



INVESTMENT REPORT

**For the Period Ended
September 30, 2013**

**Prepared by
Estrada Hinojosa & Company, Inc.**

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 Estrada Hinojosa & Company, Inc. 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 shifted the Quantitative Easing (QE3) focus to target unemployment below 6.5% and inflation between 2.0% and 2.5%. International and domestic economic and employment data posted modest but erratic growth. Overall US economic activity remains low to moderate with GDP +/-2.0%. The US stock markets maintained their bullish tone, pushing to new highs. During the summer the FOMC discussed a tapered reduction of the monthly QE3 security purchases - although they chose not to at the September meeting. The market reacted quickly by pushing interest rates higher. The partial Federal Government shutdown and debt ceiling issues have increased uncertainty. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

FYE Results by Investment Category:

Asset Type	September 30, 2013			September 30, 2012		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
Bank Accounts/MMA	0.36%	\$ 12,019,153	\$ 12,019,153	0.44%	\$ 11,769,509	\$ 11,769,509
Local Government Pools	0.04%	13,990,652	13,990,652	0.16%	9,666,437	9,666,437
CDs/Securities		-	-		-	-
Totals		\$ 26,009,806	\$ 26,009,806		\$ 21,435,946	\$ 21,435,946
				2013	2012	Change
			Total Portfolio	0.24%	0.26%	-0.02%
			Rolling Three Mo. Treas. Yield	0.07%	0.07%	0.00%
			Rolling Six Mo. Treas. Yield	0.11%	0.11%	0.00%
			Quarterly TexPool Yield	0.09%	0.12%	-0.04%

(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.

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 Quantitative Easing (QE3), but openly discussed the potential tapering of the monthly security purchases. The fixed income market reacted quickly, raising 10 year rates over 1.00% to +/-2.75%. Mortgage rates also jumped quickly and dramatically. Domestic employment posted erratic, uninspiring growth. Overall economic activity remains moderate with second quarter GDP of 2.5%. The US stock markets touched new highs. The partial Federal Government shut down and debt ceiling cap increase uncertainty. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>September 30, 2013</u>		<u>June 30, 2013</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Bank Accounts/MMA	0.36%	\$ 12,019,153	\$ 12,019,153	\$ 19,759,270	\$ 19,759,270
Local Government Pools	0.04%	13,990,652	13,990,652	5,268,258	5,268,258
CDs/Securities		-	-	-	-
Totals		\$ 26,009,806	\$ 26,009,806	\$ 25,027,528	\$ 25,027,528

