



# TOWN OF FOUNTAIN HILLS

## Investment Performance Review For the Quarter Ended December 31, 2017

Client Management Team

PFM Asset Management LLC

Lauren Brant, Managing Director

1820 East Ray Road

One Keystone Plaza, Suite 300

Robert Cheddar, CFA, Managing Director/Senior Portfolio Manager

Chandler, AZ 85225

Harrisburg, PA 17101-2044

Paulina Woo, Director

855-885-9621

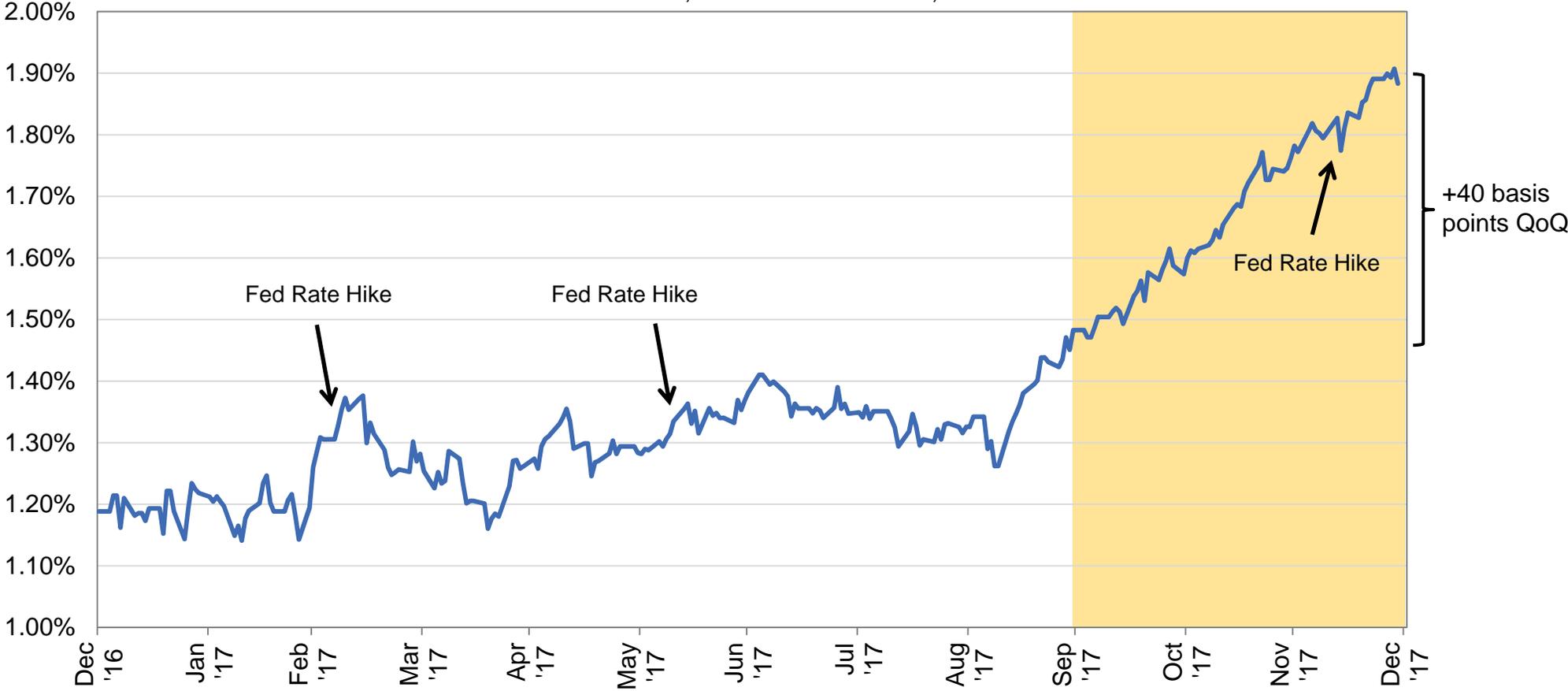
717-232-2723

Luke Schneider, CFA, Director

### Interest Rate Update

- Two-year treasury yields moved notably higher for the year ended December 31, 2017; the increase was most pronounced during the fourth quarter as markets responded to another rate hike by the Federal Reserve and the passage of the largest overhaul of the U.S. tax system in more than 30 years.

**2-Year Treasury Yields**  
December 31, 2016 – December 31, 2017



Source: Bloomberg, as of 12/31/17.

### A Flattening Yield Curve

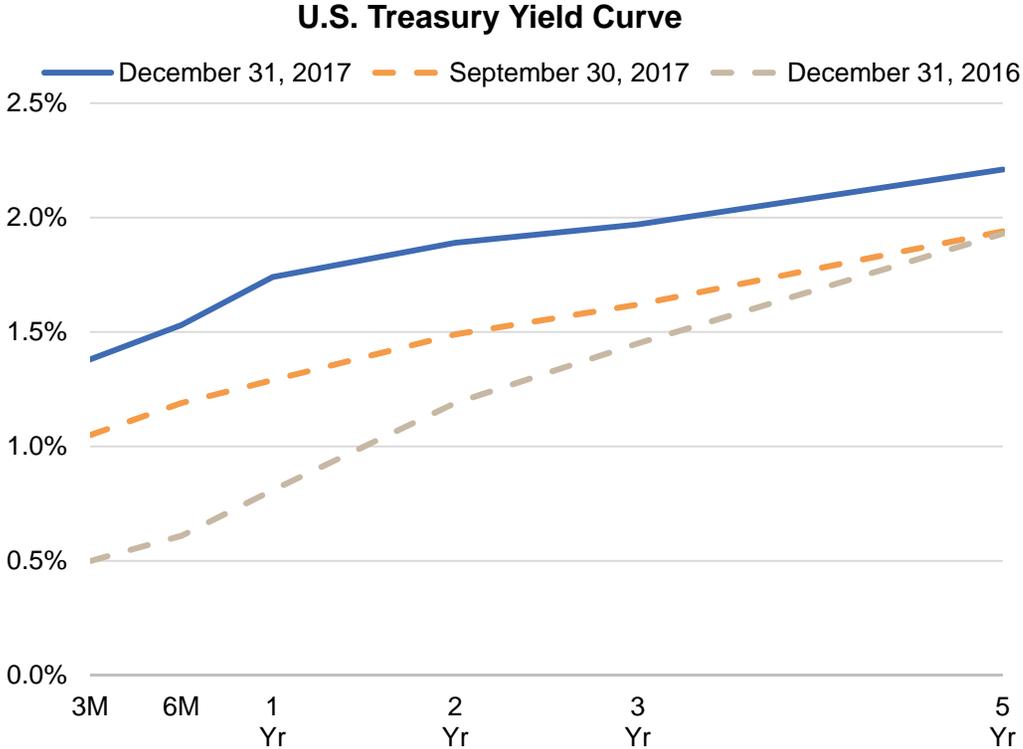
- The yield on the 2-year U.S. Treasury note has increased by 70 basis points (0.70%) this year, while the yield on the 10-year U.S. Treasury note has decreased by 3 basis points (0.03%) since the beginning of the year as expectations of future growth and inflation prospects have fallen.
- As a result, the spread between the 10-year U.S. Treasury and the 2-year U.S. Treasury is currently near a 10-year low.

**10-Year/2-Year U.S. Treasury Spread**  
 January 1, 2002 – December 31, 2017



Source: Bloomberg, as of 12/31/17.

U.S. Treasury Yield Curve



Yield Curve History

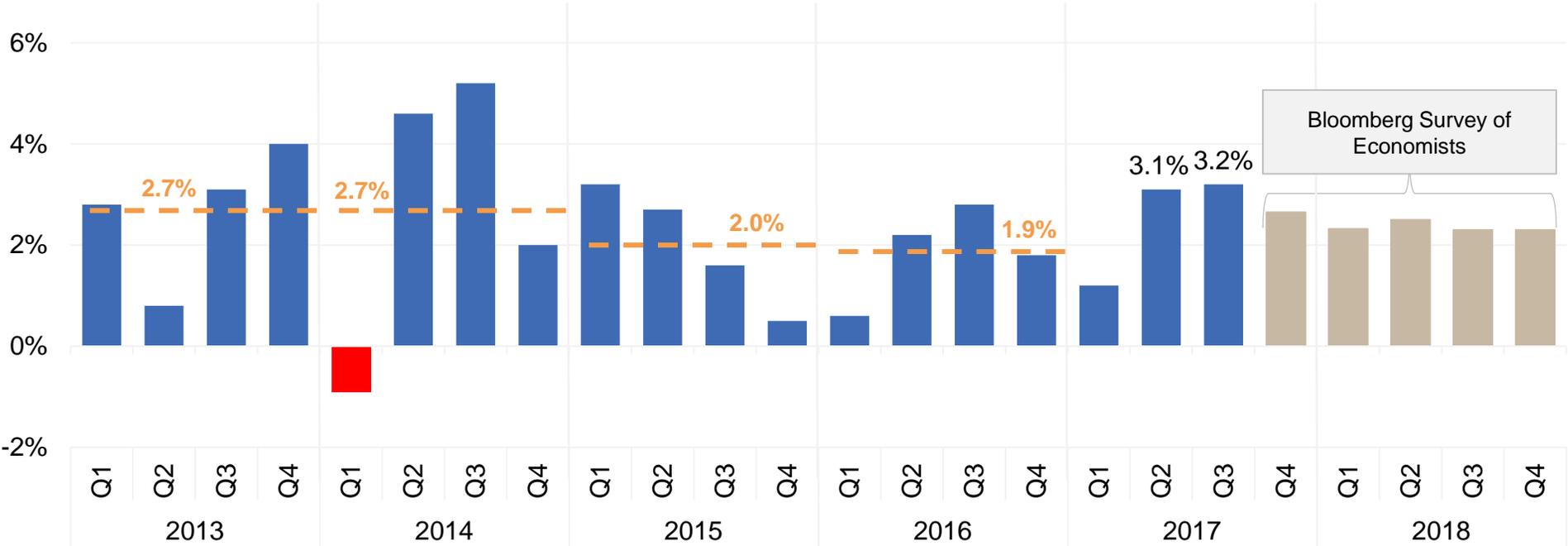
Maturity	12/31/16	12/31/17	Change
3-Mo.	0.50%	1.38%	+ 0.88%
6-Mo.	0.61%	1.53%	+ 0.92%
1-Yr.	0.81%	1.74%	+ 0.93%
2-Yr.	1.19%	1.89%	+ 0.70%
3-Yr.	1.45%	1.97%	+ 0.52%
5-Yr.	1.93%	2.21%	+ 0.28%
10-Yr.	2.44%	2.41%	- 0.03%
20-Yr.	2.76%	2.58%	- 0.18%
30-Yr.	3.07%	2.74%	- 0.33%

Source: Bloomberg, as of 12/31/17.

