



City of DeSoto

QUARTERLY INVESTMENT REPORT

For the Quarter Ended

December 31, 2015

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.

A blue ink signature of the City Manager, consisting of a stylized 'C' and 'M'.

City Manager

A blue ink signature of the Director of Budget, Financial Services Department, written in a cursive style.

Director of Budget, Financial Services Department

Two blue ink signatures of Assistant City Managers, written in a cursive style.

Assistant City Managers

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.

Summary

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>December 31, 2015</u>		<u>September 30, 2015</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	0.15%	33,170,260	33,170,260	21,865,825	21,865,825
Pools	0.29%	10,029,405	10,029,405	10,148,111	10,148,111
CDs/Securities	0.84%	22,109,324	22,104,845	23,845,855	23,848,134
Totals		\$ 65,808,989	\$ 65,804,510	\$ 56,359,790	\$ 56,362,070

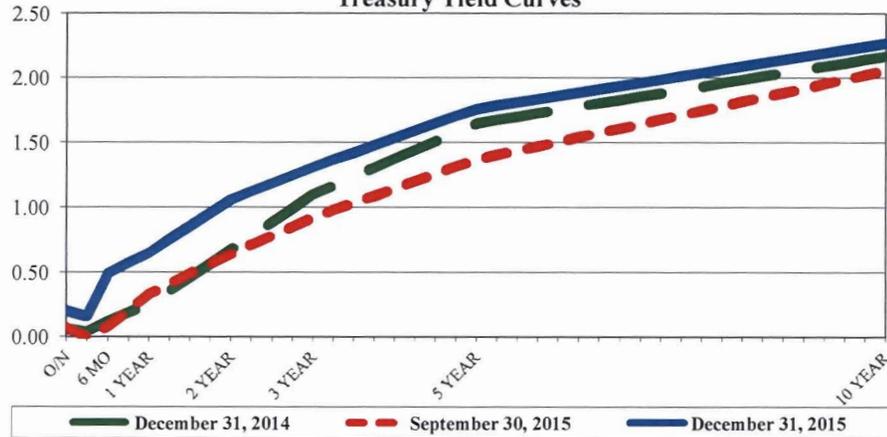
Average Yield (1)		Fiscal Year-to-Date Average Yield (2)	
Total Portfolio	0.40%	Total Portfolio	0.40%
Rolling Three Mo. Treas. Yield	0.13%	Rolling Three Mo. Treas. Yield	0.13%
Rolling Six Mo. Treas. Yield	0.25%	Rolling Six Mo. Treas. Yield	0.25%
		Quarterly TexPool Yield	0.19%
Quarterly Interest Income	\$ 65,687	Approximate	
Year-to-date Interest Income	\$ 65,687	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.

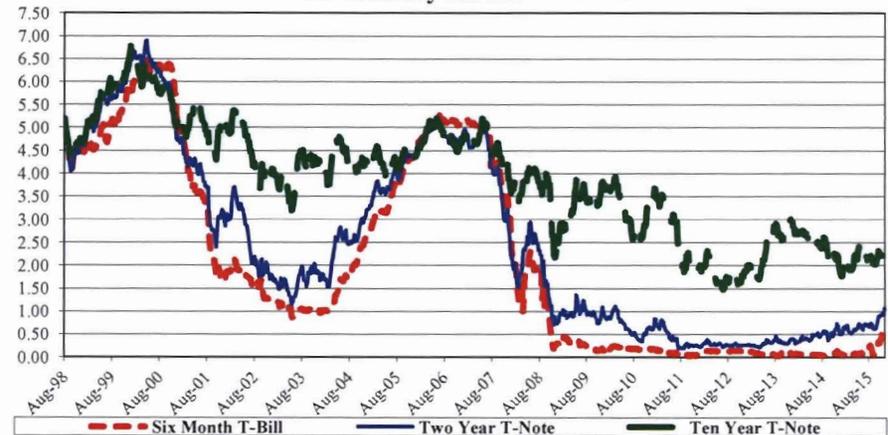
(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

The Federal Open Market Committee (FOMC) raised the Fed Funds target range to 0.25% - 0.50% (actual Fed Funds traded +/-30 bps). The market reacted with higher short to medium term yields. Ten year and longer yields did not increase beyond the current trading range. The December new payroll numbers jumped +292k, with additional positive Oct/Nov adjustments. The Chinese economy and stock market turmoil grabbed international attention. US stock markets dropped in sympathy, but tried to stabilize. Broader international social and economic concerns continue, with the European Central Bank continuing its easing program. Treasury and Agency security yields are attractive for cash-flow based laddering. Although Bank CDs and municipal bonds may still offer the best interest earnings opportunity, if available.

