

INVESTMENT REPORT

McKinney ISD

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October 1 to December 31, 2024



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Market Recap

Bond yields generally edged higher in December despite another cut to the overnight funds target by the Fed. The underlying reason for rising yields (on longer maturities) was *persistent inflationary pressure*. Back in September, Fed officials believed inflation was under control, shifting their primary concern to a weakening labor market which they hoped a jumbo-sized 50 basis point rate cut would revive. Since then, the inflation rate has moved sideways, while employment has perked up.

The November employment report proved *better than expected* as U.S. businesses added +227k jobs to company payrolls. Upward revisions to the previous two months added another +56k, boosting the three-month average payroll gain from a tepid +123k to a solid +173k. In the separate household survey, a large decline in the civilian labor force pushed the unemployment rate up from 4.1% to 4.2%. *Still, historically low.*

The November CPI report was a bit warm once again. Headline CPI rose +0.3%, while the annual pace of consumer inflation rose from +2.6% to +2.7%. It was the second consecutive increase after reaching a low of +2.4% in September. Core CPI increased by +0.3% in November and held steady at a +3.3% annual pace for the third straight month. Shelter costs were a bright spot, up +0.3% for the month and +4.7% year-over-year, *the smallest annual increase in nearly four years.*

Fed officials ignored the solid November employment report and the frustratingly warm CPI and announced a 25 basis point rate cut on December 18th, bringing combined easing to 100 bps over the past three months. The new overnight funds target is 4.25% to 4.50%, still considered somewhat restrictive given the spread above core CPI. The committee's updated "dot plot," or median interest rate projection, showed a 2025 yearend forecast of 3.875%, up half a point from 3.375% in September and now calling for two more cuts in 2025 instead of four. For the end of 2026, the median forecast is now 3.375%, implying another half point reduction in 2026.

The committee was more upbeat on its unemployment rate forecast, lowering expectations from 4.4% to 4.3% by the end of next year. Given that it was perceived deterioration in the

labor market that prompted the FOMC to ease by 50 bps back in September, that concern seems to have been extinguished, allowing the Fed to refocus on inflation.

Other central banks around the world continue to normalize their rate policies as economic growth stalls and inflation cools. In December, the Bank of Canada, and the Swiss National Bank both cut another 50 basis points, while the ECB cut another 25 bps. All else being equal, lower global rates should (eventually) exert downward pressure on U.S. bond yields.

Days after Fed officials cut the overnight rate, the personal consumption expenditures (PCE) index rose by just +0.1% in November, following three straight months of +0.2% gains. On a year-over-year basis, headline PCE came in slightly below forecast at +2.4%. More importantly, core PCE rose just +0.1% in November, the coolest since May, and +2.8% year-over-year, slightly below forecast. *A single month doesn't make a trend, but this was an encouraging report.*

The first FOMC meeting of 2025 is at the end of January. Obviously, that's still a month away and a lot can happen, but the committee is expected to hold rates steady until Fed officials get a better idea of the fiscal and trade policies that are likely to be implemented by the Trump administration.

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-24	Current 31 Dec-24
Par Value	244,832,791.73	323,481,918.93
Original Cost	244,832,791.73	323,481,918.93
Book Value	244,832,791.73	323,481,918.93
Market Value	244,832,791.73	323,481,918.93
Accrued Interest	0.00	0.00
Book Value Plus Accrued	244,832,791.73	323,481,918.93
Market Value Plus Accrued	244,832,791.73	323,481,918.93
Net Unrealized Gain/(Loss)	0.00	0.00

Income Summary

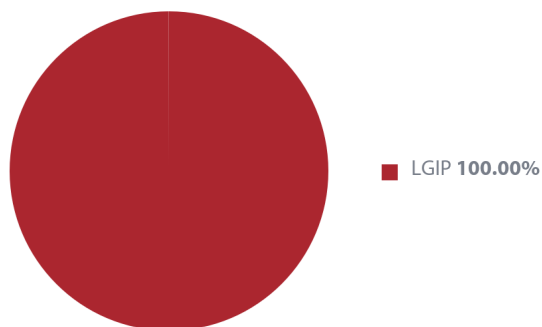
Current Period	1 Oct-24 to 31 Dec-24
Interest Income	2,814,815.64
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	2,814,815.64

