



City of DeSoto

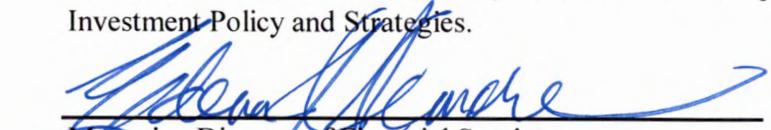
QUARTERLY INVESTMENT REPORT

For the Quarter Ended

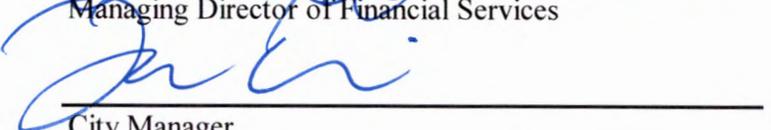
March 31, 2014

**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.



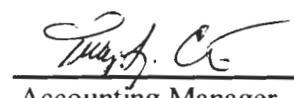
Managing Director of Financial Services



City Manager



Assistant Finance Director



Accounting 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). In December, the FOMC began tapering the Quantitative Easing (QE3) program. The monthly purchase amount has been decreased three times (\$10 billion each time) to \$55 billion. A continued, orderly tapering is anticipated as long as economic activity remains moderately positive. Fourth quarter 2013 GDP was revised lower to +2.4% from its earlier estimate of +3.2%. Employment data remains positive, but modest and inconsistent. The US stock markets touched new highs. Financial institution deposit yields generally provide the best interest earnings opportunity, although spreads to security yields have tightened.

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>March 31, 2014</u>		<u>December 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/Pools	0.18%	32,569,886	32,569,886	31,872,739	31,872,739
CDs/Securities	0.43%	19,460,598	19,460,598	18,052,642	18,052,642
Totals		\$ 52,530,484	\$ 52,530,484	\$ 50,425,381	\$ 50,425,381

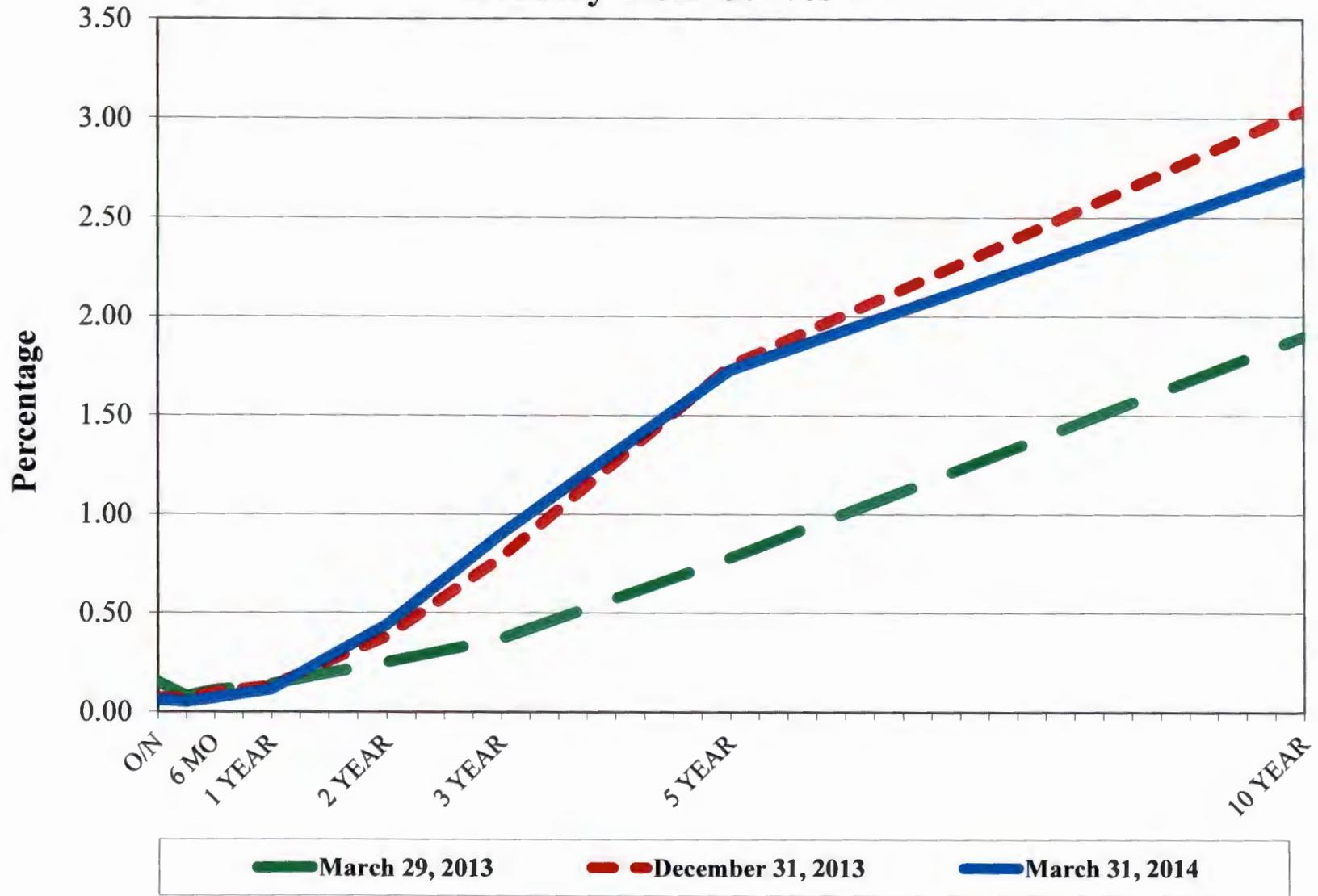
<u>Average Yield (1)</u>		<u>Fiscal Year-to-Date Average Yield (2)</u>	
Total Portfolio	0.27%	Total Portfolio	0.27%
Rolling Three Mo. Treas. Yield	0.05%	Rolling Three Mo. Treas. Yield	0.06%
Rolling Six Mo. Treas. Yield	0.08%	Rolling Six Mo. Treas. Yield	0.08%
		Quarterly TexPool Yield	0.03%

