



**Investment Advisory Board  
Meeting  
City of Rio Rancho  
AGENDA  
August 28, 2024  
6:00 PM  
City Council Chambers**

**Investment Advisory Board Members**

Van Billops, District 1	Vacant, District 2
Christopher Daniel, District 3	Ron Baker, District 4
Chandra McCray, District 5	Kelly Wainwright, District 6
David Jablonski, At-Large	

**Meeting Information**

This meeting will be conducted in-person. A live stream of the meeting can be viewed on the City of Rio Rancho website at <https://rrnm.gov/2303/Watch-and-Download-City-Meetings>

Pursuant to the Rules of Procedures, any person wishing to address the Board related to an item listed under Discussion and Deliberation, shall register in person with the designated City staff person no later than fifteen (15) minutes prior to the scheduled start time of a meeting. No more than two (2) hours in total will be allotted for comments pertaining to a specific agenda item at any meeting. A majority vote of the Board members present may approve to extend the total amount of time allotted for public input related to a specific agenda item at a meeting.

Public input can be submitted in writing to the designated City staff person prior to the date of the meeting in which the item is scheduled to be heard; however, only public input received before 4 p.m. on the day of the meeting will be entered into the record prior to the meeting.

**Call to Order and Pledge of Allegiance**

**Consent Calendar**

There will be no discussion of these items unless a Board Member so requests, in which event the item will be moved to a discussion item on the regular agenda.

- 1 [Approval of May 29, 2024 Minutes](#)  
[Approval of May 29, 2024 Minutes](#)

**Staff Presentations, Reports and Comments**

**Public Hearings**

Pursuant to the Boards, Commissions, Committees and Advisory Bodies Rules of Procedure, all aggrieved persons, and materially relevant witnesses sponsored by such interested persons, wishing to address the Governing Body shall register in person or via specified communications technology/equipment with the City Clerk no later than fifteen (15) minutes prior the scheduled start time of a related hearing.

**Discussion and Deliberation**

- 2 [Review and Input on the Permanent Fund Performance](#)  
[City of Rio Rancho Permanent Fund 2024Q2](#)

- 3 Review and Input on the Core and Liquidity Portfolios Performance  
*Total Portfolio Annual Meeting August GPA*
- 4 Discussion on Potential Uses of the 2025 Permanent Fund Distribution
- 5 Discussion on Potential Change to Permanent Fund Ordinance with Respect to Additions to the Permanent Fund

### **Comments by Members**

#### **Public Forum**

Any person wishing to address a board, commission, committee, or advisory body related to a non-agenda item shall register in person with the applicable City staff person no later than fifteen (15) minutes prior to the scheduled start time of a meeting. No more than two (2) hours in total will be allotted for public forum comments at any meeting. A majority vote of the board, commission, committee, or advisory body members present may approve to extend the total amount of time allotted for public forum at a meeting.

#### **Adjournment**



**CITY OF RIO RANCHO  
COVER PAGE**

**Legislation Item:**

**AGENDA DATE:**

August 28, 2024

**DEPARTMENT:**

City Clerk

**SUBJECT:**

Approval of May 29, 2024 Minutes

**BACKGROUND AND ANALYSIS:**

**IMPACT:**

**ALTERNATIVES:**

**DEPARTMENT RECOMMENDATION:**

**ATTACHMENT:** [Approval of May 29, 2024 Minutes](#)



*Investment Advisory Board  
Meeting*

**MINUTES**  
MAY 29, 2024  
6:00 PM  
Council Chambers

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**MEMBERS PRESENT:**

Van Billops, District 1  
Ron Baker, District 4  
Chandra McCray, District 5  
Kelly Wainwright, District 6

**STAFF PRESENT:**

Peter Wells, Deputy City Manager  
Carole Jaramillo, Director of Financial Services  
Noel Davis, City Clerk  
Yolanda Lucero, Deputy City Clerk

**MEMBERS ABSENT:**

Christopher Daniel, District 3

**SPECIAL GUEST:**

Mallory Sampson, PFM  
David Jablonski, At-Large  
Deanne Woodring with GPA

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**CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

Kelly Wainwright called the meeting to order at 6:00 p.m.

**CONSENT CALENDAR**

1. Approval of February 28, 2024 Minutes

Chandra McCray moved to approve the minutes of February 28, 2024. Van Billops Seconded by.

The minutes of February 28, 2024 were approved by consent of the Board.

**STAFF PRESENTATIONS, REPORTS AND COMMENTS**

**PUBLIC HEARINGS**

**DISCUSSION AND DELIBERATION**

2. Boards, Commissions, Committees, and Advisory Bodies Rules of Procedure

Noel Davis, City Clerk provided a brief overview of the updated Rules of Procedure that became effective at the end of December 2023. She highlighted the below changes.

- The agenda/order of business has slightly changed
- In person meeting attendance is expected by members and there is now an annual cap on virtual meeting participation.
- Public forum speaker rules and limits
- Process to how members request an item to appear on a future meeting agenda.

1 3. Review and Input on the Permanent Fund Performance

2  
3 Mallory Sampson with PFM, gave a brief market view update and talked about what is  
4 being seen on a wider scale. In the fourth quarter, U.S. gross domestic product grew at  
5 an annualized rate of 3.4%, cooling somewhat from the third quarter's 4.9% growth.  
6 This growth was supported by both non-residential business investment and consumer  
7 spending. The U.S. labor market remains strong. While the unemployment rate ticked  
8 up slightly it remains at historical lows, ending the quarter at 3.8%. Inflation remains  
9 somewhat "sticky" as headline inflation grew at a YoY rate of 3.2% in February, down  
10 from the 3.4% growth at the end of the fourth quarter, but up slightly from January. Core  
11 CPI, which excludes volatile food and energy, eased to a near three year low of 3.8%.  
12 The Federal Open Market Committee continued to hold rates steady in the first quarter  
13 at 5.50% as Fed officials need "greater confidence" that inflation is slowing sustainably  
14 to 2%. The S&P 500 Index posted a 10.56% return for the first quarter of 2024. As of  
15 March 31, 2024, the trailing 1-year return for the index was 29.88%.

16  
17 4. Review and Input on the Core and Liquidity Portfolios Performance

18  
19 Deanne Woodring with GPA provided a review. Last quarter an additional \$50 million  
20 was deployed to investments from the bank, moving the earnings yield from 3.16% on  
21 investments to 3.68% on investments. The core investment portfolio is now aligned to  
22 the new benchmark and the performance will be set to begin 3/31/2024. This quarter we  
23 are looking at matching the debt service payments in the cash matched portfolio as they  
24 are equivalent to approximately \$25 million per year and locking in short-term rates.  
25 GPA is focused on evaluating the markets to ensure the portfolio is fully invested in  
26 anticipation of rates dropping into 2025.

27  
28 5. Review and Input on the Investment Policies for the Core and Liquidity Portfolios

29  
30 Carol Jaramillo, Director of Financial Services went over the proposed redline changes  
31 which are a result from input previously provided by the Board. The changes include  
32 formatting, restructuring of the sections to offer clarity, and changes to reflect state  
33 statute.

34  
35 Chandra McCray moved to approve the amended Core & Liquidity Portfolio.  
36 Seconded by Van Billops.

37  
38 The motion carried by a vote of 4 FOR and 0 AGAINST.

39 YES: Van Billops, Ron Baker, Chandra McCray, Kelly Wainwright,

40 NO: None

41  
42 6. Review and Input on Recommended Additional Revenue Contributions to the  
43 Permanent Fund

44  
45 Carol Jaramillo, went over the City's General Fund Five-Year Financial Plan forecast.  
46 The intent of having the recommendation put into ordinance was to allow for a  
47 recommendation if additional/excess revenue the Board could potential make a  
48 recommendation to add it to the permanent fund. Today the Board will need to decide if

1 they would like to recommend additional revenue to be placed into the Permanent Fund.  
2 At this time staff does not recommend adding additional revenue

3

4 Chandra McCray moved to not recommend providing additional revenue  
5 contributions to the Permanent Fund. Seconded by Van Billops.

6

7 The motion carried by a vote of 4 FOR and 0 AGAINST.

8 YES: Van Billops, Ron Baker, Chandra McCray, Kelly Wainwright,

9 NO: None

10

11 **COMMENTS BY MEMBERS**

12

13 **PUBLIC FORUM**

14

15 **ADJOURNMENT**

16

17 The meeting adjourned at 6:57 p.m.

18

19 APPROVED THIS 29<sup>th</sup> DAY OF AUGUST 28, 2024

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23

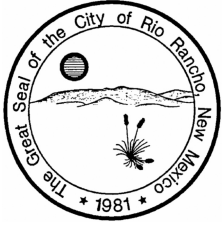
\_\_\_\_\_  
Kelly Wainwright, Chair

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25

26

\_\_\_\_\_  
Noel Davis, City Clerk  
SEAL



**CITY OF RIO RANCHO  
COVER PAGE**

**Legislation Item:**

**AGENDA DATE:**

August 28, 2024

**DEPARTMENT:**

City Clerk

**SUBJECT:**

Review and Input on the Permanent Fund Performance

**BACKGROUND AND ANALYSIS:**

**IMPACT:**

**ALTERNATIVES:**

**DEPARTMENT RECOMMENDATION:**

Presentation by PMF Asset Management.

**ATTACHMENT:** [City of Rio Rancho Permanent Fund 2024Q2](#)



# City of Rio Rancho Permanent Fund

## Investment Performance Review For the Quarter Ended June 30, 2024

Client Management Team

Luke Schneider, CFA, Managing Director  
Mallory Sampson, CFP, Director

PFM Asset Management LLC

1201 S Alma School Rd  
Suite 3000  
Mesa, AZ 85210

1735 Market Street  
43rd Floor  
Philadelphia, PA 19103

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# **Markets and Economy**

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
<b>DOMESTIC EQUITY</b>							
S&P 500	4.28%	15.29%	24.56%	10.01%	15.05%	14.28%	12.86%
Russell 3000 Index	3.22%	13.56%	23.12%	8.05%	14.14%	13.48%	12.15%
Russell 1000 Value Index	-2.17%	6.62%	13.06%	5.52%	9.01%	8.61%	8.23%
Russell 1000 Index	3.57%	14.24%	23.88%	8.74%	14.61%	13.93%	12.51%
Russell 1000 Growth Index	8.33%	20.70%	33.48%	11.28%	19.34%	18.64%	16.33%
Russell Midcap Index	-3.35%	4.96%	12.88%	2.37%	9.46%	9.63%	9.04%
Russell 2000 Value Index	-3.64%	-0.85%	10.90%	-0.53%	7.07%	5.89%	6.23%
Russell 2000 Index	-3.28%	1.73%	10.06%	-2.58%	6.94%	6.85%	7.00%
Russell 2000 Growth Index	-2.92%	4.44%	9.14%	-4.86%	6.17%	7.28%	7.39%
<b>INTERNATIONAL EQUITY</b>							
MSCI EAFE (Net)	-0.42%	5.34%	11.54%	2.89%	6.46%	5.73%	4.33%
MSCI AC World Index (Net)	2.87%	11.30%	19.38%	5.43%	10.76%	10.02%	8.43%
MSCI AC World ex USA (Net)	0.96%	5.69%	11.62%	0.46%	5.55%	5.17%	3.84%
MSCI AC World ex USA Small Cap (Net)	0.66%	2.78%	11.26%	-1.45%	6.13%	4.92%	4.44%
MSCI EM (Net)	5.00%	7.49%	12.55%	-5.07%	3.10%	3.54%	2.79%
<b>ALTERNATIVES</b>							
FTSE NAREIT Equity REIT Index	0.06%	-0.13%	7.79%	0.30%	3.90%	4.86%	5.90%
MSCI US REIT INDEX	-0.22%	-0.84%	6.25%	-0.97%	2.68%	3.59%	4.55%
FTSE Global Core Infrastructure 50/50 Index (Net)	0.73%	2.29%	4.34%	2.18%	3.07%	4.71%	4.79%
Bloomberg Commodity Index Total Return	2.89%	5.14%	5.00%	5.65%	7.25%	5.14%	-1.29%
<b>FIXED INCOME</b>							
Blmbg. U.S. Aggregate	0.07%	-0.71%	2.63%	-3.02%	-0.23%	0.86%	1.35%
Blmbg. U.S. Government/Credit	0.05%	-0.68%	2.74%	-3.11%	-0.07%	1.04%	1.51%
Blmbg. Intermed. U.S. Government/Credit	0.64%	0.49%	4.19%	-1.18%	0.71%	1.39%	1.55%
Blmbg. U.S. Treasury: 1-3 Year	0.91%	1.19%	4.51%	0.33%	1.02%	1.30%	1.12%
ICE BofA U.S. High Yield	1.09%	2.62%	10.45%	1.65%	3.73%	4.10%	4.21%
Blmbg. Global Aggregate Ex USD	-2.11%	-5.26%	-0.66%	-7.48%	-3.56%	-1.61%	-1.86%
JPM EMBI Global Diversified	0.30%	2.34%	9.23%	-2.60%	-0.03%	1.44%	2.60%
<b>CASH EQUIVALENT</b>							
90 Day U.S. Treasury Bill	1.32%	2.63%	5.40%	3.03%	2.16%	2.07%	1.50%

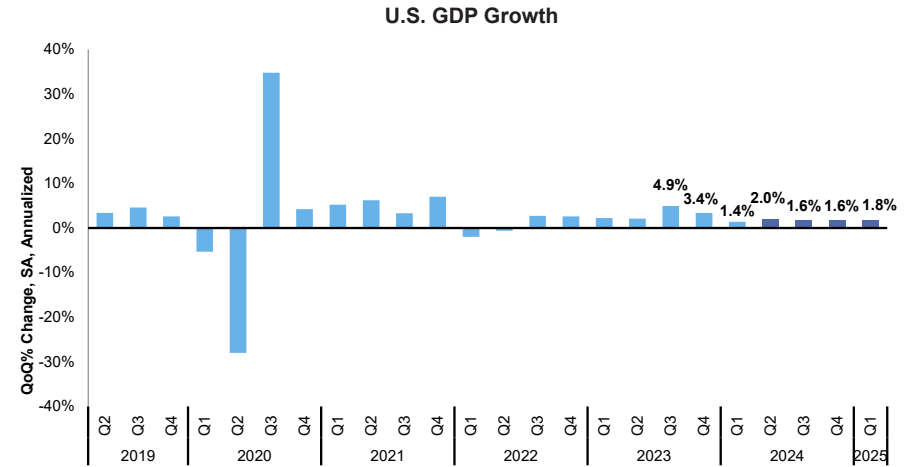
Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

