

# INVESTMENT REPORT

## McKinney ISD

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July 1 to September 30, 2026



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 . . . . .12

Disclosures & Disclaimers . . . . .13

## Market Recap

Treasury yields surged higher in September as low unemployment and stubborn inflation provided the Federal Reserve with enough reason to raise rates for the first time in more than three years. The rate hike, along with hawkish Fed rhetoric and growing concerns about federal deficits and debt, drove yields sharply higher across the Treasury curve.

Economic data released throughout the month pointed to continued expansion. The ISM Manufacturing Index held at 54.6 in August, while the Services Index registered 55.4, both comfortably in expansion territory and consistent with healthy demand across much of the economy. Growth expectations also improved with the Atlanta Fed's GDPNow model projecting third-quarter GDP growth of 5%, driven in part by booming corporate investment in AI (artificial intelligence) infrastructure.

The labor market surprised to the upside as employers added 162k jobs in August, easily exceeding consensus expectations while revisions to June and July payrolls added another 55k jobs to the tally. The unemployment rate held steady at 4.1%, while labor force participation edged up to 61.6%, its first increase in nearly a year. Wage growth was modest, with average hourly earnings rising 3.1% year-over-year.

Overall, labor market activity continues to reflect a "no-hire, no-fire" environment. Job openings fell to 7.1 million in August, their lowest level in five months, as employers have become increasingly selective about adding workers. Meanwhile, layoffs are near their lowest levels in more than a year, suggesting businesses are reluctant to reduce headcount.

Inflation is the primary focus for markets and policymakers and remains a major concern. August core CPI registered an above consensus 0.3% month-over-month gain which kept the annual rate at 2.4%, reinforcing worries that progress toward the Federal Reserve's 2% objective has stalled. Core PCE, the Fed's preferred inflation gauge, increased 0.25% during the month and continues to run near a 3.0% annual pace. While inflation has moderated from earlier highs, the pace of improvement remains painfully slow.

Adding to inflation concerns during September, energy markets experienced more volatility

as escalating tensions in the Middle East raised concerns about potential supply disruptions. Oil prices moved higher and diesel fuel reached a record high at \$6.52 per gallon, contributing to worries that elevated energy costs would add to inflationary pressures.

The Federal Open Market Committee raised the federal funds target rate by 25 basis points at its September meeting, bringing the overnight target rate to a 3.75% to 4.00% range. Chair Kevin Warsh offered little guidance regarding future meetings, emphasizing instead that policy will be data dependent. Since the meeting, hawkish commentary from several Fed officials indicated that additional tightening may still be necessary if inflation fails to show more convincing improvement.

The economic backdrop entering October appears stronger than it did just a month ago. Unemployment is low, consumer spending has stabilized, and business activity surveys continue pointing toward expansion. Inflation remains above the Federal Reserve's target and recent data suggests the path back to 2% may be slower than policymakers would like. Markets have adjusted accordingly, with futures implying at least one more hike before year end and as much as 100bps of additional tightening over the next twelve months. Longer-term Treasury yields have responded to the combination of stronger growth expectations, persistent inflation, massive federal borrowing needs, and increased Treasury supply by sending yield to multi-decade highs. Until inflation shows more meaningful progress toward the Federal Reserve's 2% target, investors should expect policymakers to maintain a hawkish bias and longer-term yields to remain near recent highs.

## 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

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Stacey Stanfield

*Senior Director of Finance & Cash Management*

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Marlene Harbeson

*Chief Financial Officer*

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Dennis Womack

*Asst. Super. of Business, Technology and Operations*

Portfolio Overview

Portfolio Summary

|                            | Prior<br>30 Jun-26 | Current<br>30 Sep-26 |
|----------------------------|--------------------|----------------------|
| Par Value                  | 290,773,568.06     | 219,435,221.32       |
| Original Cost              | 290,773,568.06     | 219,435,221.32       |
| Book Value                 | 290,773,568.06     | 219,435,221.32       |
| Market Value               | 290,773,568.06     | 219,435,221.32       |
| Accrued Interest           | 0.00               | 0.00                 |
| Book Value Plus Accrued    | 290,773,568.06     | 219,435,221.32       |
| Market Value Plus Accrued  | 290,773,568.06     | 219,435,221.32       |
| Net Unrealized Gain/(Loss) | 0.00               | 0.00                 |

