



# TOWN OF FOUNTAIN HILLS

## Investment Performance Review For the Quarter Ended June 30, 2018

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## QUARTERLY MARKET SUMMARY

### SUMMARY

- Economic data continued to indicate strong growth worldwide, despite the myriad of geopolitical and global trade war events hitting the headlines. During the quarter, volatility waned, equity markets gained their footing, the U.S. Dollar (USD) continued its ascent, and the Federal Open Market Committee's (FOMC) dual mandate came into clearer focus. But, with trade wars officially on, it's now a question of whether the strong fiscal stimulus that is fueling the U.S. economy will be enough to overcome the drag of trade uncertainty.
- Positive economic data released in the second quarter included job gains, housing starts, new home sales, factory orders, manufacturing survey indices, and consumer sentiment.
- At its June FOMC meeting, the Federal Reserve (Fed) increased the overnight federal funds rate by 0.25 percent to a new range of 1.75 to 2.00 percent. While widely anticipated, the June rate hike was consistent with the Fed's continuing resolve to gradually tighten monetary policy. Fed expectations—as measured by the FOMC's updated "dot plot"—indicated two more rate hikes in the second half of 2018 and three more in 2019. Market estimates—as measured by Fed funds futures contracts—similarly imply two more hikes in 2018, but are less optimistic for 2019.
- The S&P 500 Index (S&P) rebounded by 3.4 percent over the quarter, following the first quarterly decline (first quarter 2018) in nearly three years. International indices followed suit, posting gains in local currencies for the quarter; however, the stronger USD tempered those gains for domestic investors. Meanwhile, bond yields generally rose, while the yield curve flattened.

### ECONOMIC SNAPSHOT

- Real gross domestic product (GDP) in the U.S. increased at an annual rate of 2 percent in the first quarter. The deceleration in growth was driven by weaker consumer spending despite being boosted by a significant improvement in net exports. Looking forward, federal tax cuts and expanded spending point toward accelerated growth estimates for the second quarter.
- U.S. labor market conditions—part one of the Fed's dual mandate—remained strong during the quarter. Despite the quarter-end uptick in the headline unemployment rate to 4 percent (previously 3.8 percent), it remains near multi-decade lows. In addition, job growth remains robust (monthly average of 211,000 new jobs in the second quarter), weekly jobless claims reached a generational low and job openings reached a new record high. In fact, for the first time, there are more job openings than the number of unemployed persons.
- Inflation—the second part of the Fed's dual mandate—continued to march higher. As measured by the personal consumption expenditures (PCE) core price index, year-over-year (YoY) inflation reached the Fed's target of 2 percent for the first time since 2012.

### INTEREST RATES

- U.S. Treasury yields generally rose over the quarter, with maturities less than three years increasing 20 to 25 basis points (bps) (0.20 to 0.25 percent), while maturities greater than five years increased by a lesser amount, and 30-year Treasury bonds were nearly unchanged. The result was a flatter yield curve; the difference between 10-year and two-year Treasury yields narrowed to 33 bps (0.33 percent) by quarter-end, a level not hit since June 2007.
- Money market investments, like commercial paper and bank Certificates of Deposit (CDs), continued to offer attractive yields, reacting quickly to the periodic Fed rate hikes.
- After widening in the first quarter, credit spreads remained volatile in the second quarter but ended the quarter only modestly wider. Healthy corporate fundamentals remained supportive.

### SECTOR PERFORMANCE

- Rising yields caused shorter-maturity to outperform longer-maturity Treasury indices; the exception was 30-year Treasury bonds, which were buoyed by incremental income amid relatively unchanged yields over the quarter. For example, the three-month Treasury bill index generated +0.45 percent of total return for the quarter, while the five-year Treasury returned -0.05 percent, and the 30-year Treasury returned +0.51 percent.
- Federal agency returns were in line with similar-duration U.S. Treasury securities for the quarter as spreads across the majority of the curve continued to trade very narrowly. The incremental income benefit from the sector continues to be minimal.
- For the second consecutive quarter, the municipal sector was a top performer as the sector continued to reap the benefits of a sharp slowdown in supply following the year-end flurry of issuance. From both an absolute and excess return perspective, the sector was a positive contributor to portfolio performance for the quarter.
- Shorter-term corporates generated positive excess returns in the quarter as incremental income offset modestly wider yield spreads. But, longer-term corporates (five years and longer) underperformed Treasuries as the impact of wider yield spreads on longer-duration securities overwhelmed the benefit of higher yields.
- After a general underperformance of mortgage-backed securities (MBS) in the first quarter, the sector found its footing in the second quarter. Nevertheless, returns in the MBS sector continue to be very much structure-dependent as specific maturity and coupon characteristics drove relative performance.
- Short-term commercial paper and bank CDs continued to offer incremental value relative to both short- and intermediate-term government securities. The incremental yield advantage offered in these sectors continues to be a valuable return attribute in the face of rising rates.

## QUARTERLY MARKET SUMMARY

## Economic Snapshot

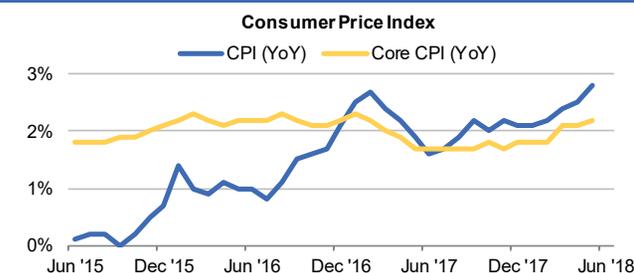
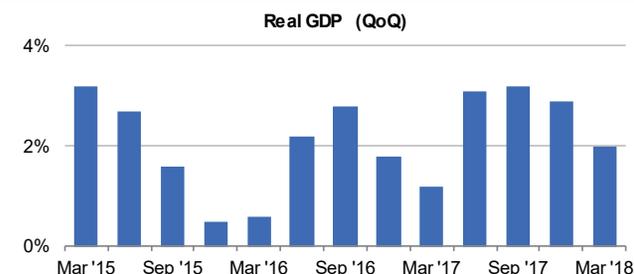
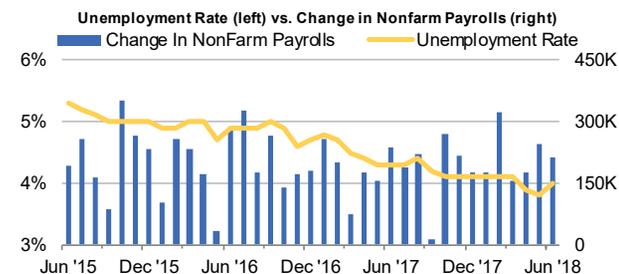
Labor Market	Latest	Mar '18	Jun '17	
Unemployment Rate	Jun '18	4.0%	4.1%	4.3%
Change In NonFarm Payrolls	Jun '18	213,000	155,000	239,000
Average Hourly Earnings (YoY)	Jun '18	2.7%	2.6%	2.5%
Personal Income (YoY)	May '18	4.0%	3.7%	2.4%
Initial Jobless Claims (week)	6/30/18	231,000	242,000	251,000

Growth	Latest	Mar '18	Jun '17	
Real GDP (QoQ SAAR)	2018Q1	2.0%	2.9% <sup>1</sup>	1.2% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2018Q1	0.9%	4.0% <sup>1</sup>	1.9% <sup>2</sup>
Retail Sales (YoY)	May '18	5.9%	5.1%	3.5%
ISM Manufacturing Survey (month)	Jun '18	60.2	59.3	56.7
Existing Home Sales SAAR (month)	May '18	5.43 mil.	5.60 mil.	5.50 mil.

