

INVESTMENT REPORT

McKinney ISD

.....

July 1 to June 30, 2025



Contents

Market Recap3

Investment Officers’ Certification4

Portfolio Overview5

Portfolio Overview6

Asset Allocation7

Credit Rating Summary8

Benchmark Comparison.9

Fund Overview10

Detail of Security Holdings11

Earned Income12

Disclosures & Disclaimers13

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

The ominous soft data (survey) reports continued to accumulate in June, while the hard data reports held up surprisingly well. Bond market investors and Fed officials generally dismissed any signs of a solid economy and determined that it was simply a matter of time before tariff uncertainty pushed GDP growth lower. June kicked off with the ISM services and manufacturing composite indexes both indicating *contraction*, common for the factory sector but rare for services. In fact, it was only the fourth time in the last 60 months that the services index had come in below 50. There was also an alarming drop in the new orders index, which fell into contraction territory for only the third time since 2020 at 46.5. Both prices paid indexes were well above 60 as purchasing managers had little choice but to pay higher prices for future shipments. But perhaps the most revealing part of the May ISM reports were in the comments, as one purchasing manager after another shared tariff frustrations: “no choice but to pass along price increases;” “ever-changing trade policies have wreaked havoc on the company’s ability to remain profitable;” and “tariffs alone have caused supply chain disruptions rivaling COVID-19.”

The May ISM surveys clearly signaled U.S. businesses were increasingly stressed, and there is no indication that the stress-evoking import taxes will disappear. In fact, the 25% tax on steel and aluminum was increased to 50%. This will have a detrimental effect on U.S. construction costs as half of all aluminum, and a quarter of all steel, is imported. Rather than pay the enormous tariff rate on construction materials, many builders are likely to postpone projects. To a lesser degree, other industries will face the same decisions. In addition, the massive “Liberation Day” tariffs, announced in early April (before being quickly postponed for 90 days) will reemerge on July 9th, further clouding the U.S. business outlook.

In the meantime, a widely anticipated rise in inflationary pressure and deterioration of labor market conditions has yet to fully emerge. In fact, U.S. businesses added +139k jobs to company payrolls in May, *exceeding forecasts for the third straight month*. However, downward revisions to the prior two months quietly subtracted -95k, taking the shine off the May headline. The unemployment rate held steady at 4.2%, although it would have

been significantly higher if -626k Americans had not left the labor force in May, the largest monthly drop since 2023. Adding to those concerns, continuing claims for unemployment benefits climbed to the highest levels since November 2021. Thus, while headline labor numbers appeared healthy, underlying conditions worsened.

Both CPI and PPI indicated extremely low inflation readings for May with overall and core rates up just +0.1%. For CPI, it was the fourth straight month in which the increase came in below the median forecast. On a year-over-year basis, headline CPI climbed from +2.3% to +2.4%, while the core rate held steady at +2.8%, matching a *50-month low* from the previous month. However, the three-month annualized consumer inflation rate was just +1.7%. This is almost entirely the result of lower energy costs, which can be attributed to falling global demand. Unlike the labor market, which is clearly signaling future stress, the current inflation readings are not pointing to higher future prices. Not yet anyway.

In mid-June, the FOMC voted unanimously to maintain the overnight target range at 4.25% - 4.50% for the fourth consecutive meeting. The updated summary of economic projection (SEP) indicated Fed officials expect inflation and unemployment to rise later this year, while GDP growth slows. The Fed’s “dot plot,” updated for the first time since March, continued to show two 25 basis point rate cuts in 2025. President Trump, eyeing the prospect of fading growth and dismissing the expected rise in inflationary pressure, grew increasingly frustrated with Fed Chairman Powell during the month, demanding that the overnight target rate be slashed by 200 to 300 basis points, *immediately*.