Income Summary

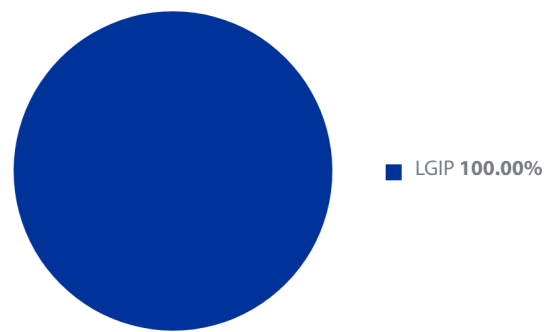
| Current Period             | 1 Jul-26 to 30 Sep-26 |
|----------------------------|-----------------------|
| Interest Income            | 2,322,877.93          |
| Net Amortization/Accretion |                       |
| Realized Gain/(Loss)       | 0.00                  |
| Net Income                 | 2,322,877.93          |

| Fiscal Year-to-Date | 1 Jul-26 to 30 Sep-26 |
|---------------------|-----------------------|
| Net Income          | 2,322,877.93          |

Portfolio Characteristics

|                            | Prior<br>30 Jun-26 | Current<br>30 Sep-26 |
|----------------------------|--------------------|----------------------|
| Yield to Maturity          | 3.634%             | 3.750%               |
| Yield to Worst             | 3.634%             | 3.750%               |
| Days to Final Maturity     | 1                  | 1                    |
| Days to Effective Maturity | 1                  | 1                    |
| Duration                   | --                 | --                   |

Asset Allocation

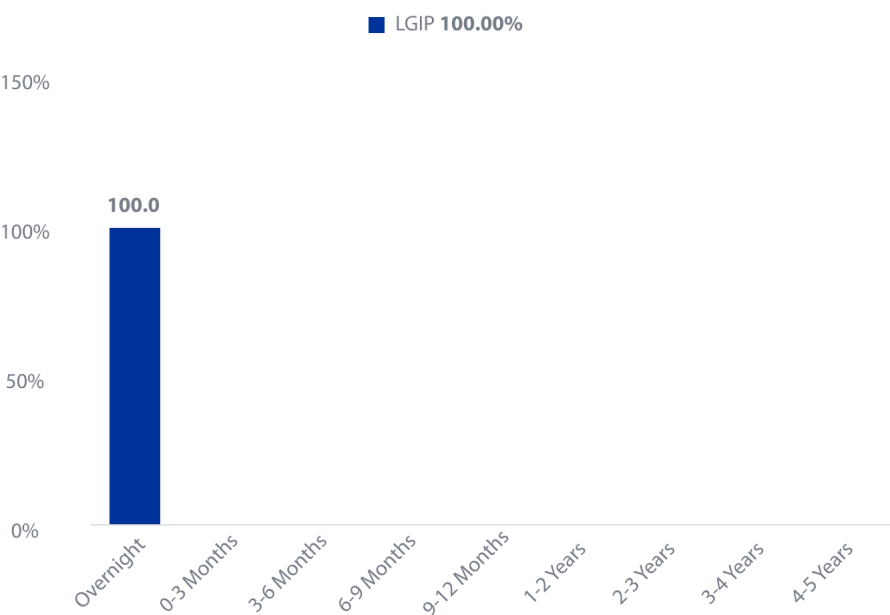


Transaction Summary

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

Portfolio Overview

Maturity Distribution by Security Type



Top Ten Holdings

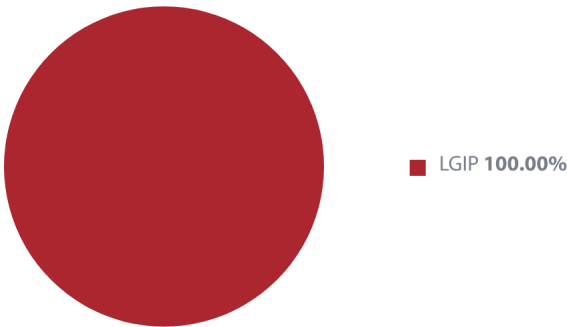
| Issuer  | Allocation |
|---------|------------|
| TEXSTAR | 61.11%     |
| TEXPOOL | 38.89%     |

