



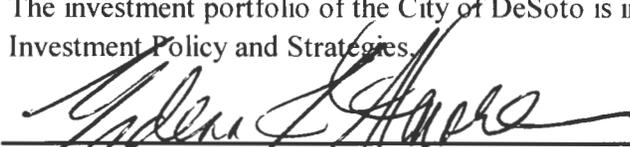
City of DeSoto
QUARTERLY INVESTMENT REPORT

For the Quarter Ended

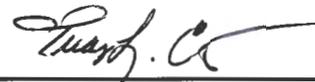
June 30, 2013

Prepared by
Valley View Consulting, L.L.C.

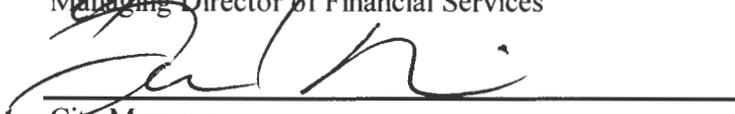
The investment portfolio of the City of DeSoto is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.



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 traded +/-10 bps). The FOMC continued Quantitative Easing (QE3), targeting unemployment below 6.5% and inflation less than 2.5%, however they openly discussed the future plan to reduce the amount of easing. The markets reacted quickly with higher Treasury Yield Curve rates and a brief stock market sell-off. Subsequent public comments attempted to calm the fears and reduce the immediate market impact. Domestic and international economic activity remains low to moderate. US employment/unemployment data is a key focal point. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

Quarter End Results by Investment Category:

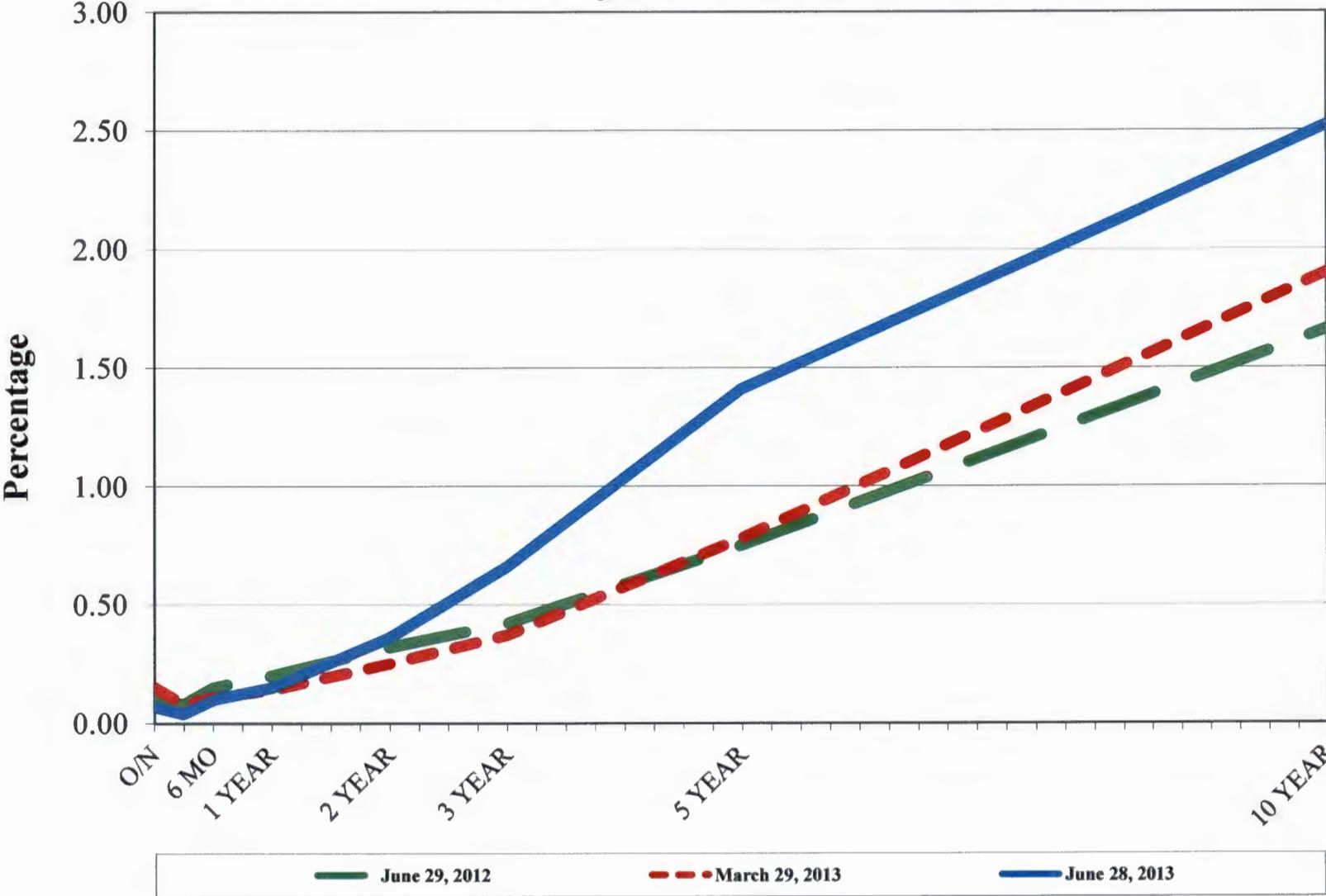
<u>Asset Type</u>	<u>Ave. Yield</u>	<u>June 30, 2013</u>		<u>March 31, 2013</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA	0.00%	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
MMA/NOW/Pool	0.18%	28,845,291	28,845,291	30,204,001	30,204,001
CDs/Securities	0.41%	20,036,701	20,036,701	17,022,625	17,022,625
Totals		\$ 49,381,992	\$ 49,381,992	\$ 47,726,626	\$ 47,726,626

