

# INVESTMENT REPORT

## City of Texas City

.....

July 1 to September 30, 2025



## Contents

Market Recap . . . . . 3

Investment Officers' Certification . . . . . 4

Portfolio Overview . . . . . 5

Portfolio Overview . . . . . 6

Asset Allocation . . . . . 7

Credit Rating Summary . . . . . 8

Benchmark Comparison. . . . . 9

Fund Overview . . . . . 10

Detail of Security Holdings . . . . . 11

Earned Income . . . . . 12

Investment Transactions. . . . . 13

Investment Transactions Totals. . . . . 14

Amortization and Accretion . . . . . 15

Disclosures & Disclaimers . . . . . 16

## Investment Management Team

Scott McIntyre

*Senior Portfolio Manager*

512.481.2009

[Scott.McIntyre@HilltopSecurities.com](mailto:Scott.McIntyre@HilltopSecurities.com)

Greg Warner

*Senior Portfolio Manager*

512.481.2012

[Greg.Warner@HilltopSecurities.com](mailto:Greg.Warner@HilltopSecurities.com)

Jodi Jones

*Investment Reporting Manager*

512.481.2076

[Jodi.Jones@HilltopSecurities.com](mailto:Jodi.Jones@HilltopSecurities.com)

## Market Recap

The Fed officially pivoted in September, lowering the fed funds rate by 25 basis points to a new target range of 4.00% to 4.25%. While the move was widely priced-in, Chair Powell called it a “risk management” cut. He emphasized that “inflation risks remain tilted to the upside,” pointing to persistent price pressures in services and energy. At the same time, he acknowledged that “employment risks are increasingly tilted to the downside,” reflecting the overwhelming concern over labor market weakness.

The FOMC action came on the heels of weak data. The August jobs report showed nonfarm payrolls rising by just +22k, well below consensus expectations of +75k. Revisions to prior months subtracted another 21k jobs, bringing the three-month average to a mere +29k. The unemployment rate rose to 4.3%, its highest level since early 2022. The few job gains were concentrated in health care, while private sector hiring remained soft. Wage growth also slowed, with average hourly earnings rising +0.3% MoM.

The August CPI report showed headline inflation rising +0.4% MoM and +2.9% YoY, driven by higher energy and transportation costs. Core CPI rose +0.3% MoM and held steady at +3.1% YoY. Services inflation remained elevated, particularly in medical care and shelter. Goods prices were mixed, with declines in apparel and electronics offset by increases in household items and auto insurance. The persistence of sticky inflation, especially in non-discretionary categories, continues to complicate the Fed’s path to more accommodative monetary policy.

Despite the soft labor data, the broader economic picture was buoyed by a large upward revision to Q2 GDP. The final estimate showed real GDP grew at an annualized rate of +3.8%, up from the prior estimate of +3.3%. The massive upward revision was driven by stronger consumer spending and a narrowing trade deficit, with real final sales to private domestic purchasers revised up to +2.9%. The data underscores the resilience of the U.S. economy, even as pockets of weakness emerge.

Equity markets responded positively to the Fed’s pivot and the Q2 GDP revision. The S&P 500 and Nasdaq posted their best September performance in over 15 years, rising +3.3%

and +5.3%, respectively. The rally was fueled by strong earnings, optimism around artificial intelligence, and expectations for further rate cuts. Year-to-date, the S&P 500 is now up nearly +15%, with growth stocks and tech leading the charge.

Treasury yields fluctuated throughout the month. Short-term rates eased modestly following the Fed’s rate cut, while longer-term yields remained elevated amid persistent inflation concerns and fiscal uncertainty. The yield curve steepened slightly, reflecting diverging expectations for near-term policy easing versus long-term inflation risks. The government shutdown, which began on September 29th, adds further confusion, raising concerns about delays in key data releases and fiscal stability.

