REGIONAL TRANSPORTATION COMMISSION OF WASHOE COUNTY (RTC)
INVESTMENT COMMITTEE MEETING

Wednesday **11:00 a.m.** **January 22, 2020**

PRESENT:

Amy Cummings, RTC Interim Executive Director
Stephanie Haddock, CGFM, RTC Director of Finance/CFO
Jelena Williams, RTC Financial Manager
Nelia Belen, RTC Accountant
Monique Spyke, Managing Director, PFM Asset Management LLC

ABSENT: **Linda Merlin, Senior Accountant**

The RTC Investment Committee Meeting was held on January 22, 2020 at 11:00 a.m. in the First Floor Conference Room, Suite 101, at the Regional Transportation Commission of Washoe County, 1105 Terminal Way, Reno, Nevada and was called to order by Stephanie Haddock. The following business was conducted:

ROLL CALL

Present: Nelia Belen, Jelena Williams, Amy Cummings, Stephanie Haddock, Monique Spyke

Absent: Linda Merlin

Item 1 APPROVAL OF AGENDA

Stephanie Haddock: It is 11:00 a.m. now, so we will go ahead and call this meeting to order. If I can have a motion for approval of the Agenda?

Jelena Williams: I move to approve the Agenda.

Stephanie Haddock: I have a motion, can I have a second?

Nelia Belen: Second.

Stephanie Haddock: Thank you. All those in favor say Aye.

Response: Aye.

Stephanie Haddock: Motion passes.

Item 2 PUBLIC INPUT

Stephanie Haddock: I see there is no public input, so we'll move on.

Item 3 **APPROVAL OF MINUTES**

Stephanie Haddock: Can I have a motion to approve the minutes?

Jelena Williams: I make a motion to approve the minutes from the January 22, 2019 meeting.

Nelia Belen: Second

Stephanie Haddock: Thank you. All those in favor say Aye?

Response: Aye.

Stephanie Haddock: Motion passes.

Item 4 DISCUSSION OF THE RTC DEBT SERVICE RESERVE INVESTMENT PERFORMANCE AND POSSIBLE APPROVAL OF A RECOMMENDATION TO BE PRESENTED TO THE RTC BOARD OF DIRECTORS

Monique Spyke: Good Morning. I thought it would be great to do an overview of essentially what took place in 2019, just to give you a sense of where the interest environment is at the start of this year, relative to where it was at the start of last year.

Page 1 is sort of a great snapshot and I will go around clockwise. The big story of 2019 was the fact that the Federal Open Market Committee essentially reversed their federal funds target rate policy. We had four consecutive years of the Fed increasing that target rate, which serves as an anchor to the yield curve. In 2019, they reversed that policy and actually cut interest rates three times. What that means is that the potential for future income, particularly for the reserve portfolio, has declined because the amount of income or yield in the market has changed.

What I think is interesting about this, is that going into 2019, it was the markets expectation that the Fed would continue their policy to increase interest rates. So, it was essentially a big sort of dove turn on the Feds part.

When you look at the yield curve continuing clockwise on this chart, you can see the dramatic drop in interest rates by December 31, 2018, which is represented by the dotted blue line, and the Yield Curve at the end of the calendar is represented by the solid blue line. You can see the drop in rates all the way across the curve and where we landed at the end of the quarter.

Other things in the market that are also notable, is the fact that the Equity Markets performed extremely well in 2019. The yield spreads on Corporate Debt also declined a fair bit. The chart that shows equity prices is the S&P 500 Price Change, and then you can see the Corporate Yield spreads, which represents Corporate Yields in the 1-3 year maturity range, with credit ratings between A and AAA.

The reason why these two things are notable is one, it sort of talks of investor confidence with the markets. Investors are not necessarily concerned with credit risk, they are still investing, and the stock market is still performing well. With the corporate yield, investors aren't demanding higher income for taking credit risk. So what does that tell us? It tells us, we sort of ended the quarter with consumers, corporations and investors fairly comfortable with where things stand.

On Page 2, other things to note are the fact that short term yields also dropped significantly in 2019, which you would expect given that the Fed cut interest rates three times, one-quarter of a percentage point each time. What this also speaks to is the taupe line, which represents 3-month Treasury Bills, and the yellow line represents the yield on 3-month Commercial Paper. If you look at the trend towards the end of this year on this chart, you'll notice that the yield difference between the two lines was fairly narrow for some part of 2019, but essentially widened out at the tail end. That's additional income, or more yield, for commercial paper vs. treasury bills that we had gotten in the first part of the year. So, although the range of rates is lower, you are being compensated more in the short-term markets for taking credit risk, than you were in some of the longer markets. This is just sort of a notable dynamic in the short end of the yield curve.

On Page 3, the fixed income markets still had a very strong year in 2019. Some of that was on the back of higher income going into the year. So again, having higher yields to start 2019, and the remainder of that performance was essentially a lot of that price appreciation as yields fell. So, as interest rates fall, the market value of investments rise. Another way to think about that is, if I buy an investment that is paying me 2% at the beginning of the year, and towards the end of the year that same investment is only yielding 1% in the market, people are going to pay me more for my 2% bond. So that dynamic really played itself out in the 4th Quarter and in the calendar year 2019. You can see as you go through the sectors, US Treasuries in taupe, Agencies in blue, so on and so forth, you can see that each sector performed very well.

Then on the right side of this page, the longer the bond, the better the performance. The 0-3 month treasury performed at 2.2% for the year, and treasury maturity in excess of 15 years performed at 14.5% for the year. That again takes into account income, but also price appreciation, which is a large part of this performance.

I talked briefly on the first page about the fact that investors weren't as concerned about a recession. The fact that investors were not demanding higher income for investing in corporate notes. These two exhibits, on Page 4, really sort of point to some of the recession probability.

The index on the left, from the Wall Street Economic Forecasting Survey, sort of tracks economic indicators and looks at them for the probability of recession. Those declined very significantly in Quarter 4.

Another big recessionary indicator is when the yield curve inverts, whereby you have short term interest rates like the 3-month treasury bill paying a higher yield than a 10-year treasury note. We had periods of inversion a couple of times during 2019. That's where you can see this sort of red and that's the spread between a 10-year minus a 3-month. So how much higher is the 3-month paying than the 10-year? That un-inverted by the end of the quarter and by the end of the year.

The reason why that is an indicator of a recession, is if the 10-year treasury note is paying less than the 3-year treasury bill, it indicates that investors are expected to get paid less in the future. So, that is an indication of lowered growth.

Stephanie Haddock: But, it went back up, so do you think they are still calling for a recession in the next year or two, or not?

Monique Spyke: No, I really don't think so. It's interesting because when there was a lot of the recessionary talk about economic indicators, despite the brief inversion of the yield curve, still weren't necessarily pointing negative. GDP was still growing, the jobs market was still fairly strong, and home sales were still up. All of the sort of market indicators were still positive and I think there is this sense in the market that this recovery/this expansion, is long in the tooth. If you look at other periods of recession on Page 9, we show the recessions in gray. 2008, really 2009, was sort of the recovery of the last recession, so we're really a long time into an expansionary period. Investors and economists were just sort of digging a little bit, like how much longer can this be sustained? How much longer is growth?

We also had what some would call sort of anemic growth. We are growing at 2-3% and past recoveries had a much higher growth rate. So then, it was a shift into well, do we just get used to this level of growth? Is this necessarily a bad thing or is it just what we should expect in the future? I think a lot of that discussion lead to some of the concerns, but the economic indicators were still decent, they weren't really pointed towards a recession. I think the market has sort of adjusted to that.

The next exhibit, on Page 5, is a sort of the Fed Funds Target Overnight Rate, and it shows you the increases from 2017 and 2018, then the decreases in 2019. I want to direct you to the quote by Fed Chair Jerome Powell, because he noted that, "as long as incoming information about the economy essentially stays consistent with current outlooks, the current stance of monetary policy will remain appropriate". Shorthand, he's basically saying this is going to be it, if things stay the way they are. We don't expect to make any changes to the Fed Funds target rate in the future. So, that makes us start 2020 with the expectation that the rate environment is going to be stable. Again, assuming the news stays consistent, stays as-is, nothing drastic happens, then the Fed Chair has basically said that we expect this stance to be appropriate for the near term.

So, where did that leave us in terms of yield spreads? Generally, yields are in a range, so we're expecting yields to remain sort of in that 150-160 target range for the foreseeable future, which is represented on this chart by the 3-year treasury. You can see this sort of comes from a peak of a 3.04%, so we would get loss in yield potential in the market, and loss in income potential. Again, we expect to stay right about where we are.

You could see how that plays about in the curve on Page 7, so this is just sort of a blown up picture of the slide I showed you on Page 1, where you could see we lost almost 100 basis points in the 2-3 year area of the curve. Yields however for the quarter were up slightly. Yields for the quarter from September 30 to December 31, were up slightly because that's when the market shifted that expectation and the Fed would just remain stable and would not have further rates cuts into 2020.

Things that support this view, that things are on a steady path, I talked about it a few times. If home sales continue to be strong, average monthly job growth across the country continues to be fairly consistent, manufacturing is selling some expansion and then also on Page 9, consumer confidence is extremely high. I think consumer confidence is probably amongst the highest levels we've seen, it's very high, and unemployment rates right across the country are still low. Negative things you'll hear about the unemployment rate is people are starting to talk about the quality of jobs that people are receiving, but still have an extremely low national average.

I think it is still hard for employers to attract workers, and I think it's fairly easy for folks to find other opportunities.

Page10 is meant to sort of strengthen that argument about consumers being the main drivers of GDP. If you look at this chart, it breaks down the components of GDP into its many parts. Personal Consumption, which is consumer expenditures, tends to be the largest component in GDP and really drives that growth. As you can see, the last GDP reading for the 3rd Quarter of 2019 shows consumers were about 2% of that.

What sectors do we think have the most value right now? Well, commercial paper, and we purchased commercial paper for your portfolio in the past, and we don't have any right now. In the past we have purchased commercial paper and it's a sector that is showing value. So, going back to that initial chart (Page 2) where I showed the 3-month treasury bill vs. the 3-month commercial paper, there is red there, so better value. Otherwise, we still like treasuries and we still like agencies and even some municipal bonds. There has been a lot of taxable fundings happening because the tax exempt market sort of limits the ability to advance refund debt. So, we're looking at some of those opportunities and then evaluating those for purchase.

Stephanie Haddock: So, I just want to clarify, I know you have your Washoe County Investment meeting later this afternoon. One of the reasons we haven't had this meeting for an entire year was that we were hoping to combine our reserves with their investments, so we would just have one consolidated meeting and be all done. Well, in researching our bond covenants, we realized the way they were written, we can't change the ones for the 2010. We could only change the covenants going forward with the refunded bonds, which Kendra did, but we are limited in our allowed investments, even though NRS has changed to broader opportunities. I just want to make sure you understand we are still very limited to the original investments that we have.

Monique Spyke: Yes, because for this portfolio, we are subject to the indenture language, which is static.

Stephanie Haddock: Right. Therefore, we are limited to the commercial paper, the treasuries and federal agencies. I don't think we're allowed to do any securitized asset back mortgage stuff. I really don't know about the municipals, so I just wanted to make sure, and we can have that conversation later. I wanted to make sure the PFM investment team understands that RTC can't be locked into how Washoe County is investing, or else we would have been able to combine our reserves with theirs and they would have just invested everything for us. Because Washoe County would have to have a separate pool for RTC because we're limited by our bond covenants, RTC agreed to move forward with us keeping our investments separate. I wanted everyone to be clear in why that didn't happen, and that the PFM team understands that there will be a difference between RTC and the County.

Monique Spyke: Yes, for your comfort, the investment rules for the RTC's portfolio are separate from our other clients. We have a trading system that builds rules that prevent trading that goes against an investment policy. So when the investment policy rules were set up, we took your indenture language, we wrote it into our system, and it limits the ability of the portfolio management team to execute trades that are against that policy. That's tested both pre-trade and post-trade, and it's reviewed by our compliance team to make sure there are no rules that are written.

