

# City of Reno

## Monthly Investment Report

February 29, 2024

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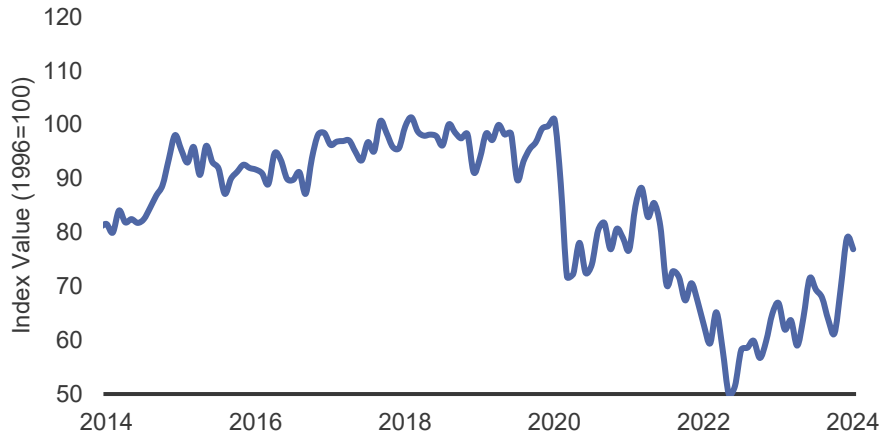
*PFM Asset Management LLC*

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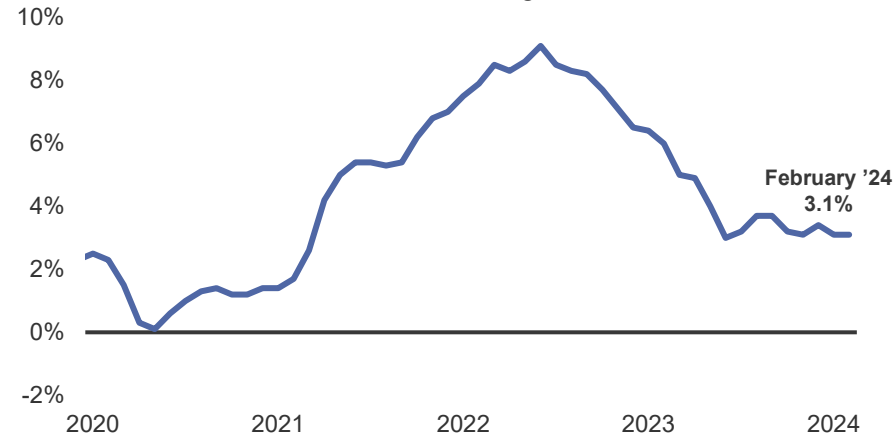
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# Large Revisions Temper Another Strong Jobs Report; Treasury Yields Slightly Higher

