

City of Rowlett, Texas



Investment Performance Review Quarter Ended September 30, 2014

Investment Advisors

Steven Alexander, CTP, CGFO, CPPT, Managing Director
D. Scott Stitcher, CFA, Senior Managing Consultant
Richard Pengelly, CFA, CTP, 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 September 30, 2014
- F. Investment Officer's Certification

- Tab III. July 31, 2014 PFM Month-End Statement
August 31, 2014 PFM Month-End Statement
September 30, 2014 PFM Month-End Statement
(statements are available online at www.pfm.com)

- Tab IV. July 31, 2014 TexPool Month End Statements
August 31, 2014 TexPool Month End Statements
September 30, 2014 TexPool Month End Statements

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TAB I

Summary

- While the U.S. economy continued its recovery during the quarter, global unrest and uncertainty about future central bank policy—including actions of the Federal Reserve (Fed)—resulted in volatility in the bond and equity markets.
- Ten-year Treasury bond yields were little changed compared to the end of the previous quarter, although yields experienced larger movements throughout the quarter. On the other hand, shorter-term rates generally rose while longer term rates fell modestly.
- Geopolitical uncertainty continued to move the markets. Military conflicts in Ukraine and the Middle East, as well as weaker economic data in the euro zone and various emerging markets such as China and Brazil, factored significantly in investor sentiment.

Economic Snapshot

- Second-quarter gross domestic product (GDP) rose at a revised annual rate of 4.6%, driven by increased consumption, inventories, exports, residential and nonresidential investment, and local government spending.
- The U.S. unemployment rate fell from 6.1% in June to 5.9% in September. While job growth has been impressive, wage growth has been weak and other measures such as the labor force participation rate and the number of part time workers for economic reasons indicate lingering levels of underutilization.
- Housing market data was also a “glass half empty, glass half full” scenario, as housing-related indicators experienced a series of ups and downs throughout the quarter. Most recently, new-home sales reached the highest level since 2008, while existing-home sales had a small, unexpected decline.

Interest Rates

- The Federal Open Market Committee (FOMC) reaffirmed that its quantitative easing bond purchase program will end in October. At the same time, the FOMC released updated assessments of where individual participants judged the appropriate level for the federal funds rate at the end of the next few calendar years. Those assessments showed a surprisingly fast upward trajectory for short-term rates that are inconsistent with both Fed Chair Janet Yellen’s public comments and persistently low current market rates.
- Inflation (as measured by the Consumer Price Index) unexpectedly decreased month over month in August. This marked the first decline in almost a year and a half. Inflation continues to run below the Fed’s 2% target rate.
- Yields on intermediate-maturity (two- to five-year) Treasuries ended the quarter higher. Surprisingly, this was not the case for longer maturities (10-30 years); instead, rates continued to fall modestly, causing a flattening of the Treasury yield curve.

Sector Performance

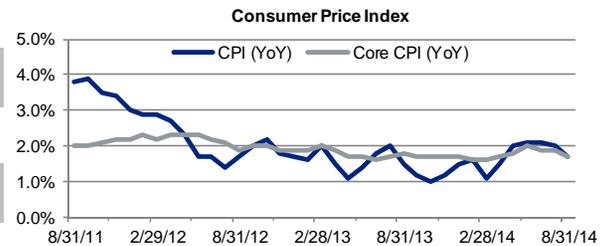
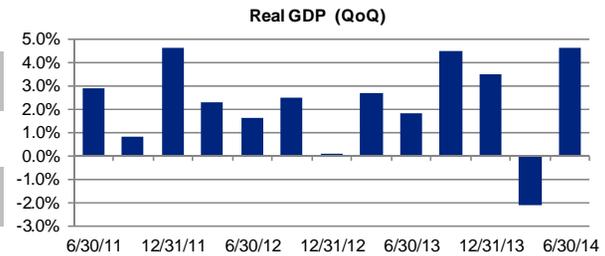
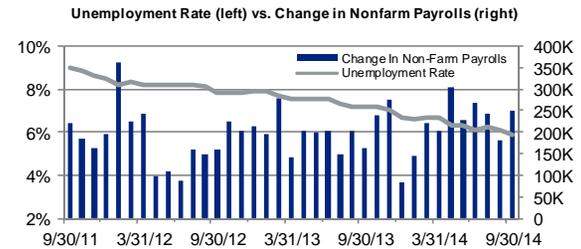
- Fixed-income performance was very modest for the quarter—or in some cases modestly negative—as income was offset by interest rate increases for short- and intermediate-term maturities across most sectors. The exceptions were longer-maturity Treasury, Agency, and municipal bonds, where yields actually fell modestly.
- Spreads generally widened in the quarter. While the impact was modest for the Agency sector, spread widening in corporates negatively affected performance in the sector. Still, corporates have been one of the best performing sectors over the past one-, three-, and five-year periods.
- Short-term markets continued to be driven by the Fed as well as new regulations affecting banks and money market funds.

Economic Snapshot

Labor Market	Latest	Jun 2014	Sep 2013	
Unemployment Rate	Sep'14	5.9%	6.1%	7.2%
Change In Non-Farm Payrolls	Sep'14	248,000	267,000	164,000
Average Hourly Earnings (YoY)	Sep'14	2.0%	1.9%	2.0%
Personal Income (YoY)	Aug'14	4.3%	4.1%	2.8%
Initial Jobless Claims (week)	Sep 26	287,000	316,000	318,000

Growth	Latest	Jun 2014	Sep 2013	
Real GDP (QoQ SAAR)	2014Q2	4.6%	-2.1% ¹	4.5% ²
GDP Personal Consumption (QoQ SAAR)	2014Q2	2.5%	1.2% ¹	2.0% ²
Retail Sales (YoY)	Aug'14	5.0%	4.4%	3.2%
ISM Manufacturing Survey (month)	Sep'14	56.6	55.3	56.0
Existing Home Sales SAAR (month)	Aug'14	5.05 mil.	5.03 mil.	5.26 mil.

