FirstSouthwest AssetManagement
A Hilltop Holdings Company

Investment Portfolio Summary

City of Peoria

PEORIA ARIZONA

For the Quarter Ended

September 30, 2016

Prepared by
FirstSouthwest Asset Management

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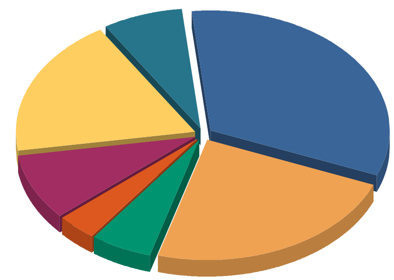
A Hilltop Holdings Company.

City of Peoria
Executive Summary
As of 09/30/16

Account Summary

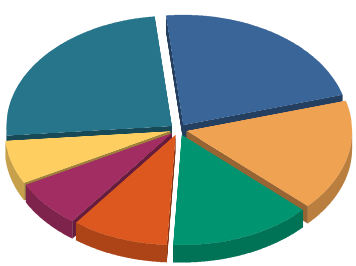
	Beginning Values as of 06/30/16	Ending Values as of 09/30/16
Par Value	330,066,390.04	324,865,007.34
Market Value	330,629,663.84	325,235,350.40
Book Value	330,088,768.46	325,059,355.95
Unrealized Gain /(Loss)	540,895.38	175,994.45
Market Value %	**100.16%**	**100.05%**
Weighted Avg. YTW	0.803%	0.924%
Weighted Avg. YTM	0.859%	0.984%

Allocation by Security Type



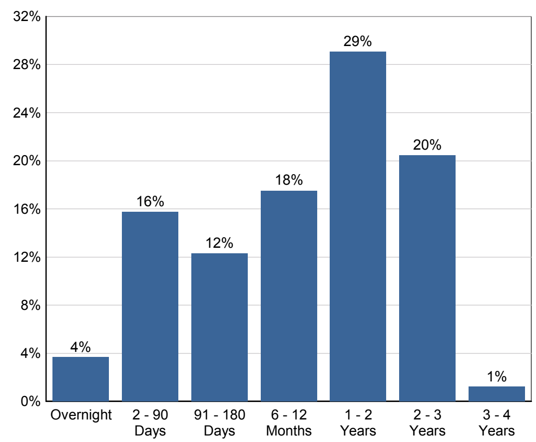
AGCY BULLET	33%
AGCY CALL	24%
AGCY STEP	5%
BANK DEP	4%
CORPORATE	9%
CP	19%
TREASURY	7%
Total:	100%

Allocation by Issuer



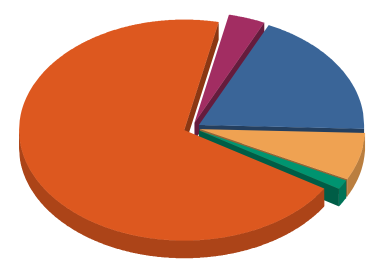
FFCB	22%
FHLMC	16%
FNMA	14%
TOYMCC	9%
US TREAS	7%
WF	6%
Other Issuers	25%
Total:	100%

