



# Town of Palm Beach, Florida



## Investment Performance Review Quarter Ended December 31, 2014

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December 31, 2014 PFM Month-End Statement

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

PFM Funds December 31, 2014 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**

- The fourth-quarter markets were characterized by heightened volatility, a continued strengthening of the U.S. dollar, and soaring U.S. equity markets, which reached new all-time highs.
- Globally, economic growth patterns diverged during the quarter, with the U.S. strengthening while other areas of the developed world (such as Europe and Japan) struggled with stagnation.
- Oil prices plummeted as global demand slowed, while the supply of oil continued to climb as a result of strong domestic output combined with the Organization of Petroleum Exporting Countries' (OPEC's) decision not to reduce the pace of its oil production.

### **Economic Snapshot**

- Third-quarter gross domestic product (GDP) grew at 5%, reflecting increases in personal consumption expenditures, exports, and federal, state, and local government spending, among other factors.
- The U.S. labor market continued to improve, as the unemployment rate fell from 5.9% in September to 5.6% in December. The business services, retail, transportation, healthcare, and manufacturing sectors all saw job gains.
- The housing market had a lackluster quarter as both new- and existing-home sales fell and home price increases slowed to just 4.5% year over year through October 2014, compared to an increase of 10.9% in the prior year.
- The Consumer Price Index, which measures inflation, fell 0.3% in November, marking its largest decline since December 2008. Lower oil prices were a major contributor to the falling prices.

### **Interest Rates**

- The Federal Open Market Committee (FOMC) rephrased its “considerable time” language in its statement released after its December meeting, saying that it would be “patient” when

normalizing monetary policy after taking extraordinary steps to support economic recovery after the financial crisis.

- The yield curve flattened over the quarter as short and intermediate rates rose, while longer maturities continued to see downward pressure. The two-year Treasury reached 0.7%, a three-year high, in late December. The 10-year Treasury ended the year at 2.2%, down from 2.5% at the beginning of the fourth quarter and 3% at the beginning of 2014.

### **Sector Performance**

- Fixed-income market performance for the quarter depended on both maturity and sector.
- In short/intermediate maturities, the steep yield curve provided enough income and “roll down” to offset a slight increase in interest rates during the quarter. In the aggregate, these market dynamics helped to produce modest positive returns that essentially mirrored initial yields.
- Longer-duration investments were the strongest performers as they continued to benefit from falling long-term rates.
- Shorter-duration Agency spreads reversed the temporary widening that occurred in the third quarter and returned to historically tight levels. As a result, Agencies with shorter maturities performed better relative to Treasuries than Agencies with longer maturities.
- Corporate spreads widened modestly; however, their higher yields provided enough extra earnings to produce performance generally on par with Treasuries.
- Mortgage-backed securities had a strong quarter, while municipals lagged Treasuries significantly in all maturity ranges.
- Yields on money market securities, especially those with maturities greater than six months, rose notably towards the end of the quarter, reflecting an expected hike in the federal funds rate in the late spring of 2015.

### Economic Snapshot

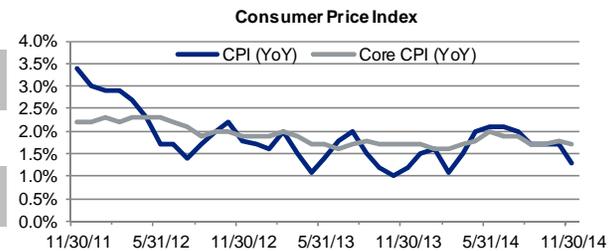
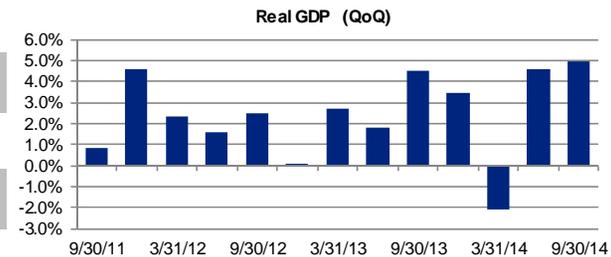
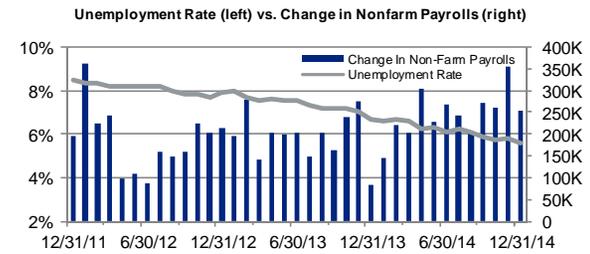
Labor Market	Latest	Sep 2014	Dec 2013	
Unemployment Rate	Dec'14	5.6%	5.9%	6.7%
Change In Non-Farm Payrolls	Dec'14	252,000	271,000	84,000
Average Hourly Earnings (YoY)	Dec'14	1.7%	2.0%	1.9%
Personal Income (YoY)	Nov'14	4.2%	3.6%	-2.1%
Initial Jobless Claims (week)	Jan 02	294,000	288,000	344,000

Growth	Latest	Sep 2014	Dec 2013	
Real GDP (QoQ SAAR)	2014Q3	5.0%	4.6% <sup>1</sup>	3.5% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2014Q3	3.2%	2.5% <sup>1</sup>	3.7% <sup>2</sup>
Retail Sales (YoY)	Nov'14	5.1%	4.6%	3.4%
ISM Manufacturing Survey (month)	Dec'14	55.5	56.6	56.5
Existing Home Sales SAAR (month)	Nov'14	4.93 mil.	5.18 mil.	4.87 mil.

Inflation / Prices	Latest	Sep 2014	Dec 2013	
Personal Consumption Expenditures (YoY)	Nov'14	1.2%	1.4%	1.2%
Consumer Price Index (YoY)	Nov'14	1.3%	1.7%	1.5%
Consumer Price Index Core (YoY)	Nov'14	1.7%	1.7%	1.7%
Crude Oil Futures (WTI, per barrel)	Dec 31	\$53.27	\$91.16	\$98.42
Gold Futures (oz.)	Dec 31	\$1,184	\$1,211	\$1,202