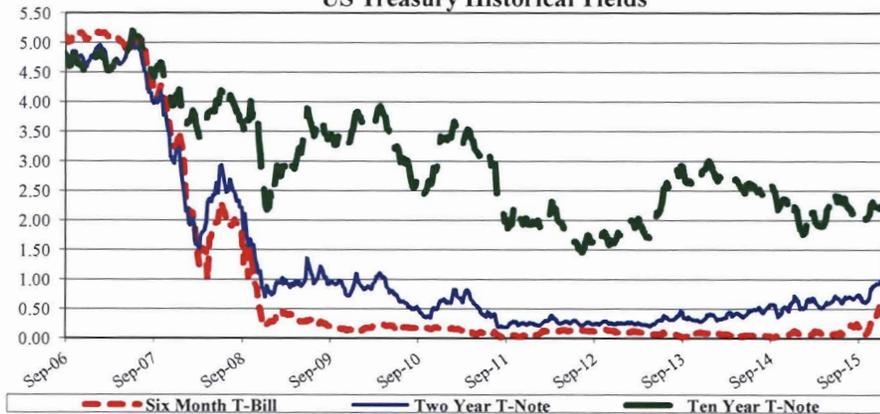
Treasury Yield Curves



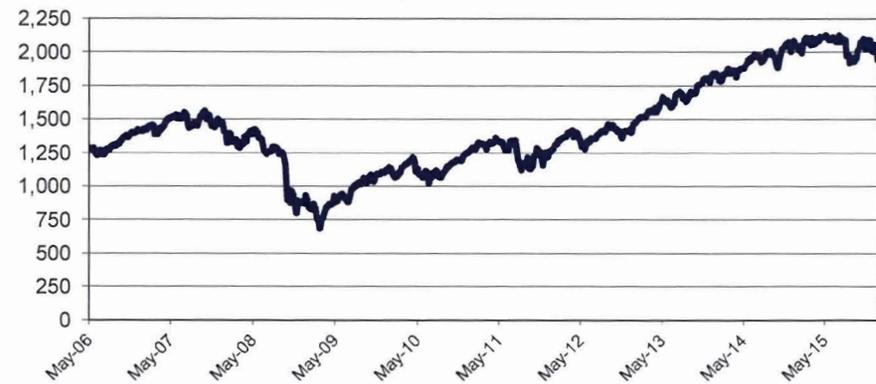
US Treasury Historical Yields



US Treasury Historical Yields



S&P 500



Summary

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>December 31, 2015</u>		<u>September 30, 2015</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	0.15%	33,170,260	33,170,260	21,865,825	21,865,825
Pools	0.29%	10,029,405	10,029,405	10,148,111	10,148,111
CDs/Securities	0.84%	22,109,324	22,104,845	23,845,855	23,848,134
Totals		\$ 65,808,989	\$ 65,804,510	\$ 56,359,790	\$ 56,362,070

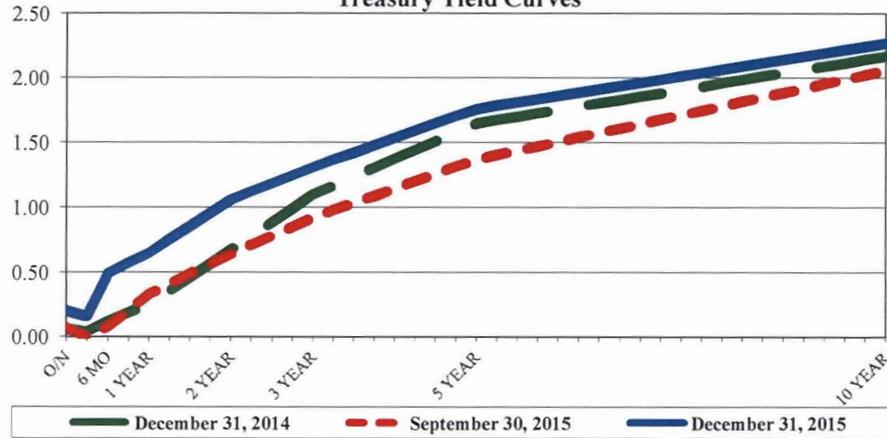
Average Yield (1)		Fiscal Year-to-Date Average Yield (2)	
Total Portfolio	0.40%	Total Portfolio	0.40%
Rolling Three Mo. Treas. Yield	0.13%	Rolling Three Mo. Treas. Yield	0.13%
Rolling Six Mo. Treas. Yield	0.25%	Rolling Six Mo. Treas. Yield	0.25%
		Quarterly TexPool Yield	0.19%
Quarterly Interest Income	\$ 65,687	Approximate	
Year-to-date Interest Income	\$ 65,687	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.

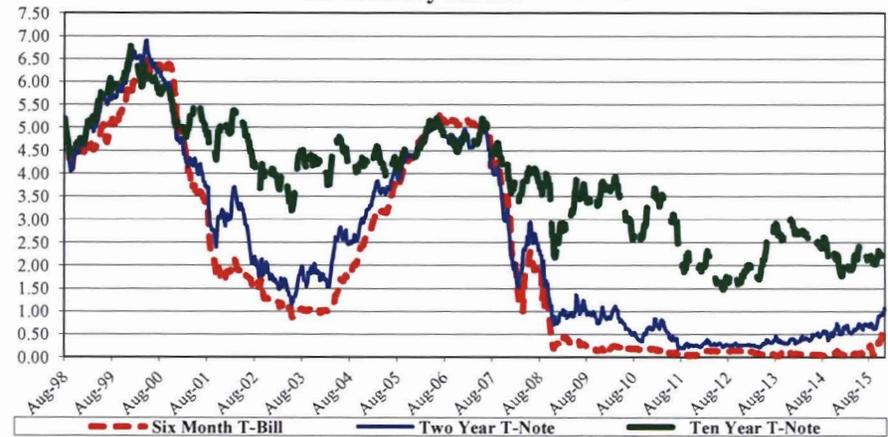
(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

The Federal Open Market Committee (FOMC) raised the Fed Funds target range to 0.25% - 0.50% (actual Fed Funds traded +/-30 bps). The market reacted with higher short to medium term yields. Ten year and longer yields did not increase beyond the current trading range. The December new payroll numbers jumped +292k, with additional positive Oct/Nov adjustments. The Chinese economy and stock market turmoil grabbed international attention. US stock markets dropped in sympathy, but tried to stabilize. Broader international social and economic concerns continue, with the European Central Bank continuing its easing program. Treasury and Agency security yields are attractive for cash-flow based laddering. Although Bank CDs and municipal bonds may still offer the best interest earnings opportunity, if available.

