

City of DeSoto QUARTERLY INVESTMENT REPORT

For the Quarter Ended

March 31, 2013

Prepared by Valley View Consulting, L.L.C.

The investment portfolio of the City of DeSoto is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.

Managing Director of Vinancial Services

Accounting Manager

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 Valley View Consulting, L.L.C. 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.

⊘ity Manager

Strategy Summary:

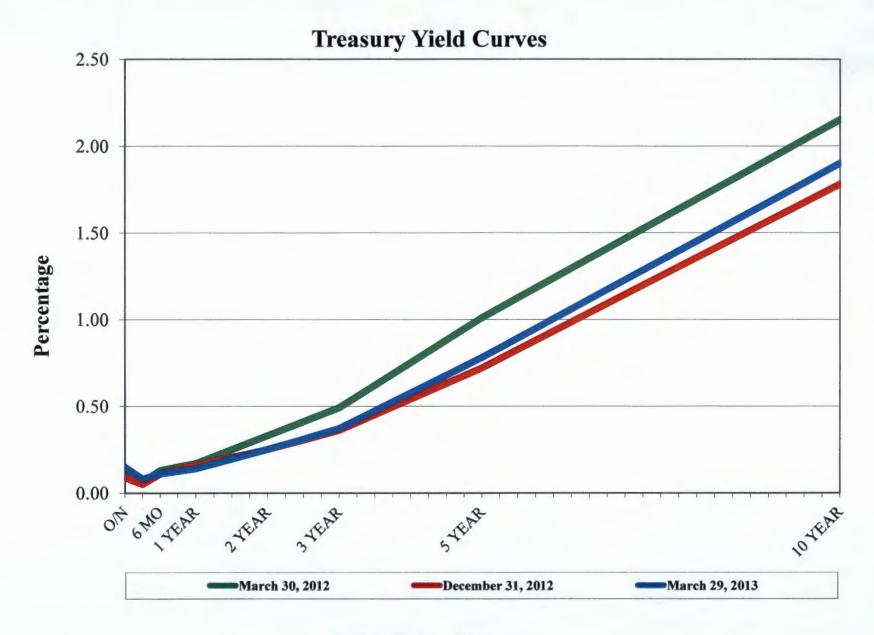
The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds are trading +/-15 bps). The FOMC continued monthly easing operations with the objectives of unemployment below 6.5% and inflation less than 2.0%. The Federal budget, deficit and debt ceiling are in various stages of temporary resolution. The European credit crisis gained headlines as Cyprus nearly collapsed. Domestic employment growth is erratic but modestly positive. Overall economic activity remains low to moderate. The US stock markets reached new highs. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

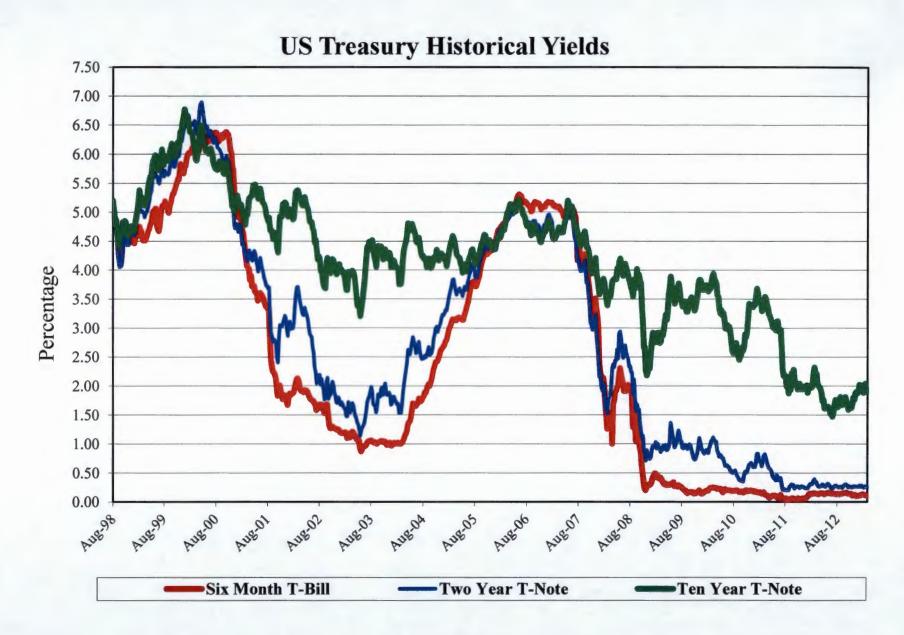
Quarter End Results by Investment Category:

