

INVESTMENT REPORT

Northwest ISD

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September 1 to September 30, 2022



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Market Recap

The month of September was not a good one for the financial markets. The Dow shed -6.4%, while the Nasdaq lost -10.5%. The 2-year Treasury note, which began the month yielding 3.49%, climbed to a 15-year high of 4.34% in the final week of September, before rallying a bit into quarter end. The 10-year note opened the month at 3.19% and reached 3.94%, the highest since 2008, before finding its footing late in the month.

There are a number of contributing factors to the huge increase in bond yields last month; the most dominant is that Fed officials not only raised the overnight target rate by 75 basis points for the third straight time in September, but also indicated through the updated “dot plot” that they intend to hike rates further and keep them elevated for longer. By increasing the target rate 300 basis points since March, the Fed has tightened monetary policy faster than at any point in forty years. This has contributed to the strongest dollar in more than two decades, which makes U.S. imports cheaper and exports more expensive, and has a profound negative effect on the profits of U.S. multinational companies.

But the more severe damage is happening overseas. With the global commodities markets priced in dollars, nations that import oil and natural gas will lose value in the exchange and effectively pay more. In Europe, where the war in Ukraine has already created a severe natural gas shortage, this is a disaster. The inflation rate in August was +10.1% in the EU and +9.9% in the U.K., and as winter approaches, energy prices are expected to rise further. The ECB hiked by 75 bps in September, the biggest single increase in its history, and signaled another 75 ahead for October. The September hike brought the ECB overnight rate from 0.00% to 0.75%. Clearly, they still have a long way to go, but they’re walking a fine line. Rate increases are designed to slow demand, and in doing so will eventually bring down inflation. However, the EU is already very close to recession. The U.K and China may already be in recession, and the U.S. is expected to enter recession at some point next year.

Foreign nations are hiking rates at an unprecedented pace and thereby ensuring a deeper recession . . . but there’s little choice. They need to keep their currency from weakening further and try to bring inflation down as best they can. Here in the U.S., the headline

consumer price index rose +0.1% in August, above the expected -0.1% decline and following an *unchanged* reading in July. On the surface, it wasn’t a terrible number, but almost all of the moderation was the result of the decline in gas prices. The majority of the CPI basket of goods continues to rise in price. On a year-over-year basis, CPI increased at an +8.3% pace, down from +8.5%, but above the +8.0% forecast. Unfortunately, it was much worse when food and energy prices were excluded. Core CPI was up +0.6% in August, doubling both the median forecast and the July increase. On an annual basis, the rate of core consumer inflation actually rose from +5.9% to +6.3%. If there were a single report to blame for the September spike in yields and the corresponding resolve of Fed officials to drive inflation lower, *this was it*.

On the labor side, the August employment report was still too strong. Nonfarm payrolls climbed by +315k in August and 5.8 million over the previous 12 months, bringing total payrolls back above the pre-pandemic high point, *although leisure and hospitality payrolls remain 1.2 million short of the February 2020 count*. This suggests that wage pressures will continue to mount in the service sector. Average hourly earnings rose +0.3% in August and +5.2% year-over-year. This is down from the cycle high of 5.6% in March, but job openings still outnumber job seekers by almost a 2 to 1 count. Fed officials have indicated they would like to see some of this labor slack disappear. So far, businesses have been reluctant to actually let workers go, but eventually job postings should drop.

Fed officials and central banks around the world are all on the same page, and the likelihood of global recession has ramped up significantly. Demand is expected to slow in the coming months, which will further test the Fed’s resolve. For now, it’s all about bringing inflation down, and that means additional rates hikes are queued-up (and priced-in) for November and December.