Maturity Distribution by Security Type

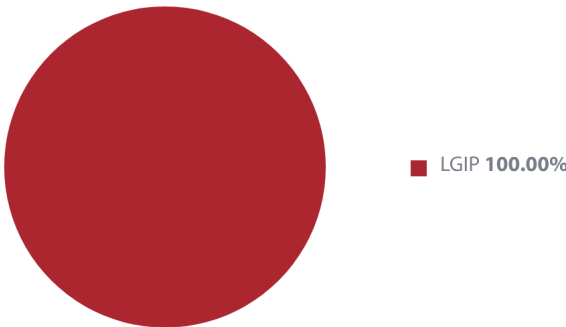
| Security Type | Overnight      | 0-3 Months | 3-6 Months | 6-9 Months | 9-12 Months | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | Portfolio Total |
|---------------|----------------|------------|------------|------------|-------------|-----------|-----------|-----------|-----------|-----------------|
| LGIP          | 219,435,221.32 | --         | --         | --         | --          | --        | --        | --        | --        | 219,435,221.32  |
| Total         | 219,435,221.32 | --         | --         | --         | --          | --        | --        | --        | --        | 219,435,221.32  |

Asset Allocation

Asset Allocation by Security Type as of  
30-Jun-2026



Asset Allocation by Security Type as of  
30-Sep-2026



Book Value Basis Security Distribution

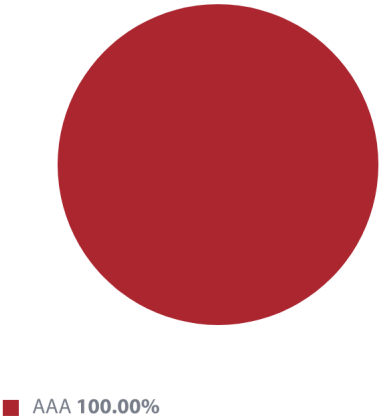
| Security Type   | Prior Balance<br>30-Jun-26 | Prior Allocation<br>30-Jun-26 | Change in Allocation | Current Balance<br>30-Sep-26 | Current Allocation<br>30-Sep-26 | Yield to Maturity |
|-----------------|----------------------------|-------------------------------|----------------------|------------------------------|---------------------------------|-------------------|
| LGIP            | 290,773,568.06             | 100.00%                       | 0.00%                | 219,435,221.32               | 100.00%                         | 3.750%            |
| Portfolio Total | 290,773,568.06             | 100.00%                       |                      | 219,435,221.32               | 100.00%                         | 3.750%            |

