
May Investment Report

June 25, 2018

FirstSouthwest
AssetManagement
A Hilltop Holdings Company.



Investment Portfolio Summary

Northwest ISD



For the Month Ended

May 31, 2018

Prepared by
FirstSouthwest 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 - MAY 2018:

The month of May looked a lot like April as mixed economic data and geopolitical concerns resulted in a fair amount of market volatility. The month opened with April nonfarm payrolls rising by +164k, missing the +193k Bloomberg median forecast, but upward revisions added +30k to the prior two months, essentially making up the difference. The unemployment rate fell from 4.1% to 3.9%, the lowest since 2000 and well below what has historically been considered full employment, raising concerns that larger wage increases will soon follow. But, with average hourly earnings up just +0.1% in April and +2.6% year-over-year that has not been the case thus far. The ISM manufacturing index slowed for the second straight month, cooling to 57.3 in April from 59.3 in March and an 18-year high of 60.8 in February. However, prices are climbing as the 79.0 reading on the ISM prices paid index was the highest in seven years. It was the same story on the ISM non-manufacturing (service sector) index; down from 58.8 to 56.8 in April, still historically high ...just less so. Tariff concerns and rising prices were two factors cited in both surveys. On the inflation front, both consumer and producer prices fell short of forecasts and generally eased in April. If Owner Equivalent Rent (OER) had not jumped, core CPI would have actually fallen in April. The Fed's preferred inflation measure- personal consumption expenditures (PCE), which lags a month behind, was unchanged in March, although the year-over-year pace climbed from +1.8% to +2.0%. Core PCE rose +0.2% in March, pushing the year-over-year core rate up from +1.6% to +1.9%, very close to the Fed's +2.0% target. Consumer spending improved in April as headline retail sales gained +0.3% while March's original +0.6% gain was revised up to +0.8%. Without grinding through all the other numbers, the bottom line is that Q1 spending was better than previously thought and Q2 is off to a slightly better start.

The apparent improvements in consumer spending and hints of firming inflation data pushed bond yields higher through the first three weeks of the month. The two-year Treasury note yield touched 2.59% mid-month while the 10-year yield topped 3.10% for the first time in seven years. The rise in yields came to an abrupt end on May 23rd following the release of the May FOMC minutes. While the minutes signaled a June rate hike was likely, they did not affirm recent speculation that additional hikes would follow in September and December. The overall tone of the minutes was less hawkish than markets had feared, sparking a rally in bond prices. The rally got a further boost when President Trump announced he was cancelling the planned North Korean summit and considering tariffs on imported automobiles. A few days later, after the Memorial Day weekend, yields took another leg down on news that Italy was having trouble forming a new government, raising concerns that the third largest economy in the Eurozone could potentially leave the common currency. At one point, the yield on the two-year Treasury note fell to 2.32% while the 10-year slid to 2.78%. Some of that rally reversed into month end, but the closing yields of 2.43% and 2.86% on the two-year and 10-year respectively were well below the mid-month highs and down for the month. Looking forward, a June rate hike seems to be a forgone conclusion. Beyond that, the picture is clouded by threatened trade wars and geopolitical uncertainty.

**For the Month Ended
May 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 04/30/18

Ending Values as of 05/31/18

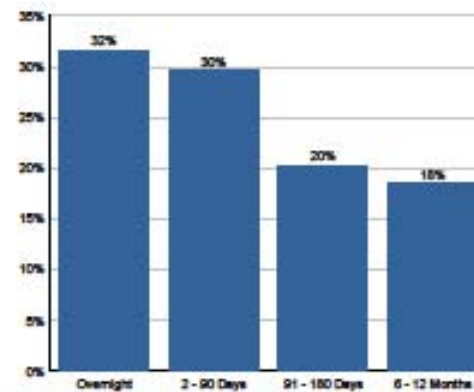
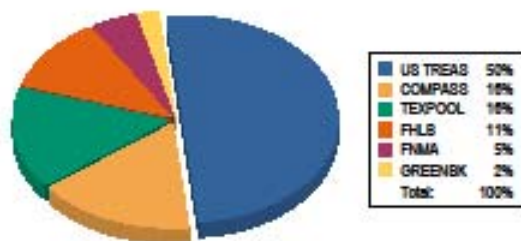
Par Value	249,553,542.00	221,400,988.49
Market Value	248,998,498.00	220,988,731.49
Book Value	249,153,588.68	221,106,276.44
Unrealized Gain /(Loss)	(155,090.68)	(117,544.95)
Market Value %	99.94%	99.95%
Weighted Avg. YTW	1.693%	1.753%
Weighted Avg. YTM	1.693%	1.753%



