

City of Rowlett, Texas



Investment Performance Review Quarter Ended December 31, 2015

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Table of Contents

Tab I.

- A. Market Review

Tab II.

- B. Portfolio Summary of All Accounts
- C. Pooled Funds
- D. Long Term Pooled Fund
- E. Asset Allocation Chart as of December 31, 2015
- F. Investment Officer's Certification

- Tab III. October 31, 2015 PFM Month-End Statement
November 30, 2015 PFM Month-End Statement
December 31, 2015 PFM Month-End Statement
(statements are available online at www.pfm.com)

- Tab IV. October 31, 2015 TexPool Month End Statements
November 30, 2015 TexPool Month End Statements
December 31, 2015 TexPool Month End Statements

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TAB I

Summary

- The Federal Open Market Committee (FOMC) increased the target federal funds rate by 25 basis points (bps) (0.25%) at its December meeting — its first rate hike since 2006. In doing so, the FOMC stressed its intention to normalize rates at a gradual pace.
- The year ended with strong job growth momentum as the economy added 292,000 new jobs in December. This brought the 2015 tally to 2.65 million new jobs in total — enough to shrink the unemployment rate to 5%. Wage inflation edged up modestly, suggesting a chance for future inflation.
- While the Federal Reserve (Fed) took the first step to normalize interest rates, other central banks have continued to implement accommodative monetary policies. The European Central Bank (ECB) extended its monetary easing policy through the first quarter of 2017 and cut its deposit rate further into negative territory (-0.3%). The Bank of Japan (BOJ) and People’s Bank of China (PBOC) also remain accommodative.

Economic Snapshot

- U.S. gross domestic product (GDP) expanded at a 2% rate in the third quarter, down from the second quarter due to a reduction in inventory accumulation.
- In a year-end bipartisan negotiation, Congress passed a \$1.1 trillion spending and tax budget, which also lifted the 40-year ban on U.S. crude oil exports.
- Global commodity prices continued to fall, increasing concerns over global growth and the sustainability of producers within the energy sector. Headlining this rout were oil prices, which continued to slide, sinking to less than \$35 per barrel in December — the lowest level since February 2009.
- China continued to allow the yuan to weaken, ending the year at its lowest level versus the U.S. dollar in nearly six years. The Chinese economy continued to slow — stoking market concern over the world’s second-largest economy — though it is expected to meet its major economic targets for the year.

Interest Rates

- The new target range for the federal funds rate, as established by the FOMC, is 25 to 50 bps, ending the FOMC’s seven-year “zero interest rate policy.”
- Interest rates across the curve moved up significantly throughout the quarter, with the 10-year rising approximately 23 bps to 2.27% and the two-year moving almost 42 bps to 1.05%.
- On the shorter end, 12-month Treasury bills ticked up approximately 30 bps to 0.60%.

Sector Performance

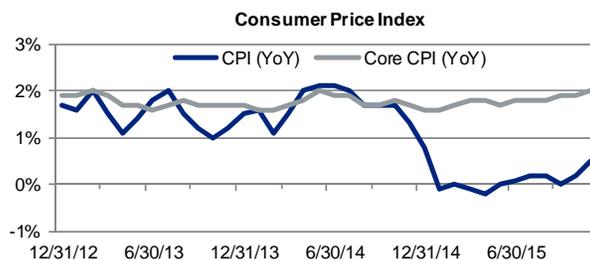
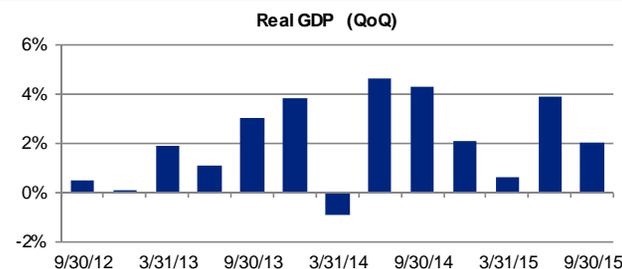
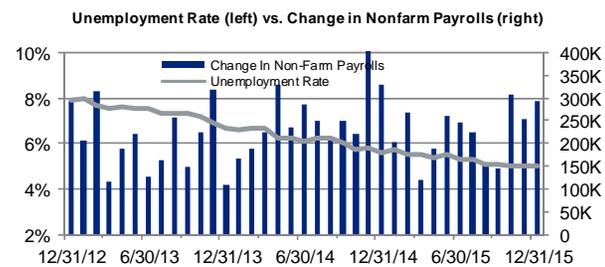
- U.S. Treasury benchmark returns were negative for all but the shortest maturities (six months and under), as rates rose across the curve. While the rate increase was less pronounced for longer maturities, their extended durations — and accompanying sensitivity to changes in rates — caused their performance to trail the greatest.
- Non-callable federal agency securities performed in line with comparable maturity Treasuries; callable securities modestly outperformed as their incremental yield helped as rates rose.
- Corporate yield spreads reversed the prior quarter’s widening, which helped the sector to outperform government-related sectors; however, absolute return was still negative. A-rated issuers were the best-performing quality category.
- Mortgage-backed securities (MBS) were among the strongest-performing sectors in the fourth quarter, aided by slowly rising long-term rates, which helped to slow prepayments; this was particularly true for higher coupon issues. MBS joined municipals as the lone sectors to produce positive performance for the quarter.

Economic Snapshot

Labor Market		Latest	Sep 2015	Dec 2014
Unemployment Rate	Dec'15	5.0%	5.1%	5.6%
Change In Non-Farm Payrolls	Dec'15	292,000	145,000	329,000
Average Hourly Earnings (YoY)	Dec'15	2.5%	2.3%	1.8%
Personal Income (YoY)	Nov'15	4.4%	4.6%	5.2%
Initial Jobless Claims (week)	1/1/16	277,000	276,000	293,000

Growth				
Real GDP (QoQ SAAR)	2015Q3	2.0%	3.9% ¹	4.3% ²
GDP Personal Consumption (QoQ SAAR)	2015Q3	3.0%	3.6% ¹	3.5% ²
Retail Sales (YoY)	Nov'15	1.4%	2.2%	3.3%
ISM Manufacturing Survey (month)	Dec'15	48.2	50.2	55.1
Existing Home Sales SAAR (month)	Nov'15	4.76 mil.	5.55 mil.	5.07 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Nov'15	0.4%	0.2%	0.8%
Consumer Price Index (YoY)	Nov'15	0.5%	0.0%	0.8%
Consumer Price Index Core (YoY)	Nov'15	2.0%	1.9%	1.6%
Crude Oil Futures (WTI, per barrel)	Dec 31	\$37.04	\$45.09	\$53.27
Gold Futures (oz.)	Dec 31	\$1,060	\$1,116	\$1,184