Stephanie Haddock: Ok, thank you.

Monique Spyke: We have a lot of hands in that. We do think it's helpful especially when we talk about the market sort of as a whole, to give you all a broader sense of what we're seeing in the market, especially in the fixed income space. So this is an exhibit we've been including just to show our clients where our investment preferences are.

Stephanie Haddock: But not necessarily where you are investing our funding?

Monique Spyke: Right.

Monique Spyke: The last slide, I don't want to sort of leave the market and paint this really rosy picture that everything is all good and we're all happy, because there are a couple of concerning things happening around the globe. North America, the trade tensions, the impeachment trial, the election, and the budget deficit. One thing I can say about the budget deficit having impact on the market is, for the first time since 1986, they are going to be issuing 20-year treasury notes to help fund that deficit, and that is actually pushing up yield on the longer end of the yield curve.

The Middle East, we have everything that's going on there and they are sort of impacting investor confidence. Trade tensions in Asia, those are quiet and I bet the President and their team have come to a sort of first phase agreement. Then everything going on in Europe. All these things sort of contribute to our scuttle in the background that our investors are thinking about. I did want to leave on that note, the things we are watching.

Stephanie Haddock: One thing, you know with the rates going back down, it benefits us on the RTC side. Obviously we aren't going to make as much on our interest income earnings, but it did benefit our bond refunding, so we're saving a ton of money with our 2018 refunding and for 2020 refunding. Over almost $100 million over the life of our remaining bonds interest and principle, so I think there is the positive side of that for RTC. Moving forward, I'm happy about that lower interest cost for RTC on paying debt.

Monique Spyke: Right, I hear that.

Monique Spyke: Getting into the portfolio, we have the allocation of the bond reserve. We have about $8 million left in the fund. We confirmed this with the rebate team allocation between the reserves and they know there was some shifting because of the refunding's at the end of December and we liquidated some holdings.

Stephanie Haddock: Just for Amy's benefit, we used to have reserves for all of our outstanding bonds. As we went through the two refunding's, the first refunding refunded our 2009 and 2013 bonds, and from that refunding said we don't need reserves on those bonds anymore. So, we took what equated to about $14 million in that transaction, and we paid down our actual debt, which also contributes to our debt service savings going forward. Then when we did our next refunding for our 2010 bonds, actually they are still showing here, B and C, but those reserves were also eliminated. They are still showing because this report was done in December, and the refunding closed afterward. So, no more reserves there. We used that money, which was about $7 million in that transaction from to again pay down the debt principle. So, now we're just down to 2010 A and 2010EF bonds that we still require reserves. So, this chart should not show 2010B and 2010C bonds.

Monique Spyke: I will double check with Mike from rebate and get these changes.

Monique Spyke: So, in terms of where these funds are invested, we have them in US Treasury and Federal Agency Securities. You can see we have about 95% in US Treasuries, and the remainder in Federal Agencies. We haven't really been purchasing Federal Agencies much, because the value in that sector has really declined over the last couple of years. It's really Treasuries. When I say the value has declined, I mean we're only getting about at the most five (5) additional basis points for investing in Federal Agency Bonds. We believe that is not enough value to leave the Treasury sector, so we haven't been reinvesting funds in the treasury sector.

On Page 15, you can see the terms of yield on the portfolio. The portfolio yield is in blue and this is compared to the 1-year US Treasury in yellow, and the 2-year US Treasury in taupe.

You can see sort of a yield trend in this portfolio. We have existing investments in the portfolio and the portfolio starts to rise as we reinvest maturities. You can see where the yield trend really sort of declined through the calendar year. So on average, the portfolio yield was about 1.84% over the last 12 months over the calendar year, compared to an average yield of 1.51% during the prior 12 month period. So we did take up some yield, but we can expect that trend to decline, because yields on average are lower today than they were last year. So we would be reinvesting in a lower rate environment.

On Page 16, Income on the portfolio was about $56,000 for the quarter, shown at the bottom right. That is your accrual earnings. So that shows essentially the interest earned on the portfolio, plus or minus any change in value. That change in value includes any accretion in terms of premium or discount on the bonds owned in the portfolio.

You can see net purchases and sales over the quarter, so again, we did liquidated some of the portfolio for the refunding towards the end of the quarter.

On Page 17, we show the accrual earnings trend by year.

Lastly, on Page 18, this is just a snapshot of the co-mingled portfolio. Again, vast majority in US Treasuries, we expect that trend to continue. The bonds you own are Fannie Mae bonds and US Treasury bonds in terms of the issuer distribution.

Going forward, we will continue probably to likely favor the Treasury markets. We have held some commercial paper in this portfolio in the past, and we want to talk to Stephanie and staff about that again. There were many discussions about commercial paper when we were buying the commercial paper. We just want to continue to think about those investments on more of a non-discretionary basis, if we ever invest in those.

Stephanie Haddock: I'm seeing in the 0-1 year, most of our money is in investments less than a year here, so do you think that request is going to be coming soon.

Monique Spyke: Yes, so in terms of what you have that's coming up for maturity, on Page 22, we are going to see maturities at the end of this month, about $2.8 million Par that we will be reinvesting. Then the remainder of the portfolio starts to turn over the second half of the year, in January.

Jelena Williams: What is the time frame to reinvest to how many years?

Monique Spyke: We've been targeting a duration of about two years, and what we also do is circle up with Stephanie, especially with upcoming maturity for commercial paper and other things, just to confirm there is no expectation. For example, there would be a need for these funds with regards to refinancing, and I believe here we are sort of done for the foreseeable future, so we would probably be targeting a duration of about two years.

Stephanie Haddock: Yes, and I think that is just fine, we can go longer now, because of what's remaining in reserves, those bonds basically can't be refunded.

Monique Spyke: So, there is no time horizon for the remaining. That is good to know.

Stephanie Haddock: The bond people are always coming to us and telling us about all those fancy different refunding things that they can do and options where you put it in escrow over here, it's kind of like a "smoke and mirrors" show.

Monique Spyke: Right, right.

Stephanie Haddock: You're trying to do a refunding, but you never really take the original debt and do anything with it, you put it over in a special escrow account.

Monique Spyke: There are all kinds of fancy names now, Cinderella bonds and all that.

Stephanie Haddock: Yes, I have no interest in that. So going forward hopefully RTC won't be issuing any new debt and just continue along where we are now.

Monique Spyke: Right, ok, that is good to know.

Monique Spyke: Any questions?

Monique Spyke: On the Allocation of Bond Reserves, if we need to correct that exhibit, I'll send a new copy over to Michelle Kraus, Finance Administrative Associate.

Jelena Williams: It depends when this slide was prepared.

Stephanie Haddock: We closed the bonds on December 20th. So, they might have put this together before then. Really the only reserves RTC has now are for 2010A and 2010EF bonds.

So, we don't have any recommendations to take forward to the Board. Usually per RTC Investment Committee Policy, Monique and her team just reach out to me about what they want to do, as far as reinvesting money, and I approve it.

Item 5 MEMBER ITEMS

Stephanie Haddock: Member items. We will be reconvening this to a Quarterly meeting working with your team. Do you think you will have someone else come in, or are you taking over permanently for now?

Monique Spyke: We are still hiring. We will definitely be hiring and we are in the midst of interviews, but you will see me for the foreseeable future.

Stephanie Haddock: Great! That's good for us. We really enjoy seeing you.

Monique Spyke: Thank you Stephanie.

Item 6 PUBLIC INPUT

Stephanie Haddock: Public Input. Seeing no public input, I move for adjournment.

Item 7 ADJOURNMENT

Stephanie Haddock: Do we have a motion for adjournment.

Jelena Williams: Motion to adjourn.

Nelia Belen: Second.

Stephanie Haddock: All those in favor:

Response: Aye

Stephanie Haddock: We are adjourned.

The meeting adjourned at 11:35 a.m.

Stephanie Haddock

Stephanie Haddock, CGFM
Director of Finance/CFO
Regional Transportation Commission

WASHOE COUNTY RTC

Investment Performance Review

For the Quarter Ended December 31, 2019

Client Management Team

PFM Asset Management LLC

Monique Spyke, Managing Director

Robert Cheddar, CFA, Managing Director

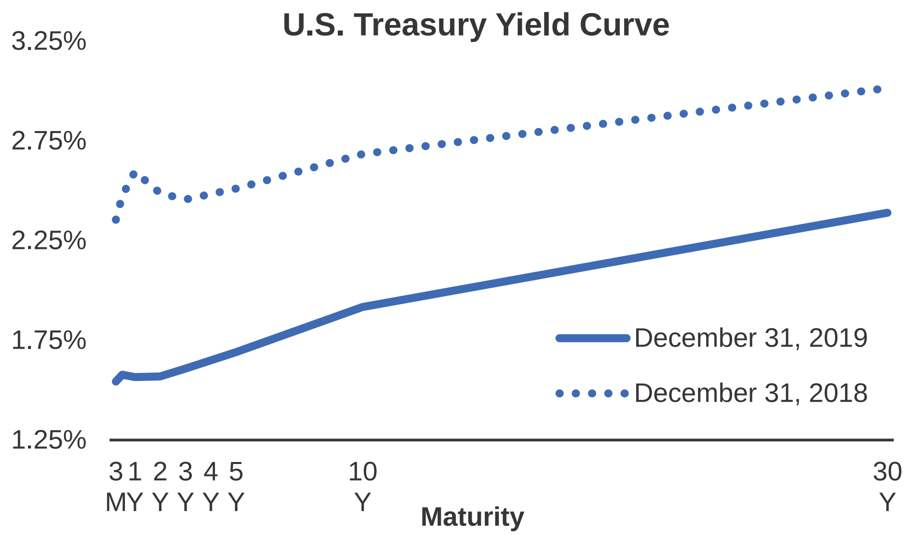
50 California Street, Suite 2300
San Francisco, CA 94111
415-982-5544

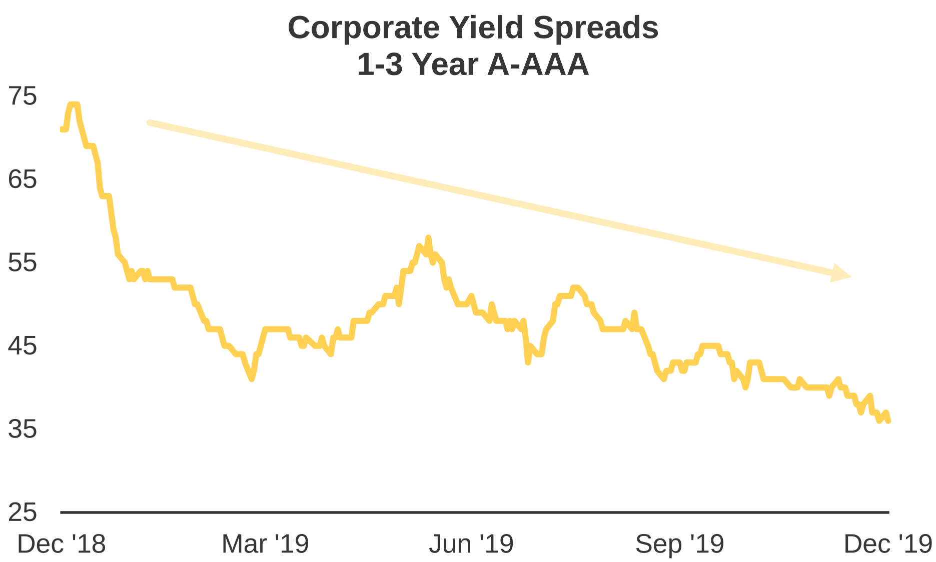
213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

