



# Town of Palm Beach, Florida



## Investment Performance Review Quarter Ended September 30, 2015

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

PFM Funds September 30, 2015 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 U.S. economy continued its forward progress, but more recent economic data suggests it is slowing from the strong second-quarter pace.
- Weakness in emerging-market economies, most notably China, changed market psychology, triggering heightened volatility and significant downward pressure on equity markets worldwide.
- The Federal Open Market Committee (FOMC) chose not to raise the federal funds target rate at either of its two meetings during the quarter, most recently citing concern about “recent global economic and financial developments.” FOMC officials, however, continue to condition investors for a possible rate hike before year-end.

### **Economic Snapshot**

- Concern over Greece’s financial state last quarter was quickly resolved, only to be superseded by growth concerns emanating from emerging market economies, especially China, Russia and Brazil. A slowdown in emerging markets also negatively impacted commodity, oil, and export-driven economies, such as Australia and Canada.
- Second-quarter gross domestic product (GDP) grew at a 3.9% annualized pace, a strong rebound from the first quarter’s lackluster growth. The surge was bolstered by strong consumer spending and a pickup in business investment and inventories.
- Job growth slowed in the second quarter — averaging 167,000 new jobs per month, which was down from 231,000 per month in the prior quarter — but the unemployment rate fell further to 5.1%, its lowest rate since April 2008. Wage growth remained subdued.

### **Interest Rates**

- Long-term Treasury yields trended lower throughout the quarter, supported by low inflation, slowing global growth, and a hesitant FOMC. The yield on the 10-year U.S. Treasury fell 31 basis points (0.31%), ending the quarter just above 2.0%.

- Yields on shorter-term instruments (two years and under) initially moved in the opposite direction, rising to peaks in mid-September in anticipation of a near-term federal funds target rate increase. After the Fed announced it would leave rates unchanged, yields retreated. Short-term Treasury yields ended the quarter mostly lower by a few basis points, while money market instruments like commercial paper and bank certificates of deposit held on to most of their rate increases during the quarter.
- Global sovereign debt yields followed those in the U.S., with lower long-term rates and fractionally lower short-term yields.

### **Sector Performance**

- U.S. Treasury benchmark indices generated strong returns as yields ended the quarter lower, providing price appreciation in addition to yield-based income. While this was true for maturities across the yield curve, longer maturities fared better due to their longer durations and more significant fall in rates.
- Federal Agency securities modestly outperformed comparable maturity Treasuries as yield spreads tightened modestly.
- Corporate yield spreads widened throughout the quarter, in some cases significantly. Returns were correlated with credit ratings. BBB-rated and high-yield issues performed poorly. A-rated issuers modestly underperformed government securities, while higher-rated issuers performed better.
- Mortgage-backed securities (MBS) underperformed comparable duration government securities as heightened volatility negatively impacted securities with imbedded optionality. This scenario has persisted for much of 2015.

### Economic Snapshot

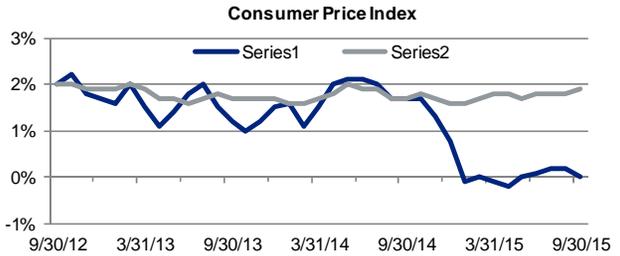
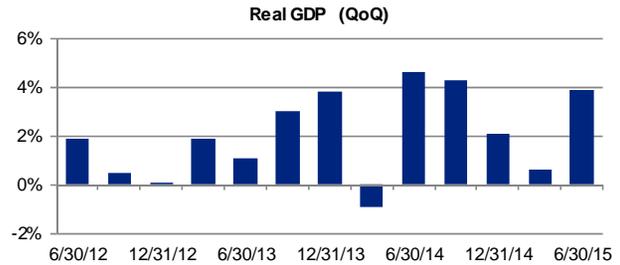
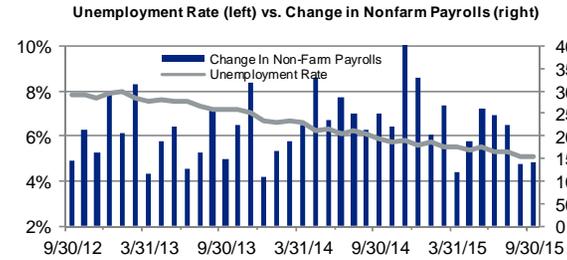
Labor Market		Latest	Jun 2015	Sep 2014
Unemployment Rate	Sep'15	5.1%	5.3%	5.9%
Change In Non-Farm Payrolls	Sep'15	142,000	245,000	250,000
Average Hourly Earnings (YoY)	Sep'15	2.2%	2.0%	2.0%
Personal Income (YoY)	Aug'15	4.2%	4.1%	4.5%
Initial Jobless Claims (week)	10/2/15	263,000	282,000	292,000

Growth		Latest	Jun 2015	Sep 2014
Real GDP (QoQ SAAR)	2015Q2	3.9%	0.6% <sup>1</sup>	4.6% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2015Q2	3.6%	1.8% <sup>1</sup>	3.8% <sup>2</sup>
Retail Sales (YoY)	Sep'15	2.4%	1.8%	4.4%
ISM Manufacturing Survey (month)	Sep'15	50.2	53.5	56.1
Existing Home Sales SAAR (month)	Aug'15	5.31 mil.	5.48 mil.	5.10 mil.

Inflation / Prices		Latest	Jun 2015	Sep 2014
Personal Consumption Expenditures (YoY)	Aug'15	0.3%	0.3%	1.5%
Consumer Price Index (YoY)	Aug'15	0.2%	0.1%	1.7%
Consumer Price Index Core (YoY)	Aug'15	1.8%	1.8%	1.7%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$45.09	\$59.47	\$91.16
Gold Futures (oz.)	Sep 30	\$1,116	\$1,172	\$1,211



