



City of Killeen

QUARTERLY INVESTMENT REPORT

For the Quarter Ended

September 30, 2012

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.

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 are trading +/-15bps). During the year, the FOMC completed the last phases of Quantitative Easing Two and initiated Operation twist. At the September 2012 meeting, they announced the third Quantitative Easing program (QE3) and extended the exceptionally low rate target through mid-2015. The European credit crisis persisted the entire year with continued flight to quality pressure on the US securities markets. Domestic employment growth remained slightly positive, but stayed below desired levels. The US stock market primarily performed well despite a late-spring correction. Financial institution deposits and laddering targeted cash flows provided the best interest earnings opportunity.

FYE Results by Investment Category:

<u>Asset Type</u>	<u>September 30, 2012</u>			<u>September 30, 2011</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>
Pools/MMA	0.20%	\$ 78,113,637.78	\$ 78,113,637.78	0.09%	\$ 80,464,940	\$ 80,464,940
Securities/CDs	0.56%	74,989,054.22	74,989,054.22	0.52%	58,407,400	58,407,400
Totals		\$ 153,102,692.00	\$ 153,102,692.00		\$ 138,872,340	\$ 138,872,340
				<u>2012</u>	<u>2011</u>	<u>Change</u>
			Total Portfolio	0.33%	0.25%	0.08%
			Rolling Three Mo. Treas. Yield	0.07%	0.08%	-0.01%
			Rolling Six Mo. Treas. Yield	0.11%	0.15%	-0.04%
			Quarterly TexPool Yield	0.12%	0.12%	0.00%

(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 are trading +/-15bps). At the September meeting, they announced the third Quantitative Easing program (QE3) and extended the exceptionally low rate target through mid-2015. The European credit crisis lingers with key component resolution potentially converging later this fall. Chinese growth trends are lower and worrisome. Domestic employment growth is modest and inconsistent. Overall economic activity continues below expectation. The US stock market remains a bright spot. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

Quarter End Results by Investment Category:

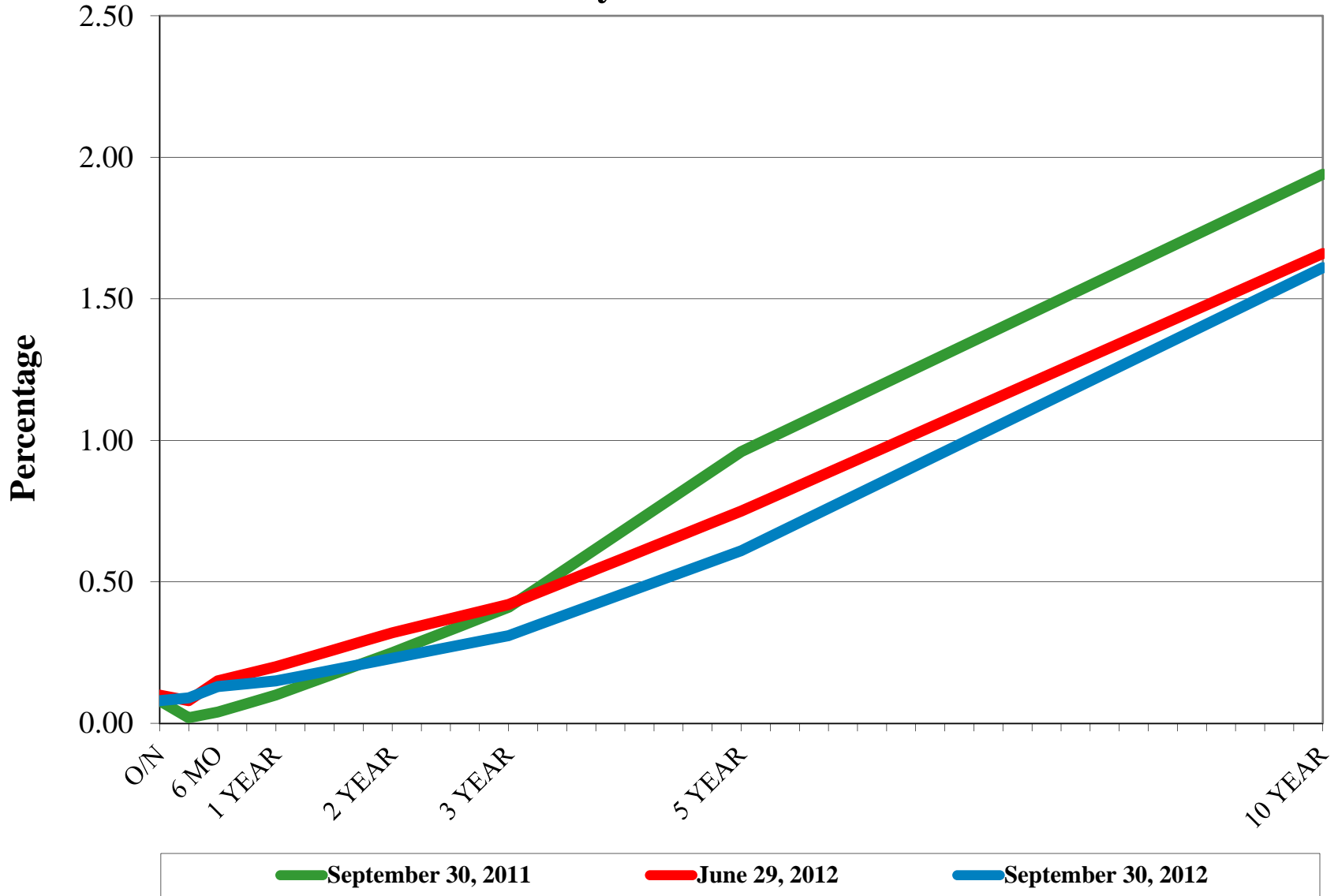
<u>Asset Type</u>	<u>Ave. Yield</u>	<u>September 30, 2012</u>		<u>June 30, 2012</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Pools/MMA	0.20%	\$ 78,113,638	\$ 78,113,638	\$ 74,877,769	\$ 74,877,769
Securities/CDs	0.56%	74,989,054	74,989,054	90,930,175	90,930,175
Totals		\$ 153,102,692	\$ 153,102,692	\$ 165,807,943	\$ 165,807,943