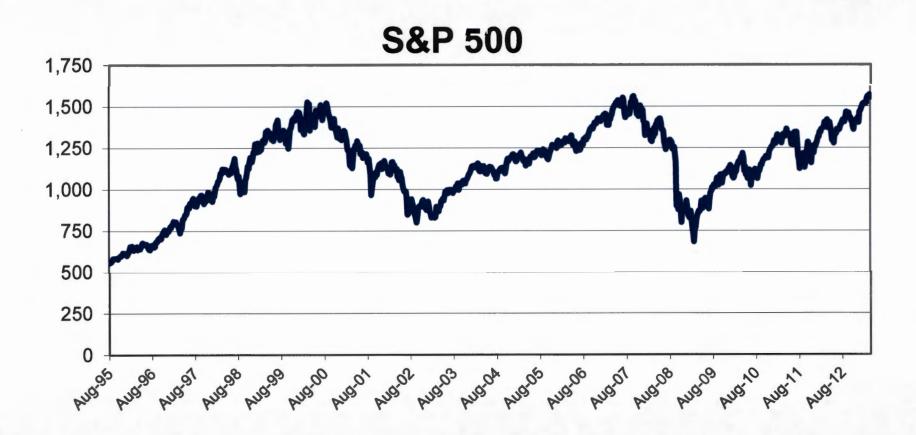
quarter Erra recourts by invest	illone outo;	90.,	March	31	2013	December 31, 2012						
Asset Type	Ave. Yiel	d	Book Value	,	Market Value		Book Value	CI	Market Value			
DDA	0.00%	_ ;	\$ 500,000	\$	500,000	\$	500,000	\$	500,000			
MMA/NOW/Pools	0.23%		30,204,001		30,204,001		37,978,621		37,978,621			
CDs/Securities	0.41%		17,022,625		17,022,625		9,012,742		9,012,742			
Totals			\$ 47,726,626	\$	47,726,626	\$	47,491,363	\$	47,491,363			
Average Yield (1) Total Portfolio	0.30%			Fisc	cal Year-to-Date		Total Portfolio		0.30%			
Rolling Three Mo. Treas. Yield	0.09%				•		lo. Treas. Yield		0.09%			
Rolling Six Mo. Treas. Yield	0.13%				•		o. Treas. Yield TexPool Yield		0.13% 0.13%			
Quarterly Interest Income Year-to-date Interest Income			Approximate Approximate			•						

⁽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.





