

INVESTMENT REPORT

City of Texas City

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January 1 to March 31, 2026



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Market Recap

Treasury yields moved significantly higher in March as investors repriced inflation risk tied to surging energy prices. The Two-year Treasury Note yield began the month around 3.40% and climbed as high as 4% late in the month before settling to around 3.80% at month-end. Meanwhile, stocks struggled throughout the month, with the S&P 500 posting four consecutive weekly declines and finishing 7% below its January high.

The price of oil has nearly doubled since the U.S. and Israel launched strikes against Iran, who then effectively closed the Strait of Hormuz. Roughly 15% to 20% of global crude oil supply and almost 20% of global liquefied natural gas (LNG) shipments have been disrupted, prompting the International Energy Agency to call it the largest supply shock in the history of the oil market. West Texas Intermediate crude oil surged from the mid \$60's to over \$100 by late-March, while gasoline, diesel and jet fuel prices rose sharply. The spike in oil prices has fed directly into higher short-term inflation expectations.

The Federal Open Market Committee (FOMC) met March 17th and 18th, voting to hold the Fed Funds target rate at 3.50% to 3.75% for the second consecutive meeting. Chairman Powell and policymakers emphasized that higher energy prices risk delaying further progress on inflation and warned against assuming the shock would be transitory given repeated supply disruptions over the last five years. The updated dot plot showed fewer expected cuts in 2026, and futures markets moved to essentially price out any easing moves this year. Chair Powell described current policy as “near neutral” with limited room to respond unless labor market conditions deteriorate further.

Economic data released during the month painted a mixed picture. The February jobs report showed payrolls falling by 92k, the fifth negative print in the last nine months, while prior months were also revised lower. The unemployment rate rose to 4.4% as job losses spread beyond cyclical sectors and into health care for the first time in years. While seasonal factors and strike activity played a role, the broader trend confirms that labor market momentum has stalled since last Spring.

At the same time, inflation readings moved in the wrong direction, February PPI surged to a whopping 0.7% MoM and Core PCE remained elevated at 3.1% YoY.

Fourth quarter GDP was revised down to just +0.7%, highlighting a sharp deceleration from the economy's strong mid-2025 pace. Consumer spending growth slowed significantly, particularly in services, and the impact from the government shutdown continues to affect official data. The Atlanta Fed's GDPNow model estimates 2.0% to 3.0% growth in the first quarter, but rising oil prices threaten to offset recent tax-cut-related gains in household cash flows, especially for lower-income consumers.

Elsewhere, stress intensified in private credit, raising concerns about liquidity conditions in other markets as well. Multiple fund managers enacted redemption limits or halted withdrawals altogether as concerns grew about credit exposure to software companies and other AI-vulnerable businesses. Gold, which had rallied sharply earlier in the year, fell nearly 10% over the month as higher real rates and dollar strength outweighed the usual safe-haven demand.

Looking ahead, markets enter April facing slow employment growth, resurging inflationary pressures from energy, and a Federal Reserve that has little flexibility. While a ceasefire or reopening of the Strait of Hormuz could spark a sharp relief rally, the baseline outlook has shifted toward elevated volatility and downside risks. Until there is clarity on energy supply and the durability of inflation pressures, the Fed is set to remain on hold, while markets remain vulnerable to further surprises.

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 31 Dec-25	Current 31 Mar-26
Par Value	195,986,572.29	198,230,373.60
Original Cost	195,950,764.21	198,055,232.19
Book Value	195,963,914.07	198,093,978.44
Market Value	195,964,742.29	198,062,695.82
Accrued Interest	0.00	10,763.89
Book Value Plus Accrued	195,963,914.07	198,104,742.33
Market Value Plus Accrued	195,964,742.29	198,073,459.71
Net Unrealized Gain/(Loss)	828.22	(31,282.62)

Income Summary

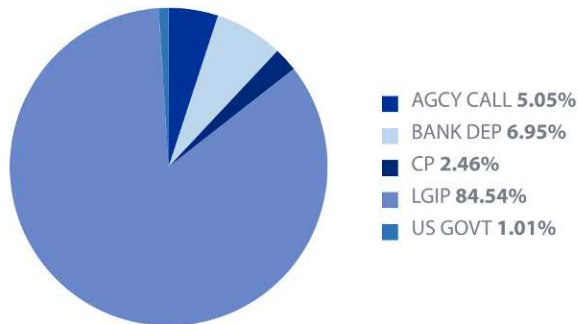
Current Period	1 Jan-26 to 31 Mar-26
Interest Income	1,726,307.35
Net Amortization/Accretion	25,596.39
Realized Gain/(Loss)	0.00
Net Income	1,751,903.74

