



City of Killeen

QUARTERLY INVESTMENT REPORT

For the Quarter Ended

September 30, 2016

Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the City of Killeen is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.

Executive Director of Finance

Assistant Director of Finance

Disclaimer: 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.

Annual Comparison of Portfolio Performance

FYE Results by Investment Category:

<u>Asset Type</u>	<u>September 30, 2015</u>			<u>September 30, 2016</u>		
	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>
Demand Accounts	0.45%	\$ 9,930,938	\$ 9,930,938	0.32%	\$ 14,627,808	\$ 14,627,808
Pools/MMA	0.15%	65,057,376	65,057,376	0.47%	30,049,679	30,049,679
Securities/CDs	0.70%	22,598,192	22,598,192	0.81%	27,128,245	27,128,245
Totals		\$ 97,586,506	\$ 97,586,506		\$ 71,805,732	\$ 71,805,732

	<u>2015</u>	<u>2016</u>	<u>Change</u>
Total Portfolio (1)	0.26%	0.48%	0.21%
Rolling Three Mo. Treas. Yield	0.03%	0.25%	0.22%
Rolling Six Mo. Treas. Yield	0.09%	0.37%	0.28%
Quarterly TexPool Yield	0.06%	0.31%	0.26%

(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.

Summary

Quarter End Results by Investment Category:

Asset Type	Ave. Yield	September 30, 2016		June 30, 2016	
		Book Value	Market Value	Book Value	Market Value
Demand Accounts	0.32%	\$ 14,627,808	\$ 14,627,808	\$ 11,305,826	\$ 11,305,826
Pools/MMA	0.47%	30,049,679	30,049,679	48,998,463	48,998,463
Securities/CDs	0.81%	27,128,245	27,128,245	32,143,425	32,143,425
Totals		\$ 71,805,732	\$ 71,805,732	\$ 92,447,715	\$ 92,447,715

Current Quarter Average Yield (1)

Total Portfolio 0.57%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio 0.48%

Rolling Three Mo. Treas. Yield 0.26%

Rolling Six Mo. Treas. Yield 0.42%

Rolling Three Mo. Treas. Yield 0.25%

Rolling Six Mo. Treas. Yield 0.37%

Quarterly TexPool Yield 0.31%

Interest Income

Bank Fees Offset

Quarterly \$ 101,069 \$ 11,151

Year-to-date \$ 407,250 \$ 43,664

(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.

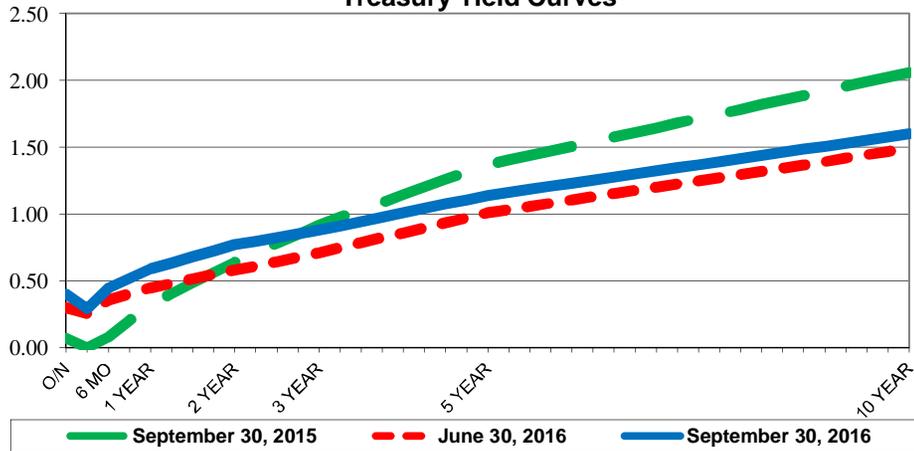
(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Economic Overview

