

# INVESTMENT REPORT

City of Frisco  
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CDC Funds

October 1 to December 31, 2023



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## Market Recap

The November bond market rally (the strongest since 1985) continued in December, driving the 12-month Treasury-bill yield to its lowest level since May. Whereas in November, the rally primarily resulted from an intangible shift in investor sentiment, December gains were fueled by encouraging progress on inflation and a growing sense that the Fed had not only completed its tightening campaign but would soon begin to cut rates.

There were plenty of economy releases to sift through in December, and although most of the data suggested growth was moderating in the final quarter of the year, the overriding theme was that inflation was retreating faster than expected. Fed officials had indicated all year that unemployment would have to rise, and GDP would have to weaken significantly in order to wrangle inflation down to their +2.0% target, but the idea that positive growth could coexist with lower prices became more of a reality as the year drew to a close.

The November CPI numbers were mostly on target. Falling prices at the gas pump contributed to a benign +0.1% rise in the overall number, while persistent housing costs pushed the core rate up +0.3% for the month. On a year-over basis, overall CPI retreated from +3.2% to +3.1%, while core CPI remained at +4.0%. But it was the second-tier inflation data that drew the attention of investors . . . and likely Fed officials. The November personal consumption expenditures (PCE) index fell -0.1% and core PCE rose just +0.1%, while the previous month's core reading was revised downward from +0.2% to +0.1%. On a year-over-year basis, the overall PCE price index was increasing at a +2.6% pace, and core PCE at a +3.2% rate. More importantly, over the last six months core PCE was up by just +1.9% on an annualized basis, indicating that the inflation measure preferred by Fed officials seemed to be on target through November. Adding to the positive inflation news was a downward revision to third quarter core PCE from +2.3% to +2.0%.

The FOMC meeting on December 21st turned out to be the most important news event of the month, (possibly the year). Fed officials, as expected, held the overnight target rate steady for the third straight meeting, while the updated dot plot (also no surprise) showed a lower funds rate at the end of next year. At the post-meeting press conference,

Chairman Jay Powell began his prepared comments by declaring inflation was still too high and added that the committee was proceeding carefully, which should have signaled a continuation of the Fed's patient, wait-and-see approach. In the Q&A that followed, Powell even mentioned that it was premature to declare victory on inflation, which hinted it was too early to dismiss the idea of rate hikes. But what the markets actually heard, loud and clear, was Powell's admission that the FOMC had discussed the timing of rate cuts. Until this point, rate cuts had not been mentioned at all by policymakers. In fact, the September dot plot had actually indicated one more 25 basis point hike this year, followed by two cuts in 2024. The December dot plot showed (just) three rates cuts next year. If sentiment wasn't so firmly established, investors might have recognized that the rally had already moved beyond Fed forecasts and sold off, but the buying frenzy just accelerated further. By the end of the December, the futures market had priced-in more than six rate cuts for next year, starting at the March FOMC meeting.

Whether Fed officials "proceed carefully" with just three cuts beginning in the second half of the year or follow the market's more aggressive lead, remains to be seen. The next move by committee members will most certainly be a rate cut, the questions are now *when will the rate cuts begin?* and *how low will the Fed go?*

## Investment Officers' Certification

This report is prepared for the City of Frisco (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.

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



Derrick Cotten

*Interim Chief Financial Officer*



Brett Peterson

*Budget and Strategic Planning Manager*

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## Portfolio Overview

### Portfolio Summary

	Prior 30 Sep-23	Current 31 Dec-23
Par Value	101,827,098.26	108,646,510.02
Original Cost	100,683,672.58	107,679,261.01
Book Value	101,052,557.00	108,126,876.86
Market Value	101,001,376.80	108,149,638.25
Accrued Interest	68,754.97	209,707.38
Book Value Plus Accrued	101,121,311.97	108,336,584.24
Market Value Plus Accrued	101,070,131.77	108,359,345.63
Net Unrealized Gain/(Loss)	(51,180.20)	22,761.39

