

Port of Houston Authority Investment Report



For the Quarter Ended
September 30, 2012

Table of Contents

- Certification
- Executive Summary
- Investments
 - Detail of Investment Holdings
 - Investment Transactions
 - Changes in Book and Market Values
 - Investment Income
- Compliance
- Glossary

Distribution

Commissioners (7)

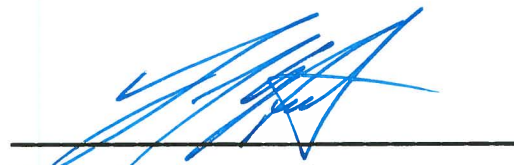
L. Waterworth

T. Heidt

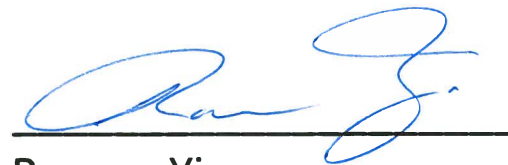
Controller (3)

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 September 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
Deputy Executive Director,
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 September 30, 2012
 - General Funds
 - Operating Fund \$ 345.1 Million
 - Promotion & Development Fund \$ 4.3
 - Debt Service Fund \$ 32.9
 - General Obligation Bond Funds
 - Construction Fund \$ 44.0
 - Total

\$ 426.3 Million

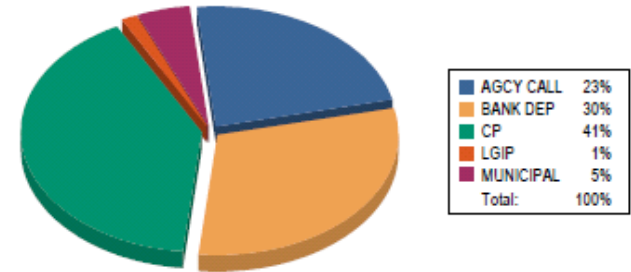
* Includes cash in regular bank accounts, which is not considered part of the investment portfolio

Executive Summary (cont.)

Account Summary

Allocation by Security Type

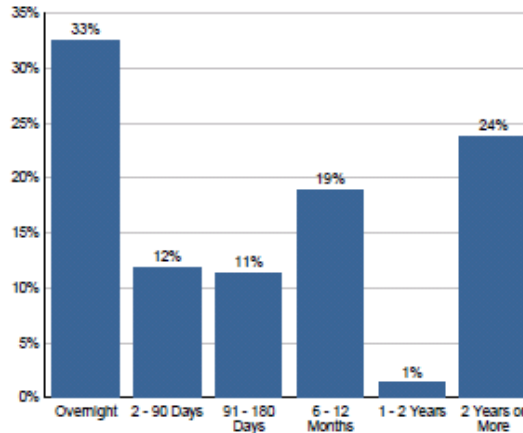
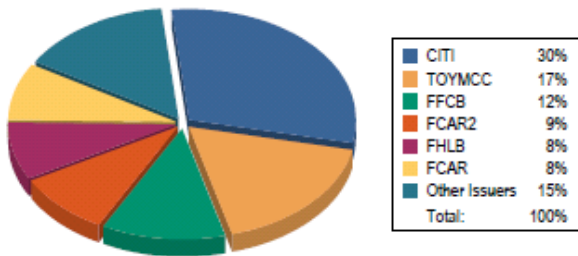
	As of 06/30/12	As of 09/30/12
Par Value	406,604,186.58	420,695,749.19
Market Value	406,597,728.58	420,556,682.94
Book Value	406,277,801.59	420,199,409.00
Unrealized Gain / (Loss)	319,926.99	357,273.94
Market Value %	100.00%	99.97%
Weighted Avg. YTW	0.538%	0.631%
Weighted Avg. YTM	0.538%	0.631%



