

INVESTMENT REPORT

McKinney ISD

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January 1 to March 31, 2024



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Market Recap

The extreme bond market volatility continued in March as investors tried to determine exactly when the Fed would begin cutting the overnight target rate. Economic growth and labor market conditions proved much more resilient than expected while inflation measures failed to cool enough to quell market concerns. The result was higher yields during the month and the expectation that rate policy would remain higher for longer.

The first market-moving release in March actually nudged yields *lower*. The February ISM Services index slipped from 53.4 to 52.6, suggesting the service sector might be taking a breather. The following day, the February employment report appeared mixed as nonfarm payrolls increased by a solid +275k while the previous two months were revised lower by -167k. The separate household survey told a wildly contrasting story as the number of employed workers fell -184k, after dropping by a combined -151k in the previous two months. The headline unemployment rate increased from 3.7% to 3.9%, the highest since January 2022, as +150k workers entered (or reentered) the civilian labor force in February.

Consumer inflation was once again warmer-than-expected. Headline consumer price index (CPI) climbed +0.4% in February, which boosted the year-over-year pace up from +3.1% to +3.2%. Shelter costs and gasoline combined to account for over 60% of the monthly gain. The annual CPI core rate (which excludes food and energy) slipped from +3.9% to +3.8% but missed the more hopeful +3.7% median forecast.

Producer prices followed the same uncomfortably warm path with headline PPI jumping +0.6%, double both the January increase and the February median forecast. On a year-over-year basis, overall PPI rose at a mostly benign +1.6% pace, up from +1.0% in January, while core PPI held steady at +2.0%. Although producer prices were more in line with the Fed's target, the shift upward was a concern.

Retail sales were generally expected to rebound after bad weather contributed to a January sales slump, but that bounce-back wasn't nearly as strong as analysts expected with February retail sales climbing by +0.6%, a bit weaker than the +0.8% forecast. On top of that, the previously reported decline in January sales was revised lower from -0.8% to -1.1%,

while the December sales increase was revised downward from +0.4% to +0.1%. "Control group" sales were unchanged in February after falling a revised -0.3% in January. Because the control group is used to calculate GDP, it suggested slower Q1 GDP growth.

With a huge batch of fresh economic data to consider, Fed officials met in mid-March and voted unanimously to leave the overnight funds rate unchanged for the fifth consecutive meeting. The Fed's updated "dot plot" continued to show a total of 75 basis points in rate cuts this year, leaving the median funds forecast for the end of 2024 at 4.6%. The 2025 projection showed one fewer cut, moving the yearend funds forecast up from 3.6% to 3.9% and the 2026 forecast from 2.9% to 3.1%, although Powell noted that the dot plot is fluid and not a plan.

The committee's GDP forecast for 2024 increased from +1.4% at the December meeting to +2.1%, while the 2025 forecast was revised upward from +1.8% to +2.0% and the 2026 forecast from +1.9% to +2.0%. In the Fed's mind, the likelihood of recession continues to fade. The committee acknowledged recent higher-than-expected price pressures by revising 2024 yearend core PCE higher from +2.4% to +2.6%, although the 2025 and 2026 core inflation forecasts were unchanged at +2.2% and +2.0% respectively.

Both Q1 GDP forecasts and the early data suggest growth has slowed quarter to quarter. Just how quickly this softening of demand translates into lower prices will dictate the timing and magnitude of rate cuts later this year.

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 31 Dec-23	Current 31 Mar-24
Par Value	311,861,126.50	322,294,738.40
Original Cost	311,861,126.50	322,294,738.40
Book Value	311,861,126.50	322,294,738.40
Market Value	311,861,126.50	322,294,738.40
Accrued Interest	0.00	0.00
Book Value Plus Accrued	311,861,126.50	322,294,738.40
Market Value Plus Accrued	311,861,126.50	322,294,738.40
Net Unrealized Gain/(Loss)	0.00	0.00

Income Summary

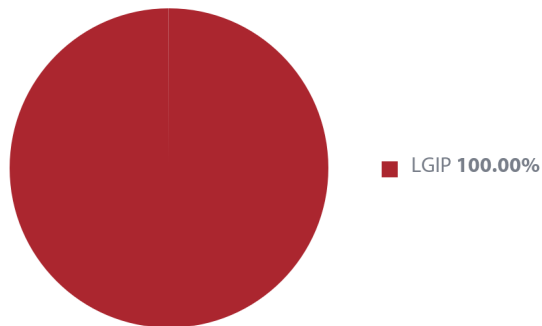
Current Period	1 Jan-24 to 31 Mar-24
Interest Income	4,700,279.29
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	4,700,279.29

