



Laura Taylor Davis  
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DATE: April 21, 2015

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 03/31/2015 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 0.0467% on the quarterly *average balance* of \$2,352,105.24 invested with TexPool for the period ending 03/31/2015. Investment interest deposited during the quarter was \$268.31. Total year to date interest deposited was \$460.42. Actual ending balance invested at 03/31/2015 was \$2,352,195.68.

The average rate of interest earned on the depository checking account balances for the quarter ending 03/31/2015 was 0.25% netting \$63,440.99 for the quarter end on an *average depository investable balance* of \$103,100,266.11. Total year to date interest earned was \$108,375.49

Total interest earned for quarter ending 03/31/2015 was \$63,709.30 for a total year- to - date of balance of \$108,835.91.

### **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. With the Brazos County depository contract Brazos County earns a fixed rate of 0.25% on the funds held in the checking accounts for the term of the contract.

As a source of information on the market and the position of the Brazos County Investment Strategy, attached to this report is a copy of the 04/06/2015 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 Branch Banking & Trust.

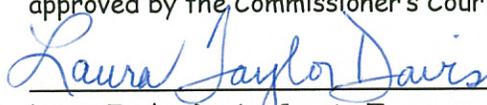
**FY 2015 INTEREST RATES AND EARNINGS BY MONTH**

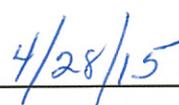
	TexPool Interest	Interest Rate	Cking Acct Interest	Earnings Credit Rate
October 2014	53.46	0.0300	14,996.89	0.2500
November 2014	55.17	0.0300	14,394.82	0.2500
December 2014	83.48	0.0400	15,542.79	0.2500
<b>Q/E 12/31/2014</b>	<b>192.11</b>	<b>0.0333</b>	<b>44,934.50</b>	<b>0.2500</b>
January 2015	92.88	0.0500	20,689.36	0.2500
February 2015	79.54	0.0400	20,836.14	0.2500
March 2015	95.89	0.0500	21,915.49	0.2500
<b>Q/E 03/31/2015</b>	<b>268.31</b>	<b>0.0467</b>	<b>63,440.99</b>	<b>0.2500</b>

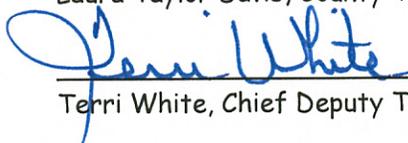
Attached are the following reports:

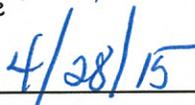
- 1) Cost Amount Summary of Investments by Fund
- 2) TexPool Quarter End Activity Report
- 3) Investments by Fund Group and Strategy Type

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

**COST AMOUNT SUMMARY OF INVESTMENTS BY FUNDS**

General Fund  
TexPool

\$ 2,352,195.68

Total Cost of all funds invested for the month of March 2015 \$ 2,352,195.68

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

**TEXPOOL QUARTER ENDING 03/31/2015 ACTIVITY REPORT**

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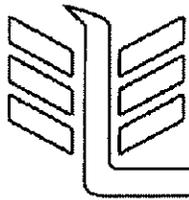
**FUND 1 - POOLED FUND GROUP**

<b>DATE</b>	<b>DESC.</b>	<b>GENERAL FUND</b>	<b>EXPO. COMPLEX</b>	<b>TOTAL</b>
12/31/14	<b>December Balance</b>	\$ 2,351,927.37	\$ -	\$ 2,351,927.37
01/31/15	January Interest	\$ 92.88	\$ -	\$ 92.88
01/31/15	<b>January Balance</b>	\$ 2,352,020.25	\$ -	\$ 2,352,020.25
02/28/15	February Interest	\$ 79.54	\$ -	\$ 79.54
02/28/15	<b>February Balance</b>	\$ 2,352,099.79	\$ -	\$ 2,352,099.79
03/31/15	March Interest	\$ 95.89	\$ -	\$ 95.89
03/31/15	<b>March Balance</b>	\$ 2,352,195.68	\$ -	\$ 2,352,195.68

**INVESTMENTS BY FUND GROUP AND STRATEGY TYPE**

<b><u>FUND 1 - POOLED FUND GROUP</u></b>		
General Fund		\$ 2,352,195.68
Health Endowment Fund		\$ -
State Lateral Road		\$ -
Courthouse Security		\$ -
<b>Strategy Type:</b>	<b>OPERATING FUNDS</b>	<b>\$ 2,352,195.68</b>
General Obligation Debt Svc.		\$ -
<b>Strategy Type:</b>	<b>DEBT SERVICE FUNDS</b>	<b>\$ -</b>
General Permanent Impv.		\$ -
Exposition Center Fund		\$ -
<b>Strategy Type:</b>	<b>SPECIAL PROJ. &amp; PERM.IMPV.DEBT</b>	<b>\$ -</b>
<b>Fund 1 - Group Total</b>		<b>\$ 2,352,195.68</b>

**BOOK VALUE OF ALL INVESTED FUNDS AS OF MARCH 2015**                      **\$ 2,352,195.68**



# FUNDS MANAGEMENT

GROUP, INC.

4617 Montrose Blvd, Suite C202 \* Houston, Texas 77006\* (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 **
04/03/15	0.03%	0.020%	0.017%	0.105%	0.537%	0.114%	0.256%
03/27/15	0.03%	0.004%	0.024%	0.114%	0.589%	0.117%	0.151%
03/20/15	0.03%	0.012%	0.024%	0.123%	0.615%	0.116%	0.175%
03/13/15	0.03%	0.016%	0.017%	0.100%	0.677%	0.116%	0.166%
<b>AVERAGE</b>	<b>0.03%</b>	<b>0.013%</b>	<b>0.021%</b>	<b>0.111%</b>	<b>0.605%</b>	<b>0.116%</b>	<b>0.187%</b>

\* 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

### “FED RATE HIKES – WHEN, HOW MUCH?”

Even Federal Reserve officials themselves now concur that the next move in short-term interest rates is an increase (or a series of hikes). The only matter of debate among policy analysts is the timing of implementation. Some prognosticate a hike in the Fed funds target of 0.25% by the FOMC as early as their June meeting. The other more “dovish” extreme projects no moves until 2016. The only certainty is that Fed “tightening” will be gradual – both in timing and amounts.

The most recent non-farm payrolls data reinforced the expectation of gradualism, showing a gain of only 126,000, roughly half of what had been expected. Simultaneously, inflation continues to post annualized rates below the Fed’s “target” of 2%.

We can only conclude that while we are at the bottom of this interest rate cycle, movement to higher rates will be gradual and protracted. Fixed-income portfolio managers will remain challenged, with totally inadequate rewards for maturity extension. This is particularly applicable and painful for liquidity portfolio managers such as public funds. Investing the proceeds of a bond sale in this rate environment for example, is at best challenging. Six month Treasury bills yield only 0.097% today, while the two year note generates only 0.51%.

With the expectation of rising overnight rates – however gradual and protracted – the option of a vehicle such as FICA (our FDIC insured deposit program) with a current yield of 0.13% (for deposits up to \$15,000,000) and assured liquidity, seems a most prudent option. Staying “short” and liquid is imperative in anticipation of rising rates, but minimizing the pain of that prudence remains a challenge.

4/09/15

*Bob Ross*  
*Joan Alexander*