



INVESTMENT REPORT

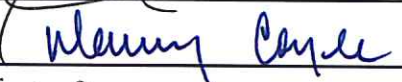
For the Period Ended
September 30, 2014

Prepared by
Valley View Consulting, L.L.C.


The investment portfolio of the City of San Benito is in compliance with the Public Funds Investment Act and the City of San Benito Investment Policy.



City Manager



Finance Director



Assistant Finance Director

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 San Benito, 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 traded +/-10 bps). The FOMC systematically tapered Quantitative Easing (QE3) from \$85 billion per month to \$15 billion. Although the target unemployment rate below 6.5% was achieved, the FOMC is still concerned with broader employment weaknesses. Inflation is still below the 2.0% and 2.5% target, allowing additional flexibility. Overall US economic activity remains low to moderate with average annual GDP 2.0 to 3.0%. The US stock markets maintained their bullish tone, pushing to new highs. International economic underperformance and military conflict casts uncertainty and have resulted in some late stock market and interest rate decreases. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity, although government securities are becoming more attractive.

FYE Results by Investment Category:

<u>Asset Type</u>	<u>September 30, 2014</u>			<u>September 30, 2013</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>
Bank Accounts/MMA	0.23%	\$ 13,979,320	\$ 13,979,320	0.36%	\$ 12,019,153	\$ 12,019,153
Local Government Pools	0.03%	8,673,868	8,673,868	0.04%	13,990,652	13,990,652
CDs/Securities	0.23%	1,007,203	1,007,203		-	-
Totals		\$ 23,660,391	\$ 23,660,391		\$ 26,009,806	\$ 26,009,806
				2014	2013	Change
			Total Portfolio (1)	0.16%	0.24%	-0.09%
			Rolling Three Mo. Treas. Yield	0.04%	0.07%	-0.02%
			Rolling Six Mo. Treas. Yield	0.07%	0.11%	-0.04%
			Quarterly TexPool Yield	0.03%	0.09%	-0.06%

(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.

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded <10 bps). The FOMC continued tapering the Quantitative Easing (QE3) program to \$15 billion per month. Tapering is anticipated to eliminate the program in October. Second quarter 2014 GDP was a strong 4.6% and first quarter was revised up to (2.1%). Employment data remains key as the FOMC focuses on wage growth, under-employment and overall participation. The US stock markets again touched new highs, but have recently retrenched. International economical and political struggles weigh on US interest rates. Financial institution deposit yields generally provide the best interest earnings opportunity, although spreads to security yields have tightened.

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>September 30, 2014</u>		<u>June 30, 2014</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Bank Accounts/MMA	0.23%	\$ 13,979,320	\$ 13,979,320	\$ 13,473,972	\$ 13,473,972
Local Government Pools	0.03%	8,673,868	8,673,868	11,647,144	11,647,144
CDs/Securities	0.23%	1,007,203	1,007,203	1,006,619	1,006,619
Totals		\$ 23,660,391	\$ 23,660,391	\$ 26,127,735	\$ 26,127,735

