

# Port of Houston Authority Investment Report



For the Quarter Ended  
December 31, 2011

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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 December 31, 2011 were made in full 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.



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Thomas J. Heidt

VP, Finance and Administration



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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 December 31, 2011
  - General Funds:
    - Operating \$ 293.5 Million
    - Promotion & Development \$ 3.7
    - Debt Service \$ 10.5
  - General Obligation Bond Funds:
    - Construction Fund \$ 64.2
  - Total 

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\$ 371.9 Million

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

# Executive Summary (cont.)

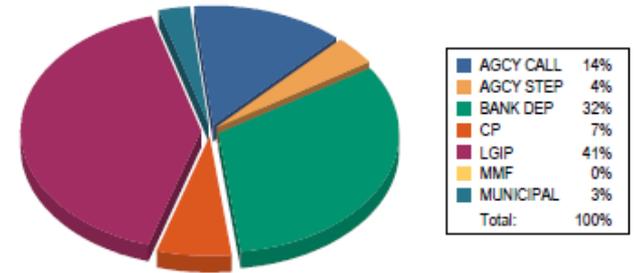
## Account Summary

## Allocation by Security Type

Beginning Values as of 09/30/11

Ending Values as of 12/31/11

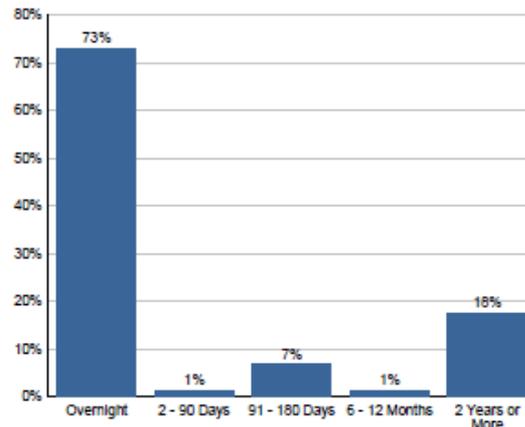
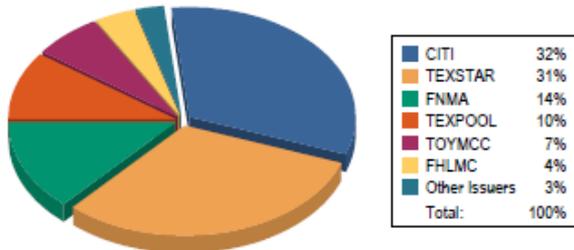
Par Value	392,357,839.33	371,382,195.69
Market Value	392,712,319.33	371,586,770.69
Book Value	392,254,922.58	371,317,612.44
Unrealized Gain / Loss	457,396.75	269,158.25
Market Value %	100.09%	100.06%
Weighted Avg. YTW	0.494%	0.492%
Weighted Avg. YTM	0.540%	0.529%



