



# Town of Palm Beach, Florida



## Investment Performance Review Quarter Ended March 31, 2013

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March 31, 2013 PFM Month-End Statement

(PFM Month End Statement available online at [www.pfm.com](http://www.pfm.com))

PFM Funds March 31, 2013 Month-End Statement

(PFM Funds Month end Statement available online at [www.pfmfunds.com](http://www.pfmfunds.com))

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# TAB I

### Summary

- In the first quarter of 2013, investors flocked to relatively riskier assets (such as corporate bonds and equities) as loose global monetary policy fueled a search for additional yield.
- The U.S. housing market continued to strengthen, and the unemployment rate fell to 7.6%.
- The domestic economy has continued to experience moderate growth, but some economists believe that the federal budget cuts that went into effect March 1 (also known as the sequestration) may lead to slower growth for the second half of the year.

### Economic Snapshot

- Housing starts have averaged more than 900,000 a year in the first quarter, up more than 25% over 2012 but still much lower than in the boom years. Home sales and housing prices are also significantly above recession levels.
- According to the U.S. Commerce Department, consumer spending rose 0.7% in February—a fourth straight increase that was due in part to higher gas prices. Meanwhile, personal income grew by 1.1% in February after a big downturn in the prior month. Both numbers were slightly above expectations.
- U.S. gross domestic product (GDP) grew by 0.4% in the fourth quarter of 2012, while forecasts for first-quarter growth are in the 2%-3% range.
- Euro-zone economies struggled with recession and political uncertainty. The banking crisis in Cyprus, Italy's difficulties creating a new government, and weakness in many European economies pushed the euro lower against the U.S. dollar and supported U.S. Treasury prices. Once again, heightened concerns about the euro zone caused a flight to quality late in the quarter.

### Interest Rates

- Interest rates rose modestly during the quarter across longer-term maturities, while the flight to quality stemming from euro-zone fears counteracted the move higher.
- The markets shrugged off the start of the federal budget sequestration as they did the "fiscal cliff" in December, but if the economy feels growing stress from budget cuts in the coming months, interest rates may be pushed toward recent lows.
- The Federal Reserve (Fed) remained committed to keeping short-term rates at record-low levels, pegging short-term rates near zero. The Fed also continued to buy \$45 billion in Treasuries each month in addition to its monthly purchases of \$40 billion in Agency mortgage-backed securities (MBS).

### Sector Performance

- High-quality corporate bonds continued to perform well for the quarter, as spreads narrowed to post-credit-crisis lows. Security selection has been important, as certain corporate sectors (such as Financials) performed particularly well.
- After incurring losses in the fourth quarter of 2012 due to concerns that their tax-exempt status might be curtailed, municipal bonds roared back to life in the first quarter of 2013. These securities, along with corporate bonds, were the top performers for the quarter.
- Supply scarcity and historically tight spreads resulted in Agencies contributing little or no additional performance when compared with similar-maturity Treasuries.
- MBS recovered somewhat after their fourth-quarter underperformance, bolstered by the upturn in housing values and expectations that the Fed's buying program would continue for the foreseeable future.

*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.*

**Economic Snapshot**

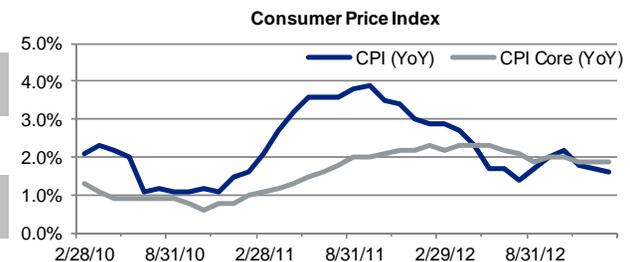
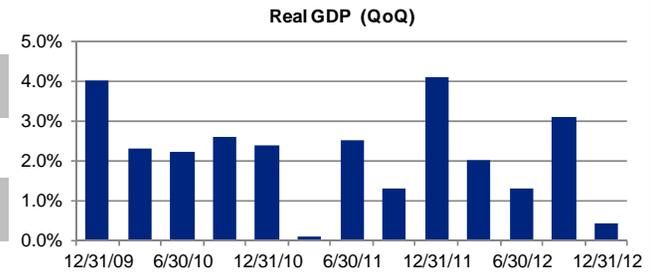
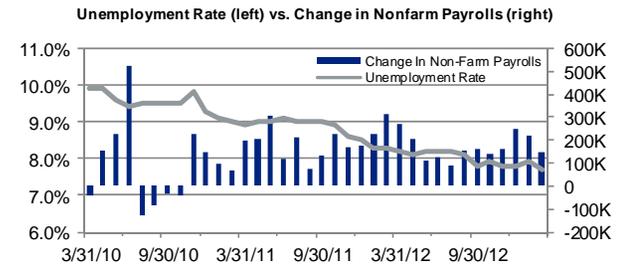
Labor Market		Latest	Dec 2012	Mar 2012
Unemployment Rate	Mar'13	7.6%	7.8%	8.2%
Change In Non-Farm Payrolls	Mar'13	88,000	219,000	205,000
Average Hourly Earnings (YoY)	Mar'13	1.8%	2.1%	2.1%
Personal Income (YoY)	Feb'13	2.6%	7.1%	3.2%
Initial Jobless Claims (week)	Mar 29	385,000	372,000	368,000

Growth				
Real GDP (QoQ SAAR)	2012Q4	0.4%	3.1% <sup>1</sup>	2.0% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2012Q4	1.8%	1.6% <sup>1</sup>	2.4% <sup>2</sup>
Retail Sales (YoY)	Feb'13	4.6%	4.8%	6.3%
ISM Manufacturing Survey (month)	Mar'13	51.3	50.2	53.3
Existing Home Sales (month)	Feb'13	4.98 mil.	4.90 mil.	4.46 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Feb'13	1.3%	1.5%	2.2%
Consumer Price Index (YoY)	Feb'13	2.0%	1.7%	2.7%
Consumer Price Index Core (YoY)	Feb'13	1.7%	1.3%	2.8%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$97.23	\$91.82	\$103.02
Gold Futures (oz)	Mar 31	\$1,595	\$1,676	\$1,669



