

City of San Marcos, TX

*Review of Investment Performance
Quarter Ended June 30, 2014*



PFM Asset Management LLC

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Aggregate Portfolio Summary

Consolidated Cash

	<u>June 30, 2014</u>	<u>March 31, 2014</u>
Book Value	43,893,770.34	50,511,432.45
Market Value	43,918,743.06	50,535,280.95
Weighted Average Maturity (Days)	130	163.8840674
Yield to Maturity	0.17%	0.17%
Average Yield of the 1 Year US Treasury	0.09%	0.11%
Average Yield of the 6 Month US Treasury	0.05%	0.07%

Enterprise Fund

	<u>June 30, 2014</u>	<u>March 31, 2014</u>
Book Value	80,697,761.36	66,885,630.42
Market Value	80,720,360.54	66,907,596.35
Weighted Average Maturity (Days)	69	124
Yield to Maturity	0.12%	0.14%
Average Yield of the 1 Year US Treasury	0.09%	0.11%
Average Yield of the 6 Month US Treasury	0.05%	0.07%

Consolidated Cash Reserves

	<u>June 30, 2014</u>	<u>March 31, 2014</u>
Book Value	12,661,533.34	12,656,843.50
Market Value	12,671,390.77	12,667,158.28
Weighted Average Maturity (Days)	195	282
Yield to Maturity	0.22%	0.24%
Average Yield of the 1 Year US Treasury	0.09%	0.11%
Average Yield of the 2 Year US Treasury	0.41%	0.35%

Enterprise Fund Reserves

	<u>June 30, 2014</u>	<u>March 31, 2014</u>
Book Value	12,053,299.36	12,048,848.49
Market Value	12,062,197.74	12,058,107.08
Weighted Average Maturity (Days)	190	277
Yield to Maturity	0.22%	0.24%
Average Yield of the 1 Year US Treasury	0.09%	0.11%
Average Yield of the 2 Year US Treasury	0.41%	0.35%

PORTFOLIO RECAP

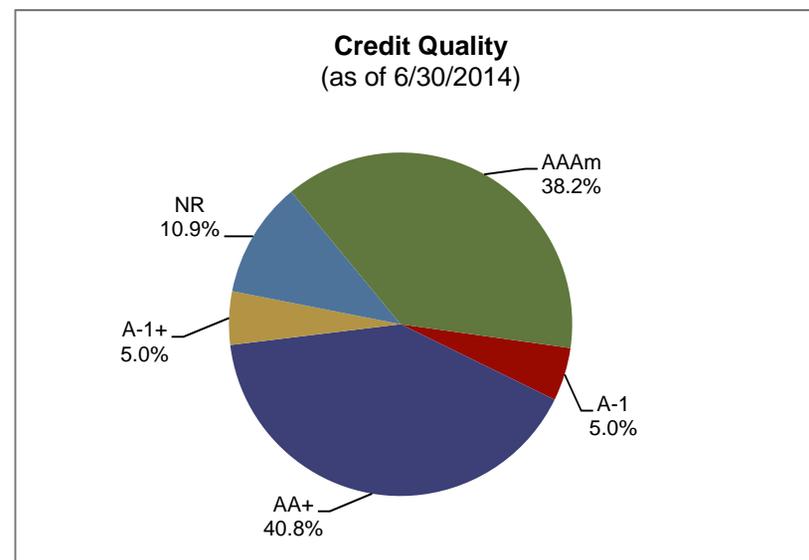
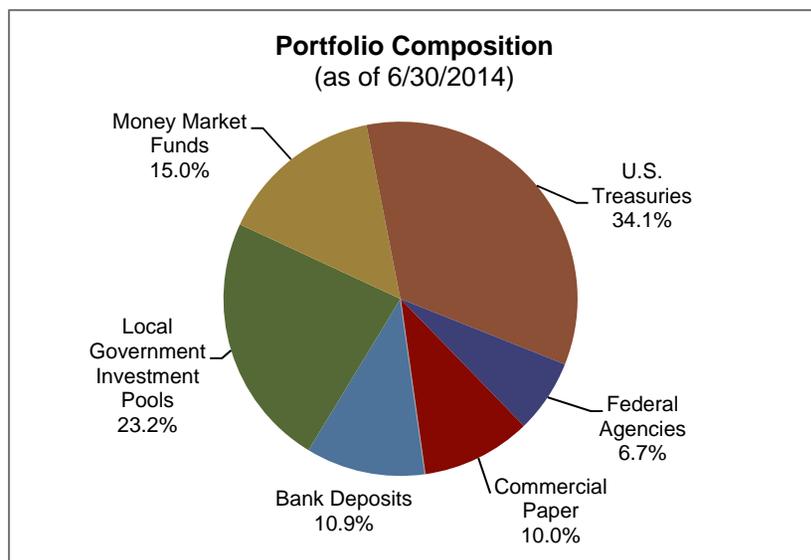
- The portfolio is primarily invested in U.S. Treasury securities, Federal Agency securities and commercial paper, with balances in bank deposits, money market mutual funds, and local government investment pools.
- As of June 30, 2014, the Aggregate Portfolio has an average yield-to-maturity at cost of 0.15%. The portfolio has a duration of 0.29 years and weighted average maturity of 107 days.

PORTFOLIO STRATEGY

- We believe the Fed is nearing the point where it has achieved its dual mandate – full employment with price stability. Economic growth appears to be accelerating. The unwinding of the Fed's quantitative easing program of bond purchases has gone remarkably smoothly, opening the door to their next move – a Fed rate hike which investors expect to occur in mid-to-late 2015.
- With demand for high quality investments currently outstripping supply, we expect yield spreads to remain narrow. This should favor Treasuries over Agencies, and credit instruments over government securities.

