



City of Killeen

QUARTERLY INVESTMENT REPORT

For the Quarter Ended

September 30, 2013

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.

City of Killeen, Texas Annual Comparison of Portfolio Performance

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded +/- 10 bps). The FOMC shifted the Quantitative Easing (QE3) focus to target unemployment below 6.5% and inflation between 2.0% and 2.5%. International and domestic economic and employment data posted modest but erratic growth. Overall US economic activity remains low to moderate with GDP +/-2.0%. The US stock markets maintained their bullish tone, pushing to new highs. During the summer the FOMC discussed a tapered reduction of the monthly QE3 security purchases - although they chose not to at the September meeting. The market reacted quickly by pushing interest rates higher. The partial Federal Government shutdown and debt ceiling issues have increased uncertainty. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

FYE Results by Investment Category:

Asset Type	September 30, 2013			September 30, 2012		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
Pools/MMA	0.13%	\$ 83,570,558	\$ 83,570,558	0.20%	\$ 78,113,638	\$ 78,113,638
Securities/CDs	0.44%	56,421,141	56,421,141	0.56%	74,989,054	74,989,054
Totals		\$ 139,991,698	\$ 139,991,698		\$ 153,102,692	\$ 153,102,692
				2013	2012	Change
			Total Portfolio	0.29%	0.33%	-0.04%
			Rolling Three Mo. Treas. Yield	0.07%	0.07%	0.00%
			Rolling Six Mo. Treas. Yield	0.11%	0.11%	0.00%
			Quarterly TexPool Yield	0.09%	0.12%	-0.04%

(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.

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded <10 bps). The FOMC continued Quantitative Easing (QE3), but openly discussed the potential tapering of the monthly security purchases. The fixed income market reacted quickly, raising 10 year rates over 1.00% to +/-2.75%. Mortgage rates also jumped quickly and dramatically. Domestic employment posted erratic, uninspiring growth. Overall economic activity remains moderate with second quarter GDP of 2.5%. The US stock markets touched new highs. The partial Federal Government shut down and debt ceiling cap increase uncertainty. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

Quarter End Results by Investment Category:

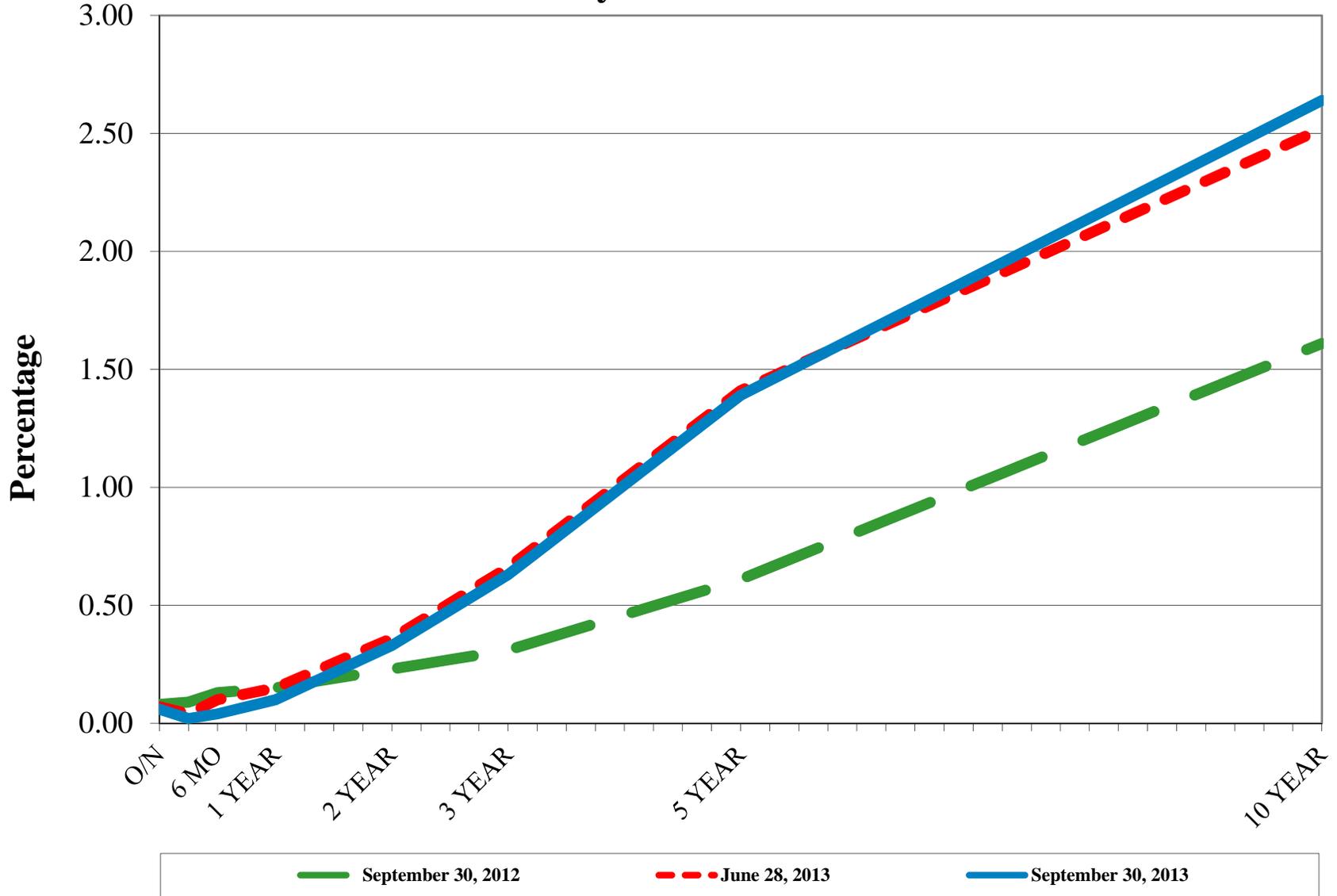
<u>Asset Type</u>	<u>Ave. Yield</u>	<u>September 30, 2013</u>		<u>June 30, 2013</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Pools/MMA	0.13%	\$ 83,570,558	\$ 83,570,558	\$ 98,031,217	\$ 98,031,217
Securities/CDs	0.44%	56,421,141	56,421,141	66,158,174	66,158,174
Totals		\$ 139,991,698	\$ 139,991,698	\$ 164,189,391	\$ 164,189,391