Fiscal Year-to-Date	1 Oct-25 to 31 Mar-26
Net Income	3,688,762.61

Portfolio Characteristics

	Prior 31 Dec-25	Current 31 Mar-26
Yield to Maturity	3.791%	3.652%
Yield to Worst	3.791%	3.652%
Days to Final Maturity	2	44
Days to Effective Maturity	2	44
Duration	0.31	1.31

Asset Allocation

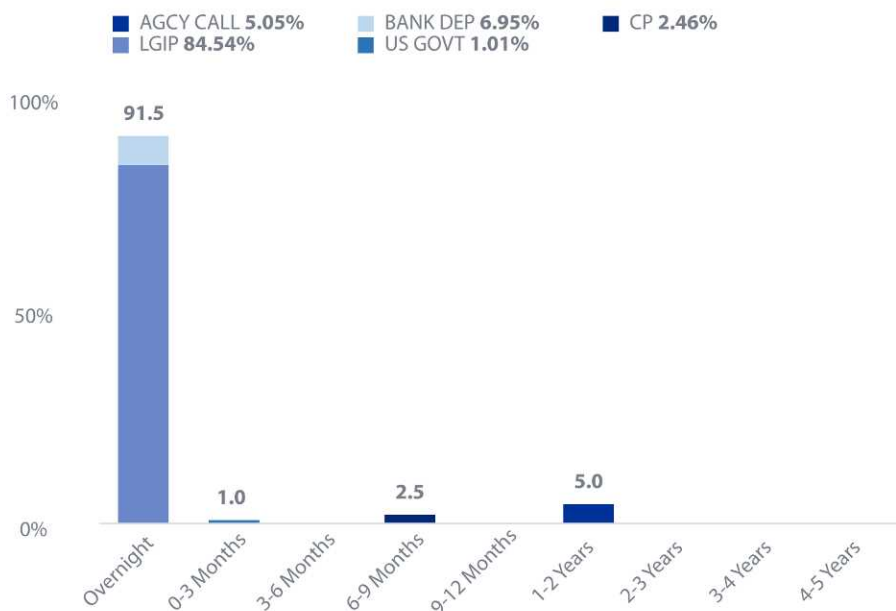


Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
Buy	21,286,233.14	(21,146,899.81)	0.00	(21,146,899.81)	0.00
Sell	(19,042,431.83)	19,042,431.83	0.00	19,042,431.83	0.00
MMFUND Dividends	0.00	0.00	1,715,543.46	1,715,543.46	0.00

Portfolio Overview

Maturity Distribution by Security Type



Top Ten Holdings

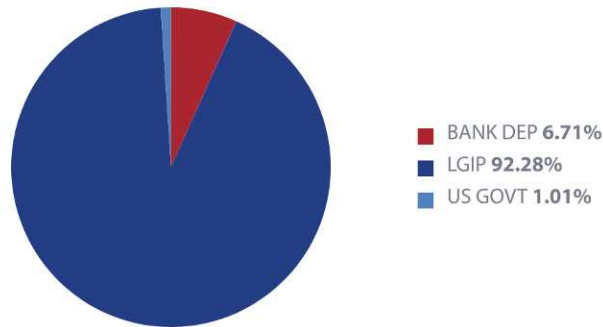
Issuer	Allocation
TEXSTAR	84.54%
Texas First Bank	6.95%
Federal Home Loan Banks	2.52%
Federal Home Loan Mortgage Corporation	2.52%
Royal Bank of Canada	2.46%
United States	1.01%

