



PUBLIC FUNDS ADVISORY

# City of Killeen

## Quarterly Investment Report

PRESENTED BY:

SCOTT GRUBER, CMT - DIRECTOR, ADVISORY SERVICES

JUNE 30, 2024



MEEDER  
PUBLIC FUNDS

# Compliance Certification



The undersigned have acknowledged that they have reviewed this quarterly investment report for the period ending June 30, 2024. 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.

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Executive Director of Finance

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Assistant Director of Executive Finance

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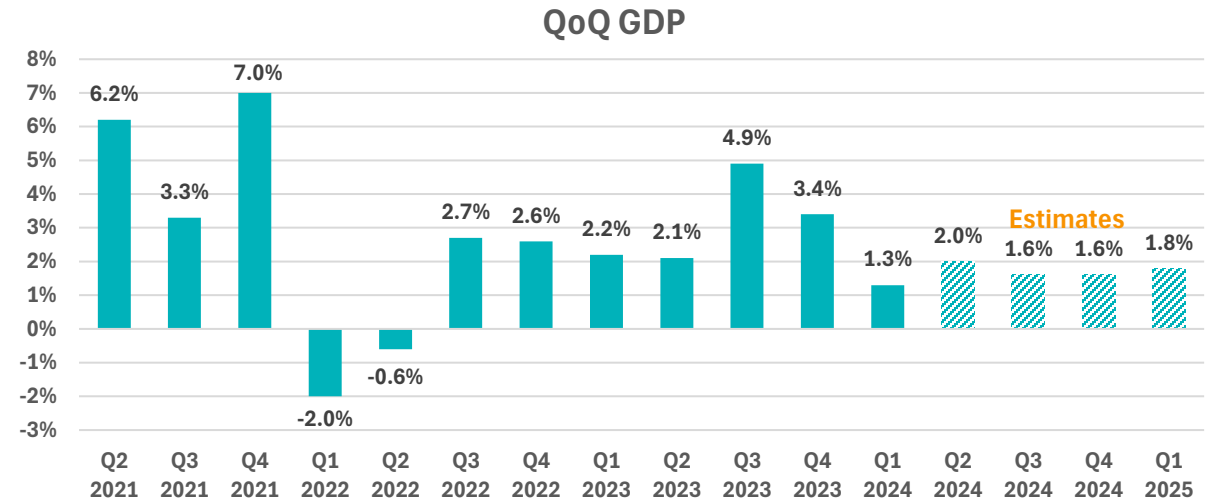
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## OBSERVATIONS

- U.S. economic growth should slow in the second half of 2024, but not be negative
- The unemployment rate pushed above 4% in May from the cycle low of 3.4%
- Fed Funds futures are pointing to two .25% cuts this year and four next year
- Intermediate-term rates have increased this year, but are lower than last year's peak

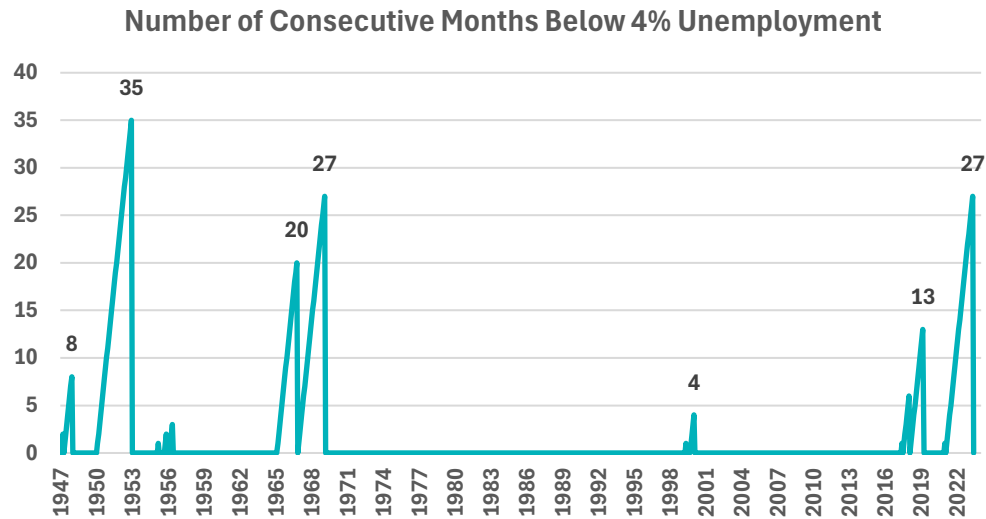
## Expected Downshift in Economic Growth

