

INVESTMENT REPORT

Northwest ISD

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June 1 to June 30, 2022



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Market Recap

The month of June wasn't pretty for investors, as stocks, bonds, gold and crypto all dropped. Consumer confidence, which had held up reasonably well, plunged under the weight of too much bad news. One of the primary drivers of pessimism was the May consumer price index, which instead of retreating as expected, climbed from +8.2% to a new 41-year high of +8.6% year-over-year. The main contributors to the unexpectedly hot report were food, energy, autos, shelter costs, and travel and leisure services, all major drains on the average consumer. Unfortunately, this troubling data was released during the Fed's 10-day blackout period just before the June FOMC meeting, which meant Fed officials were prohibited from speaking and unable to rein-in growing concerns. As a result, inflation expectations soared *along with bond yields*.

At the June FOMC meeting, committee members succumbed to market pressure with the first 75 basis point rate hike in 28 years. At the press conference that followed, Chair Powell reiterated inflation was much too high, the Fed was committed to achieving price stability and would need to see compelling evidence that inflation was coming down before altering its course. The "course" at the time of the meeting was another 200 basis points of rate increases before year end.

The positive response to Powell's pledge to tame inflation quickly evolved into concern that the Fed would overtighten and tip the economy into recession. Powell stoked this fear repeatedly during the month, asserting that inflation was the Fed's top priority and implying that the economy could be sacrificed to achieve this objective. This tough talk was necessary to preserve remaining Fed credibility but damaging to consumer confidence.

The FOMC decided months ago that its employment mandate has been met, pointing to a +3.6% unemployment rate and overabundance of available jobs. The economic slowdown Powell is orchestrating will reduce the number of job openings over time, but fast dwindling savings and bear market destruction of retirement accounts could have a more immediate impact. The negative wealth effect of stock losses, and sagging confidence contributed to the first contraction in monthly retail sales this year. The -0.3% drop in May

spending would have been considerably worse if not for large gains in grocery store and gas station receipts, which were elevated by higher prices.

Rising prices are draining savings accounts, and record borrowing has thus far made up the shortfall. The personal saving rate slipped to a 13-year-low of 5.4%, roughly half of where it was just nine months earlier. At the same time, Federal Reserve data showed revolving credit had risen +19.6% year-over-year in April to a new record high of just over \$1.1 trillion.

The two-year Treasury-note yield started the month at 2.55% and climbed to 3.43% after the CPI release before closing the month at 2.95% as recession concerns entered the equation. The 12-month Treasury bill started June at 2.05%, peaked at 2.97% and closed the month at 2.74%. This degree of market movement in such a short period of time, especially on the short end of the curve, is almost unprecedented. The easy explanation is that buyers outnumbered sellers, but the longer explanation is that inflation climbed beyond where most experts expected. The things most Americans buy every day were front and center, with the average price for a gallon of gas topping \$5 per gallon for the first time in history.

At this point, the bond market has queued-up another 75-bp hike for July and 50-bps for September, but as signs of weakness emerge talk has already begun of when monetary policy could shift from tightening to easing. This won't happen in 2022 as inflation is expected to remain very elevated, and a policy shift anytime during the next 12 months would be a surprise. However, surprises have come with increasing frequency in recent years and the unexpected has become commonplace.

Investment Officers' Certification

This report is prepared for the Northwest 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 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

Portfolio Overview

Portfolio Summary

	Prior 31 May-22	Current 30 Jun-22
Par Value	635,088,157.81	602,179,789.29
Original Cost	635,088,157.81	602,179,789.29
Book Value	635,088,157.81	602,179,789.29
Market Value	635,088,157.81	602,179,789.29
Accrued Interest	0.00	0.00
Book Value Plus Accrued	635,088,157.81	602,179,789.29
Market Value Plus Accrued	635,088,157.81	602,179,789.29
Net Unrealized Gain/Loss	0.00	0.00