## Credit Rating Summary

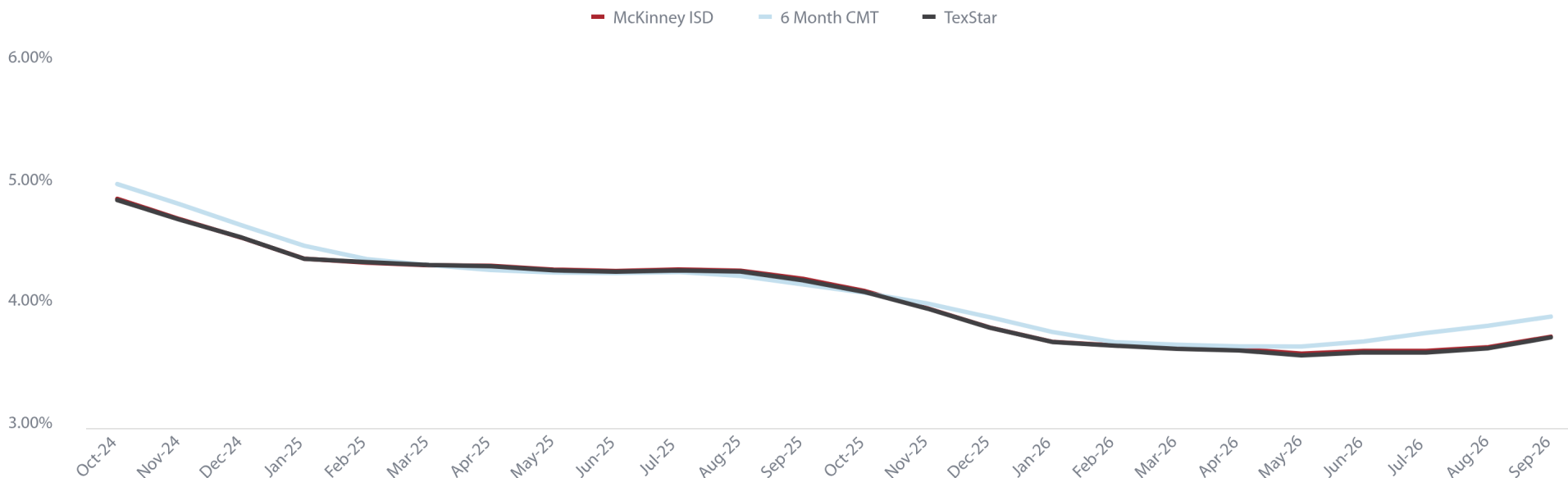
### Rating Distribution

|                                                              | Book Value     | Portfolio Allocation |
|--------------------------------------------------------------|----------------|----------------------|
| Local Government Investment Pools & Money Market Funds       |                |                      |
| AAA                                                          | 219,435,221.32 | 100.00%              |
| Total Local Government Investment Pools & Money Market Funds | 219,435,221.32 | 100.00%              |
| Portfolio Total                                              | 219,435,221.32 | 100.00%              |

### Allocation by Rating



## Benchmark Comparison



## Yield Overview

|              | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 | Sep-26 |
|--------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| McKinney ISD | 4.88   | 4.72   | 4.56   | 4.39   | 4.36   | 4.34   | 4.33   | 4.30   | 4.29   | 4.30   | 4.29   | 4.23   | 4.13   | 3.98   | 3.83   | 3.71   | 3.68   | 3.66   | 3.65   | 3.61   | 3.63   | 3.63   | 3.67   | 3.75   |
| 6 Month CMT  | 5.00   | 4.84   | 4.66   | 4.50   | 4.39   | 4.34   | 4.30   | 4.28   | 4.27   | 4.28   | 4.25   | 4.18   | 4.11   | 4.02   | 3.91   | 3.79   | 3.71   | 3.68   | 3.67   | 3.67   | 3.71   | 3.78   | 3.84   | 3.92   |
| TexStar      | 4.87   | 4.71   | 4.56   | 4.39   | 4.36   | 4.34   | 4.33   | 4.30   | 4.28   | 4.30   | 4.29   | 4.21   | 4.12   | 3.98   | 3.82   | 3.71   | 3.68   | 3.65   | 3.64   | 3.60   | 3.62   | 3.62   | 3.66   | 3.74   |

## 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           |
|------------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|---------------------|-------------------|---------------|---------------|
| 2024 Series Bonds      | 58,844,003.11         | 58,844,003.11         | (10,812,800.22)         | 48,031,202.89         | 48,031,202.89         | 494,599.42          | 1                 | 3.745%        | 3.745%        |
| 2025 Series Bonds      | 35,145,888.79         | 35,145,888.79         | 326,375.02              | 35,472,263.81         | 35,472,263.81         | 326,375.02          | 1                 | 3.745%        | 3.745%        |
| General Operating      | 144,784,825.90        | 144,784,825.90        | (54,144,327.67)         | 90,640,498.23         | 90,640,498.23         | 1,052,696.76        | 1                 | 3.752%        | 3.752%        |
| Interest & Bonded Debt | 51,998,850.26         | 51,998,850.26         | (6,707,593.87)          | 45,291,256.39         | 45,291,256.39         | 449,206.73          | 1                 | 3.758%        | 3.758%        |
| <b>Total</b>           | <b>290,773,568.06</b> | <b>290,773,568.06</b> | <b>(71,338,346.74)</b>  | <b>219,435,221.32</b> | <b>219,435,221.32</b> | <b>2,322,877.93</b> | <b>1</b>          | <b>3.750%</b> | <b>3.750%</b> |