<u>Average Yield (1)</u>		<u>Fiscal Year-to-Date Average Yield (2)</u>	
Total Portfolio	0.25%	Total Portfolio	0.29%
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.07%
Rolling Six Mo. Treas. Yield	0.08%	Rolling Six Mo. Treas. Yield	0.11%
		Quarterly TexPool Yield	0.09%
Quarterly Interest Income	\$ 101,271		
Year-to-date Interest Income	\$ 495,642		

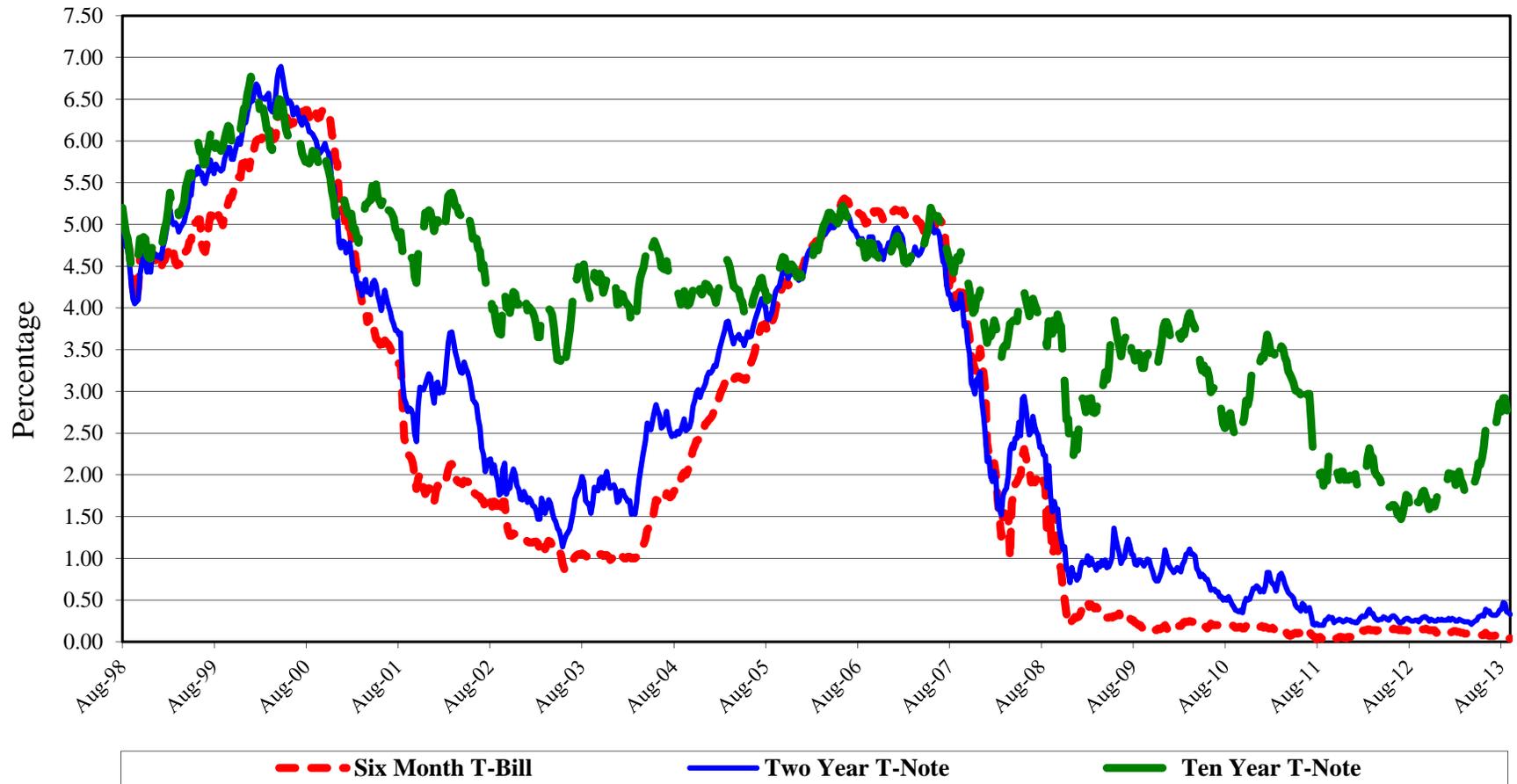
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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.