Maturity Distribution %



Weighted Average Days to Maturity: 431

Credit Quality



A-1+	19%
AA	7%
AA+	2%
AAA	69%
Collateralized	4%
Total:	100%

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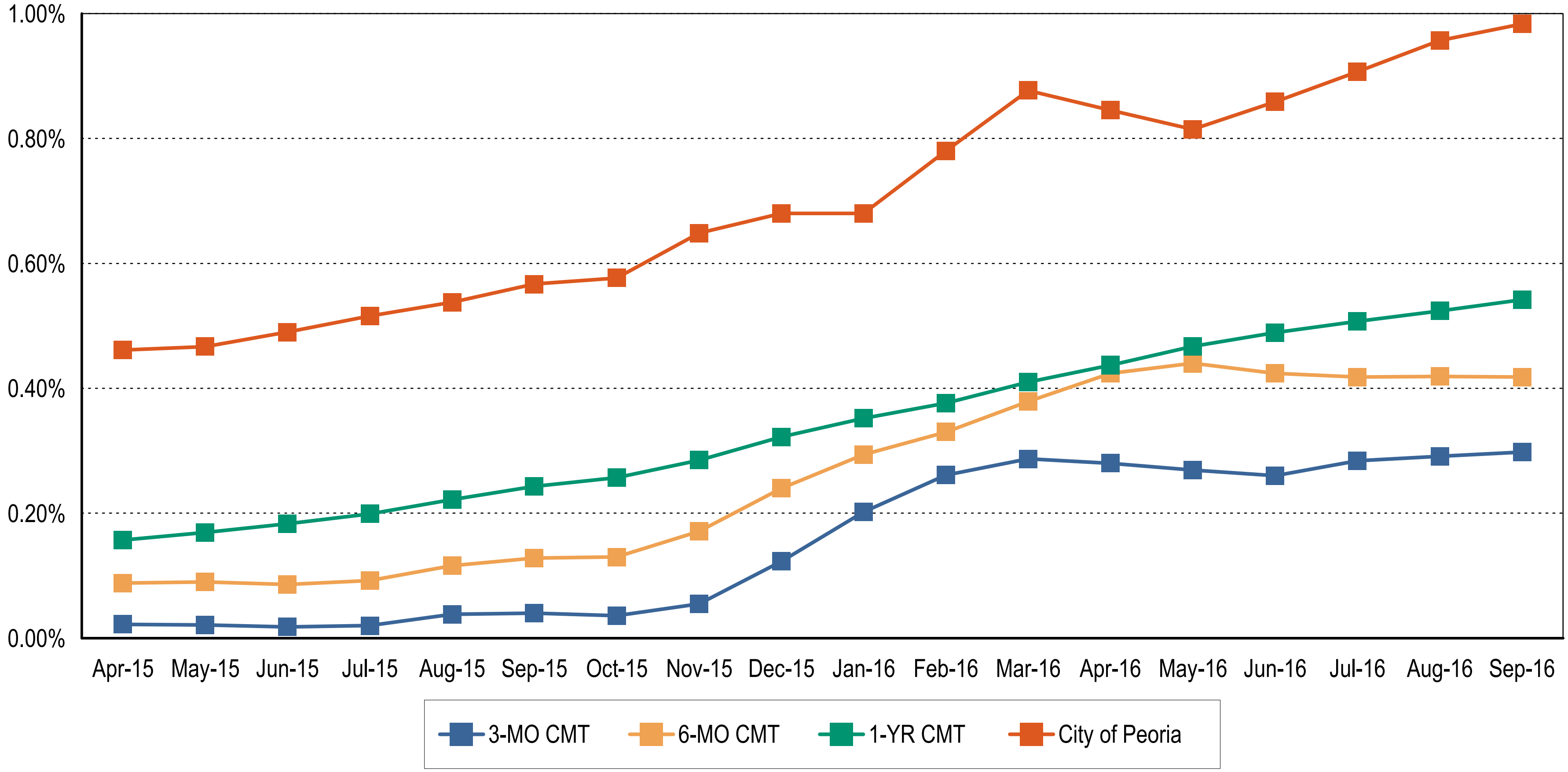
City of Peoria
Benchmark Comparison
As of 09/30/2016



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.

