

# INVESTMENT REPORT

## McKinney ISD

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July 1 to June 30, 2022



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## Market Recap

The month of June wasn't pretty for investors, as stocks, bonds, gold and crypto all dropped. Consumer confidence, which had held up reasonably well, plunged under the weight of too much bad news. One of the primary drivers of pessimism was the May consumer price index, which instead of retreating as expected, climbed from +8.2% to a new 41-year high of +8.6% year-over-year. The main contributors to the unexpectedly hot report were food, energy, autos, shelter costs, and travel and leisure services, all major drains on the average consumer. Unfortunately, this troubling data was released during the Fed's 10-day blackout period just before the June FOMC meeting, which meant Fed officials were prohibited from speaking and unable to rein-in growing concerns. As a result, inflation expectations soared *along with bond yields*.

At the June FOMC meeting, committee members succumbed to market pressure with the first 75 basis point rate hike in 28 years. At the press conference that followed, Chair Powell reiterated inflation was much too high, the Fed was committed to achieving price stability and would need to see compelling evidence that inflation was coming down before altering its course. The "course" at the time of the meeting was another 200 basis points of rate increases before year end.

The positive response to Powell's pledge to tame inflation quickly evolved into concern that the Fed would overtighten and tip the economy into recession. Powell stoked this fear repeatedly during the month, asserting that inflation was the Fed's top priority and implying that the economy could be sacrificed to achieve this objective. This tough talk was necessary to preserve remaining Fed credibility but damaging to consumer confidence.

The FOMC decided months ago that its employment mandate has been met, pointing to a +3.6% unemployment rate and overabundance of available jobs. The economic slowdown Powell is orchestrating will reduce the number of job openings over time, but fast dwindling savings and bear market destruction of retirement accounts could have a more immediate impact. The negative wealth effect of stock losses, and sagging confidence contributed to the first contraction in monthly retail sales this year. The -0.3% drop in May

spending would have been considerably worse if not for large gains in grocery store and gas station receipts, which were elevated by higher prices.

Rising prices are draining savings accounts, and record borrowing has thus far made up the shortfall. The personal saving rate slipped to a 13-year-low of 5.4%, roughly half of where it was just nine months earlier. At the same time, Federal Reserve data showed revolving credit had risen +19.6% year-over-year in April to a new record high of just over \$1.1 trillion.

The two-year Treasury-note yield started the month at 2.55% and climbed to 3.43% after the CPI release before closing the month at 2.95% as recession concerns entered the equation. The 12-month Treasury bill started June at 2.05%, peaked at 2.97% and closed the month at 2.74%. This degree of market movement in such a short period of time, especially on the short end of the curve, is almost unprecedented. The easy explanation is that buyers outnumbered sellers, but the longer explanation is that inflation climbed beyond where most experts expected. The things most Americans buy every day were front and center, with the average price for a gallon of gas topping \$5 per gallon for the first time in history.

At this point, the bond market has queued-up another 75-bp hike for July and 50-bps for September, but as signs of weakness emerge talk has already begun of when monetary policy could shift from tightening to easing. This won't happen in 2022 as inflation is expected to remain very elevated, and a policy shift anytime during the next 12 months would be a surprise. However, surprises have come with increasing frequency in recent years and the unexpected has become commonplace.

## Investment Officers' Certification

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 the PFIA.

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.

### Investment Officers

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Caryn Stolp, CTSBO  
*Budget & Cash Manager*

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Jason Bird  
*Deputy Superintendent*

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Marlene Harbeson  
*Chief Financial Officer*

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Scott McIntyre  
*Hilltop Securities Asset Management*

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## Portfolio Overview

### Portfolio Summary

	Prior 30 Jun-21	Current 30 Jun-22
Par Value	215,381,067.87	292,578,859.05
Original Cost	215,381,067.87	292,578,859.05
Book Value	215,381,067.87	292,578,859.05
Market Value	215,381,067.87	292,578,859.05
Accrued Interest	0.00	0.00
Book Value Plus Accrued	215,381,067.87	292,578,859.05
Market Value Plus Accrued	215,381,067.87	292,578,859.05
Net Unrealized Gain/Loss	0.00	0.00

