

2005	2006	2007	2008	2009	2010
3.90%	5.18%	8.84%	12.15%	3.16%	5.70%
3.62%	5.07%	8.86%	11.33%	2.76%	5.22%
3.07%	4.85%	8.24%	9.01%	2.17%	4.87%
1.77%	4.56%	7.32%	7.05%	1.36%	2.82%
1.75%	4.56%	8.98%	8.61%	1.04%	2.35%
1.87%	4.22%	6.74%	5.17%	0.79%	2.32%
1.58%	3.98%	5.14%	4.33%	0.21%	0.77%
1.14%	3.57%	5.00%	2.79%	(0.87%)	0.36%
0.88%	3.55%	4.99%	2.08%	(1.41%)	0.13%



## The PFM Group

Public Financial Management, Inc.  
 PFM Asset Management LLC  
 PFM Advisors



# City of Colorado Springs

## Review of Investment Performance Quarter Ended December 31, 2014

February 17, 2015

Bob Cheddar, Managing Director ♦ Chris Blackwood, Director  
 Allison Kaune, Senior Managing Consultant ♦ Emily Ferguson, Senior Analyst

1400 16<sup>th</sup> Street, Suite 400  
 Denver, CO 80202  
 303-467-1114



# **Economic Update**

---

---

# Fourth Quarter Economic Summary

## Economic Conditions

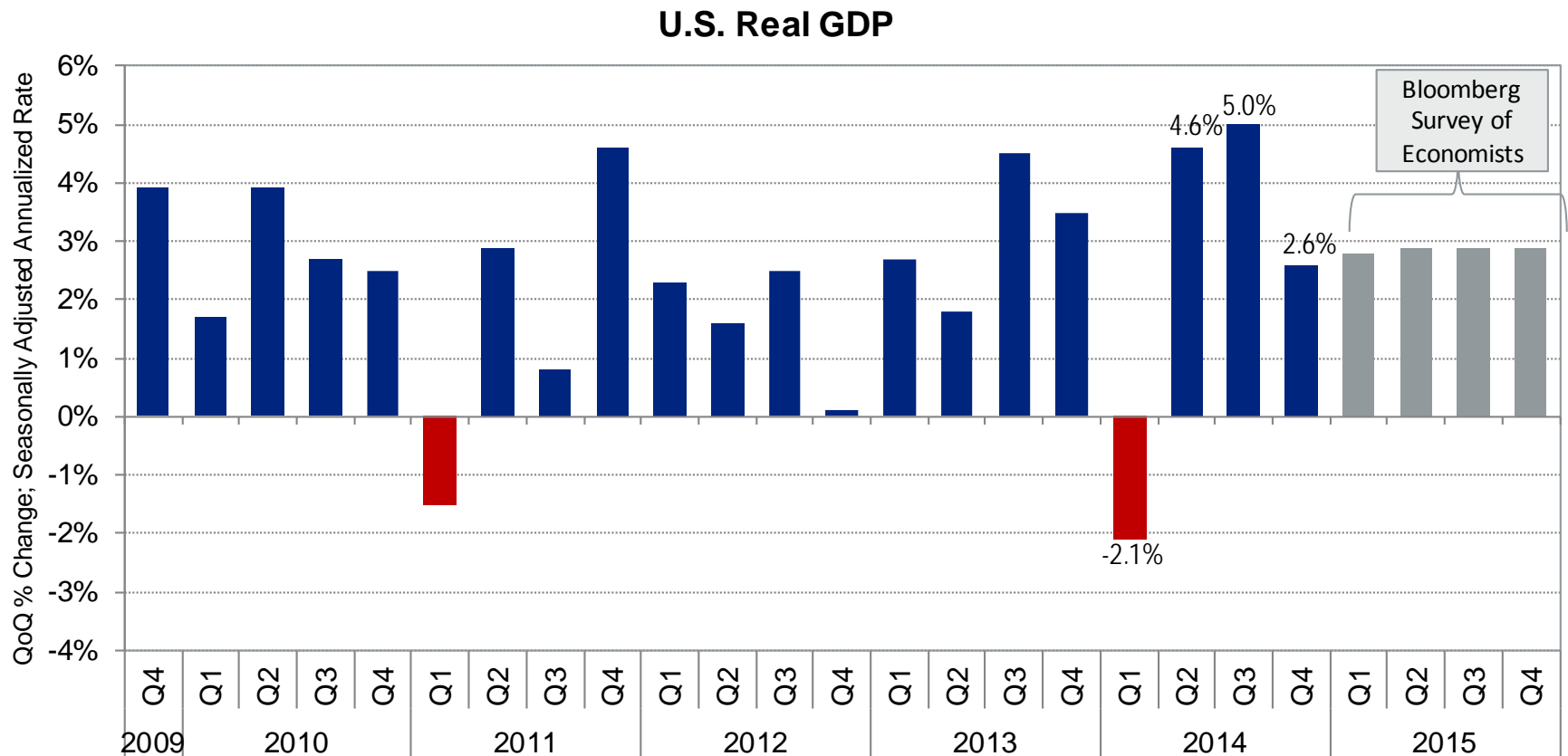
- The U.S. economy ended the year on a positive note as the fourth-quarter advance GDP report reflected 2.6% growth, which followed 5.0% growth in the third quarter.
- U.S. job creation added 252,000 net new jobs in December, and the unemployment rate dropped to 5.6%, the lowest level since mid-2008.
- Oil prices continued to plummet and the US dollar strengthened further, injecting new dynamics into a multifaceted global economic recovery.
- The European Central Bank (ECB) and the Bank of Japan announced new stimulus measures, including increased asset purchases.
- The FOMC said that it would be “patient” when normalizing its current accommodative monetary policy; the Committee stressed that policy decisions will be dependent on incoming economic data.

## Market Reaction

- Short and intermediate term interest rates generally rose while longer maturity yields fell modestly causing the yield curve to flatten.
- Agency spreads for maturities of seven years and less tightened over the month allowing the sector to outperform Treasuries; investment grade corporate securities performed on par with comparable duration Treasury securities.
- Money market related securities (especially those with maturities greater than six months) rose notably, reflecting an expected Fed Funds rate hike in mid to late spring of 2015.
- U.S. equity markets withstood volatility to finish the month largely unchanged; Dow Jones breached the 18,000 milestone for the first time in the index’s history.

# U.S. Economic Growth Slows in 4<sup>th</sup> Quarter

- U.S. GDP slowed to a rate of 2.6% (advanced estimate) from third quarter's 5% rate, which was the strongest in a decade.
- Weak business spending, lower defense spending, and a widened trade gap offset strong consumer spending.

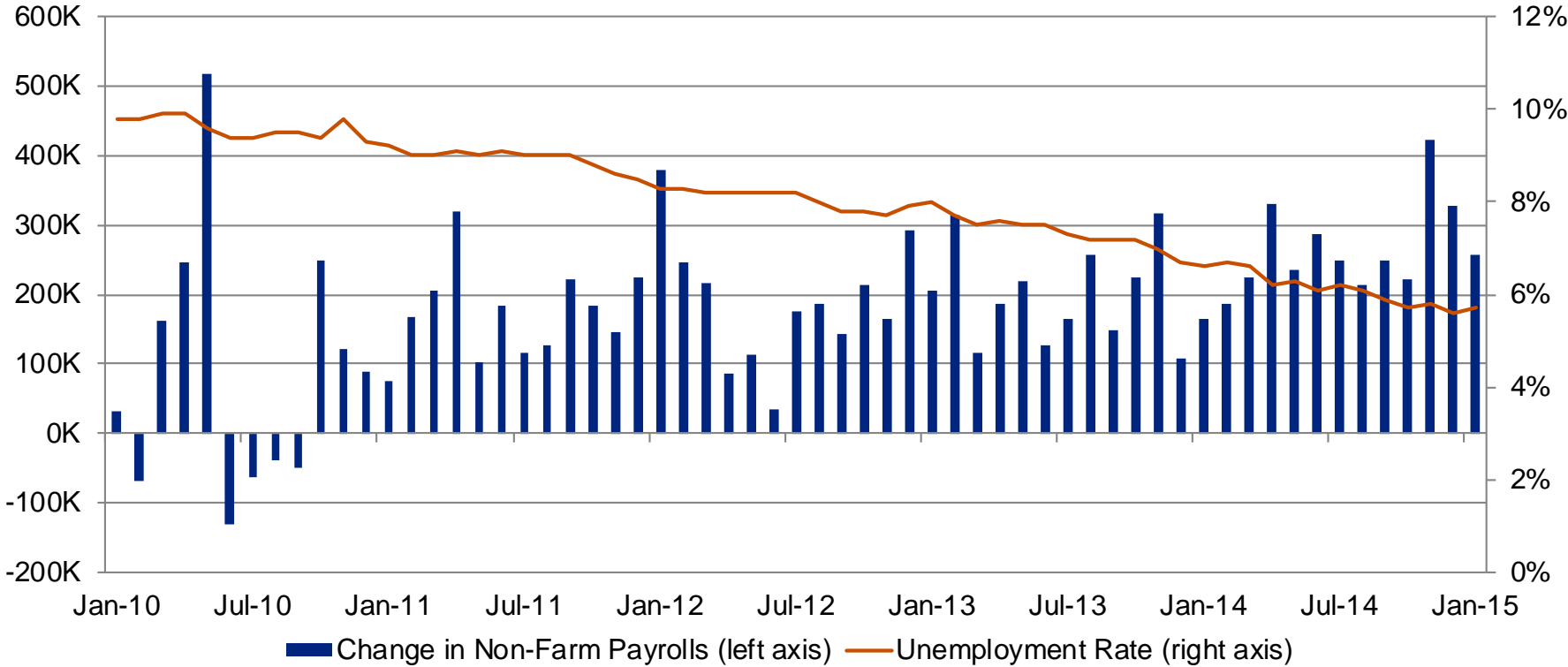


Source: Bureau Of Economic Analysis

# Labor Market Continues to Strengthen

- 257,000 net new jobs were added to the U.S. economy in January.
- The unemployment rate rose to 5.7% in January from the prior months' 5.6%.
- In 2014, the economy added a total of 2.95MM jobs, the strongest growth seen in 15 years.

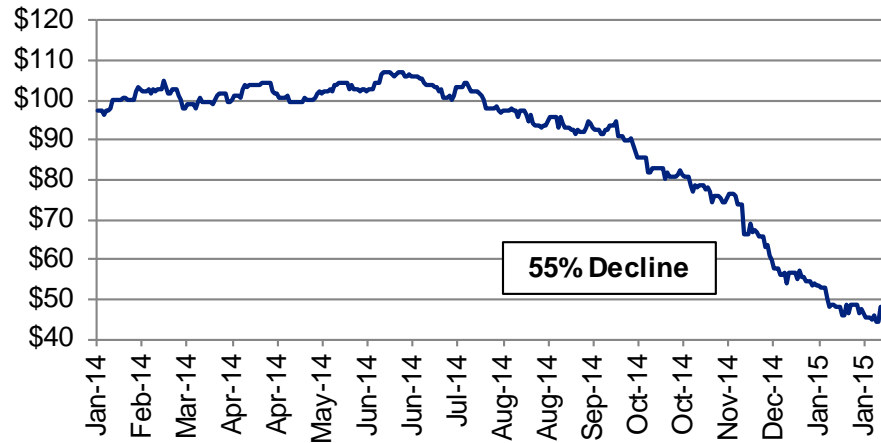
### Change in Nonfarm Payrolls and Unemployment Rate



Source: Bureau of Labor Statistics

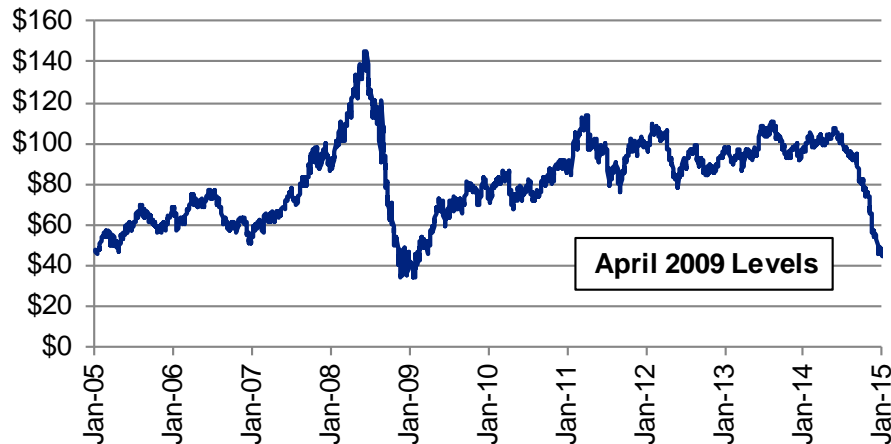
# Falling Oil Prices: Current Conditions

