

# Village of Wellington, Florida



## Investment Performance Review Quarter Ended September 30, 2016

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- Market Update

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- Executive Summary
- Investment Portfolio

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- Asset Allocation Chart
- Important Disclosures

# Tab I

**Summary**

- The volatile effects of Britain's Brexit vote to leave the European Union (EU) quickly dissipated at the beginning of the third quarter as investors concluded that any effects could take up to two years to play out. Investors turned their focus back to fundamental economic factors, such as growth, inflation, and the timing of future rate hikes by the Federal Reserve (Fed).
- The Fed left rates unchanged at its third quarter meetings and lowered rate expectations in September. Given the upcoming U.S. presidential election, the market expects no action at the Fed's November meeting, but holds roughly a 60% chance of a rate hike in December.
- Other central banks continued to implement accommodative monetary policy. The European Central Bank (ECB) kept its benchmark interest rate near 0% and continued its 80-billion-euro monthly bond-buying program. Meanwhile, the Bank of Japan (BoJ) introduced two policies: one keeps 10-year Japanese government bond yields near zero percent; the other expands money supply until inflation remains above the 2% target. The Bank of England (BoE) joined the easing by cutting its interest rate to 0.25% from 0.50% and enacting a bond purchase program to the tune of 10 billion pounds a month.

**Economic Snapshot**

- The U.S. economy continued to grow at a slow but steady pace. Consumers drove growth in the first half of the year, while business investment lagged. The labor market remained strong, with the unemployment rate remaining below 5% throughout most of the third quarter. The housing market was arguably the economy's strongest sector as home sales rose to levels not seen since before the 2008 financial crisis.
- U.S. gross domestic product (GDP) grew at a 1.4% rate in the second quarter, a modest rebound from the first quarter's 0.8% rate. Consumer spending drove growth in the second quarter, contributing the most to GDP since 2014, while weakness in business investment detracted the most since 2009. Economic growth is expected to rebound in the third quarter to between 2.5% and 3%.
- The unemployment rate ticked up to 5.0% by the end of the third quarter, as the pace of hiring aligned with the pace of economic growth. September's modest addition of 156,000 jobs rounded out a quarter that added 575,000 jobs, the most jobs added since the first quarter of 2016.

Weekly unemployment filings continued to fall to levels not seen since the early 1970s, while job openings reached record levels. Both were positive indications of labor market strength.

- Inflation pressures firmed slightly over the third quarter as the personal consumption expenditure (PCE) price index, the Fed's favored inflation metric, rose 1.7% for the year ended August 31. Housing and medical costs continued to rise. Average hourly earnings, an important measure of wages in the manufacturing sector, grew 2.6% over the 12 months ended September, the 19th consecutive month of greater than 2% year-over-year (YoY) growth.

**Interest Rates**

- Interest rates rose significantly in the third quarter, reversing second-quarter declines spurred by Brexit. Short-term yields led the rise, as expectations rebounded for a Fed rate hike this year, slightly flattening the yield curve. The two-year Treasury yield climbed 18 basis points (bps), while the yield on the 10-year Treasury rose 12 bps.
- In the money market space, shorter-term Treasury yields rebounded from their second-quarter compression. Short-term credit instruments, like commercial paper and negotiable bank certificates of deposit (CDs), continued to offer significant added income as yields remained elevated ahead of the Securities and Exchange Commission's money market reform effective October 14.

**Sector Performance**

- Returns declined for U.S. Treasury indexes for the third quarter as yields rose, decreasing market values. The declines offset second quarter gains. Shorter maturity issues outperformed longer maturities.
- Non-callable federal agency spreads drifted tighter during the quarter, leading to the sector's modest outperformance relative to comparable-maturity Treasuries.
- Corporate yield spreads tightened throughout most of the third quarter, reaching their lowest levels of the year, as Brexit fears abated and investors' search for yield continued. The sector once again outperformed Treasuries.
- Mortgage-backed (MBS) and asset-backed securities (ABS) outperformed Treasuries for the first quarter this year as rising interest rates decreased prepayment risk.

Economic Snapshot

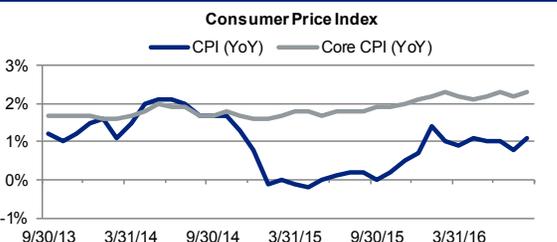
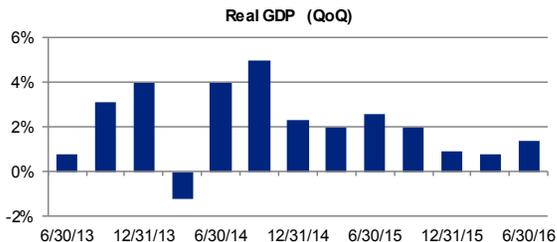
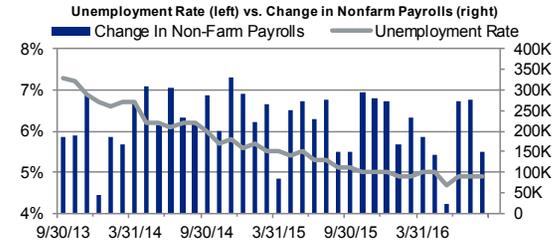
Labor Market	Latest	Jun 2016	Sep 2015	
Unemployment Rate	Aug'16	4.9%	4.9%	5.1%
Change In Non-Farm Payrolls	Aug'16	151,000	271,000	149,000
Average Hourly Earnings (YoY)	Aug'16	2.4%	2.6%	2.4%
Personal Income (YoY)	Aug'16	3.1%	3.1%	4.0%
Initial Jobless Claims (week)	9/23/16	254,000	270,000	277,000

Growth	Latest	Jun 2016	Sep 2015	
Real GDP (QoQ SAAR)	2016Q2	1.4%	0.8% <sup>1</sup>	2.6% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2016Q2	4.3%	1.6% <sup>1</sup>	2.9% <sup>2</sup>
Retail Sales (YoY)	Aug'16	1.9%	2.8%	2.1%
ISM Manufacturing Survey (month)	Aug'16	49.4	53.2	50.0
Existing Home Sales SAAR (month)	Aug'16	5.33 mil.	5.57 mil.	5.44 mil.

Inflation / Prices	Latest	Jun 2016	Sep 2015	
Personal Consumption Expenditures (YoY)	Aug'16	1.0%	0.9%	0.2%
Consumer Price Index (YoY)	Aug'16	1.1%	1.0%	0.0%
Consumer Price Index Core (YoY)	Aug'16	2.3%	2.3%	1.9%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$48.24	\$48.33	\$45.09
Gold Futures (oz.)	Sep 30	\$1,313	\$1,321	\$1,116



