2005	2006	2007	2008	2009	2010
3.90%	5.18%	9.84%	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%	1.38%	2.82%
1.75%	4.56%	6.98%	6.61%	1.04%	2.35%
1.67%	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%	(0.67%)	0.36%
0.86%	3.55%	4.99%	2.06%	(1.41%)	0.13%

PFM®
The PFM Group
Financial & Investment Advisors

CITY OF COLORADO SPRINGS

City of Colorado Springs

Investment Performance Review
Quarter Ended December 31, 2015

Bob Cheddar, Managing Director ◆ Chris Blackwood, Director
Allison Kaune, Senior Managing Consultant ◆ Emily Ferguson, Client Manager

PFM Asset Management LLC
633 17th Street, Suite 2250
Denver, CO 80202
303-467-1114

Economic & Market Update

Economic Summary

Economic Conditions

- Job growth showed continued momentum as the economy added 292,000 jobs in December, bringing the 2015 tally to 2.65 million net new jobs – the unemployment rate held steady at 5.0%.
- Oil prices plunged to below $35/barrel in December as demand from emerging markets, especially China, slowed while production remained high – the Organization of the Petroleum Exporting Countries (OPEC) decided to maintain its current output target, a decision they will reassess in June.
- U.S. retail sales were helped by strong auto sales and online sales helped U.S. retail sales grow 7.9% this holiday season, according to MasterCard. Online sales grew 20% over the last year.
- The Federal Open Market Committee (FOMC) raised the target federal funds rate by 25 basis points (bps) at its December meeting, marking the much anticipated end to its "zero interest rate policy." This change was accompanied by the committee's commitment to remain gradual in the pace of future hikes.

Market Reaction

- Yields rose modestly across the curve in December in reaction to the start of the FOMC's rate normalization process. The yield curve flattened as short and intermediate maturities (seven years or under) rose six to 12 basis points while longer maturities fell slightly.
- While rates ended the month higher, market reaction was relatively subdued – evidence that the Federal Reserve's (the "Fed's") action was widely anticipated.
- Credit spreads widened in December, a reversal of the previous two months. Corporate returns generally lagged for the month, but are still significantly ahead for the quarter and the year. On the other hand, lower-quality credits-those rated BBB and below – underperformed higher credit quality issuers in the month.
- Short-term rates adjusted quickly both due to the anticipation and the reality of a hike. Commercial paper yields remained attractive options for investments with short time horizons, though supply constraints, especially around year end, were a hindrance.

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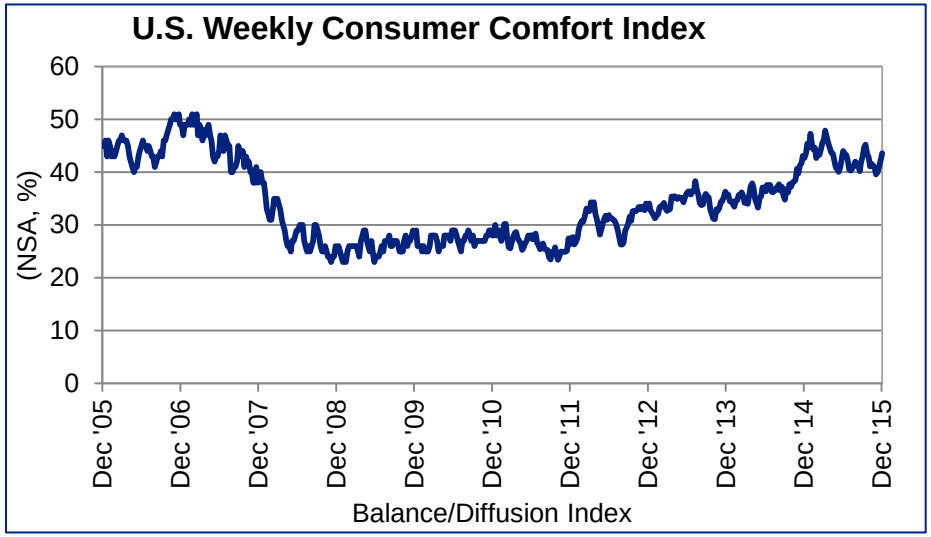
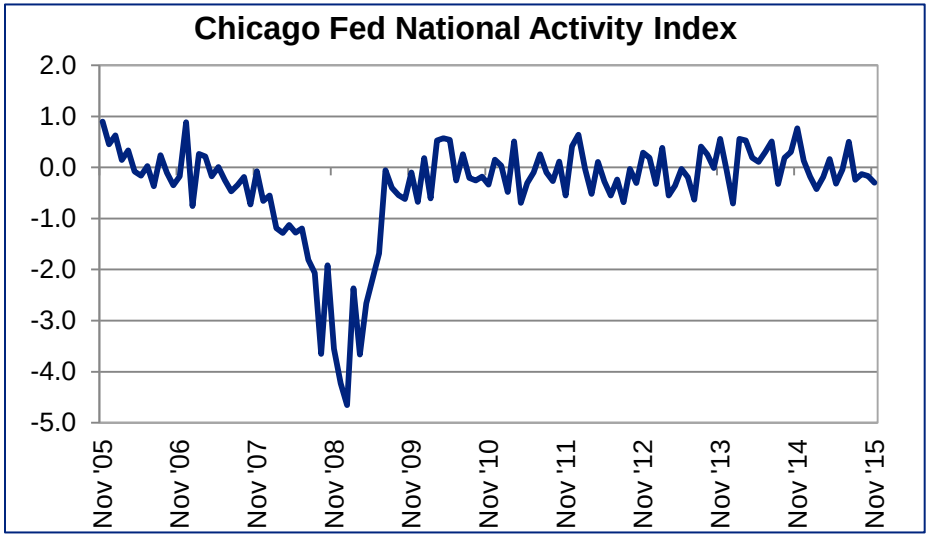
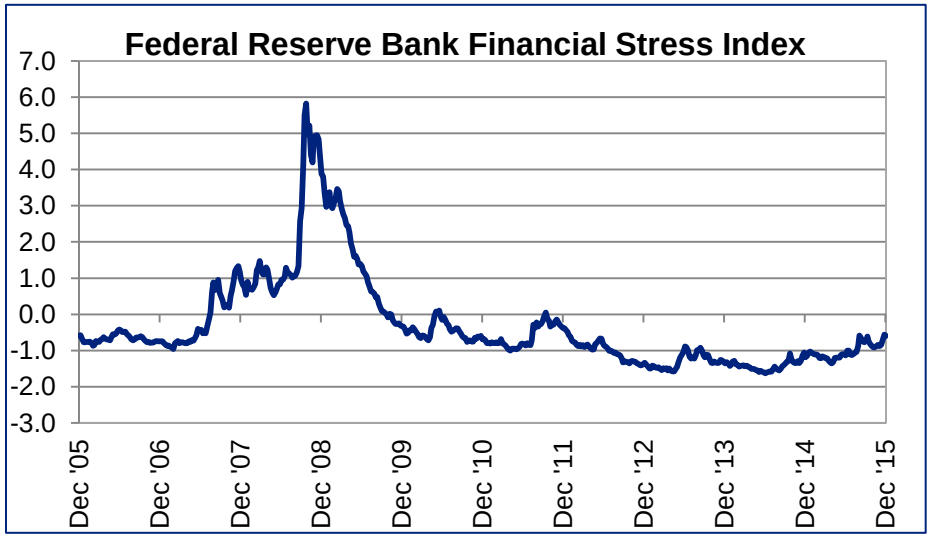
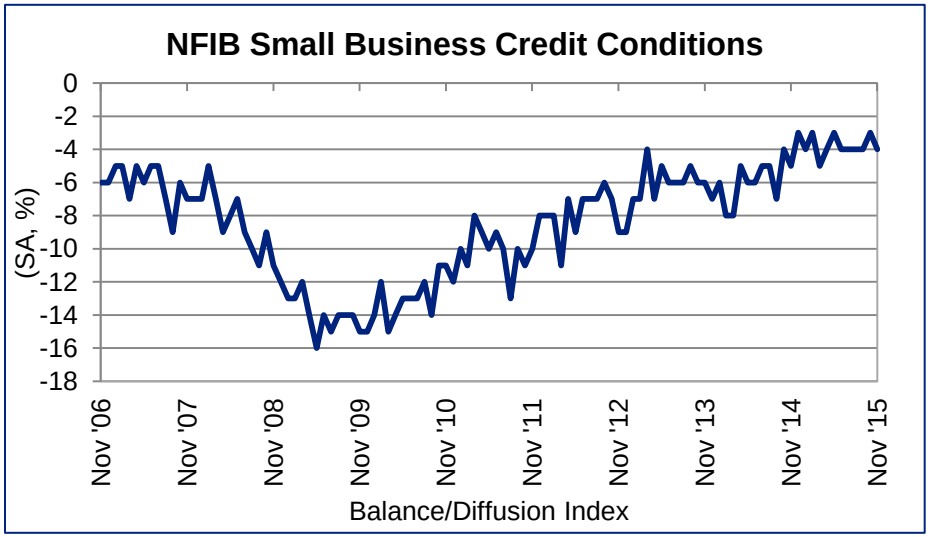
U.S. Business Conditions Continue to Improve









