

INVESTMENT REPORT

McKinney ISD

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April 1 to June 30, 2025



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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

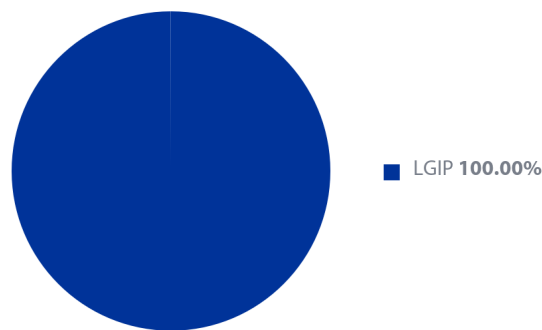
Dennis Womack
Asst. Super. of Business, Technology and Operations

Portfolio Overview

Portfolio Summary

	Prior 31 Mar-25	Current 30 Jun-25
Par Value	340,811,157.10	271,240,367.88
Original Cost	340,811,157.10	271,240,367.88
Book Value	340,811,157.10	271,240,367.88
Market Value	340,811,157.10	271,240,367.88
Accrued Interest	0.00	0.00
Book Value Plus Accrued	340,811,157.10	271,240,367.88
Market Value Plus Accrued	340,811,157.10	271,240,367.88
Net Unrealized Gain/(Loss)	0.00	0.00

Asset Allocation



Income Summary

Current Period	1 Apr-25 to 30 Jun-25
Interest Income	3,313,138.78
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	3,313,138.78

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

Portfolio Characteristics

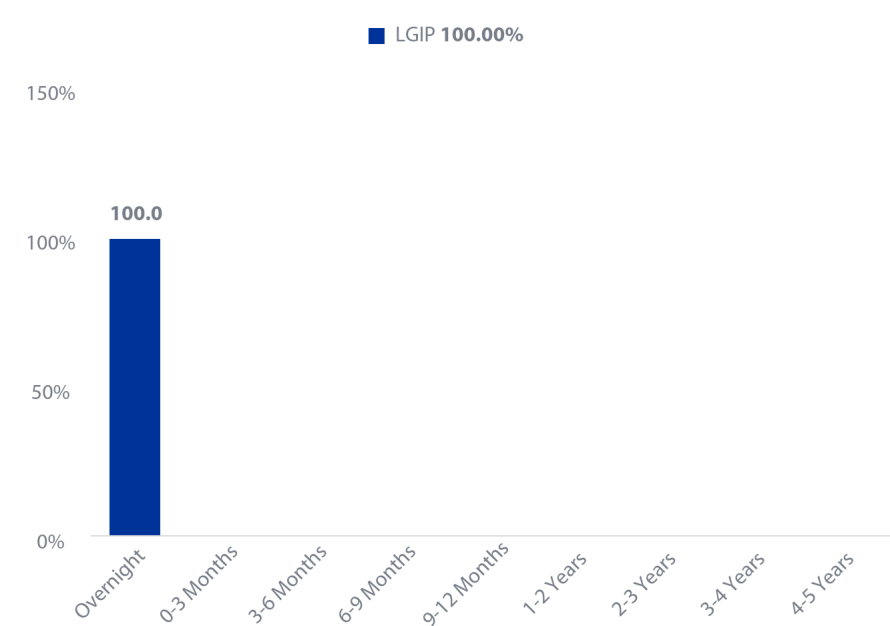
	Prior 31 Mar-25	Current 30 Jun-25
Yield to Maturity	4.337%	4.290%
Yield to Worst	4.337%	4.290%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