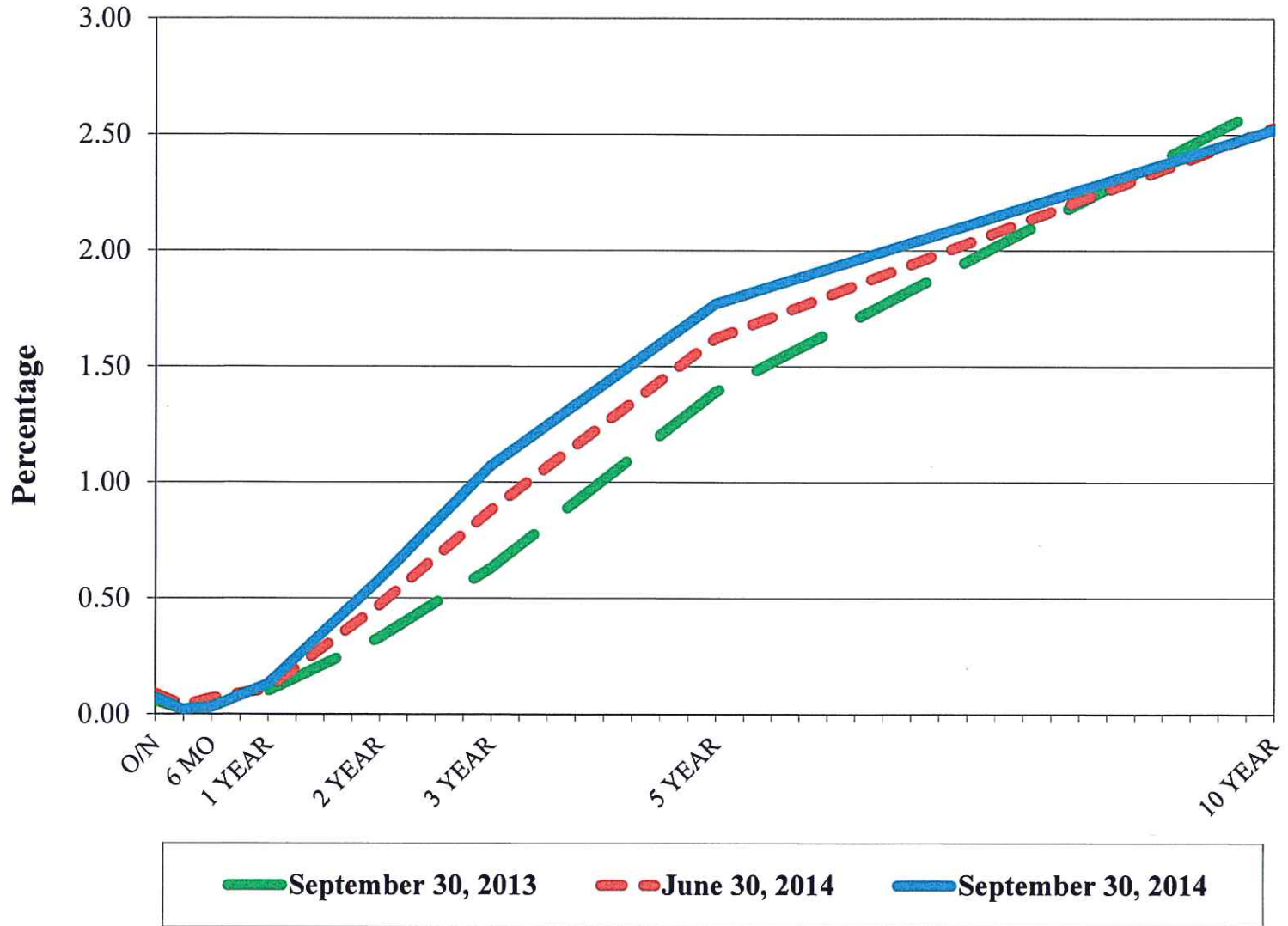
<u>Average Yield (1)</u>		<u>Fiscal Year-to-Date Average Yield (2)</u>	
Total Portfolio	0.16%	Total Portfolio	0.16%
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.04%
Rolling Six Mo. Treas. Yield	0.05%	Rolling Six Mo. Treas. Yield	0.07%
		Quarterly TexPool Yield	0.03%

