

INVESTMENT REPORT

McKinney ISD

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October 1 to December 31, 2025



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Market Recap

December saw the return of official government data following the 43 day shutdown. After two months of relying on private sources, financial markets finally received delayed October and November readings on inflation, the labor market, economic growth, and consumer sentiment.

Labor market data remained overwhelmingly negative throughout December. Private sector employment data showed more weakness ahead of the FOMC meeting, with the November ADP report revealing a 32k decline in payrolls, the largest monthly drop since early 2023. Small businesses shed 120k jobs, the biggest pullback since May 2020, while larger firms managed modest gains. Challenger's layoff data showed more than 1.17 million job cuts year to date, already the highest since 2020. By the time the BLS finally released its combined October–November report, the unemployment rate had jumped to 4.6%, and the underemployment rate rose sharply to 8.7%, reflecting a combination of lower survey participation, discouraged workers re entering the labor force, and softening in economic conditions. Payrolls increased a modest 64k in November after a steep 105k decline in October, and the three month average pace of job growth slowed to just 22k, down from 62k prior to the shutdown.

The weak job market has fed directly into collapsing consumer confidence. Both the University of Michigan and Conference Board measures slid toward multi decade lows, with Michigan's current conditions index hitting its lowest reading in nearly fifty years. Confidence eroded further as households continued to struggle with higher prices, slower wage gains, and a cooling job market. Retail categories tied to discretionary spending showed weakening momentum, while hiring freezes broadened across cyclically sensitive sectors such as manufacturing, transportation, information services, and finance.

With October CPI data never collected, the November CPI release only provided year over year changes. Even with the data disruptions, the numbers were striking, headline CPI unexpectedly fell from 3.0% to 2.7%, while core CPI softened from 3.0% to 2.6%, both reaching their lowest levels since early 2021. Shelter costs showed a questionable

deceleration, posting their smallest two month increase since the early months of the pandemic. Economists warned that shutdown related distortions may unwind in the coming months, but the overall picture reinforced the idea that the Fed's restrictive stance is continuing to exert downward pressure on inflation.

The Federal Reserve delivered its third consecutive 25 basis point cut at the December 10 meeting, lowering the target range to 3.50%–3.75%. The vote was fractured, with three dissents, the most since 2019, as Chicago's Goolsbee and Kansas City's Schmid argued for no change while Governor Miran pushed for a larger 50 bp move. Chair Powell described the decision as a "close call," noting that neither inflation nor employment data made a compelling case for easing, but the committee felt "well positioned to wait and see" heading into 2026. The updated Summary of Economic Projections offered mixed signals: the 2026 GDP forecast was revised sharply higher to 2.3%, while core PCE was nudged down to 2.5%, supporting the view that tariff related inflation pressures might be fading.

Later in the month, the economy delivered another surprise when Q3 GDP was revised up to 4.3%, the strongest quarterly growth in two years and well above every major forecast. Personal consumption remained the engine of expansion, while net exports provided an unusually large boost as imports fell sharply. But the stronger growth also pushed the GDP price index up to 3.8%, and the core PCE index rose to 2.9%, complicating the Fed's inflation narrative and reinforcing the idea that rate cuts in early 2026 are assured. Strong GDP with rising unemployment will be a challenge for policymakers next year, especially in an economy increasingly shaped by rapid technological changes and investment.

As the year wraps, the economic landscape remains uncertain marked by strong top line growth but weakening labor momentum, easing inflation but distorted data, and a Fed that cut while signaling caution ahead. The path of monetary policy early in 2026 will hinge on whether the economy's apparent strength proves durable or whether the growing signs of labor market softening begin to dominate the narrative.

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

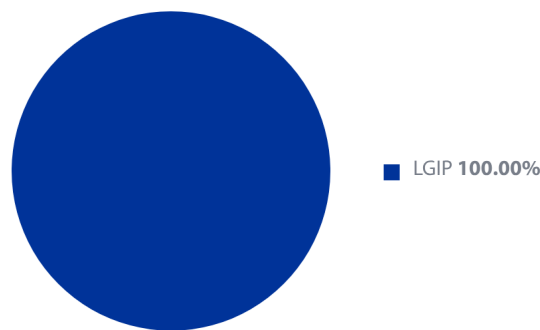
Dennis Womack
Asst. Super. of Business, Technology and Operations

Portfolio Overview

Portfolio Summary

	Prior 30 Sep-25	Current 31 Dec-25
Par Value	234,658,267.49	247,882,544.73
Original Cost	234,658,267.49	247,882,544.73
Book Value	234,658,267.49	247,882,544.73
Market Value	234,658,267.49	247,882,544.73
Accrued Interest	0.00	0.00
Book Value Plus Accrued	234,658,267.49	247,882,544.73
Market Value Plus Accrued	234,658,267.49	247,882,544.73
Net Unrealized Gain/(Loss)	0.00	0.00