Transaction Summary

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

Maturity Distribution by Security Type



Top Ten Holdings

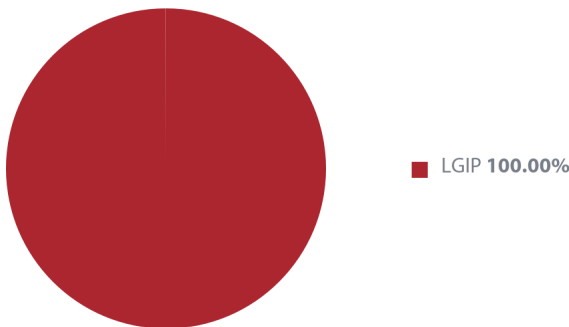
Issuer	Allocation
TEXSTAR	51.22%
TEXPOOL	48.78%

Maturity Distribution by Security Type

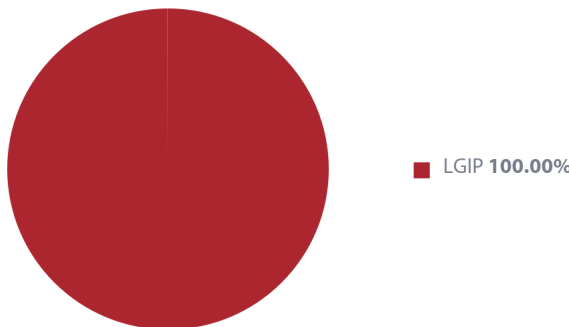
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	271,240,367.88	--	--	--	--	--	--	--	--	271,240,367.88
Total	271,240,367.88	--	--	--	--	--	--	--	--	271,240,367.88

Asset Allocation

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



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



Book Value Basis Security Distribution

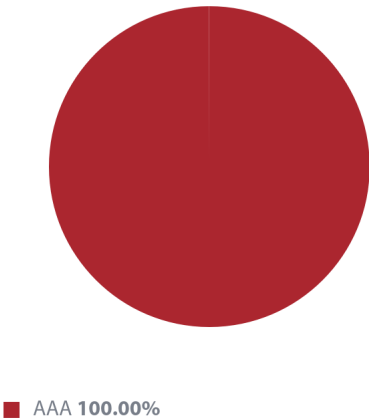
Security Type	Prior Balance 31-Mar-25	Prior Allocation 31-Mar-25	Change in Allocation	Current Balance 30-Jun-25	Current Allocation 30-Jun-25	Yield to Maturity
LGIP	340,811,157.10	100.00%	0.00%	271,240,367.88	100.00%	4.290%
Portfolio Total	340,811,157.10	100.00%		271,240,367.88	100.00%	4.290%