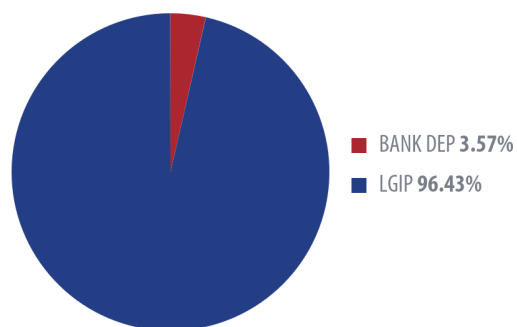
Income Summary

	1 Jun-22 to 30 Jun-22
Interest Income	\$494,123.33
Net Amortization/Accretion	
Realized Gain/Loss	\$0.00
Net Income	\$494,123.33

Portfolio Characteristics

	Prior 31 May-22	Current 30 Jun-22
Yield to Maturity	0.607%	0.974%
Yield to Worst	0.607%	0.974%
Years to Final Maturity	0.00	0.00
Years to Effective Maturity	0.00	0.00
Duration	--	--

Asset Allocation

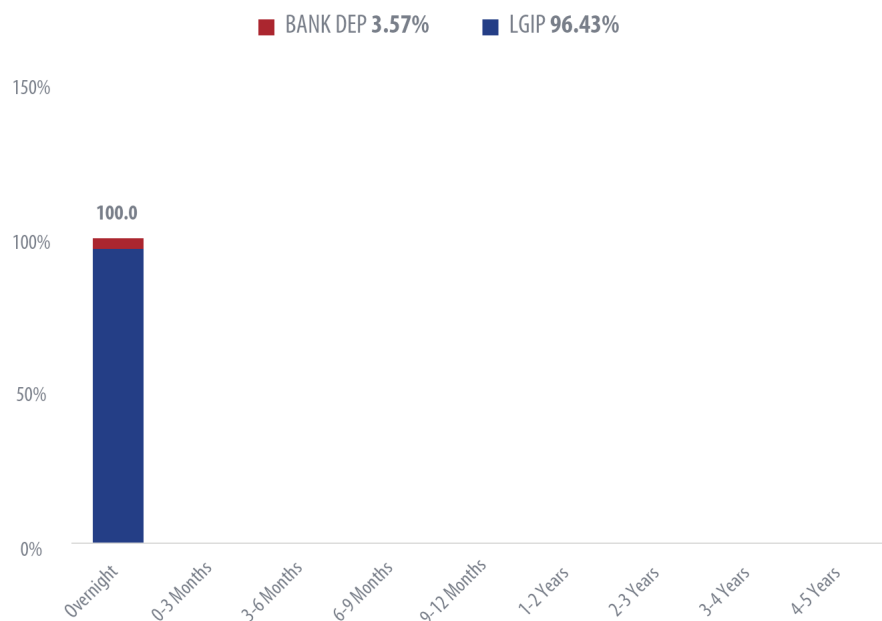


Transaction Summary

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

Maturity Distribution by Security Type



Top Ten Holdings

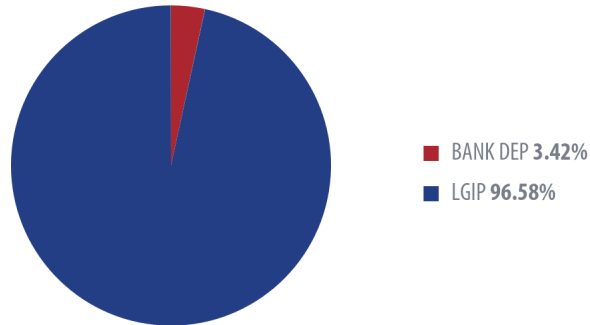
Issuer	Allocation
TEXPOOL	96.43%
WF	3.57%

