

Village of Wellington, Florida



Investment Performance Review Quarter Ended June 30, 2015

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(statements are available online at www.pfm.com)

PFM Funds June 30, 2015 Month-End Statement

(statements are available online at www.pfmfunds.com)

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This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

TAB I

Summary

- Throughout the quarter, improving U.S. economic conditions contrasted with global economic uncertainty, particularly the deteriorating negotiations between Greece and its international creditors, which came to a vital impasse at the end of the quarter.
- Market participants continued to weigh the impact that adverse global economic conditions would have on the interest rate setting policies of the Federal Open Market Committee (FOMC).

Economic Snapshot

- For the first quarter of 2015, gross domestic product (GDP) declined by 0.2%. While estimates initially reflected a larger decline, increases in consumer spending and inventories contributed to the upward revision.
- The U.S. labor market continued to improve, as the unemployment rate fell from 5.5% in March to 5.3% in June. While robust headline job creation continued, some of the underlying metrics related to employment—particularly wage growth—were weak.
- The housing market strengthened, as reflected by improvements in the pace of pending home sales, building permits, new-home sales, and housing starts.
- Greek-related tensions grew as the troubled nation missed a payment of 1.6 billion euros to the International Monetary Fund (IMF), and Greek voters overwhelmingly rejected austerity measures demanded by creditors as a condition for further financial assistance. These actions leave open the possibility that Greece would abandon the euro and even leave the eurozone.

Interest Rates

- The FOMC kept the federal funds target rate unchanged for the quarter. While the FOMC's statement left open the possibility of an interest rate increase in the latter half of 2015, this policy decision will depend on labor market conditions and inflation expectations.

- The timing for a potential interest rate hike became more uncertain at the end of the quarter due to the potential for the Greek debt crisis to affect the overall global economy.
- Treasury yields reacted differently across the curve. Yields for short maturities rose only modestly (two- and three-year Treasuries ended the quarter up 0.06% and 0.09%, respectively) while yields for intermediate and longer maturities had sizeable increases (five- and 10-year Treasuries ended the quarter higher by 0.24% and 0.40%, respectively).

Sector Performance

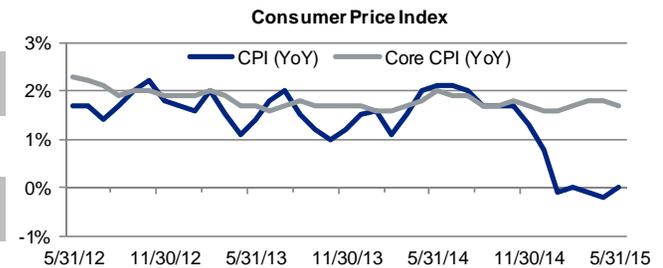
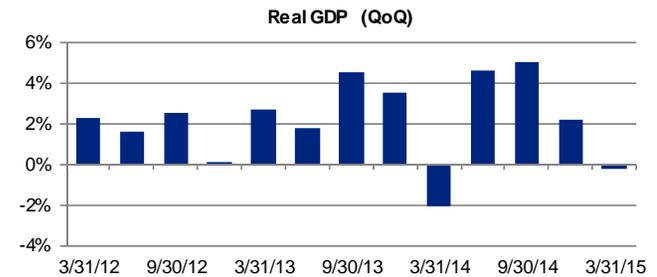
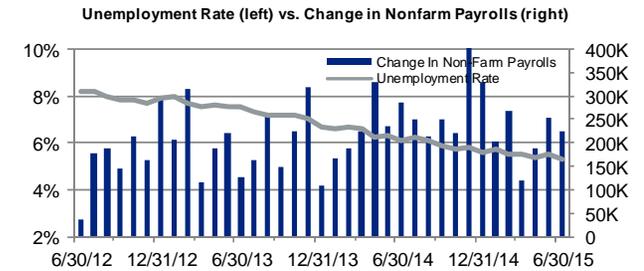
- Benchmark Treasury indices for shorter-maturity securities ended the quarter slightly positive, as more than sufficient income was generated to overcome the limited decrease in market value that resulted from the rise in yields. Longer maturities did not perform as well because they had significantly larger rate increases.
- Yield spreads for Federal Agency securities fluctuated within their historically low ranges for the quarter; as a result, the sector's performance was relatively flat when compared to Treasuries.
- Corporate securities underperformed government issues as yield spreads widened throughout the quarter; bonds with higher credit quality underperformed the most.
- Within the mortgage-backed securities (MBS) sector, structure and coupon were the major determinants of performance for the quarter. Higher-coupon structures were the strongest performers on both an absolute return and relative return basis (compared to similar-duration Treasuries).
- Asset-backed securities (ABS) were among the stronger-performing sectors, as their superior income and limited sensitivity to changes in interest rates fared well in what was a volatile market environment.

