



# Monthly Newsletter: January 2019

## ANNOUNCEMENTS

**We welcome the following entities who joined TexPool in December 2018:**

**TexPool**

- City of Decatur
- Pflugerville Community Development Corporation
- City of Taylor Landing
- Irion County ISD
- Natalia ISD

**TexPool Prime**

- Montgomery County Drainage District 6
- Lubbock County Hospital District
- Pflugerville Community Development Corporation
- City of Taylor Landing
- Irion County ISD
- Natalia ISD
- City of Waco

**Upcoming Events**

- Jan 27, 2019 - Jan 30, 2019  
Austin  
TASA Midwinter Conference
- Feb 25, 2019 - Feb 27, 2019  
San Antonio  
GTOT Winter Conference
- Mar 5, 2019 - Mar 6, 2019  
San Antonio  
TASBO Annual Conference

**TexPool Advisory Board Members**

- |                    |                 |
|--------------------|-----------------|
| Jose Elizondo, Jr. | Vivian Wood     |
| Belinda Weaver     | Jerry Dale      |
| Patrick Krishock   | Sharon Matthews |
| Michele Tuttle     | David Landeros  |

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: Look for cash to be key, if not king, in 2019

January 1, 2019

The Federal Reserve acted correctly at its December meeting when it raised rates 25 basis points to a target range of 2.25%–2.50% and pulled back its 2019 projections to two hikes from three. These moves fit with how the economy is performing now and how it might moderate in the near future. Further, the unanimous statement and Chair Powell’s no-nonsense press conference suggest policymakers want to simplify their message. Look for them to constantly reiterate that their decisions are based on keeping inflation stable and maintaining strong employment—their mandate. They also likely will remind us that their policy tool is the federal funds rate, not the runoff of the balance sheet, and that they disregard market volatility and politics. Keep in mind that every meeting will have a press conference and the potential for policy action.

Inflows to liquidity products likely will continue, spurred by equity market volatility. The question is that, when the markets eventually settle down, how much of the influx will remain due to the high level of return cash is now offering compared to the recent past and the expectation that the return will grow if rates continue to rise. Indeed, we expect a rate hike to come in the first half of this year with one more arriving in the second half before a potential pause, with the \$50 billion-a-month flood of securities from quantitative tapering putting additional upward pressure on rates.

*(continued page 6)*

### Performance as of December 31, 2018

|                                     | TexPool             | TexPool Prime      |
|-------------------------------------|---------------------|--------------------|
| Current Invested Balance            | \$19,425,767,971.81 | \$5,502,626,706.06 |
| Weighted Average Maturity**         | 21                  | 28                 |
| Weighted Average Life**             | 78                  | 53                 |
| Net Asset Value                     | 0.99994             | 0.99990            |
| Total Number of Participants        | 2520                | 361                |
| Management Fee on Invested Balance  | 0.0473%             | 0.0638%            |
| Interest Distributed                | \$34,341,038.26     | \$10,810,835.26    |
| Management Fee Collected            | \$656,879.68        | \$250,300.26       |
| Standard & Poor’s Current Rating    | AAAm                | AAAm               |
| <b>Month Averages</b>               |                     |                    |
| Average Invested Balance            | \$17,945,712,677.23 | \$5,106,584,508.29 |
| Average Monthly Rate*               | 2.29%               | 2.49%              |
| Average Weighted Average Maturity** | 27                  | 30                 |
| Average Weighted Average Life**     | 87                  | 61                 |

\*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.

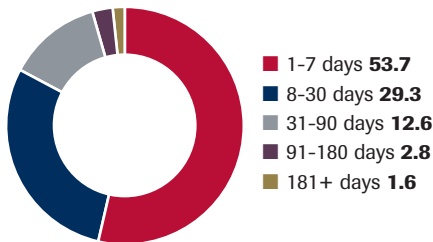
\*\*See page 2 for definitions.

Past performance is no guarantee of future results.