Inflation / Prices	Latest	Mar '18	Jun '17	
Personal Consumption Expenditures (YoY)	May '18	2.3%	2.0%	1.4%
Consumer Price Index (YoY)	May '18	2.8%	2.4%	1.6%
Consumer Price Index Core (YoY)	May '18	2.2%	2.1%	1.7%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$74.15	\$64.94	\$46.04
Gold Futures (oz.)	Jun 30	\$1,255	\$1,323	\$1,242



1. Data as of Fourth Quarter 2017.

2. Data as of First Quarter 2017.

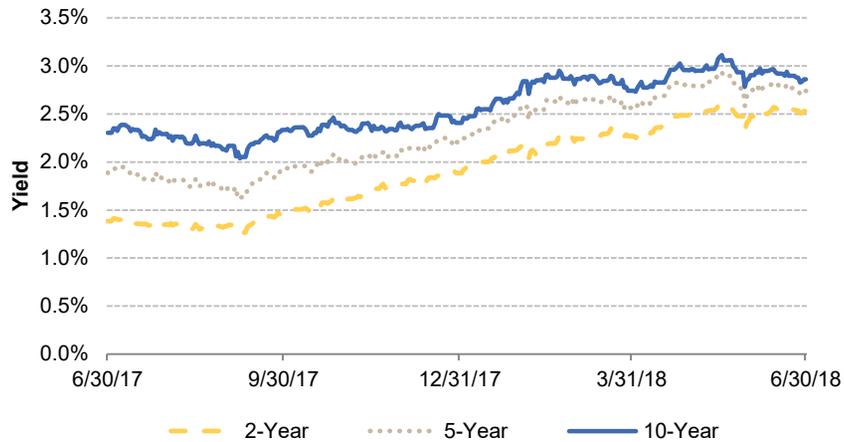
Note: YoY = year-over-year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

Source: Bloomberg.

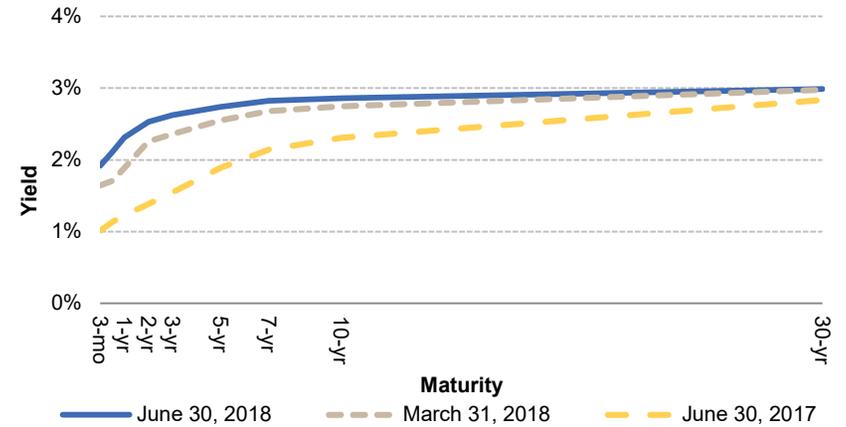
# QUARTERLY MARKET SUMMARY

## Interest Rate Overview

U.S. Treasury Note Yields



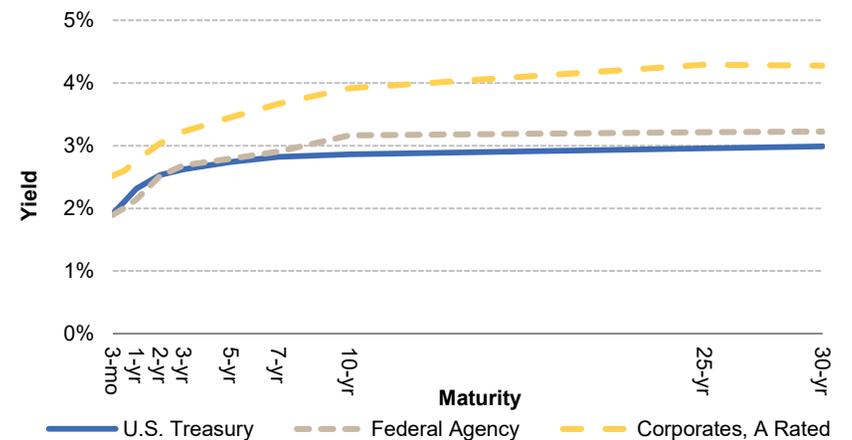
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Jun '18	Mar '18	Change Over Quarter	Jun '17	Change Over Year
3-month	1.92%	1.71%	0.21%	1.01%	0.91%
1-year	2.31%	2.09%	0.22%	1.23%	1.08%
2-year	2.53%	2.27%	0.26%	1.38%	1.15%
5-year	2.74%	2.56%	0.18%	1.89%	0.85%
10-year	2.86%	2.74%	0.12%	2.31%	0.55%
30-year	2.99%	2.97%	0.02%	2.84%	0.15%

Yield Curves as of 6/30/18



Source: Bloomberg.

## QUARTERLY MARKET SUMMARY

## ICE BofAML Index Returns

June 30, 2018	As of 6/30/18		Returns for Periods ended 6/30/18		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.81	2.51%	0.22%	0.08%	0.42%
Federal Agency	1.67	2.55%	0.23%	0.30%	0.60%
U.S. Corporates, A-AAA rated	1.89	3.11%	0.47%	0.57%	1.28%
Agency MBS (0 to 3 years)	2.40	2.84%	(0.05%)	0.34%	1.06%
Taxable Municipals	1.58	2.83%	0.40%	1.74%	2.21%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.58	2.58%	0.13%	(0.35%)	0.50%
Federal Agency	2.01	2.59%	0.20%	0.08%	0.69%
U.S. Corporates, A-AAA rated	2.66	3.26%	0.30%	0.08%	1.45%
Agency MBS (0 to 5 years)	3.29	3.04%	(0.21%)	(0.35%)	1.00%
Taxable Municipals	2.29	2.96%	0.33%	1.39%	2.37%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.22	2.71%	0.11%	(0.60%)	1.13%
Federal Agency	3.78	2.75%	(0.02%)	(0.04%)	1.16%
U.S. Corporates, A-AAA rated	6.90	3.74%	(0.70%)	(0.80%)	2.62%
Agency MBS (0 to 30 years)	5.09	3.38%	0.31%	0.15%	1.48%
Taxable Municipals	10.53	3.99%	(0.28%)	2.81%	5.49%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

## QUARTERLY MARKET SUMMARY

**DISCLOSURES**

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## Portfolio Recap

- ◆ Despite numerous global headwinds facing economic growth, including global trade wars and geopolitical uncertainty, the strength and resolve of domestic economic themes prevailed:
  - U.S. GDP grew at 2% in the first quarter with year-over-year (YoY) growth up to 2.8%.
  - Inflation trended higher as the core personal consumption expenditures (PCE) price index grew at 2% YoY for the first time since 2012.
  - The labor market saw continued strength as the U.S. unemployment rate reached a multi-decade low of 3.8% (before bouncing back to 4% in June), job growth remained robust, and wages trended modestly higher.
  - The S&P 500 Index grinded out a 3.4% return for the quarter.
  - The Fed increased short-term rates by an additional  $\frac{1}{4}$  percent in June and is expected to continue to pursue additional rate hikes over the near term.
  
