



PUBLIC FUNDS ADVISORY

# City of Killeen

## Quarterly Investment Report

PRESENTED BY:

SCOTT GRUBER - DIRECTOR, ADVISORY SERVICES

MARCH 31, 2023



MEEDER

PUBLIC FUNDS  
PATTERSON GROUP

# Compliance Certification

The undersigned have acknowledged that they have reviewed this quarterly investment report for the period ending March 31, 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

# Executive Summary

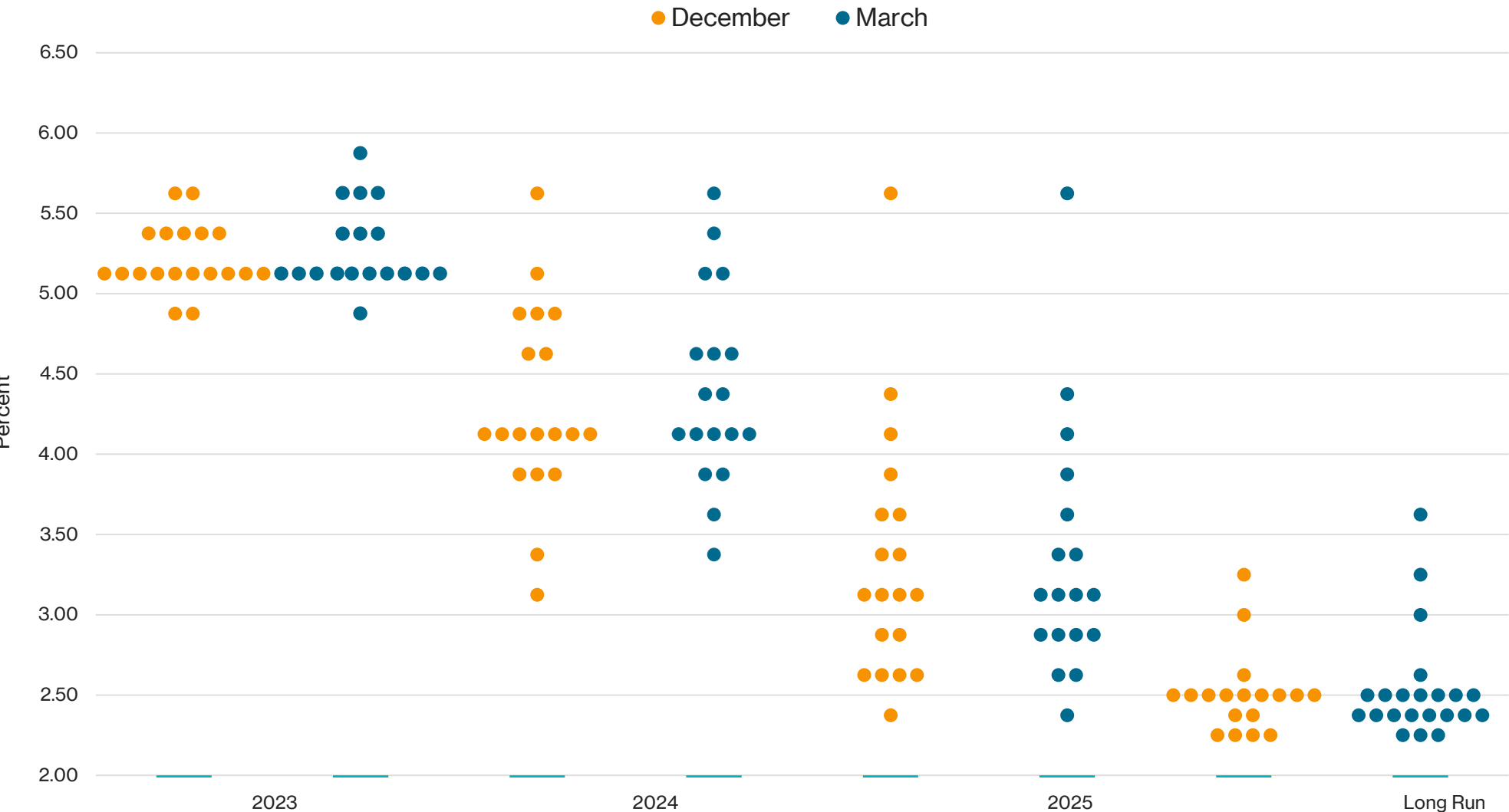
- The first quarter of the calendar year saw the Federal Reserve meet twice, and at both meetings, vote to raise rates by 0.25%. However, the hikes were overshadowed by the sheer volatility in rates markets as two bank failures caused a rapid repricing in interest rates. The 2 Year Treasury Yield peaked on March 8th at 5.07% and ended the quarter 1.05% lower at 4.02%. The market now expects the Federal Reserve to cut rates in the fall, even though the Federal Reserve maintains its stance it will be holding rates higher for longer.
- During the quarter, we continued working to move the portfolio closer to our core targets. Our purchases included a mix of both agency and treasury securities. A combination of putting excess cash to work along with reinvestment of maturities allowed our team to capitalize on extending the portfolio to lock in higher rates out longer.
- In the coming quarter, the City should expect the same areas of focus: continued cash flow analysis to work with the City on the amount to be invested versus kept in overnight funds, identifying opportunities to rebalance positions in the 0–1-year maturity range with swaps take advantage of the higher interest rates, and extending the portfolio to our targets. 25% of the portfolio turns over during this next quarter, giving us ample opportunity to move the portfolio longer and capture attractive yields.



