

INVESTMENT REPORT

McKinney ISD

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July 1 to June 30, 2023



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Investment Management Team

Scott McIntyre

Senior Portfolio Manager

512.481.2009

Scott.McIntyre@HilltopSecurities.com

Greg Warner

Senior Portfolio Manager

512.481.2012

Greg.Warner@HilltopSecurities.com

Jodi Jones

Investment Reporting Manager

512.481.2076

Jodi.Jones@HilltopSecurities.com

Market Recap

Financial markets spent much of May focused on the debt ceiling issue, but a resolution in early June allowed attentions to shift back to economic data and the Fed. Although several of the leading economic indicators signaled weakness, the preponderance of concurrent indicators continued to exhibit surprising strength. The ISM manufacturing index logged a seventh straight month below 50 in May, indicating contraction in the manufacturing sector. The ISM services index unexpectedly fell from 51.9 to 50.3, the second lowest level in three years and just a fraction above 50.

The deteriorating outlook by U.S. purchasing managers was countered by another strong employment report as non-farm payrolls topped the median forecast for the 14th straight month with a gain of +339k in May, well above the +195k median forecast. Upward revisions added an additional +93k jobs to the March and April counts. Nonfarm payroll growth is now averaging +331k per month in 2023, down from +399k last year. The unemployment rate did climb from a five-decade low of 3.4% to 3.7%, but with payroll growth above 300k per month and the unemployment rate below 4%, the labor market clearly remains too tight.

The May inflation data was a mixed bag. Headline CPI rose just +0.1% and the year-over-year headline was a bright spot, dropping from +4.9% to +4.0%, down sharply from last year's +9.1% peak. Core CPI, which excludes food and energy, was stubbornly high, increasing by +0.4% in May, the sixth straight month at or above +0.4%. On a year-over-year basis, the core was up +5.3%. Although down from +5.5% in April, it was the 18th consecutive month above +5.0%, and more than 2½ times the Fed's 2% target.

Financial markets spent the first two weeks of June gravitating toward the idea that the FOMC would not raise the fed funds target for an eleventh straight time at the mid-June meeting. Prodded along by hints from Fed speakers, a few tentative signs of retreating inflationary pressures, and knowledge that the 500 basis points of rate increases implemented so far were still working through the system, markets concluded the FOMC would pause. Fed officials obliged, voting unanimously to leave the fed funds target

unchanged in a range of 5-5.25%. However, the new summary of economic projections, the so-called dot plot, conveyed a much more hawkish note than markets had anticipated. The forecast called for another 50 basis points of rate hikes, with a median estimate of 5.625% by yearend, up from 5.125% at the March meeting. In addition, the median estimate for the end of 2024 rose by 25 basis points to 4.625%. This hawkish forecast likely reflected a desire to keep the markets from reading too much into the pause and thereby easing financial conditions prematurely.

The committee's message was reinforced by Chair Powell during his remarks at the post meeting press conference. Powell noted that core inflation readings remain well above the Fed's target and that the process of getting inflation back to the 2% target "has a long way to go." Powell acknowledged they have "not seen a lot of progress" on core inflation and that "we want to see it moving down decisively." Powell also said, "Nearly all committee participants expected it will be appropriate to raise interest rates somewhat further by the end of the year."

The frustratingly resilient economic performance and hawkish Fed forced bond yields higher through the month of June. Prior expectations for rate cuts later this year have all but vanished as the recession many predicted remains elusive. Fed funds futures now indicate a yearend overnight rate of 5.38%, up from 4.91% at the end of May. The yield on the two-year Treasury note rose almost 50 basis points during the month, closing at a yield of 4.90%.

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 Jun-22	Current 30 Jun-23
Par Value	292,578,859.05	321,526,984.38
Original Cost	292,578,859.05	321,526,984.38
Book Value	292,578,859.05	321,526,984.38
Market Value	292,578,859.05	321,526,984.38
Accrued Interest	0.00	0.00
Book Value Plus Accrued	292,578,859.05	321,526,984.38
Market Value Plus Accrued	292,578,859.05	321,526,984.38
Net Unrealized Gain/(Loss)	0.00	0.00

Income Summary

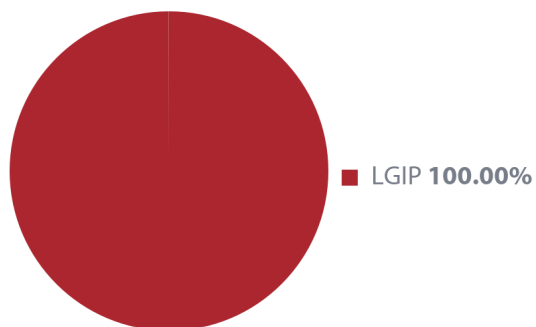
Current Period	1 Jul-22 to 30 Jun-23
Interest Income	12,753,065.97
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	12,753,065.97