Average Yield (1)		Fiscal Year-to-Date Average Yield (2)	
Total Portfolio	0.38%	Total Portfolio	0.33%
Rolling Three Mo. Treas. Yield	0.10%	Rolling Three Mo. Treas. Yield	0.07%
Rolling Six Mo. Treas. Yield	0.14%	Rolling Six Mo. Treas. Yield	0.11%
		Quarterly TexPool Yield	0.12%
Quarterly Interest Income	\$ 147,795		
Year-to-date Interest Income	\$ 530,203		

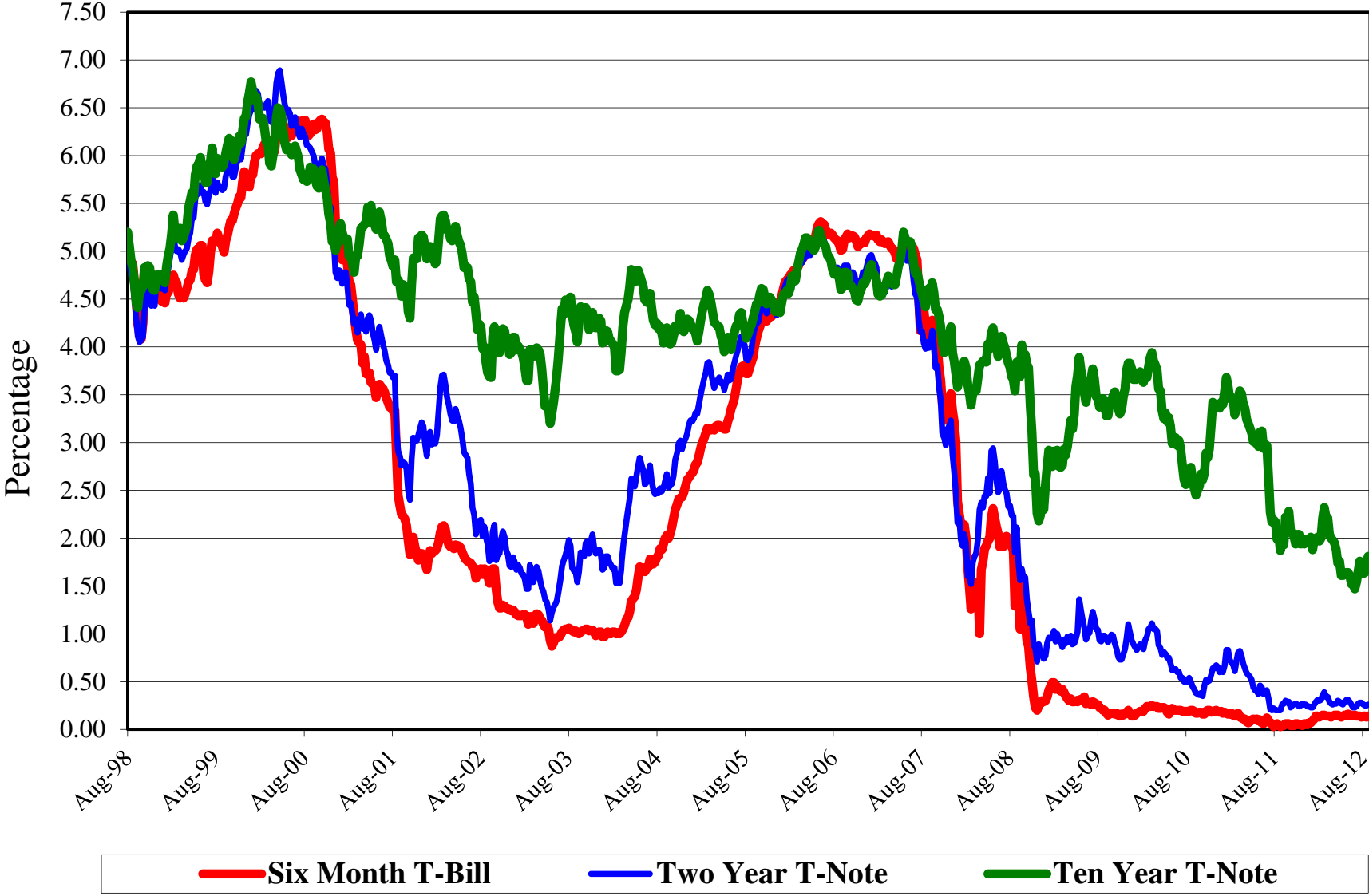
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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