1. Data as of Second Quarter 2015

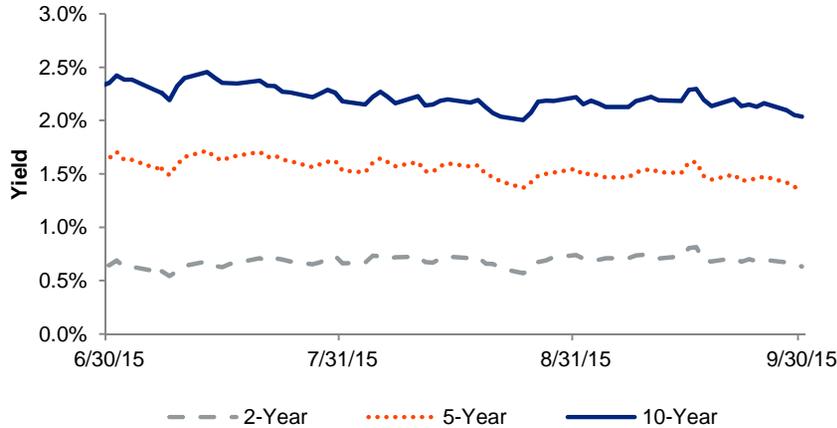
2. Data as of Third Quarter 2014

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

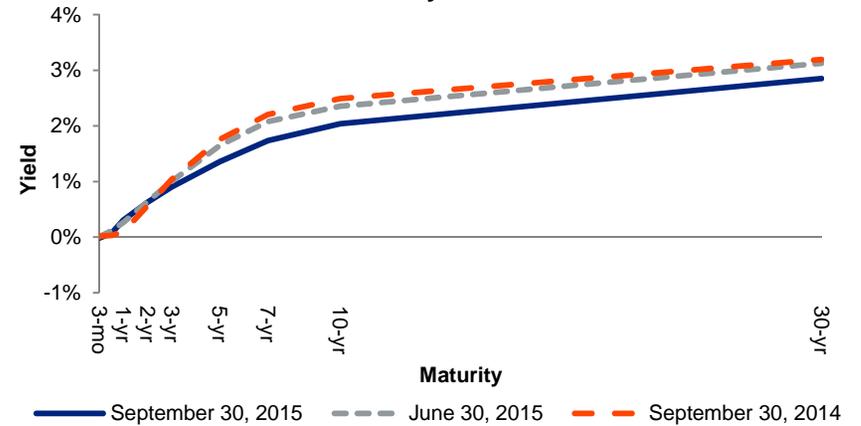
Source: Bloomberg

### Investment Rate Overview

U.S. Treasury Note Yields



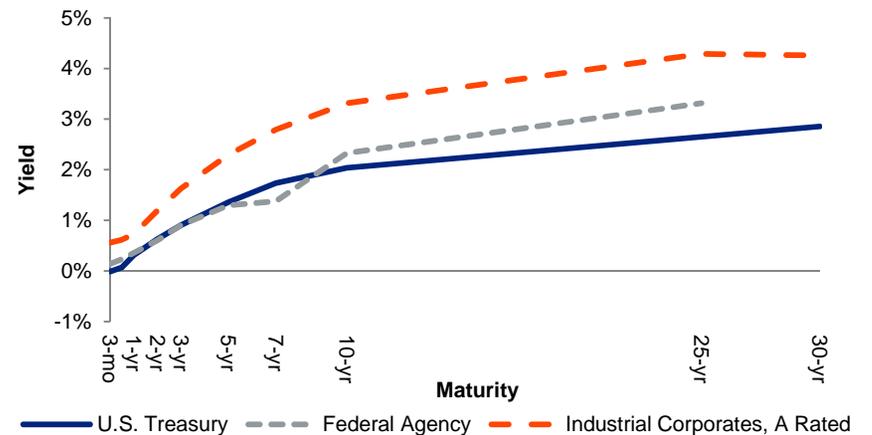
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	9/30/15	6/30/15	Change over Quarter	9/30/14	Change over Year
3-month	(0.02%)	0.01%	(0.03%)	0.02%	(0.04%)
1-year	0.31%	0.27%	0.04%	0.10%	0.21%
2-year	0.63%	0.65%	(0.02%)	0.57%	0.06%
5-year	1.36%	1.65%	(0.29%)	1.76%	(0.40%)
10-year	2.04%	2.35%	(0.31%)	2.49%	(0.45%)
30-year	2.85%	3.12%	(0.27%)	3.20%	(0.35%)

Yield Curves as of 9/30/2015



Source: Bloomberg

## BofA Merrill Lynch Index Returns

	As of 9/30/2015		Returns for Periods ended 9/30/2015		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.87	0.63%	0.31%	1.16%	0.67%
Federal Agency	1.64	0.70%	0.36%	1.29%	0.77%
U.S. Corporates, A-AAA rated	1.98	1.53%	0.36%	1.37%	1.38%
Agency MBS (0 to 3 years)	1.92	1.58%	0.35%	1.11%	0.77%
Municipals	1.87	0.74%	0.57%	0.85%	0.88%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.71	0.87%	0.70%	2.15%	0.91%
Federal Agency	2.07	0.86%	0.58%	1.90%	0.98%
U.S. Corporates, A-AAA rated	2.76	1.83%	0.61%	2.18%	1.83%
Agency MBS (0 to 5 years)	3.40	2.10%	0.69%	2.23%	1.55%
Municipals	2.58	1.01%	0.78%	1.09%	1.18%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.20	1.42%	1.90%	4.10%	1.38%
Federal Agency	3.68	1.29%	1.05%	2.93%	1.35%
U.S. Corporates, A-AAA rated	6.70	2.88%	1.23%	2.82%	2.27%
Agency MBS (0 to 30 years)	4.34	2.39%	1.31%	3.34%	1.93%
Municipals	6.93	2.38%	1.70%	3.16%	2.94%