Average Yield (1)		Fiscal Year-to-Date Average Yield (2)	
Total Portfolio	0.27%	Total Portfolio	0.29%
Rolling Three Mo. Treas. Yield	0.05%	Rolling Three Mo. Treas. Yield	0.08%
Rolling Six Mo. Treas. Yield	0.10%	Rolling Six Mo. Treas. Yield	0.12%
		Quarterly TexPool Yield	0.10%
Quarterly Interest Income	\$ 32,062	Approximate	
Year-to-date Interest Income	\$ 98,999	Approximate	

(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.

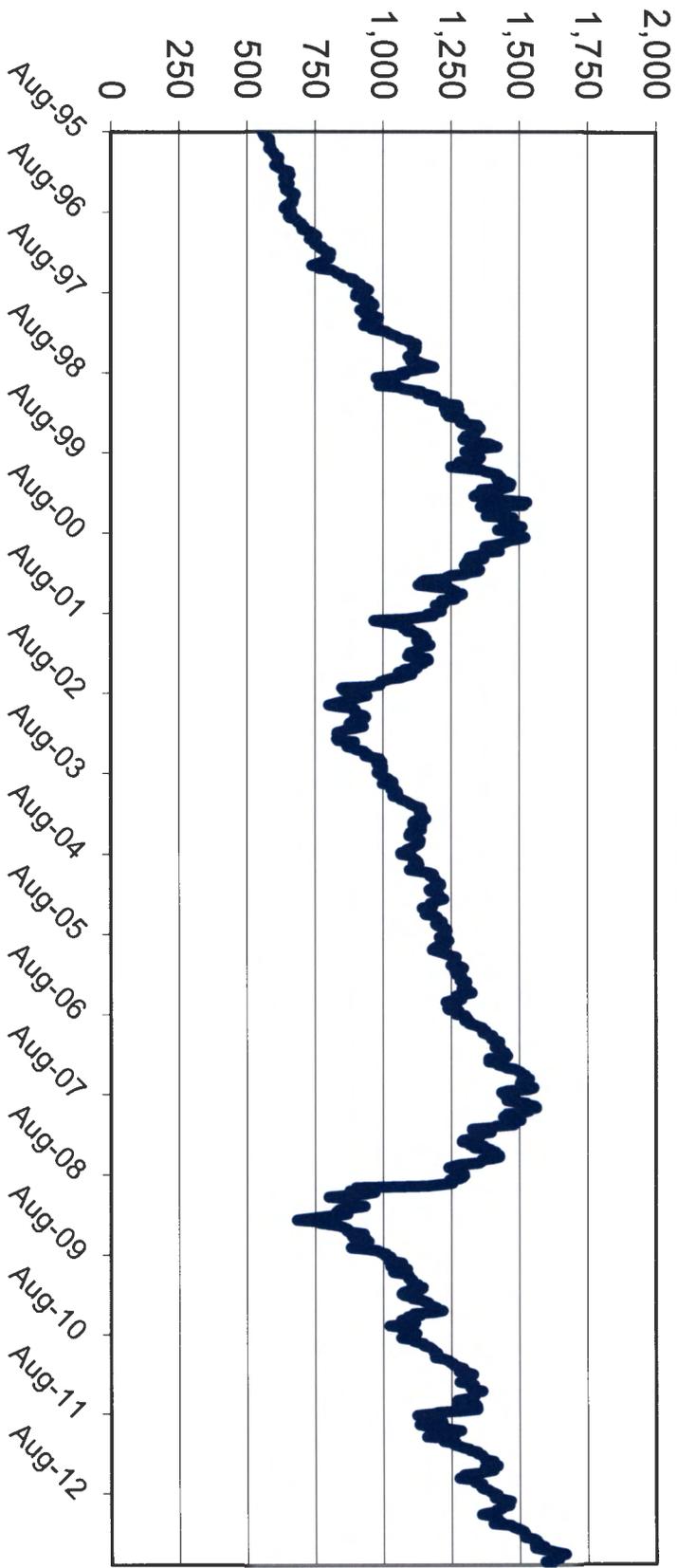
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