Credit Rating Summary

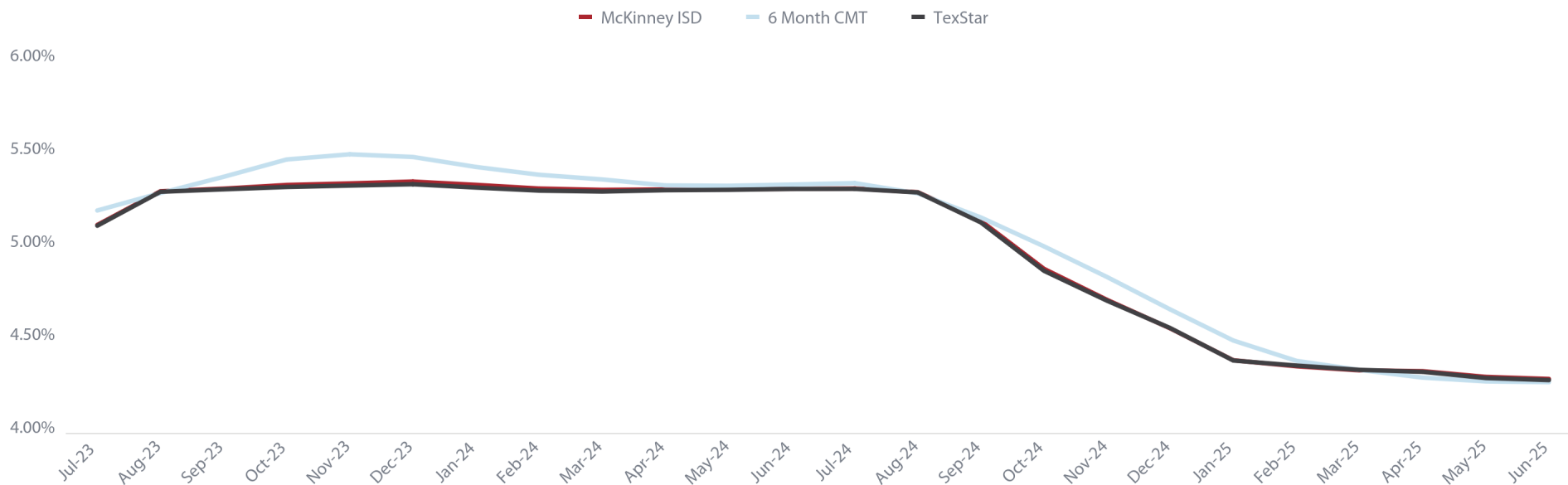
Rating Distribution

	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
2022 Series Bonds	30,017,350.78	30,017,350.78	(21,874,457.24)	8,142,893.54	8,142,893.54	215,201.75	1	4.284%	4.284%
2023 Series Bonds	19,518,363.99	19,518,363.99	210,123.21	19,728,487.20	19,728,487.20	210,123.21	1	4.284%	4.284%
2024 Series Bonds	60,637,487.05	60,637,487.05	652,787.42	61,290,274.47	61,290,274.47	652,787.42	1	4.284%	4.284%
General Operating	184,729,541.59	184,729,541.59	(50,049,409.61)	134,680,131.98	134,680,131.98	1,732,107.17	1	4.293%	4.293%
Interest & Bonded Debt	45,908,413.69	45,908,413.69	1,490,167.00	47,398,580.69	47,398,580.69	502,919.23	1	4.296%	4.296%
Total	340,811,157.10	340,811,157.10	(69,570,789.22)	271,240,367.88	271,240,367.88	3,313,138.78	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
2022 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	215,201.75	215,201.75	0.00	0.00	0.00	0.00	215,201.75
Total 2022 Series Bonds			0.00	215,201.75	215,201.75	0.00	0.00	0.00	0.00	215,201.75
2023 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	210,123.21	210,123.21	0.00	0.00	0.00	0.00	210,123.21
Total 2023 Series Bonds			0.00	210,123.21	210,123.21	0.00	0.00	0.00	0.00	210,123.21
2024 Series Bonds										
TEXSTAR	LGIP	TexSTAR	0.00	652,787.42	652,787.42	0.00	0.00	0.00	0.00	652,787.42
Total 2024 Series Bonds			0.00	652,787.42	652,787.42	0.00	0.00	0.00	0.00	652,787.42
General Operating										
TEXPOOL	LGIP	TexPool	0.00	1,227,712.94	1,227,712.94	0.00	0.00	0.00	0.00	1,227,712.94
TEXSTAR	LGIP	TexSTAR	0.00	504,394.23	504,394.23	0.00	0.00	0.00	0.00	504,394.23
Total General Operating			0.00	1,732,107.17	1,732,107.17	0.00	0.00	0.00	0.00	1,732,107.17
Interest & Bonded Debt										
TEXPOOL	LGIP	TexPool	0.00	477,226.31	477,226.31	0.00	0.00	0.00	0.00	477,226.31
TEXSTAR	LGIP	TexSTAR	0.00	25,692.92	25,692.92	0.00	0.00	0.00	0.00	25,692.92
Total Interest & Bonded Debt			0.00	502,919.23	502,919.23	0.00	0.00	0.00	0.00	502,919.23
Grand Total			0.00	3,313,138.78	3,313,138.78	0.00	0.00	0.00	0.00	3,313,138.78

Disclosures & Disclaimers

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