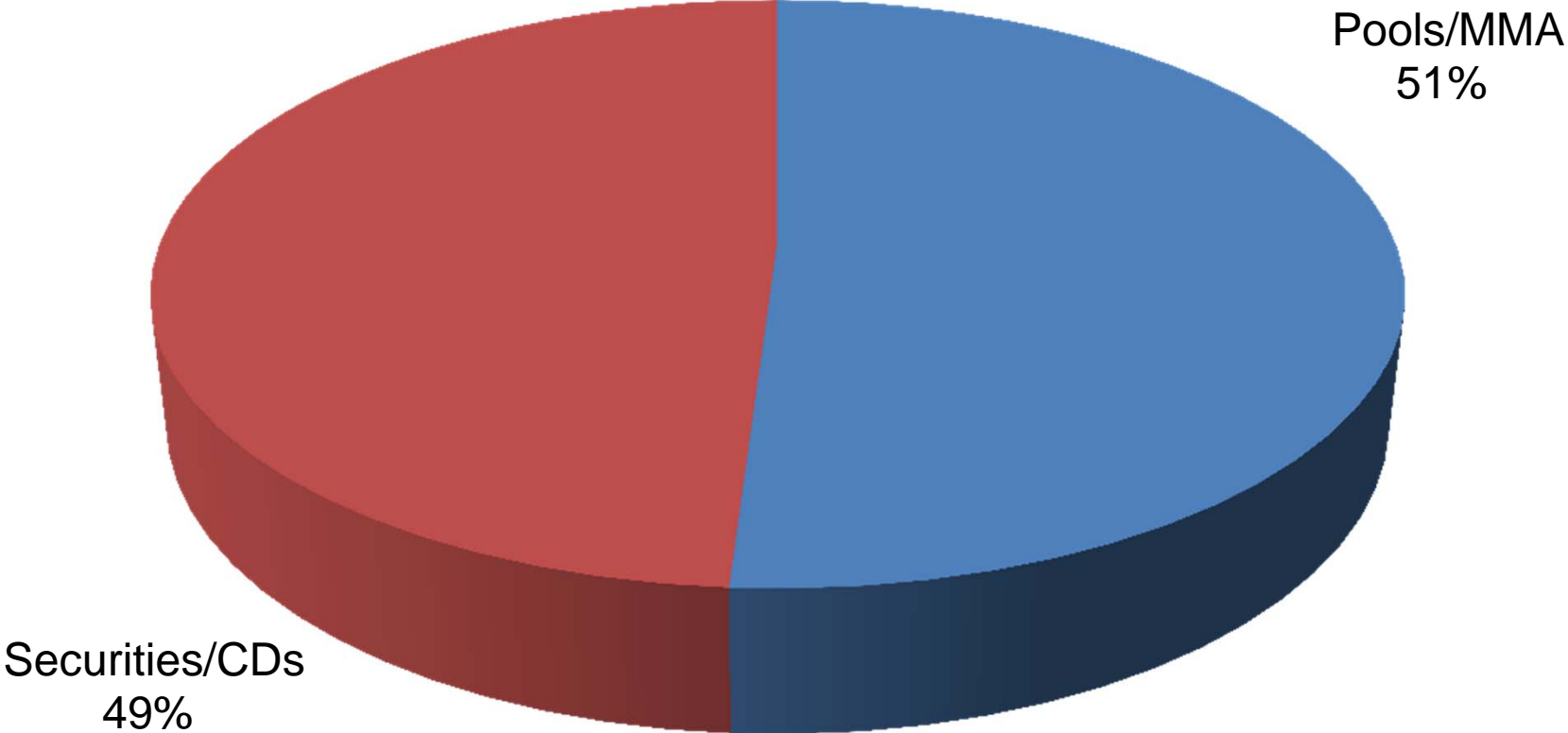
September 30, 2012

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (Days)	Yield
TexasTerm	AAAm	0.13%	10/01/2012	09/30/2012	\$ 2,779,239	\$ 2,779,239	1.00	\$ 2,779,239	1	0.130%
TexPool	AAAm	0.16%	10/01/2012	09/30/2012	48,154,937	48,154,937	1.00	48,154,937	1	0.157%
TexStar	AAAm	0.16%	10/01/2012	09/30/2012	3,639,231	3,639,231	1.00	3,639,231	1	0.157%
BBVA Compass MMA		0.34%	10/01/2012	09/30/2012	4,500,376	4,500,376	1.00	4,500,376	1	0.340%
Comerica MMA		0.25%	10/01/2012	09/30/2012	9,016,949	9,016,949	1.00	9,016,949	1	0.250%
Southside Bank MMA		0.36%	10/01/2012	09/30/2012	10,022,906	10,022,906	1.00	10,022,906	1	0.360%
JPMChase CD		0.30%	10/01/2012	08/31/2011	1,000,000	1,000,000	100.00	1,000,000	1	0.300%
Extraco Bank CD		0.15%	10/20/2012	10/20/2011	5,678	5,678	100.00	5,678	20	0.150%
Comerica Bank CD		0.65%	12/03/2012	08/31/2011	5,035,376	5,035,376	100.00	5,035,376	64	0.650%
Comerica Bank CD		0.61%	12/03/2012	08/31/2011	3,219,790	3,219,790	100.00	3,219,790	64	0.610%
Comerica Bank CD		0.28%	12/17/2012	03/16/2012	2,500,000	2,500,000	100.00	2,500,000	78	0.280%
Comerica Bank CD		0.25%	01/02/2013	08/31/2011	5,000,000	5,000,000	100.00	5,000,000	94	0.250%
Comerica Bank CD		0.72%	01/02/2013	07/02/2012	5,039,199	5,039,199	100.00	5,039,199	94	0.720%
Comerica Bank CD		0.50%	03/01/2013	03/01/2012	4,011,686	4,011,686	100.00	4,011,686	152	0.500%
