HilltopSecurities
Asset Management

Investment Portfolio Summary

Galveston Industrial Development Corp

For the Quarter Ended

December 31, 2019

Prepared by
HilltopSecurities Asset Management

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MARKET RECAP - DECEMBER 2019:

As December began, there were an unusually high number of potential disruptions capable of derailing an already fragile U.S. economy. The December Fed meeting and a U.K. general election, both key events, took a backseat to impending tariff escalation and the possibility of another government shutdown. But one-by-one, all the concerns eased. The December FOMC meeting matched expectations as Fed officials voted to hold monetary policy steady and signaled their intent to maintain the current 1.50% - 1.75% target rate for all of 2020. The U.K. elections produced expected results with Boris Johnson's Conservative party claiming a majority in the British Parliament, which should open the door for the United Kingdom to leave the European Union in 2020. On the U.S. budget front, funding was secured early and with little drama, ensuring the Federal government will continue operating. Recalling the extreme damage caused by last year's 35-day shutdown, both parties were more than willing to kick discussions out into 2021. The December game-changer came on the trade front as the administration announced "Phase 1" of a long anticipated trade deal with China just hours before new tariffs were set to kick in. Investors had apparently expected this painful escalation to be postponed, but the details of the agreement were more upbeat than expected and the announcement of de-escalation was welcomed relief. That relief was bolstered by news that Congress had signed-off on an amended version of the USMCA trade agreement, and representatives from Canada, Mexico and the United States promptly signed the deal.

Turning our attention to the economic data, the ISM manufacturing data retained its crown as the weakest piece of data, slipping from 48.3 to 48.1 in November, a fourth straight month of contraction. ISM's non-manufacturing index fell from 54.7 to 53.9, but remains above 50, indicating continued expansion, albeit at a slower pace. The employment report surprised to the upside as a whopping +266k new jobs were added to payrolls in November, handily beating the +180k median forecast. Upward revisions to the prior two months added another +41k to the tally, taking the monthly average for the last six months to a robust +196k. The unemployment rate dropped from 3.6% to 3.5%, matching a 50-year low. November retail sales rose a slight +0.2%, well shy of the expected +0.5%, however, since Thanksgiving fell so late this year, the tail end of the Black Friday weekend and Cyber Monday both fell into December, suggesting that December sales could get a boost at the expense of November. Inflation remains well contained with CPI running at +2.1% and core PCE well below the Fed's target at +1.5%. Home sales continue to be restrained by lean inventories, but gains in building permits, housing starts, and a 20-year high in the NAHB's builder confidence index all suggest that housing will continue to benefit from a strong labor market and sub-4% mortgage rates. In the year ahead, housing could become an important counter-balance to the recent weakness we have seen in the manufacturing sector.

All in all, December was a positive month with several key risks to the outlook fading, stable economic data, and interest rates holding well within recent ranges. With that backdrop, equity markets extended their rally as all of the major U.S. averages set new highs in the waning days of 2019.

For the Quarter Ended
December 31, 2019

This report is prepared for the **Galveston Industrial Development Corp** (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:

Michael W. Loftin 2/19/20

Name: Michael W. Loftin — Title: Asst. City Manager-Finance

Tammy Y. Jacobs 2/18/20

Name: Tammy Y. Jacobs — Title: Executive Director & City Controller

2-18-20

Name: Debbie Jordan — Title: Accounting Manager

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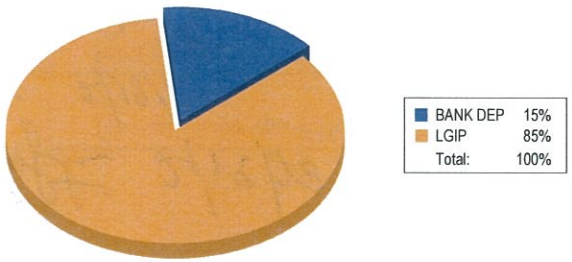
Galveston Industrial Development Corp
Executive Summary
As of 12/31/19

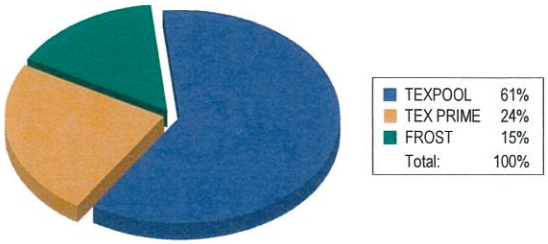
Account Summary

	Beginning Values as of 09/30/19	Ending Values as of 12/31/19
Par Value	12,134,496.93	12,721,135.97
Market Value	12,134,496.93	12,721,135.97
Book Value	12,134,496.93	12,721,135.97
Unrealized Gain /(Loss)	0.00	0.00
Market Value %	**100.00%**	**100.00%**
Weighted Avg. YTW	1.809%	1.428%
Weighted Avg. YTM	1.809%	1.428%