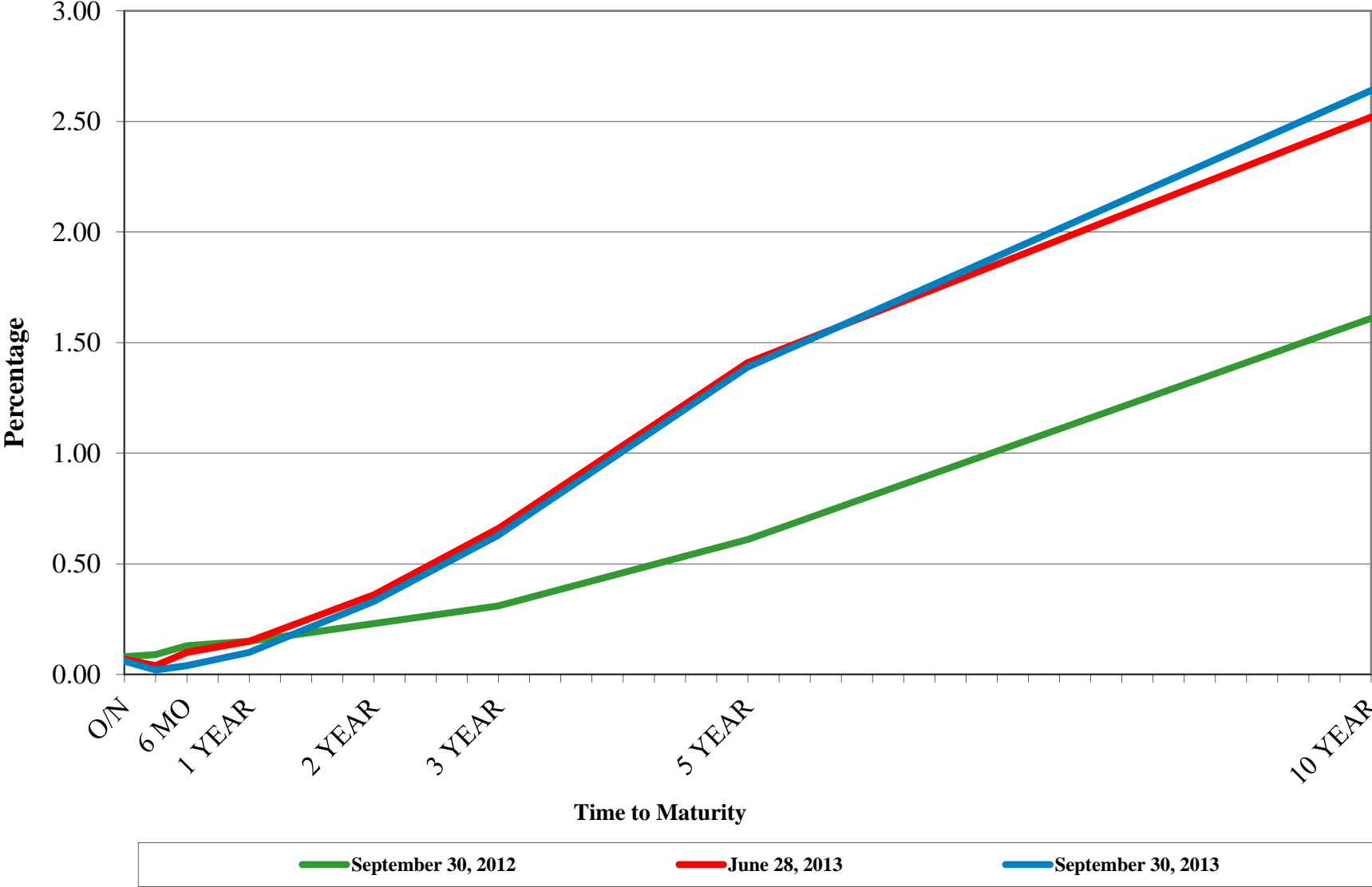
<u>Average Yield (1)</u>		<u>Fiscal Year-to-Date Average Yield (2)</u>	
Total Portfolio	0.19%	Total Portfolio	0.24%
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.07%
Rolling Six Mo. Treas. Yield	0.08%	Rolling Six Mo. Treas. Yield	0.11%
		Quarterly TexPool Yield	0.09%

