

City of Rowlett, Texas



Investment Performance Review Quarter Ended March 31, 2015

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TAB I

Summary

- For the first quarter of 2015, accommodative global central bank policies were a major driver of financial markets. The European Central Bank (ECB) initiated an asset purchase program similar to the Federal Reserve's (Fed's) quantitative easing (QE) policies that concluded last year, and the Federal Open Market Committee (FOMC) seemed to relax its stance on tightening monetary policy in the near future.
- U.S. Treasuries experienced their longest period of quarterly gains since 1998. The 10-year Treasury yield fell for the fifth consecutive quarter.
- After a brief period of recovery, oil prices headed toward the lower end of recent ranges.

Economic Snapshot

- For the fourth quarter of 2014, gross domestic product (GDP) grew at a pace of 2.2%. The components of the GDP report showed that household spending rose to a nine-year high and that an increase in exports was offset by growth in inventories, which were weaker than previously expected.
- The U.S. labor market continued to improve, as the unemployment rate fell from 5.6% in December to 5.5% in March, marking its lowest point since mid- 2008.
- Consumer confidence for the first quarter reached its highest level since the second quarter of 2007, as lower gasoline prices and an increase in personal income helped generate higher amounts of disposable income. However, consumers slowed the pace of their spending for the quarter, as retail sales fell for the months of December, January, and February.
- New-home sales rose nearly 8% in February, marking their highest level since early 2008 and serving as a bright spot in a mixed bag of recent housing-market data.

Interest Rates

- At its March meeting, the FOMC removed the word "patient" from its previous statement, indicating that the current target range for the federal funds rate will be appropriate until the FOMC is "reasonably confident" that inflation is moving toward its 2% objective. The statement also implied that economic growth has been somewhat weaker than it was earlier in the year.
- A Reuters poll released at the end of March showed that 17 of 21 primary dealers expect the first interest rate hike to occur in September at the earliest, with only four dealers expecting the first hike to occur in June.

Sector Performance

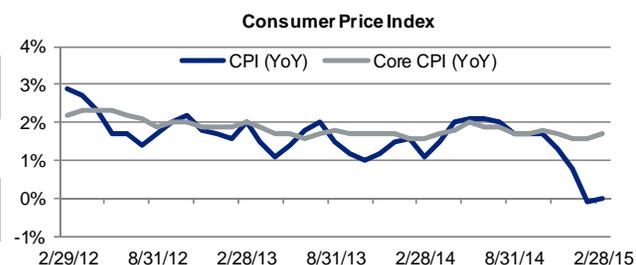
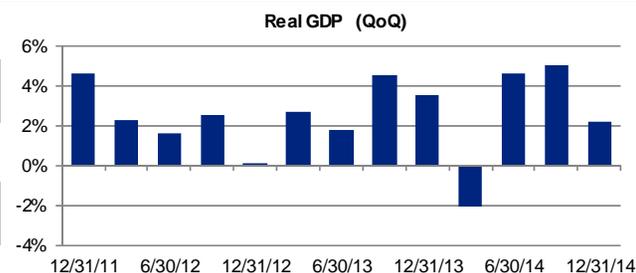
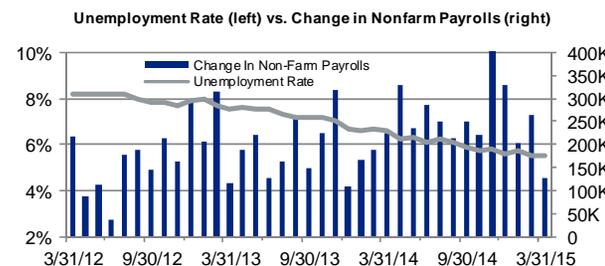
- Driven by a Treasury market rally, fixed-income market performance was generally positive for the quarter. Returns were dependent on both maturity and sector.
- The yield curve flattened modestly over the quarter as longer maturities declined further than shorter maturities. This market movement and its positive impact on longer durations combined to provide performance in excess of initial yields.
- Agency spreads for short and intermediate maturities widened modestly during the quarter. Accordingly, the sector's performance was largely in line with comparable-maturity Treasuries.
- Corporate securities slightly outperformed government-related options with similar maturities, as they were aided by excess income and a relatively unchanged yield spread relationship.
- While still generating positive performance, mortgage-backed and asset-backed securities trailed other high-quality investment options for the quarter.
- Yields on money market-related securities remained at the elevated levels to which they rose at the end of 2014, making them attractive options for short-maturity investment needs.

Economic Snapshot

Labor Market	Latest	Dec 2014	Mar 2014	
Unemployment Rate	Mar'15	5.5%	5.6%	6.6%
Change In Non-Farm Payrolls	Mar'15	126,000	329,000	225,000
Average Hourly Earnings (YoY)	Mar'15	2.1%	1.8%	2.2%
Personal Income (YoY)	Feb'15	4.5%	4.8%	3.7%
Initial Jobless Claims (week)	3/27/15	268,000	293,000	329,000

Growth	Latest	Dec 2014	Mar 2014	
Real GDP (QoQ SAAR)	2014Q4	2.2%	5.0% ¹	3.5% ²
GDP Personal Consumption (QoQ SAAR)	2014Q4	4.4%	3.2% ¹	3.7% ²
Retail Sales (YoY)	Feb'15	1.7%	3.3%	4.1%
ISM Manufacturing Survey (month)	Mar'15	51.5	55.1	54.4
Existing Home Sales SAAR (month)	Feb'15	4.88 mil.	5.07 mil.	4.70 mil.

Inflation / Prices	Latest	Dec 2014	Mar 2014	
Personal Consumption Expenditures (YoY)	Feb'15	0.3%	0.8%	1.2%
Consumer Price Index (YoY)	Feb'15	0.0%	0.8%	1.5%
Consumer Price Index Core (YoY)	Feb'15	1.7%	1.6%	1.7%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$47.60	\$53.27	\$101.58
Gold Futures (oz.)	Mar 31	\$1,183	\$1,184	\$1,283



