



Investment Portfolio Summary

City of New Braunfels



For the Quarter Ended

March 31, 2019

Prepared by
HilltopSecurities Asset Management

Report Name

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MARKET RECAP - MARCH 2019:

Fixed income investors and the Fed finally threw in the towel on rate hikes, succumbing to signs of a global economic slowdown, even as most domestic economic data continued to paint a mixed picture. The 35 day government shutdown earlier in the year has wreaked havoc on much of the data. In addition to delayed release schedules and problematic seasonal adjustments, it's apparent that the shutdown had a negative impact on economic activity in December and January, and that February and March are enjoying a bit of a snapback. The first release of Q4 2018 GDP showed the economy expanded at a +2.6% annualized pace. However, downward revisions to December retail sales pushed the final Q4 GDP measure down to +2.2%. February's headline retail sales fell by -0.2%, well below the expected +0.2% advance, although a positive revision to January eased the disappointment. The ISM manufacturing data also fell short of expectations as the February reading slid to 54.2, the weakest in two years. On the other hand, the ISM non-manufacturing (service sector) index jumped to 59.7 in February, within 1.6 points of an all-time high. The new orders component surged to 64.7, the highest reading in three decades of record keeping.

The February employment report only added to the confusion as nonfarm payrolls rose by a meager +20k, ridiculously short of the +180k median forecast. Meanwhile, January's gain was revised upward to +311k. So, February was really bad and January was really good. The two-month average is a solid +165k, while the five-month average is still a very strong +206k. The unemployment rate slipped back to 3.8%, just a tenth higher than the 49-year low point in September. Average hourly earnings advanced to +3.4% year-over-year pace, the fastest wage growth in a decade. In short, the job market remains quite healthy by most any measure. Housing data was mixed, an adjective that could be used to describe much of the economic data released during March. Importantly, inflation remains well contained and the upward trend seen through the first half of last year has been stymied. The headline consumer price index slipped to +1.5% year-over-year, the lowest since September 2016. Core CPI fell to +2.1%, while the Fed's preferred measure, core PCE, is running at a +1.8% pace.

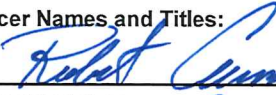
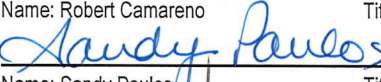
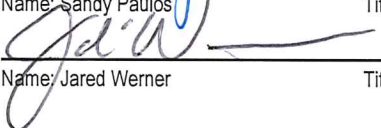
The Fed has taken notice of the moderating inflation trends with Chair Powell acknowledging the FOMC has failed to attain its inflation objectives. With economic growth sputtering and inflation trending lower, the Fed has made a complete about-face. Recall that in December, not only did the FOMC raise the overnight fed funds target rate by 25 basis points, but their dot plot also indicated they expected to hike three more times during 2019. Just three months later at the March FOMC meeting, those plans were thrown out the window with the dot plot calling for zero rate increases this year. Furthermore, the Fed will halt their balance sheet runoff, or quantitative tightening, in the coming months. The dovish shift by a now patient Fed sparked yet another bond market rally. At this point, not only have rate hikes been priced out of the market, but some investors now see rate cuts on the horizon and yield curve inversions have become even more pronounced. The 10-year Treasury note yield closed the month at 2.40%, just below the one-month T-bill. The two-year T-note yield fell to 2.26%, 71 basis points below last November's 2.97% high point, while the three-year dropped even further to 2.20%. Lower interest rates and an accommodative Fed provided a boost to equity markets, which extended their rally from December's swoon.

