

NUECES COUNTY HOSPITAL DISTRICT

Briefing Memo

SUBJECT: Quarterly Investment Report as of June 30, 2026

REPORTING PERIOD: Quarter Ended June 30, 2026

Purpose

To provide the Board of Managers with a general overview of the District's investment portfolio and investment activity for the quarter ended June 30, 2026, including the portfolio's overall size, earnings, liquidity, investment characteristics, and compliance with applicable investment requirements.

Overall Investment Position

As of June 30, 2026, the District maintained an investment portfolio with a book value of approximately \$190.6 million and a market value of approximately \$190.6 million. The relatively small difference between book and market value indicates limited market-value fluctuation within the portfolio at quarter end.

The portfolio continues to be positioned conservatively, with an emphasis on liquidity, preservation of principal, and short-term investment maturities. The reported average credit quality of the portfolio is AAA, and the weighted average maturity remains very short.

Investment Earnings

The District earned approximately \$2.35 million from its investments during the quarter. Fiscal year-to-date investment earnings through June 30 totaled approximately \$6.56 million.

The portfolio reported a weighted average yield of approximately 3.73% at quarter end. Investment earnings therefore continue to provide a meaningful source of revenue to the District while the portfolio maintains a conservative investment posture.

Liquidity and Investment Strategy

Liquidity remains a significant characteristic of the District's portfolio. Approximately 88% of the portfolio is invested in instruments with one-day liquidity, with most of the remaining investments maturing within relatively short periods.

This short-term positioning provides the District with ready access to funds for operating, healthcare financing, and other expenditure requirements. It also limits the portfolio's exposure to changes in market interest rates and allows funds to be reinvested as investment opportunities and District cash requirements change.

Changes During the Quarter

The overall market value of the portfolio declined from approximately \$225.8 million at March 31, 2026, to \$190.6 million at June 30, 2026. The investment report indicates that this reduction primarily reflects cash movements and portfolio activity rather than investment losses.

The unrealized market loss at June 30 was approximately \$60,000, which is small relative to the approximately \$190.6 million portfolio.

Accordingly, the quarter-to-quarter reduction in total invested assets should principally be viewed in the context of the District's cash requirements and movement of funds rather than as deterioration in investment performance.

Interest Rate Environment

The investment manager reports that short-term interest rates increased during the latter portion of the quarter amid changing expectations concerning Federal Reserve monetary policy, economic growth, and inflation. The District's short-duration investment strategy reduces sensitivity to market-rate movements while permitting relatively rapid reinvestment as securities mature or liquid funds become available.

The direction of short-term interest rates and the reinvestment opportunities available to the District will remain relevant to investment earnings during the remainder of the fiscal year.

Compliance

The quarterly investment report states that it was prepared in accordance with the District's Investment Policy and investment strategy and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code.

The District's designated investment officials certified that the investments reported for the quarter comply with the Public Funds Investment Act and the District's Investment Policy.

Overall Assessment

As of June 30, 2026, the District's investment portfolio remains highly liquid, conservatively positioned, and of high reported credit quality. Investment earnings remain significant, while the difference between the portfolio's book and market values is minimal.

The portfolio's short maturity structure provides substantial financial flexibility and limits exposure to market-price changes. Based on the quarterly report, the portfolio continues to support the District's objectives of maintaining liquidity and preserving principal while generating investment income.