

City of Reno

Monthly Investment Report

November 30, 2023

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PFM Asset Management LLC

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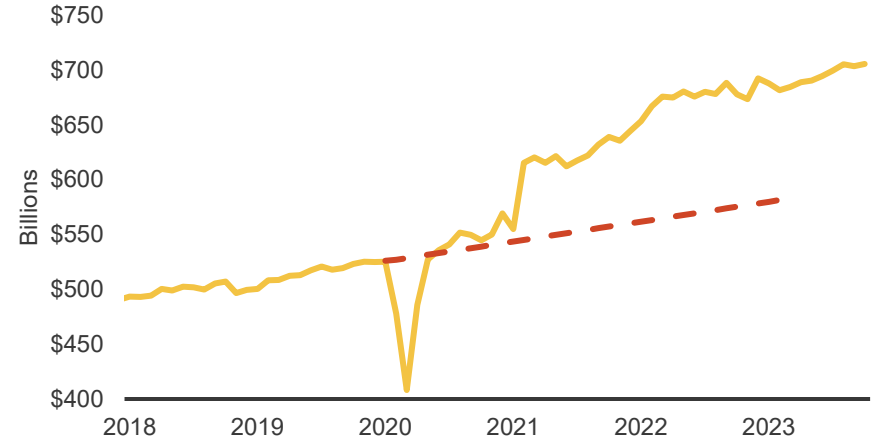
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Inflation Continues Path Lower While Spending Slows; The Unemployment Rate Dipped to 3.7%

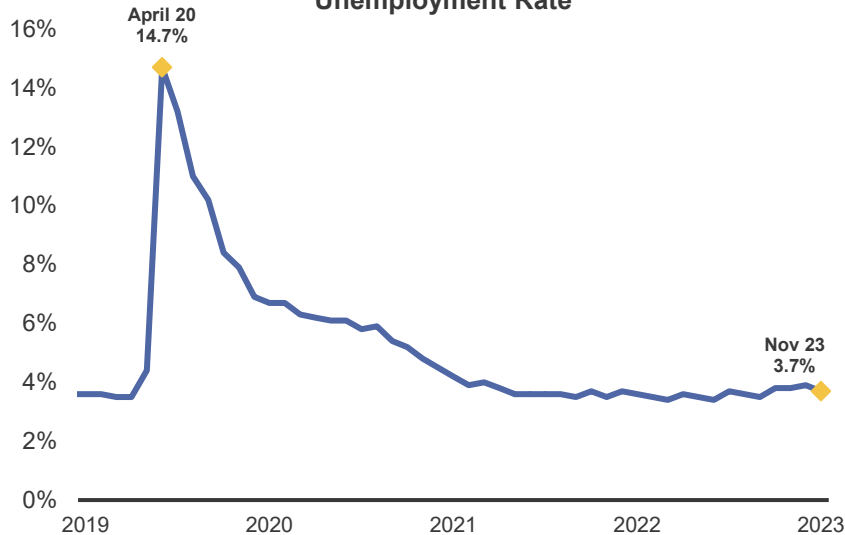
Consumer Price Index
% Change YoY



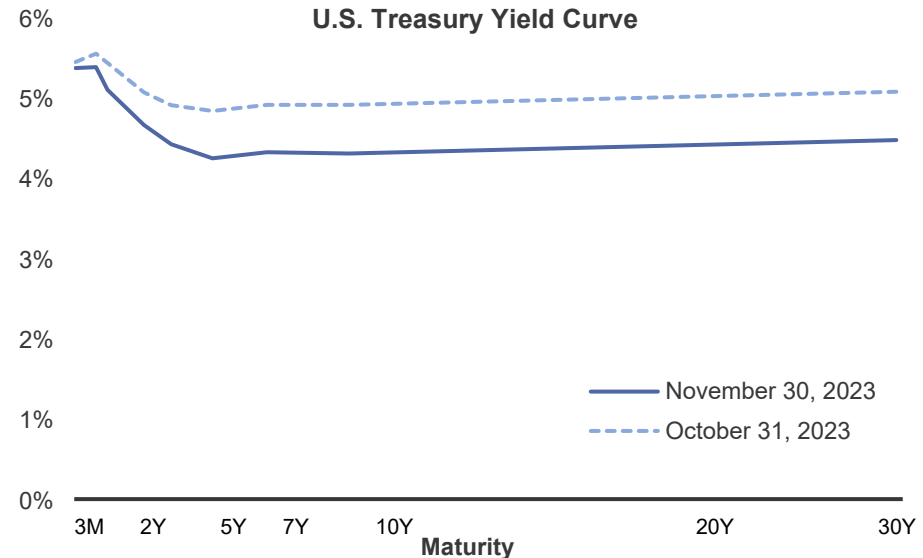
Retail Sales (Monthly)