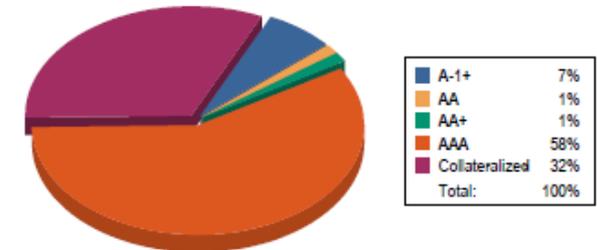
## Allocation by Issuer

## Maturity Distribution %

## Credit Quality

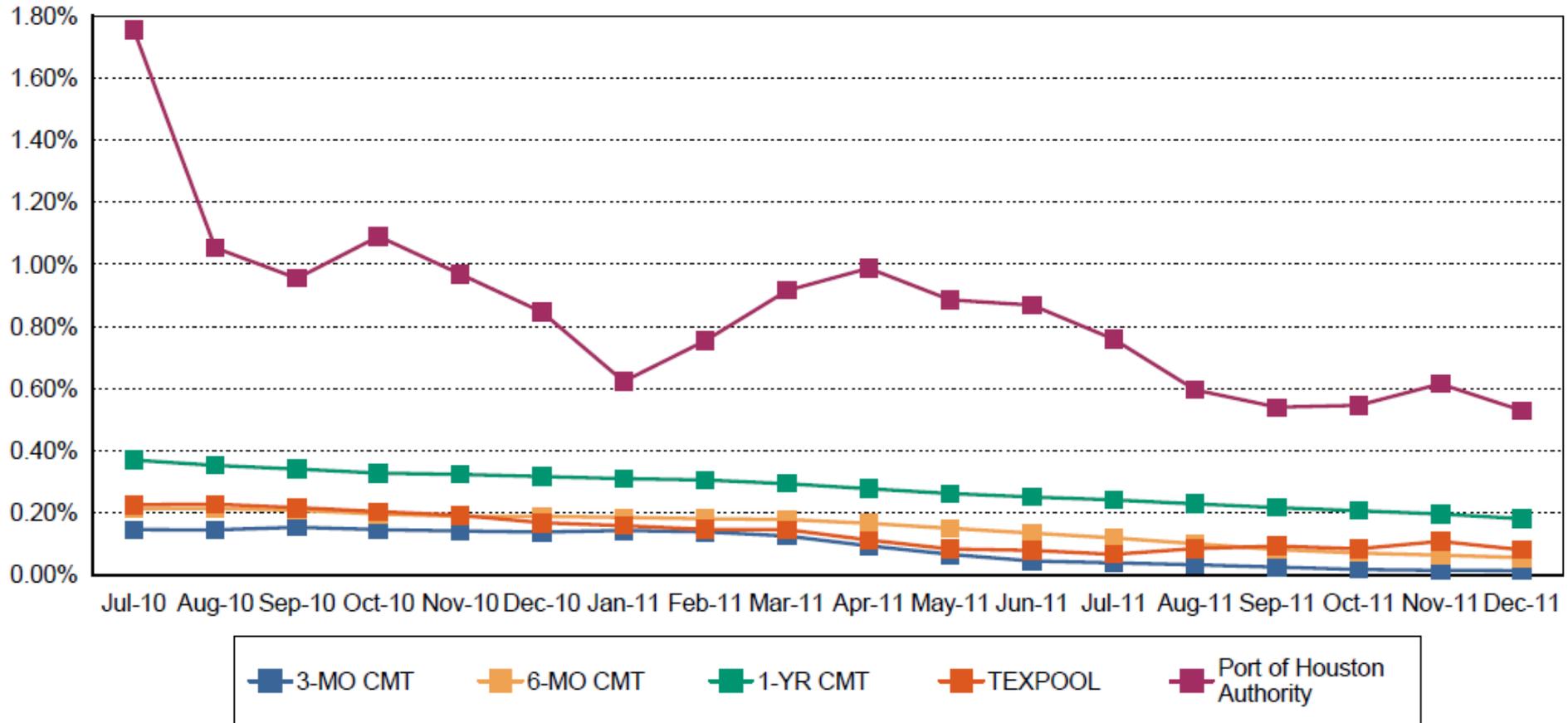


Weighted Average Days to Maturity: 161



# 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 December 31, 2011

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
<b>2010 D2 Bond Construction Fund</b>																	
649902Y98	10/14/10	MUNICIPAL	NY ST Dorm Auth Tax	1.149	03/15/12			5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.153	5,007,650.00	75	75	1.149	1.149
<b>Total for 2010 D2 Bond Construction Fund</b>								<b>5,000,000.00</b>	<b>100.000</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>100.153</b>	<b>5,007,650.00</b>	<b>75</b>	<b>75</b>	<b>1.149</b>	<b>1.149</b>
<b>Debt Service Fund</b>																	
CB-PORHOU		BANK DEP	Citibank	0.000				9,551,088.79	100.000	9,551,088.79	9,551,088.79	100.000	9,551,088.79	1	1	0.350	0.350
<b>Total for General Obligation Fund</b>								<b>9,551,088.79</b>	<b>100.000</b>	<b>9,551,088.79</b>	<b>9,551,088.79</b>	<b>100.000</b>	<b>9,551,088.79</b>	<b>1</b>	<b>1</b>	<b>0.350</b>	<b>0.350</b>
<b>General Fund</b>																	
CB-PORHOU		BANK DEP	Citibank	0.000				109,965,163.54	100.000	109,965,163.54	109,965,163.54	100.000	109,965,163.54	1	1	0.350	0.350
TEXPOOL		LGIP	TexPool	0.000				36,404,193.53	100.000	36,404,193.53	36,404,193.53	100.000	36,404,193.53	1	1	0.081	0.081
TEXSTAR		LGIP	TexSTAR	0.000				115,461,749.83	100.000	115,461,749.83	115,461,749.83	100.000	115,461,749.83	1	1	0.082	0.082
89233GF43	09/08/11	CP - DISC	Toyota Mtr Cr	0.000	06/04/12			25,000,000.00	99.550	24,887,500.00	24,935,416.75	99.814	24,953,425.00	156	156	0.603	0.603
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	101.000	5,050,000.00	275	5	2.045	2.045
3134G14Z4	03/07/11	AGCY STEP	FHLMC	1.000	03/07/14	03/07/12	ONE TIME	15,000,000.00	100.000	15,000,000.00	15,000,000.00	100.090	15,013,500.00	797	67	1.908	1.000
