

City of Rowlett, Texas



Investment Performance Review Quarter Ended December 31, 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 December 31, 2013
- F. Investment Officer's Certification

- Tab III. October 31, 2013 PFM Month-End Statement
November 30, 2013 PFM Month-End Statement
December 31, 2013 PFM Month-End Statement
(statements are available online at www.pfm.com)

- Tab IV. October 31, 2013 TexPool Month End Statements
November 30, 2013 TexPool Month End Statements
December 31, 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

- Over the quarter, the labor and housing markets showed signs of considerable improvement, reflecting a strengthening economic recovery and absorbing less of an impact from the temporary government shutdown than what was previously anticipated.
- Yields on intermediate- and longer-term bonds rose as the Federal Reserve (Fed) decided to begin reducing its monthly bond purchases.
- The U.S. Senate confirmed Janet Yellen, current vice chair of the Fed, to succeed Ben Bernanke when his term expires at the end of January 2014.

Economic Snapshot

- Third-quarter U.S. gross domestic product (GDP) growth was 4.1%, marking its fastest pace in two years as personal consumption and inventories exceeded expectations. Inflation, as measured by the Personal Consumption Expenditures (PCE) index, was mostly unchanged at an annualized rate of 0.9%.
- U.S. retail sales were strong, increasing by 0.7% in November and marking the largest gain in five months.
- In the housing market, new home sales, housing starts, and building permits all reached five-year highs during the quarter. Home prices also marched higher, with the S&P Case-Shiller Index reporting that prices for homes in 20 U.S. cities had increased 13.6% year over year in October—the largest 12-month gain since February 2006.
- In the euro zone, the pace of economic activity picked up, with December results from the Markit purchasing managers index (PMI) showing the second largest increase in business activity since June 2011 and the best quarter in two-and-a-half years.

Interest Rates

- At its December 17-18 meeting, the Federal Open Market Committee (FOMC) announced that it would begin tapering its bond-buying programs. The FOMC decided it would reduce its purchases of Treasuries and mortgage-backed securities each by \$5 billion a month beginning in January. Throughout 2013, the FOMC has bought \$85 billion of these securities each month to keep downward pressure on long-term interest rates. The FOMC announcement left the federal funds target rate unchanged.
- The FOMC's outlook seemed to take its cue from the flow of positive economic data, as the Committee raised its GDP forecasts for the coming years and reduced its projections for the unemployment rate.
- Interest rates seem to be on a path towards normalization from record lows as the Fed gradually unwinds its unprecedented monetary policy actions.

Sector Performance

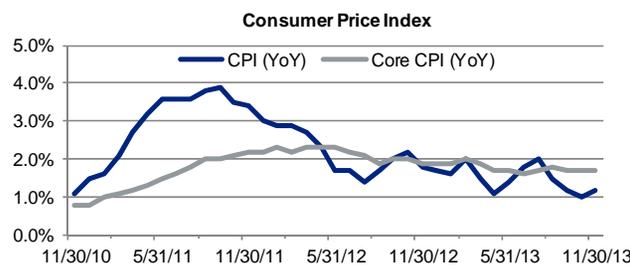
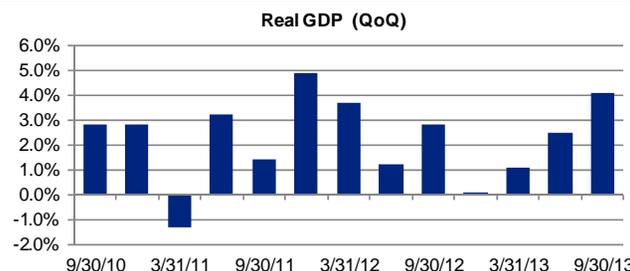
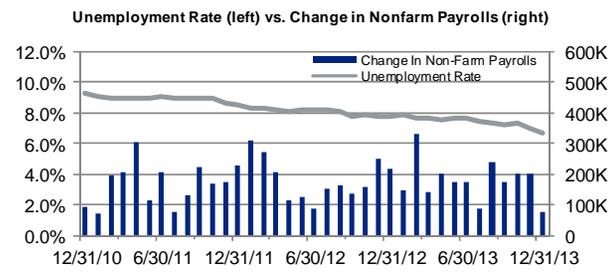
- Treasuries sold off during the quarter as interest rates resumed their move to higher levels.
- As was the case last quarter, fixed-income securities that were perceived to have the most risk (such as corporate bonds with the lowest credit ratings) performed best. On the other hand, U.S. Treasuries were the worst performers, with longer-term Treasuries hit especially hard.
- Within short to intermediate maturities, municipal bonds performed best in December due to a lack of supply and an increase in demand.

Economic Snapshot

Labor Market		Latest	Sep 2013	Dec 2012
Unemployment Rate	Dec'13	6.7%	7.2%	7.8%
Change In Non-Farm Payrolls	Dec'13	74,000	175,000	219,000
Average Hourly Earnings (YoY)	Dec'13	1.8%	2.1%	2.1%
Personal Income (YoY)	Nov13	2.3%	3.9%	7.9%
Initial Jobless Claims (week)	Dec 27	339,000	308,000	372,000

Growth				
Real GDP (QoQ SAAR)	2013 Q3	4.1%	2.5% ¹	0.1% ²
GDP Personal Consumption (QoQ SAAR)	2013 Q3	2.0%	1.8% ¹	1.7% ²
Retail Sales (YoY)	Nov13	4.7%	3.5%	5.2%
ISM Manufacturing Survey (month)	Dec'13	57.0	56.2	50.2
Existing Home Sales SAAR (month)	Nov13	4.90 mil.	5.29 mil.	4.90 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Nov13	0.9%	0.9%	1.5%
Consumer Price Index (YoY)	Nov13	1.2%	1.2%	1.7%
Consumer Price Index Core (YoY)	Nov13	1.7%	1.7%	1.9%
Crude Oil Futures (WTI, per barrel)	Dec 31	\$98.42	\$102.33	\$91.82
Gold Futures (oz)	Dec 31	\$1,202	\$1,327	\$1,676



