

CITY OF MESQUITE

Quarterly Investment Report Overview

Quarter Ending December 31, 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>	March 2019	June 2019	September 2019	December 2019
<i>City Average Yield</i>	2.49%	2.47%	2.30%	1.96%
<i>Treasury Average Yield – 90 days</i>	2.44%	2.36%	2.03%	1.61%
<i>Treasury Average Yield – 180 days</i>	2.51%	2.36%	1.97%	1.62%
<i>Weighted Average Maturity</i>	97 days	112 days	105 days	121 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 December 31, 2019
Certificates of Deposit	20%	2.38%
Federal Agency Coupons	100%	21.37%
State & Local Agency Coupons	20%	0.00%
Managed Pools	80%	70.03%
Money Market Funds	50%	6.23%
Repurchase Agreements	20%	0.00%
	<i>Days Parameter</i>	<i>Days as of 12/31/2019</i>
Weighted Average Maturity	365 days	121 days

INVESTMENT PORTFOLIO BALANCES

Investment Quarter Ended	Book Value	Market Value	Unrealized Gain/(Loss)
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
December 2019	\$168,294,309	\$168,397,904	\$103,595

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	6/30/2019	9/30/2019	12/31/2019	2/14/2020
Investment Type	Jun Rates	Sept Rates	Dec Rates	Current Rates
<u>Pools</u>				
TexPool (Daily Rate)	2.38%	2.16%	1.62%	1.59%
TexStar (Daily Rate)	2.38%	2.11%	1.56%	1.57%
Texas Class (Daily Rate)	2.50%	2.20%	1.88%	1.79%
TexPool Prime (Daily Rate)	2.52%	2.27%	1.83%	1.77%
<u>Treasury</u>				
3-month (90-days)	2.09%	1.78%	1.51%	1.57%
6-month	2.09%	1.83%	1.59%	1.55%
1 year	1.93%	1.75%	1.48%	1.48%
2 year	1.76%	1.63%	1.57%	1.44%
10 year	2.01%	1.68%	1.88%	1.62%
<u>Agency</u>				
2 year (callable)	2.13%	1.88%	1.70%	1.63%
2 year (bullet)	1.50%	1.68%	1.59%	1.46%
<u>CD's</u>				
6 month	2.05%	1.90%	1.50%	1.40%
9 month	1.85%	1.80%	1.50%	1.40%
12 month	1.85%	1.75%	1.50%	1.40%
15 month	1.80%	1.75%	1.50%	1.40%
18 month	1.80%	1.75%	1.50%	1.40%
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*:

At the October Federal Open Market Committee (FOMC) meeting, the Federal Reserve officials cut the federal fund target rate by a quarter-percentage point to a range between 1.50% and 1.75%. This was the third time the Federal Reserve cut rates during 2019. No rate reductions are expected for 2020 as the economic indicators are showing signs of stabilization. There are some concerns on how the coronavirus will ultimately impact the U.S. and global economies; however, moderate economic growth is expected to continue in the U.S. with low unemployment and rising incomes fueling high consumer confidence.

CITY OF MESQUITE



INVESTMENT REPORT

FOR

QUARTER ENDING

December 31, 2019

INVESTMENT REPORT

FOR QUARTER ENDING December 31, 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 62-2019 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

