



Laura Taylor Davis
Brazos County Treasurer
ldavis@co.brazos.tx.us

200 S. Texas Avenue, Ste 240
Bryan, Texas 77803
Tel: 979-361-4345

DATE: 01/25/2016

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 12/31/2015 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 0.1335% on the quarterly *average balance* of \$2,353,411.46 invested with TexPool for the period ending 12/31/2015. Investment interest deposited during the quarter was \$779.08. Actual ending balance invested at 12/31/2015 was \$2,353,730.96.

The average rate of interest earned on the depository checking account balances for the quarter ending 12/31/2015 was 0.25% netting \$50,514.59 for the quarter end on an *average depository investable balance* of \$80,157,073.84.

Total interest earned for quarter ending 12/31/2015 was \$51,293.67.

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, attached to this report is a copy of the 12/31/2015 Funds Management Group, Inc. - Money Market Rate Review and commentary. As stated in this review the overnight Fed funds rate was raised for the first time almost a decade from 0.00% - 0.25% up to 0.25% - 0.50%. With this increase, and future ones expected, there may be opportunities in the near future for the County to look at investing in other investment instruments allowed by the County's Investment Policy in order to broaden diversification and gain higher yield.

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 2016 INTEREST RATES AND EARNINGS BY MONTH

	TexPool Interest	Interest Rate	Cking Acct Interest	Interest Rate
October 2015	193.02	0.1000	16,661.57	0.2500
November 2015	213.62	0.1105	16,330.49	0.2500
December 2015	372.44	0.1900	17,522.53	0.2500
Q/E 12/31/2015	779.08	0.1335	50,514.59	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

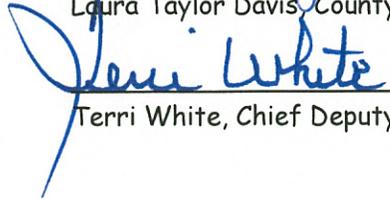
To the best of our knowledge the investment portfolio in this report conforms in all respects to the Investment Policy of Brazos County and is being managed under the investment strategy of said policy as approved by the Commissioner's Court of Brazos County.



 Laura Taylor Davis, County Treasurer, CIO

1/26/16

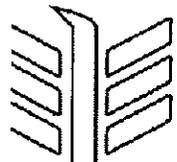
 Date



 Terri White, Chief Deputy Treasurer, CIO

01/26/2016

 Date



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 **
12/25/15	0.11%	0.148%	0.190%	0.463%	0.981%	0.210%	0.316%
12/18/15	0.07%	0.157%	0.220%	0.486%	0.971%	0.210%	0.316%
12/11/15	0.04%	0.159%	0.242%	0.532%	0.921%	0.134%	0.244%
12/04/15	0.04%	0.163%	0.200%	0.429%	0.934%	0.120%	0.204%
AVERAGE	0.07%	0.157%	0.213%	0.478%	0.952%	0.169%	0.270%

* 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

“THE FED FINALLY HIKES SHORT RATES”

At its most recent meeting, the FOMC increased – for the first time in almost a decade – the target for the overnight Fed funds rate. They moved it up 0.25%, from 0.00% - 0.25% up to 0.25% - 0.50%. More importantly, the Fed stressed that this unanimously approved move by the committee was not a “one & done” deal, and projected four more quarter point hikes in 2016 and another four in 2017. This projects year-end targets of 1.375% for 2016, 2.375% for 2017 and 3.25% for 2018. Their “long-run” projection for a “normal” Fed funds rate remains at 3.50%

All future rate moves depend, of course, on economic fundamentals remaining on a “positive”, sustainable growth path, which we and the Fed currently view as unthreatened. The immediate result of this move is that liquidity portfolio managers can now expect more than 0% earnings and can budget further enhancements for 2016 and 2017.

Our SEC registered and regulated money market fund, Cash Account Trust, has already “jumped” to a seven day moving average rate of 0.13%. FICA, the FDIC insured deposit program will announce a rate increase effective 1/1/16 – which we expect to be 5 basis points (0.05%).

While the Local Government Investment Pools (e.g. TEXPOOL) have also posted even higher rate increases, we emphasize our now 25 year old caveat: Pools can and should pay higher rates because of the risk/reward factor. LGIP’s operate totally outside the purview of any regulatory supervision; there is no comfort of oversight and compliance by the SEC, the Fed, or the FDIC. Regulatory oversight and registration bears a cost that POOL’s do not bear – but it provides immeasurable risk protection to investor funds, particularly tax-payer funds in the public sector.

12/30/15

Bob Ross
Joan Alexander

TEXPOOL QUARTER ENDING 12/31/2015 ACTIVITY REPORT

FUND 1 - POOLED FUND GROUP

DATE	DESC.	GENERAL FUND		TOTAL
09/30/15	BALANCE	\$ 2,352,951.88	\$ -	\$ 2,352,951.88
10/31/15	October Interest	\$ 193.02	\$ -	\$ 193.02
10/31/15	October Balance	\$ 2,353,144.90	\$ -	\$ 2,353,144.90
11/30/15	November Interest	\$ 213.62	\$ -	\$ 213.62
11/30/15	November Balance	\$ 2,353,358.52	\$ -	\$ 2,353,358.52
12/31/15	December Interest	\$ 372.44	\$ -	\$ 372.44
12/31/15	December Balance	\$ 2,353,730.96	\$ -	\$ 2,353,730.96

INVESTMENTS BY FUND GROUP AND STRATEGY TYPE

FUND 1 - POOLED FUND GROUP		
General Fund		\$ 2,353,730.96
Health Endowment Fund		\$ -
State Lateral Road		\$ -
Courthouse Security		\$ -
Strategy Type:	OPERATING FUNDS	\$ 2,353,730.96
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		
		\$ 2,353,730.96

BOOK VALUE OF ALL INVESTED FUNDS AS OF Q/E 12-31-2015 \$ 2,353,730.96