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 Aug-22	Current 30 Sep-22
Par Value	500,705,625.31	434,319,402.12
Original Cost	500,705,625.31	432,931,093.17
Book Value	500,705,625.31	432,990,083.81
Market Value	500,705,625.31	432,999,077.12
Accrued Interest	0.00	5,972.22
Book Value Plus Accrued	500,705,625.31	432,996,056.03
Market Value Plus Accrued	500,705,625.31	433,005,049.34
Net Unrealized Gain/Loss	0.00	8,993.31

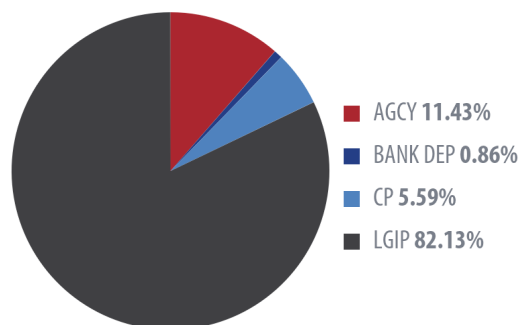
Income Summary

	1 Sep-22 to 30 Sep-22
Interest Income	\$876,459.70
Net Amortization/Accretion	\$58,990.64
Realized Gain/Loss	\$0.00
Net Income	\$935,450.34

Portfolio Characteristics

	Prior 31 Aug-22	Current 30 Sep-22
Yield to Maturity	2.103%	2.674%
Yield to Worst	2.103%	2.674%
Years to Final Maturity	0.00	0.10
Years to Effective Maturity	0.00	0.10
Duration	--	0.57

Asset Allocation

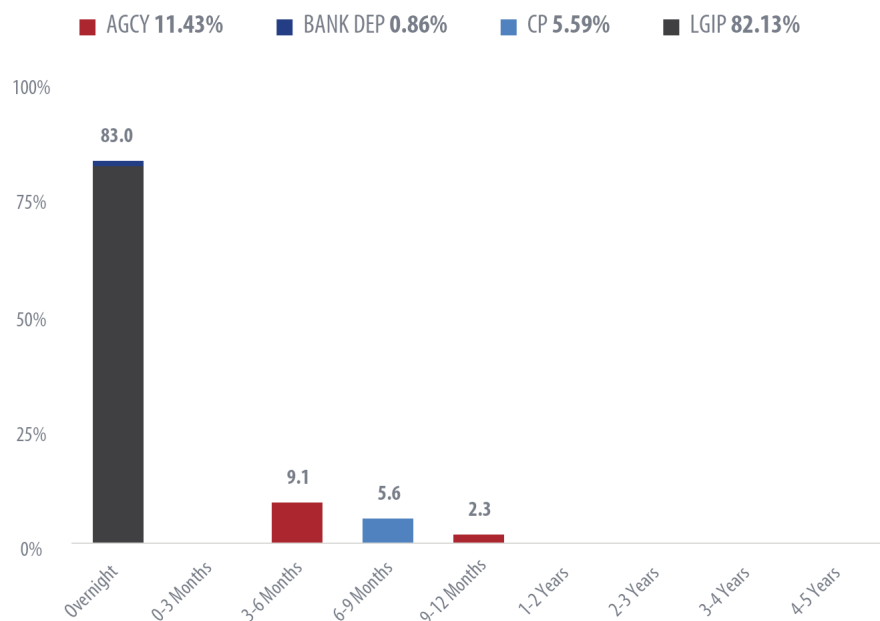


Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
Buy	75,000,000.00	(73,611,691.05)	0.00	(73,611,691.05)	0.00

Portfolio Overview

Maturity Distribution by Security Type



Top Ten Holdings

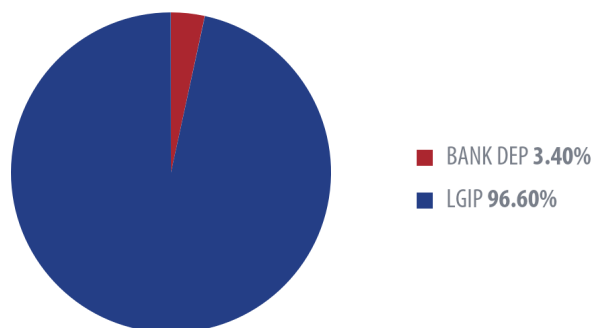
Issuer	Allocation
TEXPOOL	82.13%
Federal Home Loan Banks	11.43%
Royal Bank of Canada	3.35%
Toyota Motor Credit Corporation	2.24%
WF	0.86%