3136FRGF4	04/25/11	AGCY CALL	FNMA	1.650	04/25/14	04/25/12	ONE TIME	50,000,000.00	100.000	50,000,000.00	50,000,000.00	100.360	50,180,000.00	846	116	1.650	1.650
<b>Total for General Fund</b>								<b>356,831,106.90</b>	<b>99.968</b>	<b>356,718,606.90</b>	<b>356,766,523.65</b>	<b>100.073</b>	<b>357,028,031.90</b>	<b>168</b>	<b>31</b>	<b>0.525</b>	<b>0.487</b>
<b>Total for Port of Houston Authority</b>								<b>371,382,195.69</b>	<b>99.970</b>	<b>371,269,695.69</b>	<b>371,317,612.44</b>	<b>100.072</b>	<b>371,586,770.69</b>	<b>162</b>	<b>31</b>	<b>0.529</b>	<b>0.492</b>

# Investment Transactions

Quarter Ended December 31, 2011

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
<b>2010 D2 Bond Construction Fund</b>															
<b>Calls</b>															
10/26/11	10/29/11	3134G1VZ4	AGCY STEP	FHLMC	1.125	10/29/14	10/29/11	10,000,000.00	100.000	10,000,000.00	0.00	10,000,000.00		1.553	
<b>Total for: Calls</b>								10,000,000.00		10,000,000.00	0.00	10,000,000.00		1.553	
<b>Income Payments</b>															
10/31/11	10/29/11	3134G1VZ4	AGCY STEP	FHLMC	1.125	10/29/14				0.00	56,250.00	56,250.00			
<b>Total for: Income Payments</b>										0.00	56,250.00	56,250.00			
<b>General Fund</b>															
<b>Calls</b>															
12/12/11	12/12/11	313373XS6	AGCY CALL	FHLB	1.350	06/09/14	12/12/11	25,000,000.00	100.000	25,000,000.00	2,812.50	25,002,812.50		1.350	1.350
<b>Total for: Calls</b>								25,000,000.00		25,000,000.00	2,812.50	25,002,812.50		1.350	1.350
<b>Income Payments</b>															
10/03/11	10/01/11	64966HMM9	MUNICIPAL	New York City, NY	2.045	10/01/12				0.00	51,125.00	51,125.00			
10/25/11	10/25/11	3136FRGF4	AGCY CALL	FNMA	1.650	04/25/14				0.00	412,500.00	412,500.00			
12/09/11	12/09/11	313373XS6	AGCY CALL	FHLB	1.350	06/09/14				0.00	168,750.00	168,750.00			
<b>Total for: Income Payments</b>										0.00	632,375.00	632,375.00			