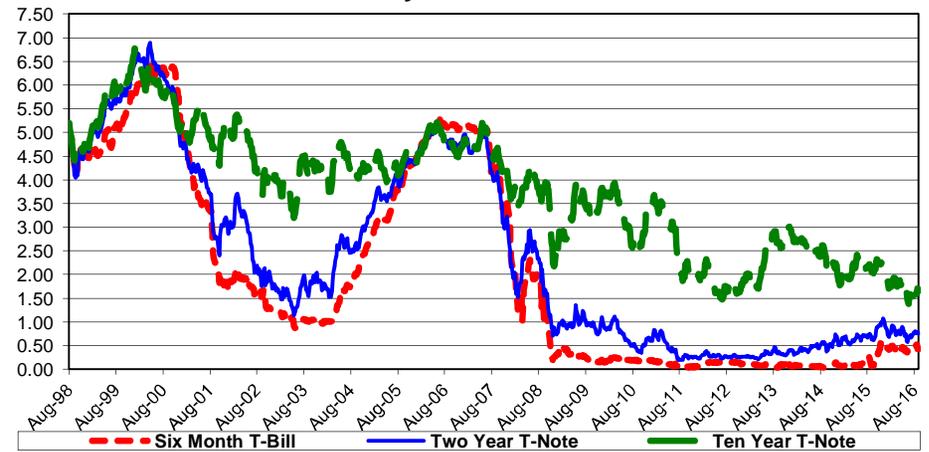
9/30/2016

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range of 0.25% - 0.50% (actual Fed Funds traded +/-40 bps). The September FOMC meeting recorded dissenting votes for maintaining rates. More hawkish members wanted to raise the range by 0.25%. The current probability of a December FOMC meeting vote to raise the Fed Funds target is +/-60%. Second Quarter US GDP revised to 1.4% (from 1.1%, no more revision is expected). Other economic data reflected modest, yet inconsistent, growth. The US Stock markets have maintained higher levels. Treasury yields drifted slightly higher on tightening rumors. Taxable municipal bonds or CDs offer the best interest earnings opportunity, if available.

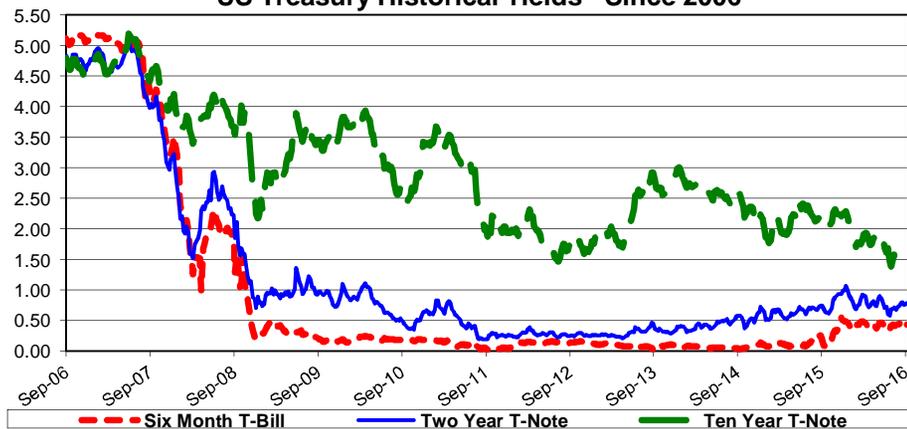
Treasury Yield Curves



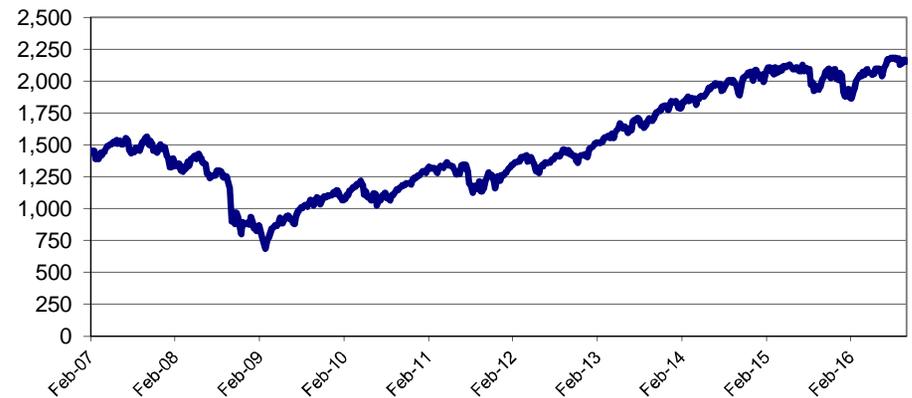
US Treasury Historical Yields - Since 1998