Aggregate Portfolio Composition and Credit Quality Characteristics

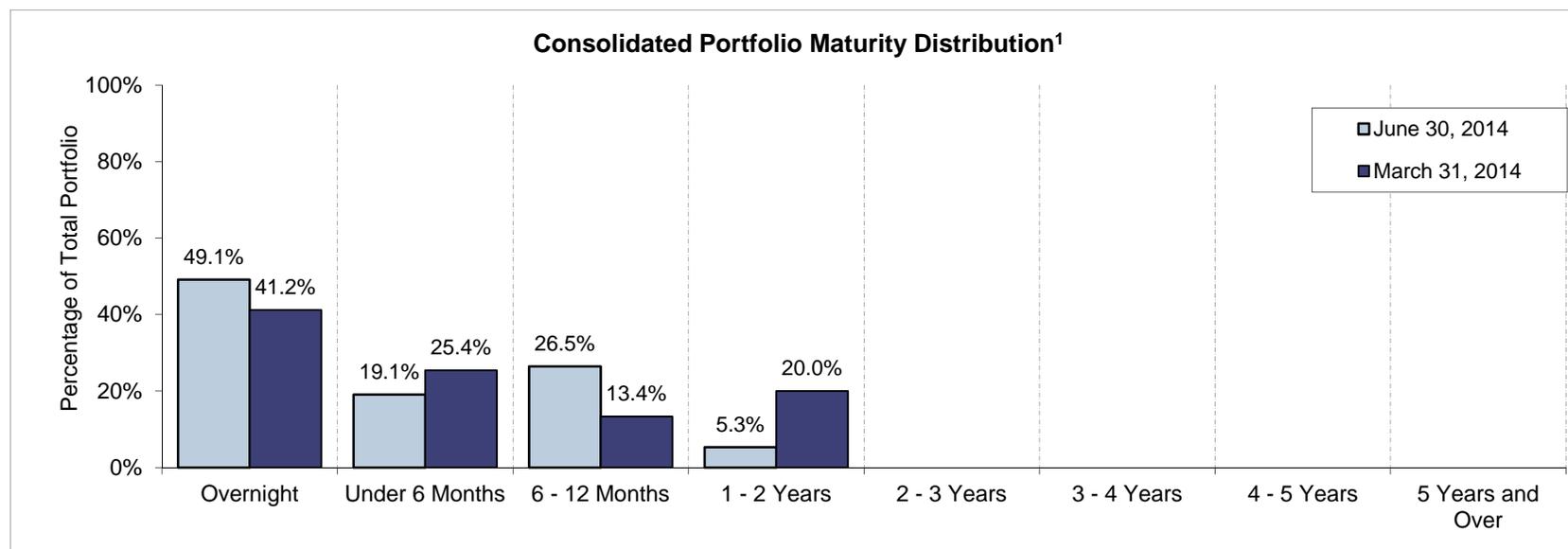
Security Type ¹	June 30, 2014	% of Portfolio	March 31, 2014	% of Portfolio
Bank Deposits	16,316,543.76	10.9%	13,419,680.80	9.4%
Local Government Investment Pools	34,630,910.99	23.2%	24,937,709.74	17.5%
Money Market Funds	22,411,038.76	15.0%	20,199,798.52	14.2%
U.S. Treasuries	50,950,104.25	34.1%	50,960,787.36	35.9%
Federal Agencies	10,000,000.00	6.7%	10,000,000.00	7.0%
Commercial Paper	14,997,766.64	10.0%	22,584,778.44	15.9%
Municipal Bonds	-	0.0%	-	0.0%
Total	149,306,364.40	100.0%	142,102,754.86	100.0%



Notes:
1. End of quarter trade-date book values.

Aggregate Portfolio Maturity Distribution

Maturity Distribution ¹	June 30, 2014	March 31, 2014
Overnight	73,358,493.51	58,557,189.06
Under 6 Months	28,503,581.27	36,102,351.56
6 - 12 Months	39,505,556.04	18,998,950.42
1 - 2 Years	7,938,733.58	28,444,263.82
2 - 3 Years	-	-
3 - 4 Years	-	-
4 - 5 Years	-	-
5 Years and Over	-	-
Total	149,306,364.40	142,102,754.86



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.

Aggregate Portfolio Credit Quality by Issuer

	Credit Ratings S&P / Moody's	Book Value	Allocation
Bank Deposits			
WELLSFARGO - CHOICE IV	NR	16,316,543.76	10.9%
Subtotal Bank Deposits		16,316,543.76	10.9%
Money Market Mutual Funds			
FIDELITY PRIME MM INST (FIPXX)	AAAm	22,411,038.76	15.0%
Subtotal Money Market Mutual Funds		22,411,038.76	15.0%
Local Government Investment Pools			
LOGIC	AAAm	18,697,618.55	12.5%
LONESTAR	AAAm	6,004,296.38	4.0%
TEXASDAILY	AAAm	410,730.61	0.3%
TEXPOOL	AAAm	507,139.75	0.3%
TEXSTAR	AAAm	9,011,125.70	6.0%
Subtotal Local Government Investment Pools		34,630,910.99	23.2%
U.S. Treasuries			
U.S. TREASURIES	AA+ / Aaa	50,950,104.25	34.1%
Subtotal U.S. Treasuries		50,950,104.25	34.1%
Federal Agencies			
FREDDIE MAC	AA+ / Aaa	10,000,000.00	6.7%
Subtotal Federal Agencies		10,000,000.00	6.7%
Commercial Paper			
BANK OF TOKYO MITSUBISHI	A-1 / P-1	7,499,349.97	5.0%
TOYOTA MOTOR CREDIT CORP	A-1+ / P-1	7,498,416.67	5.0%
Subtotal Commercial Paper		14,997,766.64	10.0%
Total		149,306,364.40	100.0%

Aggregate Portfolio Holdings (Page 1 of 2)