# Changes in Book and Market Values

GUSIP	Security Type	Security Description	09/30/11 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	12/31/11 Book Value	09/30/11 Market Value	12/31/11 Market Value	Change in Mkt Value
<b>2010 D2 Bond Construction Fund</b>											
649902Y98	MUNICIPAL	NY ST Dom Auth Tax Rev 1.149 03/15/12	5,000,000.00	0.00	0.00	0.00	0.00	5,000,000.00	5,013,150.00	5,007,650.00	(5,500.00)
3134G1VZ4	AGCY STEP	FHLMC 1.125 10/29/14	10,000,000.00	0.00	(10,000,000.00)	0.00	0.00	0.00	10,006,000.00	0.00	(10,006,000.00)
<b>Total for 2010 D2 Bond Construction Fund</b>			<b>15,000,000.00</b>	<b>0.00</b>	<b>(10,000,000.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>5,000,000.00</b>	<b>15,019,150.00</b>	<b>5,007,650.00</b>	<b>(10,011,500.00)</b>
<b>Debt Service Fund</b>											
CB-PORHOU	BANK DEP	Citibank	0.00	9,551,088.81	0.00	0.00	0.00	9,551,088.79	0.00	9,551,088.79	9,551,088.79
<b>Total for Debt Service Fund</b>			<b>0.00</b>	<b>9,551,088.81</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9,551,088.79</b>	<b>0.00</b>	<b>9,551,088.79</b>	<b>9,551,088.79</b>
<b>General Fund</b>											
BONY	BANK DEP	BONY - Cash	32,492,539.38	0.00	(32,492,539.38)	0.00	0.00	0.00	32,492,539.38	0.00	(32,492,539.38)
CB-PORHOU	BANK DEP	Citibank	0.00	109,965,163.56	0.00	0.00	0.00	109,965,163.54	0.00	109,965,163.54	109,965,163.54
JPM-GOVT	MMF	JPM US Govt MM Cap Class	595.25	0.00	(595.25)	0.00	0.00	0.00	595.25	0.00	(595.25)
TEXPOOL	LGIP	TexPool	36,395,865.41	8,328.12	0.00	0.00	0.00	36,404,193.53	36,395,865.41	36,404,193.53	8,328.12
TEXSTAR	LGIP	TexSTAR	188,425,187.59	7,013,259.40	(79,976,697.16)	0.00	0.00	115,461,749.83	188,425,187.59	115,461,749.83	(72,963,437.76)
89233GF43	CP - DISC	Toyota Mtr Cr 0.000 06/04/12	24,897,083.25	0.00	0.00	38,333.50	0.00	24,935,416.75	24,881,175.00	24,953,425.00	72,250.00
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	5,072,655.00	5,050,000.00	(22,655.00)
3134G14Z4	AGCY STEP	FHLMC 1.000 03/07/14	15,000,000.00	0.00	0.00	0.00	0.00	15,000,000.00	15,031,500.00	15,013,500.00	(18,000.00)
3136FRGF4	AGCY CALL	FNMA 1.650 04/25/14	50,000,000.00	0.00	0.00	0.00	0.00	50,000,000.00	50,310,000.00	50,180,000.00	(130,000.00)
313373XS6	AGCY CALL	FHLB 1.350 06/09/14	25,000,000.00	0.00	(25,000,000.00)	0.00	0.00	0.00	25,040,000.00	0.00	(25,040,000.00)
<b>Total for General Fund</b>			<b>377,211,270.88</b>	<b>116,986,751.08</b>	<b>(137,469,831.79)</b>	<b>38,333.50</b>	<b>0.00</b>	<b>356,766,523.65</b>	<b>377,649,517.63</b>	<b>357,028,031.90</b>	<b>(20,621,485.73)</b>
<b>General Obligation Fund</b>											
JPM-GOVT	MMF	JPM US Govt MM Cap Class	43,651.70	0.00	(43,651.70)	0.00	0.00	0.00	43,651.70	0.00	(43,651.70)
<b>Total for General Obligation Fund</b>			<b>43,651.70</b>	<b>0.00</b>	<b>(43,651.70)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>43,651.70</b>	<b>0.00</b>	<b>(43,651.70)</b>
<b>Total for Port of Houston Authority</b>			<b>392,254,922.58</b>	<b>126,537,839.91</b>	<b>(147,513,483.49)</b>	<b>38,333.50</b>	<b>0.00</b>	<b>371,317,612.44</b>	<b>392,712,319.33</b>	<b>371,586,770.69</b>	<b>(21,125,548.64)</b>

