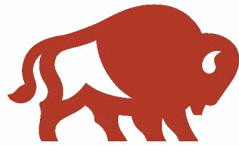


FirstSouthwest
AssetManagement
A Hilltop Holdings Company.



Investment Portfolio Summary

McKinney ISD



For the Quarter Ended

December 31, 2018

Prepared by
FirstSouthwest Asset Management

Report Name

- Certification Page
- Executive Summary
- Benchmark Comparison
- Detail of Security Holdings
- Change in Value
- Earned Income
- Investment Transactions
- Amortization and Accretion
- Projected Fixed Income Cash Flows

MARKET RECAP - DECEMBER 2018:

The stock market collapse was the biggest story in December, and the result would ultimately be a shocking drop in bond yields, wounded confidence and a reassessment of Fed policy going forward. But, the month began with a pair of exceptionally strong purchasing managers reports. The ISM manufacturing index climbed from 57.7 to 59.3, within two points of a 35-year high, while the non-manufacturing (services sector index) rose from 60.3 to 60.7. To put this number in perspective, the service sector index has only been above the 60 mark three times in its 30-year history, and they've all occurred in the last three months. A few cracks started to show in the employment report as non-farm payrolls grew by just +155k in November, while revisions to prior months subtracted -12k from the total. That brought the monthly average job gain for 2018 down to +206k, but the more recent three month trend shows a slower pace of growth at +170k. The unemployment rate remained at a 49-year low of 3.7% for the third straight month and the JOLT survey continued to show more job postings than job seekers.

Mortgage lending rates above 5% and a persistent increase in home prices have combined to keep a lid on home sales, but until recently, builder optimism was unwavering. This is quickly changing. A 12-point plunge from October through December in the National Association of Home Builders (NAHB) housing market index was the biggest since 2001, while the NAHB six-month home sales outlook fell to its lowest level since March 2016. Retail sales rose by just +0.2% in November, a bit of a surprise given that Amazon claimed "Cyber Monday" was the biggest sales day for the online giant ever. Crude oil prices continued to fall, bottoming out at \$42.53 per barrel on Christmas Eve, down 44% since early October. Although lower gasoline prices put extra dollars in consumer pockets and played a role in what was thought to be the best holiday season in six years, energy producers will soon feel some pain if prices don't stabilize. While energy companies struggled with falling prices, many multinational companies experienced huge drops in sales revenue due to a combination of the global slowdown and the continued trade war.

The uncertain business outlook contributed to the worst December stock market performance since the Great Depression and marked 2018 as the worst overall year for stocks since 2008. The Fed wasn't sympathetic enough to signs of slowing growth and crumbling equities, not only hiking by another quarter point at the December meeting, but forecasting two increases ahead in 2019. Compounding market worries was a government shutdown on December 21st as the president and congress were unable to reach a temporary funding agreement. When the year ended, the government remained closed and the trade war with China was in full swing. Bond yields took a nosedive in December along with the economic outlook, with the two-year Treasury-note shedding 41 basis points despite the fact that the Fed actually raised rates. Going forward, the futures market is no longer signaling any rate increases for 2019. In fact, a year from now, the chances of a rate cut are almost as likely as a rate increase. The abrupt shift in bond market yields is somewhat shocking, but the eventual reopening of the government and a favorable trade resolution could spark equities and rewrite interest rate forecasts in short order. Expect more volatility ahead.