Source: Bloomberg

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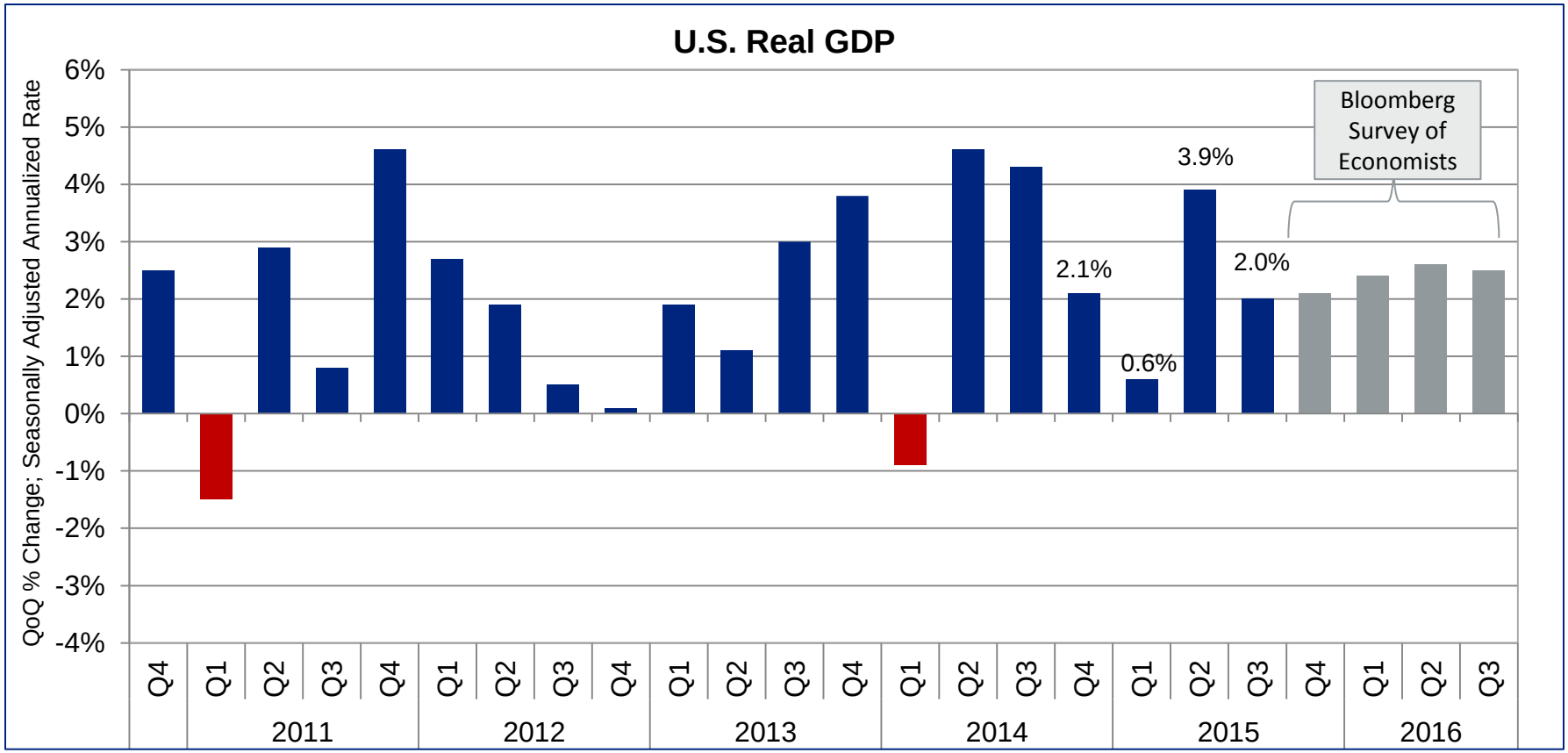
U.S. Economy on Moderate Growth Track

- U.S. Gross Domestic Product ("GDP") slowed in the third quarter, growing at a revised 2.0% according to final estimates by the Bureau of Economic Analysis. Third quarter growth was led by gains in consumer spending, state and local government spending, but a drop in private inventory investment was the main contributor for the downward revision in Q3 GDP.



Source: Bureau Of Economic Analysis; Bloomberg survey results as of 12/31/2015.

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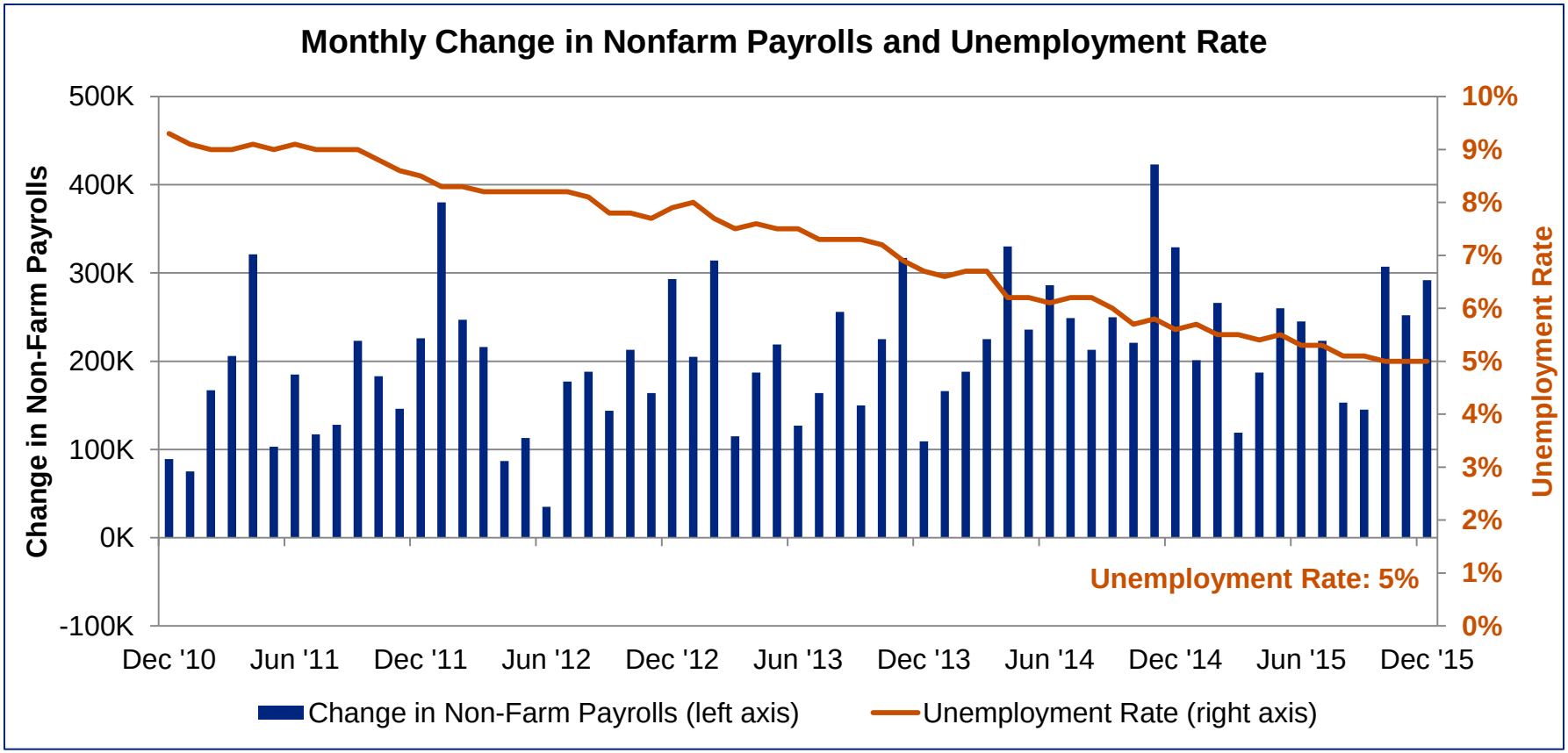
U.S. Jobs Market Close to Full Employment

- The U.S. Labor market added 292,000 jobs in December, above expectations for 200,000, as the labor market continues to signal economic strength amid concerns over China's growth.
- The unemployment rate held steady at a cyclical low of 5%.



Source: Bureau of Labor Statistics

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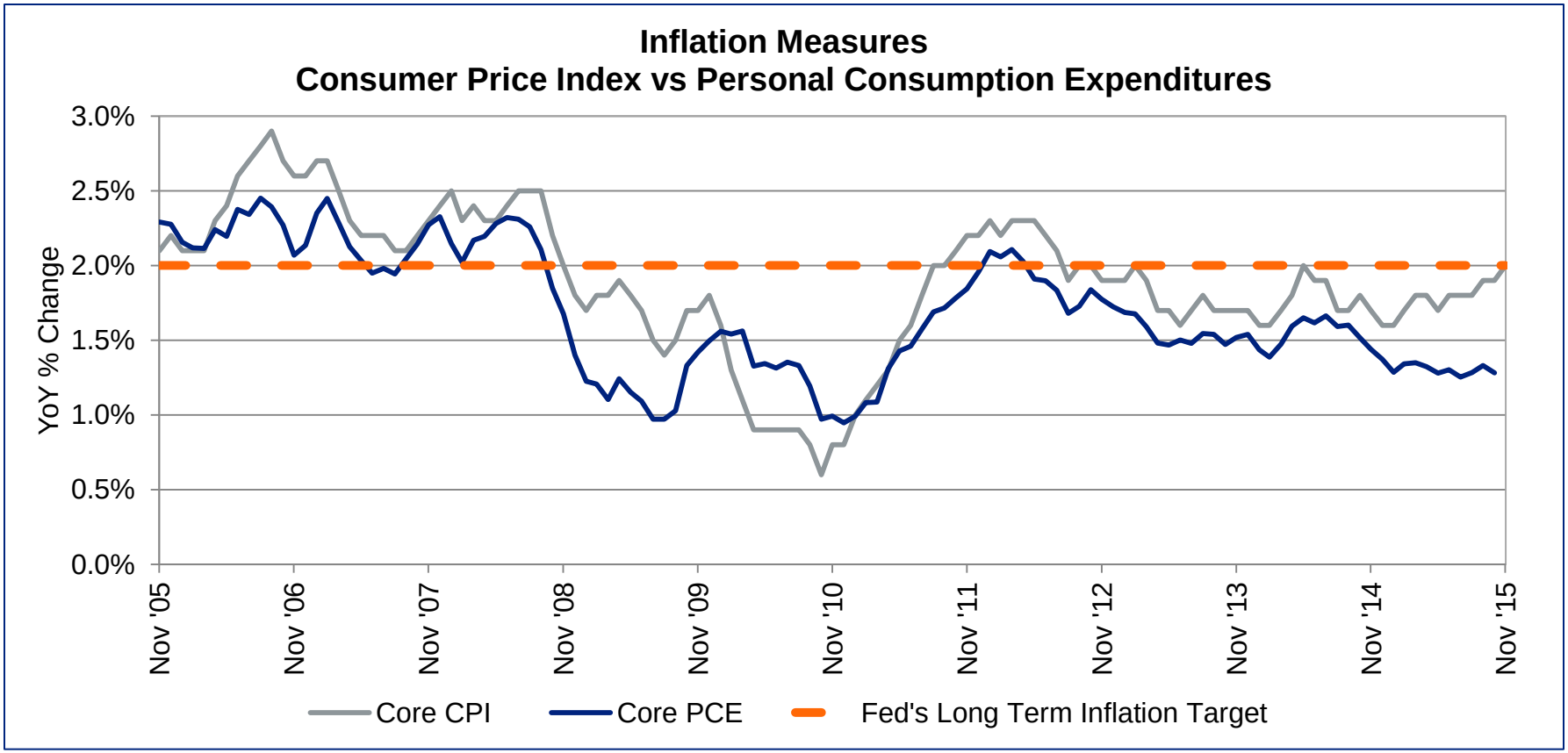
Inflation Remains Muted

- The personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, continues to undershoot the 2% target, advancing at just 1.3% year-over-year through November.
- Falling oil prices and lack of wage pressure are helping keep inflation low.



