

# City of Rowlett, Texas

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Investment Performance Review  
Quarter Ended December 31, 2011



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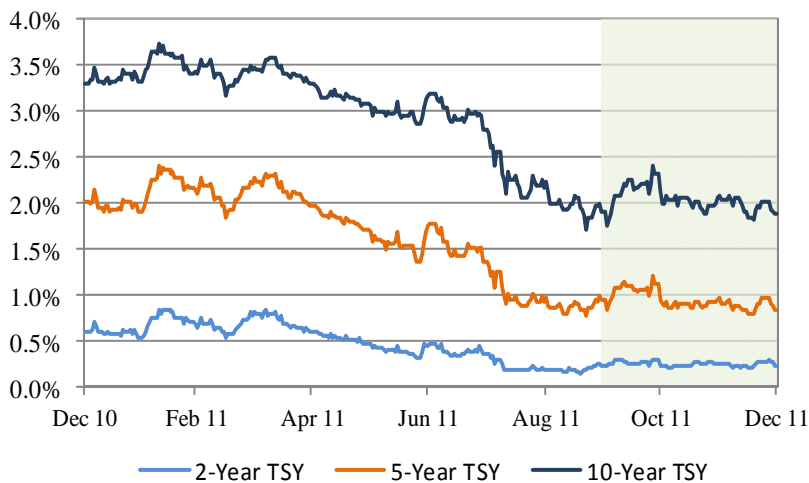




### Interest Rates

U.S. Treasuries fluctuated within a narrow range, finishing the quarter close to where they began. Short-term rates remained near zero due to the Federal Reserve's (Fed's) continued commitment to keep the target rate between zero and 0.25% until at least mid 2013. Meanwhile, intermediate- and long-term rates have stabilized due to the offsetting forces of positive economic data in the U.S., a flight-to-quality reaction to the European debt crisis and the Fed's Operation Twist program, where the U.S. central bank purchases longer-dated securities while selling shorter-dated securities in an effort to keep longer-term interest rates down.

**2-Year, 5-Year, and 10-Year U.S. Treasury Note Yields**  
*December 31, 2010 through December 31, 2011*

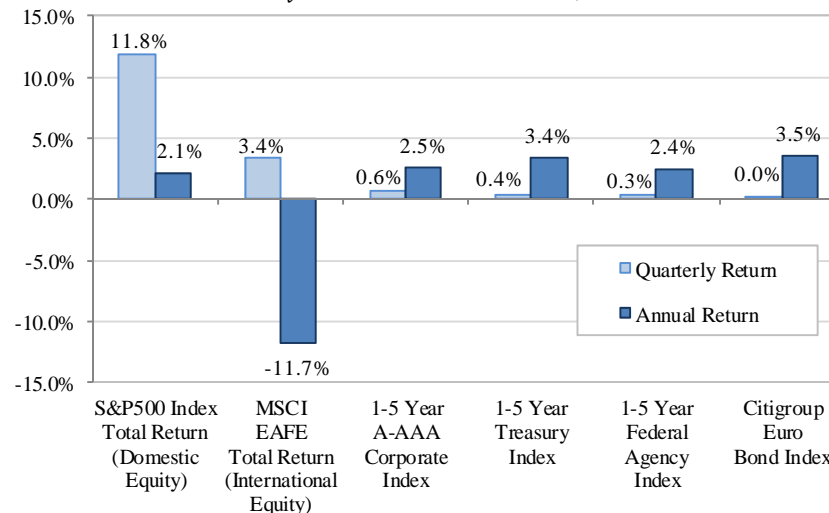


Source: Bloomberg

### Bond Markets

Although signs point towards a stronger economy in the U.S., continued uncertainty in the global economic outlook has resulted in investors becoming more cautious and gravitating towards securities that are perceived to be less risky. Assets have flowed out of prime money market funds into government funds on concerns of the funds' potential exposure to the sovereign debt of struggling European nations. Treasuries have benefitted from this need for safety, posting positive performance for the quarter. Treasury yields are still hovering around their record lows. Agency spreads widened during the fourth quarter, while corporate spreads tightened. Both sectors offered value for investors.

**Total Returns of Various Asset Classes**  
*Quarter ended December 31, 2011*



Sources: Bank of America Merrill Lynch, Citigroup, Bloomberg

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## Executive Summary

**PORTFOLIO STRATEGY**

- The City's Pooled Funds and Long Term Pooled Funds Portfolios are of high credit quality and invested in U.S. Treasury, Federal Agency, and commercial paper securities.
- For the third quarter in a row, Treasuries outperformed Agencies, while Corporates out-performed both Treasuries and Agencies for the quarter, reversing a portion of the large sell-off in Third Quarter. In the corporate sector, non-financials (average rating A-) out-performed financials (average rating A+) for the quarter and the year by a wide margin.
- With interest rates falling to historic lows, we maintained a slightly conservative duration posture at around 81% of the benchmark's duration to retain flexibility. Even though short-term rates have remained near 0% for over three years, the Long Term Pooled Funds Portfolio earned a total return of 1.28% over the past year.
- In an environment of range bound yields, performance can be enhanced by holding longer maturities, which have higher initial yields and benefit from "roll down," which captures the value of the yield curve. PFM sold treasuries and agencies with shorter maturities and purchased higher yielding agencies in the 2 year maturity range. The portfolio realized over \$19,000 in gains on sales, as a result of active management during the quarter
- The Fed could well seek to provide further support for the U.S. economy by communicating the intention to maintain its extraordinarily accommodative monetary policy far into the future, or by establishing specific employment and inflation hurdles that would have to be breached before it changes its current policy stance. This supports the view that rates will remain low longer than the market current anticipates.
- The yield curve is likely to remain positively sloped, anchored for the foreseeable future by the near-zero federal funds rate. In this environment, lengthening duration should provide value, although longer duration investments have greater price risk if interest rates should rise.
- Europe remains a highly fluid and problematic situation, as Italy and Spain appear headed for recession. Sovereign credit ratings are under pressure, and large European banks are being forced to shed assets and raise large amounts of capital. A clear solution appears elusive. We continue to avoid sensitive issuers and geographical regions.
- As always, we strive to maintain the safety of principal while at the same time positioning the portfolio for growth and searching for tactical opportunities to enhance return. In these changing times, our strategy will remain flexible and may change in response to changes in interest rates, economic data, market outlook or specific opportunities that arise.
- The Pooled Funds and Long Term Pooled Funds Portfolios continue to provide the City with favorable yield relative to the benchmark. At quarter end the portfolios had a weighted average Yield to Maturity at Cost of 0.81%, exceeding the Yield of TexPool by 73 basis points (0.73%).

