

# City of Rowlett, Texas



## Investment Performance Review Quarter Ended March 31, 2013

### **Investment Advisors**

Steven Alexander, CTP, CGFO, Managing Director  
D. Scott Stitcher, CFA, Senior Managing Consultant  
Richard Pengelly, CFA, Senior Managing Consultant  
Gregg Manjerovic, CFA, Portfolio Manager  
Rebecca Geyer, CTP, Senior Analyst

### **PFM Asset Management LLC**

One Keystone Plaza, Suite 300  
North Front & Market Streets  
Harrisburg, PA 17101-2044  
717-232-2723 • 717-233-6073 fax

300 S. Orange Avenue, Suite 1170  
Orlando, FL 32801  
(407) 648-2208  
(407) 648-1323 fax

**Table of Contents**

## Tab I.

- A. Market Review

## Tab II.

- B. Portfolio Summary of All Accounts
- C. Long Term Pooled Fund
- D. Asset Allocation Chart as of March 31, 2013
- E. Investment Officer's Certification

Tab III. January 31, 2013 PFM Month-End Statement  
February 28, 2013 PFM Month-End Statement  
March 31, 2013 PFM Month-End Statement  
(statements are available online at [www.pfm.com](http://www.pfm.com))

Tab IV. January 31, 2013 TexPool Month End Statements  
February 28, 2013 TexPool Month End Statements  
March 31, 2013 TexPool Month End Statements

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC 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.

# TAB I

### **Summary**

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

### **Economic Snapshot**

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

### **Interest Rates**

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

### **Sector Performance**

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

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

**Economic Snapshot**

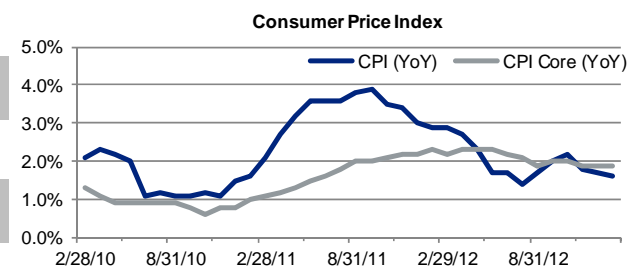
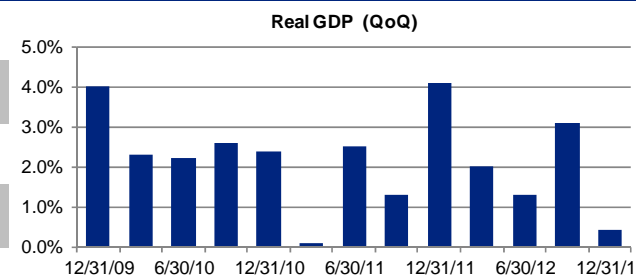
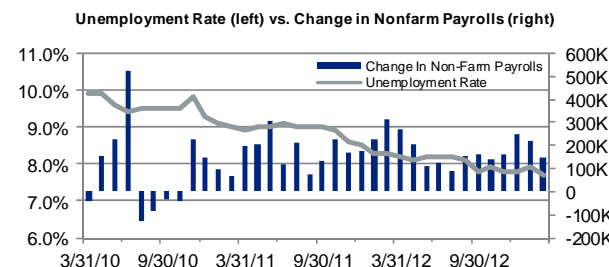
Labor Market	Latest	Dec 2012	Mar 2012	
Unemployment Rate	Mar'13	7.6%	7.8%	8.2%
Change In Non-Farm Payrolls	Mar'13	88,000	219,000	205,000
Average Hourly Earnings (YoY)	Mar'13	1.8%	2.1%	2.1%
Personal Income (YoY)	Feb'13	2.6%	7.1%	3.2%
Initial Jobless Claims (week)	Mar 29	385,000	372,000	368,000

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

Inflation / Prices	Latest	Dec 2012	Mar 2012	
Personal Consumption Expenditures (YoY)	Feb'13	1.3%	1.5%	2.2%
Consumer Price Index (YoY)	Feb'13	2.0%	1.7%	2.7%
Consumer Price Index Core (YoY)	Feb'13	1.7%	1.3%	2.8%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$97.23	\$91.82	\$103.02
Gold Futures (oz)	Mar 31	\$1,595	\$1,676	\$1,669