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Indices

**Disclosures**

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# TAB II

## Executive Summary

## PORTFOLIO STRATEGY

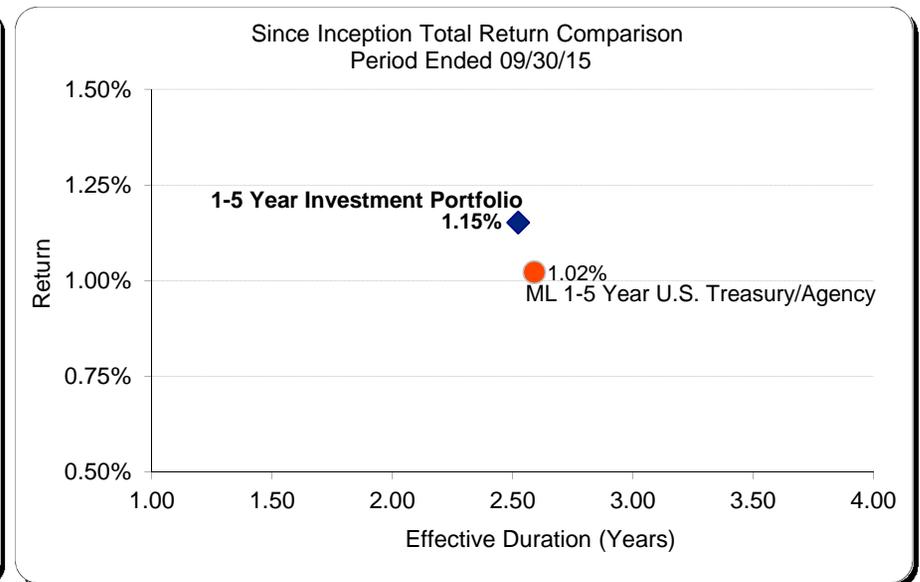
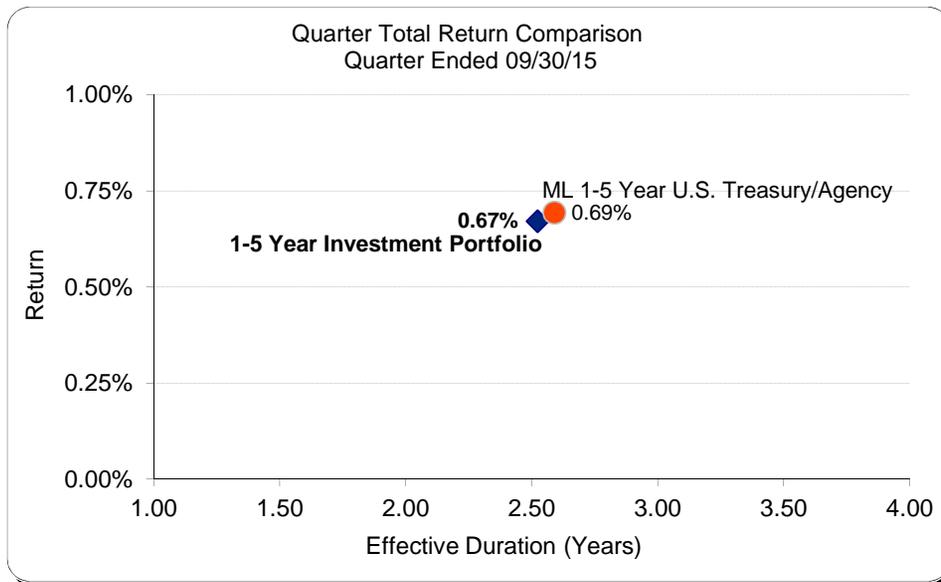
- The Town's 1-5 Year Investment and Bond Proceed Portfolios are of high credit quality and invested in U.S. Treasury, Federal Agency, high quality corporate, municipal securities, and money market mutual funds.
- PFM continued to actively manage the 1-5 Year Investment Portfolio during the third quarter and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result, the Portfolio realized \$3,773 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 0.67% underperformed the benchmark performance of 0.69% by 0.02%. The Portfolio's duration has been strategically targeted to be shorter than the benchmark's duration. During the quarter, yields on U.S. Treasury securities moved up in advance of the September FOMC meeting as anticipated, but quickly reversed after the "no hike" decision. The slight underperformance is a result of the Portfolio's shorter maturing securities not receiving as much benefit from price appreciation during this end of quarter rally.
- 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 0.45%, exceeding the Yield to Maturity of its benchmark the S&P GIP Government 30 Day Index by 29 basis points (0.29%).
- Treasury yields moved up and down in response to evolving economic conditions, tracking in part (i) the strength of global economy, (ii) the persistent low inflation environment, and (iii) the expectations for a Fed rate hike. Low inflation and tepid economic data, both in the U.S. and abroad, pushed longer-term yields lower.
- The FOMC continues to monitor economic progress towards its dual objectives of full employment and price stability. It recently added an acknowledgement that global economic instability has the potential to affect Fed policy. Because this creates a new level of uncertainty about the timing and pace of future rate hikes, our strategy may need to adapt to changing conditions throughout the fourth quarter.
- At present, we believe the Fed will raise rates in late 2015 or early 2016, and the subsequent pace of rate increases will likely be gradual and prolonged. If this occurs as expected, it is likely that rates on the shorter end of the curve will again rise ahead of upcoming FOMC meetings, while longer maturities will remain range bound in response to tempered global growth and dampened inflation expectations.
- 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

<b>Total Portfolio Value<sup>1</sup></b>	<b>September 30, 2015</b>	June 30, 2015
Market Value	<b>\$18,315,556.76</b>	\$18,218,317.99
Amortized Cost	<b>\$18,213,600.11</b>	\$18,180,499.15

<b>Total Return<sup>2,3,4</sup></b>	Quarterly Return September 30, 2015	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>0.67%</b>	<b>0.64%</b>	<b>1.96%</b>	<b>1.40%</b>	<b>0.96%</b>	<b>1.15%</b>
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	0.69%	0.72%	2.13%	1.40%	0.92%	1.02%

<b>Effective Duration (Years)<sup>4,5</sup></b>	September 30, 2015	June 30, 2015	<b>Yields</b>	September 30, 2015	June 30, 2015
<b>1-5 Year Investment Portfolio (Actively Managed)</b>	<b>2.52</b>	2.57	Yield at Market	<b>0.99%</b>	1.04%
Merrill Lynch 1-5 Year U.S. Treasury/Agency Index	2.59	2.59	Yield at Cost	<b>1.23%</b>	1.18%
Portfolio Duration % of Benchmark Duration	97%	99%			

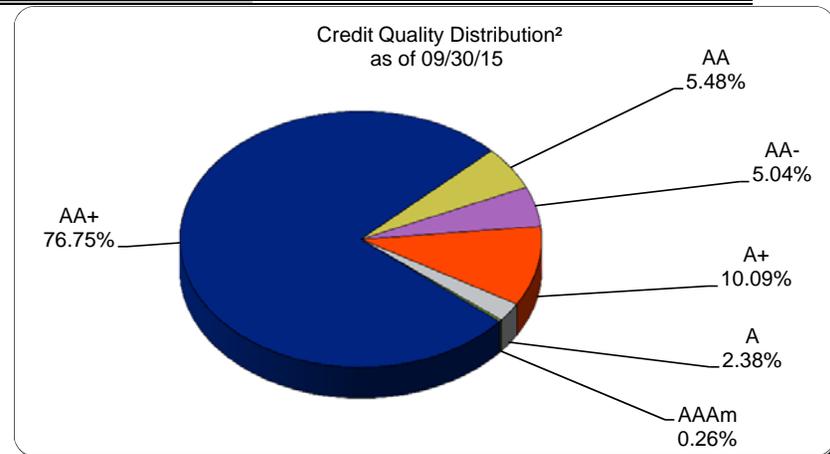
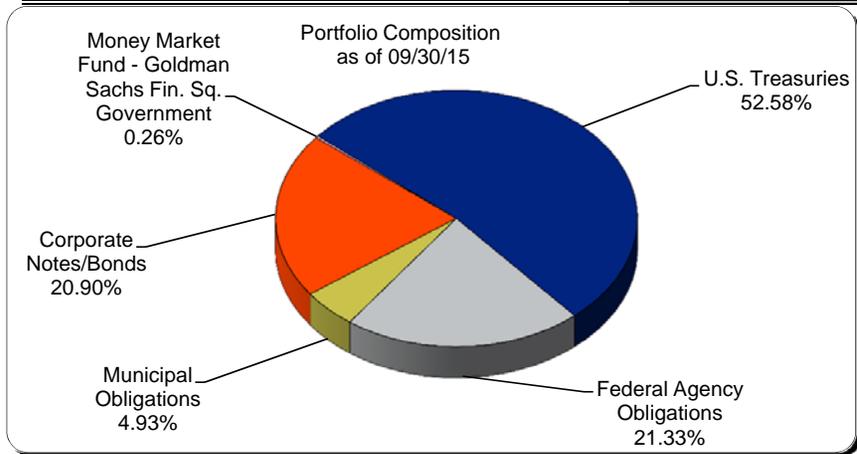


Notes:

- 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>September 30, 2015</u>	<u>% of Portfolio</u>	<u>June 30, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,629,935.34	52.6%	\$9,146,949.31	50.2%
Federal Agencies	3,906,373.68	21.3%	4,477,702.59	24.6%
Commercial Paper	0.00	0.0%	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	903,686.60	4.9%	896,801.93	4.9%
Corporate Notes/Bonds	3,828,258.87	20.9%	3,627,411.28	19.9%
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	47,302.27	0.3%	69,452.88	0.4%
<b>Totals</b>	<b>\$18,315,556.76</b>	<b>100.0%</b>	<b>\$18,218,317.99</b>	<b>100.0%</b>

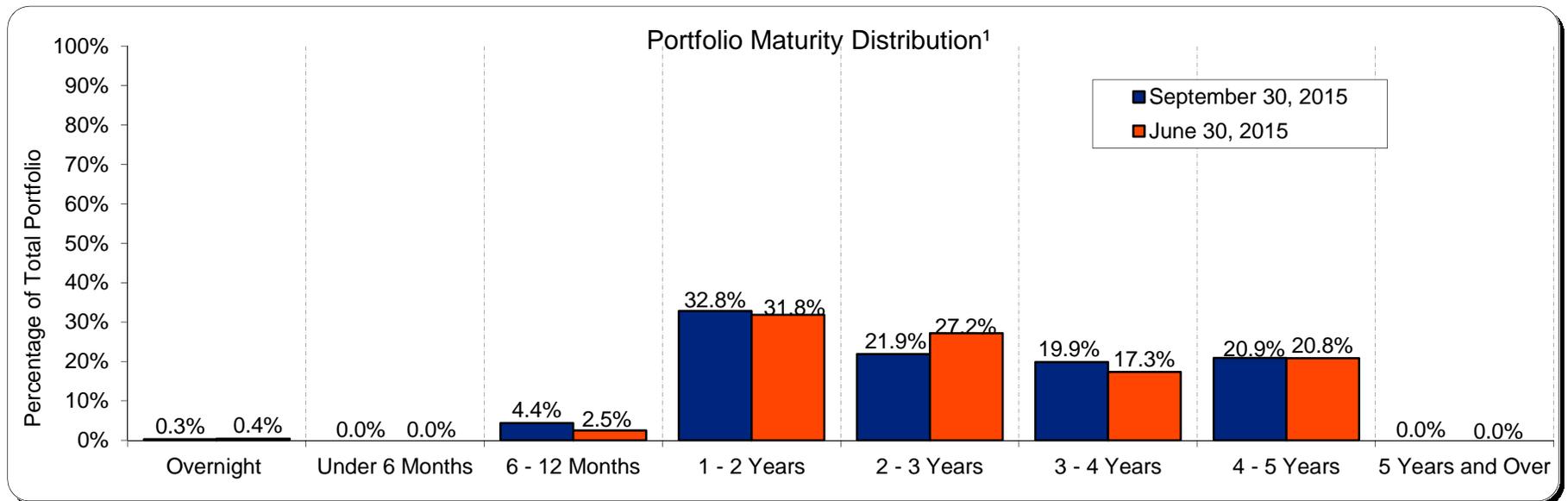


Notes:

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

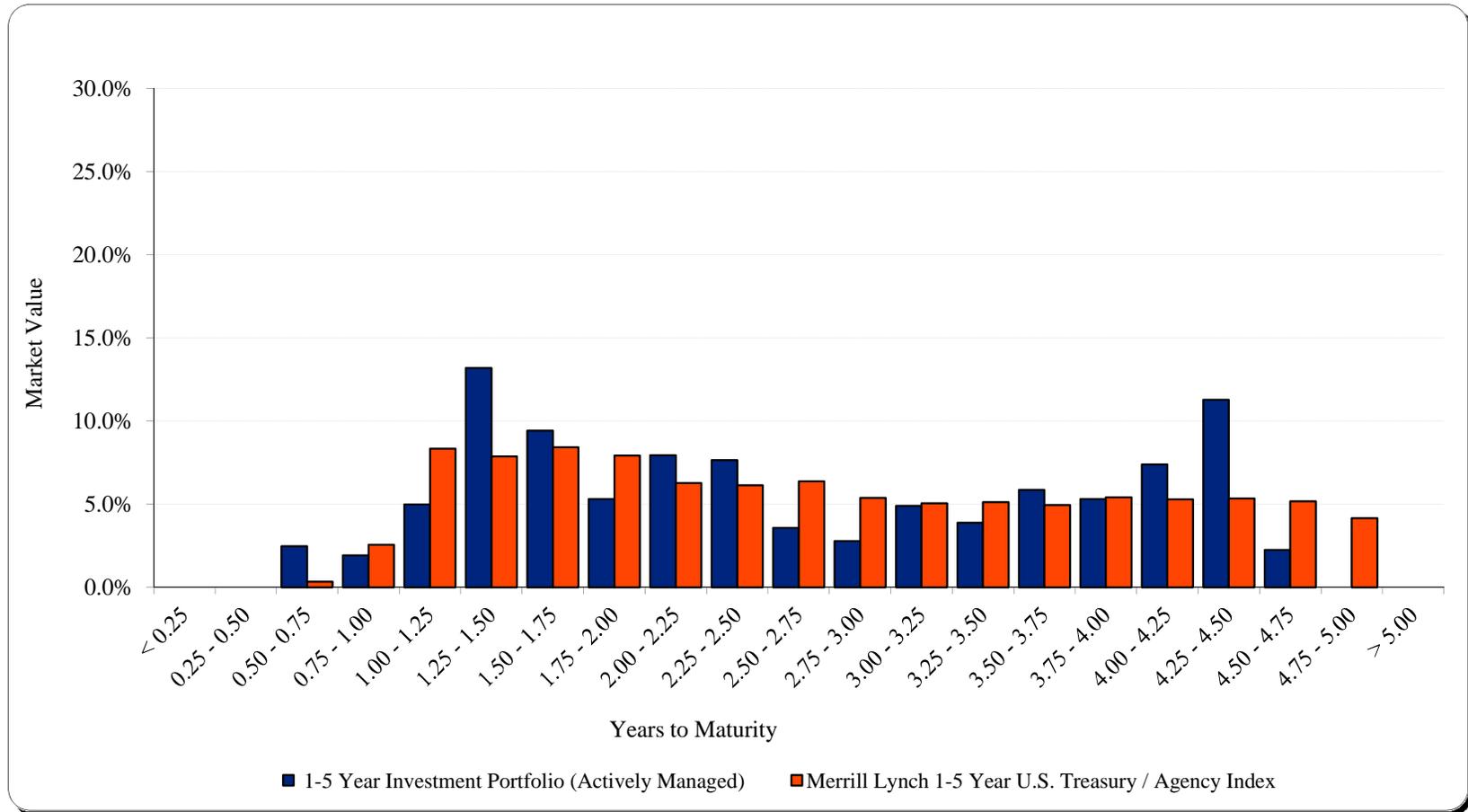
<u>Maturity Distribution</u> <sup>1</sup>	<u>September 30, 2015</u>	<u>June 30, 2015</u>
Overnight (Money Market Fund)	\$47,302.27	69,452.88
Under 6 Months	0.00	0.00
6 - 12 Months	802,656.99	450,722.25
1 - 2 Years	6,004,695.06	5,800,300.73
2 - 3 Years	4,005,462.94	4,952,909.19
3 - 4 Years	3,636,415.14	3,151,592.49
4 - 5 Years	3,819,024.36	3,793,340.45
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$18,315,556.76</b>	<b>\$18,218,317.99</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> September 30, 2015</u>	<u>Amortized Cost<sup>1,2,3</sup> June 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> September 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> June 30, 2015</u>	<u>Duration (Years)<sup>4</sup> September 30, 2015</u>
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	33,124,954.27	42,143,096.22	33,194,458.39	42,207,891.12	0.97
Money Market Fund - PFM Funds Prime Series Excess Funds - 174	19,414.74	19,409.56	19,414.74	19,409.56	50 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	N/A	3,499,088.18	N/A	3,499,088.18	N/A
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357	1,283,595.44	1,032,042.01	1,283,595.44	1,032,042.01	50 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	7,420,745.06	2,570,827.37	7,420,745.06	2,570,827.37	51 Days
<b>Total</b>	<b>\$41,848,709.51</b>	<b>\$49,264,463.34</b>	<b>\$41,918,213.63</b>	<b>\$49,329,258.24</b>	

