

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending September 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>	December 2018	March 2019	June 2019	September 2019
<i>City Average Yield</i>	2.30%	2.49%	2.47%	2.30%
<i>Treasury Average Yield – 90 days</i>	2.36%	2.44%	2.36%	2.03%
<i>Treasury Average Yield – 180 days</i>	2.50%	2.51%	2.36%	1.97%
<i>Weighted Average Maturity</i>	106 days	97 days	112 days	105 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 September 30, 2019
Certificates of Deposit	20%	0.00%
Federal Agency Coupons	100%	23.61%
State & Local Agency Coupons	20%	0.00%
Managed Pools	80%	69.53%
Money Market Funds	50%	6.86%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 9/30/2019</i>
Weighted Average Maturity	365 days	105 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
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
September 2019	\$152,255,172	\$152,344,325	\$89,153

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	3/31/2019	6/30/2019	9/30/2019	11/15/2019
Investment Type	Mar Rates	Jun Rates	Sept Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	2.42%	2.38%	2.16%	1.69%
TexStar (Daily Rate)	2.41%	2.38%	2.11%	1.63%
Texas Class (Daily Rate)	2.61%	2.50%	2.20%	1.97%
TexPool Prime (Daily Rate)	2.59%	2.52%	2.27%	1.87%
<u>Treasury</u>				
3-month (90-days)	2.38%	2.09%	1.78%	1.56%
6-month	2.42%	2.09%	1.83%	1.57%
1 year	2.40%	1.93%	1.75%	1.54%
2 year	2.26%	1.76%	1.63%	1.59%
10 year	2.40%	2.01%	1.68%	1.82%
<u>Agency</u>				
2 year (callable)	2.60%	2.13%	1.88%	1.70%
2 year (bullet)	2.50%	1.50%	1.68%	1.64%
<u>CD's</u>				
6 month	0.93%	2.05%	1.90%	1.65%
9 month	1.07%	1.85%	1.80%	1.60%
12 month	1.20%	1.85%	1.75%	1.55%
15 month	n/a	1.80%	1.75%	1.55%
18 month	n/a	1.80%	1.75%	1.55%
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*:

Even with the U.S. economy still growing moderately with strong consumer spending, stable housing market and healthy labor market, the Federal Reserve decided at its September meeting to cut its benchmark interest rate by a quarter percentage point to a range between 1.75% and 2.00% to cushion the economy against a possible global slowdown. With the same sentiment of weakening global growth and rising trade-policy uncertainty, the Federal Reserve decided at its meeting at the end of October to cut the federal fund target rate by another quarter-percentage point to a range between 1.50% and 1.75%. This is the third time the Federal Reserve has cut rates this year. No more rate reductions are expected for 2019 and rates are expected to stabilize in 2020. The U.S. economy is still healthy and no recession is projected in the near future.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

September 30, 2019

INVESTMENT REPORT

FOR QUARTER ENDING September 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