Quarterly Interest Income \$ 33,583 Approximate
 Year-to-date Interest Income \$ 61,452 Approximate

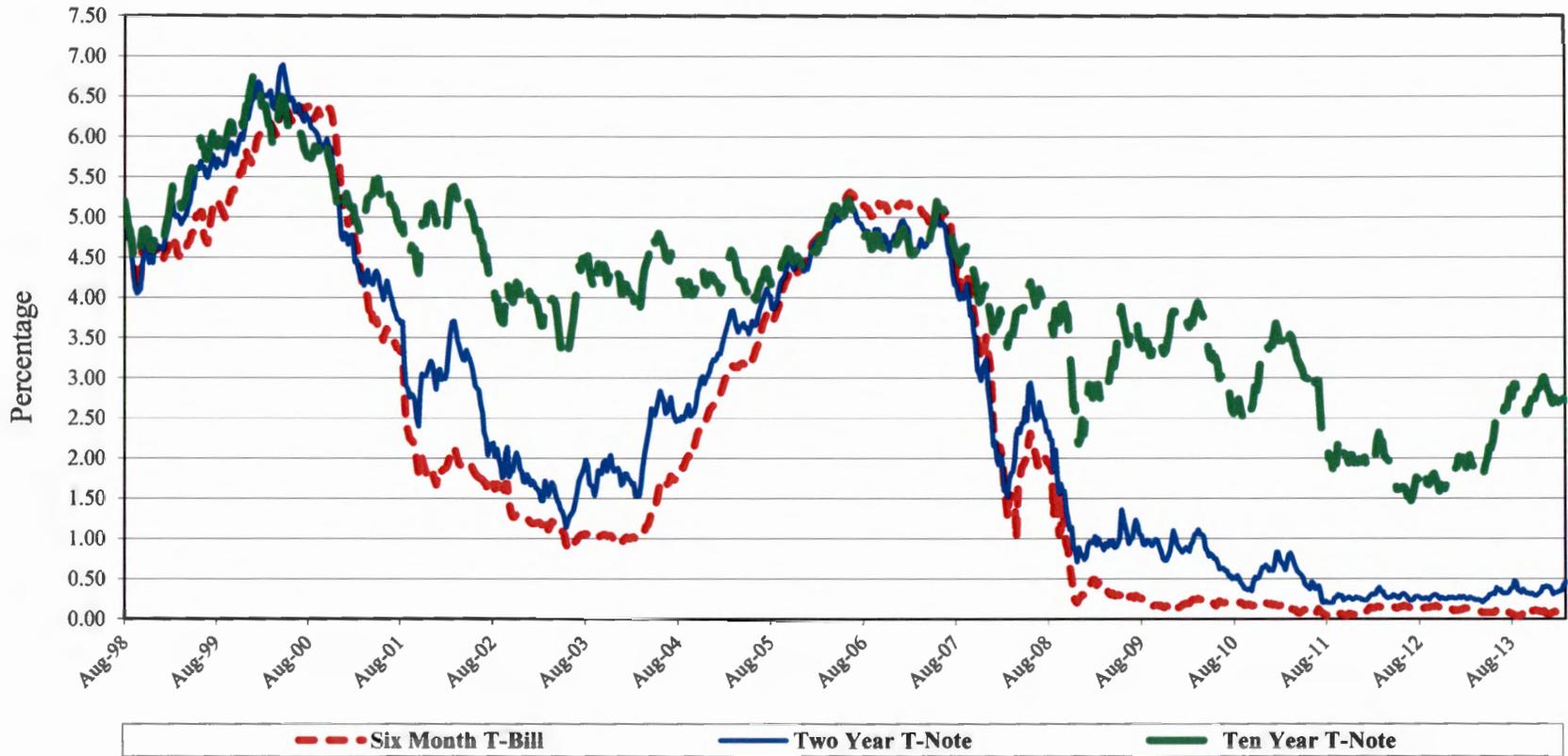
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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.