Source: Bloomberg

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FOMC Statement Highlights

December

16

- A range of recent labor market indicators, including ongoing job gains and declining unemployment, shows further improvement and ***confirms that underutilization of labor resources has diminished appreciably since early this year.***
- Inflation has continued to run below the Committee's 2% longer-run objective, partly reflecting declines in energy prices and in prices of non-energy imports . . . Some survey-based measures of longer-term inflation expectations have edged down . . . [the Committee] ***is reasonably confident that inflation will rise, over the medium term, to its 2% objective***.

- Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, ***the Committee decided to raise the target range for the federal funds rate to 0.25 – 0.50%*** . . . ***the stance of monetary policy remains accommodative***.
- In light of the current shortfall of inflation from 2%, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant ***only gradual increases in the federal funds rate***.

Source: Federal Reserve.

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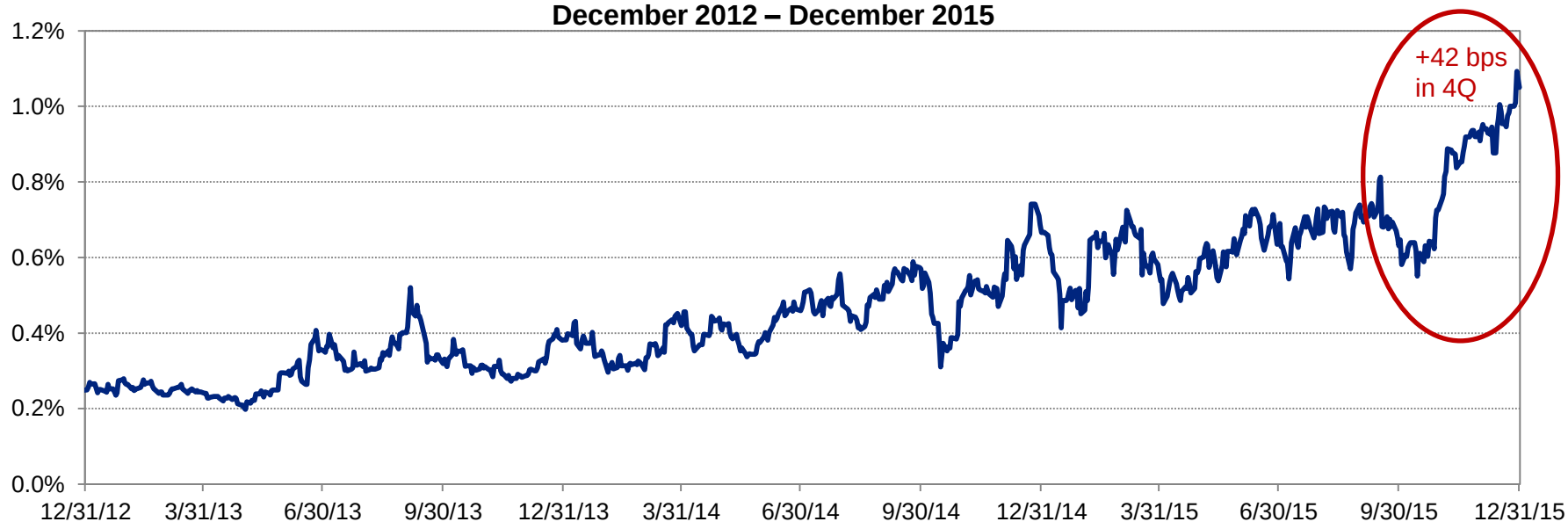
Market Themes and Strategy Recap

- At last! The Fed initiates lift-off!
- Gradual domestic economic recovery
- Global economic volatility
- Identified and captured relative value to increase earnings and return potential
- City's portfolio managed with conservative duration posture

2- Year U.S. Treasury Yields
December 2012 – December 2015



Source: Bloomberg

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Rising Rates Are a Double-Edged Sword

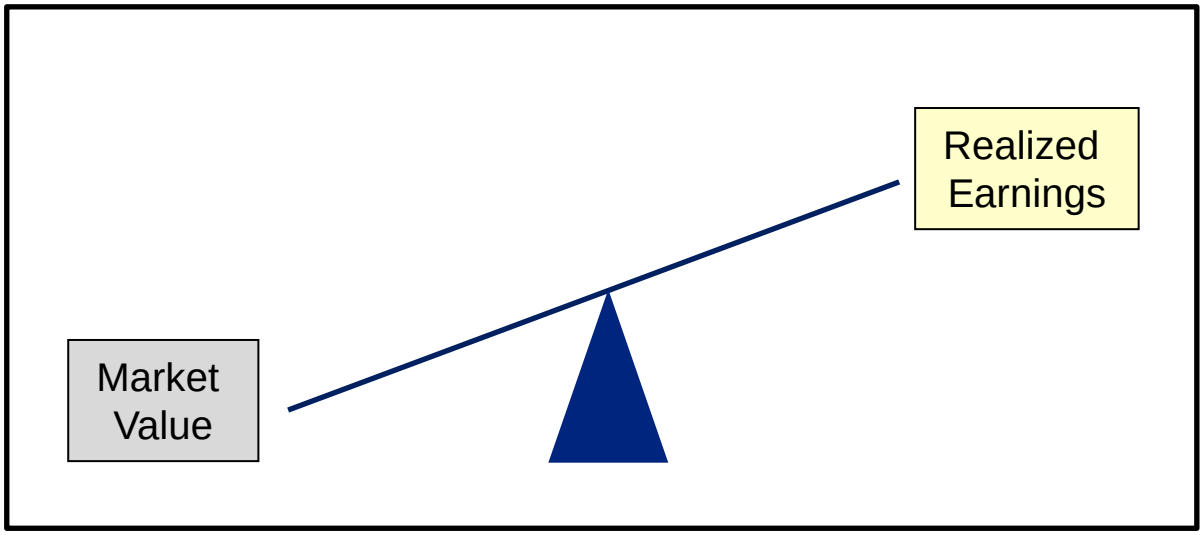
For fixed-income holdings, when interest rates rise. . .

- Market values of existing holdings decline, resulting in *unrealized* market value losses;

HOWEVER

- Realized earnings will increase over time as new securities are added at higher interest rates.

As Interest Rates Increase . . .



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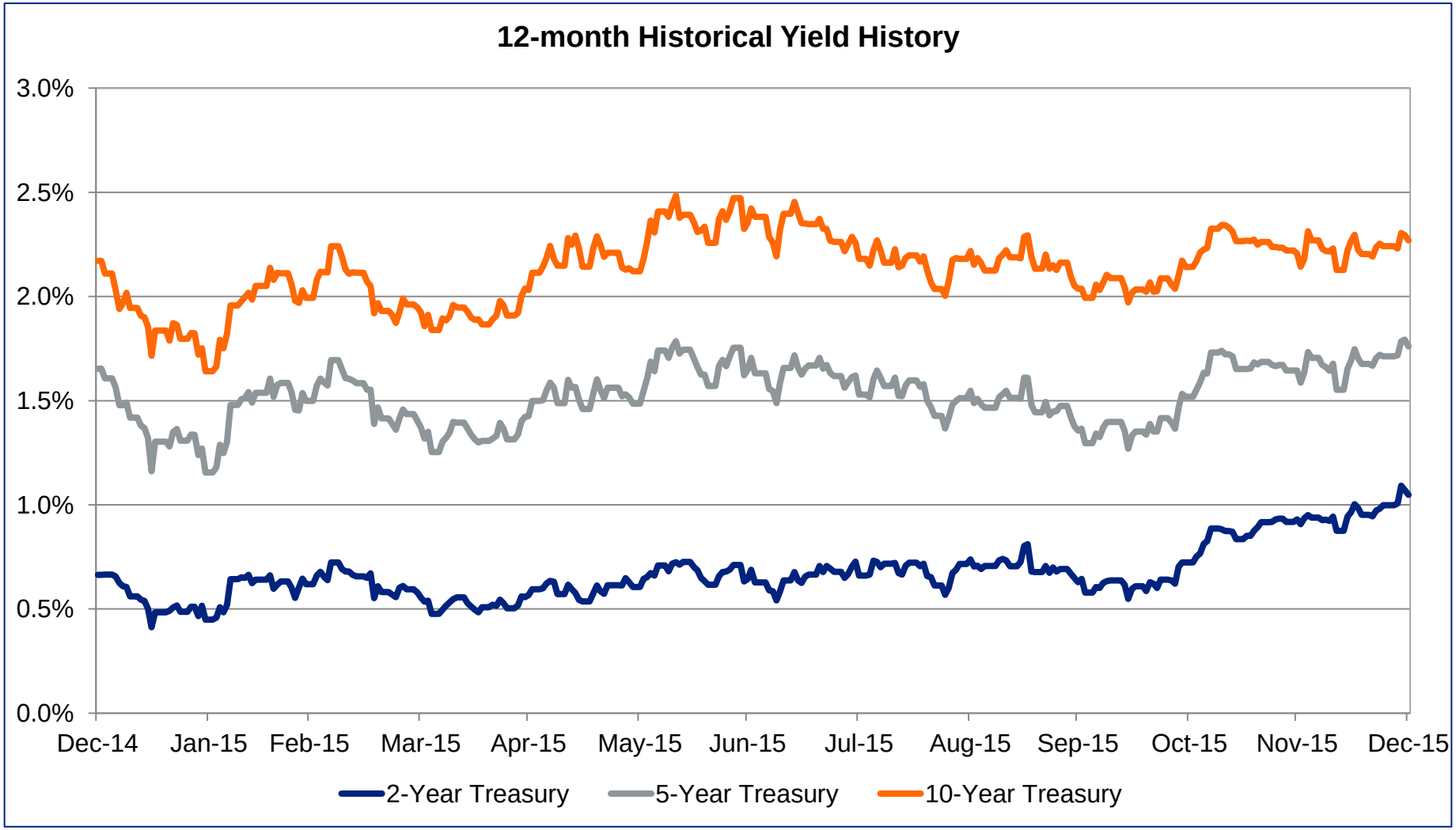
U.S. Treasury Yields



