INVESTMENT REPORT

McKinney ISD

July 1 to September 30, 2025

Contents

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 Fed officially pivoted in September, lowering the fed funds rate by 25 basis points to a new target range of 4.00% to 4.25%. While the move was widely priced-in, Chair Powell called it a "risk management" cut. He emphasized that "inflation risks remain tilted to the upside," pointing to persistent price pressures in services and energy. At the same time, he acknowledged that "employment risks are increasingly tilted to the downside," reflecting the overwhelming concern over labor market weakness.

The FOMC action came on the heels of weak data. The August jobs report showed nonfarm payrolls rising by just +22k, well below consensus expectations of +75k. Revisions to prior months subtracted another 21k jobs, bringing the three-month average to a mere +29k. The unemployment rate rose to 4.3%, its highest level since early 2022. The few job gains were concentrated in health care, while private sector hiring remained soft. Wage growth also slowed, with average hourly earnings rising +0.3% MoM.

The August CPI report showed headline inflation rising +0.4% MoM and +2.9% YoY, driven by higher energy and transportation costs. Core CPI rose +0.3% MoM and held steady at +3.1% YoY. Services inflation remained elevated, particularly in medical care and shelter. Goods prices were mixed, with declines in apparel and electronics offset by increases in household items and auto insurance. The persistence of sticky inflation, especially in non-discretionary categories, continues to complicate the Fed's path to more accommodative monetary policy.

Despite the soft labor data, the broader economic picture was buoyed by a large upward revision to Q2 GDP. The final estimate showed real GDP grew at an annualized rate of +3.8%, up from the prior estimate of +3.3%. The massive upward revision was driven by stronger consumer spending and a narrowing trade deficit, with real final sales to private domestic purchasers revised up to +2.9%. The data underscores the resilience of the U.S. economy, even as pockets of weakness emerge.

Equity markets responded positively to the Fed's pivot and the Q2 GDP revision. The S&P 500 and Nasdaq posted their best September performance in over 15 years, rising +3.3% and +5.3%, respectively. The rally was fueled by strong earnings, optimism around artificial intelligence, and expectations for further rate cuts. Year-to-date, the S&P 500 is now up nearly +15%, with growth stocks and tech leading the charge.

Treasury yields fluctuated throughout the month. Short-term rates eased modestly following the Fed's rate cut, while longer-term yields remained elevated amid persistent inflation concerns and fiscal uncertainty. The yield curve steepened slightly, reflecting diverging expectations for near-term policy easing versus long-term inflation risks. The government shutdown, which began on September 29th, adds further confusion, raising concerns about delays in key data releases and fiscal stability.

Political dynamics remain tense. Stephen Miran, Trump's newly appointed Fed Governor, publicly advocated for a deeper 50bps rate cut. His comments drew sharp criticism from more hawkish members of the FOMC, underscoring the growing divide within the Committee. Powell reiterated the Fed's commitment to "data dependency," but acknowledged that the path forward may require "greater flexibility" given the evolving economic landscape.

With persistent inflation, faltering job growth, and political dysfunction escalating, the Fed faces a tough road ahead. September's rate cut may mark the beginning of a broader easing cycle, with markets currently pricing in a 100% probability of another rate cut at the end of October.

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-25	Current 30 Sep-25
Par Value	271,240,367.88	234,658,267.49
Original Cost	271,240,367.88	234,658,267.49
Book Value	271,240,367.88	234,658,267.49
Market Value	271,240,367.88	234,658,267.49
Accrued Interest	0.00	0.00
Book Value Plus Accrued	271,240,367.88	234,658,267.49
Market Value Plus Accrued	271,240,367.88	234,658,267.49
Net Unrealized Gain/(Loss)	0.00	0.00

Income Summary

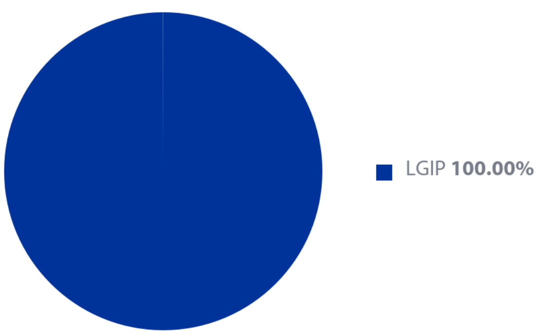
Current Period	1 Jul-25 to 30 Sep-25
Interest Income	2,581,876.03
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	2,581,876.03

Fiscal Year-to-Date	1 Jul-25 to 30 Sep-25
Net Income	2,581,876.03

Portfolio Characteristics

	Prior 30 Jun-25	Current 30 Sep-25
Yield to Maturity	4.290%	4.227%
Yield to Worst	4.290%	4.227%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Asset Allocation