1. Data as of Second Quarter 2015

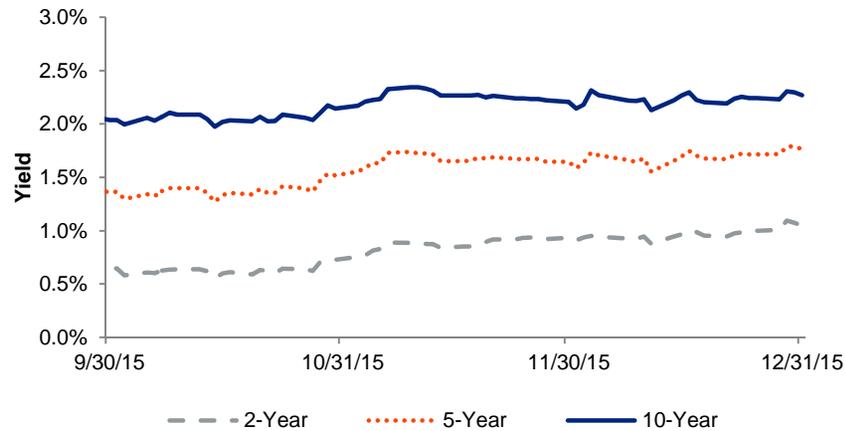
2. Data as of Third Quarter 2014

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

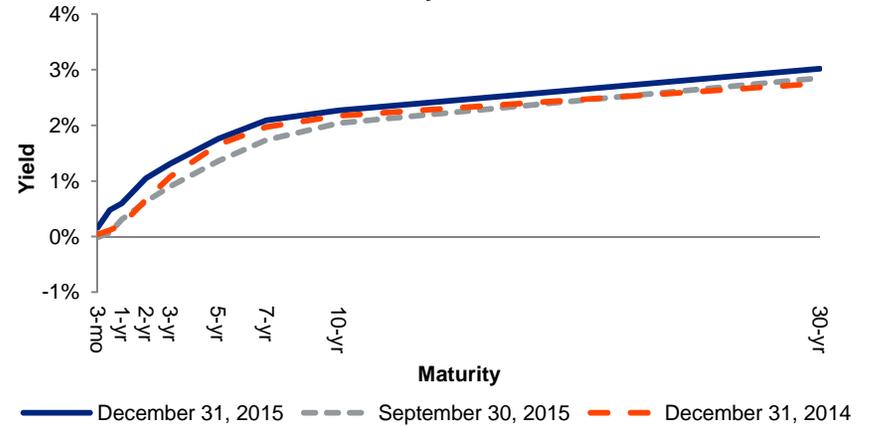
Source: Bloomberg

Investment Rate Overview

U.S. Treasury Note Yields



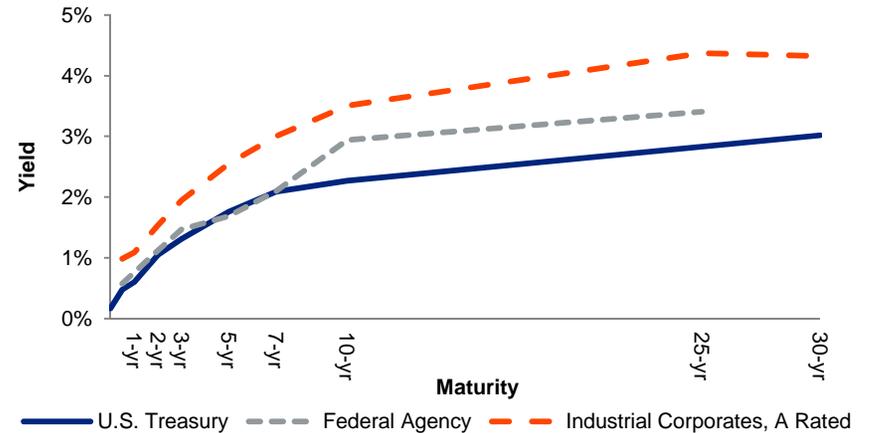
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	12/31/15	9/30/15	Change over Quarter	12/31/14	Change over Year
3-month	0.17%	(0.02%)	0.19%	0.04%	0.13%
1-year	0.60%	0.31%	0.29%	0.22%	0.38%
2-year	1.05%	0.63%	0.42%	0.67%	0.38%
5-year	1.76%	1.36%	0.40%	1.65%	0.11%
10-year	2.27%	2.04%	0.23%	2.17%	0.10%
30-year	3.02%	2.85%	0.17%	2.75%	0.27%

Yield Curves as of 12/31/2015



Source: Bloomberg

BofA Merrill Lynch Index Returns

	As of 12/31/2015		Returns for Periods ended 12/31/2015		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.87	1.06%	(0.44%)	0.54%	0.51%
Federal Agency	1.73	1.14%	(0.37%)	0.69%	0.61%
U.S. Corporates, A-AAA rated	1.90	1.82%	(0.05%)	1.16%	1.22%
Agency MBS (0 to 3 years)	1.89	1.46%	0.98%	1.68%	1.20%
Municipals	1.84	0.96%	(0.08%)	0.76%	0.85%
1-5 Year Indices					
U.S. Treasury	2.70	1.29%	(0.66%)	0.98%	0.67%
Federal Agency	2.20	1.31%	(0.49%)	0.97%	0.76%
U.S. Corporates, A-AAA rated	2.71	2.13%	(0.16%)	1.52%	1.59%
Agency MBS (0 to 5 years)	3.35	2.23%	0.16%	1.22%	1.69%
Municipals	2.52	1.15%	0.08%	1.20%	1.24%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.19	1.77%	(0.93%)	0.83%	1.09%
Federal Agency	3.75	1.69%	(0.65%)	0.99%	1.05%
U.S. Corporates, A-AAA rated	6.64	3.08%	(0.09%)	0.67%	1.97%
Agency MBS (0 to 30 years)	4.53	2.63%	(0.06%)	1.46%	2.00%
Municipals	6.74	2.34%	1.72%	3.55%	3.35%