# Investment Income

## Quarter Ended December 31, 2011

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
<b>2010 D2 Bond Construction Fund</b>									
649902Y98	MUNICIPAL	NY ST Dom Auth Tax Rev 1.149 03/15/12	2,553.33	14,362.50	0.00	0.00	16,915.83	0.00	14,362.50
3134G1VZ4	AGCY STEP	FHLMC 1.125 10/29/14	47,500.00	8,750.00	56,250.00	0.00	0.00	0.00	8,750.00
<b>Total for 2010 D2 Bond Construction Fund</b>			<b>50,053.33</b>	<b>23,112.50</b>	<b>56,250.00</b>	<b>0.00</b>	<b>16,915.83</b>	<b>0.00</b>	<b>23,112.50</b>
<b>Debt Service Fund</b>									
<b>Total for Debt Service Fund</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>General Fund</b>									
CB-PORHOU	BANK DEP	Citibank	0.00	39,594.57	39,594.57	0.00	0.00	0.00	39,594.57
TEXPOOL	LGIP	TexPool	0.00	8,328.12	8,328.12	0.00	0.00	0.00	8,328.12
TEXSTAR	LGIP	TexSTAR	0.00	36,562.24	36,562.24	0.00	0.00	0.00	36,562.24
89233GF43	CP - DISC	Toyota Mtr Cr 0.000 06/04/12	0.00	0.00	0.00	0.00	0.00	38,333.50	38,333.50
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
3134G14Z4	AGCY STEP	FHLMC 1.000 03/07/14	10,000.00	37,500.00	0.00	0.00	47,500.00	0.00	37,500.00
3136FRGF4	AGCY CALL	FNMA 1.650 04/25/14	357,500.00	206,250.00	412,500.00	0.00	151,250.00	0.00	206,250.00
313373XS6	AGCY CALL	FHLB 1.350 06/09/14	105,000.00	66,562.50	171,562.50	0.00	0.00	0.00	66,562.50
<b>Total for General Fund</b>			<b>523,625.00</b>	<b>420,359.93</b>	<b>719,672.43</b>	<b>0.00</b>	<b>224,312.50</b>	<b>38,333.50</b>	<b>458,693.43</b>
<b>General Obligation Fund</b>									
JPM-GOVT	MMF	JPM US Govt MM Cap Class	0.00	0.66	0.66	0.00	0.00	0.00	0.66
<b>Total for General Obligation Fund</b>			<b>0.00</b>	<b>0.66</b>	<b>0.66</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.66</b>
<b>Total for Port of Houston Authority</b>			<b>573,678.33</b>	<b>443,473.09</b>	<b>775,923.09</b>	<b>0.00</b>	<b>241,228.33</b>	<b>38,333.50</b>	<b>481,806.59</b>

# *Compliance*

## Requirement

### **4.5 Maturity**

- Operating funds  $\leq$  3 years
- Debt service funds  $\leq$  1 year
- Construction funds  $\leq$  4 years
- Bond reserve funds  $\leq$  maturity date of the bonds
- Weighted average maturity excluding construction, debt service and bond reserve funds  $\leq$  2 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
- Compliant
- Compliant
- Compliant (no investments in bond reserve funds currently)
- Compliant (weighted average days to call of 31 days, and weighted average maturity of 162 days)