Detail of Investment Holdings

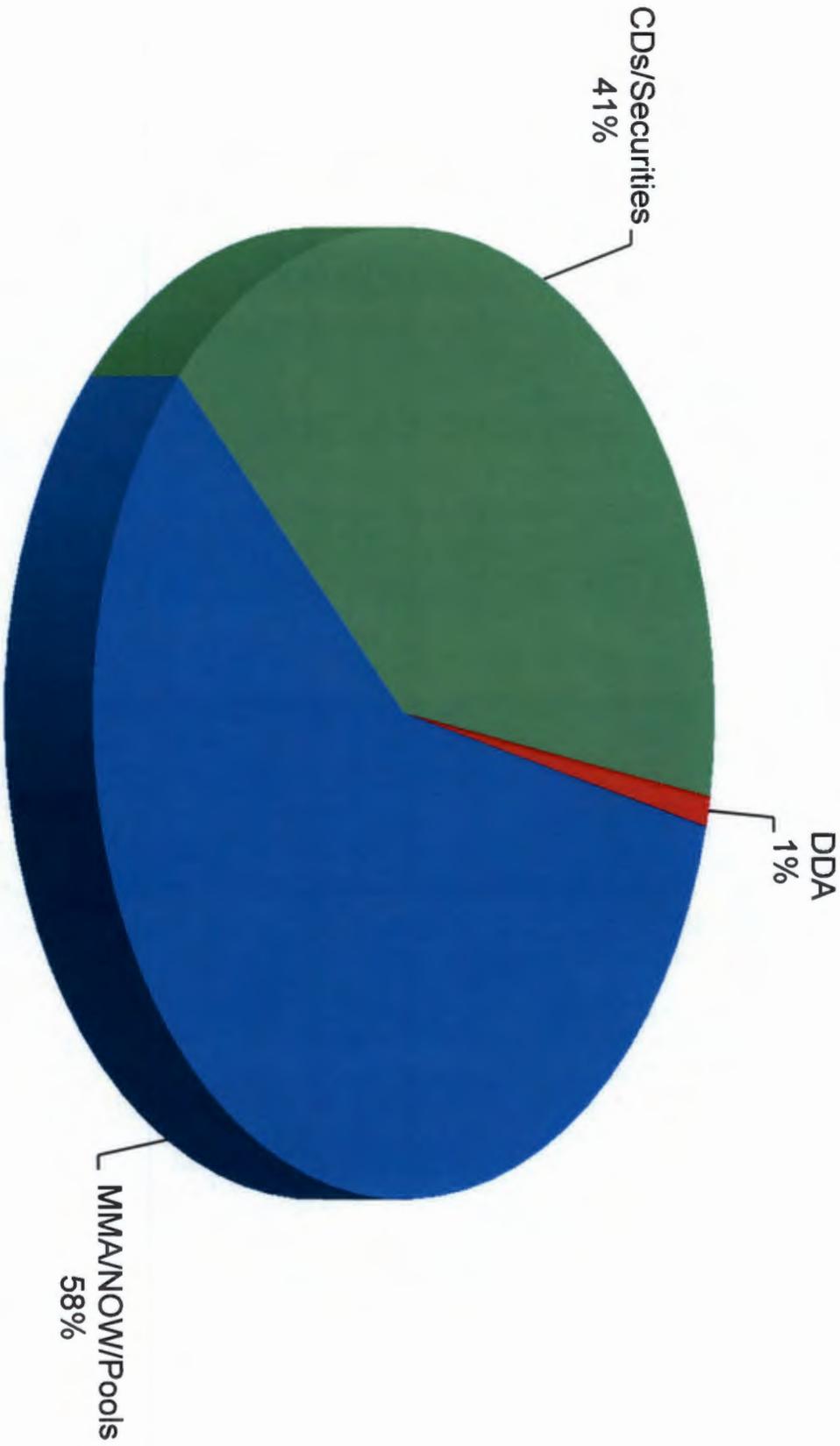
June 30, 2013

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield	
Wells Fargo DDA		0.00%	07/01/13	06/30/13	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%	
Wells Fargo MMA		0.23%	07/01/13	06/30/13	9,495,317	9,495,317	1	9,495,317	1	0.23%	
Southside Bank MMA		0.21%	07/01/13	06/30/13	4,011,142	4,011,142	1	4,011,142	1	0.21%	
Texas Class	AAAm	0.16%	07/01/13	06/30/13	12,409,071	12,409,071	1	12,409,071	1	0.16%	
TexPool	AAAm	0.06%	07/01/13	06/30/13	2,929,762	2,929,762	1	2,929,762	1	0.06%	
Comerica CD		0.54%	09/03/13	07/02/12	3,014,858	3,014,858	100	3,014,858	65	0.54%	
Comerica CD		0.39%	10/22/13	10/22/12	1,002,599	1,002,599	100	1,002,599	114	0.39%	
Comerica CD		0.27%	02/06/14	02/06/13	2,001,776	2,001,776	100	2,001,776	221	0.27%	
Comerica CD		0.28%	03/07/14	03/07/13	2,001,842	2,001,842	100	2,001,842	250	0.28%	
Comerica CD		0.29%	04/07/14	04/07/13	2,001,908	2,001,908	100	2,001,908	281	0.29%	
Comerica CD		0.30%	05/07/14	05/07/13	2,001,973	2,001,973	100	2,001,973	311	0.30%	
Comerica CD		0.64%	06/02/14	07/02/12	2,011,745	2,011,745	100	2,011,745	337	0.64%	
Texas Security Bank CD		0.40%	06/21/14	06/21/13	1,000,000	1,000,000	100	1,000,000	356	0.40%	
Texas Security Bank CD		0.48%	12/21/14	06/21/13	1,000,000	1,000,000	100	1,000,000	539	0.48%	
Comerica CD		0.43%	03/16/15	06/14/13	3,000,000	3,000,000	100	3,000,000	624	0.43%	
Texas Security Bank CD		0.55%	06/21/15	06/21/13	1,000,000	1,000,000	100	1,000,000	721	0.55%	
\$ 49,381,992						\$ 49,381,992		\$ 49,381,992		134	0.27%
									(1)	(2)	