Source: Bloomberg

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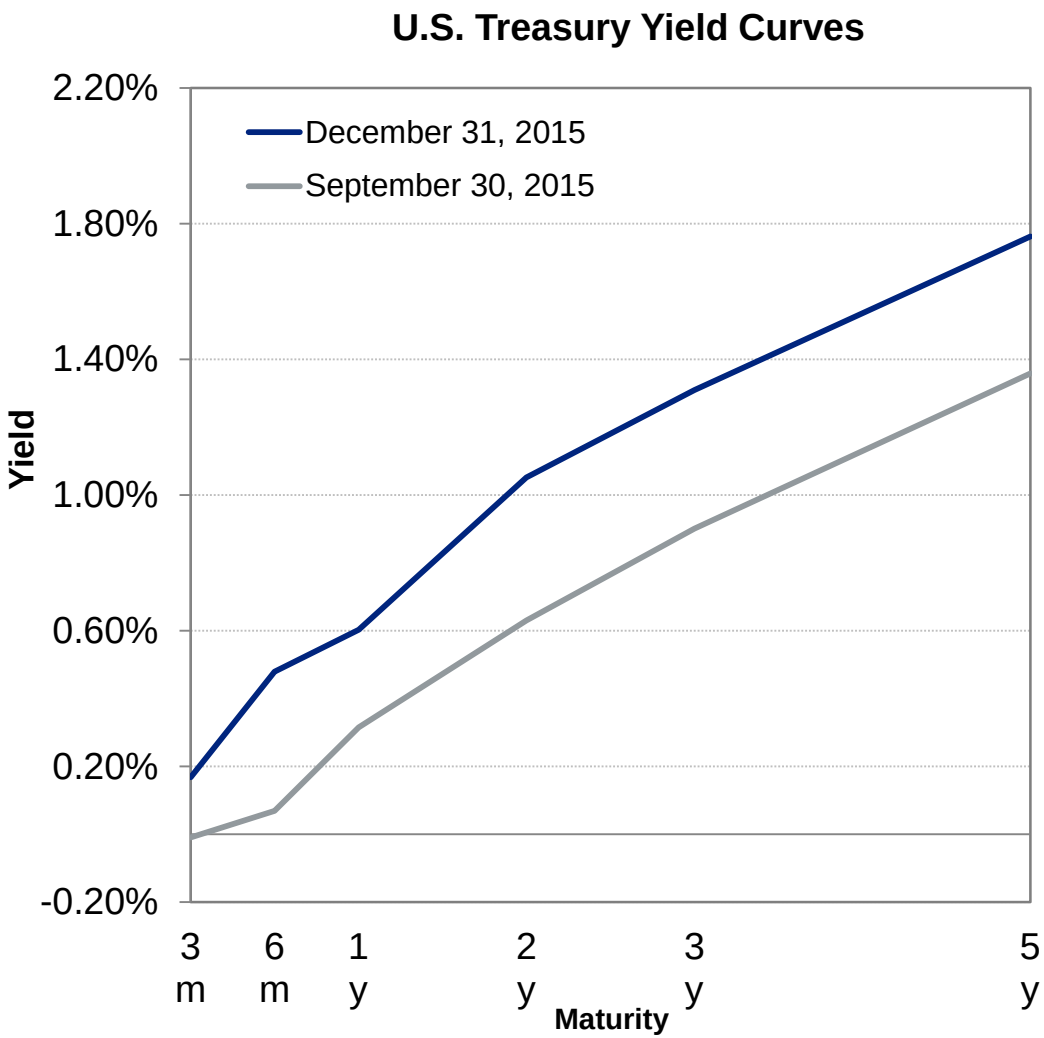
Interest Rates Rose Across the Curve



	9/30/15	12/31/15	Change
3 Month	-0.02%	0.17%	+0.19%
6 Month	0.07%	0.48%	+0.41%
1 Year	0.31%	0.60%	+0.29%
2 Year	0.63%	1.05%	+0.42%
3 Year	0.90%	1.31%	+0.41%
5 Year	1.36%	1.76%	+0.40%
10 Year	2.04%	2.27%	+0.23%
30 Year	2.85%	3.02%	+0.17%

Source: Bloomberg

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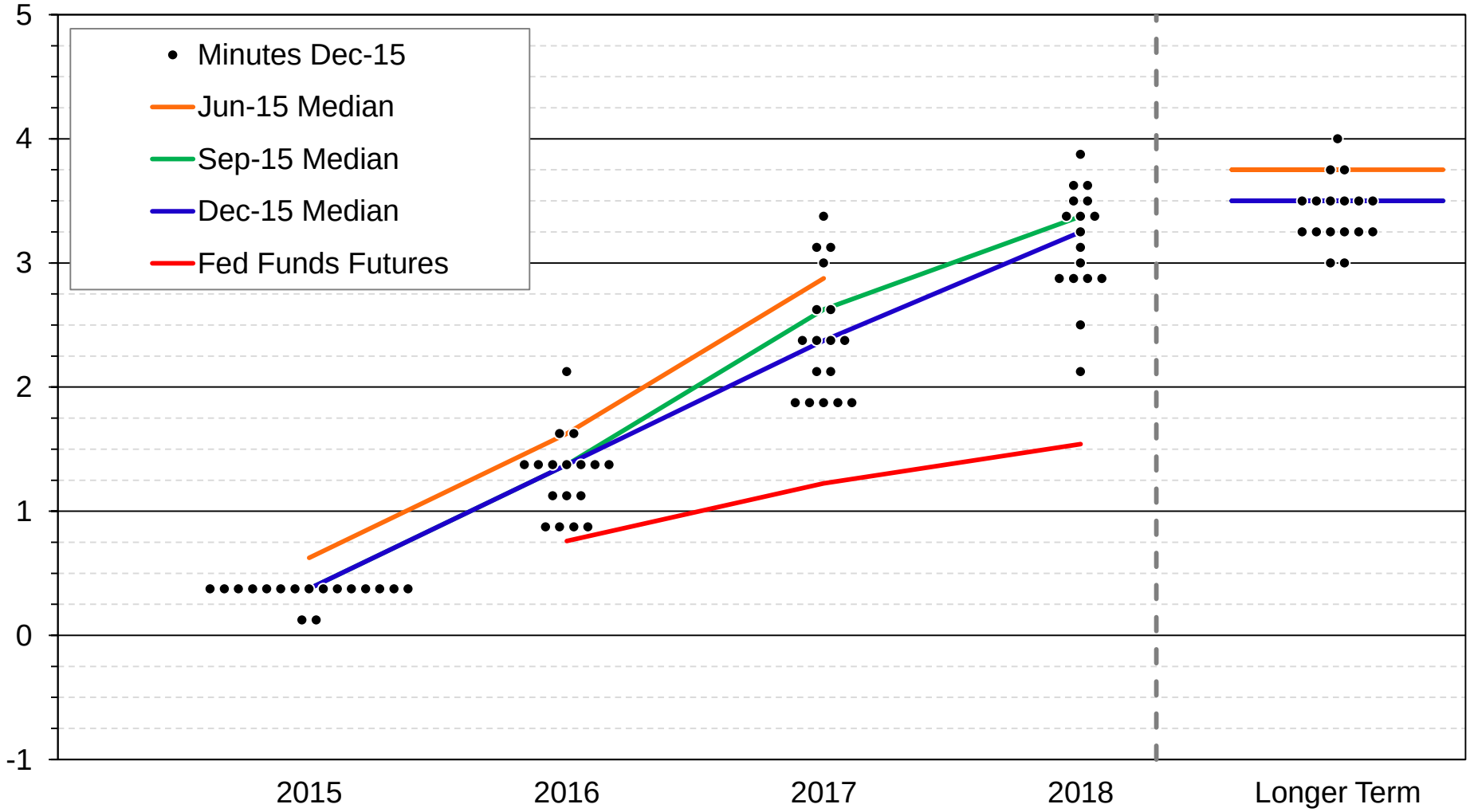
FOMC "Dot Plot" from December Meeting



Source: FOMC; Fed Funds Futures as of 1/7/2015

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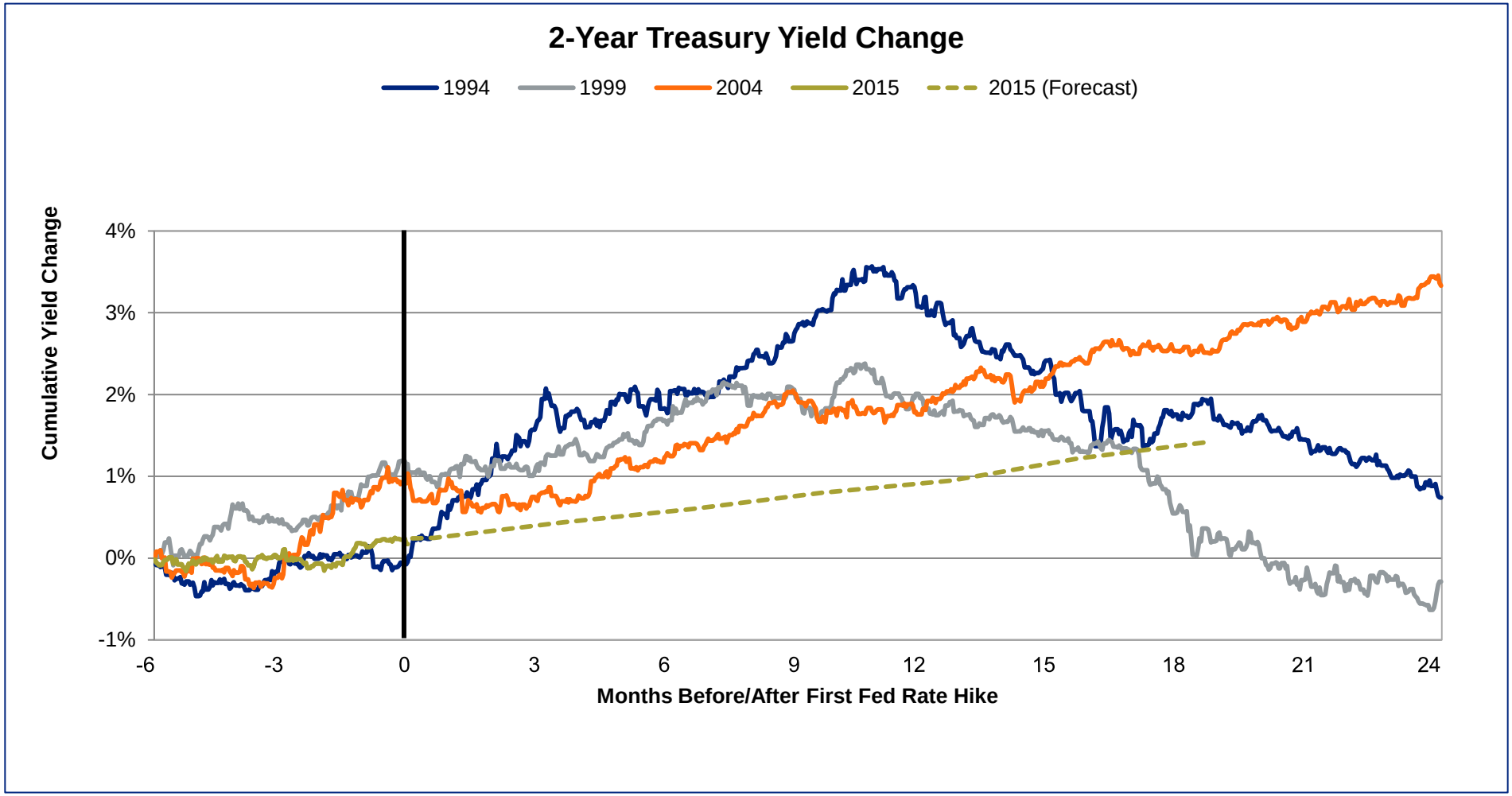
Effect of Fed Hikes on Yields

- Historically the 2-Year Treasury yield has been higher 12 months after a Fed Funds rate increase.
- Beyond that, trends are mixed.



