

City of Reno

Monthly Investment Report

October 31, 2023

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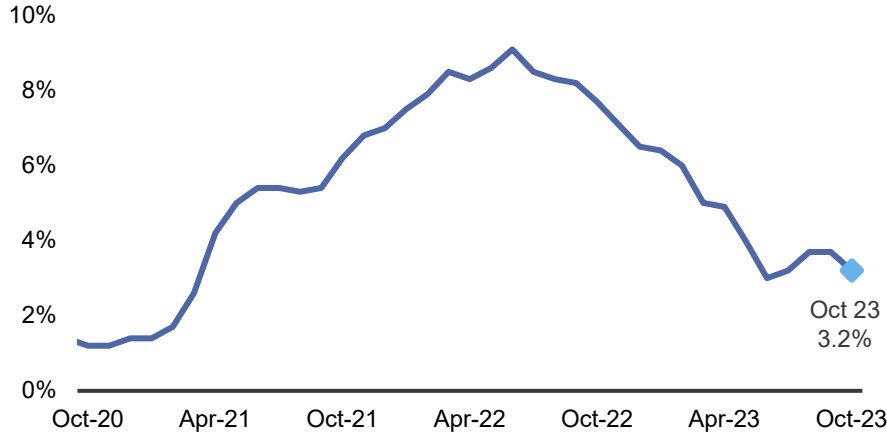
PFM Asset Management LLC

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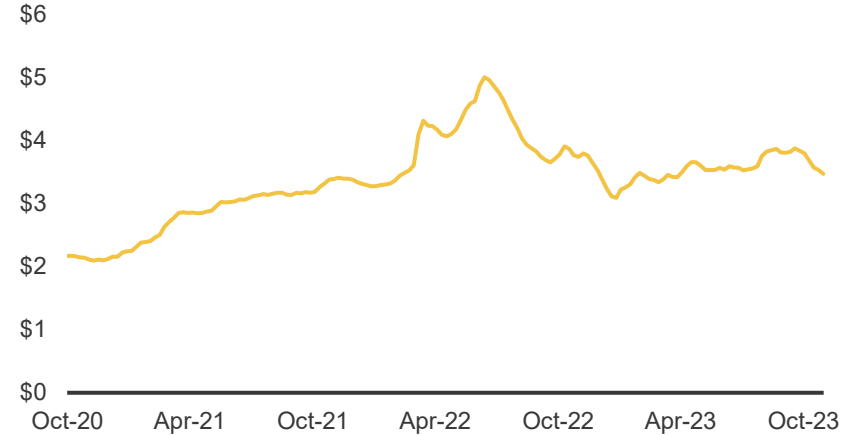
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Disinflation Continues; Energy Prices Move Lower; Jobs Data Shows Cooling

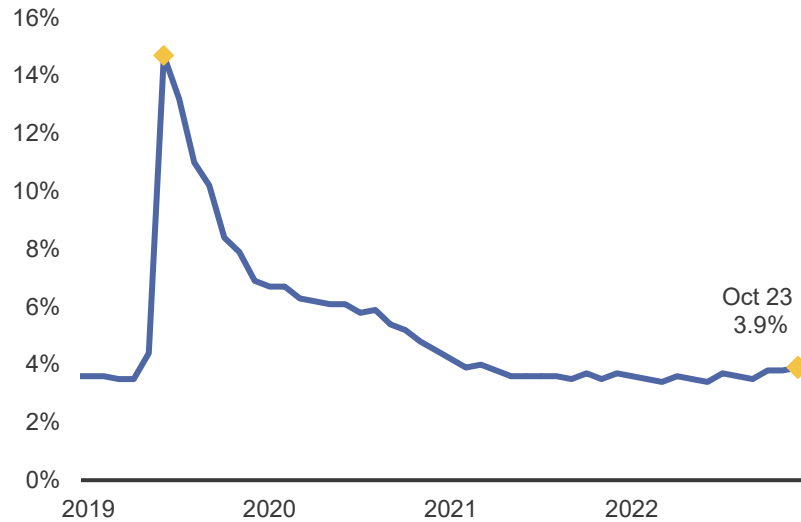
Consumer Price Index (YOY)



