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

**Tuesday** **1:00 p.m.** **October 27, 2020**

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**PRESENT:**

**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**
**Bill Thomas, AICP, RTC Executive Director**

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**ABSENT:** **N/A**

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The RTC Investment Committee Meeting was held on October 27, 2020 at 1:05 p.m. via Zoom and was called to order by Stephanie Haddock. The following business was conducted:

## ROLL CALL

Present: Nelia Belen, Jelena Williams, Stephanie Haddock, Monique Spyke, Bill Thomas

Absent: N/A

***Item 1 APPROVAL OF AGENDA***

Stephanie Haddock: It is 1:05 p.m. Can 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: Michelle, did we receive any public input?

Michelle Kraus (Clerk): We did not.

Stephanie Haddock: With that we will move on to the approval of the January 22, 2020 meeting minutes.

***Item 3*** **APPROVAL OF MINUTES**

Stephanie Haddock: Did everyone have a chance to look at the minutes and were there any changes that we needed to make?

Jelena Williams: No changes and just reviewed the minutes.

Stephanie Haddock: Can I have a motion to approve?

Jelena Williams: I motion to approve.

Nelia Belen: Second

Stephanie Haddock: 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: Thank you Stephanie. I will start with all of the uncertainties. The opening to the presentation is really about the uncertainties that are in the market, in the quarter and moving to the end of the year. Corona Virus of course continues to top the list. Some of the concerns have to do with how much of the vaccine will be prevalent during flu season and the colder months. The uncertainty regarding the timing of a vaccination and what that means for the impact on the economic recovery. Essentially, once we get a vaccine, how long is that going to take to distribute and what percentage will folks participate in that vaccination? From there, at what point do we get back to "more of a normal posture" where folks are moving about more freely.

The markets are really tied to what is going on with the Corona Virus and the Corona Virus response. We've seen some volatility in the equity market. Everyone is asking, at what point does the government step back up with more fiscal stimulus? That fiscal stimulus is related to a lot of things. One, the consumer, which represents about 70% of GDP. Is the consumer having enough support? Two, the support for states and other local agencies. School districts come to mind, do they have the support they need to implement a lot of the containment procedures that are recommended? You even have the Federal Reserve and a departure from their typical protocol imploring the government to pass some stimulus. I think a lot of economists also speak about stimulus as being necessary to continue to prop up the economy.

The Presidential election is also a cause of concern in the market. Not necessarily regarding which candidate is successful, but really about the election itself. Are we going to have a situation where the election is contested one way or the other, and how long will that draw itself out? That is the uncertainty that is really causing some anxiety.

After the election and after we get some settlement on the Senate and the Head of Legislative Branch, then we are going to be thinking more about whether there will be some priorities such as spending, will tax laws have changes, the future of Obama Care and the Affordable Care Act. So, those are a lot of the uncertainties that are really causing some angst in the market right now.

There is some good news to talk about. On Page 2, the unemployment rate has been coming down slowly from that high of 14.7%, which I believe was at the height of the panic and the shut downs and shelter in place orders. You can see the unemployment rate falling very steadily at the end of the quarter with an unemployment rate of 7.9%. That is still fairly high, it's not at the 3.5% or 3.6% that it was at before the pandemic started, but I think everyone can agree that is a very strong recovery given where we've been.

The flip side of that is we do have a fairly high number of continuing claims. We have about 25 million people who are still on unemployment assistance. You can see the taupe is our traditional unemployment benefits, and you can see that high peak at the height of the pandemic, but it is steadily coming down. The blue is the additional unemployment insurance of funds that were distributed as a result of some of those stimulus efforts. That includes people who traditionally didn't receive unemployment benefits, including self-employed, contract workers, gig workers, and people who take on the odd job such as Uber/Lyft drivers for example. With the two combined, it is still about 25 million people who are collecting unemployment. Again, I think the decline in those numbers is what is encouraging.

On Page 3, the other good news in the market is that the other economic indicators are showing some resilience. Personal spending declined at the height of the pandemic, but sharply rebounded. We see personal spending increasing, and with consumers being 70% of our GDP, that is a positive sign.

Personal income also saw some rebounds and had a fairly positive trend. On the bottom right of this page, I think existing home sales have benefited really well during the pandemic. A lot of that has to do with people having a little more flexibility and being less anchored to their place of employment.

Anecdotally, I can tell you we've had some PFM folks up and move to places like Miami and Boston. I mean I kid you not, like our whole team is just flying all over the country spending time with parents and other friends and family. So much is being done via video conference right now, most folks are able to do that in ways they haven't before. So that has been a positive indicator for home sales, as well as the low interest rate environment.

Lastly, Business Investment, we are seeing a lot of business investment of folks investing in their businesses. There is all types of upgrades and adjustments being made. I think businesses are trying to exist in the current environment trying to be responsive to the changes in the world and keep their business afloat so you are seeing a strong business investment. All of these are fairly positive indicators and I think it shows that the economy is rally trying to stay resilient in the face of the pandemic.

So, let's think about what the Fed is thinking in terms of economic projections. The chart on Page 4 compares the Federal Reserve Projections for the economy. The light taupe which was June, and the darker taupe which was September, show the most recent projections. The last quarter they expected GDP for 2020 to be negative near -7%. However, in September, they are saying that number is actually going to be better than expected. So, we still are in a negative growth, but we're not as negative as previously predicted. So, that is a good thing and shows we are going to see some of that recovery in 2020.

2021 however, you can see that the projection for GDP declines. It is not as high as it was anticipated in June. The reason for that is that we are expected to do some recovery in this current year, that they anticipated wouldn't happen until next year. So, all in all, I'm just showing that we are recovering faster than anticipated and hopefully by next year we should see some positive growth once again.

Unemployment has a very similar story where the unemployment rate projection was much higher in June, but as I mentioned again, the unemployment rate is coming down much faster and at better numbers than previously anticipated. That is all great news for the economy. You can see that the Fed is showing continued recovery in the unemployment rate through 2023. Now, are we going to get back to the 3.5%-3.6% levels that we were at pre-pandemic? It's unclear, but either way I think it is encouraging that the unemployment rate is coming down at this pace.

Another policy that the Fed's spoke about or made progress on has been their inflation policy. What the chart shows on Page 5, is the Fed Fund target rate is in dotted black, the Effective Rate is the solid yellow line, and the Fed Funds Futures is what the market expects that target rate to be in dotted yellow. It overlays over the core PCE, which is the Personal Consumption Expenditure Index and that is the Fed's preferred measure of inflation. The reason these charts are overlaid over one another is that the Fed has essentially communicated that they expect to keep the Fed Funds target rate, which is the anchor point of the yield curve at its current range of 0-25 basis points, and not show any improvement in that rate until their inflation figures show average inflation up 2% over time. Now, what does that mean? It means that the Fed is ok keeping rates low for the foreseeable future. Why is that? As you look at the blue line, you can see that inflation has not really been near 2%. If they are looking for an average rate of 2%, then it either needs to sort of float along the 2% line or it needs to be above the 2% line for some period of time. As you can see, that is just not the case.

Other issue with the Fed's is that this calculation of the average has a time frame. So, we can't say that the 2% needs to be averaged over a quarter, or we can't say that it needs to be averaged over two years, three years, four years, five years. It's just unclear right now, but what we do know is based upon the history, and it is going to be awhile before we see an average rate of 2% in this inflation. So, we are essentially planning to live with low rates for the foreseeable future.

The impact on the Yield Curve is shown here on Page 6. We show the US Treasury Yield Curve in yellow as of December 31, 2019, the end of the last calendar year. The dotted light blue is as of June 30th, for the prior quarter. The dark blue is the current quarter. As you can see quarter over quarter, the line essentially has not moved. The blue dotted line is essentially right behind the solid blue which is the current quarter. If I had put March 31st on here, it would have been right on top of the solid blue line, which essentially means that interest rates have not moved one way or the other over the quarter. We are still in this very low interest rate environment yield between 3 and 5 years, between 9 basis points at 28 basis points and on the right you can see the 3-year treasury yield and that is at 16 basis points for the end of the quarter. So, we are operating in a very low yield environment for the most part.

Other things to speak about, just as general commentary, is we have seen some spikes in yield for assets outside of treasury and those yield spikes have come down pretty much across the board if you look at this representation general asset classes. Federal agencies in the top left of Page 7 has a different scale than the other charts, but you can see Federal Agencies had some increased yield for treasuries, those spreads came back down. They are fairly attractive, and the Federal agencies is the one place we actually found some values for your portfolio this quarter, so we made pretty much all of our purchases in the Federal agency sector.

The other sectors as you can see, those spreads also came down and a lot of Corporate Notes for example are being bolstered by the Fed's offering support for programs for the corporate markets, which is why you see those spreads coming in even tighter than they were pre-pandemic.

In terms of when you think about the income and you think about price changes during the quarter, this is just an informative graphic to show you that between one and three years, when you're really finding additional return, is by taking on more risk and looking at the corporate sectors, getting out of the treasury sectors and that is the same also when you look at the longer term bonds as well. You're going to find more return by taking on more risk in the portfolio. There had been some times in the past with this portfolio where we looked at some corporate securities for the portfolio. We will continue to evaluate that and make recommendations around corporate notes for this portfolio, but right now we've really been focusing on the Federal agency sector for purchases.

Other things to note really quickly on Page 9, we had talked about the Equity Market before and we included this breakdown just to show you where the return was coming from in equities. It has been surprising that the equities have recovered as much as they have during the pandemic when we lost so much equity value in March and April of this year and we had that rebound. We are still slightly up here to date for the equity markets, but a lot of that is coming from what you would expect; it's coming from the technology sectors, information technology, consumer discretionary telecommunication, etc.

Where the losers are in this area, and it isn't typical, is the energy financials real estate. So, a lot of the recovery in the equities market is being driven back some of those sectors that are benefiting for folks staying home and having to figure out a way to live our lives online during the pandemic.

Page 10, I won't spend too much time on some of these sectors that we don't invest in for the Commission, but I always think it's informative. Just to give you an idea of where the market is and what this cart shows, the green shows areas we are really excited about investing in, and the orange shows areas where we just don't think there is a lot value in the market. So you can see corporates are all the way in the orange and we just don't think there is a lot of value in the corporate spaces, which is why we have been focusing on agency recommendations for the Commission's portfolio, which is right in the neutral.

