



C I T Y O F  
**RENO**  
Memorandum

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**DATE:** October 1, 2024

**TO:** Mayor and City Council

**THROUGH:** Jackie Bryant, Interim City Manager **Approved Electronically**

**FROM:** Matt Taylor, Assistant Finance Director

**DEPT:** Finance

**SUBJECT:** Monthly Investment Reports – August 31, 2024

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Attached is the monthly investment report provided by PFM Asset Management for the month of August 2024.

# City of Reno

## Monthly Investment Report

August 31, 2024

480-271-0432 | [pfmam.com](http://pfmam.com)

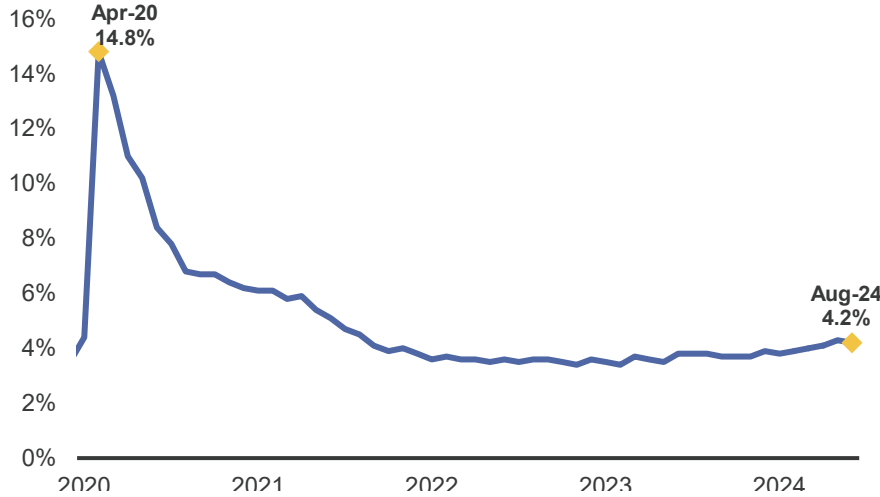
*PFM Asset Management LLC*

**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**

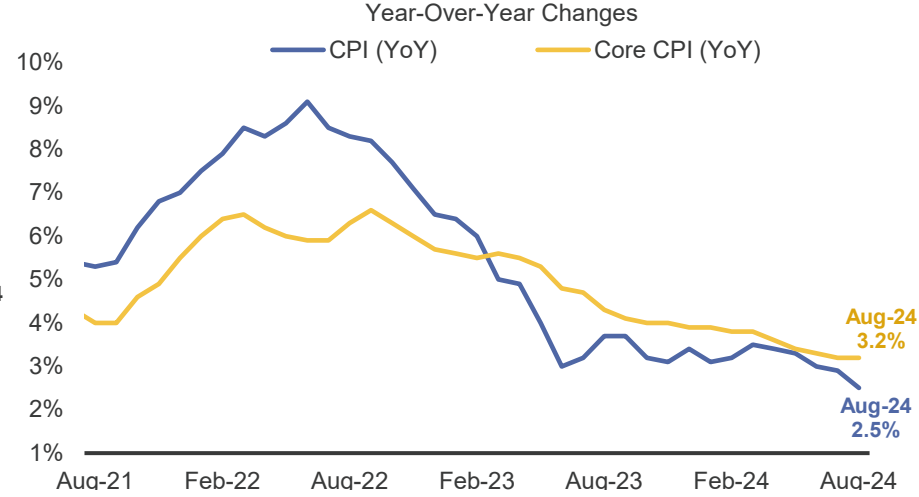
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# Inflation Maintains Trend to Fed Target; Labor Market Data Cools More Than Markets Had Expected

