



PUBLIC FUNDS ADVISORY

City of Killeen

Quarterly Investment Report

PRESENTED BY:

SCOTT GRUBER, CMT - DIRECTOR, ADVISORY SERVICES

JUNE 30, 2023



Compliance Certification



The undersigned have acknowledged that they have reviewed this quarterly investment report for the period ending June 30, 2023. The City officials designated as investment officers by the City’s Investment Policy attest that all investments are in compliance with the Texas Public Funds Investment Act and the City’s Investment Policy.

Executive Director of Finance

Assistant Director of Executive Finance

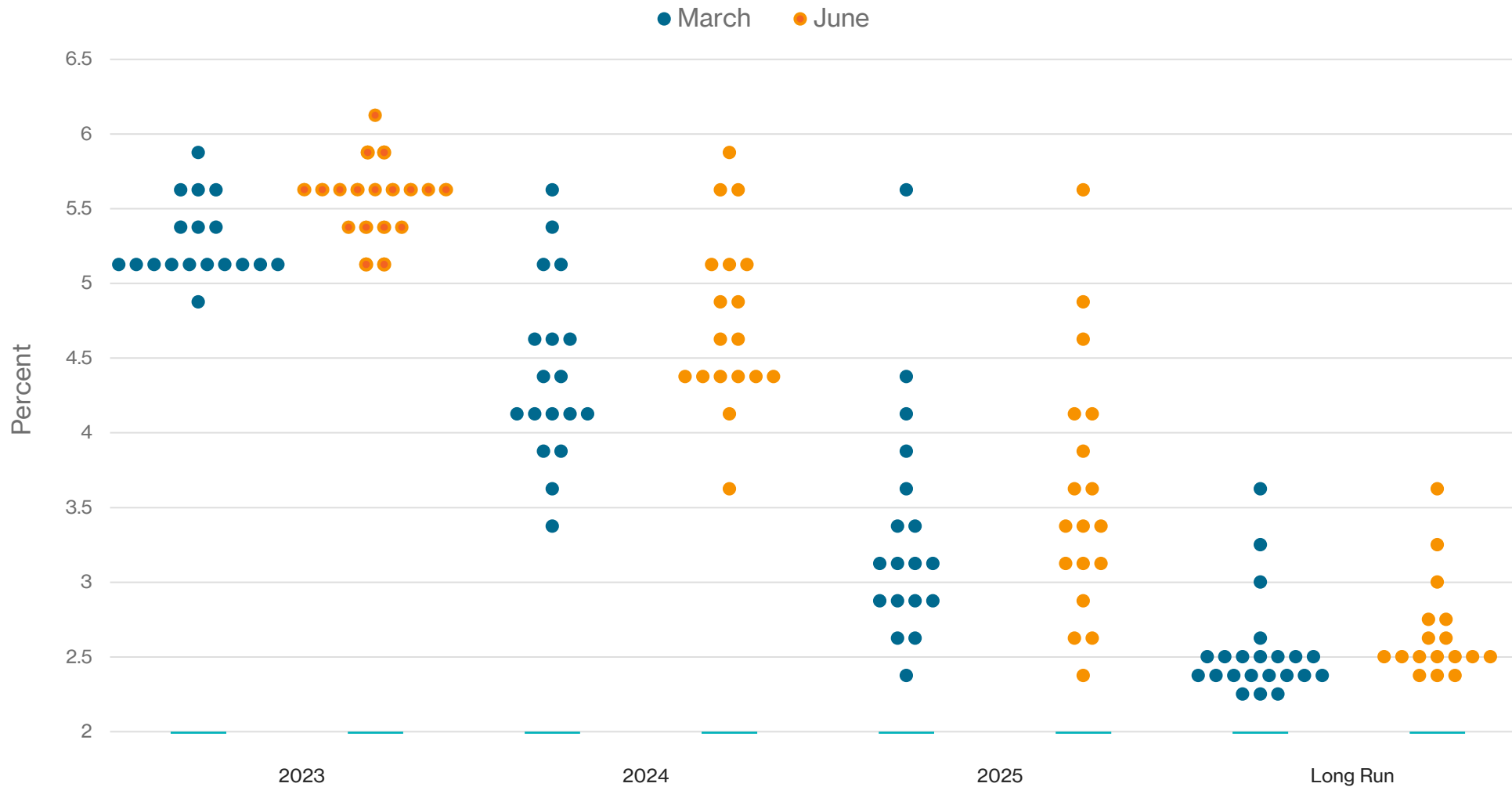
Controller

- The second quarter of 2023 saw interest rates move higher as solid economic data led markets to believe the Federal Reserve would not cut rates until 2024. The Federal Reserve met twice during the quarter, where they hiked rates by 0.25% in May but chose to not change rates in June. However, verbal guidance from Chairman Jerome Powell indicated that the June decision was not a pause and that more monetary tightening was needed to get inflation under control.
- During the second quarter, we continued moving the portfolio closer to our core targets. We continued to target a mix of new issue high-coupon non-callable agencies as well as treasury bonds. We also worked with our dealer network to create new agency bonds specifically for your portfolio that picked up yield over comparable securities and helped us match known debt payments in the future.
- In the coming quarter, the City should expect the same areas of focus: continued cash flow analysis to identify the amount to be invested in the City's core portfolio, evaluating opportunities to rebalance positions in the 0–1 year maturity range with security swaps to take advantage of the higher-yielding bonds, and extending the portfolio to our targets while matching known future debt payments.