Unemployment Rate



U.S. Treasury Yield Curve



Source: Bloomberg, Bureau of Labor Statistics as of November 2023 (Top Left). Bloomberg, as of November 2023, not adjusted for inflation (Top Right). Bureau of Labor Statistics. Bloomberg, as of November 2023. Data is seasonally adjusted. (Bottom Left). Bloomberg, as of November 30, 2023 (Bottom Right).

Market Summary

Economic Highlights

- ▶ The second estimate of third quarter gross domestic product accelerated to 5.2%, topping the initial 4.9% release. The increase reflected an upturn in most categories, while consumer spending was revised lower to 3.6% from 4%.
- ▶ The November employment report showed non-farm payrolls increasing by 199,000, which was mostly in line with expectations. The unemployment rate ticked down to 3.7% from 3.9% the month prior. The labor force participation rate inched back up to 62.8%, which is the highest rate seen since the pandemic.
- ▶ After registering 3.7% in August and September, headline CPI fell to a lower-than-expected 3.2% in October with higher shelter costs offsetting lower gasoline prices. Core inflation, which excludes food and energy, fell from 4.1% to 4.0%, also below forecasts. While both metrics of prices have consistently trended lower over the past several months, inflation is still above the Fed's target of 2%.
- ▶ Following two unchanged rate decisions, Fed minutes from November's Federal Open Market Committee meeting noted that "finances of some households [...] were increasingly coming under pressure" and that "while labor market conditions remained tight, they had eased since earlier in the year." As a result, markets inferred a cautious approach to further rate action, removing additional hikes from fed funds futures and pulling the first cut forward to the spring of 2024.
- ▶ Retail sales (which do not adjust for inflation) decreased in October for the first time in seven months and personal spending rose by the smallest amount in five months. While the consumer remains resilient and a tailwind to economic prospects, minor cracks have started to appear.

Market Reaction

- ▶ Overall, U.S. Treasury yields rallied substantially as markets now widely accept and expect the Fed has likely reached the peak overnight target of this tightening cycle. The benchmark 2-, 5-, and 10-year U.S. Treasury notes finished the month at 4.68%, 4.27%, and 4.33%, Moving down -41, -59, and -60 basis points during November, respectively.
- ▶ As a result of significantly lower yields, the ICE BofA 2-, 5-, and 10-year U.S. Treasury indices generated strong returns for the month: 0.98%, 2.62%, and 4.78%, respectively.
- ▶ Stocks broke a three-month losing streak while posting their best month in over a year. All three major U.S. stock indexes ended November notably higher, with the Dow Jones Industrial Average setting an all-time high.

Summary of the City's Funds

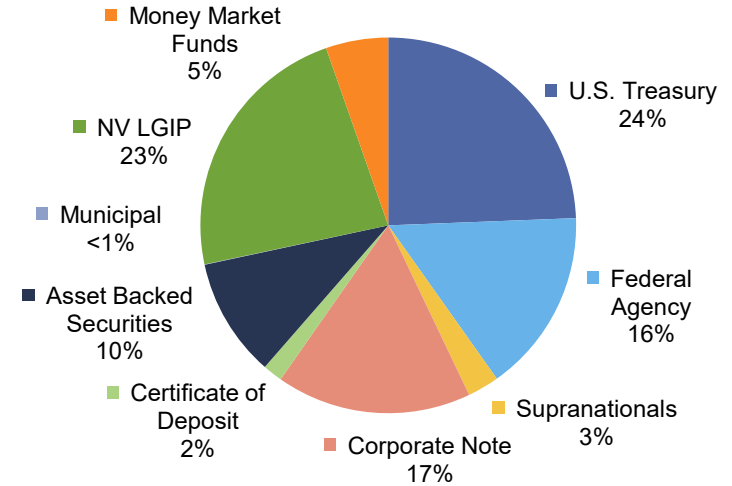
City of Reno as of
11/30/23

City of Reno Funds	Market Value ¹
Core Portfolio	\$339,240,397
Liquidity Portfolio	\$23,231,328
Liquid Funds	\$143,276,386
<i>Nevada LGIP</i>	<i>\$116,096,980</i>
<i>U.S. Bank</i>	<i>\$2,073,707</i>
<i>Wells Fargo</i>	<i>\$25,105,699</i>
Managed Account Subtotal	\$505,748,110
Reserve Fund Portfolios	\$9,696,430
Total	\$515,444,540