Inflation / Prices	Latest	Jun 2014	Sep 2013	
Personal Consumption Expenditures (YoY)	Aug'14	1.5%	1.6%	1.0%
Consumer Price Index (YoY)	Aug'14	1.7%	2.1%	1.2%
Consumer Price Index Core (YoY)	Aug'14	1.7%	1.9%	1.7%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$91.16	\$105.37	\$102.33
Gold Futures (oz.)	Sep 30	\$1,211	\$1,322	\$1,327



1. Data as of First Quarter 2014

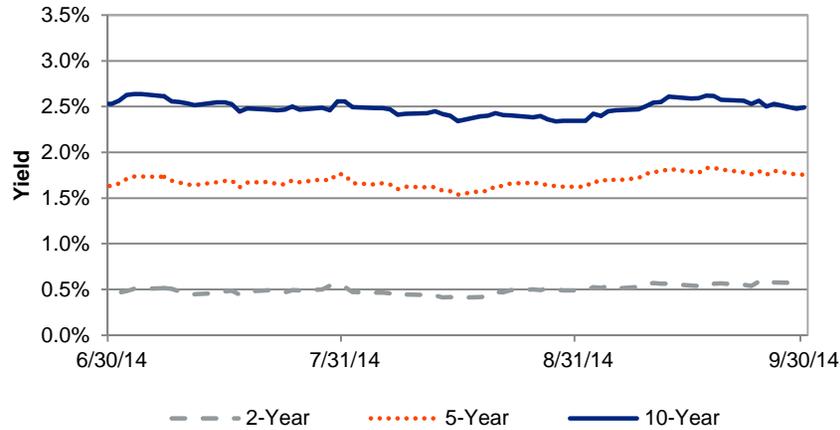
2. Data as of Third Quarter 2013

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

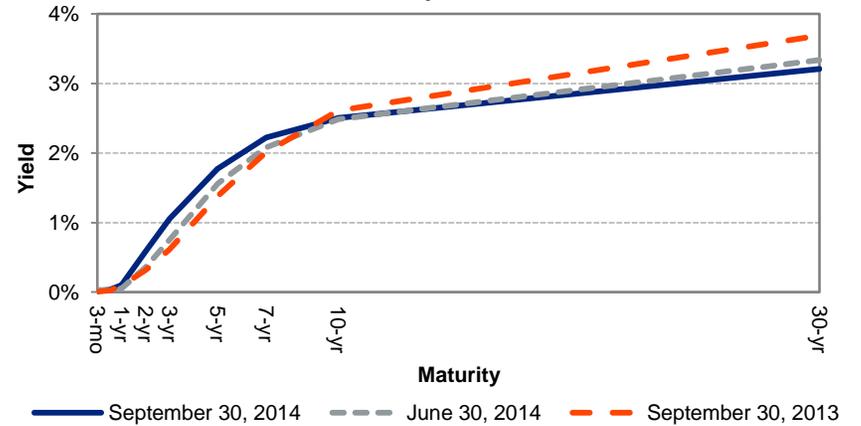
Source: Bloomberg

Investment Rate Overview

U.S. Treasury Note Yields



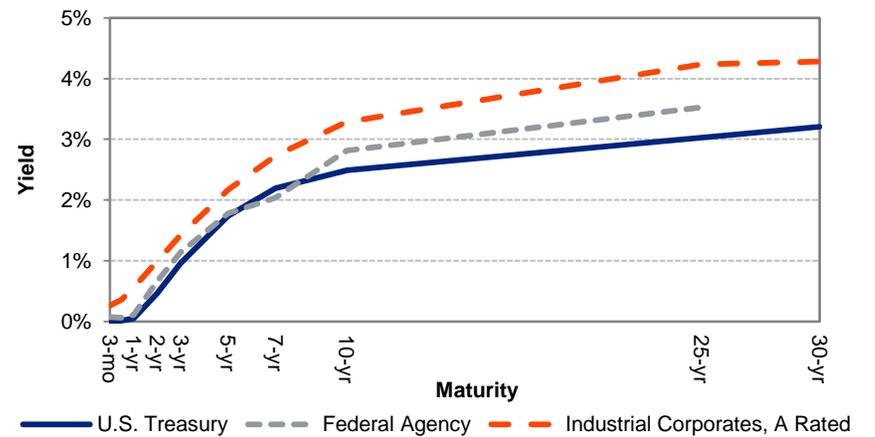
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	9/30/14	6/30/14	Change over Quarter	9/30/13	Change over Year
3-month	0.02%	0.02%	0.00%	0.01%	0.01%
1-year	0.10%	0.10%	0.00%	0.09%	0.01%
2-year	0.57%	0.46%	0.11%	0.32%	0.25%
5-year	1.76%	1.63%	0.13%	1.38%	0.38%
10-year	2.49%	2.53%	(0.04%)	2.61%	(0.12%)
30-year	3.20%	3.36%	(0.16%)	3.69%	(0.49%)

Yield Curves as of 9/30/2014



Source: Bloomberg

BofA Merrill Lynch Index Returns

	As of 9/30/2014		Returns for Periods ended 9/30/2014		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.91	0.59%	0.03%	0.50%	0.48%
Federal Agency	1.86	0.71%	0.07%	0.63%	0.65%
U.S. Corporates, A-AAA rated	1.96	1.14%	0.02%	1.39%	2.28%
Agency MBS (0 to 3 years)	1.56	1.21%	(0.14%)	1.49%	1.16%
Municipals	1.81	0.54%	0.12%	1.05%	1.04%
1-5 Year Indices					
U.S. Treasury	2.71	0.97%	(0.06%)	0.64%	0.63%
Federal Agency	2.36	0.97%	0.00%	0.99%	0.86%
U.S. Corporates, A-AAA rated	2.85	1.65%	(0.10%)	2.16%	3.06%
Agency MBS (0 to 5 years)	3.16	2.20%	0.05%	3.21%	2.01%
Municipals	2.58	0.83%	0.31%	1.88%	1.56%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	5.93	1.63%	0.43%	2.70%	1.08%
Federal Agency	3.95	1.48%	0.25%	2.55%	1.31%
U.S. Corporates, A-AAA rated	6.71	2.76%	0.17%	5.85%	4.58%
Agency MBS (0 to 30 years)	4.68	2.75%	0.15%	3.72%	2.06%
Municipals	6.99	2.65%	1.64%	8.73%	4.83%

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.
- PFM continued to actively manage the Long Term Fund Portfolio during the third quarter and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result, the Portfolio realized \$8,756 in gains on sales (based on amortized cost) 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 0.06%, outperformed the benchmark's performance of 0.03% by 0.03%. Over the past year, the Portfolio earned 0.61%, versus 0.50% 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 0.25%, exceeding the Yield of its benchmark the TexPool by 22 basis points (0.22%).
- The yield curve remains steep by historical standards, which means longer maturities continue to benefit from the favorable impact of "roll-down." The steep curve also increases the opportunity cost associated with maintaining liquid balances at near zero short-term rates. Our strategy has been to minimize excess liquidity, maintain a reasonable balance between liquid assets and longer term "core" investments, and carefully manage duration to mitigate exposure to potentially rising rates.
- As economic data continues to signal a prospering U.S. economy, we believe the Federal Reserve will reduce the significant monetary support that has driven capital markets for the past 6 years. The Fed will conclude its large-scale asset purchase program in October, after which all eyes will turn to the FOMC's main policy tool – the Fed Funds Rate – and the potential timing and magnitude of expected rate hikes in 2015.
- PFM will continue to navigate the market environment with a keen focus on relative value sector analysis, prudent duration management, and efficient yield curve placement. While producing strong investment returns remains a priority, it is secondary to maintaining safety and liquidity, particularly in the current environment where we expect yields to trend higher.