Political dynamics remain tense. Stephen Miran, Trump’s newly appointed Fed Governor, publicly advocated for a deeper 50bps rate cut. His comments drew sharp criticism from more hawkish members of the FOMC, underscoring the growing divide within the Committee. Powell reiterated the Fed’s commitment to “data dependency,” but acknowledged that the path forward may require “greater flexibility” given the evolving economic landscape.

With persistent inflation, faltering job growth, and political dysfunction escalating, the Fed faces a tough road ahead. September’s rate cut may mark the beginning of a broader easing cycle, with markets currently pricing in a 100% probability of another rate cut at the end of October.

## Investment Officers' Certification

This report is prepared for the City of Texas City (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.

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.

### Investment Officers

---

Cynthia Rushing  
*Chief Financial Officer*

## Portfolio Overview

### Portfolio Summary

	Prior 30 Jun-25	Current 30 Sep-25
Par Value	205,267,744.13	196,527,067.20
Original Cost	202,935,532.03	196,527,067.20
Book Value	204,537,140.57	196,527,067.20
Market Value	204,505,246.19	196,527,067.20
Accrued Interest	0.00	0.00
Book Value Plus Accrued	204,537,140.57	196,527,067.20
Market Value Plus Accrued	204,505,246.19	196,527,067.20
Net Unrealized Gain/(Loss)	(31,894.39)	0.00

### Income Summary

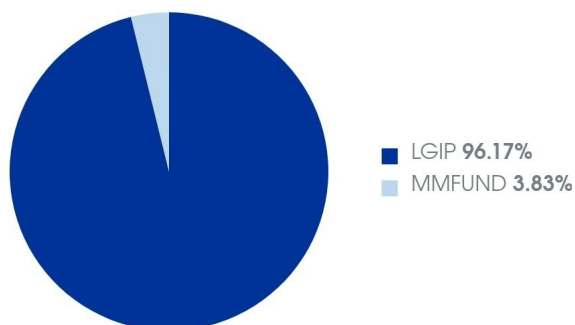
Current Period	1 Jul-25 to 30 Sep-25
Interest Income	1,180,727.18
Net Amortization/Accretion	730,603.56
Realized Gain/(Loss)	0.00
Net Income	1,911,330.74

Fiscal Year-to-Date	1 Oct-24 to 30 Sep-25
Net Income	3,474,454.95

### Portfolio Characteristics

	Prior 30 Jun-25	Current 30 Sep-25
Yield to Maturity	4.130%	4.202%
Yield to Worst	4.130%	4.202%
Days to Final Maturity	32	1
Days to Effective Maturity	32	1
Duration	0.15	0.00

### Asset Allocation

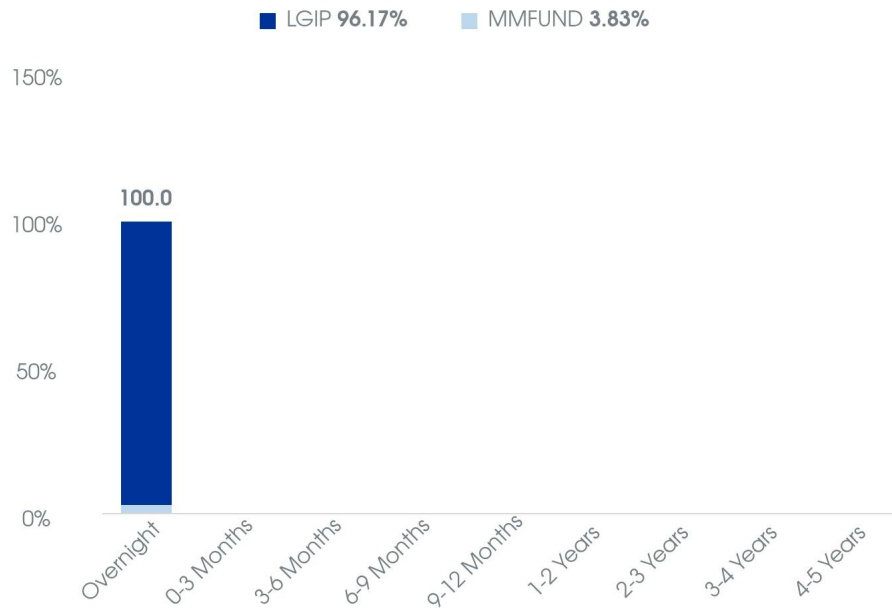


### Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
Maturity	(113,925,000.00)	113,925,000.00	0.00	113,925,000.00	0.00