**THE ECONOMY**

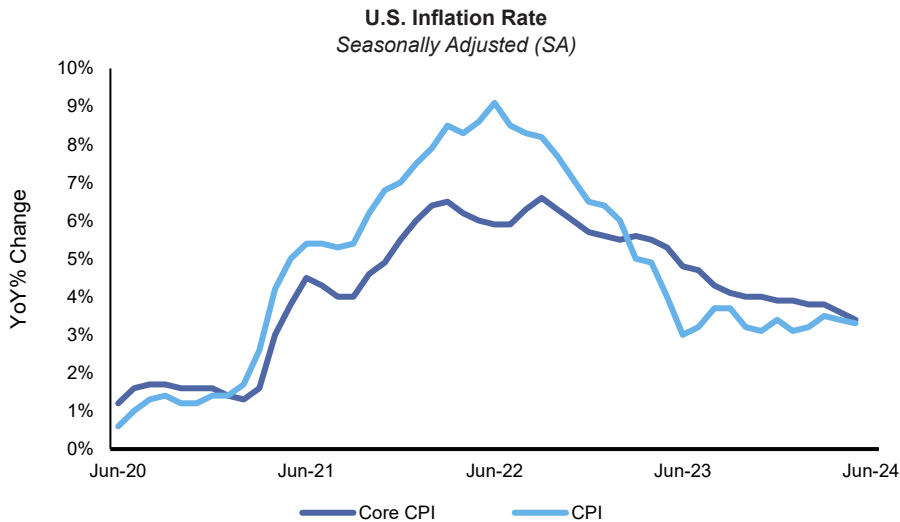
► In the first quarter, U.S. gross domestic product (GDP) grew at an annualized rate of 1.4%, cooling from the outsized gain of 3.4% in the fourth quarter of 2023. Consumer spending remained the main driver of growth, rising 1.5%. Within consumer spending this growth was focused entirely in the services sector as spending on goods fell modestly. While the first quarter's growth was a significant decline from the end of 2023, the U.S. economy remains significantly stronger than other developed markets such as Japan which shrank 0.5% during the quarter, and the Euro area which barely escaped another quarter of contraction with 0.3% growth.

► The U.S. unemployment rate ticked up slightly ending the quarter at 4.1%. The average hourly earnings year-over-year (YoY) growth cooled to 3.9%. This bodes well for easing wage pressures on inflation without large increases in unemployment as the labor market cools without a marked increase in layoffs.

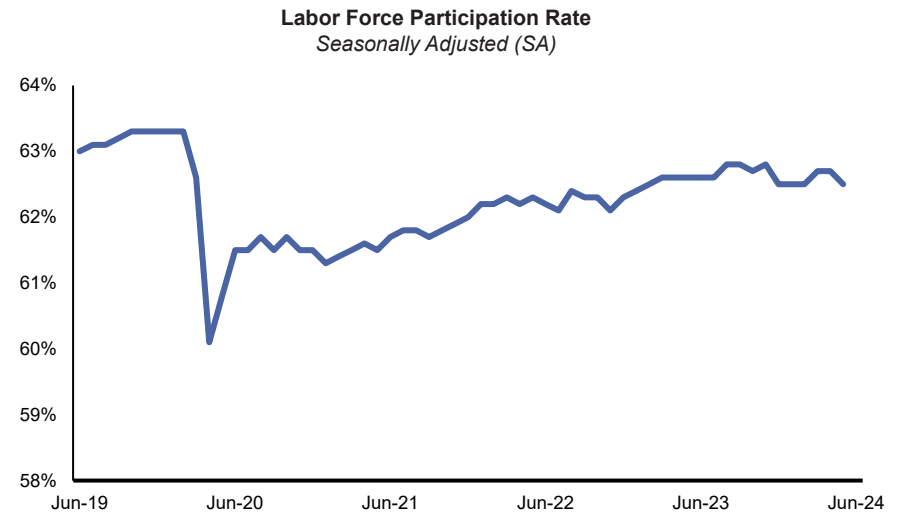
► Inflation moderated from the hot pace experienced in the first quarter. Headline inflation (CPI) grew at a YoY rate of 3.3% in May, down from the 3.5% growth in March. Core CPI which excludes volatile food and energy eased to a three year low of 3.4%. The shelter price growth, which remains a driving force keeping overall inflation elevated, showed some promising deceleration to 5.4%. Both readings remain well above the Federal Reserve (Fed) target of 2%, likely reinforcing the Fed's wait and see approach to rate cuts.



Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate forecasted estimates.



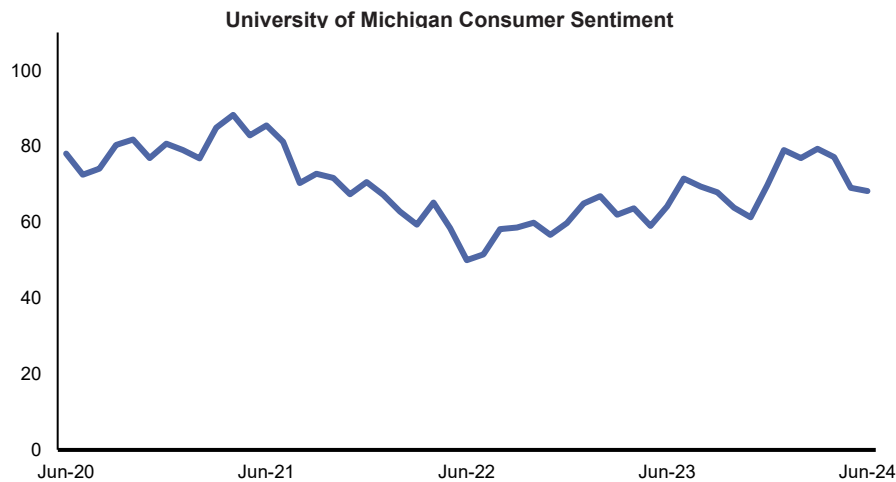
Source: Bureau of Labor Statistics.



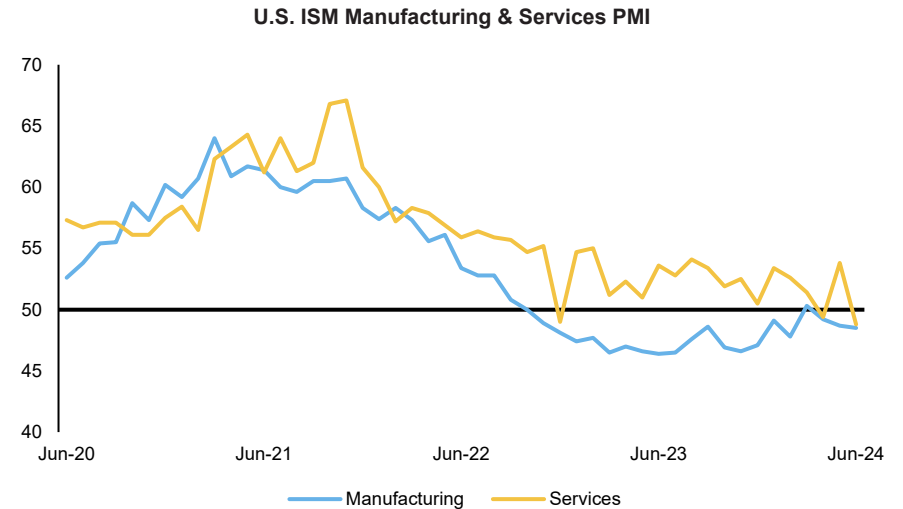
Source: Bureau of Labor Statistics.

**WHAT WE'RE WATCHING**

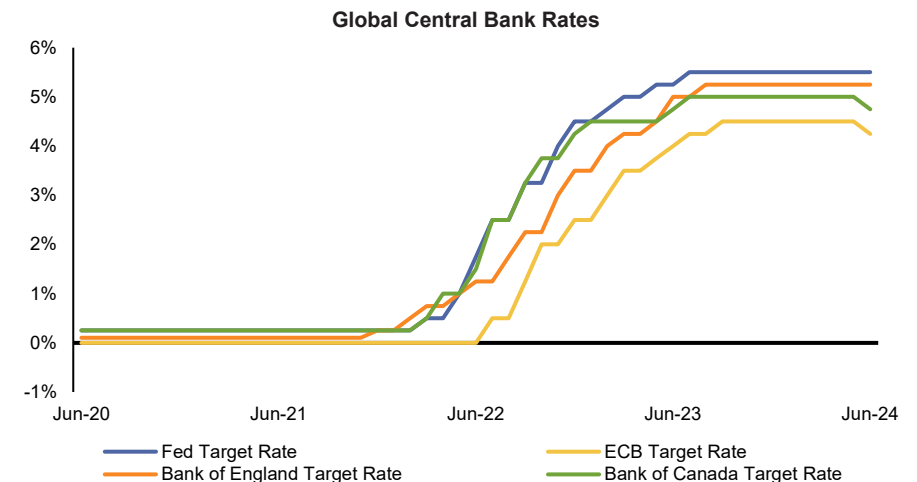
- ▶ The Federal Open Market Committee (FOMC) continued to hold rates steady at 5.50% through the second quarter as Fed officials remain data dependent and are waiting to see signs that inflation is slowing sustainably to 2%. Due to the slower pace of cooling, in their statement of economic projections, the FOMC reduced the expected rate cuts this year down to 25 basis points (bps) from 75 bps. This is in divergence with some of the other major central banks, as the European Central Bank (ECB) and Bank of Canada (BOC) both cut rates in June.
- ▶ U.S. manufacturing activity dipped back into contraction during the second quarter with the ISM U.S. Manufacturing PMI reading at 48.5 in June signaling weak demand. The services sector also fell into contraction with the Services PMI falling to 48.8 in June due to lower business activity and contraction in employment.
- ▶ Consumer confidence, as measured by the University of Michigan's Consumer Sentiment survey, fell during the quarter, posting three consecutive months of decline ending at 68.2 in June down from the 79.4 reading at the end of the first quarter. This decline came as assessments of personal finances dipped, with consumers expressing concerns over the effect of high prices.
- ▶ Looking forward, we continue to watch the evolving geopolitical landscape as countries such as the U.K. and France saw changes in administration following recent elections which may impact domestic economic policy and market returns.



Source: Bloomberg.



Source: Bloomberg.



Source: Bloomberg.

**DOMESTIC EQUITY**

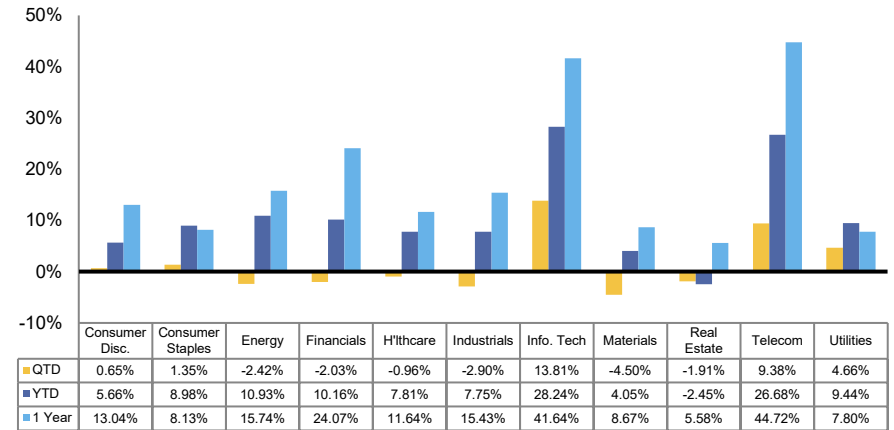
- ▶ The S&P 500 Index (S&P) posted a 4.28% return for the second quarter of 2024. As of June 28, 2024, the trailing 1-year return for the index was 24.56%.
- ▶ The market capitalization-weighted S&P 500 continued its streak of outperformance over the equal-weighted S&P 500 Index. During the quarter, the Magnificent Seven (M7) as a group outperformed, as the index return would have been -0.7% if the M7 were excluded from the benchmark.
- ▶ Within S&P 500, six of eleven GICS sectors posted negative returns over the quarter. The worst performing sectors were Materials (-4.5%), Industrials (-2.9%), and Energy (-2.4%). The best performing sectors were Information Technology (13.8%), Communication Services (9.4%), and Utilities (4.7%).
- ▶ Small-caps, as represented by the Russell 2000 Index, returned -3.3% during the quarter, and slightly outperformed mid-caps but underperformed large-caps. The Russell Midcap and Russell 1000 indices returned -3.4% and 3.6%, respectively.

▶ According to FactSet Earnings Insight (as of June 21, 2024), the expected YoY earnings growth rate for S&P 500 for Q2 2024 was 8.8%, slightly down from the March 31 estimate of 9.0%. At the sector level, Energy (11% to 14.7%) and Communication Services (16.3% to 18.5%) saw the best improvement in YoY earnings growth estimates from March 31 and June 21. Conversely, Industrials (0.9% to -3.3%) and Utilities (11.6% to 8.3%) saw the biggest decrease in estimates for this period.

▶ As of the end of the quarter, the S&P 500 forward P/E ratio was 24.3, above its 5-year average of 22.4. By comparison, the Russell 2000, which represents small-cap stocks, had a forward P/E ratio of 17.8, above its 5-year average of 17.7.

