

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending June 30, 2018



Investment objectives are safety, liquidity, yield and public trust.

Portfolio objective is to meet or exceed the average rate of return on US Treasury securities at the maturity date of the City's portfolio.

AVERAGE YIELD HISTORY

<i>Quarter</i>	September 2017	December 2017	March 2018	June 2018
<i>City Average Yield</i>	1.11%	1.23%	1.50%	1.86%
<i>Treasury Average Yield – 90 days</i>	1.05%	1.23%	1.58%	1.88%
<i>Treasury Average Yield – 180 days</i>	1.14%	1.38%	1.77%	2.06%
<i>Weighted Average Maturity</i>	115 days	118 days	126 days	97 days

The City's Investment Policy allows various types of investments with varying maturity dates in order to diversify the funds invested.

INVESTMENT TYPES AND PARAMETERS

Investment Types	Portfolio % Parameters	Portfolio % as of June 30, 2018
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	23.28%
State & Local Agency Coupons	20%	0.30%
Managed Pools	80%	70.18%
Money Market Funds	50%	6.24%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 6/30/2018</i>
Weighted Average Maturity	365 days	97 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
September 2017	\$119,981,516	\$119,902,335	(\$79,181)
December 2017	\$117,633,114	\$117,458,159	(\$174,955)
March 2018	\$118,382,081	\$118,166,956	(\$215,125)
June 2018	\$163,077,254	\$162,881,584	(\$195,670)

The difference between book value and market value represents an unrealized gain or loss. The City would only realize a gain or loss if investments were sold prior to maturity. Per the investment policy, the City has a "buy and hold" portfolio strategy; therefore investments are purchased with the intent to hold until maturity.

The following table gives the history of investment rates available for the past three quarters and the current rates available for the various types of investments.

INVESTMENT RATE HISTORY

Date	12/31/2017	3/31/2018	6/30/2018	8/28/2018
Investment Type	Dec Rates	Mar Rates	Jun Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	1.18%	1.52%	1.81%	1.92%
TexStar (Daily Rate)	1.18%	1.50%	1.83%	1.92%
Texas Class (Daily Rate)	1.41%	1.75%	2.16%	2.24%
TexPool Prime (Daily Rate)	1.39%	1.71%	2.10%	2.18%
<u>Treasury</u>				
3-month (90-days)	1.43%	1.75%	1.92%	2.10%
6-month	1.52%	1.93%	2.09%	2.25%
1 year	1.71%	2.11%	2.31%	2.44%
2 year	1.89%	2.26%	2.50%	2.65%
<u>Agency</u>				
2 year (callable)	1.94%	2.43%	2.70%	2.75%
2 year (bullet)	1.90%	2.35%	2.60%	2.63%
<u>CD's</u>				
6 month	0.52%	0.63%	0.63%	0.73%
9 month	0.63%	0.75%	0.75%	0.85%
12 month	0.75%	0.88%	0.88%	0.98%
15 month	n/a	n/a	n/a	n/a
18 month	n/a	n/a	n/a	n/a
21 month	n/a	n/a	n/a	n/a
24 month	n/a	n/a	n/a	n/a

U.S. Economic Update released June 2018 from Federal Reserve Bank of Dallas:

Economic data points to continued growth in economic activity due to robust consumer spending, strong employment growth and improving labor market. Forecasted gross domestic product (GDP) growth for the rest of the year is strong. Inflation measures remain at or just below the Federal Reserve's two percent target, and long-run inflation expectations are little changed.

