



City Manager's Office

MEMORANDUM

DATE: July 24, 2024
TO: Mayor and City Council
THROUGH: Jackie Bryant, Interim City Manager *Approved Electronically*
FROM: Matt Taylor, Asst. Director, Finance
SUBJECT: **Monthly Investment Reports – June 30, 2024**

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

June 30, 2024

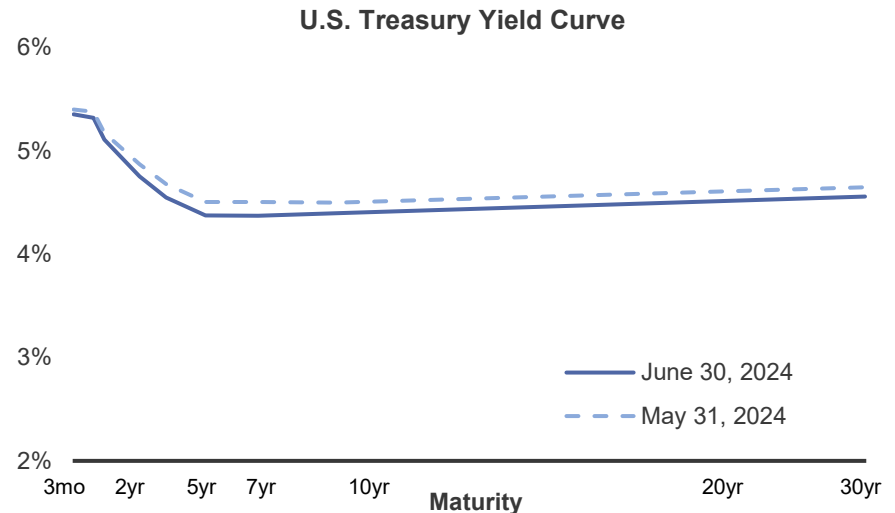
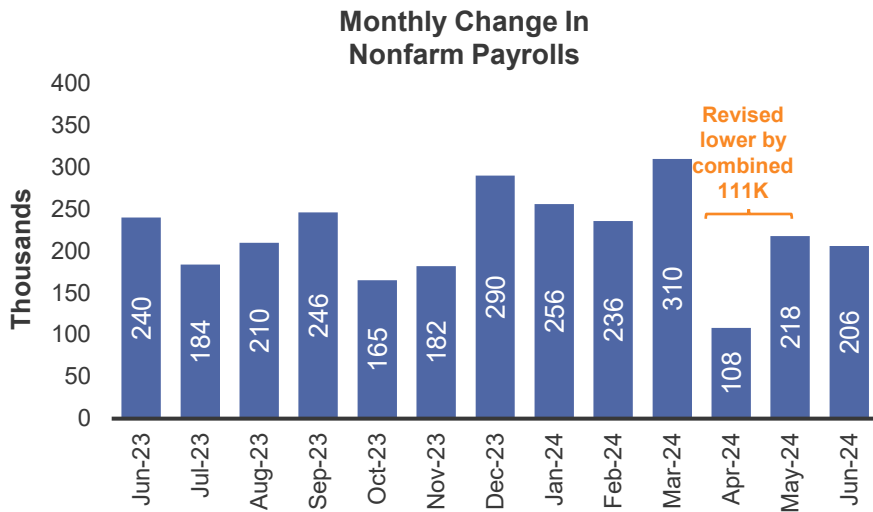
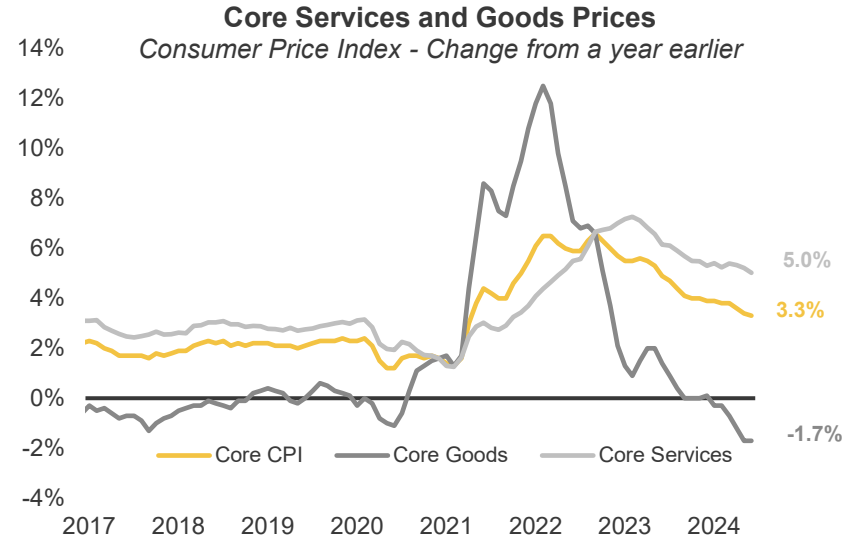
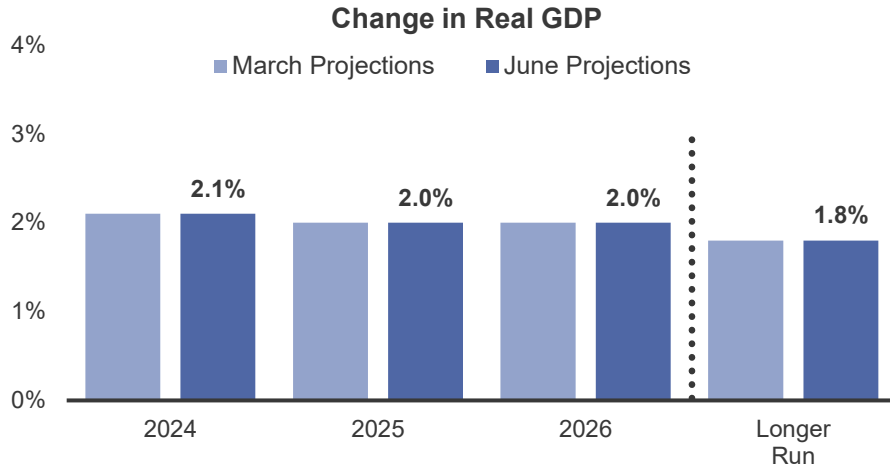
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PFM Asset Management LLC