### Economic Growth Remained Strong in Third Quarter

- Gross domestic product (GDP) increased at an annualized rate of 3.2% in the third quarter of 2017, the fastest pace of expansion over two consecutive quarters since 2014. Growth has averaged 2.3% over the last four quarters.
- The acceleration in third quarter GDP reflected positive contributions from personal consumption and business investment boosted primarily by a rise in private inventories and exports. This acceleration was offset by negative contributions from residential housing.

#### U.S. Real GDP QoQ, SAAR

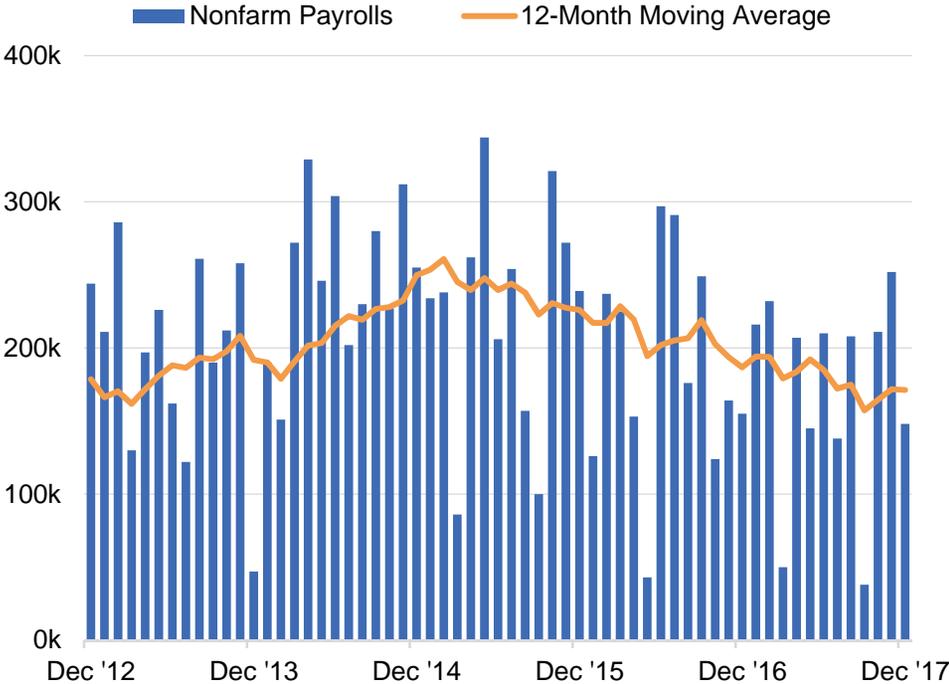


Source: Bloomberg, as of December 2017. SAAR is seasonally adjusted annualized rate. Orange dashes denote four-quarter averages.

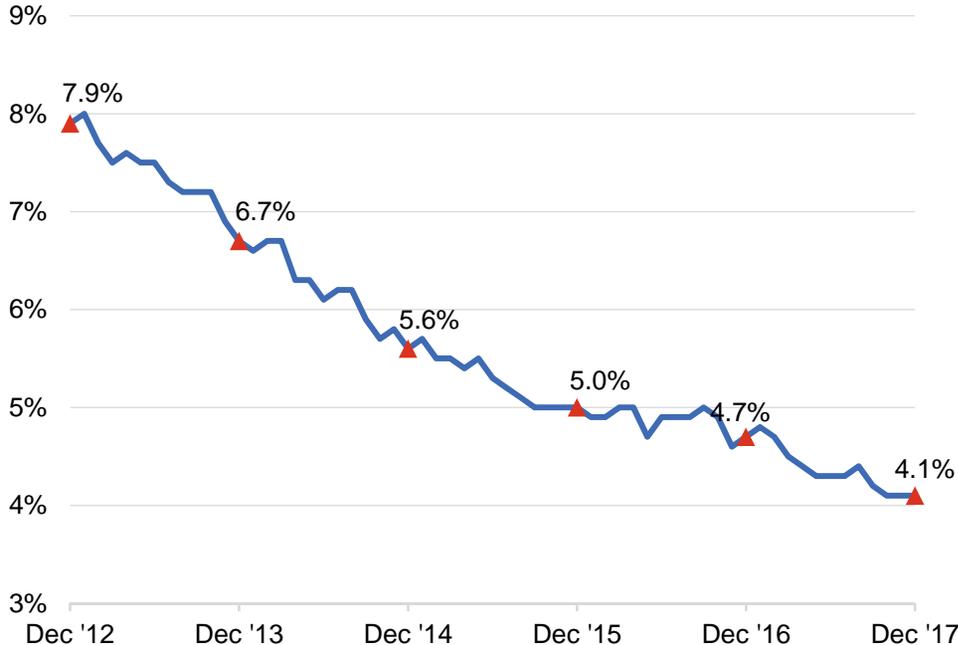
### Labor Market Activity Slows Down in December

- The U.S. labor market added 611,000 jobs for the quarter ending December 31, 2017, and an average of 171,000 jobs per month over the past year.
- Headline unemployment rate for the fourth quarter remained at 4.1% for the third consecutive month. The U6 unemployment rate decreased from 8.3% in September to 8.1% in December, while the labor force participation rate fell from 63.0% in September to 62.7% in December.
- Average hourly earnings—an important gauge of wage growth—grew 2.5% over the past 12 months.

#### Monthly Change in Nonfarm Payrolls



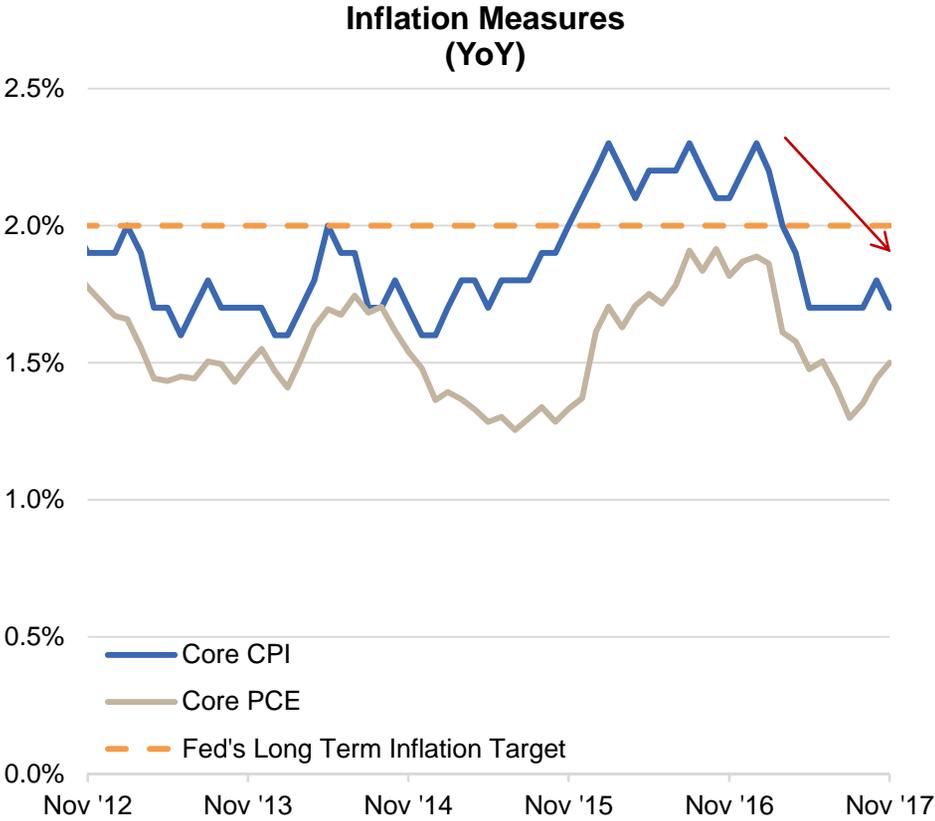
#### Unemployment Rate



Source: Bloomberg, as of December 2017.