Fiscal Year-to-Date	1 Jul-23 to 31 Mar-24
Net Income	11,890,277.79

Portfolio Characteristics

	Prior 31 Dec-23	Current 31 Mar-24
Yield to Maturity	5.352%	5.308%
Yield to Worst	5.352%	5.308%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Asset Allocation

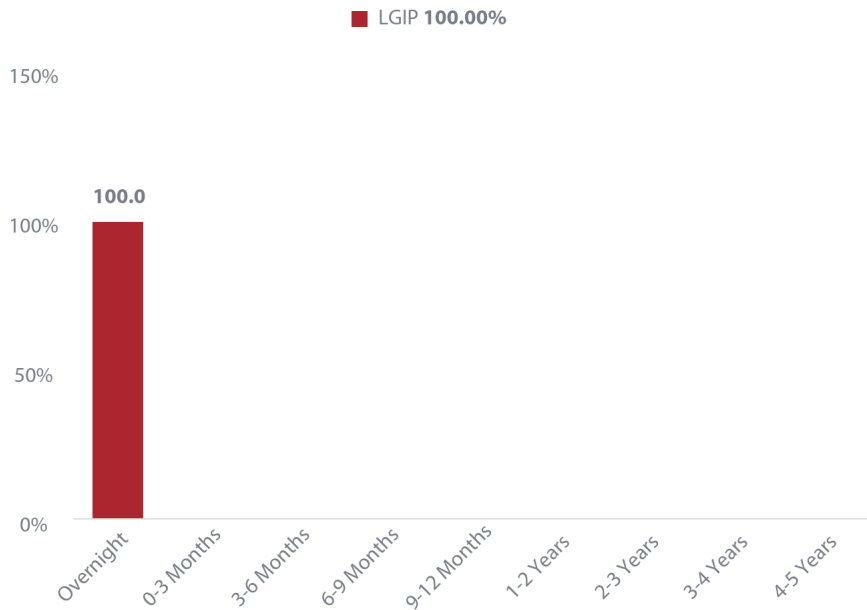


Transaction Summary

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

Maturity Distribution by Security Type



Top Ten Holdings

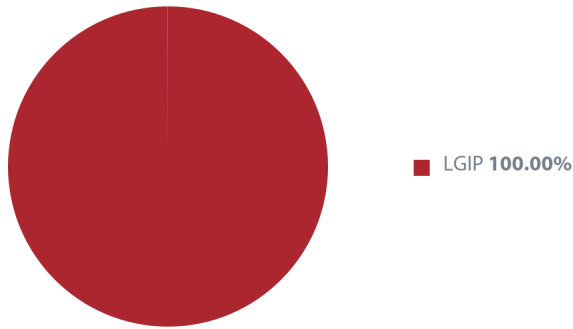
Issuer	Allocation
TEXPOOL	51.28%
TEXSTAR	48.72%

Maturity Distribution by Security Type

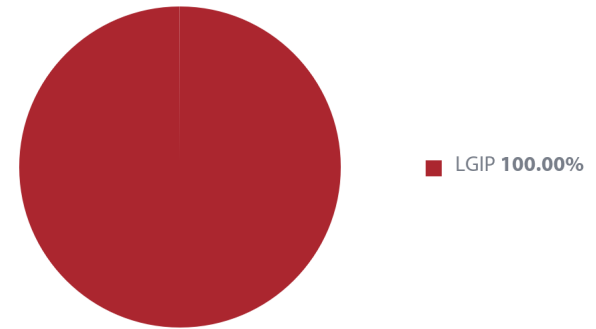
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	322,294,738.40	--	--	--	--	--	--	--	--	322,294,738.40
Total	322,294,738.40	--	--	--	--	--	--	--	--	322,294,738.40

Asset Allocation

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



Asset Allocation by Security Type as of
31-Mar-2024



Book Value Basis Security Distribution

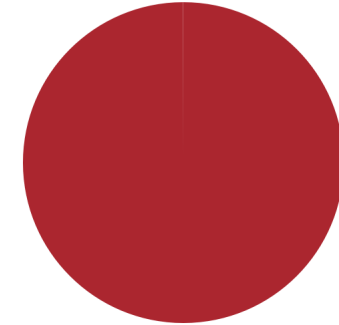
Security Type	Prior Balance 31-Dec-23	Prior Allocation 31-Dec-23	Change in Allocation	Current Balance 31-Mar-24	Current Allocation 31-Mar-24	Yield to Maturity
LGIP	311,861,126.50	100.00%	0.00%	322,294,738.40	100.00%	5.308%
Portfolio Total	311,861,126.50	100.00%		322,294,738.40	100.00%	5.308%

