



Town of Palm Beach, Florida



Investment Performance Review Quarter Ended December 31, 2013

Investment Advisors

Steven Alexander, CTP, CGFO, Managing Director
D. Scott Stitche, 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

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December 31, 2013 PFM Month-End Statement

(PFM Month End Statement available online at www.pfm.com)

PFM Funds December 31, 2013 Month-End Statement

(PFM Funds Month end Statement available online at www.pfmfunds.com)

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

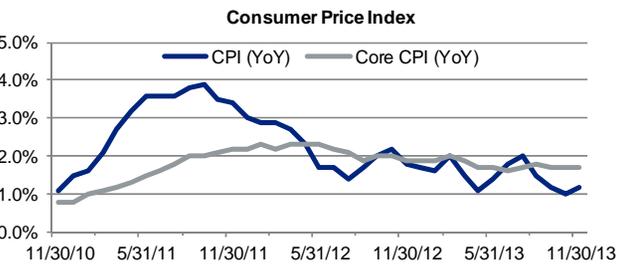
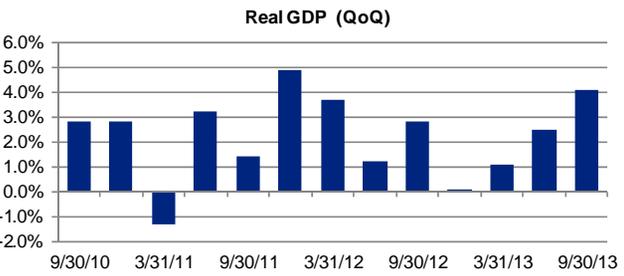
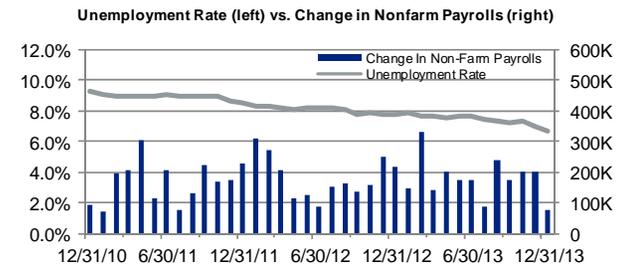
- Treasuries sold off during the quarter as interest rates resumed their move to higher levels.
- As was the case last quarter, fixed-income securities that were perceived to have the most risk (such as corporate bonds with the lowest credit ratings) performed best. On the other hand, U.S. Treasuries 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	Latest	Sep 2013	Dec 2012	
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	Latest	Sep 2013	Dec 2012	
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

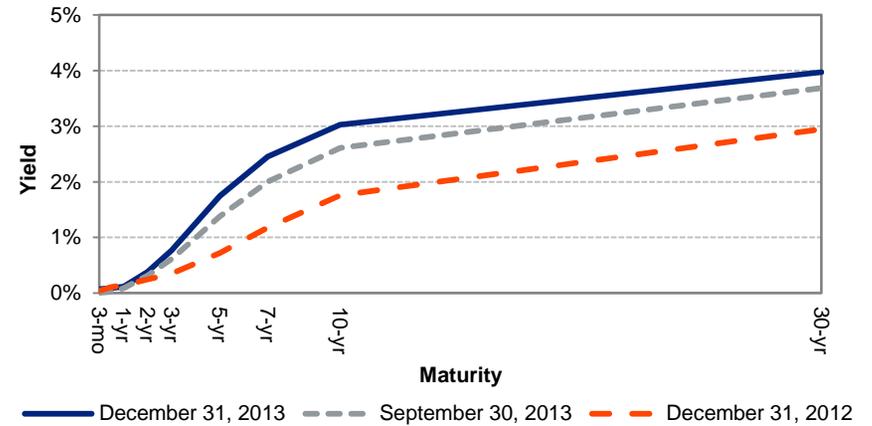
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

Investment Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

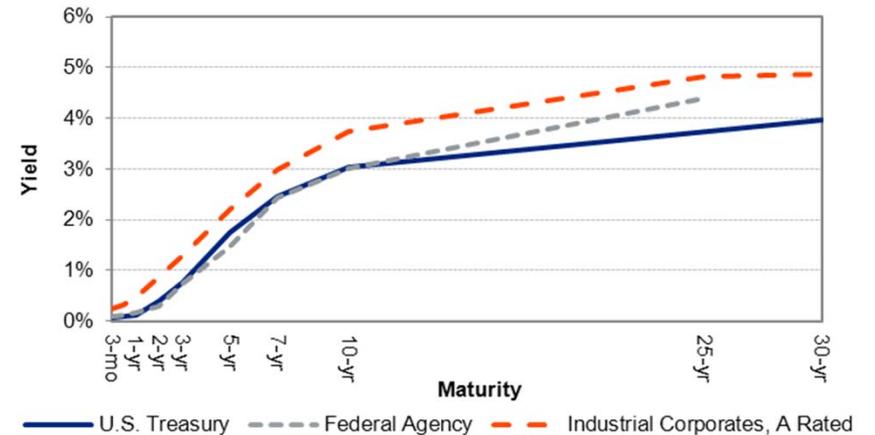


U.S. Treasury Yields

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.

