

# City of Rowlett, Texas



## Investment Performance Review Quarter Ended June 30, 2013

### **Investment Advisors**

Steven Alexander, CTP, CGFO, Managing Director  
D. Scott Stitcher, CFA, Senior Managing Consultant  
Richard Pengelly, CFA, Senior Managing Consultant  
Gregg Manjerovic, CFA, Portfolio Manager  
Rebecca Geyer, CTP, Senior Analyst

### **PFM Asset Management LLC**

One Keystone Plaza, Suite 300  
North Front & Market Streets  
Harrisburg, PA 17101-2044  
717-232-2723 • 717-233-6073 fax

300 S. Orange Avenue, Suite 1170  
Orlando, FL 32801  
(407) 648-2208  
(407) 648-1323 fax

**Table of Contents**

## Tab I.

- A. Market Review

## Tab II.

- B. Portfolio Summary of All Accounts
- C. Pooled Funds
- D. Long Term Pooled Fund
- E. Asset Allocation Chart as of June 30, 2013
- F. Investment Officer's Certification

- Tab III. April 30, 2013 PFM Month-End Statement  
May 31, 2013 PFM Month-End Statement  
June 30, 2013 PFM Month-End Statement  
(statements are available online at [www.pfm.com](http://www.pfm.com))

- Tab IV. April 30, 2013 TexPool Month End Statements  
May 31, 2013 TexPool Month End Statements  
June 30, 2013 TexPool Month End Statements

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**

- After hitting 2013 lows during the quarter, interest rates skyrocketed on stronger economic prospects and the Federal Reserve's (Fed's) impending plan to reduce bond purchases.
- The U.S. housing market continued to strengthen, and the unemployment rate remained unchanged for the quarter at 7.6% as more Americans looked for employment.
- The domestic economy continues to show signs of improvement, but the potential for a cessation of the Fed's quantitative easing programs has increased volatility within the markets.

**Economic Snapshot**

- U.S. job creation was healthy, with an average of 196,000 jobs added each month in the second quarter, but the federal government continued to shed jobs.
- Consumer confidence was near a six-year high (University of Michigan index at 84.1 in June), boosted by an improving jobs market and the wealth effect of rising housing prices and a strong stock market.
- U.S. gross domestic product (GDP) grew by only 1.8% for the first quarter, the third reading below 2% in the past four quarters. Despite sluggish consumer spending, the Fed upgraded its projections for growth in 2014.
- In general, economic data for major economies outside of the U.S. was disappointing. The euro-zone economy marked a seventh consecutive quarter of contraction, and the Chinese economy exhibited slower growth.

**Interest Rates**

- Interest rates rose significantly during the latter half of the second quarter, as investors braced for the potential impact of reduced bond-buying by the Fed.
- The Federal Open Market Committee (FOMC) maintained its commitment to low short-term rates at its June 18-19 meeting. However, Fed Chairman Bernanke indicated the Fed would moderate the pace of bond purchases later this year if economic data is consistent with forecasted expectations.
- The spike in interest rates had elements of panic; however, in our opinion, rates needed to begin to normalize from the artificial lows of the past several years.

**Sector Performance**

- Prices for fixed-income securities fell across the spectrum amid concerns about rising rates and a possible pull-back in accommodative monetary policy. Market volatility increased significantly since early May. Rising rates are a sign of the inevitable return to longer-term historical averages for interest rates.
- Treasuries looked more attractive relative to Agencies, as yield spreads on some similar-maturity Agencies were minimal. New-issue corporate bonds offered extra yield to entice investors given current spread levels. Despite stable fundamentals, yield spreads on Agencies and corporate bonds widened late in the quarter as liquidity dried up.
- Mortgage-backed securities (MBS) and longer-term municipal bonds experienced sharp sell-offs, resulting in significant negative returns for the quarter.

### Economic Snapshot

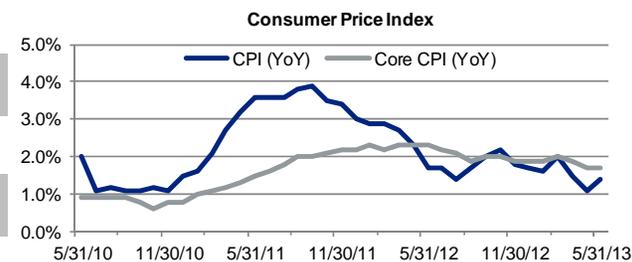
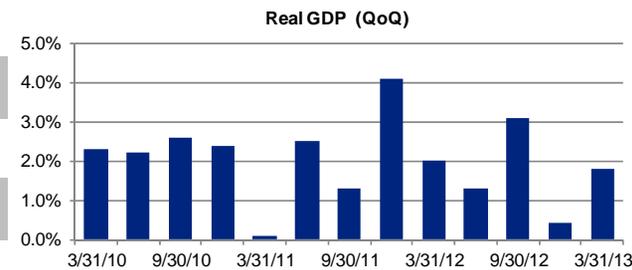
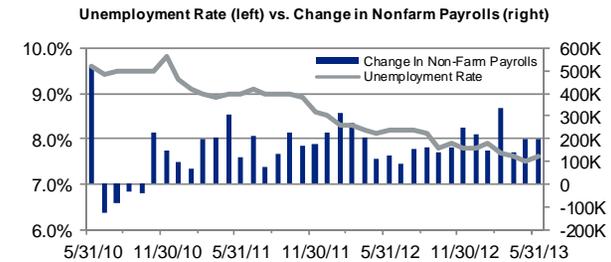
Labor Market		Latest	Mar 2013	Jun 2012
Unemployment Rate	Jun'13	7.6%	7.6%	8.2%
Change In Non-Farm Payrolls	Jun'13	195,000	142,000	87,000
Average Hourly Earnings (YoY)	Jun'13	2.2%	1.8%	2.0%
Personal Income (YoY)	May'13	3.3%	2.8%	3.1%
Initial Jobless Claims (week)	Jun 28	343,000	388,000	374,000

Growth				
Real GDP (QoQ SAAR)	2013Q1	1.8%	0.4% <sup>1</sup>	1.3% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2013Q1	2.6%	1.8% <sup>1</sup>	1.5% <sup>2</sup>
Retail Sales (YoY)	May'13	4.3%	3.2%	3.7%
ISM Manufacturing Survey (month)	Jun'13	50.9	51.3	50.2
Existing Home Sales (month)	May'13	5.18 mil.	4.94 mil.	4.41 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	May'13	1.0%	1.0%	1.5%
Consumer Price Index (YoY)	May'13	1.4%	1.5%	1.7%
Consumer Price Index Core (YoY)	May'13	1.7%	1.9%	2.2%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$96.56	\$97.23	\$84.96
Gold Futures (oz)	Jun 30	\$1,224	\$1,595	\$1,604