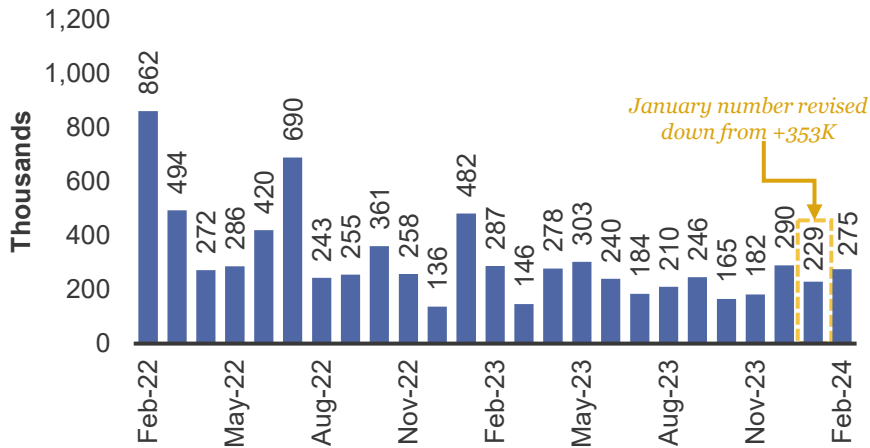
### Consumer Sentiment Index



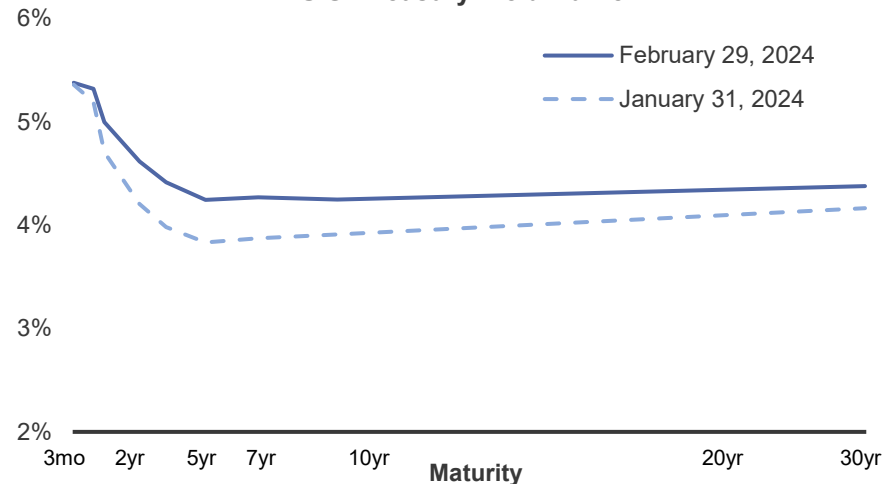
### Consumer Price Index % Change YoY



### Monthly Change In Nonfarm Payrolls



### U.S. Treasury Yield Curve



Source: Bloomberg, University of Michigan Consumer Sentiment and underlying index components, as of February 2024. (Top Left). Bloomberg, Bureau of Labor Statistics as of February 2024 (Top Right). Bureau of Labor Statistics. Bloomberg, as of February 2024. Data is seasonally adjusted. (Bottom Left). Bloomberg, as of February 29, 2024 (Bottom Right).

# Market Summary

## Economic Highlights

- ▶ While inflation, as measured by the change in the Personal Consumption Expenditures Price Index (PCE), fell on a year-over-year (YoY) basis to 2.4% in January, the month-over-month (MoM) reading of 0.3% showed prices increasing at a faster pace relative to the prior month. Similarly, Core PCE (which excludes volatile food and energy components) increased at a faster pace of 0.4% on a MoM basis but fell slightly on a YoY basis to 2.8%. While still above the Fed's target of 2% on a YoY basis, this marks the thirteenth straight month of falling Core PCE levels.
- ▶ Monthly job growth in February beat expectations with a print of 275,000; however, the January and December readings were revised lower, moderating the impact of the release. The unemployment rate remained below 4% for the twenty-fourth consecutive month, ticking up to 3.9% from 3.7%, while wage growth continues to outpace inflation.
- ▶ The second estimate for Q4 real gross domestic product of 3.2% was in line with the previous initial estimates of 3.3%. Consumer spending was revised upward as the revised Q4 reading of 3.0% continued Q3's torrid 3.1% pace.
- ▶ The market spent the majority of February adjusting its expectations after a higher-than-expected inflation reading and Federal Reserve (Fed) commentary pushed back on the notion that a rate cut was imminent. While the market entered the month thinking the Fed could start easing monetary policy as early as May, Fed funds futures now show it is more likely that the first-rate cut will occur in June or July instead. Market expectations are now more closely aligned to Fed forecasts from the December Federal Open Market Committee (FOMC) meeting as it expects three or four total cuts in 2024 — down from the five or six originally priced in for this year.

