



Monthly Newsletter: June 2019

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in May 2019:

TexPool

Montgomery County MUD 137
 Bastrop County WCID 2
 Belvedere MUD
 Lakeside WCID 2A
 Lakeside WCID 2B
 Lakeside WCID 2C
 Lakeside WCID 2D
 West Williamson County MUD 2

TexPool Prime

Dripping Springs Community Library
 Johnson County
 Montgomery County MUD 60
 International Leadership of Texas
 Montgomery County MUD 6
 Montgomery County MUD 7
 Montgomery County MUD 36
 Montgomery County MUD 39
 Montgomery County MUD 46
 Montgomery County MUD 47
 Montgomery County MUD 67
 The Woodlands MUD 1

Upcoming Events

Jun 13, 2019 - Jun 15, 2019
 Fort Worth Convention Center, Fort Worth
 AWBD Annual Conference
 Jun 17, 2019 - Jun 19, 2019, Allen
 TASBO Summer Conference
 Jun 17, 2019 - Jun 21, 2019, San Antonio
 TACCBO Annual Meeting and Conference
 Jul 07, 2019 - Jun 09, 2019, San Antonio
 TASSCUBO Summer Conference

TexPool Advisory Board Members

David Garcia Jerry Dale
 Patrick Krishock David Landeros
 Belinda Weaver Sharon Matthews
 Deborah Lauder milk 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: Investors shouldn't go looking for trouble

June 1, 2019

As you learn in Economics 101, financial markets tend to act irrationally. Of course, the emphasis is on high-flying equities, not the grounded Treasury market. But lately, you can make a strong case that investors at the short end of the yield curve are not using common sense. In May the yield curve flattened, briefly twisted (3-month and 1-year Treasury yields dipping below 1-month) and then flattened again, but with the 1-year lower. These days, it appears that the 1-year is joining the larger inversion out the curve.

Perhaps irrational is too strong a word, but recent investor behavior is—to use financial jargon instead of academic textbooks—overdone. The flattener is simply not justified by the domestic economic data that, while moderating, is still strong. We are among the many who think the U.S. is not likely headed to a recession anytime soon. While significant, all of the geopolitical issues circling, such as trade conflicts, central bank easing and Brexit, hardly justify this overreaction. Nor does the likelihood of the Federal Reserve being on hold for the remainder of 2019. The issue seems to be a case of investing via group think.

But some investors may be overthinking. One of the reasons for the recent flattening is a misread, in our view, of a very technical maneuver by the Fed that investors shouldn't

(continued page 6)

Performance as of May 31, 2019

	TexPool	TexPool Prime
Current Invested Balance	\$21,351,858,377.08	\$6,845,429,589.36
Weighted Average Maturity**	38	43
Weighted Average Life**	103	68
Net Asset Value	1.00008	1.00008
Total Number of Participants	2564	393
Management Fee on Invested Balance	0.0450%	0.0550%
Interest Distributed	\$44,863,334.27	\$14,949,539.69
Management Fee Collected	\$779,871.22	\$290,681.83
Standard & Poor's Current Rating	AAAm	AAAm

Month Averages

Average Invested Balance	\$22,024,057,945.01	\$6,911,896,658.31
Average Monthly Rate*	2.40%	2.55%
Average Weighted Average Maturity**	35	45
Average Weighted Average Life**	97	68

*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.

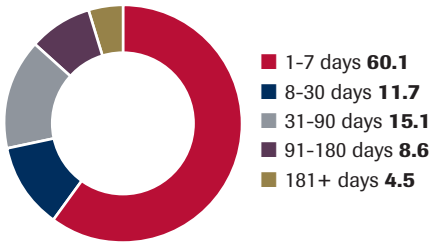
**See page 2 for definitions.

Past performance is no guarantee of future results.



