



City of DeSoto

QUARTERLY INVESTMENT REPORT

For the Quarter Ended

June 30, 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 five times (\$10 billion each time) to \$35 billion. A continued, orderly tapering is anticipated as long as economic activity remains moderately positive. First quarter 2014 GDP (originally estimated at -1.0%) was revised to -2.9%. Many full year GDP estimates have since been reduced, including the FOMC who reduced theirs to 2.1-2.3%. Employment data remains positive with new payrolls exceeding 288,000 in June, and upward revisions of the previous two months. 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>June 30, 2014</u>		<u>March 31, 2014</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	0.17%	27,961,747	27,961,747	32,569,886	32,569,886
CDs/Securities	0.65%	19,490,225	19,486,733	19,460,598	19,460,598
Totals		\$ 47,951,972	\$ 47,948,480	\$ 52,530,484	\$ 52,530,484

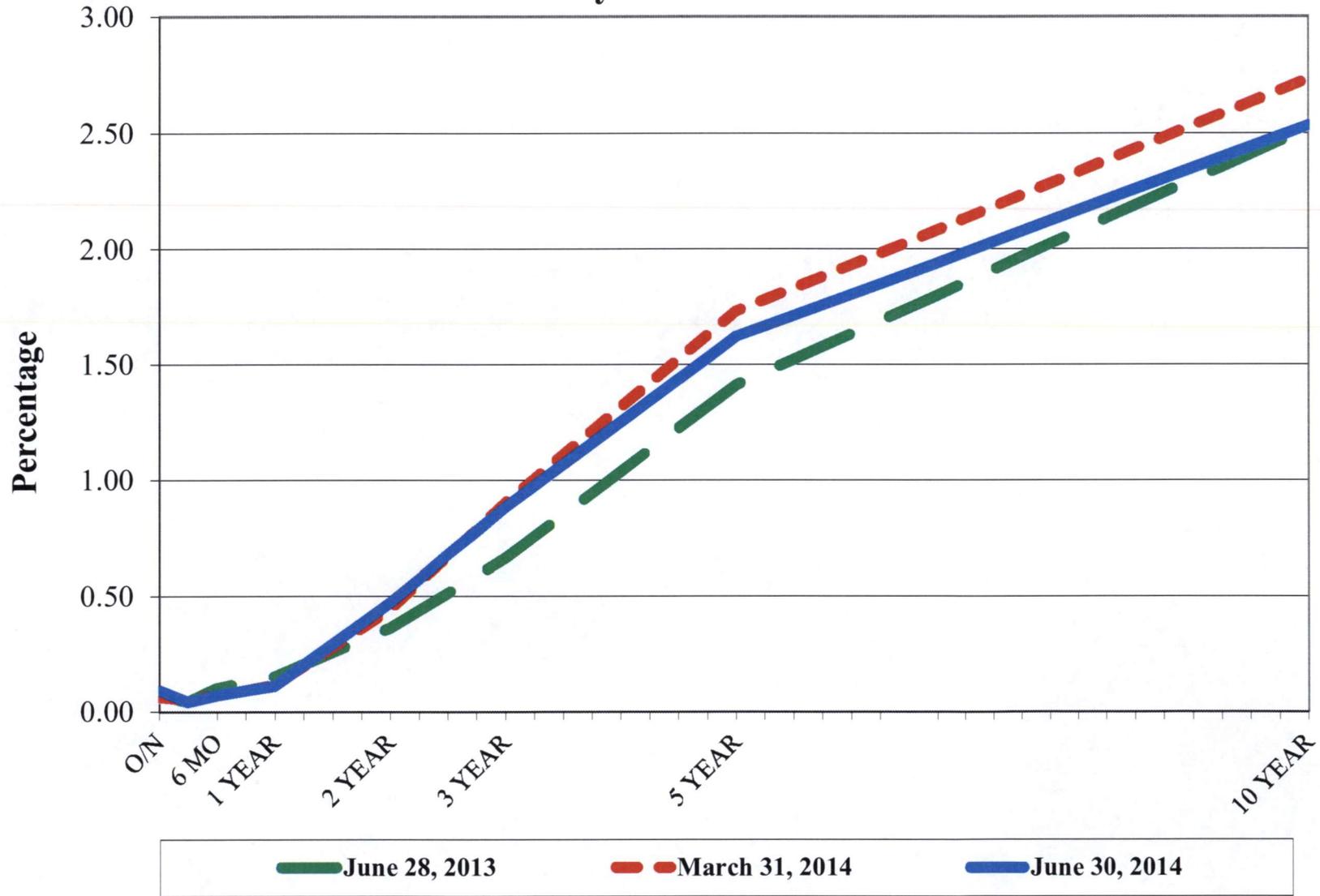
<u>Average Yield (1)</u>		<u>Fiscal Year-to-Date Average Yield (2)</u>	
Total Portfolio	0.36%	Total Portfolio	0.30%
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.05%
Rolling Six Mo. Treas. Yield	0.07%	Rolling Six Mo. Treas. Yield	0.07%
		Quarterly TexPool Yield	0.03%

Quarterly Interest Income \$ 39,664 Approximate
 Year-to-date Interest Income \$ 101,116 Approximate