The next FOMC meeting is at the end of July. There has been no indication that Fed officials will announce a rate cut on that date, although two Trump-appointed Fed Governors have recently suggested July should be in play. Yields moved lower in June as investors recalibrated future interest rate expectations. Even if the overnight funds target is lowered once or twice in 2025, the next Fed Chairman, expected to be nominated by Trump “very soon,” will certainly mirror the president’s push for dramatically lower interest rates next 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
Senior Director of Finance & Cash Management

Marlene Harbeson
Chief Financial Officer

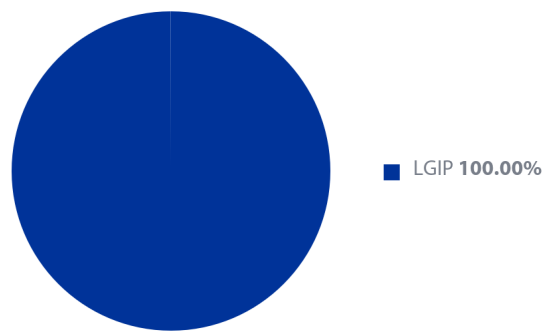
Dennis Womack
Asst. Super. of Business, Technology and Operations

Portfolio Overview

Portfolio Summary

	Prior 30 Jun-24	Current 30 Jun-25
Par Value	246,918,090.47	271,240,367.88
Original Cost	246,918,090.47	271,240,367.88
Book Value	246,918,090.47	271,240,367.88
Market Value	246,918,090.47	271,240,367.88
Accrued Interest	0.00	0.00
Book Value Plus Accrued	246,918,090.47	271,240,367.88
Market Value Plus Accrued	246,918,090.47	271,240,367.88
Net Unrealized Gain/(Loss)	0.00	0.00

Asset Allocation



Income Summary

Current Period	1 Jul-24 to 30 Jun-25
Interest Income	13,169,130.70
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	13,169,130.70

Fiscal Year-to-Date	1 Jul-24 to 30 Jun-25
Net Income	13,169,130.70

Portfolio Characteristics

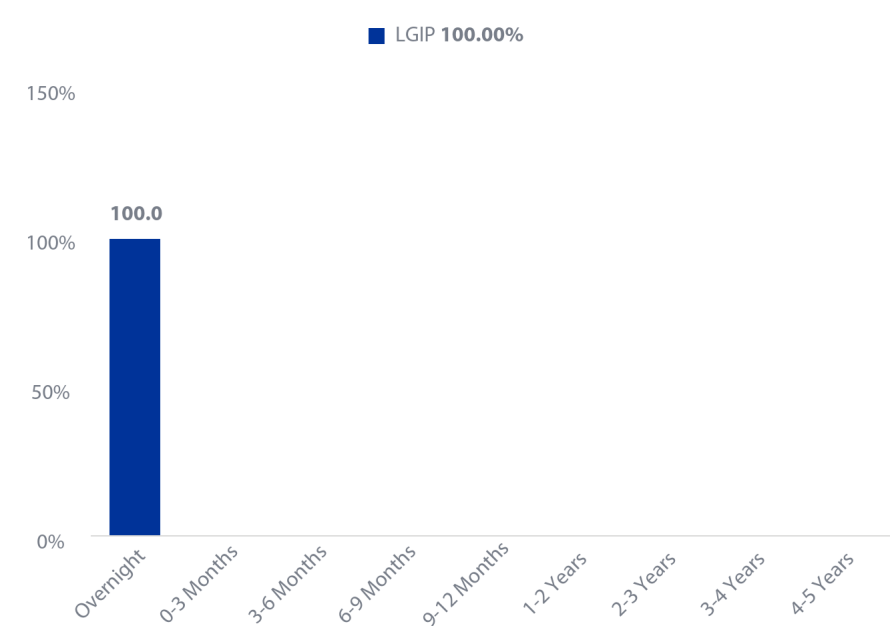
	Prior 30 Jun-24	Current 30 Jun-25
Yield to Maturity	5.312%	4.290%
Yield to Worst	5.312%	4.290%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
------------------	----------	-----------	----------	--------------	--------------------

Portfolio Overview

Maturity Distribution by Security Type



Top Ten Holdings

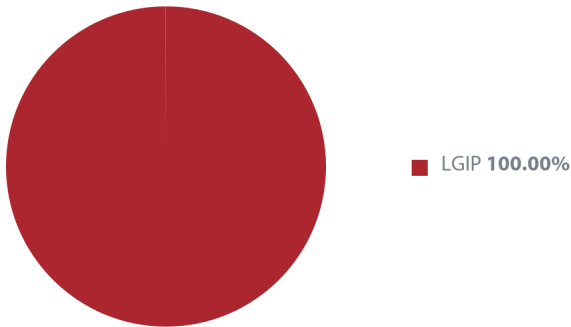
Issuer	Allocation
TEXSTAR	51.22%
TEXPOOL	48.78%