US Treasury Historical Yields - Since 2006



S&P 500



Investment Holdings
September 30, 2016

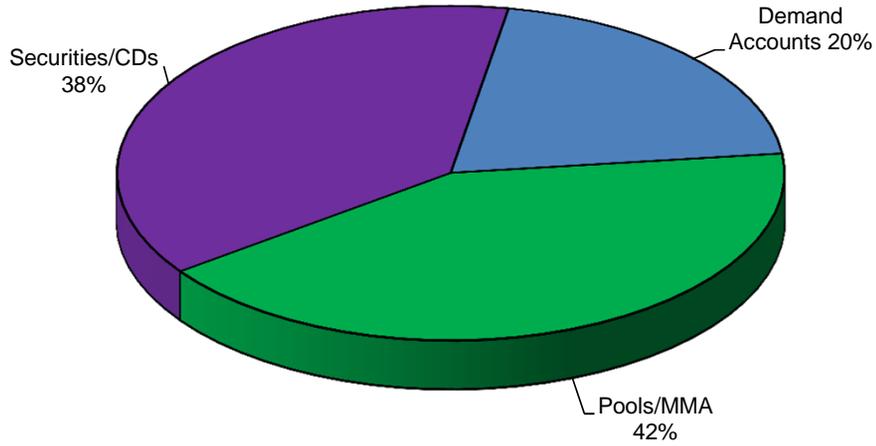
Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (Days)	Yield
BBVA Demand Account (3)		0.32%	10/01/16	09/30/16	\$ 14,605,417	\$ 14,605,417	1.00	\$ 14,605,417	1	0.32%
Cash on Hand		0.00%	10/01/16	09/30/16	11,280	11,280	1.00	11,280	1	0.00%
Union State Bank		0.15%	10/01/16	09/30/16	11,112	11,112	1.00	11,112	1	0.15%
FILA (IDP)		0.47%	10/01/16	09/30/16	6,079,906	6,079,906	1.00	6,079,906	1	0.47%
Southside Bank MMA		0.53%	10/01/16	09/30/16	4,609,014	4,609,014	1.00	4,609,014	1	0.53%
LegacyTexas Bank MMA		0.40%	10/01/16	09/30/16	2,655,493	2,655,493	1.00	2,655,493	1	0.40%
Green Bank MMA		0.55%	10/01/16	09/30/16	9,024,439	9,024,439	1.00	9,024,439	1	0.55%
TexasDAILY	AAAm	0.50%	10/01/16	09/30/16	2,796	2,796	1.00	2,796	1	0.50%
TexPool	AAAm	0.38%	10/01/16	09/30/16	7,674,700	7,674,700	1.00	7,674,700	1	0.38%
TexSTAR	AAAm	0.41%	10/01/16	09/30/16	3,331	3,331	1.00	3,331	1	0.41%
LegacyTexas Bank CD		0.65%	10/03/16	01/29/16	1,004,299	1,004,299	100.00	1,004,299	3	0.65%
Central National Bank CD		0.61%	10/31/16	03/07/16	2,000,000	2,000,000	100.00	2,000,000	31	0.61%
Wallis State Bank CD		0.70%	11/01/16	02/02/16	1,003,493	1,003,493	100.00	1,003,493	32	0.70%
Wallis State Bank CD		0.71%	12/01/16	02/02/16	1,003,543	1,003,543	100.00	1,003,543	62	0.71%
Central National Bank CD		0.71%	12/29/16	03/07/16	1,000,000	1,000,000	100.00	1,000,000	90	0.71%
Central National Bank CD		0.80%	01/03/17	02/01/16	1,003,993	1,003,993	100.00	1,003,993	95	0.80%
Central National Bank CD		0.85%	02/01/17	02/01/16	1,004,243	1,004,243	100.00	1,004,243	124	0.85%
Comerica Bank CD		0.80%	03/02/17	03/02/15	2,024,247	2,024,247	100.00	2,024,247	153	0.80%
Central National Bank CD		1.01%	03/09/17	09/09/15	3,022,915	3,022,915	100.00	3,022,915	160	1.01%
Central National Bank CD		0.95%	04/26/17	04/26/15	2,045,203	2,045,203	100.00	2,045,203	208	0.95%
LegacyTexas Bank CD		0.75%	05/01/17	05/06/16	1,002,530	1,002,530	100.00	1,002,530	213	0.75%
LegacyTexas Bank CD		0.86%	05/01/17	06/21/16	1,002,169	1,002,169	100.00	1,002,169	213	0.86%
LegacyTexas Bank CD		0.75%	05/01/17	08/09/16	2,001,274	2,001,274	100.00	2,001,274	213	0.75%
LegacyTexas Bank CD		0.77%	06/01/17	05/06/16	1,002,597	1,002,597	100.00	1,002,597	244	0.77%
LegacyTexas Bank CD		0.90%	06/01/17	06/21/16	1,002,270	1,002,270	100.00	1,002,270	244	0.90%
LegacyTexas Bank CD		0.79%	07/03/17	05/06/16	1,002,665	1,002,665	100.00	1,002,665	276	0.79%
Central National Bank CD		0.82%	08/01/17	09/30/16	1,000,000	1,000,000	100.00	1,000,000	305	0.82%
LegacyTexas Bank CD		0.80%	08/01/17	08/09/16	2,001,359	2,001,359	100.00	2,001,359	305	0.80%
LegacyTexas Bank CD		0.85%	09/01/17	08/09/16	2,001,444	2,001,444	100.00	2,001,444	336	0.85%
					\$ 71,805,732	\$ 71,805,732		\$ 71,805,732	69	0.57%
									(1)	(2)

