January Investment Report

February 24, 2014

FirstSouthwest
A PlainsCapital Company.

Investment Portfolio Summary

Northwest ISD

Northwest Independent School District
Teamwork
Pride
Excellence

For the Month Ended

January 31, 2014

Prepared by
FirstSouthwest Asset Management

Table of Contents / Market Recap

Report Name

MARKET RECAP:

The new year began with high hopes as most of the major economic indicators released during December had been stronger than expected. Financial markets seemed comfortable with the Fed's tapering plans and U.S. stock markets stood at record highs. The first major report of the year bolstered that optimism as the ISM manufacturing index for December came in at 57.0, the second highest reading since April 2011, trailing only November's 57.3. Unfortunately, the optimism was quickly dashed a few days later when a very weak December employment report set the stage for a month of disappointment. The employment report showed the economy created a measly 74,000 new jobs in December, well below the Bloomberg median forecast for 197,000. Curiously, the unemployment rate declined sharply, from 7.0% to 6.7%, but that was primarily the result of 525k people exiting the labor force, which dragged the participation rate back down to a 35-year low of 62.8%. As January progressed, other indicators tended to the weak side. December retail sales topped forecasts, but downward revisions to November soured the result. Existing home sales advanced 1% in December, but only because November data was revised lower. The 4.87 million unit annual sales pace in December was actually below the original November number. Pending home sales plummeted, setting the stage for further weakness to come. Inflation remains very modest as headline CPI advanced just 1.5% in 2013, while core-CPI rose only 1.7%.

Although cold weather was no doubt a factor in much of the December weakness, weather alone cannot explain the soft data. After reaching record highs to close out 2013, U.S. stock markets had a terrible month with the Dow falling nearly 900 points, down 5.3%, and the S&P 500 off 3.6%. Stock markets around the world slid as well, with emerging markets getting hit particularly hard. This is a complex story, but the essence is that the flow of money that had gravitated toward emerging markets in search of higher returns over the last few years has begun to reverse course. Foreign currencies are falling while the dollar is strengthening. The Fed's QE tapering has taken some of the blame, but weak growth abroad is also a factor. As January drew to a close, the Fed shrugged off the market woes and plowed ahead with a further $10 billion tapering of their QE program, taking the monthly purchase pace down to $65 billion. February will be a critical month for economic data as economists and investors seek to determine whether the recent spate of soft data was merely a fluke caused by cold weather and winter storms, or more ominously, a sign of an economy struggling with the withdrawal of Fed support.

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Northwest ISD

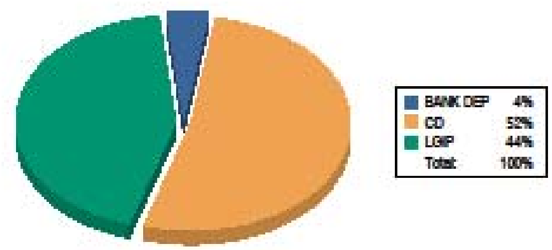
Executive Summary

As of 01/31/14

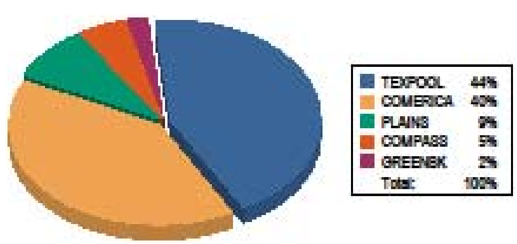
Account Summary

	Beginning Values as of 12/31/13	Ending Values as of 01/31/14
Par Value	160,911,385.85	232,903,027.70
Market Value	160,911,385.85	232,903,027.70
Book Value	160,911,385.85	232,903,027.70
Unrealized Gain / Loss	0.00	0.00
Market Value %	**100.00%**	**100.00%**
Weighted Avg. YTW	0.227%	0.171%
Weighted Avg. YTM	0.227%	0.171%

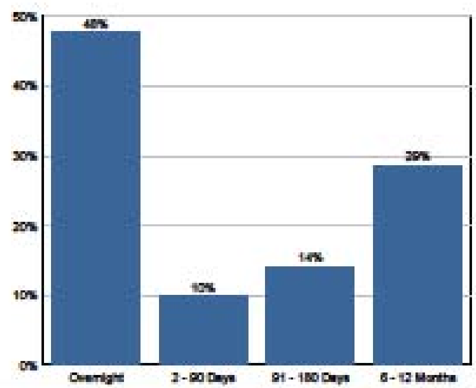
Allocation by Security Type



Allocation by Issuer

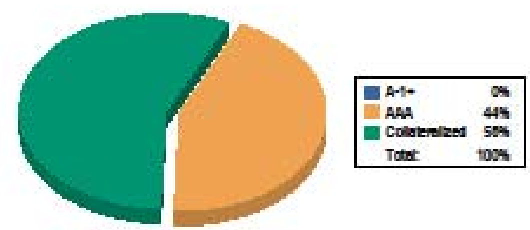


Maturity Distribution %



Weighted Average Days to Maturity: 98

Credit Quality



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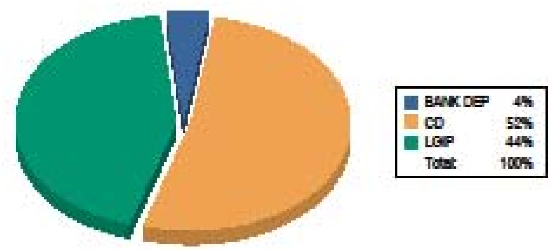

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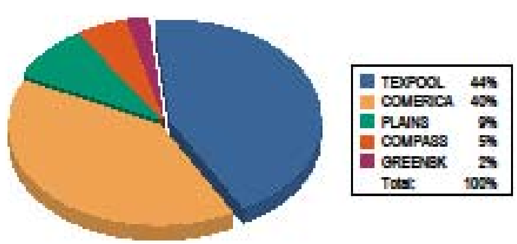

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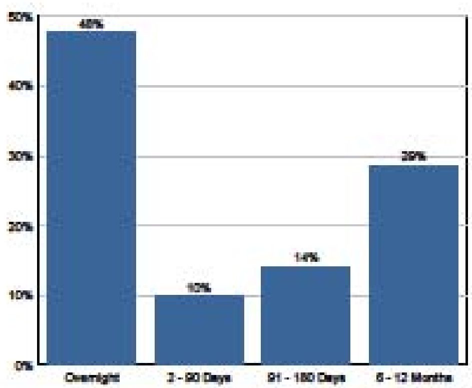

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