

ADVANCING
ASSET
MANAGEMENT





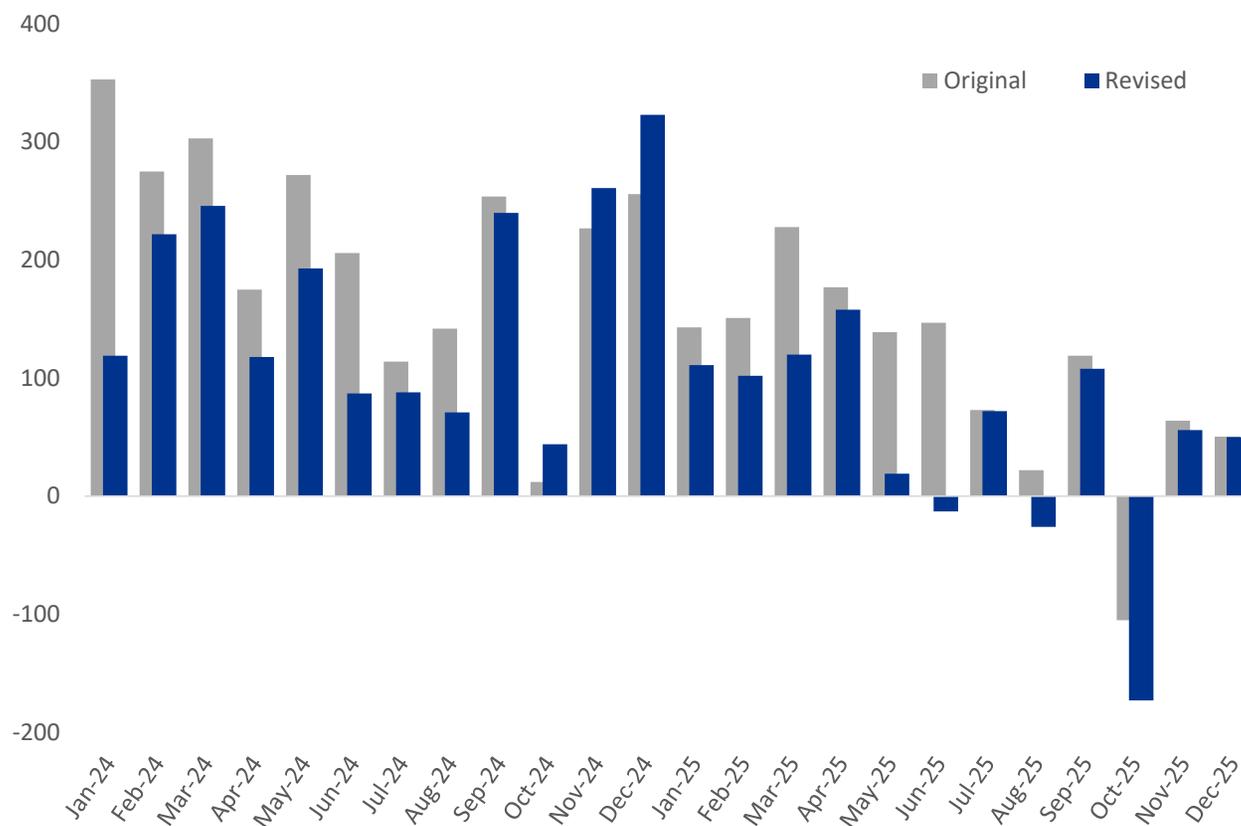
CITY OF FARMERS BRANCH ECONOMIC REVIEW & INVESTMENT STRATEGY

FEBRUARY 17, 2026

EMPLOYMENT

NON-FARM PAYROLLS TOTAL CHANGE (In Thousands)

- December's jobs report showed a softer labor market, with nonfarm payrolls rising 50K, below the 70K forecast.
- October's sharp -173K drop and an additional -8K revision to November pulled the three-month trend lower to -22k.
- The big October decline is the result of DOGE's deferred federal employment reductions from last year Spring.
- December hiring was driven by leisure & hospitality while five of the 11 major sectors saw payroll declines, including retail trade, construction and manufacturing
- For the full year, payrolls climbed by 584k, making it the weakest increase since 2020, when they plunged by 9.2 million due to Covid.

