

INVESTMENT REPORT

McKinney ISD

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October 1 to December 31, 2022



Contents

Market Recap 3
Investment Officers' Certification 4
Portfolio Overview 5
Portfolio Overview 6
Asset Allocation 7
Credit Rating Summary 8
Benchmark Comparison. 9
Fund Overview 10
Detail of Security Holdings 11
Earned Income 13
Disclosures & Disclaimers 15

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Market Recap

The final month of a brutal year began with the November ISM manufacturing index slipping from 50.2 to 49.0, indicating *contraction* in the factory sector for the first time since the covid lockdown 2½ years ago. The ISM prices paid index tumbled from 46.6 to 43.0 as an increasing number of purchasing managers reported falling prices. *Just eight months ago, the ISM price index stood at 87.1.* However, Fed officials understand that inflation won't be fully under control until the labor market is in balance. Unfortunately, the November employment report from the Bureau of Labor Statistics proved stronger-than-expected across the board. U.S. companies added +263k jobs during the month, well above the Bloomberg median forecast of +200k, while October payrolls were revised upward from +261k to +284k. The labor force participation rate slipped and the headline unemployment rate held steady at 3.7%, just a fraction above the five-decade low of 3.5%. The continued labor market tightness resulted in a +0.6% rise in average hourly earnings, pushing the year-over-year wage increase from a +4.9% to +5.1%.

This prompted an immediate sell-off in the bond market, but it was an extremely volatile month and a soft CPI report (just a day before the December FOMC decision) sparked a rally that drove yields back down. The November consumer price index (CPI) proved a welcome relief for both the markets and the Fed. Headline CPI rose by just +0.1% in November after troubling +0.4% gains in the previous two months. Core CPI climbed +0.2%, the smallest monthly advance in more than a year. On an annual basis, overall CPI retreated to a +7.1% pace while the core rate slipped to +6.0%, off highs of +9.1% and +6.6% from months earlier. When focusing on more recent underlying trends, the outlook brightens significantly. Over the last five months, the increase in headline CPI has averaged just +0.2%, implying an annual inflation rate of +2.4%. Core CPI is stickier, but the +0.4% monthly average since July indicates an annualized rate below +5.0%.

It was no surprise the following day when Fed officials voted unanimously to increase the overnight rate by 50 basis points to a 4.25%-4.50% target range, following four straight 75 bps hikes. Since March, the committee has now raised the funds rate by a total of 425 bps,

the most aggressive tightening pace in over 40 years. The updated December "dot plot" indicated a higher-than-expected peak rate of 5.125%, implying an additional 75 bps of hikes may still be on tap for the first quarter of 2023. After a likely pause of between nine and 12 months, the committee has signaled rate cuts of 100 bps in both 2024 and 2025, while leaving the long-term neutral rate unchanged at 2.5%.

The committee's summary of economic projections shows significantly weaker GDP, with the 2023 growth forecast trimmed from +1.2% to +0.5%. Fed officials still seem to believe skirting recession is a possibility, and the possibility seemed to increase as December drew to a close. The final reading of third quarter GDP was revised upward from +2.9% to +3.2% on stronger consumer spending, while the Atlanta Fed's fourth quarter GDPNow measure was tracking at +3.7% just before Christmas.

Fed tightening is nearing an end, but the first quarter begins (yet again) amid significant uncertainty. All eyes remain on inflation, and a good case can be made that the peak is behind us, while we've most likely witnessed the cycle highs in yields from two-years out.