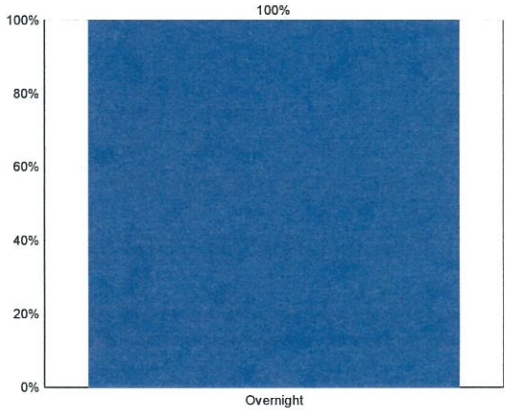
Allocation by Security Type



Allocation by Issuer

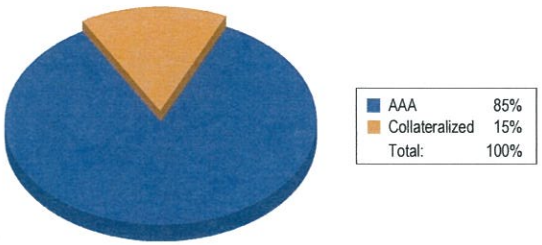


Maturity Distribution %



Weighted Average Days to Maturity: 1

Credit Quality



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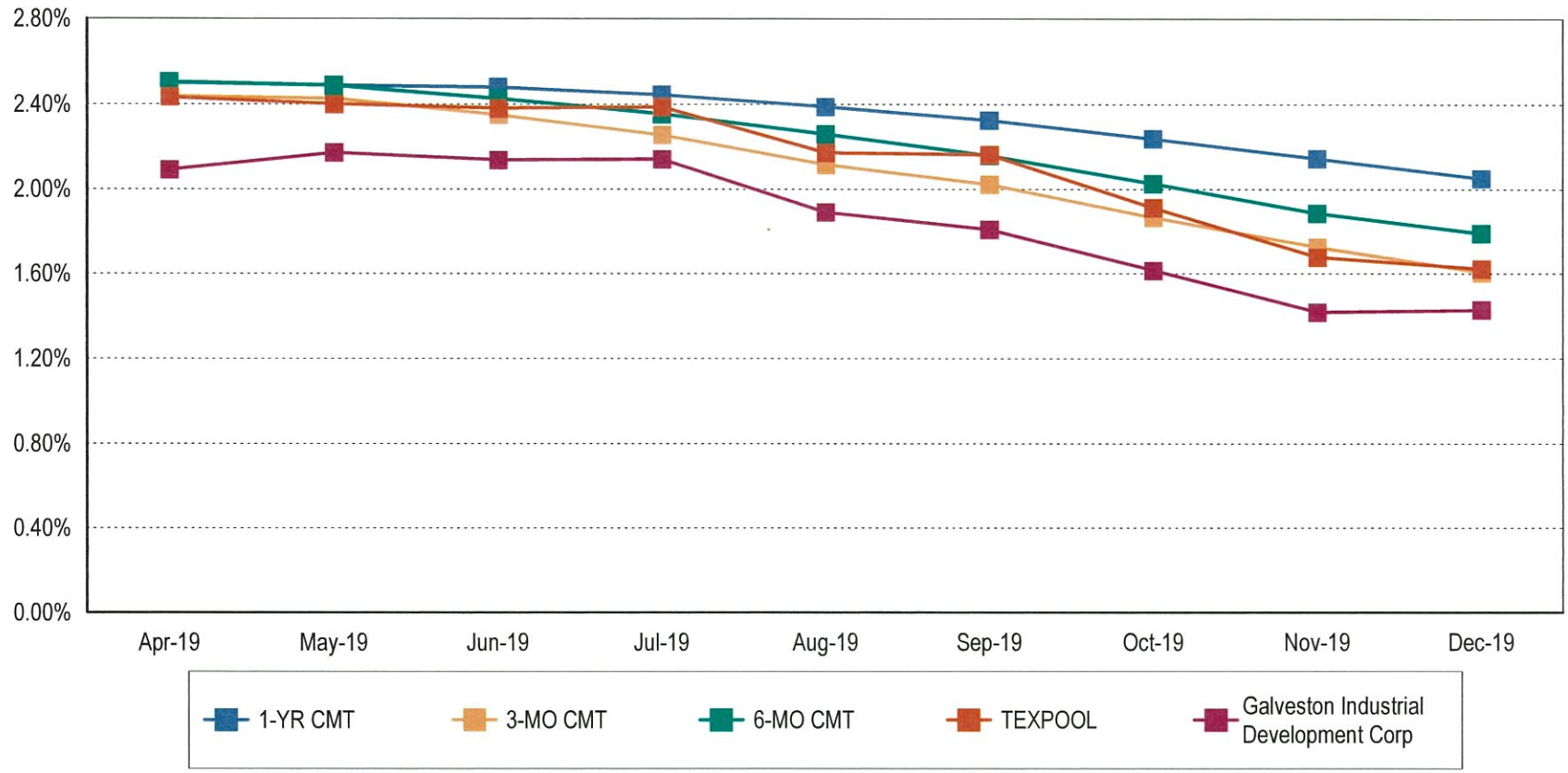
Galveston Industrial Development Corp