<u>Account Name</u>	<u>Yield to Maturity at Cost<sup>5</sup> September 30, 2015</u>	<u>Yield to Maturity at Cost<sup>6</sup> June 30, 2015</u>	<u>Yield to Maturity at Market September 30, 2015</u>	<u>Yield to Maturity at Market June 30, 2015</u>	<u>Duration (Years)<sup>4</sup> June 30, 2015</u>
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	0.56%	0.48%	0.40%	0.37%	0.97
Money Market Fund - PFM Funds Prime Series Excess Funds - 174 <sup>6</sup>	0.11%	0.08%	0.11%	0.08%	37 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>	N/A	0.08%	N/A	0.08%	37 Days
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357	0.11%	0.08%	0.11%	0.08%	37 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	0.00%	0.01%	0.00%	0.01%	39 Days
<b>Weighted Average Yield</b>	<b>0.45%</b>	<b>0.42%</b>	<b>0.32%</b>	<b>0.32%</b>	

<u>Benchmarks</u>	<u>September 30, 2015</u>	<u>June 30, 2015</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.16%	0.14%

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> September 30, 2015</u>	<u>Amortized Cost<sup>1,2,3</sup> June 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> September 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> June 30, 2015</u>	<u>Duration (Years)<sup>4</sup> September 30, 2015</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	19,414.74	19,409.56	19,414.74	19,409.56	50 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>\$19,414.74</b>	<b>\$19,409.56</b>	<b>\$19,414.74</b>	<b>\$19,409.56</b>	

<u>Account Name</u>	<u>Yield to Maturity at Cost<sup>5</sup> September 30, 2015</u>	<u>Yield to Maturity at Cost<sup>6</sup> June 30, 2015</u>	<u>Yield to Maturity at Market September 30, 2015</u>	<u>Yield to Maturity at Market June 30, 2015</u>	<u>Duration (Years) June 30, 2015</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>	0.11%	0.08%	0.11%	0.08%	37 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>0.11%</b>	<b>0.08%</b>	<b>0.11%</b>	<b>0.08%</b>	

**Benchmarks**

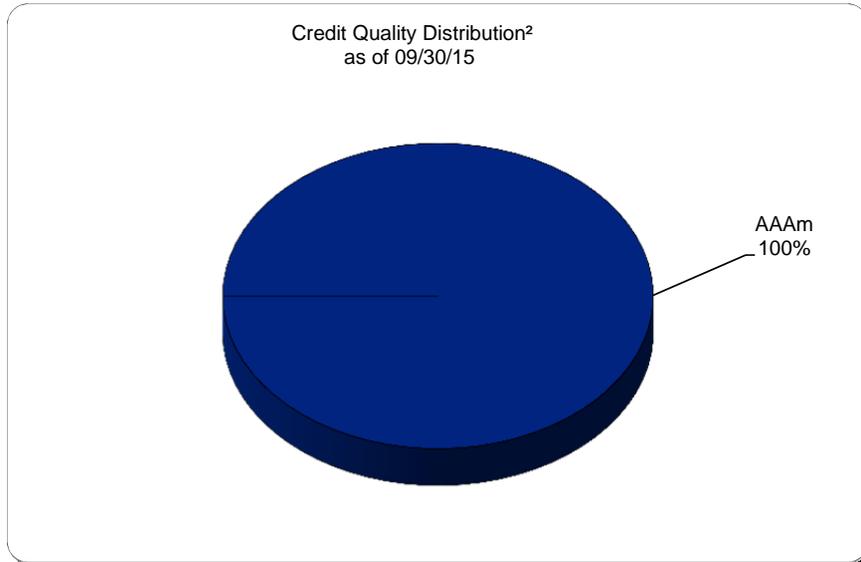
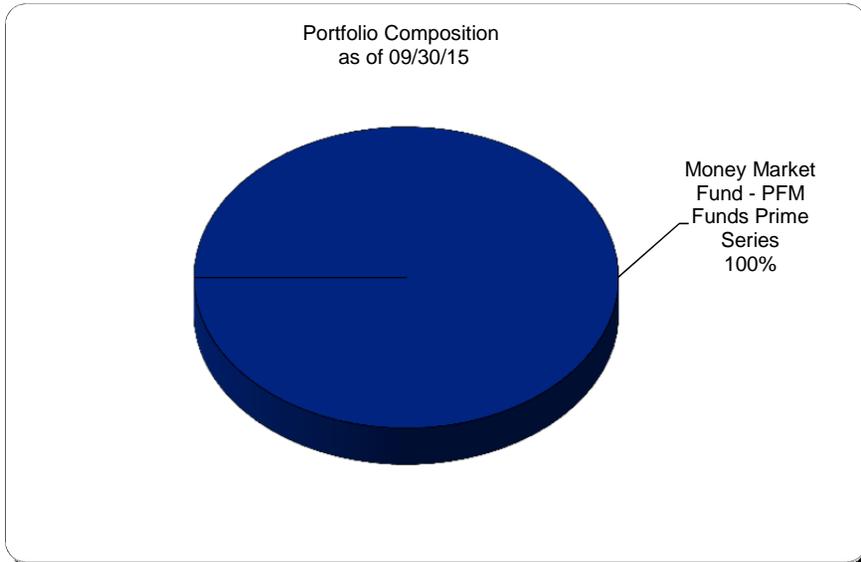
	<u>September 30, 2015</u>	<u>June 30, 2015</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.16%	0.14%

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 yields, source Bloomberg.