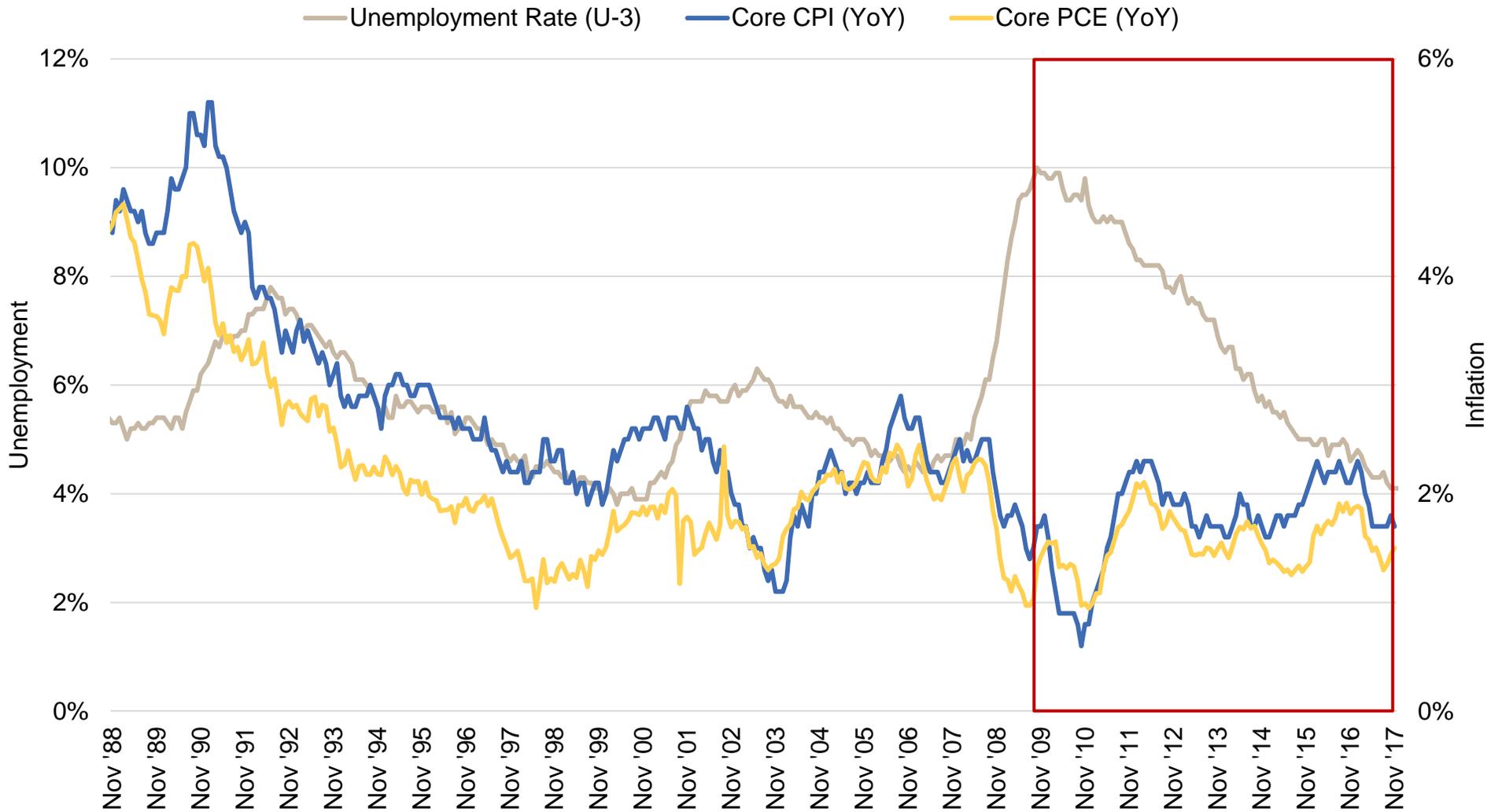
### Inflation Remains Muted

- Inflation pressures have declined since the beginning of 2017. The core personal consumption expenditures (PCE) price index, the Fed's preferred measure of inflation, moved slightly higher to 1.5% year-over-year in November.
- The Fed expects inflation to remain subdued in the near term but to reach their 2% target in the medium term.



Source: Bloomberg, as of November 2017. Inflation expectations based on yield difference between 5-year Treasury note and 5-year Treasury Inflation Protected Securities (TIPS).

### Inflation Remains Lackluster Despite a Strong Labor Market



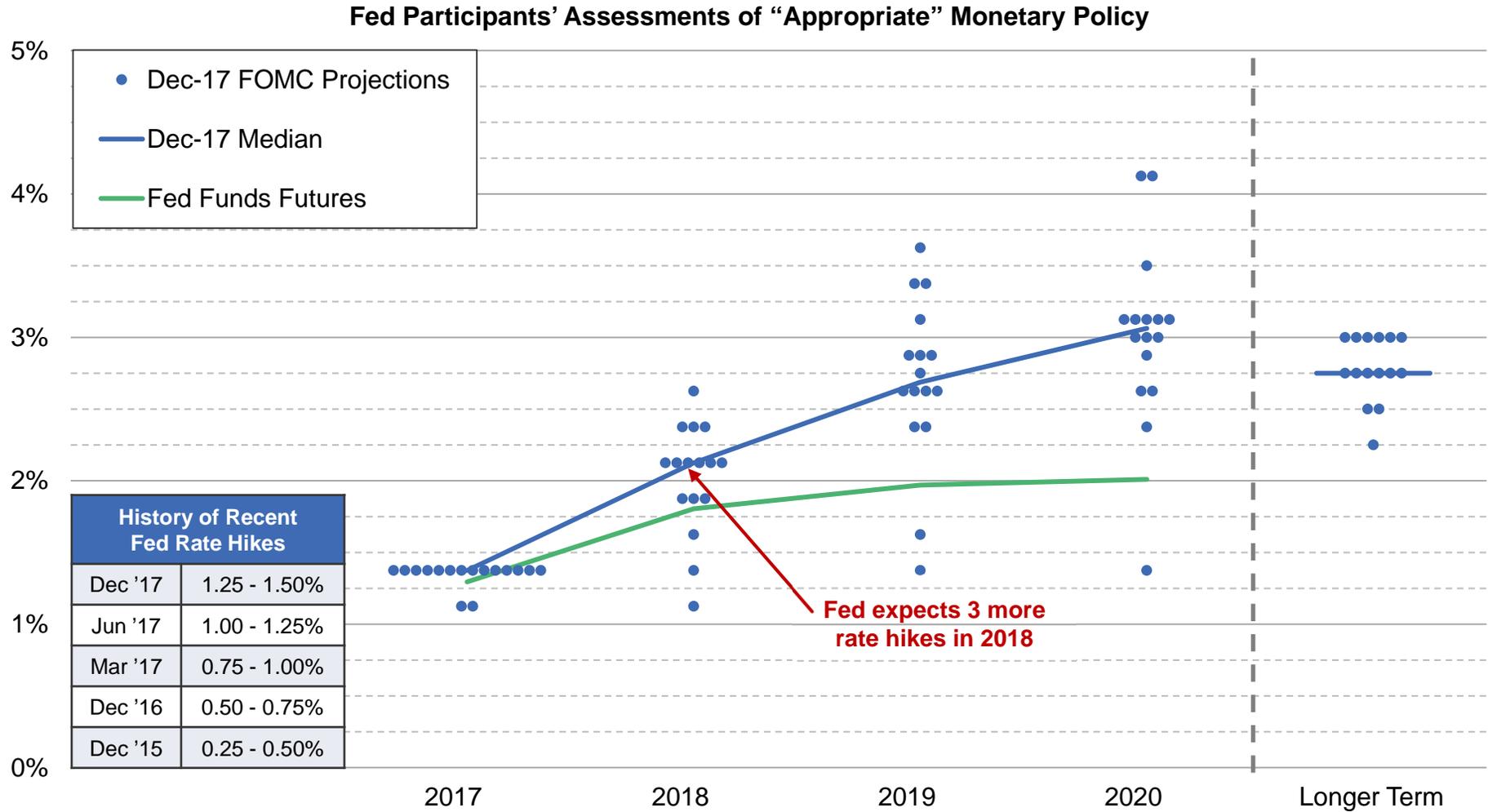
Source: Bloomberg, as of November 2017.

**GOP Tax Cuts and Jobs Act**

<b>Personal Taxes</b>	<b>Income Tax Brackets</b>	<b>Deductions</b>	<b>Exemptions</b>	<b>Other</b>																							
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #2e5496; color: white;"> <th style="text-align: center;">Tax Rate</th> <th style="text-align: center;">Single</th> <th style="text-align: center;">Married</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10%</td> <td style="text-align: center;">\$9,525</td> <td style="text-align: center;">\$19,050</td> </tr> <tr> <td style="text-align: center;">12%</td> <td style="text-align: center;">\$38,700</td> <td style="text-align: center;">\$77,400</td> </tr> <tr> <td style="text-align: center;">22%</td> <td style="text-align: center;">\$82,500</td> <td style="text-align: center;">\$165,000</td> </tr> <tr> <td style="text-align: center;">24%</td> <td style="text-align: center;">\$157,500</td> <td style="text-align: center;">\$315,000</td> </tr> <tr> <td style="text-align: center;">32%</td> <td style="text-align: center;">\$200,000</td> <td style="text-align: center;">\$400,000</td> </tr> <tr> <td style="text-align: center;">35%</td> <td style="text-align: center;">\$500,000</td> <td style="text-align: center;">\$600,000</td> </tr> <tr> <td style="text-align: center;">37%</td> <td style="text-align: center;">&gt; \$500,000</td> <td style="text-align: center;">&gt; \$600,000</td> </tr> </tbody> </table>	Tax Rate	Single	Married	10%	\$9,525	\$19,050	12%	\$38,700	\$77,400	22%	\$82,500	\$165,000	24%	\$157,500	\$315,000	32%	\$200,000	\$400,000	35%	\$500,000	\$600,000	37%	> \$500,000	> \$600,000	<ul style="list-style-type: none"> <li>• Can deduct up to \$10,000 in a blend of state and local property, income, and sales tax. The state and local deduction was previously unlimited.</li> <li>• Deductible interest on mortgage capped at \$750,000.</li> </ul>	<ul style="list-style-type: none"> <li>• Child tax credit raised from \$1,000 to \$2,000 per child.</li> <li>• The estate tax exemption will be doubled from \$5.5 million to \$11 million.</li> </ul>
Tax Rate	Single	Married																									
10%	\$9,525	\$19,050																									
12%	\$38,700	\$77,400																									
22%	\$82,500	\$165,000																									
24%	\$157,500	\$315,000																									
32%	\$200,000	\$400,000																									
35%	\$500,000	\$600,000																									
37%	> \$500,000	> \$600,000																									
<b>Business Taxes</b>	<b>Marginal Tax Rate</b>	<b>Deductions</b>	<b>Exemptions</b>	<b>Other</b>																							
	<ul style="list-style-type: none"> <li>• Reduced from 35% to 21%.</li> <li>• Marks the largest one-time decline in U.S. history and amounts to almost \$1 trillion of tax cuts over the next decade.</li> </ul>	<ul style="list-style-type: none"> <li>• Pass-through businesses like limited liability corporations allowed to deduct 20% of their earnings. However, this will expire after 2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses will be exempt from paying the corporate alternative minimum tax.</li> </ul>	<ul style="list-style-type: none"> <li>• One-time tax on repatriated cash and profits will be 15.5%, up slightly from the 14% to 14.5% that had been proposed in earlier versions.</li> </ul>																							

Source: The Washington Post, Business Insider.

### FOMC "Dot Plot" – December 2017



Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. Fed funds futures as of 12/13/17.

