City of Killeen

QUARTERLY INVESTMENT REPORT

For the Quarter Ended

December 31, 2015

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.

Summary

Quarter End Results by Investment Category:

Asset Type	Ave. Yield	December 31, 2015 Book Value	December 31, 2015 Market Value	September 30, 2015 Book Value	September 30, 2015 Market Value
Demand Accounts	0.43%	$ 10,695,331	$ 10,695,331	$ 9,930,938	$ 9,930,938
Pools/MMA	0.24%	88,868,637	88,868,637	65,057,376	65,057,376
Securities/CDs	0.71%	21,116,962	21,116,962	22,598,192	22,598,192
Totals		**$ 120,680,930**	**$ 120,680,930**	**$ 97,586,506**	**$ 97,586,506**

Average Yield (1)

Total Portfolio	0.34%
Rolling Three Mo. Treas. Yield	0.13%
Rolling Six Mo. Treas. Yield	0.25%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio	0.34%
Rolling Three Mo. Treas. Yield	0.13%
Rolling Six Mo. Treas. Yield	0.25%
Quarterly TexPool Yield	0.19%

	Interest Income	Bank Fees Offset
Quarterly	$ 77,447	$ 10,675
Year-to-date	$ 77,447	$ 10,675

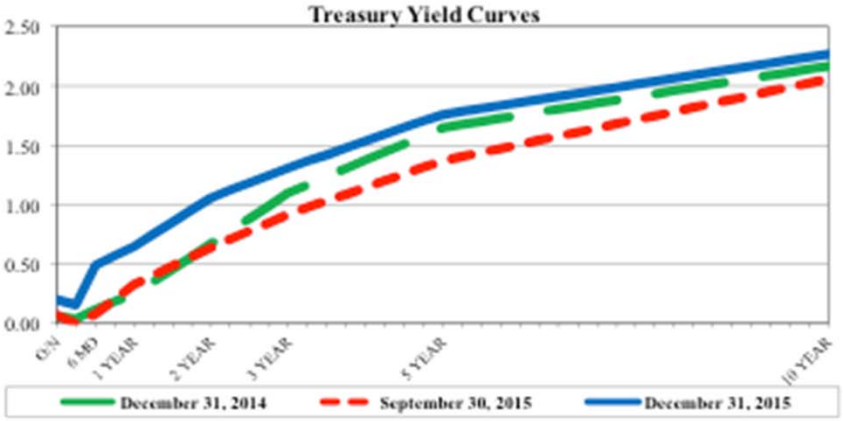
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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

12/31/2015

The Federal Open Market Committee (FOMC) raised the Fed Funds target range to 0.25% - 0.50% (actual Fed Funds traded +/-30 bps). The market reacted with higher short to medium term yields. Ten year and longer yields did not increase beyond the current trading range. The December new payroll numbers jumped +292k, with additional positive Oct/Nov adjustments. The Chinese economy and stock market turmoil grabbed international attention. US stock markets dropped in sympathy, but tried to stabilize. Broader international social and economic concerns continue, with the European Central Bank continuing its easing program. Treasury and Agency security yields are attractive for cash-flow based laddering. Although Bank CDs and municipal bonds may still offer the best interest earnings opportunity, if available.