1. Data as of Third Quarter 2012

2. Data as of First Quarter 2012

Source: Bloomberg

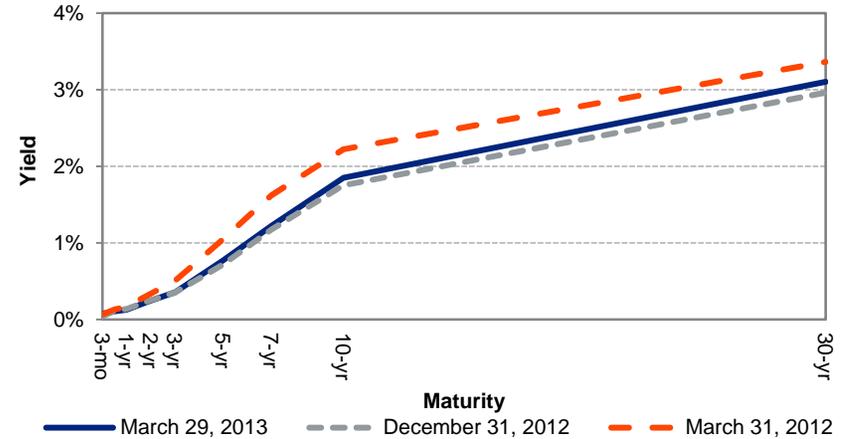
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

**Interest Rate Overview**

**U.S. Treasury Note Yields**



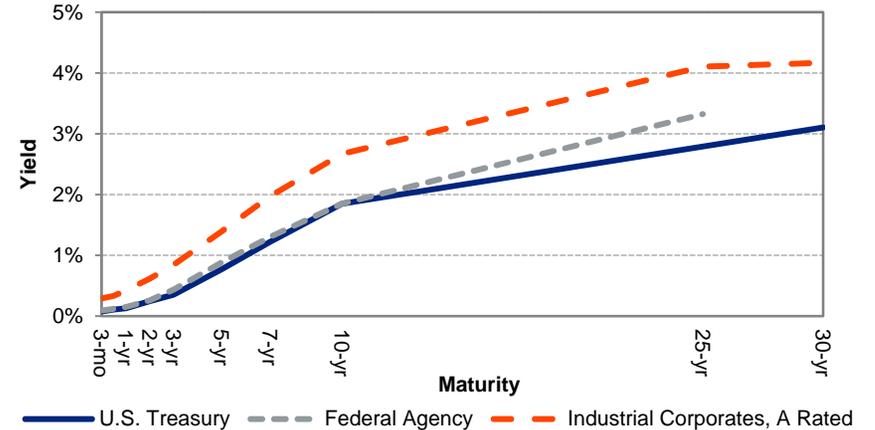
**U.S. Treasury Note Yield Curve**



**U.S. Treasury Yields**

Maturity	3/31/13	12/31/12	Change over Quarter	3/31/12	Change over Year
3-month	0.07%	0.09%	(0.02%)	0.11%	(0.04%)
1-year	0.13%	0.14%	(0.01%)	0.22%	(0.09%)
2-year	0.28%	0.27%	0.00%	0.35%	(0.07%)
5-year	0.79%	0.74%	0.05%	1.07%	(0.28%)
10-year	1.93%	1.81%	0.12%	2.28%	(0.35%)
30-year	3.10%	2.94%	0.16%	3.33%	(0.23%)

**Yield Curves as of 3/31/2013**



Source: Bloomberg

**B of A Merrill Lynch Index Returns**

	As of 3/31/2013		Returns for Periods ended 3/31/2013		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.87	0.25%	0.12%	0.64%	1.24%
Federal Agency	1.71	0.32%	0.11%	0.67%	1.37%
U.S. Corporates, A-AAA rated	1.99	0.90%	0.44%	2.75%	2.93%
Agency MBS (0 to 3 years)	1.81	1.29%	0.01%	1.19%	2.84%
Municipals	1.82	0.51%	0.45%	1.05%	1.63%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.73	0.39%	0.15%	1.26%	2.36%
Federal Agency	2.38	0.47%	0.14%	1.19%	2.04%
U.S. Corporates, A-AAA rated	2.86	1.18%	0.58%	4.05%	4.23%
Agency MBS (0 to 5 years)	2.81	1.96%	(0.03%)	1.88%	3.82%
Municipals	2.55	0.71%	0.65%	1.68%	2.48%
<b>Master Indices</b>					
U.S. Treasury	5.95	1.01%	(0.26%)	3.23%	5.41%
Federal Agency	3.82	0.89%	0.05%	2.51%	3.72%
U.S. Corporates, A-AAA rated	6.79	2.39%	(0.18%)	6.88%	7.45%
Agency MBS	3.23	2.02%	(0.07%)	1.91%	4.17%
Municipals	7.51	2.62%	0.52%	5.61%	6.56%