Summary Portfolio Statistics

<u>Amortized Cost and Market Value</u> <u>Account Name</u>	Amortized Cost^{1,2,3} September 30, 2014	Amortized Cost ^{1,2,3} June 30, 2014	Market Value^{1,2,3} September 30, 2014	Market Value ^{1,2,3} June 30, 2014	Duration (Years) September 30, 2014
Pooled Funds	\$5,897,276.99	\$6,992,347.42	\$5,898,064.60	\$6,994,563.40	0.210
Long Term Pooled Fund	13,629,228.11	18,619,400.30	13,642,350.84	18,653,622.60	1.920
TexPool	12,847,287.33	13,076,968.57	12,847,287.33	13,076,968.57	0.003
Total	\$32,373,792.43	\$38,688,716.29	\$32,387,702.77	\$38,725,154.57	0.848

<u>Yields</u> <u>Account Name</u>	Yield to Maturity at Cost⁴ September 30, 2014	Yield to Maturity at Cost ⁴ June 30, 2014	Yield to Maturity at Market September 30, 2014	Yield to Maturity at Market June 30, 2014	Duration (Years) June 30, 2014
Pooled Funds	0.25%	0.27%	0.15%	0.18%	0.430
Long Term Pooled Fund	0.67%	0.53%	0.62%	0.43%	1.830
TexPool ⁵	0.03%	0.03%	0.03%	0.03%	0.003
Weighted Average YTM	0.34%	0.31%	0.30%	0.25%	0.960

Monthly Interest earnings YTD^{6,7}

October 2013	\$37,355.39	April 2014	\$27,665.35
November 2013	\$13,452.76	May 2014	\$27,889.87
December 2013	(23,084.61)	June 2014	(\$6,193.08)
January 2014	30,640.00	July 2014	(16,230.91)
February 2014	20,379.05	August 2014	34,125.41
March 2014	(20,195.40)	September 2014	(5,815.28)

Total Fiscal Year Net Earnings \$119,988.55

Notes:

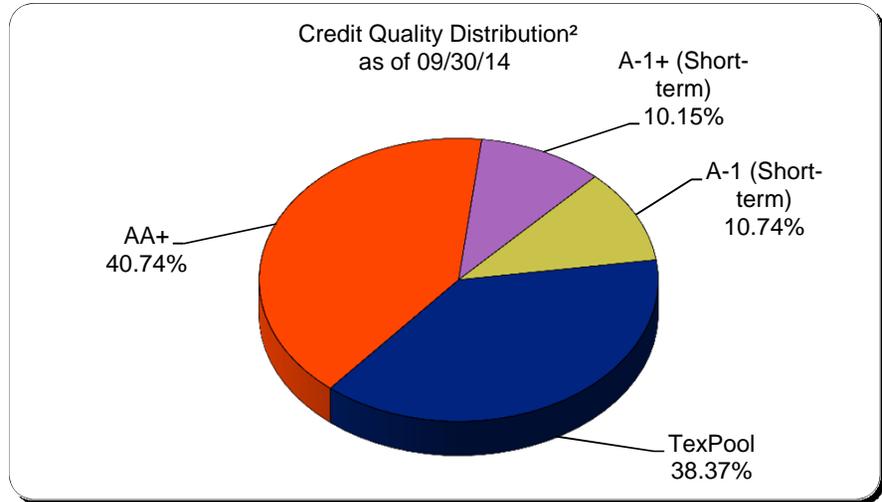
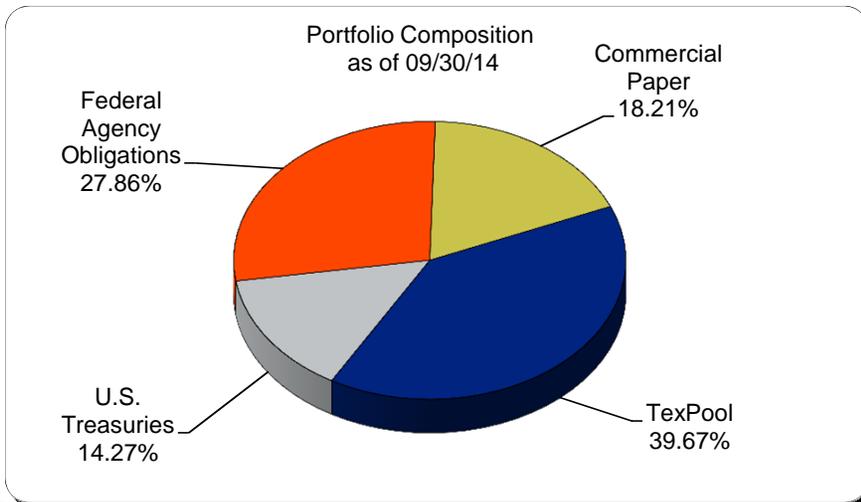
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					6/30/2014	6/30/2014	6/30/2014	9/30/2014	9/30/2014	9/30/2014	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	\$13,076,968.57	\$13,076,968.57	\$0.00	\$12,847,287.33	\$12,847,287.33	-1.76%
					\$0.00	\$13,076,968.57	\$13,076,968.57	\$0.00	\$12,847,287.33	\$12,847,287.33	-1.76%
TOTAL					\$0.00	\$13,076,968.57	\$13,076,968.57	\$0.00	\$12,847,287.33	\$12,847,287.33	-1.76%
POOLED FUNDS											
COMMERCIAL PAPER											
46640QKH3	JP MORGAN SECURITIES LLC COMM PAPER	1,300,000	0.000	10/17/14	0.00	2,397,480.00	2,398,648.80	0.00	1,299,797.77	1,299,896.00	-45.81%
89233HM27	TOYOTA MOTOR CREDIT CORP COMM	2,200,000	0.000	12/02/14	0.00	2,197,835.44	2,198,739.40	0.00	2,199,128.56	2,199,645.80	0.04%
06538CMG3	BANK OF TOKYO MITSUBISHI COMM PAPER	1,200,000	0.000	12/16/14	0.00	1,198,711.99	1,198,726.80	0.00	1,199,417.33	1,199,510.40	0.07%
36959JQA4	GENERAL ELEC CAP CORP COMM PAPER	1,200,000	0.000	03/10/15	0.00	1,198,319.99	1,198,448.40	0.00	1,198,933.33	1,199,012.40	0.05%
		\$5,900,000			\$0.00	\$6,992,347.42	\$6,994,563.40	\$0.00	\$5,897,276.99	\$5,898,064.60	-15.68%
TOTAL		\$5,900,000			\$0.00	\$6,992,347.42	\$6,994,563.40	\$0.00	\$5,897,276.99	\$5,898,064.60	-15.67%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
3135G0VA8	FANNIE MAE GLOBAL NOTES	\$1,000,000.00	0.500	03/30/16	\$1,263.89	\$1,001,665.60	\$1,001,704.00	\$13.89	\$1,001,428.10	\$1,000,765.00	-0.09%
3135G0VA8	FANNIE MAE GLOBAL NOTES	2,000,000	0.500	03/30/16	2,527.78	1,999,081.28	2,003,408.00	27.78	1,999,212.14	2,001,530.00	-0.09%
3137EADQ9	FREDDIE MAC GLOBAL NOTES	2,000,000	0.500	05/13/16	1,333.33	1,998,790.30	2,000,862.00	3,833.33	1,998,951.62	2,001,106.00	0.01%
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NOTES	2,000,000	0.375	06/24/16	145.83	1,992,321.02	1,994,422.00	2,020.83	1,993,286.14	1,995,904.00	0.07%
3137EADS5	FHLMC NOTES	2,000,000	0.875	10/14/16	3,743.06	2,002,740.84	2,013,008.00	8,118.06	2,002,443.76	2,008,412.00	-0.23%
		\$9,000,000			\$9,013.89	\$8,994,599.04	\$9,013,404.00	\$14,013.89	\$8,995,321.76	\$9,007,717.00	-0.06%
US TSY BOND/NOTE											
912828SC5	US TREASURY NOTES	\$1,595,000.00	0.875	1/31/2017	\$0.00	\$0.00	\$0.00	\$2,351.32	\$1,596,395.39	\$1,597,990.63	0.00%
912828NP1	US TREASURY NOTES	1,575,000	1.750	7/31/2015	11,497.06	1,598,241.53	1,602,193.95	0.00	0.00	0.00	0.00%
912828WB2	US TREASURY NOTES	2,500,000	0.250	10/31/2015	1,052.99	2,499,397.08	2,502,147.50	0.00	0.00	0.00	0.00%
912828PM6	US TREASURY NOTES	2,425,000	2.125	12/31/2015	140.03	2,490,581.82	2,492,635.68	0.00	0.00	0.00	0.00%
912828RU6	US TREASURY NOTES	1,500,000	0.875	11/30/2016	1,111.68	1,504,351.32	1,509,257.81	4,410.86	1,503,902.00	1,505,507.81	-0.25%
912828WP1	US TREASURY NOTES	1,510,000	0.009	6/15/2017	577.60	1,508,836.26	1,510,590.41	3,898.77	1,508,934.12	1,506,460.56	-0.27%
		\$9,595,000			\$14,379.36	\$9,601,408.01	\$9,616,825.35	\$10,660.95	\$4,609,231.51	\$4,609,959.00	-52.06%
TOTAL		\$18,595,000			\$23,393.25	\$18,596,007.05	\$18,630,229.35	\$24,674.84	\$13,604,553.27	\$13,617,676.00	-26.905%
TOTAL PORTFOLIO		\$24,495,000			\$23,393.25	\$38,665,323.04	\$38,701,761.32	\$24,674.84	\$32,349,117.59	\$32,363,027.93	-16.38%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>September 30, 2014</u>	<u>% of Portfolio</u>	<u>June 30, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$4,620,619.95	14.3%	\$9,631,204.71	4.4%
Federal Agencies	9,021,730.89	27.9%	9,022,417.89	49.1%
Commercial Paper	5,898,064.60	18.2%	6,994,563.40	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	12,847,287.33	39.7%	13,076,968.57	46.5%
Totals	\$32,387,702.77	100.0%	\$38,725,154.57	100.0%

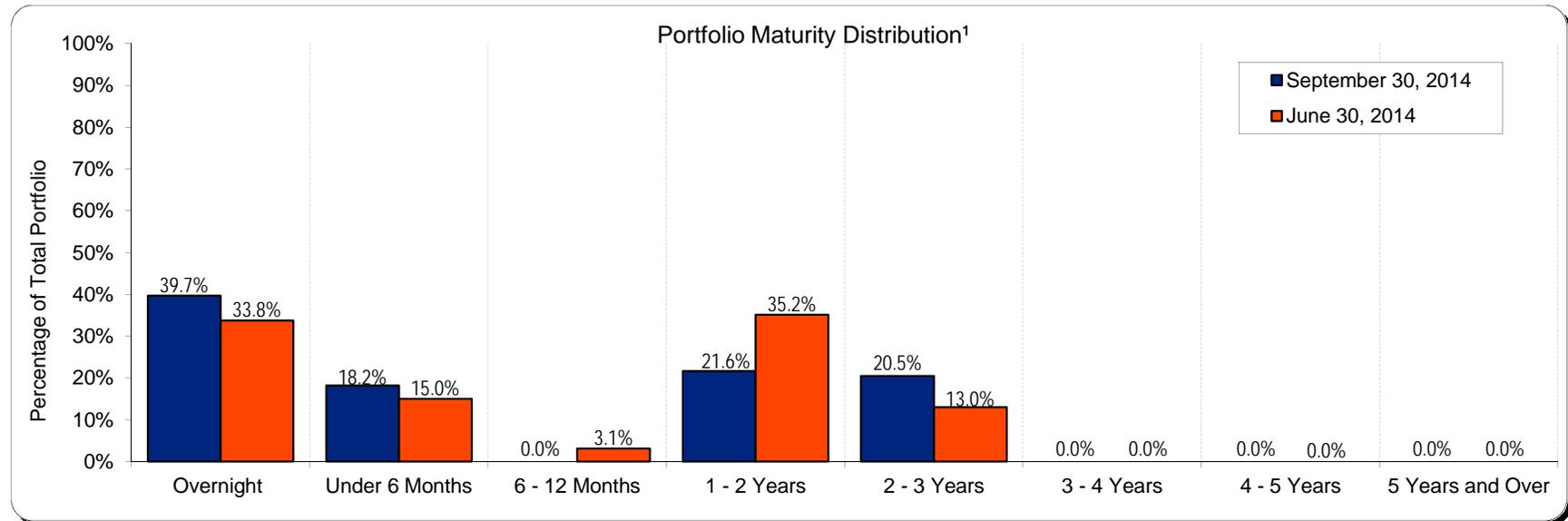


Notes:

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>September 30, 2014</u>	<u>June 30, 2014</u>
Overnight (Money Market Fund)	\$12,847,287.33	\$13,076,968.57
Under 6 Months	5,898,064.60	5,796,115.00
6 - 12 Months	0.00	1,198,448.40
1 - 2 Years	7,005,200.83	13,615,334.04
2 - 3 Years	6,637,150.01	5,038,288.56
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$32,387,702.77	\$38,725,154.57



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
7/31/2014			
July Market Value		38,845,527.69	1 Account Summary Page
July Accrued Interest		23,198.99	2 Account Summary Page
Less (Purchases & Deposits)		(4,272,546.38)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		4,100,347.66	5 Security Transactions & Interest
Add Interest Receipts		14,131.09	6 Security Transactions & Interest
Less June Market Value		(38,701,761.32)	7 Account Summary Page
Less June Accrued Interest		(23,393.25)	8 Account Summary Page
Earnings		(14,495.52)	

Change in Investment Market Value	143,766.37	(1 - 7)
Change in Accrued Interest	(194.26)	(2 - 8)
Change in Cash	(158,067.63)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash		172,198.72	Security Transactions & Interest
Investments	143,766.37		Amortization/Accretion
Investment Income	28,432.35		Earnings
To record investment income/changes			
Cash	14,131.09		Security Transactions & Interest
Accrued Interest		194.26	Accrued Interest Difference
Investment Income		13,936.83	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
8/31/2014			
August Market Value		37,992,554.91	1 Account Summary Page
August Accrued Interest		35,639.53	2 Account Summary Page
Less (Purchases & Deposits)		(5,547,489.00)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		6,423,843.90	5 Security Transactions & Interest
Add Interest Receipts		387.68	6 Security Transactions & Interest
Less July Market Value		(38,845,877.53)	7 Account Summary Page
Less July Accrued Interest		(23,198.99)	8 Account Summary Page
Earnings		35,860.50	

Change in Investment Market Value	-853,322.62	(1 - 7)
Change in Accrued Interest	12,440.54	(2 - 8)
Change in Cash	876,742.58	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash	876,354.90		Security Transactions & Interest
Investments		853,322.62	Amortization/Accretion
Investment Income		23,032.28	Earnings
To record investment income/changes			
Cash	387.68		Security Transactions & Interest
Accrued Interest	12,440.54		Accrued Interest Difference
Investment Income		12,828.22	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
9/30/2014			
September Market Value		32,362,681.19	1 Account Summary Page
September Accrued Interest		24,674.84	2 Account Summary Page
Less (Purchases & Deposits)		(469,538.33)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		6,087,027.00	5 Security Transactions & Interest
Add Interest Receipts		19,245.69	6 Security Transactions & Interest
Less August Market Value		(37,992,942.59)	7 Account Summary Page
Less August Accrued Interest		(35,639.53)	8 Account Summary Page
Earnings		(4,491.73)	

Change in Investment Market Value	(5,630,261.40)	(1 - 7)
Change in Accrued Interest	(10,964.69)	(2 - 8)
Change in Cash	5,636,734.36	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	5,617,488.67		Security Transactions & Interest
Investments		5,630,261.40	Amortization/Accretion
Investment Income	12,772.73		Earnings
To record investment income/changes			
Cash	19,245.69		Security Transactions & Interest
Accrued Interest		10,964.69	Accrued Interest Difference
Investment Income		8,281.00	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} September 30, 2014	Amortized Cost ^{1,2,3} June 30, 2014	Market Value^{1,2,3} September 30, 2014	Market Value ^{1,2,3} June 30, 2014	Duration (Years) September 30, 2014
Pooled Funds	\$5,897,276.99	\$6,992,347.42	\$5,898,064.60	\$6,994,563.40	0.21

<u>Account Name</u>	Yield to Maturity at Cost⁴ September 30, 2014	Yield to Maturity at Cost ⁴ June 30, 2014	Yield to Maturity at Market September 30, 2014	Yield to Maturity at Market June 30, 2014	Duration (Years) June 30, 2014
Pooled Funds	0.25%	0.27%	0.15%	0.18%	0.43

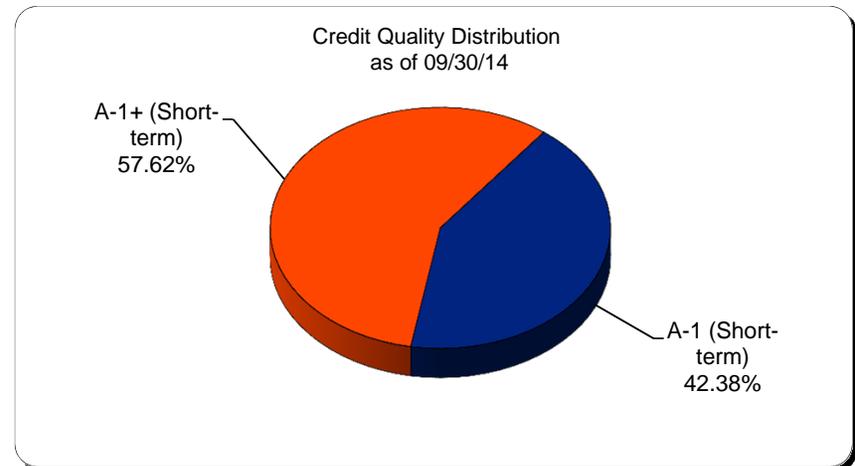
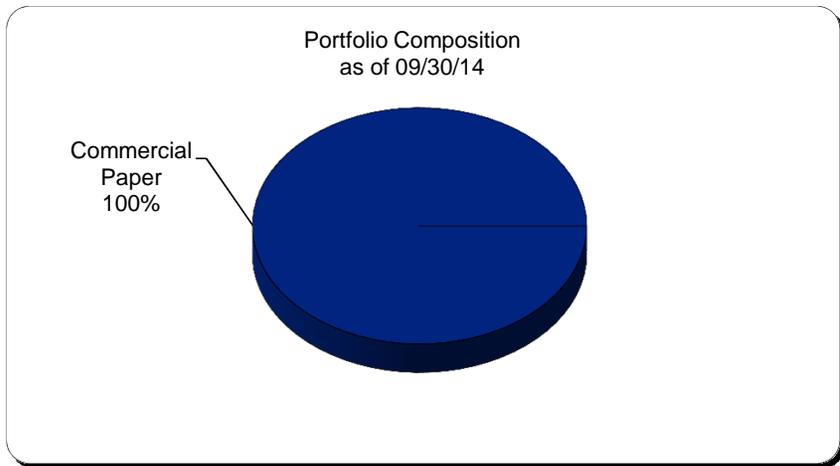
<u>Benchmarks⁵</u>	September 30, 2014	June 30, 2014
TexPool ⁶	0.03%	0.03%

