FirstSouthwest
AssetManagement
A Hilltop Holdings Company.

Investment Portfolio Summary

City of New Braunfels

City of New Braunfels

For the Quarter Ended

June 30, 2018

Prepared by
FirstSouthwest Asset Management

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Report Name

MARKET RECAP - JUNE 2018:

The key economic indicators released during June showed a strengthening economy with growing inflationary pressures. Nonfarm payrolls rose by +223k in May, well above the +190k median forecast, while prior month revisions added another +14k. Headline unemployment fell from 3.9% to 3.8%, the lowest since 1969, while the broader U6 "under-employment" rate fell from 7.8% to 7.6%, the lowest since December 2000. Average hourly earnings rose by a greater-than-expected +0.3% in May, pushing year-over-year wage inflation up from 2.56% to 2.71%. The ISM manufacturing index rebounded in May after slipping for two straight months. The 58.7 reading was within two points of the 14-year high set in February. Factory input prices continue to climb as the 79.5 reading on the ISM prices paid index was the highest since April 2011. The ISM non-manufacturing index rose by 1.8 points in May to 58.6, within 1.3 points of the 13-year high set in January. Retail sales unexpectedly jumped +0.8% in May, doubling the expected increase with the strongest monthly advance since November. Weak consumer spending held back first quarter economic growth, but the last three months have been quite solid. According to Bloomberg, retail sales are now tracking at a +5.9% year-over-year pace. Inflation firmed during May with the year-over-year consumer price index pushing up to +2.8% at the headline and +2.2% at the core. Producer prices also rose more than expected in May with the year-over-year headline PPI running at +3.1%, the highest since January 2012, and the core at +2.6%.

As expected, the Fed's policy setting Federal Open Market Committee raised the overnight fed funds target by 25 basis points to a new range of 1.75% - 2.00%. It was the seventh quarter-point increase since 2015. The statement tilted slightly hawkish compared to the previous statement, noting that "economic activity has been rising at a solid rate" versus just "moderate" previously; that the unemployment rate had "declined" versus "stayed low;" and household spending "has picked up" versus "moderated." The summary of economic projections, better known as the dot plot, also took a hawkish tilt with a lower unemployment rate, faster GDP growth for 2018, higher PCE for 2018, and a quicker pace of rate of hikes that now indicates a total of four 25 basis point hikes in 2018 versus three previously.

Financial markets don't seem to share the optimistic viewpoint painted by the data and seemingly validated by the Fed's action. Instead, markets are focusing on the burgeoning prospects of a trade war as the Trump administration and our global trading partners sink deeper into a spat of tit-for-tat tariffs. When President Trump implemented new 25% tariffs on $50 billion worth of Chinese goods, China quickly retaliated with 25% tariffs on $34 billion of U.S. goods. Trump responded by asking his staff to identify another $200 billion of Chinese products that could have tariffs imposed. Commerce Secretary Wilbur Ross has said the ultimate objective is to remove barriers, *"We're going to fix the problem of protectionism around the world and we're going to fix it by making it more painful for those countries to do bad practices than to do the right thing, which is to lower the trade barriers and lower their tariffs."* Our trading partners, particularly Canada, Mexico, the EU and China are fighting back, initiating retaliatory tariffs on U.S. goods. State controlled media in China wrote, *"If Trump continues to escalate trade tensions with China, we cannot rule out the possibility that China will strike back by adopting a hardline approach targeting Dow Jones Index giants."* The major U.S. equity indexes have taken notice with the Dow down 2% for the year and nearly 9% below its high, and the S&P 500 about 5% below its high. Bond yields fell during the month, despite the Fed rate hike and hotter inflation data, with the yield curve flattening as the two-year Treasury note yield closed the month at 2.53% while the 10-year T-note yield slipped to 2.86%.

