



*City of DeSoto*

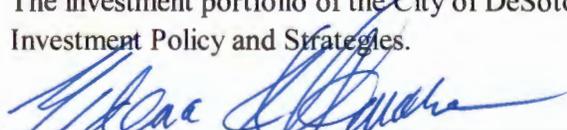
## QUARTERLY INVESTMENT REPORT

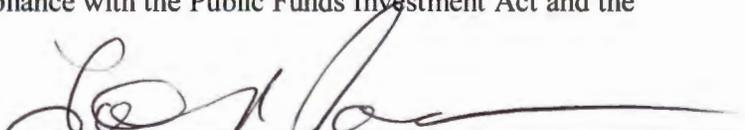
**For the Quarter Ended**

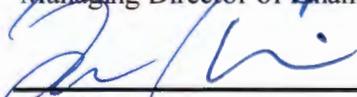
**September 30, 2014**

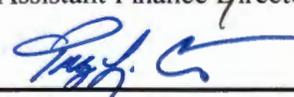
**Prepared by  
Valley View Consulting, L.L.C.**

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

  
\_\_\_\_\_  
Assistant Finance Director

  
\_\_\_\_\_  
City Manager

  
\_\_\_\_\_  
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.

## City of DeSoto, Texas Annual Comparison of Portfolio Performance

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 systematically tapered Quantitative Easing (QE3) from \$85 billion per month to \$15 billion. Although the target unemployment rate below 6.5% was achieved, the FOMC is still concerned with broader employment weaknesses. Inflation is still below the 2.0% and 2.5% target, allowing additional flexibility. Overall US economic activity remains low to moderate with average annual GDP 2.0% to 3.0%. The US stock markets maintained their bullish tone, pushing to new highs. International economic underperformance and military conflict casts uncertainty and have resulted in some late stock market and interest rate decreases. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity, although government securities may become more attractive.

### FYE Results by Investment Category:

<u>Asset Type</u>	<u>September 30, 2014</u>			<u>September 30, 2013</u>			
	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	
DDA	0.00%	\$ 500,000	\$ 500,000	0.00%	\$ 500,000	\$ 500,000	
MMA/NOW	0.21%	14,549,502	14,549,502	0.21%	14,230,842	14,230,842	
Pools	0.08%	9,648,555	9,648,555	0.08%	13,797,873	13,797,873	
CDs/Securities	0.65%	19,518,024	19,514,240	0.39%	17,038,686	17,038,686	
<b>Totals</b>		<b>\$ 44,216,082</b>	<b>\$ 44,212,297</b>		<b>\$ 45,567,401</b>	<b>\$ 45,567,401</b>	
				<u>2014</u>	<u>2013</u>	<u>Change</u>	
				Total Portfolio Average Yield (1)	0.32%	0.28%	0.04%
				Rolling Three Mo. Treas. Yield	0.04%	0.07%	-0.02%
				Rolling Six Mo. Treas. Yield	0.07%	0.11%	-0.04%
				Quarterly TexPool Yield	0.03%	0.09%	-0.06%

(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.

**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 tapering the Quantitative Easing (QE3) program to \$15 billion per month. Tapering is anticipated to eliminate the program in October. Second quarter 2014 GDP was a strong 4.6% and first quarter was revised up to (2.1%). Employment data remains key as the FOMC focuses on wage growth, under-employment and overall participation. The US stock markets again touched new highs, but have recently retrenched. International economical and political struggles weigh on US interest rates. 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>September 30, 2014</u>		<u>June 30, 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	0.21%	14,549,502	14,549,502	17,822,801	17,822,801
Pools	0.08%	9,648,555	9,648,555	10,138,946	10,138,946
CDs/Securities	0.65%	19,518,024	19,514,240	19,490,225	19,486,733
<b>Totals</b>		<b>\$ 44,216,082</b>	<b>\$ 44,212,297</b>	<b>\$ 47,951,972</b>	<b>\$ 47,948,480</b>

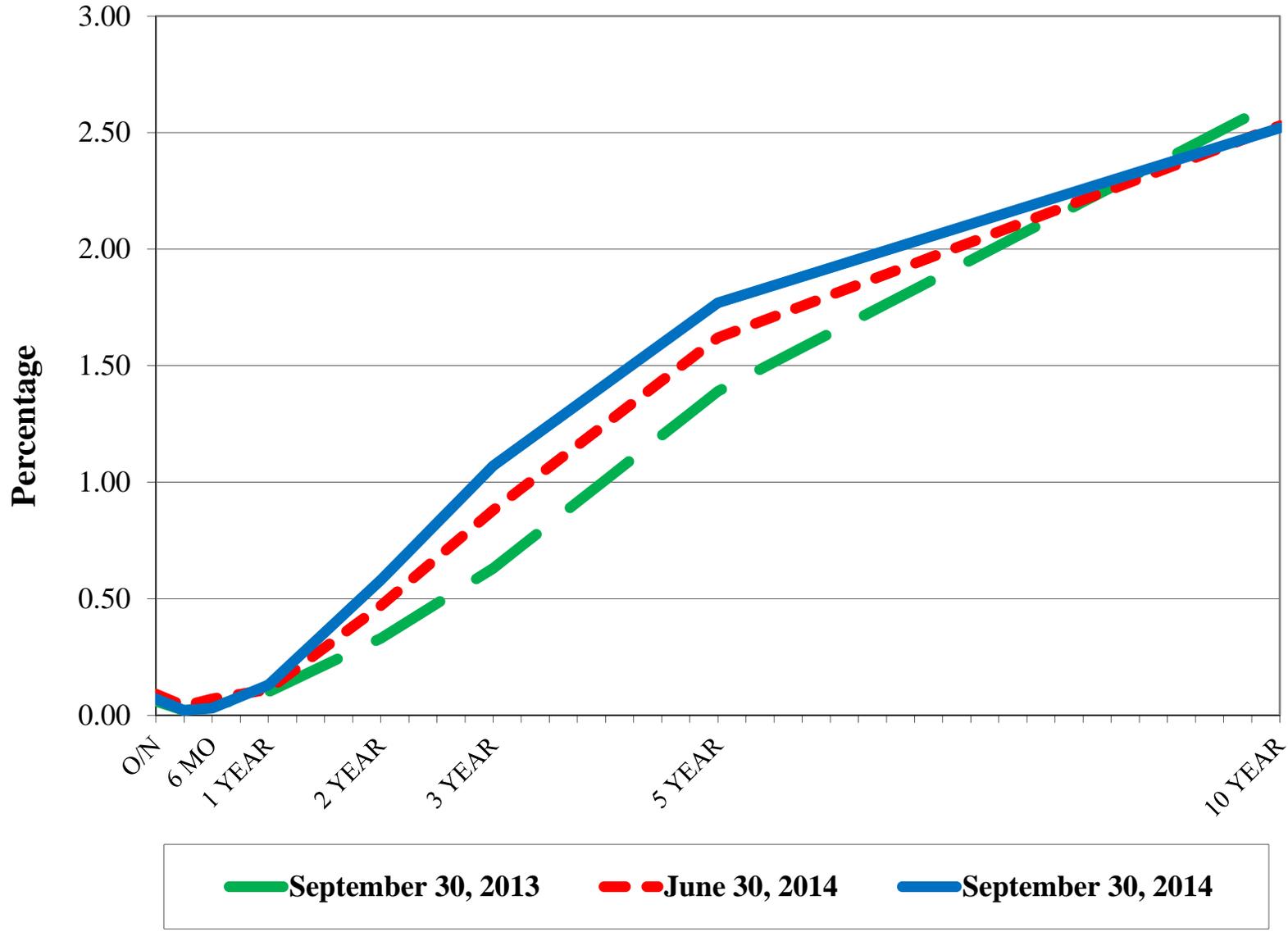
Average Yield (1)		Fiscal Year-to-Date Average Yield (2)	
Total Portfolio	0.37%	Total Portfolio	0.32%
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.04%
Rolling Six Mo. Treas. Yield	0.05%	Rolling Six Mo. Treas. Yield	0.07%
		Quarterly TexPool Yield	0.03%

