



Monthly Newsletter: October 2018

ANNOUNCEMENTS

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

TexPool

Town of Lakewood Village
 North San Gabriel MUD 2
 Southeast Williamson County MUD 1
 Williamson County MUD 32
 Richland Special Utility District
 Upton County ESD 1

TexPool Prime

Town of Lakewood Village
 Bluebonnet Trails Community MHMR Center
 Richland Special Utility District
 Upton County ESD 1

Upcoming Events

Oct 10, 2018 - Oct 12, 2018,
 Fort Worth Convention Center, Ft. Worth
 2018 Texas Municipal League Conference

Oct 16, 2018 - Oct 18, 2018,
 Holiday Inn - San Antonio Riverwalk, San Antonio
 73rd Annual TACA Fall Conference

Oct 24, 2018 - Oct 26, 2018,
 Moody Gardens Hotel, Galveston
 GFOAT Fall 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: Coming around to our way of thinking

October 1, 2018

In recent weeks, we've begun to see a stirring in the financial press about the renewed worthiness of cash and money markets, especially prime institutional. What was once "in the doldrums," "left for dead" and dealt a "fatal blow" is now regaled with statements such as "prime time returns," "cash comes into focus" and having "increasing attractiveness."

Hmmm. This all sounds strangely familiar. Might that be because we at Federated—not to mention this column—have been saying this for months and quarters? What a Bloomberg article recently called, "Rising rates lift relative appeal of cash to decade high," we have said in marketing campaigns and presentations for some time. In particular, our mandate has been to focus liquidity clients on the comparisons between banks and prime. It's important to remember that, industry-wide, prime products tend to be more responsive than bank deposits to rising rates because they trade using the London interbank offered rate (Libor), which traditionally traces Fed hikes faster and that money funds provide a market rate, not an administrative one chosen by a bank or similar institution. It's a reason assets are flowing back into prime money funds in general; diversification is another one.

(continued page 6)

Performance as of September 30, 2018

	TexPool	TexPool Prime
Current Invested Balance	\$16,556,661,095.59	\$4,680,947,451.00
Weighted Average Maturity	28	37
Weighted Average Life	104	61
Net Asset Value	0.99991	1.000000
Total Number of Participants	2505	341
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$27,134,867.55	\$8,784,475.31
Management Fee Collected	\$605,613.87	\$228,988.75
Standard & Poor's Current Rating	AAA ^m	AAA ^m
Month Averages		
Average Invested Balance	\$16,565,748,581.27	\$4,856,373,834.63
Average Monthly Rate	2.00%	2.21%
Average Weighted Average Maturity	28	30
Average Weighted Average Life	105	55

*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.

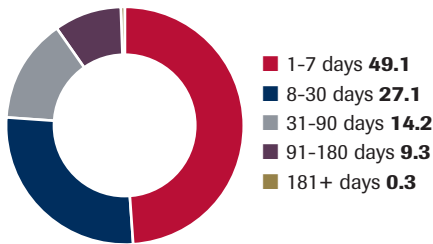
**See page 2 for definitions.

Past performance is no guarantee of future results.



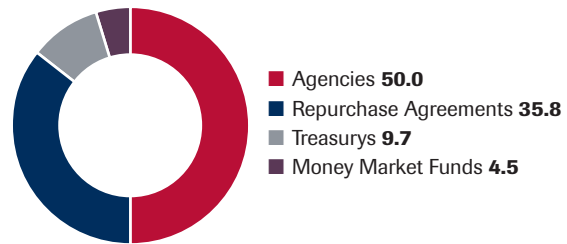
Portfolio by Maturity (%)

As of September 30, 2018



Portfolio by Type of Investment (%)

As of September 30, 2018



Portfolio Asset Summary as of September 30, 2018

	Book Value	Market Value
Uninvested Balance	-\$1,411.55	-\$1,411.55
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	12,389,555.74	12,389,555.74
Interest and Management Fees Payable	-27,140,026.49	-27,140,026.49
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	-61,686.27	-61,686.27
Repurchase Agreements	5,934,626,000.00	5,934,626,000.00
Mutual Fund Investments	742,506,103.88	742,506,103.88
Government Securities	8,288,897,364.48	8,287,559,667.75
U.S. Treasury Inflation Protected Securities	79,994,279.53	80,007,980.00
US Treasury Bills	1,457,678,091.94	1,457,462,555.57
US Treasury Notes	67,772,823.33	67,755,625.00
Total	\$16,556,661,094.59	\$16,555,104,363.63

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	\$4,800,772,351.43
Higher Education	57	\$671,550,445.95
Healthcare	83	\$538,676,084.63
Utility District	796	\$2,388,459,329.08
City	461	\$4,065,065,846.52
County	186	\$1,661,379,828.64
Other	333	\$2,428,327,476.73