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City of New Braunfels

Investment Officers' Certification

For the Quarter Ended

June 30, 2018

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

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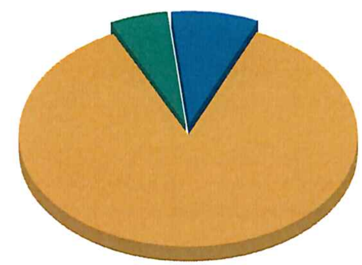
City of New Braunfels
Executive Summary
As of 06/30/18

Account Summary

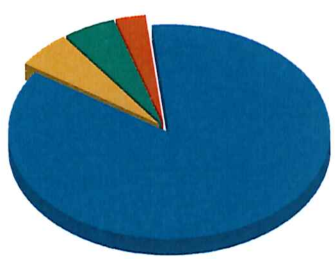
	Beginning Values as of 03/31/18	Ending Values as of 06/30/18
Par Value	98,064,503.90	89,767,667.54
Market Value	98,040,868.90	89,753,212.54
Book Value	98,055,261.05	89,762,123.09
Unrealized Gain /(Loss)	(14,392.15)	(8,910.55)
Market Value %	**99.99%**	**99.99%**
Weighted Avg. YTW	1.314%	1.644%
Weighted Avg. YTM	1.314%	1.644%

Allocation by Security Type



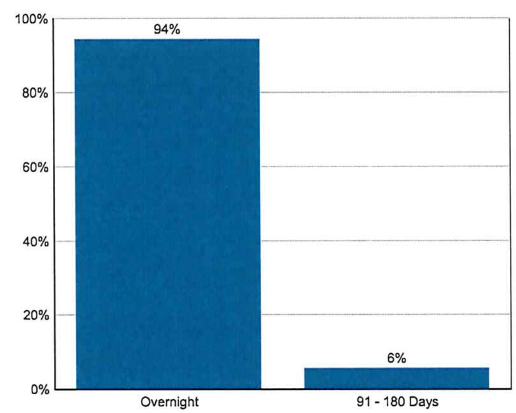
BANK DEP	8%
LGIP	86%
TREASURY	6%
Total:	100%

Allocation by Issuer



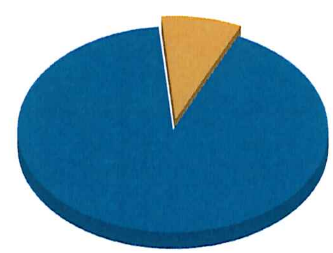
TEXPOOL	86%
US TREAS	6%
FROST	5%
JPM	3%
Total:	100%

