

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending June 30, 2019



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 2018	December 2018	March 2019	June 2019
City Average Yield	2.08%	2.30%	2.49%	2.47%
Treasury Average Yield – 90 days	2.07%	2.36%	2.44%	2.36%
Treasury Average Yield – 180 days	2.22%	2.50%	2.51%	2.36%
Weighted Average Maturity	94 days	106 days	97 days	112 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, 2019
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	22.02%
State & Local Agency Coupons	20%	0.00%
Managed Pools	80%	71.95%
Money Market Funds	50%	6.03%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 6/30/2019</i>
Weighted Average Maturity	365 days	112 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
September 2018	\$147,820,625	\$147,627,685	(\$192,940)
December 2018	\$147,725,253	\$147,662,785	(\$62,468)
March 2019	\$148,089,554	\$148,091,094	\$1,540
June 2019	\$172,279,110	\$172,394,212	\$115,102

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	12/31/2018	3/31/2019	6/30/2019	8/19/2019
Investment Type	Dec Rates	Mar Rates	Jun Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	2.29%	2.42%	2.38%	2.19%
TexStar (Daily Rate)	2.31%	2.41%	2.38%	2.15%
Texas Class (Daily Rate)	2.50%	2.61%	2.50%	2.31%
TexPool Prime (Daily Rate)	2.49%	2.59%	2.52%	2.36%
<u>Treasury</u>				
3-month (90-days)	2.37%	2.38%	2.09%	1.86%
6-month	2.47%	2.42%	2.09%	1.84%
1 year	2.58%	2.40%	1.93%	1.70%
2 year	2.52%	2.26%	1.76%	1.48%
10 year	2.72%	2.40%	2.01%	1.55%
<u>Agency</u>				
2 year (callable)	2.75%	2.60%	2.13%	2.00%
2 year (bullet)	2.80%	2.50%	1.50%	1.55%
<u>CD's</u>				
6 month	0.83%	0.93%	2.05%	2.00%
9 month	0.97%	1.07%	1.85%	1.95%
12 month	1.10%	1.20%	1.85%	1.85%
15 month	n/a	n/a	1.80%	1.80%
18 month	n/a	n/a	1.80%	1.80%
21 month	n/a	n/a	n/a	n/a
24 month	n/a	n/a	n/a	n/a

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

June 2019 marked a decade without a recession in the U.S. economy with the U.S. economy reported as remaining strong. As a result, the Fed decided at its meeting in June to hold benchmark interest rates steady, but indicated that they would cut rates in the future months if economic outlook warranted. They would continue to monitor economic factors and the 10-year Treasury note compared to the 3-month Treasury bills. If the 10-year Treasury note fell below the three-month treasury for a consistent period of time, then it could indicate that the short-term rates are too high. With slower global growth, trade-policy uncertainty, unexpected soft inflation and other economic factors, the Federal Reserve decided at its meeting at the end of July to cut the federal fund target rate by a quarter-percentage point to a range between 2.00% and 2.25%. This is the first time that the Federal Reserve has lowered rates since 2008. Investors expect another rate reduction in September.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

June 30, 2019

INVESTMENT REPORT

FOR QUARTER ENDING June 30, 2019



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 50-2018 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

