

City of Rowlett, Texas



Investment Performance Review Quarter Ended March 31, 2014

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

TAB I

Summary

- Many economists attribute the relative weakness of economic data released during the first quarter to severe winter weather during the period. As temperatures warm, growth is expected to reaccelerate.
- First-quarter economic data was not weak enough to deter the Federal Reserve (Fed) from a third round of tapering asset purchases. At its meeting on March 19, the Fed reduced its monthly purchases of Treasuries and agency mortgage-backed securities by another \$10 billion to a revised total of \$55 billion per month.
- Geopolitical uncertainty caused by Russia's annexation of the Crimean peninsula jeopardized growth in Europe and sparked a brief rally in U.S. Treasuries, which temporarily pushed yields lower. The markets quickly refocused on forward growth prospects and Fed action.

Economic Snapshot

- Fourth-quarter U.S. gross domestic product (GDP) expanded at a 2.6% annual pace, as consumer spending reached its highest level in three years. Slower-than-expected economic growth was attributed in part to the large amounts of ice and snow that blanketed the country for much of the winter. This was an improvement from the previous year, when GDP expanded by 2.0%.
- The U.S. employment situation continued to improve, as the economy created a monthly average of 182,000 new jobs in the first quarter, only slightly behind the 2013 average of 197,000. The unemployment rate has averaged 6.7% for the quarter.
- According to CoreLogic, prices for existing homes rose 12.2% year-over-year in February due to tighter supply. Although the housing market is still moving forward, sales and construction were slowed down by the winter weather.

Interest Rates

- During a press conference after the March 18-19 meeting of the Federal Open Market Committee (FOMC), Fed Chair Janet Yellen commented that the federal funds target rate could rise as soon as six months after the Fed completed its bond-buying program. However, Ms. Yellen softened her message at the end of the quarter, stating that the Fed would remain accommodative for "some time" to help those who are currently unemployed.
- The majority of FOMC participants indicated that 2015 is the appropriate time to begin increasing the federal funds target rate.
- Interest rates continued to normalize from record lows. The Treasury yield curve became more humped, as intermediate-term maturity yields rose, while short-term rates remained low and longer-maturity yields fell modestly.

Sector Performance

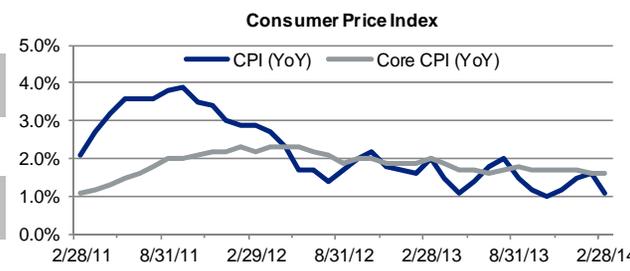
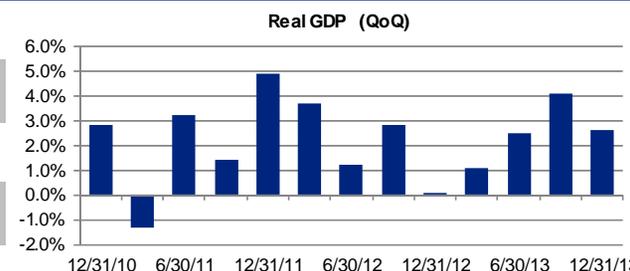
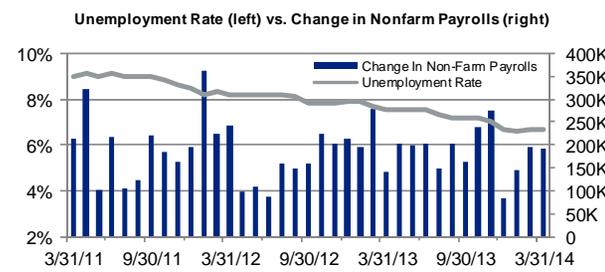
- Portfolios benefited from conservative duration management, as intermediate term yields surged after the March Fed meeting.
- Portfolios also benefited from the extra yield provided by holdings of corporate bonds, especially in the financial sector.
- Strong demand outpaced supply and continued to narrow yield spreads on corporate and municipal debt, which somewhat reduced their future attractiveness.

Economic Snapshot

Labor Market	Latest	Dec 2013	Mar 2013	
Unemployment Rate	Mar'14	6.7%	6.7%	7.5%
Change In Non-Farm Payrolls	Mar'14	192,000	84,000	141,000
Average Hourly Earnings (YoY)	Mar'14	2.1%	1.9%	1.9%
Personal Income (YoY)	Feb'14	3.1%	-0.8%	3.0%
Initial Jobless Claims (week)	Mar 28	326,000	344,000	375,000

Growth	Latest	Dec 2013	Mar 2013	
Real GDP (QoQ SAAR)	2013Q4	2.6%	4.1% ¹	1.1% ²
GDP Personal Consumption (QoQ SAAR)	2013Q4	3.3%	2.0% ¹	2.3% ²
Retail Sales (YoY)	Feb'14	1.5%	3.4%	3.2%
ISM Manufacturing Survey (month)	Mar'14	53.7	56.5	51.5
Existing Home Sales SAAR (month)	Feb'14	4.60 mil.	4.87 mil.	4.96 mil.

Inflation / Prices	Latest	Dec 2013	Mar 2013	
Personal Consumption Expenditures (YoY)	Feb'14	0.9%	1.2%	1.2%
Consumer Price Index (YoY)	Feb'14	1.1%	1.5%	1.5%
Consumer Price Index Core (YoY)	Feb'14	1.6%	1.7%	1.9%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$101.58	\$98.42	\$97.23
Gold Futures (oz.)	Mar 31	\$1,283	\$1,202	\$1,595

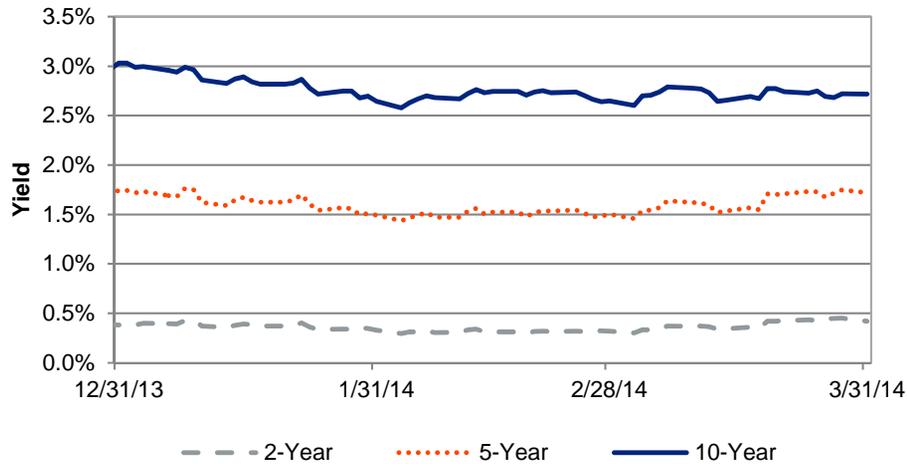


1. Data as of Third Quarter 2013 2. Data as of First Quarter 2013
 3. Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