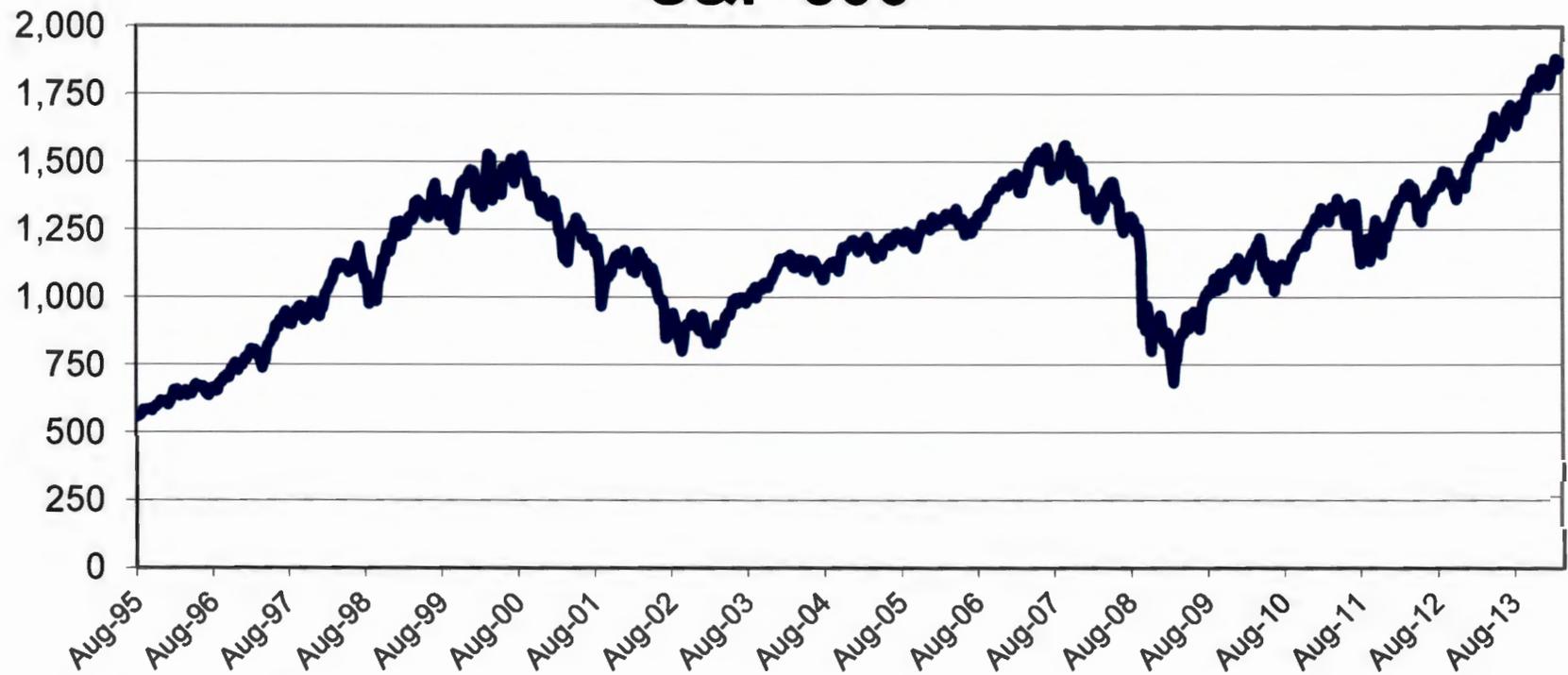
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