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Indices

Disclosures

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TAB II

Executive Summary

PORTFOLIO STRATEGY

- The City's Pooled Funds and Long Term Pooled Fund Portfolios are of high credit quality and invested in a bank account, TexPool, U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- The Long Term Pooled Fund Portfolio's quarterly total return performance of -0.27%, outperformed the benchmark's performance of -0.44% by 0.17%. Over the last 12 months the Portfolio earned 0.51% versus 0.54% for the benchmark.
- The Pooled Funds Portfolio continues to provide the City with favorable yield relative to the benchmark. At quarter end, the portfolio had a Yield to Maturity at Cost of 0.39%, exceeding the Yield of its benchmark the TexPool by 13 basis points (0.13%).
- Ahead of the December FOMC meeting, market expectations were for an initial Fed Funds hike, supported by assurances that future policy changes would be gradual. Market reaction after the FOMC's announcement to raise the target range for the federal funds rate was relatively subdued, evidence that the action was in line with these expectations, a goal of the FOMC's effort to provide transparency to investors.
- Recent FOMC projections indicate that Committee members anticipate that three or four rate hikes may be appropriate in 2016 – projections that most market participants believe to be overstated. We believe that expectations for low inflation will limit this year's rate hikes to two or three, and that short term yields will trend only modestly higher in the near term. We expect long-term rates to remain within modest ranges, resulting in further flattening of the yield curve.
- We maintain the outlook that the economy will continue to expand at a moderate pace in the intermediate term. We will continue to monitor any spillover effect that modest global growth and muted inflation may have on the U.S. economy. These factors will help justify the FOMC's stated intention to remain patient in the pace at which it raises the federal funds rate.
- PFM will continue to navigate the market environment with a keen focus on relative value sector analysis, prudent duration management, and efficient yield curve placement. While producing strong investment returns remains a priority, it is secondary to maintaining safety and liquidity, particularly in the current environment where we expect yields to trend higher.

Summary Portfolio Statistics

Amortized Cost and Market Value Account Name	Amortized Cost ^{1,2,3}	Amortized Cost ^{1,2,3}	Market Value ^{1,2,3}	Market Value ^{1,2,3}	Duration (Years)
	December 31, 2015	September 30, 2015	December 31, 2015	September 30, 2015	December 31, 2015
Pooled Funds	\$1,099,332.66	\$2,197,493.24	\$1,099,247.60	\$2,197,620.70	0.160
Long Term Pooled Fund	13,571,086.34	13,611,068.76	13,547,319.18	13,653,862.15	1.560
TexPool	20,997,478.29	19,751,578.58	20,997,478.29	19,751,578.58	0.003
American National Bank of Texas	18,762,830.89	5,464,379.62	18,762,830.89	5,464,379.62	0.003
Total	\$54,430,728.18	\$41,024,520.20	\$54,406,875.96	\$41,067,441.05	0.394

Yields Account Name	Yield to Maturity at Cost ⁴	Yield to Maturity at Cost ⁴	Yield to Maturity at Market	Yield to Maturity at Market	Duration (Years)
	December 31, 2015	September 30, 2015	December 31, 2015	September 30, 2015	September 30, 2015
Pooled Funds	0.39%	0.39%	0.43%	0.33%	0.290
Long Term Pooled Fund	0.88%	0.78%	0.99%	0.56%	1.420
TexPool ⁵	0.26%	0.09%	0.26%	0.09%	0.003
American National Bank of Texas	0.00%	0.00%	0.00%	0.00%	0.003
Weighted Average YTM	0.33%	0.32%	0.36%	0.24%	0.489

Monthly Interest earnings YTD^{6,7}

October 2015	(\$1,755.19)	April 2016	
November 2015	(\$22,972.77)	May 2016	
December 2015	(\$7,350.21)	June 2016	
January 2016		July 2016	
February 2016		August 2016	
March 2016		September 2016	

Total Fiscal Year Net Earnings (\$32,078.17)

Notes:

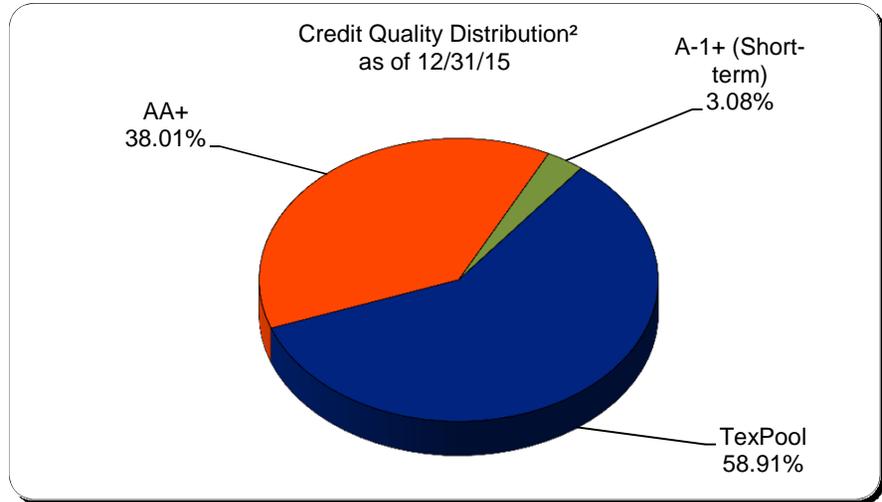
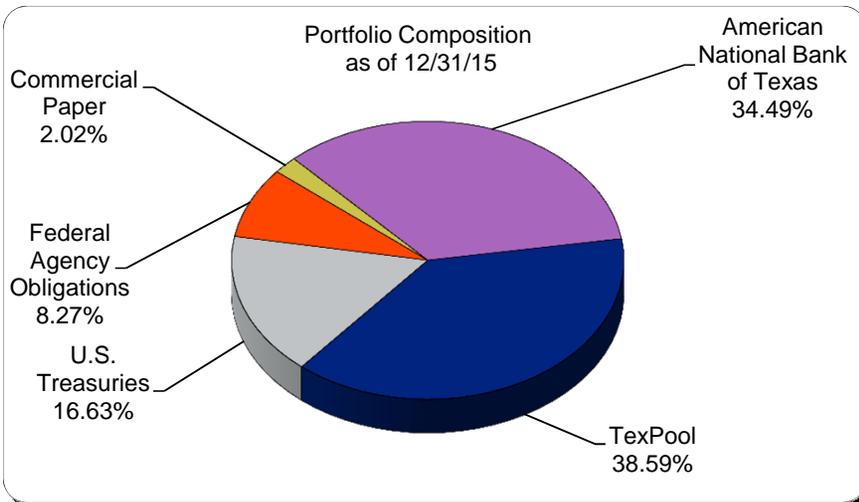
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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