Maturity Distribution by Security Type

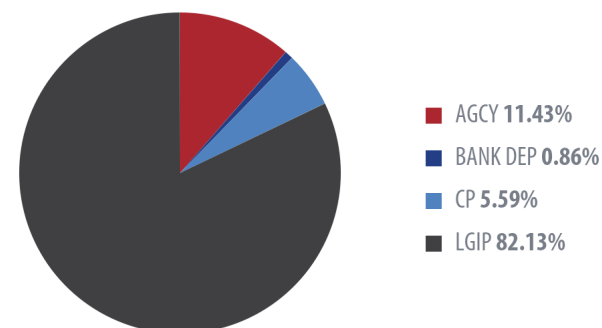
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
AGCY	--	--	39,479,923.47	--	9,995,954.05	--	--	--	--	49,475,877.52
BANK DEP	3,714,924.79	--	--	--	--	--	--	--	--	3,714,924.79
CP	--	--	--	24,194,804.17	--	--	--	--	--	24,194,804.17
LGIP	355,604,477.33	--	--	--	--	--	--	--	--	355,604,477.33
Total	359,319,402.12	--	39,479,923.47	24,194,804.17	9,995,954.05	--	--	--	--	432,990,083.81

Asset Allocation

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



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



Book Value Basis Security Distribution

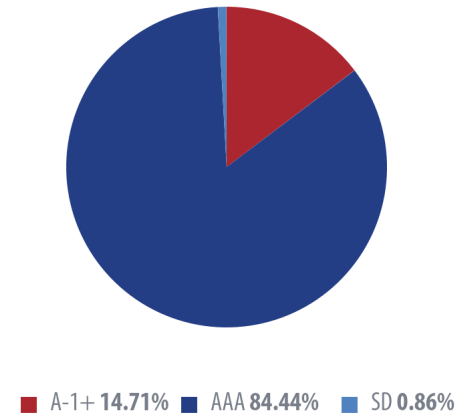
Security Type	Prior Balance 31-Aug-22	Prior Allocation 31-Aug-22	Change in Allocation	Current Balance 30-Sep-22	Current Allocation 30-Sep-22	Yield to Maturity
AGCY	0.00	0.00%	11.43%	49,475,877.52	11.43%	3.807%
CP	0.00	0.00%	5.59%	24,194,804.17	5.59%	4.547%
BANK DEP	17,015,762.72	3.40%	(2.54%)	3,714,924.79	0.86%	0.400%
LGIP	483,689,862.59	96.60%	(14.47%)	355,604,477.33	82.13%	2.413%
Portfolio Total	500,705,625.31	100.00%		432,990,083.81	100.00%	2.674%