Comerica Bank CD		0.81%	03/01/2013	08/31/2011	5,044,119	5,044,119	100.00	5,044,119	152	0.810%
Comerica Bank CD		0.77%	03/01/2013	08/31/2011	3,025,159	3,025,159	100.00	3,025,159	152	0.770%
Comerica Bank CD		0.49%	03/15/2013	03/16/2012	6,266,632	6,266,632	100.00	6,266,632	166	0.490%
Southside Bank CD		0.30%	05/01/2013	08/01/2012	2,500,000	2,500,000	100.00	2,500,000	213	0.300%
Comerica Bank CD		0.50%	06/03/2013	08/31/2011	2,002,522	2,002,522	100.00	2,002,522	246	0.500%
Comerica Bank CD		0.50%	06/03/2013	06/01/2012	2,503,152	2,503,152	100.00	2,503,152	246	0.500%
Comerica Bank CD		0.94%	06/03/2013	06/01/2012	2,020,493	2,020,493	100.00	2,020,493	246	0.940%
Comerica Bank CD		0.53%	06/17/2013	03/16/2012	6,267,991	6,267,991	100.00	6,267,991	260	0.530%
Comerica Bank CD		0.53%	06/17/2013	03/16/2012	2,507,196	2,507,196	100.00	2,507,196	260	0.530%
Comerica Bank CD		0.49%	09/04/2013	09/04/2012	1,000,000	1,000,000	100.00	1,000,000	339	0.490%
Comerica Bank CD		0.57%	09/04/2013	03/16/2012	6,269,351	6,269,351	100.00	6,269,351	339	0.570%
Comerica Bank CD		0.61%	09/16/2013	03/16/2012	6,270,711	6,270,711	100.00	6,270,711	351	0.610%
Southside Bank CD		0.55%	03/04/2014	09/04/2012	3,500,000	3,500,000	100.00	3,500,000	520	0.550%
					\$ 153,102,692	\$ 153,102,692		\$ 153,102,692	101	0.378%
									(1)	(2)