DESCRIPTION	PAR	COUPON	MATURITY DATE	S&P RATING	SETTLEMENT DATE	MARKET PRICE	ORIGINAL COST	YTM AT COST	ACCRUED INTEREST	BOOK VALUE	MARKET VALUE
CONSOLIDATED CASH											
FIDELITY PRIME MM INST (FIPXX)	5,794,241	-	7/1/2014	AAAm			5,794,240.64	0.060		5,794,240.64	5,794,240.64
LOGIC	5,007,705	-	7/1/2014	AAAm			5,007,704.87	0.100		5,007,704.87	5,007,704.87
TEXASDAILY	5,091	-	7/1/2014	AAAm			5,090.71	0.040		5,090.71	5,090.71
TEXPOOL	5,040	-	7/1/2014	AAAm			5,040.18	0.030		5,040.18	5,040.18
TEXSTAR	2,151,235	-	7/1/2014	AAAm			2,151,235.16	0.030		2,151,235.16	2,151,235.16
WELLSFARGO - CHOICE IV	5,032,063	-	7/1/2014	NR			5,032,063.10			5,032,063.10	5,032,063.10
BANK OF TOKYO MITSUBISHI COMM PAPER	2,700,000	-	7/14/2014	A-1	1/15/2014	\$ 99.9954	-	0.240	-	2,699,765.99	2,699,875.80
FHLMC (EX-CALLABLE) NOTES	5,000,000	0.350	3/18/2015	AA+	3/18/2013	\$ 100.1625	5,000,000.00	0.350	5,006.94	5,000,000.00	5,008,125.00
TOYOTA MOTOR CREDIT CORP COMM PAPER	2,700,000	-	8/8/2014	A-1+	2/11/2014	\$ 99.9918	2,697,330.00	0.200	-	2,699,430.00	2,699,778.60
US TREASURY NOTES	3,000,000	0.500	8/15/2014	AA+	8/20/2013	\$ 100.0469	3,010,078.13	0.159	5,635.36	3,001,270.56	3,001,407.00
US TREASURY NOTES	2,750,000	0.250	8/15/2015	AA+	8/20/2013	\$ 100.0938	2,743,125.00	0.376	2,582.87	2,746,102.81	2,752,579.50
US TREASURY NOTES	3,000,000	0.250	2/28/2015	AA+	8/20/2013	\$ 100.1055	2,999,414.06	0.263	2,506.79	2,999,744.82	3,003,165.00
US TREASURY NOTES	6,750,000	0.250	5/31/2015	AA+	11/27/2013	\$ 100.1250	6,753,427.73	0.216	1,429.30	6,752,081.50	6,758,437.50
	43,895,375						41,198,749.58	0.174	17,161.26	43,893,770.34	43,918,743.06
CONSOLIDATED CASH RESERVE											
FIDELITY PRIME MM INST (FIPXX)	1,412,733		7/1/2014	AAAm			1,412,732.67	0.060		1,412,733	1,412,732.67
BANK OF TOKYO MITSUBISHI COMM PAPER	1,100,000	-	7/14/2014	A-1	1/15/2014	\$ 99.9954	-	0.240	-	1,099,905	1,099,949.40
TOYOTA MOTOR CREDIT CORP COMM PAPER	1,100,000	-	8/8/2014	A-1+	2/11/2014	\$ 99.9918	1,098,912.22	0.200	-	1,099,768	1,099,909.80
US TREASURY NOTES	2,000,000	0.500	8/15/2014	AA+	8/20/2013	\$ 100.0469	2,006,718.75	0.159	3,757	2,000,847	2,000,938.00
US TREASURY NOTES	1,800,000	0.250	8/15/2015	AA+	8/20/2013	\$ 100.0938	1,795,500.00	0.376	1,691	1,797,449	1,801,688.40
US TREASURY NOTES	2,000,000	0.250	2/28/2015	AA+	8/20/2013	\$ 100.1055	1,999,609.38	0.263	1,671	1,999,830	2,002,110.00
US TREASURY NOTES	3,250,000	0.250	5/31/2015	AA+	11/27/2013	\$ 100.1250	3,251,650.39	0.216	688	3,251,002	3,254,062.50
	12,662,733						11,565,123.41	0.221	7,806.90	12,661,533.34	12,671,390.77

Aggregate Portfolio Holdings (Page 2 of 2)