Quarterly Interest Income	\$ 12,622
YTD Interest Income	\$ 61,095

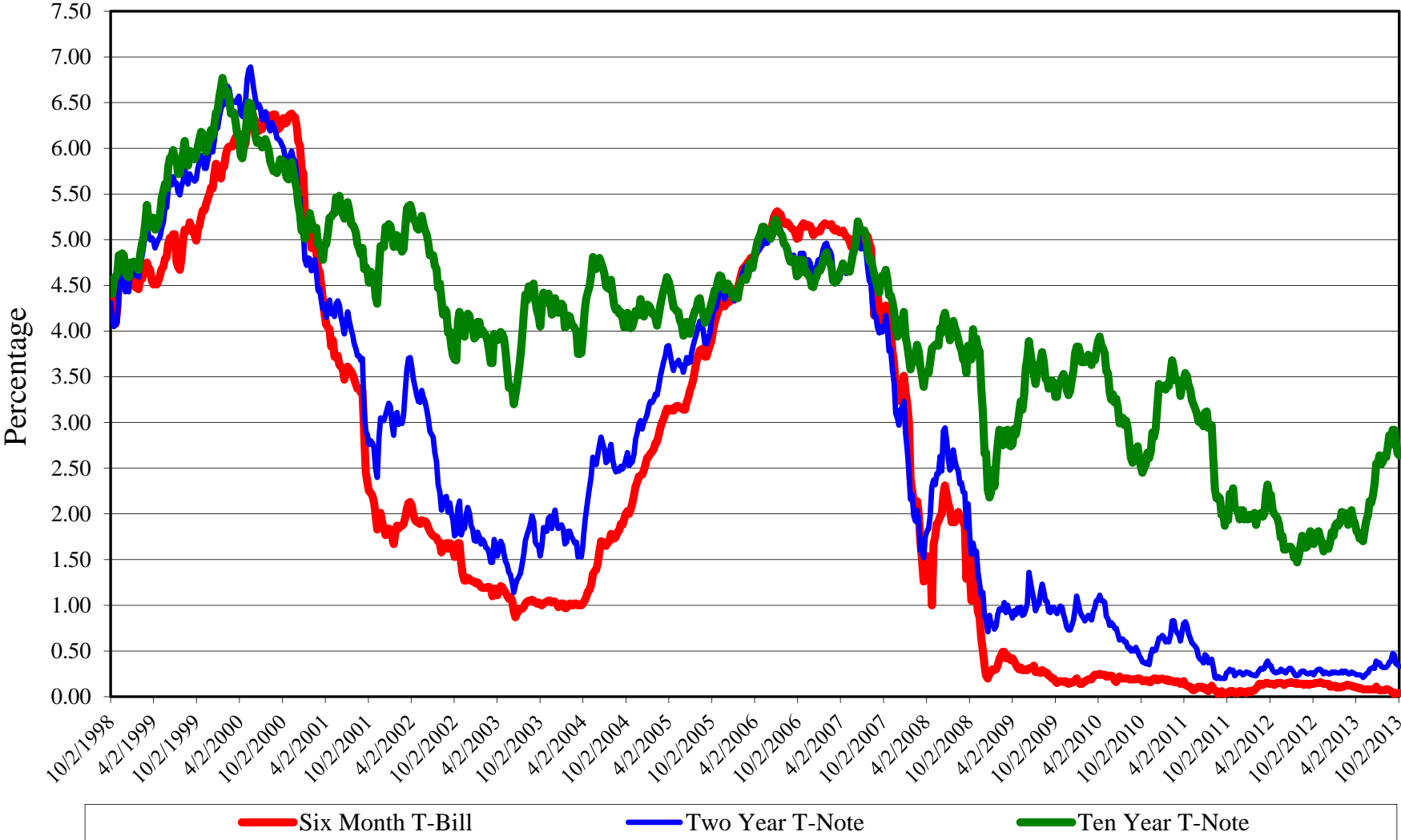
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