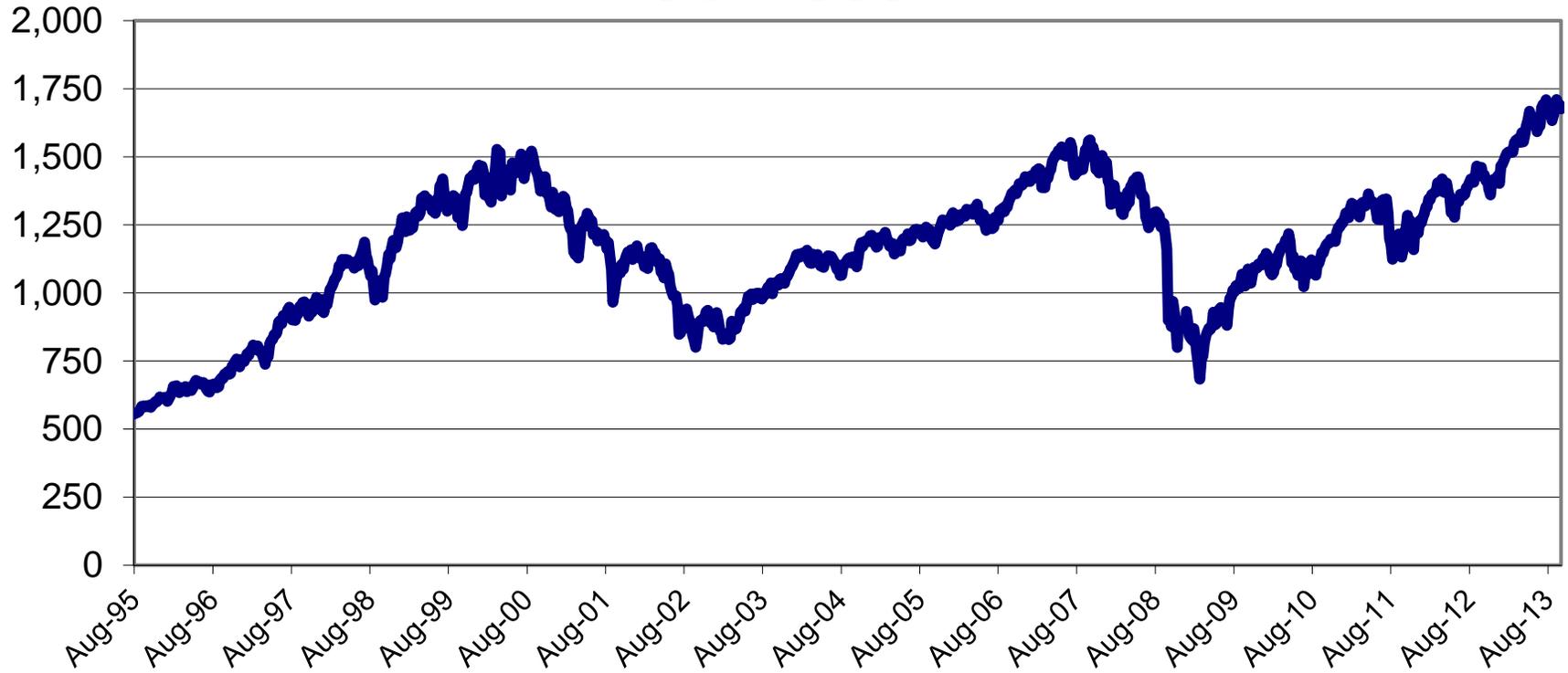
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



