

**City of New Braunfels**



**For the Quarter Ended**

**September 30, 2018**



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### MARKET RECAP - SEPTEMBER 2018:

As September began, the yield on the two-year Treasury note sat at 2.63%, right in the middle of a narrow range that had prevailed since mid-July. The 10-year T-note, meanwhile, was just 23 basis points higher at 2.86%. Within a few days, a string of strong data would spark a bond sell-off that would send yields sharply higher throughout the month. The ISM manufacturing index topped the most optimistic of forecasts, climbing above 61 for the first time since 2004 to 61.3. The prices paid index logged a second straight month in the stratosphere, dipping from 73.2 to 72.1. The ISM

non-manufacturing index, which covers the much larger service sector that accounts for roughly 88% of the economy, surged from an 11-month low of 55.7 to 58.5 in August. While the ISM surveys are booming, the real fireworks came with the August employment report. Although the increase in non-farm payrolls was close to expectations at +201k and the unemployment rate held steady at 3.9%, average hourly earnings doubled forecasts with a +0.4% gain that took the year-over-year increase to +2.9% and the three month annualized pace above +3.0%. Taken together, the jobs data indicates a tight labor market where difficulty finding workers is restraining job growth and leading employers to respond with higher wages, stoking wage inflation fears. The overall strength seen in the early month indicators sent bond prices tumbling and would quickly push yields on the two-year and 10-year Treasury notes north of 2.80% and 3.00% respectively.

Contrary to the wage data, the producer and consumer price indexes both moderated in August. The headline producer price index fell -0.1% for the month and the year-over-year pace dropped from +3.2% to +2.8%, while core PPI retreated from +2.7% to +2.3% y-o-y. Consumer prices also eased as headline CPI was below forecast at +0.2%, taking the y-o-y rate down a tenth to +2.7%. Core CPI was even lower, up just +0.1% on the month with the y-o-y sliding from +2.4% to +2.2%. Consumer spending was weaker than expected in August but upward revisions to July kept the annual rate above 6% for a fourth straight month. Consumer confidence measures hover at or near recovery highs with Bloomberg's Consumer Comfort Index topping 60 for the first time since 2001, and the Conference Board's Consumer Confidence Index reaching a new 18-year high. Housing seems to be the one area exhibiting signs of weakness as higher prices and higher mortgage rates crimp affordability. Existing home sales were unchanged in August and are hovering at the lowest levels since early 2016.

By the time the Fed's FOMC met on September 26th, the third 25 basis point rate hike of 2018 was a foregone conclusion and the Fed obliged. Market fears of an overtly hawkish statement and more aggressive dot plot were not realized as the committee struck a balanced tone. The dot plot still indicates a hike in December, followed by three more in 2019 and one in 2020. Bond yields, having spent the month of September moving higher, were largely unchanged following the announcement. The two-year T-note closed the month at 2.82% while the 10-year settled at 3.06%. Stocks continued their trek higher with the Dow and the S&P 500 trading to record highs during the month.

### Report Name

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**For the Quarter Ended**  
**September 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 Camarero