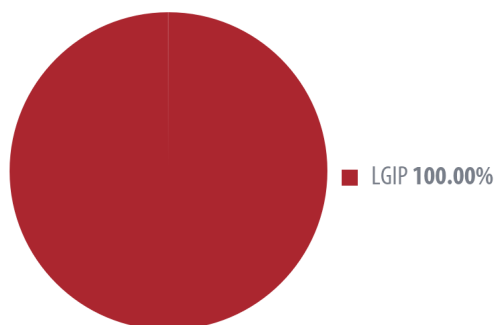
### Income Summary

	1 Jul-21 to 30 Jun-22
Interest Income	\$593,051.96
Net Amortization/Accretion	
Realized Gain/Loss	\$0.00
Net Income	\$593,051.96

### Portfolio Characteristics

	Prior 30 Jun-21	Current 30 Jun-22
Yield to Maturity	0.020%	0.993%
Yield to Worst	0.020%	0.993%
Years to Final Maturity	0.00	0.00
Years to Effective Maturity	0.00	0.00
Duration	--	--

### Asset Allocation

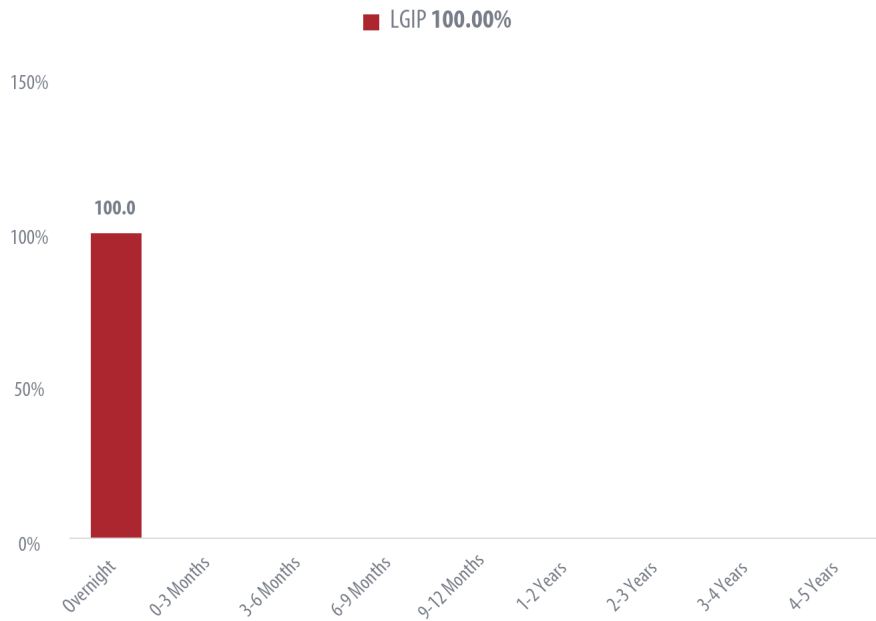


### Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
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## Portfolio Overview

### Maturity Distribution by Security Type



### Top Ten Holdings

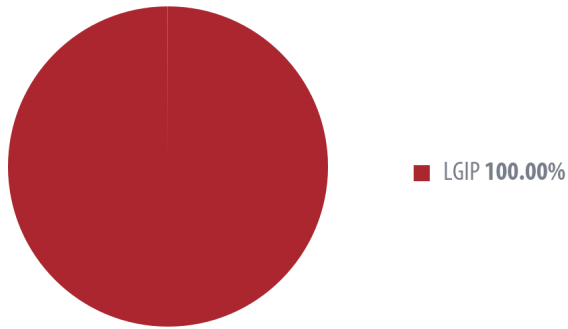
Issuer	Allocation
TEXSTAR	51.56%
TEXPOOL	48.44%

### Maturity Distribution by Security Type

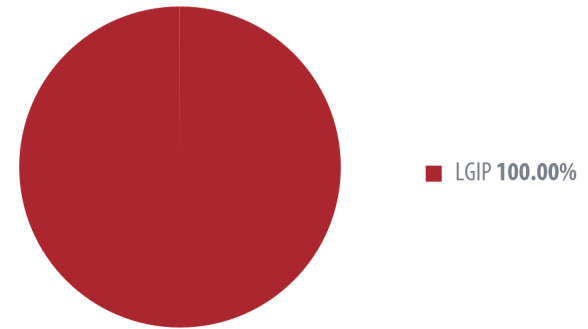
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	292,578,859.05	--	--	--	--	--	--	--	--	292,578,859.05
<b>Total</b>	<b>292,578,859.05</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>292,578,859.05</b>

