



PUBLIC FUNDS ADVISORY

City of Killeen

Quarterly Investment Report

PRESENTED BY:

JASON HEADINGS - SR. VICE PRESIDENT

SCOTT GRUBER - DIRECTOR, ADVISORY SERVICES

SEPTEMBER 30, 2022



MEEDER

PUBLIC FUNDS
PATTERSON GROUP

Compliance Certification



The undersigned have acknowledged that they have reviewed this quarterly investment report for the period ending September 30, 2022. 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.

City Manager

**Judith
Tangalin**
Interim Executive Director of Finance

Digitally signed by Judith
Tangalin
DN: cn=Judith Tangalin, o,
ou=City of Killeen,
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, c=US
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Executive Summary

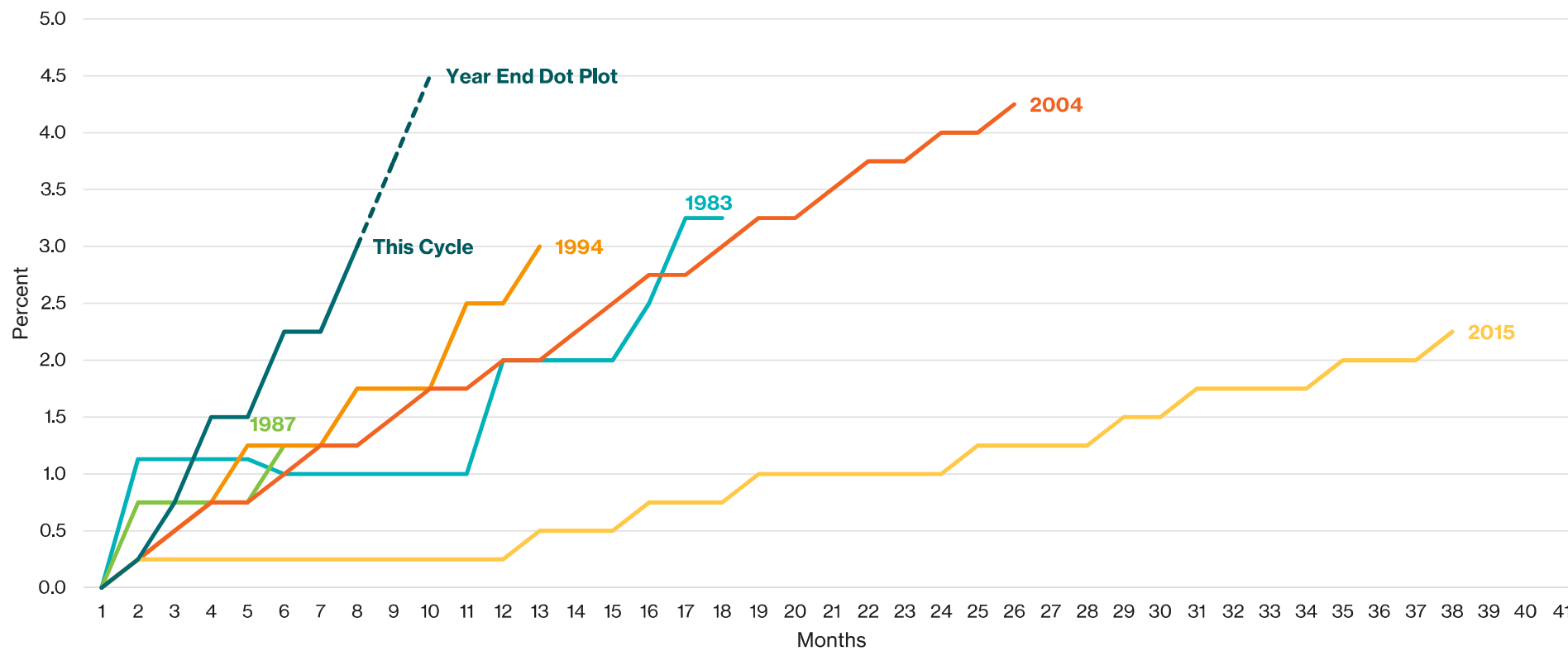
- Through the September meeting Fed officials have now raised the Federal Funds target rate to the top end range of 3.00% with anticipation that they will hike two more times by year-end. The current hiking cycle is the fastest pace and most aggressive stance they have taken with the primary focus being to tame inflation as quickly as possible. Some leading economic indicators suggest some cooling pressures around the economy, but the Fed continues to cite a strong labor market as reason we could get a soft landing with respect to an economic downturn or recession
- Going forward, the City should expect the following areas of focus:
 - Continued cash flow analysis to identify the proper amount to be invested longer-term vs remaining liquid; and
 - Building balances in the longer end of the allowable maturity range within the portfolio while ensuring maturities are matched to upcoming debt payments within 1 year.
 - Continue to analyze the current portfolio for potential opportunities to restructure the portfolio for increased interest income. With the possibility of adding commercial paper to the portfolio with the proposed policy changes, we will be able to swap out of some existing securities into higher yielding commercial paper securities without impacting the weighted average maturity of the portfolio.