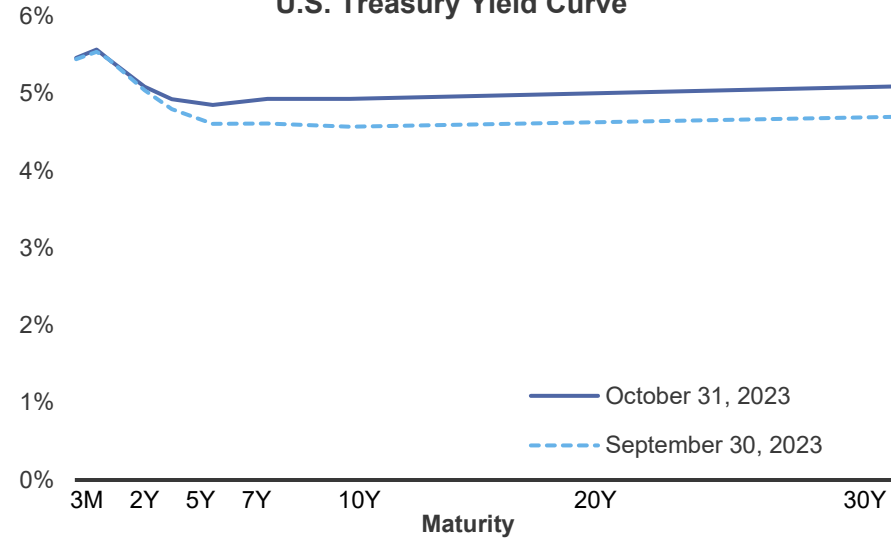
Retail Gasoline (per gallon)



Unemployment Rate



U.S. Treasury Yield Curve



Source: Bloomberg, Bureau of Labor Statistics, as of October 2023 (Top Left); Bloomberg, as of October 2023 (Top Right). Bureau of Labor Statistics, October 2023. (Bottom Left). Bloomberg, as of October 31, 2023 (Bottom Right).

Market Summary

Economic Highlights

- ▶ The Consumer Price Index (CPI) was flat (0.0% month over month) in October. The result marks a significant deceleration from monthly gains of 0.4% in September and 0.6% in August and puts the year-ago inflation rate at 3.2%—down from 3.7% the month prior. CPI was mostly weighed down by lower energy prices, which fell 2.5% in October. Excluding food and energy, the core CPI moderated to 0.2% in October, bringing the year-ago underlying inflation rate down to 4.0%—from 4.1% in September and the lowest since August 2021.
- ▶ The October employment report came in below estimates as non-farm payrolls increased by only 150,000. The unemployment rate ticked up to 3.9% from 3.8% the prior month and a cycle low of 3.4% in April. The labor force participation rate inched lower (to 62.7%), the first monthly decline since October 2022. The Fed's goal of loosening the labor market appears on track.
- ▶ The Federal Reserve (Fed) held the benchmark overnight target rate unchanged at its current range of 5.25% to 5.50% at the conclusion of its meeting on November 1. Fed officials have now skipped a rate hike for two consecutive meetings. The Fed noted that while job gains have moderated, the labor market remains strong, while also noting inflation remains elevated. Fed Chair Jerome Powell characterized policy risks as “getting more balanced.” The market's response was to price out any further rate hikes and pull forward the first potential rate cut in 2024.

Market Reaction

- ▶ U.S. Treasury yields finished higher on maturities beyond one year in October. The 30-year bond led the way, increasing 39 basis points (bps) over the month to finish at 5.09%. The benchmark 2-, 5-, and 10-year U.S. Treasuries finished the month at 5.09%, 4.85%, and 4.93%, moving up 4, 24, and 36 bps, respectively.
- ▶ As a result, the curve steepened (became less inverted) as the spread between the 10- and 2-year U.S. Treasury notes ended the month at -16 bps, the narrowest inversion over the past year.

