

# City of Reno

## Monthly Investment Report

September 30, 2024

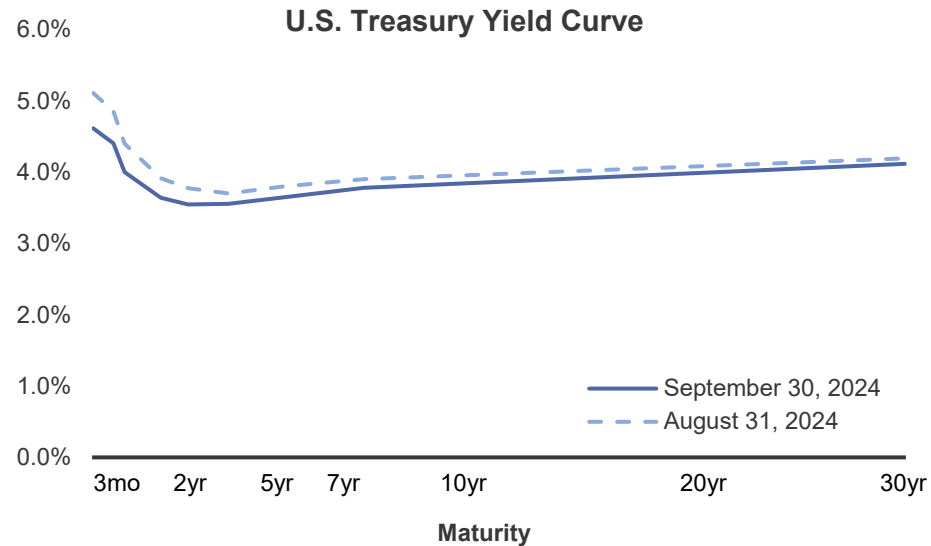
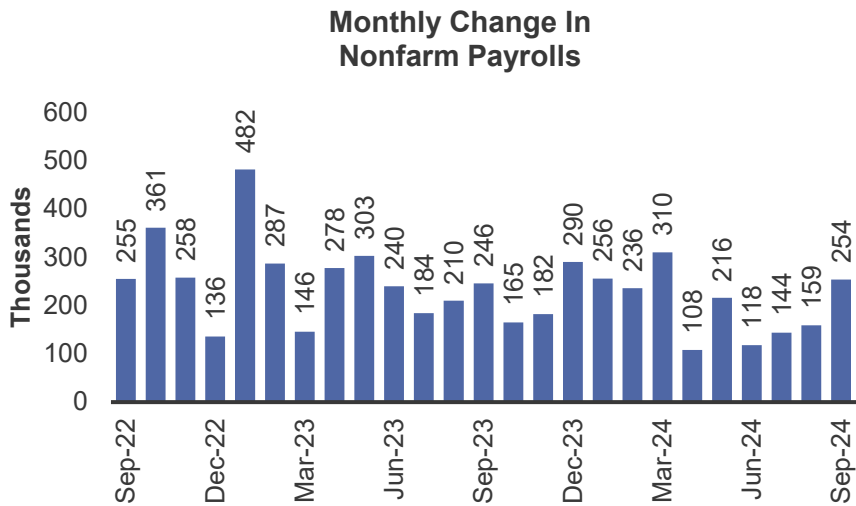
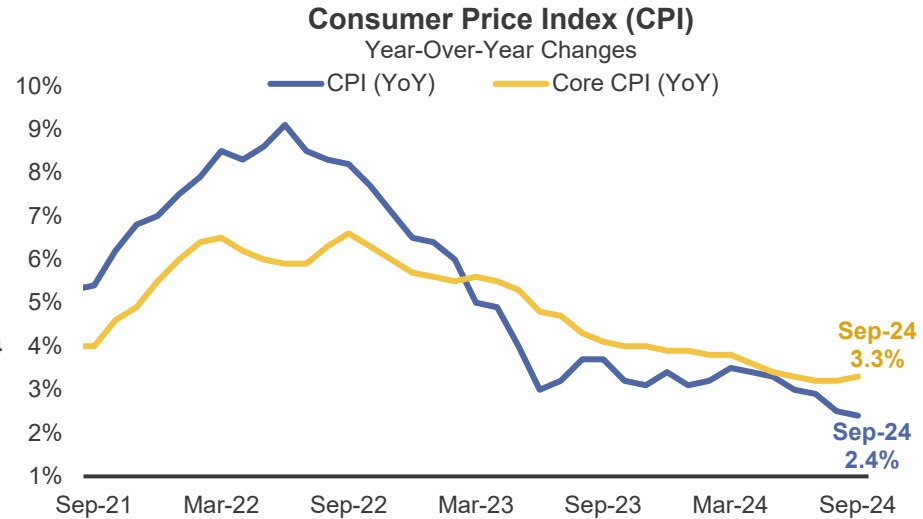
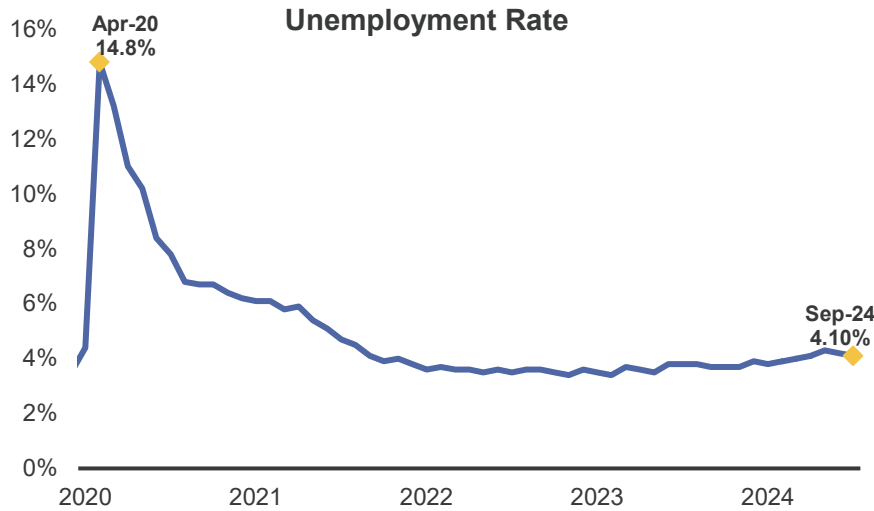
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*PFM Asset Management LLC*