Maturity Distribution %



Weighted Average Days to Maturity: 9

Credit Quality



AAA	92%
Collateralized	8%
Total:	100%

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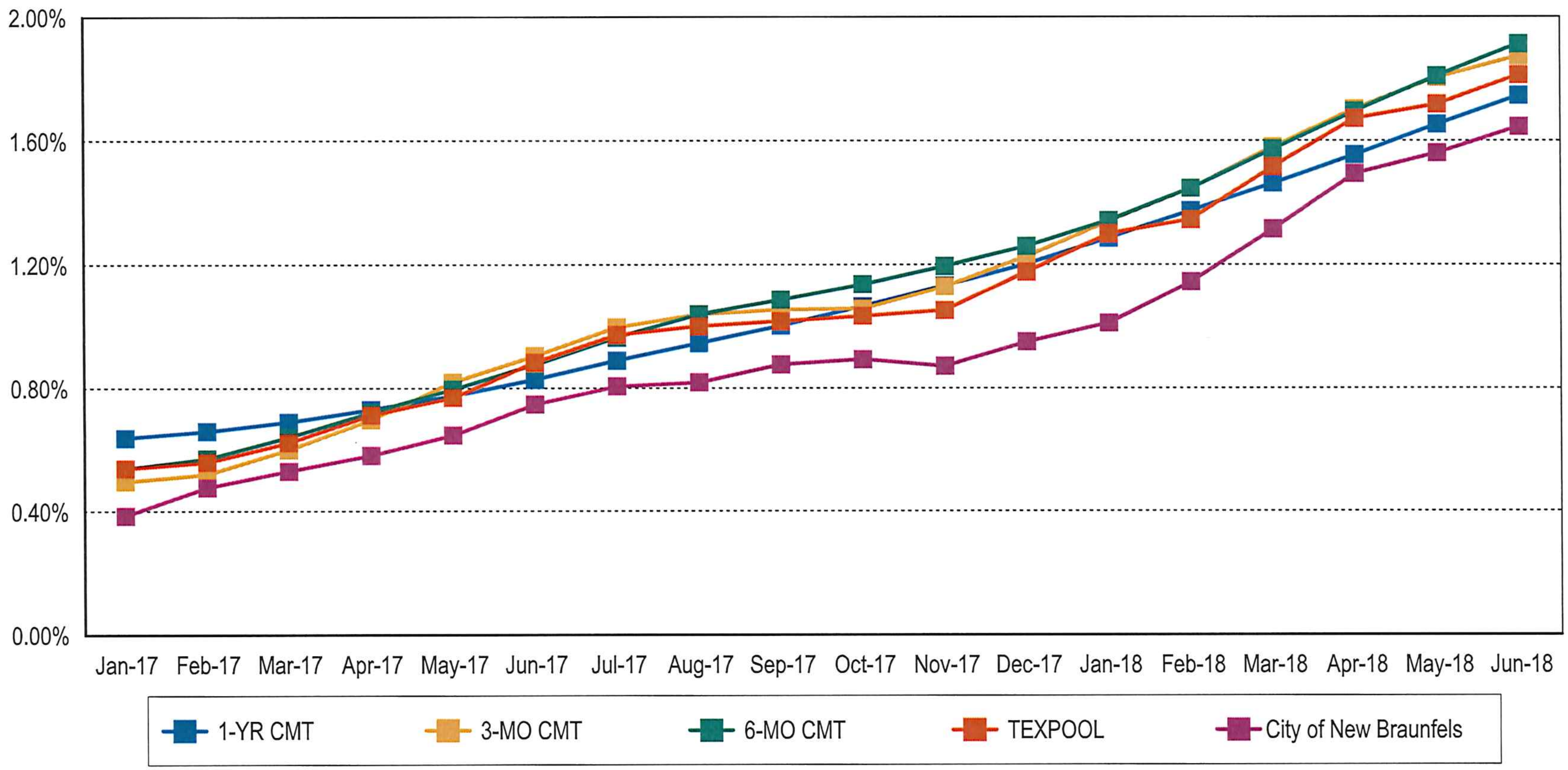
City of New Braunfels
Benchmark Comparison
As of 06/30/2018



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 CMT's are the daily averages for the previous 12-months.

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

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City of New Braunfels
Detail of Security Holdings
As of 06/30/2018