1. Data as of Third Quarter 2014

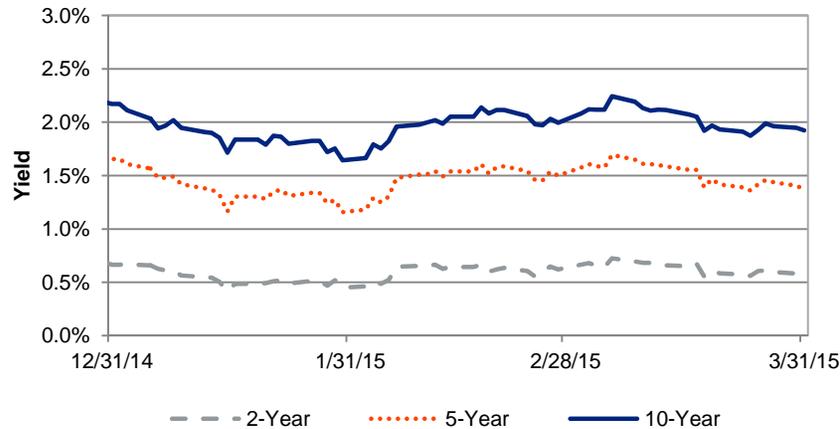
2. Data as of Fourth Quarter 2013

Source: Bloomberg

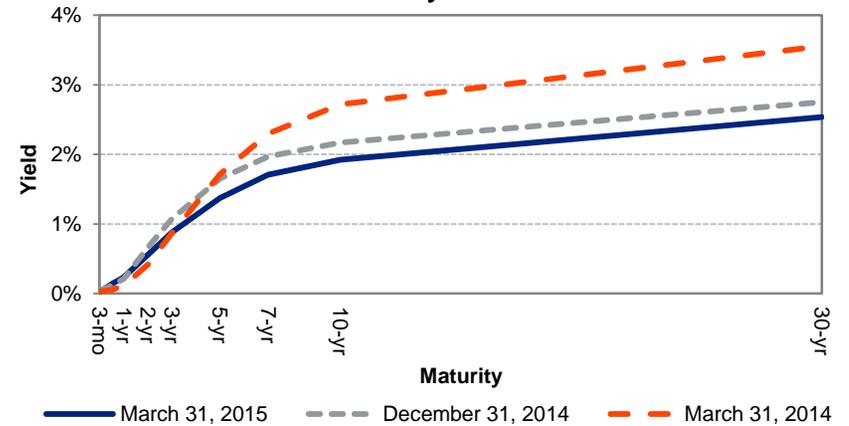
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

Investment Rate Overview

U.S. Treasury Note Yields



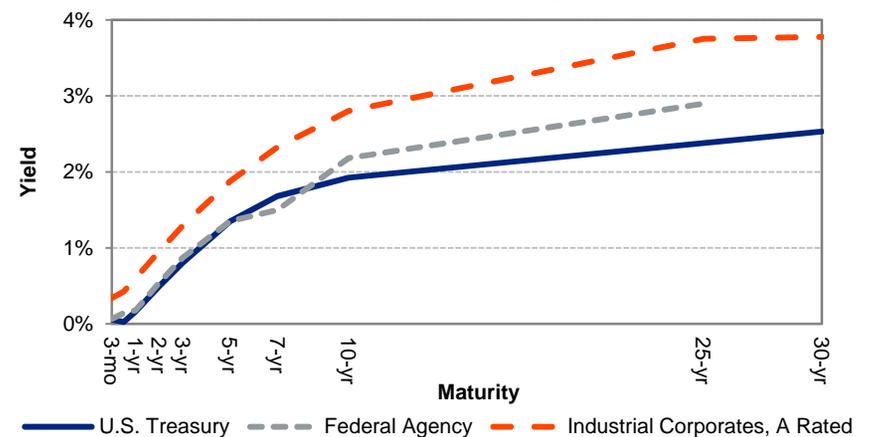
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	3/31/15	12/31/14	Change over Quarter	3/31/14	Change over Year
3-month	0.02%	0.04%	(0.02%)	0.03%	(0.01%)
1-year	0.23%	0.22%	0.01%	0.11%	0.12%
2-year	0.56%	0.67%	(0.11%)	0.42%	0.14%
5-year	1.37%	1.65%	(0.28%)	1.72%	(0.35%)
10-year	1.92%	2.17%	(0.25%)	2.72%	(0.80%)
30-year	2.54%	2.75%	(0.21%)	3.56%	(1.02%)

Yield Curves as of 3/31/2015



Source: Bloomberg

BofA Merrill Lynch Index Returns

	As of 3/31/15		Returns for Periods ended 3/31/15		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.87	0.55%	0.52%	1.00%	0.67%
Federal Agency	1.72	0.68%	0.54%	1.07%	0.74%
U.S. Corporates, A-AAA rated	2.05	1.24%	0.77%	1.43%	1.86%
Agency MBS (0 to 3 years)	2.07	1.36%	0.41%	1.25%	1.18%
Municipals	1.75	0.65%	0.26%	0.73%	0.88%
1-5 Year Indices					
U.S. Treasury	2.69	0.81%	0.92%	1.91%	1.02%
Federal Agency	2.15	0.84%	0.79%	1.77%	1.06%
U.S. Corporates, A-AAA rated	2.87	1.56%	1.20%	2.57%	2.64%
Agency MBS (0 to 5 years)	3.29	1.88%	0.83%	3.79%	2.20%
Municipals	2.54	0.95%	0.35%	1.24%	1.30%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.23	1.33%	1.75%	6.15%	2.57%
Federal Agency	3.72	1.21%	1.27%	4.07%	1.97%
U.S. Corporates, A-AAA rated	6.96	2.52%	2.18%	6.93%	4.84%
Agency MBS (0 to 30 years)	3.78	2.11%	1.00%	5.48%	2.51%
Municipals	6.80	2.18%	1.09%	6.90%	4.23%

Returns for periods greater than one year are annualized.

Source: BofA Merrill Lynch Indices

Source: BofA Merrill Lynch Indices

Disclosures

The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC (PFMAM) at the time of distribution and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFMAM cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

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TAB II

Executive Summary

PORTFOLIO STRATEGY

- The City's Pooled Funds and Long Term Pooled Fund Portfolios are of high credit quality and invested in TexPool, U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- The portfolio's duration was 80% of the benchmark's duration and is the primary reason for underperformance compared to the benchmark. Part of the strategy behind the shorter duration was to ensure liquidity was available if the City needed to draw on the portfolio again and protect market value as interest rates rise. PFM will continue to manage the portfolio with safety and liquidity in mind as interest rates rise. The Long Term Pooled Fund Portfolio's quarterly total return performance of 0.38%, underperformed the benchmark performance of 0.52% by 0.14%.
- The Pooled Funds Portfolio continues to provide the City with favorable yield relative to the benchmark. At quarter end, the portfolio had a Yield to Maturity at Cost of 0.27%, exceeding the Yield of its benchmark the TexPool by 22 basis points (0.22%).
- Macroeconomic conditions in the U.S. moderated throughout the quarter evidenced by lackluster economic data, Greek inspired geopolitical uncertainty, and a FOMC that indicated a tendency for lower rates throughout the period. The market reacted with a Treasury rally that sent yields across the curve generally lower; the impact being greater on longer maturities which continued to reflect persistently low inflation expectations.
- The FOMC has indicated a strong focus on their inflation mandate by removing its "patient" guidance in favor of a need to be "reasonably confident that inflation will move back to its two percent objective." This emphasis on what continues to be stubbornly low inflation, combined with the FOMC's more conservative projections for the future trajectory of the federal funds rate, formulates our market view that rates will remain in their current range in the coming months. With this expectation, we will maintain portfolio durations closer to their respective benchmarks in an effort to maximize investment income.
- We expect volatility to continue throughout the quarter; particularly around the announcement of key economic releases as market participants digest the impact not only on the timing of an initial FOMC rate hike, but also on the pace and rate of subsequent hikes as well. In a potentially turbulent market environment, we will respect well defined trading ranges; adding duration when rates are elevated, and remaining patient when rates are restrained. Additionally, we will stress security selection, exposure to non-government sectors, and yield curve placement, as we believe those factors will be the primary drivers of performance.
- PFM will continue to navigate the market environment with a keen focus on relative value sector analysis, prudent duration management, and efficient yield curve placement. While producing strong investment returns remains a priority, it is secondary to maintaining safety and liquidity, particularly in the current environment where we expect yields to trend higher.