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City of Peoria
Investment Policy Compliance and Investment Income
As of September 30, 2016

Investment Type Allocation:	Book Value	Percent	Policy Maximum	Pass / Fail?
Money Market Funds	11,945,007.34	3.7%	35.00%	Pass
Agencies	200,119,800.27	61.6%	80.00%	Pass
Commercial Paper	60,856,439.27	18.7%	35.00%	Pass
U.S. Treasury	23,048,375.88	7.1%	80.00%	Pass
Corporates	29,089,733.19	8.9%	35.00%	Pass
	325,059,355.95	**100.00%**		

Maturity Breakdown:	Book Value	Percent	Policy Maximum	Pass / Fail?
Less Than 90 Days	63,198,769.92	19.4%	No Limit	
90 to 180 Days	39,975,009.15	12.3%	No Limit	
181 to 365 Days	56,951,437.29	17.5%	No Limit	
1 to 2 Years	94,465,912.66	29.1%	No Limit	
2 to 3 Years	66,462,419.37	20.4%	No Limit	
More Than 3 Years	4,005,807.56	1.2%	20.00%	Pass
	325,059,355.95	**100.00%**		

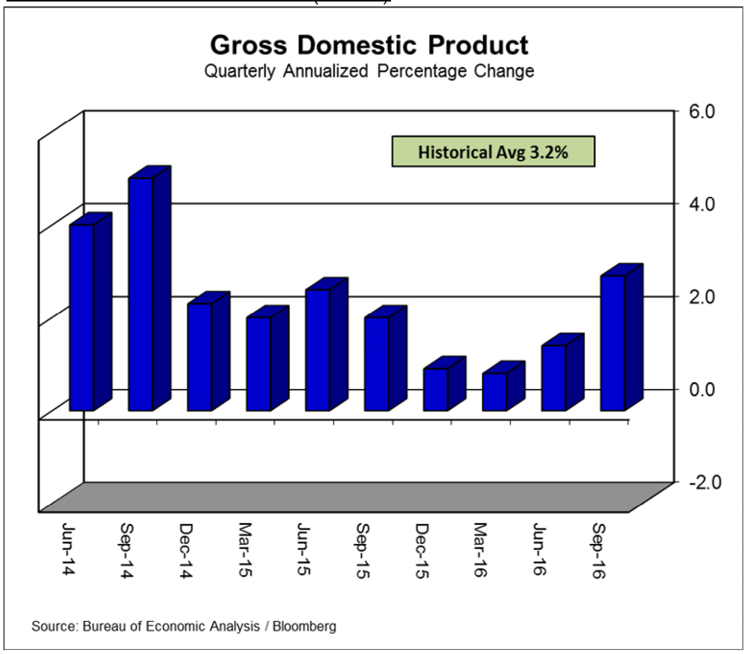
Other Policy Tests:		Pass / Fail?
Policy requires at least 35% of portoflio to mature in less than one year. Current Portfolio Maturing in Less Than One Year =	**49.3%**	Pass
Policy sets a maximum weighted average maturity of 3 years (1095 days). Current Portfolio Weighted Average Maturity =	**431**	Pass

Issuer Allocation:	Book Value	Percent	Policy Maximum	Pass / Fail?
Fannie Mae	45,593,999.54	14.0%	40.00%	Pass
Freddie Mac	52,809,123.95	16.2%	40.00%	Pass
FHLB	18,003,912.94	5.5%	40.00%	Pass
Federal Farm Credit	72,598,863.15	22.3%	40.00%	Pass
U.S. Treasury	23,048,375.88	7.1%	80.00%	Pass
Private Export Funding Corp	11,113,900.69	3.4%	40.00%	Pass
Wells Fargo MM	11,945,007.34	3.7%	35.00%	Pass
GE Capital Corp	-	0.0%	10.00%	Pass
J.P.Morgan Sec	15,896,548.28	4.9%	10.00%	Pass
Kaiser Foundation Hosp	15,020,641.04	4.6%	10.00%	Pass
Toyota Mtr Cr	29,939,249.95	9.2%	10.00%	Pass
Apple Inc	4,995,885.85	1.5%	5.00%	Pass
Berkshire Hathaway	5,042,645.40	1.6%	5.00%	Pass
Chevron Corp	8,004,380.48	2.5%	5.00%	Pass
Exxon Mobil	2,000,580.18	0.6%	5.00%	Pass
Wells Fargo	9,046,241.28	2.8%	5.00%	Pass
	325,059,355.95	**100.00%**		