Credit Rating Summary

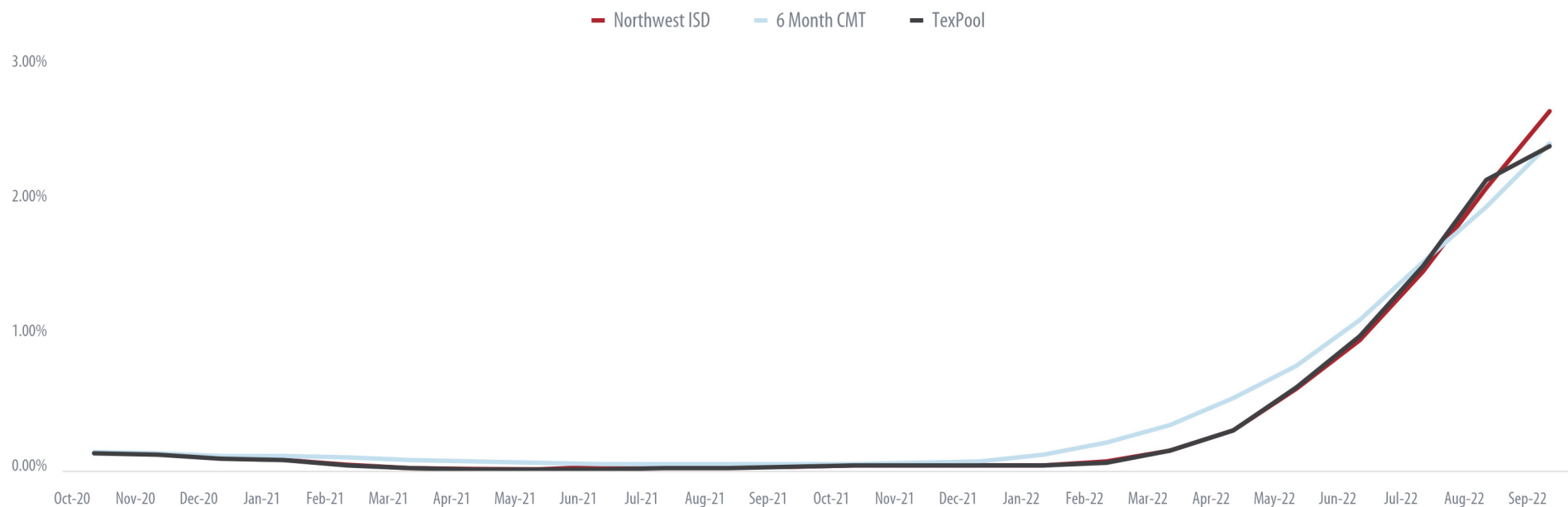
Rating Distribution

	Book Value	Portfolio Allocation
Secured Deposits (Insured or Collateralized)		
Demand Deposits	3,714,924.79	0.86%
Total Secured Deposits	3,714,924.79	0.86%
Local Government Investment Pools & Money Market Funds		
AAA	355,604,477.33	82.13%
Total Local Government Investment Pools & Money Market Funds	355,604,477.33	82.13%
Short Term Rating Distribution		
A-1+	63,674,727.64	14.71%
Total Short Term Rating Distribution	63,674,727.64	14.71%
Long Term Rating Distribution		
AAA	9,995,954.05	2.31%
Total Long Term Rating Distribution	9,995,954.05	2.31%
Portfolio Total	432,990,083.81	100.00%

Allocation by Rating



Benchmark Comparison



Yield Overview

	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	Jul-22	Aug-22	Sep-22
Northwest ISD	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	1.48	2.10	2.67
6 Month CMT	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	0.06	0.07	0.12	0.21	0.34	0.54	0.78	1.12	1.55	1.96	2.43
TexPool	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	1.52	2.16	2.41

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
Activity Account	173,086.23	173,086.23	343.22	173,429.45	173,429.45	343.22	1	2.413%	2.413%
Capital Project	358,465,093.66	358,465,093.66	(35,433,988.69)	323,025,364.14	323,031,104.97	685,470.87	13	2.509%	2.509%
Capital Project AFB	415,817.34	415,817.34	824.58	416,641.92	416,641.92	824.58	1	2.413%	2.413%
General Operating Fund	90,232,323.08	90,232,323.08	(30,847,070.13)	59,391,767.00	59,385,252.95	146,831.63	104	3.080%	3.080%
Interest & Sinking	46,709,209.63	46,709,209.63	221,599.41	46,921,042.51	46,930,809.04	101,020.98	110	3.448%	3.448%
Payroll Fund	4,710,095.37	4,710,095.37	(1,648,256.58)	3,061,838.79	3,061,838.79	959.06	1	0.400%	0.400%
Total	500,705,625.31	500,705,625.31	(67,706,548.19)	432,990,083.81	432,999,077.12	935,450.34	36	2.674%	2.674%

