



Laura Taylor Davis
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DATE: October 28, 2014

TO: Hon. Duane Peters, County Judge
Hon. Lloyd Wassermann, Commissioner
Hon. Sammy Catalina, Commissioner
Hon. Kenny Mallard, Commissioner
Hon. Irma Cauley, Commissioner
Candy Gallego, Administrative Assistant

FROM: Laura Taylor Davis, County Treasurer

RE: Quarter Ending 09/30/2014 Investment Report

This report is made in accordance with provisions of Gov.Code 2256, The Public Funds Investment Act, which requires quarterly reporting of investment transactions to the Commissioners' Court.

The Brazos County Investment portfolio earned an average yield of 0.0333% on the quarterly *average balance* of \$2,351,668.73 invested with TexPool for the period ending 09/30/2014. Investment interest deposited during the quarter was \$197.38. Actual ending balance for September 30, 2014 was \$2,351,735.26. Total Interest earned for the year was \$791.34

The average rate of interest earned on the depository checking account balances for the quarter ending 09/30/2014 was 0.25% netting \$55,788.42 on an *average depository investable balance* of \$88,392,220.52. Total interest earned for the year was 218,055.78

Total FY2014 interest earned: \$218,847.12

Investment Strategy

The Brazos County Investment Strategy will remain unchanged, keeping investments very short-termed & liquid. With the safety of principal as the foremost objective of the County's investment policy followed by liquidity and yield - it seems prudent to continue keeping the majority of available funds in the County's depository where all funds are 110% collateralized.

As a source of information on the market and the Brazos County Investment Strategy attached to this report is a copy of the Funds Management Group, Inc. Money Market Rate Review and commentary.

For diversification the County has an investment account with TexPool that provides the safety of an overnight market.

Summary of Portfolio Changes

The deposit of interest is the only portfolio change to balances at this time and the *Weighted Average Maturity* of investments remains at 1 day due to the liquidity of funds invested with TexPool and on deposit at CitiBank of Texas

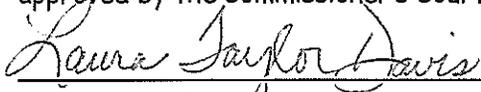
FY 2014 INTEREST RATES AND EARNINGS BY MONTH

	TexPool Interest	Interest Rate	Cking Acct Interest	Earnings Credit Rate
October 2013	99.51	0.0500	13,899.45	0.2500
November 2013	86.16	0.0400	13,623.40	0.2500
December 2013	74.22	0.0400	15,892.52	0.2500
Q/E 12/31/2013	259.89	0.0433	43,415.37	0.2500
January 2014	54.58	0.0300	19,504.05	0.2500
February 2014	51.15	0.0300	19,314.08	0.2500
March 2014	59.71	0.0300	20,846.34	0.2500
Q/E 03/31/2014	165.44	0.0300	59,664.47	0.2500
April 2014	64.89	0.0300	19,725.15	0.2500
May 2014	48.79	0.0200	19,908.80	0.2500
June 2014	54.95	0.0300	19,553.57	0.2500
Q/E 06/30/2014	168.63	0.0267	59,187.52	0.2500
July 2014	62.47	0.0300	20,670.79	0.2500
August 2014	70.54	0.0400	19,631.56	0.2500
September 2014	64.37	0.0300	15,486.07	0.2500
Q/E 09/30/2014	197.38	0.0333	55,788.42	0.2500
YTD TOTALS	791.34	0.0333	218,055.78	0.2500

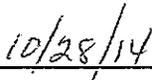
Attached are the following reports:

- 1) Cost Amount Summary of Investments by Fund
- 2) TexPool Quarter End Activity Report
- 3) Investments by Fund Group and Strategy Type

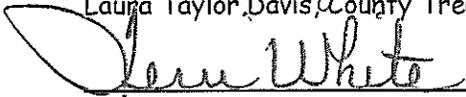
To the best of our knowledge the investment portfolio in this report conforms in all respects to the Investment Policy of Brazos County and is being managed under the investment strategy of said policy as approved by the Commissioner's Court of Brazos County.



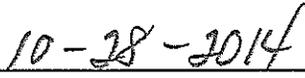
Laura Taylor Davis, County Treasurer, CIO



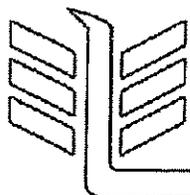
Date



Terri White, Chief Deputy Treasurer, CIO



Date



FUNDS MANAGEMENT GROUP, INC.