## Market Reaction

- ▶ U.S. Treasury yields on maturities greater than one year increased through February as markets adjusted their rate cut assumptions. Short-term yields remained above 5% as Fed rate policy was unchanged, resulting in the yield curve remaining deeply inverted. The yields on benchmark 2-, 5-, and 10-year U.S. Treasuries jumped over the month, ending at 4.62%, 4.24%, and 4.25%, respectively, representing increases of +41, +40, and +34 basis points for the month.
- ▶ The increase in yields over the month resulted in bond returns that were firmly negative with the longest-duration strategies performing the worst. The ICE BofA 2-, 5-, and 10-year Treasury indices returned -0.47%, -1.45%, and -2.06%, respectively..
- ▶ The wave of positive sentiment remained through February and equity markets continued their stellar pace. The S&P 500 Index broke the heady 5,000 mark for the first time in the index's history, ending the month 5.3% higher.

# Summary of the City's Funds

City of Reno as of  
2/29/24

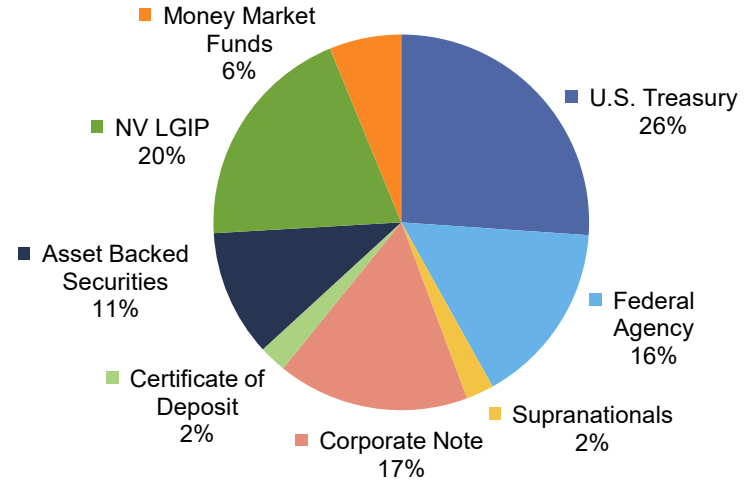
City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$342,991,116
Liquidity Portfolio	\$23,403,847
Liquid Funds	\$128,209,219
<i>Nevada LGIP</i>	<i>\$97,552,426</i>
<i>U.S. Bank</i>	<i>\$2,961,341</i>
<i>Wells Fargo</i>	<i>\$27,695,452</i>
<b>Managed Account Subtotal</b>	<b>\$494,604,181</b>
Reserve Fund Portfolios	\$12,087,828
<b>Total</b>	<b>\$506,692,009</b>

