

City of Rowlett, Texas

Investment Performance Review
Quarter Ended September 30, 2012



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TAB I

Summary

- During the third quarter, further easing measures by central banks around the world spurred investors' demand for riskier assets, resulting in strong performance for corporate bonds, mortgage-backed securities, and equities.
- While the U.S. housing recovery seemed to be building momentum, manufacturing activity and job growth have continued to show persistent weakness.
- The domestic economy will likely continue its sluggish recovery, despite uncertainties about the U.S. election and the looming fiscal cliff.

Economic Snapshot

- The unemployment rate fell to 7.8% in September. The economy added 437,000 jobs in the third quarter, up from 200,000 in the prior period.
- The S&P Case-Shiller Index of home prices for July marked a year-over-year increase that was more than consensus predicted, reflecting a continued housing recovery.
- The Institute for Supply Management's manufacturing survey fell slightly below 50 for June, July, and August, indicating a weakening of the important manufacturing base, but rose to 51.5 in September, suggesting slow growth (A measure above 50 is the dividing point between growth and expansion.)
- The Consumer Price Index increased by 0.6% in August on a seasonally adjusted basis, its largest gain since June 2009; this was primarily due to increases in food and energy prices.
- Most economists expect U.S. gross domestic product (GDP) to grow by only 1.8% to 2% for the year.

Interest Rates

- Interest rates ended the quarter modestly lower, while yield spreads on Federal Agencies, corporates, and mortgage-backed securities (MBS) tightened significantly.
- Long-term Treasury yields experienced significant intra-quarter volatility, while two-year Treasury yields remained in a tight range of 0.20% to 0.30% for the quarter.
- The Federal Reserve announced that it will keep short-term rates at extremely low levels through mid-2015. It also initiated a third round of Quantitative Easing (QE3), a new program to purchase \$40 billion in agency MBS each month until economic conditions improve.

Sector Performance

- Accommodative measures by global central banks gave investors confidence in the prospects for economic growth. The resulting shift from Treasuries and Agencies to high-quality corporate bonds helped corporate bonds to outperform. Bonds issued by financial firms did particularly well, outpacing those in the industrial and utility sectors.
- Supported by the new QE3 purchase program, Agency MBS performed well, but returns were tempered as a result of increased pre-payments, which shortened their average lives.
- While the Municipal sector lagged the corporate sector, it generated returns in excess of Treasuries and Agencies, and offered the additional value of diversification.
- Supply reductions should keep Agency spreads narrow, as Fannie Mae and Freddie Mac reduce their retained portfolios by 15% per year, as mandated by the Treasury Department.

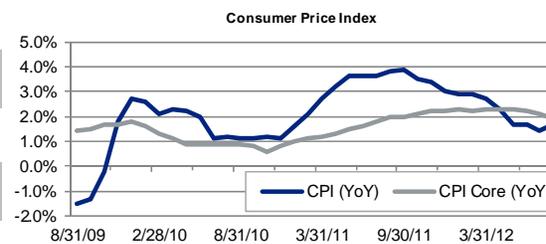
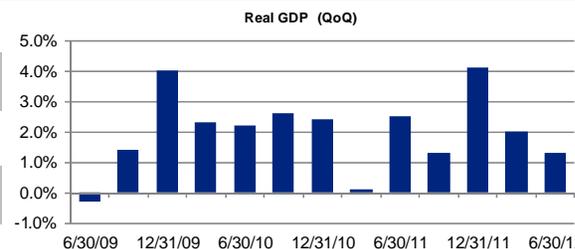
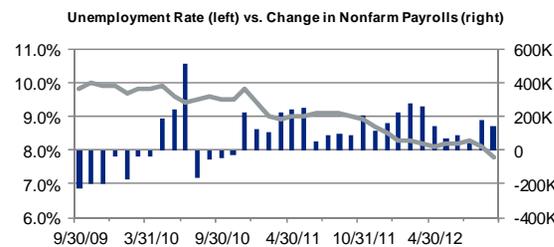
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Economic Snapshot

Labor Market		Latest	Jun 2012	Sep 2011
Unemployment Rate	Sep	7.8%	8.2%	9.0%
Change In Non-Farm Payrolls	Sep	114,000	45,000	202,000
Average Hourly Earnings (YoY)	Sep	1.8%	2.0%	2.0%
Personal Income (YoY)	Aug	3.5%	3.4%	4.6%
Initial Jobless Claims	Oct 12	388,000	376,000	402,000

Growth		Latest	Jun 2012	Sep 2011
Real GDP (QoQ SAAR)	Q2	1.3%	2.0% ¹	1.3%
GDP Personal Consumption (QoQ SAAR)	Q2	1.5%	2.4% ¹	1.7%
Retail Sales (YoY)	Sep	5.4%	3.5%	8.3%
ISM Manufacturing Survey	Sep	51.5	49.7	52.5
Existing Home Sales (millions)	Sep	4.75	4.37	4.28

Inflation / Prices		Latest	Jun 2012	Sep 2011
Personal Consumption Expenditures (YoY)	Aug 12	1.5%	1.5%	2.9%
Consumer Price Index (YoY)	Sep 12	2.0%	1.7%	3.9%
Consumer Price Index Core (YoY)	Sep 12	2.1%	0.7%	7.0%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$92.19	\$84.96	\$79.20
Gold Futures (oz)	Sep 30	\$1,771	\$1,604	\$1,620