1. Data as of Third Quarter 2012

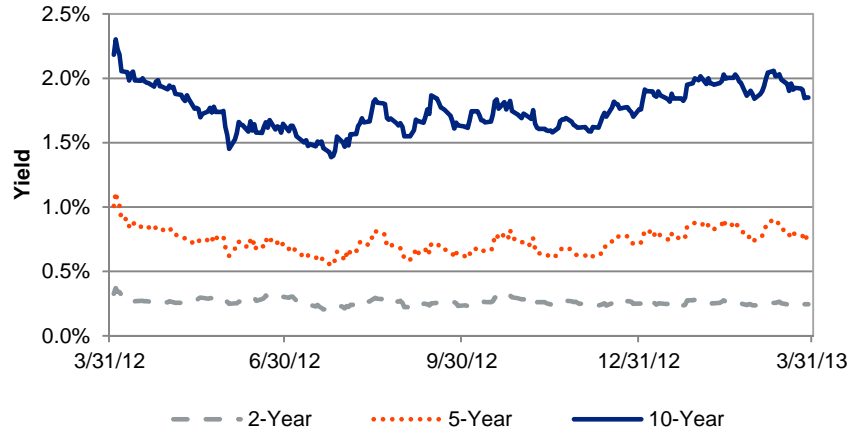
2. Data as of First Quarter 2012

Source: Bloomberg

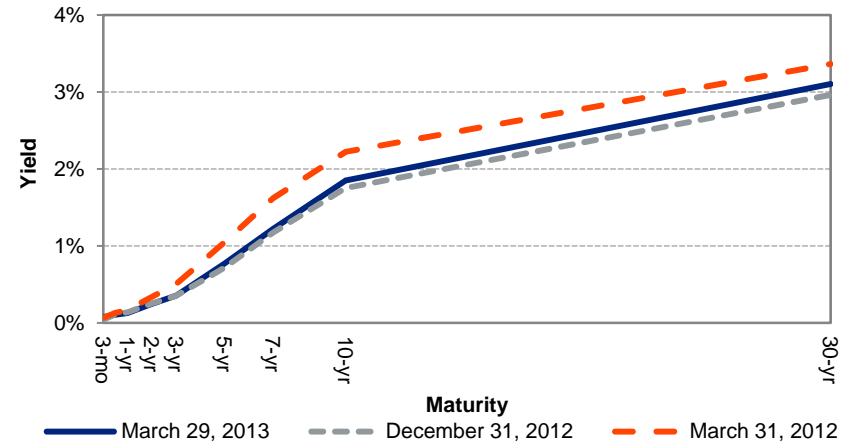
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

**Interest Rate Overview**

**U.S. Treasury Note Yields**



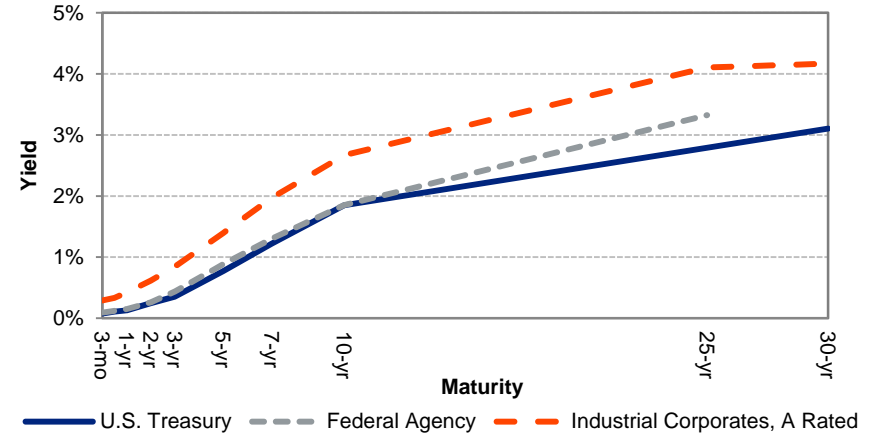
**U.S. Treasury Note Yield Curve**



**U.S. Treasury Yields**

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

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



Source: Bloomberg

**B of A Merrill Lynch Index Returns**

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

Returns for periods greater than one year are annualized

Source: Bloomberg

# TAB II



## Executive Summary

**PORTFOLIO STRATEGY**

- The City's Long Term Pooled Fund Portfolio is of high credit quality and invested in U.S. Treasury and Federal Agency securities.
- The Long Term Pooled Fund Portfolio's quarterly total return performance was 0.09%, underperforming the benchmark's performance of 0.12% by 0.03%. Over the past year, the Portfolio earned 0.53%, versus 0.64% for the benchmark. At quarter end the portfolio had a Yield to Maturity at Cost of 0.67%, exceeding the Yield of TexPool by 57 basis points (0.57%).
- Interest rates for short maturity Treasuries (3 years or less) barely budged during the quarter as the Federal Reserve's zero interest rate policy on overnight lending continued to anchor the front end of the yield curve. Yields on Two year Treasury Notes started the quarter at 0.25%, fluctuated no higher than 0.29% and no lower than 0.23%, before ending the quarter at 0.24% for a net change of -1 basis point.
- Intermediate maturity Treasuries (5 – 10 years) saw a little more intra-quarter volatility as stronger economic data in the U.S. encouraged yields higher and unfolding developments in the European debt crisis and consequent demand for safe assets drove bond yields lower. Five year Treasury Notes began the year at 0.72%, climbed as high as 0.91% on strong February Retail Sales and then fell back to 0.78% at the end of the quarter as the Cyprus bailout became more chaotic. Ten year yields reached 2% for the first time in a year.
- Moderate economic expansion has so far corresponded to job growth only slightly faster than population growth. Therefore the unemployment rate should only come down slowly and the consensus still expects the Fed to continue their monthly purchases of Treasury and Agency bonds through 2013 although the Fed may taper the amount somewhat.
- Besides Fed purchases, ongoing issues in the Eurozone such as Italy's failure to form a government post-election will keep Treasury bonds bid among European investors as well as export-oriented economies in Asia with growing foreign-exchange reserves that require Treasury bonds to absorb their U.S. dollars.
- Treasuries and Agency bonds will benefit from rolldown as the yield curve is expected to steepen when yields on longer maturity bonds drift higher and shorter maturity yields are more or less tethered by the Fed's zero interest rate policy. At current yield spreads, however, Agencies offer little value over Treasuries.
- As always, we strive to maintain safety of principal and appropriate liquidity, while maximizing value through careful, prudent management. Our strategy will remain flexible and may change in response to changes in interest rates, economic data, market outlook or specific opportunities that arise.