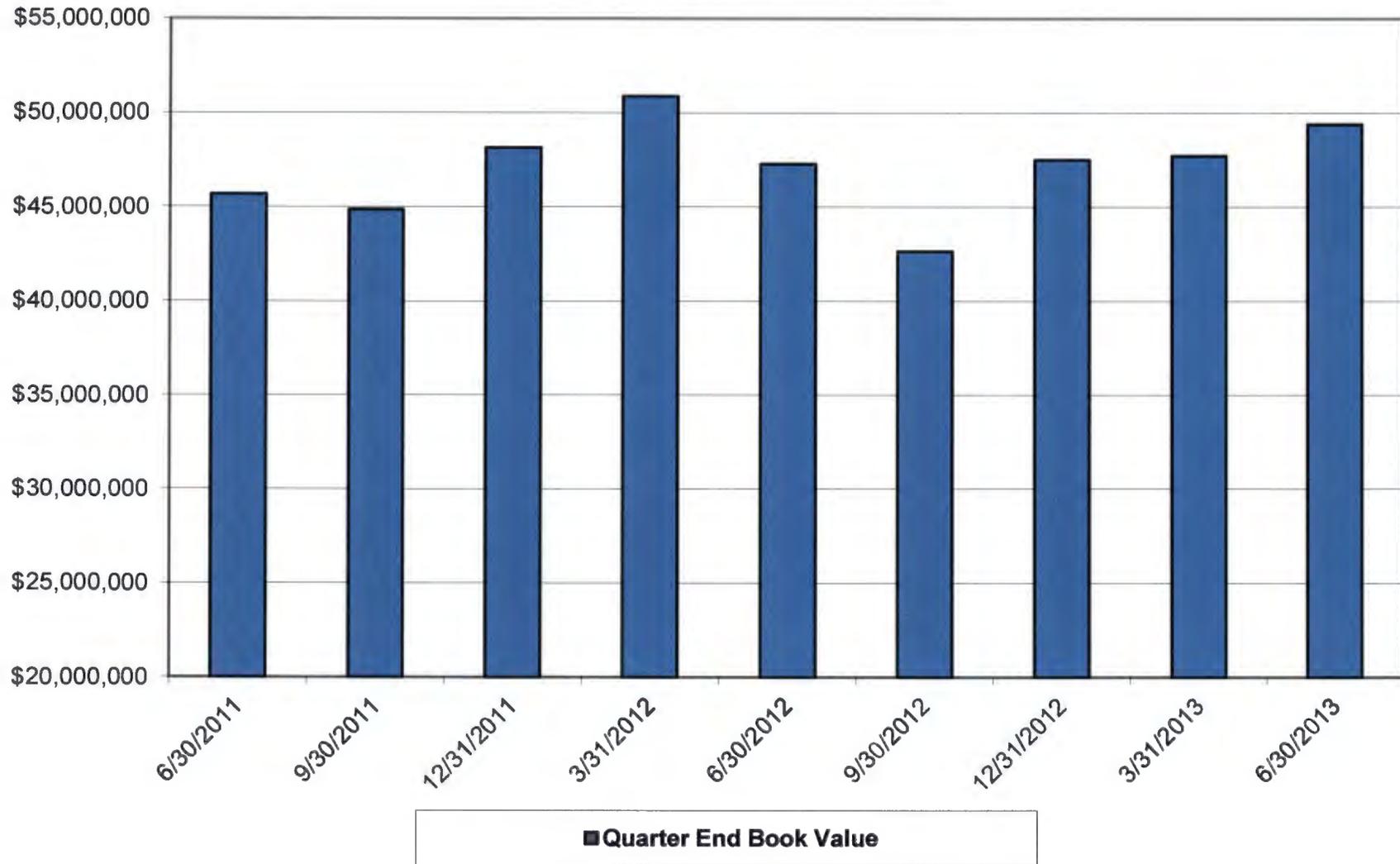
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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	March 31, 2013		Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	June 30, 2013	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo DDA	0.00%	07/01/13	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.23%	07/01/13	12,440,391	12,440,391		(2,945,074)	9,495,317	9,495,317
Southside Bank MMA	0.36%	07/01/13	4,008,859	4,008,859	2,282		4,011,142	4,011,142
Texas Class	0.16%	07/01/13	12,590,537	12,590,537		(181,467)	12,409,071	12,409,071
TexPool	0.06%	07/01/13	1,164,213	1,164,213	1,765,548		2,929,762	2,929,762
Comerica CD	0.49%	06/03/13	3,000,000	3,000,000		(3,000,000)		
Comerica CD	0.54%	09/03/13	3,010,758	3,010,758	4,100		3,014,858	3,014,858
Comerica CD	0.39%	10/22/13	1,001,614	1,001,614	985		1,002,599	1,002,599
Comerica CD	0.27%	02/06/14	2,000,414	2,000,414	1,362		2,001,776	2,001,776
Comerica CD	0.28%	03/07/14	2,000,430	2,000,430	1,412		2,001,842	2,001,842
Comerica CD	0.29%	04/07/14	2,000,445	2,000,445	1,463		2,001,908	2,001,908
Comerica CD	0.30%	05/07/14	2,000,460	2,000,460	1,513		2,001,973	2,001,973
Comerica CD	0.64%	06/02/14	2,008,503	2,008,503	3,242		2,011,745	2,011,745
Texas Security Bank CD	0.40%	06/21/14			1,000,000		1,000,000	1,000,000
Texas Security Bank CD	0.48%	12/21/14			1,000,000		1,000,000	1,000,000
Comerica CD	0.43%	03/16/15			3,000,000		3,000,000	3,000,000
Texas Security Bank CD	0.55%	06/21/15			1,000,000		1,000,000	1,000,000
TOTAL			\$ 47,726,626	\$ 47,726,626	\$ 7,781,907	\$ (6,126,540)	\$ 49,381,992	\$ 49,381,992