### Income Summary

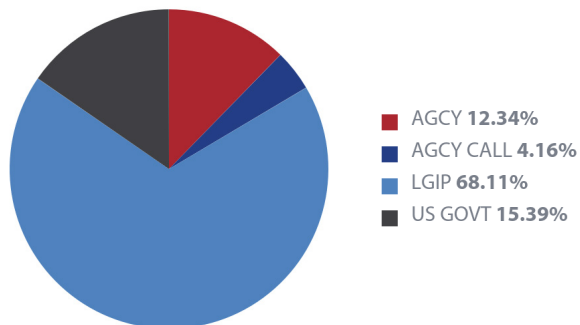
Current Period	1 Oct-23 to 31 Dec-23
Interest Income	1,150,779.12
Net Amortization/Accretion	252,868.09
Realized Gain/(Loss)	0.00
Net Income	1,403,647.22

Fiscal Year-to-Date	1 Jan-23 to 31 Dec-23
Net Income	4,458,847.42

### Portfolio Characteristics

	Prior 30 Sep-23	Current 31 Dec-23
Yield to Maturity	5.266%	5.335%
Yield to Worst	5.266%	5.335%
Days to Final Maturity	75	55
Days to Effective Maturity	75	55
Duration	0.58	0.46

### Asset Allocation

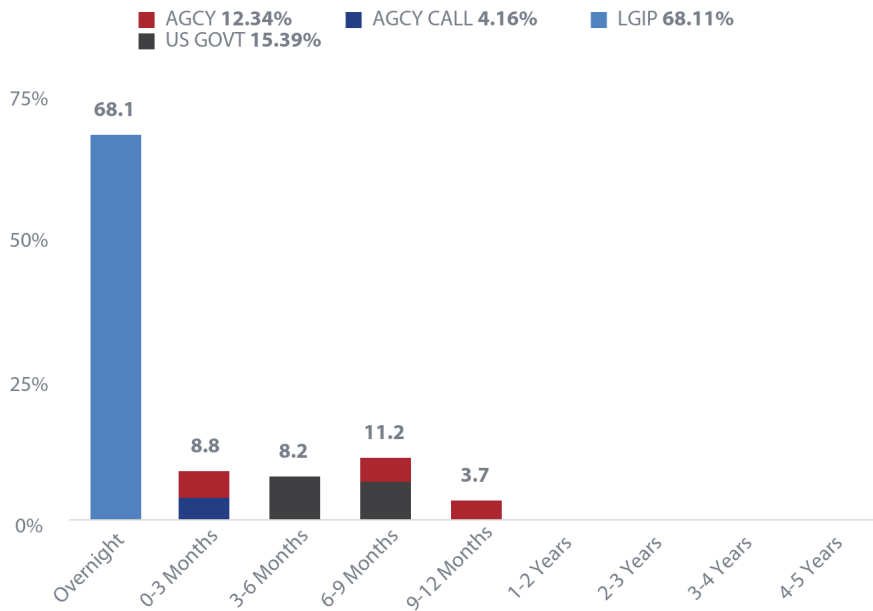


### Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
Buy	4,000,000.00	(4,002,040.00)	(611.11)	(4,002,651.11)	0.00
Maturity	(4,000,000.00)	4,000,000.00	0.00	4,000,000.00	0.00
Coupon	0.00	0.00	53,750.00	53,750.00	0.00

## Portfolio Overview

### Maturity Distribution by Security Type



### Top Ten Holdings

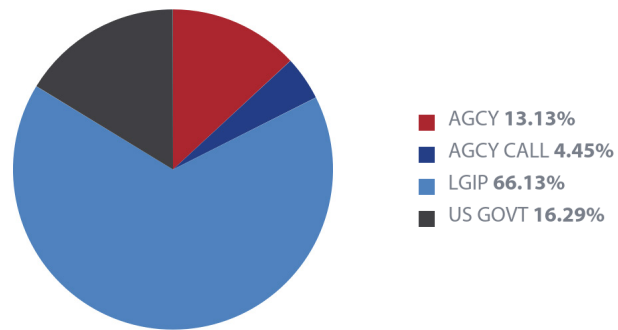
Issuer	Allocation
TEXPOOL	65.41%
United States Department of The Treasury	15.39%
Federal Home Loan Banks	12.34%
Federal National Mortgage Association	4.16%
TEXSTAR	2.70%

