



City Manager's Office

MEMORANDUM

DATE: July 2, 2024
TO: Mayor and City Council
THROUGH: Doug Thornley, City Manager
FROM: Matt Taylor, Asst. Director, Finance
SUBJECT: **Monthly Investment Reports**

Approved Electronically

Attached is the monthly investment report from PFM Asset Management. They also included a Market Update for your review.

City of Reno

Monthly Investment Report

May 31, 2024

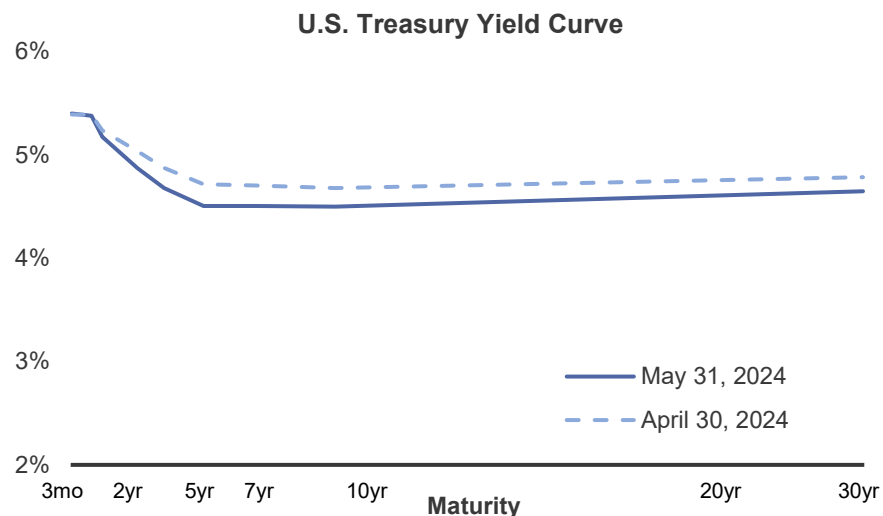
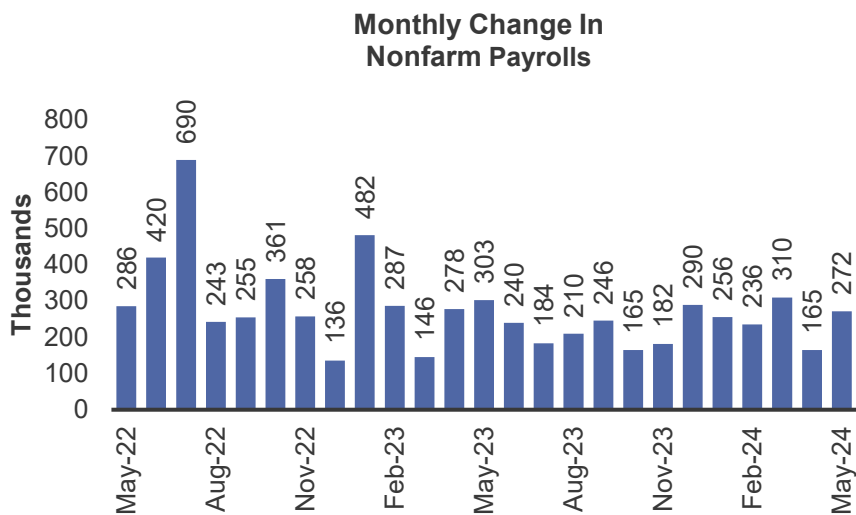
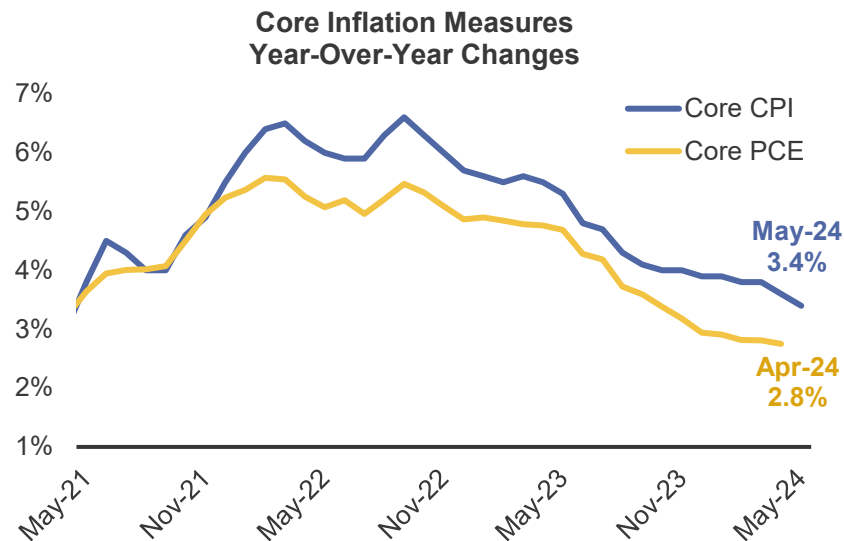
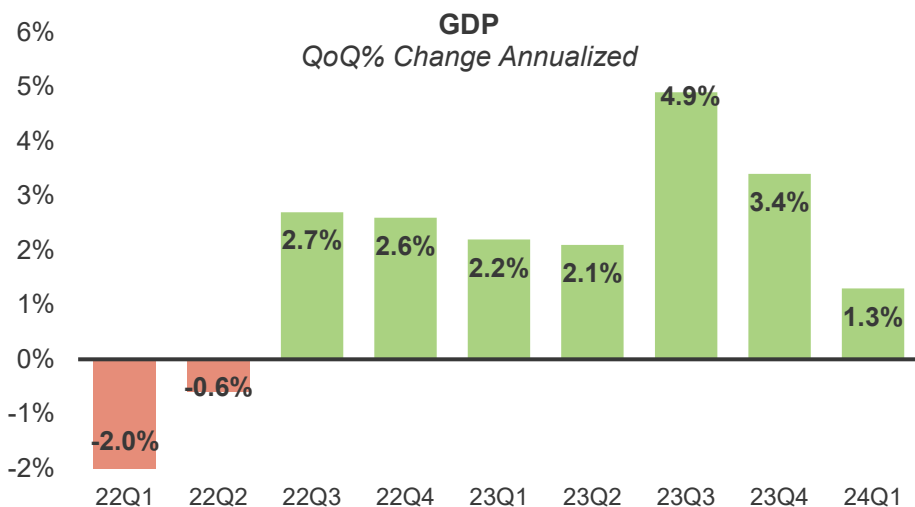
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PFM Asset Management LLC