For the Quarter Ended
December 31, 2018

This report is prepared for the **McKinney ISD** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

Officer Names and Titles:

Name: Jason Bird

Title: Chief Financial Officer

Name: Marlene Harbeson

Title: Executive Director of Finance

Name: Fran Pritchard

Title: Budget/Cash Manager

Name: Scott McIntyre

Title: First Southwest Asset Management

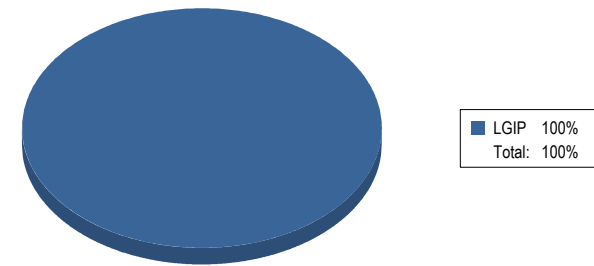
Account Summary

Allocation by Security Type

Beginning Values as of 09/30/18

Ending Values as of 12/31/18

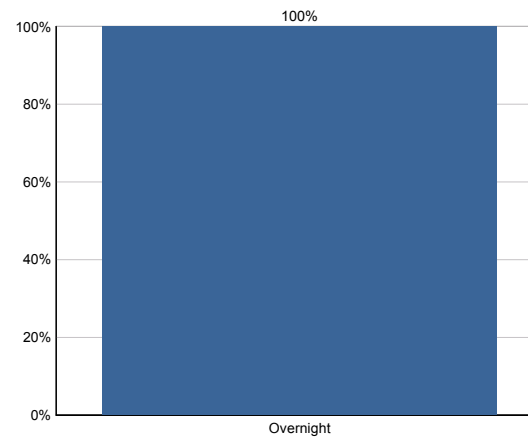
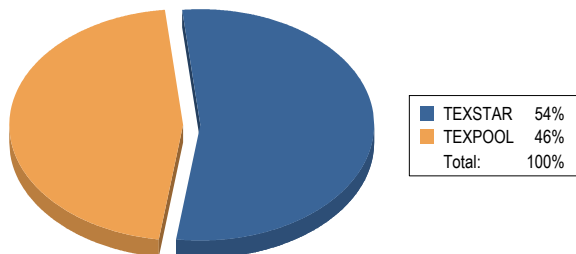
Par Value	234,844,419.80	306,213,977.82
Market Value	234,844,419.80	306,213,977.82
Book Value	234,844,419.80	306,213,977.82
Unrealized Gain/(Loss)	0.00	0.00
Market Value %	100.00%	100.00%
Weighted Avg. YTW	1.990%	2.298%
Weighted Avg. YTM	1.990%	2.298%