WTI Price per Barrel (Year-to-Date)



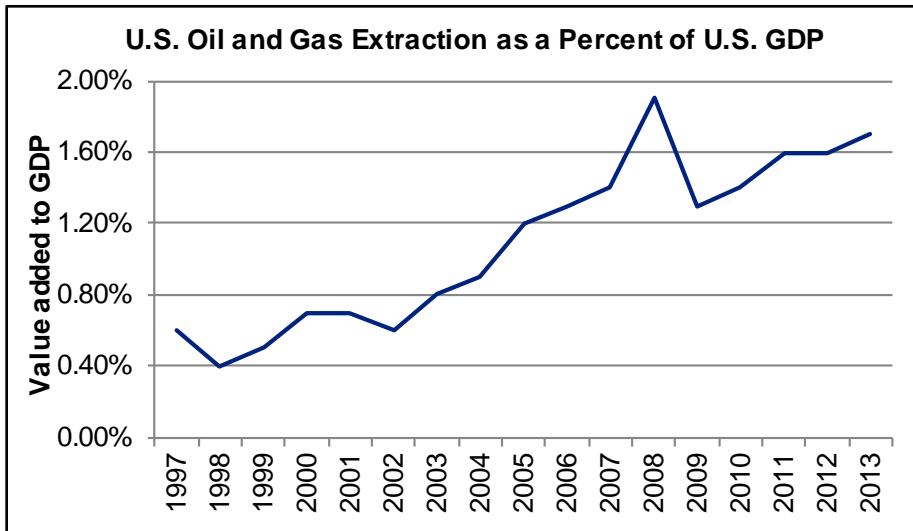
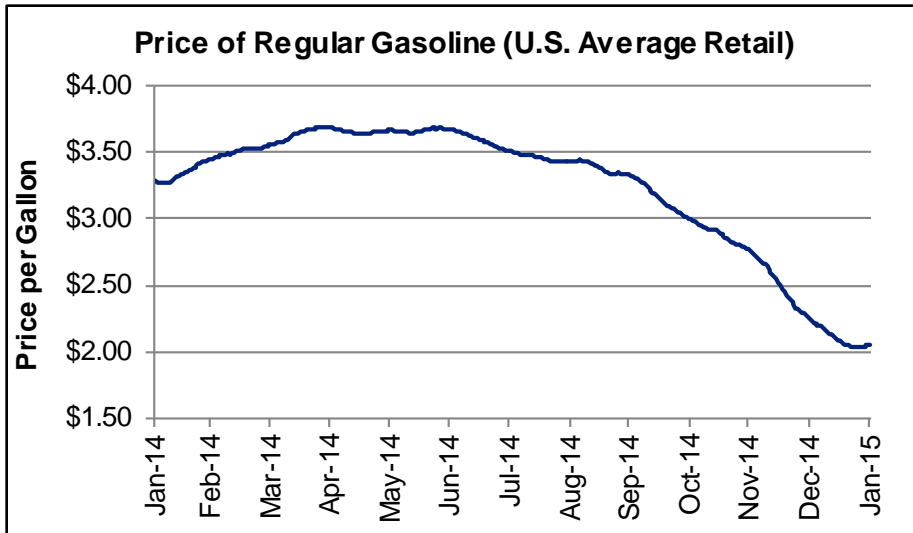
- **West Texas Intermediate (WTI) Crude:**
  - 9% year-to-date decline
  - 55% decline from the 2014 peak
  - Prices back to early 2009 levels
- **Plunge in oil prices attributed to:**
  - Oversupply
    - Increased North American production
    - OPEC maintaining output
  - Slowing global demand
    - Weaker global economy, especially in Europe and emerging markets
    - Improvements in energy efficiency and use of alternative energy sources

WTI Price per Barrel (10 Years)



Source: Bloomberg; Data as of December 31, 2014

# Implications in the U.S. from Lower Oil Prices

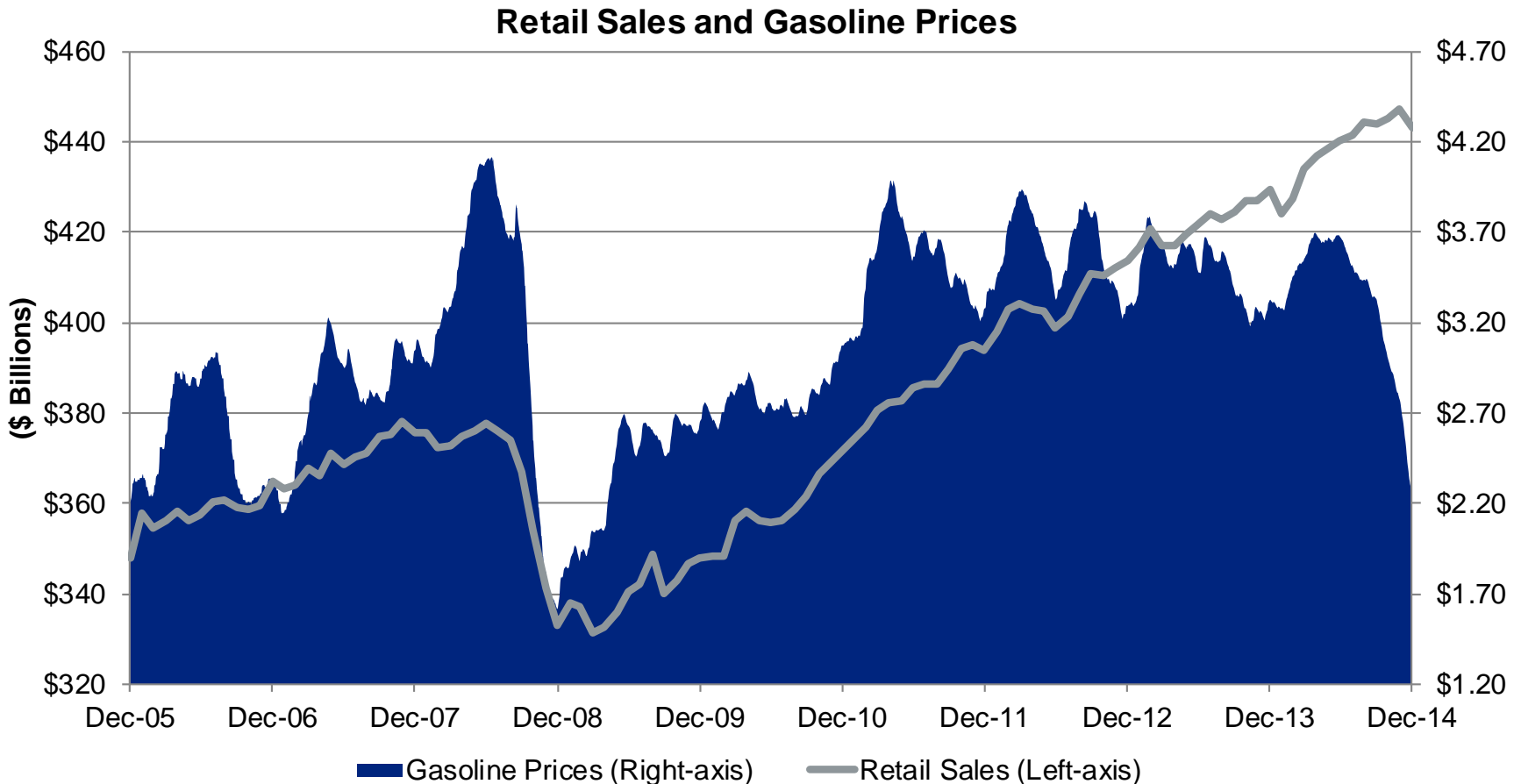


Source: Bloomberg; Data as of December 31, 2014.

- **Growth:** Typically, lower oil prices boost consumer discretionary income, while lower production costs for energy-intensive industries increase efficiency and profitability
- **Jobs:** Energy employment may decline, but offset by gains in other industries
- **Inflation:** Expect lower headline inflation, with modest spillover to core price indexes
- **Capital Expenditures:** Oil related industries' capital expenditures may decline as new projects are halted or deferred
- **Trade:** Lower import prices should narrow trade deficits

# Retail Sales Tumbled on Lower Gasoline Prices

- U.S. retail sales pulled back in December, reflecting consumer caution despite falling gasoline prices. The tumble in U.S. gas prices over the last 12 months have boosted consumer confidence, but had a less consistent impact on consumer spending.