1. Data as of First Quarter 2012

Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

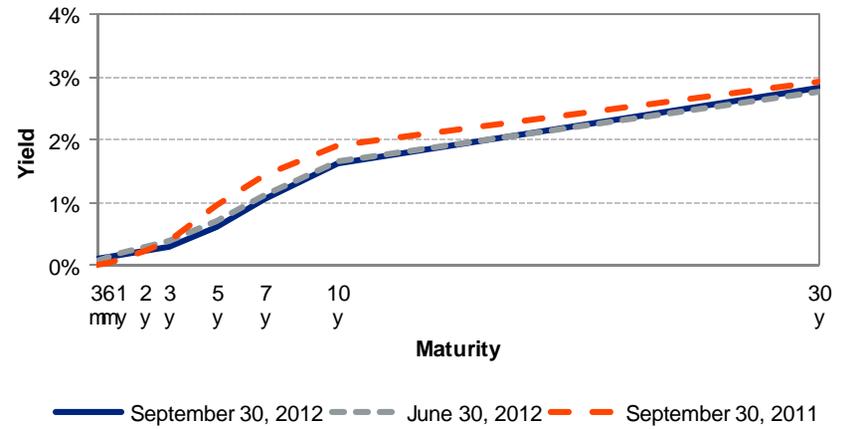
Source: Bloomberg

Interest Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Note Yield Curve

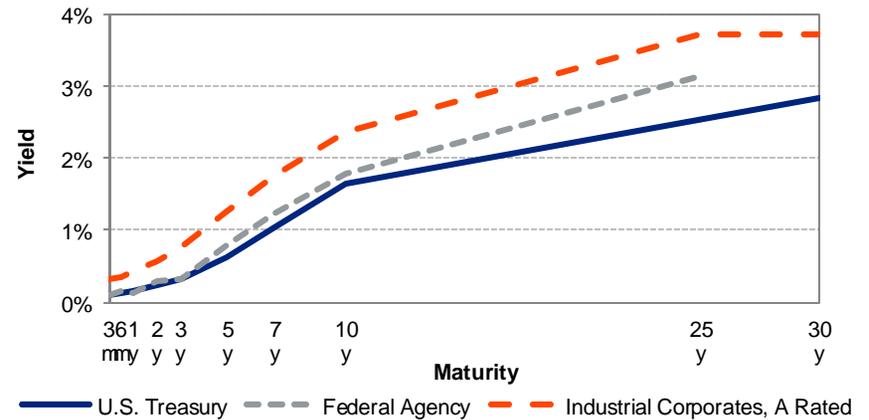


U.S. Treasury Note Yields

Maturity	9/30/12	6/30/12	Change over Quarter	9/30/11	Change over Year
3-month	0.12%	0.11%	0.00%	0.02%	0.09%
1-year	0.16%	0.26%	(0.10%)	0.17%	(0.02%)
2-year	0.25%	0.32%	(0.08%)	0.28%	(0.04%)
5-year	0.63%	0.75%	(0.11%)	0.96%	(0.33%)
10-year	1.70%	1.73%	(0.04%)	2.01%	(0.31%)
30-year	2.82%	2.78%	0.04%	2.95%	(0.13%)

Source: Bloomberg

Yield Curves as of 9/30/12



B of A Merrill Lynch Index Returns

	As of 9/30/2012		Periods Ended 9/30/2012		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.89	0.25%	0.26%	0.56%	1.43%
Federal Agency	1.60	0.31%	0.25%	0.92%	1.58%
U.S. Corporates, A-AAA Rated	1.98	1.02%	1.50%	4.10%	3.63%
Agency MBS (0 to 3 years)	1.78	0.87%	0.91%	2.29%	3.78%
Municipals	1.84	0.52%	0.33%	1.33%	1.75%
1-5 Year Indices					
U.S. Treasury	2.74	0.34%	0.47%	1.29%	2.58%
Federal Agency	2.24	0.42%	0.46%	1.53%	2.29%
U.S. Corporates, A-AAA Rated	2.79	1.26%	2.18%	5.92%	4.98%
Agency MBS (0 to 5 years)	1.83	0.91%	1.08%	3.63%	4.73%
Municipals	2.59	0.71%	0.62%	2.23%	2.65%
Master Indices					
U.S. Treasury	6.05	0.91%	0.58%	3.19%	5.46%
Federal Agency	3.69	0.79%	0.84%	2.83%	3.95%
U.S. Corporates, A-AAA Rated	6.78	2.38%	3.53%	9.97%	8.26%
Agency MBS	1.82	0.92%	1.13%	3.74%	5.06%
Municipals	7.39	2.48%	2.51%	8.96%	6.20%

Returns for periods greater than one year are annualized
3 Month return is periodic

Source: Bloomberg

TAB II

Executive Summary

PORTFOLIO STRATEGY

- The City's Long Term Pooled Portfolio is of high credit quality and invested in U.S. Treasury and Federal Agency securities.
- During the quarter, PFM recommended selling \$4.1 million in securities in the Portfolio that were yielding 0.12% and 0.18%, and with the City's permission we reinvested the proceeds into securities yielding 0.38% and 0.52%. This increased the Yield to Maturity at Cost of the Portfolio and realized gains of \$10,467. PFM is continually in the market monitoring for opportunities to add value to the Portfolio.
- The Long Term Pooled Portfolio's quarterly total return performance of 0.22% underperformed the benchmark performance of 0.26% by 0.04%. This slight underperformance is due to the Portfolio's duration being 79% of the benchmark's duration. The benchmark picked up slightly more value being out farther. We will continue to monitor the market for opportunities to extend the Portfolio's duration if we believe it is appropriate to do so in the current market. Our main goal is to preserve the principal of the Portfolio.
- Bond yields remained highly correlated with headlines out of Europe. Weakening economic conditions in the Eurozone triggered a flight-to-quality that drove intermediate-term Treasury yields to new all-time record lows in July. The development of an European Central Bank ("ECB") sovereign debt purchase program reversed the trend, causing yields to rebound sharply. Despite several periods of sharp temporary yield movements, Treasury yields ended the quarter only modestly lower in most maturities.
- Agency notes received a boost during the quarter when the Treasury Department accelerated the wind down of Fannie Mae's and Freddie Mac's investment portfolio holdings, an action which will shrink Agency bond and discount note supply by \$1 trillion over the next few years.
- With the ECB's sovereign debt support program in place, we are turning our attention away from Europe and focusing on domestic issues, such as U.S. economic conditions, the upcoming election and the looming fiscal cliff, and other global issues, like the troubling slowdown in China and turmoil in the Middle East. These conditions create uncertainties that are hard to handicap, and virtually impossible to predict with any degree of certainty.
- With central banks around the globe pumping an unprecedented amount of liquidity into the market and embarking on new large scale bond purchase programs, we are faced with a scenario of more dollars chasing fewer assets. As a result, our outlook for most "spread sectors" remains positive. We anticipate relatively low volatility in yields and expect income to be a major component of total returns in the upcoming quarter.
- As always, we strive to maintain safety of principal and appropriate liquidity, while seeking opportunities to add value. Our strategy will remain flexible and may change in response to changes in interest rates, economic data, market outlook or specific opportunities that arise.