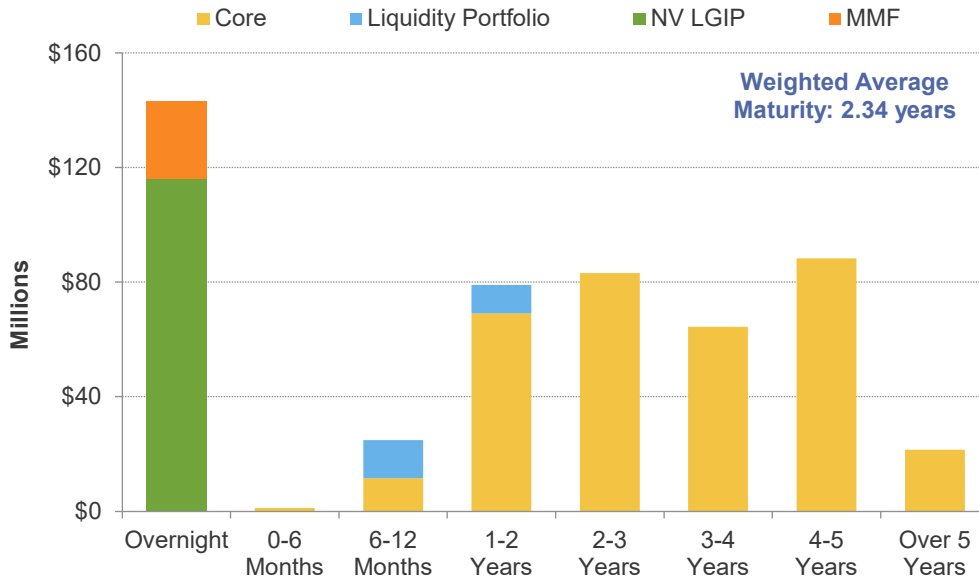
1. Market Values exclude accrued interest

Account Summary	Ending Values as of 10/31/23	Ending Values as of 11/30/23
Market Value	\$506,548,068	\$505,748,110
Book Value	\$522,245,943	\$516,363,113
Unrealized Gain/(Loss)	(\$15,697,875)	(\$10,615,003)
Yield at Market	5.22%	4.82%
Yield at Cost	3.33%	3.46%

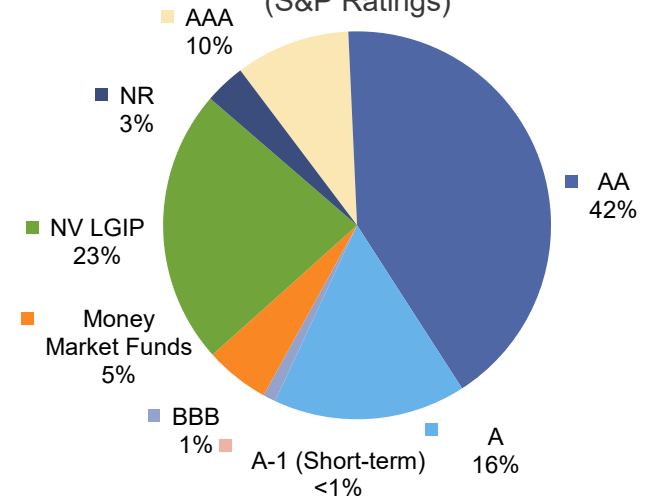
Allocation by Security Type



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
11/30/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$123,326,541	24.4%	100%
Federal Agency	\$79,945,594	15.8%	100%
Supranationals	\$13,762,423	2.7%	15%
Corporate Note	\$84,980,157	16.8%	20%
Certificate of Deposit	\$8,578,028	1.7%	30%
Asset Backed Securities	\$51,702,125	10.2%	30%
Municipal	\$176,856	<0.1%	20%
NV LGIP	\$116,096,980	23.0%	100%
Money Market Funds	\$27,179,406	5.4%	100%
Total Market Value	\$505,748,110	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$143,276,386	28.3%	No Limit
0-6 Months	\$1,195,000	0.2%	No Limit
6-12 Months	\$24,861,456	4.9%	No Limit
1-2 Years	\$78,992,588	15.6%	No Limit
2-3 Years	\$83,133,741	16.4%	No Limit
3-4 Years	\$64,454,088	12.7%	No Limit
4-5 Years	\$88,327,269	17.5%	No Limit
Over 5 Years	\$21,507,582	4.3%	No Limit
Total Market Value	\$505,748,110	100.0%	