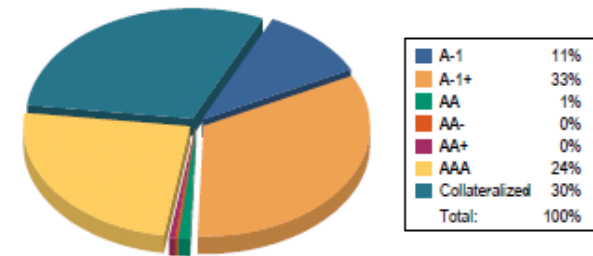
Allocation by Issuer

Maturity Distribution %

Credit Quality

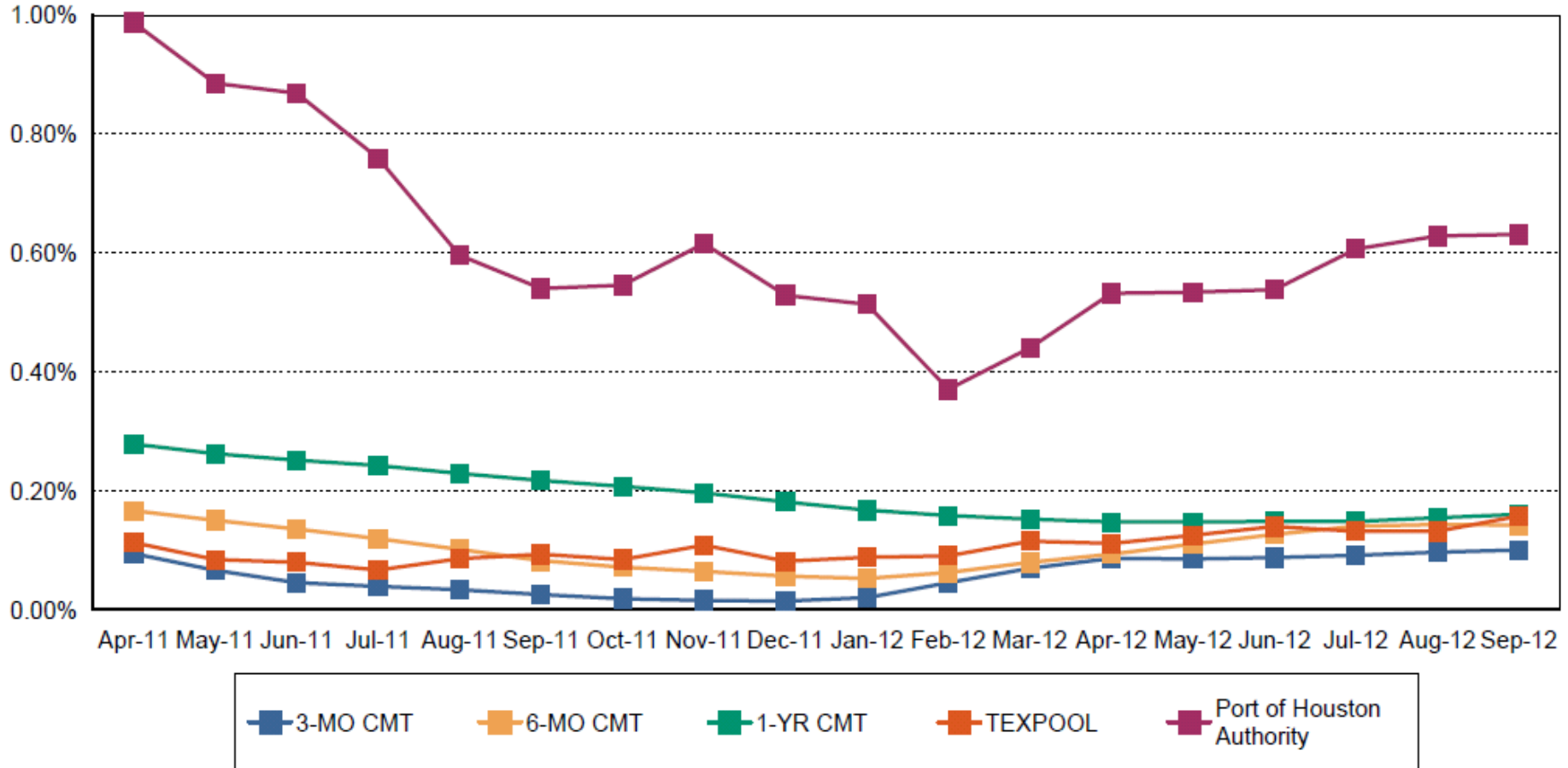


Weighted Average Days to Maturity: 399



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 September 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
2010 D2 Bond Construction Fund																	
467578FW5	09/04/12	MUNICIPAL	Jackson Cty, MO	3.000	12/01/15			1,050,000.00	105.541	1,108,180.50	1,106,858.04	105.426	1,106,973.00	1,157	1,157	1.249	1.249
592112LG9	08/15/12	MUNICIPAL	Metro Nashville &	1.007	07/01/16			2,000,000.00	100.000	2,000,000.00	2,000,000.00	99.556	1,991,120.00	1,370	1,370	1.007	1.007
Total for 2010 D2 Bond Construction Fund								3,050,000.00	101.908	3,108,180.50	3,106,858.04	101.577	3,098,093.00	1,294	1,294	1.093	1.093
Debt Service Fund																	
CB-PORHOU		BANK DEP	Citibank					32,922,254.11	100.000	32,922,254.11	32,922,254.11	100.000	32,922,254.11	1	1	0.450	0.450
Total for Debt Service Fund								32,922,254.11	100.000	32,922,254.11	32,922,254.11	100.000	32,922,254.11	1	1	0.450	0.450

Note: Bank deposits at Citibank are fully collateralized in accordance with Chapter 2257, Texas Government Code ("Public Funds Collateral Act").

Detail of Investment Holdings (cont.)

As of September 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
General Fund																	
CB-PORHOU		BANK DEP	Citibank					90,348,390.55	100.000	90,348,390.55	90,348,390.55	100.000	90,348,390.55	1	1	0.450	0.450