- Economists surveyed by Bloomberg are expecting growth to slow in the coming quarters.
- Higher inflation and interest rates have put a crimp in consumer spending.



SOURCE: BLOOMBERG, BUREAU OF ECONOMIC ANALYSIS,

## The Unemployment Rate Climbed Above 4%



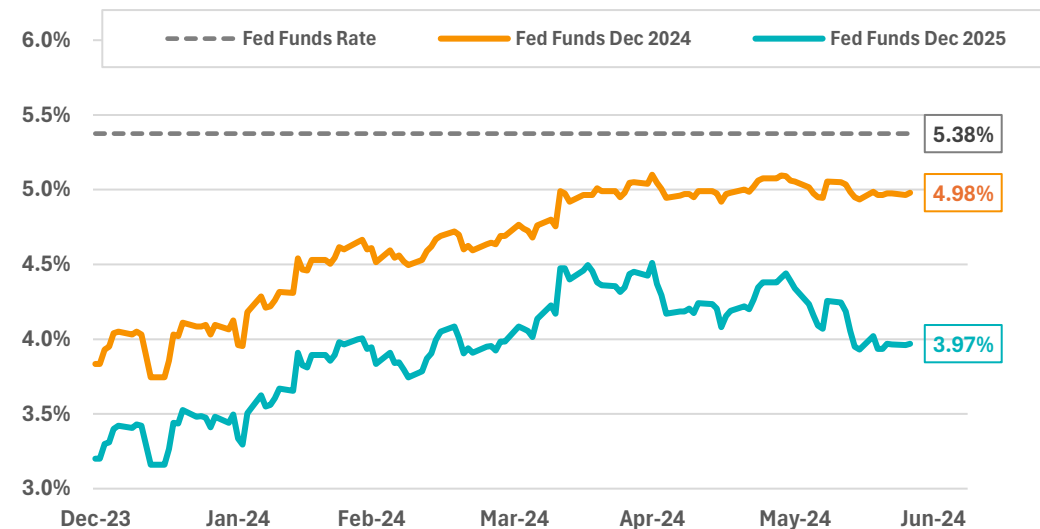
SOURCE: BLOOMBERG, BUREAU OF LABOR STATISTICS

- The U.S. just finished its second longest streak of having the unemployment rate below 4%.
- The Federal Reserve and most economists expect the unemployment rate to push higher with job growth slowing later this year.

## The Fed vs. The Market

- The Federal Reserve is expecting one .25% cut this year to the Fed Funds Rate and four next year.
- The Fed Funds futures market is expecting two .25% cuts this year and four next year to push the Fed Funds rate down to 3.97% from its current rate of 5.38%