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# Labor Market Sends Mixed Signals



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

# Market Summary

## Economic Highlights

- ▶ The FOMC's updated median "dot" projection suggests an additional 50 bps in rate cuts by the end of the year "if the economy performs as expected." The projections also show an additional full percentage point of cuts in 2025, resulting in a federal funds rate target range of 3.25% - 3.50%.
- ▶ The August PCE reading of 2.2% year-over-year hit its lowest level since February 2021, continuing the trajectory towards the Fed's 2% inflation target.
- ▶ The final GDP reading showed the economy grew at a 3% pace during the second quarter. Consumer spending showed strength, growing at a pace of 2.8% versus Q1's 1.9% pace. Current estimates show similar growth in consumer spending for the third quarter.
- ▶ The Federal Open Market Committee (FOMC) lowered the target range for the federal funds rate by 50 basis points (bps) to 4.75% - 5.00% at its September meeting. The half percentage point cut was well-digested by markets despite expectations being split between 25 and 50 bps. Federal Reserve Chair Powell described the risks to achieving the Fed's employment and inflation goals as now being "roughly in balance."

## Market Reaction

- ▶ U.S. Treasury yields continued their descent in September as markets digested the Fed's first cut. Overnight and short-term maturities (less than three months) declined in lockstep with the 50 basis point cut. Meanwhile, the yield on the 2-year U.S. Treasury note declined 1.4% from its six-month high in April.
- ▶ As a result, fixed income total returns were strong as yields fell. The ICE BofA 2-, 5-, and 10-year U.S. Treasury indexes returned 0.79%, 1.03%, and 1.37%, respectively, for the month.
- ▶ The first Fed rate cut was received with open arms across risk assets, as positive sentiment pushed equity markets to new all-time highs. The S&P 500 Index increased 2.1%, the Dow Jones Industrial Average was up 2.0%, and the NASDAQ Index was up 2.8%.

# Summary of the City's Funds

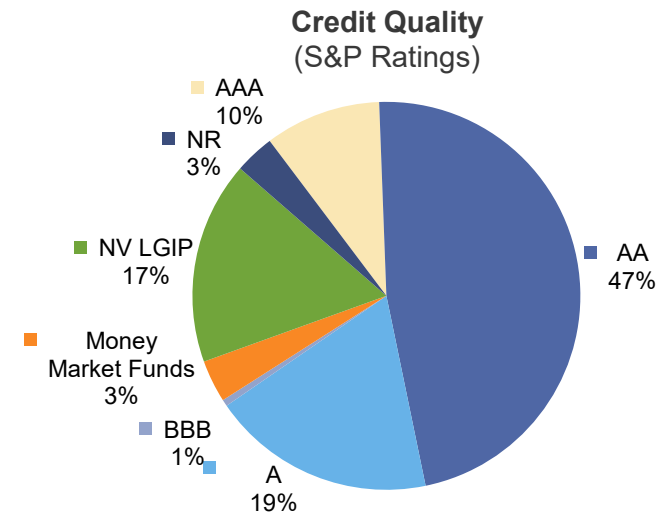
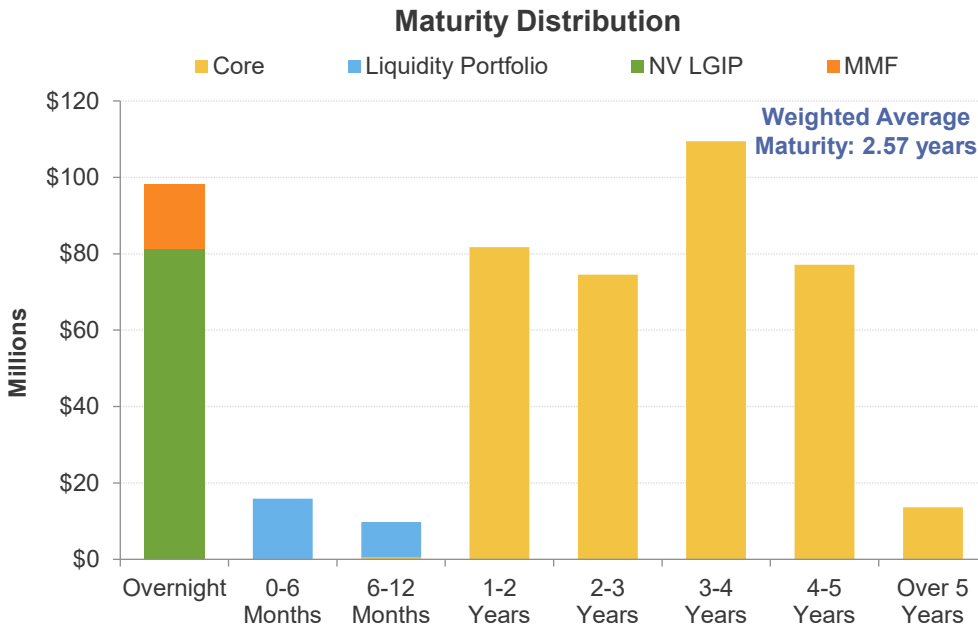
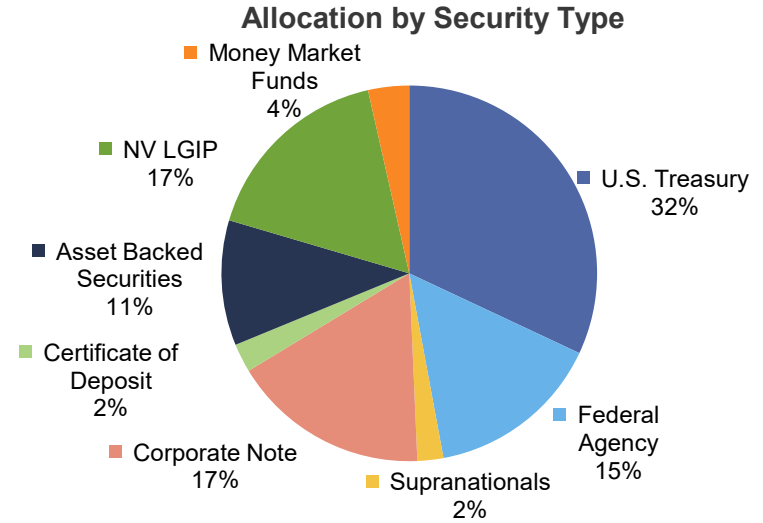
City of Reno as of  
9/30/24