TEXPRIME		LGIP	TexPool Prime					3,967,261.14	100.000	3,967,261.14	3,967,261.14	100.000	3,967,261.14	1	1	0.182	0.182
TEXSTAR		LGIP	TexSTAR					1,294,379.70	100.000	1,294,379.70	1,294,379.70	100.000	1,294,379.70	1	1	0.157	0.157
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	100.000	5,000,000.00	1	1	2.045	2.045
89233GLD6	02/17/12	CP - DISC	Toyota Mtr Cr	0.000	11/13/12			25,000,000.00	99.513	24,878,125.00	24,980,590.25	99.983	24,995,725.00	44	44	0.653	0.653
3024A6LE0	03/01/12	CP - DISC	FCAR Owner Trust II	0.000	11/14/12			25,000,000.00	99.549	24,887,125.00	24,980,750.00	99.963	24,990,625.00	45	45	0.633	0.633
89233GP42	05/10/12	CP - DISC	Toyota Mtr Cr	0.000	02/04/13			22,750,000.00	99.558	22,649,331.25	22,703,021.25	99.926	22,733,142.25	127	127	0.593	0.593
89233GPB6	05/17/12	CP - DISC	Toyota Mtr Cr	0.000	02/11/13			25,000,000.00	99.520	24,880,000.00	24,940,889.00	99.922	24,980,450.00	134	134	0.643	0.643
8923A0R54	07/10/12	CP - DISC	Toyota Credit PR	0.000	04/05/13			25,000,000.00	99.589	24,897,256.94	24,928,958.25	99.849	24,962,350.00	187	187	0.552	0.552
3024A0RG2	07/20/12	CP - DISC	FCAR Owner Trust	0.000	04/16/13			15,000,000.00	99.558	14,933,625.00	14,951,570.85	99.780	14,967,000.00	198	198	0.593	0.593
3024A0RS6	07/31/12	CP - DISC	FCAR Owner Trust	0.000	04/26/13			20,000,000.00	99.559	19,911,827.78	19,932,150.00	99.769	19,953,780.00	208	208	0.593	0.593
3024A6RS3	07/31/12	CP - DISC	FCAR Owner Trust II	0.000	04/26/13			14,000,000.00	99.552	13,937,233.33	13,951,700.00	99.769	13,967,646.00	208	208	0.603	0.603