Summary Portfolio Statistics

Amortized Cost and Market Value Account Name	Amortized Cost ^{1,2,3}	Amortized Cost ^{1,2,3}	Market Value ^{1,2,3}	Market Value ^{1,2,3}	Duration (Years)
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015
Pooled Funds	\$3,497,850.59	\$5,894,492.09	\$3,498,560.40	\$5,895,463.70	0.220
Long Term Pooled Fund	13,629,614.74	13,621,399.45	13,676,145.24	13,638,244.88	1.420
TexPool	15,400,710.76	11,339,136.63	15,400,710.76	11,339,136.63	0.003
Total	\$32,528,176.09	\$30,855,028.17	\$32,575,416.40	\$30,872,845.21	0.621

Yields Account Name	Yield to Maturity at Cost ⁴	Yield to Maturity at Cost ⁴	Yield to Maturity at Market	Yield to Maturity at Market	Duration (Years)
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	December 31, 2014
Pooled Funds	0.27%	0.25%	0.17%	0.20%	0.350
Long Term Pooled Fund	0.67%	0.67%	0.45%	0.60%	1.670
TexPool ⁵	0.05%	0.04%	0.05%	0.04%	0.003
Weighted Average YTM	0.33%	0.36%	0.23%	0.32%	0.806

Monthly Interest earnings YTD^{6,7}

October 2013	\$36,599.01	April 2014	
November 2013	\$19,783.63	May 2014	
December 2013	(\$28,907.00)	June 2014	
January 2014	\$52,987.54	July 2014	
February 2014	(\$18,481.25)	August 2014	
March 2014	\$19,376.19	September 2014	

Total Fiscal Year Net Earnings \$81,358.12

Notes:

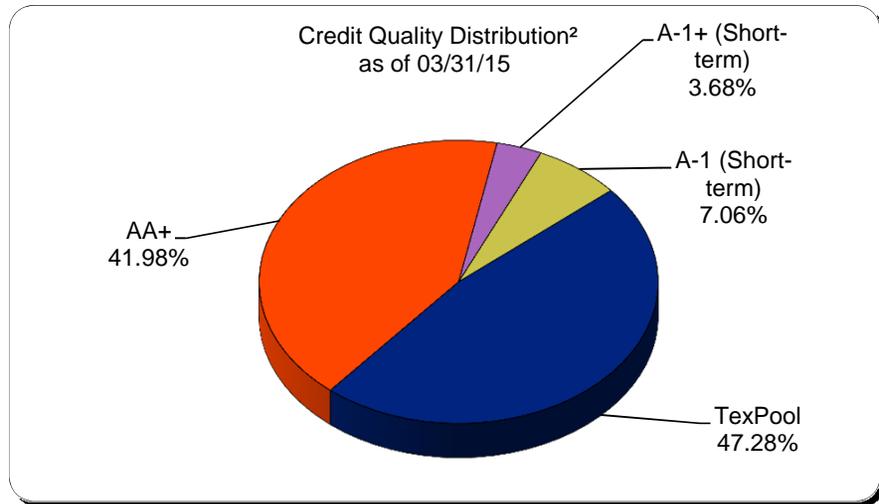
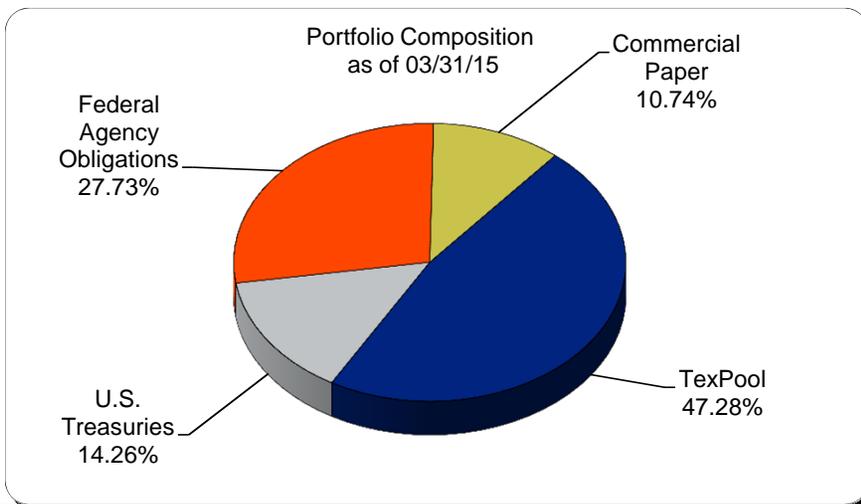
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. TexPool yield is obtained from www.texpool.com.
6. Earnings are calculated on a cash basis and are subject to the receipt of coupon payments, maturities within the portfolio, and money market fund balances.
7. Earnings are net of fees.