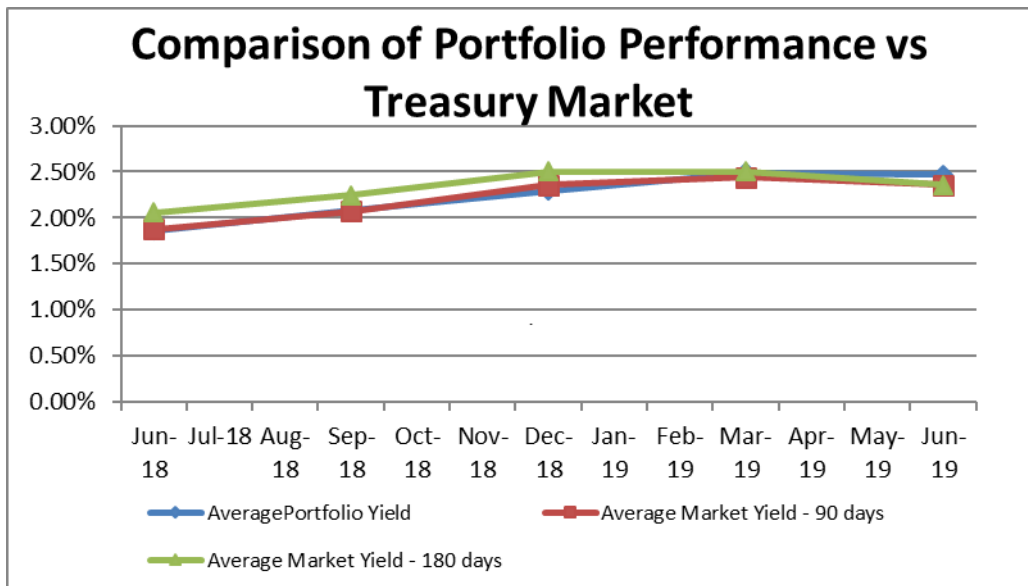
Sheree Haynes

Sheree Haynes, Manager of Accounting

City of Mesquite Investment Report For Quarter Ending June 30, 2019

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.

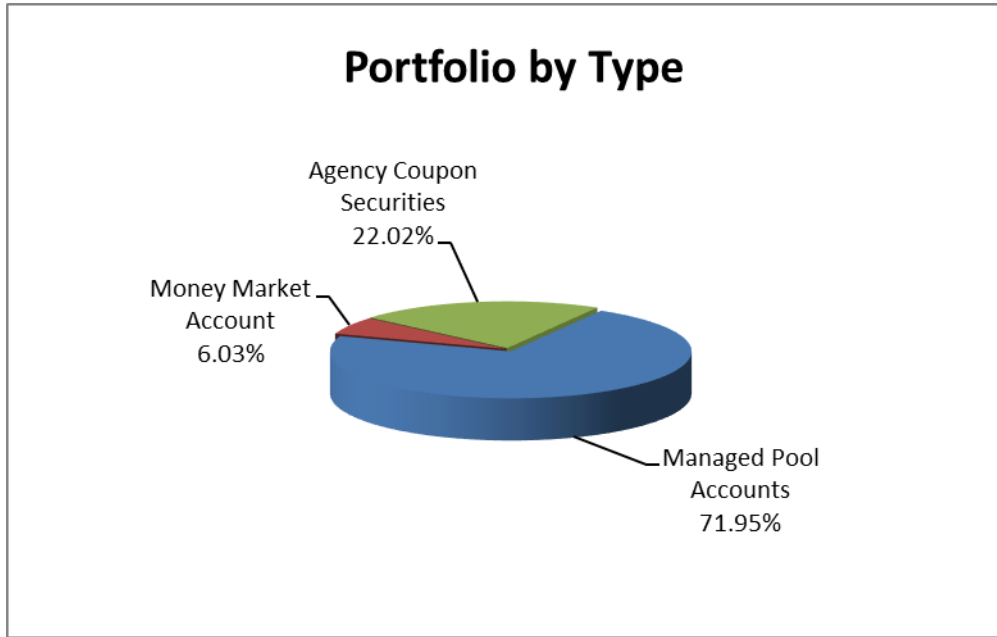
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 112 days. The City had an average yield of 2.47%. The benchmark average treasury yield is 2.36% for 90 days and 2.36% 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.



