

# INVESTMENT REPORT

## McKinney ISD

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January 1 to March 31, 2025



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## Market Recap

Treasury yields edged lower once again in March, despite Fed officials holding the overnight rate steady for the second straight FOMC meeting. The overriding theme of the quarter was the Trump tariffs, more specifically the uncertainty fueled by the on-again/off-again series of threats aimed primarily at our neighbors to the north and south. Those threats became reality on March 3<sup>rd</sup> when a 25% tax was imposed on goods imported from Mexico and Canada, while an additional 10% tax was placed on Chinese imports, doubling the previously imposed 10%. Two days later, Trump decided that Mexican and Canadian goods falling under the USMCA agreement he himself negotiated five years ago would be exempt. The next day, a tariff on Canadian dairy products and lumber was announced, followed by a 25% tax on all steel and aluminum imported into the United States. This seemingly random pattern repeated itself throughout the month, shaking up consumer and business confidence. Trade partners quickly retaliated by levying new tariffs and increasing existing duties on U.S. goods. Perhaps more importantly, foreign countries scrambled to forge new agreements amongst themselves, reducing barriers to promote free trade.

Stocks experienced a particularly volatile month in which in the S&P 500 lost nearly 6%, despite corporate profits reaching an all-time high in the prior quarter. Initial concerns over tariff-related inflation increasingly morphed into recession fears. Extreme uncertainty has likely stalled business investment and consumer spending. Very few of the economic releases in March reflected the rapidly evolving tariff situation, which makes the data less useful as a predictor of future activity, although still helpful to establish a base. Overall, employment held up well, while inflation generally moved lower and consumer spending weakened.

Nonfarm payrolls for February were roughly in line with forecasts at an acceptable +151k, while the unemployment rate ticked up from 4.0% to 4.1%, *still very near historical lows*. Both the overall CPI index and core CPI were up +0.2% in February, *a tenth below the +0.3% median forecasts*. On a year-over-year basis, headline CPI declined from +3.0% to +2.8% and the core decreased to +3.1%, which although still too high, was *a four-year low*. High

visibility grocery prices were unchanged and prices at the gas pump were slightly lower. Headline retail sales, expected to bounce back from a weak January reading, rose just +0.2% in February, well below the +0.6% median forecast, while the previously reported January sales decline was revised even lower, from -0.9% to -1.2%. Weakness was widespread as 7 of 13 spending categories were lower.

Tariff concerns were more evident in the soft data releases as survey results were mostly terrible. The Conference Board's main consumer confidence gauge for March dropped 7.2 points to 92.9, while expectations for the next six months fell nearly 10 points to 65.2, *the lowest in 12 years and consistent with an economic downturn*. Pessimism about future business conditions and employment prospects sharply increased, with inflation expectations rising to 6.2% for the next 12 months. The University of Michigan consumer sentiment survey made headlines with long-term inflation expectations reaching a three-decade high.

The Fed, as expected, held rates steady at the March FOMC meeting. The updated summary of economic projections (the first since December) showed slightly higher inflation for 2025 and slightly lower GDP growth. The new dot plot continued to indicate two rate cuts in 2025, although with less conviction than in December. Powell's belief that tariff-related inflation would be temporary suggested that policymakers could cut sooner and more aggressively if the labor market and the economy weakened, even if inflation moved higher. . . as long as it was the tariffs that drove those price increases.

Although near-term recession is still unlikely, the Atlanta Fed's GDPNow measure for Q1 was -3.7% as of April 1<sup>st</sup>. In all likelihood, this will climb as the March economic numbers are tallied, but there's no denying the abrupt and seemingly severe Q1 slowdown. With few positive catalysts expected in the second quarter, especially if the global trade war worsens, the financial markets will continue bracing for weakness and lower rates.