Summary Portfolio Statistics

<b>Amortized Cost and Market Value</b>	<b>Amortized Cost<sup>1,2,3</sup></b>	<b>Amortized Cost<sup>1,2,3</sup></b>	<b>Market Value<sup>1,2,3</sup></b>	<b>Market Value<sup>1,2,3</sup></b>	<b>Duration (Years)</b>
<u>Account Name</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>
Long Term Pooled Fund	\$18,703,130.67	\$18,753,214.57	\$18,762,345.88	\$18,827,642.99	0.850
TexPool	35,411,135.92	36,378,219.57	35,411,135.92	36,378,219.57	0.003
<b>Total</b>	<b>\$54,114,266.59</b>	<b>\$55,131,434.14</b>	<b>\$54,173,481.80</b>	<b>\$55,205,862.56</b>	<b>0.296</b>

<b>Yields</b>	<b>Yield to Maturity on Cost<sup>4</sup></b>	<b>Yield to Maturity on Cost<sup>4</sup></b>	<b>Yield to Maturity at Market</b>	<b>Yield to Maturity at Market</b>	<b>Duration (Years)</b>
<u>Account Name</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2012</u>
Long Term Pooled Fund	0.67%	0.67%	0.20%	0.24%	1.100
TexPool <sup>5</sup>	0.10%	0.15%	0.10%	0.15%	0.003
<b>Weighted Average YTM</b>	<b>0.30%</b>	<b>0.33%</b>	<b>0.14%</b>	<b>0.18%</b>	<b>0.377</b>

Monthly Interest earnings YTD<sup>6,7</sup>

October 2012	(\$1,010.71)	April 2013	
November 2012	\$13,432.25	May 2013	
December 2012	\$12,032.85	June 2013	
January 2013	\$6,582.00	July 2013	
February 2013	\$5,723.90	August 2013	
March 2013	\$9,524.03	September 2013	
<b>Total Fiscal Year Net Earnings</b>		<b>\$46,284.32</b>	

Notes:

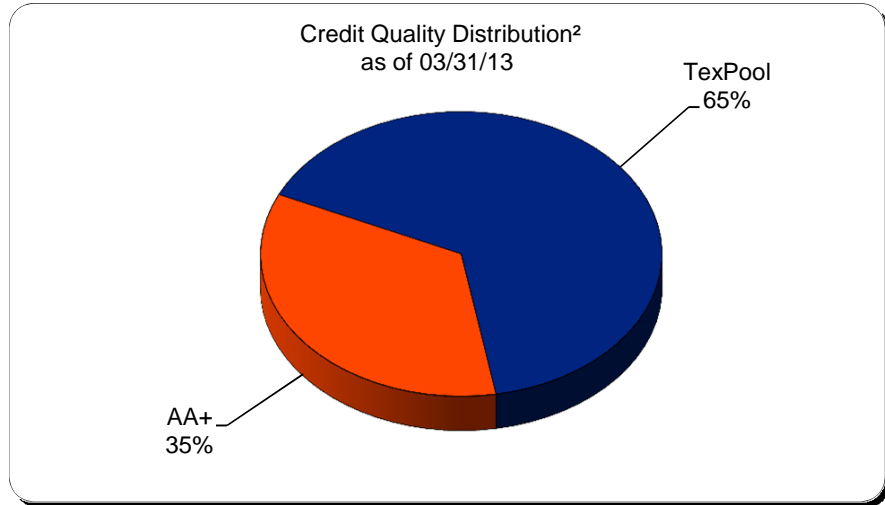
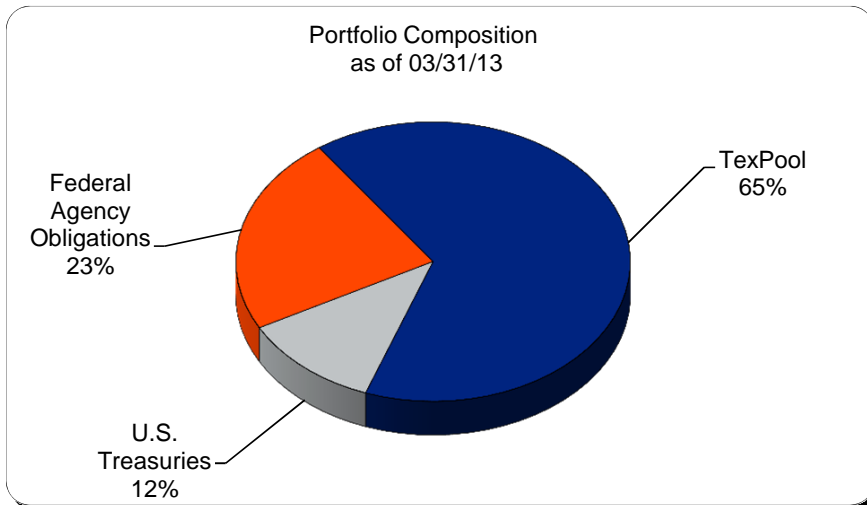
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					12/31/2012	12/31/2012	12/31/2012	3/31/2013	3/31/2013	3/31/2013	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	36,378,219.57	36,378,219.57	0.00	35,411,135.92	35,411,135.92	-2.66%
					\$0.00	\$36,378,219.57	\$36,378,219.57	\$0.00	\$35,411,135.92	\$35,411,135.92	-2.66%
<b>TOTAL</b>					<b>\$0.00</b>	<b>\$36,378,219.57</b>	<b>\$36,378,219.57</b>	<b>\$0.00</b>	<b>\$35,411,135.92</b>	<b>\$35,411,135.92</b>	<b>-2.66%</b>
<b>LONG TERM POOLED FUND</b>											
<b>FED AGY BOND/NOTE</b>											
31398AJ94	FNMA GLOBAL NOTES	\$1,005,000	1.750	05/07/13	\$2,638.13	\$1,004,604.41	\$1,010,508.41	\$7,035.00	\$1,004,886.98	\$1,006,664.28	-0.38%