(1) **Weighted average life** - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

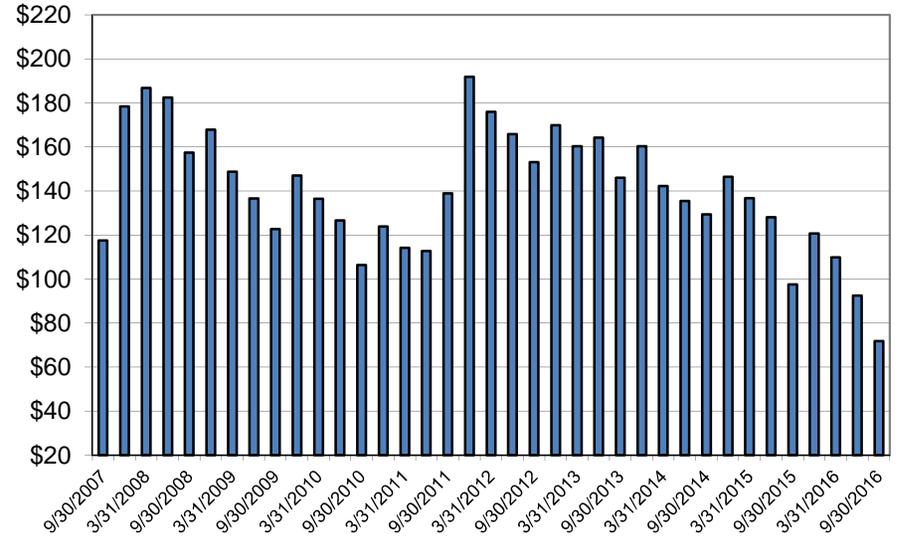
(2) **Weighted average yield to maturity** - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for cash equivalent investments.

(3) **Bank Fees Offset Equivalent Yield** - Compensating balance in bank operating account yielded a blended equivalent investment yield as a result of Bank fees offset.

