

City of Rowlett, Texas



Investment Performance Review Quarter Ended March 31, 2016

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TAB I

Summary

- Volatility ushered in the New Year, as slowing global growth drove investors out of riskier assets, such as equities and high-yield bonds, and into safe-haven securities such as U.S. government debt. Stocks posted one of their worst-ever starts to a year, with the S&P 500 falling more than 10% while commodity prices plunged. As a result, U.S. Treasury yields retraced nearly all of their fourth-quarter increases.
- Fear began to abate in February, spurring a rebound in stocks and commodities, which finished the quarter at or near 2016 highs. Interest rates rose off their February lows before giving back gains after the Federal Open Market Committee's (FOMC's) "dovish" March statement.
- The Federal Reserve (Fed) left policy rates unchanged in the 1st quarter. The FOMC lowered expectations for only two rate hikes in 2016, and acknowledged that global economic and financial market conditions posed a risk to its outlook.
- While the Fed embarks on a tightening path, other global central banks are still easing monetary policy. The European Central Bank expanded its bond purchase program to 80 billion euros per month, including the purchase of corporate bonds, while the Bank of Japan cut rates to -0.10%.

Economic Snapshot

- U.S. gross domestic product (GDP) grew at a 1.4% rate in the fourth quarter of 2015 and 2.4% for all of 2015 as consumer spending continued to drive growth, while business investment and net exports were a drag. Preliminary estimates of growth in the first quarter are approximately 1%.
- The labor market remained strong, as employers added 628,000 net new jobs in the first three months of the year. The unemployment rate held around 5%, while the labor participation rate rose four months in a row.
- Inflationary pressures picked up in the first quarter as energy prices stabilized, home prices rose, and wages showed modest improvements. The personal consumption expenditure (PCE) price index, the Fed's most favored metric of inflation, rose 1.7% year-over-year ended February 29, 2016.

- Global commodity price declines deepened early in the year, as the supply-demand imbalance remained in focus. Domestic crude oil fell to less than \$30 a barrel in February, before staging a comeback and rebounding above \$40 a barrel on the possibility of an output freeze by the Organization of the Petroleum Exporting Countries (OPEC).
- The Chinese economy continued to slow, stoking concern that weakness in the world's second-largest economy may negatively impact global growth, but especially emerging market countries — those dependent on commodity exports.

Interest Rates

- Interest rates declined in the first quarter, first due to widespread concern about the global economy and then later in the quarter after the Fed signaled a slower pace of rate increases. The two-year Treasury yield fell 33 basis points (0.33%) during the quarter, while the 10-year Treasury yield fell 50 basis points (0.50%).
- In the money market space, shorter Treasuries posted small declines, but short-term credit instruments, such as commercial paper and bank certificates of deposit (CDs) offered unusually wide yield spreads.

Sector Performance

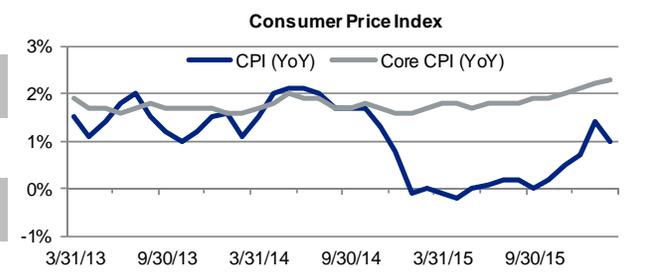
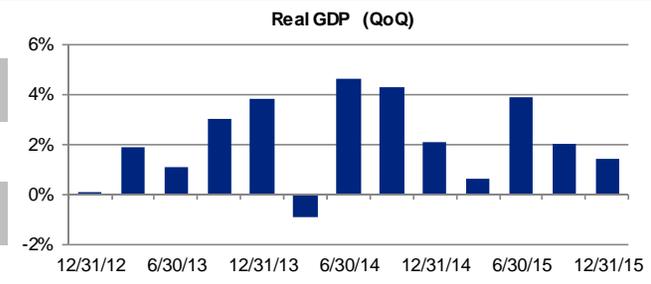
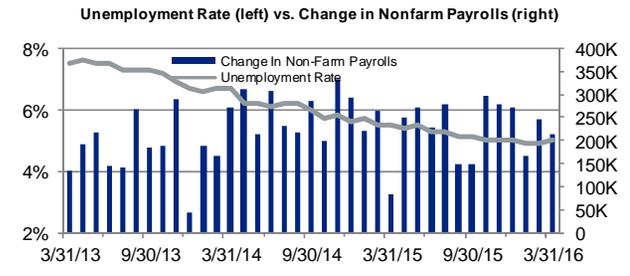
- U.S. Treasury indexes posted strong returns for the first quarter, as rate declines boosted market values. Longer maturity issues performed best.
- Non-callable federal agency securities performed generally in line with comparable-maturity Treasuries.
- Corporate yield spreads widened significantly through the middle of February amid energy-related weakness and declining corporate profits. Although corporates suffered sharp underperformance through January and much of February, spreads tightened dramatically in March, generating enough outperformance for the sector to surpass comparable-maturity Treasuries over the entire quarter.
- Mortgage-backed securities were the worst-performing sector in the quarter, underperforming Treasuries. They were hurt as declining interest rates increased anticipated pre-payments.

Economic Snapshot

Labor Market		Latest	Dec 2015	Mar 2015
Unemployment Rate	Mar'16	5.0%	5.0%	5.5%
Change In Non-Farm Payrolls	Mar'16	215,000	271,000	84,000
Average Hourly Earnings (YoY)	Mar'16	2.3%	2.6%	2.2%
Personal Income (YoY)	Feb'16	4.0%	3.9%	4.0%
Initial Jobless Claims (week)	3/26/16	276,000	285,000	268,000

Growth				
Real GDP (QoQ SAAR)	2015Q4	1.4%	2.0% ¹	2.1% ²
GDP Personal Consumption (QoQ SAAR)	2015Q4	2.4%	3.0% ¹	4.3% ²
Retail Sales (YoY)	Feb'16	3.1%	2.6%	2.1%
ISM Manufacturing Survey (month)	Mar'16	51.8	48.0	52.3
Existing Home Sales SAAR (month)	Feb'16	5.08 mil.	5.45 mil.	5.25 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Feb'16	1.0%	0.7%	0.3%
Consumer Price Index (YoY)	Feb'16	1.0%	0.7%	-0.1%
Consumer Price Index Core (YoY)	Feb'16	2.3%	2.1%	1.8%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$38.34	\$37.04	\$47.60
Gold Futures (oz.)	Mar 31	\$1,234	\$1,060	\$1,183