Economic Update

Fastest Rate Hiking Cycle

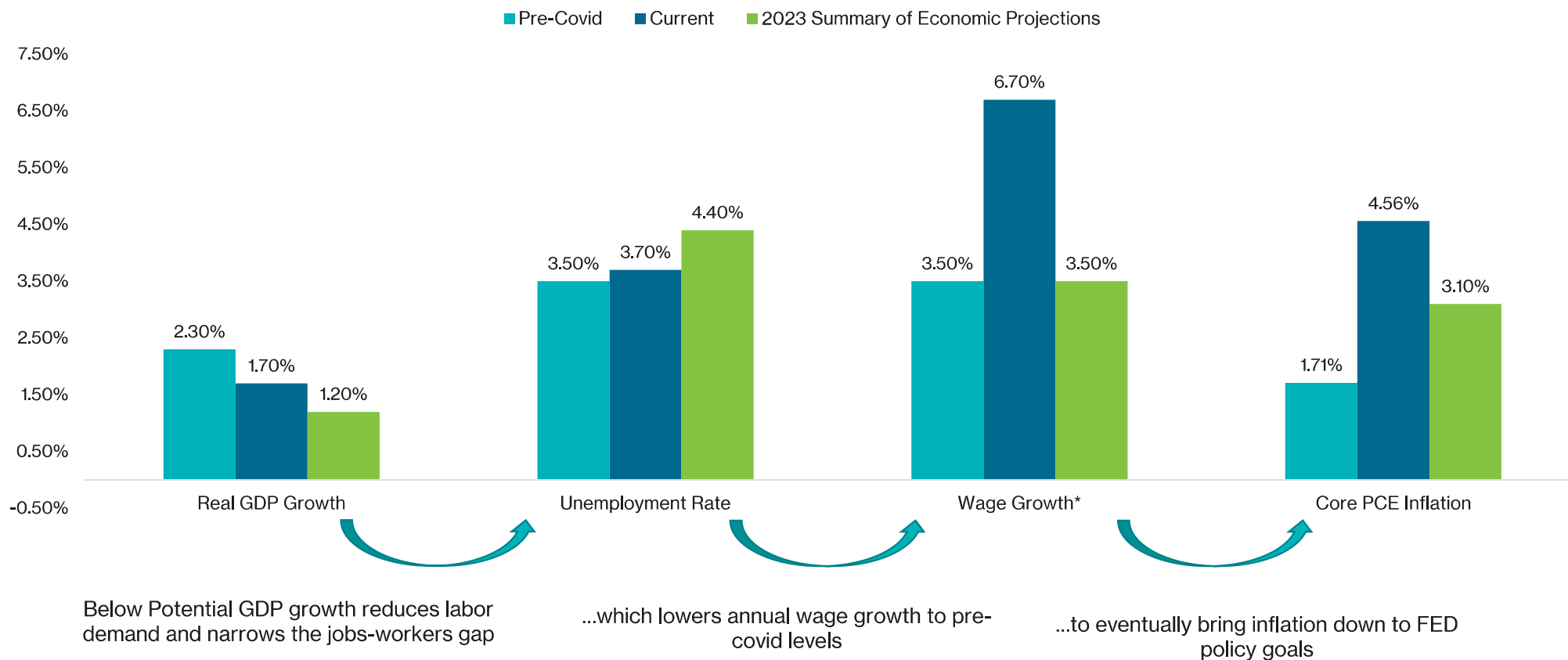
The current hiking cycle has been faster than each of the cycles since 1983