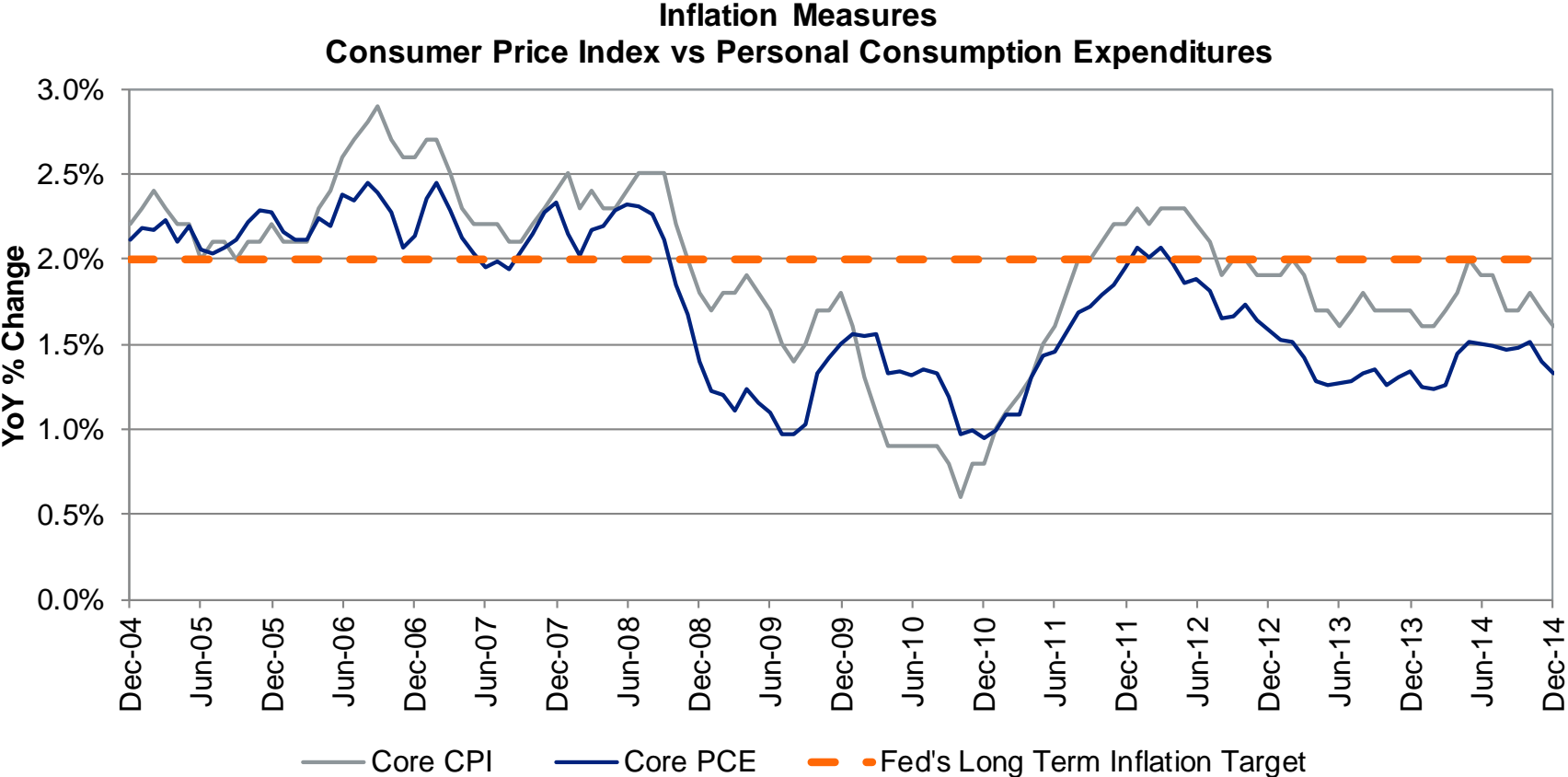


Source: Bloomberg



# Inflation Remains Muted

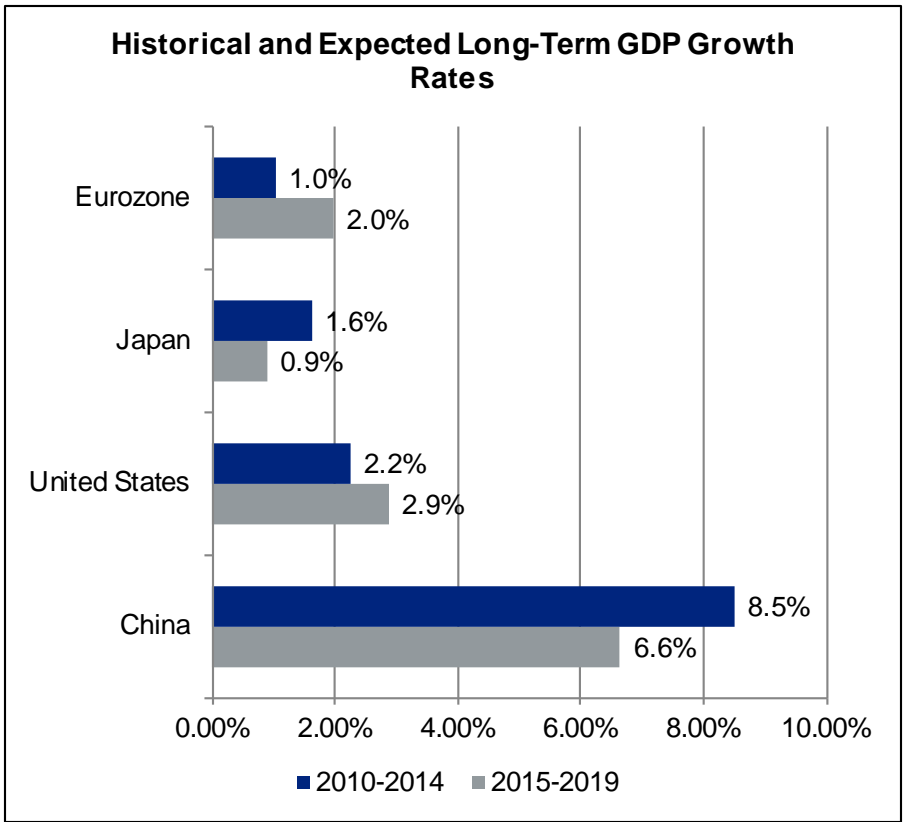
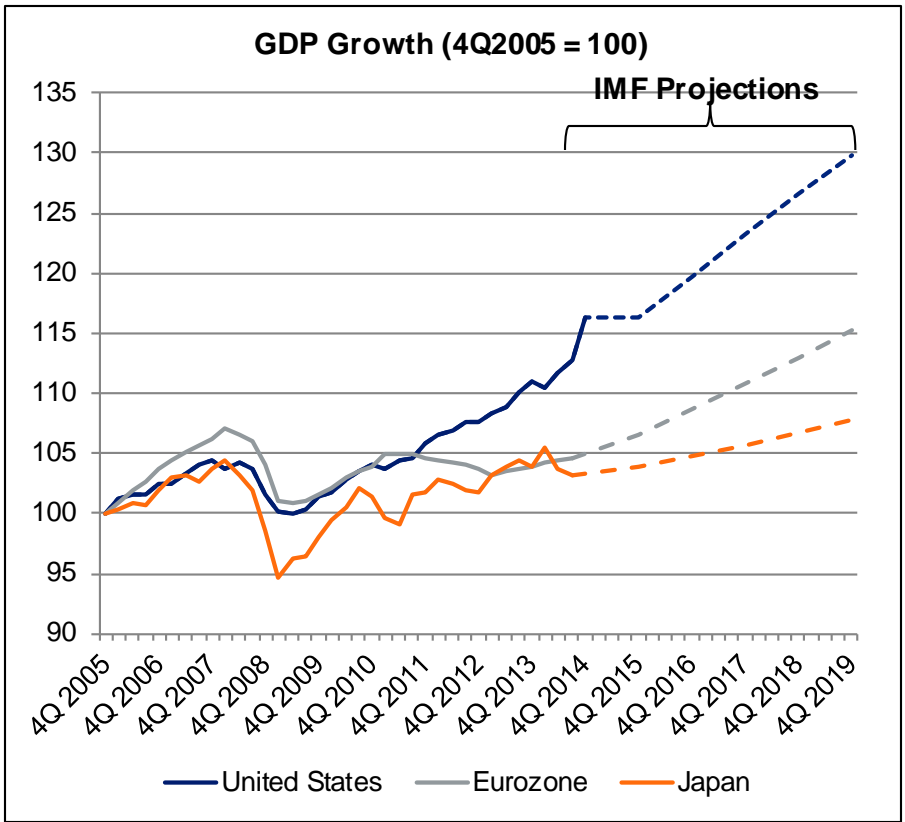
- The personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, continues to undershoot the 2% target; it advanced 1.3% year-over-year in November.
- The Core Consumer Price Index (CPI) registered 1.6% year-over-year growth in December.



Source: Bloomberg

# Global Growth Rates Diverge

- U.S. GDP has fully recovered from the financial crisis; moderate growth expected going forward.
- Eurozone and Japan are struggling to stimulate growth.
- Emerging markets have slowed from historic pace.



Sources: Bloomberg and International Monetary Fund (IMF) expectations. Actual data through 3Q2014.

# Central Bank Policies Driving Global Markets



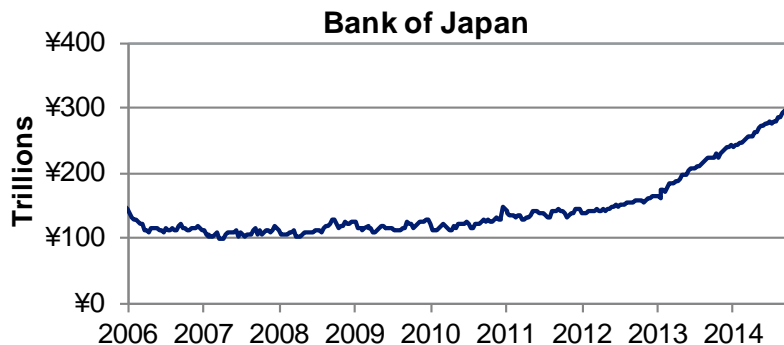
## U.S. Federal Reserve (Fed)

- Bond purchase program (QE3) ended
- Reinvestment of maturities will continue
- Fed advises “patience” on its next move



## European Central Bank (ECB)

- Policy hampered by governance issues
- ECB has stepped up as euro economy faltered
- Announced that asset purchases (QE) will begin in March 2015 and last at least until September 2016



## Bank of Japan

- Expansion of monetary base continues
- Increased asset purchase program, including government bonds (JGBs), but also Japanese equity exchange-traded funds (ETFs) and real estate investment trusts (REITs)

Source: Bloomberg. As of November 30, 2014.



---

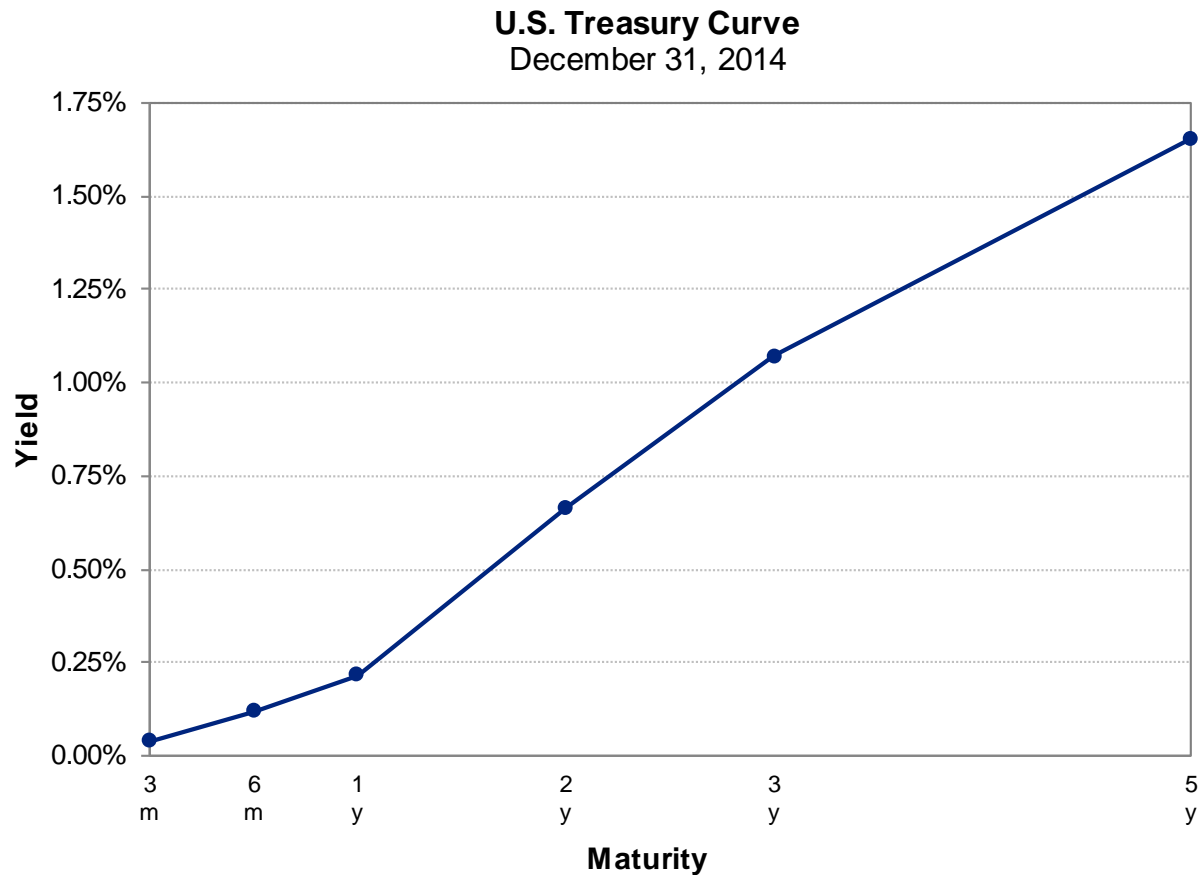
## **Market Update**



---

# Capitalizing on the Steep Yield Curve

- Because of the value offered by the steep yield curve, we have continued to look for and purchase intermediate-term investments.
- In the fourth quarter, all purchases had maturities ranging from 2.5 to 4.5 years.



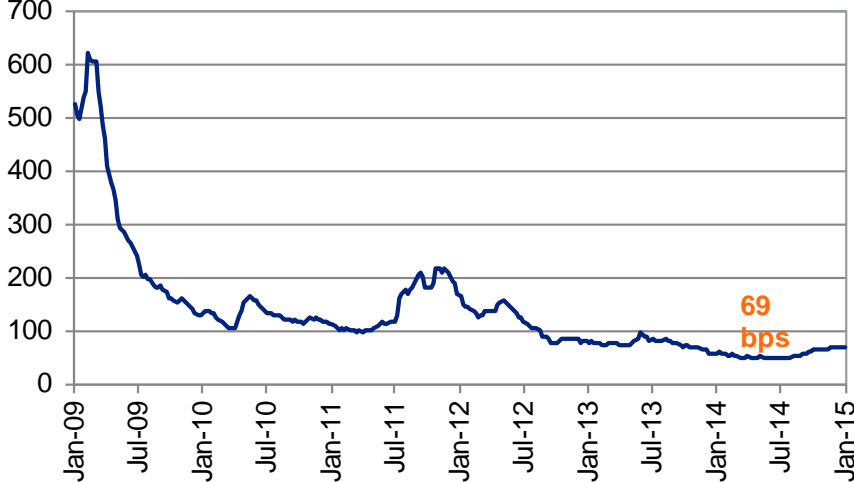
Source: Bloomberg

# Yield Spreads – Longer Perspective

Federal Agencies



A-AAA Corporates



Municipals



MBS



Source: Bloomberg, Merrill Lynch. Spreads represented by ML 1-5 Agency, 1-5 A-AAA Corporate, 1-5, 1-5 Municipal, and 0-5MBS indices.