1. Data as of Fourth Quarter 2015

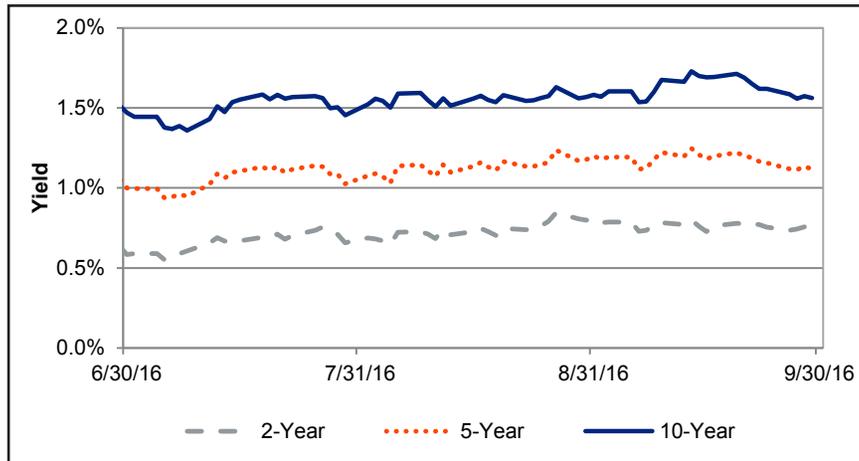
2. Data as of First Quarter 2015

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

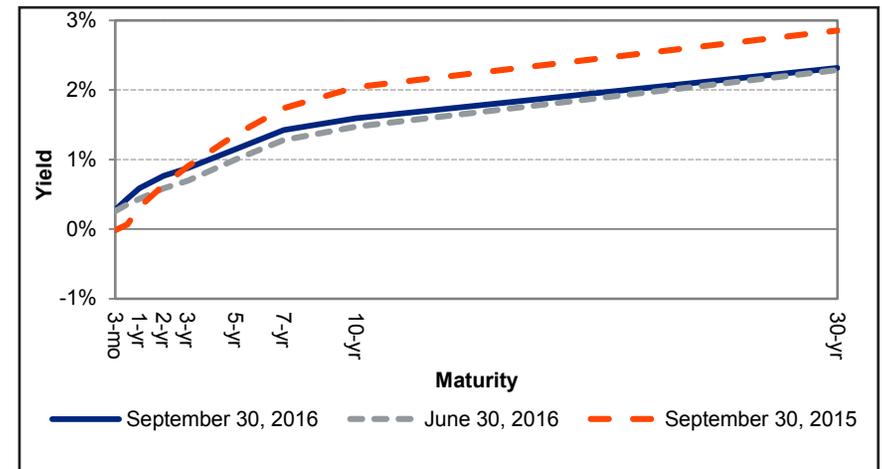
Source: Bloomberg

Interest Rate Overview

U.S. Treasury Note Yields



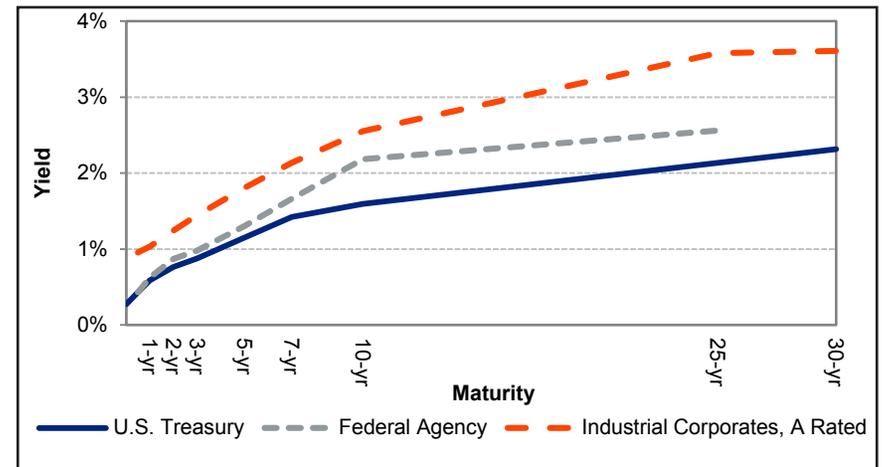
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	9/30/16	6/30/16	Change over Quarter	9/30/15	Change over Year
3-month	0.28%	0.26%	0.02%	(0.02%)	0.30%
1-year	0.59%	0.44%	0.15%	0.31%	0.28%
2-year	0.76%	0.58%	0.18%	0.63%	0.13%
5-year	1.15%	1.00%	0.15%	1.36%	(0.21%)
10-year	1.60%	1.47%	0.13%	2.04%	(0.44%)
30-year	2.32%	2.29%	0.03%	2.85%	(0.53%)

Yield Curves as of 9/30/2016



Source: Bloomberg

## QUARTERLY MARKET SUMMARY

## BofA Merrill Lynch Index Returns

	As of 9/30/16		Returns for Periods ended 9/30/16		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.90	0.78%	(0.11%)	0.88%	0.85%
Federal Agency	1.69	0.90%	0.03%	0.94%	0.95%
U.S. Corporates, A-AAA rated	1.90	1.48%	0.17%	2.04%	1.60%
Agency MBS (0 to 3 years)	2.22	1.40%	0.29%	2.43%	1.67%
Taxable Municipals	1.99	1.95%	0.56%	3.44%	2.71%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.73	0.90%	(0.19%)	1.52%	1.43%
Federal Agency	2.14	0.98%	0.00%	1.36%	1.41%
U.S. Corporates, A-AAA rated	2.76	1.66%	0.30%	3.01%	2.44%
Agency MBS (0 to 5 years)	3.29	1.81%	0.61%	3.29%	2.91%
Taxable Municipals	2.64	1.90%	0.52%	4.16%	3.64%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.59	1.28%	(0.33%)	4.33%	3.70%
Federal Agency	3.90	1.27%	0.13%	2.98%	2.82%
U.S. Corporates, A-AAA rated	7.16	2.46%	0.89%	7.52%	5.38%
Agency MBS (0 to 30 years)	3.49	1.90%	0.61%	3.66%	3.57%
Taxable Municipals	4.09	2.43%	0.09%	5.53%	5.19%

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](http://www.pfm.com)*

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# Tab II

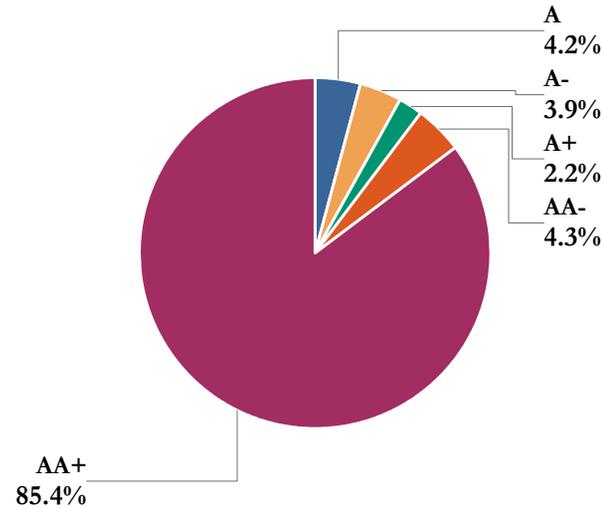
- The Village's Investment Portfolio is of high credit quality and invested in U.S. Treasury, Federal Agency securities, and high quality corporate notes.
- PFM continued to actively manage the Portfolios during the third quarter and found value in the market, taking advantage of market inefficiencies or changes in economic outlook. As a result, the Portfolios realized \$1,453 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 Portfolios.
- The Investment Portfolio's quarterly total return performance of -0.03% outperformed the benchmark performance of -0.11% by 0.08%. Over the past the year, the Portfolio earned 0.92% versus 0.88% for the benchmark.
- Yields drifted modestly higher during the third quarter as early-quarter Brexit fears faded and U.S. economic data rebounded, bringing the Fed closer to an eventual rate hike, perhaps in December.
- We sought to generally maintain portfolio durations and maturity distributions comparable to those of benchmarks to reduce potential performance mismatches given the uncertain rate environment.
- We will continue to monitor incoming economic data to assess and confirm the prospect for a Fed rate hike by year-end. In the near-term, the upcoming U.S. Presidential election could be a source of market volatility.
- PFM will continue to navigate the market environment with a keen focus on relative value sector analysis, prudent duration management, and efficient yield curve placement. While producing strong investment returns remains a priority, it is secondary to maintaining safety and liquidity, particularly in the current environment where we expect yields to trend higher.