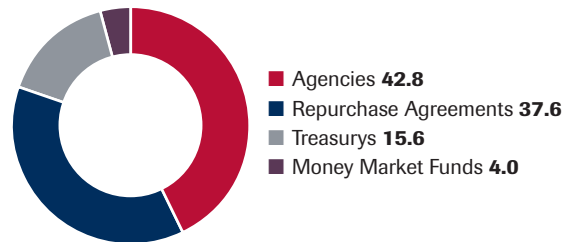
## Portfolio by Maturity (%)

As of December 31, 2018



## Portfolio by Type of Investment (%)

As of December 31, 2018



### Portfolio Asset Summary as of December 31, 2018

|  | Book Value                 | Market Value               |
|--|----------------------------|----------------------------|
| Uninvested Balance                           | \$1,110,994.83             | \$1,110,994.83             |
| Receivable for Investments Sold              | 0.00                       | 0.00                       |
| Accrual of Interest Income                   | 17,621,089.26              | 17,621,089.26              |
| Interest and Management Fees Payable         | -34,346,747.22             | -34,346,747.22             |
| Payable for Investments Purchased            | 0.00                       | 0.00                       |
| Accrued Expenses & Taxes                     | -21,422.15                 | -21,422.15                 |
| Repurchase Agreements                        | 7,320,515,500.00           | 7,320,515,500.00           |
| Mutual Fund Investments                      | 769,227,103.88             | 769,227,103.88             |
| Government Securities                        | 8,324,646,304.11           | 8,323,536,674.91           |
| U.S. Treasury Inflation Protected Securities | 454,862,699.02             | 454,730,949.80             |
| US Treasury Bills                            | 2,436,404,206.29           | 2,436,404,286.73           |
| US Treasury Notes                            | 135,748,243.79             | 135,763,170.59             |
| <b>Total</b>                                 | <b>\$19,425,767,971.81</b> | <b>\$19,424,541,600.63</b> |

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  | 591                    | \$6,503,030,403.39 |
| Higher Education | 58                     | \$874,364,312.35   |
| Healthcare       | 83                     | \$615,040,428.13   |
| Utility District | 799                    | \$2,565,306,972.36 |
| City             | 465                    | \$4,828,156,045.12 |
| County           | 186                    | \$1,839,028,474.29 |
| Other            | 338                    | \$2,203,506,733.20 |