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Fed's Updated June Projections Reflect Stable Economic Expectations for 2024; Labor Market Softening Continues



Source: Federal Reserve, latest economic projections as of June 2024. (Top Left). Bloomberg, Bureau of Labor Statistics as of June 2024 (Top Right). Bloomberg, Bureau of Labor Statistics, as of June 2024. Data is seasonally adjusted. (Bottom Left). Bloomberg, as of June 30, 2024 (Bottom Right).

Market Summary

Economic Highlights

- ▶ May's inflation readings improved after several months of disappointingly high readings earlier in the year. The year-over-year (YoY) change in the Consumer Price Index (CPI) came in at 3.3%. Core CPI (which removes volatile food and energy components) came in at 3.4%, which is the smallest increase in over three years. The Personal Consumption Expenditures Index (PCE), the Fed's preferred inflation gauge, showed a similar downward trend as Core PCE hit a three-year low of 2.6%.
- ▶ The final reading of first quarter gross domestic product (GDP) came in at 1.4%, down notably from the last two quarters of 2023. Personal spending declined to an annualized rate of 1.5%, below its 20-year average of 2.4%. Meanwhile, net exports and private inventories detracted from the headline figure by more than 1%.
- ▶ Retail sales and personal spending both came in below expectations in June, a continuation of the softening trend in consumer activity.
- ▶ The jobs report came in slightly above expectations as the nonfarm payrolls report showed 206,000 net new jobs created in June; however, this was accompanied by significant downward revisions to the April and May figures. The unemployment rate also ticked up to 4.1% from 4.0% while the YoY change in average hourly earnings fell to a three-year low of 3.9%. This points to a moderating labor market, which should support the Fed's soft-landing goal.
- ▶ As expected, the Federal Reserve (Fed) left the target range for the federal funds rate unchanged at 5.25% to 5.50% at the June Federal Open Market Committee (FOMC) meeting. The Fed's much-anticipated update to its Summary of Economic Projections showed just one quarter-point rate cut through the balance of 2024, two fewer than previously forecast. Chair Jerome Powell noted the revision reflected the slow progress on moving inflation towards the Fed's 2% target. The labor market was also a focus, as recent economic releases showed it softening as it comes into better balance.