The reasons that we are not too excited about Corporates is that we think the amount of additional income that you would receive on a Corporate Note doesn't necessarily reflect best value right now. So, we prefer to avoid those for the time being and/or are just not that excited about them. Whereas agency spreads particularly in the longer maturity ranges, are offering some really good value versus treasuries and we think there security from the half of the additional yield, so we want to take advantage of that.

In terms of the Portfolio, the portfolio has about $8 million in the quarter. As I mentioned, we've been focusing our allocation in the Federal Agency sector. You'll notice the Commission has about $3 million in Money Market Funds and we've been slowly moving that money out of the Money Market Funds. There are quite frankly just slimmer pickings in the market, so we've been carefully doing that and trying to find some good value in the securities. We focused all of our recent transactions in Federal Agencies and we've been making recommendations to the Commission CFO, so we are able to discuss opportunities as they come up and make those trades. We will likely continue to do that, but the goal is to try to find some good income.

The yield to maturity on the portfolio declined. We have been doing really good staying above the market holding onto very good yields. Of course, as securities mature or get close to maturity, we look to purchase and are held toward where the market is, which is represented by the blue and dotted taupe lines. So you'll see that portfolio yields essentially hover around where the current rates are. As I mentioned, we are not trying to jump in all at once. We are trying to buy the securities that we think offer the best value available in the market.

On Page 14, here is your income statement and for this quarter you earned $17,867.73 on the portfolio. That does not include the earnings that you would have earned in the Market Fund, just the Securities.

On Page 15 is your Accrual Earnings by Year. You can see 2020 YTD earnings are going to keep dropping. We lived a little bit through a low interest environment some years ago, but the goal is to really just sort of hold steady, get through the period, and hope that we can find some value. I think the last time we were in this low rate environment, we started talking about Corporates a little bit more. We'll bring that to you, but as I said we're just not as excited about the Corporate allocation right now.

On Page 16 and 17, is a snapshot of the portfolio. You have Fannie Mae and Freddie Mac, those are the two agencies in the composition portfolio.

In terms of our outlook on a going forward basis, the good news is that the economic recovery has been stronger than anticipated. There are some concerns about that pace slowing a bit and we will continue to watch that. With the economic uncertainty remaining, we're trying to be as neutral as possible. We want to find good values in the market, we will continue to look for agencies to get some of that money out of the Money Market Fund, and as I mentioned we will continue to communicate with the CFO, Director of Finance as to find some other opportunities on a going forward basis.

Any questions?

Stephanie Haddock: No, I don't think so. I note that Bill Thomas, our new Executive Director, has joined us by phone. I don't think you've gotten to meet him yet Monique, so, I'm going to give you an opportunity to introduce yourself to him and then he can chime in if he'd like.

Monique Spyke: Well Bill Good Afternoon, my name is Monique Spyke and I've been working with the Commission for a number of years on finding investment options for the bottom reserve portfolio. I've been with PFM for about 17 years and PFM advises on about $150 Billion for public agencies across the country like the Commission.

Stephanie Haddock: Bill, as this is your first Investment Committee meeting, did you have any questions? Bill is having issues technical issues and we cannot hear him, so we will move on.

Thank you very much for that great report. At this point, I guess the recommendation is to continue to look for opportunities in the market and invest in allowable investments.

Can I get a motion to approve Monique's report?

Nelia Belen: I make the motion to approve the report.

Jelena Williams: I second.

Stephanie Haddock: All those in favor say Aye.

Response: Aye.

Stephanie Haddock: Motion passes.

***Item 5 MEMBER ITEMS***

Stephanie Haddock: Do we have any Member Items? Bill's connection is still not working.

***Item 6 PUBLIC INPUT***

Stephanie Haddock: We are back to Public Input. Did we get any Michelle?

Michelle Kraus (Clerk): There is no new public input, as the deadline for providing comments via email was yesterday by 4:00pm.

***Item 7 ADJOURNMENT***

Stephanie Haddock: Do we have a motion for adjournment.

Nelia Belen: Motion to adjourn.

Jelena Williams: Second.

Stephanie Haddock: All those in favor:

Response: Aye

Stephanie Haddock: We are adjourned. Thank you very much Monique and we look forward to seeing you next quarter.

The meeting adjourned at 1:35 p.m.

Stephanie Haddock Digitally signed by Stephanie Haddock Date: 2020.11.16 08:59:19 -08'00'

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

LOCATION

**Regional Transportation Commission**
**1105 Terminal Way, Reno, NV 89502**
**1st Floor Conference Room, Suite 101**

**DATE: October 27, 2020**
**TIME: 1:00 p.m.**

# REGIONAL TRANSPORTATION COMMISSION
# OF WASHOE COUNTY
# INVESTMENT COMMITTEE AGENDA

*Meeting via teleconference/Zoom only pursuant to NRS 241.023 and Emergency Directive 006.*

I. Pursuant to Section 1 of Governor Steve Sisolak's Declaration of Emergency Directive 006 ("Directive 006"), the requirement contained in NRS 241.023(1)(b) that there be a physical location designated for meetings of public bodies where members of the public are permitted to attend and participate has been suspended. Pursuant to Section 3 of Directive 006, the requirements contained in NRS 241.020(4)(a) that public notice agendas be posted at physical locations within the State of Nevada has likewise been suspended. Pursuant to Section 5 of Directive 006, the requirement contained in NRS 241.020(3)(c) that physical locations be available for the public to receive supporting material for public meetings has been suspended.

II. The RTC has a standing item for accepting public input on topics relevant to the jurisdiction of the RTC. Because specific items may be taken out of order to accommodate the public and/or the Committee, public input on all items will be received under Items 2 and 6. Individuals providing public input will be limited to three minutes. Individuals acting as a spokesperson for a group may request additional time. Individuals will be expected to provide public input in a professional and constructive manner. Attempts to present public input in a disruptive manner will not be allowed. Additionally, public comment can be submitted by email to mkraus@rtcwashoe.com. The committee will make reasonable efforts to include all public comment received by email. Please try to provide comments by 4:00 p.m. on October 26, 2020. If Directive 006, Section 2 is no longer in effect at the time of this meeting, then the meeting will be held at the above location at the above date and time, and members of the public may submit public comment in person as well as electronically as described above.

III. The Committee may combine two or more agenda items for consideration and/or may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

V. The RTC appreciates the publics patience and understanding during these difficult and challenging circumstances.

****ROLL CALL****

1. **APPROVAL OF AGENDA** *(For Possible Action)*

2. **PUBLIC INPUT** - *please read paragraph II near the top of this page*

3. **APPROVAL OF MINUTES**

   **Approve the Minutes of the January 22, 2020 Meeting**

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** *(For Possible Action)*

5. **MEMBER ITEMS**

6. **PUBLIC INPUT** - *please read paragraph II near the top of this page*

7. **ADJOURNMENT** *(For Possible Action)*

Posting locations: Washoe Co. Admin. Bldg., 1001 E. 9th St., Reno, NV; RTC, 1105 Terminal Way, Reno, NV; 4th STREET STATION, 200 E. 4th St., Reno, NV; CENTENNIAL PLAZA, Victorian Square, Sparks, NV; Sparks City Hall, 431 Prater Way, Sparks, NV; Reno City Hall, 1 E. First St., Reno, NV; RTC website www.rtcwashoe.com; and https://notice.nv.gov

