

City of Rowlett, Texas

Investment Performance Review
Quarter Ended March 31, 2012



Investment Advisors

Steven Alexander, CTP, CGFO, Managing Director
David Jang, CTP, Senior Managing Consultant
Gregg Manjerovic, CFA, Portfolio Manager
D. Scott Stitcher, CFA, Senior Managing Consultant
Rebecca Dole, CTP, Consultant
Jan Anguel, Consultant

PFM Asset Management LLC

300 S. Orange Avenue, Suite 1170	One Keystone Plaza, Suite 300
Orlando, FL 32801	North Front & Market Streets
(407) 648-2208	Harrisburg, PA 17101-2044
(407) 648-1323 fax	717-232-2723
	717-233-6073 fax

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TAB I

Summary

- During the first quarter, short- to intermediate-duration portfolios with diversified fixed-income holdings (including Agencies and corporate bonds) outpaced those that were invested solely in Treasuries.
- Increased optimism about the U.S. economic recovery, specifically a brighter outlook in the labor markets, contributed to a general reduction in risk premiums across asset classes.
- PFM Asset Management obtained value for clients by rotating into Treasuries, as well as into select corporates where appropriate, while moving away from Agencies and callable securities after their exceptional recent performance.

Economic News

Moderate economic growth in the U.S. continued for the quarter, while troubles in Europe were mitigated for the time being. Gross domestic product (GDP) in the U.S. for the fourth quarter of 2011 was up 3.0%, reflecting modest growth. This quarter was marked by a continuation of loose monetary policy worldwide. After Europe announced another round of long-term refinancing operations (LTRO) at the end of February to help stabilize its financial markets, other central banks followed suit, including the Bank of England and Bank of Japan, which announced further quantitative easing efforts during the quarter. In addition, China reduced its reserve ratio by 50 basis points.

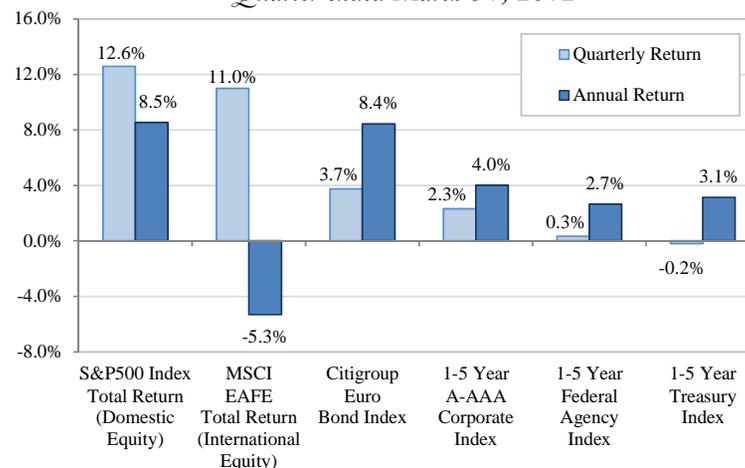
U.S. job market conditions improved during the quarter, as the unemployment rate fell to 8.3%. The labor force participation rate was reported at 63.8% in March, still well below 65.8%, the average level since 1980. The housing market remains lackluster,

with home prices at low levels and foreclosures still in the pipeline, but there have been gradual improvements. For example, homebuilder Lennar reported that new orders were up 33.3% in its earnings report released on March 27.

Oil prices rose to record levels during the quarter, but began to drop somewhat by the end of March. Consumer confidence and consumer spending had healthy results over the quarter, and manufacturing and services activity reflected continued expansion. Demand for riskier assets increased as a result of these positive developments, which led to the S&P 500 Index having its strongest first-quarter performance since 1998, as shown below.

Total Returns of Various Asset Classes

Quarter ended March 31, 2012

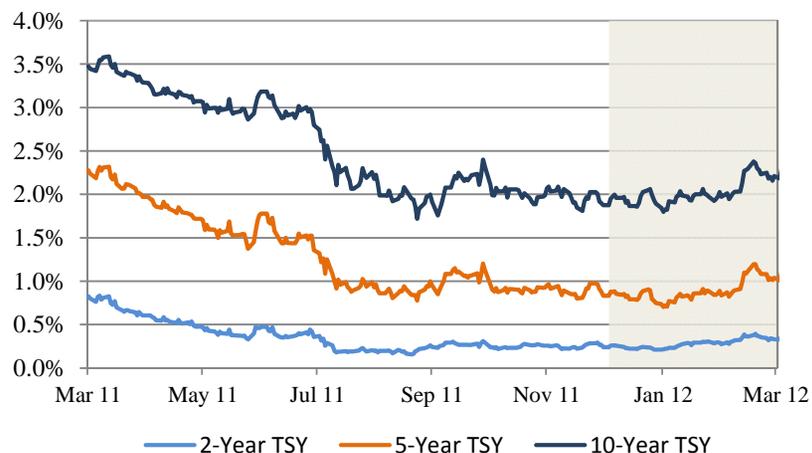


Sources: Bank of America Merrill Lynch, Citigroup, Bloomberg

Interest Rates

Short-term interest rates remained near zero, as the Federal Reserve (Fed) announced in January that it remains committed to keeping interest rates at low levels until at least late 2014. During the Federal Open Market Committee (FOMC) meeting in March, the FOMC’s economic outlook was relatively brighter. While another round of bond-buying efforts (or quantitative easing) was not ruled out, the stronger economic reports during the quarter suggest that it is considerably less likely. Core inflation remained steady and in line with the Fed’s target limits. Improvements in the U.S. economy pushed yields upward for Treasuries across maturities of six months and beyond, and the yield curve steepened notably.

2-Year, 5-Year, and 10-Year U.S. Treasury Note Yields
March 31, 2011 through March 31, 2012



Source: Bloomberg

The improvement in the jobs picture suggested the likelihood of fewer mortgage defaults, and therefore less risk for Fannie Mae and Freddie Mac. In addition, the federal housing agencies continued to reduce their debt issuance. As a result, Agencies generally performed well, as spreads to Treasuries narrowed markedly. Corporate bonds outperformed both Treasuries and Agencies, as optimism about the continued economic recovery and stronger corporate balance sheets drove demand.

Agency spreads narrowed from already low levels, and corporate spreads narrowed across the curve, especially on the front end. However, PFM Asset Management believes there is little value left in these sectors, as the yields that they provide are not enough of a trade-off in most cases to justify investments in these securities compared with Treasuries. The European debt crisis and the resolution of U.S. housing policy remain as risks to the outlook for the bond market.