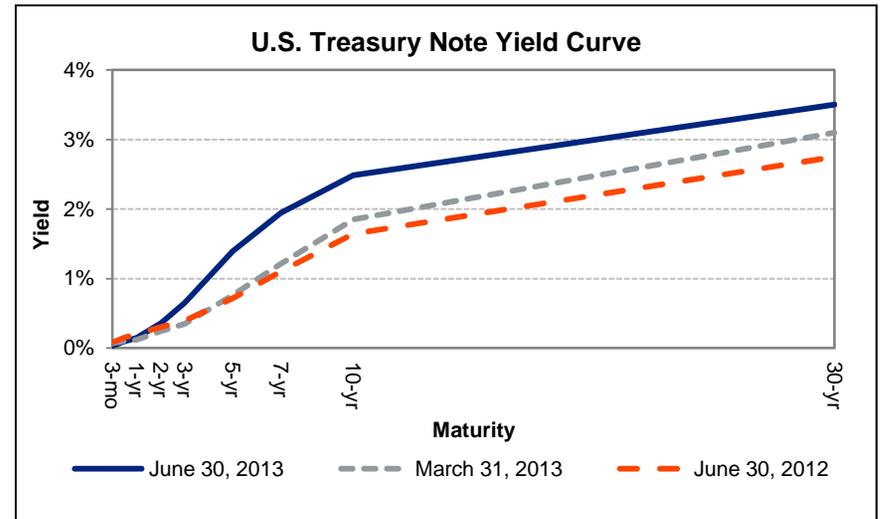
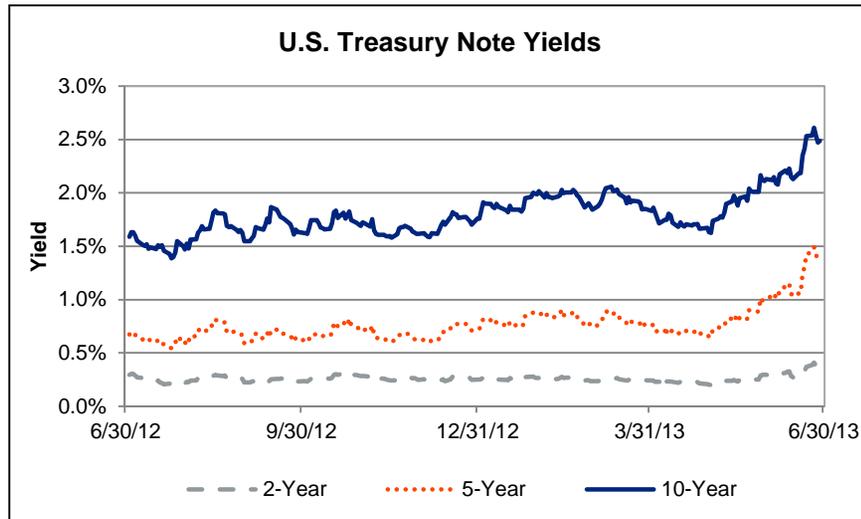


1. Data as of Fourth Quarter 2012 2. Data as of Second Quarter 2012

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

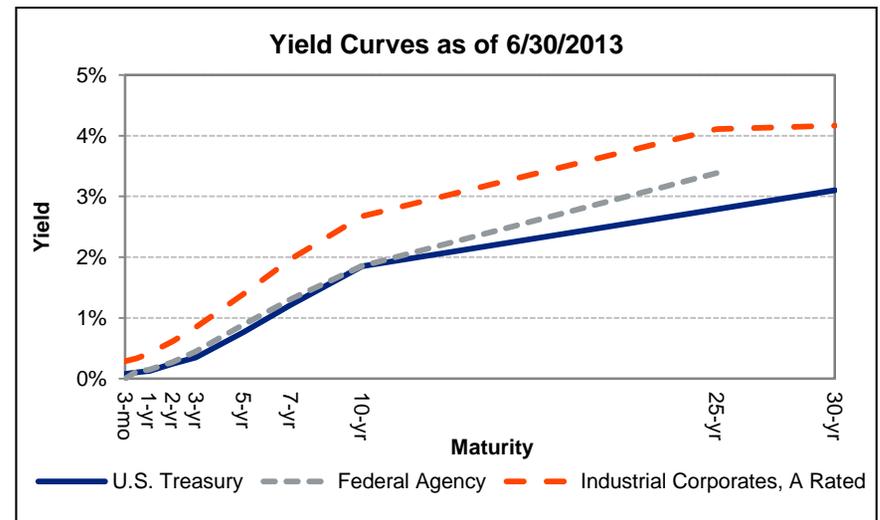
Source: Bloomberg

### Investment Rate Overview



**U.S. Treasury Note Yields**

Maturity	6/30/13	3/31/13	Change over Quarter	6/30/12	Change over Year
3-month	0.07%	0.07%	0.00%	0.11%	(0.04%)
1-year	0.17%	0.13%	0.04%	0.26%	(0.09%)
2-year	0.37%	0.28%	0.09%	0.32%	0.05%
5-year	1.40%	0.79%	0.61%	0.75%	0.65%
10-year	2.52%	1.93%	0.59%	1.73%	0.79%
30-year	3.48%	3.10%	0.38%	2.78%	0.70%



Source: Bloomberg

## BofA Merrill Lynch Index Returns

	As of 6/30/2013		Returns for Periods ended 6/30/2013		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.89	0.37%	(0.10%)	0.33%	0.82%
Federal Agency	1.80	0.48%	(0.13%)	0.34%	0.97%
U.S. Corporates, A-AAA rated	1.99	1.20%	(0.22%)	2.16%	2.63%
Agency MBS (0 to 3 years)	1.69	1.67%	(1.00%)	(0.40%)	1.75%
Municipals	1.77	0.70%	(0.16%)	0.62%	1.27%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.72	0.66%	(0.67%)	(0.03%)	1.44%
Federal Agency	2.61	0.81%	(0.74%)	0.01%	1.28%
U.S. Corporates, A-AAA rated	2.91	1.70%	(1.09%)	2.19%	3.40%
Agency MBS (0 to 5 years)	3.06	2.66%	(1.37%)	(0.60%)	2.46%
Municipals	2.51	1.04%	(0.61%)	0.53%	1.86%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	5.78	1.40%	(2.21%)	(2.00%)	3.03%
Federal Agency	4.01	1.34%	(1.97%)	(0.90%)	2.12%
U.S. Corporates, A-AAA rated	6.57	2.96%	(3.12%)	0.89%	5.08%
Agency MBS	4.61	2.96%	(1.92%)	(1.15%)	2.52%
Municipals	7.81	3.21%	(3.33%)	0.10%	4.66%

1. Duration and yield are after the indices were rebalanced at month end.

2. Returns are rolling returns. Returns for periods greater than one year are annualized.

Source: Bloomberg

**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.

Further distribution is not permitted without prior written consent.

# 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 U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- PFM continued to actively manage the Long Term Pooled Fund Portfolio during the second quarter and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result the Portfolio realized \$11,209 in gains on sales during the quarter. PFM is continually in the market monitoring for opportunities to add value to the Portfolio.
- The Long Term Pooled Fund Portfolio's quarterly total return performance of -0.19% underperformed the benchmark performance of -0.11% by 0.08%. This underperformance is due to the volatility in the bond market that rose sharply during the latter half of the second quarter which initiated a wave of investor repositioning that left no safe harbor within the fixed income space. Results across all segments of the bond market were negative, with longer maturities and higher risk sectors (i.e. high yield and MBS) suffering the most. In some sectors, like MBS and longer Treasuries, the negative returns in Q2 wiped out returns for the past year. Our main goal is to preserve the principal of the Portfolio and in this volatile market we will continue to diligently manage the Portfolio.
- The Pooled Funds Portfolio was invested on June 7, 2013. At quarter end the portfolio had a Yield to Maturity at Cost of 0.24%, exceeding the Yield of the TexPool benchmark by 19 basis points (0.19%).
- The second quarter started with interest rates well entrenched within long-standing ranges, U.S. economic conditions improving at a modest pace, and the Federal Reserve (Fed) purchasing \$85 billion of long-term Treasuries and agency mortgage-backed securities (MBS) per month. As conditions appeared relatively stable, the strategy at the beginning of the quarter was to remain slightly short of duration targets relative to benchmarks.
- Conditions began to reverse in May, in part due to what seemed like a rather innocuous comment by Fed Chairman Bernanke about possible tapering of Fed bond purchases in the Q&A portion of his testimony to the Joint Economic Committee of Congress. Rates moved higher, but in a normal and orderly fashion within the existing trading ranges. At that point, the impact on Treasuries was negative, but contained, and spread movements on agency and corporate debt were minimal. 2-year, 5-year and 10-year Treasuries had risen by 6, 25 and 28 basis points (0.06%, 0.25%, 0.28%), respectively, from March 31 to May 31.
- Conditions deteriorated quickly in June, after Bernanke laid out a more definitive plan to curtail bond purchases later this year. By quarter end, longer-term yields had surged further, with the 5-year Treasury reaching 1.40% and the 10-year reaching 2.49% – the highest levels since August 2011. The scale and pace of the rate spike in late June had elements of panic and surprised most investors. Massive selling and deleveraging in certain market sectors caused liquidity to dry up, which further affected market prices.
- The second quarter adjustment process has bequeathed investors with a much steeper yield curve, which offers the ability to enhance return through "roll-down" – the natural tendency of bonds to appreciate as time passes and their maturity shortens. Although longer maturities have greater market risk, they also offer higher yields and greater roll-down potential.
- As always, we strive to maintain safety of principal and appropriate liquidity, while maximizing value through careful, prudent management. 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