ECONOMIC UPDATE

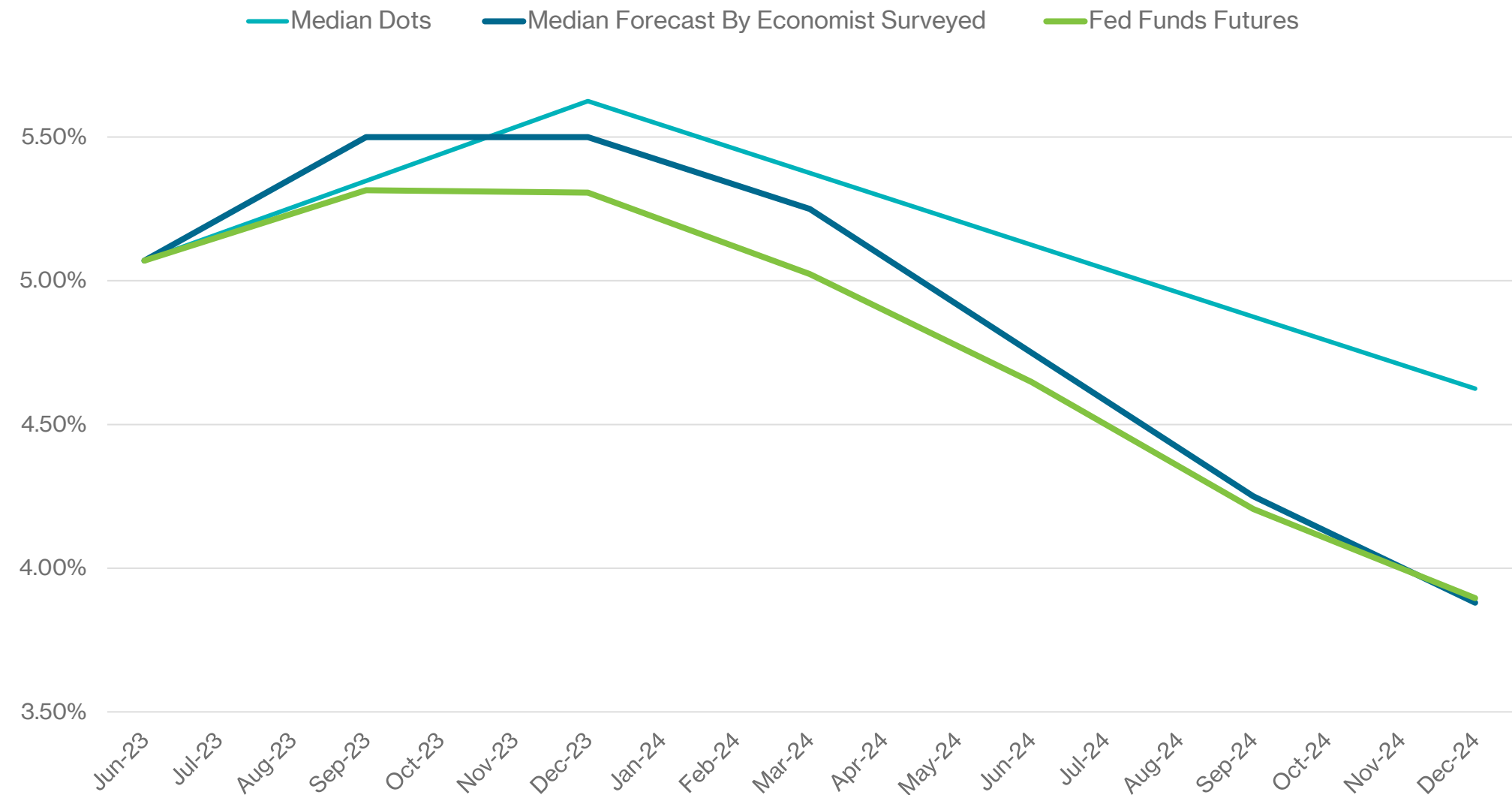
Federal Reserve Dot Plot Comparison



- Each dot represents projected year end rate by each member of the FOMC
- Long run represents projected rate to meet Federal Reserve mandates