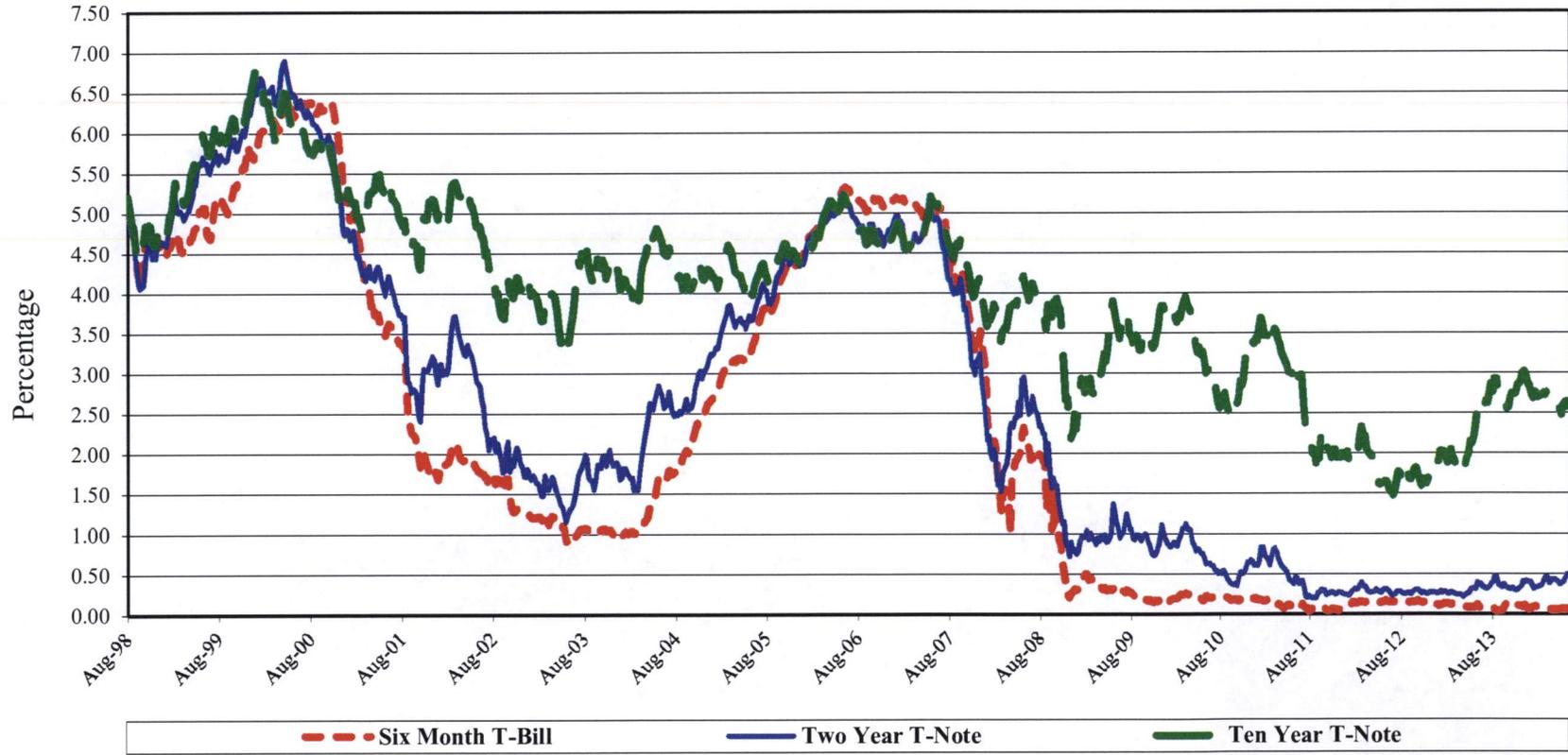
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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.

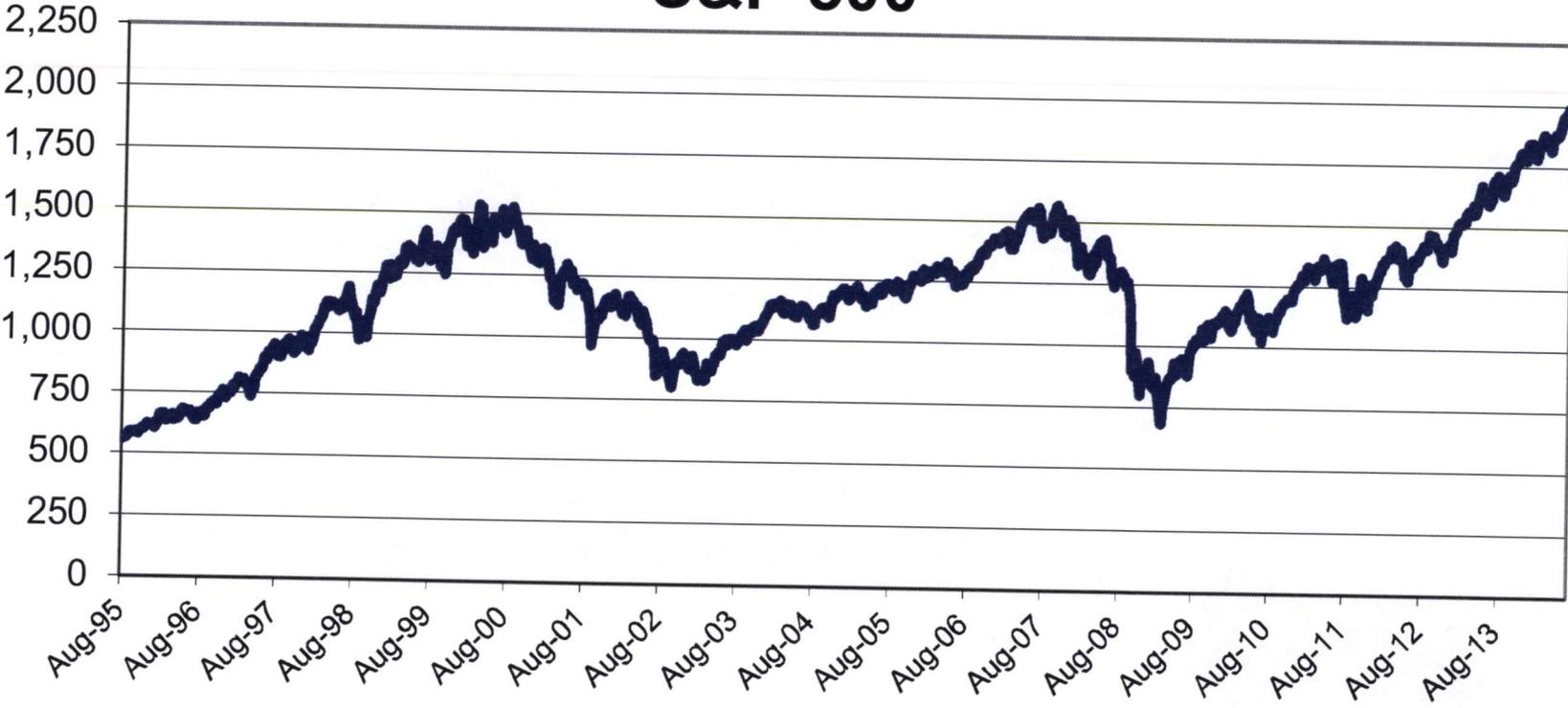
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