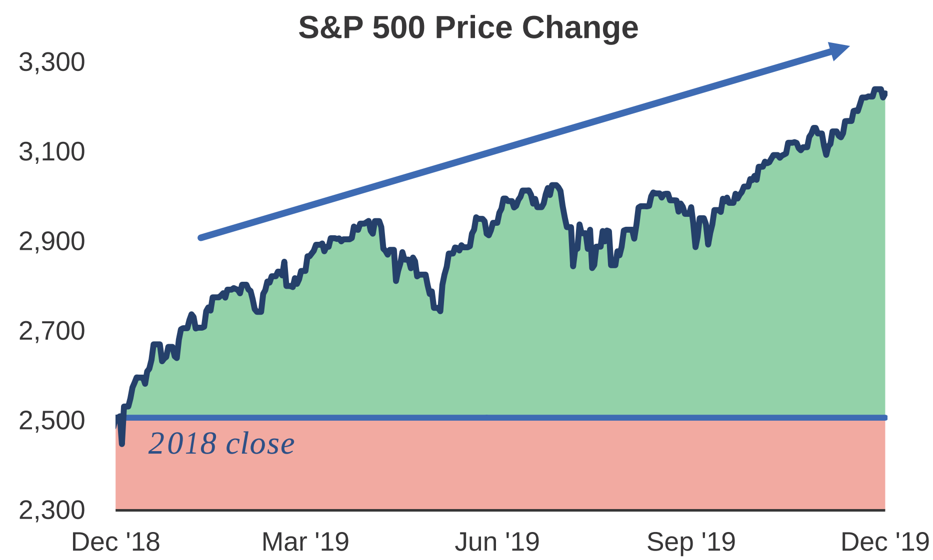
Market Update

Major Moves in 2019

Federal Funds Target Range			
Year	**Starting Range**	**Ending Range**	**# of Hikes/Cuts**
2015	0.00%-0.25%	0.25%-0.50%	1 hike
2016	0.25%-0.50%	0.50%-0.75%	1 hike
2017	0.50%-0.75%	1.25%-1.50%	3 hikes
2018	1.25%-1.50%	2.25%-2.50%	4 hikes
2019	**2.25%-2.50%**	**1.50%-1.75%**	**3 cuts**

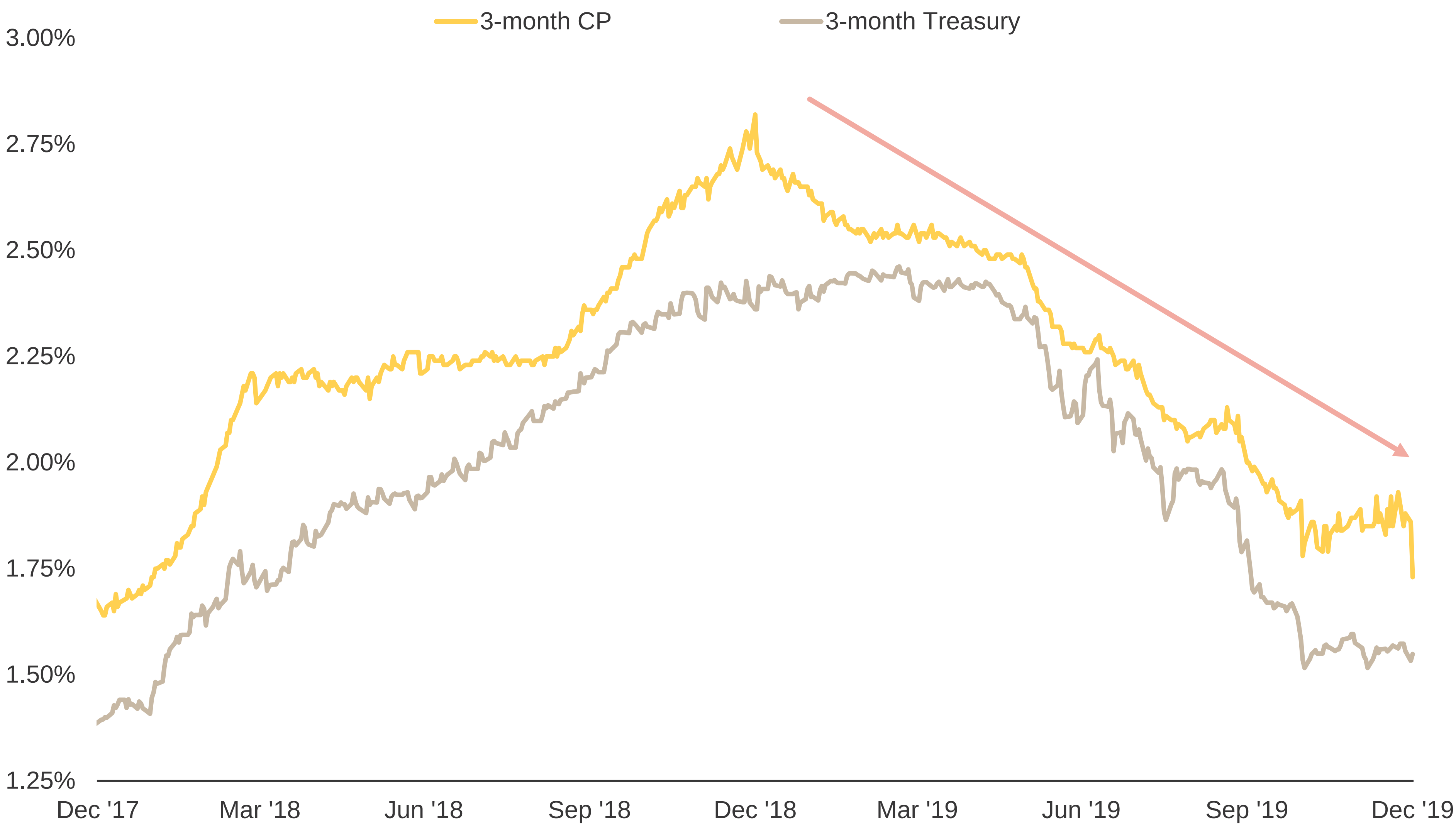






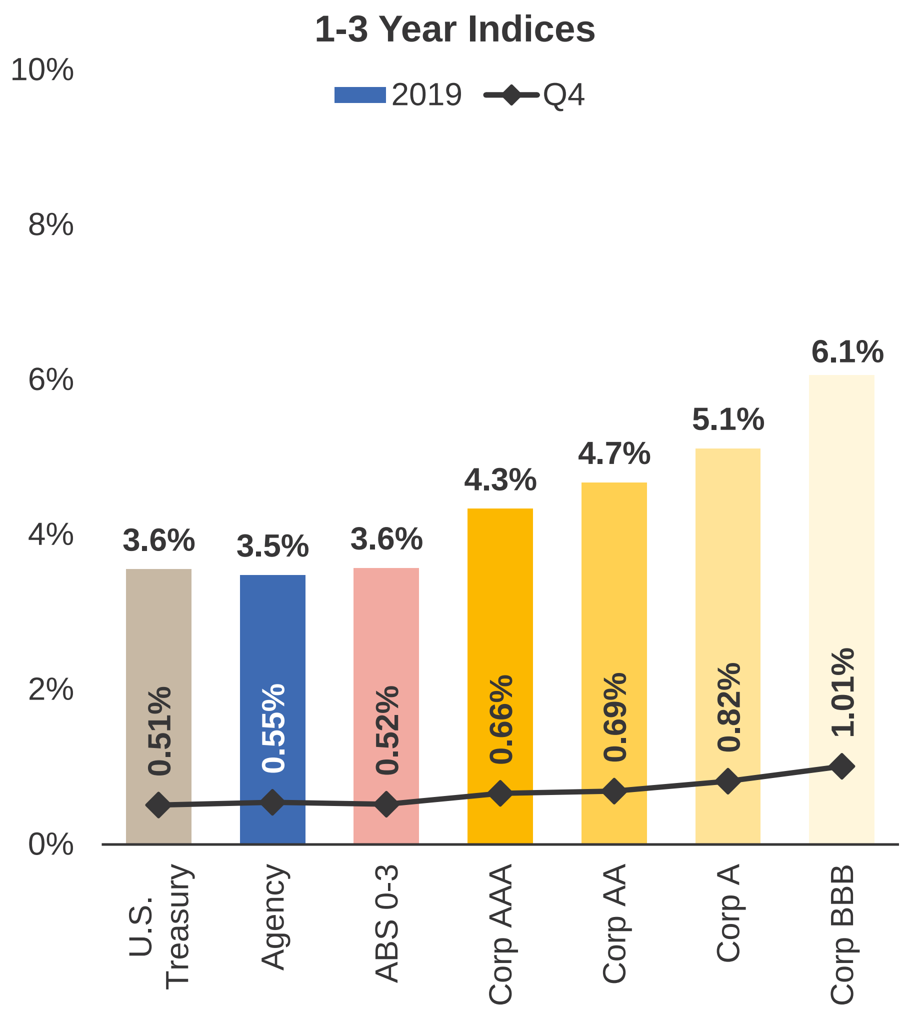
Source: Bloomberg, as of December 31, 2019.

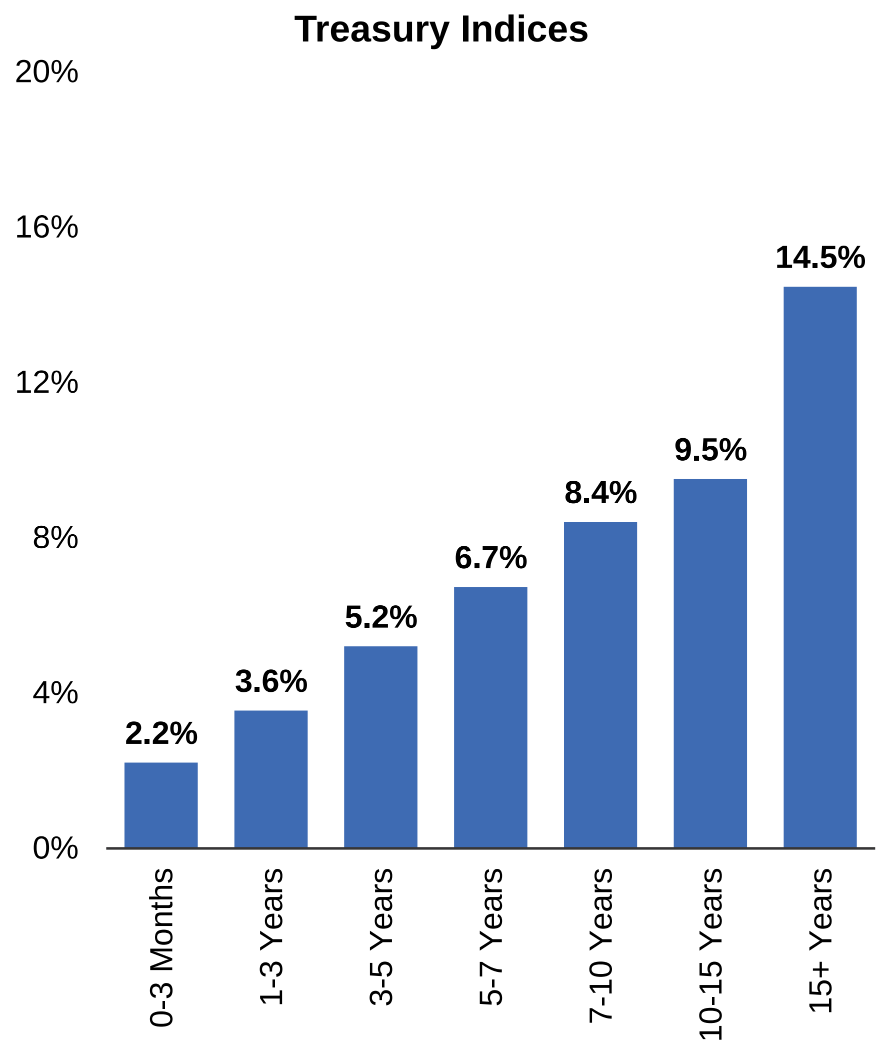
Short-Term Yields Dropped Significantly in 2019



Source: Bloomberg, PFM Trading Desk, as of December 31, 2019. Not a specific recommendation. 3-mo CP yield spread based on A1/P1 rated CP index.

