

Port of Houston Authority Investment Report



For the Quarter Ended
June 30, 2012

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Distribution

Commissioners (7)

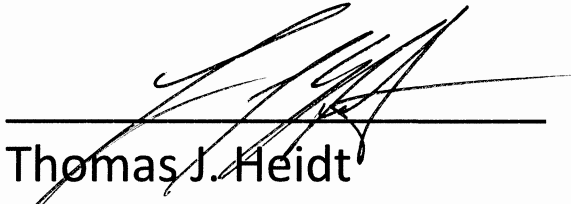
L. Waterworth

T. Heidt

Controller (3)

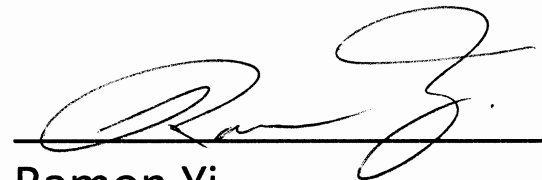
Certification

The undersigned have prepared this report for the Port of Houston Authority (the “Authority”) and certify that investment transactions entered into during the quarter ended June 30, 2012 were made in compliance with Chapter 2256 of the Texas Government Code (the “Public Funds Investment Act” or “PFIA”) and our Investment Policy guidelines. The report includes the disclosures required by the Policy and the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.



Thomas J. Heidt

VP, Finance and Administration



Ramon Yi

Senior Director, Finance

Executive Summary

- The Port continues to follow a conservative investment strategy, with the following objectives, in order of priority
 - Preservation and safety of principal
 - Liquidity
 - Yield
- Total Cash and Investments* at June 30, 2012
 - General Funds:
 - Operating \$ 327.1 Million
 - Promotion & Development \$ 4.2
 - Debt Service \$ 31.1
 - General Obligation Bond Funds:
 - Construction Fund \$ 51.7
 - Total

\$ 414.1 Million

* Includes cash in regular bank accounts, which is not considered part of the investment portfolio

Executive Summary (cont.)

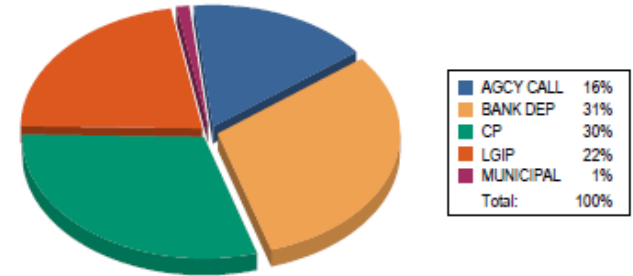
Account Summary

As of 03/31/12

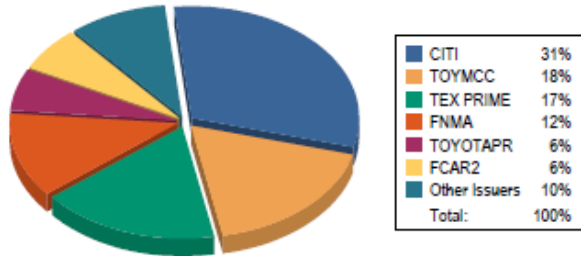
As of 06/30/12

Par Value	408,649,608.25	406,604,186.58
Market Value	408,390,413.25	406,597,728.58
Book Value	408,353,052.50	406,277,801.59
Unrealized Gain / (Loss)	37,360.75	319,926.99
Market Value %	99.94%	100.00%
Weighted Avg. YTW	0.440%	0.538%
Weighted Avg. YTM	0.440%	0.538%