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 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

Stacey Stanfield

Director of Finance & Cash Management

Jason Bird

Deputy Superintendent

Marlene Harbeson

Chief Financial Officer

Portfolio Overview

Portfolio Summary

	Prior 30 Sep-22	Current 31 Dec-22
Par Value	294,026,957.39	362,186,888.29
Original Cost	294,026,957.39	362,186,888.29
Book Value	294,026,957.39	362,186,888.29
Market Value	294,026,957.39	362,186,888.29
Accrued Interest	0.00	0.00
Book Value Plus Accrued	294,026,957.39	362,186,888.29
Market Value Plus Accrued	294,026,957.39	362,186,888.29
Net Unrealized Gain/Loss	0.00	0.00

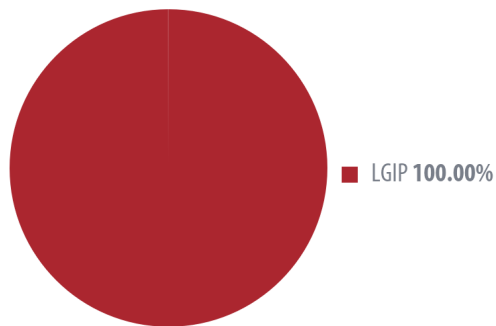
Income Summary

	1 Oct-22 to 31 Dec-22
Interest Income	\$2,525,688.01
Net Amortization/Accretion	
Realized Gain/Loss	\$0.00
Net Income	\$2,525,688.01

Portfolio Characteristics

	Prior 30 Sep-22	Current 31 Dec-22
Yield to Maturity	2.330%	3.973%
Yield to Worst	2.330%	3.973%
Years to Final Maturity	0.00	0.00
Years to Effective Maturity	0.00	0.00
Duration	--	--

Asset Allocation

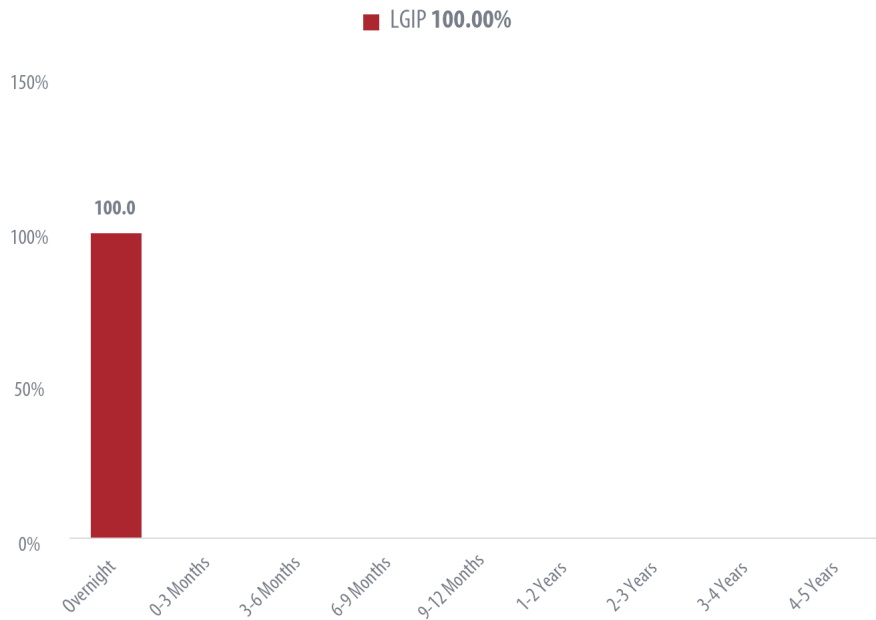


Transaction Summary

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

Maturity Distribution by Security Type



Top Ten Holdings

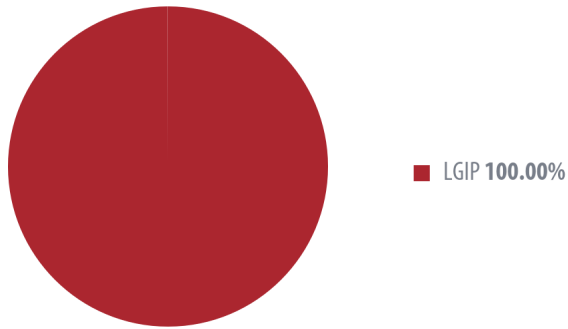
Issuer	Allocation
TEXSTAR	54.38%
TEXPOOL	45.62%