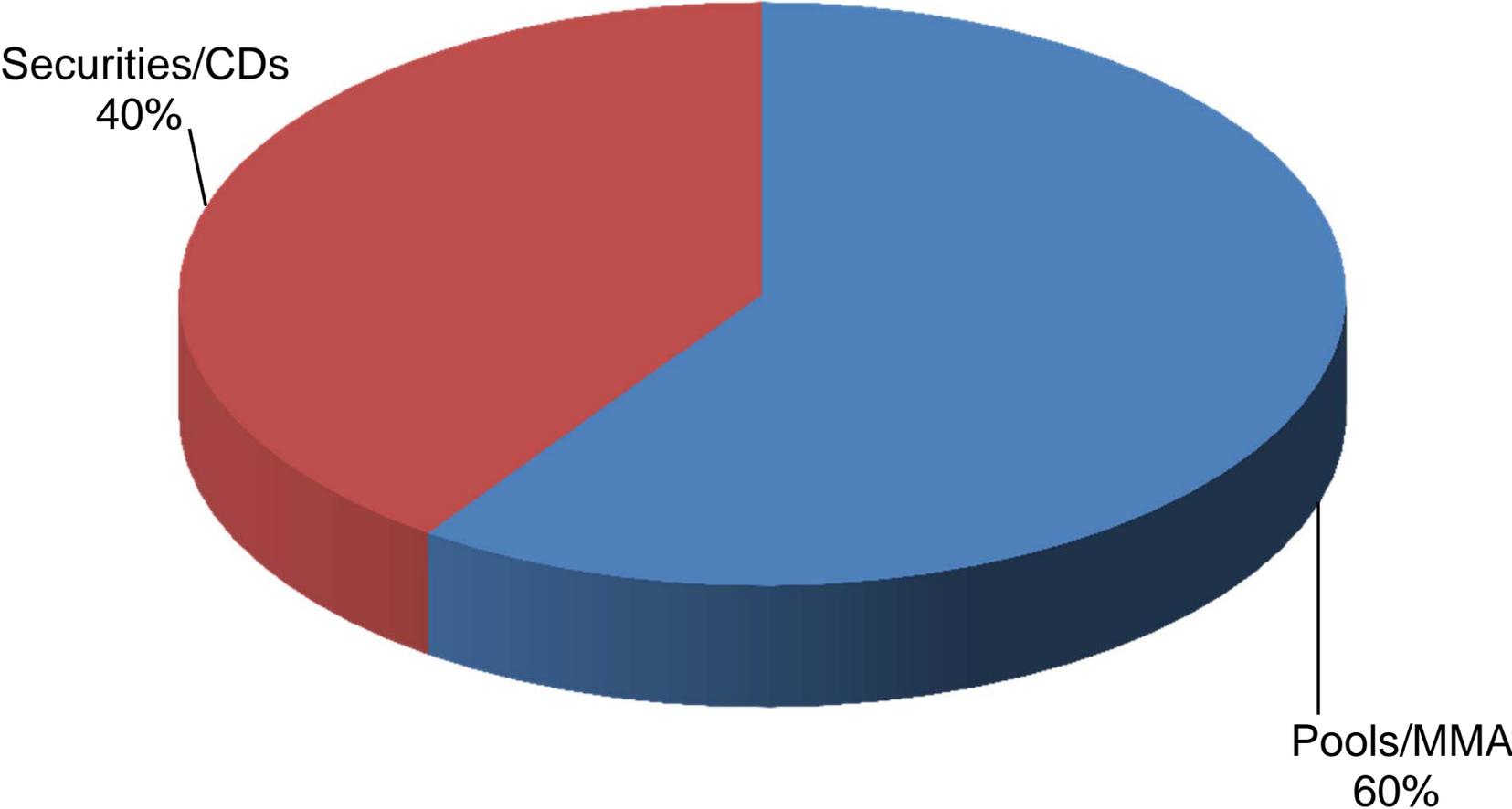
Detail of Holdings September 30, 2013

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (Days)	Yield
TexasTerm	AAAm	0.05%	10/01/13	09/30/13	\$ 1,188,308	\$ 1,188,308	1.00	\$ 1,188,308	1	0.05%
TexPool	AAAm	0.04%	10/01/13	09/30/13	40,112,572	40,112,572	1.00	40,112,572	1	0.04%
TexStar	AAAm	0.04%	10/01/13	09/30/13	3,642,894	3,642,894	1.00	3,642,894	1	0.04%
BBVA Compass MMA 1		0.23%	10/01/13	09/30/13	5,007,244	5,007,244	1.00	5,007,244	1	0.23%
BBVA Compass MMA 2		0.28%	10/01/13	09/30/13	14,534,697	14,534,697	1.00	14,534,697	1	0.28%
Comerica MMA		0.18%	10/01/13	09/30/13	9,035,777	9,035,777	1.00	9,035,777	1	0.18%
Southside Bank MMA		0.19%	10/01/13	09/30/13	10,049,066	10,049,066	1.00	10,049,066	1	0.19%
Comerica Bank CD		0.31%	12/05/13	12/03/12	5,011,648	5,011,648	100.00	5,011,648	66	0.31%
Comerica Bank CD		0.37%	12/05/13	12/05/12	3,006,989	3,006,989	100.00	3,006,989	66	0.37%
Comerica Bank CD		0.31%	12/05/13	12/03/12	3,008,343	3,008,343	100.00	3,008,343	66	0.31%
Comerica Bank CD		0.61%	12/16/13	03/16/12	6,309,069	6,309,069	100.00	6,309,069	77	0.61%
Southside Bank CD		0.55%	03/04/14	09/04/12	3,519,290	3,519,290	100.00	3,519,290	155	0.55%
Comerica Bank CD		0.37%	03/05/14	12/05/12	2,506,952	2,506,952	100.00	2,506,952	156	0.37%
Central National Bank CD		0.36%	04/26/14	04/26/13	2,001,795	2,001,795	100.00	2,001,795	208	0.36%
Comerica Bank CD		0.43%	06/05/14	12/05/12	3,009,698	3,009,698	100.00	3,009,698	248	0.43%
Independent Bank CD		0.26%	06/17/14	06/17/13	3,001,966	3,001,966	100.00	3,001,966	260	0.26%
Independent Bank CD		0.43%	08/01/14	05/01/13	5,005,419	5,005,419	100.00	5,005,419	305	0.43%
Central National Bank CD		0.46%	09/05/14	03/05/13	3,006,961	3,006,961	100.00	3,006,961	340	0.46%
Independent Bank CD		0.43%	09/12/14	06/12/13	3,003,252	3,003,252	100.00	3,003,252	347	0.43%
Central National Bank CD		0.46%	10/26/14	04/26/13	3,003,441	3,003,441	100.00	3,003,441	391	0.46%
Comerica Bank CD		0.47%	12/01/14	03/01/13	2,004,743	2,004,743	100.00	2,004,743	427	0.47%
Comerica Bank CD		0.43%	01/26/15	04/26/13	2,504,509	2,504,509	100.00	2,504,509	483	0.43%
Comerica Bank CD		0.57%	03/02/15	03/01/13	2,005,754	2,005,754	100.00	2,005,754	518	0.57%
Comerica Bank CD		0.57%	03/02/15	03/01/13	2,005,754	2,005,754	100.00	2,005,754	518	0.57%
Comerica Bank CD		0.53%	04/27/15	04/26/13	2,505,559	2,505,559	100.00	2,505,559	574	0.53%
\$ 139,991,698						\$ 139,991,698		\$ 139,991,698	104	0.25%
									(1)	(2)