Quarterly Interest Income	\$ 9,292
YTD Interest Income	\$ 35,277

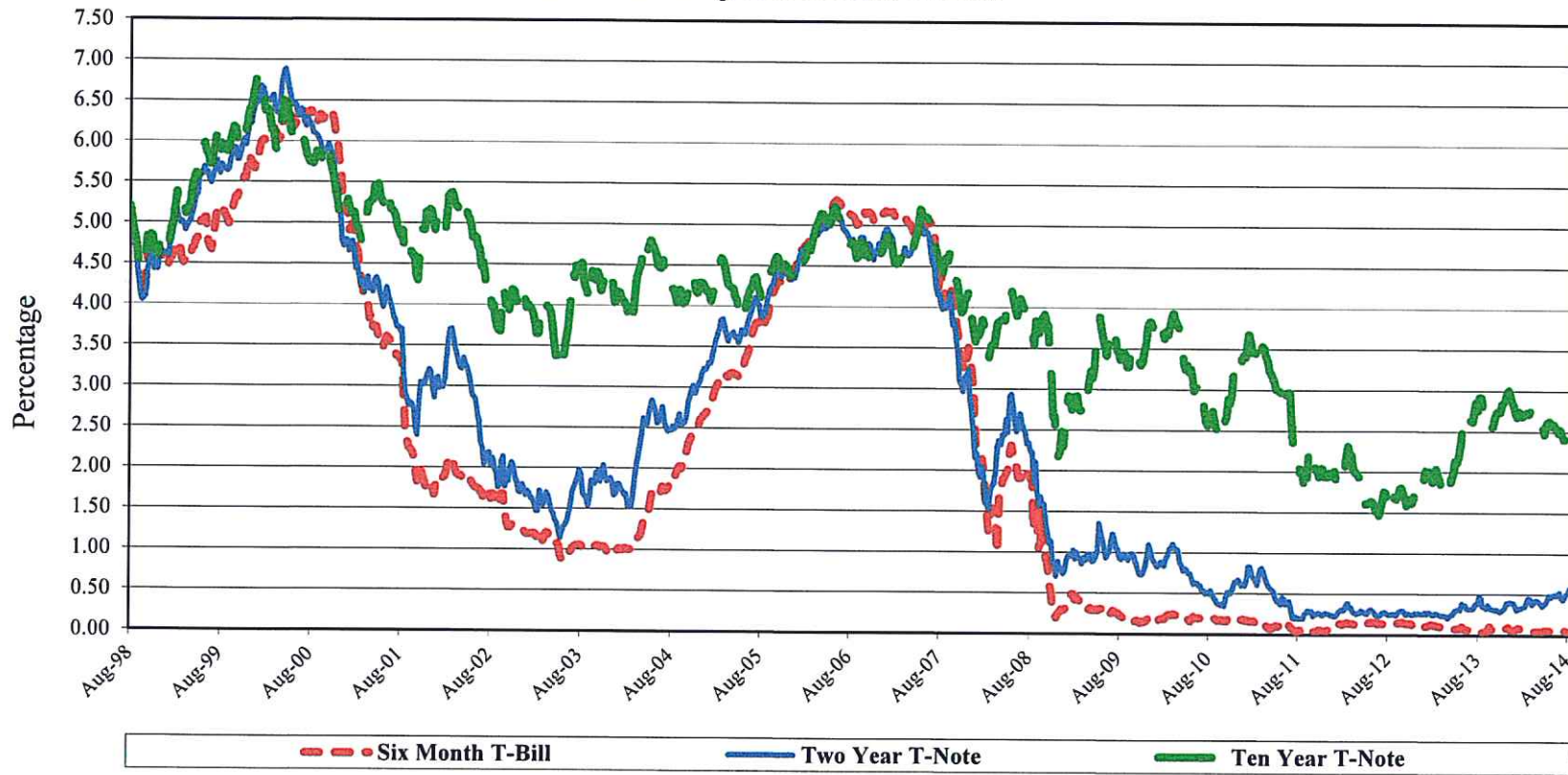
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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.