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TAB II

Executive Summary

PORTFOLIO STRATEGY

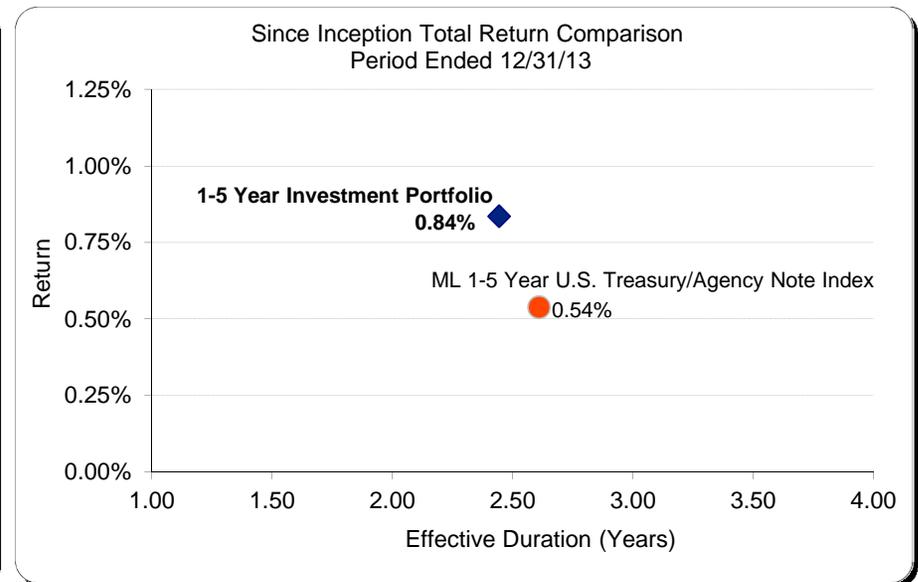
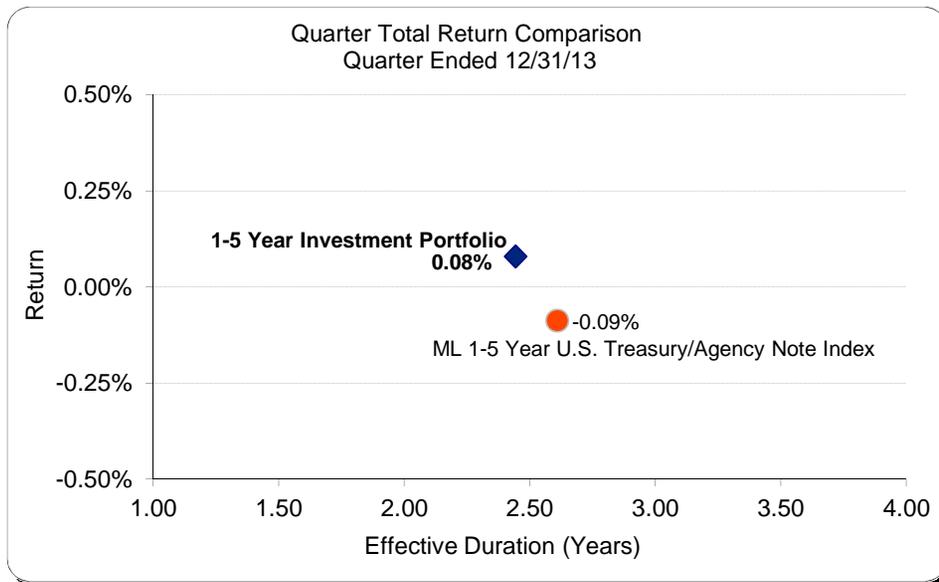
- The Town's 1-5 Year Investment, Short Term, and Bond Proceed Portfolios are of high credit quality and invested in U.S. Treasury, Federal Agency, high quality corporate and commercial paper securities, and money market mutual funds.
- PFM continued to actively manage the 1-5 Year Investment Portfolio during the fourth quarter and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result the Portfolio realized \$6,916 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 1-5 Year Investment Portfolio's quarterly total return performance was 0.08%, outperforming the benchmark's performance of -0.09% by 0.17%. Over the past year, the Portfolio earned 0.06%, versus -0.16% for the benchmark.
- The Short Term and Bond Proceed Portfolios continue to provide the Town with favorable yield relative to the benchmark. At quarter end the portfolios had a weighted average Yield to Maturity at Cost of 0.13%, exceeding the Yield to Maturity of its benchmark the S&P GIP Government 30 Day Index by 3 basis points (0.03%).
- Our investment strategy 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,
 - Continuing to emphasize investment-grade credit instruments (e.g. corporates, municipals) that benefit from favorable credit market conditions that include strong balance sheets, historically low funding rates, and strengthening economic conditions in the U.S. and most developed markets around the globe,
 - 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.
- Corporates performed well again in Q4, benefitting from higher initial yields and modest spread compression. While we maintained appropriate diversification, we continued to emphasize issuers in the banking and financial sectors, which offered the best return potential. Strong demand for the sector's incremental yield constrained supply, making it difficult to meet targeted allocations. Corporate spreads ended the quarter at their tightest levels of the year, which further narrowed the universe of securities with attractive valuations.
- 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 steeper yield curve.
- We will focus more than ever on safety of principal and appropriate liquidity in this new and challenging environment, while maximizing value through careful, prudent active management. Our strategy will remain appropriately flexible and may change in response to changes in interest rates, economic data, market outlook or specific opportunities that arise.

1-5 Year Investment Portfolio (Actively Managed) Performance - 68904260

Total Portfolio Value ¹	December 31, 2013	September 30, 2013
Market Value	\$17,850,356.94	\$17,836,218.06
Amortized Cost	\$17,863,599.98	\$17,821,474.02

Total Return ^{2,3,4}	Quarterly Return December 31, 2013	Last 6 Months	Last 12 Months	Last 2 Years	Last 3 Years	Since Inception September 30, 2011
1-5 Year Investment Portfolio (Actively Managed)	0.08%	0.62%	0.06%	0.71%	N/A	0.84%
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	-0.09%	0.38%	-0.16%	0.41%	N/A	0.54%

Effective Duration (Years) ^{4,5}	December 31, 2013	September 30, 2013	Yields	December 31, 2013	September 30, 2013
1-5 Year Investment Portfolio (Actively Managed)	2.44	2.42	Yield at Market	0.76%	0.66%
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	2.61	2.61	Yield at Cost	0.80%	0.77%
Portfolio Duration % of Benchmark Duration	94%	93%			