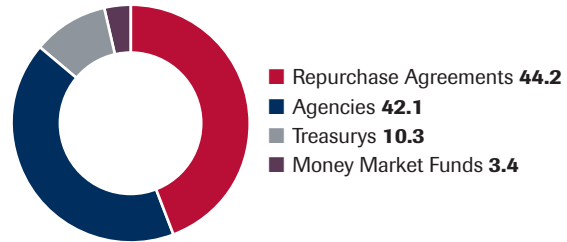
Portfolio by Maturity (%)

As of May 31, 2019



Portfolio by Type of Investment (%)

As of May 31, 2019



Portfolio Asset Summary as of May 31, 2019

	Book Value	Market Value
Uninvested Balance	1,080,301.72	1,080,301.72
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	20,924,149.85	20,924,149.85
Interest and Management Fees Payable	-44,863,403.71	-44,863,403.71
Payable for Investments Purchased	-150,000,000.00	-150,000,000.00
Accrued Expenses & Taxes	-24,451.01	-24,451.01
Repurchase Agreements	9,523,560,000.00	9,523,560,000.00
Mutual Fund Investments	736,074,000.00	736,074,000.00
Government Securities	9,050,304,612.13	9,050,932,869.72
U.S. Treasury Inflation Protected Securities	1,194,960,743.91	1,195,396,736.30
US Treasury Bills	539,334,585.79	539,787,890.01
US Treasury Notes	480,507,838.40	480,706,122.73
Total	\$21,351,858,377.08	\$21,353,574,215.60

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	595	\$7,268,520,589.15
Higher Education	59	\$919,884,368.06
Healthcare	84	\$871,955,600.70
Utility District	819	\$3,008,038,824.57
City	471	\$4,872,404,873.37
County	186	\$2,299,690,780.26
Other	350	\$2,109,511,566.99

**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

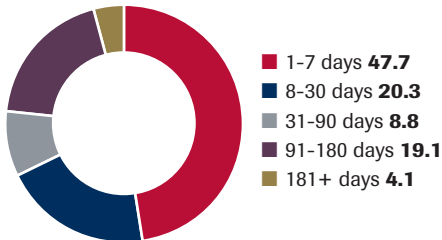
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
5/1	2.4671%	0.000067592	\$22,524,980,475.42	0.99998	34	95
5/2	2.4410%	0.000066877	\$22,523,987,241.99	1.00000	34	95
5/3	2.4198%	0.000066297	\$22,441,848,617.30	1.00000	34	96
5/4	2.4198%	0.000066297	\$22,441,848,617.30	1.00000	34	96
5/5	2.4198%	0.000066297	\$22,441,848,617.30	1.00000	34	96
5/6	2.4062%	0.000065922	\$22,408,059,440.18	1.00001	32	94
5/7	2.4118%	0.000066076	\$22,364,212,471.34	1.00001	34	95
5/8	2.4098%	0.000066021	\$22,313,769,468.39	1.00001	35	96
5/9	2.4009%	0.000065779	\$22,263,198,443.85	1.00001	35	96
5/10	2.3913%	0.000065515	\$22,390,571,361.41	1.00001	35	95
5/11	2.3913%	0.000065515	\$22,390,571,361.41	1.00001	35	95
5/12	2.3913%	0.000065515	\$22,390,571,361.41	1.00001	35	95
5/13	2.3832%	0.000065293	\$22,349,784,859.31	1.00002	33	95
5/14	2.3836%	0.000065305	\$22,227,508,418.14	1.00002	34	96
5/15	2.4173%	0.000066227	\$22,005,010,767.34	1.00002	34	96
5/16	2.4097%	0.000066019	\$21,918,027,883.87	1.00002	34	97
5/17	2.4024%	0.000065820	\$21,879,849,169.92	1.00003	35	97
5/18	2.4024%	0.000065820	\$21,879,849,169.92	1.00003	35	97
5/19	2.4024%	0.000065820	\$21,879,849,169.92	1.00003	35	97
5/20	2.3841%	0.000065318	\$21,797,419,009.88	1.00003	33	95
5/21	2.3827%	0.000065279	\$21,812,280,996.46	1.00003	36	96
5/22	2.3780%	0.000065150	\$21,707,500,540.91	1.00003	37	98
5/23	2.3761%	0.000065098	\$21,649,789,857.12	1.00005	37	98
5/24	2.3757%	0.000065088	\$21,714,472,886.34	1.00004	37	97
5/25	2.3757%	0.000065088	\$21,714,472,886.34	1.00004	37	97
5/26	2.3757%	0.000065088	\$21,714,472,886.34	1.00004	37	97
5/27	2.3757%	0.000065088	\$21,714,472,886.34	1.00004	37	97
5/28	2.3898%	0.000065474	\$21,603,586,878.94	1.00004	37	97
5/29	2.3962%	0.000065650	\$21,517,311,104.99	1.00005	37	100
5/30	2.4005%	0.000065766	\$21,412,811,068.88	1.00004	37	100
5/31	2.4334%	0.000066669	\$21,351,858,377.08	1.00008	38	103
Average:	2.4005%	0.000065767	\$22,024,057,945.01	1.00002	35	97