Fiscal Year-to-Date	1 Jul-24 to 31 Dec-24
Net Income	5,951,195.58

Portfolio Characteristics

	Prior 30 Sep-24	Current 31 Dec-24
Yield to Maturity	5.141%	4.563%
Yield to Worst	5.141%	4.563%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Asset Allocation

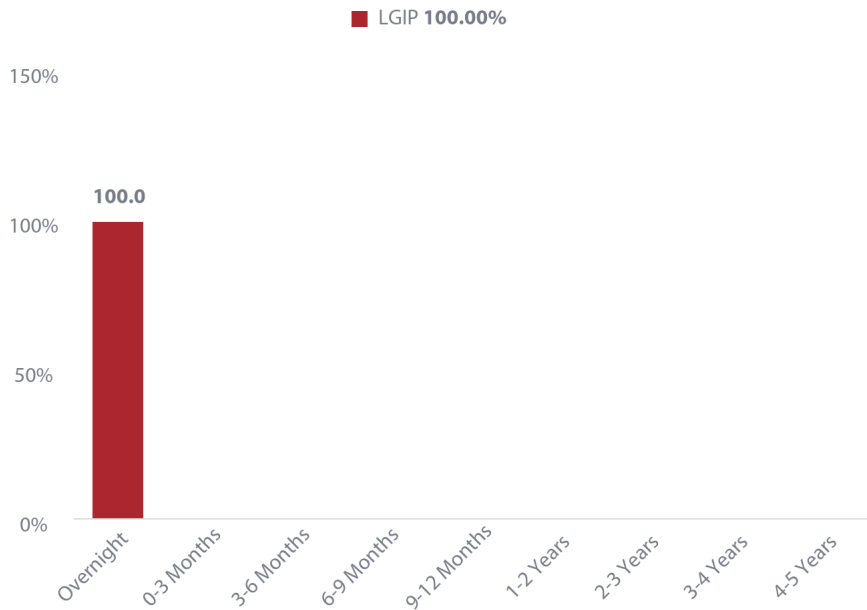


Transaction Summary

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

Maturity Distribution by Security Type



Top Ten Holdings

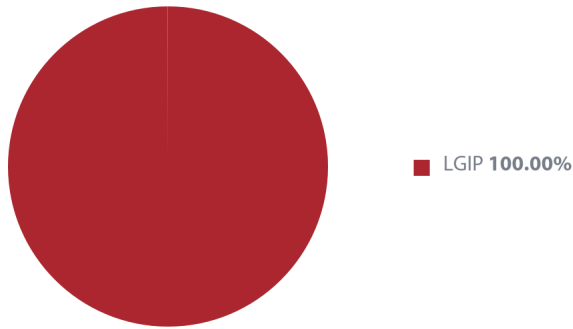
Issuer	Allocation
TEXSTAR	51.71%
TEXPOOL	48.29%

Maturity Distribution by Security Type

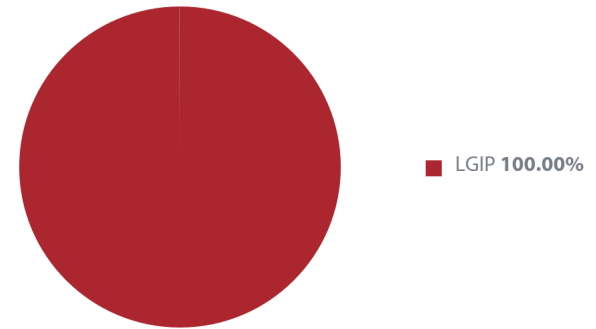
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	323,481,918.93	--	--	--	--	--	--	--	--	323,481,918.93
Total	323,481,918.93	--	--	--	--	--	--	--	--	323,481,918.93

Asset Allocation

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



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



Book Value Basis Security Distribution

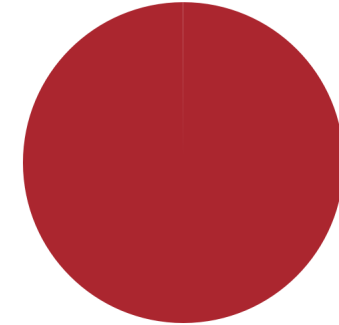
Security Type	Prior Balance 30-Sep-24	Prior Allocation 30-Sep-24	Change in Allocation	Current Balance 31-Dec-24	Current Allocation 31-Dec-24	Yield to Maturity
LGIP	244,832,791.73	100.00%	0.00%	323,481,918.93	100.00%	4.563%
Portfolio Total	244,832,791.73	100.00%		323,481,918.93	100.00%	4.563%