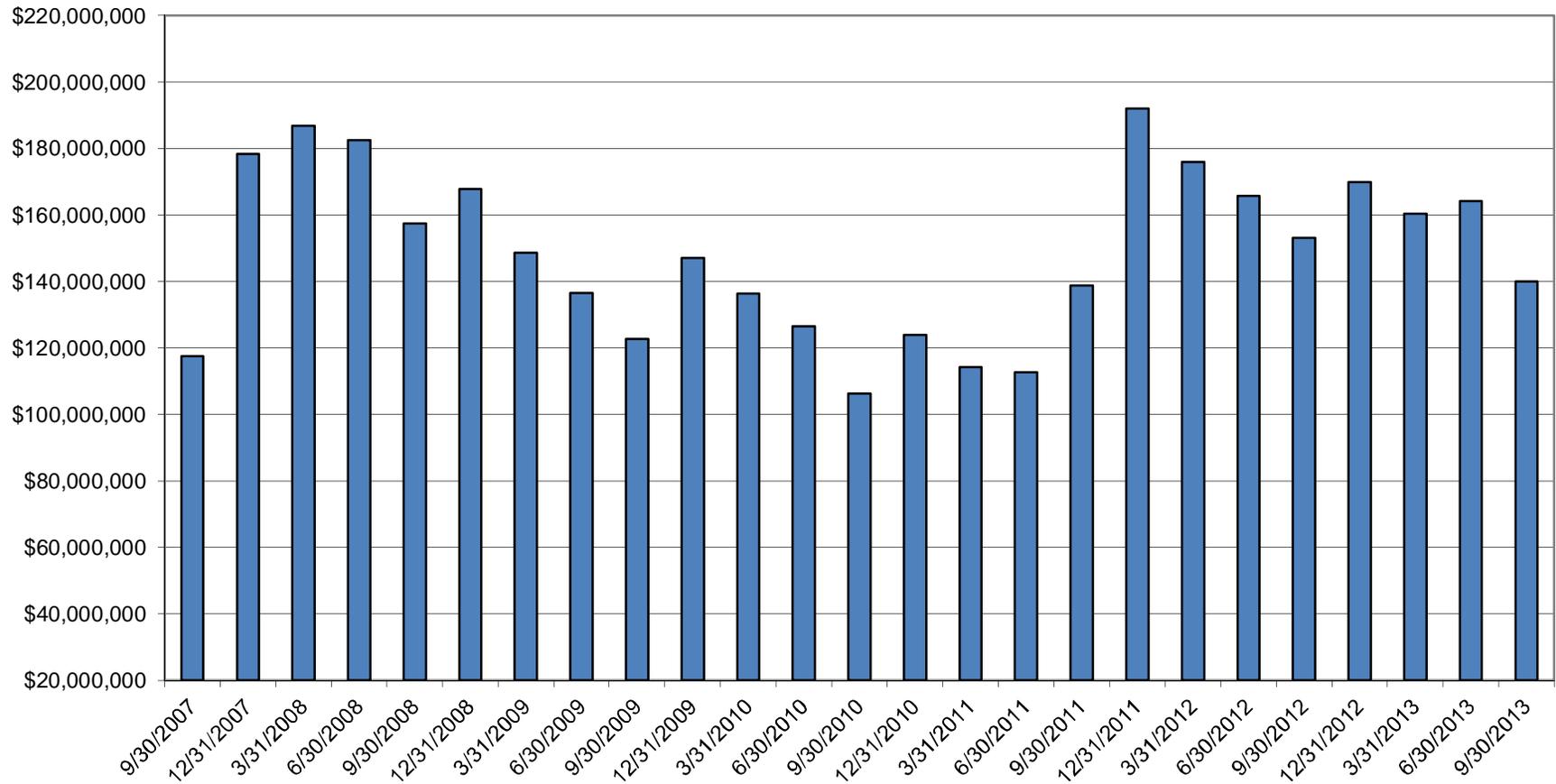
(1) **Weighted average life** - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

(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.

Portfolio Composition



Total Portfolio



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2013			September 30, 2013		
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Maturities	Par Value	Book Value
TexasTerm	0.05%	10/01/13	\$ 1,250,490	\$ 1,250,490		\$ (62,181)	\$ 1,188,308	\$ 1,188,308
TexPool	0.04%	10/01/13	54,534,656	54,534,656		(14,422,084)	40,112,572	40,112,572
TexStar	0.04%	10/01/13	3,642,480	3,642,480	414		3,642,894	3,642,894
BBVA Compass MMA 1	0.23%	10/01/13	5,004,171	5,004,171	3,073		5,007,244	5,007,244
BBVA Compass MMA 2	0.30%	10/01/13	14,524,041	14,524,041	10,656		14,534,697	14,534,697
Comerica MMA	0.18%	10/01/13	9,031,298	9,031,298	4,479		9,035,777	9,035,777
Southside Bank MMA	0.19%	10/01/13	10,044,082	10,044,082	4,984		10,049,066	10,049,066
Comerica Bank CD	0.49%	09/04/13	1,003,671	1,003,671		(1,003,671)		
Comerica Bank CD	0.25%	09/05/13	2,500,000	2,500,000		(2,500,000)		
Comerica Bank CD	0.57%	09/16/13	6,296,130	6,296,130		(6,296,130)		
Comerica Bank CD	0.31%	12/05/13	5,007,734	5,007,734	3,914		5,011,648	5,011,648
Comerica Bank CD	0.37%	12/05/13	3,004,640	3,004,640	2,348		3,006,989	3,006,989
