

Village of Wellington, Florida



Investment Performance Review Quarter Ended March 31, 2016

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

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(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

- Volatility ushered in the New Year, as slowing global growth drove investors out of riskier assets, such as equities and high-yield bonds, and into safe-haven securities such as U.S. government debt. Stocks posted one of their worst-ever starts to a year, with the S&P 500 falling more than 10% while commodity prices plunged. As a result, U.S. Treasury yields retraced nearly all of their fourth-quarter increases.
- Fear began to abate in February, spurring a rebound in stocks and commodities, which finished the quarter at or near 2016 highs. Interest rates rose off their February lows before giving back gains after the Federal Open Market Committee's (FOMC's) "dovish" March statement.
- The Federal Reserve (Fed) left policy rates unchanged in the 1st quarter. The FOMC lowered expectations for only two rate hikes in 2016, and acknowledged that global economic and financial market conditions posed a risk to its outlook.
- While the Fed embarks on a tightening path, other global central banks are still easing monetary policy. The European Central Bank expanded its bond purchase program to 80 billion euros per month, including the purchase of corporate bonds, while the Bank of Japan cut rates to -0.10%.

Economic Snapshot

- U.S. gross domestic product (GDP) grew at a 1.4% rate in the fourth quarter of 2015 and 2.4% for all of 2015 as consumer spending continued to drive growth, while business investment and net exports were a drag. Preliminary estimates of growth in the first quarter are approximately 1%.
- The labor market remained strong, as employers added 628,000 net new jobs in the first three months of the year. The unemployment rate held around 5%, while the labor participation rate rose four months in a row.
- Inflationary pressures picked up in the first quarter as energy prices stabilized, home prices rose, and wages showed modest improvements. The personal consumption expenditure (PCE) price index, the Fed's most favored metric of inflation, rose 1.7% year-over-year ended February 29, 2016.

- Global commodity price declines deepened early in the year, as the supply-demand imbalance remained in focus. Domestic crude oil fell to less than \$30 a barrel in February, before staging a comeback and rebounding above \$40 a barrel on the possibility of an output freeze by the Organization of the Petroleum Exporting Countries (OPEC).
- The Chinese economy continued to slow, stoking concern that weakness in the world's second-largest economy may negatively impact global growth, but especially emerging market countries — those dependent on commodity exports.

Interest Rates

- Interest rates declined in the first quarter, first due to widespread concern about the global economy and then later in the quarter after the Fed signaled a slower pace of rate increases. The two-year Treasury yield fell 33 basis points (0.33%) during the quarter, while the 10-year Treasury yield fell 50 basis points (0.50%).
- In the money market space, shorter Treasuries posted small declines, but short-term credit instruments, such as commercial paper and bank certificates of deposit (CDs) offered unusually wide yield spreads.

Sector Performance

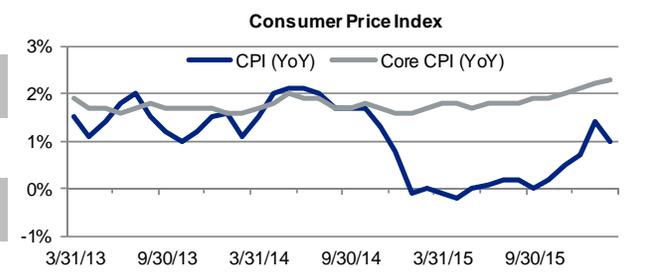
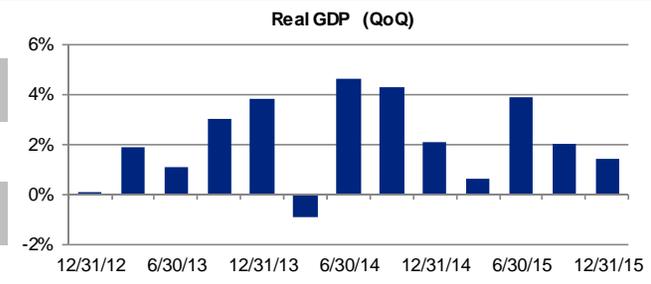
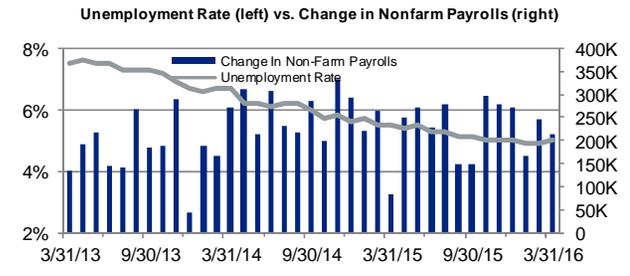
- U.S. Treasury indexes posted strong returns for the first quarter, as rate declines boosted market values. Longer maturity issues performed best.
- Non-callable federal agency securities performed generally in line with comparable-maturity Treasuries.
- Corporate yield spreads widened significantly through the middle of February amid energy-related weakness and declining corporate profits. Although corporates suffered sharp underperformance through January and much of February, spreads tightened dramatically in March, generating enough outperformance for the sector to surpass comparable-maturity Treasuries over the entire quarter.
- Mortgage-backed securities were the worst-performing sector in the quarter, underperforming Treasuries. They were hurt as declining interest rates increased anticipated pre-payments.