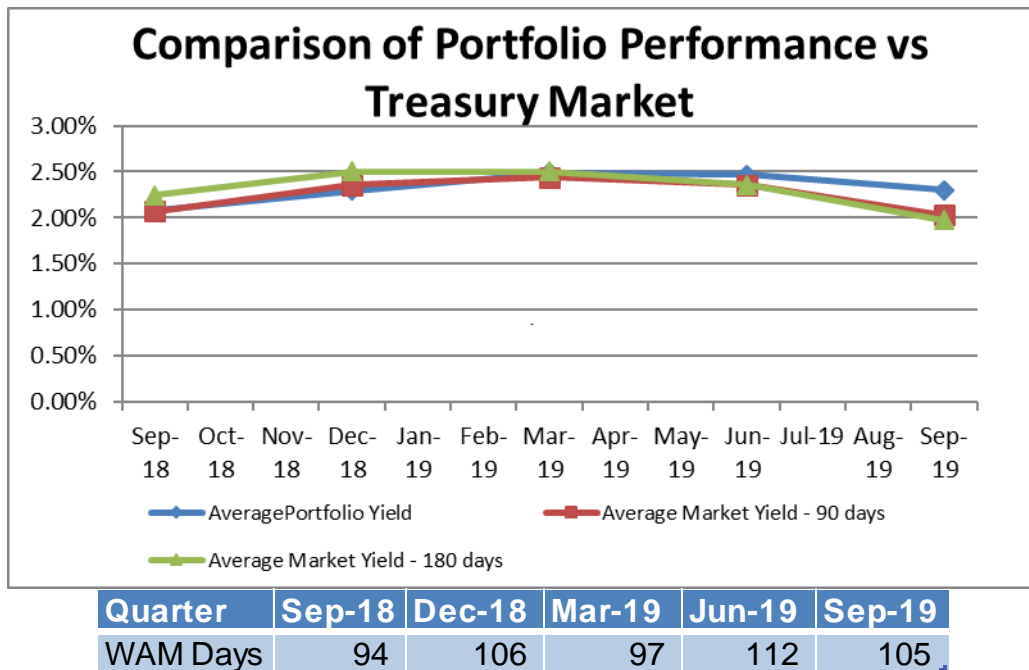
Sheree Haynes

Sheree Haynes, Manager of Accounting

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

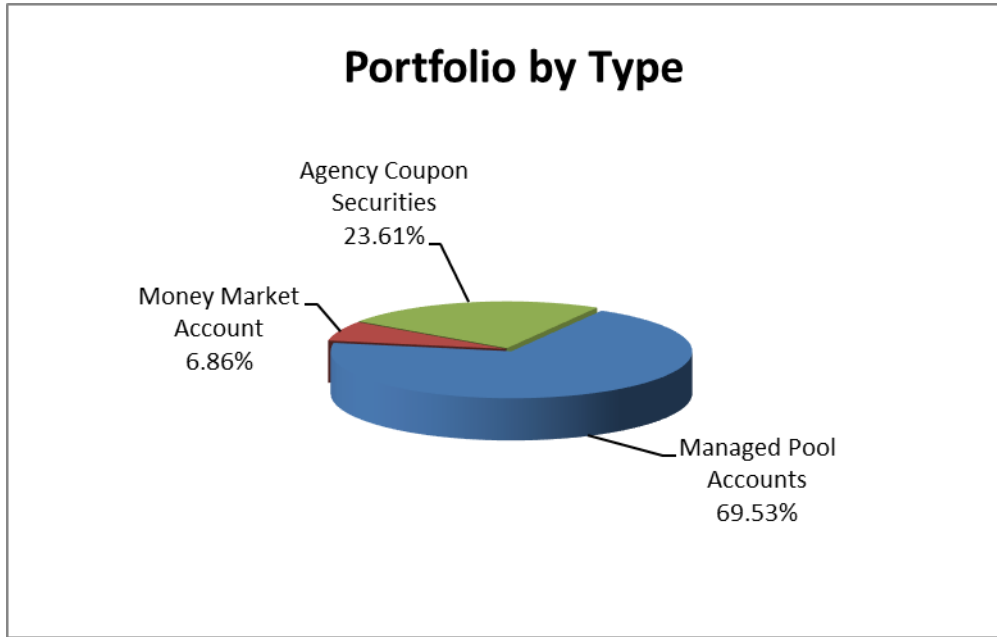
This report presents an overview of the City’s investment portfolio. It shows how the portfolio is structured and how it performed during the quarter.

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 105 days. The City had an average yield of 2.30%. The benchmark average treasury yield is 2.03% for 90 days and 1.97% 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.