Short Term Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>September 30, 2015</u>	<u>% of Portfolio</u>	<u>June 30, 2015</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	19,414.74	100.0%	19,409.56	100.00%
<b>Totals</b>	<b>\$19,414.74</b>	<b>100.0%</b>	<b>\$19,409.56</b>	<b>100.0%</b>

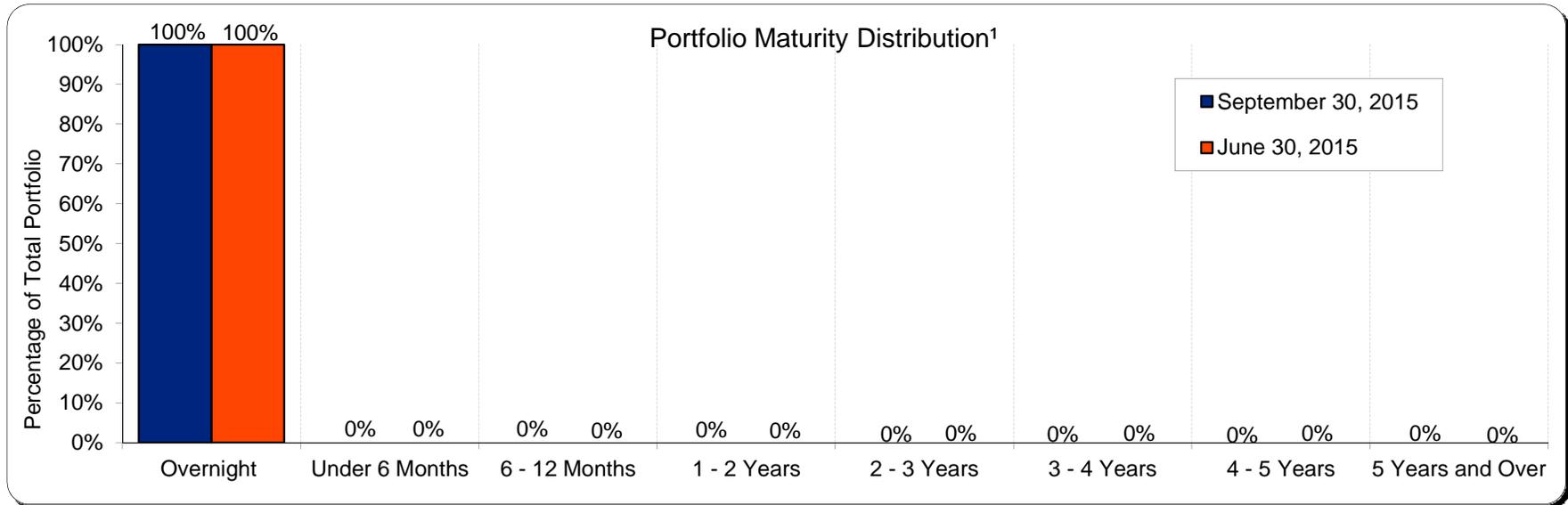


Notes:

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>September 30, 2015</u>	<u>June 30, 2015</u>
Overnight (Money Market Fund)	\$19,414.74	\$19,409.56
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>\$19,414.74</b>	<b>\$19,409.56</b>



2010A CIP Portfolio Statistics

<u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup> September 30, 2015</u>	<u>Amortized Cost<sup>1,2,3</sup> June 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> September 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> June 30, 2015</u>	<u>Duration (Years)<sup>4</sup> September 30, 2015</u>
CIP Fund - 4255	N/A	N/A	N/A	N/A	N/A
Money Market Fund - PFM Funds Prime Series 2010A CIP - 180	N/A	3,499,088.18	N/A	3,499,088.18	N/A
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>\$0.00</b>	<b>\$3,499,088.18</b>	<b>\$0.00</b>	<b>\$3,499,088.18</b>	

<u>Account Name</u>	<u>Yield to Maturity at Cost<sup>5</sup> September 30, 2015</u>	<u>Yield to Maturity at Cost<sup>5</sup> June 30, 2015</u>	<u>Yield to Maturity at Market September 30, 2015</u>	<u>Yield to Maturity at Market June 30, 2015</u>	<u>Duration (Years) June 30, 2015</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>	N/A	0.08%	N/A	0.08%	37 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>N/A</b>	<b>0.08%</b>	<b>N/A</b>	<b>0.08%</b>	

<u>Benchmarks</u>	<u>September 30, 2015</u>	<u>June 30, 2015</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.16%	0.14%

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.

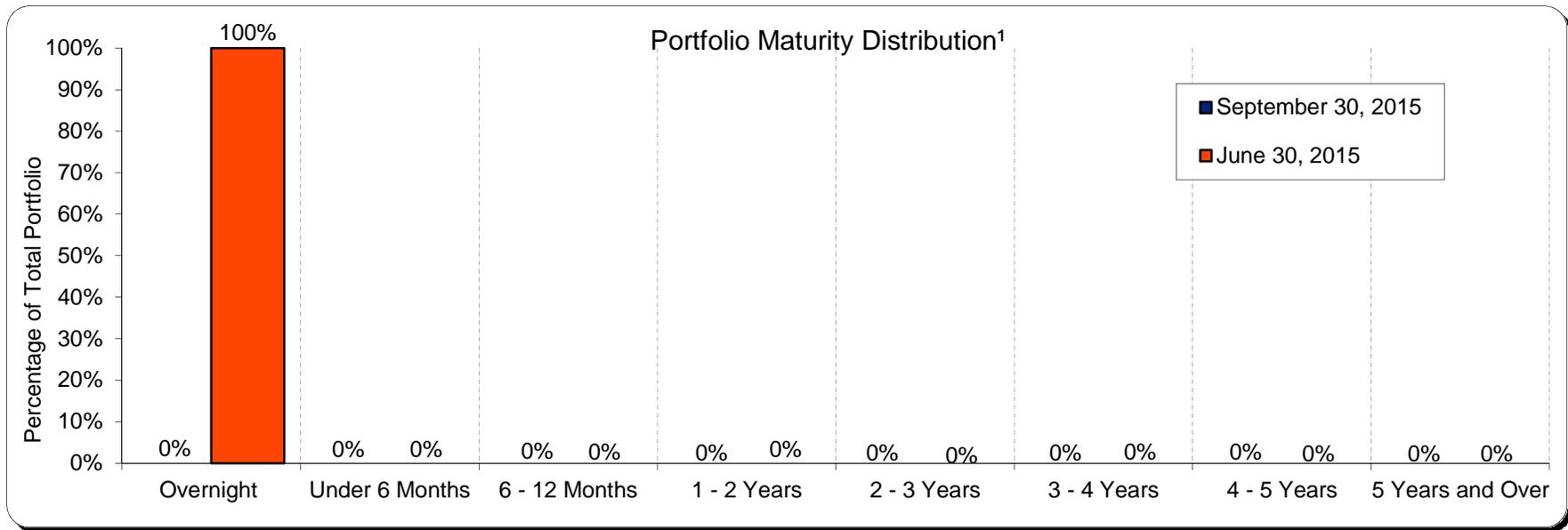
7. Monthly returns, source Bloomberg.