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# Economic Update

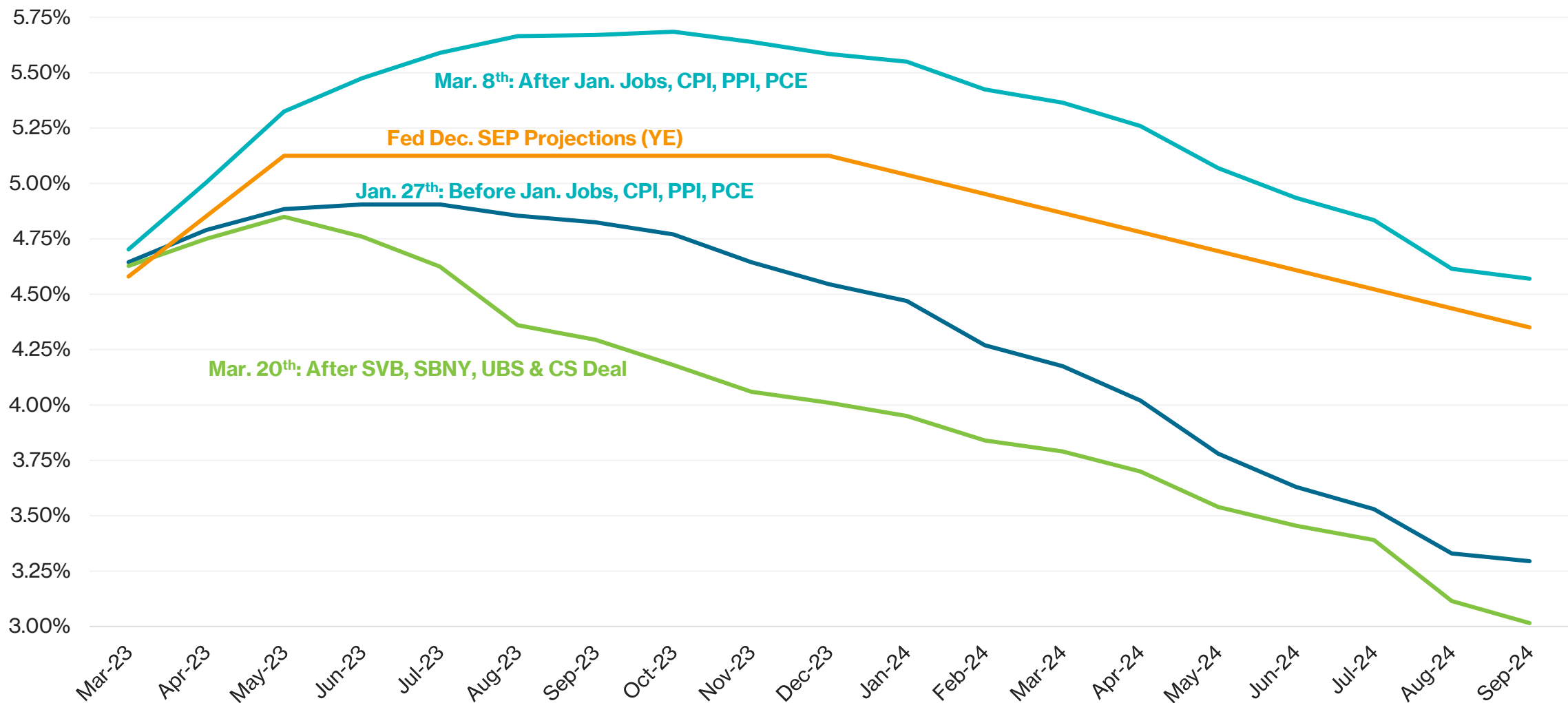
# Federal Reserve Dot Plot Comparison



- Each dot represents projected year end rate by each member of the FOMC
- Long run represents projected rate to meet Federal Reserve mandates
- Dot plot is updated quarterly