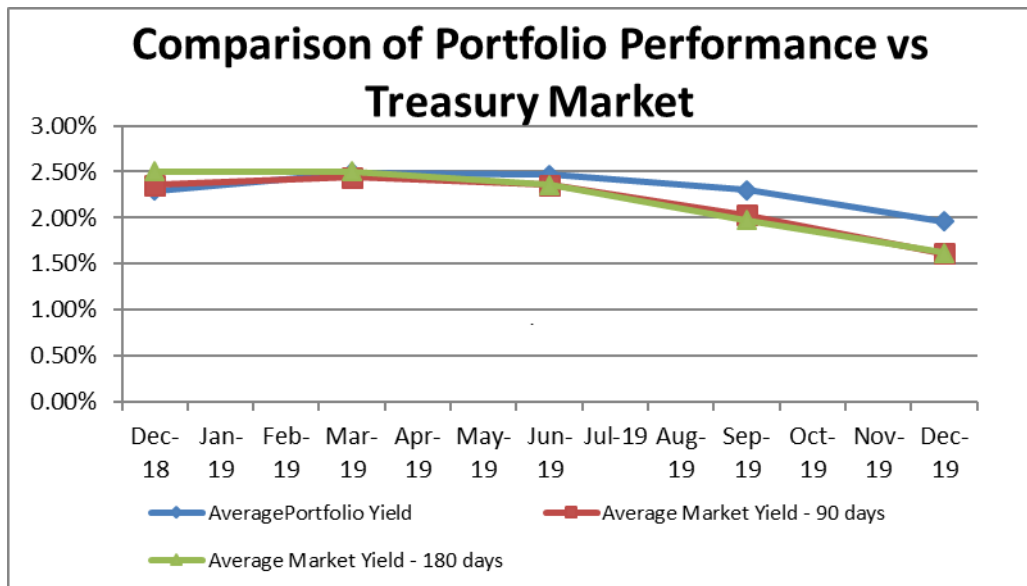
Sheree Haynes

Sheree Haynes, Manager of Accounting

City of Mesquite Investment Report For Quarter Ending December 31, 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.

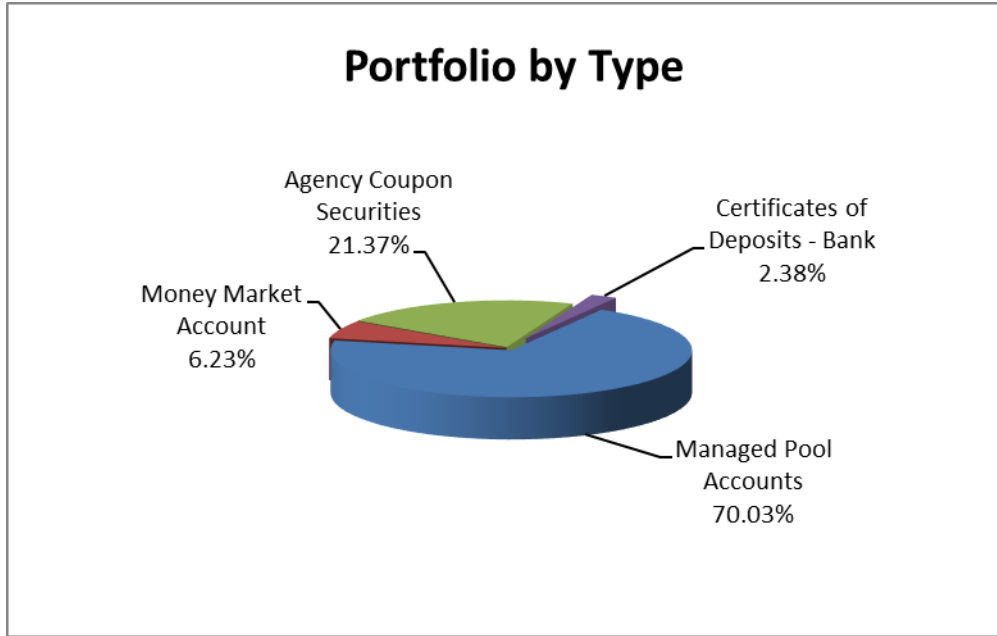
The City’s portfolio is designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury securities at a maturity level comparable to the City’s weighted average maturity in days. The City’s portfolio weighted average maturity was 121 days. The City had an average yield of 1.96%. The benchmark average treasury yield is 1.61% for 90 days and 1.62% 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.



