

City of Reno

Monthly Investment Report

December 31, 2023

480-271-0432 | pfmam.com

PFM Asset Management LLC

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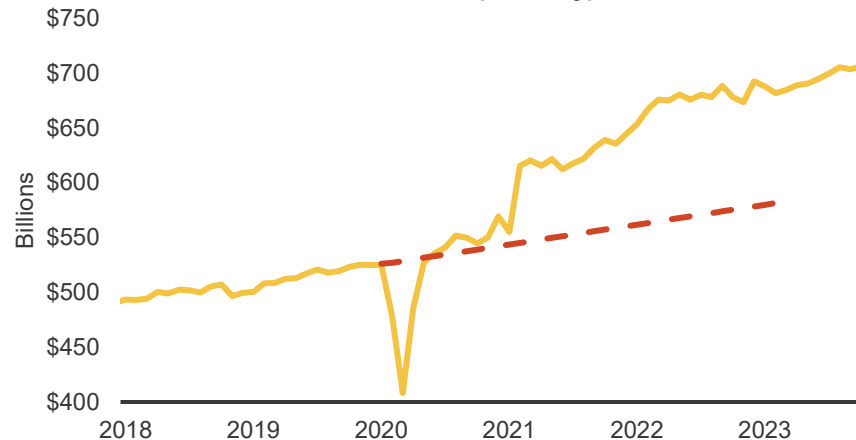
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Inflation Continued Path Lower, While Spending Slows; The Unemployment Rate at 3.7%

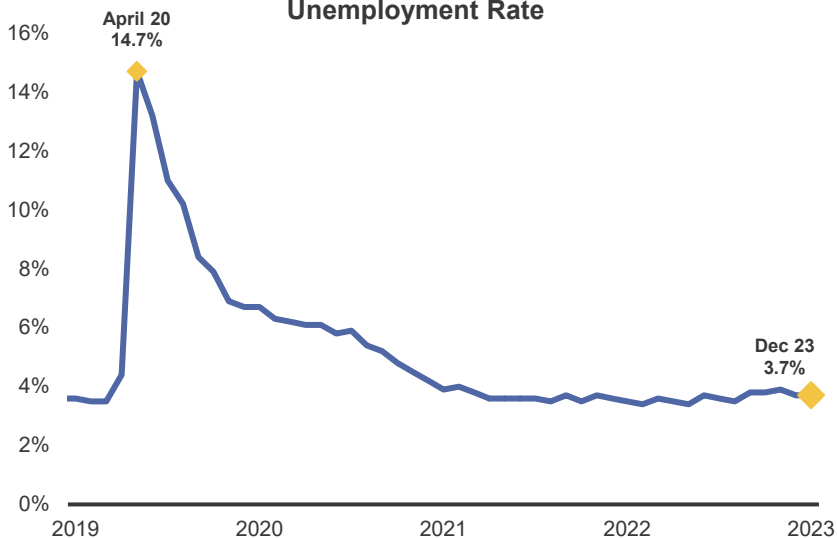
Consumer Price Index
% Change YoY



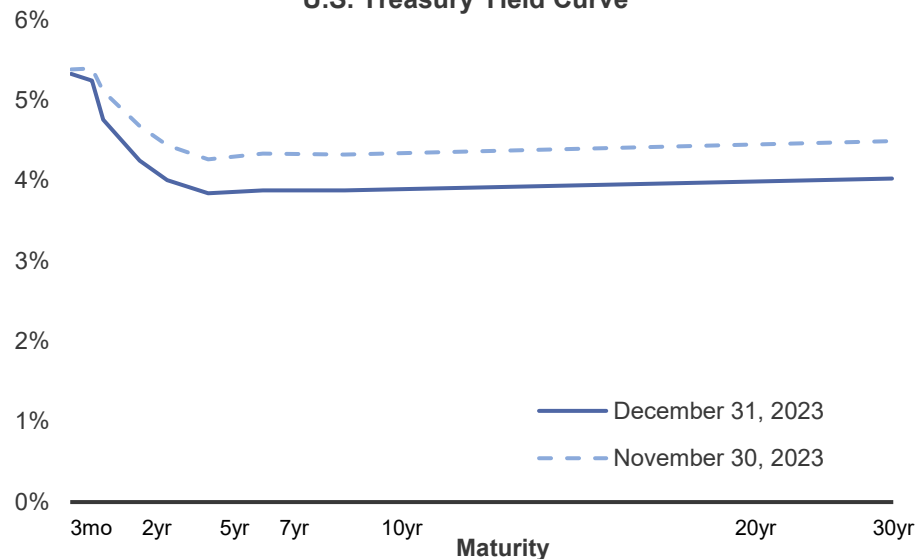
Retail Sales (Monthly)



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 December 2023. Data is seasonally adjusted. (Bottom Left). Bloomberg, as of December 31, 2023 (Bottom Right).