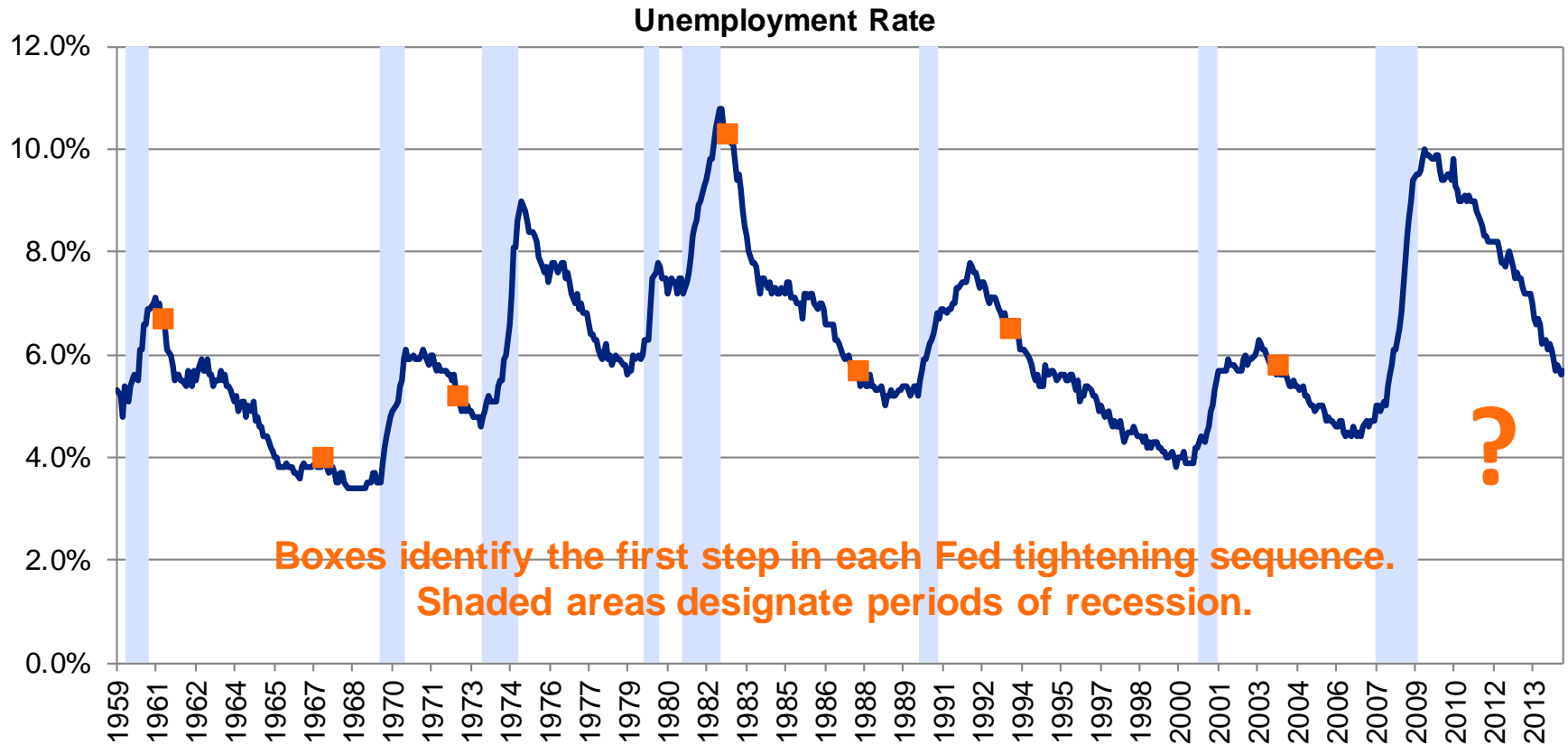
# FOMC Remains Patient



- Economic activity has been **expanding at a solid pace**...labor market conditions have improved further, with **strong job gains and a lower unemployment rate**...recent declines in energy prices have boosted household purchasing power.
- **Inflation has declined further** below the Committee's longer run objective, **largely reflecting declines in energy prices**...inflation is **anticipated to decline further in the near term**, but the Committee expects inflation to rise gradually toward 2%...as the labor market improves further and the transitory effects of lower energy prices and other factors dissipate.
- The current 0 – 0.25% target range for the federal funds rate remains appropriate...the Committee judges that **it can be patient in beginning to normalize the stance of monetary policy**.
- If incoming information indicates faster progress...then increases in the target range for the federal funds rate are likely to occur sooner...if progress proves slower than expected, then increases in the target range are likely to occur later.

# When Will Fed Respond to Falling Unemployment?

- Subsequent to prior recessions, the FOMC began tightening monetary policy as the unemployment rate showed signs of recovery.
- While significant strides have been made (current unemployment rate is 5.8% - down from a peak of 10.0%), the Fed Funds rate remains at a targeted range of 0-0.25%.



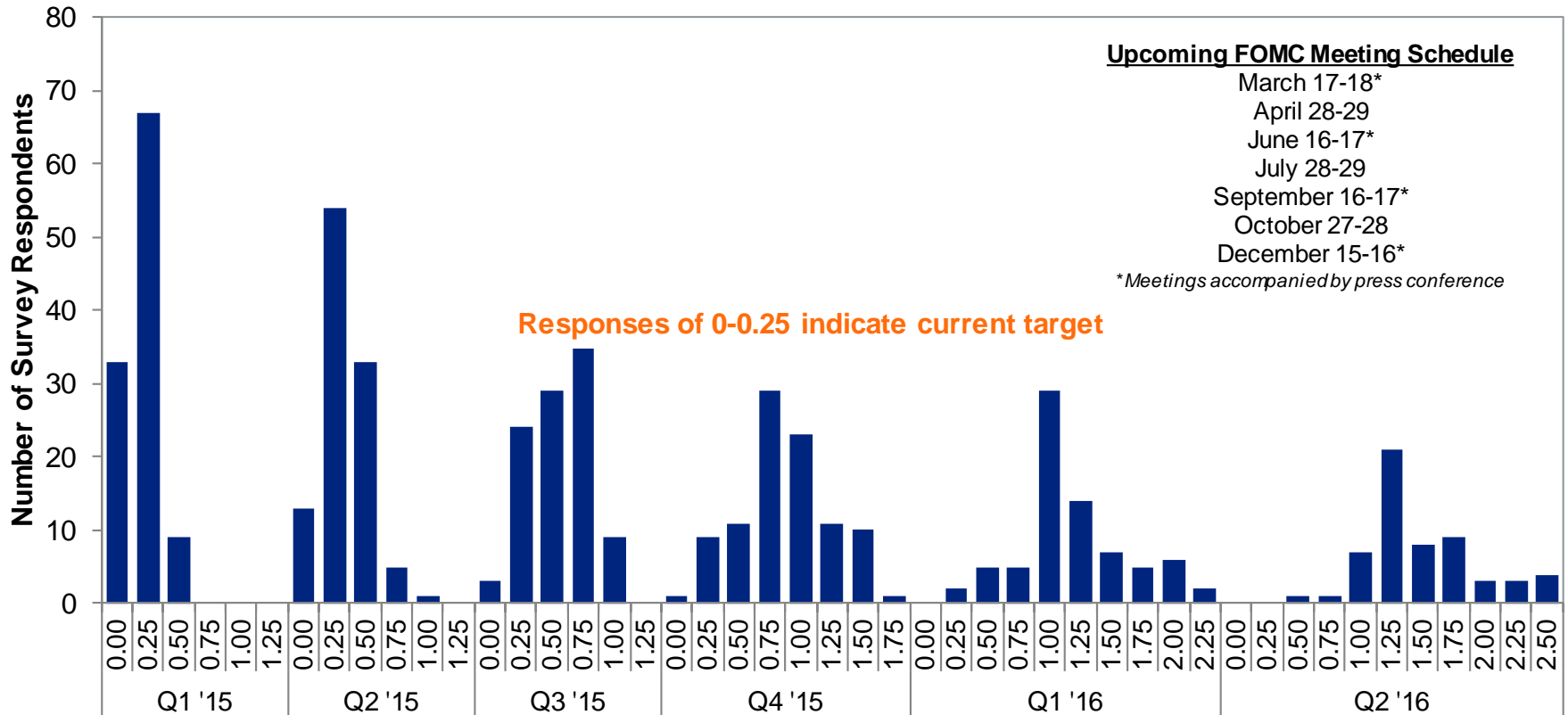
Source: Bloomberg. Shaded areas denote recessions as designated by the NBER. Updated through January 2015.



# Rate Hike : Economists' Survey

- Recent economic data, combined with FOMC statements have lead market participants to delay their expectations for a hike in the federal funds rate.
- Once normalization commences, the expectation is for a gradual shift towards higher rates.

## Economist Surveys: Federal Funds Rate



Source: Bloomberg

# **Colorado Springs Portfolio Performance**

---

---

# Colorado Springs Operating Reserve Portfolio Performance

- The City's Operating Reserve portfolio returned performance in line with, but slightly below, the benchmark for the fourth quarter.
  - Short and intermediate maturities were negatively impacted by rising rates; however, the steep yield curve provided enough income and "roll down" to offset this.
  - Corporate spreads widened a bit, reducing returns; however, their higher yields provided enough extra earnings to produce performance generally on par with Treasuries.
- Historically, the portfolio continue to generate solid performances in excess of the index.

## Total Return Performance<sup>1,2,3,4</sup>

	Duration	Portfolio Yield at Cost	Quarter Ending 12/31/14	Past 12 Months	Past 3 Years	Past 5 Years	Since Inception
<b>Colorado Springs Operating Reserve</b>	2.41	1.01%	0.43%	1.18%	0.86%	1.66%	3.05%
<i>Portfolio Return Net of Fees</i>	-	-	0.35%	1.10%	0.78%	1.58%	2.97%
<b>Merrill Lynch 1-5 Year U.S. Gov't Index</b>	2.61	-	0.48%	1.24%	0.68%	1.73%	2.86%

1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

2. The net return is for reference only, based on an average fee of 8.5 basis points, assuming an average portfolio of \$66 million.

3. Merrill Lynch Indices provided by Bloomberg Financial Markets.

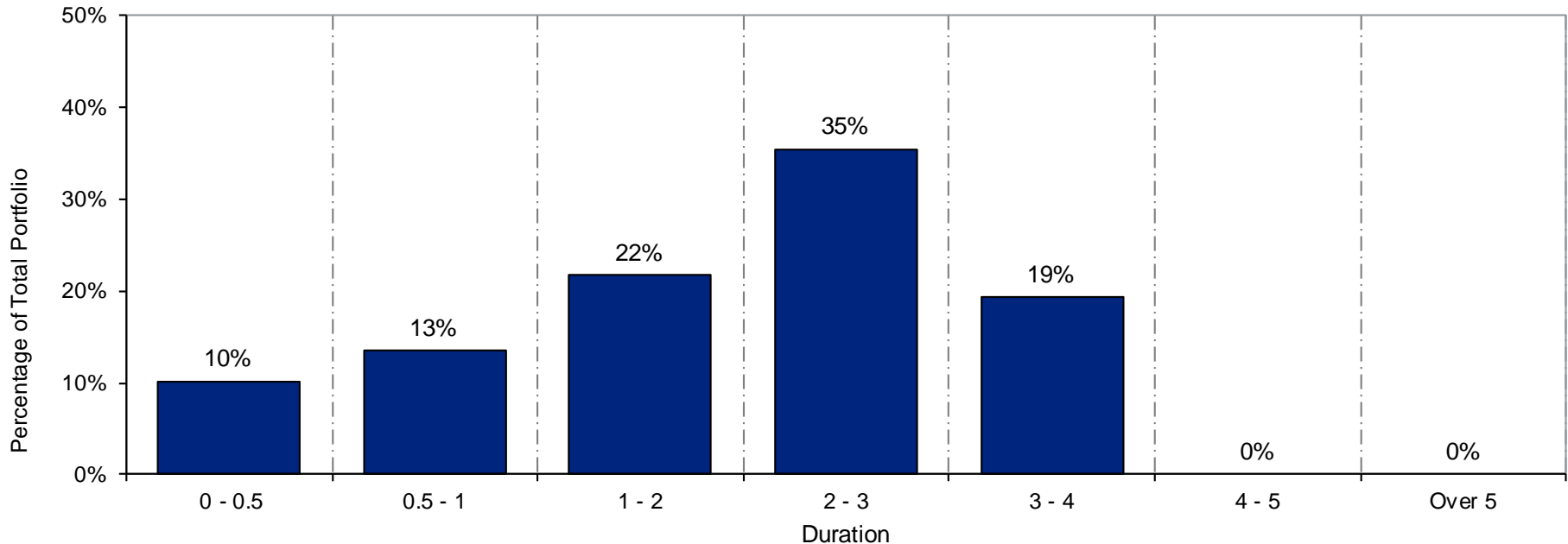
4. Inception date of Reserve is January 2003.