BANK/MONEY MARKET FUNDS					9/30/2015	9/30/2015	9/30/2015	12/31/2015	12/31/2015	12/31/2015	CHANGE IN
CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	MARKET VALUE
TEXPOOL	TEXPOOL				\$0.00	\$19,751,578.58	\$19,751,578.58	\$0.00	\$20,997,478.29	\$20,997,478.29	6.31%
BANK ACCT	AMERICAN NATIONAL BANK OF TEXAS				0.00	5,464,379.62	5,464,379.62	0.00	18,762,830.89	18,762,830.89	243.37%
					\$0.00	\$25,215,958.20	\$25,215,958.20	\$0.00	\$39,760,309.18	\$39,760,309.18	57.68%
TOTAL					\$0.00	\$25,215,958.20	\$25,215,958.20	\$0.00	\$39,760,309.18	\$39,760,309.18	57.68%
POOLED FUNDS											
COMMERCIAL PAPER											
46640QUH2	JP MORGAN SECURITIES LLC COMM PAPER	1,300,000	0.000	07/17/15	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
06538CZ46	BANK OF TOKYO MITSUBISHI COMM PAPER	1,100,000	0.000	12/04/15	0.00	1,099,256.90	1,099,523.70	0.00	0.00	0.00	0.00%
89233GBS4	TOYOTA MOTOR CREDIT CORP COMM PAPER	1,100,000	0.000	02/26/16	0.00	1,098,236.34	1,098,097.00	0.00	1,099,332.66	1,099,247.60	0.10%
		\$3,500,000			\$0.00	\$2,197,493.24	\$2,197,620.70	\$0.00	\$1,099,332.66	\$1,099,247.60	-49.98%
TOTAL		\$3,500,000			\$0.00	\$2,197,493.24	\$2,197,620.70	\$0.00	\$1,099,332.66	\$1,099,247.60	-49.98%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NOTES	2,000,000	0.375	06/24/16	2,020.83	\$1,997,158.06	\$1,998,082.00	\$0.00	\$0.00	\$0.00	0.00%
3137EADS5	FHLMC NOTES	2,000,000	0.875	10/14/16	8,118.06	2,001,248.56	2,008,570.00	3,743.06	2,000,948.02	2,001,478.00	-0.35%
3137EADU0	FHLMC REFERENCE NOTE	2,500,000	0.500	01/27/17	2,222.22	2,496,272.40	2,499,520.00	5,347.22	2,496,974.75	2,489,940.00	-0.38%
		\$6,500,000			\$12,361.11	\$6,494,679.02	\$6,506,172.00	\$9,090.28	\$4,497,922.77	\$4,491,418.00	-30.97%
US TSY BOND/NOTE											
912828RU6	US TREASURY NOTES	\$1,500,000	0.875	11/30/2016	\$4,410.86	\$1,502,106.51	\$1,507,597.50	\$765.03	\$1,001,102.13	\$1,000,586.00	-33.63%
912828SC5	US TREASURY NOTES	1,595,000	0.875	1/31/2017	2,351.32	1,595,800.16	1,603,265.29	5,840.39	1,595,650.63	1,595,124.41	-0.51%
912828WP1	US TREASURY NOTES	1,510,000	0.875	6/15/2017	3,898.77	1,509,325.23	1,517,334.07	613.70	1,509,424.01	1,508,348.06	-0.59%
912828UU2	US TREASURY NOTES	2,500,000	0.750	3/31/2018	51.23	2,486,084.55	2,496,420.00	4,764.34	2,487,471.60	2,477,637.50	-0.75%
912828UU2	US TREASURY NOTES	1,000,000	1.375	6/30/2018	0.00	0.00	0.00	37.77	1,006,381.89	1,003,945.00	0.00%
912828UU2	US TREASURY NOTES	1,450,000	1.250	11/30/2018	0.00	0.00	0.00	1,584.70	1,450,437.10	1,447,564.00	0.00%
		\$3,095,000			\$10,712.18	\$7,093,316.45	\$7,124,616.86	\$13,605.93	\$9,050,467.36	\$9,033,204.97	26.79%
TOTAL		\$9,595,000			\$23,073.29	\$13,587,995.47	\$13,630,788.86	\$22,696.21	\$13,548,390.13	\$13,524,622.97	-0.779%
TOTAL PORTFOLIO		\$13,095,000				\$41,001,446.91	\$41,044,367.76	\$22,696.21	\$54,408,031.97	\$54,384,179.75	32.50%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>December 31, 2015</u>	<u>% of Portfolio</u>	<u>September 30, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,046,810.90	16.6%	\$7,135,329.04	4.4%
Federal Agencies	4,500,508.28	8.3%	6,518,533.11	49.1%
Commercial Paper	1,099,247.60	2.0%	2,197,620.70	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
American National Bank of Texas	18,762,830.89	34.49%	5,464,379.62	0.0%
TexPool	20,997,478.29	38.6%	19,751,578.58	46.5%
Totals	\$54,406,875.96	100.0%	\$41,067,441.05	100.0%