## Arizona Economy



Year-over-Year Changes in Arizona	
Gross State Product <sup>1</sup>	\$303.0 million (↑4.0%)
Unemployment <sup>2</sup>	4.3% (↓0.7%)
Nonfarm Payrolls <sup>2</sup>	2.8 million (↑1.6%)
Average Hourly Earnings <sup>2</sup>	\$25.57 (↑5.1%)
Population <sup>3</sup>	7.0 million (↑1.2%)
Headline News	<p>Potential impacts of the Arizona Fair Wages and Healthy Families Act, which gradually raises the state minimum wage from 2018-2020, on Arizona's economy</p> <p>Possible effects of President Trump's proposed immigration policies and border wall on Arizona</p>

Source: Bloomberg, U.S. Census Bureau.

1. Gross state product is as of December 2016.

2. Unemployment, nonfarm payrolls, and average hourly earnings are as of November 2017.

3. Population data as of July 2017.

## Portfolio Recap

- ◆ Yields continued to climb during the fourth quarter, with some short- and intermediate-term yields reaching highs not seen since 2008. However, in this era of gradually increasing interest rates, new purchases were weighed against the probability for further rate increases and their potential to diminish the market value of portfolio investments. In this flat yield curve environment, we emphasized maturity selection.
- ◆ We continued to maintain the portfolio's duration in line with the benchmark's duration to minimize return volatility.
- ◆ Strong investor appetite for high-quality alternatives to U.S. Treasuries caused the yield spreads on investment-grade fixed income sectors (relative to U.S. Treasuries) to tighten over the quarter, resulting in positive relative performance for non-Treasury sectors.
  - The yield spreads on federal agency securities vs. comparable-maturity Treasuries remained near historic lows, in some cases near zero, leading to diminished value of the agency sector.
  - Supranationals carried more yield spread and offered an attractive alternative in the high-quality government agency space.
  - Corporate yield spreads also remained near multi-year lows, as investors reaching for yield piled into a limited market supply of investment-grade securities, leading the corporate sector to deliver its ninth straight quarter of outperformance relative to U.S. Treasuries.
  - Short-term negotiable bank certificates of deposit (CDs) continued to offer value during the quarter. Although the Fed's December meeting caused CD spreads to narrow, issuance has picked up and CD yields have risen, widening the spread over similar-dated Treasuries.

## Outlook and Strategy

- The U.S. economy is generally on strong footing heading into the new year, bolstered by expanding economic activity, a strong jobs market, and gains in housing. However, the continued rise of the domestic stock market, coupled with low volatility, may point to investor complacency.
- The Federal Reserve recently reiterated its intentions to continue to gradually increase rates into 2018. However, persistently low inflation readings may derail these plans. In this uncertain environment, we plan to adopt a duration-neutral stance but will continue to carefully monitor the portfolio's duration relative to the benchmark's duration, making adjustments as appropriate.
- Federal Agency issuance is expected to resume in the new year, but the overall level is expected to be slower than 2017. Given the flatness of the yield curve and narrow bullet agency spreads, we may seek value in callable agency securities where we find them advantageous.
- We will continue to focus on exposure to the corporate sector as well as other spread products to add value to the portfolio.
- Broad diversification across all investment-grade sectors remains a key component of our portfolio strategy. We will continue to monitor the markets and will make relative-value trades as appropriate in order to safely enhance portfolio earnings. However, as always, while we continue to seek opportunities to enhance the earnings, our priority will always be to maintain the safety and liquidity of portfolio investments.

## Sector Allocation and Compliance

- The portfolio is in compliance with the Town's Investment Policy and the Arizona Revised Statutes.

<u>Security Type</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>% Change vs. 9/30/17</u>	<u>Permitted by Policy</u>	<u>In Compliance</u>
U.S. Treasury	\$4,244,510	27.3%	-6.2%	100%	✓
Federal Agency	\$5,655,789	36.4%	-15.8%	100%	✓
Supranationals	\$592,853	3.8%	+1.0%	100%	✓
Negotiable CDs	\$864,188	5.6%	+0.9%	30%	✓
Corporate Notes	\$2,131,576	13.7%	+7.1%	30%	✓
<b>Securities Sub-Total</b>	<b>\$13,488,916</b>	<b>86.9%</b>			
Accrued Interest	\$47,784				
<b>Securities Total</b>	<b>\$13,536,699</b>				
Money Market Fund	\$2,032,242	13.1%	+13.0%	100%	✓
<b>Total Investments</b>	<b>\$15,568,941</b>	<b>100.0%</b>			

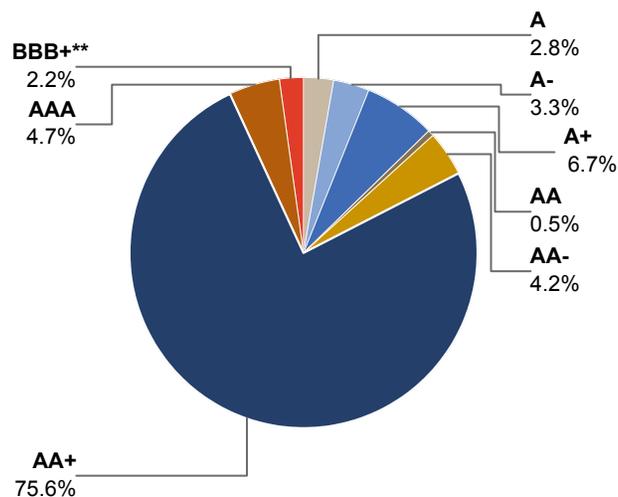
As of 12/31/2017. Detail may not add to total due to rounding.

**Portfolio Statistics**

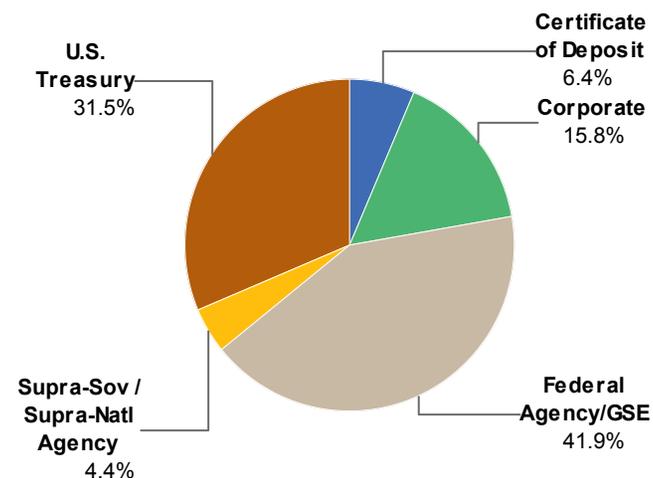
As of December 31, 2017

<b>Par Value:</b>	\$13,610,000
<b>Total Market Value:</b>	\$15,568,941
<b>Security Market Value:</b>	\$13,488,916
<b>Accrued Interest:</b>	\$47,784
<b>Cash:</b>	\$2,032,242
<b>Amortized Cost:</b>	\$13,609,456
<b>Yield at Market:</b>	1.97%
<b>Yield at Cost:</b>	1.44%
<b>Effective Duration:</b>	1.81 Years
<b>Duration to Worst:</b>	1.82 Years
<b>Average Maturity:</b>	1.87 Years
<b>Average Credit: *</b>	AA

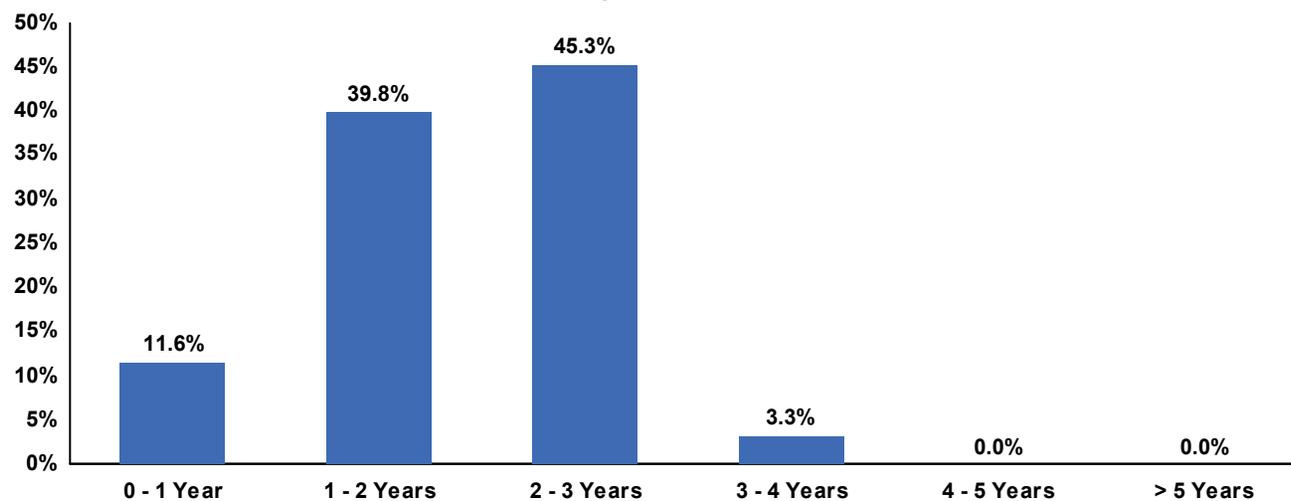
**Credit Quality (S&P Ratings)**



**Sector Allocation**



**Maturity Distribution**

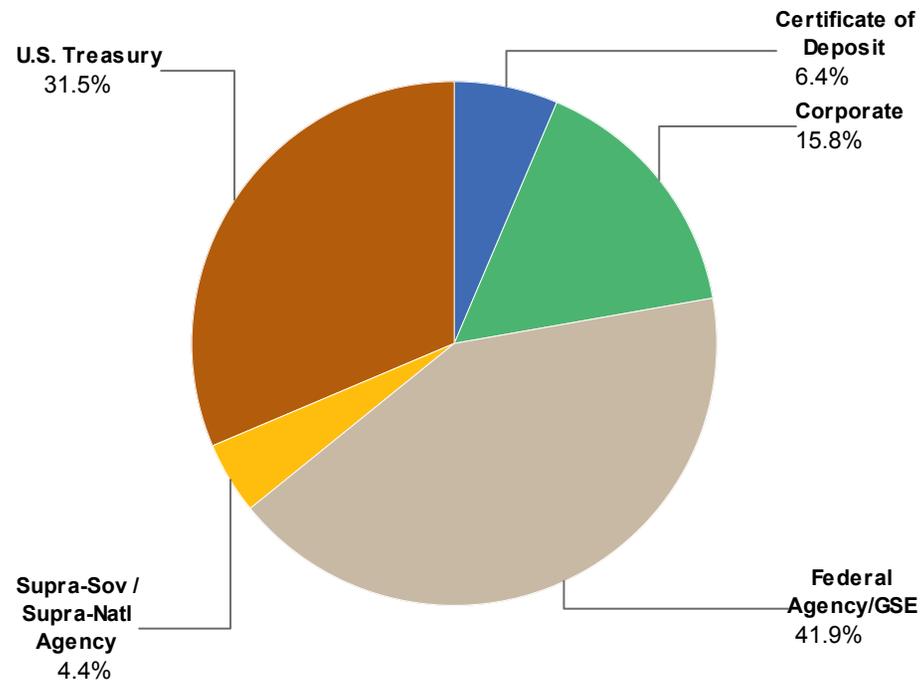


\*An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

\*\*The "BBB+" category comprises securities rated A or better by Moody's and/or Fitch.