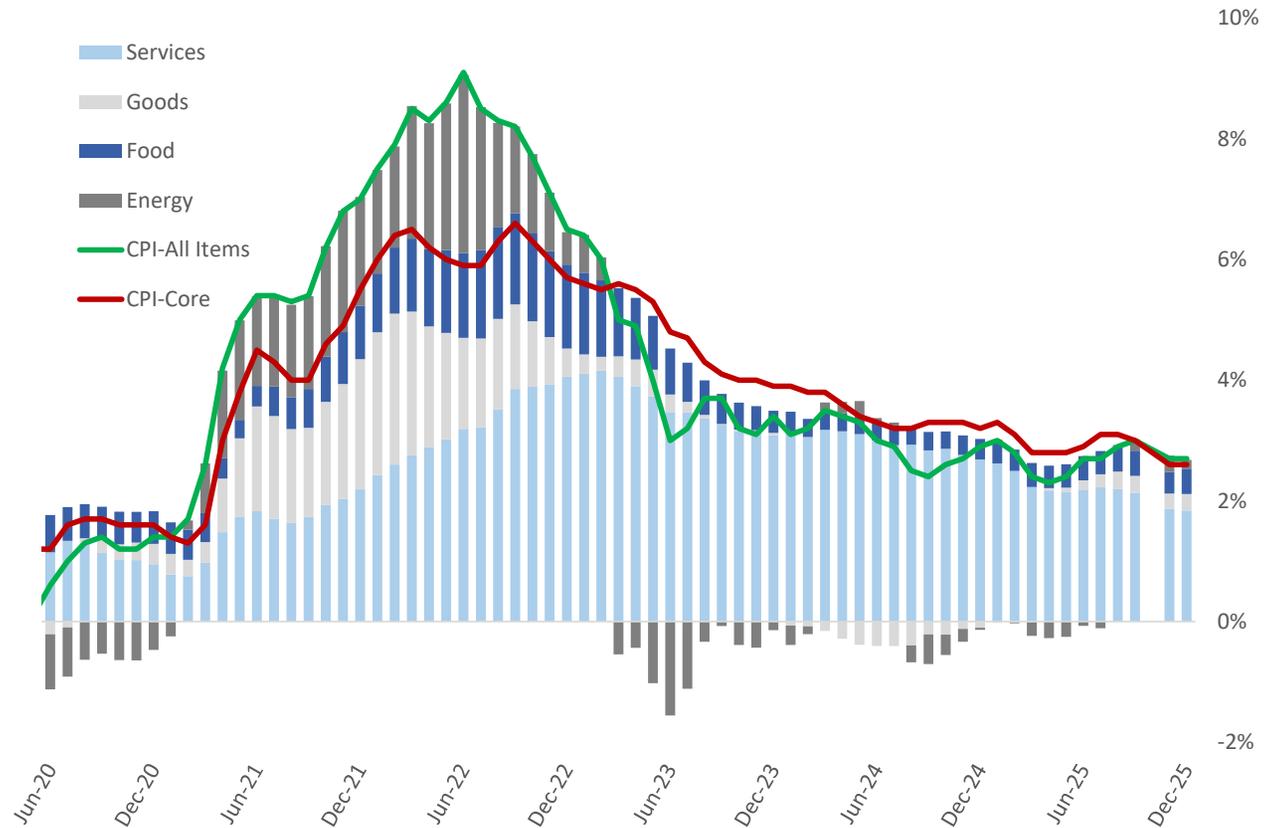


Source: Bureau of Labor Statistics

INFLATION

CONSUMER PRICE INDEX (Year-Over-Year Percent Change)