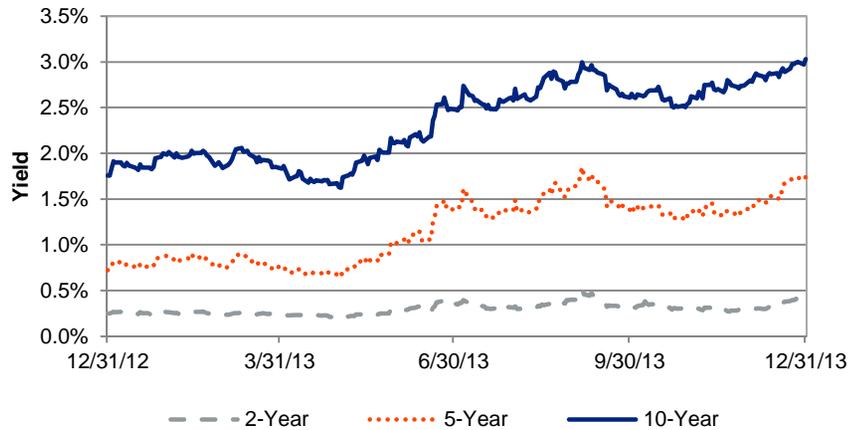
1. Data as of Second Quarter 2013 2. Data as of Fourth Quarter 2012
 3. Some recent economic data has not been released due to the U.S. Government shutdown

Source: Bloomberg

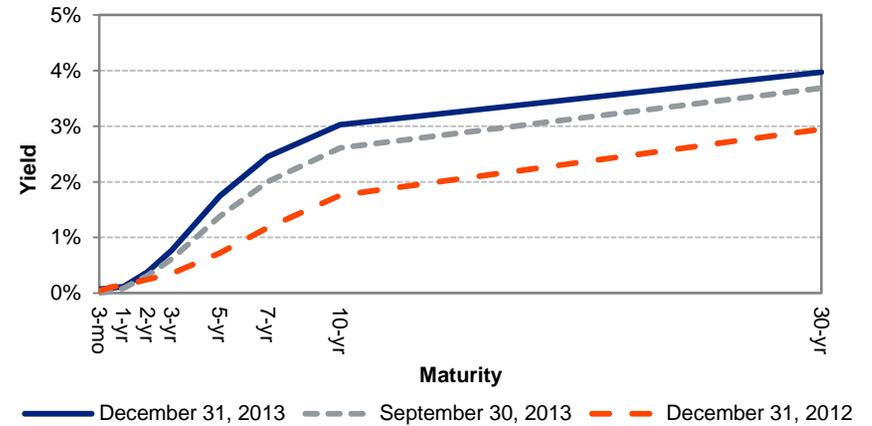
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

Investment Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

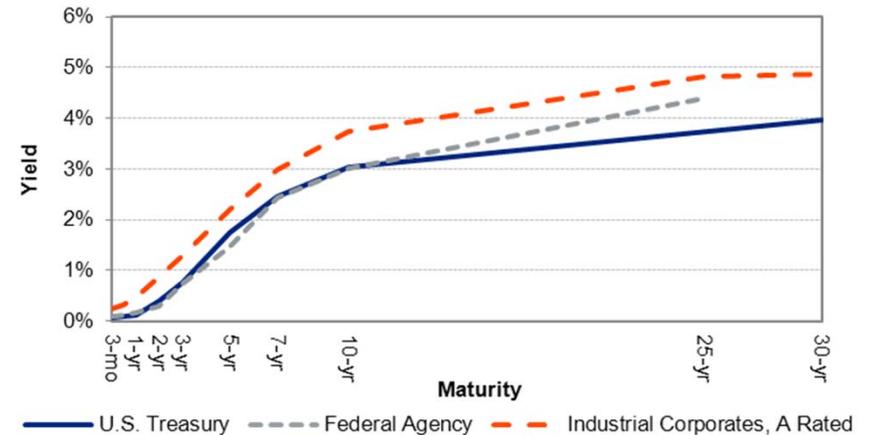


U.S. Treasury Yields

Maturity	12/31/13	9/30/13	Change over Quarter	12/31/12	Change over Year
3-month	0.07%	0.01%	+0.06%	0.04%	+0.03%
1-year	0.14%	0.11%	+0.03%	0.14%	+0.00%
2-year	0.36%	0.32%	+0.04%	0.27%	+0.09%
5-year	1.76%	1.39%	+0.37%	0.74%	+1.02%
10-year	3.11%	2.67%	+0.44%	1.81%	+1.30%
30-year	3.97%	3.68%	+0.29%	2.94%	+1.03%

Source: Bloomberg

Yield Curves as of 12/31/13



BofA Merrill Lynch Index Returns

	As of 12/31/2013		Returns for Periods ended 12/31/2013		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.91	0.40%	0.06%	0.36%	0.78%
Federal Agency	1.77	0.49%	0.15%	0.42%	0.93%
U.S. Corporates, A-AAA rated	1.85	0.91%	0.46%	1.41%	2.34%
Agency MBS (0 to 3 years)	1.80	1.06%	0.82%	0.85%	1.87%
Municipals	1.81	0.59%	0.34%	1.07%	1.49%
1-5 Year Indices					
U.S. Treasury	2.70	0.76%	(0.11%)	(0.19%)	1.35%
Federal Agency	2.48	0.83%	0.11%	0.03%	1.28%
U.S. Corporates, A-AAA rated	2.76	1.46%	0.52%	1.14%	3.16%
Agency MBS (0 to 5 years)	3.42	2.55%	0.49%	0.00%	2.51%
Municipals	2.55	0.93%	0.55%	1.24%	2.17%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	5.61	1.64%	(0.92%)	(3.35%)	2.72%
Federal Agency	3.97	1.47%	(0.20%)	(1.79%)	1.93%
U.S. Corporates, A-AAA rated	6.40	2.86%	0.63%	(1.87%)	4.70%
Agency MBS (0 to 30 Years)	5.57	3.18%	(0.47%)	(1.39%)	2.40%
Municipals	8.09	3.50%	0.37%	(2.89%)	5.01%