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.

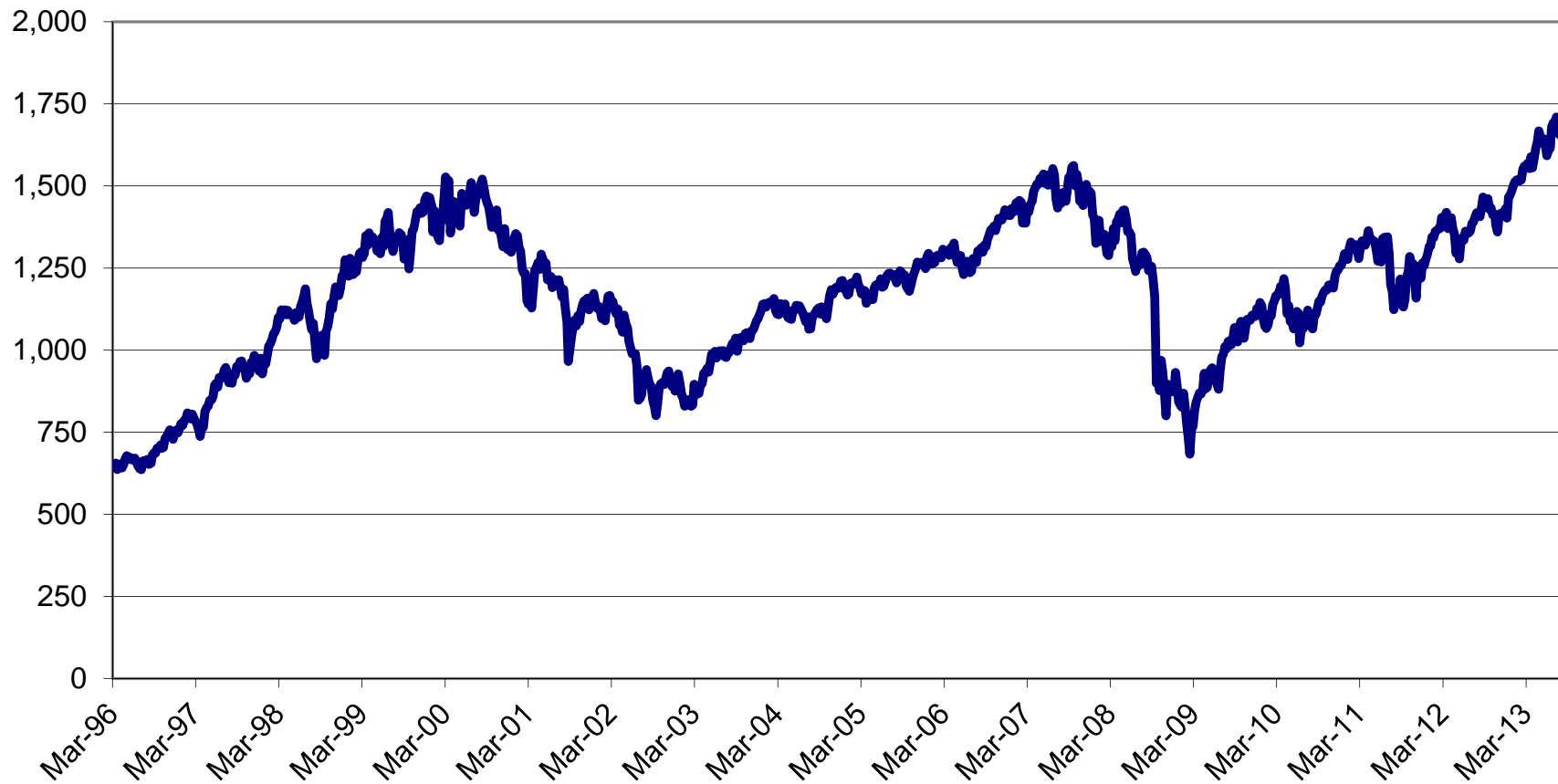
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