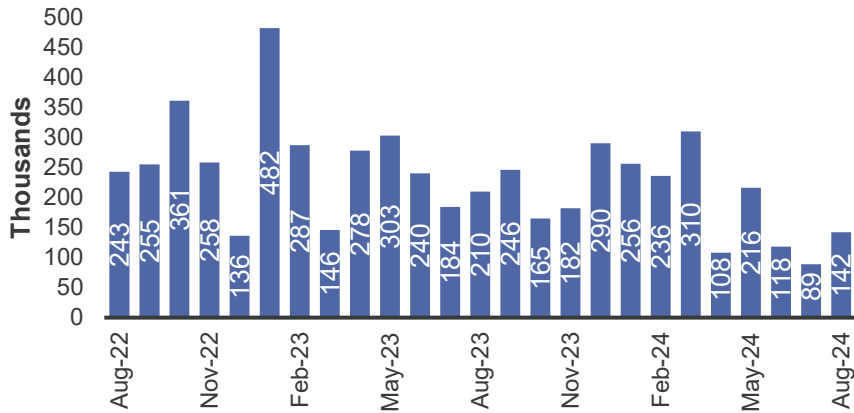
### Unemployment Rate



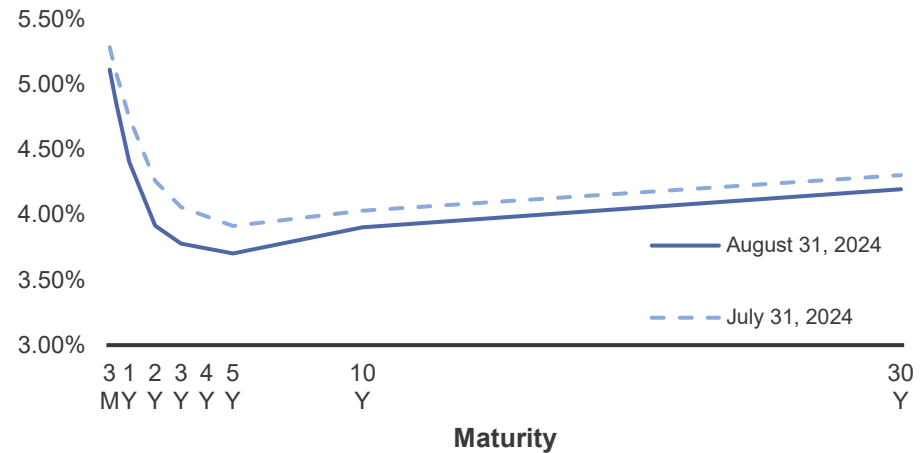
### Consumer Price Index (CPI)



### Monthly Change In Nonfarm Payrolls



### U.S. Treasury Yield Curve



Source: Bloomberg Finance L.P., Bureau of Labor Statistics. (Top Left). Bloomberg L.P., Bureau of Labor Statistics as of August 2024 (Top Right). Bloomberg L.P., Bureau of Labor Statistics, as of August 2024. Data is seasonally adjusted. (Bottom Left). Bloomberg L.P., as of August 30, 2024 (Bottom Right).

# Market Summary

## Economic Highlights

- ▶ Chair Powell's remarks at the annual Jackson Hole Symposium effectively cemented expectations for a rate cut at the September meeting. Powell said, "the time has come for policy to adjust." Although he did not clarify the size, he stated that "the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks."
- ▶ July inflation readings maintained an encouraging trajectory towards the Fed's 2% target, with the Core Personal Consumption Expenditure (PCE) Price Index coming in at 2.6% year-over-year, in line with recent months and holding near a three-year low.
- ▶ June retail sales were negatively impacted by a two-week cyber-attack on auto dealership software that muted sales activity. However, expectations are for a rebound next month, with sales delayed rather than derailed. More broadly, retail sales (ex-autos) were strong, led by a 1.9% increase in non-store retailers.
- ▶ Nonfarm payrolls for August came in at 142,000, which was better than July's print but still below expectations. Meanwhile, the unemployment rate ticked down to 4.2%. It now appears that a Fed rate cut in September is a formality, although there is still significant uncertainty regarding the size.
- ▶ Minutes from the July Federal Open Market Committee (FOMC) meeting showed that Federal Reserve (Fed) governors expressed more confidence in easing inflation and noted that labor supply and demand "continued to come into better balance." The Fed concluded that conditions could have supported a case "for reducing the target range 25 basis points at this meeting." A rate cut of 25-50 basis points (bps) is now widely expected at the September 17-18 meeting.