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2013		Qtr to Qtr Change	June 30, 2013	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	07/01/13	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.23%	07/01/13	12,440,391	12,440,391	(2,945,074)	9,495,317	9,495,317
Southside Bank MMA	0.36%	07/01/13	4,008,859	4,008,859	2,282	4,011,142	4,011,142
Texas Class	0.16%	07/01/13	12,590,537	12,590,537	(181,467)	12,409,071	12,409,071
TexPool	0.06%	07/01/13	1,164,213	1,164,213	1,765,548	2,929,762	2,929,762
Comerica CD	0.49%	06/03/13	3,000,000	3,000,000	(3,000,000)		
Comerica CD	0.54%	09/03/13	3,010,758	3,010,758	4,100	3,014,858	3,014,858
Comerica CD	0.39%	10/22/13	1,001,614	1,001,614	985	1,002,599	1,002,599
Comerica CD	0.27%	02/06/14	2,000,414	2,000,414	1,362	2,001,776	2,001,776
Comerica CD	0.28%	03/07/14	2,000,430	2,000,430	1,412	2,001,842	2,001,842
Comerica CD	0.29%	04/07/14	2,000,445	2,000,445	1,463	2,001,908	2,001,908
Comerica CD	0.30%	05/07/14	2,000,460	2,000,460	1,513	2,001,973	2,001,973
Comerica CD	0.64%	06/02/14	2,008,503	2,008,503	3,242	2,011,745	2,011,745
Texas Security Bank CD	0.40%	06/21/14			1,000,000	1,000,000	1,000,000
Texas Security Bank CD	0.48%	12/21/14			1,000,000	1,000,000	1,000,000
Comerica CD	0.43%	03/16/15			3,000,000	3,000,000	3,000,000
Texas Security Bank CD	0.55%	06/21/15			1,000,000	1,000,000	1,000,000
TOTAL			\$ 47,726,626	\$ 47,726,626	\$ 1,655,366	\$ 49,381,992	\$ 49,381,992

Allocation
June 30, 2013

Book and Market Value	Totals	Wells Fargo DDA	Wells Fargo MMA	Southside Bank MMA	Texas Class	TexPool	Comerica CD 9/3/13	Comerica CD 10/22/13	Comerica CD 2/6/14
Concentration Fund	\$ 38,638,130	\$ 500,000	\$ 9,495,317	\$ 3,009,209	\$ 5,709,611	\$ 2,887,292	\$ 3,014,858	\$ 1,002,599	\$ 2,001,776
2006 Drainage Improvements	50,360				50,360				
2007 Street Improvements	369,340				369,340				
2008 Street Improvements	305,223				305,223				
2009 Street Improvements	3,315,136				3,315,136				
2009 Water CIP CO	1,649,249			1,001,933	647,316				
2011A Heliport CO	50,248				50,248				
2011B CO - Water CIP	1,010,767				1,010,767				
2013 Water-Sewer CIP	3,800,051				800,051				
Corner Theatre - 2011	151,018				151,018				
DPDC Bonds	8,031					8,031			
Health Facilities Corporation	13,078					13,078			
Industrial Development Board	21,361					21,361			
Investment Total	\$ 49,381,992	\$ 500,000	\$ 9,495,317	\$ 4,011,142	\$ 12,409,071	\$ 2,929,762	\$ 3,014,858	\$ 1,002,599	\$ 2,001,776

Allocation
June 30, 2013

Book and Market Value	Comerica CD 3/7/14	Comerica CD 4/7/14	Comerica CD 5/7/14	Comerica CD 6/2/14	Texas Security Bank CD 6/21/14	Texas Security Bank CD 12/21/14	Comerica CD 3/16/15	Texas Security Bank CD 6/21/15
Concentration Fund	\$ 2,001,842	\$ 2,001,908	\$ 2,001,973	\$ 2,011,745	\$ -	\$ -	\$ 3,000,000	\$ -
2006 Drainage Improvements								
2007 Street Improvements								
2008 Street Improvements								
2009 Street Improvements								
2009 Water CIP CO								
2011A Heliport CO								
2011B CO - Water CIP								
2013 Water-Sewer CIP					1,000,000.00	1,000,000.00		1,000,000.00
Corner Theatre - 2011								
DFDC Bonds								
Health Facilities Corporation								
Industrial Development Board								
Investment Total	\$ 2,001,842	\$ 2,001,908	\$ 2,001,973	\$ 2,011,745	\$ 1,000,000	\$ 1,000,000	\$ 3,000,000	\$ 1,000,000

Allocation
March 31, 2013

Book and Market Value	Totals	Wells Fargo DDA	Wells Fargo MMA	Southside Bank MMA	Texas Class	TexPool
Concentration Fund	\$ 39,785,789	\$ 500,000	\$ 12,440,391	\$ 3,007,497	\$ 5,693,521	\$ 1,121,756
2006 Drainage Improvements	50,340				50,340	
2007 Street Improvements	369,193				369,193	
2008 Street Improvements	305,102				305,102	
2009 Street Improvements	3,313,820				3,313,820	
2009 Water CIP CO	1,648,422			1,001,363	647,059	
2011A Heliport CO	50,229				50,229	
2011B CO - Water CIP	2,010,316				2,010,316	
Corner Theatre - 2011	150,958				150,958	
DPDC Bonds	8,029					8,029
Health Facilities Corporation	13,075					13,075
Industrial Development Board	21,355					21,355
Investment Total	\$ 47,726,626	\$ 500,000	\$ 12,440,391	\$ 4,008,859	\$ 12,590,537	\$ 1,164,213