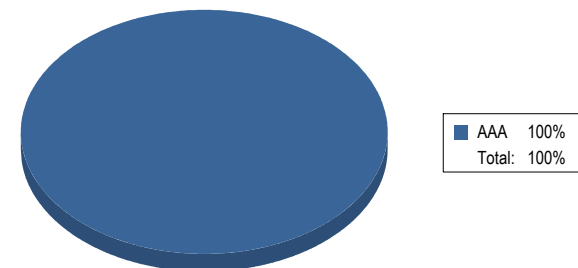
Allocation by Issuer

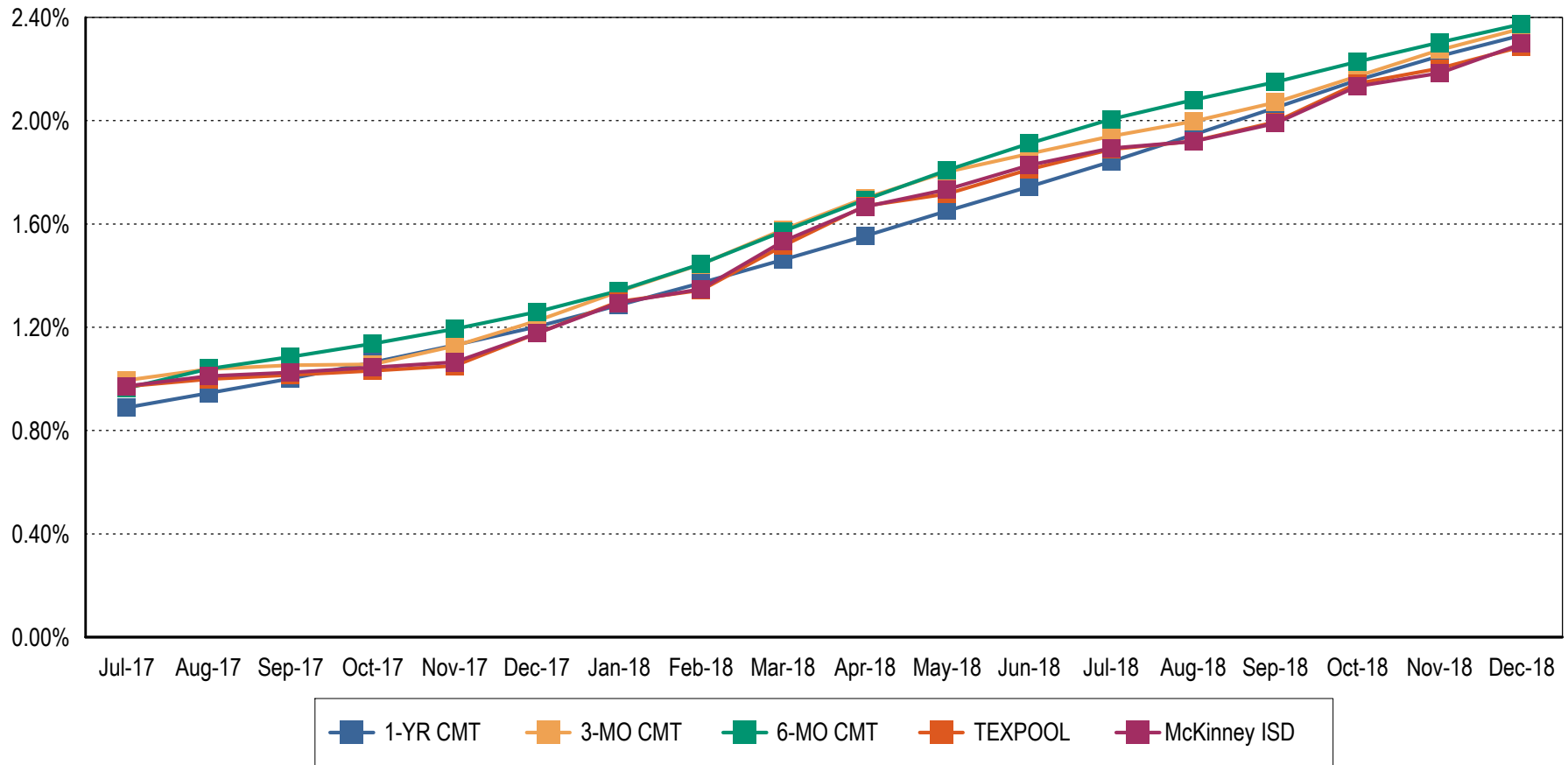
Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 1





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.

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
2017 Series Bonds																	
TEXSTAR		LGIP	TexSTAR					72,476,630.18	100.000	72,476,630.18	72,476,630.18	100.000	72,476,630.18	1		2.307	2.307
Total for 2017 Series Bonds								72,476,630.18	100.000	72,476,630.18	72,476,630.18	100.000	72,476,630.18	1		2.307	2.307
2018 Series Bonds																	
TEXSTAR		LGIP	TexSTAR					45,819,056.29	100.000	45,819,056.29	45,819,056.29	100.000	45,819,056.29	1		2.307	2.307
Total for 2018 Series Bonds								45,819,056.29	100.000	45,819,056.29	45,819,056.29	100.000	45,819,056.29	1		2.307	2.307
General Operating																	
TEXPOOL		LGIP	TexPool					94,901,650.41	100.000	94,901,650.41	94,901,650.41	100.000	94,901,650.41	1		2.287	2.287
TEXSTAR		LGIP	TexSTAR					44,472,795.61	100.000	44,472,795.61	44,472,795.61	100.000	44,472,795.61	1		2.307	2.307
Total for General Operating								139,374,446.02	100.000	139,374,446.02	139,374,446.02	100.000	139,374,446.02	1		2.293	2.293
Interest & Bonded Debt																	
TEXPOOL		LGIP	TexPool					46,694,885.95	100.000	46,694,885.95	46,694,885.95	100.000	46,694,885.95	1		2.287	2.287
TEXSTAR		LGIP	TexSTAR					1,848,959.38	100.000	1,848,959.38	1,848,959.38	100.000	1,848,959.38	1		2.307	2.307
Total for Interest & Bonded Debt								48,543,845.33	100.000	48,543,845.33	48,543,845.33	100.000	48,543,845.33	1		2.288	2.288
Total for McKinney ISD								306,213,977.82	100.000	306,213,977.82	306,213,977.82	100.000	306,213,977.82	1		2.298	2.298