Detail of Investment Holdings

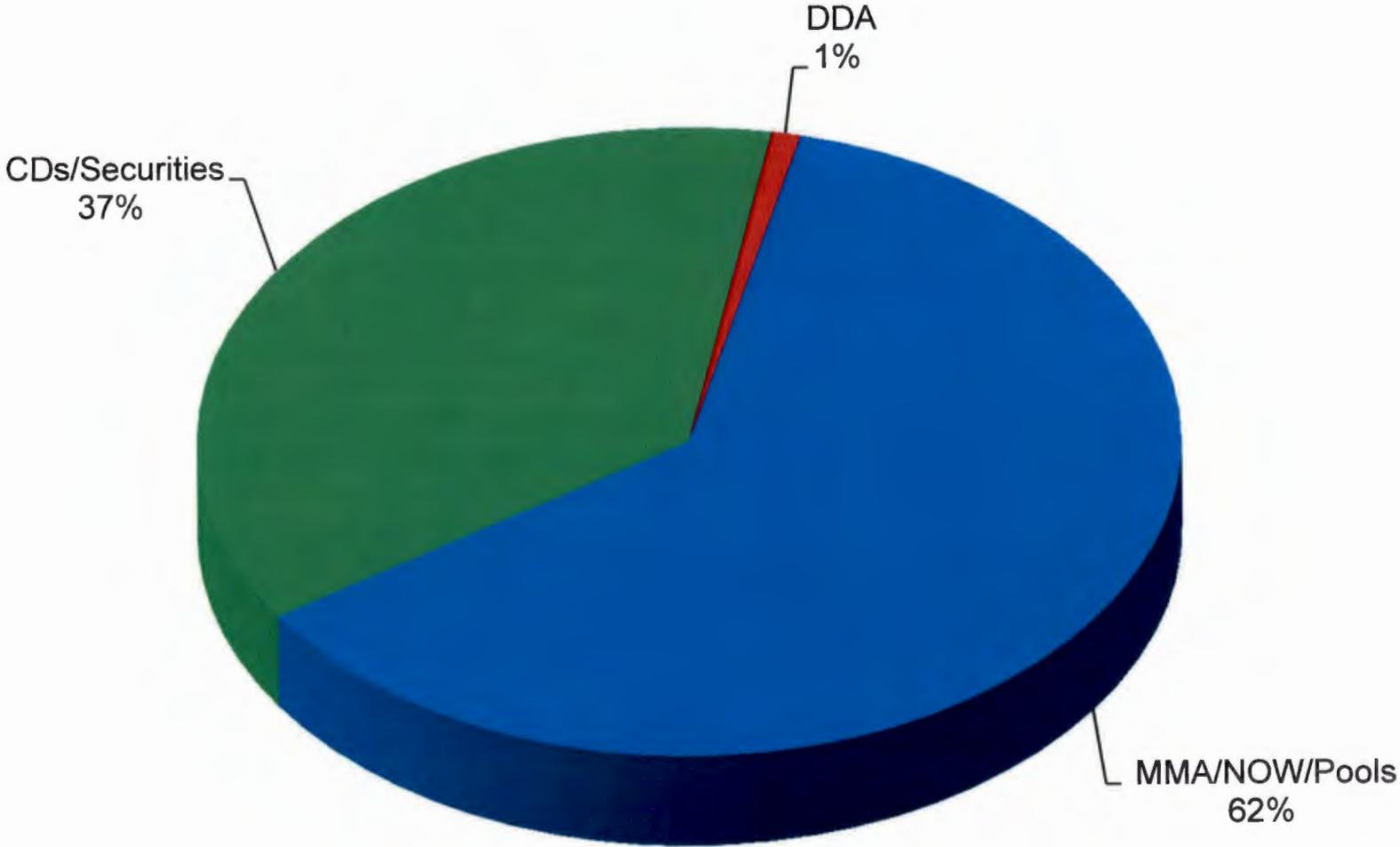
March 31, 2014

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	04/01/14	03/31/14	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.24%	04/01/14	03/31/14	15,976,794	15,976,794	1	15,976,794	1	0.24%
Southside Bank MMA		0.18%	04/01/14	03/31/14	5,316,265	5,316,265	1	5,316,265	1	0.18%
Texas Class	AAAm	0.10%	04/01/14	03/31/14	8,965,149	8,965,149	1	8,965,149	1	0.10%
TexPool	AAAm	0.03%	04/01/14	03/31/14	2,311,678	2,311,678	1	2,311,678	1	0.03%
Comerica CD		0.29%	04/07/14	04/07/13	2,006,254	2,006,254	100	2,006,254	7	0.29%
Comerica CD		0.30%	05/07/14	05/07/13	2,006,470	2,006,470	100	2,006,470	37	0.30%
Comerica CD		0.64%	06/02/14	07/02/12	2,021,395	2,021,395	100	2,021,395	63	0.64%
Texas Security Bank CD		0.40%	06/21/14	06/21/13	1,002,995	1,002,995	100	1,002,995	82	0.40%
Texas Security Bank CD		0.48%	12/21/14	06/21/13	1,003,594	1,003,594	100	1,003,594	265	0.48%
Comerica CD		0.43%	03/16/15	06/14/13	3,009,662	3,009,662	100	3,009,662	350	0.43%
Comerica CD		0.29%	08/06/15	02/06/14	1,000,222	1,000,222	100	1,000,222	493	0.29%
Comerica CD		0.29%	08/16/15	02/06/14	2,700,601	2,700,601	100	2,700,601	503	0.29%
Texas Security Bank CD		0.55%	06/21/15	06/21/13	1,004,119	1,004,119	100	1,004,119	447	0.55%
Comerica CD		0.55%	10/22/15	10/22/13	2,004,555	2,004,555	100	2,004,555	570	0.55%
Comerica CD		0.56%	02/08/16	02/06/14	1,700,730	1,700,730	100	1,700,730	679	0.56%
					\$ 52,530,484	\$ 52,530,484		\$ 52,530,484	119	0.27%
									(1)	(2)