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GDP Revised Lower, Inflation Measures Show Progress, Labor Reports Paint a Blurry Picture



Source: Bloomberg, Bureau of Economic Analysis, as of May 2024. (Top Left). Bloomberg, Bureau of Labor Statistics and Bloomberg. CPI as of May 2024 and PCE as of April 2024 (Top Right). Bloomberg, Bureau of Labor Statistics, as of May 2024. Data is seasonally adjusted. (Bottom Left). Bloomberg, as of May 31, 2024 (Bottom Right).

Market Summary

Economic Highlights

- ▶ In April, the Personal Consumption Expenditures (PCE) Price Index, the Fed's preferred gauge of inflation, was in-line with expectations of 2.70%, reversing the recent trend of coming in above consensus forecasts. Core PCE (which excludes volatile food and energy components) eased slightly to 2.75%, which on an unrounded basis is the lowest level since March 2021.
- ▶ The second estimate for 1Q GDP was revised to 1.3% from the previous advanced estimated of 1.6%. The revision mainly reflected a downtick in consumer spending.
- ▶ A pair of releases also showed cooling personal consumption over the month. Real personal spending fell to 2.6% year-over-year in April (compared to 2.8% in March) driven by a full percentage point decline in spending on goods. Retail sales were flat month-over-month as sales decreased in seven out of 13 categories. This included a 0.3% decline in the so-called 'control group,' a subset of retail sales which is closely tied to the PCE component of GDP.
- ▶ Counterbalancing some of the recent weakness in consumer spending, the May jobs report pointed to a labor market that is expected to remain supportive of personal consumption. Nonfarm payrolls came in well above expectations at 272,000, while the unemployment rate ticked up to 4.0%. A separate release showed layoffs falling to their lowest level since December 2022.
- ▶ The minutes from the Federal Reserve's (Fed) May FOMC meeting showed that the monetary policymaking body remains focused on year-over-year inflation readings that continue to come in above its 2% target. Fed officials kept the overnight target rate unchanged noting the disinflation process "would likely take longer than previously thought" while some members shared a willingness "to tighten policy further" if necessary. Markets were largely undeterred by the cautious commentary.