## Market Reaction

- ▶ U.S. Treasury yields fell in August as markets reacted to weaker labor market reports and updated messaging regarding the imminency of the Fed's rate cut cycle.
- ▶ Fixed income total returns were quite strong for a second consecutive month as yields continued to nosedive. The ICE BofA 2-, 5-, and 10-year U.S. Treasury indices returned 0.89%, 1.16%, and 1.38%, respectively, for the month.
- ▶ Global equity markets sold off in early August, largely on technical trades related to USD-JPY currency factors. However, strong second quarter earnings and rate-cut expectations helped spur a reversal that more than offset early-month declines. The S&P 500 Index ended the month up 2.4% and over 19% on the year.

# Summary of the City's Funds

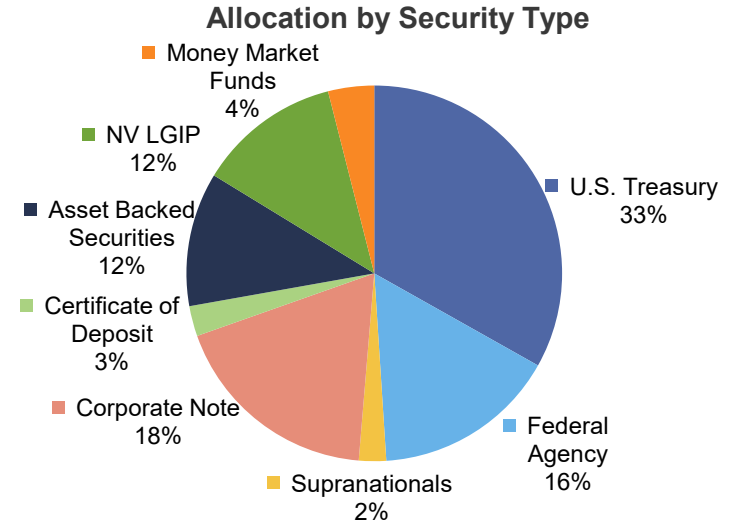
City of Reno as of  
8/31/24

| City of Reno Funds              | Market Value <sup>1</sup> |
|---------------------------------|---------------------------|
| Core Portfolio                  | \$355,327,288             |
| Liquidity Portfolio             | \$25,196,770              |
| Liquid Funds                    | \$73,935,309              |
| <i>Nevada LGIP</i>              | <i>\$55,935,048</i>       |
| <i>U.S. Bank</i>                | <i>\$788,598</i>          |
| <i>Wells Fargo</i>              | <i>\$17,211,663</i>       |
| <b>Managed Account Subtotal</b> | <b>\$454,459,367</b>      |
| Reserve Fund Portfolios         | \$12,555,131              |
| <b>Total</b>                    | <b>\$467,014,498</b>      |