Returns for periods greater than one year are annualized

Source: Bloomberg

# TAB II

## Executive Summary

## PORTFOLIO STRATEGY

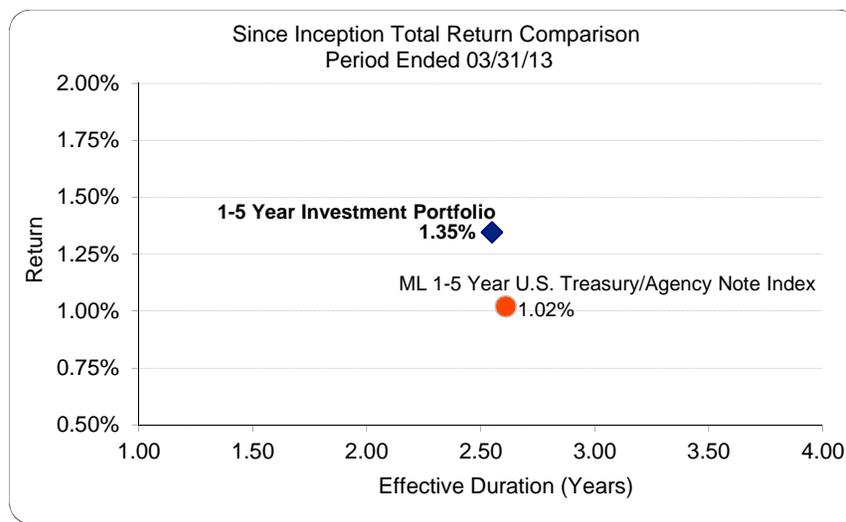
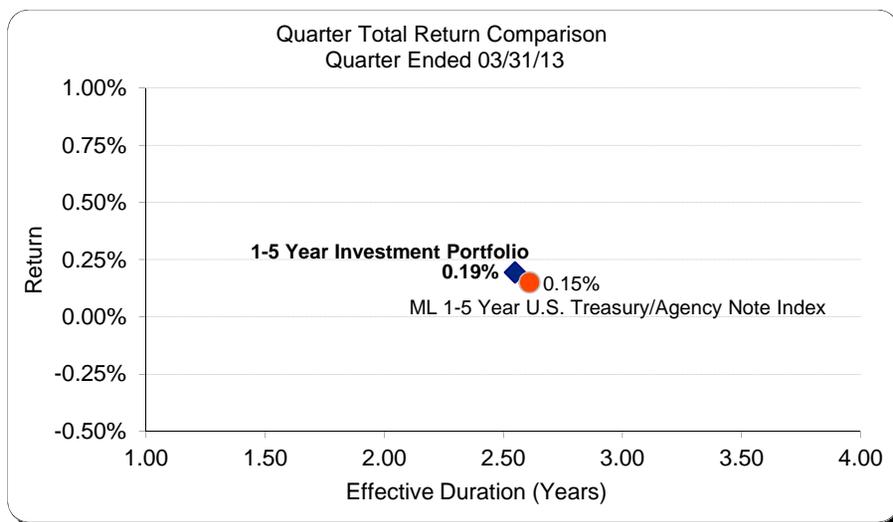
- The Town's 1-5 Year Investment, Short Term, 2010A CIP, 2010B Worth Avenue Portfolios are of high credit quality and invested in money market mutual funds, U.S. Treasury, Federal Agency, high quality corporate and commercial paper securities.
- PFM continued to actively manage the 1-5 Year Investment Portfolio during the first quarter and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result the Portfolio realized over \$13,081 in gains on sales 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 0.19%, outperforming the benchmark's performance of 0.15% by 0.04%. Over the past year, the Portfolio earned 1.53%, versus 1.25% for the benchmark.
- The Short Term, 2010A CIP, 2010B Worth Avenue 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 0.25%, exceeding the Yield of its benchmark the S&P GIP Government 30 Day Index by 9 basis points (0.09%).
- Interest rates for short maturity Treasuries (3 years or less) barely budged during the quarter as the Federal Reserve's zero interest rate policy on overnight lending continued to anchor the front end of the yield curve. Yields on Two year Treasury Notes started the quarter at 0.25%, fluctuated no higher than 0.29% and no lower than 0.23%, before ending the quarter at 0.24% for a net change of -1 basis point.
- Intermediate maturity Treasuries (5 – 10 years) saw a little more intra-quarter volatility as stronger economic data in the U.S. encouraged yields higher and unfolding developments in the European debt crisis and consequent demand for safe assets drove bond yields lower. Five year Treasury Notes began the year at 0.72%, climbed as high as 0.91% on strong February Retail Sales and then fell back to 0.78% at the end of the quarter as the Cyprus bailout became more chaotic. Ten year yields reached 2% for the first time in a year.
- Corporate bonds had a solid quarter returning almost as much as municipals (better than muni's if single-A rated corporates are included). Superior performance came from both income return due to the larger coupon and capital gains due to spread narrowing. The latter reflects the Federal Reserve's objective to move investors out of cash and into capital markets further evidenced by the stock market's recent new all-time high.
- Moderate economic expansion has so far corresponded to job growth only slightly faster than population growth. Therefore the unemployment rate should only come down slowly and the consensus still expects the Fed to continue their monthly purchases of Treasury and Agency bonds through 2013 although the Fed may taper the amount somewhat.
- Besides Fed purchases, ongoing issues in the Eurozone such as Italy's failure to form a government post-election will keep Treasury bonds bid among European investors as well as export-oriented economies in Asia with growing foreign-exchange reserves that require Treasury bonds to absorb their U.S. dollars.
- Treasuries and Agency bonds will benefit from rolldown as the yield curve is expected to steepen when yields on longer maturity bonds drift higher and shorter maturity yields are more or less tethered by the Fed's zero interest rate policy. At current yield spreads, however, Agencies offer little value over Treasuries.
- As always, we strive to maintain safety of principal and appropriate liquidity, while maximizing value through careful, prudent active management. Our strategy will remain flexible and may change in response to changes in interest rates, economic data, market outlook or specific opportunities that arise.

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

Total Portfolio Value <sup>1,2</sup>	March 31, 2013	December 31, 2012
Market Value	\$17,871,867.67	\$17,839,349.92
Amortized Cost	\$17,741,609.98	\$17,694,918.42

Total Return <sup>1,2,3,4,5,6,7,8</sup>	Quarterly Return March 31, 2013	Last 6 Months	Last 12 Months	Last 2 Years	Since Inception 9/30/2011
<b>1-5 Year Investment Portfolio (Actively Managed)</b>	<b>0.19%</b>	<b>0.29%</b>	<b>1.53%</b>	<b>N/A</b>	<b>1.35%</b>
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	0.15%	0.21%	1.25%	N/A	1.02%

Effective Duration (Years) <sup>4</sup>	March 31, 2013	December 31, 2012	Yields	March 31, 2013	December 31, 2012
<b>1-5 Year Investment Portfolio (Actively Managed)</b>	<b>2.55</b>	2.61	Yield at Market	<b>0.45%</b>	0.43%
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	2.61	2.60	Yield at Cost	<b>0.75%</b>	0.74%
Portfolio Duration % of Benchmark Duration	98%	100%			

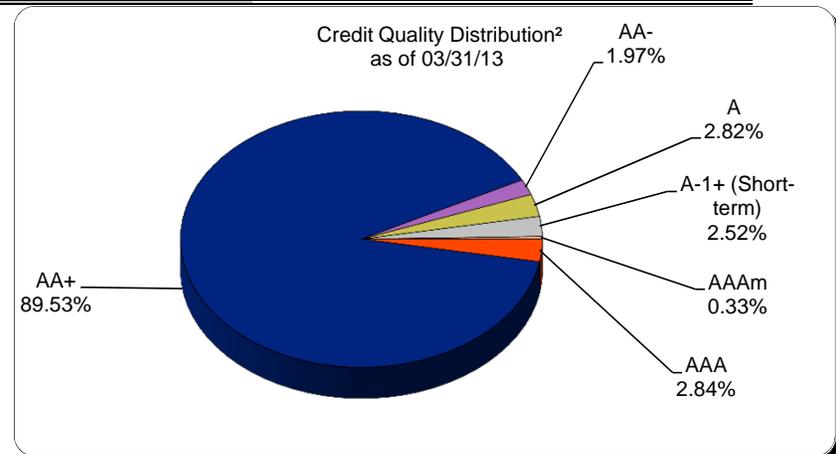
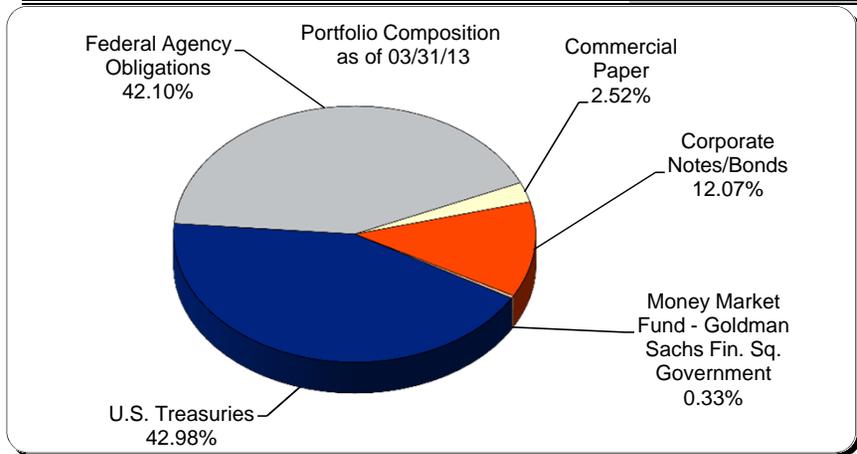


