
March Investment Report

April 23, 2018

FirstSouthwest
AssetManagement
A Hilltop Holdings Company.



Investment Portfolio Summary

Northwest ISD



For the Month Ended

March 31, 2018

Prepared by
FirstSouthwest Asset Management

Report Name

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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 - MARCH 2018:

Repeating the pattern of recent months, economic data got off to a good start in early March, then faltered as the month progressed. The Conference Board's survey of consumer confidence jumped to a 17-year high of 130.8 in February, as Americans anticipated bigger paychecks resulting from recent tax reform. Purchasing managers were also quite upbeat as the ISM manufacturing index climbed to 60.8 in February, the highest since May 2004, while the ISM non-manufacturing (service sector) index slipped to 59.5 in February ...still within half a point of a 13 year high. Nonfarm payrolls rose by +313k last month, far exceeding the +205k median forecast, while net revisions to the previous two months added another +54k. The three-month average of +242k is the strongest pace of job creation in 18 months. The unemployment rate held steady at +4.1% for the fifth straight month. Despite strong job creation, wages remained surprisingly low. Hourly earnings rose by just +0.1% in February, while the year-over-year increase slipped from a revised +2.8% in January to +2.6%. This was the most important number in the report as it indicates that wage inflation isn't the concern it appeared to be in January. Americans may have slightly fatter paychecks as a result of recent tax reform, but there are few signs consumers are choosing to spend those extra dollars. Headline retail sales fell by -0.1% in February, well below the -0.3% median forecast, and identical to the revised January decline. Car and truck sales registered the fourth straight monthly decline. Inflation measures were generally well-behaved in February as both the headline and core consumer price index (CPI) rose +0.2% in February. The year-over-year pace of overall CPI rose from +2.1% to +2.2%, while core CPI held steady at +1.8%. The final measure of fourth quarter GDP climbed from an annualized quarterly pace of +2.7% to +2.9%. Core PCE was unrevised at +1.9% for the quarter, holding the year-over-year rate at +1.5%, still well below the Fed's +2.0% inflation target.

The FOMC looked past the weak consumer spending and tame inflation readings, focusing instead on the strong job market, and voted unanimously to raise the overnight fed funds target by 25 basis points to a range of 1.50% to 1.75%. It was the sixth 25 basis point increase since the "liftoff" from zero began in December 2015. The latest "dot plot" still indicates a total of three hikes in 2018, but the dots themselves have risen and are now just one dot away from four hikes in 2018. The 2019 projection rose from two to three hikes with two still expected in 2020. The official statement had a hawkish slant, which pushed the 2-year Treasury note yield to a cycle high of 2.35% while the 10-year rose to 2.90%.

Stock markets suffered through another difficult month. The initial salvo was President Trump's announcement that he would impose tariffs of 25% on imported steel and 10% on imported aluminum. That was enough to turn the DOW's 40 point gain into a 450 point loss on the first day of the month. A mid-March announcement of \$50 billion in tariffs on some 1,300 imported Chinese products added to fears of a trade war and sparked a 724 point drop in the DOW. Hawkish rhetoric from the Fed also contributed to stock weakness through much of the month. Revelations surrounding the use and abuse of Facebook user data ignited concerns that regulators would begin to crack down on Facebook, Google, Microsoft, et al, hammering those shares. As the month drew to a close, President Trump went after Amazon in a series of threatening tweets, sending its stock plunging. For the month of March, the DOW extended February's -4.3% decline with another -3.7% loss, the S&P 500 shed another -2.7% on top of February's -3.9%, and the NASDAQ followed up last month's -1.9% decline by falling -2.9%. Equity market weakness would drive a modest flight to safety rally in bonds as the month drew to a close, pulling the yield on the two-year Treasury down to 2.27% and the 10-year down to 2.74%.

**For the Month Ended
March 31, 2018**

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: Chief Financial Officer

Name: DeAnne Hatfield, RTSBA Title: Executive Director of Business Services

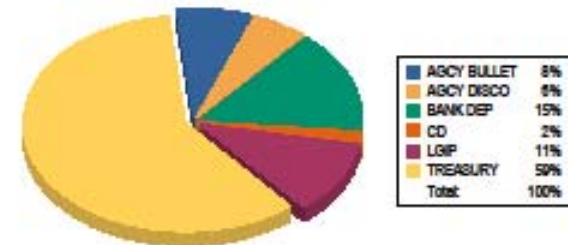
Account Summary

Allocation by Security Type

Beginning Values as of 02/28/18

Ending Values as of 03/31/18

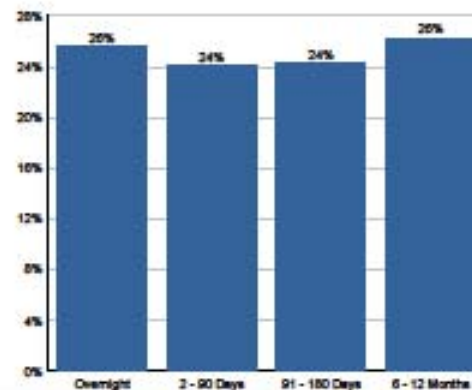
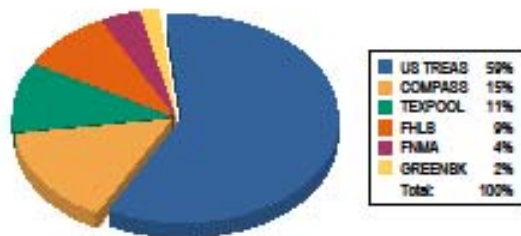
Par Value	281,975,139.30	270,388,650.04
Market Value	281,190,520.80	269,729,369.04
Book Value	281,368,005.42	269,874,462.59
Unrealized Gain /(Loss)	(177,484.62)	(145,093.55)
Market Value %	99.94%	99.95%
Weighted Avg. YTW	1.542%	1.624%
Weighted Avg. YTM	1.542%	1.624%



