

INVESTMENT REPORT

City of Texas City

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October 1 to December 31, 2025



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Market Recap

December saw the return of official government data following the 43 day shutdown. After two months of relying on private sources, financial markets finally received delayed October and November readings on inflation, the labor market, economic growth, and consumer sentiment.

Labor market data remained overwhelmingly negative throughout December. Private sector employment data showed more weakness ahead of the FOMC meeting, with the November ADP report revealing a 32k decline in payrolls, the largest monthly drop since early 2023. Small businesses shed 120k jobs, the biggest pullback since May 2020, while larger firms managed modest gains. Challenger's layoff data showed more than 1.17 million job cuts year to date, already the highest since 2020. By the time the BLS finally released its combined October–November report, the unemployment rate had jumped to 4.6%, and the underemployment rate rose sharply to 8.7%, reflecting a combination of lower survey participation, discouraged workers re entering the labor force, and softening in economic conditions. Payrolls increased a modest 64k in November after a steep 105k decline in October, and the three month average pace of job growth slowed to just 22k, down from 62k prior to the shutdown.

The weak job market has fed directly into collapsing consumer confidence. Both the University of Michigan and Conference Board measures slid toward multi decade lows, with Michigan's current conditions index hitting its lowest reading in nearly fifty years. Confidence eroded further as households continued to struggle with higher prices, slower wage gains, and a cooling job market. Retail categories tied to discretionary spending showed weakening momentum, while hiring freezes broadened across cyclically sensitive sectors such as manufacturing, transportation, information services, and finance.

With October CPI data never collected, the November CPI release only provided year over year changes. Even with the data disruptions, the numbers were striking, headline CPI unexpectedly fell from 3.0% to 2.7%, while core CPI softened from 3.0% to 2.6%, both reaching their lowest levels since early 2021. Shelter costs showed a questionable

deceleration, posting their smallest two month increase since the early months of the pandemic. Economists warned that shutdown related distortions may unwind in the coming months, but the overall picture reinforced the idea that the Fed's restrictive stance is continuing to exert downward pressure on inflation.

The Federal Reserve delivered its third consecutive 25 basis point cut at the December 10 meeting, lowering the target range to 3.50%–3.75%. The vote was fractured, with three dissents, the most since 2019, as Chicago's Goolsbee and Kansas City's Schmid argued for no change while Governor Miran pushed for a larger 50 bp move. Chair Powell described the decision as a "close call," noting that neither inflation nor employment data made a compelling case for easing, but the committee felt "well positioned to wait and see" heading into 2026. The updated Summary of Economic Projections offered mixed signals: the 2026 GDP forecast was revised sharply higher to 2.3%, while core PCE was nudged down to 2.5%, supporting the view that tariff related inflation pressures might be fading.

Later in the month, the economy delivered another surprise when Q3 GDP was revised up to 4.3%, the strongest quarterly growth in two years and well above every major forecast. Personal consumption remained the engine of expansion, while net exports provided an unusually large boost as imports fell sharply. But the stronger growth also pushed the GDP price index up to 3.8%, and the core PCE index rose to 2.9%, complicating the Fed's inflation narrative and reinforcing the idea that rate cuts in early 2026 are assured. Strong GDP with rising unemployment will be a challenge for policymakers next year, especially in an economy increasingly shaped by rapid technological changes and investment.

As the year wraps, the economic landscape remains uncertain marked by strong top line growth but weakening labor momentum, easing inflation but distorted data, and a Fed that cut while signaling caution ahead. The path of monetary policy early in 2026 will hinge on whether the economy's apparent strength proves durable or whether the growing signs of labor market softening begin to dominate the narrative.

