



Monthly Newsletter: November 2018

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in October 2018:

TexPool

- Crosswinds MUD
- Reeves County Groundwater Conservation District
- Angelina College
- Bluebonnet Groundwater Conservation District
- Comal County ESD 6

TexPool Prime

- Williamson County ESD 1
- Angelina College
- Bluebonnet Groundwater Conservation District
- Texas City ISD
- Comal County ESD 6
- San Jacinto College District

Upcoming Events

Jan 26, 2019 - Jan 30, 2019
Austin
TASA Midwinter 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: Nothing spooky about stability

November 1, 2018

Halloween is only one night, but the risk markets had an entire month of scares in October. Of course, liquidity vehicles such as money market funds tend to benefit in times of volatility. But added to this relative stability in the month were underlying developments that showed the sector's strong fundamentals.

One comes in the form of the Federal Reserve's ongoing quantitative tapering (QT). In the last 12 months, the Fed has been decreasing its massive holdings of Treasuries and mortgage-backed securities by reducing reinvestments. The central bank started modestly, allowing \$30 billion to roll off its balance sheet in the fourth quarter of 2017. It increased that amount by \$30 billion every quarter that followed. The total for the present quarter will be \$150 billion, meaning the balance sheet declined by as much as \$50 billion in October. This kind of acceleration has the potential to be destabilizing, so it is odd the Fed has not announced if it will extend the pattern in 2019. However, recent behind-the-scene indications are that policymakers feel capping it at \$50 billion a month is appropriate for now.

This is significant not just because of the dollar amount and the predictability, but because QT is now at a high enough level as to be a meaningful policy tool if used in

(continued page 6)

Performance as of October 31, 2018

	TexPool	TexPool Prime
Current Invested Balance	\$16,534,308,934.89	\$4,913,223,853.23
Weighted Average Maturity	30	35
Weighted Average Life	96	73
Net Asset Value	0.99988	0.99996
Total Number of Participants	2510	347
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$29,858,714.22	\$9,631,146.49
Management Fee Collected	\$625,364.26	\$238,354.60
Standard & Poor's Current Rating	AAAm	AAAm
Month Averages		
Average Invested Balance	\$16,407,142,179.73	\$4,863,743,380.14
Average Monthly Rate	2.14%	2.33%
Average Weighted Average Maturity	32	38
Average Weighted Average Life	102	72

*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.

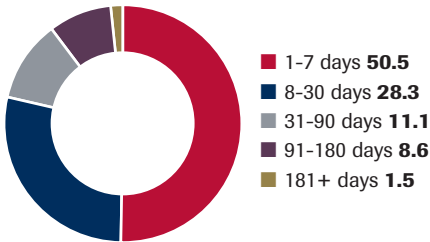
**See page 2 for definitions.

Past performance is no guarantee of future results.



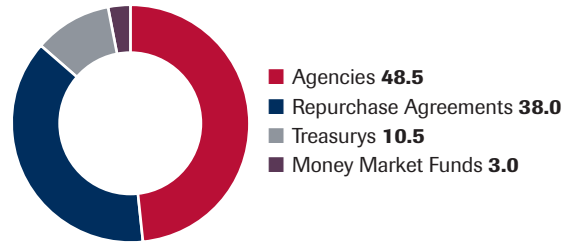
Portfolio by Maturity (%)

As of October 31, 2018



Portfolio by Type of Investment (%)

As of October 31, 2018



Portfolio Asset Summary as of October 31, 2018

	Book Value	Market Value
Uninvested Balance	\$597,239.51	\$597,239.51
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	9,796,632.59	9,796,632.59
Interest and Management Fees Payable	-29,859,367.89	-29,859,367.89
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-20,141.01	-20,141.01
Repurchase Agreements	6,289,636,000.00	6,289,636,000.00
Mutual Fund Investments	500,994,103.88	500,994,103.88
Government Securities	8,026,149,036.11	8,024,564,720.44
U.S. Treasury Inflation Protected Securities	79,994,586.87	80,015,432.00
US Treasury Bills	1,521,498,645.58	1,521,218,376.35
US Treasury Notes	135,522,199.25	135,471,308.77
Total	\$16,534,308,934.89	\$16,532,414,304.63

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	589	\$4,668,123,358.55
Higher Education	58	\$642,343,749.85
Healthcare	83	\$540,900,082.39
Utility District	797	\$2,390,961,233.36
City	461	\$4,335,051,583.34
County	186	\$1,570,747,920.39
Other	336	\$2,385,336,152.37

