City of DeSoto

QUARTERLY INVESTMENT REPORT

For the Quarter Ended

December 31, 2012

Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the City of DeSoto is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.

Managing Director of Financial Services

Accounting Manager

City Manager

These reports were compiled using information provided by the City. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment advisor fees.

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds are trading +/-15 bps). At the December meeting, the FOMC extended Operation Twist and modified the exceptionally low rate target from "mid-2015" to unemployment below 6.2% and inflation less than 2.0%. The Fiscal Cliff was narrowly avoided, but largely unresolved. Federal spending and the debt ceiling need to be re-addressed later this spring. The European credit crisis was subdued, but also unresolved long term. Domestic employment growth is modest and inconsistent. Overall economic activity remains low to moderate. The US stock market continued edging higher. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

Quarter End Results by Investment Category:

		December 31, 2012		September 30, 2012	
Asset Type	**Ave. Yield**	**Book Value**	**Market Value**	**Book Value**	**Market Value**
DDA	0.00%	$ 500,000.00	$ 500,000.00	$ 500,000.00	$ 500,000.00
MMA/NOW/Pools	0.25%	37,978,621.41	37,978,621.41	34,144,761.73	34,144,761.73
CDs/Securities	0.53%	9,012,741.53	9,012,741.53	8,004,848.94	8,004,848.94
Totals		$ 47,491,362.94	$ 47,491,362.94	$ 42,649,610.67	$ 42,649,610.67

Average Yield (1)

Total Portfolio	0.30%
Rolling Three Mo. Treas. Yield	0.09%
Rolling Six Mo. Treas. Yield	0.14%

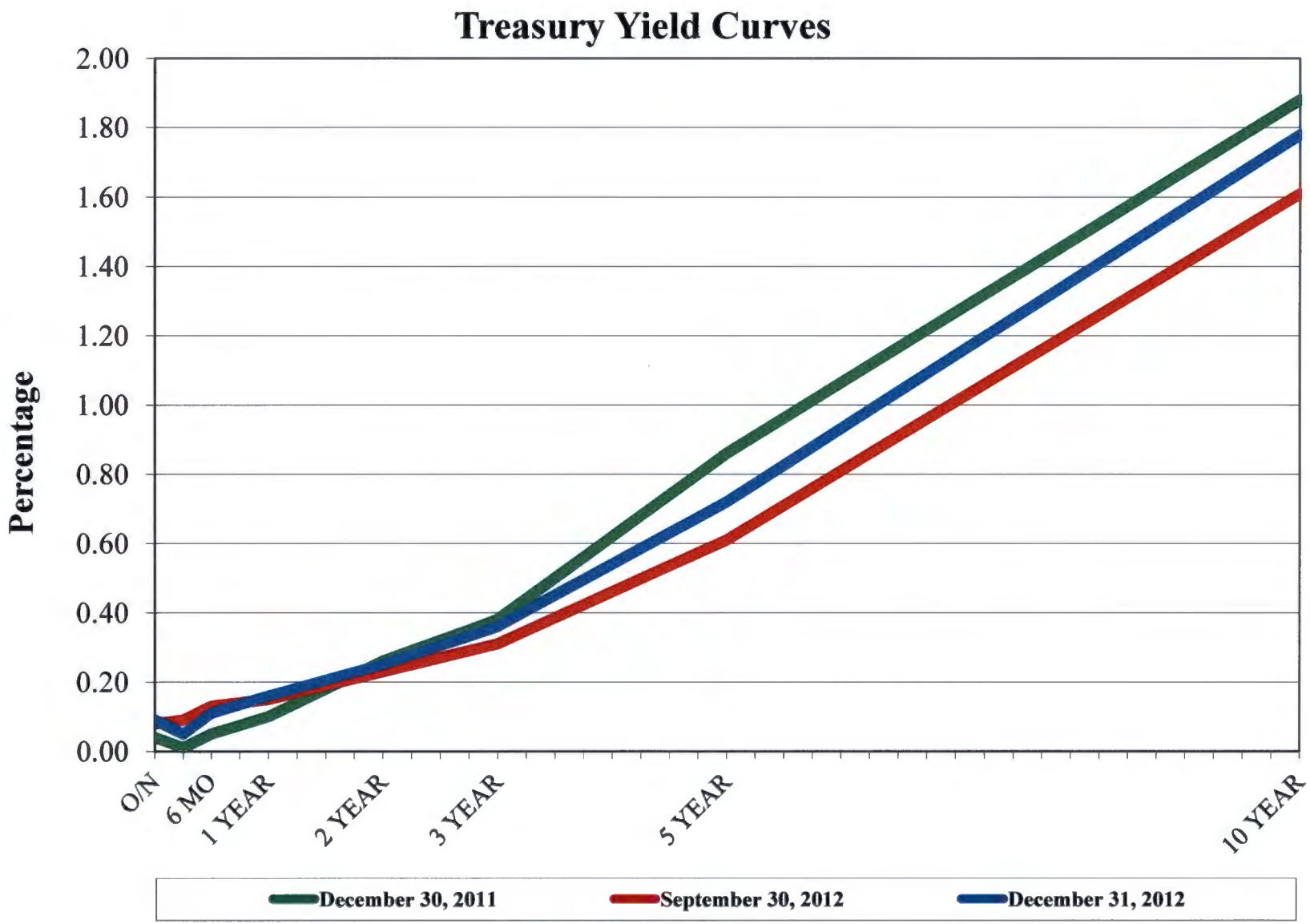
Quarterly Interest Income	$	32,072	Approximate
Year-to-date Interest Income	$	32,072	Approximate