Market Reaction

- ▶ U.S. Treasury yields between 2- and 10-years finished the month down approximately 10 to 15 basis points (bps) but remained relatively rangebound following the FOMC meeting and CPI release on June 12.
- ▶ Fixed income total returns were broadly positive on the rate rally during June. The ICE BofA 2-, 5-, and 10-year U.S. Treasury indices returned 0.58%, 1.02%, and 1.27%, respectively.
- ▶ Equity markets reached their thirty-first new high for the year on optimism around earnings, the transformative AI revolution, and eventually, Fed rate cuts. In June, the S&P 500 Index ended up 3.6%; the Dow Jones Industrial Average increased by 1.2%; and the NASDAQ rose by 6.0%. International equities (as measured by the MSCI ACWI ex U.S. Index) fell 0.1% for the month. For the year, the S&P 500 is up over 15%.

Summary of the City's Funds

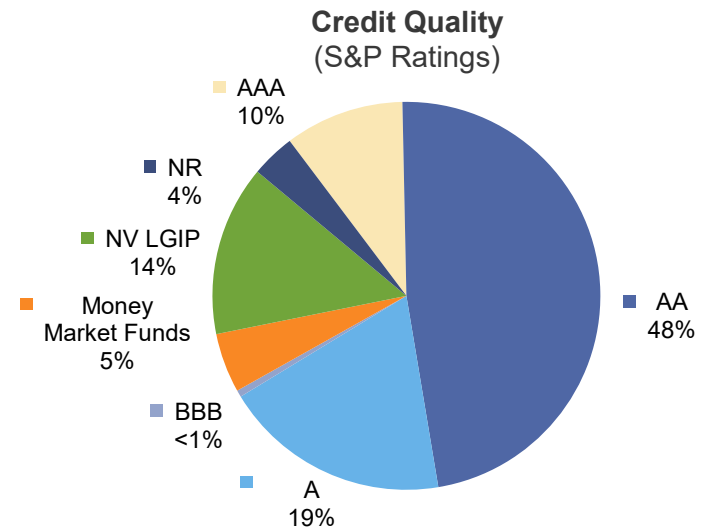
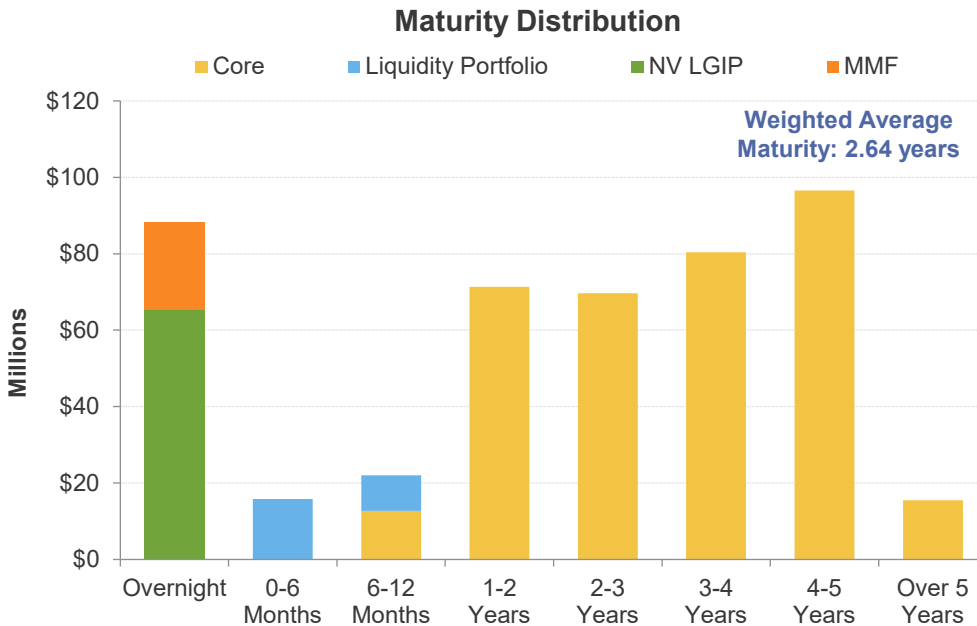
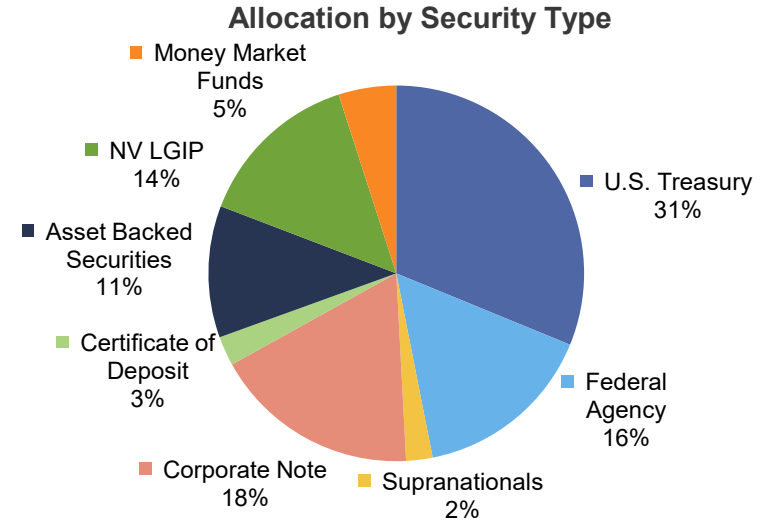
City of Reno as of
6/30/24