Detail of Holdings

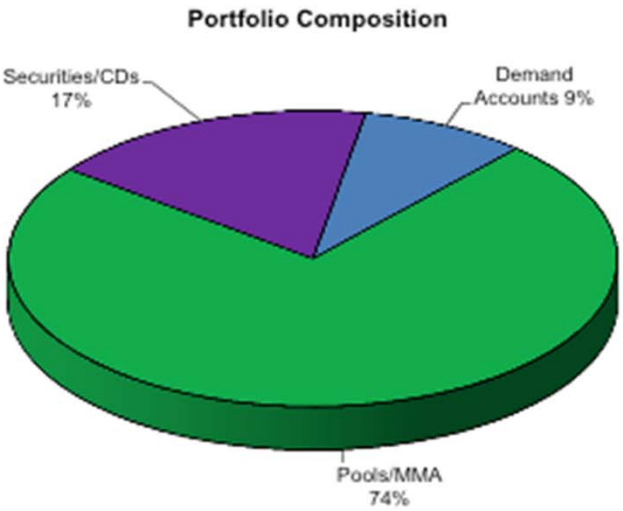
December 31, 2015

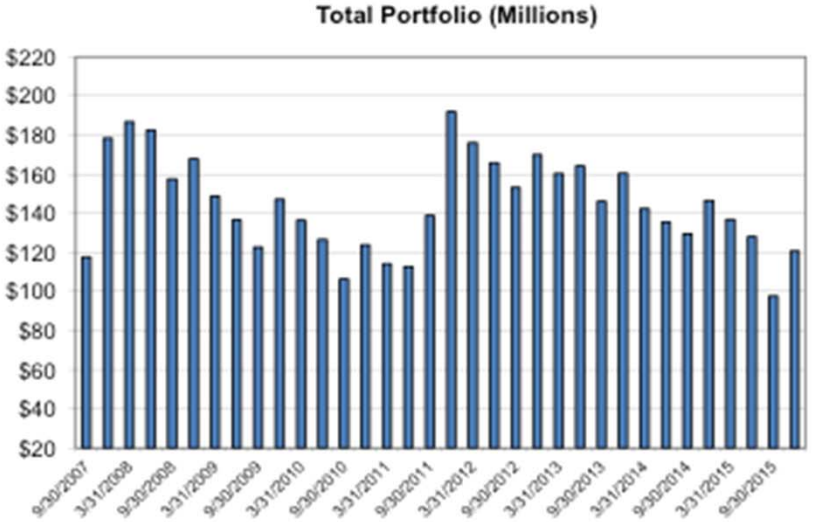
Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (Days)	Yield
BBVA Demand Account (3)		0.43%	01/01/16	12/31/15	$ 10,684,232	$ 10,684,232	1.00	$ 10,684,232	1	0.43%
Union State Bank		0.15%	01/01/16	12/31/15	11,099	11,099	1.00	11,099	1	0.15%
FILA (IDP)		0.24%	01/01/16	12/31/15	17,051,778	17,051,778	1.00	17,051,778	1	0.24%
Comerica MMA		0.15%	01/01/16	12/31/15	354,323	354,323	1.00	354,323	1	0.15%
Southside Bank MMA		0.32%	01/01/16	12/31/15	7,591,075	7,591,075	1.00	7,591,075	1	0.32%
LegacyTexas Bank MMA		0.40%	01/01/16	12/31/15	12,624,085	12,624,085	1.00	12,624,085	1	0.40%
TexasTerm	AAAm	0.28%	01/01/16	12/31/15	394,509	394,509	1.00	394,509	1	0.28%
TexPool	AAAm	0.19%	01/01/16	12/31/15	47,205,141	47,205,141	1.00	47,205,141	1	0.19%
TexSTAR	AAAm	0.19%	01/01/16	12/31/15	3,647,727	3,647,727	1.00	3,647,727	1	0.19%
Independent Bank CD		0.55%	12/12/15	09/12/14						
Independent Bank CD		0.35%	03/04/16	03/04/15	1,503,959	1,503,959	100.00	1,503,959	64	0.35%
Central National Bank CD		0.74%	03/05/16	09/05/14	2,018,558	2,018,558	100.00	2,018,558	65	0.74%
Southside Bank CD		0.60%	03/08/16	09/08/14	1,007,518	1,007,518	100.00	1,007,518	68	0.60%
Central National Bank CD		0.55%	05/06/16	05/06/15	2,506,936	2,506,936	100.00	2,506,936	127	0.55%
Independent Bank CD		0.55%	06/04/16	03/04/15	2,510,374	2,510,374	100.00	2,510,374	156	0.55%
LegacyTexas Bank CD		0.60%	06/21/16	12/21/15	1,500,000	1,500,000	100.00	1,500,000	173	0.60%
Southside Bank CD		0.70%	09/08/16	09/08/14	1,008,776	1,008,776	100.00	1,008,776	252	0.70%
Comerica Bank CD		0.72%	09/08/16	09/08/14	2,018,066	2,018,066	100.00	2,018,066	252	0.72%
Comerica Bank CD		0.80%	03/02/17	03/02/15	2,012,087	2,012,087	100.00	2,012,087	427	0.80%
Central National Bank CD		1.01%	03/09/17	09/09/15	3,000,000	3,000,000	100.00	3,000,000	434	1.01%
Central National Bank CD		0.95%	04/26/17	04/26/15	2,030,688	2,030,688	100.00	2,030,688	482	0.95%
					$120,680,930	**$120,680,930**		**$120,680,930**	**44**	**0.34%**
									(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
Securities/CDs
17%
Demand
Accounts 9%
Pools/MMA
74%