Source: Bloomberg

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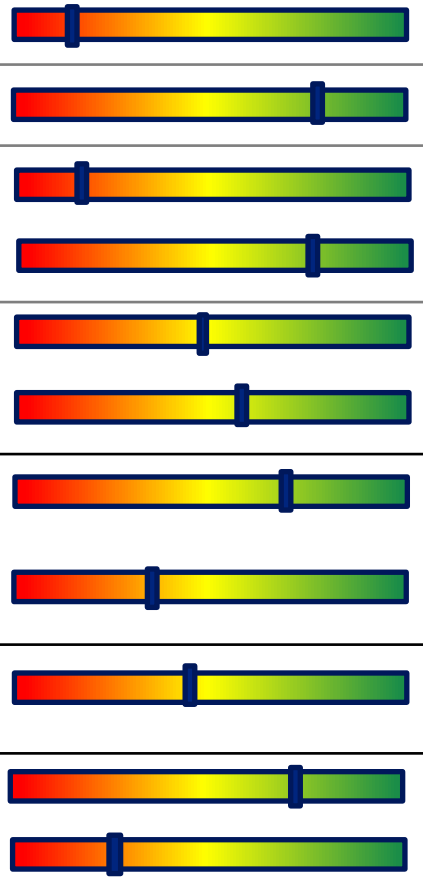
Sector Preferences – January 2016

Sector	PFMAM Investment Preference
MMF/LGIP	
Commercial Paper/CDs	
Treasury: T-Bill	
T-Note	
Agency: <= 3 years	
> 3 Years	
Corporates: Financials	
Industrials	
Municipal Bonds	
Asset-Backed	
Mortgage Backed	



Sector Considerations

CP/CDs
Levels have increased recently with the recent Fed hike. Most large issuance behind 6 months has been floating rate.

Treasuries
New issuance shrinking as federal deficit improves; 1-5 year maturities offer value near the upper end of recent trading ranges.

Federal Agencies
Housing GSEs continue to reduce issuance as they shrink their balance sheets; result is diminished supply and shrinking spreads. Spreads remain tight by historical standards but, opportunities exist on a security-by-security basis

Corporates
Strong corporate performance has taken much of the value out of the corporate sector when compared to yield spreads that existed mid-2015. Spreads have not contracted as much in financials which may still offer value in the marketplace.

Municipals
Supply has increased of late as issuers look to lock in low rates; taxables offer occasional value compared to other spread products.

ABS
Economic outlook supports incremental value in AAA senior fixed-rate auto loan and credit card tranches. New issue and secondary supply offer value across the curve as swap spreads have slightly widened.

MBS
Valuations have richened recently and the sector remains vulnerable to a spike in volatility. Extension risk concerns are likely to pressure lower coupons. The prepayment slowdown enhances the attractiveness of higher coupons.

Source: PFMAM as of December 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.

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Portfolio Characteristics and Investment Strategy

PORTFOLIO RECAP

- The portfolios comply with the Colorado Revised Statutes and the City's investment policy.
- While Treasury yields across the curve ended the quarter higher, the path towards higher rates varied by maturity. Short-maturity yields (3 years and under) rose steadily throughout the quarter as expectations for a December FOMC rate hike increased with an inflow of modestly strong economic data. After increasing during the first half of the quarter, longer maturities leveled off as market participants priced in moderate growth expectations and assessed the likely impact of persistently low commodity prices on long-term inflation. These factors combined to produce a flatter yield curve—a reaction that generally mimics the Greenspan-led rate hikes.
- Ahead of the December FOMC meeting, market expectations were for an initial federal funds hike and assurances that future policy changes would be gradual. Market reaction after the FOMC's announcement to raise the target range for the federal funds rate was relatively subdued, evidence that the action was in line with these expectations, a goal of the FOMC's effort to provide transparency to investors.
- PFMAM maintained a modestly defensive duration position for much of the quarter as rates trended higher. As rates approached the upper end of recent ranges ahead of the FOMC meeting, we extended portfolio durations from short of the benchmark's duration to a near-neutral position; this more closely aligned portfolio durations with the durations of their respective benchmarks.
- We maintained a slight underweight of securities in the 1.0- to 2.5 -year duration range, compared to applicable benchmarks, as we viewed this area of the curve to be most susceptible to rising rates. We utilized commercial paper and negotiable CDs where permitted for investments with maturities under a year and government securities for longer investments, creating a modestly barbelled portfolio structure.
- The yield relationship between U.S. Treasury and federal agency securities remained stable throughout the fourth quarter. Our relative value analysis of these sectors continued to favor investments in U.S. Treasuries. We sought opportunities to capture value when agencies came to market with new issues if they offered higher yields than secondary market securities with similar maturities.
- We continued to seek opportunities to reflect our favorable view of corporate credit in portfolios. When the new-issue market slowed considerably towards year end—a normal occurrence that was compounded by the impending FOMC rate decision—we looked for available supply in the secondary market and negotiable CD market. The reduction in new issuance supply, combined with economic growth, which favors corporate sector fundamentals, created strong demand for corporate securities and caused yield spreads to narrow for much of the quarter. This helped to generate strong performance for the sector.
- The mortgage-backed securities sector (MBS) produced strong performance during the quarter as the slow rise in long-term rates helped to mitigate prepayment risk (prepayments typically occur when mortgage holders exercise the option to refinance, which can hurt bondholders). Where permitted, we selectively added MBS issues that are expected to have limited sensitivity to interest rate volatility.

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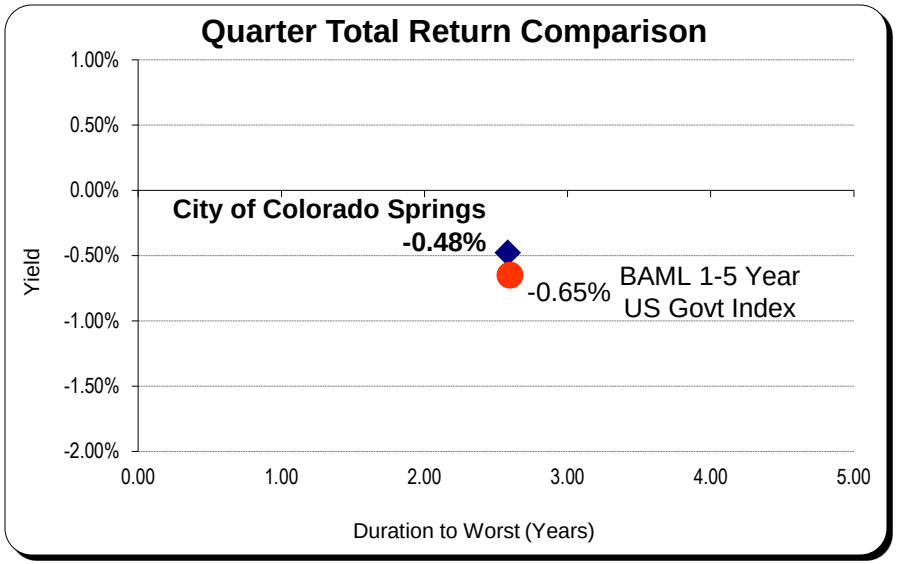
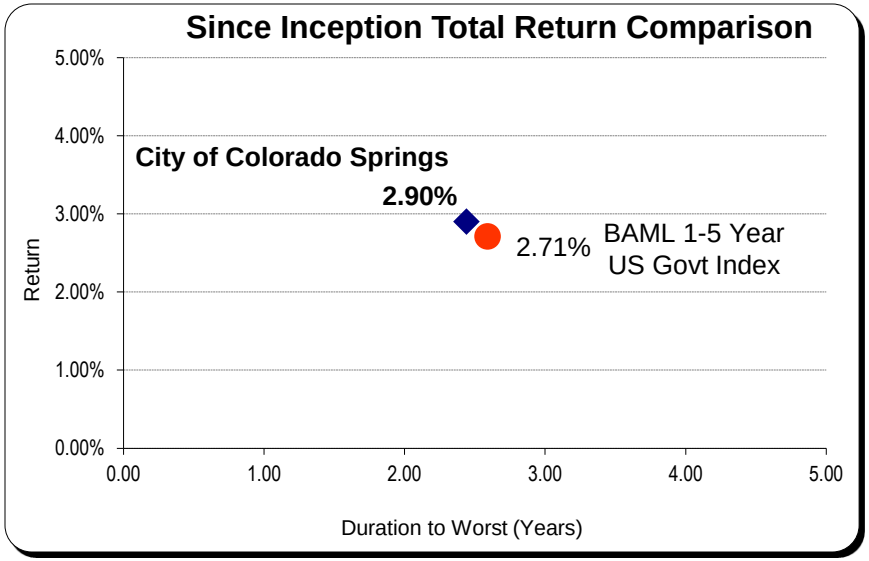
Operating Reserve Portfolio

Portfolio Performance

Total Return[1,2,3,4,5]	Quarter Ended December 31, 2015	Past 1 Year	Past 3 Years	Past 5 Years	Since Inception
City of Colorado Springs	**-0.48%**	**1.11%**	**0.79%**	**1.30%**	**2.90%**
BAML 1-5 Year U.S. Government Index	-0.65%	0.97%	0.68%	1.24%	2.71%

Effective Duration[4]	December 31, 2015	September 30, 2015	Yields	December 31, 2015	September 30, 2015
City of Colorado Springs	**2.58**	**2.44**	Yield at Cost	**1.31%**	1.20%
BAML 1-5 Year U.S. Government Index	2.60	2.59	Yield at Market	**1.42%**	0.98%





Notes:

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

2. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.