Summary Portfolio Statistics

<u>Amortized Cost and Market Value</u> <u>Account Name</u>	<u>Amortized Cost<sup>1,2,3</sup></u> <u>December 31, 2011</u>	<u>Amortized Cost<sup>1,2,3</sup></u> <u>September 30, 2011</u>	<u>Market Value<sup>1,2,3</sup></u> <u>December 31, 2011</u>	<u>Market Value<sup>1,2,3</sup></u> <u>September 30, 2011</u>	<u>Duration (Years)</u> <u>December 31, 2011</u>
Pooled Funds	\$5,402,170.82	\$5,402,021.88	\$5,403,055.78	\$5,403,478.38	0.140
Long Term Pooled Funds	18,855,207.19	18,864,547.04	18,998,278.69	19,062,553.78	1.470
TexPool	29,848,306.88	32,451,037.87	29,848,306.88	32,451,037.87	0.003
<b>Total</b>	<b>\$54,105,684.89</b>	<b>\$56,717,606.79</b>	<b>\$54,249,641.35</b>	<b>\$56,917,070.03</b>	<b>0.530</b>

<u>Yields</u> <u>Account Name</u>	<u>Yield to Maturity</u> <u>on Cost<sup>4</sup></u> <u>December 31, 2011</u>	<u>Yield to Maturity</u> <u>on Cost<sup>4</sup></u> <u>September 30, 2011</u>	<u>Yield to Maturity</u> <u>at Market</u> <u>December 31, 2011</u>	<u>Yield to Maturity</u> <u>at Market</u> <u>September 30, 2011</u>	<u>Duration (Years)</u> <u>September 30, 2011</u>
Pooled Funds	0.30%	0.37%	0.17%	0.18%	0.120
Long Term Pooled Funds	0.95%	1.23%	0.31%	0.26%	1.220
TexPool <sup>5</sup>	0.08%	0.09%	0.08%	0.09%	0.003
<b>Weighted Average YTM</b>	<b>0.41%</b>	<b>0.50%</b>	<b>0.17%</b>	<b>0.16%</b>	<b>0.422</b>

**PFM Managed Portfolios Weighted Average YTM** 0.81%

<b>Monthly Interest earnings YTD<sup>6,7</sup></b>	
October 2011	\$13,301.10
November 2011	\$9,773.96
December 2011	\$2,811.86
January 2012	
February 2012	
March 2012	
April 2012	
May 2012	
June 2012	
July 2012	
August 2012	
September 2012	

Notes:

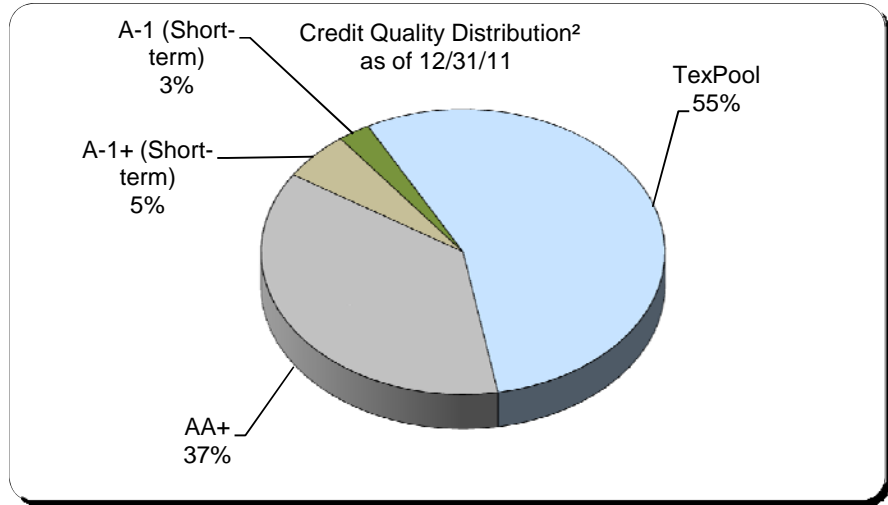
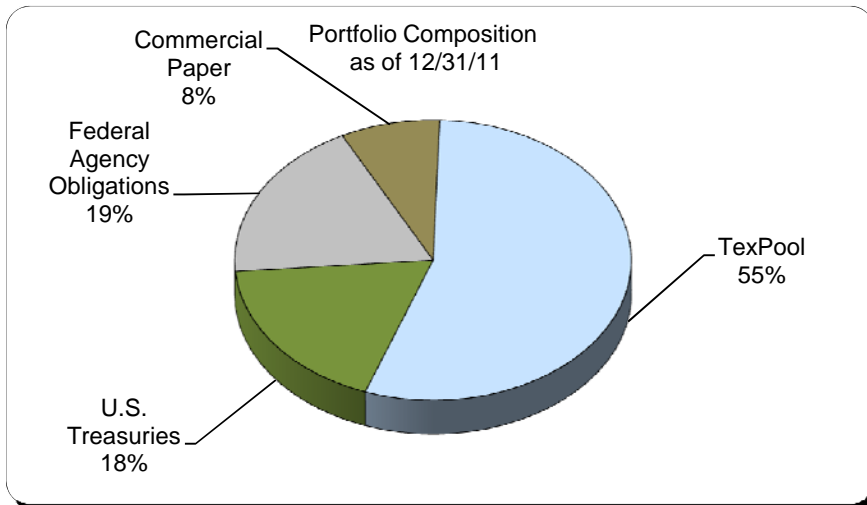
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					9/30/2011	9/30/2011	9/30/2011	12/31/2011	12/31/2011	12/31/2011	CHANGE IN
CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	MARKET VALUE
TEXPOOL	TEXPOOL		0.000		0.00	32,451,037.87	32,451,037.87	0.00	29,848,306.88	29,848,306.88	-8.02%
					\$0.00	\$32,451,037.87	\$32,451,037.87	\$0.00	\$29,848,306.88	\$29,848,306.88	-8.02%
<b>TOTAL</b>					<b>\$0.00</b>	<b>\$32,451,037.87</b>	<b>\$32,451,037.87</b>	<b>\$0.00</b>	<b>\$29,848,306.88</b>	<b>\$29,848,306.88</b>	<b>-8.02%</b>
<b>POOLED FUNDS</b>											
<b>US TSY BOND/NOTE</b>											
912828MJ6	US TREASURY NOTES	\$1,000,000	0.875	01/31/12	\$1,474.18	\$1,001,751.29	\$1,002,695.00	\$3,661.68	\$1,000,430.64	\$1,000,625.00	-0.21%
		\$1,000,000			\$1,474.18	\$1,001,751.29	\$1,002,695.00	\$3,661.68	\$1,000,430.64	\$1,000,625.00	-0.21%
<b>COMMERCIAL PAPER</b>											
83365SXT5	SOCIETE GENERALE NA COMM PAPER	\$1,400,000	0.000	10/27/11	\$0.00	\$1,399,636.00	\$1,399,759.20	\$0.00	\$0.00	\$0.00	0.00%
0556N1XT5	BNP PARIBAS FINANCE INC COMM PAPER	1,500,000	0.000	10/27/11	0.00	1,499,577.50	1,499,775.00	0.00	0.00	0.00	0.00%
22532CXT6	CREDIT AGRICOLE NA COMM PAPER	1,500,000	0.000	10/27/11	0.00	1,499,582.91	1,499,775.00	0.00	0.00	0.00	0.00%
9033E0BQ8	US BANK NA COMM PAPER	1,400,000	0.000	02/24/12	0.00	0.00	0.00	0.00	1,399,496.00	1,399,235.60	0.00%
89233GBQ8	TOYOTA MOTOR CREDIT CORP COMM PA	1,500,000	0.000	02/24/12	0.00	0.00	0.00	0.00	1,499,212.50	1,499,709.00	0.00%
36959RBQ7	GENERAL ELEC CAP SVCS COMM PAPER	1,500,000	0.000	02/24/12	0.00	0.00	0.00	0.00	1,499,370.00	1,499,824.50	0.00%
		\$4,400,000			\$0.00	\$4,398,796.41	\$4,399,309.20	\$0.00	\$4,398,078.50	\$4,398,769.10	-0.01%
<b>TOTAL</b>		<b>\$5,400,000.00</b>			<b>\$1,474.18</b>	<b>\$5,400,547.70</b>	<b>\$5,402,004.20</b>	<b>\$3,661.68</b>	<b>\$5,398,509.14</b>	<b>\$5,399,394.10</b>	<b>-0.048%</b>
<b>LONG TERM POOLED FUND</b>											
<b>FED AGY BOND/NOTE</b>											
3137EACF4	FHLMC NOTES	\$498,000	1.125	12/15/11	\$1,649.63	\$498,145.75	\$499,010.44	\$0.00	\$0.00	\$0.00	0.00%
31398AB43	FNMA NOTES	2,260,000	0.875	01/12/12	4,339.51	2,258,458.88	2,264,501.92	0.00	0.00	0.00	0.00%
3133XTAW6	FHLB GLOBAL BONDS	985,000	2.250	04/13/12	10,342.50	987,327.05	995,478.43	0.00	0.00	0.00	0.00%
31398AYM8	FNMA NOTES	1,570,000	1.750	08/10/12	3,892.29	1,567,207.06	1,589,642.27	10,761.04	1,568,015.91	1,584,712.47	-0.31%
31398AJ94	FNMA GLOBAL NOTES	1,005,000	1.750	05/07/13	7,035.00	1,003,210.30	1,025,759.28	2,638.13	1,003,486.64	1,023,846.77	-0.19%
3133XGVF8	FHLB GLOBAL BONDS	905,000	5.125	08/14/13	6,055.33	973,287.70	984,815.57	17,650.64	964,231.33	974,599.93	-1.04%
3137EACL1	FHLMC NOTES	810,000	0.875	10/28/13	3,012.19	810,613.83	817,103.70	1,240.31	810,540.41	816,342.30	-0.09%
3133XSAE8	FHLB GLOBAL BENCHMARK NOTES	2,000,000	3.625	10/18/13	0.00	0.00	0.00	14,701.39	2,115,122.82	2,113,758.00	0.00%
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	0.00	0.00	0.00	1,250.00	1,997,420.08	1,996,770.00	0.00%
31398A5W8	FNMA NOTES	1,600,000	0.750	12/18/13	0.00	0.00	0.00	433.33	1,609,593.38	1,606,108.80	0.00%
		\$8,033,000			\$36,326.45	\$8,098,250.57	\$8,176,311.61	\$48,674.84	\$10,068,410.57	\$10,116,138.27	23.72%
<b>US TSY BOND/NOTE</b>											
912828KP4	US TREASURY NOTES	\$2,000,000	1.375	5/15/2012	\$10,387.23	\$1,998,648.44	\$2,015,156.00	\$0.00	\$0.00	\$0.00	0.00%
912828LB4	US TREASURY NOTES	1,500,000	1.500	7/15/2012	4,769.02	1,499,906.12	1,515,528.00	10,394.02	1,499,935.76	1,511,308.50	-0.28%
912828PD6	US TREASURY NOTES	1,620,000	0.375	10/31/2012	2,542.26	1,619,444.70	1,623,353.40	1,034.75	1,619,573.83	1,623,227.04	-0.01%
912828QL7	US TREASURY NOTES	2,500,000	0.750	3/31/2013	51.23	2,498,158.95	2,519,625.00	4,764.34	2,498,466.80	2,517,382.50	-0.09%
912828PU8	US TREASURY NOTES	600,000	0.500	11/15/2013	1,133.15	594,776.36	602,296.80	387.36	595,389.96	602,765.40	0.08%
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	1,373.63	2,498,778.93	2,553,700.00	9,271.98	2,498,902.98	2,552,929.69	-0.03%
		\$10,720,000			\$20,256.52	\$10,709,713.50	\$10,829,659.20	\$25,852.45	\$8,712,269.33	\$8,807,613.13	-18.67%
<b>TOTAL</b>		<b>\$18,753,000</b>			<b>\$56,582.97</b>	<b>\$18,807,964.07</b>	<b>\$19,005,970.81</b>	<b>\$74,527.29</b>	<b>\$18,780,679.90</b>	<b>\$18,923,751.40</b>	<b>-0.433%</b>
<b>TOTAL PORTFOLIO</b>		<b>\$24,153,000</b>			<b>\$58,057.15</b>	<b>\$56,659,549.64</b>	<b>\$56,859,012.88</b>	<b>\$78,188.97</b>	<b>\$54,027,495.92</b>	<b>\$54,171,452.38</b>	<b>-4.73%</b>

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>December 31, 2011</u>	<u>% of Portfolio</u>	<u>September 30, 2011</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,837,752.26	18.1%	\$11,854,084.90	4.4%
Federal Agencies	10,164,813.11	18.7%	8,212,638.06	49.1%
Commercial Paper	4,398,769.10	8.1%	4,399,309.20	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%
TexSTAR	0.00	0.00%	0.00	0.0%
TexPool	29,848,306.88	55.0%	32,451,037.87	46.5%
<b>Totals</b>	<b>\$54,249,641.35</b>	<b>100.0%</b>	<b>\$56,917,070.03</b>	<b>100.0%</b>