Maturity Distribution by Security Type

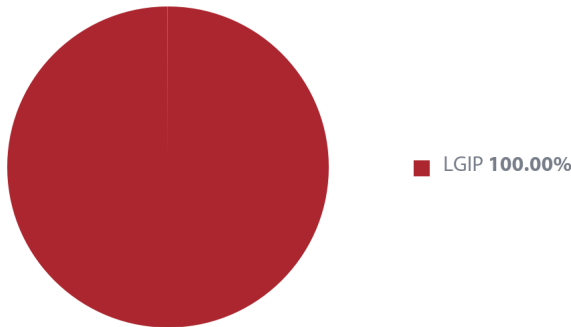
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	271,240,367.88	--	--	--	--	--	--	--	--	271,240,367.88
Total	271,240,367.88	--	--	--	--	--	--	--	--	271,240,367.88

Asset Allocation

Asset Allocation by Security Type as of 30-Jun-2024



Asset Allocation by Security Type as of 30-Jun-2025



Book Value Basis Security Distribution

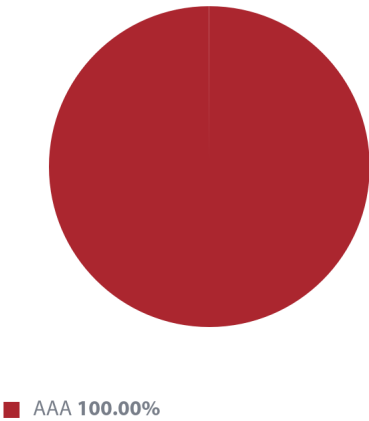
Security Type	Prior Balance 30-Jun-24	Prior Allocation 30-Jun-24	Change in Allocation	Current Balance 30-Jun-25	Current Allocation 30-Jun-25	Yield to Maturity
LGIP	246,918,090.47	100.00%	0.00%	271,240,367.88	100.00%	4.290%
Portfolio Total	246,918,090.47	100.00%		271,240,367.88	100.00%	4.290%

Credit Rating Summary

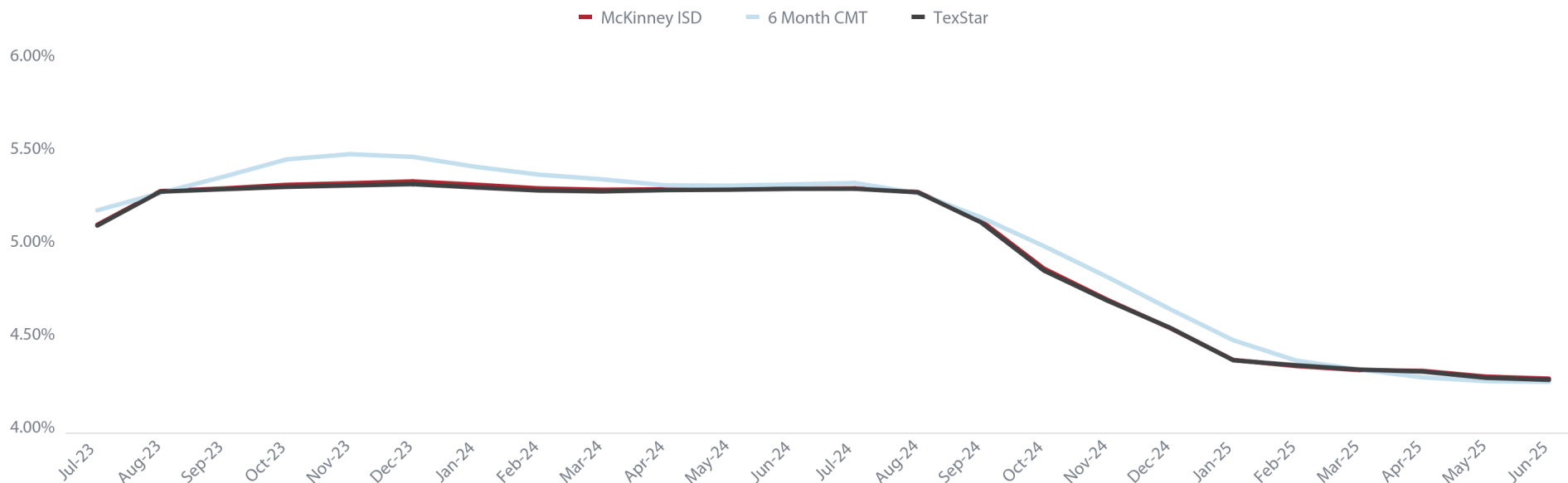
Rating Distribution

	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	271,240,367.88	100.00%
Total Local Government Investment Pools & Money Market Funds	271,240,367.88	100.00%
Portfolio Total	271,240,367.88	100.00%