1. Market Values exclude accrued interest

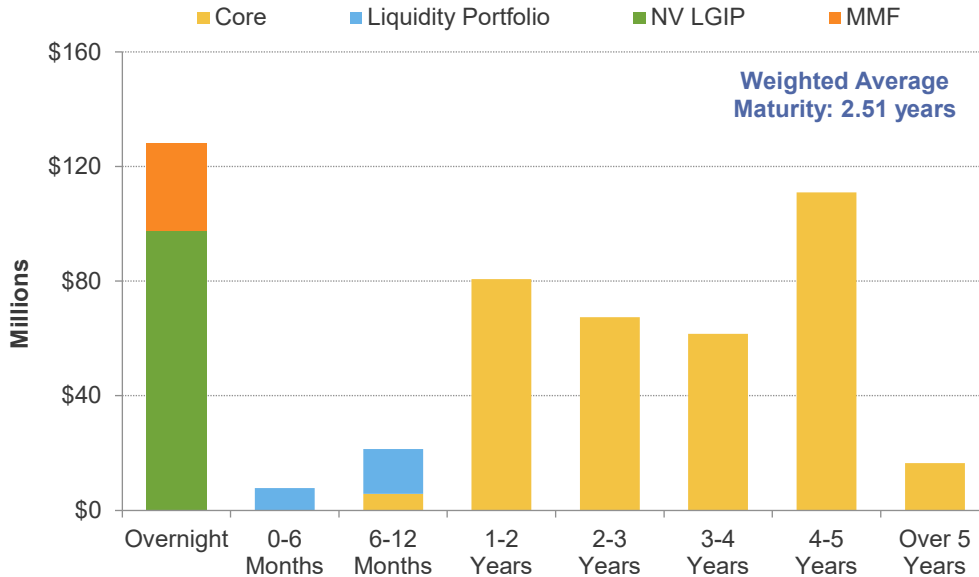


Account Summary	Ending Values as of 1/31/24	Ending Values as of 2/29/24
Market Value	\$504,259,510	\$494,604,181
Book Value	\$509,623,014	\$502,600,515
Unrealized Gain/(Loss)	(\$5,363,503)	(\$7,996,333)
Yield at Market	4.45%	4.76%
Yield at Cost	3.60%	3.71%

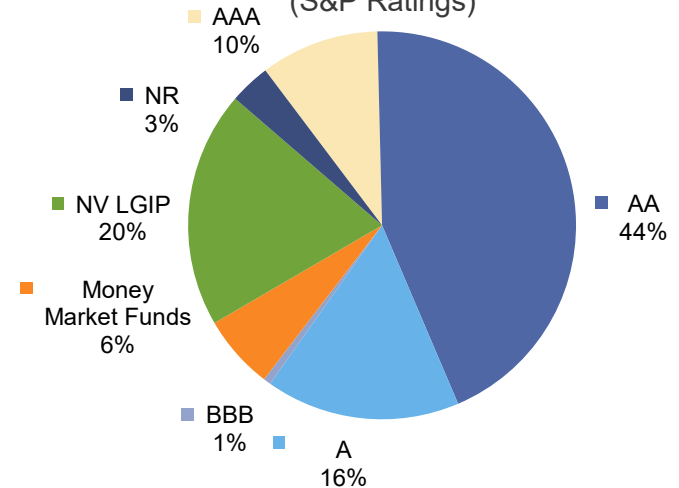
## Allocation by Security Type



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

City of Reno as of  
2/29/24

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$129,034,166	26.1%	100%
Federal Agency	\$78,290,897	15.8%	100%
Supranationals	\$11,840,779	2.4%	15%
Corporate Note	\$81,683,516	16.5%	20%
Certificate of Deposit	\$11,674,766	2.4%	30%
Asset Backed Securities	\$53,870,838	10.9%	30%
NV LGIP	\$97,552,426	19.7%	100%
Money Market Funds	\$30,656,793	6.2%	100%
<b>Total Market Value</b>	<b>\$494,604,181</b>	<b>100.0%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$128,209,219	25.9%	No Limit
0-6 Months	\$7,751,503	1.6%	No Limit
6-12 Months	\$21,431,764	4.3%	No Limit
1-2 Years	\$80,705,913	16.3%	No Limit
2-3 Years	\$67,442,972	13.6%	No Limit
3-4 Years	\$61,630,641	12.5%	No Limit
4-5 Years	\$110,980,760	22.4%	No Limit
Over 5 Years	\$16,451,410	3.3%	No Limit
<b>Total Market Value</b>	<b>\$494,604,181</b>	<b>100.0%</b>	

Accrual Basis Earnings <sup>4</sup>	1/31/24 through 2/29/24
<b>Total Estimated Earnings</b>	<b>\$714,636</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  
2/29/24