Summary of the City's Funds

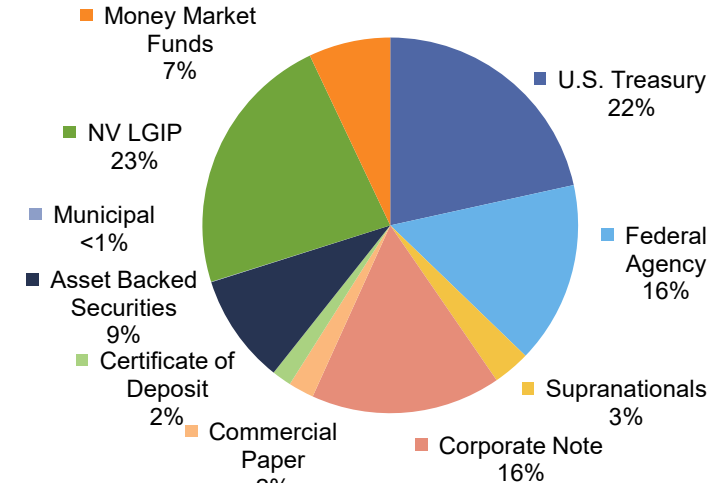
City of Reno as of
10/31/23

City of Reno Funds	Market Value ¹
Core Portfolio	\$331,981,421
Liquidity Portfolio	\$23,313,137
Liquid Funds	\$151,253,510
<i>Nevada LGIP</i>	<i>\$115,593,479</i>
<i>U.S. Bank</i>	<i>\$1,055,828</i>
<i>Wells Fargo</i>	<i>\$34,604,203</i>
Managed Account Subtotal	\$506,548,068
Reserve Fund Portfolios	\$12,359,351
Total	\$518,907,419

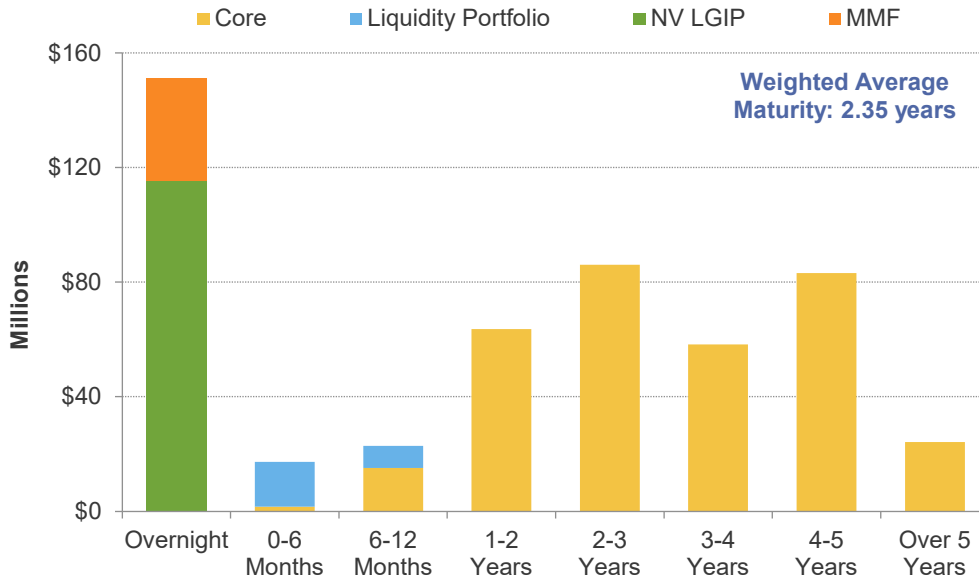
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 9/30/23	Ending Values as of 10/31/23
Market Value	\$493,627,307	\$506,548,068
Book Value	\$509,119,003	\$522,245,943
Unrealized Gain/(Loss)	(\$15,491,696)	(\$15,697,875)
Yield at Market	5.11%	5.22%
Yield at Cost	3.24%	3.33%

