

Town of Longboat Key, Florida



Investment Performance Review Quarter Ended March 31, 2015

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(PFM Month End Statement is available online at www.pfm.com)

PFM Funds March 31, 2015 Month-End Statement
(PFM Funds Month End Statement is available online at www.pfmfunds.com)

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Market Review

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

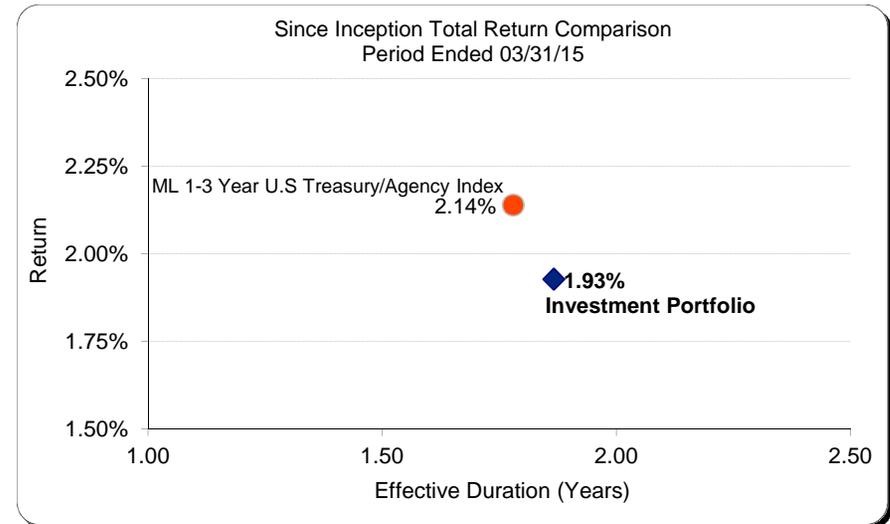
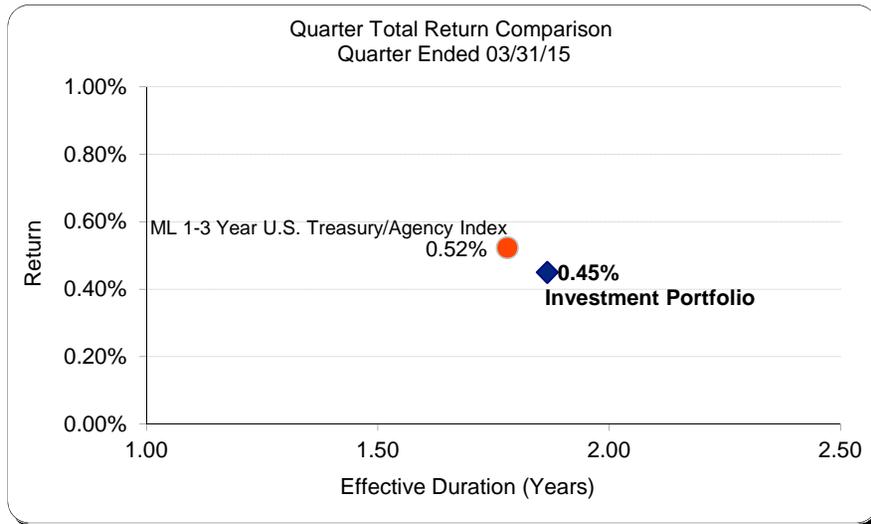
Executive Summary