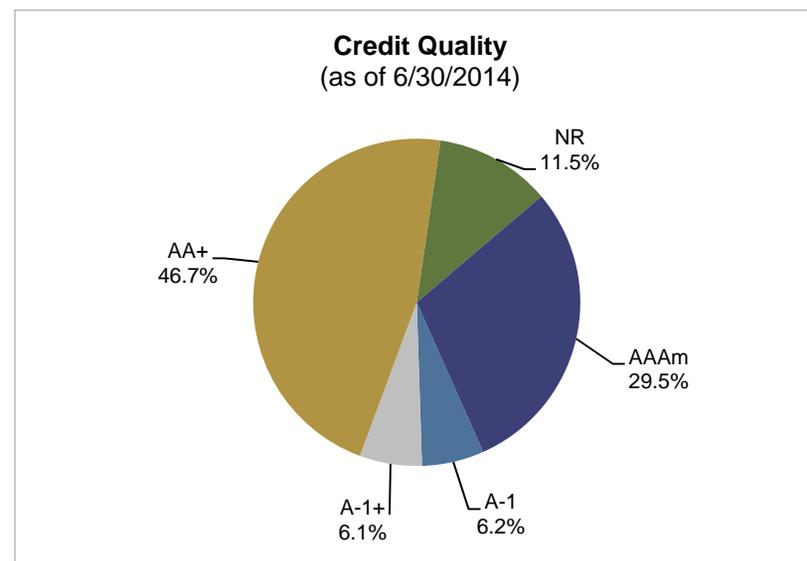
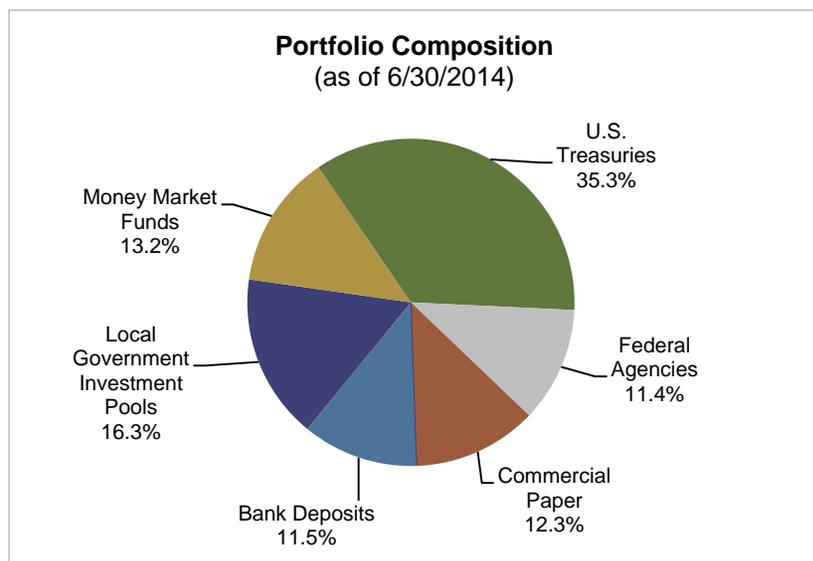
DESCRIPTION	PAR	COUPON	MATURITY DATE	S&P RATING	SETTLEMENT DATE	MARKET PRICE	ORIGINAL COST	YTM AT COST	ACCRUED INTEREST	BOOK VALUE	MARKET VALUE
ENTERPRISE FUND											
FIDELITY PRIME MM INST (FIPXX)	13,800,163		7/1/2014	AAAm			13,800,163.41	0.060		13,800,163.41	13,800,163.41
LOGIC	13,689,914		7/1/2014	AAAm			13,689,913.68	0.100		13,689,913.68	13,689,913.68
LONESTAR	6,004,296		7/1/2014	AAAm			6,004,296.38	0.050		6,004,296.38	6,004,296.38
TEXASDAILY	405,640		7/1/2014	AAAm			405,639.90	0.040		405,639.90	405,639.90
TEXPOOL	502,100		7/1/2014	AAAm			502,099.57	0.030		502,099.57	502,099.57
TEXSTAR	6,859,891		7/1/2014	AAAm			6,859,890.54	0.030		6,859,890.54	6,859,890.54
WELLSFARGO - CHOICE IV	11,284,481		7/1/2014	NR			11,284,480.66			11,284,480.66	11,284,480.66
BANK OF TOKYO MITSUBISHI COMM PAPER	2,700,000	-	7/14/2014	A-1	1/15/2014	\$ 99.9954	-	0.240	-	2,699,766	2,699,876
FHLMC (EX-CALLABLE) NOTES	5,000,000	0.350	3/18/2015	AA+	3/18/2013	\$ 100.1625	5,000,000.00	0.350	5,007	5,000,000	5,008,125
TOYOTA MOTOR CREDIT CORP COMM PAPER	2,700,000	-	8/8/2014	A-1+	2/11/2014	\$ 99.9918	2,697,330.00	0.200	-	2,699,430	2,699,779
US TREASURY NOTES	2,000,000	0.500	8/15/2014	AA+	8/20/2013	\$ 100.0469	2,006,718.75	0.159	3,757	2,000,847	2,000,938
US TREASURY NOTES	4,500,000	0.500	8/15/2014	AA+	12/4/2013	\$ 100.0469	4,511,250.00	0.142	8,453	4,502,003	4,502,111
US TREASURY NOTES	2,000,000	0.250	8/15/2015	AA+	8/20/2013	\$ 100.0938	1,995,000.00	0.376	1,878	1,997,166	2,001,876
US TREASURY NOTES	2,000,000	0.250	2/28/2015	AA+	8/20/2013	\$ 100.1055	1,999,609.38	0.263	1,671	1,999,830	2,002,110
US TREASURY NOTES	7,250,000	0.250	5/31/2015	AA+	11/27/2013	\$ 100.1250	7,253,681.64	0.216	1,535	7,252,236	7,259,063
	80,696,484						78,010,073.91	0.117	22,301.72	80,697,761.36	80,720,360.54
ENTERPRISE FUND RESERVE											
FIDELITY PRIME MM INST (FIPXX)	1,403,902		7/1/2014	AAAm			1,403,902.04	0.060		1,403,902	1,403,902
BANK OF TOKYO MITSUBISHI COMM PAPER	1,000,000	-	7/14/2014	A-1	1/15/2014	\$ 99.9954	-	0.240	-	999,913	999,954
TOYOTA MOTOR CREDIT CORP COMM PAPER	1,000,000	-	8/8/2014	A-1+	2/11/2014	\$ 99.9918	999,011.11	0.200	-	999,789	999,918
US TREASURY NOTES	2,000,000	0.500	8/15/2014	AA+	8/20/2013	\$ 100.0469	2,006,718.75	0.159	3,757	2,000,847	2,000,938
US TREASURY NOTES	1,400,000	0.250	8/15/2015	AA+	8/20/2013	\$ 100.0938	1,396,500.00	0.376	1,315	1,398,016	1,401,313
US TREASURY NOTES	2,000,000	0.250	2/28/2015	AA+	8/20/2013	\$ 100.1055	1,999,609.38	0.263	1,671	1,999,830	2,002,110
US TREASURY NOTES	3,250,000	0.250	5/31/2015	AA+	11/27/2013	\$ 100.1250	3,251,650.39	0.216	688	3,251,002	3,254,063
	12,053,902						11,057,391.67	0.216	7,431.21	12,053,299.36	12,062,197.74
TOTAL SECURITIES	140,310,806						141,831,338.57	0.151	54,701.09	149,306,364.40	149,372,692.11
ACCRUED INTEREST											54,701.09
TOTAL PORTFOLIO											149,427,393.20

Aggregate Portfolio Transactions

SECURITY TYPE				MATURITY	TRADE	SETTLE			REALIZED			
CUSIP	DESCRIPTION	PAR	COUPON	DATE	DATE	DATE	BROKER	YTM	GAIN / LOSS	TRANSACTION		
									ON BOOK VALUE	AMOUNT		
PURCHASES												
None												
TOTAL PURCHASES		\$	0.00						\$	0.00	\$	0.00
SALES												
None												
TOTAL SALES		\$	0.00						\$	0.00	\$	0.00
MATURITIES												
0556N1FB4	BNP PARIBAS FINANCE INC COMM PAPER	2,700,000	-	06/11/14	06/11/14	06/11/14	MATURITY	-	-	2,700,000		
0556N1FB4	BNP PARIBAS FINANCE INC COMM PAPER	1,100,000	-	06/11/14	06/11/14	06/11/14	MATURITY	-	-	1,100,000		
0556N1FB4	BNP PARIBAS FINANCE INC COMM PAPER	2,700,000	-	06/11/14	06/11/14	06/11/14	MATURITY	-	-	2,700,000		
0556N1FB4	BNP PARIBAS FINANCE INC COMM PAPER	1,100,000	-	06/11/14	06/11/14	06/11/14	MATURITY	-	-	1,100,000		
TOTAL MATURITIES		\$	7,600,000						\$	0.00	\$	7,600,000.00

Consolidated Cash Portfolio Composition and Credit Quality Characteristics

Security Type ¹	June 30, 2014	% of Portfolio	March 31, 2014	% of Portfolio	Permitted by Investment Policy
Bank Deposits	5,032,063.10	11.5%	8,954,460.92	17.7%	100%
Local Government Investment Pools	7,169,070.92	16.3%	7,167,687.88	14.2%	100%
Money Market Funds	5,794,240.64	13.2%	5,793,369.40	11.5%	50%
U.S. Treasuries	15,499,199.69	35.3%	15,501,372.00	30.7%	90%
Federal Agencies	5,000,000.00	11.4%	5,000,000.00	9.9%	80%
Commercial Paper	5,399,195.99	12.3%	8,094,542.25	16.0%	25%
Municipal Bonds	-	0.0%	-	0.0%	20%
Total	43,893,770.34	100.0%	50,511,432.45	100.0%	