### Maturity Distribution by Security Type

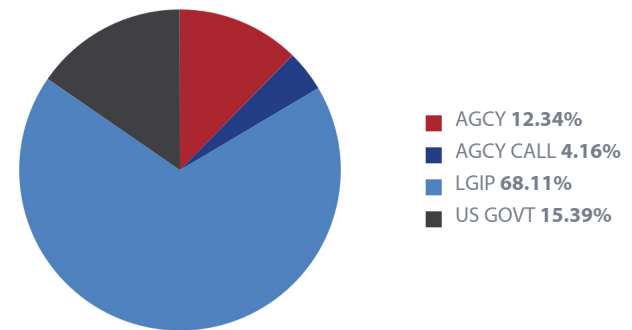
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
AGCY	--	4,999,223.77	--	4,338,257.81	4,001,661.12	--	--	--	--	13,339,142.71
AGCY CALL	--	4,500,000.00	--	--	--	--	--	--	--	4,500,000.00
LGIP	73,646,510.02	--	--	--	--	--	--	--	--	73,646,510.02
US GOVT	--	--	8,862,879.84	7,778,344.30	--	--	--	--	--	16,641,224.13
<b>Total</b>	<b>73,646,510.02</b>	<b>9,499,223.77</b>	<b>8,862,879.84</b>	<b>12,116,602.11</b>	<b>4,001,661.12</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>108,126,876.86</b>

## Asset Allocation

Asset Allocation by Security Type as of  
30-Sep-2023



Asset Allocation by Security Type as of  
31-Dec-2023



## Book Value Basis Security Distribution

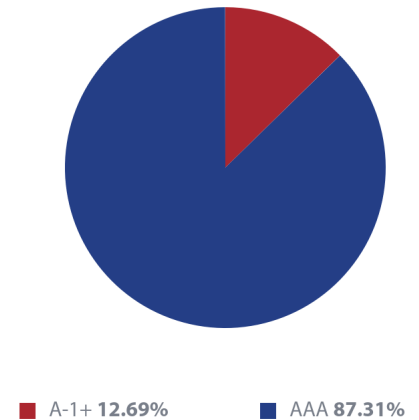
Security Type	Prior Balance 30-Sep-23	Prior Allocation 30-Sep-23	Change in Allocation	Current Balance 31-Dec-23	Current Allocation 31-Dec-23	Yield to Maturity
AGCY	13,266,791.99	13.13%	(0.79%)	13,339,142.71	12.34%	5.369%
AGCY CALL	4,500,000.00	4.45%	(0.29%)	4,500,000.00	4.16%	5.115%
LGIP	66,827,098.26	66.13%	1.98%	73,646,510.02	68.11%	5.368%
US GOVT	16,458,666.76	16.29%	(0.90%)	16,641,224.13	15.39%	5.218%
<b>Portfolio Total</b>	<b>101,052,557.00</b>	<b>100.00%</b>		<b>108,126,876.86</b>	<b>100.00%</b>	<b>5.335%</b>