Quarterly Interest Income \$ 42,422 Approximate  
 Year-to-date Interest Income \$ 143,538 Approximate

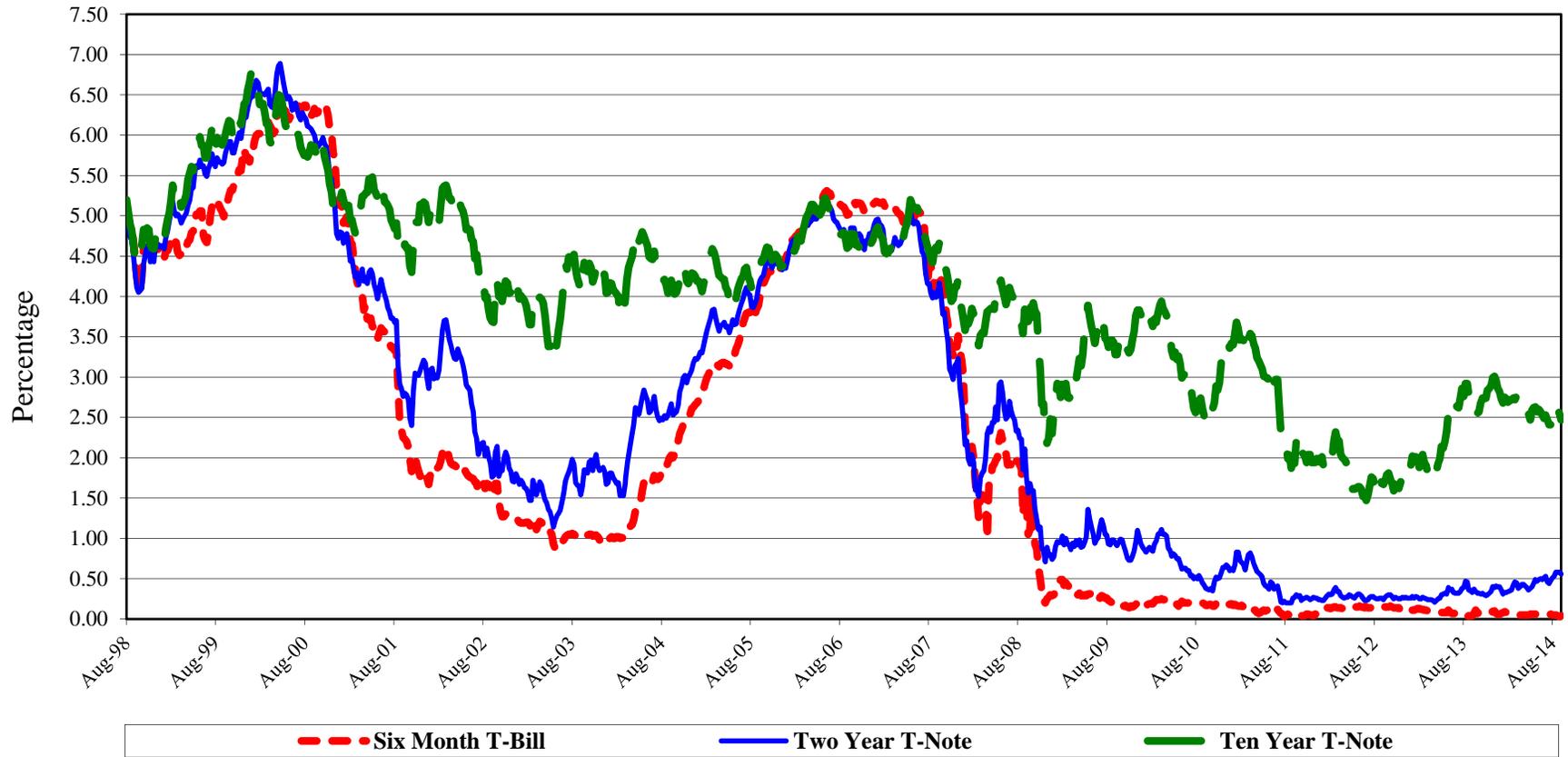
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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