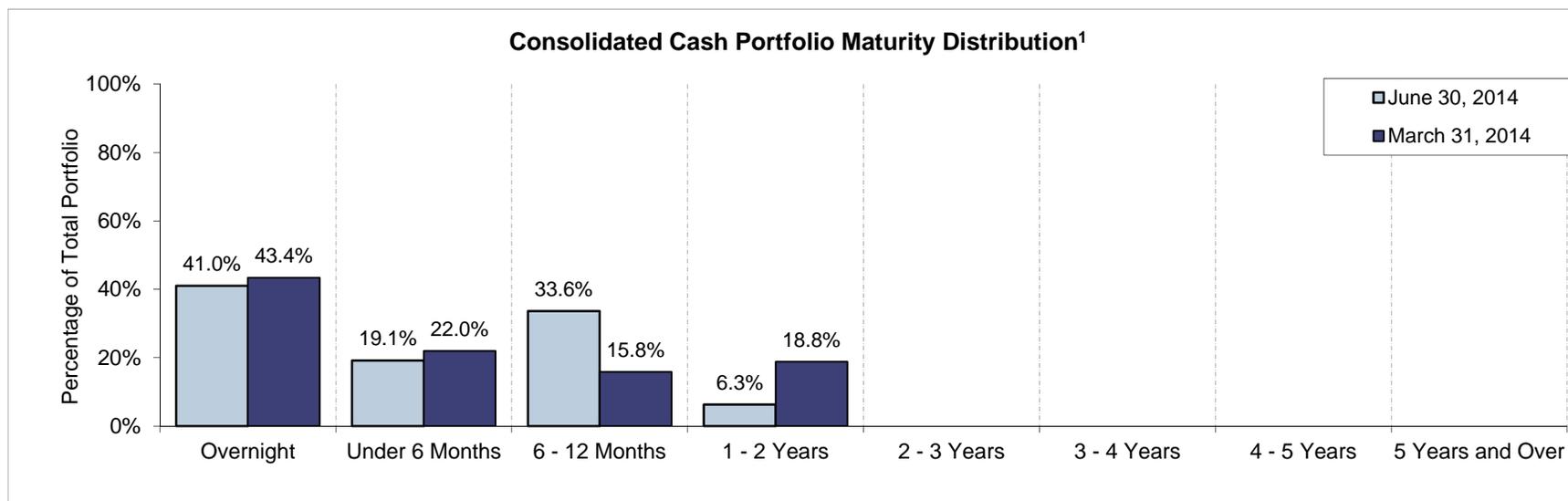


Notes:

1. End of quarter trade-date book values of portfolio holdings.

Consolidated Cash Portfolio Maturity Distribution

Maturity Distribution ¹	June 30, 2014	March 31, 2014
Overnight	17,995,374.66	21,915,518.20
Under 6 Months	8,400,466.55	11,098,382.19
6 - 12 Months	14,751,826.32	7,999,650.14
1 - 2 Years	2,746,102.81	9,497,881.92
2 - 3 Years	-	-
3 - 4 Years	-	-
4 - 5 Years	-	-
5 Years and Over	-	-
Total	43,893,770.34	50,511,432.45

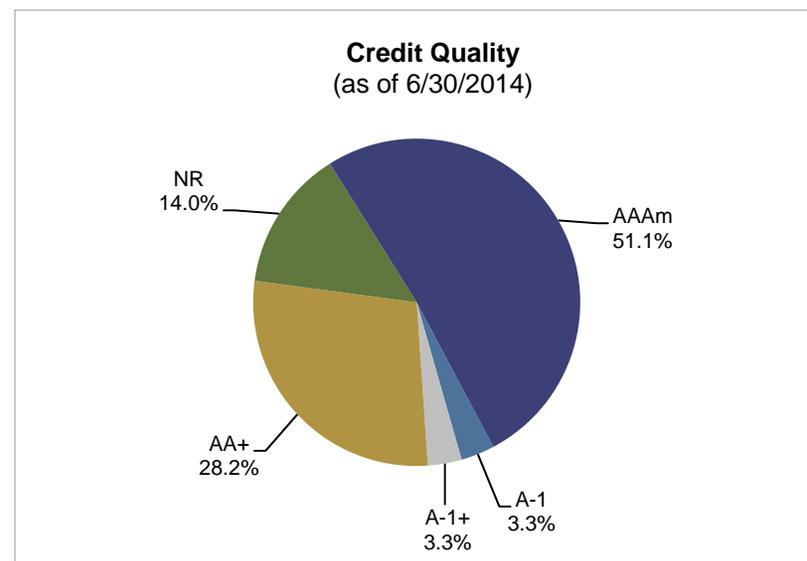
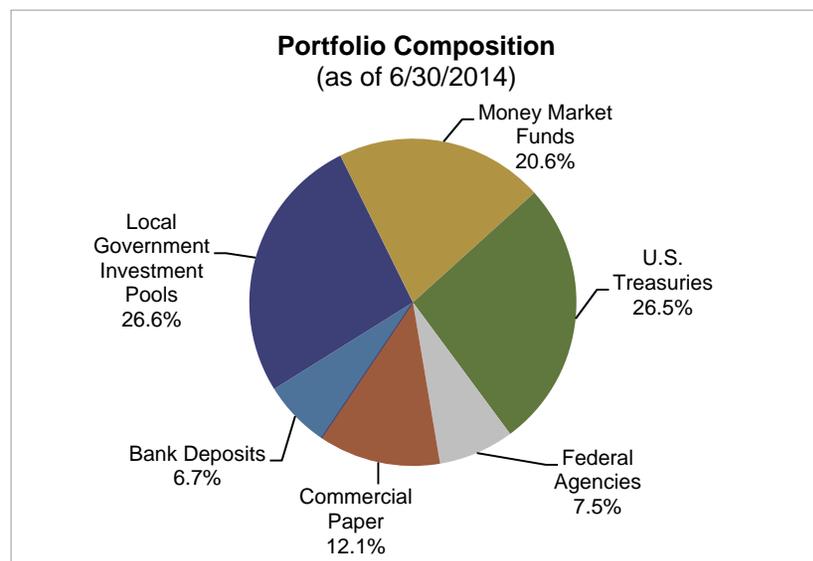


Notes:

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.