Update on Federal Fund Target Rate from *Wall Street Journal*:

At the policy meeting in June 2018, Fed officials increased the federal funds rate by a quarter-percentage point to a range between 1.75% and 2.00%. This is their second rate increase this year. Fed officials plan to increase the rate another two times in 2018, three times in 2019 and one more time in 2020 in order to reach a projected range between 3.25% and 3.50% by the end of 2020.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

June 30, 2018

INVESTMENT REPORT

FOR QUARTER ENDING June 30, 2018



The information within comprises the quarterly investment report for the City of Mesquite, Texas. The under-signed acknowledge that the City's investment portfolio has been and is currently in compliance with the policies and strategies contained in the City's Investment Policy as adopted by Resolution 39-2017 for the City of Mesquite and is also in compliance with the requirements of the Public Funds Investment Act of the State of Texas.

Deborah A. Mol

Deborah A. Mol, Director of Finance

Myra E. Rogers

Myra E. Rogers, Manager of Budget and Financial Analysis

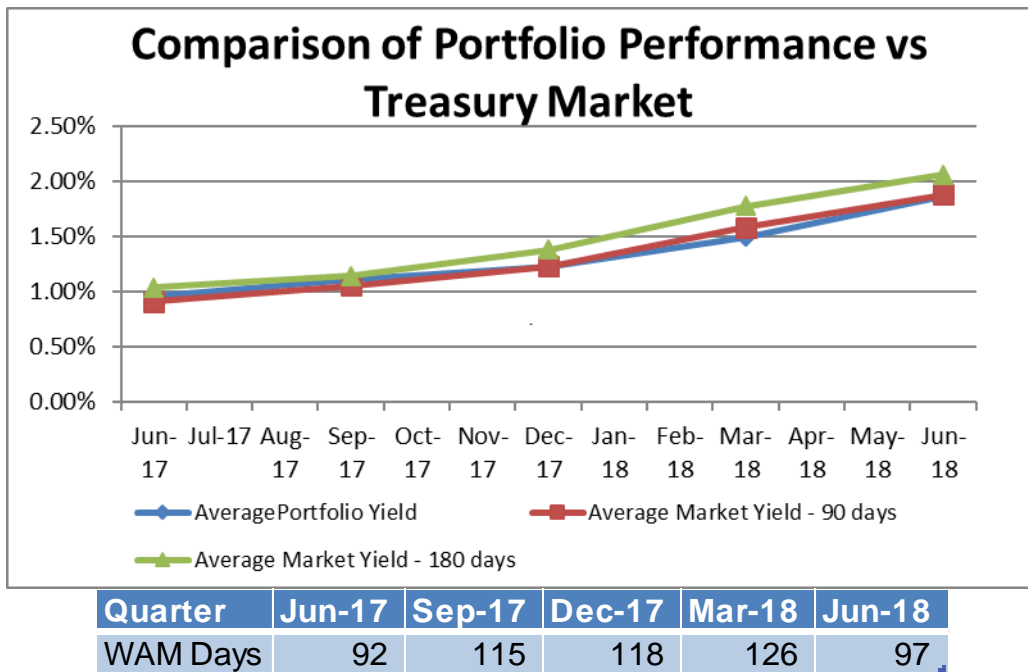
Sheree Haynes

Sheree Haynes, Manager of Accounting

City of Mesquite Investment Report For Quarter Ending June 30, 2018

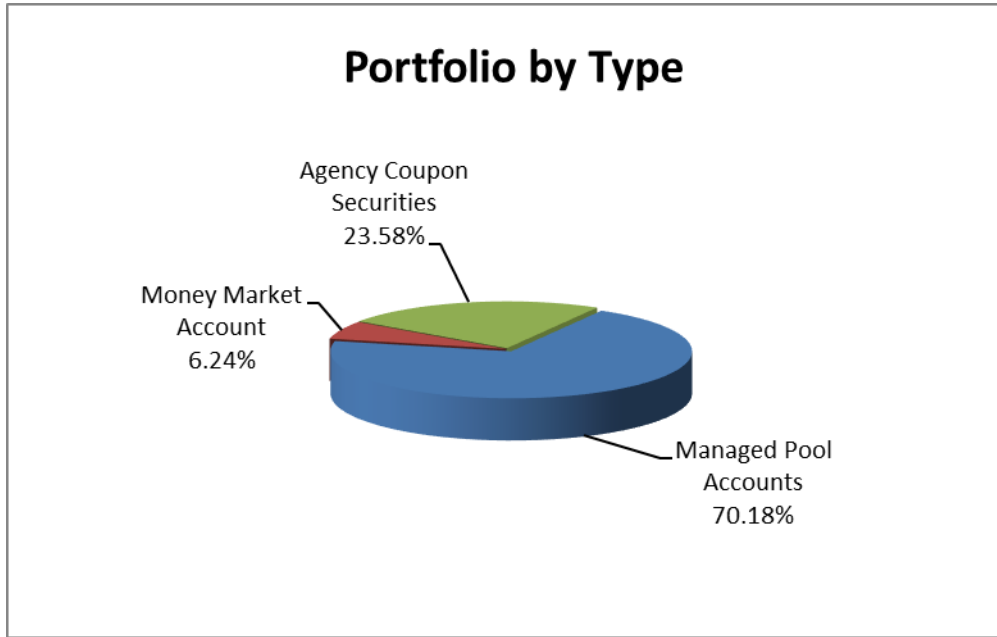
This report presents an overview of the City’s investment portfolio. It shows how the portfolio is structured and how it performed during the quarter.

The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 97 days. The City had an average yield of 1.86%. The benchmark average treasury yield is 1.88% for 90 days and 2.06% for 180 days. The following chart reflects portfolio performance compared to market rates for the past year along with weighted average maturity (WAM) in days by quarter.

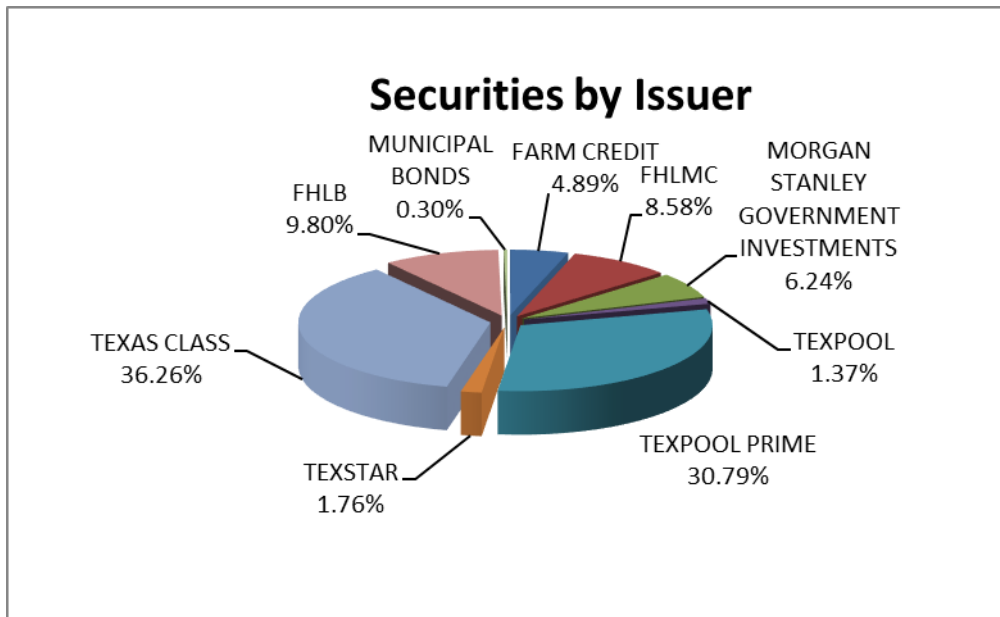


The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, managed pool accounts and a money market account. Coupon securities include Agency issues with a stated rate of interest in the form of a coupon. Managed pools include TexPool, Texstar, Texas CLASS and TexPool Prime. Also, the City invests in a Morgan Stanley Government Money Market Account.