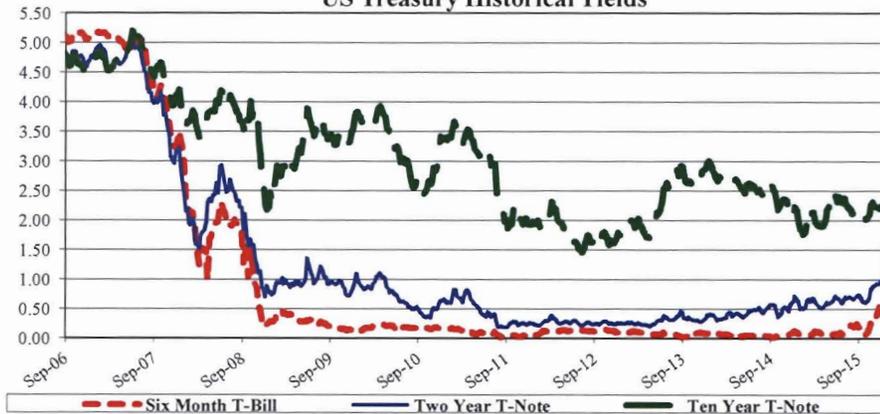
Treasury Yield Curves



US Treasury Historical Yields



US Treasury Historical Yields



S&P 500



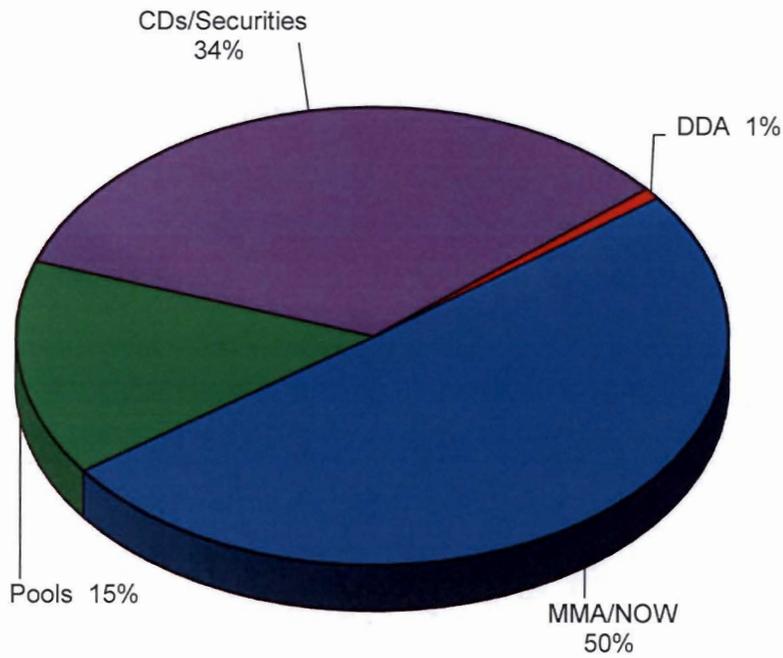
Detail of Investment Holdings
December 31, 2015

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	01/01/16	12/31/15	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.10%	01/01/16	12/31/15	28,871,096	28,871,096	1	28,871,096	1	0.10%
BTH Bank MMA		0.76%	01/01/16	12/31/15	245,158	245,158	1	245,158	1	0.76%
BTH Bank ICS		0.58%	01/01/16	12/31/15	1,725,900	1,725,900	1	1,725,900	1	0.58%
Southside Bank MMA		0.32%	01/01/16	12/31/15	2,328,106	2,328,106	1	2,328,106	1	0.32%
Texas Class	AAAm	0.29%	01/01/16	12/31/15	9,815,644	9,815,644	1	9,815,644	1	0.29%
TexPool	AAAm	0.19%	01/01/16	12/31/15	213,761	213,761	1	213,761	1	0.19%
Comerica Bank CD		0.56%	02/08/16	02/06/14	1,717,508	1,717,508	100.00	1,717,508	39	0.56%
Inter National Bank CD		0.63%	05/08/16	05/08/14	504,981	504,981	100.00	504,981	129	0.63%
BTH Bank CDARS		0.70%	05/20/16	11/20/14	1,007,836	1,007,836	100.00	1,007,836	141	0.70%
Inter National Bank CD		0.90%	08/08/16	05/08/14	1,014,293	1,014,293	100.00	1,014,293	221	0.90%
BTH Bank CDARS		0.75%	08/20/16	11/20/14	1,008,398	1,008,398	100.00	1,008,398	233	0.75%
Independent Bank CD		0.50%	08/26/16	08/26/15	1,001,260	1,001,260	100.00	1,001,260	239	0.50%
Comerica Bank CD		0.50%	09/13/16	03/13/15	2,007,547	2,007,547	100.00	2,007,547	257	0.50%
Inter National Bank CD		0.95%	11/08/16	05/08/14	1,522,767	1,522,767	100.00	1,522,767	313	0.95%
BTH Bank CDARS		0.85%	11/20/16	11/20/14	1,009,523	1,009,523	100.00	1,009,523	325	0.85%
FHLB	Aaa/AA+	0.63%	11/23/16	08/26/15	945,000	946,144	99.80	943,149	328	0.49%
Dallas Co Schools - Muni	Aa3	1.50%	12/01/16	05/22/14	1,035,000	1,039,866	100.39	1,039,078	336	0.98%
Inter National Bank CD		1.05%	02/08/17	05/08/14	2,033,576	2,033,576	100.00	2,033,576	405	1.05%
Southside Bank CD		0.58%	02/27/17	08/25/15	1,001,462	1,001,462	100.00	1,001,462	424	0.58%
Comerica Bank CD		0.86%	03/13/17	03/13/15	1,006,498	1,006,498	100.00	1,006,498	438	0.86%
Univ of N. TX - Muni	Aa2	1.04%	04/15/17	10/21/15	250,000	250,000	99.72	249,305	471	1.04%
Inter National Bank CD		1.35%	05/08/17	05/08/14	1,021,634	1,021,634	100.00	1,021,634	494	1.35%
Comerica Bank CD		0.99%	06/13/17	03/13/15	1,007,484	1,007,484	100.00	1,007,484	530	0.99%
Texas Security Bank CD		1.10%	08/25/17	08/25/15	1,000,000	1,000,000	100.00	1,000,000	603	1.10%
Comerica Bank CD		1.13%	09/13/17	03/13/15	1,008,546	1,008,546	100.00	1,008,546	622	1.13%
Texas Security Bank CD		1.15%	11/25/17	08/25/15	1,000,000	1,000,000	100.00	1,000,000	695	1.15%
					\$ 65,802,978	\$ 65,808,989		\$ 65,804,510	118	0.40%
									(1)	(2)