#### \*\*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

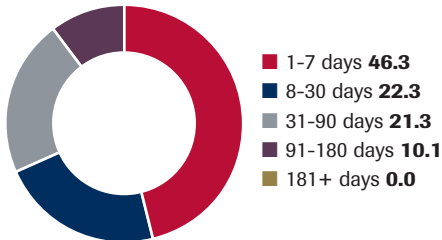
| Date            | Money Mkt. Fund<br>Equiv. (SEC Std.) | Dividend<br>Factor | TexPool Invested<br>Balance | NAV           | WAM Days  | WAL Days  |
|-----------------|--------------------------------------|--------------------|-----------------------------|---------------|-----------|-----------|
| 12/1            | 2.2433%                              | 0.000061460        | \$16,233,825,019.66         | 0.99991       | 32        | 99        |
| 12/2            | 2.2433%                              | 0.000061460        | \$16,233,825,019.66         | 0.99991       | 32        | 99        |
| 12/3            | 2.2348%                              | 0.000061227        | \$16,276,718,157.21         | 0.99988       | 30        | 97        |
| 12/4            | 2.2299%                              | 0.000061093        | \$16,577,791,408.18         | 0.99987       | 30        | 95        |
| 12/5            | 2.2299%                              | 0.000061093        | \$16,577,791,408.18         | 0.99987       | 30        | 95        |
| 12/6            | 2.2534%                              | 0.000061738        | \$16,813,640,050.47         | 0.99988       | 28        | 93        |
| 12/7            | 2.2459%                              | 0.000061532        | \$16,884,404,575.92         | 0.99989       | 28        | 92        |
| 12/8            | 2.2459%                              | 0.000061532        | \$16,884,404,575.92         | 0.99989       | 28        | 92        |
| 12/9            | 2.2459%                              | 0.000061532        | \$16,884,404,575.92         | 0.99989       | 28        | 92        |
| 12/10           | 2.2275%                              | 0.000061027        | \$16,791,861,928.37         | 0.99990       | 27        | 91        |
| 12/11           | 2.2253%                              | 0.000060967        | \$16,866,173,698.67         | 0.99991       | 28        | 93        |
| 12/12           | 2.2181%                              | 0.000060771        | \$17,109,849,785.53         | 0.99990       | 28        | 91        |
| 12/13           | 2.2220%                              | 0.000060878        | \$17,763,163,968.39         | 0.99991       | 27        | 87        |
| 12/14           | 2.2304%                              | 0.000061106        | \$18,001,396,557.52         | 0.99990       | 29        | 88        |
| 12/15           | 2.2304%                              | 0.000061106        | \$18,001,396,557.52         | 0.99990       | 29        | 88        |
| 12/16           | 2.2304%                              | 0.000061106        | \$18,001,396,557.52         | 0.99990       | 29        | 88        |
| 12/17           | 2.2626%                              | 0.000061990        | \$18,167,656,247.82         | 0.99991       | 26        | 85        |
| 12/18           | 2.2715%                              | 0.000062233        | \$17,882,425,529.27         | 0.99990       | 27        | 86        |
| 12/19           | 2.2832%                              | 0.000062553        | \$18,367,425,780.24         | 0.99991       | 26        | 84        |
| 12/20           | 2.3152%                              | 0.000063430        | \$18,554,308,618.85         | 0.99991       | 26        | 82        |
| 12/21           | 2.3181%                              | 0.000063509        | \$18,788,465,552.91         | 0.99991       | 27        | 83        |
| 12/22           | 2.3181%                              | 0.000063509        | \$18,788,465,552.91         | 0.99991       | 27        | 83        |
| 12/23           | 2.3181%                              | 0.000063509        | \$18,788,465,552.91         | 0.99991       | 27        | 83        |
| 12/24           | 2.3293%                              | 0.000063817        | \$18,954,293,028.48         | 0.99991       | 25        | 81        |
| 12/25           | 2.3293%                              | 0.000063817        | \$18,954,293,028.48         | 0.99991       | 25        | 81        |
| 12/26           | 2.3734%                              | 0.000065026        | \$19,179,681,544.12         | 0.99991       | 24        | 81        |
| 12/27           | 2.3625%                              | 0.000064727        | \$19,527,470,286.24         | 0.99992       | 23        | 79        |
| 12/28           | 2.3787%                              | 0.000065169        | \$19,678,776,818.44         | 0.99992       | 23        | 79        |
| 12/29           | 2.3787%                              | 0.000065169        | \$19,678,776,818.44         | 0.99992       | 23        | 79        |
| 12/30           | 2.3787%                              | 0.000065169        | \$19,678,776,818.44         | 0.99992       | 23        | 79        |
| 12/31           | 2.5304%                              | 0.000069327        | \$19,425,767,971.81         | 0.99994       | 21        | 78        |
| <b>Average:</b> | <b>2.2872%</b>                       | <b>0.000062664</b> | <b>\$17,945,712,677.23</b>  | <b>.99990</b> | <b>27</b> | <b>87</b> |



## TEXPOOL PRIME

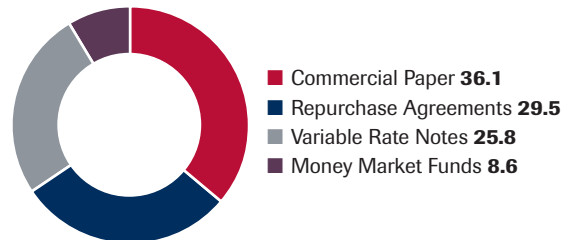
### Portfolio by Maturity (%)