## Portfolio Overview

### Maturity Distribution by Security Type



### Top Ten Holdings

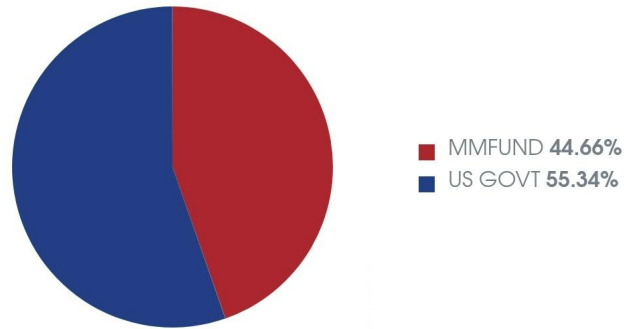
Issuer	Allocation
TEXSTAR	96.17%
Texas First Bank	3.83%

### Maturity Distribution by Security Type

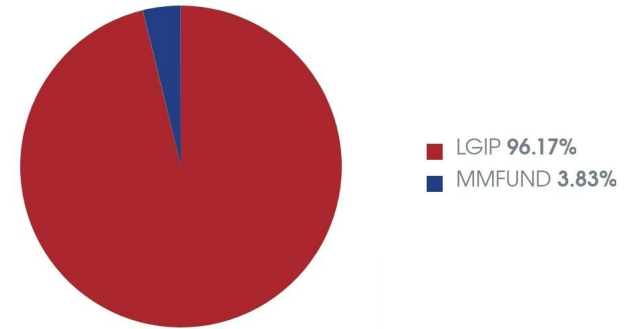
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
LGIP	188,995,345.08	--	--	--	--	--	--	--	--	188,995,345.08
MMFUND	7,531,722.12	--	--	--	--	--	--	--	--	7,531,722.12
<b>Total</b>	<b>196,527,067.20</b>	--	--	--	--	--	--	--	--	<b>196,527,067.20</b>

## Asset Allocation

Asset Allocation by Security Type as of  
30-Jun-2025



Asset Allocation by Security Type as of  
30-Sep-2025



## Book Value Basis Security Distribution

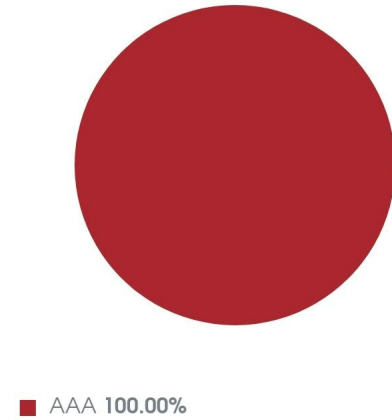
Security Type	Prior Balance 30-Jun-25	Prior Allocation 30-Jun-25	Change in Allocation	Current Balance 30-Sep-25	Current Allocation 30-Sep-25	Yield to Maturity
LGIP	0.00	0.00%	96.17%	188,995,345.08	96.17%	4.214%
MMFUND	91,342,744.13	44.66%	(40.83%)	7,531,722.12	3.83%	3.920%
US GOVT	113,194,396.44	55.34%	(55.34%)	0.00	0.00%	
<b>Portfolio Total</b>	<b>204,537,140.57</b>	<b>100.00%</b>		<b>196,527,067.20</b>	<b>100.00%</b>	<b>4.202%</b>