**Portfolio Statistics**

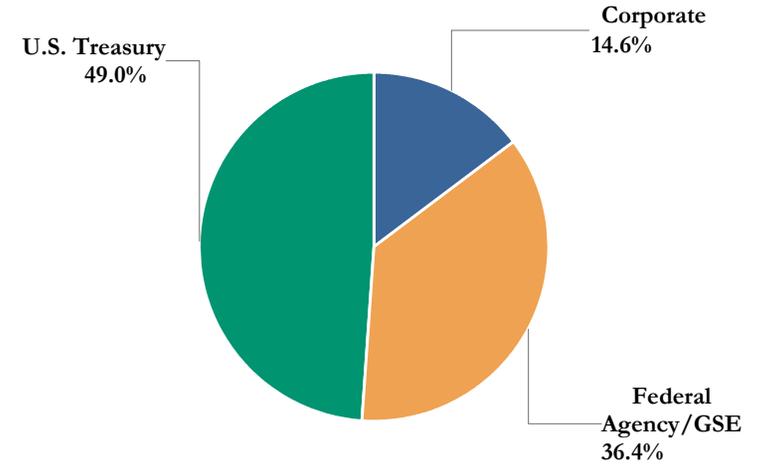
As of September 30, 2016

Par Value:	90,570,000
Total Market Value:	91,802,024
Security Market Value:	91,187,895
Accrued Interest:	233,942
Cash:	380,187
PFM	-
Amortized Cost:	90,954,585
Yield at Market:	0.87%
Yield at Cost:	1.04%
Effective Duration:	1.79 Years
Duration to Worst:	1.79 Years
Average Maturity:	1.82 Years
Average Credit: **	AA

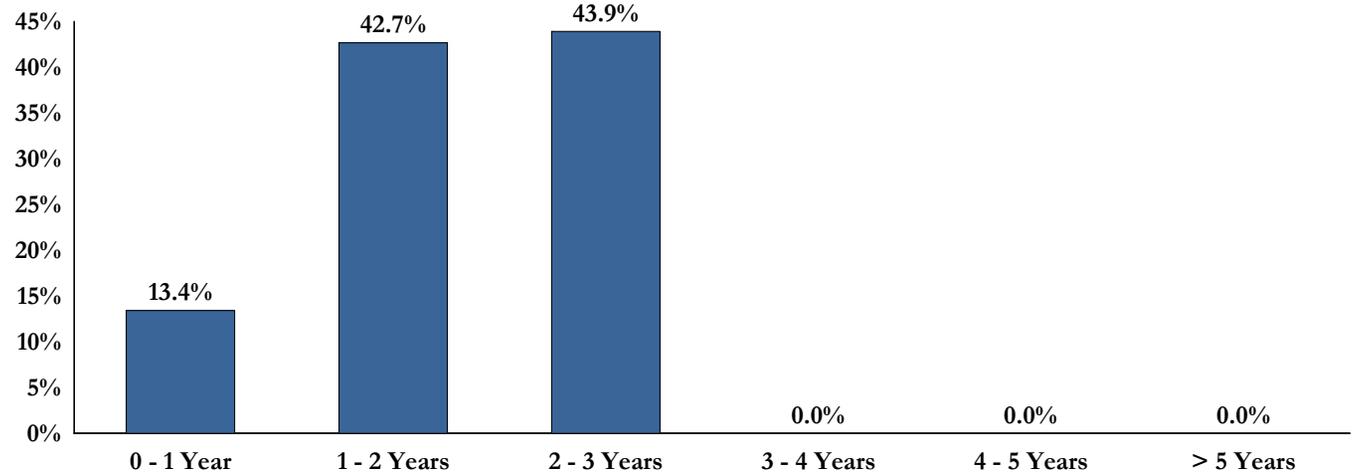
**Credit Quality (S&P Ratings)**



**Sector Allocation**



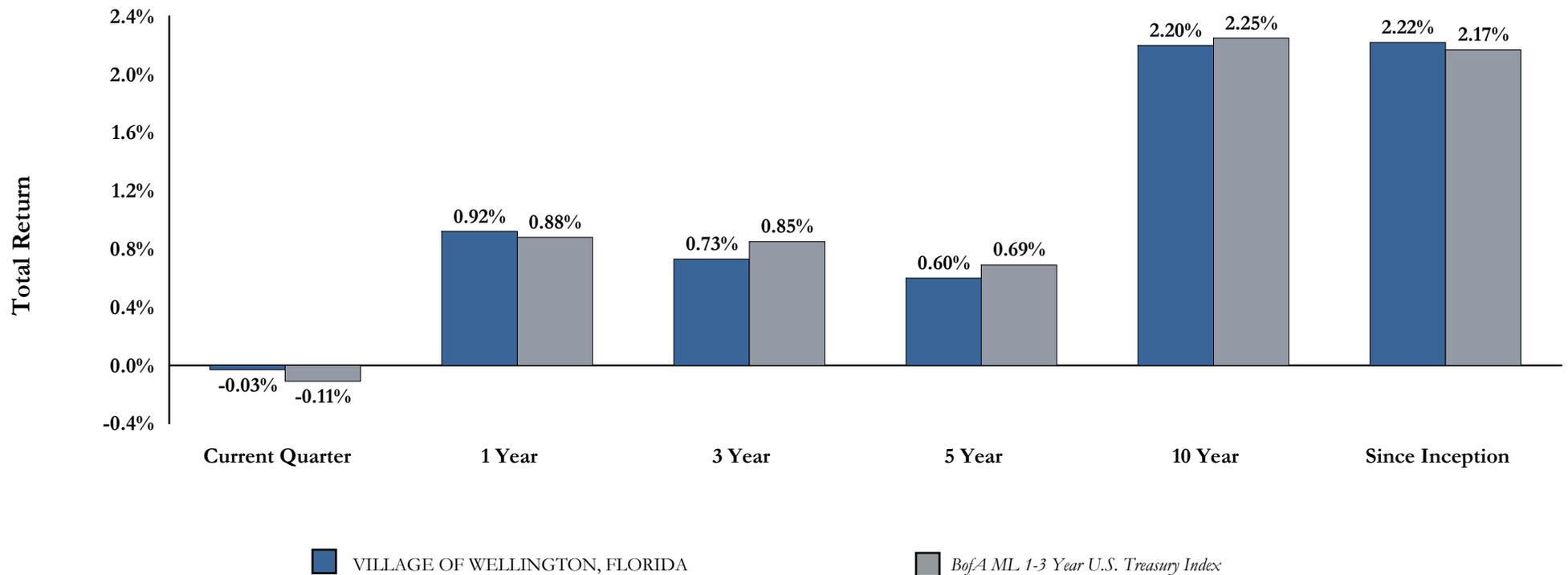
**Maturity Distribution**



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

Portfolio Performance (Total Return)