Notes:

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

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

<u>Security Type</u> <sup>1</sup>	<u>March 31, 2013</u>	<u>% of Portfolio</u>	<u>December 31, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$7,681,581.06	43.0%	\$9,147,557.45	51.3%
Federal Agencies	7,524,123.72	42.1%	6,861,603.84	38.5%
Commercial Paper	449,800.20	2.5%	0.00	0.0%
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	2,157,303.10	12.1%	1,738,801.59	9.7%
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	59,059.59	0.3%	91,387.04	0.5%
<b>Totals</b>	<b>\$17,871,867.67</b>	<b>100.0%</b>	<b>\$17,839,349.92</b>	<b>100.0%</b>

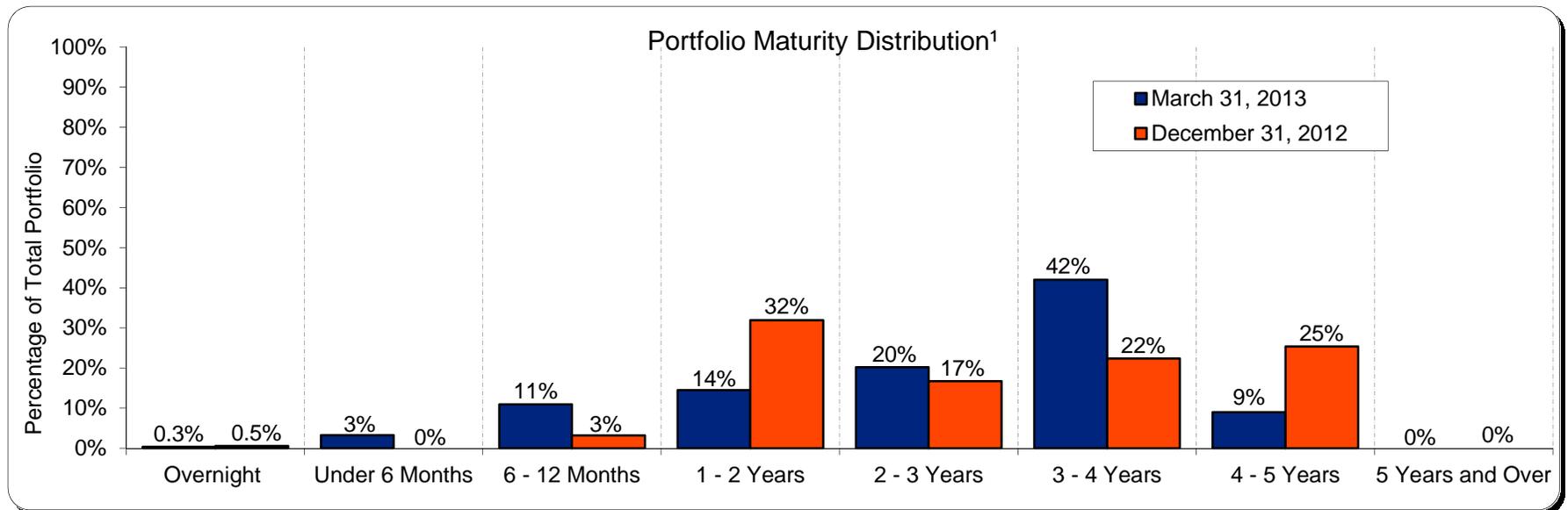


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, 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

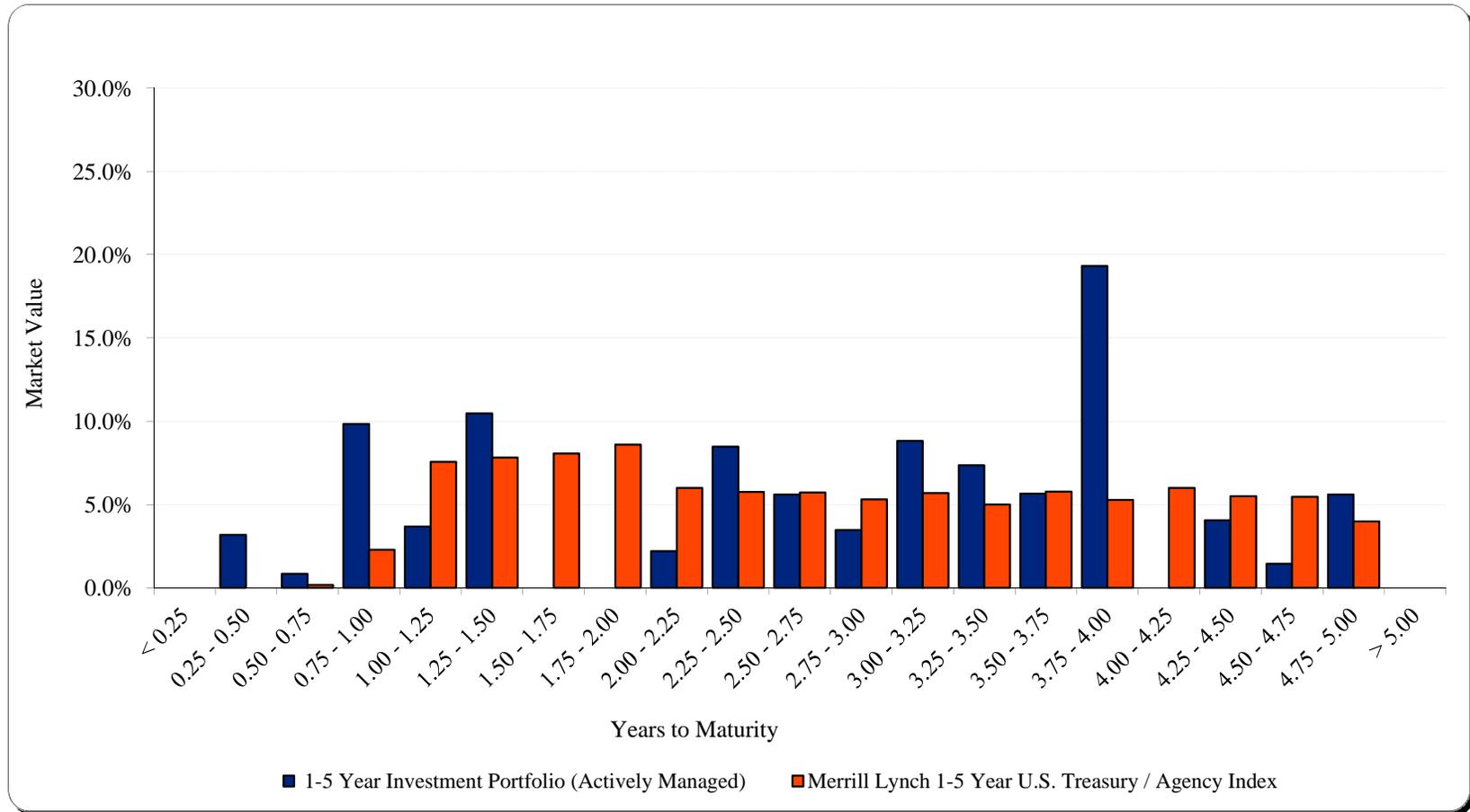
<u>Maturity Distribution<sup>1</sup></u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Overnight (Money Market Fund)	\$59,059.59	91,387.04
Under 6 Months	580,054.94	0.00
6 - 12 Months	1,947,614.99	570,469.01
1 - 2 Years	2,579,884.20	5,695,173.77
2 - 3 Years	3,602,615.06	2,977,154.43
3 - 4 Years	7,507,341.08	3,982,747.97
4 - 5 Years	1,595,297.81	4,522,417.70
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$17,871,867.67</b>	<b>\$17,839,349.92</b>