Maturity Distribution by Security Type

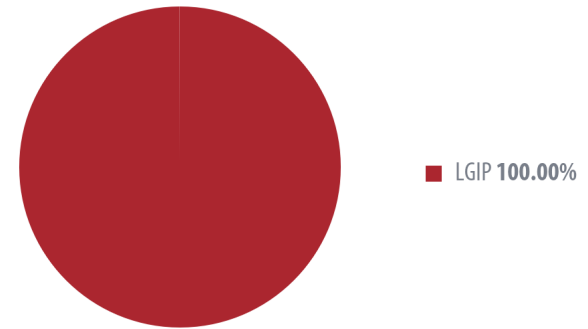
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	362,186,888.29	--	--	--	--	--	--	--	--	362,186,888.29
Total	362,186,888.29	--	--	--	--	--	--	--	--	362,186,888.29

Asset Allocation

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



Asset Allocation by Security Type as of 31-Dec-2022



Book Value Basis Security Distribution

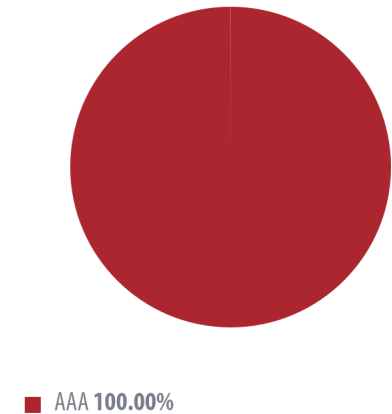
Security Type	Prior Balance 30-Sep-22	Prior Allocation 30-Sep-22	Change in Allocation	Current Balance 31-Dec-22	Current Allocation 31-Dec-22	Yield to Maturity
LGIP	294,026,957.39	100.00%	0.00%	362,186,888.29	100.00%	3.973%
Portfolio Total	294,026,957.39	100.00%		362,186,888.29	100.00%	3.973%