# Colorado Springs Airport Reserve Portfolio

- The Airport Reserve Portfolio is managed according to a duration target and according to the requirements of the bond documents.
- Airport reserve Portfolio Yield and Duration summary:

	December 31, 2014	September 30, 2014
Yield at Market	<b>1.49%</b>	1.44%
Yield at Cost	<b>1.40%</b>	1.40%
Effective Duration	<b>1.88</b>	2.12

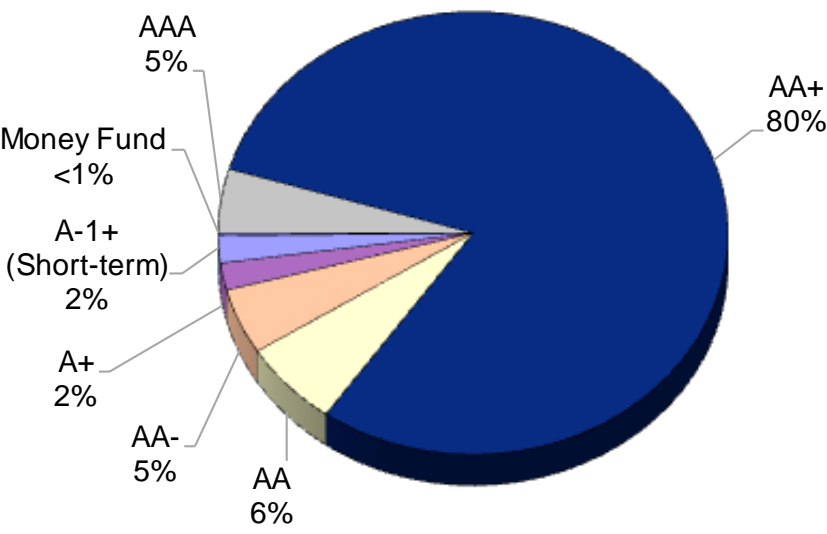
**Airport Reserve Portfolio Duration Distribution**  
December 31, 2014



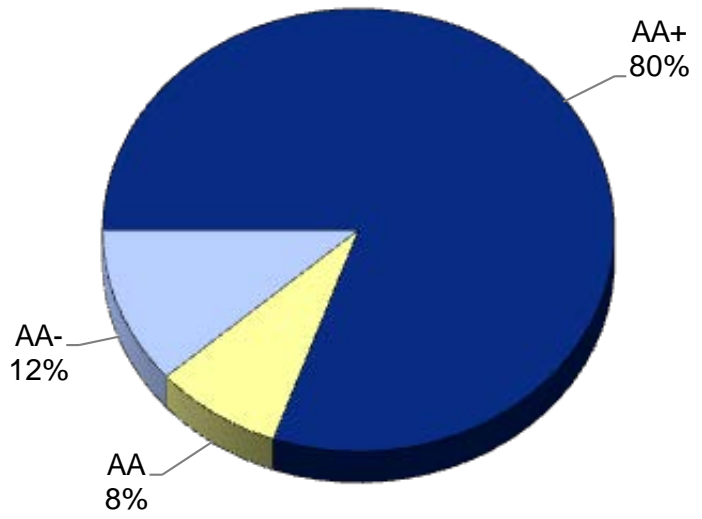
Source of index data: Bloomberg, Merrill Lynch

# Portfolios Are of High Credit Quality

### Operating Reserve Credit Quality Distribution



### Airport Reserve Credit Quality Distribution



As of 12/31/14  
Ratings by Standard & Poor's

# Aggregate Portfolio Issuer Distribution

**Municipal Obligations**

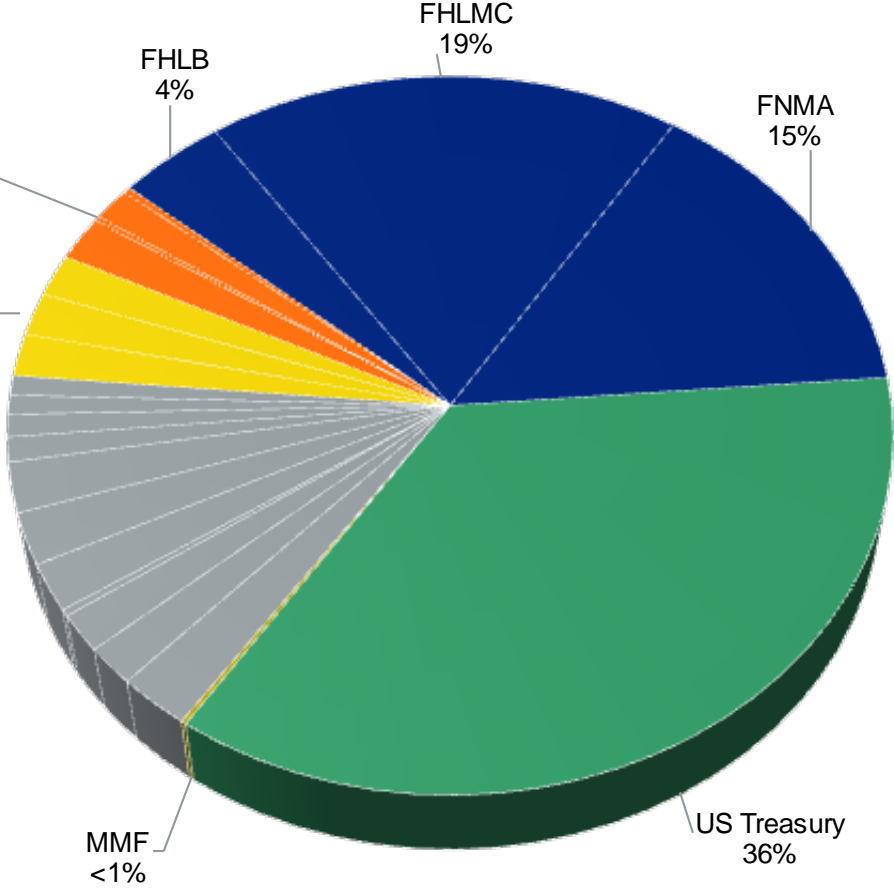
	<b>4%</b>
Maryland State Econ Dev Corp	2.0%
MS State	0.2%
City of New York City, NY	1.5%
State of Oregon	0.3%

**Certificates of Deposit**

	<b>6%</b>
Rabobank Nederland NV NY	1.9%
Toronto Dominion BankNY CD	1.9%
US Bank CD	1.9%

**Corporate Notes**

	<b>17%</b>
Apple Inc	2.5%
Berkshire Hathaway Inc	1.7%
Chevron Corp	1.7%
Coca-Cola Co	0.3%
Exxon Mobil	2.1%
General Electric Co	2.3%
IBM Corp	2.3%
Johnson & Johnson	1.1%
Board of Trustees of Stanford University	1.0%
Toyota Motor Corp	0.9%
Wal-Mart Stores Inc	0.9%



As of 12/31/14

# Portfolios Comply with City's Investment Policy

Security Type	Operating Reserve			Airport Reserve			In Compliance
	December 31, 2014 Market Values	12/31/14 % of Portfolio	9/30/14 % of Portfolio	December 31, 2014 Market Values	12/31/14 % of Portfolio	9/30/14 % of Portfolio	
U.S. Treasuries	\$26,620,961	36%	36%	\$299,684	12%	12%	√
Federal Agencies	\$27,121,223	37%	37%	\$1,279,496	53%	53%	√
Municipal Obligations	\$2,782,132	4%	5%	\$246,042	10%	10%	√
Corporate Notes	\$12,051,160	17%	15%	\$601,365	25%	25%	√
Negotiable CDs	\$4,342,728	6%	6%	\$0	0%	0%	√
Money Market Fund	\$129,841	<1%	<1%	\$0	0%	0%	√
<b>Totals</b>	<b>\$73,048,045</b>	<b>100%</b>	<b>100%</b>	<b>\$2,426,587</b>	<b>100%</b>	<b>100%</b>	

**CSIP** **\$5,459,957.21**

Market Value including accrued interest

# Fourth Quarter 2014 Operating Reserve Portfolio Strategies

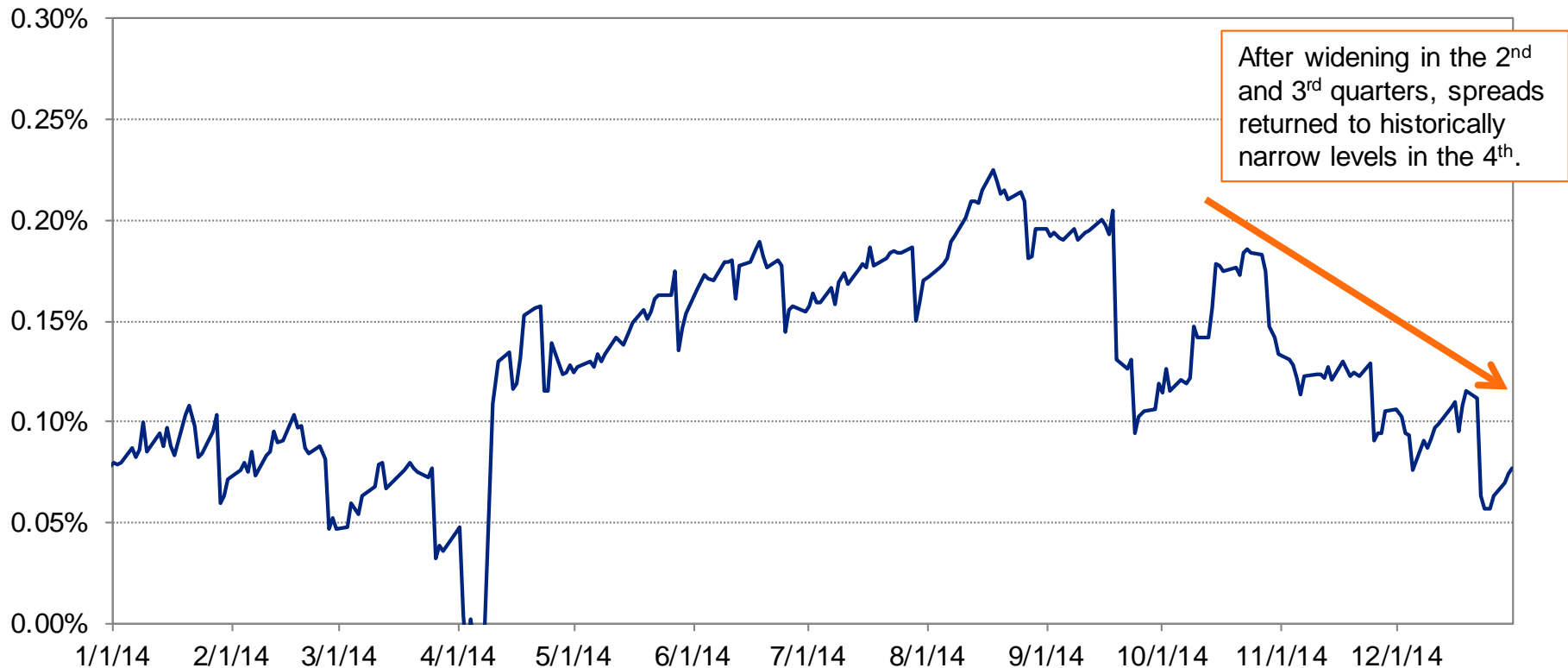
- Over the past quarter, we executed the following strategies in the City's Operating Reserve Portfolio:
  - Capitalized on steep yield curve by adding 2.5-4.5 year securities.
  - Favored Treasuries over Agencies as yield spreads narrowed.
  - Purchased additional corporate notes with attractive yields and strong fundamental characteristics.
  - Maintained modestly defensive durations in an effort to mitigate the impact that rising rates would have on portfolio performance.



# Treasury Purchases Safely Increase Yield and Duration

- Yield spreads between Treasuries and Agencies were very narrow in the fourth quarter. When spreads are narrow, we prefer to purchase Treasuries over Agencies, as Treasuries are the safest and most liquid securities available.
- Half of the investments made in the fourth quarter were in the Treasury sector.