Detail of Investment Holdings

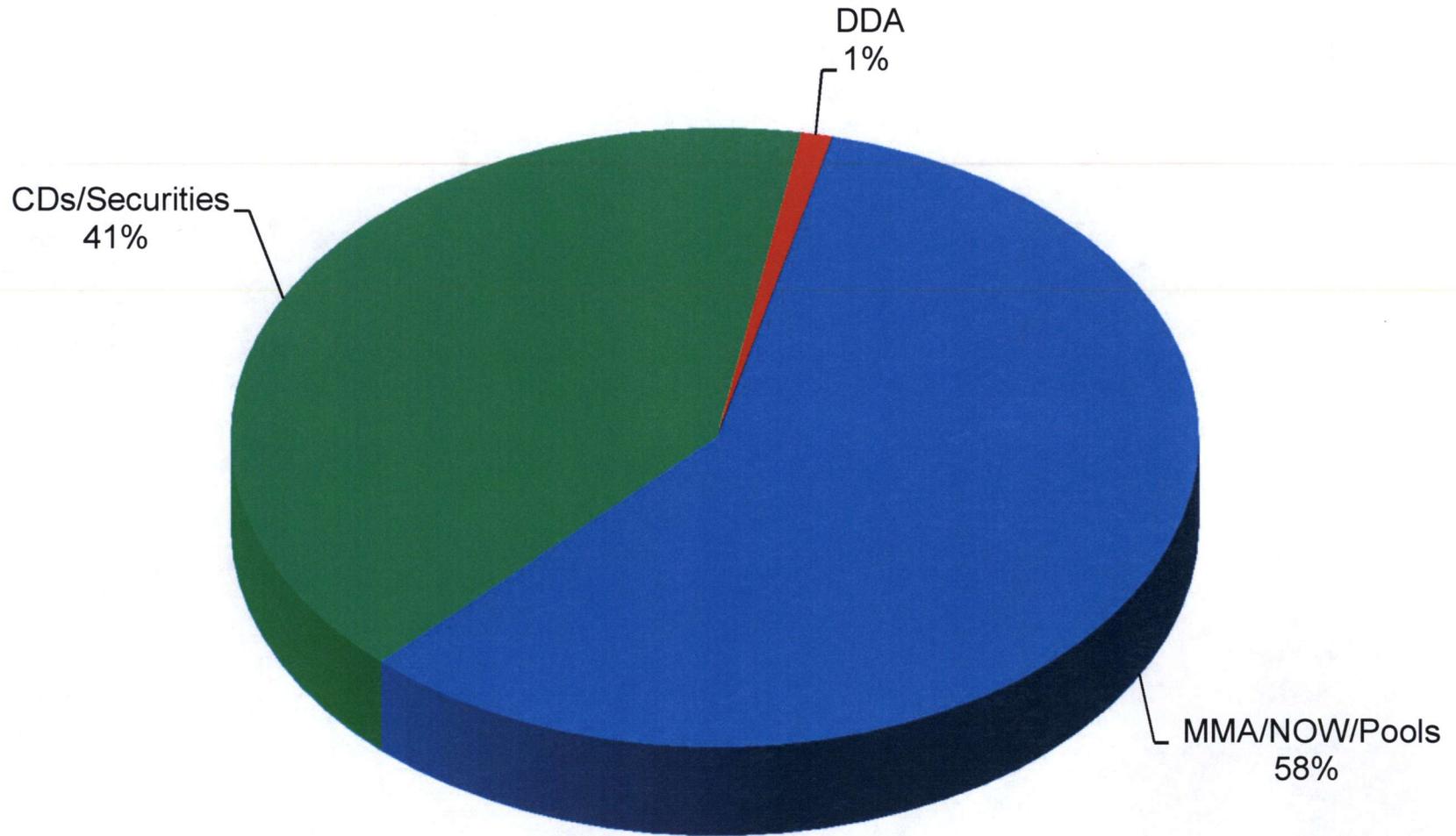
June 30, 2014

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	07/01/14	06/30/14	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.24%	07/01/14	06/30/14	12,504,166	\$ 12,504,166	1	12,504,166	1	0.24%
Southside Bank MMA		0.18%	07/01/14	06/30/14	5,318,635	\$ 5,318,635	1	5,318,635	1	0.18%
Texas Class	AAAm	0.10%	07/01/14	06/30/14	7,827,102	\$ 7,827,102	1	7,827,102	1	0.10%
TexPool	AAAm	0.03%	07/01/14	06/30/14	2,311,844	\$ 2,311,844	1	2,311,844	1	0.03%
Texas Security Bank CD		0.48%	12/21/14	06/21/13	1,004,809	\$ 1,004,809	100	1,004,809	174	0.48%
Comerica CD		0.43%	03/16/15	06/14/13	3,012,925	\$ 3,012,925	100	3,012,925	259	0.43%
Texas Security Bank CD		0.55%	06/21/15	06/21/13	1,005,511	\$ 1,005,511	100	1,005,511	356	0.55%
Comerica CD		0.29%	08/06/15	02/06/14	1,000,954	\$ 1,000,954	100	1,000,954	402	0.29%
Comerica CD		0.29%	08/06/15	02/06/14	2,702,575	\$ 2,702,575	100	2,702,575	402	0.29%
Comerica CD		0.55%	10/22/15	10/22/13	2,007,335	\$ 2,007,335	100	2,007,335	479	0.55%
Comerica CD		0.56%	02/08/16	02/06/14	1,703,132	\$ 1,703,132	100	1,703,132	588	0.56%
Inter National Bank CD		0.63%	05/08/16	05/08/14	500,265	\$ 500,265	100	500,265	678	0.63%
Inter National Bank CD		0.90%	08/08/16	05/08/14	1,000,760	\$ 1,000,760	100	1,000,760	770	0.90%
Inter National Bank CD		0.95%	11/08/16	05/08/14	1,501,210	\$ 1,501,210	100	1,501,210	862	0.95%
Dallas Co Schools - Muni	AA3	1.50%	12/01/16	05/22/14	1,035,000	\$ 1,047,818	101	1,044,325	885	0.98%
Inter National Bank CD		1.05%	02/08/17	05/08/14	2,001,784	\$ 2,001,784	100	2,001,784	954	1.05%
Inter National Bank CD		1.35%	05/08/17	05/08/14	1,001,147	\$ 1,001,147	100	1,001,147	1,043	1.35%
						\$ 47,939,155	\$ 47,951,972	\$ 47,948,480	231	0.36%
									(1)	(2)