## Asset Allocation

Asset Allocation by Security Type as of 30-Jun-2021



Asset Allocation by Security Type as of 30-Jun-2022



## Book Value Basis Security Distribution

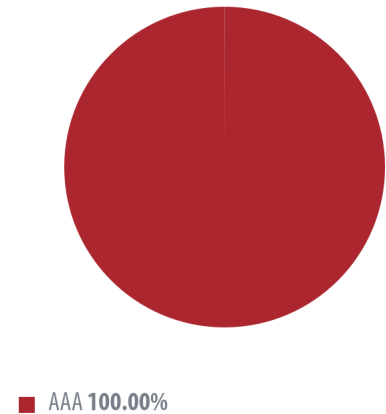
Security Type	Prior Balance 30-Jun-21	Prior Allocation 30-Jun-21	Change in Allocation	Current Balance 30-Jun-22	Current Allocation 30-Jun-22	Yield to Maturity
LGIP	215,381,067.87	100.00%	0.00%	292,578,859.05	100.00%	0.993%
<b>Portfolio Total</b>	<b>215,381,067.87</b>	<b>100.00%</b>		<b>292,578,859.05</b>	<b>100.00%</b>	<b>0.993%</b>

## Credit Rating Summary

### Rating Distribution

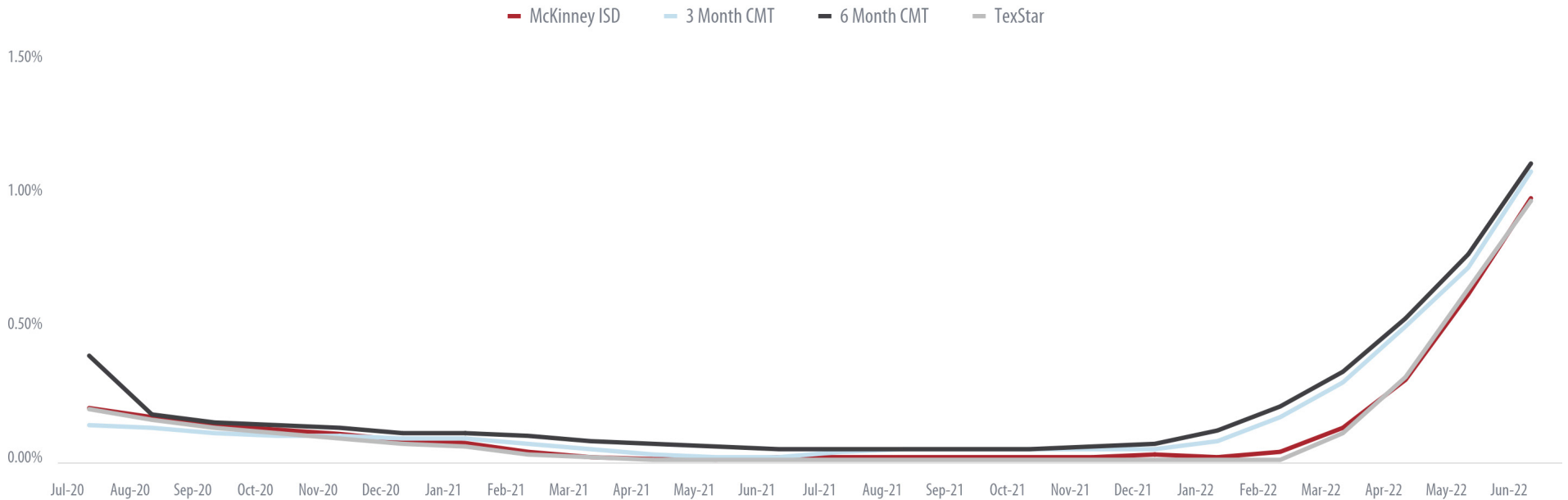
	Book Value	Portfolio Allocation
<b>Local Government Investment Pools &amp; Money Market Funds</b>		
AAA	292,578,859.05	100.00%
<b>Total Local Government Investment Pools &amp; Money Market Funds</b>	<b>292,578,859.05</b>	<b>100.00%</b>
<b>Portfolio Total</b>	<b>292,578,859.05</b>	<b>100.00%</b>