Allocation
March 31, 2013

Book and Market Value	Comerica CD 6/3/13	Comerica CD 9/3/13	Comerica CD 10/22/13	Comerica CD 2/6/14	Comerica CD 3/7/14	Comerica CD 4/7/14	Comerica CD 5/7/14	Comerica CD 6/2/14
Concentration Fund	\$ 3,000,000	\$ 3,010,758	\$ 1,001,614	\$ 2,000,414	\$ 2,000,430	\$ 2,000,445	\$ 2,000,460	\$ 2,008,503
2006 Drainage Improvements								
2007 Street Improvements								
2008 Street Improvements								
2009 Street Improvements								
2009 Water CIP CO								
2011A Heliport CO								
2011B CO - Water CIP								
Corner Theatre - 2011								
DPDC Bonds								
Health Facilities Corporation								
Industrial Development Board								
Investment Total	\$ 3,000,000	\$ 3,010,758	\$ 1,001,614	\$ 2,000,414	\$ 2,000,430	\$ 2,000,445	\$ 2,000,460	\$ 2,008,503



Market Outlook

July 5, 2013

June was another extremely volatile month for the markets as they reacted to more comments from the Fed regarding the wind-down of some stimulus activities. Many of the indicators were positive and that raised even more concerns about the Fed's desire to continue to stimulate. One significant stumbling block was the very unexpected revision to first quarter GDP, which sent the markets into disarray. The Stock Market experienced a significant sell-off and bond yields rose in the two-year and longer maturities.

The U.S. Housing Sector remains on a solid uptrend with most indicators suggesting a robust recovery.

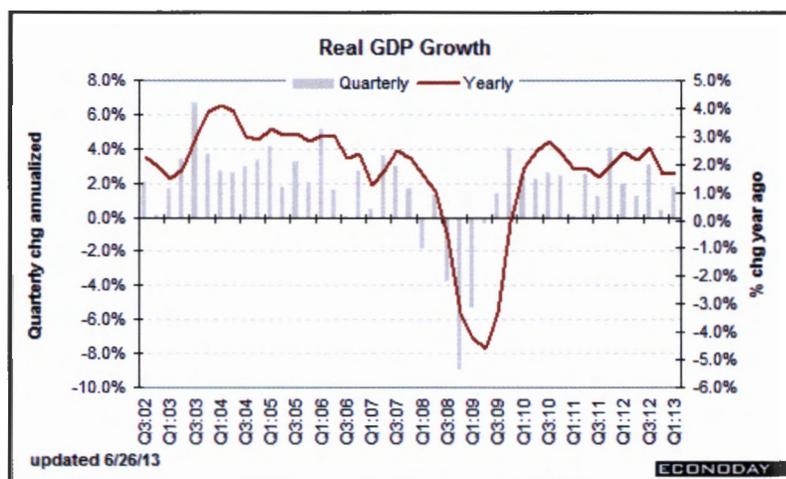
The wild card for continued growth is rising mortgage rates and the pace of those increases over the next months/years. Existing Home Sales rose 4.2% in May, but the supply of available homes for sale declined to 5.1 months from April's 5.2-month supply. The average price of the Existing Homes sold rose 8.4% during May, and is up 11.2% from the same period in 2012. New Home Sales rose 2.1% in May and the previous two months' reports were adjusted upward. Year-over-year, New Home prices rose 10.3%. Supply of new homes is severely constrained at only 4.1 months



supply. Housing Starts and Permits are 28% and 20% higher, respectively, suggesting that homebuilders are trying to take advantage of dwindling supply. All reporting sources (S&P Case-Shiller, FHFA and the National Association of Realtors) showed continued improvement in home values nationwide.

The production side of the economy, as reported during May, threw some ice water on the notion that the economy is on solid ground. The final report for Gross Domestic Product (GDP) for the first quarter adjusted the previously reported 2.4% significantly lower to 1.8%. This report adjustment was primarily