3133XGVF8	FHLB GLOBAL BONDS	905,000	5.125	08/14/13	17,650.64	927,768.30	932,797.08	6,055.33	918,592.84	922,080.07	-1.15%
3133XSAE8	FHLB GLOBAL BENCHMARK NOTES	2,000,000	3.625	10/18/13	14,701.39	2,051,166.66	2,054,344.00	32,826.39	2,035,141.82	2,038,116.00	-0.79%
3137EACL1	FHLMC NOTES	810,000	0.875	10/28/13	1,240.31	810,245.28	814,622.67	3,012.19	810,171.14	813,357.45	-0.16%
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	708.33	1,998,771.48	2,003,516.00	2,583.33	1,999,110.22	2,002,708.00	-0.04%
31398A5W8	FNMA NOTES	1,600,000	0.750	12/18/13	433.33	1,604,718.82	1,609,216.00	3,433.33	1,603,496.32	1,607,016.00	-0.14%
31398AVD1	FNMA GLOBAL NOTES	1,500,000	2.750	02/05/14	16,729.17	1,539,874.46	1,542,963.00	6,416.67	1,530,776.79	1,533,634.50	-0.60%
3135G0NP4	FANNIE MAE (CALLABLE) GLOBAL NOTES	2,500,000	0.500	08/20/15	4,548.61	2,498,680.78	2,503,202.50	1,423.61	2,498,805.10	2,502,085.00	-0.04%
		\$4,720,000			\$58,649.91	\$12,435,830.19	\$12,471,169.66	\$62,785.85	\$12,400,981.21	\$12,425,661.30	-0.36%
<b>US TSY BOND/NOTE</b>											
912828PU8	US TREASURY NOTES	\$600,000	0.500	11/15/2013	\$389.50	\$597,846.32	\$601,663.80	\$1,135.36	\$598,460.04	\$601,359.60	-0.05%
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	9,323.20	2,499,398.00	2,531,054.69	1,443.61	2,499,521.33	2,525,780.00	-0.21%
912828RZ5	US TREASURY NOTES	1,510,000	0.250	1/15/2015	1,743.89	1,508,248.97	1,509,528.88	792.54	1,508,461.51	1,510,294.45	0.05%
912828NP1	US TREASURY NOTES	1,575,000	1.750	7/31/2015	11,534.31	1,630,250.28	1,632,585.15	4,568.37	1,624,980.85	1,628,524.80	-0.25%
		\$3,085,000			\$22,990.90	\$6,235,743.57	\$6,274,832.52	\$7,939.88	\$6,231,423.73	\$6,265,958.85	-0.14%
<b>TOTAL</b>		<b>\$7,805,000</b>			<b>\$81,640.81</b>	<b>\$18,671,573.76</b>	<b>\$18,746,002.18</b>	<b>\$70,725.73</b>	<b>\$18,632,404.94</b>	<b>\$18,691,620.15</b>	<b>-0.290%</b>
<b>TOTAL PORTFOLIO</b>		<b>\$7,805,000</b>			<b>\$81,640.81</b>	<b>\$55,049,793.33</b>	<b>\$55,124,221.75</b>	<b>\$70,725.73</b>	<b>\$54,043,540.86</b>	<b>\$54,102,756.07</b>	<b>-1.85%</b>