Total Portfolio (Millions)
$220
$200
$180
$160
$140
$120
$100
$80
$60
$40
$20
9/30/2007
3/31/2008
9/30/2008
3/31/2009
9/30/2009
3/31/2010
9/30/2010
3/31/2011
9/30/2011
3/31/2012
9/30/2012
3/31/2013
9/30/2013
3/31/2014
9/30/2014
3/31/2015
9/30/2015

Book Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2015 Par Value	September 30, 2015 Book Value	Purchases/ Adjustments	Sales/Adjust/ Maturities	December 31, 2015 Par Value	December 31, 2015 Book Value
BBVA Demand Account	0.43%	01/01/16	$ 9,919,844	$ 9,919,844	$ 764,388	$ –	$ 10,684,232	$ 10,684,232
Union State Bank	0.15%	01/01/16	11,095	11,095	4		11,099	11,099
BBVA Compass MMA 3	0.00%	01/01/16	5,026,953	5,026,953		(5,026,953)	–	–
BBVA Compass MMA 4	0.00%	01/01/16	7,591,177	7,591,177		(7,591,177)	–	–
FILA (IDP)	0.24%	01/01/16	18,042,336	18,042,336		(990,558)	17,051,778	17,051,778
Comerica MMA	0.15%	01/01/16	354,156	354,156	167		354,323	354,323
Southside Bank MMA	0.32%	01/01/16	7,585,817	7,585,817	5,258		7,591,075	7,591,075
LegacyTexas Bank MMA	0.40%	01/01/16	–	–	12,624,085		12,624,085	12,624,085
TexasTerm	0.28%	01/01/16	394,336	394,336	174		394,509	394,509
TexPool	0.19%	01/01/16	22,416,140	22,416,140	24,789,001		47,205,141	47,205,141
TexSTAR	0.19%	01/01/16	3,646,462	3,646,462	1,265		3,647,727	3,647,727
Independent Bank CD	0.55%	12/12/15	3,016,534	3,016,534		(3,016,534)	–	–
Independent Bank CD	0.35%	03/04/16	1,502,648	1,502,648	1,311		1,503,959	1,503,959
Central National Bank CD	0.74%	03/05/16	2,014,841	2,014,841	3,717		2,018,558	2,018,558
Southside Bank CD	0.60%	03/08/16	1,006,014	1,006,014	1,505		1,007,518	1,007,518
Central National Bank CD	0.55%	05/06/16	2,503,466	2,503,466	3,471		2,506,936	2,506,936
Independent Bank CD	0.55%	06/04/16	2,506,936	2,506,936	3,438		2,510,374	2,510,374
LegacyTexas Bank CD	0.60%	06/21/16	–	–	1,500,000		1,500,000	1,500,000
Southside Bank CD	0.70%	09/08/16	1,007,018	1,007,018	1,757		1,008,776	1,008,776
Comerica Bank CD	0.72%	09/08/16	2,014,448	2,014,448	3,618		2,018,066	2,018,066
Comerica Bank CD	0.80%	03/02/17	2,008,079	2,008,079	4,008		2,012,087	2,012,087
Central National Bank CD	1.01%	03/09/17	3,000,000	3,000,000			3,000,000	3,000,000
Central National Bank CD	0.95%	04/26/17	2,018,208	2,018,208	12,479		2,030,688	2,030,688
TOTAL			**$ 97,586,506**	**$ 97,586,506**	**$ 39,719,647**	**$ (16,625,222)**	**$ 120,680,930**	**$ 120,680,930**