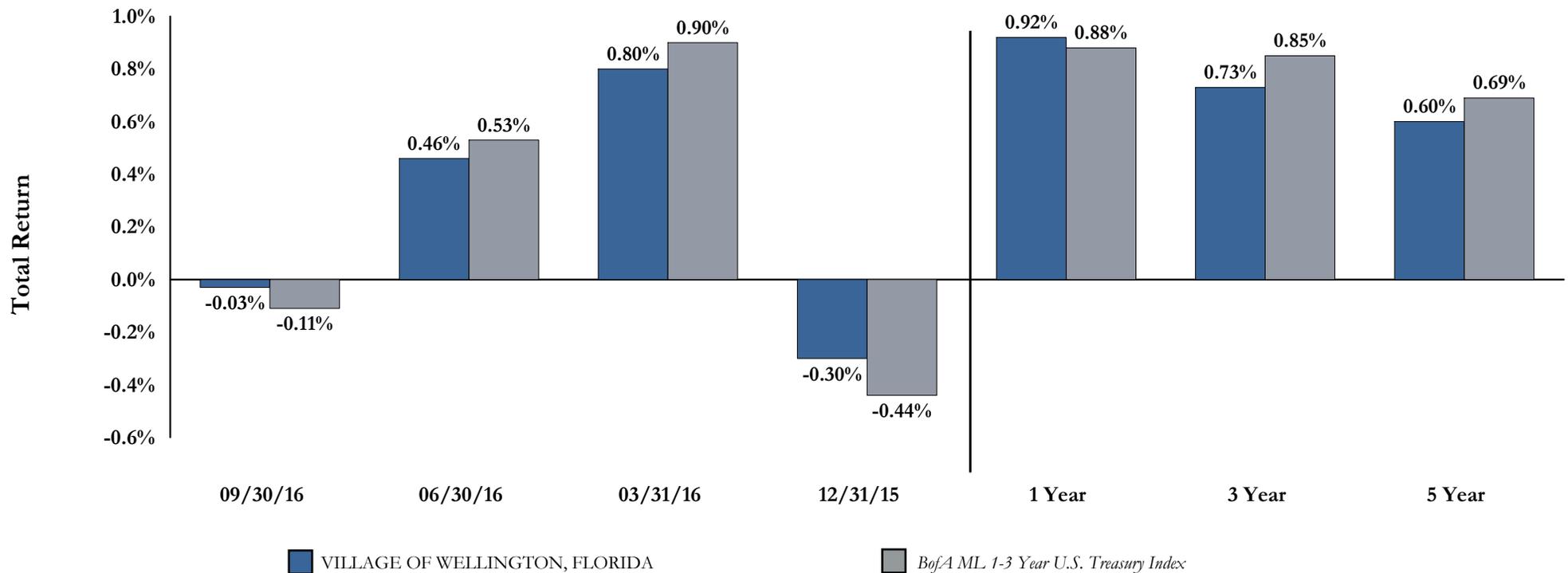
Portfolio/Benchmark	Effective Duration	Current Quarter	1 Year	Annualized Return			Since Inception (03/31/04) **
				3 Year	5 Year	10 Year	
VILLAGE OF WELLINGTON, FLORIDA	1.79	-0.03%	0.92%	0.73%	0.60%	2.20%	2.22%
BofA ML 1-3 Year U.S. Treasury Index	1.83	-0.11%	0.88%	0.85%	0.69%	2.25%	2.17%
Difference		0.08%	0.04%	-0.12%	-0.09%	-0.05%	0.05%



Portfolio performance is gross of fees unless otherwise indicated. \*\*Since Inception performance is not shown for periods less than one year.

Portfolio Performance (Total Return)

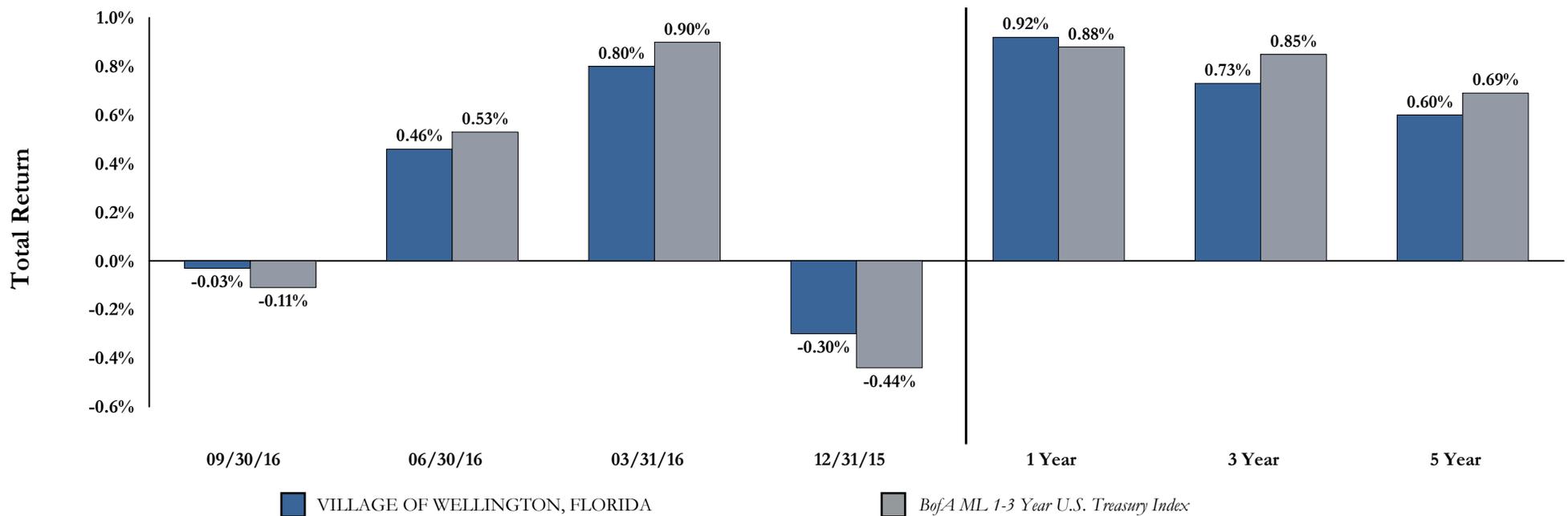
Portfolio/Benchmark	Effective Duration	Quarter Ended				1 Year	Annualized Return	
		09/30/16	06/30/16	03/31/16	12/31/15		3 Year	5 Year
<b>VILLAGE OF WELLINGTON, FLORIDA</b>	1.79	-0.03%	0.46%	0.80%	-0.30%	0.92%	0.73%	0.60%
<i>BofA ML 1-3 Year U.S. Treasury Index</i>	1.83	-0.11%	0.53%	0.90%	-0.44%	0.88%	0.85%	0.69%
<b>Difference</b>		0.08%	-0.07%	-0.10%	0.14%	0.04%	-0.12%	-0.09%



Portfolio performance is gross of fees unless otherwise indicated.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Quarter Ended				1 Year	Annualized Return	
		09/30/16	06/30/16	03/31/16	12/31/15		3 Year	5 Year
VILLAGE OF WELLINGTON, FLORIDA	1.79	-0.03%	0.46%	0.80%	-0.30%	0.92%	0.73%	0.60%
<i>Net of Fees **</i>	-	-0.04%	0.45%	0.79%	-0.31%	0.86%	0.67%	0.54%
<i>BofA ML 1-3 Year U.S. Treasury Index</i>	1.83	-0.11%	0.53%	0.90%	-0.44%	0.88%	0.85%	0.69%
<b>Difference (Gross)</b>		0.08%	-0.07%	-0.10%	0.14%	0.04%	-0.12%	-0.09%
<b>Difference (Net)</b>		0.07%	-0.08%	-0.11%	0.13%	-0.02%	-0.18%	-0.15%



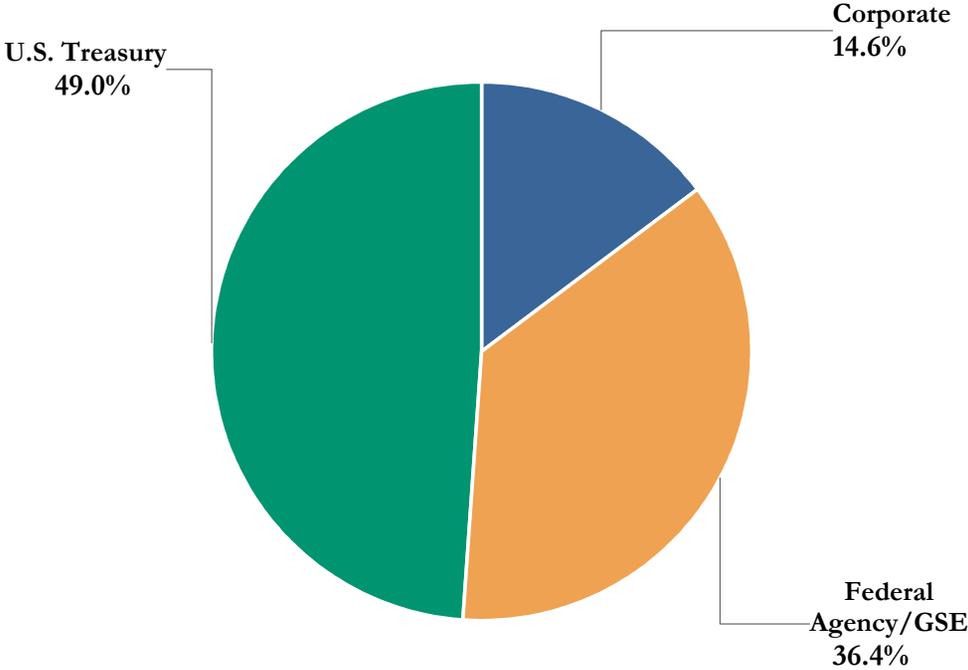
Portfolio performance is gross of fees unless otherwise indicated. \*\* Fees were calculated based on average assets during the period at the contractual rate.