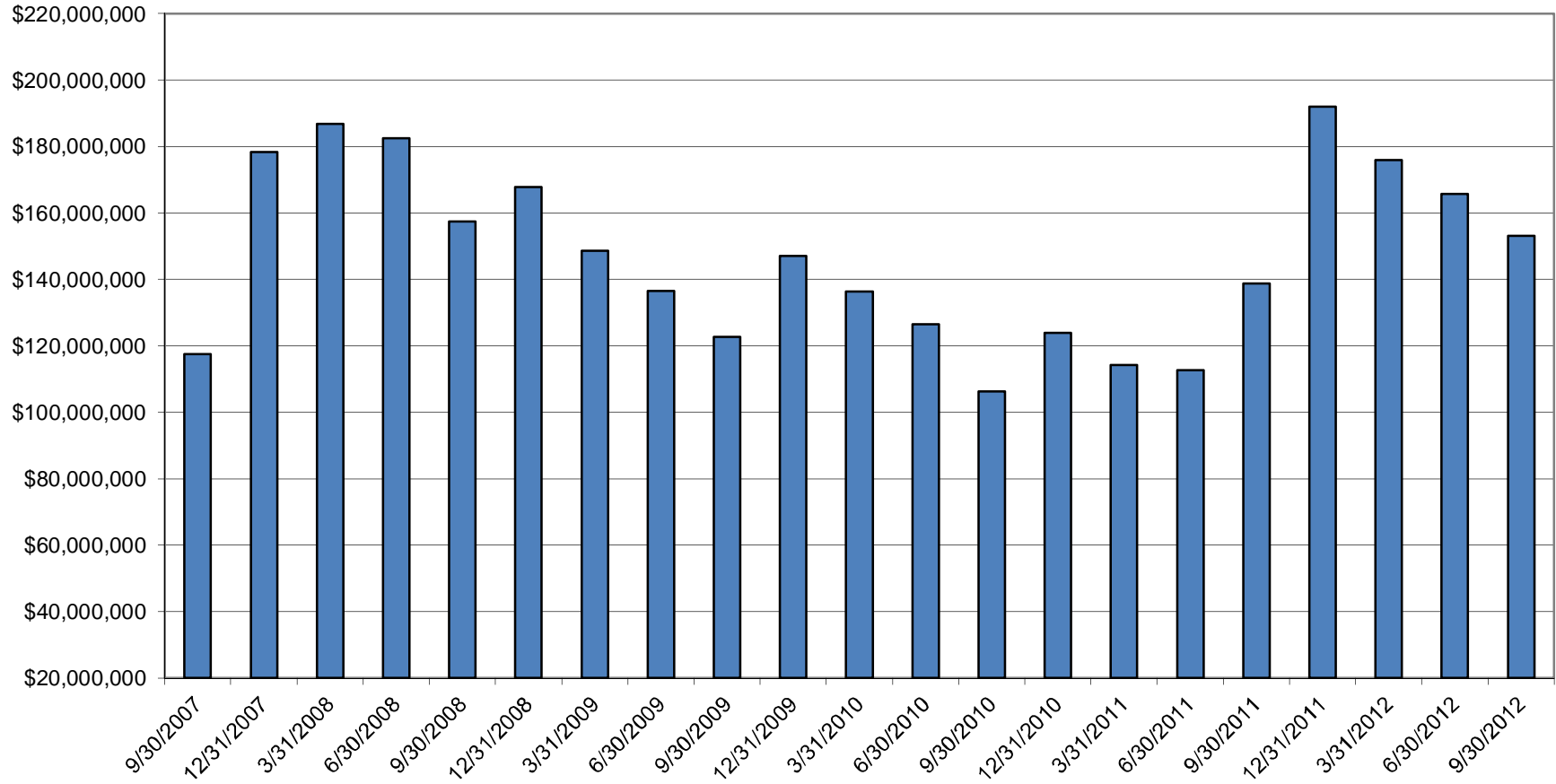
(1) **Weighted average life** - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