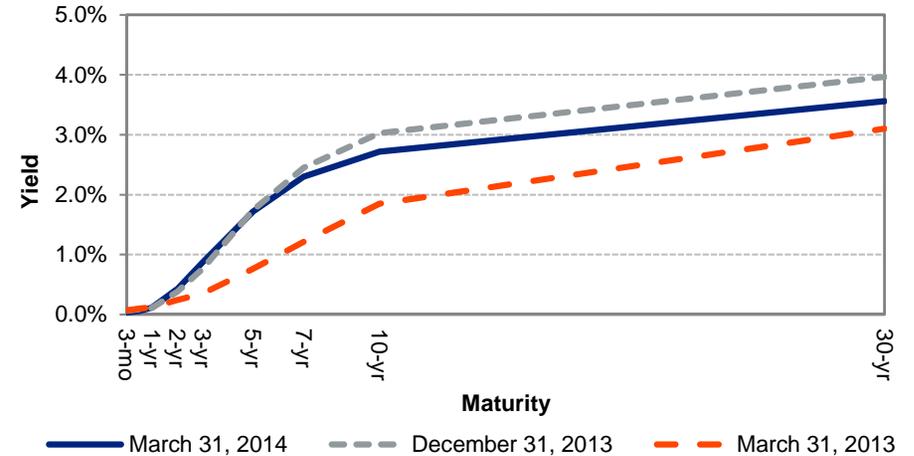
Source: Bloomberg

Investment Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

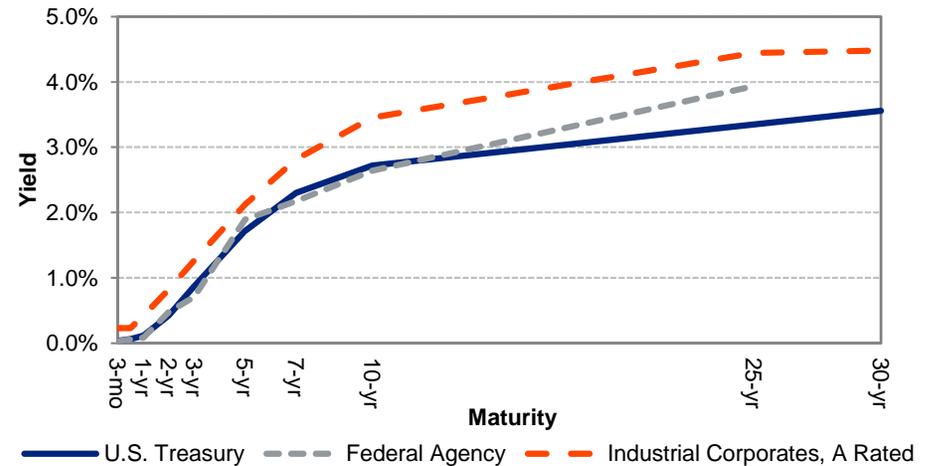


U.S. Treasury Yields

Maturity	3/31/14	12/31/13	Change over Quarter	3/31/13	Change over Year
3-month	0.03%	0.07%	(0.04%)	0.07%	(0.04%)
1-year	0.11%	0.11%	0.00%	0.12%	(0.01%)
2-year	0.42%	0.38%	0.04%	0.24%	0.18%
5-year	1.72%	1.74%	(0.02%)	0.77%	0.95%
10-year	2.72%	3.03%	(0.31%)	1.85%	0.87%
30-year	3.56%	3.97%	(0.41%)	3.10%	0.46%

Source: Bloomberg

Yield Curves as of 3/31/2014



BofA Merrill Lynch Index Returns

	As of 3/31/2014		Returns for Periods ended 3/31/2014		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.92	0.44%	0.14%	0.38%	0.81%
Federal Agency	1.84	0.52%	0.17%	0.49%	0.94%
U.S. Corporates, A-AAA rated	1.96	0.94%	0.42%	1.38%	2.28%
Agency MBS (0 to 3 years)	1.70	1.02%	0.25%	1.09%	1.75%
Municipals	1.75	0.52%	0.25%	0.87%	1.35%
1-5 Year Indices					
U.S. Treasury	2.72	0.82%	0.26%	(0.09%)	1.43%
Federal Agency	2.50	0.86%	0.34%	0.22%	1.35%
U.S. Corporates, A-AAA rated	2.88	1.47%	0.76%	1.33%	3.12%
Agency MBS (0 to 5 years)	3.35	2.43%	0.94%	0.96%	2.58%
Municipals	2.48	0.85%	0.41%	0.99%	2.05%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	5.78	1.60%	1.63%	(1.53%)	3.33%
Federal Agency	4.04	1.45%	1.24%	(0.62%)	2.24%
U.S. Corporates, A-AAA rated	6.66	2.75%	2.58%	0.84%	5.35%
Agency MBS (0 to 30 years)	5.26	3.01%	1.58%	0.23%	2.75%
Municipals	7.59	3.10%	3.80%	0.28%	6.22%

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: BofA Merrill Lynch Indices

Disclosures

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

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TAB II

Executive Summary

PORTFOLIO STRATEGY

- The City's Pooled Funds and Long Term Pooled Fund Portfolios are of high credit quality and invested in TexPool, U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- The Long Term Pooled Fund Portfolio's quarterly total return performance was 0.15%, outperforming the benchmark's performance of 0.14% by 0.01%. Over the past year, the Portfolio earned 0.40%, versus 0.38% 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 0.30%, exceeding the Yield of its benchmark the TexPool by 27 basis points (0.27%).
- The past 5 years is not a good roadmap for the next 5 years. During the past 5 years extraordinarily aggressive Fed policy has been driving bond prices higher. The advantage of holding bonds has been two-fold: interest earnings and positive price returns. As the FOMC exits their stimulus programs, the prices of bonds will almost assuredly move lower. In this transition period, the earnings advantage of holding bonds will need to be balanced against the disadvantage of periodic negative price returns.
- Investment strategies generally consist of two parts: strategic and tactical. These two parts reflect the fact that an investor's long-term evaluation of a market can be completely opposite to their short-term evaluation. Longer term PFM expects interest rates will normalize and move higher leading to capital losses, and thus our strategic plan is to keep the portfolio's duration shorter relative to the benchmark's duration. In the near term, however, we may find periods of market quiescence when the steepness of the yield offers high rolldown return, and we will capitalize on these opportunities as they arise.
- With the end of the bull market in bonds and the beginning of the bear market, or at least the anticipation of a coming bear market, investment strategy has turned defensive. PFM looks to add value through superior timing of monthly extensions intra-month, and to mitigate market downturns via tactical underweighting of interest rate exposure.
- A sea change has arrived and we aim to steer the portfolios safely between the shoals of under-investment on the one side, and the jagged rocks of over-investment on the other. Through prudence derived from experience and being diligent in monitoring research and market conditions we strive to optimize the balance between higher income return and smaller price declines. Safeguarding principal and purchasing power are our highest goals.