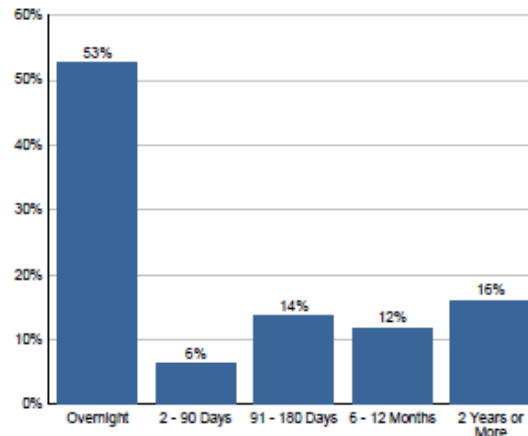
Allocation by Security Type



Allocation by Issuer

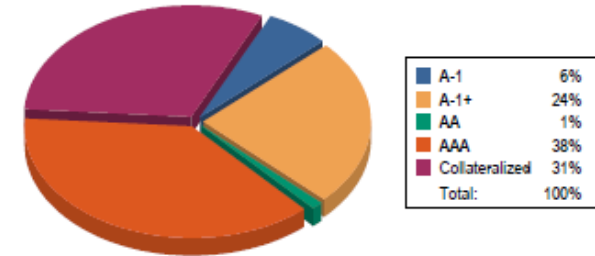


Maturity Distribution %



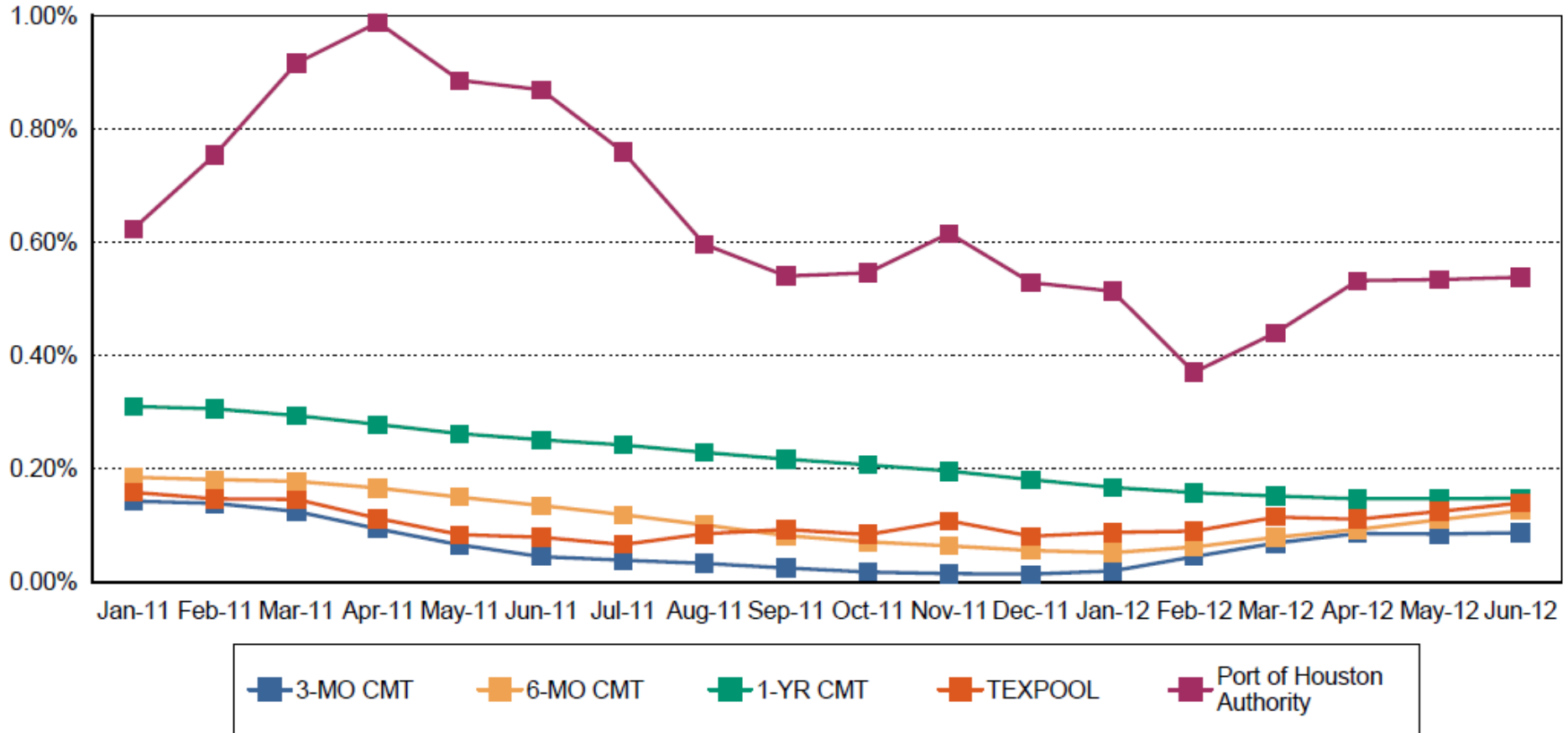
Weighted Average Days to Maturity: 268

Credit Quality



Executive Summary (cont.)

Yield on Investments



Note 1: CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.

Detail of Investment Holdings

As of June 30, 2012

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
Debt Service Fund																	
CB-PORHOU		BANK DEP	Citibank					31,036,968.93	100.000	31,036,968.93	31,036,968.93	100.000	31,036,968.93	1	1	0.430	0.430
Total for General Obligation Fund								31,036,968.93	100.000	31,036,968.93	31,036,968.93	100.000	31,036,968.93	1	1	0.430	0.430
General Fund																	
CB-PORHOU		BANK DEP	Citibank					94,369,551.41	100.000	94,369,551.41	94,369,551.41	100.000	94,369,551.41	1	1	0.430	0.430
TEXPRIME		LGIP	TexPool Prime					69,655,952.30	100.000	69,655,952.30	69,655,952.30	100.000	69,655,952.30	1	1	0.166	0.166
TEXSTAR		LGIP	TexSTAR					18,791,713.94	100.000	18,791,713.94	18,791,713.94	100.000	18,791,713.94	1	1	0.138	0.138
8923A0JD6	02/21/12	CP - DISC	Toyota Credit PR		09/13/12			25,000,000.00	99.727	24,931,666.67	24,975,333.25	99.958	24,989,575.00	75	75	0.481	0.481