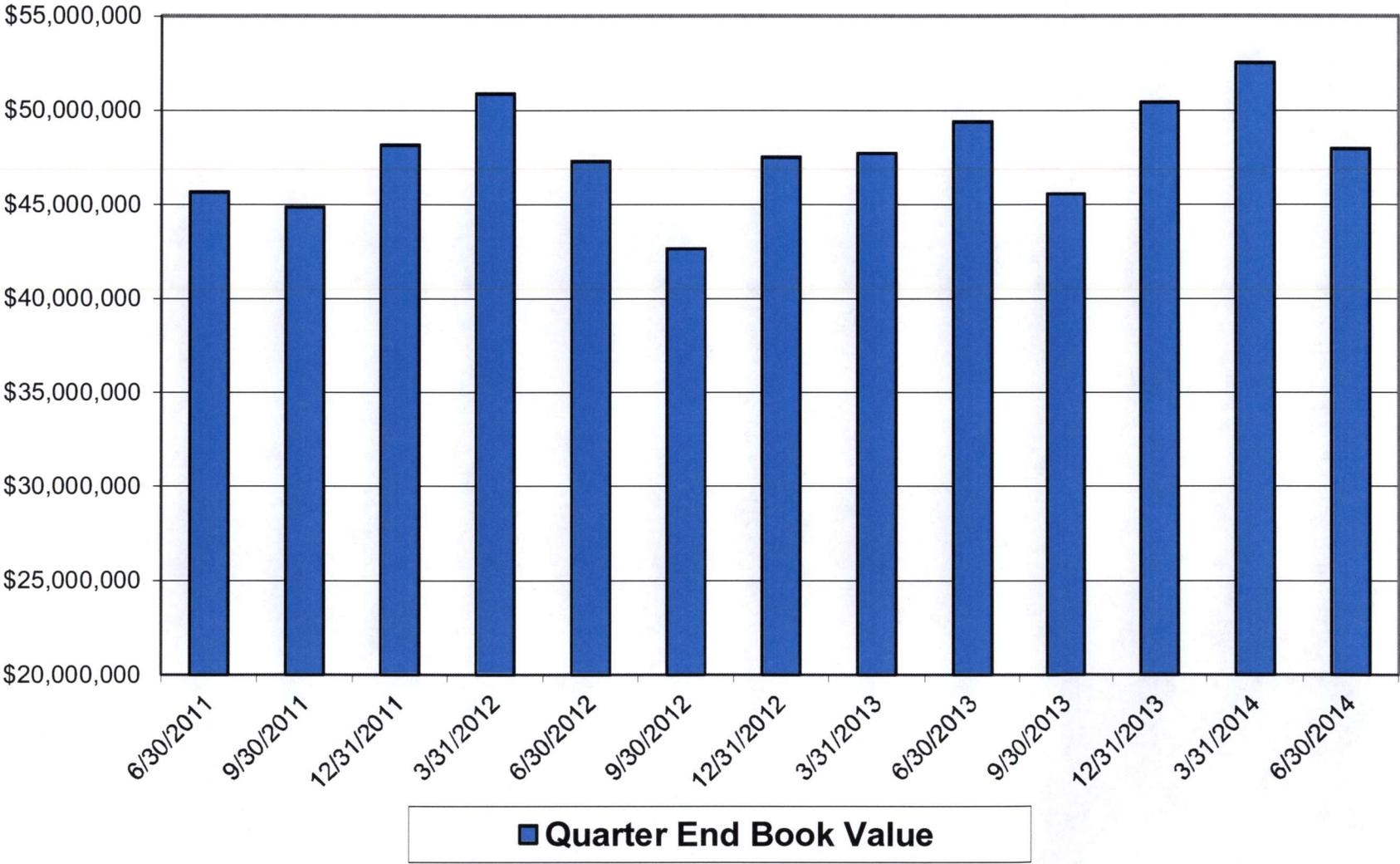
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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, 2014			June 30, 2014		
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	Par Value	Book Value
Wells Fargo DDA	0.00%	07/01/14	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.24%	07/01/14	15,976,794	15,976,794		(3,472,628)	12,504,166	12,504,166
Southside Bank MMA	0.19%	07/01/14	5,316,265	5,316,265	2,370		5,318,635	5,318,635
Texas Class	0.10%	07/01/14	8,965,149	8,965,149		(1,138,047)	7,827,102	7,827,102
TexPool	0.03%	07/01/14	2,311,678	2,311,678	166		2,311,844	2,311,844
Comerica CD	0.29%	04/07/14	2,006,254	2,006,254		(2,006,254)		
Comerica CD	0.30%	05/07/14	2,006,470	2,006,470		(2,006,470)		
Comerica CD	0.64%	06/02/14	2,021,395	2,021,395		(2,021,395)		
Texas Security Bank CD	0.40%	06/21/14	1,002,995	1,002,995		(1,002,995)		
Texas Security Bank CD	0.48%	12/21/14	1,003,594	1,003,594	1,214		1,004,809	1,004,809
Comerica CD	0.43%	03/16/15	3,009,662	3,009,662	3,263		3,012,925	3,012,925
Texas Security Bank CD	0.55%	06/21/15	1,004,119	1,004,119	1,392		1,005,511	1,005,511
Comerica CD	0.29%	08/06/15	1,000,222	1,000,222	731		1,000,954	1,000,954
Comerica CD	0.29%	08/06/15	2,700,601	2,700,601	1,975		2,702,575	2,702,575
Comerica CD	0.55%	10/22/15	2,004,555	2,004,555	2,780		2,007,335	2,007,335
Comerica CD	0.56%	02/08/16	1,700,730	1,700,730	2,402		1,703,132	1,703,132
Inter National Bank CD	0.63%	05/08/16			500,265		500,265	500,265
Inter National Bank CD	0.90%	08/08/16			1,000,760		1,000,760	1,000,760
Inter National Bank CD	0.95%	11/08/16			1,501,210		1,501,210	1,501,210
Dallas Co Schools - Muni	1.50%	12/01/16			1,047,818		1,035,000	1,047,818
Inter National Bank CD	1.05%	02/08/17			2,001,784		2,001,784	2,001,784
Inter National Bank CD	1.35%	05/08/17			1,001,147		1,001,147	1,001,147