1. Data as of Second Quarter 2014

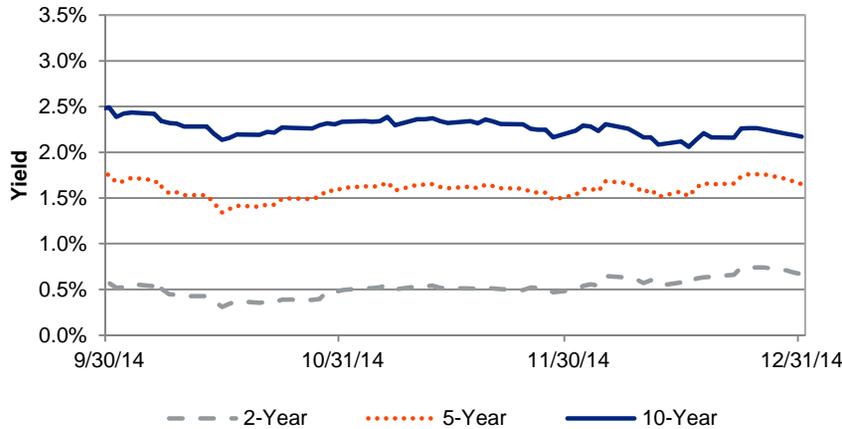
2. Data as of Fourth Quarter 2013

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

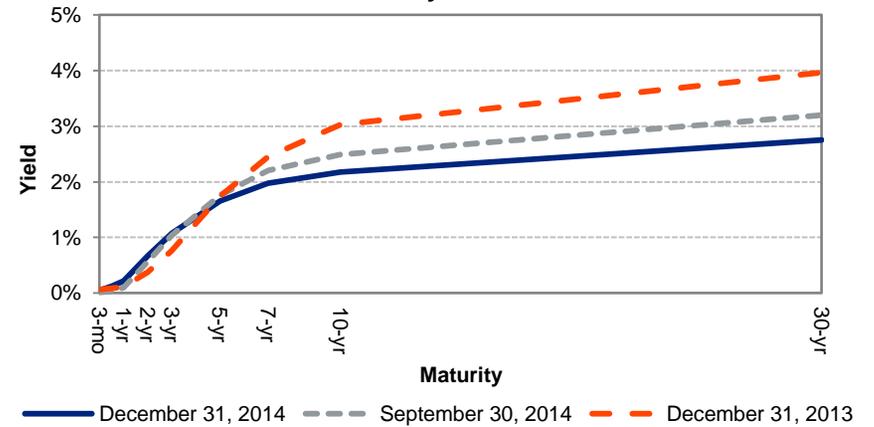
Source: Bloomberg

### Investment Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

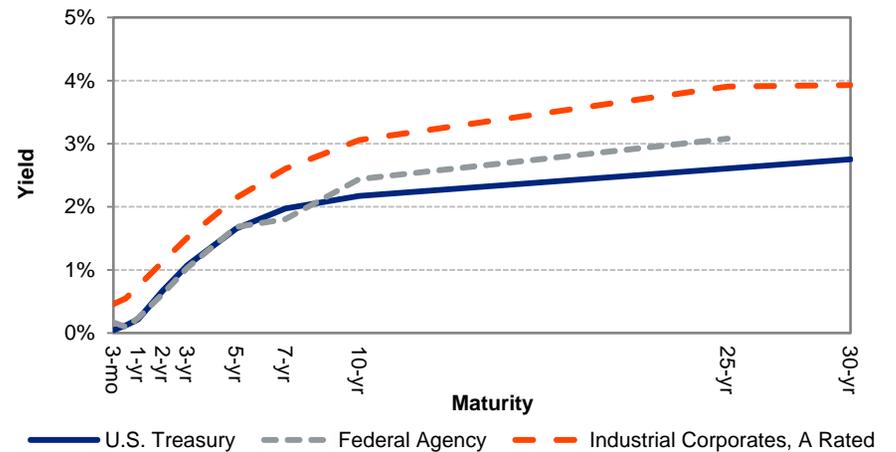


U.S. Treasury Yields

Maturity	12/31/14	9/30/14	Change over Quarter	12/31/13	Change over Year
3-month	0.04%	0.02%	0.02%	0.07%	(0.03%)
1-year	0.22%	0.10%	0.12%	0.11%	0.11%
2-year	0.67%	0.57%	0.10%	0.38%	0.29%
5-year	1.65%	1.76%	(0.11%)	1.74%	(0.09%)
10-year	2.17%	2.49%	(0.32%)	3.03%	(0.86%)
30-year	2.75%	3.20%	(0.45%)	3.97%	(1.22%)

Source: Bloomberg

Yield Curves as of 12/31/2014



## BofA Merrill Lynch Index Returns

	As of 12/31/2014	Returns for Periods ended 12/31/2014			
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.89	0.67%	0.17%	0.62%	0.47%
Federal Agency	1.87	0.80%	0.22%	0.70%	0.66%
U.S. Corporates, A-AAA rated	1.98	1.34%	0.15%	1.08%	2.16%
Agency MBS (0 to 3 years)	1.94	1.29%	0.42%	1.08%	1.18%
Municipals	1.79	0.67%	0.01%	0.72%	0.94%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.69	0.98%	0.49%	1.24%	0.65%
Federal Agency	2.35	1.01%	0.42%	1.30%	0.90%
U.S. Corporates, A-AAA rated	2.79	1.73%	0.49%	2.12%	3.02%
Agency MBS (0 to 5 years)	3.23	2.03%	1.16%	3.90%	2.12%
Municipals	2.57	0.96%	(0.02%)	1.30%	1.39%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.13	1.52%	2.28%	6.02%	1.54%
Federal Agency	3.94	1.42%	1.25%	4.04%	1.53%
U.S. Corporates, A-AAA rated	6.87	2.73%	2.05%	7.34%	4.77%
Agency MBS (0 to 30 years)	4.00	2.30%	1.79%	6.07%	2.37%
Municipals	6.85	2.41%	1.33%	9.78%	4.56%

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Indices

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**Disclosures**

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# TAB II

## Executive Summary

## PORTFOLIO STRATEGY

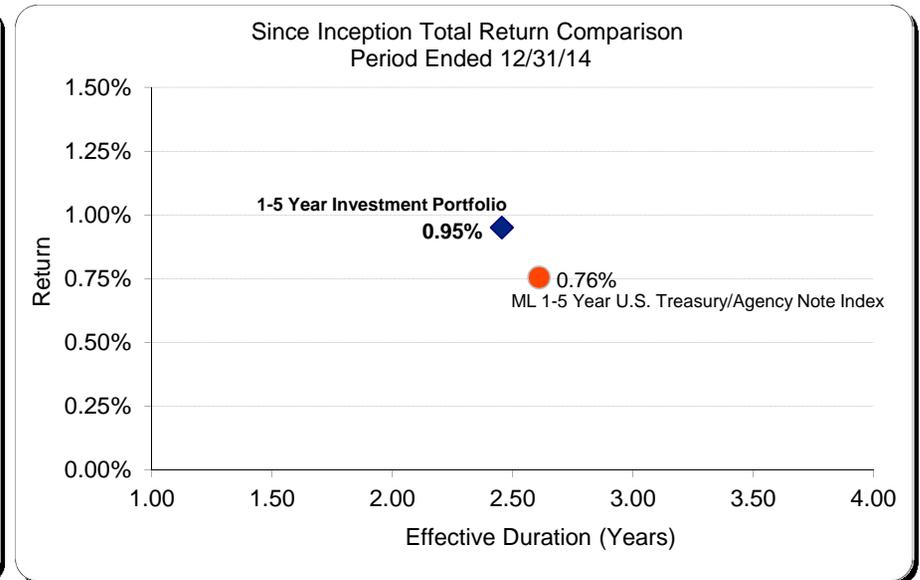
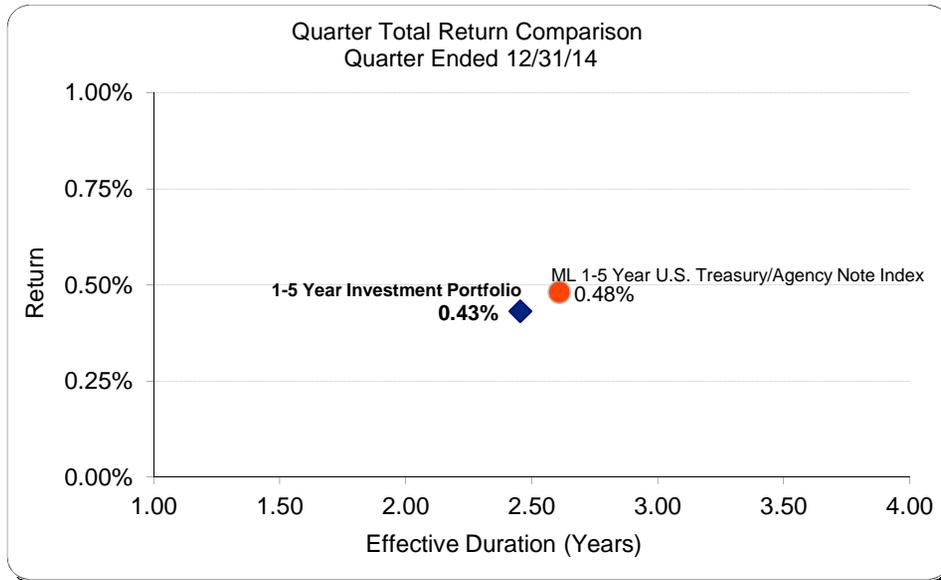
- The Town's 1-5 Year Investment and Bond Proceed Portfolios are of high credit quality and invested in U.S. Treasury, Federal Agency, high quality corporate, municipal, commercial paper securities, and money market mutual funds.
- PFM continued to actively manage the 1-5 Year Investment Portfolio during 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 \$8,596 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 of 0.43% underperformed the benchmark performance of 0.48% by 0.05%. This slight underperformance is due to curve exposure in the U.S. Treasury 2 year range. These securities underperformed because interest rates rose the most in this area of the yield curve. These positions should benefit the portfolio and perform well going forward as they are well positioned to capitalize on roll-down returns.
- The Short Term and Bond Proceeds 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 0.29%, exceeding the Yield to Maturity of its benchmark the S&P GIP Government 30 Day Index by 18 basis points (0.18%).
- U.S. Treasury yields experienced heightened volatility in the fourth quarter as market participants continued to balance the convergence of an improving domestic economy, declining global growth prospects, deflationary pressures, and varying stages of support from central banks around the world. Shorter maturities (under 3 years) ended the quarter modestly higher, while longer maturities continued to trend lower causing the yield curve to flatten.
- We expect that the new year will see a continuation of the narrative that dominated the latter half of 2014: the response of central banks to improving domestic economic data contrasted against the headwinds of global uncertainty. Additionally, the recent plummet of oil prices, combined with a strengthening US Dollar have injected a new dynamic to the global inflationary outlook and its impact on market volatility and geopolitical risks.
- We continue to closely monitor the movements of the FOMC as it remains a significant, but uncertain market force. While the market generally expects the Fed to finally raise rates in 2015, the Committee has stated its intention to be "patient in beginning to normalize the stance of monetary policy," which means the timing and pace of future rate hikes is still uncertain. As we have for much of the past year, we start the year with a modestly conservative and defensive duration posture to reflect that uncertainty.
- 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.