## 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

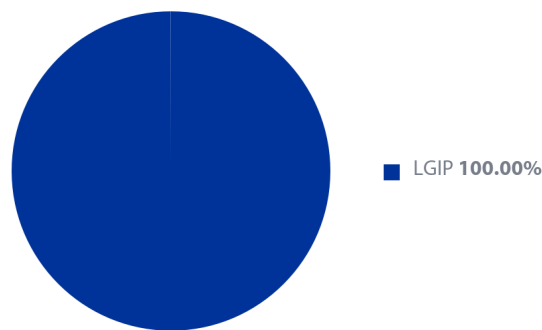
*Asst. Super. of Business, Technology and Operations*

Portfolio Overview

Portfolio Summary

	Prior 31 Dec-24	Current 31 Mar-25
Par Value	323,481,918.93	340,811,157.10
Original Cost	323,481,918.93	340,811,157.10
Book Value	323,481,918.93	340,811,157.10
Market Value	323,481,918.93	340,811,157.10
Accrued Interest	0.00	0.00
Book Value Plus Accrued	323,481,918.93	340,811,157.10
Market Value Plus Accrued	323,481,918.93	340,811,157.10
Net Unrealized Gain/(Loss)	0.00	0.00

Asset Allocation



Income Summary

Current Period	1 Jan-25 to 31 Mar-25
Interest Income	3,904,796.34
Net Amortization/Accretion	
Realized Gain/(Loss)	0.00
Net Income	3,904,796.34

Fiscal Year-to-Date	1 Jul-24 to 31 Mar-25
Net Income	9,855,991.92

Portfolio Characteristics

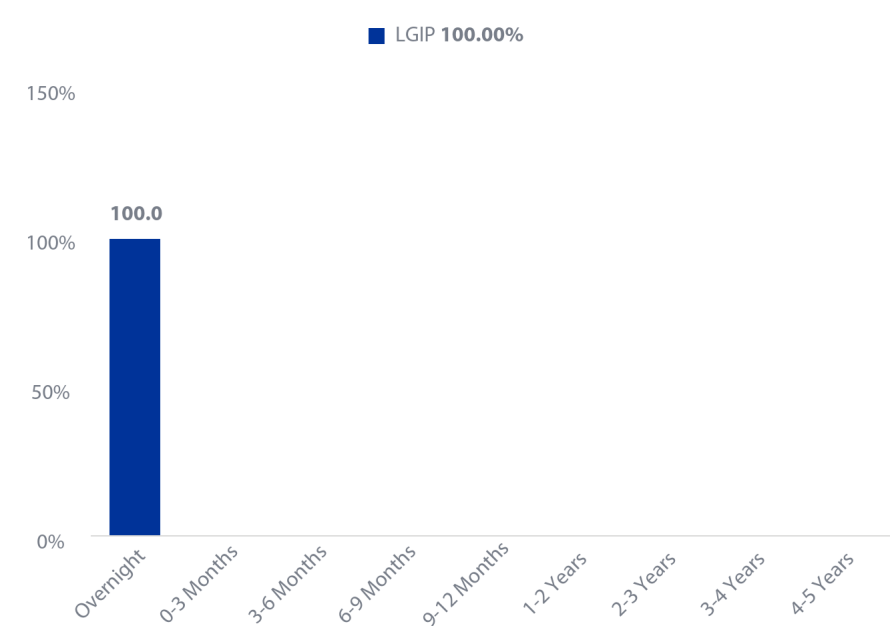
	Prior 31 Dec-24	Current 31 Mar-25
Yield to Maturity	4.563%	4.337%
Yield to Worst	4.563%	4.337%
Days to Final Maturity	1	1
Days to Effective Maturity	1	1
Duration	--	--

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

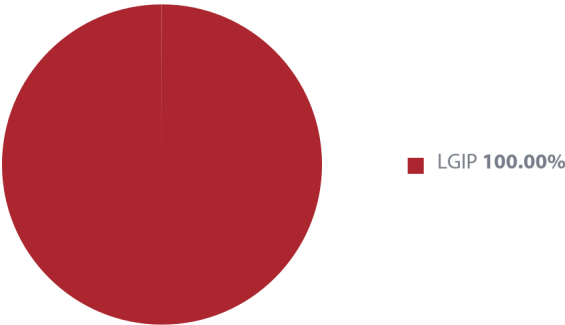
Issuer	Allocation
TEXPOOL	53.23%
TEXSTAR	46.77%