- Median Dot Indicates FOMC to Cut Interest Rates by 100bps in 2024.

SOURCE: FEDERAL RESERVE

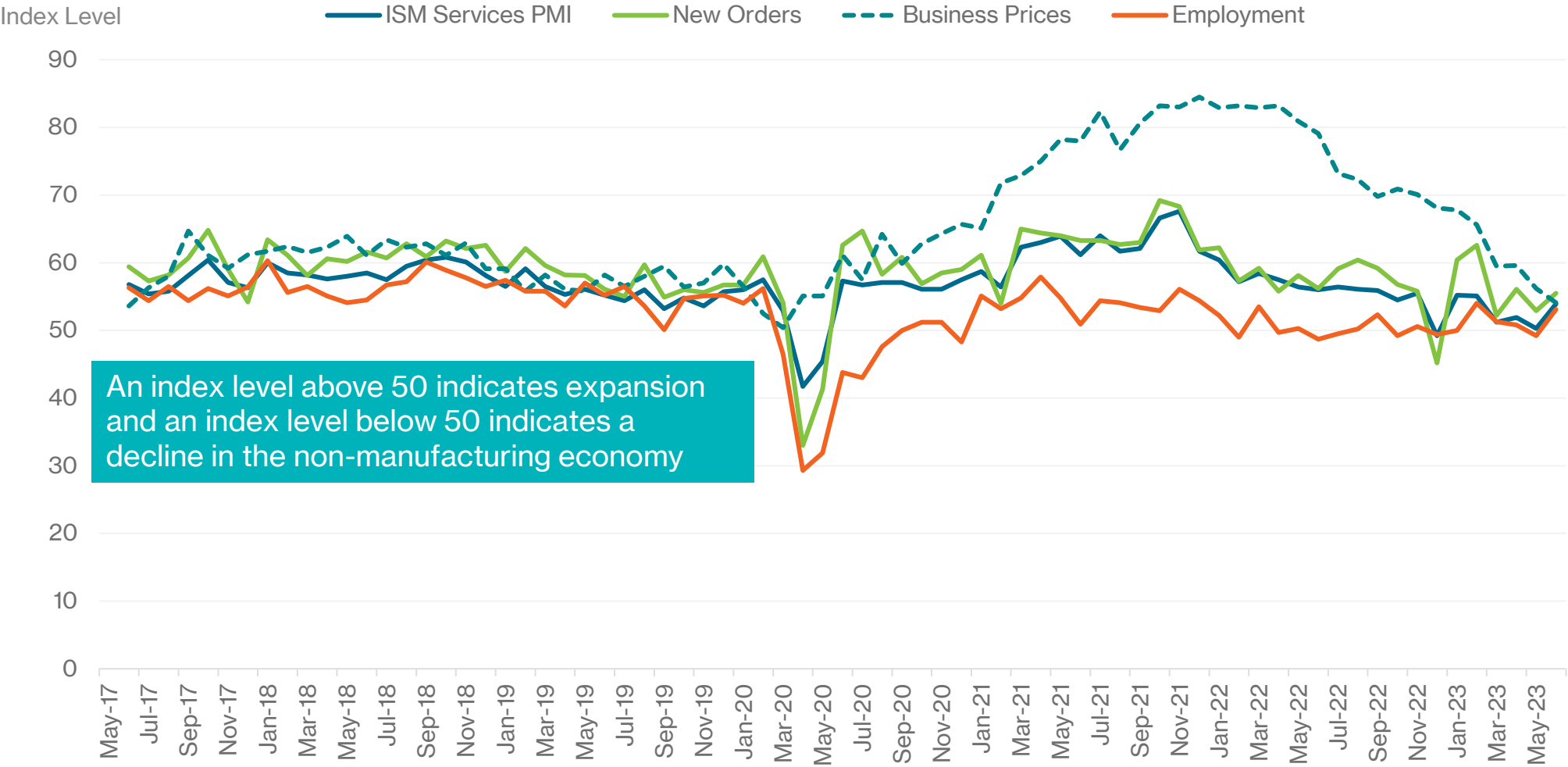
Federal Reserve, Markets, and Economists Expecting Lower Federal Funds Rate in 2024