Summary Portfolio Statistics

Amortized Cost and Market Value Account Name	Amortized Cost ^{1,2,3} September 30, 2012	Amortized Cost ^{1,2,3} June 30, 2012	Market Value ^{1,2,3} September 30, 2012	Market Value ^{1,2,3} June 30, 2012	Duration (Years) September 30, 2012
Long Term Pooled Fund	18,781,485.52	18,800,582.69	18,871,345.32	18,892,690.98	1.340
TexPool	31,473,698.69	32,647,359.90	31,473,698.69	32,647,359.90	0.003
Total	\$50,255,184.21	\$51,447,942.59	\$50,345,044.01	\$51,540,050.88	0.504

Yields Account Name	Yield to Maturity on Cost ⁴ September 30, 2012	Yield to Maturity on Cost ⁴ June 30, 2012	Yield to Maturity at Market September 30, 2012	Yield to Maturity at Market June 30, 2012	Duration (Years) June 30, 2012
Long Term Pooled Fund	0.67%	0.71%	0.26%	0.29%	1.300
TexPool ⁵	0.15%	0.14%	0.15%	0.14%	0.003
Weighted Average YTM	0.34%	0.35%	0.19%	0.19%	0.478

Monthly Interest earnings YTD^{6,7}

October 2011	\$13,301.10	April 2012	\$26,967.89
November 2011	\$9,773.96	May 2012	\$8,194.32
December 2011	\$2,811.86	June 2012	(\$975.24)
January 2012	\$24,409.31	July 2012	\$24,762.24
February 2012	(\$2,521.21)	August 2012	\$15,600.45
March 2012	\$2,141.77	September 2012	\$6,536.89
Total Fiscal Year Net Earnings			\$131,003.34

Notes:

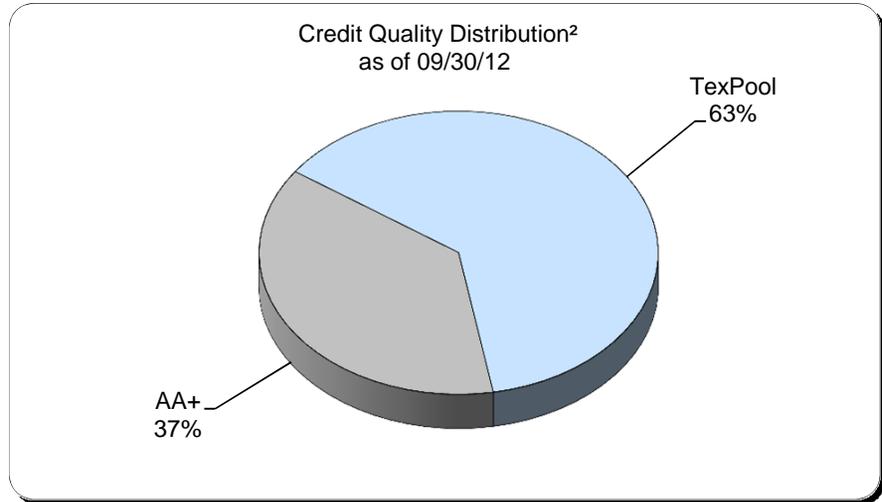
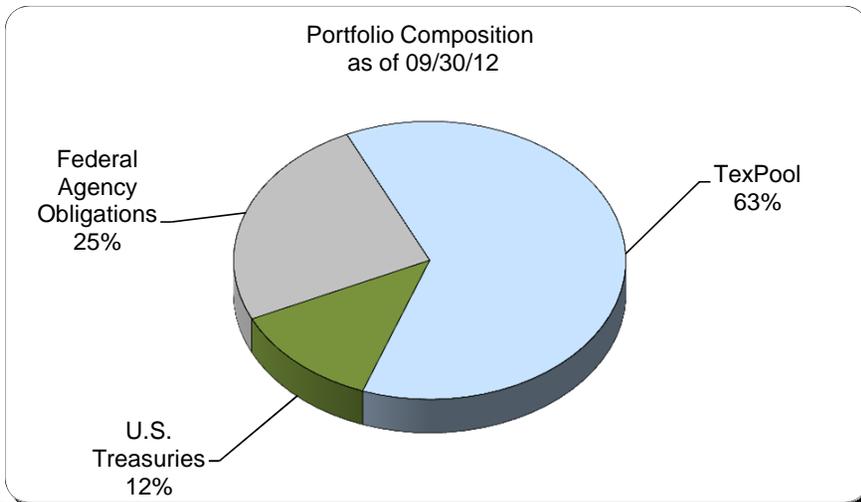
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. TexPool yield is obtained from www.texpool.com.
6. Earnings are calculated on a cash basis and are subject to the receipt of coupon payments, maturities within the portfolio, and money market fund balances.
7. Earnings are net of fees.