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, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014
Pooled Funds	\$6,990,466.38	\$7,195,493.33	\$6,991,857.60	\$7,196,481.60	0.470
Long Term Pooled Fund	18,651,809.24	18,663,107.10	18,663,373.53	18,672,814.10	1.880
TexPool	17,216,680.12	12,548,319.39	17,216,680.12	12,548,319.39	0.003
Total	\$42,858,955.74	\$38,406,919.82	\$42,871,911.25	\$38,417,615.09	0.896

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)
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	December 31, 2013
Pooled Funds	0.30%	0.26%	0.24%	0.14%	0.210
Long Term Pooled Fund	0.48%	0.57%	0.44%	0.39%	1.670
TexPool ⁵	0.03%	0.04%	0.03%	0.04%	0.003
Weighted Average YTM	0.27%	0.34%	0.24%	0.23%	0.852

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	30,640.00	July 2014	
February 2014	20,379.05	August 2014	
March 2014	(20,195.40)	September 2014	

Total Fiscal Year Net Earnings \$58,547.19

Notes:

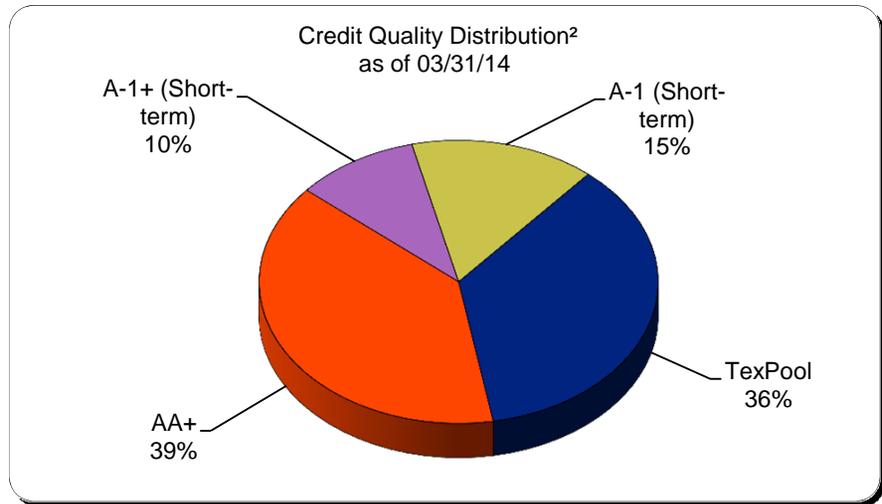
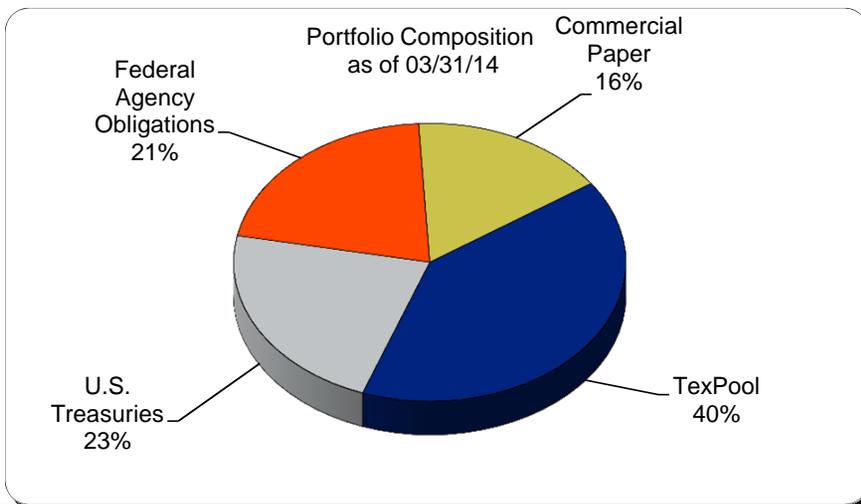
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					12/31/2013	12/31/2013	12/31/2013	3/31/2014	3/31/2014	3/31/2014	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	12,548,319.39	12,548,319.39	0.00	17,216,680.12	17,216,680.12	37.20%
					\$0.00	\$12,548,319.39	\$12,548,319.39	\$0.00	\$17,216,680.12	\$17,216,680.12	37.20%
TOTAL					\$0.00	\$12,548,319.39	\$12,548,319.39	\$0.00	\$17,216,680.12	\$17,216,680.12	37.20%
POOLED FUNDS											
COMMERCIAL PAPER											
36959JA60	GENERAL ELEC CAP CORP COMM PAPER	2,400,000	0.000	01/06/14	\$0.00	\$2,399,926.66	\$2,399,983.20	\$0.00	\$0.00	\$0.00	0.00%
89233HC77	TOYOTA MOTOR CREDIT CORP COMM PAPER	2,400,000	0.000	03/07/14	0.00	2,398,873.34	2,399,620.80	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	2,396,693.33	2,396,877.60	0.00	2,398,553.33	2,399,143.20	0.09%
46640QKH3	JP MORGAN SECURITIES LLC COMM PAPER	2,400,000	0.000	10/17/14	0.00	0.00	0.00	0.00	2,395,356.67	2,395,600.80	0.00%
89233HM27	TOYOTA MOTOR CREDIT CORP COMM	2,200,000	0.000	12/02/14	0.00	0.00	0.00	0.00	2,196,556.38	2,197,113.60	0.00%
		\$11,800,000			\$0.00	\$7,195,493.33	\$7,196,481.60	\$0.00	\$6,990,466.38	\$6,991,857.60	-2.84%
TOTAL		\$11,800,000			\$0.00	\$7,195,493.33	\$7,196,481.60	\$0.00	\$6,990,466.38	\$6,991,857.60	-2.843%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
31398AVD1	FNMA GLOBAL NOTES	1,500,000	2.750	02/05/14	\$16,729.17	\$1,503,444.35	\$1,503,600.00	\$0.00	\$0.00	\$0.00	0.00%
3135G0VA8	FANNIE MAE GLOBAL NOTES	1,000,000	0.500	03/30/16	1,263.89	1,002,140.12	998,925.00	13.89	1,001,903.10	1,000,671.00	0.17%
3135G0VA8	FANNIE MAE GLOBAL NOTES	2,000,000	0.500	03/30/16	2,527.78	1,998,819.90	1,997,850.00	27.78	1,998,950.42	2,001,342.00	0.17%
3137EADQ9	FREDDIE MAC GLOBAL NOTES	2,000,000	0.500	05/13/16	1,333.33	1,998,468.28	1,997,580.00	3,833.33	1,998,629.18	1,999,720.00	0.11%
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NOTES	2,000,000	0.375	06/24/16	145.83	1,990,396.06	1,993,214.00	2,020.83	1,991,358.44	1,991,832.00	-0.07%
3137EADS5	FHLMC NOTES	2,000,000	0.875	10/14/16	3,743.06	2,003,333.60	2,006,918.00	8,118.06	2,003,037.74	2,006,038.00	-0.04%
		\$10,500,000			\$25,743.06	\$10,496,602.31	\$10,498,087.00	\$14,013.89	\$8,993,878.88	\$8,999,603.00	-14.27%
US TSY BOND/NOTE											
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	\$9,323.20	\$2,499,898.50	\$2,505,860.00	\$0.00	\$0.00	\$0.00	0.00%
912828RZ5	US TREASURY NOTES	1,510,000	0.250	1/15/2015	1,743.89	1,509,106.79	1,511,238.20	792.54	1,509,319.97	1,511,651.94	0.03%
912828NP1	US TREASURY NOTES	1,575,000	1.750	7/31/2015	11,534.31	1,608,912.30	1,611,729.00	4,568.37	1,603,622.62	1,607,791.50	-0.24%
912828WB2	US TREASURY NOTES	2,500,000	0.250	10/31/2015	1,070.44	2,499,172.30	2,496,485.00	2,624.31	2,499,284.68	2,499,415.00	0.12%
912828PM6	US TREASURY NOTES	2,425,000	2.125	12/31/2015	0.00	0.00	0.00	12,953.99	2,501,555.60	2,500,402.95	0.00%
912828RU6	US TREASURY NOTES	1,500,000	0.875	11/30/2016	0.00	0.00	0.00	4,399.04	1,504,795.35	1,505,157.00	0.00%
		\$12,010,000			\$23,671.84	\$8,117,089.89	\$8,125,312.20	\$25,338.25	\$9,618,578.22	\$9,624,418.39	18.45%
TOTAL		\$22,510,000			\$49,414.90	\$18,613,692.20	\$18,623,399.20	\$39,352.14	\$18,612,457.10	\$18,624,021.39	0.003%
TOTAL PORTFOLIO		\$34,310,000			\$49,414.90	\$38,357,504.92	\$38,368,200.19	\$39,352.14	\$42,819,603.60	\$42,832,559.11	11.64%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2014</u>	<u>% of Portfolio</u>	<u>December 31, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,649,756.64	22.5%	\$8,148,984.04	4.4%
Federal Agencies	9,013,616.89	21.0%	10,523,830.06	49.1%
Commercial Paper	6,991,857.60	16.3%	7,196,481.60	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%
Mortgage Backed	0.00	0.00%	0.00	0.0%
TexPool	17,216,680.12	40.2%	12,548,319.39	46.5%
Totals	\$42,871,911.25	100.0%	\$38,417,615.09	100.0%