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 TexPool, U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- The Long Term Pooled Fund Portfolio's quarterly total return performance was 0.15%, outperforming the benchmark's performance of 0.06% by 0.09%. Over the past year, the Portfolio earned 0.33%, versus 0.36% 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 0.26%, exceeding the Yield of its benchmark the TexPool by 22 basis points (0.22%).
- Our investment strategy, for the Long Term Pooled Fund Portfolio, was based on the view that interest rates would eventually rise in anticipation of a tapering of the Federal Reserve's large scale bond purchase program, after being surprised by no such action in Q3. We expected that growth in the U.S. economy would be sufficient to support such a move in late 2013 or early 2014. The key pillars of our strategy for Q4 included:
 - Maintaining a defensive posture, positioning portfolio durations shorter than benchmarks,
 - Generally cautious toward investments with optionality, that could underperform if rates spiked, and make duration management – a key part of our strategy – more difficult,
 - Maintaining a more laddered maturity distribution, in recognition of the potential for the yield curve to steepen, and
 - Carefully monitoring yield spreads, which caused some sectors and maturities to narrow to a point where it no longer made sense to hold them.
- Yields drifted modestly lower in October and November, then jumped sharply in anticipation of the Fed's tapering of bond purchases. Longer-term yields ended the quarter near their highs for the year. Our shorter duration strategy was the right one, but the magnitude of the yield increases in December dampened all fixed-income returns for the quarter.
- Agency yield spreads continued to contract from already record tight levels. At the beginning of Q4, value could still be found in Agency bonds maturing in 3 years, but by the end of quarter, yield spreads on Agencies 3 years and shorter were close to zero. Additionally, average daily trading volume of Agency debt declined by 32% in 2013 compared to 2012, creating something of a scarcity premium that decreased the sector's relative value.
- It is our expectation that the sources of excess return in 2014 will differ from those that drove relative performance in 2013. If rates rise as the Fed withdraws its extraordinary monetary stimulus, negative returns on longer maturities may become unavoidable for short periods. After the adjustment, portfolios will be in a much better position to generate higher earnings going forward. Active duration management will be a critical aspect of our strategy in early 2014 to mitigate the effects of rate normalization and to maximize relative performance. This will be balanced, however, by recognizing the enhanced earnings potential imbedded in a steepest yield curve.
- 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

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)
	December 31, 2013	September 30, 2013	December 31, 2013	September 30, 2013	December 31, 2013
Pooled Funds	\$7,195,493.33	\$11,993,962.32	\$7,196,481.60	\$11,995,814.40	0.210
Long Term Pooled Fund	18,663,107.10	18,646,275.66	18,672,814.10	18,657,678.74	1.670
TexPool	12,548,319.39	9,138,112.88	12,548,319.39	9,138,112.88	0.003
Total	\$38,406,919.82	\$39,778,350.86	\$38,417,615.09	\$39,791,606.02	0.852

Yields Account Name	Yield to Maturity on Cost ⁴	Yield to Maturity on Cost ⁴	Yield to Maturity at Market	Yield to Maturity at Market	Duration (Years)
	December 31, 2013	September 30, 2013	December 31, 2013	September 30, 2013	September 30, 2013
Pooled Funds	0.26%	0.24%	0.14%	0.15%	0.210
Long Term Pooled Fund	0.57%	0.57%	0.39%	0.35%	1.350
TexPool ⁵	0.04%	0.04%	0.04%	0.04%	0.003
Weighted Average YTM	0.34%	0.35%	0.23%	0.22%	0.697

Monthly Interest earnings YTD^{6,7}

October 2013	\$37,355.39	April 2014	
November 2013	\$13,452.76	May 2014	
December 2013	(23,084.61)	June 2014	
January 2014		July 2014	
February 2014		August 2014	
March 2014		September 2014	
Total Fiscal Year Net Earnings		\$27,723.54	

Notes:

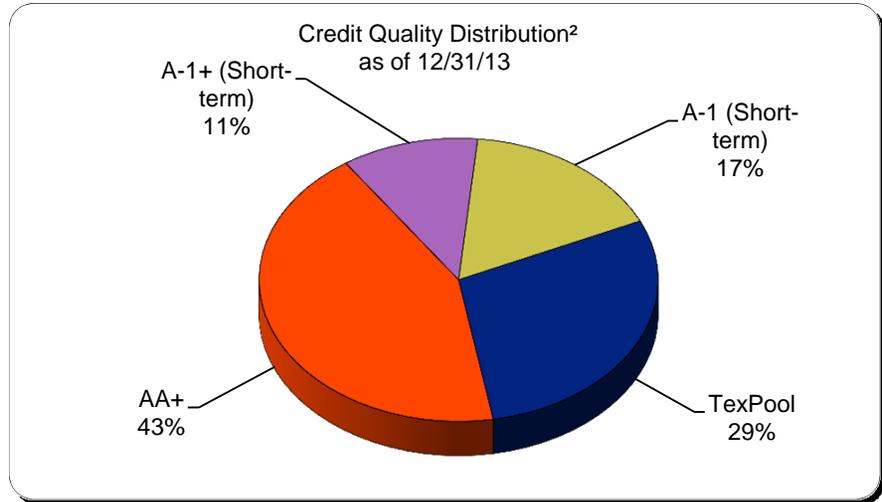
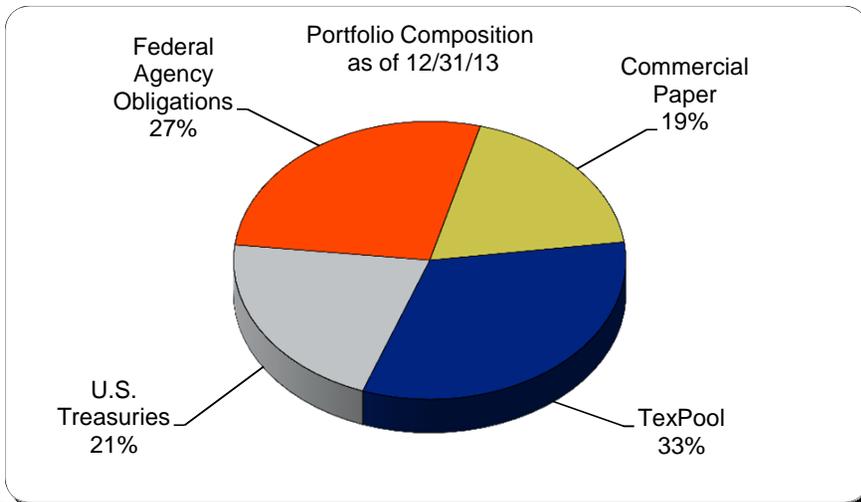
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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	9,138,112.88	9,138,112.88	0.00	12,548,319.39	12,548,319.39	37.32%
					\$0.00	\$9,138,112.88	\$9,138,112.88	\$0.00	\$12,548,319.39	\$12,548,319.39	37.32%
TOTAL					\$0.00	\$9,138,112.88	\$9,138,112.88	\$0.00	\$12,548,319.39	\$12,548,319.39	37.32%
POOLED FUNDS											
COMMERCIAL PAPER											
0556N0XA8	FNMA GLOBAL NOTES	2,400,000	0.000	10/10/13	\$0.00	\$2,399,850.00	\$2,399,918.40	\$0.00	\$0.00	\$0.00	0.00%
90262CY76	FHLB GLOBAL BONDS	2,400,000	0.000	11/07/13	0.00	2,399,469.67	2,399,659.20	0.00	0.00	0.00	0.00%
06538BZA4	FHLB GLOBAL BENCHMARK NOTES	2,400,000	0.000	12/10/13	0.00	2,398,786.66	2,399,085.60	0.00	0.00	0.00	0.00%
0556N1FA6	BNP PARIBAS FINANCE INC COMM PAPER	2,400,000	0.000	06/10/14	0.00	0.00	0.00	0.00	2,396,693.33	2,396,877.60	0.00%
36959JA60	FHLMC NOTES	2,400,000	0.000	01/06/14	0.00	2,398,577.33	2,399,359.20	0.00	2,399,926.66	2,399,983.20	0.03%
89233HC77	FREDDIE MAC GLOBAL NOTES	2,400,000	0.000	03/07/14	0.00	2,397,278.66	2,397,792.00	0.00	2,398,873.34	2,399,620.80	0.08%
		\$14,400,000			\$0.00	\$11,993,962.32	\$11,995,814.40	\$0.00	\$7,195,493.33	\$7,196,481.60	-40.01%
TOTAL		\$14,400,000			\$0.00	\$11,993,962.32	\$11,995,814.40	\$0.00	\$7,195,493.33	\$7,196,481.60	-40.008%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	\$2,583.33	\$1,999,788.76	\$2,000,918.00	\$0.00	\$0.00	\$0.00	0.00%
31398AVD1	FNMA GLOBAL NOTES	1,500,000	2.750	02/05/14	6,416.67	1,512,561.75	1,513,789.50	16,729.17	1,503,444.35	1,503,600.00	-0.67%
3135G0NP4	FANNIE MAE (CALLABLE) GLOBAL NOTES	2,500,000	0.500	08/20/15	1,423.61	2,499,054.28	2,501,242.50	0.00	0.00	0.00	0.00%
3135G0VA8	FANNIE MAE GLOBAL NOTES	1,000,000	0.500	03/30/16	13.89	1,002,377.14	997,554.00	1,263.89	1,002,140.12	998,925.00	0.14%
3135G0VA8	FANNIE MAE GLOBAL NOTES	2,000,000	0.500	03/30/16	27.78	1,998,689.38	1,995,108.00	2,527.78	1,998,819.90	1,997,850.00	0.14%
3137EADQ9	FREDDIE MAC GLOBAL NOTES	2,000,000	0.500	05/13/16	3,833.33	1,998,307.38	1,994,818.00	1,333.33	1,998,468.28	1,997,580.00	0.14%
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NO	2,000,000	0.375	06/24/16	2,020.83	1,989,436.20	1,989,462.00	145.83	1,990,396.06	1,993,214.00	0.19%
3137EADS5	FHLMC NOTES	2,000,000	0.009	10/14/16	0.00	0.00	0.00	3,743.06	2,003,333.60	2,006,918.00	0.00%
		\$15,000,000			\$16,319.44	\$13,000,214.89	\$12,992,892.00	\$25,743.06	\$10,496,602.31	\$10,498,087.00	-19.20%
US TSY BOND/NOTE											
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	\$1,381.22	\$2,499,770.58	\$2,513,575.00	\$9,323.20	\$2,499,898.50	\$2,505,860.00	-0.31%
912828RZ5	US TREASURY NOTES	1,510,000	0.250	1/15/2015	800.14	1,508,892.14	1,511,416.38	1,743.89	1,509,106.79	1,511,238.20	-0.01%
912828NP1	US TREASURY NOTES	1,575,000	1.750	7/31/2015	4,643.68	1,614,253.57	1,616,650.88	11,534.31	1,608,912.30	1,611,729.00	-0.30%
912828WB2	US TREASURY NOTES	2,500,000	0.003	10/31/2015	0.00	0.00	0.00	1,070.44	2,499,172.30	2,496,485.00	0.00%
		\$8,085,000			\$6,825.04	\$5,622,916.29	\$5,641,642.26	\$23,671.84	\$8,117,089.89	\$8,125,312.20	44.02%
TOTAL		\$23,085,000			\$23,144.48	\$18,623,131.18	\$18,634,534.26	\$49,414.90	\$18,613,692.20	\$18,623,399.20	-0.060%
TOTAL PORTFOLIO		\$37,485,000			\$23,144.48	\$39,755,206.38	\$39,768,461.54	\$49,414.90	\$38,357,504.92	\$38,368,200.19	-3.52%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>December 31, 2013</u>	<u>% of Portfolio</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$8,148,984.04	21.2%	\$5,648,467.30	4.4%
Federal Agencies	10,523,830.06	27.4%	13,009,211.44	49.1%
Commercial Paper	7,196,481.60	18.7%	11,995,814.40	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	12,548,319.39	32.7%	9,138,112.88	46.5%
Totals	\$38,417,615.09	100.0%	\$39,791,606.02	100.0%