# WASHOE COUNTY RTC

## Investment Performance Review

## For the Quarter Ended September 30, 2020


Client Management Team

Monique Spyke, Managing Director

Robert Cheddar, CFA, Managing Director

PFM Asset Management LLC

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

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

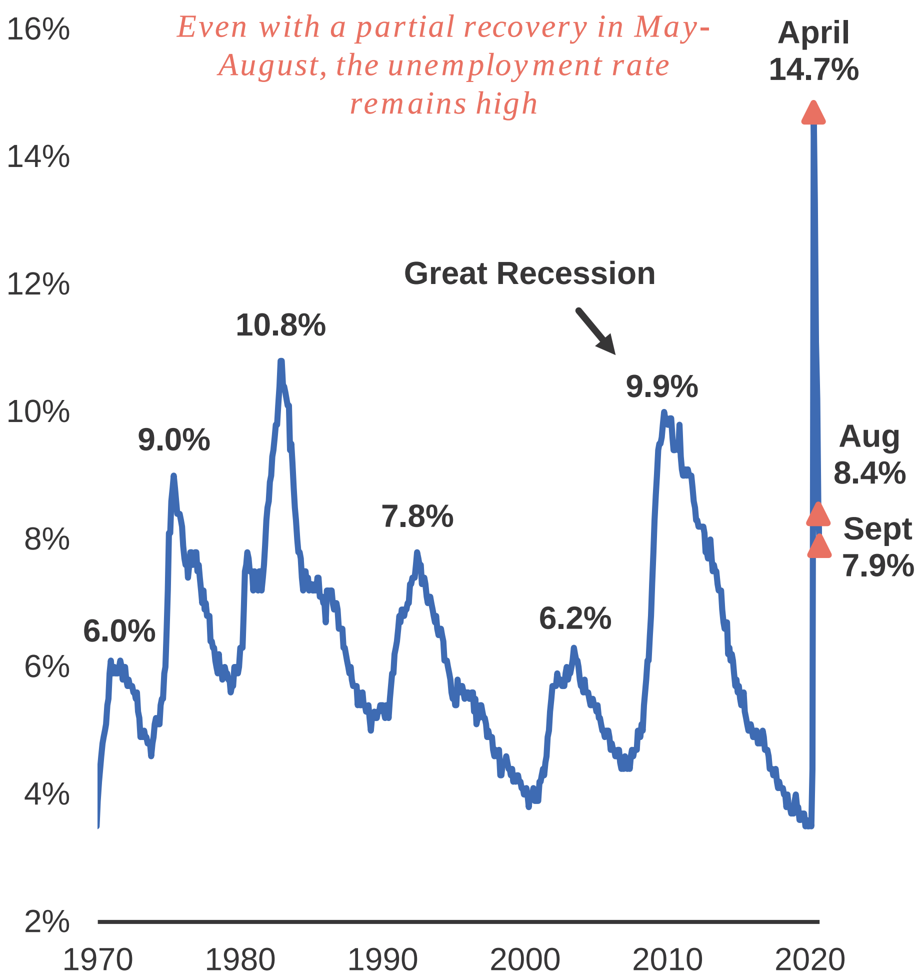
# *Market Update*

## Markets Face Many Uncertainties Moving into the Fourth Quarter

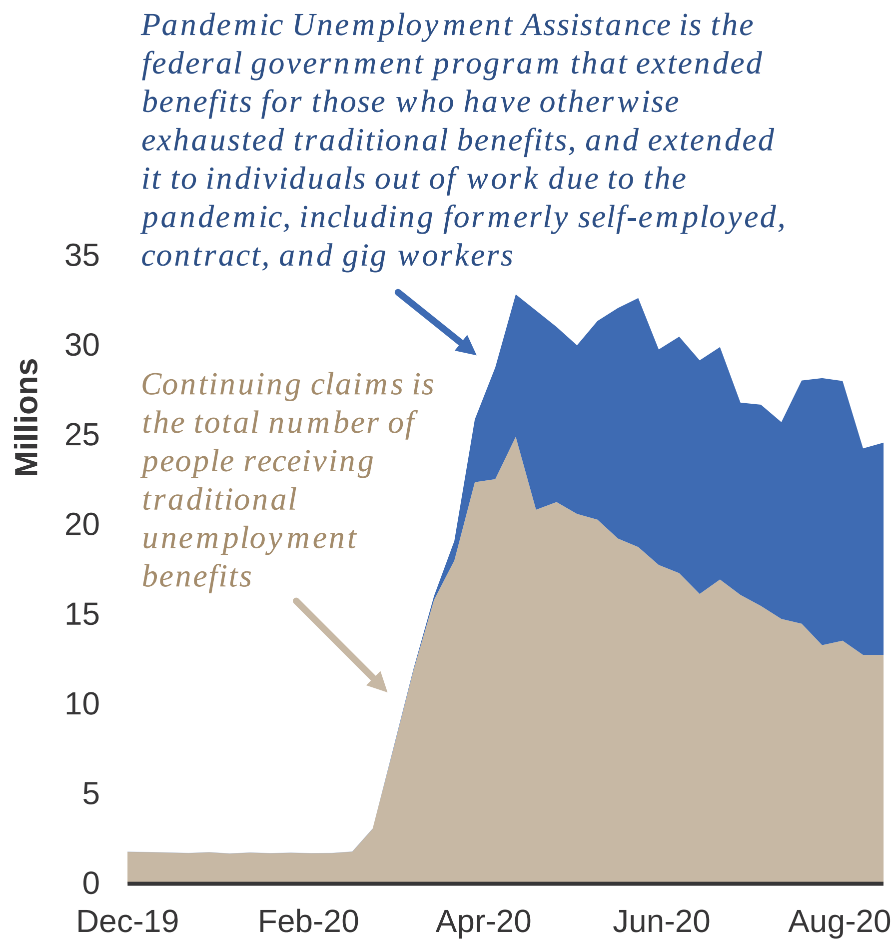
- **Coronavirus**
  - Spread during **colder months** and flu season
  - Development of **vaccines**
  - Impact on **economic recovery**
- **Markets**
  - **Valuations** of bonds and equities
  - Further **fiscal stimulus**
  - **Fed** policies
- **Presidential election**
  - Priorities of government **spending**
  - **Tax law** changes
  - **Foreign** and **trade policies**
  - Future of **ACA**

## Achieving Pre-Pandemic Employment Levels May Be Challenging

### Unemployment Rate



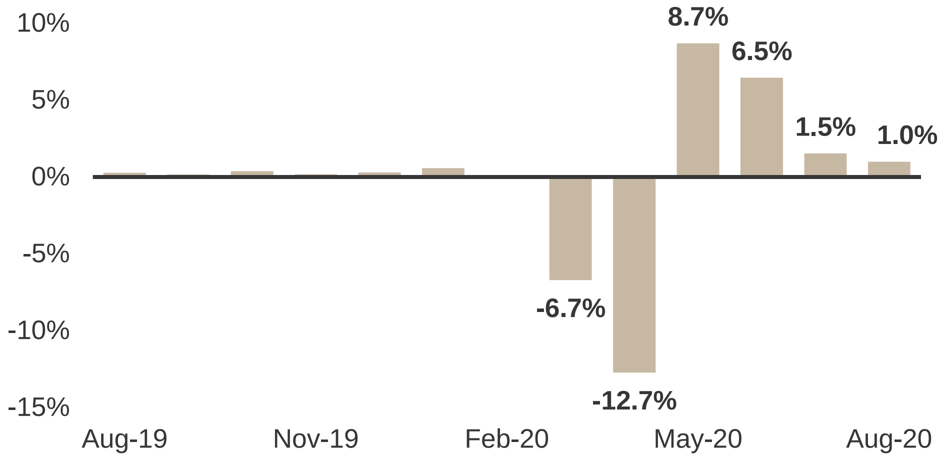

### Continuing Claims and Pandemic Unemployment Assistance



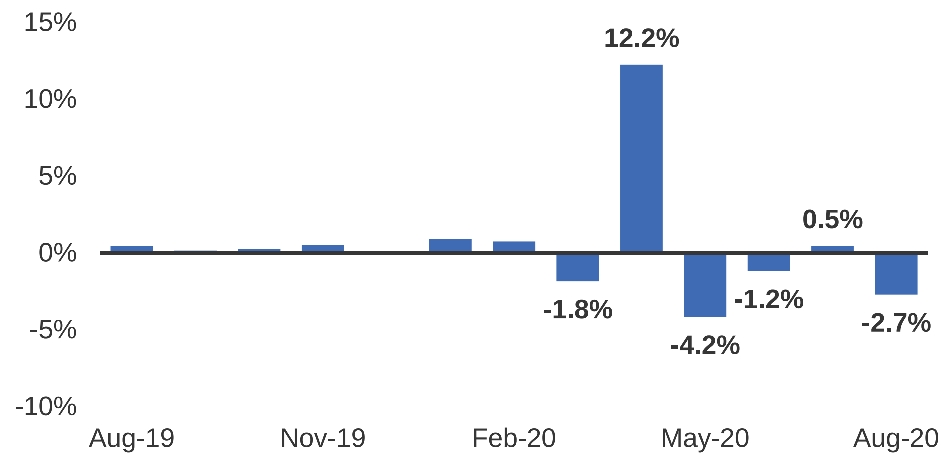

Source: Bloomberg as of 9/30/2020. Data is seasonally adjusted. Source (quote): Department of Labor.