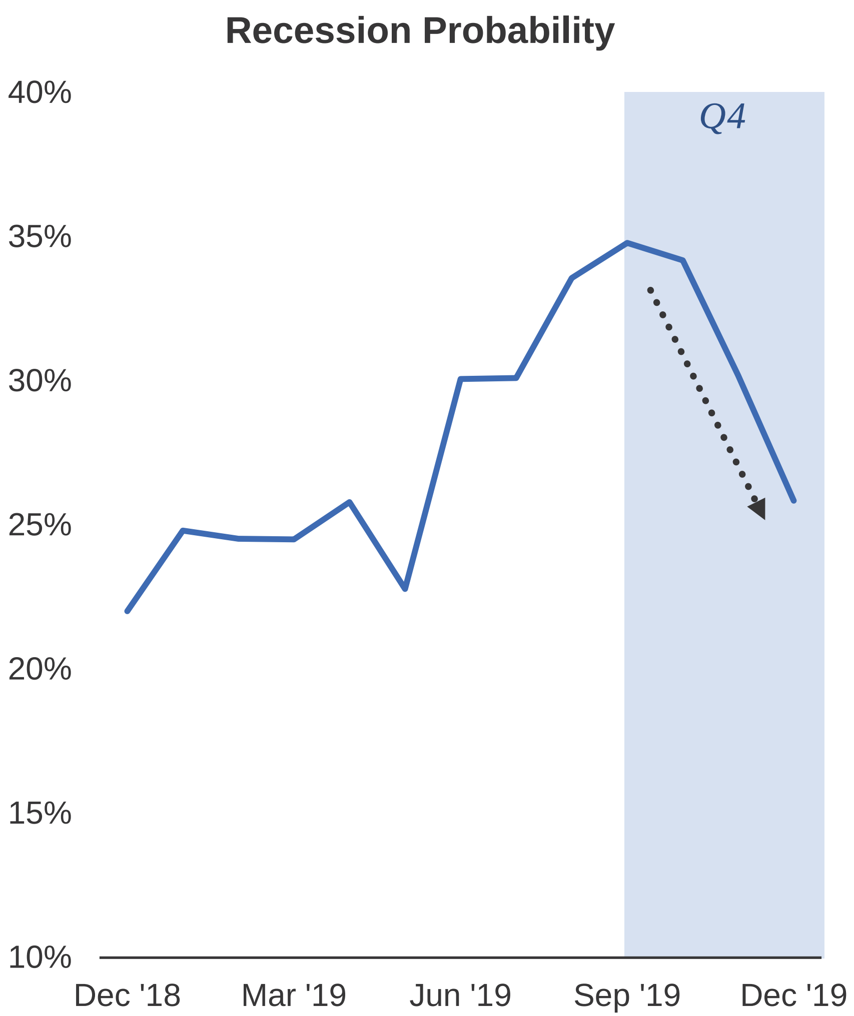
Fixed Income Performance Strong for the Year

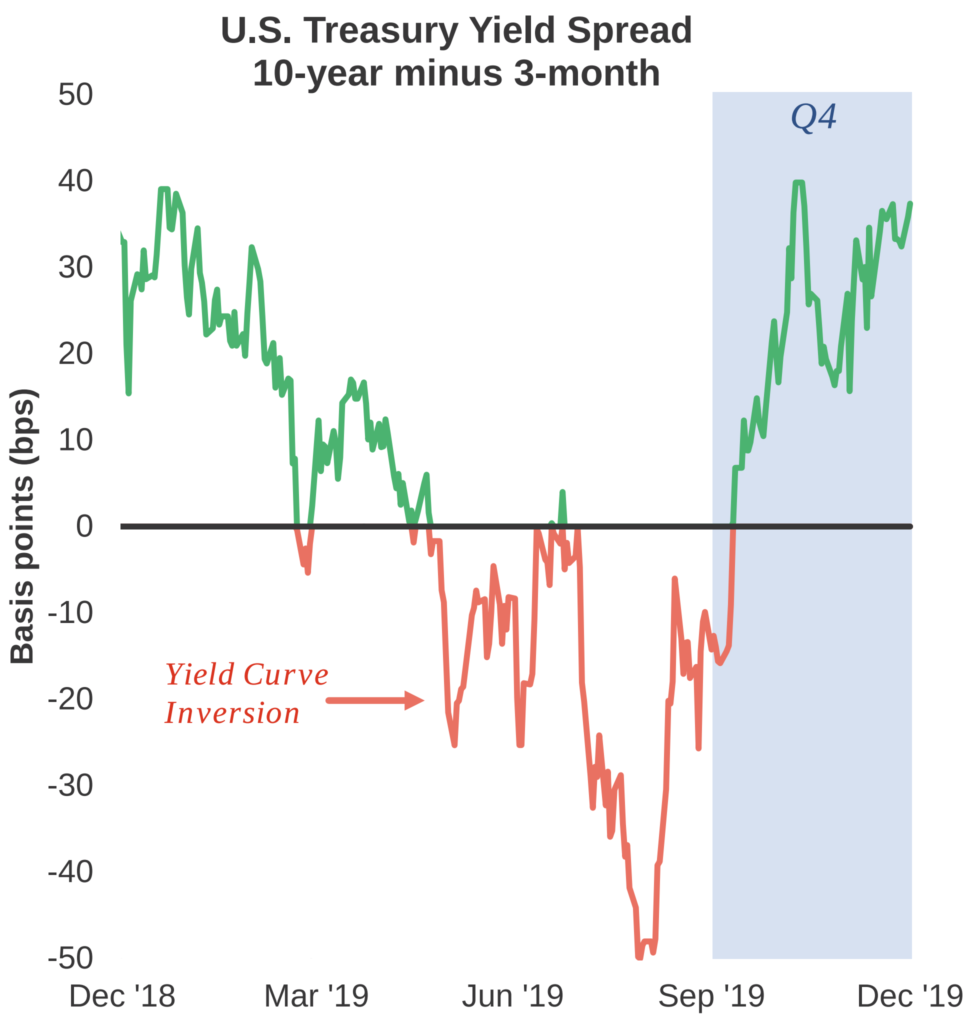




Source: Bloomberg, as of December 31, 2019.

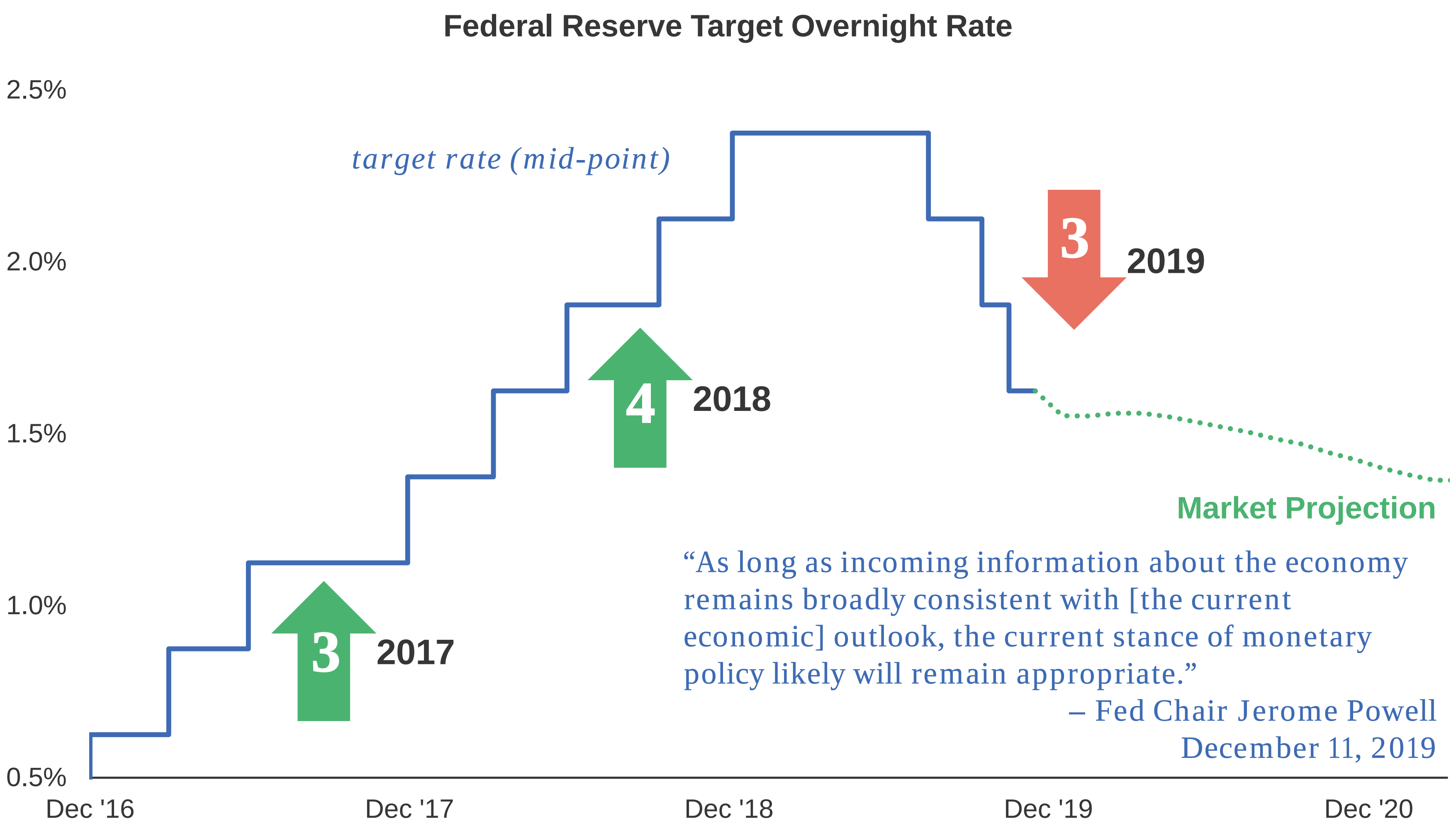
Recession Fears Subsided and Yield Curve Un-Inverted in Fourth Quarter