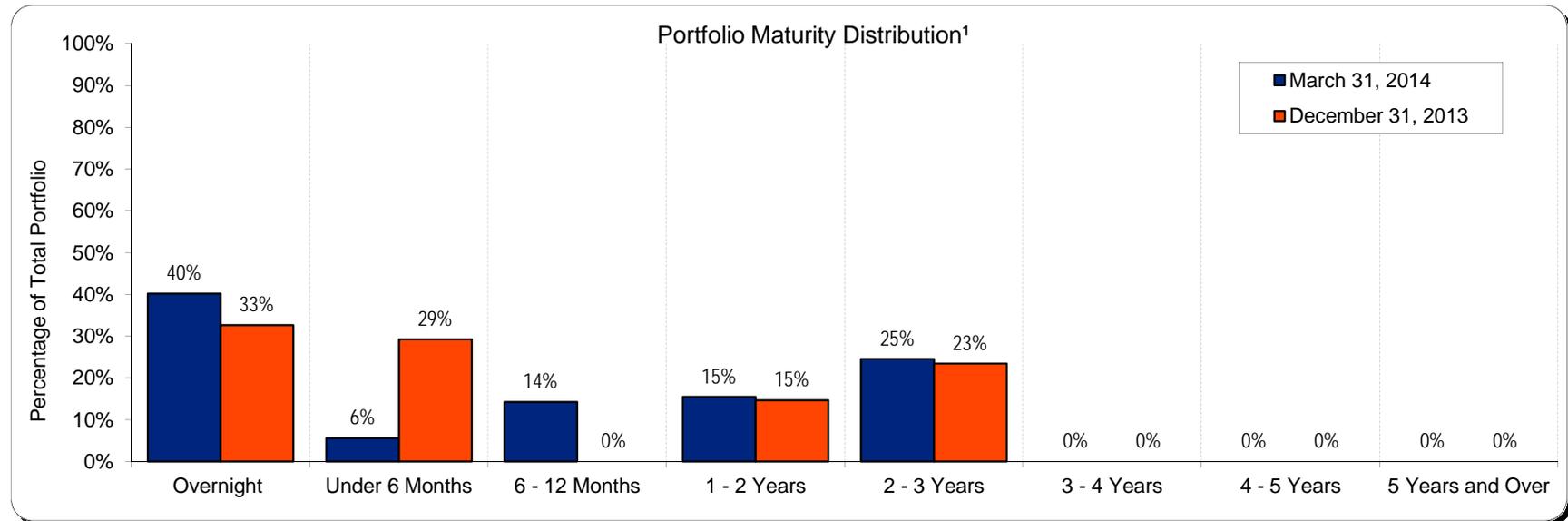


Notes:

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>March 31, 2014</u>	<u>December 31, 2013</u>
Overnight (Money Market Fund)	\$17,216,680.12	\$12,548,319.39
Under 6 Months	2,399,143.20	11,231,993.97
6 - 12 Months	6,105,158.88	0.00
1 - 2 Years	6,627,756.12	5,633,800.84
2 - 3 Years	10,523,172.93	9,003,500.89
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$42,871,911.25	\$38,417,615.09