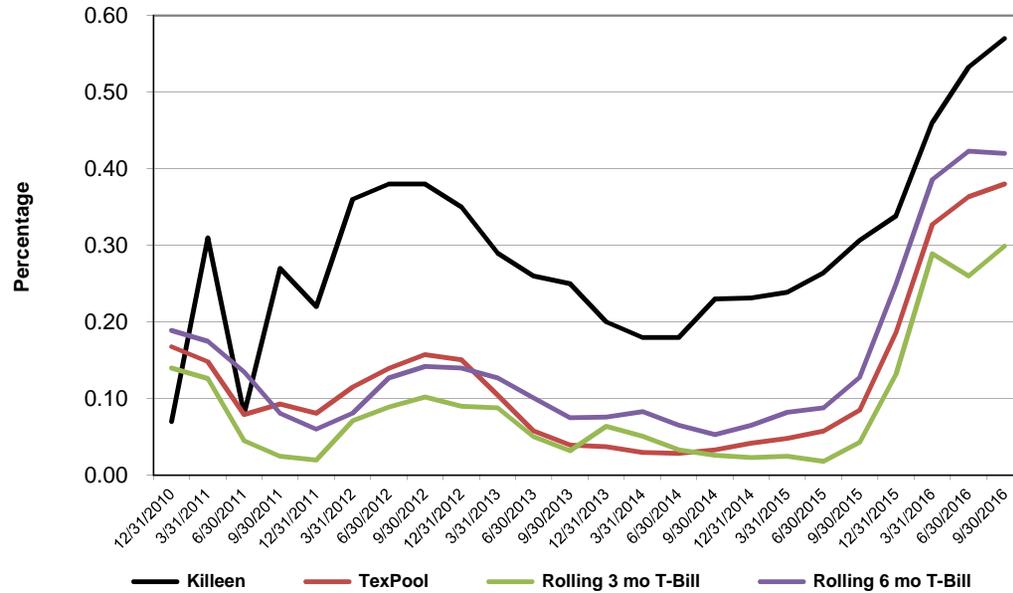
Portfolio Composition



Total Portfolio (Millions)



Total Portfolio Performance



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2016		Purchases/ Adjustments	Sales/Adjust/ Maturities	September 30, 2016	
			Par Value	Book Value			Par Value	Book Value
BBVA Demand Account	0.32%	10/01/16	\$ 11,283,440	\$ 11,283,440	\$ 3,321,977	\$ -	\$ 14,605,417	\$ 14,605,417
Cash on Hand	0.00%	10/01/16	11,280	11,280			11,280	11,280
Union State Bank	0.15%	10/01/16	11,106	11,106	6		11,112	11,112
FILA (IDP)	0.47%	10/01/16	6,072,781	6,072,781	7,126		6,079,906	6,079,906
Southside Bank MMA	0.53%	10/01/16	4,602,951	4,602,951	6,063		4,609,014	4,609,014
LegacyTexas Bank MMA	0.40%	10/01/16	12,649,216	12,649,216		(9,993,723)	2,655,493	2,655,493
Green Bank MMA	0.55%	10/01/16	9,011,668	9,011,668	12,770		9,024,439	9,024,439
TexasDAILY	0.50%	10/01/16	4,777,038	4,777,038		(4,774,242)	2,796	2,796
TexPool	0.38%	10/01/16	6,449,113	6,449,113	1,225,587		7,674,700	7,674,700
TexSTAR	0.41%	10/01/16	5,435,697	5,435,697		(5,432,366)	3,331	3,331
LegacyTexas Bank CD	0.60%	08/01/16	4,009,802	4,009,802		(4,009,802)	-	-
LegacyTexas Bank CD	0.60%	08/01/16	1,002,451	1,002,451		(1,002,451)	-	-
LegacyTexas Bank CD	0.60%	08/01/16	1,002,451	1,002,451		(1,002,451)	-	-
Wallis State Bank CD	0.63%	09/01/16	1,001,553	1,001,553		(1,001,553)	-	-
Wallis State Bank CD	0.63%	09/01/16	1,001,553	1,001,553		(1,001,553)	-	-
Southside Bank CD	0.70%	09/08/16	1,012,319	1,012,319		(1,012,319)	-	-
Comerica Bank CD	0.72%	09/08/16	2,025,362	2,025,362		(2,025,362)	-	-
Central National Bank CD	0.71%	09/30/16	1,000,000	1,000,000		(1,000,000)	-	-