2010A CIP Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>September 30, 2015</u>	<u>% of Portfolio</u>	<u>June 30, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	N/A	\$0.00	0.0%
Federal Agencies	0.00	N/A	0.00	0.0%
Commercial Paper	0.00	N/A	0.00	0.0%
Certificates of Deposit	0.00	N/A	0.00	0.0%
Bankers Acceptances	0.00	N/A	0.00	0.0%
Repurchase Agreements	0.00	N/A	0.00	0.0%
Municipal Obligations	0.00	N/A	0.00	0.0%
Corporate Notes/Bonds	0.00	N/A	0.00	0.0%
Money Market Fund - Goldman Sachs Fin. Sq. Government	0.00	N/A	0.00	0.0%
Money Market Fund - PFM Funds Prime Series	0.00	N/A	3,499,088.18	100.0%
<b>Totals</b>	<b>\$0.00</b>	<b>N/A</b>	<b>\$3,499,088.18</b>	<b>100.0%</b>

2010A CIP Portfolio Maturity Distribution

<u>Maturity Distribution<sup>1</sup></u>	<u>September 30, 2015</u>	<u>June 30, 2015</u>
Overnight (Money Market Fund)	\$0.00	\$3,499,088.18
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>\$0.00</b>	<b>\$3,499,088.18</b>



2013 Bond Fund Portfolio Statistics

<u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup> September 30, 2015</u>	<u>Amortized Cost<sup>1,2,3</sup> June 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> September 30, 2015</u>	<u>Market Value<sup>1,2,3</sup> June 30, 2015</u>	<u>Duration (Years)<sup>4</sup> September 30, 2015</u>
2013 Bond Fund - 4265	\$33,124,954.27	\$42,143,096.22	\$33,194,458.39	\$42,207,891.12	0.97
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357	1,283,595.44	1,032,042.01	1,283,595.44	1,032,042.01	50 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	7,420,745.06	2,570,827.37	7,420,745.06	2,570,827.37	51 Days
<b>Total</b>	<b>\$41,829,294.77</b>	<b>\$45,745,965.60</b>	<b>\$41,898,798.89</b>	<b>\$45,810,760.50</b>	

<u>Account Name</u>	<u>Yield to Maturity at Cost<sup>5</sup> September 30, 2015</u>	<u>Yield to Maturity at Cost<sup>5</sup> June 30, 2015</u>	<u>Yield to Maturity at Market September 30, 2015</u>	<u>Yield to Maturity at Market June 30, 2015</u>	<u>Duration (Years) June 30, 2015</u>
2013 Bond Fund - 4265	0.56%	0.48%	0.40%	0.37%	0.97
Money Market Fund - PFM Funds Prime Series 2013 Bond Fund - 357 <sup>6</sup>	0.11%	0.08%	0.11%	0.08%	37 Days
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	0.00%	0.01%	0.00%	0.01%	39 Days
<b>Weighted Average Yield</b>	<b>0.45%</b>	<b>0.44%</b>	<b>0.32%</b>	<b>0.34%</b>	

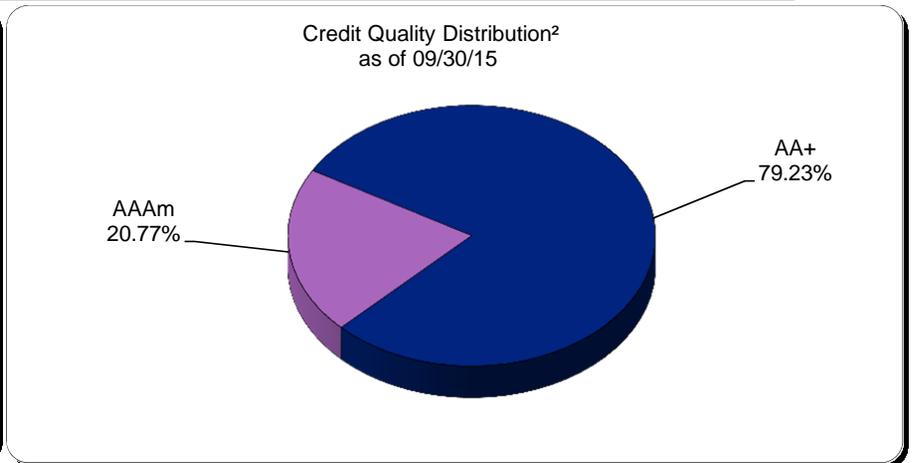
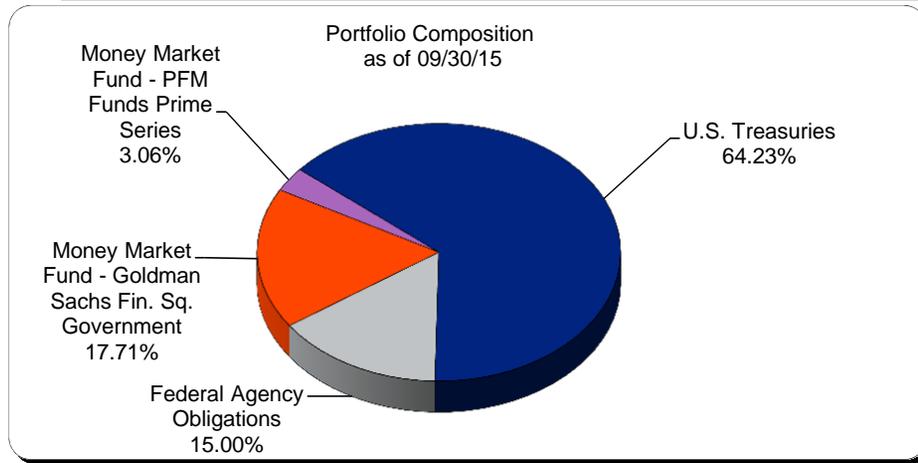
<u>Benchmarks</u>	<u>September 30, 2015</u>	<u>June 30, 2015</u>
S&P GIP Government 30 Day Index <sup>7</sup>	0.16%	0.14%

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>September 30, 2015</u>	<u>% of Portfolio</u>	<u>June 30, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$26,910,093.11	64.2%	\$35,942,745.84	78.5%
Federal Agencies	6,284,365.28	15.0%	6,265,145.28	13.7%
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	7,420,745.06	17.7%	2,570,827.37	5.6%
Money Market Fund - PFM Funds Prime Series	1,283,595.44	3.1%	1,032,042.01	2.3%
<b>Totals</b>	<b>\$41,898,798.89</b>	<b>100.0%</b>	<b>\$45,810,760.50</b>	<b>100.0%</b>