- ◆ U.S. Treasury yields increased during the quarter, but the impact varied widely by maturity:
  - Yield on maturities 3 years and under rose approximately 20-25 basis points (0.20%-0.25%), the result of the widely anticipated Fed rate hike in June.
  - Yields on longer-term maturities rose by much less—the 10-year Treasury increased 12 basis points (0.12%), while the 30-year Treasury bond rose just 2 basis points (0.02%), the result of modest inflation expectations, moderating growth prospects, and persistently low global interest rates.
  - As a consequence, the yield curve flattened to a new post-recession low.
  
- ◆ In what we viewed as a well-choreographed interest rate environment, we continued to strategically position the portfolio with a modestly defensive duration bias relative to the benchmark. However, with rates near multi-year highs, there were also opportunities to selectively capture higher yields in some parts of the yield curve when rebalancing the portfolio or participating in new issues.

## Portfolio Recap

- ◆ Most investment-grade sectors contributed positive excess returns (returns in excess of similar-duration Treasuries) to fixed income portfolios for the quarter:
  - Federal agency yield spreads remained very narrow throughout the quarter. Limited incremental yield, in combination with light issuance and diminishing supply, influenced our continued preference to reduce the portfolio's allocation to agencies. Generally, the agency sector generated returns similar to Treasuries in the second quarter, except for longer-maturity issues where wider yield spreads resulted in underperformance.
  - In the supranational sector, the first quarter was a period of seasonally high issuance volume and wider-than-average spreads, offering an attractive opportunity to add to allocations. As we had anticipated, the portfolio's holding of supranationals benefited from modest spread tightening as new supply fell significantly in the second quarter.
  - In the corporate sector, our fundamental outlook remained favorable as corporate profits surged in the first half of the year, in part due to the 2017 tax cuts. When yield spreads widened in the first quarter, a result of global issues rather than any fundamental credit concerns, we viewed the wider spreads as an opportunity to increase allocations to credit sectors. However, we are being more selective given balance sheet weakening in certain industries as companies return capital to shareholders through dividends and share buybacks. In short- and intermediate-term maturities, corporate allocations contributed to incremental performance for the quarter.
  - Short-term, high-quality commercial paper and negotiable certificates of deposit continued to offer considerable value relative to not only similar-maturity government securities but also somewhat longer Treasury maturities. The combination of incremental income and the interest rate risk protection offered by these sectors' shorter durations continue to benefit the portfolio.

## Outlook and Strategy

- ◆ In light of continued economic growth, inflation near the Fed's 2% target, and strong labor market conditions, the Fed appears poised to raise rates further. As a result of the expectation for one or two additional hikes in 2018 and three to four more in 2019, our view remains that the general trend of interest rates will be to increase gradually over the near term. Therefore, we plan to maintain a defensive duration posture to mitigate a portion of interest rate risk relative to the benchmark.
- ◆ Our outlook for each of the major investment-grade fixed income sectors is as follows:
  - Federal agency securities remain expensive as most maturities offer less than five basis points (0.05%) of incremental yield relative to U.S. Treasuries. We will continue to reduce exposure to agencies in maturities where spreads are tight, seeking better value in Treasuries or other sectors. Over the past quarter, however, the 2-3 year portions of the agency curve experienced modest widening that may create some opportunities in the third quarter.
  - Given an expected light supply of supranationals over the coming months, additional purchases may be limited. However, current allocations are expected to be maintained as the portfolio benefits from decent incremental income relative to traditional agencies. A shift to euro-denominated issues (preferred recently by a number of supranational issuers) may push secondary U.S. dollar-denominated spreads modestly wider, which could provide additional opportunity in the sector.
  - While fundamentals remain generally healthy and incremental income is still modestly attractive, potential headwinds in the corporate sector are beginning to temper our overall constructive guidance. As a result, our view on the sector has shifted to a more market-neutral and selectively opportunistic stance. In addition, we have a preference for financials and selective industrial issuers with stronger balance sheets, which we think can better navigate the current phase of the credit cycle.
  - In conjunction with our somewhat more defensive posture, negotiable certificates of deposit (CD) offer attractive incremental income compared to government security alternatives.
  - Short-term money market investors continue to reap the rewards of current monetary policy tightening and higher overnight target rates. Further, the yield curve for high-quality commercial paper and negotiable certificates of deposit (CP/CD) is quite steep and attractive, offering opportunities to extend maturities and add to allocations in this space.

## Sector Allocation and Compliance

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

<b>Security Type</b>	<b>Market Value</b>	<b>% of Portfolio</b>	<b>% Change vs. 3/31/18</b>	<b>Permitted by Policy</b>	<b>In Compliance</b>
U.S. Treasury	\$2,645,568	22.1%	+2.5%	100%	✓
Federal Agency	\$4,269,394	35.7%	+4.1%	100%	✓
Federal Agency Discount Note	\$0	0.0%	-1.8%	100%	✓
Supranationals	\$588,323	4.9%	+0.5%	100%	✓
Negotiable CDs	\$1,258,356	10.5%	+1.2%	30%	✓
Corporate Notes	\$2,103,554	17.6%	+2.0%	30%	✓
Commercial Paper	\$597,964	5.0%	-8.6%	30%	✓
<b>Securities Sub-Total</b>	<b>\$11,463,159</b>	<b>95.8%</b>			
Accrued Interest	\$49,471				
<b>Securities Total</b>	<b>\$11,512,631</b>				
Money Market Fund	\$508,144	4.2%	+0.2%	100%	✓
<b>Total Investments</b>	<b>\$12,020,775</b>	<b>100.0%</b>			

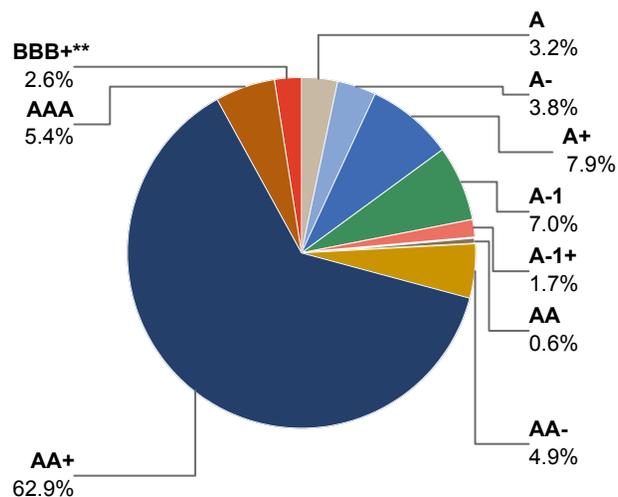
As of 6/30/2018. Detail may not add to total due to rounding.