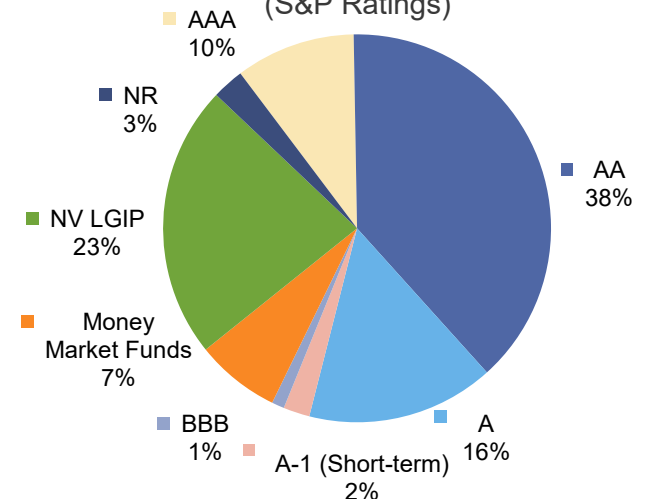
Allocation by Security Type



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
10/31/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$109,187,025	21.6%	100%
Federal Agency	\$79,301,545	15.7%	100%
Supranationals	\$16,263,887	3.2%	15%
Corporate Note	\$82,844,511	16.4%	20%
Commercial Paper	\$11,163,578	2.2%	20%
Certificate of Deposit	\$8,537,445	1.7%	30%
Asset Backed Securities	\$47,820,796	9.4%	30%
Municipal	\$175,770	0.0%	20%
NV LGIP	\$115,593,479	22.8%	100%
Money Market Funds	\$35,660,031	7.0%	100%
Total Market Value	\$506,548,068	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$151,253,510	29.9%	No Limit
0-6 Months	\$17,236,130	3.4%	No Limit
6-12 Months	\$22,832,967	4.5%	No Limit
1-2 Years	\$63,601,645	12.6%	No Limit
2-3 Years	\$86,099,849	17.0%	No Limit
3-4 Years	\$58,217,917	11.5%	No Limit
4-5 Years	\$83,135,775	16.4%	No Limit
Over 5 Years	\$24,170,275	4.8%	No Limit
Total Market Value	\$506,548,068	100.0%	

Accrual Basis Earnings ⁴	9/30/23 through 10/31/23
Total Estimated Earnings	\$540,352

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^{1,2,3,4}

City of Reno as of
10/31/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
Money Market Funds	\$151,253,510	29.9%	100%
U.S. Treasury	\$109,187,025	21.6%	5%
Federal Home Loan Mortgage Corporation	\$51,117,941	10.1%	100%
Federal National Mortgage Association	\$20,863,053	4.1%	100%
Bank Of America Co	\$9,204,951	1.8%	5%
Mitsubishi Ufj Financial Group Inc	\$8,564,028	1.7%	5%
Toronto-Dominion Bank	\$6,490,555	1.3%	5%
Inter-American Development Bank	\$6,151,083	1.2%	15%
Discover Financial Services	\$5,728,956	1.1%	5%
Credit Agricole SA	\$5,581,313	1.1%	5%
Wells Fargo & Company	\$5,179,862	1.0%	5%
African Development Bank	\$5,036,197	3.8%	0%
Royal Bank Of Canada	\$4,780,693	0.9%	5%
Capital One Financial Corp	\$4,201,243	0.8%	5%
JPMorgan Chase & Co	\$3,830,956	0.8%	5%
Daimler Truck	\$3,471,310	0.7%	5%
Rabobank Nederland	\$3,257,167	0.6%	5%
American Express Co	\$3,237,483	0.6%	5%
Bmw Financial Services Na Llc	\$3,011,214	0.6%	5%
Citigroup Inc	\$2,693,274	0.5%	5%
USAA Auto Owner Trust2	\$2,661,112	0.5%	5%
Intl Bank Of Reconstruction And Dev	\$2,654,322	0.5%	15%
John Deere Owner Trust	\$2,566,738	0.5%	5%
Hyundai Auto Receivables	\$2,519,313	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,465,689	0.5%	5%
Deere & Company	\$2,447,218	0.5%	5%
Mercedes-Benz Group AG	\$2,441,581	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,437,704	0.5%	5%
Westpac Banking Corp	\$2,424,010	0.5%	5%
Asian Development Bank	\$2,422,286	0.5%	0%
National Rural Utilities Co Finance Corp	\$2,409,988	0.5%	5%
Honda Auto Receivables	\$2,386,328	0.5%	5%
American Honda Finance	\$2,359,991	0.5%	5%
Fifth Third Auto Trust	\$2,324,481	0.5%	5%
Natixis NY Branch	\$2,281,278	0.5%	5%
Intel Corporation	\$2,204,711	0.4%	5%
Wal-Mart Stores Inc	\$2,201,542	0.4%	5%
Government National Mortgage Association	\$2,164,387	0.4%	100%
National Australia Bank Ltd	\$2,159,056	0.4%	5%
Carmax Auto Owner Trust	\$2,111,268	0.4%	5%
Bank Of Montreal	\$2,091,179	0.4%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Northern Trust Corp	\$2,066,097	0.4%	5%
Roche Holdings	\$2,060,495	0.4%	5%
Comcast Corp	\$1,981,524	0.4%	5%
Analog Devices Inc	\$1,925,896	0.4%	5%
IBM Corp	\$1,896,030	0.4%	5%
Kubota Credit Owners Trust	\$1,827,576	0.4%	5%
Truist Financial Corp	\$1,602,370	0.3%	5%
META Platforms Inc	\$1,597,038	0.3%	5%
Bank Of New York Mellon	\$1,530,428	0.3%	5%
AstraZeneca Finance LLC	\$1,437,878	0.3%	5%
Bank Of Nova Scotia	\$1,419,276	0.3%	5%
Honeywell International	\$1,396,051	0.3%	5%
State Street Corporation	\$1,390,658	0.3%	5%
Unitedhealth Group Inc	\$1,379,535	0.3%	5%
Gm Financial Securitized Term	\$1,352,756	0.3%	5%
Toyota Motor Corp	\$1,304,186	0.3%	5%
Bank of America Auto Trust	\$1,289,795	1.0%	5%
Paccar Financial Corp	\$1,275,754	0.3%	5%
BMW Financial Services	\$1,260,981	0.2%	5%
Ally Auto Receivables Trust	\$1,212,770	0.2%	5%
Federal Home Loan Bank	\$1,130,761	0.2%	100%
Morgan Stanley	\$1,114,582	0.2%	5%
Target Corporation	\$1,017,740	0.2%	5%
Goldman Sachs Group Inc	\$987,511	0.2%	5%
US Bancorp	\$971,258	0.2%	5%
Ford Credit Auto Owner Trust	\$970,579	0.2%	5%
Caterpillar Inc	\$968,336	0.2%	5%
Lockheed Martin Corp	\$956,214	0.2%	5%
PNC Financial Services Group	\$922,757	0.2%	5%
CNH Equipment Trust	\$752,844	0.1%	5%
Nissan Auto Receivables	\$634,126	0.1%	5%
World Omni Auto Rec Trust	\$532,085	0.1%	5%
Unilever Plc	\$489,763	0.1%	5%
Chevron Corporation	\$471,935	0.1%	5%
Verizon Communications	\$446,208	0.1%	5%
Bristol-Myers Squibb Co	\$222,514	<0.1%	5%
State of Mississippi	\$175,770	<0.1%	5%
Total	\$506,548,068		