## Economic Indicators Show Resilience, but Future Improvement May Slow

### Personal Spending (MoM%)

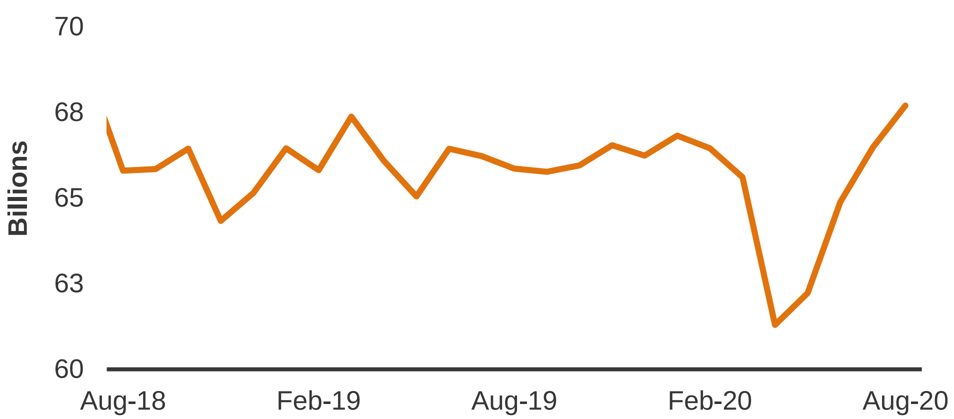



### Personal Income (MoM%)

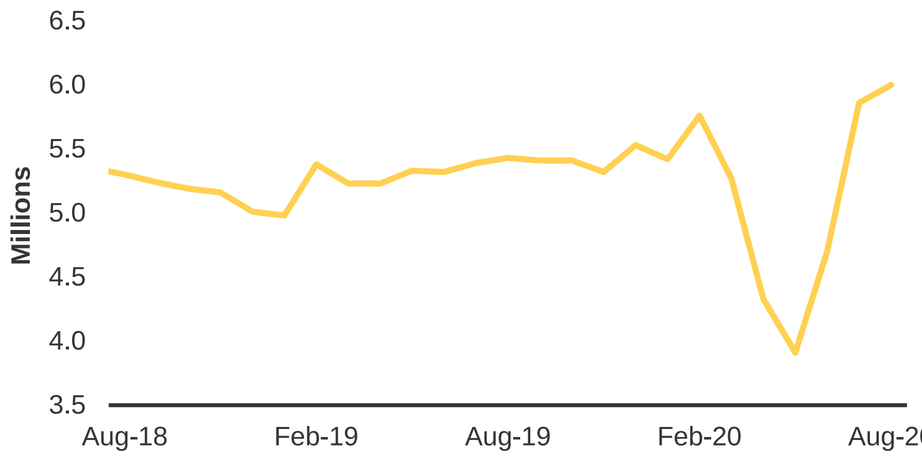



### Business Investment

Nondefense Capital Goods Orders Excl. Aircraft, monthly

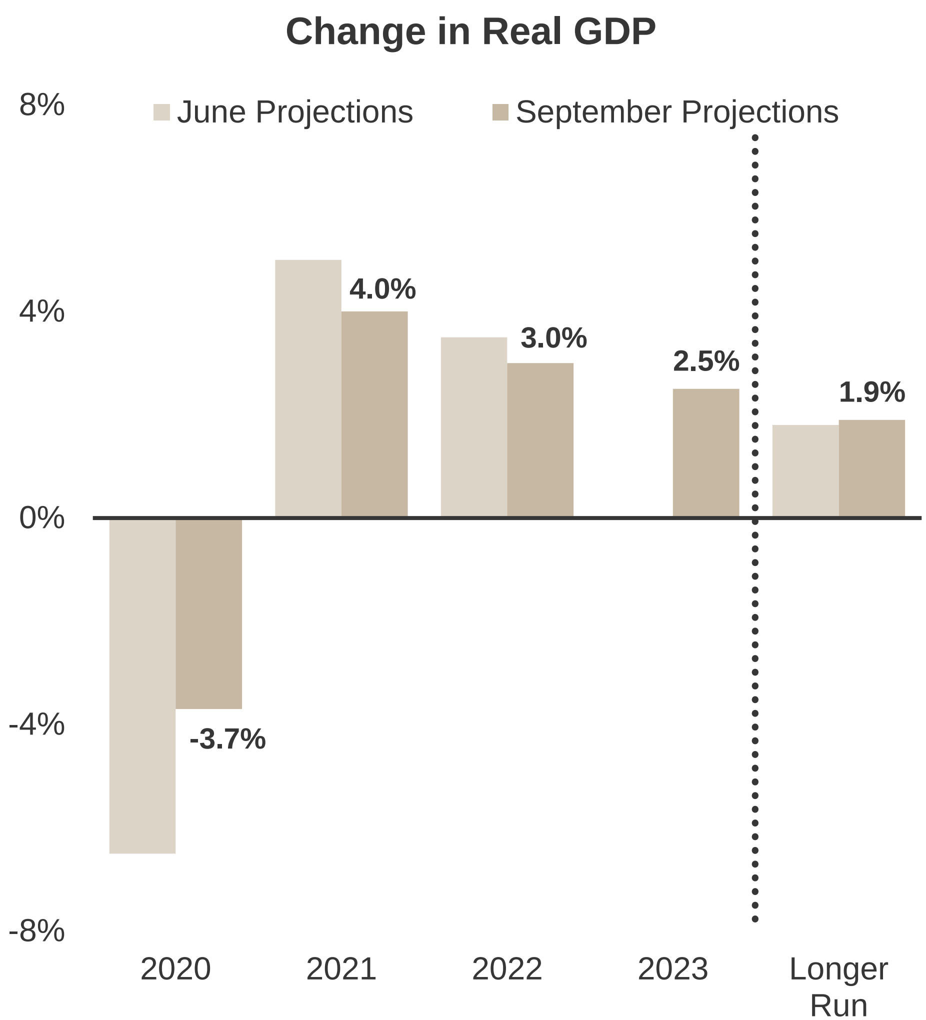


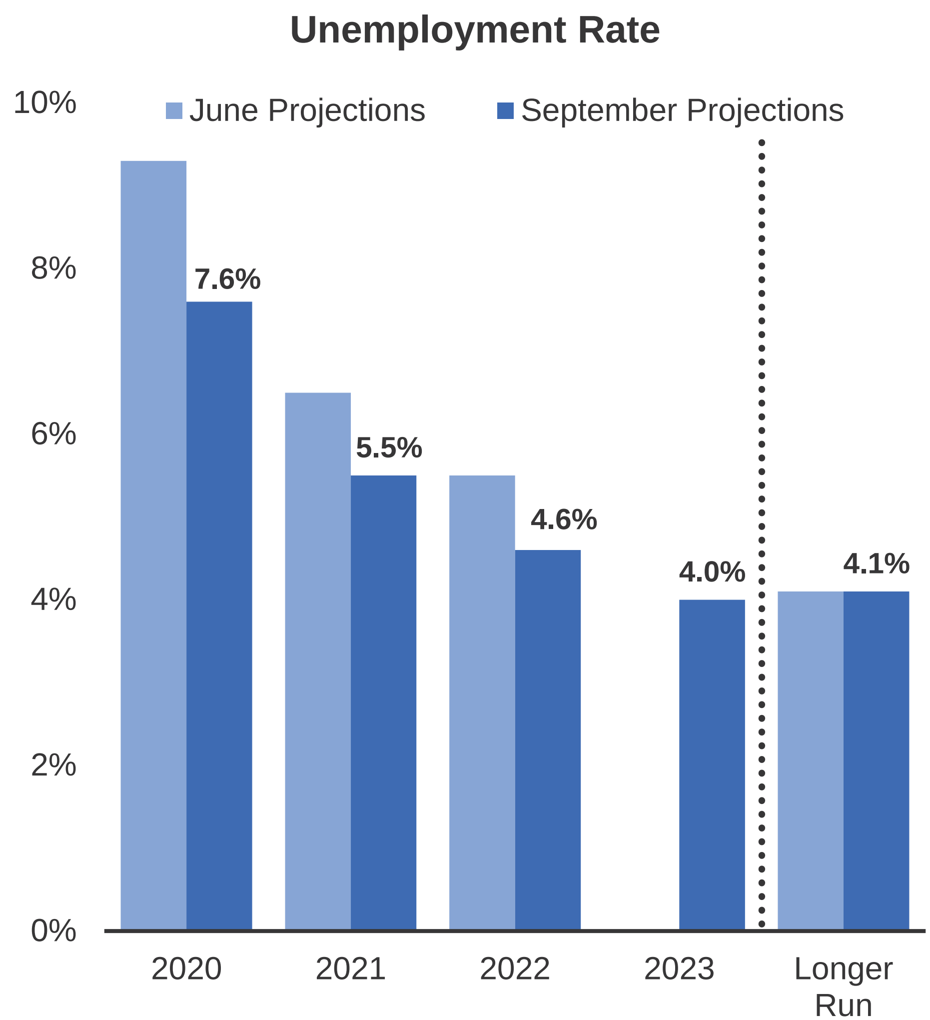

### Existing Home Sales (SAAR)




*Source: Bloomberg, latest available data as of 10/2/2020.*

## The Fed's Economic Projections Pull Improvement Forward

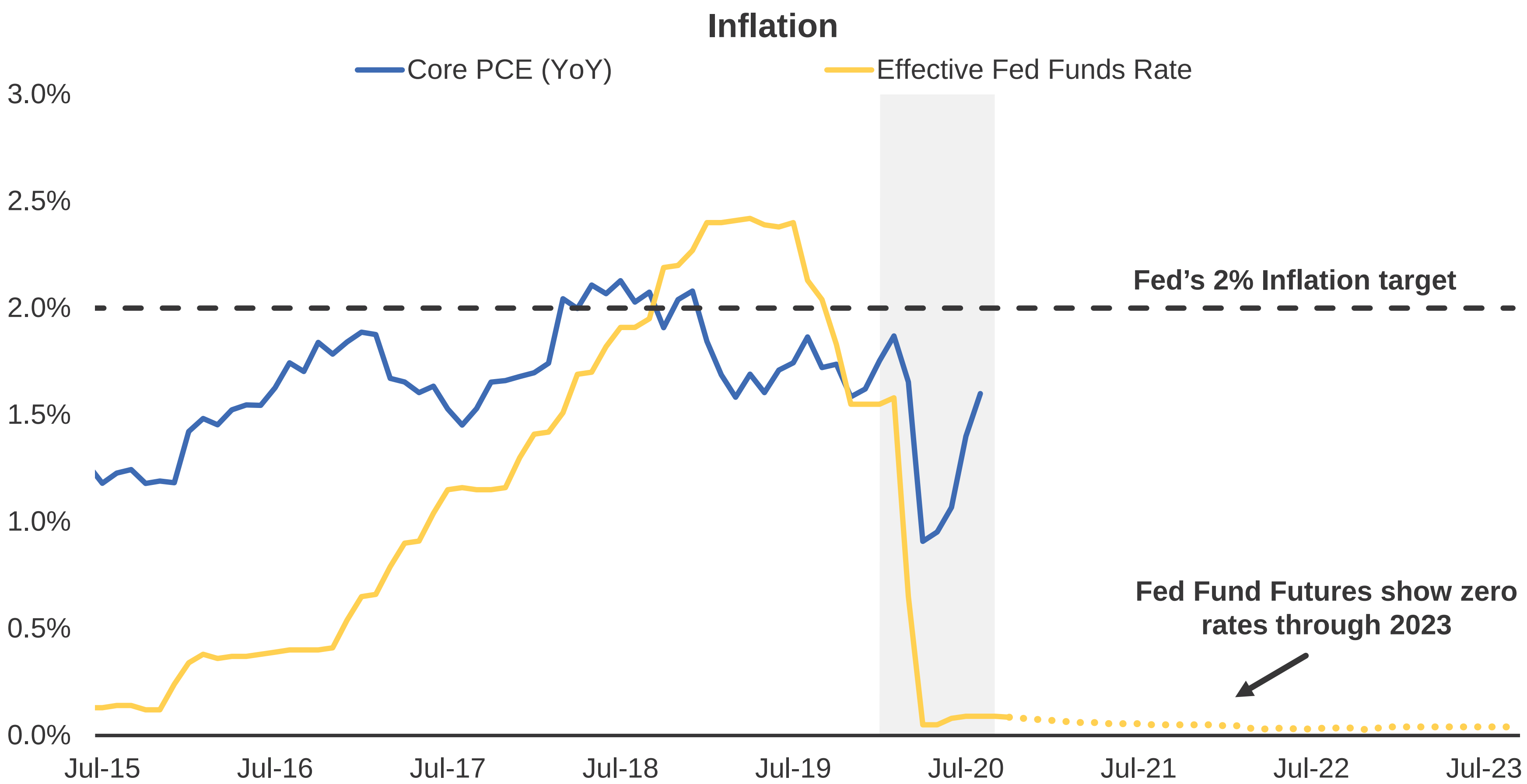



*Source: Federal Reserve, economic projections as of June and September 2020.*

## Federal Reserve's New Inflation Policy Means Rates May Be Lower for Longer

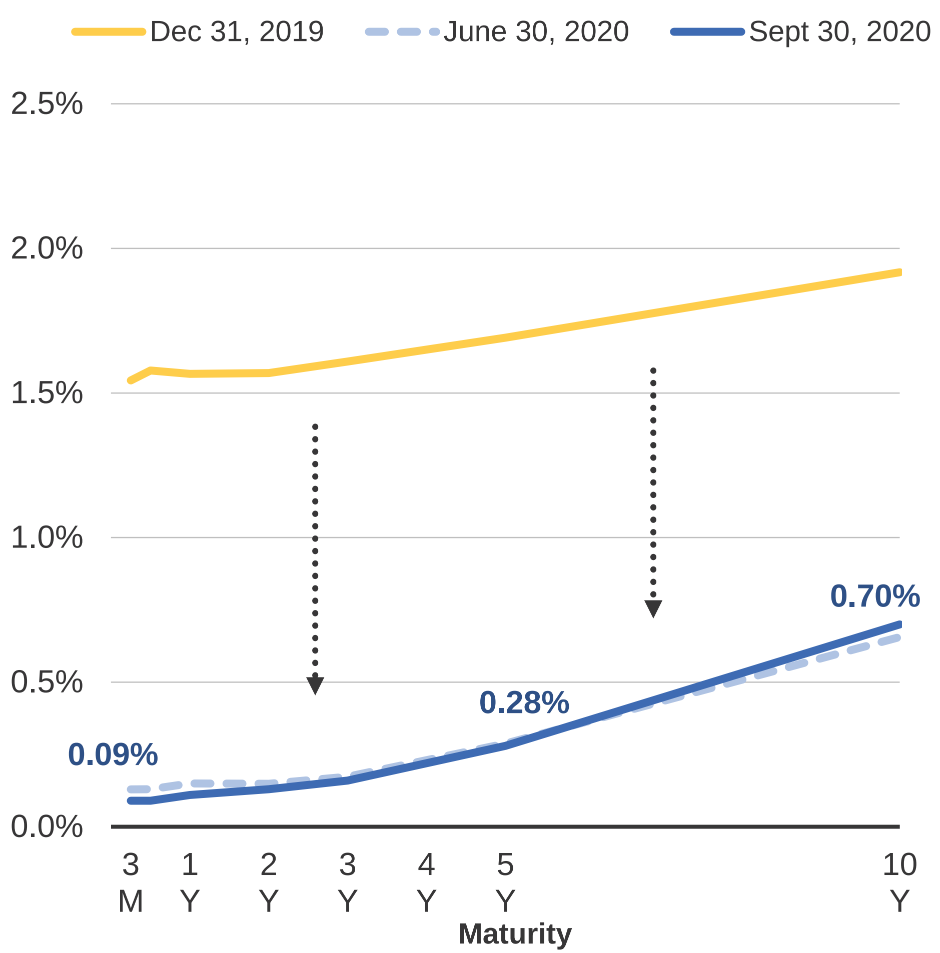
***"…the Committee seeks to achieve inflation that averages 2 percent over time… following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time."***




