



Monthly Newsletter: February 2020

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in January 2020:

TexPool

- Mills County
- Deep East Texas Self Insurance Fund
- Bexar County ESD 6
- Comal County ESD 4

TexPool Prime

- Trinity River Authority of Texas
- Deep East Texas Self Insurance Fund
- Bexar County ESD 6
- Comal County ESD 4

Upcoming Events

Feb 23, 2020 - Feb 26, 2020
San Antonio
GTOT Winter Seminar

Mar 02, 2020 - Mar 06, 2020
Houston
TASBO Annual Conference

TexPool Advisory Board Members

- | | |
|--------------------|-----------------|
| David Garcia | Jerry Dale |
| Patrick Krishock | David Landeros |
| Belinda Weaver | Sharon Matthews |
| Deborah Laudermilk | Vivian Wood |

Overseen by the State of Texas Comptroller of Public Accounts Glenn Hegar.

Operated under the supervision of the Texas Treasury Safekeeping Trust Company

Economic and Market Commentary: Range Bound

February 1, 2020

Only two words changed in last week's Federal Reserve's statement from the previous one, but those in the liquidity markets had plenty to digest in the form of the accompanying Implementation Note. It's the very definition of inside baseball, but its announcement of an increase in the rate on the reverse repo facility and the interest on excess returns (IOER) has wider implications.

The change is all about control. Policymakers want the rate for overnight transactions to be within the current fed fund's 1.5-1.75% bound. They raised IOER from 1.55% to 1.60% and reverse repo from 1.45% to 1.50%. It's a bit like bending the wire coat hanger analogy. Transaction rates moved higher in the summer, so regulators pushed the two rates lower. With the Fed's massive injection of liquidity into the system starting in September, these rates slipped and now it is shifting them in the other direction.

The level of bank reserves at the Fed play a role, too. Chair Powell is rumored to want to see them reach approximately \$1.5 trillion. Practically speaking, that will probably require getting to around \$1.8 trillion near the corporate tax date of March 15 when companies will pull \$300-some billion out and then again on April 15th for individual tax day. The corporate tax date was a factor in September and policymakers don't want to see that again. They are addressing the issue through open market operations, both temporary

(continued page 6)

Performance as of January 31, 2020

	TexPool	TexPool Prime
Current Invested Balance	\$27,591,000,523.58	\$7,847,428,895.38
Weighted Average Maturity**	29	33
Weighted Average Life**	91	68
Net Asset Value	1.00009	1.00021
Total Number of Participants	2599	411
Management Fee on Invested Balance	0.0450%	0.0550%
Interest Distributed	\$34,394,521.05	\$11,118,819.68
Management Fee Collected	\$854,771.09	\$313,061.30
Standard & Poor's Current Rating	AAAm	AAAm
Month Averages		
Average Invested Balance	\$25,444,041,121.20	\$7,404,424,714.11
Average Monthly Rate*	1.59%	1.80%
Average Weighted Average Maturity**	30	35
Average Weighted Average Life**	92	75

*This average monthly rate for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.

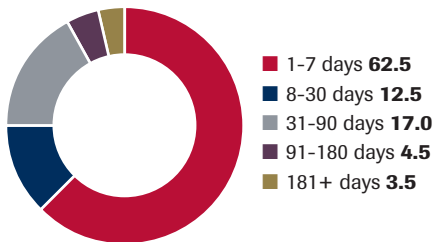
**See page 2 for definitions.

Past performance is no guarantee of future results.



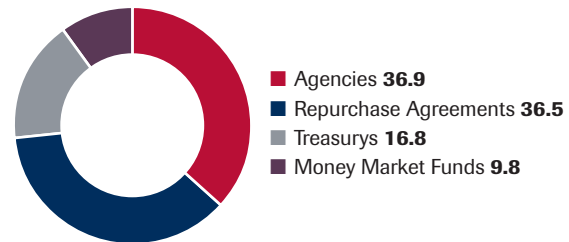
Portfolio by Maturity (%)

As of January 31, 2020



Portfolio by Type of Investment (%)