TEXPOOL PRIME

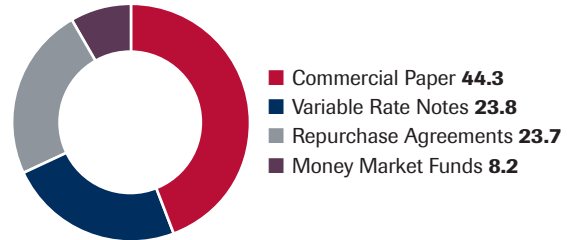
Portfolio by Maturity (%)

As of May 31, 2019



Portfolio by Type of Investment (%)

As of May 31, 2019



Portfolio Asset Summary as of May 31, 2019

	Book Value	Market Value
Uninvested Balance	1,746.52	1,746.52
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	4,317,606.27	4,317,606.27
Interest and Management Fees Payable	-14,949,541.77	-14,949,541.77
Payable for Investments Purchased	-114,714,166.66	-114,714,166.66
Accrued Expenses & Taxes	-9,273.70	-9,273.70
Repurchase Agreements	1,650,440,000.00	1,650,440,000.00
Commercial Paper	3,085,717,208.88	3,085,955,007.30
Bank Instruments	0.00	0.00
Mutual Fund Investments	572,127,190.50	572,052,003.75
Government Securities	0.00	0.00
Variable Rate Notes	1,662,498,819.32	1,662,867,500.80
Total	\$6,845,429,589.36	\$6,845,960,882.51

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	124	\$2,883,117,423.03
Higher Education	18	\$641,853,630.51
Healthcare	16	\$405,413,614.82
Utility District	44	\$331,317,210.19
City	77	\$1,099,982,804.17
County	40	\$612,984,480.95
Other	74	\$870,715,302.72