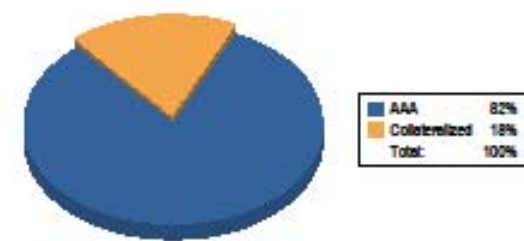
Allocation by Issuer

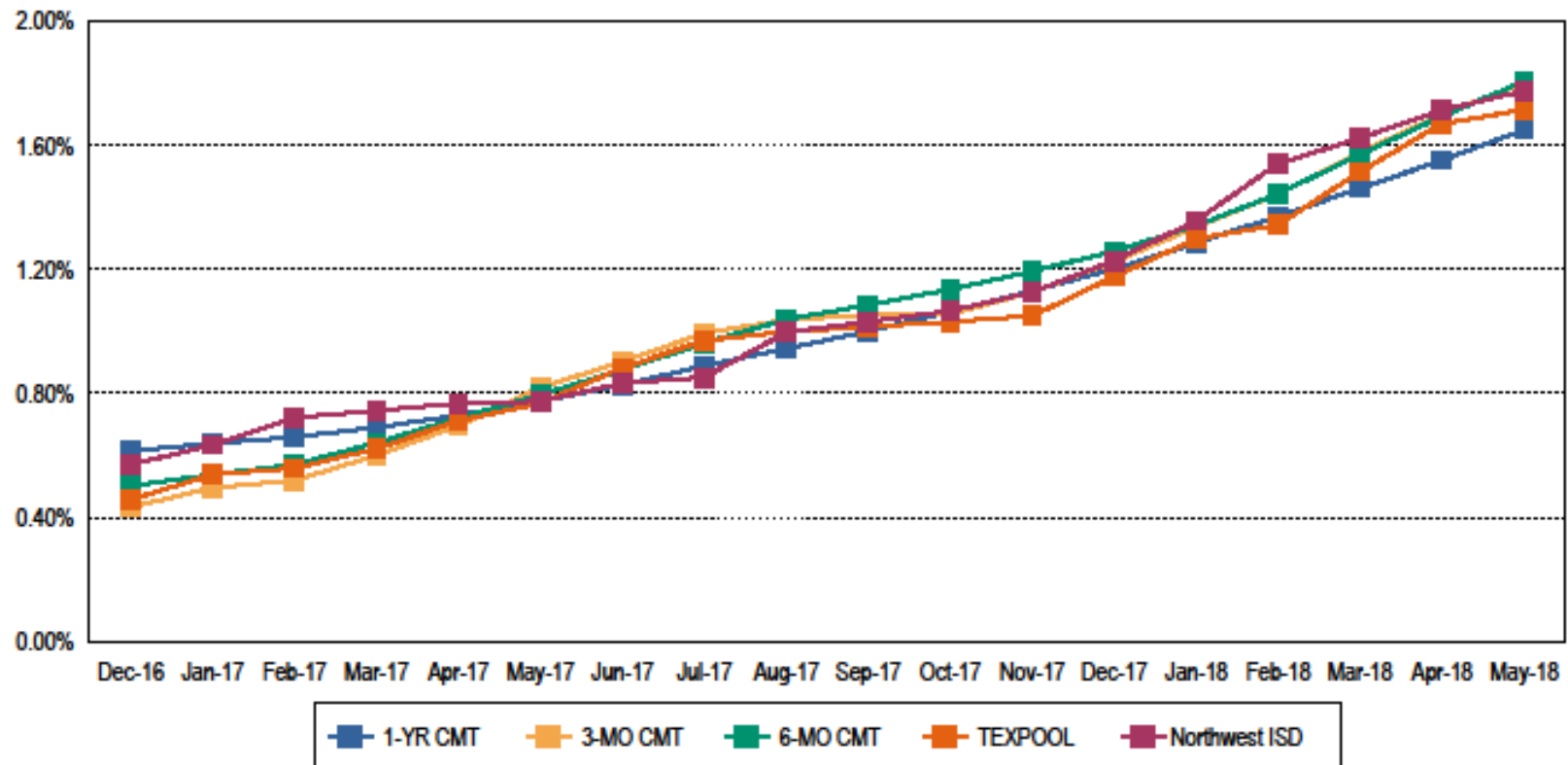
Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 87





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.