LegacyTexas Bank CD	0.65%	10/03/16	1,002,655	1,002,655	1,644		1,004,299	1,004,299
Central National Bank CD	0.61%	10/31/16	2,000,000	2,000,000			2,000,000	2,000,000
Wallis State Bank CD	0.70%	11/01/16	1,001,726	1,001,726	1,767		1,003,493	1,003,493
Wallis State Bank CD	0.71%	12/01/16	1,001,751	1,001,751	1,793		1,003,543	1,003,543
Central National Bank CD	0.71%	12/29/16	1,000,000	1,000,000			1,000,000	1,000,000
Central National Bank CD	0.80%	01/03/17	1,001,973	1,001,973	2,020		1,003,993	1,003,993
Central National Bank CD	0.85%	02/01/17	1,002,096	1,002,096	2,147		1,004,243	1,004,243
Comerica Bank CD	0.80%	03/02/17	2,020,171	2,020,171	4,076		2,024,247	2,024,247
Central National Bank CD	1.01%	03/09/17	3,015,230	3,015,230	7,686		3,022,915	3,022,915
Central National Bank CD	0.95%	04/26/17	2,040,371	2,040,371	4,832		2,045,203	2,045,203
LegacyTexas Bank CD	0.75%	05/01/17	1,000,637	1,000,637	1,893		1,002,530	1,002,530
LegacyTexas Bank CD	0.86%	05/01/17	1,000,000	1,000,000	2,169		1,002,169	1,002,169
LegacyTexas Bank CD	0.75%	05/01/17	-	-	2,001,274		2,001,274	2,001,274
LegacyTexas Bank CD	0.77%	06/01/17	1,000,654	1,000,654	1,943		1,002,597	1,002,597
LegacyTexas Bank CD	0.90%	06/01/17	1,000,000	1,000,000	2,270		1,002,270	1,002,270
LegacyTexas Bank CD	0.79%	07/03/17	1,000,671	1,000,671	1,994		1,002,665	1,002,665
Central National Bank CD	0.82%	08/01/17	-	-	1,000,000		1,000,000	1,000,000
LegacyTexas Bank CD	0.80%	08/01/17	-	-	2,001,359		2,001,359	2,001,359
LegacyTexas Bank CD	0.85%	09/01/17	-	-	2,001,444		2,001,444	2,001,444
TOTAL			\$ 92,447,715	\$ 92,447,715	\$ 11,613,840	\$ (32,255,822)	\$ 71,805,732	\$ 71,805,732