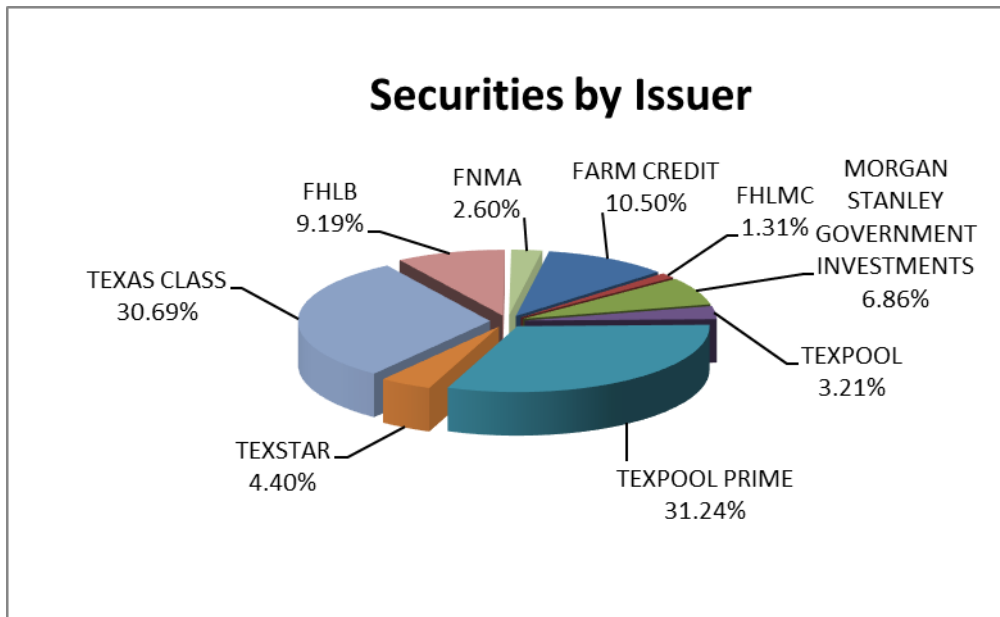


The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, managed pool accounts and a money market account. Coupon securities include Agency issues with a stated rate of interest in the form of a coupon. Managed pools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

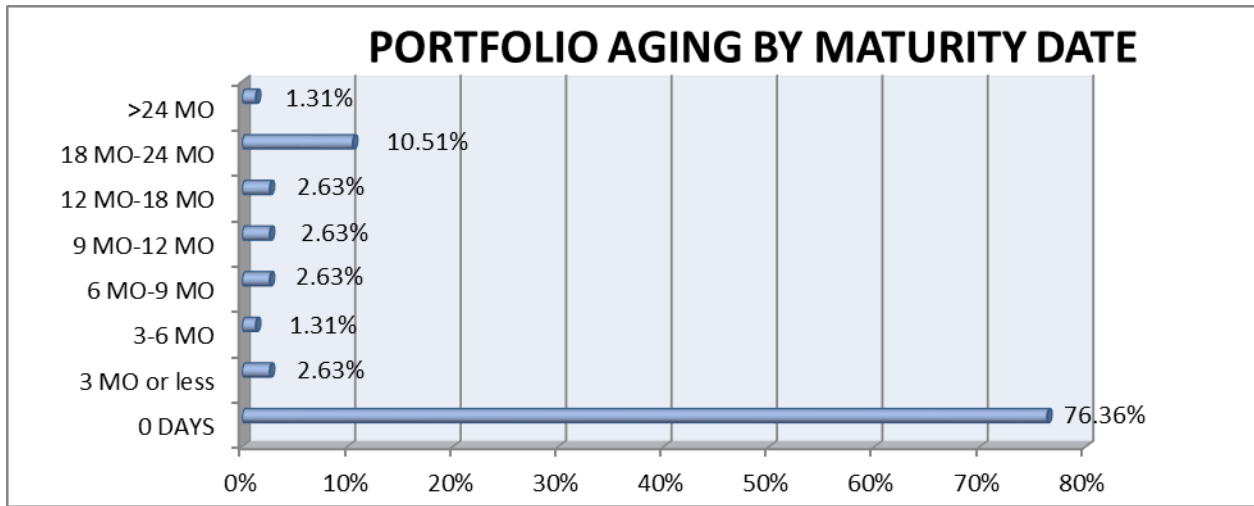
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$152,255,172.28. The market value of the City’s portfolio was approximately \$152,344,325.09. The difference represents an unrealized gain of \$89,152.81. 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>
Jul-19	169,195,637.86	169,279,675.35	84,037.49
Aug-19	161,698,604.90	161,833,498.20	134,893.30
Sep-19	152,255,172.28	152,344,325.09	89,152.81