**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

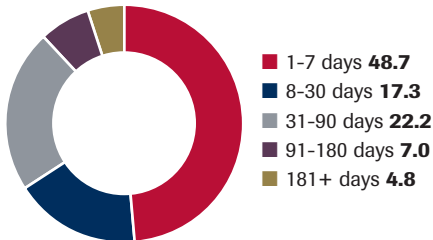
Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Invested Balance	NAV	WAM Days	WAL Days
9/1	1.9641%	0.000053811	\$17,069,457,092.99	1.00002	28	104
9/2	1.9641%	0.000053811	\$17,069,457,092.99	1.00002	28	104
9/3	1.9641%	0.000053811	\$17,069,457,092.99	1.00002	28	104
9/4	1.9925%	0.000054589	\$16,757,851,116.53	0.99995	28	104
9/5	1.9611%	0.000053729	\$16,767,749,101.48	0.99995	28	104
9/6	1.9573%	0.000053624	\$16,689,817,551.18	0.99995	27	105
9/7	1.9591%	0.000053674	\$16,603,783,379.85	0.99994	27	105
9/8	1.9591%	0.000053674	\$16,603,783,379.85	0.99994	27	105
9/9	1.9591%	0.000053674	\$16,603,783,379.85	0.99994	27	105
9/10	1.9614%	0.000053738	\$16,535,619,519.65	0.99994	27	103
9/11	1.9636%	0.000053797	\$16,514,566,772.00	0.99994	26	105
9/12	1.9651%	0.000053838	\$16,508,440,699.61	0.99994	26	105
9/13	1.9725%	0.000054040	\$16,400,954,111.49	0.99994	28	106
9/14	1.9780%	0.000054193	\$16,425,316,113.09	0.99991	29	108
9/15	1.9780%	0.000054193	\$16,425,316,113.09	0.99991	29	108
9/16	1.9780%	0.000054193	\$16,425,316,113.09	0.99991	29	108
9/17	1.9934%	0.000054614	\$16,409,336,063.91	0.99991	26	106
9/18	1.9842%	0.000054363	\$16,391,712,815.22	0.99991	27	105
9/19	1.9800%	0.000054246	\$16,305,425,511.32	0.99991	27	106
9/20	1.9808%	0.000054268	\$16,359,144,458.28	0.99990	28	106
9/21	1.9846%	0.000054372	\$16,272,836,441.30	0.99989	29	107
9/22	1.9846%	0.000054372	\$16,272,836,441.30	0.99989	29	107
9/23	1.9846%	0.000054372	\$16,272,836,441.30	0.99989	29	107
9/24	2.0078%	0.000055009	\$16,199,456,295.12	0.99989	27	105
9/25	1.9934%	0.000054614	\$16,942,000,447.01	0.99990	28	99
9/26	2.0195%	0.000055329	\$16,794,535,441.07	0.99990	28	103
9/27	2.0954%	0.000057409	\$16,611,685,168.82	0.99990	28	103
9/28	2.1244%	0.000058202	\$16,556,661,094.59	0.99991	28	104
9/29	2.1244%	0.000058202	\$16,556,661,094.59	0.99991	28	104
9/30	2.1244%	0.000058202	\$16,556,661,094.59	0.99991	28	104
Average:	1.9953%	0.000054665	\$16,565,748,581.27	.99993	28	105



TEXPOOL PRIME

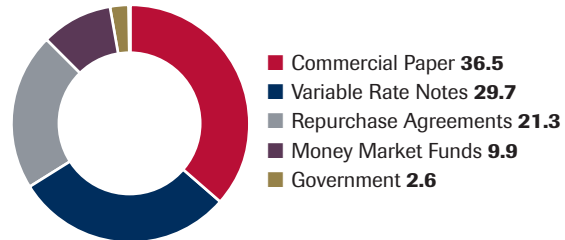
Portfolio by Maturity (%)

As of September 30, 2018



Portfolio by Type of Investment (%)

As of September 30, 2018



Portfolio Asset Summary as of September 30, 2018

	Book Value	Market Value
Uninvested Balance	\$64,247.20	\$64,247.20
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	3,289,274.82	3,289,274.82
Interest and Management Fees Payable	-8,784,466.05	-8,784,466.05
Payable for Investments Purchased	-88,806,419.43	-88,806,419.43
Accrued Expenses & Taxes	-22,027.86	-22,027.86
Repurchase Agreements	1,015,374,000.00	1,015,374,000.00
Commercial Paper	1,744,184,970.73	1,743,855,218.37
Bank Instruments	0.00	0.00
Mutual Fund Investments	472,097,499.35	472,052,003.75
Government Securities	124,541,437.50	124,530,630.75
Variable Rate Notes	1,419,008,935.04	1,419,414,680.00
Total	\$4,680,947,451.30	\$4,680,967,141.55

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	116	\$1,594,932,117.91
Higher Education	15	\$638,311,318.86
Healthcare	14	\$252,711,918.78
Utility District	30	\$317,453,012.51
City	66	\$665,081,199.73
County	38	\$435,208,455.49
Other	62	\$777,253,431.49