Credit Rating Summary

Rating Distribution

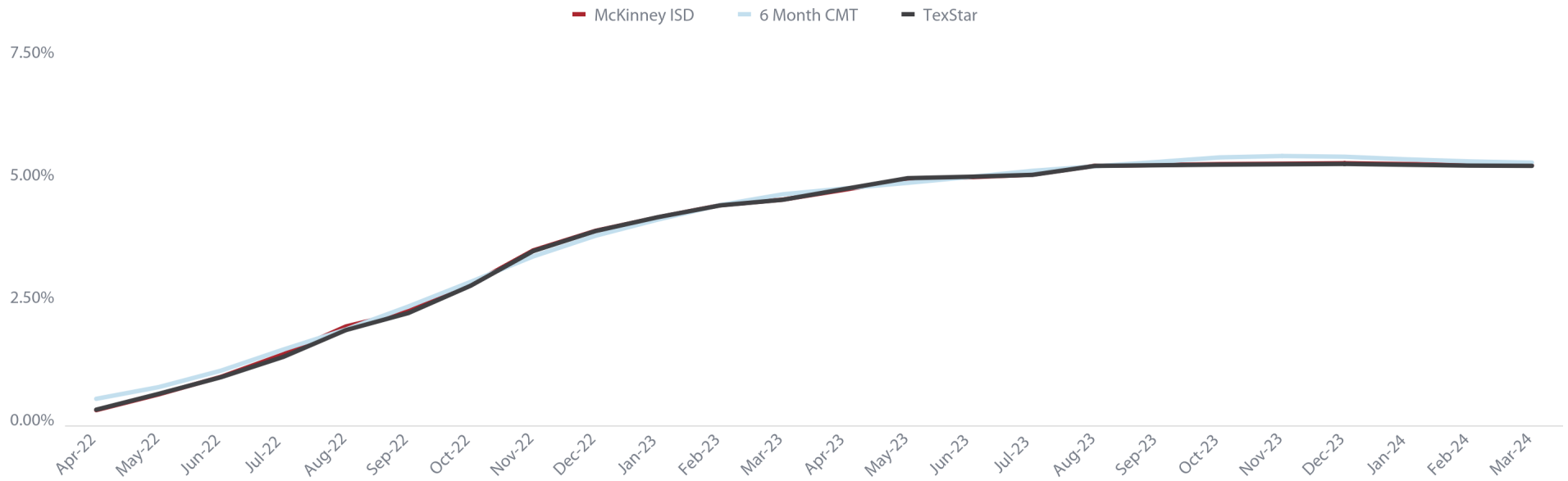
	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	322,294,738.40	100.00%
Total Local Government Investment Pools & Money Market Funds	322,294,738.40	100.00%
Portfolio Total	322,294,738.40	100.00%

Allocation by Rating



■ AAA 100.00%

Benchmark Comparison



Yield Overview

	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	Jan-24	Feb-24	Mar-24
McKinney ISD	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	5.34	5.32	5.31
6 Month CMT	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	5.43	5.39	5.36
TexStar	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	5.32	5.30	5.30

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	592,387.31	592,387.31	(592,380.76)	6.55	6.55	4,498.08	1	5.299%	5.299%
2020 Series Bonds	3,737,305.33	3,737,305.33	(1,549,517.84)	2,187,787.49	2,187,787.49	44,216.87	1	5.299%	5.299%
2021 Series Bonds	16,674,158.94	16,674,158.94	(11,145,859.47)	5,528,299.47	5,528,299.47	173,329.36	1	5.299%	5.299%
2022 Series Bonds	76,521,880.88	76,521,880.88	1,016,980.65	77,538,861.53	77,538,861.53	1,016,980.65	1	5.299%	5.299%
2023 Series Bonds	18,341,204.22	18,341,204.22	243,755.80	18,584,960.02	18,584,960.02	243,755.80	1	5.299%	5.299%
General Operating	132,519,663.71	132,519,663.71	51,369,582.31	183,889,246.02	183,889,246.02	2,433,580.19	1	5.311%	5.311%
Interest & Bonded Debt	63,474,526.11	63,474,526.11	(28,908,948.79)	34,565,577.32	34,565,577.32	783,918.34	1	5.315%	5.315%
Total	311,861,126.50	311,861,126.50	10,433,611.90	322,294,738.40	322,294,738.40	4,700,279.29	1	5.308%	5.308%