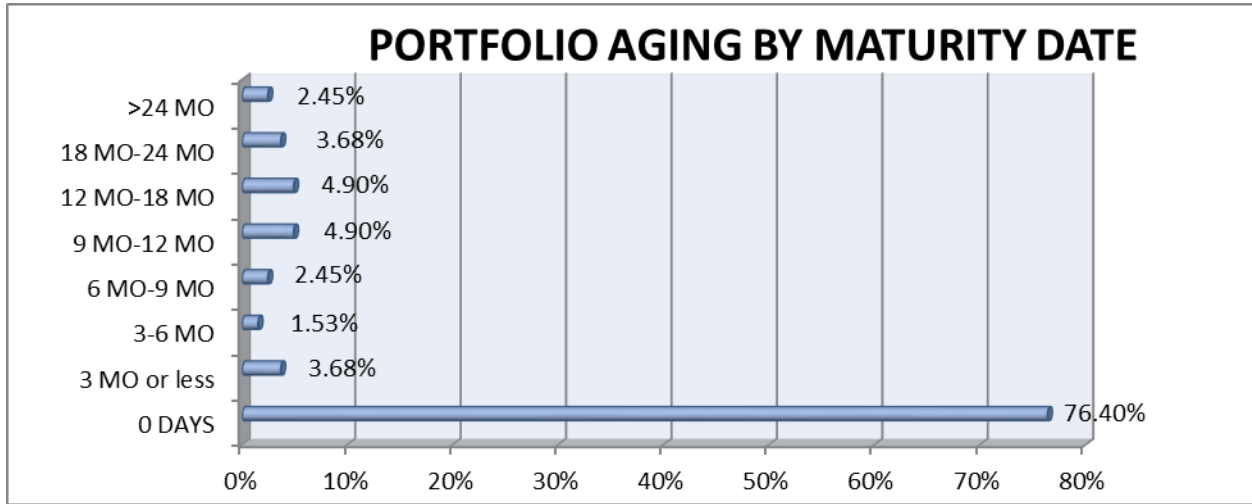
The following graph shows the percentage of the portfolio structure by type of investment.



The next graph shows the percentage of the portfolio structure by issuer.



Diversification is also achieved by investing in securities with varying maturities. The following graph shows the composition by maturity.



The total book value of the City’s portfolio was \$163,077,253.84. The market value of the City’s portfolio was approximately \$162,881,583.62. The difference represents an unrealized loss of \$195,670.22. Below is a review of the City’s portfolio and unrealized gain or loss per month for the quarter.

	<u>Book Value</u>	<u>Market Value</u>	<u>Unrealized Gain / (Loss)</u>
Apr-18	115,651,235.52	115,412,939.84	(238,295.68)
May-18	110,276,573.99	110,091,078.44	(185,495.55)
Jun-18	163,077,253.84	162,881,583.62	(195,670.22)

The City would only realize the gain or loss if investments were sold prior to maturity. Per the investment policy, the City currently has a “buy and hold” portfolio strategy; therefore, investments are purchased with the intent to hold until maturity.

PORTFOLIO SUMMARY

Apr 1 - Jun 30, 2018

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 4/01/2018	36,490,000.00	36,243,277.00	36,458,401.52	90,332.79
	Net Change	2,000,000.00	2,015,336.20	1,995,881.90	20,070.37
	Value ending 6/30/2018	38,490,000.00	38,258,613.20	38,454,283.42	110,403.16
Fair Value Ext Pool	Value at 4/01/2018	81,923,679.32	81,923,679.32	81,923,679.32	-
	Net Change	42,699,291.10	42,699,291.10	42,699,291.10	-
	Value ending 6/30/2018	124,622,970.42	124,622,970.42	124,622,970.42	-
Total	Value at 4/01/2018	118,413,679.32	118,166,956.32	118,382,080.84	90,332.79
	Net Change	44,699,291.10	44,714,627.30	44,695,173.00	20,070.37
	Value ending 6/30/2018	163,112,970.42	162,881,583.62	163,077,253.84	110,403.16