## Credit Rating Summary

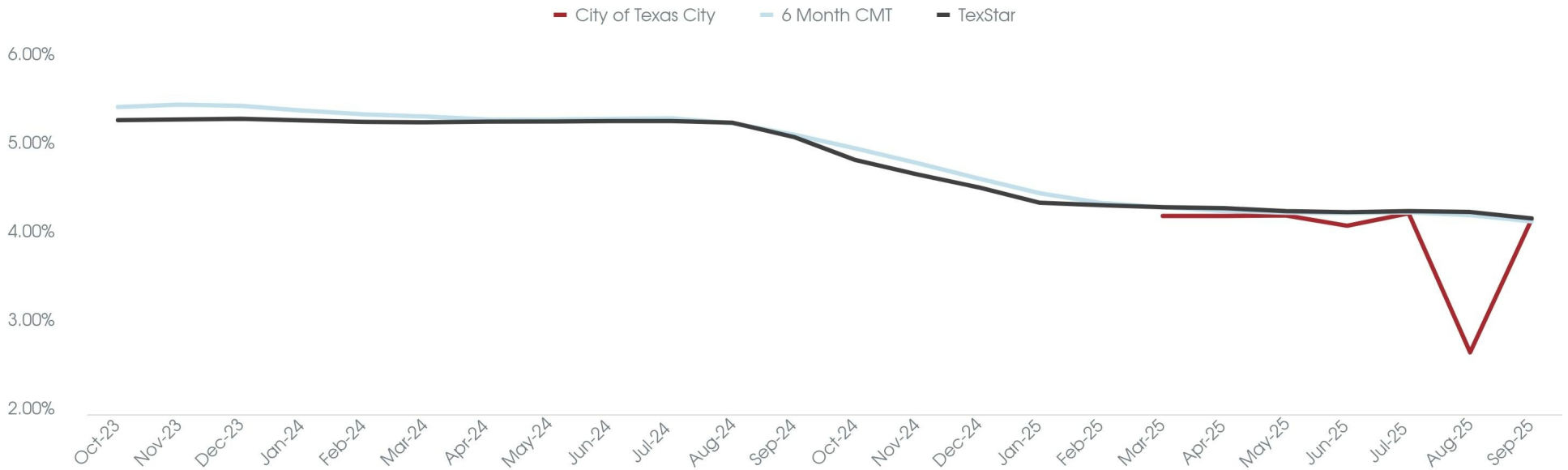
### Rating Distribution

	Book Value	Portfolio Allocation
<b>Local Government Investment Pools &amp; Money Market Funds</b>		
AAA	196,527,067.20	100.00%
<b>Total Local Government Investment Pools &amp; Money Market Funds</b>	<b>196,527,067.20</b>	<b>100.00%</b>
<b>Portfolio Total</b>	<b>196,527,067.20</b>	<b>100.00%</b>

### Allocation by Rating



## Benchmark Comparison



## Yield Overview

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	
City of Texas City	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.24	4.24	4.25	4.13	4.27	2.70	4.20
6 Month CMT	5.47	5.50	5.48	5.43	5.39	5.36	5.33	5.33	5.34	5.34	5.29	5.16	5.00	4.84	4.66	4.50	4.39	4.34	4.30	4.28	4.27	4.28	4.25	4.18	
TexStar	5.32	5.33	5.34	5.32	5.30	5.30	5.31	5.31	5.31	5.31	5.29	5.13	4.87	4.71	4.56	4.39	4.36	4.34	4.33	4.30	4.28	4.30	4.29	4.21	