Market Reaction

- ▶ U.S. Treasury yields between 2- and 10-years finished the month down approximately 15 to 20 basis points (bps) on the mixed economic data.
- ▶ Fixed income total returns were broadly positive on the rate rally during May. The ICE BofA 2-, 5-, and 10-year U.S. Treasury indexes returned 0.67%, 1.25%, and 1.88%, respectively.
- ▶ Led by the tech sector, equity markets rebounded sharply thanks in part to increasing investor sentiment and the April inflation data. In May, the S&P 500 Index ended up 5.0%; the Dow Jones Industrial Average increased by 2.6%; and the NASDAQ rose by 7.0%. International equities (as measured by the MSCI ACWI ex US) advanced 2.9% for the month.

Summary of the City's Funds

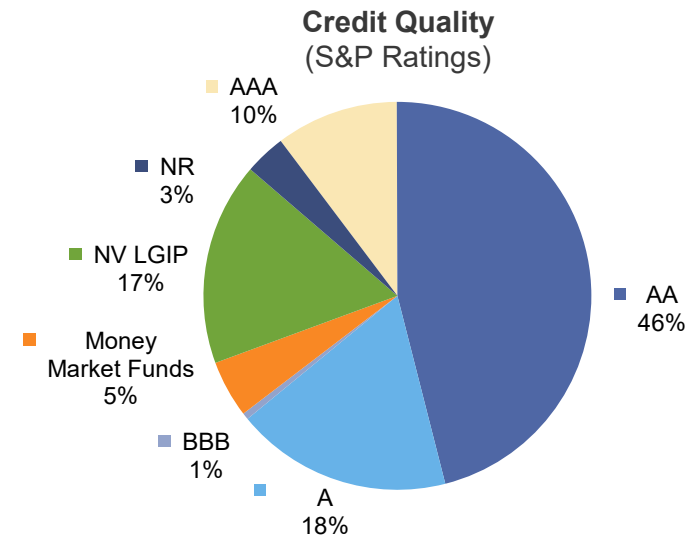
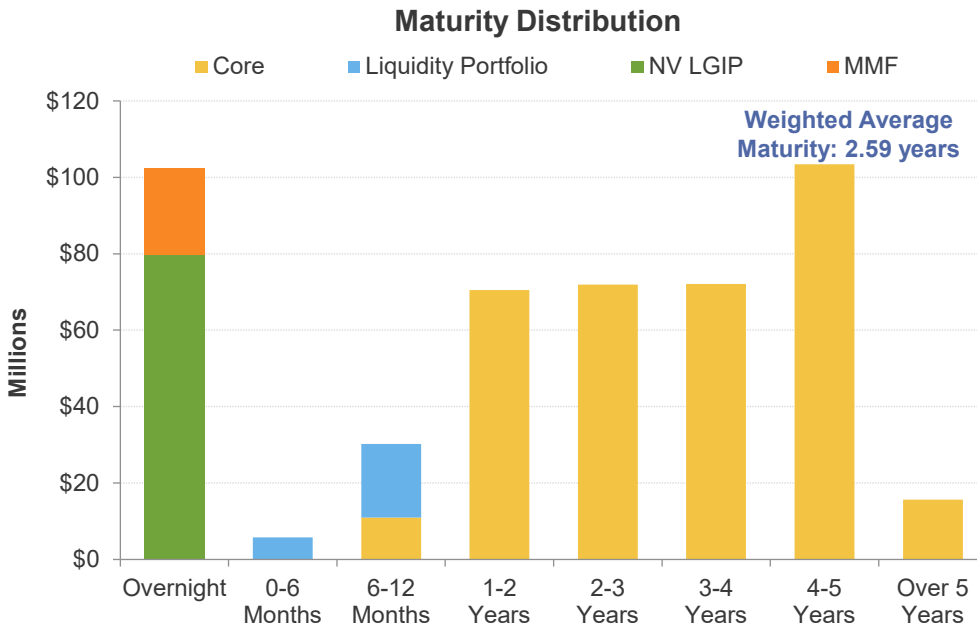
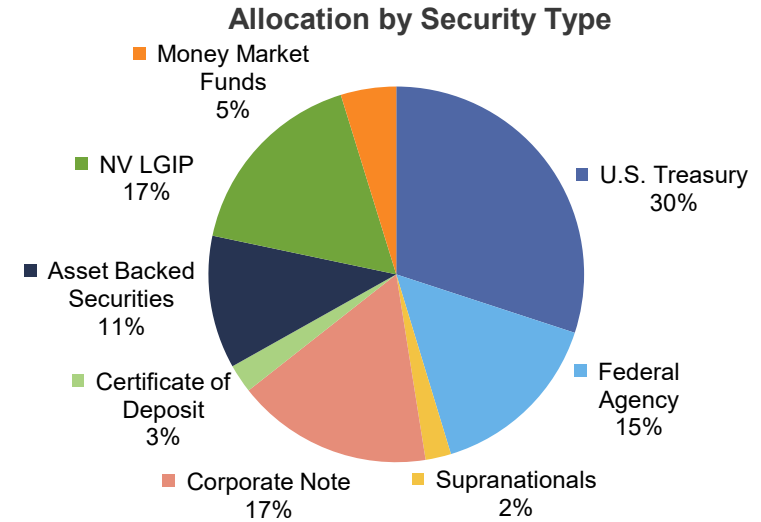
City of Reno as of
5/31/24