129461AA7	07/17/12	MUNICIPAL	Caledonia, WI Swr Sys	1.000	06/01/13	11/01/12	CONT	5,900,000.00	100.141	5,908,319.00	5,906,359.67	100.047	5,902,767.10	244	32	0.838	0.838
058219RG3	08/17/12	MUNICIPAL	Baldwin Park USD, CA	0.000	08/01/14			4,310,000.00	98.163	4,230,825.30	4,235,815.29	96.859	4,174,622.90	670	670	0.953	0.953
058219RG3	09/14/12	MUNICIPAL	Baldwin Park USD, CA	0.000	08/01/14			1,750,000.00	98.233	1,719,077.50	1,719,843.81	96.859	1,695,032.50	670	670	0.953	0.953
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	100.450	15,067,500.00	1,289	193	1.115	1.115
3135G0MX8	08/06/12	AGCY CALL	FNMA	0.750	07/26/16	07/26/13	QRTLY	12,000,000.00	100.000	12,000,000.00	12,000,000.00	100.260	12,031,200.00	1,395	299	0.750	0.750
3133805K9	08/09/12	AGCY CALL	FHLB	0.720	08/08/16	11/08/12	CONT	20,000,000.00	99.863	19,972,600.00	19,973,577.40	99.780	19,956,000.00	1,408	39	0.755	0.755
3133EAJ33	08/15/12	AGCY CALL	FFCB	0.730	08/15/16	08/15/13	CONT	50,000,000.00	99.900	49,950,000.00	49,951,576.00	100.290	50,145,000.00	1,415	319	0.755	0.755
Total for General Fund								381,320,031.39	99.750	380,365,377.49	380,766,833.16	99.951	381,132,872.14	429	133	0.645	0.645
Promotion & Development Fund 74																	
CB-PORHOU		BANK DEP	Citibank					3,403,463.69	100.000	3,403,463.69	3,403,463.69	100.000	3,403,463.69	1	1	0.450	0.450
Total for Promotion & Development Fund 74								3,403,463.69	100.000	3,403,463.69	3,403,463.69	100.000	3,403,463.69	1	1	0.450	0.450
Total for Port of Houston Authority								420,695,749.19	99.787	419,799,275.79	420,199,409.00	99.967	420,556,682.94	399	130	0.631	0.631