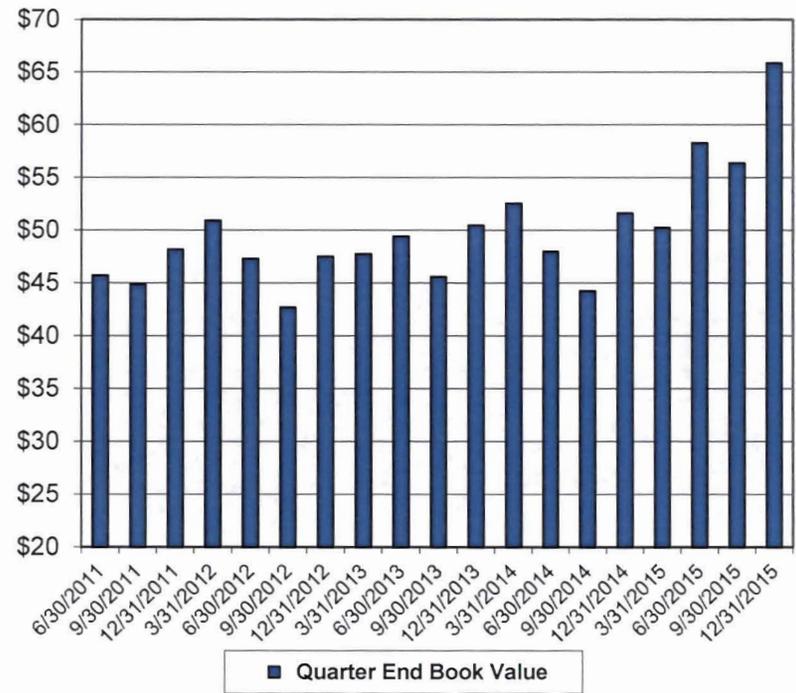
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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 (Millions)



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2015		Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	December 31, 2015	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo DDA	0.00%	01/01/16	\$ 500,000	\$ 500,000	\$ —	\$ —	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.10%	01/01/16	17,571,197	17,571,197	11,299,898		28,871,096	28,871,096
BTH Bank MMA	0.76%	01/01/16	245,129	245,129	29		245,158	245,158
BTH Bank ICS	0.58%	01/01/16	1,723,011	1,723,011	2,889		1,725,900	1,725,900
Southside Bank MMA	0.32%	01/01/16	2,326,488	2,326,488	1,618		2,328,106	2,328,106
Texas Class	0.29%	01/01/16	9,934,422	9,934,422		(118,778)	9,815,644	9,815,644
TexPool	0.19%	01/01/16	213,689	213,689	72		213,761	213,761
Comerica Bank CD	0.55%	10/22/15	2,021,203	2,021,203		(2,021,203)	—	—
Comerica Bank CD	0.56%	02/08/16	1,715,113	1,715,113	2,396		1,717,508	1,717,508
Inter National Bank CD	0.63%	05/08/16	504,195	504,195	786		504,981	504,981
BTH Bank CDARS	0.70%	05/20/16	1,006,059	1,006,059	1,777		1,007,836	1,007,836
Inter National Bank CD	0.90%	08/08/16	1,012,033	1,012,033	2,260		1,014,293	1,014,293
BTH Bank CDARS	0.75%	08/20/16	1,006,494	1,006,494	1,904		1,008,398	1,008,398
Independent Bank CD	0.50%	08/26/16	1,000,000	1,000,000	1,260		1,001,260	1,001,260
Comerica Bank CD	0.50%	09/13/16	2,005,046	2,005,046	2,500		2,007,547	2,007,547
Inter National Bank CD	0.95%	11/08/16	1,519,166	1,519,166	3,601		1,522,767	1,522,767
BTH Bank CDARS	0.85%	11/20/16	1,007,363	1,007,363	2,161		1,009,523	1,009,523
FHLB	0.63%	11/23/16	946,465	946,465		(321)	945,000	946,144
Dallas Co Schools - Muni	1.50%	12/01/16	1,035,000	1,041,199		(1,332)	1,035,000	1,039,866
Inter National Bank CD	1.05%	02/08/17	2,028,262	2,028,262	5,314		2,033,576	2,033,576
Southside Bank CD	0.58%	02/27/17	1,000,000	1,000,000	1,462		1,001,462	1,001,462
Comerica Bank CD	0.86%	03/13/17	1,004,343	1,004,343	2,155		1,006,498	1,006,498
Univ of N. TX - Muni	1.04%	04/15/17	—	—	250,000		250,000	250,000
Inter National Bank CD	1.35%	05/08/17	1,018,203	1,018,203	3,431		1,021,634	1,021,634
Comerica Bank CD	0.99%	06/13/17	1,005,001	1,005,001	2,483		1,007,484	1,007,484
Texas Security Bank CD	1.10%	08/25/17	1,000,000	1,000,000			1,000,000	1,000,000
Comerica Bank CD	1.13%	09/13/17	1,005,710	1,005,710	2,836		1,008,546	1,008,546
Texas Security Bank CD	1.15%	11/25/17	1,000,000	1,000,000			1,000,000	1,000,000
TOTAL			\$ 56,353,591	\$ 56,359,790	\$ 11,590,833	\$ (2,141,634)	\$ 65,802,978	\$ 65,808,989