PORTFOLIO STRATEGY

- The Town's Investment Portfolio is of high credit quality and invested in U.S. Treasury, Federal Agency, high quality corporate, and commercial paper securities.
- The Investment Portfolio's quarterly total return performance of 0.45% underperformed the benchmark performance of 0.52% by 0.07%. The underperformance is due to the portfolio being underweight in the 2 year and longer maturity range. This maturity strategy would have preserved value if rates rose. However, rates actually fell during the quarter as economic conditions turned out a bit weaker than expected. As a result, the portfolio did not participate as greatly in the price appreciation of the benchmark's longer dated securities.
- Macroeconomic conditions in the U.S. moderated throughout the quarter evidenced by lackluster economic data, Greek inspired geopolitical uncertainty, and a FOMC that indicated a tendency for lower rates throughout the period. The market reacted with a Treasury rally that sent yields across the curve generally lower; the impact being greater on longer maturities which continued to reflect persistently low inflation expectations.
- The FOMC has indicated a strong focus on their inflation mandate by removing its "patient" guidance in favor of a need to be "reasonably confident that inflation will move back to its two percent objective." This emphasis on what continues to be stubbornly low inflation, combined with the FOMC's more conservative projections for the future trajectory of the federal funds rate, formulates our market view that rates will remain in their current range in the coming months. With this expectation, we will maintain portfolio durations closer to their respective benchmarks in an effort to maximize investment income.
- We expect volatility to continue throughout the quarter; particularly around the announcement of key economic releases as market participants digest the impact not only on the timing of an initial FOMC rate hike, but also on the pace and rate of subsequent hikes as well. In a potentially turbulent market environment, we will respect well defined trading ranges; adding duration when rates are elevated, and remaining patient when rates are restrained. Additionally, we will stress security selection, exposure to non-government sectors, and yield curve placement, as we believe those factors will be the primary drivers of performance.
- 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.

Investment Portfolio Performance

Total Portfolio Value¹	March 31, 2015	December 31, 2014				
Market Value	\$22,400,657.46	\$22,526,128.34				
Amortized Cost	\$22,337,009.87	\$22,527,237.16				
Total Return^{2,3,4,5,6}	Quarterly Return March 31, 2015	Last 12 Months	Last 2 Years	Last 3 Years	Last 5 Years	Since Inception September 30, 2007
Investment Portfolio	0.45%	0.93%	0.61%	0.64%	0.99%	1.93%
Merrill Lynch 1-3 Year U.S. Treasury/ Agency Index	0.52%	1.01%	0.70%	0.68%	1.04%	2.14%
Effective Duration(Years)^{4,5}	March 31, 2015	December 31, 2014		Yields		
Investment Portfolio	1.87	1.72		Yield at Market	March 31, 2015	December 31, 2014
Merrill Lynch 1-3 Year U.S. Treasury/ Agency Index	1.78	1.81		Yield at Cost	0.66%	0.63%
Portfolio Duration % of Benchmark Duration	105%	95%			0.80%	0.63%

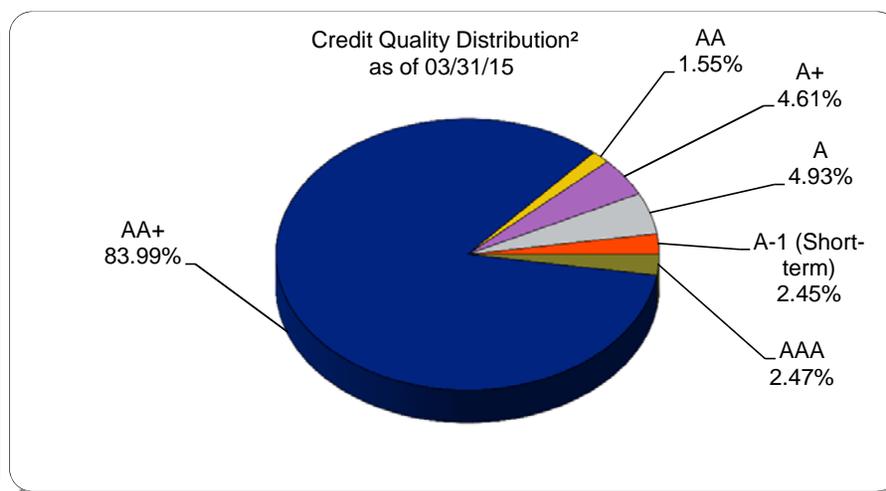
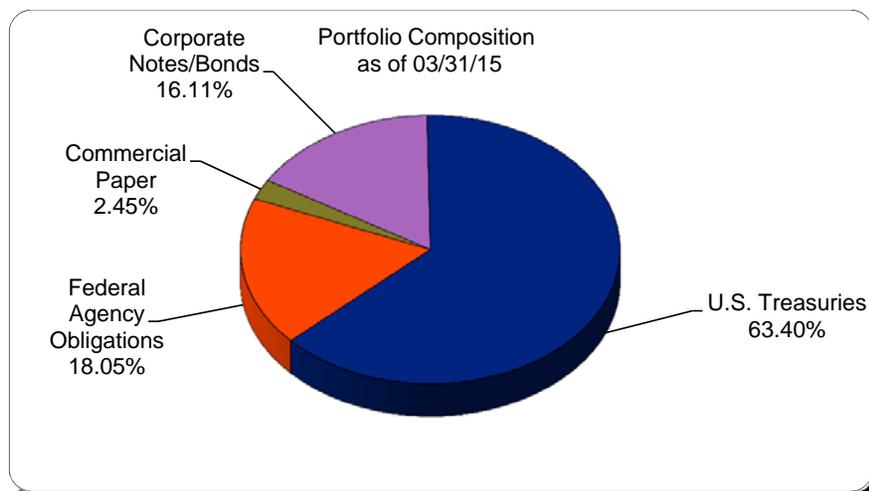