Comerica Bank CD	0.31%	12/05/13	3,005,539	3,005,539	2,804		3,008,343	3,008,343
Comerica Bank CD	0.61%	12/16/13	6,299,379	6,299,379	9,690		6,309,069	6,309,069
Southside Bank CD	0.55%	03/04/14	3,514,418	3,514,418	4,872		3,519,290	3,519,290
Comerica Bank CD	0.37%	03/05/14	2,504,616	2,504,616	2,337		2,506,952	2,506,952
Central National Bank CD	0.36%	04/26/14	2,000,000	2,000,000	1,795		2,001,795	2,001,795
Comerica Bank CD	0.43%	06/05/14	3,006,438	3,006,438	3,260		3,009,698	3,009,698
Independent Bank CD	0.26%	06/17/14	3,000,000	3,000,000	1,966		3,001,966	3,001,966
Independent Bank CD	0.43%	08/01/14	5,000,000	5,000,000	5,419		5,005,419	5,005,419
Central National Bank CD	0.46%	09/05/14	3,003,478	3,003,478	3,482		3,006,961	3,006,961
Independent Bank CD	0.43%	09/12/14	3,000,000	3,000,000	3,252		3,003,252	3,003,252
Central National Bank CD	0.46%	10/26/14	3,000,000	3,000,000	3,441		3,003,441	3,003,441
Comerica Bank CD	0.47%	12/01/14	2,002,370	2,002,370	2,373		2,004,743	2,004,743
Comerica Bank CD	0.43%	01/26/15	2,501,797	2,501,797	2,713		2,504,509	2,504,509
Comerica Bank CD	0.57%	03/02/15	2,002,875	2,002,875	2,879		2,005,754	2,005,754
Comerica Bank CD	0.57%	03/02/15	2,002,875	2,002,875	2,879		2,005,754	2,005,754
Comerica Bank CD	0.53%	04/27/15	2,502,215	2,502,215	3,344		2,505,559	2,505,559
TOTAL			\$ 164,189,391	\$ 164,189,391	\$ 86,373	\$ (24,284,066)	\$ 139,991,698	\$ 139,991,698