Maturity Distribution by Security Type

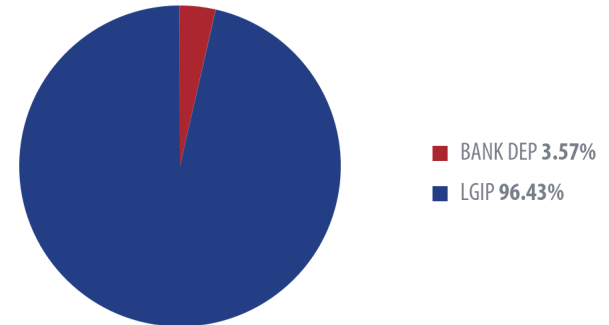
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
BANK DEP	21,505,967.85	--	--	--	--	--	--	--	--	21,505,967.85
LGIP	580,673,821.44	--	--	--	--	--	--	--	--	580,673,821.44
Total	602,179,789.29	--	--	--	--	--	--	--	--	602,179,789.29

Asset Allocation

Asset Allocation by Security Type as of 31-May-2022



Asset Allocation by Security Type as of 30-Jun-2022



Book Value Basis Security Distribution

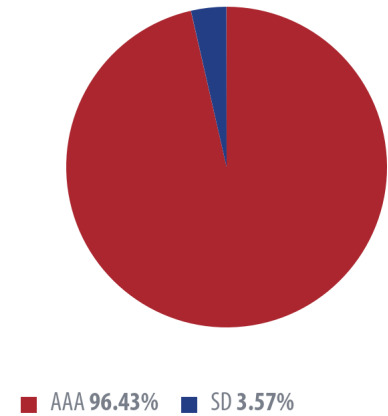
Security Type	Prior Balance 31-May-22	Prior Allocation 31-May-22	Change in Allocation	Current Balance 30-Jun-22	Current Allocation 30-Jun-22	Yield to Maturity
BANK DEP	21,742,965.22	3.42%	0.15%	21,505,967.85	3.57%	0.230%
LGIP	613,345,192.59	96.58%	(0.15%)	580,673,821.44	96.43%	1.001%
Portfolio Total	635,088,157.81	100.00%		602,179,789.29	100.00%	0.974%