1-5 Year Investment Portfolio (Actively Managed) Performance - 4260

Total Portfolio Value <sup>1</sup>	December 31, 2014	September 30, 2014
Market Value	\$18,066,277.56	\$17,988,633.31
Amortized Cost	\$18,055,202.84	\$18,003,370.00

Total Return <sup>2,3,4</sup>	Quarterly Return December 31, 2014	Last 6 Months	Last 12 Months	Last 2 Years	Last 3 Years	Since Inception September 30, 2011
<b>1-5 Year Investment Portfolio (Actively Managed)</b>	<b>0.43%</b>	<b>0.42%</b>	<b>1.21%</b>	<b>0.63%</b>	<b>0.88%</b>	<b>0.95%</b>
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	0.48%	0.43%	1.24%	0.54%	0.68%	0.76%

Effective Duration (Years) <sup>4,5</sup>	December 31, 2014	September 30, 2014	Yields	December 31, 2014	September 30, 2014
<b>1-5 Year Investment Portfolio (Actively Managed)</b>	<b>2.45</b>	2.33	Yield at Market	<b>0.98%</b>	0.90%
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	2.61	2.62	Yield at Cost	<b>1.02%</b>	0.91%
Portfolio Duration % of Benchmark Duration	94%	89%			

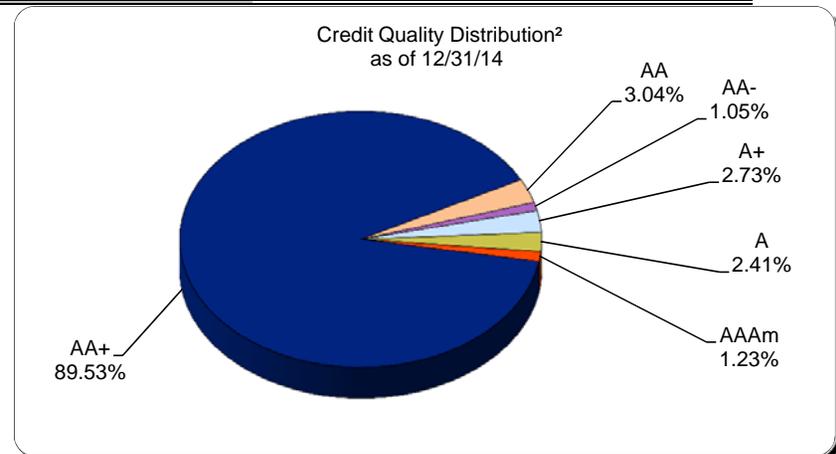
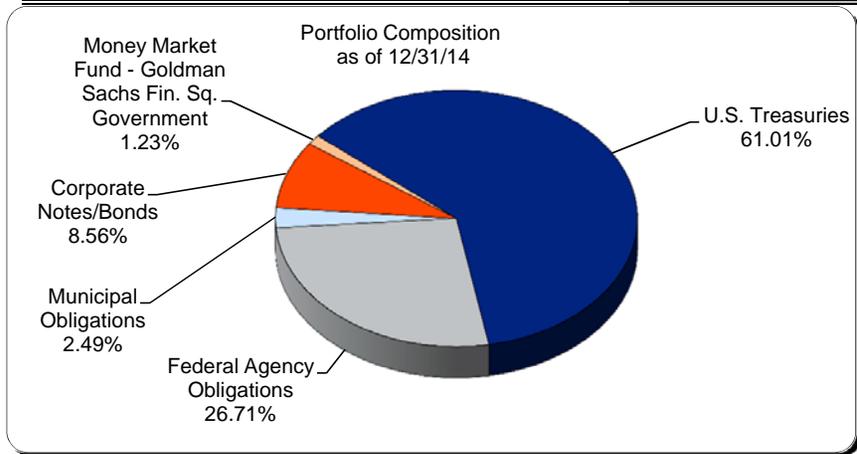


Notes:

- 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> <sup>1</sup>	<u>December 31, 2014</u>	<u>% of Portfolio</u>	<u>September 30, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$11,021,949.27	61.0%	\$10,642,971.16	59.2%
Federal Agencies	4,825,136.41	26.7%	4,426,117.03	24.6%
Commercial Paper	0.00	0.0%	449,790.75	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	449,696.25	2.5%	449,716.50	2.5%
Corporate Notes/Bonds	1,546,796.85	8.6%	1,958,356.67	10.9%
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	222,698.78	1.2%	61,681.20	0.3%
<b>Totals</b>	<b>\$18,066,277.56</b>	<b>100.0%</b>	<b>\$17,988,633.31</b>	<b>100.0%</b>