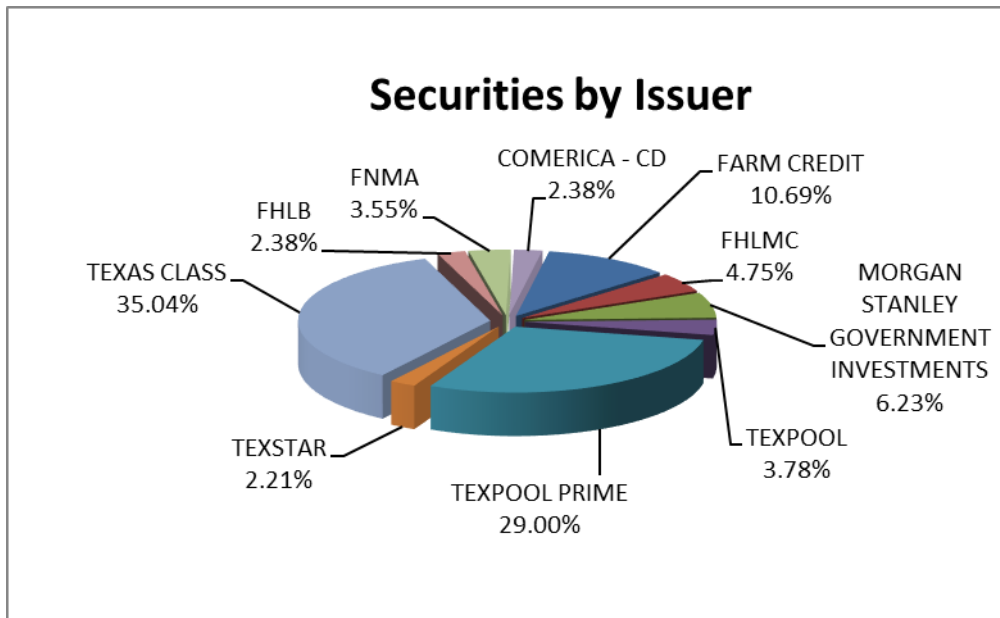
Quarter	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
WAM Days	106	97	112	105	121

The City of Mesquite recognizes that portfolio diversification is an important factor in controlling risk. The City invests in coupon securities, certificates of deposits, 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. Certificates of deposits are non-negotiable and purchased from a bank with a main office or branch office in Texas. Managed pools include TexPool, Texstar, Texas CLASS and TexPool Prime. Also, the City invests in a Morgan Stanley Government Money Market Account.

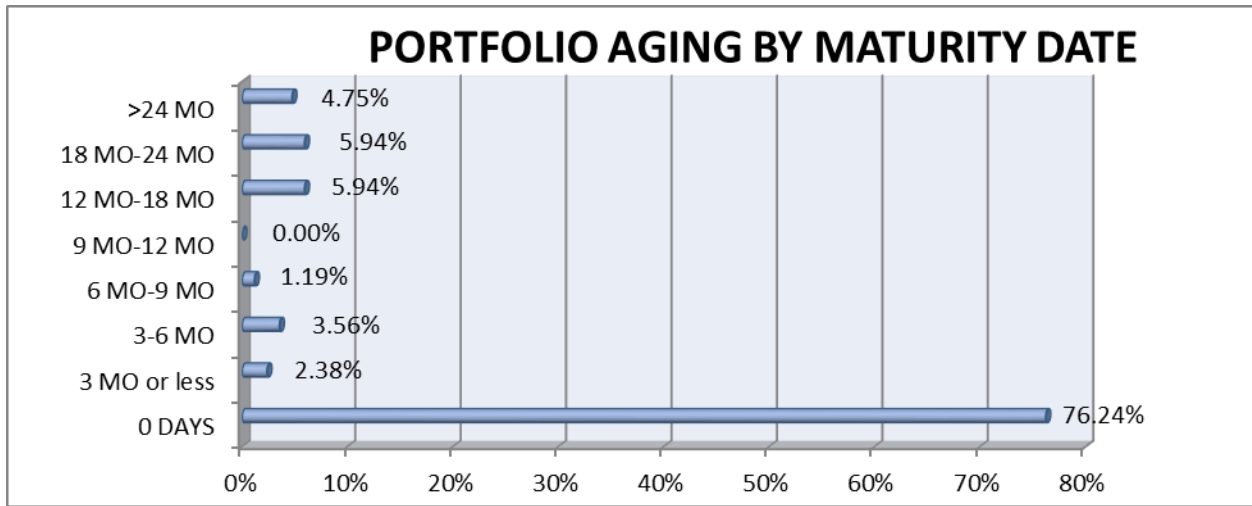
The following graph shows the percentage of the portfolio structure by type of investment.