**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

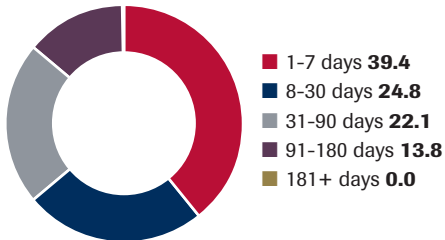
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
10/1	2.1137%	0.000057910	\$16,463,435,932.50	0.99990	26	102
10/2	2.1148%	0.000057939	\$16,465,595,554.67	0.99989	26	99
10/3	2.1088%	0.000057776	\$16,540,595,389.66	0.99989	30	103
10/4	2.1189%	0.000058053	\$16,441,131,909.14	0.99989	33	105
10/5	2.1162%	0.000057979	\$16,343,854,682.79	0.99988	34	107
10/6	2.1162%	0.000057979	\$16,343,854,682.79	0.99988	34	107
10/7	2.1162%	0.000057979	\$16,343,854,682.79	0.99988	34	107
10/8	2.1162%	0.000057979	\$16,343,854,682.79	0.99988	34	107
10/9	2.1229%	0.000058163	\$16,319,357,052.11	0.99988	32	104
10/10	2.1266%	0.000058262	\$16,294,097,973.19	0.99988	33	104
10/11	2.1328%	0.000058433	\$16,257,193,571.51	0.99989	33	104
10/12	2.1385%	0.000058588	\$16,323,036,518.77	0.99989	33	104
10/13	2.1385%	0.000058588	\$16,323,036,518.77	0.99989	33	104
10/14	2.1385%	0.000058588	\$16,323,036,518.77	0.99989	33	104
10/15	2.1538%	0.000059007	\$16,329,936,765.23	0.99989	32	102
10/16	2.1474%	0.000058833	\$16,359,165,381.52	0.99989	33	103
10/17	2.1482%	0.000058854	\$16,360,407,768.38	0.99988	33	103
10/18	2.1572%	0.000059102	\$16,329,553,915.34	0.99988	33	103
10/19	2.1570%	0.000059096	\$16,275,737,212.50	0.99988	34	104
10/20	2.1570%	0.000059096	\$16,275,737,212.50	0.99988	34	104
10/21	2.1570%	0.000059096	\$16,275,737,212.50	0.99988	34	104
10/22	2.1652%	0.000059321	\$16,256,239,012.02	0.99988	33	101
10/23	2.1598%	0.000059173	\$16,222,451,177.71	0.99988	33	100
10/24	2.1641%	0.000059290	\$16,176,744,909.63	0.99988	33	101
10/25	2.1637%	0.000059279	\$16,695,816,098.45	0.99988	32	98
10/26	2.1663%	0.000059351	\$16,705,041,830.22	0.99989	32	98
10/27	2.1663%	0.000059351	\$16,705,041,830.22	0.99989	32	98
10/28	2.1663%	0.000059351	\$16,705,041,830.22	0.99989	32	98
10/29	2.1689%	0.000059421	\$16,642,169,621.99	0.99989	30	95
10/30	2.1665%	0.000059356	\$16,646,341,188.21	0.99989	29	94
10/31	2.1750%	0.000059590	\$16,534,308,934.89	0.99988	30	96
Average	2.1438%	0.000058735	\$16,407,142,179.73	0.99989	32	102



TEXPOOL PRIME

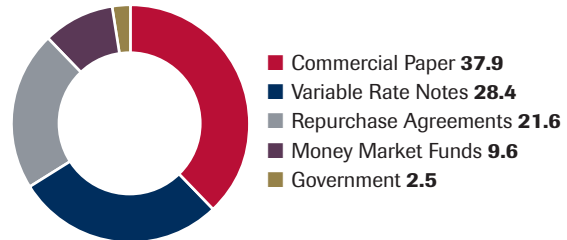
Portfolio by Maturity (%)

As of October 31, 2018



Portfolio by Type of Investment (%)

As of October 31, 2018



Portfolio Asset Summary as of October 31, 2018

	Book Value	Market Value
Uninvested Balance	\$1,476.48	\$1,476.48
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	2,917,411.86	2,917,411.86
Interest and Management Fees Payable	-9,631,178.99	-9,631,178.99
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-7,745.81	-7,745.81
Repurchase Agreements	1,060,364,000.00	1,060,364,000.00
Commercial Paper	1,864,719,634.35	1,864,376,353.60
Bank Instruments	0.00	0.00
Mutual Fund Investments	472,097,499.35	472,052,003.75
Government Securities	124,764,250.00	124,755,081.75
Variable Rate Notes	1,397,998,505.99	1,398,199,960.00
Total	\$4,913,223,853.23	\$4,913,027,362.64

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	117	\$1,654,503,854.18
Higher Education	17	\$593,037,921.30
Healthcare	14	\$237,710,059.74
Utility District	30	\$334,620,699.52
City	65	\$775,281,903.76
County	38	\$416,440,914.71
Other	66	\$901,131,713.78