SOURCE: BLOOMBERG

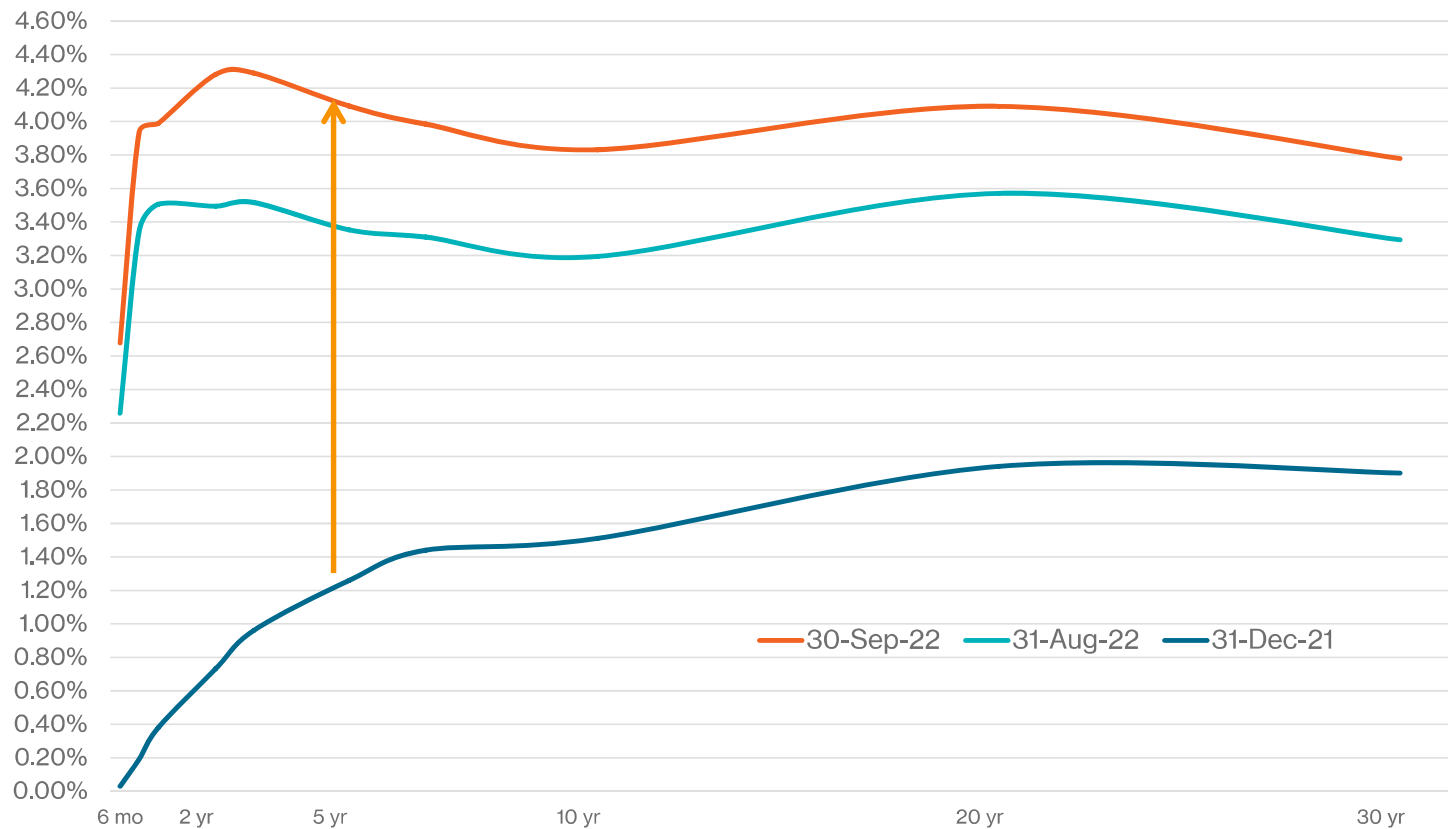
Transmission Effect of Federal Reserve Hikes

