

February Investment Report

April 22, 2019



Investment Portfolio Summary

Northwest ISD



For the Month Ended

February 28, 2019

Prepared by
HilltopSecurities Asset Management



Report Name

- Certification Page
- Executive Summary
- Benchmark Comparison
- Detail of Security Holdings
- Change in Value
- Earned Income
- Investment Transactions
- Amortization and Accretion
- Projected Fixed Income Cash Flows

MARKET RECAP - FEBRUARY 2019:

A patient Fed, an acceptable compromise that ended the threat of another government shutdown, and renewed optimism on the trade front helped stabilize financial markets during February, a welcome relief following the wild volatility of December and January. The major stock averages all rose during the month with the Dow, S&P 500 and Nasdaq up +3.7%, +3.0% and +3.4% respectively. Bond yields traded within narrow ranges, ending February 5-8 basis points higher while the intermediate part of the curve remained inverted. The yield on the one-year Treasury note closed the month at 2.54% while the two-year was lower at 2.51% and the three-year lower still at 2.49%.

Economic data was difficult to interpret, partly because many releases were delayed by the government shutdown and partly because the data was mixed ...and at times contradictory. One case in point was the December retail sales data whose normal mid-January release was postponed to mid-February. The report showed December headline retail sales fell -1.2%. The details were even worse as the control group figure used in GDP calculations plunged -1.7%. The data contradicted earlier reports of good holiday spending from credit card processors and retailers such as Walmart. The poor retail sales data led many economists to lower their estimates for Q4 GDP. Factory orders, durable goods orders, and housing data rounded out the negative releases during the month.

Positive data included the closely watched monthly employment report. Nonfarm payrolls rose by the most in nearly a year with +304k new jobs added to U.S. payrolls during January, much higher than the median forecast for +165k. Although downward revisions to prior months subtracted -70k jobs, that still left the three-month average at +240k, which was above the average for all of 2018, which had been the best year since 2015. The unemployment rate climbed from 3.9% to 4.0% in January as the labor force participation rate rose to 63.2%, still historically low, but the highest since September 2013. People are slowly reentering the workforce, a positive sign despite the rising unemployment rate.

The ISM surveys improved as well with the manufacturing index climbing from 54.3 to 56.6. The new orders component, which had plunged from 61.8 in November to 51.3 in December, rebounded to 58.2 for January. The ISM non-manufacturing index dropped slightly, but at 56.7 continues to signal solid expansion. Inflation readings remain subdued with headline CPI unchanged in January and up just +1.6% year-over-year. Core CPI held steady at +2.2%.

The lack of inflationary pressures should allow the Fed to sit tight for a while and all indications suggest they will do exactly that. In fact, fed funds futures now place the odds of a rate hike in 2019 at less than 5%. However, it might be premature to think the Fed is done with rate hikes. A trade deal, which is looking more and more likely, could change the outlook quickly. The job market remains quite strong and a resolution to the trade war should resurrect confidence among businesses and consumers.

For the Month Ended
February 28, 2019

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 PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

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.

Officer Names and Titles:

Name: Jon Graswich, CPA Title: Deputy Superintendent for Bus & Ops

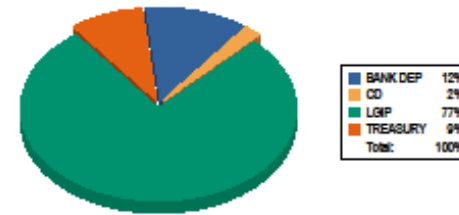
Name: Brian Carter Title: Chief Financial Officer