- Federal Reserve: Median Dots project 2 additional hikes.
- Market implied probabilities price in 1 additional hike.
- FOMC, Market pricing, and Economist expectations for rate cuts in 2024 and beyond.

SOURCE: BLOOMBERG SURVEY OF ECONOMISTS, FEDERAL RESERVE, DATA AS OF 6/28/2023

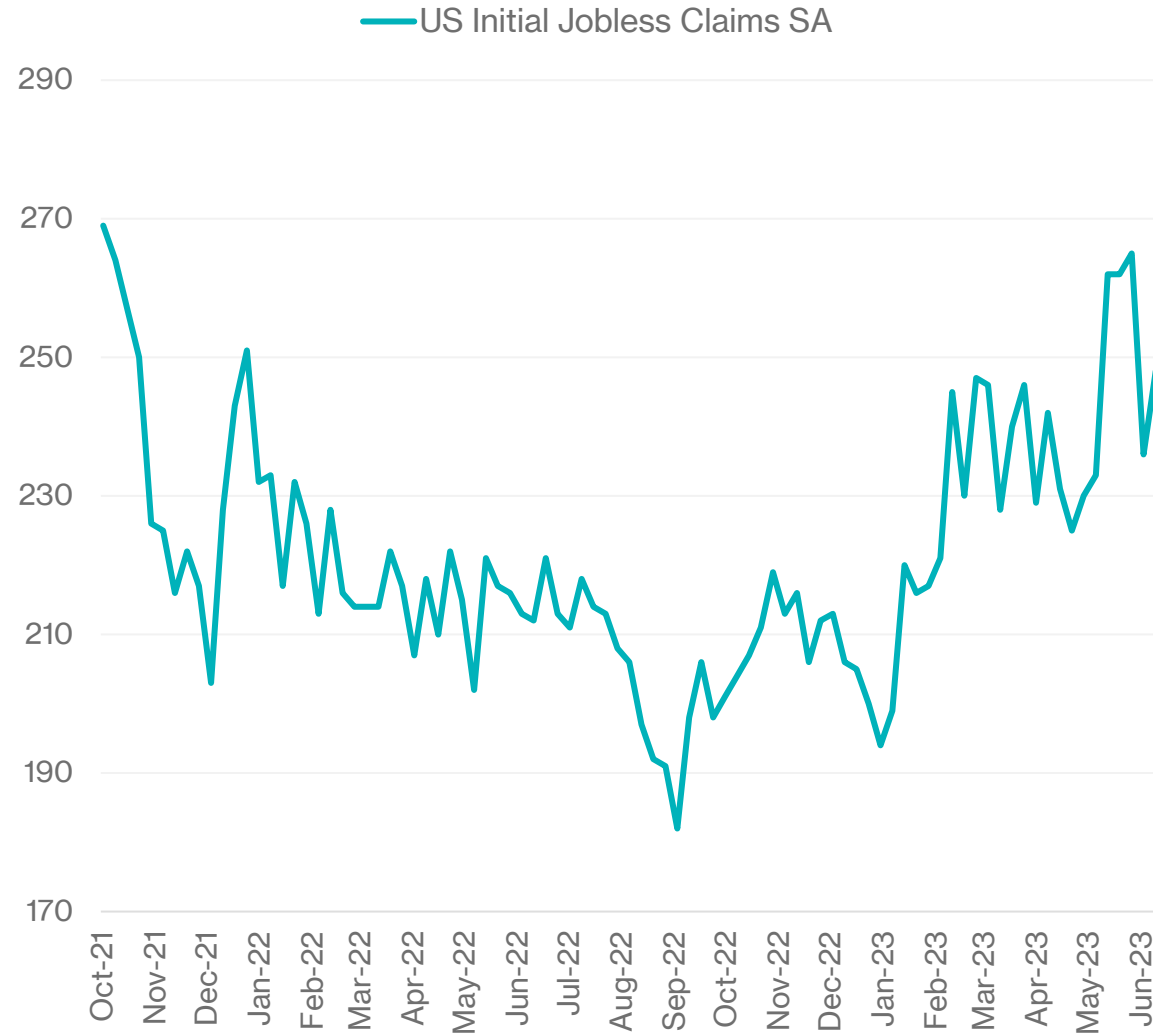
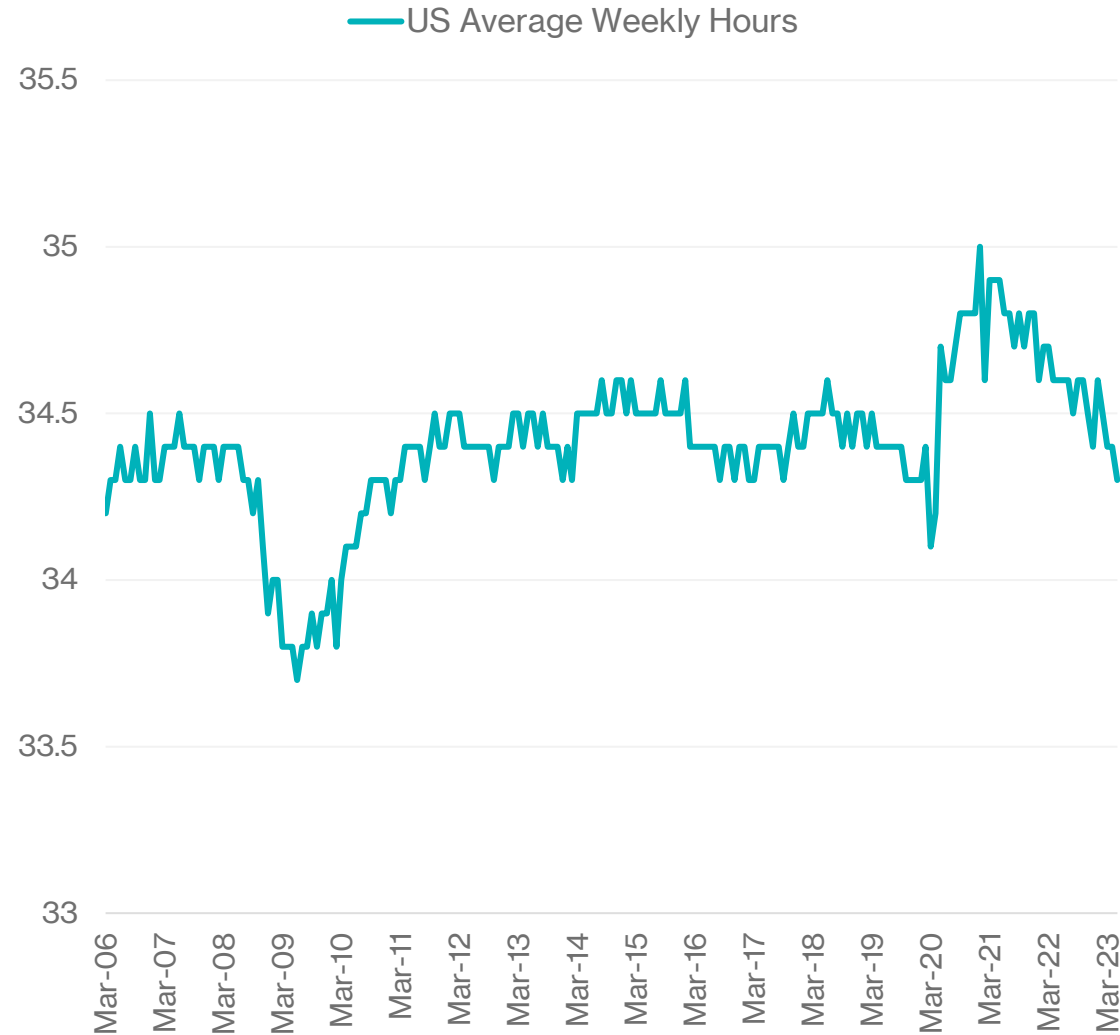
The ISM Services Report Indicates Growth in Nearly Every Segment of the Sector is Slowing.



- Service sector has proven more resilient, but pace of growth is easing as ISM index hovers around 50.
- Employment component of survey has been bouncing between contractionary and non-contractionary levels.
- Continued success with inflation battle as the price component continues to fall significantly from peak in 2022.