*Source: Federal Reserve as of 8/27/2020 (quote); Bloomberg as of 10/2/2020 (chart). Fed Funds Futures projections as of 10/5/2020.*

## Interest Rates Remain Stable Near Historic Lows

### US Treasury Yield Curve



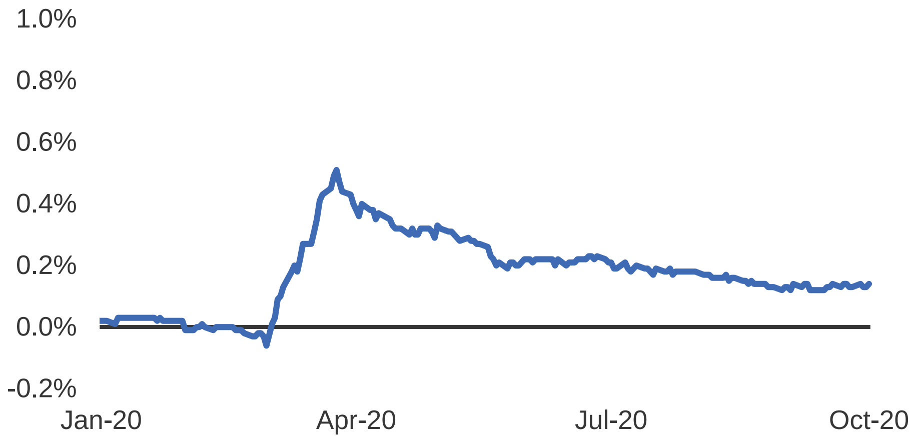

### 3-Year Treasury Yield


*Source: Bloomberg as of 10/2/2020.*

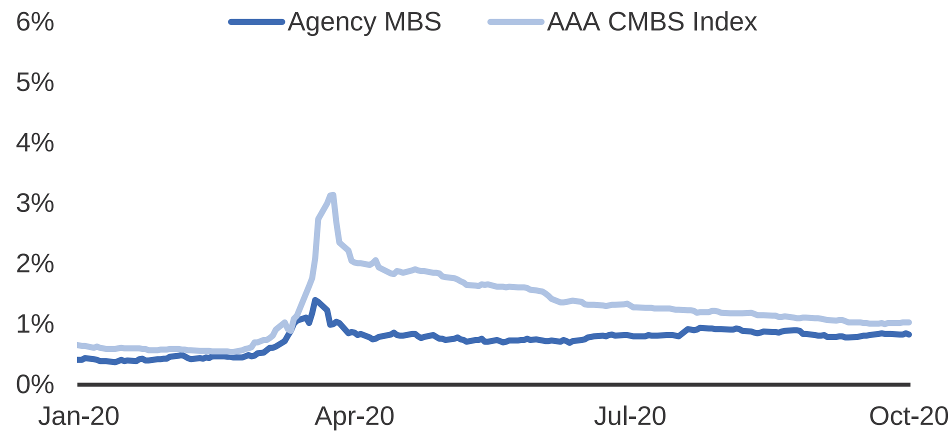
## Yield Spread Narrowing Slows in the Third Quarter