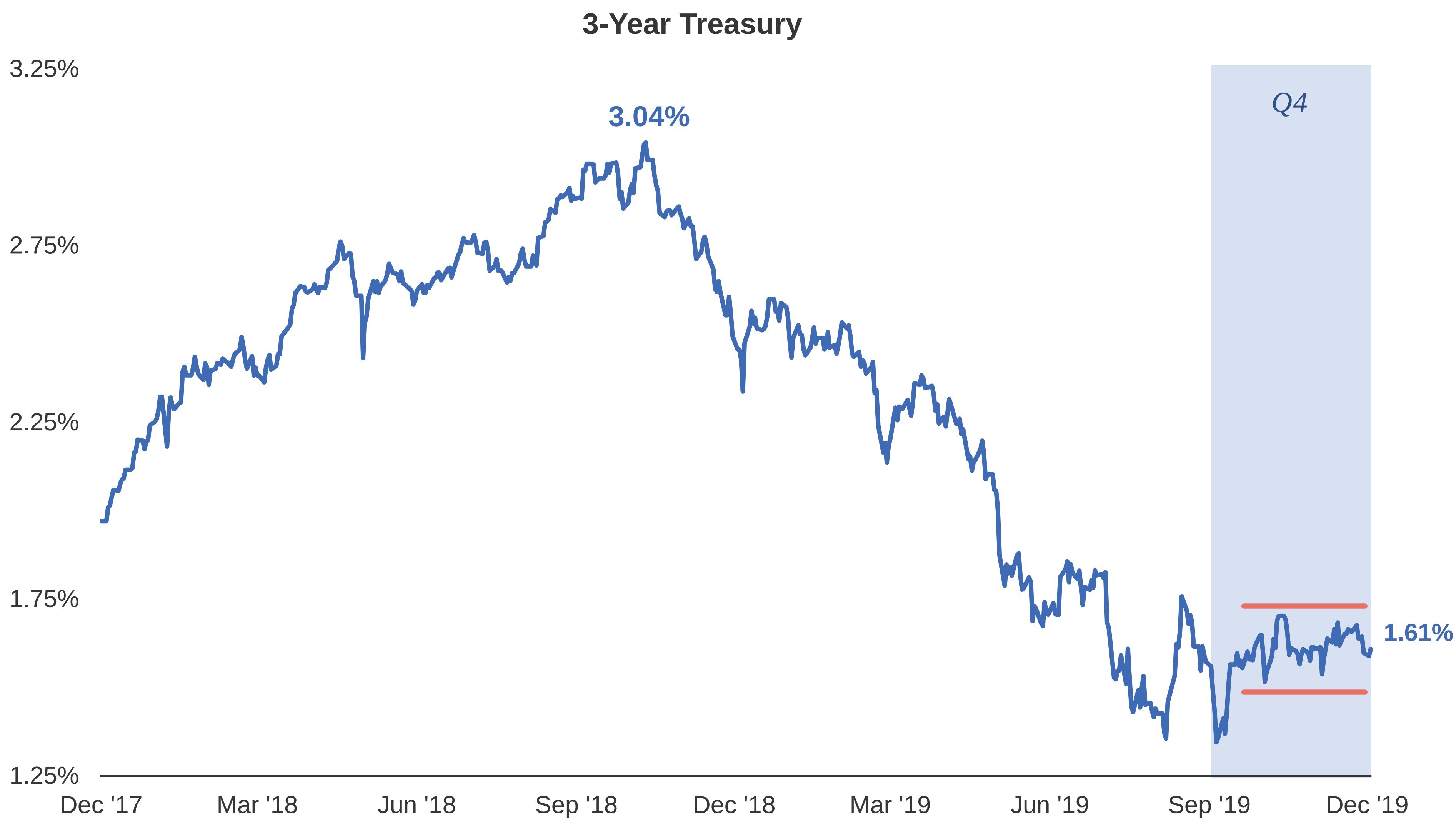
Source: Data as of December 31, 2019. Wall Street Journal Economic Forecasting Survey (left); Bloomberg (right).

The Fed Signals It Is Likely on Hold for an Extended Period of Time



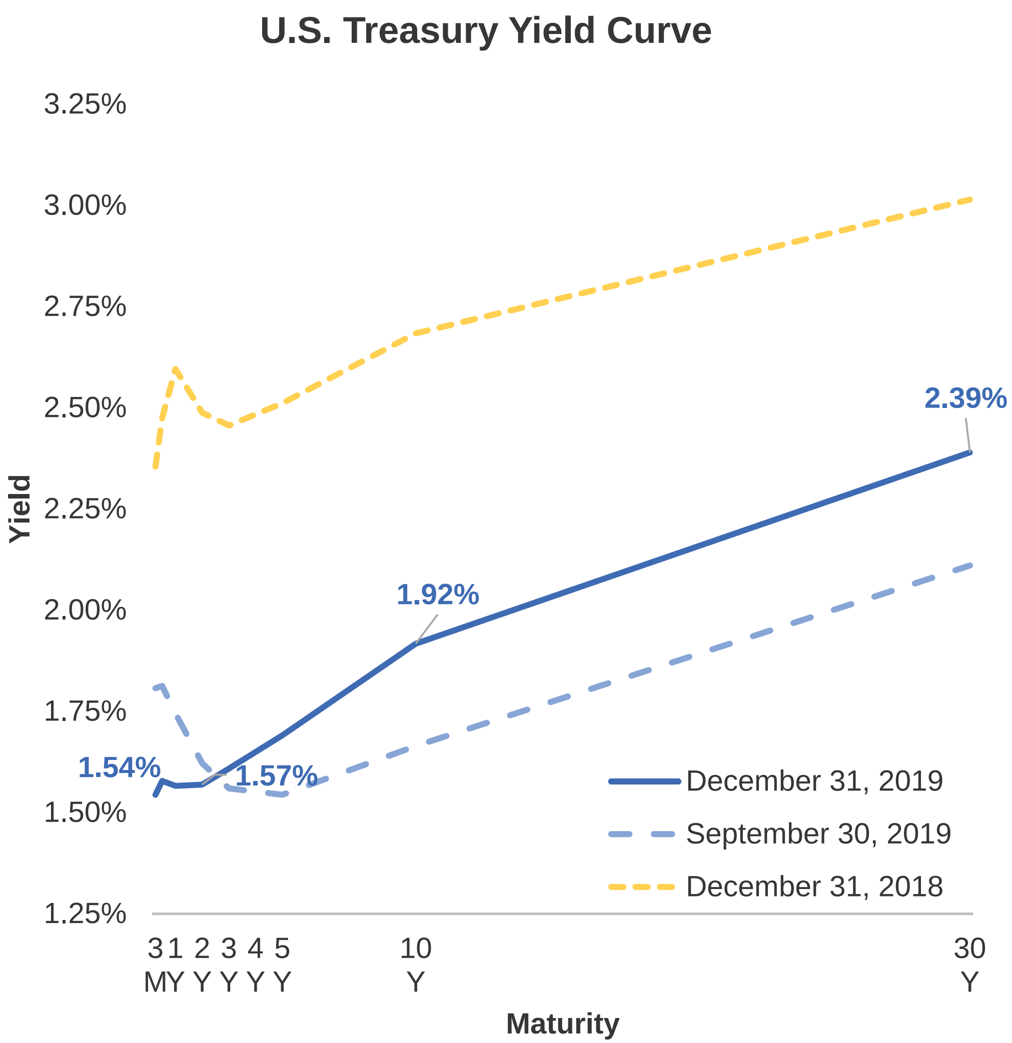
Source: Bloomberg. Market Projection as of December 31, 2019.

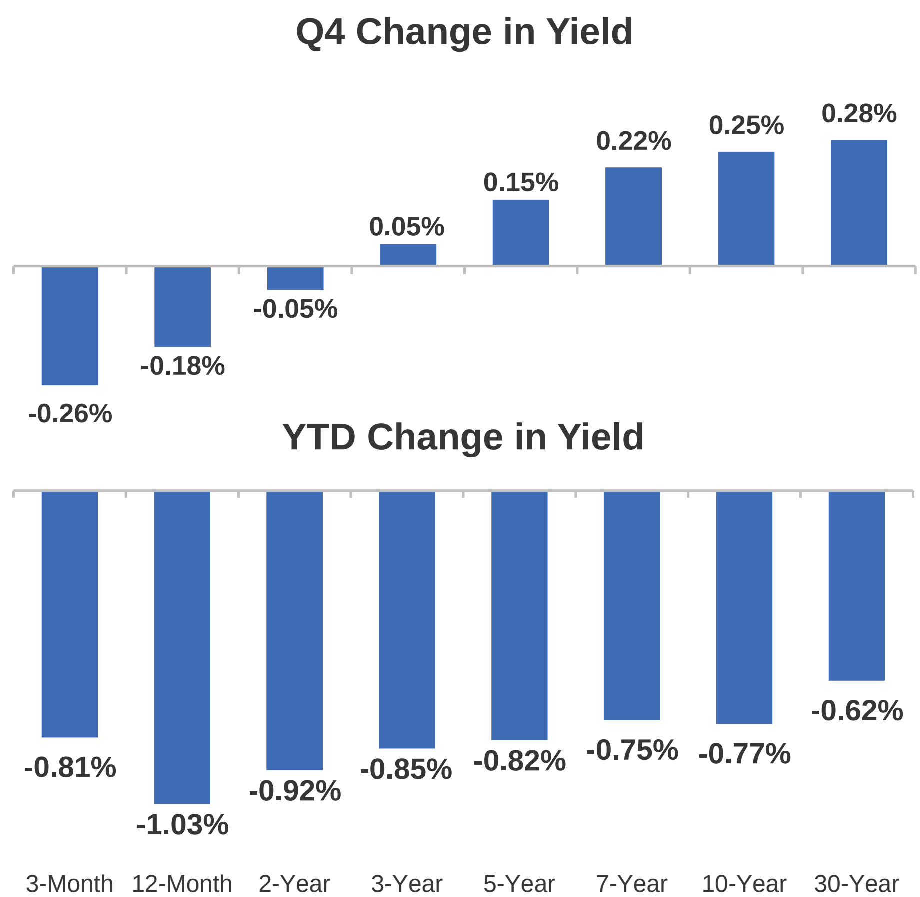
Treasury Yields Have Settled into a New, Lower Range



Source: Bloomberg, as of December 31, 2019.

Yields Fell in 2019 and the Curve Steepened in the Fourth Quarter

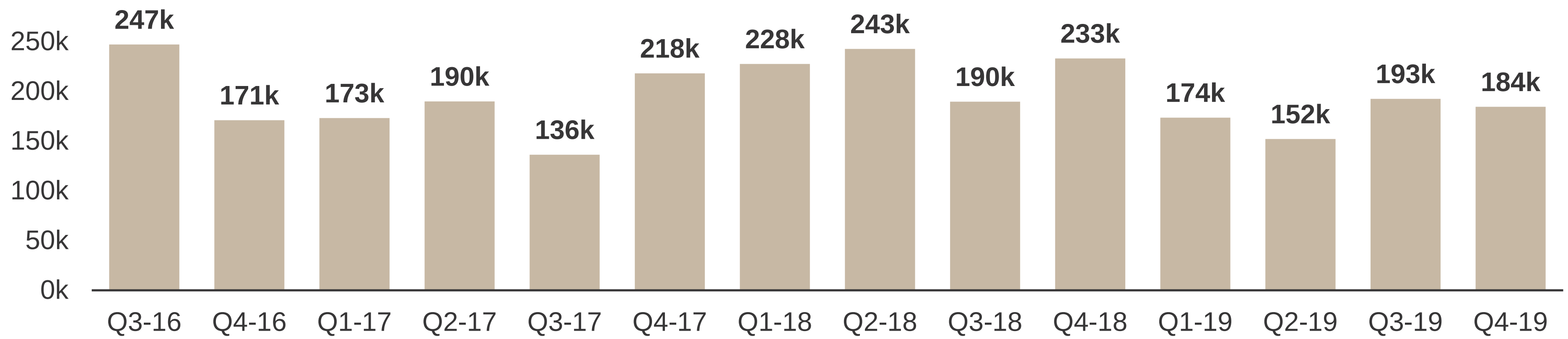




Source: Bloomberg, as of December 31, 2019.