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$129,034,166	26.1%	100%
Nevada LGIP	\$97,552,426	19.7%	100%
Federal Home Loan Mortgage Corporation	\$53,714,315	10.9%	100%
Money Market Funds	\$30,656,793	6.2%	100%
Federal National Mortgage Association	\$19,841,800	4.0%	100%
Bank Of America Co	\$9,389,652	1.9%	5%
Toronto-Dominion Bank	\$6,651,981	1.3%	5%
African Development Bank	\$5,152,642	1.0%	0%
Royal Bank Of Canada	\$4,933,328	1.0%	5%
Discover Financial Services	\$4,754,065	1.0%	5%
Wells Fargo & Company	\$3,764,371	0.8%	5%
Bank of America Auto Trust	\$3,630,460	0.7%	5%
Daimler Truck	\$3,484,200	0.7%	5%
Rabobank Nederland	\$3,317,236	0.7%	5%
American Express Co	\$3,281,967	0.7%	5%
Mitsubishi Ufj Financial Group Inc	\$3,003,609	0.6%	5%
Wells Fargo Card Issuance Trust	\$3,002,215	0.6%	5%
Credit Agricole SA	\$2,999,572	0.6%	5%
Capital One Financial Corp	\$2,884,314	0.6%	5%
Intl Bank Of Reconstruction And Dev	\$2,706,708	0.5%	15%
USAA Auto Owner Trust	\$2,695,922	0.5%	5%
Chase Issance	\$2,590,526	0.5%	5%
John Deere Owner Trust	\$2,587,253	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,553,856	0.5%	5%
Deere & Company	\$2,523,825	0.5%	5%
Mercedes-Benz Group AG	\$2,507,349	0.5%	5%
Bmw Financial Services Na Llc	\$2,482,120	0.5%	5%
Asian Development Bank	\$2,477,581	0.5%	0%
National Rural Utilities Co Finance Corp	\$2,465,647	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,462,592	0.5%	5%
Westpac Banking Corp	\$2,449,400	0.5%	5%
American Honda Finance	\$2,435,239	0.5%	5%
Fifth Third Auto Trust	\$2,338,850	0.5%	5%
Natixis NY Branch	\$2,332,177	0.5%	5%
Honda Auto Receivables	\$2,330,363	0.5%	5%
JPMorgan Chase & Co	\$2,271,774	0.5%	5%
Intel Corporation	\$2,263,551	0.5%	5%
Wal-Mart Stores Inc	\$2,252,266	0.5%	5%
National Australia Bank Ltd	\$2,227,665	0.5%	5%
Hyundai Auto Receivables	\$2,219,006	0.4%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Government National Mortgage Association	\$2,149,357	0.4%	100%
Northern Trust Corp	\$2,137,665	0.4%	5%
Bank Of Montreal	\$2,136,429	0.4%	5%
Roche Holdings	\$2,090,619	0.4%	5%
Comcast Corp	\$2,030,112	0.4%	5%
Analog Devices Inc	\$2,007,843	0.4%	5%
Carmax Auto Owner Trust	\$1,996,636	0.4%	5%
IBM Corp	\$1,945,388	0.4%	5%
Texas Instruments Inc	\$1,800,143	0.4%	5%
Meta Platforms Inc	\$1,641,950	0.3%	5%
Cisco Systems Inc	\$1,619,828	0.3%	5%
Bank Of New York Mellon	\$1,592,361	0.3%	5%
Kubota Credit Owners Trust	\$1,546,529	0.3%	5%
International Finance Corporation	\$1,503,848	0.3%	15%
AstraZeneca Finance LLC	\$1,472,962	0.3%	5%
Bank Of Nova Scotia	\$1,448,109	0.3%	5%
Honeywell International	\$1,435,891	0.3%	5%
State Street Corporation	\$1,417,304	0.3%	5%
Unitedhealth Group Inc	\$1,416,988	0.3%	5%
Volkswagen Auto	\$1,410,290	0.3%	5%
Citigroup Inc	\$1,403,101	0.3%	5%
Toyota Motor Corp	\$1,333,430	0.3%	5%
Paccar Financial Corp	\$1,309,226	0.3%	5%
Gm Financial Securitized Term	\$1,299,182	0.3%	5%
Ally Auto Receivables Trust	\$1,226,449	0.2%	5%
BMW Financial Services	\$1,168,578	0.2%	5%
Morgan Stanley	\$1,136,759	0.2%	5%
Target Corporation	\$1,045,146	0.2%	5%
Lockheed Martin Corp	\$986,968	0.2%	5%
Ford Credit Auto Owner Trust	\$981,286	0.2%	5%
Caterpillar Inc	\$980,072	0.2%	5%
PNC Financial Services Group	\$939,292	0.2%	5%
Nissan Auto Receivables	\$639,500	0.1%	5%
Pepsico Inc	\$609,146	0.1%	5%
CNH Equipment Trust	\$536,316	0.1%	5%
Chevron Corporation	\$479,437	0.1%	5%
Verizon Communications	\$451,237	0.1%	5%
Truist Financial Corp	\$421,473	0.1%	5%
World Omni Auto Rec Trust	\$407,508	0.1%	5%
Bristol-Myers Squibb Co	\$227,045	0.0%	5%
<b>Total</b>	<b>\$494,604,181</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.