Maturity Distribution by Security Type

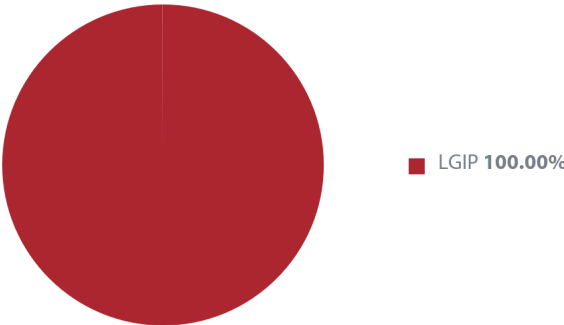
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	340,811,157.10	--	--	--	--	--	--	--	--	340,811,157.10
Total	340,811,157.10	--	--	--	--	--	--	--	--	340,811,157.10

Asset Allocation

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



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



Book Value Basis Security Distribution

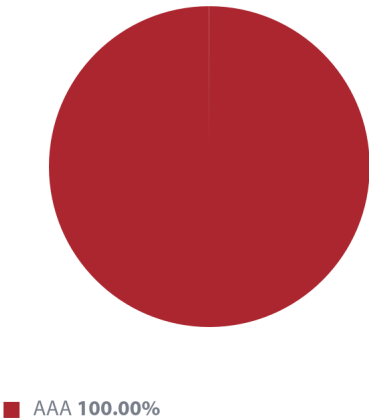
Security Type	Prior Balance 31-Dec-24	Prior Allocation 31-Dec-24	Change in Allocation	Current Balance 31-Mar-25	Current Allocation 31-Mar-25	Yield to Maturity
LGIP	323,481,918.93	100.00%	0.00%	340,811,157.10	100.00%	4.337%
Portfolio Total	323,481,918.93	100.00%		340,811,157.10	100.00%	4.337%

# Credit Rating Summary

## Rating Distribution

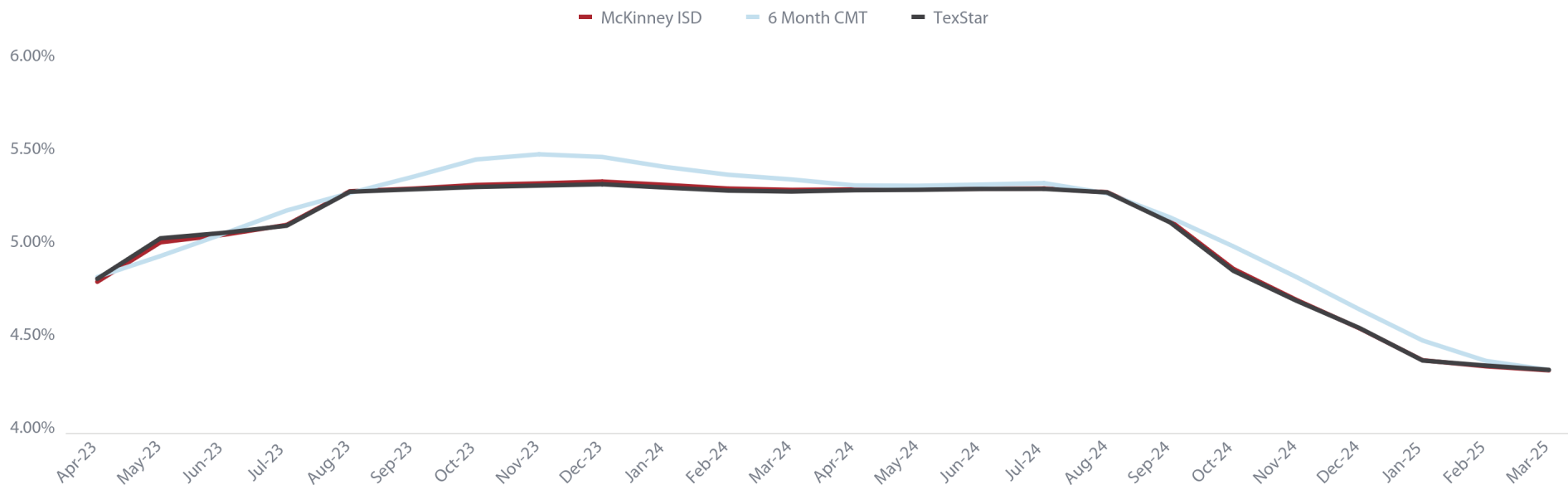
	Book Value	Portfolio Allocation
Local Government Investment Pools & Money Market Funds		
AAA	340,811,157.10	100.00%
Total Local Government Investment Pools & Money Market Funds	340,811,157.10	100.00%
Portfolio Total	340,811,157.10	100.00%