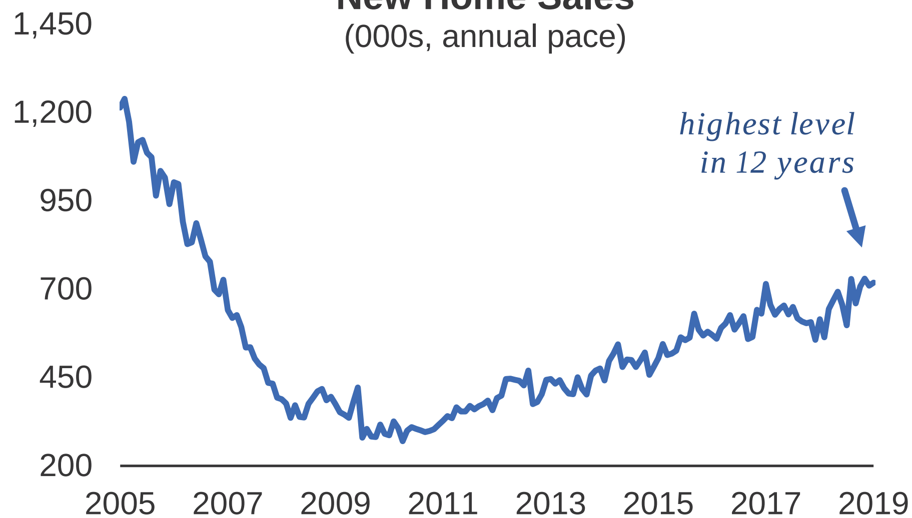
Improving Economic Data Supports the Fed's Hold

Average Monthly Job Growth

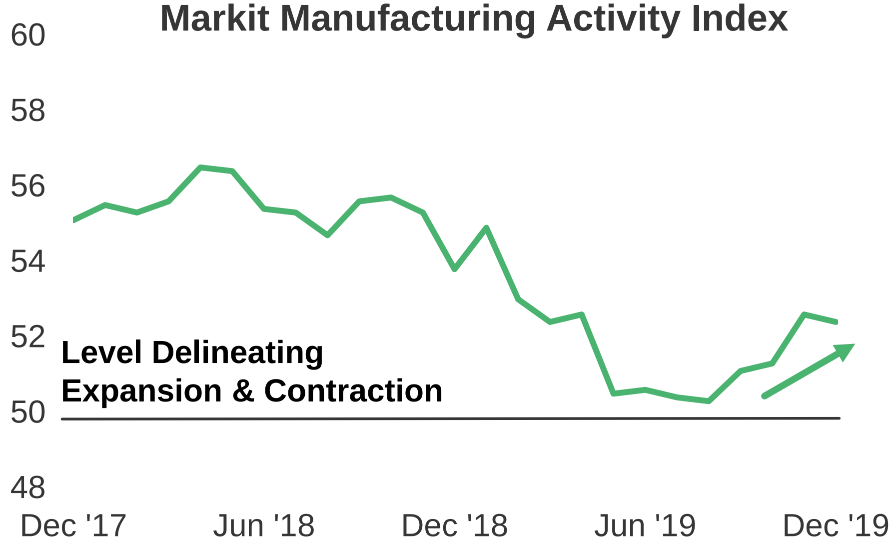


New Home Sales

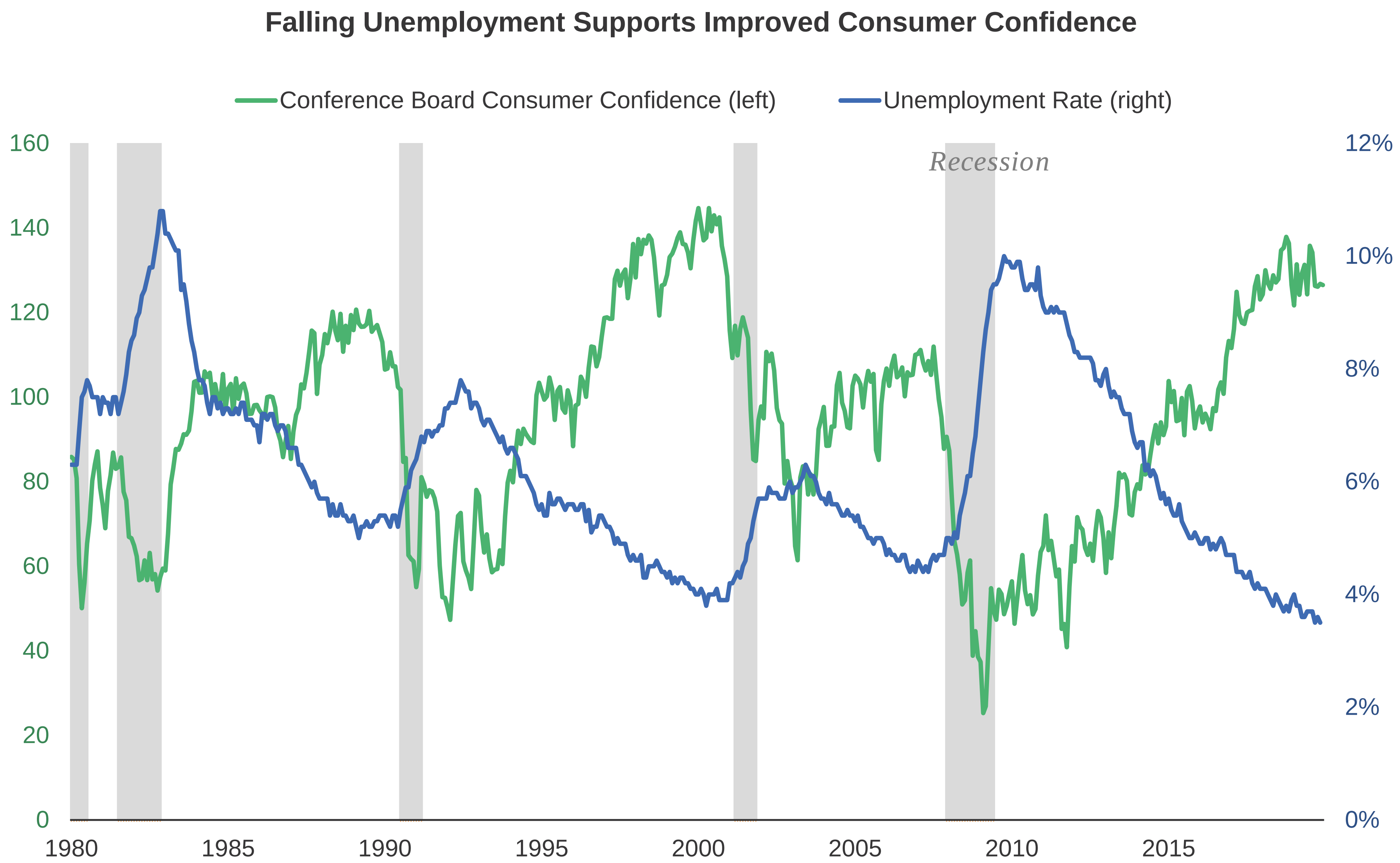
(000s, annual pace)



Markit Manufacturing Activity Index

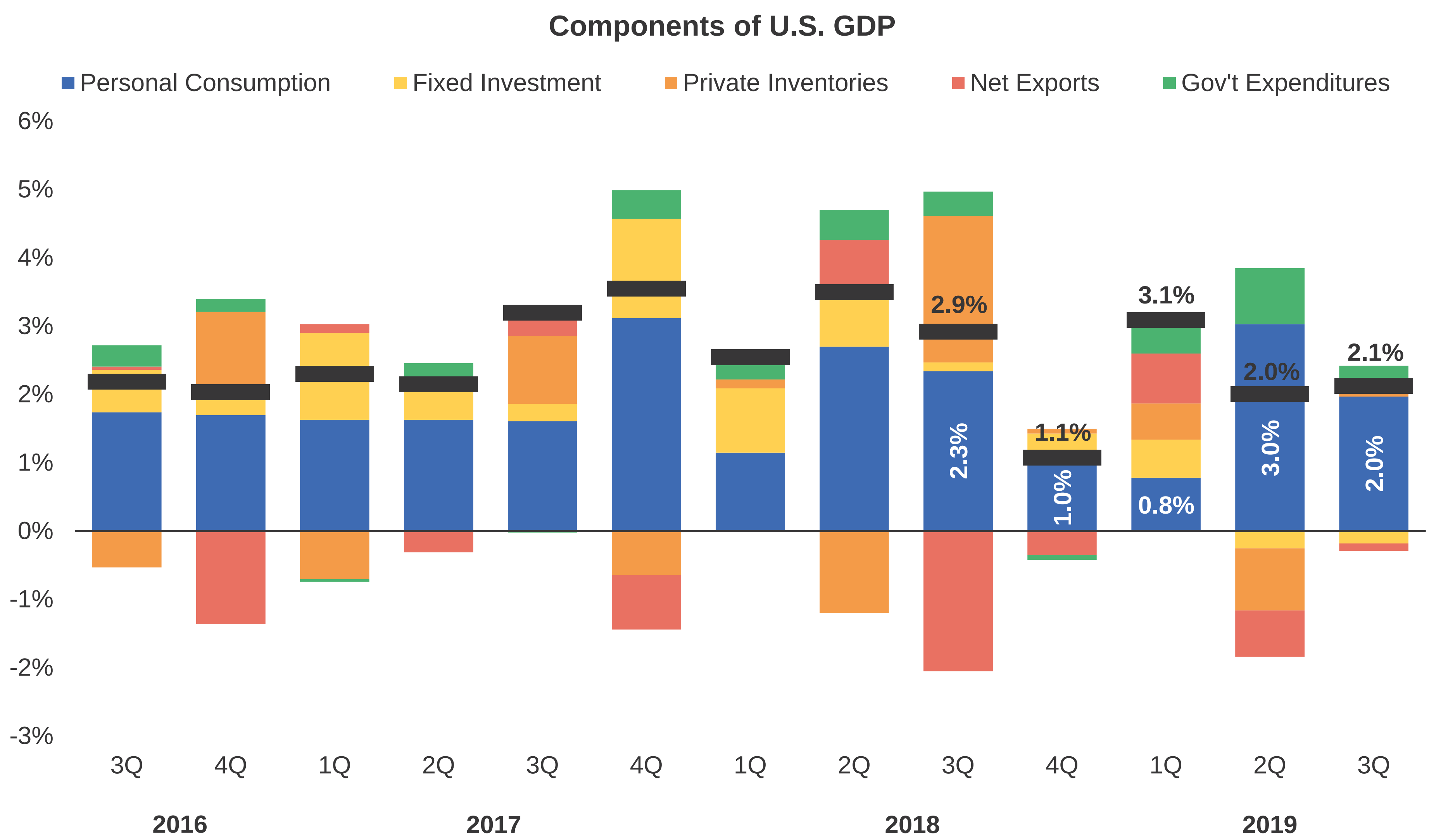


Source: Bloomberg, as of December 31, 2019. QTD includes data for October and November.



Source: Bloomberg, as of December 31, 2019.

The Consumer Remains the Main Driver of Economic Growth



Source: Bureau of Economic Analysis.

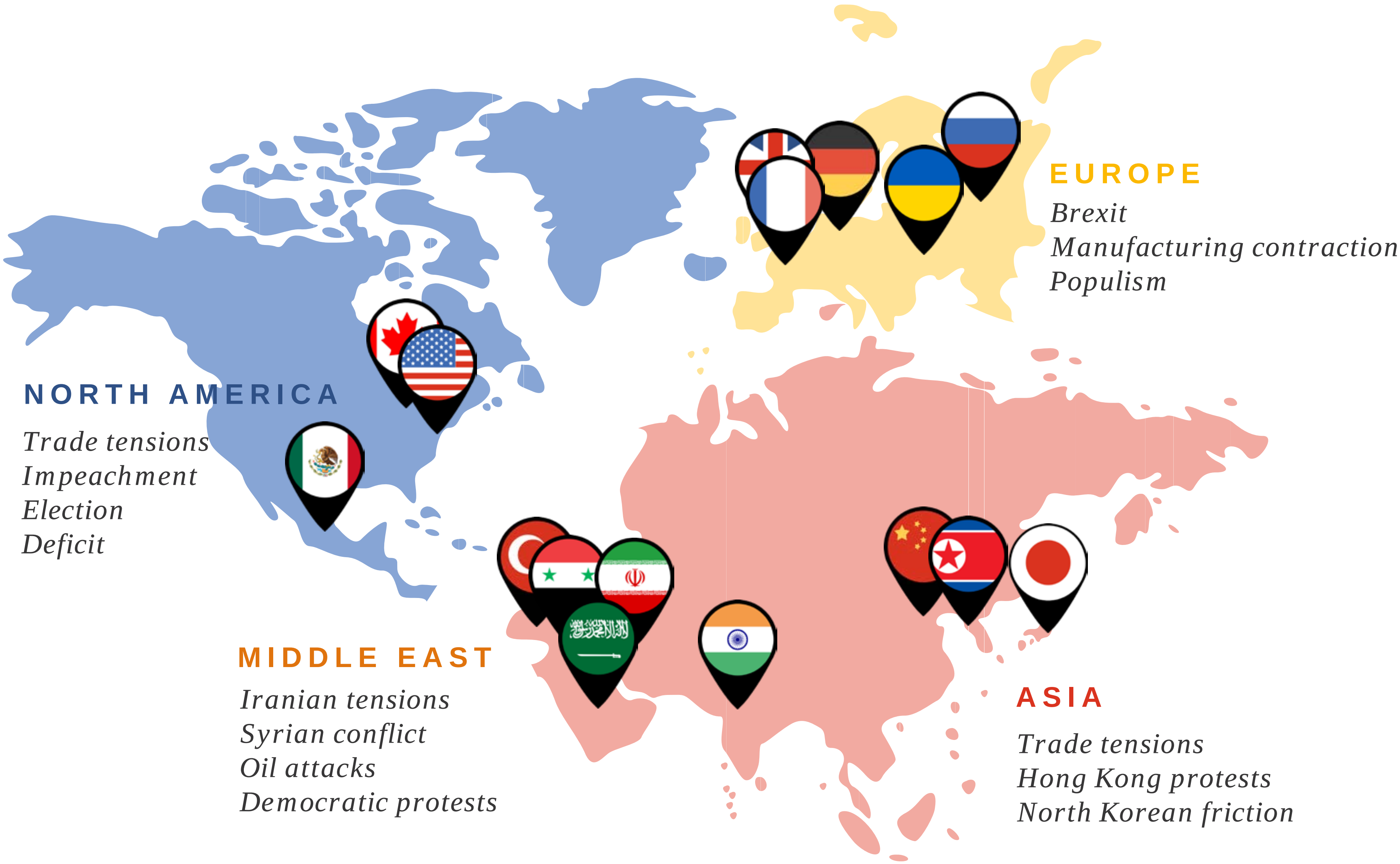
Fixed Income Sector Outlook – January 2020