**Sector Allocation**  
As of December 31, 2017

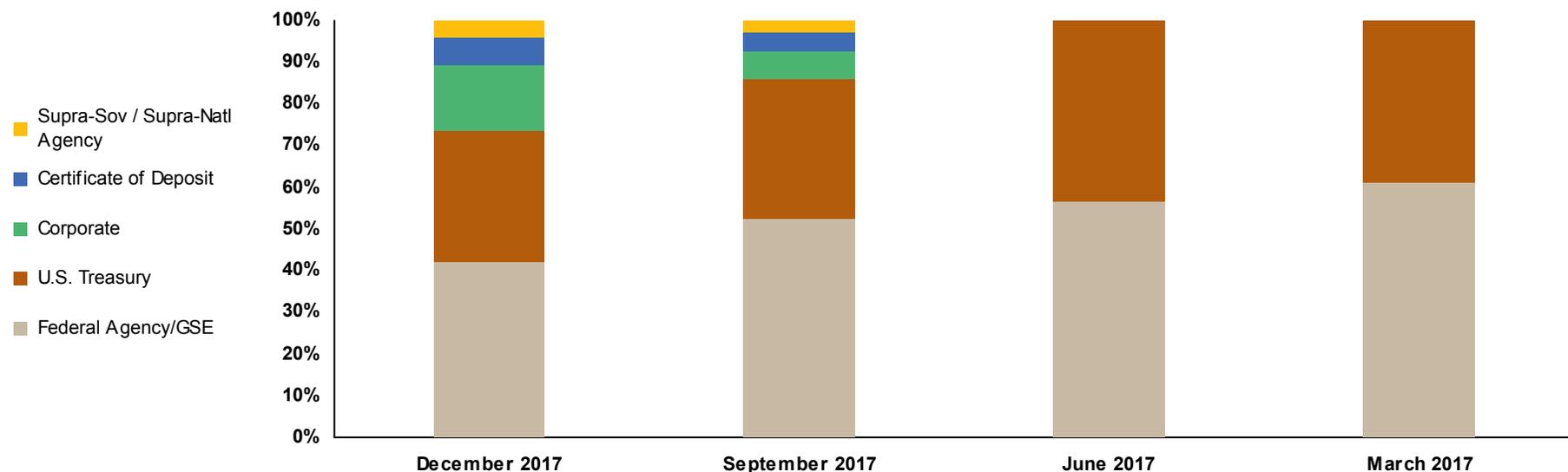
Sector	Market Value (\$)	% of Portfolio
Federal Agency/GSE	5,655,789	41.9%
U.S. Treasury	4,244,510	31.5%
Corporate	2,131,576	15.8%
Certificate of Deposit	864,188	6.4%
Supra-Sov / Supra-Natl Agency	592,853	4.4%
<b>Total</b>	<b>\$13,488,916</b>	<b>100.0%</b>



Detail may not add to total due to rounding.

Sector Allocation

Sector	December 31, 2017		September 30, 2017		June 30, 2017		March 31, 2017	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
Federal Agency/GSE	5.7	41.9%	8.1	52.3%	8.8	56.5%	9.4	61.0%
U.S. Treasury	4.2	31.5%	5.2	33.6%	6.7	43.5%	6.0	39.0%
Corporate	2.1	15.8%	1.0	6.6%	0.0	0.0%	0.0	0.0%
Certificate of Deposit	0.9	6.4%	0.7	4.6%	0.0	0.0%	0.0	0.0%
Supra-Sov / Supra-Natl Agency	0.6	4.4%	0.4	2.9%	0.0	0.0%	0.0	0.0%
<b>Total</b>	<b>\$13.5</b>	<b>100.0%</b>	<b>\$15.5</b>	<b>100.0%</b>	<b>\$15.5</b>	<b>100.0%</b>	<b>\$15.5</b>	<b>100.0%</b>

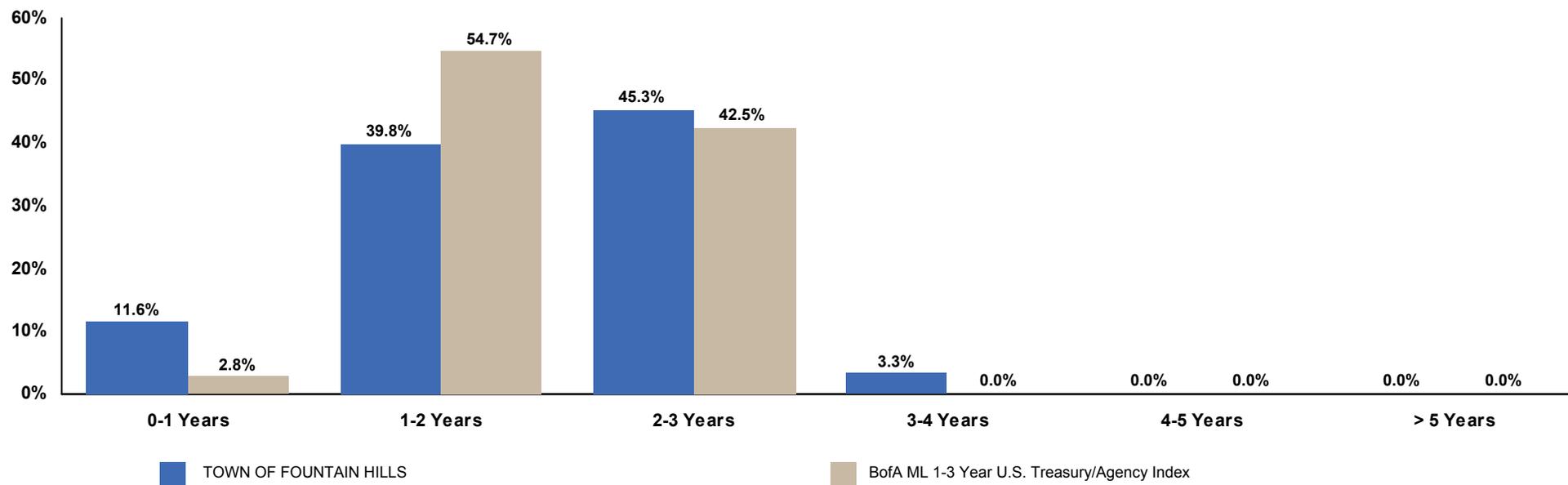


Detail may not add to total due to rounding.

**Maturity Distribution**

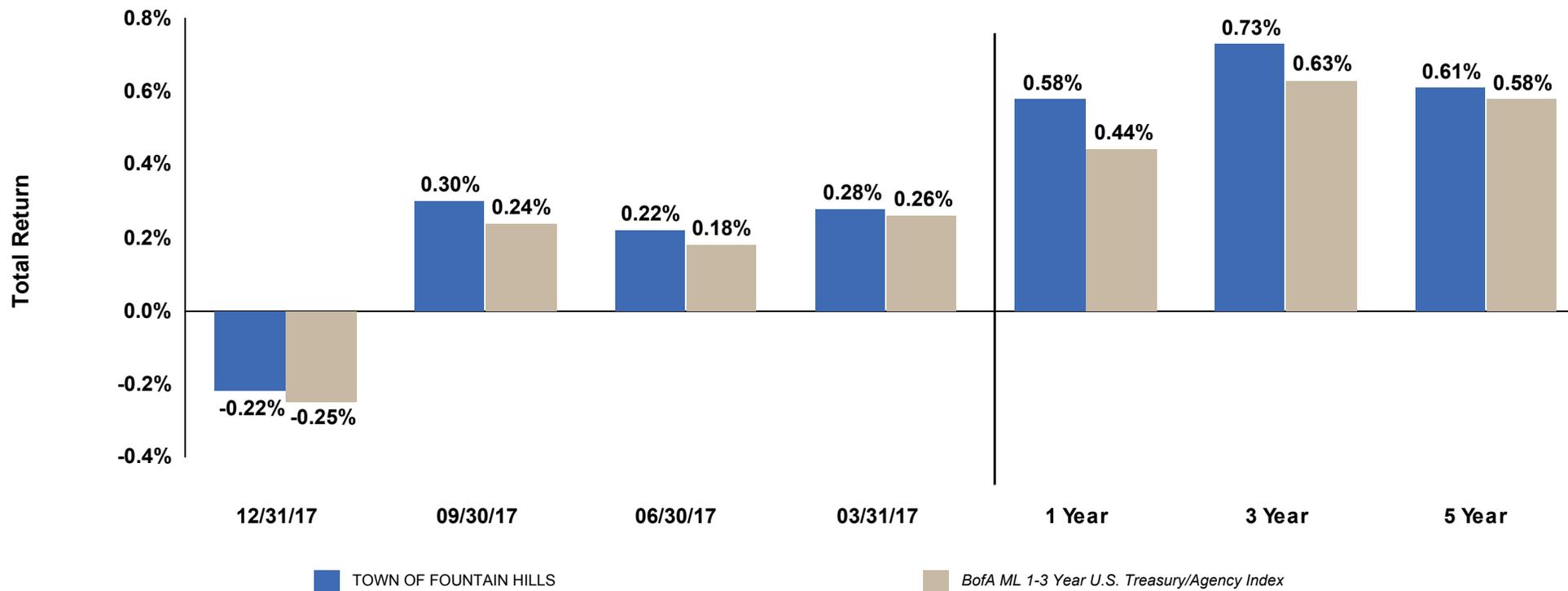
**As of December 31, 2017**

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
TOWN OF FOUNTAIN HILLS	1.97%	1.87 yrs	11.6%	39.8%	45.3%	3.3%	0.0%	0.0%
BofA ML 1-3 Year U.S. Treasury/Agency Index	1.90%	1.92 yrs	2.8%	54.7%	42.5%	0.0%	0.0%	0.0%



Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		12/31/17	09/30/17	06/30/17	03/31/17	1 Year	3 Year	5 Year
TOWN OF FOUNTAIN HILLS*	1.81	-0.22%	0.30%	0.22%	0.28%	0.58%	0.73%	0.61%
BofA ML 1-3 Year U.S. Treasury/Agency Index	1.79	-0.25%	0.24%	0.18%	0.26%	0.44%	0.63%	0.58%
Difference		0.03%	0.06%	0.04%	0.02%	0.14%	0.10%	0.03%



\*Portfolio performance is gross of fees unless otherwise indicated.

