

# City of Rowlett, Texas



## Investment Performance Review Quarter Ended June 30, 2015

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This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

# TAB I

**Summary**

- Throughout the quarter, improving U.S. economic conditions contrasted with global economic uncertainty, particularly the deteriorating negotiations between Greece and its international creditors, which came to a vital impasse at the end of the quarter.
- Market participants continued to weigh the impact that adverse global economic conditions would have on the interest rate setting policies of the Federal Open Market Committee (FOMC).

**Economic Snapshot**

- For the first quarter of 2015, gross domestic product (GDP) declined by 0.2%. While estimates initially reflected a larger decline, increases in consumer spending and inventories contributed to the upward revision.
- The U.S. labor market continued to improve, as the unemployment rate fell from 5.5% in March to 5.3% in June. While robust headline job creation continued, some of the underlying metrics related to employment—particularly wage growth—were weak.
- The housing market strengthened, as reflected by improvements in the pace of pending home sales, building permits, new-home sales, and housing starts.
- Greek-related tensions grew as the troubled nation missed a payment of 1.6 billion euros to the International Monetary Fund (IMF), and Greek voters overwhelmingly rejected austerity measures demanded by creditors as a condition for further financial assistance. These actions leave open the possibility that Greece would abandon the euro and even leave the eurozone.

**Interest Rates**

- The FOMC kept the federal funds target rate unchanged for the quarter. While the FOMC's statement left open the possibility of an interest rate increase in the latter half of 2015, this policy decision will depend on labor market conditions and inflation expectations.

- The timing for a potential interest rate hike became more uncertain at the end of the quarter due to the potential for the Greek debt crisis to affect the overall global economy.
- Treasury yields reacted differently across the curve. Yields for short maturities rose only modestly (two- and three-year Treasuries ended the quarter up 0.06% and 0.09%, respectively) while yields for intermediate and longer maturities had sizeable increases (five- and 10-year Treasuries ended the quarter higher by 0.24% and 0.40%, respectively).

**Sector Performance**

- Benchmark Treasury indices for shorter-maturity securities ended the quarter slightly positive, as more than sufficient income was generated to overcome the limited decrease in market value that resulted from the rise in yields. Longer maturities did not perform as well because they had significantly larger rate increases.
- Yield spreads for Federal Agency securities fluctuated within their historically low ranges for the quarter; as a result, the sector's performance was relatively flat when compared to Treasuries.
- Corporate securities underperformed government issues as yield spreads widened throughout the quarter; bonds with higher credit quality underperformed the most.
- Within the mortgage-backed securities (MBS) sector, structure and coupon were the major determinants of performance for the quarter. Higher-coupon structures were the strongest performers on both an absolute return and relative return basis (compared to similar-duration Treasuries).
- Asset-backed securities (ABS) were among the stronger-performing sectors, as their superior income and limited sensitivity to changes in interest rates fared well in what was a volatile market environment.

### Economic Snapshot

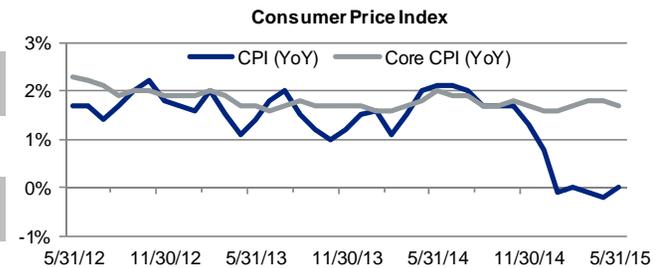
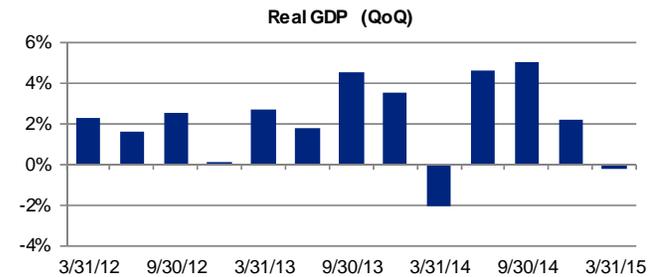
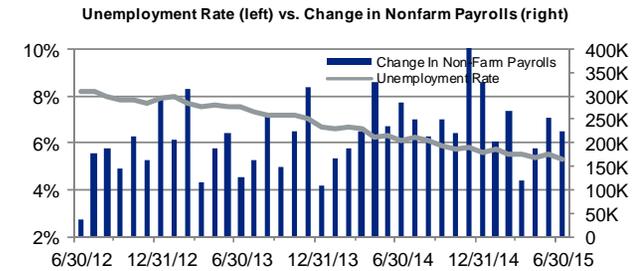
Labor Market		Latest	Mar 2015	Jun 2014
Unemployment Rate	Jun'15	5.3%	5.5%	6.1%
Change In Non-Farm Payrolls	Jun'15	223,000	119,000	286,000
Average Hourly Earnings (YoY)	Jun'15	2.0%	2.1%	2.0%
Personal Income (YoY)	May'15	4.4%	4.0%	3.7%
Initial Jobless Claims (week)	7/2/15	281,000	267,000	313,000

Growth				
Real GDP (QoQ SAAR)	2015Q1	-0.2%	2.2% <sup>1</sup>	-2.1% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2015Q1	2.1%	4.4% <sup>1</sup>	1.2% <sup>2</sup>
Retail Sales (YoY)	May'15	2.7%	2.1%	4.3%
ISM Manufacturing Survey (month)	Jun'15	53.5	51.5	55.7
Existing Home Sales SAAR (month)	May'15	5.35 mil.	5.21 mil.	5.01 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	May'15	0.2%	0.3%	1.6%
Consumer Price Index (YoY)	May'15	0.0%	-0.1%	2.1%
Consumer Price Index Core (YoY)	May'15	1.7%	1.8%	1.9%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$59.47	\$47.60	\$105.37
Gold Futures (oz.)	Jun 30	\$1,172	\$1,183	\$1,322



Source: Bloomberg

1. Data as of Fourth Quarter 2014

2. Data as of First Quarter 2014

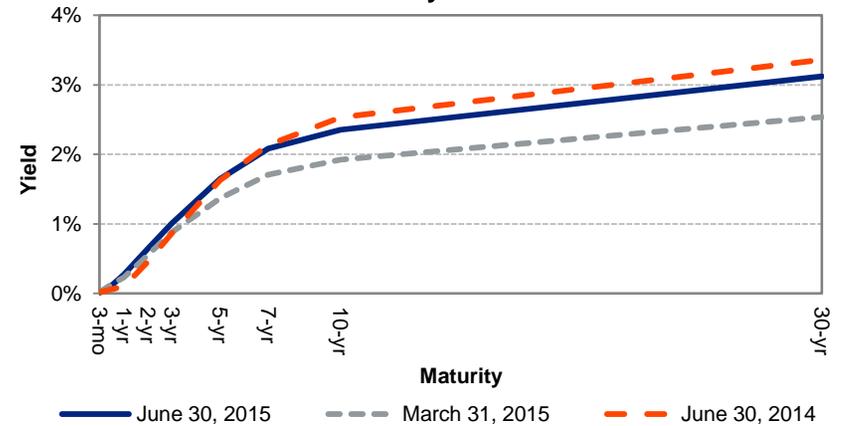
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