Enterprise Fund Portfolio Composition and Credit Quality Characteristics

Security Type ¹	June 30, 2014	% of Portfolio	March 31, 2014	% of Portfolio	Permitted by Investment Policy
Bank Deposits	11,284,480.66	14.0%	4,465,219.88	6.7%	100%
Local Government Investment Pools	27,461,840.07	34.0%	17,770,021.86	26.6%	100%
Money Market Funds	13,800,163.41	17.1%	13,798,088.36	20.6%	50%
U.S. Treasuries	17,752,081.23	22.0%	17,757,758.07	26.5%	90%
Federal Agencies	5,000,000.00	6.2%	5,000,000.00	7.5%	80%
Commercial Paper	5,399,195.99	6.7%	8,094,542.25	12.1%	25%
Municipal Bonds	-	0.0%	-	0.0%	20%
Total	80,697,761.36	100.0%	66,885,630.42	100.0%	

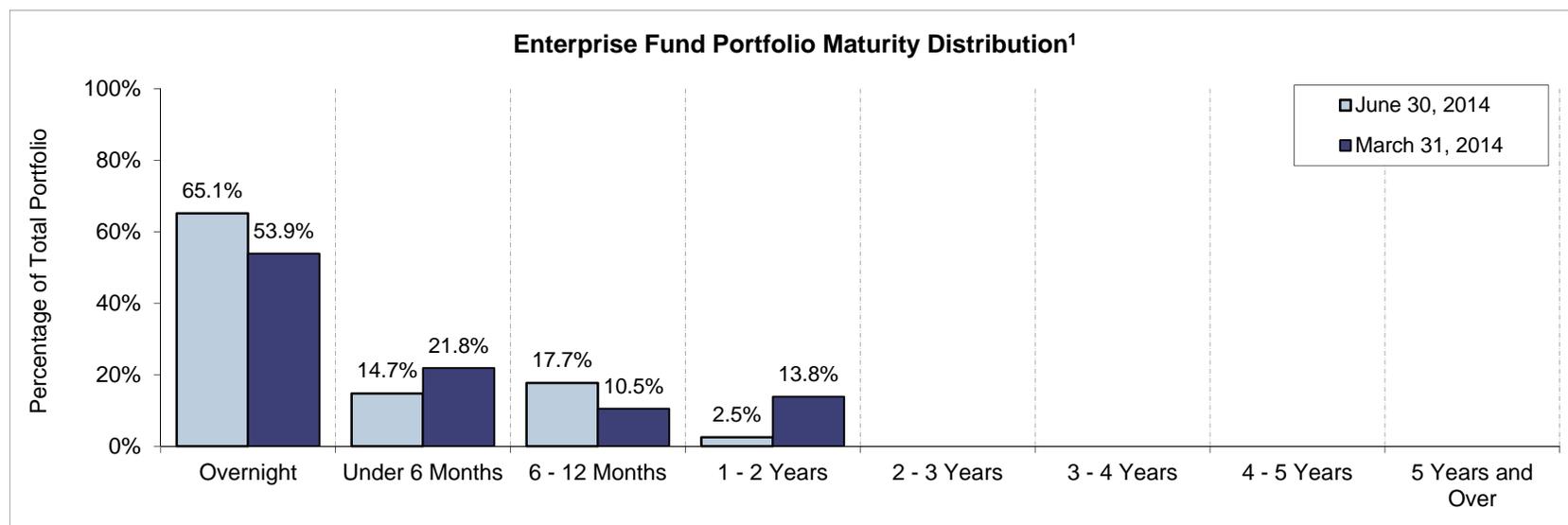


Notes:

1. End of quarter trade-date book values of portfolio holdings.

Enterprise Fund Portfolio Maturity Distribution

Maturity Distribution ¹	June 30, 2014	March 31, 2014
Overnight	52,546,484.14	36,033,330.10
Under 6 Months	11,902,045.98	14,603,155.55
6 - 12 Months	14,252,065.56	6,999,766.76
1 - 2 Years	1,997,165.68	9,249,378.01
2 - 3 Years	-	-
3 - 4 Years	-	-
4 - 5 Years	-	-
5 Years and Over	-	-
Total	80,697,761.36	66,885,630.42

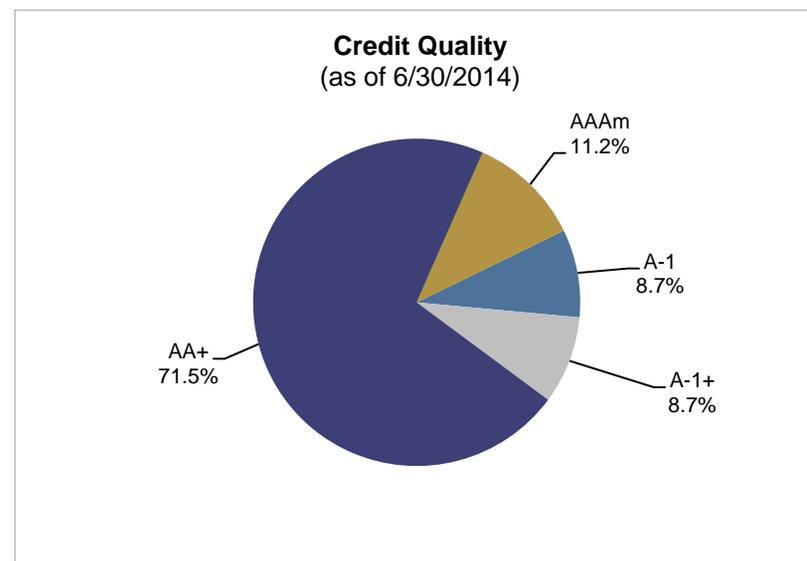
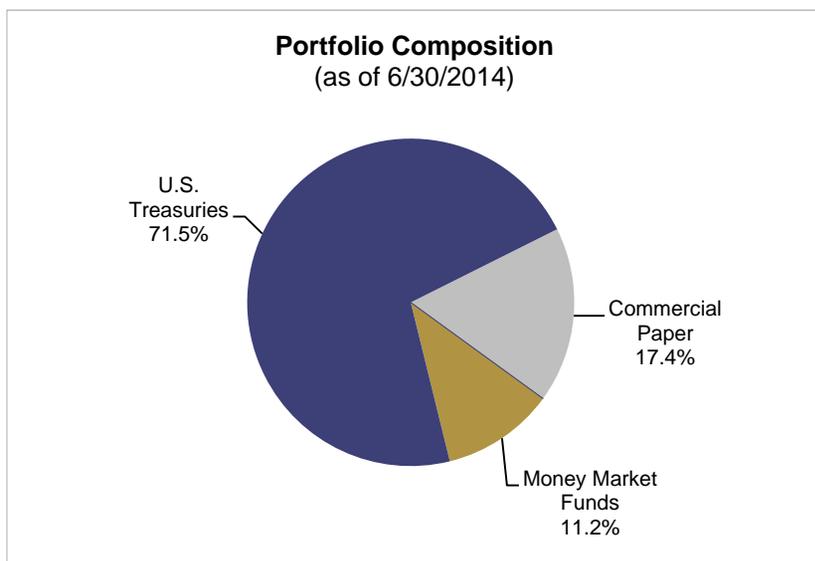