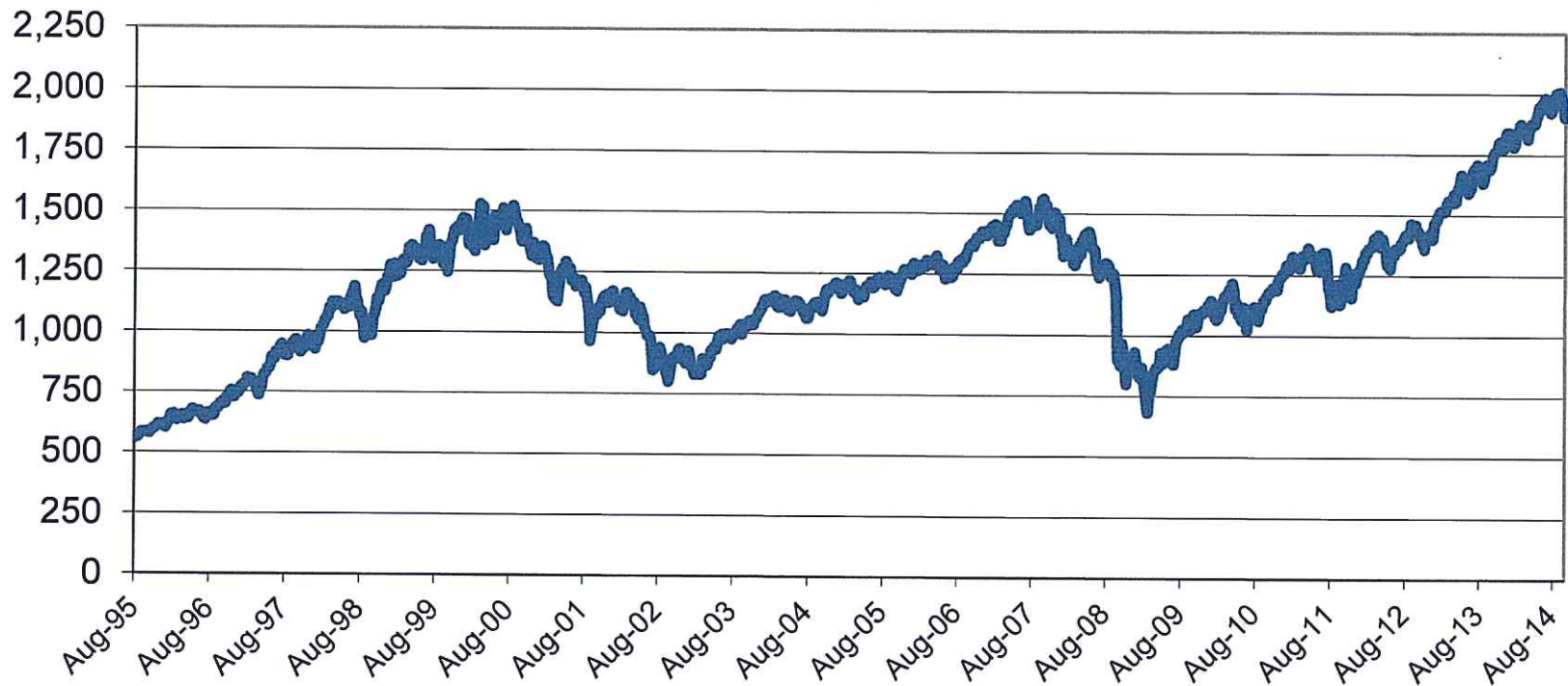
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



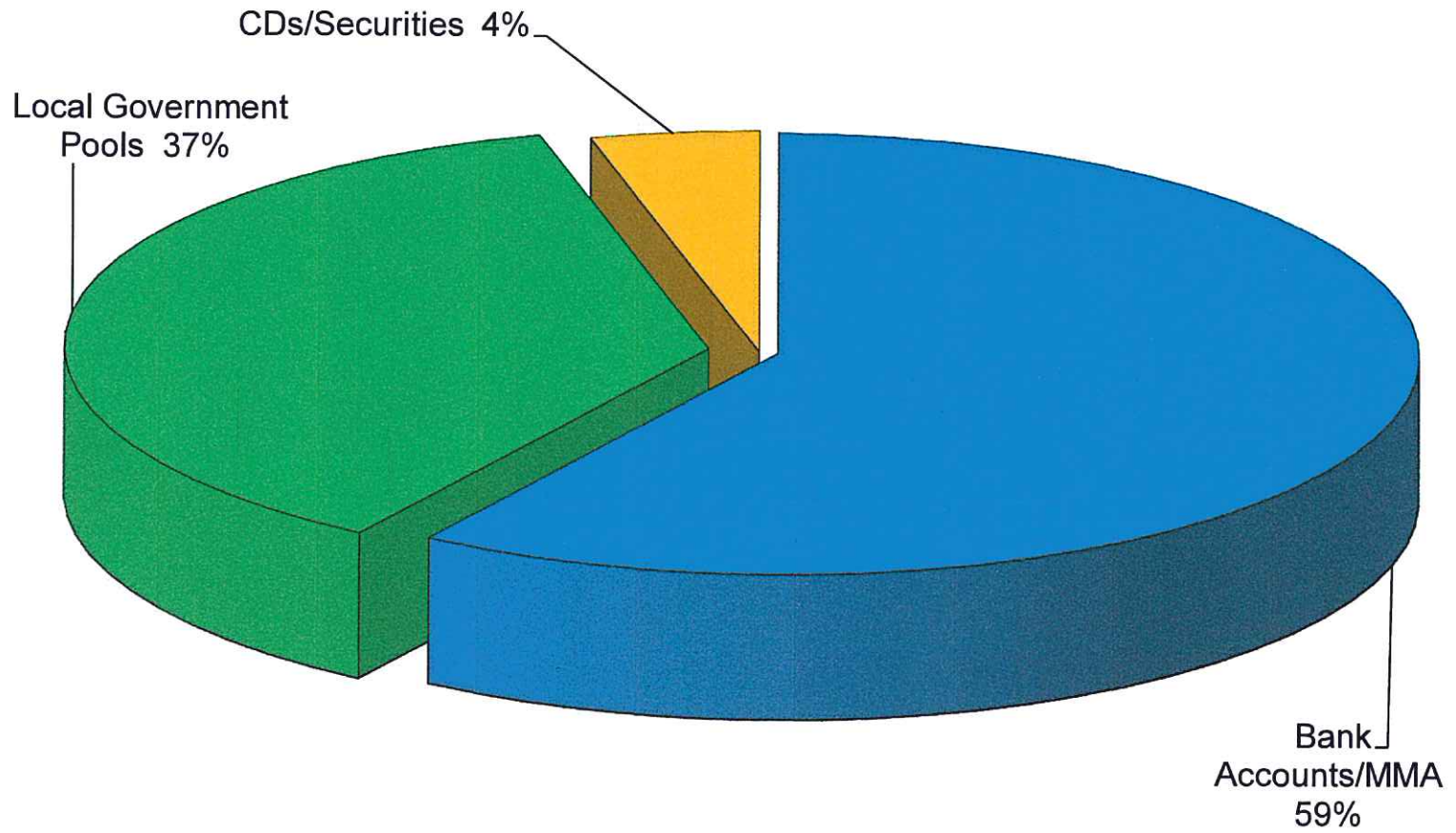
Detail of Investment Holdings September 30, 2014