City of Reno Funds	Market Value ¹
Core Portfolio	\$344,596,689
Liquidity Portfolio	\$24,974,120
Liquid Funds	\$102,400,294
<i>Nevada LGIP</i>	<i>\$79,877,675</i>
<i>U.S. Bank</i>	<i>\$389,188</i>
<i>Wells Fargo</i>	<i>\$22,133,431</i>
Managed Account Subtotal	\$471,971,104
Reserve Fund Portfolios	\$12,241,599
Total	\$484,212,703

1. Market Values exclude accrued interest



Account Summary	Ending Values as of 4/30/24	Ending Values as of 5/31/24
Market Value	\$492,943,084	\$471,971,104
Book Value	\$502,855,416	\$479,778,093
Unrealized Gain/(Loss)	(\$9,912,332)	(\$7,806,989)
Yield at Market	5.06%	4.93%
Yield at Cost	3.89%	3.94%



- Summary data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
- Money Market Funds include 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
5/31/24

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$141,759,739	30.0%	100%
Federal Agency	\$72,036,260	15.3%	100%
Supranationals	\$10,394,594	2.2%	15%
Corporate Note	\$79,742,325	16.9%	20%
Certificate of Deposit	\$11,641,582	2.5%	30%
Asset Backed Securities	\$53,996,310	11.4%	30%
NV LGIP	\$79,877,675	16.9%	100%
Money Market Funds	\$22,522,619	4.8%	100%
Total Market Value	\$471,971,104	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$102,400,294	21.7%	No Limit
0-6 Months	\$5,730,708	1.2%	No Limit
6-12 Months	\$30,204,315	6.4%	No Limit
1-2 Years	\$70,505,144	14.9%	No Limit
2-3 Years	\$71,957,006	15.2%	No Limit
3-4 Years	\$72,092,362	15.3%	No Limit
4-5 Years	\$103,448,206	21.9%	No Limit
Over 5 Years	\$15,633,069	3.3%	No Limit
Total Market Value	\$471,971,104	100.0%	

Accrual Basis Earnings ⁴	5/1/24 through 5/31/24
Total Estimated Earnings	\$1,066,256

1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.
2. Money Market Funds include 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
5/31/24