### **4.6 Diversification**

- Compliant (maturities through 2014, with call dates through April 2012)
- Compliant (\$271 million in MMF, LGIP and bank deposits, \$25 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 18% of operating funds are actually invested beyond 24 months)
- Compliant (weighted average maturity of 162 days, or 31 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 investment is currently 7% of the portfolio)
- Compliant (highest concentration is 14% in FNMA)

# ***Glossary***

- Funds
- Terms
- Investment Types

## Glossary - Funds

<b>Bond Reserve Fund</b>	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.
<b>Construction Fund</b>	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.
<b>Debt Service Fund</b>	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.
<b>General Fund</b>	An unrestricted fund.
<b>General Obligations Fund</b>	Another term for a Construction Fund which is funded from proceeds of General Obligations bond issuances.
<b>Operating Fund</b>	A highly liquid general fund used to meet current spending needs.
<b>P &amp; D Fund</b>	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. The Harris County Auditor’s Office reviews and approves expenditures from the P&D Fund.

## Glossary - Terms

<b>Book Value</b>	The cost basis of an investment, plus or minus any discount or premium paid.
<b>Bullet Maturity</b>	An investment with no (further) calls or put options prior to the final maturity date.
<b>Call or Call Option</b>	An instrument which may be “called” (i.e., redeemed) at the option of the issuer.
<b>Coupon Rate</b>	The interest rate specified in the debt instrument.
<b>Discount</b>	The difference between the par value of an investment and the price at which it is issued, when issued at a price below par.
<b>Effective Rate</b>	Another term for Yield.
<b>Face Value</b>	Another term for Par Value.
<b>Market Value</b>	The price a willing buyer is willing to pay for an instrument.
<b>Municipal</b>	A debt security issued by a State, governmental or political subdivision or municipality.
<b>Par Value</b>	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.
<b>Premium</b>	The difference between the par value of an investment and the price at which it is issued, when issued at a price above par.
<b>Put or Put Option</b>	An instrument which may be “put” back to the issuer (i.e., redeemed) at the option of the holder.
<b>Stated Rate</b>	Another term for Coupon Rate.
<b>Step Up or Step Note</b>	Investments which offer one or more increases in the Coupon Rate if the instruments are not called by specific date(s).
<b>Yield, YTW, YTM</b>	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**

<b>AGCY</b>	Federal agency paper (may be callable, have bullet maturity and/or offer “step up” in interest rate)
<b>CGMI</b>	Citigroup Global Markets, Inc.
<b>CMO</b>	Collateralized Mortgage Obligations
<b>CP</b>	Commercial Paper
<b>CP-DISC or DCP</b>	Commercial Paper purchased at a discount
<b>FAMC or Farmer Mac</b>	Federal Agriculture Mortgage Corporation
<b>FCAR Owner Trust</b>	CP backed by Ford Motor retail sale contracts
<b>FFCB</b>	Federal Farm Credit Bureau
<b>FHLB</b>	Federal Home Loan Bank
<b>FHLMC or Freddie Mac</b>	Federal Home Loan Mortgage Corporation
<b>FMCC</b>	Ford Motor Credit Company
<b>FNMA or Fannie Mae</b>	Federal National Mortgage Corporation
<b>FSC or FSW</b>	First Southwest Company
<b>FSN</b>	FHLMC Step Note
<b>GECC</b>	General Electric Capital Corp.
<b>GMAC</b>	General Motors Acceptance Corp.
<b>GOB</b>	General Obligation Bond
<b>JPM US Gov MM Cap</b>	JPMorgan US Govt Money Market – Capital Class
<b>LGIP</b>	Local Government Investment Pool
<b>MM or MMF</b>	Money Market Fund
<b>MSSB</b>	Morgan Stanley Smith Barney
<b>SLMA or Sallie Mae</b>	Student Loan Marketing Association
<b>USTB</b>	U.S. Treasury Bill
<b>USTN</b>	U.S. Treasury Note