*3. Merrill Lynch Indices ("BAML" Government Indices) provided by Bloomberg Financial Markets. (*Benchmark changed from BAML 1-3 Year Government Index to BAML 1-5 Year Government Index after 12/31/05.)*

4. CSIP included in performance computations but excluded from duration calculations.

5. Inception date of Operating Reserve portfolio is January 2003.

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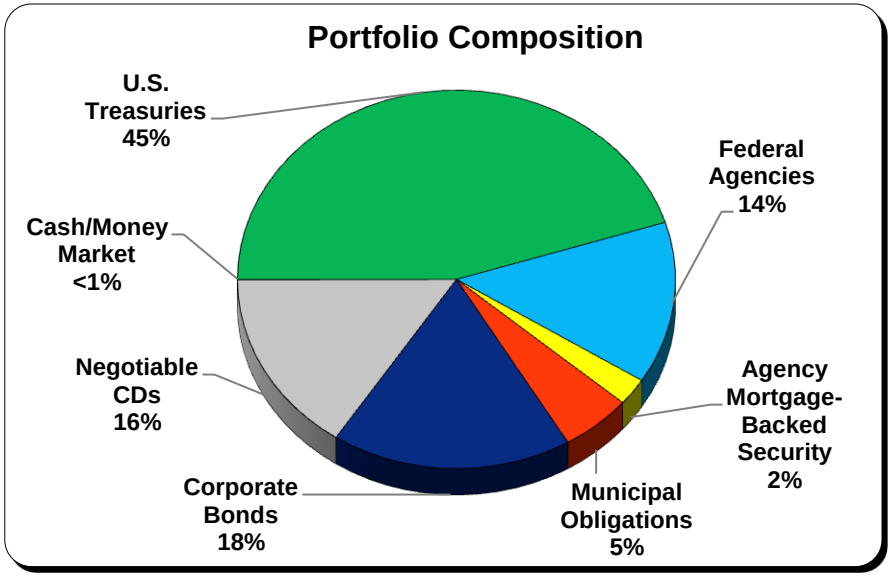
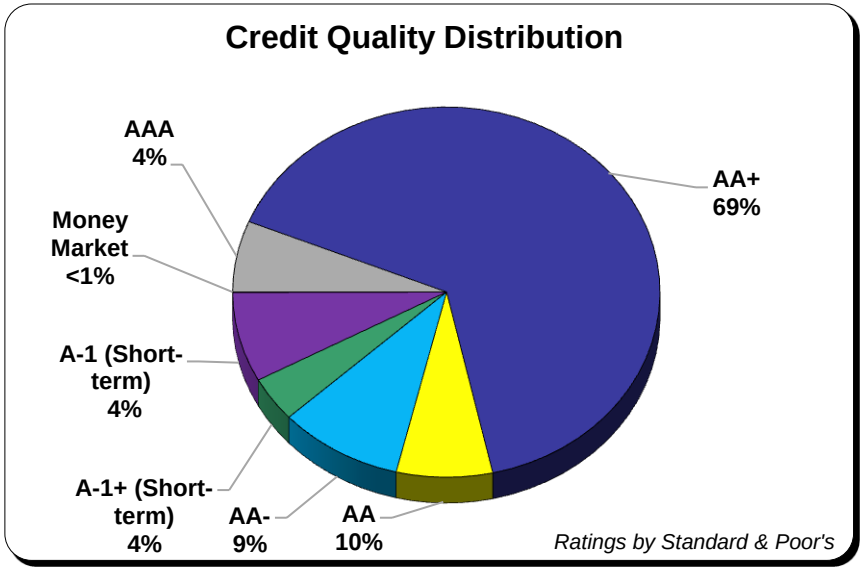
Operating Reserve Portfolio

Portfolio Composition and Credit Quality Characteristics

Security Type	December 31, 2015[1, 2]	% of Portfolio	September 30, 2015[1, 2]	% of Portfolio
U.S. Treasuries	**$33,325,536**	**45%**	$26,878,823	36%
Federal Agencies	**$10,222,031**	**14%**	$20,310,232	27%
Agency Mortgage-Backed Security	**$1,719,184**	**2%**	$738,075	1%
Municipal Obligations	**$3,852,766**	**5%**	$4,053,909	6%
Corporate Bonds	**$13,116,107**	**18%**	$13,306,537	18%
Negotiable Certificates of Deposit	**$11,591,837**	**16%**	$8,715,309	12%
Cash/Money Market	**$29,232**	**<1%**	$208,871	<1%
Totals	**$73,856,693**	**100%**	$74,211,757	100%





Notes:

1. *Securities values are end of quarter trade-date market values plus accrued interest and are rounded to the nearest dollar.*
2. *Excludes funds in separate CSIP accounts and any other money market fund, bank account, or other account not under PFMAM's management.*

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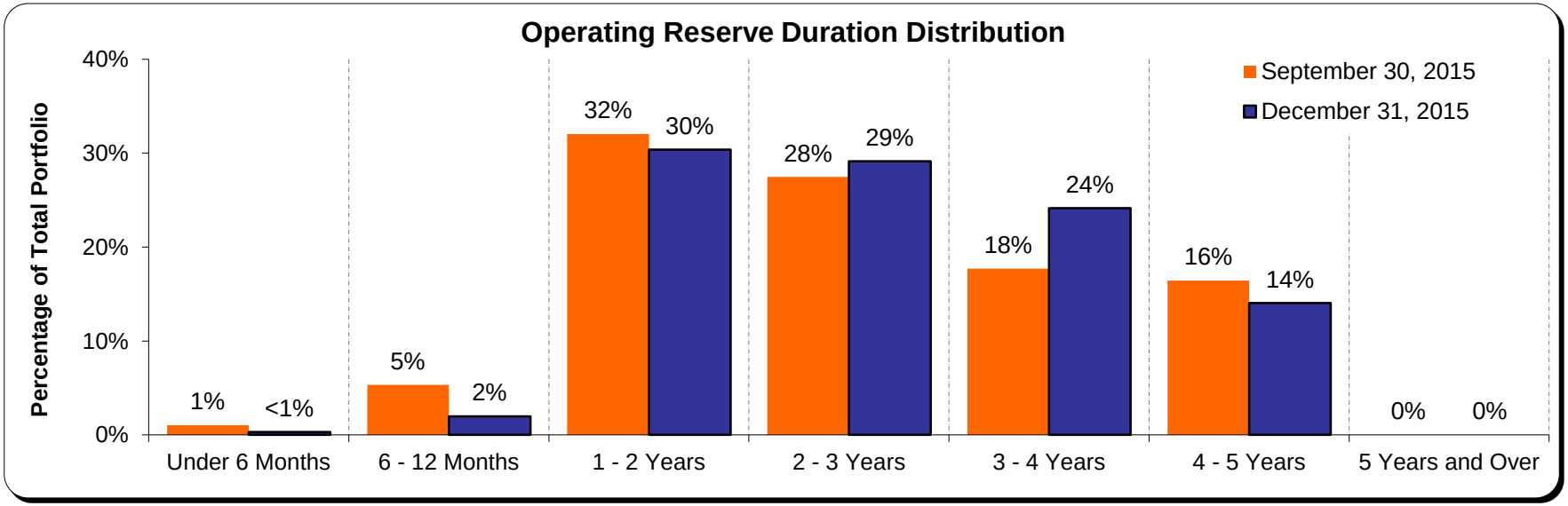
Operating Reserve Portfolio

Portfolio Maturity Distribution

Maturity Distribution[1]	December 31, 2015[2]	September 30, 2015[2]
Under 6 Months	**$239,754**	$771,451
6 - 12 Months	**$1,454,147**	$3,954,145
1 - 2 Years	**$22,428,234**	$23,768,723
2 - 3 Years	**$21,513,880**	$20,376,042
3 - 4 Years	**$17,841,692**	$13,144,195
4 - 5 Years	**$10,378,986**	$12,197,200
5 Years and Over	**$0**	$0
Totals	**$73,856,693**	$74,211,757



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.
2. Securities values are end of quarter trade-date market values plus accrued interest, exclude funds invested in separate CSIP accounts, and are rounded to the nearest dollar.

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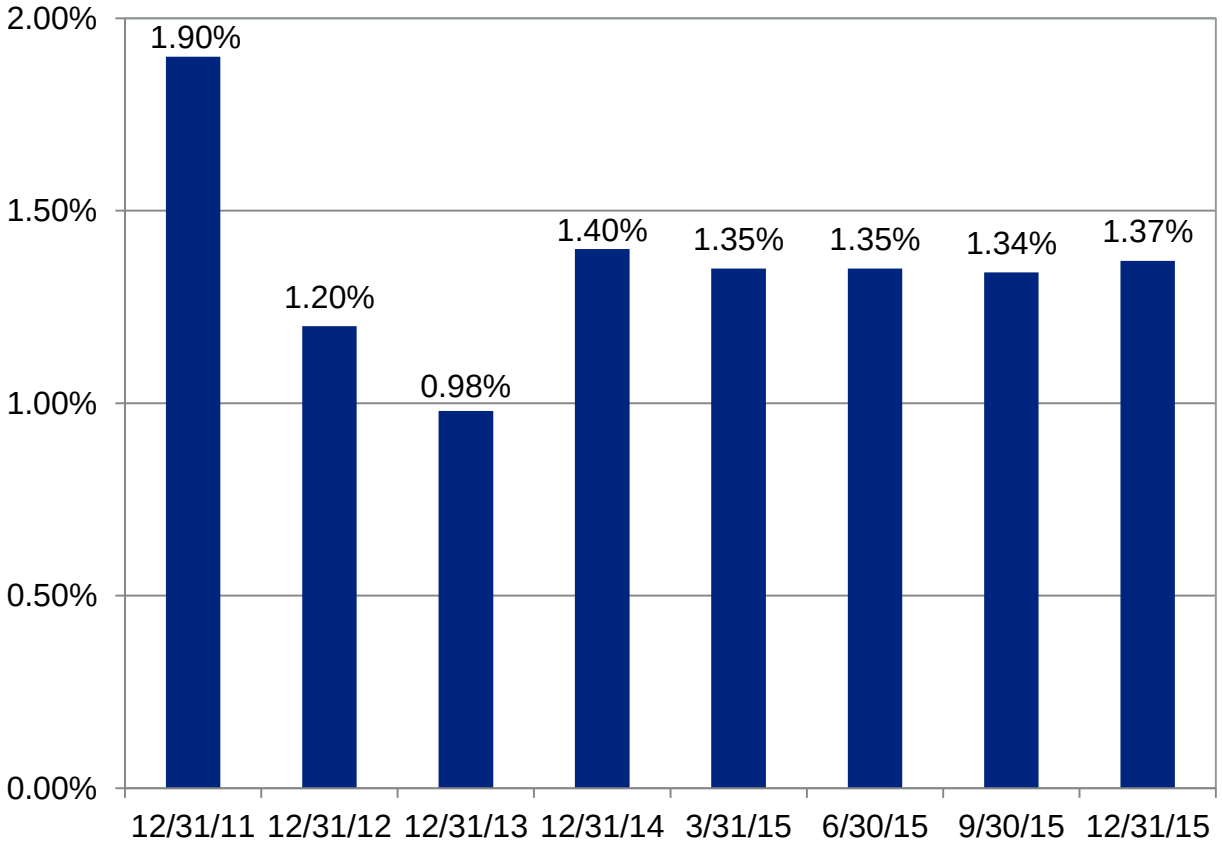
Airport Reserve Portfolio
Portfolio Performance
Yield at Cost[1,2]



Notes:
1. Source: City of Colorado Springs monthly statements.
2. Portfolio yield excludes funds in separate CSIP accounts.