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$141,759,739	30.0%	100%
Nevada LGIP	\$79,877,675	16.9%	100%
Federal Home Loan Mortgage Corporation	\$51,806,833	11.0%	100%
Money Market Funds	\$22,522,619	4.8%	100%
Federal National Mortgage Association	\$13,910,866	2.9%	100%
Bank Of America Co	\$9,386,301	2.0%	5%
Toronto-Dominion Bank	\$6,631,318	1.4%	5%
African Development Bank	\$5,172,167	1.1%	0%
American Express Co	\$5,081,136	1.1%	5%
Discover Financial Services	\$4,734,193	1.0%	5%
Royal Bank Of Canada	\$3,970,496	0.8%	5%
Wells Fargo & Company	\$3,752,538	0.8%	5%
Bank of America Auto Trust	\$3,607,161	0.8%	5%
Rabobank Nederland	\$3,316,764	0.7%	5%
Daimler Truck	\$3,204,259	0.7%	5%
Toyota Motor Corp	\$3,129,154	0.7%	5%
Credit Agricole SA	\$2,998,507	0.6%	5%
Mitsubishi Ufj Financial Group Inc	\$2,991,051	0.6%	5%
Wells Fargo Card Issuance Trust	\$2,986,864	0.6%	5%
Capital One Financial Corp	\$2,870,239	0.6%	5%
Intl Bank Of Reconstruction And Dev	\$2,731,373	0.6%	15%
USAA Auto Owner Trust	\$2,678,688	0.6%	5%
State Street Corporation	\$2,609,054	0.6%	5%
John Deere Owner Trust	\$2,584,643	0.5%	5%
Chase Issuance	\$2,575,139	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,537,265	0.5%	5%
Morgan Stanley	\$2,519,128	0.5%	5%
Deere & Company	\$2,517,256	0.5%	5%
Mercedes-Benz Group AG	\$2,494,609	0.5%	5%
Asian Development Bank	\$2,491,054	0.5%	0%
Mercedes-Benz Auto Receivables	\$2,456,948	0.5%	5%
National Rural Utilities Co Finance Corp	\$2,456,380	0.5%	5%
Westpac Banking Corp	\$2,451,883	0.5%	5%
American Honda Finance	\$2,430,965	0.5%	5%
Citigroup Inc	\$2,421,713	0.5%	5%
Fifth Third Auto Trust	\$2,333,350	0.5%	5%
Natixis NY Branch	\$2,320,355	0.5%	5%
JPMorgan Chase & Co	\$2,269,874	0.5%	5%
Honda Auto Receivables	\$2,264,823	0.5%	5%
Intel Corporation	\$2,258,533	0.5%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
National Australia Bank Ltd	\$2,226,782	0.5%	5%
Northern Trust Corp	\$2,140,855	0.5%	5%
Government National Mortgage Association	\$2,057,591	0.4%	100%
Comcast Corp	\$2,020,826	0.4%	5%
Analog Devices Inc	\$2,009,218	0.4%	5%
Goldman Sachs Group Inc	\$1,981,203	0.4%	5%
IBM Corp	\$1,946,694	0.4%	5%
Hyundai Auto Receivables	\$1,877,382	0.4%	5%
Carmax Auto Owner Trust	\$1,857,892	0.4%	5%
BP PLC	\$1,809,150	0.4%	5%
Texas Instruments Inc	\$1,792,253	0.4%	5%
Bank Of Montreal	\$1,647,386	0.3%	5%
META Platforms Inc	\$1,638,523	0.3%	5%
Cisco Systems Inc	\$1,612,799	0.3%	5%
Bank Of New York Mellon	\$1,585,119	0.3%	5%
AstraZeneca Finance LLC	\$1,480,155	0.3%	5%
Honeywell International	\$1,445,766	0.3%	5%
Unitedhealth Group Inc	\$1,413,083	0.3%	5%
Volkswagen Auto	\$1,392,426	0.3%	5%
Adobe Inc	\$1,357,551	0.3%	5%
Kubota Credit Owners Trust	\$1,326,565	0.3%	5%
Paccar Financial Corp	\$1,298,816	0.3%	5%
Ally Auto Receivables Trust	\$1,219,963	0.3%	5%
Gm Financial Securitized Term	\$1,198,063	0.3%	5%
Target Corporation	\$1,050,880	0.2%	5%
BMW Financial Services	\$1,046,798	0.2%	5%
Lockheed Martin Corp	\$983,087	0.2%	5%
Caterpillar Inc	\$980,748	0.2%	5%
Ford Credit Auto Owner Trust	\$977,582	0.2%	5%
BMW Financial Services Na Llc	\$897,074	0.2%	5%
Nissan Auto Receivables	\$634,613	0.1%	5%
Pepsico Inc	\$607,649	0.1%	5%
Truist Financial Corp	\$422,845	0.1%	5%
CNH Equipment Trust	\$375,705	0.1%	5%
World Omni Auto Rec Trust	\$316,139	0.1%	5%
Bristol-Myers Squibb Co	\$229,011	0.0%	5%
Total	\$471,971,104		