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					4,681,677.02	100.000	4,681,677.02	4,681,677.02	100.000	4,681,677.02	1		0.000	0.000
JPM-NBRE		BANK DEP	JPM Chase Bk					2,859,023.20	100.000	2,859,023.20	2,859,023.20	100.000	2,859,023.20	1		0.000	0.000
TEXPOOL		LGIP	TexPool					14,608,155.69	100.000	14,608,155.69	14,608,155.69	100.000	14,608,155.69	1		1.811	1.811
Total for 101 - General Fund								**22,148,855.91**	**100.000**	**22,148,855.91**	**22,148,855.91**	**100.000**	**22,148,855.91**	**1**		**1.194**	**1.194**
212 - NB Industrial Dev Corp																	
TEXPOOL		LGIP	TexPool					13,420,756.67	100.000	13,420,756.67	13,420,756.67	100.000	13,420,756.67	1		1.811	1.811
Total for 212 - NB Industrial Dev Corp								**13,420,756.67**	**100.000**	**13,420,756.67**	**13,420,756.67**	**100.000**	**13,420,756.67**	**1**		**1.811**	**1.811**
350 - 2013 GO Bond Fund																	
912828M64	11/10/17	TREAS NOTE	U.S. Treasury	1.250	11/15/18			5,000,000.00	99.699	4,984,960.94	4,994,455.55	99.711	4,985,545.00	138		1.550	1.550
Total for 350 - 2013 GO Bond Fund								**5,000,000.00**	**99.699**	**4,984,960.94**	**4,994,455.55**	**99.711**	**4,985,545.00**	**138**		**1.550**	**1.550**
999 - Pooled Funds																	
TEXPOOL		LGIP	TexPool					49,198,054.96	100.000	49,198,054.96	49,198,054.96	100.000	49,198,054.96	1		1.811	1.811
Total for 999 - Pooled Funds								**49,198,054.96**	**100.000**	**49,198,054.96**	**49,198,054.96**	**100.000**	**49,198,054.96**	**1**		**1.811**	**1.811**
Total for City of New Braunfels								**89,767,667.54**	**99.983**	**89,752,628.48**	**89,762,123.09**	**99.984**	**89,753,212.54**	**9**		**1.644**	**1.644**

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City of New Braunfels
Change in Value
From 03/31/2018 to 06/30/2018

CUSIP	Security Type	Security Description	03/31/18 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	06/30/18 Book Value	03/31/18 Market Value	06/30/18 Market Value	Change in Mkt Value
101 - General Fund											
FROST-NBR	BANK DEP	Frost Bk	10,320,418.88	0.00	(5,638,741.86)	0.00	0.00	4,681,677.02	10,320,418.88	4,681,677.02	(5,638,741.86)
JPM-NBRE	BANK DEP	JPM Chase Bk	2,859,023.20	0.00	0.00	0.00	0.00	2,859,023.20	2,859,023.20	2,859,023.20	0.00
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	17,533,574.81	49,659.69	(2,975,078.81)	0.00	0.00	14,608,155.69	17,533,574.81	14,608,155.69	(2,925,419.12)
Total for 101 - General Fund			**30,713,016.89**	**49,659.69**	**(8,613,820.67)**	**0.00**	**0.00**	**22,148,855.91**	**30,713,016.89**	**22,148,855.91**	**(8,564,160.98)**
212 - NB Industrial Dev Corp											
TEXPOOL	LGIP	TexPool	13,363,911.89	56,844.78	0.00	0.00	0.00	13,420,756.67	13,363,911.89	13,420,756.67	56,844.78
Total for 212 - NB Industrial Dev Corp			**13,363,911.89**	**56,844.78**	**0.00**	**0.00**	**0.00**	**13,420,756.67**	**13,363,911.89**	**13,420,756.67**	**56,844.78**
350 - 2013 GO Bond Fund											
912828M64	TREAS NOTE	U.S. Treasury 1.250 11/15/18	4,990,757.15	0.00	0.00	3,698.40	0.00	4,994,455.55	4,976,365.00	4,985,545.00	9,180.00
Total for 350 - 2013 GO Bond Fund			**4,990,757.15**	**0.00**	**0.00**	**3,698.40**	**0.00**	**4,994,455.55**	**4,976,365.00**	**4,985,545.00**	**9,180.00**
999 - Pooled Funds											
TEXPOOL	LGIP	TexPool	48,987,575.12	210,479.84	0.00	0.00	0.00	49,198,054.96	48,987,575.12	49,198,054.96	210,479.84
Total for 999 - Pooled Funds			**48,987,575.12**	**210,479.84**	**0.00**	**0.00**	**0.00**	**49,198,054.96**	**48,987,575.12**	**49,198,054.96**	**210,479.84**
Total for City of New Braunfels			**98,055,261.05**	**316,984.31**	**(8,613,820.67)**	**3,698.40**	**0.00**	**89,762,123.09**	**98,040,868.90**	**89,753,212.54**	**(8,287,656.36)**