Economic Snapshot

| Labor Market | | Latest | Mar 2015 | Jun 2014 |
|-------------------------------|--------|---------|----------|----------|
| Unemployment Rate | Jun'15 | 5.3% | 5.5% | 6.1% |
| Change In Non-Farm Payrolls | Jun'15 | 223,000 | 119,000 | 286,000 |
| Average Hourly Earnings (YoY) | Jun'15 | 2.0% | 2.1% | 2.0% |
| Personal Income (YoY) | May'15 | 4.4% | 4.0% | 3.7% |
| Initial Jobless Claims (week) | 7/2/15 | 281,000 | 267,000 | 313,000 |

| Growth | | | | |
|-------------------------------------|--------|-----------|-------------------|--------------------|
| Real GDP (QoQ SAAR) | 2015Q1 | -0.2% | 2.2% ¹ | -2.1% ² |
| GDP Personal Consumption (QoQ SAAR) | 2015Q1 | 2.1% | 4.4% ¹ | 1.2% ² |
| Retail Sales (YoY) | May'15 | 2.7% | 2.1% | 4.3% |
| ISM Manufacturing Survey (month) | Jun'15 | 53.5 | 51.5 | 55.7 |
| Existing Home Sales SAAR (month) | May'15 | 5.35 mil. | 5.21 mil. | 5.01 mil. |

| Inflation / Prices | | | | |
|---|--------|---------|---------|----------|
| Personal Consumption Expenditures (YoY) | May'15 | 0.2% | 0.3% | 1.6% |
| Consumer Price Index (YoY) | May'15 | 0.0% | -0.1% | 2.1% |
| Consumer Price Index Core (YoY) | May'15 | 1.7% | 1.8% | 1.9% |
| Crude Oil Futures (WTI, per barrel) | Jun 30 | \$59.47 | \$47.60 | \$105.37 |
| Gold Futures (oz.) | Jun 30 | \$1,172 | \$1,183 | \$1,322 |



Source: Bloomberg

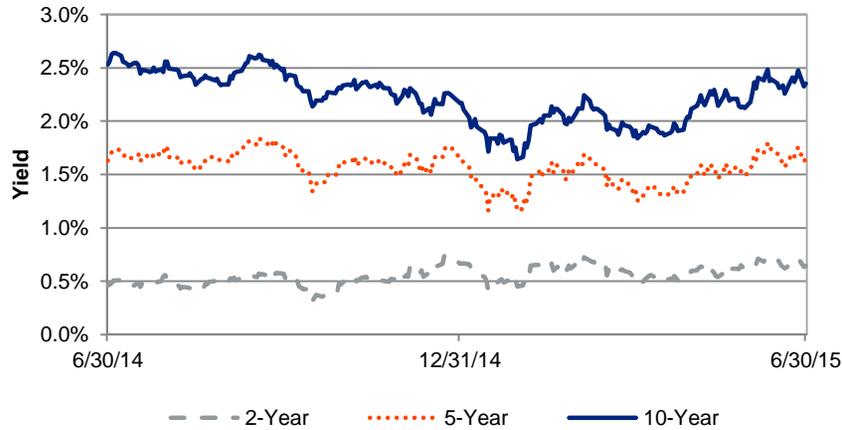
1. Data as of Fourth Quarter 2014

2. Data as of First Quarter 2014

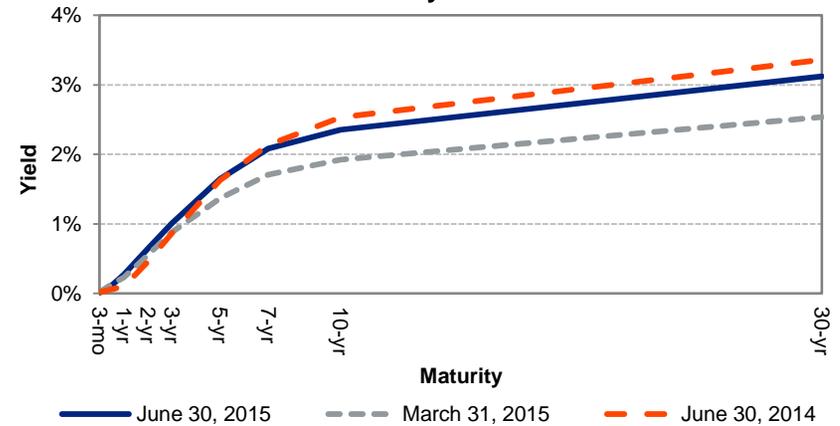
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