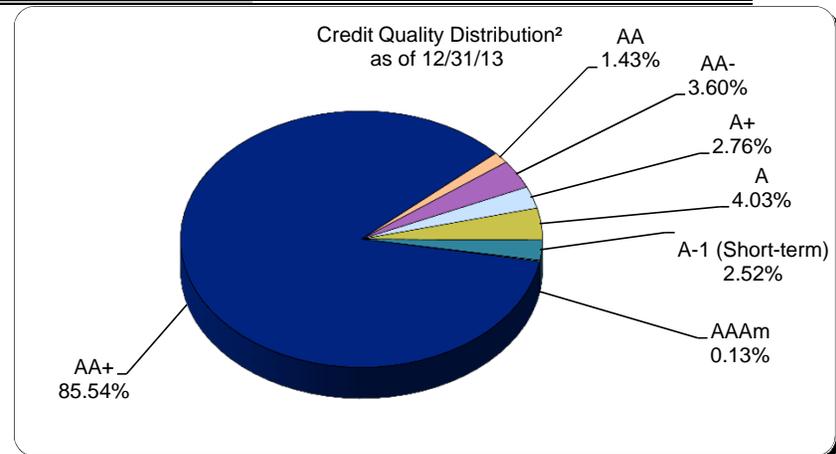
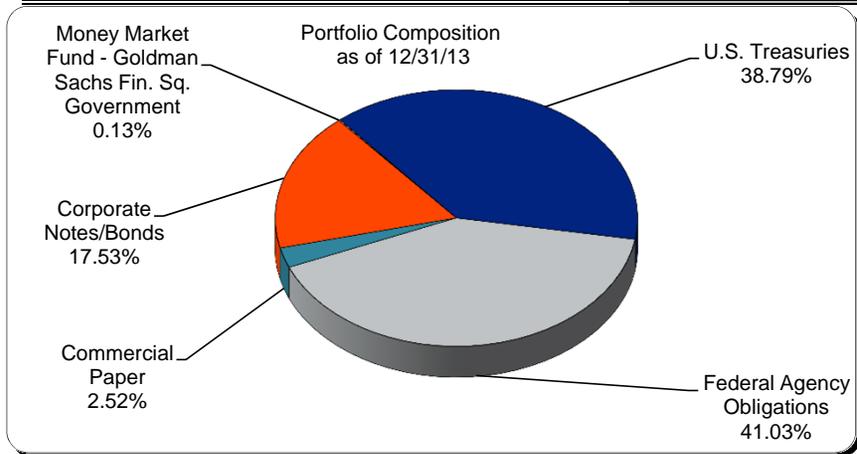


Notes:

- 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 1-5 Year U.S. Treasury/Agency Note Index.
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Includes money market fund/cash in performance and duration computations.

1-5 Year Investment Portfolio (Actively Managed) Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>December 31, 2013</u>	<u>% of Portfolio</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$6,923,791.25	38.8%	\$7,844,317.01	44.0%
Federal Agencies	7,324,517.46	41.0%	6,486,122.74	36.4%
Commercial Paper	449,445.15	2.5%	449,772.30	2.5%
Commercial Paper - TLGP	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	3,129,515.44	17.5%	2,982,207.01	16.7%
Corporate Notes - FDIC insured	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund - Goldman Sachs Fin. Sq. Government	23,087.64	0.1%	73,799.00	0.4%
Totals	\$17,850,356.94	100.0%	\$17,836,218.06	100.0%

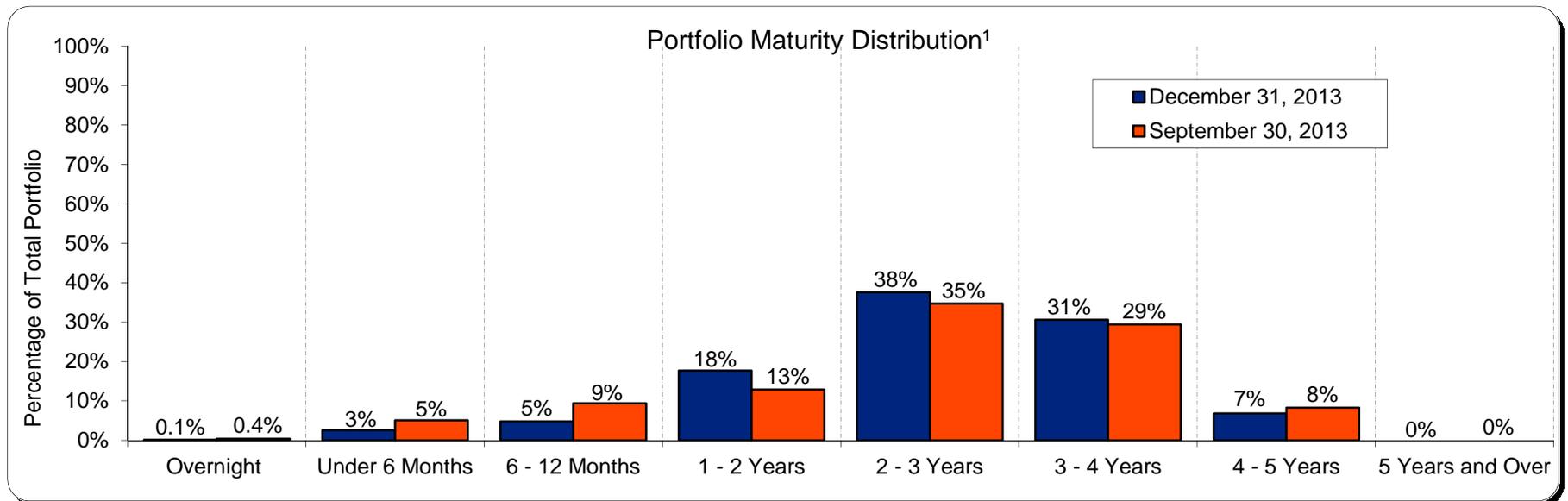


Notes:

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

1-5 Year Investment Portfolio (Actively Managed) Maturity Distribution

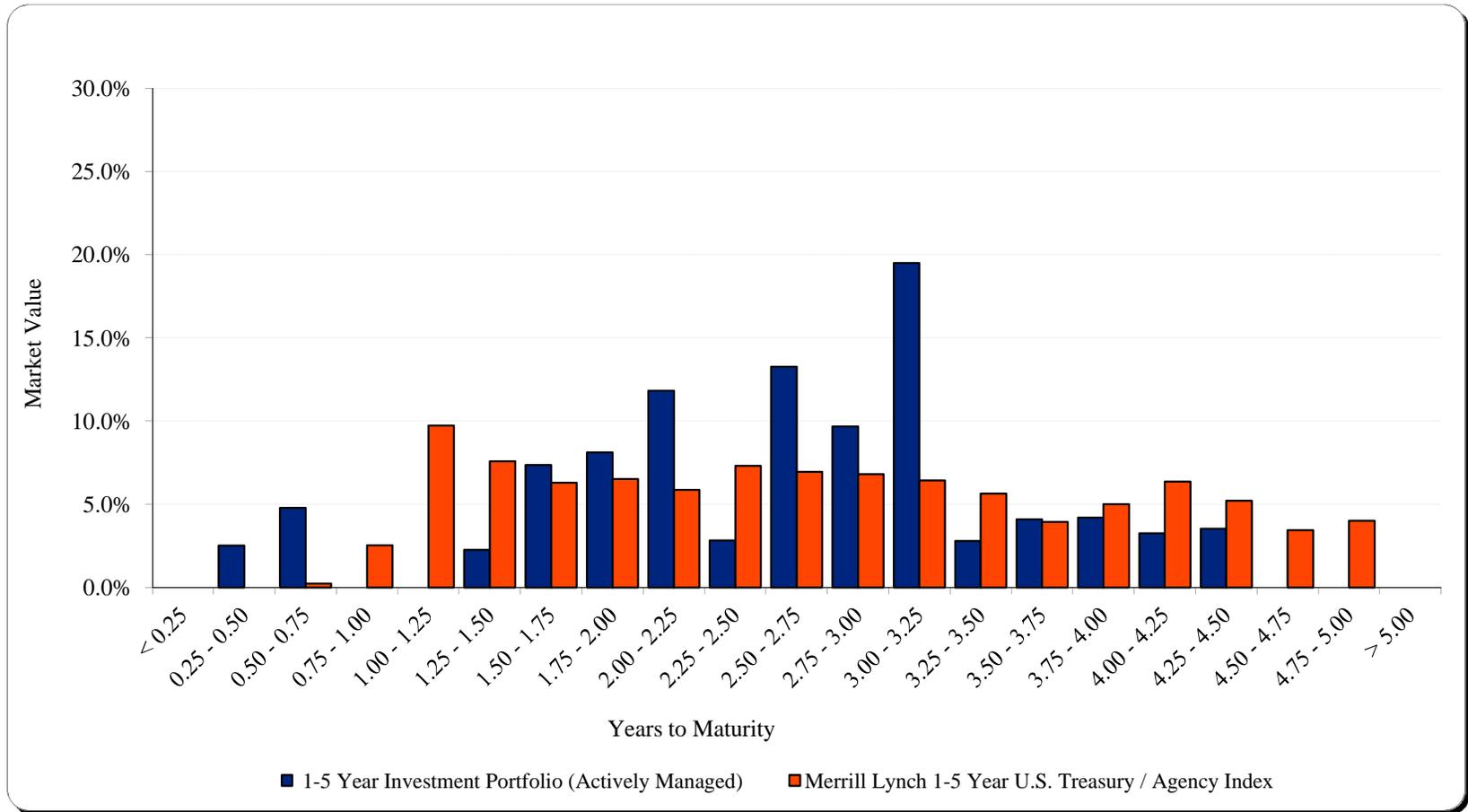
<u>Maturity Distribution¹</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>
Overnight (Money Market Fund)	\$23,087.64	73,799.00
Under 6 Months	449,445.15	900,310.20
6 - 12 Months	853,721.09	1,669,003.07
1 - 2 Years	3,160,854.02	2,289,173.27
2 - 3 Years	6,701,224.06	6,189,717.61
3 - 4 Years	5,453,484.13	5,241,891.23
4 - 5 Years	1,208,540.85	1,472,323.68
5 Years and Over	0.00	0.00
Totals	\$17,850,356.94	\$17,836,218.06



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.

1-5 Year Investment Portfolio (Actively Managed) 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.

Short Term and Bond Proceed Portfolios Statistics

<u>Account Name</u>	<u>Amortized Cost^{1,2,3}</u>	<u>Amortized Cost^{1,2,3}</u>	<u>Market Value^{1,2,3}</u>	<u>Market Value^{1,2,3}</u>	<u>Duration (Years)⁴</u>
	<u>December 31, 2013</u>	<u>September 30, 2013</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>	<u>December 31, 2013</u>
Short Term Fund - 68904245	\$16,965,506.99	\$13,158,659.34	\$16,971,530.90	\$13,162,867.28	0.44
2010A CIP Fund - 68904255	7,996,336.68	10,088,522.32	7,998,540.00	10,092,964.00	0.15
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174	30,705,629.13	30,705,629.13	30,705,629.13	30,705,629.13	53 Days
Money Market Fund - PFM Funds Prime Series 2010B WORTH AVENUE - 995179	81,936.15	69,545.79	81,936.15	69,545.79	53 Days
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180	3,582,242.51	4,988,304.38	3,582,242.51	4,988,304.38	53 Days
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 995357	58,366,251.02	N/A	58,366,251.02	N/A	53 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - Short Term Fund	107,249.54	107,249.54	107,249.54	107,249.54	57 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2010A CIP	8,030.15	108,028.51	8,030.15	108,028.51	57 Days
Total	\$117,813,182.17	\$59,225,939.01	\$117,821,409.40	\$59,234,588.63	

<u>Account Name</u>	<u>Yield to Maturity on Cost⁵</u>	<u>Yield to Maturity on Cost⁵</u>	<u>Yield to Maturity at Market</u>	<u>Yield to Maturity at Market</u>	<u>Duration (Years)⁴</u>
	<u>December 31, 2013</u>	<u>September 30, 2013</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>	<u>September 30, 2013</u>
Short Term Fund - 68904245	0.36%	0.35%	0.29%	0.29%	0.53
2010A CIP Fund - 68904255	0.32%	0.33%	0.12%	0.19%	0.35
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174 ⁵	0.07%	0.08%	0.07%	0.08%	56 Days
Money Market Fund - PFM Funds Prime Series 2010B WORTH AVENUE - 995179 ⁵	0.07%	0.08%	0.07%	0.08%	56 Days
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180 ⁵	0.07%	0.08%	0.07%	0.08%	56 Days
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 995357	0.07%	N/A	0.07%	N/A	N/A
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - Short Term Fund	0.00%	0.00%	0.00%	0.00%	52 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2010A CIP	0.00%	0.00%	0.00%	0.00%	52 Days
Weighted Average Yield	0.13%	0.18%	0.11%	0.15%	