64966HMM9	10/15/09	MUNICIPAL	New York City, NY	2.045	10/01/12	Anytime	CONT	5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.406	5,020,315.00	93	5	2.045	2.045
89233GLD6	02/17/12	CP - DISC	Toyota Mtr Cr		11/13/12			25,000,000.00	99.513	24,878,125.00	24,939,062.50	99.894	24,973,550.00	136	136	0.653	0.653
3024A6LE0	03/01/12	CP - DISC	FCAR Owner Trust II		11/14/12			25,000,000.00	99.549	24,887,125.00	24,940,500.00	99.893	24,973,350.00	137	137	0.633	0.633
89233GP42	05/10/12	CP - DISC	Toyota Mtr Cr		02/04/13			22,750,000.00	99.558	22,649,331.25	22,668,719.26	99.769	22,697,402.00	219	219	0.593	0.593
89233GPB6	05/17/12	CP - DISC	Toyota Mtr Cr		02/11/13			25,000,000.00	99.520	24,880,000.00	24,900,000.00	99.761	24,940,350.00	226	226	0.643	0.643
3136FTY37	03/14/12	AGCY CALL	FNMA	1.000	03/14/16	09/14/12	QRTLY	50,000,000.00	100.000	50,000,000.00	50,000,000.00	100.130	50,065,000.00	1,353	76	1.000	1.000
313378TU5	04/11/12	AGCY CALL	FHLB	1.115	04/11/16	04/11/13	QRTLY	15,000,000.00	100.000	15,000,000.00	15,000,000.00	100.560	15,084,000.00	1,381	285	1.115	1.115
Total for General Fund								375,567,217.65	99.861	375,043,465.57	375,240,832.66	99.998	375,560,759.65	289	73	0.547	0.547
Total for Port of Houston Authority								406,604,186.58	99.871	406,080,434.50	406,277,801.59	99.998	406,597,728.58	267	68	0.538	0.538

