

INVESTMENT REPORT

McKinney ISD

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October 1 to December 31, 2023



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Market Recap

The November bond market rally (the strongest since 1985) continued in December, driving the 12-month Treasury-bill yield to its lowest level since May. Whereas in November, the rally primarily resulted from an intangible shift in investor sentiment, December gains were fueled by encouraging progress on inflation and a growing sense that the Fed had not only completed its tightening campaign but would soon begin to cut rates.

There were plenty of economy releases to sift through in December, and although most of the data suggested growth was moderating in the final quarter of the year, the overriding theme was that inflation was retreating faster than expected. Fed officials had indicated all year that unemployment would have to rise, and GDP would have to weaken significantly in order to wrangle inflation down to their +2.0% target, but the idea that positive growth could coexist with lower prices became more of a reality as the year drew to a close.

The November CPI numbers were mostly on target. Falling prices at the gas pump contributed to a benign +0.1% rise in the overall number, while persistent housing costs pushed the core rate up +0.3% for the month. On a year-over basis, overall CPI retreated from +3.2% to +3.1%, while core CPI remained at +4.0%. But it was the second-tier inflation data that drew the attention of investors . . . and likely Fed officials. The November personal consumption expenditures (PCE) index fell -0.1% and core PCE rose just +0.1%, while the previous month's core reading was revised downward from +0.2% to +0.1%. On a year-over-year basis, the overall PCE price index was increasing at a +2.6% pace, and core PCE at a +3.2% rate. More importantly, over the last six months core PCE was up by just +1.9% on an annualized basis, indicating that the inflation measure preferred by Fed officials seemed to be on target through November. Adding to the positive inflation news was a downward revision to third quarter core PCE from +2.3% to +2.0%.

The FOMC meeting on December 21st turned out to be the most important news event of the month, (possibly the year). Fed officials, as expected, held the overnight target rate steady for the third straight meeting, while the updated dot plot (also no surprise) showed a lower funds rate at the end of next year. At the post-meeting press conference,

Chairman Jay Powell began his prepared comments by declaring inflation was still too high and added that the committee was proceeding carefully, which should have signaled a continuation of the Fed's patient, wait-and-see approach. In the Q&A that followed, Powell even mentioned that it was premature to declare victory on inflation, which hinted it was too early to dismiss the idea of rate hikes. But what the markets actually heard, loud and clear, was Powell's admission that the FOMC had discussed the timing of rate cuts. Until this point, rate cuts had not been mentioned at all by policymakers. In fact, the September dot plot had actually indicated one more 25 basis point hike this year, followed by two cuts in 2024. The December dot plot showed (just) three rates cuts next year. If sentiment wasn't so firmly established, investors might have recognized that the rally had already moved beyond Fed forecasts and sold off, but the buying frenzy just accelerated further. By the end of the December, the futures market had priced-in more than six rate cuts for next year, starting at the March FOMC meeting.

Whether Fed officials "proceed carefully" with just three cuts beginning in the second half of the year or follow the market's more aggressive lead, remains to be seen. The next move by committee members will most certainly be a rate cut, the questions are now *when will the rate cuts begin?* and *how low will the Fed go?*

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

Marlene Harbeson

Chief Financial Officer

Portfolio Overview

Portfolio Summary

	Prior 30 Sep-23	Current 31 Dec-23
Par Value	259,077,527.33	311,861,126.50
Original Cost	259,077,527.33	311,861,126.50
Book Value	259,077,527.33	311,861,126.50
Market Value	259,077,527.33	311,861,126.50
Accrued Interest	0.00	0.00
Book Value Plus Accrued	259,077,527.33	311,861,126.50
Market Value Plus Accrued	259,077,527.33	311,861,126.50
Net Unrealized Gain/(Loss)	0.00	0.00

Income Summary

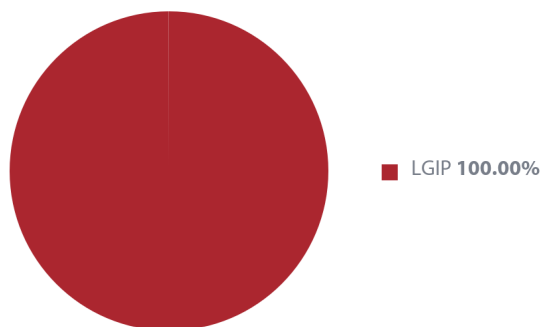
Current Period	1 Oct-23 to 31 Dec-23
Interest Income	3,389,587.64
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	3,389,587.64