U.S. Treasury Yields – Quarter and Year-over-Year Changes

Date	3-month	1-year	2-year	5-year	10-year	30-year
31-Mar-12	0.07%	0.17%	0.33%	1.04%	2.21%	3.34%
31-Dec-11	0.01%	0.10%	0.24%	0.83%	1.88%	2.89%
Change over Quarter	0.06%	0.07%	0.09%	0.21%	0.33%	0.44%
31-Mar-11	0.09%	0.27%	0.82%	2.28%	3.47%	4.51%
Change over Year	-0.03%	-0.11%	-0.49%	-1.24%	-1.26%	-1.17%

Source data: Bloomberg

PFM Outlook

While the economy shows signs of strengthening, uncertainties remain regarding the severity of the downturn in the European economy and the potential for slower growth in China. Interest rates are still range-bound, but the yield curve has steepened sharply. Currently, we do not believe that rates will head higher as the Fed is maintaining a loose monetary policy and inflation remains within the Fed's mandate of 2% for core personal consumption expenditures.

Oil prices are higher, but as yet they do not seem to be adversely impacting manufacturing activity or consumer spending, and the mild winter has contributed to this being less of a threat to growth.

Core inflation has remained mostly stable, driven by a lack of wage pressure. The Fed continues to discuss the possibility of another round of quantitative easing, but as the U.S. economic recovery seems to be on track, further Fed action looks less likely.

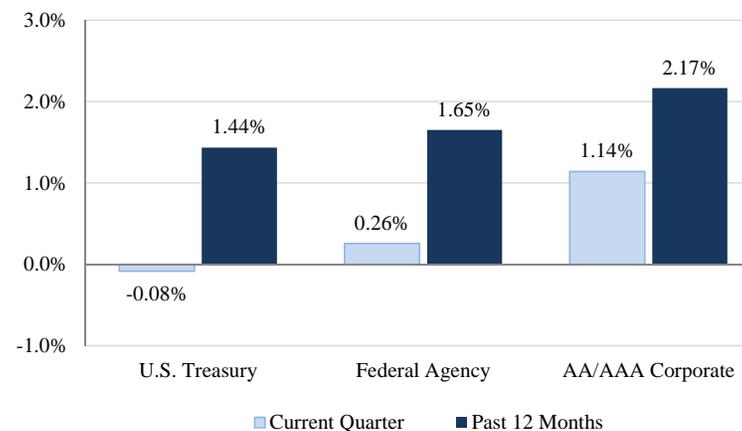
Because of some uncertainty surrounding federal housing policy and ongoing litigation over mortgage originations, we believe that mortgage-backed securities have some degree of event risk at this time. In the money market sector, we expect that short rates will drift lower as seasoned Treasury bills mature, LIBOR stabilizes, and bank deposit issuers resort to alternative financing. Since corporate spreads have tightened significantly over the quarter, we do not see value in this space now. Our feeling about Agencies is similar, so we are focusing on the value that the Treasury space represents.

Returns for 2-Year, 5-Year and 10-Year Treasuries
Quarter ended March 31, 2012



Source: Bloomberg

Duration-Adjusted Returns for Fixed-Income Securities
Quarter ended March 31, 2012



Source: Bloomberg

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.

TAB II

Executive Summary

PORTFOLIO STRATEGY

- The City's Pooled Fund and Long Term Pooled Fund Portfolios are of high credit quality and invested in U.S. Treasury, Federal Agency, high quality commercial paper securities.
- In the first quarter, the so called "risk-on" trade benefited investors across the board – and to a general extent, the riskier the asset, the better the performance. As risk aversion waned in the first quarter, spreads narrowed considerably. As a result, spread product, such as corporates, performed exceptionally well. Because rates rose in the quarter, most U.S. Treasuries indices posted negative returns, making them the poorest performing sector and ending the three quarter streak in which Treasuries outperformed Agencies.
- For most of the first quarter, Treasury yields stayed within the established ranges they had been in since August 2011. However, in mid-March, yields moved sharply higher to 8-month highs. Despite the move higher, we concluded that this did not represent a fundamental change in the marketplace nor did it warrant a significant change in strategy. The Fed has committed to keep low rates through late 2014 and economic conditions continue to reflect only moderate growth. We used higher rates as an opportunity to modestly extend Long Term Pooled Funds Portfolio's duration.
- The Long Term Pooled Fund Portfolio's quarterly total return performance of 0.09% outperformed the benchmark performance of -0.08% by 0.17%. This is attributed to the continued pay-off from agency positions and intra-quarter management of durations which capitalized on the rate rise.
- Several months of stronger economic news has improved the outlook for the U.S. economy, but we expect interest rates to remain range-bound due to the Fed's loose monetary policy, lingering worries about Europe and China, and moderate levels of inflation in core prices. In particular, the fed funds target rate – set at 0.00% to 0.25% since December 2008 – creates a strong anchor holding down short and intermediate-term rates for the foreseeable future.
- With short-term investments pegged near zero and interest rates likely to stay within a range, investments with longer maturities are attractive for their higher income generation and roll-down potential. Roll-down has remained a significant contributor to performance over time, and we think that will continue in the second quarter. We plan to keep portfolio durations near that of the benchmark, with just a slight conservative to provide flexibility. We are a bit more cautious on maturities beyond 5 years, which have much greater sensitivity to yield changes.
- As always, we strive to maintain the safety of principal, while at the same time seeking opportunities to add value. 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 Fund and Long Term Pooled Fund 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 0.69%, exceeding the Yield to Maturity of its benchmark TexPool by 57 basis points (0.57%).