Summary Portfolio Amortized Cost and Market Value Analysis

MONEY MARKET FUNDS					6/30/2012	6/30/2012	6/30/2012	9/30/2012	9/30/2012	9/30/2012	CHANGE IN
CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	MARKET VALUE
TEXPOOL	TEXPOOL				0.00	32,647,359.90	32,647,359.90	0.00	31,473,698.69	31,473,698.69	-3.59%
					\$0.00	\$32,647,359.90	\$32,647,359.90	\$0.00	\$31,473,698.69	\$31,473,698.69	-3.59%
TOTAL					\$0.00	\$32,647,359.90	\$32,647,359.90	\$0.00	\$31,473,698.69	\$31,473,698.69	-3.59%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
31398AJ94	FNMA GLOBAL NOTES	\$1,005,000	1.750	05/07/13	\$2,638.13	\$1,004,042.94	\$1,017,233.87	\$7,035.00	\$1,004,322.89	\$1,013,970.63	-0.32%
3133XGVF8	FHLB GLOBAL BONDS	905,000	5.125	08/14/13	17,650.64	946,047.03	954,189.47	6,055.33	936,918.95	944,022.70	-1.07%
3133XSAE8	FHLB GLOBAL BENCHMARK NOTES	2,000,000	3.625	10/18/13	14,701.39	2,083,177.66	2,084,980.00	32,826.39	2,067,185.36	2,070,886.00	-0.68%
3137EACL1	FHLMC NOTES	810,000	0.875	10/28/13	1,240.31	810,393.15	816,036.93	3,012.19	810,319.32	815,709.69	-0.04%
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	708.33	1,998,095.96	2,001,552.00	2,583.33	1,998,433.18	2,003,428.00	0.09%
31398A5W8	FNMA NOTES	1,600,000	0.750	12/18/13	433.33	1,607,158.80	1,610,572.80	3,433.33	1,605,939.01	1,610,622.40	0.00%
31398AVD1	FNMA GLOBAL NOTES	1,500,000	2.750	02/05/14	16,729.17	1,558,046.57	1,559,031.00	6,416.67	1,548,963.21	1,551,832.50	-0.46%
3135G0NP4	FANNIE MAE (CALLABLE) GLOBAL NOTES	2,500,000	0.500	08/20/15	0.00	0.00	0.00	1,423.61	2,498,556.58	2,502,537.50	0.00%
		\$4,720,000			\$37,372.13	\$8,448,915.54	\$8,484,565.07	\$62,785.85	\$12,470,638.50	\$12,513,009.42	47.48%
US TSY BOND/NOTE											
912828PU8	US TREASURY NOTES	\$600,000	0.500	11/15/2013	\$383.15	\$596,611.01	\$601,711.20	\$1,133.15	\$597,225.33	\$601,968.60	0.04%
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	9,171.20	2,499,147.70	2,539,355.00	1,381.22	2,499,271.68	2,537,110.00	-0.09%
912828RZ5	US TREASURY NOTES	1,510,000	0.250	1/15/2015	1,742.31	1,507,820.68	1,505,634.59	800.14	1,508,034.98	1,509,528.88	0.26%
912828NP1	US TREASURY NOTES	1,575,000	1.750	7/31/2015	0.00	0.00	0.00	4,643.68	1,635,570.99	1,638,984.38	0.00%
912828PD6	US TREASURY NOTES	1,620,000	0.375	10/31/2012	1,023.51	1,619,829.58	1,621,202.04	0.00	0.00	0.00	0.00%
912828QL7	US TREASURY NOTES	2,500,000	0.750	3/31/2013	4,713.11	2,499,077.03	2,510,057.50	0.00	0.00	0.00	0.00%
		\$7,205,000			\$7,478.93	\$5,626,727.29	\$5,636,894.13	\$7,958.19	\$6,240,102.98	\$6,287,591.86	11.54%
TOTAL		\$11,925,000			\$44,851.06	\$14,075,642.83	\$14,121,459.20	\$70,744.04	\$18,710,741.48	\$18,800,601.28	33.135%
TOTAL PORTFOLIO		\$11,925,000			\$44,851.06	\$46,723,002.73	\$46,768,819.10	\$70,744.04	\$50,184,440.17	\$50,274,299.97	7.50%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>September 30, 2012</u>	<u>% of Portfolio</u>	<u>June 30, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$6,295,550.05	12.5%	\$8,794,993.61	4.4%
Federal Agencies	12,575,795.27	25.0%	10,097,697.37	49.1%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.00%	0.00	0.0%
TexPool	31,473,698.69	62.5%	32,647,359.90	46.5%
Totals	\$50,345,044.01	100.0%	\$51,540,050.88	100.0%