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 Sep-25	Current 31 Dec-25
Par Value	196,527,067.20	195,986,572.29
Original Cost	196,527,067.20	195,950,764.21
Book Value	196,527,067.20	195,963,914.07
Market Value	196,527,067.20	195,964,742.29
Accrued Interest	0.00	0.00
Book Value Plus Accrued	196,527,067.20	195,963,914.07
Market Value Plus Accrued	196,527,067.20	195,964,742.29
Net Unrealized Gain/(Loss)	0.00	828.22

Income Summary

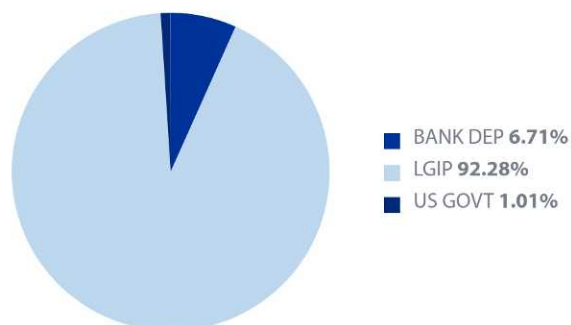
Current Period	1 Oct-25 to 31 Dec-25
Interest Income	1,923,709.01
Net Amortization/Accretion	13,149.86
Realized Gain/(Loss)	0.00
Net Income	1,936,858.87

Fiscal Year-to-Date	1 Oct-25 to 31 Dec-25
Net Income	1,936,858.87

Portfolio Characteristics

	Prior 30 Sep-25	Current 31 Dec-25
Yield to Maturity	4.202%	3.791%
Yield to Worst	4.202%	3.791%
Days to Final Maturity	1	2
Days to Effective Maturity	1	2
Duration	0.00	0.31

Asset Allocation

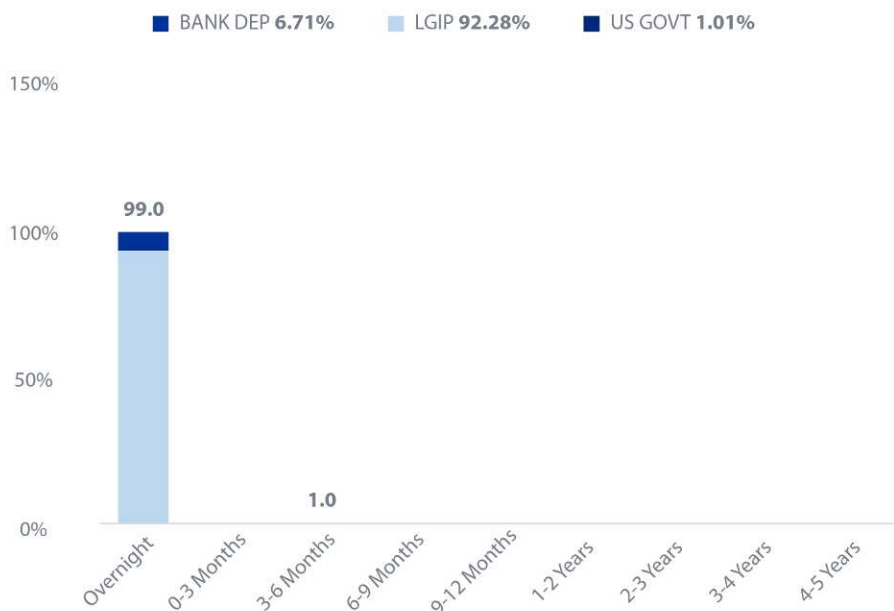


Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
Buy	13,314,266.83	(13,278,458.75)	0.00	(13,278,458.75)	0.00
Sell	(13,854,761.74)	13,854,761.74	0.00	13,854,761.74	0.00
MMFUND Dividends	0.00	0.00	1,923,709.01	1,923,709.01	0.00