Fiscal Year-to-Date	1 Jul-23 to 31 Dec-23
Net Income	7,189,998.50

Portfolio Characteristics

	Prior 30 Sep-23	Current 31 Dec-23
Yield to Maturity	5.314%	5.352%
Yield to Worst	5.314%	5.352%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Asset Allocation

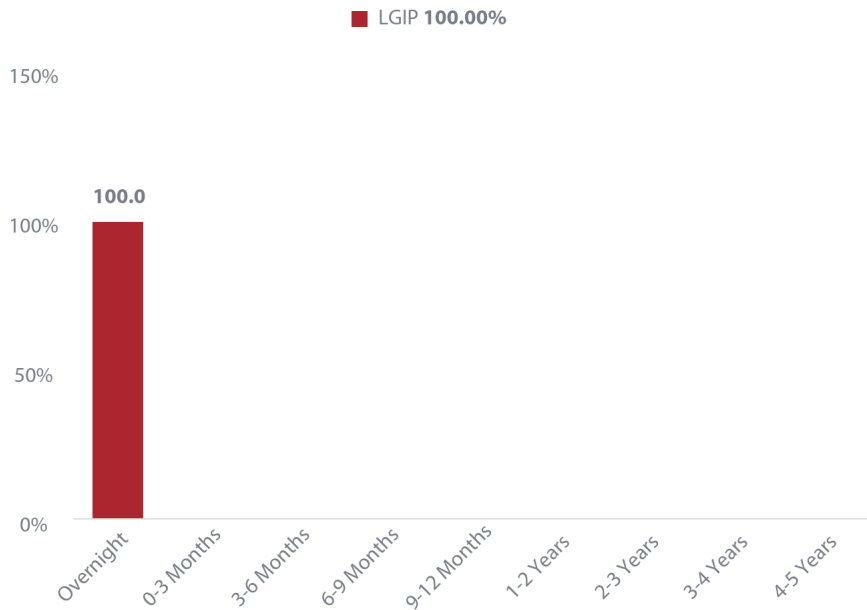


Transaction Summary

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

Maturity Distribution by Security Type



Top Ten Holdings

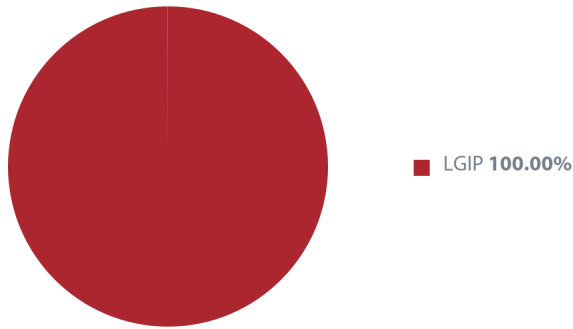
Issuer	Allocation
TEXSTAR	53.98%
TEXPOOL	46.02%

Maturity Distribution by Security Type

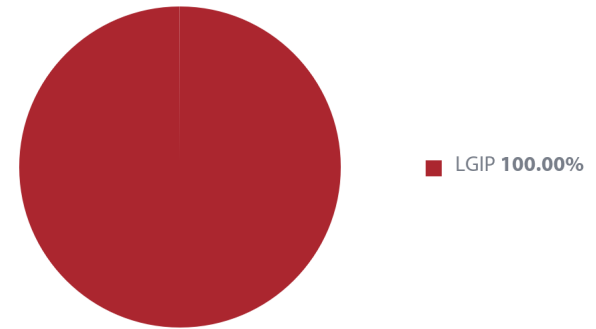
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	311,861,126.50	--	--	--	--	--	--	--	--	311,861,126.50
Total	311,861,126.50	--	--	--	--	--	--	--	--	311,861,126.50

Asset Allocation

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



Asset Allocation by Security Type as of 31-Dec-2023



Book Value Basis Security Distribution

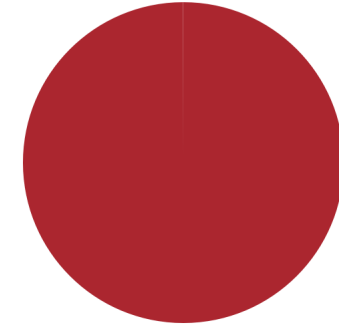
Security Type	Prior Balance 30-Sep-23	Prior Allocation 30-Sep-23	Change in Allocation	Current Balance 31-Dec-23	Current Allocation 31-Dec-23	Yield to Maturity
LGIP	259,077,527.33	100.00%	0.00%	311,861,126.50	100.00%	5.352%
Portfolio Total	259,077,527.33	100.00%		311,861,126.50	100.00%	5.352%