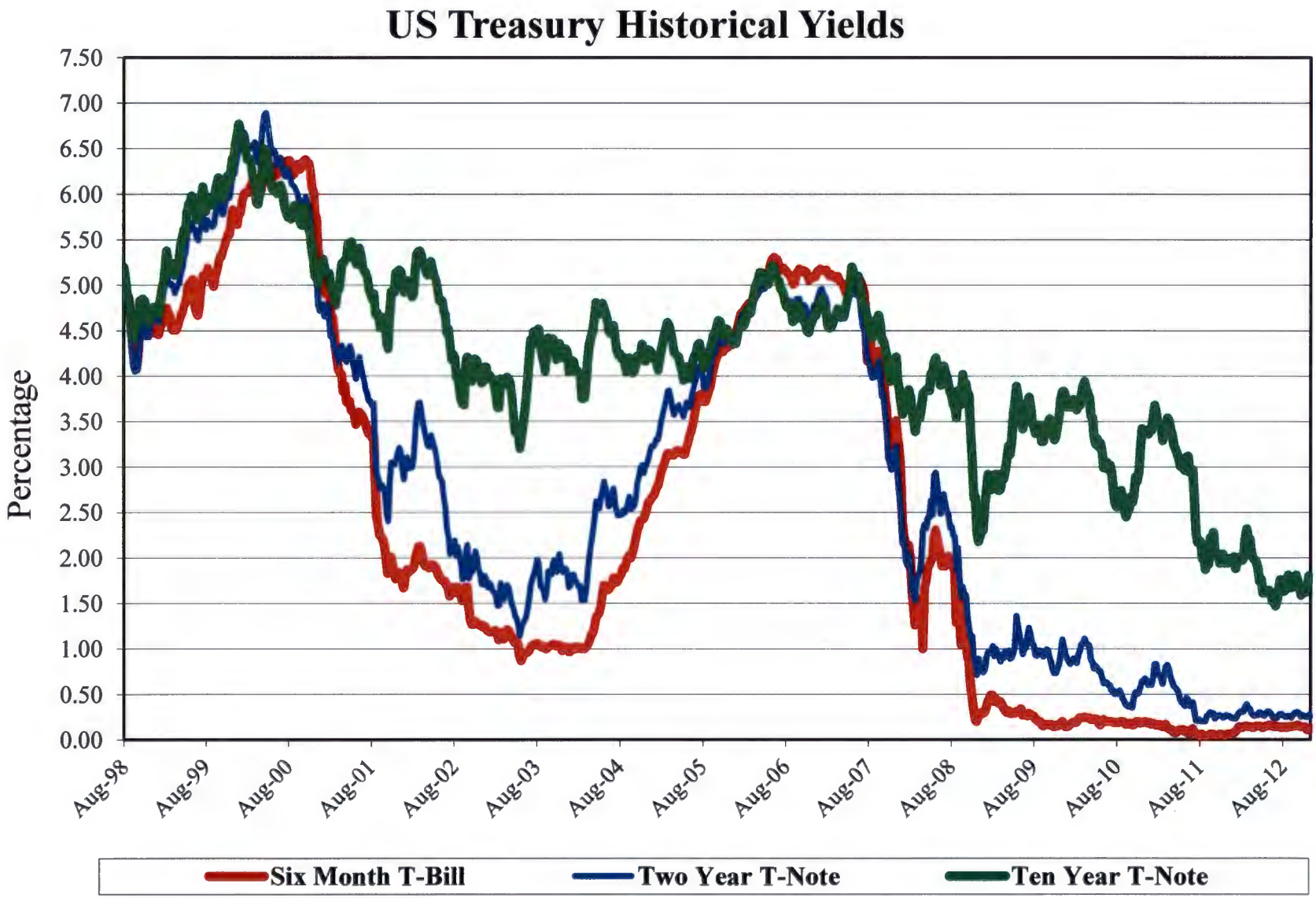
Fiscal Year-to-Date Average Yield (2)