Note: General Fund above includes Construction Bond Funds

Investment Transactions

Quarter Ended June 30, 2012

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
General Fund															
Sales															
05/15/12	05/15/12	89233GF43	CP - DISC	Toyota Mtr Cr		06/04/12		25,000,000.00	99.995	24,998,750.00	0.00	24,998,750.00	7,083.25	0.603	0.090
Total for: Sales								25,000,000.00		24,998,750.00	0.00	24,998,750.00	7,083.25	0.603	0.090
Calls															
05/09/12	05/09/12	313378Q95	AGCY CALL	FHLB	1.000	10/09/15	05/09/12	22,645,000.00	100.000	22,645,000.00	18,870.83	22,663,870.83		1.015	1.000
Total for: Calls								22,645,000.00		22,645,000.00	18,870.83	22,663,870.83		1.015	1.000
Purchases															
03/20/12	04/11/12	313378TU5	AGCY CALL	FHLB	1.115	04/11/16	04/11/13	15,000,000.00	100.000	15,000,000.00	0.00	15,000,000.00		1.115	1.115
03/23/12	04/09/12	313378Q95	AGCY CALL	FHLB	1.000	10/09/15	07/09/12	22,645,000.00	99.950	22,633,677.50	0.00	22,633,677.50		1.015	1.015
05/10/12	05/10/12	89233GP42	CP - DISC	Toyota Mtr Cr		02/04/13		22,750,000.00	99.558	22,649,331.25	0.00	22,649,331.25		0.593	0.593
05/17/12	05/17/12	89233GPB6	CP - DISC	Toyota Mtr Cr		02/11/13		25,000,000.00	99.520	24,880,000.00	0.00	24,880,000.00		0.643	0.643
Total for: Purchases								85,395,000.00		85,163,008.75	0.00	85,163,008.75		0.811	0.811
Income Payments															
04/02/12	04/01/12	64966HMM9	MUNICIPAL	New York City, NY	2.045	10/01/12				0.00	51,125.00	51,125.00			
Total for: Income Payments										0.00	51,125.00	51,125.00			

Changes in Book and Market Values

CUSIP	Security Type	Security Description	03/31/12 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	06/30/12 Book Value	03/31/12 Market Value	06/30/12 Market Value	Change in Mkt Value
Debt Service Fund											
CB-PORHOU	BANK DEP	Citibank	29,873,616.33	1,163,352.60	0.00	0.00	0.00	31,036,968.93	29,873,616.33	31,036,968.93	1,163,352.60
Total for Debt Service Fund			29,873,616.33	1,163,352.60	0.00	0.00	0.00	31,036,968.93	29,873,616.33	31,036,968.93	1,163,352.60
General Fund											
CB-PORHOU	BANK DEP	Citibank	73,562,371.50	21,470,813.20	(663,633.29)	0.00	0.00	94,369,551.41	73,562,371.50	94,369,551.41	20,807,179.91
TEXPRIME	LGIP	TexPool Prime	107,927,829.65	9,523.08	(38,281,400.43)	0.00	0.00	69,655,952.30	107,927,829.65	69,655,952.30	(38,271,877.35)
TEXSTAR	LGIP	TexSTAR	42,285,790.77	4,160.08	(23,498,236.91)	0.00	0.00	18,791,713.94	42,285,790.77	18,791,713.94	(23,494,076.83)
89233GF43	CP - DISC	Toyota Mtr Cr 0.000 06/04/12	24,973,333.25	0.00	(24,998,750.00)	18,333.50	7,083.25	0.00	24,991,425.00	0.00	(24,991,425.00)
8923A0JD6	CP - DISC	Toyota Credit PR 0.000 09/13/12	24,945,000.00	0.00	0.00	30,333.25	0.00	24,975,333.25	24,959,650.00	24,989,575.00	29,925.00
64966HMM9	MUNICIPAL	New York City, NY 2.045 10/01/12	5,000,000.00	0.00	0.00	0.00	0.00	5,000,000.00	5,038,280.00	5,020,315.00	(17,965.00)
89233GLD6	CP - DISC	Toyota Mtr Cr 0.000 11/13/12	24,897,986.00	0.00	0.00	41,076.50	0.00	24,939,062.50	24,924,325.00	24,973,550.00	49,225.00
3024A6LE0	CP - DISC	FCAR Owner Trust II 0.000 11/14/12	24,887,125.00	0.00	0.00	53,375.00	0.00	24,940,500.00	24,887,125.00	24,973,350.00	86,225.00
89233GP42	CP - DISC	Toyota Mtr Cr 0.000 02/04/13	0.00	22,649,331.25	0.00	19,388.01	0.00	22,668,719.26	0.00	22,697,402.00	22,697,402.00
89233GPB6	CP - DISC	Toyota Mtr Cr 0.000 02/11/13	0.00	24,880,000.00	0.00	20,000.00	0.00	24,900,000.00	0.00	24,940,350.00	24,940,350.00
313378Q95	AGCY CALL	FHLB 1.000 10/09/15	0.00	22,633,677.50	(22,645,000.00)	11,322.50	0.00	0.00	0.00	0.00	0.00
3136FTY37	AGCY CALL	FNMA 1.000 03/14/16	50,000,000.00	0.00	0.00	0.00	0.00	50,000,000.00	49,940,000.00	50,065,000.00	125,000.00
313378TU5	AGCY CALL	FHLB 1.115 04/11/16	0.00	15,000,000.00	0.00	0.00	0.00	15,000,000.00	0.00	15,084,000.00	15,084,000.00
Total for General Fund			378,479,436.17	106,647,505.11	(110,087,020.63)	193,828.76	7,083.25	375,240,832.66	378,516,796.92	375,560,759.65	(2,956,037.27)
Total for Port of Houston Authority			408,353,052.50	107,810,857.71	(110,087,020.63)	193,828.76	7,083.25	406,277,801.59	408,390,413.25	406,597,728.58	(1,792,684.67)