As of January 31, 2020



Portfolio Asset Summary as of January 31, 2020

	Book Value	Market Value
Uninvested Balance	\$2,259,868.32	\$2,259,868.32
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	23,040,661.60	23,040,661.60
Interest and Management Fees Payable	-34,394,627.18	-34,394,627.18
Payable for Investments Purchased	-241,187,524.99	-241,187,524.99
Accrued Expenses & Taxes	-28,960.19	-28,960.19
Repurchase Agreements	10,171,539,000.00	10,171,539,000.00
Mutual Fund Investments	2,731,074,000.00	2,731,074,000.00
Government Securities	10,272,639,027.11	10,272,767,550.28
U.S. Treasury Inflation Protected Securities	1,300,240,634.83	1,300,930,151.05
US Treasury Bills	1,720,514,990.35	1,721,138,279.81
US Treasury Notes	1,645,303,453.73	1,646,284,764.43
Total	\$27,591,000,523.58	\$27,593,423,163.14

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

Participant Summary

	Number of Participants	Balance
School District	597	\$9,468,327,546.41
Higher Education	59	\$1,316,060,649.33
Healthcare	86	\$1,355,022,932.72
Utility District	828	\$3,275,843,316.15
City	474	\$7,215,340,838.13
County	188	\$2,913,842,158.87
Other	367	\$2,044,181,203.14

**Definition of Weighted Average Maturity and Weighted Average Life

WAM is the mean average of the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid, (b) would be repaid upon a demand by TexPool, or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates set forth in (b) and (c) if their scheduled maturity is 397 days or less; and the later of the two dates set forth in (b) and (c) if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

WAL is calculated in the same manner as WAM, but is based solely on the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid or (b) would be repaid upon a demand by TexPool, without reference to when interest rates of securities within TexPool are scheduled to be readjusted.



Daily Summary

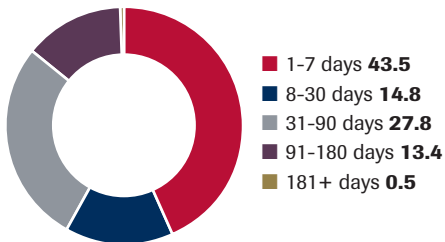
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
1/1	1.6104%	0.000044120	\$23,487,827,797.25	1.00007	35	97
1/2	1.6001%	0.000043837	\$23,966,741,423.46	1.00006	33	94
1/3	1.6083%	0.000044062	\$24,210,294,787.41	1.00007	32	95
1/4	1.6083%	0.000044062	\$24,210,294,787.41	1.00007	32	95
1/5	1.6083%	0.000044062	\$24,210,294,787.41	1.00007	32	95
1/6	1.5937%	0.000043662	\$24,458,483,111.11	1.00008	32	93
1/7	1.6129%	0.000044189	\$24,637,571,584.42	1.00009	33	97
1/8	1.6014%	0.000043873	\$24,706,472,749.67	1.00009	32	96
1/9	1.5956%	0.000043716	\$24,732,724,616.13	1.00009	32	95
1/10	1.6098%	0.000044104	\$25,011,962,486.60	1.00008	32	94
1/11	1.6098%	0.000044104	\$25,011,962,486.60	1.00008	32	94
1/12	1.6098%	0.000044104	\$25,011,962,486.60	1.00008	32	94
1/13	1.5953%	0.000043708	\$25,055,008,407.90	1.00007	30	92
1/14	1.5956%	0.000043716	\$25,177,214,726.89	1.00007	30	92
1/15	1.5971%	0.000043757	\$25,310,712,057.30	1.00006	30	91
1/16	1.5931%	0.000043647	\$25,415,060,642.87	1.00006	29	90
1/17	1.5894%	0.000043544	\$25,561,192,086.85	1.00006	30	90
1/18	1.5894%	0.000043544	\$25,561,192,086.85	1.00006	30	90
1/19	1.5894%	0.000043544	\$25,561,192,086.85	1.00006	30	90
1/20	1.5894%	0.000043544	\$25,561,192,086.85	1.00006	30	90
1/21	1.5742%	0.000043128	\$25,799,028,186.51	1.00006	29	88
1/22	1.5807%	0.000043308	\$25,924,936,386.26	1.00007	29	87
1/23	1.5775%	0.000043219	\$25,933,242,787.48	1.00007	30	90
1/24	1.5766%	0.000043194	\$26,145,609,313.72	1.00007	30	90
1/25	1.5766%	0.000043194	\$26,145,609,313.72	1.00007	30	90
1/26	1.5766%	0.000043194	\$26,145,609,313.72	1.00007	30	90
1/27	1.5714%	0.000043051	\$26,535,349,021.21	1.00006	28	87
1/28	1.5740%	0.000043122	\$26,909,145,640.88	1.00007	28	90
1/29	1.5723%	0.000043077	\$27,230,007,928.40	1.00007	27	89
1/30	1.5829%	0.000043367	\$27,546,379,055.25	1.00007	27	88
1/31	1.5968%	0.000043747	\$27,591,000,523.58	1.00009	29	91
Average:	1.5925%	0.000043629	\$25,444,041,121.20	1.00007	30	92