1. Data as of Third Quarter 2015

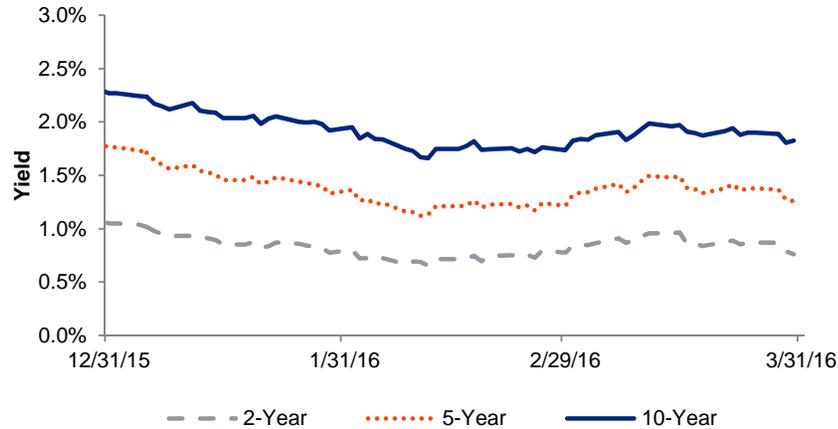
2. Data as of Fourth Quarter 2014

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

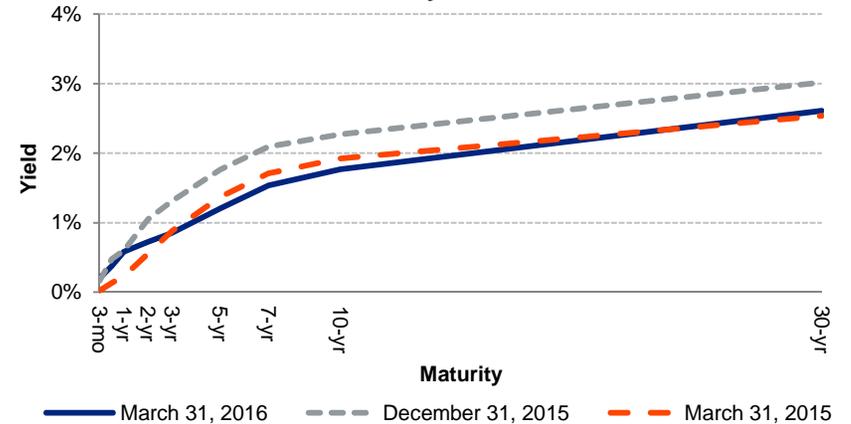
Source: Bloomberg

Investment Rate Overview

U.S. Treasury Note Yields



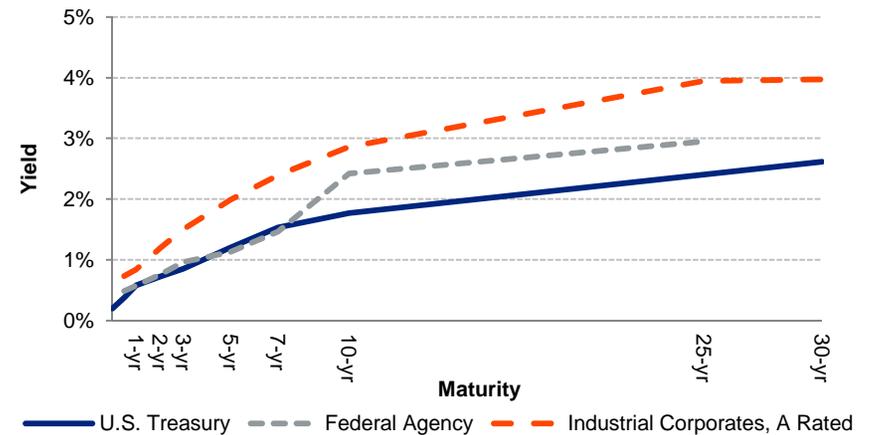
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	3/31/16	12/31/15	Change over Quarter	3/31/15	Change over Year
3-month	0.20%	0.17%	0.03%	0.02%	0.18%
1-year	0.58%	0.60%	(0.02%)	0.23%	0.35%
2-year	0.72%	1.05%	(0.33%)	0.56%	0.16%
5-year	1.21%	1.76%	(0.55%)	1.37%	(0.16%)
10-year	1.77%	2.27%	(0.50%)	1.92%	(0.15%)
30-year	2.61%	3.02%	(0.41%)	2.54%	0.07%

Yield Curves as of 3/31/2016



Source: Bloomberg

BofA Merrill Lynch Index Returns

As of 3/31/2016

Returns for Periods ended 3/31/2016

	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.89	0.75%	0.90%	0.92%	0.77%
Federal Agency	1.56	0.80%	0.86%	1.02%	0.86%
U.S. Corporates, A-AAA rated	1.95	1.52%	1.09%	1.48%	1.43%
Agency MBS (0 to 3 years)	2.13	1.41%	0.50%	1.77%	1.37%
Municipals	1.79	0.84%	0.51%	1.01%	0.87%
1-5 Year Indices					
U.S. Treasury	2.72	0.89%	1.57%	1.62%	1.14%
Federal Agency	2.06	0.91%	1.26%	1.43%	1.14%
U.S. Corporates, A-AAA rated	2.77	1.77%	1.70%	2.02%	1.97%
Agency MBS (0 to 5 years)	3.18	1.88%	1.47%	1.86%	2.19%
Municipals	2.46	1.00%	0.72%	1.58%	1.27%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.43	1.34%	3.35%	2.42%	2.30%
Federal Agency	3.65	1.26%	2.14%	1.86%	1.75%
U.S. Corporates, A-AAA rated	6.96	2.70%	3.67%	2.13%	3.26%
Agency MBS (0 to 30 years)	3.79	2.14%	1.95%	2.41%	2.68%
Municipals	6.77	2.05%	1.64%	4.12%	3.73%