Economic Snapshot

Labor Market		Latest	Dec 2015	Mar 2015
Unemployment Rate	Mar'16	5.0%	5.0%	5.5%
Change In Non-Farm Payrolls	Mar'16	215,000	271,000	84,000
Average Hourly Earnings (YoY)	Mar'16	2.3%	2.6%	2.2%
Personal Income (YoY)	Feb'16	4.0%	3.9%	4.0%
Initial Jobless Claims (week)	3/26/16	276,000	285,000	268,000

Growth				
Real GDP (QoQ SAAR)	2015Q4	1.4%	2.0% ¹	2.1% ²
GDP Personal Consumption (QoQ SAAR)	2015Q4	2.4%	3.0% ¹	4.3% ²
Retail Sales (YoY)	Feb'16	3.1%	2.6%	2.1%
ISM Manufacturing Survey (month)	Mar'16	51.8	48.0	52.3
Existing Home Sales SAAR (month)	Feb'16	5.08 mil.	5.45 mil.	5.25 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Feb'16	1.0%	0.7%	0.3%
Consumer Price Index (YoY)	Feb'16	1.0%	0.7%	-0.1%
Consumer Price Index Core (YoY)	Feb'16	2.3%	2.1%	1.8%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$38.34	\$37.04	\$47.60
Gold Futures (oz.)	Mar 31	\$1,234	\$1,060	\$1,183