Notes:

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.

Consolidated Cash – Reserve Portfolio Composition and Credit Quality Characteristics

Security Type	June 30, 2014	% of Portfolio	March 31, 2014	% of Portfolio	Permitted by Investment Policy
Bank Deposits	-	0.0%	-	0.0%	50%
Local Government Investment Pools	-	0.0%	-	0.0%	50%
Money Market Funds	1,412,732.67	11.2%	308,585.03	2.4%	50%
U.S. Treasuries	9,049,128.23	71.5%	9,050,482.00	71.5%	90%
Federal Agencies	-	0.0%	-	0.0%	80%
Commercial Paper	2,199,672.44	17.4%	3,297,776.47	26.1%	25%
Municipal Bonds	-	0.0%	-	0.0%	30%
Total	12,661,533.34	100.0%	12,656,843.50	100.0%	

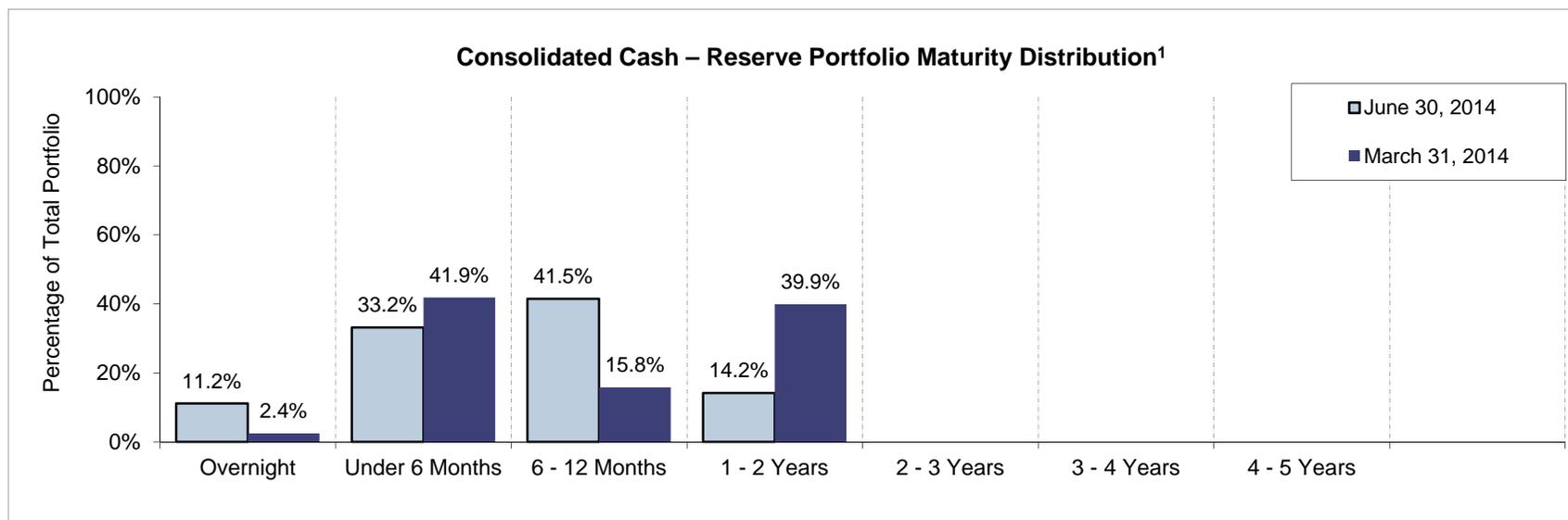


Notes:

1. End of quarter trade-date book values of portfolio holdings.

Consolidated Cash – Reserve Portfolio Maturity Distribution

Maturity Distribution ¹	June 30, 2014	March 31, 2014
Overnight	1,412,732.67	308,585.03
Under 6 Months	4,200,519.48	5,300,336.41
6 - 12 Months	5,250,832.08	1,999,766.76
1 - 2 Years	1,797,449.11	5,048,155.30
2 - 3 Years	-	-
3 - 4 Years	-	-
4 - 5 Years	-	-
5 Years and Over	-	-
Total	12,661,533.34	12,656,843.50