Accrual Basis Earnings ⁴	10/31/23 through 11/30/23
Total Estimated Earnings	\$662,852

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
11/30/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
Money Market Funds	\$143,276,386	28.3%	100%
U.S. Treasury	\$123,326,541	24.4%	100%
Federal Home Loan Mortgage Corporation	\$53,024,830	10.5%	100%
Federal National Mortgage Association	\$20,002,722	4.0%	100%
Bank Of America Co	\$9,360,965	1.9%	5%
Toronto-Dominion Bank	\$6,576,677	1.3%	5%
Discover Financial Services	\$5,788,468	1.1%	5%
Wells Fargo & Company	\$5,251,308	1.0%	5%
African Development Bank	\$5,107,478	1.0%	0%
Royal Bank Of Canada	\$4,887,000	1.0%	5%
Capital One Financial Corp	\$4,250,527	0.8%	5%
JPMorgan Chase & Co	\$3,870,896	0.8%	5%
Bank of America Auto Trust	\$3,607,670	0.7%	5%
Daimler Truck	\$3,486,094	0.7%	5%
American Express Co	\$3,265,263	0.6%	5%
Rabobank Nederland	\$3,259,148	0.6%	5%
Bmw Financial Services Na Llc	\$3,046,339	0.6%	5%
Mitsubishi Ufj Financial Group Inc	\$3,001,539	0.6%	5%
Citigroup Inc	\$2,717,210	0.5%	5%
USAA Auto Owner Trust	\$2,688,811	0.5%	5%
Intl Bank Of Reconstruction And Dev	\$2,679,045	0.5%	15%
John Deere Owner Trust	\$2,580,518	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,528,387	0.5%	5%
Hyundai Auto Receivables	\$2,513,234	0.5%	5%
Deere & Company	\$2,509,334	0.5%	5%
Mercedes-Benz Group AG	\$2,491,755	0.5%	5%
National Rural Utilities Co Finance Corp	\$2,456,245	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,454,534	0.5%	5%
Asian Development Bank	\$2,454,474	0.5%	0%
Westpac Banking Corp	\$2,432,648	0.5%	5%
American Honda Finance	\$2,416,947	0.5%	5%
Honda Auto Receivables	\$2,386,625	0.5%	5%
Fifth Third Auto Trust	\$2,340,980	0.5%	5%
Natixis NY Branch	\$2,319,780	0.5%	5%
Intel Corporation	\$2,262,040	0.4%	5%
Wal-Mart Stores Inc	\$2,256,318	0.4%	5%
National Australia Bank Ltd	\$2,208,626	0.4%	5%
Government National Mortgage Association	\$2,204,749	0.4%	100%
Northern Trust Corp	\$2,136,484	0.4%	5%
Bank Of Montreal	\$2,125,489	0.4%	5%
Carmax Auto Owner Trust	\$2,086,653	0.4%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Roche Holdings	\$2,076,015	0.4%	5%
Comcast Corp	\$2,036,866	0.4%	5%
Inter-American Development Bank	\$2,016,234	0.4%	15%
Analog Devices Inc	\$1,988,684	0.4%	5%
IBM Corp	\$1,941,988	0.4%	5%
Kubota Credit Owners Trust	\$1,761,737	0.3%	5%
META Platforms Inc	\$1,638,826	0.3%	5%
Truist Financial Corp	\$1,612,515	0.3%	5%
Bank Of New York Mellon	\$1,575,677	0.3%	5%
International Finance Corporation	\$1,505,192	0.3%	15%
AstraZeneca Finance LLC	\$1,460,285	0.3%	5%
Bank Of Nova Scotia	\$1,434,401	0.3%	5%
Honeywell International	\$1,430,376	0.3%	5%
State Street Corporation	\$1,411,586	0.3%	5%
Unitedhealth Group Inc	\$1,409,948	0.3%	5%
Volkswagen Auto	\$1,407,340	0.3%	5%
Gm Financial Securitized Term	\$1,349,053	0.3%	5%
Toyota Motor Corp	\$1,323,510	0.3%	5%
Paccar Financial Corp	\$1,305,590	0.3%	5%
BMW Financial Services	\$1,268,936	0.3%	5%
Ally Auto Receivables Trust	\$1,220,751	0.2%	5%
Morgan Stanley	\$1,120,352	0.2%	5%
Target Corporation	\$1,038,583	0.2%	5%
Goldman Sachs Group Inc	\$992,377	0.2%	5%
Lockheed Martin Corp	\$987,479	0.2%	5%
Ford Credit Auto Owner Trust	\$981,426	0.2%	5%
US Bancorp	\$978,264	0.2%	5%
Caterpillar Inc	\$977,350	0.2%	5%
PNC Financial Services Group	\$929,958	0.2%	5%
CNH Equipment Trust	\$717,134	0.1%	5%
Nissan Auto Receivables	\$645,112	0.1%	5%
Federal Home Loan Bank	\$633,041	0.1%	100%
Pepsico Inc	\$610,944	0.1%	5%
World Omni Auto Rec Trust	\$500,684	0.1%	5%
Unilever Plc	\$492,178	0.1%	5%
Chevron Corporation	\$476,157	0.1%	5%
Verizon Communications	\$448,785	0.1%	5%
Bristol-Myers Squibb Co	\$225,188	<0.1%	5%
State of Mississippi	\$176,856	<0.1%	5%
Total	\$505,748,110		