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

Jul 1 - Sep 30, 2019

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 7/1/2019	38,000,000.00	38,049,188.00	37,934,085.89	160,193.61
	Net Change	(2,000,000.00)	(2,009,464.36)	(1,983,515.06)	46,903.61
	Value ending 9/30/2019	36,000,000.00	36,039,723.64	35,950,570.83	207,097.22
Fair Value Ext Pool	Value at 7/1/2019	134,345,024.06	134,345,024.06	134,345,024.06	-
	Net Change	(18,040,422.61)	(18,040,422.61)	(18,040,422.61)	-
	Value ending 9/30/2019	116,304,601.45	116,304,601.45	116,304,601.45	-
Total	Value at 7/1/2019	172,345,024.06	172,394,212.06	172,279,109.95	160,193.61
	Net Change	(20,040,422.61)	(20,049,886.97)	(20,023,937.67)	46,903.61
	Value ending 9/30/2019	152,304,601.45	152,344,325.09	152,255,172.28	207,097.22

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	105,864,173.02	105,864,173.02	105,864,173.02	69.53%	1	2.226
Money Market Fund Accounts	10,440,428.43	10,440,428.43	10,440,428.43	6.86%	1	2.000
Agency Coupon Securities	<u>36,000,000.00</u>	<u>36,039,723.64</u>	<u>35,950,570.83</u>	<u>23.61%</u>	<u>443</u>	<u>2.258</u>
	152,304,601.45	152,344,325.09	152,255,172.28	100.00%	105	2.218