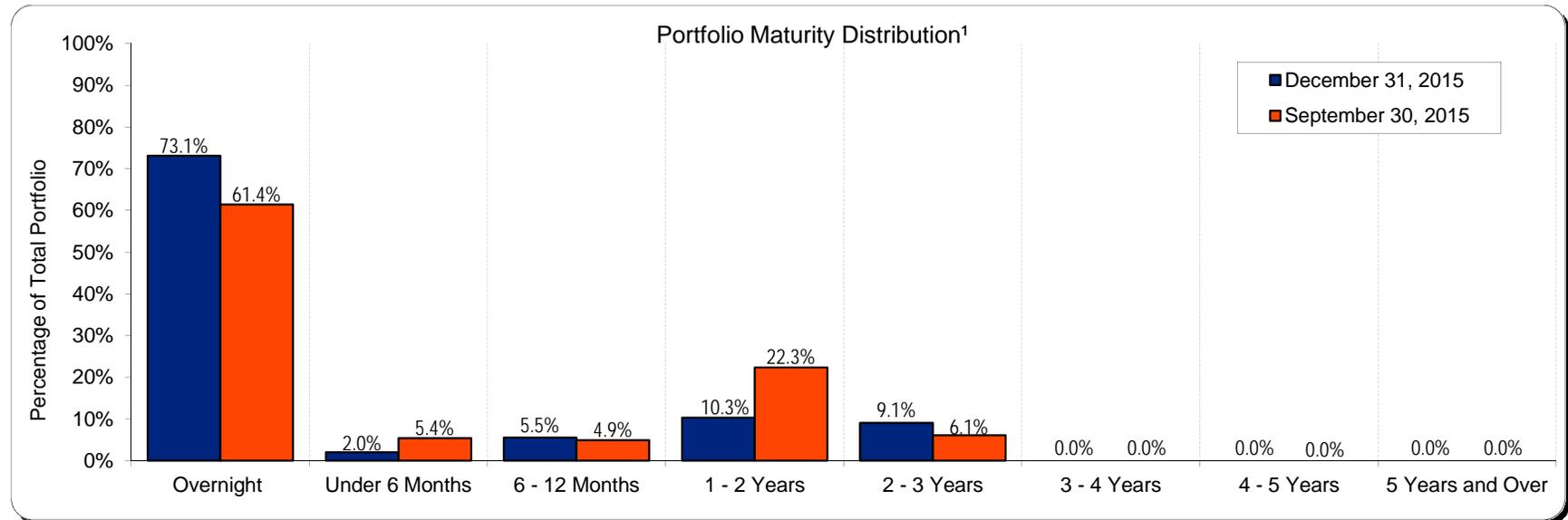


Notes:

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, bank or LGIP. Standard & Poor's is the source of the credit ratings.

Summary Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Overnight (Money Market Fund)	\$39,760,309.18	\$25,215,958.20
Under 6 Months	1,099,247.60	2,197,620.70
6 - 12 Months	3,006,572.09	2,000,102.83
1 - 2 Years	5,605,213.78	9,157,288.09
2 - 3 Years	4,935,533.31	2,496,471.23
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$54,406,875.96	\$41,067,441.05



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
10/31/2015			
October Market Value		35,081,686.01	1 Account Summary Page
October Accrued Interest		22,442.84	2 Account Summary Page
Less (Purchases & Deposits)		(512,127.62)	3 Security Transactions & Interest
Less Purchased Interest			4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		1,000,000.00	5 Security Transactions & Interest
Add Interest Receipts		10,379.11	6 Security Transactions & Interest
Less September Market Value		(35,579,988.14)	7 Account Summary Page
Less September Accrued Interest		(23,073.29)	8 Account Summary Page
Earnings		(681.09)	

Change in Investment Market Value	(498,302.13)	(1 - 7)
Change in Accrued Interest	(630.45)	(2 - 8)
Change in Cash	498,251.49	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	487,872.38		Security Transactions & Interest
Investments		498,302.13	Amortization/Accretion
Investment Income	10,429.75		Earnings
To record investment income/changes			
Cash	10,379.11		Security Transactions & Interest
Accrued Interest		630.45	Accrued Interest Difference
Investment Income		9,748.66	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
11/30/2015			
November Market Value		33,113,321.44	1 Account Summary Page
November Accrued Interest		26,359.59	2 Account Summary Page
Less (Purchases & Deposits)		(5,476,106.47)	3 Security Transactions & Interest
Less Purchased Interest		(13,736.58)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		7,413,784.63	5 Security Transactions & Interest
Add Interest Receipts		20,201.49	6 Security Transactions & Interest
Less October Market Value		(35,083,315.12)	7 Account Summary Page
Less October Accrued Interest		(22,442.84)	8 Account Summary Page
Earnings		(21,933.86)	

Change in Investment Market Value	-1,969,993.68	(1 - 7)
Change in Accrued Interest	3,916.75	(2 - 8)
Change in Cash	1,944,143.07	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash	1,937,678.16		Security Transactions & Interest
Investments		1,969,993.68	Amortization/Accretion
Investment Income	32,315.52		Earnings
To record investment income/changes			
Cash	6,464.91		Security Transactions & Interest
Accrued Interest	3,916.75		Accrued Interest Difference
Investment Income		10,381.66	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		
12/31/2015	Market Value Basis	Source Document
December Market Value	35,618,497.03	1 Account Summary Page
December Accrued Interest	22,696.21	2 Account Summary Page
Less (Purchases & Deposits)	(3,622,483.67)	3 Security Transactions & Interest
Less Purchased Interest		4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	1,100,000.00	5 Security Transactions & Interest
Add Interest Receipts	16,333.08	6 Security Transactions & Interest
Less November Market Value	(33,115,028.95)	7 Account Summary Page
Less November Accrued Interest	(26,359.59)	8 Account Summary Page
Earnings	(6,345.89)	

Change in Investment Market Value	2,503,468.08	(1 - 7)
Change in Accrued Interest	(3,663.38)	(2 - 8)
Change in Cash	(2,506,150.59)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash		2,522,483.67	Security Transactions & Interest
Investments	2,503,468.08		Amortization/Accretion
Investment Income	19,015.59		Earnings
To record investment income/changes			
Cash	16,333.08		Security Transactions & Interest
Accrued Interest		3,663.38	Accrued Interest Difference
Investment Income		12,669.70	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} December 31, 2015	Amortized Cost ^{1,2,3} September 30, 2015	Market Value^{1,2,3} December 31, 2015	Market Value ^{1,2,3} September 30, 2015	Duration (Years) December 31, 2015
Pooled Funds	\$1,099,332.66	\$2,197,493.24	\$1,099,247.60	\$2,197,620.70	0.16

<u>Account Name</u>	Yield to Maturity at Cost⁴ December 31, 2015	Yield to Maturity at Cost ⁴ September 30, 2015	Yield to Maturity at Market December 31, 2015	Yield to Maturity at Market September 30, 2015	Duration (Years) September 30, 2015
Pooled Funds	0.39%	0.39%	0.43%	0.33%	0.29