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, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012
Pooled Funds	\$999,465.56	\$5,402,170.82	\$999,643.00	\$5,403,055.78	0.150
Long Term Pooled Funds	18,830,795.92	18,855,207.19	18,929,077.15	18,998,278.69	1.550
TexPool	35,796,695.58	29,848,306.88	35,796,695.58	29,848,306.88	0.003
Total	\$55,626,957.06	\$54,105,684.89	\$55,725,415.73	\$54,249,641.35	0.531

Yields Account Name	Yield to Maturity on Cost*	Yield to Maturity on Cost*	Yield to Maturity at Market	Yield to Maturity at Market	Duration (Years)
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	December 31, 2011
Pooled Funds	0.37%	0.30%	0.24%	0.17%	0.140
Long Term Pooled Funds	0.71%	0.95%	0.33%	0.31%	1.470
TexPool ⁵	0.12%	0.08%	0.12%	0.08%	0.003
Weighted Average YTM	0.32%	0.41%	0.19%	0.17%	0.530

PFM Managed Portfolios Weighted Average YTM 0.69%

Monthly Interest earnings YTD ^{6,7}	
October 2011	\$13,301.10
November 2011	\$9,773.96
December 2011	\$2,811.86
January 2012	24,409.31
February 2012	(2,521.21)
March 2012	2,141.77
April 2012	
May 2012	
June 2012	
July 2012	
August 2012	
September 2012	

Notes:

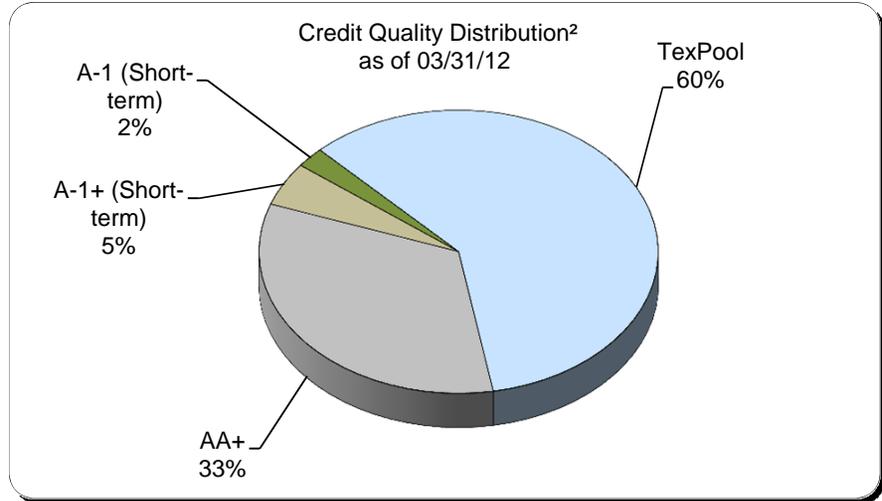
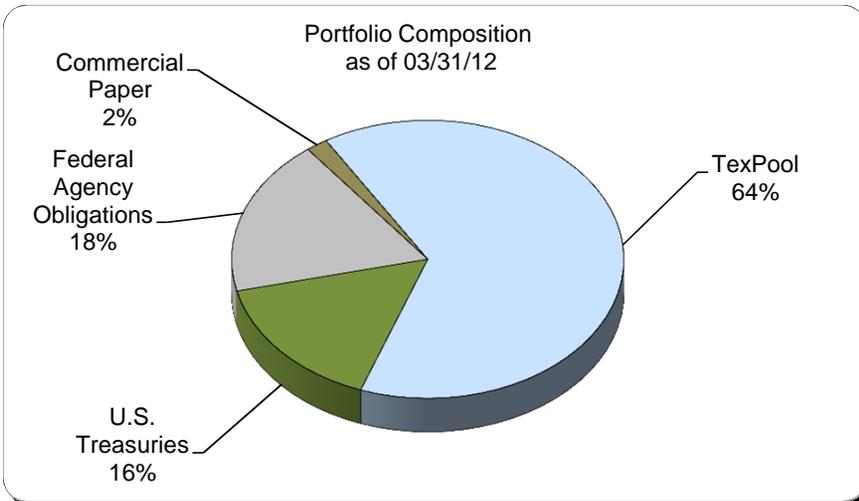
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					12/31/2011	12/31/2011	12/31/2011	3/31/2012	3/31/2012	3/31/2012	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	29,848,306.88	29,848,306.88	0.00	35,796,695.58	35,796,695.58	19.93%
					\$0.00	\$29,848,306.88	\$29,848,306.88	\$0.00	\$35,796,695.58	\$35,796,695.58	19.93%
TOTAL					\$0.00	\$29,848,306.88	\$29,848,306.88	\$0.00	\$35,796,695.58	\$35,796,695.58	19.93%
POOLED FUNDS											
US TSY BOND/NOTE											
912828MJ6	US TREASURY NOTES	\$1,000,000	0.875	01/31/12	\$3,661.68	\$1,000,430.64	\$1,000,625.00	\$0.00	\$0.00	\$0.00	0.00%
		\$1,000,000			\$3,661.68	\$1,000,430.64	\$1,000,625.00	\$0.00	\$0.00	\$0.00	-100.00%
COMMERCIAL PAPER											
6555P0EP0	NORDEA NORTH AMERICA INC COMM	\$1,000,000	0.000	05/23/12	\$0.00	\$0.00	\$0.00	\$0.00	\$999,465.56	\$999,643.00	0.00%
9033E0BQ8	US BANK NA COMM PAPER	1,400,000	0.000	02/24/12	0.00	1,399,496.00	1,399,235.60	0.00	0.00	0.00	0.00%
89233GBQ8	TOYOTA MOTOR CREDIT CORP COMM PA	1,500,000	0.000	02/24/12	0.00	1,499,212.50	1,499,709.00	0.00	0.00	0.00	0.00%
36959RBQ7	GENERAL ELEC CAP SVCS COMM PAPER	1,500,000	0.000	02/24/12	0.00	1,499,370.00	1,499,824.50	0.00	0.00	0.00	0.00%
		\$1,000,000			\$0.00	\$4,398,078.50	\$4,398,769.10	\$0.00	\$999,465.56	\$999,643.00	-77.27%
TOTAL		\$2,000,000.00			\$3,661.68	\$5,398,509.14	\$5,399,394.10	\$0.00	\$999,465.56	\$999,643.00	-81.486%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
31398AVD1	FNMA GLOBAL NOTES	\$1,500,000	2.750	02/05/14	\$0.00	\$0.00	\$0.00	\$6,416.67	\$1,567,121.03	\$1,566,688.50	0.00%
31398AYM8	FNMA NOTES	1,570,000	1.750	08/10/12	10,761.04	1,568,015.91	1,584,712.47	0.00	0.00	0.00	0.00%
31398AJ94	FNMA GLOBAL NOTES	1,005,000	1.750	05/07/13	2,638.13	1,003,486.64	1,023,846.77	7,035.00	1,003,764.01	1,020,830.76	-0.29%
3133XGVF8	FHLB GLOBAL BONDS	905,000	5.125	08/14/13	17,650.64	964,231.33	974,599.93	6,055.33	955,150.41	964,831.36	-1.00%
3137EACL1	FHLMC NOTES	810,000	0.875	10/28/13	1,240.31	810,540.41	816,342.30	3,012.19	810,466.88	816,646.86	0.04%
3133XSAE8	FHLB GLOBAL BENCHMARK NOTES	2,000,000	3.625	10/18/13	14,701.39	2,115,122.82	2,113,758.00	32,826.39	2,099,163.70	2,100,246.00	-0.64%
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	1,250.00	1,997,420.08	1,996,770.00	3,125.00	1,997,758.04	2,000,406.00	0.18%
31398A5W8	FNMA NOTES	1,600,000	0.750	12/18/13	433.33	1,609,593.38	1,606,108.80	3,433.33	1,608,376.29	1,611,041.60	0.31%
		\$5,790,000			\$48,674.84	\$10,068,410.57	\$10,116,138.27	\$61,903.91	\$10,041,800.36	\$10,080,691.08	-0.35%
US TSY BOND/NOTE											
912828RZ5	US TREASURY NOTES	\$1,510,000	0.250	1/15/2015	\$0.00	\$0.00	\$0.00	\$798.56	\$1,507,606.94	\$1,500,091.38	0.00%
912828LB4	US TREASURY NOTES	1,500,000	1.500	7/15/2012	10,394.02	1,499,935.76	1,511,308.50	0.00	0.00	0.00	0.00%
912828PD6	US TREASURY NOTES	1,620,000	0.375	10/31/2012	1,034.75	1,619,573.83	1,623,227.04	2,553.50	1,619,702.08	1,621,961.72	-0.08%
912828QL7	US TREASURY NOTES	2,500,000	0.750	3/31/2013	4,764.34	2,498,466.80	2,517,382.50	51.23	2,498,771.30	2,512,890.00	-0.18%
912828PU8	US TREASURY NOTES	600,000	0.500	11/15/2013	387.36	595,389.96	602,765.40	1,137.36	596,001.49	601,804.80	-0.16%
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	9,271.98	2,498,902.98	2,552,929.69	1,443.61	2,499,025.58	2,543,750.00	-0.36%
		\$10,230,000			\$25,852.45	\$8,712,269.33	\$8,807,613.13	\$5,984.26	\$8,721,107.39	\$8,780,497.90	-0.31%
TOTAL		\$16,020,000			\$74,527.29	\$18,780,679.90	\$18,923,751.40	\$67,888.17	\$18,762,907.75	\$18,861,188.98	-0.331%
TOTAL PORTFOLIO		\$18,020,000			\$78,188.97	\$54,027,495.92	\$54,171,452.38	\$67,888.17	\$55,559,068.89	\$55,657,527.56	2.74%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>March 31, 2012</u>	<u>% of Portfolio</u>	<u>December 31, 2011</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$8,786,482.16	15.8%	\$9,837,752.26	4.4%
Federal Agencies	10,142,594.99	18.2%	10,164,813.11	49.1%
Commercial Paper	999,643.00	1.8%	4,398,769.10	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	35,796,695.58	64.2%	29,848,306.88	46.5%
Totals	\$55,725,415.73	100.0%	\$54,249,641.35	100.0%