Credit Rating Summary

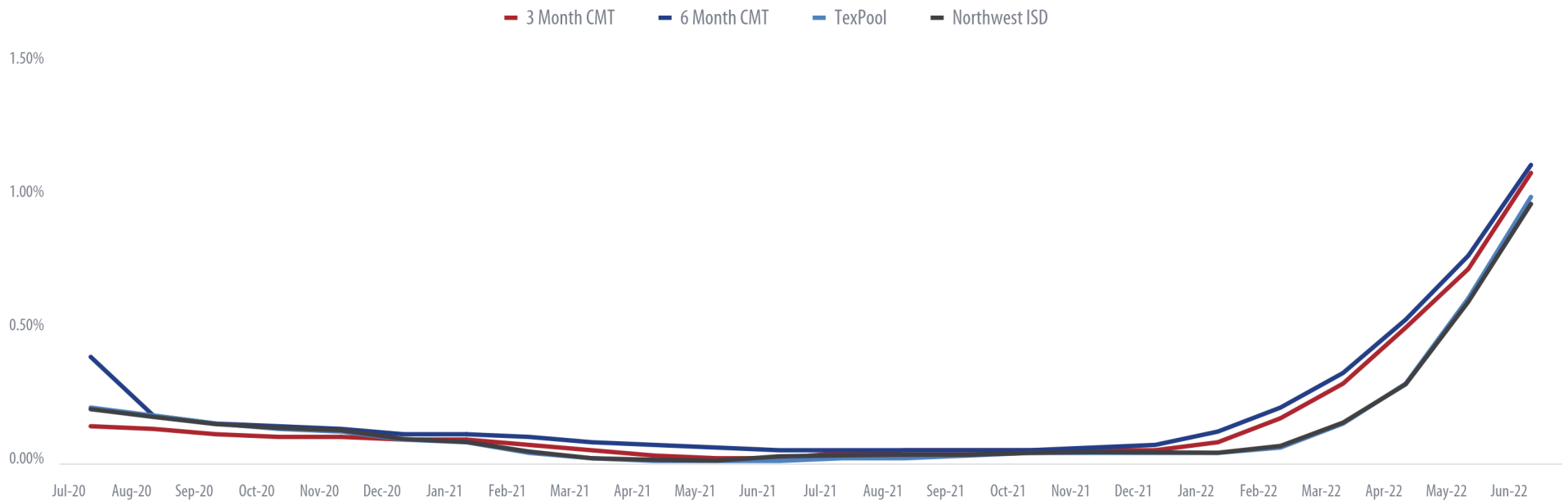
Rating Distribution

	Book Value	Portfolio Allocation
Secured Deposits (Insured or Collateralized)		
Demand Deposits	21,505,967.85	3.57%
Total Secured Deposits	21,505,967.85	3.57%
Local Government Investment Pools & Money Market Funds		
AAA	580,673,821.44	96.43%
Total Local Government Investment Pools & Money Market Funds	580,673,821.44	96.43%
Portfolio Total	602,179,789.29	100.00%

Allocation by Rating



Benchmark Comparison



Yield Overview

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	
3 Month CMT	0.14	0.13	0.11	0.10	0.10	0.09	0.09	0.07	0.05	0.03	0.02	0.02	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.08	0.17	0.30	0.51	0.73	1.09
6 Month CMT	0.40	0.18	0.15	0.14	0.13	0.11	0.11	0.10	0.08	0.07	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.06	0.07	0.12	0.21	0.34	0.54	0.78	1.12
TexPool	0.21	0.18	0.15	0.13	0.12	0.09	0.08	0.04	0.02	0.01	0.01	0.01	0.02	0.02	0.03	0.04	0.04	0.04	0.04	0.06	0.15	0.30	0.62	1.00	
Northwest ISD	0.20	0.18	0.15	0.13	0.12	0.09	0.08	0.04	0.02	0.01	0.01	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.04	0.07	0.15	0.30	0.61	0.97	

Fund Overview

Fund Name	Prior Book Value 31-May-2022	Prior Market Value 31-May-2022	Changes to Market Value	Current Book Value 30-Jun-2022	Current Market Value 30-Jun-2022	Net Income	Days to Final Mty	YTM	YTW
Activity Account	172,404.17	172,404.17	141.85	172,546.02	172,546.02	141.85	1	1.001%	1.001%
Capital Project	409,226,446.63	409,226,446.63	(14,170,417.49)	395,056,029.14	395,056,029.14	327,752.45	1	0.996%	0.996%
Capital Project AFB	414,178.79	414,178.79	340.87	414,519.66	414,519.66	340.87	1	1.001%	1.001%
General Operating Fund	149,816,716.73	149,816,716.73	(18,265,235.18)	131,551,481.55	131,551,481.55	107,723.08	1	0.922%	0.922%
Interest & Sinking	69,648,982.26	69,648,982.26	136,241.81	69,785,224.07	69,785,224.07	57,378.38	1	1.001%	1.001%
Payroll Fund	5,809,429.23	5,809,429.23	(609,440.38)	5,199,988.85	5,199,988.85	786.70	1	0.230%	0.230%
Total	635,088,157.81	635,088,157.81	(32,908,368.52)	602,179,789.29	602,179,789.29	494,123.33	1	0.974%	0.974%