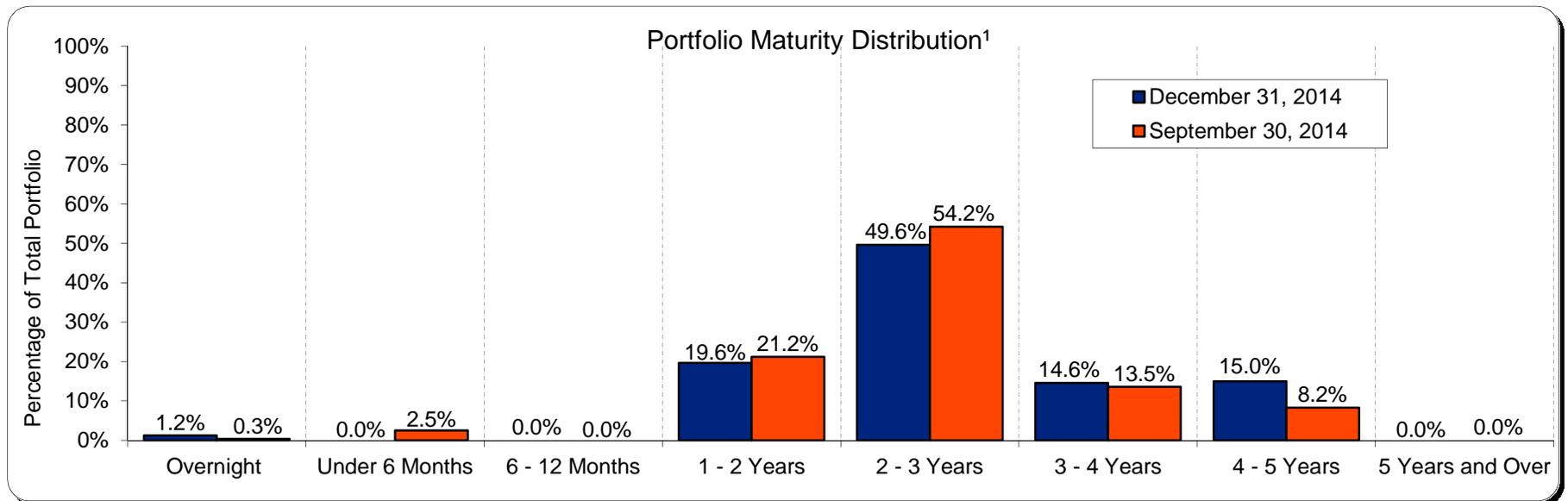


Notes:

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

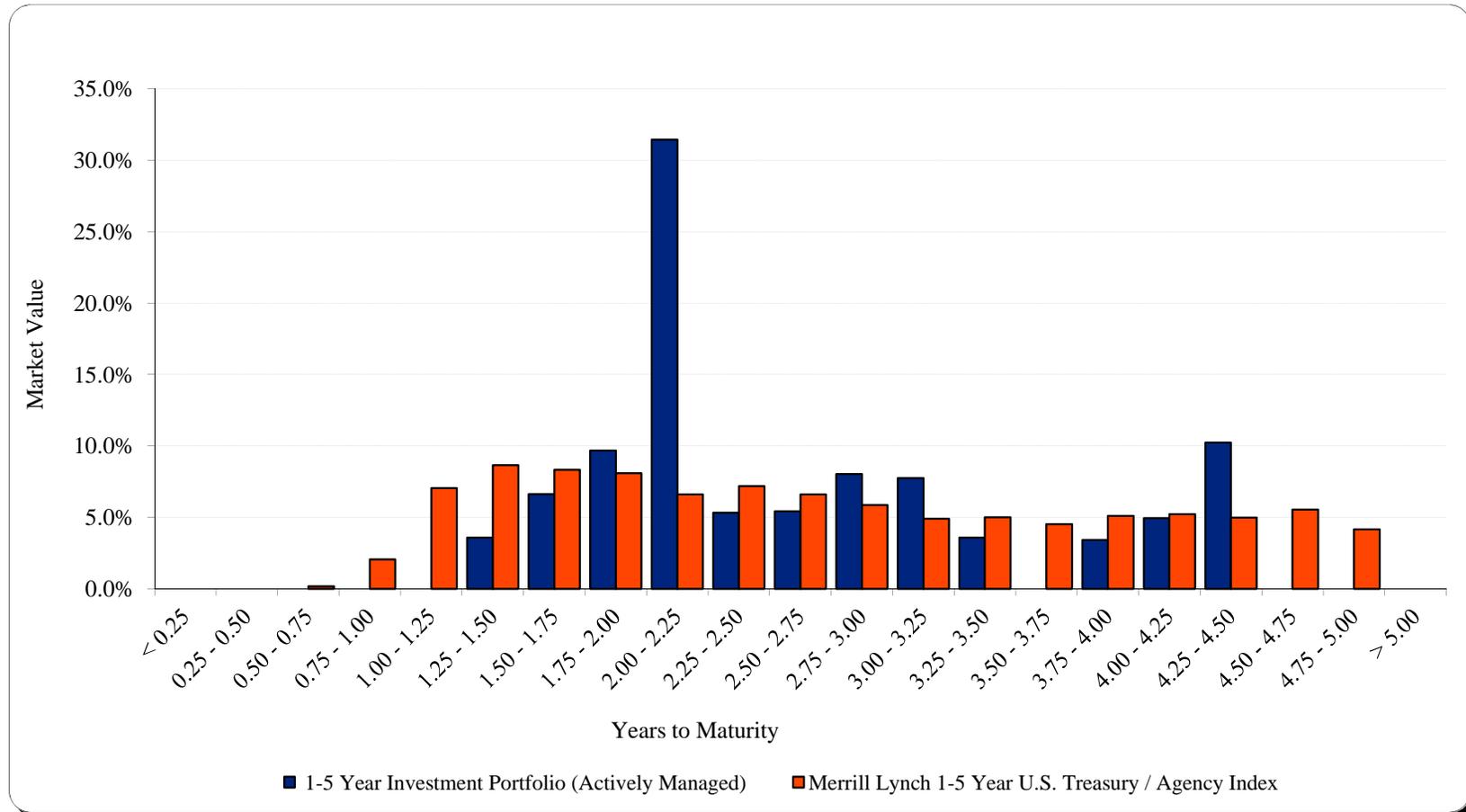
<u>Maturity Distribution<sup>1</sup></u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Overnight (Money Market Fund)	\$222,698.78	61,681.20
Under 6 Months	0.00	449,790.75
6 - 12 Months	0.00	0.00
1 - 2 Years	3,547,549.75	3,811,439.62
2 - 3 Years	8,957,895.52	9,749,776.67
3 - 4 Years	2,631,643.50	2,435,075.29
4 - 5 Years	2,706,490.01	1,480,869.78
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$18,066,277.56</b>	<b>\$17,988,633.31</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

<b>Account Name</b>	<b>Amortized Cost<sup>1,2,3</sup> December 31, 2014</b>	<b>Amortized Cost<sup>1,2,3</sup> September 30, 2014</b>	<b>Market Value<sup>1,2,3</sup> December 31, 2014</b>	<b>Market Value<sup>1,2,3</sup> September 30, 2014</b>	<b>Duration (Years)<sup>4</sup> December 31, 2014</b>
Short Term Fund - 4245	N/A	N/A	N/A	N/A	N/A
2010A CIP Fund - 4255	N/A	N/A	N/A	N/A	N/A
2013 Bond Fund - 4265	48,969,076.12	50,510,896.00	48,962,060.89	50,493,945.18	1.12
Money Market Fund - PFM Funds Prime Series Excess Funds - 174	13,317,681.88	13,316,180.21	13,317,681.88	13,316,180.21	51 Days
Money Market Fund - PFM Funds Prime Series 2010B WORTH AVENUE - 179	N/A	N/A	N/A	N/A	N/A
Money Market Fund - PFM Funds Prime Series 2010A CIP - 180	4,108,651.55	5,973,218.69	4,108,651.55	5,973,218.69	51 Days
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357	5,588,354.92	6,708,500.05	5,588,354.92	6,708,500.05	51 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - Short Term Fund	N/A	N/A	N/A	N/A	N/A
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2010A CIP	N/A	N/A	N/A	N/A	N/A
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2013 Bond Fund	1,647,965.09	54,213.83	1,647,965.09	54,213.83	52 Days
<b>Total</b>	<b>\$73,631,729.56</b>	<b>\$76,563,008.78</b>	<b>\$73,624,714.33</b>	<b>\$76,546,057.96</b>	