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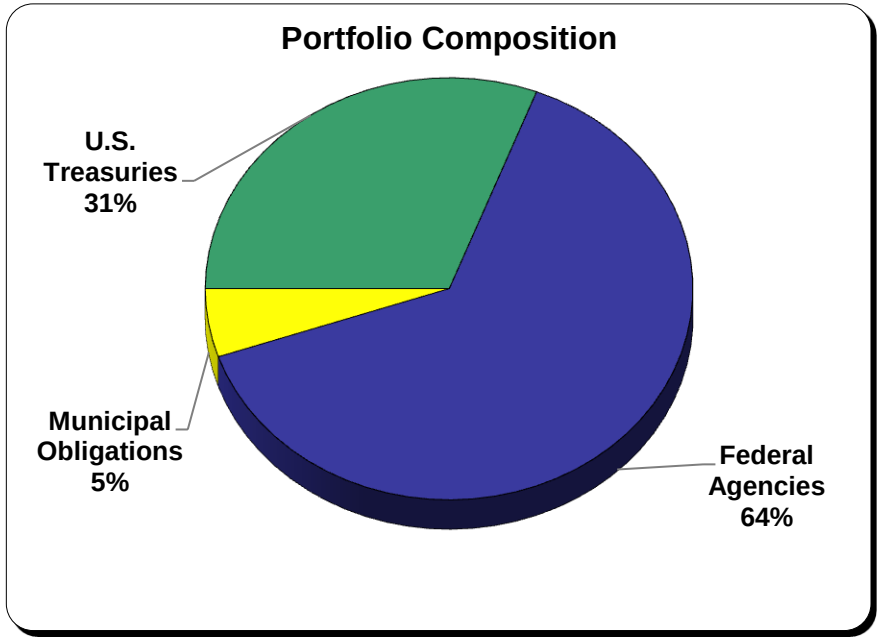
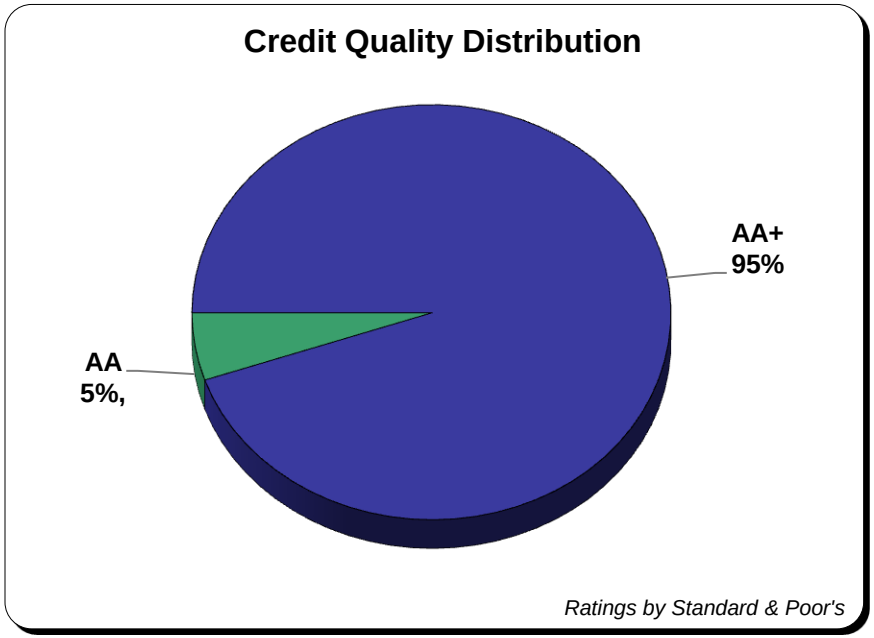
Airport Reserve Portfolio

Portfolio Composition and Credit Quality Characteristics

Security Type	December 31, 2015[1,2]	% of Portfolio	September 30, 2015[1,2]	% of Portfolio
U.S. Treasuries	**$740,149**	**31%**	$1,018,475	42%
Federal Agencies	**$1,535,020**	**64%**	$1,280,570	53%
Municipal Obligations	**$125,875**	**5%**	$125,994	5%
Totals	**$2,401,044**	**100%**	$2,425,038	100%





Notes:

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2. *Excludes funds in separate CSIP accounts and any other money market fund, bank account, or other account not under PFMAM's management.*

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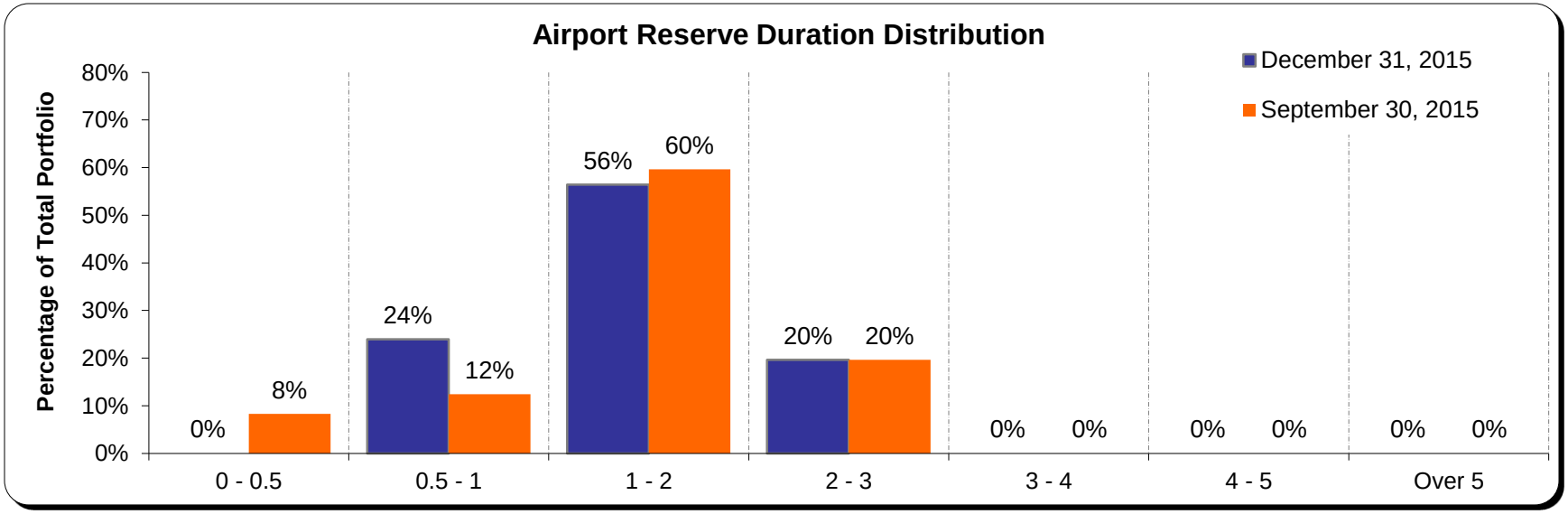
Airport Reserve Portfolio

Portfolio Maturity Distribution

Maturity Distribution[1]	December 31, 2015[2]	September 30, 2015[2]
Under 6 Months	**$0**	$0
6 - 12 Months	**$574,553**	$502,274
1 - 2 Years	**$1,354,650**	$1,446,775
2 - 3 Years	**$471,840**	$475,990
3 - 4 Years	**$0**	$0
4 - 5 Years	**$0**	$0
5 Years and Over	**$0**	$0
Totals	**$2,401,044**	$2,425,038



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2. Securities values are end of quarter trade-date market values plus accrued interest, exclude funds invested in separate CSIP accounts, and are rounded to the nearest dollar.

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PFMAM's First Quarter 2016 Outlook

- Economy will continue to expand at a moderate pace in the intermediate term.
- FOMC expected to remain gradual in normalization of fed funds rate.
- Will manage portfolio's duration near that of the benchmark.
- Federal agencies have limited appeal.
- Corporate sector remains a point of emphasis.
- Yields on money market related securities remain attractive.

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PORTFOLIO STRATEGY

- We maintain the outlook that the economy will continue to expand at a moderate pace in the intermediate term. We will continue to monitor any spillover effect that modest global growth and muted inflation may have on the U.S. economy. These factors will help justify the FOMC's stated intention to remain patient with the pace at which it raises the federal funds rate.

- Recent FOMC projections indicate that Committee members anticipate that three or four rate hikes may be appropriate in 2016—projections that most market participants believe to be overstated. We believe that expectations for low inflation will limit this year's rate hikes to two or three, and that short-term yields will trend only modestly higher in the near term. We expect long-term rates to remain within modest ranges, resulting in further flattening of the yield curve.

- Given the low likelihood that rates will move significantly higher in the near-term, we started the new quarter with duration positions closer to those of applicable benchmarks. Similarly, with the exception of attractive short-term credit securities, we will position the maturity distributions of portfolios to generally match the maturity distributions of benchmarks.

- Because of narrow yield spreads, federal agencies currently have limited appeal relative to comparable-maturity U.S. Treasuries. We will monitor the yield relationship between the two sectors and take advantage of opportunities that may arise—opportunities that are most likely to occur with new-issue securities.

- Our strategy continues to favor credit sectors, including corporates notes, commercial paper, negotiable CDs, and asset-backed securities. Although yield spreads narrowed in the fourth quarter and remain narrow, their superior income continues to benefit portfolios. The impact of slower global growth (particularly in emerging markets), interest rate uncertainty, and increased regulatory scrutiny will vary by each issuer's exposure to these market risks, underscoring the importance of fundamental issuer analysis and careful selection of issuers that we add to portfolios.

- Yields on commercial paper and negotiable CDs have adjusted to the new level of short-term rates and remain attractive alternatives to short-term government options. We will utilize these sectors to execute our duration and yield curve strategy, although supply constraints, particularly in the commercial paper space, continue to hinder availability.