Maturity Distribution by Security Type

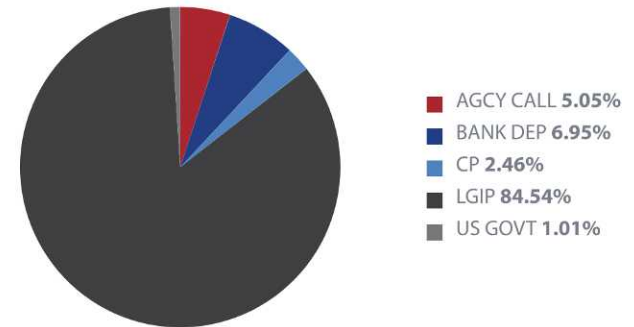
Security Type	Overnight	0-3 Months	3-6 Months	6-9 Months	9-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Portfolio Total
AGCY CALL	--	--	--	--	--	10,000,000.00	--	--	--	10,000,000.00
BANK DEP	13,770,204.40	--	--	--	--	--	--	--	--	13,770,204.40
CP	--	--	--	4,868,055.56	--	--	--	--	--	4,868,055.56
LGIP	167,460,169.20	--	--	--	--	--	--	--	--	167,460,169.20
US GOVT	--	1,995,549.28	--	--	--	--	--	--	--	1,995,549.28
Total	181,230,373.60	1,995,549.28	--	4,868,055.56	--	10,000,000.00	--	--	--	198,093,978.44

Asset Allocation

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



Asset Allocation by Security Type as of
31-Mar-2026



Book Value Basis Security Distribution

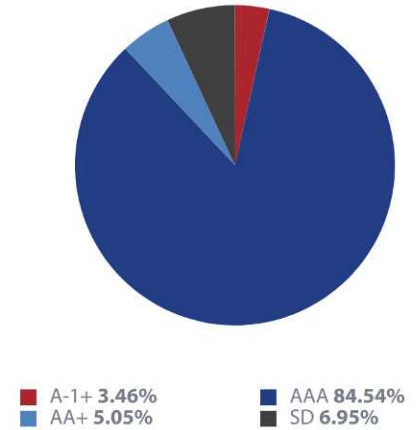
Security Type	Prior Balance 31-Dec-25	Prior Allocation 31-Dec-25	Change in Allocation	Current Balance 31-Mar-26	Current Allocation 31-Mar-26	Yield to Maturity
AGCY CALL	0.00	0.00%	5.05%	10,000,000.00	5.05%	4.063%
BANK DEP	13,150,586.86	6.71%	0.24%	13,770,204.40	6.95%	3.250%
CP	0.00	0.00%	2.46%	4,868,055.56	2.46%	3.909%
LGIP	180,835,985.43	92.28%	(7.74%)	167,460,169.20	84.54%	3.651%
US GOVT	1,977,341.78	1.01%	(0.00%)	1,995,549.28	1.01%	3.759%
Portfolio Total	195,963,914.07	100.00%		198,093,978.44	100.00%	3.652%