Note: General Fund above includes Construction Bond Funds

Investment Transactions

Quarter Ended September 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
2010 D2 Bond Construction Fund															
Purchases															
08/02/12	08/15/12	592112LG9	MUNICIPAL	Metro Nashville & Davidson	1.007	07/01/16		2,000,000.00	100.000	2,000,000.00	0.00	2,000,000.00		1.007	1.007
09/04/12	09/04/12	467578FW5	MUNICIPAL	Jackson Cty, MO	3.000	12/01/15		1,050,000.00	105.541	1,108,180.50	0.00	1,108,180.50		1.249	1.249
Total for: Purchases								3,050,000.00		3,108,180.50	0.00	3,108,180.50		1.091	1.091
General Fund															
Sales															
07/10/12	07/10/12	8923A0JD6	CP - DISC	Toyota Credit PR		09/13/12		25,000,000.00	99.973	24,993,229.17	0.00	24,993,229.17	14,895.92	0.481	0.150
08/14/12	08/15/12	3136FTY37	AGCY CALL	FNMA	1.000	03/14/16	12/14/12	50,000,000.00	100.065	50,032,500.00	209,722.22	50,242,222.22	32,500.00	1.000	0.192
Total for: Sales								75,000,000.00		75,025,729.17	209,722.22	75,235,451.39	47,395.92	0.827	0.178
Purchases															
07/10/12	07/10/12	8923A0R54	CP - DISC	Toyota Credit PR		04/05/13		25,000,000.00	99.589	24,897,256.94	0.00	24,897,256.94		0.552	0.552
07/12/12	07/17/12	129461AA7	MUNICIPAL	Caledonia, WI Swr Sys	1.000	06/01/13	11/01/12	5,900,000.00	100.141	5,908,319.00	819.44	5,909,138.44		0.838	0.838
07/18/12	07/20/12	3024A0RG2	CP - DISC	FCAR Owner Trust		04/16/13		15,000,000.00	99.558	14,933,625.00	0.00	14,933,625.00		0.593	0.593
07/30/12	07/31/12	3024A0RS6	CP - DISC	FCAR Owner Trust		04/26/13		20,000,000.00	99.559	19,911,827.78	0.00	19,911,827.78		0.593	0.593
07/30/12	07/31/12	3024A6RS3	CP - DISC	FCAR Owner Trust II		04/26/13		14,000,000.00	99.552	13,937,233.33	0.00	13,937,233.33		0.603	0.603
08/03/12	08/06/12	3135G0MX8	AGCY CALL	FNMA	0.750	07/26/16	07/26/13	12,000,000.00	100.000	12,000,000.00	2,500.00	12,002,500.00		0.750	0.750
08/08/12	08/15/12	3133EAJ33	AGCY CALL	FFCB	0.730	08/15/16	08/15/13	50,000,000.00	99.900	49,950,000.00	0.00	49,950,000.00		0.755	0.755
08/08/12	08/09/12	3133805K9	AGCY CALL	FHLB	0.720	08/08/16	11/08/12	20,000,000.00	99.863	19,972,600.00	400.00	19,973,000.00		0.755	0.755
08/16/12	08/17/12	058219RG3	MUNICIPAL	Baldwin Park USD, CA GO		08/01/14		4,310,000.00	98.163	4,230,825.30	0.00	4,230,825.30		0.953	0.953
09/11/12	09/14/12	058219RG3	MUNICIPAL	Baldwin Park USD, CA GO		08/01/14		1,750,000.00	98.233	1,719,077.50	0.00	1,719,077.50		0.953	0.953
Total for: Purchases								167,960,000.00		167,460,764.85	3,719.44	167,464,484.29		0.688	0.688