Benchmarks

	<u>December 31, 2013</u>	<u>September 30, 2013</u>
S&P GIP Government 30 Day Index ⁷	0.10%	0.09%

Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- In order to comply with GASB accrual accounting reporting requirements, forward settling trades are included in the monthly balances.
- Includes any money market fund/cash balances held in custodian account.
- Money Market Fund duration is based on weighted average duration in days.
- Past performance is not indicative of future results.
- Seven day yield as of quarter end. The yields shown above represent past performance. Past performance is no guarantee of future results and yields may vary. The current fund performance may be higher or lower than that cited. The current seven-day yield does not include realized gains and losses on the sale of securities. The yields shown above may reflect fee waivers by service providers that subsidize and reduce the total operating expenses of the Funds. Fund yields would be lower if there were no such waivers.
- Monthly yields, source Bloomberg.

Short Term Portfolio Statistics

<u>Account Name</u>	<u>Amortized Cost^{1,2,3} December 31, 2013</u>	<u>Amortized Cost^{1,2,3} September 30, 2013</u>	<u>Market Value^{1,2,3} December 31, 2013</u>	<u>Market Value^{1,2,3} September 30, 2013</u>	<u>Duration (Years)⁴ December 31, 2013</u>
Short Term Fund - 68904245	\$16,965,506.99	\$13,158,659.34	\$16,971,530.90	\$13,162,867.28	0.44
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174	30,705,629.13	12,203,015.19	30,705,629.13	12,203,015.19	53 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	107,249.54	3,902,735.73	107,249.54	3,902,735.73	57 Days
Total	\$47,778,385.66	\$29,264,410.26	\$47,784,409.57	\$29,268,618.20	

<u>Account Name</u>	<u>Yield to Maturity on Cost⁵ December 31, 2013</u>	<u>Yield to Maturity on Cost⁵ September 30, 2013</u>	<u>Yield to Maturity at Market December 31, 2013</u>	<u>Yield to Maturity at Market September 30, 2013</u>	<u>Duration (Years) September 30, 2013</u>
Short Term Fund - 68904245	0.36%	0.35%	0.29%	0.29%	0.53
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174 ⁶	0.07%	0.08%	0.07%	0.08%	56 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	0.00%	0.00%	0.00%	0.00%	52 Days
Weighted Average Yield	0.17%	0.19%	0.15%	0.16%	

Benchmarks

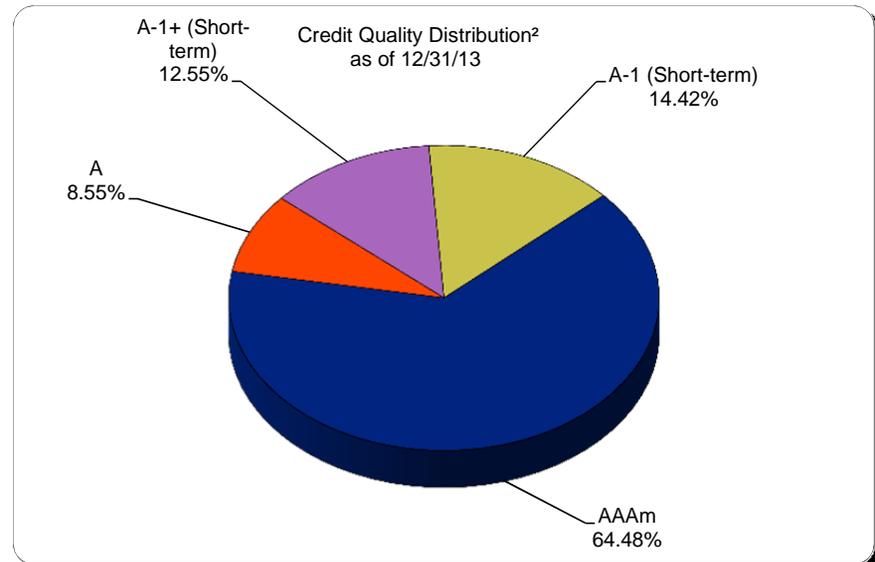
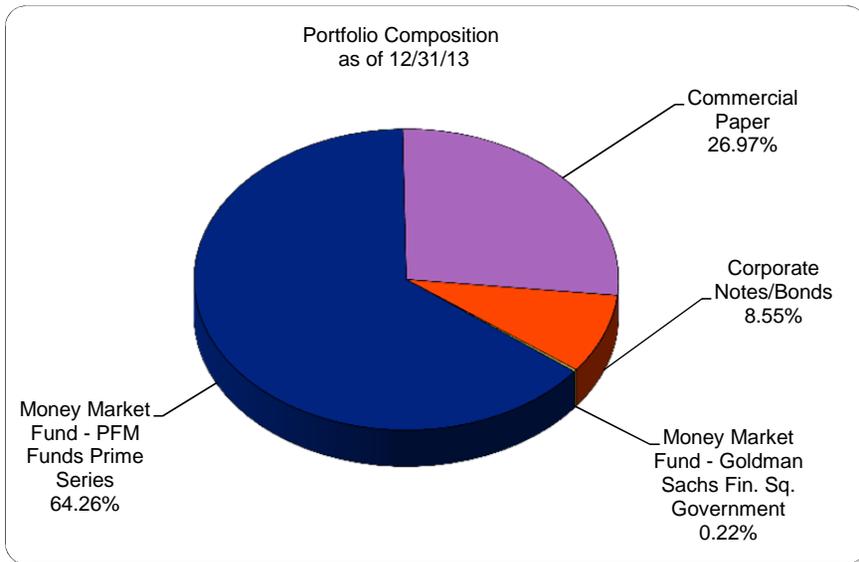
	<u>December 31, 2013</u>	<u>September 30, 2013</u>
S&P GIP Government 30 Day Index ⁷	0.10%	0.90%

Notes:

1. End of quarter trade-date market values of portfolio holdings, 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. Money Market Fund duration is based on weighted average duration in days.
5. Past performance is not indicative of future results.
6. Seven day yield as of quarter end. The yields shown above represent past performance. Past performance is no guarantee of future results and yields may vary. The current fund performance may be higher or lower than that cited. The current seven-day yield does not include realized gains and losses on the sale of securities. The yields shown above may reflect fee waivers by service providers that subsidize and reduce the total operating expenses of the Funds. Fund yields would be lower if there were no such waivers.
7. Monthly yields, source Bloomberg.