Notes:

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

1-5 Year Investment Portfolio (Actively Managed) Maturity Distribution versus the Benchmark<sup>1</sup>



Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

Short Term and Bond Proceed Portfolios Statistics

<u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup></u>	<u>Amortized Cost<sup>1,2,3</sup></u>	<u>Market Value<sup>1,2,3</sup></u>	<u>Market Value<sup>1,2,3</sup></u>	<u>Duration (Years)<sup>4</sup></u>
	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>
Short Term Fund - 68904245	\$24,989,925.46	\$27,936,682.29	\$24,993,832.79	\$27,943,799.23	0.26
2010A CIP Fund - 68904255	9,725,751.40	9,721,487.73	9,728,067.87	9,727,687.38	0.24
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174	6,195,798.42	9,193,537.97	6,195,798.42	9,193,537.97	52 Days
Money Market Fund - PFM Funds Prime Series 2010B WORTH AVENUE - 995179	69,510.63	69,483.15	69,510.63	69,483.15	52 Days
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180	9,535,302.64	11,198,613.32	9,535,302.64	11,198,613.32	52 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - Short Term Fund	3,048,576.17	81,947.99	3,048,576.17	81,947.99	54 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2010A CIP	54,190.75	48,223.04	54,190.75	48,223.04	54 Days
<b>Total</b>	<b>\$53,619,055.47</b>	<b>\$58,249,975.49</b>	<b>\$53,625,279.27</b>	<b>\$58,263,292.08</b>	

<u>Account Name</u>	<u>Yield to Maturity on Cost<sup>5</sup></u>	<u>Yield to Maturity on Cost<sup>5</sup></u>	<u>Yield to Maturity at Market</u>	<u>Yield to Maturity at Market</u>	<u>Duration (Years)<sup>4</sup></u>
	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2012</u>
Short Term Fund - 68904245	0.29%	0.28%	0.18%	0.22%	0.48
2010A CIP Fund - 68904255	0.42%	0.42%	0.20%	0.22%	0.32
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174 <sup>6</sup>	0.13%	0.18%	0.13%	0.18%	53 Days
Money Market Fund - PFM Funds Prime Series 2010B WORTH AVENUE - 995179 <sup>6</sup>	0.13%	0.18%	0.13%	0.18%	53 Days
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180 <sup>6</sup>	0.13%	0.18%	0.13%	0.18%	53 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - Short Term Fund	0.00%	0.01%	0.00%	0.01%	51 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2010A CIP	0.00%	0.01%	0.00%	0.01%	51 Days
<b>Weighted Average Yield</b>	<b>0.25%</b>	<b>0.27%</b>	<b>0.16%</b>	<b>0.21%</b>	

**Benchmarks**

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.16%	0.18%

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<sup>1,2,3</sup> March 31, 2013</u>	<u>Amortized Cost<sup>1,2,3</sup> December 31, 2012</u>	<u>Market Value<sup>1,2,3</sup> March 31, 2013</u>	<u>Market Value<sup>1,2,3</sup> December 31, 2012</u>	<u>Duration (Years)<sup>4</sup> March 31, 2013</u>
Short Term Fund - 68904245	\$24,989,925.46	\$27,936,682.29	\$24,993,832.79	\$27,943,799.23	0.26
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174	6,195,798.42	9,193,537.97	6,195,798.42	9,193,537.97	52 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	3,048,576.17	81,947.99	3,048,576.17	81,947.99	54 Days
<b>Total</b>	<b>\$34,234,300.05</b>	<b>\$37,212,168.25</b>	<b>\$34,238,207.38</b>	<b>\$37,219,285.19</b>	

<u>Account Name</u>	<u>Yield to Maturity on Cost<sup>5</sup> March 31, 2013</u>	<u>Yield to Maturity on Cost<sup>5</sup> December 31, 2012</u>	<u>Yield to Maturity at Market March 31, 2013</u>	<u>Yield to Maturity at Market December 31, 2012</u>	<u>Duration (Years) December 31, 2012</u>
Short Term Fund - 68904245	0.29%	0.28%	0.18%	0.22%	0.48
Money Market Fund - PFM Funds Prime Series Excess Funds - 995174 <sup>6</sup>	0.13%	0.18%	0.13%	0.18%	53 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	0.00%	0.01%	0.00%	0.01%	51 Days
<b>Weighted Average Yield</b>	<b>0.24%</b>	<b>0.25%</b>	<b>0.15%</b>	<b>0.21%</b>	