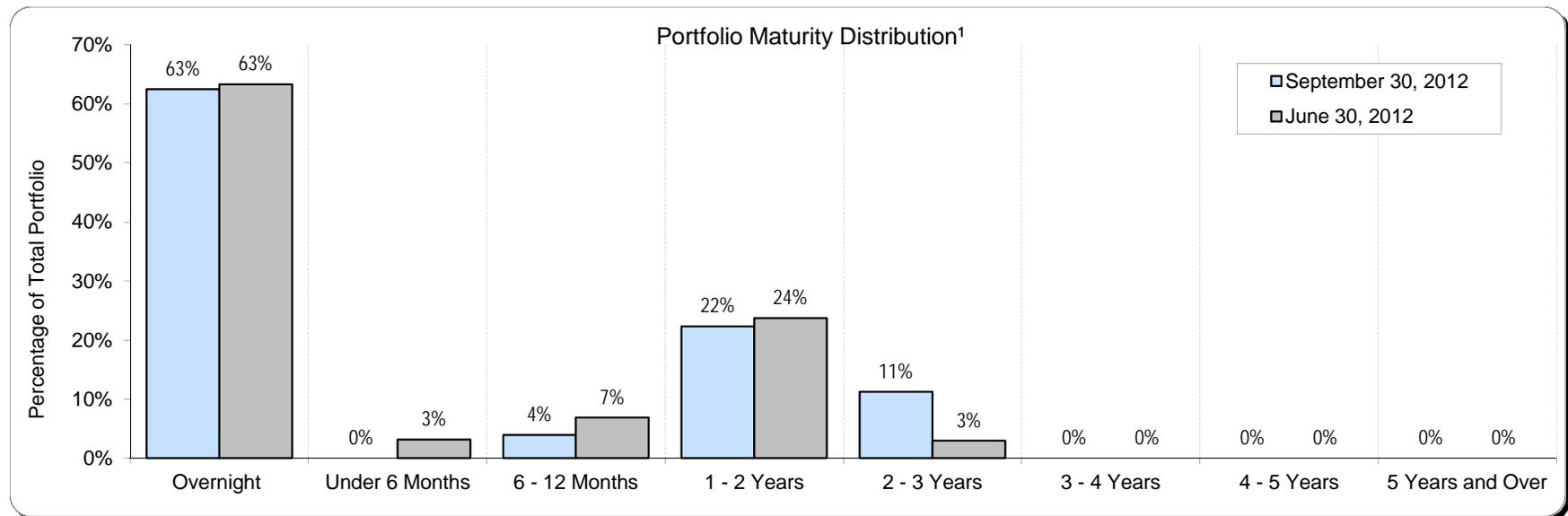


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP. Standard & Poor's is the source of the credit ratings.

Summary Portfolio Maturity Distribution

<u>Maturity Distribution</u> ¹	<u>September 30, 2012</u>	<u>June 30, 2012</u>
Overnight (Money Market Fund)	\$31,473,698.69	\$32,647,359.90
Under 6 Months	0.00	1,622,225.55
6 - 12 Months	1,971,083.66	3,534,642.61
1 - 2 Years	11,242,343.47	12,228,445.92
2 - 3 Years	5,657,918.19	1,507,376.90
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$50,345,044.01	\$51,540,050.88



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Summary Portfolio General Ledger Entries¹

Earnings Calculation		Market Value Basis	Source Document
7/31/2012			
July Market Value		47,064,718.69	1 Account Summary Page
July Accrued Interest		91,577.25	2 Account Summary Page
Less (Purchases & Deposits)		(455,725.71)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		4,860,169.10	5 Security Transactions & Interest
Add Interest Receipts		5,348.03	6 Security Transactions & Interest
Less June Market Value		(51,468,916.30)	7 Account Summary Page
Less June Accrued Interest		(71,134.58)	8 Account Summary Page
Earnings		26,036.48	

Change in Investment Market Value	(4,404,197.61)	(1 - 7)
Change in Accrued Interest	20,442.67	(2 - 8)
Change in Cash	4,409,791.42	(sum 3 thru 6)

Investment Entries		Debit	Credit	Source Document
<i>To Record Investment Activity</i>				
Cash		4,404,443.39		Security Transactions & Interest
Investments			4,404,197.61	Amortization/Accretion
Investment Income			245.78	Earnings
To record investment income/changes				
Cash		5,348.03		Security Transactions & Interest
Accrued Interest		20,442.67		Accrued Interest Difference
Investment Income			25,790.70	Earnings
To record interest income/changes				

Notes:

1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Summary Portfolio General Ledger Entries¹

Earnings Calculation		Market Value Basis	Source Document
8/31/2012			
August Market Value		45,346,588.32	1 Account Summary Page
August Accrued Interest		62,932.52	2 Account Summary Page
Less (Purchases & Deposits)		(4,708,419.06)	3 Security Transactions & Interest
Less Purchased Interest		(1,497.96)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		6,421,008.83	5 Security Transactions & Interest
Add Interest Receipts		56,017.42	6 Security Transactions & Interest
Less July Market Value		(47,068,179.22)	7 Account Summary Page
Less July Accrued Interest		(91,577.25)	8 Account Summary Page
Earnings		16,873.60	

Change in Investment Market Value	-1,721,590.90	(1 - 7)
Change in Accrued Interest	(28,644.73)	(2 - 8)
Change in Cash	1,767,109.23	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	1,712,589.77		Security Transactions & Interest
Investments		1,721,590.90	Amortization/Accretion
Investment Income	9,001.13		Earnings
To record investment income/changes			
Cash	54,519.46		Security Transactions & Interest
Accrued Interest		28,644.73	Accrued Interest Difference
Investment Income		25,874.73	Earnings
To record interest income/changes			

Notes:

1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Summary Portfolio General Ledger Entries¹

Earnings Calculation		Market Value Basis	Source Document
9/30/2012			
September Market Value		50,270,879.83	1 Account Summary Page
September Accrued Interest		70,744.04	2 Account Summary Page
Less (Purchases & Deposits)		(8,940,301.27)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		4,000,000.00	5 Security Transactions & Interest
Add Interest Receipts		19,045.14	6 Security Transactions & Interest
Less August Market Value		(45,349,666.61)	7 Account Summary Page
Less August Accrued Interest		(62,932.52)	8 Account Summary Page
Earnings		7,768.61	

Change in Investment Market Value	4,921,213.22	(1 - 7)
Change in Accrued Interest	7,811.52	(2 - 8)
Change in Cash	(4,921,256.13)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash		4,940,301.27	Security Transactions & Interest
Investments	4,921,213.22		Amortization/Accretion
Investment Income	19,088.05		Earnings
To record investment income/changes			
Cash	19,045.14		Security Transactions & Interest
Accrued Interest	7,811.52		Accrued Interest Difference
Investment Income		26,856.66	Earnings
To record interest income/changes			