Investment Income

Quarter Ended June 30, 2012

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
Debt Service Fund									
CB-PORHOU	BANK DEP	Citibank	0.00	32,674.56	32,674.56	0.00	0.00	0.00	32,674.56
Total for Debt Service Fund			0.00	32,674.56	32,674.56	0.00	0.00	0.00	32,674.56
General Fund									
CB-PORHOU	BANK DEP	Citibank	0.00	98,933.24	98,933.24	0.00	0.00	0.00	98,933.24
TEXPRIME	LGIP	TexPool Prime	0.00	28,122.65	28,122.65	0.00	0.00	0.00	28,122.65
TEXSTAR	LGIP	TexSTAR	0.00	5,923.17	5,923.17	0.00	0.00	0.00	5,923.17
89233GF43	CP - DISC	Toyota Mtr Cr 0.000 06/04/12	0.00	0.00	0.00	0.00	0.00	18,333.50	18,333.50
8923A0JD6	CP - DISC	Toyota Credit PR 0.000 09/13/12	0.00	0.00	0.00	0.00	0.00	30,333.25	30,333.25
64966HMM9	MUNICIPAL	New York City, NY 2.045 10/01/12	51,125.00	25,562.50	51,125.00	0.00	25,562.50	0.00	25,562.50
89233GLD6	CP - DISC	Toyota Mtr Cr 0.000 11/13/12	0.00	0.00	0.00	0.00	0.00	41,076.50	41,076.50
3024A6LE0	CP - DISC	FCAR Owner Trust II 0.000 11/14/12	0.00	0.00	0.00	0.00	0.00	53,375.00	53,375.00
89233GP42	CP - DISC	Toyota Mtr Cr 0.000 02/04/13	0.00	0.00	0.00	0.00	0.00	19,388.01	19,388.01
89233GPB6	CP - DISC	Toyota Mtr Cr 0.000 02/11/13	0.00	0.00	0.00	0.00	0.00	20,000.00	20,000.00
313378Q95	AGCY CALL	FHLB 1.000 10/09/15	0.00	18,870.83	18,870.83	0.00	0.00	11,322.50	30,193.33
3136FTY37	AGCY CALL	FNMA 1.000 03/14/16	0.00	148,611.11	0.00	0.00	148,611.11	0.00	148,611.11
313378TU5	AGCY CALL	FHLB 1.115 04/11/16	0.00	37,166.67	0.00	0.00	37,166.67	0.00	37,166.67
Total for General Fund			51,125.00	363,190.17	202,974.89	0.00	211,340.28	193,828.76	557,018.93
Total for Port of Houston Authority			51,125.00	395,864.73	235,649.45	0.00	211,340.28	193,828.76	589,603.49