Title: City Manager

Name: Sandy Paulos

Title: Asst. Director of Finance

Name: Jared Werner

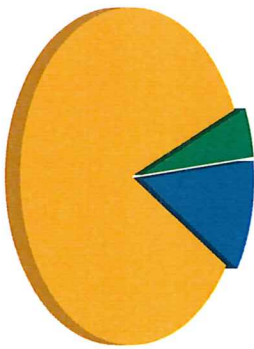
Title: Chief Financial Officer



**Account Summary**

**Allocation by Security Type**

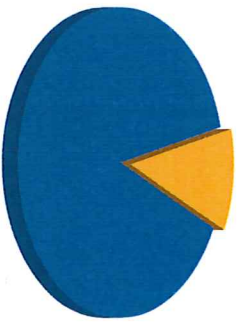
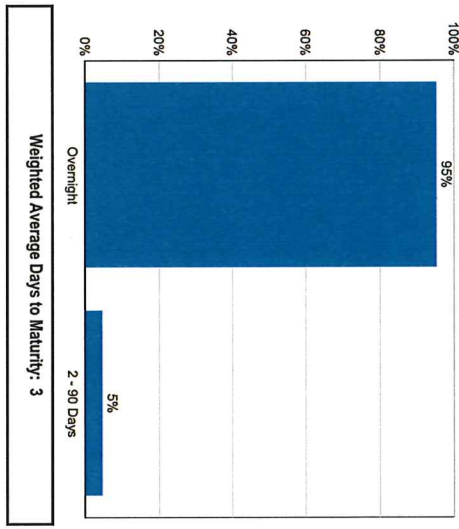
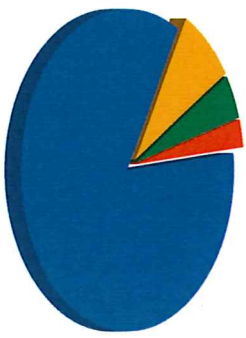
Beginning Values as of 06/30/18		Ending Values as of 09/30/18	
Par Value	89,767,667.54 ✓	106,899,719.01 ✓	
Market Value	89,753,212.54 ✓	106,894,469.01 ✓	
Book Value	89,762,123.09 ✓	106,897,897.86 ✓	
Unrealized Gain/(Loss)	(8,910.55) ✓	(3,428.85) ✓	
Market Value %	99.99% ✓	100.00% ✓	
Weighted Avg. YTM	1.644% ✓	1.763% ✓	
Weighted Avg. YTM	1.644% ✓	1.763% ✓	