Benchmark Comparison

As of 12/31/2019



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.

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Galveston Industrial Development Corp

Detail of Security Holdings

As of 12/31/2019

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
Galveston Industrial Development Corp																	
FROSTGIDC		BANK DEP	Frost Bk					1,952,436.04	100.000	1,952,436.04	1,952,436.04	100.000	1,952,436.04	1		0.030	0.030
TEXPOOL		LGIP	TexPool					7,754,311.79	100.000	7,754,311.79	7,754,311.79	100.000	7,754,311.79	1		1.623	1.623
TEXPRIME		LGIP	TexPool Prime					3,014,388.14	100.000	3,014,388.14	3,014,388.14	100.000	3,014,388.14	1		1.832	1.832
Total for Galveston Industrial Development Corp								**12,721,135.97**	**100.000**	**12,721,135.97**	**12,721,135.97**	**100.000**	**12,721,135.97**	**1**		**1.428**	**1.428**
Total for Galveston Industrial Development Corp								**12,721,135.97**	**100.000**	**12,721,135.97**	**12,721,135.97**	**100.000**	**12,721,135.97**	**1**		**1.428**	**1.428**

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Galveston Industrial Development Corp

Change in Value

From 09/30/2019 to 12/31/2019

CUSIP	Security Type	Security Description	09/30/19 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	12/31/19 Book Value	09/30/19 Market Value	12/31/19 Market Value	Change in Mkt Value
Galveston Industrial Development Corp											
FROSTGIDC	BANK DEP	Frost Bk	2,016,126.51	237,981.03	(301,671.50)	0.00	0.00	1,952,436.04	2,016,126.51	1,952,436.04	(63,690.47)
TEXPOOL	LGIP	TexPool	10,118,370.42	633,890.41	(2,997,949.04)	0.00	0.00	7,754,311.79	10,118,370.42	7,754,311.79	(2,364,058.63)
TEXPRIME	LGIP	TexPool Prime	0.00	3,014,388.16	0.00	0.00	0.00	3,014,388.14	0.00	3,014,388.14	3,014,388.14
Total for Galveston Industrial Development Corp			**12,134,496.93**	**3,886,259.60**	**(3,299,620.54)**	**0.00**	**0.00**	**12,721,135.97**	**12,134,496.93**	**12,721,135.97**	**586,639.04**
Total for Galveston Industrial Development Corp			**12,134,496.93**	**3,886,259.60**	**(3,299,620.54)**	**0.00**	**0.00**	**12,721,135.97**	**12,134,496.93**	**12,721,135.97**	**586,639.04**

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Galveston Industrial Development Corp

Earned Income

From 09/30/2019 to 12/31/2019

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
Galveston Industrial Development Corp									
FROSTGIDC	BANK DEP	Frost Bk	0.00	141.30	141.30	0.00	0.00	0.00	141.30
TEXPOOL	LGIP	TexPool	0.00	35,941.37	35,941.37	0.00	0.00	0.00	35,941.37
TEXPRIME	LGIP	TexPool Prime	0.00	14,388.14	14,388.14	0.00	0.00	0.00	14,388.14
Total for Galveston Industrial Development Corp			**0.00**	**50,470.81**	**50,470.81**	**0.00**	**0.00**	**0.00**	**50,470.81**
Total for Galveston Industrial Development Corp			**0.00**	**50,470.81**	**50,470.81**	**0.00**	**0.00**	**0.00**	**50,470.81**