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City of New Braunfels
Earned Income
From 03/31/2018 to 06/30/2018

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									
TEXPOOL	LGIP	TexPool	0.00	74,580.89	74,580.89	0.00	0.00	0.00	74,580.89
Total for 101 - General Fund			**0.00**	**74,580.89**	**74,580.89**	**0.00**	**0.00**	**0.00**	**74,580.89**
212 - NB Industrial Dev Corp									
TEXPOOL	LGIP	TexPool	0.00	56,844.79	56,844.79	0.00	0.00	0.00	56,844.79
Total for 212 - NB Industrial Dev Corp			**0.00**	**56,844.79**	**56,844.79**	**0.00**	**0.00**	**0.00**	**56,844.79**
350 - 2013 GO Bond Fund									
912828M64	TREAS NOTE	U.S. Treasury 1.250 11/15/18	23,653.31	15,579.03	31,250.00	0.00	7,982.34	3,698.40	19,277.43
Total for 350 - 2013 GO Bond Fund			**23,653.31**	**15,579.03**	**31,250.00**	**0.00**	**7,982.34**	**3,698.40**	**19,277.43**
999 - Pooled Funds									
TEXPOOL	LGIP	TexPool	0.00	210,479.85	210,479.85	0.00	0.00	0.00	210,479.85
Total for 999 - Pooled Funds			**0.00**	**210,479.85**	**210,479.85**	**0.00**	**0.00**	**0.00**	**210,479.85**
Total for City of New Braunfels			**23,653.31**	**357,484.56**	**373,155.53**	**0.00**	**7,982.34**	**3,698.40**	**361,182.96**

FirstSouthwest AssetManagement
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City of New Braunfels
Investment Transactions
From 04/01/2018 to 06/30/2018

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
350 - 2013 GO Bond Fund															
Income Payments															
05/15/18	05/15/18	912828M64	TREAS NOTE	U.S. Treasury	1.250	11/15/18				0.00	31,250.00	31,250.00			
Total for: Income Payments										**0.00**	**31,250.00**	**31,250.00**			

City of New Braunfels
Investment Transactions
From 04/01/2018 to 06/30/2018

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW

Total for All Portfolios

Transaction Type	Quantity	Total Amount	Realized G/L	YTM	YTW
Total Income Payments	0.00	31,250.00			

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City of New Braunfels
Amortization and Accretion
From 03/31/2018 to 06/30/2018

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
350 - 2013 GO Bond Fund											
912828M64	11/10/17	TREAS NOTE	U.S. Treasury 1.250 11/15/18		5,000,000.00	99.699	4,984,960.94	3,698.40	9,494.61	5,544.45	4,994,455.55
Total for 350 - 2013 GO Bond Fund					**5,000,000.00**		**4,984,960.94**	**3,698.40**	**9,494.61**	**5,544.45**	**4,994,455.55**
Total for City of New Braunfels					**5,000,000.00**		**4,984,960.94**	**3,698.40**	**9,494.61**	**5,544.45**	**4,994,455.55**

FirstSouthwest AssetManagement
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City of New Braunfels
Projected Cash Flows
Cash Flows for next 180 days from 06/30/2018

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
350 - 2013 GO Bond Fund						
912828M64	TREAS NOTE	U.S. Treasury 1.250 11/15/18	11/15/18	31,250.00	5,000,000.00	5,031,250.00
Total for 350 - 2013 GO Bond Fund				**31,250.00**	**5,000,000.00**	**5,031,250.00**

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City of New Braunfels
Projected Cash Flows
Cash Flows for next 180 days from 06/30/2018

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
Total for All Portfolios						
			November 2018	31,250.00	5,000,000.00	5,031,250.00
		Total Projected Cash Flows for City of New Braunfels		**31,250.00**	**5,000,000.00**	**5,031,250.00**