**2-Year Treasury and Agency Spread**  
January 1, 2014 – December 31, 2014

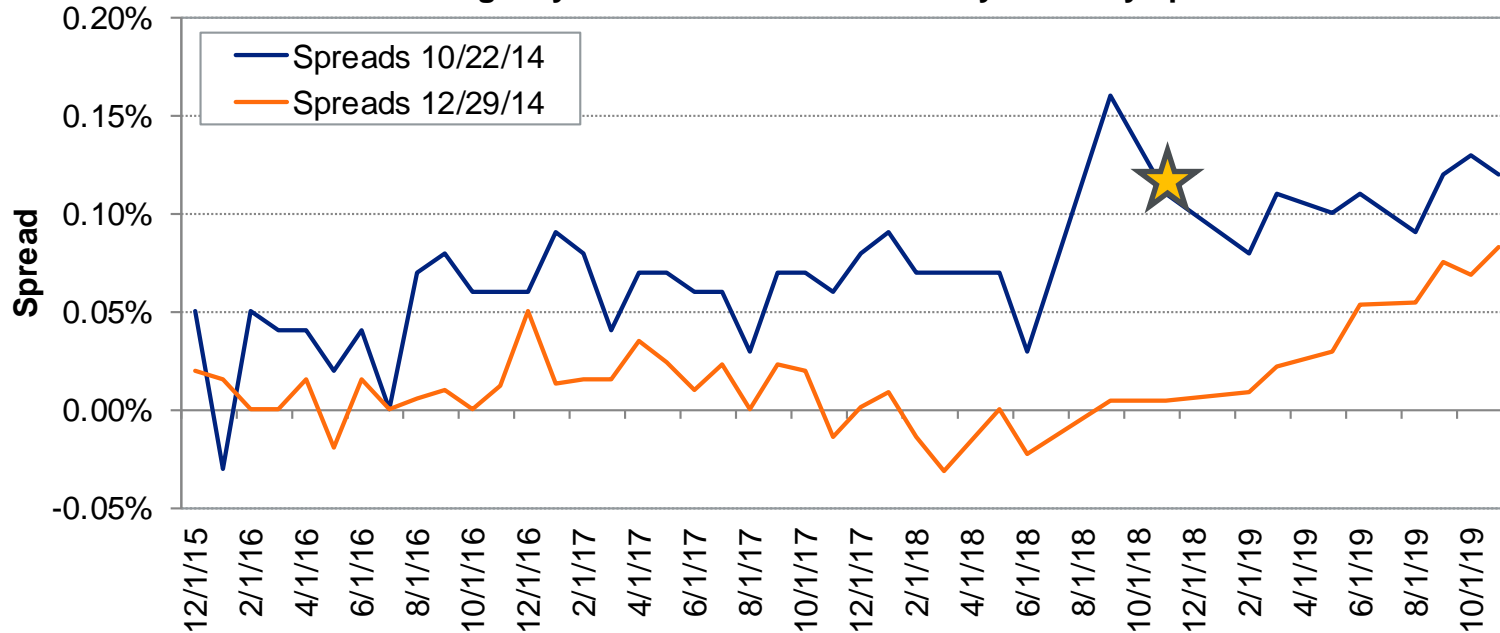


Source: Bloomberg.

# Relative Value Analysis: Treasuries vs. Agencies

- Although, generally speaking, yield spreads between Treasuries and Agencies favor Treasuries, the relationship fluctuates and depends on the security maturity. This provides opportunities to trade between the two sectors to increase earnings.

**Agency Bullet vs. Matched Maturity Treasury Spread**



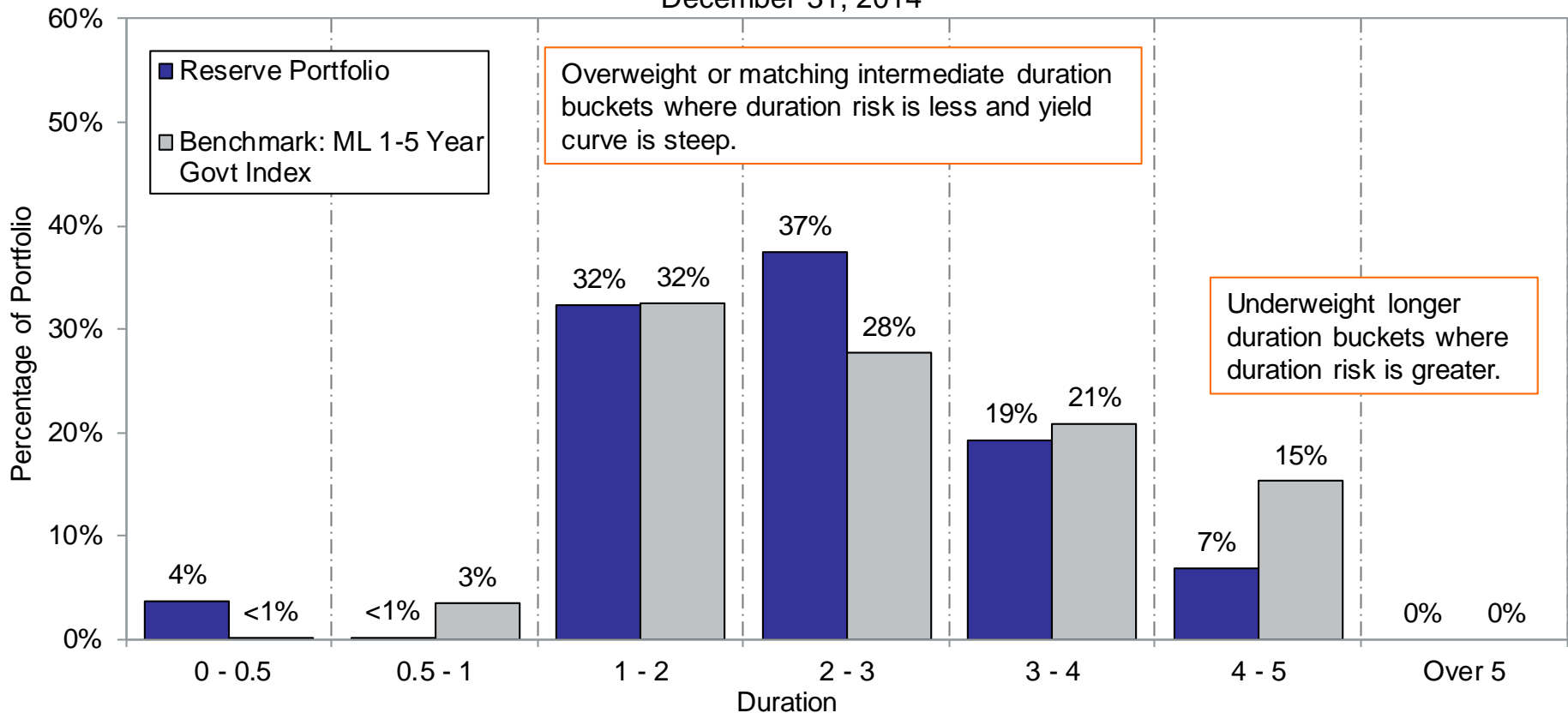
Trade Date	Trade Type	Security	Par Value	Maturity Date	Yield at Market
10/22/14	Sell	U.S. Treasury Notes	\$1,895,000	11/30/18	1.27%
<b>10/22/14</b>	<b>Buy</b>	<b>FNMA Notes</b>	<b>\$1,880,000</b>	<b>11/27/18</b>	<b>1.39%</b>

- Agency will add approximately \$9,200 of additional earnings over what the Treasury would have earned without adding duration or credit risk.

# Prudent Management of Duration Risk

- While we continue to purchase some securities with maturities beyond 4 years, we are maintaining slightly conservative duration position in the reserve portfolio relative to the benchmark.
- A conservative duration position will help mitigate unrealized market value losses that can occur when rates rise, relative to the benchmark.

**Operating Reserve Portfolio vs. Benchmark Duration Distribution**  
December 31, 2014

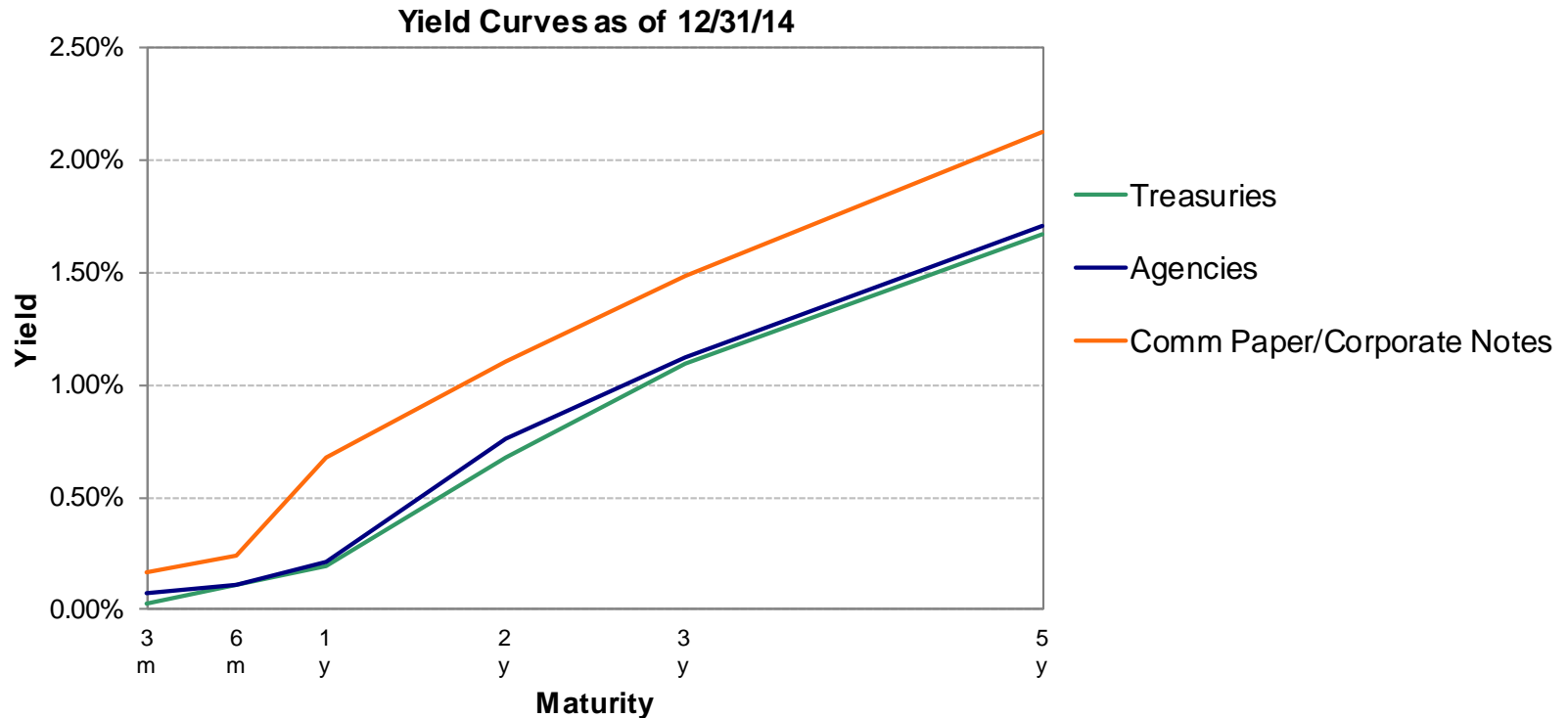


Source of index data: Bloomberg, Merrill Lynch

# Credit Instruments Offer Yield Advantage

- Corporate notes are a good source of income for the City's portfolio and have performed relatively well over the past year.
- During the past quarter we purchased three high quality corporate notes at attractive yields.

Trade Date	Issuer	S&P Rating	Maturity Date	Par	Yield	Yield Over Treasury
11/10/2014	Chevron Corp. Note	AA	11/15/2017	885,000	1.34%	<b>+0.30%</b>
11/18/2014	Johnson & Johnson Corporate Note	AAA	11/21/2017	835,000	1.15%	<b>+0.20%</b>
12/1/2014	General Electric Co. Note	AA+	12/6/2017	1,350,000	1.34%	<b>+0.40%</b>



Source: Bloomberg

# First Quarter 2015 Outlook

- **We expect similar market forces in 2015:**
  - Central bank action
  - Diverging global economic activity
  - Geopolitical risk
- **Closely monitor movements of the FOMC:**
  - Expect first rate hike in 2015
  - Timing uncertain—possibly late summer to early fall
  - Continue to employ conservative duration management
- **Very little yield advantage in government-related securities:**
  - Agency and municipal bond spreads are very narrow
  - Look for opportunities to diversify into credit sectors
  - Prefer Treasuries where yields are narrow
- **Corporate sector should provide opportunities for return enhancement:**
  - Attractive yields on high-quality issuers
  - Spreads should remain relatively stable in 2015

# Sector Preferences – February 2015

Sector	PFMAM Investment Preference	Sector Considerations
MMF/LGIP		<p><b>CP/CDs</b> Supply is constrained for shorter maturities, but Fed expectations has improved value in 6-12 month maturities.</p> <p><b>Treasuries</b> New issuance shrinking as federal deficit improves; 1-5 year maturities offer value near the upper end of recent trading ranges.</p> <p><b>Federal Agencies</b> Housing GSEs continue to reduce issuance as they shrink their balance sheets; result is diminished supply and shrinking spreads, little value in short maturities.</p> <p><b>Corporates</b> Positive macro environment is particularly supportive of industrial issuers which appear attractive; some new issues still contain price concessions; bank sector may come under ratings pressure in 2015, but still provide an opportunity to enhance returns.</p> <p><b>Municipals</b> Supply has diminished as advance refundings decline and new money projects lag; taxables offer occasional value compared to other spread products.</p> <p><b>ABS</b> Economic outlook supports incremental value in AAA senior fixed-rate auto loan and credit card tranches.</p> <p><b>MBS</b> Sector remains vulnerable to volatility, bank regulations and investor preferences; risk of slowing pre-payments if rates rise; seasoned issues with shorter final maturities have modest value.</p>
Commercial Paper/CDs		
Treasury: T-Bill		
T-Note		
Agency: <= 3 years		
> 3 Years		
Corporates: Financials		
Industrials		
Municipal Bonds		
Asset-Backed		
Mortgage Backed		

Source: PFMAM. As of January 31, 2015. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. Analysis is subject to changes in the market environment, and may vary based on the client's particular circumstances.