Portfolio Overview

Maturity Distribution by Security Type



Top Ten Holdings

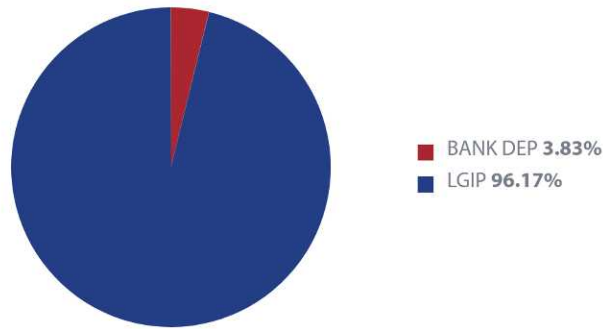
Issuer	Allocation
TEXSTAR	92.28%
Texas First Bank	6.71%
United States	1.01%

Maturity Distribution by Security Type

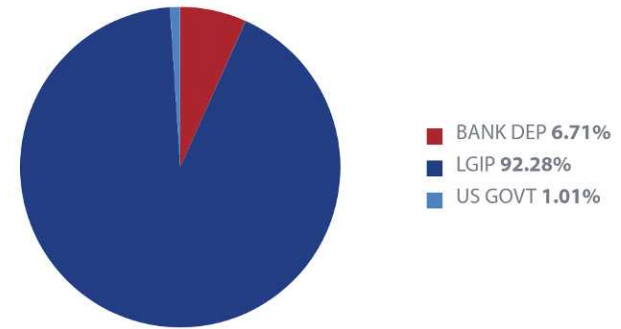
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
BANK DEP	13,150,586.86	--	--	--	--	--	--	--	--	13,150,586.86
LGIP	180,835,985.43	--	--	--	--	--	--	--	--	180,835,985.43
US GOVT	--	--	1,977,341.78	--	--	--	--	--	--	1,977,341.78
Total	193,986,572.29	--	1,977,341.78	--	--	--	--	--	--	195,963,914.07

Asset Allocation

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



Asset Allocation by Security Type as of
31-Dec-2025



Book Value Basis Security Distribution

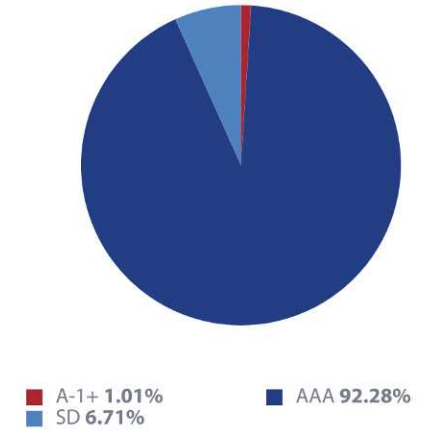
Security Type	Prior Balance 30-Sep-25	Prior Allocation 30-Sep-25	Change in Allocation	Current Balance 31-Dec-25	Current Allocation 31-Dec-25	Yield to Maturity
BANK DEP	7,531,722.12	3.83%	2.88%	13,150,586.86	6.71%	3.330%
LGIP	188,995,345.08	96.17%	(3.89%)	180,835,985.43	92.28%	3.825%
US GOVT	0.00	0.00%	1.01%	1,977,341.78	1.01%	3.759%
Portfolio Total	196,527,067.20	100.00%		195,963,914.07	100.00%	3.791%