TOTAL			\$ 52,530,484	\$ 52,530,484	\$ 7,069,277	\$ (11,647,789)	\$ 47,939,155	\$ 47,951,972

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2014		Qtr to Qtr Change	June 30, 2014	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	07/01/14	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.24%	07/01/14	15,976,794	15,976,794	(3,472,628)	12,504,166	12,504,166
Southside Bank MMA	0.19%	07/01/14	5,316,265	5,316,265	2,370	5,318,635	5,318,635
Texas Class	0.10%	07/01/14	8,965,149	8,965,149	(1,138,047)	7,827,102	7,827,102
TexPool	0.03%	07/01/14	2,311,678	2,311,678	166	2,311,844	2,311,844
Comerica CD	0.29%	04/07/14	2,006,254	2,006,254	(2,006,254)		
Comerica CD	0.30%	05/07/14	2,006,470	2,006,470	(2,006,470)		
Comerica CD	0.64%	06/02/14	2,021,395	2,021,395	(2,021,395)		
Texas Security Bank CD	0.40%	06/21/14	1,002,995	1,002,995	(1,002,995)		
Texas Security Bank CD	0.48%	12/21/14	1,003,594	1,003,594	1,214	1,004,809	1,004,809
Comerica CD	0.43%	03/16/15	3,009,662	3,009,662	3,263	3,012,925	3,012,925
Texas Security Bank CD	0.55%	06/21/15	1,004,119	1,004,119	1,392	1,005,511	1,005,511
Comerica CD	0.29%	08/06/15	1,000,222	1,000,222	731	1,000,954	1,000,954
Comerica CD	0.29%	08/06/15	2,700,601	2,700,601	1,975	2,702,575	2,702,575
Comerica CD	0.55%	10/22/15	2,004,555	2,004,555	2,780	2,007,335	2,007,335
Comerica CD	0.56%	02/08/16	1,700,730	1,700,730	2,402	1,703,132	1,703,132
Inter National Bank CD	0.63%	05/08/16			500,265	500,265	500,265
Inter National Bank CD	0.90%	08/08/16			1,000,760	1,000,760	1,000,760
Inter National Bank CD	0.95%	11/08/16			1,501,210	1,501,210	1,501,210
Dallas Co Schools - Muni	1.50%	12/01/16			1,044,325	1,035,000	1,044,325
Inter National Bank CD	1.05%	02/08/17			2,001,784	2,001,784	2,001,784
Inter National Bank CD	1.35%	05/08/17			1,001,147	1,001,147	1,001,147
TOTAL			\$ 52,530,484	\$ 52,530,484	\$ (4,582,004)	\$ 47,939,155	\$ 47,948,480