**For the Quarter Ended
March 31, 2019**

This report is prepared for the **City of New Braunfels** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

Officer Names and Titles:

	_____
Name: Robert Camareno	Title: City Manager
	_____
Name: Sandy Paulos	Title: Asst. Director of Finance
	_____
Name: Jared Werner	Title: Chief Financial Officer

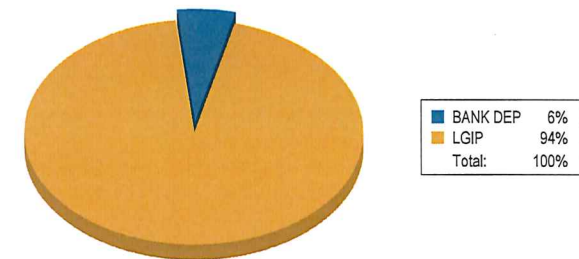
Account Summary

Allocation by Security Type

Beginning Values as of 12/31/18

Ending Values as of 03/31/19

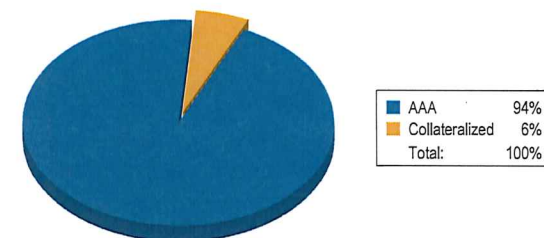
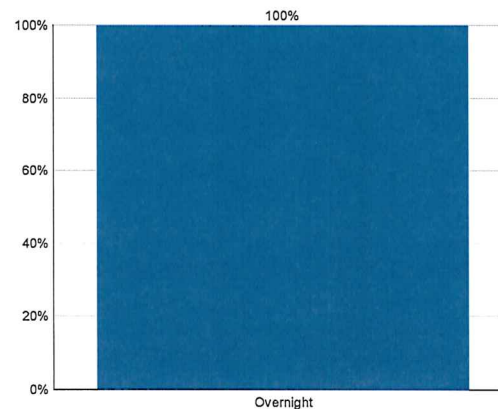
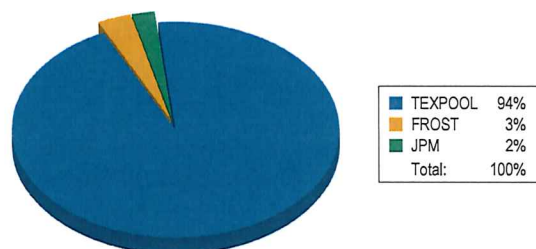
Par Value	112,904,729.19	130,196,085.14
Market Value	112,904,729.19	130,196,085.14
Book Value	112,904,729.19 ✓	130,196,085.14 ✓
Unrealized Gain /(Loss)	0.00	0.00
Market Value %	100.00%	100.00%
Weighted Avg. YTW	2.174%	2.362% ✓
Weighted Avg. YTM	2.174% ✓	2.362%