1. Data as of Third Quarter 2015

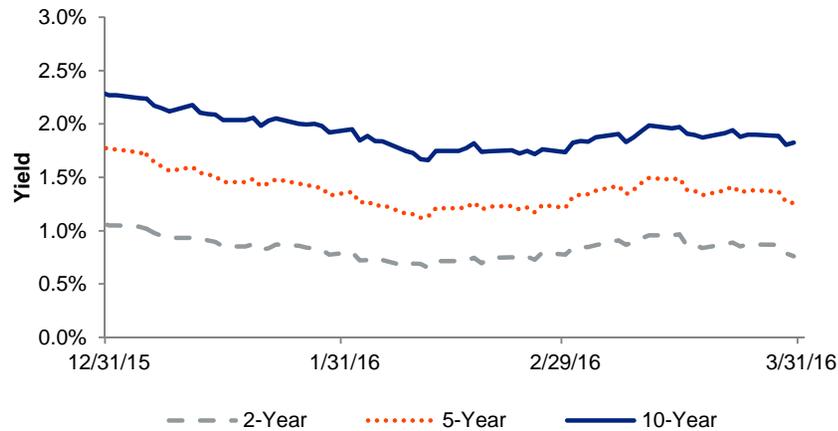
2. Data as of Fourth Quarter 2014

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

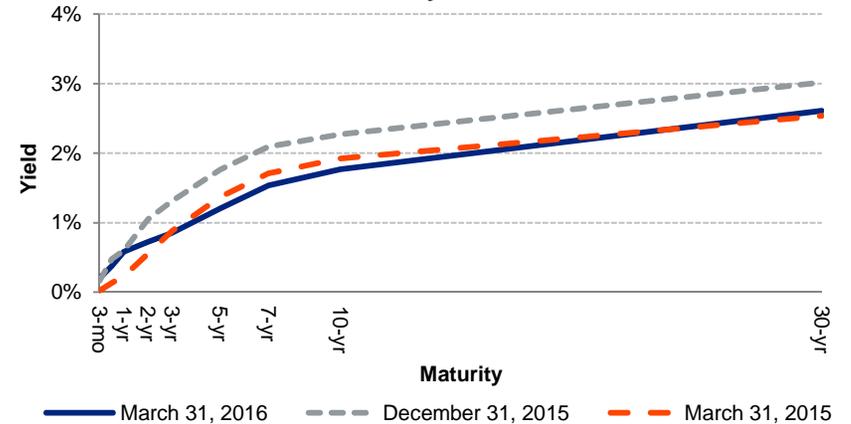
Source: Bloomberg

Investment Rate Overview

U.S. Treasury Note Yields



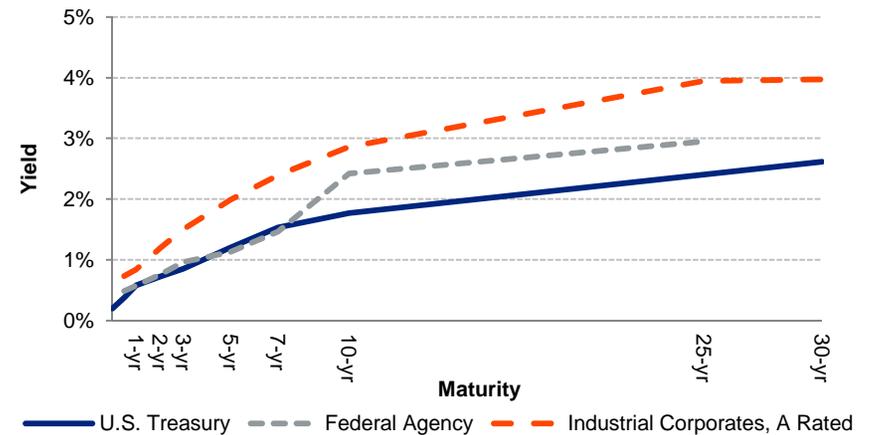
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	3/31/16	12/31/15	Change over Quarter	3/31/15	Change over Year
3-month	0.20%	0.17%	0.03%	0.02%	0.18%
1-year	0.58%	0.60%	(0.02%)	0.23%	0.35%
2-year	0.72%	1.05%	(0.33%)	0.56%	0.16%
5-year	1.21%	1.76%	(0.55%)	1.37%	(0.16%)
10-year	1.77%	2.27%	(0.50%)	1.92%	(0.15%)
30-year	2.61%	3.02%	(0.41%)	2.54%	0.07%

Yield Curves as of 3/31/2016



Source: Bloomberg

BofA Merrill Lynch Index Returns

As of 3/31/2016

Returns for Periods ended 3/31/2016

	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.89	0.75%	0.90%	0.92%	0.77%
Federal Agency	1.56	0.80%	0.86%	1.02%	0.86%
U.S. Corporates, A-AAA rated	1.95	1.52%	1.09%	1.48%	1.43%
Agency MBS (0 to 3 years)	2.13	1.41%	0.50%	1.77%	1.37%
Municipals	1.79	0.84%	0.51%	1.01%	0.87%
1-5 Year Indices					
U.S. Treasury	2.72	0.89%	1.57%	1.62%	1.14%
Federal Agency	2.06	0.91%	1.26%	1.43%	1.14%
U.S. Corporates, A-AAA rated	2.77	1.77%	1.70%	2.02%	1.97%
Agency MBS (0 to 5 years)	3.18	1.88%	1.47%	1.86%	2.19%
Municipals	2.46	1.00%	0.72%	1.58%	1.27%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.43	1.34%	3.35%	2.42%	2.30%
Federal Agency	3.65	1.26%	2.14%	1.86%	1.75%
U.S. Corporates, A-AAA rated	6.96	2.70%	3.67%	2.13%	3.26%
Agency MBS (0 to 30 years)	3.79	2.14%	1.95%	2.41%	2.68%
Municipals	6.77	2.05%	1.64%	4.12%	3.73%

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. PFMAM is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. PFMAM's clients are state and local governments, non-profit corporations, pension funds, and similar institutional investors. www.pfm.com.

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TAB II

Insert Transaction Page 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.