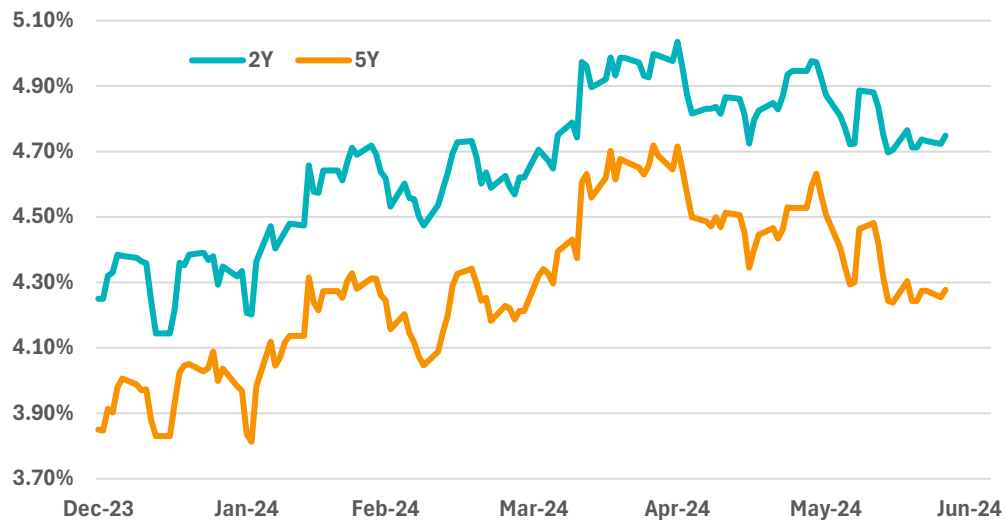
Current Fed Funds Rate vs. Dec 2024 Fed Funds Futures Rate vs. Dec 2025  
Fed Funds Futures Rate



