326,967	0.5%	5%
Natixis NY Branch	\$2,292,594	0.5%	5%
Government National Mortgage Association	\$2,220,565	0.4%	100%
Intel Corporation	\$2,217,502	0.4%	5%
Wal-Mart Stores Inc	\$2,213,460	0.4%	5%
National Australia Bank Ltd	\$2,164,505	0.4%	5%
Carmax Auto Owner Trust	\$2,162,183	0.4%	5%
Bank Of Montreal	\$2,099,045	0.4%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Northern Trust Corp	\$2,081,449	0.4%	5%
Roche Holdings	\$2,055,338	0.4%	5%
National Rural Utilities Co Finance Corp	\$2,035,926	0.4%	5%
Comcast Corp	\$1,998,572	0.4%	5%
IBM Corp	\$1,908,300	0.4%	5%
Kubota Credit Owners Trust	\$1,904,030	0.4%	5%
META Platforms Inc	\$1,613,258	0.3%	5%
Truist Financial Corp	\$1,602,464	0.3%	5%
Bank Of New York Mellon	\$1,546,581	0.3%	5%
AstraZeneca Finance LLC	\$1,437,616	0.3%	5%
Bank Of Nova Scotia	\$1,417,301	0.3%	5%
Honeywell International	\$1,403,950	0.3%	5%
State Street Corporation	\$1,398,224	0.3%	5%
Unitedhealth Group Inc	\$1,389,027	0.3%	5%
Gm Financial Securitized Term	\$1,369,798	0.3%	5%
Toyota Motor Corp	\$1,313,529	0.3%	5%
Bank of America Auto Trust	\$1,296,725	0.3%	5%
Paccar Financial Corp	\$1,282,836	0.3%	5%
BMW Financial Services	\$1,260,578	0.3%	5%
Ally Auto Receivables Trust	\$1,218,040	0.2%	5%
Federal Home Loan Bank	\$1,129,567	0.2%	100%
Morgan Stanley	\$1,111,994	0.2%	5%
Target Corporation	\$1,019,574	0.2%	5%
Goldman Sachs Group Inc	\$983,962	0.2%	5%
Ford Credit Auto Owner Trust	\$973,003	0.2%	5%
US Bancorp	\$971,889	0.2%	5%
Caterpillar Inc	\$967,975	0.2%	5%
Lockheed Martin Corp	\$965,921	0.2%	5%
PNC Financial Services Group	\$921,689	0.2%	5%
CNH Equipment Trust	\$794,903	0.2%	5%
World Omni Auto Rec Trust	\$565,642	0.1%	5%
Unilever Plc	\$488,205	0.1%	5%
Chevron Corporation	\$470,419	0.1%	5%
Verizon Communications	\$445,309	0.1%	5%
Bristol-Myers Squibb Co	\$221,346	<0.1%	5%
State of Mississippi	\$175,047	<0.1%	5%
Verizon Owner Trust	\$3,474	<0.1%	5%
<b>Total</b>	<b>\$493,627,307</b>		

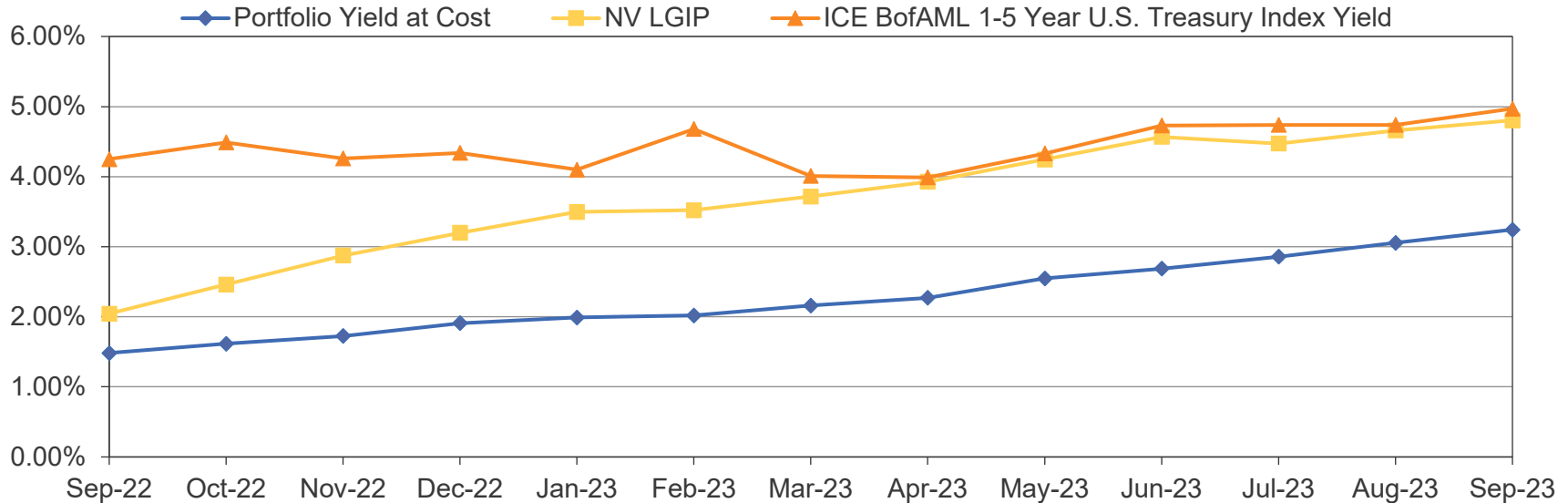
1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated September 2023.
4. Securities issued by Asian Development 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  
9/30/23

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>
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%
Sept-23	509,119,003	3.24%	2.34	4.80%	4.97%

## 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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