TEXPOOL *PRIME*

Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool <i>Prime</i> Invested Balance	NAV	WAM Days	WAL Days
10/1	2.2934%	0.000062832	\$4,852,526,334.59	1.00005	34	60
10/2	2.2993%	0.000062995	\$4,848,464,095.64	1.00005	35	61
10/3	2.2879%	0.000062681	\$4,927,643,984.75	1.00005	36	61
10/4	2.2980%	0.000062960	\$4,919,541,336.47	1.00004	37	66
10/5	2.2975%	0.000062946	\$4,801,043,704.75	0.99996	39	69
10/6	2.2975%	0.000062946	\$4,801,043,704.75	0.99996	39	69
10/7	2.2975%	0.000062946	\$4,801,043,704.75	0.99996	39	69
10/8	2.2975%	0.000062946	\$4,801,043,704.75	0.99996	39	69
10/9	2.2955%	0.000062890	\$4,861,395,118.07	1.00005	36	65
10/10	2.3082%	0.000063237	\$4,826,077,255.25	1.00004	38	67
10/11	2.3140%	0.000063398	\$4,792,294,364.32	1.00004	38	71
10/12	2.3137%	0.000063390	\$4,869,427,887.77	0.99998	37	70
10/13	2.3137%	0.000063390	\$4,869,427,887.77	0.99998	37	70
10/14	2.3137%	0.000063390	\$4,869,427,887.77	0.99998	37	70
10/15	2.3253%	0.000063708	\$4,967,675,107.55	1.00004	35	68
10/16	2.3292%	0.000063814	\$4,986,844,205.91	1.00002	37	73
10/17	2.3382%	0.000064061	\$4,987,237,325.35	1.00001	38	77
10/18	2.3443%	0.000064228	\$4,894,671,919.52	1.00001	38	77
10/19	2.3521%	0.000064441	\$4,865,691,406.84	0.99996	39	78
10/20	2.3521%	0.000064441	\$4,865,691,406.84	0.99996	39	78
10/21	2.3521%	0.000064441	\$4,865,691,406.84	0.99996	39	78
10/22	2.3612%	0.000064690	\$4,865,562,880.48	1.00002	39	79
10/23	2.3641%	0.000064769	\$4,803,229,828.16	1.00002	39	80
10/24	2.3657%	0.000064815	\$4,786,810,237.68	0.99999	39	79
10/25	2.3650%	0.000064795	\$4,838,367,490.48	0.99996	38	78
10/26	2.3662%	0.000064828	\$4,845,039,448.67	0.99990	38	78
10/27	2.3662%	0.000064828	\$4,845,039,448.67	0.99990	38	78
10/28	2.3662%	0.000064828	\$4,845,039,448.67	0.99990	38	78
10/29	2.3697%	0.000064923	\$4,880,664,703.96	0.99996	37	75
10/30	2.3667%	0.000064841	\$4,879,163,693.96	0.99995	36	74
10/31	2.3707%	0.000064950	\$4,913,223,853.23	0.99996	35	73
Average	2.3317%	0.000063882	\$4,863,743,380.14	0.99999	38	72



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

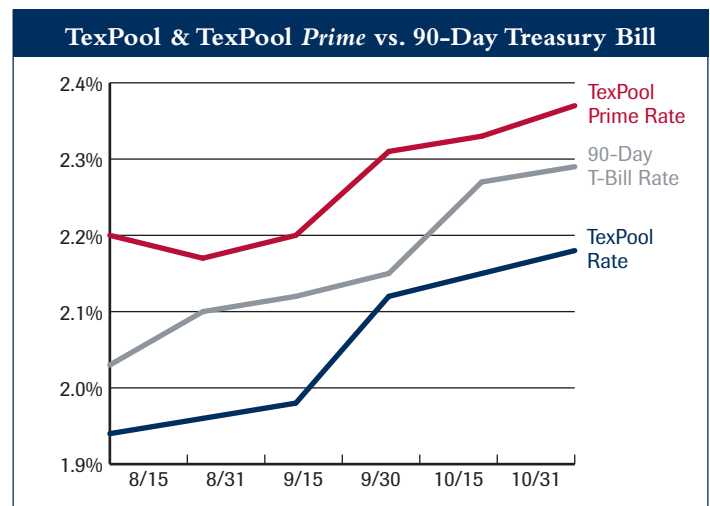
conjunction with the federal funds rate. If the Fed wants to loosen or tighten policy, it could reduce or raise the pace of QT along with lowering or raising target rates.

Speaking of rates, despite criticism from a certain executive, a Fed hike is baked into the cake for December. There is talk of a “pause” in rate action in 2019, and no consensus of what the range will be at the end of 2019. But for the present, rates are predictable and that is a good thing. Yields on money funds were steady in October across the industry.

Despite the disrespect both strong earnings and economic indicators seem to be getting from the stock market at present, money markets are benefiting from the economy’s health. To this point, a good portion of the flows into prime products are not coming from government money funds but from other liquidity vehicles such as banks and longer-term equity and fixed-income funds. While the cash sphere is a haven in times of volatility and stress, that’s a sign its attractive yields are enticing inflows. Money market funds clearly have momentum. For those institutions still able to use prime funds after reform but chose not to, the yield spread is making a good argument to return.

One final word on the Fed. It is now so close to its own solid ground. The top three positions—chair and two vice chairs—are now in place and a full complement of governors is in reach if nominees Michelle Bowman, Nellie Liang and Marvin Goodfriend are confirmed. Almost there.

The weighted average maturity (WAM) target ranges of our funds ended October with prime and municipal funds in a 30–40 day



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.

span and government funds in a 25–35 day range. The London interbank offered rate (Libor) rose over the month, with 1-month at 2.26% to 2.30%, 3-month at 2.40% to 2.52% and 6-month at 2.60% to 2.78%.