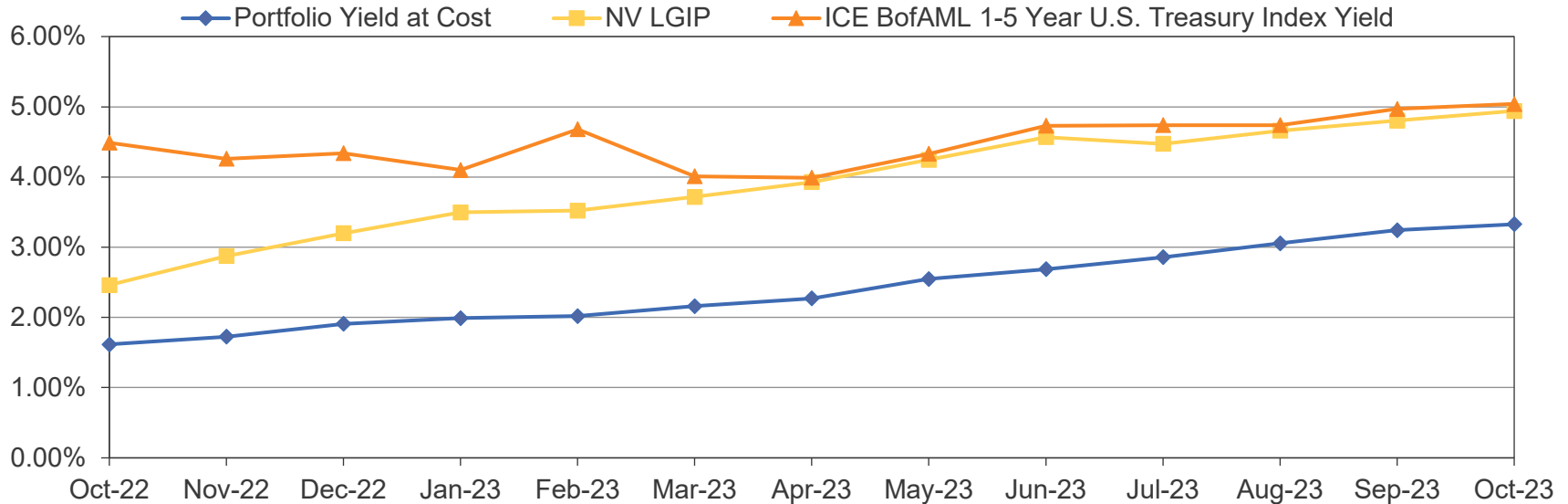
1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated September 2023.
4. Securities issued by Asian Development 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
10/31/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Oct-23	522,245,943	3.33%	2.30	4.94%	5.04%

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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