### Investment Rate Overview

U.S. Treasury Note Yields



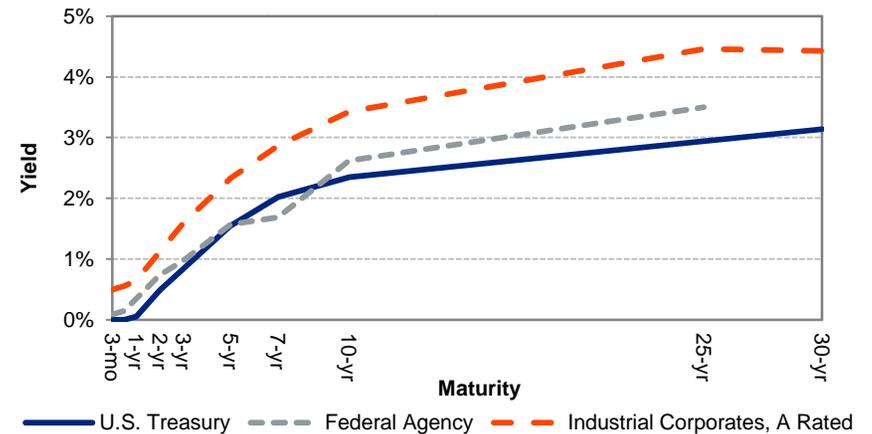
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	6/30/15	3/31/15	Change over Quarter	6/30/14	Change over Year
3-month	0.01%	0.02%	(0.01%)	0.02%	(0.01%)
1-year	0.27%	0.23%	0.04%	0.10%	0.17%
2-year	0.65%	0.56%	0.09%	0.46%	0.19%
5-year	1.65%	1.37%	0.28%	1.63%	0.02%
10-year	2.35%	1.92%	0.43%	2.53%	(0.18%)
30-year	3.12%	2.54%	0.58%	3.36%	(0.24%)

Yield Curves as of 6/30/2015



Source: Bloomberg

## BofA Merrill Lynch Index Returns

	As of 6/30/2015		Returns for Periods ended 6/30/2015		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.87	0.63%	0.15%	0.88%	0.66%
Federal Agency	1.74	0.76%	0.16%	0.99%	0.73%
U.S. Corporates, A-AAA rated	2.05	1.45%	0.08%	1.02%	1.76%
Agency MBS (0 to 3 years)	1.93	1.53%	(0.07%)	0.62%	0.96%
Municipals	1.79	0.86%	0.01%	0.40%	0.80%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.70	0.93%	0.02%	1.38%	0.83%
Federal Agency	2.18	0.96%	0.09%	1.31%	0.94%
U.S. Corporates, A-AAA rated	2.81	1.80%	(0.13%)	1.45%	2.36%
Agency MBS (0 to 5 years)	3.34	2.10%	(0.46%)	1.58%	1.68%
Municipals	2.54	1.13%	(0.01%)	0.62%	1.13%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.04	1.56%	(1.84%)	2.59%	0.94%
Federal Agency	3.71	1.41%	(0.66%)	2.11%	1.28%
U.S. Corporates, A-AAA rated	6.68	2.89%	(2.59%)	1.75%	3.04%
Agency MBS (0 to 30 years)	4.65	2.60%	(0.79%)	2.16%	1.87%
Municipals	6.93	2.63%	(0.97%)	3.10%	3.21%

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Indices

**Disclosures**

The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC (PFMAM) at the time of distribution and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFMAM cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

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# TAB II

## Executive Summary

### PORTFOLIO STRATEGY

- The City's Pooled Funds and Long Term Pooled Fund Portfolios are of high credit quality and invested in TexPool, U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- The Long Term Pooled Fund Portfolio's quarterly total return performance of 0.18%, outperformed the benchmark's performance of 0.15% by 0.03%. Over the past year, the Portfolio earned 0.82%, versus 0.88% for the benchmark.
- The Pooled Funds Portfolio continues to provide the City with favorable yield relative to the benchmark. At quarter end, the portfolio had a Yield to Maturity at Cost of 0.37%, exceeding the Yield of its benchmark the TexPool by 31 basis points (0.31%).
- We expect U.S. economic conditions to rebound from the first quarter 2015 contraction. Rising consumer confidence, growth in personal spending and a stronger housing sector should contribute to improved economic conditions.
- Improving employment statistics in the U.S. suggest that an increase in the benchmark Federal Funds rate may be appropriate soon. However, stubbornly low inflation remains a concern for the Federal Reserve policy makers. Market participants still expect the FOMC to initiate at least one rate hike in 2015, but the pace of subsequent increases is likely to be gradual.
- It is likely that developments in Greece will continue to cause market volatility as investors weigh the impact of possible outcomes on global economic conditions.
- Recovering U.S. economic conditions, heightened geopolitical uncertainty, and expectations that the FOMC will tighten monetary policy slowly should keep rates in their current ranges in the coming months, with a modest bias towards slightly higher levels. Based on this expectation, we will maintain the portfolio's duration near the duration of the benchmark's duration.
- Our strategy will be to focus on identifying relative value from among the full range of investment options. We will pay careful attention to sector allocation, yield curve placement, credit market dynamics, and individual security selection. These factors will likely be key drivers of performance in an uncertain rate environment.
- PFM will continue to navigate the market environment with a keen focus on relative value sector analysis, prudent duration management, and efficient yield curve placement. While producing strong investment returns remains a priority, it is secondary to maintaining safety and liquidity, particularly in the current environment where we expect yields to trend higher.

Summary Portfolio Statistics

<u>Amortized Cost and Market Value</u> <u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup></u> <u>June 30, 2015</u>	<u>Amortized Cost<sup>1,2,3</sup></u> <u>March 31, 2015</u>	<u>Market Value<sup>1,2,3</sup></u> <u>June 30, 2015</u>	<u>Market Value<sup>1,2,3</sup></u> <u>March 31, 2015</u>	<u>Duration (Years)</u> <u>June 30, 2015</u>
Pooled Funds	\$3,495,138.00	\$3,497,850.59	\$3,495,195.90	\$3,498,560.40	0.360
Long Term Pooled Fund	13,607,581.86	13,629,614.74	13,646,761.76	13,676,145.24	1.670
TexPool	13,389,906.14	15,400,710.76	13,389,906.14	15,400,710.76	0.003
<b>Total</b>	<b>\$30,492,626.00</b>	<b>\$32,528,176.09</b>	<b>\$30,531,863.80</b>	<b>\$32,575,416.40</b>	<b>0.789</b>