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2015 Par Value	September 30, 2015 Market Value	Qtr to Qtr Change	December 31, 2015 Par Value	December 31, 2015 Market Value
BBVA Demand Account	0.43%	01/01/16	$ 9,919,844	$ 9,919,844	$ 764,388	$ 10,684,232	$ 10,684,232
Union State Bank	0.15%	01/01/16	11,095	11,095	4	11,099	11,099
BBVA Compass MMA 3	0.00%	01/01/16	5,026,953	5,026,953	(5,026,953)	–	–
BBVA Compass MMA 4	0.00%	01/01/16	7,591,177	7,591,177	(7,591,177)	–	–
FILA (IDP)	0.24%	01/01/16	18,042,336	18,042,336	(990,558)	17,051,778	17,051,778
Comerica MMA	0.15%	01/01/16	354,156	354,156	167	354,323	354,323
Southside Bank MMA	0.32%	01/01/16	7,585,817	7,585,817	5,258	7,591,075	7,591,075
LegacyTexas Bank MMA	0.40%	01/01/16	–	–	12,624,085	12,624,085	12,624,085
TexasTerm	0.28%	01/01/16	394,336	394,336	174	394,509	394,509
TexPool	0.19%	01/01/16	22,416,140	22,416,140	24,789,001	47,205,141	47,205,141
TexSTAR	0.19%	01/01/16	3,646,462	3,646,462	1,265	3,647,727	3,647,727
Independent Bank CD	0.55%	12/12/15	3,016,534	3,016,534	(3,016,534)	–	–
Independent Bank CD	0.35%	03/04/16	1,502,648	1,502,648	1,311	1,503,959	1,503,959
Central National Bank CD	0.74%	03/05/16	2,014,841	2,014,841	3,717	2,018,558	2,018,558
Southside Bank CD	0.60%	03/08/16	1,006,014	1,006,014	1,505	1,007,518	1,007,518
Central National Bank CD	0.55%	05/06/16	2,503,466	2,503,466	3,471	2,506,936	2,506,936
Independent Bank CD	0.55%	06/04/16	2,506,936	2,506,936	3,438	2,510,374	2,510,374
LegacyTexas Bank CD	0.60%	06/21/16	–	–	1,500,000	1,500,000	1,500,000
Southside Bank CD	0.70%	09/08/16	1,007,018	1,007,018	1,757	1,008,776	1,008,776
Comerica Bank CD	0.72%	09/08/16	2,014,448	2,014,448	3,618	2,018,066	2,018,066
Comerica Bank CD	0.80%	03/02/17	2,008,079	2,008,079	4,008	2,012,087	2,012,087
Central National Bank CD	1.01%	03/09/17	3,000,000	3,000,000		3,000,000	3,000,000
Central National Bank CD	0.95%	04/26/17	2,018,208	2,018,208	12,479	2,030,688	2,030,688
TOTAL			**$ 97,586,506**	**$ 97,586,506**	**$ 23,094,424**	**$ 120,680,930**	**$ 120,680,930**