Changes in Book and Market Values

CUSIP	Security Type	Security Description	06/30/12 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	09/30/12 Book Value	06/30/12 Market Value	09/30/12 Market Value	Change in Mkt Value
General Fund											
CB-PORHOU	BANK DEP	Citibank	94,369,551.41	6,165,792.44	(10,186,953.30)	0.00	0.00	90,348,390.55	94,369,551.41	90,348,390.55	(4,021,160.86)
TEXPRIME	LGIP	TexPool Prime	69,655,952.30	593.72	(65,689,284.88)	0.00	0.00	3,967,261.14	69,655,952.30	3,967,261.14	(65,688,691.16)
TEXSTAR	LGIP	TexSTAR	18,791,713.94	167.40	(17,497,501.64)	0.00	0.00	1,294,379.70	18,791,713.94	1,294,379.70	(17,497,334.24)
8923A0JD6	CP - DISC	Toyota Credit PR 0.000 09/13/12	24,975,333.25	0.00	(24,993,229.17)	3,000.00	14,895.92	0.00	24,989,575.00	0.00	(24,989,575.00)
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	5,020,315.00	5,000,000.00	(20,315.00)
89233GLD6	CP - DISC	Toyota Mtr Cr 0.000 11/13/12	24,939,062.50	0.00	0.00	41,527.75	0.00	24,980,590.25	24,973,550.00	24,995,725.00	22,175.00
3024A6LE0	CP - DISC	FCAR Owner Trust II 0.000 11/14/12	24,940,500.00	0.00	0.00	40,250.00	0.00	24,980,750.00	24,973,350.00	24,990,625.00	17,275.00
89233GP42	CP - DISC	Toyota Mtr Cr 0.000 02/04/13	22,668,719.26	0.00	0.00	34,301.99	0.00	22,703,021.25	22,697,402.00	22,733,142.25	35,740.25
89233GPB6	CP - DISC	Toyota Mtr Cr 0.000 02/11/13	24,900,000.00	0.00	0.00	40,889.00	0.00	24,940,889.00	24,980,450.00	24,980,450.00	40,100.00
8923A0R54	CP - DISC	Toyota Credit PR 0.000 04/05/13	0.00	24,897,256.94	0.00	31,701.31	0.00	24,928,958.25	0.00	24,962,350.00	24,962,350.00
3024A0RG2	CP - DISC	FCAR Owner Trust 0.000 04/16/13	0.00	14,933,625.00	0.00	17,945.85	0.00	14,951,570.85	0.00	14,967,000.00	14,967,000.00
3024A0RS6	CP - DISC	FCAR Owner Trust 0.000 04/26/13	0.00	19,911,827.78	0.00	20,322.22	0.00	19,932,150.00	0.00	19,953,780.00	19,953,780.00
3024A6RS3	CP - DISC	FCAR Owner Trust II 0.000 04/26/13	0.00	13,937,233.33	0.00	14,466.67	0.00	13,951,700.00	0.00	13,967,646.00	13,967,646.00
129461AA7	MUNICIPAL	Caledonia, WI Swr Sys 1.000 06/01/13	0.00	5,908,319.00	0.00	(1,959.33)	0.00	5,906,359.67	0.00	5,902,767.10	5,902,767.10
058219RG3	MUNICIPAL	Baldwin Park USD, CA GO 0.000 08/01/14	0.00	5,949,902.80	0.00	5,756.30	0.00	5,955,659.10	0.00	5,869,655.40	5,869,655.40
3136FTY37	AGCY CALL	FNMA 1.000 03/14/16	50,000,000.00	0.00	(50,032,500.00)	0.00	32,500.00	0.00	50,065,000.00	0.00	(50,065,000.00)
313378TU5	AGCY CALL	FHLB 1.115 04/11/16	15,000,000.00	0.00	0.00	0.00	0.00	15,000,000.00	15,084,000.00	15,067,500.00	(16,500.00)
3135G0MX8	AGCY CALL	FNMA 0.750 07/26/16	0.00	12,000,000.00	0.00	0.00	0.00	12,000,000.00	0.00	12,031,200.00	12,031,200.00
3133805K9	AGCY CALL	FHLB 0.720 08/08/16	0.00	19,972,600.00	0.00	977.40	0.00	19,973,577.40	0.00	19,956,000.00	19,956,000.00
3133EAJ33	AGCY CALL	FFCB 0.730 08/15/16	0.00	49,950,000.00	0.00	1,576.00	0.00	49,951,576.00	0.00	50,145,000.00	50,145,000.00
Total for General Fund			375,240,832.68	173,827,318.41	(168,399,488.99)	250,755.16	47,395.92	380,786,833.16	375,560,759.65	381,132,872.14	5,572,112.49
Promotion & Development Fund 74											
CB-PORHOU	BANK DEP	Citibank	0.00	4,015,853.81	(612,390.12)	0.00	0.00	3,403,463.69	0.00	3,403,463.69	3,403,463.69
Total for Promotion & Development Fund 74			0.00	4,015,853.81	(612,390.12)	0.00	0.00	3,403,463.69	0.00	3,403,463.69	3,403,463.69
Total for Port of Houston Authority			406,277,801.59	182,836,637.90	(169,011,859.11)	249,432.70	47,395.92	420,199,409.00	406,597,728.58	420,556,682.94	13,958,954.36

Investment Income

Quarter Ended September 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
2010 D2 Bond Construction Fund									
467578FW5	MUNICIPAL	Jackson Cty, MO 3.000 12/01/15	0.00	2,362.50	0.00	0.00	2,362.50	(1,322.46)	1,040.04
592112LG9	MUNICIPAL	Metro Nashville & Davidson Cty TN GO 1.007 07/01/16	895.11	1,678.33	0.00	0.00	2,573.44	0.00	1,678.33
Total for 2010 D2 Bond Construction Fund			895.11	4,040.83	0.00	0.00	4,935.94	(1,322.46)	2,718.37
Debt Service Fund									
CB-PORHOU	BANK DEP	Citibank	0.00	11,966.48	11,966.48	0.00	0.00	0.00	11,966.48
Total for Debt Service Fund			0.00	11,966.48	11,966.48	0.00	0.00	0.00	11,966.48

Investment Income (cont.)