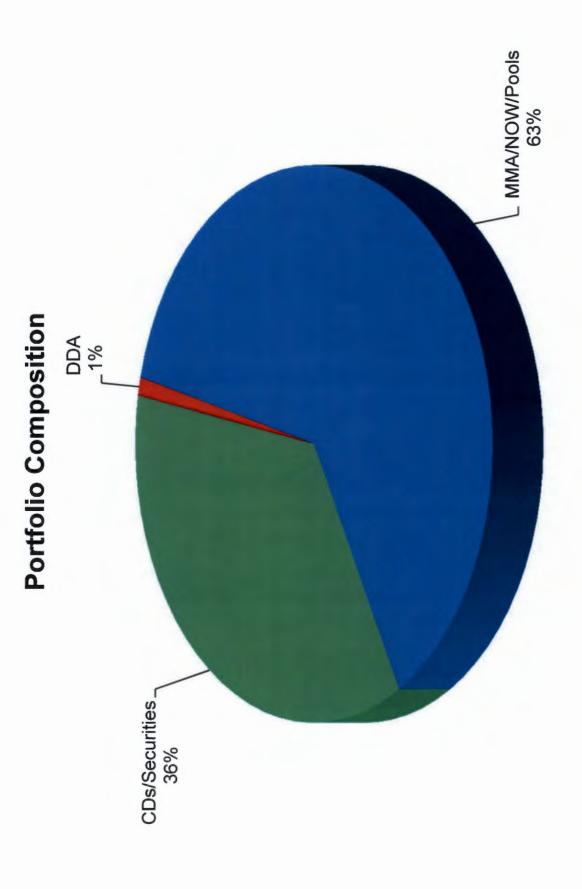


Detail of Investment Holdings March 31, 2013

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	04/01/13	03/31/13	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.30%	04/01/13	03/31/13	12,440,391	12,440,391	1	12,440,391	1	0.30%
Southside Bank MMA		0.26%	04/01/13	03/31/13	4,008,859	4,008,859	1	4,008,859	1	0.26%
Texas Class	AAAm	0.17%	04/01/13	03/31/13	12,590,537	12,590,537	1	12,590,537	1	0.17%
TexPool	AAAm	0.10%	04/01/13	03/31/13	1,164,213	1,164,213	1	1,164,213	1	0.10%
Comerica CD		0.49%	06/03/13	07/02/12	3,000,000	3,000,000	100	3,000,000	64	0.49%
Comerica CD		0.54%	09/03/13	07/02/12	3,010,758	3,010,758	100	3,010,758	156	0.54%
Comerica CD		0.39%	10/22/13	10/22/12	1,001,614	1,001,614	100	1,001,614	205	0.39%
Comerica CD		0.27%	02/06/14	02/06/13	2,000,414	2,000,414	100	2,000,414	312	0.27%
Comerica CD		0.28%	03/07/14	03/07/13	2,000,430	2,000,430	100	2,000,430	341	0.28%
Comerica CD		0.29%	04/07/14	04/07/13	2,000,445	2,000,445	100	2,000,445	372	0.29%
Comerica CD		0.30%	05/07/14	05/07/13	2,000,460	2,000,460	100	2,000,460	402	0.30%
Comerica CD		0.64%	06/02/14	07/02/12	2,008,503	2,008,503	100	2,008,503	428	0.64%
					\$ 47,726,626	\$ 47,726,626		\$ 47,726,626	97	0.30%
							-		(1)	(2)

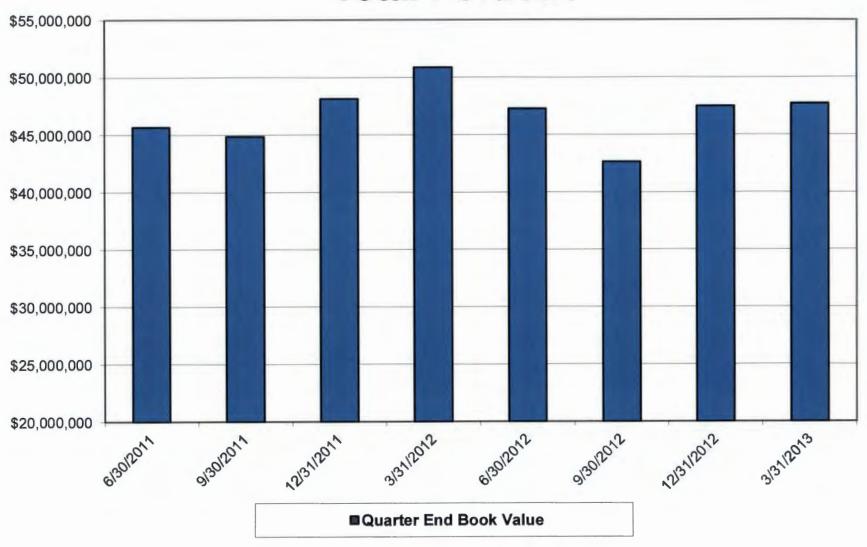
⁽¹⁾ Weighted average life - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

⁽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 accounts, pools and money market funds.



Valley View Consulting, L.L.C.