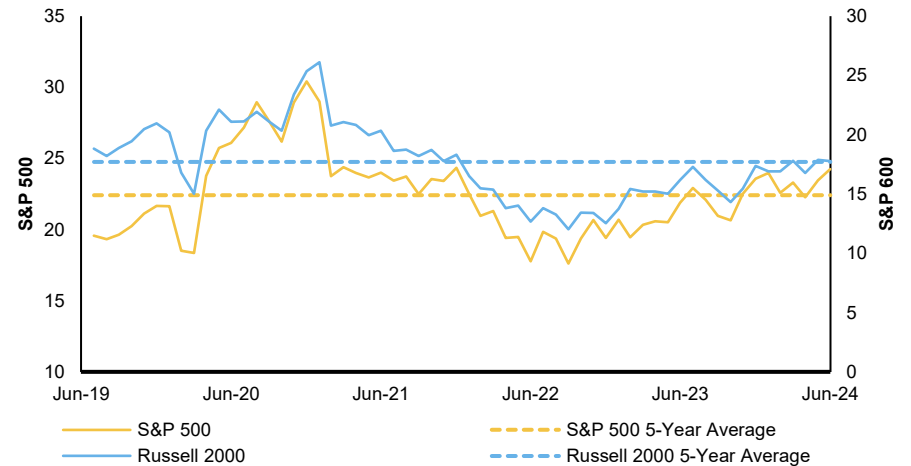
**S&P 500 Index Performance by Sector**

Periods Ended June 30, 2024



Source: Bloomberg.

**P/E Ratios of Major Stock Indices\***



Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

**NON-U.S. EQUITY**

▶ Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, underperformed their U.S. counterparts, returning 0.96% for the quarter. Six of the 11 sectors posted strong positive returns for the quarter, with Information Technology (5.21%) leading the way, followed by Communication Services (3.99%) and Healthcare (3.78%). Consumer Discretionary (-4.75%) was the worst performer for the quarter.

▶ Developed ex-U.S. Markets, as represented by the MSCI EAFE Index, significantly underperformed emerging markets (EM), represented by the MSCI Emerging Market Index, returning -0.42% versus 5.00% for the quarter.

▶ MSCI UK (3.70%) outperformed the MSCI EAFE Index on the back of a strengthening economy and improving business and manufacturing activity. Of the five largest-weighted countries in the index, France was the worst performer. French equities fell 6.96% as investors priced in fears of political instability and uncertainty surrounding election results.

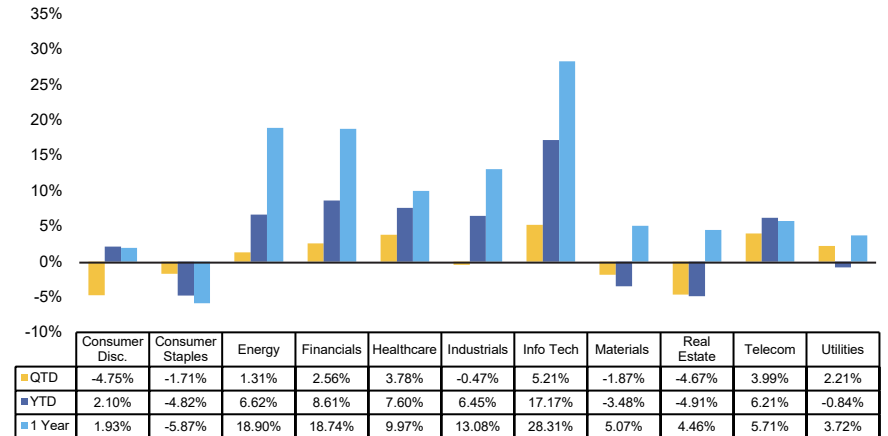
▶ Within emerging markets, EM Asia (7.54%) was the largest contributor to overall returns during the quarter, benefitting from MSCI India and MSCI Taiwan's strong returns of 10.36% and 15.20%, respectively. MSCI China (7.16%) also fared well, buoyed by additional stimulus measures in the form of lower mortgage rates and lower downpayment for home loans. MSCI Latin America (-12.05%) on the other hand, underperformed the MSCI EM Index, dragged down by sticky inflation in Brazil.

▶ Value stocks outperformed growth stocks across the international equity markets. MSCI AC World ex-USA Value returned 1.26% while MSCI AC World ex-USA Growth returned 0.72%. Small-caps, as represented by MSCI ACWI ex-U.S. Small Cap Index, underperformed within the international equity markets, returning 0.66% for the quarter.

▶ Non-U.S. equities valuations have moved closer to their long-term average across international equity markets. As of June 30, 2024, MSCI EAFE's forward P/E stood at 15.40 versus a five-year average of 16.02. MSCI EM ended the quarter with a forward P/E ratio of 13.33, slightly higher than its five-year average of 13.29.

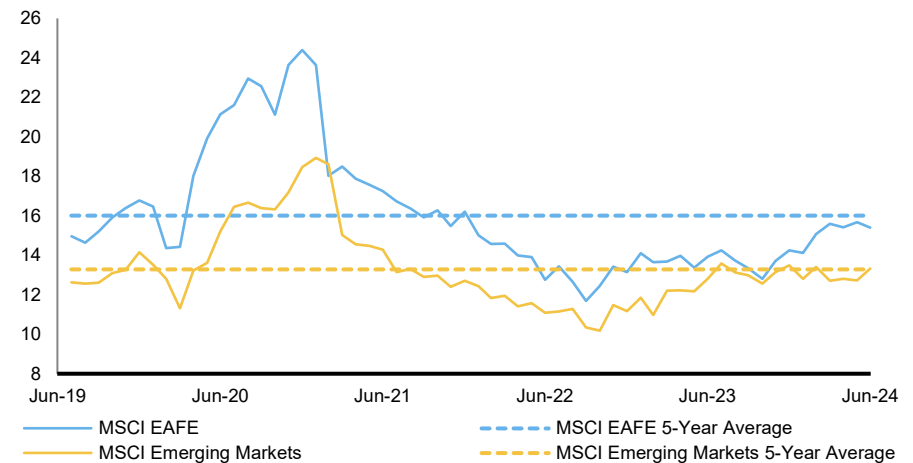
**MSCI ACWI ex-U.S. Sectors**

Periods Ended June 30, 2024



Source: Bloomberg.

**P/E Ratios of MSCI Equity Indices\***



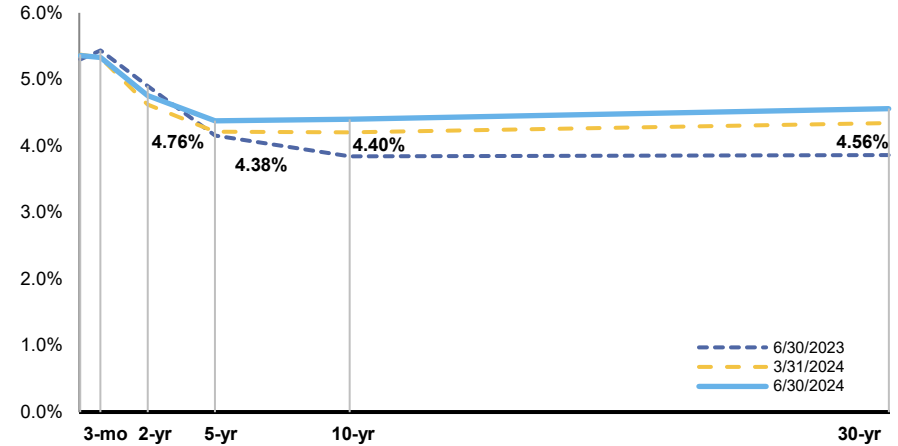
Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

**FIXED INCOME**

- ▶ The U.S. bond market represented by the Bloomberg U.S. Aggregate (Aggregate) Index was slightly positive in the second quarter, up 0.07%. The trailing one-year period return is 2.63%.
- ▶ The Bloomberg U.S. Treasury Index closed the quarter with a small gain of 0.09%. During the period, the FOMC maintained Fed funds rate at 5.5% and continued to signal fewer cuts for 2024 than the market originally anticipated. In reaction to lower number of cuts, rates beyond the one-year duration range generally rose higher. At the quarter end, the yield curve remained inverted, with the 10-year yield rising to 4.4%, while the 2-year yield ended at 4.8%.
- ▶ Corporate credit had mixed results for the quarter on the rising rates. The investment-grade (IG) Bloomberg U.S. Corporate (IG Corp) Index lost -0.09% while high yield bonds, as represented by the Bloomberg U.S. Corporate High Yield (HY) Index, gained 1.09%. Spreads widened in the “CCC” category while “BB” rated securities performed the best.
- ▶ The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index gained 0.07%. On the commercial side returns were positive with the Bloomberg U.S. Agency CMBS Index up 0.60% while the non-agency CMBS index gained 0.75%.
- ▶ EM USD sovereign bonds, as represented by the JP Morgan EMBI Global Diversified index, gained 0.30% supported by quasi-sovereign names. Venezuela, which recently re-entered the index, had a strong quarter.

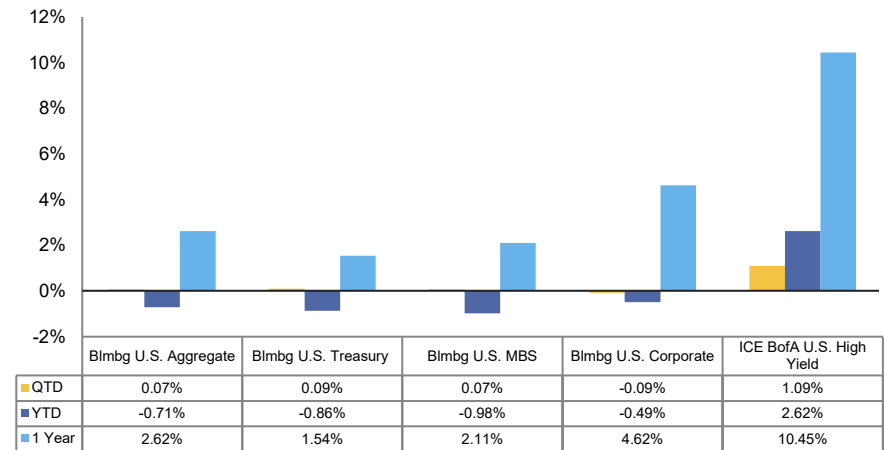
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended June 30, 2024



Source: Bloomberg.

**ALTERNATIVES**

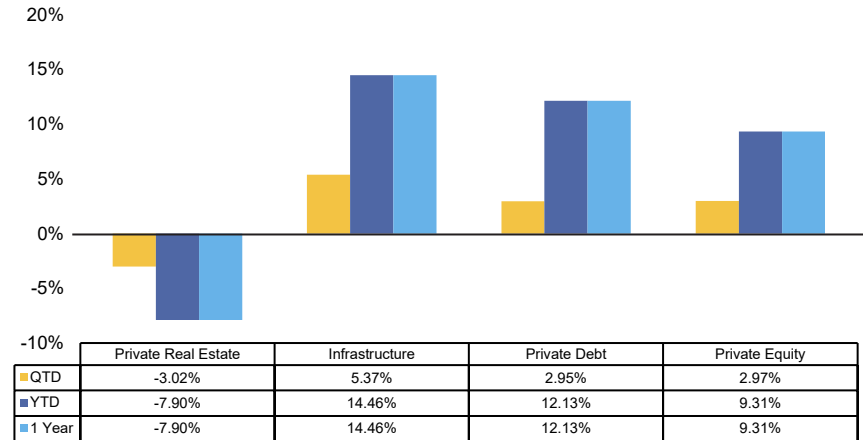
► Public REITs, as measured by the FTSE NAREIT Equity REITs Index, returned 0.06% in the second quarter of 2024, compared to a -0.20% return in the prior quarter. Persistent high interest rates have kept returns in check for the asset class. Private real estate, as measured by the NCREIF Property Index, fell -0.98% in the first quarter of 2024, resulting in a -7.20% return over the twelve-month period ended March 2024. This was the sixth consecutive quarter of negative returns for the index. Weak performance has been driven by property value declines, primarily within the Office and Apartment sectors.

► Listed infrastructure, as measured by the S&P Global Infrastructure Index, gained 2.67% in the second quarter of 2024, compared to a 1.34% increase in the prior quarter. Performance was mixed, but mostly positive across the major sectors. In Q1 2024, 13 private infrastructure funds raised \$25.60 billion, a modest figure despite the broad slowdown seen in private markets fundraising. The asset class has received attention from investors in recent years due to expectations of income-like, countercyclical, and inflation-resistant returns. Long-term trends such as decarbonization, deglobalization, and digitization have also increased demand for the asset class. According to PitchBook, infrastructure funds posted a return of 5.37% in Q4 2023. The asset class has generated an annualized return of 10.81% for the five years ended Q4 2023.

► In Q1 2024, 25 private debt funds raised \$30.42 billion, marking the weakest start to a year since 2016. The asset class has performed well relative to public fixed income over the long-term. While more opportunities may emerge as tight lending standards push banks out of the market, competition between private debt managers and a resurgence of the broadly syndicated loan market may keep future asset class returns in check. According to Cliffwater Direct Lending Index, U.S. middle market loans, a proxy for private debt, posted a return of 3.02% in Q1 2024. The asset class has also generated an annualized return of 9.15% for the five years ended Q1 2024.

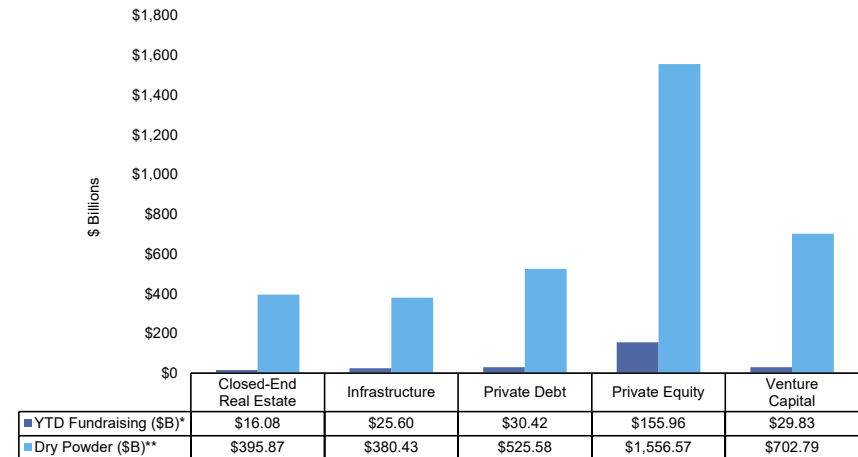
► In Q1 2024, 110 private equity funds raised \$155.96 billion, a strong pace despite the challenging market environment. Recently, private equity performance has been impacted due to high borrowing costs, limited debt availability, and muted deal flow and exit activity. Recent trailing performance has lagged public equity indices; but remains strong longer term. According to Cambridge Associates, U.S. private equity posted a return of 2.97% in Q4 2023. The asset class has generated an annualized return of 17.92% for the five years ended Q4 2023.