### 1-5 Year Indices

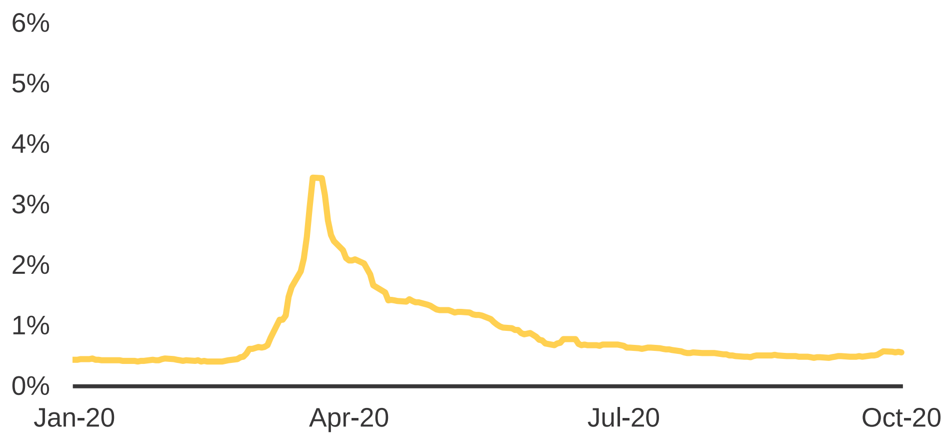
**Federal Agency Yield Spreads**



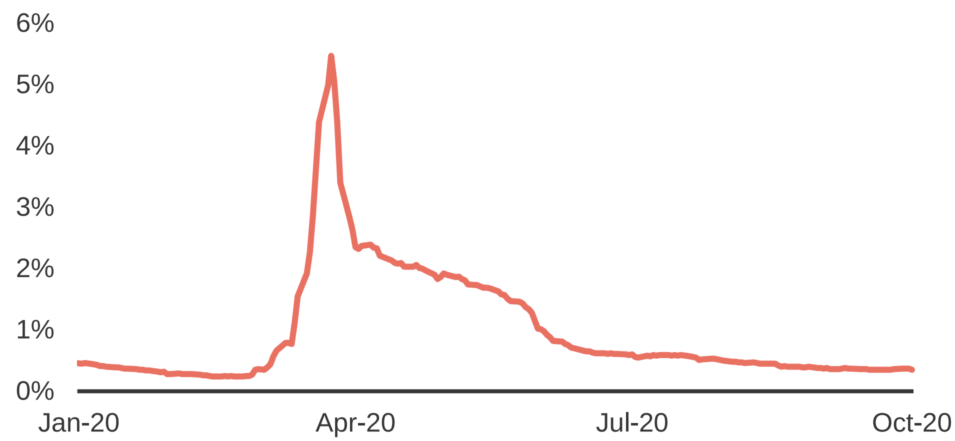

**Mortgage-Backed Securities Yield Spreads**




**Corporate Notes A-AAA Yield Spreads**

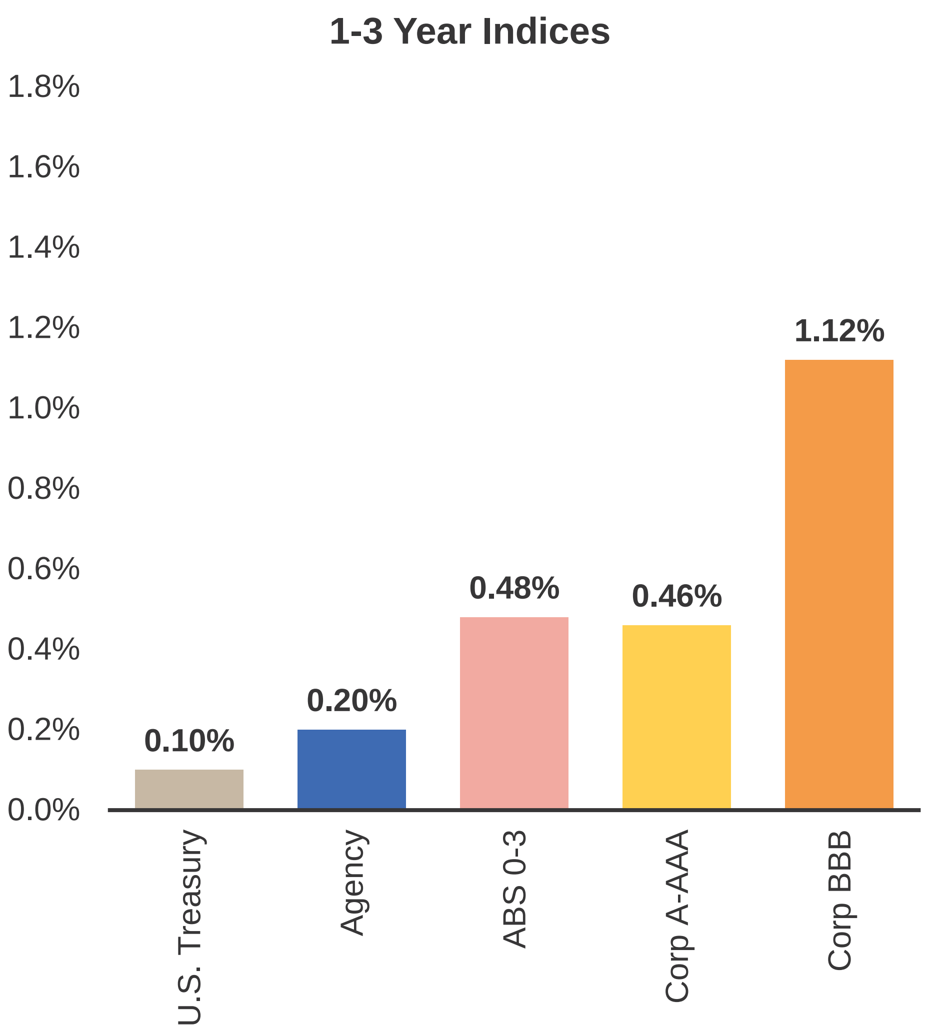


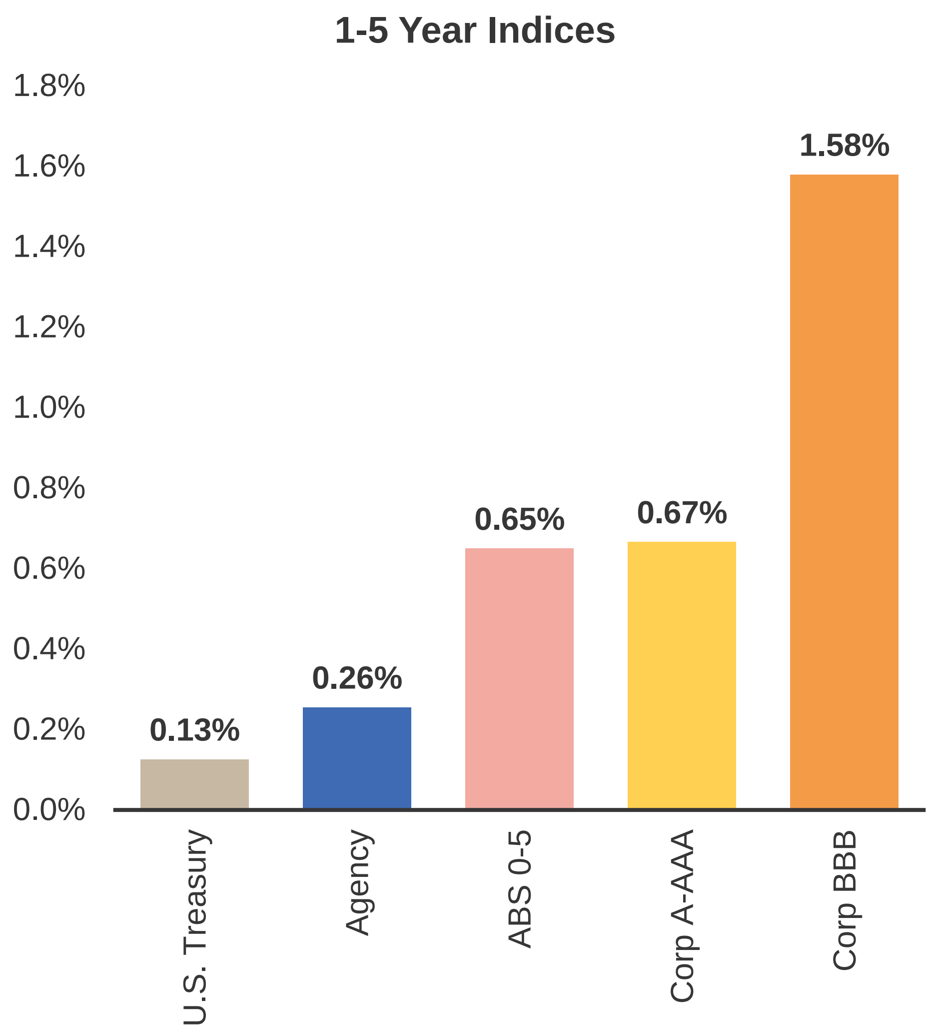

**Asset-Backed Securities Yield Spreads**




*Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess, and PFM as of 10/2/2020. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.*

## Credit Sectors Outperform in the Third Quarter



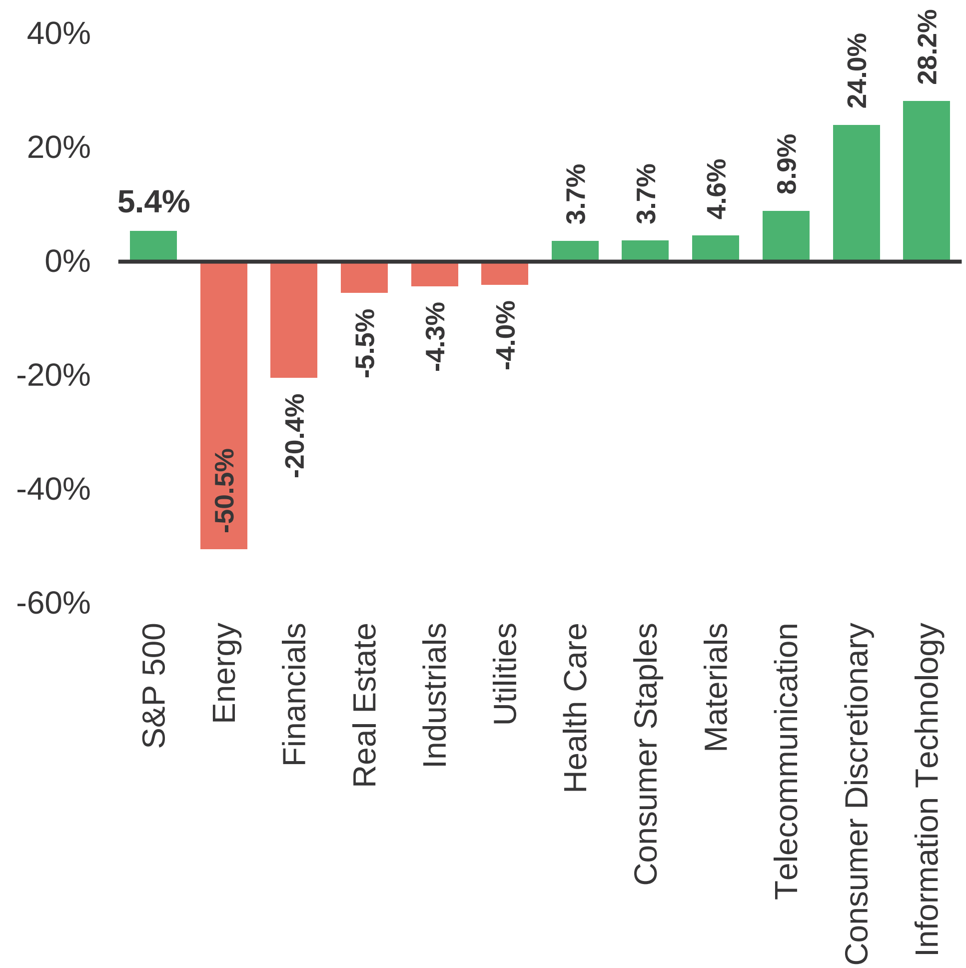




*Source: Bloomberg as of 9/30/2020.*

## Equity Market Reaches New High Before Pullback

### S&P 500 Price Change


### S&P 500 YTD Sector Performance




*Source: Bloomberg as of 10/2/2020.*

## Fixed-Income Sector Outlook – October 2020

| Sector | Our Investment Preferences | Comments |
|---|---|---|
| COMMERCIAL PAPER / CD | | • Front end credit spreads are close to historic tights; however, investor appetite remains strong; selectively add exposure. |
| TREASURIES<br>T-Bill<br>T-Note | | • T-Bills remain attractive relative to other short-term options. Renewed fiscal stimulus may result in elevated supply and drive the continued value in this sector.<br>• Treasury yields decreased over the month as Treasury volatility fell. Uncertainty around the path of the virus, additional fiscal support, and the November elections have offset the record level of treasury coupon issuance in moving yields lower. |
| FEDERAL AGENCIES<br>Bullets<br>Callables | | • Agency spreads remained mostly range bound over the month. Current valuations remain attractive in the 3- and 5-year area, which have benefited the most from supply and should continued to be targeted.<br>• Callable spreads tightened and new-issue coupons continued to fall as Treasury volatility hit a record low. Value remains on a structure-by-structure basis. |
| SUPRANATIONALS | | • Supranational spreads softened across the curve in response to robust issuance, which is expected to slow given annual funding targets are nearly met. New issue opportunities should continue to be evaluated. |
| CORPORATES<br>Financials<br>Industrials | | • We remain cautious with valuations on high-quality corporate bonds near record tight levels while fundamentals remain highly uncertain. New issue supply will likely decline after the record pace seen so far this year, a positive factor for the sector.<br>• The Fed's unprecedented support should help anchor spreads, but we have concerns around consumer finances and corporate balance sheets. Another surge in COVID-19 cases, rising geopolitical tensions and the Presidential election could be catalysts for another spike in volatility. |
| SECURITIZED<br>Asset-Backed<br>Agency Mortgage-Backed<br>Agency CMBS | | • ABS yield spreads tightened even as the sector experienced an elevated level of issuance in September. Credit enhancements on some new issue auto ABS deals have increased in response to concerns regarding consumer stress.<br>• The Fed continues "to support the smooth functioning" of the MBS market through its ongoing purchase program. However, spreads are narrow, and prepayments will stay elevated over the near-term as refinancings remain robust.<br>• Agency CMBS spreads moved slightly wider in September and remain above historical averages as concerns regarding the ability of renters to pay remain. |
| MUNICIPALS | | • Taxable supply continues to come to market while spreads continue to tighten due to increased investor demand. We remain focused on the largest issuers while exercising caution on many sub-sectors given the fiscal impact from COVID-19. |

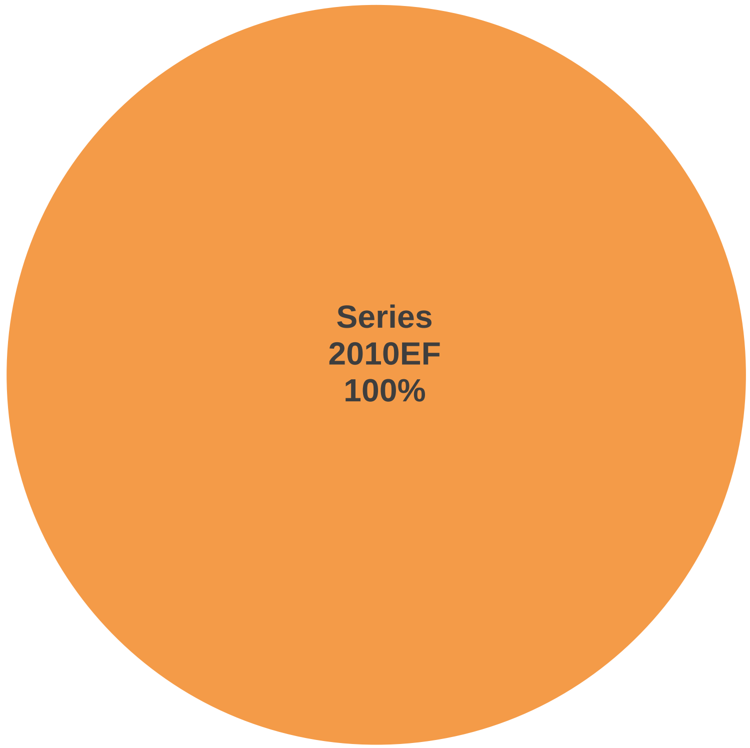
Negative | Slightly Negative | Neutral | Slightly Positive | Positive