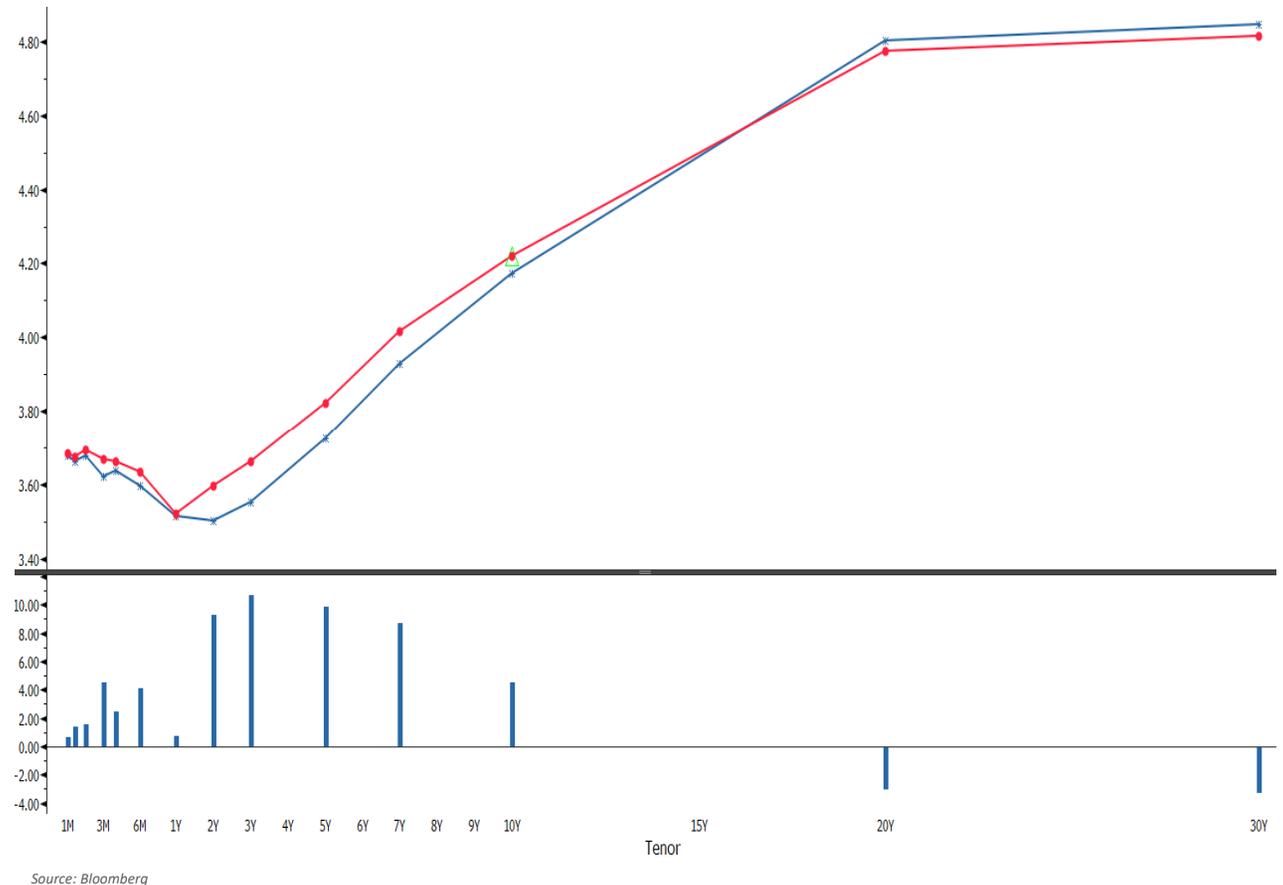
- Year-over-year CPI readings are trending sideways as headline inflation held steady at +2.7%, signaling continued progress from prior highs.
- Core CPI rose +2.6% annually, undershooting the anticipated +2.7%. This marks one of the lowest core readings in recent years.
- Inflation data is still being skewed by September's government shutdown as the interruption in data collection for housing costs (in particular) will take several months to resolve itself.



INTEREST RATES

US TREASURY YIELD CURVE (December 15, 2025 versus January 26, 2026)

- The blue line reflects the yield curve as of our last call on 12/15/25.
- The red line is as of 01/26/26.
- Yield curve change since last month on 12/15/25:
 - 1yr +0.7bps
 - 2yr +9.1bps
 - 3yr +10.4bps
 - 5yr +9.7bps



STRATEGY POINTS

2026 LOOKING BETTER, BUT RISKS REMAIN

- We still see downside risk to rates in 2026, but our conviction is wavering a bit. The data is confusing but with unemployment stable and inflation still well above target the Fed is likely to be patient. We've been beating the extend maturities drum for many months. We're still playing that tune, but we're not banging so loudly these days.
- Nonetheless, there are plenty of reasons to think rates could go lower as this year progresses. The inflationary impact of tariffs is fading and with shelter costs coming down that should bias inflation readings lower, which will give the Fed more latitude to lower rates. President Trump is still clamoring for lower rates and will most likely continue his pressure campaign. Add in the AI story and its potential impact on employment and with the minimal job growth we're seeing there is risk that unemployment rises. With all that in mind, the balance of risks remains to the downside.
- We're staring at a very flat yield curve with six-month T-bill yields around 3.60%, one- and two-year T-note yields around 3.55%, and three-year T-notes around 3.60%. All of those are within a dozen or so bps of government investment pools, making it cheap to hedge against lower rates to protect income.