Notes:

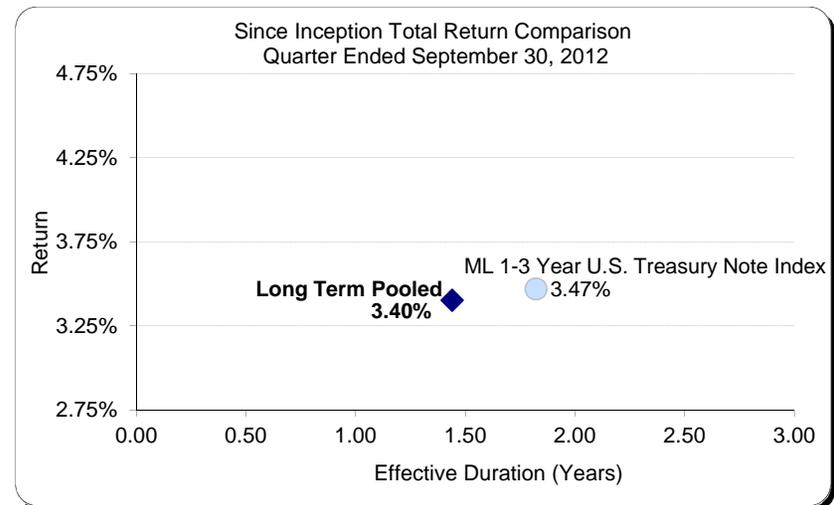
1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ^{1,2}	September 30, 2012	June 30, 2012
Market Value	\$18,871,345.32	\$18,892,690.98
Amortized Cost	\$18,781,485.52	\$18,800,582.69

Total Return ^{1,2,3,4,5,7,8}	Quarterly Return September 30, 2012	Year to Date	Last 12 Months	Last 24 Months	Since Inception 6/30/2006
Long Term Pooled Fund	0.22%	0.45%	0.55%	0.86%	3.40%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.26%	0.37%	0.56%	0.88%	3.47%

Effective Duration(Years)	September 30, 2012	June 30, 2012	Yields	September 30, 2012	June 30, 2012
Long Term Pooled Fund	1.44	1.30	Yield at Market	0.26%	0.29%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.82	1.83	Yield at Cost	0.67%	0.71%
Portfolio Duration % of Benchmark Duration	79%	71%			

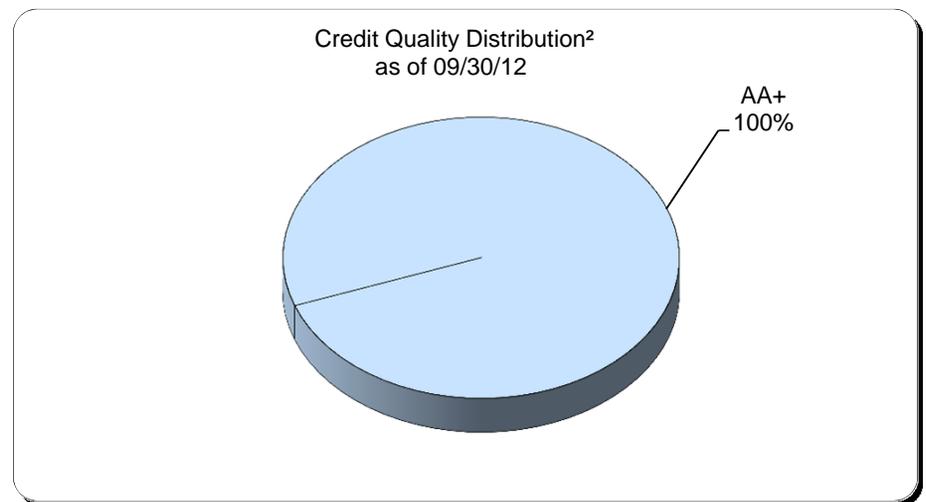
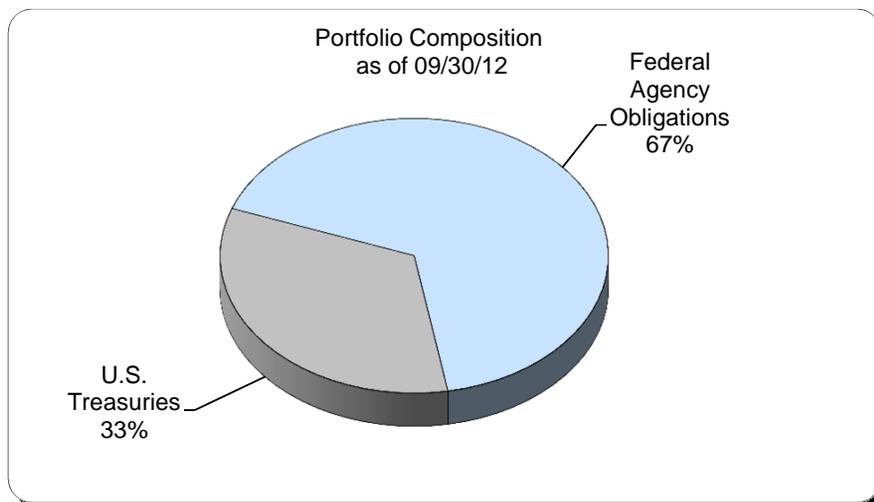


Notes:

1. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
2. End of quarter trade-date market values of portfolio holdings, including accrued interest.
3. Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
4. Merrill Lynch Indices provided by Bloomberg Financial Markets.
5. Quarterly returns are presented on an unannualized basis.
6. Excludes money market fund/cash in performance and duration computations.
7. Returns presented for 12 months or longer are presented on an annual basis.
8. Past performance is not indicative of future results.