Allocation **December 31, 2015**

Book & Market Value	Maturity Date	Total	General Operating	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	KEDC
BBVA Demand Account	01/01/16	$ 10,684,232	$ 5,554,528	$ 2,760,025	$ 491,097	$ 2,402,996	$ (524,415)	$ –
Union State Bank	01/01/16	11,099					11,099	
FILA (IDP)	01/01/16	17,051,778	1,004,065			8,025,225	8,022,487	
Comerica MMA	01/01/16	354,323	220,860				133,463	
Southside Bank MMA	01/01/16	7,591,075					7,591,075	
LegacyTexas MMA	01/01/16	12,624,085	6,587,175			1,507,727	4,529,183	
TexasTerm	01/01/16	394,509	52,441			52,398	289,670	
TexPool	01/01/16	47,205,141	10,967,983	697,625	12,644,780	7,140,938	11,279,039	4,474,776
TexSTAR	01/01/16	3,647,727	2,431,818			1,215,909		
Independent Bank CD	03/04/16	1,503,959				1,503,959		
Central National Bank CD	03/05/16	2,018,558					2,018,558	
Southside Bank CD	03/08/16	1,007,518				1,007,518		
Central National Bank CD	05/06/16	2,506,936					2,506,936	
Independent Bank CD	06/04/16	2,510,374					2,510,374	
LegacyTexaS Bank CD	06/21/16	1,500,000					1,500,000	
Southside Bank CD	09/08/16	1,008,776				1,008,776		
Comerica Bank CD	09/08/16	2,018,066				2,018,066		
Comerica Bank CD	03/02/17	2,012,087	2,012,087					
Central National Bank CD	03/09/17	3,000,000					3,000,000	
Central National Bank CD	04/26/17	2,030,688					2,030,688	
Totals		**$ 120,680,930**	**$ 28,830,956**	**$ 3,457,650**	**$ 13,135,877**	**$ 25,883,512**	**$ 44,898,159**	**$ 4,474,776**

Allocation **September 30, 2015**

Book & Market Value	Maturity Date	Total	General Operating	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	KEDC
BBVA Demand Account	10/01/15	$ 9,919,844	$ 1,931,645	$ 2,604,670	$ 2,475,154	$ 1,606,674	$ 1,067,950	$ 233,751
Union State Bank	10/01/15	11,095					11,095	
BBVA Compass MMA 3	10/01/15	5,026,953				1,507,990	3,518,962	
BBVA Compass MMA 4	10/01/15	7,591,177	6,583,041				1,008,136	
FILA (IDP)	10/01/15	18,042,336	1,003,509			9,020,790	8,018,038	
Comerica MMA	10/01/15	354,156	220,743				133,413	
Southside Bank MMA	10/01/15	7,585,817					7,585,817	
TexasTerm	10/01/15	394,336	52,418			52,375	289,543	
TexPool	10/01/15	22,416,140	337,895	721,307	602,252	4,639,272	11,252,008	4,863,406
TexStar	10/01/15	3,646,462	2,430,974			1,215,487		
Independent Bank CD	12/12/15	3,016,534					3,016,534	
Independent Bank CD	03/04/16	1,502,648				1,502,648		
Central National Bank CD	03/05/16	2,014,841					2,014,841	
Southside Bank CD	03/08/16	1,006,014				1,006,014		
Central National Bank CD	05/06/16	2,503,466					2,503,466	
Independent Bank CD	06/04/16	2,506,936					2,506,936	
Southside Bank CD	09/08/16	1,007,018				1,007,018		
Comerica Bank CD	09/08/16	2,014,448				2,014,448		
Comerica Bank CD	03/02/17	2,008,079	2,008,079					
Central National Bank CD	03/09/17	3,000,000					3,000,000	
Central National Bank CD	04/26/17	2,018,208					2,018,208	
Totals		**$ 97,586,506**	**$ 14,568,303**	**$ 3,325,977**	**$ 3,077,406**	**$ 23,572,716**	**$ 47,944,947**	**$ 5,097,157**