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

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

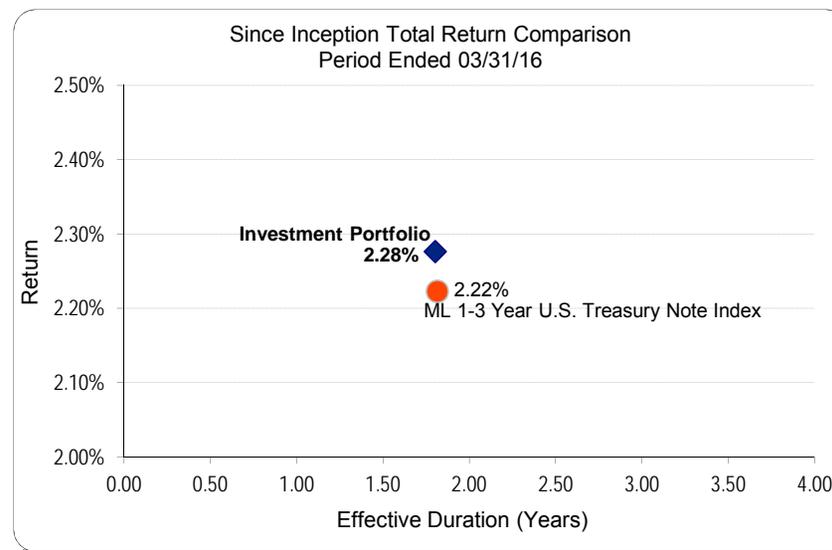
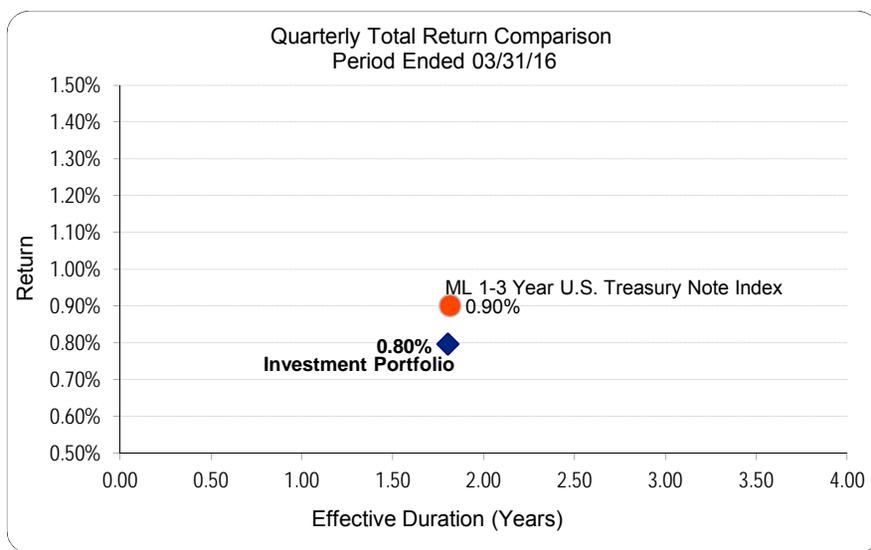
Executive Summary

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.
- PFM continued to actively manage the Investment Portfolio during the first quarter and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result, the Portfolio realized \$6,825 in gains on sales (based on amortized cost) during the quarter. PFM is continually in the market monitoring for opportunities to add value to the Portfolio.
- The Investment Portfolio's quarterly total return performance of 0.80% underperformed the benchmark performance of 0.90% by 0.10%. Over the past the year, the Portfolio earned 0.88% versus 0.92% for the benchmark.
- We expect the U.S. economy to expand at a moderate pace in 2016 as consumer spending continues to drive positive growth. Outside the U.S., economic prospects are more challenged due to weak commodity prices, slowing growth in China, and various geopolitical risks. The market's concerns about the strength of the global economy will likely keep interest rates lower than previously expected.
- Economic projections released following the FOMC's March meeting indicated that FOMC participants believe that appropriate monetary policy warrants only two fed funds hikes in 2016, down from four hikes projected in December.
- Given the likelihood that rates will not move significantly higher in the near-term, we will position the maturity distribution of portfolios to generally match the distribution of their benchmarks, except where shifting to short-term credit securities offers better value.
- Because of narrowed yield spreads, federal agencies currently have less appeal relative to comparable-maturity U.S. Treasuries. We will monitor the yield relationship and take advantage of any opportunities that arise — opportunities are most likely to occur with newly-issued federal agency securities.
- 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	March 31, 2016	December 31, 2015				
Market Value	\$95,798,543.20	\$93,050,875.13				
Amortized Cost	\$95,483,849.47	\$93,263,512.79				
Total Return^{2,3,4,5}	Quarterly Return March 31, 2016	Last 12 Months	Last 3 Years	Last 5 Years	Last 10 Years	Since Inception on March 31, 2004
Investment Portfolio	0.80%	0.88%	0.64%	0.76%	2.43%	2.28%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.90%	0.92%	0.77%	0.87%	2.47%	2.22%
Effective Duration(Years)^{4,5}	March 31, 2016	December 31, 2015			Yields	
Investment Portfolio	1.80	1.41			Yield at Market⁶	March 31, 2016
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.82	1.80			Yield at Cost⁷	December 31, 2015
Portfolio Duration % of Benchmark Duration	99%	78%			SBA Yield	0.57%
						0.96%
						0.86%
						0.35%