CITY OF MESQUITE

PORTFOLIO DETAILS

Jul 1 - Sep 30, 2019

ISSUER	MATURITY DATE	COUPON	BEGINNING	BEGINNING	BEGINNING	PURCHASES	SALES/	UNREALIZED	ENDING	ENDING	ENDING	ENDING
			PAR VALUE	MARKET VALUE	BOOK VALUE		WITHDRAWALS	GAIN/	PAR VALUE	MARKET VALUE	BOOK VALUE	ACCRUED INTEREST
FHLB	27-Sep-19	1.55	2,000,000.00	1,996,786.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	5-Aug-19	0.88	2,000,000.00	1,997,404.00	1,998,810.16	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	27-Nov-19	1.72	2,000,000.00	1,996,936.00	1,998,945.56	0.00	0.00	(156.44)	2,000,000.00	1,999,439.12	1,999,595.56	11,848.89
FHLB	11-Oct-19	1.55	2,000,000.00	1,996,118.00	1,998,664.26	0.00	0.00	(28.01)	2,000,000.00	1,999,838.42	1,999,866.43	14,638.89
FHLB	28-May-20	2.63	2,000,000.00	2,010,612.00	1,999,626.90	0.00	0.00	10,004.68	2,000,000.00	2,009,734.26	1,999,729.58	17,937.50
FHLB	14-May-21	2.60	2,000,000.00	2,000,820.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	26-Feb-21	1.88	0.00	0.00	0.00	2,000,000.00	0.00	(3,438.56)	2,000,000.00	1,996,561.44	2,000,000.00	3,958.33
FHLB	26-Aug-21	2.05	0.00	0.00	0.00	2,000,000.00	0.00	(4,163.68)	2,000,000.00	1,995,836.32	2,000,000.00	4,327.78
FHLB	21-Aug-20	2.00	0.00	0.00	0.00	2,000,000.00	0.00	(356.68)	2,000,000.00	1,999,643.32	2,000,000.00	4,222.22
FHLB	25-Mar-22	2.75	0.00	0.00	0.00	2,000,000.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	12-Nov-20	2.00	0.00	0.00	0.00	2,000,000.00	0.00	(3,022.90)	2,000,000.00	1,996,977.10	2,000,000.00	4,222.22
FNMA	22-Jun-20	1.50	2,000,000.00	1,989,794.00	1,974,750.27	0.00	0.00	13,201.28	2,000,000.00	1,994,425.84	1,981,224.56	8,250.00
FNMA	30-Jul-20	1.50	2,000,000.00	1,990,016.00	1,971,851.54	0.00	0.00	16,185.38	2,000,000.00	1,994,549.42	1,978,364.04	5,083.33
FC	30-Jan-20	2.05	2,000,000.00	2,000,716.00	1,993,946.92	0.00	0.00	4,839.95	2,000,000.00	2,001,393.46	1,996,553.51	6,947.22
FC	5-Apr-21	2.54	2,000,000.00	2,022,776.00	2,001,373.84	0.00	0.00	23,770.61	2,000,000.00	2,024,949.42	2,001,178.81	24,835.56
FC	15-Apr-21	2.38	2,000,000.00	2,020,844.00	1,999,275.39	0.00	0.00	17,897.65	2,000,000.00	2,017,274.30	1,999,376.65	20,715.28
FC	18-Apr-22	2.63	2,000,000.00	2,000,362.00	1,998,499.81	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	26-Jul-21	2.55	2,000,000.00	2,000,542.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	14-May-21	2.40	2,000,000.00	2,003,054.00	2,000,000.00	0.00	0.00	2,807.36	2,000,000.00	2,002,807.36	2,000,000.00	18,266.67
FC	17-May-21	2.25	2,000,000.00	2,014,222.00	1,998,803.93	0.00	0.00	15,599.21	2,000,000.00	2,014,562.38	1,998,963.17	16,750.00
FC	14-May-21	2.44	2,000,000.00	2,002,138.00	2,000,000.00	0.00	0.00	228.48	2,000,000.00	2,000,228.48	2,000,000.00	18,571.11
FC	16-Aug-21	1.55	0.00	0.00	0.00	2,000,000.00	0.00	(4,629.31)	2,000,000.00	1,992,046.94	1,996,676.25	3,272.22
FC	22-Feb-22	2.00	0.00	0.00	0.00	2,000,000.00	0.00	(791.29)	2,000,000.00	1,998,250.98	1,999,042.27	4,222.22
FHLMC	26-Feb-21	2.63	2,000,000.00	2,002,096.00	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	22-Oct-21	2.65	2,000,000.00	2,000,624.00	1,999,537.31	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	14-May-21	2.50	2,000,000.00	2,003,328.00	2,000,000.00	0.00	0.00	1,205.08	2,000,000.00	2,001,205.08	2,000,000.00	19,027.78
Subtotal			38,000,000.00	38,049,188.00	37,934,085.89	14,000,000.00	(16,000,000.00)	89,152.81	36,000,000.00	36,039,723.64	35,950,570.83	207,097.22
Investment Class: Fair Value External Pool												
Texpool			5,644,473.47	5,644,473.47	5,644,473.47	11,238,205.70	(12,000,000.00)	0.00	4,882,679.17	4,882,679.17	4,882,679.17	0.00
TexStar			6,663,223.69	6,663,223.69	6,663,223.69	37,149.88	0.00	0.00	6,700,373.57	6,700,373.57	6,700,373.57	0.00
Texas CLASS			56,418,118.17	56,418,118.17	56,418,118.17	304,431.64	(10,000,000.00)	0.00	46,722,549.81	46,722,549.81	46,722,549.81	0.00
TexPool Prime			55,235,880.75	55,235,880.75	55,235,880.75	2,322,689.72	(10,000,000.00)	0.00	47,558,570.47	47,558,570.47	47,558,570.47	0.00
Morgan Stanley			<u>10,383,327.98</u>	<u>10,383,327.98</u>	<u>10,383,327.98</u>	<u>57,100.45</u>	<u>0.00</u>	<u>0.00</u>	<u>10,440,428.43</u>	<u>10,440,428.43</u>	<u>10,440,428.43</u>	<u>0.00</u>
Subtotal			134,345,024.06	134,345,024.06	134,345,024.06	13,959,577.39	(32,000,000.00)	0.00	116,304,601.45	116,304,601.45	116,304,601.45	0.00
Total Pool Investments			<u>172,345,024.06</u>	<u>172,394,212.06</u>	<u>172,279,109.95</u>	<u>27,959,577.39</u>	<u>(48,000,000.00)</u>	<u>89,152.81</u>	<u>152,304,601.45</u>	<u>152,344,325.09</u>	<u>152,255,172.28</u>	<u>207,097.22</u>