Summary Portfolio Amortized Cost and Market Value Analysis

MONEY MARKET FUNDS					12/31/2014	12/31/2014	12/31/2014	3/31/2015	3/31/2015	3/31/2015	CHANGE IN
CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	MARKET VALUE
TEXPOOL	TEXPOOL				\$0.00	\$11,339,136.63	\$11,339,136.63	\$0.00	\$15,400,710.76	\$15,400,710.76	35.82%
					\$0.00	\$11,339,136.63	\$11,339,136.63	\$0.00	\$15,400,710.76	\$15,400,710.76	35.82%
TOTAL					\$0.00	\$11,339,136.63	\$11,339,136.63	\$0.00	\$15,400,710.76	\$15,400,710.76	35.82%
POOLED FUNDS											
COMMERCIAL PAPER											
46640QKH3	JP MORGAN SECURITIES LLC COMM PAPER	\$1,300,000.00	0.000	07/17/15	0.00	1,297,652.42	1,298,355.50	0.00	1,298,724.92	1,299,087.40	0.06%
89233HT12	TOYOTA MOTOR CREDIT CORP COMM	1,200,000	0.000	06/01/15	0.00	1,198,842.34	1,198,981.20	0.00	1,199,532.34	1,199,802.00	0.07%
06538CMG3	BANK OF TOKYO MITSUBISHI COMM PAPER	1,200,000	0.000	12/16/14	0.00	1,199,457.34	1,199,475.60	0.00	0.00	0.00	0.00%
90262DT13	UBS FINANCE DELAWARE LLC COMM PAPER	1,000,000	0.000	06/01/15	0.00	998,993.33	998,895.00	0.00	999,593.33	999,671.00	0.08%
36959JQA4	GENERAL ELEC CAP CORP COMM PAPER	1,200,000	0.000	03/10/15	0.00	1,199,546.66	1,199,756.40	0.00	0.00	0.00	0.00%
		\$5,900,000			\$0.00	\$5,894,492.09	\$5,895,463.70	\$0.00	\$3,497,850.59	\$3,498,560.40	-40.66%
TOTAL		\$5,900,000			\$0.00	\$5,894,492.09	\$5,895,463.70	\$0.00	\$3,497,850.59	\$3,498,560.40	-40.657%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
3135G0VA8	FANNIE MAE GLOBAL NOTES	\$1,000,000.00	0.500	03/30/16	\$1,263.89	\$1,001,190.12	\$1,001,000.00	\$13.89	\$1,000,952.14	\$1,001,776.00	0.08%
3135G0VA8	FANNIE MAE GLOBAL NOTES	2,000,000	0.500	03/30/16	2,527.78	1,999,343.36	2,002,000.00	27.78	1,999,474.56	2,003,552.00	0.08%
3137EADQ9	FREDDIE MAC GLOBAL NOTES	2,000,000	0.500	05/13/16	1,333.33	1,999,113.16	2,000,704.00	3,833.33	1,999,274.92	2,002,538.00	0.09%
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NOTES	2,000,000	0.375	06/24/16	145.83	1,994,251.48	1,995,112.00	2,020.83	1,995,219.34	1,998,898.00	0.19%
3137EADS5	FHLMC NOTES	2,000,000	0.875	10/14/16	3,743.06	2,002,145.66	2,007,456.00	8,118.06	2,001,847.38	2,011,206.00	0.19%
		\$9,000,000			\$9,013.89	\$8,996,043.78	\$9,006,272.00	\$14,013.89	\$8,996,768.34	\$9,017,970.00	0.13%
US TSY BOND/NOTE											
912828SC5	US TREASURY NOTES	\$1,595,000.00	0.875	1/31/2017	\$5,840.39	\$1,596,247.10	\$1,599,611.15	\$2,313.19	\$1,596,100.02	\$1,605,466.39	0.37%
912828RU6	US TREASURY NOTES	1,500,000	0.875	11/30/2016	1,153.85	1,503,451.20	1,506,562.50	4,399.04	1,503,007.56	1,510,195.50	0.24%
912828WP1	US TREASURY NOTES	1,510,000	0.009	6/15/2017	617.07	1,509,032.17	1,509,174.03	3,883.89	1,509,128.81	1,517,903.34	0.58%
		\$3,095,000			\$7,611.31	\$4,608,730.47	\$4,615,347.68	\$10,596.12	\$4,608,236.39	\$4,633,565.23	0.39%
TOTAL		\$12,095,000			\$16,625.20	\$13,604,774.25	\$13,621,619.68	\$24,610.01	\$13,605,004.73	\$13,651,535.23	0.220%
TOTAL PORTFOLIO		\$17,995,000			\$16,625.20	\$30,838,402.97	\$30,856,220.01	\$24,610.01	\$32,503,566.08	\$32,550,806.39	5.49%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2015</u>	<u>% of Portfolio</u>	<u>December 31, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$4,644,161.35	14.3%	\$4,622,958.99	4.4%
Federal Agencies	9,031,983.89	27.7%	9,015,285.89	49.1%
Commercial Paper	3,498,560.40	10.7%	5,895,463.70	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.00%	0.00	0.0%
TexPool	15,400,710.76	47.3%	11,339,136.63	46.5%
Totals	\$32,575,416.40	100.0%	\$30,872,845.21	100.0%

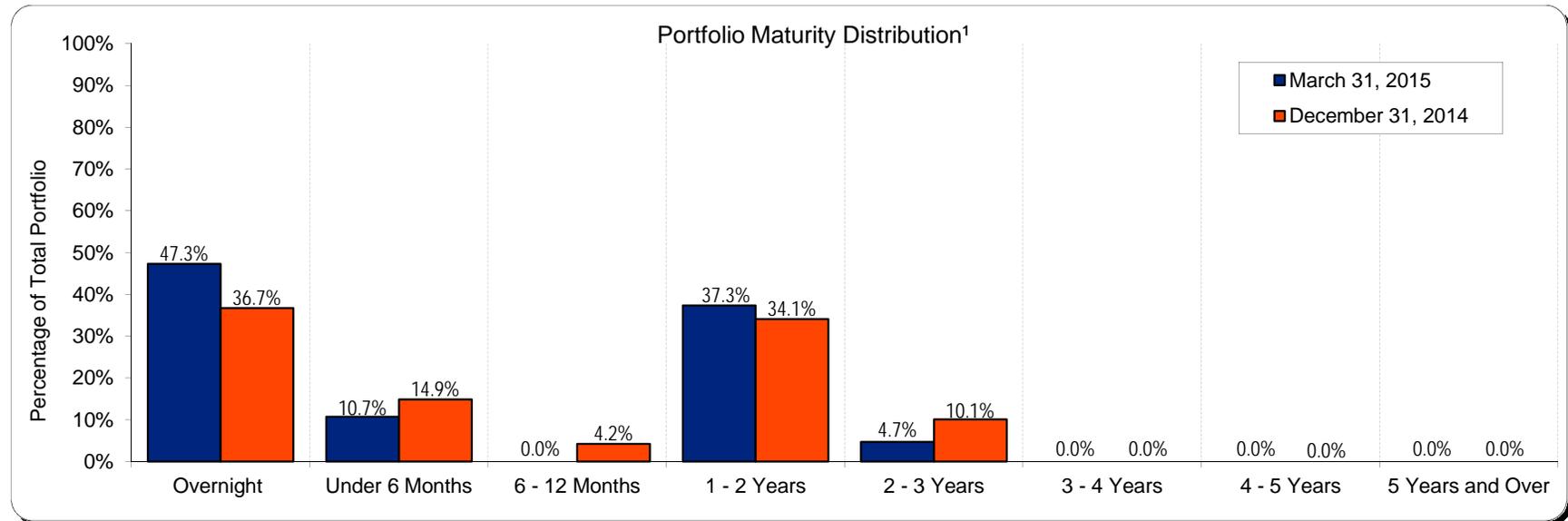


Notes:

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

Summary Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Overnight (Money Market Fund)	\$15,400,710.76	\$11,339,136.63
Under 6 Months	3,498,560.40	4,597,108.20
6 - 12 Months	0.00	1,298,355.50
1 - 2 Years	12,154,358.01	10,523,002.24
2 - 3 Years	1,521,787.23	3,115,242.64
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$32,575,416.40	\$30,872,845.21



Notes:

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

Summary Portfolio General Ledger Entries¹

Earnings Calculation	Market Value Basis	Source Document
1/31/2015		
January Market Value	43,370,509.89	1 Account Summary Page
January Accrued Interest	17,233.05	2 Account Summary Page
Less (Purchases & Deposits)	(12,468,442.10)	3 Security Transactions & Interest
Less Purchased Interest	-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	-	5 Security Transactions & Interest
Add Interest Receipts	7,858.22	6 Security Transactions & Interest
Less December Market Value	(30,856,220.01)	7 Account Summary Page
Less December Accrued Interest	(16,625.20)	8 Account Summary Page
Earnings	54,313.85	