# Portfolio Holdings

---

---



## Managed Account Detail of Securities Held

For the Month Ending **December 31, 2014**

### CITY OF COLORADO SPRINGS - XXXXX500

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 06/17/2013 0.500% 06/15/2016	912828VG2	235,000.00	AA+	Aaa	04/08/14	04/11/14	234,972.46	0.51	54.88	234,981.71	235,183.54
US TREASURY NOTES DTD 08/01/2011 1.500% 07/31/2016	912828QX1	485,000.00	AA+	Aaa	01/25/12	01/27/12	500,345.70	0.78	3,044.43	490,441.66	492,426.32
US TREASURY NOTES DTD 08/01/2011 1.500% 07/31/2016	912828QX1	3,255,000.00	AA+	Aaa	07/24/14	07/25/14	3,317,684.18	0.54	20,432.20	3,304,216.22	3,304,840.56
US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	925,000.00	AA+	Aaa	08/29/13	08/30/13	930,058.59	0.82	3,142.96	927,811.85	931,937.50
US TREASURY NOTES DTD 01/03/2012 0.875% 12/31/2016	912828RX0	675,000.00	AA+	Aaa	01/23/12	01/26/12	673,787.11	0.91	16.32	674,502.27	677,531.25
US TREASURY NOTES DTD 01/31/2012 0.875% 01/31/2017	912828SC5	1,300,000.00	AA+	Aaa	02/22/12	02/27/12	1,299,746.09	0.88	4,760.19	1,299,892.05	1,303,758.30
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	1,475,000.00	AA+	Aaa	02/27/14	03/03/14	1,486,984.37	0.73	3,768.54	1,483,769.13	1,481,223.03
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	3,325,000.00	AA+	Aaa	03/19/14	03/21/14	3,332,663.09	0.92	8,495.19	3,330,702.44	3,339,028.18
US TREASURY NOTES DTD 06/30/2010 2.500% 06/30/2017	912828NK2	225,000.00	AA+	Aaa	12/08/14	12/09/14	233,982.42	0.92	15.54	233,766.09	233,859.38
US TREASURY NOTES DTD 06/30/2010 2.500% 06/30/2017	912828NK2	1,160,000.00	AA+	Aaa	12/05/14	12/09/14	1,206,354.69	0.92	80.11	1,205,238.26	1,205,675.00
US TREASURY NOTES DTD 10/01/2012 0.625% 09/30/2017	912828TS9	400,000.00	AA+	Aaa	10/26/12	10/31/12	397,609.38	0.75	638.74	398,654.52	395,718.75
US TREASURY NOTES DTD 10/31/2012 0.750% 10/31/2017	912828TW0	225,000.00	AA+	Aaa	11/01/12	11/05/12	225,131.84	0.74	289.02	225,075.40	223,206.98
US TREASURY NOTES DTD 11/30/2012 0.625% 11/30/2017	912828UA6	1,015,000.00	AA+	Aaa	05/06/14	05/09/14	995,492.97	1.18	557.69	998,986.68	1,001,995.82
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	900,000.00	AA+	Aaa	05/10/13	05/15/13	891,808.59	0.81	963.40	894,466.18	881,719.20





## Managed Account Detail of Securities Held

For the Month Ending **December 31, 2014**

### CITY OF COLORADO SPRINGS - XXXXX500

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 10/31/2013 1.250% 10/31/2018	912828WD8	1,200,000.00	AA+	Aaa	10/02/14	10/06/14	1,189,546.88	1.47	2,569.06	1,190,148.53	1,192,219.20
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	605,000.00	AA+	Aaa	07/01/14	07/07/14	598,666.41	1.50	664.84	599,349.48	600,746.25
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	1,100,000.00	AA+	Aaa	06/02/14	06/03/14	1,092,308.59	1.41	1,208.79	1,093,274.93	1,092,265.90
US TREASURY NOTES DTD 01/31/2014 1.500% 01/31/2019	912828B33	2,900,000.00	AA+	Aaa	07/29/14	07/31/14	2,886,519.53	1.61	18,203.80	2,887,733.38	2,901,133.90
US TREASURY NOTES DTD 03/31/2014 1.625% 03/31/2019	912828C65	2,500,000.00	AA+	Aaa	09/02/14	09/04/14	2,502,734.38	1.60	10,379.46	2,502,554.50	2,511,132.50
US TREASURY NOTES DTD 05/15/2009 3.125% 05/15/2019	912828K02	2,370,000.00	AA+	Aaa	10/30/14	11/03/14	2,537,936.72	1.50	9,615.85	2,532,108.02	2,526,457.92
<b>Security Type Sub-Total</b>		<b>26,275,000.00</b>					<b>26,534,333.99</b>	<b>1.11</b>	<b>88,901.01</b>	<b>26,507,673.30</b>	<b>26,532,059.48</b>
<b>Municipal Bond / Note</b>											
MD ST ECON DEV CORP TXBL REV BONDS DTD 10/31/2012 0.750% 06/01/2015	57420PGF7	1,400,000.00	AA+	Aa1	10/17/12	10/31/12	1,400,700.00	0.73	875.00	1,400,113.41	1,401,778.00
MS ST TXBL GO BONDS DTD 12/03/2013 2.000% 12/01/2015	605581DO7	160,000.00	AA	Aa2	11/13/13	12/03/13	164,563.20	0.56	266.67	162,103.38	162,019.20
OR ST DEPT ADMIN LOTTERY TXBL REV BONDS DTD 04/16/2013 0.782% 04/01/2016	68607VA70	210,000.00	AAA	Aa2	04/04/13	04/16/13	210,000.00	0.78	410.55	210,000.00	210,262.50
NYC, NY TXBL GO BONDS DTD 08/15/2013 1.080% 08/01/2016	64966KL68	1,000,000.00	AA	Aa2	07/25/13	08/15/13	1,000,000.00	1.08	4,500.00	1,000,000.00	1,002,020.00
<b>Security Type Sub-Total</b>		<b>2,770,000.00</b>					<b>2,775,263.20</b>	<b>0.85</b>	<b>6,052.22</b>	<b>2,772,216.79</b>	<b>2,776,079.70</b>
<b>Federal Agency Bond / Note</b>											
FREDDIE MAC GLOBAL NOTES DTD 03/07/2013 0.500% 05/13/2016	3137EADQ9	1,915,000.00	AA+	Aaa	03/06/13	03/07/13	1,914,885.10	0.50	1,276.67	1,914,949.85	1,915,674.08



## Managed Account Detail of Securities Held

For the Month Ending **December 31, 2014**

### CITY OF COLORADO SPRINGS - XXXXX500

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FHLMC NOTES DTD 04/08/2011 2.500% 05/27/2016	3137EACT4	1,250,000.00	AA+	Aaa	01/04/12	01/06/12	1,325,312.50	1.09	2,951.39	1,274,495.25	1,285,331.25
FREDDIE MAC GLOBAL NOTES DTD 07/08/2011 2.000% 08/25/2016	3137EACW7	1,250,000.00	AA+	Aaa	12/08/11	12/09/11	1,298,987.50	1.14	8,750.00	1,267,457.23	1,279,846.25
FHLB NOTES DTD 08/07/2014 0.500% 09/28/2016	3130A2T97	1,925,000.00	AA+	Aaa	08/06/14	08/07/14	1,920,668.75	0.61	2,486.46	1,921,472.63	1,919,896.83
FHLMC NOTES DTD 08/16/2013 0.875% 10/14/2016	3137EADS5	2,000,000.00	AA+	Aaa	10/01/13	10/03/13	2,006,080.00	0.77	3,743.06	2,003,599.82	2,007,456.00
FANNIE MAE GLOBAL NOTES DTD 01/09/2012 1.250% 01/30/2017	3135G0GY3	1,625,000.00	AA+	Aaa	06/17/14	06/18/14	1,641,477.50	0.86	8,519.97	1,638,133.71	1,639,568.13
FEDERAL HOME LOAN BANKS (CALLABLE) DTD 03/27/2014 1.625% 03/27/2017	3130A1CR7	1,175,000.00	AA+	Aaa	04/02/14	04/04/14	1,187,913.25	1.25	4,985.59	1,178,149.89	1,178,660.13
FREDDIE MAC GLOBAL NOTES DTD 05/14/2012 1.000% 06/29/2017	3137EADH9	385,000.00	AA+	Aaa	08/11/14	08/13/14	385,367.29	0.97	21.39	385,319.69	385,758.07
FREDDIE MAC GLOBAL NOTES DTD 05/14/2012 1.000% 06/29/2017	3137EADH9	1,470,000.00	AA+	Aaa	08/11/14	08/13/14	1,471,719.90	0.96	81.67	1,471,496.33	1,472,894.43
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	285,000.00	AA+	Aaa	08/12/14	08/14/14	284,964.66	1.00	1,211.25	284,969.36	284,893.13
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	460,000.00	AA+	Aaa	08/12/14	08/14/14	459,969.18	1.00	1,955.00	459,973.43	459,827.50
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	1,300,000.00	AA+	Aaa	07/30/12	07/31/12	1,308,697.00	0.86	5,525.00	1,304,532.97	1,299,512.50
FANNIE MAE GLOBAL NOTES DTD 07/20/2012 0.875% 08/28/2017	3135G0MZ3	1,575,000.00	AA+	Aaa	09/06/12	09/10/12	1,578,906.00	0.82	4,708.59	1,577,110.75	1,569,498.53
FNMA NOTES DTD 08/25/2014 1.000% 09/27/2017	3135G0ZL0	640,000.00	AA+	Aaa	08/21/14	08/25/14	637,715.20	1.12	1,671.11	637,969.25	638,711.04
FREDDIE MAC GLOBAL NOTES DTD 08/10/2012 1.000% 09/29/2017	3137EADL0	600,000.00	AA+	Aaa	10/04/12	10/05/12	606,402.00	0.78	1,533.33	603,556.28	598,682.40