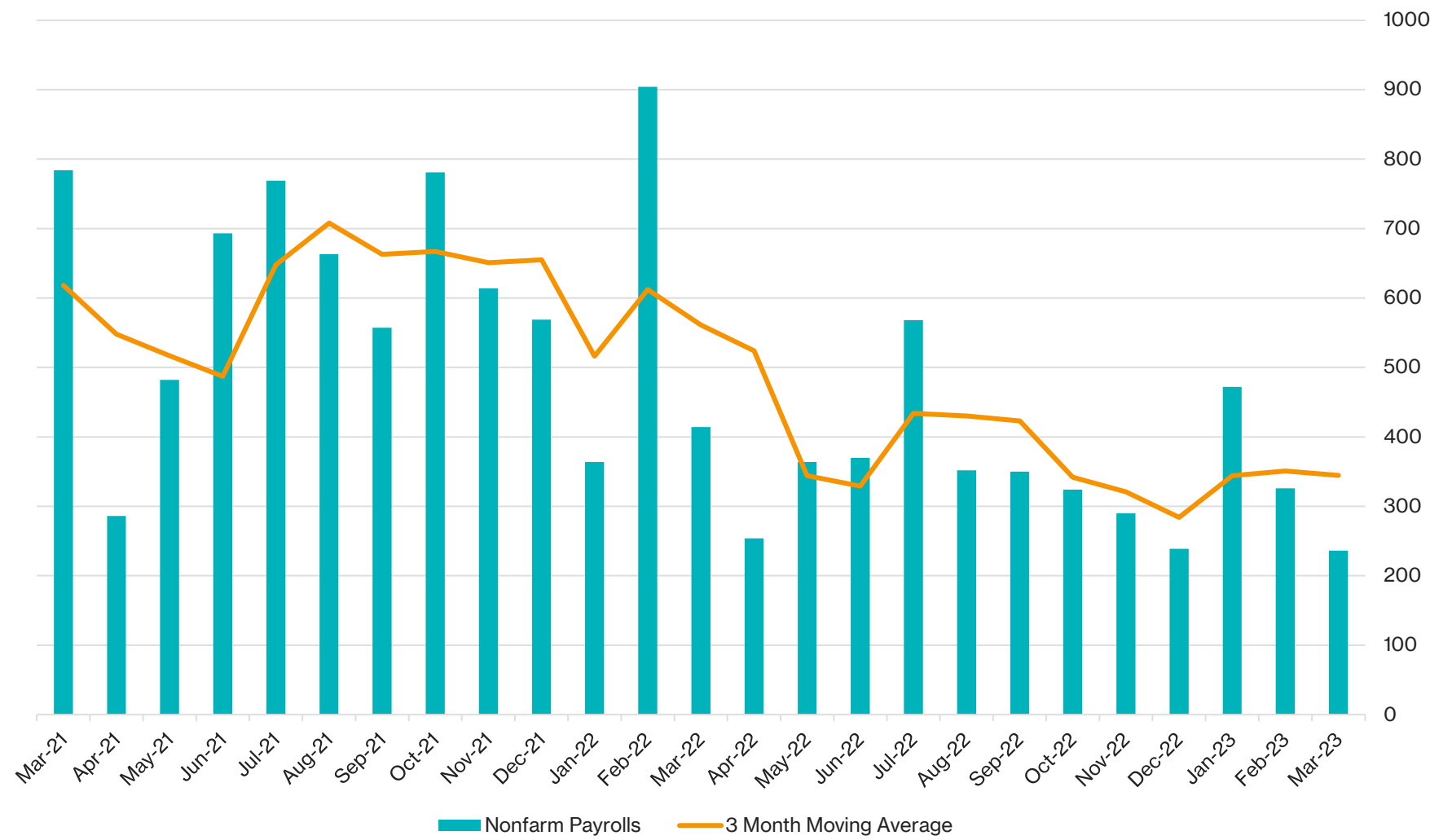
SOURCE: BLOOMBERG

# Market Expectations for Fed Funds Rate Moved Sharply



SOURCE: BLOOMBERG

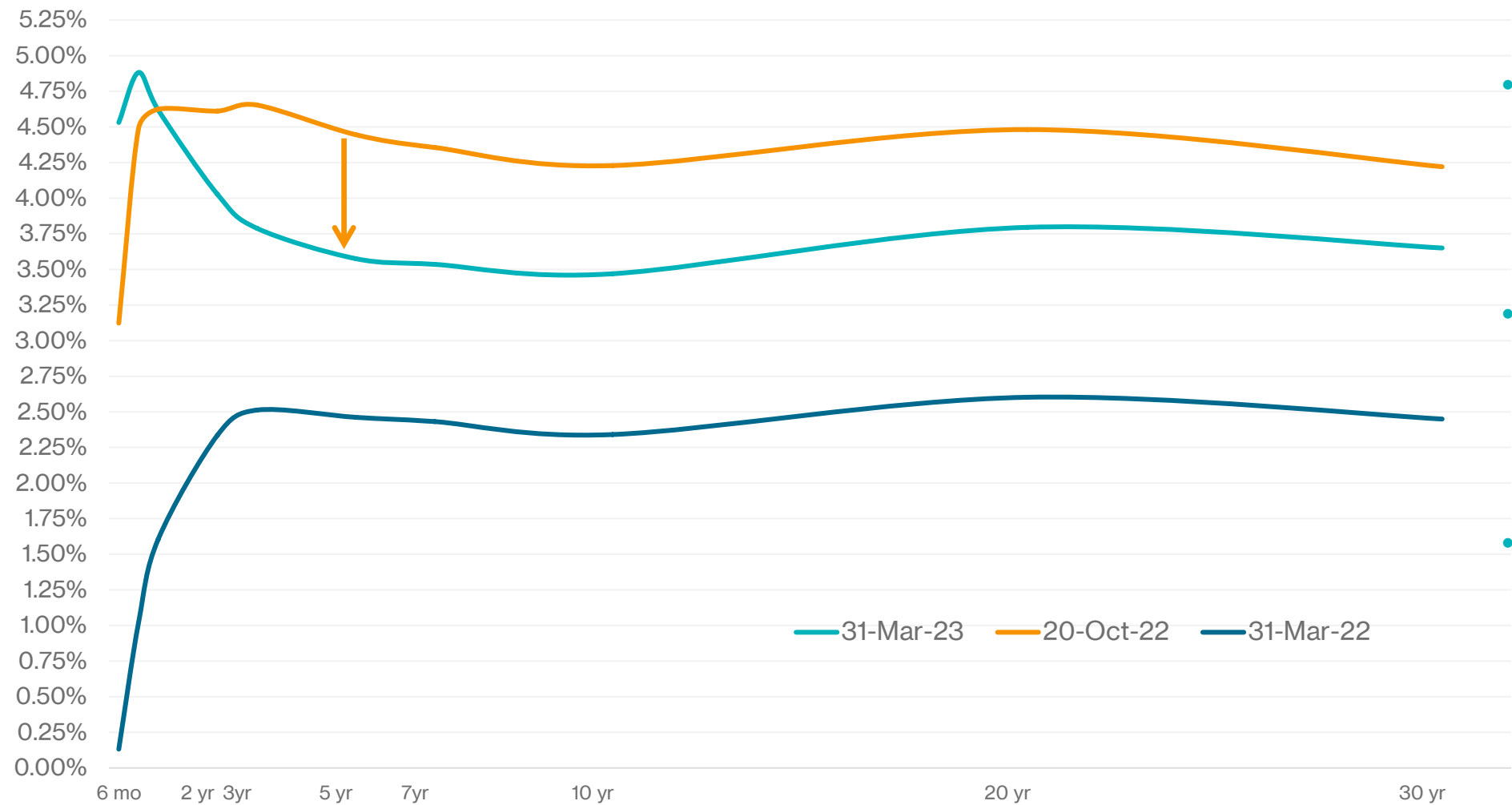
# Latest Trends in Labor Market



- Labor market remains tight, with nonfarm payrolls exceeding expectations in January and February
- Unemployment rate stands at 3.50%
- As inflation starts to cool off in certain sectors, the resilient labor market is keeping the Fed committed to its current policy, despite market pressures on longer-term rates