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		09/30/22			173,429.45	100.000	173,429.45	173,429.45	100.000	173,429.45	1		2.413	2.413	AAA
Total Activity Account								173,429.45		173,429.45	173,429.45		173,429.45	1		2.413	2.413	
Capital Project																		
TEXPOOL		LGIP	TexPool		09/30/22			308,514,509.97	100.000	308,514,509.97	308,514,509.97	100.000	308,514,509.97	1		2.413	2.413	AAA
78009BTP7	09/29/22	CP	Royal Bank of Canada	0.000	06/23/23			15,000,000.00	96.714	14,507,162.50	14,510,854.17	96.777	14,516,595.00	266		4.556	4.556	A-1+
Total Capital Project								323,514,509.97		323,021,672.47	323,025,364.14		323,031,104.97	13		2.509	2.509	
Capital Project AFB																		
TEXPOOL		LGIP	TexPool		09/30/22			416,641.92	100.000	416,641.92	416,641.92	100.000	416,641.92	1		2.413	2.413	AAA
Total Capital Project AFB								416,641.92		416,641.92	416,641.92		416,641.92	1		2.413	2.413	
General Operating Fund																		
TEXPOOL		LGIP	TexPool		09/30/22			39,621,692.95	100.000	39,621,692.95	39,621,692.95	100.000	39,621,692.95	1		2.413	2.413	AAA
WF-NWISD		BANK DEP	Wells Fargo Bk		09/30/22			90,170.00	100.000	90,170.00	90,170.00	100.000	90,170.00	1		0.400	0.400	SD
89233HTG9	09/20/22	CP	Toyota Motor Credit Corporation	0.000	06/16/23			10,000,000.00	96.705	9,670,475.00	9,683,950.00	96.688	9,668,780.00	259		4.535	4.535	A-1+
3130ATGX9	09/26/22	AGCY	FEDERAL HOME LOAN BANKS	4.300	09/26/23			10,000,000.00	99.959	9,995,898.00	9,995,954.05	100.046	10,004,610.00	361		4.342	4.342	AAA
Total General Operating Fund								59,711,862.95		59,378,235.95	59,391,767.00		59,385,252.95	104		3.080	3.080	
Interest & Sinking																		
TEXPOOL		LGIP	TexPool		09/30/22			6,878,203.04	100.000	6,878,203.04	6,878,203.04	100.000	6,878,203.04	1		2.413	2.413	AAA
WF-NWISD		BANK DEP	Wells Fargo Bk		09/30/22			562,916.00	100.000	562,916.00	562,916.00	100.000	562,916.00	1		0.400	0.400	SD
313384BK4	09/20/22	AGCY	FEDERAL HOME LOAN BANKS	0.000	02/03/23			10,000,000.00	98.636	9,863,622.22	9,874,583.30	98.780	9,877,980.00	126		3.668	3.668	A-1+
313384BR9		AGCY	FEDERAL HOME LOAN BANKS	0.000	02/09/23			30,000,000.00	98.582	29,574,533.33	29,605,340.17	98.706	29,611,710.00	132		3.673	3.673	A-1+

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	
Total Interest & Sinking								47,441,119.04		46,879,274.59	46,921,042.51		46,930,809.04	110		3.448	3.448		
Payroll Fund																			
WF-NWISD		BANK DEP	Wells Fargo Bk		09/30/22			3,061,838.79	100.000	3,061,838.79	3,061,838.79	100.000	3,061,838.79	1		0.400	0.400	SD	
Total Payroll Fund								3,061,838.79		3,061,838.79	3,061,838.79		3,061,838.79	1		0.400	0.400		
Grand Total								434,319,402.12		432,931,093.17	432,990,083.81		432,999,077.12	36		2.674	2.674		