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
1/31/2014			
January Market Value		51,816,142.47	1 Account Summary Page
January Accrued Interest		29,310.58	2 Account Summary Page
Less (Purchases & Deposits)		(17,330,575.75)	3 Security Transactions & Interest
Less Purchased Interest		(1,730.77)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		3,902,025.00	5 Security Transactions & Interest
Add Interest Receipts		34,752.57	6 Security Transactions & Interest
Less December Market Value		(38,368,200.19)	7 Account Summary Page
Less December Accrued Interest		(49,414.90)	8 Account Summary Page
Earnings		32,309.01	

Change in Investment Market Value	13,447,942.28	(1 - 7)
Change in Accrued Interest	(20,104.32)	(2 - 8)
Change in Cash	(13,395,528.95)	(sum 3 thru 6)

Investment Entries		Debit	Credit	Source Document
<i>To Record Investment Activity</i>				
Cash			13,428,550.75	Security Transactions & Interest
Investments	13,447,942.28			Amortization/Accretion
Investment Income			19,391.53	Earnings
		To record investment income/changes		
Cash	33,021.80			Security Transactions & Interest
Accrued Interest			20,104.32	Accrued Interest Difference
Investment Income			12,917.48	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
<i>2/28/2014</i>			
February Market Value		44,663,125.89	1 Account Summary Page
February Accrued Interest		39,811.31	2 Account Summary Page
Less (Purchases & Deposits)		(4,065,589.57)	3 Security Transactions & Interest
Less Purchased Interest			4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		11,230,061.23	5 Security Transactions & Interest
Add Interest Receipts		523.89	6 Security Transactions & Interest
Less January Market Value		(51,816,663.79)	7 Account Summary Page
Less January Accrued Interest		(29,310.58)	8 Account Summary Page
Earnings		21,958.38	

Change in Investment Market Value	-7,153,537.90	(1 - 7)
Change in Accrued Interest	10,500.73	(2 - 8)
Change in Cash	7,164,995.55	(sum 3 thru 6)

Investment Entries		Debit	Credit	Source Document
<i>To Record Investment Activity</i>				
Cash		7,164,471.66		Security Transactions & Interest
Investments			7,153,537.90	Amortization/Accretion
Investment Income			10,933.76	Earnings
To record investment income/changes				
Cash		523.89		Security Transactions & Interest
Accrued Interest		10,500.73		Accrued Interest Difference
Investment Income			11,024.62	Earnings
To record interest income/changes				

Notes:

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

Summary Portfolio General Ledger Entries¹

Earnings Calculation		Market Value Basis	Source Document
3/31/2014			
March Market Value		42,832,081.80	1 Account Summary Page
March Accrued Interest		39,352.14	2 Account Summary Page
Less (Purchases & Deposits)		(5,099,086.17)	3 Security Transactions & Interest
Less Purchased Interest		(10,961.07)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		6,900,000.00	5 Security Transactions & Interest
Add Interest Receipts		23,602.31	6 Security Transactions & Interest
Less February Market Value		(44,663,649.78)	7 Account Summary Page
Less February Accrued Interest		(39,811.31)	8 Account Summary Page
Earnings		(18,472.08)	

Change in Investment Market Value	(1,831,567.98)	(1 - 7)
Change in Accrued Interest	(459.17)	(2 - 8)
Change in Cash	1,813,555.07	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	1,800,913.83		Security Transactions & Interest
Investments		1,831,567.98	Amortization/Accretion
Investment Income	30,654.15		Earnings
To record investment income/changes			
Cash	12,641.24		Security Transactions & Interest
Accrued Interest		459.17	Accrued Interest Difference
Investment Income		12,182.07	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, 2014	Amortized Cost ^{1,2,3} <u>December 31, 2013</u>	Market Value^{1,2,3} March 31, 2014	Market Value ^{1,2,3} <u>December 31, 2013</u>	Duration (Years) March 31, 2014
Pooled Funds	\$6,990,466.38	\$7,195,493.33	\$6,991,857.60	\$7,196,481.60	0.470

<u>Account Name</u>	Yield to Maturity on Cost⁴ March 31, 2014	Yield to Maturity on Cost ⁴ <u>December 31, 2013</u>	Yield to Maturity at Market March 31, 2014	Yield to Maturity at Market <u>December 31, 2013</u>	Duration (Years) <u>December 31, 2013</u>
Pooled Funds	0.30%	0.26%	0.24%	0.14%	0.210

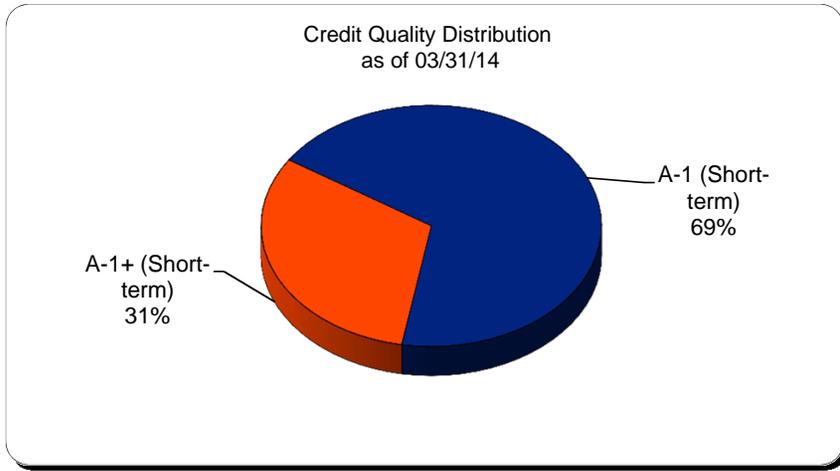
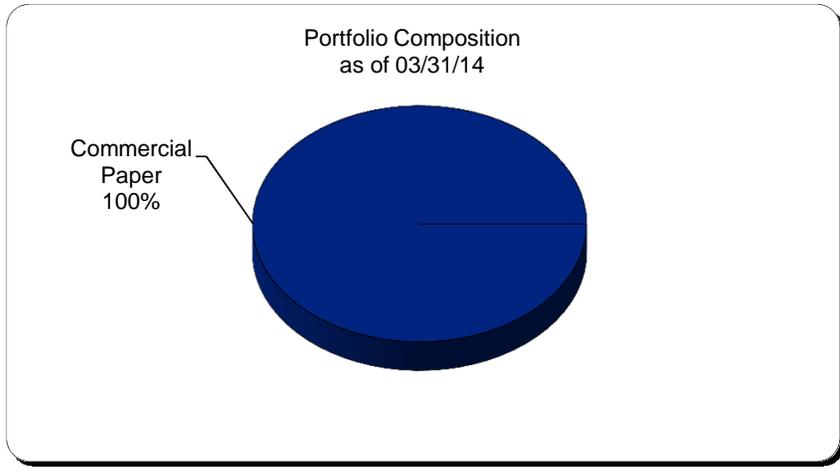
<u>Benchmarks⁵</u>	March 31, 2014	<u>December 31, 2013</u>
TexPool ⁶	0.03%	0.04%