Notes:

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. The benchmark originally was the Merrill Lynch 1-3 Year U.S. Treasury Note Index. On June 30, 2010, the benchmark was moved to the Merrill Lynch 1-3 Year U.S. Treasury/Agency Note Index. The benchmark's total return performance is a blended performance of the benchmarks for time periods that include dates prior to June 30, 2010.
4. Merrill Lynch Indices provided by Bloomberg Financial Markets.
5. Excludes money market fund/cash in performance and duration computations.
6. The Investment Advisory Agreement expired on April 30, 2013 and the new extension was signed on September 19, 2013. PFM did not manage the Town's funds during this 5 month period.

Investment Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2015</u>	<u>% of Portfolio</u>	<u>December 31, 2014</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$14,201,684.45	63.4%	\$17,739,995.32	78.8%
Federal Agencies	4,042,668.53	18.0%	4,786,133.02	21.2%
Commercial Paper	547,938.60	2.4%	0.00	0.0%
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	3,608,365.88	16.1%	0.00	0.0%
Corporate Notes TLGP - FDIC insured	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$22,400,657.46	100.0%	\$22,526,128.34	100.0%

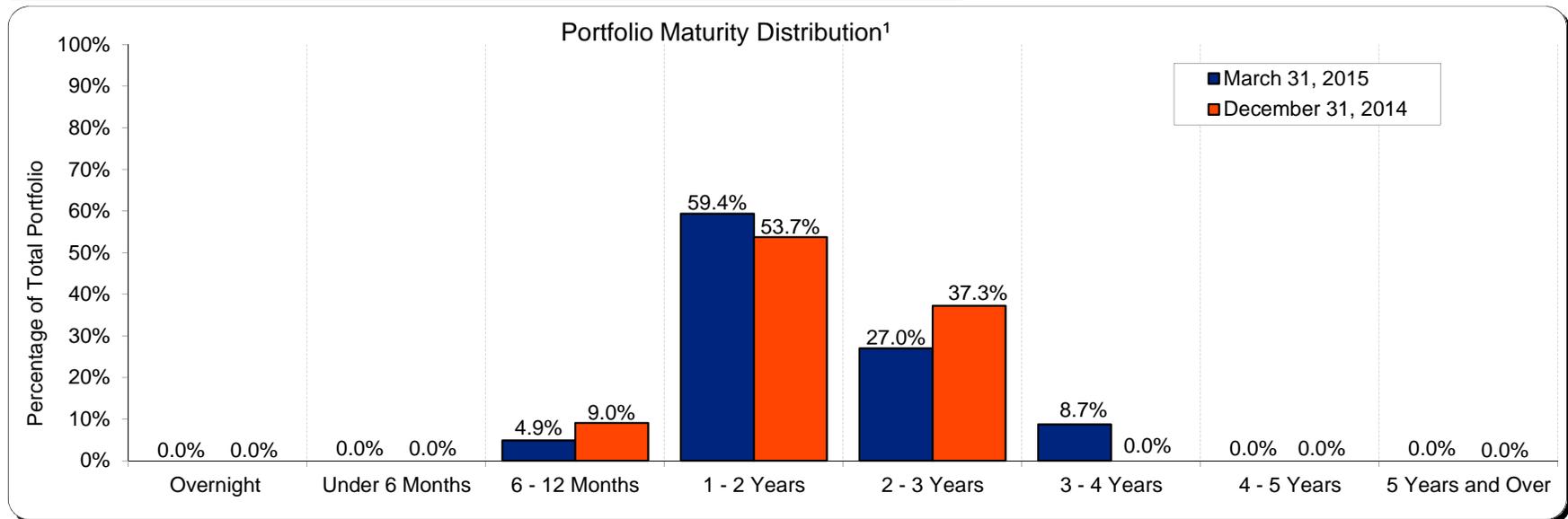


Notes:

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 Maturity Distribution

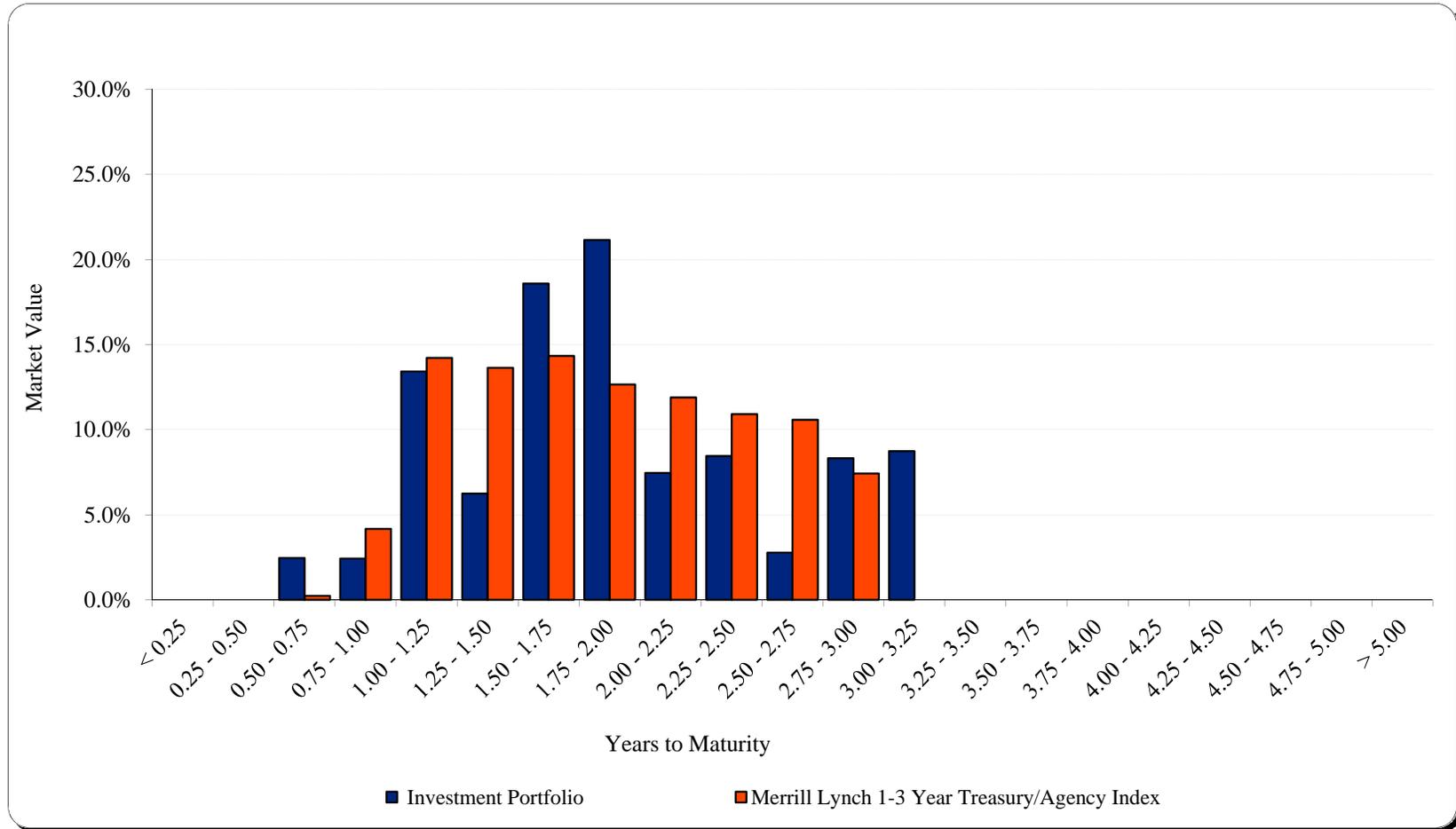
<u>Maturity Distribution¹</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	1,088,738.97	2,032,639.37
1 - 2 Years	13,306,358.34	12,100,695.20
2 - 3 Years	6,049,270.02	8,392,793.77
3 - 4 Years	1,956,290.13	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$22,400,657.46	\$22,526,128.34