TEXPOOL Prime

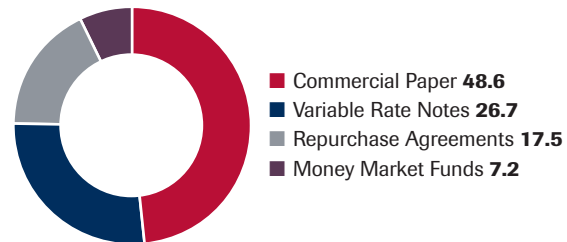
Portfolio by Maturity (%)

As of January 31, 2020



Portfolio by Type of Investment (%)

As of January 31, 2020



Portfolio Asset Summary as of January 31, 2020

	Book Value	Market Value
Uninvested Balance	-\$184.69	-\$184.69
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	4,633,157.00	4,633,157.00
Interest and Management Fees Payable	-11,317,420.78	-11,317,420.78
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-10,757.75	-10,757.75
Repurchase Agreements	1,377,865,000.00	1,377,865,000.00
Commercial Paper	3,815,633,814.23	3,816,471,031.09
Bank Instruments	0.00	0.00
Mutual Fund Investments	562,125,559.92	562,052,003.75
Government Securities	0.00	0.00
Variable Rate Notes	2,098,499,727.45	2,099,319,480.00
Total	\$7,847,428,895.38	\$7,849,012,308.62

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool Prime. The assets of TexPool Prime are the only source of payments to the Participants. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services

Participant Summary

	Number of Participants	Balance
School District	125	\$3,166,963,735.61
Higher Education	19	\$739,095,717.10
Healthcare	16	\$355,039,879.75
Utility District	47	\$298,580,977.39
City	79	\$1,822,459,222.93
County	41	\$702,636,098.84
Other	84	\$762,613,443.53



TEXPOOL *Prime*

Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool <i>Prime</i> Invested Balance	NAV	WAM Days	WAL Days
1/1	1.8436%	0.000050510	\$6,600,232,167.44	1.00010	35	77
1/2	1.8052%	0.000049458	\$6,806,185,590.23	1.00010	34	73
1/3	1.8235%	0.000049959	\$6,884,043,279.24	1.00007	36	80
1/4	1.8235%	0.000049959	\$6,884,043,279.24	1.00007	36	80
1/5	1.8235%	0.000049959	\$6,884,043,279.24	1.00007	36	80
1/6	1.8342%	0.000050251	\$6,946,614,949.69	1.00012	35	78
1/7	1.8265%	0.000050041	\$7,062,258,487.67	1.00014	34	77
1/8	1.8128%	0.000049667	\$7,144,003,364.60	1.00012	34	76
1/9	1.8083%	0.000049542	\$7,289,463,358.66	1.00014	34	75
1/10	1.8057%	0.000049470	\$7,379,299,458.21	1.00013	36	77
1/11	1.8057%	0.000049470	\$7,379,299,458.21	1.00013	36	77
1/12	1.8057%	0.000049470	\$7,379,299,458.21	1.00013	36	77
1/13	1.8042%	0.000049429	\$7,444,708,184.63	1.00016	35	75
1/14	1.8102%	0.000049595	\$7,479,016,507.63	1.00016	36	75
1/15	1.8057%	0.000049470	\$7,541,067,644.78	1.00016	35	74
1/16	1.8015%	0.000049356	\$7,654,305,998.94	1.00016	36	75
1/17	1.7941%	0.000049154	\$7,545,023,539.67	1.00010	37	76
1/18	1.7941%	0.000049154	\$7,545,023,539.67	1.00010	37	76
1/19	1.7941%	0.000049154	\$7,545,023,539.67	1.00010	37	76
1/20	1.7941%	0.000049154	\$7,545,023,539.67	1.00010	37	76
1/21	1.7850%	0.000048905	\$7,595,617,360.74	1.00017	33	72
1/22	1.7840%	0.000048876	\$7,613,591,227.24	1.00017	34	72
1/23	1.7809%	0.000048792	\$7,678,363,780.71	1.00017	34	72
1/24	1.7833%	0.000048857	\$7,559,848,905.61	1.00014	35	73
1/25	1.7833%	0.000048857	\$7,559,848,905.61	1.00014	35	73
1/26	1.7833%	0.000048857	\$7,559,848,905.61	1.00014	35	73
1/27	1.7824%	0.000048832	\$7,618,539,396.00	1.00021	33	71
1/28	1.7786%	0.000048730	\$7,727,484,332.08	1.00021	32	69
1/29	1.7728%	0.000048571	\$7,835,347,415.48	1.00021	33	68
1/30	1.7782%	0.000048717	\$8,003,268,387.80	1.00020	32	67
1/31	1.7891%	0.000049017	\$7,847,428,895.38	1.00021	33	68
Average:	1.8006%	0.000049330	\$7,404,424,714.11	1.00014	35	75