**Portfolio Earnings**  
*Quarter-Ended September 30, 2016*

	<u>Market Value Basis</u>	<u>Accrual (Amortized Cost) Basis</u>
<b>Beginning Value (06/30/2016)</b>	\$95,934,372.67	\$95,419,988.59
<b>Net Purchases/Sales</b>	(\$4,411,224.50)	(\$4,411,224.50)
<b>Change in Value</b>	(\$335,253.02)	(\$54,179.44)
<b>Ending Value (09/30/2016)</b>	\$91,187,895.15	\$90,954,584.65
<b>Interest Earned</b>	\$297,741.64	\$297,741.64
<b>Portfolio Earnings</b>	(\$37,511.38)	\$243,562.20

Sector Allocation  
As of September 30, 2016

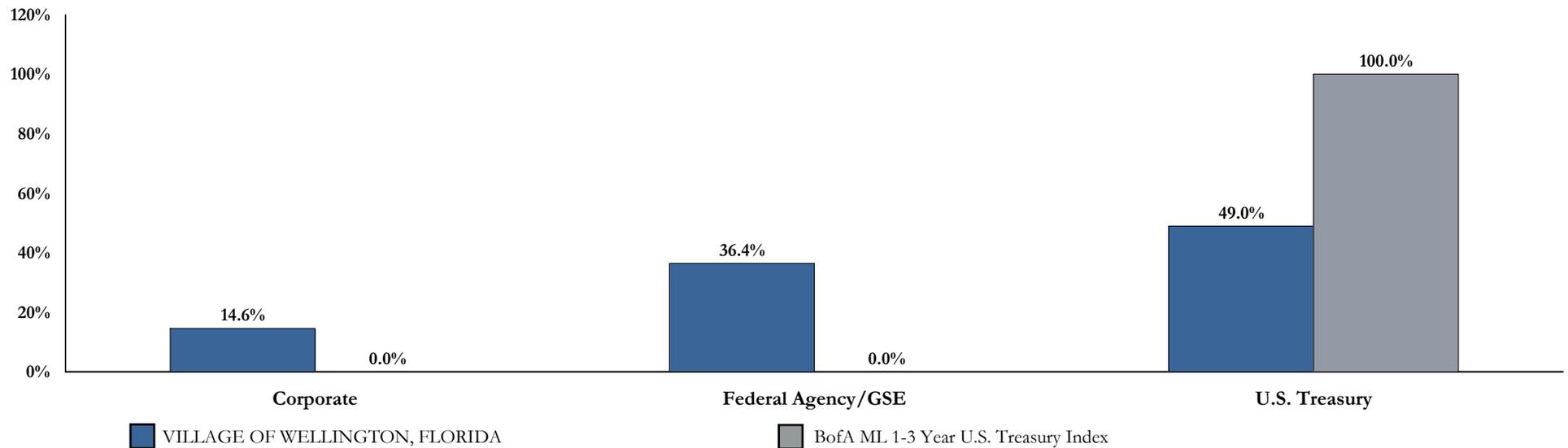
Sector	Market Value (\$)	% of Portfolio
U.S. Treasury	44,676,288	49.0%
Federal Agency/GSE	33,180,204	36.4%
Corporate	13,331,403	14.6%
<b>Total</b>	<b>91,187,895</b>	<b>100.0%</b>



Detail may not add to total due to rounding.

**Sector Allocation**  
*As of September 30, 2016*

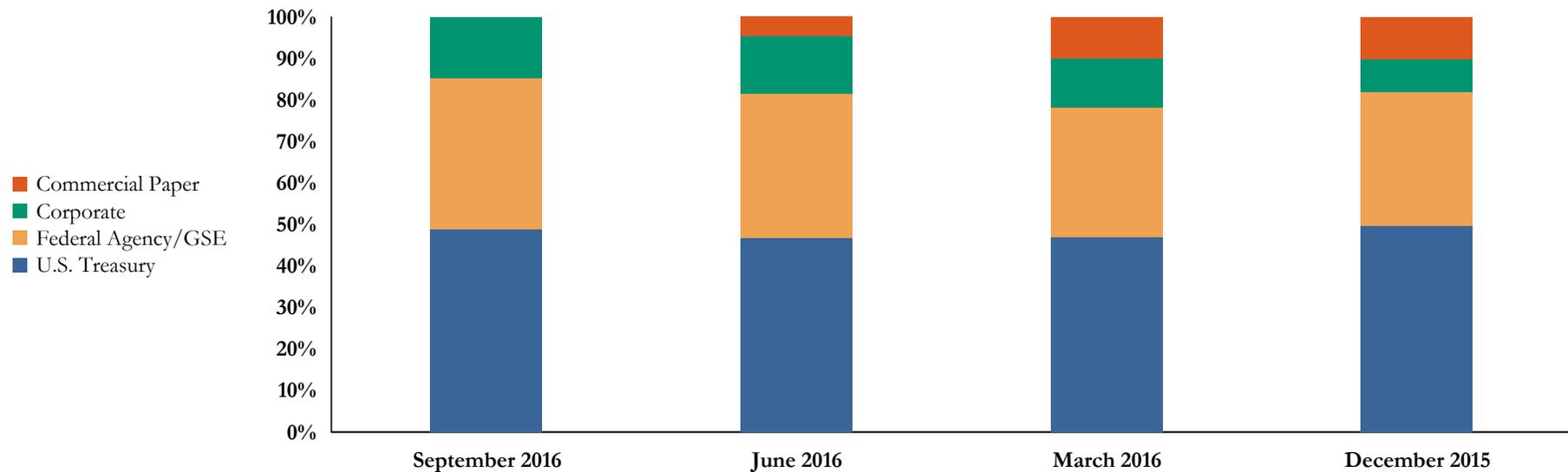
Sector	Market Value (\$)	% of Portfolio	% of Benchmark
U.S. Treasury	44,676,288	49.0%	100.0%
Federal Agency/GSE	33,180,204	36.4%	-
Corporate	13,331,403	14.6%	-
<b>Total</b>	<b>91,187,895</b>	<b>100.0%</b>	<b>100.0%</b>



Detail may not add to total due to rounding.

### Sector Allocation

Sector	September 30, 2016		June 30, 2016		March 31, 2016		December 31, 2015	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
U.S. Treasury	44.7	49.0%	44.9	46.7%	44.7	47.0%	46.0	49.6%
Federal Agency/GSE	33.2	36.4%	33.3	34.7%	29.7	31.2%	30.0	32.4%
Corporate	13.3	14.6%	13.4	14.0%	11.4	11.9%	7.3	7.9%
Commercial Paper	0.0	0.0%	4.4	4.6%	9.4	9.9%	9.4	10.1%
<b>Total</b>	<b>\$91.2</b>	<b>100.0%</b>	<b>\$95.9</b>	<b>100.0%</b>	<b>\$95.2</b>	<b>100.0%</b>	<b>\$92.6</b>	<b>100.0%</b>