## Fund Overview

Fund Name	Prior Book Value	Prior Market Value	Changes to Market Value	Current Book Value	Current Market Value	Net Income	Days to Final Mty	YTM	YTW
Pooled Funds	204,537,140.57	204,505,246.19	(7,978,178.99)	196,527,067.20	196,527,067.20	1,911,330.74	1	4.202%	4.202%
<b>Total</b>	<b>204,537,140.57</b>	<b>204,505,246.19</b>	<b>(7,978,178.99)</b>	<b>196,527,067.20</b>	<b>196,527,067.20</b>	<b>1,911,330.74</b>	<b>1</b>	<b>4.202%</b>	<b>4.202%</b>

## Detail of Security Holdings

CUSIP	Settle Date	Security Type	Security Description	CPN	Maturity Date	Next Call Date	Call Type	Par Value	Purch Price	Original Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW	Rating
<b>Pooled Funds</b>																		
TEXSTAR		LGIP	TexSTAR		09/30/25			188,995,345.08	100.000	188,995,345.08	188,995,345.08	100.000	188,995,345.08	1		4.214	4.214	AAA
TFB-HYMM		MMFUND	Texas First Bank High Yield MM		09/30/25			7,531,722.12	100.000	7,531,722.12	7,531,722.12	100.000	7,531,722.12	1		3.920	3.920	AAA
<b>Total Pooled Funds</b>								<b>196,527,067.20</b>		<b>196,527,067.20</b>	<b>196,527,067.20</b>		<b>196,527,067.20</b>	<b>1</b>		<b>4.202</b>	<b>4.202</b>	
<b>Grand Total</b>								<b>196,527,067.20</b>		<b>196,527,067.20</b>	<b>196,527,067.20</b>		<b>196,527,067.20</b>	<b>1</b>		<b>4.202</b>	<b>4.202</b>	

## Earned Income

CUSIP	Security Type	Security Description	Beginning Accrued	Interest Earned	Interest Rec'd/ Sold/Matured	Interest Purchased	Ending Accrued	Disc Accr/Prem Amort	Net Realized Gain/Loss	Net Income
<b>Pooled Funds</b>										
912797PP6	US GOVT	U.S. Treasury Bill	0.00	0.00	0.00	0.00	0.00	232,777.23	0.00	232,777.23
912797PQ4	US GOVT	U.S. Treasury Bill	0.00	0.00	0.00	0.00	0.00	497,826.33	0.00	497,826.33
HTS-IBD	MMFUND	Hilltop Securities Bank Insured Deposits	0.00	20,365.47	20,365.47	0.00	0.00	0.00	0.00	20,365.47
OSC-IBD	BANK DEP	Osaic Bank Insured Deposits	0.00	3,051.06	3,051.06	0.00	0.00	0.00	0.00	3,051.06
TEXSTAR	LGIP	TexSTAR	0.00	888,464.08	888,464.08	0.00	0.00	0.00	0.00	888,464.08
TFB-HYMM	MMFUND	Texas First Bank High Yield MM	0.00	268,846.57	268,846.57	0.00	0.00	0.00	0.00	268,846.57
<b>Total Pooled Funds</b>			<b>0.00</b>	<b>1,180,727.18</b>	<b>1,180,727.18</b>	<b>0.00</b>	<b>0.00</b>	<b>730,603.56</b>	<b>0.00</b>	<b>1,911,330.74</b>
<b>Grand Total</b>			<b>0.00</b>	<b>1,180,727.18</b>	<b>1,180,727.18</b>	<b>0.00</b>	<b>0.00</b>	<b>730,603.56</b>	<b>0.00</b>	<b>1,911,330.74</b>