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2013		Qtr to Qtr Change	September 30, 2013	
			Par Value	Market Value		Par Value	Market Value
TexasTerm	0.05%	10/01/13	\$ 1,250,490	\$ 1,250,490	\$ (62,181)	\$ 1,188,308	\$ 1,188,308
TexPool	0.04%	10/01/13	54,534,656	54,534,656	(14,422,084)	40,112,572	40,112,572
TexStar	0.04%	10/01/13	3,642,480	3,642,480	414	3,642,894	3,642,894
BBVA Compass MMA 1	0.23%	10/01/13	5,004,171	5,004,171	3,073	5,007,244	5,007,244
BBVA Compass MMA 2	0.30%	10/01/13	14,524,041	14,524,041	10,656	14,534,697	14,534,697
Comerica MMA	0.18%	10/01/13	9,031,298	9,031,298	4,479	9,035,777	9,035,777
Southside Bank MMA	0.19%	10/01/13	10,044,082	10,044,082	4,984	10,049,066	10,049,066
Comerica Bank CD	0.49%	09/04/13	1,003,671	1,003,671	(1,003,671)		
Comerica Bank CD	0.25%	09/05/13	2,500,000	2,500,000	(2,500,000)		
Comerica Bank CD	0.57%	09/16/13	6,296,130	6,296,130	(6,296,130)		
Comerica Bank CD	0.31%	12/05/13	5,007,734	5,007,734	3,914	5,011,648	5,011,648
Comerica Bank CD	0.37%	12/05/13	3,004,640	3,004,640	2,348	3,006,989	3,006,989
Comerica Bank CD	0.31%	12/05/13	3,005,539	3,005,539	2,804	3,008,343	3,008,343
Comerica Bank CD	0.61%	12/16/13	6,299,379	6,299,379	9,690	6,309,069	6,309,069
Southside Bank CD	0.55%	03/04/14	3,514,418	3,514,418	4,872	3,519,290	3,519,290
Comerica Bank CD	0.37%	03/05/14	2,504,616	2,504,616	2,337	2,506,952	2,506,952
Central National Bank CD	0.36%	04/26/14	2,000,000	2,000,000	1,795	2,001,795	2,001,795
Comerica Bank CD	0.43%	06/05/14	3,006,438	3,006,438	3,260	3,009,698	3,009,698
Independent Bank CD	0.26%	06/17/14	3,000,000	3,000,000	1,966	3,001,966	3,001,966
Independent Bank CD	0.43%	08/01/14	5,000,000	5,000,000	5,419	5,005,419	5,005,419
Central National Bank CD	0.46%	09/05/14	3,003,478	3,003,478	3,482	3,006,961	3,006,961
Independent Bank CD	0.43%	09/12/14	3,000,000	3,000,000	3,252	3,003,252	3,003,252
Central National Bank CD	0.46%	10/26/14	3,000,000	3,000,000	3,441	3,003,441	3,003,441
Comerica Bank CD	0.47%	12/01/14	2,002,370	2,002,370	2,373	2,004,743	2,004,743
Comerica Bank CD	0.43%	01/26/15	2,501,797	2,501,797	2,713	2,504,509	2,504,509
Comerica Bank CD	0.57%	03/02/15	2,002,875	2,002,875	2,879	2,005,754	2,005,754
Comerica Bank CD	0.57%	03/02/15	2,002,875	2,002,875	2,879	2,005,754	2,005,754
Comerica Bank CD	0.53%	04/27/15	2,502,215	2,502,215	3,344	2,505,559	2,505,559
TOTAL			\$ 164,189,391	\$ 164,189,391	\$ (24,197,692)	\$ 139,991,698	\$ 139,991,698