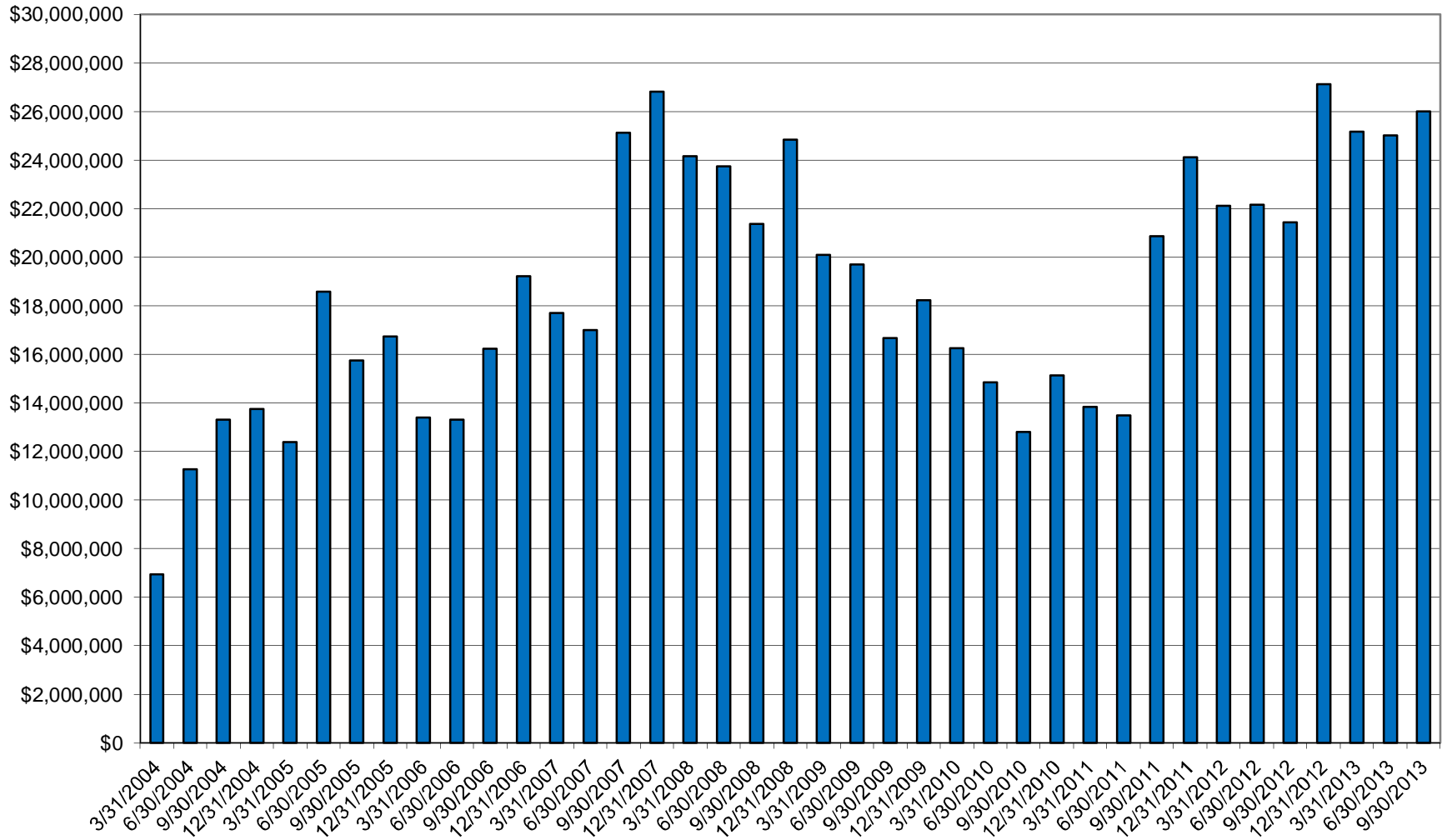
Portfolio Composition

Local Government
Pools 54%



Bank
Accounts/MMA
46%

Total Portfolio



■ Quarter End Book Value

Detail of Investment Holdings September 30, 2013

Description	Rating	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
FCB		0.50%	10/01/2013	09/30/2013	\$ 6,748,071	\$ 6,748,071	1.00	\$ 6,748,071	1	0.50%
Southside Bank MMA		0.19%	10/01/2013	09/30/2013	5,271,082	5,271,082	1.00	5,271,082	1	0.19%
TexPool	AAAm	0.04%	10/01/2013	09/30/2013	13,990,652	13,990,652	1.00	13,990,652	1	0.04%
					\$ 26,009,806	\$ 26,009,806		\$ 26,009,806	1	0.19%
									(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.

Book Value Comparison

Description	Coupon/ Discount	Maturity Date	Settlement Date	June 30, 2013				September 30, 2013	
				Original Face\ Par Value	Book Value	Purchases at Cost	Sales/ Maturities	Original Face\ Par Value	Book Value
FCB	0.50%	10/01/2013	9/30/2013	\$ 6,714,190	\$ 6,714,190	\$ 33,881	\$ -	\$ 6,748,071	\$ 6,748,071
Southside Bank MMA	0.19%	10/01/2013	9/30/2013	5,268,258	5,268,258	2,824		5,271,082	5,271,082
TexPool	0.04%	10/01/2013	9/30/2013	13,045,080	13,045,080	945,572		13,990,652	13,990,652
TOTAL				\$ 25,027,528	\$ 25,027,528	\$ 982,278	\$ -	\$ 26,009,806	\$ 26,009,806

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2013				September 30, 2013		
			Original Face\ Par Value	Market Price	Market Value	Qtr-to-Qtr Change	Original Face\ Par Value	Market Price	Market Value
FCB	0.50%	10/01/2013	\$ 6,714,190	1.00	\$ 6,714,190	\$ 33,881	\$ 6,748,071	1.00	\$ 6,748,071
Southside Bank MMA	0.19%	10/01/2013	5,268,258	1.00	5,268,258	2,824	5,271,082	1.00	5,271,082
TexPool	0.04%	10/01/2013	13,045,080	1.00	13,045,080	945,572	13,990,652	1.00	13,990,652
TOTAL			\$ 25,027,528		\$ 25,027,528	\$ 982,278	\$ 26,009,806		26,009,806