Change in Investment Market Value	12,514,289.88	(1 - 7)
Change in Accrued Interest	607.85	(2 - 8)
Change in Cash	(12,460,583.88)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash		12,468,442.10	Security Transactions & Interest
Investments	12,514,289.88		Amortization/Accretion
Investment Income		45,847.78	Earnings
To record investment income/changes			
Cash	7,858.22		Security Transactions & Interest
Accrued Interest	607.85		Accrued Interest Difference
Investment Income		8,466.07	Earnings
To record interest income/changes			

Notes:

1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Summary Portfolio General Ledger Entries¹

Earnings Calculation <i>2/28/2015</i>	Market Value Basis	Source Document
February Market Value	34,540,652.79	1 Account Summary Page
February Accrued Interest	24,505.15	2 Account Summary Page
Less (Purchases & Deposits)	(1,798,256.61)	3 Security Transactions & Interest
Less Purchased Interest	-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	10,603,781.99	5 Security Transactions & Interest
Add Interest Receipts	656.54	6 Security Transactions & Interest
Less January Market Value	(43,371,389.98)	7 Account Summary Page
Less January Accrued Interest	(17,233.05)	8 Account Summary Page
Earnings	(17,283.17)	

Change in Investment Market Value	-8,830,737.19	(1 - 7)
Change in Accrued Interest	7,272.10	(2 - 8)
Change in Cash	8,806,181.92	(sum 3 thru 6)

Investment Entries <i>To Record Investment Activity</i>		Debit	Credit	Source Document
Cash	8,805,525.38			Security Transactions & Interest
Investments			8,830,737.19	Amortization/Accretion
Investment Income	25,211.81			Earnings
To record investment income/changes				
Cash	656.54			Security Transactions & Interest
Accrued Interest	7,272.10			Accrued Interest Difference
Investment Income			7,928.64	Earnings
To record interest income/changes				

Notes:

1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Summary Portfolio General Ledger Entries¹

Earnings Calculation		Market Value Basis	Source Document
3/31/2015			
March Market Value		32,550,184.30	1 Account Summary Page
March Accrued Interest		24,610.01	2 Account Summary Page
Less (Purchases & Deposits)		(396,498.69)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		2,400,000.00	5 Security Transactions & Interest
Add Interest Receipts		8,122.09	6 Security Transactions & Interest
Less February Market Value		(34,541,309.33)	7 Account Summary Page
Less February Accrued Interest		(24,505.15)	8 Account Summary Page
Earnings		20,603.23	

Change in Investment Market Value	(1,991,125.03)	(1 - 7)
Change in Accrued Interest	104.86	(2 - 8)
Change in Cash	2,011,623.40	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash	2,003,501.31		Security Transactions & Interest
Investments		1,991,125.03	Amortization/Accretion
Investment Income		12,376.28	Earnings
To record investment income/changes			
Cash	8,122.09		Security Transactions & Interest
Accrued Interest	104.86		Accrued Interest Difference
Investment Income		8,226.95	Earnings
To record interest income/changes			

Notes:

1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Pooled Funds Portfolio Statistics

<u>Account Name</u>	Amortized Cost^{1,2,3} March 31, 2015	Amortized Cost ^{1,2,3} December 31, 2014	Market Value^{1,2,3} March 31, 2015	Market Value ^{1,2,3} December 31, 2014	Duration (Years) March 31, 2015
Pooled Funds	\$3,497,850.59	\$5,894,492.09	\$3,498,560.40	\$5,895,463.70	0.22

<u>Account Name</u>	Yield to Maturity at Cost⁴ March 31, 2015	Yield to Maturity at Cost ⁴ December 31, 2014	Yield to Maturity at Market March 31, 2015	Yield to Maturity at Market December 31, 2014	Duration (Years) December 31, 2014
Pooled Funds	0.27%	0.25%	0.17%	0.20%	0.35

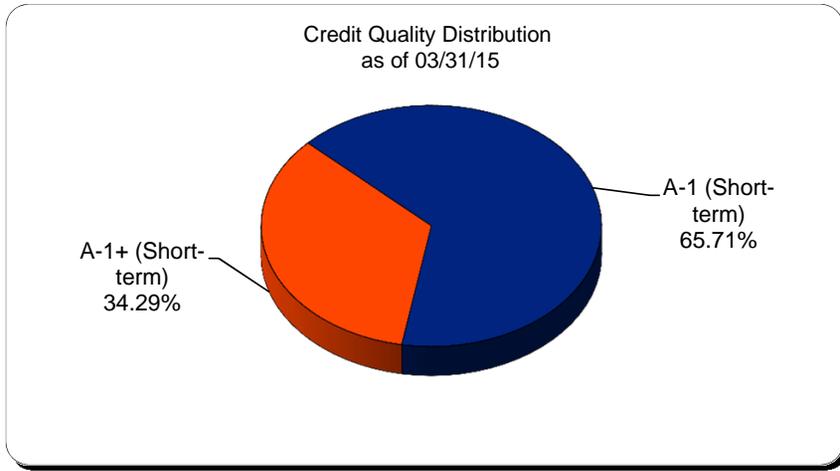
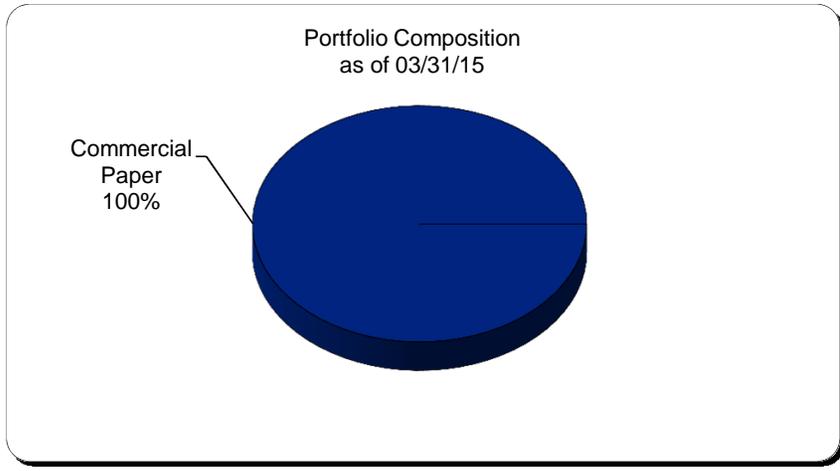
<u>Benchmarks⁵</u>	March 31, 2015	December 31, 2014
TexPool ⁶	0.05%	0.04%

Notes:

1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. Yields presented on an annualized basis as of March 31, 2015.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2015</u>	<u>% of Portfolio</u>	<u>December 31, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.00%	\$0.00	0.00%
Federal Agencies	0.00	0.00%	0.00	0.00%
Commercial Paper	3,498,560.40	100.00%	5,895,463.70	100.00%
Commercial Paper - TLGP	0.00	0.00%	0.00	0.00%
Certificates of Deposit	0.00	0.00%	0.00	0.00%
Bankers Acceptances	0.00	0.00%	0.00	0.00%
Repurchase Agreements	0.00	0.00%	0.00	0.00%
Municipal Obligations	0.00	0.00%	0.00	0.00%
Corporate Notes/Bonds	0.00	0.00%	0.00	0.00%
Mortgage Backed	0.00	0.00%	0.00	0.00%
Money Market Fund/Cash	0.00	0.00%	0.00	0.00%
Totals	\$3,498,560.40	100.00%	\$5,895,463.70	100.00%