<u>Yields</u> <u>Account Name</u>	<u>Yield to Maturity</u> <u>at Cost<sup>4</sup></u> <u>June 30, 2015</u>	<u>Yield to Maturity</u> <u>at Cost<sup>4</sup></u> <u>March 31, 2015</u>	<u>Yield to Maturity</u> <u>at Market</u> <u>June 30, 2015</u>	<u>Yield to Maturity</u> <u>at Market</u> <u>March 31, 2015</u>	<u>Duration (Years)</u> <u>March 31, 2015</u>
Pooled Funds	0.37%	0.27%	0.29%	0.17%	0.220
Long Term Pooled Fund	0.78%	0.67%	0.58%	0.45%	1.420
TexPool <sup>5</sup>	0.06%	0.05%	0.06%	0.05%	0.003
<b>Weighted Average YTM</b>	<b>0.42%</b>	<b>0.33%</b>	<b>0.32%</b>	<b>0.23%</b>	<b>0.621</b>

Monthly Interest earnings YTD<sup>6,7</sup>

October 2014	\$36,599.01	April 2015	\$6,275.16
November 2014	\$19,783.63	May 2015	\$4,971.75
December 2014	(\$28,907.00)	June 2015	\$13,759.35
January 2015	\$52,987.54	July 2015	
February 2015	(\$18,481.25)	August 2015	
March 2015	\$19,376.19	September 2015	

**Total Fiscal Year Net Earnings** \$106,364.38

Notes:

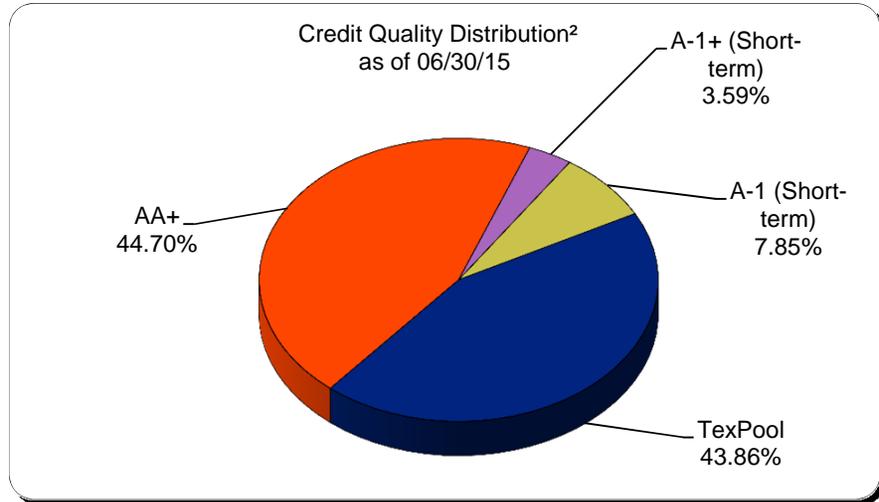
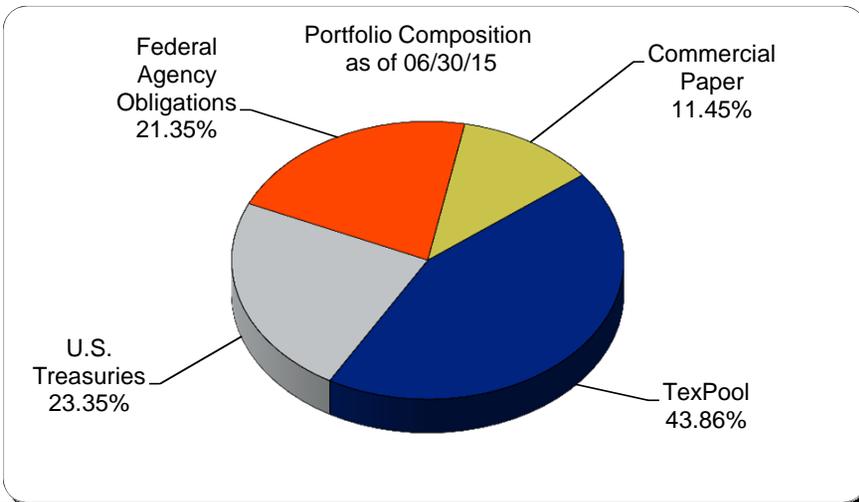
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					3/31/2015	3/31/2015	3/31/2015	6/30/2015	6/30/2015	6/30/2015	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	\$15,400,710.76	\$15,400,710.76	\$0.00	\$13,389,906.14	\$13,389,906.14	-13.06%
					\$0.00	\$15,400,710.76	\$15,400,710.76	\$0.00	\$13,389,906.14	\$13,389,906.14	-13.06%
<b>TOTAL</b>					<b>\$0.00</b>	<b>\$15,400,710.76</b>	<b>\$15,400,710.76</b>	<b>\$0.00</b>	<b>\$13,389,906.14</b>	<b>\$13,389,906.14</b>	<b>-13.06%</b>
<b>POOLED FUNDS</b>											
<b>COMMERCIAL PAPER</b>											
89233HT12	TOYOTA MOTOR CREDIT CORP COMM	\$1,200,000	0.000	06/01/15	\$0.00	\$1,199,532.34	\$1,199,802.00	\$0.00	\$0.00	\$0.00	0.00%
90262DT13	UBS FINANCE DELAWARE LLC COMM PAPER	1,000,000	0.000	06/01/15	0.00	999,593.33	999,671.00	0.00	0.00	0.00	0.00%
46640QUH2	JP MORGAN SECURITIES LLC COMM PAPER	1,300,000	0.000	07/17/15	0.00	1,298,724.92	1,299,087.40	0.00	1,299,809.33	1,299,911.60	0.06%
06538CZ46	BANK OF TOKYO MITSUBISHI COMM PAPER	1,100,000	0.000	12/04/15	0.00	0.00	0.00	0.00	1,098,188.67	1,098,325.80	0.00%
89233GBS4	TOYOTA MOTOR CREDIT CORP COMM PAPER	1,100,000	0.000	02/26/16	0.00	0.00	0.00	0.00	1,097,140.00	1,096,958.50	0.00%
		\$5,700,000			\$0.00	\$3,497,850.59	\$3,498,560.40	\$0.00	\$3,495,138.00	\$3,495,195.90	-0.10%
<b>TOTAL</b>		<b>\$5,700,000</b>			<b>\$0.00</b>	<b>\$3,497,850.59</b>	<b>\$3,498,560.40</b>	<b>\$0.00</b>	<b>\$3,495,138.00</b>	<b>\$3,495,195.90</b>	<b>-0.096%</b>
<b>LONG TERM POOLED FUND</b>											
<b>FED AGY BOND/NOTE</b>											
3135G0VA8	FANNIE MAE GLOBAL NOTES	\$1,000,000	0.500	03/30/16	\$13.89	\$1,000,952.14	\$1,001,776.00	\$0.00	\$0.00	\$0.00	0.00%
3135G0VA8	FANNIE MAE GLOBAL NOTES	2,000,000	0.500	03/30/16	27.78	1,999,474.56	2,003,552.00	0.00	0.00	0.00	0.00%
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NOTES	2,000,000	0.375	06/24/16	2,020.83	1,995,219.34	1,998,898.00	145.83	1,996,187.44	1,999,864.00	0.05%
3137EADS5	FHLMC NOTES	2,000,000	0.875	10/14/16	8,118.06	2,001,847.38	2,011,206.00	3,743.06	2,001,548.06	2,011,208.00	0.00%
3137EADU0	FHLMC REFERENCE NOTE	2,500,000	0.500	01/27/17	0.00	0.00	0.00	5,729.17	2,495,569.30	2,497,065.00	0.00%
		\$9,500,000			\$14,013.89	\$8,996,768.34	\$9,017,970.00	\$9,618.06	\$6,493,304.80	\$6,508,137.00	-27.83%
<b>US TSY BOND/NOTE</b>											
912828RU6	US TREASURY NOTES	\$1,500,000	0.875	11/30/2016	\$4,399.04	\$1,503,007.56	\$1,510,195.50	\$1,111.68	\$1,502,559.24	\$1,508,788.50	-0.09%
912828SC5	US TREASURY NOTES	1,595,000	0.875	1/31/2017	\$2,313.19	1,596,100.02	1,605,466.39	5,821.53	1,595,950.29	1,603,847.47	-0.10%
912828WP1	US TREASURY NOTES	1,510,000	0.875	6/15/2017	3,883.89	1,509,128.81	1,517,903.34	577.60	1,509,226.52	1,516,841.81	-0.07%
912828UU2	US TREASURY NOTES	2,500,000	0.750	3/31/2018	0.00	0.00	0.00	4,713.11	2,484,699.03	2,487,305.00	0.00%
		\$3,095,000			\$10,596.12	\$4,608,236.39	\$4,633,565.23	\$12,223.92	\$7,092,435.08	\$7,116,782.78	53.59%
<b>TOTAL</b>		<b>\$12,595,000</b>			<b>\$24,610.01</b>	<b>\$13,605,004.73</b>	<b>\$13,651,535.23</b>	<b>\$21,841.98</b>	<b>\$13,585,739.88</b>	<b>\$13,624,919.78</b>	<b>-0.195%</b>
<b>TOTAL PORTFOLIO</b>		<b>\$18,295,000</b>			<b>\$24,610.01</b>	<b>\$32,503,566.08</b>	<b>\$32,550,806.39</b>	<b>\$21,841.98</b>	<b>\$30,470,784.02</b>	<b>\$30,510,021.82</b>	<b>-6.27%</b>