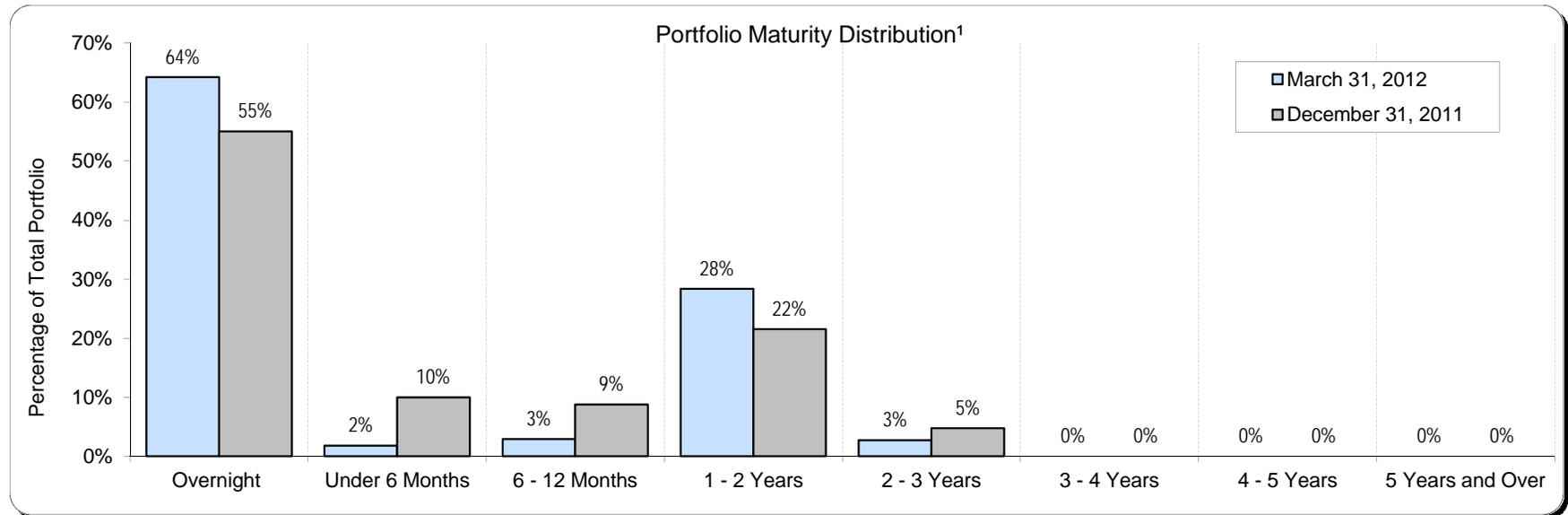


Notes:

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 Distribution</u> ¹	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Overnight (Money Market Fund)	\$35,796,695.58	\$29,848,306.88
Under 6 Months	999,643.00	5,403,055.78
6 - 12 Months	1,624,515.22	4,741,437.82
1 - 2 Years	15,803,671.99	11,694,639.20
2 - 3 Years	1,500,889.94	2,562,201.67
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$55,725,415.73	\$54,249,641.35



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
1/31/2012		
January Market Value	66,531,100.82	1 Account Summary Page
January Accrued Interest	92,325.63	2 Account Summary Page
Less (Purchases & Deposits)	(16,453,085.80)	3 Security Transactions & Interest
Less Purchased Interest	(20,332.60)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	4,093,169.97	5 Security Transactions & Interest
Add Interest Receipts	32,515.12	6 Security Transactions & Interest
Less December Market Value	(54,171,452.38)	7 Account Summary Page
Less December Accrued Interest	(78,188.97)	8 Account Summary Page
Earnings	26,051.79	