**Portfolio Earnings***Quarter-Ended December 31, 2017*

	<b>Market Value Basis</b>	<b>Accrual (Amortized Cost) Basis</b>
<b>Beginning Value (09/30/2017)</b>	\$15,539,760.39	\$15,595,609.27
<b>Net Purchases/Sales</b>	(\$1,963,759.12)	(\$1,963,759.12)
<b>Change in Value</b>	(\$87,085.73)	(\$22,394.60)
<b>Ending Value (12/31/2017)</b>	\$13,488,915.54	\$13,609,455.55
<b>Interest Earned</b>	\$52,710.11	\$52,710.11
<b>Portfolio Earnings</b>	(\$34,375.62)	\$30,315.51

## Sector/Issuer Distribution

As of December 31, 2017

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Certificate of Deposit</b>			
MITSUBISHI UFJ FINANCIAL GROUP INC	149,298	17.3%	1.1%
SKANDINAVISKA ENSKILDA BANKEN AB	296,148	34.3%	2.2%
SWEDBANK AB	149,190	17.3%	1.1%
WESTPAC BANKING CORP	269,552	31.2%	2.0%
<b>Sector Total</b>	<b>864,188</b>	<b>100.0%</b>	<b>6.4%</b>
<b>Corporate</b>			
AMERICAN EXPRESS CO	148,769	7.0%	1.1%
AMERICAN HONDA FINANCE	149,197	7.0%	1.1%
APPLE INC	149,052	7.0%	1.1%
BANK OF AMERICA CO	149,577	7.0%	1.1%
BB&T CORPORATION	148,581	7.0%	1.1%
CATERPILLAR INC	113,657	5.3%	0.8%
EXXON MOBIL CORP	149,224	7.0%	1.1%
GENERAL ELECTRIC CO	73,530	3.4%	0.5%
GOLDMAN SACHS GROUP INC	149,809	7.0%	1.1%
HONEYWELL INTERNATIONAL	39,789	1.9%	0.3%
IBM CORP	148,161	7.0%	1.1%
INTEL CORPORATION	74,656	3.5%	0.6%
JOHNSON & JOHNSON	34,834	1.6%	0.3%

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
JP MORGAN CHASE & CO	144,903	6.8%	1.1%
PACCAR FINANCIAL CORP	39,695	1.9%	0.3%
PEPSICO INC	49,431	2.3%	0.4%
TOYOTA MOTOR CORP	149,526	7.0%	1.1%
UNITED PARCEL SERVICE INC	99,471	4.7%	0.7%
VISA INC	49,961	2.3%	0.4%
WAL-MART STORES INC	69,751	3.3%	0.5%
<b>Sector Total</b>	<b>2,131,576</b>	<b>100.0%</b>	<b>15.8%</b>
<b>Federal Agency/GSE</b>			
FANNIE MAE	2,864,319	50.6%	21.2%
FEDERAL HOME LOAN BANKS	840,874	14.9%	6.2%
FREDDIE MAC	1,950,596	34.5%	14.5%
<b>Sector Total</b>	<b>5,655,789</b>	<b>100.0%</b>	<b>41.9%</b>
<b>Supra-Sov / Supra-Natl Agency</b>			
AFRICAN DEVELOPMENT BANK	73,847	12.5%	0.5%
INTER-AMERICAN DEVELOPMENT BANK	150,127	25.3%	1.1%
INTL BANK OF RECONSTRUCTION AND DEV	368,879	62.2%	2.7%
<b>Sector Total</b>	<b>592,853</b>	<b>100.0%</b>	<b>4.4%</b>
<b>U.S. Treasury</b>			
UNITED STATES TREASURY	4,244,510	100.0%	31.5%

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Sector Total</b>	<b>4,244,510</b>	<b>100.0%</b>	<b>31.5%</b>
<b>Portfolio Total</b>	<b>13,488,916</b>	<b>100.0%</b>	<b>100.0%</b>

## Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
INTEREST	10/1/17	10/1/17	600,000.00	3130A9AE1	FHLB GLOBAL NOTES	0.87%	10/1/18	2,625.00		
INTEREST	10/2/17	10/2/17	0.00	MONEY0002	MONEY MARKET FUND			6.55		
BUY	10/2/17	10/10/17	150,000.00	4581X0CD8	INTER-AMERICAN DEVELOPMENT BANK	2.12%	11/9/20	(152,727.35)	1.81%	
SELL	10/2/17	10/10/17	150,000.00	3130A8BD4	FHLB NOTES	0.87%	6/29/18	149,921.23	1.29%	(321.62)
BUY	10/3/17	10/5/17	300,000.00	912828L99	US TREASURY NOTES	1.37%	10/31/20	(299,357.00)	1.64%	
SELL	10/3/17	10/5/17	205,000.00	3130A8BD4	FHLB NOTES	0.87%	6/29/18	204,871.53	1.28%	(432.15)
SELL	10/3/17	10/5/17	95,000.00	3130A8BD4	FHLB NOTES	0.87%	6/29/18	94,940.47	1.28%	(295.40)
BUY	10/5/17	10/10/17	50,000.00	713448DX3	PEPSICO INC CORP (CALLABLE) NOTE	2.00%	4/15/21	(49,990.00)	2.01%	
SELL	10/5/17	10/10/17	50,000.00	3137EAED7	FHLMC REFERENCE NOTES	0.87%	10/12/18	49,948.32	1.41%	(260.49)
BUY	10/11/17	10/20/17	70,000.00	931142DY6	WAL-MART STORES INC CORP NOTE	1.75%	10/9/19	(69,998.60)	1.75%	
INTEREST	10/12/17	10/12/17	325,000.00	3137EAED7	FHLMC REFERENCE NOTES	0.87%	10/12/18	1,421.88		
SELL	10/12/17	10/19/17	60,000.00	3130A8BD4	FHLB NOTES	0.87%	6/29/18	59,971.15	1.33%	(197.77)
INTEREST	10/15/17	10/15/17	400,000.00	3137EADZ9	FREDDIE MAC NOTES	1.12%	4/15/19	2,250.00		
INTEREST	10/19/17	10/19/17	700,000.00	3135G0E58	FNMA BENCHMARK NOTE	1.12%	10/19/18	3,937.50		
INTEREST	10/20/17	10/20/17	325,000.00	3137EAEF2	FHLMC AGENCY NOTES	1.37%	4/20/20	2,234.38		
BUY	10/23/17	10/26/17	80,000.00	05531FAZ6	BRANCH BANKING & TRUST (CALLABLE) NOTES	2.15%	2/1/21	(79,963.20)	2.17%	
BUY	10/23/17	10/30/17	150,000.00	025816BP3	AMERICAN EXPRESS CO CORP (CALLABLE) NOTE	2.20%	10/30/20	(149,805.00)	2.25%	
BUY	10/23/17	10/30/17	40,000.00	438516BQ8	HONEYWELL INTERNATIONAL CORP NOTES	1.80%	10/30/19	(39,968.80)	1.84%	
SELL	10/23/17	10/30/17	80,000.00	3130A8PK3	FHLB NOTES	0.62%	8/7/18	79,638.48	1.41%	(414.96)
SELL	10/24/17	10/26/17	80,000.00	3130A8PK3	FHLB NOTES	0.62%	8/7/18	79,620.12	1.42%	(426.87)