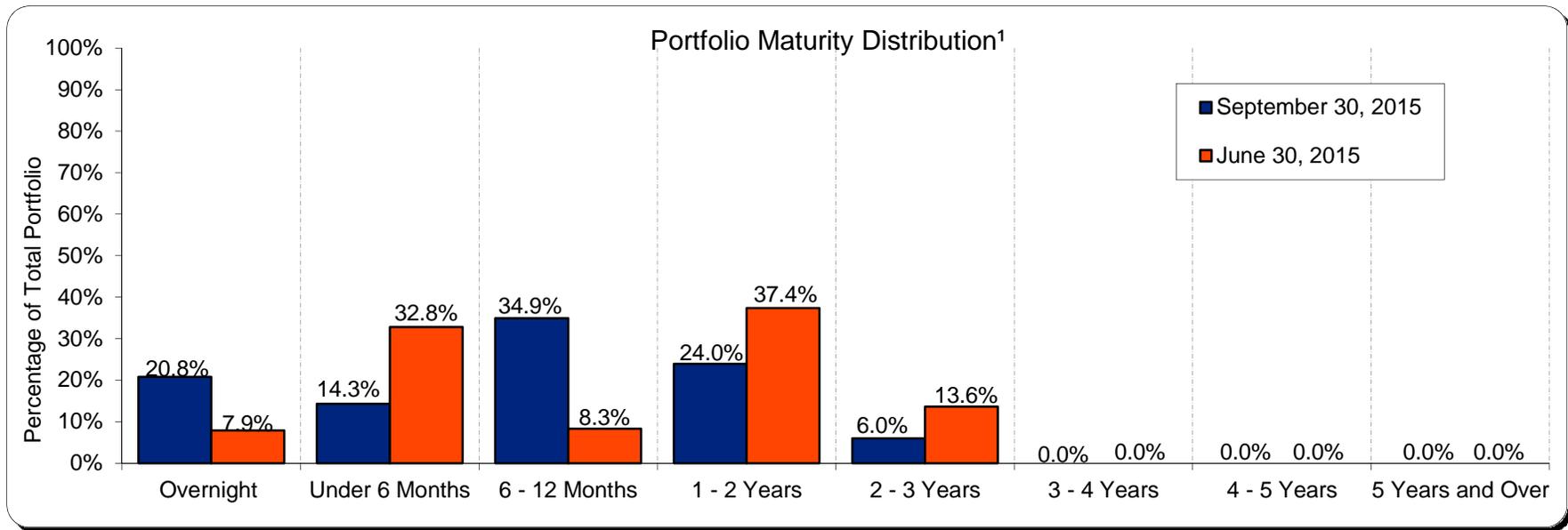


Notes:

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.

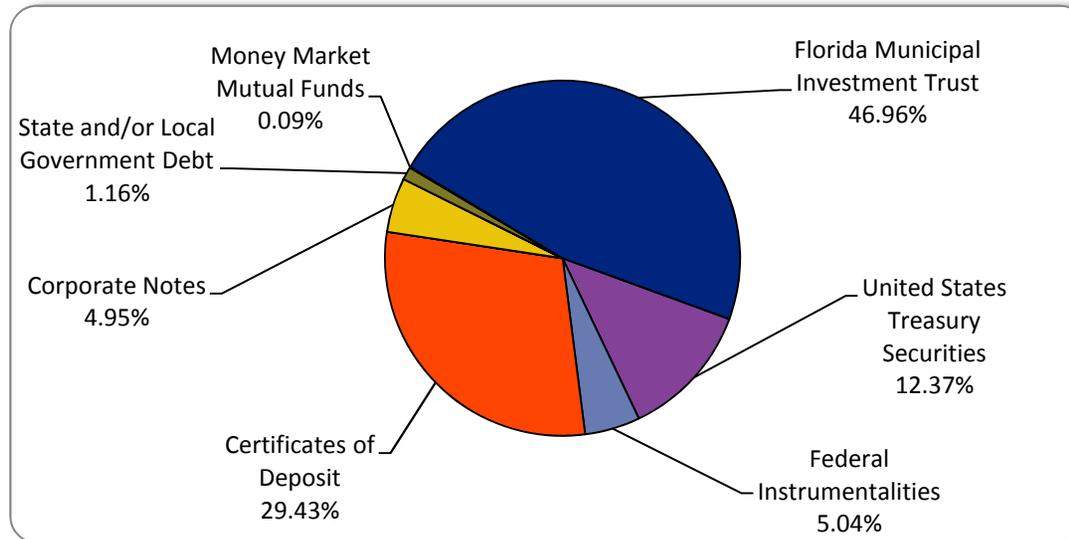
2013 Bond Fund Portfolio Maturity Distribution

<u>Maturity Distribution<sup>1</sup></u>	<u>September 30, 2015</u>	<u>June 30, 2015</u>
Overnight (Money Market Fund)	\$8,704,340.50	\$3,602,869.38
Under 6 Months	6,006,511.17	15,015,428.53
6 - 12 Months	14,630,879.76	3,815,368.37
1 - 2 Years	10,040,151.56	17,127,363.44
2 - 3 Years	2,516,915.90	6,249,730.78
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>\$41,898,798.89</b>	<b>\$45,810,760.50</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	9,551,084.92	12.37%		100%	YES
United States Government Agency Securities	-	0.00%		50%	YES
Federal Instrumentalities	3,889,566.96	5.04%		80%	YES
Certificates of Deposit	22,727,233.00	29.43%	3	50%	YES
Repurchase Agreements	-	0.00%		50%	YES
Commercial Paper	-	0.00%		25%	YES
Corporate Notes	3,826,386.97	4.95%	2	25%	YES
Bankers' Acceptances	-	0.00%		35%	YES
State and/or Local Government Debt	899,258.99	1.16%		20%	YES
Money Market Mutual Funds	66,717.01	0.09%		50%	YES
Florida Municipal Investment Trust	36,263,868.00	46.96%	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 2.96% 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)	451,588.11	0.58%		30%	YES
Federal National Mortgage Association (FNMA)	1,679,391.97	2.17%		30%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	1,758,586.88	2.28%		30%	YES
General Electric Corporate Notes	513,891.27	0.67%		5%	YES
American Honda Corporate Notes	140,593.65	0.18%		5%	YES
Boeing Company Corporate Notes	220,162.39	0.29%		5%	YES
Toyota Corporate Notes	458,694.06	0.59%		5%	YES
Wells Fargo & Company Corporate Notes	803,591.08	1.04%		5%	YES
John Deere Corporate Notes	215,971.49	0.28%		5%	YES
Bank of New York Mellon Corporate Notes	455,821.42	0.59%		5%	YES
Abbot Laboratories Corporate Notes	453,082.90	0.59%		5%	YES
Coca-Cola Corporate Notes	100,270.66	0.13%		5%	YES
Cisco Systems Corporate Notes	403,822.12	0.52%		5%	YES
New York University Corporate Notes	60,485.93	0.08%		5%	YES
New York City, New York Taxable G.O Bonds	448,113.25	0.58%		5%	YES
Regional Trans Authority, IL Taxable Revenue Bonds	451,145.74	0.58%		20%	YES
Money Market Fund - PFM Funds Prime Series #174	19,414.74	0.03%		25%	YES
Money Market Fund - Goldman Sachs Financial Squares Government Fund (TD Bank)	47,302.27	0.06%		25%	YES
FMIvT 1-3	24,865,069.00	32.20%	3	50%	YES
FMIvT Intermediate	11,398,799.00	14.76%	3	50%	YES
Bank United CD's	10,036,536.11	13.00%	3	25%	YES
TD Bank CD's	12,691,239.45	16.43%	3	25%	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 2.96% 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

# 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.