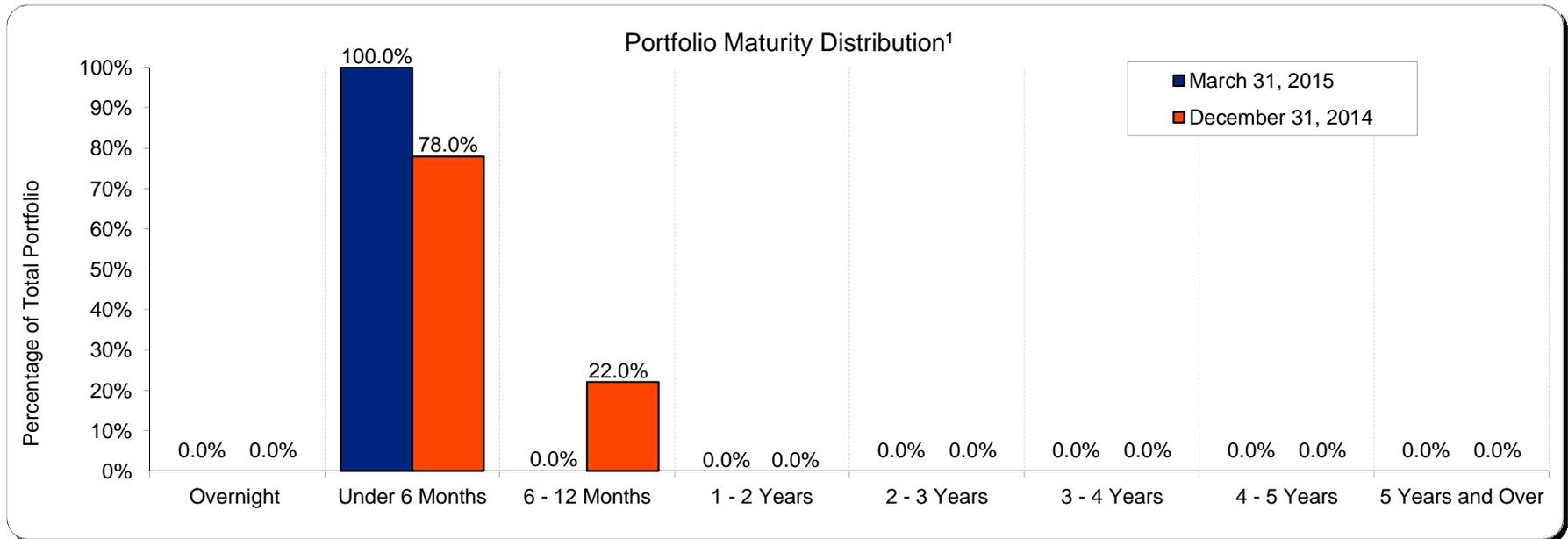


Notes:

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

Pooled Funds Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	3,498,560.40	4,597,108.20
6 - 12 Months	0.00	1,298,355.50
1 - 2 Years	0.00	0.00
2 - 3 Years	0.00	0.00
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$3,498,560.40	\$5,895,463.70



Notes:

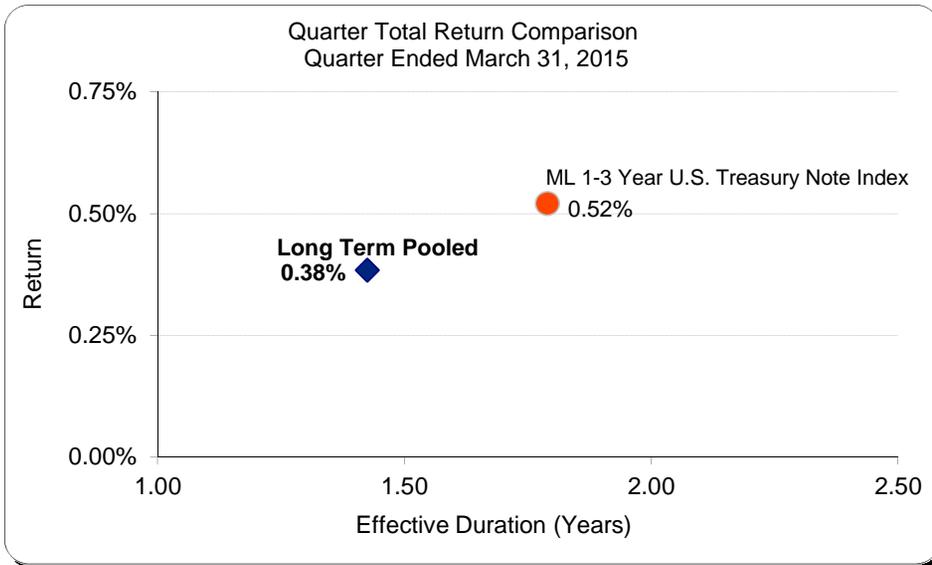
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ¹	March 31, 2015	December 31, 2014
Market Value	\$13,676,145.24	\$13,638,244.88
Amortized Cost	\$13,629,614.74	\$13,621,399.45

Total Return ^{2,3,4,5}	Quarterly Return March 31, 2015	Last 12 Months	Last 2 Years	Last 5 Years	Last 7 Years	Since Inception June 30, 2006
Long Term Pooled Fund	0.38%	0.89%	0.65%	0.94%	1.50%	2.59%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.52%	1.00%	0.69%	1.02%	1.44%	2.65%

Effective Duration(Years) ^{4,5}	March 31, 2015	December 31, 2014	Yields	March 31, 2015	December 31, 2014
Long Term Pooled Fund	1.43	1.67	Yield at Market	0.45%	0.60%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.79	1.82	Yield at Cost	0.67%	0.67%
Portfolio Duration % of Benchmark Duration	80%	92%			