CUSIP	Security Type	Security Description	09/30/18 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	12/31/18 Book Value	09/30/18 Market Value	12/31/18 Market Value	Change in Mkt Value
2016 Series Bonds											
TEXSTAR	LGIP	TexSTAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total for 2016 Series Bonds			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017 Series Bonds											
TEXSTAR	LGIP	TexSTAR	70,240,732.69	7,168,434.18	(4,932,536.69)	0.00	0.00	72,476,630.18	70,240,732.69	72,476,630.18	2,235,897.49
CD-8817	CD	Independent Bk CD 1.900 12/13/18	10,096,010.17	0.00	(10,096,010.17)	0.00	0.00	0.00	10,096,010.17	0.00	(10,096,010.17)
Total for 2017 Series Bonds			80,336,742.86	7,168,434.18	(15,028,546.86)	0.00	0.00	72,476,630.18	80,336,742.86	72,476,630.18	(7,860,112.68)
2018 Series Bonds											
TEXSTAR	LGIP	TexSTAR	45,562,626.27	256,430.02	0.00	0.00	0.00	45,819,056.29	45,562,626.27	45,819,056.29	256,430.02
Total for 2018 Series Bonds			45,562,626.27	256,430.02	0.00	0.00	0.00	45,819,056.29	45,562,626.27	45,819,056.29	256,430.02
General Operating											
TEXPOOL	LGIP	TexPool	49,851,875.23	65,357,979.08	(20,308,203.90)	0.00	0.00	94,901,650.41	49,851,875.23	94,901,650.41	45,049,775.18
TEXSTAR	LGIP	TexSTAR	34,124,529.97	10,348,265.64	0.00	0.00	0.00	44,472,795.61	34,124,529.97	44,472,795.61	10,348,265.64
CD-8816	CD	Independent Bk CD 1.900 12/13/18	10,096,010.17	0.00	(10,096,010.17)	0.00	0.00	0.00	10,096,010.17	0.00	(10,096,010.17)
Total for General Operating			94,072,415.37	75,706,244.72	(30,404,214.07)	0.00	0.00	139,374,446.02	94,072,415.37	139,374,446.02	45,302,030.65
Interest & Bonded Debt											
TEXPOOL	LGIP	TexPool	13,034,023.77	33,660,862.18	0.00	0.00	0.00	46,694,885.95	13,034,023.77	46,694,885.95	33,660,862.18
TEXSTAR	LGIP	TexSTAR	1,838,611.53	10,347.85	0.00	0.00	0.00	1,848,959.38	1,838,611.53	1,848,959.38	10,347.85
Total for Interest & Bonded Debt			14,872,635.30	33,671,210.03	0.00	0.00	0.00	48,543,845.33	14,872,635.30	48,543,845.33	33,671,210.03
Total for McKinney ISD			234,844,419.80	116,802,318.95	(45,432,760.93)	0.00	0.00	306,213,977.82	234,844,419.80	306,213,977.82	71,369,558.02