## 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 |
|-----------------------------------------|-------------|---------------|----------------------|-------|---------------|----------------|-----------|-----------------------|-------------|-----------------------|-----------------------|-----------|-----------------------|-------------|--------------|--------------|--------------|--------|
| <b>2024 Series Bonds</b>                |             |               |                      |       |               |                |           |                       |             |                       |                       |           |                       |             |              |              |              |        |
| TEXSTAR                                 |             | LGIP          | TexSTAR              | 3.745 | 09/30/26      |                |           | 48,031,202.89         | 100.000     | 48,031,202.89         | 48,031,202.89         | 100.000   | 48,031,202.89         | 1           |              | 3.745        | 3.745        | AAA    |
| <b>Total 2024 Series Bonds</b>          |             |               |                      |       |               |                |           | <b>48,031,202.89</b>  |             | <b>48,031,202.89</b>  | <b>48,031,202.89</b>  |           | <b>48,031,202.89</b>  | <b>1</b>    |              | <b>3.745</b> | <b>3.745</b> |        |
| <b>2025 Series Bonds</b>                |             |               |                      |       |               |                |           |                       |             |                       |                       |           |                       |             |              |              |              |        |
| TEXSTAR                                 |             | LGIP          | TexSTAR              | 3.745 | 09/30/26      |                |           | 35,472,263.81         | 100.000     | 35,472,263.81         | 35,472,263.81         | 100.000   | 35,472,263.81         | 1           |              | 3.745        | 3.745        | AAA    |
| <b>Total 2025 Series Bonds</b>          |             |               |                      |       |               |                |           | <b>35,472,263.81</b>  |             | <b>35,472,263.81</b>  | <b>35,472,263.81</b>  |           | <b>35,472,263.81</b>  | <b>1</b>    |              | <b>3.745</b> | <b>3.745</b> |        |
| <b>General Operating</b>                |             |               |                      |       |               |                |           |                       |             |                       |                       |           |                       |             |              |              |              |        |
| TEXPOOL                                 |             | LGIP          | TexPool              | 3.759 | 09/30/26      |                |           | 42,667,083.18         | 100.000     | 42,667,083.18         | 42,667,083.18         | 100.000   | 42,667,083.18         | 1           |              | 3.759        | 3.759        | AAA    |
| TEXSTAR                                 |             | LGIP          | TexSTAR              | 3.745 | 09/30/26      |                |           | 47,973,415.05         | 100.000     | 47,973,415.05         | 47,973,415.05         | 100.000   | 47,973,415.05         | 1           |              | 3.745        | 3.745        | AAA    |
| <b>Total General Operating</b>          |             |               |                      |       |               |                |           | <b>90,640,498.23</b>  |             | <b>90,640,498.23</b>  | <b>90,640,498.23</b>  |           | <b>90,640,498.23</b>  | <b>1</b>    |              | <b>3.752</b> | <b>3.752</b> |        |
| <b>Interest &amp; Bonded Debt</b>       |             |               |                      |       |               |                |           |                       |             |                       |                       |           |                       |             |              |              |              |        |
| TEXPOOL                                 |             | LGIP          | TexPool              | 3.759 | 09/30/26      |                |           | 42,679,424.88         | 100.000     | 42,679,424.88         | 42,679,424.88         | 100.000   | 42,679,424.88         | 1           |              | 3.759        | 3.759        | AAA    |
| TEXSTAR                                 |             | LGIP          | TexSTAR              | 3.745 | 09/30/26      |                |           | 2,611,831.51          | 100.000     | 2,611,831.51          | 2,611,831.51          | 100.000   | 2,611,831.51          | 1           |              | 3.745        | 3.745        | AAA    |
| <b>Total Interest &amp; Bonded Debt</b> |             |               |                      |       |               |                |           | <b>45,291,256.39</b>  |             | <b>45,291,256.39</b>  | <b>45,291,256.39</b>  |           | <b>45,291,256.39</b>  | <b>1</b>    |              | <b>3.758</b> | <b>3.758</b> |        |
| <b>Grand Total</b>                      |             |               |                      |       |               |                |           | <b>219,435,221.32</b> |             | <b>219,435,221.32</b> | <b>219,435,221.32</b> |           | <b>219,435,221.32</b> | <b>1</b>    |              | <b>3.750</b> | <b>3.750</b> |        |