City of Reno Funds	Market Value <sup>1</sup>
Core Portfolio	\$356,817,399
Liquidity Portfolio	\$25,266,332
Liquid Funds	\$98,152,089
<i>Nevada LGIP</i>	<i>\$81,195,153</i>
<i>U.S. Bank</i>	<i>\$2,249,234</i>
<i>Wells Fargo</i>	<i>\$14,707,702</i>
<b>Managed Account Subtotal</b>	<b>\$480,235,821</b>
Reserve Fund Portfolios	\$12,746,536
<b>Total</b>	<b>\$492,982,357</b>

1. Market Values exclude accrued interest



Account Summary	Ending Values as of 8/31/24	Ending Values as of 9/30/24
Market Value	\$454,459,367	\$480,235,821
Book Value	\$453,918,577	\$477,489,655
Unrealized Gain/(Loss)	\$540,791	\$2,746,166
Yield at Market	4.29%	3.95%
Yield at Cost	4.03%	4.15%



- 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  
9/30/24

Security Type	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$153,565,730	32.0%	100%
Federal Agency	\$68,176,850	14.2%	100%
Supranationals	\$10,733,606	2.2%	15%
Corporate Note	\$86,021,070	17.9%	20%
Certificate of Deposit	\$11,869,872	2.5%	30%
Asset Backed Securities	\$51,716,605	10.8%	100%
NV LGIP	\$81,195,153	16.9%	100%
Money Market Funds	\$16,956,936	3.5%	100%
<b>Total Market Value</b>	<b>\$480,235,821</b>	<b>100.0%</b>	

Maturity	Market Value	% of Portfolio	Permitted by Policy
Overnight	\$98,152,089	20.4%	No Limit
0-6 Months	\$15,918,440	3.3%	No Limit
6-12 Months	\$9,797,466	2.0%	No Limit
1-2 Years	\$81,692,109	17.0%	No Limit
2-3 Years	\$74,485,018	15.5%	No Limit
3-4 Years	\$109,462,710	22.8%	No Limit
4-5 Years	\$77,098,528	16.1%	No Limit
Over 5 Years	\$13,629,461	2.8%	No Limit
<b>Total Market Value</b>	<b>\$480,235,821</b>	<b>100.0%</b>	

Accrual Basis Earnings <sup>4</sup>	9/1/24 through 9/30/24
<b>Total Estimated Earnings</b>	<b>\$1,145,106</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  
9/30/24