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Indices

Disclosures

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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 a bank account, TexPool, U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- The Long Term Pooled Fund Portfolio's quarterly total return performance of 0.79%, underperformed the benchmark's performance of 0.90% by 0.11%. We are continuing to work with the City to extend the duration of the Portfolio to bring it in-line with the benchmark. The underperformance is due to the Portfolio's duration being short of the benchmark. The long term yields increased during the quarter which resulted in the benchmark performing above the Portfolio. Over the last 12 months the Portfolio earned 0.92% versus 0.92% 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 0.80%, exceeding the Yield of its benchmark the TexPool by 47 basis points (0.47%).
- We expect the U.S. economy to expand at a moderate pace in 2016 as consumer spending continues to drive positive growth. Outside the U.S., economic prospects are more challenged due to weak commodity prices, slowing growth in China, and various geopolitical risks. The market's concerns about the strength of the global economy will likely keep interest rates lower than previously expected.
- Economic projections released following the FOMC's March meeting indicated that FOMC participants believe that appropriate monetary policy warrants only two fed funds hikes in 2016, down from four hikes projected in December.
- Given the likelihood that rates will not move significantly higher in the near-term, we will position the maturity distribution of portfolios to generally match the distribution of their benchmarks, except where shifting to short-term credit securities offers better value.
- Because of narrowed yield spreads, federal agencies currently have less appeal relative to comparable-maturity U.S. Treasuries. We will monitor the yield relationship and take advantage of any opportunities that arise — opportunities are most likely to occur with newly-issued federal agency securities.
- 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

Amortized Cost and Market Value Account Name	Amortized Cost ^{1,2,3}	Amortized Cost ^{1,2,3}	Market Value ^{1,2,3}	Market Value ^{1,2,3}	Duration (Years)
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016
Pooled Funds	\$1,096,333.04	\$1,099,332.66	\$1,096,880.40	\$1,099,247.60	0.420
Long Term Pooled Fund	13,547,018.21	13,571,086.34	13,596,739.72	13,547,319.18	1.630
TexPool	27,926,071.13	20,997,478.29	27,926,071.13	20,997,478.29	0.003
American National Bank of Texas	6,751,651.22	18,762,830.89	6,751,651.22	18,762,830.89	0.003
Total	\$49,321,073.60	\$54,430,728.18	\$49,371,342.47	\$54,406,875.96	0.460

Yields Account Name	Yield to Maturity at Cost ⁴	Yield to Maturity at Cost ⁴	Yield to Maturity at Market	Yield to Maturity at Market	Duration (Years)
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	December 31, 2015
Pooled Funds	0.80%	0.39%	0.67%	0.43%	0.160
Long Term Pooled Fund	0.91%	0.88%	0.69%	0.99%	1.560
TexPool ⁵	0.33%	0.26%	0.33%	0.26%	0.003
American National Bank of Texas	0.00%	0.00%	0.00%	0.00%	0.003
Weighted Average YTM	0.45%	0.33%	0.39%	0.36%	0.394

Monthly Interest earnings YTD^{6,7}

October 2015	(\$1,755.19)	April 2016	
November 2015	(\$22,972.77)	May 2016	
December 2015	(\$7,350.21)	June 2016	
January 2016	\$74,219.57	July 2016	
February 2016	\$23,199.17	August 2016	
March 2016	\$31,129.39	September 2016	

Total Fiscal Year Net Earnings \$96,469.96

Notes:

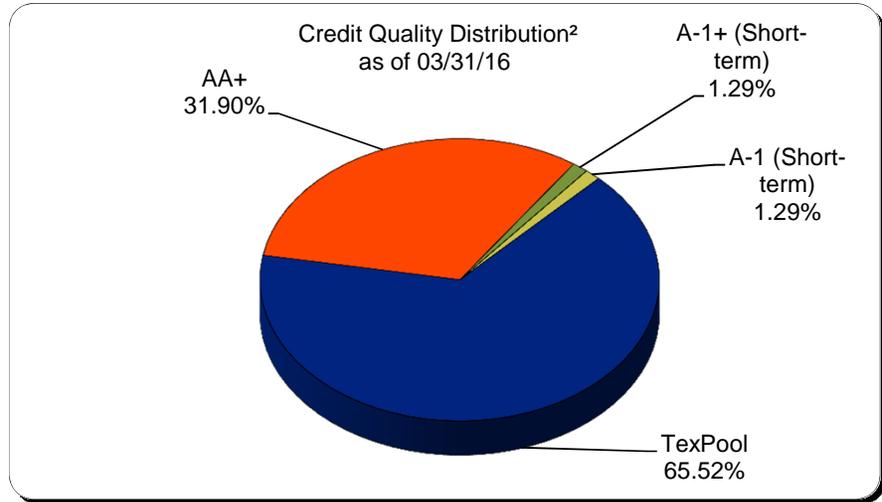
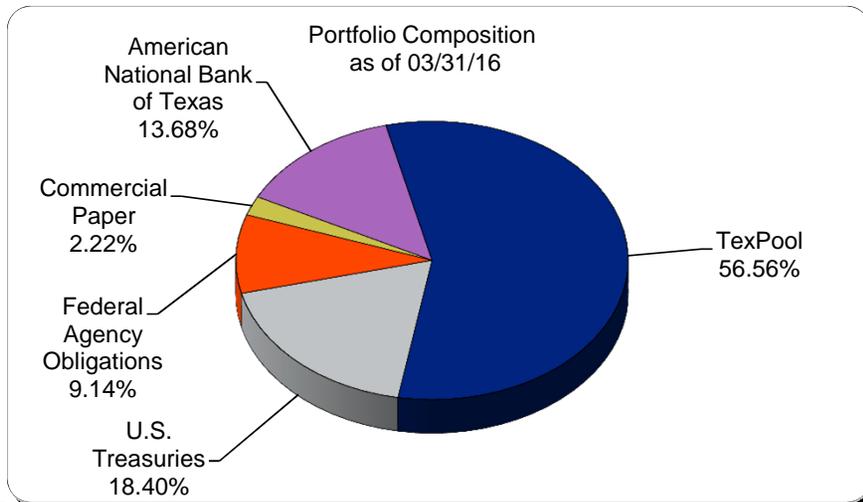
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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