Investment Rate Overview

U.S. Treasury Note Yields



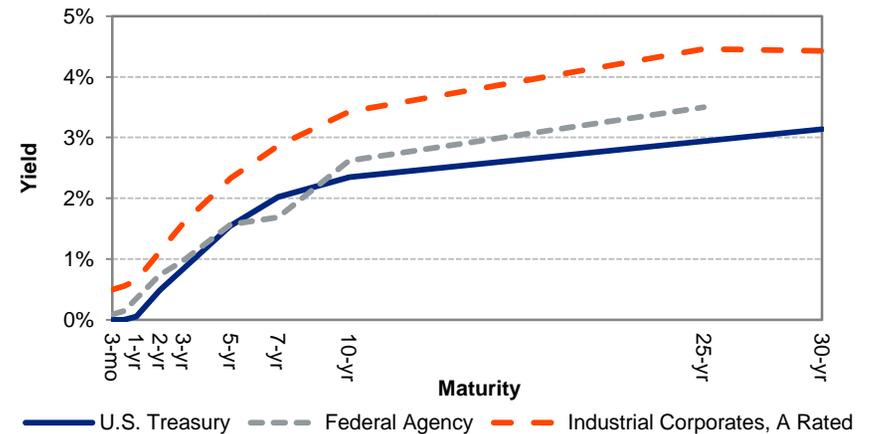
U.S. Treasury Yield Curve



U.S. Treasury Yields

| Maturity | 6/30/15 | 3/31/15 | Change over Quarter | 6/30/14 | Change over Year |
|----------|---------|---------|---------------------|---------|------------------|
| 3-month | 0.01% | 0.02% | (0.01%) | 0.02% | (0.01%) |
| 1-year | 0.27% | 0.23% | 0.04% | 0.10% | 0.17% |
| 2-year | 0.65% | 0.56% | 0.09% | 0.46% | 0.19% |
| 5-year | 1.65% | 1.37% | 0.28% | 1.63% | 0.02% |
| 10-year | 2.35% | 1.92% | 0.43% | 2.53% | (0.18%) |
| 30-year | 3.12% | 2.54% | 0.58% | 3.36% | (0.24%) |

Yield Curves as of 6/30/2015



Source: Bloomberg

BofA Merrill Lynch Index Returns

| | As of 6/30/2015 | | Returns for Periods ended 6/30/2015 | | |
|--|-----------------|-------|-------------------------------------|--------|---------|
| | Duration | Yield | 3 Month | 1 Year | 3 Years |
| 1-3 Year Indices | | | | | |
| U.S. Treasury | 1.87 | 0.63% | 0.15% | 0.88% | 0.66% |
| Federal Agency | 1.74 | 0.76% | 0.16% | 0.99% | 0.73% |
| U.S. Corporates, A-AAA rated | 2.05 | 1.45% | 0.08% | 1.02% | 1.76% |
| Agency MBS (0 to 3 years) | 1.93 | 1.53% | (0.07%) | 0.62% | 0.96% |
| Municipals | 1.79 | 0.86% | 0.01% | 0.40% | 0.80% |
| 1-5 Year Indices | | | | | |
| U.S. Treasury | 2.70 | 0.93% | 0.02% | 1.38% | 0.83% |
| Federal Agency | 2.18 | 0.96% | 0.09% | 1.31% | 0.94% |
| U.S. Corporates, A-AAA rated | 2.81 | 1.80% | (0.13%) | 1.45% | 2.36% |
| Agency MBS (0 to 5 years) | 3.34 | 2.10% | (0.46%) | 1.58% | 1.68% |
| Municipals | 2.54 | 1.13% | (0.01%) | 0.62% | 1.13% |
| Master Indices (Maturities 1 Year or Greater) | | | | | |
| U.S. Treasury | 6.04 | 1.56% | (1.84%) | 2.59% | 0.94% |
| Federal Agency | 3.71 | 1.41% | (0.66%) | 2.11% | 1.28% |
| U.S. Corporates, A-AAA rated | 6.68 | 2.89% | (2.59%) | 1.75% | 3.04% |
| Agency MBS (0 to 30 years) | 4.65 | 2.60% | (0.79%) | 2.16% | 1.87% |
| Municipals | 6.93 | 2.63% | (0.97%) | 3.10% | 3.21% |