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>June 30, 2015</u>	<u>% of Portfolio</u>	<u>March 31, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$7,129,006.70	23.3%	\$4,644,161.35	4.4%
Federal Agencies	6,517,755.06	21.3%	9,031,983.89	49.1%
Commercial Paper	3,495,195.90	11.4%	3,498,560.40	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	13,389,906.14	43.9%	15,400,710.76	46.5%
<b>Totals</b>	<b>\$30,531,863.80</b>	<b>100.0%</b>	<b>\$32,575,416.40</b>	<b>100.0%</b>

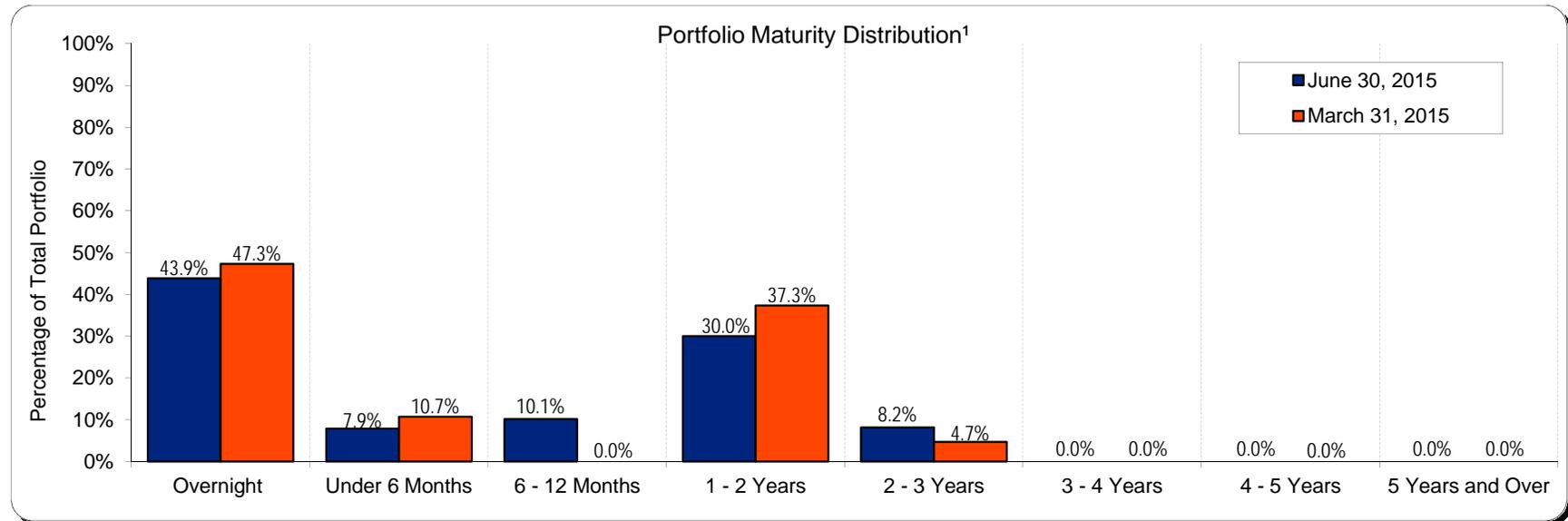


Notes:

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<sup>1</sup></u>	<u>June 30, 2015</u>	<u>March 31, 2015</u>
Overnight (Money Market Fund)	\$13,389,906.14	\$15,400,710.76
Under 6 Months	2,398,237.40	3,498,560.40
6 - 12 Months	3,096,968.33	0.00
1 - 2 Years	9,154,733.82	12,154,358.01
2 - 3 Years	2,492,018.11	1,521,787.23
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$30,531,863.80</b>	<b>\$32,575,416.40</b>



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 Entries<sup>1</sup>

<b>Earnings Calculation</b>		<b>Market Value Basis</b>	<b>Source Document</b>
<b>4/30/2015</b>			
April Market Value		32,975,232.05	1 Account Summary Page
April Accrued Interest		23,353.96	2 Account Summary Page
Less (Purchases & Deposits)		(425,194.09)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		-	5 Security Transactions & Interest
Add Interest Receipts		9,425.78	6 Security Transactions & Interest
Less March Market Value		(32,550,806.39)	7 Account Summary Page
Less March Accrued Interest		(24,610.01)	8 Account Summary Page
<b>Earnings</b>		<b>7,401.30</b>	