City of Reno Funds	Market Value ¹
Core Portfolio	\$346,117,874
Liquidity Portfolio	\$25,030,142
Liquid Funds	\$88,120,589
<i>Nevada LGIP</i>	<i>\$65,320,901</i>
<i>U.S. Bank</i>	<i>\$966,169</i>
<i>Wells Fargo</i>	<i>\$21,833,519</i>
Managed Account Subtotal	\$459,268,604
Reserve Fund Portfolios	\$9,990,429
Total	\$469,259,034

1. Market Values exclude accrued interest



Account Summary	Ending Values as of 5/31/24	Ending Values as of 6/30/24
Market Value	\$471,971,104	\$459,268,605
Book Value	\$479,778,093	\$465,626,547
Unrealized Gain/(Loss)	(\$7,806,989)	(\$6,357,942)
Yield at Market	4.93%	4.85%
Yield at Cost	3.94%	4.02%



- 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
6/30/24

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$143,287,115	31.2%	100%
Federal Agency	\$67,801,037	15.7%	100%
Supranationals	\$10,451,632	2.3%	15%
Corporate Note	\$85,894,261	17.8%	20%
Certificate of Deposit	\$11,639,469	2.5%	30%
Asset Backed Securities	\$52,074,504	11.3%	100%
NV LGIP	\$65,320,901	14.2%	100%
Money Market Funds	\$22,799,688	5.0%	100%
Total Market Value	\$459,268,605	100.0%	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$88,120,589	19.2%	No Limit
0-6 Months	\$15,793,698	3.4%	No Limit
6-12 Months	\$21,964,499	4.8%	No Limit
1-2 Years	\$71,297,798	15.5%	No Limit
2-3 Years	\$69,675,964	15.2%	No Limit
3-4 Years	\$80,352,583	17.5%	No Limit
4-5 Years	\$96,584,325	21.0%	No Limit
Over 5 Years	\$15,479,149	3.4%	No Limit
Total Market Value	\$459,268,605	100.0%	

Accrual Basis Earnings ⁴	6/1/24 through 6/30/24
Total Estimated Earnings	\$960,050