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 September 30, 2014.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2014</u>	<u>% of Portfolio</u>	<u>June 30, 2014</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	5,898,064.60	100.00%	6,994,563.40	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	\$5,898,064.60	100.00%	\$6,994,563.40	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>September 30, 2014</u>	<u>June 30, 2014</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	5,898,064.60	5,796,115.00
6 - 12 Months	0.00	1,198,448.40
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	\$5,898,064.60	\$6,994,563.40



Notes:

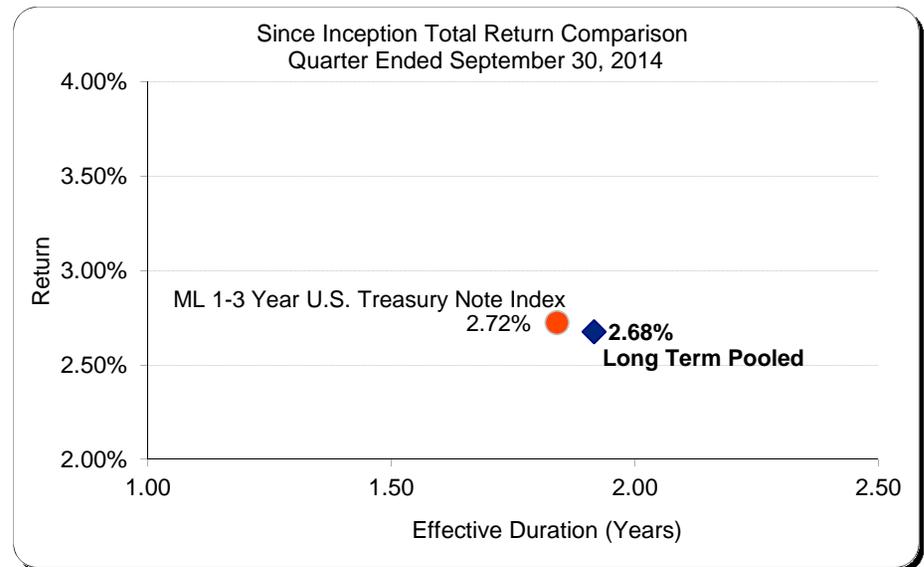
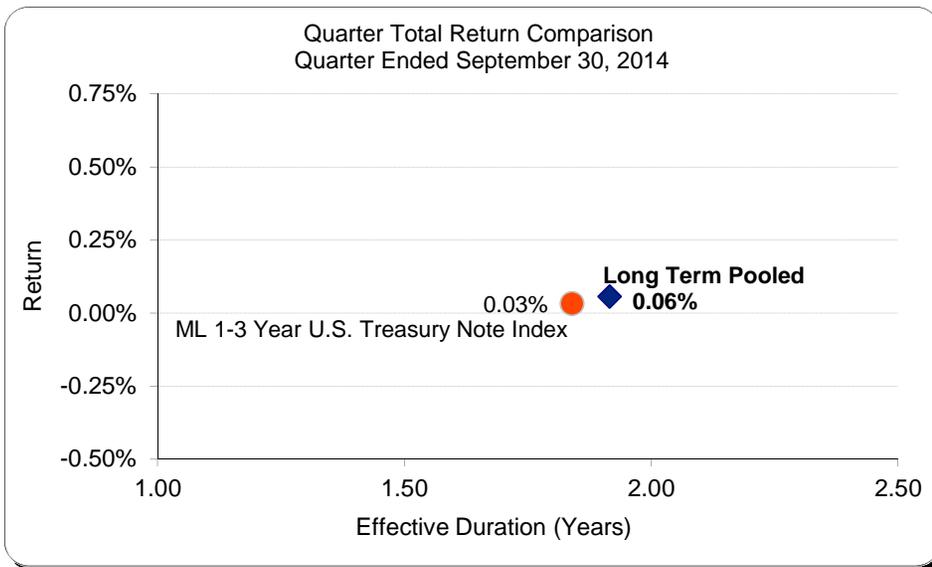
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ¹	September 30, 2014	June 30, 2014
Market Value	\$13,642,350.84	\$18,653,622.60
Amortized Cost	\$13,629,228.11	\$18,619,400.30

Total Return ^{2,3,4,5}	Quarterly Return September 30, 2014	Last 12 Months	Last 2 Years	Last 5 Years	Last 7 Years	Since Inception June 30, 2006
Long Term Pooled Fund	0.06%	0.61%	0.44%	0.96%	2.11%	2.68%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.03%	0.50%	0.43%	1.03%	2.11%	2.72%

Effective Duration(Years) ^{4,5}	September 30, 2014	June 30, 2014	Yields	September 30, 2014	June 30, 2014
Long Term Pooled Fund	1.92	1.83	Yield at Market	0.62%	0.53%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.84	1.85	Yield at Cost	0.67%	0.43%
Portfolio Duration % of Benchmark Duration	104%	99%			