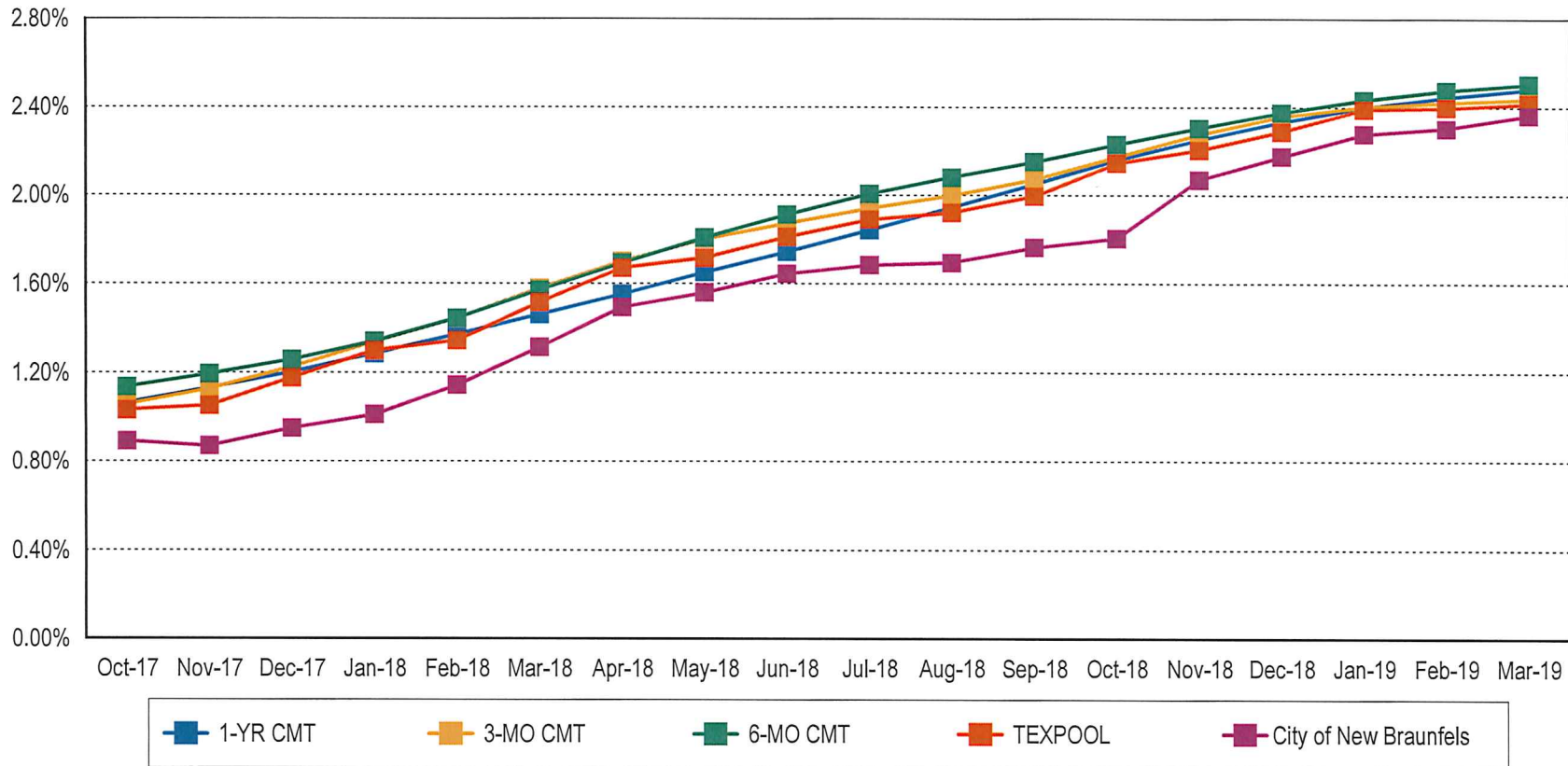
Allocation by Issuer

Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 1



Note 1: CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMTs are the daily averages for the previous 12-months.

Note 2: Benchmark data for TexPool is the monthly average yield.



City of New Braunfels
Detail of Security Holdings
As of 03/31/2019

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
101 - General Fund																	
FROST-NBR		BANK DEP	Frost Bk					4,466,231.61	100.000	4,466,231.61	4,466,231.61	100.000	4,466,231.61	1		2.040	2.040
JPM-NBRE		BANK DEP	JPM Chase Bk					2,901,380.57	100.000	2,901,380.57	2,901,380.57	100.000	2,901,380.57	1		0.550	0.550
TEXPOOL		LGIP	TexPool					30,529,287.66	100.000	30,529,287.66	30,529,287.66	100.000	30,529,287.66	1		2.416	2.416
Total for 101 - General Fund								37,896,899.84	100.000	37,896,899.84	37,896,899.84	100.000	37,896,899.84	1		2.229	2.229
212 - NB Industrial Dev Corp																	
TEXPOOL		LGIP	TexPool					13,654,858.94	100.000	13,654,858.94	13,654,858.94	100.000	13,654,858.94	1		2.416	2.416
Total for 212 - NB Industrial Dev Corp								13,654,858.94	100.000	13,654,858.94	13,654,858.94	100.000	13,654,858.94	1		2.416	2.416
999 - Pooled Funds																	
TEXPOOL		LGIP	TexPool					78,644,326.36	100.000	78,644,326.36	78,644,326.36	100.000	78,644,326.36	1		2.416	2.416
Total for 999 - Pooled Funds								78,644,326.36	100.000	78,644,326.36	78,644,326.36	100.000	78,644,326.36	1		2.416	2.416
Total for City of New Braunfels								130,196,085.14	100.000	130,196,085.14	130,196,085.14	100.000	130,196,085.14	1		2.362	2.362