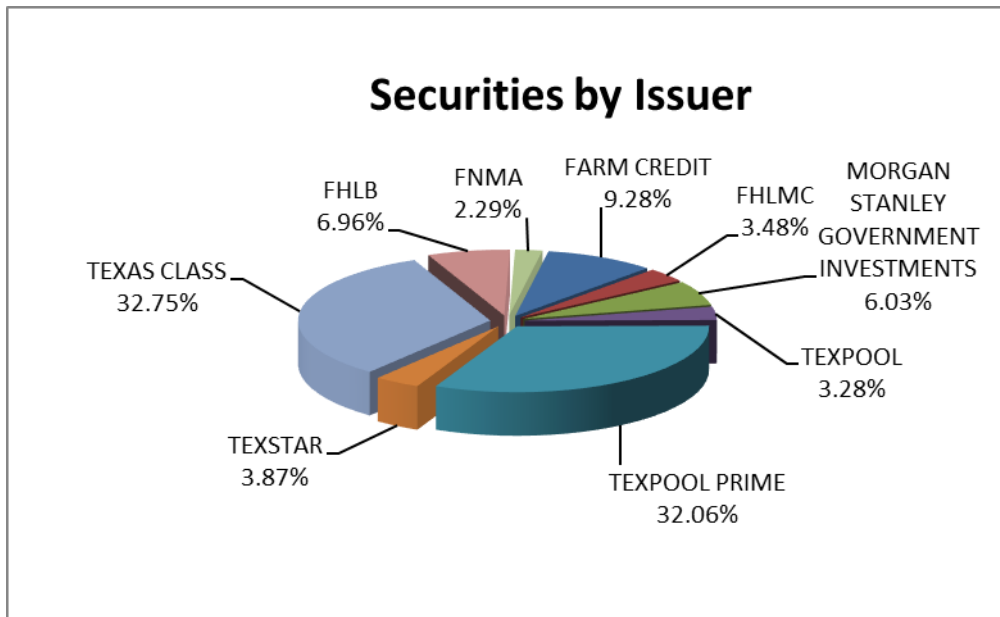
Quarter	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
WAM Days	97	94	106	97	112

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.

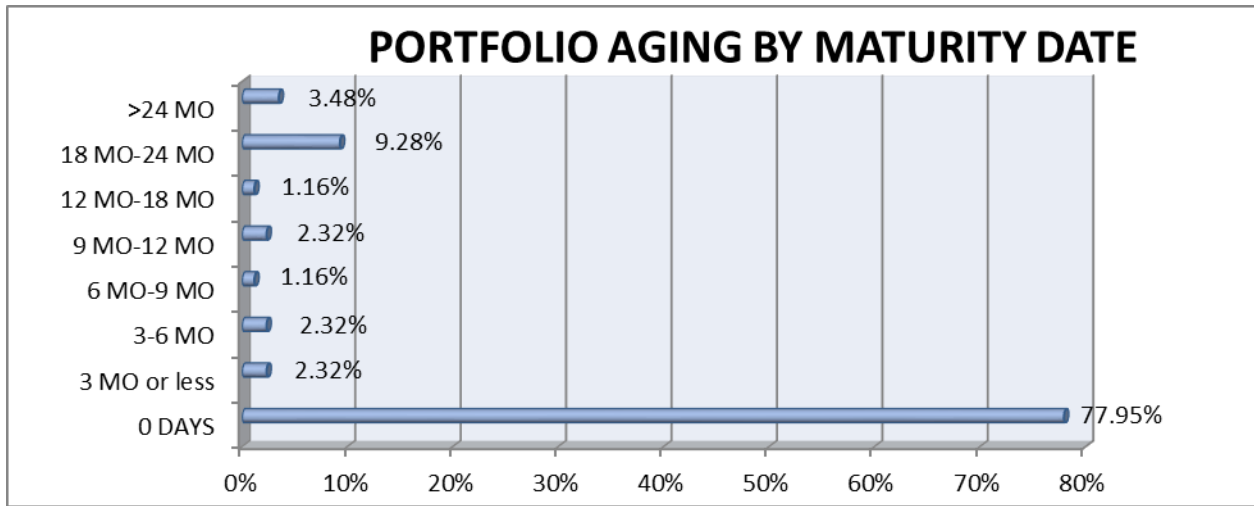
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$172,279,109.95. The market value of the City’s portfolio was approximately \$172,394,212.06. The difference represents an unrealized gain of \$115,102.11. 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-19	145,128,697.74	145,141,079.91	12,382.17
May-19	178,472,197.35	178,545,786.17	73,588.82
Jun-19	172,279,109.95	172,394,212.06	115,102.11