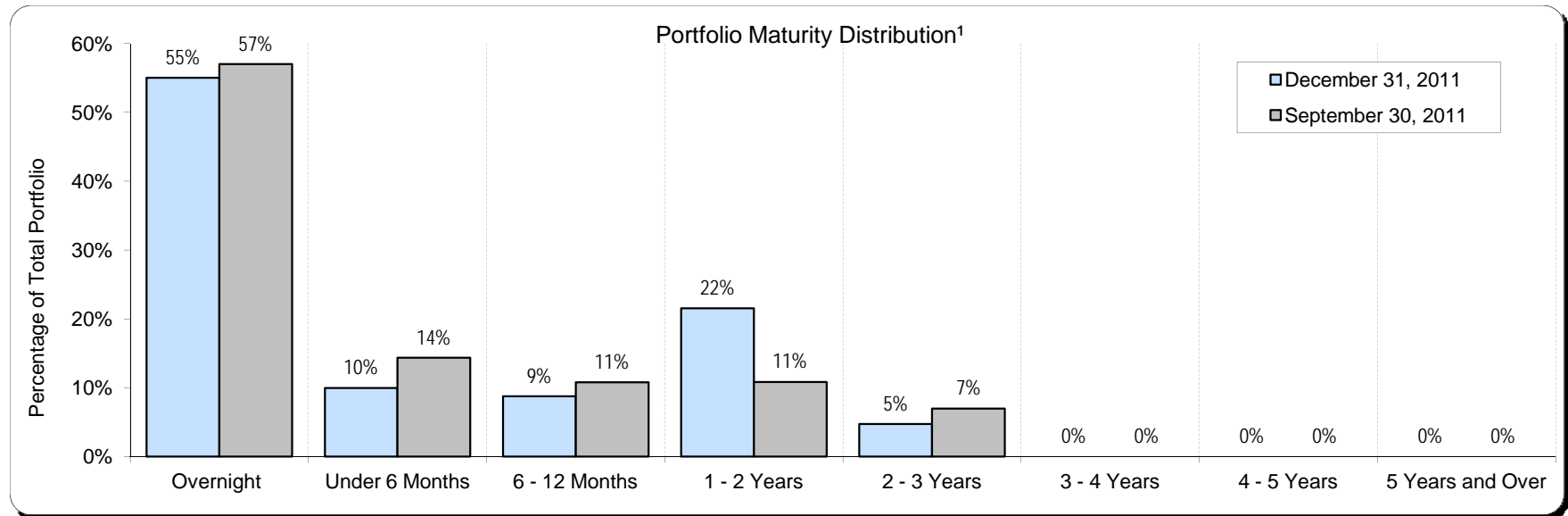
Notes:

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



Summary Portfolio Maturity Distribution

<u>Maturity Distribution<sup>1</sup></u>	<u>December 31, 2011</u>	<u>September 30, 2011</u>
Overnight (Money Market Fund)	\$29,848,306.88	\$32,451,037.87
Under 6 Months	5,403,055.78	8,172,979.88
6 - 12 Months	4,741,437.82	6,145,195.74
1 - 2 Years	11,694,639.20	6,169,237.07
2 - 3 Years	2,562,201.67	3,978,619.47
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>\$54,249,641.35</b>	<b>\$56,917,070.03</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.

Summary Portfolio General Ledger Entries<sup>1</sup>

<b>Earnings Calculation</b> <b>10/31/2011</b>	<b>Market Value Basis</b>	<b>Source Document</b>
October Market Value	54,218,424.51	1 Account Summary Page
October Accrued Interest	62,530.47	2 Account Summary Page
Less (Purchases & Deposits)	(4,818,848.87)	3 Security Transactions & Interest
Less Purchased Interest	-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	7,450,000.00	5 Security Transactions & Interest
Add Interest Receipts	19,926.31	6 Security Transactions & Interest
Less September Market Value	(56,859,012.88)	7 Account Summary Page
Less September Accrued Interest	(58,057.15)	8 Account Summary Page
<b>Earnings</b>	<b>14,962.39</b>	

<b>Change in Investment Market Value</b>	<b>(2,640,588.37)</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>4,473.32</b>	(2 - 8)
<b>Change in Cash</b>	<b>2,651,077.44</b>	(sum 3 thru 6)

<b>Investment Entries</b> <i>To Record Investment Activity</i>	<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
Cash	2,631,151.13		Security Transactions & Interest
Investments		2,640,588.37	Amortization/Accretion
Investment Income	9,437.24		Earnings
To record investment income/changes			
Cash	19,926.31		Security Transactions & Interest
Accrued Interest	4,473.32		Accrued Interest Difference
Investment Income		24,399.63	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 Entries<sup>1</sup>

<b>Earnings Calculation</b> 11/30/2011	<b>Market Value Basis</b>	<b>Source Document</b>
November Market Value	55,083,200.82	1 Account Summary Page
November Accrued Interest	60,321.00	2 Account Summary Page
Less (Purchases & Deposits)	(1,925,724.90)	3 Security Transactions & Interest
Less Purchased Interest	-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	1,050,000.00	5 Security Transactions & Interest
Add Interest Receipts	26,791.08	6 Security Transactions & Interest
Less October Market Value	(54,220,688.32)	7 Account Summary Page
Less October Accrued Interest	(62,530.47)	8 Account Summary Page
<b>Earnings</b>	<b>11,369.21</b>	

<b>Change in Investment Market Value</b>	<b>862,512.50</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>(2,209.47)</b>	(2 - 8)
<b>Change in Cash</b>	<b>(848,933.82)</b>	(sum 3 thru 6)

<b>Investment Entries</b>			
<i>To Record Investment Activity</i>	<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
Cash		875,724.90	Security Transactions & Interest
Investments	862,512.50		Amortization/Accretion
Investment Income	13,212.40		Earnings
To record investment income/changes			
Cash	26,791.08		Security Transactions & Interest
Accrued Interest		2,209.47	Accrued Interest Difference
Investment Income		24,581.61	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 Entries<sup>1</sup>

<b>Earnings Calculation</b>			
<b>12/31/2011</b>		<b>Market Value Basis</b>	<b>Source Document</b>
December Market Value		54,169,382.22	1 Account Summary Page
December Accrued Interest		78,188.97	2 Account Summary Page
Less (Purchases & Deposits)		(6,066,485.21)	3 Security Transactions & Interest
Less Purchased Interest		(18,295.84)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		6,962,580.00	5 Security Transactions & Interest
Add Interest Receipts		25,359.15	6 Security Transactions & Interest
Less November Market Value		(55,085,948.15)	7 Account Summary Page
Less November Accrued Interest		(60,321.00)	8 Account Summary Page
<b>Earnings</b>		<b>4,460.14</b>	