Returns for periods greater than one year are annualized

Source: BofA Merrill Lynch Indices

Disclosures

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

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TAB II

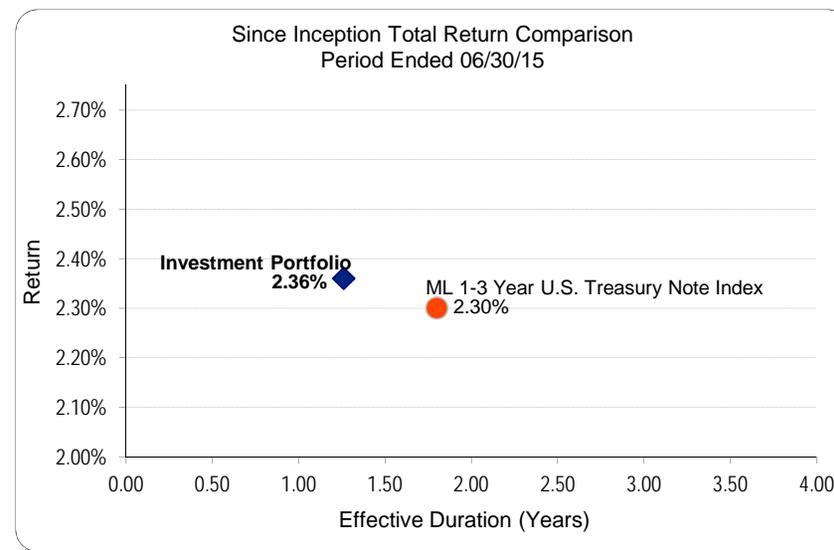
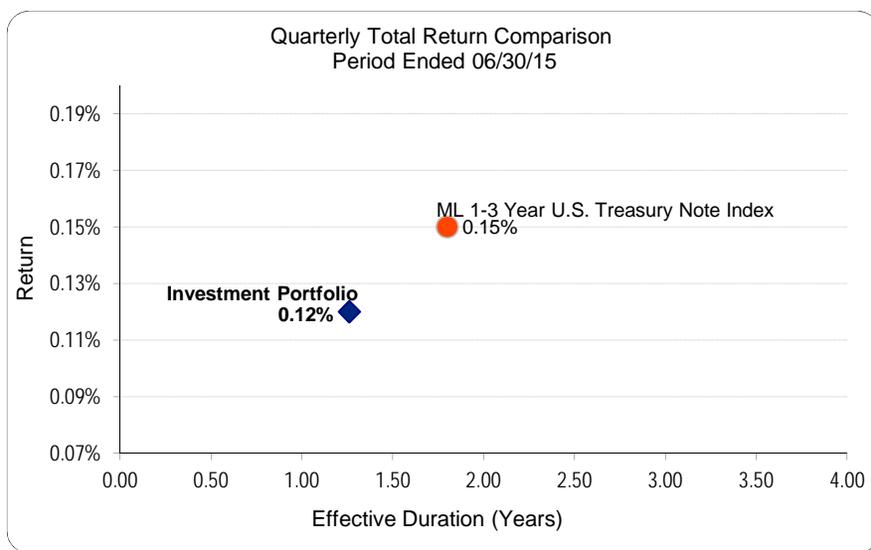
Executive Summary

PORTFOLIO STRATEGY

- The Village's Investment Portfolio is of high credit quality and invested in U.S. Treasury, Federal Agency securities, high quality corporate notes, and commercial paper.
- The Investment Portfolio's quarterly total return performance of 0.12% underperformed the benchmark performance of 0.15% by 0.03%. This underperformance is due to the difference between the Investment Portfolio's duration and benchmark's duration. At the end of the second quarter, the portfolio's duration was 70% of the benchmark's duration. Historically, the portfolio was structured to meet the cash flow needs of the Village. Currently, the portfolio's duration is being lengthened to more closely follow a 1-3 year strategy. As shorter securities mature, longer maturities will be purchased to extend the duration of the portfolio.
- We expect U.S. economic conditions to rebound from the first quarter 2015 contraction. Rising consumer confidence, growth in personal spending and a stronger housing sector should contribute to improved economic conditions.
- Improving employment statistics in the U.S. suggest that an increase in the benchmark Federal Funds rate may be appropriate soon. However, stubbornly low inflation remains a concern for the Federal Reserve policy makers. Market participants still expect the FOMC to initiate at least one rate hike in 2015, but the pace of subsequent increases is likely to be gradual.
- It is likely that developments in Greece will continue to cause market volatility as investors weigh the impact of possible outcomes on global economic conditions.
- Recovering U.S. economic conditions, heightened geopolitical uncertainty, and expectations that the FOMC will tighten monetary policy slowly should keep rates in their current ranges in the coming months, with a modest bias towards slightly higher levels.
- PFM will continue to navigate the market environment with a keen focus on relative value sector analysis 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.