Fiscal Year-to-Date	1 Jul-22 to 30 Jun-23
Net Income	12,753,065.97

Portfolio Characteristics

	Prior 30 Jun-22	Current 30 Jun-23
Yield to Maturity	0.993%	5.066%
Yield to Worst	0.993%	5.066%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Asset Allocation

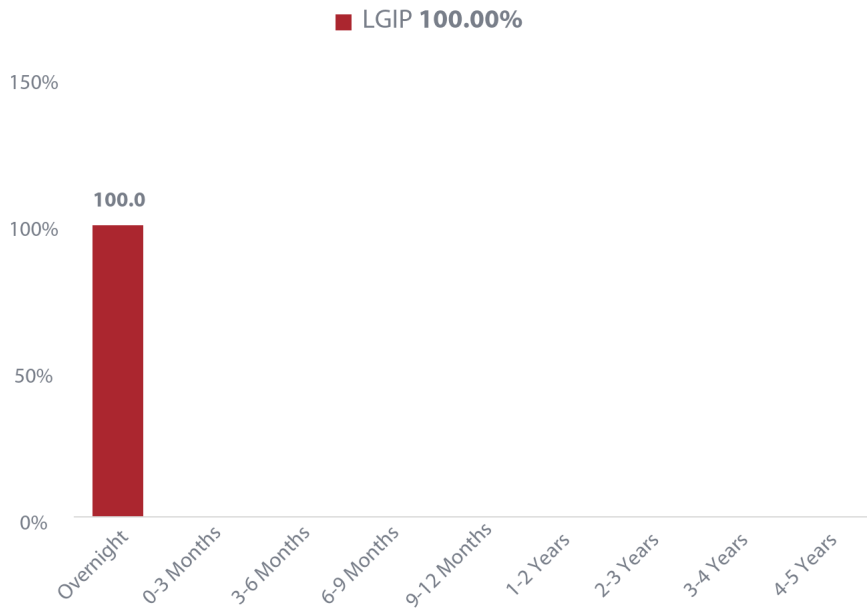


Transaction Summary

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

Maturity Distribution by Security Type



Top Ten Holdings

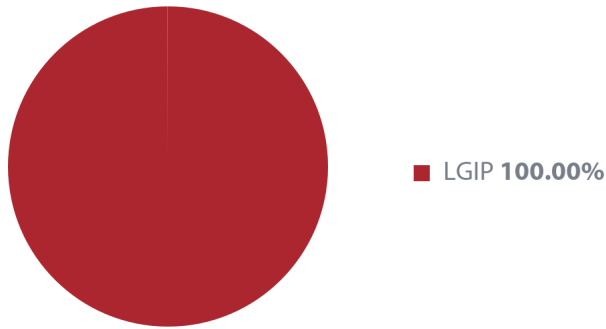
Issuer	Allocation
TEXSTAR	52.51%
TEXPOOL	47.49%

Maturity Distribution by Security Type

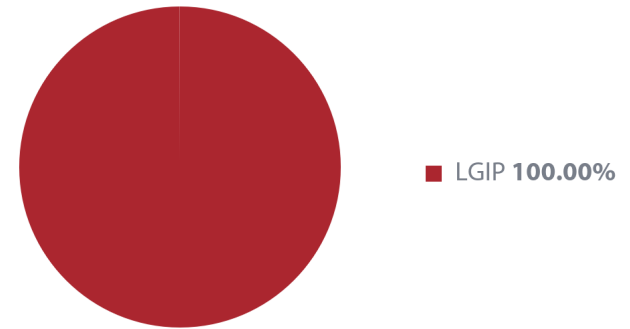
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	321,526,984.38	--	--	--	--	--	--	--	--	321,526,984.38
Total	321,526,984.38	--	--	--	--	--	--	--	--	321,526,984.38

Asset Allocation

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



Asset Allocation by Security Type as of 30-Jun-2023



Book Value Basis Security Distribution

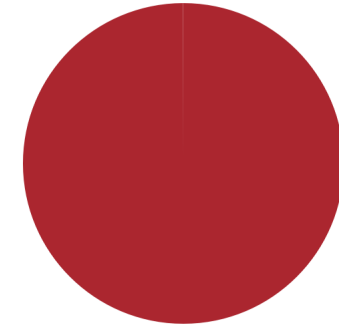
Security Type	Prior Balance 30-Jun-22	Prior Allocation 30-Jun-22	Change in Allocation	Current Balance 30-Jun-23	Current Allocation 30-Jun-23	Yield to Maturity
LGIP	292,578,859.05	100.00%	0.00%	321,526,984.38	100.00%	5.066%
Portfolio Total	292,578,859.05	100.00%		321,526,984.38	100.00%	5.066%