**Portfolio Statistics**

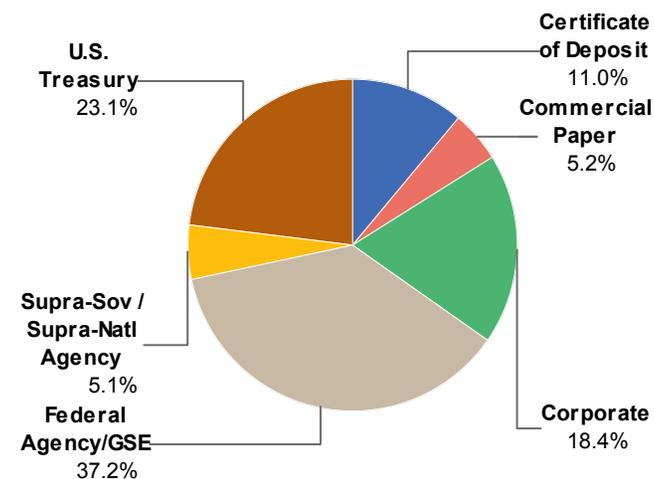
As of June 30, 2018

<b>Par Value:</b>	\$11,625,000
<b>Total Market Value:</b>	\$12,020,775
<b>Security Market Value:</b>	\$11,463,159
<b>Accrued Interest:</b>	\$49,471
<b>Cash:</b>	\$508,144
<b>Amortized Cost:</b>	\$11,618,228
<b>Yield at Market:</b>	2.46%
<b>Yield at Cost:</b>	1.55%
<b>Effective Duration:</b>	1.28 Years
<b>Duration to Worst:</b>	1.29 Years
<b>Average Maturity:</b>	1.33 Years
<b>Average Credit: *</b>	AA

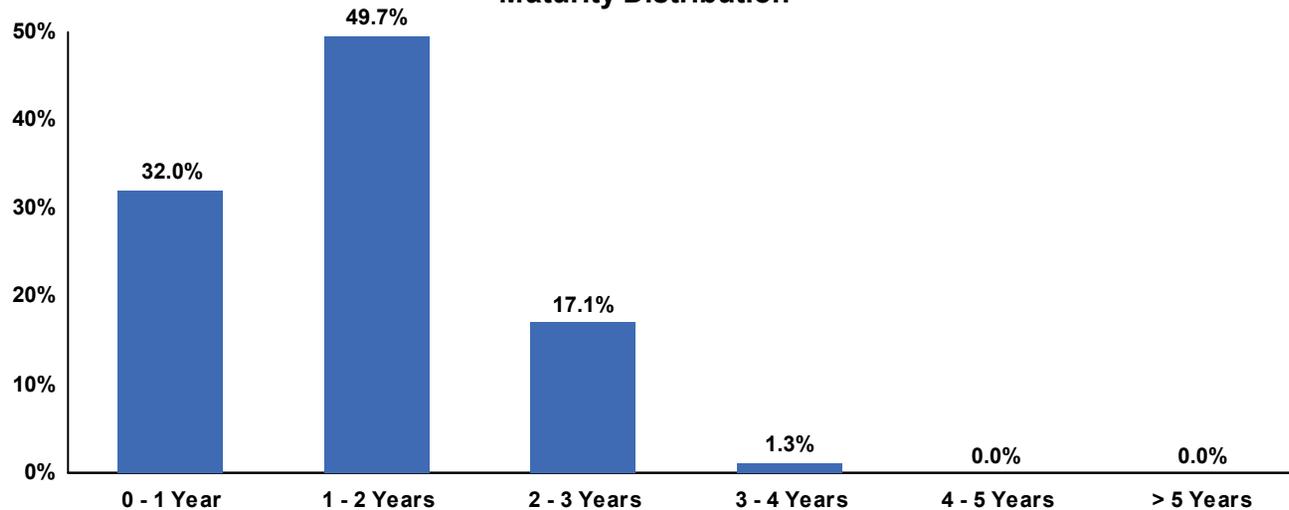
**Credit Quality (S&P Ratings)**



**Sector Allocation**



**Maturity Distribution**

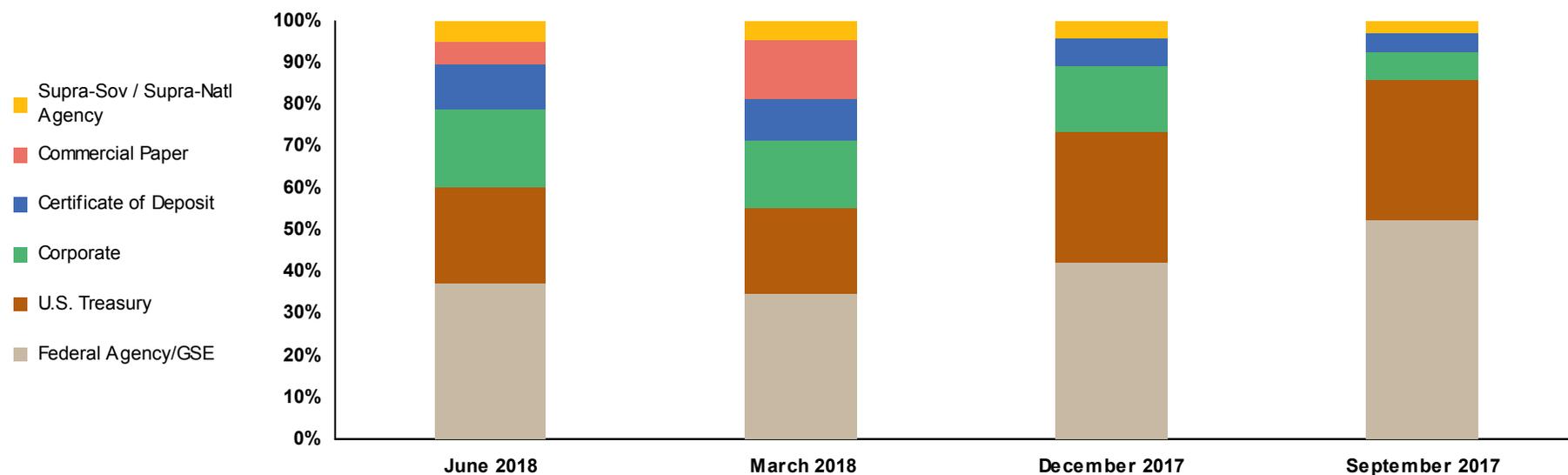


\*An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

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

### Sector Allocation

Sector	June 30, 2018		March 31, 2018		December 31, 2017		September 30, 2017	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
Federal Agency/GSE	4.3	37.2%	4.5	34.8%	5.7	41.9%	8.1	52.3%
U.S. Treasury	2.6	23.1%	2.6	20.4%	4.2	31.5%	5.2	33.6%
Corporate	2.1	18.4%	2.1	16.3%	2.1	15.8%	1.0	6.6%
Certificate of Deposit	1.3	11.0%	1.3	9.7%	0.9	6.4%	0.7	4.6%
Commercial Paper	0.6	5.2%	1.8	14.2%	0.0	0.0%	0.0	0.0%
Supra-Sov / Supra-Natl Agency	0.6	5.1%	0.6	4.6%	0.6	4.4%	0.4	2.9%
<b>Total</b>	<b>\$11.5</b>	<b>100.0%</b>	<b>\$12.9</b>	<b>100.0%</b>	<b>\$13.5</b>	<b>100.0%</b>	<b>\$15.5</b>	<b>100.0%</b>