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2015		Qtr to Qtr Change	December 31, 2015	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	01/01/16	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.10%	01/01/16	17,571,197	17,571,197	11,299,898	28,871,096	28,871,096
BTH Bank MMA	0.76%	01/01/16	245,129	245,129	29	245,158	245,158
BTH Bank ICS	0.58%	01/01/16	1,723,011	1,723,011	2,889	1,725,900	1,725,900
Southside Bank MMA	0.32%	01/01/16	2,326,488	2,326,488	1,618	2,328,106	2,328,106
Texas Class	0.29%	01/01/16	9,934,422	9,934,422	(118,778)	9,815,644	9,815,644
TexPool	0.19%	01/01/16	213,689	213,689	72	213,761	213,761
Comerica Bank CD	0.55%	10/22/15	2,021,203	2,021,203	(2,021,203)	-	-
Comerica Bank CD	0.56%	02/08/16	1,715,113	1,715,113	2,396	1,717,508	1,717,508
Inter National Bank CD	0.63%	05/08/16	504,195	504,195	786	504,981	504,981
BTH Bank CDARS	0.70%	05/20/16	1,006,059	1,006,059	1,777	1,007,836	1,007,836
Inter National Bank CD	0.90%	08/08/16	1,012,033	1,012,033	2,260	1,014,293	1,014,293
BTH Bank CDARS	0.75%	08/20/16	1,006,494	1,006,494	1,904	1,008,398	1,008,398
Independent Bank CD	0.75%	08/26/16	1,000,000	1,000,000	1,260	1,001,260	1,001,260
Comerica Bank CD	0.75%	09/13/16	2,005,046	2,005,046	2,500	2,007,547	2,007,547
Inter National Bank CD	0.95%	11/08/16	1,519,166	1,519,166	3,601	1,522,767	1,522,767
BTH Bank CDARS	0.75%	11/20/16	1,007,363	1,007,363	2,161	1,009,523	1,009,523
FHLB	0.75%	11/20/16	946,465	946,395	(3,246)	945,000	943,149
Dallas Co Schools - Muni	1.50%	12/01/16	1,035,000	1,043,549	(4,471)	1,035,000	1,039,078
Inter National Bank CD	1.05%	02/08/17	2,028,262	2,028,262	5,314	2,033,576	2,033,576
Southside Bank CD	0.58%	02/27/17	1,000,000	1,000,000	1,462	1,001,462	1,001,462
Comerica Bank CD	0.86%	03/13/17	1,004,343	1,004,343	2,155	1,006,498	1,006,498
Univ of N. TX - Muni	1.04%	04/15/17	-	-	249,305	250,000	249,305
Inter National Bank CD	1.35%	05/08/17	1,018,203	1,018,203	3,431	1,021,634	1,021,634
Comerica Bank CD	0.99%	06/13/17	1,005,001	1,005,001	2,483	1,007,484	1,007,484
Texas Security Bank CD	1.10%	08/25/17	1,000,000	1,000,000		1,000,000	1,000,000
Comerica Bank CD	1.13%	09/13/17	1,005,710	1,005,710	2,836	1,008,546	1,008,546
Texas Security Bank CD	1.15%	11/25/17	1,000,000	1,000,000		1,000,000	1,000,000
TOTAL			\$ 56,353,591	\$ 56,362,070	\$ 9,442,440	\$ 65,802,978	\$ 65,804,510

**Book Value
December 31, 2015**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Housing Finance Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		28,871,096	28,871,096				
BTH Bank MMA		245,158	245,158				
BTH Bank ICS		1,725,900	1,725,900				
Southside Bank MMA		2,328,106	1,321,106	1,007,000			
Texas Class		9,815,644	1,869,425	7,946,219			
TexPool		213,761	171,235	8,042	13,095		21,389
Comerica Bank CD	02/08/16	1,717,508	1,717,508				
Inter National Bank CD	05/08/16	504,981	504,981				
BTH Bank CDARS	05/20/16	1,007,836	1,007,836				
Inter National Bank CD	08/08/16	1,014,293	1,014,293				
BTH Bank CDARS	08/20/16	1,008,398	1,008,398				
Independent Bank CD	08/26/16	1,001,260	1,001,260				
Comerica Bank CD	09/13/16	2,007,547	2,007,547				
Inter National Bank CD	11/08/16	1,522,767	1,522,767				
BTH Bank CDARS	11/20/16	1,009,523	1,009,523				
FHLB	11/23/16	946,144	946,144				
Dallas Co Schools - Muni	12/01/16	1,039,866	1,039,866				
Inter National Bank CD	02/08/17	2,033,576	2,033,576				
Southside Bank CD	02/27/17	1,001,462	1,001,462				
Comerica Bank CD	03/13/17	1,006,498	1,006,498				
Univ of N. TX - Muni	04/15/17	250,000	250,000				
Inter National Bank CD	05/08/17	1,021,634	1,021,634				
Comerica Bank CD	06/13/17	1,007,484	1,007,484				
Texas Security Bank CD	08/25/17	1,000,000	1,000,000				
Comerica Bank CD	09/13/17	1,008,546	907,691			100,855	
Texas Security Bank CD	11/25/18	1,000,000	1,000,000				
Total		\$ 65,808,989	\$ 56,712,390	\$ 8,961,261	\$ 13,095	\$ 100,855	\$ 21,389