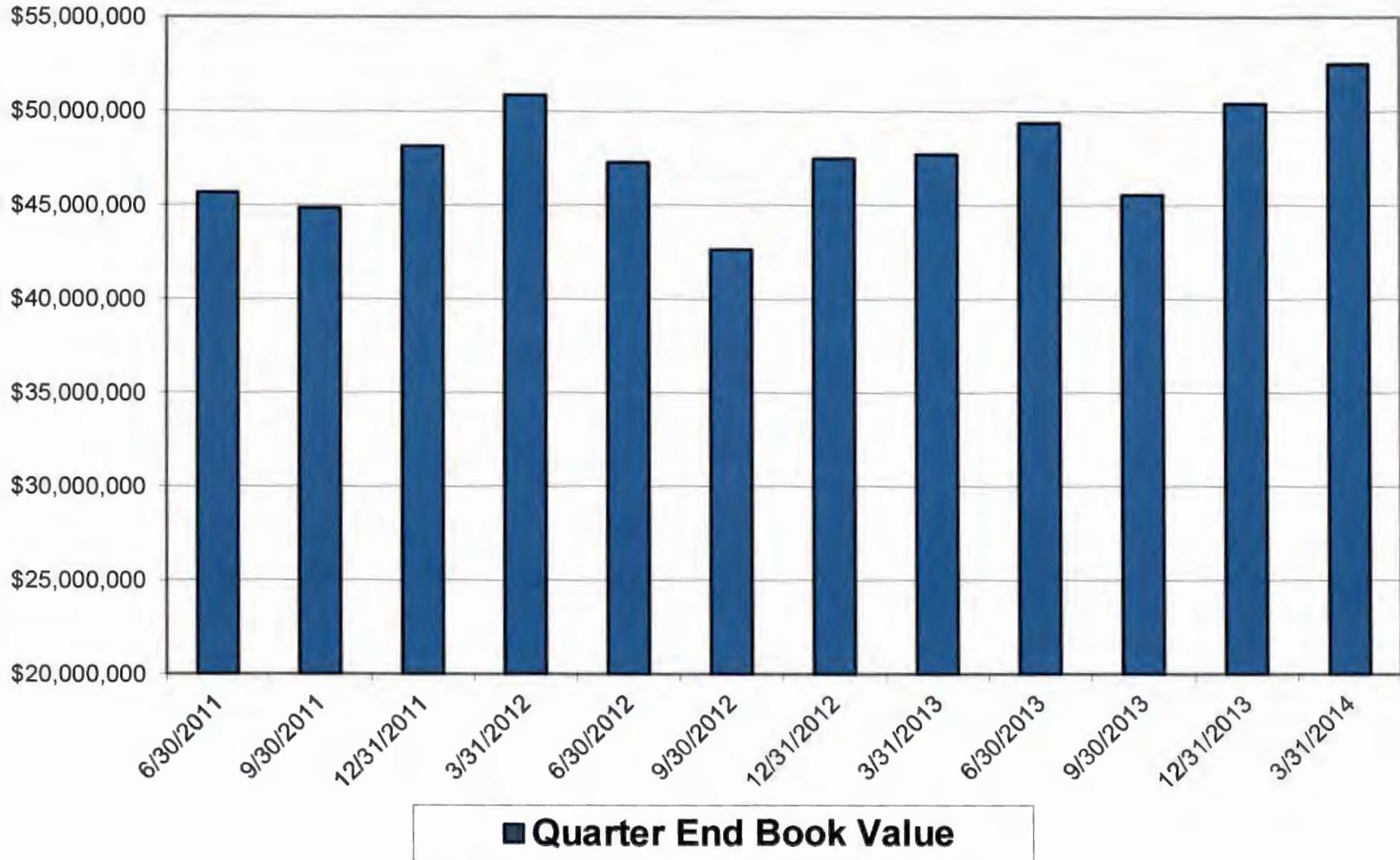
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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	December 31, 2013			March 31, 2014		
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	Par Value	Book Value
Wells Fargo DDA	0.00%	04/01/14	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.24%	04/01/14	15,319,248	15,319,248	657,546		15,976,794	15,976,794
Southside Bank MMA	0.19%	04/01/14	2,514,432	2,514,432	2,801,833		5,316,265	5,316,265
Texas Class	0.10%	04/01/14	12,122,812	12,122,812		(3,157,664)	8,965,149	8,965,149
TexPool	0.03%	04/01/14	1,916,247	1,916,247	395,431		2,311,678	2,311,678
Comerica CD	0.27%	02/06/14	2,004,487	2,004,487		(2,004,487)		
Comerica CD	0.28%	03/07/14	2,004,654	2,004,654		(2,004,654)		
Comerica CD	0.29%	04/07/14	2,004,820	2,004,820	1,434		2,006,254	2,006,254
Comerica CD	0.30%	05/07/14	2,004,986	2,004,986	1,484		2,006,470	2,006,470
Comerica CD	0.64%	06/02/14	2,018,209	2,018,209	3,187		2,021,395	2,021,395
Texas Security Bank CD	0.40%	06/21/14	1,002,006	1,002,006	988		1,002,995	1,002,995
Texas Security Bank CD	0.48%	12/21/14	1,002,408	1,002,408	1,186		1,003,594	1,003,594
Comerica CD	0.43%	03/16/15	3,006,473	3,006,473	3,189		3,009,662	3,009,662
Comerica CD	0.29%	08/06/15			1,000,222		1,000,222	1,000,222
Comerica CD	0.29%	08/16/15			2,700,601		2,700,601	2,700,601
Texas Security Bank CD	0.55%	06/21/15	1,002,759	1,002,759	1,360		1,004,119	1,004,119
Comerica CD	0.55%	10/22/15	2,001,839	2,001,839	2,716		2,004,555	2,004,555
Comerica CD	0.56%	02/08/16			1,700,730		1,700,730	1,700,730
TOTAL			\$ 50,425,381	\$ 50,425,381	\$ 9,271,907	\$ (7,166,804)	\$ 52,530,484	\$ 52,530,484

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	December 31, 2013		Qtr to Qtr Change	March 31, 2014	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	04/01/14	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.24%	04/01/14	15,319,248	15,319,248	657,546	15,976,794	15,976,794
Southside Bank MMA	0.19%	04/01/14	2,514,432	2,514,432	2,801,833	5,316,265	5,316,265
Texas Class	0.10%	04/01/14	12,122,812	12,122,812	(3,157,664)	8,965,149	8,965,149
TexPool	0.03%	04/01/14	1,916,247	1,916,247	395,431	2,311,678	2,311,678
Comerica CD	0.27%	02/06/14	2,004,487	2,004,487	(2,004,487)		
Comerica CD	0.28%	03/07/14	2,004,654	2,004,654	(2,004,654)		
Comerica CD	0.29%	04/07/14	2,004,820	2,004,820	1,434	2,006,254	2,006,254
Comerica CD	0.30%	05/07/14	2,004,986	2,004,986	1,484	2,006,470	2,006,470
Comerica CD	0.64%	06/02/14	2,018,209	2,018,209	3,187	2,021,395	2,021,395
Texas Security Bank CD	0.40%	06/21/14	1,002,006	1,002,006	988	1,002,995	1,002,995
Texas Security Bank CD	0.48%	12/21/14	1,002,408	1,002,408	1,186	1,003,594	1,003,594
Comerica CD	0.43%	03/16/15	3,006,473	3,006,473	3,189	3,009,662	3,009,662
Comerica CD	0.29%	08/06/15			1,000,222	1,000,222	1,000,222
Comerica CD	0.29%	08/16/15			2,700,601	2,700,601	2,700,601
Texas Security Bank CD	0.55%	06/21/15	1,002,759	1,002,759	1,360	1,004,119	1,004,119
Comerica CD	0.55%	10/22/15	2,001,839	2,001,839	2,716	2,004,555	2,004,555
Comerica CD	0.56%	02/08/16			1,700,730	1,700,730	1,700,730
TOTAL			\$ 50,425,381	\$ 50,425,381	\$ 2,105,103	\$ 52,530,484	\$ 52,530,484