Change in Investment Market Value	12,359,648.44	(1 - 7)
Change in Accrued Interest	14,136.66	(2 - 8)
Change in Cash	(12,347,733.31)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>		Debit	Credit
Cash			12,359,915.83
Investments	12,359,648.44		
Investment Income	267.39		
	To record investment income/changes		
Cash		12,182.52	
Accrued Interest		14,136.66	
Investment Income			26,319.18
	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		
2/29/2012	Market Value Basis	Source Document
February Market Value	56,901,339.51	1 Account Summary Page
February Accrued Interest	70,534.64	2 Account Summary Page
Less (Purchases & Deposits)	(7,385,007.41)	3 Security Transactions & Interest
Less Purchased Interest		4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	16,991,690.71	5 Security Transactions & Interest
Add Interest Receipts	46,677.79	6 Security Transactions & Interest
Less January Market Value	(66,533,951.30)	7 Account Summary Page
Less January Accrued Interest	(92,325.63)	8 Account Summary Page
Earnings	(1,041.69)	

Change in Investment Market Value	-9,632,611.79	(1 - 7)
Change in Accrued Interest	(21,790.99)	(2 - 8)
Change in Cash	9,653,361.09	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	9,606,683.30		Security Transactions & Interest
Investments		9,632,611.79	Amortization/Accretion
Investment Income	25,928.49		Earnings
To record investment income/changes			
Cash	46,677.79		Security Transactions & Interest
Accrued Interest		21,790.99	Accrued Interest Difference
Investment Income		24,886.80	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
3/31/2012			
March Market Value		55,653,964.69	1 Account Summary Page
March Accrued Interest		67,888.17	2 Account Summary Page
Less (Purchases & Deposits)		(1,272,193.25)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		2,500,000.00	5 Security Transactions & Interest
Add Interest Receipts		28,562.87	6 Security Transactions & Interest
Less February Market Value		(56,904,201.67)	7 Account Summary Page
Less February Accrued Interest		(70,534.64)	8 Account Summary Page
Earnings		3,486.17	

Change in Investment Market Value	(1,250,236.98)	(1 - 7)
Change in Accrued Interest	(2,646.47)	(2 - 8)
Change in Cash	1,256,369.62	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	1,227,806.75		Security Transactions & Interest
Investments		1,250,236.98	Amortization/Accretion
Investment Income	22,430.23		Earnings
To record investment income/changes			
Cash	28,562.87		Security Transactions & Interest
Accrued Interest		2,646.47	Accrued Interest Difference
Investment Income		25,916.40	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, 2012	Amortized Cost ^{1,2,3} December 31, 2011	Market Value^{1,2,3} March 31, 2012	Market Value ^{1,2,3} December 31, 2011	Duration (Years) March 31, 2012
Pooled Funds	\$999,465.56	\$5,402,170.82	\$999,643.00	\$5,403,055.78	0.150

<u>Account Name</u>	Yield to Maturity on Cost⁴ March 31, 2012	Yield to Maturity on Cost ⁴ December 31, 2011	Yield to Maturity at Market March 31, 2012	Yield to Maturity at Market December 31, 2011	Duration (Years) December 31, 2011
Pooled Funds	0.37%	0.30%	0.24%	0.17%	0.140

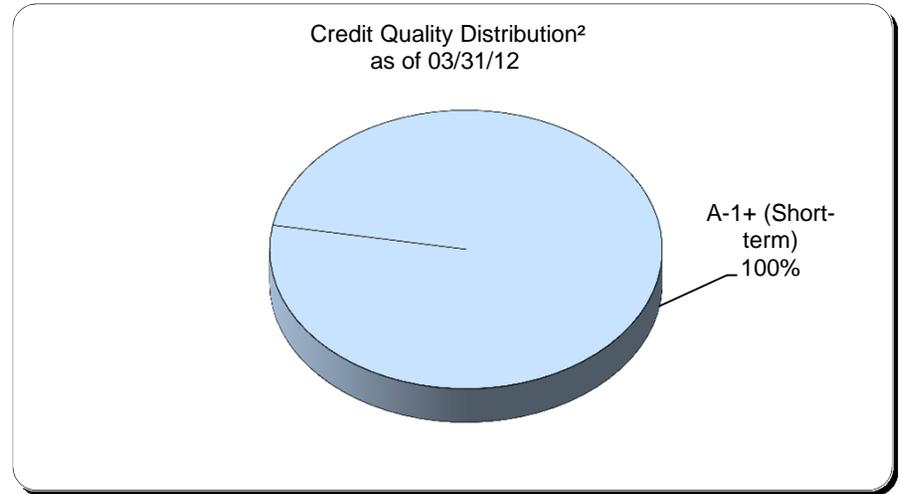
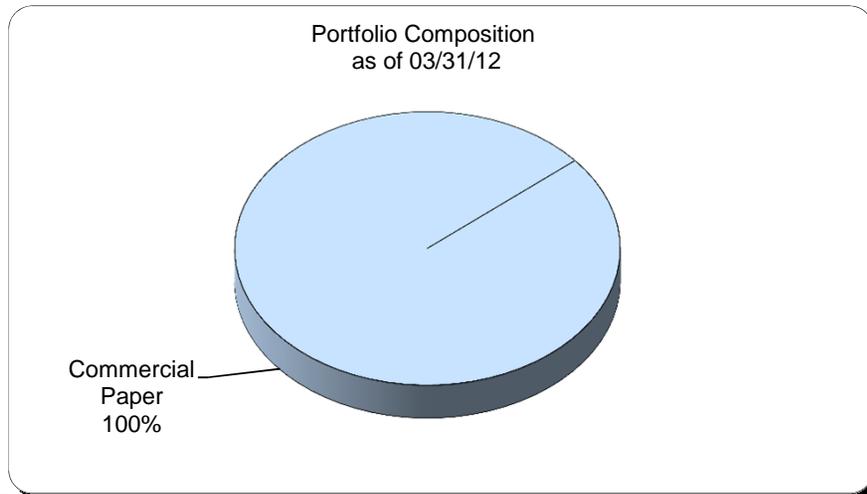
<u>Benchmarks⁵</u>	March 31, 2012	December 31, 2011
TexPool ⁶	0.12%	0.08%