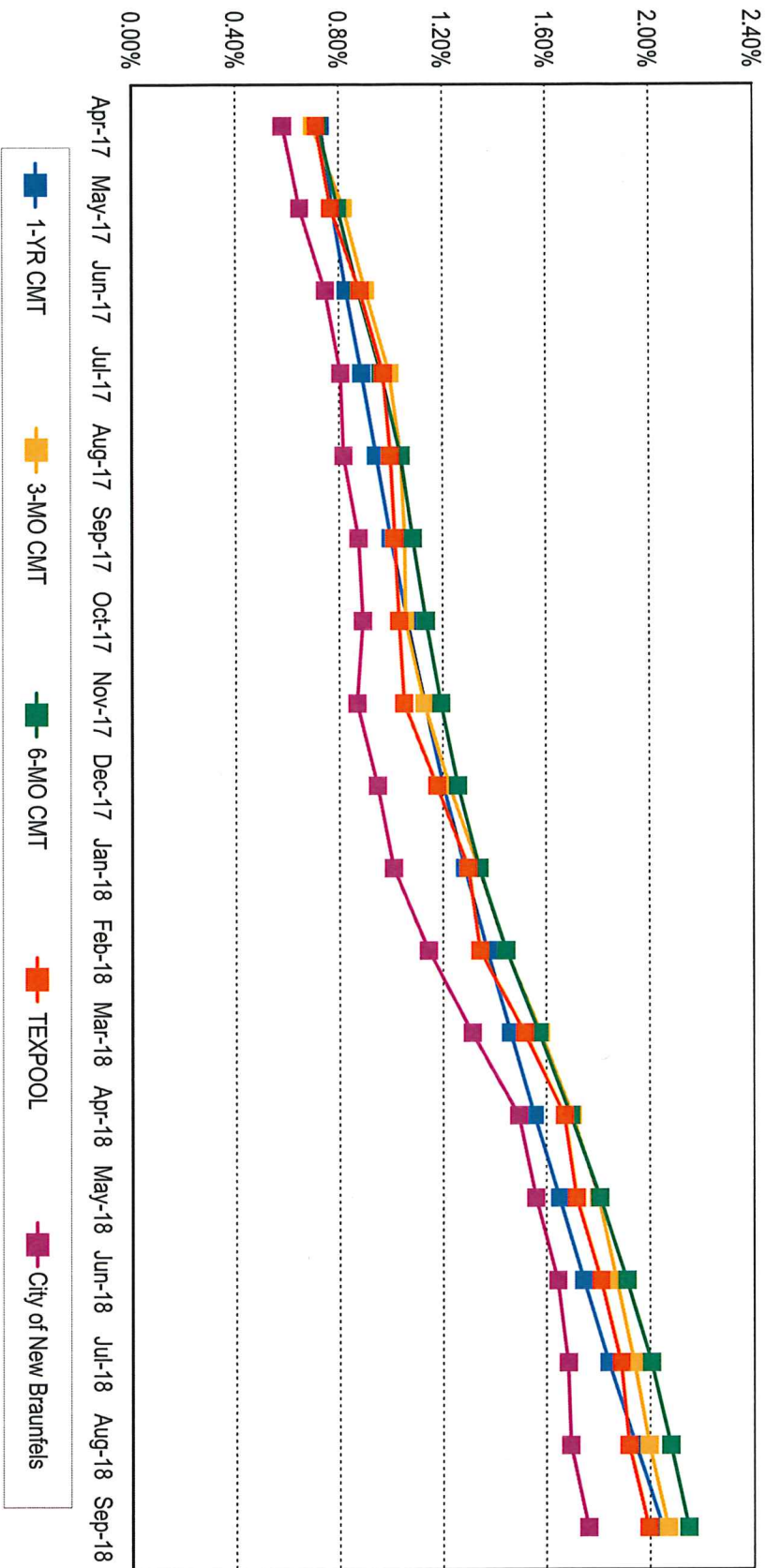


**Allocation by Issuer**

**Maturity Distribution %**

**Credit Quality**





**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.



**FirstSouthwest**  
**AssetManagement**  
A Hilltop Holdings Company.

**City of New Braunfels**  
**Detail of Security Holdings**  
As of 09/30/2018

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Days to Mty	Days to Call	YTM	YTW
<b>101 - General Fund</b>																
FROST-NBR		BANK DEP	Frost Bk					8,458,933.67	100.000	8,458,933.67	8,458,933.67	✓ 100.000	1		0.000	0.000
JPM-NBRE		BANK DEP	JPM Chase Bk					2,858,437.21	100.000	2,858,437.21	2,858,437.21	✓ 100.000	1		0.000	0.000
TEXPOOL		LGIP	TexPool					4,652,614.98	100.000	4,652,614.98	4,652,614.98	✓ 100.000	1		1.995	1.995
Total for 101 - General Fund								15,969,985.86	100.000	15,969,985.86	15,969,985.86	100.000	1		0.581	0.581
<b>212 - NB Industrial Dev Corp</b>																
TEXPOOL		LGIP	TexPool					13,486,205.83	100.000	13,486,205.83	13,486,205.83	✓ 100.000	1		1.995	1.995
Total for 212 - NB Industrial Dev Corp								13,486,205.83	100.000	13,486,205.83	13,486,205.83	100.000	1		1.995	1.995
<b>350 - 2013 GO Bond Fund</b>																
912828M64	11/10/17	TREAS NOTE	U.S. Treasury	1.250	11/15/18			5,000,000.00	99.699	4,984,960.94	4,998,178.85	99.895	46		1.550	1.550
Total for 350 - 2013 GO Bond Fund								5,000,000.00	99.699	4,984,960.94	4,998,178.85	99.895	46		1.550	1.550
<b>999 - Pooled Funds</b>																
TEXPOOL		LGIP	TexPool					72,443,527.32	100.000	72,443,527.32	72,443,527.32	✓ 100.000	1		1.995	1.995
Total for 999 - Pooled Funds								72,443,527.32	100.000	72,443,527.32	72,443,527.32	100.000	1		1.995	1.995
Total for City of New Braunfels								106,899,719.01	99.986	106,884,679.95	106,897,897.86	99.995	3		1.763	1.763





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City of New Braunfels  
**Change in Value**  
From 06/30/2018 to 09/30/2018

CUSIP	Security Type	Security Description	06/30/18 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	09/30/18 Book Value	06/30/18 Market Value	09/30/18 Market Value	Change in Mkt Value
<b>101 - General Fund</b>											
FROST-NBR	BANK DEP	Frost Bk	4,681,677.02	3,850,635.99	(73,379.34)	0.00	0.00	8,458,933.67	4,681,677.02	8,458,933.67	3,777,256.65
JPM-NBRE	BANK DEP	JPM Chase Bk	2,859,023.20	0.00	(585.99)	0.00	0.00	2,858,437.21	2,859,023.20	2,858,437.21	(585.99)
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	14,608,155.69	7,928.38	(9,963,469.09)	0.00	0.00	4,652,614.98	14,608,155.69	4,652,614.98	(9,955,540.71)
<b>Total for 101 - General Fund</b>			<b>22,148,855.91</b>	<b>3,858,564.37</b>	<b>(10,037,434.42)</b>	<b>0.00</b>	<b>0.00</b>	<b>15,969,985.86</b>	<b>22,148,855.91</b>	<b>15,969,985.86</b>	<b>(6,178,870.05)</b>
<b>212 - NB Industrial Dev Corp</b>											
TEXPOOL	LGIP	TexPool	13,420,756.67	65,449.16	0.00	0.00	0.00	13,486,205.83	13,420,756.67	13,486,205.83	65,449.16
<b>Total for 212 - NB Industrial Dev Corp</b>			<b>13,420,756.67</b>	<b>65,449.16</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>13,486,205.83</b>	<b>13,420,756.67</b>	<b>13,486,205.83</b>	<b>65,449.16</b>
<b>350 - 2013 GO Bond Fund</b>											
912828M64	TREAS NOTE	U.S. Treasury 1.250 11/15/18	4,994,455.55	0.00	0.00	3,723.30	0.00	4,998,178.85	4,985,545.00	4,994,750.00	9,205.00
<b>Total for 350 - 2013 GO Bond Fund</b>			<b>4,994,455.55</b>	<b>0.00</b>	<b>0.00</b>	<b>3,723.30</b>	<b>0.00</b>	<b>4,998,178.85</b>	<b>4,985,545.00</b>	<b>4,994,750.00</b>	<b>9,205.00</b>
<b>999 - Pooled Funds</b>											
TEXPOOL	LGIP	TexPool	49,198,054.96	23,245,472.36	0.00	0.00	0.00	72,443,527.32	49,198,054.96	72,443,527.32	23,245,472.36
<b>Total for 999 - Pooled Funds</b>			<b>49,198,054.96</b>	<b>23,245,472.36</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>72,443,527.32</b>	<b>49,198,054.96</b>	<b>72,443,527.32</b>	<b>23,245,472.36</b>
<b>Total for City of New Braunfels</b>			<b>89,762,123.09</b>	<b>27,169,485.89</b>	<b>(10,037,434.42)</b>	<b>3,723.30</b>	<b>0.00</b>	<b>106,897,897.86</b>	<b>89,753,212.54</b>	<b>106,894,469.01</b>	<b>17,141,256.47</b>