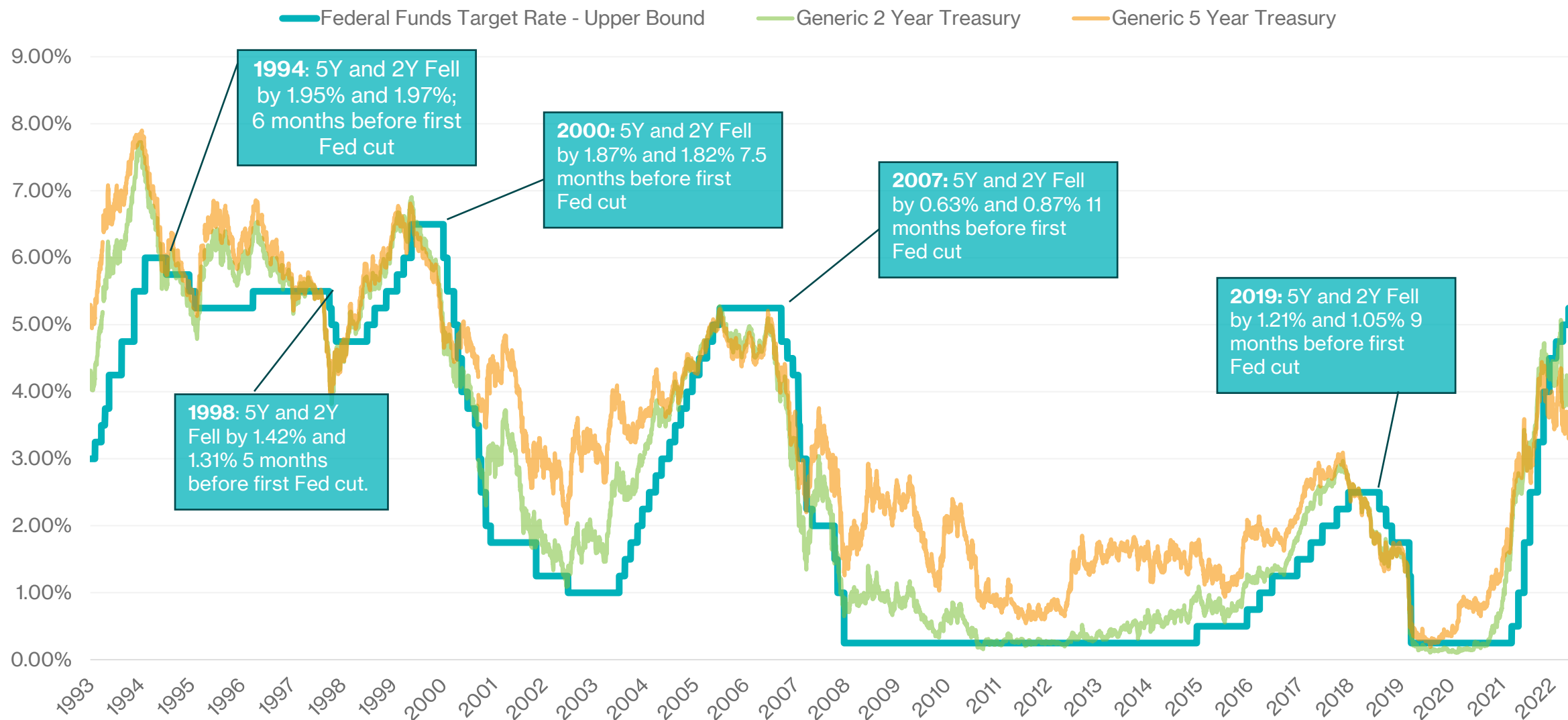
SOURCE: BLOOMBERG, INSTITUTE OF SUPPLY CHAIN MANAGEMENT AS OF 06/30/2023

US Labor Market Continuing to Show Signs of Cooling



SOURCE: BLOOMBERG AS OF 06/30/2023

Market Interest Rates Stop Rising and Fall Before Federal Rate Cuts Begin





PORTFOLIO REVIEW

Quarterly Portfolio Summary – All Funds



This quarterly report is prepared in compliance with the Investment Policy and Strategy of the City of Killeen and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

Portfolio as of March 31, 2023		Portfolio as of June 30, 2023	
Beginning Book Value	\$246,378,007	Ending Book Value	\$236,365,821
Beginning Market Value	\$245,759,600	Ending Market Value	\$235,080,980
Unrealized Gain/(Loss)	(\$618,407)	Unrealized Gain/(Loss)	(\$1,284,841)
		Change in Unrealized Gain/(Loss)	(\$666,433)
Weighted Average Maturity	200 days	Weighted Average Maturity	386 days
Weighted Average Yield	3.46%	Weighted Average Yield	3.79%