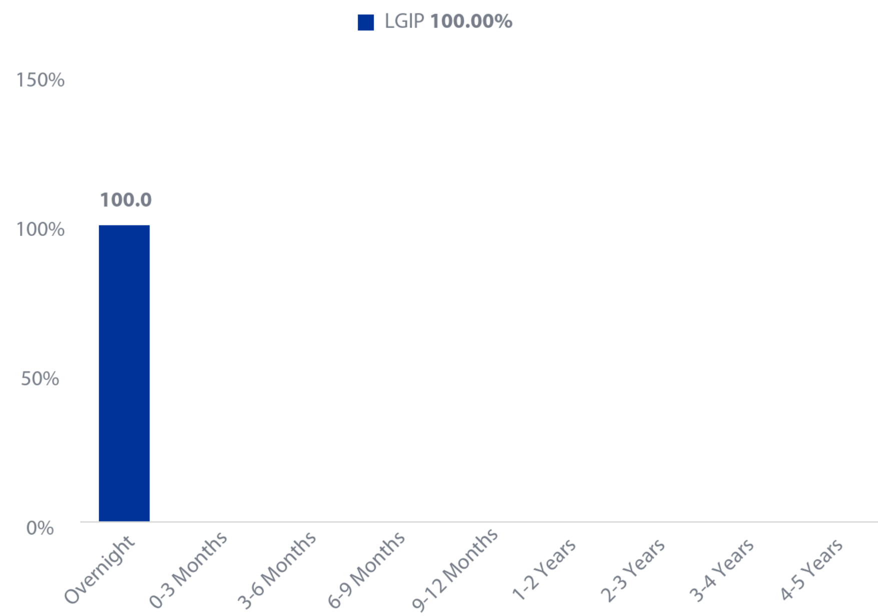


Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss

Portfolio Overview

Maturity Distribution by Security Type



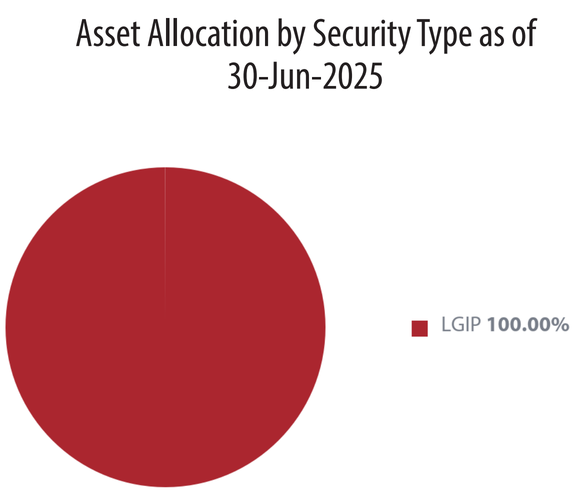
Top Ten Holdings

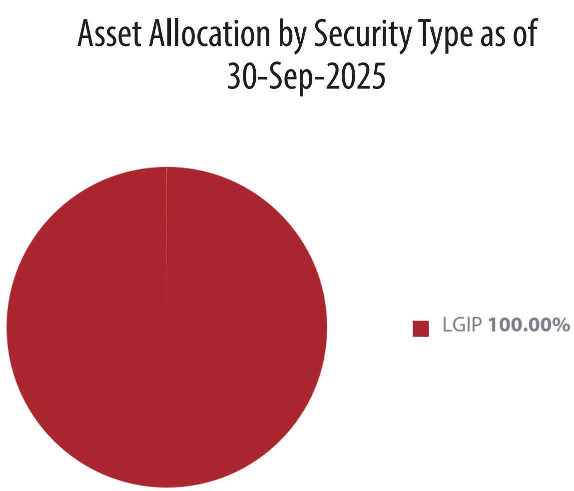
Issuer	Allocation
TEXSTAR	65.84%
TEXPOOL	34.16%

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	234,658,267.49	--	--	--	--	--	--	--	--	**234,658,267.49**
Total	**234,658,267.49**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**234,658,267.49**

Asset Allocation





Book Value Basis Security Distribution

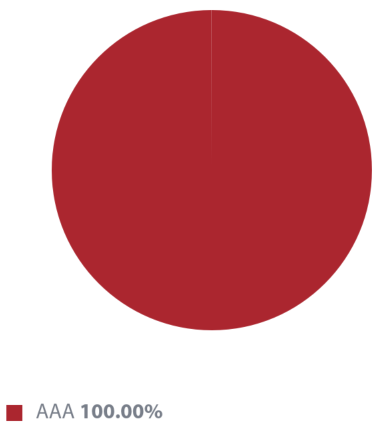
Security Type	Prior Balance 30-Jun-25	Prior Allocation 30-Jun-25	Change in Allocation	Current Balance 30-Sep-25	Current Allocation 30-Sep-25	Yield to Maturity
LGIP	271,240,367.88	100.00%	0.00%	234,658,267.49	100.00%	4.227%
Portfolio Total	**271,240,367.88**	**100.00%**		**234,658,267.49**	**100.00%**	**4.227%**