Slowdown Required to Rebalance the Labor Market and Calm Wage Growth and Inflation



SOURCE: WAGE GROWTH – FEDERAL RESERVE BANK OF ATLANTA, SUMMARY OF ECONOMIC PROJECTIONS – FEDERAL RESERVE BOARD OF GOVERNORS, BLOOMBERG

US Treasury Yield Curves



- Yield curve reflects Fed's guidance on faster pace of rate hikes
- Shape of the curve has flattened due to increased risk of recession
- Yield curve inversion as 2-year to 10-year spreads are negative

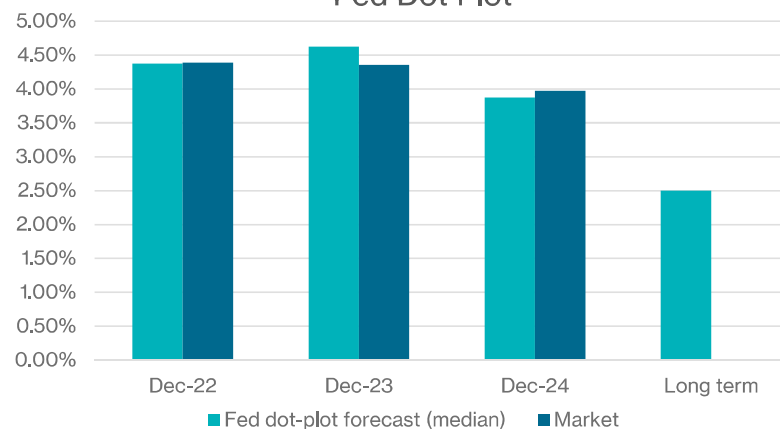
SOURCE: BLOOMBERG AS OF 09/30/2022

Rates at a Glance

U.S. Treasury Note Yields



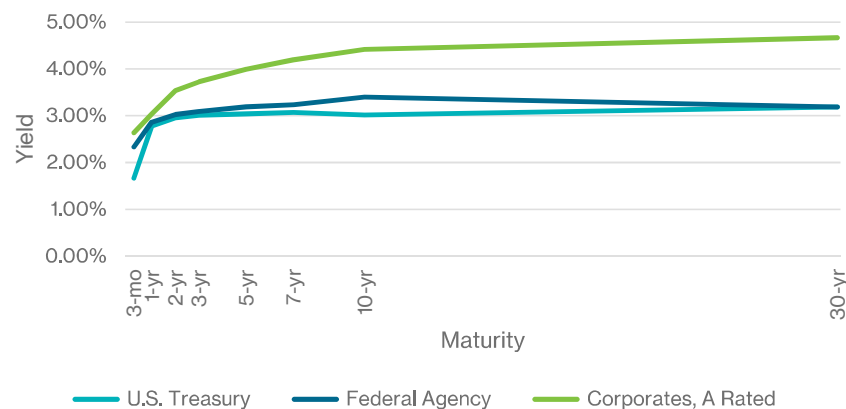
Fed Dot Plot



U.S. Treasury Yields

Maturity	Sep '22	Jun '22	Change over Quarter	Sep '21	Change over Year
3-Month	3.27%	1.67%	1.60%	0.04%	3.23%
1-Year	3.99%	2.78%	1.21%	0.07%	3.92%
2-Year	4.28%	2.96%	1.32%	0.28%	4.00%
5-Year	4.09%	3.04%	1.05%	0.97%	3.13%
10-Year	3.83%	3.02%	0.82%	1.49%	2.34%
30-Year	3.78%	3.19%	0.59%	2.05%	1.73%

Yield Curves as of 9/30/2022





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 June 30, 2022		Portfolio as of September 30, 2022	
Beginning Book Value	\$215,457,049	Ending Book Value	\$193,568,434
Beginning Market Value	\$215,251,076	Ending Market Value	\$192,246,993
Unrealized Gain/(Loss)	(\$205,973)	Unrealized Gain/(Loss)	(\$1,321,441)
		Change in Unrealized Gain/(Loss)	(\$1,115,468)
Weighted Average Maturity	275 days	Weighted Average Maturity	228 days
Weighted Average Yield	1.40%	Weighted Average Yield	1.64%