As of December 31, 2018



### Portfolio by Type of Investment (%)

As of December 31, 2018



### Portfolio Asset Summary as of December 31, 2018

|                                      | Book Value                | Market Value              |
|--------------------------------------|---------------------------|---------------------------|
| Uninvested Balance                   | -\$10.36                  | -\$10.36                  |
| Receivable for Investments Sold      | 0.00                      | 0.00                      |
| Accrual of Interest Income           | 3,329,326.95              | 3,329,326.95              |
| Interest and Management Fees Payable | 10,810,845.73             | 10,810,845.73             |
| Payable for Investments Purchased    | 0.00                      | 0.00                      |
| Accrued Expenses & Taxes             | 8,777.10                  | 8,777.10                  |
| Repurchase Agreements                | 1,624,422,000.00          | 1,624,422,000.00          |
| Commercial Paper                     | 1,990,601,631.31          | 1,990,286,799.84          |
| Bank Instruments                     | 0.00                      | 0.00                      |
| Mutual Fund Investments              | 472,097,499.35            | 472,052,003.75            |
| Government Securities                | 0.00                      | 0.00                      |
| Variable Rate Notes                  | 1,422,995,881.64          | 1,422,782,570.00          |
| <b>Total</b>                         | <b>\$5,502,626,706.06</b> | <b>\$5,502,053,067.35</b> |

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  | 119                    | \$2,178,189,626.14 |
| Higher Education | 17                     | \$413,865,280.31   |
| Healthcare       | 15                     | \$335,348,444.77   |
| Utility District | 33                     | \$316,945,890.62   |
| City             | 71                     | \$807,178,015.89   |
| County           | 38                     | \$516,257,665.15   |
| Other            | 68                     | \$934,725,400.81   |