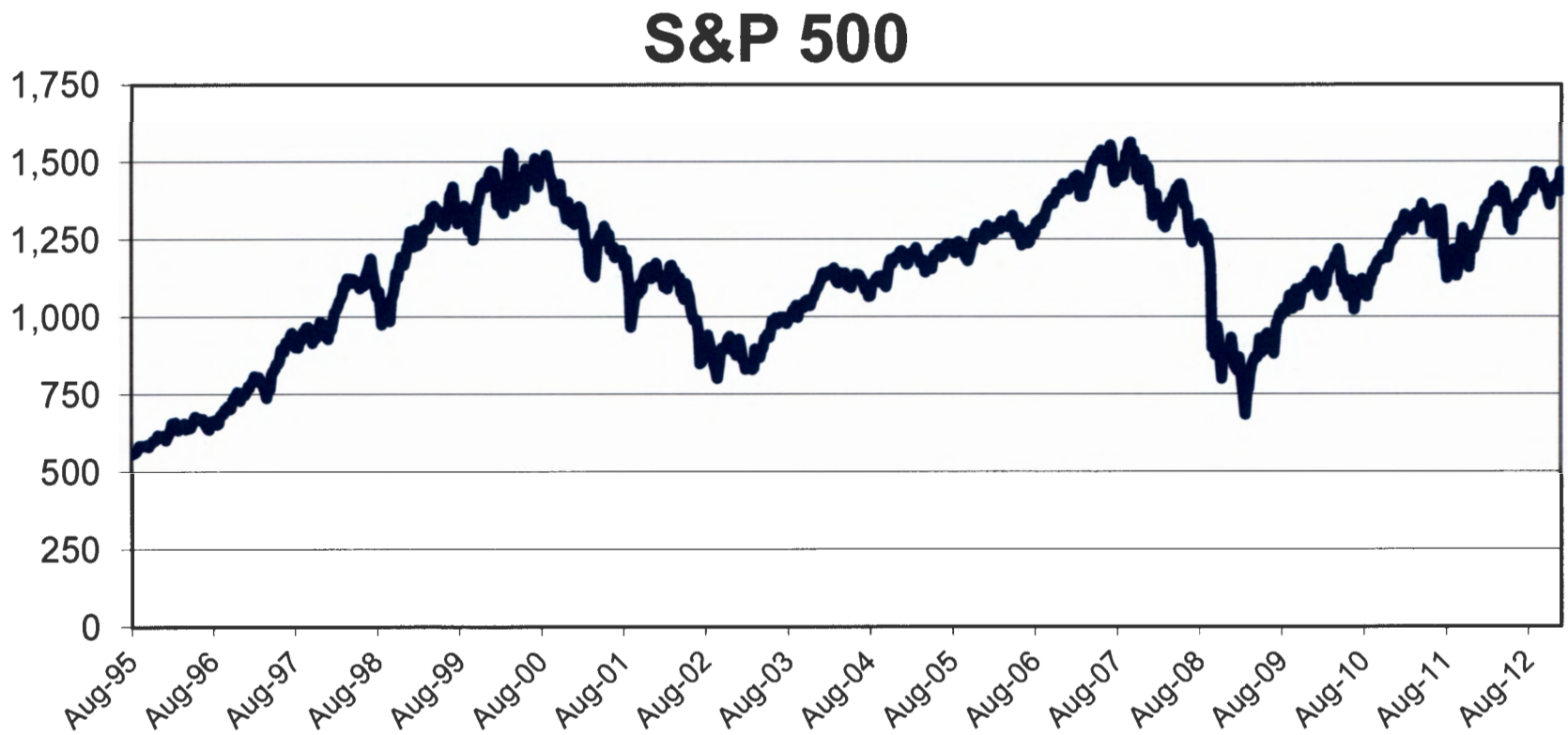
Total Portfolio	0.30%
Rolling Three Mo. Treas. Yield	0.09%
Rolling Six Mo. Treas. Yield	0.14%
Quarterly TexPool Yield	0.15%

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.