Book Value
June 30, 2014

	Total	Concentration Fund	2006 Drainage Improvements	2007 Street Improvements	2009 Street Improvements	2009 Water CIP CO	2011B CO - Water CIP	2013 Water-Sewer CIP
Wells Fargo DDA	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA	12,504,166	12,504,166						
Southside Bank MMA	5,318,635	4,314,825				1,003,810		
Texas Class	7,827,102	3,852,371	50,409	369,706	1,067,921	647,959	1,011,771	800,845
TexPool	2,311,844	2,269,358						
12/21/14	1,004,809							1,004,809
03/16/15	3,012,925	3,012,925						
06/21/15	1,005,511							1,005,511
08/06/15	1,000,954	1,000,954						
08/06/15	2,702,575	2,702,575						
10/22/15	2,007,335	2,007,335						
02/08/16	1,703,132	1,703,132						
05/08/16	500,265	500,265						
08/08/16	1,000,760	1,000,760						
11/08/16	1,501,210	1,501,210						
12/01/16	1,047,818	1,047,818						
02/08/17	2,001,784	2,001,784						
05/08/17	1,001,147	1,001,147						
Total	\$ 47,951,972	\$ 40,920,625	\$ 50,409	\$ 369,706	\$ 1,067,921	\$ 1,651,769	\$ 1,011,771	\$ 2,811,165

Book Value
June 30, 2014

	Comer Theatre - 2011	DPDC Bonds	Health Facilities Corporation	Industrial Development Board
Wells Fargo DDA	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA				
Southside Bank MMA				
Texas Class	26,120			
TexPool		8,035	13,083	21,368
12/21/14				
03/16/15				
06/21/15				
08/06/15				
08/06/15				
10/22/15				
02/08/16				
05/08/16				
08/08/16				
11/08/16				
12/01/16				
02/08/17				
05/08/17				
Total	\$ 26,120	\$ 8,035	\$ 13,083	\$ 21,368

**Market Value
June 30, 2014**

	Total	Concentration Fund	2006 Drainage Improvements	2007 Street Improvements	2009 Street Improvements	2009 Water CIP CO	2011B CO - Water CIP	2013 Water- Sewer CIP
Wells Fargo DDA	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA	12,504,166	12,504,166						
Southside Bank MMA	5,318,635	4,314,825				1,003,810		
Texas Class	7,827,102	3,852,371	50,409	369,706	1,067,921	647,959	1,011,771	800,845
TexPool	2,311,844	2,269,358						
12/21/14	1,004,809							1,004,809
03/16/15	3,012,925	3,012,925						
06/21/15	1,005,511							1,005,511
08/06/15	1,000,954	1,000,954						
08/06/15	2,702,575	2,702,575						
10/22/15	2,007,335	2,007,335						
02/08/16	1,703,132	1,703,132						
05/08/16	500,265	500,265						
08/08/16	1,000,760	1,000,760						
11/08/16	1,501,210	1,501,210						
12/01/16	1,044,325	1,044,325						
02/08/17	2,001,784	2,001,784						
05/08/17	1,001,147	1,001,147						
Total	\$ 47,948,480	\$ 40,917,133	\$ 50,409	\$ 369,706	\$ 1,067,921	\$ 1,651,769	\$ 1,011,771	\$ 2,811,165

**Market Value
June 30, 2014**

	Corner Theatre - 2011	DPDC Bonds	Health Facilities Corporation	Industrial Development Board
Wells Fargo DDA	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA				
Southside Bank MMA				
Texas Class	26,120			
TexPool		8,035	13,083	21,368
12/21/14				
03/16/15				
06/21/15				
08/06/15				
08/06/15				
10/22/15				
02/08/16				
05/08/16				
08/08/16				
11/08/16				
12/01/16				
02/08/17				
05/08/17				
Total	\$ 26,120	\$ 8,035	\$ 13,083	\$ 21,368