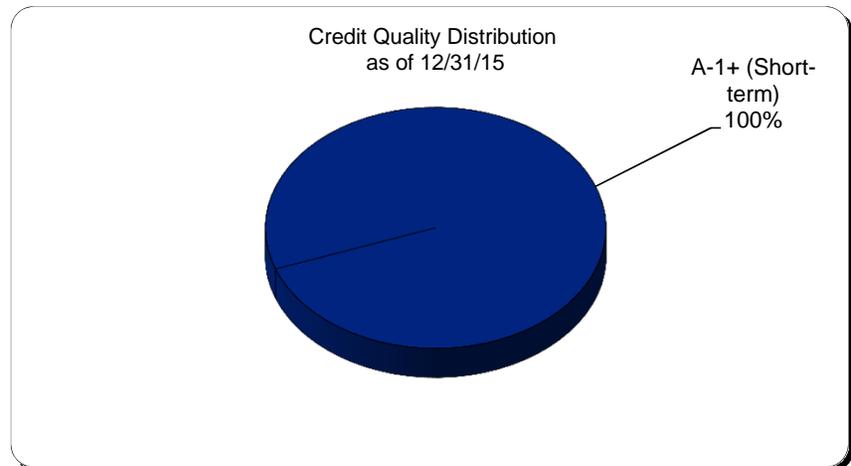
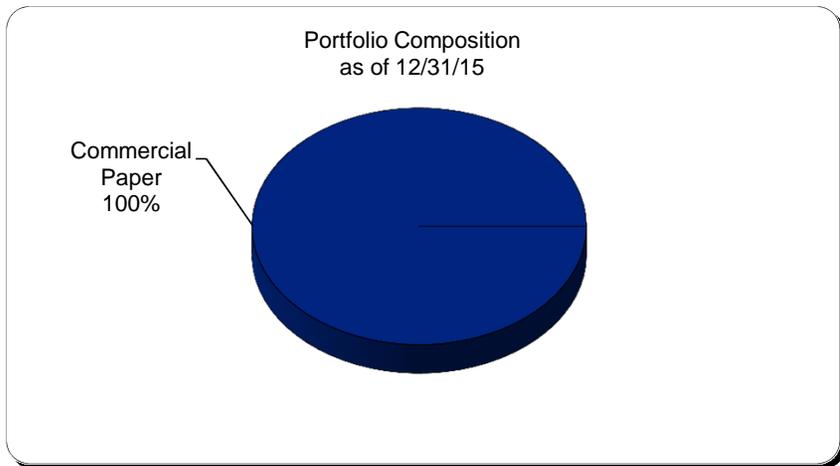
<u>Benchmarks⁵</u>	December 31, 2015	September 30, 2015
TexPool ⁶	0.26%	0.09%

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. Yields presented on an annualized basis as of December 31, 2015.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>December 31, 2015</u>	<u>% of Portfolio</u>	<u>September 30, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.00%	\$0.00	0.00%
Federal Agencies	0.00	0.00%	0.00	0.00%
Commercial Paper	1,099,247.60	100.00%	2,197,620.70	100.00%
Certificates of Deposit	0.00	0.00%	0.00	0.00%
Bankers Acceptances	0.00	0.00%	0.00	0.00%
Repurchase Agreements	0.00	0.00%	0.00	0.00%
Municipal Obligations	0.00	0.00%	0.00	0.00%
Corporate Notes/Bonds	0.00	0.00%	0.00	0.00%
Mortgage Backed	0.00	0.00%	0.00	0.00%
Money Market Fund/Cash	0.00	0.00%	0.00	0.00%
Totals	\$1,099,247.60	100.00%	\$2,197,620.70	100.00%



Notes:

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

Pooled Funds Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	1,099,247.60	2,197,620.70
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	\$1,099,247.60	\$2,197,620.70



Notes:

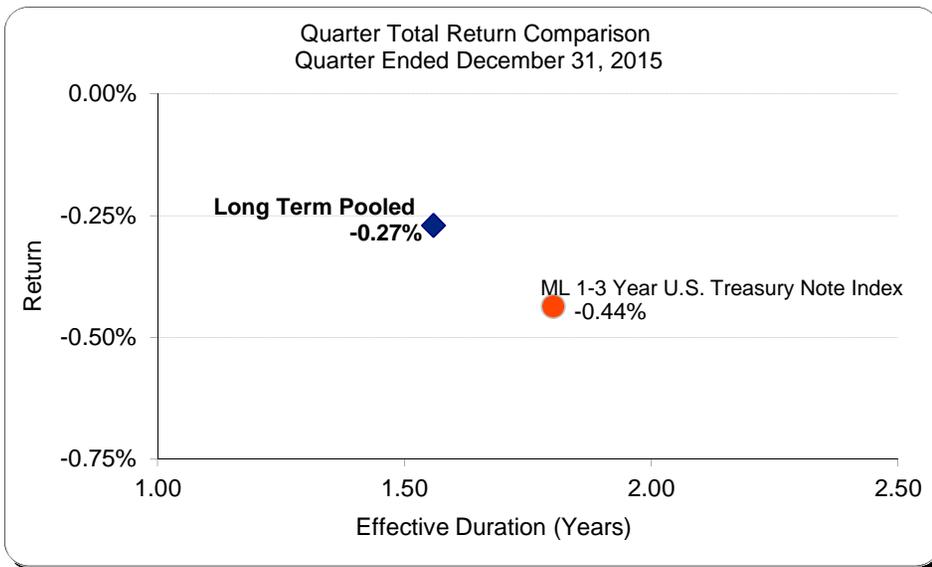
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ¹	December 31, 2015	September 30, 2015
Market Value	\$13,547,319.18	\$13,653,862.15
Amortized Cost	\$13,571,086.34	\$13,611,068.76

Total Return ^{2,3,4,5}	Quarterly Return December 31, 2015	Last 12 Months	Last 2 Years	Last 5 Years	Last 7 Years	Since Inception June 30, 2006
Long Term Pooled Fund	-0.27%	0.51%	0.59%	0.66%	1.00%	2.40%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	-0.44%	0.54%	0.58%	0.70%	0.95%	2.44%

Effective Duration(Years) ^{4,5}	December 31, 2015	September 30, 2015	Yields	December 31, 2015	September 30, 2015
Long Term Pooled Fund	1.56	1.42	Yield at Market	0.99%	0.56%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.80	1.79	Yield at Cost	0.88%	0.78%
Portfolio Duration % of Benchmark Duration	87%	80%			