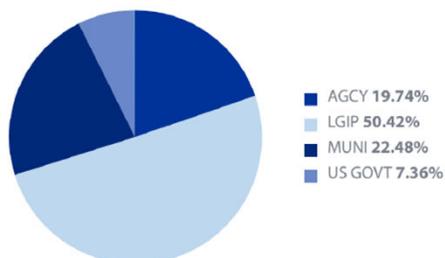
PORTFOLIO REVIEW

CITY OF FARMERS BRANCH – 9/30/25

Portfolio Summary

	Prior 30 Jun-25	Current 30 Sep-25
Par Value	137,099,376.67	129,649,314.13
Original Cost	133,842,115.32	126,529,088.40
Book Value	135,345,572.13	127,436,018.28
Market Value	135,620,228.25	127,850,759.85
Accrued Interest	1,212,583.09	624,473.95
Book Value Plus Accrued	136,558,155.21	128,060,492.23
Market Value Plus Accrued	136,832,811.34	128,475,233.79
Net Unrealized Gain/(Loss)	274,656.13	414,741.56

Asset Allocation



Income Summary

Current Period	1 Jul-25 to 30 Sep-25
Interest Income	1,226,138.05
Net Amortization/Accretion	170,593.08
Realized Gain/(Loss)	0.00
Net Income	1,396,731.12

Fiscal Year-to-Date	1 Oct-24 to 30 Sep-25
Net Income	3,560,935.57

Portfolio Characteristics

	Prior 30 Jun-25	Current 30 Sep-25
Yield to Maturity	4.470%	4.214%
Yield to Worst	4.470%	4.214%
Days to Final Maturity	259	331
Days to Effective Maturity	259	330
Duration	0.87	1.73

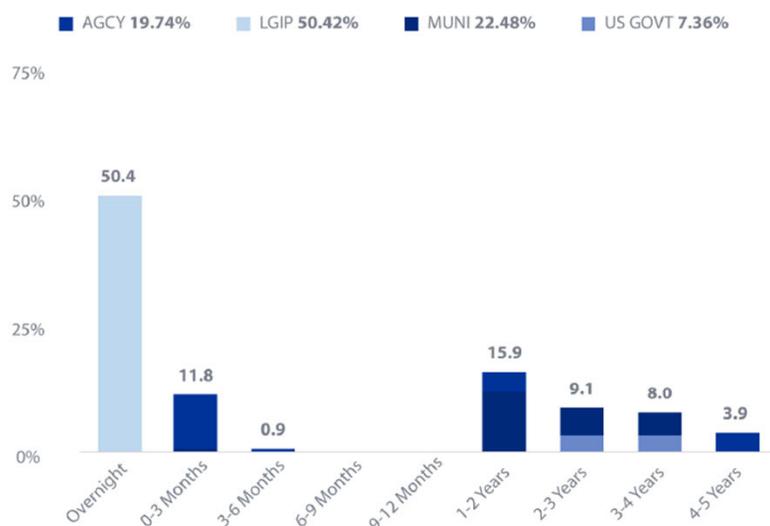
Transaction Summary

Transaction Type	Quantity	Principal	Interest	Total Amount	Realized Gain/Loss
Buy	15,115,918.83	(14,485,834.45)	(58,197.81)	(14,544,032.26)	0.00
Maturity	(56,507,096.69)	56,507,096.69	0.00	56,507,096.69	0.00
Coupon	0.00	0.00	681,364.68	681,364.68	0.00

PORTFOLIO REVIEW

CITY OF FARMERS BRANCH – 9/30/25

Maturity Distribution by Security Type



Top Ten Holdings

Issuer	Allocation
TEXPOOL	50.42%
Federal Farm Credit Banks Funding Corporation	15.82%
United States Department of The Treasury	7.36%
Federal Home Loan Banks	3.92%
Florida Hurricane Catastrophe Fund Finance Corporation	3.76%
Oregon Department of Transportation	3.67%
San Bernardino Community College District	2.49%
County of Westmoreland, Pennsylvania	2.30%
City Of Gainesville, Florida	2.17%
Tennessee State School Bond Authority	2.12%

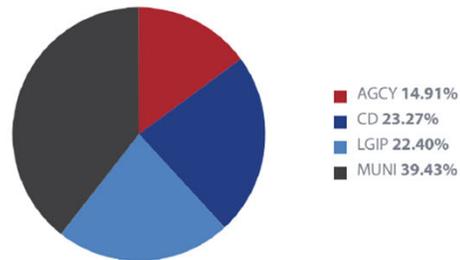
Maturity Distribution by Security Type

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	--	14,002,859.73	1,184,853.24	--	--	4,997,953.62	--	--	4,975,758.59	25,161,425.17
LGIP	64,254,314.13	--	--	--	--	--	--	--	--	64,254,314.13
MUNI	--	997,180.98	--	--	--	15,290,826.97	6,879,812.18	5,473,436.71	--	28,641,256.84
US GOVT	--	--	--	--	--	--	4,702,794.50	4,676,227.65	--	9,379,022.14
Total	64,254,314.13	15,000,040.71	1,184,853.24	--	--	20,288,780.58	11,582,606.68	10,149,664.36	4,975,758.59	127,436,018.28