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 \$168,294,308.64. The market value of the City’s portfolio was approximately \$168,397,903.95. The difference represents an unrealized gain of \$103,595.31. 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>
Oct-19	153,991,175.40	154,111,292.61	120,117.21
Nov-19	147,417,115.39	147,510,639.50	93,524.11
Dec-19	168,294,308.64	168,397,903.95	103,595.31

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

Oct 1 - Dec 31, 2019

Investment Class		Par Value	Market Value	Book Value	Accrued Interest
Fair Value	Value at 10/1/2019	36,000,000.00	36,039,723.64	35,950,570.83	207,097.22
	Net Change	4,000,000.00	4,021,952.28	4,007,509.78	(71,190.61)
	Value ending 12/31/2019	40,000,000.00	40,061,675.92	39,958,080.61	135,906.61
Fair Value Ext Pool	Value at 10/1/2019	116,304,601.45	116,304,601.45	116,304,601.45	-
	Net Change	12,031,626.58	12,031,626.58	12,031,626.58	-
	Value ending 12/31/2019	128,336,228.03	128,336,228.03	128,336,228.03	-
Total	Value at 10/1/2019	152,304,601.45	152,344,325.09	152,255,172.28	207,097.22
	Net Change	16,031,626.58	16,053,578.86	16,039,136.36	(71,190.61)
	Value ending 12/31/2019	168,336,228.03	168,397,903.95	168,294,308.64	135,906.61

Investments	Par Value Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM
Managed Pool Accounts	117,849,377.13	117,849,377.13	117,849,377.13	70.03%	1	1.836
Certificates of Deposit - Bank Money Market Fund Accounts	4,000,000.00	4,000,000.00	4,000,000.00	2.38%	100	1.675
	10,486,850.90	10,486,850.90	10,486,850.90	6.23%	1	1.520
Agency Coupon Securities	<u>36,000,000.00</u>	<u>36,061,675.92</u>	<u>35,958,080.61</u>	<u>21.37%</u>	<u>551</u>	<u>2.109</u>
	168,336,228.03	168,397,903.95	168,294,308.64	100.00%	121	1.871