Fund Allocation
Book & Market Value
September 30, 2013

	<u>Book Value</u>	<u>FCB</u>	<u>Texpool</u>	<u>Southside Bank</u>
	<u>Fund Total</u>	<u>Account</u>		
Consolidated/General	3,872,401.87	1,675,908.30	1,191,979.71	1,004,513.86
Escrow	10,405.59	-	10,405.59	-
Utilites Cons./W & S	6,251,270.02	2,579,571.08	3,671,698.94	-
Payroll	112,170.79	112,170.79	-	-
W&S O & M Reserve	457,363.79	-	55,756.11	401,607.68
W&S R & R Reserve	429,220.16	-	27,612.50	401,607.66
W & S Debt Service Reserve	1,264,145.45	-	59,322.42	1,204,823.03
W & S Reserve Capital Imp	201,038.99	-	201,038.99	-
CO Project Fund	361,153.12	-	361,153.12	-
NADB Loan 2004	44,477.50	44,477.50	-	-
CO 2007 EDC Projects	1,708,377.64	-	1,708,377.64	-
CO Series 2011	5,801,971.27	-	3,793,932.83	2,008,038.44
CO Series 2012	2,529,746.97	-	2,529,746.97	-
Cons. Cash Grant CO	1,129.29	1,129.29	-	-
Police	25.64	25.64	-	-
Forfeiture Seizure Federal	173,699.04	173,699.04	-	-
Special Investigations Ckg	54,480.47	54,480.47	-	-
Special investigation Svgs	11,551.61	11,551.61	-	-
Veterans Memorial	22,425.30	22,425.30	-	-
Resaca Trails	418.77	418.77	-	-
Hotel/Motel Tax	160,290.46	160,290.46	-	-
Community Dev. Block Grant	5,230.26	5,230.26	-	-
Fire Relief & Retirement Plan	362,191.98	362,191.98	-	-
Border Security	15,465.07	15,465.07	-	-
Emergency Management Funds	125,613.42	125,613.42	-	-
Revolving Loan	8,820.55	8,820.55	-	-
Local Match	73.94	73.94	-	-
TIRZ	127,405.68	127,405.68	-	-
Sub-totals	24,112,564.64	5,480,949.15	13,611,024.82	5,020,590.67
EDC	1,896,172.11	1,266,053.20	379,627.53	250,491.38
EDC-SB CULTURAL HERITAGE TOURISM	1,069.04	1,069.04	-	-
Totals	26,009,805.79	6,748,071.39	13,990,652.35	5,271,082.05

Fund Allocation
Book & Market Value
June 30, 2013

	<u>Book Value</u> <u>Fund Total</u>	<u>FCB</u> <u>Account</u>	<u>Texpool</u>	<u>Southside Bank</u>
Consolidated/General	3,637,932.65	1,337,744.51	1,296,382.72	1,003,805.42
Escrow	10,404.53	-	10,404.53	-
Utilites Cons./W & S	5,231,187.26	3,244,779.58	1,986,407.68	-
Payroll	132,154.49	132,154.49	-	-
W&S O & M Reserve	457,158.19	-	55,749.71	401,408.48
W&S R & R Reserve	429,017.76	-	27,609.26	401,408.50
W & S Debt Service Reserve	1,263,541.16	-	59,315.66	1,204,225.50
W & S Reserve Capital Imp	201,015.98	-	201,015.98	-
CO Project Fund	463,084.84	-	463,084.84	-
NADB Loan 2004	44,421.49	44,421.49	-	-
CO 2007 EDC Projects	1,708,181.87	-	1,708,181.87	-
CO Series 2011	6,071,206.23	-	4,064,163.67	2,007,042.56
CO Series 2012	2,793,180.21	-	2,793,180.21	-
Cons. Cash Grant CO	1,127.87	1,127.87	-	-
Police	1,721.29	1,721.29	-	-
Forfeiture Seizure Federal	189,892.26	189,892.26	-	-
Special Investigations Ckg	11,252.14	11,252.14	-	-
Special investigation Svgs	11,551.61	11,551.61	-	-
Veterans Memorial	19,805.21	19,805.21	-	-
Resaca Trails	418.25	418.25	-	-
Hotel/Motel Tax	146,515.63	146,515.63	-	-
Community Dev. Block Grant	531.35	531.35	-	-
Fire Relief & Retirement Plan	348,226.90	348,226.90	-	-
Border Security	15,445.60	15,445.60	-	-
Emergency Management Funds	25,016.54	25,016.54	-	-
Sub-totals	<u>23,213,991.31</u>	<u>5,530,604.72</u>	<u>12,665,496.13</u>	<u>5,017,890.46</u>
EDC	1,812,468.66	1,182,517.49	379,584.02	250,367.15
EDC-SB CULTURAL HERITAGE TOURISM	1,067.70	1,067.70	-	-
Totals	<u><u>25,027,527.67</u></u>	<u><u>6,714,189.91</u></u>	<u><u>13,045,080.15</u></u>	<u><u>5,268,257.61</u></u>