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2012</u>	<u>% of Portfolio</u>	<u>June 30, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$6,295,550.05	33.4%	\$8,794,993.61	46.6%
Federal Agencies	12,575,795.27	66.6%	10,097,697.37	53.4%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$18,871,345.32	100.0%	\$18,892,690.98	100.0%

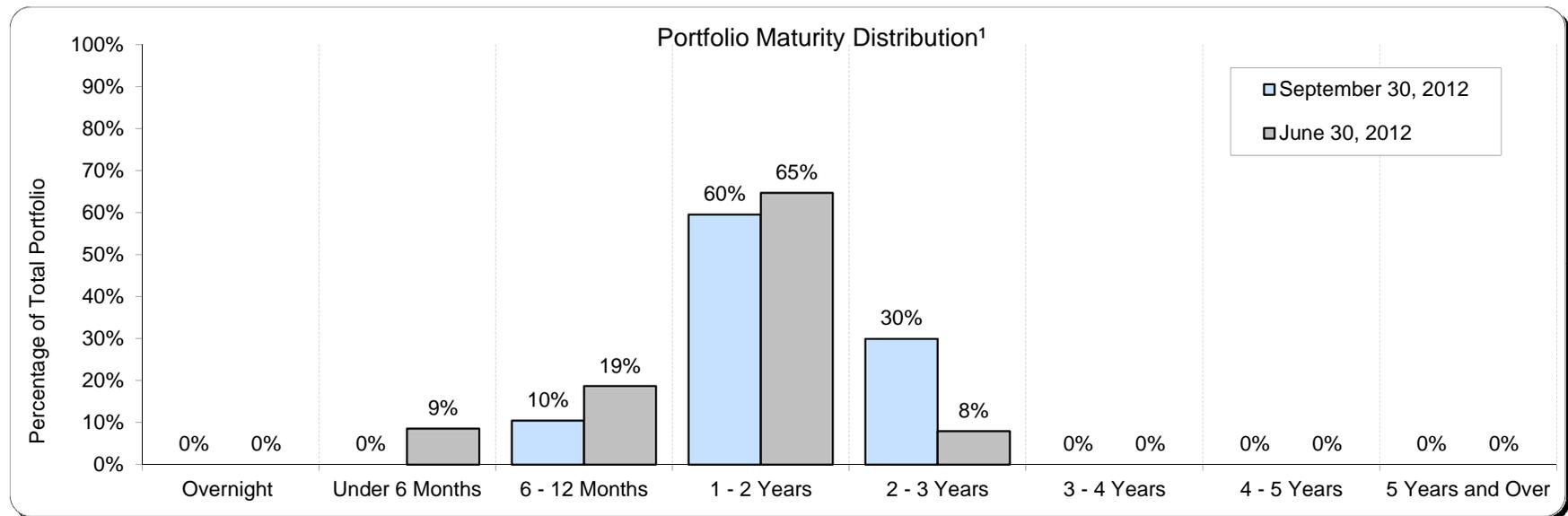


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP. Standard & Poor's is the source of the credit ratings.

Long Term Pooled Fund Portfolio Maturity Distribution

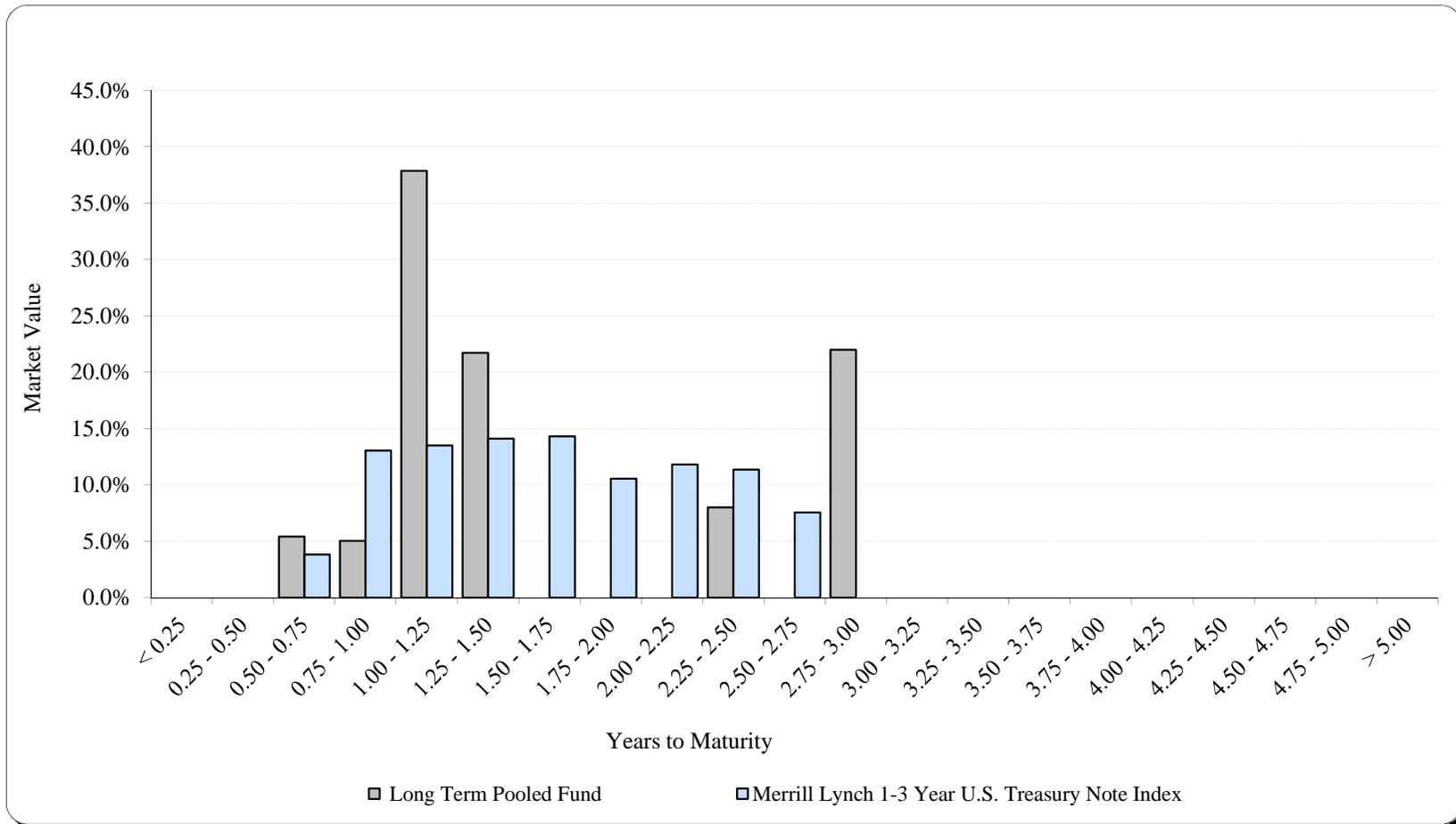
<u>Maturity Distribution¹</u>	<u>September 30, 2012</u>	<u>June 30, 2012</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	1,622,225.55
6 - 12 Months	1,971,083.66	3,534,642.61
1 - 2 Years	11,242,343.47	12,228,445.92
2 - 3 Years	5,657,918.19	1,507,376.90
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$18,871,345.32	\$18,892,690.98