Credit Rating Summary

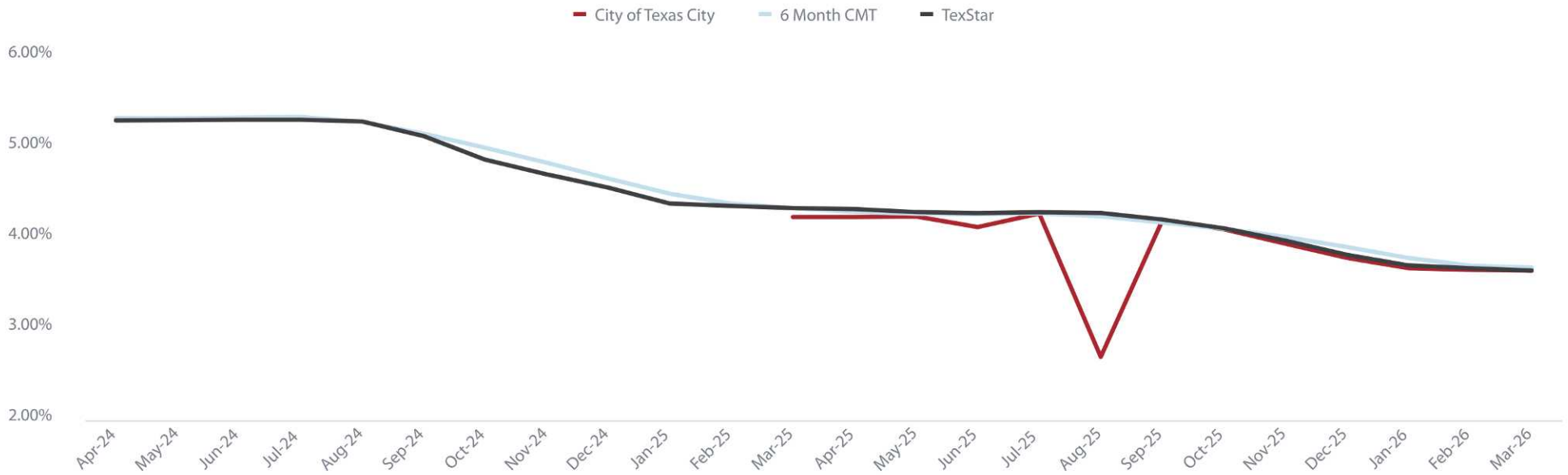
Rating Distribution

	Book Value	Portfolio Allocation
Secured Deposits (Insured or Collateralized)		
Demand Deposits	13,770,204.40	6.95%
Total Secured Deposits	13,770,204.40	6.95%
Local Government Investment Pools & Money Market Funds		
AAA	167,460,169.20	84.54%
Total Local Government Investment Pools & Money Market Funds	167,460,169.20	84.54%
Short Term Rating Distribution		
A-1+	6,863,604.84	3.46%
Total Short Term Rating Distribution	6,863,604.84	3.46%
Long Term Rating Distribution		
AA+	10,000,000.00	5.05%
Total Long Term Rating Distribution	10,000,000.00	5.05%
Portfolio Total	198,093,978.44	100.00%

Allocation by Rating



Benchmark Comparison



Yield Overview

	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	Jan-26	Feb-26	Mar-26
City of Texas City	-	-	-	-	-	-	-	-	-	-	-	4.24	4.24	4.25	4.13	4.28	2.70	4.20	4.11	3.95	3.79	3.68	3.66	3.65
6 Month CMT	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	3.79	3.71	3.68
TexStar	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	3.71	3.68	3.65

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 Mtg	YTM	YTW
Pooled Funds	195,963,914.07	195,964,742.29	2,097,953.53	198,093,978.44	198,062,695.82	1,751,903.74	44	3.652%	3.652%
Total	195,963,914.07	195,964,742.29	2,097,953.53	198,093,978.44	198,062,695.82	1,751,903.74	44	3.652%	3.652%

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	3.651	03/31/26			167,460,169.20	100.000	167,460,169.20	167,460,169.20	100.000	167,460,169.20	1		3.651	3.651	AAA
TFB-HYMM		BANK DEP	Texas First Bk High Yld MM	3.250	03/31/26			13,770,204.40	100.000	13,770,204.40	13,770,204.40	100.000	13,770,204.40	1		3.250	3.250	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	1,995,549.28	99.778	1,995,557.22	23		3.759	3.759	A-1+
78009BM74	03/18/26	CP	Royal Bank of Canada	0.000	12/07/26			5,000,000.00	97.213	4,860,666.67	4,868,055.56	97.213	4,860,630.00	251		3.909	3.909	A-1+
3134HCZV4	03/19/26	AGCY CALL	FHLMC	4.125	03/10/28	06/10/26	Monthly	5,000,000.00	100.000	5,000,000.00	5,000,000.00	99.773	4,988,660.00	710	71	4.125	4.125	AA+
3130B9XA3	03/24/26	AGCY CALL	FHLB	4.000	03/24/28	09/24/26	Monthly	5,000,000.00	100.000	5,000,000.00	5,000,000.00	99.750	4,987,475.00	724	177	4.000	4.000	AA+
Total Pooled Funds								198,230,373.60		198,055,232.19	198,093,978.44		198,062,695.82	44	124	3.652	3.652	
Grand Total								198,230,373.60		198,055,232.19	198,093,978.44		198,062,695.82	44	124	3.652	3.652	

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	1,624,183.77	1,624,183.77	0.00	0.00	0.00	0.00	1,624,183.77
TFB-HYMM	BANK DEP	Texas First Bk High Yld MM	0.00	91,359.69	91,359.69	0.00	0.00	0.00	0.00	91,359.69
912797SM0	US GOVT	U.S. Treasury Bill 0.0 04/23/2026	0.00	0.00	0.00	0.00	0.00	18,207.50	0.00	18,207.50
78009BM74	CP	Royal Bank of Canada 0.0 12/07/2026	0.00	0.00	0.00	0.00	0.00	7,388.89	0.00	7,388.89
3134HCZV4	AGCY CALL	FHLMC 4.125 03/10/2028	0.00	6,875.00	0.00	0.00	6,875.00	0.00	0.00	6,875.00
3130B9XA3	AGCY CALL	FHLB 4.0 03/24/2028	0.00	3,888.89	0.00	0.00	3,888.89	0.00	0.00	3,888.89
Total Pooled Funds			0.00	1,726,307.35	1,715,543.46	0.00	10,763.89	25,596.39	0.00	1,751,903.74
Grand Total			0.00	1,726,307.35	1,715,543.46	0.00	10,763.89	25,596.39	0.00	1,751,903.74