<u>Amortized Cost and Market Value</u> <u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup></u> <u>June 30, 2013</u>	<u>Amortized Cost<sup>1,2,3</sup></u> <u>March 31, 2013</u>	<u>Market Value<sup>1,2,3</sup></u> <u>June 30, 2013</u>	<u>Market Value<sup>1,2,3</sup></u> <u>March 31, 2013</u>	<u>Duration (Years)</u> <u>June 30, 2013</u>
Pooled Funds	\$11,986,571.66	N/A	\$11,986,387.20	N/A	0.460
Long Term Pooled Fund	18,685,456.16	18,703,130.67	18,669,904.34	18,762,345.88	1.830
TexPool	18,185,692.20	35,411,135.92	18,185,692.20	35,411,135.92	0.003
<b>Total</b>	<b>\$48,857,720.02</b>	<b>\$54,114,266.59</b>	<b>\$48,841,983.74</b>	<b>\$54,173,481.80</b>	<b>0.813</b>

<u>Yields</u> <u>Account Name</u>	<u>Yield to Maturity</u> <u>on Cost<sup>4</sup></u> <u>June 30, 2013</u>	<u>Yield to Maturity</u> <u>on Cost<sup>4</sup></u> <u>March 31, 2013</u>	<u>Yield to Maturity</u> <u>at Market</u> <u>June 30, 2013</u>	<u>Yield to Maturity</u> <u>at Market</u> <u>March 31, 2013</u>	<u>Duration (Years)</u> <u>March 31, 2013</u>
Pooled Funds	0.24%	N/A	0.25%	N/A	N/A
Long Term Pooled Fund	0.57%	0.67%	0.45%	0.20%	0.850
TexPool <sup>5</sup>	0.05%	0.10%	0.05%	0.10%	0.003
<b>Weighted Average YTM</b>	<b>0.30%</b>	<b>0.30%</b>	<b>0.25%</b>	<b>0.14%</b>	<b>0.296</b>

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

October 2012	(\$1,010.71)	April 2013	\$9,084.13
November 2012	\$13,432.25	May 2013	(\$7,960.80)
December 2012	\$12,032.85	June 2013	(\$33,047.43)
January 2013	\$6,582.00	July 2013	
February 2013	\$5,723.90	August 2013	
March 2013	\$9,524.03	September 2013	

**Total Fiscal Year Net Earnings** \$14,360.22

Notes:

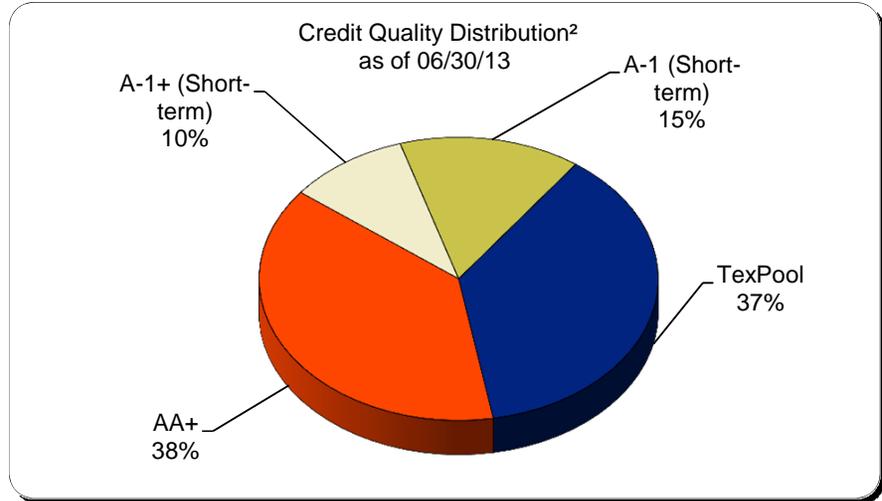
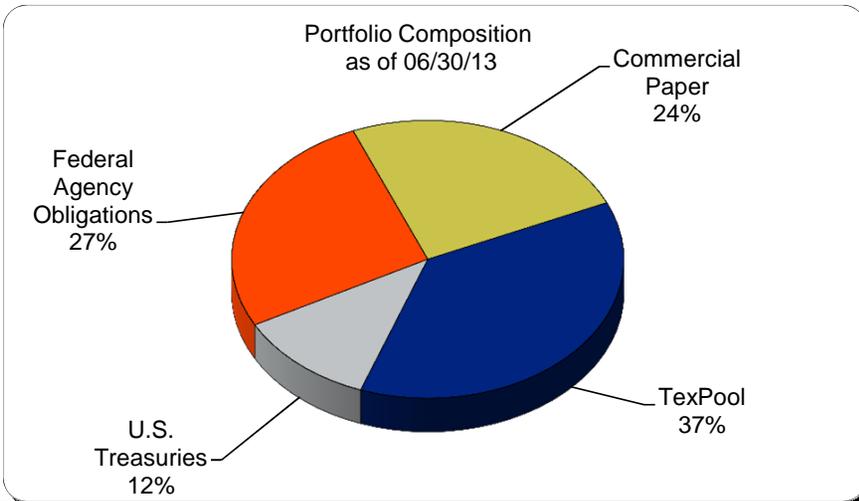
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					3/31/2013	3/31/2013	3/31/2013	6/30/2013	6/30/2013	6/30/2013	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	35,411,135.92	35,411,135.92	0.00	18,185,692.20	18,185,692.20	-48.64%
					\$0.00	\$35,411,135.92	\$35,411,135.92	\$0.00	\$18,185,692.20	\$18,185,692.20	-48.64%
<b>TOTAL</b>					<b>\$0.00</b>	<b>\$35,411,135.92</b>	<b>\$35,411,135.92</b>	<b>\$0.00</b>	<b>\$18,185,692.20</b>	<b>\$18,185,692.20</b>	<b>-48.64%</b>
<b>POOLED FUNDS</b>											
<b>COMMERCIAL PAPER</b>											
0556N0XA8	FNMA GLOBAL NOTES	\$2,400,000	0.000	10/10/13	\$0.00	\$0.00	\$0.00	\$0.00	\$2,398,316.66	\$2,398,096.80	0.00%
90262CY76	FHLB GLOBAL BONDS	2,400,000	0.000	11/07/13	0.00	0.00	0.00	0.00	2,398,150.99	2,397,871.20	0.00%
06538BZA4	FHLB GLOBAL BENCHMARK NOTES	2,400,000	0.000	12/10/13	0.00	0.00	0.00	0.00	2,397,192.00	2,397,139.20	0.00%
36959JA60	FHLMC NOTES	2,400,000	0.000	01/06/14	0.00	0.00	0.00	0.00	2,397,228.00	2,397,312.00	0.00%
89233HC77	FREDDIE MAC GLOBAL NOTES	2,400,000	0.000	03/07/14	0.00	0.00	0.00	0.00	2,395,684.01	2,395,968.00	0.00%
		\$12,000,000			\$0.00	\$0.00	\$0.00	\$0.00	\$11,986,571.66	\$11,986,387.20	100.00%
<b>TOTAL</b>		<b>\$12,000,000</b>			<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$11,986,571.66</b>	<b>\$11,986,387.20</b>	<b>100.000%</b>
<b>LONG TERM POOLED FUND</b>											
<b>FED AGY BOND/NOTE</b>											
31398AJ94	FNMA GLOBAL NOTES	\$1,005,000	1.750	05/07/13	\$7,035.00	\$1,004,886.98	\$1,006,664.28	\$0.00	\$0.00	\$0.00	0.00%
3133XGVF8	FHLB GLOBAL BONDS	905,000	5.125	08/14/13	6,055.33	918,592.84	922,080.07	0.00	0.00	0.00	0.00%
3133XSAE8	FHLB GLOBAL BENCHMARK NOTES	2,000,000	3.625	10/18/13	32,826.39	2,035,141.82	2,038,116.00	0.00	0.00	0.00	0.00%
3137EACL1	FHLMC NOTES	810,000	0.875	10/28/13	3,012.19	810,171.14	813,357.45	0.00	0.00	0.00	0.00%
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	2,583.33	1,999,110.22	2,002,708.00	708.33	1,999,449.26	2,001,904.00	-0.04%
31398A5W8	FNMA NOTES	1,600,000	0.750	12/18/13	3,433.33	1,603,496.32	1,607,016.00	0.00	0.00	0.00	0.00%
31398AVD1	FNMA GLOBAL NOTES	1,500,000	2.750	02/05/14	6,416.67	1,530,776.79	1,533,634.50	16,729.17	1,521,673.73	1,523,317.50	-0.67%
3135G0NP4	FANNIE MAE (CALLABLE) GLOBAL NOTES	2,500,000	0.500	08/20/15	1,423.61	2,498,805.10	2,502,085.00	4,548.61	2,498,929.63	2,498,315.00	-0.15%
3135G0VA8	FANNIE MAE GLOBAL NOTES	1,000,000	0.500	03/30/16	0.00	0.00	0.00	1,263.89	1,002,613.46	994,396.00	0.00%
3135G0VA8	FANNIE MAE GLOBAL NOTES	2,000,000	0.500	03/30/16	0.00	0.00	0.00	2,527.78	1,998,557.96	1,988,792.00	0.00%
3137EADQ9	FREDDIE MAC GLOBAL NOTES	2,000,000	0.500	05/13/16	0.00	0.00	0.00	1,333.33	1,998,146.48	1,987,400.00	0.00%
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NO	2,000,000	0.375	06/24/16	0.00	0.00	0.00	145.83	1,988,476.56	1,977,530.00	0.00%
		\$19,320,000			\$62,785.85	\$12,400,981.21	\$12,425,661.30	\$27,256.94	\$13,007,847.08	\$12,971,654.50	4.39%
<b>US TSY BOND/NOTE</b>											
912828PU8	US TREASURY NOTES	\$600,000	0.500	11/15/2013	\$1,135.36	\$598,460.04	\$601,359.60	\$0.00	\$0.00	\$0.00	0.00%
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	1,443.61	2,499,521.33	2,525,780.00	9,171.20	2,499,645.03	2,519,335.00	-0.26%
912828RZ5	US TREASURY NOTES	1,510,000	0.250	1/15/2015	792.54	1,508,461.51	1,510,294.45	1,741.51	1,508,677.01	1,509,705.55	-0.04%
912828NP1	US TREASURY NOTES	1,575,000	1.750	7/31/2015	4,568.37	1,624,980.85	1,628,524.80	11,497.06	1,619,620.33	1,619,542.58	-0.55%
		\$6,185,000			\$7,939.88	\$6,231,423.73	\$6,265,958.85	\$22,409.77	\$5,627,942.37	\$5,648,583.13	-9.85%
<b>TOTAL</b>		<b>\$25,505,000</b>			<b>\$70,725.73</b>	<b>\$18,632,404.94</b>	<b>\$18,691,620.15</b>	<b>\$49,666.71</b>	<b>\$18,635,789.45</b>	<b>\$18,620,237.63</b>	<b>-0.382%</b>
<b>TOTAL PORTFOLIO</b>		<b>\$37,505,000</b>			<b>\$70,725.73</b>	<b>\$54,043,540.86</b>	<b>\$54,102,756.07</b>	<b>\$49,666.71</b>	<b>\$48,808,053.31</b>	<b>\$48,792,317.03</b>	<b>-9.82%</b>

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>June 30, 2013</u>	<u>% of Portfolio</u>	<u>March 31, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$5,670,992.90	11.6%	\$6,273,898.73	4.4%
Federal Agencies	12,998,911.44	26.6%	12,488,447.15	49.1%
Commercial Paper	11,986,387.20	24.5%	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	18,185,692.20	37.2%	35,411,135.92	46.5%
<b>Totals</b>	<b>\$48,841,983.74</b>	<b>100.0%</b>	<b>\$54,173,481.80</b>	<b>100.0%</b>

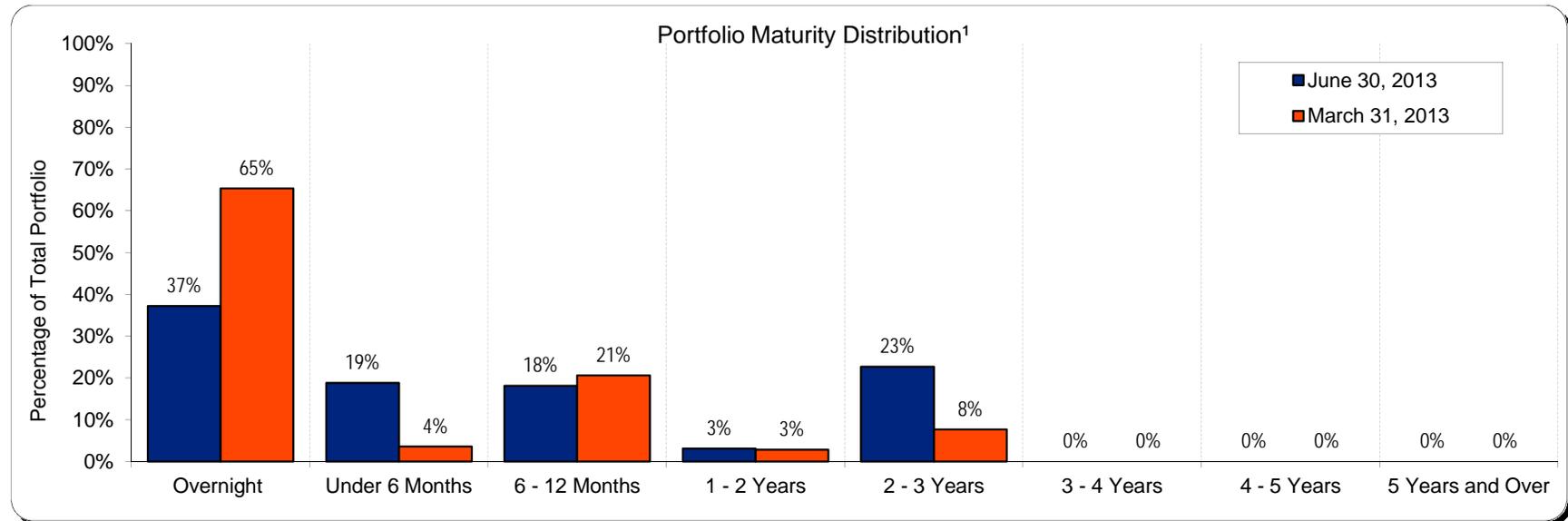


Notes:

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, 2013</u>	<u>March 31, 2013</u>
Overnight (Money Market Fund)	\$18,185,692.20	\$35,411,135.92
Under 6 Months	9,195,719.53	1,941,834.68
6 - 12 Months	8,861,832.87	11,172,822.43
1 - 2 Years	1,511,447.06	1,511,086.99
2 - 3 Years	11,087,292.08	4,136,601.78
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>\$48,841,983.74</b>	<b>\$54,173,481.80</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>4/30/2013</b>			
April Market Value		48,959,269.40	1 Account Summary Page
April Accrued Interest		54,392.39	2 Account Summary Page
Less (Purchases & Deposits)		(372,414.75)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		5,500,000.00	5 Security Transactions & Interest
Add Interest Receipts		42,547.98	6 Security Transactions & Interest
Less March Market Value		(54,102,756.07)	7 Account Summary Page
Less March Accrued Interest		(70,725.73)	8 Account Summary Page
<b>Earnings</b>		<b>10,313.22</b>	

<b>Change in Investment Market Value</b>	<b>(5,143,486.67)</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>(16,333.34)</b>	(2 - 8)
<b>Change in Cash</b>	<b>5,170,133.23</b>	(sum 3 thru 6)

<b>Investment Entries</b>		<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
<i>To Record Investment Activity</i>				
Cash		5,127,585.25		Security Transactions & Interest
Investments			5,143,486.67	Amortization/Accretion
Investment Income		15,901.42		Earnings
To record investment income/changes				
Cash		42,547.98		Security Transactions & Interest
Accrued Interest			16,333.34	Accrued Interest Difference
Investment Income			26,214.64	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>Market Value Basis</b>	<b>Source Document</b>
<b>5/31/2013</b>			
May Market Value		49,411,269.78	1 Account Summary Page
May Accrued Interest		63,661.21	2 Account Summary Page
Less (Purchases & Deposits)		(1,485,570.84)	3 Security Transactions & Interest
Less Purchased Interest		(541.67)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		1,005,000.00	5 Security Transactions & Interest
Add Interest Receipts		15,900.79	6 Security Transactions & Interest
Less April Market Value		(48,962,023.63)	7 Account Summary Page
Less April Accrued Interest		(54,392.39)	8 Account Summary Page
<b>Earnings</b>		<b>(6,696.75)</b>	

<b>Change in Investment Market Value</b>	<b>449,246.15</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>9,268.82</b>	(2 - 8)
<b>Change in Cash</b>	<b>(465,211.72)</b>	(sum 3 thru 6)

<b>Investment Entries</b>		<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
<i>To Record Investment Activity</i>				
Cash			480,570.84	Security Transactions & Interest
Investments	449,246.15			Amortization/Accretion
Investment Income	31,324.69			Earnings
To record investment income/changes				
Cash	15,359.12			Security Transactions & Interest
Accrued Interest	9,268.82			Accrued Interest Difference
Investment Income			24,627.94	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>Market Value Basis</b>	<b>Source Document</b>
<b>6/30/2013</b>			
June Market Value		48,791,248.28	1 Account Summary Page
June Accrued Interest		49,666.71	2 Account Summary Page
Less (Purchases & Deposits)		(26,383,345.34)	3 Security Transactions & Interest
Less Purchased Interest		(2,937.50)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		26,958,637.68	5 Security Transactions & Interest
Add Interest Receipts		32,217.90	6 Security Transactions & Interest
Less May Market Value		(49,413,126.82)	7 Account Summary Page
Less May Accrued Interest		(63,661.21)	8 Account Summary Page
<b>Earnings</b>		<b>(31,300.30)</b>	

<b>Change in Investment Market Value</b>	<b>(621,878.54)</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>(13,994.50)</b>	(2 - 8)
<b>Change in Cash</b>	<b>604,572.74</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	575,292.34		Security Transactions & Interest
Investments		621,878.54	Amortization/Accretion
Investment Income	46,586.20		Earnings
To record investment income/changes			
Cash	29,280.40		Security Transactions & Interest
Accrued Interest		13,994.50	Accrued Interest Difference
Investment Income		15,285.90	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, 2013</b>	Amortized Cost <sup>1,2,3</sup> March 31, 2013	<b>Market Value<sup>1,2,3</sup> June 30, 2013</b>	Market Value <sup>1,2,3</sup> March 31, 2013	<b>Duration (Years) June 30, 2013</b>
Pooled Funds	\$11,986,571.66	N/A	\$11,986,387.20	N/A	0.460

<u>Account Name</u>	<b>Yield to Maturity on Cost<sup>4</sup> June 30, 2013</b>	Yield to Maturity on Cost <sup>4</sup> March 31, 2013	<b>Yield to Maturity at Market June 30, 2013</b>	Yield to Maturity at Market March 31, 2013	Duration (Years) March 31, 2013
Pooled Funds	0.24%	N/A	0.25%	N/A	N/A

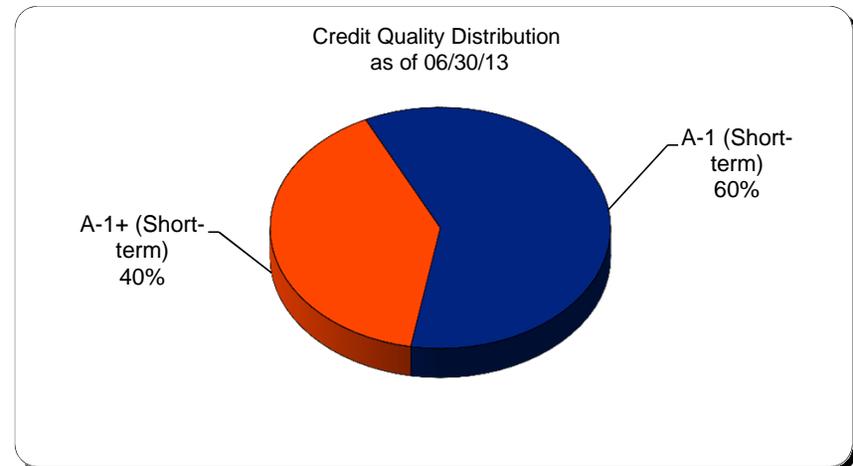
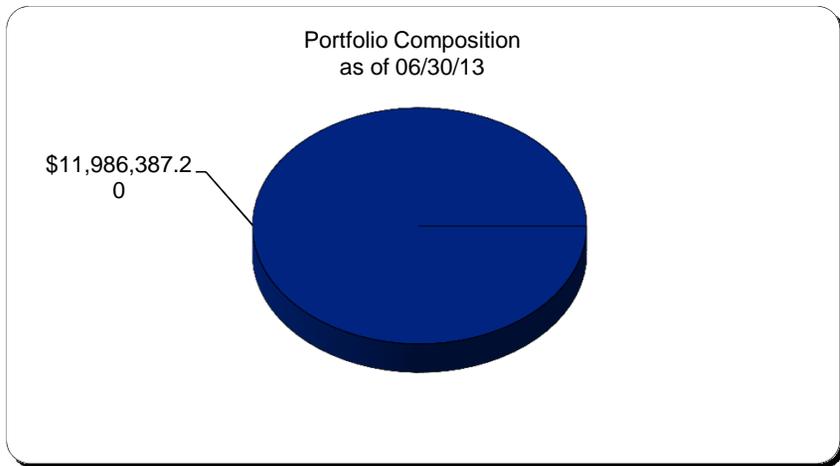
<u>Benchmarks<sup>5</sup></u>	<b>June 30, 2013</b>	March 31, 2013
TexPool <sup>6</sup>	0.05%	0.10%