<b>Account Name</b>	<b>Yield to Maturity at Cost<sup>5</sup> December 31, 2014</b>	<b>Yield to Maturity at Cost<sup>5</sup> September 30, 2014</b>	<b>Yield to Maturity at Market December 31, 2014</b>	<b>Yield to Maturity at Market September 30, 2014</b>	<b>Duration (Years)<sup>4</sup> September 30, 2014</b>
Short Term Fund - 4245	N/A	N/A	N/A	N/A	N/A
2010A CIP Fund - 4255	N/A	N/A	N/A	N/A	N/A
2013 Bond Fund - 4265	0.41%	0.41%	0.39%	0.39%	1.34
Money Market Fund - PFM Funds Prime Series Excess Funds - 174 <sup>6</sup>	0.07%	0.07%	0.07%	0.07%	55 Days
Money Market Fund - PFM Funds Prime Series 2010B WORTH AVENUE - 179 <sup>6</sup>	N/A	N/A	N/A	N/A	N/A
Money Market Fund - PFM Funds Prime Series 2010A CIP - 180 <sup>6</sup>	0.07%	0.07%	0.07%	0.07%	55 Days
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357	0.07%	0.07%	0.07%	0.07%	55 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - Short Term Fund	N/A	N/A	N/A	N/A	N/A
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2010A CIP	N/A	N/A	N/A	N/A	N/A
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank) - 2013 Bond Fund	0.01%	0.01%	0.01%	0.01%	57 Days
<b>Weighted Average Yield</b>	<b>0.29%</b>	<b>0.29%</b>	<b>0.28%</b>	<b>0.28%</b>	

**Benchmarks**

	<b>December 31, 2014</b>	<b>September 30, 2014</b>
S&P GIP Government 30 Day Index <sup>7</sup>	0.11%	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<sup>1,2,3</sup> December 31, 2014</u>	<u>Amortized Cost<sup>1,2,3</sup> September 30, 2014</u>	<u>Market Value<sup>1,2,3</sup> December 31, 2014</u>	<u>Market Value<sup>1,2,3</sup> September 30, 2014</u>	<u>Duration (Years)<sup>4</sup> December 31, 2014</u>
Short Term Fund - 4245	N/A	N/A	N/A	N/A	N/A
Money Market Fund - PFM Funds Prime Series Excess Funds - 174	13,317,681.88	13,316,180.21	13,317,681.88	13,316,180.21	51 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$13,317,681.88</b>	<b>\$13,316,180.21</b>	<b>\$13,317,681.88</b>	<b>\$13,316,180.21</b>	

<u>Account Name</u>	<u>Yield to Maturity at Cost<sup>5</sup> December 31, 2014</u>	<u>Yield to Maturity at Cost<sup>5</sup> September 30, 2014</u>	<u>Yield to Maturity at Market December 31, 2014</u>	<u>Yield to Maturity at Market September 30, 2014</u>	<u>Duration (Years) September 30, 2014</u>
Short Term Fund - 4245	N/A	N/A	N/A	N/A	N/A
Money Market Fund - PFM Funds Prime Series Excess Funds - 174 <sup>6</sup>	0.07%	0.07%	0.07%	0.07%	55 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	N/A	N/A	N/A	N/A	N/A
<b>Weighted Average Yield</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>	

**Benchmarks**

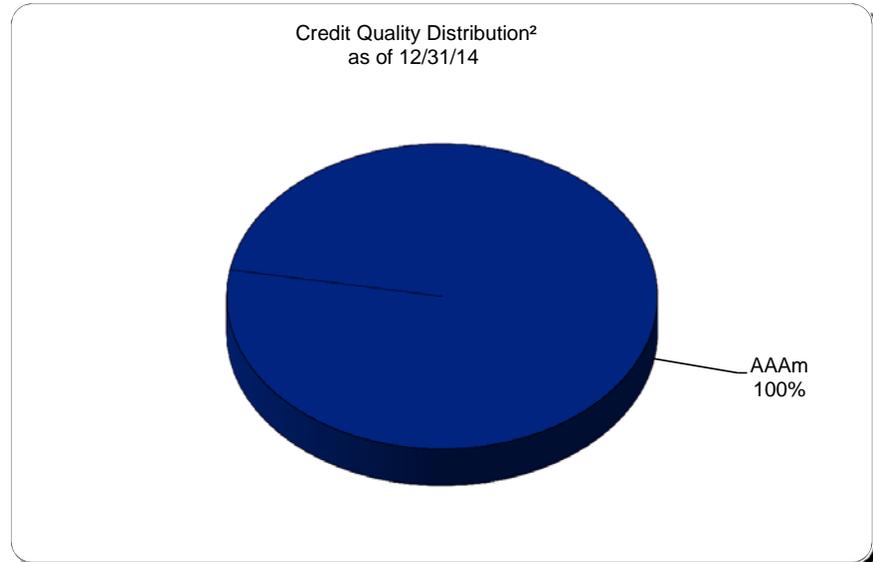
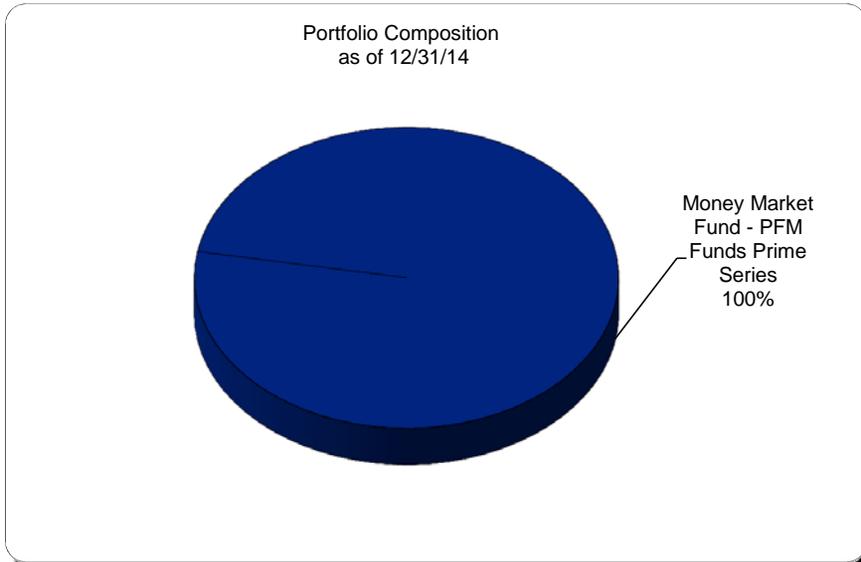
	<u>December 31, 2014</u>	<u>September 30, 2014</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.11%	0.09%

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 yields, source Bloomberg.