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															
TEXSTAR	02/13/26	02/13/26	LGIP	TexSTAR	3.651	03/31/26		1,081,049.47	100.000	1,081,049.47	0.00	1,081,049.47	0.00	3.693	3.693
78009BM74	03/16/26	03/18/26	CP	Royal Bank of Canada	0.000	12/07/26		5,000,000.00	97.213	4,860,666.67	0.00	4,860,666.67	0.00	3.909	3.909
3134HCZV4	03/16/26	03/19/26	AGCY CALL	FHLMC	4.125	03/10/28	06/10/26	5,000,000.00	100.000	5,000,000.00	0.00	5,000,000.00	0.00	4.125	4.125
3130B9XA3	03/16/26	03/24/26	AGCY CALL	FHLB	4.000	03/24/28	09/24/26	5,000,000.00	100.000	5,000,000.00	0.00	5,000,000.00	0.00	4.000	4.000
TFB-HYMM	03/31/26	03/31/26	BANK DEP	Texas First Bk High Yld MM	0.000	03/31/26		5,205,183.67	100.000	5,205,183.67	0.00	5,205,183.67	0.00	3.250	3.250
Total Buy								21,286,233.14		21,146,899.81	0.00	21,146,899.81	0.00		
Money Market Funds															
TFB-HYMM	01/31/26	01/31/26	BANK DEP	Texas First Bk High Yld MM	0.000	03/31/26		0.00		0.00	35,740.77	35,740.77	0.00	--	--
TEXSTAR	01/31/26	01/31/26	LGIP	TexSTAR	3.651	03/31/26		0.00		0.00	569,408.64	569,408.64	0.00	--	--
TEXSTAR	02/28/26	02/28/26	LGIP	TexSTAR	3.651	03/31/26		0.00		0.00	511,640.83	511,640.83	0.00	--	--
TFB-HYMM	02/28/26	02/28/26	BANK DEP	Texas First Bk High Yld MM	0.000	03/31/26		0.00		0.00	25,497.35	25,497.35	0.00	--	--
TEXSTAR	03/31/26	03/31/26	LGIP	TexSTAR	3.651	03/31/26		0.00		0.00	543,134.30	543,134.30	0.00	--	--
TFB-HYMM	03/31/26	03/31/26	BANK DEP	Texas First Bk High Yld MM	0.000	03/31/26		0.00		0.00	30,121.57	30,121.57	0.00	--	--
Total Money Market Funds								0.00		0.00	1,715,543.46	1,715,543.46	0.00		
Sell															
TFB-HYMM	02/28/26	02/28/26	BANK DEP	Texas First Bk High Yld MM	0.000	03/31/26		(4,585,566.13)	100.000	4,585,566.13	0.00	4,585,566.13	0.00	--	--
TEXSTAR	03/31/26	03/31/26	LGIP	TexSTAR	3.651	03/31/26		(14,456,865.70)	100.000	14,456,865.70	0.00	14,456,865.70	0.00	--	--
Total Sell								(19,042,431.83)		19,042,431.83	0.00	19,042,431.83	0.00		

Investment Transactions Totals

Transaction Type	Quantity	Principal Amount	Interest	Total Amount	Realized G/L	YTM	YTW
Total Buy	21,286,233.14	(21,146,899.81)	0.00	(21,146,899.81)	0.00	3.808	3.808
Total Sell	(19,042,431.83)	19,042,431.83	0.00	19,042,431.83	0.00	3.555	3.555
Total Money Market Funds	0.00	0.00	1,715,543.46	1,715,543.46	0.00		