Description	Rating	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
FCB		0.25%	10/01/2014	09/30/2014	\$ 9,704,903	\$ 9,704,903	1.00	\$ 9,704,903	1	0.25%
Southside Bank MMA		0.18%	10/01/2014	09/30/2014	4,274,417	4,274,417	1.00	4,274,417	1	0.18%
TexPool	AAAm	0.03%	10/01/2014	09/30/2014	8,673,868	8,673,868	1.00	8,673,868	1	0.03%
Southside Bank CD		0.23%	5/2/2015	5/2/2014	1,007,203	1,007,203	1.00	1,007,203	214	0.23%
					\$ 23,660,391	\$ 23,660,391		\$ 23,660,391	10	0.16%
									(1)	(2)

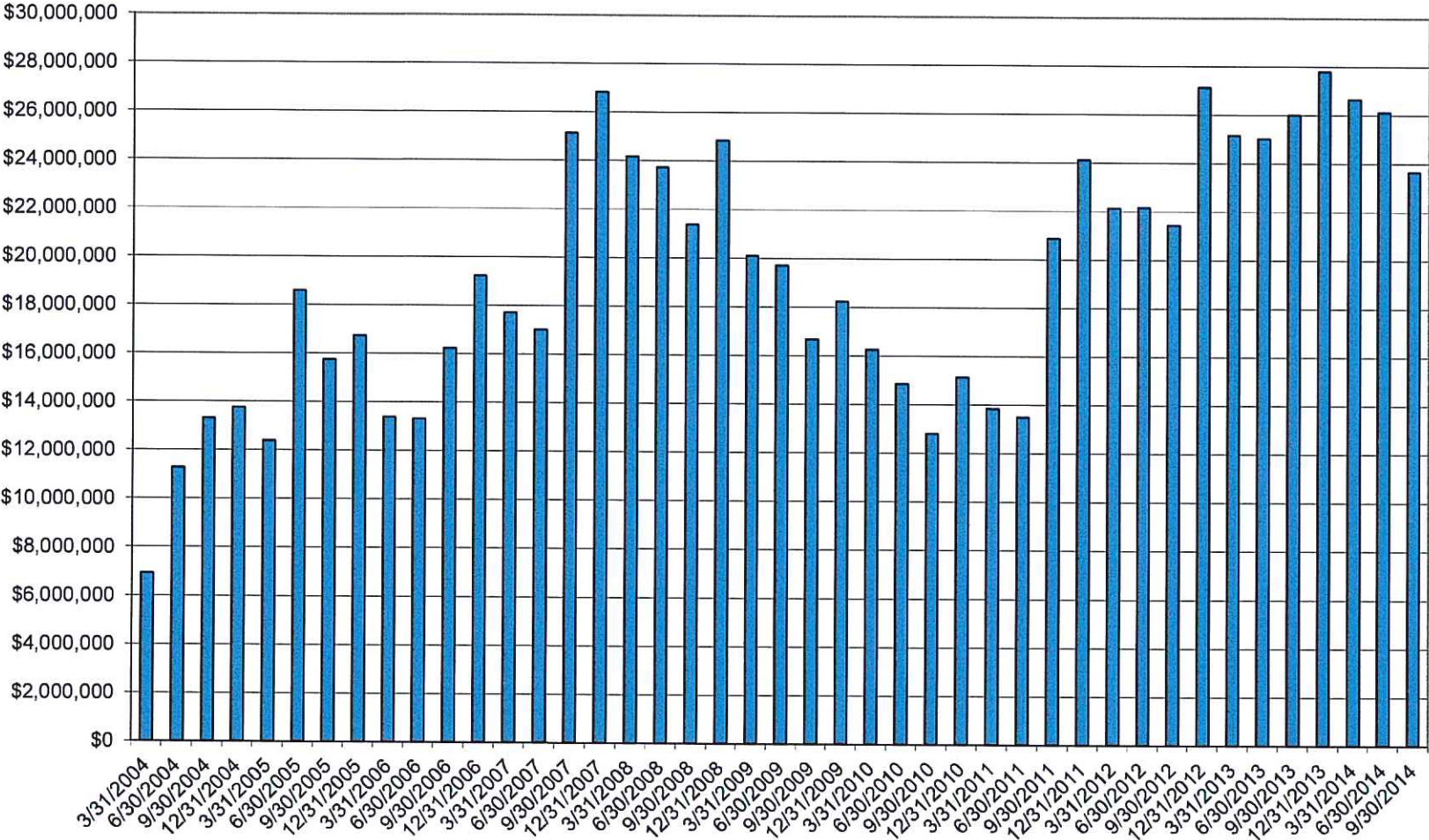
(1) **Weighted average life** - For purposes of calculating weighted average life, bank, pool and money market balances are assumed to have a one day maturity.