Issuer	Market Value	% of Portfolio	Permitted by Policy
U.S. Treasury	\$153,565,730	32.0%	100%
Nevada LGIP	\$81,195,153	16.9%	100%
Federal Home Loan Mortgage Corporation	\$54,195,093	11.3%	100%
Money Market Funds	\$16,956,936	3.5%	100%
Federal National Mortgage Association	\$11,942,452	2.5%	100%
Bank Of America Co	\$9,569,837	2.0%	5%
Toronto-Dominion Bank	\$6,796,481	1.4%	5%
African Development Bank	\$5,337,497	1.1%	15%
Discover Financial Services	\$4,810,989	1.0%	5%
Toyota Motor Corp	\$4,628,237	1.0%	5%
Wells Fargo & Company	\$3,818,641	0.8%	5%
Bank of America Auto Trust	\$3,659,930	0.8%	5%
Citigroup Inc	\$3,498,584	0.7%	5%
Rabobank Nederland	\$3,413,485	0.7%	5%
Bmw Financial Services Na Llc	\$3,196,587	0.7%	5%
Wells Fargo Card Issuance Trust	\$3,062,430	0.6%	5%
Credit Agricole SA	\$3,029,772	0.6%	5%
Mitsubishi Ufj Financial Group Inc	\$3,007,611	0.6%	5%
Capital One Financial Corp	\$2,931,493	0.6%	5%
American Express Co	\$2,859,998	0.6%	5%
Intl Bank Of Reconstruction And Dev	\$2,830,906	0.6%	15%
Daimler Truck	\$2,734,455	0.6%	5%
USAA Auto Owner Trust	\$2,709,347	0.6%	5%
Bank Of Montreal	\$2,687,527	0.6%	5%
State Street Corporation	\$2,672,811	0.6%	5%
Chase Issurance	\$2,642,896	0.6%	5%
Sumitomo Mitsui Financial Group Inc	\$2,605,484	0.5%	5%
Deere & Company	\$2,602,772	0.5%	5%
Royal Bank Of Canada	\$2,596,745	0.5%	5%
Morgan Stanley	\$2,572,204	0.5%	5%
Asian Development Bank	\$2,565,203	0.5%	0%
Mercedes-Benz Group AG	\$2,556,497	0.5%	5%
National Rural Utilities Co Finance Corp	\$2,524,421	0.5%	5%
American Honda Finance	\$2,511,471	0.5%	5%
John Deere Owner Trust	\$2,424,125	0.5%	5%
Natixis NY Branch	\$2,375,951	0.5%	5%
Fifth Third Auto Trust	\$2,368,101	0.5%	5%
JPMorgan Chase & Co	\$2,323,220	0.5%	5%
National Australia Bank Ltd	\$2,296,672	0.5%	5%
Honda Auto Receivables	\$2,228,257	0.5%	5%

Issuer	Market Value	% of Portfolio	Permitted by Policy
Northern Trust Corp	\$2,203,100	0.5%	5%
Mercedes-Benz Auto Receivables	\$2,127,976	0.4%	5%
Analog Devices Inc	\$2,111,513	0.4%	5%
Kubota Credit Owners Trust	\$2,090,672	0.4%	5%
Comcast Corp	\$2,079,758	0.4%	5%
Government National Mortgage Association	\$2,039,305	0.4%	100%
Goldman Sachs Group Inc	\$2,016,867	0.4%	5%
IBM Corp	\$2,007,096	0.4%	5%
Paccar Financial Corp	\$1,933,213	0.4%	5%
BP PLC	\$1,865,969	0.4%	5%
Texas Instruments Inc	\$1,855,878	0.4%	5%
Canadian Imperial Bank Of Commerce	\$1,756,517	0.4%	5%
META Platforms Inc	\$1,691,781	0.4%	5%
Cisco Systems Inc	\$1,674,754	0.3%	5%
Bank Of New York Mellon	\$1,639,620	0.3%	5%
AstraZeneca Finance LLC	\$1,530,698	0.3%	5%
Hyundai Auto Receivables	\$1,507,648	0.3%	5%
Honeywell International	\$1,498,299	0.3%	5%
Unitedhealth Group Inc	\$1,457,707	0.3%	5%
Adobe Inc	\$1,404,003	0.3%	5%
Carmax Auto Owner Trust	\$1,372,391	0.3%	5%
Ally Auto Receivables Trust	\$1,236,183	0.3%	5%
Gm Financial Securitized Term	\$1,086,284	0.2%	5%
Target Corporation	\$1,085,272	0.2%	5%
Volkswagen Auto	\$1,050,702	0.2%	5%
Lockheed Martin Corp	\$1,015,712	0.2%	5%
Ford Credit Auto Owner Trust	\$991,832	0.2%	5%
BMW Financial Services	\$909,477	0.2%	5%
Nissan Auto Receivables	\$643,229	0.1%	5%
Pepsico Inc	\$620,443	0.1%	5%
Truist Financial Corp	\$428,250	0.1%	5%
Caterpillar Inc	\$329,635	0.1%	5%
Bristol-Myers Squibb Co	\$234,978	<0.1%	5%
CNH Equipment Trust	\$229,595	<0.1%	5%
World Omni Auto Rec Trust	\$203,464	<0.1%	5%
<b>Total</b>	<b>\$480,235,821</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.