Notes:

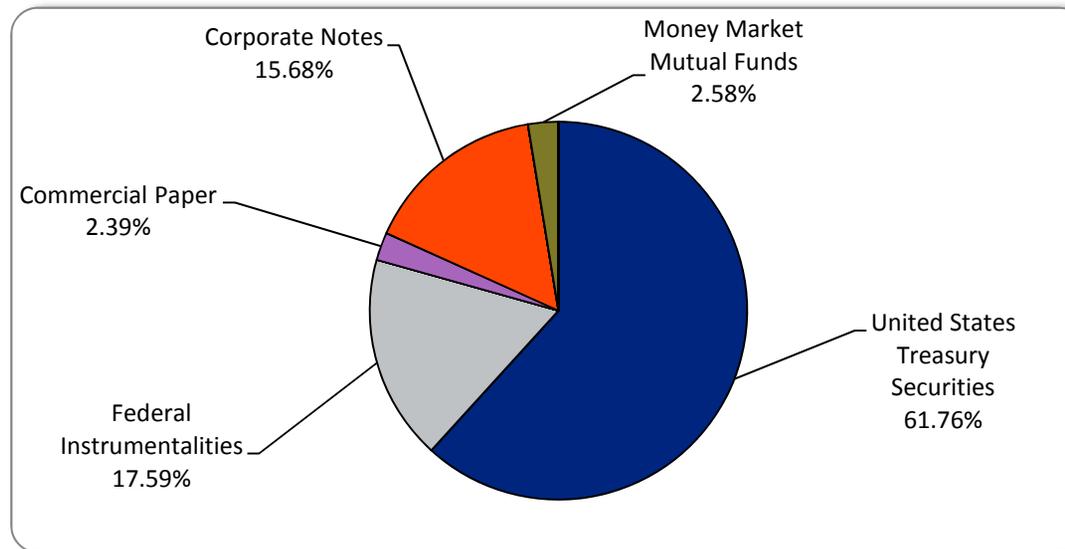
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

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
United States Treasury Securities	14,160,516.96	61.76%		100%	YES
United States Government Agency Securities	-	0.00%		50%	YES
Federal Instrumentalities	4,032,961.74	17.59%		80%	YES
Mortgage-Backed Securities	-	0.00%		20%	YES
Non-Negotiable Certificates of Deposit or Bank Accounts	-	0.00%		50%	YES
Repurchase Agreements	-	0.00%		50%	YES
Commercial Paper	547,886.78	2.39%		25%	YES
Corporate Notes	3,595,644.39	15.68%		25%	YES
Bankers' Acceptances	-	0.00%		25%	YES
State and/or Local Government Debt	-	0.00%		20%	YES
Money Market Mutual Funds	591,070.71	2.58%		50%	YES
Intergovernmental Investment Pool	-	0.00%		75%	YES
Florida PRIME	-	0.00%		25%	YES

Notes:

1. End of month trade-date amortized cost of portfolio holdings, including accrued interest.

* Does not include Bond Proceeds

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)	899,385.43	3.92%		40%	YES
Federal National Mortgage Association (FNMA)	649,092.24	2.83%		40%	YES
Federal Home Loan Mortgage Corporation (FHLMC)	2,484,484.07	10.84%		40%	YES
American Honda Finance Corporate Notes	409,767.08	1.79%		5%	YES
Chevron Corporation Corporate Notes	345,366.28	1.51%		5%	YES
Exxon Mobil Corporation Corporate Notes	550,498.44	2.40%		5%	YES
General Electric Capital Corporation Corporate Notes	568,837.71	2.48%		5%	YES
HSBC Holdings plc Corporate Notes	550,175.83	2.40%		5%	YES
JP Morgan Chase & Company Corporate Notes	552,033.65	2.41%		5%	YES
Wells Fargo & Company Corporate Notes	618,965.40	2.70%		5%	YES
BNP Paribas Commercial Paper	547,886.78	2.39%		15%	YES
Money Market Fund - PFM Funds Government Series	591,070.71	2.58%		25%	YES

TAB II

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.