(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 bank, pool, and money market balances.

Portfolio Composition



Total Portfolio



■ Quarter End Book Value

Book Value Comparison

Description	Coupon/ Discount	Maturity Date	Settlement Date	June 30, 2014			September 30, 2014		
				Original Face\ Par Value	Book Value	Purchases at Cost	Sales/ Maturities	Original Face\ Par Value	Book Value
FCB	0.25%	10/01/2014	9/30/2014	\$ 9,201,528	\$ 9,201,528	\$ 503,374	\$ -	\$ 9,704,903	\$ 9,704,903
Southside Bank MMA	0.18%	10/01/2014	9/30/2014	4,272,443	4,272,443	1,974		4,274,417	4,274,417
TexPool	0.03%	10/01/2014	9/30/2014	11,647,144	11,647,144		(2,973,276)	8,673,868	8,673,868
Southside Bank CD	0.23%	05/02/2015	5/2/2014	1,006,619	1,006,619	584		1,007,203	1,007,203
TOTAL				\$ 26,127,735	\$ 26,127,735	\$ 505,931	\$ (2,973,276)	\$ 23,660,391	\$ 23,660,391

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2014			Qtr-to-Qtr Change	September 30, 2014		
			Original Face\ Par Value	Market Price	Market Value		Original Face\ Par Value	Market Price	Market Value
FCB	0.25%	10/01/2014	\$ 9,201,528	1.00	\$ 9,201,528	\$ 503,374	\$ 9,704,903	1.00	\$ 9,704,903
Southside Bank MMA	0.18%	10/01/2014	4,272,443	1.00	4,272,443	1,974	4,274,417	1.00	4,274,417
TexPool	0.03%	10/01/2014	11,647,144	1.00	11,647,144	(2,973,276)	8,673,868	1.00	8,673,868
Southside Bank CD	0.23%	05/02/2015	1,006,619	100	1,006,619	584	1,007,203	100	1,007,203
TOTAL			\$ 26,127,735		\$ 26,127,735	\$ (2,467,344)	\$ 23,660,391		\$ 23,660,391