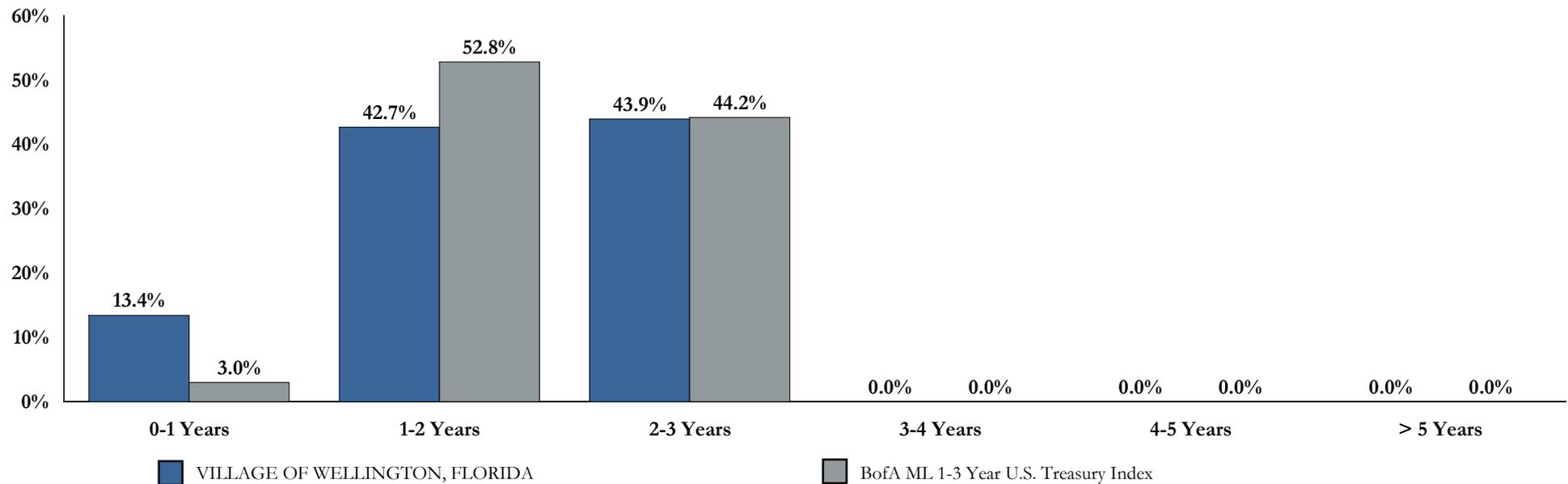


Detail may not add to total due to rounding.

### Maturity Distribution

As of September 30, 2016

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
VILLAGE OF WELLINGTON, FLORIDA	0.87%	1.82 yrs	13.4%	42.7%	43.9%	0.0%	0.0%	0.0%
BofA ML 1-3 Year U.S. Treasury Index	0.78%	1.95 yrs	3.0%	52.8%	44.2%	0.0%	0.0%	0.0%

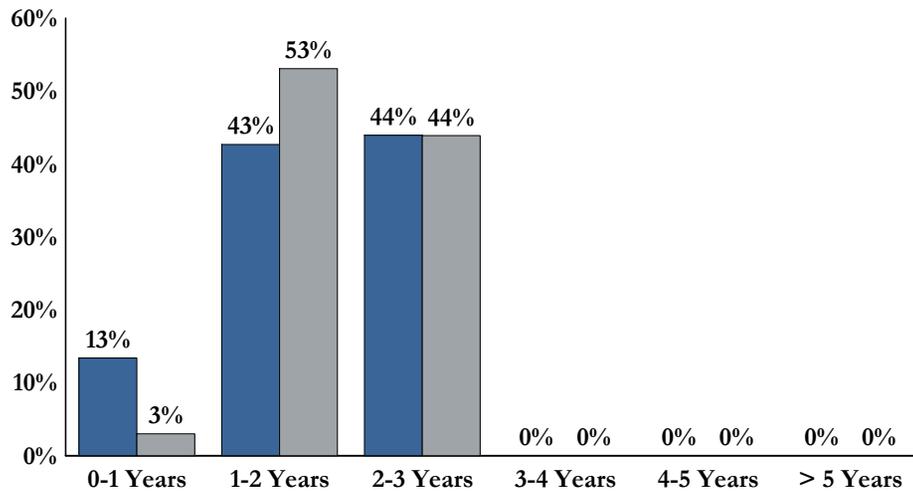


### Duration Distribution

As of September 30, 2016

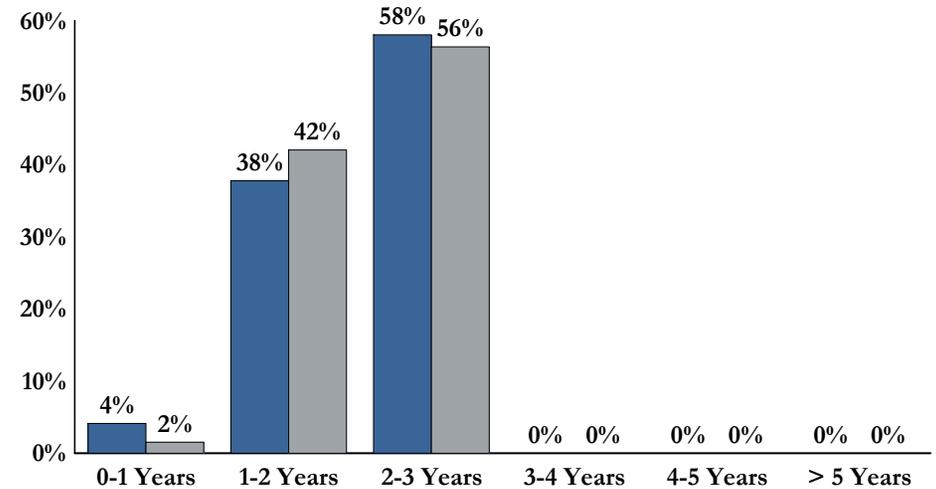
Portfolio / Benchmark	Effective Duration	0-1 YEARS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	> 5 YEARS
VILLAGE OF WELLINGTON, FLORIDA	1.79	13.41%	42.66%	43.93%	0.00%	0.00%	0.00%
BofA ML 1-3 Year U.S. Treasury Index	1.83	3.02%	53.07%	43.91%	0.00%	0.00%	0.00%

Distribution by Effective Duration



■ VILLAGE OF WELLINGTON, FLORIDA  
 ■ BofA ML 1-3 Year U.S. Treasury Index

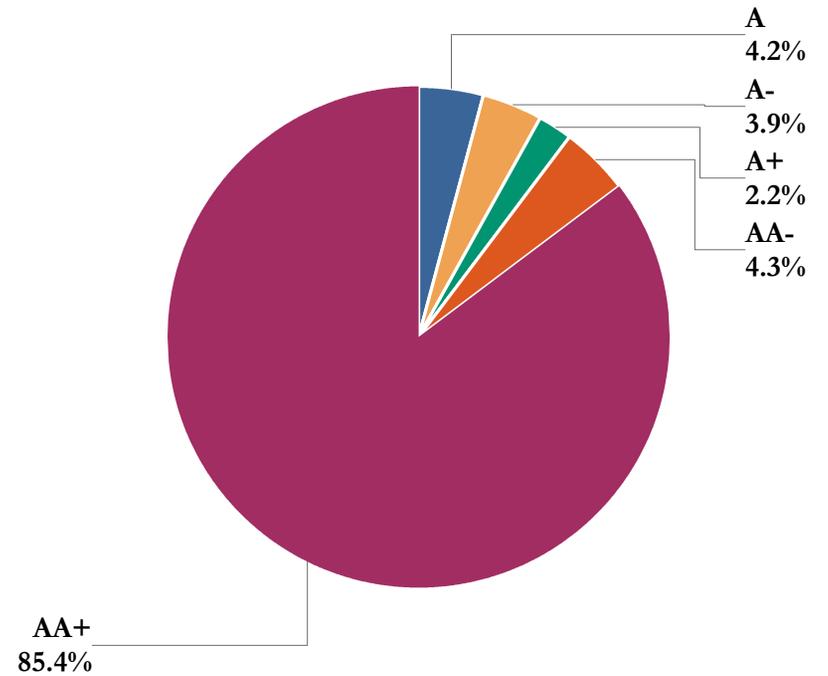
Contribution to Portfolio Duration



■ VILLAGE OF WELLINGTON, FLORIDA  
 ■ BofA ML 1-3 Year U.S. Treasury Index

**Credit Quality**  
*As of September 30, 2016*

S&P Rating	Market Value (\$)	% of Portfolio
AA+	\$77,856,492	85.4%
AA-	\$3,906,148	4.3%
A	\$3,813,139	4.2%
A-	\$3,586,710	3.9%
A+	\$2,025,406	2.2%
<b>Totals</b>	<b>\$91,187,895</b>	<b>100.0%</b>