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

TAB III

Summary

- For the first quarter of 2015, accommodative global central bank policies were a major driver of financial markets. The European Central Bank (ECB) initiated an asset purchase program similar to the Federal Reserve's (Fed's) quantitative easing (QE) policies that concluded last year, and the Federal Open Market Committee (FOMC) seemed to relax its stance on tightening monetary policy in the near future.
- U.S. Treasuries experienced their longest period of quarterly gains since 1998. The 10-year Treasury yield fell for the fifth consecutive quarter.
- After a brief period of recovery, oil prices headed toward the lower end of recent ranges.

Economic Snapshot

- For the fourth quarter of 2014, gross domestic product (GDP) grew at a pace of 2.2%. The components of the GDP report showed that household spending rose to a nine-year high and that an increase in exports was offset by growth in inventories, which were weaker than previously expected.
- The U.S. labor market continued to improve, as the unemployment rate fell from 5.6% in December to 5.5% in March, marking its lowest point since mid- 2008.
- Consumer confidence for the first quarter reached its highest level since the second quarter of 2007, as lower gasoline prices and an increase in personal income helped generate higher amounts of disposable income. However, consumers slowed the pace of their spending for the quarter, as retail sales fell for the months of December, January, and February.
- New-home sales rose nearly 8% in February, marking their highest level since early 2008 and serving as a bright spot in a mixed bag of recent housing-market data.

Interest Rates

- At its March meeting, the FOMC removed the word "patient" from its previous statement, indicating that the current target range for the federal funds rate will be appropriate until the FOMC is "reasonably confident" that inflation is moving toward its 2% objective. The statement also implied that economic growth has been somewhat weaker than it was earlier in the year.
- A Reuters poll released at the end of March showed that 17 of 21 primary dealers expect the first interest rate hike to occur in September at the earliest, with only four dealers expecting the first hike to occur in June.

Sector Performance

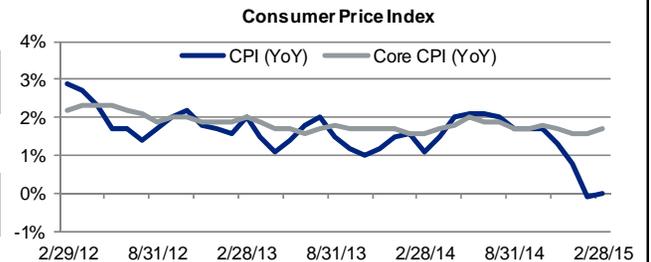
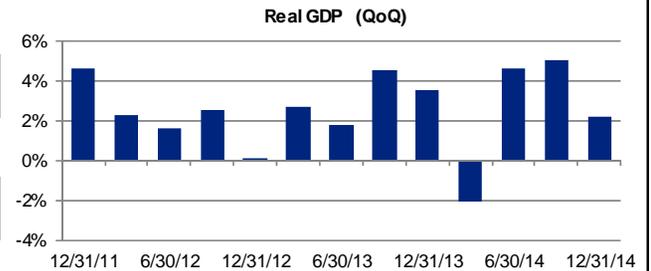
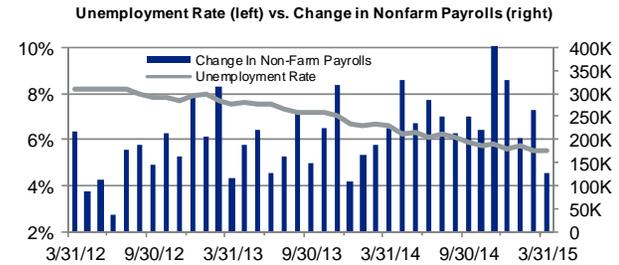
- Driven by a Treasury market rally, fixed-income market performance was generally positive for the quarter. Returns were dependent on both maturity and sector.
- The yield curve flattened modestly over the quarter as longer maturities declined further than shorter maturities. This market movement and its positive impact on longer durations combined to provide performance in excess of initial yields.
- Agency spreads for short and intermediate maturities widened modestly during the quarter. Accordingly, the sector's performance was largely in line with comparable-maturity Treasuries.
- Corporate securities slightly outperformed government-related options with similar maturities, as they were aided by excess income and a relatively unchanged yield spread relationship.
- While still generating positive performance, mortgage-backed and asset-backed securities trailed other high-quality investment options for the quarter.
- Yields on money market-related securities remained at the elevated levels to which they rose at the end of 2014, making them attractive options for short-maturity investment needs.