SOURCE: BLOOMBERG

## Intermediate-Term Rates Higher In 2024

YTD 2Y and 5Y Treasury Rates



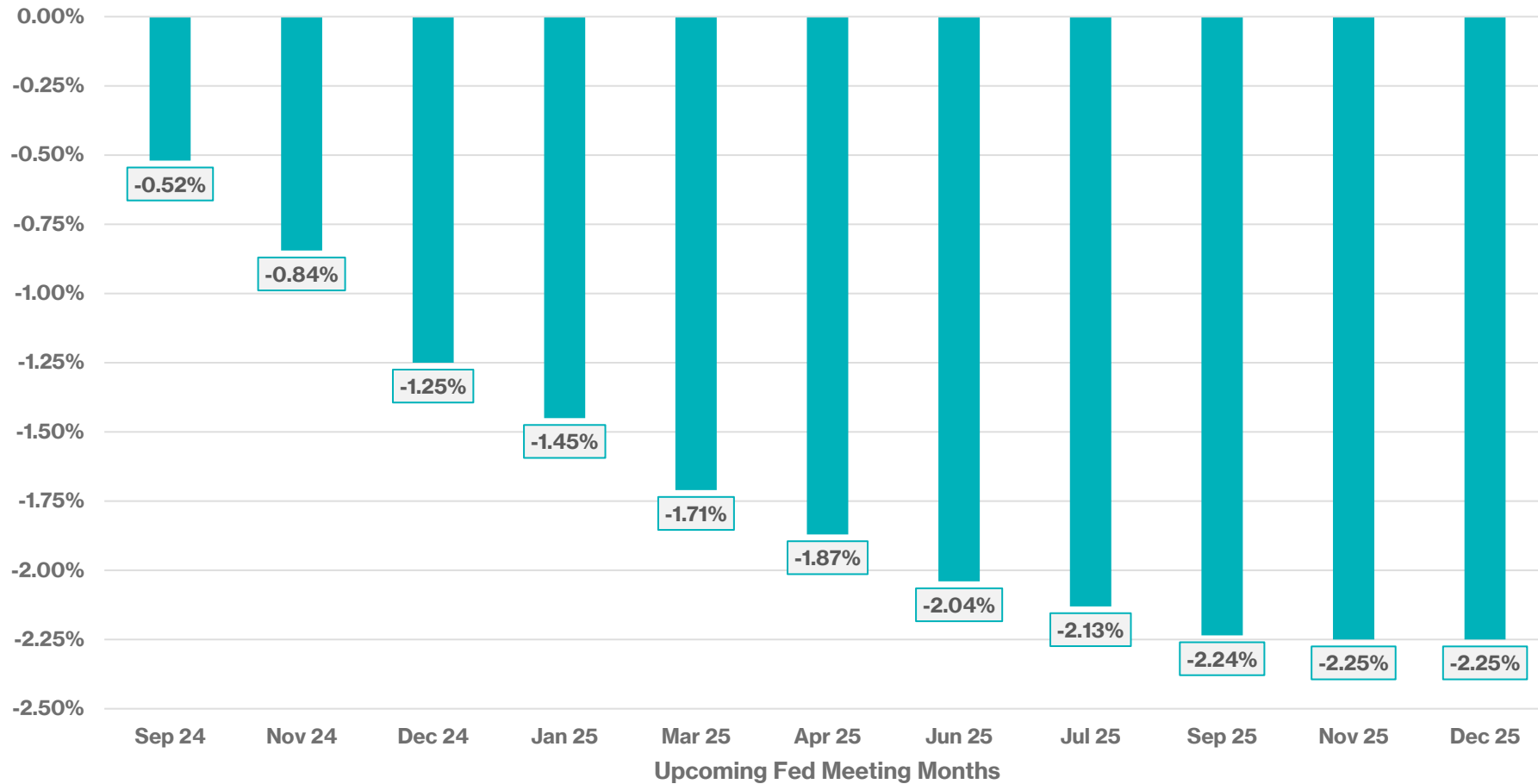
SOURCE: BLOOMBERG

- Both the 2-year and 5-year U.S. Treasury rates had their cycle peaks last October at 5.22% and 4.96%, respectively.
- Intermediate-term U.S. Treasury rates have climbed higher this year as market participants realized inflation remains sticky and Fed will cut the Fed Funds rate fewer times than was anticipated at the start of 2024.

### Takeaways

- With intermediate-term interest rates near their highest levels since 2007, locking in those yields will most likely prove prudent.
- It will be interesting to observe Federal Reserve policy later this year as inflation probably remains above their target, with unemployment increasing.

## Fed Funds Rate Declines Priced In Per Futures Market



- After four quarter point hikes in 2023, the Federal Reserve has held this rate steady since last July.
- At the last Federal Open Market Committee Meeting (FOMC) press conference, Chair Powell stated, “so far this year, the data have not given us that greater confidence” to lower the Fed Funds rate.



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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 March 31, 2024		Portfolio as of June 30, 2024	
Beginning Book Value	\$278,292,459	Ending Book Value	\$276,888,756
Beginning Market Value	\$277,582,988	Ending Market Value	\$275,818,523
Unrealized Gain/(Loss)	(\$709,471)	Unrealized Gain/(Loss)	(\$1,070,233)
		Change in Unrealized Gain/(Loss)	(\$360,762)
Weighted Average Maturity	526 days	Weighted Average Maturity	567 days
Weighted Average Yield	4.44%	Weighted Average Yield	4.52%

Portfolio Market Value by Fund	3/31/2024	6/30/2024	Change
Pooled Investments	\$277,025,074.55	\$275,532,569.74	(\$1,492,504.81)
Internal Services Fund	\$131,538.84	\$93,733.44	(\$37,805.40)
Employee Benefits Trust Fund	\$104,395.56	\$9,578.78	(\$94,816.78)
Enterprise Funds	\$52.46	\$4,044.46	\$3,992.00
General Fund	\$319,926.48	\$176,596.75	(\$143,329.73)
Special Revenue Fund	\$2,000.00	\$2,000.00	\$0.00
<b>Total</b>	<b>\$277,582,987.89</b>	<b>\$275,818,523.17</b>	<b>(\$1,764,464.72)</b>



# Portfolio Summary – Investment Pool

As of 6/30/2024

## Your Portfolio

Cash/LGIPs	\$75,756,006
Securities Book Value	\$200,846,797
Total Portfolio Book Value	\$276,602,803