BANK/MONEY MARKET FUNDS					12/31/2015	12/31/2015	12/31/2015	3/31/2016	3/31/2016	3/31/2016	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	\$20,997,478.29	\$20,997,478.29	\$0.00	\$27,926,071.13	\$27,926,071.13	33.00%
BANK ACCT	AMERICAN NATIONAL BANK OF TEXAS				0.00	18,762,830.89	18,762,830.89	0.00	6,751,651.22	6,751,651.22	-64.02%
					\$0.00	\$39,760,309.18	\$39,760,309.18	\$0.00	\$34,677,722.35	\$34,677,722.35	-12.78%
TOTAL					\$0.00	\$39,760,309.18	\$39,760,309.18	\$0.00	\$34,677,722.35	\$34,677,722.35	-12.78%
POOLED FUNDS											
COMMERCIAL PAPER											
46640PHV8	JP MORGAN SECURITIES LLC COMM PAPER	550,000	0.000	08/29/16	\$0.00	\$0.00	\$0.00	\$0.00	\$548,097.92	\$548,539.75	0.00%
89233GHX7	TOYOTA MOTOR CREDIT CORP COMM PAPER	550,000	0.000	08/31/16	0.00	0.00	0.00	0.00	548,235.12	548,340.65	0.00%
89233GBS4	TOYOTA MOTOR CREDIT CORP COMM PAPER	1,100,000	0.000	02/26/16	0.00	1,099,332.66	1,099,247.60	0.00	0.00	0.00	0.00%
		\$2,200,000			\$0.00	\$1,099,332.66	\$1,099,247.60	\$0.00	\$1,096,333.04	\$1,096,880.40	-0.22%
TOTAL		\$2,200,000			\$0.00	\$1,099,332.66	\$1,099,247.60	\$0.00	\$1,096,333.04	\$1,096,880.40	-0.215%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
3137EADS5	FHLMC NOTES	2,000,000	0.875	10/14/16	\$3,743.06	\$2,000,948.02	\$2,001,478.00	\$8,118.06	\$2,000,647.32	\$2,004,846.00	0.17%
3137EADU0	FHLMC REFERENCE NOTE	2,500,000	0.500	01/27/17	5,347.22	2,496,974.75	2,489,940.00	2,222.22	2,497,678.45	2,497,227.50	0.29%
		\$4,500,000			\$9,090.28	\$4,497,922.77	\$4,491,418.00	\$10,340.28	\$4,498,325.77	\$4,502,073.50	0.24%
US TSY BOND/NOTE											
912828RU6	US TREASURY NOTES	\$1,500,000	0.875	11/30/2016	\$765.03	\$1,001,102.13	\$1,000,586.00	\$0.00	\$0.00	\$0.00	0.00%
912828SC5	US TREASURY NOTES	1,595,000	0.875	1/31/2017	5,840.39	1,595,650.63	1,595,124.41	872.48	595,186.97	596,325.07	-62.62%
912828WP1	US TREASURY NOTES	1,510,000	0.875	6/15/2017	613.70	1,509,424.01	1,508,348.06	3,898.77	1,509,522.07	1,513,716.11	0.36%
912828UU2	US TREASURY NOTES	2,500,000	0.750	3/31/2018	4,764.34	2,487,471.60	2,477,637.50	51.23	2,488,843.65	2,499,805.00	0.89%
912828VK3	US TREASURY NOTES	1,000,000	1.375	6/30/2018	37.77	1,006,381.89	1,003,945.00	3,475.27	1,005,750.09	1,013,281.00	0.93%
912828A34	US TREASURY NOTES	1,450,000	1.250	11/30/2018	1,584.70	1,450,437.10	1,447,564.00	6,091.19	1,450,400.39	1,466,142.85	1.28%
912828SH4	US TREASURY NOTES	1,950,000	1.375	2/28/2019	0.00	0.00	0.00	2,331.52	1,971,928.53	1,978,335.45	0.00%
		\$3,095,000			\$13,605.93	\$9,050,467.36	\$9,033,204.97	\$16,720.46	\$9,021,631.70	\$9,067,605.48	0.38%
TOTAL		\$7,595,000			\$22,696.21	\$13,548,390.13	\$13,524,622.97	\$27,060.74	\$13,519,957.47	\$13,569,678.98	0.333%
TOTAL PORTFOLIO		\$9,795,000			\$22,696.21	\$54,408,031.97	\$54,384,179.75	\$27,060.74	\$49,294,012.86	\$49,344,281.73	-9.27%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>March 31, 2016</u>	<u>% of Portfolio</u>	<u>December 31, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,084,325.94	18.4%	\$9,046,810.90	4.4%
Federal Agencies	4,512,413.78	9.1%	4,500,508.28	49.1%
Commercial Paper	1,096,880.40	2.2%	1,099,247.60	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%
American National Bank of Texas	6,751,651.22	13.68%	18,762,830.89	0.0%
TexPool	27,926,071.13	56.6%	20,997,478.29	46.5%
Totals	\$49,371,342.47	100.0%	\$54,406,875.96	100.0%

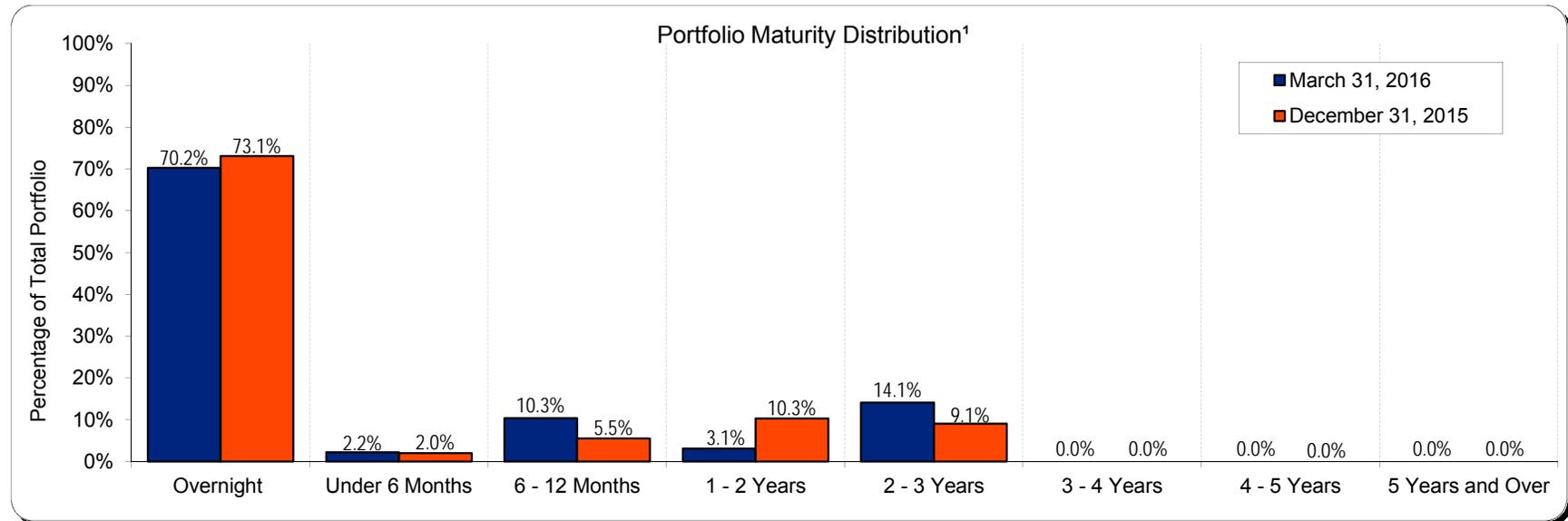


Notes:

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, bank or LGIP. Standard & Poor's is the source of the credit ratings.