Amortization and Accretion

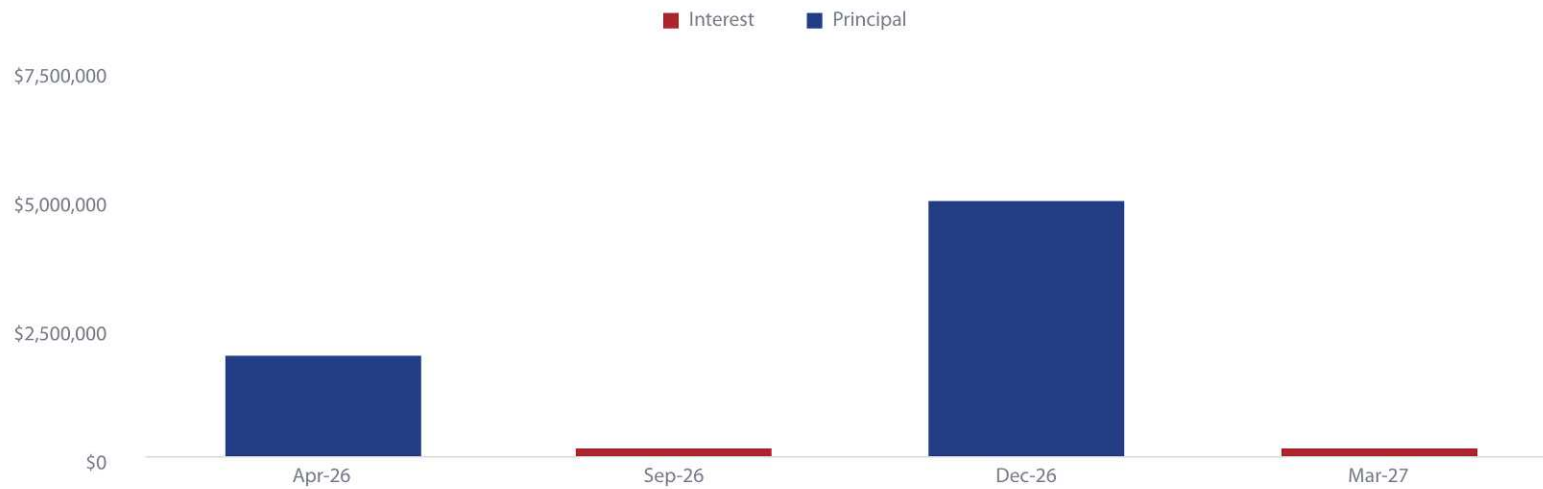
CUSIP	Settle Date	Security Type	Detailed Security Description	Purchase Qty	Orig Price	Original Cost	Amort/Accr for Period	Total Amort/Accr Since Purch	Remaining Disc/Premium	Ending Book Value
Pooled Funds										
912797SM0	10/28/25	US GOVT	U.S. Treasury Bill 0.0 04/23/2026	2,000,000.00	98.210	1,964,191.92	18,207.50	31,357.36	(4,450.72)	1,995,549.28
78009BM74	03/18/26	CP	Royal Bank of Canada 0.0 12/07/2026	5,000,000.00	97.213	4,860,666.67	7,388.89	7,388.89	(131,944.44)	4,868,055.56
3134HCZV4	03/19/26	AGCY CALL	FHLMC 4.125 03/10/2028	5,000,000.00	100.000	5,000,000.00	0.00	0.00	0.00	5,000,000.00
3130B9XA3	03/24/26	AGCY CALL	FHLB 4.0 03/24/2028	5,000,000.00	100.000	5,000,000.00	0.00	0.00	0.00	5,000,000.00
Total Pooled Funds				17,000,000.00		16,824,858.59	25,596.39	38,746.25	(136,395.16)	16,863,604.84
Grand Total				17,000,000.00		16,824,858.59	25,596.39	38,746.25	(136,395.16)	16,863,604.84

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
3134HCZV4	FHLMC 4.125 03/10/2028	09/10/26	97,968.75		97,968.75
3130B9XA3	FHLB 4.0 03/24/2028	09/24/26	100,000.00		100,000.00
78009BM74	Royal Bank of Canada 0.0 12/07/2026	12/07/26		5,000,000.00	5,000,000.00
3134HCZV4	FHLMC 4.125 03/10/2028	03/10/27	103,125.00		103,125.00
3130B9XA3	FHLB 4.0 03/24/2028	03/24/27	100,000.00		100,000.00
Grand Total			401,093.75	7,000,000.00	7,401,093.75

Projected Cash Flows Totals

Month and Year	Interest	Principal	Total Amount
April 2026		2,000,000.00	2,000,000.00
September 2026	197,968.75		197,968.75
December 2026		5,000,000.00	5,000,000.00
March 2027	203,125.00		203,125.00
Total	401,093.75	7,000,000.00	7,401,093.75



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.

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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.

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