(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, 2012		Purchases/ Adjustments	Sales/Adjust/ Maturities	September 30, 2012	
			Par Value	Book Value			Par Value	Book Value
TexasTerm	0.13%	10/01/2012	\$ 3,128,252	\$ 3,128,252	\$ -	\$ (349,013)	\$ 2,779,239	\$ 2,779,239
TexPool	0.16%	10/01/2012	49,085,965	49,085,965		(931,028)	48,154,937	48,154,937
TexStar	0.16%	10/01/2012	3,637,930	3,637,930	1,301		3,639,231	3,639,231
BBVA Compass MMA	0.34%	10/01/2012			4,500,376		4,500,376	4,500,376
Comerica MMA	0.25%	10/01/2012	9,011,285	9,011,285	5,664		9,016,949	9,016,949
Southside Bank MMA	0.36%	10/01/2012	10,014,337	10,014,337	8,569		10,022,906	10,022,906
JPMChase CD	0.26%	07/02/2012	2,000,000	2,000,000		(2,000,000)		
Comerica Bank CD	0.41%	07/02/2012	5,000,000	5,000,000		(5,000,000)		
Comerica Bank CD	0.46%	08/01/2012	5,000,000	5,000,000		(5,000,000)		
JPMChase CD	0.27%	08/01/2012	2,000,000	2,000,000		(2,000,000)		
JPMChase CD	0.29%	09/04/2012	2,000,000	2,000,000		(2,000,000)		
Comerica Bank CD	0.48%	09/04/2012	3,011,890	3,011,890		(3,011,890)		
Comerica Bank CD	0.51%	09/04/2012	5,021,279	5,021,279		(5,021,279)		
Comerica Bank CD	0.25%	09/17/2012	2,500,000	2,500,000		(2,500,000)		
Comerica Bank CD	0.25%	09/17/2012	1,500,000	1,500,000		(1,500,000)		
JPMChase CD	0.30%	10/01/2012	1,000,000	1,000,000			1,000,000	1,000,000
Extraco Bank CD	0.15%	10/02/2012	5,678	5,678			5,678	5,678
Comerica Bank CD	0.65%	12/03/2012	5,027,135	5,027,135	8,241		5,035,376	5,035,376
Comerica Bank CD	0.61%	12/03/2012	3,214,844	3,214,844	4,945		3,219,790	3,219,790
Comerica Bank CD	0.28%	12/17/2012	2,500,000	2,500,000			2,500,000	2,500,000
Comerica Bank CD	0.25%	01/02/2013			5,000,000		5,000,000	5,000,000
Comerica Bank CD	0.72%	01/02/2013	5,030,065	5,030,065	9,134		5,039,199	5,039,199
Comerica Bank CD	0.50%	03/01/2013	4,006,634	4,006,634	5,052		4,011,686	4,011,686
Comerica Bank CD	0.81%	03/01/2013	5,033,834	5,033,834	10,284		5,044,119	5,044,119
Comerica Bank CD	0.77%	03/01/2013	3,019,295	3,019,295	5,864		3,025,159	3,025,159
Comerica Bank CD	0.49%	03/15/2013	6,258,898	6,258,898	7,733		6,266,632	6,266,632
Southside Bank CD	0.30%	05/01/2013			2,500,000		2,500,000	2,500,000
Comerica Bank CD	0.50%	06/03/2013	2,000,000	2,000,000	2,522		2,002,522	2,002,522
Comerica Bank CD	0.50%	06/03/2013	2,500,000	2,500,000	3,152		2,503,152	2,503,152
Comerica Bank CD	0.94%	06/03/2013	2,015,714	2,015,714	4,780		2,020,493	2,020,493
Comerica Bank CD	0.53%	06/17/2013	6,259,625	6,259,625	8,366		6,267,991	6,267,991
Comerica Bank CD	0.53%	06/17/2013	2,503,850	2,503,850	3,346		2,507,196	2,507,196
Comerica Bank CD	0.49%	09/04/2013			1,000,000		1,000,000	1,000,000
Comerica Bank CD	0.57%	09/16/2013	6,260,352	6,260,352	8,999		6,269,351	6,269,351
Comerica Bank CD	0.61%	12/16/2013	6,261,079	6,261,079	9,632		6,270,711	6,270,711
Southside Bank CD	0.55%	03/04/2014			3,500,000		3,500,000	3,500,000
TOTAL			\$ 165,807,943	\$ 165,807,943	\$ 13,107,958	\$ (29,313,210)	\$ 153,102,692	\$ 153,102,692