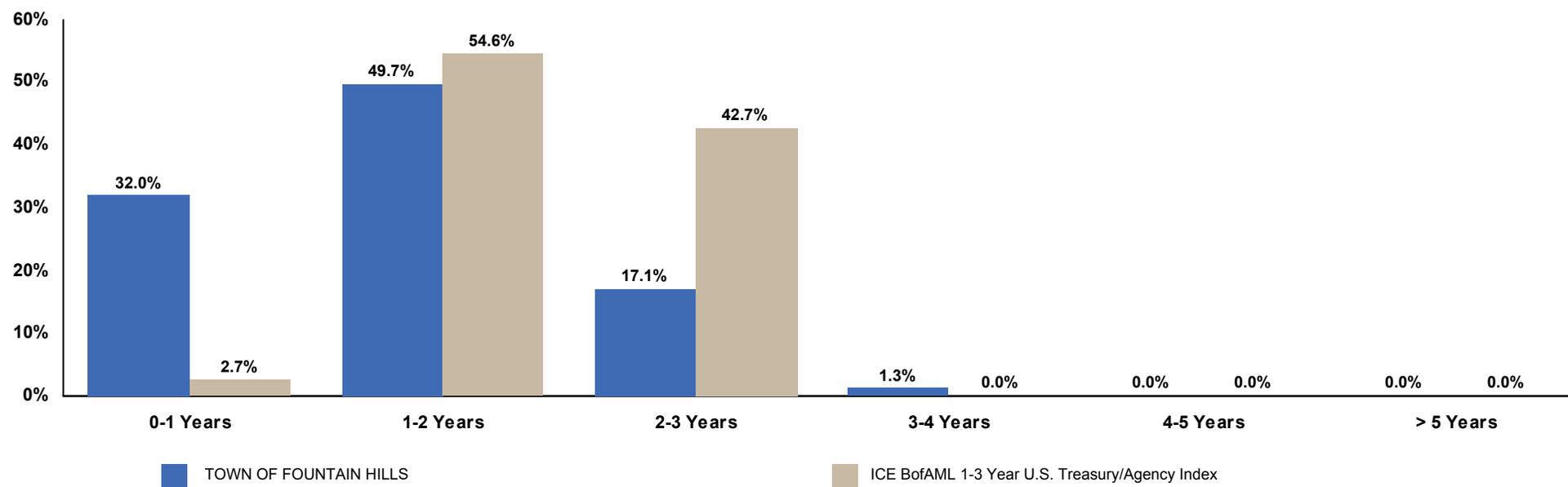


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**Maturity Distribution**

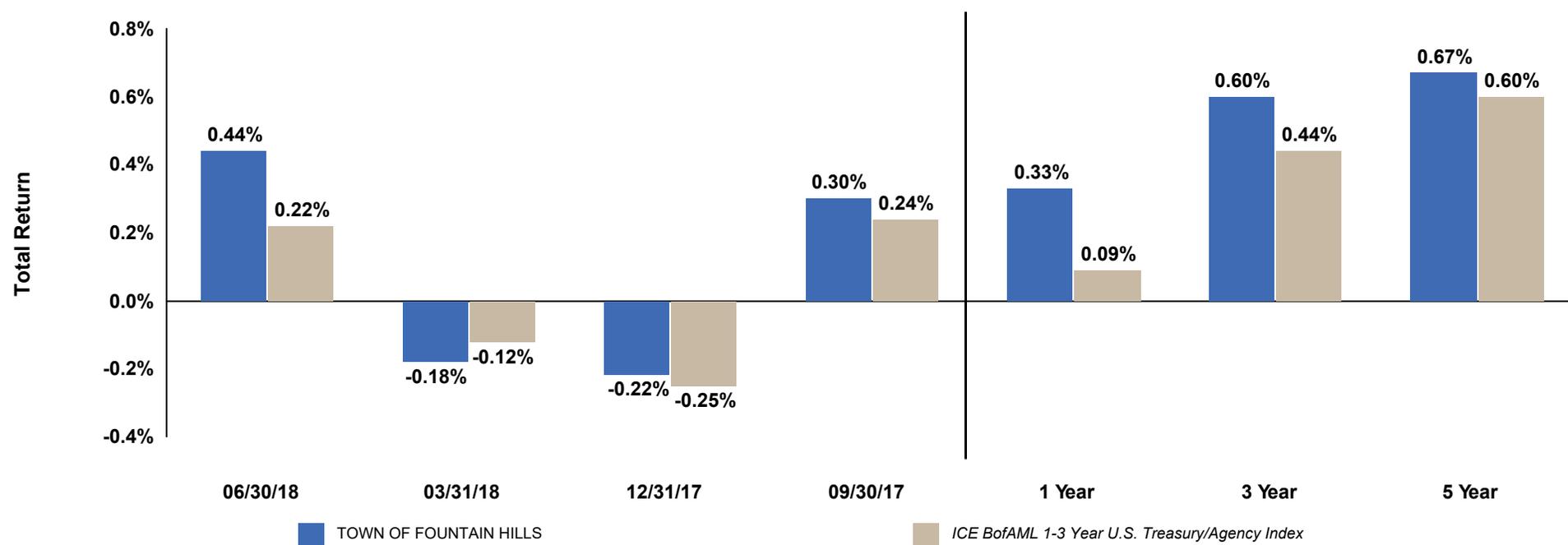
*As of June 30, 2018*

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	2.46%	1.33 yrs	32.0%	49.7%	17.1%	1.3%	0.0%	0.0%
ICE BofAML 1-3 Year U.S. Treasury/Agency Index	2.53%	1.93 yrs	2.7%	54.6%	42.7%	0.0%	0.0%	0.0%



Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				Annualized Return		
		06/30/18	03/31/18	12/31/17	09/30/17	1 Year	3 Year	5 Year
TOWN OF FOUNTAIN HILLS*	1.28	0.44%	-0.18%	-0.22%	0.30%	0.33%	0.60%	0.67%
Net of Fees**	-	0.42%	-0.20%	-0.24%	0.28%	0.24%	0.51%	0.58%
ICE BofAML 1-3 Year U.S. Treasury/Agency Index	1.79	0.22%	-0.12%	-0.25%	0.24%	0.09%	0.44%	0.60%
Difference (Gross)		0.22%	-0.06%	0.03%	0.06%	0.24%	0.16%	0.07%
Difference (Net)		0.20%	-0.08%	0.01%	0.04%	0.15%	0.07%	-0.02%



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

\*\*Fees were calculated based on average assets during the period at the contractual rate.

**Portfolio Earnings***Quarter-Ended June 30, 2018*

	<b>Market Value Basis</b>	<b>Accrual (Amortized Cost) Basis</b>
<b>Beginning Value (03/31/2018)</b>	\$12,949,576.81	\$13,109,210.93
<b>Net Purchases/Sales</b>	(\$1,500,000.00)	(\$1,500,000.00)
<b>Change in Value</b>	\$13,582.60	\$9,017.49
<b>Ending Value (06/30/2018)</b>	\$11,463,159.41	\$11,618,228.42
<b>Interest Earned</b>	\$41,081.40	\$41,081.40
<b>Portfolio Earnings</b>	\$54,664.00	\$50,098.89

## Sector/Issuer Distribution

As of June 30, 2018

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Certificate of Deposit</b>			
CREDIT SUISSE GROUP	399,850	31.8%	3.5%
MITSUBISHI UFJ FINANCIAL GROUP INC	148,500	11.8%	1.3%
SKANDINAVISKA ENSKILDA BANKEN AB	297,412	23.6%	2.6%
SWEDBANK AB	146,868	11.7%	1.3%
WESTPAC BANKING CORP	265,727	21.1%	2.3%
<b>Sector Total</b>	<b>1,258,356</b>	<b>100.0%</b>	<b>11.0%</b>
<b>Commercial Paper</b>			
CREDIT AGRICOLE SA	398,510	66.6%	3.5%
TOYOTA MOTOR CORP	199,455	33.4%	1.7%
<b>Sector Total</b>	<b>597,964</b>	<b>100.0%</b>	<b>5.2%</b>
<b>Corporate</b>			
AMERICAN EXPRESS CO	146,548	7.0%	1.3%
AMERICAN HONDA FINANCE	147,675	7.0%	1.3%
APPLE INC	147,242	7.0%	1.3%
BANK OF AMERICA CO	146,641	7.0%	1.3%
BB&T CORPORATION	145,875	6.9%	1.3%
CATERPILLAR INC	111,988	5.3%	1.0%
EXXON MOBIL CORP	147,892	7.0%	1.3%