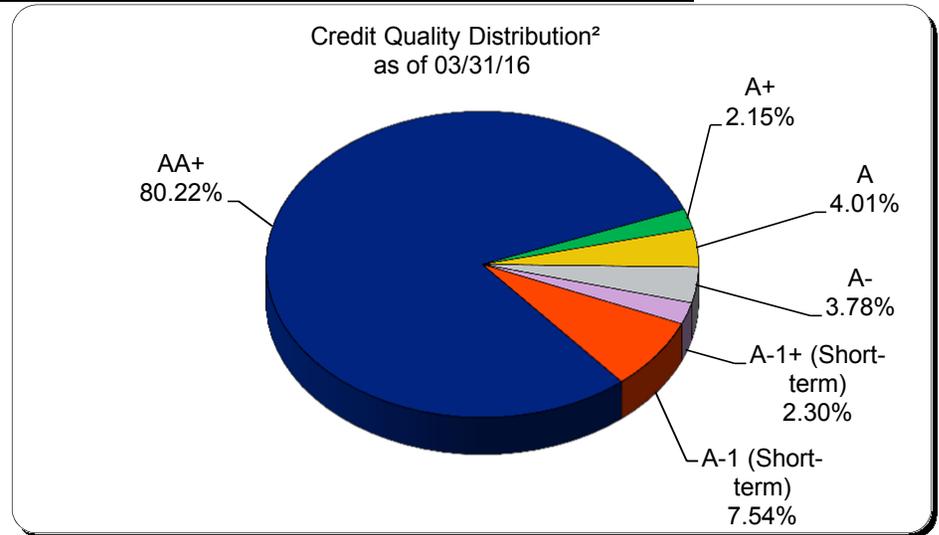
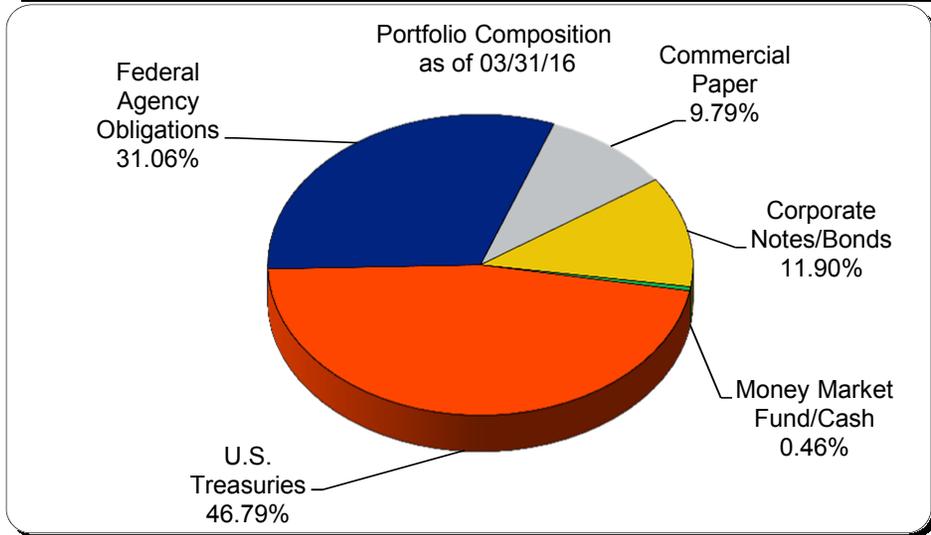