*Detail may not add to total due to rounding.*

## Issuer Distribution

As of September 30, 2016

Issuer	Market Value (\$)	% of Portfolio		
UNITED STATES TREASURY	44,676,288	49.0%	Top 5 = 87.6%	Top 10 = 98.2%
FANNIE MAE	14,452,614	15.9%		
FEDERAL HOME LOAN BANKS	13,055,272	14.3%		
FREDDIE MAC	5,672,317	6.2%		
TOYOTA MOTOR CORP	2,029,268	2.2%		
US BANCORP	2,025,406	2.2%		
HSBC HOLDINGS PLC	2,010,848	2.2%		
AMERICAN EXPRESS CO	1,981,840	2.2%		
GENERAL ELECTRIC CO	1,876,880	2.1%		
WELLS FARGO & COMPANY	1,802,291	2.0%		
JP MORGAN CHASE & CO	1,604,870	1.8%		
<b>Grand Total:</b>	<b>91,187,895</b>	<b>100.0%</b>		

## Sector/Issuer Distribution

As of September 30, 2016

Sector / Issuer	Market Value (\$)	% of Sector	% of Total Portfolio
<b>Corporate</b>			
AMERICAN EXPRESS CO	1,981,840	14.9%	2.2%
GENERAL ELECTRIC CO	1,876,880	14.1%	2.1%
HSBC HOLDINGS PLC	2,010,848	15.1%	2.2%
JP MORGAN CHASE & CO	1,604,870	12.0%	1.8%
TOYOTA MOTOR CORP	2,029,268	15.2%	2.2%
US BANCORP	2,025,406	15.2%	2.2%
WELLS FARGO & COMPANY	1,802,291	13.5%	2.0%
<b>Sector Total</b>	<b>13,331,403</b>	<b>100.0%</b>	<b>14.6%</b>
<b>Federal Agency/GSE</b>			
FANNIE MAE	14,452,614	43.6%	15.8%
FEDERAL HOME LOAN BANKS	13,055,272	39.3%	14.3%
FREDDIE MAC	5,672,317	17.1%	6.2%
<b>Sector Total</b>	<b>33,180,204</b>	<b>100.0%</b>	<b>36.4%</b>
<b>U.S. Treasury</b>			
UNITED STATES TREASURY	44,676,288	100.0%	49.0%
<b>Sector Total</b>	<b>44,676,288</b>	<b>100.0%</b>	<b>49.0%</b>

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Portfolio Total	91,187,895	100.0%	100.0%
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## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
8/2/16	8/3/16	4,350,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	4,341,144.73	0.94%	
<b>Total BUY</b>		<b>4,350,000</b>					<b>4,341,144.73</b>		
<b>INTEREST</b>									
7/1/16	7/1/16	0	MONEY0002	MONEY MARKET FUND			9.17		
7/16/16	7/16/16	1,800,000	94974BFG0	WELLS FARGO & COMPANY GLOBAL NOTES	1.50%	1/16/18	13,500.00		
7/31/16	7/31/16	4,800,000	912828VQ0	US TREASURY NOTES	1.37%	7/31/18	33,000.00		
7/31/16	7/31/16	4,000,000	912828UJ7	US TREASURY NOTES	0.87%	1/31/18	17,500.00		
8/1/16	8/1/16	0	MONEY0002	MONEY MARKET FUND			0.15		
8/7/16	8/7/16	2,000,000	40428HPU0	HSBC USA CORP NOTES	2.00%	8/7/18	20,000.00		
8/15/16	8/15/16	900,000	912828K82	US TREASURY N/B	1.00%	8/15/18	4,500.00		
8/26/16	8/26/16	4,600,000	3135G0J53	FNMA BENCHMARK NOTE	1.00%	2/26/19	23,000.00		
8/31/16	8/31/16	6,000,000	912828SH4	US TREASURY NOTES	1.37%	2/28/19	41,250.00		
9/1/16	9/1/16	0	MONEY0002	MONEY MARKET FUND			0.98		
9/1/16	9/1/16	1,600,000	46623EKD0	JP MORGAN CHASE CORP NOTES (CALLABLE)	1.70%	3/1/18	13,600.00		
9/15/16	9/15/16	1,800,000	36962G3H5	GENERAL ELEC CAP CORP GLOBAL SR MTN	5.62%	9/15/17	50,625.00		
9/24/16	9/24/16	1,970,000	0258M0DD8	AMERICAN EXPRESS CREDIT CORP NOTES	2.37%	3/24/17	23,393.75		
9/30/16	9/30/16	5,000,000	912828SM3	US TREASURY NOTES	1.00%	3/31/17	25,000.00		
9/30/16	9/30/16	6,600,000	912828RH5	US TREASURY NOTES	1.37%	9/30/18	45,375.00		
9/30/16	9/30/16	2,000,000	912828UU2	US TREASURY NOTES	0.75%	3/31/18	7,500.00		
9/30/16	9/30/16	4,000,000	912828C65	US TREASURY NOTES	1.62%	3/31/19	32,500.00		
<b>Total INTEREST</b>		<b>47,070,000</b>					<b>350,754.05</b>		

## VILLAGE OF WELLINGTON, FLORIDA

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
<b>MATURITY</b>									
9/6/16	9/6/16	2,200,000	89233GJ64	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	9/6/16	2,200,000.00		0.00
9/6/16	9/6/16	2,200,000	46640PJ61	JP MORGAN SECURITIES LLC COMM PAPER	0.00%	9/6/16	2,200,000.00		0.00
<b>Total MATURITY</b>		<b>4,400,000</b>					<b>4,400,000.00</b>		<b>0.00</b>
<b>SELL</b>									
8/2/16	8/3/16	2,350,000	3137EADS5	FHLMC NOTES	0.87%	10/14/16	2,358,129.37	0.46%	940.82
8/2/16	8/3/16	2,000,000	3135G0YE7	FNMA NOTES	0.62%	8/26/16	2,005,811.39	0.34%	513.06
<b>Total SELL</b>		<b>4,350,000</b>					<b>4,363,940.76</b>		<b>1,453.88</b>