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 09/30/2022	0.00	343.22	343.22	0.00	0.00	0.00	0.00	343.22
Total Activity Account			0.00	343.22	343.22	0.00	0.00	0.00	0.00	343.22
Capital Project										
TEXPOOL	LGIP	TexPool 0.0 09/30/2022	0.00	681,677.93	681,677.93	0.00	0.00	0.00	0.00	681,677.93
WF-NWISD	BANK DEP	Wells Fargo Bk 0.0 09/30/2022	0.00	101.27	101.27	0.00	0.00	0.00	0.00	101.27
78009BTP7	CP	Royal Bank of Canada 0.0 06/23/2023	0.00	0.00	0.00	0.00	0.00	3,691.67	0.00	3,691.67
Total Capital Project			0.00	681,779.20	681,779.20	0.00	0.00	3,691.67	0.00	685,470.87
Capital Project AFB										
TEXPOOL	LGIP	TexPool 0.0 09/30/2022	0.00	824.58	824.58	0.00	0.00	0.00	0.00	824.58
Total Capital Project AFB			0.00	824.58	824.58	0.00	0.00	0.00	0.00	824.58
General Operating Fund										
TEXPOOL	LGIP	TexPool 0.0 09/30/2022	0.00	126,469.79	126,469.79	0.00	0.00	0.00	0.00	126,469.79
WF-NWISD	BANK DEP	Wells Fargo Bk 0.0 09/30/2022	0.00	858.57	858.57	0.00	0.00	0.00	0.00	858.57
89233HTG9	CP	Toyota Motor Credit Corporation 0.0 06/16/2023	0.00	0.00	0.00	0.00	0.00	13,475.00	0.00	13,475.00
3130ATGX9	AGCY	FEDERAL HOME LOAN BANKS 4.3 09/26/2023	0.00	5,972.22	0.00	0.00	5,972.22	56.05	0.00	6,028.27
Total General Operating Fund			0.00	133,300.58	127,328.36	0.00	5,972.22	13,531.05	0.00	146,831.63
Interest & Sinking										
TEXPOOL	LGIP	TexPool 0.0 09/30/2022	0.00	58,749.79	58,749.79	0.00	0.00	0.00	0.00	58,749.79
WF-NWISD	BANK DEP	Wells Fargo Bk 0.0 09/30/2022	0.00	503.27	503.27	0.00	0.00	0.00	0.00	503.27
313384BK4	AGCY	FEDERAL HOME LOAN BANKS 0.0 02/03/2023	0.00	0.00	0.00	0.00	0.00	10,961.08	0.00	10,961.08
313384BR9	AGCY	FEDERAL HOME LOAN BANKS 0.0 02/09/2023	0.00	0.00	0.00	0.00	0.00	30,806.84	0.00	30,806.84
Total Interest & Sinking			0.00	59,253.06	59,253.06	0.00	0.00	41,767.92	0.00	101,020.98
Payroll Fund										
WF-NWISD	BANK DEP	Wells Fargo Bk 0.0 09/30/2022	0.00	959.06	959.06	0.00	0.00	0.00	0.00	959.06

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
Total Payroll Fund			0.00	959.06	959.06	0.00	0.00	0.00	0.00	959.06
Grand Total			0.00	876,459.70	870,487.48	0.00	5,972.22	58,990.64	0.00	935,450.34