4900 Woodway, Suite 545 * Houston, Texas 77056 * (713) 626-5741 * 1-800-683-3644 * FAX (713) 626-5742

MONEY MARKET RATE REVIEW

7 DAY AVG WEEK ENDING	CAT	30-DAY	90-DAY	180-DAY	2 YEAR	FED	ON
	DWS Govt Cash * SIMPLE **	T BILL **	T BILL **	T BILL **	NOTE **	FUNDS **	REPOS **
10/03/14	0.03%	0.004%	0.012%	0.034%	0.549%	0.086%	0.038%
09/26/14	0.03%	-0.003%	0.010%	0.031%	0.562%	0.090%	0.054%
09/19/14	0.03%	-0.005%	0.013%	0.041%	0.556%	0.090%	0.069%
09/12/14	0.03%	-0.001%	0.016%	0.044%	0.489%	0.090%	0.075%
AVERAGE	0.03%	-0.001%	0.013%	0.038%	0.539%	0.089%	0.059%

* Cash Account Trust Government Securities Portfolio – SEC Registered Money Market Fund for Public Funds – Past Performance does not indicate future results

** Rates as reported on Bloomberg

“FROM ROUGH TO RIDICULOUS”

We thought the 0.03% yield posted by our money market fund (Cash Account Trust) was “rough” to handle, but knew it was fully competitive, with the Fed’s target for overnight rates at 0%, Pool’s such as TexPool only paying a recent 0.03% and the Pool holding immeasurable riskier commercial paper (CLASS) producing just 0.10%. That’s why we were (and are) so excited to find the safety and security of an FDIC insured deposit program (FICA) posting a 0.13% net yield.

Then I witnessed the shock of my 40 years in this business: 30-day U.S. Treasury bills traded at a negative discount (yield). Investors actually paid more than par (100.00) for a security with a total maturity value of only par. Similarly, broker-dealers were executing short-term repurchase agreements at negative rates. Investors have actually paid the Treasury or brokers to hold their funds, just to show a safe, secure investment in the portfolio.

A large part of this market “irrationality” is attributable to geo-political disruptions such as Ukraine/Russia and ISIS. International investment funds are seeking safe harbor in US dollar denominated vehicles, particularly those bearing the U.S. “full faith & credit”. Of course, another contributor to these rate anomalies is the overly accommodative monetary policy stance of the U.S. Federal Reserve, and now international bodies such as the European Central Bank.

When the portfolio manager responsible for funds held under fiscal responsibility (e.g., public, taxpayer funds) thinks the investment universe cannot get more difficult, it does. With Treasury bills and repo’s trading at negative rates, even the 0.03% yield of CAT looks attractive, and the argument for utilizing FICA, with its full FDIC coverage, is irrefutable. Perhaps even more distressing is the realization that this environment is going to prevail for a while. The next move in rates must be an increase, but that is not imminent. I said rates could not get worse than zero, and then they did.

10/06/14

*Bob Ross
Joan Alexander*

COST AMOUNT SUMMARY OF INVESTMENTS BY FUNDS

General Fund
TexPool

\$ 2,351,735.26

Total Cost of all funds invested for the month of September 2014 \$ 2,351,735.26

Book Value is the same because all investments are with TexPool and the Share Price is maintained at \$1.00

TEXPOOL QUARTER ENDING 09/30/2014 ACTIVITY REPORT

FUND 1 - POOLED FUND GROUP

DATE	DESC.	GENERAL FUND	EXPO. COMPLEX	TOTAL
06/30/14	June Balance	\$ 2,351,537.88	\$ -	\$ 2,351,537.88
07/31/14	July Interest	\$ 62.47	\$ -	\$ 62.47
07/31/14	July Balance	\$ 2,351,600.35	\$ -	\$ 2,351,600.35
08/31/14	August Interest	\$ 70.54	\$ -	\$ 70.54
08/31/14	August Balance	\$ 2,351,670.89	\$ -	\$ 2,351,670.89
09/30/14	September Interest	\$ 64.37	\$ -	\$ 64.37
09/30/14	September Balance	\$ 2,351,735.26	\$ -	\$ 2,351,735.26

INVESTMENTS BY FUND GROUP AND STRATEGY TYPE

FUND 1 - POOLED FUND GROUP		
General Fund		\$ 2,351,735.26
Health Endowment Fund		\$ -
State Lateral Road		\$ -
Courthouse Security		\$ -
Strategy Type:	OPERATING FUNDS	\$ 2,351,735.26
General Obligation Debt Svc.		\$ -
Strategy Type:	DEBT SERVICE FUNDS	\$ -
General Permanent Impv.		\$ -
Exposition Center Fund		\$ -
Strategy Type:	SPECIAL PROJ. & PERM. IMPV. DEBT	\$ -
	Fund 1 - Group Total	\$ 2,351,735.26

BOOK VALUE OF ALL INVESTED FUNDS AS OF SEPTEMBER 2014 \$ 2,351,735.26