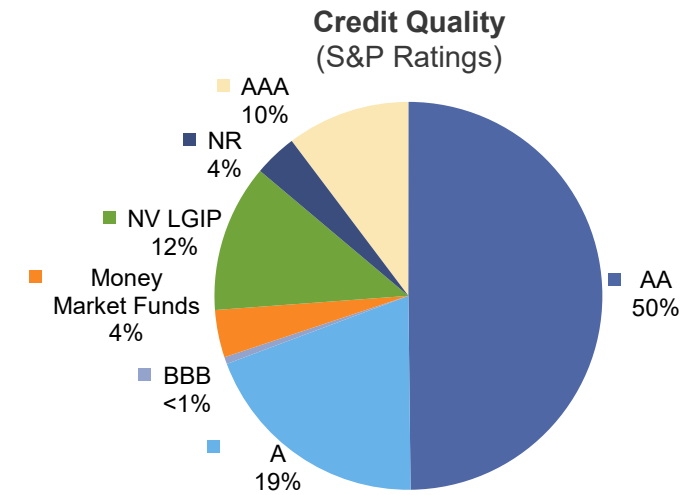
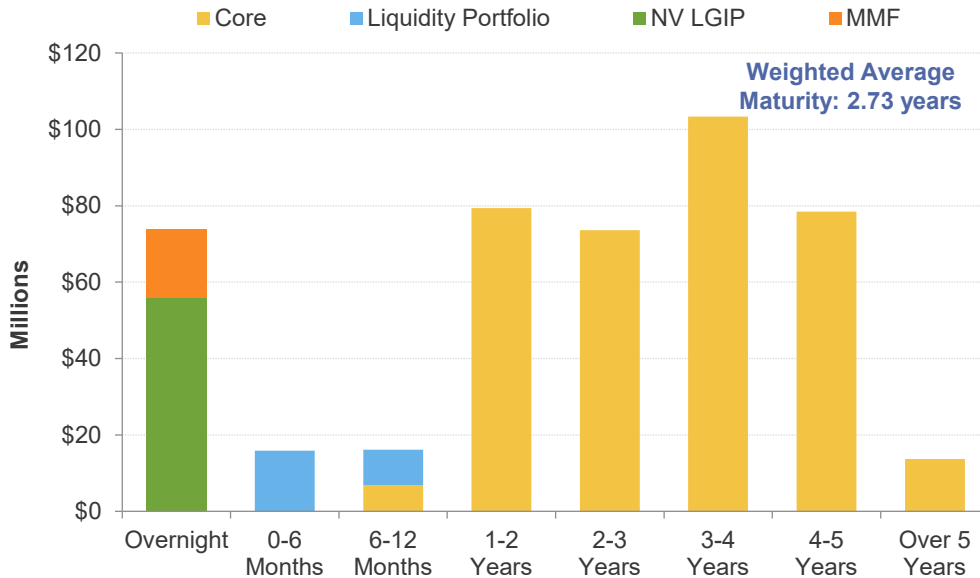
1. Market Values exclude accrued interest



| Account Summary        | Ending Values as of 7/31/24 | Ending Values as of 8/31/24 |
|------------------------|-----------------------------|-----------------------------|
| Market Value           | \$462,967,198               | \$454,459,367               |
| Book Value             | \$465,339,566               | \$453,918,577               |
| Unrealized Gain/(Loss) | (\$2,372,368)               | \$540,791                   |
| Yield at Market        | 4.51%                       | 4.29%                       |
| Yield at Cost          | 4.08%                       | 4.03%                       |



### Maturity Distribution



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

City of Reno as of  
8/31/24

| Security Type             | Market Value         | % of Portfolio | Permitted by Policy |
|---------------------------|----------------------|----------------|---------------------|
| U.S. Treasury             | \$150,669,225        | 33.2%          | 100%                |
| Federal Agency            | \$71,910,767         | 15.8%          | 100%                |
| Supranationals            | \$10,650,829         | 2.3%           | 15%                 |
| Corporate Note            | \$83,058,075         | 18.3%          | 20%                 |
| Certificate of Deposit    | \$11,834,264         | 2.6%           | 30%                 |
| Asset Backed Securities   | \$52,400,899         | 11.5%          | 100%                |
| NV LGIP                   | \$55,935,048         | 12.3%          | 100%                |
| Money Market Funds        | \$18,000,261         | 4.0%           | 100%                |
| <b>Total Market Value</b> | <b>\$454,459,367</b> | <b>100.0%</b>  |                     |