City of New Braunfels
Change in Value
From 12/31/2018 to 03/31/2019

CUSIP	Security Type	Security Description	12/31/18 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	03/31/19 Book Value	12/31/18 Market Value	03/31/19 Market Value	Change in Mkt Value
101 - General Fund											
FROST-NBR	BANK DEP	Frost Bk	3,380,154.43	1,641,967.92	(555,890.72)	0.00	0.00	4,466,231.61	3,380,154.43	4,466,231.61	1,086,077.18
JPM-NBRE	BANK DEP	JPM Chase Bk	2,896,983.45	4,397.12	0.00	0.00	0.00	2,901,380.57	2,896,983.45	2,901,380.57	4,397.12
JPM-NBRH	BANK DEP	JPM Chase Bk High Yield	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TEXPOOL	LGIP	TexPool	14,892,368.24	15,636,919.42	0.00	0.00	0.00	30,529,287.66	14,892,368.24	30,529,287.66	15,636,919.42
Total for 101 - General Fund			21,169,506.12	17,283,284.46	(555,890.72)	0.00	0.00	37,896,899.84	21,169,506.12	37,896,899.84	16,727,393.72
212 - NB Industrial Dev Corp											
TEXPOOL	LGIP	TexPool	13,566,399.00	88,459.94	0.00	0.00	0.00	13,654,858.94	13,566,399.00	13,654,858.94	88,459.94
Total for 212 - NB Industrial Dev Corp			13,566,399.00	88,459.94	0.00	0.00	0.00	13,654,858.94	13,566,399.00	13,654,858.94	88,459.94
999 - Pooled Funds											
TEXPOOL	LGIP	TexPool	78,168,824.07	475,502.29	0.00	0.00	0.00	78,644,326.36	78,168,824.07	78,644,326.36	475,502.29
Total for 999 - Pooled Funds			78,168,824.07	475,502.29	0.00	0.00	0.00	78,644,326.36	78,168,824.07	78,644,326.36	475,502.29
Total for City of New Braunfels			112,904,729.19	17,847,246.69	(555,890.72)	0.00	0.00	130,196,085.14	112,904,729.19	130,196,085.14	17,291,355.95



City of New Braunfels
Earned Income
 From 12/31/2018 to 03/31/2019

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
101 - General Fund									
FROST-NBR	BANK DEP	Frost Bk	0.00	3,631.03	3,631.03	0.00	0.00	0.00	3,631.03
JPM-NBRE	BANK DEP	JPM Chase Bk	0.00	4,397.12	4,397.12	0.00	0.00	0.00	4,397.12
TEXPOOL	LGIP	TexPool	0.00	136,919.42	136,919.42	0.00	0.00	0.00	136,919.42
Total for 101 - General Fund			0.00	144,947.57	144,947.57	0.00	0.00	0.00	144,947.57
212 - NB Industrial Dev Corp									
TEXPOOL	LGIP	TexPool	0.00	88,459.94	88,459.94	0.00	0.00	0.00	88,459.94
Total for 212 - NB Industrial Dev Corp			0.00	88,459.94	88,459.94	0.00	0.00	0.00	88,459.94
999 - Pooled Funds									
TEXPOOL	LGIP	TexPool	0.00	475,502.29	475,502.29	0.00	0.00	0.00	475,502.29
Total for 999 - Pooled Funds			0.00	475,502.29	475,502.29	0.00	0.00	0.00	475,502.29
Total for City of New Braunfels			0.00	708,909.80	708,909.80	0.00	0.00	0.00	708,909.80