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
6/30/24

Issuer	Market Value	% of Portfolio	Permitted by Policy
Money Market Funds	\$22,799,688	5.0%	100%
Bank Of America Co	\$9,379,493	2.0%	5%
AstraZeneca Finance LLC	\$1,485,627	0.3%	5%
Asian Development Bank	\$2,504,791	0.5%	15%
Analog Devices Inc	\$2,026,696	0.4%	5%
American Honda Finance	\$2,438,025	0.5%	5%
American Express Co	\$2,804,504	0.6%	5%
Ally Auto Receivables Trust	\$1,223,471	0.3%	5%
African Development Bank	\$5,201,052	1.1%	15%
Nevada LGIP	\$65,320,901	14.2%	100%
Adobe Inc	\$1,361,500	0.3%	5%
Bmw Financial Services Na Llc	\$900,303	0.2%	5%
BMW Financial Services	\$1,009,540	0.2%	5%
Bank of America Auto Trust	\$3,612,957	0.8%	5%
Bank Of Montreal	\$1,647,530	0.4%	5%
Bank Of New York Mellon	\$1,588,491	0.3%	5%
BP PLC	\$1,811,448	0.4%	5%
Bristol-Myers Squibb Co	\$229,448	0.0%	5%
CNH Equipment Trust	\$328,280	0.1%	5%
Capital One Financial Corp	\$2,879,856	0.6%	5%
Carmax Auto Owner Trust	\$1,727,991	0.4%	5%
Caterpillar Inc	\$982,368	0.2%	5%
Chase Issuance	\$2,580,409	0.6%	5%
Cisco Systems Inc	\$1,618,623	0.4%	5%
Citigroup Inc	\$2,426,149	0.5%	5%
Comcast Corp	\$2,019,786	0.4%	5%
Government National Mortgage Association	\$2,048,937	0.4%	100%
Federal National Mortgage Association	\$13,853,984	3.0%	100%
Discover Financial Services	\$4,743,469	1.0%	5%
Federal Home Loan Mortgage Corporation	\$51,898,114	11.3%	100%
Hyundai Auto Receivables	\$1,765,246	0.4%	5%
Deere & Company	\$2,522,660	0.5%	5%
Goldman Sachs Group Inc	\$1,980,847	0.4%	5%
Intel Corporation	\$2,266,850	0.5%	5%
Gm Financial Securitized Term	\$1,166,985	0.3%	5%
Rabobank Nederland	\$3,312,644	0.7%	5%
Fifth Third Auto Trust	\$2,339,878	0.5%	5%
META Platforms Inc	\$1,641,963	0.4%	5%
Daimler Truck	\$3,088,712	0.7%	5%
Intl Bank Of Reconstruction And Dev	\$2,745,789	0.6%	15%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Honda Auto Receivables	\$2,250,020	0.5%	5%
Credit Agricole SA	\$2,998,359	0.7%	5%
Honeywell International	\$1,453,277	0.3%	5%
IBM Corp	\$1,948,416	0.4%	5%
Ford Credit Auto Owner Trust	\$978,410	0.2%	5%
Kubota Credit Owners Trust	\$2,260,538	0.5%	5%
Pepsico Inc	\$607,322	0.1%	5%
Wells Fargo Card Issuance Trust	\$2,992,025	0.7%	5%
Morgan Stanley	\$2,525,672	0.5%	5%
U.S. Treasury	\$143,287,115	31.2%	100%
Target Corporation	\$1,050,979	0.2%	5%
Mercedes-Benz Group AG	\$2,502,364	0.5%	5%
Sumitomo Mitsui Financial Group Inc	\$2,541,174	0.6%	5%
Northern Trust Corp	\$2,149,030	0.5%	5%
Wells Fargo & Company	\$3,749,103	0.8%	5%
Texas Instruments Inc	\$1,797,678	0.4%	5%
Westpac Banking Corp	\$2,457,808	0.5%	5%
Paccar Financial Corp	\$1,302,298	0.3%	5%
Mercedes-Benz Auto Receivables	\$2,457,832	0.5%	5%
Lockheed Martin Corp	\$985,195	0.2%	5%
Toronto-Dominion Bank	\$6,653,043	1.4%	5%
Mitsubishi Ufj Financial Group Inc	\$2,998,356	0.7%	5%
National Australia Bank Ltd	\$2,230,703	0.5%	5%
Toyota Motor Corp	\$3,142,541	0.7%	5%
Truist Financial Corp	\$423,194	0.1%	5%
National Rural Utilities Co Finance Corp	\$2,459,484	0.5%	5%
Natixis NY Branch	\$2,317,204	0.5%	5%
JPMorgan Chase & Co	\$2,272,940	0.5%	5%
State Street Corporation	\$2,611,565	0.6%	5%
John Deere Owner Trust	\$2,584,616	0.6%	5%
World Omni Auto Rec Trust	\$285,911	0.1%	5%
Volkswagen Auto	\$1,296,284	0.3%	5%
Nissan Auto Receivables	\$636,079	0.1%	5%
Royal Bank Of Canada	\$3,978,622	0.9%	5%
USAA Auto Owner Trust	\$2,680,276	0.6%	5%
Unitedhealth Group Inc	\$1,414,516	0.3%	5%
Canadian Imperial Bank Of Commerce	\$1,703,649	0.4%	5%
Total	\$459,268,605		