1. Data includes Core Portfolio, Liquidity Portfolio and Liquid Funds, excluding accrued interest; excludes Reserve Fund Portfolios.

2. Money Market Funds include U.S. Bank, and Wells Fargo balances.

3. Investment policy dated September 2023.

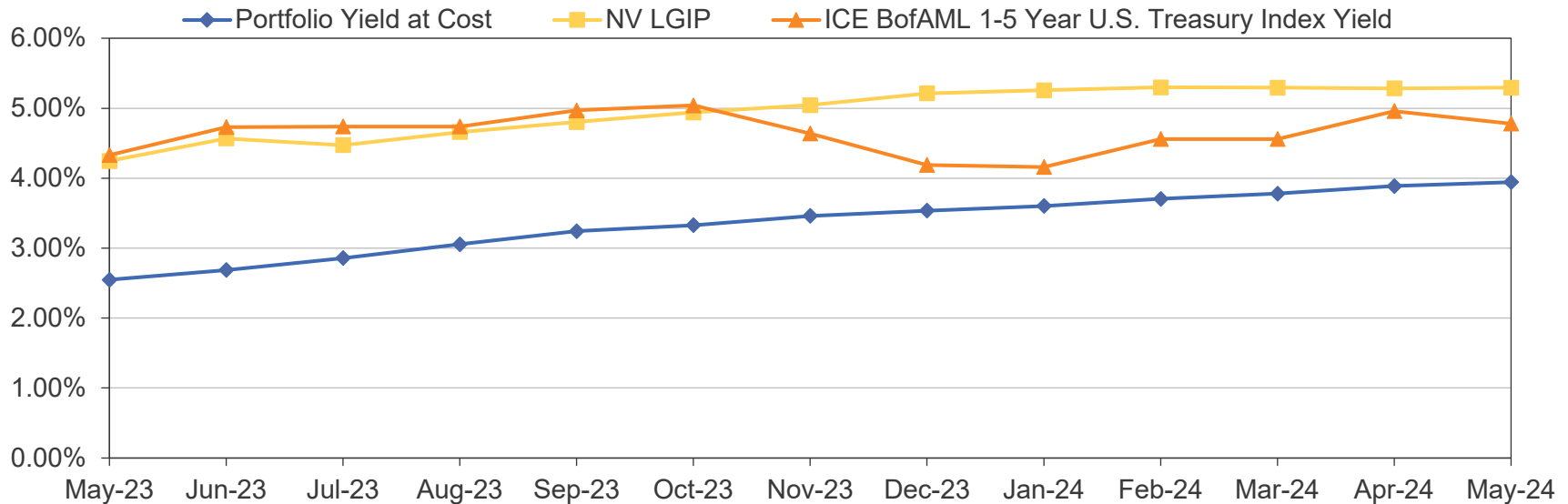
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

Portfolio Yield Summary

City of Reno as of
5/31/24

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Mar-24	504,992,323	3.78%	2.41	5.29%	4.56%
Apr-24	502,855,416	3.89%	2.39	5.29%	4.96%
May-24	479,778,093	3.94%	2.37	5.30%	4.78%

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.

During the reporting period for the month ended May 31, 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

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