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts Money Market Fund Accounts	114,440,138.86	114,440,138.86	114,440,138.86	70.18%	1	2.119
Agency Coupon Securities	10,182,831.56	10,182,831.56	10,182,831.56	6.24%	1	1.730
	<u>38,490,000.00</u>	<u>38,258,613.20</u>	<u>38,454,283.42</u>	<u>23.58%</u>	<u>407</u>	<u>1.725</u>
	163,112,970.42	162,881,583.62	163,077,253.84	100.00%	97	2.002

CITY OF MESQUITE

PORTFOLIO DETAILS

Apr 1 - Jun 30, 2018

ISSUER	MATURITY DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES/	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR VALUE	MARKET VALUE	BOOK VALUE		WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
							MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
FHLB	21-Jun-19	1.16	2,000,000.00	1,975,236.00	1,999,555.56	0.00	0.00	(23,120.46)	2,000,000.00	1,976,526.00	1,999,646.46	644.44
FHLB	21-Sep-18	1.10	2,000,000.00	1,991,544.00	2,000,000.00	0.00	0.00	(4,186.00)	2,000,000.00	1,995,814.00	2,000,000.00	6,111.11
FHLB	29-Jun-18	1.00	2,000,000.00	1,996,048.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	27-Sep-19	1.55	2,000,000.00	1,979,844.00	2,000,000.00	0.00	0.00	(21,242.00)	2,000,000.00	1,978,758.00	2,000,000.00	8,094.44
FHLB	5-Aug-19	0.88	2,000,000.00	1,964,050.00	1,983,062.25	0.00	0.00	(19,845.83)	2,000,000.00	1,966,366.00	1,986,211.83	7,097.22
FHLB	27-Nov-19	1.72	2,000,000.00	1,980,190.00	1,995,695.56	0.00	0.00	(19,181.56)	2,000,000.00	1,977,164.00	1,996,345.56	3,248.89
FHLB	11-Oct-19	1.55	2,000,000.00	1,978,704.00	1,992,653.41	0.00	0.00	(16,447.58)	2,000,000.00	1,977,408.00	1,993,855.58	6,888.89
FHLB	28-May-20	2.63	0.00	0.00	0.00	2,000,000.00	0.00	1,397.86	2,000,000.00	2,000,614.00	1,999,216.14	5,541.66
FHLB	26-Jun-20	3.38	0.00	0.00	0.00	2,000,000.00	0.00	(1,482.16)	2,000,000.00	2,005,996.00	2,007,478.16	750.00
FC	17-Apr-19	1.39	2,000,000.00	1,983,184.00	1,999,895.56	0.00	0.00	(15,510.56)	2,000,000.00	1,984,410.00	1,999,920.56	5,714.44
FC	15-May-19	1.40	2,000,000.00	1,983,460.00	1,998,203.45	0.00	0.00	(14,659.67)	2,000,000.00	1,983,944.00	1,998,603.67	3,577.78
FC	29-Mar-21	2.71	2,000,000.00	1,998,668.00	1,999,500.93	0.00	0.00	(3,202.59)	2,000,000.00	1,996,340.00	1,999,542.59	13,851.11
FC	30-Jan-20	2.05	0.00	0.00	0.00	2,000,000.00	0.00	1,671.44	2,000,000.00	1,985,192.00	1,983,520.56	4,327.78
FHLMC	17-May-18	1.05	2,000,000.00	1,997,998.00	1,999,872.22	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	29-Mar-19	1.42	2,000,000.00	1,984,812.00	2,000,000.00	0.00	0.00	(12,428.00)	2,000,000.00	1,987,572.00	2,000,000.00	7,257.78