Short Term Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>December 31, 2014</u>	<u>% of Portfolio</u>	<u>September 30, 2014</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	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%
Money Market Fund - Goldman Sachs Fin. Sq. Government	0.00	0.0%	0.00	0.0%
Money Market Fund - PFM Funds Prime Series	13,317,681.88	100.0%	13,316,180.21	100.00%
<b>Totals</b>	<b>\$13,317,681.88</b>	<b>100.0%</b>	<b>\$13,316,180.21</b>	<b>100.0%</b>

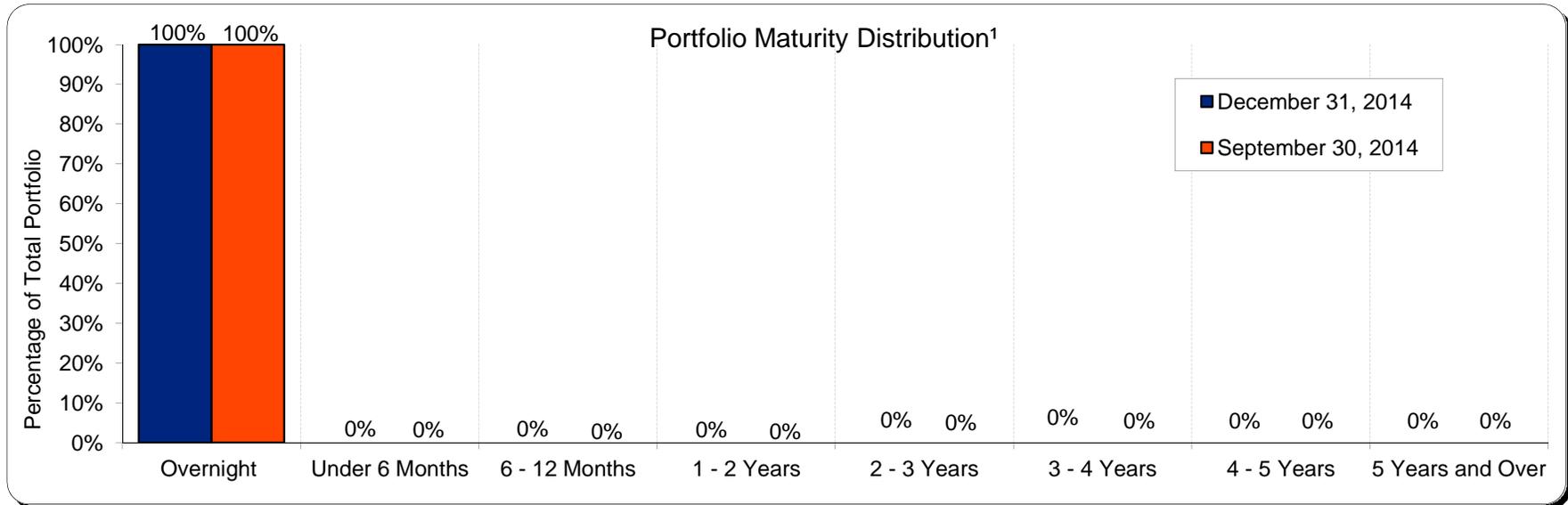


Notes:

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>December 31, 2014</u>	<u>September 30, 2014</u>
Overnight (Money Market Fund)	\$13,317,681.88	\$13,316,180.21
Under 6 Months	0.00	0.00
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
<b>Totals</b>	<b>\$13,317,681.88</b>	<b>\$13,316,180.21</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> December 31, 2014</u>	<u>Amortized Cost<sup>1,2,3</sup> September 30, 2014</u>	<u>Market Value<sup>1,2,3</sup> December 31, 2014</u>	<u>Market Value<sup>1,2,3</sup> September 30, 2014</u>	<u>Duration (Years)<sup>4</sup> December 31, 2014</u>
CIP Fund - 4255	N/A	N/A	N/A	N/A	N/A
Money Market Fund - PFM Funds Prime Series 2010A CIP - 180	4,108,651.55	5,973,218.69	4,108,651.55	5,973,218.69	51 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$4,108,651.55</b>	<b>\$5,973,218.69</b>	<b>\$4,108,651.55</b>	<b>\$5,973,218.69</b>	

<u>Account Name</u>	<u>Yield to Maturity at Cost<sup>5</sup> December 31, 2014</u>	<u>Yield to Maturity at Cost<sup>5</sup> September 30, 2014</u>	<u>Yield to Maturity at Market December 31, 2014</u>	<u>Yield to Maturity at Market September 30, 2014</u>	<u>Duration (Years) September 30, 2014</u>
CIP Fund - 4255	N/A	N/A	N/A	N/A	N/A
Money Market Fund - PFM Funds Prime Series 2010A CIP - 180 <sup>6</sup>	0.07%	0.07%	0.07%	0.07%	55 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	N/A	N/A	N/A	N/A	N/A
<b>Weighted Average Yield</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>	

<u>Benchmarks</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.11%	0.09%

Notes:

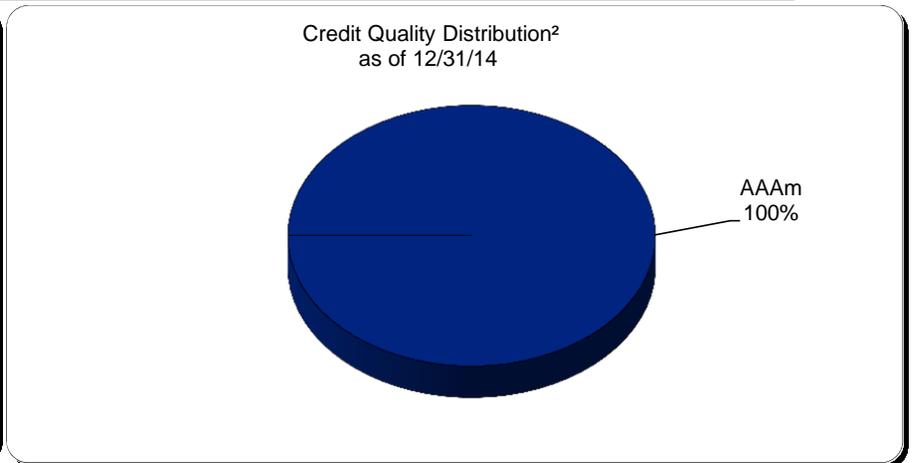
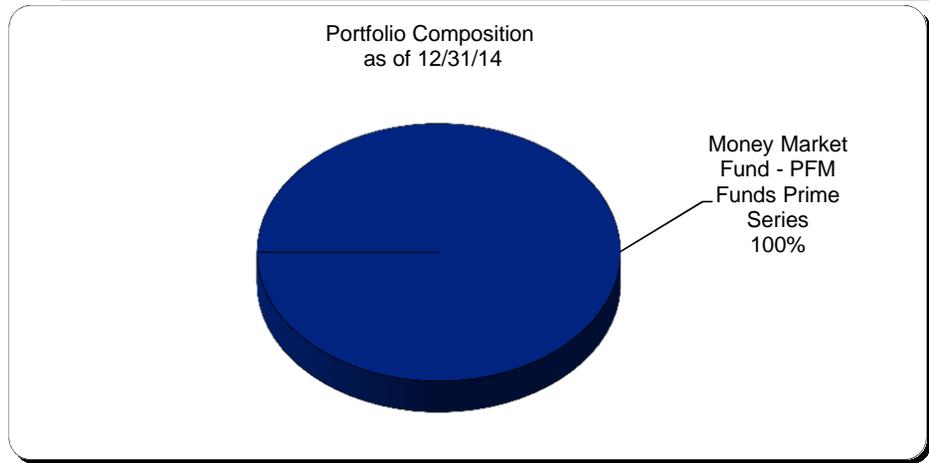
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
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> <sup>1</sup>	<u>December 31, 2014</u>	<u>% of Portfolio</u>	<u>September 30, 2014</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	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%
Money Market Fund - Goldman Sachs Fin. Sq. Government	0.00	0.0%	0.00	0.0%
Money Market Fund - PFM Funds Prime Series	4,108,651.55	100.0%	5,973,218.69	100.0%
<b>Totals</b>	<b>\$4,108,651.55</b>	<b>100.0%</b>	<b>\$5,973,218.69</b>	<b>100.0%</b>