## Earned Income

| CUSIP                                   | Security Type | Detailed Security Description | Beginning Accrued | Interest Earned     | Interest Rec'd/<br>Sold/Matured | Interest Purchased | Ending Accrued | Disc Accr/Prem Amort | Net Realized Gain/Loss | Net Income          |
|-----------------------------------------|---------------|-------------------------------|-------------------|---------------------|---------------------------------|--------------------|----------------|----------------------|------------------------|---------------------|
| <b>2024 Series Bonds</b>                |               |                               |                   |                     |                                 |                    |                |                      |                        |                     |
| TEXSTAR                                 | LGIP          | TexSTAR                       | 0.00              | 494,599.42          | 494,599.42                      | 0.00               | 0.00           | 0.00                 | 0.00                   | 494,599.42          |
| <b>Total 2024 Series Bonds</b>          |               |                               | <b>0.00</b>       | <b>494,599.42</b>   | <b>494,599.42</b>               | <b>0.00</b>        | <b>0.00</b>    | <b>0.00</b>          | <b>0.00</b>            | <b>494,599.42</b>   |
| <b>2025 Series Bonds</b>                |               |                               |                   |                     |                                 |                    |                |                      |                        |                     |
| TEXSTAR                                 | LGIP          | TexSTAR                       | 0.00              | 326,375.02          | 326,375.02                      | 0.00               | 0.00           | 0.00                 | 0.00                   | 326,375.02          |
| <b>Total 2025 Series Bonds</b>          |               |                               | <b>0.00</b>       | <b>326,375.02</b>   | <b>326,375.02</b>               | <b>0.00</b>        | <b>0.00</b>    | <b>0.00</b>          | <b>0.00</b>            | <b>326,375.02</b>   |
| <b>General Operating</b>                |               |                               |                   |                     |                                 |                    |                |                      |                        |                     |
| TEXPOOL                                 | LGIP          | TexPool                       | 0.00              | 611,300.50          | 611,300.50                      | 0.00               | 0.00           | 0.00                 | 0.00                   | 611,300.50          |
| TEXSTAR                                 | LGIP          | TexSTAR                       | 0.00              | 441,396.26          | 441,396.26                      | 0.00               | 0.00           | 0.00                 | 0.00                   | 441,396.26          |
| <b>Total General Operating</b>          |               |                               | <b>0.00</b>       | <b>1,052,696.76</b> | <b>1,052,696.76</b>             | <b>0.00</b>        | <b>0.00</b>    | <b>0.00</b>          | <b>0.00</b>            | <b>1,052,696.76</b> |
| <b>Interest &amp; Bonded Debt</b>       |               |                               |                   |                     |                                 |                    |                |                      |                        |                     |
| TEXPOOL                                 | LGIP          | TexPool                       | 0.00              | 417,823.79          | 417,823.79                      | 0.00               | 0.00           | 0.00                 | 0.00                   | 417,823.79          |
| TEXSTAR                                 | LGIP          | TexSTAR                       | 0.00              | 31,382.94           | 31,382.94                       | 0.00               | 0.00           | 0.00                 | 0.00                   | 31,382.94           |
| <b>Total Interest &amp; Bonded Debt</b> |               |                               | <b>0.00</b>       | <b>449,206.73</b>   | <b>449,206.73</b>               | <b>0.00</b>        | <b>0.00</b>    | <b>0.00</b>          | <b>0.00</b>            | <b>449,206.73</b>   |
| <b>Grand Total</b>                      |               |                               | <b>0.00</b>       | <b>2,322,877.93</b> | <b>2,322,877.93</b>             | <b>0.00</b>        | <b>0.00</b>    | <b>0.00</b>          | <b>0.00</b>            | <b>2,322,877.93</b> |

## 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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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.

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