Investment Portfolio Performance

| | | | | | | |
|---|---|---------------------------|-------------------------|------------------------------|--------------------------|--|
| Total Portfolio Value¹ | June 30, 2015 | March 31, 2015 | | | | |
| Market Value | \$83,090,235.49 | \$82,989,621.71 | | | | |
| Amortized Cost | \$82,940,997.82 | \$82,820,129.51 | | | | |
| Total Return^{2,3,4,5} | Quarterly Return June 30, 2015 | Last 12 Months | Last 2 Years | Last 5 Years | Last 10 Years | Since Inception on March 31, 2004 |
| Investment Portfolio | 0.12% | 0.56% | 0.61% | 0.70% | 2.51% | 2.36% |
| Merrill Lynch 1-3 Year U.S. Treasury Note Index | 0.15% | 0.88% | 0.82% | 0.82% | 2.51% | 2.30% |
| Effective Duration(Years)^{4,5} | June 30, 2015 | March 31, 2015 | | Yields | | |
| Investment Portfolio | 1.26 | 1.28 | | Yield at Market ⁶ | June 30, 2015 | March 31, 2015 |
| Merrill Lynch 1-3 Year U.S. Treasury Note Index | 1.8 | 1.79 | | Yield at Cost ⁷ | 0.48% | 0.43% |
| Portfolio Duration % of Benchmark Duration | 70% | 72% | | SBA Yield | 0.62% | 0.56% |
| | | | | | 0.22% | 0.18% |

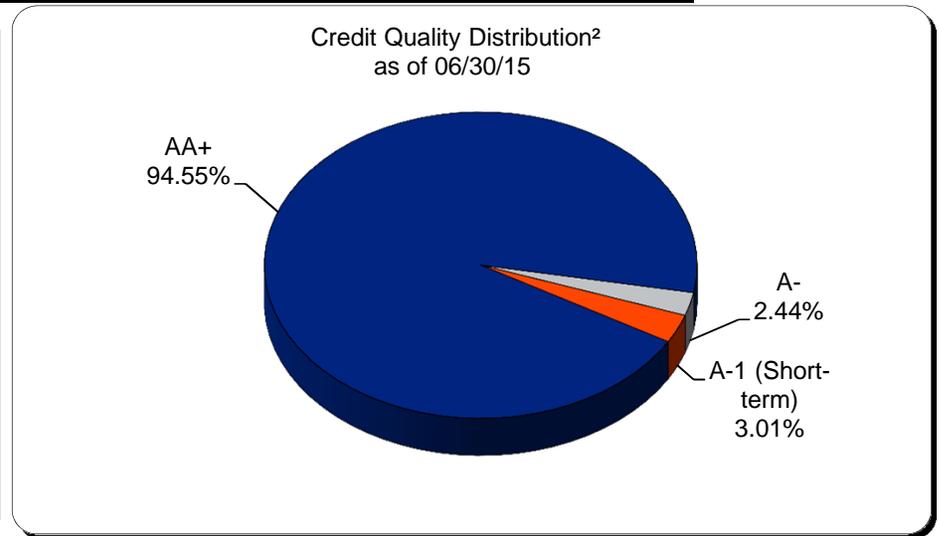
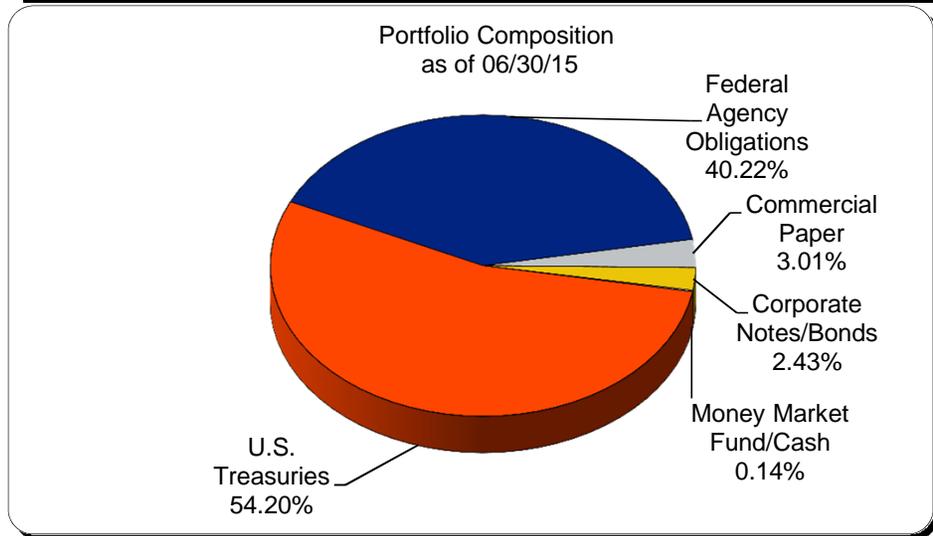


Notes:

1. 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.
2. 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.
3. Since Inception the benchmark has been the Merrill Lynch 1-3 Year U.S. Treasury Note.
4. Merrill Lynch Indices provided by Bloomberg Financial Markets.
5. Includes money market fund/cash in performance and duration computations.
6. 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 on percentage.
7. 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 in percentage.