### Allocation by Rating





## Benchmark Comparison



## Yield Overview

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	
<b>McKinney ISD</b>	<b>0.20</b>	<b>0.17</b>	<b>0.14</b>	<b>0.12</b>	<b>0.11</b>	<b>0.08</b>	<b>0.07</b>	<b>0.04</b>	<b>0.02</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>	<b>0.04</b>	<b>0.13</b>	<b>0.31</b>	<b>0.63</b>	<b>0.99</b>
3 Month CMT	0.14	0.13	0.11	0.10	0.10	0.09	0.09	0.07	0.05	0.03	0.02	0.02	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.08	0.17	0.30	0.51	0.73	1.09
6 Month CMT	0.40	0.18	0.15	0.14	0.13	0.11	0.11	0.10	0.08	0.07	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.06	0.07	0.12	0.21	0.34	0.54	0.78	1.12
TexStar	0.20	0.16	0.13	0.11	0.09	0.07	0.06	0.03	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.11	0.32	0.65	0.98

## Fund Overview

Fund Name	Prior Book Value	Prior Market Value	Changes to Market Value	Current Book Value	Current Market Value	Net Income	Days to Final Mty	YTM	YTW
	0.00	0.00	90,322,811.66	90,322,811.66	90,322,811.66	163,055.56	1	0.985%	0.985%
2018 Series Bonds	28,673,359.58	28,673,359.58	(24,453,518.02)	4,219,841.56	4,219,841.56	15,158.78	1	0.985%	0.985%
2019 Series Bonds	3,538,742.48	3,538,742.48	6,318.38	3,545,060.86	3,545,060.86	6,318.38	1	0.985%	0.985%
2020 Series Bonds	3,501,591.90	3,501,591.90	6,252.06	3,507,843.96	3,507,843.96	6,252.06	1	0.985%	0.985%
General Operating	150,878,594.07	150,878,594.07	10,068,402.68	160,946,996.75	160,946,996.75	344,308.48	1	0.997%	0.997%
Interest & Bonded Debt	28,788,779.84	28,788,779.84	1,247,524.42	30,036,304.26	30,036,304.26	57,958.70	1	1.000%	1.000%
<b>Total</b>	<b>215,381,067.87</b>	<b>215,381,067.87</b>	<b>77,197,791.18</b>	<b>292,578,859.05</b>	<b>292,578,859.05</b>	<b>593,051.96</b>	<b>1</b>	<b>0.993%</b>	<b>0.993%</b>

## Detail of Security Holdings

CUSIP	Settle Date	Security Type	Security Description	CPN	Maturity Date	Next Call Date	Call Type	Par Value	Purch Price	Original Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW	Rating	
<b>2018 Series Bonds</b>																			
TEXSTAR		LGIP	TexSTAR		06/30/22			4,219,841.56	100.000	4,219,841.56	4,219,841.56	100.000	4,219,841.56	1		0.985	0.985	AAA	
<b>Total 2018 Series Bonds</b>								<b>4,219,841.56</b>	<b>4,219,841.56</b>	<b>4,219,841.56</b>	<b>4,219,841.56</b>	<b>4,219,841.56</b>	<b>1</b>	<b>0.985</b>	<b>0.985</b>				
<b>2019 Series Bonds</b>																			
TEXSTAR		LGIP	TexSTAR		06/30/22			3,545,060.86	100.000	3,545,060.86	3,545,060.86	100.000	3,545,060.86	1		0.985	0.985	AAA	
<b>Total 2019 Series Bonds</b>								<b>3,545,060.86</b>	<b>3,545,060.86</b>	<b>3,545,060.86</b>	<b>3,545,060.86</b>	<b>3,545,060.86</b>	<b>1</b>	<b>0.985</b>	<b>0.985</b>				
<b>2020 Series Bonds</b>																			
TEXSTAR		LGIP	TexSTAR		06/30/22			3,507,843.96	100.000	3,507,843.96	3,507,843.96	100.000	3,507,843.96	1		0.985	0.985	AAA	
<b>Total 2020 Series Bonds</b>								<b>3,507,843.96</b>	<b>3,507,843.96</b>	<b>3,507,843.96</b>	<b>3,507,843.96</b>	<b>3,507,843.96</b>	<b>1</b>	<b>0.985</b>	<b>0.985</b>				
<b>2021 Series Bonds</b>																			
TEXSTAR		LGIP	TexSTAR		06/30/22			90,322,811.66	100.000	90,322,811.66	90,322,811.66	100.000	90,322,811.66	1		0.985	0.985	AAA	
<b>Total 2021 Series Bonds</b>								<b>90,322,811.66</b>	<b>90,322,811.66</b>	<b>90,322,811.66</b>	<b>90,322,811.66</b>	<b>90,322,811.66</b>	<b>1</b>	<b>0.985</b>	<b>0.985</b>				
<b>General Operating</b>																			
TEXPOOL		LGIP	TexPool		06/30/22			113,713,974.36	100.000	113,713,974.36	113,713,974.36	100.000	113,713,974.36	1		1.001	1.001	AAA	
TEXSTAR		LGIP	TexSTAR		06/30/22			47,233,022.39	100.000	47,233,022.39	47,233,022.39	100.000	47,233,022.39	1		0.985	0.985	AAA	
<b>Total General Operating</b>								<b>160,946,996.75</b>	<b>160,946,996.75</b>	<b>160,946,996.75</b>	<b>160,946,996.75</b>	<b>160,946,996.75</b>	<b>1</b>	<b>0.997</b>	<b>0.997</b>				
<b>Interest &amp; Bonded Debt</b>																			
TEXPOOL		LGIP	TexPool		06/30/22			28,014,938.40	100.000	28,014,938.40	28,014,938.40	100.000	28,014,938.40	1		1.001	1.001	AAA	
TEXSTAR		LGIP	TexSTAR		06/30/22			2,021,365.86	100.000	2,021,365.86	2,021,365.86	100.000	2,021,365.86	1		0.985	0.985	AAA	
<b>Total Interest &amp; Bonded Debt</b>								<b>30,036,304.26</b>	<b>30,036,304.26</b>	<b>30,036,304.26</b>	<b>30,036,304.26</b>	<b>30,036,304.26</b>	<b>1</b>	<b>1.000</b>	<b>1.000</b>				
<b>Grand Total</b>								<b>292,578,859.05</b>	<b>292,578,859.05</b>	<b>292,578,859.05</b>	<b>292,578,859.05</b>	<b>292,578,859.05</b>	<b>1</b>	<b>0.993</b>	<b>0.993</b>				