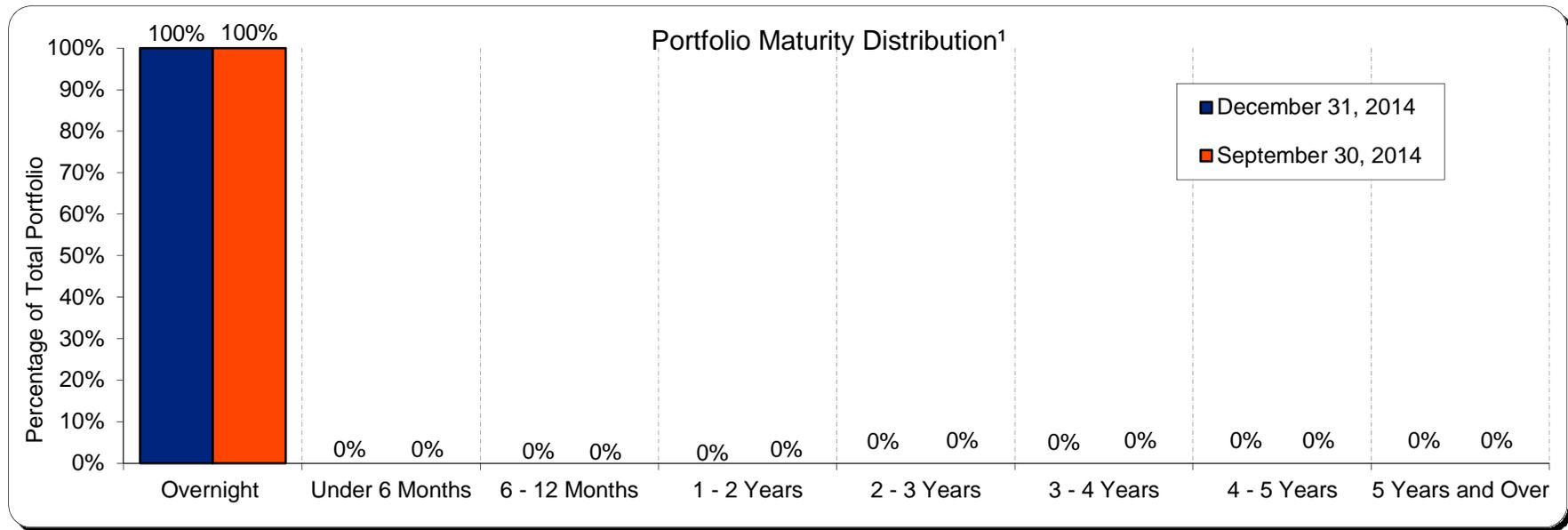


Notes:

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>December 31, 2014</u>	<u>September 30, 2014</u>
Overnight (Money Market Fund)	\$4,108,651.55	\$5,973,218.69
Under 6 Months	0.00	0.00
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
<b>Totals</b>	<b>\$4,108,651.55</b>	<b>\$5,973,218.69</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.

2013 Bond Fund Portfolio Statistics

<u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup> December 31, 2014</u>	<u>Amortized Cost<sup>1,2,3</sup> September 30, 2014</u>	<u>Market Value<sup>1,2,3</sup> December 31, 2014</u>	<u>Market Value<sup>1,2,3</sup> September 30, 2014</u>	<u>Duration (Years)<sup>4</sup> December 31, 2014</u>
2013 Bond Fund - 4265	\$48,969,076.12	\$50,510,896.00	\$48,962,060.89	\$50,493,945.18	1.12
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357	5,588,354.92	6,708,500.05	5,588,354.92	6,708,500.05	51 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	1,647,965.09	54,213.83	1,647,965.09	54,213.83	52 Days
<b>Total</b>	<b>\$56,205,396.13</b>	<b>\$57,273,609.88</b>	<b>\$56,198,380.90</b>	<b>\$57,256,659.06</b>	

<u>Account Name</u>	<u>Yield to Maturity at Cost<sup>5</sup> December 31, 2014</u>	<u>Yield to Maturity at Cost<sup>5</sup> September 30, 2014</u>	<u>Yield to Maturity at Market December 31, 2014</u>	<u>Yield to Maturity at Market September 30, 2014</u>	<u>Duration (Years) September 30, 2014</u>
2013 Bond Fund - 4265	0.41%	0.41%	0.39%	0.39%	1.34
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357 <sup>6</sup>	0.07%	0.07%	0.07%	0.07%	55 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	0.01%	0.01%	0.01%	0.01%	57 Days
<b>Weighted Average Yield</b>	<b>0.36%</b>	<b>0.37%</b>	<b>0.35%</b>	<b>0.35%</b>	

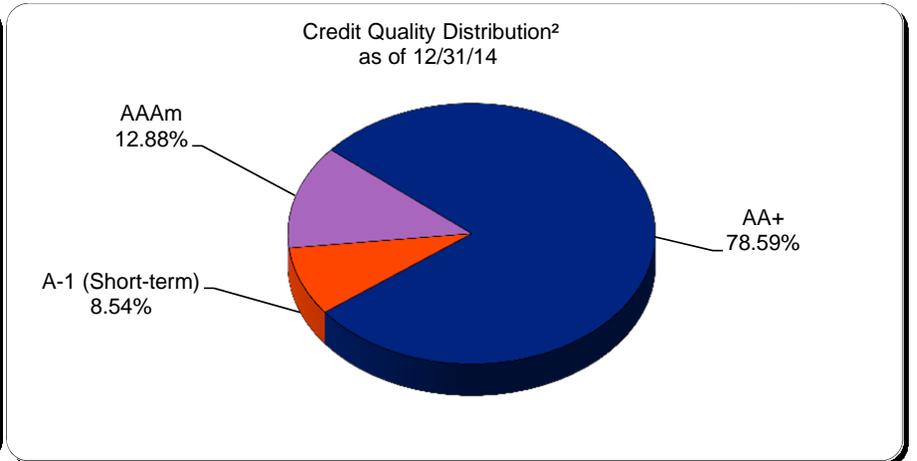
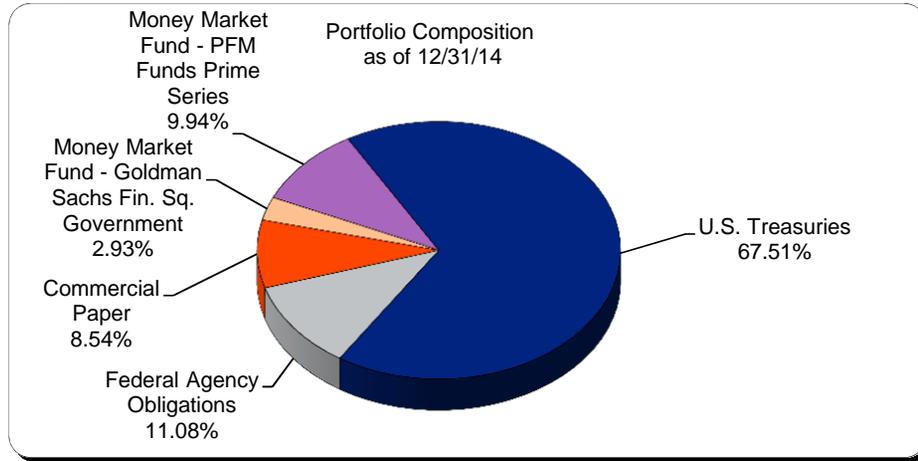
<u>Benchmarks</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.11%	0.09%

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.
- Excludes 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 returns, source Bloomberg.