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, 2013.
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, 2013</u>	<u>% of Portfolio</u>	<u>March 31, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.00%	N/A	N/A
Federal Agencies	0.00	0.00%	N/A	N/A
Commercial Paper	11,986,387.20	100.00%	N/A	N/A
Commercial Paper - TLGP	0.00	0.00%	N/A	N/A
Certificates of Deposit	0.00	0.00%	N/A	N/A
Bankers Acceptances	0.00	0.00%	N/A	N/A
Repurchase Agreements	0.00	0.00%	N/A	N/A
Municipal Obligations	0.00	0.00%	N/A	N/A
Corporate Notes/Bonds	0.00	0.00%	N/A	N/A
Mortgage Backed	0.00	0.00%	N/A	N/A
Money Market Fund/Cash	0.00	0.00%	N/A	N/A
<b>Totals</b>	<b>\$11,986,387.20</b>	<b>100.00%</b>	<b>N/A</b>	<b>N/A</b>

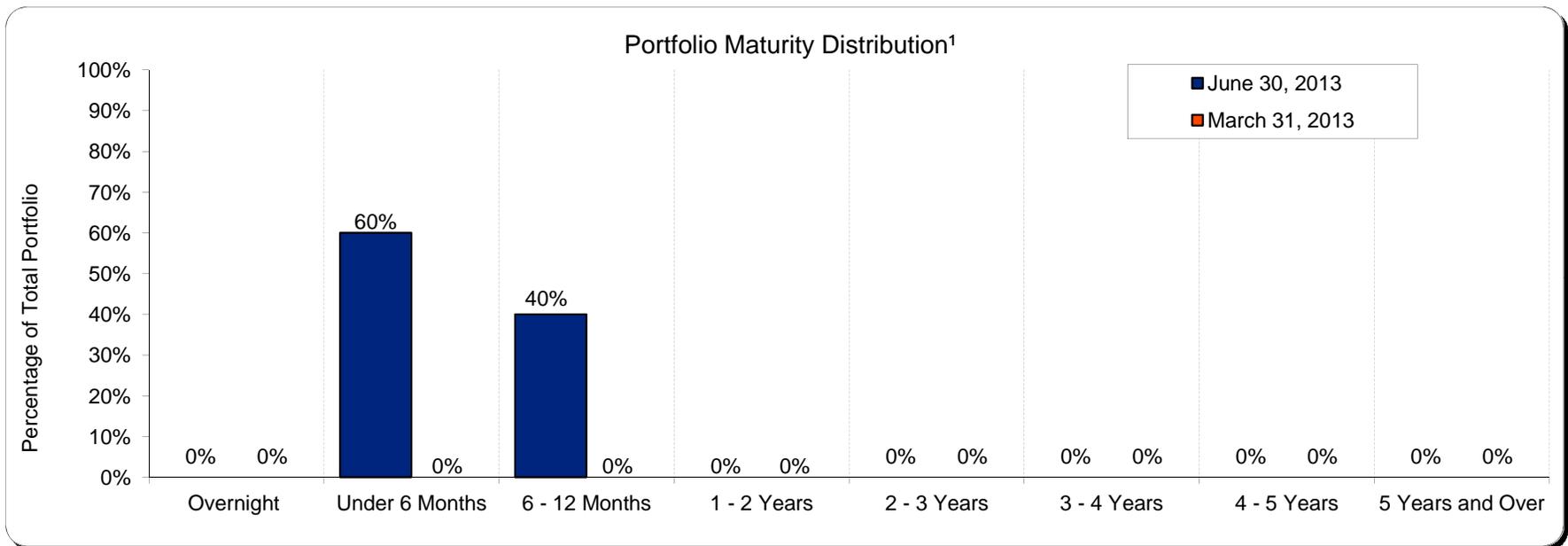


Notes:

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, 2013</u>	<u>March 31, 2013</u>
Overnight (Money Market Fund)	\$0.00	N/A
Under 6 Months	7,193,107.20	N/A
6 - 12 Months	4,793,280.00	N/A
1 - 2 Years	0.00	N/A
2 - 3 Years	0.00	N/A
3 - 4 Years	0.00	N/A
4 - 5 Years	0.00	N/A
5 Years and Over	0.00	N/A
<b>Totals</b>	<b>\$11,986,387.20</b>	<b>N/A</b>



Notes:

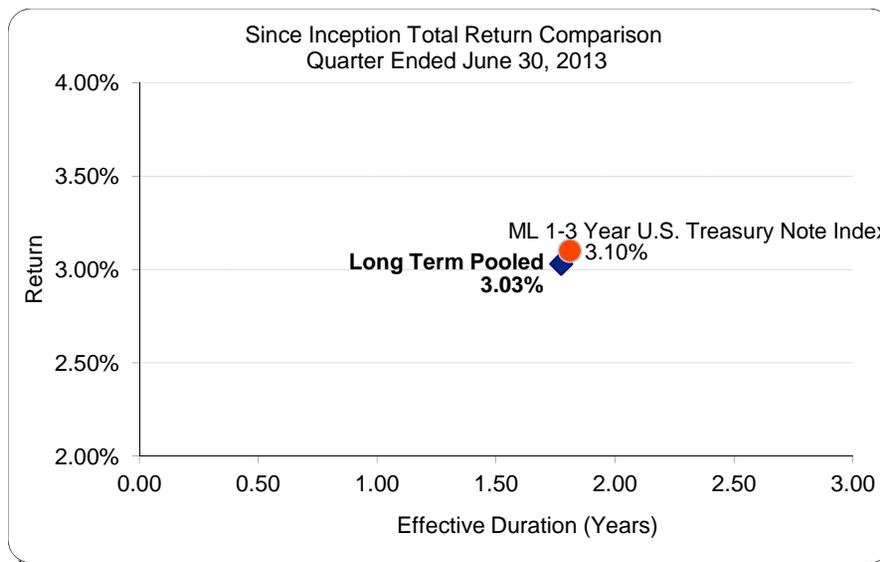
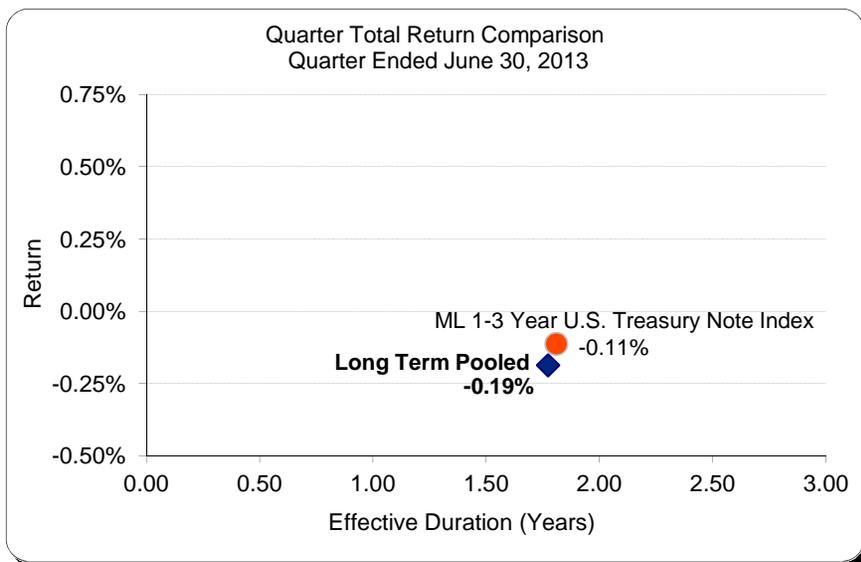
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