Total Portfolio



Book Value Comparison

			December 31, 2012				March 31, 2013						
Description	Coupon/ Discount	Maturity Date	Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	Par Value	Book Value					
Wells Fargo DDA	0.00%	04/01/13	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000					
Wells Fargo MMA	0.30%	04/01/13	15,255,823	15,255,823		(2,815,432)	12,440,391	12,440,391					
Southside Bank MMA	0.36%	04/01/13	4,006,311	4,006,311	2,549		4,008,859	4,008,859					
Texas Class	0.17%	04/01/13	16,584,332	16,584,332		(3,993,795)	12,590,537	12,590,537					
TexPool	0.10%	04/01/13	2,132,156	2,132,156		(967,943)	1,164,213	1,164,213					
Comerica CD	0.49%	06/03/13	3,000,000	3,000,000	-		3,000,000	3,000,000					
Comerica CD	0.54%	09/03/13	3,006,753	3,006,753	4,005		3,010,758	3,010,758					
Comerica CD	0.39%	10/22/13	1,000,652	1,000,652	963		1,001,614	1,001,614					
Comerica CD	0.27%	02/06/14			2,000,414		2,000,414	2,000,414					
Comerica CD	0.28%	03/07/14			2,000,430		2,000,430	2,000,430					
Comerica CD	0.29%	04/07/14			2,000,445		2,000,445	2,000,445					
Comerica CD	0.30%	05/07/14			2,000,460		2,000,460	2,000,460					
Comerica CD	0.64%	06/02/14	2,005,337	2,005,337	3,166		2,008,503	2,008,503					
TOTAL			\$ 47,491,363	\$ 47,491,363	\$ 8,012,432	\$ (7,777,169)	\$ 47,726,626	\$ 47,726,626					

Market Value Comparison

	•		Decembe	r 31, 2012		March	31, 2013
	Coupon/	Maturity			Qtr to Qtr		
Description	Discount	Date	Par Value	Market Value	Change	Par Value	Market Value
Wells Fargo DDA	0.00%	04/01/13	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.30%	04/01/13	15,255,823	15,255,823	(2,815,432)	12,440,391	12,440,391
Southside Bank MMA	0.36%	04/01/13	4,006,311	4,006,311	2,549	4,008,859	4,008,859
Texas Class	0.17%	04/01/13	16,584,332	16,584,332	(3,993,795)	12,590,537	12,590,537
TexPool	0.10%	04/01/13	2,132,156	2,132,156	(967,943)	1,164,213	1,164,213
Comerica CD	0.49%	06/03/13	3,000,000	3,000,000	-	3,000,000	3,000,000
Comerica CD	0.54%	09/03/13	3,006,753	3,006,753	4,005	3,010,758	3,010,758
Comerica CD	0.39%	10/22/13	1,000,652	1,000,652	963	1,001,614	1,001,614
Comerica CD	0.27%	02/06/14			2,000,414	2,000,414	2,000,414
Comerica CD	0.28%	03/07/14			2,000,430	2,000,430	2,000,430
Comerica CD	0.29%	04/07/14			2,000,445	2,000,445	2,000,445
Comerica CD	0.30%	05/07/14			2,000,460	2,000,460	2,000,460
Comerica CD	0.64%	06/02/14	2,005,337	2,005,337	3,166	2,008,503	2,008,503
TOTAL			\$ 47,491,363	\$ 47,491,363	\$ 235,263	\$ 47,726,626	\$ 47,726,626

Allocation March 31, 2013

Book and Market Value	Totals	We	ells Fargo DDA	W	Vells Fargo MMA	Soi	uthside Bank MMA	Te	exas Class	TexPool	
Concentration Fund	\$ 39,785,789	\$	500,000	\$	12,440,391	\$	3,007,497	\$	5,693,521	\$ 1,121,756	
2006 Drainage Improvements	50,340								50,340		
2007 Street Improvements	369,193								369,193		
2008 Street Improvements	305,102								305,102		
2009 Street Improvements	3,313,820								3,313,820		
2009 Water CIP CO	1,648,422						1,001,363		647,059		
2011A Heliport CO	50,229								50,229		
2011B CO - Water CIP	2,010,316								2,010,316		
Corner Theatre - 2011	150,958								150,958		
DPDC Bonds	8,029									8,029	
Health Facilities Corporation	13,075									13,075	
Industrial Development Board	21,355									21,355	
Investment Total	\$ 47,726,626	\$	500,000	\$	12,440,391	\$	4,008,859	\$	12,590,537	\$1,164,213	