## Earned Income

CUSIP	Security Type	Security Description	Beginning Accrued	Interest Earned	Interest Rec'd/Sold/Matured	Interest Purchased	Ending Accrued	Disc Accr/Prem Amort	Net Realized Gain/Loss	Net Income
<b>2018 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2022	0.00	15,158.78	15,158.78	0.00	0.00	0.00	0.00	15,158.78
<b>Total 2018 Series Bonds</b>			<b>0.00</b>	<b>15,158.78</b>	<b>15,158.78</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>15,158.78</b>
<b>2019 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2022	0.00	6,318.38	6,318.38	0.00	0.00	0.00	0.00	6,318.38
<b>Total 2019 Series Bonds</b>			<b>0.00</b>	<b>6,318.38</b>	<b>6,318.38</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,318.38</b>
<b>2020 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2022	0.00	6,252.06	6,252.06	0.00	0.00	0.00	0.00	6,252.06
<b>Total 2020 Series Bonds</b>			<b>0.00</b>	<b>6,252.06</b>	<b>6,252.06</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,252.06</b>
<b>2021 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2022	0.00	163,055.56	163,055.56	0.00	0.00	0.00	0.00	163,055.56
<b>Total 2021 Series Bonds</b>			<b>0.00</b>	<b>163,055.56</b>	<b>163,055.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>163,055.56</b>
<b>General Operating</b>										
TEXPOOL	LGIP	TexPool 0.0 06/30/2022	0.00	260,125.40	260,125.40	0.00	0.00	0.00	0.00	260,125.40
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2022	0.00	84,183.08	84,183.08	0.00	0.00	0.00	0.00	84,183.08
<b>Total General Operating</b>			<b>0.00</b>	<b>344,308.48</b>	<b>344,308.48</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>344,308.48</b>
<b>Interest &amp; Bonded Debt</b>										
TEXPOOL	LGIP	TexPool 0.0 06/30/2022	0.00	53,999.89	53,999.89	0.00	0.00	0.00	0.00	53,999.89
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2022	0.00	3,958.81	3,958.81	0.00	0.00	0.00	0.00	3,958.81
<b>Total Interest &amp; Bonded Debt</b>			<b>0.00</b>	<b>57,958.70</b>	<b>57,958.70</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>57,958.70</b>
<b>Grand Total</b>			<b>0.00</b>	<b>593,051.96</b>	<b>593,051.96</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>593,051.96</b>

## Disclosures & Disclaimers

As a courtesy to investors this information: (1) is provided for informational purposes only; (2) should not be construed as an offer to sell or a solicitation of an offer to buy any security; and (3) does not replace customer statements.

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