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2016		Qtr to Qtr Change	September 30, 2016	
			Par Value	Market Value		Par Value	Market Value
BBVA Demand Account	0.32%	10/01/16	\$ 11,283,440	\$ 11,283,440	\$ 3,321,977	\$ 14,605,417	\$ 14,605,417
Cash on Hand	0.00%	10/01/16	11,280	11,280		11,280	11,280
Union State Bank	0.15%	10/01/16	11,106	11,106	= 6	11,112	11,112
FILA (IDP)	0.47%	10/01/16	6,072,781	6,072,781	7,126	6,079,906	6,079,906
Southside Bank MMA	0.53%	10/01/16	4,602,951	4,602,951	6,063	4,609,014	4,609,014
LegacyTexas Bank MMA	0.40%	10/01/16	12,649,216	12,649,216	(9,993,723)	2,655,493	2,655,493
Green Bank MMA	0.55%	10/01/16	9,011,668	9,011,668	12,770	9,024,439	9,024,439
TexasDAILY	0.50%	10/01/16	4,777,038	4,777,038	(4,774,242)	2,796	2,796
TexPool	0.38%	10/01/16	6,449,113	6,449,113	1,225,587	7,674,700	7,674,700
TexSTAR	0.41%	10/01/16	5,435,697	5,435,697	(5,432,366)	3,331	3,331
LegacyTexas Bank CD	0.60%	08/01/16	4,009,802	4,009,802	(4,009,802)	–	–
LegacyTexas Bank CD	0.60%	08/01/16	1,002,451	1,002,451	(1,002,451)	–	–
LegacyTexas Bank CD	0.60%	08/01/16	1,002,451	1,002,451	(1,002,451)	–	–
Wallis State Bank CD	0.63%	09/01/16	1,001,553	1,001,553	(1,001,553)	–	–
Wallis State Bank CD	0.63%	09/01/16	1,001,553	1,001,553	(1,001,553)	–	–
Southside Bank CD	0.70%	09/08/16	1,012,319	1,012,319	(1,012,319)	–	–
Comerica Bank CD	0.72%	09/08/16	2,025,362	2,025,362	(2,025,362)	–	–
Central National Bank CD	0.71%	09/30/16	1,000,000	1,000,000	(1,000,000)	–	–
LegacyTexas Bank CD	0.65%	10/03/16	1,002,655	1,002,655	1,644	1,004,299	1,004,299
Central National Bank CD	0.61%	10/31/16	2,000,000	2,000,000		2,000,000	2,000,000
Wallis State Bank CD	0.70%	11/01/16	1,001,726	1,001,726	1,767	1,003,493	1,003,493
Wallis State Bank CD	0.71%	12/01/16	1,001,751	1,001,751	1,793	1,003,543	1,003,543
Central National Bank CD	0.71%	12/29/16	1,000,000	1,000,000		1,000,000	1,000,000
Central National Bank CD	0.80%	01/03/17	1,001,973	1,001,973	2,020	1,003,993	1,003,993
Central National Bank CD	0.85%	02/01/17	1,002,096	1,002,096	2,147	1,004,243	1,004,243
Comerica Bank CD	0.80%	03/02/17	2,020,171	2,020,171	4,076	2,024,247	2,024,247
Central National Bank CD	1.01%	03/09/17	3,015,230	3,015,230	7,686	3,022,915	3,022,915
Central National Bank CD	0.95%	04/26/17	2,040,371	2,040,371	4,832	2,045,203	2,045,203
LegacyTexas Bank CD	0.75%	05/01/17	1,000,637	1,000,637	1,893	1,002,530	1,002,530
LegacyTexas Bank CD	0.86%	05/01/17	1,000,000	1,000,000	2,169	1,002,169	1,002,169
LegacyTexas Bank CD	0.75%	05/01/17	–	–	2,001,274	2,001,274	2,001,274
LegacyTexas Bank CD	0.77%	06/01/17	1,000,654	1,000,654	1,943	1,002,597	1,002,597
LegacyTexas Bank CD	0.90%	06/01/17	1,000,000	1,000,000	2,270	1,002,270	1,002,270
LegacyTexas Bank CD	0.79%	07/03/17	1,000,671	1,000,671	1,994	1,002,665	1,002,665
Central National Bank CD	0.82%	08/01/17	–	–	1,000,000	1,000,000	1,000,000
LegacyTexas Bank CD	0.80%	08/01/17	–	–	2,001,359	2,001,359	2,001,359
LegacyTexas Bank CD	0.85%	09/01/17	–	–	2,001,444	2,001,444	2,001,444
TOTAL			\$ 92,447,715	\$ 92,447,715	\$ (20,641,982)	\$ 71,805,732	\$ 71,805,732