Allocation March 31, 2013

Book and Market Value	Co	omerica CD 6/3/13	Co	omerica CD 9/3/13	omerica CD 10/22/13	Co	omerica CD 2/6/14	Co	omerica CD 3/7/14	Comerica CD 4/7/14		Comerica CD 5/7/14		Comerica CD 6/2/14	
Concentration Fund 2006 Drainage Improvements 2007 Street Improvements 2008 Street Improvements 2009 Street Improvements 2009 Water CIP CO 2011A Heliport CO 2011B CO - Water CIP Corner Theatre - 2011 DPDC Bonds Health Facilities Corporation Industrial Development Board	\$	3,000,000	\$	3,010,758	\$ 1,001,614	\$	2,000,414	\$	2,000,430	\$	2,000,445	\$	2,000,460	\$	2,008,503
Investment Total	\$	3,000,000	\$	3,010,758	\$ 1,001,614	\$	2,000,414	\$	2,000,430	\$	2,000,445	\$	2,000,460	\$	2,008,503

Allocation December 31, 2012

Book and Market Value	Totals	We	ells Fargo DDA	۷	Vells Fargo MMA	So	uthside Bank MMA	Te	exas Class	TexPool
Concentration Fund 2006 Drainage Improvements	\$ 34,404,942 1,050,135	\$	500,000	\$	15,255,823	\$	3,005,585	\$	4,541,088 1,050,135	\$ 2,089,705
2007 Street Improvements	1,668,790								1,668,790	
2008 Street Improvements 2009 Street Improvements	304,970 3,012,455								304,970 3,012,455	
2009 Water CIP CO 2011A Heliport CO	3,647,269 50,207						1,000,726		2,646,543 50,207	
2011B CO - Water CIP	3,009,268								3,009,268	
Corner Theatre - 2011 DPDC Bonds	300,875 8,027								300,875	8,027
Health Facilities Corporation Industrial Development Board	13,073 21,351									13,073 21,351
industrial Development Board										 ·
Investment Total	\$ 47,491,363	\$	500,000	\$	15,255,823	\$	4,006,311	\$	16,584,332	\$ 2,132,156

Allocation December 31, 2012

Book and Market Value	Co	merica CD 6/3/13	Co	omerica CD 9/3/13	Co	merica CD 10/22/13	Comerica CD 6/2/14			
Concentration Fund 2006 Drainage Improvements 2007 Street Improvements 2008 Street Improvements 2009 Street Improvements 2009 Water CIP CO 2011A Heliport CO 2011B CO - Water CIP Corner Theatre - 2011 DPDC Bonds Health Facilities Corporation Industrial Development Board	\$	3,000,000	\$	3,006,753	\$	1,000,652	\$	2,005,337		
Investment Total	\$	3,000,000	\$	3,006,753	\$	1,000,652	\$	2,005,337		



April 5, 2013

There has been some movement in Washington D.C. towards negotiating a budget, but we are probably several months away from the "Grand Bargain" that will complete the deal. Both the House of Representatives and the Senate have voted out their own versions of a budget, but many discrepancies remain between the documents. It is now in the hands of various committees to iron out the differences in a way that will achieve a majority agreement. Some of the forced government cuts due to the "sequester" have been averted by recent Legislative actions, but until a budget is consummated, these may only be temporary reprieves. Despite any concerns over Washington's ability to reach agreement, the markets have signaled that the economic recovery will not be denied. Many of the economic releases during March were encouraging and the equity markets, measured by the S&P 500 and the DOW, reacted by reaching all-time highs. But just when we began to feel somewhat secure, the employment figures for March took some of the wind out of the economic sails.

The U.S. Housing Sector experienced positive results in reports issued in March. Existing Home Sales rose slightly, and lack of supply continues to contain growth. Supply of existing homes for sale in February rose to 4.7 months following 4.3 months in January and 4.5 months in December, but historically the average supply of existing homes is 6 months. New Home Sales slipped a bit in February after rising 15% in January. Housing Starts rose in February and are 27.7% higher than the same period last year. Housing Permits rose 1.4% and provides optimism that the spring/summer will continue to see growth in this sector. The median prices of new homes rose again in February. All reporting sources

(S&P Case-Shiller, FHFA) **National** and the Association of Realtors) showed continued improvement in home values nationwide. Another potential boon to market housing involves consumers that lost their homes during the recession. Over 7 million mortgage holders lost their homes due to foreclosure since 2007 and the FHA will not consider mortgages for these households until three years after their filing of foreclosure.