## Credit Rating Summary

### Rating Distribution

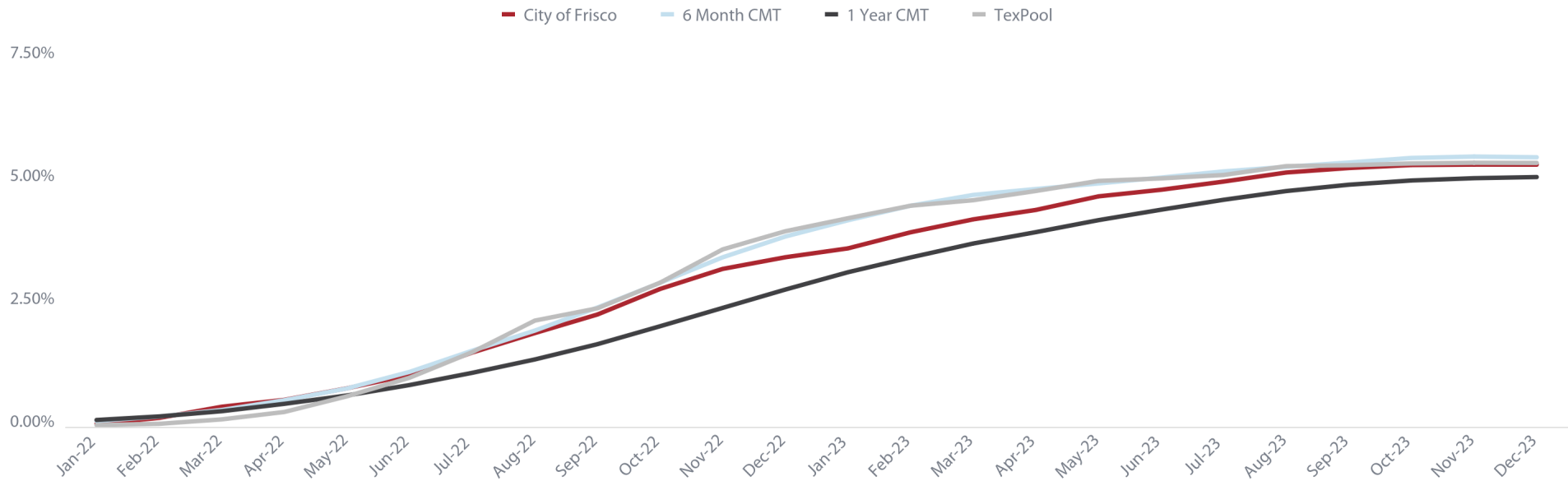
	Book Value	Portfolio Allocation
<b>Local Government Investment Pools &amp; Money Market Funds</b>		
AAA	73,646,510.02	68.11%
<b>Total Local Government Investment Pools &amp; Money Market Funds</b>	<b>73,646,510.02</b>	<b>68.11%</b>
<b>Short Term Rating Distribution</b>		
A-1+	13,718,592.15	12.69%
<b>Total Short Term Rating Distribution</b>	<b>13,718,592.15</b>	<b>12.69%</b>
<b>Long Term Rating Distribution</b>		
AAA	20,761,774.69	19.20%
<b>Total Long Term Rating Distribution</b>	<b>20,761,774.69</b>	<b>19.20%</b>
<b>Portfolio Total</b>	<b>108,126,876.86</b>	<b>100.00%</b>

### Allocation by Rating





## Benchmark Comparison



## Yield Overview

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
City of Frisco	0.06	0.18	0.41	0.55	0.78	1.06	1.51	1.91	2.29	2.81	3.21	3.45	3.63	3.96	4.22	4.41	4.69	4.82	4.99	5.18	5.27	5.33	5.34	5.34
6 Month CMT	0.12	0.21	0.34	0.54	0.78	1.12	1.55	1.96	2.43	2.93	3.45	3.87	4.20	4.50	4.72	4.84	4.95	5.07	5.20	5.29	5.38	5.47	5.50	5.48
1 Year CMT	0.14	0.21	0.32	0.47	0.64	0.85	1.10	1.37	1.68	2.05	2.42	2.79	3.15	3.45	3.73	3.96	4.21	4.42	4.62	4.80	4.93	5.01	5.06	5.08
TexPool	0.04	0.06	0.15	0.30	0.62	1.00	1.52	2.16	2.41	2.93	3.61	3.98	4.24	4.50	4.61	4.80	5.00	5.05	5.12	5.30	5.32	5.36	5.37	5.37