CITY OF MESQUITE

PORTFOLIO DETAILS

Oct 1 - Dec 31, 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	27-Nov-19	172	2,000,000.00	1999,439.12	1999,595.56	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	1-Oct-19	155	2,000,000.00	1999,838.42	1999,866.43	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	28-May-20	2.63	2,000,000.00	2,009,734.26	1999,729.58	0.00	0.00	7,984.61	2,000,000.00	2,007,816.88	1999,832.27	4,812.50
FHLB	26-Feb-21	188	2,000,000.00	1996,561.44	2,000,000.00	0.00	0.00	(2,157.44)	2,000,000.00	1,997,842.56	2,000,000.00	13,333.33
FHLB	26-Aug-21	2.05	2,000,000.00	1995,836.32	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	21-Aug-20	2.00	2,000,000.00	1999,643.32	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLB	12-Nov-20	2.00	2,000,000.00	1996,977.10	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FNMA	22-Jun-20	150	2,000,000.00	1994,425.84	1,981,224.56	0.00	0.00	10,895.37	2,000,000.00	1,998,594.22	1,987,698.85	750.00
FNMA	30-Jul-20	150	2,000,000.00	1994,549.42	1,978,364.04	0.00	0.00	13,259.10	2,000,000.00	1,998,135.64	1,984,876.54	12,583.33
FNMA	29-Sep-21	145	0.00	0.00	0.00	2,000,000.00	0.00	747.83	2,000,000.00	1,994,980.10	1,994,232.27	2,738.89
FC	30-Jan-20	2.05	2,000,000.00	2,001,393.46	1,996,553.51	0.00	0.00	1,949.48	2,000,000.00	2,001,109.58	1,999,160.10	17,197.22
FC	5-Apr-21	2.54	2,000,000.00	2,024,949.42	2,001,178.81	0.00	0.00	23,316.41	2,000,000.00	2,024,300.20	2,000,983.79	12,135.56
FC	15-Apr-21	2.38	2,000,000.00	2,017,274.30	1,999,376.65	0.00	0.00	21,190.54	2,000,000.00	2,020,668.46	1,999,477.92	10,027.78
FC	14-May-21	2.40	2,000,000.00	2,002,807.36	2,000,000.00	0.00	0.00	19,14.24	2,000,000.00	2,001,914.24	2,000,000.00	6,266.67
FC	17-May-21	2.25	2,000,000.00	2,014,562.38	1,998,963.17	0.00	0.00	19,648.61	2,000,000.00	2,018,771.02	1,999,122.41	5,500.00
FC	14-May-21	2.44	2,000,000.00	2,000,228.48	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FC	16-Aug-21	155	2,000,000.00	1,992,046.94	1,996,676.25	0.00	0.00	2,607.28	2,000,000.00	1,999,726.70	1,997,119.42	11,022.22
FC	22-Feb-22	2.00	2,000,000.00	1,998,250.98	1,999,042.27	0.00	0.00	(802.72)	2,000,000.00	1,998,339.66	1,999,142.38	14,222.22
FC	8-Nov-21	157	0.00	0.00	0.00	2,000,000.00	0.00	1,900.34	2,000,000.00	2,000,073.46	1,998,173.12	2,965.56
FC	2-Dec-21	162	0.00	0.00	0.00	2,000,000.00	0.00	602.06	2,000,000.00	2,000,602.06	2,000,000.00	2,610.00
FHLMC	14-May-21	2.50	2,000,000.00	2,001,205.08	2,000,000.00	0.00	(2,000,000.00)	0.00	0.00	0.00	0.00	0.00
FHLMC	28-Nov-22	175	0.00	0.00	0.00	2,000,000.00	0.00	10,10.05	2,000,000.00	2,000,041.50	1,999,031.45	3,305.56
FHLMC	26-Aug-22	180	0.00	0.00	0.00	2,000,000.00	0.00	602.63	2,000,000.00	2,000,023.26	1,999,420.63	3,400.00
FHLMC	26-Nov-21	175	0.00	0.00	0.00	2,000,000.00	0.00	299.32	2,000,000.00	2,000,108.78	1,999,809.46	3,305.56
FHLMC	27-May-22	175	0.00	0.00	0.00	2,000,000.00	0.00	(1372.40)	2,000,000.00	1,998,627.60	2,000,000.00	3,305.56
COMERICA	25-Feb-20	170	0.00	0.00	0.00	2,000,000.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	3,260.27
COMERICA	25-May-20	165	0.00	0.00	0.00	2,000,000.00	0.00	0.00	2,000,000.00	2,000,000.00	2,000,000.00	3,164.38
Subtotal			36,000,000.00	36,039,723.64	35,950,570.83	18,000,000.00	(14,000,000.00)	103,595.31	40,000,000.00	40,061,675.92	39,958,080.61	135,906.61
Investment Class: Fair Value External Pool												
Texpool			4,882,679.17	4,882,679.17	4,882,679.17	11,474,879.46	(10,000,000.00)	0.00	6,357,558.63	6,357,558.63	6,357,558.63	0.00
TexStar			6,700,373.57	6,700,373.57	6,700,373.57	23,871,777	(3,000,000.00)	0.00	3,724,245.34	3,724,245.34	3,724,245.34	0.00
Texas CLASS			46,722,549.81	46,722,549.81	46,722,549.81	12,240,527.52	0.00	0.00	58,963,077.33	58,963,077.33	58,963,077.33	0.00
TexPool Prime			47,558,570.47	47,558,570.47	47,558,570.47	37,245,925.36	(36,000,000.00)	0.00	48,804,495.83	48,804,495.83	48,804,495.83	0.00
Morqan Stanley			<u>10,440,428.43</u>	<u>10,440,428.43</u>	<u>10,440,428.43</u>	<u>46,422.47</u>	<u>0.00</u>	<u>0.00</u>	<u>10,486,850.90</u>	<u>10,486,850.90</u>	<u>10,486,850.90</u>	<u>0.00</u>
Subtotal			116,304,601.45	116,304,601.45	116,304,601.45	61,031,626.58	(49,000,000.00)	0.00	128,336,228.03	128,336,228.03	128,336,228.03	0.00
Total Pool Investments			<u>152,304,601.45</u>	<u>152,344,325.09</u>	<u>152,255,172.28</u>	<u>79,031,626.58</u>	<u>(63,000,000.00)</u>	<u>103,595.31</u>	<u>168,336,228.03</u>	<u>168,397,903.95</u>	<u>168,294,308.64</u>	<u>135,906.61</u>