Investment Income for the Period From 7/1/2016 through 9/30/2016:	
Interest Income	694,361.43
Realized Gains/Losses	-
Net Investment Income	**694,361.43**

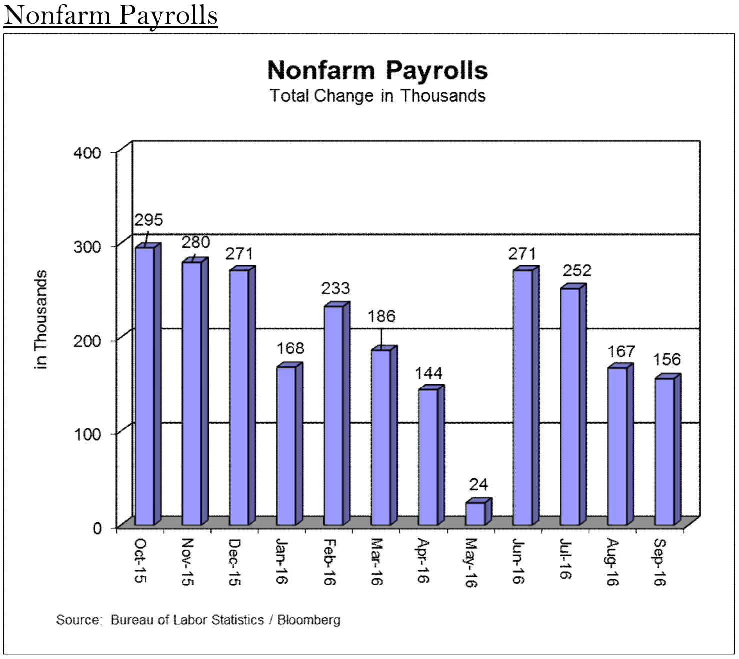
National Economic Trends
Period ending September 30, 2016

Gross Domestic Product (GDP)



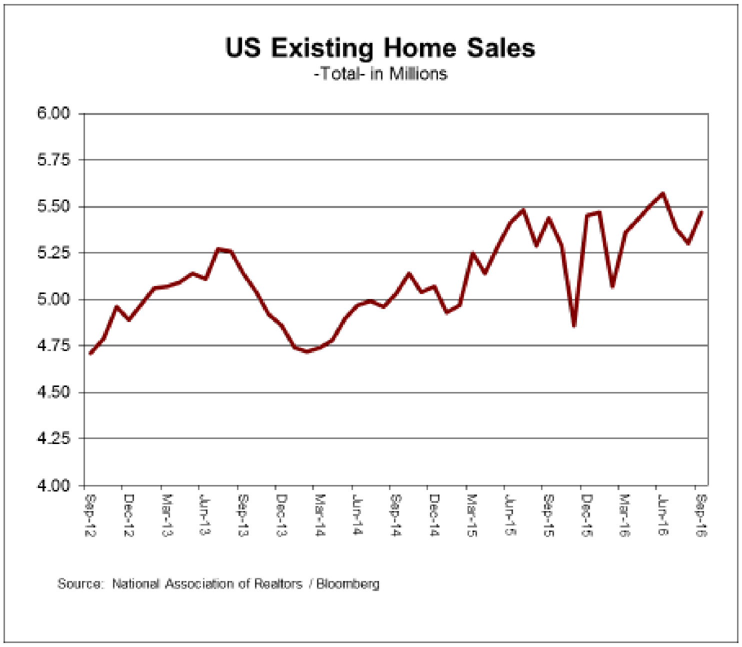
The preliminary look at third quarter gross domestic product (GDP) was strong on the surface, but weak underneath. The +2.9% annualized increase in Q3 GDP was the biggest gain in two years and a sizable improvement from the +1.4% second quarter advance. It also topped the +2.6% median forecast in Bloomberg's survey. Unexpected improvement in the trade picture was a notable contributor. Exports jumped +10% while imports rose a lessor +2.3%, with the net adding +0.8% to GDP. Inventory accumulation made a positive contribution for the first time in five quarters, adding +0.6%. The two factors masked a disturbing drop in consumption which slowed from +4.3 to +2.1%, while final sales, which strip out both inventories and exports, grew an annualized +1.4%, well below the previous quarter's +2.4% gain