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		03/31/24			6.55	100.000	6.55	6.55	100.000	6.55	1		5.299	5.299	AAA	
Total 2019 Series Bonds								6.55		6.55	6.55		6.55	1		5.299	5.299		
2020 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		03/31/24			2,187,787.49	100.000	2,187,787.49	2,187,787.49	100.000	2,187,787.49	1		5.299	5.299	AAA	
Total 2020 Series Bonds								2,187,787.49		2,187,787.49	2,187,787.49		2,187,787.49	1		5.299	5.299		
2021 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		03/31/24			5,528,299.47	100.000	5,528,299.47	5,528,299.47	100.000	5,528,299.47	1		5.299	5.299	AAA	
Total 2021 Series Bonds								5,528,299.47		5,528,299.47	5,528,299.47		5,528,299.47	1		5.299	5.299		
2022 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		03/31/24			77,538,861.53	100.000	77,538,861.53	77,538,861.53	100.000	77,538,861.53	1		5.299	5.299	AAA	
Total 2022 Series Bonds								77,538,861.53		77,538,861.53	77,538,861.53		77,538,861.53	1		5.299	5.299		
2023 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		03/31/24			18,584,960.02	100.000	18,584,960.02	18,584,960.02	100.000	18,584,960.02	1		5.299	5.299	AAA	
Total 2023 Series Bonds								18,584,960.02		18,584,960.02	18,584,960.02		18,584,960.02	1		5.299	5.299		
General Operating																			
TEXPOOL		LGIP	TexPool		03/31/24			132,897,740.20	100.000	132,897,740.20	132,897,740.20	100.000	132,897,740.20	1		5.316	5.316	AAA	
TEXSTAR		LGIP	TexSTAR		03/31/24			50,991,505.82	100.000	50,991,505.82	50,991,505.82	100.000	50,991,505.82	1		5.299	5.299	AAA	
Total General Operating								183,889,246.02		183,889,246.02	183,889,246.02		183,889,246.02	1		5.311	5.311		
Interest & Bonded Debt																			
TEXPOOL		LGIP	TexPool		03/31/24			32,373,072.91	100.000	32,373,072.91	32,373,072.91	100.000	32,373,072.91	1		5.316	5.316	AAA	
TEXSTAR		LGIP	TexSTAR		03/31/24			2,192,504.41	100.000	2,192,504.41	2,192,504.41	100.000	2,192,504.41	1		5.299	5.299	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								34,565,577.32		34,565,577.32	34,565,577.32		34,565,577.32	1		5.315	5.315	
Grand Total								322,294,738.40		322,294,738.40	322,294,738.40		322,294,738.40	1		5.308	5.308	

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	4,498.08	4,498.08	0.00	0.00	0.00	0.00	4,498.08
Total 2019 Series Bonds			0.00	4,498.08	4,498.08	0.00	0.00	0.00	0.00	4,498.08
2020 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	44,216.87	44,216.87	0.00	0.00	0.00	0.00	44,216.87
Total 2020 Series Bonds			0.00	44,216.87	44,216.87	0.00	0.00	0.00	0.00	44,216.87
2021 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	173,329.36	173,329.36	0.00	0.00	0.00	0.00	173,329.36
Total 2021 Series Bonds			0.00	173,329.36	173,329.36	0.00	0.00	0.00	0.00	173,329.36
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	1,016,980.65	1,016,980.65	0.00	0.00	0.00	0.00	1,016,980.65
Total 2022 Series Bonds			0.00	1,016,980.65	1,016,980.65	0.00	0.00	0.00	0.00	1,016,980.65
2023 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	243,755.80	243,755.80	0.00	0.00	0.00	0.00	243,755.80
Total 2023 Series Bonds			0.00	243,755.80	243,755.80	0.00	0.00	0.00	0.00	243,755.80
General Operating										
TEXPOOL	LGIP	TexPool	0.00	1,764,788.12	1,764,788.12	0.00	0.00	0.00	0.00	1,764,788.12
TEXSTAR	LGIP	TexSTAR	0.00	668,792.07	668,792.07	0.00	0.00	0.00	0.00	668,792.07
Total General Operating			0.00	2,433,580.19	2,433,580.19	0.00	0.00	0.00	0.00	2,433,580.19
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool	0.00	743,630.32	743,630.32	0.00	0.00	0.00	0.00	743,630.32
TEXSTAR	LGIP	TexSTAR	0.00	40,288.02	40,288.02	0.00	0.00	0.00	0.00	40,288.02

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	783,918.34	783,918.34	0.00	0.00	0.00	0.00	783,918.34
Grand Total			0.00	4,700,279.29	4,700,279.29	0.00	0.00	0.00	0.00	4,700,279.29

Investment Transactions

CUSIP	Trade Date	Settle Date	Security Type	Security Description	Coupon	Maturity Date	Call Date	Par Value	Price	Principal Amount	Interest Purchased/Received	Total Amount	Realized Gain/Loss	YTM	YTW
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Investment Transactions Totals

Transaction Type	Quantity	Principal Amount	Interest	Total Amount	Realized G/L	YTM	YTW
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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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