## Investment Transactions

CUSIP	Trade Date	Settle Date	Security Type	Security Description	Coupon	Maturity Date	Call Date	Par Value	Price	Principal Amount	Interest Purchased/Received	Total Amount	Realized Gain/Loss	YTM	YTW
<b>Pooled Funds</b>															
<b>Maturity</b>															
912797PP6	08/21/25	08/21/25	US GOVT	U.S. Treasury Bill	0.000	08/21/25		(39,085,000.00)	100.000	39,085,000.00	0.00	39,085,000.00	0.00	--	--
912797PQ4	08/28/25	08/28/25	US GOVT	U.S. Treasury Bill	0.000	08/28/25		(24,840,000.00)	100.000	24,840,000.00	0.00	24,840,000.00	0.00	--	--
912797PQ4	08/28/25	08/28/25	US GOVT	U.S. Treasury Bill	0.000	08/28/25		(50,000,000.00)	100.000	50,000,000.00	0.00	50,000,000.00	0.00	--	--
<b>Total Maturity</b>								<b>(113,925,000.00)</b>		<b>113,925,000.00</b>	<b>0.00</b>	<b>113,925,000.00</b>	<b>0.00</b>		

## Investment Transactions Totals

Transaction Type	Quantity	Principal Amount	Interest	Total Amount	Realized G/L	YTM	YTW
Total Maturity	(113,925,000.00)	113,925,000.00	0.00	113,925,000.00	0.00	4.300	4.300

## Amortization and Accretion

CUSIP	Settle Date	Security Type	Security Description	Purchase Qty	Orig Price	Original Cost	Amort/Accr for Period	Total Amort/Accr Since Purch	Remaining Disc/Premium	Ending Book Value
<b>Pooled Funds</b>										
912797PP6	02/21/25	US GOVT	U.S. Treasury Bill	0.00	0.000	0.00	232,777.23	0.00	0.00	0.00
912797PQ4	03/04/25	US GOVT	U.S. Treasury Bill	0.00	0.000	0.00	497,826.33	0.00	0.00	0.00
<b>Total Pooled Funds</b>				<b>0.00</b>		<b>0.00</b>	<b>730,603.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total</b>				<b>0.00</b>		<b>0.00</b>	<b>730,603.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Disclosures & Disclaimers

As a courtesy to investors this information: (1) is provided for informational purposes only; (2) should not be construed as an offer to sell or a solicitation of an offer to buy any security; and (3) does not replace customer statements.

This report is designed to provide general information and is not intended to provide specific legal, investment, accounting, tax or other professional advice.

It is important to review and save all source documents provided by a product sponsor or brokerage firm which may contain notices, disclosures and other information important to you and may also serve as a reference. If conflicts between this report and sponsor reports or confirmations exist, the information provided by the product sponsors shall prevail. Fees and sales charges paid may not be reflected in the information.

The information and data contained herein is obtained from sources believed to be reliable but its accuracy or completeness is not guaranteed. Additionally, the information may contain assets held away from HTS, therefore investors should contact customer service or other representatives from the respective distributors or issuers to determine SIPC coverage for heldaway assets. HTS and HSAM do not guarantee the information contained herein or its accuracy or completeness regarding contributions, withdrawals, protected values. All information is subject to further review with client to validate final values.

It is not possible to directly invest in an index. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment. S&P rates the creditworthiness of individual bonds from: AAA highest to D lowest.

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices and the values of fixed income securities fall. When interest rates fall, bond prices and the values of fixed income securities rise. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Cash alternatives typically include money market securities and U.S. treasury bills. Investing in such cash alternatives involves inflation risk. In addition, investments in money market securities may involve credit risk and a risk of principal loss. Because money market securities are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency, there is no guarantee the value of your investment will be maintained at \$1.00 per share, and your shares, when sold, may be worth more or less than what you originally paid for them. U.S. Treasury bills are subject to market risk if sold prior to maturity. Market risk is the possibility that the value, when sold, might be less than the purchase price.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is the chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

Securities offered by HTS: (1) are not FDIC (Federal Deposit Insurance Corporation) insured; (2) are not bank deposits; (3) are not guaranteed by any bank or by any other federal government agency. None of the named entities are affiliates of HTS or HSAM. Hilltop Securities Asset Management (HSAM) is an SEC-registered investment advisor. Hilltop Securities Inc. (HTS) is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. Member of FINRA & SIPC. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.

Copyright 2025, S&P Global Market Intelligence. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.