Notes:

- In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances. End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS). Quarterly returns are presented on an unannualized basis. Returns presented for 12 months or longer are presented on an annual basis. Past performance is not indicative of future results.
- Since Inception the benchmark has been the Merrill Lynch 1-3 Year U.S. Treasury Note.
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Includes money market fund/cash in performance and duration computations.
- 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.
- 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>March 31, 2016</u>	<u>% of Portfolio</u>	<u>December 31, 2015</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$44,822,617.90	46.8%	\$46,102,944.10	49.5%
Federal Agencies	29,754,138.94	31.1%	30,010,962.32	32.3%
Commercial Paper	9,381,409.90	9.8%	9,379,256.80	10.1%
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	11,403,956.46	11.9%	7,359,121.80	7.9%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	436,420.00	0.5%	198,590.11	0.2%
Totals	\$95,798,543.20	100.0%	\$93,050,875.13	100.0%

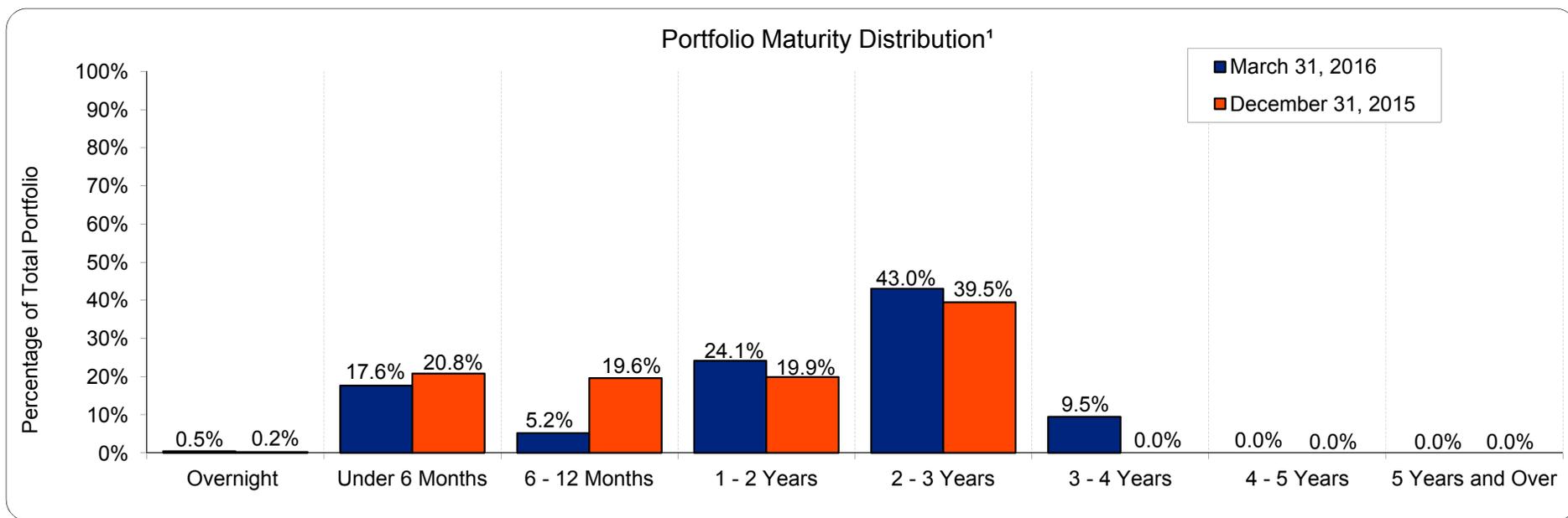


Notes:

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

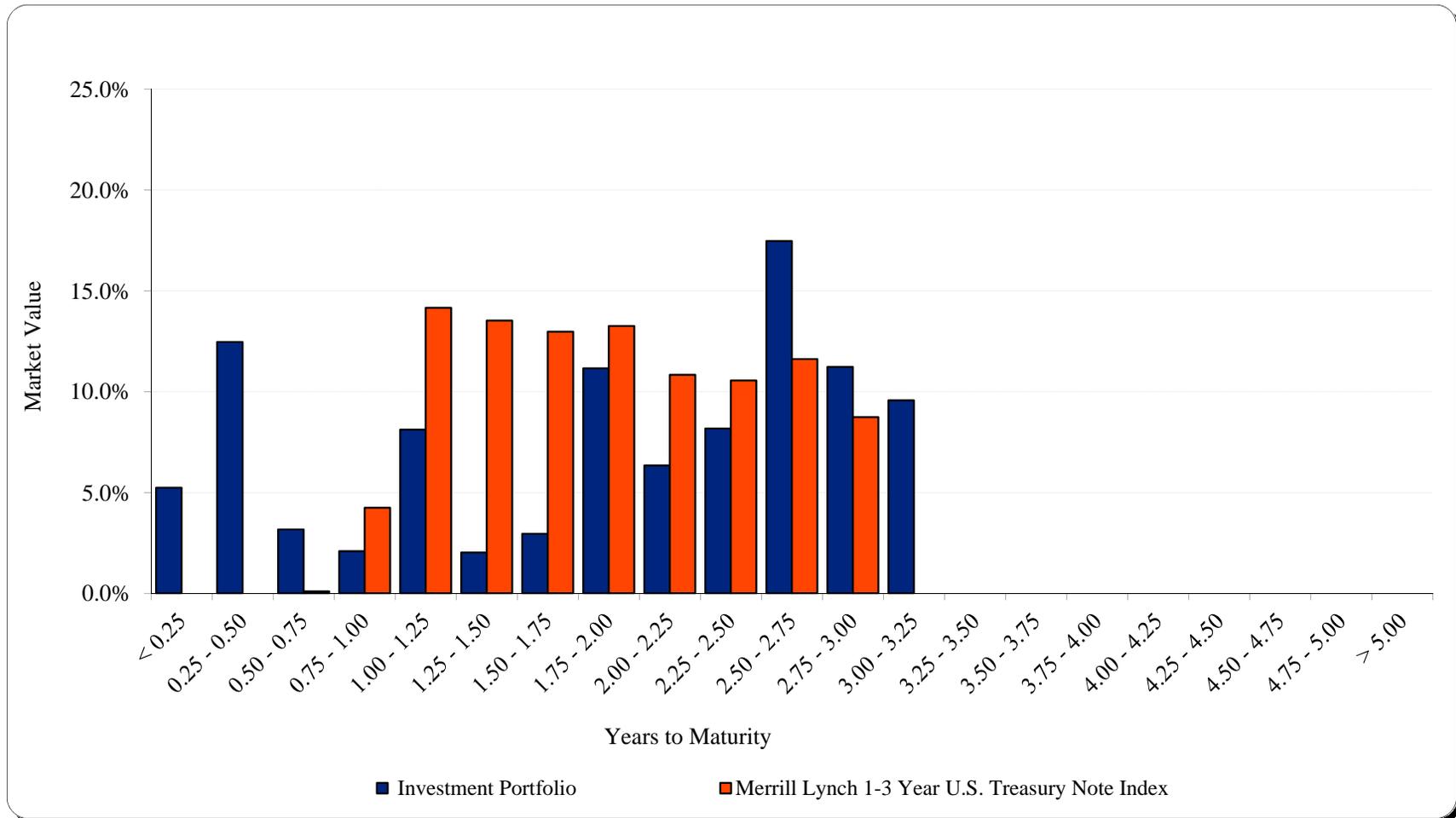
<u>Maturity Distribution¹</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Overnight (Money Market Fund)	\$436,420.00	\$198,590.11
Under 6 Months	16,888,991.78	19,369,972.90
6 - 12 Months	5,013,463.94	18,239,975.54
1 - 2 Years	23,134,772.65	18,486,608.16
2 - 3 Years	41,216,960.73	36,755,728.42
3 - 4 Years	9,107,934.10	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$95,798,543.20	\$93,050,875.13



Notes:

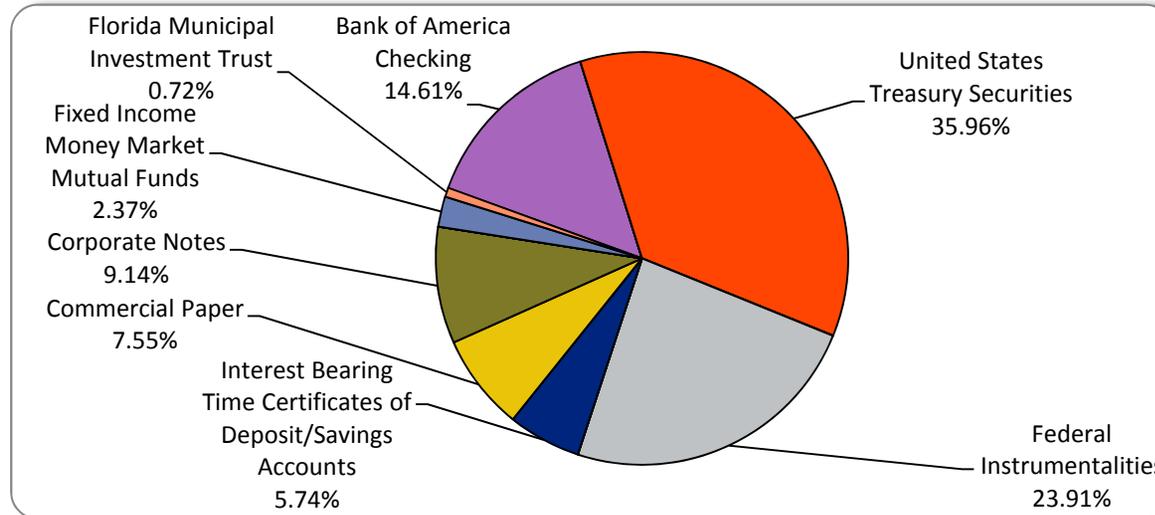
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

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	18,132,616.99	14.61%	2,3	100%	YES
Florida SBA Prime Fund	-	0.00%	3	25%	YES
United States Treasury Securities	44,636,383.28	35.96%		100%	YES
United States Government Agency Securities	-	0.00%		50%	YES
Federal Instrumentalities	29,682,858.17	23.91%	4	80%	YES
Mortgage-Backed Securities	-	0.00%	4	20%	YES
Interest Bearing Time Certificates of Deposit/Savings Accounts	7,121,086.57	5.74%	2,3	25%	YES
Repurchase Agreements	-	0.00%		50%	YES
Commercial Paper	9,377,502.49	7.55%		25%	YES
Corporate Notes	11,350,685.53	9.14%		15%	YES
Bankers' Acceptances	-	0.00%		25%	YES
State and/or Local Government Debt	-	0.00%		20%	YES
Fixed Income Money Market Mutual Funds	2,947,826.86	2.37%		50%	YES
Florida Municipal Investment Trust	887,866.52	0.72%	3	15%	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 March 31, 2016 is 23.91%.

* 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)	4,018,280.52	3.24%		40%	YES
Federal National Mortgage Association (FNMA)	17,628,565.06	14.20%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	8,036,012.59	6.47%		40%	YES
American Express Company Corporate Notes	1,997,135.68	1.61%		5%	YES
General Electric Capital Corporation Corporate Notes	1,916,223.43	1.54%		5%	YES
HSBC Holdings plc Corporate Notes	2,000,246.52	1.61%		5%	YES
JP Morgan Chase & Company Corporate Notes	1,598,552.64	1.29%		5%	YES
US Bancorp Corporate Notes	2,036,631.41	1.64%		5%	YES
Wells Fargo & Company Corporate Notes	1,801,895.85	1.45%		5%	YES
Bank of Tokyo Mitsubishi, Inc. Commercial Paper	2,496,548.60	2.01%		5%	YES
BNP Paribas Commercial Paper	2,496,402.78	2.01%		5%	YES
JP Morgan Chase & Company Commercial Paper	2,191,985.88	1.77%		5%	YES
Toyota Motor Corporation Commercial Paper	2,192,565.23	1.77%		5%	YES
Fidelity (BONY) Money Market Fund	436,420.00	0.35%		25%	YES
Bank of America Operating	18,132,616.99	14.61%	2,3	100%	YES
Bank of America Money Market Savings	7,121,086.57	5.74%	2,3	15%	YES
FMIvT - Intermediate	785,889.11	0.63%	3	15%	YES
FMIvT - 1-3 years	101,977.41	0.08%	3	15%	YES
PFM Funds Government Series Money Market Fund	2,511,406.86	2.02%		25%	YES

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TAB III

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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