| Maturity                  | Market Value         | % of Portfolio | Permitted by Policy |
|---------------------------|----------------------|----------------|---------------------|
| Overnight                 | \$73,935,309         | 16.3%          | No Limit            |
| 0-6 Months                | \$15,880,501         | 3.5%           | No Limit            |
| 6-12 Months               | \$16,142,704         | 3.6%           | No Limit            |
| 1-2 Years                 | \$79,371,626         | 17.5%          | No Limit            |
| 2-3 Years                 | \$73,558,125         | 16.2%          | No Limit            |
| 3-4 Years                 | \$103,366,611        | 22.7%          | No Limit            |
| 4-5 Years                 | \$78,474,912         | 17.3%          | No Limit            |
| Over 5 Years              | \$13,729,580         | 3.0%           | No Limit            |
| <b>Total Market Value</b> | <b>\$454,459,367</b> | <b>100.0%</b>  |                     |

| Accrual Basis Earnings <sup>4</sup> | 8/1/24 through 8/31/24 |
|-------------------------------------|------------------------|
| <b>Total Estimated Earnings</b>     | <b>\$1,008,520</b>     |

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

City of Reno as of  
8/31/24

| Issuer                                   | Market Value  | % of Portfolio | Permitted by Policy |
|--|---------------|----------------|---------------------|
| U.S. Treasury                            | \$150,669,225 | 33.2%          | 100%                |
| Nevada LGIP                              | \$55,935,048  | 12.3%          | 100%                |
| Federal Home Loan Mortgage Corporation   | \$53,494,906  | 11.8%          | 100%                |
| Money Market Funds                       | \$18,000,261  | 4.0%           | 100%                |
| Federal National Mortgage Association    | \$12,034,591  | 2.6%           | 100%                |
| Bank Of America Co                       | \$9,529,307   | 2.1%           | 5%                  |
| Toronto-Dominion Bank                    | \$6,755,979   | 1.5%           | 5%                  |
| African Development Bank                 | \$5,300,857   | 1.2%           | 0%                  |
| Discover Financial Services              | \$4,800,049   | 1.1%           | 5%                  |
| Toyota Motor Corp                        | \$4,598,502   | 1.0%           | 5%                  |
| Wells Fargo & Company                    | \$3,801,752   | 0.8%           | 5%                  |
| Bank of America Auto Trust               | \$3,647,299   | 0.8%           | 5%                  |
| Citigroup Inc                            | \$3,476,878   | 0.8%           | 5%                  |
| Rabobank Nederland                       | \$3,404,245   | 0.7%           | 5%                  |
| Bmw Financial Services Na Llc            | \$3,190,019   | 0.7%           | 5%                  |
| Wells Fargo Card Issuance Trust          | \$3,047,793   | 0.7%           | 5%                  |
| Credit Agricole SA                       | \$3,017,238   | 0.7%           | 5%                  |
| Mitsubishi Ufj Financial Group Inc       | \$3,005,949   | 0.7%           | 5%                  |
| Capital One Financial Corp               | \$2,918,686   | 0.6%           | 5%                  |
| Daimler Truck                            | \$2,849,138   | 0.6%           | 5%                  |
| American Express Co                      | \$2,844,349   | 0.6%           | 5%                  |
| Intl Bank Of Reconstruction And Dev      | \$2,801,037   | 0.6%           | 15%                 |
| USAA Auto Owner Trust                    | \$2,700,766   | 0.6%           | 5%                  |
| State Street Corporation                 | \$2,656,106   | 0.6%           | 5%                  |
| Chase Issurance                          | \$2,629,069   | 0.6%           | 5%                  |
| Sumitomo Mitsui Financial Group Inc      | \$2,589,202   | 0.6%           | 5%                  |
| Deere & Company                          | \$2,585,236   | 0.6%           | 5%                  |
| Royal Bank Of Canada                     | \$2,579,648   | 0.6%           | 5%                  |
| Morgan Stanley                           | \$2,561,020   | 0.6%           | 5%                  |
| Asian Development Bank                   | \$2,548,935   | 0.6%           | 0%                  |
| Mercedes-Benz Group AG                   | \$2,544,936   | 0.6%           | 5%                  |
| John Deere Owner Trust                   | \$2,513,409   | 0.6%           | 5%                  |
| National Rural Utilities Co Finance Corp | \$2,505,845   | 0.6%           | 5%                  |
| American Honda Finance                   | \$2,494,267   | 0.5%           | 5%                  |
| Westpac Banking Corp                     | \$2,479,430   | 0.5%           | 5%                  |
| Natixis NY Branch                        | \$2,371,546   | 0.5%           | 5%                  |
| Fifth Third Auto Trust                   | \$2,359,903   | 0.5%           | 5%                  |
| JPMorgan Chase & Co                      | \$2,310,786   | 0.5%           | 5%                  |
| National Australia Bank Ltd              | \$2,277,927   | 0.5%           | 5%                  |
| Mercedes-Benz Auto Receivables           | \$2,272,133   | 0.5%           | 5%                  |