Quarter Ended September 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
General Fund									
CB-PORHOU	BANK DEP	Citibank	0.00	98,034.24	98,034.24	0.00	0.00	0.00	98,034.24
TEXPRIME	LGIP	TexPool Prime	0.00	11,308.84	11,308.84	0.00	0.00	0.00	11,308.84
TEXSTAR	LGIP	TexSTAR	0.00	2,665.76	2,665.76	0.00	0.00	0.00	2,665.76
8923A0JD6	CP - DISC	Toyota Credit PR 0.000 09/13/12	0.00	0.00	0.00	0.00	0.00	3,000.00	3,000.00
64966HMM9	MUNICIPAL	New York City, NY 2.045 10/01/12	25,562.50	25,562.50	0.00	0.00	51,125.00	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	41,527.75	41,527.75
3024A6LE0	CP - DISC	FCAR Owner Trust II 0.000 11/14/12	0.00	0.00	0.00	0.00	0.00	40,250.00	40,250.00
89233GP42	CP - DISC	Toyota Mtr Cr 0.000 02/04/13	0.00	0.00	0.00	0.00	0.00	34,301.99	34,301.99
89233GPB6	CP - DISC	Toyota Mtr Cr 0.000 02/11/13	0.00	0.00	0.00	0.00	0.00	40,889.00	40,889.00
8923A0R54	CP - DISC	Toyota Credit PR 0.000 04/05/13	0.00	0.00	0.00	0.00	0.00	31,701.31	31,701.31
3024A0RG2	CP - DISC	FCAR Owner Trust 0.000 04/16/13	0.00	0.00	0.00	0.00	0.00	17,945.85	17,945.85
3024A0RS6	CP - DISC	FCAR Owner Trust 0.000 04/26/13	0.00	0.00	0.00	0.00	0.00	20,322.22	20,322.22
3024A6RS3	CP - DISC	FCAR Owner Trust II 0.000 04/26/13	0.00	0.00	0.00	0.00	0.00	14,466.67	14,466.67
129461AA7	MUNICIPAL	Caledonia, WI Swr Sys 1.000 06/01/13	0.00	12,127.78	0.00	(819.44)	12,947.22	(1,959.33)	10,168.45
058219RG3	MUNICIPAL	Baldwin Park USD, CA GO 0.000 08/01/14	0.00	0.00	0.00	0.00	0.00	5,756.30	5,756.30
3136FTY37	AGCY CALL	FNMA 1.000 03/14/16	148,611.11	61,111.11	209,722.22	0.00	0.00	0.00	61,111.11
313378TU5	AGCY CALL	FHLB 1.115 04/11/16	37,166.67	41,812.50	0.00	0.00	78,979.17	0.00	41,812.50
3135G0MX8	AGCY CALL	FNMA 0.750 07/26/16	0.00	13,750.00	0.00	(2,500.00)	16,250.00	0.00	13,750.00
3133805K9	AGCY CALL	FHLB 0.720 08/08/16	0.00	20,800.00	0.00	(400.00)	21,200.00	977.40	21,777.40
3133EAJ33	AGCY CALL	FFCB 0.730 08/15/16	0.00	46,638.89	0.00	0.00	46,638.89	1,576.00	48,214.89
Total for General Fund			211,340.28	333,811.62	321,731.06	(3,719.44)	227,140.28	250,755.16	584,568.78
Promotion & Development Fund 74									
CB-PORHOU	BANK DEP	Citibank	0.00	2,982.52	2,982.52	0.00	0.00	0.00	2,982.52
Total for Promotion & Development Fund 74			0.00	2,982.52	2,982.52	0.00	0.00	0.00	2,982.52
Total for Port of Houston Authority			211,340.28	376,468.15	359,451.65	(3,719.44)	232,076.22	249,432.70	625,900.85

Compliance

Requirement

4.5 Maturity

- Weighted average maturity excluding construction, debt service and bond reserve funds ≤ 2 years
- Bond reserve funds \leq maturity date of the bonds
- Operating funds ≤ 3 years, Debt service funds ≤ 1 year, and Construction funds ≤ 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 130 days, and weighted average final maturity of 399 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 August 2013)
- Compliant (\$132 million in MMF, LGIP and bank deposits, \$172 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 24% of operating and construction funds are actually invested beyond 24 months)
- Compliant (weighted average maturity of 399 days, or 130 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 17% of the portfolio)
- Compliant (highest concentration is 12% in FFCB)

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 #74	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