Summary Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Overnight (Money Market Fund)	\$34,677,722.35	\$39,760,309.18
Under 6 Months	1,096,880.40	1,099,247.60
6 - 12 Months	5,109,611.33	3,006,572.09
1 - 2 Years	1,517,614.88	5,605,213.78
2 - 3 Years	6,969,513.51	4,935,533.31
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$49,371,342.47	\$54,406,875.96



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
1/31/2016			
January Market Value		51,203,356.30	1 Account Summary Page
January Accrued Interest		19,298.69	2 Account Summary Page
Less (Purchases & Deposits)		(15,524,168.22)	3 Security Transactions & Interest
Less Purchased Interest			4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		-	5 Security Transactions & Interest
Add Interest Receipts		20,772.21	6 Security Transactions & Interest
Less December Market Value		(35,621,348.86)	7 Account Summary Page
Less December Accrued Interest		(22,696.21)	8 Account Summary Page
Earnings		75,213.91	

Change in Investment Market Value	15,582,007.44	(1 - 7)
Change in Accrued Interest	(3,397.52)	(2 - 8)
Change in Cash	(15,503,396.01)	(sum 3 thru 6)

Investment Entries		Debit	Credit	Source Document
<i>To Record Investment Activity</i>				
Cash			15,524,168.22	Security Transactions & Interest
Investments	15,582,007.44			Amortization/Accretion
Investment Income			57,839.22	Earnings
To record investment income/changes				
Cash	20,772.21			Security Transactions & Interest
Accrued Interest			3,397.52	Accrued Interest Difference
Investment Income			17,374.69	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
2/29/2016			
February Market Value		40,274,428.85	1 Account Summary Page
February Accrued Interest		25,820.29	2 Account Summary Page
Less (Purchases & Deposits)		(3,734,111.28)	3 Security Transactions & Interest
Less Purchased Interest		(11,564.73)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		14,677,347.62	5 Security Transactions & Interest
Add Interest Receipts		22,396.81	6 Security Transactions & Interest
Less January Market Value		(51,210,900.38)	7 Account Summary Page
Less January Accrued Interest		(19,298.69)	8 Account Summary Page
Earnings		24,118.49	

Change in Investment Market Value	-10,936,471.53	(1 - 7)
Change in Accrued Interest	6,521.60	(2 - 8)
Change in Cash	10,954,068.42	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash	10,943,236.34		Security Transactions & Interest
Investments		10,936,471.53	Amortization/Accretion
Investment Income		6,764.81	Earnings
To record investment income/changes			
Cash	10,832.08		Security Transactions & Interest
Accrued Interest	6,521.60		Accrued Interest Difference
Investment Income		17,353.68	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
3/31/2016			
March Market Value		42,585,041.00	1 Account Summary Page
March Accrued Interest		27,060.74	2 Account Summary Page
Less (Purchases & Deposits)		(2,479,189.71)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		189,811.00	5 Security Transactions & Interest
Add Interest Receipts		16,964.51	6 Security Transactions & Interest
Less February Market Value		(40,281,745.39)	7 Account Summary Page
Less February Accrued Interest		(25,820.29)	8 Account Summary Page
Earnings		32,121.86	

Change in Investment Market Value	2,303,295.61	(1 - 7)
Change in Accrued Interest	1,240.45	(2 - 8)
Change in Cash	(2,272,414.20)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash		2,289,378.71	Security Transactions & Interest
Investments	2,303,295.61		Amortization/Accretion
Investment Income		13,916.90	Earnings
To record investment income/changes			
Cash	16,964.51		Security Transactions & Interest
Accrued Interest	1,240.45		Accrued Interest Difference
Investment Income		18,204.96	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>	Amortized Cost^{1,2,3} March 31, 2016	Amortized Cost ^{1,2,3} December 31, 2015	Market Value^{1,2,3} March 31, 2016	Market Value ^{1,2,3} December 31, 2015	Duration (Years) March 31, 2016
Pooled Funds	\$1,096,333.04	\$1,099,332.66	\$1,096,880.40	\$1,099,247.60	0.42

<u>Account Name</u>	Yield to Maturity at Cost⁴ March 31, 2016	Yield to Maturity at Cost ⁴ December 31, 2015	Yield to Maturity at Market March 31, 2016	Yield to Maturity at Market December 31, 2015	Duration (Years) December 31, 2015
Pooled Funds	0.80%	0.39%	0.67%	0.43%	0.16

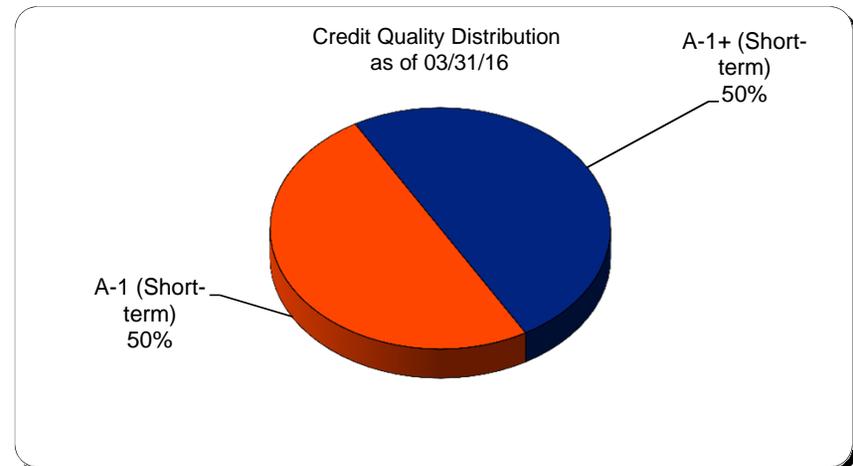
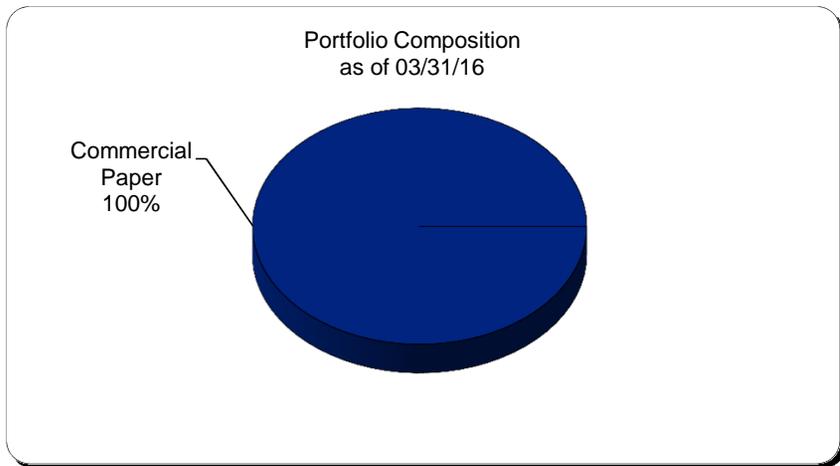
<u>Benchmarks⁵</u>	March 31, 2016	December 31, 2015
TexPool ⁶	0.33%	0.09%