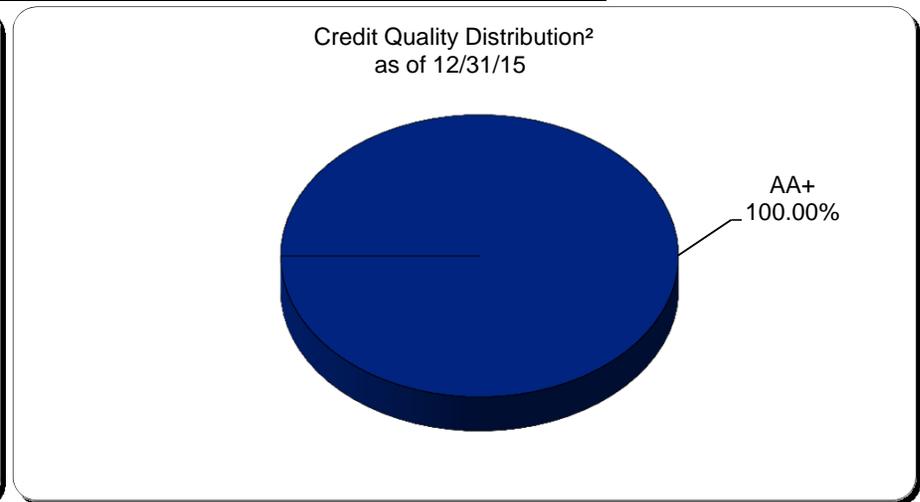
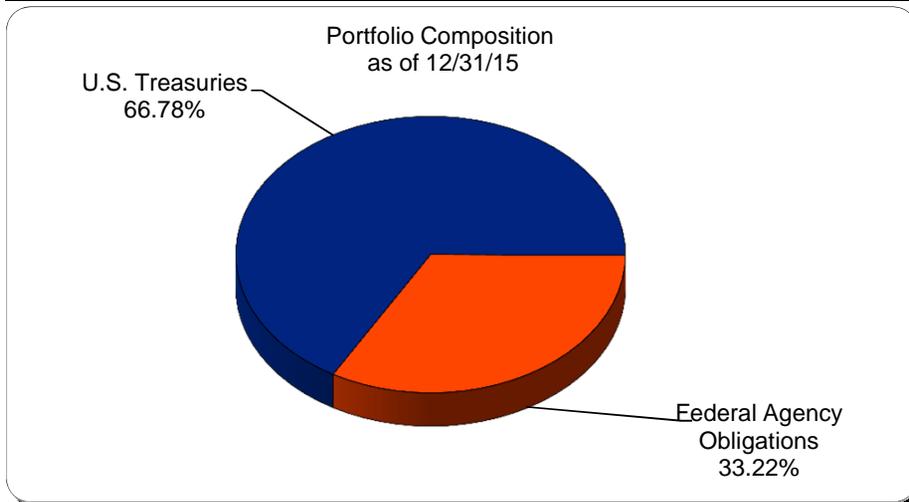


Notes:

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

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>December 31, 2015</u>	<u>% of Portfolio</u>	<u>September 30, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$9,046,810.90	66.8%	\$7,135,329.04	52.3%
Federal Agencies	4,500,508.28	33.2%	6,518,533.11	47.7%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$13,547,319.18	100.0%	\$13,653,862.15	100.0%

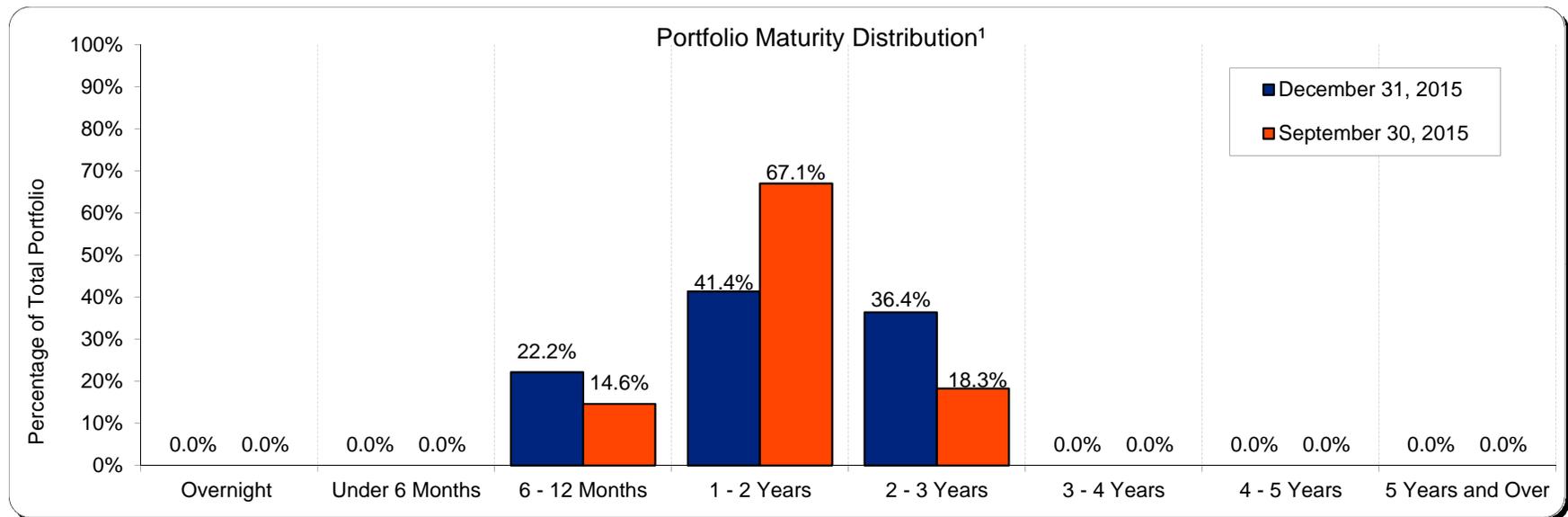


Notes:

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

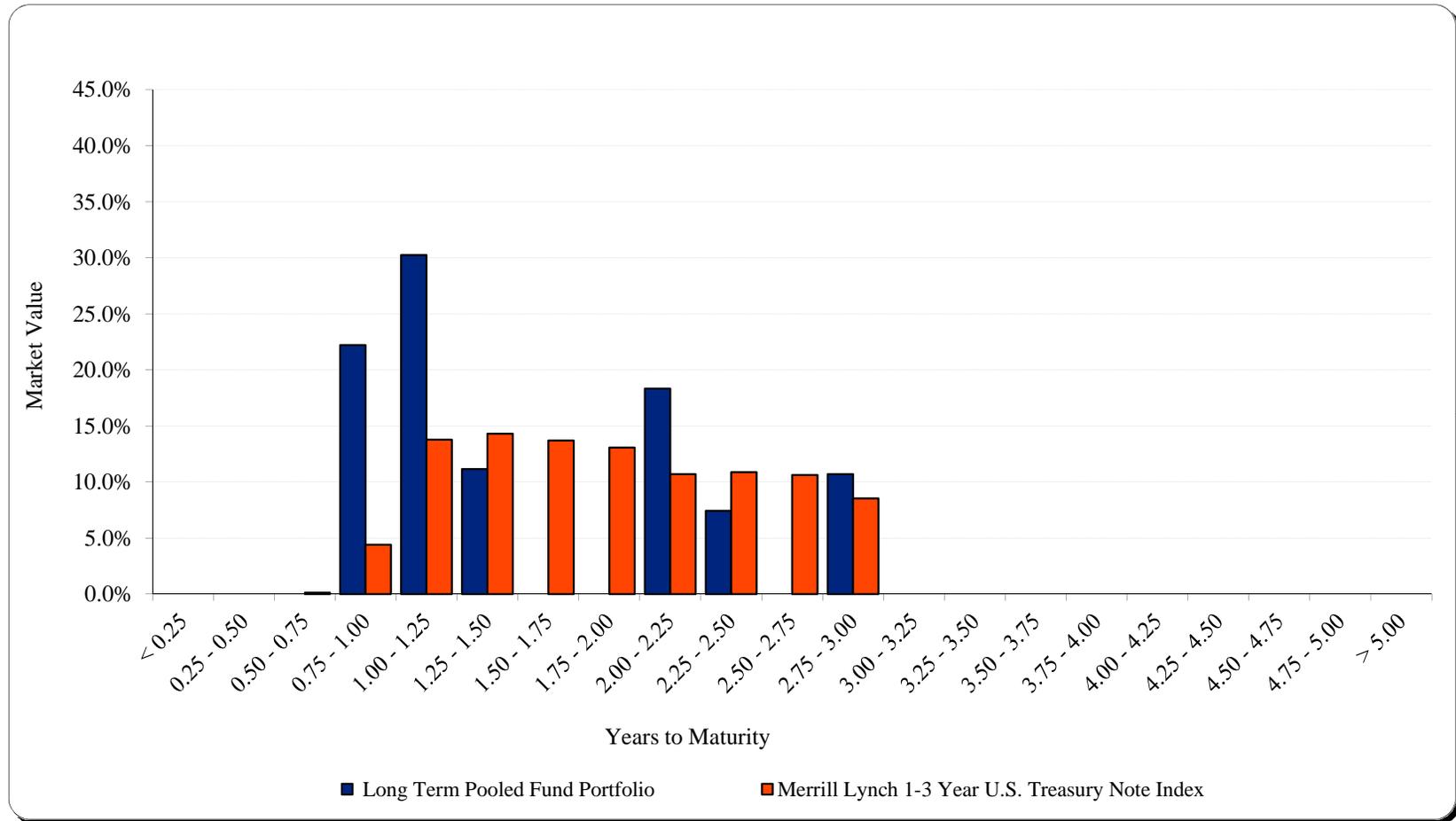
<u>Maturity Distribution¹</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	3,006,572.09	2,000,102.83
1 - 2 Years	5,605,213.78	9,157,288.09
2 - 3 Years	4,935,533.31	2,496,471.23
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$13,547,319.18	\$13,653,862.15



Notes:

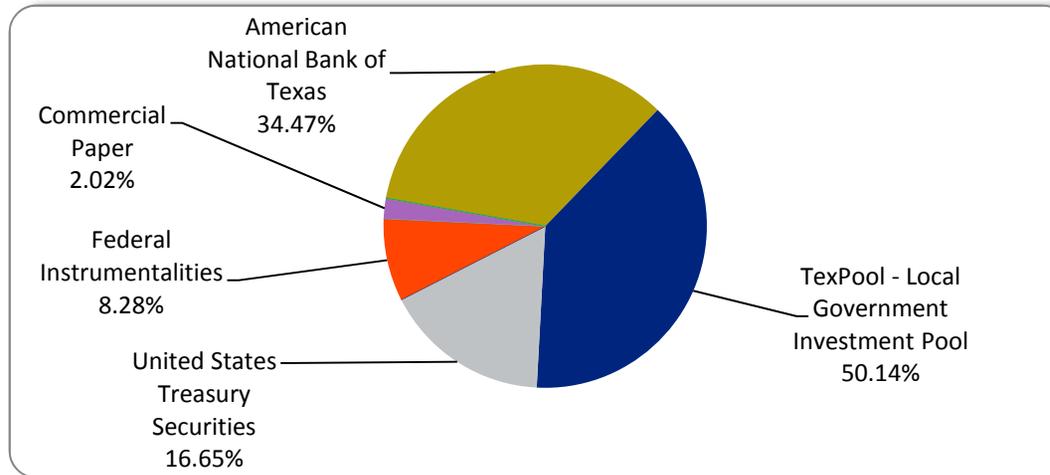
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark¹



Notes:

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



Security Type ¹	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
American National Bank of Texas	18,762,830.89	34.47%		100%	YES
TexPool - Local Government Investment Pool	20,997,478.29	38.58%		100%	YES
United States Treasury Securities	9,064,073.29	16.65%		100%	YES
United States Government Agency Securities	-	0.00%		100%	YES
Federal Instrumentalities	4,507,013.05	8.28%	2	100%	YES
Mortgage-Backed Securities	-	0.00%	2,3	20%	YES
Certificates of Deposit	-	0.00%		20%	YES
Repurchase Agreements	-	0.00%		20%	YES
Commercial Paper	1,099,332.66	2.02%		25%	YES
Corporate Notes TLGP - FDIC Insured	-	0.00%		50%	YES
Bankers' Acceptances	-	0.00%		25%	YES
State and/or Local Government Debt	-	0.00%		25%	YES
Fixed Income Money Market Mutual Funds	-	0.00%		50%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
2. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of December 31, 2015 is 8.28%.
3. The Investment Policy does allow for Government and Federal Agency mortgage backed securities (MBS). Which is limited to GNMA, FHLMC, and FNMA mortgage backed securities. GNMA securities have the full faith and credit of the United States Treasury. As of September 6, 2008, FHLMC and FNMA have been under conservatorship with the United States Treasury. PFM has imposed an internal maximum allocation limit of 20% in MBS'. PFM will notify the City prior to adding MBS' to the portfolio.

Individual Issuer Breakdown	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Government National Mortgage Association (GNMA)	-	0.00%		40%	YES
Federal Farm Credit Bank (FFCB)	-	0.00%		40%	YES
Federal Home Loan Bank (FHLB)	-	0.00%		40%	YES
Federal National Mortgage Association (FNMA)	-	0.00%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	4,507,013.05	8.28%		40%	YES
Toyota Motor Corporation Commercial Paper	1,099,332.66	2.02%		5%	YES

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, 2015, is signed by the City's investment officers and includes the disclosures required in the PFIA.

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

Kim Galvin, CGFO, MPA, Director of Financial Services

Wendy Badgett, Assistant Director of Financial Services

TAB III

Insert Month End Statement here to complete the report.

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

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

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

TAB IV