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2012		Qtr to Qtr Change	September 30, 2012	
			Par Value	Market Value		Par Value	Market Value
TexasTerm	0.13%	10/01/2012	\$ 3,128,252	\$ 3,128,252	\$ (349,013)	\$ 2,779,239	\$ 2,779,239
TexPool	0.16%	10/01/2012	49,085,965	49,085,965	(931,028)	48,154,937	48,154,937
TexStar	0.16%	10/01/2012	3,637,930	3,637,930	1,301	3,639,231	3,639,231
BBVA Compass MMA	0.34%	10/01/2012			4,500,376	4,500,376	4,500,376
Comerica MMA	0.25%	10/01/2012	9,011,285	9,011,285	5,664	9,016,949	9,016,949
Southside Bank MMA	0.36%	10/01/2012	10,014,337	10,014,337	8,569	10,022,906	10,022,906
JPMChase CD	0.26%	07/02/2012	2,000,000	2,000,000	(2,000,000)		
Comerica Bank CD	0.41%	07/02/2012	5,000,000	5,000,000	(5,000,000)		
Comerica Bank CD	0.46%	08/01/2012	5,000,000	5,000,000	(5,000,000)		
JPMChase CD	0.27%	08/01/2012	2,000,000	2,000,000	(2,000,000)		
JPMChase CD	0.29%	09/04/2012	2,000,000	2,000,000	(2,000,000)		
Comerica Bank CD	0.48%	09/04/2012	3,011,890	3,011,890	(3,011,890)		
Comerica Bank CD	0.51%	09/04/2012	5,021,279	5,021,279	(5,021,279)		
Comerica Bank CD	0.25%	09/17/2012	2,500,000	2,500,000	(2,500,000)		
Comerica Bank CD	0.25%	09/17/2012	1,500,000	1,500,000	(1,500,000)		
JPMChase CD	0.30%	10/01/2012	1,000,000	1,000,000	-	1,000,000	1,000,000
Extraco Bank CD	0.15%	10/02/2012	5,678	5,678	-	5,678	5,678
Comerica Bank CD	0.65%	12/03/2012	5,027,135	5,027,135	8,241	5,035,376	5,035,376
Comerica Bank CD	0.61%	12/03/2012	3,214,844	3,214,844	4,945	3,219,790	3,219,790
Comerica Bank CD	0.28%	12/17/2012	2,500,000	2,500,000	-	2,500,000	2,500,000
Comerica Bank CD	0.25%	01/02/2013			5,000,000	5,000,000	5,000,000
Comerica Bank CD	0.72%	01/02/2013	5,030,065	5,030,065	9,134	5,039,199	5,039,199
Comerica Bank CD	0.50%	03/01/2013	4,006,634	4,006,634	5,052	4,011,686	4,011,686
Comerica Bank CD	0.81%	03/01/2013	5,033,834	5,033,834	10,284	5,044,119	5,044,119
Comerica Bank CD	0.77%	03/01/2013	3,019,295	3,019,295	5,864	3,025,159	3,025,159
Comerica Bank CD	0.49%	03/15/2013	6,258,898	6,258,898	7,733	6,266,632	6,266,632
Southside Bank CD	0.30%	05/01/2013			2,500,000	2,500,000	2,500,000
Comerica Bank CD	0.50%	06/03/2013	2,000,000	2,000,000	2,522	2,002,522	2,002,522
Comerica Bank CD	0.50%	06/03/2013	2,500,000	2,500,000	3,152	2,503,152	2,503,152
Comerica Bank CD	0.94%	06/03/2013	2,015,714	2,015,714	4,780	2,020,493	2,020,493
Comerica Bank CD	0.53%	06/17/2013	6,259,625	6,259,625	8,366	6,267,991	6,267,991
Comerica Bank CD	0.53%	06/17/2013	2,503,850	2,503,850	3,346	2,507,196	2,507,196
Comerica Bank CD	0.49%	09/04/2013			1,000,000	1,000,000	1,000,000
Comerica Bank CD	0.57%	09/16/2013	6,260,352	6,260,352	8,999	6,269,351	6,269,351
Comerica Bank CD	0.61%	12/16/2013	6,261,079	6,261,079	9,632	6,270,711	6,270,711
Southside Bank CD	0.55%	03/04/2014			3,500,000	3,500,000	3,500,000
TOTAL			\$ 165,807,943	\$ 165,807,943	\$ (12,705,251)	\$ 153,102,692	\$ 153,102,692