Allocation

September 30, 2013

Book & Market Value	Maturity Date	Total	General Operating	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	KEDC
TexasTerm	10/01/13	\$ 1,188,308	\$ 52,351	\$ -	\$ 71	\$ 52,237	\$ 1,083,649	\$ -
TexPool	10/01/13	40,112,572	815,139	884,041	2,419,976	12,285,016	18,802,473	4,905,928
TexStar	10/01/13	3,642,894	2,428,596			1,214,298		
BBVA Compass MMA 1	10/01/13	5,007,244	2,002,836			3,004,408		
BBVA Compass MMA 2	10/01/13	14,534,697					14,534,697	
Comerica MMA	10/01/13	9,035,777	3,012,498				6,023,279	
Southside Bank MMA	10/01/13	10,049,066	4,019,435				6,029,631	
Comerica Bank CD	12/05/13	5,011,648	5,011,648					
Comerica Bank CD	12/05/13	3,006,989				3,006,989		
Comerica Bank CD	12/05/13	3,008,343				3,008,343		
Comerica Bank CD	12/16/13	6,309,069					6,309,069	
Southside Bank CD	03/04/14	3,519,290				3,519,290		
Comerica Bank CD	03/05/14	2,506,952	2,506,952					
Central National Bank CD	04/26/14	2,001,795					2,001,795	
Comerica Bank CD	06/05/14	3,009,698				3,009,698		
Independent Bank CD	06/17/14	3,001,966					3,001,966	
Independent Bank CD	08/01/14	5,005,419					5,005,419	
Central National Bank CD	09/05/14	3,006,961	3,006,961					
Independent Bank CD	09/12/14	3,003,252				3,003,252		
Central National Bank CD	10/26/14	3,003,441					3,003,441	
Comerica Bank CD	12/01/14	2,004,743				2,004,743		
Comerica Bank CD	01/26/15	2,504,509					2,504,509	
Comerica Bank CD	03/02/15	2,005,754	2,005,754					
Comerica Bank CD	03/02/15	2,005,754				2,005,754		
Comerica Bank CD	04/27/15	2,505,559					2,505,559	
Totals		\$ 139,991,698	\$ 24,862,169	\$ 884,041	\$ 2,420,047	\$ 36,114,026	\$ 70,805,487	\$ 4,905,928

Allocation

June 30, 2013

Book & Market Value	Maturity Date	Total	General Operating	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	KEDC
TexasTerm		\$ 1,250,490	\$ 52,344	\$ -	\$ 2,406	\$ 52,230	\$ 1,143,509	\$ -
TexPool		54,534,656	604,228	1,292,217	15,792,968	11,483,776	20,530,402	4,831,065
TexStar		3,642,480	2,428,320			1,214,160		
BBVA Compass MMA 1		5,004,171	2,001,615			3,002,557		
BBVA Compass MMA 2		14,524,041					14,524,041	
Comerica MMA		9,031,298	3,011,004				6,020,293	
Southside Bank MMA		10,044,082	4,017,442				6,026,640	
Comerica Bank CD	09/04/13	1,003,671				1,003,671		
Comerica Bank CD	09/05/13	2,500,000	2,500,000					
Comerica Bank CD	09/16/13	6,296,130					6,296,130	
Comerica Bank CD	12/05/13	5,007,734	5,007,734					
Comerica Bank CD	12/05/13	3,004,640				3,004,640		
Comerica Bank CD	12/05/13	3,005,539				3,005,539		
Comerica Bank CD	12/16/13	6,299,379					6,299,379	
Southside Bank CD	03/04/14	3,514,418				3,514,418		
Comerica Bank CD	03/05/14	2,504,616	2,504,616					
Central National Bank CD	04/26/14	2,000,000					2,000,000	
Comerica Bank CD	06/05/14	3,006,438				3,006,438		
Independent Bank CD	06/17/14	3,000,000					3,000,000	
Independent Bank CD	08/01/14	5,000,000					5,000,000	
Central National Bank CD	09/05/14	3,003,478	3,003,478					
Independent Bank CD	09/12/14	3,000,000				3,000,000		
Central National Bank CD	10/26/14	3,000,000					3,000,000	
Comerica Bank CD	12/01/14	2,002,370				2,002,370		
Comerica Bank CD	01/26/15	2,501,797					2,501,797	
Comerica Bank CD	03/02/15	2,002,875	2,002,875					
Comerica Bank CD	03/02/15	2,002,875				2,002,875		
Comerica Bank CD	04/27/15	2,502,215					2,502,215	
Totals		\$ 164,189,391	\$ 27,133,656	\$ 1,292,217	\$ 15,795,373	\$ 36,292,675	\$ 78,844,405	\$ 4,831,065