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 March 31, 2016.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2016</u>	<u>% of Portfolio</u>	<u>December 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	1,096,880.40	100.00%	1,099,247.60	100.00%
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%
Totals	\$1,096,880.40	100.00%	\$1,099,247.60	100.00%

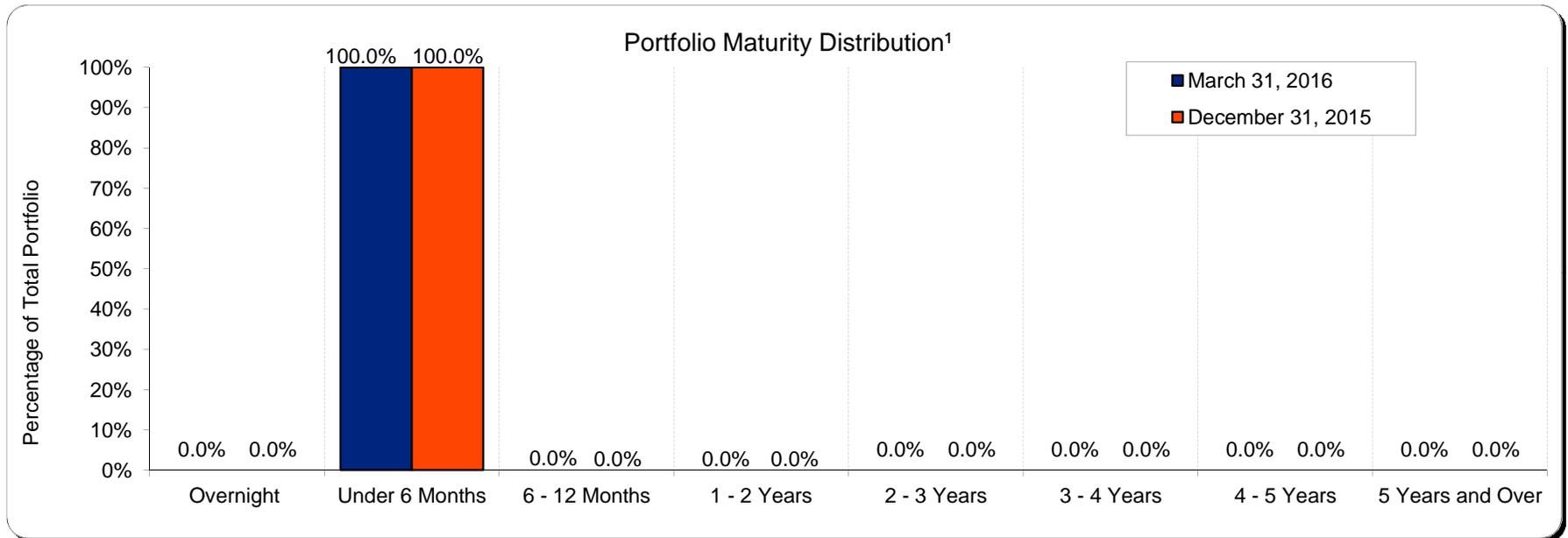


Notes:

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 Distribution¹</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	1,096,880.40	1,099,247.60
6 - 12 Months	0.00	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
Totals	\$1,096,880.40	\$1,099,247.60



Notes:

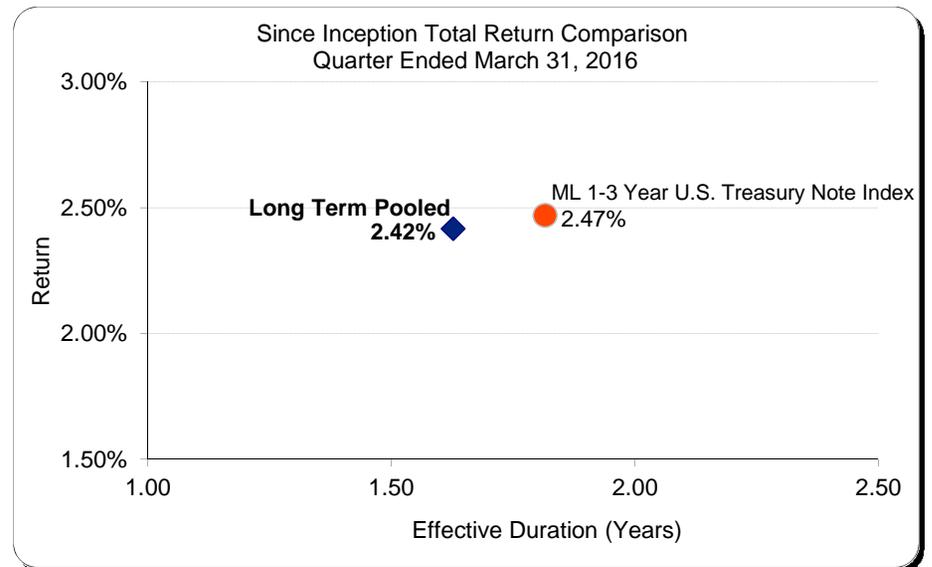
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ¹	March 31, 2016	December 31, 2015
Market Value	\$13,596,739.72	\$13,547,319.18
Amortized Cost	\$13,547,018.21	\$13,571,086.34

Total Return ^{2,3,4,5}	Quarterly Return March 31, 2016	Last 12 Months	Last 2 Years	Last 5 Years	Last 7 Years	Since Inception June 30, 2006
Long Term Pooled Fund	0.79%	0.92%	0.90%	0.80%	1.08%	2.42%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.90%	0.92%	0.96%	0.87%	1.06%	2.47%

Effective Duration(Years) ^{4,5}	March 31, 2016	December 31, 2015	Yields	March 31, 2016	December 31, 2015
Long Term Pooled Fund	1.63	1.56	Yield at Market	0.69%	0.99%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.82	1.80	Yield at Cost	0.91%	0.88%
Portfolio Duration % of Benchmark Duration	90%	87%			