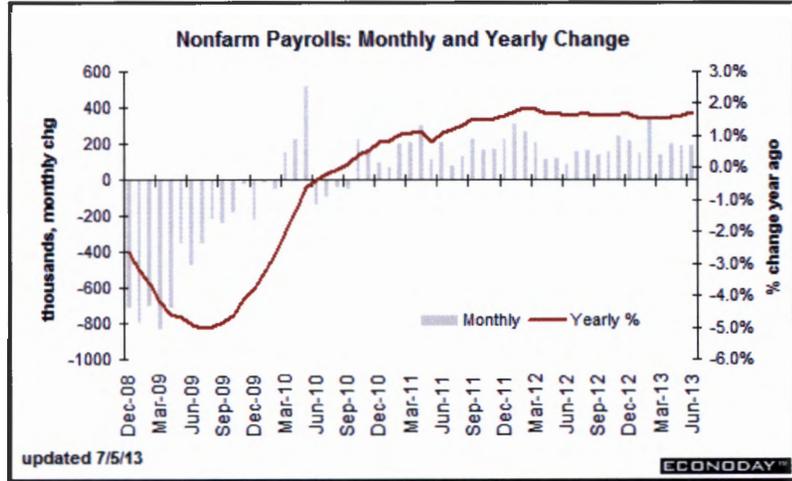
driven by a decline in personal consumption, meaning that the consumer has started to close their wallets. Other economic releases seemed to indicate that businesses are reacting to this weakness. Business Inventories in April rose only moderately, showing that weak sales may be encouraging businesses to work down their inventories. Industrial Production was flat in May and Durable Goods Orders rose only modestly. Purchasing Managers in the Manufacturing sector showed a minimal increase in their outlook, but the Service



sector managers were less optimistic than last month. The Producer Price Index rose 0.5% in May after falling 0.7% in April and the Consumer Price Index rose 0.1% after a 0.4% decline in April.

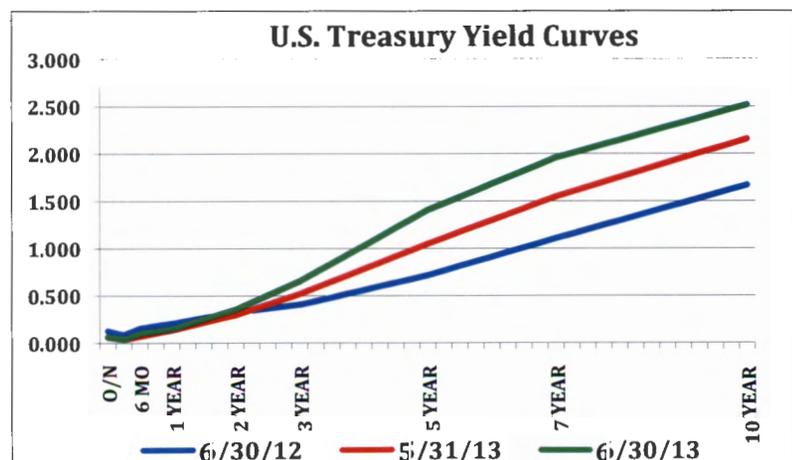
On the consumption side of the economic equation, there were conflicting reports. Retail Sales rose 0.6% in May after rising 0.1% in April. The decline in gas prices and automobile sales represented about 50% of the Retail Sales results. The mood of the consumer, as measured by the Consumer Confidence improved, but the Consumer Sentiment survey indicated that their survey respondents were slightly less positive.

The June Employment report was a positive surprise, adding 195,000 jobs compared to the market expectations of +161,000. Revisions to the reports issued for April and May added more optimism by adding a net 70,000 jobs from previously reported results (May revised to +195,000 from the previous report of +175,000 and April revised to +199,000 from the previously reported +149,000). The private sector continues to show growth trends, adding 202,000 jobs, but the government sector remains in its negative trend, losing 7,000 jobs. The Unemployment Rate held steady at 7.6% in June. We are in the thirty-second straight month of job creation. We now have three months of reports flirting with the 200,000-job creation number, but still need to see 250,000 each month to consider it a normal recovery.



The Federal Open Markets Committee added to the market volatility following their meeting on June 18 to 19 when they announced that they may end the stimulus tool known as quantitative easing three (QE3) as early as mid-2014. Between now and mid-2014 they intend to taper QE3 purchases, but did not mention any fixed reduction plan. This signaled to the market that the Fed is beginning to consider withdrawing the easing programs that have provided considerable fuel to the recovery. Withdrawal of their programs will ultimately result in higher interest rates, and the market reacted by selling equity positions to realize current gains. This caused the stock markets to fall significantly due to massive sells. The fixed income markets reacted and pushed rates higher for maturities beyond 2 years. By month end, the markets had reversed some of the initial moves, but the event cast more concerns into the minds of the average consumer about placing any confidence in investment stability.

Current Government Security Investment Pool rates during June remained in the 0.04% to 0.07% range. Certificates of Deposit rates are currently around 0.30% to 0.40% for one-year collateralized positions. CDs still represent the best value for public fund investors. U.S. Agency offerings are coming closer to competing with CDs, but mostly for callable structures. Strategy for public funds should continue to favor CDs. In some portfolios, municipal issues have been able to enhance return, but generally for longer-term maturity strategies.



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