## Allocation by Rating





## Benchmark Comparison



## Yield Overview

	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	Jan-25	Feb-25	Mar-25
McKinney ISD	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	5.32	5.30	5.14	4.88	4.72	4.56	4.39	4.36	4.34
6 Month CMT	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	4.50	4.39	4.34
TexStar	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	4.39	4.36	4.34

## 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	54.98	54.98	(54.98)	0.00	0.00	0.27			
2022 Series Bonds	32,708,856.56	32,708,856.56	(2,691,505.78)	30,017,350.78	30,017,350.78	373,749.27	1	4.339%	4.339%
2023 Series Bonds	19,309,881.69	19,309,881.69	208,482.30	19,518,363.99	19,518,363.99	208,482.30	1	4.339%	4.339%
2024 Series Bonds	59,989,797.39	59,989,797.39	647,689.66	60,637,487.05	60,637,487.05	647,689.66	1	4.339%	4.339%
General Operating	131,476,598.72	131,476,598.72	53,252,942.87	184,729,541.59	184,729,541.59	1,910,521.73	1	4.336%	4.336%
Interest & Bonded Debt	79,996,729.59	79,996,729.59	(34,088,315.90)	45,908,413.69	45,908,413.69	764,353.11	1	4.335%	4.335%
<b>Total</b>	<b>323,481,918.93</b>	<b>323,481,918.93</b>	<b>17,329,238.17</b>	<b>340,811,157.10</b>	<b>340,811,157.10</b>	<b>3,904,796.34</b>	<b>1</b>	<b>4.337%</b>	<b>4.337%</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>2022 Series Bonds</b>																		
TEXSTAR		LGIP	TexSTAR		03/31/25			30,017,350.78	100.000	30,017,350.78	30,017,350.78	100.000	30,017,350.78	1		4.339	4.339	AAA
<b>Total 2022 Series Bonds</b>								<b>30,017,350.78</b>		<b>30,017,350.78</b>	<b>30,017,350.78</b>		<b>30,017,350.78</b>	<b>1</b>		<b>4.339</b>	<b>4.339</b>	
<b>2023 Series Bonds</b>																		
TEXSTAR		LGIP	TexSTAR		03/31/25			19,518,363.99	100.000	19,518,363.99	19,518,363.99	100.000	19,518,363.99	1		4.339	4.339	AAA
<b>Total 2023 Series Bonds</b>								<b>19,518,363.99</b>		<b>19,518,363.99</b>	<b>19,518,363.99</b>		<b>19,518,363.99</b>	<b>1</b>		<b>4.339</b>	<b>4.339</b>	
<b>2024 Series Bonds</b>																		
TEXSTAR		LGIP	TexSTAR		03/31/25			60,637,487.05	100.000	60,637,487.05	60,637,487.05	100.000	60,637,487.05	1		4.339	4.339	AAA
<b>Total 2024 Series Bonds</b>								<b>60,637,487.05</b>		<b>60,637,487.05</b>	<b>60,637,487.05</b>		<b>60,637,487.05</b>	<b>1</b>		<b>4.339</b>	<b>4.339</b>	
<b>General Operating</b>																		
TEXPOOL		LGIP	TexPool		03/31/25			137,876,312.96	100.000	137,876,312.96	137,876,312.96	100.000	137,876,312.96	1		4.335	4.335	AAA
TEXSTAR		LGIP	TexSTAR		03/31/25			46,853,228.63	100.000	46,853,228.63	46,853,228.63	100.000	46,853,228.63	1		4.339	4.339	AAA
<b>Total General Operating</b>								<b>184,729,541.59</b>		<b>184,729,541.59</b>	<b>184,729,541.59</b>		<b>184,729,541.59</b>	<b>1</b>		<b>4.336</b>	<b>4.336</b>	
<b>Interest &amp; Bonded Debt</b>																		
TEXPOOL		LGIP	TexPool		03/31/25			43,521,794.83	100.000	43,521,794.83	43,521,794.83	100.000	43,521,794.83	1		4.335	4.335	AAA
TEXSTAR		LGIP	TexSTAR		03/31/25			2,386,618.86	100.000	2,386,618.86	2,386,618.86	100.000	2,386,618.86	1		4.339	4.339	AAA
<b>Total Interest &amp; Bonded Debt</b>								<b>45,908,413.69</b>		<b>45,908,413.69</b>	<b>45,908,413.69</b>		<b>45,908,413.69</b>	<b>1</b>		<b>4.335</b>	<b>4.335</b>	
<b>Grand Total</b>								<b>340,811,157.10</b>		<b>340,811,157.10</b>	<b>340,811,157.10</b>		<b>340,811,157.10</b>	<b>1</b>		<b>4.337</b>	<b>4.337</b>	