<b>Change in Investment Market Value</b>	<b>(916,565.93)</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>17,867.97</b>	(2 - 8)
<b>Change in Cash</b>	<b>903,158.10</b>	(sum 3 thru 6)

<b>Investment Entries</b>			
<i>To Record Investment Activity</i>	<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
Cash	896,094.79		Security Transactions & Interest
Investments		916,565.93	Amortization/Accretion
Investment Income	20,471.14		Earnings
To record investment income/changes			
Cash	7,063.31		Security Transactions & Interest
Accrued Interest	17,867.97		Accrued Interest Difference
Investment Income		24,931.28	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>	<b>Amortized Cost<sup>1,2,3</sup> December 31, 2011</b>	Amortized Cost <sup>1,2,3</sup> September 30, 2011	<b>Market Value<sup>1,2,3</sup> December 31, 2011</b>	Market Value <sup>1,2,3</sup> September 30, 2011	<b>Duration (Years) December 31, 2011</b>
Pooled Funds	\$5,402,170.82	\$5,402,021.88	\$5,403,055.78	\$5,403,478.38	0.140

<u>Account Name</u>	<b>Yield to Maturity on Cost<sup>4</sup> December 31, 2011</b>	Yield to Maturity on Cost <sup>4</sup> September 30, 2011	<b>Yield to Maturity at Market December 31, 2011</b>	Yield to Maturity at Market September 30, 2011	Duration (Years) September 30, 2011
Pooled Funds	0.30%	0.37%	0.17%	0.18%	0.120

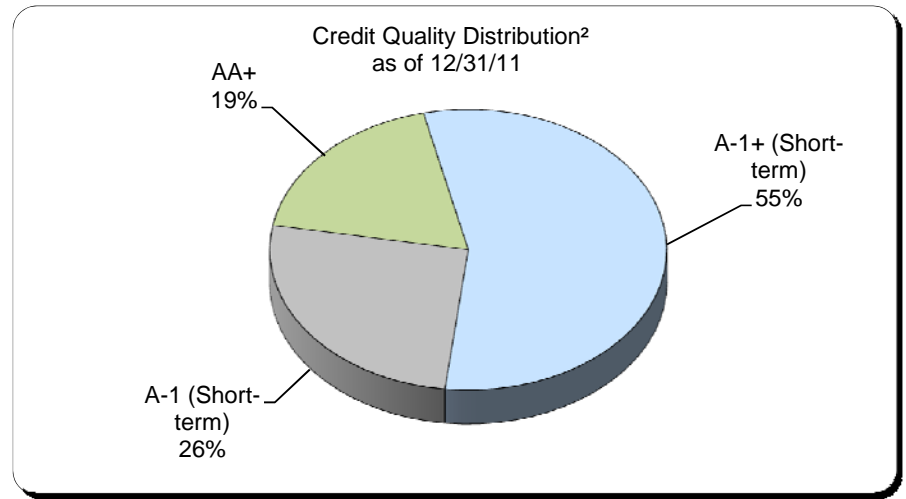
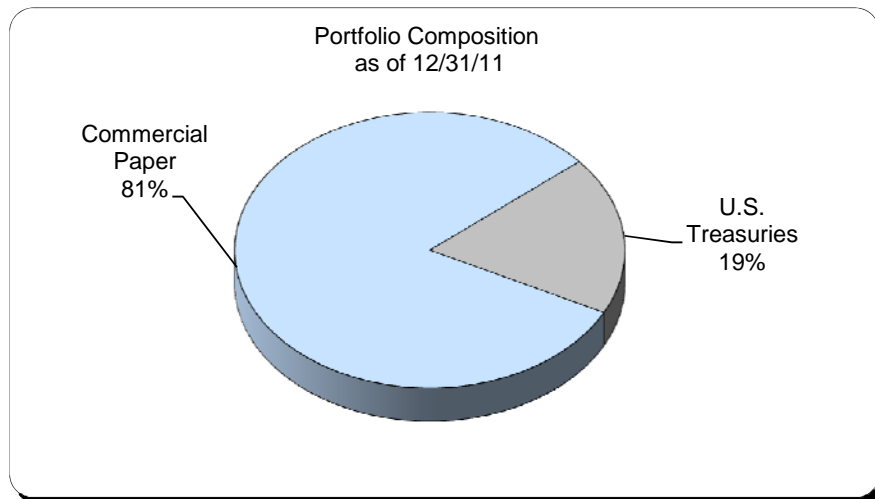
<u>Benchmarks<sup>5</sup></u>	<b>December 31, 2011</b>	September 30, 2011
TexPool <sup>6</sup>	0.08%	0.09%

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. Returns presented on an annualized basis as of December 31, 2011.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> <sup>1</sup>	<u>December 31, 2011</u>	<u>% of Portfolio</u>	<u>September 30, 2011</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$1,004,286.68	18.6%	\$1,004,169.18	18.6%
Federal Agencies	0.00	0.0%	0.00	0.0%
Commercial Paper	4,398,769.10	81.4%	4,399,309.20	81.4%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
<b>Totals</b>	<b>\$5,403,055.78</b>	<b>100.0%</b>	<b>\$5,403,478.38</b>	<b>100.0%</b>