Economic Snapshot

Labor Market	Latest	Dec 2014	Mar 2014	
Unemployment Rate	Mar'15	5.5%	5.6%	6.6%
Change In Non-Farm Payrolls	Mar'15	126,000	329,000	225,000
Average Hourly Earnings (YoY)	Mar'15	2.1%	1.8%	2.2%
Personal Income (YoY)	Feb'15	4.5%	4.8%	3.7%
Initial Jobless Claims (week)	3/27/15	268,000	293,000	329,000

Growth	Latest	Dec 2014	Mar 2014	
Real GDP (QoQ SAAR)	2014Q4	2.2%	5.0% ¹	3.5% ²
GDP Personal Consumption (QoQ SAAR)	2014Q4	4.4%	3.2% ¹	3.7% ²
Retail Sales (YoY)	Feb'15	1.7%	3.3%	4.1%
ISM Manufacturing Survey (month)	Mar'15	51.5	55.1	54.4
Existing Home Sales SAAR (month)	Feb'15	4.88 mil.	5.07 mil.	4.70 mil.

Inflation / Prices	Latest	Dec 2014	Mar 2014	
Personal Consumption Expenditures (YoY)	Feb'15	0.3%	0.8%	1.2%
Consumer Price Index (YoY)	Feb'15	0.0%	0.8%	1.5%
Consumer Price Index Core (YoY)	Feb'15	1.7%	1.6%	1.7%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$47.60	\$53.27	\$101.58
Gold Futures (oz.)	Mar 31	\$1,183	\$1,184	\$1,283