● *Current outlook* ○ *Outlook one quarter ago*

## *Portfolio Review*

# Allocation of Bond Reserve Portfolios

| | Market Value[1] |
|---|---|
| Series 2010EF | 8,108,016 |
| **Total** | **8,108,016** |




1. Includes accrued interest and money market funds.

# Sector Allocation & Compliance

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

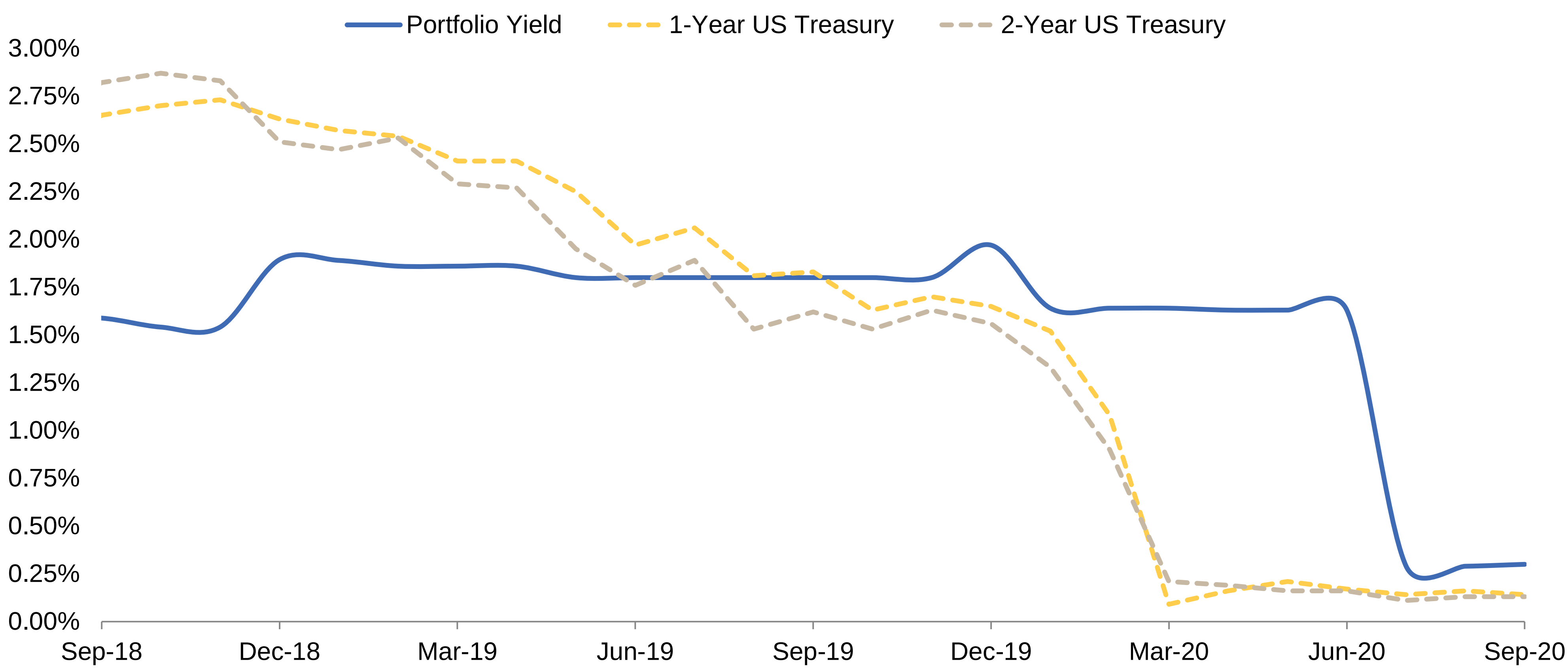
| Security Type | Market Value | % of Portfolio | % Change vs. 6/30/20 | Permitted by Policy | In Compliance |
|---|---|---|---|---|---|
| U.S. Treasury | $0 | 0.0% | -59.2% | 100% | ✓ |
| Federal Agency | $4,885,828 | 60.3% | +57.2% | 100% | ✓ |
| **Securities Sub-Total** | **$4,885,828** | **60.3%** | | | |
| Accrued Interest | $1,962 | | | | |
| **Securities Total** | **$4,887,790** | | | | |
| Money Market Fund | $3,220,226 | 39.7% | +2.1% | 100% | ✓ |
| **Total Investments** | **$8,108,016** | **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 0.30% as of September 30, 2020.
  - The average portfolio yield was 1.36% over the last trailing twelve months (10/1/19 – 9/30/20) compared to the average yield of 1.79% during the prior year's trailing twelve months (10/1/18 – 9/30/19).

## Washoe County RTC Aggregate Portfolio vs. U.S. Treasury Month End Yields September 2018 – September 2020



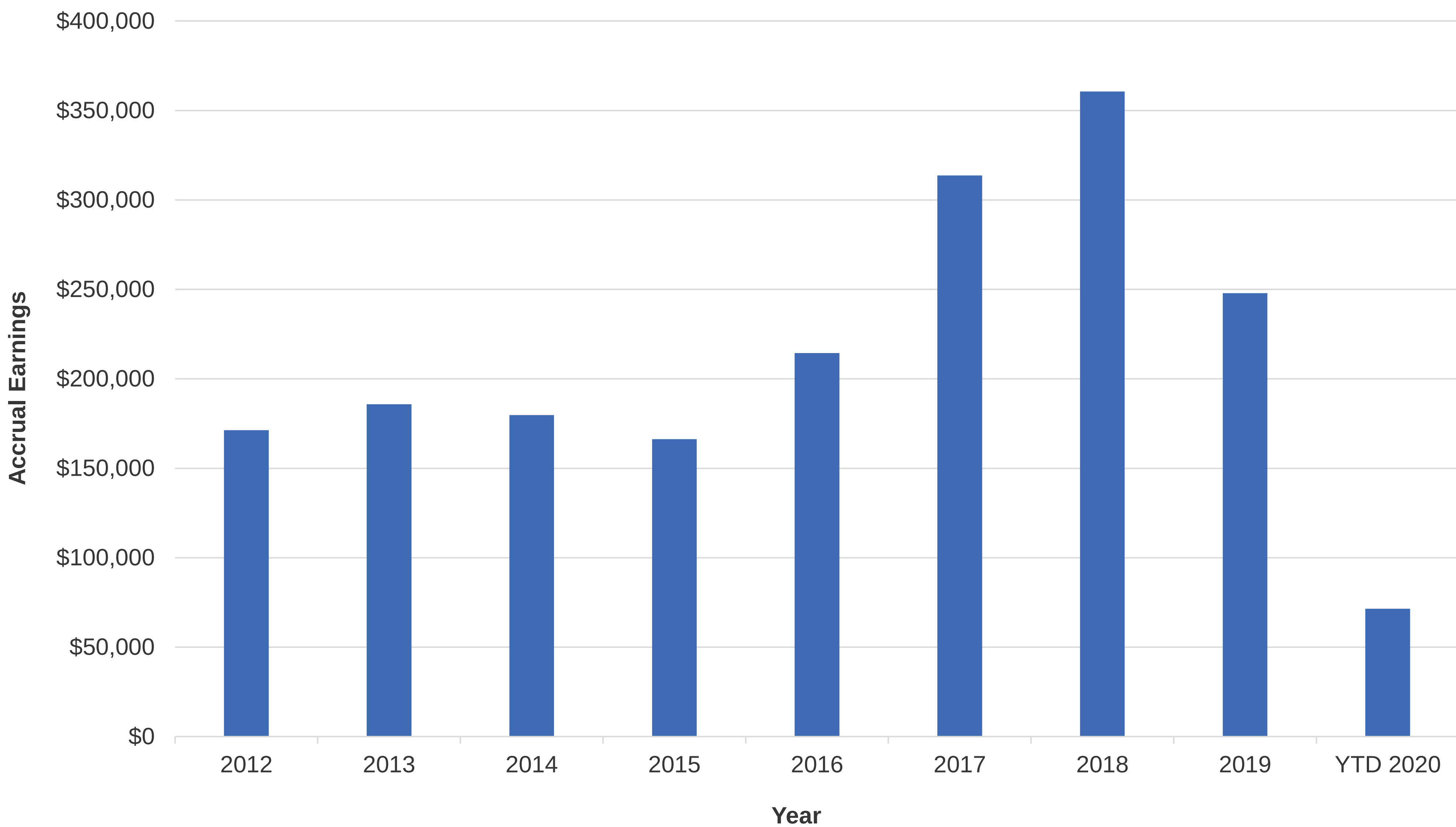

*Source: Bloomberg.*

## Portfolio Earnings

***Quarter-Ended September 30, 2020***

| | Market Value Basis | Accrual (Amortized Cost) Basis |
|---|---|---|
| **Beginning Value (06/30/2020)** | $5,024,838.34 | $5,011,067.85 |
| **Net Purchases/Sales** | ($144,314.98) | ($144,314.98) |
| **Change in Value** | $5,304.58 | $9,774.74 |
| **Ending Value (09/30/2020)** | $4,885,827.94 | $4,876,527.61 |
| **Interest Earned** | $8,092.99 | $8,092.99 |
| **Portfolio Earnings** | $13,397.57 | $17,867.73 |