## 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
700-CDC Fund	56,278,057.62	56,226,877.42	7,622,614.61	63,826,730.64	63,849,492.03	804,735.57	92	5.311%	5.311%
720-CDC Fund-Remediation	44,774,499.38	44,774,499.38	(474,353.16)	44,300,146.22	44,300,146.22	598,911.65	1	5.369%	5.369%
<b>Total</b>	<b>101,052,557.00</b>	<b>101,001,376.80</b>	<b>7,148,261.45</b>	<b>108,126,876.86</b>	<b>108,149,638.25</b>	<b>1,403,647.22</b>	<b>55</b>	<b>5.335%</b>	<b>5.335%</b>

## 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
<b>700-CDC Fund</b>																		
TEXPOOL		LGIP	TexPool		12/31/23			26,428,123.11	100.000	26,428,123.11	26,428,123.11	100.000	26,428,123.11	1		5.369	5.369	AAA
TEXSTAR		LGIP	TexSTAR		12/31/23			2,918,240.69	100.000	2,918,240.69	2,918,240.69	100.000	2,918,240.69	1		5.338	5.338	AAA
3130AV3G5	02/28/23	AGCY	FHLB	5.125	02/23/24			5,000,000.00	99.894	4,994,706.60	4,999,223.77	99.934	4,996,685.00	54		5.236	5.236	AAA
3135GAG70	03/31/23	AGCY CALL	FNMA	5.100	03/28/24		Expired	4,500,000.00	100.000	4,500,000.00	4,500,000.00	99.892	4,495,135.50	88		5.115	5.115	A-1+
912796CX5	04/20/23	US GOVT	U.S. Treasury Bill	0.000	04/18/24			2,000,000.00	95.421	1,908,413.56	1,972,826.00	98.450	1,968,999.72	109		4.769	4.769	A-1+
91282CER8	05/31/23	US GOVT	U.S. Treasury Note	2.500	05/31/24			4,000,000.00	97.367	3,894,687.50	3,955,989.94	98.859	3,954,375.00	152		5.237	5.237	AAA
91282CCG4	06/07/23	US GOVT	U.S. Treasury Note	0.250	06/15/24			3,000,000.00	95.113	2,853,398.44	2,934,063.90	97.781	2,933,437.50	167		5.222	5.222	AAA
91282CCL3	07/17/23	US GOVT	U.S. Treasury Note	0.375	07/15/24			5,000,000.00	95.277	4,763,867.19	4,870,835.96	97.500	4,875,000.00	197		5.313	5.313	AAA
912797GK7	08/10/23	US GOVT	U.S. Treasury Bill	0.000	08/08/24			3,000,000.00	94.899	2,846,968.33	2,907,508.33	97.110	2,913,312.51	221		5.334	5.334	A-1+
313384E88	09/13/23	AGCY	FHLB	0.000	09/06/24			4,500,000.00	94.859	4,268,669.37	4,338,257.81	96.625	4,348,143.00	250		5.452	5.452	A-1+
3130AXL89	10/24/23	AGCY	FHLB	5.500	10/23/24			4,000,000.00	100.051	4,002,040.00	4,001,661.12	100.451	4,018,040.00	297		5.447	5.447	AAA
<b>Total 700-CDC Fund</b>								<b>64,346,363.80</b>		<b>63,379,114.79</b>	<b>63,826,730.64</b>		<b>63,849,492.03</b>	<b>92</b>		<b>5.311</b>	<b>5.311</b>	
<b>720-CDC Fund-Remediation</b>																		
TEXPOOL		LGIP	TexPool		12/31/23			44,300,146.22	100.000	44,300,146.22	44,300,146.22	100.000	44,300,146.22	1		5.369	5.369	AAA
<b>Total 720-CDC Fund-Remediation</b>								<b>44,300,146.22</b>		<b>44,300,146.22</b>	<b>44,300,146.22</b>		<b>44,300,146.22</b>	<b>1</b>		<b>5.369</b>	<b>5.369</b>	
<b>Grand Total</b>								<b>108,646,510.02</b>		<b>107,679,261.01</b>	<b>108,126,876.86</b>		<b>108,149,638.25</b>	<b>55</b>		<b>5.335</b>	<b>5.335</b>	