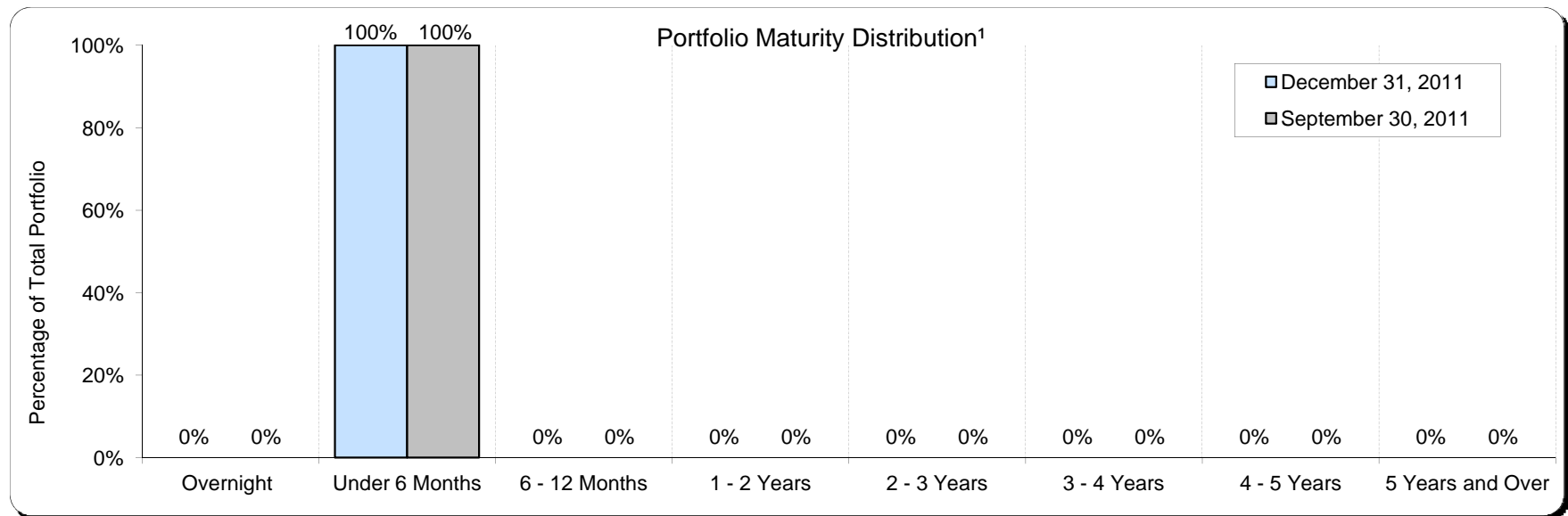


Notes:

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

Pooled Funds Portfolio Maturity Distribution

<u>Maturity Distribution<sup>1</sup></u>	<u>December 31, 2011</u>	<u>September 30, 2011</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	5,403,055.78	5,403,478.38
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>\$5,403,055.78</b>	<b>\$5,403,478.38</b>



Notes:

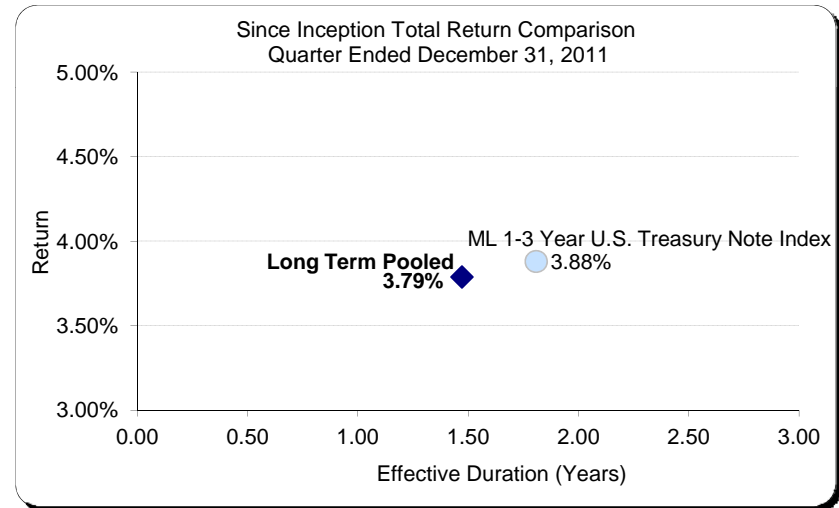
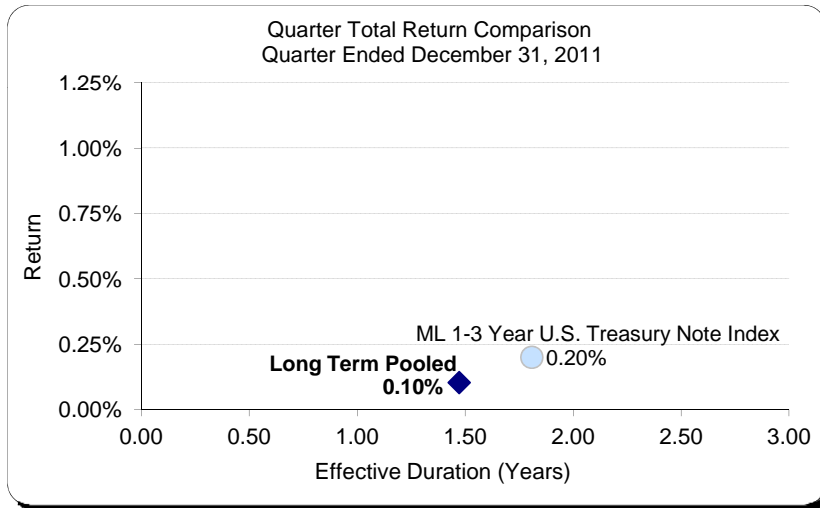
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value <sup>1,2</sup>	December 31, 2011	September 30, 2011
Market Value	\$18,998,278.69	\$19,062,553.78
Amortized Cost	\$18,855,207.19	\$18,864,547.04

Total Return <sup>1,2,3,4,5,7,8</sup>	Quarterly Return December 31, 2011	Year to Date	Last 12 Months	Last 24 Months	Since Inception 6/30/2006
<b>Long Term Pooled Fund</b>	<b>0.10%</b>	<b>1.28%</b>	<b>1.28%</b>	<b>1.72%</b>	<b>3.79%</b>
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.20%	1.55%	1.55%	1.95%	3.88%

Effective Duration(Years)	December 31, 2011	September 30, 2011	Yields	December 31, 2011	September 30, 2011
<b>Long Term Pooled Fund</b>	<b>1.47</b>	<b>1.22</b>	Yield at Market	<b>0.31%</b>	0.26%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.81	1.81	Yield at Cost	<b>0.95%</b>	1.23%
Portfolio Duration % of Benchmark Duration	81%	67%			