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
GENERAL ELECTRIC CO	71,696	3.4%	0.6%
GOLDMAN SACHS GROUP INC	148,556	7.1%	1.3%
HONEYWELL INTERNATIONAL	39,502	1.9%	0.3%
IBM CORP	146,558	7.0%	1.3%
INTEL CORPORATION	73,827	3.5%	0.6%
JOHNSON & JOHNSON	34,425	1.6%	0.3%
JP MORGAN CHASE & CO	143,135	6.8%	1.2%
PACCAR FINANCIAL CORP	39,037	1.9%	0.3%
PEPSICO INC	48,748	2.3%	0.4%
TOYOTA MOTOR CORP	148,194	7.0%	1.3%
UNITED PARCEL SERVICE INC	97,545	4.6%	0.9%
VISA INC	49,188	2.3%	0.4%
WAL-MART STORES INC	69,282	3.3%	0.6%
<b>Sector Total</b>	<b>2,103,554</b>	<b>100.0%</b>	<b>18.3%</b>
<b>Federal Agency/GSE</b>			
FANNIE MAE	1,484,854	34.8%	13.0%
FEDERAL HOME LOAN BANKS	839,680	19.7%	7.3%
FREDDIE MAC	1,944,859	45.6%	17.0%
<b>Sector Total</b>	<b>4,269,394</b>	<b>100.0%</b>	<b>37.2%</b>
<b>Supra-Sov / Supra-Natl Agency</b>			
AFRICAN DEVELOPMENT BANK	73,706	12.5%	0.6%
INTER-AMERICAN DEVELOPMENT BANK	147,983	25.2%	1.3%
INTL BANK OF RECONSTRUCTION AND DEV	366,635	62.3%	3.2%

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Sector Total</b>	<b>588,323</b>	<b>100.0%</b>	<b>5.1%</b>
<b>U.S. Treasury</b>			
UNITED STATES TREASURY	2,645,568	100.0%	23.1%
<b>Sector Total</b>	<b>2,645,568</b>	<b>100.0%</b>	<b>23.1%</b>
<b>Portfolio Total</b>	<b>11,463,159</b>	<b>100.0%</b>	<b>100.0%</b>

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
4/1/18	4/1/18	150,000	06051GGS2	BANK OF AMERICA CORP (CALLABLE)	2.32%	10/1/21	1,872.10		
4/1/18	4/1/18	100,000	911312BP0	UNITED PARCEL SERVICE CORPORATE BOND	2.05%	4/1/21	780.14		
4/2/18	4/2/18	0	MONEY0002	MONEY MARKET FUND			50.78		
4/9/18	4/9/18	70,000	931142DY6	WAL-MART STORES INC CORP NOTE	1.75%	10/9/19	575.07		
4/15/18	4/15/18	400,000	3137EADZ9	FREDDIE MAC NOTES	1.12%	4/15/19	2,250.00		
4/15/18	4/15/18	50,000	713448DX3	PEPSICO INC CORP (CALLABLE) NOTE	2.00%	4/15/21	513.89		
4/19/18	4/19/18	700,000	3135G0E58	FNMA BENCHMARK NOTE	1.12%	10/19/18	3,937.50		
4/20/18	4/20/18	325,000	3137EAEF2	FHLMC AGENCY NOTES	1.37%	4/20/20	2,234.38		
4/23/18	4/23/18	95,000	38148LAA4	GOLDMAN SACHS GROUP INC CORP NOTES	2.60%	4/23/20	1,235.00		
4/30/18	4/30/18	365,000	912828D23	US TREASURY NOTES	1.62%	4/30/19	2,965.63		
4/30/18	4/30/18	150,000	025816BP3	AMERICAN EXPRESS CO CORP (CALLABLE) NOTE	2.20%	10/30/20	1,650.00		
4/30/18	4/30/18	40,000	438516BQ8	HONEYWELL INTERNATIONAL CORP NOTES	1.80%	10/30/19	360.00		
4/30/18	4/30/18	120,000	912828L99	US TREASURY NOTES	1.37%	10/31/20	825.00		
5/1/18	5/1/18	0	MONEY0002	MONEY MARKET FUND			120.77		
5/9/18	5/9/18	150,000	4581X0CD8	INTER-AMERICAN DEVELOPMENT BANK	2.12%	11/9/20	1,593.75		
5/10/18	5/10/18	35,000	478160CH5	JOHNSON & JOHNSON CORP NOTE	1.95%	11/10/20	341.25		
5/11/18	5/11/18	75,000	458140AZ3	INTEL CORP NOTES	1.85%	5/11/20	693.75		
5/13/18	5/13/18	85,000	02665WBZ3	AMERICAN HONDA FINANCE	2.00%	11/13/19	835.83		
5/13/18	5/13/18	150,000	037833DJ6	APPLE INC	2.00%	11/13/20	1,500.00		
5/13/18	5/13/18	40,000	69371RN85	PACCAR FINANCIAL CORP NOTES	2.05%	11/13/20	410.00		
5/15/18	5/15/18	150,000	459200HM6	IBM CREDIT CORPORATE NOTE	1.62%	5/15/20	1,218.75		
5/16/18	5/16/18	150,000	87019U6D6	SWEDBANK (NEW YORK) CERT DEPOS	2.27%	11/16/20	1,702.50		
5/27/18	5/27/18	150,000	459058FS7	INTL BANK OF RECON AND DEV GLOBAL NOTES	1.12%	11/27/19	844.50		
6/1/18	6/1/18	0	MONEY0002	MONEY MARKET FUND			23.68		
6/14/18	6/14/18	50,000	92826CAB8	VISA INC (CALLABLE) CORP NOTES	2.20%	12/14/20	550.00		
6/21/18	6/21/18	600,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	3,375.00		

## TOWN OF FOUNTAIN HILLS

## Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
6/21/18	6/21/18	250,000	3130A8DB6	FHLB GLOBAL NOTE	1.12%	6/21/19	1,406.25		
6/30/18	6/30/18	375,000	912828A75	US TREASURY NOTES	1.50%	12/31/18	2,812.50		
<b>Total INTEREST</b>		<b>4,825,000</b>					<b>36,678.02</b>		

## MATURITY

4/26/18	4/26/18	250,000	89233HDS0	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	4/26/18	250,000.00		0.00
4/30/18	4/30/18	250,000	313385WE2	FED HOME LN DISCOUNT NT	0.00%	4/30/18	250,000.00		0.00
5/31/18	5/31/18	400,000	25214PEW9	DEXIA CREDIT LOCAL SA NY COMM PAPER	0.00%	5/31/18	400,000.00		0.00
5/31/18	5/31/18	100,000	06538CEX5	MUFG BANK LTD/NY COMM PAPER	0.00%	5/31/18	100,000.00		0.00
6/29/18	6/29/18	400,000	09659CFV5	BNP PARIBAS NY BRANCH COMM PAPER	0.00%	6/29/18	400,000.00		0.00
6/29/18	6/29/18	100,000	06538CFV8	MUFG BANK LTD/NY COMM PAPER	0.00%	6/29/18	100,000.00		0.00
<b>Total MATURITY</b>		<b>1,500,000</b>					<b>1,500,000.00</b>		<b>0.00</b>