Credit Rating Summary

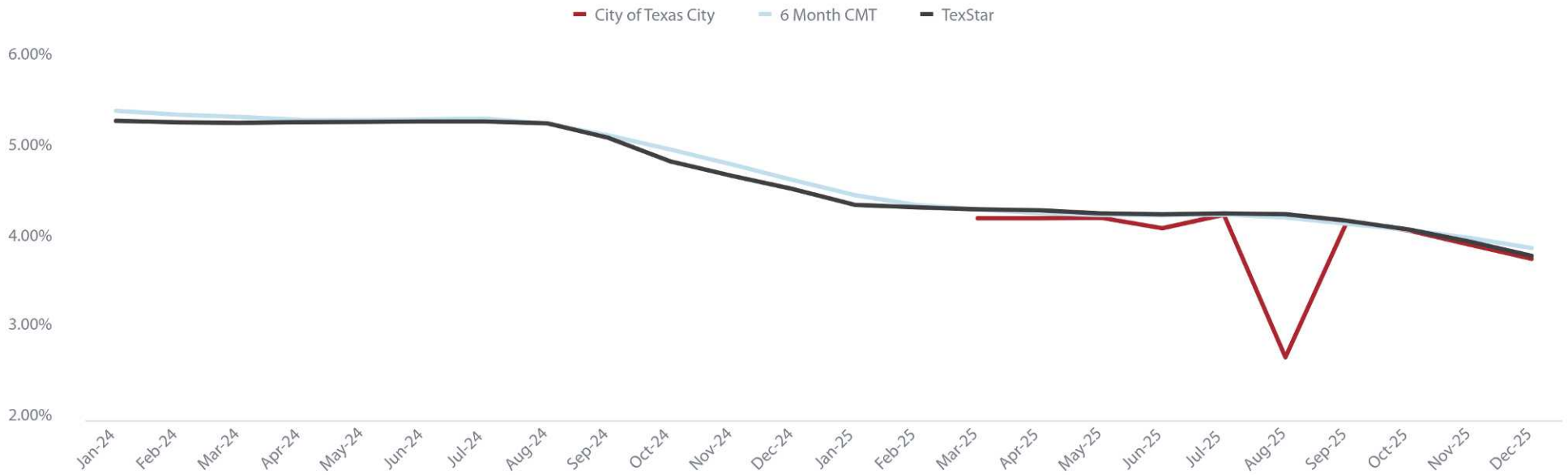
Rating Distribution

	Book Value	Portfolio Allocation
Secured Deposits (Insured or Collateralized)		
Demand Deposits	13,150,586.86	6.71%
Total Secured Deposits	13,150,586.86	6.71%
Local Government Investment Pools & Money Market Funds		
AAA	180,835,985.43	92.28%
Total Local Government Investment Pools & Money Market Funds	180,835,985.43	92.28%
Short Term Rating Distribution		
A-1+	1,977,341.78	1.01%
Total Short Term Rating Distribution	1,977,341.78	1.01%
Portfolio Total	195,963,914.07	100.00%

Allocation by Rating



Benchmark Comparison



Yield Overview

	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	Oct-25	Nov-25	Dec-25
City of Texas City	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.24	4.24	4.25	4.13	4.28	2.70	4.20	4.11	3.95	3.79
6 Month CMT	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	4.11	4.02	3.91
TexStar	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	4.12	3.98	3.82

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	196,527,067.20	196,527,067.20	(562,324.91)	195,963,914.07	195,964,742.29	1,936,858.87	2	3.791%	3.791%
Total	196,527,067.20	196,527,067.20	(562,324.91)	195,963,914.07	195,964,742.29	1,936,858.87	2	3.791%	3.791%

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	
Pooled Funds																			
TEXSTAR		LGIP	TexSTAR	3.825	12/31/25			180,835,985.43	100.000	180,835,985.43	180,835,985.43	100.000	180,835,985.43	1		3.825	3.825	AAA	
TFB-HYMM		BANK DEP	Texas First Bk High Yld MM	3.330	12/31/25			13,150,586.86	100.000	13,150,586.86	13,150,586.86	100.000	13,150,586.86	1		3.330	3.330	SD	
912797SM0	10/28/25	US GOVT	U.S. Treasury Bill	0.000	04/23/26			2,000,000.00	98.210	1,964,191.92	1,977,341.78	98.909	1,978,170.00	113		3.759	3.759	A-1+	
Total Pooled Funds								195,986,572.29		195,950,764.21	195,963,914.07		195,964,742.29	2		3.791	3.791		
Grand Total								195,986,572.29		195,950,764.21	195,963,914.07		195,964,742.29	2		3.791	3.791		