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, 2019

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 4/1/2019	36,000,000.00	35,917,896.00	35,916,356.22	179,224.99
	Net Change	2,000,000.00	2,131,292.00	2,017,729.67	(19,031.38)
	Value ending 6/30/2019	38,000,000.00	38,049,188.00	37,934,085.89	160,193.61
Fair Value Ext Pool	Value at 4/1/2019	112,173,197.69	112,173,197.69	112,173,197.69	-
	Net Change	22,171,826.37	22,171,826.37	22,171,826.37	-
	Value ending 6/30/2019	134,345,024.06	134,345,024.06	134,345,024.06	-
Total	Value at 4/1/2019	148,173,197.69	148,091,093.69	148,089,553.91	179,224.99
	Net Change	24,171,826.37	24,303,118.37	24,189,556.04	(19,031.38)
	Value ending 6/30/2019	172,345,024.06	172,394,212.06	172,279,109.95	160,193.61

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts Money Market Fund Accounts	123,961,696.08	123,961,696.08	123,961,696.08	71.95%	1	2.498
Agency Coupon Securities	10,383,327.98	10,383,327.98	10,383,327.98	6.03%	1	2.270
	<u>38,000,000.00</u>	<u>38,049,188.00</u>	<u>37,934,085.89</u>	<u>22.02%</u>	<u>506</u>	<u>2.380</u>
	172,345,024.06	172,394,212.06	172,279,109.95	100.00%	112	2.458