## 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
<b>700-CDC Fund</b>										
313384NH8	AGCY	FHLB	0.00	0.00	0.00	0.00	0.00	11,064.08	0.00	11,064.08
TEXPOOL	LGIP	TexPool	0.00	318,917.75	318,917.75	0.00	0.00	0.00	0.00	318,917.75
TEXSTAR	LGIP	TexSTAR	0.00	38,858.42	38,858.42	0.00	0.00	0.00	0.00	38,858.42
3130AV3G5	AGCY	FHLB	27,048.61	64,062.50	0.00	0.00	91,111.11	1,347.41	0.00	65,409.91
3135GAG70	AGCY CALL	FNMA	1,912.50	57,375.00	0.00	0.00	59,287.50	0.00	0.00	57,375.00
912796CX5	US GOVT	U.S. Treasury Bill	0.00	0.00	0.00	0.00	0.00	23,148.22	0.00	23,148.22
91282CER8	US GOVT	U.S. Treasury Note	33,606.56	25,136.61	50,000.00	0.00	8,743.17	26,367.88	0.00	51,504.49
91282CCG4	US GOVT	U.S. Treasury Note	2,213.11	1,885.25	3,750.00	0.00	348.36	35,784.80	0.00	37,670.05
91282CCL3	US GOVT	U.S. Treasury Note	3,974.18	4,687.50	0.00	0.00	8,661.68	58,578.14	0.00	63,265.64
912797GK7	US GOVT	U.S. Treasury Bill	0.00	0.00	0.00	0.00	0.00	38,678.33	0.00	38,678.33
313384E88	AGCY	FHLB	0.00	0.00	0.00	0.00	0.00	58,278.11	0.00	58,278.11
3130AXL89	AGCY	FHLB	0.00	40,944.45	0.00	(611.11)	41,555.56	(378.88)	0.00	40,565.57
<b>Total 700-CDC Fund</b>			<b>68,754.97</b>	<b>551,867.47</b>	<b>411,526.17</b>	<b>(611.11)</b>	<b>209,707.38</b>	<b>252,868.09</b>	<b>0.00</b>	<b>804,735.57</b>
<b>720-CDC Fund-Remediation</b>										
TEXPOOL	LGIP	TexPool	0.00	598,911.65	598,911.65	0.00	0.00	0.00	0.00	598,911.65
<b>Total 720-CDC Fund-Remediation</b>			<b>0.00</b>	<b>598,911.65</b>	<b>598,911.65</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>598,911.65</b>
<b>Grand Total</b>			<b>68,754.97</b>	<b>1,150,779.12</b>	<b>1,010,437.82</b>	<b>(611.11)</b>	<b>209,707.38</b>	<b>252,868.09</b>	<b>0.00</b>	<b>1,403,647.22</b>

## 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
<b>700-CDC Fund</b>															
<b>Buy</b>															
3130AXL89	10/23/23	10/24/23	AGCY	FHLB	5.500	10/23/24		4,000,000.00	100.051	4,002,040.00	611.11	4,002,651.11	0.00	5.447	5.447
<b>Total Buy</b>								<b>4,000,000.00</b>		<b>4,002,040.00</b>	<b>611.11</b>	<b>4,002,651.11</b>	<b>0.00</b>		
<b>Coupon</b>															
91282CER8	11/30/23	11/30/23	US GOVT	U.S. Treasury Note	2.500	05/31/24		0.00		0.00	50,000.00	50,000.00	0.00	--	--
91282CCG4	12/15/23	12/15/23	US GOVT	U.S. Treasury Note	0.250	06/15/24		0.00		0.00	3,750.00	3,750.00	0.00	--	--
<b>Total Coupon</b>								<b>0.00</b>		<b>0.00</b>	<b>53,750.00</b>	<b>53,750.00</b>	<b>0.00</b>		
<b>Maturity</b>															
313384NH8	10/23/23	10/23/23	AGCY	FHLB	0.000	10/23/23		(4,000,000.00)	100.000	4,000,000.00	0.00	4,000,000.00	0.00	--	--
<b>Total Maturity</b>								<b>(4,000,000.00)</b>		<b>4,000,000.00</b>	<b>0.00</b>	<b>4,000,000.00</b>	<b>0.00</b>		