Credit Rating Summary

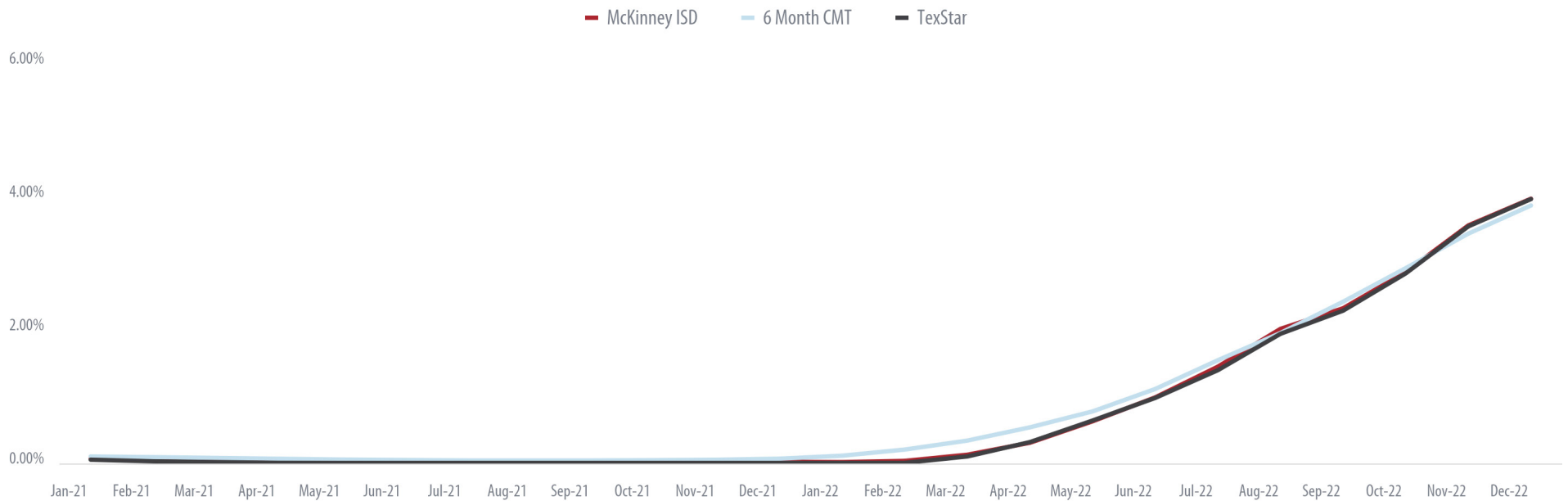
Rating Distribution

	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	362,186,888.29	100.00%
Total Local Government Investment Pools & Money Market Funds	362,186,888.29	100.00%
Portfolio Total	362,186,888.29	100.00%

Allocation by Rating



Benchmark Comparison



Yield Overview

	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	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
McKinney ISD	0.07	0.04	0.02	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.02	0.04	0.13	0.31	0.63	0.99	1.45	2.02	2.33	2.88	3.57	3.97
6 Month CMT	0.11	0.10	0.08	0.07	0.06	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	1.55	1.96	2.43	2.93	3.45	3.87
TexStar	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	0.11	0.32	0.65	0.98	1.40	1.95	2.29	2.85	3.56	3.97

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
2018 Series Bonds	646,582.69	646,582.69	246,398.09	892,980.78	892,980.78	4,434.90	1	3.968%	3.968%
2019 Series Bonds	2,601,686.45	2,601,686.45	(694,063.19)	1,907,623.26	1,907,623.26	20,029.47	1	3.968%	3.968%
2020 Series Bonds	3,524,458.36	3,524,458.36	30,815.31	3,555,273.67	3,555,273.67	30,815.31	1	3.968%	3.968%
2021 Series Bonds	75,853,997.36	75,853,997.36	(7,966,111.30)	67,887,886.06	67,887,886.06	625,590.44	1	3.968%	3.968%
2022 Series Bonds	72,163,806.53	72,163,806.53	630,948.33	72,794,754.86	72,794,754.86	630,948.33	1	3.968%	3.968%
General Operating	118,581,659.01	118,581,659.01	38,918,575.19	157,500,234.20	157,500,234.20	964,604.06	1	3.976%	3.976%
Interest & Bonded Debt	20,654,766.99	20,654,766.99	36,993,368.47	57,648,135.46	57,648,135.46	249,265.50	1	3.979%	3.979%
Total	294,026,957.39	294,026,957.39	68,159,930.90	362,186,888.29	362,186,888.29	2,525,688.01	1	3.973%	3.973%