Nonfarm Payrolls



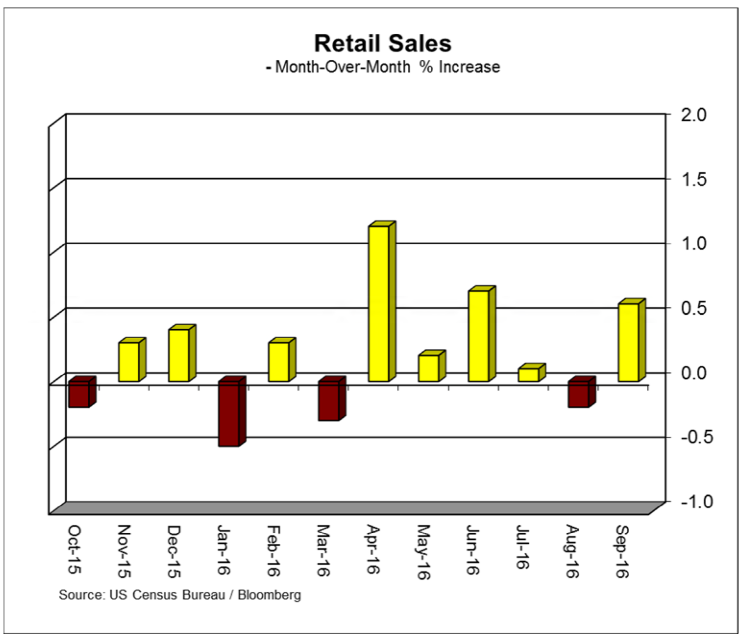
Job creation is the key indicator of Fed policy. Nonfarm payrolls rose by +156k in September after averaging +230k in the previous 3 months. This moderation was probably a deciding factor in the Fed's decision to hold steady at the September FOMC meeting. Also in September, the unemployment rate rose from +4.9% to 5.0% as Americans entering the workforce exceeded the number actually finding work. The labor market participation rate crept up by a tenth to 62.9%, still very near the 40-yr low of 62.4%. Fed officials will have the opportunity to consider both the October and November payroll data before making a decision at the December 13-14 meeting. Although the unemployment rate won't be a deciding factor, average nonfarm payroll growth of +150k or more should be enough to allow a quarter point hike.

Housing



Recent housing data paints a mixed picture, but lean inventory continues to be a big positive factor going forward. Existing home sales unexpectedly rose +3.2% in September to a 5.47 million unit annual pace, within 0.1% of the recovery high point posted in June. The available supply of existing homes fell from 4.6 to 4.5 months - this is very lean considering the brisk pace of sales. The problem in housing is supply, *a good problem to have.* New housing starts plunged -9.0% in September to an 18-month low of 1.047 million units; however, single family starts jumped +8.1% to a 7-month high. It was multifamily starts that did all of the damage to the starts headline, tumbling a massive -38%. Fortunately, multi-family *permits* surged at the same time, suggesting starts should rebound nicely in October.

Retail Sales



Consumer spending slumped in the third quarter despite a solid increase in the last month. Auto sales have fallen from near record levels but are still nearly double the pace experienced during the "cash-for-clunkers" days. Retail sales rose +0.6% in September while August sales were revised upward by 1/10th to -0.2% and the retail sales "control group," used in the GDP calculation, rose by just +0.1%. Unfortunately, whereas growth was hindered early in the recovery by consumer reluctance or inability to borrow, this is no longer the case. Outstanding credit card debt, which dipped below $800 billion in 2012, has come roaring back. According to S&P, revolving credit is fast accelerating and now stands at $969 billion, the highest since April 2009.