**Market Value
December 31, 2015**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Housing Finance Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		28,871,096	28,871,096				
BTH Bank MMA		245,158	245,158				
BTH Bank ICS		1,725,900	1,725,900				
Southside Bank MMA		2,328,106	1,321,106	1,007,000			
Texas Class		9,815,644	1,869,425	7,946,219			
TexPool		213,761	171,235	8,042	13,095		21,389
Comerica Bank CD	02/08/16	1,717,508	1,717,508				
Inter National Bank CD	05/08/16	504,981	504,981				
BTH Bank CDARS	05/20/16	1,007,836	1,007,836				
Inter National Bank CD	08/08/16	1,014,293	1,014,293				
BTH Bank CDARS	08/20/16	1,008,398	1,008,398				
Independent Bank CD	08/26/16	1,001,260	1,001,260				
Comerica Bank CD	09/13/16	2,007,547	2,007,547				
Inter National Bank CD	11/08/16	1,522,767	1,522,767				
BTH Bank CDARS	11/20/16	1,009,523	1,009,523				
FHLB	11/23/16	943,149	943,149				
Dallas Co Schools - Muni	12/01/16	1,039,078	1,039,078				
Inter National Bank CD	02/08/17	2,033,576	2,033,576				
Southside Bank CD	02/27/17	1,001,462	1,001,462				
Comerica Bank CD	03/13/17	1,006,498	1,006,498				
Univ of N. TX - Muni	04/15/17	249,305	249,305				
Inter National Bank CD	05/08/17	1,021,634	1,021,634				
Comerica Bank CD	06/13/17	1,007,484	1,007,484				
Texas Security Bank CD	08/25/17	1,000,000	1,000,000				
Comerica Bank CD	09/13/17	1,008,546	907,691			100,855	
Texas Security Bank CD	11/25/18	1,000,000	1,000,000				
Total		\$ 65,804,510	\$ 56,707,910	\$ 8,961,261	\$ 13,095	\$ 100,855	\$ 21,389

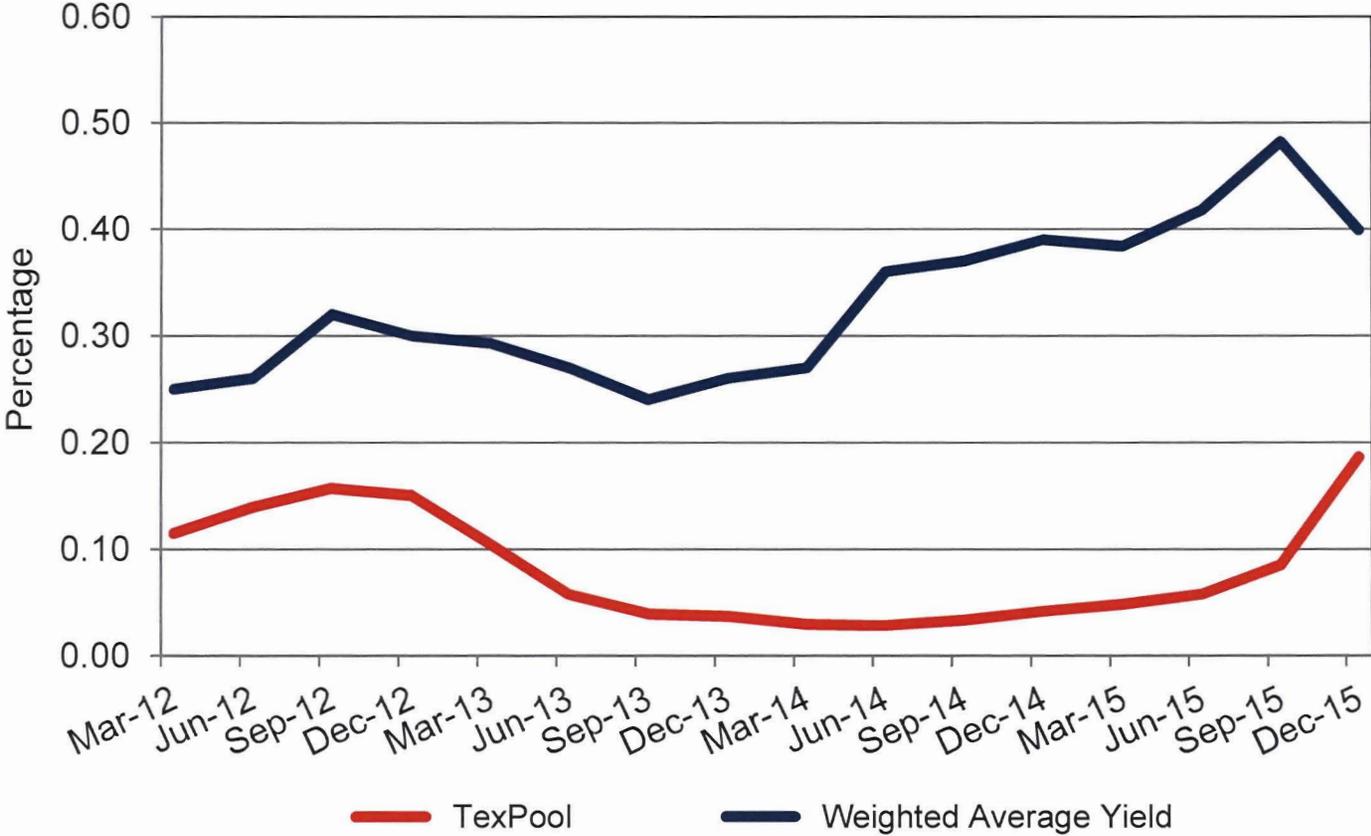
**Book Value
September 30, 2015**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Housing Finance Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		17,571,197	17,571,197				
BTH Bank MMA		245,129	245,129				
BTH Bank ICS		1,723,011	1,723,011				
Southside Bank MMA		2,326,488	1,320,192	1,006,295			
Texas Class		9,934,422	1,868,251	8,066,171			
TexPool		213,689	171,178	8,040	13,091		21,380
Comerica Bank CD	10/22/15	2,021,203	2,021,203				
Comerica Bank CD	02/08/16	1,715,113	1,715,113				
Inter National Bank CD	05/08/16	504,195	504,195				
BTH Bank CDARS	05/20/16	1,006,059	1,006,059				
Inter National Bank CD	08/08/16	1,012,033	1,012,033				
BTH Bank CDARS	08/20/16	1,006,494	1,006,494				
Independent Bank CD	08/26/16	1,000,000	1,000,000				
Comerica Bank CD	09/13/16	2,005,046	2,005,046				
Inter National Bank CD	11/08/16	1,519,166	1,519,166				
BTH Bank CDARS	11/20/16	1,007,363	1,007,363				
FHLB	11/23/16	946,465	946,465				
Dallas Co Schools - Muni	12/01/16	1,041,199	1,041,199				
Inter National Bank CD	02/08/17	2,028,262	2,028,262				
Southside Bank CD	02/27/17	1,000,000	1,000,000				
Comerica Bank CD	03/13/17	1,004,343	1,004,343				
Inter National Bank CD	05/08/17	1,018,203	1,018,203				
Comerica Bank CD	06/13/17	1,005,001	1,005,001				
Texas Security Bank CD	08/25/17	1,000,000	1,000,000				
Comerica Bank CD	09/13/17	1,005,710	905,139			100,571	
Texas Security Bank CD	11/25/18	1,000,000	1,000,000				
Total		\$ 56,359,790	\$ 47,144,242	\$ 9,080,506	\$ 13,091	\$ 100,571	\$ 21,380