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> <sup>1</sup>	<u>March 31, 2013</u>	<u>% of Portfolio</u>	<u>December 31, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$6,273,898.73	11.6%	\$6,297,823.42	4.4%
Federal Agencies	12,488,447.15	23.1%	12,529,819.57	49.1%
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	0.00%	0.00	0.0%
TexPool	35,411,135.92	65.4%	36,378,219.57	46.5%
<b>Totals</b>	<b>\$54,173,481.80</b>	<b>100.0%</b>	<b>\$55,205,862.56</b>	<b>100.0%</b>

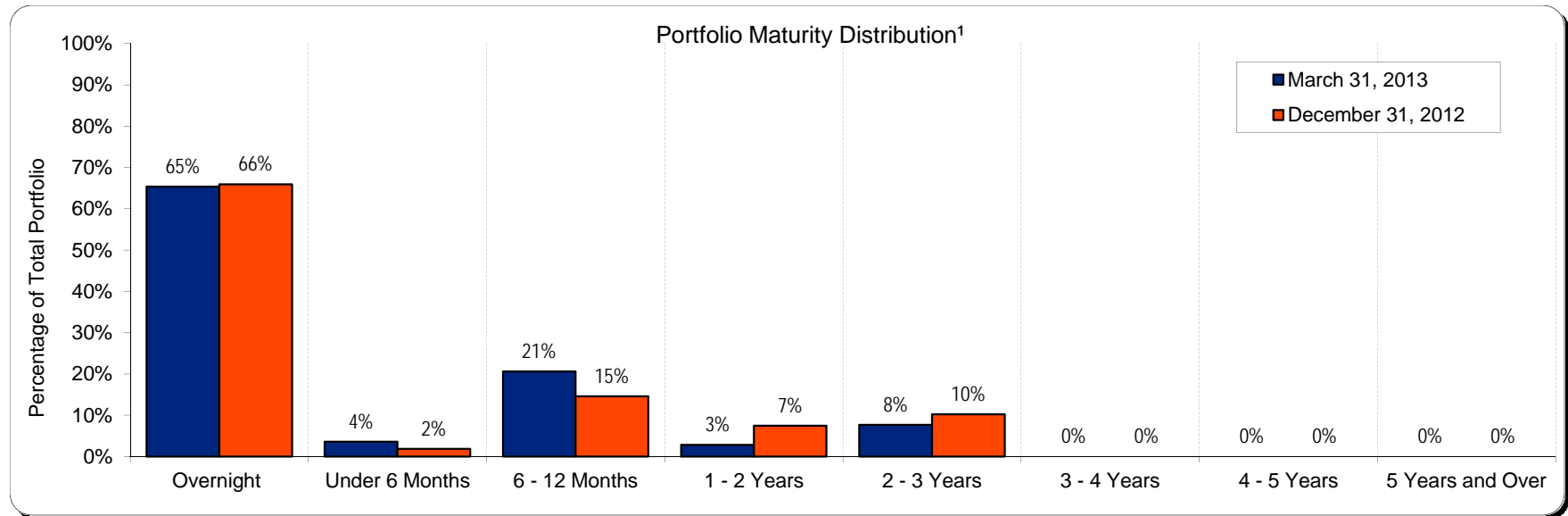


Notes:

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

Summary Portfolio Maturity Distribution

<u>Maturity Distribution</u> <sup>1</sup>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Overnight (Money Market Fund)	\$35,411,135.92	\$36,378,219.57
Under 6 Months	1,941,834.68	1,013,146.54
6 - 12 Months	11,172,822.43	8,051,283.05
1 - 2 Years	1,511,086.99	4,100,070.06
2 - 3 Years	4,136,601.78	5,663,143.34
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>\$54,173,481.80</b>	<b>\$55,205,862.56</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>Market Value Basis</b>	<b>Source Document</b>
<b>1/31/2013</b>			
January Market Value		60,509,778.81	1 Account Summary Page
January Accrued Interest		89,616.25	2 Account Summary Page
Less (Purchases & Deposits)		(5,404,773.38)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		-	5 Security Transactions & Interest
Add Interest Receipts		19,097.34	6 Security Transactions & Interest
Less December Market Value		(55,124,221.75)	7 Account Summary Page
Less December Accrued Interest		(81,640.81)	8 Account Summary Page
<b>Earnings</b>		<b>7,856.46</b>	

<b>Change in Investment Market Value</b>	<b>5,385,557.06</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>7,975.44</b>	(2 - 8)
<b>Change in Cash</b>	<b>(5,385,676.04)</b>	(sum 3 thru 6)

<b>Investment Entries</b>		<b>Debit</b>	<b>Credit</b>	<b>Source Document</b>
<i>To Record Investment Activity</i>				
Cash			5,404,773.38	Security Transactions & Interest
Investments	5,385,557.06			Amortization/Accretion
Investment Income	19,216.32			Earnings
To record investment income/changes				
Cash	19,097.34			Security Transactions & Interest
Accrued Interest	7,975.44			Accrued Interest Difference
Investment Income			27,072.78	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>Market Value Basis</b>	<b>Source Document</b>
<i>2/28/2013</i>			
February Market Value		53,725,471.84	1 Account Summary Page
February Accrued Interest		62,690.87	2 Account Summary Page
Less (Purchases & Deposits)		(4,556,356.67)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		11,324,930.97	5 Security Transactions & Interest
Add Interest Receipts		52,959.46	6 Security Transactions & Interest
Less January Market Value		(60,513,207.40)	7 Account Summary Page
Less January Accrued Interest		(89,616.25)	8 Account Summary Page
<b>Earnings</b>		<b>6,872.82</b>	

<b>Change in Investment Market Value</b>	<b>-6,787,735.56</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>(26,925.38)</b>	(2 - 8)
<b>Change in Cash</b>	<b>6,821,533.76</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	6,768,574.30		Security Transactions & Interest
Investments		6,787,735.56	Amortization/Accretion
Investment Income	19,161.26		Earnings
To record investment income/changes			
Cash	52,959.46		Security Transactions & Interest
Accrued Interest		26,925.38	Accrued Interest Difference
Investment Income		26,034.08	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>Market Value Basis</b>	<b>Source Document</b>
<b>3/31/2013</b>			
March Market Value		54,099,616.53	1 Account Summary Page
March Accrued Interest		70,725.73	2 Account Summary Page
Less (Purchases & Deposits)		(387,255.31)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		-	5 Security Transactions & Interest
Add Interest Receipts		18,764.54	6 Security Transactions & Interest
Less February Market Value		(53,728,365.67)	7 Account Summary Page
Less February Accrued Interest		(62,690.87)	8 Account Summary Page
<b>Earnings</b>		<b>10,794.95</b>	

<b>Change in Investment Market Value</b>	<b>371,250.86</b>	(1 - 7)
<b>Change in Accrued Interest</b>	<b>8,034.86</b>	(2 - 8)
<b>Change in Cash</b>	<b>(368,490.77)</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		387,255.31	Security Transactions & Interest
Investments	371,250.86		Amortization/Accretion
Investment Income	16,004.45		Earnings
To record investment income/changes			
Cash	18,764.54		Security Transactions & Interest
Accrued Interest	8,034.86		Accrued Interest Difference
Investment Income		26,799.40	Earnings
To record interest income/changes			

Notes:

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

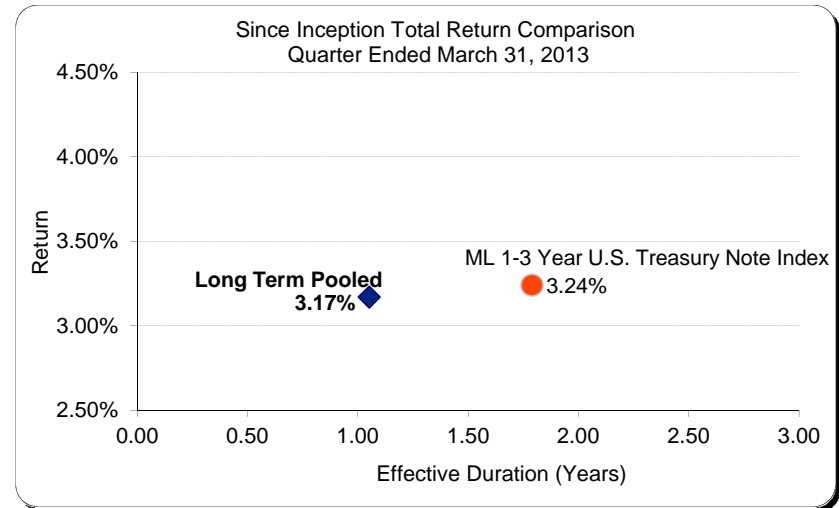
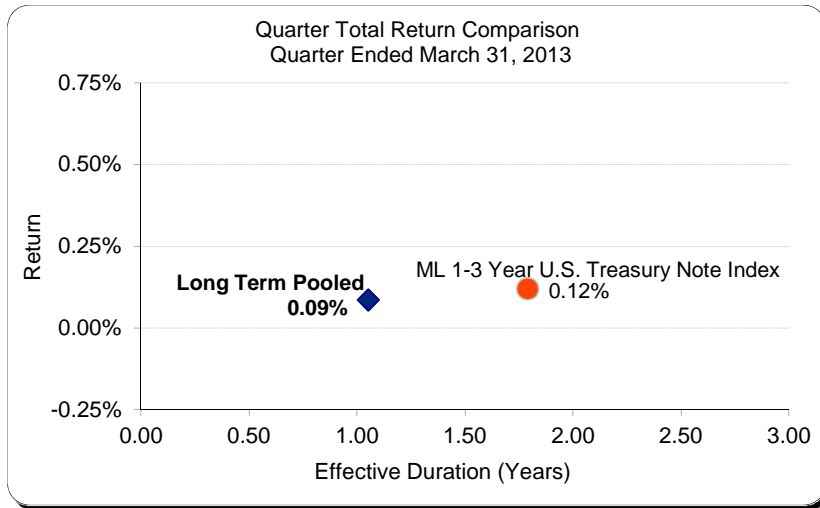


Long Term Pooled Fund Portfolio Performance

Total Portfolio Value <sup>1,2</sup>	March 31, 2013	December 31, 2012
Market Value	\$18,762,345.88	\$18,827,642.99
Amortized Cost	\$18,703,130.67	\$18,753,214.57

Total Return <sup>1,2,3,4,5,7,8</sup>	Quarterly Return March 31, 2013	Last 6 Months	Last 12 Months	Last 2 Years	Last 5 Years	Since Inception 6/30/2006
<b>Long Term Pooled Fund</b>	<b>0.09%</b>	<b>0.17%</b>	<b>0.53%</b>	<b>0.90%</b>	<b>1.84%</b>	<b>3.17%</b>
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.12%	0.18%	0.64%	1.03%	1.75%	3.24%

Effective Duration(Years)	March 31, 2013	December 31, 2012	Yields	March 31, 2013	December 31, 2012
	<b>Long Term Pooled Fund</b>	<b>1.05</b>		<b>1.29</b>	Yield at Market
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.79	1.80	Yield at Cost	<b>0.67%</b>	0.67%
Portfolio Duration % of Benchmark Duration	59%	72%			

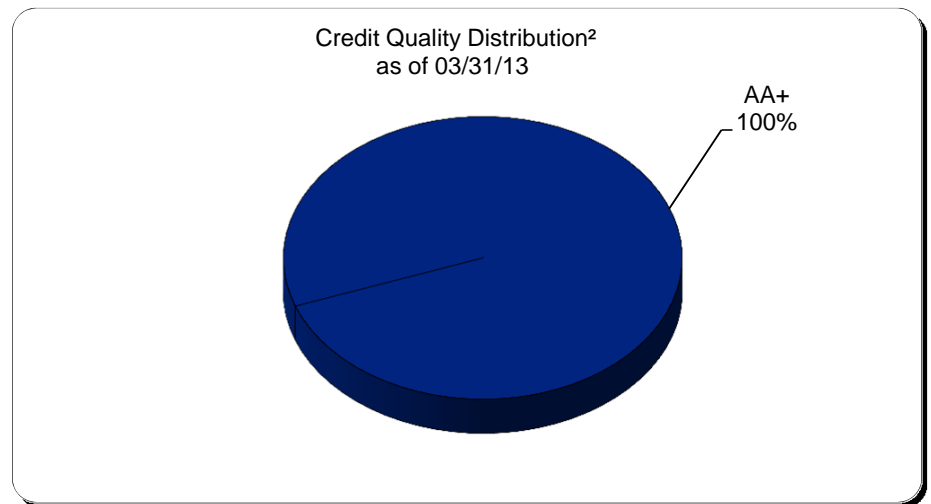
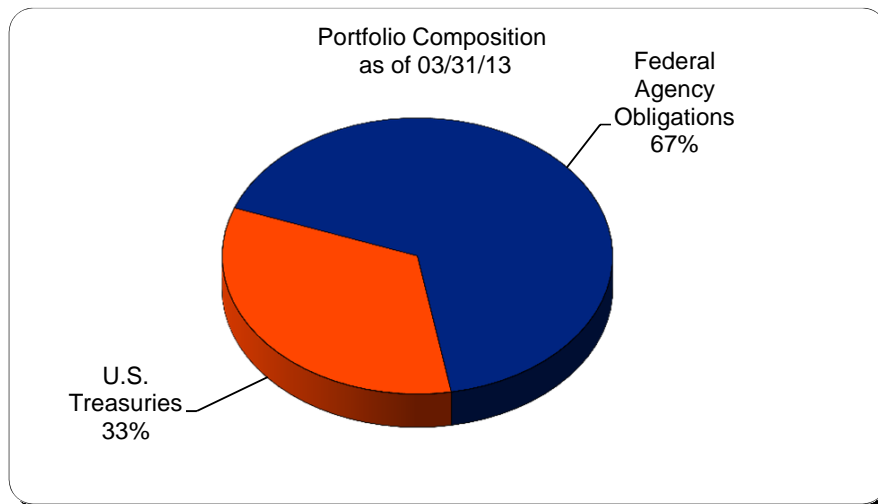