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	
Activity Account																			
TEXPOOL		LGIP	TexPool		06/30/22			172,546.02	100.000	172,546.02	172,546.02	100.000	172,546.02	1		1.001	1.001	AAA	
Total Activity Account								172,546.02		172,546.02	172,546.02		172,546.02	1		1.001	1.001		
Capital Project																			
TEXPOOL		LGIP	TexPool		06/30/22			392,285,467.94	100.000	392,285,467.94	392,285,467.94	100.000	392,285,467.94	1		1.001	1.001	AAA	
WF-NWISD		BANK DEP	Wells Fargo Bk		06/30/22			2,770,561.20	100.000	2,770,561.20	2,770,561.20	100.000	2,770,561.20	1		0.230	0.230	SD	
Total Capital Project								395,056,029.14		395,056,029.14	395,056,029.14		395,056,029.14	1		0.996	0.996		
Capital Project AFB																			
TEXPOOL		LGIP	TexPool		06/30/22			414,519.66	100.000	414,519.66	414,519.66	100.000	414,519.66	1		1.001	1.001	AAA	
Total Capital Project AFB								414,519.66		414,519.66	414,519.66		414,519.66	1		1.001	1.001		
General Operating Fund																			
TEXPOOL		LGIP	TexPool		06/30/22			118,016,063.75	100.000	118,016,063.75	118,016,063.75	100.000	118,016,063.75	1		1.001	1.001	AAA	
WF-NWISD		BANK DEP	Wells Fargo Bk		06/30/22			13,535,417.80	100.000	13,535,417.80	13,535,417.80	100.000	13,535,417.80	1		0.230	0.230	SD	
Total General Operating Fund								131,551,481.55		131,551,481.55	131,551,481.55		131,551,481.55	1		0.922	0.922		
Interest & Sinking																			
TEXPOOL		LGIP	TexPool		06/30/22			69,785,224.07	100.000	69,785,224.07	69,785,224.07	100.000	69,785,224.07	1		1.001	1.001	AAA	
Total Interest & Sinking								69,785,224.07		69,785,224.07	69,785,224.07		69,785,224.07	1		1.001	1.001		
Payroll Fund																			
WF-NWISD		BANK DEP	Wells Fargo Bk		06/30/22			5,199,988.85	100.000	5,199,988.85	5,199,988.85	100.000	5,199,988.85	1		0.230	0.230	SD	
Total Payroll Fund								5,199,988.85		5,199,988.85	5,199,988.85		5,199,988.85	1		0.230	0.230		
Grand Total								602,179,789.29		602,179,789.29	602,179,789.29		602,179,789.29	1		0.974	0.974		

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
Activity Account										
TEXPOOL	LGIP	TexPool 0.0 06/30/2022	0.00	141.85	141.85	0.00	0.00	0.00	0.00	141.85
Total Activity Account			0.00	141.85	141.85	0.00	0.00	0.00	0.00	141.85
Capital Project										
TEXPOOL	LGIP	TexPool 0.0 06/30/2022	0.00	327,014.91	327,014.91	0.00	0.00	0.00	0.00	327,014.91
WF-NWISD	BANK DEP	Wells Fargo Bk 0.0 06/30/2022	0.00	737.54	737.54	0.00	0.00	0.00	0.00	737.54
Total Capital Project			0.00	327,752.45	327,752.45	0.00	0.00	0.00	0.00	327,752.45
Capital Project AFB										
TEXPOOL	LGIP	TexPool 0.0 06/30/2022	0.00	340.87	340.87	0.00	0.00	0.00	0.00	340.87
Total Capital Project AFB			0.00	340.87	340.87	0.00	0.00	0.00	0.00	340.87
General Operating Fund										
TEXPOOL	LGIP	TexPool 0.0 06/30/2022	0.00	105,552.85	105,552.85	0.00	0.00	0.00	0.00	105,552.85
WF-NWISD	BANK DEP	Wells Fargo Bk 0.0 06/30/2022	0.00	2,170.23	2,170.23	0.00	0.00	0.00	0.00	2,170.23
Total General Operating Fund			0.00	107,723.08	107,723.08	0.00	0.00	0.00	0.00	107,723.08
Interest & Sinking										
TEXPOOL	LGIP	TexPool 0.0 06/30/2022	0.00	57,378.38	57,378.38	0.00	0.00	0.00	0.00	57,378.38
Total Interest & Sinking			0.00	57,378.38	57,378.38	0.00	0.00	0.00	0.00	57,378.38
Payroll Fund										
WF-NWISD	BANK DEP	Wells Fargo Bk 0.0 06/30/2022	0.00	786.70	786.70	0.00	0.00	0.00	0.00	786.70
Total Payroll Fund			0.00	786.70	786.70	0.00	0.00	0.00	0.00	786.70
Grand Total			0.00	494,123.33	494,123.33	0.00	0.00	0.00	0.00	494,123.33

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