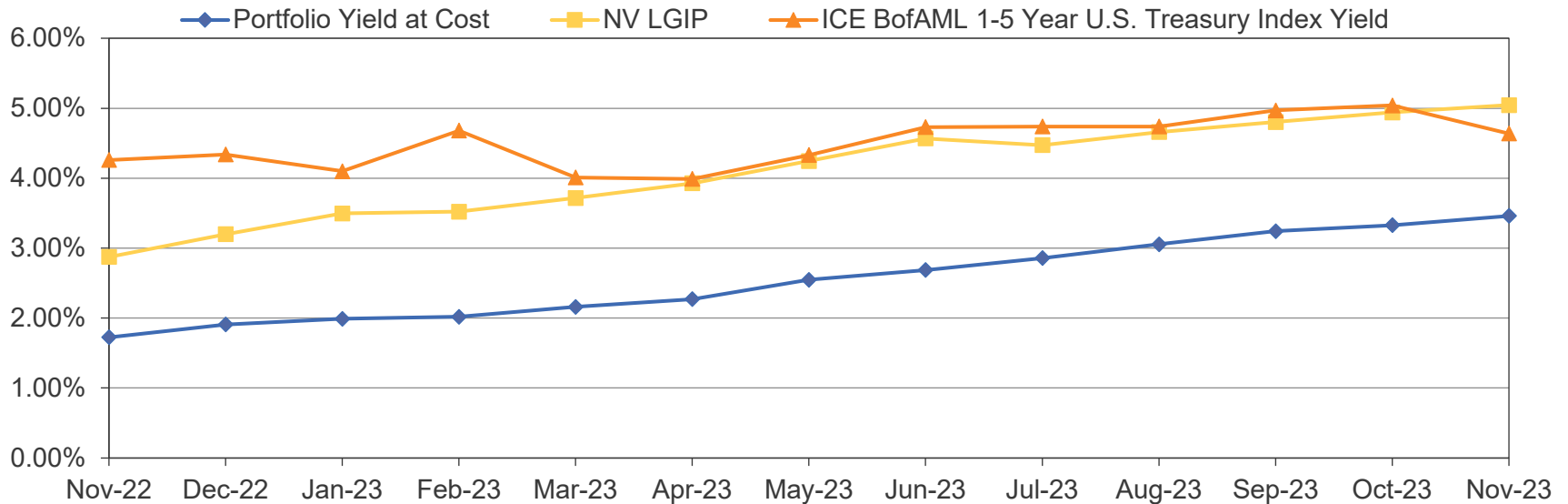
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2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated September 2023.
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

Portfolio Yield Summary

City of Reno as of
11/30/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Nov-23	516,363,113	3.46%	2.34	5.04%	4.64%

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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