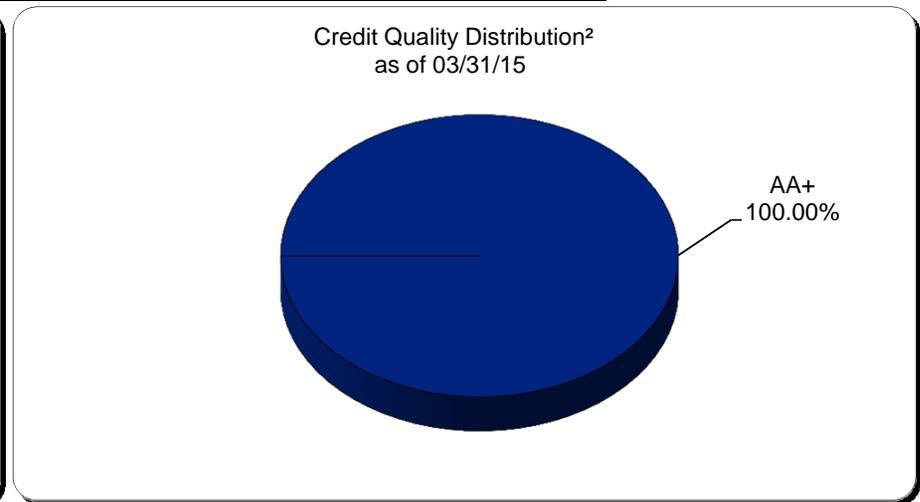
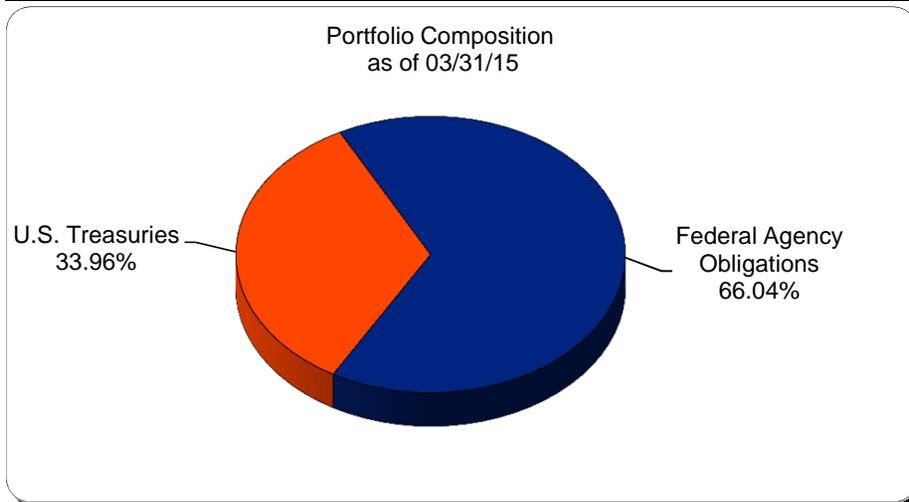


Notes:

- 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 1-3 Year U.S. Treasury Note.
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Excludes money market fund/cash in performance and duration computations.

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2015</u>	<u>% of Portfolio</u>	<u>December 31, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$4,644,161.35	34.0%	\$4,622,958.99	33.9%
Federal Agencies	9,031,983.89	66.0%	9,015,285.89	66.1%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$13,676,145.24	100.0%	\$13,638,244.88	100.0%

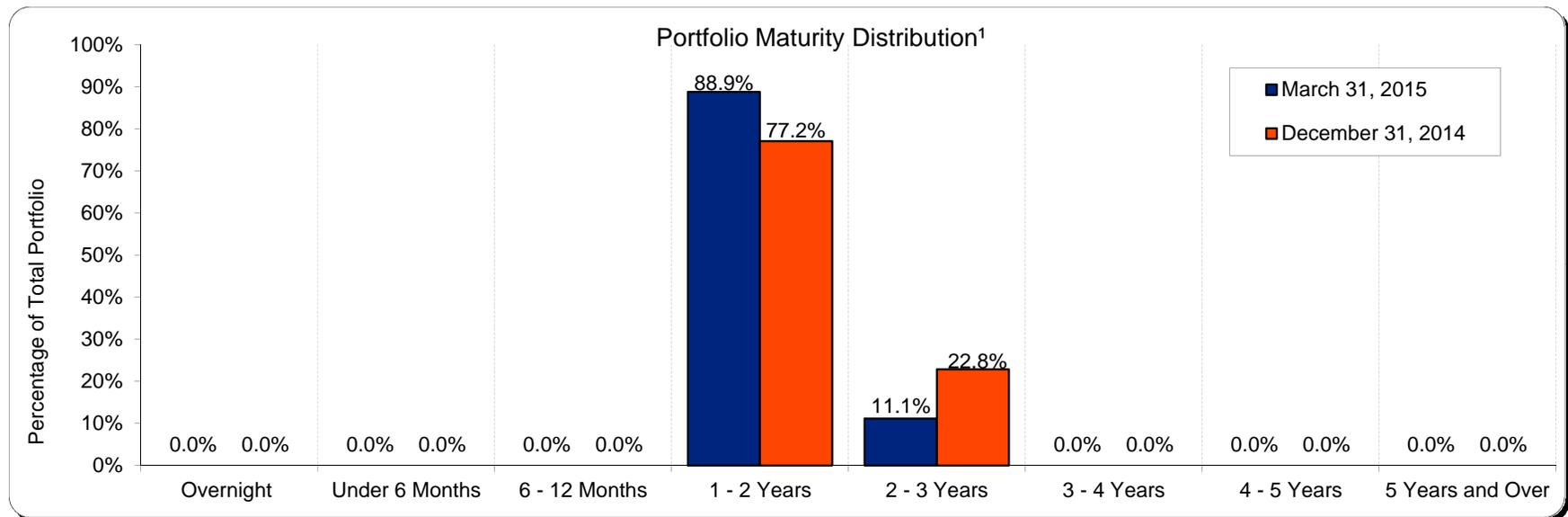


Notes:

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

Long Term Pooled Fund Portfolio Maturity Distribution

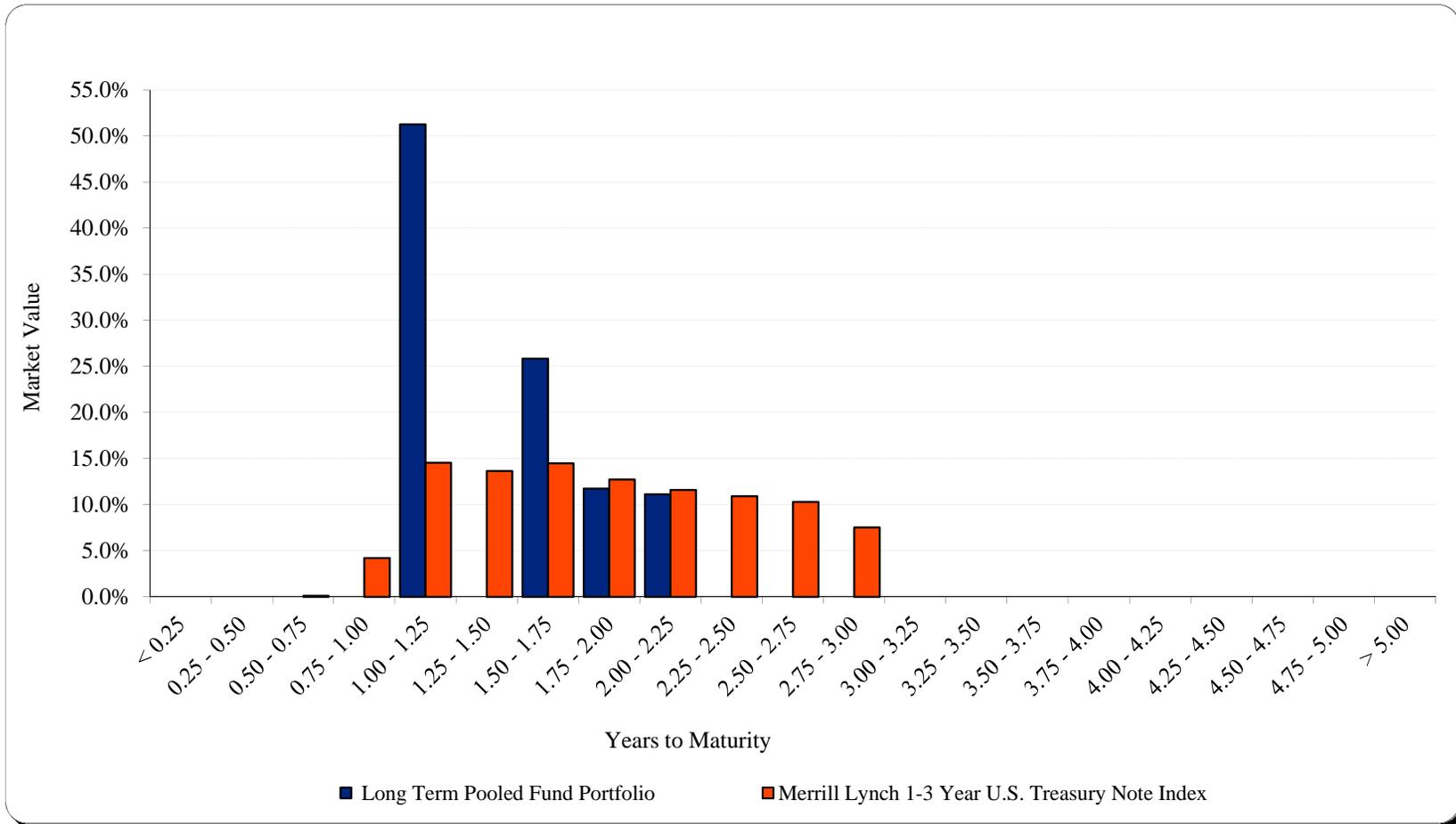
<u>Maturity Distribution¹</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	0.00	0.00
1 - 2 Years	12,154,358.01	10,523,002.24
2 - 3 Years	1,521,787.23	3,115,242.64
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$13,676,145.24	\$13,638,244.88