<b>Total Portfolio Value<sup>1</sup></b>	<b>June 30, 2013</b>	March 31, 2013
<b>Market Value</b>	<b>\$18,669,904.34</b>	\$18,762,345.88
<b>Amortized Cost</b>	<b>\$18,685,456.16</b>	\$18,703,130.67

<b>Total Return<sup>2,3,4,5</sup></b>	Quarterly Return June 30, 2013	Last 6 Months	Last 12 Months	Last 2 Years	Last 5 Years	Since Inception June 30, 2006
<b>Long Term Pooled Fund</b>	<b>-0.19%</b>	<b>-0.10%</b>	<b>0.20%</b>	<b>0.43%</b>	<b>1.89%</b>	<b>3.03%</b>
Merrill Lynch 1-3 Year U.S. Treasury Note Index	-0.11%	0.00%	<b>0.33%</b>	<b>0.56%</b>	1.90%	3.10%

<b>Effective Duration(Years)<sup>4,5</sup></b>	June 30, 2013	March 31, 2013	<b>Yields</b>	June 30, 2013	March 31, 2013
<b>Long Term Pooled Fund</b>	<b>1.77</b>	<b>1.05</b>	Yield at Market	<b>0.45%</b>	0.20%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.81	1.79	Yield at Cost	<b>0.57%</b>	0.67%
Portfolio Duration % of Benchmark Duration	98%	59%			

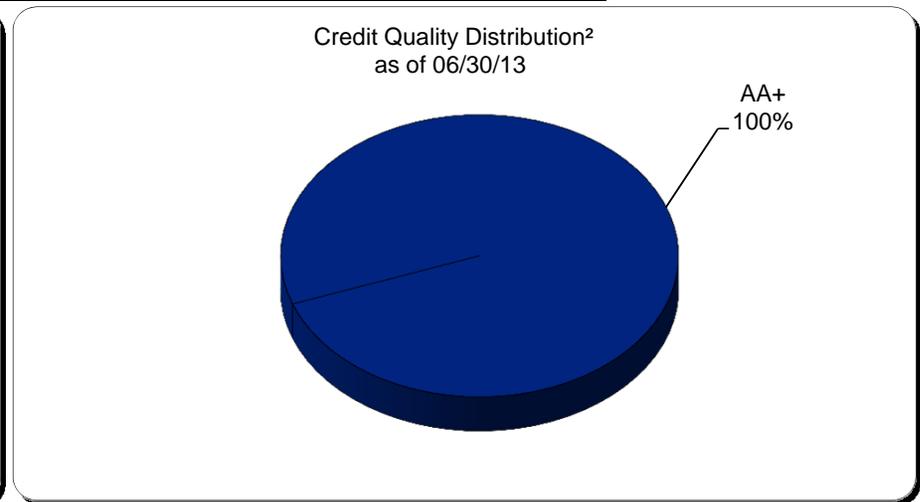
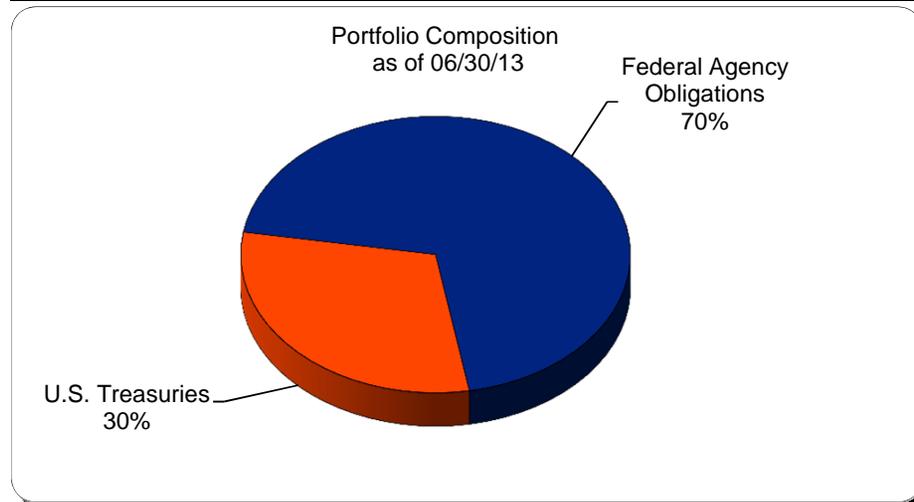


Notes:

- 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 Type<sup>1</sup></u>	<u>June 30, 2013</u>	<u>% of Portfolio</u>	<u>March 31, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$5,670,992.90	30.4%	\$6,273,898.73	33.4%
Federal Agencies	12,998,911.44	69.6%	12,488,447.15	66.6%
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>\$18,669,904.34</b>	<b>100.0%</b>	<b>\$18,762,345.88</b>	<b>100.0%</b>

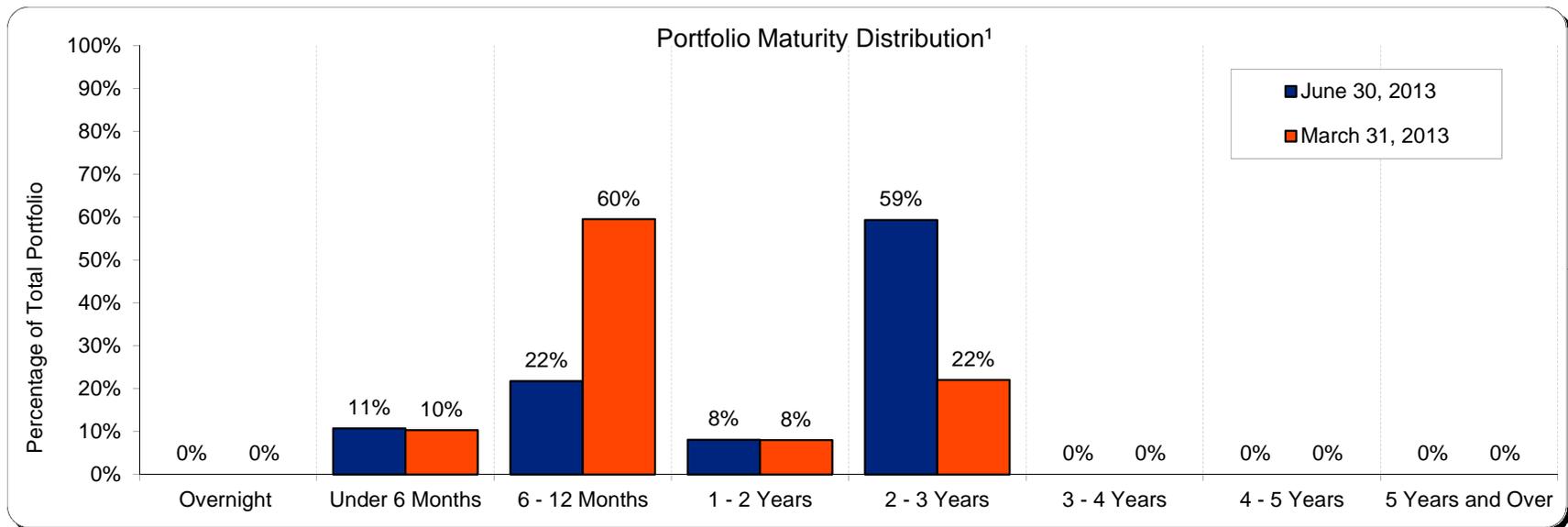


Notes:

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

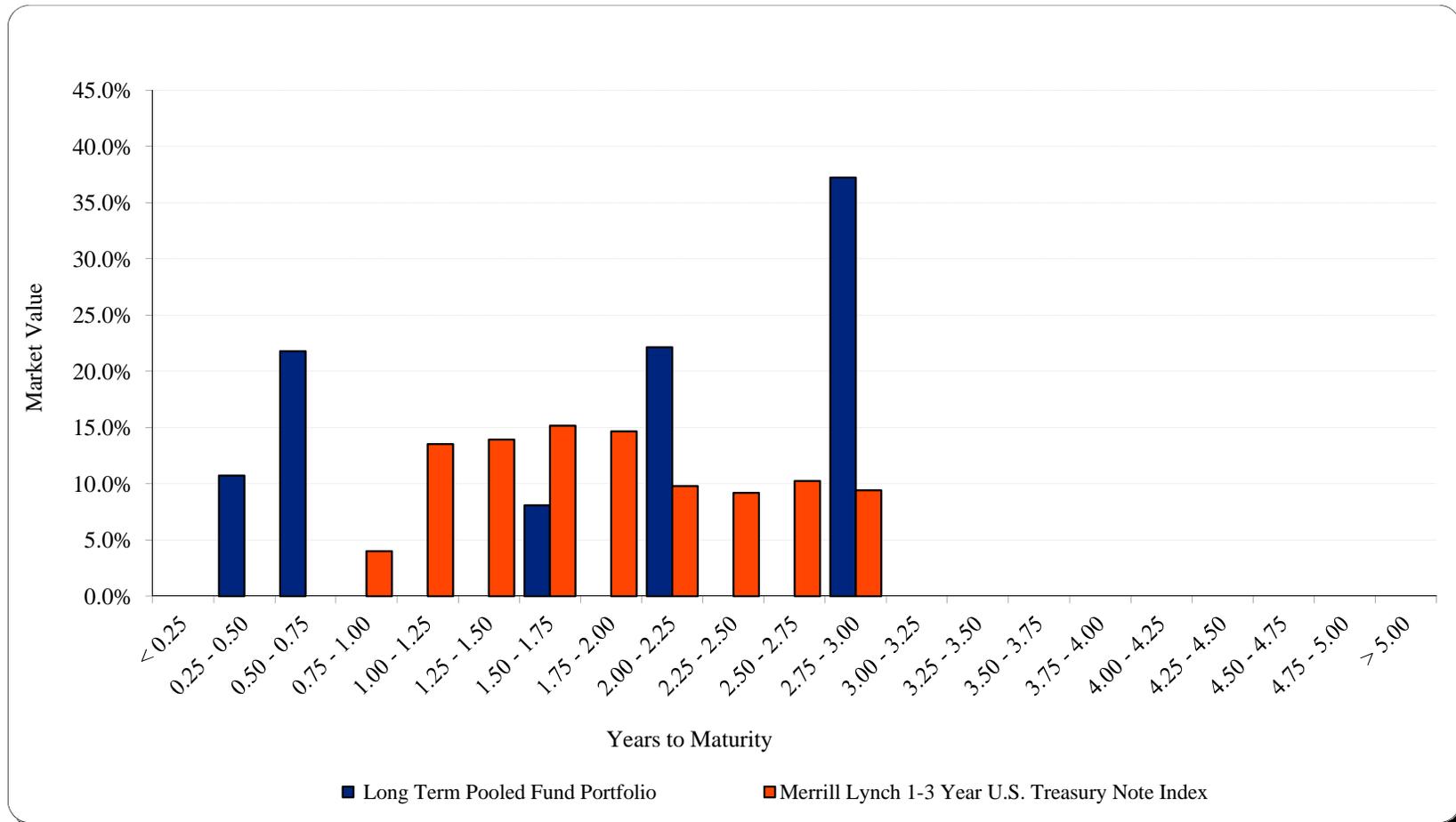
<u>Maturity Distribution<sup>1</sup></u>	<u>June 30, 2013</u>	<u>March 31, 2013</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	2,002,612.33	1,941,834.68
6 - 12 Months	4,068,552.87	11,172,822.43
1 - 2 Years	1,511,447.06	1,511,086.99
2 - 3 Years	11,087,292.08	4,136,601.78
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$18,669,904.34</b>	<b>\$18,762,345.88</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.

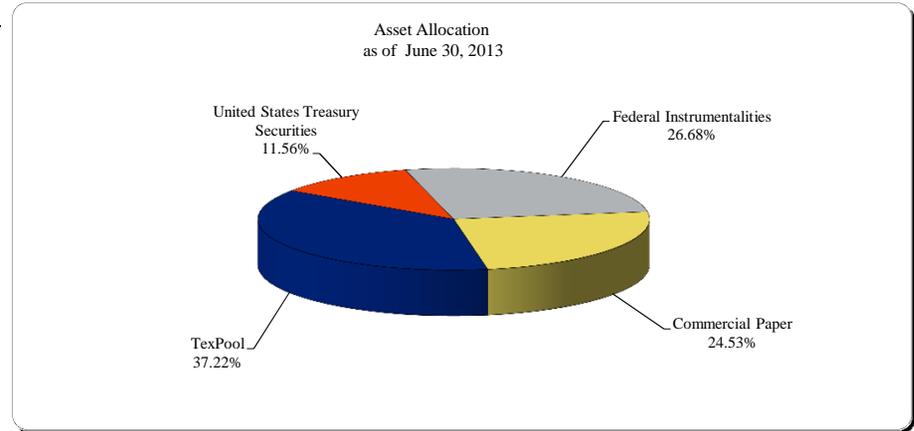
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark<sup>1</sup>



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>2</sup>	June 30, 2013	June 30, 2013	Notes	Permitted by Policy
TexStar	-	0.00%		100%
TexPool	18,185,692.20	37.22%		100%
United States Treasury Securities	5,650,352.14	11.56%		100%
United States Government Agency Securities	-	0.00%		100%
Federal Instrumentalities	13,035,104.02	26.68%	1	100%
Mortgage-Backed Securities	-	0.00%	1	40%
Certificates of Deposit	-	0.00%		20%
Repurchase Agreements	-	0.00%		20%
Commercial Paper	11,986,571.66	24.53%		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	June 30, 2013	June 30, 2013	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)	1,988,622.39	4.07%		40%
Federal National Mortgage Association (FNMA)	7,046,844.23	14.42%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	3,999,637.40	8.19%		40%

Individual Issuer Breakdown	June 30, 2013	June 30, 2013	Notes	Permitted by Policy
General Electric Commercial Paper	2,397,228.00	4.91%		5%
BNP Paribas Commercial Paper	2,398,316.66	4.91%		5%
Toyota Commercial Paper	2,395,684.01	4.90%		5%
UBS Finance Commercial Paper	2,398,150.99	4.91%		5%
Bank of Tokyo Mitsubishi Commercial Paper	2,397,192.00	4.91%		5%

Notes:  
 1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of June 30, 2013 is 26.68%.  
 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 June 30, 2013, 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

---

Alan Guard, Director of Financial Services

# TAB III

Insert Month End Statement here to complete the report.

Statements are available online at **[www.pfm.com](http://www.pfm.com)**  
login and click on the link to “Monthly Statements”  
on the left side of the screen.

# TAB IV