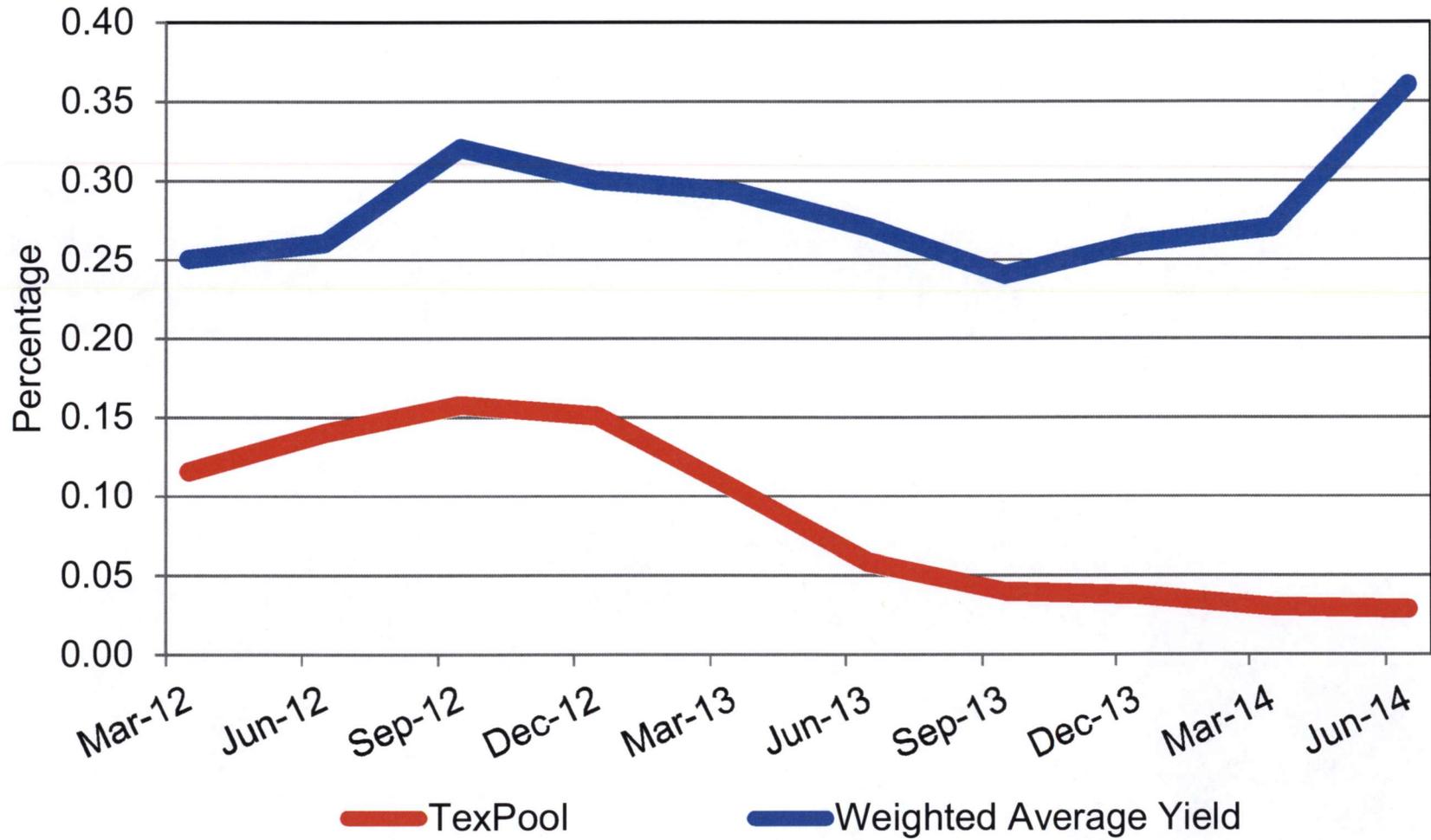
Allocation
March 31, 2014

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

Total Portfolio Performance



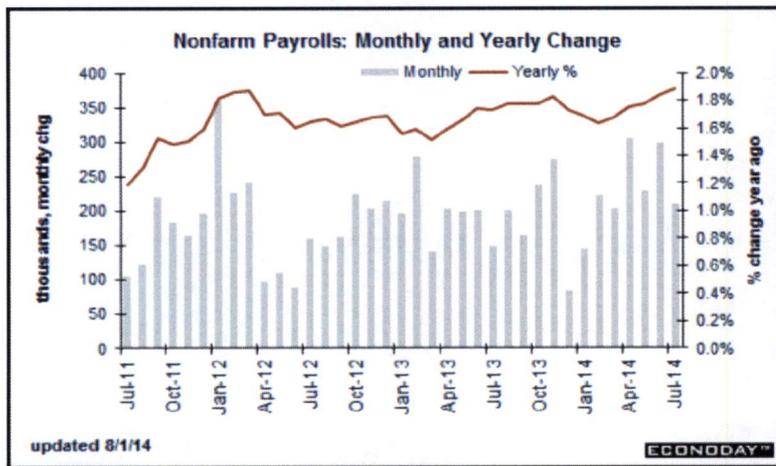


Market Outlook

August 1, 2014

The economic picture whipsawed a bit at the end of July as it reacted to global and domestic forces. The domestic housing sector dimmed a bit according to reports released during the month and the employment reports fell short of hyped expectations. Globally, the U.S. and Europe ramped up economic sanctions on Russia in response to Russia's continued aggression towards the Ukraine and implications of their complicity in the downing of flight MH17, a passenger plane carrying 298 civilians. The repercussions of these sanctions will also be impactful on the European economy, which is still suffering, because of their reliance upon Russian oil. In other regions, Argentina defaulted on a debt payment and Portugal faced problems in their banking system. As long as our trading partners are continuing to face headwinds, the U.S. economy may not have the robust growth that the market has been anticipating.