Credit Rating Summary

Rating Distribution

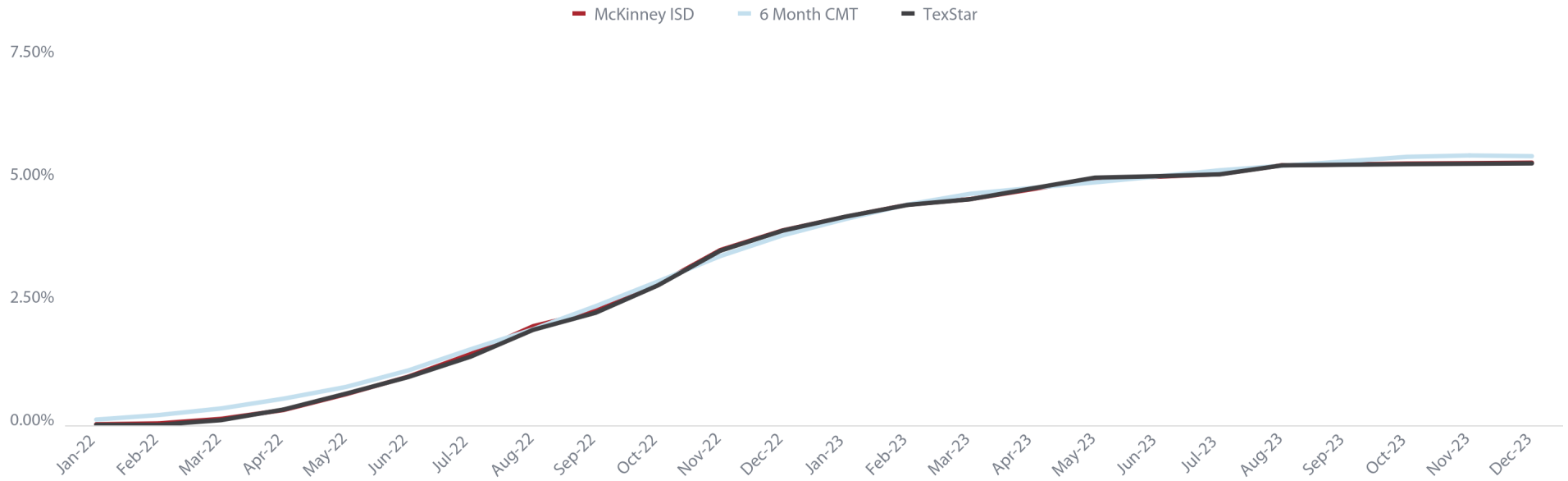
	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	311,861,126.50	100.00%
Total Local Government Investment Pools & Money Market Funds	311,861,126.50	100.00%
Portfolio Total	311,861,126.50	100.00%

Allocation by Rating



■ AAA 100.00%

Benchmark Comparison



Yield Overview

	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	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
McKinney ISD	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	5.12	5.30	5.31	5.33	5.34	5.35
6 Month CMT	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	5.20	5.29	5.38	5.47	5.50	5.48
TexStar	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	5.11	5.30	5.31	5.32	5.33	5.34

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
2019 Series Bonds	862,895.71	862,895.71	(270,508.40)	592,387.31	592,387.31	9,485.66	1	5.338%	5.338%
2020 Series Bonds	3,687,540.47	3,687,540.47	49,764.86	3,737,305.33	3,737,305.33	49,764.86	1	5.338%	5.338%
2021 Series Bonds	23,396,414.33	23,396,414.33	(6,722,255.39)	16,674,158.94	16,674,158.94	275,739.79	1	5.338%	5.338%
2022 Series Bonds	75,502,937.95	75,502,937.95	1,018,942.93	76,521,880.88	76,521,880.88	1,018,942.93	1	5.338%	5.338%
2023 Series Bonds	18,096,978.11	18,096,978.11	244,226.11	18,341,204.22	18,341,204.22	244,226.11	1	5.338%	5.338%
General Operating	112,695,973.05	112,695,973.05	19,823,690.66	132,519,663.71	132,519,663.71	1,369,414.68	1	5.357%	5.357%
Interest & Bonded Debt	24,834,787.71	24,834,787.71	38,639,738.40	63,474,526.11	63,474,526.11	422,013.61	1	5.368%	5.368%
Total	259,077,527.33	259,077,527.33	52,783,599.17	311,861,126.50	311,861,126.50	3,389,587.64	1	5.352%	5.352%