Asset Allocation



Income Summary

Current Period	1 Oct-25 to 31 Dec-25
Interest Income	2,303,128.21
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	2,303,128.21

Fiscal Year-to-Date	1 Jul-25 to 31 Dec-25
Net Income	4,885,004.24

Transaction Summary

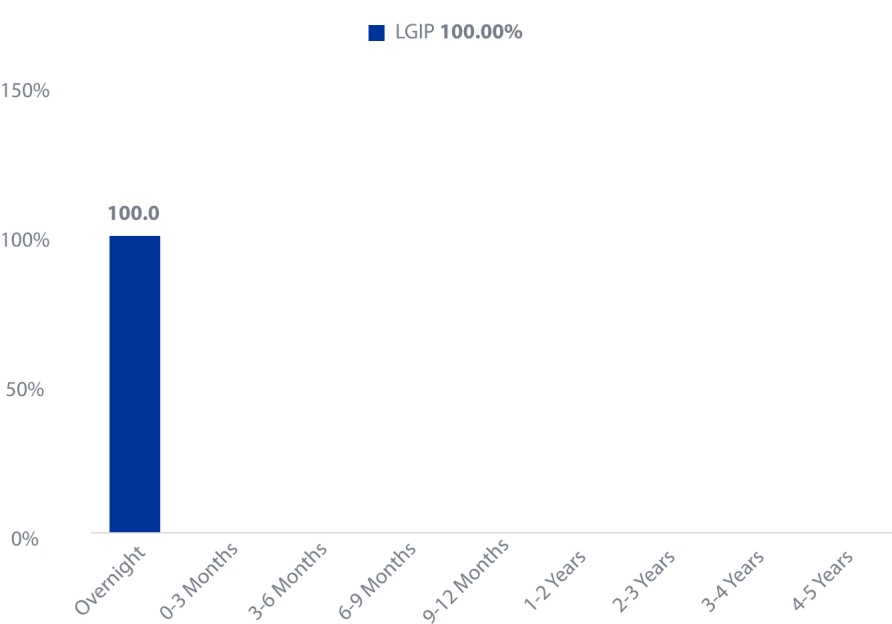
Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
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Portfolio Characteristics

	Prior 30 Sep-25	Current 31 Dec-25
Yield to Maturity	4.227%	3.826%
Yield to Worst	4.227%	3.826%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Portfolio Overview

Maturity Distribution by Security Type



Top Ten Holdings

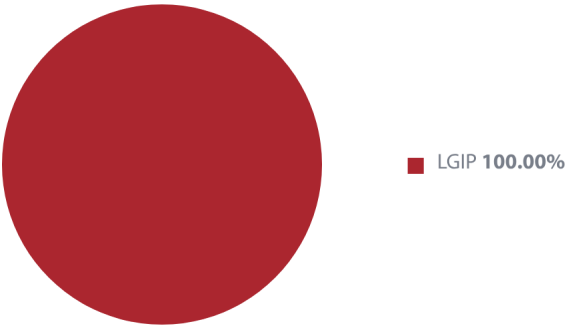
Issuer	Allocation
TEXSTAR	59.70%
TEXPOOL	40.30%

Maturity Distribution by Security Type

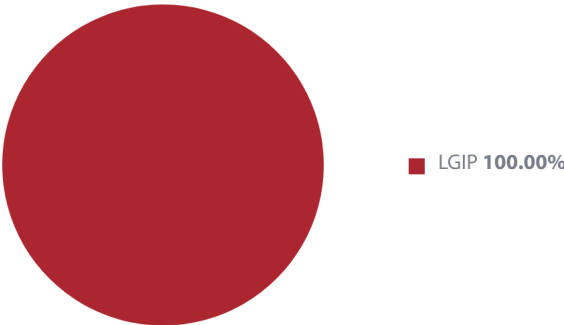
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	247,882,544.73	--	--	--	--	--	--	--	--	247,882,544.73
Total	247,882,544.73	--	--	--	--	--	--	--	--	247,882,544.73

Asset Allocation

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



Asset Allocation by Security Type as of
31-Dec-2025



Book Value Basis Security Distribution

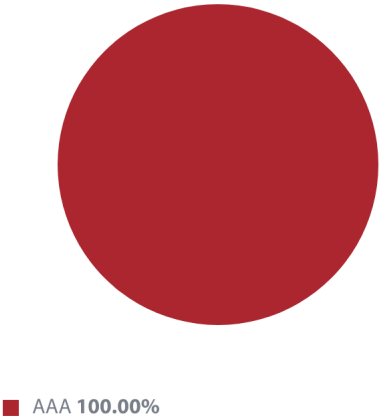
Security Type	Prior Balance 30-Sep-25	Prior Allocation 30-Sep-25	Change in Allocation	Current Balance 31-Dec-25	Current Allocation 31-Dec-25	Yield to Maturity
LGIP	234,658,267.49	100.00%	0.00%	247,882,544.73	100.00%	3.826%
Portfolio Total	234,658,267.49	100.00%		247,882,544.73	100.00%	3.826%