<b>Change in Investment Market Value</b>	<b>424,425.66</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>(1,256.05)</b>	(2 - 8)
<b>Change in Cash</b>	<b>(415,768.31)</b>	(sum 3 thru 6)

<b>Investment Entries</b>			
<i>To Record Investment Activity</i>	<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
Cash		425,194.09	Security Transactions & Interest
Investments	424,425.66		Amortization/Accretion
Investment Income	768.43		Earnings
To record investment income/changes			
Cash	9,425.78		Security Transactions & Interest
Accrued Interest		1,256.05	Accrued Interest Difference
Investment Income		8,169.73	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 Entries<sup>1</sup>

<b>Earnings Calculation</b>		
<b>5/31/2015</b>	<b>Market Value Basis</b>	<b>Source Document</b>
May Market Value	33,570,700.98	1 Account Summary Page
May Accrued Interest	19,396.08	2 Account Summary Page
Less (Purchases & Deposits)	(597,027.25)	3 Security Transactions & Interest
Less Purchased Interest	-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	-	5 Security Transactions & Interest
Add Interest Receipts	12,327.50	6 Security Transactions & Interest
Less April Market Value	(32,975,907.83)	7 Account Summary Page
Less April Accrued Interest	(23,353.96)	8 Account Summary Page
<b>Earnings</b>	<b>6,135.52</b>	

<b>Change in Investment Market Value</b>	<b>594,793.15</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>(3,957.88)</b>	(2 - 8)
<b>Change in Cash</b>	<b>(584,699.75)</b>	(sum 3 thru 6)

<b>Investment Entries</b>			
<i>To Record Investment Activity</i>	<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
Cash		597,027.25	Security Transactions & Interest
Investments	594,793.15		Amortization/Accretion
Investment Income	2,234.10		Earnings
To record investment income/changes			
Cash	12,327.50		Security Transactions & Interest
Accrued Interest		3,957.88	Accrued Interest Difference
Investment Income		8,369.62	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 Entries<sup>1</sup>

<b>Earnings Calculation</b>		
<b>6/30/2015</b>	<b>Market Value Basis</b>	<b>Source Document</b>
June Market Value	30,509,321.30	1 Account Summary Page
June Accrued Interest	21,841.98	2 Account Summary Page
Less (Purchases & Deposits)	(7,639,153.50)	3 Security Transactions & Interest
Less Purchased Interest	(8,035.63)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	10,707,520.00	5 Security Transactions & Interest
Add Interest Receipts	14,237.33	6 Security Transactions & Interest
Less May Market Value	(33,571,465.98)	7 Account Summary Page
Less May Accrued Interest	(19,396.08)	8 Account Summary Page
<b>Earnings</b>	<b>14,869.42</b>	

<b>Change in Investment Market Value</b>	<b>(3,062,144.68)</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>2,445.90</b>	(2 - 8)
<b>Change in Cash</b>	<b>3,074,568.20</b>	(sum 3 thru 6)

<b>Investment Entries</b>			
<i>To Record Investment Activity</i>	<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
Cash	3,068,366.50		Security Transactions & Interest
Investments		3,062,144.68	Amortization/Accretion
Investment Income		6,221.82	Earnings
To record investment income/changes			
Cash	6,201.70		Security Transactions & Interest
Accrued Interest	2,445.90		Accrued Interest Difference
Investment Income		8,647.60	Earnings
To record interest income/changes			

Notes:

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

Pooled Funds Portfolio Statistics

<u>Account Name</u>	<b>Amortized Cost<sup>1,2,3</sup> June 30, 2015</b>	Amortized Cost <sup>1,2,3</sup> March 31, 2015	<b>Market Value<sup>1,2,3</sup> June 30, 2015</b>	Market Value <sup>1,2,3</sup> March 31, 2015	<b>Duration (Years) June 30, 2015</b>
Pooled Funds	<b>\$3,495,138.00</b>	\$3,497,850.59	<b>\$3,495,195.90</b>	\$3,498,560.40	<b>0.36</b>

<u>Account Name</u>	<b>Yield to Maturity at Cost<sup>4</sup> June 30, 2015</b>	Yield to Maturity at Cost <sup>4</sup> March 31, 2015	<b>Yield to Maturity at Market June 30, 2015</b>	Yield to Maturity at Market March 31, 2015	Duration (Years) March 31, 2015
Pooled Funds	<b>0.37%</b>	0.27%	<b>0.29%</b>	0.17%	0.22

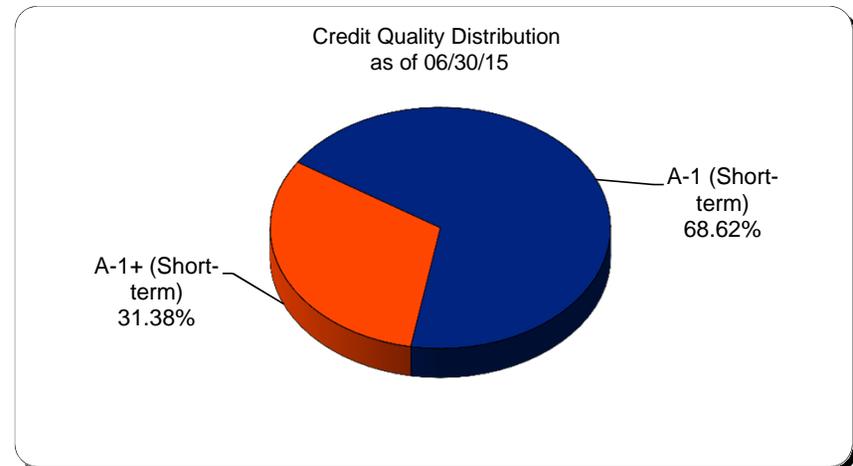
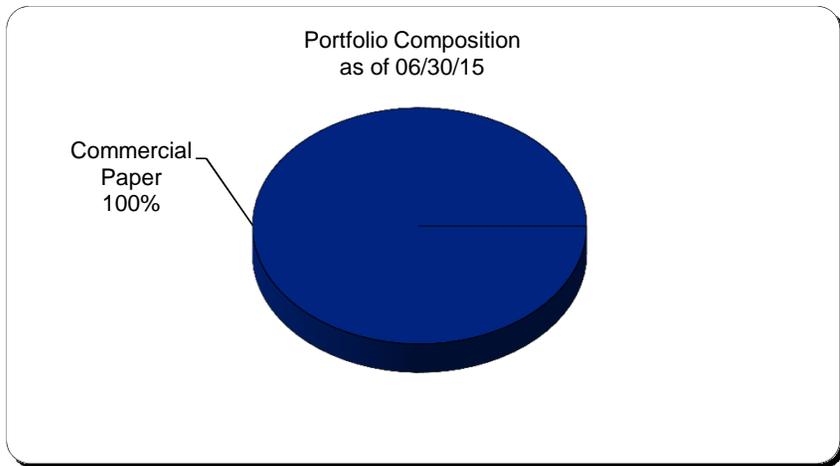
<u>Benchmarks<sup>5</sup></u>	<b>June 30, 2015</b>	March 31, 2015
TexPool <sup>6</sup>	<b>0.06%</b>	0.05%