Allocation by Rating



Benchmark Comparison



Yield Overview

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
McKinney ISD	5.12	5.30	5.31	5.33	5.34	5.35	5.34	5.32	5.31	5.31	5.31	5.31	5.32	5.30	5.14	4.88	4.72	4.56	4.39	4.36	4.34	4.33	4.30	4.29
6 Month CMT	5.20	5.29	5.38	5.47	5.50	5.48	5.43	5.39	5.36	5.33	5.33	5.34	5.34	5.29	5.16	5.00	4.84	4.66	4.50	4.39	4.34	4.30	4.28	4.27
TexStar	5.11	5.30	5.31	5.32	5.33	5.34	5.32	5.30	5.30	5.31	5.31	5.31	5.31	5.29	5.13	4.87	4.71	4.56	4.39	4.36	4.34	4.33	4.30	4.28

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
2020 Series Bonds	90,538.80	90,538.80	(90,538.80)	0.00	0.00	874.08			
2021 Series Bonds	0.00	0.00	0.00	0.00	0.00	0.00			
2022 Series Bonds	64,454,064.40	64,454,064.40	(56,311,170.86)	8,142,893.54	8,142,893.54	1,803,813.36	1	4.284%	4.284%
2023 Series Bonds	18,832,000.16	18,832,000.16	896,487.04	19,728,487.20	19,728,487.20	896,487.04	1	4.284%	4.284%
2024 Series Bonds	0.00	0.00	61,290,274.47	61,290,274.47	61,290,274.47	2,282,615.21	1	4.284%	4.284%
General Operating	127,500,379.02	127,500,379.02	7,179,752.96	134,680,131.98	134,680,131.98	6,005,905.88	1	4.293%	4.293%
Interest & Bonded Debt	36,041,108.09	36,041,108.09	11,357,472.60	47,398,580.69	47,398,580.69	2,179,435.13	1	4.296%	4.296%
Total	246,918,090.47	246,918,090.47	24,322,277.41	271,240,367.88	271,240,367.88	13,169,130.70	1	4.290%	4.290%

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
2022 Series Bonds																		
TEXSTAR		LGIP	TexSTAR		06/30/25			8,142,893.54	100.000	8,142,893.54	8,142,893.54	100.000	8,142,893.54	1		4.284	4.284	AAA
Total 2022 Series Bonds								8,142,893.54		8,142,893.54	8,142,893.54		8,142,893.54	1		4.284	4.284	
2023 Series Bonds																		
TEXSTAR		LGIP	TexSTAR		06/30/25			19,728,487.20	100.000	19,728,487.20	19,728,487.20	100.000	19,728,487.20	1		4.284	4.284	AAA
Total 2023 Series Bonds								19,728,487.20		19,728,487.20	19,728,487.20		19,728,487.20	1		4.284	4.284	
2024 Series Bonds																		
TEXSTAR		LGIP	TexSTAR		06/30/25			61,290,274.47	100.000	61,290,274.47	61,290,274.47	100.000	61,290,274.47	1		4.284	4.284	AAA
Total 2024 Series Bonds								61,290,274.47		61,290,274.47	61,290,274.47		61,290,274.47	1		4.284	4.284	
General Operating																		
TEXPOOL		LGIP	TexPool		06/30/25			87,322,509.12	100.000	87,322,509.12	87,322,509.12	100.000	87,322,509.12	1		4.297	4.297	AAA
TEXSTAR		LGIP	TexSTAR		06/30/25			47,357,622.86	100.000	47,357,622.86	47,357,622.86	100.000	47,357,622.86	1		4.284	4.284	AAA
Total General Operating								134,680,131.98		134,680,131.98	134,680,131.98		134,680,131.98	1		4.293	4.293	
Interest & Bonded Debt																		
TEXPOOL		LGIP	TexPool		06/30/25			44,986,268.91	100.000	44,986,268.91	44,986,268.91	100.000	44,986,268.91	1		4.297	4.297	AAA
TEXSTAR		LGIP	TexSTAR		06/30/25			2,412,311.78	100.000	2,412,311.78	2,412,311.78	100.000	2,412,311.78	1		4.284	4.284	AAA
Total Interest & Bonded Debt								47,398,580.69		47,398,580.69	47,398,580.69		47,398,580.69	1		4.296	4.296	
Grand Total								271,240,367.88		271,240,367.88	271,240,367.88		271,240,367.88	1		4.290	4.290	