Allocation
March 31, 2014

Book and Market Value	Totals	Wells Fargo DDA	Wells Fargo MMA	Southside Bank MMA	Texas Class	TexPool	Comerica CD 4/7/14	Comerica CD 5/7/14	Comerica CD 6/2/14
Concentration Fund	\$ 42,949,973	\$ 500,000	\$ 15,976,794	\$ 4,312,902	\$ 3,441,192	\$ 2,269,196	\$ 2,006,254	\$ 2,006,470	\$ 2,021,395
2006 Drainage Improvements	50,397				50,397				
2007 Street Improvements	369,618				369,618				
2009 Street Improvements	2,567,551				2,567,551				
2009 Water CIP CO	1,651,168			1,003,363	647,805				
2011A Heliport CO	50,286				50,286				
2011B CO - Water CIP	1,011,530				1,011,530				
2013 Water-Sewer CIP	3,811,364				800,655				
Corner Theatre - 2011	26,114				26,114				
DPDC Bonds	8,034					8,034			
Health Facilities Corporation	13,082					13,082			
Industrial Development Board	21,367					21,367			
Investment Total	\$ 52,530,484	\$ 500,000	\$ 15,976,794	\$ 5,316,265	\$ 8,965,149	\$ 2,311,678	\$ 2,006,254	\$ 2,006,470	\$ 2,021,395

Allocation
March 31, 2014

Book and Market Value	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	Comerica CD 8/6/15	Comerica CD 8/6/15	Comerica CD 10/22/15	Comerica CD 2/8/16
Concentration Fund	\$ -	\$ -	\$ 3,009,662	\$ -	\$ 1,000,222	\$ 2,700,601	\$ 2,004,555	\$ 1,700,730
2006 Drainage Improvements								
2007 Street Improvements								
2009 Street Improvements								
2009 Water CIP CO								
2011A Heliport CO								
2011B CO - Water CIP								
2013 Water-Sewer CIP	1,002,994.77	1,003,594.43		1,004,119.34				
Corner Theatre - 2011								
DPDC Bonds								
Health Facilities Corporation								
Industrial Development Board								
Investment Total	\$ 1,002,995	\$ 1,003,594	\$ 3,009,662	\$ 1,004,119	\$ 1,000,222	\$ 2,700,601	\$ 2,004,555	\$ 1,700,730