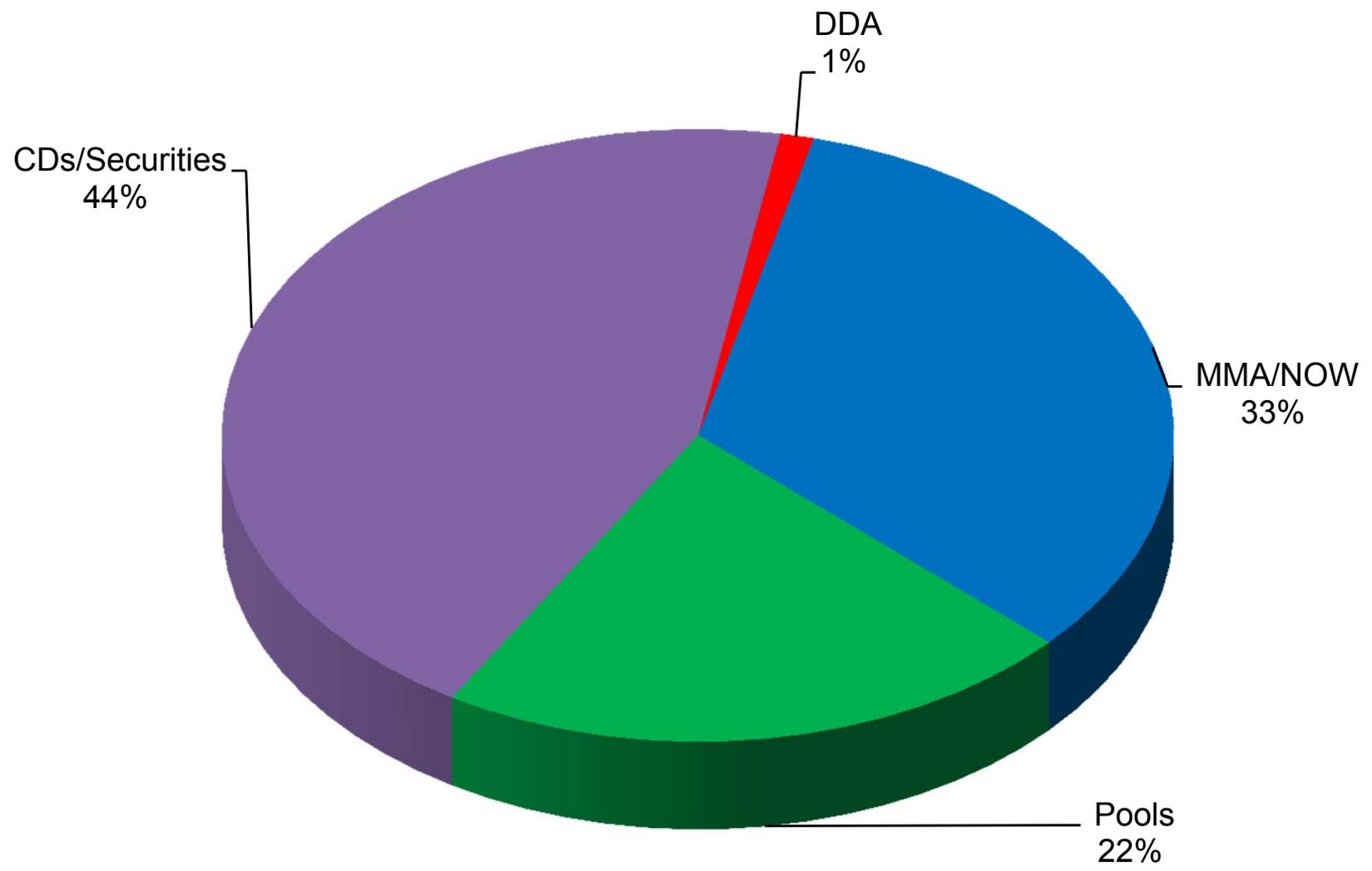
## Detail of Investment Holdings September 30, 2014

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	10/01/14	09/30/14	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.22%	10/01/14	09/30/14	9,228,410	\$ 9,228,410	1	9,228,410	1	0.22%
Southside Bank MMA		0.18%	10/01/14	09/30/14	5,321,092	\$ 5,321,092	1	5,321,092	1	0.18%
Texas Class	AAAm	0.10%	10/01/14	09/30/14	7,076,877	\$ 7,076,877	1	7,076,877	1	0.10%
TexPool	AAAm	0.03%	10/01/14	09/30/14	2,571,679	\$ 2,571,679	1	2,571,679	1	0.03%
Texas Security Bank CD		0.48%	12/21/14	06/21/13	1,006,024	\$ 1,006,024	100	1,006,024	82	0.48%
Comerica CD		0.43%	03/16/15	06/14/13	3,016,192	\$ 3,016,192	100	3,016,192	167	0.43%
Texas Security Bank CD		0.55%	06/21/15	06/21/13	1,006,905	\$ 1,006,905	100	1,006,905	264	0.55%
Comerica CD		0.29%	08/06/15	02/06/14	1,001,686	\$ 1,001,686	100	1,001,686	310	0.29%
Comerica CD		0.29%	08/06/15	02/06/14	2,704,551	\$ 2,704,551	100	2,704,551	310	0.29%
Comerica CD		0.55%	10/22/15	10/22/13	2,010,119	\$ 2,010,119	100	2,010,119	387	0.55%
Comerica CD		0.56%	02/08/16	02/06/14	1,705,537	\$ 1,705,537	100	1,705,537	496	0.56%
Inter National Bank CD		0.63%	05/08/16	05/08/14	501,054	\$ 501,054	100	501,054	586	0.63%
Inter National Bank CD		0.90%	08/08/16	05/08/14	1,003,019	\$ 1,003,019	100	1,003,019	678	0.90%
Inter National Bank CD		0.95%	11/08/16	05/08/14	1,504,808	\$ 1,504,808	100	1,504,808	770	0.95%
Dallas Co Schools - Muni	Aa3	1.50%	12/01/16	05/22/14	1,035,000	\$ 1,046,485	101	1,042,700	793	0.98%
Inter National Bank CD		1.05%	02/08/17	05/08/14	2,007,086	\$ 2,007,086	100	2,007,086	862	1.05%
Inter National Bank CD		1.35%	05/08/17	05/08/14	1,004,557	\$ 1,004,557	100	1,004,557	951	1.35%
						<b>\$ 44,204,596</b>	<b>\$ 44,216,082</b>	<b>\$ 44,212,297</b>	<b>210</b>	<b>0.37%</b>
									<b>(1)</b>	<b>(2)</b>