Treasury Yield Curves
Percentage
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
O/N
6 MO
1 YEAR
2 YEAR
3 YEAR
5 YEAR
10 YEAR
December 30, 2011
September 30, 2012
December 31, 2012


US Treasury Historical Yields
Percentage
7.50
7.00
6.50
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
Aug-98
Aug-99
Aug-00
Aug-01
Aug-02
Aug-03
Aug-04
Aug-05
Aug-06
Aug-07
Aug-08
Aug-09
Aug-10
Aug-11
Aug-12
Six Month T-Bill
Two Year T-Note
Ten Year T-Note


S&P 500
1,750
1,500
1,250
1,000
750
500
250
0
Aug-95
Aug-96
Aug-97
Aug-98
Aug-99
Aug-00
Aug-01
Aug-02
Aug-03
Aug-04
Aug-05
Aug-06
Aug-07
Aug-08
Aug-09
Aug-10
Aug-11
Aug-12

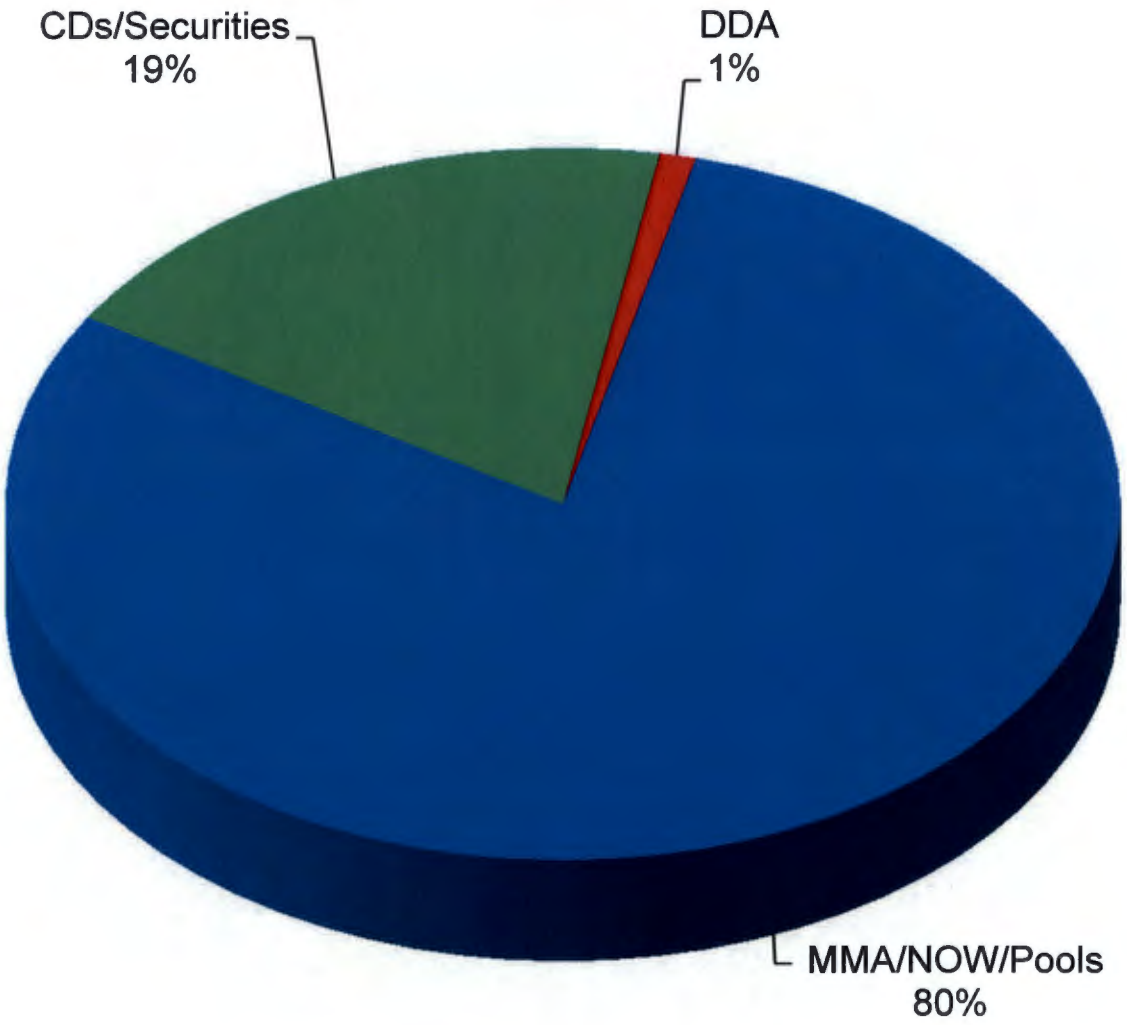
Detail of Investment Holdings
December 31, 2012