Earned Income

CUSIP	Security Type	Detailed 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
Pooled Funds										
TEXSTAR	LGIP	TexSTAR	0.00	1,840,640.35	1,840,640.35	0.00	0.00	0.00	0.00	1,840,640.35
TFB-HYMM	BANK DEP	Texas First Bk High Yld MM	0.00	83,068.66	83,068.66	0.00	0.00	0.00	0.00	83,068.66
912797SM0	US GOVT	U.S. Treasury Bill 0.0 04/23/2026	0.00	0.00	0.00	0.00	0.00	13,149.86	0.00	13,149.86
Total Pooled Funds			0.00	1,923,709.01	1,923,709.01	0.00	0.00	13,149.86	0.00	1,936,858.87
Grand Total			0.00	1,923,709.01	1,923,709.01	0.00	0.00	13,149.86	0.00	1,936,858.87

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
Pooled Funds															
Buy															
912797SM0	10/27/25	10/28/25	US GOVT	U.S. Treasury Bill	0.000	04/23/26		2,000,000.00	98.210	1,964,191.92	0.00	1,964,191.92	0.00	3.759	3.759
TEXSTAR	11/29/25	11/29/25	LGIP	TexSTAR	0.000	12/31/25		1,246,313.07	100.000	1,246,313.07	0.00	1,246,313.07	0.00	3.979	3.979
TFB-HYMM	11/30/25	11/30/25	BANK DEP	Texas First Bk High Yld MM	0.000	12/31/25		10,067,953.76	100.000	10,067,953.76	0.00	10,067,953.76	0.00	3.509	3.509
Total Buy								13,314,266.83		13,278,458.75	0.00	13,278,458.75	0.00		
Money Market Funds															
TFB-HYMM	10/31/25	10/31/25	BANK DEP	Texas First Bk High Yld MM	0.000	12/31/25		0.00		0.00	15,102.90	15,102.90	0.00	--	--
TEXSTAR	10/31/25	10/31/25	LGIP	TexSTAR	0.000	12/31/25		0.00		0.00	660,802.19	660,802.19	0.00	--	--
TFB-HYMM	11/30/25	11/30/25	BANK DEP	Texas First Bk High Yld MM	0.000	12/31/25		0.00		0.00	31,426.07	31,426.07	0.00	--	--
TEXSTAR	11/30/25	11/30/25	LGIP	TexSTAR	0.000	12/31/25		0.00		0.00	594,327.28	594,327.28	0.00	--	--
TFB-HYMM	12/31/25	12/31/25	BANK DEP	Texas First Bk High Yld MM	0.000	12/31/25		0.00		0.00	36,539.69	36,539.69	0.00	--	--
TEXSTAR	12/31/25	12/31/25	LGIP	TexSTAR	0.000	12/31/25		0.00		0.00	585,510.88	585,510.88	0.00	--	--
Total Money Market Funds								0.00		0.00	1,923,709.01	1,923,709.01	0.00		
Sell															
TFB-HYMM	10/31/25	10/31/25	BANK DEP	Texas First Bk High Yld MM	0.000	12/31/25		(4,449,089.02)	100.000	4,449,089.02	0.00	4,449,089.02	0.00	--	--
TEXSTAR	11/30/25	11/30/25	LGIP	TexSTAR	0.000	12/31/25		(9,405,672.72)	100.000	9,405,672.72	0.00	9,405,672.72	0.00	--	--
Total Sell								(13,854,761.74)		13,854,761.74	0.00	13,854,761.74	0.00		

Investment Transactions Totals

Transaction Type	Quantity	Principal Amount	Interest	Total Amount	Realized G/L	YTM	YTW
Total Buy	13,314,266.83	(13,278,458.75)	0.00	(13,278,458.75)	0.00	3.590	3.590
Total Sell	(13,854,761.74)	13,854,761.74	0.00	13,854,761.74	0.00	3.878	3.878
Total Money Market Funds	0.00	0.00	1,923,709.01	1,923,709.01	0.00		