TEXPOOL *PRIME*

Daily Summary

Date	Money Mkt. Fund Equiv. (SEC Std.)	Dividend Factor	TexPool Prime Invested Balance	NAV	WAM Days	WAL Days
9/1	2.1718%	0.000059502	\$4,972,013,692.36	1.00017	27	54
9/2	2.1718%	0.000059502	\$4,972,013,692.36	1.00017	27	54
9/3	2.1718%	0.000059502	\$4,972,013,692.36	1.00017	27	54
9/4	2.1770%	0.000059643	\$4,960,760,114.76	1.00015	29	53
9/5	2.1687%	0.000059417	\$4,947,421,978.02	1.00014	30	53
9/6	2.1954%	0.000060147	\$4,856,418,795.79	1.00013	29	53
9/7	2.1873%	0.000059925	\$4,859,352,634.27	1.00008	30	54
9/8	2.1873%	0.000059925	\$4,859,352,634.27	1.00008	30	54
9/9	2.1873%	0.000059925	\$4,859,352,634.27	1.00008	30	54
9/10	2.1921%	0.000060057	\$4,861,209,224.81	1.00012	29	51
9/11	2.1873%	0.000059926	\$4,845,089,379.19	1.00012	29	52
9/12	2.1944%	0.000060120	\$4,810,234,862.16	1.00011	30	55
9/13	2.1993%	0.000060255	\$4,809,653,833.48	1.00012	29	56
9/14	2.1957%	0.000060155	\$4,887,484,836.11	1.00006	29	55
9/15	2.1957%	0.000060155	\$4,887,484,836.11	1.00006	29	55
9/16	2.1957%	0.000060155	\$4,887,484,836.11	1.00006	29	55
9/17	2.2012%	0.000060306	\$4,932,311,038.46	1.00011	27	53
9/18	2.2038%	0.000060377	\$4,967,944,024.59	1.00009	28	54
9/19	2.2038%	0.000060379	\$4,891,849,477.78	1.00009	28	54
9/20	2.2119%	0.000060599	\$4,853,843,198.87	1.00010	28	54
9/21	2.2058%	0.000060432	\$4,805,668,791.37	1.00003	30	55
9/22	2.2058%	0.000060432	\$4,805,668,791.37	1.00003	30	55
9/23	2.2058%	0.000060432	\$4,805,668,791.37	1.00003	30	55
9/24	2.2262%	0.000060991	\$4,775,425,168.54	1.00008	32	56
9/25	2.2207%	0.000060841	\$4,883,789,529.22	1.00007	31	55
9/26	2.2076%	0.000060483	\$4,843,803,803.27	1.00007	30	55
9/27	2.2644%	0.000062039	\$4,835,058,393.63	1.00005	33	57
9/28	2.3072%	0.000063211	\$4,680,947,451.30	1.00000	37	61
9/29	2.3072%	0.000063211	\$4,680,947,451.30	1.00000	37	61
9/30	2.3072%	0.000063211	\$4,680,947,451.30	1.00000	37	61
Average:	2.2086%	0.000060509	\$4,856,373,834.63	1.00009	30	55



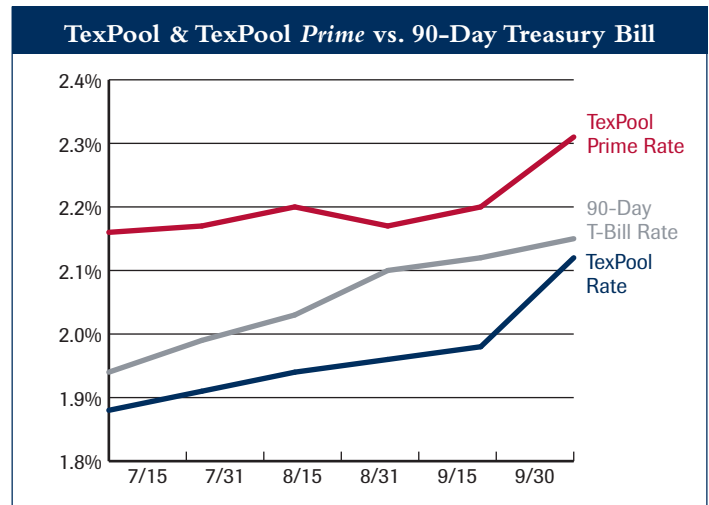
Participant Services
1001 Texas Ave. 14th Floor
Houston, TX 77002

Well, better late than never for the popular press, which Reuters colorfully said a few days before the Federal Open Market Committee (FOMC) raised rates in its September meeting: With the “anticipated rate action, cash will join the party.”

In addition to a much-expected 25-basis-point hike in the target range to 2-2.25%, the FOMC summary of economic projections indicated it expects one more hike before the end of 2018 and three similar hikes in 2019. The forecast extended to 2021 this time, with a rate of 3.4% implying no additional tightening.

A bit of inside baseball is that the Fed did not choose to further lower the interest paid on excess reserves (IOER) target compared to the upper end of the fed funds rate. Both rose a quarter point, so the difference between them remains 20 basis points.

We would expect yields on prime securities to continue to move higher over the fourth quarter and issuance of Treasuries to remain strong. Given the outlook for higher rates, we continue to invest in floating-rate securities and maintain the weighted average maturity (WAM) of our prime funds in a 30-40 day range and 25-35 days for government funds, with our municipal call shifting down five days to 25-35. Libor rose over the month, with 1-month at 2.26%, 3-month at 2.40% and 6-month at 2.60%.



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.