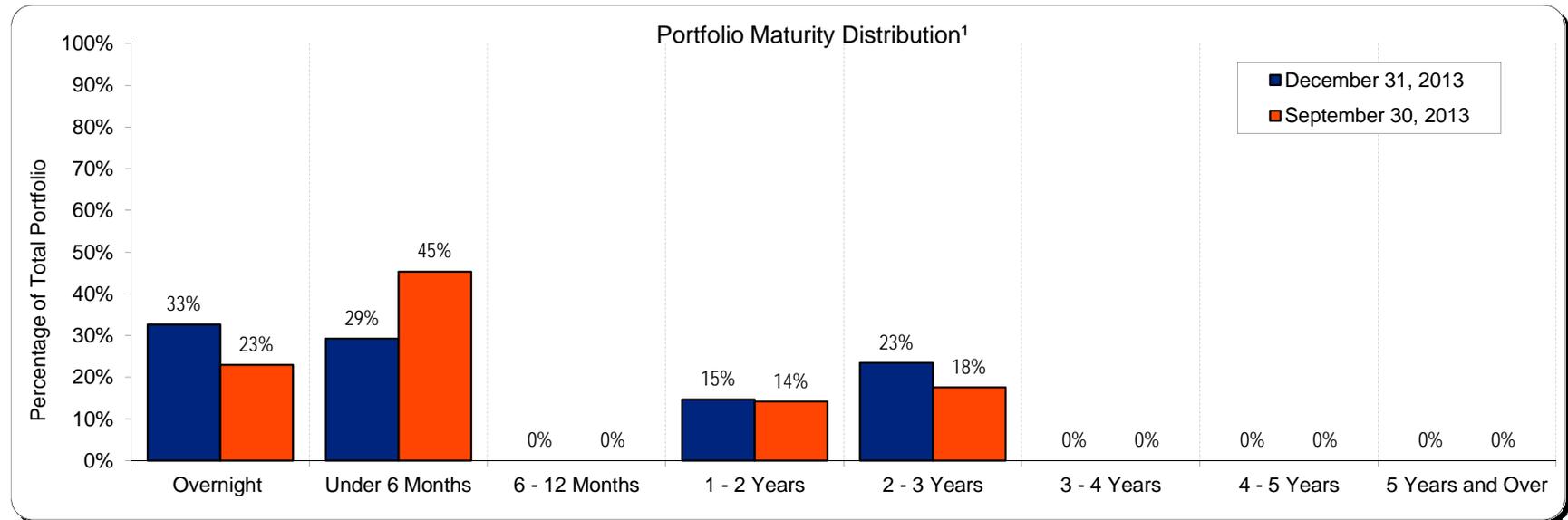


Notes:

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

Summary Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>
Overnight (Money Market Fund)	\$12,548,319.39	\$9,138,112.88
Under 6 Months	11,231,993.97	18,034,478.12
6 - 12 Months	0.00	0.00
1 - 2 Years	5,633,800.84	5,636,177.19
2 - 3 Years	9,003,500.89	6,982,837.83
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$38,417,615.09	\$39,791,606.02



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 10/31/2013	Market Value Basis	Source Document
October Market Value	39,847,029.76	1 Account Summary Page
October Accrued Interest	33,890.99	2 Account Summary Page
Less (Purchases & Deposits)	(4,453,962.95)	3 Security Transactions & Interest
Less Purchased Interest	(2,625.00)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	4,400,560.00	5 Security Transactions & Interest
Add Interest Receipts	6,001.70	6 Security Transactions & Interest
Less September Market Value	(39,768,461.54)	7 Account Summary Page
Less September Accrued Interest	(23,144.48)	8 Account Summary Page
Earnings	39,288.48	

Change in Investment Market Value	78,568.22	(1 - 7)
Change in Accrued Interest	10,746.51	(2 - 8)
Change in Cash	(50,026.25)	(sum 3 thru 6)

Investment Entries			Source Document
<i>To Record Investment Activity</i>	Debit	Credit	
Cash		53,402.95	Security Transactions & Interest
Investments	78,568.22		Amortization/Accretion
Investment Income		25,165.27	Earnings
To record investment income/changes			
Cash	3,376.70		Security Transactions & Interest
Accrued Interest	10,746.51		Accrued Interest Difference
Investment Income		14,123.21	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		
11/30/2013	Market Value Basis	Source Document
November Market Value	37,974,939.48	1 Account Summary Page
November Accrued Interest	39,709.55	2 Account Summary Page
Less (Purchases & Deposits)	(3,026,350.08)	3 Security Transactions & Interest
Less Purchased Interest	(362.57)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	4,900,000.00	5 Security Transactions & Interest
Add Interest Receipts	8,563.91	6 Security Transactions & Interest
Less October Market Value	(39,847,441.19)	7 Account Summary Page
Less October Accrued Interest	(33,890.99)	8 Account Summary Page
Earnings	15,168.11	

Change in Investment Market Value	-1,872,501.71	(1 - 7)
Change in Accrued Interest	5,818.56	(2 - 8)
Change in Cash	1,881,851.26	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	1,873,649.92		Security Transactions & Interest
Investments		1,872,501.71	Amortization/Accretion
Investment Income		1,148.21	Earnings
To record investment income/changes			
Cash	8,201.34		Security Transactions & Interest
Accrued Interest	5,818.56		Accrued Interest Difference
Investment Income		14,019.90	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 12/31/2013	Market Value Basis	Source Document
December Market Value	38,367,809.45	1 Account Summary Page
December Accrued Interest	49,414.90	2 Account Summary Page
Less (Purchases & Deposits)	(2,827,612.16)	3 Security Transactions & Interest
Less Purchased Interest		4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	2,400,000.00	5 Security Transactions & Interest
Add Interest Receipts	4,140.74	6 Security Transactions & Interest
Less November Market Value	(37,975,378.39)	7 Account Summary Page
Less November Accrued Interest	(39,709.55)	8 Account Summary Page
Earnings	(21,335.01)	

Change in Investment Market Value	392,431.06	(1 - 7)
Change in Accrued Interest	9,705.35	(2 - 8)
Change in Cash	(423,471.42)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash		427,612.16	Security Transactions & Interest
Investments	392,431.06		Amortization/Accretion
Investment Income	35,181.10		Earnings
To record investment income/changes			
Cash	4,140.74		Security Transactions & Interest
Accrued Interest	9,705.35		Accrued Interest Difference
Investment Income		13,846.09	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} December 31, 2013	Amortized Cost ^{1,2,3} September 30, 2013	Market Value^{1,2,3} December 31, 2013	Market Value ^{1,2,3} September 30, 2013	Duration (Years) December 31, 2013
Pooled Funds	\$7,195,493.33	\$11,993,962.32	\$7,196,481.60	\$11,995,814.40	0.210

<u>Account Name</u>	Yield to Maturity on Cost⁴ December 31, 2013	Yield to Maturity on Cost ⁴ September 30, 2013	Yield to Maturity at Market December 31, 2013	Yield to Maturity at Market September 30, 2013	Duration (Years) September 30, 2013
Pooled Funds	0.26%	0.24%	0.14%	0.15%	0.210