Notes:

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

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type<sup>1</sup></u>	<u>March 31, 2013</u>	<u>% of Portfolio</u>	<u>December 31, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$6,273,898.73	33.4%	\$6,297,823.42	33.4%
Federal Agencies	12,488,447.15	66.6%	12,529,819.57	66.6%
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>\$18,762,345.88</b>	<b>100.0%</b>	<b>\$18,827,642.99</b>	<b>100.0%</b>

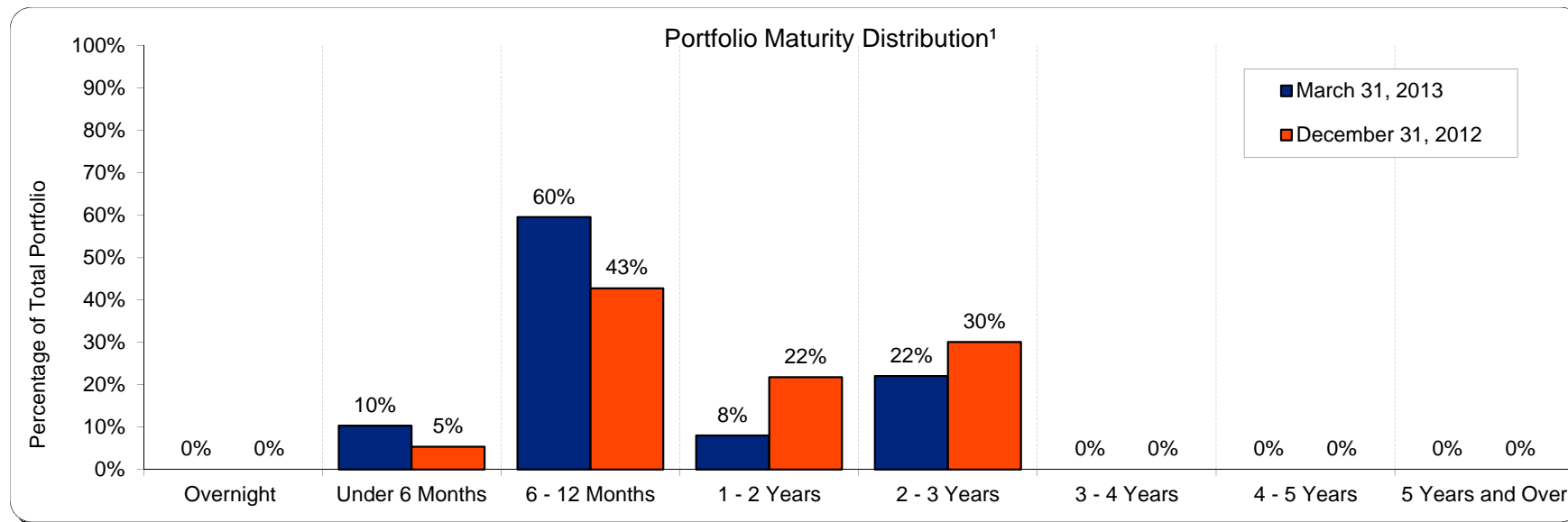


Notes:

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

Long Term Pooled Fund Portfolio Maturity Distribution

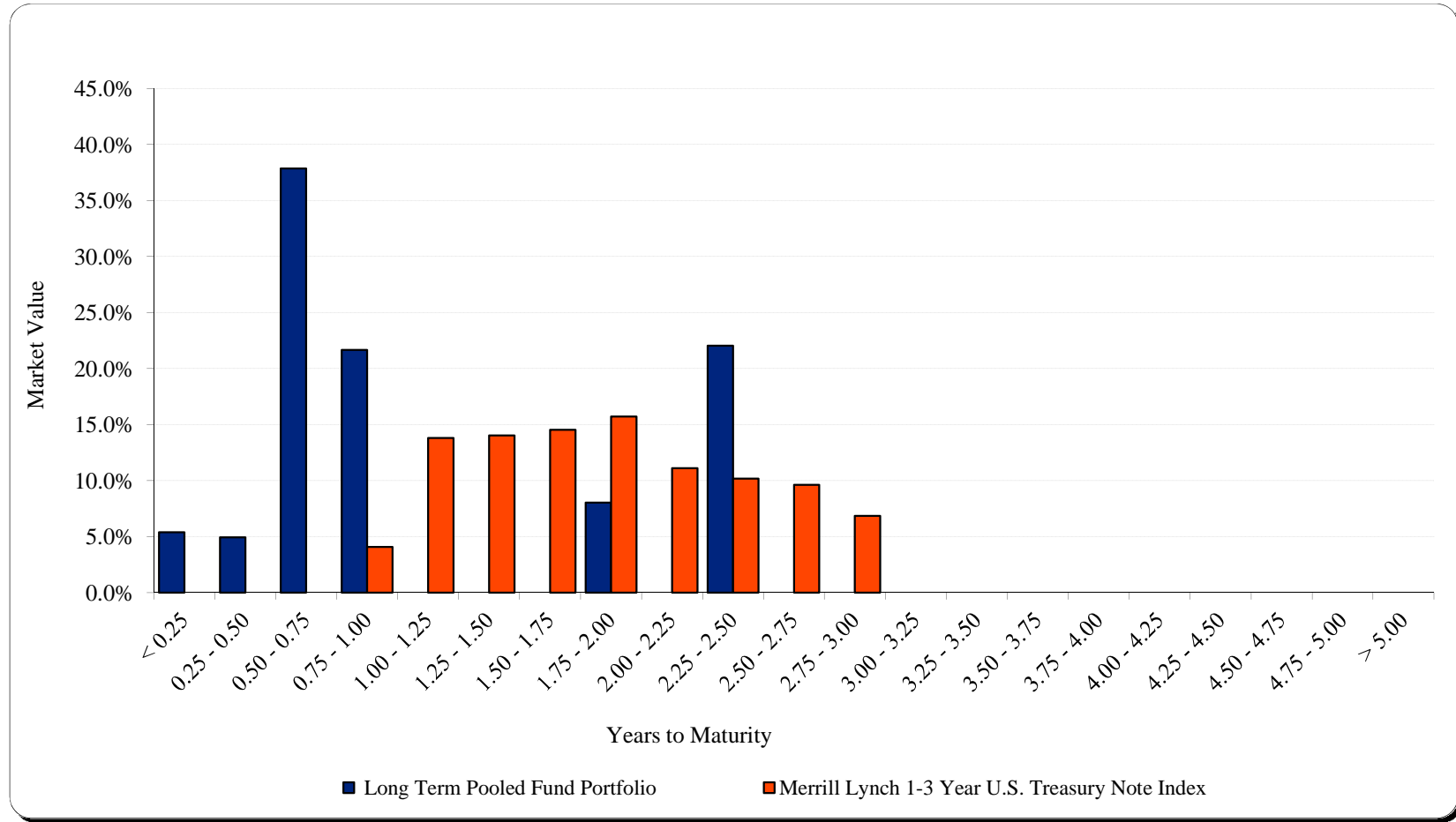
<u>Maturity Distribution<sup>1</sup></u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	1,941,834.68	1,013,146.54
6 - 12 Months	11,172,822.43	8,051,283.05
1 - 2 Years	1,511,086.99	4,100,070.06
2 - 3 Years	4,136,601.78	5,663,143.34
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$18,762,345.88</b>	<b>\$18,827,642.99</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.

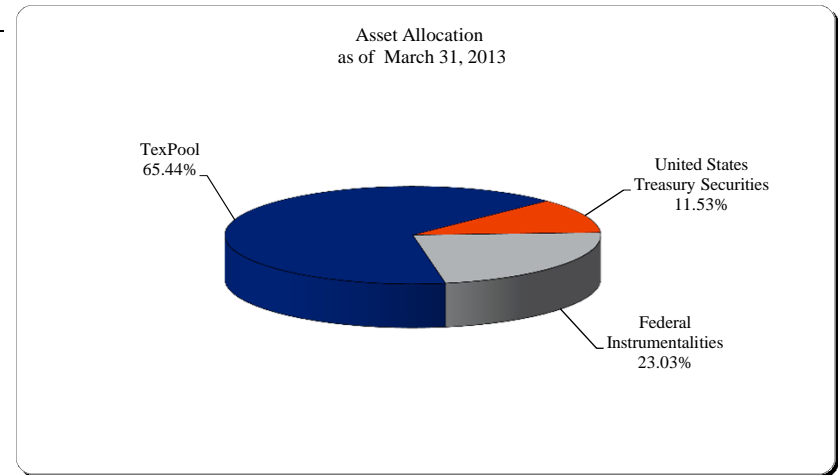
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark<sup>1</sup>



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>	March 31, 2013	March 31, 2013	Notes	Permitted by Policy
TexStar	-	0.00%		100%
TexPool	35,411,135.92	65.44%		100%
United States Treasury Securities	6,239,363.61	11.53%		100%
United States Government Agency Securities	-	0.00%		100%
Federal Instrumentalities	12,463,767.06	23.03%	1	100%
Mortgage-Backed Securities	-	0.00%	1	40%
Certificates of Deposit	-	0.00%		20%
Repurchase Agreements	-	0.00%		20%
Commercial Paper	-	0.00%		25%
Corporate Notes TLGP - FDIC insured	-	0.00%		50%
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	March 31, 2013	March 31, 2013	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)	2,992,616.38	5.53%		40%
Federal National Mortgage Association (FNMA)	6,656,273.80	12.30%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	2,814,876.88	5.20%		40%

Individual Issuer Breakdown	March 31, 2013	Notes	Permitted by Policy
-----------------------------	----------------	-------	---------------------

Notes:  
 1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of March 31, 2013 is 23.03%.  
 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 March 31, 2013, 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.

---

Brian Funderburk, Assistant City Manager

---

Alan Guard, Director of Financial Services

# TAB III

Insert Month End Statement here to complete the report.

Statements are available online at **[www.pfm.com](http://www.pfm.com)**  
login and click on the link to “Monthly Statements”  
on the left side of the screen.



# TAB IV