Market Summary

Economic Highlights

- ▶ The December employment report showed non-farm payrolls increased by 216,000, beating expectations, while the unemployment rate was unchanged at 3.7%. For the year, nonfarm payrolls showed 225,000 new jobs created per month, down from 2022's blistering pace of 399,000, while the unemployment rate increased modestly from its historically low level at the beginning of the year. The number of job openings also fell to the lowest level since March 2021, pointing to a labor market that continues to moderate.
- ▶ Inflation (measured by the year-over-year (YoY) change in the consumer price index (CPI)) fell to 3.1% in November as lower energy prices continue to offset higher shelter costs. The Fed's preferred gauge of inflation, the Personal Consumption Expenditure (PCE) index, fell slightly on a month-over-month basis between October and November, the first monthly decline in more than 3.5 years.
- ▶ At the conclusion of its meeting on December 13, a surprisingly dovish Federal Reserve (Fed) suggested it had likely reached the end of its historic rate-hiking cycle. In addition to maintaining the overnight target rate at its current range of 5.25% to 5.50%, the Fed published an updated "dot plot" showing a total of three 25 basis point (bps) rate cuts by the end of 2024, more than previously projected. Yields fell notably as a result.
- ▶ After a disappointing October, retail sales (which are not adjusted for inflation) surprised to the upside in November, by increasing 0.3%. Lower prices at the gas pump helped fuel a stronger-than-expected start to the holiday shopping season. Eight of 13 spending categories showed growth, including sales at food services and drinking places, non-store retailers, health and personal care and furniture stores.

Market Reaction

- ▶ U.S. Treasury yields continued their descent from the multiyear highs reached in October and rallied significantly into year-end. The Fed's dovish tone added downward pressure on yields as policymakers appeared to affirm that easier monetary policy may be the most likely outcome in 2024. During the month, the yield on 6-month, 2-year, and 5-year Treasuries declined by 14 bps (0.14%), 43 bps (0.43%), and 42 bps (0.42%), respectively.
- ▶ As a result of plunging yields, the ICE BofA 2-, 5-, and 10- year Treasury indices returned 1.12%, 2.30%, and 4.04%, respectively, for the month.

Summary of the City's Funds

City of Reno as of
12/31/23

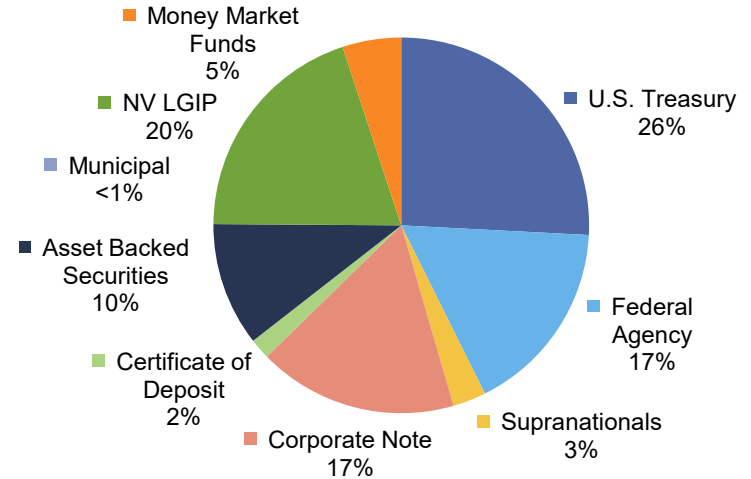
City of Reno Funds	Market Value ¹
Core Portfolio	\$342,425,143
Liquidity Portfolio	\$23,334,904
Liquid Funds	\$121,220,917
<i>Nevada LGIP</i>	<i>\$96,584,990</i>
<i>U.S. Bank</i>	<i>\$2,246,575</i>
<i>Wells Fargo</i>	<i>\$22,389,351</i>
Managed Account Subtotal	\$486,980,964
Reserve Fund Portfolios	\$10,324,490
Total	\$497,305,454