Sector	Our Investment Preferences	Comments
COMMERCIAL PAPER / CD		• Money market credit spreads remain attractive. New issue supply may increase in the new year.
TREASURIES		• T-Bills have rallied further on Fed purchases and low repo rates. Other short-term instruments remain relatively more attractive. • T-Notes offer attractive yield pickup vs. T-Bills in certain maturities.
T-Bill		
T-Note		
FEDERAL AGENCIES		• Bullet valuations remain near historical tights across the curve and continue to trade in a relatively narrow range. New issues should be evaluated for opportunities to add relative value; otherwise, Treasuries should be preferred. • Redemptions remained elevated during Q4 but have started to slow as rates have begun to stabilize. As a result, new issue supply has slowed as well. Spread pickup vs. bullets remains well below YTD averages, with little chance for outperformance. Accounts should favor bulleted structures vs. callable.
Bullets		
Callables		
SUPRANATIONALS		• Spreads remain anchored across the curve. Expect modestly wider spreads in Q1 on account of higher issuer funding targets and favorable USD basis. New issues should be evaluated for opportunities to add relative value.
CORPORATES		• Solid economic data, an accommodative Fed, and positive technicals continue to support the corporate sector. Tight valuations limit the potential for outperformance in 2020. A growing list of uncertainties and pending supply could result in wider spreads and better buying opportunities.
Financials		
Industrials		
SECURITIZED		• AAA-rated ABS yield spreads widened during December and are currently near their 3-year historic average. Broad measures of auto ABS spreads are comparable to spreads on high-quality corporate securities. • Q4 saw strong excess returns from MBS as spreads narrowed significantly. Buyers were enticed by higher spreads, lower volatility, and the expectation that the Fed is on hold. • Agency CMBS spreads widened in December. The sector has good relative value compared to less structured MBS and other government sectors.
Asset-Backed		
Agency Mortgage-Backed		
Agency CMBS		
MUNICIPALS		• Value remains in new issue taxable deals which continue to be driven by the surge in taxable issuance, an alternative to tax-exempt advance refundings.

Current outlook *Outlook one month ago*

Negative	Slightly Negative	Neutral	Slightly Positive	Positive

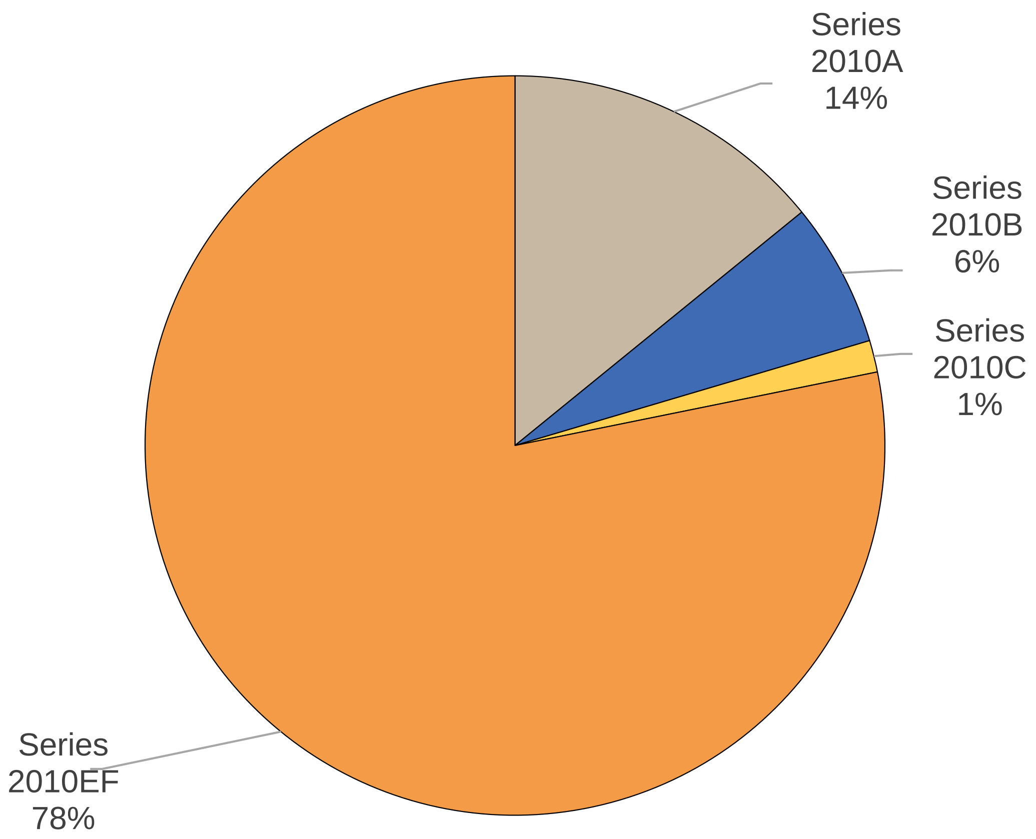
Trade Is Foremost among Many Global Concerns



Portfolio Review

Allocation of Bond Reserve Portfolios

	Market Value[1]
Series 2010A	1,134,119
Series 2010B	505,472
Series 2010C	111,694
Series 2010EF	6,278,447
Total	**8,029,731**



1. Includes accrued interest and money market funds.

Sector Allocation & Compliance

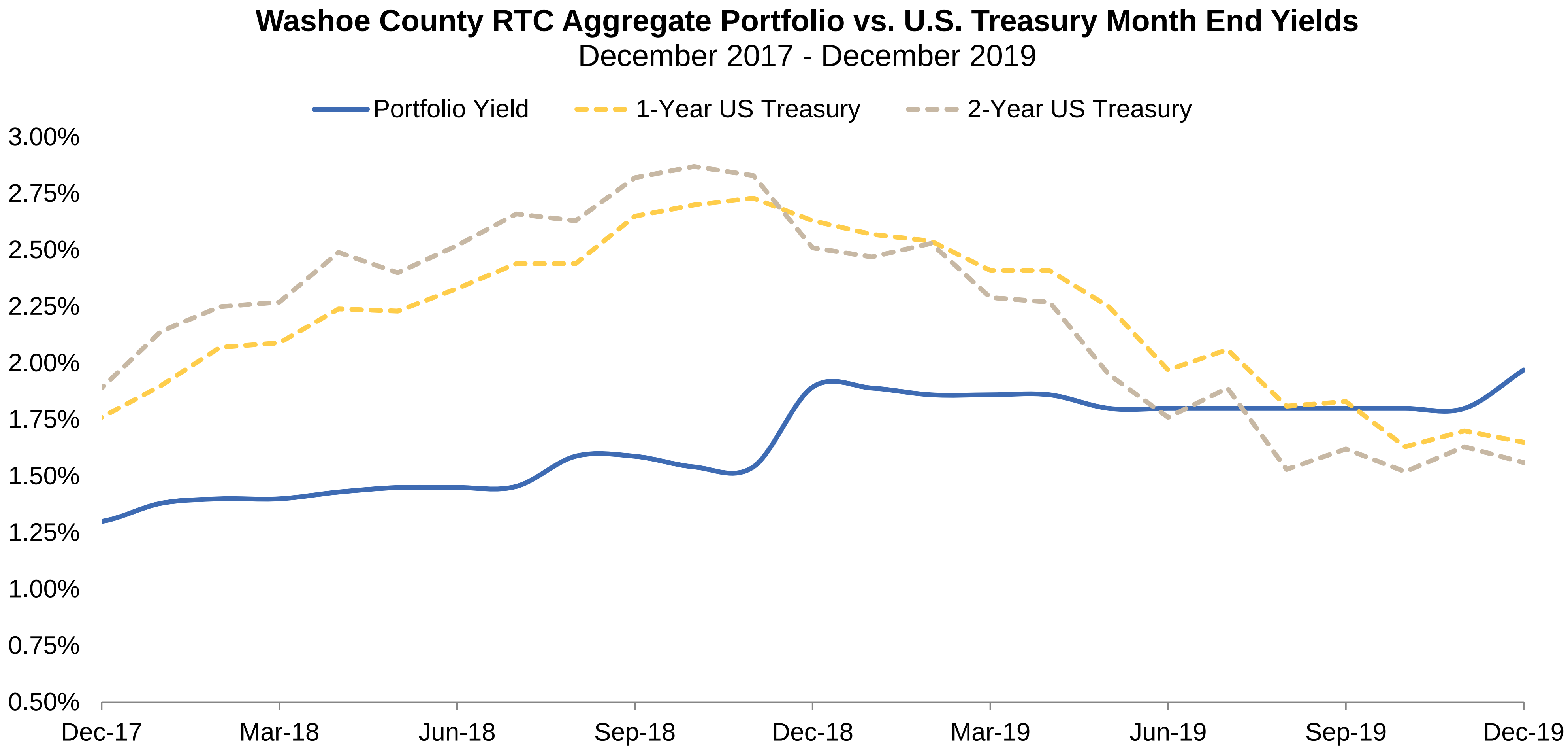
- The portfolio is in compliance with the County's Investment Policy and Nevada Revised Statutes.

Security Type	Market Value	% of Portfolio	% Change vs. 9/30/19	Permitted by Policy	In Compliance
U.S. Treasury	$7,653,875	95.9%	12.7%	100%	✓
Federal Agency	$249,767	3.1%	1.3%	100%	✓
Securities Sub-Total	**$7,903,642**	**99.0%**			
Accrued Interest	$47,955				
Securities Total	**$7,951,597**				
Money Market Fund	$78,134	1.0%	-14.1%	100%	✓
Total Investments	**$8,029,731**	**100.0%**			

Market values, excluding accrued interest. Detail may not add to total due to rounding. Current investment policy as of December 2011.

Portfolio Yield

- The yield to maturity at cost on the aggregate portfolio was 1.97% as of December 31, 2019.
  - The average portfolio yield was 1.84% over the last trailing twelve months (1/1/19 – 12/31/19) compared to the average yield of 1.51% during the prior year's trailing twelve months (1/1/18 – 12/31/18).