## Managed Account Detail of Securities Held

For the Month Ending **December 31, 2014**

### CITY OF COLORADO SPRINGS - XXXXX500

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FANNIE MAE GLOBAL NOTES DTD 09/24/2012 0.875% 10/26/2017	3135G0PQ0	1,725,000.00	AA+	Aaa	11/27/13	12/03/13	1,711,803.75	1.08	2,725.26	1,715,401.58	1,710,420.30
FREDDIE MAC GLOBAL NOTES DTD 01/17/2013 0.875% 03/07/2018	3137EADP1	2,850,000.00	AA+	Aaa	03/26/13	03/27/13	2,842,476.00	0.93	7,896.88	2,845,118.69	2,815,666.05
FANNIE MAE GLOBAL NOTES DTD 04/15/2013 0.875% 05/21/2018	3135G0WJ8	1,000,000.00	AA+	Aaa	05/24/13	05/31/13	984,850.00	1.19	972.22	989,578.94	983,372.00
FANNIE MAE GLOBAL NOTES DTD 04/15/2013 0.875% 05/21/2018	3135G0WJ8	1,750,000.00	AA+	Aaa	05/22/13	05/24/13	1,735,212.50	1.05	1,701.39	1,739,877.60	1,720,901.00
FANNIE MAE GLOBAL NOTES DTD 10/01/2013 1.625% 11/27/2018	3135G0YT4	1,880,000.00	AA+	Aaa	10/22/14	10/23/14	1,897,860.00	1.39	2,885.28	1,897,064.68	1,889,052.20
<b>Security Type Sub-Total</b>		<b>27,060,000.00</b>					<b>27,201,268.08</b>	<b>0.95</b>	<b>65,601.51</b>	<b>27,110,227.93</b>	<b>27,055,621.82</b>
<b>Corporate Note</b>											
TOYOTA MOTOR CREDIT CORP DTD 01/11/2011 2.800% 01/11/2016	89233P4R4	500,000.00	AA-	Aa3	03/05/13	03/08/13	528,748.00	0.75	6,611.11	510,468.91	510,854.00
BERKSHIRE HATHAWAY FIN CORP NOTE DTD 02/11/2013 0.800% 02/11/2016	084670BG2	400,000.00	AA	Aa2	01/29/13	02/11/13	399,964.00	0.80	1,244.44	399,986.57	400,792.40
WAL-MART STORES INC GLOBAL NOTES DTD 04/11/2013 0.600% 04/11/2016	931142DE0	375,000.00	AA	Aa2	04/04/13	04/11/13	374,733.75	0.62	500.00	374,886.01	374,824.50
STANFORD UNIVERSITY NOTES DTD 04/29/2009 4.250% 05/01/2016	854403AB8	725,000.00	AAA	Aaa	06/13/13	06/18/13	796,042.75	0.79	5,135.42	758,208.23	756,854.33
APPLE INC GLOBAL NOTES DTD 05/03/2013 0.450% 05/03/2016	037833AH3	340,000.00	AA+	Aa1	04/30/13	05/03/13	339,384.60	0.51	246.50	339,724.21	339,631.44
IBM CORP GLOBAL NOTES (EX-CALLABLE) DTD 05/07/2013 0.450% 05/06/2016	459200HL8	1,550,000.00	AA-	Aa3	05/02/13	05/07/13	1,545,629.00	0.55	1,065.63	1,548,026.65	1,545,332.95
CHEVRON CORP GLOBAL NOTES DTD 06/24/2013 0.889% 06/24/2016	166764AC4	400,000.00	AA	Aa1	06/17/13	06/24/13	400,000.00	0.89	69.14	400,000.00	400,846.40
BERKSHIRE HATHAWAY FIN GLOBAL NOTES DTD 08/15/2013 0.950% 08/15/2016	084664BX8	835,000.00	AA	Aa2	08/06/13	08/15/13	834,557.45	0.97	2,996.72	834,759.14	837,749.66



## Managed Account Detail of Securities Held

For the Month Ending **December 31, 2014**

### CITY OF COLORADO SPRINGS - XXXXX500

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate Note</b>											
COCA-COLA CO/THE GLOBAL NOTES DTD 11/01/2013 0.750% 11/01/2016	191216BD1	215,000.00	AA	Aa3	10/29/13	11/01/13	214,752.75	0.79	268.75	214,848.23	214,945.82
EXXON MOBIL CORP NOTE DTD 03/20/2014 0.921% 03/15/2017	30231GAA0	1,605,000.00	AAA	Aaa	03/17/14	03/20/14	1,605,000.00	0.92	4,352.49	1,605,000.00	1,602,916.71
WAL-MART STORES INC CORP NOTES DTD 04/22/2014 1.000% 04/21/2017	931142DN0	290,000.00	AA	Aa2	04/15/14	04/22/14	289,956.50	1.01	563.89	289,966.41	289,334.16
APPLE INC CORP NOTE DTD 05/06/2014 1.050% 05/05/2017	037833AM2	1,525,000.00	AA+	Aa1	04/29/14	05/06/14	1,524,191.75	1.07	2,446.35	1,524,365.69	1,528,394.65
CHEVRON CORP NOTE DTD 11/18/2014 1.345% 11/15/2017	166764AL4	885,000.00	AA	Aa1	11/10/14	11/18/14	885,000.00	1.35	1,421.78	885,000.00	885,716.85
JOHNSON & JOHNSON CORP NOTES DTD 11/21/2014 1.125% 11/21/2017	478160BL7	835,000.00	AAA	Aaa	11/18/14	11/21/14	834,340.35	1.15	1,043.75	834,364.43	832,507.53
GENERAL ELECTRIC CO NOTES DTD 12/06/2007 5.250% 12/06/2017	369604BC6	1,350,000.00	AA+	Aa3	12/01/14	12/08/14	1,504,426.50	1.34	4,921.88	1,501,186.58	1,497,571.20
<b>Security Type Sub-Total</b>		<b>11,830,000.00</b>					<b>12,076,727.40</b>	<b>0.95</b>	<b>32,887.85</b>	<b>12,020,791.06</b>	<b>12,018,272.60</b>
<b>Certificate of Deposit</b>											
RABOBANK NEDERLAND NV NY CD DTD 05/13/2014 0.716% 05/06/2016	21684BPV0	1,450,000.00	A+	Aa2	05/09/14	05/13/14	1,450,000.00	0.71	1,586.69	1,450,000.00	1,445,636.95
TORONTO DOMINION BANK NY CD DTD 09/29/2014 0.900% 09/29/2016	89112UXV8	1,450,000.00	A-1+	P-1	09/25/14	09/29/14	1,450,000.00	0.90	3,407.50	1,450,000.00	1,451,244.10
US BANK NA CINCINNATI (CALLABLE) CD DTD 09/11/2014 1.375% 09/11/2017	90333VPF1	1,450,000.00	AA-	Aa3	09/09/14	09/11/14	1,447,665.50	1.41	6,092.01	1,447,904.07	1,434,760.50
<b>Security Type Sub-Total</b>		<b>4,350,000.00</b>					<b>4,347,665.50</b>	<b>1.01</b>	<b>11,086.20</b>	<b>4,347,904.07</b>	<b>4,331,641.55</b>
<b>Managed Account Sub-Total</b>		<b>72,285,000.00</b>					<b>72,935,258.17</b>	<b>1.01</b>	<b>204,528.79</b>	<b>72,758,813.15</b>	<b>72,713,675.15</b>



**Managed Account Detail of Securities Held**

For the Month Ending **December 31, 2014**

<b>CITY OF COLORADO SPRINGS - XXXXX500</b>						
<b>Securities Sub-Total</b>	<b>\$72,285,000.00</b>	<b>\$72,935,258.17</b>	<b>1.01%</b>	<b>\$204,528.79</b>	<b>\$72,758,813.15</b>	<b>\$72,713,675.15</b>
<b>Accrued Interest</b>						<b>\$204,528.79</b>
<b>Total Investments</b>						<b>\$72,918,203.94</b>



## Managed Account Detail of Securities Held

For the Month Ending **December 31, 2014**

### CITY OF COLORADO SPRINGS AIRPORT RESERVE - XXXXX510

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 11/01/2010 1.250% 10/31/2015	912828PE4	100,000.00	AA+	Aaa	08/22/11	08/24/11	102,265.62	0.70	214.09	100,453.89	100,804.69
US TREASURY NOTES DTD 06/17/2013 0.500% 06/15/2016	912828VG2	50,000.00	AA+	Aaa	04/08/14	04/11/14	50,000.00	0.50	11.68	50,000.00	50,039.05
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	150,000.00	AA+	Aaa	08/14/12	08/15/12	148,271.48	0.74	313.86	149,092.43	148,300.78
<b>Security Type Sub-Total</b>		<b>300,000.00</b>					<b>300,537.10</b>	<b>0.68</b>	<b>539.63</b>	<b>299,546.32</b>	<b>299,144.52</b>
<b>Municipal Bond / Note</b>											
MD ST ECON DEV CORP TXBL REV BONDS DTD 10/31/2012 0.750% 06/01/2015	57420PGF7	120,000.00	AA+	Aa1	10/17/12	10/31/12	120,060.00	0.73	75.00	120,009.72	120,152.40
NYC, NY TXBL GO BONDS DTD 08/15/2013 1.080% 08/01/2016	64966KL68	125,000.00	AA	Aa2	07/25/13	08/15/13	125,000.00	1.08	562.50	125,000.00	125,252.50
<b>Security Type Sub-Total</b>		<b>245,000.00</b>					<b>245,060.00</b>	<b>0.91</b>	<b>637.50</b>	<b>245,009.72</b>	<b>245,404.90</b>
<b>Federal Agency Bond / Note</b>											
FHLB (EX-CALLABLE) GLOBAL NOTES DTD 12/30/2013 0.375% 12/30/2015	3130A0GK0	100,000.00	AA+	Aaa	12/12/13	12/30/13	99,970.00	0.39	1.04	99,985.01	100,021.90
FANNIE MAE GLOBAL NOTES DTD 01/09/2012 1.250% 01/30/2017	3135G0GY3	140,000.00	AA+	Aaa	09/06/12	09/10/12	143,362.80	0.69	734.03	141,606.91	141,255.10
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	100,000.00	AA+	Aaa	07/30/12	07/31/12	100,669.00	0.86	425.00	100,348.69	99,962.50
FREDDIE MAC GLOBAL NOTES DTD 01/17/2013 0.875% 03/07/2018	3137EADP1	200,000.00	AA+	Aaa	03/26/13	03/27/13	199,472.00	0.93	554.17	199,657.45	197,590.60
FANNIE MAE GLOBAL NOTES DTD 04/15/2013 0.875% 05/21/2018	3135G0WJ8	100,000.00	AA+	Aaa	05/24/13	05/31/13	98,485.00	1.19	97.22	98,957.89	98,337.20
FANNIE MAE GLOBAL NOTES DTD 04/15/2013 0.875% 05/21/2018	3135G0WJ8	175,000.00	AA+	Aaa	05/22/13	05/24/13	173,521.25	1.05	170.14	173,987.76	172,090.10



**Managed Account Detail of Securities Held**

For the Month Ending **December 31, 2014**

**CITY OF COLORADO SPRINGS AIRPORT RESERVE - XXXXX510**

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Federal Agency Bond / Note</b>												
FNMA (CALLABLE) GLOBAL NOTES DTD 10/18/2006 5.450% 10/18/2021		31359MZ22	430,000.00	AA+	Aaa	07/20/10	07/21/10	493,996.90	3.81	4,752.10	449,589.34	463,505.60
<b>Security Type Sub-Total</b>			<b>1,245,000.00</b>					<b>1,309,476.95</b>	<b>1.94</b>	<b>6,733.70</b>	<b>1,264,133.05</b>	<b>1,272,763.00</b>
<b>Corporate Note</b>												
GENERAL ELEC CAP CORP GLOBAL NOTES DTD 01/09/2012 2.150% 01/09/2015		36962G5M2	125,000.00	AA+	A1	03/05/12	03/06/12	128,547.50	1.13	1,284.03	125,028.12	125,020.50
GENERAL ELECTRIC CO NOTES DTD 10/09/2012 0.850% 10/09/2015		369604BE2	125,000.00	AA+	Aa3	10/02/12	10/09/12	125,347.50	0.76	242.01	125,090.18	125,319.88
TOYOTA MOTOR CREDIT CORP DTD 01/11/2011 2.800% 01/11/2016		89233P4R4	125,000.00	AA-	Aa3	03/05/13	03/08/13	132,187.00	0.75	1,652.78	127,617.23	127,713.50
IBM CORP GLOBAL NOTES (EX-CALLABLE) DTD 05/07/2013 0.450% 05/06/2016		459200HL8	150,000.00	AA-	Aa3	05/02/13	05/07/13	149,577.00	0.55	103.13	149,809.03	149,548.35
BERKSHIRE HATHAWAY FIN GLOBAL NOTES DTD 08/15/2013 0.950% 08/15/2016		084664BX8	70,000.00	AA	Aa2	08/06/13	08/15/13	69,962.90	0.97	251.22	69,979.81	70,230.51
<b>Security Type Sub-Total</b>			<b>595,000.00</b>					<b>605,621.90</b>	<b>0.81</b>	<b>3,533.17</b>	<b>597,524.37</b>	<b>597,832.74</b>
<b>Managed Account Sub-Total</b>			<b>2,385,000.00</b>					<b>2,460,695.95</b>	<b>1.40</b>	<b>11,444.00</b>	<b>2,406,213.46</b>	<b>2,415,145.16</b>
<b>Securities Sub-Total</b>			<b>\$2,385,000.00</b>					<b>\$2,460,695.95</b>	<b>1.40%</b>	<b>\$11,444.00</b>	<b>\$2,406,213.46</b>	<b>\$2,415,145.16</b>
<b>Accrued Interest</b>												<b>\$11,444.00</b>
<b>Total Investments</b>												<b>\$2,426,589.16</b>

# Disclaimer

*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.*