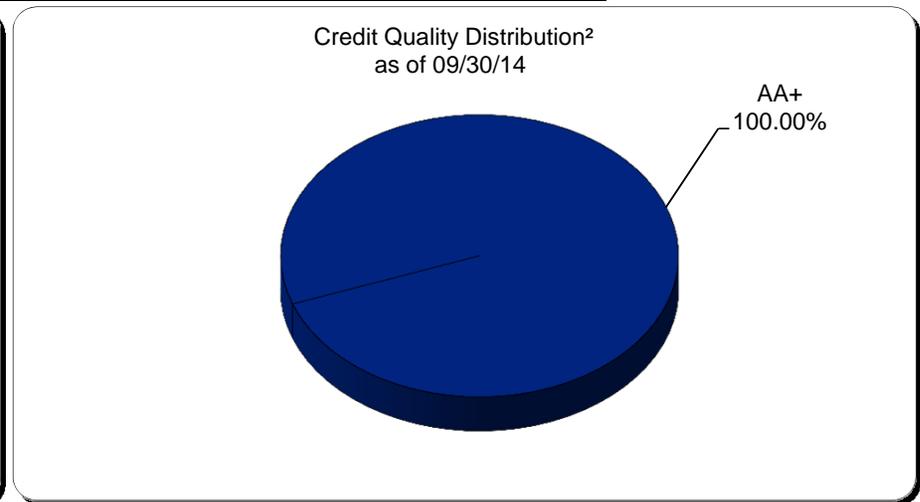
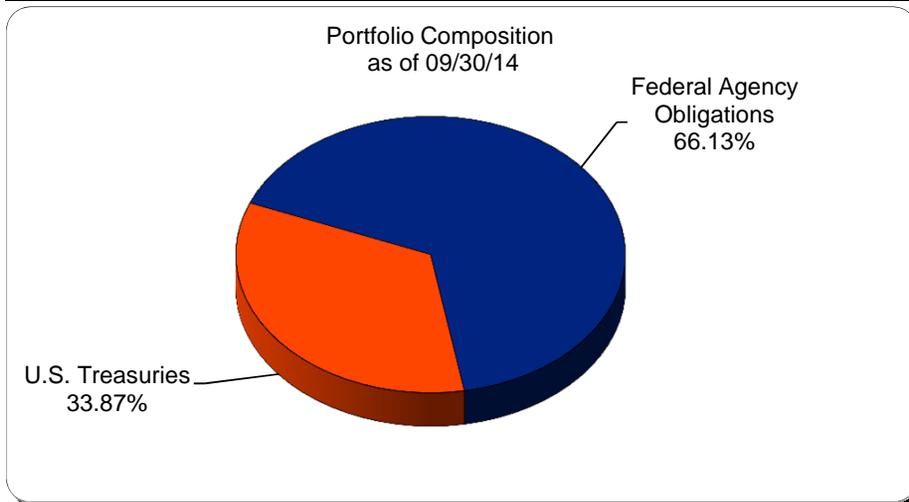


Notes:

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>September 30, 2014</u>	<u>% of Portfolio</u>	<u>June 30, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$4,620,619.95	33.9%	\$9,631,204.71	51.6%
Federal Agencies	9,021,730.89	66.1%	9,022,417.89	48.4%
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	\$13,642,350.84	100.0%	\$18,653,622.60	100.0%

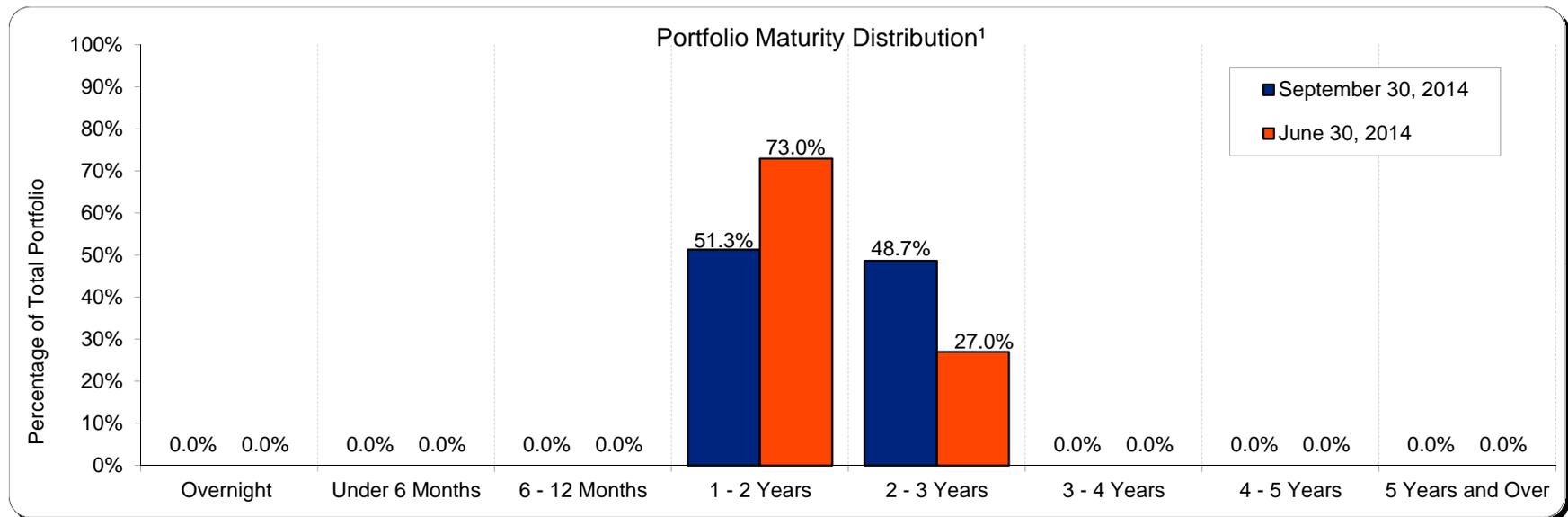


Notes:

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

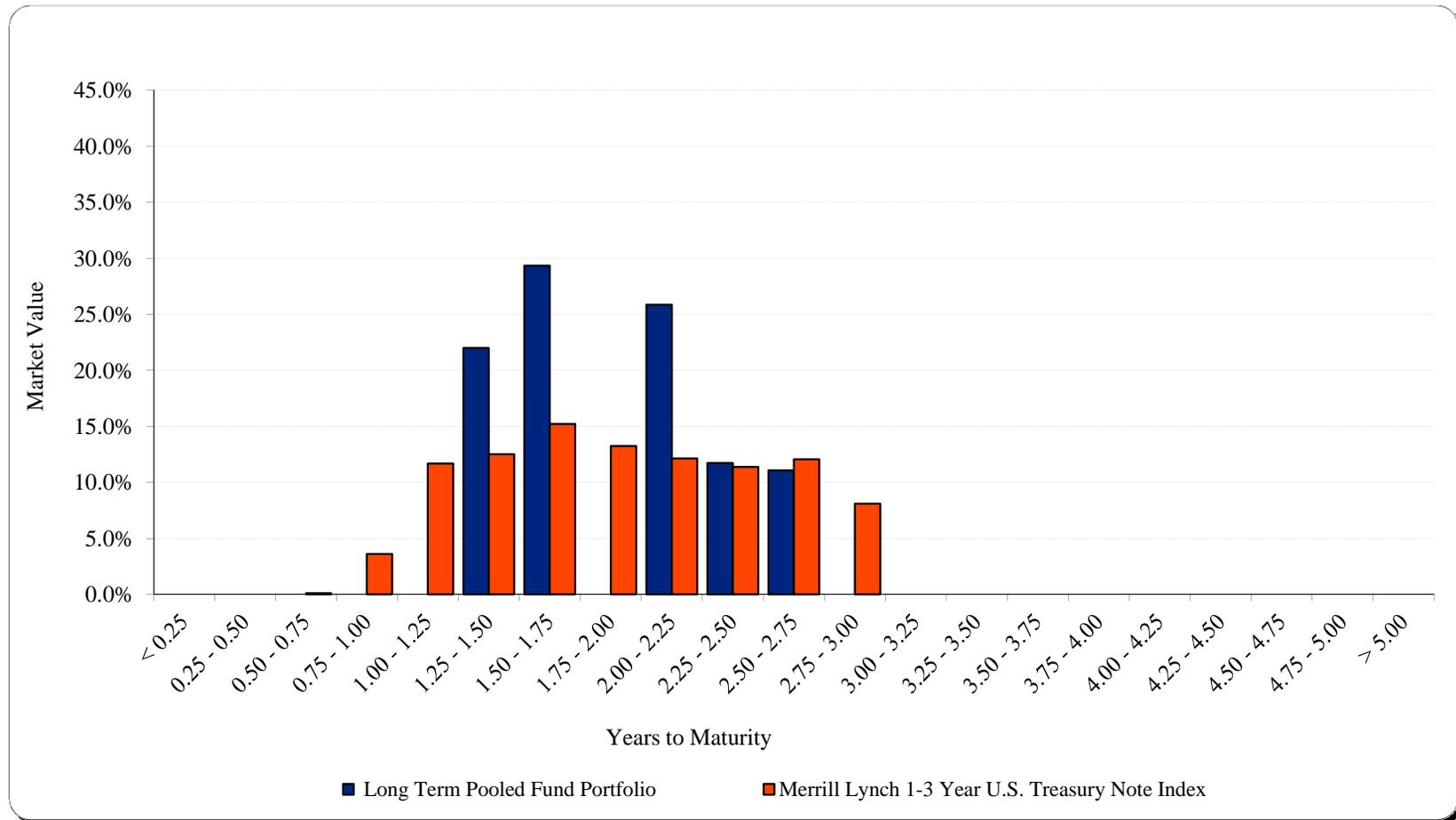
<u>Maturity Distribution¹</u>	<u>September 30, 2014</u>	<u>June 30, 2014</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	0.00	0.00
1 - 2 Years	7,005,200.83	13,615,334.04
2 - 3 Years	6,637,150.01	5,038,288.56
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$13,642,350.84	\$18,653,622.60



Notes:

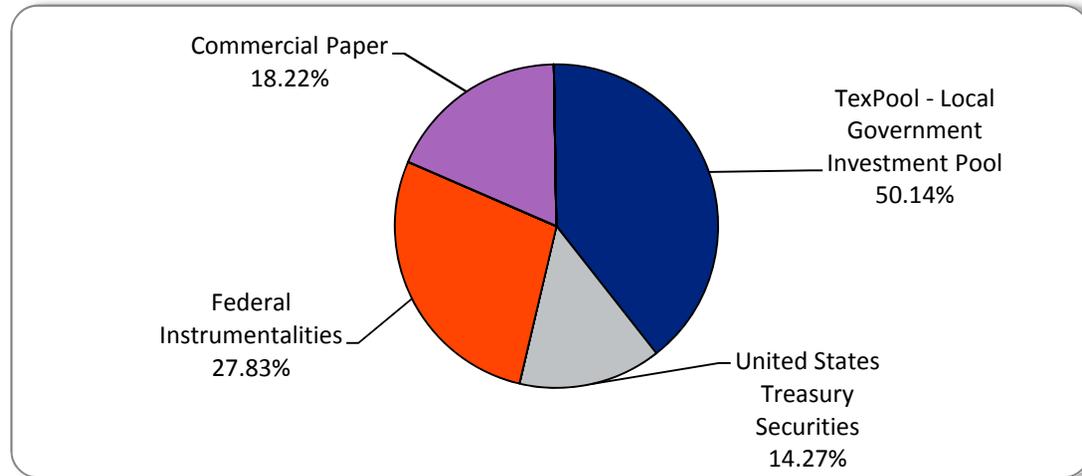
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio 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	12,847,287.33	39.68%		100%	YES
United States Treasury Securities	4,619,892.46	14.27%		100%	YES
United States Government Agency Securities	-	0.00%		100%	YES
Federal Instrumentalities	9,009,335.65	27.83%	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	5,897,276.99	18.22%		25%	YES
Corporate Notes TLGP - FDIC Insured	-	0.00%		50%	YES
Bankers' Acceptances	-	0.00%		25%	YES
State and/or Local Government Debt	-	0.00%		25%	YES
Fixed Income Money Market Mutual Funds	-	0.00%		50%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of September 30, 2014 is 27.83%.
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)	1,995,306.97	6.16%		40%	YES
Federal National Mortgage Association (FNMA)	3,000,681.91	9.27%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	4,013,346.77	12.40%		40%	YES
JP Morgan Securities Commercial Paper	1,299,797.77	4.01%		5%	YES
General Electric Commercial Paper	1,198,933.33	3.70%		5%	YES
Toyota Commercial Paper	2,199,128.56	6.79%	4	5%	NO
Bank of Tokyo Mitsubishi Commercial Paper	1,199,417.33	3.70%		5%	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 September 30, 2014 is 27.83%.
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 September 30, 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.

Alan Guard, Chief Financial Officer

Wendy Badgett, Assistant Finance Director

TAB III

Insert Month End Statement here to complete the report.

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

Statements are available online at **www.pfm.com** login and click on the link to "Monthly Statements" on the left side of the screen.

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

TAB IV