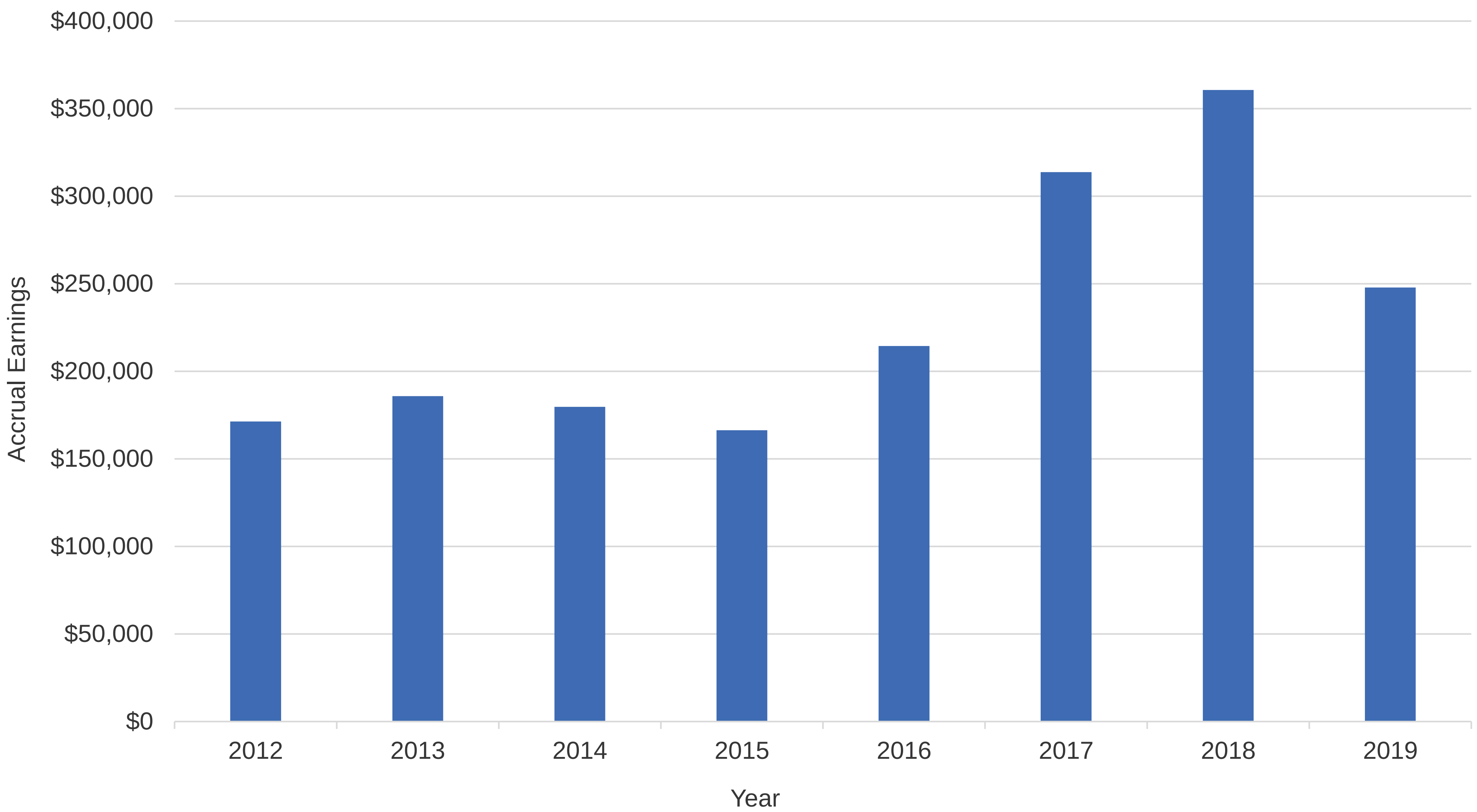
Source: Bloomberg

Portfolio Earnings

Quarter-Ended December 31, 2019

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2019)	$11,829,306.57	$11,838,454.03
Net Purchases/Sales	($3,948,148.44)	($3,948,148.44)
Change in Value	$22,483.53	$10,882.93
Ending Value (12/31/2019)	$7,903,641.66	$7,901,188.52
Interest Earned	$46,091.43	$46,091.43
Portfolio Earnings	$68,574.96	$56,974.36

Accrual Earnings by Year

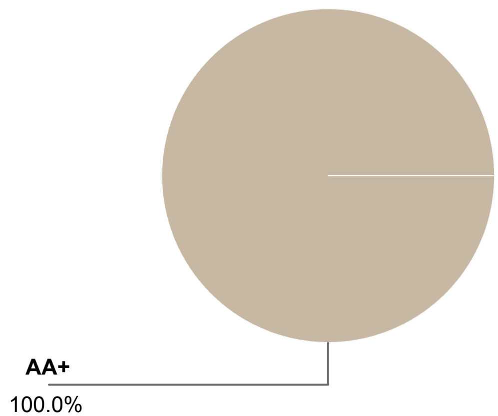


Portfolio Statistics

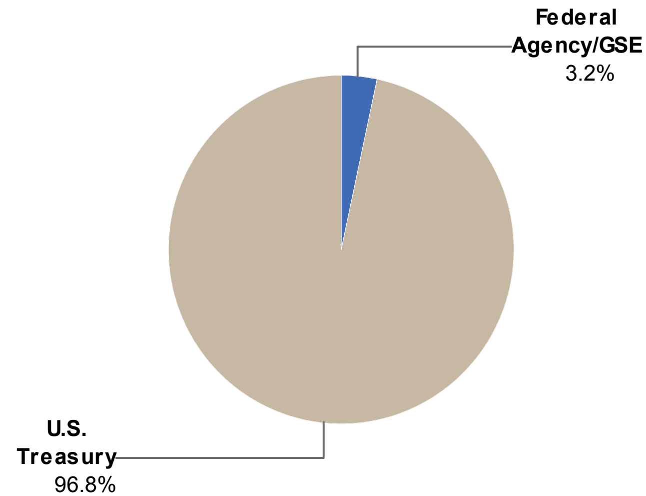
As of December 31, 2019

Par Value:	$7,908,000
Total Market Value:	$8,029,731
Security Market Value:	$7,903,642
Accrued Interest:	$47,955
Cash:	$78,134
Amortized Cost:	$7,901,189
Yield at Market:	1.63%
Yield at Cost:	1.97%
Effective Duration:	0.46 Years
Duration to Worst:	0.46 Years
Average Maturity:	0.47 Years
Average Credit: *	AA

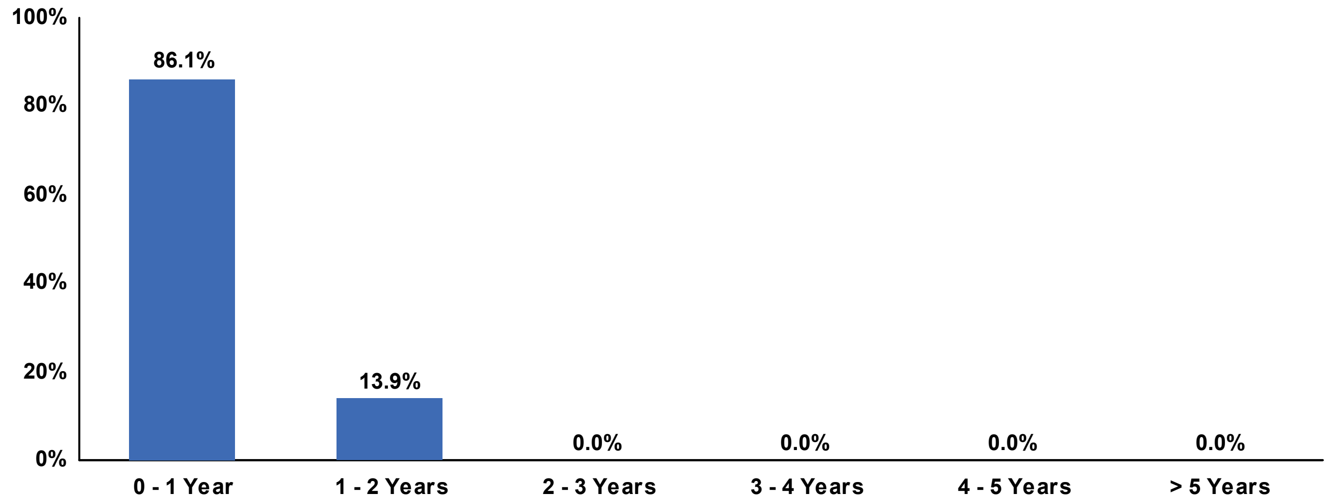
Credit Quality (S&P Ratings)



Sector Allocation



Maturity Distribution



** An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.*

Issuer Distribution

As of December 31, 2019

Issuer	Market Value ($)	% of Portfolio
UNITED STATES TREASURY	7,653,875	96.8%
FANNIE MAE	249,767	3.2%
Grand Total:	**7,903,642**	**100.0%**

Investment Strategy Outlook

- We expect the Fed to remain on hold for an extended period and rates to remain mostly range-bound in the near term. As a result, we plan to continue a duration-neutral strategy relative to benchmarks.
- Our outlook for the major investment-grade fixed income sectors is as follows:
  - Federal agency yield spreads remain very tight after trading in a close range for most of 2019. We do not expect this to change. We continue to favor further reductions in agency holdings as their benefit and upside are limited.

Holdings & Transactions

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
INTEREST									
10/1/19	10/1/19	0	MONEY0002	MONEY MARKET FUND			2,937.76		
11/1/19	11/1/19	0	MONEY0002	MONEY MARKET FUND			2,641.41		
12/2/19	12/2/19	0	MONEY0002	MONEY MARKET FUND			2,205.35		
Total INTEREST		**0**					**7,784.52**		
SELL									
12/9/19	12/12/19	105,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	105,428.70	1.59%	134.03
12/9/19	12/12/19	350,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	351,429.01	1.59%	(85.75)
12/9/19	12/12/19	1,680,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	1,686,859.24	1.59%	(411.60)
12/9/19	12/12/19	285,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	286,163.62	1.59%	(69.82)
12/9/19	12/12/19	255,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	256,041.14	1.59%	(62.47)
12/9/19	12/12/19	1,275,000	912828H52	US TREASURY NOTES	1.25%	1/31/20	1,280,205.67	1.59%	(312.38)
Total SELL		**3,950,000**					**3,966,127.38**		**-807.99**

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020	912828H52	2,895,000.00	AA+	Aaa	8/13/2018	8/14/2018	2,841,284.18	2.55	15,143.68	2,891,968.56	2,894,067.81
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	1,240,000.00	AA+	Aaa	11/22/2016	11/23/2016	1,242,712.50	1.56	8,432.34	1,240,439.47	1,239,951.64
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	1,740,000.00	AA+	Aaa	11/22/2016	11/23/2016	1,743,806.25	1.56	11,832.47	1,740,616.67	1,739,932.14
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	240,000.00	AA+	Aaa	11/22/2016	11/23/2016	240,525.00	1.56	1,632.07	240,085.06	239,990.64
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	48,000.00	AA+	Aaa	11/22/2016	11/23/2016	48,105.00	1.56	326.41	48,017.01	47,998.13
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	395,000.00	AA+	Aaa	7/27/2017	7/28/2017	396,141.80	1.53	2,686.11	395,224.75	394,984.60
US TREASURY NOTES DTD 01/31/2016 1.375% 01/31/2021	912828N89	1,100,000.00	AA+	Aaa	11/22/2016	11/23/2016	1,086,292.97	1.68	6,329.48	1,096,370.03	1,096,949.70
Security Type Sub-Total		**7,658,000.00**					**7,598,867.70**	**1.95**	**46,382.56**	**7,652,721.55**	**7,653,874.66**
Federal Agency Bond / Note											
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	250,000.00	AA+	Aaa	4/26/2018	4/27/2018	244,155.00	2.57	1,572.92	248,466.97	249,767.00
Security Type Sub-Total		**250,000.00**					**244,155.00**	**2.57**	**1,572.92**	**248,466.97**	**249,767.00**
Managed Account Sub Total		**7,908,000.00**					**7,843,022.70**	**1.97**	**47,955.48**	**7,901,188.52**	**7,903,641.66**
Securities Sub-Total		**$7,908,000.00**					**$7,843,022.70**	**1.97%**	**$47,955.48**	**$7,901,188.52**	**$7,903,641.66**
Accrued Interest											**$47,955.48**
Total Investments											**$7,951,597.14**

Bolded items are forward settling trades.

IMPORTANT DISCLOSURES

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

GLOSSARY

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.