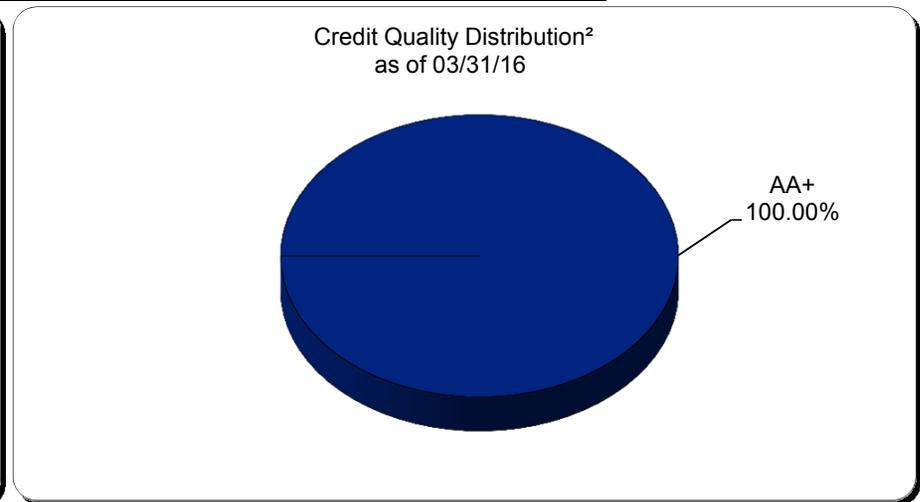
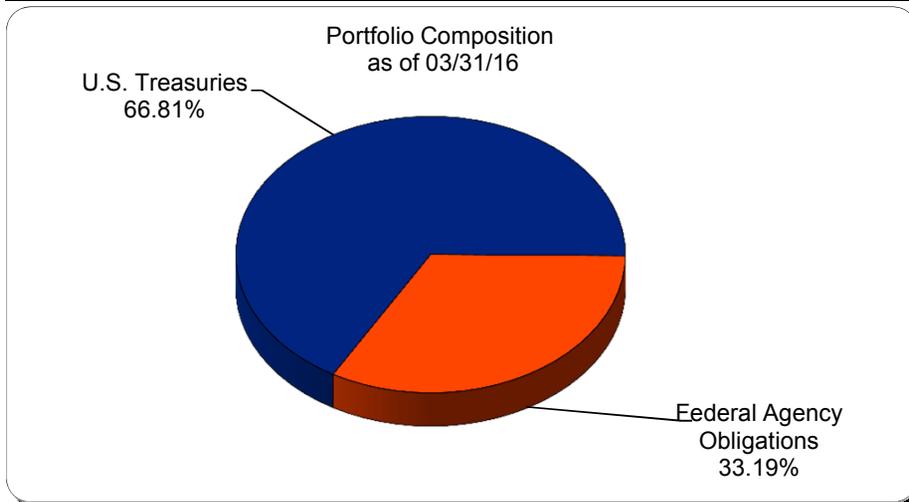


Notes:

- 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.
- 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.
- Since Inception the benchmark has been the Merrill Lynch 1-3 Year U.S. Treasury Note.
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Excludes money market fund/cash in performance and duration computations.

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2016</u>	<u>% of Portfolio</u>	<u>December 31, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,084,325.94	66.8%	\$9,046,810.90	66.8%
Federal Agencies	4,512,413.78	33.2%	4,500,508.28	33.2%
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	\$13,596,739.72	100.0%	\$13,547,319.18	100.0%

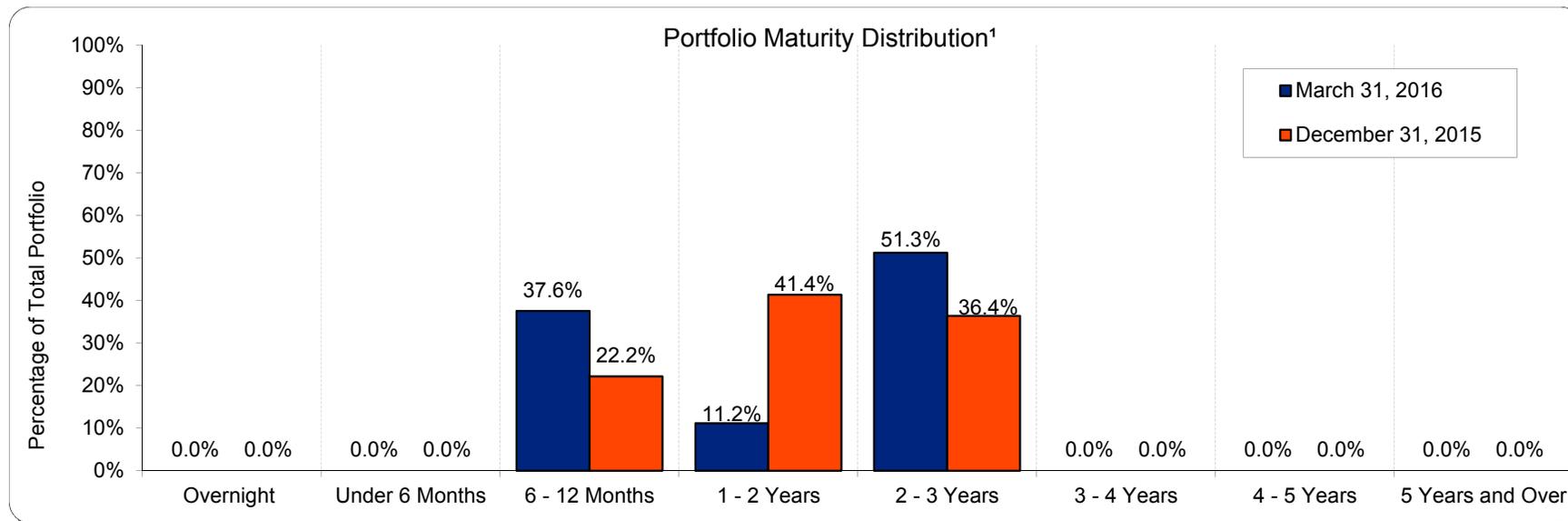


Notes:

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

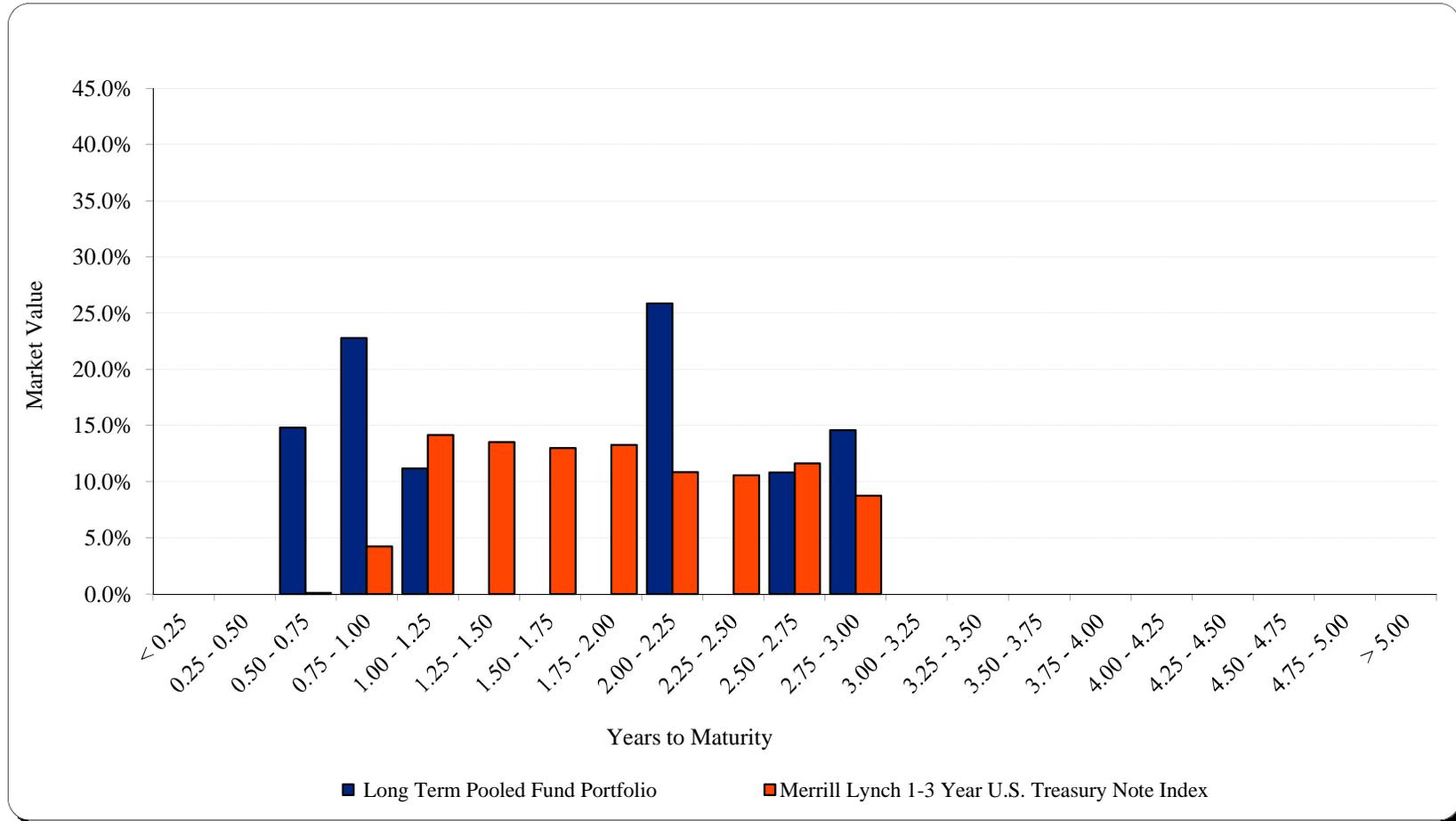
<u>Maturity Distribution¹</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	5,109,611.33	3,006,572.09
1 - 2 Years	1,517,614.88	5,605,213.78
2 - 3 Years	6,969,513.51	4,935,533.31
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$13,596,739.72	\$13,547,319.18



Notes:

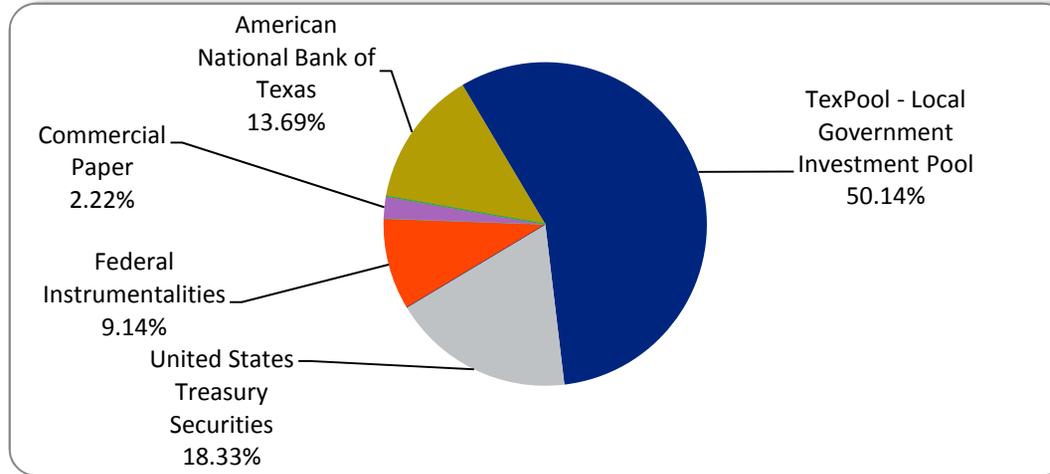
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

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 ¹	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
American National Bank of Texas	6,751,651.22	13.69%		100%	YES
TexPool - Local Government Investment Pool	27,926,071.13	56.62%		100%	YES
United States Treasury Securities	9,038,352.16	18.33%		100%	YES
United States Government Agency Securities	-	0.00%		100%	YES
Federal Instrumentalities	4,508,666.05	9.14%	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	1,096,333.04	2.22%		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 March 31, 2016 is 9.14%.
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.

Individual Issuer Breakdown	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Government National Mortgage Association (GNMA)	-	0.00%		40%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%		40%	YES
Federal Home Loan Bank (FHLB)	-	0.00%		40%	YES
Federal National Mortgage Association (FNMA)	-	0.00%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	4,508,666.05	9.14%		40%	YES
JP Morgan Chase & Company Commercial Paper	548,097.92	1.11%		5%	YES
Toyota Motor Corporation Commercial Paper	548,235.12	1.11%		5%	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 March 31, 2016, 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.

Kim Galvin, CGFO, MPA, Director of Financial Services

Wendy Badgett, Assistant Director of Financial Services

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