Investment Portfolio Composition and Credit Quality Characteristics

| <u>Security Type¹</u> | <u>June 30, 2015</u> | <u>% of Portfolio</u> | <u>March 31, 2015</u> | <u>% of Portfolio</u> |
|----------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| U.S. Treasuries | \$45,036,168.97 | 54.2% | \$37,837,319.74 | 45.6% |
| Federal Agencies | 33,415,456.43 | 40.2% | 33,429,309.03 | 40.3% |
| Commercial Paper | 2,498,667.50 | 3.0% | 9,494,474.00 | 11.4% |
| Certificates of Deposit | 0.00 | 0.0% | 0.00 | 0.0% |
| Bankers Acceptances | 0.00 | 0.0% | 0.00 | 0.0% |
| Repurchase Agreements | 0.00 | 0.0% | 0.00 | 0.0% |
| Municipal Obligations | 0.00 | 0.0% | 0.00 | 0.0% |
| Corporate Notes/Bonds | 2,023,230.00 | 2.4% | 2,023,756.98 | 2.4% |
| Mortgage Backed | 0.00 | 0.0% | 0.00 | 0.0% |
| Money Market Fund/Cash | 116,712.59 | 0.1% | 204,761.96 | 0.2% |
| Totals | \$83,090,235.49 | 100.0% | \$82,989,621.71 | 100.0% |

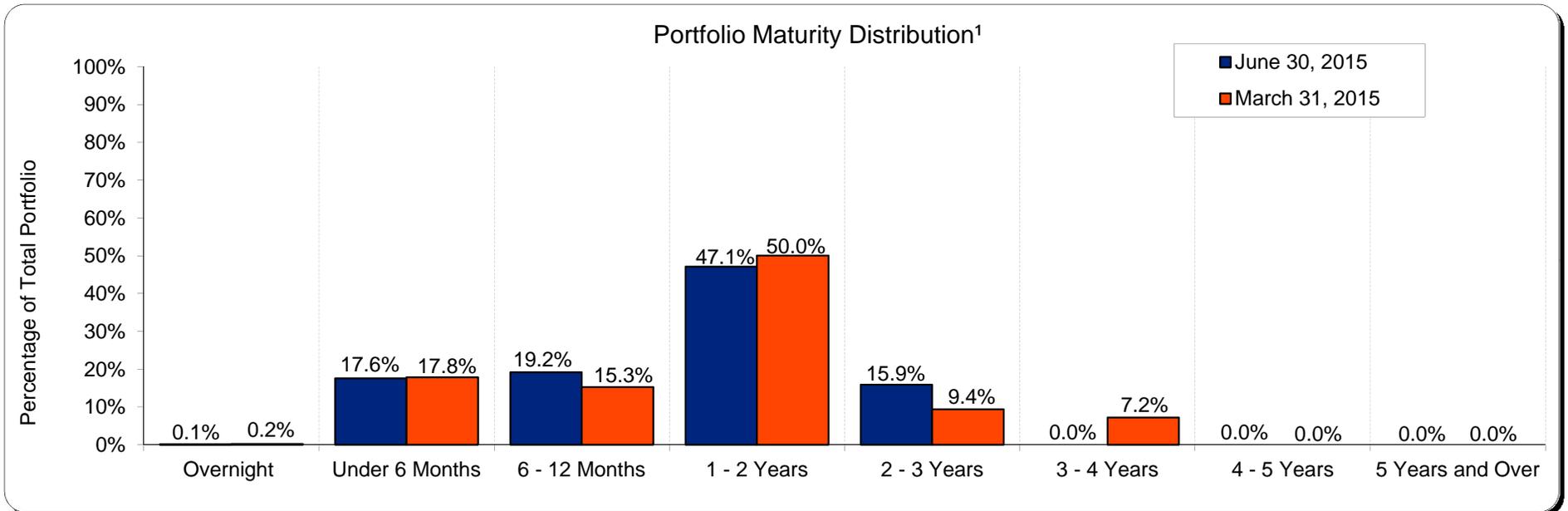


Notes:

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.