**Market Value
December 31, 2015**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Housing Finance Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		28,871,096	28,871,096				
BTH Bank MMA		245,158	245,158				
BTH Bank ICS		1,725,900	1,725,900				
Southside Bank MMA		2,328,106	1,321,106	1,007,000			
Texas Class		9,815,644	1,869,425	7,946,219			
TexPool		213,761	171,235	8,042	13,095		21,389
Comerica Bank CD	02/08/16	1,717,508	1,717,508				
Inter National Bank CD	05/08/16	504,981	504,981				
BTH Bank CDARS	05/20/16	1,007,836	1,007,836				
Inter National Bank CD	08/08/16	1,014,293	1,014,293				
BTH Bank CDARS	08/20/16	1,008,398	1,008,398				
Independent Bank CD	08/26/16	1,001,260	1,001,260				
Comerica Bank CD	09/13/16	2,007,547	2,007,547				
Inter National Bank CD	11/08/16	1,522,767	1,522,767				
BTH Bank CDARS	11/20/16	1,009,523	1,009,523				
FHLB	11/23/16	943,149	943,149				
Dallas Co Schools - Muni	12/01/16	1,039,078	1,039,078				
Inter National Bank CD	02/08/17	2,033,576	2,033,576				
Southside Bank CD	02/27/17	1,001,462	1,001,462				
Comerica Bank CD	03/13/17	1,006,498	1,006,498				
Univ of N. TX - Muni	04/15/17	249,305	249,305				
Inter National Bank CD	05/08/17	1,021,634	1,021,634				
Comerica Bank CD	06/13/17	1,007,484	1,007,484				
Texas Security Bank CD	08/25/17	1,000,000	1,000,000				
Comerica Bank CD	09/13/17	1,008,546	907,691			100,855	
Texas Security Bank CD	11/25/18	1,000,000	1,000,000				
Total		\$ 65,804,510	\$ 56,707,910	\$ 8,961,261	\$ 13,095	\$ 100,855	\$ 21,389

Total Portfolio Performance

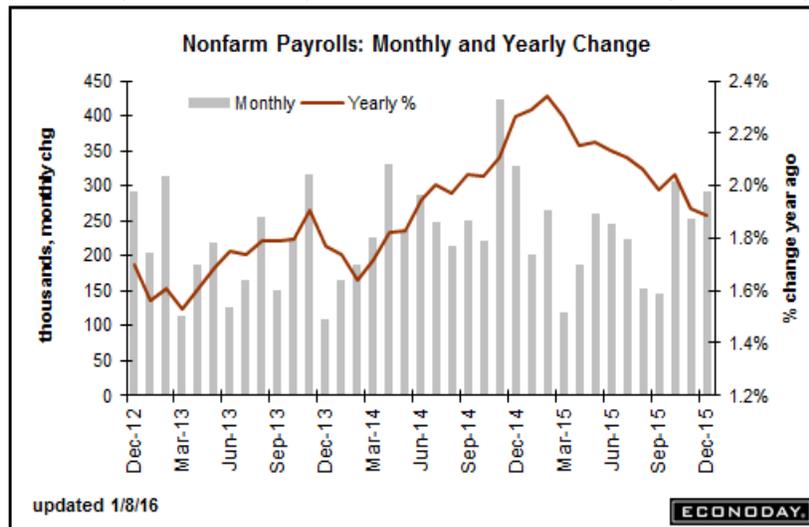




Market Outlook January 8, 2016

Happy New Year? The markets have experienced upheaval in the first few days of 2016, spurred by geopolitical events, currency moves and a further downturn in oil prices. The Federal Open Market Committee (FOMC) gave the markets a boost when they raised the Fed Funds Rate following their adjournment on December 16. It was a small range adjustment of 25 basis points, but was the first positive move of that rate in almost a decade (and a huge psychological boost to the market). But the happy mood dissipated quickly as China's economic reports indicated continued weakness and their central bank began to move their currency exchange rates to a floating rather than fixed rate. This move has not gone well and global markets have been roiled by the subsequent plunge in the Chinese stock market. Tensions between Iran, Saudi Arabia and other Mid-east countries ramped up following the Saudi execution of a prominent Shiite cleric. Oil prices have fallen to a twelve-year low. And then North Korea announced that it had conducted a successful test of a hydrogen bomb. World leaders, including those in China, have condemned this event (if it truly happened) and are meeting to determine what their official reactions will be. All of these headlines have negatively impacted U.S. markets, with the Dow Jones Industrial Average falling over 1,000 points and the 2-year Treasury yield falling 10 basis points in the past week. Much of this decline is attributable to a flight to quality. Investors' nerves are frazzled and many attempt to avoid global risk by entering the U.S. Treasury market (rising investor demand places downward pressure on U.S. Treasury rates). The U.S. economic reports had been very positive during December, but can we sustain the ripple effect of the rest of the global turmoil?