| Issuer                                   | Market Value         | % of Portfolio | Permitted by Policy |
|--|----------------------|----------------|---------------------|
| Honda Auto Receivables                   | \$2,234,133          | 0.5%           | 5%                  |
| Northern Trust Corp                      | \$2,190,267          | 0.5%           | 5%                  |
| Kubota Credit Owners Trust               | \$2,150,924          | 0.5%           | 5%                  |
| Analog Devices Inc                       | \$2,087,965          | 0.5%           | 5%                  |
| Comcast Corp                             | \$2,064,094          | 0.5%           | 5%                  |
| Government National Mortgage Association | \$2,052,606          | 0.5%           | 100%                |
| Goldman Sachs Group Inc                  | \$2,007,369          | 0.4%           | 5%                  |
| IBM Corp                                 | \$1,992,658          | 0.4%           | 5%                  |
| BP PLC                                   | \$1,854,322          | 0.4%           | 5%                  |
| Texas Instruments Inc                    | \$1,846,242          | 0.4%           | 5%                  |
| Canadian Imperial Bank Of Commerce       | \$1,746,970          | 0.4%           | 5%                  |
| META Platforms Inc                       | \$1,678,722          | 0.4%           | 5%                  |
| Bank Of Montreal                         | \$1,672,447          | 0.4%           | 5%                  |
| Cisco Systems Inc                        | \$1,664,252          | 0.4%           | 5%                  |
| Bank Of New York Mellon                  | \$1,630,353          | 0.4%           | 5%                  |
| Hyundai Auto Receivables                 | \$1,587,895          | 0.3%           | 5%                  |
| AstraZeneca Finance LLC                  | \$1,517,851          | 0.3%           | 5%                  |
| Carmax Auto Owner Trust                  | \$1,493,919          | 0.3%           | 5%                  |
| Honeywell International                  | \$1,485,184          | 0.3%           | 5%                  |
| Unitedhealth Group Inc                   | \$1,448,958          | 0.3%           | 5%                  |
| Adobe Inc                                | \$1,394,160          | 0.3%           | 5%                  |
| Paccar Financial Corp                    | \$1,332,873          | 0.3%           | 5%                  |
| Caterpillar Inc                          | \$1,317,703          | 0.3%           | 5%                  |
| Ally Auto Receivables Trust              | \$1,231,982          | 0.3%           | 5%                  |
| Volkswagen Auto                          | \$1,132,050          | 0.2%           | 5%                  |
| Gm Financial Securitized Term            | \$1,112,271          | 0.2%           | 5%                  |
| Target Corporation                       | \$1,078,574          | 0.2%           | 5%                  |
| Lockheed Martin Corp                     | \$1,009,364          | 0.2%           | 5%                  |
| Ford Credit Auto Owner Trust             | \$988,939            | 0.2%           | 5%                  |
| BMW Financial Services                   | \$943,051            | 0.2%           | 5%                  |
| Nissan Auto Receivables                  | \$641,085            | 0.1%           | 5%                  |
| Pepsico Inc                              | \$616,854            | 0.1%           | 5%                  |
| Truist Financial Corp                    | \$426,069            | 0.1%           | 5%                  |
| CNH Equipment Trust                      | \$260,360            | 0.1%           | 5%                  |
| Bristol-Myers Squibb Co                  | \$233,361            | 0.1%           | 5%                  |
| World Omni Auto Rec Trust                | \$230,273            | 0.1%           | 5%                  |
| <b>Total</b>                             | <b>\$454,459,367</b> |                |                     |