The Employment reports were expected to be in the +230,000 to +250,000 range, but instead the reports



indicated that 209,000 jobs were added in July. This followed additions of 298,000 in June and 209,000 jobs added in May. The results of June and May were adjusted upward from the previously reported +288,000 and +204,000, respectively. The private sector added 198,000 new positions and the government sector added 11,000. The Unemployment rate increased to 6.2% from June's rate of 6.1%. The report also indicated that there has been no growth in the average hourly earnings rate, one of the

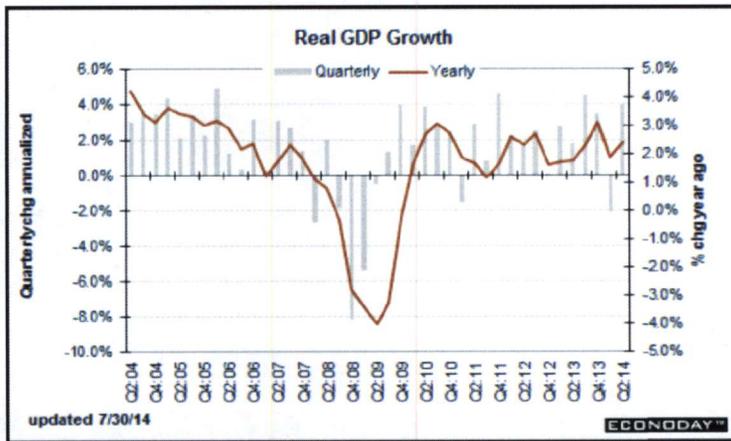
indicators that the Chair of the Federal Open Market Committee (FOMC), Janet Yellen, cited in her recent testimony before Congressional committees as being an important sign of economic growth.

The housing sector was disappointing this month, especially after displaying favorable indications last month. Existing Home Sales increased 2.6% in June following a 5.4% increase in May. The increase represents the third straight month of monthly improvement. All cash deals represented a third of all sales, implicating that investors rather than mainstream consumers still make up a material part of the purchases. The median price of Existing Homes sold declined by 5.3%, reversing a long string of reports of rising prices. The supply of Existing Homes fell to 5.5 months in June compared to a 5.6-month supply in May. New Home Sales fell 14.5% after surging a reported 18.6% in May. A significant negative adjustment was made to the May number, which lowered the number of units sold to 475,000 versus the previously reported 504,000. There was no explanation in the release about what may have caused the unusually large restatement. All geographic locations



across the country had declines in new home sales, and supply rose to 5.8 months from 5.4 months in May. S&P Case Shiller, a recognized evaluator of home values, showed a decline of 0.3% in May and also reported that 14 of the 20 major U.S. cities that they include in their survey experienced lower home values. The decline was the first negative number in this report since January 2012.

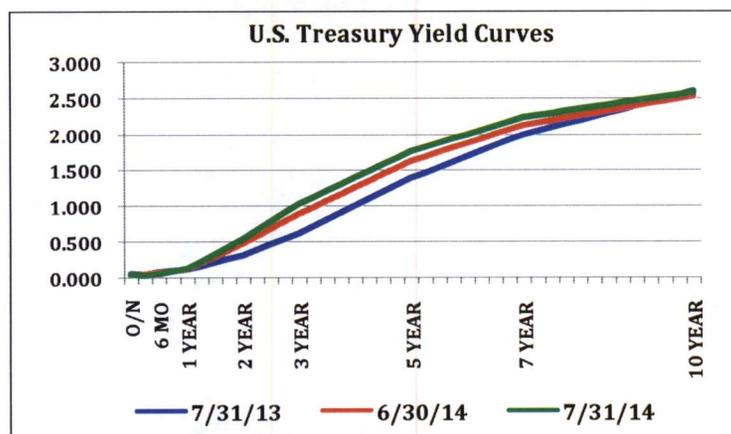
The production side of the economy was improved. The final report for Gross Domestic Product (GDP) for the first quarter was adjusted to show a decline of 2.1% versus the previously reported decline of 2.9%. The GDP advance report for the second quarter came in at +4.0%, a dramatic turnaround from first quarter results. The Durable Goods Orders rebounded in June, rising 0.7% after a decline of 1.0% in May. The Industrial Production report was up 0.2% in June following a rise of 0.4% in May. Business Inventories rose 0.5% in May and continue to be balanced favorably with sales increases. The Producer Price Index (PPI) rose 0.4% in June after falling 0.2% in May. The Consumer Price Index (CPI) rose by 0.3% during June following a 0.4% rise in May.



On the consumption front, Retail Sales improved 0.2% in June following an increase of 0.5% in May. If not for declines in auto sales, however, the Retail Sales number would have been closer to the market's expectations of +0.6%. Auto sales had been very robust over the past few months, so it may be that consumers' appetites for vehicles are slowing down to a more normal range. The Consumer Sentiment report slipped moderately in July, but the Consumer Confidence measurement showed a sharp increase during the same period. As we approach the late summer, it will be important to witness strong consumer spending during the back-to-school season to validate a confident consumer attitude.

The Chair of the FOMC, Janet Yellen, testified before Congressional Committees mid-month and expressed her outlook on the Fed's strategy. During questioning, Ms. Yellen mentioned her interest in seeing an increase in the average hourly earnings rate in addition to seeing a decrease in the unemployment rate. This statement brought a closer focus on that particular component of the Employment Report. The FOMC met on July 29th and 30th. Their statement released upon adjournment announced that they would continue to decrease the Quantitative Easing Three (QE3) program by \$10 billion each month. This would put the wind-down of QE3 to occur in September of this year. Otherwise the release was consistent with previous statements.

Current Government Security Investment Pool rates stayed low in July, ranging in the +/- 0.02% to +/- 0.08% area. Certificate of Deposit rates have improved in the 2-year and longer maturity sector. The one-year CD remained in a range of 0.20% to 0.30% in July, the same as in June. Strategy for public funds should continue to favor CDs or other collateralized bank products such as money market accounts.



Disclaimer: This material, based on data believed to be reliable, but not independently verified, is not intended to constitute an offer, solicitation or recommendation regarding any securities transaction or a guarantee of market conditions and is for informational purposes only. For use by the intended recipient only.