FHLMC	28-Sep-18	1.01	2,000,000.00	1,991,070.00	2,000,000.00	0.00	0.00	(4,850.00)	2,000,000.00	1,995,150.00	2,000,000.00	5,213.33
FHLMC	28-Dec-18	1.05	2,000,000.00	1,984,392.00	1,999,703.33	0.00	0.00	(10,915.33)	2,000,000.00	1,988,888.00	1,999,803.33	175.00
FHLMC	20-Jul-18	1.00	2,000,000.00	1,994,750.00	2,000,000.00	0.00	0.00	(906.00)	2,000,000.00	1,999,094.00	2,000,000.00	8,944.44
FHLMC	25-Jan-19	1.35	2,000,000.00	1,987,448.00	2,000,000.00	0.00	0.00	(11,054.00)	2,000,000.00	1,988,946.00	2,000,000.00	11,700.00
FHLMC	28-Feb-19	1.38	2,000,000.00	1,985,894.00	2,000,000.00	0.00	0.00	(11,710.00)	2,000,000.00	1,988,290.00	2,000,000.00	9,395.83
FHLMC	26-Dec-20	2.63	2,000,000.00	1,997,700.00	2,000,000.00	0.00	0.00	(6,918.00)	2,000,000.00	1,993,082.00	2,000,000.00	291.67
MUNI	15-Oct-18	1.52	<u>490,000.00</u>	<u>488,285.00</u>	<u>490,259.25</u>	<u>0.00</u>	<u>0.00</u>	<u>(1,079.78)</u>	<u>490,000.00</u>	<u>489,059.20</u>	<u>490,138.98</u>	<u>1572.35</u>
Subtotal			<u>36,490,000.00</u>	<u>36,243,277.00</u>	<u>36,458,401.52</u>	<u>6,000,000.00</u>	<u>(4,000,000.00)</u>	<u>(195,670.22)</u>	<u>38,490,000.00</u>	<u>38,258,613.20</u>	<u>38,454,283.42</u>	<u>110,403.16</u>
Investment Class: Fair Value External Pool												
Texpool			2,262,943.70	2,262,943.70	2,262,943.70	10,977,339.16	(11,000,000.00)	0.00	2,240,282.86	2,240,282.86	2,240,282.86	0.00
TexStar			3,539,587.49	3,539,587.49	3,539,587.49	59,322,580.06	(60,000,000.00)	0.00	2,862,167.55	2,862,167.55	2,862,167.55	0.00
Texas CLASS			42,891,740.35	42,891,740.35	42,891,740.35	20,234,623.43	(4,000,000.00)	0.00	59,126,363.78	59,126,363.78	59,126,363.78	0.00
TexPool Prime			23,088,535.94	23,088,535.94	23,088,535.94	40,122,788.73	(13,000,000.00)		50,211,324.67	50,211,324.67	50,211,324.67	
Morgan Stanley			<u>10,140,871.84</u>	<u>10,140,871.84</u>	<u>10,140,871.84</u>	<u>41,959.72</u>	<u>0.00</u>	<u>0.00</u>	<u>10,182,831.56</u>	<u>10,182,831.56</u>	<u>10,182,831.56</u>	<u>0.00</u>
Subtotal			<u>81,923,679.32</u>	<u>81,923,679.32</u>	<u>81,923,679.32</u>	<u>130,699,291.10</u>	<u>(88,000,000.00)</u>	<u>0.00</u>	<u>124,622,970.42</u>	<u>124,622,970.42</u>	<u>124,622,970.42</u>	<u>0.00</u>
Total Pool Investments			<u>118,413,679.32</u>	<u>118,166,956.32</u>	<u>118,382,080.84</u>	<u>136,699,291.10</u>	<u>(92,000,000.00)</u>	<u>(195,670.22)</u>	<u>163,112,970.42</u>	<u>162,881,583.62</u>	<u>163,077,253.84</u>	<u>110,403.16</u>