Investment Portfolio Portfolio Maturity Distribution

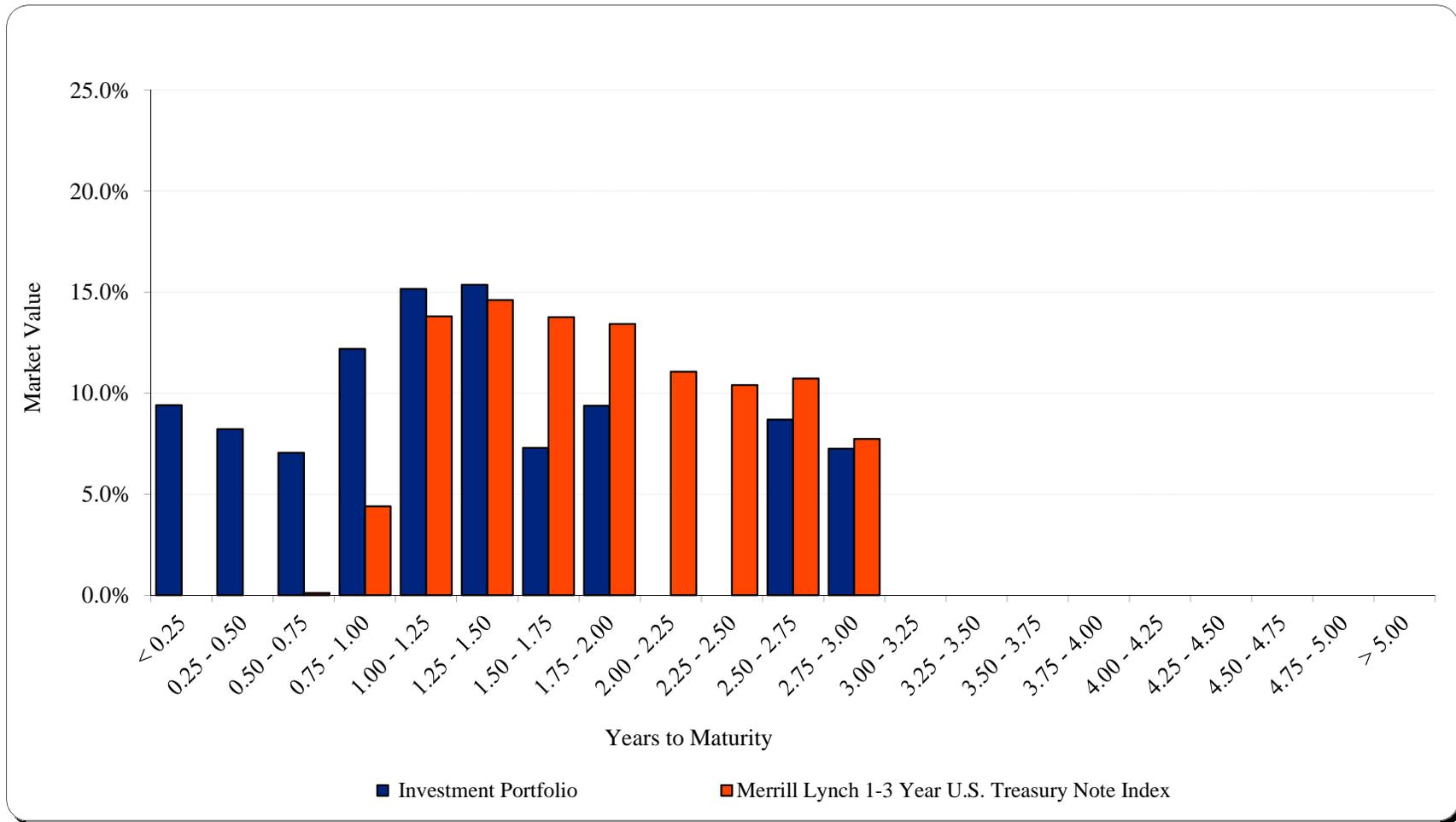
| <u>Maturity Distribution¹</u> | <u>June 30, 2015</u> | <u>March 31, 2015</u> |
|--|------------------------|------------------------|
| Overnight (Money Market Fund) | \$116,712.59 | \$204,761.96 |
| Under 6 Months | 14,623,964.25 | 14,798,372.35 |
| 6 - 12 Months | 15,968,163.20 | 12,686,878.07 |
| 1 - 2 Years | 39,161,835.09 | 41,504,865.19 |
| 2 - 3 Years | 13,219,560.36 | 7,779,371.16 |
| 3 - 4 Years | 0.00 | 6,015,372.98 |
| 4 - 5 Years | 0.00 | 0.00 |
| 5 Years and Over | 0.00 | 0.00 |
| Totals | \$83,090,235.49 | \$82,989,621.71 |



Notes:

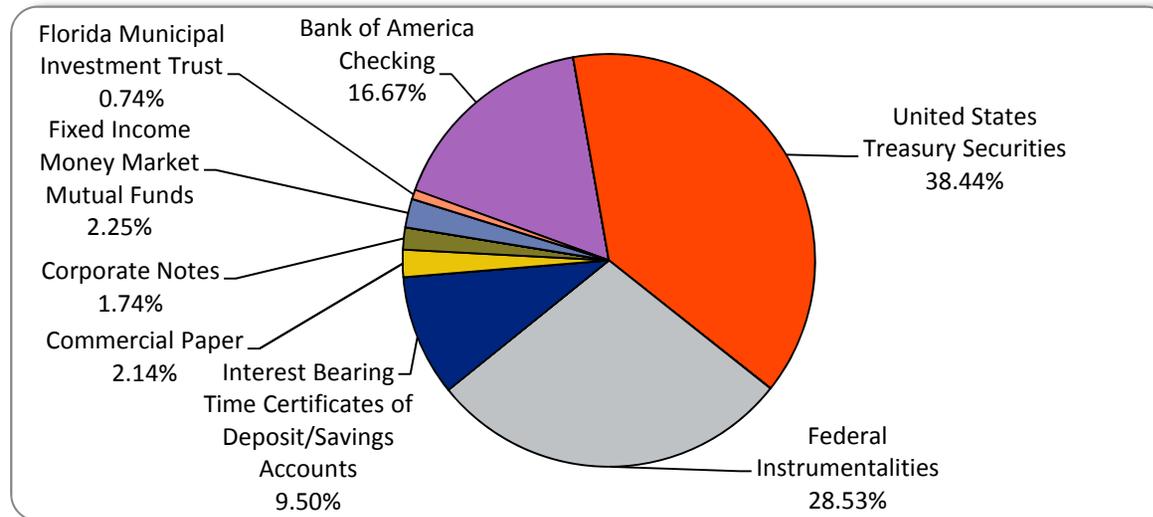
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Investment 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 |
|--|---------------------------------------|-----------------------|-------|------------------------|------------------|
| Bank of America Checking | 19,487,750.27 | 16.67% | 2,3 | 100% | YES |
| Florida SBA Prime Fund | - | 0.00% | 3 | 25% | YES |
| United States Treasury Securities | 44,939,319.09 | 38.44% | | 100% | YES |
| United States Government Agency Securities | - | 0.00% | | 50% | YES |
| Federal Instrumentalities | 33,358,173.93 | 28.53% | 4 | 80% | YES |
| Mortgage-Backed Securities | - | 0.00% | 4 | 20% | YES |
| Interest Bearing Time Certificates of Deposit/Savings Accounts | 11,111,644.51 | 9.50% | 2,3 | 25% | YES |
| Repurchase Agreements | - | 0.00% | | 50% | YES |
| Commercial Paper | 2,498,079.88 | 2.14% | | 25% | YES |
| Corporate Notes | 2,028,712.33 | 1.74% | | 15% | YES |
| Bankers' Acceptances | - | 0.00% | | 25% | YES |
| State and/or Local Government Debt | - | 0.00% | | 20% | YES |
| Fixed Income Money Market Mutual Funds | 2,626,227.59 | 2.25% | | 50% | YES |
| Florida Municipal Investment Trust | 868,695.15 | 0.74% | 3 | 15% | YES |

Notes:

- End of month trade-date amortized cost of portfolio holdings, including accrued interest.
- Assets invested in overnight demand deposit accounts with Qualified Public Depositories are collateralized in accordance with Florida Statutes Chapter 280.
- Managed by the Village.
- The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 80%. The combined total as of June 30, 2015 is 28.53%.

* All Assets

| Individual Issuer Breakdown | Amortized Cost (Includes Interest) | Allocation Percentage | Notes | Permitted by Policy | In Compliance |
|---|---|----------------------------------|--------------|--------------------------------|--------------------------|
| Government National Mortgage Association (GNMA) | - | 0.00% | | 25% | YES |
| Federal Farm Credit Bank (FFCB) | - | 0.00% | | 40% | YES |
| Federal Home Loan Bank (FHLB) | 12,817,971.57 | 10.96% | | 40% | YES |
| Federal National Mortgage Association (FNMA) | 17,526,595.72 | 14.99% | | 40% | YES |
| Federal Home Loan Mortgage Corporation (FHLMC) | 3,013,606.64 | 2.58% | | 40% | YES |
| American Express Company Corporate Notes | 2,028,712.33 | 1.74% | | 5% | YES |
| Bank of Tokyo Mitsubishi, Inc. Commercial Paper | 2,498,079.88 | 2.14% | | 5% | YES |
| Fidelity (BONY) Money Market Fund | 116,712.59 | 0.10% | | 25% | YES |
| Bank of America Operating | 19,487,750.27 | 16.67% | 2,3 | 100% | YES |
| Bank of America Money Market Savings | 11,111,644.51 | 9.50% | 2,3 | 15% | YES |
| FMLvT - Intermediate | 767,232.20 | 0.66% | 3 | 15% | YES |
| FMLvT - 1-3 years | 101,462.95 | 0.09% | 3 | 15% | YES |
| PFM Funds Government Series Money Market Fund | 2,509,515.00 | 2.15% | | 25% | YES |

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
 2. Assets invested in overnight demand deposit accounts with Qualified Public Depositories are collateralized in accordance with Florida Statutes Chapter 280.
 3. Managed by the Village.
 4. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 80%. The combined total as of June 30, 2015 is 28.53%.
- * All Assets

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.

PFM Funds statements are available online at **www.pfmfunds.com**

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

Insert Transaction Page here to complete the report.

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