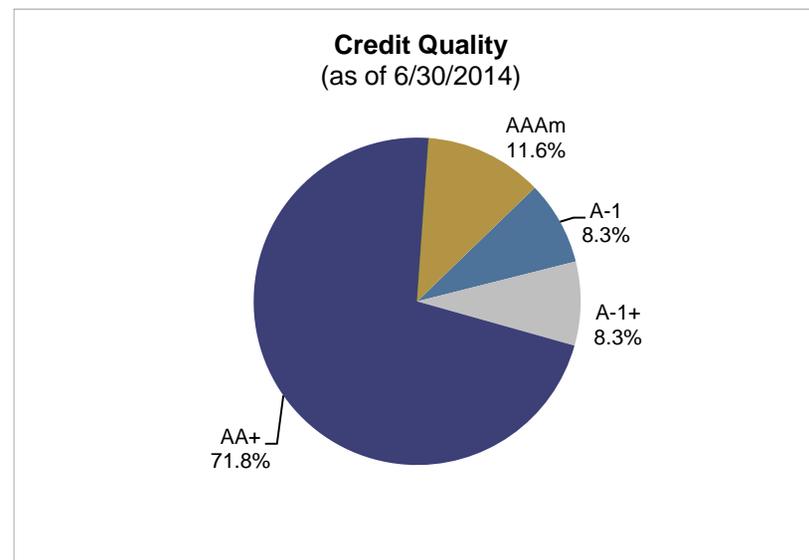
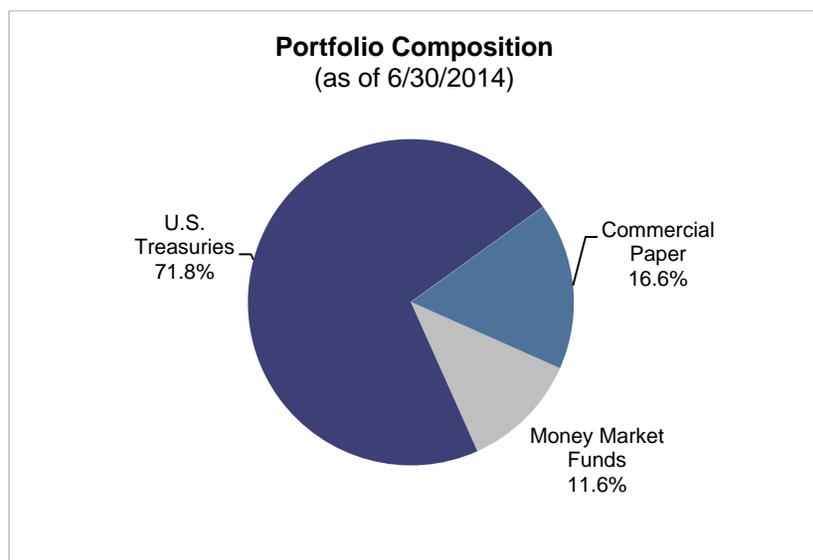


Notes:

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.

Enterprise Fund – Reserve Portfolio Composition and Credit Quality Characteristics

Security Type ¹	June 30, 2014	% of Portfolio	March 31, 2014	% of Portfolio	Permitted by Investment Policy
Bank Deposits	-	0.0%	-	0.0%	50%
Local Government Investment Pools	-	0.0%	-	0.0%	50%
Money Market Funds	1,403,902.04	11.6%	299,755.73	2.5%	50%
U.S. Treasuries	8,649,695.10	71.8%	8,651,175.29	71.8%	90%
Federal Agencies	-	0.0%	-	0.0%	80%
Commercial Paper	1,999,702.22	16.6%	3,097,917.47	25.7%	25%
Municipal Bonds	-	0.0%	-	0.0%	30%
Total	12,053,299.36	100.0%	12,048,848.49	100.0%	

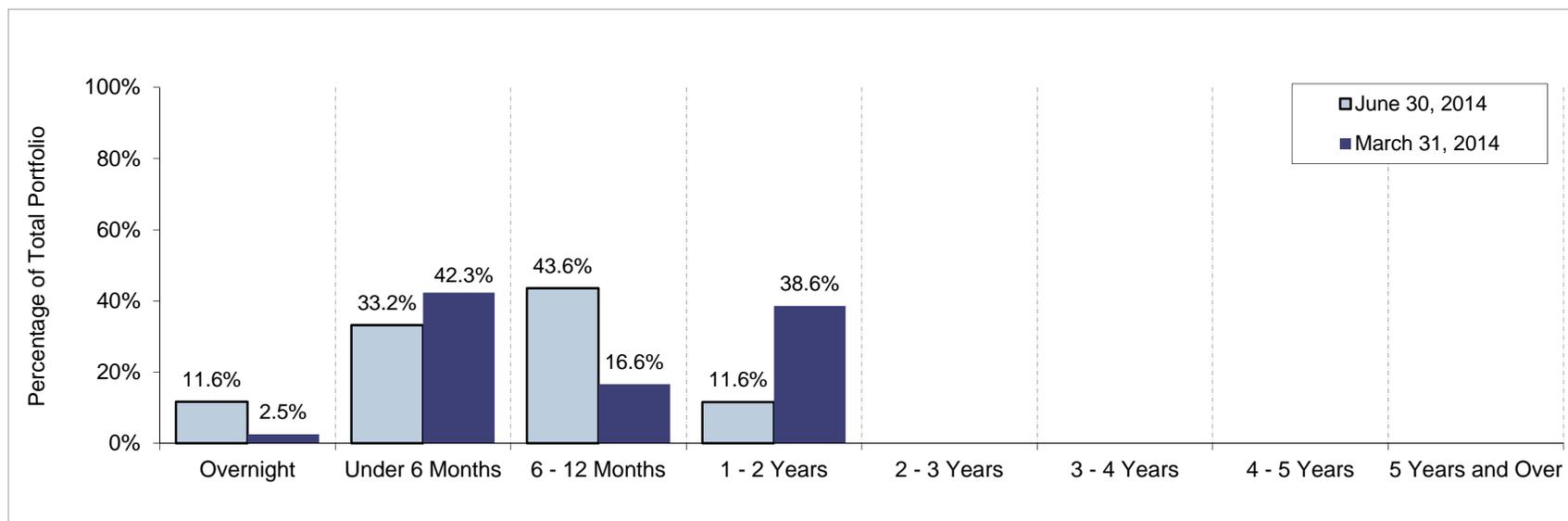


Notes:

1. End of quarter trade-date book values of portfolio holdings.

Enterprise Fund – Reserve Portfolio Maturity Distribution

Maturity Distribution ¹	June 30, 2014	March 31, 2014
Overnight	1,403,902.04	299,755.73
Under 6 Months	4,000,549.26	5,100,477.41
6 - 12 Months	5,250,832.08	1,999,766.76
1 - 2 Years	1,398,015.98	4,648,848.59
2 - 3 Years	-	-
3 - 4 Years	-	-
4 - 5 Years	-	-
5 Years and Over	-	-
Total	12,053,299.36	12,048,848.49



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.

The following report is submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The report also offers supplemental information not required by the Act in order to fully inform the governing body of the City of San Marcos, Texas of the position and activity with the City's portfolio of investments. The reports include a management summary overview, a detailed inventory for the end of the period and graphic representations of the portfolio full disclosure to the governing body.



Jared Miller
City Manager
City of San Marcos, TX



Heather Hulbert, CPA
Director of Finance
City of San Marcos, TX

Date

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