1. Market Values exclude accrued interest

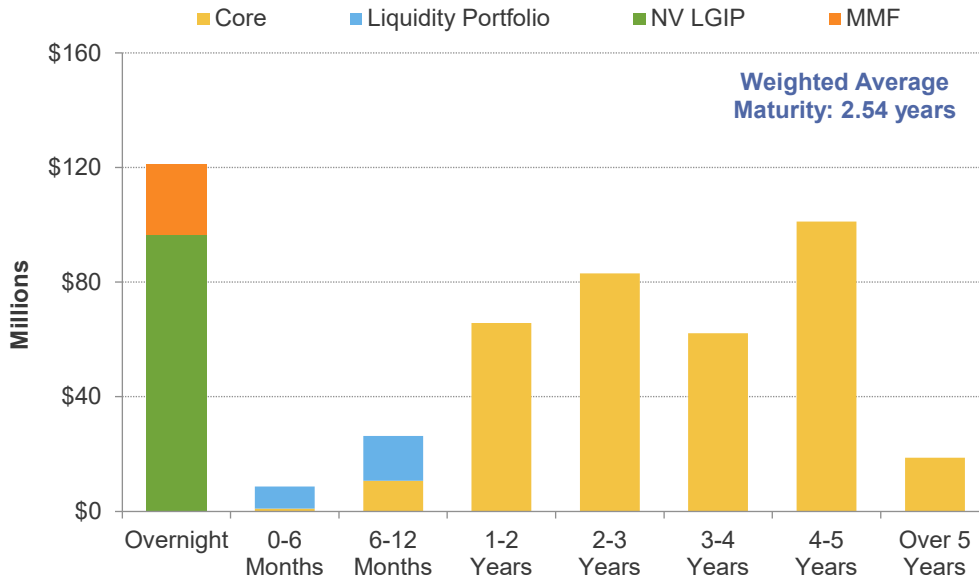


Account Summary	Ending Values as of 11/30/23	Ending Values as of 12/31/23
Market Value	\$505,748,110	\$486,980,964
Book Value	\$516,363,113	\$492,724,153
Unrealized Gain/(Loss)	(\$10,615,003)	(\$5,743,189)
Yield at Market	4.82%	4.42%
Yield at Cost	3.46%	3.54%

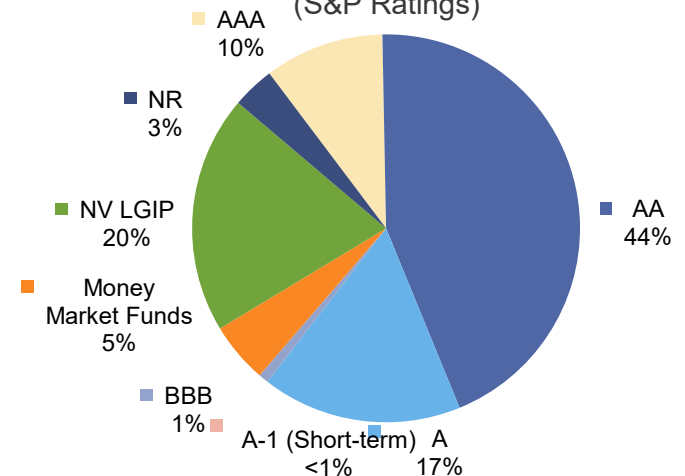
Allocation by Security Type



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
12/31/23

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$125,724,291	25.8%	100%
Federal Agency	\$81,975,214	16.8%	100%
Supranationals	\$13,933,724	2.9%	15%
Corporate Note	\$83,644,065	17.2%	20%
Certificate of Deposit	\$8,668,878	1.8%	30%
Asset Backed Securities	\$51,813,875	10.6%	30%
NV LGIP	\$96,584,990	19.8%	100%
Money Market Funds	\$24,635,927	5.1%	100%
Total Market Value	\$486,980,964	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$121,220,917	24.9%	No Limit
0-6 Months	\$8,706,261	1.8%	No Limit
6-12 Months	\$26,289,158	5.4%	No Limit
1-2 Years	\$65,734,979	13.5%	No Limit
2-3 Years	\$83,012,691	17.0%	No Limit
3-4 Years	\$62,174,115	12.8%	No Limit
4-5 Years	\$101,096,250	20.8%	No Limit
Over 5 Years	\$18,746,594	3.8%	No Limit
Total Market Value	\$486,980,964	100.0%	