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. Yields presented on an annualized basis as of June 30, 2015.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>June 30, 2015</u>	<u>% of Portfolio</u>	<u>March 31, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.00%	\$0.00	0.00%
Federal Agencies	0.00	0.00%	0.00	0.00%
Commercial Paper	3,495,195.90	100.00%	3,498,560.40	100.00%
Commercial Paper - TLGP	0.00	0.00%	0.00	0.00%
Certificates of Deposit	0.00	0.00%	0.00	0.00%
Bankers Acceptances	0.00	0.00%	0.00	0.00%
Repurchase Agreements	0.00	0.00%	0.00	0.00%
Municipal Obligations	0.00	0.00%	0.00	0.00%
Corporate Notes/Bonds	0.00	0.00%	0.00	0.00%
Mortgage Backed	0.00	0.00%	0.00	0.00%
Money Market Fund/Cash	0.00	0.00%	0.00	0.00%
<b>Totals</b>	<b>\$3,495,195.90</b>	<b>100.00%</b>	<b>\$3,498,560.40</b>	<b>100.00%</b>

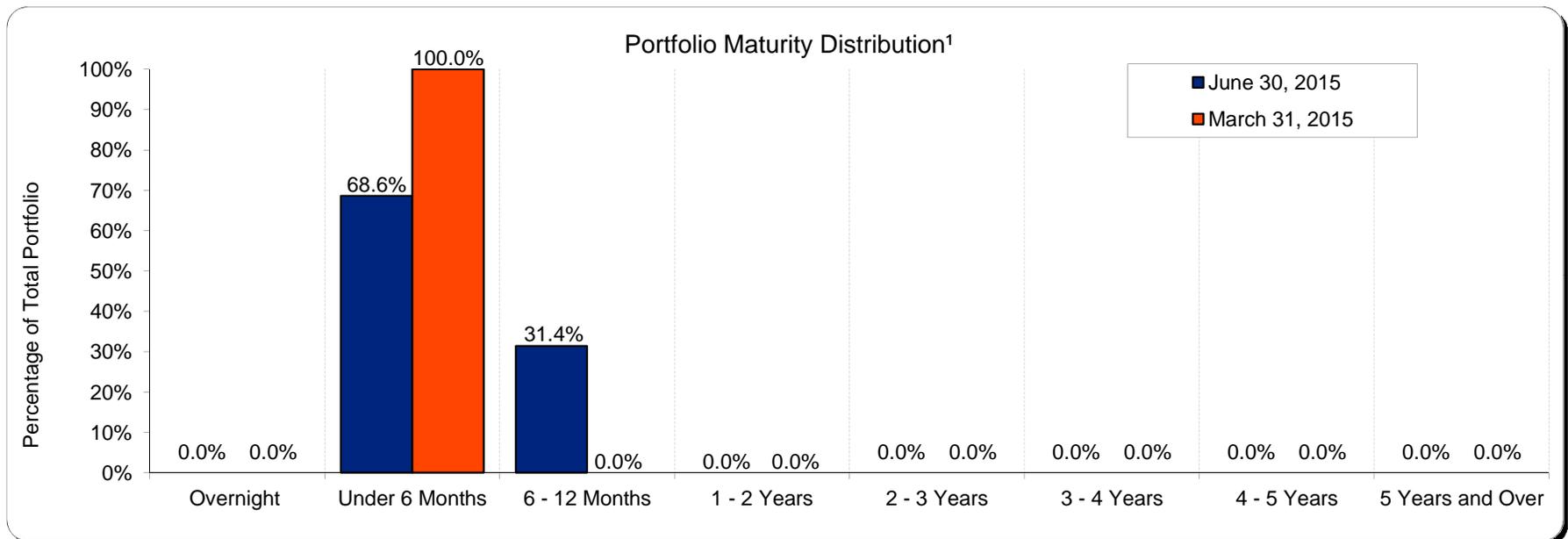


Notes:

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.

Pooled Funds Portfolio Maturity Distribution

<u>Maturity Distribution<sup>1</sup></u>	<u>June 30, 2015</u>	<u>March 31, 2015</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	2,398,237.40	3,498,560.40
6 - 12 Months	1,096,958.50	0.00
1 - 2 Years	0.00	0.00
2 - 3 Years	0.00	0.00
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$3,495,195.90</b>	<b>\$3,498,560.40</b>



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 Performance

<b>Total Portfolio Value<sup>1</sup></b>	<b>June 30, 2015</b>	March 31, 2015
<b>Market Value</b>	<b>\$13,646,761.76</b>	\$13,676,145.24
<b>Amortized Cost</b>	<b>\$13,607,581.86</b>	\$13,629,614.74

<b>Total Return<sup>2,3,4,5</sup></b>	Quarterly Return June 30, 2015	Last 12 Months	Last 2 Years	Last 5 Years	Last 7 Years	Since Inception June 30, 2006
<b>Long Term Pooled Fund</b>	<b>0.18%</b>	<b>0.82%</b>	<b>0.83%</b>	<b>0.78%</b>	<b>1.58%</b>	<b>2.54%</b>
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.15%	<b>0.88%</b>	<b>0.82%</b>	0.82%	1.59%	2.59%

<b>Effective Duration(Years)<sup>4,5</sup></b>	June 30, 2015	March 31, 2015	<b>Yields</b>	June 30, 2015	March 31, 2015
<b>Long Term Pooled Fund</b>	<b>1.67</b>	<b>1.43</b>	Yield at Market	<b>0.58%</b>	0.45%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.80	1.79	Yield at Cost	<b>0.78%</b>	0.67%
Portfolio Duration % of Benchmark Duration	93%	80%			