SOURCE: BLOOMBERG

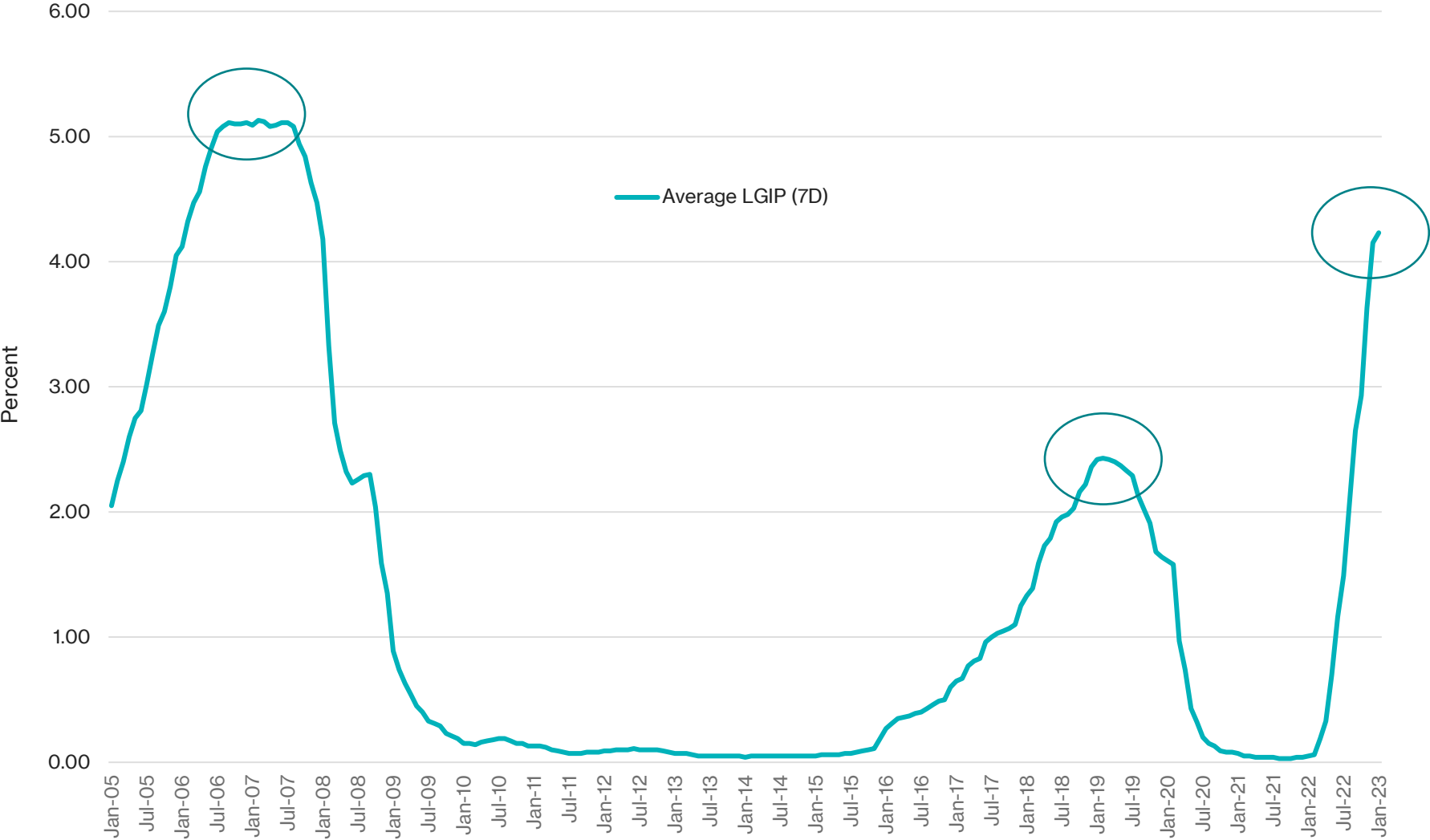
# US Treasury Yield Curves



- Yield curve has continued to invert with 3-month yields far exceeding 10-year yields
- Yield curve reflects market expectations for additional increases in Federal Funds Rate
- Shape of the curve indicates heightened expectation for a recession

SOURCE: BLOOMBERG AS OF 3/31/2023

# Creating Longer-Term Certainty



- Short-term interest rates topping out
- Opportunity to lock in high interest rates for the long-term
- Creates budgetary certainty for the long-term

SOURCE BLOOMBERG. Average LGIP represented by LGIP7D Net Index.



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# 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 December 31, 2022		Portfolio as of March 31, 2023	
Beginning Book Value	\$234,709,901	Ending Book Value	\$246,378,007
Beginning Market Value	\$233,380,960	Ending Market Value	\$245,759,600