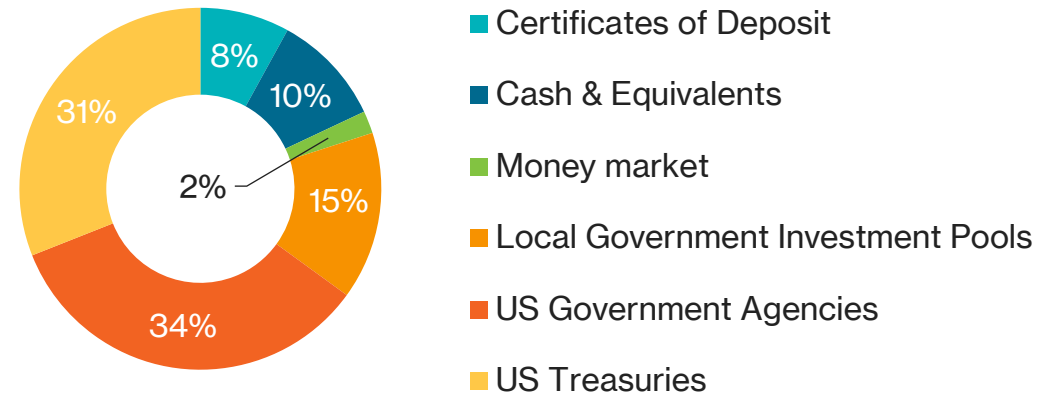
## Your Securities

Weighted Average Maturity	1.56 years
Weighted Average Yield	4.52%

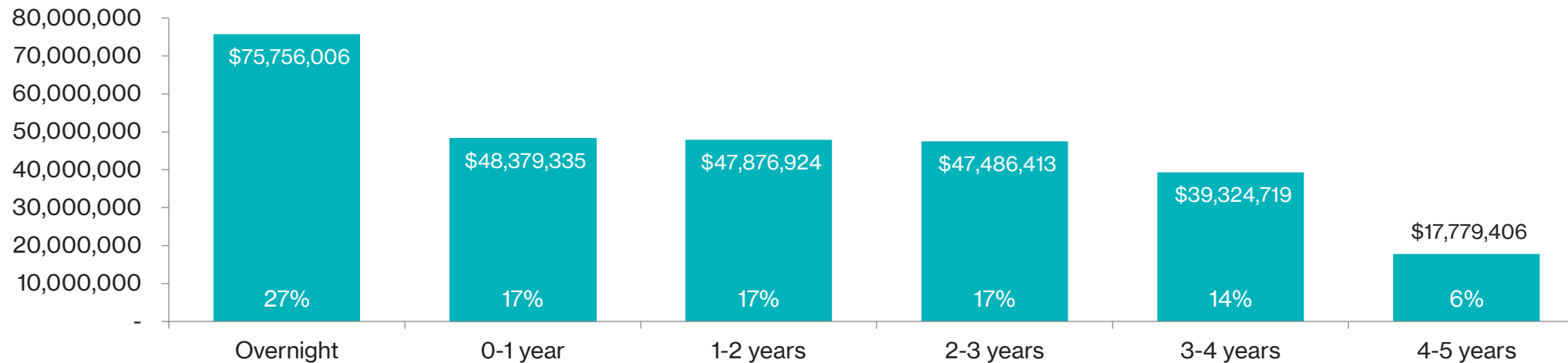
## Interest Earnings:

Quarterly Interest Earned	\$3,099,027
Year-to-date Interest Earned	\$8,861,176

## Your Asset Allocation

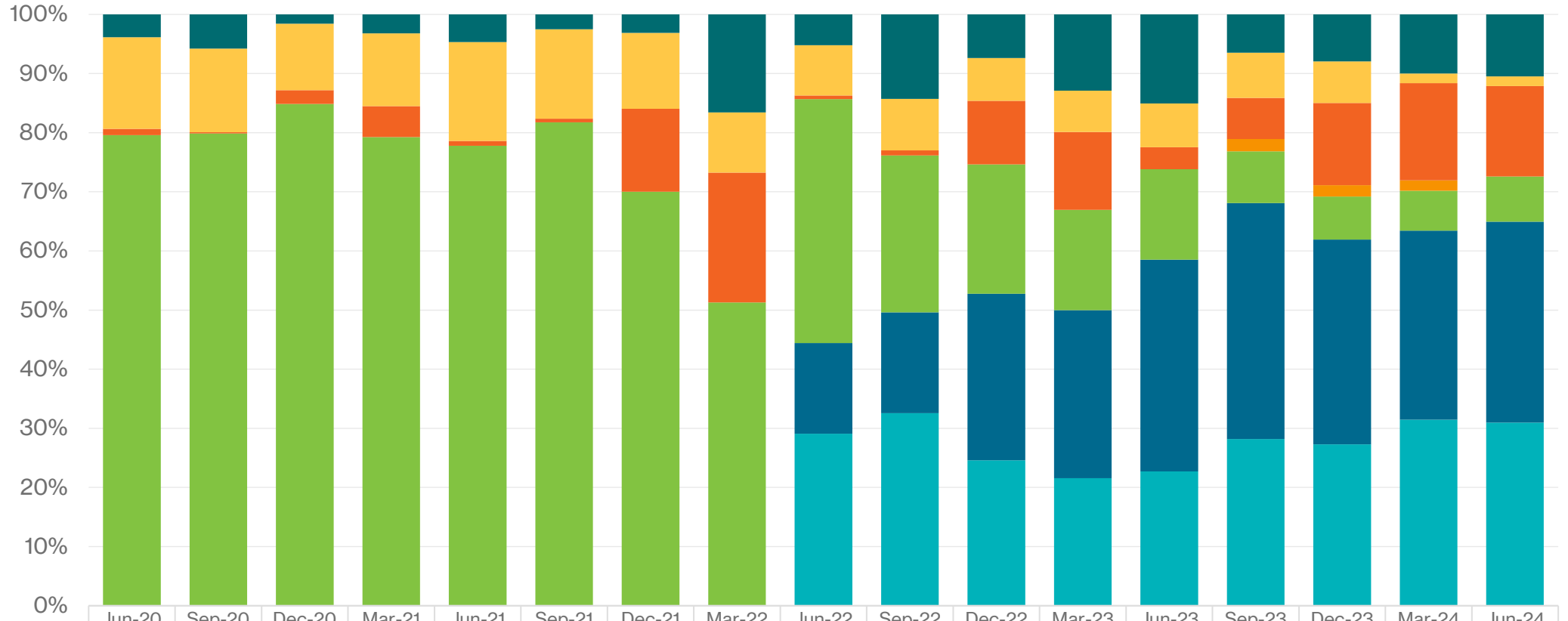


## Your Maturity Distribution



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



	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
■ Cash	3.84%	5.76%	1.58%	3.20%	4.66%	2.51%	3.11%	16.59%	5.19%	14.28%	7.38%	12.88%	15.07%	6.49%	7.95%	10.01%	10.48%
■ Money Market	15.52%	14.14%	11.23%	12.32%	16.75%	15.13%	12.83%	10.18%	8.52%	8.71%	7.25%	7.01%	7.40%	7.63%	7.05%	1.61%	1.65%
■ LGIPs	1.07%	0.24%	2.31%	5.23%	0.79%	0.59%	14.02%	21.93%	0.61%	0.87%	10.73%	13.14%	3.69%	6.97%	13.89%	16.43%	15.26%
■ Commercial Paper	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.08%	1.92%	1.79%	0.00%
■ Certificates of Deposit	79.57%	79.86%	84.88%	79.26%	77.80%	81.76%	70.03%	51.29%	41.26%	26.53%	21.89%	17.00%	15.30%	8.76%	7.25%	6.72%	7.68%
■ U.S. Government Agencies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.31%	17.04%	28.15%	28.39%	35.83%	39.88%	34.63%	31.97%	33.94%
■ U.S. Treasury Securities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	29.11%	32.57%	24.59%	21.59%	22.70%	28.20%	27.31%	31.48%	30.99%

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