## TOWN OF FOUNTAIN HILLS

## Portfolio Activity

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
SELL	10/24/17	10/30/17	120,000.00	3130A8BD4	FHLB NOTES	0.87%	6/29/18	119,982.12	1.34%	(387.05)
INTEREST	10/31/17	10/31/17	365,000.00	912828D23	US TREASURY NOTES	1.62%	4/30/19	2,965.63		
INTEREST	10/31/17	10/31/17	300,000.00	912828L99	US TREASURY NOTES	1.37%	10/31/20	2,062.50		
INTEREST	11/1/17	11/1/17	0.00	MONEY0002	MONEY MARKET FUND			10.76		
BUY	11/1/17	11/3/17	95,000.00	38148LAA4	GOLDMAN SACHS GROUP INC CORP NOTES	2.60%	4/23/20	(95,784.91)	2.28%	
BUY	11/1/17	11/3/17	200,000.00	912828M98	US TREASURY NOTES	1.62%	11/30/20	(200,518.06)	1.77%	
SELL	11/1/17	11/3/17	290,000.00	3130A8PK3	FHLB NOTES	0.62%	8/7/18	288,655.29	1.44%	(1,555.97)
BUY	11/6/17	11/13/17	150,000.00	037833DJ6	APPLE INC	2.00%	11/13/20	(149,874.00)	2.03%	
BUY	11/6/17	11/13/17	40,000.00	69371RN85	PACCAR FINANCIAL CORP NOTES	2.05%	11/13/20	(39,996.40)	2.05%	
SELL	11/6/17	11/13/17	175,000.00	912828M98	US TREASURY NOTES	1.62%	11/30/20	175,585.69	1.76%	47.84
BUY	11/8/17	11/10/17	35,000.00	478160CH5	JOHNSON & JOHNSON CORP NOTE	1.95%	11/10/20	(34,962.55)	1.99%	
SELL	11/8/17	11/10/17	10,000.00	912828L99	US TREASURY NOTES	1.37%	10/31/20	9,892.08	1.76%	(33.80)
SELL	11/8/17	11/10/17	25,000.00	912828M98	US TREASURY NOTES	1.62%	11/30/20	25,065.70	1.78%	(7.52)
INTEREST	11/9/17	11/9/17	150,000.00	4581X0CD8	INTER-AMERICAN DEVELOPMENT BANK	2.12%	11/9/20	1,593.75		
BUY	11/9/17	11/14/17	100,000.00	911312BP0	UNITED PARCEL SERVICE CORPORATE BOND	2.05%	4/1/21	(99,842.00)	2.10%	
SELL	11/9/17	11/14/17	100,000.00	912828L99	US TREASURY NOTES	1.37%	10/31/20	98,955.52	1.76%	(321.30)
INTEREST	11/11/17	11/11/17	75,000.00	458140AZ3	INTEL CORP NOTES	1.85%	5/11/20	693.75		
BUY	11/13/17	11/16/17	85,000.00	02665WBZ3	AMERICAN HONDA FINANCE	2.00%	11/13/19	(84,952.40)	2.03%	
SELL	11/13/17	11/16/17	85,000.00	912828G61	US TREASURY NOTES	1.50%	11/30/19	85,246.74	1.70%	(433.29)
INTEREST	11/15/17	11/15/17	150,000.00	459200HM6	IBM CREDIT CORPORATE NOTE	1.62%	5/15/20	1,218.75		
BUY	11/16/17	11/17/17	150,000.00	87019U6D6	SWEDBANK (NEW YORK) CERT DEPOS	2.27%	11/16/20	(150,000.00)	2.30%	
SELL	11/16/17	11/17/17	150,000.00	3130A8PK3	FHLB NOTES	0.62%	8/7/18	149,273.42	1.54%	(878.16)

## TOWN OF FOUNTAIN HILLS

## Portfolio Activity

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
BUY	11/16/17	11/20/17	70,000.00	05531FAZ6	BRANCH BANKING & TRUST (CALLABLE) NOTES	2.15%	2/1/21	(69,736.33)	2.32%	
SELL	11/16/17	11/20/17	70,000.00	912828L99	US TREASURY NOTES	1.37%	10/31/20	69,159.04	1.82%	(353.67)
INTEREST	11/27/17	11/27/17	150,000.00	459058FS7	INTL BANK OF RECON AND DEV GLOBAL NOTES	1.12%	11/27/19	844.50		
BUY	11/27/17	11/29/17	150,000.00	06051GGS2	BANK OF AMERICA CORP (CALLABLE)	2.32%	10/1/21	(149,982.20)	2.46%	
SELL	11/27/17	11/29/17	150,000.00	3137EAED7	FHLMC REFERENCE NOTES	0.87%	10/12/18	149,173.85	1.65%	(978.01)
INTEREST	11/30/17	11/30/17	915,000.00	912828G61	US TREASURY NOTES	1.50%	11/30/19	6,862.50		
INTEREST	11/30/17	11/30/17	560,000.00	912828A34	US TREASURY NOTES	1.25%	11/30/18	3,500.00		
INTEREST	12/1/17	12/1/17	0.00	MONEY0002	MONEY MARKET FUND			8.74		
BUY	12/1/17	12/5/17	400,000.00	912828N48	US TREASURY N/B	1.75%	12/31/20	(401,099.18)	1.91%	
SELL	12/1/17	12/5/17	200,000.00	3130A8PK3	FHLB NOTES	0.62%	8/7/18	199,101.72	1.61%	(1,064.47)
SELL	12/1/17	12/5/17	50,000.00	3130A8PK3	FHLB NOTES	0.62%	8/7/18	49,775.43	1.61%	(293.22)
SELL	12/1/17	12/5/17	150,000.00	3130A9AE1	FHLB GLOBAL NOTES	0.87%	10/1/18	149,274.83	1.66%	(918.20)
INTEREST	12/14/17	12/14/17	50,000.00	92826CAB8	VISA INC (CALLABLE) CORP NOTES	2.20%	12/14/20	550.00		
SELL	12/15/17	12/18/17	915,000.00	912828G61	US TREASURY NOTES	1.50%	11/30/19	909,459.57	1.86%	(7,160.28)
SELL	12/15/17	12/18/17	65,000.00	912828A34	US TREASURY NOTES	1.25%	11/30/18	64,748.19	1.73%	(547.44)
SELL	12/15/17	12/18/17	175,000.00	3137EAED7	FHLMC REFERENCE NOTES	0.87%	10/12/18	174,073.23	1.73%	(1,186.14)
SELL	12/15/17	12/18/17	450,000.00	3130A9AE1	FHLB GLOBAL NOTES	0.87%	10/1/18	447,849.69	1.73%	(2,876.90)
SELL	12/15/17	12/18/17	400,000.00	912828N48	US TREASURY N/B	1.75%	12/31/20	400,674.60	1.97%	(694.17)
INTEREST	12/21/17	12/21/17	250,000.00	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	1,406.25		
INTEREST	12/21/17	12/21/17	600,000.00	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	3,375.00		
INTEREST	12/31/17	12/31/17	375,000.00	912828A75	US TREASURY NOTES	1.50%	12/31/18	2,812.50		
INTEREST	12/31/17	12/31/17	1,100,000.00	912828XH8	US TREASURY NOTES	1.62%	6/30/20	8,937.50		

---

<b>TOTALS</b>	<b>2,015,617.47</b>	<b>(21,991.01)</b>
---------------	---------------------	--------------------

---

---

---

**IMPORTANT DISCLOSURES**

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 a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

---

**GLOSSARY**

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

**GLOSSARY**

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.



**Managed Account Detail of Securities Held**

For the Month Ending **December 31, 2017**

**TOWN OF FOUNTAIN HILLS, OPERATING FUNDS**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	495,000.00	AA+	Aaa	05/03/16	05/06/16	500,220.70	0.83	543.96	496,866.79	492,582.92
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	375,000.00	AA+	Aaa	12/01/15	12/04/15	378,178.71	1.22	15.54	376,044.79	373,813.50
US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019	912828D23	365,000.00	AA+	Aaa	11/10/16	11/14/16	369,990.24	1.06	1,015.85	367,709.78	363,873.61
US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020	912828H52	850,000.00	AA+	Aaa	01/03/17	01/05/17	843,226.56	1.52	4,446.33	845,376.47	838,744.30
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020	912828J50	350,000.00	AA+	Aaa	02/01/17	02/03/17	347,880.86	1.58	1,635.19	348,498.87	346,048.85
US TREASURY NOTES DTD 04/01/2013 1.125% 03/31/2020	912828UV0	525,000.00	AA+	Aaa	03/15/17	03/17/17	515,956.05	1.71	1,509.01	518,276.54	516,038.25
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	1,100,000.00	AA+	Aaa	06/26/17	06/28/17	1,103,953.13	1.50	49.38	1,103,297.31	1,091,878.70
US TREASURY NOTES DTD 08/31/2015 1.375% 08/31/2020	912828L32	105,000.00	AA+	Aaa	08/31/17	09/01/17	104,799.02	1.44	490.56	104,821.23	103,466.06
US TREASURY NOTES DTD 10/31/2015 1.375% 10/31/2020	912828L99	120,000.00	AA+	Aaa	10/03/17	10/05/17	119,034.38	1.64	282.60	119,109.22	118,064.04
<b>Security Type Sub-Total</b>		<b>4,285,000.00</b>					<b>4,283,239.65</b>	<b>1.40</b>	<b>9,988.42</b>	<b>4,280,001.00</b>	<b>4,244,510.23</b>
<b>Supra-National Agency Bond / Note</b>											
AFRICAN DEVELOPMENT BANK NOTE DTD 09/20/2016 1.125% 09/20/2019	00828EBO1	75,000.00	AAA	Aaa	08/30/17	08/31/17	74,426.25	1.50	236.72	74,518.47	73,846.95
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 10/27/2016 1.125% 11/27/2019	459058FS7	150,000.00	AAA	Aaa	08/28/17	08/30/17	148,720.50	1.51	159.38	148,910.44	147,496.65
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 08/29/2017 1.625% 09/04/2020	459058GA5	75,000.00	AAA	Aaa	08/22/17	08/29/17	74,984.25	1.63	413.02	74,986.02	74,057.33



**Managed Account Detail of Securities Held**

For the Month Ending **December 31, 2017**

**TOWN OF FOUNTAIN HILLS, OPERATING FUNDS**

<b>Security Type/Description</b> <b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Supra-National Agency Bond / Note</b>											
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 09/19/2017 1.561% 09/12/2020	45905UP32	150,000.00	AAA	Aaa	09/12/17	09/19/17	149,640.00	1.64	663.43	149,673.44	147,325.50
INTER-AMERICAN DEVELOPMENT BANK DTD 11/08/2013 2.125% 11/09/2020	4581X0CD8	150,000.00	AAA	Aaa	10/02/17	10/10/17	151,390.37	1.81	460.42	151,292.11	150,126.75
<b>Security Type Sub-Total</b>		<b>600,000.00</b>					<b>599,161.37</b>	<b>1.64</b>	<b>1,932.97</b>	<b>599,380.48</b>	<b>592,853.18</b>
<b>Federal Agency Bond / Note</b>											
FNMA BENCHMARK NOTE DTD 09/01/2015 1.125% 10/19/2018	3135G0E58	700,000.00	AA+	Aaa	08/27/15	09/01/15	698,866.00	1.18	1,575.00	699,706.04	696,486.00
FNMA BENCHMARK NOTE DTD 01/08/2016 1.375% 01/28/2019	3135G0H63	640,000.00	AA+	Aaa	01/06/16	01/08/16	639,603.20	1.40	3,740.00	639,857.96	637,137.92
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	750,000.00	AA+	Aaa	02/19/16	02/23/16	748,230.00	1.08	2,604.17	749,315.06	742,910.25
FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	400,000.00	AA+	Aaa	03/30/16	03/31/16	400,952.00	1.05	950.00	400,407.20	396,338.80
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	250,000.00	AA+	Aaa	07/06/16	07/08/16	252,600.00	0.77	78.13	251,303.76	247,316.00
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	600,000.00	AA+	Aaa	06/27/16	06/29/16	605,438.09	0.82	187.50	602,705.14	593,558.40
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	150,000.00	AA+	Aaa	09/01/16	09/02/16	149,278.50	1.04	590.63	149,609.27	147,654.60
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	550,000.00	AA+	Aaa	07/19/16	07/20/16	548,669.00	0.96	2,165.63	549,306.96	541,400.20
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	325,000.00	AA+	Aaa	07/29/16	08/02/16	324,454.00	0.93	1,177.00	324,709.46	319,791.23
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	475,000.00	AA+	Aaa	08/31/16	09/02/16	474,259.00	1.05	1,622.92	474,585.99	467,993.28