Credit Rating Summary

Rating Distribution

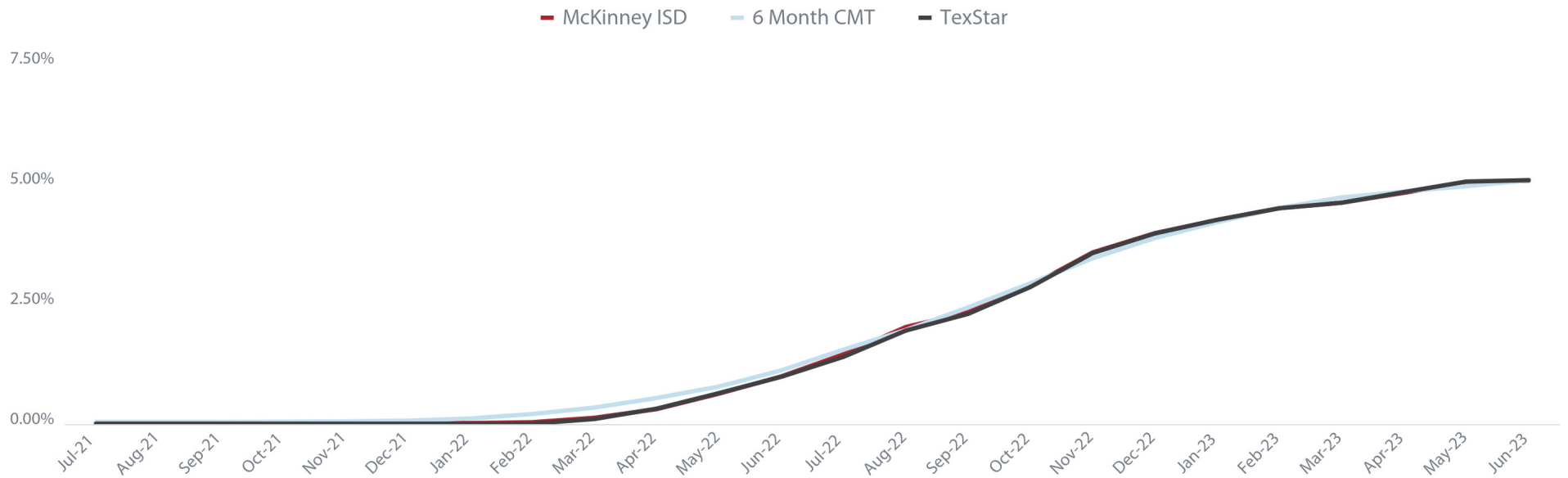
	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	321,526,984.38	100.00%
Total Local Government Investment Pools & Money Market Funds	321,526,984.38	100.00%
Portfolio Total	321,526,984.38	100.00%

Allocation by Rating



■ AAA 100.00%

Benchmark Comparison



Yield Overview

	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	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
McKinney ISD	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	4.25	4.50	4.61	4.81	5.02	5.07
6 Month CMT	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	4.20	4.50	4.72	4.84	4.95	5.07
TexStar	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	4.25	4.49	4.61	4.83	5.05	5.08

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	4,219,841.56	4,219,841.56	(4,219,492.92)	348.64	348.64	19,494.79	1	5.076%	5.076%
2019 Series Bonds	3,545,060.86	3,545,060.86	(1,970,358.27)	1,574,702.59	1,574,702.59	79,386.48	1	5.076%	5.076%
2020 Series Bonds	3,507,843.96	3,507,843.96	131,421.51	3,639,265.47	3,639,265.47	131,421.51	1	5.076%	5.076%
2021 Series Bonds	90,322,811.66	90,322,811.66	(52,347,742.55)	37,975,069.11	37,975,069.11	2,257,001.31	1	5.076%	5.076%
2022 Series Bonds	0.00	0.00	74,514,500.55	74,514,500.55	74,514,500.55	2,514,500.55	1	5.076%	5.076%
General Operating	160,946,996.75	160,946,996.75	8,893,604.04	169,840,600.79	169,840,600.79	6,434,385.96	1	5.061%	5.061%
Interest & Bonded Debt	30,036,304.26	30,036,304.26	3,946,192.97	33,982,497.23	33,982,497.23	1,316,875.37	1	5.056%	5.056%
Total	292,578,859.05	292,578,859.05	28,948,125.33	321,526,984.38	321,526,984.38	12,753,065.97	1	5.066%	5.066%