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 March 31, 2014.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2014</u>	<u>% of Portfolio</u>	<u>December 31, 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	6,991,857.60	100.00%	7,196,481.60	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	\$6,991,857.60	100.00%	\$7,196,481.60	100.00%

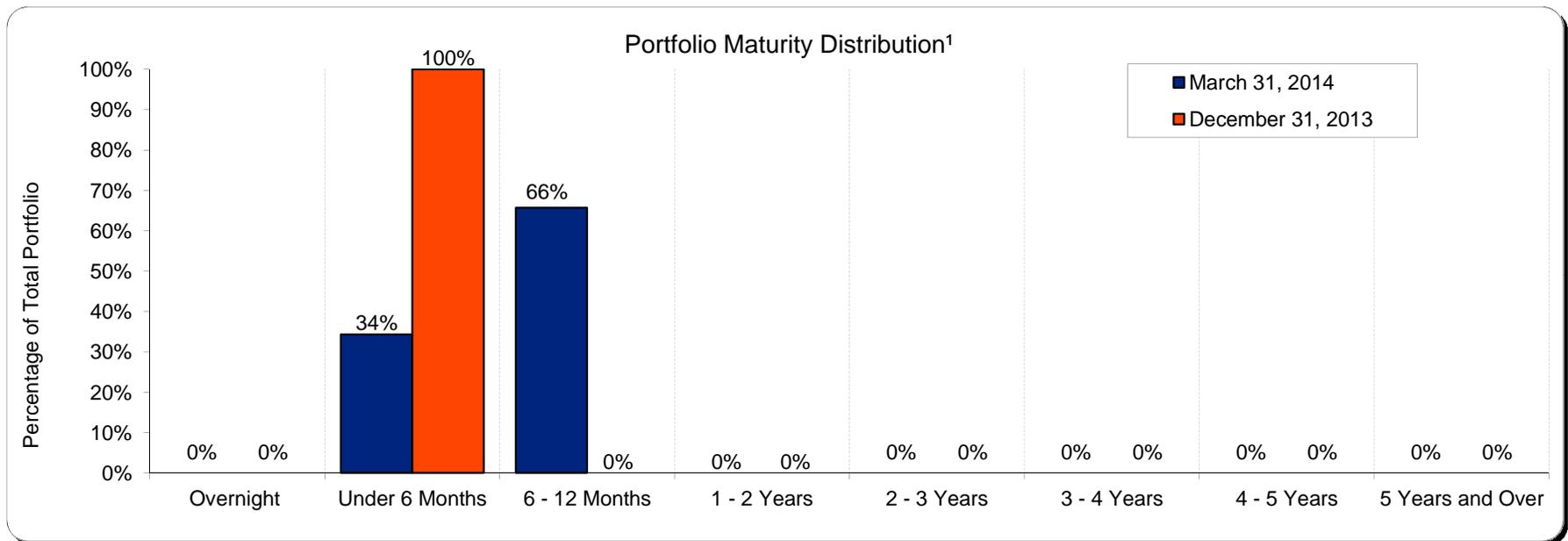


Notes:

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, 2014</u>	<u>December 31, 2013</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	2,399,143.20	7,196,481.60
6 - 12 Months	4,592,714.40	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	\$6,991,857.60	\$7,196,481.60



Notes:

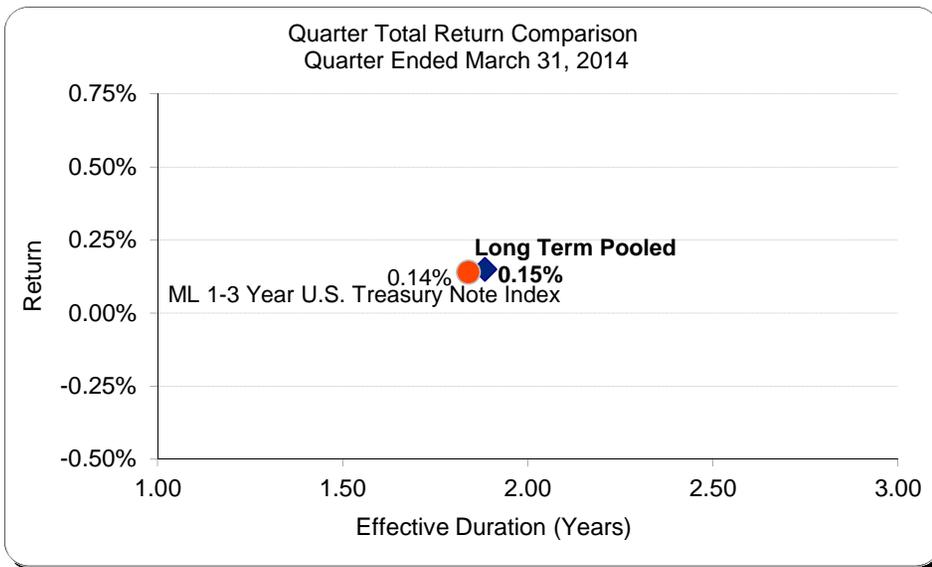
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ¹	March 31, 2014	December 31, 2013
Market Value	\$18,663,373.53	\$18,672,814.10
Amortized Cost	\$18,651,809.24	\$18,663,107.10

Total Return ^{2,3,4,5}	Quarterly Return March 31, 2014	Last 12 Months	Last 2 Years	Last 5 Years	Last 7 Years	Since Inception June 30, 2006
Long Term Pooled Fund	0.15%	0.40%	0.47%	1.15%	2.49%	2.81%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.14%	0.38%	0.51%	1.10%	2.55%	2.86%

Effective Duration(Years) ^{4,5}	March 31, 2014	December 31, 2013	Yields	March 31, 2014	December 31, 2013
Long Term Pooled Fund	1.88	1.67	Yield at Market	0.48%	0.35%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.84	1.83	Yield at Cost	0.44%	0.57%
Portfolio Duration % of Benchmark Duration	102%	91%			