Credit Rating Summary

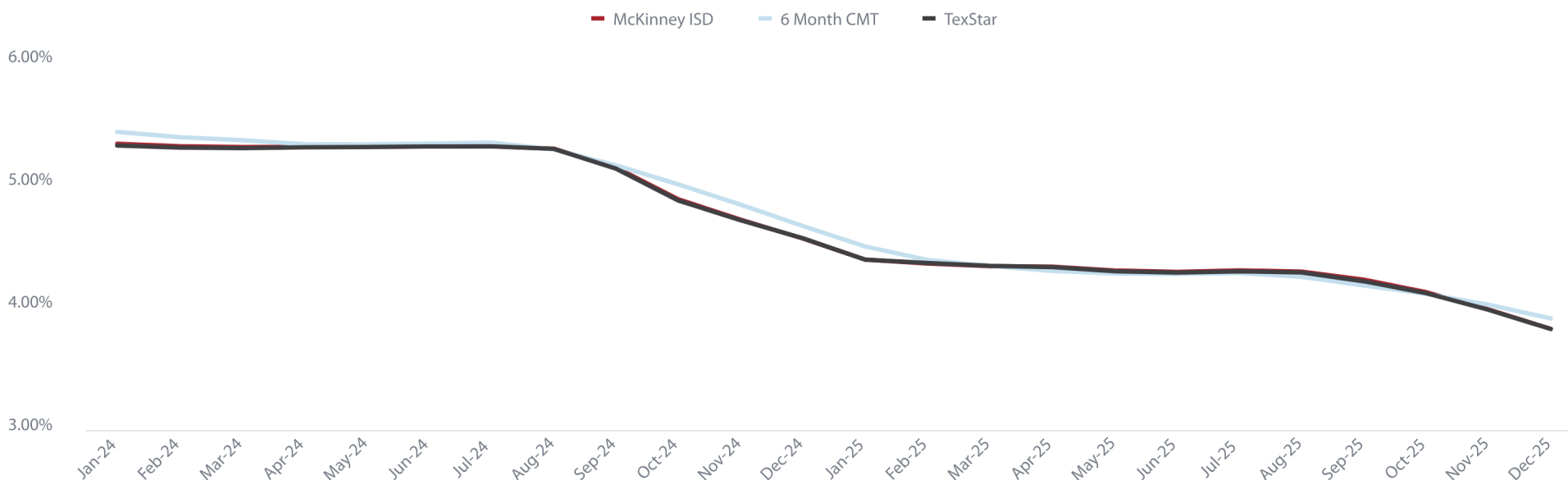
Rating Distribution

	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	247,882,544.73	100.00%
Total Local Government Investment Pools & Money Market Funds	247,882,544.73	100.00%
Portfolio Total	247,882,544.73	100.00%

Allocation by Rating



Benchmark Comparison



Yield Overview

	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	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
McKinney ISD	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	4.30	4.29	4.23	4.13	3.98	3.83
6 Month CMT	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	4.28	4.25	4.18	4.11	4.02	3.91
TexStar	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	4.30	4.29	4.21	4.12	3.98	3.82

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
2022 Series Bonds	19.03	19.03	0.12	19.15	19.15	0.12	1	3.825%	3.825%
2023 Series Bonds	8,055,377.30	8,055,377.30	(7,970,056.58)	85,320.72	85,320.72	52,796.35	1	3.825%	3.825%
2024 Series Bonds	61,951,546.11	61,951,546.11	622,581.36	62,574,127.47	62,574,127.47	622,581.36	1	3.825%	3.825%
2025 Series Bonds	34,173,261.40	34,173,261.40	343,423.80	34,516,685.20	34,516,685.20	343,423.80	1	3.825%	3.825%
General Operating	91,119,992.03	91,119,992.03	(7,189,166.05)	83,930,825.98	83,930,825.98	828,842.94	1	3.826%	3.826%
Interest & Bonded Debt	39,358,071.62	39,358,071.62	27,417,494.59	66,775,566.21	66,775,566.21	455,483.64	1	3.827%	3.827%
Total	234,658,267.49	234,658,267.49	13,224,277.24	247,882,544.73	247,882,544.73	2,303,128.21	1	3.826%	3.826%