## TEXPOOL *PRIME*

### Daily Summary

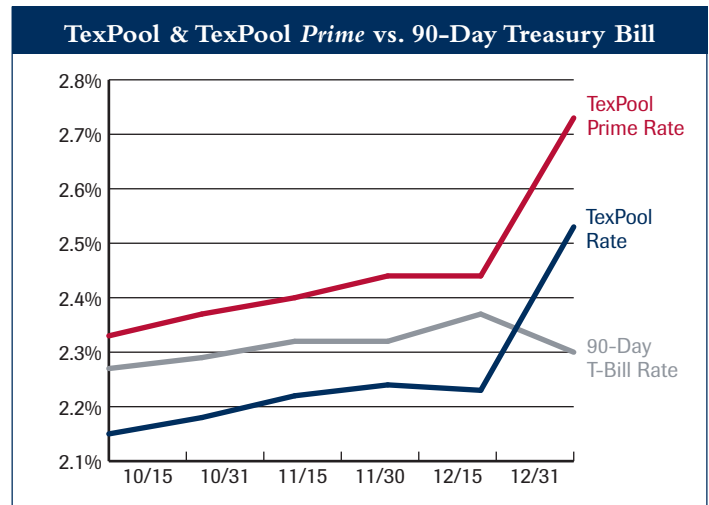
| Date            | Money Mkt. Fund<br>Equiv. (SEC Std.) | Dividend<br>Factor | TexPool <i>Prime</i><br>Invested Balance | NAV           | WAM Days  | WAL Days  |
|-----------------|--------------------------------------|--------------------|--|---------------|-----------|-----------|
| 12/1            | 2.4392%                              | 0.000066827        | \$5,071,543,374.80                       | 0.99989       | 31        | 65        |
| 12/2            | 2.4392%                              | 0.000066827        | \$5,071,543,374.80                       | 0.99989       | 31        | 65        |
| 12/3            | 2.4812%                              | 0.000067979        | \$5,004,230,714.97                       | 0.99992       | 30        | 64        |
| 12/4            | 2.4383%                              | 0.000066804        | \$5,038,646,555.50                       | 0.99989       | 31        | 64        |
| 12/5            | 2.4383%                              | 0.000066804        | \$5,038,646,555.50                       | 0.99989       | 31        | 64        |
| 12/6            | 2.4440%                              | 0.000066959        | \$5,106,658,170.96                       | 0.99992       | 28        | 61        |
| 12/7            | 2.4467%                              | 0.000067033        | \$5,114,127,003.82                       | 0.99985       | 29        | 61        |
| 12/8            | 2.4467%                              | 0.000067033        | \$5,114,127,003.82                       | 0.99985       | 29        | 61        |
| 12/9            | 2.4467%                              | 0.000067033        | \$5,114,127,003.82                       | 0.99985       | 29        | 61        |
| 12/10           | 2.4224%                              | 0.000066367        | \$5,140,739,301.78                       | 0.99992       | 29        | 60        |
| 12/11           | 2.4248%                              | 0.000066433        | \$5,122,697,712.84                       | 0.99992       | 29        | 60        |
| 12/12           | 2.4238%                              | 0.000066406        | \$5,135,989,592.12                       | 0.99992       | 28        | 59        |
| 12/13           | 2.4387%                              | 0.000066813        | \$4,998,940,896.64                       | 0.99990       | 28        | 60        |
| 12/14           | 2.4439%                              | 0.000066956        | \$5,043,396,682.03                       | 0.99984       | 28        | 59        |
| 12/15           | 2.4439%                              | 0.000066956        | \$5,043,396,682.03                       | 0.99984       | 28        | 59        |
| 12/16           | 2.4439%                              | 0.000066956        | \$5,043,396,682.03                       | 0.99984       | 28        | 59        |
| 12/17           | 2.4658%                              | 0.000067557        | \$5,091,146,901.72                       | 0.99990       | 27        | 58        |
| 12/18           | 2.4930%                              | 0.000068300        | \$5,112,355,328.67                       | 0.99989       | 30        | 61        |
| 12/19           | 2.4955%                              | 0.000068371        | \$5,058,575,139.21                       | 0.99989       | 30        | 61        |
| 12/20           | 2.5258%                              | 0.000069201        | \$5,005,494,897.32                       | 0.99989       | 31        | 61        |
| 12/21           | 2.5333%                              | 0.000069405        | \$4,991,462,849.36                       | 0.99982       | 33        | 63        |
| 12/22           | 2.5333%                              | 0.000069405        | \$4,991,462,849.36                       | 0.99982       | 33        | 63        |
| 12/23           | 2.5333%                              | 0.000069405        | \$4,991,462,849.36                       | 0.99982       | 33        | 63        |
| 12/24           | 2.5470%                              | 0.000069781        | \$5,036,685,116.33                       | 0.99985       | 31        | 60        |
| 12/25           | 2.5470%                              | 0.000069781        | \$5,036,685,116.33                       | 0.99985       | 31        | 60        |
| 12/26           | 2.5479%                              | 0.000069806        | \$5,049,023,065.97                       | 0.99988       | 30        | 59        |
| 12/27           | 2.5608%                              | 0.000070159        | \$5,227,329,865.43                       | 0.99989       | 31        | 58        |
| 12/28           | 2.5670%                              | 0.000070328        | \$5,335,867,254.80                       | 0.99984       | 31        | 57        |
| 12/29           | 2.5670%                              | 0.000070328        | \$5,335,867,254.80                       | 0.99984       | 31        | 57        |
| 12/30           | 2.5670%                              | 0.000070328        | \$5,335,867,254.80                       | 0.99984       | 31        | 57        |
| 12/31           | 2.7297%                              | 0.000074787        | \$5,502,626,706.06                       | 0.99990       | 28        | 53        |
| <b>Average:</b> | <b>2.4927%</b>                       | <b>0.000068294</b> | <b>\$5,106,584,508.29</b>                | <b>.99987</b> | <b>30</b> | <b>60</b> |



Participant Services  
1001 Texas Ave. 14th Floor  
Houston, TX 77002

We think “steady” will be the watchword in 2019: steady corporate-earnings, economic performance and Fed communication. A recession may be coming, but has not yet appeared above the horizon. The Fed likely will be more watchful and data dependent about policy. This bodes well for liquidity products such as TexPool and TexPool Prime. Rare are cash managers and investors who don’t like to earn a return above inflation in less-risky products. We think that in 2019, cash will be key, if not king.

In December, the short end of the London interbank offered rate (Libor) steepened ahead of the policy move. One-month Libor rose from 2.35% to 2.50% and 3-month from 2.74% to 2.81%. However, 6-month Libor slipped from 2.89% to 2.88%. The average weighted average maturity (WAM) of TexPool in December was 27 days, while that of TexPool Prime was 30.



*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.*