## Managed Account Detail of Securities Held

For the Month Ending **December 31, 2017**

### TOWN OF FOUNTAIN HILLS, OPERATING FUNDS

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FREDDIE MAC NOTES DTD 01/17/2017 1.500% 01/17/2020	3137EAAA5	550,000.00	AA+	Aaa	04/03/17	04/05/17	549,758.00	1.52	3,758.33	549,824.09	544,795.90
FHLMC AGENCY NOTES DTD 04/20/2017 1.375% 04/20/2020	3137EAFF2	325,000.00	AA+	Aaa	04/19/17	04/20/17	323,888.50	1.49	881.34	324,142.58	320,406.13
<b>Security Type Sub-Total</b>		<b>5,715,000.00</b>					<b>5,715,996.29</b>	<b>1.13</b>	<b>19,330.65</b>	<b>5,715,473.51</b>	<b>5,655,788.71</b>
<b>Corporate Note</b>											
GOLDMAN SACHS GROUP INC CORP NOTE DTD 07/24/2017 1.950% 07/23/2019	38141GWP5	55,000.00	BBB+	A3	07/19/17	07/24/17	54,993.40	1.96	467.73	54,994.81	54,679.24
WAL-MART STORES INC CORP NOTE DTD 10/20/2017 1.750% 10/09/2019	931142DY6	70,000.00	AA	Aa2	10/11/17	10/20/17	69,998.60	1.75	241.60	69,998.69	69,751.36
HONEYWELL INTERNATIONAL CORP NOTES DTD 10/30/2017 1.800% 10/30/2019	438516BQ8	40,000.00	A	A2	10/23/17	10/30/17	39,968.80	1.84	122.00	39,971.41	39,788.56
AMERICAN HONDA FINANCE DTD 11/16/2017 2.000% 11/13/2019	02665WBZ3	85,000.00	A+	A2	11/13/17	11/16/17	84,952.40	2.03	212.50	84,955.33	84,708.96
JPMORGAN CHASE & CO (CALLABLE) DTD 01/23/2015 2.250% 01/23/2020	46625HKA7	145,000.00	A-	A3	07/07/17	07/12/17	145,394.40	2.14	1,431.88	145,320.91	144,903.00
EXXON MOBIL (CALLABLE) CORP NOTE DTD 03/06/2015 1.912% 03/06/2020	30231GAG7	150,000.00	AA+	Aaa	07/05/17	07/10/17	150,292.50	1.84	916.17	150,240.77	149,224.05
TOYOTA MOTOR CORP NOTES DTD 03/12/2015 2.150% 03/12/2020	89236TCF0	150,000.00	AA-	Aa3	08/24/17	08/25/17	151,377.00	1.78	976.46	151,191.71	149,526.45
GOLDMAN SACHS GROUP INC CORP NOTES DTD 01/23/2015 2.600% 04/23/2020	38148LAA4	95,000.00	BBB+	A3	11/01/17	11/03/17	95,716.30	2.28	466.56	95,670.78	95,129.39
INTEL CORP NOTES DTD 05/11/2017 1.850% 05/11/2020	458140AZ3	75,000.00	A+	A1	07/07/17	07/12/17	74,960.25	1.87	192.71	74,967.31	74,655.60
IBM CREDIT CORPORATE NOTE DTD 05/07/2013 1.625% 05/15/2020	459200HM6	150,000.00	A+	A1	07/07/17	07/12/17	148,735.50	1.93	311.46	148,940.93	148,161.15
AMERICAN HONDA FINANCE CORP NOTES DTD 07/20/2017 1.950% 07/20/2020	02665WBT7	65,000.00	A+	A2	07/17/17	07/20/17	64,934.35	1.98	566.85	64,943.90	64,488.39



**Managed Account Detail of Securities Held**

For the Month Ending **December 31, 2017**

**TOWN OF FOUNTAIN HILLS, OPERATING FUNDS**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Corporate Note</b>											
CATERPILLAR FINL SERVICE NOTE DTD 09/07/2017 1.850% 09/04/2020	1491302A6	115,000.00	A	A3	09/05/17	09/07/17	114,903.40	1.88	673.71	114,913.34	113,657.49
GENERAL ELECTRIC CAPITAL CORP CORP NOTE DTD 09/16/2010 4.375% 09/16/2020	36962G4R2	70,000.00	A	A2	08/30/17	08/31/17	75,236.00	1.84	893.23	74,675.83	73,529.89
AMERICAN EXPRESS CO CORP (CALLABLE) NOTE DTD 10/30/2017 2.200% 10/30/2020	025816BP3	150,000.00	BBB+	A3	10/23/17	10/30/17	149,805.00	2.25	559.17	149,815.71	148,769.40
JOHNSON & JOHNSON CORP NOTE DTD 11/10/2017 1.950% 11/10/2020	478160CH5	35,000.00	AAA	Aaa	11/08/17	11/10/17	34,962.55	1.99	96.69	34,964.28	34,834.28
PACCAR FINANCIAL CORP NOTES DTD 11/13/2017 2.050% 11/13/2020	69371RN85	40,000.00	A+	A1	11/06/17	11/13/17	39,996.40	2.05	109.33	39,996.56	39,695.44
APPLE INC DTD 11/13/2017 2.000% 11/13/2020	037833DJ6	150,000.00	AA+	Aa1	11/06/17	11/13/17	149,874.00	2.03	400.00	149,879.46	149,052.15
VISA INC (CALLABLE) CORP NOTES DTD 12/14/2015 2.200% 12/14/2020	92826CAB8	50,000.00	A+	A1	08/25/17	08/30/17	50,546.00	1.86	51.94	50,490.81	49,960.60
BRANCH BANKING & TRUST (CALLABLE) NOTES DTD 10/26/2017 2.150% 02/01/2021	05531FAZ6	70,000.00	A-	A2	11/16/17	11/20/17	69,636.00	2.32	271.74	69,648.21	69,337.80
BRANCH BANKING & TRUST (CALLABLE) NOTES DTD 10/26/2017 2.150% 02/01/2021	05531FAZ6	80,000.00	A-	A2	10/23/17	10/26/17	79,963.20	2.17	310.56	79,964.45	79,243.20
UNITED PARCEL SERVICE CORPORATE BOND DTD 11/14/2017 2.050% 04/01/2021	911312BP0	100,000.00	A+	A1	11/09/17	11/14/17	99,842.00	2.10	267.64	99,847.62	99,471.10
PEPSICO INC CORP (CALLABLE) NOTE DTD 10/10/2017 2.000% 04/15/2021	713448DX3	50,000.00	A+	A1	10/05/17	10/10/17	49,990.00	2.01	225.00	49,990.65	49,431.25
BANK OF AMERICA CORP (CALLABLE) DTD 09/18/2017 2.328% 10/01/2021	06051GGS2	150,000.00	A-	A3	11/27/17	11/29/17	149,293.50	2.46	999.10	149,309.98	149,577.15



**Managed Account Detail of Securities Held**

For the Month Ending **December 31, 2017**

**TOWN OF FOUNTAIN HILLS, OPERATING FUNDS**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Security Type Sub-Total</b>		<b>2,140,000.00</b>					<b>2,145,371.55</b>	<b>2.03</b>	<b>10,764.03</b>	<b>2,144,693.45</b>	<b>2,131,575.90</b>
<b>Certificate of Deposit</b>											
SKANDINAV ENSKILDA BANKEN NY CD DTD 08/04/2017 1.840% 08/02/2019	83050FXT3	300,000.00	A+	Aa3	08/03/17	08/04/17	299,883.00	1.85	2,300.00	299,907.11	296,147.87
BANK TOKYO MITSUBISHI UFJ LTD LT CD DTD 09/27/2017 2.070% 09/25/2019	06539RGM3	150,000.00	A+	A1	09/25/17	09/27/17	150,000.00	2.07	828.00	150,000.00	149,298.15
WESTPAC BANKING CORP NY CD DTD 08/07/2017 2.050% 08/03/2020	96121T4A3	270,000.00	AA-	Aa3	08/03/17	08/07/17	270,000.00	2.05	2,214.00	270,000.00	269,551.80
SWEDBANK (NEW YORK) CERT DEPOS DTD 11/17/2017 2.270% 11/16/2020	87019U6D6	150,000.00	AA-	Aa3	11/16/17	11/17/17	150,000.00	2.30	425.63	150,000.00	149,189.70
<b>Security Type Sub-Total</b>		<b>870,000.00</b>					<b>869,883.00</b>	<b>2.03</b>	<b>5,767.63</b>	<b>869,907.11</b>	<b>864,187.52</b>
<b>Managed Account Sub-Total</b>		<b>13,610,000.00</b>					<b>13,613,651.86</b>	<b>1.44</b>	<b>47,783.70</b>	<b>13,609,455.55</b>	<b>13,488,915.54</b>
<b>Securities Sub-Total</b>		<b>\$13,610,000.00</b>					<b>\$13,613,651.86</b>	<b>1.44%</b>	<b>\$47,783.70</b>	<b>\$13,609,455.55</b>	<b>\$13,488,915.54</b>
<b>Accrued Interest</b>											<b>\$47,783.70</b>
<b>Total Investments</b>											<b>\$13,536,699.24</b>