Compliance

Requirement

4.5 Maturity

- Weighted average maturity excluding construction, debt service and bond reserve funds \leq 2 years
- Bond reserve funds \leq maturity date of the bonds
- Operating funds \leq 3 years, Debt service funds \leq 1 year, and Construction funds \leq 4 years

4.6 Diversification

- Avoid undue concentration of assets by staggering maturities
- Select maturities to provide stability of income and reasonable liquidity

Actual Performance

4.5 Maturity

- Compliant (weighted average days to call of 68 days, and weighted average final maturity of 267 days)
- Compliant (no investments in bond reserve funds currently)
- Compliant (managed to effective maturity dates of callable securities)

4.6 Diversification

- Compliant (maturities through 2016, with call dates through April 2013)
- Compliant (\$213 million in MMF, LGIP and bank deposits, \$122 million in CP)

Compliance (cont.)

Requirement

4.6 Diversification Limitations

- No more than 25% of operating funds (excluding major capex, debt service, bond reserve and capitalized interest) invested beyond 24 months
- Average maturity of portfolio shall not exceed two years
- Maximum 25% of portfolio invested in time deposits of a single issuer
- Maximum 18% of portfolio invested in a single municipal or Commercial Paper issuer
- Maximum 30% of portfolio invested in a single Federal agency issuer

Actual Performance

4.6 Diversification Limitations

- Compliant (only 16% of operating and construction funds are actually invested beyond 24 months)
- Compliant (weighted average maturity of 267 days, or 68 days to the call/put dates)
- Compliant (there are no investments in time deposits or CD's presently)
- Compliant (highest concentration for any single CP issuer is currently 18% of the portfolio)
- Compliant (highest concentration is 12% in FNMA)

Glossary

- Funds
- Terms
- Investment Types

Glossary - Funds

Bond Reserve Fund	A restricted fund where monies are set aside to meet covenants under revenue bond indentures, and the total amount is typically equivalent to the one year average of principal and interest due on all outstanding revenue bonds.
Construction Fund	A restricted fund where proceeds of bond issuances are designated for construction projects, and which may be invested in longer-dated maturities structured to meet the timing of the construction projects.
Debt Service Fund	Also referred to as an Interest and Redemption (“I&R”) Fund, as monies in this fund are used to cover principal and interest payments due on our outstanding General Obligations tax bonds. Monies are received from the Harris County Tax Assessor-Collector representing Ad Valorem Taxes levied and collected annually from Harris County taxpayers, net of collection fees. Any shortfalls due to timing differences may be met from temporary transfers from the Operating Fund, but Harris County should be contacted to resolve the issue.
General Fund	An unrestricted fund.
General Obligations Fund	Another term for a Construction Fund which is funded from proceeds of General Obligations bond issuances.
Operating Fund	A highly liquid general fund used to meet current spending needs.
P & D Fund	The Promotion and Development Fund was created by action of the Port Commission in accordance with Section 60.201 of the Texas Water Code. A navigation district may set aside up to 5% of gross income from operations to pay expenses connected with (1) any activity or matter incidental to the advertising, development, or promotion of the district or its ports, waterways, harbors or terminals; (2) furthering the general welfare of the district and its facilities; and/or (3) the betterment of the district's relations with steamship and rail lines, shippers, governmental officials, or others interested in ports, waterways, harbors or terminals. The P&D Fund has been audited by the State Auditor’s Office and found to be in compliance with statute. As with all other expenditures, the Harris County Auditor’s Office reviews and approves expenditures from the P&D Fund.