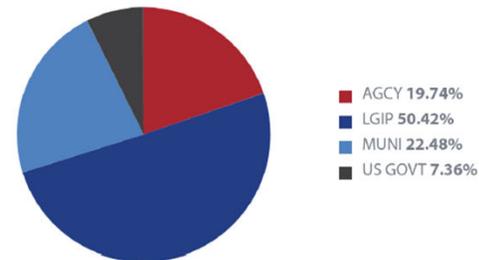
PORTFOLIO REVIEW

CITY OF FARMERS BRANCH – 9/30/25

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



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

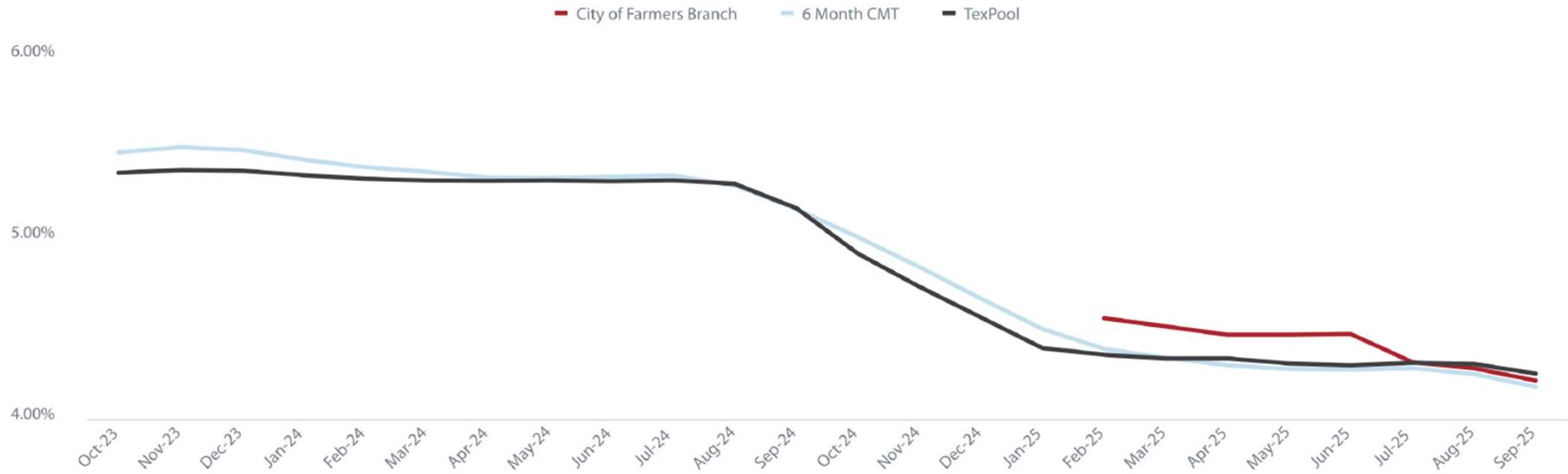


Book Value Basis Security Distribution

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
AGCY	20,179,018.03	14.91%	4.84%	25,161,425.17	19.74%	4.169%
CD	31,491,177.86	23.27%	(23.27%)	0.00	0.00%	
LGIP	30,313,198.81	22.40%	28.02%	64,254,314.13	50.42%	4.252%
MUNI	53,362,177.43	39.43%	(16.95%)	28,641,256.84	22.48%	4.388%
US GOVT	0.00	0.00%	7.36%	9,379,022.14	7.36%	3.543%
Portfolio Total	135,345,572.13	100.00%		127,436,018.28	100.00%	4.214%

PORTFOLIO REVIEW

CITY OF FARMERS BRANCH – 9/30/25



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 Farmers Branch	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.56	4.51	4.47	4.47	4.47	4.32	4.28	4.21
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
TexPool	5.36	5.37	5.37	5.35	5.33	5.32	5.31	5.32	5.31	5.32	5.30	5.16	4.91	4.73	4.56	4.39	4.36	4.33	4.34	4.31	4.30	4.31	4.31	4.25

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