Portfolio Market Value by Fund	3/31/2023	6/30/2023	Change
Pooled Investments	\$245,075,920.60	\$234,231,155.12	(\$10,844,765.48)
Internal Services Fund	\$77,911.09	\$107,286.71	\$29,375.62
Employee Benefits Trust Fund	\$128,118.11	\$157,439.18	\$29,321.07
Enterprise Funds	\$4,040.07	\$4,040.07	\$0.00
General Fund	\$94,101.53	\$201,550.87	\$107,449.34
Special Revenue Fund	\$379,508.31	\$379,508.31	\$0.00
Total	\$245,759,599.71	\$235,080,980.26	(\$10,678,619.45)

Portfolio Summary – Investment Pool

As of 6/30/2023

Your Portfolio

Cash/LGIPs	\$61,615,560
Securities Book Value	\$173,900,435
Total Portfolio Book Value	\$235,515,996

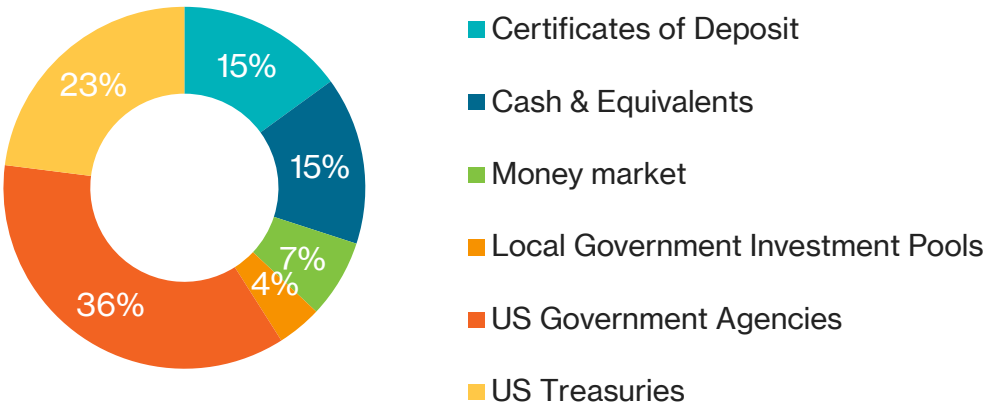
Your Securities

Weighted Average Maturity	1.06 years
Weighted Average Yield	3.80%

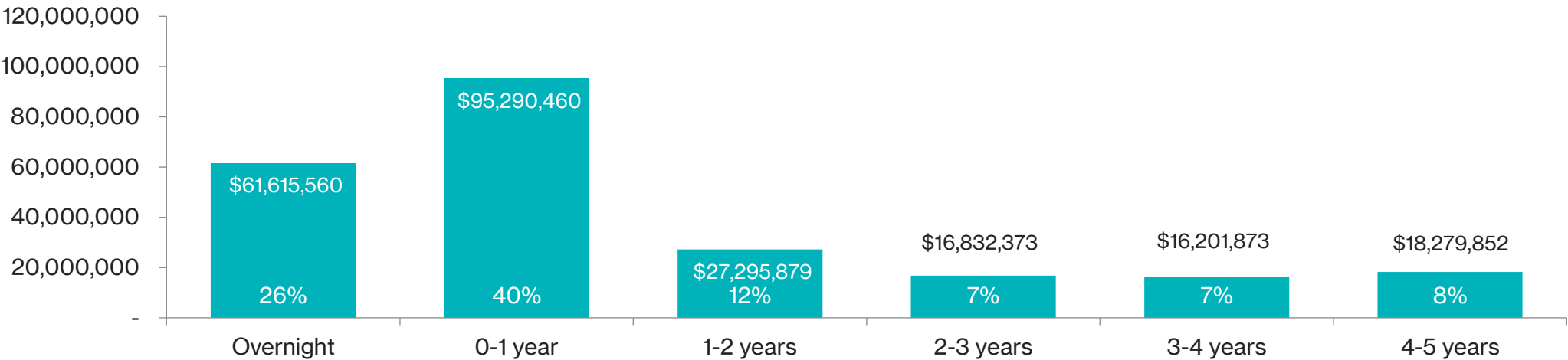
Interest Earnings:

Quarterly Interest Earned	\$2,220,192
Year-to-date Interest Earned	\$5,467,143

Your Asset Allocation

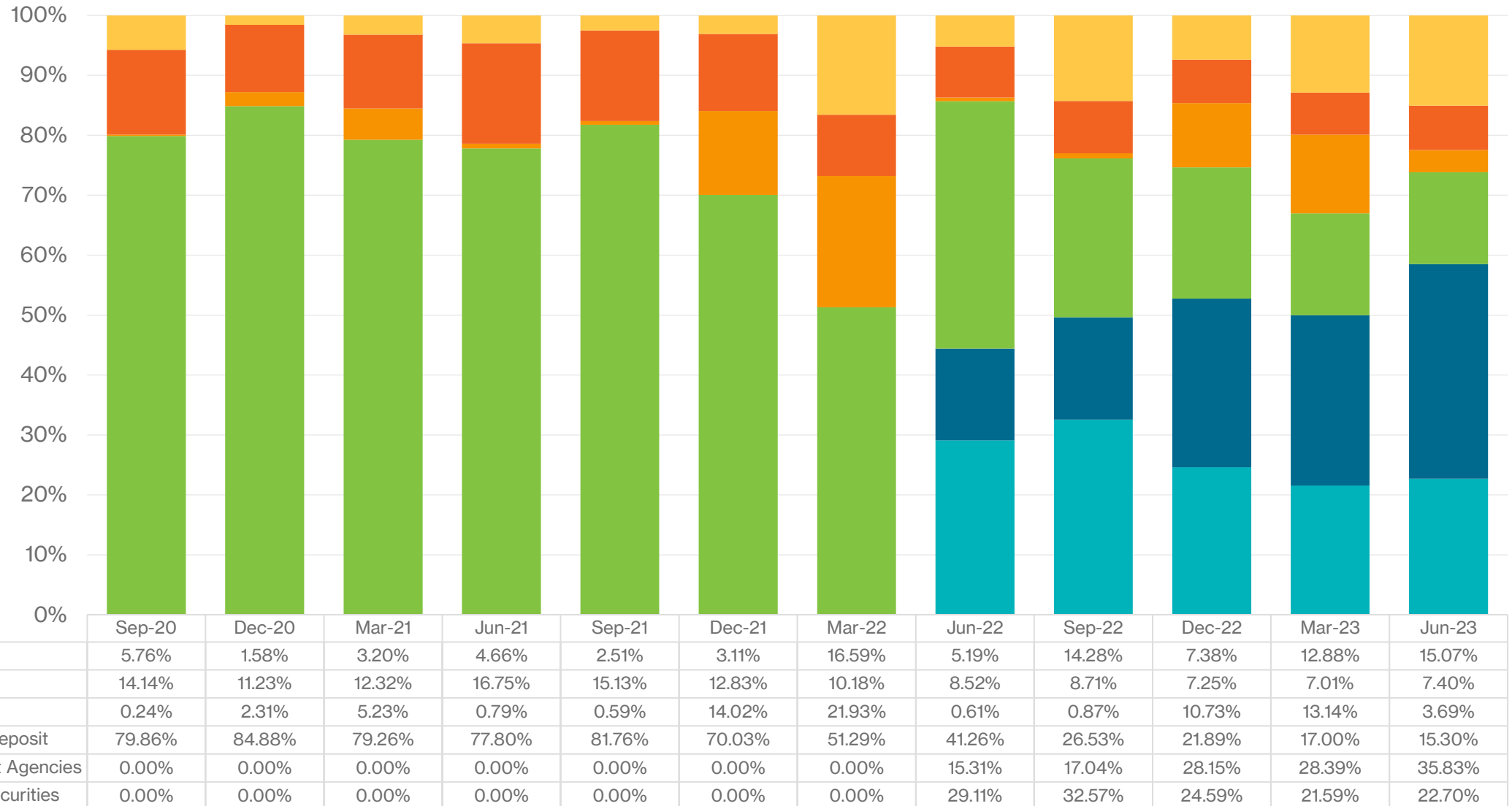


Your Maturity Distribution



YIELD AND INTEREST INCOME INFORMATION IS ANNUALIZED. ALL YIELD INFORMATION IS SHOWN GROSS OF ANY ADVISORY AND CUSTODY FEES AND IS BASED ON YIELD TO MATURITY AT COST. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

Asset Composition



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