Credit Rating Summary

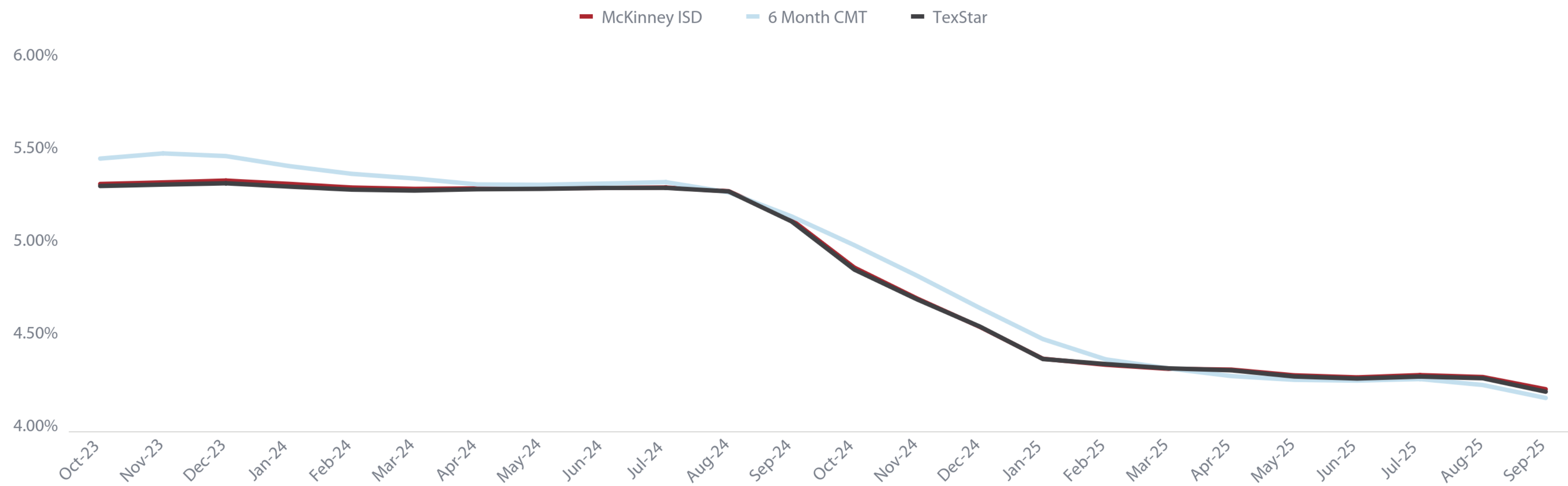
Rating Distribution

	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	234,658,267.49	100.00%
Total Local Government Investment Pools & Money Market Funds	**234,658,267.49**	**100.00%**
Portfolio Total	**234,658,267.49**	**100.00%**

Allocation by Rating



Benchmark Comparison



Yield Overview

	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	Jul-25	Aug-25	Sep-25
McKinney ISD	**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**	**4.30**	**4.29**	**4.23**
6 Month CMT	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	4.28	4.25	4.18
TexStar	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	4.30	4.29	4.21

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	8,142,893.54	8,142,893.54	(8,142,874.51)	19.03	19.03	12,437.43	1	4.214%	4.214%
2023 Series Bonds	19,728,487.20	19,728,487.20	(11,673,109.90)	8,055,377.30	8,055,377.30	162,843.59	1	4.214%	4.214%
2024 Series Bonds	61,290,274.47	61,290,274.47	661,271.64	61,951,546.11	61,951,546.11	661,271.64	1	4.213%	4.213%
2025 Series Bonds	0.00	0.00	34,173,261.40	34,173,261.40	34,173,261.40	169,770.28	1	4.214%	4.214%
General Operating	134,680,131.98	134,680,131.98	(43,560,139.95)	91,119,992.03	91,119,992.03	1,108,863.03	1	4.232%	4.232%
Interest & Bonded Debt	47,398,580.69	47,398,580.69	(8,040,509.07)	39,358,071.62	39,358,071.62	466,690.06	1	4.250%	4.250%
Total	**271,240,367.88**	**271,240,367.88**	**(36,582,100.39)**	**234,658,267.49**	**234,658,267.49**	**2,581,876.03**	**1**	**4.227%**	**4.227%**