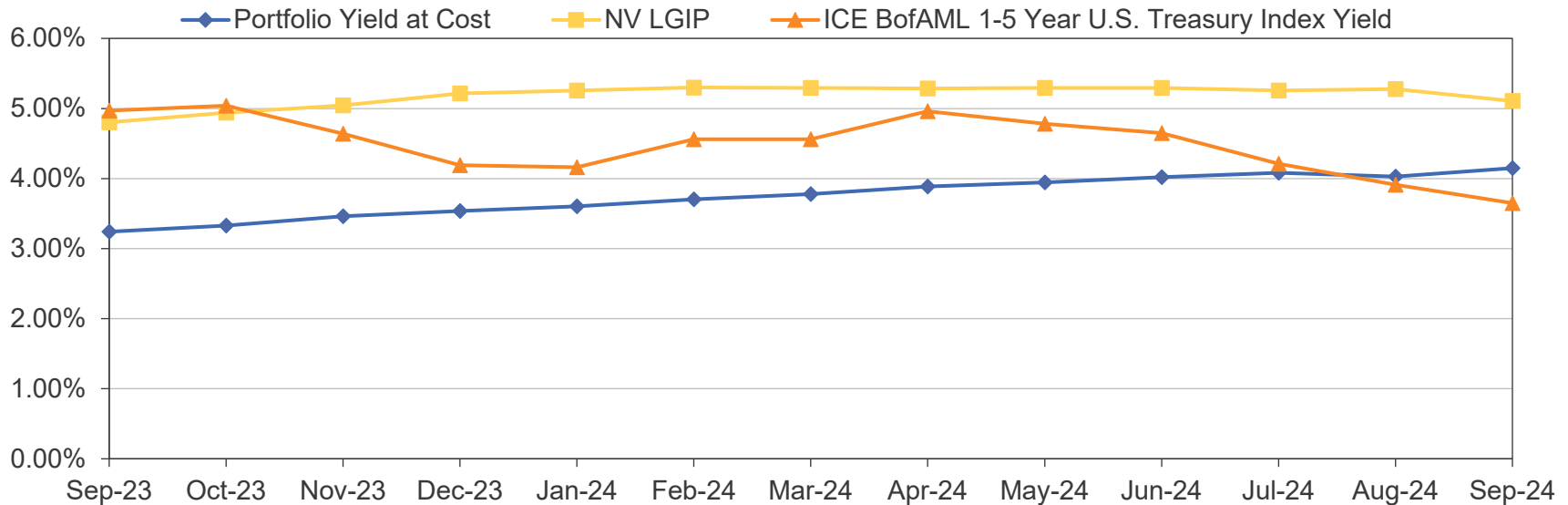
4. Securities issued by Asian Development Bank and the African Development are compliant as they were purchased prior to the City's October 2021 investment policy update.

# Portfolio Yield Summary

City of Reno as of  
9/30/24

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>
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%
Sept-24	477,489,655	4.15%	2.35	5.11%	3.65%

## 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 September 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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