Allocation

September 30, 2016

Book & Market Value	Maturity Date	Total	Pooled Investments	General Fund	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	Employee Benefit Trust
BBVA Demand Account	10/01/16	\$ 14,605,417	\$ 13,551,777	\$ -	\$ 65,388	\$ -	\$ 402	\$ 439,553	\$ 548,296
Cash on Hand	10/01/16	11,280		5,080	2,000		4,200		
Union State Bank	10/01/16	11,112						11,112	
FILA (IDP)	10/01/16	6,079,906	6,079,906						
Southside Bank MMA	10/01/16	4,609,014	4,609,014						
LegacyTexas MMA	10/01/16	2,655,493	2,655,493						
Green Bank MMA	10/01/16	9,024,439	9,024,439						
TexasDAILY	10/01/16	2,796	2,796						
TexPool	10/01/16	7,674,700	7,674,700						
TexSTAR	10/01/16	3,331	3,331						
LegacyTexas Bank CD	10/03/16	1,004,299		1,004,299					
Central National Bank CD	10/31/16	2,000,000	2,000,000						
Wallis State Bank CD	11/01/16	1,003,493		1,003,493					
Wallis State Bank CD	12/01/16	1,003,543		1,003,543					
Central National Bank CD	12/29/16	1,000,000	1,000,000						
Central National Bank CD	01/03/17	1,003,993		1,003,993					
Central National Bank CD	02/01/17	1,004,243		1,004,243					
Comerica Bank CD	03/02/17	2,024,247		2,024,247					
Central National Bank CD	03/09/17	3,022,915						3,022,915	
Central National Bank CD	04/26/17	2,045,203						2,045,203	
LegacyTexas Bank CD	05/01/17	1,002,530	1,002,530						
LegacyTexas Bank CD	05/01/17	1,002,169	1,002,169						
LegacyTexas Bank CD	05/01/17	2,001,274	2,001,274						
LegacyTexas Bank CD	06/01/17	1,002,597	1,002,597						
LegacyTexas Bank CD	06/01/17	1,002,270	1,002,270						
LegacyTexas Bank CD	07/03/17	1,002,665	1,002,665						
Central National Bank CD	08/01/17	1,000,000	1,000,000						
LegacyTexas Bank CD	08/01/17	2,001,359	2,001,359						
LegacyTexas Bank CD	09/01/17	2,001,444	2,001,444						
Totals		\$ 71,805,732	\$ 58,617,764	\$ 7,048,899	\$ 67,388	\$ -	\$ 4,602	\$ 5,518,783	\$ 548,296

Allocation

June 30, 2016

Book & Market Value	Maturity Date	Total	Pooled Investments	General Fund	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	Employee Benefit Trust
BBVA Demand Account	07/01/16	\$ 11,283,440	\$ 10,308,236	\$ -	\$ 364,729	\$ -	\$ 301,165	\$ 261,190	\$ 48,120
Cash on Hand	07/01/16	11,280		5,080	2,000		4,200		
Union State Bank	07/01/16	11,106						11,106	
FILA (IDP)	07/01/16	6,072,781	6,072,781						
Southside Bank MMA	07/01/16	4,602,951	4,602,951						
LegacyTexas MMA	07/01/16	12,649,216	12,649,216						
Green Bank MMA	07/01/16	9,011,668	9,011,668						
TexasDaily	07/01/16	4,777,038	4,777,038						
TexPool	07/01/16	6,449,113	6,449,113						
TexSTAR	07/01/16	5,435,697	5,435,697						
LegacyTexas Bank CD	08/01/16	4,009,802				4,009,802			
LegacyTexas Bank CD	08/01/16	1,002,451		1,002,451					
LegacyTexas Bank CD	08/01/16	1,002,451					1,002,451		
Wallis State Bank CD	09/01/16	1,001,553		1,001,553					
Wallis State Bank CD	09/01/16	1,001,553					1,001,553		
Southside Bank CD	09/08/16	1,012,319					1,012,319		
Comerica Bank CD	09/08/16	2,025,362					2,025,362		
Central National Bank CD	09/30/16	1,000,000	1,000,000						
LegacyTexas Bank CD	10/03/16	1,002,655		1,002,655					
Central National Bank CD	10/31/16	2,000,000	2,000,000						
Wallis State Bank CD	11/01/16	1,001,726		1,001,726					
Wallis State Bank CD	12/01/16	1,001,751		1,001,751					
Central National Bank CD	12/29/16	1,000,000	1,000,000						
Central National Bank CD	01/03/17	1,001,973		1,001,973					
Central National Bank CD	02/01/17	1,002,096		1,002,096					
Comerica Bank CD	03/02/17	2,020,171		2,020,171					
Central National Bank CD	03/09/17	3,015,230						3,015,230	
Central National Bank CD	04/26/17	2,040,371						2,040,371	
LegacyTexas Bank CD	05/01/17	1,000,637	1,000,637						
LegacyTexas Bank CD	05/01/17	1,000,000	1,000,000						
LegacyTexas Bank CD	06/01/17	1,000,654	1,000,654						
LegacyTexas Bank CD	06/01/17	1,000,000	1,000,000						
LegacyTexas Bank CD	07/03/17	1,000,671	1,000,671						
Totals		\$ 92,447,715	\$ 68,308,661	\$ 9,039,455	\$ 366,729	\$ 4,009,802	\$ 5,347,050	\$ 5,327,897	\$ 48,120