Glossary - Terms

Basis Points	One basis point is equal to 0.01% per annum. One hundred basis points is the equivalent of 1.00% per annum.
Book Value	The cost basis of an investment, plus or minus any discount or premium paid.
Bullet Maturity	An investment with no (further) calls or put options prior to the final maturity date.
Call or Call Option	An instrument which may be “called” (i.e., redeemed) at the option of the issuer.
Coupon Rate	The interest rate specified in the debt instrument.
Discount	The difference between the par value of an investment and the price at which it is issued, when issued at a price below par.
Effective Maturity	The date used in place of the final stated maturity date of a security issued with call, put or prepayment features. Effective maturity takes into consideration the effect of such optional call, put or prepayment dates relative to the prevailing interest rate environment. For example, during periods of declining interest rates, bonds with call features tend to have shorter lifespans as the issuers have opportunity to refinance those bonds at lower rates.
Effective Rate	Another term for Yield.
Face Value	Another term for Par Value.
In the Money	For a callable security, when the market price is greater than the call price, it is referred to as “in the money”, indicating that the holder of the security should be able to sell the security at a premium (i.e., profit) as it is worth more than comparable securities or investments available at that time.
Market Price or Market Value	The price a willing buyer is willing to pay for an instrument.
Muni or Municipal	A debt security issued by a State, governmental or political subdivision or municipality.

Par Value	The face amount or principal amount of an investment which the borrower agrees to repay at maturity and the amount on which interest payments are based. Par is often shown as a price of 100.00.
Premium	The difference between the par value of an investment and the price at which it is issued, when issued at a price above par.
Put or Put Option	An instrument which may be “put” back to the issuer (i.e., redeemed) at the option of the holder.
Stated Rate	Another term for Coupon Rate.
Step Up or Step Note	Investments which offer one or more increases in the Coupon Rate if the instruments are not called by specific date(s).
Swap Transaction	Exchanging one security or investment for another. This may include selling a security and purchasing another security that may have similar or different features (e.g., principal amount, call features, final maturity date, etc.).
Yield, YTW, YTM	The true interest rate (i.e., total interest received divided by the cost of the investment) on an annualized basis, often expressed as “Yield to Worst (call/put date)” and “Yield to Maturity”.

Glossary – Investment Types

AGCY	Federal agency paper (may be callable, have bullet maturity and/or offer “step up” in interest rate)
AGCY CALL	Federal agency paper that is callable at the option of the agency
BANK DEP	Bank deposit (generally collateralized or insured by FDIC)
Citibank	Citibank, N.A.
CMO	Collateralized Mortgage Obligations
CP	Commercial Paper
CP-DISC or DCP	Commercial Paper purchased at a discount
FAMC or Farmer Mac	Federal Agriculture Mortgage Corporation
FCAR Owner Trust	CP backed by Ford Motor retail sale contracts
FDIC	Federal Deposit Insurance Corporation
FFCB	Federal Farm Credit Bureau
FHLB	Federal Home Loan Bank
FHLMC or Freddie Mac	Federal Home Loan Mortgage Corporation
FMCC	Ford Motor Credit Company
FNMA or Fannie Mae	Federal National Mortgage Corporation
FSC or FSW	First Southwest Company
FSN	FHLMC Step Note
GECC	General Electric Capital Corp.
GMAC	General Motors Acceptance Corp.
GOB	General Obligation Bond
JPM US Gov MM Cap	JPMorgan US Govt Money Market – Capital Class
LGIP	Local Government Investment Pool (e.g., TexSTAR, TexPool, TexPool Prime)
MM or MMF	Money Market Fund
Muni or Municipal	Notes, bonds and other debt obligations issued by municipalities, state and local governments
SLMA or Sallie Mae	Student Loan Marketing Association
TexPool Prime	A local government investment pool
TexSTAR	A local government investment pool
Toyota Credit PR	Toyota Credit de Puerto Rico Corp.
Toyota Mtr Cr	Toyota Motor Credit Corporation
USTB	U.S. Treasury Bill
USTN	U.S. Treasury Note