The Employment report for December was a happy surprise with 292,000 jobs added (the market had only expected +200,000). Revisions to November (revised to +252,000 from the previously reported +211,000) and October (revised to +307,000 from the previous report of +298,000) indicated a positive trend. These reports raised the three-month average to +284,000 jobs per month from the previous +218,000 per month average. The Unemployment Rate remained steady at 5.0%. The largest job increases came in business and professional sectors, and is a very positive sign. Another positive is the creation of 34,000 temporary jobs. Employers often begin to add temporary workers as their business plans indicate that more workers may be needed in the future. Average Hourly Earnings were flat in December after rising 0.2% in



November. The Labor Participation Rate, a measure of the percentage of eligible workers that hold jobs, rose to 62.6% versus the 62.5% result in November. The U6 rate (or the under-employed rate – those that are either over qualified for their job or working fewer hours than they desire) remained unchanged at 9.9%. It is significant that the U6 number remains below 10%, as it is a major component of Chair Yellen's data consideration.

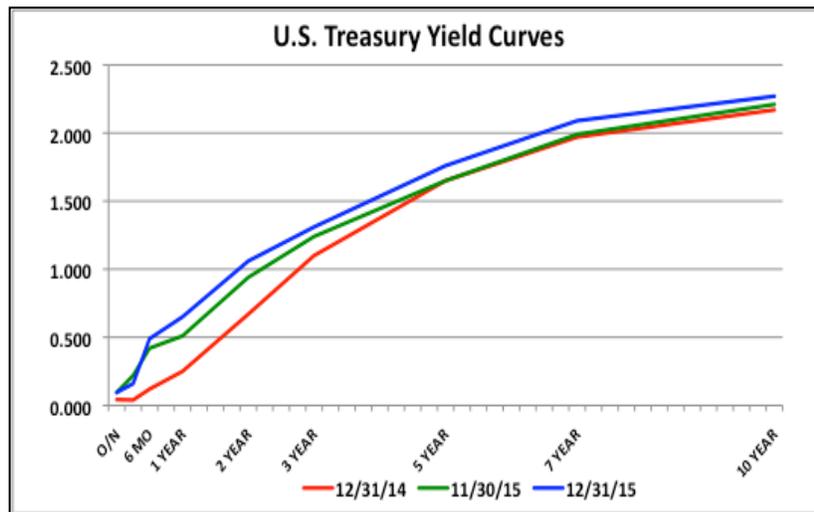
The housing sector has been mixed. Existing Home Sales fell 10.5% in November after falling 4.1% in October. Compared to last year, the report was 3.8% lower. New disclosure requirements for closings have been attributed to the delay in counted sales, which may have impacted the results. Prices rose 0.5%, and remain 6.3% higher than last year. Supply rose to 5.1 months from October's 4.8 months. New Home Sales rose 4.3% in November following a rise of 6.3% in October. The prices of new homes rose

an average of 6.3% in November. Supply of new homes rose to 5.7 months compared to October's supply of 5.5 months. The S&P Case-Shiller report of home prices in the 20 metropolitan areas and the Federal Housing Finance Agency (FHFA), the entity that analyzes all domestic home prices, both showed increases during October. The Housing Starts and Permits reports moved higher and exceeded economists' forecasts for November. Construction Spending, however fell 0.4% during November and October's report was adjusted downward. Despite the adjustment, the November result was 10.3% higher than last year at the same time.

The production and manufacturing side of the economy continues to struggle. The final release of Gross Domestic Product (GDP) for third quarter showed a rise of 2.0% (lower than the preliminary release of +2.1%), and significantly below the second quarter's result of +3.9%. Business Inventories remain heavy and leave little room for new production orders. Factory Orders declined in November and Durable Goods Orders were flat. These sectors could be at risk if the China situation does not improve. The downturn in the manufacturing sector was evident in the release of the purchasing managers' assessment for manufacturing, as it has fallen to 48.2 in December or below the 50-level. The 50-level is the balance point for optimism versus pessimism. Above 50 is optimistic and below 50 is more pessimistic. The 48.2 level is the lowest reading since July of 2009. The purchasing managers for the service sector also declined in December to 55.3 from 55.9 in November. The Producer Price Index (PPI) rose 0.3% in November (following a decline of 0.4% in October). The Consumer Price Index (CPI) was flat in November after rising 0.2% in October. Year-over-year CPI is +0.5%.

On the consumption front, Retail Sales rose 0.3% in November after rising 0.1% in October. Consumers' attitudes (as measured by the Consumer Confidence and Consumer Sentiment reports) were improved, with the Consumer Sentiment number rising to 92.6 in December from 91.3 in November and the Consumer Confidence number rose to 96.5 in December from November's 90.4. The final tally of Holiday consumption will be delivered in the coming weeks. The markets remain disappointed that consumers have not begun to use the falling gasoline prices as an incentive to purchase other products. Despite their rising confidence (reflected in the confidence/sentiment reports), it appears that consumers are being tight fisted with any savings that they have experienced during recent months.

The FOMC met on December 15th and 16th and delivered a long awaited Holiday gift and raised the range of the Fed Funds Rate to 0.25% - 0.50% from the longtime range of 0% - 0.25%. The range move was small, but the psychological impact was immense. Economists saw the move as a verification from the Fed that the economy was on firm footing and warranted a slow removal of Fed accommodation. The announcement stressed that future Fed moves would be slow and measured, so it is unlikely that the Fed Funds rate would be changed at the January meeting. Most economists were expecting the next move to take place at the March meeting. But that was before the China event.



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Current Government Security Investment Pool rates responded positively to the Fed Funds rate change, ranging in the +/-0.12% to +/-0.29% area in December (0.09% to 0.18% during November). Certificate of Deposit rates finished

December with the 2-year between 0.90% and 1.13%, about ten basis points higher than November. U.S. Treasury and Agency rates moved up during the month. The 1-year Treasury hit a high of 0.70% after closing November at 0.52%. The two-year rose to a high of 1.09% or 15 basis points higher than the November close. The 1-year subsequently closed 2016 at 0.65% and the 2-year closed at 1.06%.

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