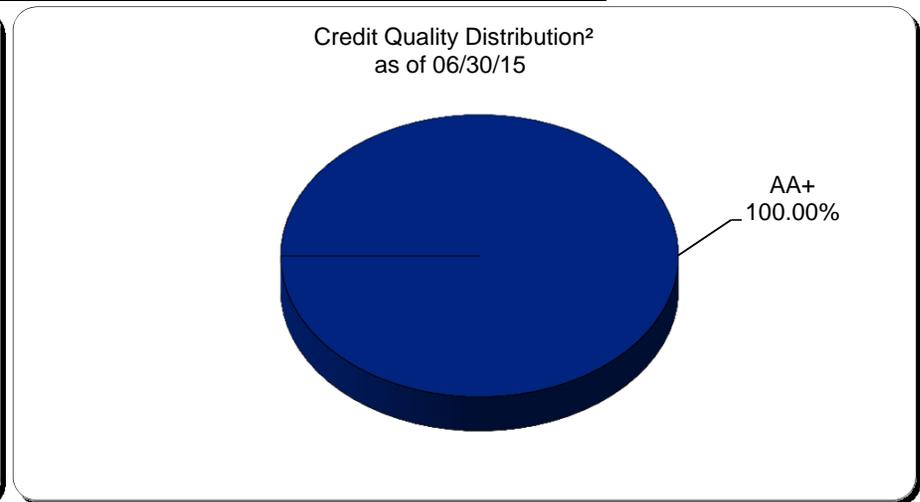
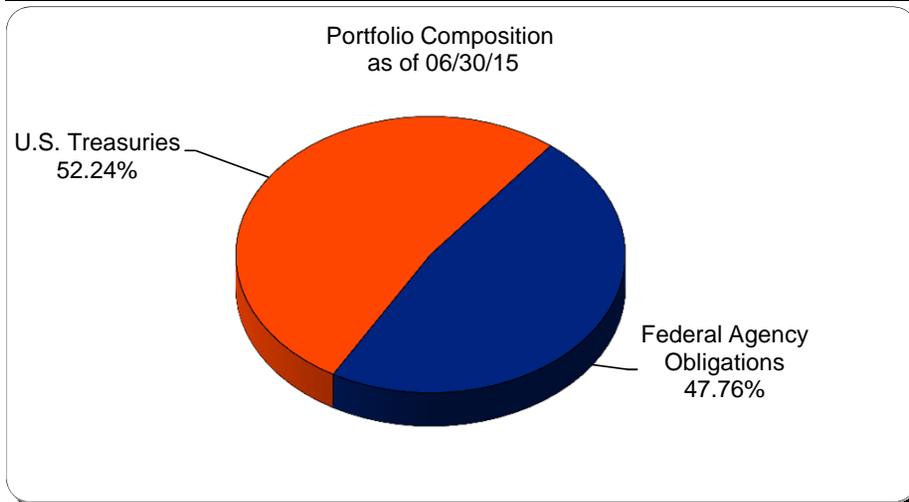


Notes:

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

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>June 30, 2015</u>	<u>% of Portfolio</u>	<u>March 31, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$7,129,006.70	52.2%	\$4,644,161.35	34.0%
Federal Agencies	6,517,755.06	47.8%	9,031,983.89	66.0%
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%
<b>Totals</b>	<b>\$13,646,761.76</b>	<b>100.0%</b>	<b>\$13,676,145.24</b>	<b>100.0%</b>

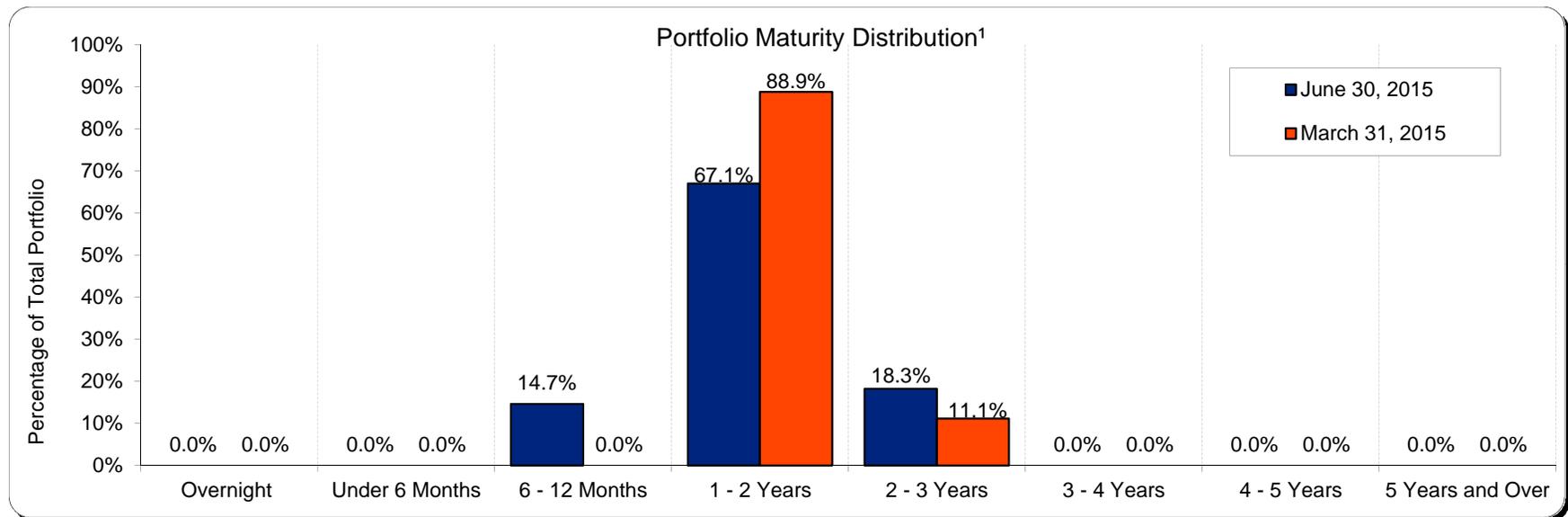


Notes:

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

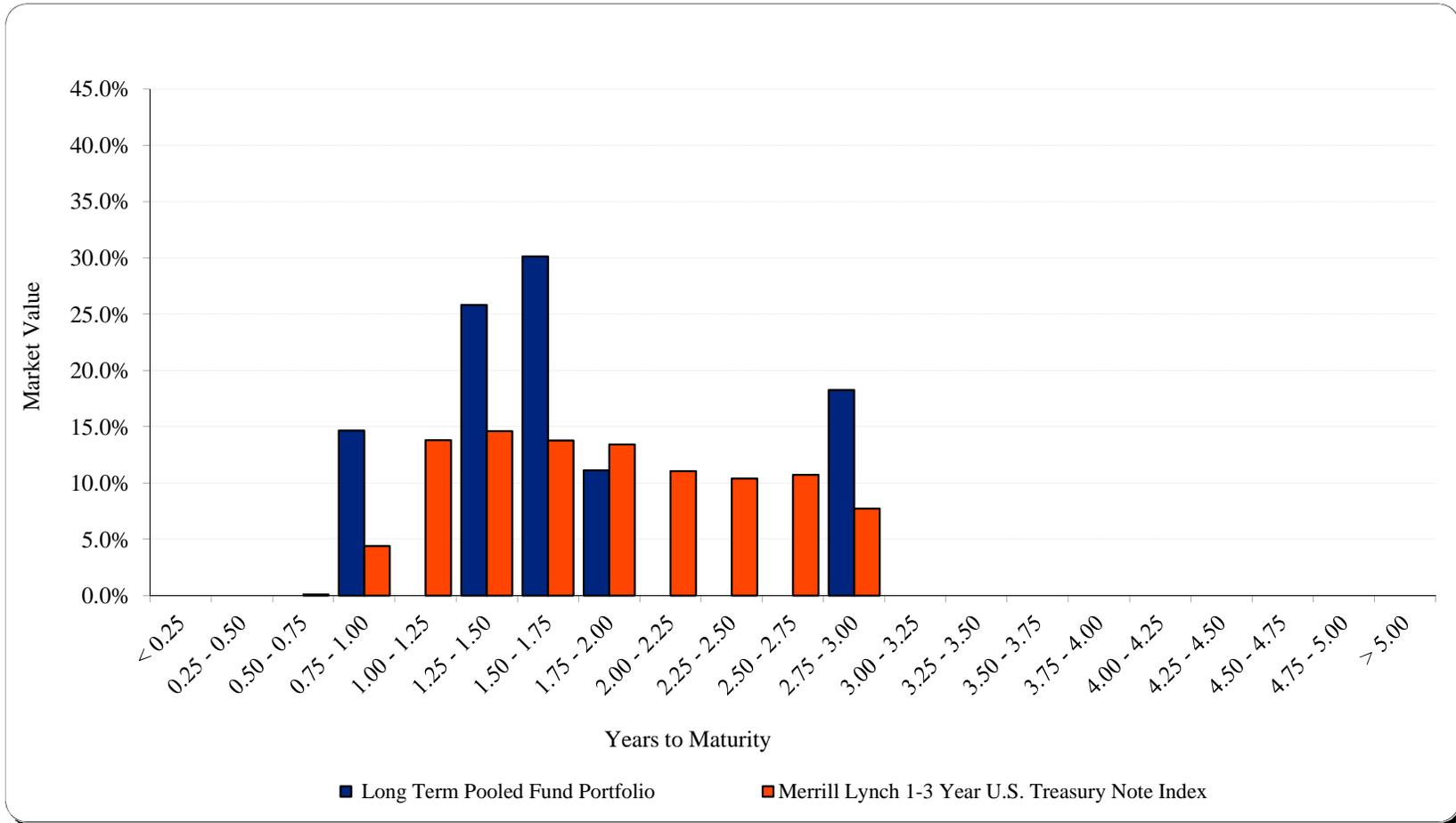
<u>Maturity Distribution<sup>1</sup></u>	<u>June 30, 2015</u>	<u>March 31, 2015</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	2,000,009.83	0.00
1 - 2 Years	9,154,733.82	12,154,358.01
2 - 3 Years	2,492,018.11	1,521,787.23
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$13,646,761.76</b>	<b>\$13,676,145.24</b>



Notes:

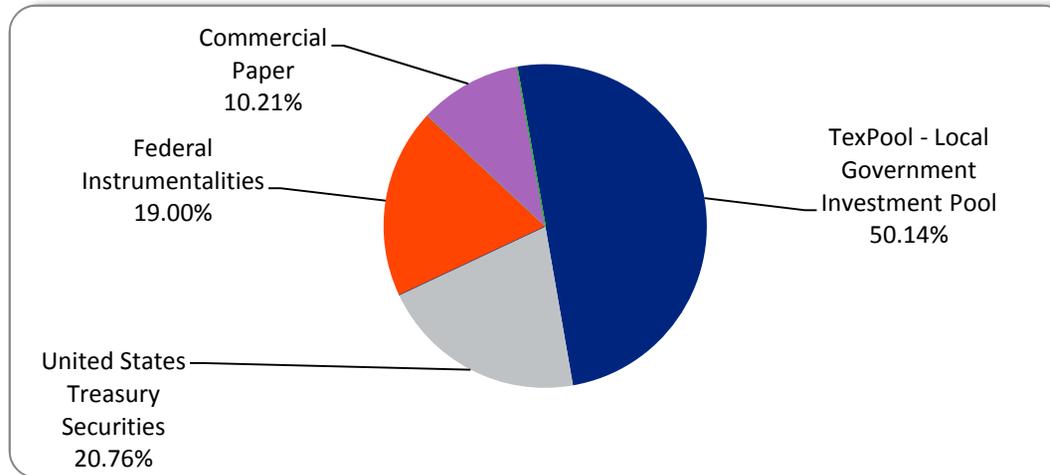
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark<sup>1</sup>



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 <sup>1</sup>	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
TexStar - Local Government Investment Pool	-	0.00%		100%	YES
TexPool - Local Government Investment Pool	17,120,115.68	50.03%		100%	YES
United States Treasury Securities	7,104,659.00	20.76%		100%	YES
United States Government Agency Securities	-	0.00%		100%	YES
Federal Instrumentalities	6,502,922.86	19.00%	2	100%	YES
Mortgage-Backed Securities	-	0.00%	2,3	20%	YES
Certificates of Deposit	-	0.00%		20%	YES
Repurchase Agreements	-	0.00%		20%	YES
Commercial Paper	3,495,138.00	10.21%		25%	YES
Corporate Notes TLGP - FDIC Insured	-	0.00%		50%	YES
Bankers' Acceptances	-	0.00%		25%	YES
State and/or Local Government Debt	-	0.00%		25%	YES
Fixed Income Money Market Mutual Funds	-	0.00%		50%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of June 30, 2015 is 19.00%.
3. The Investment Policy does allow for Government and Federal Agency mortgage backed securities (MBS'). Which is limited to GNMA, FHLMC, and FNMA mortgage backed securities. GNMA securities have the full faith and credit of the United States Treasury. As of September 6, 2008, FHLMC and FNMA have been under conservatorship with the United States Treasury. PFM has imposed an internal maximum allocation limit of 20% in MBS'. PFM will notify the City prior to adding MBS' to the portfolio.

<b>Individual Issuer Breakdown</b>	<b>Amortized Cost (Includes Interest)</b>	<b>Allocation Percentage</b>	<b>Notes</b>	<b>Permitted by Policy</b>	<b>In Compliance</b>
Government National Mortgage Association (GNMA)	-	0.00%		<b>40%</b>	YES
Federal Farm Credit Bank (FFCB)	-	0.00%		<b>40%</b>	YES
Federal Home Loan Bank (FHLB)	1,996,333.27	5.83%		<b>40%</b>	YES
Federal National Mortgage Association (FNMA)	-	0.00%		<b>40%</b>	YES
Federal Home Loan Mortgage Corporation (FHLMC)	4,506,589.59	13.17%		<b>40%</b>	YES
Bank of Tokyo Mitsubishi, Inc. Commercial Paper	1,098,188.67	3.21%		<b>5%</b>	YES
JP Morgan Chase & Company Commercial Paper	1,299,809.33	3.80%		<b>5%</b>	YES
Toyota Motor Corporation Commercial Paper	1,097,140.00	3.21%		<b>5%</b>	YES

**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 June 30, 2015, 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.

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Alan Guard, Chief Financial Officer

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Wendy Badgett, Assistant Finance Director

# TAB III

Insert Month End Statement here to complete the report.

In consideration of the safety and security of our client's sensitive information, PFM Asset Management's compliance department does not allow the inclusion of month end statements in any electronic communication including this version of the quarterly performance 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.

The most current statements are always available to the client online, however they can only be accessed with the designated username and password.

# TAB IV