**Returns for Private Capital Assets**



Source: NCREIF, PitchBook, Cliffwater, Cambridge Associates.  
As of December 31, 2023, the most recent period for which all index data is available.

**Private Capital Fundraising & Dry Powder**

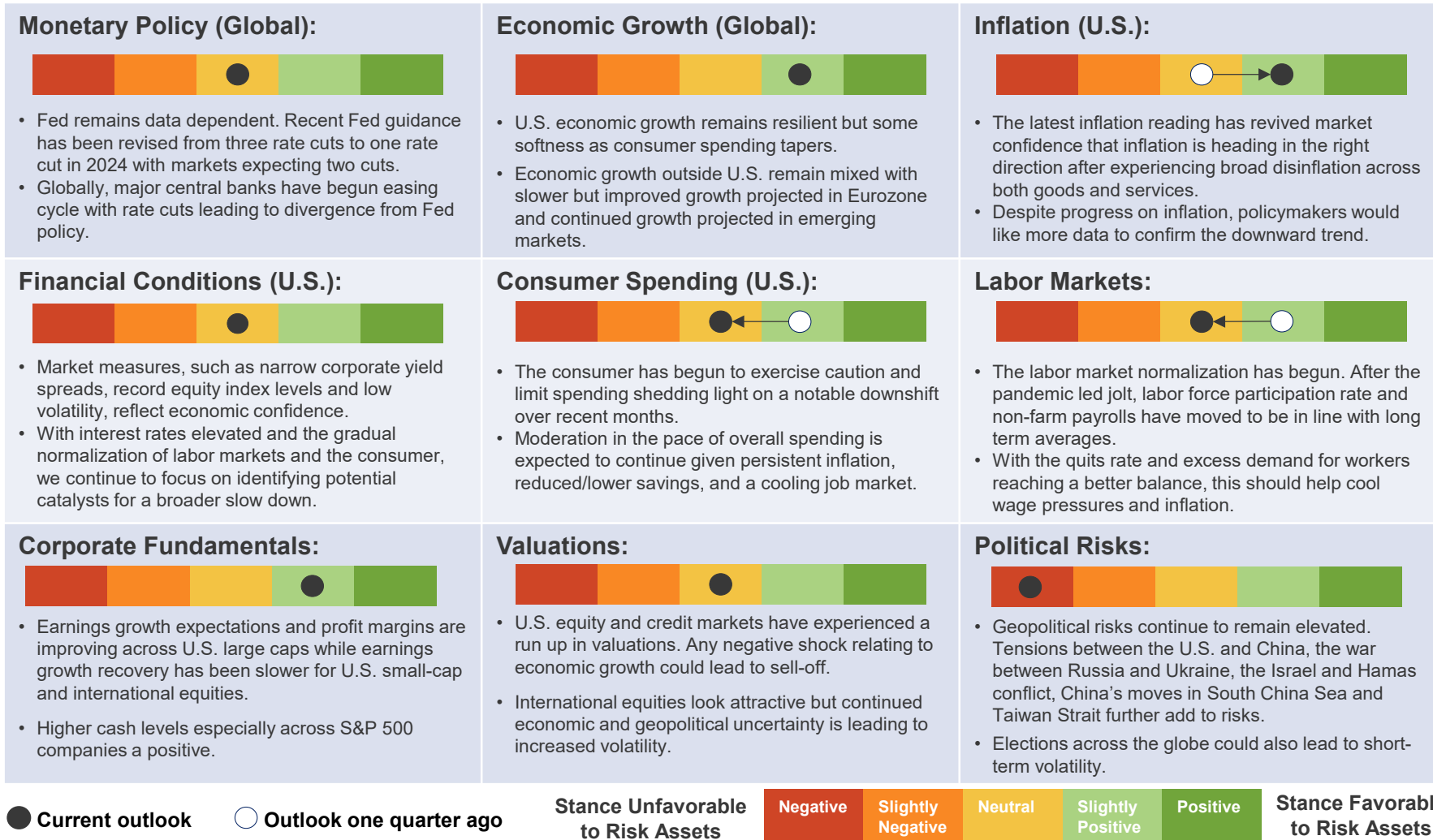


Sources: Pitchbook.

\* Total capital raised in 2024 as of March 31, 2024 - most recent period for which ALL fundraising data is available.

\*\* Cumulative dry powder as of September 30, 2023, unless specified otherwise.

**Factors to Consider Over the Next 6-12 Months**



*Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (June 30, 2024) and are subject to change. Information is 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.*

**Investment Strategy Overview**

Asset Class	Our Q3 2024 Investment Outlook	Comments
<b>U.S. Equities</b>		<ul style="list-style-type: none"> <li>Recent earnings strength, fiscal support, and moderating inflation are positives, while rate cut uncertainty, election related volatility, higher valuations and geopolitical turbulence are negatives. The fed continues to be data dependent with recent guidance pointing to one rate cut. Given the rate cut uncertainty, we prefer to remain close to targets currently.</li> <li>Rising valuations for large caps are supported by improving earnings growth expectations but market breadth (measured by performance difference between equal weight and market cap weighted S&amp;P 500) has been lagging in the recent months.</li> <li>Small-cap valuations are attractive and would benefit as investor sentiment/earnings growth expectations improve. Exposure to interest rate sensitive sectors such as regional banks remains a concern.</li> </ul>
Large-Caps		
Small-Caps		
<b>Non-U.S. Equities</b>		<ul style="list-style-type: none"> <li>International equities continue to trade at a discount to U.S. equities but stronger dollar and slower growth in Eurozone warrants a neutral stance.</li> <li>Recent ECB rate cuts, the recovery in manufacturing and services activity along with recent recovery in PEs are positive for developed market equities that continue to look attractive, but election related volatility needs to be watched.</li> <li>EM equities trade at attractive valuations relative to developed market equities but strong dollar and China's uncertain growth weigh on outlook.</li> </ul>
Developed Markets		
Emerging Markets		
<b>Fixed Income</b>		<ul style="list-style-type: none"> <li>The higher for longer narrative has led to increased volatility and uncertainty around rate cut path. Yields at the short-end of the curve look attractive even as long-term yields fell back from the recent highs.</li> <li>Given the rate cut scenarios, we are maintaining duration close to the benchmark duration and consider ways to close any duration gap over the next few months.</li> <li>Credit markets remain attractive due to strong corporate fundamentals. We remain positive on investment-grade but are scaling down our exposure within high yield given the tighter spreads. We continue to closely watch for signs for any distress in the corporate credit space.</li> </ul>
Core Bonds		
Investment Grade Credit		
High Yield Credit		
<b>Diversifying Assets</b>		<ul style="list-style-type: none"> <li>Lower office sector exposure, attractive valuations and possibility of rate cuts this year are positives for listed real estate while higher level of interest rates is a headwind.</li> <li>Transition to renewable energy and increase in AI led data center infrastructure spend are tailwinds for listed infrastructure while higher level of interest rates is a headwind.</li> </ul>
Listed Real Estate		
Listed Global Infrastructure		

● Current outlook    ○ Outlook one quarter ago



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**Long-Term Strategic Approach to Private Capital/Alternatives**

Sub-Asset Class	Long-Term Strategic View	Recent Trends
<b>Private Equity</b>	Provide attractive returns with lower correlations to public market equities due to their ability to invest in early-stage growth companies or ability to turnaround a struggling firm.	<ul style="list-style-type: none"> <li>Higher interest rates, lower valuations, a lack of deal transparency, and economic uncertainty have been headwinds for this group over the past couple quarters leading to a decline in activity across the board</li> <li>The current environment is favoring strategies such as secondaries and coinvesting while venture capital and growth investing strategies have seen a pull back.</li> <li>Dry powder for new opportunities remains at historic highs, while trailing short-term performance is lagging public markets.</li> </ul>
<b>Private Debt</b>	Provides higher returns than the public market debt due to the ability to customize terms and floating rate structure of most notes.	<ul style="list-style-type: none"> <li>Less leveraged buyouts being completed has resulted in lower lending deal flow, but lower bank lending has created more opportunities for private lenders.</li> <li>Higher interest rates are creating attractive credit opportunities in higher risk/return areas of the market.</li> <li>Pessimism and higher interest rates benefitting providers of new real estate-backed debt.</li> </ul>
<b>Real Assets</b> Real Estate Infrastructure	Provides exposure to inflation sensitive assets that typically generate returns from a combination of capital appreciation and income generation.	<ul style="list-style-type: none"> <li>High interest rates and tight lending standards have been a drag on the real estate market pressuring both cap rates and valuations.</li> <li>Commercial real estate space remains a focal point for the markets.</li> <li>Real estate performance is bifurcated – with office and commercial struggling while residential &amp; industrial assets have done well.</li> <li>The Artificial Intelligence boom is driving demand for improved energy infrastructure while decarbonization trend is driving demand for clean energy infrastructure.</li> </ul>
<b>Diversifying Assets</b> Hedge Funds	Expected to lower the volatility and correlation within portfolios while providing access to esoteric strategies	<ul style="list-style-type: none"> <li>YTD 2024, macro and equity hedge strategies have generated strong returns amid economic uncertainty and strong public equity performance.</li> <li>Higher interest rates have contributed to performance of credit strategies.</li> <li>Extreme concentration within the equity markets hasn't been a substantial headwind to performance as seen with active public market equity managers.</li> </ul>

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# **Plan Performance Review**

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value (\$)	%	1 Quarter	Fiscal YTD	Year To Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
<b>Total Fund</b>	<b>12,234,943</b>	<b>100.00</b>	<b>1.24</b>	<b>12.36</b>	<b>5.60</b>	<b>12.36</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>14.38</b>	<b>01/01/2023</b>
<i>Blended Benchmark</i>			<i>1.49</i>	<i>12.30</i>	<i>6.09</i>	<i>12.30</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>14.46</i>	<i>01/01/2023</i>
<b>Domestic Equity</b>	<b>4,913,600</b>	<b>40.16</b>	<b>1.86</b>	<b>19.71</b>	<b>10.19</b>	<b>19.71</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>23.47</b>	<b>01/01/2023</b>
<i>Russell 3000 Index</i>			<i>3.22</i>	<i>23.12</i>	<i>13.56</i>	<i>23.12</i>	<i>8.05</i>	<i>14.14</i>	<i>13.48</i>	<i>26.95</i>	<i>01/01/2023</i>
US Large Cap Index Pool	3,719,083	30.40	3.56	23.73	14.08	23.73	N/A	N/A	N/A	27.79	01/01/2023
<i>Russell 1000 Index</i>			<i>3.57</i>	<i>23.88</i>	<i>14.24</i>	<i>23.88</i>	<i>8.74</i>	<i>14.61</i>	<i>13.93</i>	<i>27.84</i>	<i>01/01/2023</i>
US SMID Cap Alternative Weighted Index Pool	1,194,517	9.76	-3.12	7.89	-1.41	7.89	N/A	N/A	N/A	9.36	01/01/2023
<i>S&amp;P SmallCap 600</i>			<i>-3.11</i>	<i>8.66</i>	<i>-0.72</i>	<i>8.66</i>	<i>-0.26</i>	<i>8.06</i>	<i>7.77</i>	<i>9.90</i>	<i>01/01/2023</i>
<b>International Equity</b>	<b>2,564,124</b>	<b>20.96</b>	<b>1.58</b>	<b>11.35</b>	<b>5.78</b>	<b>11.35</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>14.24</b>	<b>01/01/2023</b>
<i>MSCI AC World ex USA (Net)</i>			<i>0.96</i>	<i>11.62</i>	<i>5.69</i>	<i>11.62</i>	<i>0.46</i>	<i>5.55</i>	<i>5.17</i>	<i>14.30</i>	<i>01/01/2023</i>
Non-US Developed Markets Active Pool	1,937,858	15.84	0.62	11.10	5.46	11.10	N/A	N/A	N/A	14.82	01/01/2023
<i>MSCI AC World ex USA (Net)</i>			<i>0.96</i>	<i>11.62</i>	<i>5.69</i>	<i>11.62</i>	<i>0.46</i>	<i>5.55</i>	<i>5.17</i>	<i>14.30</i>	<i>01/01/2023</i>
Non-US Emerging Markets Index Pool	626,266	5.12	4.66	12.12	6.78	12.12	N/A	N/A	N/A	12.48	01/01/2023
<i>MSCI EM (net)</i>			<i>5.00</i>	<i>12.55</i>	<i>7.49</i>	<i>12.55</i>	<i>-5.07</i>	<i>3.10</i>	<i>3.54</i>	<i>11.70</i>	<i>01/01/2023</i>
<b>Fixed Income</b>	<b>4,757,220</b>	<b>38.88</b>	<b>0.50</b>	<b>5.72</b>	<b>1.07</b>	<b>5.72</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>5.75</b>	<b>01/01/2023</b>
<i>Blmbg. U.S. Aggregate</i>			<i>0.07</i>	<i>2.63</i>	<i>-0.71</i>	<i>2.63</i>	<i>-3.02</i>	<i>-0.23</i>	<i>0.86</i>	<i>3.16</i>	<i>01/01/2023</i>
Credit Plus Pool	4,757,220	38.88	0.50	5.72	1.07	5.72	N/A	N/A	N/A	5.75	01/01/2023
<i>Blmbg. U.S. Universal Index</i>			<i>0.19</i>	<i>3.47</i>	<i>-0.28</i>	<i>3.47</i>	<i>-2.68</i>	<i>0.11</i>	<i>1.15</i>	<i>3.88</i>	<i>01/01/2023</i>

Returns are net of fees.  
Returns are expressed as percentages.