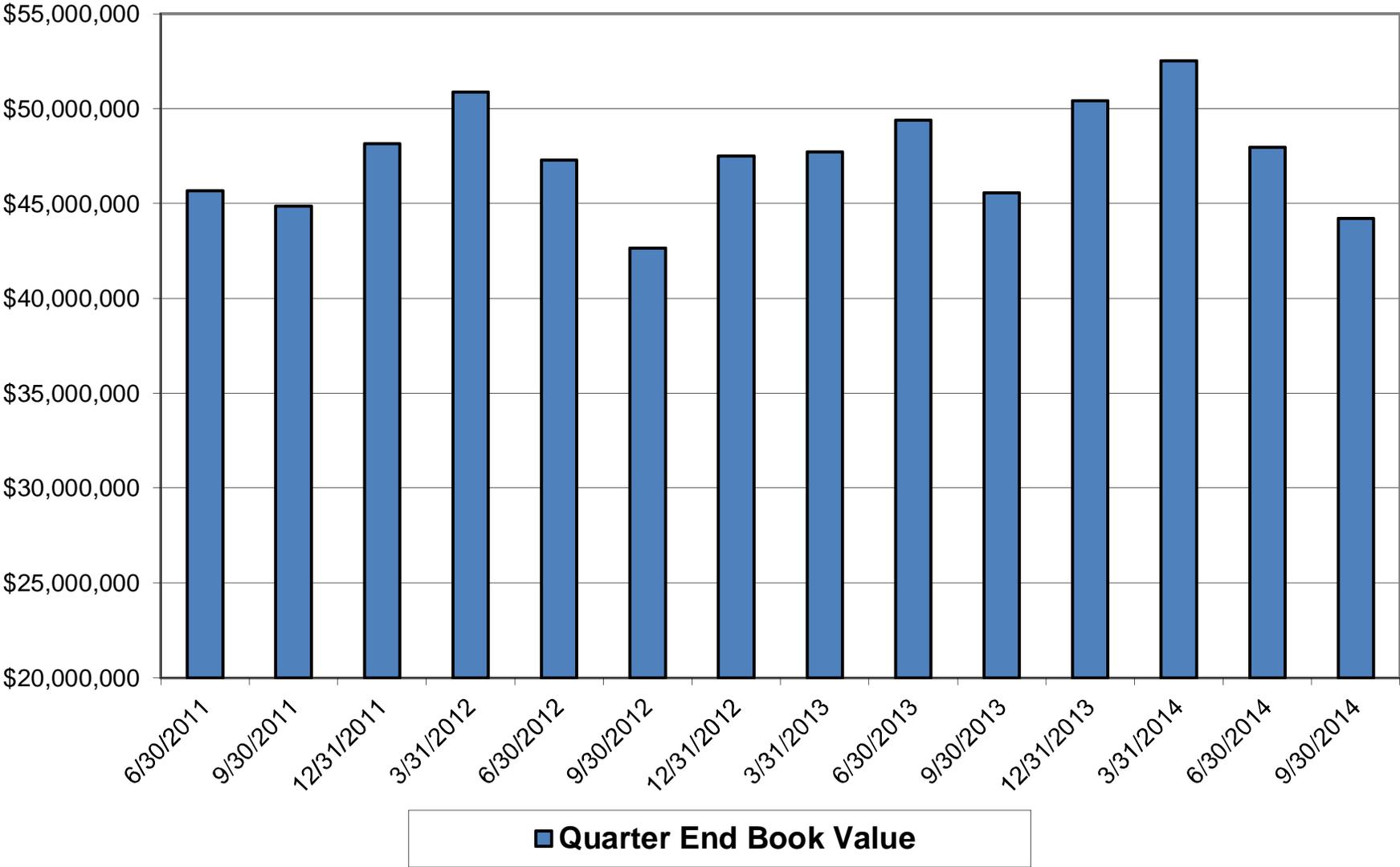
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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	June 30, 2014			September 30, 2014		
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	Par Value	Book Value
Wells Fargo DDA	0.00%	10/01/14	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.22%	10/01/14	12,504,166	12,504,166		(3,275,756)	9,228,410	9,228,410
Southside Bank MMA	0.19%	10/01/14	5,318,635	5,318,635	2,457		5,321,092	5,321,092
Texas Class	0.10%	10/01/14	7,827,102	7,827,102		(750,225)	7,076,877	7,076,877
TexPool	0.03%	10/01/14	2,311,844	2,311,844	259,834		2,571,679	2,571,679
Texas Security Bank CD	0.48%	12/21/14	1,004,809	1,004,809	1,216		1,006,024	1,006,024
Comerica CD	0.43%	03/16/15	3,012,925	3,012,925	3,267		3,016,192	3,016,192
Texas Security Bank CD	0.55%	06/21/15	1,005,511	1,005,511	1,394		1,006,905	1,006,905
Comerica CD	0.29%	08/06/15	1,000,954	1,000,954	732		1,001,686	1,001,686
Comerica CD	0.29%	08/06/15	2,702,575	2,702,575	1,976		2,704,551	2,704,551
Comerica CD	0.55%	10/22/15	2,007,335	2,007,335	2,784		2,010,119	2,010,119
Comerica CD	0.56%	02/08/16	1,703,132	1,703,132	2,405		1,705,537	1,705,537
Inter National Bank CD	0.63%	05/08/16	500,265	500,265	789		501,054	501,054
Inter National Bank CD	0.90%	08/08/16	1,000,760	1,000,760	2,259		1,003,019	1,003,019
Inter National Bank CD	0.95%	11/08/16	1,501,210	1,501,210	3,598		1,504,808	1,504,808
Dallas Co Schools - Muni	1.50%	12/01/16	1,035,000	1,047,818		(1,332)	1,035,000	1,046,485
Inter National Bank CD	1.05%	02/08/17	2,001,784	2,001,784	5,303		2,007,086	2,007,086
Inter National Bank CD	1.35%	05/08/17	1,001,147	1,001,147	3,411		1,004,557	1,004,557
<b>TOTAL</b>			<b>\$ 47,939,155</b>	<b>\$ 47,951,972</b>	<b>\$ 291,423</b>	<b>\$ (4,027,314)</b>	<b>\$ 44,204,596</b>	<b>\$ 44,216,082</b>

## Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2014		Qtr to Qtr Change	September 30, 2014	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	10/01/14	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.22%	10/01/14	12,504,166	12,504,166	(3,275,756)	9,228,410	9,228,410
Southside Bank MMA	0.19%	10/01/14	5,318,635	5,318,635	2,457	5,321,092	5,321,092
Texas Class	0.10%	10/01/14	7,827,102	7,827,102	(750,225)	7,076,877	7,076,877
TexPool	0.03%	10/01/14	2,311,844	2,311,844	259,834	2,571,679	2,571,679
Texas Security Bank CD	0.48%	12/21/14	1,004,809	1,004,809	1,216	1,006,024	1,006,024
Comerica CD	0.43%	03/16/15	3,012,925	3,012,925	3,267	3,016,192	3,016,192
Texas Security Bank CD	0.55%	06/21/15	1,005,511	1,005,511	1,394	1,006,905	1,006,905
Comerica CD	0.29%	08/06/15	1,000,954	1,000,954	732	1,001,686	1,001,686
Comerica CD	0.29%	08/06/15	2,702,575	2,702,575	1,976	2,704,551	2,704,551
Comerica CD	0.55%	10/22/15	2,007,335	2,007,335	2,784	2,010,119	2,010,119
Comerica CD	0.56%	02/08/16	1,703,132	1,703,132	2,405	1,705,537	1,705,537
Inter National Bank CD	0.63%	05/08/16	500,265	500,265	789	501,054	501,054
Inter National Bank CD	0.90%	08/08/16	1,000,760	1,000,760	2,259	1,003,019	1,003,019
Inter National Bank CD	0.95%	11/08/16	1,501,210	1,501,210	3,598	1,504,808	1,504,808
Dallas Co Schools - Muni	1.50%	12/01/16	1,035,000	1,044,325	(1,625)	1,035,000	1,042,700
Inter National Bank CD	1.05%	02/08/17	2,001,784	2,001,784	5,303	2,007,086	2,007,086
Inter National Bank CD	1.35%	05/08/17	1,001,147	1,001,147	3,411	1,004,557	1,004,557
<b>TOTAL</b>			<b>\$ 47,939,155</b>	<b>\$ 47,948,480</b>	<b>\$ (3,736,183)</b>	<b>\$ 44,204,596</b>	<b>\$ 44,212,297</b>

**Book Value**

**September 30, 2014**

	<b>Maturity</b>	<b>Total</b>	<b>Concentration Fund</b>	<b>2006 Drainage Improvements</b>	<b>2007 Street Improvements</b>	<b>2009 Street Improvements</b>	<b>2009 Water CIP CO</b>
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		9,228,410	9,228,410				
Southside Bank MMA		5,321,092	4,316,818				1,004,274
Texas Class		7,076,877	3,470,964	50,421	23	1,068,177	648,114
TexPool		2,571,679	2,529,189				
Texas Security Bank CD	12/21/14	1,006,024					
Comerica CD	03/16/15	3,016,192	3,016,192				
Texas Security Bank CD	06/21/15	1,006,905					
Comerica CD	08/06/15	1,001,686	1,001,686				
Comerica CD	08/06/15	2,704,551	2,704,551				
Comerica CD	10/22/15	2,010,119	2,010,119				
Comerica CD	02/08/16	1,705,537	1,705,537				
Inter National Bank CD	05/08/16	501,054	501,054				
Inter National Bank CD	08/08/16	1,003,019	1,003,019				
Inter National Bank CD	11/08/16	1,504,808	1,504,808				
Dallas Co Schools - Muni	12/01/16	1,046,485	1,046,485				
Inter National Bank CD	02/08/17	2,007,086	2,007,086				
Inter National Bank CD	05/08/17	1,004,557	1,004,557				
<b>Total</b>		<b>\$ 44,216,082</b>	<b>\$ 37,550,476</b>	<b>\$ 50,421</b>	<b>\$ 23</b>	<b>\$ 1,068,177</b>	<b>\$ 1,652,388</b>

**Book Value**

**September 30, 2014**

	<b>Maturity</b>	<b>2011B CO - Water CIP</b>	<b>2013 Water- Sewer CIP</b>	<b>2011 Corner Theatre</b>	<b>DPDC Bonds</b>	<b>Health Facilities Corporation</b>	<b>Industrial Development Board</b>
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA							
Southside Bank MMA							
Texas Class		1,012,013	801,038	26,127			
TexPool					8,036	13,084	21,370
Texas Security Bank CD	12/21/14		1,006,024				
Comerica CD	03/16/15						
Texas Security Bank CD	06/21/15		1,006,905				
Comerica CD	08/06/15						
Comerica CD	08/06/15						
Comerica CD	10/22/15						
Comerica CD	02/08/16						
Inter National Bank CD	05/08/16						
Inter National Bank CD	08/08/16						
Inter National Bank CD	11/08/16						
Dallas Co Schools - Muni	12/01/16						
Inter National Bank CD	02/08/17						
Inter National Bank CD	05/08/17						
<b>Total</b>		<b>\$ 1,012,013</b>	<b>\$ 2,813,967</b>	<b>\$ 26,127</b>	<b>\$ 8,036</b>	<b>\$ 13,084</b>	<b>\$ 21,370</b>

**Market Value  
September 30, 2014**

	<b>Maturity</b>	<b>Total</b>	<b>Concentration Fund</b>	<b>2006 Drainage Improvements</b>	<b>2007 Street Improvements</b>	<b>2009 Street Improvements</b>	<b>2009 Water CIP CO</b>
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		9,228,410	9,228,410				
Southside Bank MMA		5,321,092	4,316,818				1,004,274
Texas Class		7,076,877	3,470,964	50,421	23	1,068,177	648,114
TexPool		2,571,679	2,529,189				
Texas Security Bank CD	12/21/14	1,006,024					
Comerica CD	03/16/15	3,016,192	3,016,192				
Texas Security Bank CD	06/21/15	1,006,905					
Comerica CD	08/06/15	1,001,686	1,001,686				
Comerica CD	08/06/15	2,704,551	2,704,551				
Comerica CD	10/22/15	2,010,119	2,010,119				
Comerica CD	02/08/16	1,705,537	1,705,537				
Inter National Bank CD	05/08/16	501,054	501,054				
Inter National Bank CD	08/08/16	1,003,019	1,003,019				
Inter National Bank CD	11/08/16	1,504,808	1,504,808				
Dallas Co Schools - Muni	12/01/16	1,042,700	1,042,700				
Inter National Bank CD	02/08/17	2,007,086	2,007,086				
Inter National Bank CD	05/08/17	1,004,557	1,004,557				
<b>Total</b>		<b>\$ 44,212,297</b>	<b>\$ 37,546,691</b>	<b>\$ 50,421</b>	<b>\$ 23</b>	<b>\$ 1,068,177</b>	<b>\$ 1,652,388</b>