Fund Allocation
Book & Market Value
September 30, 2014

	Fund Total	FCB Account	Texpool	Southside Bank MMA	Southside Bank CD 0.23 5/2/15
Consolidated/General	\$ 4,000,339	\$ 1,961,035	\$ 1,032,101	\$ -	\$ 1,007,203
Escrow	280,908	-	280,908	-	-
Utilites Cons./W & S	5,941,413	4,830,336	1,111,078	-	-
Payroll	121,477	121,477	-	-	-
W&S O & M Reserve	458,121	-	55,775	402,346	-
W&S R & R Reserve	429,968	-	27,622	402,346	-
W & S Debt Service Reserve	1,266,382	-	59,343	1,207,039	-
W & S Reserve Capital Imp	201,107	-	201,107	-	-
NADB Loan 2004	5	5	-	-	-
CO 2007 EDC Projects	1,686,544	-	1,686,544	-	-
CO Series 2011	3,865,757	-	1,854,025	2,011,732	-
CO Series 2012	2,252,656	-	2,252,656	-	-
Cons. Cash Grant CO	1,132	1,132	-	-	-
Police	597	597	-	-	-
Forfeiture Seizure Federal	244,851	244,851	-	-	-
Special Investigations Ckg	75,727	75,727	-	-	-
Special investigation Svgs	13,015	13,015	-	-	-
Veterans Memorial	22,895	22,895	-	-	-
Resaca Trails	420	420	-	-	-
Hotel/Motel Tax	231,516	231,516	-	-	-
Community Dev. Block Grant	64,724	64,724	-	-	-
DSRIP UTHSCSA	19,908	19,908	-	-	-
Fire Relief & Retirement Plan	380,426	380,426	-	-	-
Border Security	15,504	15,504	-	-	-
Emergency Management Funds	143,089	143,089	-	-	-
Revolving Loan	42,251	42,251	-	-	-
Local Match	74	74	-	-	-
TIRZ	250,453	250,453	-	-	-
Sub-totals	22,011,262	8,419,437	8,561,158	4,023,465	1,007,203
EDC	1,648,057	1,284,394	112,711	250,952	-
EDC-SB Cultural Heritage Program	1,072	1,072	-	-	-
Totals	\$ 23,660,391	\$ 9,704,903	\$ 8,673,868	\$ 4,274,417	\$ 1,007,203

Fund Allocation
Book & Market Value
June 30, 2014

	Fund Total	FCB Account	Texpool	Southside Bank MMA	Southside Bank CD 0.23 5/2/15
Consolidated/General	\$ 5,271,250	\$ 2,824,633	\$ 1,439,998	\$ -	\$ 1,006,619
Escrow	280,885	-	280,885	-	-
Utilites Cons./W & S	5,715,910	3,740,959	1,974,952	-	-
Payroll	89,420	89,420	-	-	-
W&S O & M Reserve	457,931	-	55,770	402,161	-
W&S R & R Reserve	429,780	-	27,619	402,161	-
W & S Debt Service Reserve	1,265,820	-	59,338	1,206,482	-
W & S Reserve Capital Imp	201,090	-	201,090	-	-
CO Project Fund	119,490	-	119,490	-	-
NADB Loan 2004	44,561	44,561	-	-	-
CO 2007 EDC Projects	1,708,809	-	1,708,809	-	-
CO Series 2011	5,221,055	-	3,210,251	2,010,804	-
CO Series 2012	2,389,243	-	2,389,243	-	-
Cons. Cash Grant CO	1,131	1,131	-	-	-
Police	3,136	3,136	-	-	-
Forfeiture Seizure Federal	226,757	226,757	-	-	-
Special Investigations Ckg	46,298	46,298	-	-	-
Special investigation Svgs	13,015	13,015	-	-	-
Veterans Memorial	22,385	22,385	-	-	-
Resaca Trails	420	420	-	-	-
Hotel/Motel Tax	220,421	220,421	-	-	-
Community Dev. Block Grant	439	439	-	-	-
DSRIP UTHSCSA	25,115	25,115	-	-	-
Fire Relief & Retirement Plan	376,837	376,837	-	-	-
Border Security	15,494	15,494	-	-	-
Emergency Management Funds	143,304	143,304	-	-	-
Revolving Loan	31,988	31,988	-	-	-
Local Match	74	74	-	-	-
TIRZ	153,275	153,275	-	-	-
Sub-totals	24,475,332	7,979,661	11,467,445	4,021,607	1,006,619
EDC	1,651,332	1,220,796	179,699	250,836	-
EDC-SB Cultural Heritage Program	1,071	1,071	-	-	-
Totals	\$26,127,735	\$ 9,201,528	\$ 11,647,144	\$ 4,272,443	\$ 1,006,619