Notes:

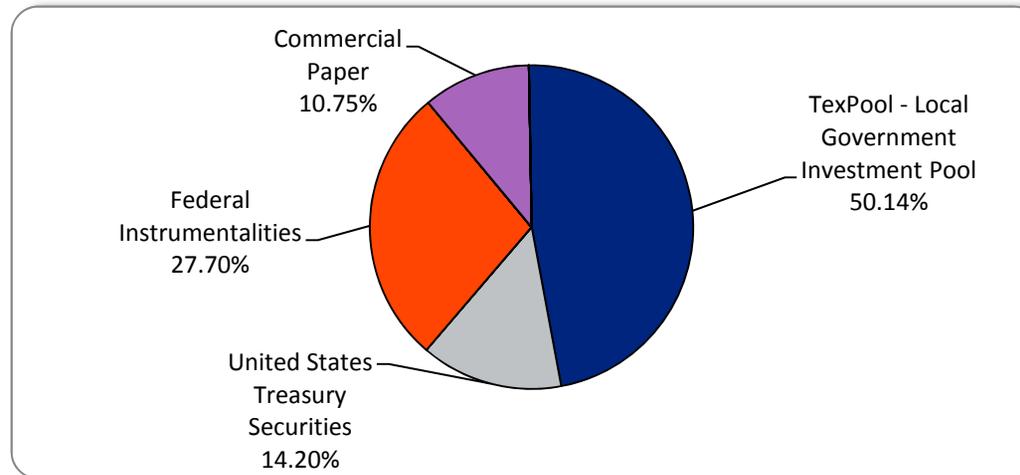
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark¹



Notes:

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



Security Type ¹	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
TexStar - Local Government Investment Pool	-	0.00%		100%	YES
TexPool - Local Government Investment Pool	15,400,710.76	47.35%		100%	YES
United States Treasury Securities	4,618,832.51	14.20%		100%	YES
United States Government Agency Securities	-	0.00%		100%	YES
Federal Instrumentalities	9,010,782.23	27.70%	2	100%	YES
Mortgage-Backed Securities	-	0.00%	2,3	20%	YES
Certificates of Deposit	-	0.00%		20%	YES
Repurchase Agreements	-	0.00%		20%	YES
Commercial Paper	3,497,850.59	10.75%		25%	YES
Corporate Notes TLGP - FDIC Insured	-	0.00%		50%	YES
Bankers' Acceptances	-	0.00%		25%	YES
State and/or Local Government Debt	-	0.00%		25%	YES
Fixed Income Money Market Mutual Funds	-	0.00%		50%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of March 31, 2015 is 27.70%.
3. The Investment Policy does allow for Government and Federal Agency mortgage backed securities (MBS). Which is limited to GNMA, FHLMC, and FNMA mortgage backed securities. GNMA securities have the full faith and credit of the United States Treasury. As of September 6, 2008, FHLMC and FNMA have been under conservatorship with the United States Treasury. PFM has imposed an internal maximum allocation limit of 20% in MBS'. PFM will notify the City prior to adding MBS' to the portfolio.
 purchase. PFM purchased a Toyota Commercial Paper on March 7, 2014. We confirmed with the City the current balance at TexPool was \$18.8 million. This was enough to purchase the Toyota Commercial Paper in compliance with the Investment Policy. The TexPool balance dropped down to \$17.2 million by the end of March. This pushed the Toyota Commercial Paper over the permitted limit.



Individual Issuer Breakdown	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Government National Mortgage Association (GNMA)	-	0.00%		40%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%		40%	YES
Federal Home Loan Bank (FHLB)	1,997,240.17	6.14%		40%	YES
Federal National Mortgage Association (FNMA)	3,000,468.37	9.22%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	4,013,073.69	12.34%		40%	YES
JP Morgan Securities Commercial Paper	1,298,724.92	3.99%		5%	YES
UBS Financial Commercial Paper	999,593.33	3.07%		5%	YES
Toyota Commercial Paper	1,199,532.34	3.69%		5%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of March 31, 2015 is 27.70%.
3. The Investment Policy does allow for Government and Federal Agency mortgage backed securities (MBS'). Which is limited to GNMA, FHLMC, and FNMA mortgage backed securities. GNMA securities have the full faith and credit of the United States Treasury. As of September 6, 2008, FHLMC and FNMA have been under conservatorship with the United States Treasury. PFM has imposed an internal maximum allocation limit of 20% in MBS'. PFM will notify the City prior to adding MBS' to the portfolio.

Investment Officer's Certification

This report is prepared for City of Rowlett (the "City") in accordance with Chapter 2256 of the Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report which covers the month ended March 31, 2015, is signed by the City's investment officers and includes the disclosures required in the PFIA.

The investment portfolio complied with the PFIA and the City's approved Investment Policy and Strategy throughout the month. All investment transactions made in the City's portfolio during this month were made on behalf of the City and were made in full compliance with the PFIA and the City's approved Investment Policy.

Alan Guard, Chief Financial Officer

Wendy Badgett, Assistant Finance Director

TAB III

Insert Month End Statement here to complete the report.

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

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

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

TAB IV