**FirstSouthwest**  
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**City of New Braunfels**  
**Earned Income**  
From 06/30/2018 to 09/30/2018

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Acct / Prem Amort	Net Income
<b>101 - General Fund</b>									
TEXPOOL	LGIP	TexPool	0.00	44,459.29	44,459.29	0.00	0.00	0.00	44,459.29
Total for 101 - General Fund			0.00	44,459.29	44,459.29	0.00	0.00	0.00	44,459.29
<b>212 - NB Industrial Dev Corp</b>									
TEXPOOL	LGIP	TexPool	0.00	65,449.16	65,449.16	0.00	0.00	0.00	65,449.16
Total for 212 - NB Industrial Dev Corp			0.00	65,449.16	65,449.16	0.00	0.00	0.00	65,449.16
<b>350 - 2013 GO Bond Fund</b>									
912828M64	TREAS NOTE	U.S. Treasury 1.250 11/15/18	7,982.34	15,625.00	0.00	0.00	23,607.34	3,723.30	19,348.30
Total for 350 - 2013 GO Bond Fund			7,982.34	15,625.00	0.00	0.00	23,607.34	3,723.30	19,348.30
<b>999 - Pooled Funds</b>									
TEXPOOL	LGIP	TexPool	0.00	245,472.36	245,472.36	0.00	0.00	0.00	245,472.36
Total for 999 - Pooled Funds			0.00	245,472.36	245,472.36	0.00	0.00	0.00	245,472.36
Total for City of New Braunfels			7,982.34	371,005.81	355,380.81	0.00	23,607.34	3,723.30	374,729.11





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**City of New Braunfels**  
**Amortization and Accretion**  
From 06/30/2018 to 09/30/2018

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amt/Acr for Period	Total Amt/Acr Since Purch	Remaining Disc / Prem	Book Value
<b>350 - 2013 GO Bond Fund</b>											
912828M64	11/10/17	TREAS NOTE	U.S. Treasury 1.250 11/15/18		5,000,000.00	99.699	4,984,960.94	3,723.30	13,217.91	1,821.15	4,998,178.85
<b>Total for 350 - 2013 GO Bond Fund</b>					<b>5,000,000.00</b>		<b>4,984,960.94</b>	<b>3,723.30</b>	<b>13,217.91</b>	<b>1,821.15</b>	<b>4,998,178.85</b>
<b>Total for City of New Braunfels</b>					<b>5,000,000.00</b>		<b>4,984,960.94</b>	<b>3,723.30</b>	<b>13,217.91</b>	<b>1,821.15</b>	<b>4,998,178.85</b>



**FirstSouthwest**  
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**City of New Braunfels**  
**Projected Cash Flows**  
*Cash Flows for next 180 days from 09/30/2018*

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
<b>350 - 2013 GO Bond Fund</b>						
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
<b>Total for 350 - 2013 GO Bond Fund</b>				<b>31,250.00</b>	<b>5,000,000.00</b>	<b>5,031,250.00</b>



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**Projected Cash Flows**  
*Cash Flows for next 180 days from 09/30/2018*

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