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 March 31, 2012.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2012</u>	<u>% of Portfolio</u>	<u>December 31, 2011</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$1,004,286.68	18.6%
Federal Agencies	0.00	0.0%	0.00	0.0%
Commercial Paper	999,643.00	100.0%	4,398,769.10	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%
Totals	\$999,643.00	100.0%	\$5,403,055.78	100.0%

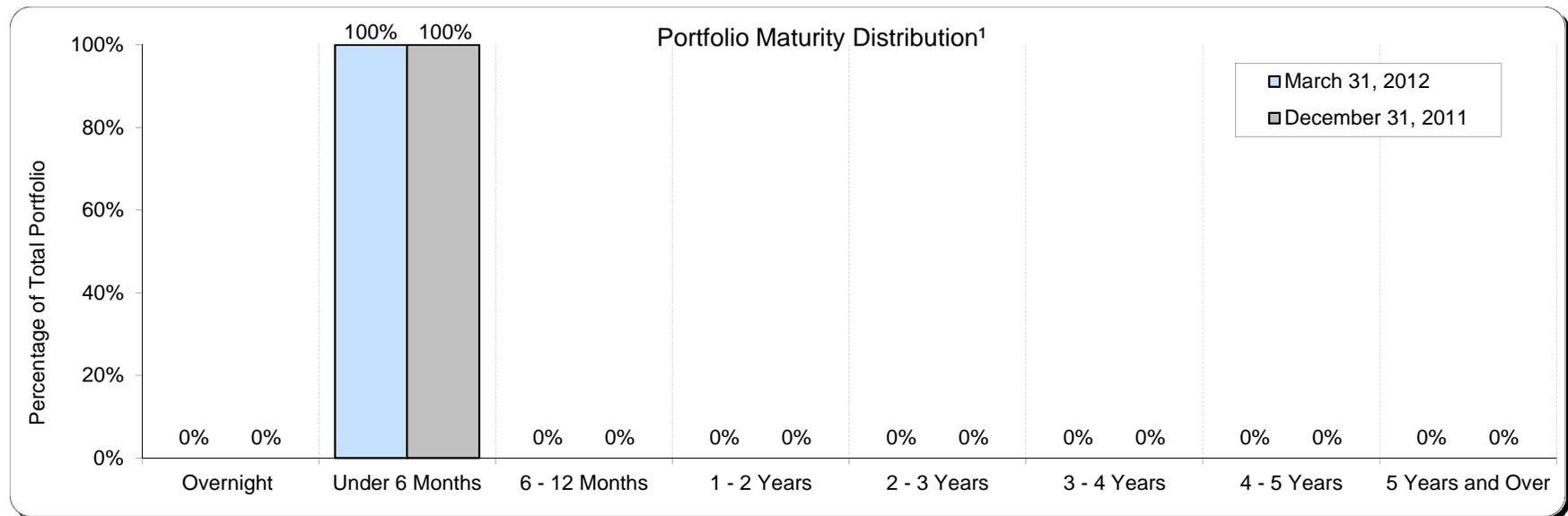


Notes:

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.

Pooled Funds Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	999,643.00	5,403,055.78
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
Totals	\$999,643.00	\$5,403,055.78



Notes:

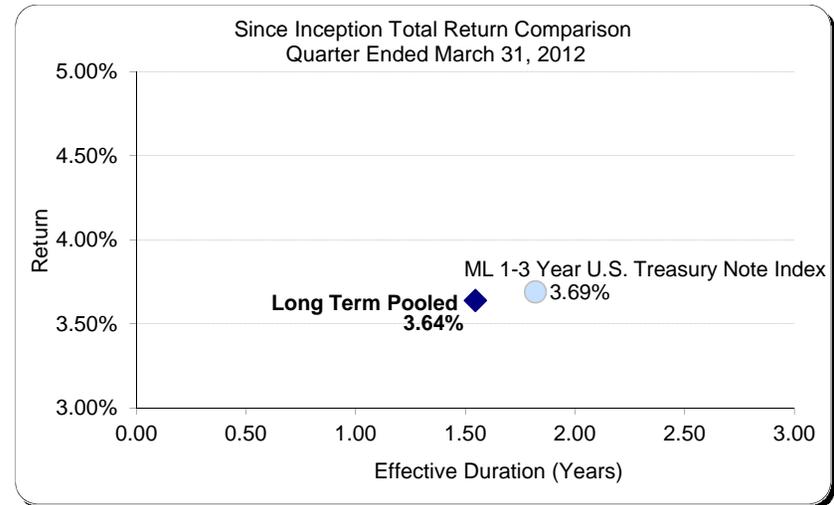
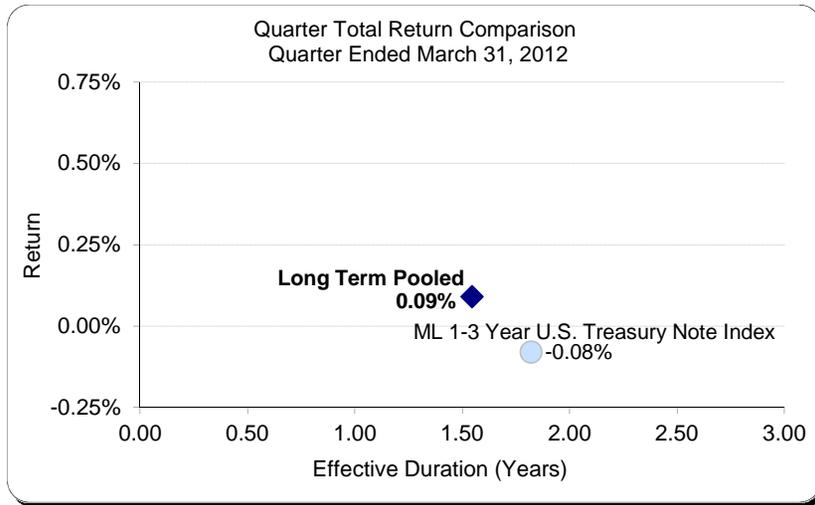
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ^{1,2}	March 31, 2012	December 31, 2011
Market Value	\$18,929,077.15	\$18,998,278.69
Amortized Cost	\$18,830,795.92	\$18,855,207.19

Total Return ^{1,2,3,4,5,7,8}	Quarterly Return March 31, 2012	Year to Date	Last 12 Months	Last 24 Months	Since Inception 6/30/2006
Long Term Pooled Fund	0.09%	0.09%	1.28%	1.45%	3.64%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	-0.08%	-0.08%	1.44%	1.55%	3.69%