1. Data as of Third Quarter 2014

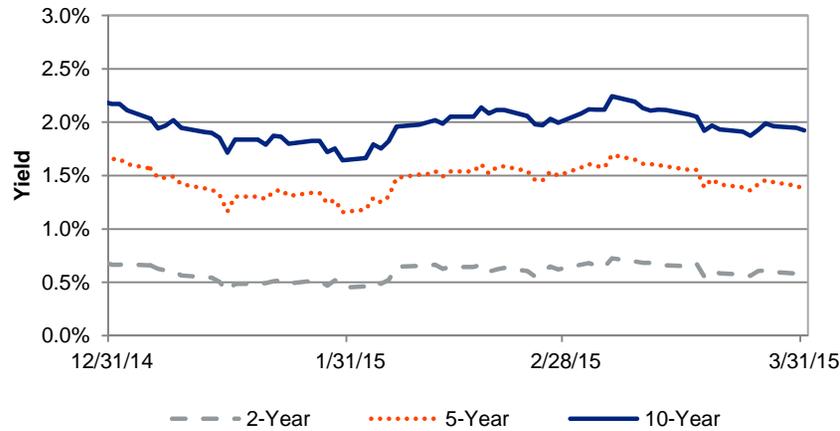
2. Data as of Fourth Quarter 2013

Source: Bloomberg

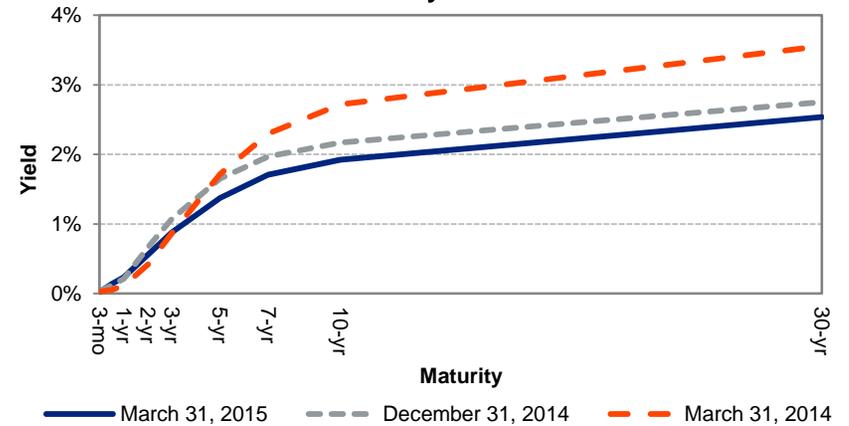
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

Investment Rate Overview

U.S. Treasury Note Yields



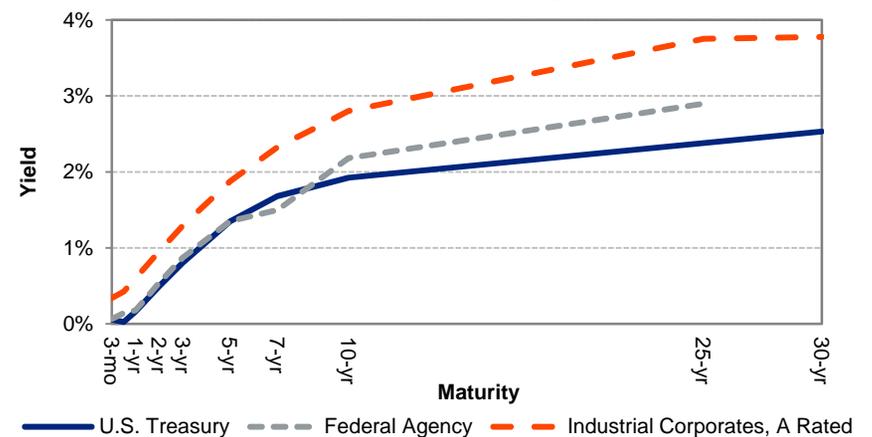
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	3/31/15	12/31/14	Change over Quarter	3/31/14	Change over Year
3-month	0.02%	0.04%	(0.02%)	0.03%	(0.01%)
1-year	0.23%	0.22%	0.01%	0.11%	0.12%
2-year	0.56%	0.67%	(0.11%)	0.42%	0.14%
5-year	1.37%	1.65%	(0.28%)	1.72%	(0.35%)
10-year	1.92%	2.17%	(0.25%)	2.72%	(0.80%)
30-year	2.54%	2.75%	(0.21%)	3.56%	(1.02%)

Yield Curves as of 3/31/2015



Source: Bloomberg

BofA Merrill Lynch Index Returns

	As of 3/31/15		Returns for Periods ended 3/31/15		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.87	0.55%	0.52%	1.00%	0.67%
Federal Agency	1.72	0.68%	0.54%	1.07%	0.74%
U.S. Corporates, A-AAA rated	2.05	1.24%	0.77%	1.43%	1.86%
Agency MBS (0 to 3 years)	2.07	1.36%	0.41%	1.25%	1.18%
Municipals	1.75	0.65%	0.26%	0.73%	0.88%
1-5 Year Indices					
U.S. Treasury	2.69	0.81%	0.92%	1.91%	1.02%
Federal Agency	2.15	0.84%	0.79%	1.77%	1.06%
U.S. Corporates, A-AAA rated	2.87	1.56%	1.20%	2.57%	2.64%
Agency MBS (0 to 5 years)	3.29	1.88%	0.83%	3.79%	2.20%
Municipals	2.54	0.95%	0.35%	1.24%	1.30%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.23	1.33%	1.75%	6.15%	2.57%
Federal Agency	3.72	1.21%	1.27%	4.07%	1.97%
U.S. Corporates, A-AAA rated	6.96	2.52%	2.18%	6.93%	4.84%
Agency MBS (0 to 30 years)	3.78	2.11%	1.00%	5.48%	2.51%
Municipals	6.80	2.18%	1.09%	6.90%	4.23%

Returns for periods greater than one year are annualized.

Source: BofA Merrill Lynch Indices

Source: BofA Merrill Lynch Indices

Disclosures

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