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.

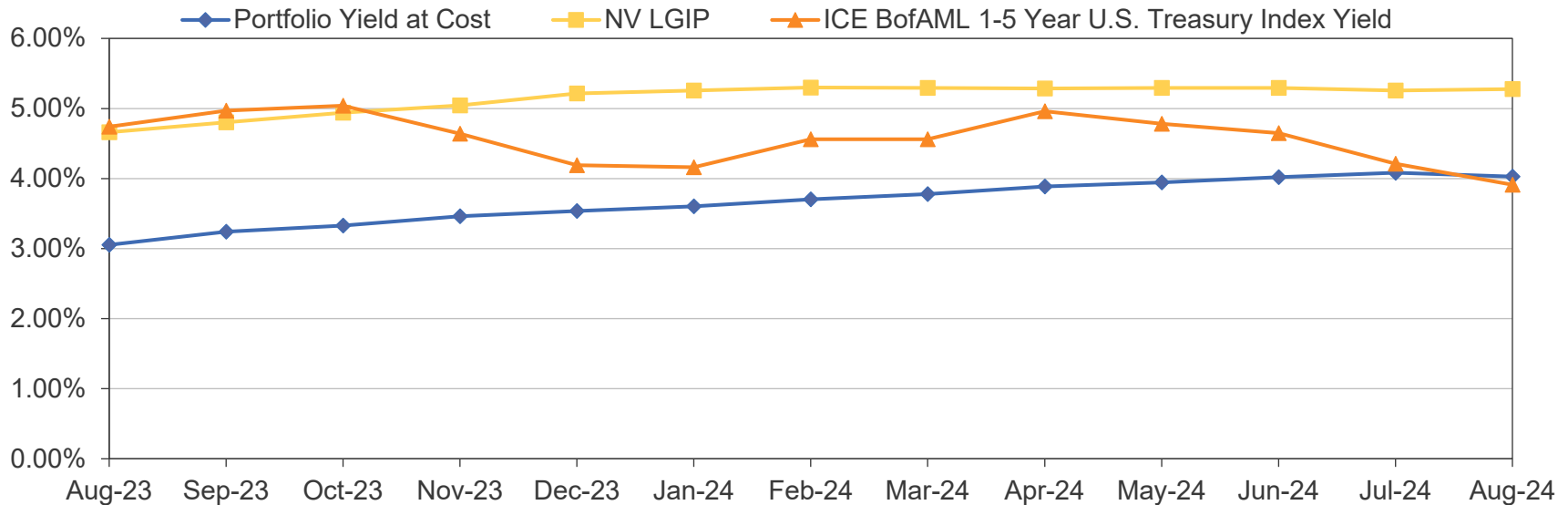


# Portfolio Yield Summary

City of Reno as of  
8/31/24

| 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> |
|--------|-------------------------|-------------------------------------|---------------------------------|--------------------------------------|--|
| 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%                                      |
| Jul-24 | 465,339,566             | 4.08%                               | 2.35                            | 5.26%                                | 4.21%                                      |
| Aug-24 | 453,918,577             | 4.03%                               | 2.34                            | 5.28%                                | 3.91%                                      |

**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 August 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

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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