TEXPOOL *PRIME*

Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool <i>Prime</i> Invested Balance	NAV	WAM Days	WAL Days
5/1	2.6164%	0.000071682	\$6,937,101,400.82	1.00006	42	62
5/2	2.5851%	0.000070825	\$6,913,740,117.58	1.00006	44	64
5/3	2.5719%	0.000070464	\$6,926,594,107.44	1.00000	44	65
5/4	2.5719%	0.000070464	\$6,926,594,107.44	1.00000	44	65
5/5	2.5719%	0.000070464	\$6,926,594,107.44	1.00000	44	65
5/6	2.5628%	0.000070213	\$6,891,360,657.47	1.00005	43	64
5/7	2.5680%	0.000070356	\$6,920,416,517.85	1.00005	42	63
5/8	2.5607%	0.000070156	\$6,927,240,653.97	1.00005	42	62
5/9	2.5554%	0.000070011	\$6,937,392,460.05	1.00006	43	66
5/10	2.5485%	0.000069823	\$7,054,257,203.08	0.99999	46	68
5/11	2.5485%	0.000069823	\$7,054,257,203.08	0.99999	46	68
5/12	2.5485%	0.000069823	\$7,054,257,203.08	0.99999	46	68
5/13	2.5437%	0.000069691	\$7,064,985,926.76	1.00005	48	71
5/14	2.5452%	0.000069732	\$6,979,327,239.35	1.00006	48	71
5/15	2.5667%	0.000070321	\$6,872,975,318.67	1.00006	48	72
5/16	2.5574%	0.000070067	\$6,841,568,686.61	1.00006	48	71
5/17	2.5538%	0.000069966	\$6,791,764,276.98	1.00000	48	72
5/18	2.5538%	0.000069966	\$6,791,764,276.98	1.00000	48	72
5/19	2.5538%	0.000069966	\$6,791,764,276.98	1.00000	48	72
5/20	2.5364%	0.000069490	\$6,794,706,726.94	1.00007	46	70
5/21	2.5379%	0.000069532	\$6,821,330,260.93	1.00007	45	69
5/22	2.5474%	0.000069792	\$6,775,788,830.97	1.00008	45	69
5/23	2.5124%	0.000068833	\$6,874,784,601.36	1.00009	44	67
5/24	2.4936%	0.000068319	\$6,945,312,493.11	0.99999	44	67
5/25	2.4936%	0.000068319	\$6,945,312,493.11	0.99999	44	67
5/26	2.4936%	0.000068319	\$6,945,312,493.11	0.99999	44	67
5/27	2.4936%	0.000068319	\$6,945,312,493.11	0.99999	44	67
5/28	2.5205%	0.000069055	\$6,932,409,637.19	1.00008	42	64
5/29	2.5379%	0.000069531	\$6,903,499,021.63	1.00009	43	67
5/30	2.5374%	0.000069517	\$6,935,642,025.13	1.00009	42	67
5/31	2.5620%	0.000070193	\$6,845,429,589.36	1.00008	43	68
Average:	2.5468%	0.000069775	\$6,911,896,658.31	1.00004	45	68



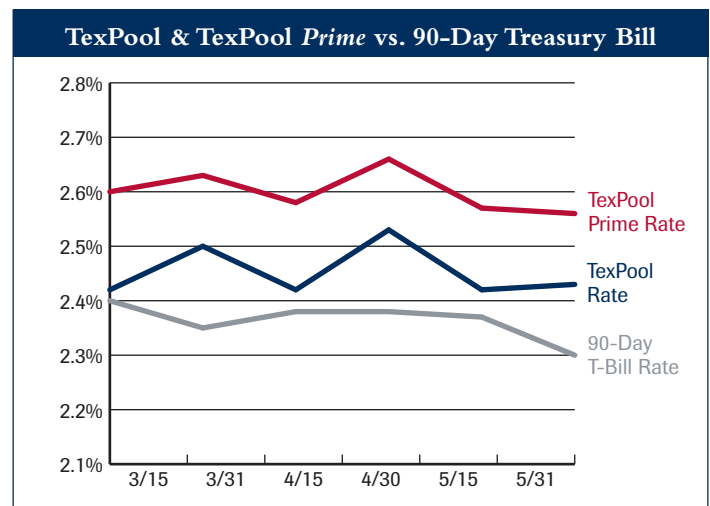
Participant Services
1001 Texas Ave. 14th Floor
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be tracking anyway: interest on excessive reserves (IOER). The story goes like this: by cutting the interest the Fed pays banks on the money they keep in their Fed accounts, policymakers have surreptitiously lowered rates.

Hmmm. People seem to have forgotten that the Fed has lowered IOER twice within the last six months without any market consternation. The only difference is that they were raising the fed funds target rate at the time. With rates on hold, the market seems to be perceiving the reduction as a proxy for a rate cut—the easing that so many have already forecast. But the fact is that the Fed tightened IOER to give it more control over monetary policy from a federal funds perspective, and also to incentivize banks to move funds into the marketplace. It isn't easing.

The good news for cash managers is that liquidity products remain attractive in this environment—especially prime portfolios that use the London interbank offered rate (Libor) that has not inverted—compared to Treasuries and bank deposits, whose rates are falling and weren't great to begin.

One-, 3- and 6-month Treasuries all ended May at 2.3%. London interbank offered rates (Libor) finished the month at 2.43%, 2.50% and 2.52%, respectively. The weighted average maturity (WAM) at month-end was 38 days for TexPool and 43 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.