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

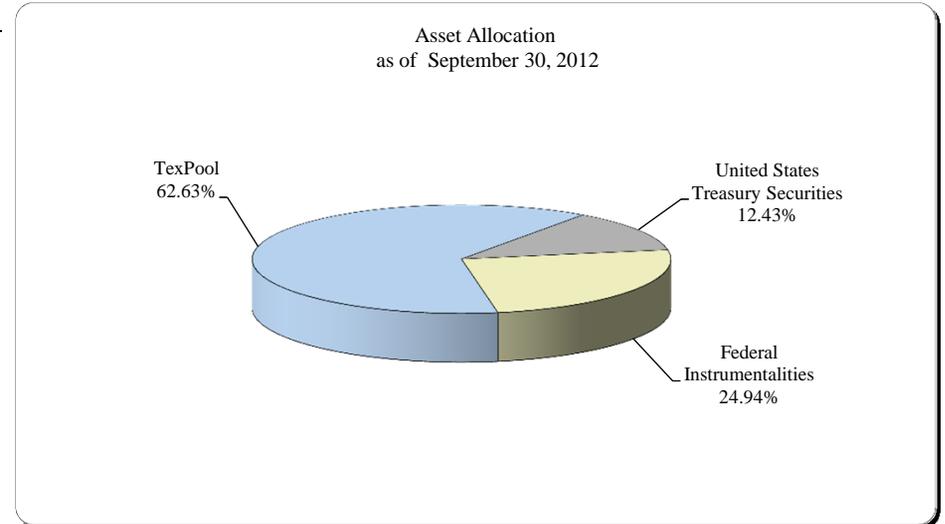
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark¹



Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

Security Type ²	September 30, 2012	Notes	Permitted by Policy
TexStar	0.00%		100%
TexPool	62.63%		100%
United States Treasury Securities	12.43%		100%
United States Government Agency Securities	0.00%		100%
Federal Instrumentalities	24.94%	1	100%
Mortgage-Backed Securities	0.00%	1	40%
Certificates of Deposit	0.00%		20%
Repurchase Agreements	0.00%		20%
Commercial Paper	0.00%		25%
Corporate Notes TLGP - FDIC insured	0.00%		50%
Bankers' Acceptances	0.00%		25%
State and/or Local Government Debt	0.00%		25%
Fixed Income Money Market Mutual Funds	0.00%		50%
Intergovernmental Investment Pool	0.00%		100%



Individual Issuer Breakdown	September 30, 2012	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		40%
US Export-Import Bank (Ex-Im)	0.00%		40%
Farmers Home Administration (FMHA)	0.00%		40%
Federal Financing Bank	0.00%		40%
Federal Housing Administration (FHA)	0.00%		40%
General Services Administration	0.00%		40%
New Communities Act Debentures	0.00%		40%
US Public Housing Notes & Bonds	0.00%		40%
US Dept. of Housing and Urban Development	0.00%		40%
Federal Farm Credit Bank (FFCB)	0.00%		40%
Federal Home Loan Bank (FHLB)	6.06%		40%
Federal National Mortgage Association (FNMA)	13.28%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	5.60%		40%

Individual Issuer Breakdown	September 30, 2012	Notes	Permitted by Policy
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Notes:

1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of September 30, 2012 is 24.94%.
2. End of month trade-date amortized cost of portfolio holdings, including accrued interest.

Investment Officer's Certification

This report is prepared for City of Rowlett (the "City") in accordance with Chapter 2256 of the 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 which covers the month ended September 30, 2012, is signed by the City's investment officers and includes the disclosures required in the PFIA.

The investment portfolio complied with the PFIA and the City's approved Investment Policy and Strategy throughout the month. All investment transactions made in the City's portfolio during this month were made on behalf of the City and were made in full compliance with the PFIA and the City's approved Investment Policy.

Brian Funderburk, Assistant City Manager

Director of Financial Services

TAB III

Insert Month End Statement here to complete the report.

Statements are available online at **www.pfm.com**
login and click on the link to “Monthly Statements”
on the left side of the screen.