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	3.825	12/31/25			19.15	100.000	19.15	19.15	100.000	19.15	1		3.825	3.825	AAA
Total 2022 Series Bonds								19.15		19.15	19.15		19.15	1		3.825	3.825	
2023 Series Bonds																		
TEXSTAR		LGIP	TexSTAR	3.825	12/31/25			85,320.72	100.000	85,320.72	85,320.72	100.000	85,320.72	1		3.825	3.825	AAA
Total 2023 Series Bonds								85,320.72		85,320.72	85,320.72		85,320.72	1		3.825	3.825	
2024 Series Bonds																		
TEXSTAR		LGIP	TexSTAR	3.825	12/31/25			62,574,127.47	100.000	62,574,127.47	62,574,127.47	100.000	62,574,127.47	1		3.825	3.825	AAA
Total 2024 Series Bonds								62,574,127.47		62,574,127.47	62,574,127.47		62,574,127.47	1		3.825	3.825	
2025 Series Bonds																		
TEXSTAR		LGIP	TexSTAR	3.825	12/31/25			34,516,685.20	100.000	34,516,685.20	34,516,685.20	100.000	34,516,685.20	1		3.825	3.825	AAA
Total 2025 Series Bonds								34,516,685.20		34,516,685.20	34,516,685.20		34,516,685.20	1		3.825	3.825	
General Operating																		
TEXPOOL		LGIP	TexPool	3.827	12/31/25			35,581,198.68	100.000	35,581,198.68	35,581,198.68	100.000	35,581,198.68	1		3.827	3.827	AAA
TEXSTAR		LGIP	TexSTAR	3.825	12/31/25			48,349,627.30	100.000	48,349,627.30	48,349,627.30	100.000	48,349,627.30	1		3.825	3.825	AAA
Total General Operating								83,930,825.98		83,930,825.98	83,930,825.98		83,930,825.98	1		3.826	3.826	
Interest & Bonded Debt																		
TEXPOOL		LGIP	TexPool	3.827	12/31/25			64,306,135.11	100.000	64,306,135.11	64,306,135.11	100.000	64,306,135.11	1		3.827	3.827	AAA
TEXSTAR		LGIP	TexSTAR	3.825	12/31/25			2,469,431.10	100.000	2,469,431.10	2,469,431.10	100.000	2,469,431.10	1		3.825	3.825	AAA
Total Interest & Bonded Debt								66,775,566.21		66,775,566.21	66,775,566.21		66,775,566.21	1		3.827	3.827	
Grand Total								247,882,544.73		247,882,544.73	247,882,544.73		247,882,544.73	1		3.826	3.826	

Earned Income

CUSIP	Security Type	HSAM Detailed 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
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR 3.8246 12/31/2025	0.00	0.12	0.12	0.00	0.00	0.00	0.00	0.12
Total 2022 Series Bonds			0.00	0.12	0.12	0.00	0.00	0.00	0.00	0.12
2023 Series Bonds										
TEXSTAR	LGIP	TexSTAR 3.8246 12/31/2025	0.00	52,796.35	52,796.35	0.00	0.00	0.00	0.00	52,796.35
Total 2023 Series Bonds			0.00	52,796.35	52,796.35	0.00	0.00	0.00	0.00	52,796.35
2024 Series Bonds										
TEXSTAR	LGIP	TexSTAR 3.8246 12/31/2025	0.00	622,581.36	622,581.36	0.00	0.00	0.00	0.00	622,581.36
Total 2024 Series Bonds			0.00	622,581.36	622,581.36	0.00	0.00	0.00	0.00	622,581.36
2025 Series Bonds										
TEXSTAR	LGIP	TexSTAR 3.8246 12/31/2025	0.00	343,423.80	343,423.80	0.00	0.00	0.00	0.00	343,423.80
Total 2025 Series Bonds			0.00	343,423.80	343,423.80	0.00	0.00	0.00	0.00	343,423.80
General Operating										
TEXPOOL	LGIP	TexPool 3.827 12/31/2025	0.00	347,788.29	347,788.29	0.00	0.00	0.00	0.00	347,788.29
TEXSTAR	LGIP	TexSTAR 3.8246 12/31/2025	0.00	481,054.65	481,054.65	0.00	0.00	0.00	0.00	481,054.65
Total General Operating			0.00	828,842.94	828,842.94	0.00	0.00	0.00	0.00	828,842.94
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool 3.827 12/31/2025	0.00	430,914.03	430,914.03	0.00	0.00	0.00	0.00	430,914.03
TEXSTAR	LGIP	TexSTAR 3.8246 12/31/2025	0.00	24,569.61	24,569.61	0.00	0.00	0.00	0.00	24,569.61
Total Interest & Bonded Debt			0.00	455,483.64	455,483.64	0.00	0.00	0.00	0.00	455,483.64
Grand Total			0.00	2,303,128.21	2,303,128.21	0.00	0.00	0.00	0.00	2,303,128.21

Disclosures & Disclaimers

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