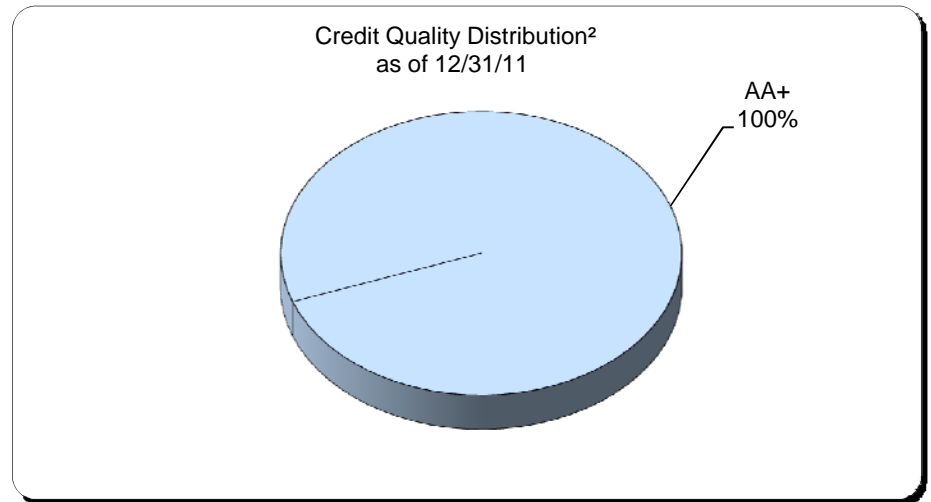
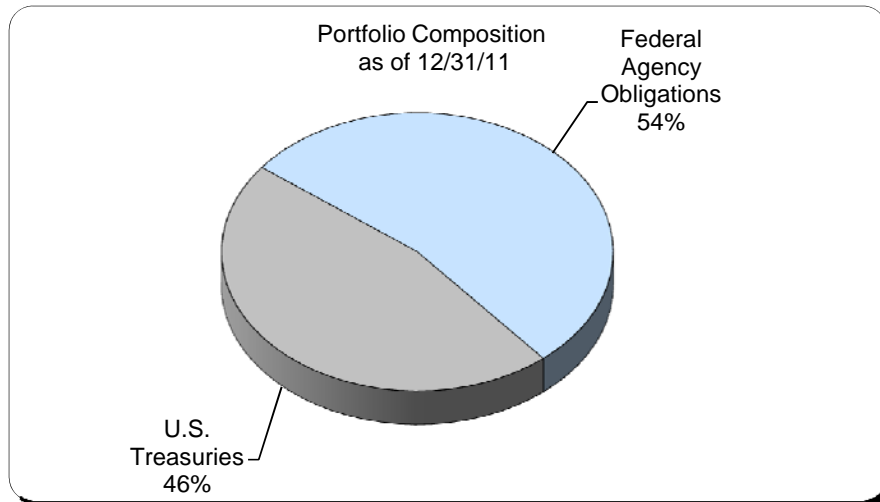
Notes:

- 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).
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Quarterly returns are presented on an unannualized basis.
- Excludes money market fund/cash in performance and duration computations.
- Returns presented for 12 months or longer are presented on an annual basis.
- Past performance is not indicative of future results.



Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>December 31, 2011</u>	<u>% of Portfolio</u>	<u>September 30, 2011</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$8,833,465.58	46.5%	\$10,849,915.72	56.9%
Federal Agencies	10,164,813.11	53.5%	8,212,638.06	43.1%
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%
<b>Totals</b>	<b>\$18,998,278.69</b>	<b>100.0%</b>	<b>\$19,062,553.78</b>	<b>100.0%</b>

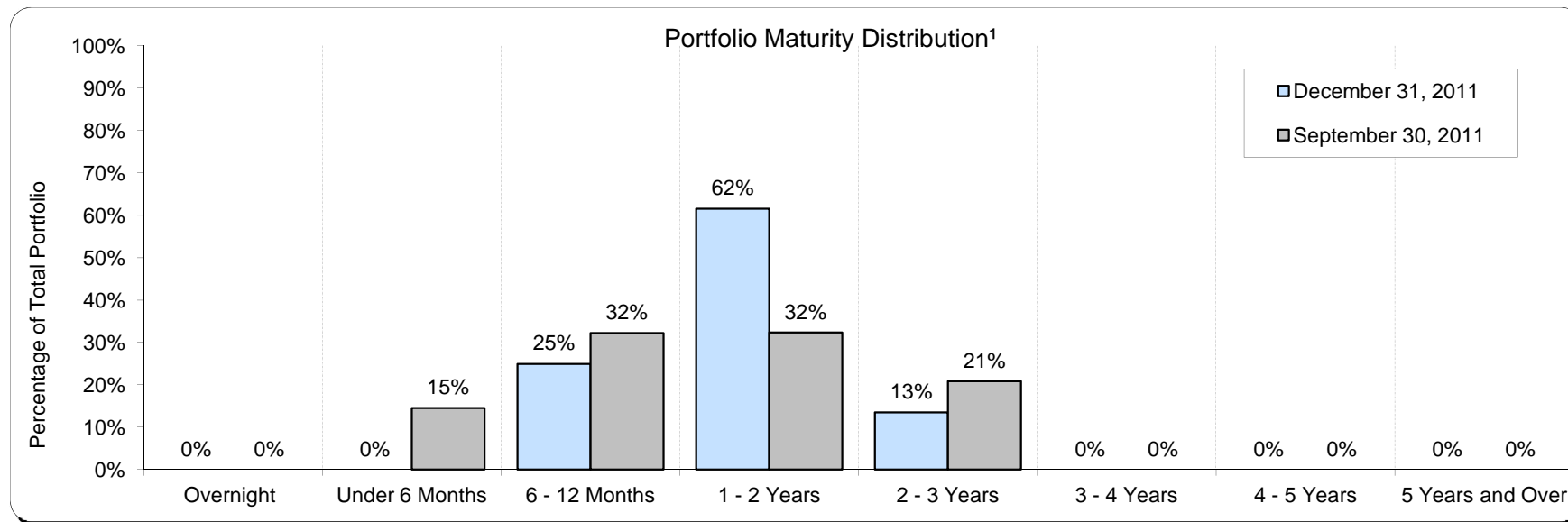


Notes:

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

Long Term Pooled Fund Portfolio Maturity Distribution

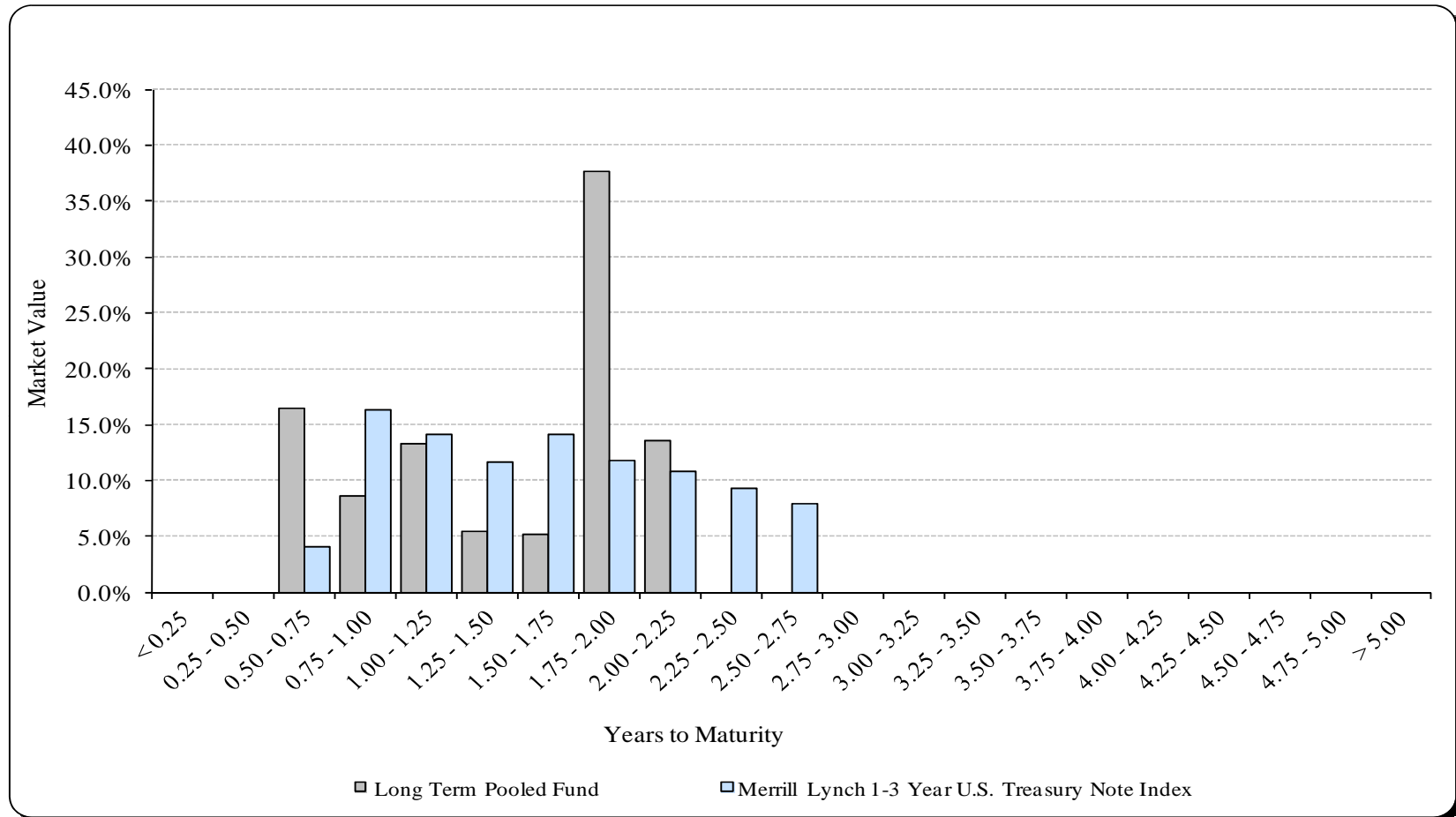
<u>Maturity Distribution<sup>1</sup></u>	<u>December 31, 2011</u>	<u>September 30, 2011</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	2,769,501.50
6 - 12 Months	4,741,437.82	6,145,195.74
1 - 2 Years	11,694,639.20	6,169,237.07
2 - 3 Years	2,562,201.67	3,978,619.47
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$18,998,278.69</b>	<b>\$19,062,553.78</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.

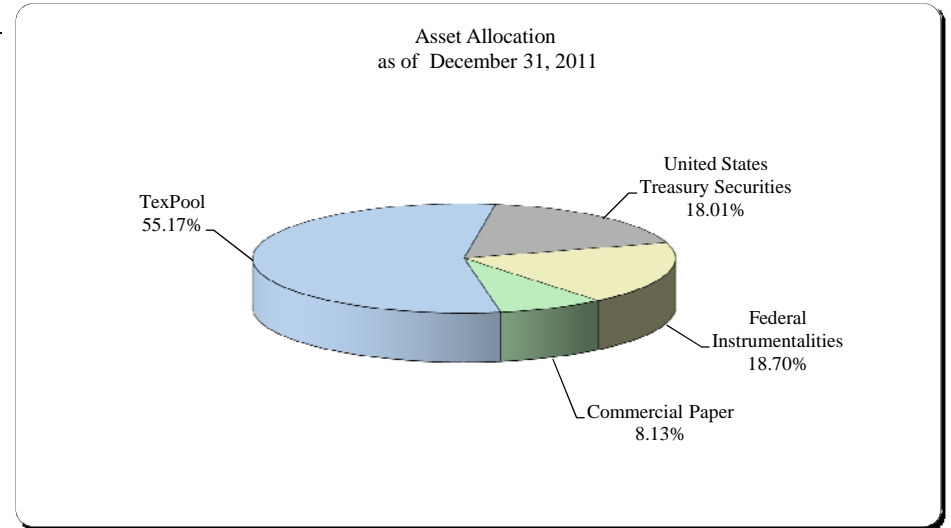
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark<sup>1</sup>



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.

Security Type <sup>2</sup>	December 31, 2011	Notes	Permitted by Policy
TexStar	0.00%		100%
TexPool	55.17%		100%
United States Treasury Securities	18.01%		100%
United States Government Agency Securities	0.00%		100%
Federal Instrumentalities	18.70%	1	100%
Certificates of Deposit	0.00%		20%
Repurchase Agreements	0.00%		20%
Commercial Paper	8.13%		25%
Corporate Notes TLGP - FDIC insured	0.00%		50%
Mortgage-Backed Securities	0.00%	1	40%
Bankers' Acceptances	0.00%		25%
State and/or Local Government Debt	0.00%		25%
Fixed Income Money Market Mutual Funds	0.00%		50%
Intergovernmental Investment Pool	0.00%		100%



Individual Issuer Breakdown	December 31, 2011	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		40%
US Export-Import Bank (Ex-Im)	0.00%		40%
Farmers Home Administration (FMHA)	0.00%		40%
Federal Financing Bank	0.00%		40%
Federal Housing Administration (FHA)	0.00%		40%
General Services Administration	0.00%		40%
New Communities Act Debentures	0.00%		40%
US Public Housing Notes & Bonds	0.00%		40%
US Dept. of Housing and Urban Development	0.00%		40%
Federal Farm Credit Bank (FFCB)	0.00%		40%
Federal Home Loan Bank (FHLB)	5.75%		40%
Federal National Mortgage Association (FNMA)	7.75%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	5.19%		40%
Student Loan Marketing Association (SLMA)	0.00%		N/A

Individual Issuer Breakdown	December 31, 2011	Notes	Permitted by Policy
CD - Bank A	0.00%		10%
CD - Bank B	0.00%		10%
Fully collateralized Repo - A	0.00%		10%
Fully collateralized Repo - B	0.00%		10%
US Bank CP	2.59%		5%
Toyota CP	2.77%		5%
General Electric CP	2.77%		5%
Corporate Notes TLGP - FDIC insured A	0.00%		25%
Corporate Notes TLGP - FDIC insured B	0.00%		25%
BA Bank A	0.00%		5%
BA Bank B	0.00%		5%
State and/or Local Government Debt	0.00%		25%
Money Market Fund A	0.00%		25%
Money Market Fund B	0.00%		25%

Notes:  
 1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of December 31, 2011 is 18.70%.  
 2. End of month trade-date amortized cost of portfolio holdings, including accrued interest.

**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 December 31, 2011, 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.

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Brian Funderburk, Assistant City Manager

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Ann M. Honza, Director of Financial Services