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
2020 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	874.08	874.08	0.00	0.00	0.00	0.00	874.08
Total 2020 Series Bonds			0.00	874.08	874.08	0.00	0.00	0.00	0.00	874.08
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	1,803,813.36	1,803,813.36	0.00	0.00	0.00	0.00	1,803,813.36
Total 2022 Series Bonds			0.00	1,803,813.36	1,803,813.36	0.00	0.00	0.00	0.00	1,803,813.36
2023 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	896,487.04	896,487.04	0.00	0.00	0.00	0.00	896,487.04
Total 2023 Series Bonds			0.00	896,487.04	896,487.04	0.00	0.00	0.00	0.00	896,487.04
2024 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	2,282,615.21	2,282,615.21	0.00	0.00	0.00	0.00	2,282,615.21
Total 2024 Series Bonds			0.00	2,282,615.21	2,282,615.21	0.00	0.00	0.00	0.00	2,282,615.21
General Operating										
TEXPOOL	LGIP	TexPool	0.00	3,677,941.06	3,677,941.06	0.00	0.00	0.00	0.00	3,677,941.06
TEXSTAR	LGIP	TexSTAR	0.00	2,327,964.82	2,327,964.82	0.00	0.00	0.00	0.00	2,327,964.82
Total General Operating			0.00	6,005,905.88	6,005,905.88	0.00	0.00	0.00	0.00	6,005,905.88
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool	0.00	1,988,771.58	1,988,771.58	0.00	0.00	0.00	0.00	1,988,771.58
TEXSTAR	LGIP	TexSTAR	0.00	190,663.55	190,663.55	0.00	0.00	0.00	0.00	190,663.55
Total Interest & Bonded Debt			0.00	2,179,435.13	2,179,435.13	0.00	0.00	0.00	0.00	2,179,435.13
Grand Total			0.00	13,169,130.70	13,169,130.70	0.00	0.00	0.00	0.00	13,169,130.70

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.

This report is designed to provide general information and is not intended to provide specific legal, investment, accounting, tax or other professional advice.

It is important to review and save all source documents provided by a product sponsor or brokerage firm which may contain notices, disclosures and other information important to you and may also serve as a reference. If conflicts between this report and sponsor reports or confirmations exist, the information provided by the product sponsors shall prevail. Fees and sales charges paid may not be reflected in the information.

The information and data contained herein is obtained from sources believed to be reliable but its accuracy or completeness is not guaranteed. Additionally, the information may contain assets held away from HTS, therefore investors should contact customer service or other representatives from the respective distributors or issuers to determine SIPC coverage for heldaway assets. HTS and HSAM do not guarantee the information contained herein or its accuracy or completeness regarding contributions, withdrawals, protected values. All information is subject to further review with client to validate final values.

It is not possible to directly invest in an index. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment. S&P rates the creditworthiness of individual bonds from: AAA highest to D lowest.

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices and the values of fixed income securities fall. When interest rates fall, bond prices and the values of fixed income securities rise. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Cash alternatives typically include money market securities and U.S. treasury bills. Investing in such cash alternatives involves inflation risk. In addition, investments in money market securities may involve credit risk and a risk of principal loss. Because money market securities are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency, there is no guarantee the value of your investment will be maintained at \$1.00 per share, and your shares, when sold, may be worth more or less than what you originally paid for them. U.S. Treasury bills are subject to market risk if sold prior to maturity. Market risk is the possibility that the value, when sold, might be less than the purchase price.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is the chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

Securities offered by HTS: (1) are not FDIC (Federal Deposit Insurance Corporation) insured; (2) are not bank deposits; (3) are not guaranteed by any bank or by any other federal government agency. None of the named entities are affiliates of HTS or HSAM. Hilltop Securities Asset Management (HSAM) is an SEC-registered investment advisor. Hilltop Securities Inc. (HTS) is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. Member of FINRA & SIPC. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.

Copyright 2022, S&P Global Market Intelligence. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.