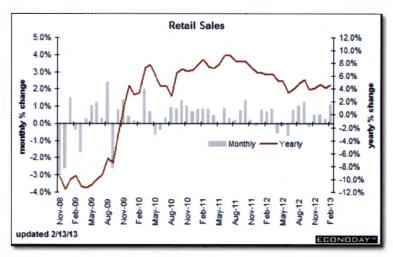


There are now 1 million households that are beyond this waiting period and another 2 million will be eligible in 2014. Surveys show that many of these have rehabilitated their credit scores enough to enable them to purchase a home. This represents a strong pent up demand for the future. One by-product of the housing recovery is that both the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), the U.S. Agencies that went into receivership, posted net income of \$28.2 billion in 2012 – the most profitable year in their history. Most of these profits will go to the U.S. Treasury.

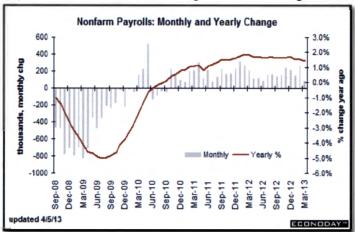
The production side of the economy was positive in reports released in March. The final report for Gross Domestic Product (GDP) fourth quarter was revised upward to 0.4% from the disturbing negative 0.1% that was previously reported. Industrial Production rose during February after a flat January. Durable Goods Orders reported a significant rise of 5.7% in February. Business Inventories rose during January

and represents an increase in automobile inventory to address a phenomenal increase in demand for cars. This demand for new cars has reached its highest point since the "Cash for Clunkers" initiative in 2009. Purchasing managers in both the manufacturing and the service industries turned slightly less optimistic during March, and cited their worries about declines in government spending. The Producer Price Index rose 0.7% in February following a rise of 0.2% in January and the Consumer Price Index rose 0.7% after a 0% change in January.

On the consumption side of the economic equation, there were also strong results. Retail Sales rose 1.1% in February after rising 0.2% in January, and demonstrated a large auto component. Personal Spending in February reported the highest results in five years. The markets were expecting consumers dramatically curtail their spending once paychecks declined due to payroll tax increases that kicked off in January, but so far Retail Sales have not shown much effect. Consumer Sentiment rose in March Consumer Confidence slipped.



The March Employment report was a negative surprise, adding only 88,000 jobs compared to the market expectations of +193,000. Taking some of the edge off the negative surprise, February's very positive



results were revised even higher to 268,000 versus the previously reported 236,000, and January was adjusted upward to 148,000 jobs versus the previously reported 119,000. The private sector continues to show strong growth trends, adding 95,000 jobs, but the government sector continues negative trend, losing 7,000 jobs. Expectations are for the government sector to have increased future declines of sequester. Unemployment Rate fell to 7.6% in March compared with 7.7% in February. We are in the twenty-ninth straight month of job creation.

The Federal Open Markets Committee met on March 19th and 20th and retained most of the language in their press release unchanged. One curious addition was that their "fiscal policy has become somewhat more restrictive". Markets speculated that this was the first sign that the Fed sees the tide turning and the end to their stimulating activities. In his press conference, Chairman Bernanke stated that the Fed sees the economy returning to moderate growth after a pause in the fourth quarter of 2012. When questioned, he stated that the Fed will consider raising rates when the unemployment rate falls to 6.5%, but that such a target is a "signpost and not a trigger".

Current Government Security Investment Pool rates bounced between 0.08% and 0.12% during March, similar to February results. Certificates of Deposit rates have fallen to around 0.30% to 0.40% for one-year collateralized positions, which are lower than the 0.45% to 0.50% during the summer. CDs still represent the best value for public fund investors. U.S. Agency offerings are coming closer to competing with CDs, but mostly for callable structures. Strategy for public funds should continue to favor CDs.

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