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	01/01/2013	12/31/2012	$ 500,000.00	$ 500,000.00	1.00	$ 500,000.00	1	0.00%
Wells Fargo MMA		0.27%	01/01/2013	12/31/2012	15,255,823.11	15,255,823.11	1.00	15,255,823.11	1	0.27%
Southside Bank MMA		0.36%	01/01/2013	12/31/2012	4,006,310.58	4,006,310.58	1.00	4,006,310.58	1	0.36%
Texas Class	AAAm	0.21%	01/01/2013	12/31/2012	16,584,331.83	16,584,331.83	1.00	16,584,331.83	1	0.21%
TexPool	AAAm	0.15%	01/01/2013	12/31/2012	2,132,155.89	2,132,155.89	1.00	2,132,155.89	1	0.15%
Comerica CD		0.49%	06/03/2013	07/02/2012	3,000,000.00	3,000,000.00	100.00	3,000,000.00	154	0.49%
Comerica CD		0.54%	09/03/2013	07/02/2012	3,006,752.98	3,006,752.98	100.00	3,006,752.98	246	0.54%
Comerica CD		0.39%	10/22/2013	10/22/2012	1,000,651.88	1,000,651.88	100.00	1,000,651.88	295	0.39%
Comerica CD		0.64%	06/02/2014	07/02/2012	2,005,336.67	2,005,336.67	100.00	2,005,336.67	518	0.64%
					$ 47,491,362.94	**$ 47,491,362.94**		**$ 47,491,362.94**	**54**	**0.30%**
									(1)	**(2)**