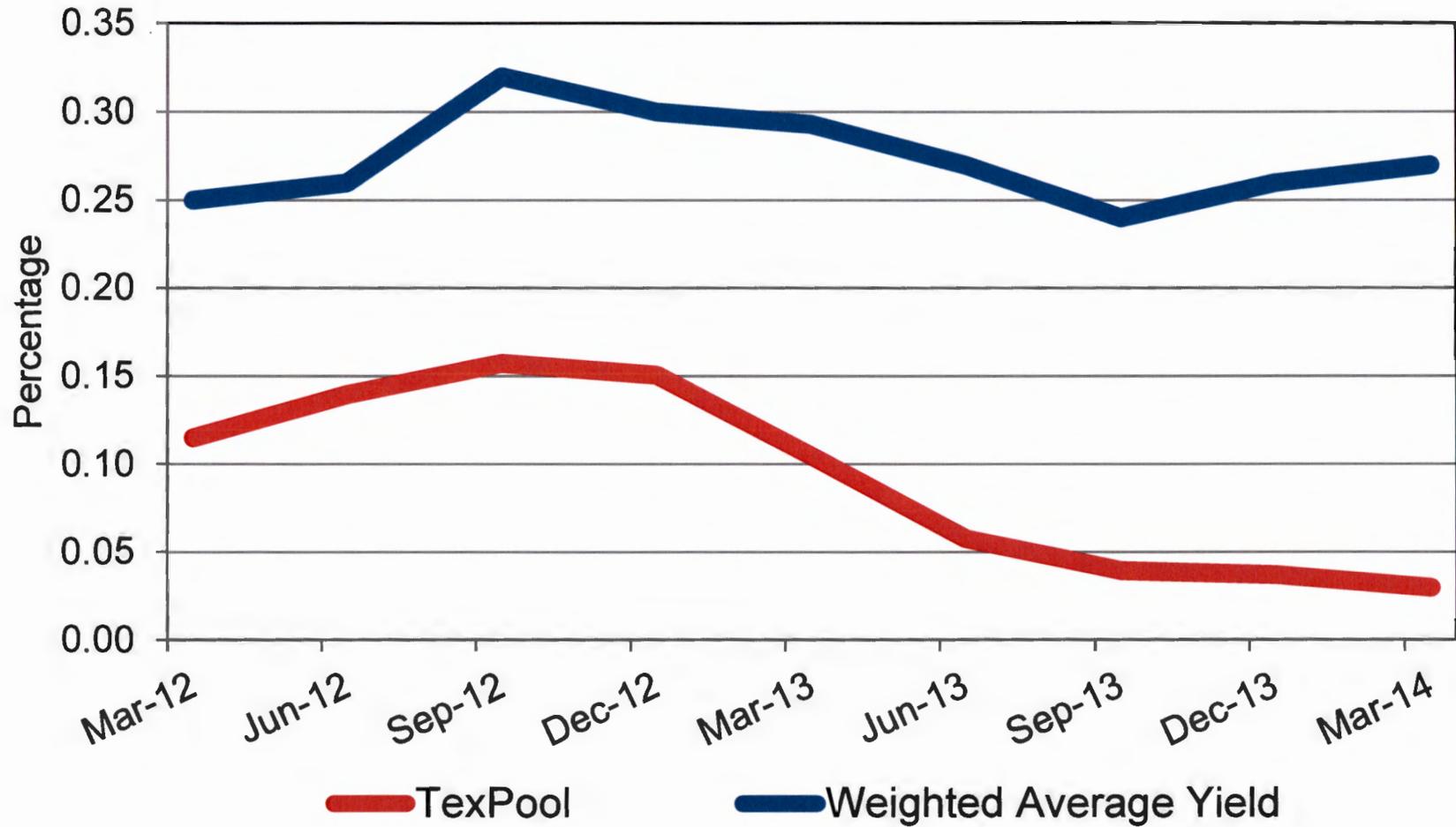
Allocation
December 31, 2013

Book and Market Value	Totals	Wells Fargo DDA	Wells Fargo MMA	Southside Bank MMA	Texas Class	TexPool	Comerica CD 2/6/14	Comerica CD 3/7/14
Concentration Fund	\$ 37,668,026	\$ 500,000	\$ 15,319,248	\$ 1,511,511	\$ 5,419,871	\$ 1,873,768	\$ 2,004,487	\$ 2,004,654
2006 Drainage Improvements	50,386				50,386			
2007 Street Improvements	369,532				369,532			
2008 Street Improvements	305,382				305,382			
2009 Street Improvements	3,316,859				3,316,859			
2009 Water CIP CO	1,650,574			1,002,921	647,653			
2011A Heliport CO	50,274				50,274			
2011B CO - Water CIP	1,011,293				1,011,293			
2013 Water-Sewer CIP	3,807,641				800,467			
Corner Theatre - 2011	151,096				151,096			
DPDC Bonds	8,033					8,033		
Health Facilities Corporation	13,081					13,081		
Industrial Development Board	21,365					21,365		
Investment Total	\$ 48,423,543	\$ 500,000	\$ 15,319,248	\$ 2,514,432	\$ 12,122,812	\$ 1,916,247	\$ 2,004,487	\$ 2,004,654

Allocation
December 31, 2013

Book and Market Value	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	\$ 2,004,820	\$ 2,004,986	\$ 2,018,209	\$ -	\$ -	\$ 3,006,473	\$ -
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				1,002,006.49	1,002,408.02		1,002,759.43
Corner Theatre - 2011							
DPDC Bonds							
Health Facilities Corporation							
Industrial Development Board							
Investment Total	\$ 2,004,820	\$ 2,004,986	\$ 2,018,209	\$ 1,002,006	\$ 1,002,408	\$ 3,006,473	\$ 1,002,759

Total Portfolio Performance



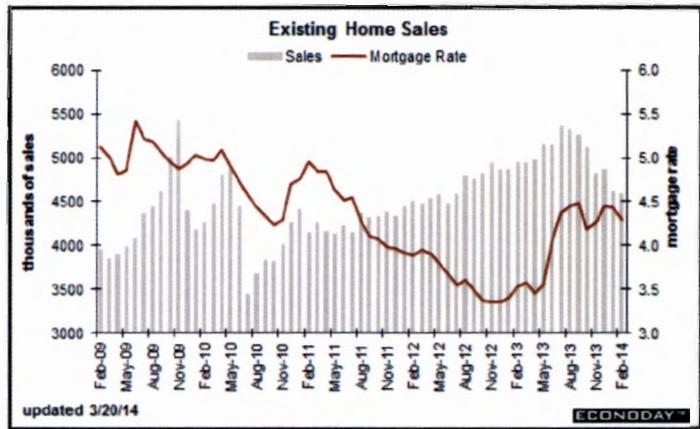
Market Outlook

April 4, 2014

The U.S. started to thaw during March and we should be seeing better economic reports issued during April. Many of the indicators released during March, particularly in the housing sector, still reflected the effects of bitter winter weather. The international standoff with Russia over the Ukraine and Crimea has resulted in increased sanctions for certain Russian officials, but lately the situation has appeared to become less volatile and the market's initial reaction to the crisis has abated. The Federal Open Market Committee (FOMC) Chair, Janet Yellen, stepped into a reporter's trap at the press conference following adjournment of the FOMC meeting and sent the markets on a roller coaster ride for a couple of days until she was able to clarify her statement and alleviate concerns. Despite the volatility, it appears that the economy is still on track for continued improvement.

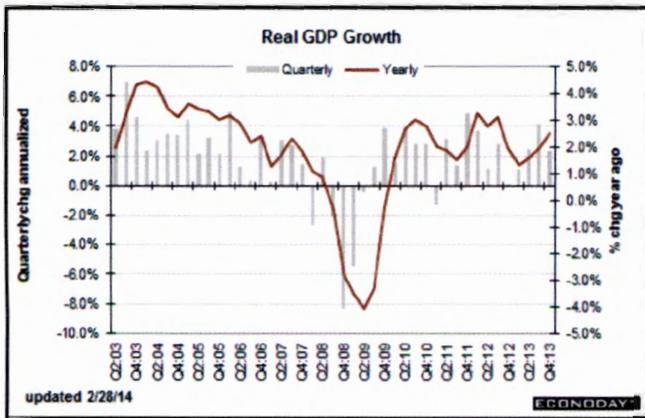
The housing sector was a good example of the impact of a consumer in hibernation. Existing Home Sales saw the steepest year-over-year decline in three years, falling 7.1%. Month-over-month, February sales fell 0.4% from an anemic January result.

Prices of Existing Homes rose 0.6% in February and are 9.1% higher than February 2013. Economists are citing the higher prices and rising mortgage rates as major reasons for the continuing decline in sales. Supply of Existing Homes is currently at 5.2 months, somewhat higher than January's 4.9-month level. After a stellar January (rising 9.6%), New Home Sales declined 3.7% in February and the total of new homes on the market is at the highest level since December 2010. Economists remain somewhat optimistic that much of this supply will be sold during the spring/summer season.