2013 Bond Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> <sup>1</sup>	<u>December 31, 2014</u>	<u>% of Portfolio</u>	<u>September 30, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$37,937,616.31	67.5%	\$37,974,297.65	66.3%
Federal Agencies	6,226,647.78	11.1%	6,226,556.53	10.9%
Commercial Paper	4,797,796.80	8.5%	6,293,091.00	11.0%
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	1,647,965.09	2.9%	54,213.83	0.1%
Money Market Fund - PFM Funds Prime Series	5,588,354.92	9.9%	6,708,500.05	11.7%
<b>Totals</b>	<b>\$56,198,380.90</b>	<b>100.0%</b>	<b>\$57,256,659.06</b>	<b>100.0%</b>

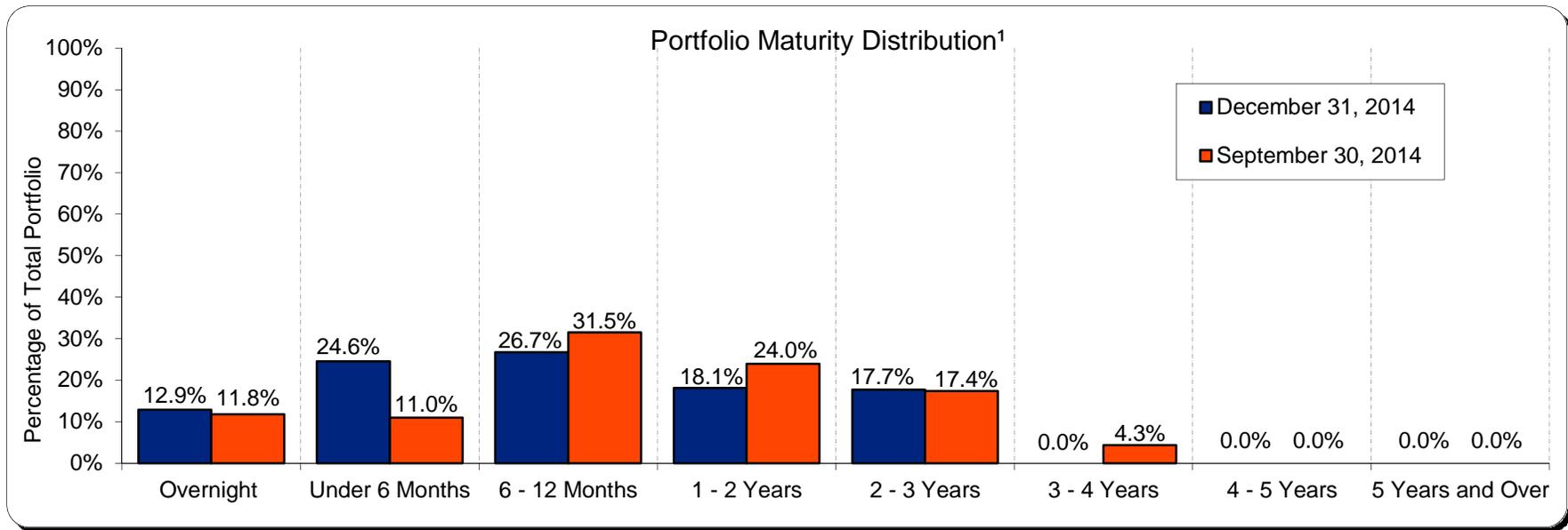


Notes:

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.

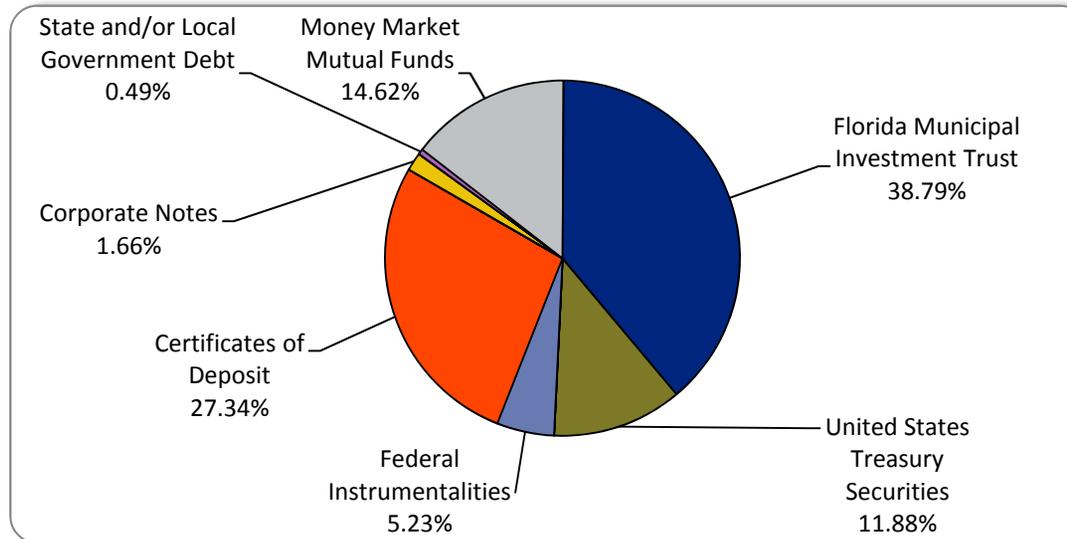
2013 Bond Fund Portfolio Maturity Distribution

<u>Maturity Distribution<sup>1</sup></u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Overnight (Money Market Fund)	\$7,236,320.01	\$6,762,713.88
Under 6 Months	13,807,045.07	6,293,091.00
6 - 12 Months	15,017,843.07	18,035,490.28
1 - 2 Years	10,195,158.97	13,714,248.94
2 - 3 Years	9,942,013.78	9,965,416.56
3 - 4 Years	0.00	2,485,698.40
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$56,198,380.90</b>	<b>\$57,256,659.06</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>	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Florida Prime (SBA)	-	0.00%		0%	YES
United States Treasury Securities	10,999,393.88	11.88%		100%	YES
United States Government Agency Securities	-	0.00%		50%	YES
Federal Instrumentalities	4,840,758.68	5.23%		80%	YES
Certificates of Deposit	25,319,023.00	27.34%		50%	YES
Repurchase Agreements	-	0.00%		50%	YES
Commercial Paper	-	0.00%		25%	YES
Corporate Notes	1,541,939.63	1.66%	2	25%	YES
Bankers' Acceptances	-	0.00%		35%	YES
State and/or Local Government Debt	450,411.87	0.49%		20%	YES
Money Market Mutual Funds	13,540,380.66	14.62%		50%	YES
Florida Municipal Investment Trust	35,922,798.00	38.79%	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 1.00% rated A by S&P and Moody's.
  3. Managed by the Town.
  4. Combined total for Florida Municipal Investment Trust cannot exceed 50%.
- \* 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)	822,705.07	0.89%		30%	YES
Federal National Mortgage Association (FNMA)	1,807,765.95	1.95%		30%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	2,210,287.66	2.39%		30%	YES
General Electric Corporate Notes	325,643.57	0.35%		5%	YES
American Honda Corporate Notes	140,077.65	0.15%		5%	YES
Boeing Company Corporate Notes	220,135.49	0.24%		5%	YES
Toyota Corporate Notes	190,149.77	0.21%		5%	YES
Wells Fargo & Company Corporate Notes	350,539.92	0.38%		5%	YES
John Deere Corporate Notes	215,338.82	0.23%		5%	YES
Coca-Cola Corporate Notes	100,054.41	0.11%		5%	YES
Regional Trans Authority, IL Taxable Revenue Bonds	450,411.87	0.49%		20%	YES
Money Market Fund - PFM Funds Prime Series #174	13,317,681.88	14.38%		25%	YES
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	222,698.78	0.24%	5	25%	YES
FMIvT 1-3	24,705,029.00	26.68%	3	50%	YES
FMIvT Intermediate	11,217,769.00	12.11%	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 1.00% 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. The 2010A account did not have a cash balance as of September 30th.
- \* 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.