## Comparative Performance

	2023	2022	2021	2020	2019
<b>Total Fund</b>	<b>15.84</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>Blended Benchmark</i>	15.43	N/A	N/A	N/A	N/A
<b>Domestic Equity</b>	<b>24.51</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>Russell 3000 Index</i>	25.96	-19.21	25.66	20.89	31.02
US Large Cap Index Pool	26.64	N/A	N/A	N/A	N/A
<i>Russell 1000 Index</i>	26.53	-19.13	26.45	20.96	31.43
US SMID Cap Alternative Weighted Index Pool	16.00	N/A	N/A	N/A	N/A
<i>S&amp;P SmallCap 600</i>	16.05	-16.10	26.82	11.29	22.78
<b>International Equity</b>	<b>15.43</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>MSCI AC World ex USA (Net)</i>	15.62	-16.00	7.82	10.65	21.51
Non-US Developed Markets Active Pool	16.67	N/A	N/A	N/A	N/A
<i>MSCI AC World ex USA (Net)</i>	15.62	-16.00	7.82	10.65	21.51
Non-US Emerging Markets Index Pool	11.71	N/A	N/A	N/A	N/A
<i>MSCI EM (net)</i>	9.83	-20.09	-2.54	18.31	18.42
<b>Fixed Income</b>	<b>7.59</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>Blmbg. U.S. Aggregate</i>	5.53	-13.01	-1.55	7.51	8.72
Credit Plus Pool	7.59	N/A	N/A	N/A	N/A
<i>Blmbg. U.S. Universal Index</i>	6.17	-12.99	-1.10	7.58	9.29

Returns are net of fees  
Returns are expressed as percentages.

## Account Reconciliation

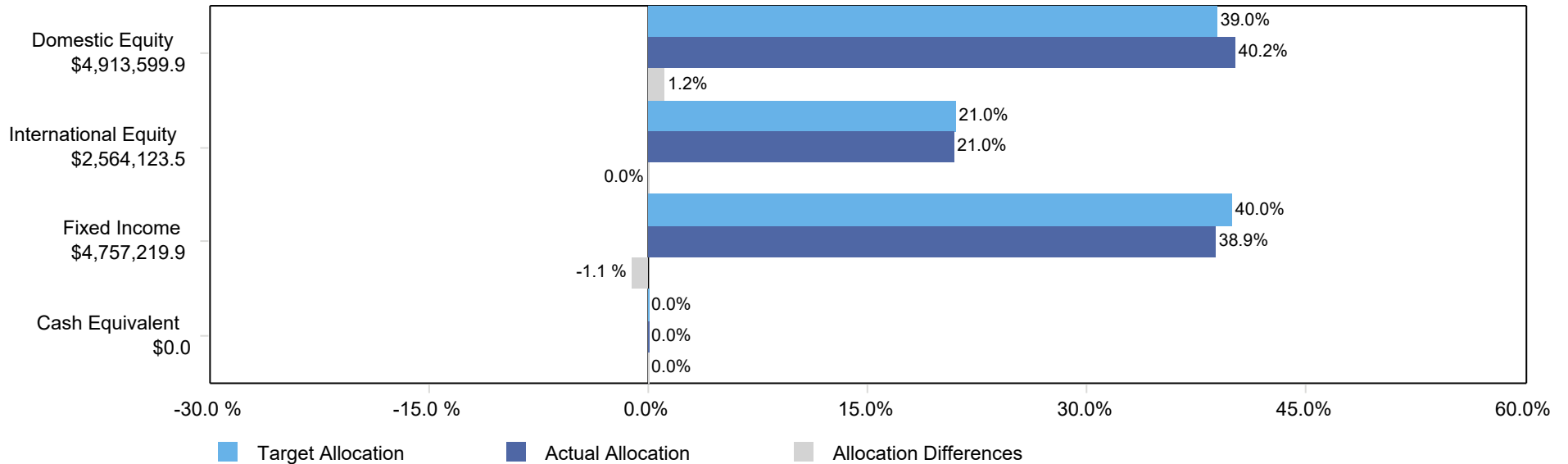
QTR				
	Market Value As of 04/01/2024	Net Flows	Return On Investment	Market Value As of 06/30/2024
<b>Total Fund</b>	<b>12,084,949</b>	<b>(8,628)</b>	<b>158,622</b>	<b>12,234,943</b>
US Large Cap Index Pool	3,695,646	(100,178)	123,615	3,719,083
US SMID Cap Alternative Weighted Index Pool	1,233,042	(216)	(38,308)	1,194,517
Non-US Developed Markets Active Pool	1,925,916	(3,755)	15,697	1,937,858
Non-US Emerging Markets Index Pool	598,374	(358)	28,250	626,266
Credit Plus Pool	4,631,971	95,880	29,369	4,757,220

YTD				
	Market Value As of 01/01/2024	Net Flows	Return On Investment	Market Value As of 06/30/2024
<b>Total Fund</b>	<b>11,585,807</b>	<b>(12,799)</b>	<b>661,935</b>	<b>12,234,943</b>
US Large Cap Index Pool	3,951,136	(700,252)	468,199	3,719,083
US SMID Cap Alternative Weighted Index Pool	904,808	299,684	(9,975)	1,194,517
Non-US Developed Markets Active Pool	1,837,534	(5,574)	105,898	1,937,858
Non-US Emerging Markets Index Pool	586,481	(525)	40,310	626,266
Credit Plus Pool	4,305,850	393,868	57,503	4,757,220

1 Year				
	Market Value As of 07/01/2023	Net Flows	Return On Investment	Market Value As of 06/30/2024
<b>Total Fund</b>	<b>10,888,935</b>	<b>(16,720)</b>	<b>1,362,729</b>	<b>12,234,943</b>
US Large Cap Index Pool	3,642,836	(700,343)	776,590	3,719,083
US SMID Cap Alternative Weighted Index Pool	826,816	299,599	68,102	1,194,517
Non-US Developed Markets Active Pool	1,744,203	(7,295)	200,950	1,937,858
Non-US Emerging Markets Index Pool	558,588	(665)	68,343	626,266
Credit Plus Pool	4,116,492	391,983	248,745	4,757,220

Asset Allocation Compliance - Total Fund

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
<b>Total Fund</b>	<b>100.0</b>	<b>100.0</b>	<b>N/A</b>	<b>N/A</b>	<b>0.0</b>
Domestic Equity	40.2	39.0	24.0	54.0	1.2
International Equity	21.0	21.0	6.0	36.0	0.0
Fixed Income	38.9	40.0	25.0	55.0	-1.1
Cash Equivalent	0.0	0.0	0.0	15.0	0.0



Historical Hybrid Composition - Blended Benchmark

Allocation Mandate	Weight (%)
<b>Jan-2023</b>	
Russell 3000 Index	39.0
MSCI AC World ex USA (Net)	21.0
Blmbg. U.S. Aggregate	40.0

## IMPORTANT DISCLOSURES

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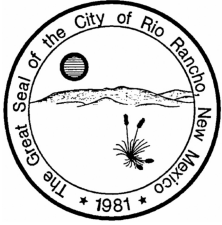
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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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**CITY OF RIO RANCHO  
COVER PAGE**

**Legislation Item:**

**AGENDA DATE:**

August 28, 2024

**DEPARTMENT:**

City Clerk

**SUBJECT:**

Review and Input on the Core and Liquidity Portfolios Performance

**BACKGROUND AND ANALYSIS:**

**IMPACT:**

**ALTERNATIVES:**

**DEPARTMENT RECOMMENDATION:**

Presentation by Government Portfolio Advisors

**ATTACHMENT:** [Total Portfolio Annual Meeting August GPA](#)



Fiscal Year End and Quarter End  
Investment Report – City of Rio Rancho

June 30, 2024

<b>Market and Economic Commentary</b>	<b>3</b>
<b>Portfolio Overview</b>	<b>9</b>
<b>Disclosure</b>	<b>24</b>

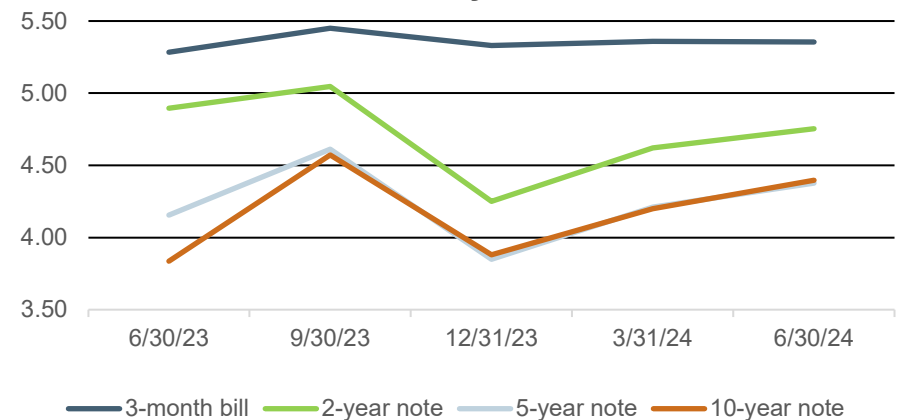
## Market Yields

Market yields in Q2 rose early in the quarter on April’s strong jobs data and March’s CPI print before partially retreating as the data evolved into slowing inflation and softer employment, leading fixed-income investors to adjust their expectations of the Fed funds market over the near future. Entering Q2, market participants expected the Fed to lower rates at their June meeting, and if not, certainly at their July meeting. The meetings in June and July passed without the Fed acting to lower rates. Inflation proved just sticky enough to reduce expectations of the extent and the timing of lower rates. The economic environment continued to show more resilience to higher rates than expected, which added to the uncertainty of when the Fed would move to lower rates and how long the action to lower rates would last. The bellwether two-year Treasury note increased 13 basis points in yield from Q1 to Q2, closing Q2 with a yield of 4.75%.

Quarterly Yields

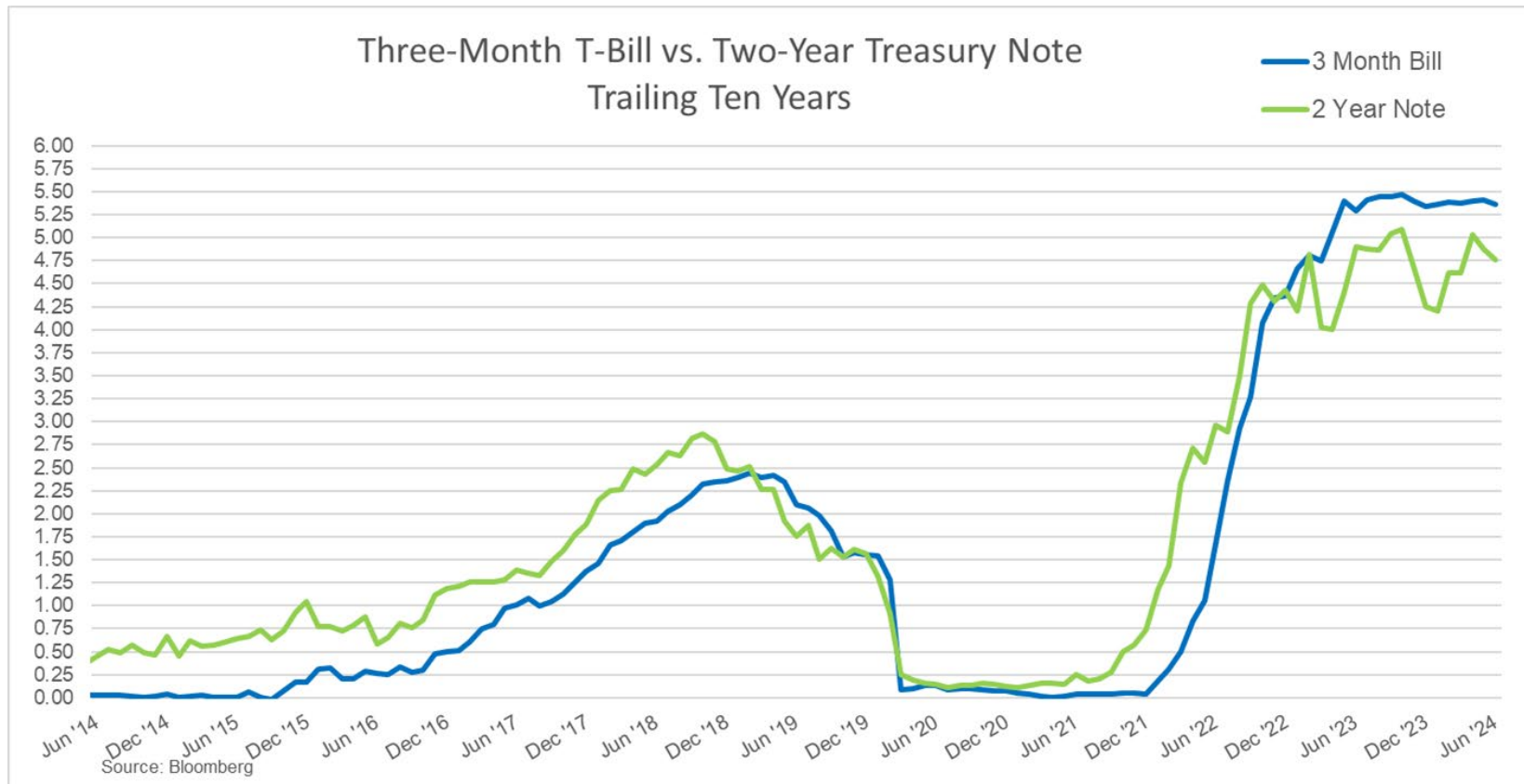
	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24
<b>3-month bill</b>	5.28	5.45	5.33	5.36	5.36
<b>2-year note</b>	4.90	5.05	4.25	4.62	4.75
<b>5-year note</b>	4.16	4.61	3.85	4.21	4.38
<b>10-year note</b>	3.84	4.57	3.88	4.20	4.40

Quarterly Yields



## Reading the Markets

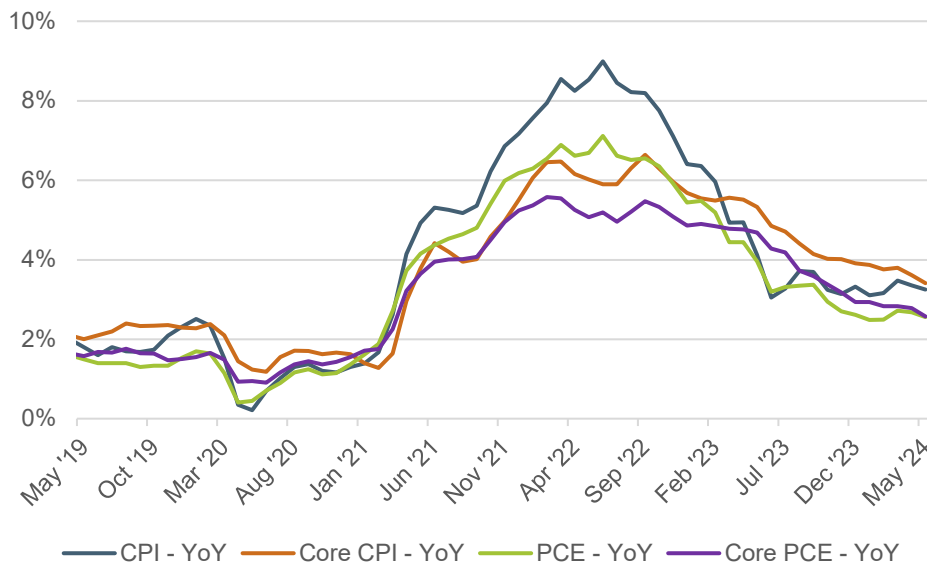
When looking at the historical rates over the last ten years, the rates appear to be peaking. 5% is a rate that we have not seen for over 15 years. Locking in these rates should add continual value to core fund investments through the an expected rate downtrend.