The median price of New Homes rose 0.4% during February after falling 2.2% during January. The Housing Starts report was flat during February, but the Housing Permits report ramped up significantly and is a hopeful sign that builders feel more confident to begin the construction process. The S&P Case-Shiller Report (measuring the home prices for the 20 major metropolitan areas in the U.S.) reported that all of the cities saw higher home prices averaging +0.8% during the month of January.

The production side of the economy was mixed. The Gross Domestic Product (GDP) final report for fourth

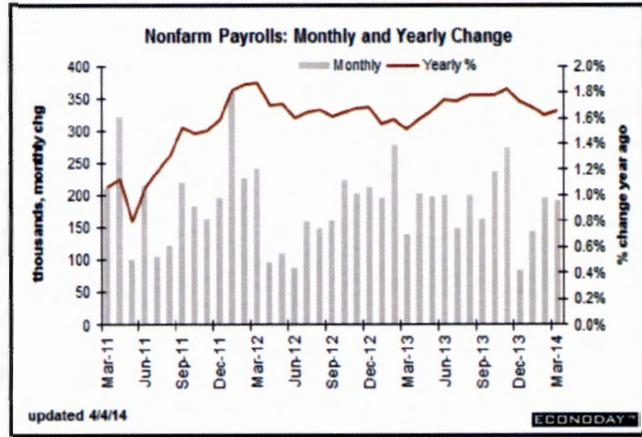


quarter 2013 was released and indicated an increase of 2.6%, an improvement over the advance release of +2.4%. The Business Inventories report for January showed that businesses are still experiencing an unintentional build-up of product that began in late 2013. Despite this situation, Industrial Production, Factory Orders and Durable Goods Orders increased at a healthy pace during February following disappointing results in January. Purchasing Managers in the Manufacturing and Service sectors were both reporting that they were much more optimistic during March. The Producer Price Index (PPI) for goods rose 0.4% and PPI for

services declined by 0.3% in February. The Consumer Price Index (CPI) rose by 0.1% during February.

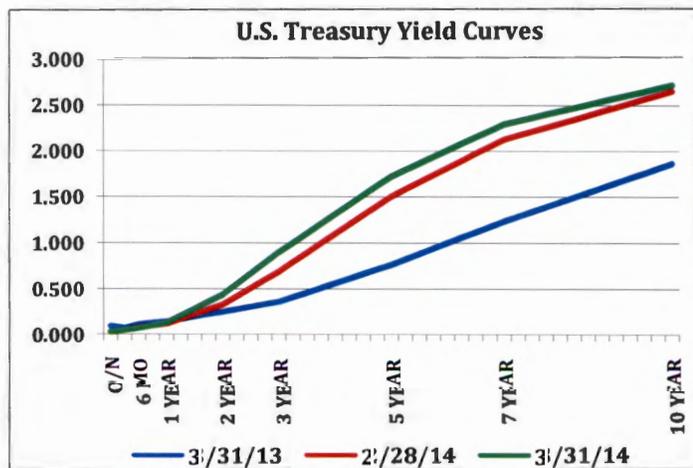
On the consumption front, Retail Sales were greatly improved during February, rising 0.3% following a decline of 0.6% in January. Consumer Sentiment and Consumer Confidence also saw substantial improvement in early March reports, showing that consumers are becoming more comfortable with their financial condition and are more likely to spend. Personal Income and Personal Spending each rose 0.3% during February.

The Employment reports continued to improve in March. The U.S. added 192,000 jobs during March following a creation of 197,000 jobs in February (revised from a previous report of 175,000 added jobs). The January report was also revised upward to 144,000 new jobs from the previously reported addition of 129,000 jobs. The economy needs to add at least 250,000 jobs per month to demonstrate real strength in the recovery. The private sector added 192,000 jobs in March versus the 188,000 jobs added in February but the government sector remained unchanged in March after adding 9,000 jobs in February. The Unemployment Rate remained unchanged at 6.7%.



The FOMC provided the majority of the drama during March despite the fact that the official statement following adjournment of their March 19 – 20 meeting was very similar to releases from previous meetings. Their statement indicated an intent to continue to taper the quantitative easing three (QE3) purchases of U.S. Treasuries/Agencies at the current \$10 billion reduction (\$55 billion in April from \$65 billion in March) and that the Committee members remain concerned about the slow pace of economic improvement. New information provided in the statement was that most of the members felt that the first rate increase for the Federal Funds Rate could occur in 2015 and that they see that rate at 1.00% by the end of 2015. The real drama occurred during Chair Yellen's press conference following the adjournment. During the grilling, reporters had been asking a string of questions about QE3 and when it would end (given the current decrease of \$10 billion per month it should end in six-months). The same reporter followed with a question about Yellen's definition of a "temporary period", a term that is consistently used to define how long the Federal Funds Rate would remain unchanged. She answered the question as six-months (speaking to the QE3 context), but the media leaped on the opportunity to suggest that the Fed Funds Rate would increase in six months and the markets went wild. At her next opportunity in a speech a few days later, she clarified her response and the markets returned to normal.

Current Government Security Investment Pool rates remained low in February, ranging in the +/- 0.02% to +/- 0.03% area. Certificate of Deposit rates have also remained relative unchanged. The one-year CD remained in a range of 0.14% to 0.18%. Fewer banks have been responding back with offers for active solicitations. The yield curve continues to steepen for maturities beyond the 2-year maturity range, which could provide opportunities for higher Agency rates in the future. Strategy for public funds should continue to favor CDs or other collateralized bank products such as money market accounts.



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