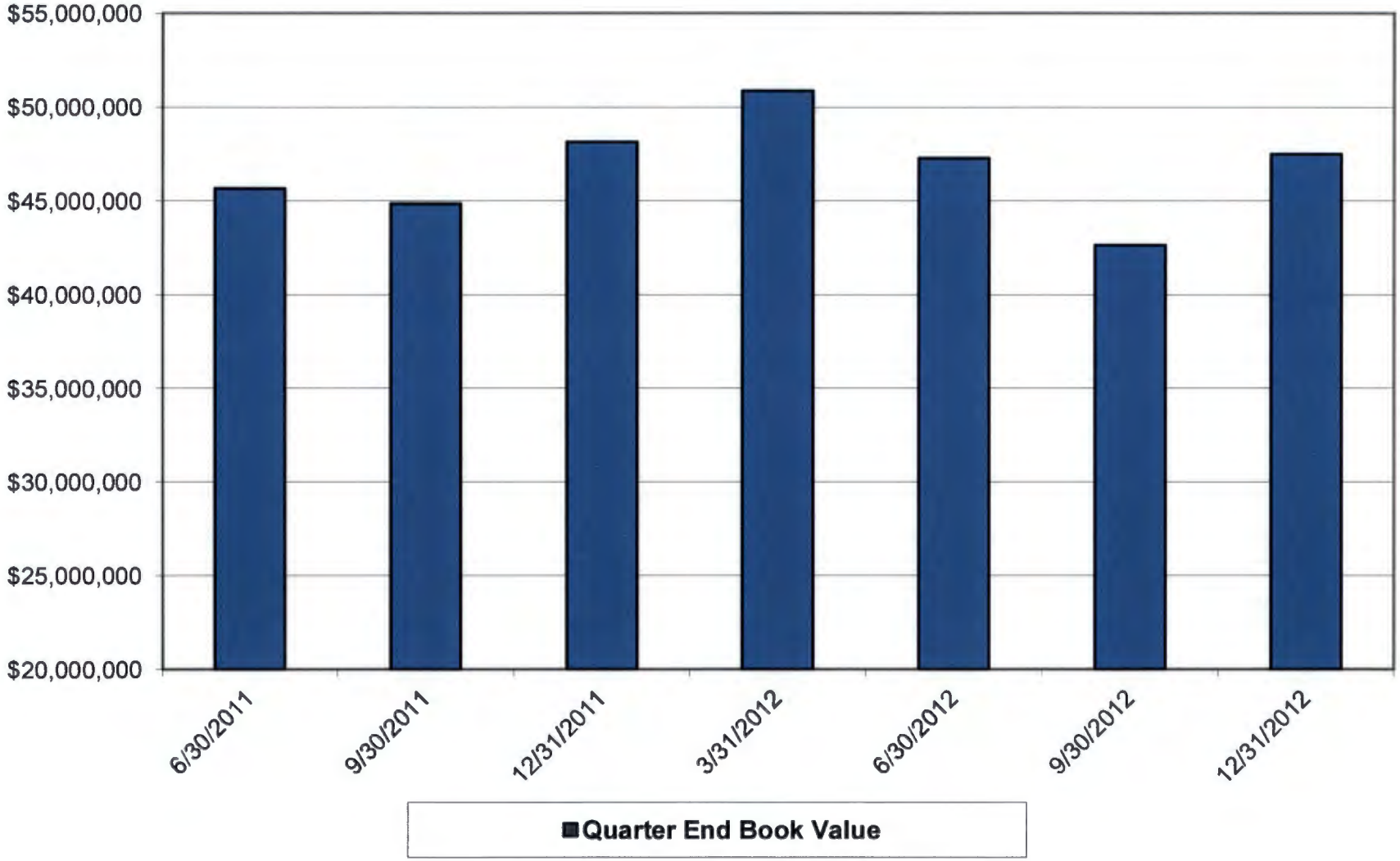
(1) Weighted average life - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(2) Weighted average yield to maturity - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for bank accounts, pools and money market funds.

Portfolio Composition



Total Portfolio



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2012 Par Value	September 30, 2012 Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	December 31, 2012 Par Value	December 31, 2012 Book Value
Wells Fargo DDA	0.00%	01/01/2013	$ 500,000.00	$ 500,000.00	$ -	$ -	$ 500,000.00	$ 500,000.00
Wells Fargo MMA	0.27%	01/01/2013	9,435,039.54	9,435,039.54	5,820,783.57		15,255,823.11	15,255,823.11
Southside Bank MMA	0.36%	01/01/2013	3,002,864.39	3,002,864.39	1,003,446.19		4,006,310.58	4,006,310.58
Texas Class	0.21%	01/01/2013	20,690,450.30	20,690,450.30		(4,106,118.47)	16,584,331.83	16,584,331.83
TexPool	0.15%	01/01/2013	1,016,407.50	1,016,407.50	1,115,748.39		2,132,155.89	2,132,155.89
Comerica CD	0.49%	06/03/2013	3,000,000.00	3,000,000.00			3,000,000.00	3,000,000.00
Comerica CD	0.54%	09/03/2013	3,002,708.62	3,002,708.62	4,044.36		3,006,752.98	3,006,752.98
Comerica CD	0.39%	10/22/2013			1,000,651.88		1,000,651.88	1,000,651.88
Comerica CD	0.64%	06/02/2014	2,002,140.32	2,002,140.32	3,196.35		2,005,336.67	2,005,336.67
TOTAL			**$ 42,649,610.67**	**$ 42,649,610.67**	**$ 8,947,870.74**	**$ (4,106,118.47)**	**$ 47,491,362.94**	**$ 47,491,362.94**