## Managed Account Detail of Securities Held

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>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	375,000.00	AA+	Aaa	12/1/2015	12/4/2015	378,178.71	1.22	15.29	375,522.57	373,740.38
US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019	912828D23	365,000.00	AA+	Aaa	11/10/2016	11/14/2016	369,990.24	1.06	999.29	366,700.02	362,904.17
US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020	912828H52	850,000.00	AA+	Aaa	1/3/2017	1/5/2017	843,226.56	1.52	4,431.98	846,471.01	833,730.15
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020	912828J50	350,000.00	AA+	Aaa	2/1/2017	2/3/2017	347,880.86	1.58	1,608.53	348,838.06	343,533.05
US TREASURY NOTES DTD 04/01/2013 1.125% 03/31/2020	912828UV0	525,000.00	AA+	Aaa	3/15/2017	3/17/2017	515,956.05	1.71	1,484.63	519,740.26	512,531.25
US TREASURY NOTES DTD 08/31/2015 1.375% 08/31/2020	912828L32	105,000.00	AA+	Aaa	8/31/2017	9/1/2017	104,799.02	1.44	482.56	104,853.95	102,391.38
US TREASURY NOTES DTD 10/31/2015 1.375% 10/31/2020	912828L99	120,000.00	AA+	Aaa	10/3/2017	10/5/2017	119,034.38	1.64	277.99	119,262.84	116,737.44
<b>Security Type Sub-Total</b>		<b>2,690,000.00</b>					<b>2,679,065.82</b>	<b>1.46</b>	<b>9,300.27</b>	<b>2,681,388.71</b>	<b>2,645,567.82</b>
<b>Supra-National Agency Bond / Note</b>											
AFRICAN DEVELOPMENT BANK NOTE DTD 09/20/2016 1.125% 09/20/2019	00828EBQ1	75,000.00	AAA	Aaa	8/30/2017	8/31/2017	74,426.25	1.50	236.72	74,657.26	73,705.50
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 10/27/2016 1.125% 11/27/2019	459058FS7	150,000.00	AAA	Aaa	8/28/2017	8/30/2017	148,720.50	1.51	159.38	149,193.35	147,018.00
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 08/29/2017 1.625% 09/04/2020	459058GA5	75,000.00	AAA	Aaa	8/22/2017	8/29/2017	74,984.25	1.63	396.09	74,988.51	73,344.75
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 09/19/2017 1.561% 09/12/2020	45905UP32	150,000.00	AAA	Aaa	9/12/2017	9/19/2017	149,640.00	1.64	708.95	149,732.84	146,272.50

## Managed Account Detail of Securities Held

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>Supra-National Agency Bond / Note</b>											
INTER-AMERICAN DEVELOPMENT BANK DTD 11/08/2013 2.125% 11/09/2020	4581X0CD8	150,000.00	AAA	Aaa	10/2/2017	10/10/2017	151,390.37	1.81	460.42	151,070.61	147,982.50
<b>Security Type Sub-Total</b>		<b>600,000.00</b>					<b>599,161.37</b>	<b>1.64</b>	<b>1,961.56</b>	<b>599,642.57</b>	<b>588,323.25</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	8/27/2015	9/1/2015	698,866.00	1.18	1,575.00	699,889.52	698,024.60
FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	400,000.00	AA+	Aaa	3/30/2016	3/31/2016	400,952.00	1.05	950.00	400,249.84	396,312.40
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	250,000.00	AA+	Aaa	7/6/2016	7/8/2016	252,600.00	0.77	78.13	250,862.61	246,964.75
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	600,000.00	AA+	Aaa	6/27/2016	6/29/2016	605,438.09	0.82	187.50	601,790.02	592,715.40
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	550,000.00	AA+	Aaa	7/19/2016	7/20/2016	548,669.00	0.96	2,165.63	549,529.41	541,311.65
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	150,000.00	AA+	Aaa	9/1/2016	9/2/2016	149,278.50	1.04	590.63	149,734.63	147,630.45
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	325,000.00	AA+	Aaa	7/29/2016	8/2/2016	324,454.00	0.93	1,177.00	324,800.60	319,598.18
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	475,000.00	AA+	Aaa	8/31/2016	9/2/2016	474,259.00	1.05	1,622.92	474,710.08	467,231.38
FREDDIE MAC NOTES DTD 01/17/2017 1.500% 01/17/2020	3137EAE5	550,000.00	AA+	Aaa	4/3/2017	4/5/2017	549,758.00	1.52	3,758.33	549,866.61	541,360.05
FHLMC AGENCY NOTES DTD 04/20/2017 1.375% 04/20/2020	3137EAEF2	325,000.00	AA+	Aaa	4/19/2017	4/20/2017	323,888.50	1.49	881.34	324,326.30	318,244.88
<b>Security Type Sub-Total</b>		<b>4,325,000.00</b>					<b>4,328,163.09</b>	<b>1.09</b>	<b>12,986.48</b>	<b>4,325,759.62</b>	<b>4,269,393.74</b>
<b>Corporate Note</b>											

## Managed Account Detail of Securities Held

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>Corporate Note</b>											
GOLDMAN SACHS GROUP INC CORP NOTE DTD 07/24/2017 1.950% 07/23/2019	38141GWP5	55,000.00	BBB+	A3	7/19/2017	7/24/2017	54,993.40	1.96	470.71	54,996.45	54,452.75
WAL-MART STORES INC CORP NOTE DTD 10/20/2017 1.750% 10/09/2019	931142DY6	70,000.00	AA	Aa2	10/11/2017	10/20/2017	69,998.60	1.75	279.03	69,998.99	69,282.29
HONEYWELL INTERNATIONAL CORP NOTES DTD 10/30/2017 1.800% 10/30/2019	438516BQ8	40,000.00	A	A2	10/23/2017	10/30/2017	39,968.80	1.84	122.00	39,979.12	39,501.72
AMERICAN HONDA FINANCE DTD 11/16/2017 2.000% 11/13/2019	02665WBZ3	85,000.00	A+	A2	11/13/2017	11/16/2017	84,952.40	2.03	226.67	84,967.10	84,023.44
JPMORGAN CHASE & CO (CALLABLE) DTD 01/23/2015 2.250% 01/23/2020	46625HKA7	145,000.00	A-	A3	7/7/2017	7/12/2017	145,394.40	2.14	1,431.88	145,241.34	143,134.87
EXXON MOBIL (CALLABLE) CORP NOTE DTD 03/06/2015 1.912% 03/06/2020	30231GAG7	150,000.00	AA+	Aaa	7/5/2017	7/10/2017	150,292.50	1.84	916.17	150,184.40	147,891.75
TOYOTA MOTOR CORP NOTES DTD 03/12/2015 2.150% 03/12/2020	89236TCF0	150,000.00	AA-	Aa3	8/24/2017	8/25/2017	151,377.00	1.78	976.46	150,924.52	148,194.00
GOLDMAN SACHS GROUP INC CORP NOTES DTD 01/23/2015 2.600% 04/23/2020	38148LAA4	95,000.00	BBB+	A3	11/1/2017	11/3/2017	95,716.30	2.28	466.56	95,528.75	94,103.58
INTEL CORP NOTES DTD 05/11/2017 1.850% 05/11/2020	458140AZ3	75,000.00	A+	A1	7/7/2017	7/12/2017	74,960.25	1.87	192.71	74,974.11	73,826.78
IBM CREDIT CORPORATE NOTE DTD 05/07/2013 1.625% 05/15/2020	459200HM6	150,000.00	A+	A1	7/7/2017	7/12/2017	148,735.50	1.93	311.46	149,160.20	146,558.25
AMERICAN HONDA FINANCE CORP NOTES DTD 07/20/2017 1.950% 07/20/2020	02665WBT7	65,000.00	A+	A2	7/17/2017	7/20/2017	64,934.35	1.98	566.85	64,954.66	63,651.51
CATERPILLAR FINL SERVICE NOTE DTD 09/07/2017 1.850% 09/04/2020	14913Q2A6	115,000.00	A	A3	9/5/2017	9/7/2017	114,903.40	1.88	691.44	114,929.19	111,988.15