## Investment Transactions Totals

Transaction Type	Quantity	Principal Amount	Interest	Total Amount	Realized G/L	YTM	YTW
Total Buy	4,000,000.00	(4,002,040.00)	(611.11)	(4,002,651.11)	0.00	5.447	5.447
Total Maturity	(4,000,000.00)	4,000,000.00	0.00	4,000,000.00	0.00	4.539	4.539
Total Coupon	0.00	0.00	53,750.00	53,750.00	0.00		

## 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
<b>700-CDC Fund</b>										
313384NH8	10/31/22	AGCY	FHLB	0.00	0.000	0.00	11,064.08	0.00	0.00	0.00
3130AV3G5	02/28/23	AGCY	FHLB	5,000,000.00	99.894	4,994,706.60	1,347.41	4,517.17	(776.23)	4,999,223.77
3135GAG70	03/31/23	AGCY CALL	FNMA	4,500,000.00	100.000	4,500,000.00	0.00	0.00	0.00	4,500,000.00
912796CX5	04/20/23	US GOVT	U.S. Treasury Bill	2,000,000.00	95.421	1,908,413.56	23,148.22	64,412.44	(27,174.00)	1,972,826.00
91282CER8	05/31/23	US GOVT	U.S. Treasury Note	4,000,000.00	97.367	3,894,687.50	26,367.88	61,302.44	(44,010.06)	3,955,989.94
91282CCG4	06/07/23	US GOVT	U.S. Treasury Note	3,000,000.00	95.113	2,853,398.44	35,784.80	80,665.46	(65,936.10)	2,934,063.90
91282CCL3	07/17/23	US GOVT	U.S. Treasury Note	5,000,000.00	95.277	4,763,867.19	58,578.14	106,968.77	(129,164.04)	4,870,835.96
912797GK7	08/10/23	US GOVT	U.S. Treasury Bill	3,000,000.00	94.899	2,846,968.33	38,678.33	60,540.00	(92,491.67)	2,907,508.33
313384E88	09/13/23	AGCY	FHLB	4,500,000.00	94.859	4,268,669.37	58,278.11	69,588.44	(161,742.19)	4,338,257.81
3130AXL89	10/24/23	AGCY	FHLB	4,000,000.00	100.051	4,002,040.00	(378.88)	(378.88)	1,661.12	4,001,661.12
<b>Total 700-CDC Fund</b>				<b>35,000,000.00</b>		<b>34,032,750.99</b>	<b>252,868.09</b>	<b>447,615.85</b>	<b>(519,633.16)</b>	<b>34,480,366.84</b>
<b>Grand Total</b>				<b>35,000,000.00</b>		<b>34,032,750.99</b>	<b>252,868.09</b>	<b>447,615.85</b>	<b>(519,633.16)</b>	<b>34,480,366.84</b>