CITY OF MESQUITE

PORTFOLIO DETAILS

Apr 1 - Jun 30, 2019

ISSUER	MATURITY DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES/	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR	MARKET	BOOK		WITHDRAWALS	GAIN/	PAR	MARKET	BOOK	ACCRUED
			VALUE	VALUE	VALUE		MATURITIES	(LOSS)	VALUE	VALUE	VALUE	INTEREST
FHLB	21-Jun-19	1.6	2,000,000.00	1,994,398.00	1,999,919.19	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	1,991,322.00	2,000,000.00	0.00	0.00	(3,214.00)	2,000,000.00	1,996,786.00	2,000,000.00	8,094.44
FHLB	5-Aug-19	0.88	2,000,000.00	1,989,058.00	1,995,660.58	0.00	0.00	(1,406.16)	2,000,000.00	1,997,404.00	1,998,810.16	7,097.22
FHLB	27-Nov-19	1.72	2,000,000.00	1,991,126.00	1,998,295.56	0.00	0.00	(2,009.56)	2,000,000.00	1,996,936.00	1,998,945.56	3,248.89
FHLB	1-Oct-19	1.55	2,000,000.00	1,990,290.00	1,997,462.09	0.00	0.00	(2,546.26)	2,000,000.00	1,996,118.00	1,998,664.26	6,888.89
FHLB	28-May-20	2.63	2,000,000.00	2,004,310.00	1,999,524.21	0.00	0.00	10,985.10	2,000,000.00	2,010,612.00	1,999,626.90	4,812.50
FHLB	22-Oct-20	3.00	2,000,000.00	2,000,586.00	1,999,594.27	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	2-Nov-20	3.05	2,000,000.00	2,000,850.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	29-Jan-21	2.75	2,000,000.00	2,000,424.00	1,999,908.61	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	14-May-21	2.60	0.00	0.00	0.00	2,000,000.00	0.00	820.00	2,000,000.00	2,000,820.00	2,000,000.00	6,788.89
FNMA	22-Jun-20	1.50	2,000,000.00	1,978,476.00	1,968,275.98	0.00	0.00	15,043.73	2,000,000.00	1,989,794.00	1,974,750.27	750.00
FNMA	30-Jul-20	1.50	2,000,000.00	1,976,908.00	1,965,339.05	0.00	0.00	18,164.46	2,000,000.00	1,990,016.00	1,971,851.54	12,583.33
FC	17-Apr-19	1.39	2,000,000.00	1,999,124.00	1,999,995.56	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	15-May-19	1.40	2,000,000.00	1,997,668.00	1,999,804.34	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	29-Mar-21	2.71	2,000,000.00	2,000,056.00	1,999,667.59	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	30-Jan-20	2.05	2,000,000.00	1,994,494.00	1,991,340.33	0.00	0.00	6,769.08	2,000,000.00	2,000,716.00	1,993,946.92	17,197.22
FC	5-Apr-21	2.54	2,000,000.00	2,006,834.00	2,001,568.86	0.00	0.00	2,140.16	2,000,000.00	2,022,776.00	2,001,373.84	12,135.56
FC	15-Apr-21	2.38	0.00	0.00	0.00	2,000,000.00	0.00	2,156.81	2,000,000.00	2,020,844.00	1,999,275.39	8,840.28
FC	18-Apr-22	2.63	0.00	0.00	0.00	2,000,000.00	0.00	1,862.19	2,000,000.00	2,000,362.00	1,998,499.81	9,789.44
FC	26-Jul-21	2.55	0.00	0.00	0.00	2,000,000.00	0.00	542.00	2,000,000.00	2,000,542.00	2,000,000.00	9,208.33
FC	14-May-21	2.40	0.00	0.00	0.00	2,000,000.00	0.00	3,054.00	2,000,000.00	2,003,054.00	2,000,000.00	6,266.67
FC	17-May-21	2.25	0.00	0.00	0.00	2,000,000.00	0.00	15,418.07	2,000,000.00	2,014,222.00	1,998,803.93	5,500.00
FC	14-May-21	2.44	0.00	0.00	0.00	2,000,000.00	0.00	2,138.00	2,000,000.00	2,002,138.00	2,000,000.00	6,371.11
FHLMC	26-Dec-20	2.63	2,000,000.00	2,000,240.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	26-Feb-21	2.63	2,000,000.00	2,001,732.00	2,000,000.00	0.00	0.00	2,096.00	2,000,000.00	2,002,096.00	2,000,000.00	18,229.17
FHLMC	22-Oct-21	2.65	0.00	0.00	0.00	2,000,000.00	0.00	1,086.69	2,000,000.00	2,000,624.00	1,999,537.31	9,863.89
FHLMC	14-May-21	2.50	0.00	0.00	0.00	2,000,000.00	0.00	3,328.00	2,000,000.00	2,003,328.00	2,000,000.00	6,527.78
Subtotal			36,000,000.00	35,917,896.00	35,916,356.22	18,000,000.00	(16,000,000.00)	15,102.11	38,000,000.00	38,049,188.00	37,934,085.89	160,193.61
Investment Class: Fair Value External Pool												
Texpool			2,863,928.44	2,863,928.44	2,863,928.44	12,780,545.03	(10,000,000.00)	0.00	5,644,473.47	5,644,473.47	5,644,473.47	0.00
TexStar			2,909,524.60	2,909,524.60	2,909,524.60	34,753,699.09	(31,000,000.00)	0.00	6,663,223.69	6,663,223.69	6,663,223.69	0.00
Texas CLASS			51,106,982.93	51,106,982.93	51,106,982.93	10,311,135.24	(5,000,000.00)	0.00	56,418,118.17	56,418,118.17	56,418,118.17	0.00
TexPool Prime			44,969,842.99	44,969,842.99	44,969,842.99	15,266,037.76	(5,000,000.00)	0.00	55,235,880.75	55,235,880.75	55,235,880.75	0.00
Morqan Stanley			<u>10,322,918.73</u>	<u>10,322,918.73</u>	<u>10,322,918.73</u>	<u>60,409.25</u>	<u>0.00</u>	<u>0.00</u>	<u>10,383,327.98</u>	<u>10,383,327.98</u>	<u>10,383,327.98</u>	<u>0.00</u>
Subtotal			112,173,197.69	112,173,197.69	112,173,197.69	73,171,826.37	(51,000,000.00)	0.00	134,345,024.06	134,345,024.06	134,345,024.06	0.00
Total Pool Investments			<u>148,173,197.69</u>	<u>148,091,093.69</u>	<u>148,089,553.91</u>	<u>91,171,826.37</u>	<u>(67,000,000.00)</u>	<u>115,102.11</u>	<u>172,345,024.06</u>	<u>172,394,212.06</u>	<u>172,279,109.95</u>	<u>160,193.61</u>