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
2016 Series Bonds									
Total for 2016 Series Bonds			0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017 Series Bonds									
TEXSTAR	LGIP	TexSTAR	0.00	382,870.81	382,870.81	0.00	0.00	0.00	382,870.81
CD-8817	CD	Independent Bk CD 1.900 12/13/18	9,459.82	38,364.84	47,824.66	0.00	0.00	0.00	38,364.84
Total for 2017 Series Bonds			9,459.82	421,235.65	430,695.47	0.00	0.00	0.00	421,235.65
2018 Series Bonds									
TEXSTAR	LGIP	TexSTAR	0.00	256,430.02	256,430.02	0.00	0.00	0.00	256,430.02
Total for 2018 Series Bonds			0.00	256,430.02	256,430.02	0.00	0.00	0.00	256,430.02
General Operating									
TEXPOOL	LGIP	TexPool	0.00	272,055.21	272,055.21	0.00	0.00	0.00	272,055.21
TEXSTAR	LGIP	TexSTAR	0.00	204,430.81	204,430.81	0.00	0.00	0.00	204,430.81
CD-8816	CD	Independent Bk CD 1.900 12/13/18	9,459.82	38,364.84	47,824.66	0.00	0.00	0.00	38,364.84
Total for General Operating			9,459.82	514,850.86	524,310.68	0.00	0.00	0.00	514,850.86
Interest & Bonded Debt									
TEXPOOL	LGIP	TexPool	0.00	116,706.39	116,706.39	0.00	0.00	0.00	116,706.39
TEXSTAR	LGIP	TexSTAR	0.00	10,347.85	10,347.85	0.00	0.00	0.00	10,347.85
Total for Interest & Bonded Debt			0.00	127,054.24	127,054.24	0.00	0.00	0.00	127,054.24
Total for McKinney ISD			18,919.64	1,319,570.77	1,338,490.41	0.00	0.00	0.00	1,319,570.77

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
2017 Series Bonds															
Maturities															
12/13/18	12/13/18	CD-8817	CD	Independent Bk CD	1.900	12/13/18		10,096,010.17	100.000	10,096,010.17	0.00	10,096,010.17		1.900	
Total for: Maturities								10,096,010.17		10,096,010.17	0.00	10,096,010.17		1.900	
Income Payments															
12/13/18	12/13/18	CD-8817	CD	Independent Bk CD	1.900	12/13/18				0.00	47,824.66	47,824.66			
Total for: Income Payments										0.00	47,824.66	47,824.66			
General Operating															
Maturities															
12/13/18	12/13/18	CD-8816	CD	Independent Bk CD	1.900	12/13/18		10,096,010.17	100.000	10,096,010.17	0.00	10,096,010.17		1.900	
Total for: Maturities								10,096,010.17		10,096,010.17	0.00	10,096,010.17		1.900	
Income Payments															
12/13/18	12/13/18	CD-8816	CD	Independent Bk CD	1.900	12/13/18				0.00	47,824.66	47,824.66			
Total for: Income Payments										0.00	47,824.66	47,824.66			

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
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Total for All Portfolios

Transaction Type	Quantity	Total Amount	Realized G/L	YTM	YTW
Total Maturities	20,192,020.34	20,192,020.34		1.900	
Total Income Payments	0.00	95,649.32			

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
2017 Series Bonds											
CD-8817	03/13/18	CD	Independent Bk CD 1.900 12/13/18		0.00	100.000	0.00	0.00	0.00	0.00	0.00
Total for 2017 Series Bonds					0.00		0.00	0.00	0.00	0.00	0.00
General Operating											
CD-8816	03/13/18	CD	Independent Bk CD 1.900 12/13/18		0.00	100.000	0.00	0.00	0.00	0.00	0.00
Total for General Operating					0.00		0.00	0.00	0.00	0.00	0.00
Total for McKinney ISD					0.00		0.00	0.00	0.00	0.00	0.00