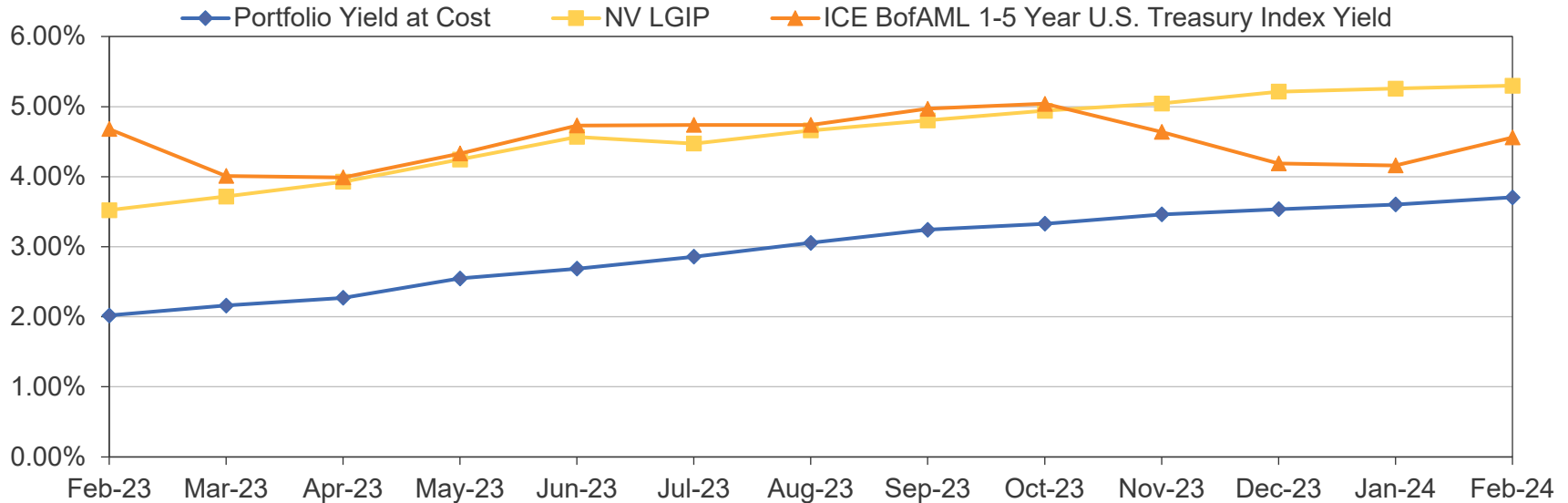
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

# Portfolio Yield Summary

City of Reno as of  
2/29/24

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>
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%
Jan-24	509,623,014	3.60%	2.38	5.26%	4.16%
Feb-24	502,600,515	3.71%	2.41	5.30%	4.56%

**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.



During the reporting period for the month ended February 29, 2024, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*



# 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

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

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