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.

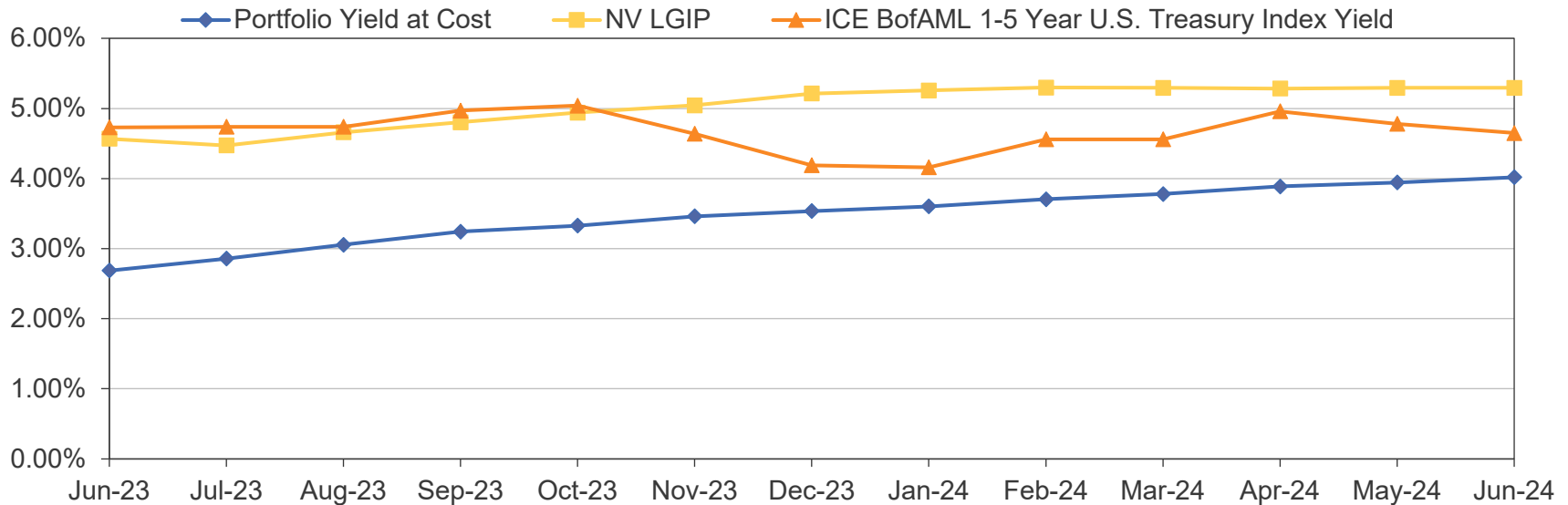
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

Portfolio Yield Summary

City of Reno as of
6/30/24

Date	Book Value ¹	Portfolio Yield (Cost) ⁴	Portfolio Duration ⁴	NV LGIP Yield (Monthly) ³	1-5 Year Treasury Index Yield ²
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%
Jun-24	465,626,547	4.02%	2.36	5.30%	4.65%

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 June 30, 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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