**Benchmarks**

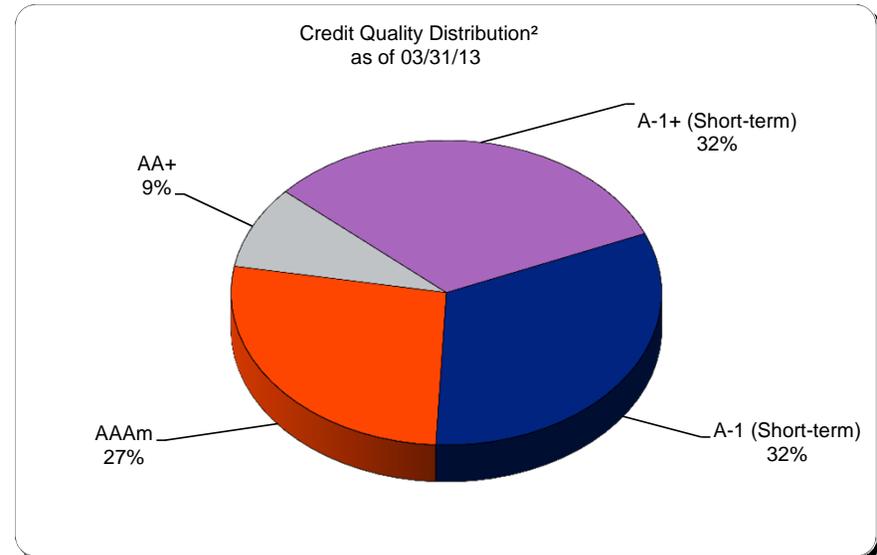
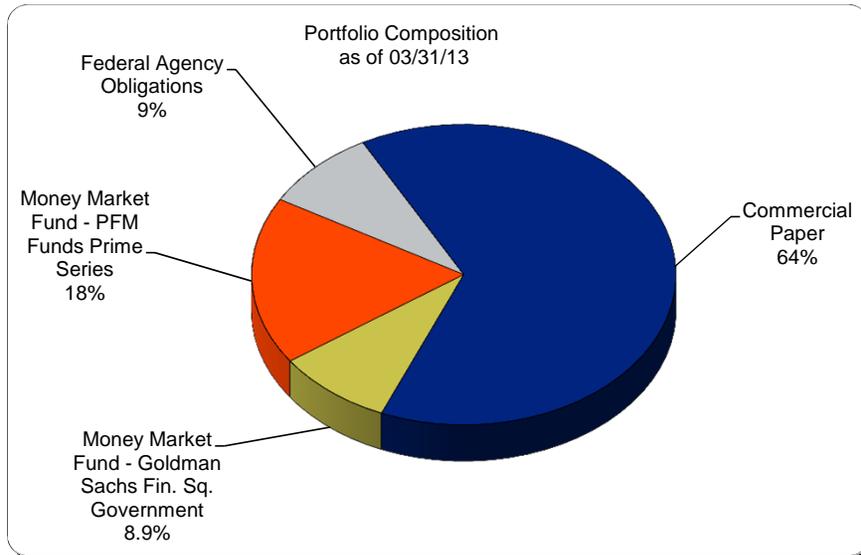
	<u>March 31, 2013</u>	<u>December 31, 2012</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.16%	0.18%

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 Type<sup>1</sup></u>	<u>March 31, 2013</u>	<u>% of Portfolio</u>	<u>December 31, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$2,965,881.84	8.0%
Federal Agencies	3,003,811.79	8.8%	3,001,956.39	8.1%
Commercial Paper	21,990,021.00	64.2%	21,975,961.00	59.0%
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%
Money Market Fund - Goldman Sachs Fin. Sq. Government	3,048,576.17	8.9%	81,947.99	0.2%
Money Market Fund - PFM Funds Prime Series	6,195,798.42	18.1%	9,193,537.97	24.70%
<b>Totals</b>	<b>\$34,238,207.38</b>	<b>100.0%</b>	<b>\$37,219,285.19</b>	<b>100.0%</b>

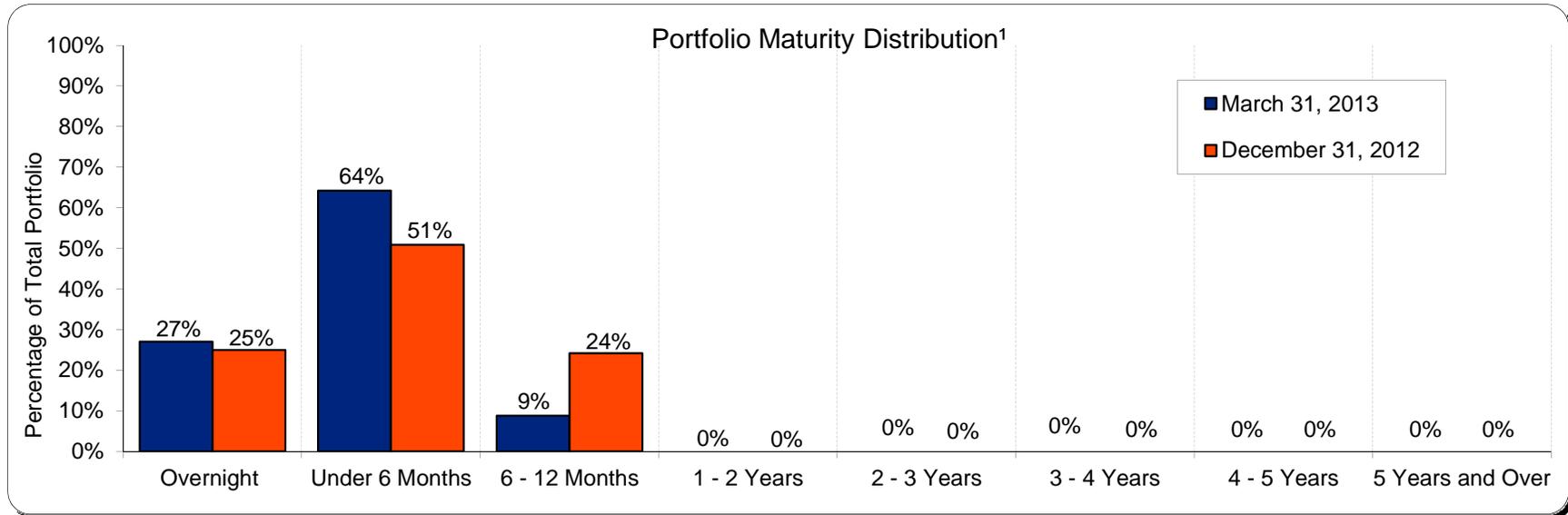


Notes:

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

Short Term Fund Portfolio Maturity Distribution

<u>Maturity Distribution<sup>1</sup></u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Overnight (Money Market Fund)	\$9,244,374.59	\$9,275,485.96
Under 6 Months	21,990,021.00	18,951,943.84
6 - 12 Months	3,003,811.79	8,991,855.39
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
<b>Totals</b>	<b>\$34,238,207.38</b>	<b>\$37,219,285.19</b>



Notes:

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

2010A CIP Portfolio Statistics

<u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup> March 31, 2013</u>	<u>Amortized Cost<sup>1,2,3</sup> December 31, 2012</u>	<u>Market Value<sup>1,2,3</sup> March 31, 2013</u>	<u>Market Value<sup>1,2,3</sup> December 31, 2012</u>	<u>Duration (Years)<sup>4</sup> March 31, 2013</u>
CIP Fund - 68904255	\$9,725,751.40	\$9,721,487.73	\$9,728,067.87	\$9,727,687.38	0.24
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180	9,535,302.64	11,198,613.32	9,535,302.64	11,198,613.32	52 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	54,190.75	48,223.04	54,190.75	48,223.04	54 Days
<b>Total</b>	<b>\$19,315,244.79</b>	<b>\$20,968,324.09</b>	<b>\$19,317,561.26</b>	<b>\$20,974,523.74</b>	

<u>Account Name</u>	<u>Yield to Maturity on Cost<sup>5</sup> March 31, 2013</u>	<u>Yield to Maturity on Cost<sup>5</sup> December 31, 2012</u>	<u>Yield to Maturity at Market March 31, 2013</u>	<u>Yield to Maturity at Market December 31, 2012</u>	<u>Duration (Years) December 31, 2012</u>
CIP Fund - 68904255	0.42%	0.42%	0.20%	0.22%	0.32
Money Market Fund - PFM Funds Prime Series 2010A CIP - 995180 <sup>6</sup>	0.13%	0.18%	0.13%	0.18%	53 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	0.00%	0.01%	0.00%	0.01%	51 Days
<b>Weighted Average Yield</b>	<b>0.28%</b>	<b>0.29%</b>	<b>0.16%</b>	<b>0.20%</b>	

**Benchmarks**

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.16%	0.18%

Notes:

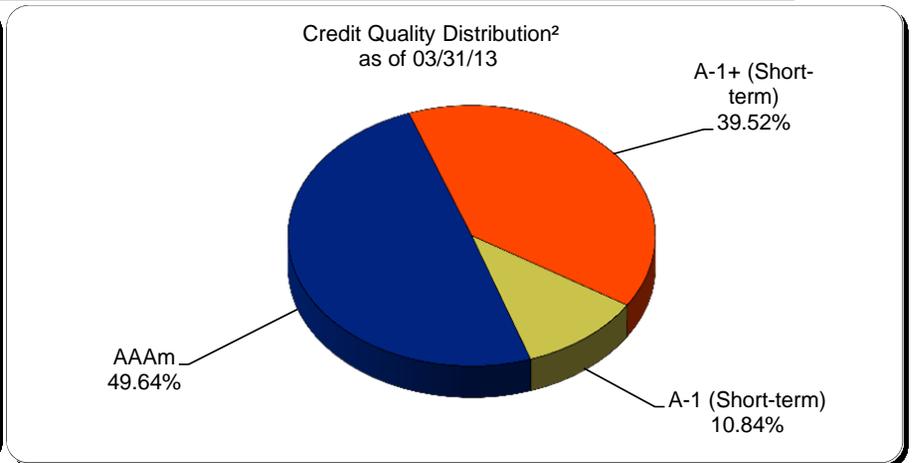
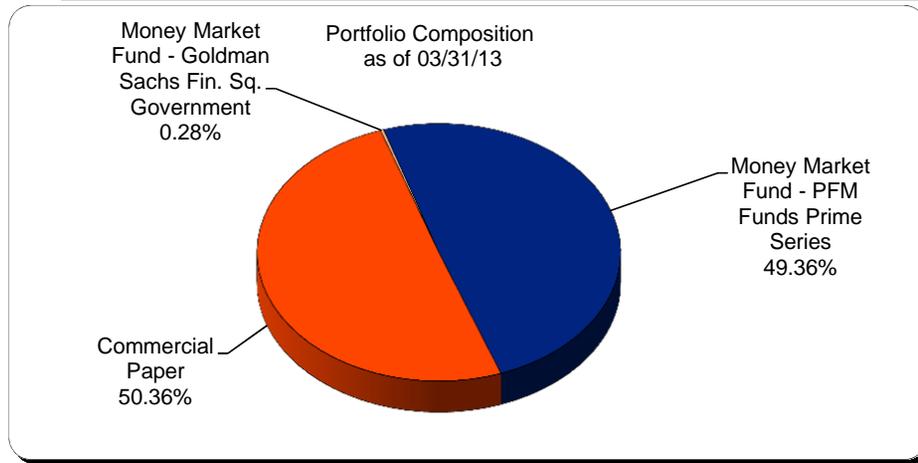
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
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> <sup>1</sup>	<u>March 31, 2013</u>	<u>% of Portfolio</u>	<u>December 31, 2012</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	9,728,067.87	50.4%	9,727,687.38	46.4%
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	54,190.75	0.3%	48,223.04	0.2%
Money Market Fund - PFM Funds Prime Series	9,535,302.64	49.4%	11,198,613.32	53.4%
<b>Totals</b>	<b>\$19,317,561.26</b>	<b>100.0%</b>	<b>\$20,974,523.74</b>	<b>100.0%</b>