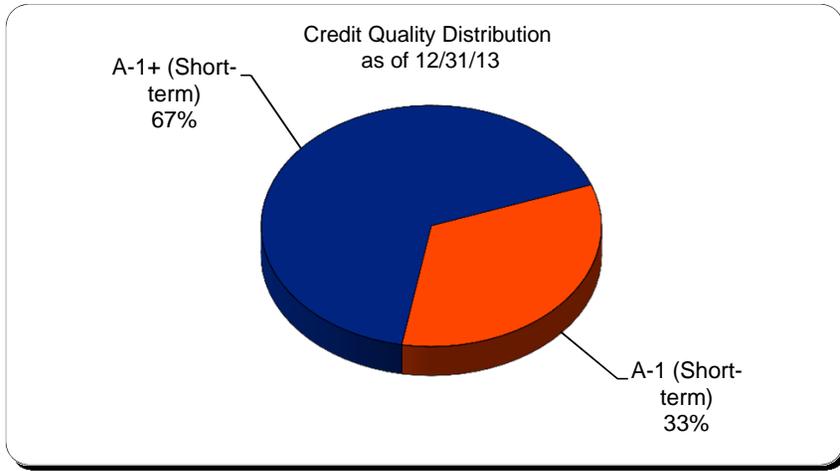
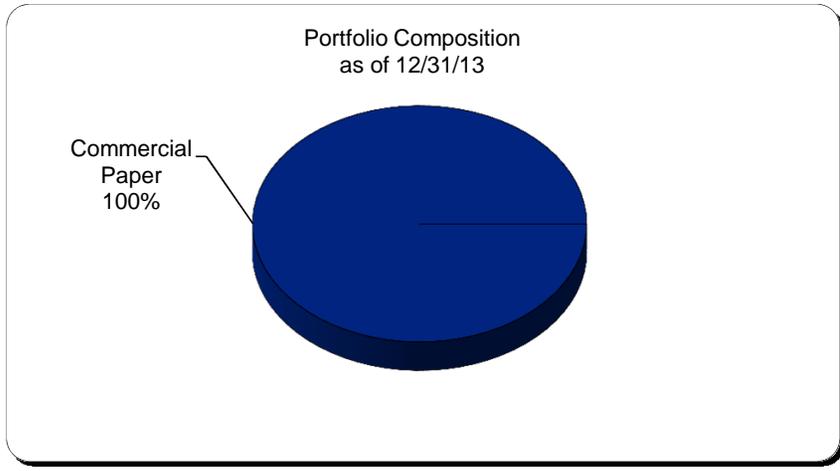
<u>Benchmarks⁵</u>	December 31, 2013	September 30, 2013
TexPool ⁶	0.04%	0.04%

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 December 31, 2013.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>December 31, 2013</u>	<u>% of Portfolio</u>	<u>September 30, 2013</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	7,196,481.60	100.00%	11,995,814.40	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%
Totals	\$7,196,481.60	100.00%	\$11,995,814.40	100.00%

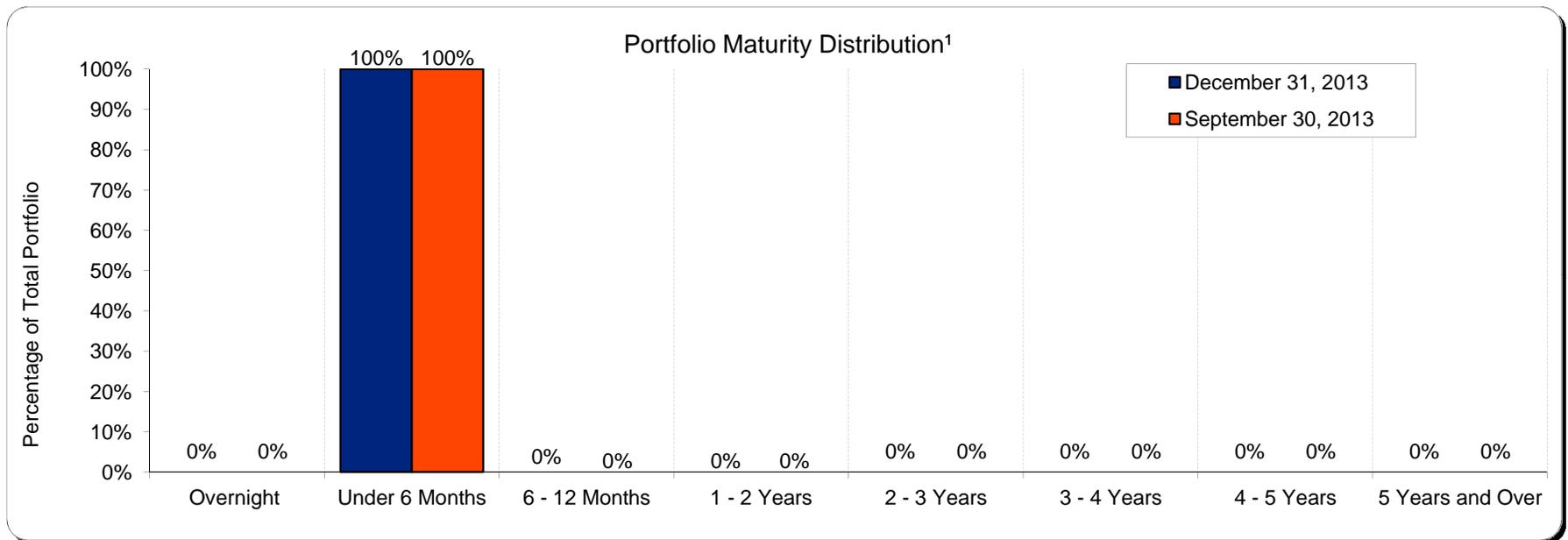


Notes:

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>December 31, 2013</u>	<u>September 30, 2013</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	7,196,481.60	11,995,814.40
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	\$7,196,481.60	\$11,995,814.40



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	December 31, 2013	September 30, 2013
Market Value	\$18,672,814.10	\$18,657,678.74
Amortized Cost	\$18,663,107.10	\$18,646,275.66

Total Return ^{2,3,4,5}	Quarterly Return December 31, 2013	Last 6 Months	Last 12 Months	Last 2 Years	Last 5 Years	Since Inception June 30, 2006
Long Term Pooled Fund	0.15%	0.43%	0.33%	0.43%	1.17%	2.88%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.06%	0.35%	0.36%	0.40%	1.09%	2.94%

Effective Duration(Years) ^{4,5}	December 31, 2013	September 30, 2013	Yields	December 31, 2013	September 30, 2013
Long Term Pooled Fund	1.67	1.53	Yield at Market	0.35%	0.45%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.83	1.82	Yield at Cost	0.57%	0.57%
Portfolio Duration % of Benchmark Duration	91%	84%			