Unrealized Gain/(Loss)	(\$1,328,941)	Unrealized Gain/(Loss)	(\$618,407)
		Change in Unrealized Gain/(Loss)	\$710,534
Weighted Average Maturity	208 days	Weighted Average Maturity	200 days
Weighted Average Yield	3.30%	Weighted Average Yield	3.46%

Portfolio Market Value by Fund	12/31/2022	3/31/2023	Change
Pooled Investments	\$232,694,890.20	\$245,075,920.60	\$12,381,030.40
Internal Services Fund	\$159,000.00	\$77,911.09	(\$81,088.91)
Employee Benefits Trust Fund	\$44,001.06	\$128,118.11	\$84,117.05
Enterprise Funds	\$4,035.90	\$4,040.07	\$4.17
General Fund	\$99,524.16	\$94,101.53	(\$5,422.63)
Special Revenue Fund	\$379,508.31	\$379,508.31	\$0.00
<b>Total</b>	<b>\$233,380,959.63</b>	<b>\$245,759,599.71</b>	<b>\$12,378,640.08</b>

# Portfolio Summary – Investment Pool

## As of 3/31/2023

### Your Portfolio

Cash/LGIPs	\$81,149,099
Securities Book Value	\$164,545,229
Total Portfolio Book Value	\$245,694,328