**Market Value  
September 30, 2014**

	<b>Maturity</b>	<b>2011B CO - Water CIP</b>	<b>2013 Water- Sewer CIP</b>	<b>2011 Corner Theatre</b>	<b>DPDC Bonds</b>	<b>Health Facilities Corporation</b>	<b>Industrial Development Board</b>
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA							
Southside Bank MMA							
Texas Class		1,012,013	801,038	26,127			
TexPool					8,036	13,084	21,370
Texas Security Bank CD	12/21/14		1,006,024				
Comerica CD	03/16/15						
Texas Security Bank CD	06/21/15		1,006,905				
Comerica CD	08/06/15						
Comerica CD	08/06/15						
Comerica CD	10/22/15						
Comerica CD	02/08/16						
Inter National Bank CD	05/08/16						
Inter National Bank CD	08/08/16						
Inter National Bank CD	11/08/16						
Dallas Co Schools - Muni	12/01/16						
Inter National Bank CD	02/08/17						
Inter National Bank CD	05/08/17						
<b>Total</b>		<b>\$ 1,012,013</b>	<b>\$ 2,813,967</b>	<b>\$ 26,127</b>	<b>\$ 8,036</b>	<b>\$ 13,084</b>	<b>\$ 21,370</b>

**Book Value**

**June 30, 2014**

	<b>Maturity</b>	<b>Total</b>	<b>Concentration Fund</b>	<b>2006 Drainage Improvements</b>	<b>2007 Street Improvements</b>	<b>2009 Street Improvements</b>	<b>2009 Water CIP CO</b>
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
TexPool		2,311,844	2,269,358				
Texas Security Bank CD	12/21/14	1,004,809					
Comerica CD	03/16/15	3,012,925	3,012,925				
Texas Security Bank CD	06/21/15	1,005,511					
Comerica CD	08/06/15	1,000,954	1,000,954				
Comerica CD	08/06/15	2,702,575	2,702,575				
Comerica CD	10/22/15	2,007,335	2,007,335				
Comerica CD	02/08/16	1,703,132	1,703,132				
Inter National Bank CD	05/08/16	500,265	500,265				
Inter National Bank CD	08/08/16	1,000,760	1,000,760				
Inter National Bank CD	11/08/16	1,501,210	1,501,210				
Dallas Co Schools - Muni	12/01/16	1,047,818	1,047,818				
Inter National Bank CD	02/08/17	2,001,784	2,001,784				
Inter National Bank CD	05/08/17	1,001,147	1,001,147				
<b>Total</b>		<b>\$ 47,951,972</b>	<b>\$ 40,920,625</b>	<b>\$ 50,409</b>	<b>\$ 369,706</b>	<b>\$ 1,067,921</b>	<b>\$ 1,651,769</b>

**Book Value**  
**June 30, 2014**

	<b>Maturity</b>	<b>2011B CO - Water CIP</b>	<b>2013 Water- Sewer CIP</b>	<b>Corner Theatre - 2011</b>	<b>DPDC Bonds</b>	<b>Health Facilities Corporation</b>	<b>Industrial Development Board</b>
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA							
Southside Bank MMA							
Texas Class		1,011,771	800,845	26,120			
TexPool					8,035	13,083	21,368
Texas Security Bank CD	12/21/14		1,004,809				
Comerica CD	03/16/15						
Texas Security Bank CD	06/21/15		1,005,511				
Comerica CD	08/06/15						
Comerica CD	08/06/15						
Comerica CD	10/22/15						
Comerica CD	02/08/16						
Inter National Bank CD	05/08/16						
Inter National Bank CD	08/08/16						
Inter National Bank CD	11/08/16						
Dallas Co Schools - Muni	12/01/16						
Inter National Bank CD	02/08/17						
Inter National Bank CD	05/08/17						
<b>Total</b>		<b>\$ 1,011,771</b>	<b>\$ 2,811,165</b>	<b>\$ 26,120</b>	<b>\$ 8,035</b>	<b>\$ 13,083</b>	<b>\$ 21,368</b>