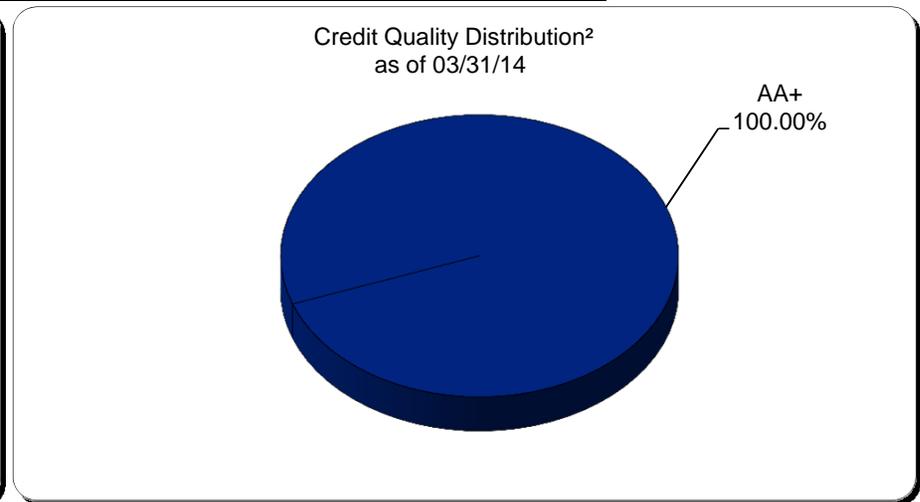
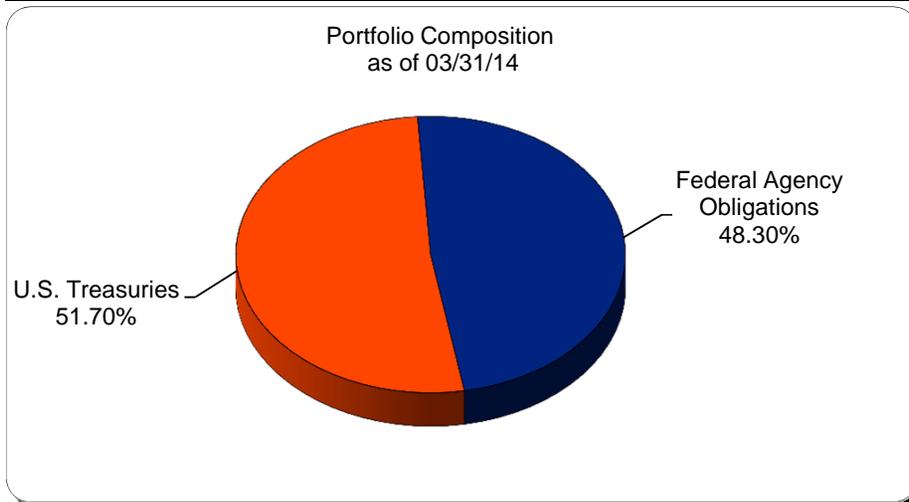


Notes:

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

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2014</u>	<u>% of Portfolio</u>	<u>December 31, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,649,756.64	51.7%	\$8,148,984.04	43.6%
Federal Agencies	9,013,616.89	48.3%	10,523,830.06	56.4%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$18,663,373.53	100.0%	\$18,672,814.10	100.0%

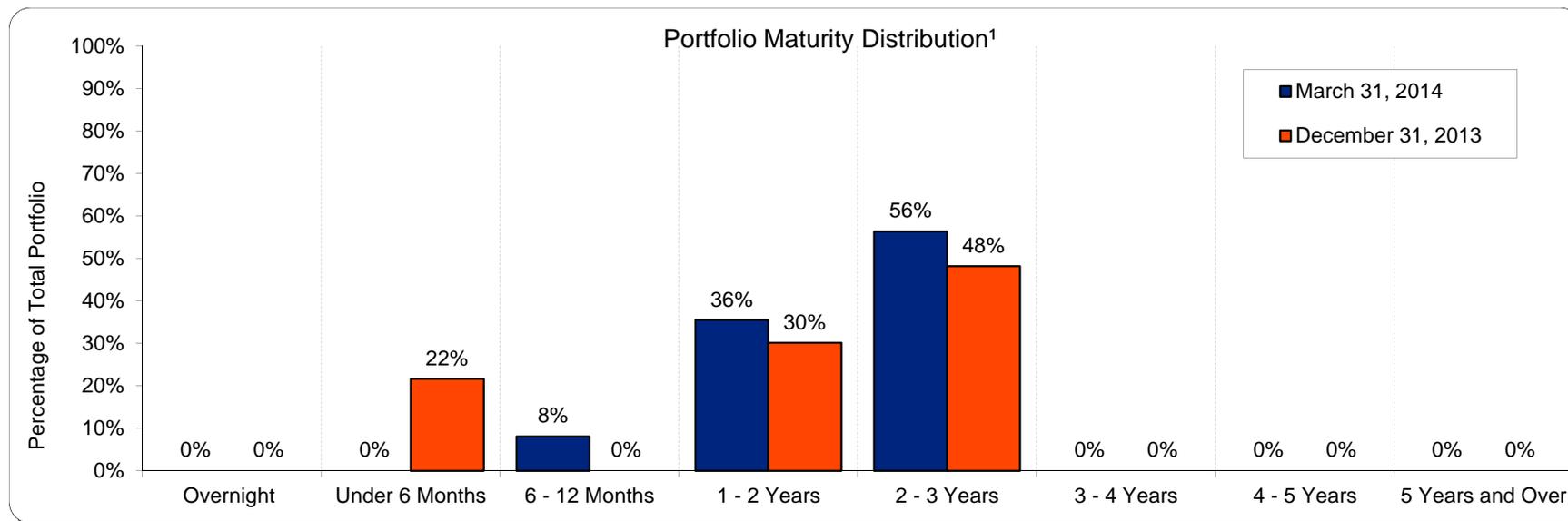


Notes:

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

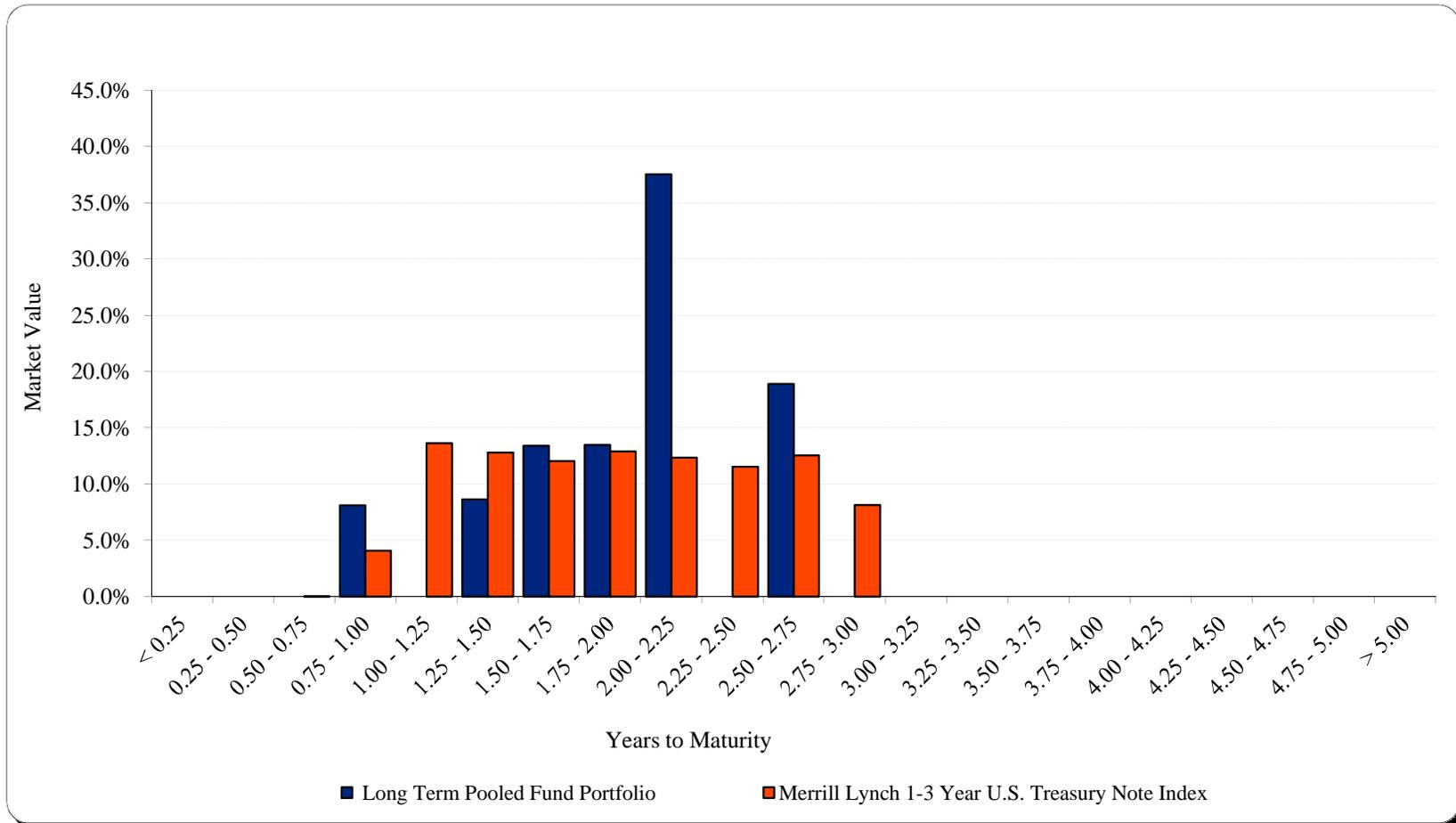
<u>Maturity Distribution¹</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	4,035,512.37
6 - 12 Months	1,512,444.48	0.00
1 - 2 Years	6,627,756.12	5,633,800.84
2 - 3 Years	10,523,172.93	9,003,500.89
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$18,663,373.53	\$18,672,814.10



Notes:

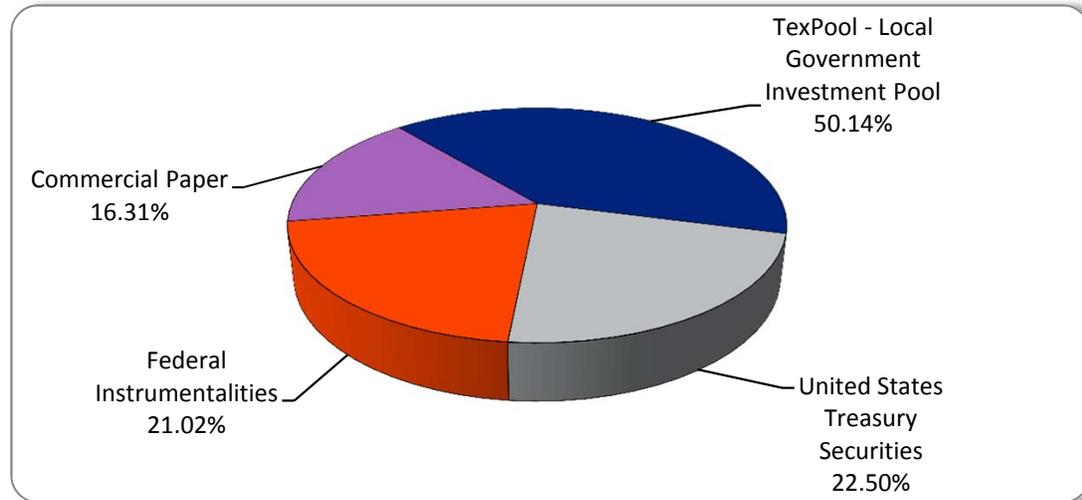
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

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 - Local Government Investment Pool	-	0.00%		100%	YES
TexPool - Local Government Investment Pool	17,216,680.12	40.17%		100%	YES
United States Treasury Securities	9,643,916.47	22.50%		100%	YES
United States Government Agency Securities	-	0.00%		100%	YES
Federal Instrumentalities	9,007,892.77	21.02%	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	6,990,466.38	16.31%		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, 2014 is 21.02%.
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.
4. The balance of the TexPool dropped during the month of February causing the individual commercial paper percentages to exceed 5%. These securities were in compliance at the time of purchase. PFM purchased a Toyota Commercial Paper on March 7, 2014. We confirmed with the City the current balance at TexPool was \$18.8 million. This was enough to purchase the Toyota Commercial Paper in compliance with the Investment Policy. The TexPool balance dropped down to \$17.2 million by the end of March. This pushed the Toyota Commercial Paper over the permitted limit.

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)	1,993,379.27	4.65%		40%	YES
Federal National Mortgage Association (FNMA)	3,000,895.19	7.00%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	4,013,618.31	9.36%		40%	YES
JP Morgan Securities Commercial Paper	2,395,356.67	5.59%	4	5%	NO
Toyota Commercial Paper	2,196,556.38	5.13%	4	5%	NO
BNP Paribas Finance Inc. Commercial Paper	2,398,553.33	5.60%	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 March 31, 2014 is 21.02%.
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.
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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, 2014, 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