Short Term 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	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	0.00	0.0%	3,000,523.28	10.3%
Commercial Paper	12,885,990.90	27.0%	5,990,796.00	20.5%
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	4,085,540.00	8.5%	4,171,548.00	14.3%
Money Market Fund - Goldman Sachs Fin. Sq. Government	107,249.54	0.2%	3,902,735.73	13.3%
Money Market Fund - PFM Funds Prime Series	30,705,629.13	64.3%	12,203,015.19	41.69%
Totals	\$47,784,409.57	100.0%	\$29,268,618.20	100.0%

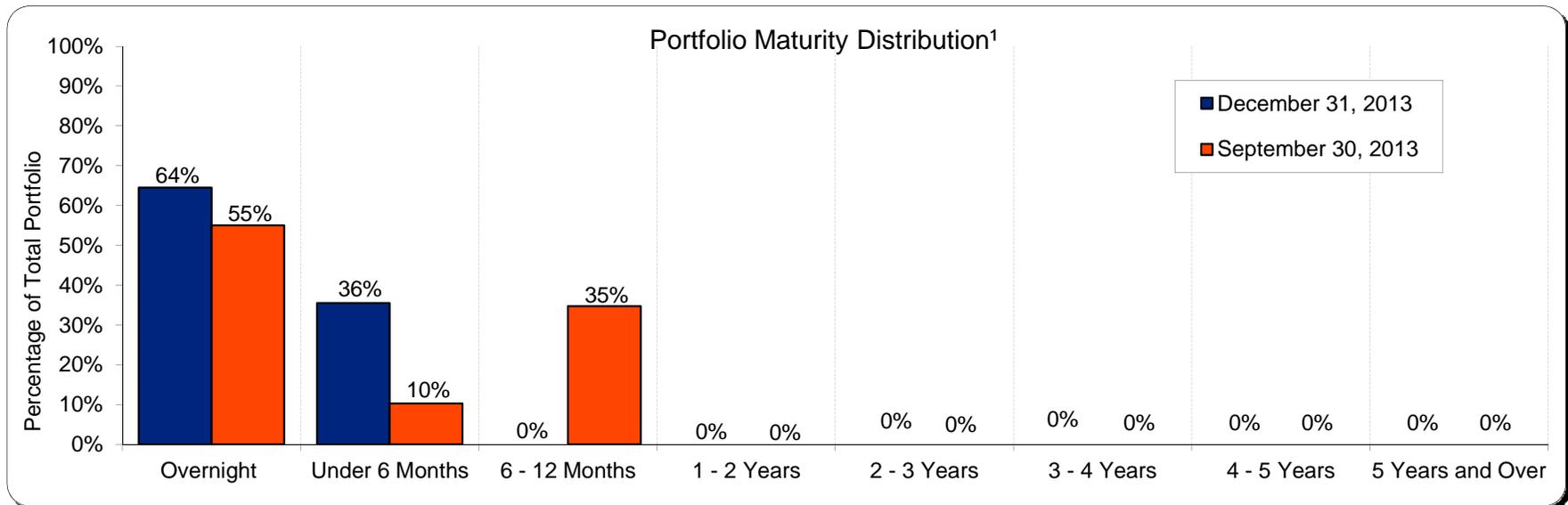


Notes:

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

Short Term Fund Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>
Overnight (Money Market Fund)	\$30,812,878.67	\$16,105,750.92
Under 6 Months	16,971,530.90	3,000,523.28
6 - 12 Months	0.00	10,162,344.00
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	\$47,784,409.57	\$29,268,618.20



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.

2010A CIP Portfolio Statistics

<u>Account Name</u>	<u>Amortized Cost^{1,2,3} December 31, 2013</u>	<u>Amortized Cost^{1,2,3} September 30, 2013</u>	<u>Market Value^{1,2,3} December 31, 2013</u>	<u>Market Value^{1,2,3} September 30, 2013</u>	<u>Duration (Years)⁴ December 31, 2013</u>
CIP Fund - 68904255	\$7,996,336.68	\$10,088,522.32	\$7,998,540.00	\$10,092,964.00	0.15
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180	3,582,242.51	4,988,304.38	3,582,242.51	4,988,304.38	53 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	8,030.15	108,028.51	8,030.15	108,028.51	57 Days
Total	\$11,586,609.34	\$15,184,855.21	\$11,588,812.66	\$15,189,296.89	

<u>Account Name</u>	<u>Yield to Maturity on Cost⁵ December 31, 2013</u>	<u>Yield to Maturity on Cost⁵ September 30, 2013</u>	<u>Yield to Maturity at Market December 31, 2013</u>	<u>Yield to Maturity at Market September 30, 2013</u>	<u>Duration (Years) September 30, 2013</u>
CIP Fund - 68904255	0.32%	0.33%	0.12%	0.19%	0.35
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180 ⁶	0.07%	0.08%	0.07%	0.08%	56 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	0.00%	0.00%	0.00%	0.00%	52 Days
Weighted Average Yield	0.24%	0.25%	0.10%	0.15%	

Benchmarks

	<u>December 31, 2013</u>	<u>September 30, 2013</u>
S&P GIP Government 30 Day Index ⁷	0.10%	0.09%

Notes:

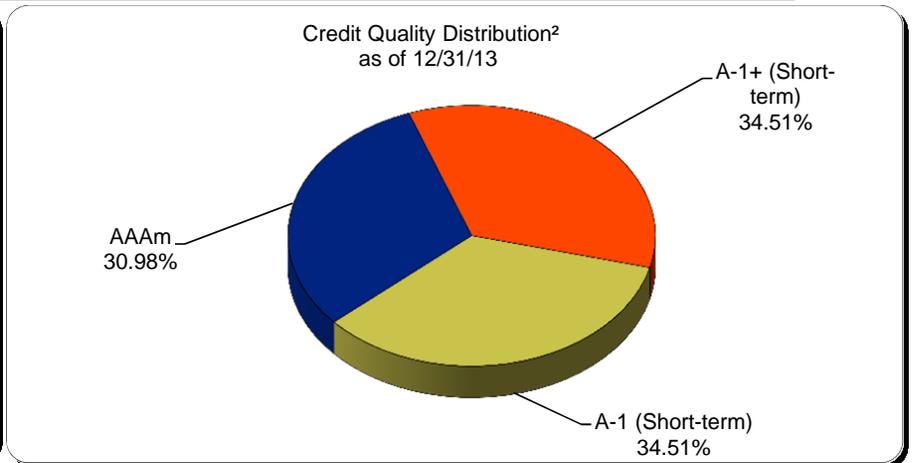
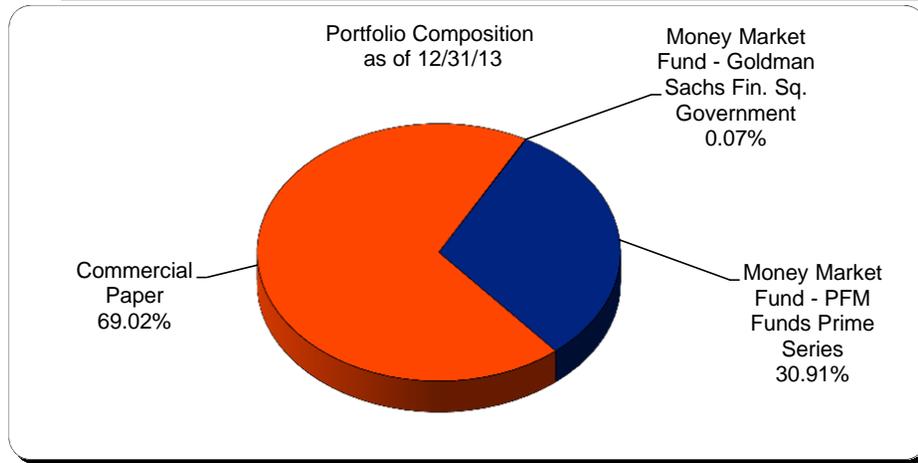
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Money Market Fund duration is based on weighted average duration in days.
5. Past performance is not indicative of future results.

6. Seven day yield as of quarter end. The yields shown above represent past performance. Past performance is no guarantee of future results and yields may vary. The current fund performance may be higher or lower than that cited. The current seven-day yield does not include realized gains and losses on the sale of securities. The yields shown above may reflect fee waivers by service providers that subsidize and reduce the total operating expenses of the Funds. Fund yields would be lower if there were no such waivers.

7. Monthly returns, source Bloomberg.

2010A CIP Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>December 31, 2013</u>	<u>% of Portfolio</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	0.00	0.0%	0.00	0.0%
Commercial Paper	7,998,540.00	69.0%	10,092,964.00	66.4%
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%
Money Market Fund - Goldman Sachs Fin. Sq. Government	8,030.15	0.1%	108,028.51	0.7%
Money Market Fund - PFM Funds Prime Series	3,582,242.51	30.9%	4,988,304.38	32.8%
Totals	\$11,588,812.66	100.0%	\$15,189,296.89	100.0%

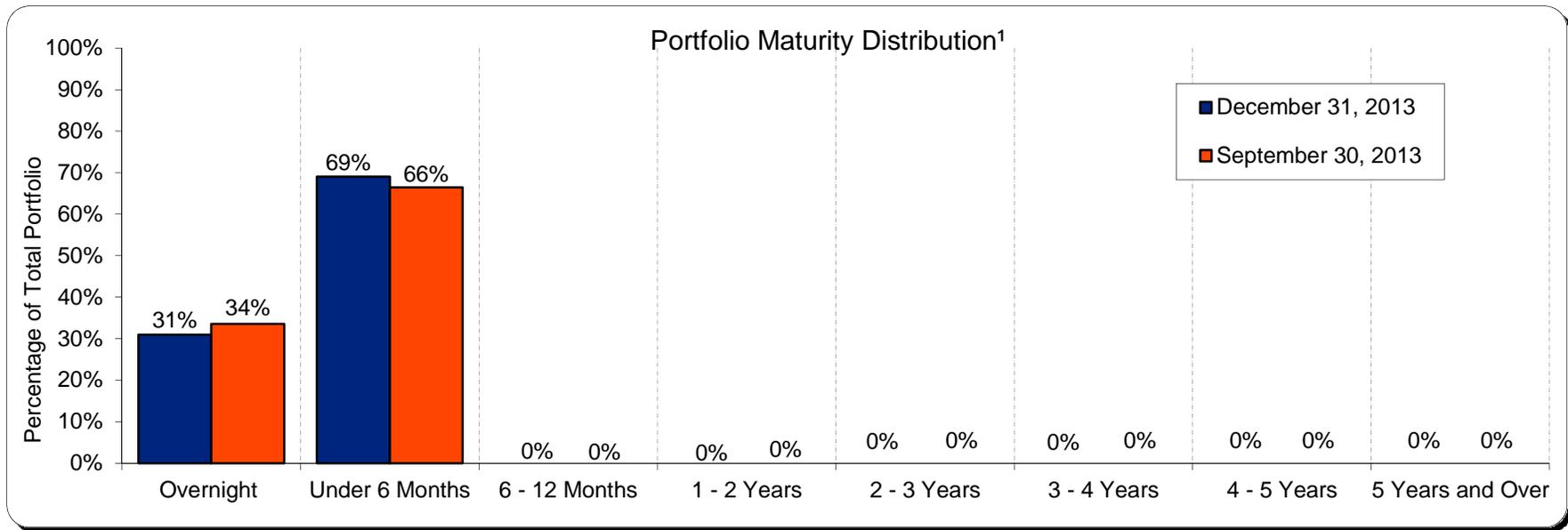


Notes:

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

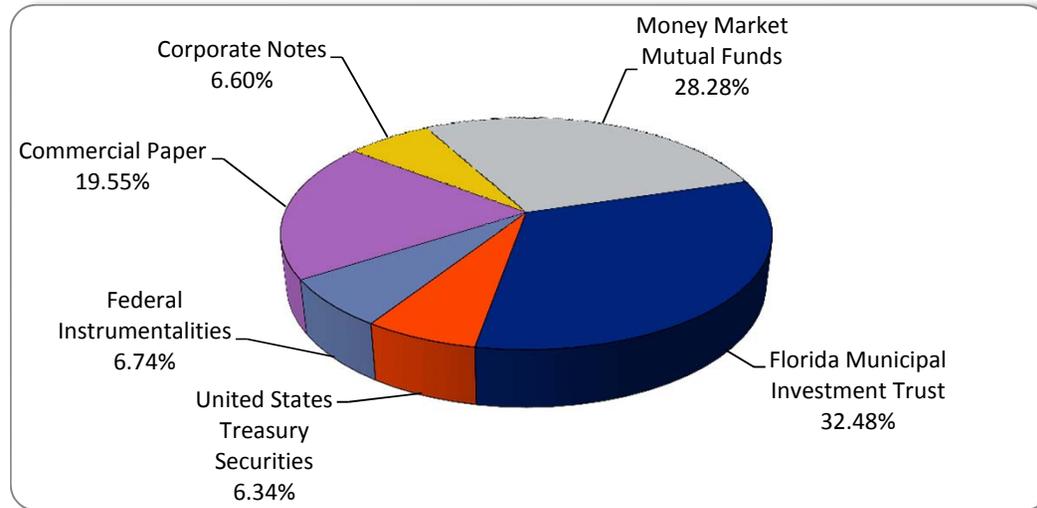
2010A CIP Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>
Overnight (Money Market Fund)	\$3,590,272.66	\$5,096,332.89
Under 6 Months	7,998,540.00	10,092,964.00
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	\$11,588,812.66	\$15,189,296.89



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.



Security Type ¹	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Florida Prime (SBA)	-	0.00%		100%	YES
United States Treasury Securities	6,915,227.11	6.34%		100%	YES
United States Government Agency Securities	-	0.00%		50%	YES
Federal Instrumentalities	7,355,815.41	6.74%		80%	YES
Certificates of Deposit	-	0.00%		50%	YES
Repurchase Agreements	-	0.00%		50%	YES
Commercial Paper	21,329,121.96	19.55%		25%	YES
Corporate Notes	7,202,191.53	6.60%	2	25%	YES
Bankers' Acceptances	-	0.00%		35%	YES
State and/or Local Government Debt	-	0.00%		20%	YES
Money Market Mutual Funds	30,843,996.46	28.28%		50%	YES
Florida Municipal Investment Trust	35,430,469.00	32.48%	3,4	50%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. Maximum allocation in A rated securities is 10%. At month end there was 5.06% rated A by S&P and Moody's.
3. Managed by the Town
4. Combined total for Florida Municipal Investment Trust cannot exceed 50%.
5. Money Market Fund Sweep Account includes cash from Series 2010A at Town's request.
6. Currently out of compliance due to receipt of Ad Valorem's at end of year. The Town is currently exploring investment options being sensitive to investment policy limits in other asset classes and the relative yields other asset classes are currently offering given the illiquidity of fixed income markets at year end.

* Does not include bond proceeds

Individual Issuer Breakdown	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Government National Mortgage Association (GNMA)	-	0.00%		25%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%		30%	YES
Federal Home Loan Bank (FHLB)	424,877.11	0.39%		30%	YES
Federal National Mortgage Association (FNMA)	4,287,112.67	3.93%		30%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	2,643,825.63	2.42%		30%	YES
Toyota Commercial Paper	5,993,023.32	5.49%		15%	YES
UBS Financial Commercial Paper	3,998,016.68	3.67%		15%	YES
Bank of Tokyo Mitsubishi Commercial Paper	449,446.87	0.41%		15%	YES
BNP Paribas Commercial Paper	6,890,315.09	6.32%		15%	YES
Rabobank Commercial Paper	3,998,320.00	3.67%		15%	YES
General Electric Corporate Notes	826,962.40	0.76%		5%	YES
American Honda Corporate Notes	139,903.24	0.13%		5%	YES
Procter & Gamble Corporate Notes	350,825.90	0.32%		5%	YES
JP Morgan Chase Corporate Notes	4,583,206.24	4.20%		5%	YES
Berkshire Hathaway Corporate Notes	130,396.18	0.12%		5%	YES
Wal-Mart Corporate Notes	125,099.14	0.11%		5%	YES
Apple Inc. Corporate Notes	189,869.20	0.17%		5%	YES
Toyota Corporate Notes	190,123.89	0.17%		5%	YES
Wells Fargo & Company Corporate Notes	350,540.44	0.32%		5%	YES
John Deere Corporate Notes	215,248.57	0.20%		5%	YES
Coca-Cola Corporate Notes	100,016.33	0.09%		5%	YES
Money Market Fund - PFM Funds Prime Series #174	30,705,629.13	28.15%	6	25%	NO
Money Market Fund - Goldman Sachs Financial	138,367.33	0.13%	5	25%	YES
Squares Government Fund (TD Bank)					
FMLvT 1-3	24,599,968.00	22.55%	3	50%	YES
FMLvT Intermediate	10,830,501.00	9.93%	3	50%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. Maximum allocation in A rated securities is 10%. At month end there was 5.06% rated A by S&P and Moody's.
3. Managed by the Town.
4. Combined total for Florida Municipal Investment Trust cannot exceed 50%.
5. Money Market Fund Sweep Account includes cash from Series 2010A at Town's request.
6. Currently out of compliance due to receipt of Ad Valorem's at end of year. The Town is currently exploring investment options being sensitive to investment policy limits in other asset classes and the relative yields other asset classes are currently offering given the illiquidity of fixed income markets at year end.

* Does not include bond proceeds

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.

PFM Funds statements are available online at **www.pfmfunds.com**

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