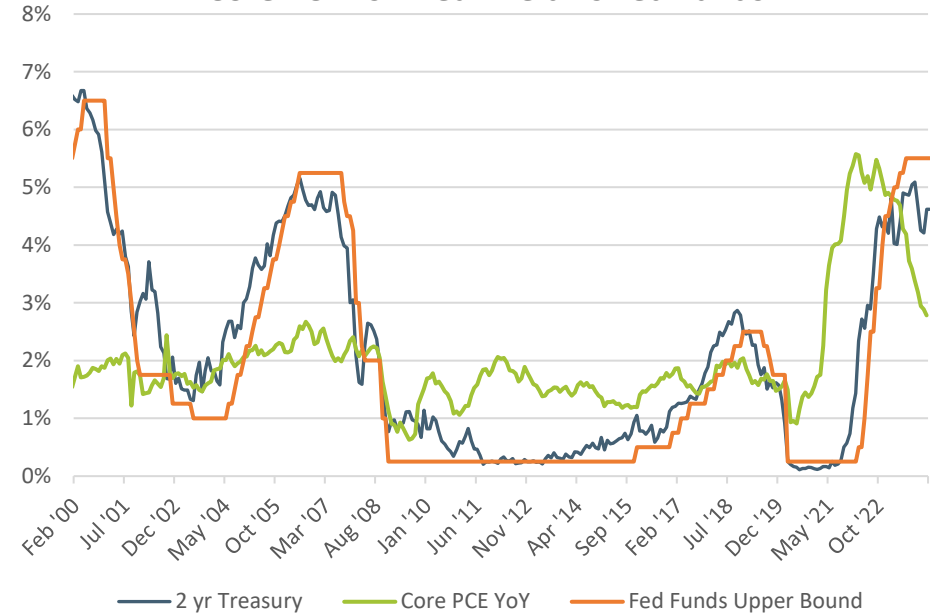
## Inflation

The Fed's preferred inflation metric, Core PCE, slowed during Q2 from a year-ending annual growth rate of 2.9% to 2.6%. The lag effects of higher interest rates are complex to time but are constantly working to increase the cost of capital, which should eventually slow final demand and, consequently, inflation. The Fed funds rate is still trading higher than the inflation rate, which is slightly restrictive but will not deter the Fed from lowering rates as inflation moves closer to its 2% long-term target.

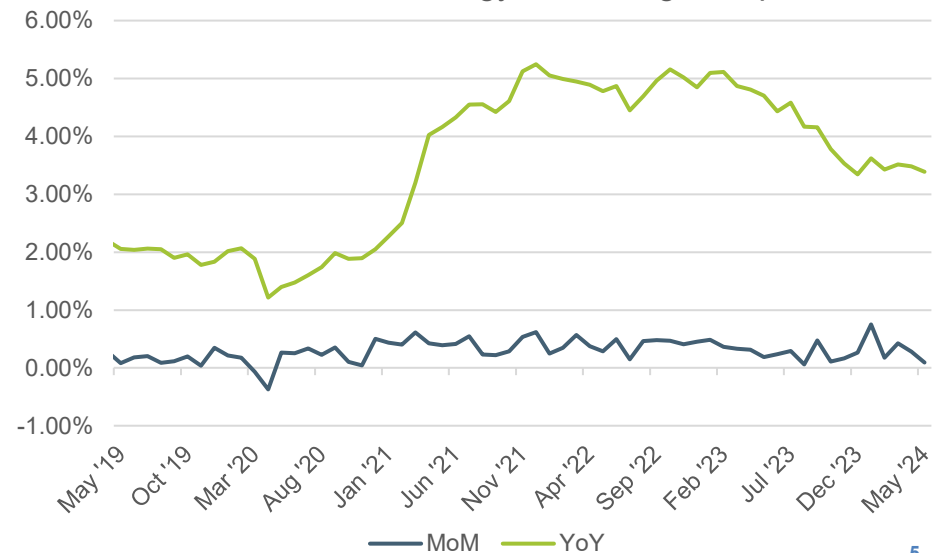
Inflation YoY



Core PCE vs 2 Year Yield vs Fed Funds



PCE Services Ex Energy & Housing - "Supercore"



## Economists' Survey Projections - Rates

	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25
<b>Fed Funds</b>	5.35	5.05	4.75	4.40	4.15
<b>2 Year</b>	4.53	4.24	4.03	3.85	3.68
<b>10 year</b>	4.25	4.13	4.06	4.01	3.91

## Rate Expectations

During Q2, Two-year Treasury yields increased by 13 basis points from 4.62% to 4.75%. Two-year yields are expected to decline with the Fed funds rate as market participants are forecasting two-year notes to trade at 4.50% in Q3 and 4.25% in Q4. Meanwhile, Ten-Year Treasury yields are expected to overtake Two-Year yields once again starting in Q1 2025.

## Data Expectations

Market participants are projecting the Fed to successfully navigate a soft landing tied to expectations for 1-2 rates cuts before year end. GDP is projected to rebound from its downward trend and Core PCE is expected to continue its trend lower towards the Fed's target 2% level, all while unemployment remains steady around 4.1%

## Economists' Survey Projections - Data

	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25
<b>Real GDP</b>	1.60	1.60	1.80	1.90	2.00
<b>Core PCE (YoY%)</b>	2.70	2.70	2.40	2.30	2.20
<b>Unemployment</b>	4.00	4.10	4.10	4.20	4.10



## Duration

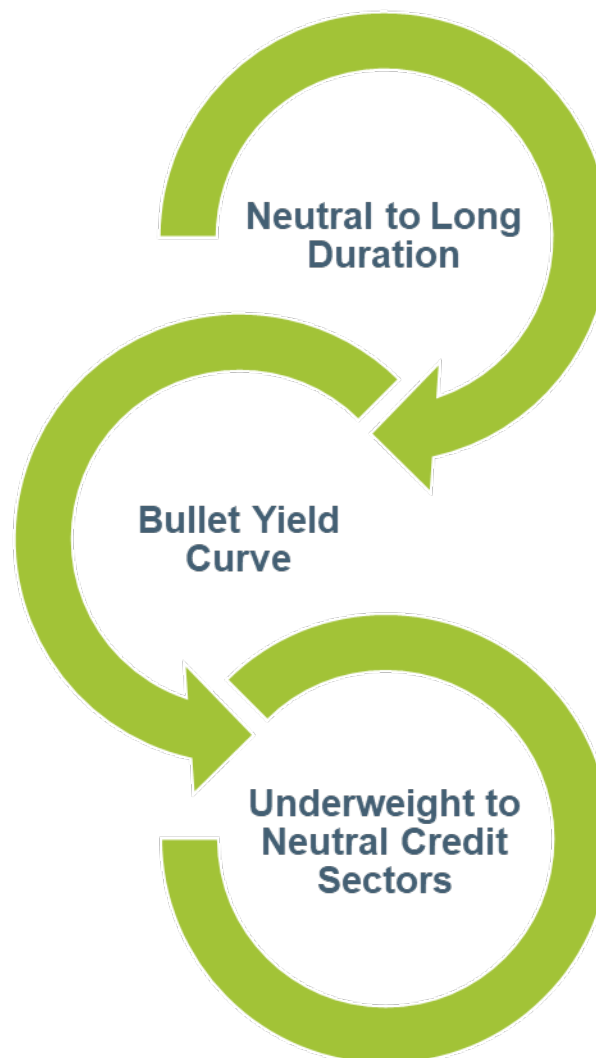
Given our outlook for lower rates into next year, we are focused on moving core portfolio durations neutral to long relative to the benchmark effectively locking in higher rates for longer.

## Yield Curve

The inversion of the yield curve supports slightly overweighting the middle of the maturity buckets relative to the index. We will seek to add to the 2-3 year sector if portfolio duration is aligned.

## Asset Classes

When yield spreads for Corporate and Municipal debt securities are tight relative to US Treasuries, as they have been recently, credit risk is considered to be rich, or expensive. We are starting to see spreads inching back towards historical averages, and will work to increase portfolio weightings to better align with benchmarks as opportunities arise.





# Compliance Report

City of Rio Rancho | Total Aggregate Portfolio



June 30, 2024

## Category

Policy Diversification Constraint	Policy Limit	Actual Value*	Status
US Treasury Obligations Maximum % of Holdings	100.000	50.055	Compliant
US Agency FFCB Issuer Concentration	30.000	6.915	Compliant
US Agency FHLB Issuer Concentration	30.000	9.327	Compliant
US Agency FHLMC Issuer Concentration	30.000	0.383	Compliant
US Agency FNMA Issuer Concentration	30.000	0.714	Compliant
US Agency Obligations - All Other Issuers Combined	30.000	0.000	Compliant
US Agency Obligations - FHLB, FNMA, FHLMC, FFCB, FAMA, GNMA - NM Only	30.000	0.117	Compliant
US Agency Obligations Maximum % of Holdings	80.000	17.338	Compliant
Supranationals - Issuer is IADB, IBRD, or IFC	0.000	0.000	Compliant
Supranationals Issuer Concentration (NM only)	5.000	0.000	Compliant
Supranationals Maximum % of Holdings (NM only)	15.000	0.000	Compliant
Municipal Bonds Maximum % of Holdings	25.000	0.000	Compliant
Municipal Bonds NM Only Issuer	0.000	0.000	Compliant
Fixed Income Mutual Fund and (ETF) Combined Maximum % Holdings	20.000	0.000	Compliant
Commercial Paper Issuer Concentration	5.000	0.000	Compliant
Commercial Paper Maximum % of Holdings	25.000	0.000	Compliant
Certificates of Deposit Issuer Concentration	15.000	0.000	Compliant
Certificates of Deposit Maximum % of Holdings	40.000	0.000	Compliant
Money Market Issuer Concentration	20.000	0.119	Compliant
Money Market Maximum % of Holdings	50.000	0.119	Compliant
LGIP Maximum % of Holdings	75.000	0.000	Compliant
Bank Time Deposits/Savings Accounts Maximum % of Holdings - NM	100.000	26.881	Compliant
Repurchase Agreements Maximum % of Holdings	50.000	0.000	Compliant
Federally Insured Obligations or Deposits	50.000	0.000	Compliant

1) Actual values are based on market value.

2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

# Compliance Report

City of Rio Rancho | Total Aggregate Portfolio



June 30, 2024

## Category

<b>Policy Maturity Structure Constraint</b>	<b>Policy Limit</b>	<b>Actual %</b>	<b>Status</b>
Maturity Constraints Under 7 years Minimum % of Total Portfolio	100.000	100.000	Compliant
<b>Policy Maturity Constraint</b>	<b>Policy Limit</b>	<b>Actual Term</b>	<b>Status</b>
US Treasury Maximum Maturity At Time of Purchase (years)	7.000	5.063	Compliant
US Agency Maximum Maturity At Time of Purchase (years)	7.000	4.997	Compliant
Supranationals Maximum Maturity At Time of Purchase (years)	5.000	0.000	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	7.000	0.000	Compliant
Commercial Paper Days to Final Maturity (days)	180.000	0.000	Compliant
Repurchase Agreements Maximum Maturity At Time of Purchase (days)	365.000	0.000	Compliant
Maximum Single Maturity (years)	7.000	4.750	Compliant
<b>Policy Credit Constraint</b>			<b>Status</b>
Supranationals Ratings AA-/Aa3/AA- or better (Rated by 1 NRSRO)			Compliant
Municipal Bonds Ratings Minimum A-/A3/A- (Rated by 1 NRSRO)			Compliant
Commercial Paper Ratings Minimum A1/P1/F1 (Rated by 1 NRSRO)			Compliant
Money Market Ratings Minimum AAA/Aaa/AAA (Rated by 1 NRSRO)			Compliant

1) Actual values are based on market value.