Portfolio Market Value by Fund	6/30/2022	9/30/2022	Change
Pooled Investments	\$214,913,632.00	\$191,638,239.14	(\$23,275,392.86)
Internal Services Fund	\$126,000.00	\$79,421.28	(\$46,578.72)
Employee Benefits Trust Fund	\$151,368.39	\$65,343.69	(\$86,024.70)
Enterprise Funds	\$4,027.12	\$4,027.12	\$0.00
General Fund	\$6,147.70	\$80,453.33	\$74,305.63
Special Revenue Fund	\$255,873.30	\$379,508.31	\$123,635.01
Total	\$215,457,048.51	\$192,246,992.87	(\$23,210,055.64)

Portfolio Summary – Investment Pool

As of 9/30/2022

Your Portfolio

Cash/LGIPs	\$45,571,936
Securities Book Value	\$147,387,745
Total Portfolio Book Value	\$192,959,681

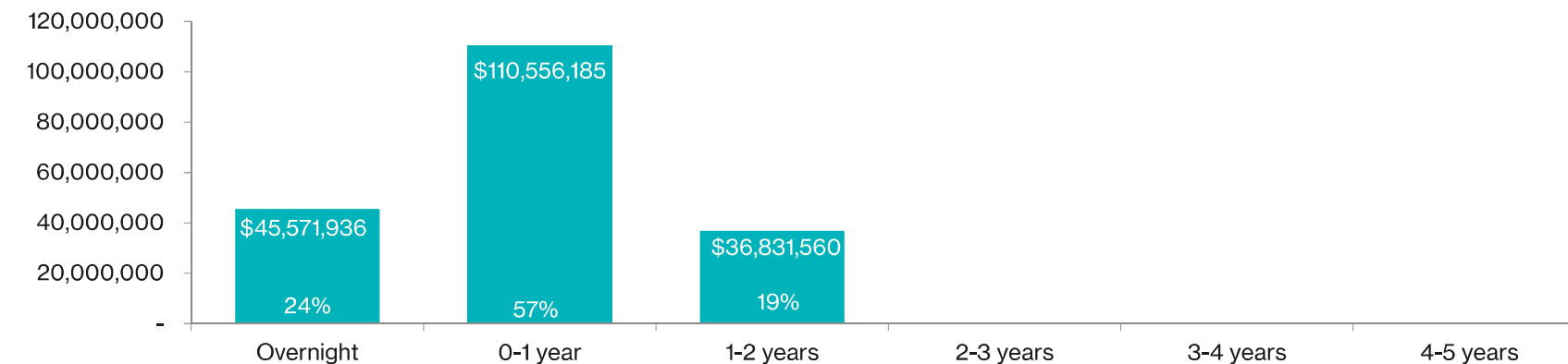
Your Securities

Weighted Average Maturity	0.62 years
Weighted Average Yield	1.65%

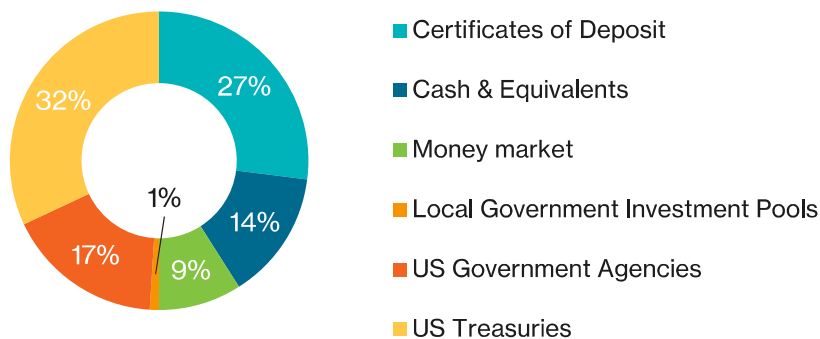
Income

Quarterly Interest Income	\$708,590
Year-to-date Interest Income	\$1,151,761

Your Maturity Distribution

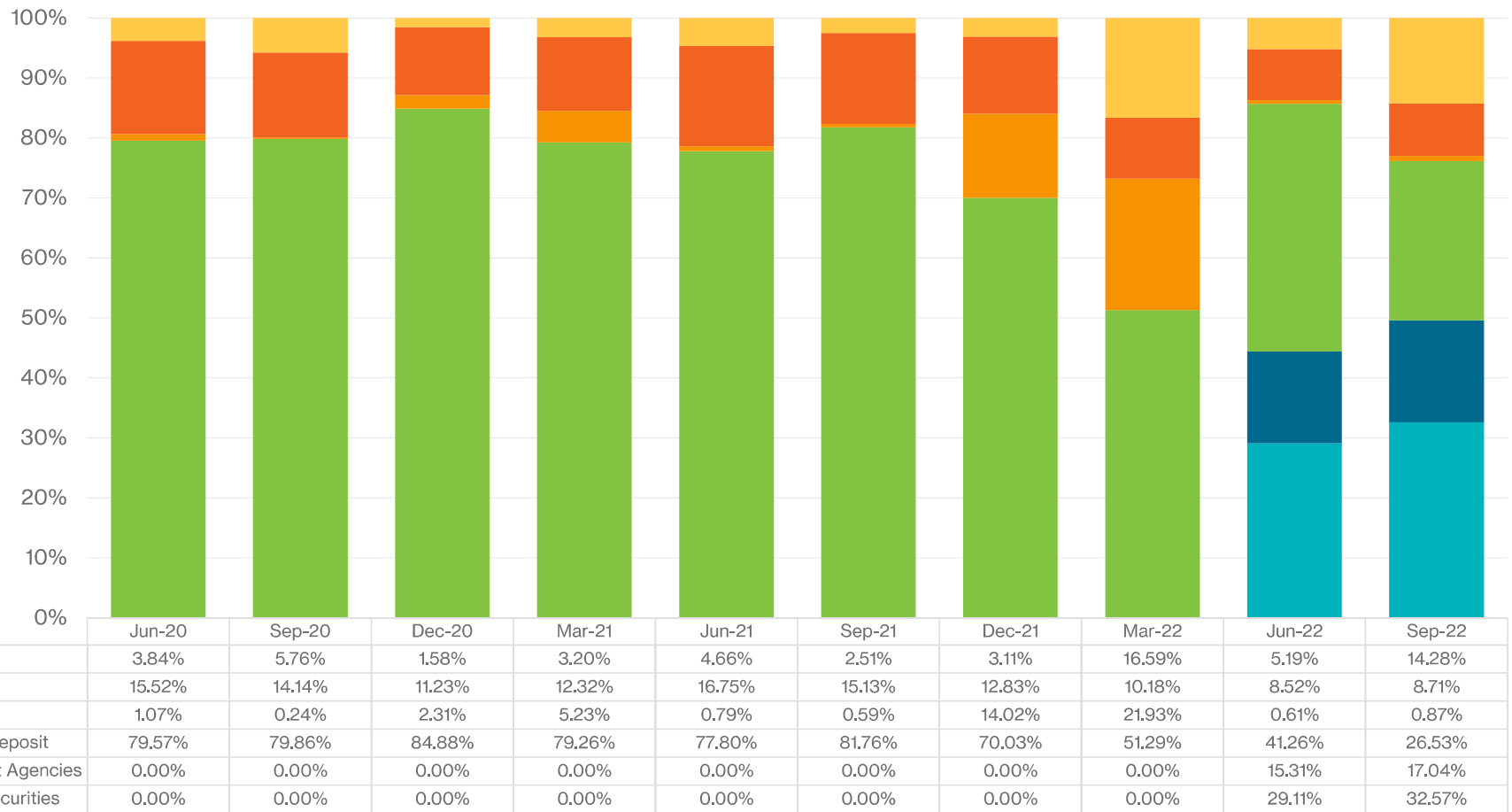


Your Asset Allocation



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



Disclosures



PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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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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