## Accrual Earnings by Year

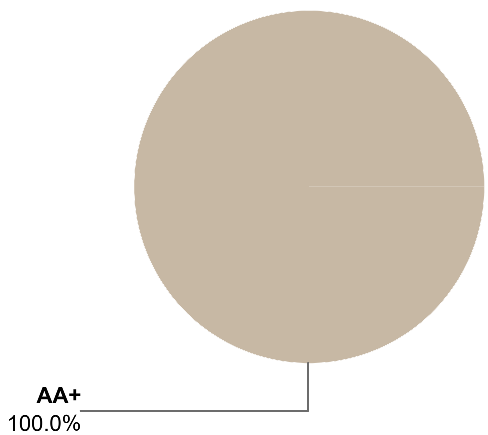


### Portfolio Statistics

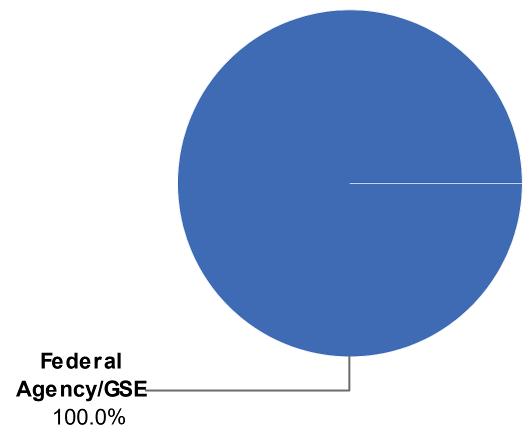
**As of September 30, 2020**

| | |
|---|---|
| **Par Value:** | $4,885,000 |
| **Total Market Value:** | $8,108,016 |
| ***Security Market Value:*** | $4,885,828 |
| ***Accrued Interest:*** | $1,962 |
| ***Cash:*** | $3,220,226 |
| **Amortized Cost:** | $4,876,528 |
| **Yield at Market:** | 0.22% |
| **Yield at Cost:** | 0.30% |
| **Effective Duration:** | 2.71 Years |
| **Average Maturity:** | 2.71 Years |
| **Average Credit: *** | AA |

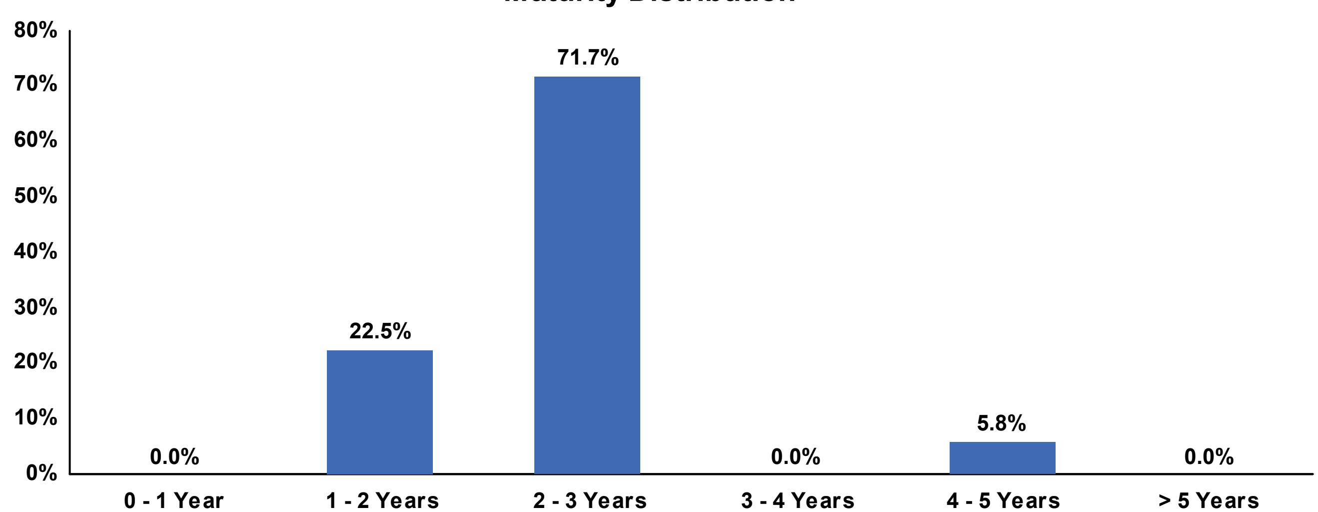
### Credit Quality (S&P Ratings)




### 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 September 30, 2020***

| Issuer | Market Value ($) | % of Portfolio |
|---|---|---|
| FANNIE MAE | 2,501,603 | 51.2% |
| FREDDIE MAC | 2,384,225 | 48.8% |
| **Grand Total:** | **4,885,828** | **100.0%** |

# Investment Strategy Outlook

- The U.S. and global economic recoveries have been stronger than expected. In the U.S., however, the pace of recovery appears to be slowing. Getting back to pre-pandemic growth and employment levels will likely be challenging.
- Considering the economic uncertainties that remain, we plan on structuring portfolios to have neutral durations relative to their respective benchmarks.
- Our outlook for major investment-grade sectors includes the following:
    - Agencies – The continued reach for yield and safety should pressure agency spreads back to pre-COVID levels. Given this backdrop, current yield spreads remain historically wide. Value is concentrated in maturities of three years and longer.

# *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) |
|---|---|---|---|---|---|---|---|---|---|
| **BUY** | | | | | | | | | |
| 7/9/20 | 7/10/20 | 2,500,000 | 3135G05G4 | FANNIE MAE NOTES | 0.25% | 7/10/23 | 2,495,350.00 | 0.31% | |
| 7/21/20 | 7/23/20 | 805,000 | 3137EAET2 | FREDDIE MAC NOTES | 0.12% | 7/25/22 | 803,180.70 | 0.24% | |
| 7/22/20 | 7/23/20 | 295,000 | 3137EAET2 | FREDDIE MAC NOTES | 0.12% | 7/25/22 | 294,420.92 | 0.22% | |
| 8/25/20 | 8/26/20 | 1,000,000 | 3137EAEV7 | FREDDIE MAC NOTES | 0.25% | 8/24/23 | 998,844.72 | 0.29% | |
| 9/23/20 | 9/25/20 | 285,000 | 3137EAEX3 | FREDDIE MAC NOTES | 0.37% | 9/23/25 | 284,142.15 | 0.44% | |
| **Total BUY** | | **4,885,000** | | | | | **4,875,938.49** | | |
| **INTEREST** | | | | | | | | | |
| 7/1/20 | 7/1/20 | 0 | MONEY0002 | MONEY MARKET FUND | | | 14.94 | | |
| 8/3/20 | 8/3/20 | 0 | MONEY0002 | MONEY MARKET FUND | | | 7.20 | | |
| 9/1/20 | 9/1/20 | 0 | MONEY0002 | MONEY MARKET FUND | | | 21.98 | | |
| **Total INTEREST** | | **0** | | | | | **44.12** | | |
| **MATURITY** | | | | | | | | | |
| 7/30/20 | 7/30/20 | 250,000 | 3135G0T60 | FNMA NOTES | 1.50% | 7/30/20 | 251,875.00 | | 0.00 |
| 7/31/20 | 7/31/20 | 48,000 | 912828XM7 | US TREASURY NOTES | 1.62% | 7/31/20 | 48,390.00 | | 0.00 |
| 7/31/20 | 7/31/20 | 240,000 | 912828XM7 | US TREASURY NOTES | 1.62% | 7/31/20 | 241,950.00 | | 0.00 |
| 7/31/20 | 7/31/20 | 1,740,000 | 912828XM7 | US TREASURY NOTES | 1.62% | 7/31/20 | 1,754,137.50 | | 0.00 |
| 7/31/20 | 7/31/20 | 395,000 | 912828XM7 | US TREASURY NOTES | 1.62% | 7/31/20 | 398,209.38 | | 0.00 |
| 7/31/20 | 7/31/20 | 1,240,000 | 912828XM7 | US TREASURY NOTES | 1.62% | 7/31/20 | 1,250,075.00 | | 0.00 |
| **Total MATURITY** | | **3,913,000** | | | | | **3,944,636.88** | | **0.00** |

| Trade Date | Settle Date | Par ($) | CUSIP | Security Description | Coupon | Maturity Date | Transact Amt ($) | Yield at Market | Realized G/L (BV) |
|---|---|---|---|---|---|---|---|---|---|
| **SELL** | | | | | | | | | |
| 7/22/20 | 7/23/20 | 1,100,000 | 912828N89 | US TREASURY NOTES | 1.37% | 1/31/21 | 1,114,448.83 | | 8,938.85 |
| **Total SELL** | | **1,100,000** | | | | | **1,114,448.83** | | **8,938.85** |

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Federal Agency Bond / Note** | | | | | | | | | | | |
| FREDDIE MAC NOTES DTD 07/23/2020 0.125% 07/25/2022 | 3137EAET2 | 295,000.00 | AA+ | Aaa | 7/22/2020 | 7/23/2020 | 294,420.92 | 0.22 | 69.65 | 294,476.30 | 294,851.02 |
| FREDDIE MAC NOTES DTD 07/23/2020 0.125% 07/25/2022 | 3137EAET2 | 805,000.00 | AA+ | Aaa | 7/21/2020 | 7/23/2020 | 803,180.70 | 0.24 | 190.07 | 803,354.68 | 804,593.48 |
| FANNIE MAE NOTES DTD 07/10/2020 0.250% 07/10/2023 | 3135G05G4 | 2,500,000.00 | AA+ | Aaa | 7/9/2020 | 7/10/2020 | 2,495,350.00 | 0.31 | 1,406.25 | 2,495,702.47 | 2,501,602.50 |
| FREDDIE MAC NOTES DTD 08/21/2020 0.250% 08/24/2023 | 3137EAEV7 | 1,000,000.00 | AA+ | Aaa | 8/25/2020 | 8/26/2020 | 998,810.00 | 0.29 | 277.77 | 998,849.19 | 1,000,669.00 |
| FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025 | 3137EAEX3 | 285,000.00 | AA+ | Aaa | 9/23/2020 | 9/25/2020 | 284,142.15 | 0.44 | 17.81 | 284,144.97 | 284,111.94 |
| **Security Type Sub-Total** | | **4,885,000.00** | | | | | **4,875,903.77** | **0.30** | **1,961.55** | **4,876,527.61** | **4,885,827.94** |
| **Managed Account Sub Total** | | **4,885,000.00** | | | | | **4,875,903.77** | **0.30** | **1,961.55** | **4,876,527.61** | **4,885,827.94** |
| **Securities Sub-Total** | | **$4,885,000.00** | | | | | **$4,875,903.77** | **0.30%** | **$1,961.55** | **$4,876,527.61** | **$4,885,827.94** |
| **Accrued Interest** | | | | | | | | | | | **$1,961.55** |
| **Total Investments** | | | | | | | | | | | **$4,887,789.49** |

Bolded items are forward settling trades.

## IMPORTANT DISCLOSURES

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- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, 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.
- **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.
- **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.

## GLOSSARY

- **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.