Allocation

September 30, 2012

Book & Market Value	Maturity Date	Total	General Operating	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	KEDC
TexasTerm		\$ 2,779,239	\$ 52,305	\$ -	\$ 2,404	\$ 52,191	\$ 2,672,340	\$ -
TexPool		48,154,937	207,537	916,762	5,479,630	10,623,955	25,984,892	4,942,160
TexStar		3,639,231	2,426,154			1,213,077		
BBVA Compass MMA		4,500,376					4,500,376	
Comerica MMA		9,016,949	3,006,220				6,010,729	
Southside Bank MMA		10,022,906	4,008,972				6,013,934	
JPMChase CD	10/01/2012	1,000,000					1,000,000	
Extraco Bank CD	10/20/2012	5,678	5,678					
Comerica Bank CD	12/03/2012	5,035,376				5,035,376		
Comerica Bank CD	12/03/2012	3,219,790	3,219,790					
Comerica Bank CD	12/17/2012	2,500,000				2,500,000		
Comerica Bank CD	01/02/2013	5,000,000					5,000,000	
Comerica Bank CD	01/02/2013	5,039,199					5,039,199	
Comerica Bank CD	03/01/2013	4,011,686				4,011,686		
Comerica Bank CD	03/01/2013	5,044,119	5,044,119					
Comerica Bank CD	03/01/2013	3,025,159	3,025,159					
Comerica Bank CD	03/15/2013	6,266,632					6,266,632	
Southside Bank CD	05/01/2013	2,500,000					2,500,000	
Comerica Bank CD	06/03/2013	2,002,522					2,002,522	
Comerica Bank CD	06/03/2013	2,503,152				2,503,152		
Comerica Bank CD	06/03/2013	2,020,493				2,020,493		
Comerica Bank CD	06/17/2013	6,267,991					6,267,991	
Comerica Bank CD	06/17/2013	2,507,196	2,507,196					
Comerica Bank CD	09/04/2013	1,000,000				1,000,000		
Comerica Bank CD	09/16/2013	6,269,351					6,269,351	
Comerica Bank CD	12/16/2013	6,270,711					6,270,711	
Southside Bank CD	03/04/2014	3,500,000				3,500,000		
Totals		\$ 153,102,692	\$ 23,503,131	\$ 916,762	\$ 5,482,034	\$ 32,459,930	\$ 85,798,675	\$ 4,942,160

Allocation

June 30, 2012

Book & Market Value	Total	General Operating	Special Revenue	Interest & Sinking	Enterprise Funds	Capital Projects	KEDC
TexasTerm	\$ 3,128,252	\$ 52,288	\$ -	\$ 2,403	\$ 52,174	\$ 3,021,387	\$ -
TexPool	49,085,965	513,701	1,366,391	16,424,105	8,320,924	17,976,699	4,484,144
TexStar	3,637,930	2,425,287			1,212,643		
Comerica MMA	9,011,285	3,004,332				6,006,953	
Southside Bank MMA	10,014,337	4,005,544				6,008,792	
JPMChase CD	07/02/2012	2,000,000				2,000,000	
Comerica Bank CD	07/02/2012	5,000,000				5,000,000	
Comerica Bank CD	08/01/2012	5,000,000				5,000,000	
JPMChase CD	08/01/2012	2,000,000				2,000,000	
JPMChase CD	09/04/2012	2,000,000				2,000,000	
Comerica Bank CD	09/04/2012	3,011,890			3,011,890		
Comerica Bank CD	09/04/2012	5,021,279	1,506,384		1,506,384	2,008,512	
Comerica Bank CD	09/17/2012	2,500,000	2,500,000				
Comerica Bank CD	09/17/2012	1,500,000			1,500,000		
JPMChase CD	10/01/2012	1,000,000				1,000,000	
Extraco Bank CD	10/02/2012	5,678	5,678				
Comerica Bank CD	12/03/2012	5,027,135			5,027,135		
Comerica Bank CD	12/03/2012	3,214,844	3,214,844				
Comerica Bank CD	12/17/2012	2,500,000			2,500,000		
Comerica Bank CD	01/02/2013	5,030,065				5,030,065	
Comerica Bank CD	03/01/2013	4,006,634			4,006,634		
Comerica Bank CD	03/01/2013	5,033,834	5,033,834				
Comerica Bank CD	03/01/2013	3,019,295	3,019,295				
Comerica Bank CD	03/15/2013	6,258,898				6,258,898	
Comerica Bank CD	06/03/2013	2,015,714			2,015,714		
Comerica Bank CD	06/03/2013	2,000,000				2,000,000	
Comerica Bank CD	06/03/2013	2,500,000			2,500,000		
Comerica Bank CD	06/17/2013	6,259,625				6,259,625	
Comerica Bank CD	06/17/2013	2,503,850	2,503,850				
Comerica Bank CD	09/16/2013	6,260,352				6,260,352	
Comerica Bank CD	12/16/2013	6,261,079				6,261,079	
Totals	\$ 165,807,943	\$ 27,785,039	\$ 1,366,391	\$ 16,426,508	\$ 31,653,499	\$ 84,092,362	\$ 4,484,144