## Managed Account Detail of Securities Held

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>Corporate Note</b>											
GENERAL ELECTRIC CAPITAL CORP CORP NOTE DTD 09/16/2010 4.375% 09/16/2020	36962G4R2	70,000.00	A	A2	8/30/2017	8/31/2017	75,236.00	1.84	893.23	73,829.74	71,696.31
AMERICAN EXPRESS CO CORP (CALLABLE) NOTE DTD 10/30/2017 2.200% 10/30/2020	025816BP3	150,000.00	BBB+	A3	10/23/2017	10/30/2017	149,805.00	2.25	559.17	149,847.43	146,547.75
JOHNSON & JOHNSON CORP NOTE DTD 11/10/2017 1.950% 11/10/2020	478160CH5	35,000.00	AAA	Aaa	11/8/2017	11/10/2017	34,962.55	1.99	96.69	34,970.38	34,424.71
APPLE INC DTD 11/13/2017 2.000% 11/13/2020	037833DJ6	150,000.00	AA+	Aa1	11/6/2017	11/13/2017	149,874.00	2.03	400.00	149,899.99	147,242.10
PACCAR FINANCIAL CORP NOTES DTD 11/13/2017 2.050% 11/13/2020	69371RN85	40,000.00	A+	A1	11/6/2017	11/13/2017	39,996.40	2.05	109.33	39,997.14	39,037.16
VISA INC (CALLABLE) CORP NOTES DTD 12/14/2015 2.200% 12/14/2020	92826CAB8	50,000.00	A+	A1	8/25/2017	8/30/2017	50,546.00	1.86	51.94	50,407.19	49,187.90
BRANCH BANKING & TRUST (CALLABLE) NOTES DTD 10/26/2017 2.150% 02/01/2021	05531FAZ6	70,000.00	A-	A2	11/16/2017	11/20/2017	69,636.00	2.32	627.08	69,703.40	68,075.07
BRANCH BANKING & TRUST (CALLABLE) NOTES DTD 10/26/2017 2.150% 02/01/2021	05531FAZ6	80,000.00	A-	A2	10/23/2017	10/26/2017	79,963.20	2.17	716.67	79,969.75	77,800.08
UNITED PARCEL SERVICE CORPORATE BOND DTD 11/14/2017 2.050% 04/01/2021	911312BP0	100,000.00	A+	A1	11/9/2017	11/14/2017	99,842.00	2.10	512.50	99,869.87	97,544.70
PEPSICO INC CORP (CALLABLE) NOTE DTD 10/10/2017 2.000% 04/15/2021	713448DX3	50,000.00	A+	A1	10/5/2017	10/10/2017	49,990.00	2.01	211.11	49,991.95	48,747.95
BANK OF AMERICA CORP (CALLABLE) DTD 09/18/2017 2.328% 10/01/2021	06051GGS2	150,000.00	A-	A3	11/27/2017	11/29/2017	149,293.50	2.46	873.00	149,399.74	146,641.05
<b>Security Type Sub-Total</b>		<b>2,140,000.00</b>					<b>2,145,371.55</b>	<b>2.03</b>	<b>11,702.66</b>	<b>2,143,725.41</b>	<b>2,103,553.87</b>

## Commercial Paper

## Managed Account Detail of Securities Held

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>Commercial Paper</b>											
TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 11/03/2017 0.000% 07/31/2018	89233HGX6	100,000.00	A-1+	P-1	3/15/2018	3/16/2018	99,162.78	2.22	0.00	99,816.67	99,824.10
CREDIT AGRICOLE CIB NY COMM PAPER -- 0.000% 08/31/2018	22533UHX4	400,000.00	A-1	P-1	3/15/2018	3/16/2018	395,949.33	2.19	0.00	398,529.22	398,509.60
TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 03/07/2018 0.000% 08/31/2018	89233HHX5	100,000.00	A-1+	P-1	3/15/2018	3/16/2018	98,954.67	2.26	0.00	99,620.44	99,630.60
<b>Security Type Sub-Total</b>		<b>600,000.00</b>					<b>594,066.78</b>	<b>2.21</b>	<b>0.00</b>	<b>597,966.33</b>	<b>597,964.30</b>
<b>Certificate of Deposit</b>											
CREDIT SUISSE NEW YORK CERT DEPOS DTD 08/01/2017 1.670% 07/31/2018	22549LFW0	400,000.00	A-1	P-1	3/15/2018	3/16/2018	399,130.39	2.22	6,197.56	399,809.58	399,849.70
SKANDINAV ENSKILDA BANKEN NY CD DTD 08/04/2017 1.840% 08/02/2019	83050FXT3	300,000.00	A+	Aa2	8/3/2017	8/4/2017	299,883.00	1.85	2,284.67	299,936.20	297,411.90
MUFG BANK LTD/NY CERT DEPOS DTD 09/27/2017 2.070% 09/25/2019	06539RGM3	150,000.00	A	A1	9/25/2017	9/27/2017	150,000.00	2.07	2,389.13	150,000.00	148,500.15
WESTPAC BANKING CORP NY CD DTD 08/07/2017 2.050% 08/03/2020	96121T4A3	270,000.00	AA-	Aa3	8/3/2017	8/7/2017	270,000.00	2.05	2,214.00	270,000.00	265,726.98
SWEDBANK (NEW YORK) CERT DEPOS DTD 11/17/2017 2.270% 11/16/2020	87019U6D6	150,000.00	AA-	Aa2	11/16/2017	11/17/2017	150,000.00	2.30	435.08	150,000.00	146,867.70
<b>Security Type Sub-Total</b>		<b>1,270,000.00</b>					<b>1,269,013.39</b>	<b>2.09</b>	<b>13,520.44</b>	<b>1,269,745.78</b>	<b>1,258,356.43</b>
<b>Managed Account Sub Total</b>		<b>11,625,000.00</b>					<b>11,614,842.00</b>	<b>1.55</b>	<b>49,471.41</b>	<b>11,618,228.42</b>	<b>11,463,159.41</b>

TOWN OF FOUNTAIN HILLS

Portfolio Holdings

<b>Securities Sub-Total</b>	<b>\$11,625,000.00</b>	<b>\$11,614,842.00</b>	<b>1.55%</b>	<b>\$49,471.41</b>	<b>\$11,618,228.42</b>	<b>\$11,463,159.41</b>
<b>Accrued Interest</b>						<b>\$49,471.41</b>
<b>Total Investments</b>						<b>\$11,512,630.82</b>

Bolded items are forward settling trades.

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**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.

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**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.

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**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.