## Quarterly Portfolio Transactions

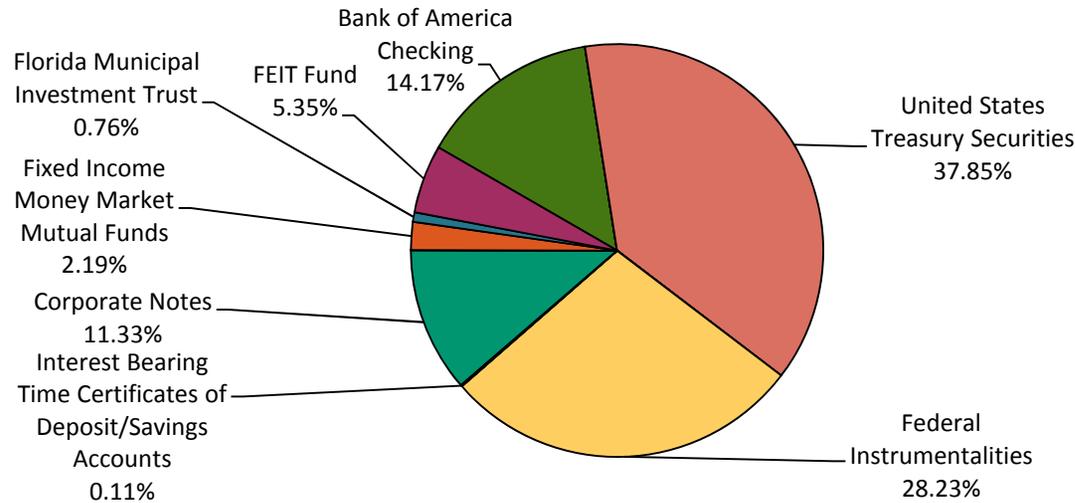
Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
INTEREST	7/1/16	7/1/16	0.00	MONEY0002	MONEY MARKET FUND			9.17		
INTEREST	7/16/16	7/16/16	1,800,000.00	94974BFG0	WELLS FARGO & COMPANY GLOBAL NOTES	1.50%	1/16/18	13,500.00		
INTEREST	7/31/16	7/31/16	4,800,000.00	912828VQ0	US TREASURY NOTES	1.37%	7/31/18	33,000.00		
INTEREST	7/31/16	7/31/16	4,000,000.00	912828UJ7	US TREASURY NOTES	0.87%	1/31/18	17,500.00		
INTEREST	8/1/16	8/1/16	0.00	MONEY0002	MONEY MARKET FUND			0.15		
BUY	8/2/16	8/3/16	4,350,000.00	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	(4,341,144.73)	0.94%	
SELL	8/2/16	8/3/16	2,350,000.00	3137EADS5	FHLMC NOTES	0.87%	10/14/16	2,358,129.37	0.46%	940.82
SELL	8/2/16	8/3/16	2,000,000.00	3135G0YE7	FNMA NOTES	0.62%	8/26/16	2,005,811.39	0.34%	513.06
INTEREST	8/7/16	8/7/16	2,000,000.00	40428HPU0	HSBC USA CORP NOTES	2.00%	8/7/18	20,000.00		
INTEREST	8/15/16	8/15/16	900,000.00	912828K82	US TREASURY N/B	1.00%	8/15/18	4,500.00		
INTEREST	8/26/16	8/26/16	4,600,000.00	3135G0J53	FNMA BENCHMARK NOTE	1.00%	2/26/19	23,000.00		
INTEREST	8/31/16	8/31/16	6,000,000.00	912828SH4	US TREASURY NOTES	1.37%	2/28/19	41,250.00		
INTEREST	9/1/16	9/1/16	0.00	MONEY0002	MONEY MARKET FUND			0.98		
INTEREST	9/1/16	9/1/16	1,600,000.00	46623EKD0	JP MORGAN CHASE CORP NOTES (CALLABLE)	1.70%	3/1/18	13,600.00		
MATURITY	9/6/16	9/6/16	2,200,000.00	89233GJ64	TOYOTA MOTOR CREDIT CORP COMM PAPER	0.00%	9/6/16	2,200,000.00		0.00
MATURITY	9/6/16	9/6/16	2,200,000.00	46640PJ61	JP MORGAN SECURITIES LLC COMM PAPER	0.00%	9/6/16	2,200,000.00		0.00
INTEREST	9/15/16	9/15/16	1,800,000.00	36962G3H5	GENERAL ELEC CAP CORP GLOBAL SR MTN	5.62%	9/15/17	50,625.00		
INTEREST	9/24/16	9/24/16	1,970,000.00	0258M0DD8	AMERICAN EXPRESS CREDIT CORP NOTES	2.37%	3/24/17	23,393.75		
INTEREST	9/30/16	9/30/16	5,000,000.00	912828SM3	US TREASURY NOTES	1.00%	3/31/17	25,000.00		
INTEREST	9/30/16	9/30/16	6,600,000.00	912828RH5	US TREASURY NOTES	1.37%	9/30/18	45,375.00		

VILLAGE OF WELLINGTON, FLORIDA

Portfolio Activity

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
INTEREST	9/30/16	9/30/16	2,000,000.00	912828UU2	US TREASURY NOTES	0.75%	3/31/18	7,500.00		
INTEREST	9/30/16	9/30/16	4,000,000.00	912828C65	US TREASURY NOTES	1.62%	3/31/19	32,500.00		
<b>TOTALS</b>								<b>4,773,550.08</b>		<b>1,453.88</b>

# Tab III



Security Type <sup>1</sup>	Amortized Cost (Includes Interest)	Allocation Percentage	Notes	Permitted by Policy	In Compliance
Bank of America Checking	16,690,675.74	14.17%	2,3	100%	YES
Florida SBA Prime Fund	-	0.00%	3	25%	YES
United States Treasury Securities	44,586,774.88	37.85%		100%	YES
United States Government Agency Securities	-	0.00%		50%	YES
Federal Instrumentalities	33,251,705.93	28.23%	4	80%	YES
Mortgage-Backed Securities	-	0.00%		20%	YES
Interest Bearing Time Certificates of Deposit/Savings Accounts	124,818.41	0.11%	2,3	25%	YES
Repurchase Agreements	-	0.00%		50%	YES
Commercial Paper	-	0.00%		25%	YES
Corporate Notes	13,350,046.06	11.33%		15%	YES
Bankers' Acceptances	-	0.00%		25%	YES
State and/or Local Government Debt	-	0.00%		20%	YES
Fixed Income Money Market Mutual Funds	2,585,409.17	2.19%		50%	YES
Florida Municipal Investment Trust	897,192.49	0.76%	3	15%	YES
FEIT Fund	6,302,307.91	5.35%	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. Balances allocated 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 September 30, 2016 is 28.23%.

\* All Assets

<b>Individual Issuer Breakdown</b>	<b>Amortized Cost (Includes Interest)</b>	<b>Allocation Percentage</b>	<b>Notes</b>	<b>Permitted by Policy</b>	<b>In Compliance</b>
Government National Mortgage Association (GNMA)	-	0.00%		<b>25%</b>	YES
Federal Farm Credit Bank (FFCB)	-	0.00%		<b>40%</b>	YES
Federal Home Loan Bank (FHLB)	13,080,353.76	11.10%		<b>40%</b>	YES
Federal National Mortgage Association (FNMA)	14,473,097.14	12.29%		<b>40%</b>	YES
Federal Home Loan Mortgage Corporation (FHLMC)	5,698,255.03	4.84%		<b>40%</b>	YES
American Express Company Corporate Notes	1,983,794.33	1.68%		<b>5%</b>	YES
General Electric Capital Corporation Corporate Notes	1,878,080.08	1.59%		<b>5%</b>	YES
HSBC Holdings plc Corporate Notes	2,001,448.84	1.70%		<b>5%</b>	YES
JP Morgan Chase & Company Corporate Notes	1,599,509.25	1.36%		<b>5%</b>	YES
Toyota Motor Corporation Corporate Notes	2,051,895.96	1.74%		<b>5%</b>	YES
US Bancorp Corporate Notes	2,032,391.57	1.73%		<b>5%</b>	YES
Wells Fargo & Company Corporate Notes	1,802,926.03	1.53%		<b>5%</b>	YES
Fidelity (BONY) Money Market Fund	70,645.77	0.06%		<b>25%</b>	YES
Bank of America Operating	16,690,675.74	14.17%	2,3	<b>100%</b>	YES
Bank of America Money Market Savings	124,818.41	0.11%	2,3	<b>15%</b>	YES
FMIvT - Intermediate	794,743.14	0.67%	3	<b>15%</b>	YES
FMIvT - 1-3 years	102,449.35	0.09%	3	<b>15%</b>	YES
PFM Funds Government Series Money Market Fund	2,514,763.40	2.13%		<b>25%</b>	YES
Florida Education Investment Trust Fund	6,302,307.91	5.35%		<b>15%</b>	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 September 30, 2016 is 28.23%.
- \* All Assets

## 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 which include accrued interest, are derived from closing bid prices as of the last business day of the month as supplied by a third party vendor. 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 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, 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 occurs on a non-business day (i.e. coupon payments and maturity proceeds), 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.