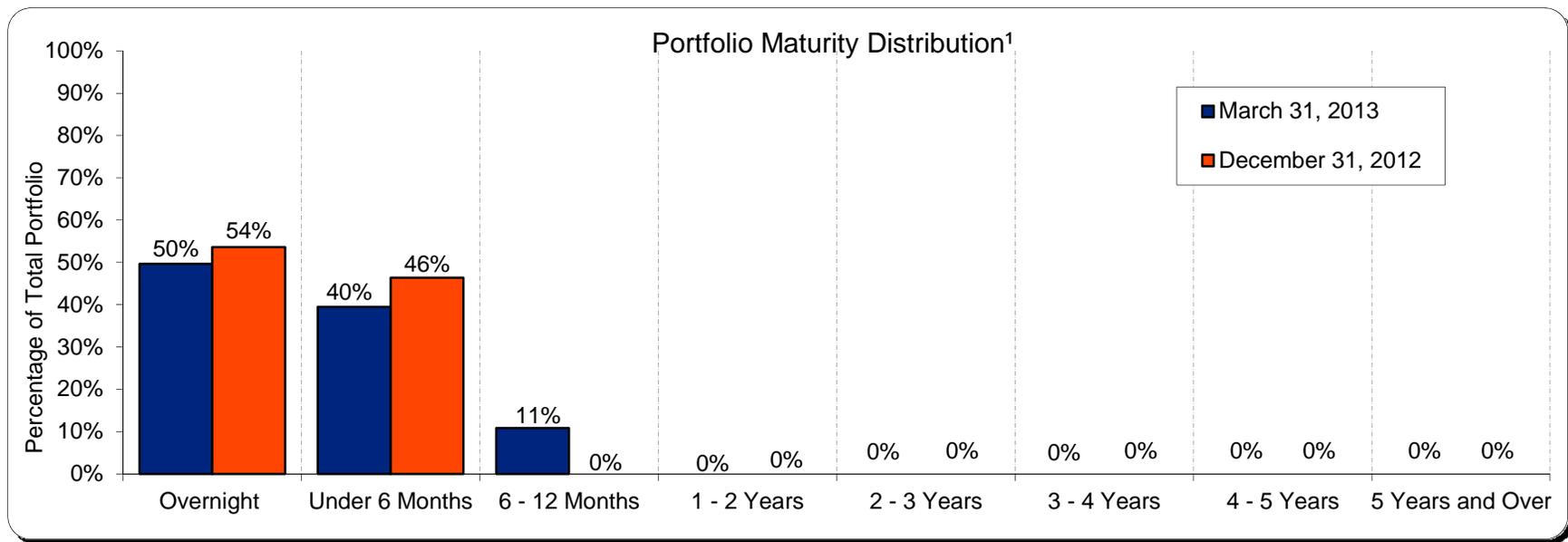


Notes:

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

2010A CIP Portfolio Maturity Distribution

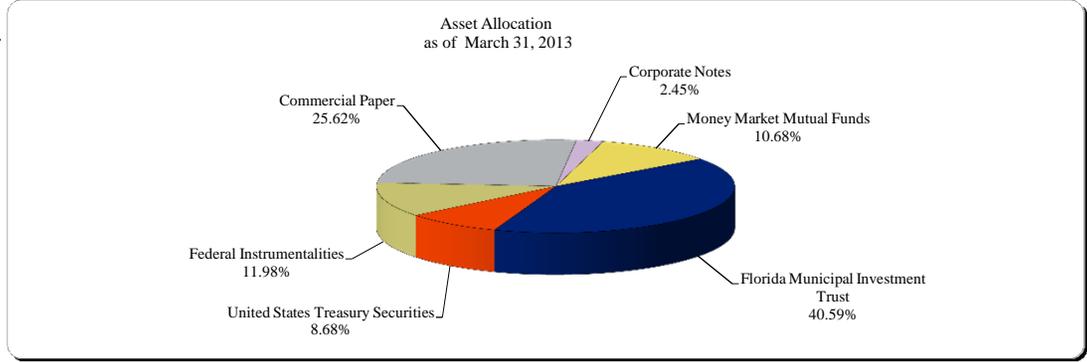
<u>Maturity Distribution<sup>1</sup></u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Overnight (Money Market Fund)	\$9,589,493.39	\$11,246,836.36
Under 6 Months	7,633,731.57	9,727,687.38
6 - 12 Months	2,094,336.30	0.00
1 - 2 Years	0.00	0.00
2 - 3 Years	0.00	0.00
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$19,317,561.26</b>	<b>\$20,974,523.74</b>



Notes:

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

Security Type <sup>1</sup>	March 31, 2013	March 31, 2013	Notes	Permitted by Policy
United States Treasury Securities	7,598,403.02	8.68%		100%
United States Government Agency Securities	-	0.00%		50%
Federal Instrumentalities	10,494,459.73	11.98%		80%
Certificates of Deposit	-	0.00%		50%
Repurchase Agreements	-	0.00%		50%
Commercial Paper	22,436,182.31	25.62%	6	25%
Corporate Notes	2,143,430.79	2.45%	5	25%
Corporate Notes TLGP - FDIC insured	-	0.00%		50%
Bankers' Acceptances	-	0.00%		35%
State and/or Local Government Debt	-	0.00%		20%
Money Market Mutual Funds	9,357,624.93	10.68%		50%
Florida Municipal Investment Trust	35,548,813.00	40.59%	2,4	50%



Individual Issuer Breakdown	March 31, 2013	March 31, 2013	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	-	0.00%		25%
US Export-Import Bank (Ex-Im)	-	0.00%		25%
Farmers Home Administration (FMHA)	-	0.00%		25%
Federal Financing Bank	-	0.00%		25%
Federal Housing Administration (FHA)	-	0.00%		25%
General Services Administration	-	0.00%		25%
New Communities Act Debentures	-	0.00%		25%
US Public Housing Notes & Bonds	-	0.00%		25%
US Dept. of Housing and Urban Development	-	0.00%		25%
Federal Farm Credit Bank (FFCB)	1,790,085.52	2.04%		30%
Federal Home Loan Bank (FHLB)	130,021.73	0.15%		30%
Federal National Mortgage Association (FNMA)	6,532,415.25	7.46%		30%
Federal Home Loan Mortgage Corporation (FHLMC)	2,041,937.23	2.33%		30%

Individual Issuer Breakdown	March 31, 2013	March 31, 2013	Notes	Permitted by Policy
Toyota Commercial Paper	5,994,501.66	6.84%		15%
Bank of Nova Scotia Commercial Paper	4,997,545.85	5.71%		15%
General Electric Commercial Paper	4,996,461.67	5.71%		15%
Barclays Commercial Paper	2,999,649.99	3.43%		15%
JP Morgan Chase Commercial Paper	2,998,313.76	3.42%		15%
Rabobank USA Commercial Paper	449,709.38	0.51%		15%
Johnson & Johnson Corporate Notes	502,047.36	0.57%		5%
Procter & Gamble Corporate Notes	350,093.85	0.40%		5%
General Electric Corporate Notes	658,840.52	0.75%		5%
JP Morgan Chase Corporate Notes	502,315.78	0.57%		5%
Berkshire Hathaway Corporate Notes	130,133.28	0.15%		5%
Money Market Fund - PFM Funds Prime Series 995174	6,195,798.42	7.07%		25%
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	3,161,826.51	3.61%	3	25%
FMIvT 1-3	24,571,729.00	28.06%	2	50%
FMIvT Intermediate	10,977,084.00	12.53%	2	50%

Notes:

- End of month trade-date amortized cost values of portfolio holdings, including accrued interest.
  - Managed by the Town.
  - Money Market Fund Sweep Account includes cash from Series 2010A at Town's request.
  - Combined total for Florida Municipal Investment Trust cannot exceed 50%.
  - Maximum allocation in A rated securities is 10%. At month end there was 2.72% rated A by Moody's.
  - This was in compliance at the time of purchase. The allocation in commercial paper is slightly over the permitted limit due to fluctuations in the overall investment balance and the normal amortization to par value. Several commercial paper securities will mature in April which will re-align the overall allocations.
- \* Does not include bond proceeds

# TAB III

Insert Month End Statement here to complete the 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**