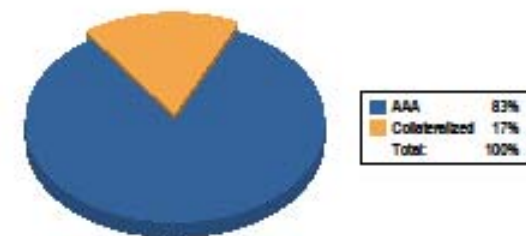
Allocation by Issuer

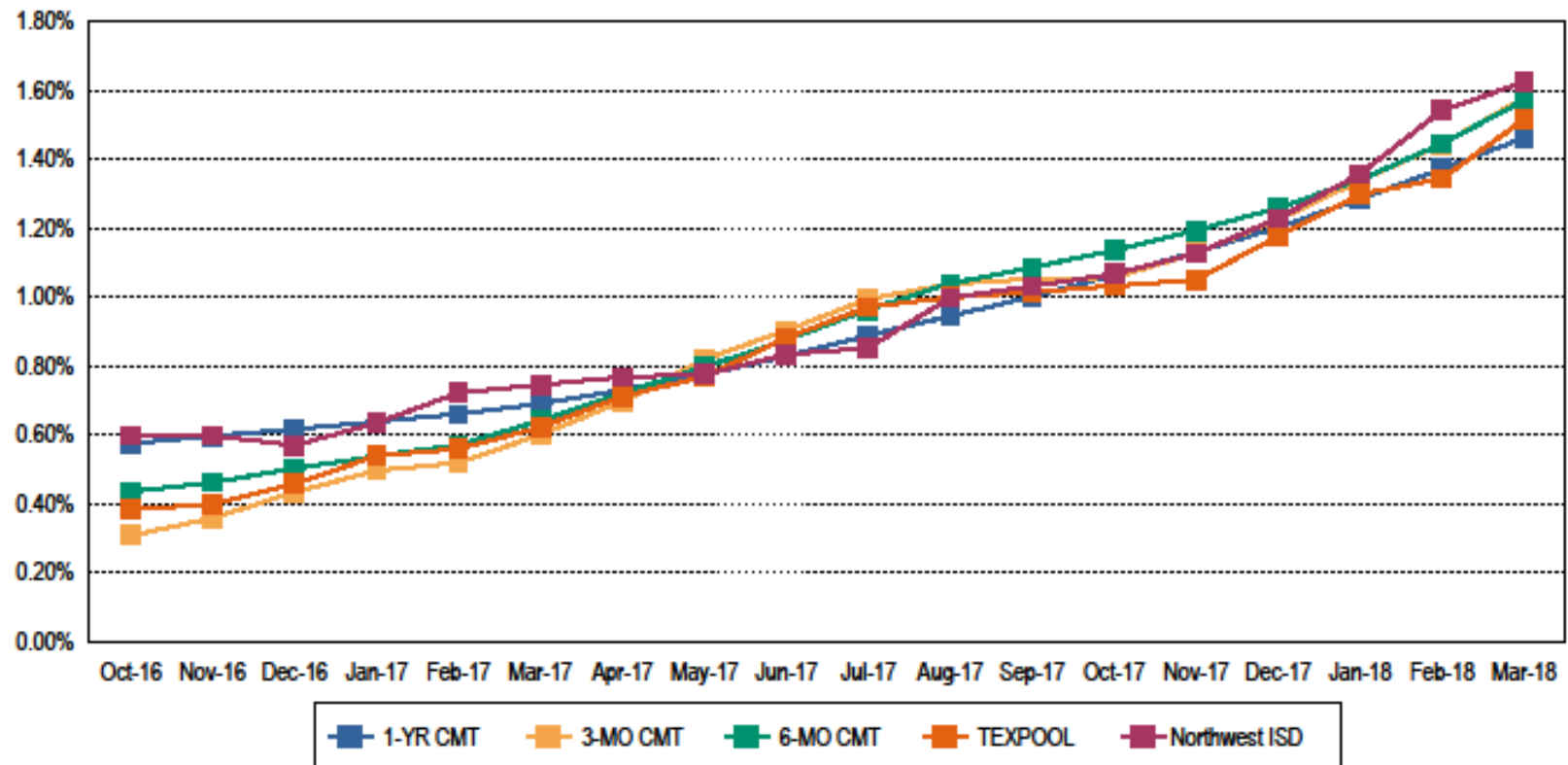
Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 112





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.