2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

# Strategic Annual Update

City of Rio Rancho | Total Aggregate Portfolio



June 30, 2024

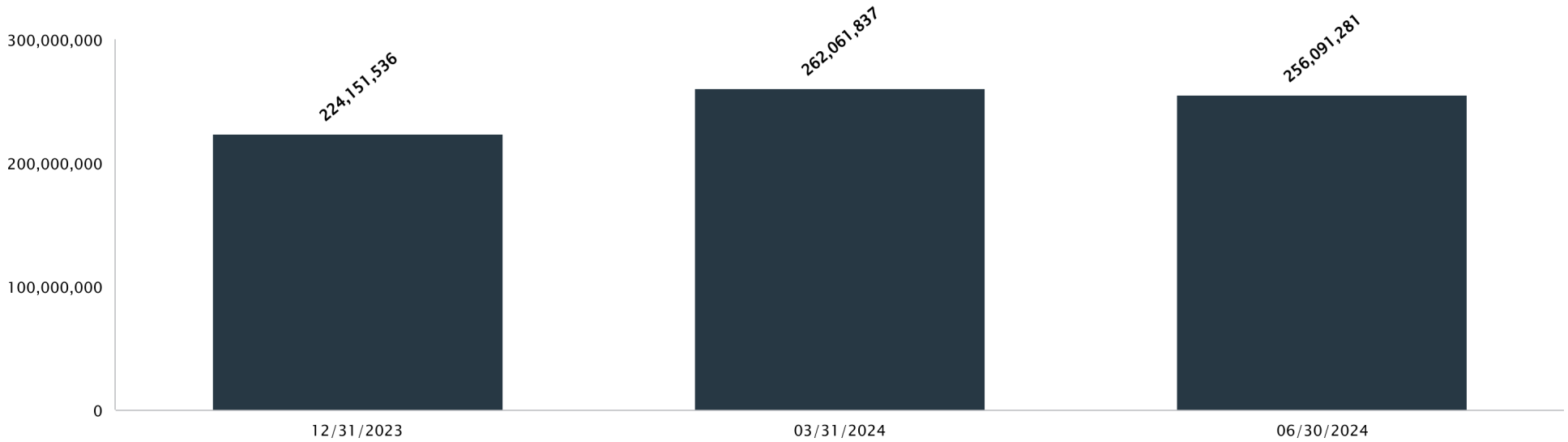
Metric	Current
<b>Strategy</b>	<b>06/30/2024</b>
<b>Effective Duration</b>	
Investment Core	2.31
Benchmark Duration	2.10
<b>Total Effective Duration</b>	<b>1.48</b>
<b>Total Return (Net of Fees %)*</b>	
Investment Core	0.90
Benchmark Return	0.93
<b>Total Portfolio Performance</b>	<b>1.10</b>
<i>*Changes in Market Value include net unrealized and realized gains/ losses.</i>	
<b>Maturity Total Portfolio</b>	
<b>Average Maturity Total Holdings</b>	<b>1.59</b>

Metric	Previous	Current
<b>Book Yield</b>		<b>06/30/2024</b>
<b>Ending Book Yield</b>		
Cash Matched Investments		5.09%
Investment Core		3.93%
Liquidity		5.25%
<b>Total Book Yield</b>		<b>4.48%</b>
<b>Values</b>		<b>06/30/2024</b>
<b>Market Value + Accrued</b>		
Cash Matched Investments		43,662,575
Investment Core		143,848,733
Liquidity		68,579,973
<b>Total MV + Accrued</b>		<b>256,091,281</b>
<b>Net Unrealized Gain/Loss</b>		
<b>Total Net Unrealized Gain/Loss</b>		<b>(1,853,640)</b>

# Historical Balances

City of Rio Rancho | Total Aggregate Portfolio

## Market Value



## Market Value and Return

Period Begin	Period End	Market Value + Accrued	Earned Income	Book Yield	Effective Duration	Maturity in Years
01/01/2024	03/31/2024	262,061,837	2,871,531	4.41%	1.18	1.27
04/01/2024	06/30/2024	256,091,281	2,545,943	4.48%	1.48	1.59

# Summary Overview



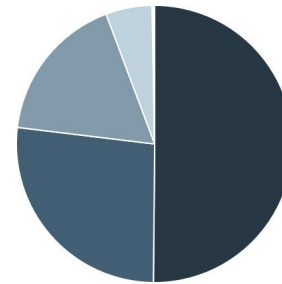
June 30, 2024

City of Rio Rancho | Total Aggregate Portfolio

## Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	69,037,641.78
Investments	187,053,639.57
Book Yield	4.48%
Market Yield	4.93%
Effective Duration	1.48
Years to Maturity	1.59
Avg Credit Rating	AAA

## Allocation by Asset Class



- US Treasury **50.1%**
- Bank Deposit **26.8%**
- US Agency **17.4%**
- Corporate IG **5.4%**
- Money Market Fund **0.1%**
- Collateralized Mortgage Obligation **0.1%**
- Cash **0.1%**

## Strategic Structure

Account	Par Amount	Book Value	Market Value	Net Unrealized Gain (Loss)	Yield at Cost	Effective Duration	Benchmark Duration	Benchmark
RIO-Investment Core	135,248,741.14	145,004,004.06	143,135,755.59	(1,868,248.47)	3.93%	2.31	2.10	ICE BofA 0-5 Year US Treasury
RIO-Cash Matched Investments	43,769,664.77	43,395,250.91	43,409,859.12	14,608.21	5.09%	1.07	0.08	ICE BofA US 0-1 Yr Treasury
RIO-Liquidity	68,579,972.71	68,579,972.71	68,579,972.71	0.00	5.25%	0.01	0.08	ICE BofA US 1 Month Bill
<b>Total</b>	<b>247,598,378.62</b>	<b>256,979,227.68</b>	<b>255,125,587.42</b>	<b>(1,853,640.26)</b>	<b>4.48%</b>	<b>1.48</b>		

# Portfolio Activity

City of Rio Rancho | Total Aggregate Portfolio



June 30, 2024

## Accrual Activity Summary

	<b>Fiscal Year Ending 06/30/2024</b>
Beginning Book Value	224,896,775.65
Maturities/Calls	(8,000,000.00)
Purchases	119,751,975.21
Sales	(17,622,830.59)
Change in Cash, Payables, Receivables	(88,577,777.55)
Amortization/Accretion	862,847.26
Realized Gain (Loss)	(266,192.97)
Ending Book Value	256,979,227.68

## Fair Market Activity Summary

	<b>Fiscal Year Ending 06/30/2024</b>
Beginning Market Value	223,810,895.06
Maturities/Calls	(8,000,000.00)
Purchases	119,751,975.21
Sales	(17,622,830.59)
Change in Cash, Payables, Receivables	(88,577,777.55)
Amortization/Accretion	862,847.26
Change in Net Unrealized Gain (Loss)	(767,759.67)
Net Realized Gain (Loss)	(266,192.97)
Ending Market Value	255,125,587.42

<b>Maturities/Calls</b>	<b>Market Value</b>
Fiscal Year to Date	(8,000,000.00)

<b>Purchases</b>	<b>Market Value</b>
Fiscal Year to Date	119,751,975.21

<b>Sales</b>	<b>Market Value</b>
Fiscal Year to Date	(17,622,830.59)

# Return Management-Income Detail

City of Rio Rancho | Total Aggregate Portfolio

## Accrued Book Return

	<b>Fiscal Year Ending 06/30/2024</b>
Amortization/Accretion	2,045,942.19
Interest Earned	9,505,672.291
Realized Gain (Loss)	183,612.14)
Book Income	11,735,226.62
Average Portfolio Balance	259,769,003.13

Income detail was provided by the City on data from 7/1/2023 to 12/31/2023

Notation: Book and Fair Market Returns are not annualized

# Security Type Distribution

City of Rio Rancho | Total Aggregate Portfolio

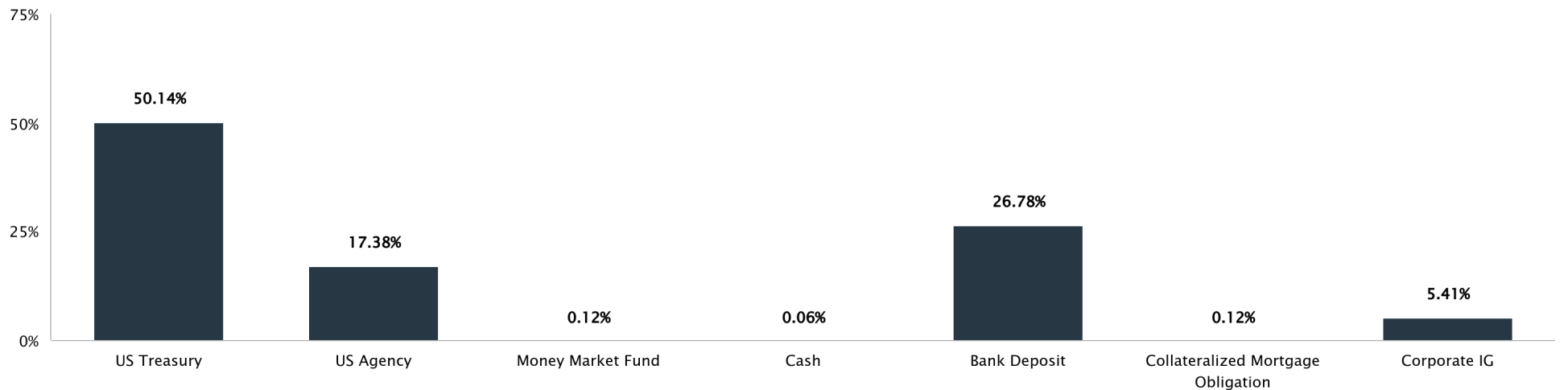


June 30, 2024

## Security Type Distribution

Security Type	Par Amount	Book Yield	Market Value + Accrued	% of Market Value + Accrued
US Treasury	133,450,000.00	4.01%	128,406,329.11	50.14%
US Agency	44,545,000.00	4.80%	44,496,326.28	17.38%
Money Market Fund	302,726.37	5.20%	302,726.37	0.12%
Cash	154,942.70	0.00%	154,942.70	0.06%
Bank Deposit	68,579,972.71	5.25%	68,579,972.71	26.78%
Collateralized Mortgage Obligation	315,736.84	5.92%	299,584.18	0.12%
Corporate IG	250,000.00	4.00%	13,851,400.00	5.41%
<b>Total</b>	<b>247,598,378.62</b>	<b>4.48%</b>	<b>256,091,281.35</b>	<b>100.00%</b>

## Security Type Distribution



# Risk Management-Credit/Issuer

City of Rio Rancho | Total Aggregate Portfolio

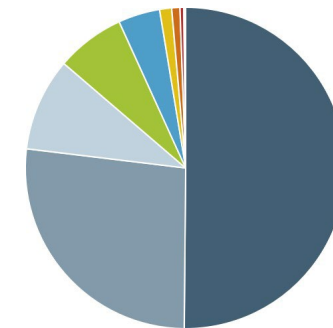


June 30, 2024

## Credit Rating S&P/Moody's/Fitch

	Market Value + Accrued	%
<b>S&amp;P</b>		
A-1+	20,042,648.18	7.83
AA+	153,159,591.39	59.81
AAA	154,942.70	0.06
AAA m	302,726.37	0.12
NA	82,431,372.71	32.19
<b>Moody's</b>		
Aaa	163,256,784.19	63.75
NA	82,431,372.71	32.19
P-1	10,403,124.45	4.06
<b>Fitch</b>		
AA+	153,159,591.39	59.81
AAA	457,669.07	0.18
F1+	20,042,648.18	7.83
NA	82,431,372.71	32.19
<b>Total</b>	<b>256,091,281.35</b>	<b>100.00</b>

## Issuer Concentration



- United States **50.1%**
- Wells Fargo Deposit **26.8%**
- Federal Home Loan Banks **9.4%**
- Farm Credit System **6.9%**
- BlackRock, Inc. **4.2%**
- The Vanguard Group, Inc. **1.2%**
- Federal National Mortgage Association **0.8%**
- Federal Home Loan Mortgage Corporation **0.4%**
- U.S. Bancorp **0.1%**
- US Dollar **0.1%**

# Risk Management-Maturity/Duration

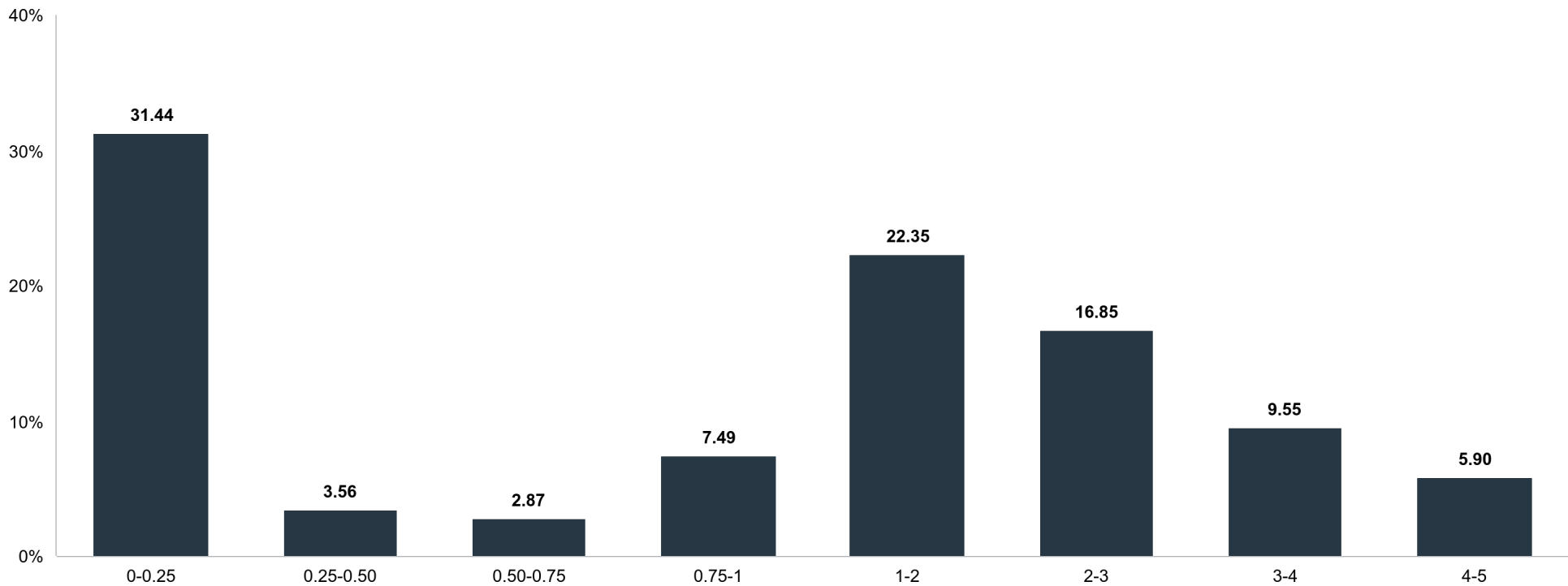
City of Rio Rancho | Total Aggregate Portfolio



June 30, 2024

<b>1.48 Yrs</b>	<b>Effective Duration</b>	<b>1.59 Yrs</b>	<b>Years to Maturity</b>	<b>552</b>	<b>Days to Maturity</b>
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Distribution by Effective Duration