Credit Rating Summary

Rating Distribution

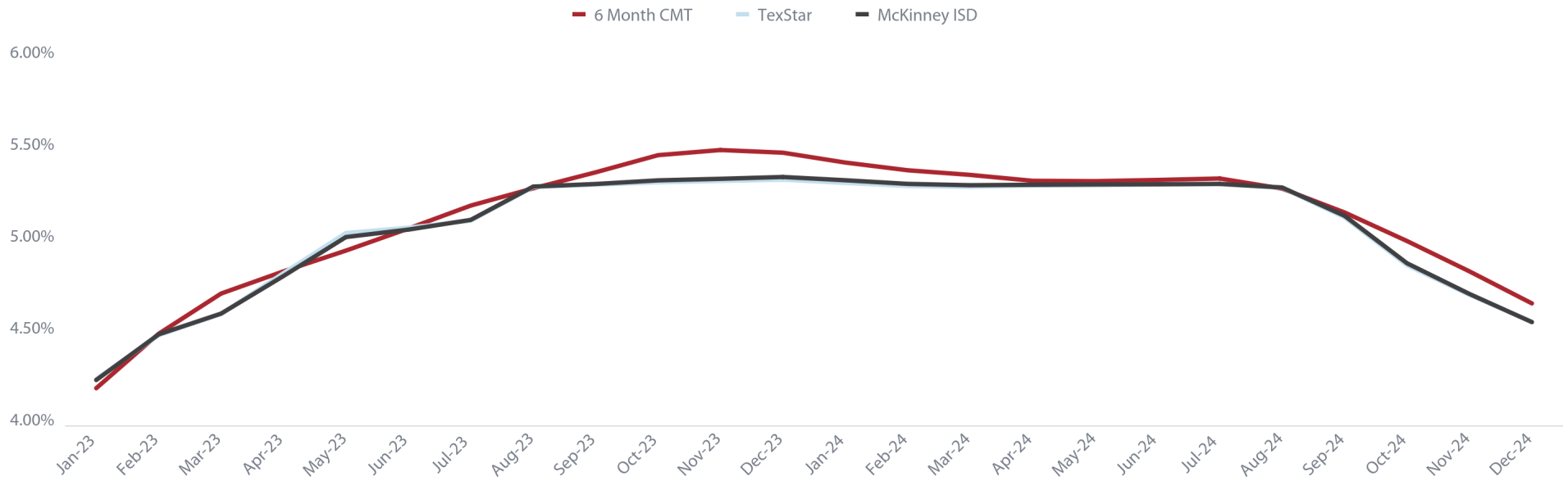
	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	323,481,918.93	100.00%
Total Local Government Investment Pools & Money Market Funds	323,481,918.93	100.00%
Portfolio Total	323,481,918.93	100.00%

Allocation by Rating



■ AAA 100.00%

Benchmark Comparison



Yield Overview

	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	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	
McKinney ISD	4.25	4.50	4.61	4.81	5.03	5.07	5.12	5.30	5.31	5.33	5.34	5.35	5.34	5.32	5.31	5.31	5.31	5.31	5.31	5.32	5.30	5.14	4.88	4.72	4.56
6 Month CMT	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	5.33	5.33	5.34	5.34	5.29	5.16	5.00	4.84	4.66	
TexStar	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	5.31	5.31	5.31	5.31	5.29	5.13	4.87	4.71	4.56	

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	54.21	54.21	0.77	54.98	54.98	0.77	1	4.564%	4.564%
2022 Series Bonds	44,647,601.53	44,647,601.53	(11,938,744.97)	32,708,856.56	32,708,856.56	477,136.66	1	4.564%	4.564%
2023 Series Bonds	19,082,168.11	19,082,168.11	227,713.58	19,309,881.69	19,309,881.69	227,713.58	1	4.564%	4.564%
2024 Series Bonds	59,282,362.08	59,282,362.08	707,435.31	59,989,797.39	59,989,797.39	707,435.31	1	4.564%	4.564%
General Operating	90,751,529.11	90,751,529.11	40,725,069.61	131,476,598.72	131,476,598.72	950,480.32	1	4.562%	4.562%
Interest & Bonded Debt	31,069,076.69	31,069,076.69	48,927,652.90	79,996,729.59	79,996,729.59	452,049.00	1	4.561%	4.561%
Total	244,832,791.73	244,832,791.73	78,649,127.20	323,481,918.93	323,481,918.93	2,814,815.64	1	4.563%	4.563%