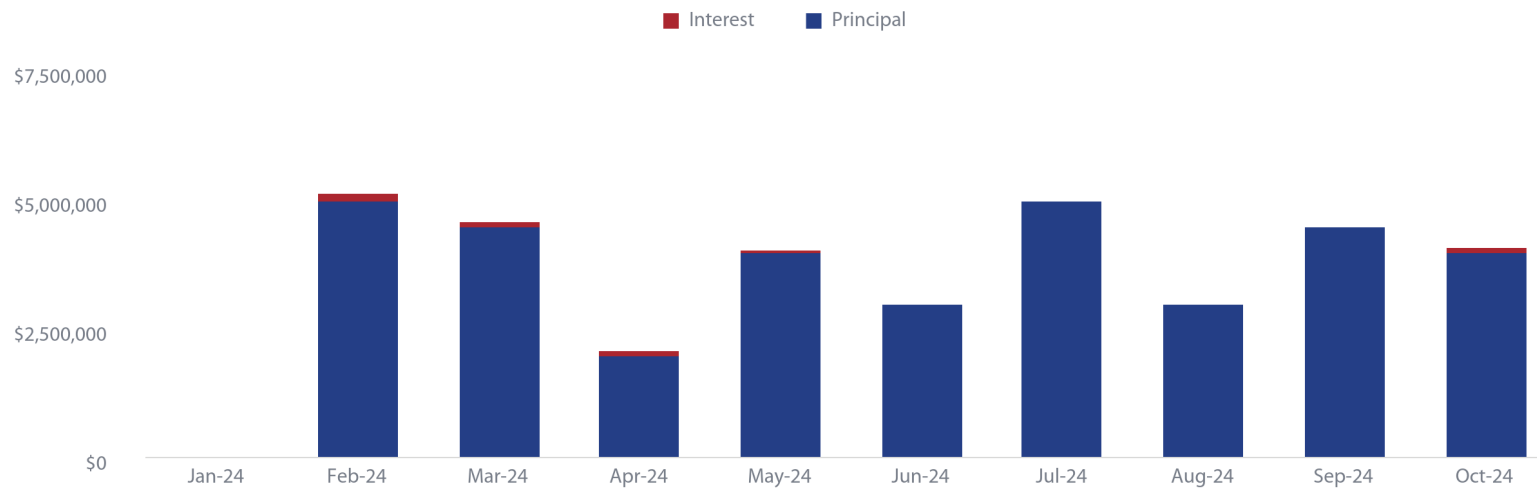
## Projected Cash Flows

CUSIP	Security Description	Post Date	Interest	Principal	Total Amount
<b>700-CDC Fund</b>					
91282CCL3	U.S. Treasury Note 0.375 07/15/2024	01/16/24	9,375.00		9,375.00
3130AV3G5	FHLB	02/23/24	128,125.00		128,125.00
3130AV3G5	FHLB	02/23/24		5,000,000.00	5,000,000.00
3135GAG70	FNMA	03/28/24	114,750.00		114,750.00
3135GAG70	FNMA	03/28/24		4,500,000.00	4,500,000.00
912796CX5	U.S. Treasury Bill	04/18/24		2,000,000.00	2,000,000.00
3130AXL89	FHLB	04/23/24	110,000.00		110,000.00
91282CER8	U.S. Treasury Note	05/31/24	50,000.00		50,000.00
91282CER8	U.S. Treasury Note	05/31/24		4,000,000.00	4,000,000.00
91282CCG4	U.S. Treasury Note	06/17/24	3,750.00		3,750.00
91282CCG4	U.S. Treasury Note	06/17/24		3,000,000.00	3,000,000.00
91282CCL3	U.S. Treasury Note	07/15/24	9,375.00		9,375.00
91282CCL3	U.S. Treasury Note	07/15/24		5,000,000.00	5,000,000.00
912797GK7	U.S. Treasury Bill	08/08/24		3,000,000.00	3,000,000.00
313384E88	FHLB	09/06/24		4,500,000.00	4,500,000.00
3130AXL89	FHLB	10/23/24	110,000.00		110,000.00
3130AXL89	FHLB	10/23/24		4,000,000.00	4,000,000.00
<b>Grand Total</b>			<b>535,375.00</b>	<b>35,000,000.00</b>	<b>35,535,375.00</b>



## Projected Cash Flows Totals

Month and Year	Interest	Principal	Total Amount
January 2024	9,375.00		9,375.00
February 2024	128,125.00	5,000,000.00	5,128,125.00
March 2024	114,750.00	4,500,000.00	4,614,750.00
April 2024	110,000.00	2,000,000.00	2,110,000.00
May 2024	50,000.00	4,000,000.00	4,050,000.00
June 2024	3,750.00	3,000,000.00	3,003,750.00
July 2024	9,375.00	5,000,000.00	5,009,375.00
August 2024		3,000,000.00	3,000,000.00
September 2024		4,500,000.00	4,500,000.00
October 2024	110,000.00	4,000,000.00	4,110,000.00
<b>Total</b>	<b>535,375.00</b>	<b>35,000,000.00</b>	<b>35,535,375.00</b>



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