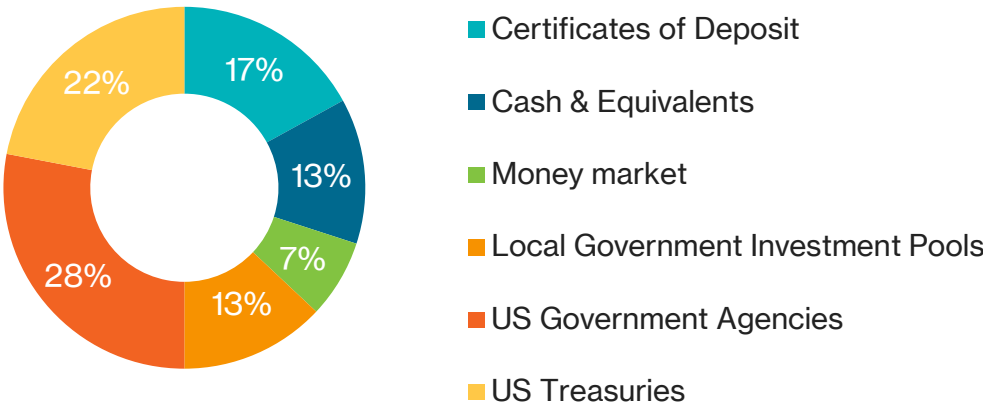
### Your Securities

Weighted Average Maturity	0.55 years
Weighted Average Yield	3.47%

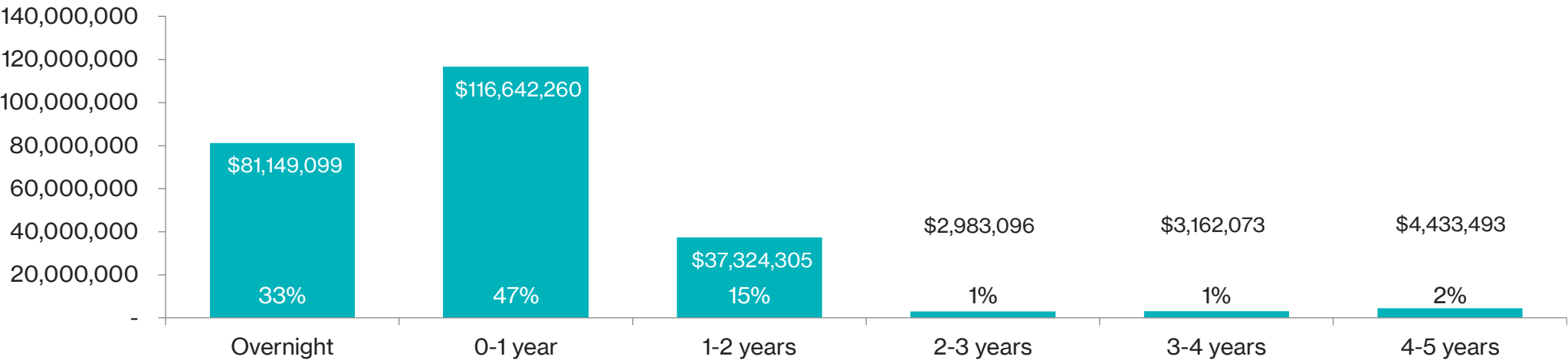
### Interest Earnings:

Quarterly Interest Earned	\$2,033,928
Year-to-date Interest Earned	\$3,246,951

### Your Asset Allocation

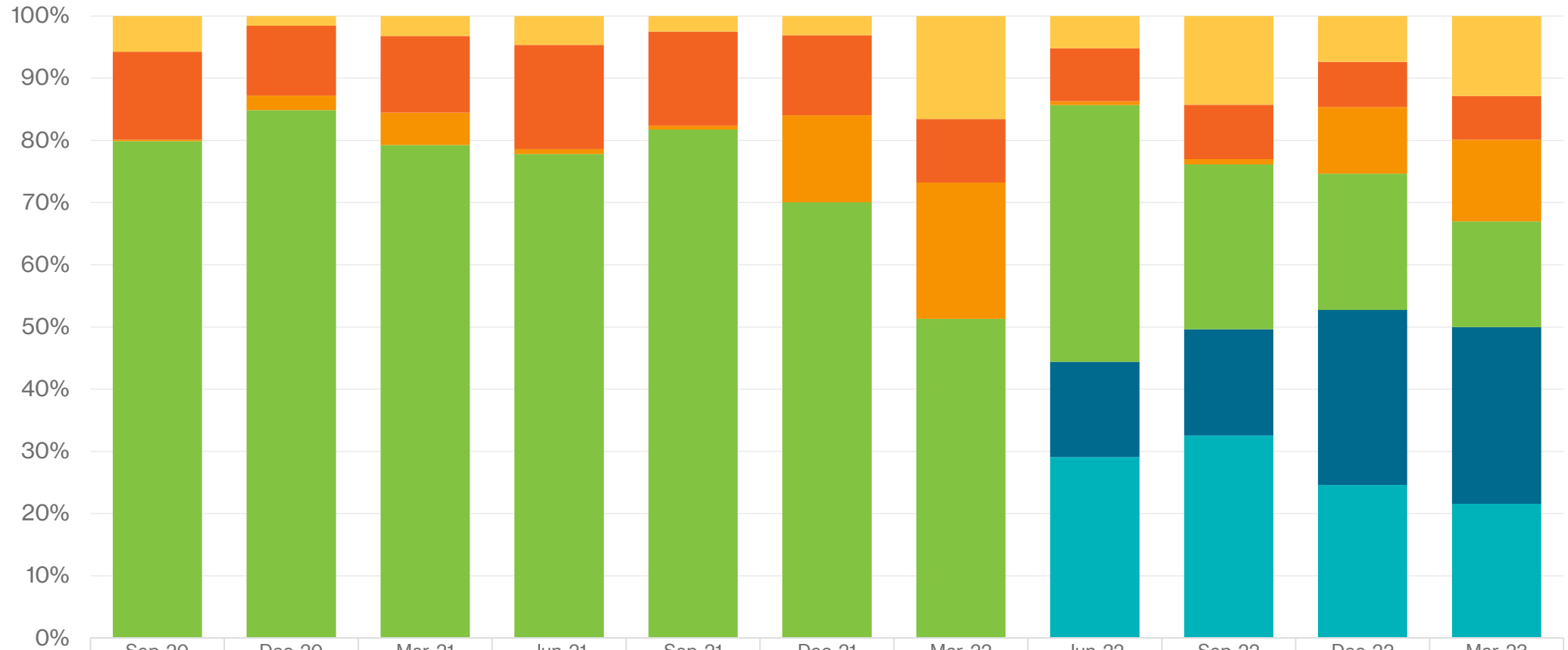


### Your Maturity Distribution



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



Cash	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Money Market	5.76%	1.58%	3.20%	4.66%	2.51%	3.11%	16.59%	5.19%	14.28%	7.38%	12.88%
LGIPs	14.14%	11.23%	12.32%	16.75%	15.13%	12.83%	10.18%	8.52%	8.71%	7.25%	7.01%
Certificates of Deposit	0.24%	2.31%	5.23%	0.79%	0.59%	14.02%	21.93%	0.61%	0.87%	10.73%	13.14%
U.S. Government Agencies	79.86%	84.88%	79.26%	77.80%	81.76%	70.03%	51.29%	41.26%	26.53%	21.89%	17.00%
U.S. Treasury Securities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.31%	17.04%	28.15%	28.39%
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	29.11%	32.57%	24.59%	21.59%

## PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Opinions and forecasts regarding markets, securities, products, portfolios or holdings are given as of the date provided and are subject to change at any time. No offer to sell, solicitation, or recommendation of any security or investment product is intended. Certain information and data has been supplied by unaffiliated third-parties as indicated. Although Meeder believes the information is reliable, it cannot warrant the accuracy, timeliness or suitability of the information or materials offered by third-parties.

Estimates and illustrations of expected yield for illustrated portfolios is hypothetical in nature, does not reflect actual investment results, and does not guarantee future returns. Hypothetical illustrations are offered to illustrate the yield expected from classes of securities and do not reflect actual securities available for investment. Estimates of current yield are generated from indexes and other information deemed by the adviser to provide a reliable estimate of the current yield available from investments in that asset class. Securities indices are unmanaged and investments cannot be made directly in an index. Yield assumptions were developed with the benefit of hindsight and the securities purchased for such an account may generate more or less than the illustrated yield.

Investment advisory services provided by Meeder Public Funds, Inc.

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