Effective Duration(Years)	March 31, 2012	December 31, 2011	Yields	March 31, 2012	December 31, 2011
Long Term Pooled Fund	1.55	1.47	Yield at Market	0.33%	0.31%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.82	1.81	Yield at Cost	0.71%	0.95%
Portfolio Duration % of Benchmark Duration	85%	81%			

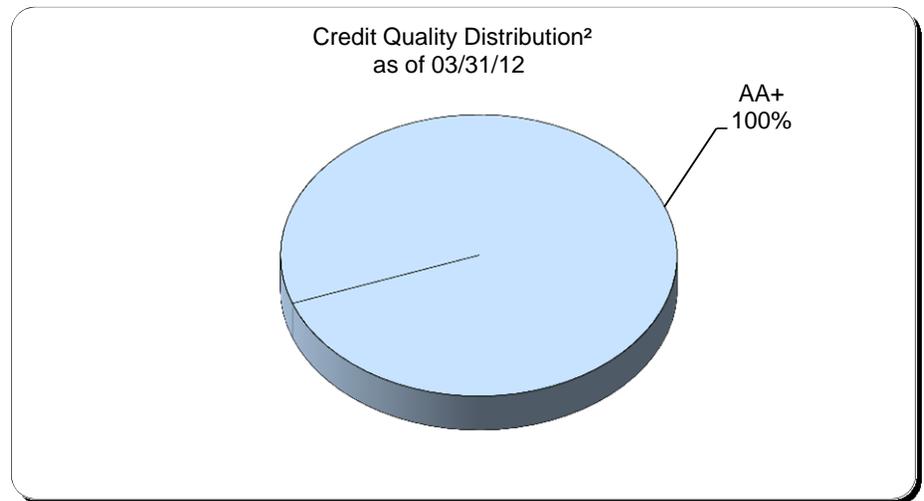
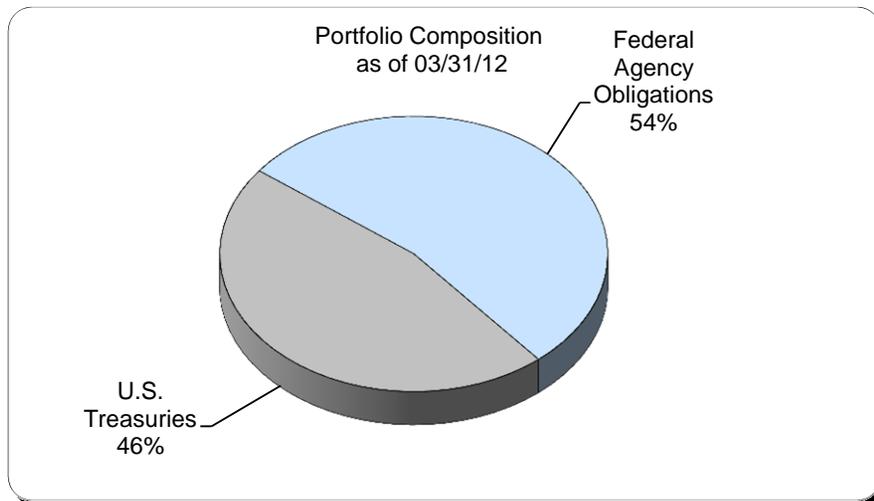


Notes:

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 Type¹</u>	<u>March 31, 2012</u>	<u>% of Portfolio</u>	<u>December 31, 2011</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$8,786,482.16	46.4%	\$8,833,465.58	46.5%
Federal Agencies	10,142,594.99	53.6%	10,164,813.11	53.5%
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	\$18,929,077.15	100.0%	\$18,998,278.69	100.0%

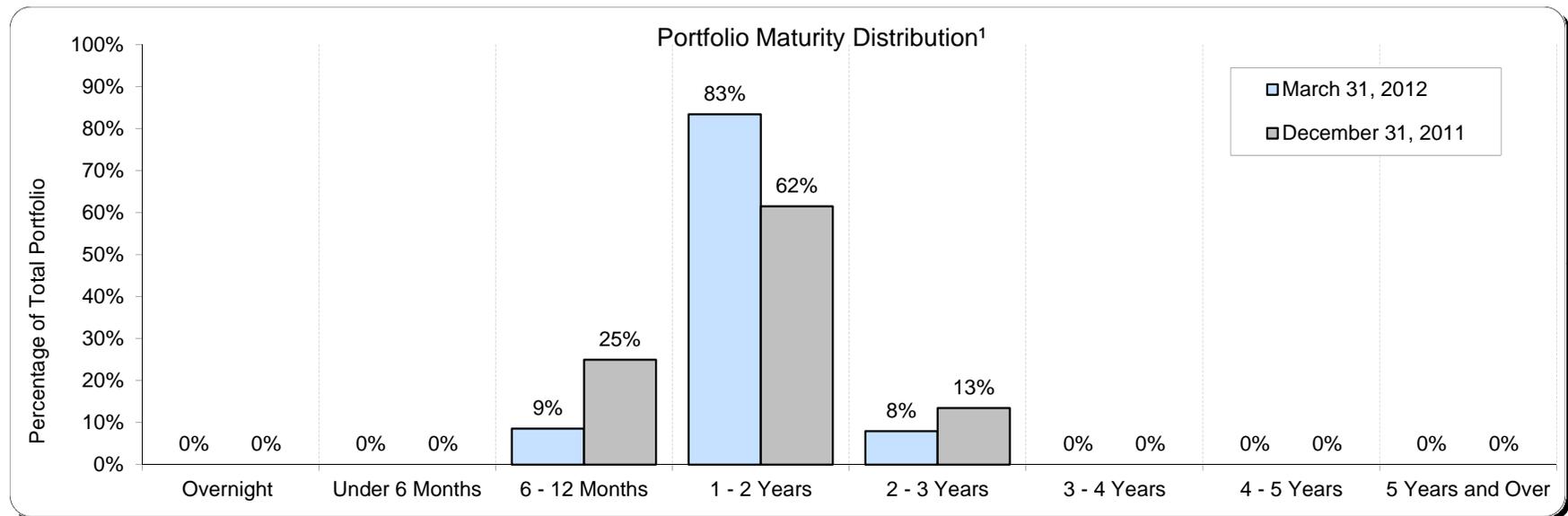


Notes:

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

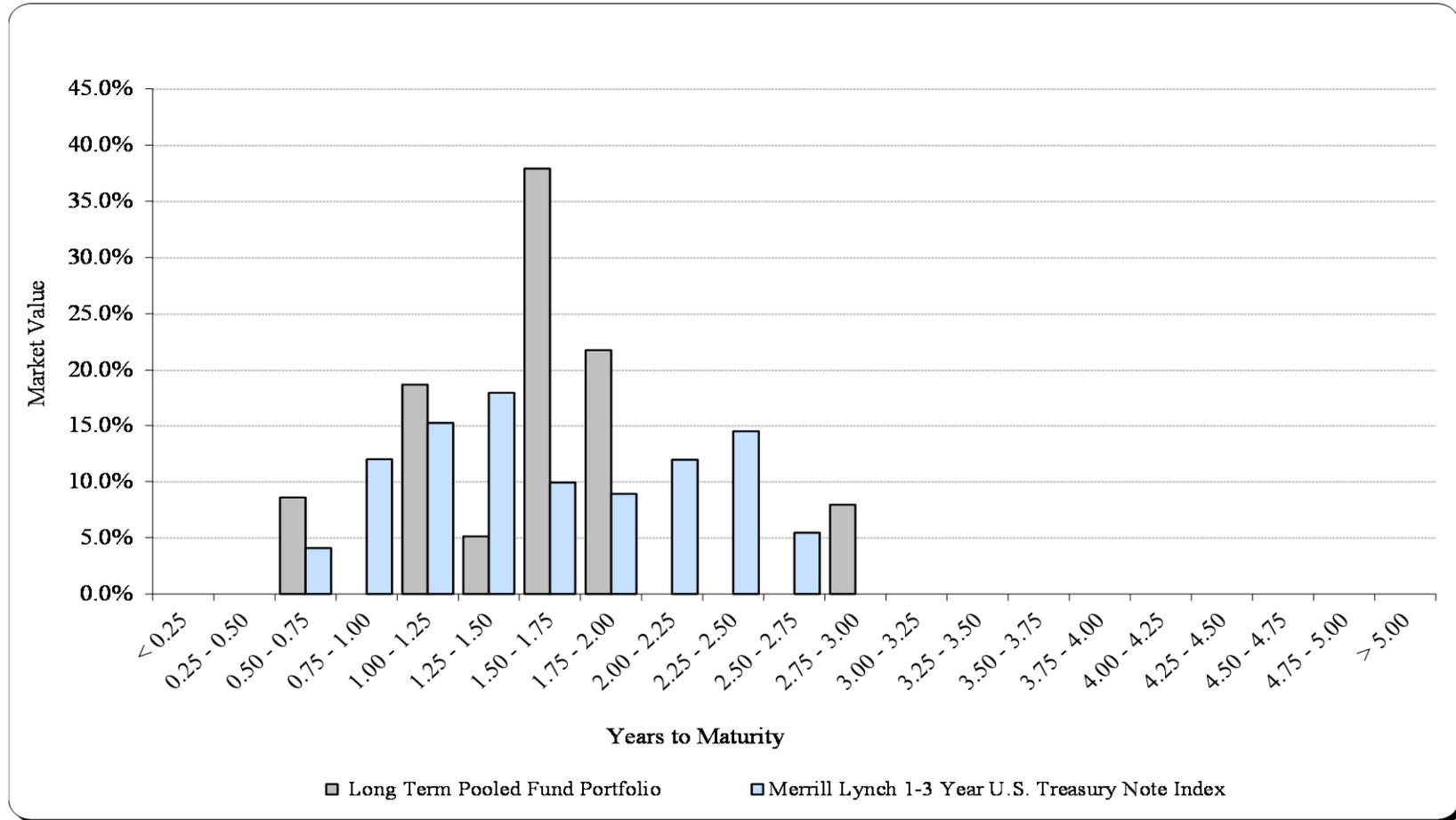
<u>Maturity Distribution¹</u>	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	1,624,515.22	4,741,437.82
1 - 2 Years	15,803,671.99	11,694,639.20
2 - 3 Years	1,500,889.94	2,562,201.67
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$18,929,077.15	\$18,998,278.69



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.

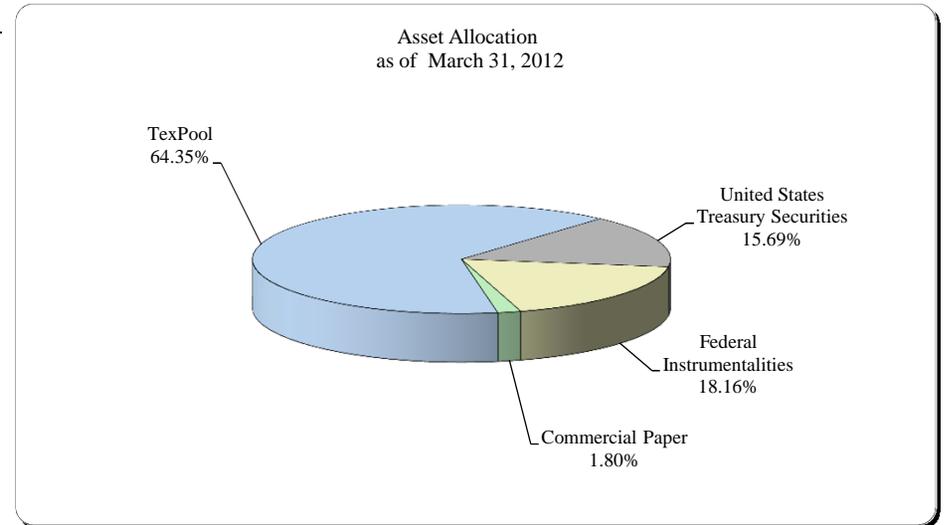
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark¹



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 ²	March 31, 2012	Notes	Permitted by Policy
TexStar	0.00%		100%
TexPool	64.35%		100%
United States Treasury Securities	15.69%		100%
United States Government Agency Securities	0.00%		100%
Federal Instrumentalities	18.16%	1	100%
Certificates of Deposit	0.00%		20%
Repurchase Agreements	0.00%		20%
Commercial Paper	1.80%		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	March 31, 2012	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)	5.56%		40%
Federal National Mortgage Association (FNMA)	7.54%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	5.06%		40%
Student Loan Marketing Association (SLMA)	0.00%		N/A

Individual Issuer Breakdown	March 31, 2012	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%
Nordea North America CP	1.80%		5%
CP B	0.00%		5%
CP C	0.00%		5%
CP D	0.00%		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 March 31, 2012 is 18.16%.
 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, 2012, 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

Ann M. Honza, Director of Financial Services