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		09/30/25			19.03	100.000	19.03	19.03	100.000	19.03	1		4.214	4.214	AAA
Total 2022 Series Bonds								**19.03**		**19.03**	**19.03**		**19.03**	**1**		**4.214**	**4.214**	
2023 Series Bonds																		
TEXSTAR		LGIP	TexSTAR		09/30/25			8,055,377.30	100.000	8,055,377.30	8,055,377.30	100.000	8,055,377.30	1		4.214	4.214	AAA
Total 2023 Series Bonds								**8,055,377.30**		**8,055,377.30**	**8,055,377.30**		**8,055,377.30**	**1**		**4.214**	**4.214**	
2024 Series Bonds																		
TEXSTAR		LGIP	TexSTAR		09/30/25			61,951,546.11	100.000	61,951,546.11	61,951,546.11	100.000	61,951,546.11	1		4.214	4.214	AAA
Total 2024 Series Bonds								**61,951,546.11**		**61,951,546.11**	**61,951,546.11**		**61,951,546.11**	**1**		**4.214**	**4.214**	
2025 Series Bonds																		
TEXSTAR		LGIP	TexSTAR		09/30/25			34,173,261.40	100.000	34,173,261.40	34,173,261.40	100.000	34,173,261.40	1		4.214	4.214	AAA
Total 2025 Series Bonds								**34,173,261.40**		**34,173,261.40**	**34,173,261.40**		**34,173,261.40**	**1**		**4.214**	**4.214**	
General Operating																		
TEXPOOL		LGIP	TexPool		09/30/25			43,251,419.38	100.000	43,251,419.38	43,251,419.38	100.000	43,251,419.38	1		4.252	4.252	AAA
TEXSTAR		LGIP	TexSTAR		09/30/25			47,868,572.65	100.000	47,868,572.65	47,868,572.65	100.000	47,868,572.65	1		4.214	4.214	AAA
Total General Operating								**91,119,992.03**		**91,119,992.03**	**91,119,992.03**		**91,119,992.03**	**1**		**4.232**	**4.232**	
Interest & Bonded Debt																		
TEXPOOL		LGIP	TexPool		09/30/25			36,913,210.13	100.000	36,913,210.13	36,913,210.13	100.000	36,913,210.13	1		4.252	4.252	AAA
TEXSTAR		LGIP	TexSTAR		09/30/25			2,444,861.49	100.000	2,444,861.49	2,444,861.49	100.000	2,444,861.49	1		4.214	4.214	AAA
Total Interest & Bonded Debt								**39,358,071.62**		**39,358,071.62**	**39,358,071.62**		**39,358,071.62**	**1**		**4.250**	**4.250**	
Grand Total								**234,658,267.49**		**234,658,267.49**	**234,658,267.49**		**234,658,267.49**	**1**		**4.227**	**4.227**	

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
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	12,437.43	12,437.43	0.00	0.00	0.00	0.00	12,437.43
Total 2022 Series Bonds			**0.00**	**12,437.43**	**12,437.43**	**0.00**	**0.00**	**0.00**	**0.00**	**12,437.43**
2023 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	162,843.59	162,843.59	0.00	0.00	0.00	0.00	162,843.59
Total 2023 Series Bonds			**0.00**	**162,843.59**	**162,843.59**	**0.00**	**0.00**	**0.00**	**0.00**	**162,843.59**
2024 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	661,271.64	661,271.64	0.00	0.00	0.00	0.00	661,271.64
Total 2024 Series Bonds			**0.00**	**661,271.64**	**661,271.64**	**0.00**	**0.00**	**0.00**	**0.00**	**661,271.64**
2025 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	169,770.28	169,770.28	0.00	0.00	0.00	0.00	169,770.28
Total 2025 Series Bonds			**0.00**	**169,770.28**	**169,770.28**	**0.00**	**0.00**	**0.00**	**0.00**	**169,770.28**
General Operating										
TEXPOOL	LGIP	TexPool	0.00	597,913.24	597,913.24	0.00	0.00	0.00	0.00	597,913.24
TEXSTAR	LGIP	TexSTAR	0.00	510,949.79	510,949.79	0.00	0.00	0.00	0.00	510,949.79
Total General Operating			**0.00**	**1,108,863.03**	**1,108,863.03**	**0.00**	**0.00**	**0.00**	**0.00**	**1,108,863.03**
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool	0.00	434,140.36	434,140.36	0.00	0.00	0.00	0.00	434,140.36
TEXSTAR	LGIP	TexSTAR	0.00	32,549.70	32,549.70	0.00	0.00	0.00	0.00	32,549.70
Total Interest & Bonded Debt			**0.00**	**466,690.06**	**466,690.06**	**0.00**	**0.00**	**0.00**	**0.00**	**466,690.06**
Grand Total			**0.00**	**2,581,876.03**	**2,581,876.03**	**0.00**	**0.00**	**0.00**	**0.00**	**2,581,876.03**

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.