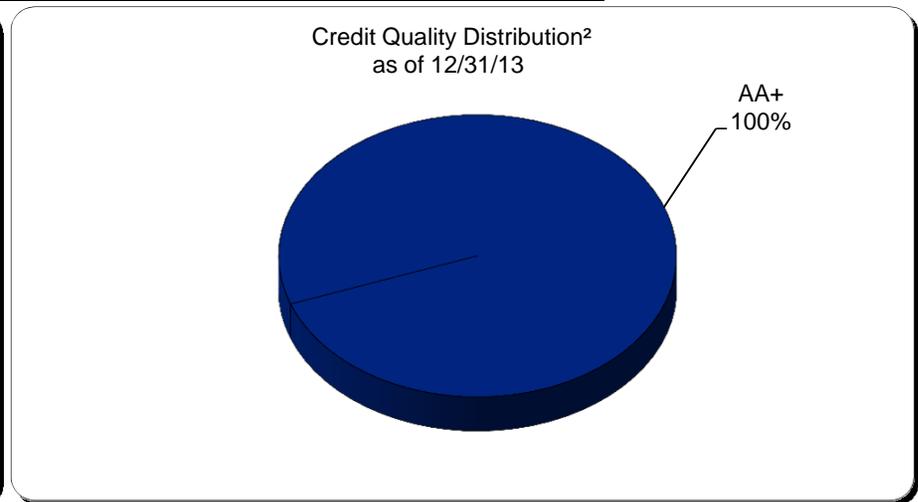
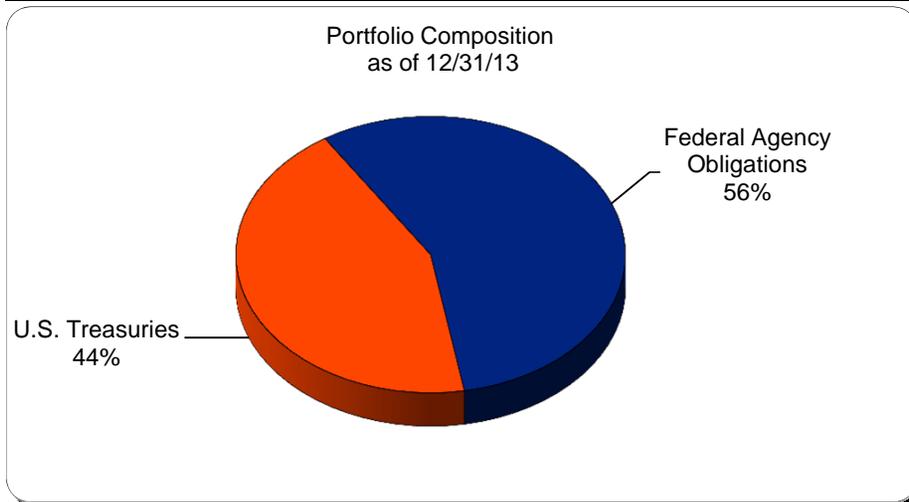


Notes:

- 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>December 31, 2013</u>	<u>% of Portfolio</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$8,148,984.04	43.6%	\$5,648,467.30	30.3%
Federal Agencies	10,523,830.06	56.4%	13,009,211.44	69.7%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$18,672,814.10	100.0%	\$18,657,678.74	100.0%

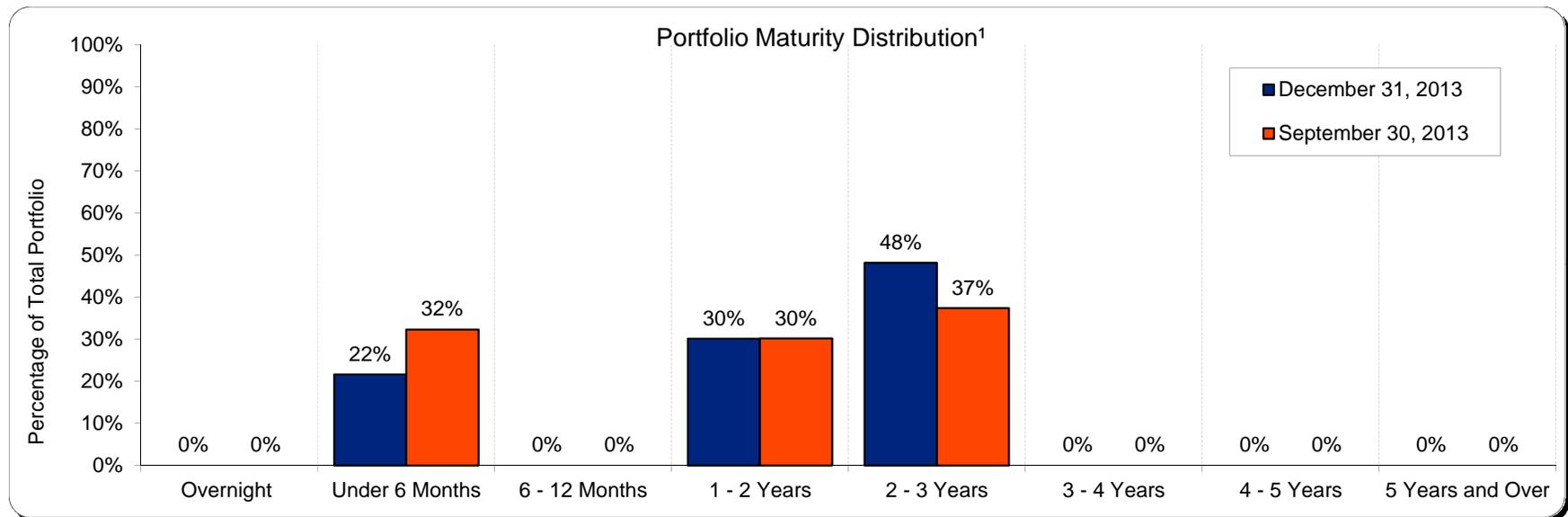


Notes:

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

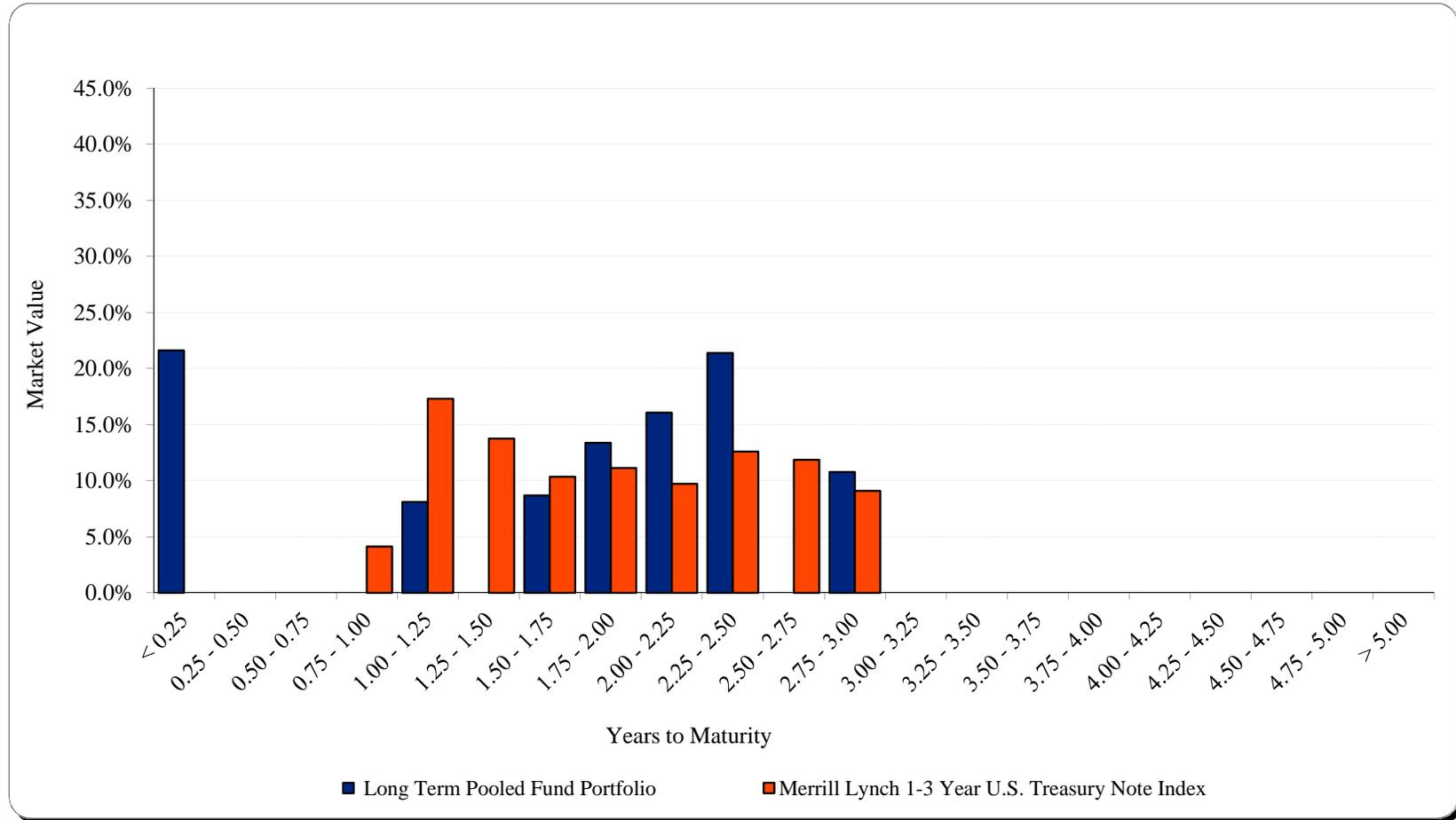
<u>Maturity Distribution¹</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	4,035,512.37	6,038,663.72
6 - 12 Months	0.00	0.00
1 - 2 Years	5,633,800.84	5,636,177.19
2 - 3 Years	9,003,500.89	6,982,837.83
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$18,672,814.10	\$18,657,678.74



Notes:

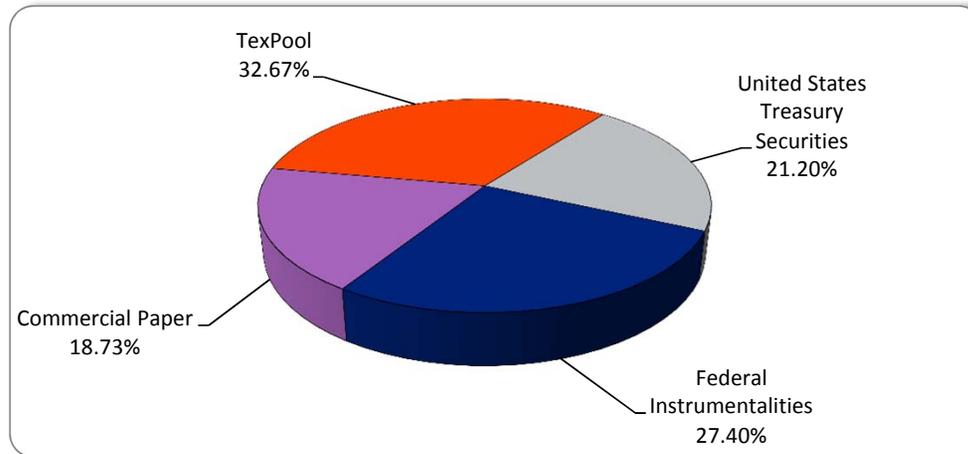
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

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
TexStar	-	0.00%		100%	YES
TexPool	12,548,319.39	32.67%		100%	YES
United States Treasury Securities	8,140,761.73	21.20%		100%	YES
United States Government Agency Securities	-	0.00%		100%	YES
Federal Instrumentalities	10,522,345.37	27.40%	2	100%	YES
Mortgage-Backed Securities	-	0.00%	2	40%	YES
Certificates of Deposit	-	0.00%		20%	YES
Repurchase Agreements	-	0.00%		20%	YES
Commercial Paper	7,195,493.33	18.73%		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
Intergovernmental Investment Pool	-	0.00%		100%	YES

Notes:

- End of month trade-date amortized cost of portfolio holdings, including accrued interest.
- The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of December 31, 2013 is 27.40%.
- Since July the overall investment balance has dropped \$8.8 million. This was spent to meet liquidity needs. The General Electric and Toyota commercial paper securities were purchased in June and were in compliance at the time of purchase.
- The BNP Paribas Finance Inc. commercial paper security was purchased in December and is out of compliance. In January, the City received tax receipts which brought this allocation into compliance with the Investment Policy.

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)	1,990,541.89	5.18%		40%	YES
Federal National Mortgage Association (FNMA)	4,524,925.21	11.78%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	4,006,878.27	10.43%		40%	YES
General Electric Commercial Paper	2,399,926.66	6.25%	3	5%	NO
Toyota Commercial Paper	2,398,873.34	6.25%	3	5%	NO
BNP Paribas Finance Inc. Commercial Paper	2,396,693.33	6.24%	4	5%	NO

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 December 31, 2013 is 27.40%.
3. Since July the overall investment balance has dropped \$8.8 million. This was spent to meet liquidity needs. The General Electric and Toyota commercial paper securities were purchased in June and were in compliance at the time of purchase.
4. The BNP Paribas Finance Inc. commercial paper security was purchased in December and is out of compliance. In January, the City received tax receipts which brought this allocation into compliance with the Investment Policy.

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 December 31, 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.

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