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	
2019 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/23			592,387.31	100.000	592,387.31	592,387.31	100.000	592,387.31	1		5.338	5.338	AAA	
Total 2019 Series Bonds								592,387.31	100.000	592,387.31	592,387.31	100.000	592,387.31	1		5.338	5.338		
2020 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/23			3,737,305.33	100.000	3,737,305.33	3,737,305.33	100.000	3,737,305.33	1		5.338	5.338	AAA	
Total 2020 Series Bonds								3,737,305.33	100.000	3,737,305.33	3,737,305.33	100.000	3,737,305.33	1		5.338	5.338		
2021 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/23			16,674,158.94	100.000	16,674,158.94	16,674,158.94	100.000	16,674,158.94	1		5.338	5.338	AAA	
Total 2021 Series Bonds								16,674,158.94	100.000	16,674,158.94	16,674,158.94	100.000	16,674,158.94	1		5.338	5.338		
2022 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/23			76,521,880.88	100.000	76,521,880.88	76,521,880.88	100.000	76,521,880.88	1		5.338	5.338	AAA	
Total 2022 Series Bonds								76,521,880.88	100.000	76,521,880.88	76,521,880.88	100.000	76,521,880.88	1		5.338	5.338		
2023 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/23			18,341,204.22	100.000	18,341,204.22	18,341,204.22	100.000	18,341,204.22	1		5.338	5.338	AAA	
Total 2023 Series Bonds								18,341,204.22	100.000	18,341,204.22	18,341,204.22	100.000	18,341,204.22	1		5.338	5.338		
General Operating																			
TEXPOOL		LGIP	TexPool		12/31/23			82,196,949.96	100.000	82,196,949.96	82,196,949.96	100.000	82,196,949.96	1		5.369	5.369	AAA	
TEXSTAR		LGIP	TexSTAR		12/31/23			50,322,713.75	100.000	50,322,713.75	50,322,713.75	100.000	50,322,713.75	1		5.338	5.338	AAA	
Total General Operating								132,519,663.71	100.000	132,519,663.71	132,519,663.71	100.000	132,519,663.71	1		5.357	5.357		
Interest & Bonded Debt																			
TEXPOOL		LGIP	TexPool		12/31/23			61,322,310.09	100.000	61,322,310.09	61,322,310.09	100.000	61,322,310.09	1		5.369	5.369	AAA	
TEXSTAR		LGIP	TexSTAR		12/31/23			2,152,216.02	100.000	2,152,216.02	2,152,216.02	100.000	2,152,216.02	1		5.338	5.338	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								63,474,526.11	63,474,526.11	63,474,526.11	63,474,526.11		1		5.368	5.368		
Grand Total								311,861,126.50	311,861,126.50	311,861,126.50	311,861,126.50		1		5.352	5.352		

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
2019 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	9,485.66	9,485.66	0.00	0.00	0.00	0.00	9,485.66
Total 2019 Series Bonds			0.00	9,485.66	9,485.66	0.00	0.00	0.00	0.00	9,485.66
2020 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	49,764.86	49,764.86	0.00	0.00	0.00	0.00	49,764.86
Total 2020 Series Bonds			0.00	49,764.86	49,764.86	0.00	0.00	0.00	0.00	49,764.86
2021 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	275,739.79	275,739.79	0.00	0.00	0.00	0.00	275,739.79
Total 2021 Series Bonds			0.00	275,739.79	275,739.79	0.00	0.00	0.00	0.00	275,739.79
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	1,018,942.93	1,018,942.93	0.00	0.00	0.00	0.00	1,018,942.93
Total 2022 Series Bonds			0.00	1,018,942.93	1,018,942.93	0.00	0.00	0.00	0.00	1,018,942.93
2023 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	244,226.11	244,226.11	0.00	0.00	0.00	0.00	244,226.11
Total 2023 Series Bonds			0.00	244,226.11	244,226.11	0.00	0.00	0.00	0.00	244,226.11
General Operating										
TEXPOOL	LGIP	TexPool	0.00	699,332.12	699,332.12	0.00	0.00	0.00	0.00	699,332.12
TEXSTAR	LGIP	TexSTAR	0.00	670,082.56	670,082.56	0.00	0.00	0.00	0.00	670,082.56
Total General Operating			0.00	1,369,414.68	1,369,414.68	0.00	0.00	0.00	0.00	1,369,414.68
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool	0.00	393,355.37	393,355.37	0.00	0.00	0.00	0.00	393,355.37
TEXSTAR	LGIP	TexSTAR	0.00	28,658.24	28,658.24	0.00	0.00	0.00	0.00	28,658.24

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	422,013.61	422,013.61	0.00	0.00	0.00	0.00	422,013.61
Grand Total			0.00	3,389,587.64	3,389,587.64	0.00	0.00	0.00	0.00	3,389,587.64

Disclosures & Disclaimers

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