Investment Transactions

CUSIP	Trade Date	Settle Date	Security Type	Security Description	Coupon	Maturity Date	Call Date	Par Value	Price	Principal Amount	Interest Purchased/Received	Total Amount	Realized Gain/Loss	YTM	YTW
Capital Project															
Buy															
78009BTP7	09/28/22	09/29/22	CP	Royal Bank of Canada	0.000	06/23/23		15,000,000.00	96.714	14,507,162.50	0.00	14,507,162.50	0.00	4.556	4.556
Total Buy								15,000,000.00		14,507,162.50	0.00	14,507,162.50	0.00		
General Operating Fund															
Buy															
89233HTG9	09/19/22	09/20/22	CP	Toyota Motor Credit Corporation	0.000	06/16/23		10,000,000.00	96.705	9,670,475.00	0.00	9,670,475.00	0.00	4.535	4.535
3130ATGX9	09/22/22	09/26/22	AGCY	FEDERAL HOME LOAN BANKS	4.300	09/26/23		10,000,000.00	99.959	9,995,898.00	0.00	9,995,898.00	0.00	4.342	4.342
Total Buy								20,000,000.00		19,666,373.00	0.00	19,666,373.00	0.00		
Interest & Sinking															
Buy															
313384BR9	09/15/22	09/16/22	AGCY	FEDERAL HOME LOAN BANKS	0.000	02/09/23		10,000,000.00	98.556	9,855,622.22	0.00	9,855,622.22	0.00	3.618	3.618
313384BK4	09/19/22	09/20/22	AGCY	FEDERAL HOME LOAN BANKS	0.000	02/03/23		10,000,000.00	98.636	9,863,622.22	0.00	9,863,622.22	0.00	3.668	3.668
313384BR9	09/22/22	09/23/22	AGCY	FEDERAL HOME LOAN BANKS	0.000	02/09/23		20,000,000.00	98.595	19,718,911.11	0.00	19,718,911.11	0.00	3.700	3.700
Total Buy								40,000,000.00		39,438,155.55	0.00	39,438,155.55	0.00		

Investment Transactions Totals

Transaction Type	Quantity	Principal Amount	Interest	Total Amount	Realized G/L	YTM	YTW
Total Buy	75,000,000.00	(73,611,691.05)	0.00	(73,611,691.05)	0.00	4.050	4.050