Account Summary

Allocation by Security Type

Beginning Values as of 01/31/19 Ending Values as of 02/28/19

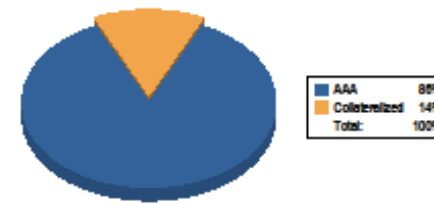
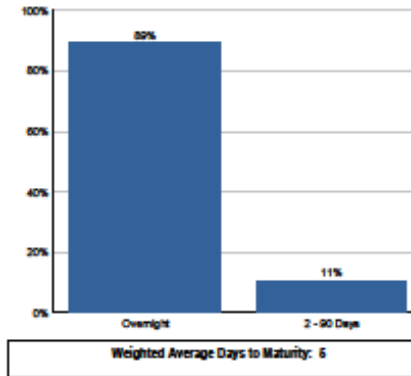
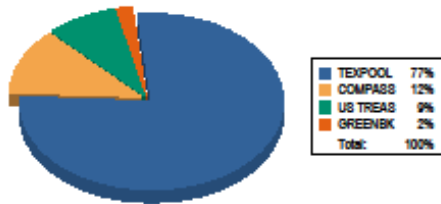
Par Value	289,304,307.29	257,728,745.57
Market Value	289,229,587.29	257,685,545.57
Book Value	289,237,011.20	257,689,632.25
Unrealized Gain /(Loss)	(7,423.91)	(4,086.68)
Market Value %	100.00%	100.00%
Weighted Avg. YTW	2.369%	2.398%
Weighted Avg. YTM	2.369%	2.398%

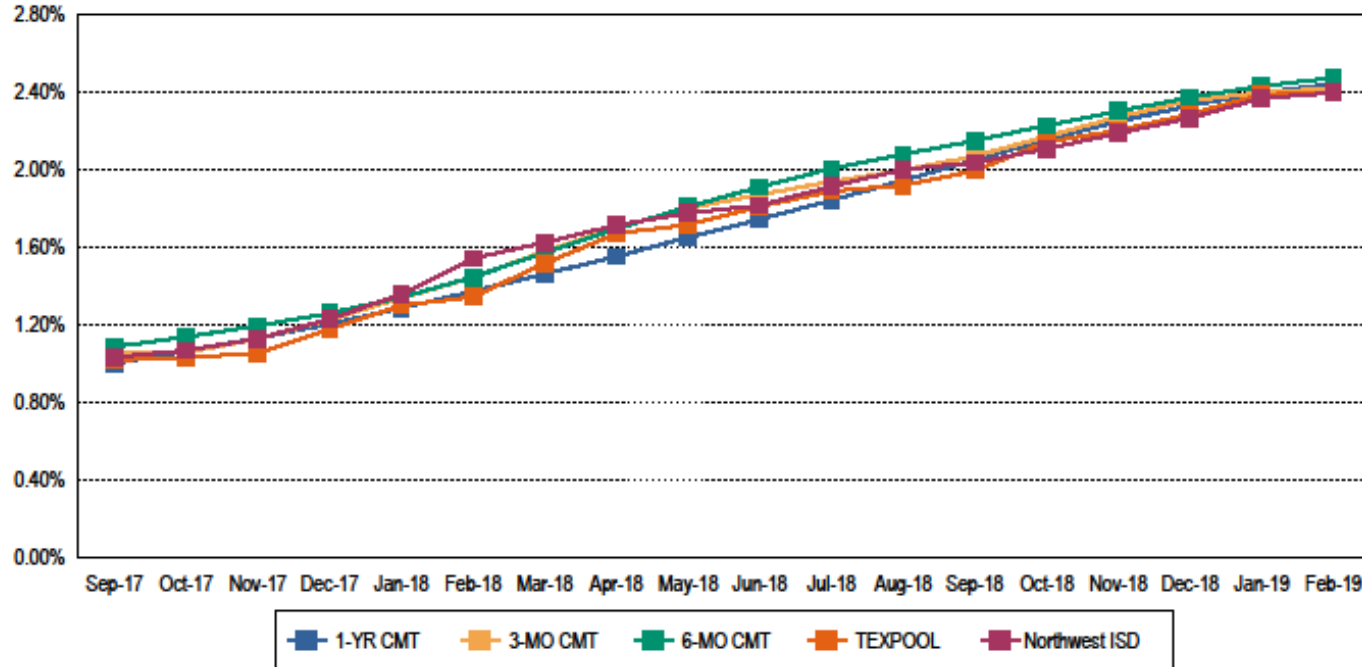


Allocation by Issuer

Maturity Distribution %

Credit Quality





Note 1: CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.