## 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
<b>2020 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR	0.00	0.27	0.27	0.00	0.00	0.00	0.00	0.27
<b>Total 2020 Series Bonds</b>			<b>0.00</b>	<b>0.27</b>	<b>0.27</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.27</b>
<b>2022 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR	0.00	373,749.27	373,749.27	0.00	0.00	0.00	0.00	373,749.27
<b>Total 2022 Series Bonds</b>			<b>0.00</b>	<b>373,749.27</b>	<b>373,749.27</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>373,749.27</b>
<b>2023 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR	0.00	208,482.30	208,482.30	0.00	0.00	0.00	0.00	208,482.30
<b>Total 2023 Series Bonds</b>			<b>0.00</b>	<b>208,482.30</b>	<b>208,482.30</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>208,482.30</b>
<b>2024 Series Bonds</b>										
TEXSTAR	LGIP	TexSTAR	0.00	647,689.66	647,689.66	0.00	0.00	0.00	0.00	647,689.66
<b>Total 2024 Series Bonds</b>			<b>0.00</b>	<b>647,689.66</b>	<b>647,689.66</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>647,689.66</b>
<b>General Operating</b>										
TEXPOOL	LGIP	TexPool	0.00	1,398,113.42	1,398,113.42	0.00	0.00	0.00	0.00	1,398,113.42
TEXSTAR	LGIP	TexSTAR	0.00	512,408.31	512,408.31	0.00	0.00	0.00	0.00	512,408.31
<b>Total General Operating</b>			<b>0.00</b>	<b>1,910,521.73</b>	<b>1,910,521.73</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,910,521.73</b>
<b>Interest &amp; Bonded Debt</b>										
TEXPOOL	LGIP	TexPool	0.00	663,951.05	663,951.05	0.00	0.00	0.00	0.00	663,951.05
TEXSTAR	LGIP	TexSTAR	0.00	100,402.06	100,402.06	0.00	0.00	0.00	0.00	100,402.06
<b>Total Interest &amp; Bonded Debt</b>			<b>0.00</b>	<b>764,353.11</b>	<b>764,353.11</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>764,353.11</b>
<b>Grand Total</b>			<b>0.00</b>	<b>3,904,796.34</b>	<b>3,904,796.34</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,904,796.34</b>

## Disclosures & Disclaimers

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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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