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		06/30/23			348.64	100.000	348.64	348.64	100.000	348.64	1		5.076	5.076	AAA	
Total 2018 Series Bonds								348.64		348.64	348.64		348.64	1		5.076	5.076		
2019 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		06/30/23			1,574,702.59	100.000	1,574,702.59	1,574,702.59	100.000	1,574,702.59	1		5.076	5.076	AAA	
Total 2019 Series Bonds								1,574,702.59		1,574,702.59	1,574,702.59		1,574,702.59	1		5.076	5.076		
2020 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		06/30/23			3,639,265.47	100.000	3,639,265.47	3,639,265.47	100.000	3,639,265.47	1		5.076	5.076	AAA	
Total 2020 Series Bonds								3,639,265.47		3,639,265.47	3,639,265.47		3,639,265.47	1		5.076	5.076		
2021 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		06/30/23			37,975,069.11	100.000	37,975,069.11	37,975,069.11	100.000	37,975,069.11	1		5.076	5.076	AAA	
Total 2021 Series Bonds								37,975,069.11		37,975,069.11	37,975,069.11		37,975,069.11	1		5.076	5.076		
2022 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		06/30/23			74,514,500.55	100.000	74,514,500.55	74,514,500.55	100.000	74,514,500.55	1		5.076	5.076	AAA	
Total 2022 Series Bonds								74,514,500.55		74,514,500.55	74,514,500.55		74,514,500.55	1		5.076	5.076		
General Operating																			
TEXPOOL		LGIP	TexPool		06/30/23			120,837,990.89	100.000	120,837,990.89	120,837,990.89	100.000	120,837,990.89	1		5.054	5.054	AAA	
TEXSTAR		LGIP	TexSTAR		06/30/23			49,002,609.90	100.000	49,002,609.90	49,002,609.90	100.000	49,002,609.90	1		5.076	5.076	AAA	
Total General Operating								169,840,600.79		169,840,600.79	169,840,600.79		169,840,600.79	1		5.061	5.061		
Interest & Bonded Debt																			
TEXPOOL		LGIP	TexPool		06/30/23			31,850,632.76	100.000	31,850,632.76	31,850,632.76	100.000	31,850,632.76	1		5.054	5.054	AAA	
TEXSTAR		LGIP	TexSTAR		06/30/23			2,131,864.47	100.000	2,131,864.47	2,131,864.47	100.000	2,131,864.47	1		5.076	5.076	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								33,982,497.23		33,982,497.23	33,982,497.23		33,982,497.23	1		5.056	5.056	
Grand Total								321,526,984.38		321,526,984.38	321,526,984.38		321,526,984.38	1		5.066	5.066	

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 06/30/2023	0.00	19,494.79	19,494.79	0.00	0.00	0.00	0.00	19,494.79
Total 2018 Series Bonds			0.00	19,494.79	19,494.79	0.00	0.00	0.00	0.00	19,494.79
2019 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2023	0.00	79,386.48	79,386.48	0.00	0.00	0.00	0.00	79,386.48
Total 2019 Series Bonds			0.00	79,386.48	79,386.48	0.00	0.00	0.00	0.00	79,386.48
2020 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2023	0.00	131,421.51	131,421.51	0.00	0.00	0.00	0.00	131,421.51
Total 2020 Series Bonds			0.00	131,421.51	131,421.51	0.00	0.00	0.00	0.00	131,421.51
2021 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2023	0.00	2,257,001.31	2,257,001.31	0.00	0.00	0.00	0.00	2,257,001.31
Total 2021 Series Bonds			0.00	2,257,001.31	2,257,001.31	0.00	0.00	0.00	0.00	2,257,001.31
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2023	0.00	2,514,500.55	2,514,500.55	0.00	0.00	0.00	0.00	2,514,500.55
Total 2022 Series Bonds			0.00	2,514,500.55	2,514,500.55	0.00	0.00	0.00	0.00	2,514,500.55
General Operating										
TEXPOOL	LGIP	TexPool 0.0 06/30/2023	0.00	4,664,798.45	4,664,798.45	0.00	0.00	0.00	0.00	4,664,798.45
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2023	0.00	1,769,587.51	1,769,587.51	0.00	0.00	0.00	0.00	1,769,587.51
Total General Operating			0.00	6,434,385.96	6,434,385.96	0.00	0.00	0.00	0.00	6,434,385.96
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool 0.0 06/30/2023	0.00	1,206,376.76	1,206,376.76	0.00	0.00	0.00	0.00	1,206,376.76
TEXSTAR	LGIP	TexSTAR 0.0 06/30/2023	0.00	110,498.61	110,498.61	0.00	0.00	0.00	0.00	110,498.61

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	1,316,875.37	1,316,875.37	0.00	0.00	0.00	0.00	1,316,875.37
Grand Total			0.00	12,753,065.97	12,753,065.97	0.00	0.00	0.00	0.00	12,753,065.97

Disclosures & Disclaimers

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