Accrual Basis Earnings ⁴	11/30/23 through 12/31/23
Total Estimated Earnings	\$875,622

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
12/31/23

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$125,724,291	25.8%	100%
Money Market Funds	\$121,220,917	24.9%	100%
Federal Home Loan Mortgage Corporation	\$55,433,001	11.4%	100%
Federal National Mortgage Association	\$20,168,525	4.1%	100%
Bank Of America Co	\$9,464,046	1.9%	5%
Toronto-Dominion Bank	\$6,706,866	1.4%	5%
Discover Financial Services	\$5,855,959	1.2%	5%
Wells Fargo & Company	\$5,315,428	1.1%	5%
African Development Bank	\$5,175,751	1.1%	0%
Royal Bank Of Canada	\$4,956,968	1.0%	5%
Capital One Financial Corp	\$4,292,347	0.9%	5%
JPMorgan Chase & Co	\$3,914,221	0.8%	5%
Bank of America Auto Trust	\$3,660,642	0.8%	5%
Daimler Truck	\$3,500,430	0.7%	5%
American Express Co	\$3,295,452	0.7%	5%
Rabobank Nederland	\$3,261,137	0.7%	5%
Bmw Financial Services Na Llc	\$3,078,600	0.6%	5%
Mitsubishi Ufj Financial Group Inc	\$3,014,589	0.6%	5%
Intl Bank Of Reconstruction And Dev	\$2,709,956	0.6%	15%
USAA Auto Owner Trust	\$2,704,603	0.6%	5%
John Deere Owner Trust	\$2,602,636	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,572,391	0.5%	5%
Deere & Company	\$2,564,305	0.5%	5%
Mercedes-Benz Group AG	\$2,536,938	0.5%	5%
National Rural Utilities Co Finance Corp	\$2,500,983	0.5%	5%
Asian Development Bank	\$2,484,468	0.5%	0%
American Honda Finance	\$2,472,914	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,467,892	0.5%	5%
Westpac Banking Corp	\$2,460,545	0.5%	5%
Hyundai Auto Receivables	\$2,455,333	0.5%	5%
Honda Auto Receivables	\$2,390,328	0.5%	5%
Fifth Third Auto Trust	\$2,360,565	0.5%	5%
Natixis NY Branch	\$2,350,186	0.5%	5%
Intel Corporation	\$2,300,380	0.5%	5%
Wal-Mart Stores Inc	\$2,286,419	0.5%	5%
National Australia Bank Ltd	\$2,250,161	0.5%	5%
Government National Mortgage Association	\$2,241,213	0.5%	100%
Northern Trust Corp	\$2,170,126	0.4%	5%
Bank Of Montreal	\$2,147,430	0.4%	5%
Roche Holdings	\$2,091,404	0.4%	5%
Comcast Corp	\$2,066,144	0.4%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Carmax Auto Owner Trust	\$2,065,804	0.4%	5%
Analog Devices Inc	\$2,042,110	0.4%	5%
Inter-American Development Bank	\$2,041,809	0.4%	15%
IBM Corp	\$1,975,680	0.4%	5%
Kubota Credit Owners Trust	\$1,702,166	0.3%	5%
META Platforms Inc	\$1,673,925	0.3%	5%
Bank Of New York Mellon	\$1,610,813	0.3%	5%
International Finance Corporation	\$1,521,740	0.3%	15%
AstraZeneca Finance LLC	\$1,479,851	0.3%	5%
Honeywell International	\$1,451,302	0.3%	5%
Bank Of Nova Scotia	\$1,444,911	0.3%	5%
State Street Corporation	\$1,434,991	0.3%	5%
Unitedhealth Group Inc	\$1,429,591	0.3%	5%
Volkswagen Auto	\$1,413,363	0.3%	5%
Citigroup Inc	\$1,396,178	0.3%	5%
Gm Financial Securitized Term	\$1,347,846	0.3%	5%
Toyota Motor Corp	\$1,342,431	0.3%	5%
Paccar Financial Corp	\$1,335,920	0.3%	5%
BMW Financial Services	\$1,258,949	0.3%	5%
Ally Auto Receivables Trust	\$1,234,594	0.3%	5%
Morgan Stanley	\$1,131,824	0.2%	5%
Target Corporation	\$1,054,496	0.2%	5%
Lockheed Martin Corp	\$1,004,696	0.2%	5%
Goldman Sachs Group Inc	\$996,275	0.2%	5%
Ford Credit Auto Owner Trust	\$990,437	0.2%	5%
Caterpillar Inc	\$983,821	0.2%	5%
US Bancorp	\$982,756	0.2%	5%
PNC Financial Services Group	\$933,975	0.2%	5%
CNH Equipment Trust	\$664,249	0.1%	5%
Nissan Auto Receivables	\$645,821	0.1%	5%
Pepsico Inc	\$617,322	0.1%	5%
Unilever Plc	\$494,497	0.1%	5%
Chevron Corporation	\$479,590	0.1%	5%
World Omni Auto Rec Trust	\$469,846	0.1%	5%
Verizon Communications	\$451,726	0.1%	5%
Truist Financial Corp	\$421,808	0.1%	5%
Bristol-Myers Squibb Co	\$227,364	0.0%	5%
Total	\$486,980,964		