Amortization and Accretion

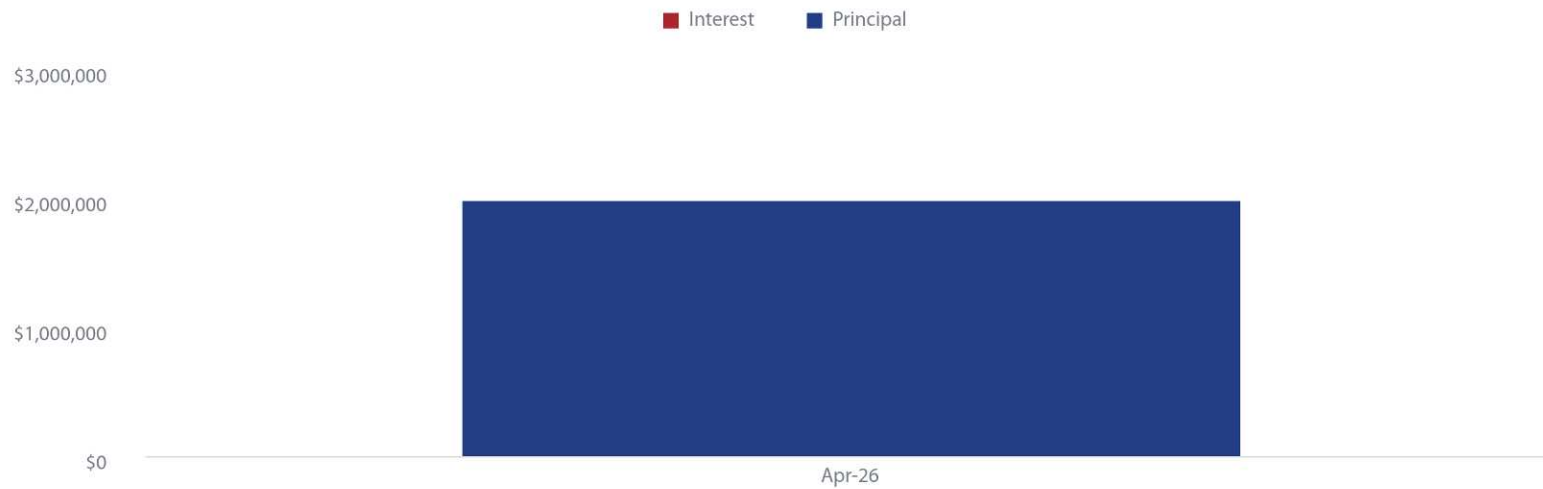
CUSIP	Settle Date	Security Type	Detailed Security Description	Purchase Qty	Orig Price	Original Cost	Amort/Accr for Period	Total Amort/Accr Since Purch	Remaining Disc/Premium	Ending Book Value
Pooled Funds										
912797SM0	10/28/25	US GOVT	U.S. Treasury Bill 0.0 04/23/2026	2,000,000.00	98.210	1,964,191.92	13,149.86	13,149.86	(22,658.22)	1,977,341.78
Total Pooled Funds				2,000,000.00		1,964,191.92	13,149.86	13,149.86	(22,658.22)	1,977,341.78
Grand Total				2,000,000.00		1,964,191.92	13,149.86	13,149.86	(22,658.22)	1,977,341.78

Projected Cash Flows

CUSIP	Detailed Security Description	Post Date	Interest	Principal	Total Amount
Pooled Funds					
912797SM0	U.S. Treasury Bill 0.0 04/23/2026	04/23/26		2,000,000.00	2,000,000.00
Grand Total				2,000,000.00	2,000,000.00

Projected Cash Flows Totals

Month and Year	Interest	Principal	Total Amount
April 2026		2,000,000.00	2,000,000.00
Total		2,000,000.00	2,000,000.00



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.

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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.

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