# Summary Overview

City of Rio Rancho | Investment Core

## Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	288,004.30
Investments	143,560,728.89
Book Yield	3.93%
Market Yield	4.73%
Effective Duration	2.31
Years to Maturity	2.49
Avg Credit Rating	AAA

## Allocation by Asset Class



## Strategic Structure

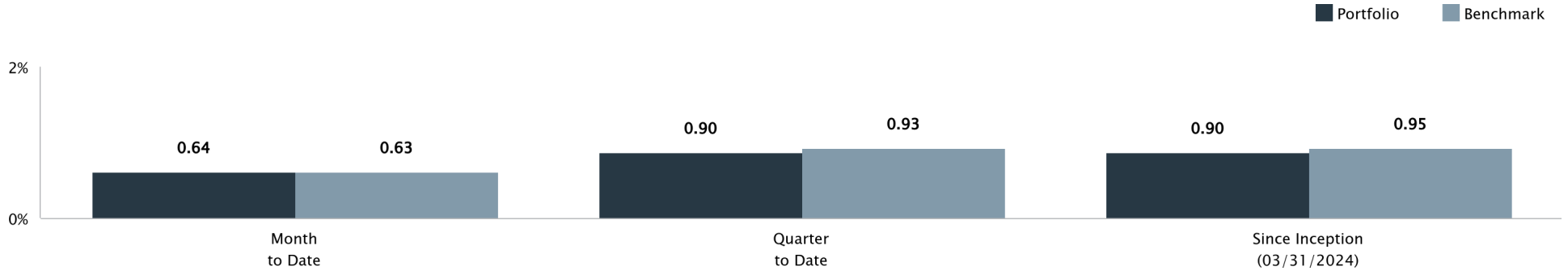
Account	Par Amount	Book Value	Original Cost	Market Value	Net Unrealized Gain (Loss)	Accrued	Yield at Cost	Effective Duration	Benchmark Duration	Benchmark
RIO-Investment Core	135,248,741.14	145,004,004.06	143,535,782.24	143,135,755.59	(1,868,248.47)	712,977.60	3.93%	2.31	2.10	ICE BofA 0-5 Year US Treasury Index
<b>Total</b>	<b>135,248,741.14</b>	<b>145,004,004.06</b>	<b>143,535,782.24</b>	<b>143,135,755.59</b>	<b>(1,868,248.47)</b>	<b>712,977.60</b>	<b>3.93%</b>	<b>2.31</b>	<b>2.10</b>	

# Return Management-Performance

City of Rio Rancho | Investment Core

## Performance Returns Net of Fees

Periodic for performance less than one year. Annualized for performance greater than one year.



## Historical Returns

Period	Month to Date	Quarter to Date	Since Inception (03/31/2024)
Return (Net of Fees)	0.641%	0.897%	0.898%
Return (Gross of Fees)	0.641%	0.903%	0.906%
ICE BofA 0-5 Year US Treasury Index	0.634%	0.930%	0.949%

# Risk Management-Relative to Benchmark



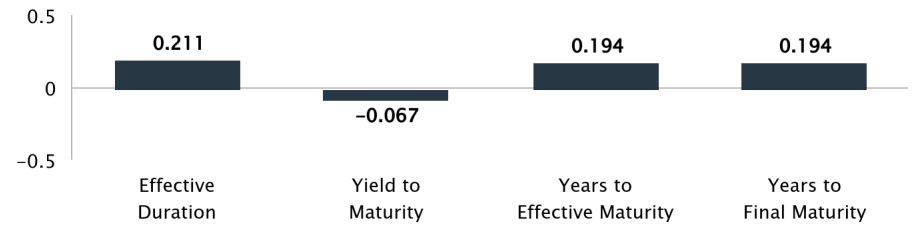
June 30, 2024

City of Rio Rancho | Investment Core

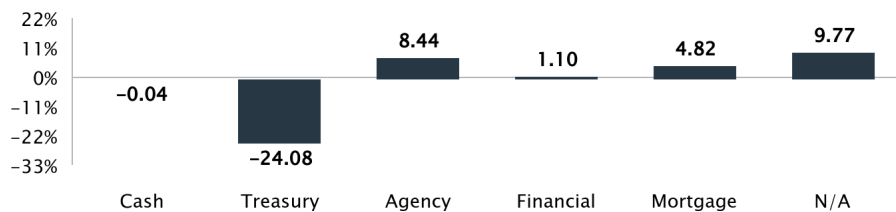
## Benchmark Comparison Summary

Risk Metric	Portfolio	Benchmark	Difference
Effective Duration	2.31	2.10	0.21
Yield to Maturity	4.73	4.80	(0.07)
Years to Effective Maturity	2.45	2.25	0.19
Years to Final Maturity	2.45	2.25	0.19
Avg Credit Rating	AAA	AA+	---

## Benchmark Comparison Summary



## Benchmark vs. Portfolio Variance-Market Sector



## Benchmark Comparison-Market Sector

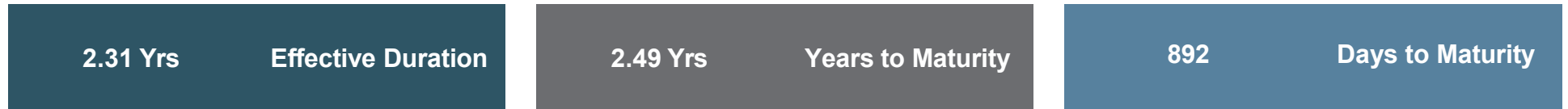
Market Sector	Portfolio	Benchmark	Difference
Cash	0.00	0.04	(0.04)
Treasury	75.87	99.96	(24.08)
Agency	8.44	0.00	8.44
Financial	1.10	0.00	1.10
Mortgage Backed	4.82	0.00	4.82
N/A	9.77	0.00	9.77

# Risk Management-Maturity/Duration

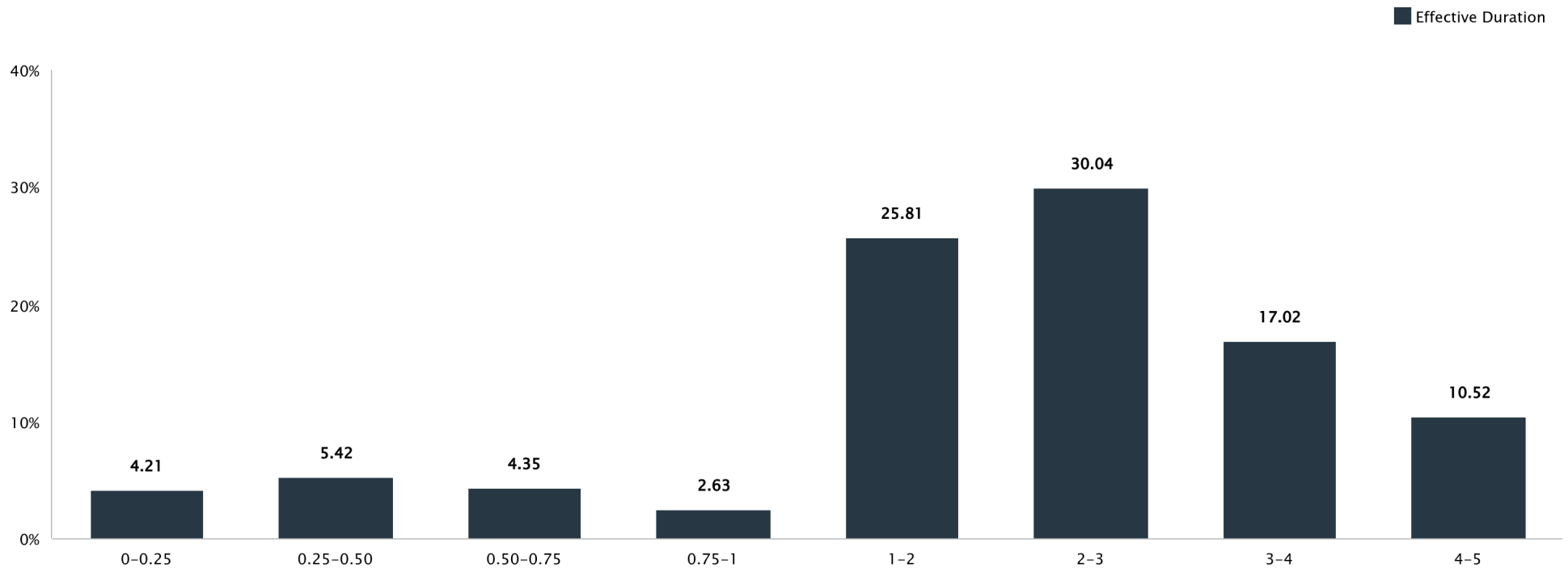
City of Rio Rancho | Investment Core



June 30, 2024



## Distribution by Effective Duration



This report is for general informational purposes only and is not intended to provide specific advice or recommendations. Government Portfolio Advisors (GPA) is an investment advisor registered with the Securities and Exchange Commission and is required to maintain a written disclosure statement of our background and business experience.

**Questions About an Account:** GPA's monthly & quarterly reports are intended to detail the investment advisory activity managed by GPA. The custodial bank maintains the control of assets and settles all investment transactions. The custodial statement is the official record of security and cash holdings and transactions. GPA recognizes that clients may use these reports to facilitate record keeping and that the custodial bank statement and the GPA report should be reconciled, and differences documented.

**Trade Date versus Settlement Date:** Many custodial banks use settlement date basis and post coupons or maturities on the following business days when they occur on weekend. These items may result in the need to reconcile due to a timing difference. GPA reports are on a trade date basis in accordance with GIPS performance standards. GPA can provide all account settings to support the reason for any variance.

**Bank Deposits and Pooled Investment Funds Held in Liquidity Accounts Away from the Custodial Bank are Referred to as Line Item Securities:** GPA relies on the information provided by clients when reporting pool balances, bank balances and other assets that are not held at the client's custodial bank. GPA does not guarantee the accuracy of information received from third parties. Balances cannot be adjusted once submitted however corrective transactions can be entered as adjustments in the following months activity. Assets held outside the custodial bank that are reported to GPA are included in GPA's oversight compliance reporting and strategic plan.

**Account Control:** GPA does not have the authority to withdraw or deposit funds from or to any client's custodial account. Clients retain responsibility for the deposit and withdrawal of funds to the custodial account. Our clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

**Custodial Bank Interface:** Our contract provides for the ability for GPA to interface into our client's custodial bank to reconcile transactions, maturities and coupon payments. The GPA client portal will be available to all clients to access this information directly at any time.

**Market Price:** Generally, GPA has set all securities market pricing to match custodial bank pricing. There may be certain securities that will require pricing override due to inaccurate custodial bank pricing that will otherwise distort portfolio performance returns. GPA may utilize Refinitiv pricing source for commercial paper, discount notes and supranational bonds when custodial bank pricing does not reflect current market levels. The pricing variances are obvious when market yields are distorted from the current market levels.

**Performance Calculation:** Historical returns are presented as time-weighted total return values and are presented gross and net of fees.

**Amortized Cost:** The original cost on 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. Discounts or premiums are amortized on a straight-line basis on all securities. This can be changed at the client's request.

**Callable Securities:** Securities subject to redemption in whole or in part prior to the stated final maturity at the discretion of the security's issuer are referred to as "callable". Certain call dates may not show up on the report if the call date has passed or if the security is continuously callable until maturity date. Bonds purchased at a premium will be amortized to the next call date while all other callable securities will be amortized to maturity. If the bond is amortized to the call date, amortization will be reflected to that date and once the call date passes, the bond will be fully amortized.

**Duration:** The duration is the effective duration. Duration on callable securities is based on the probability of the security being called given market rates and security characteristics.

**Benchmark Duration:** The benchmark duration is based on the duration of the stated benchmark that is assigned to each account.

**Rating:** Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed.

**Coupon Payments and Maturities on Weekends:** On occasion, coupon payments and maturities occur on a weekend or holiday. GPA's report settings are on the accrual basis so the coupon postings and maturities will be accounted for in the period earned. The bank may be set at a cash basis, which may result in a reconciliation variance.

**Cash and Cash Equivalents:** GPA has defined cash and cash equivalents to be cash, bank deposits, LGIP pools and repurchase agreements. This may vary from your custodial bank which typically defines cash and equivalents as all securities that mature under 90 days. Check with your custodial bank to understand their methodology.

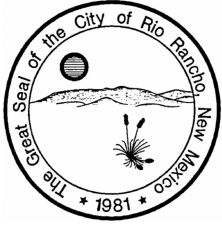
**Account Settings:** GPA has the portfolio settings at the lot level, if a security is sold our setting will remove the lowest cost security first. First-in-first-out (FIFO) settings are available at the client's request.

**Historical Numbers:** Data was transferred from GPA's legacy system, however, variances may exist from the data received due to a change of settings on Clearwater. GPA is utilizing this information for historical return data with the understanding the accrual settings and pricing sources may differ slightly.

**Financial Situation:** In order to better serve you, GPA should be promptly notified of any material change in your investment objective or financial situation.

**No Guarantee:** The securities in the portfolio are not guaranteed or otherwise protected by GPA, the FDIC (except for non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.





**CITY OF RIO RANCHO  
COVER PAGE**

**Legislation Item:**

**AGENDA DATE:**

August 28, 2024

**DEPARTMENT:**

City Clerk

**SUBJECT:**

Discussion on Potential Uses of the 2025 Permanent Fund Distribution

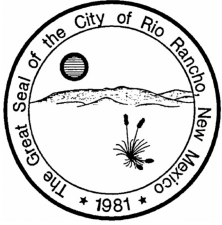
**BACKGROUND AND ANALYSIS:**

**IMPACT:**

**ALTERNATIVES:**

**DEPARTMENT RECOMMENDATION:**

Presentation by Carole Jaramillo



**CITY OF RIO RANCHO  
COVER PAGE**

**Legislation Item:**

**AGENDA DATE:**  
August 28, 2024

**DEPARTMENT:**

**SUBJECT:**  
Discussion on Potential Change to Permanent Fund Ordinance with Respect to Additions to the Permanent Fund

**BACKGROUND AND ANALYSIS:**

**IMPACT:**

**ALTERNATIVES:**

**DEPARTMENT RECOMMENDATION:**