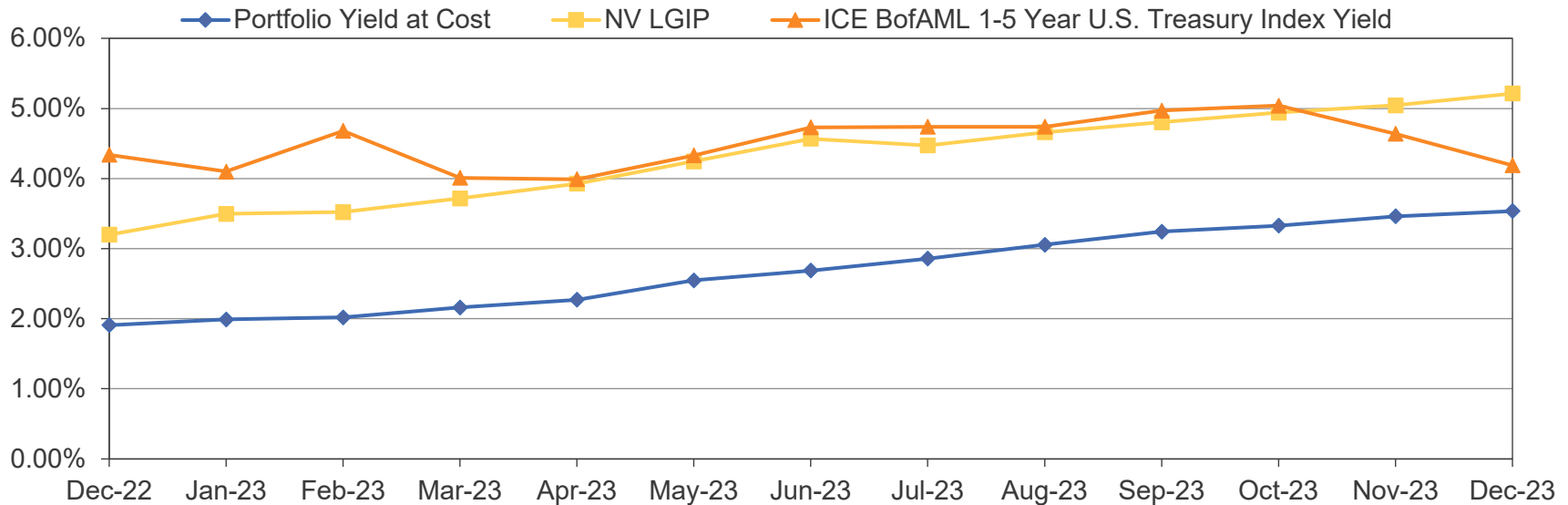
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2. Money Market Funds include the Bank of America, U.S. Bank, and Wells Fargo balances.
3. Investment policy dated September 2023.
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior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

Portfolio Yield Summary

City of Reno as of
12/31/23

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Dec-23	492,724,153	3.54%	2.37	5.21%	4.19%

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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