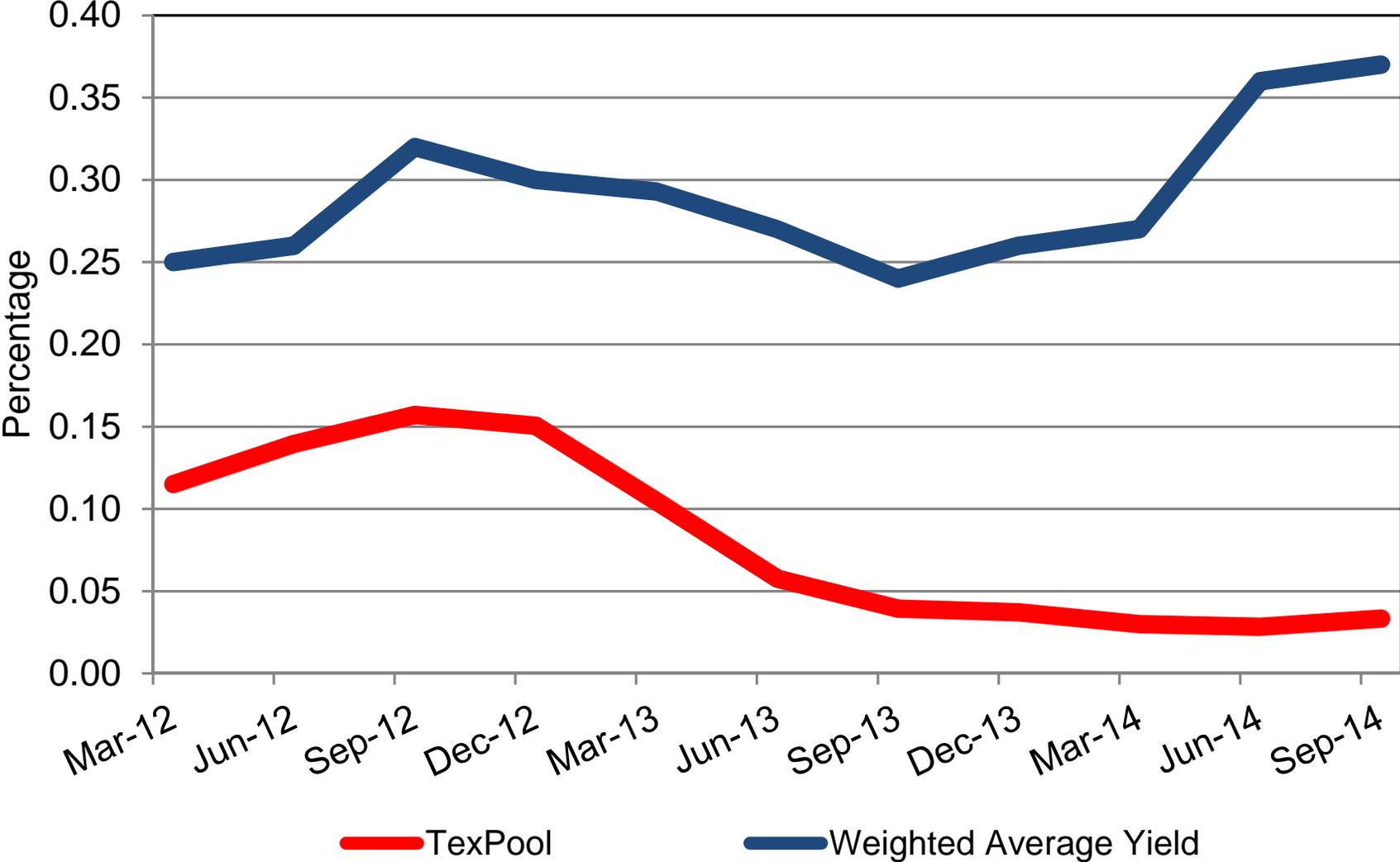
**Market Value  
June 30, 2014**

	<b>Maturity</b>	<b>Total</b>	<b>Concentration Fund</b>	<b>2006 Drainage Improvements</b>	<b>2007 Street Improvements</b>	<b>2009 Street Improvements</b>	<b>2009 Water CIP CO</b>
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
TexPool		2,311,844	2,269,358				
Texas Security Bank CD	12/21/14	1,004,809					
Comerica CD	03/16/15	3,012,925	3,012,925				
Texas Security Bank CD	06/21/15	1,005,511					
Comerica CD	08/06/15	1,000,954	1,000,954				
Comerica CD	08/06/15	2,702,575	2,702,575				
Comerica CD	10/22/15	2,007,335	2,007,335				
Comerica CD	02/08/16	1,703,132	1,703,132				
Inter National Bank CD	05/08/16	500,265	500,265				
Inter National Bank CD	08/08/16	1,000,760	1,000,760				
Inter National Bank CD	11/08/16	1,501,210	1,501,210				
Dallas Co Schools - Muni	12/01/16	1,044,325	1,044,325				
Inter National Bank CD	02/08/17	2,001,784	2,001,784				
Inter National Bank CD	05/08/17	1,001,147	1,001,147				
<b>Total</b>		<b>\$ 47,948,480</b>	<b>\$ 40,917,133</b>	<b>\$ 50,409</b>	<b>\$ 369,706</b>	<b>\$ 1,067,921</b>	<b>\$ 1,651,769</b>

**Market Value  
June 30, 2014**

	<b>Maturity</b>	<b>2011B CO - Water CIP</b>	<b>2013 Water- Sewer CIP</b>	<b>Corner Theatre - 2011</b>	<b>DPDC Bonds</b>	<b>Health Facilities Corporation</b>	<b>Industrial Development Board</b>
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA							
Southside Bank MMA							
Texas Class		1,011,771	800,845	26,120			
TexPool					8,035	13,083	21,368
Texas Security Bank CD	12/21/14		1,004,809				
Comerica CD	03/16/15						
Texas Security Bank CD	06/21/15		1,005,511				
Comerica CD	08/06/15						
Comerica CD	08/06/15						
Comerica CD	10/22/15						
Comerica CD	02/08/16						
Inter National Bank CD	05/08/16						
Inter National Bank CD	08/08/16						
Inter National Bank CD	11/08/16						
Dallas Co Schools - Muni	12/01/16						
Inter National Bank CD	02/08/17						
Inter National Bank CD	05/08/17						
<b>Total</b>		<b>\$ 1,011,771</b>	<b>\$ 2,811,165</b>	<b>\$ 26,120</b>	<b>\$ 8,035</b>	<b>\$ 13,083</b>	<b>\$ 21,368</b>

# Total Portfolio Performance



## Market Outlook

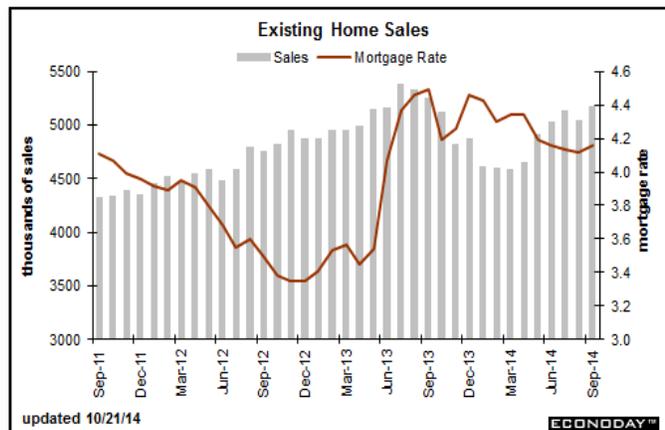
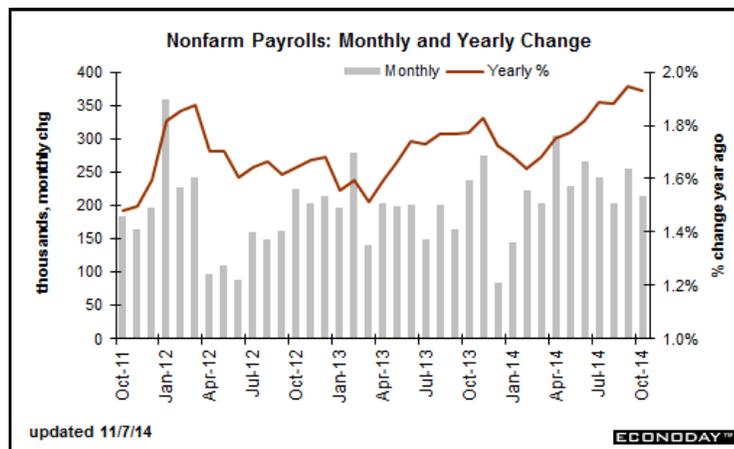
November 7, 2014

What a wild ride the markets experienced during October! The roller coaster that began early in the month with an extreme drop of 900 points in the DOW Jones Industrial and similar declines in the U.S. Treasury yields, has mostly reversed itself by the time this article is being written. Had you slipped into a coma during early October and awakened 30 days later, it would have appeared that nothing had happened! You would never have known of the panic that occurred as the markets reacted to the main headline – *EBOLA Arrives in the United States*. Although there was other notable news related to Russia/Ukraine, European economic struggles and ISIS, none of those headlines moved the market. The perceived threat of a large-scale outbreak of Ebola caused investors to pull the plug on their equity positions and flood the U.S. Treasury short-term positions with buy orders. The mass exodus into the safe harbor of the U.S. Treasury caused rates to plummet. The 2-year Treasury note, that had touched 0.60% at the end of September, fell to 0.34% by mid-October. Now that the Ebola threat has abated, the stock market has once again reached historical highs, but the Treasury market has yet to fully recover. The mid-term election outcome has also boosted the stock market, as did a rapid decline in gas prices.