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2012 Par Value	September 30, 2012 Market Value	Qtr to Qtr Change	December 31, 2012 Par Value	December 31, 2012 Market Value
Wells Fargo DDA	0.00%	01/01/2013	$ 500,000.00	$ 500,000.00	$ -	$ 500,000.00	$ 500,000.00
Wells Fargo MMA	0.27%	01/01/2013	9,435,039.54	9,435,039.54	5,820,783.57	15,255,823.11	15,255,823.11
Southside Bank MMA	0.36%	01/01/2013	3,002,864.39	3,002,864.39	1,003,446.19	4,006,310.58	4,006,310.58
Texas Class	0.21%	01/01/2013	20,690,450.30	20,690,450.30	(4,106,118.47)	16,584,331.83	16,584,331.83
TexPool	0.15%	01/01/2013	1,016,407.50	1,016,407.50	1,115,748.39	2,132,155.89	2,132,155.89
Comerica CD	0.49%	06/03/2013	3,000,000.00	3,000,000.00	-	3,000,000.00	3,000,000.00
Comerica CD	0.54%	09/03/2013	3,002,708.62	3,002,708.62	4,044.36	3,006,752.98	3,006,752.98
Comerica CD	0.39%	10/22/2013			1,000,651.88	1,000,651.88	1,000,651.88
Comerica CD	0.64%	06/02/2014	2,002,140.32	2,002,140.32	3,196.35	2,005,336.67	2,005,336.67
TOTAL			**$ 42,649,610.67**	**$ 42,649,610.67**	**$ 4,841,752.27**	**$ 47,491,362.94**	**$ 47,491,362.94**

Allocation
December 31, 2012

Book and Market Value	Totals	Wells Fargo DDA	Wells Fargo MMA	Southside Bank MMA	Texas Class	TexPool	Comerica CD 6/3/13	Comerica CD 9/3/13	Comerica CD 10/22/13	Comerica CD 6/2/14
Concentration Fund	$ 34,404,942.23	$ 500,000.00	$ 15,255,823.11	$ 3,005,584.59	$ 4,541,088.23	$ 2,089,704.77	$ 3,000,000.00	$ 3,006,752.98	$ 1,000,651.88	$ 2,005,336.67
2006 Drainage Improvements	1,050,134.58				1,050,134.58					
2007 Street Improvements	1,668,790.13				1,668,790.13					
2008 Street Improvements	304,970.43				304,970.43					
2009 Street Improvements	3,012,455.17				3,012,455.17					
2009 Water CIP CO	3,647,269.19			1,000,725.99	2,646,543.20					
2011A Heliport CO	50,207.01				50,207.01					
2011B CO - Water CIP	3,009,267.70				3,009,267.70					
Corner Theatre - 2011	300,875.38				300,875.38					
DPDC Bonds	8,027.37					8,027.37				
Health Facilities Corporation	13,072.53					13,072.53				
Industrial Development Board	21,351.22					21,351.22				
Investment Total	**$ 47,491,362.94**	**$ 500,000.00**	**$ 15,255,823.11**	**$ 4,006,310.58**	**$ 16,584,331.83**	**$ 2,132,155.89**	**$ 3,000,000.00**	**$ 3,006,752.98**	**$ 1,000,651.88**	**$ 2,005,336.67**

Allocation
September 30, 2012

Book and Market Value	Totals	Wells Fargo DDA	Wells Fargo MMA	Southside Bank MMA	Texas Class	TexPool	Comerica CD 6/3/13	Comerica CD 9/3/13	Comerica CD 6/2/14
Concentration Fund	$ 27,565,762.50	$ 500,000.00	$ 9,435,039.54	$ 3,002,864.39	$ 5,649,036.32	$ 973,973.31	$ 3,000,000.00	$ 3,002,708.62	$ 2,002,140.32
2006 Drainage Improvements	1,049,596.37				1,049,596.37				
2006 Street & Drainage	935,850.79				935,850.79				
2007 Parks & Recreation Improvements	68,724.11				68,724.11				
2007 Street Improvements	1,667,934.89				1,667,934.89				
2008 Street Improvements	304,814.24				304,814.24				
2009 Street Improvements	3,010,911.10				3,010,911.10				
2009 Water CIP CO	4,644,954.81				4,644,954.81				
2011A Heliport CO	50,181.22				50,181.22				
2011B CO - Water CIP	3,007,725.28				3,007,725.28				
Corner Theatre - 2011	300,721.17				300,721.17				
DPDC Bonds	8,024.12					8,024.12			
Health Facilities Corporation	13,067.38					13,067.38			
Industrial Development Board	21,342.69					21,342.69			
Investment Total	**$ 42,649,610.67**	**$ 500,000.00**	**$ 9,435,039.54**	**$ 3,002,864.39**	**$ 20,690,450.30**	**$ 1,016,407.50**	**$ 3,000,000.00**	**$ 3,002,708.62**	**$ 2,002,140.32**