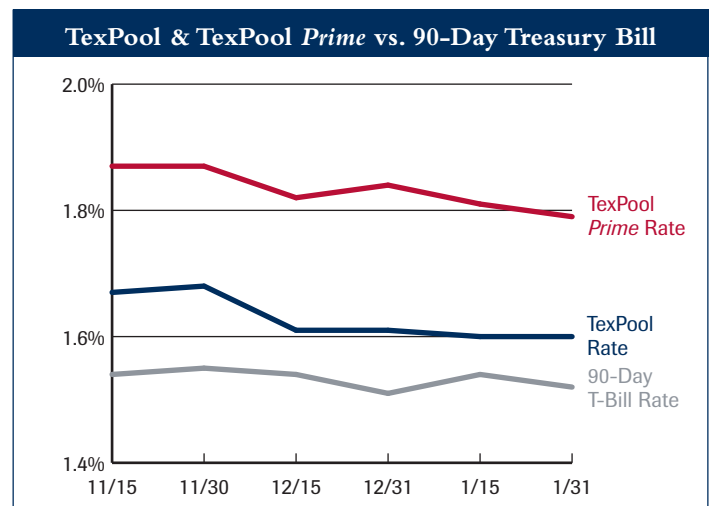


Participant Services
1001 Texas Ave. Suite 1150
Houston, TX 77002

at least through April and permanent (buying Treasury bills) into the second quarter.

All of this begs the question, do Fed policymakers know what they are doing, or are they just throwing things against the wall to see what sticks? In our opinion, it's both. They are trying different things in a responsible way. These are minor adjustments, fine-tuning to see if they get the Fed closer to being able to leave the scene, so to speak. Yes, the moves last week are not typical for a central bank, but what has been in the last decade or so? Certainly not quantitative easing, a range versus a rate, a floor for overnight trading, negative rates, etc. The Fed now needs to find a graceful way to bow out of its proactive intervention.

The Treasury yield curve is essentially flat in the 1- to 6-month space. But the London interbank offered rate (Libor) still has a fairly positive slope up to one year. That's good news. The problem is that securities are being issued below Libor, making it hard to find instruments with the expected yield. It's a seller's market. That, too, should bend back. The Treasury yield curve ended January with 1-month at 1.56%, 3-month at 1.55% and 6-month at 1.54%. Libor ended January with 1-month at 1.66%, 3-month at 1.75% and 6-month at 1.75%. The weighted average maturity (WAM) at month-end was 29 days for TexPool and 33 days for TexPool *Prime*.



90-Day Treasury Bill is a short-term debt instrument backed by the national government. These are used to collect immediate cash to meet outstanding obligations.

Any private investor can invest in a Treasury bill. The 90-Day Treasury Bill is a weighted average rate of the weekly auctions of 90-Day Treasury Bills.

Past performance is no guarantee of future results.