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	
2020 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/24			54.98	100.000	54.98	54.98	100.000	54.98	1		4.564	4.564	AAA	
Total 2020 Series Bonds								54.98		54.98	54.98		54.98	1		4.564	4.564		
2022 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/24			32,708,856.56	100.000	32,708,856.56	32,708,856.56	100.000	32,708,856.56	1		4.564	4.564	AAA	
Total 2022 Series Bonds								32,708,856.56		32,708,856.56	32,708,856.56		32,708,856.56	1		4.564	4.564		
2023 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/24			19,309,881.69	100.000	19,309,881.69	19,309,881.69	100.000	19,309,881.69	1		4.564	4.564	AAA	
Total 2023 Series Bonds								19,309,881.69		19,309,881.69	19,309,881.69		19,309,881.69	1		4.564	4.564		
2024 Series Bonds																			
TEXSTAR		LGIP	TexSTAR		12/31/24			59,989,797.39	100.000	59,989,797.39	59,989,797.39	100.000	59,989,797.39	1		4.564	4.564	AAA	
Total 2024 Series Bonds								59,989,797.39		59,989,797.39	59,989,797.39		59,989,797.39	1		4.564	4.564		
General Operating																			
TEXPOOL		LGIP	TexPool		12/31/24			78,496,127.13	100.000	78,496,127.13	78,496,127.13	100.000	78,496,127.13	1		4.561	4.561	AAA	
TEXSTAR		LGIP	TexSTAR		12/31/24			52,980,471.59	100.000	52,980,471.59	52,980,471.59	100.000	52,980,471.59	1		4.564	4.564	AAA	
Total General Operating								131,476,598.72		131,476,598.72	131,476,598.72		131,476,598.72	1		4.562	4.562		
Interest & Bonded Debt																			
TEXPOOL		LGIP	TexPool		12/31/24			77,710,512.79	100.000	77,710,512.79	77,710,512.79	100.000	77,710,512.79	1		4.561	4.561	AAA	
TEXSTAR		LGIP	TexSTAR		12/31/24			2,286,216.80	100.000	2,286,216.80	2,286,216.80	100.000	2,286,216.80	1		4.564	4.564	AAA	
Total Interest & Bonded Debt								79,996,729.59		79,996,729.59	79,996,729.59		79,996,729.59	1		4.561	4.561		
Grand Total								323,481,918.93		323,481,918.93	323,481,918.93		323,481,918.93	1		4.563	4.563		

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	0.77	0.77	0.00	0.00	0.00	0.00	0.77
Total 2020 Series Bonds			0.00	0.77	0.77	0.00	0.00	0.00	0.00	0.77
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	477,136.66	477,136.66	0.00	0.00	0.00	0.00	477,136.66
Total 2022 Series Bonds			0.00	477,136.66	477,136.66	0.00	0.00	0.00	0.00	477,136.66
2023 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	227,713.58	227,713.58	0.00	0.00	0.00	0.00	227,713.58
Total 2023 Series Bonds			0.00	227,713.58	227,713.58	0.00	0.00	0.00	0.00	227,713.58
2024 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	707,435.31	707,435.31	0.00	0.00	0.00	0.00	707,435.31
Total 2024 Series Bonds			0.00	707,435.31	707,435.31	0.00	0.00	0.00	0.00	707,435.31
General Operating										
TEXPOOL	LGIP	TexPool	0.00	325,703.13	325,703.13	0.00	0.00	0.00	0.00	325,703.13
TEXSTAR	LGIP	TexSTAR	0.00	624,777.19	624,777.19	0.00	0.00	0.00	0.00	624,777.19
Total General Operating			0.00	950,480.32	950,480.32	0.00	0.00	0.00	0.00	950,480.32
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool	0.00	425,088.58	425,088.58	0.00	0.00	0.00	0.00	425,088.58
TEXSTAR	LGIP	TexSTAR	0.00	26,960.42	26,960.42	0.00	0.00	0.00	0.00	26,960.42
Total Interest & Bonded Debt			0.00	452,049.00	452,049.00	0.00	0.00	0.00	0.00	452,049.00
Grand Total			0.00	2,814,815.64	2,814,815.64	0.00	0.00	0.00	0.00	2,814,815.64

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