The Employment reports have remained positive, but still are not signaling significant strength. The economy added 214,000 jobs during October and both of the preceding months' results were adjusted higher (September revised to +256,000 from the previously reported +248,000 and August revised to +204,000 from the previously reported +180,000). With the revision to August, this will be the ninth straight month reporting 200,000+ jobs created. The private sector added 209,000 jobs compared to 244,000 jobs added in September and the government sector added 5,000 jobs as compared to 4,000 added in September. The participation rate improved slightly to 62.8% from September's 62.7% level, showing that

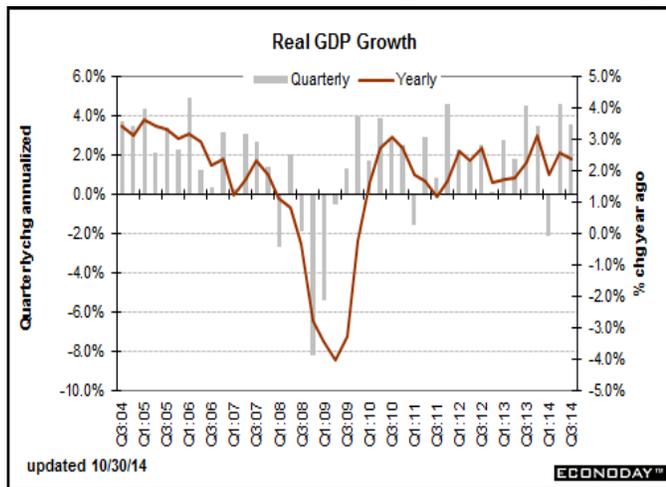
more potential jobholders are entering the workplace. But the underemployed or those that have been forced to take jobs that require fewer skills that their resume should suggest or that have sought part-time work in lieu of full time remains high at 11.5%. The Unemployment Rate has dropped to the lowest rate in six years to 5.8% from September's result of 5.9%. The average hourly earnings rate has only risen 2.0% over the past twelve months.

The housing sector was mixed again this month, but trends may bode well for future improvement. Existing Home Sales rose 2.4% in September following a decline of 1.8% in August. The median price of sale units fell 4.0% following a decline of 0.8% in August. One of the contributing factors for the slowdown in home sales has been the increase in home prices, which has forced some potential homebuyers to put their purchase plans on hold. With the decline in prices coupled with another significant decline in mortgage rates, we may begin to see more positive results in both Existing and New Home Sales results. The supply of Existing Homes declined to 5.3 months in September compared to 5.5 months in August. There was a huge revision in



the New Home Sales report for August (originally shown to increase 18%, but later adjusted to show a decline of 1.6%) The September report indicated another 0.1% decline in the number of units sold as well as a decline of 9.7% in the median sales price. The supply of new homes on the market remained at 5.3 months. Despite these results, both the Housing Starts and Housing Permits reports indicated that builders continue to move ahead with building programs. S&P Case Shiller, a recognized evaluator of home values in the 20 major metropolitan areas, reported declines of 0.1% in August, the fourth straight month of decline.

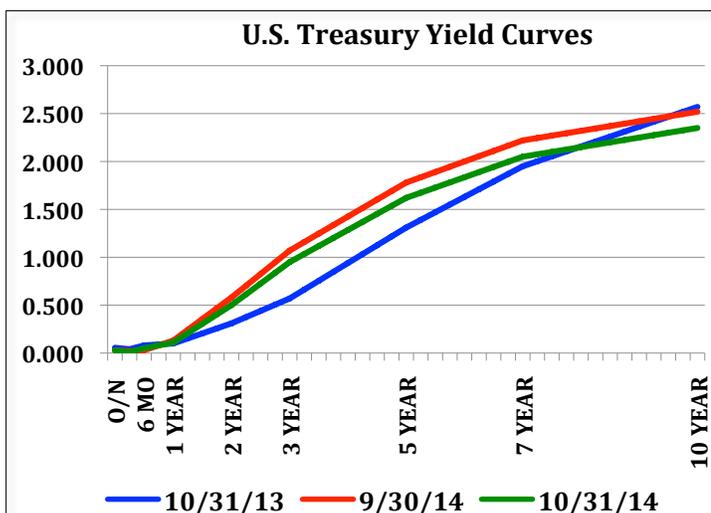
The production side of the economy had a good month once again. The advance report for Gross Domestic Product (GDP) for the third quarter came in above expectations at +3.5% following the impressive +4.6% rate in the second quarter. Durable Goods Orders fell slightly in September, but mostly due to declines in seasonal airplane orders. Industrial Production posted positive results of +1.0% in September after declining 0.2% in August. Business Inventories rose again in August and resulted in a slight mismatch in the balance between inventories and sales. This was attributable to declines in automobile sales and should not cause any concerns going forward. The Producer Price Index (PPI) fell 0.1% in September after a flat August. The Consumer Price Index (CPI) rose by 0.1% in September following a 0.2% decline in August.



On the consumption front, Retail Sales fell 0.3% in September following a 0.6% rise in August. Most of the decline was due to reduced automobile sales. Additionally, falling gas prices had a significant impact. The most gains were in the electronics sector (iPhone impact) and in the food/beverage service sector. Both of these sectors are considered highly discretionary, meaning that they are not necessities, and demonstrate a consumer that has a willingness to spend on non-essential purchases.

The Federal Open Market Committee (FOMC) met on October 28-29 and, as expected, the release following the meeting announced that the stimulus program known as quantitative easing version three (QE3) of purchasing U.S. Treasury and Agency securities would end in November. Generally, the mood of the announcement was upbeat and focused upon solid job gains, lower unemployment and the benefit of lower gas/energy prices. There was no significant mention of global economies or concerns over the volatility in the bond or equity markets (likely a signal of their concurrence that the volatility in October was just a short-term reaction to news headlines and quickly worked itself out). Market speculation is back to targeting mid-2015 as the likely time when the Federal Funds Rate might be raised by the FOMC.

Current Government Security Investment Pool rates stayed low in October, ranging in the +/-0.03% to +/-0.08% area. Certificate of Deposit rates finished October with the 2-year and longer maturity sector slightly lower than in September. The one-year CD remained in a range of 0.20% to 0.30% in October, the same as in the previous four months. Strategy for public funds should continue to favor CDs or other collateralized bank products such as money market accounts.



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