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	
2018 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/22			892,980.78	100.000	892,980.78	892,980.78	100.000	892,980.78	1		3.968	3.968	AAA	
Total 2018 Series Bonds								892,980.78		892,980.78	892,980.78		892,980.78	1		3.968	3.968		
2019 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/22			1,907,623.26	100.000	1,907,623.26	1,907,623.26	100.000	1,907,623.26	1		3.968	3.968	AAA	
Total 2019 Series Bonds								1,907,623.26		1,907,623.26	1,907,623.26		1,907,623.26	1		3.968	3.968		
2020 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/22			3,555,273.67	100.000	3,555,273.67	3,555,273.67	100.000	3,555,273.67	1		3.968	3.968	AAA	
Total 2020 Series Bonds								3,555,273.67		3,555,273.67	3,555,273.67		3,555,273.67	1		3.968	3.968		
2021 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/22			67,887,886.06	100.000	67,887,886.06	67,887,886.06	100.000	67,887,886.06	1		3.968	3.968	AAA	
Total 2021 Series Bonds								67,887,886.06		67,887,886.06	67,887,886.06		67,887,886.06	1		3.968	3.968		
2022 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/22			72,794,754.86	100.000	72,794,754.86	72,794,754.86	100.000	72,794,754.86	1		3.968	3.968	AAA	
Total 2022 Series Bonds								72,794,754.86		72,794,754.86	72,794,754.86		72,794,754.86	1		3.968	3.968		
General Operating																			
TEXPOOL		LGIP	TexPool		12/31/22			109,628,572.31	100.000	109,628,572.31	109,628,572.31	100.000	109,628,572.31	1		3.980	3.980	AAA	
TEXSTAR		LGIP	TexSTAR		12/31/22			47,871,661.89	100.000	47,871,661.89	47,871,661.89	100.000	47,871,661.89	1		3.968	3.968	AAA	
Total General Operating								157,500,234.20		157,500,234.20	157,500,234.20		157,500,234.20	1		3.976	3.976		
Interest & Bonded Debt																			
TEXPOOL		LGIP	TexPool		12/31/22			55,591,188.25	100.000	55,591,188.25	55,591,188.25	100.000	55,591,188.25	1		3.980	3.980	AAA	
TEXSTAR		LGIP	TexSTAR		12/31/22			2,056,947.21	100.000	2,056,947.21	2,056,947.21	100.000	2,056,947.21	1		3.968	3.968	AAA	

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
Total Interest & Bonded Debt								57,648,135.46		57,648,135.46	57,648,135.46		57,648,135.46	1		3.979	3.979	
Grand Total								362,186,888.29		362,186,888.29	362,186,888.29		362,186,888.29	1		3.973	3.973	

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
2018 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 12/31/2022	0.00	4,434.90	4,434.90	0.00	0.00	0.00	0.00	4,434.90
Total 2018 Series Bonds			0.00	4,434.90	4,434.90	0.00	0.00	0.00	0.00	4,434.90
2019 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 12/31/2022	0.00	20,029.47	20,029.47	0.00	0.00	0.00	0.00	20,029.47
Total 2019 Series Bonds			0.00	20,029.47	20,029.47	0.00	0.00	0.00	0.00	20,029.47
2020 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 12/31/2022	0.00	30,815.31	30,815.31	0.00	0.00	0.00	0.00	30,815.31
Total 2020 Series Bonds			0.00	30,815.31	30,815.31	0.00	0.00	0.00	0.00	30,815.31
2021 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 12/31/2022	0.00	625,590.44	625,590.44	0.00	0.00	0.00	0.00	625,590.44
Total 2021 Series Bonds			0.00	625,590.44	625,590.44	0.00	0.00	0.00	0.00	625,590.44
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 12/31/2022	0.00	630,948.33	630,948.33	0.00	0.00	0.00	0.00	630,948.33
Total 2022 Series Bonds			0.00	630,948.33	630,948.33	0.00	0.00	0.00	0.00	630,948.33
General Operating										
TEXPOOL	LGIP	TexPool 0.0 12/31/2022	0.00	549,676.57	549,676.57	0.00	0.00	0.00	0.00	549,676.57
TEXSTAR	LGIP	TexSTAR 0.0 12/31/2022	0.00	414,927.49	414,927.49	0.00	0.00	0.00	0.00	414,927.49
Total General Operating			0.00	964,604.06	964,604.06	0.00	0.00	0.00	0.00	964,604.06
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool 0.0 12/31/2022	0.00	231,436.93	231,436.93	0.00	0.00	0.00	0.00	231,436.93
TEXSTAR	LGIP	TexSTAR 0.0 12/31/2022	0.00	17,828.57	17,828.57	0.00	0.00	0.00	0.00	17,828.57

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
Total Interest & Bonded Debt			0.00	249,265.50	249,265.50	0.00	0.00	0.00	0.00	249,265.50
Grand Total			0.00	2,525,688.01	2,525,688.01	0.00	0.00	0.00	0.00	2,525,688.01

Disclosures & Disclaimers

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