Amortization and Accretion

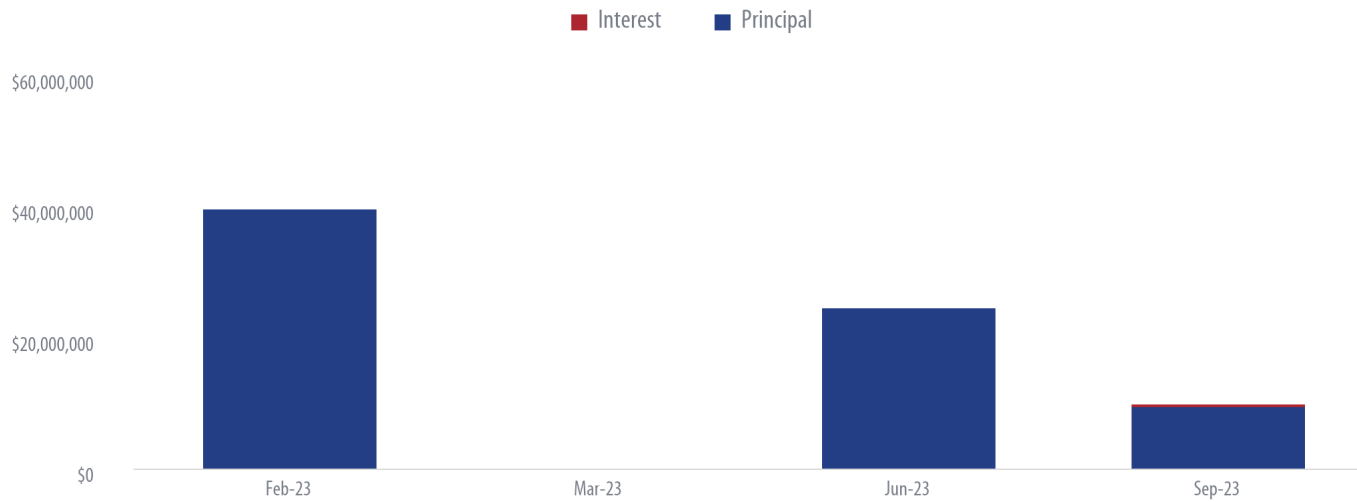
CUSIP	Settle Date	Security Type	Security Description	Purchase Qty	Orig Price	Original Cost	Amort/Accr for Period	Total Amort/Accr Since Purch	Remaining Disc/Premium	Ending Book Value
Capital Project										
78009BTP7	09/29/22	CP	Royal Bank of Canada 0.0 06/23/2023	15,000,000.00	96.714	14,507,162.50	3,691.67	3,691.67	(489,145.83)	14,510,854.17
Total Capital Project				15,000,000.00		14,507,162.50	3,691.67	3,691.67	(489,145.83)	14,510,854.17
General Operating Fund										
89233HTG9	09/20/22	CP	Toyota Motor Credit Corporation 0.0 06/16/2023	10,000,000.00	96.705	9,670,475.00	13,475.00	13,475.00	(316,050.00)	9,683,950.00
3130ATGX9	09/26/22	AGCY	FEDERAL HOME LOAN BANKS 4.3 09/26/2023	10,000,000.00	99.959	9,995,898.00	56.05	56.05	(4,045.95)	9,995,954.05
Total General Operating Fund				20,000,000.00		19,666,373.00	13,531.05	13,531.05	(320,095.95)	19,679,904.05
Interest & Sinking										
313384BK4	09/20/22	AGCY	FEDERAL HOME LOAN BANKS 0.0 02/03/2023	10,000,000.00	98.636	9,863,622.22	10,961.08	10,961.08	(125,416.70)	9,874,583.30
313384BR9		AGCY	FEDERAL HOME LOAN BANKS 0.0 02/09/2023	30,000,000.00	98.582	29,574,533.33	30,806.84	30,806.84	(394,659.83)	29,605,340.17
Total Interest & Sinking				40,000,000.00		39,438,155.55	41,767.92	41,767.92	(520,076.53)	39,479,923.47
Grand Total				75,000,000.00		73,611,691.05	58,990.64	58,990.64	(1,329,318.31)	73,670,681.69

Projected Cash Flows

CUSIP	Security Description	Post Date	Interest	Principal	Total Amount
Capital Project					
78009BTP7	Royal Bank of Canada 0.0 06/23/2023	06/23/23		15,000,000.00	15,000,000.00
General Operating Fund					
3130ATGX9	FEDERAL HOME LOAN BANKS 4.3 09/26/2023	03/27/23	215,000.00		215,000.00
89233HTG9	Toyota Motor Credit Corporation 0.0 06/16/2023	06/16/23		10,000,000.00	10,000,000.00
3130ATGX9	FEDERAL HOME LOAN BANKS 4.3 09/26/2023	09/26/23	215,000.00		215,000.00
3130ATGX9	FEDERAL HOME LOAN BANKS 4.3 09/26/2023	09/26/23		10,000,000.00	10,000,000.00
Interest & Sinking					
313384BK4	FEDERAL HOME LOAN BANKS 0.0 02/03/2023	02/03/23		10,000,000.00	10,000,000.00
313384BR9	FEDERAL HOME LOAN BANKS 0.0 02/09/2023	02/09/23		30,000,000.00	30,000,000.00
Grand Total			430,000.00	75,000,000.00	75,430,000.00

Projected Cash Flows Totals

Month and Year	Interest	Principal	Total Amount
February 2023		40,000,000.00	40,000,000.00
March 2023	215,000.00		215,000.00
June 2023		25,000,000.00	25,000,000.00
September 2023	215,000.00	10,000,000.00	10,215,000.00
Total	430,000.00	75,000,000.00	75,430,000.00



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