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Operating Reserve Portfolio Holdings

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS - 15233500

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
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	1,700,000.00	AA+	Aaa	03/19/14	03/21/14	1,703,917.97	0.92	4,319.67	1,701,625.64	1,702,655.40
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	958.10	896,111.51	888,433.20
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	2,875,000.00	AA+	Aaa	11/03/15	11/04/15	2,849,843.75	0.98	3,060.61	2,851,438.60	2,838,050.50
US TREASURY NOTES DTD 07/31/2013 1.375% 07/31/2018	912828VQ0	600,000.00	AA+	Aaa	02/02/15	02/04/15	609,328.13	0.92	3,452.45	606,930.46	602,296.80
US TREASURY NOTES DTD 07/31/2013 1.375% 07/31/2018	912828VQ0	750,000.00	AA+	Aaa	07/16/15	07/16/15	757,001.95	1.06	4,315.56	755,958.04	752,871.00
US TREASURY NOTES DTD 10/31/2013 1.250% 10/31/2018	912828WD8	525,000.00	AA+	Aaa	10/02/14	10/06/14	520,426.76	1.47	1,117.79	521,791.53	524,261.85
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	661.20	600,762.05	603,983.60
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	1,202.19	1,094,958.24	1,098,152.00
US TREASURY NOTES DTD 01/31/2014 1.500% 01/31/2019	912828B33	2,325,000.00	AA+	Aaa	07/29/14	07/31/14	2,314,192.38	1.61	14,594.43	2,317,516.13	2,333,174.70
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	10,322.75	2,501,968.88	2,515,625.00
US TREASURY NOTES DTD 05/15/2009 3.125% 05/15/2019	912828KQ2	1,600,000.00	AA+	Aaa	10/30/14	11/03/14	1,713,375.00	1.50	6,456.04	1,685,040.64	1,687,937.60
US TREASURY NOTES DTD 10/01/2012 1.000% 09/30/2019	912828TR1	750,000.00	AA+	Aaa	04/28/15	04/30/15	740,244.14	1.30	1,905.74	741,694.75	734,238.00
US TREASURY NOTES DTD 09/30/2014 1.750% 09/30/2019	912828F39	2,525,000.00	AA+	Aaa	03/26/15	03/27/15	2,564,157.23	1.39	11,227.97	2,557,685.27	2,542,063.95
US TREASURY NOTES DTD 10/01/2012 1.000% 09/30/2019	912828TR1	3,000,000.00	AA+	Aaa	02/26/15	02/27/15	2,944,101.56	1.42	7,622.95	2,954,101.92	2,936,952.00

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS - 15233500

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
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 11/30/2012 1.000% 11/30/2019	912828UB4	1,900,000.00	AA+	Aaa	05/28/15	05/29/15	1,863,335.94	1.44	1,661.20	1,868,028.62	1,857,027.70
US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UQ1	170,000.00	AA+	Aaa	11/30/15	12/01/15	167,848.44	1.56	718.06	167,890.59	167,217.61
US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UQ1	1,200,000.00	AA+	Aaa	10/08/15	10/09/15	1,196,625.00	1.32	5,068.68	1,196,799.90	1,180,359.60
US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UQ1	1,750,000.00	AA+	Aaa	11/05/15	11/09/15	1,728,125.00	1.55	7,391.83	1,728,846.18	1,721,357.75
US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UQ1	2,650,000.00	AA+	Aaa	09/02/15	09/03/15	2,625,052.73	1.47	11,193.34	2,626,831.24	2,606,627.45
US TREASURY NOTES DTD 07/31/2013 2.000% 07/31/2020	912828VP2	1,375,000.00	AA+	Aaa	12/01/15	12/04/15	1,400,942.38	1.58	11,508.15	1,400,538.85	1,390,790.50
US TREASURY NOTES DTD 09/03/2013 2.125% 08/31/2020	912828VV9	2,475,000.00	AA+	Aaa	12/28/15	12/30/15	2,517,829.10	1.74	17,772.06	2,517,781.41	2,514,929.18
Security Type Sub-Total		**33,275,000.00**					**33,301,865.43**	**1.39**	**126,530.77**	**33,294,300.45**	**33,199,005.39**
Municipal Bond / Note											
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	210,111.30
MS ST TXBL GO BONDS DTD 02/18/2015 1.472% 10/01/2018	605581FY8	285,000.00	AA	Aa2	02/04/15	02/18/15	285,000.00	1.47	1,048.80	285,000.00	285,584.25
NYC, NY TXBL GO BONDS DTD 03/31/2015 1.650% 10/01/2018	64966LZC8	415,000.00	AA	Aa2	03/13/15	03/31/15	415,000.00	1.65	1,711.88	415,000.00	416,328.00
CT ST TXBL GO BONDS DTD 03/25/2015 1.974% 03/15/2019	20772JZK1	585,000.00	AA	Aa3	03/13/15	03/25/15	585,000.00	1.97	3,400.22	585,000.00	587,234.70
NYC, NY TXBL GO BONDS DTD 06/18/2015 1.800% 06/01/2019	64966LN49	1,000,000.00	AA	Aa2	06/03/15	06/18/15	1,000,000.00	1.80	1,500.00	1,000,000.00	1,001,740.00

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS - 15233500

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
Municipal Bond / Note											
MS ST TXBL GO BONDS DTD 02/18/2015 1.679% 10/01/2019	605581FZ5	600,000.00	AA	Aa2	02/04/15	02/18/15	600,000.00	1.68	2,518.50	600,000.00	597,126.00
NYC TRANS FIN AUTH, NY TXBL REV BONDS DTD 04/23/2015 2.750% 02/01/2020	64971WSV3	725,000.00	AAA	Aa1	04/16/15	04/23/15	753,644.75	1.88	8,307.29	749,654.33	735,744.50
Security Type Sub-Total		**3,820,000.00**					**3,848,644.75**	**1.73**	**18,897.24**	**3,844,654.33**	**3,833,868.75**
Federal Agency Collateralized Mortgage Obligation											
FNMA SERIES 2015-M1 ASQ2 DTD 01/15/2015 1.626% 02/01/2018	3136AMKW8	390,000.00	AA+	Aaa	01/15/15	01/30/15	393,897.08	1.26	528.45	392,511.99	391,184.00
FNMA SERIES 2015-M7 ASQ2 DTD 04/01/2015 1.550% 04/01/2018	3136ANJY4	340,000.00	AA+	Aaa	04/15/15	04/30/15	343,398.78	0.83	439.17	342,497.69	339,669.38
FNMA SERIES 2015-M15 ASQ2 DTD 11/01/2015 1.898% 01/01/2019	3136AQSW1	310,000.00	AA+	Aaa	11/06/15	11/30/15	313,099.97	1.20	490.34	313,099.97	311,975.51
FANNIE MAE SERIES 2015-M13 ASQ2 DTD 10/01/2015 1.646% 09/01/2019	3136AQDQ0	675,000.00	AA+	Aaa	10/07/15	10/30/15	681,759.38	1.08	925.88	681,422.66	673,970.90
Security Type Sub-Total		**1,715,000.00**					**1,732,155.21**	**1.09**	**2,383.84**	**1,729,532.31**	**1,716,799.79**
Federal Agency Bond / Note											
FREDDIE MAC GLOBAL NOTES DTD 01/30/2012 1.000% 03/08/2017	3137EADC0	1,605,000.00	AA+	Aaa	01/26/15	01/29/15	1,615,833.75	0.68	5,037.92	1,611,114.15	1,606,330.55
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	385,192.45	384,961.89
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	1,470,900.74	1,469,854.47
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	1,055,000.00	AA+	Aaa	07/30/12	07/31/12	1,062,057.95	0.86	4,483.75	1,057,259.67	1,053,245.54
FANNIE MAE GLOBAL NOTES DTD 07/20/2012 0.875% 08/28/2017	3135G0MZ3	1,075,000.00	AA+	Aaa	09/06/12	09/10/12	1,077,666.00	0.82	3,213.80	1,075,902.38	1,071,337.48

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS - 15233500

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
Federal Agency Bond / Note											
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	992,610.79	990,626.00
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	1,742,827.49	1,733,595.50
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	1,892,782.31	1,893,682.64
Security Type Sub-Total		**10,220,000.00**					**10,230,567.39**	**1.01**	**18,397.42**	**10,228,589.98**	**10,203,634.07**
Corporate Note											
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	289,980.89	290,212.57
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	1,524,634.40	1,525,895.18
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	1,520.97	885,000.00	882,214.91
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	834,582.07	834,807.95
GENERAL ELECTRIC CO NOTES DTD 12/06/2007 5.250% 12/06/2017	369604BC6	1,350,000.00	AA+	A1	12/01/14	12/08/14	1,504,426.50	1.34	4,921.88	1,450,257.17	1,441,373.40
TOYOTA MOTOR CREDIT CORP NOTE DTD 01/12/2015 1.450% 01/12/2018	89236TCA1	480,000.00	AA-	Aa3	01/07/15	01/12/15	479,342.40	1.50	3,267.33	479,551.72	479,087.04
IBM CORP NOTES DTD 02/06/2015 1.125% 02/06/2018	459200HZ7	1,825,000.00	AA-	Aa3	02/03/15	02/06/15	1,819,433.75	1.23	8,269.53	1,821,087.75	1,812,779.80
WAL MART STORES INC. CORP NOTES DTD 08/24/2007 5.800% 02/15/2018	931142CJ0	600,000.00	AA	Aa2	06/09/15	06/12/15	670,705.80	1.30	13,146.67	656,297.71	655,587.00
CHEVRON CORP NOTES DTD 03/03/2015 1.365% 03/02/2018	166764AV2	625,000.00	AA	Aa1	02/24/15	03/03/15	625,000.00	1.37	2,820.05	625,000.00	619,998.75
EXXON MOBIL CORP NOTES DTD 03/06/2015 1.305% 03/06/2018	30231GAL6	1,450,000.00	AAA	Aaa	03/04/15	03/06/15	1,450,000.00	1.31	6,044.69	1,450,000.00	1,447,695.95

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS - 15233500

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
Corporate Note											
TOYOTA MOTOR CREDIT CORP DTD 07/13/2015 1.550% 07/13/2018	89236TCP8	755,000.00	AA-	Aa3	07/08/15	07/13/15	754,358.25	1.58	5,461.17	754,456.13	753,216.69
3M COMPANY CORP NOTE DTD 08/07/2015 1.375% 08/07/2018	88579YAP6	975,000.00	AA-	Aa3	08/04/15	08/07/15	973,264.50	1.44	5,362.50	973,491.78	972,952.50
MICROSOFT CORP NOTES DTD 11/03/2015 1.300% 11/03/2018	594918BF0	1,345,000.00	AAA	Aaa	10/29/15	11/03/15	1,343,655.00	1.33	2,817.03	1,343,726.04	1,342,599.18
Security Type Sub-Total		**12,940,000.00**					**13,153,674.80**	**1.30**	**57,685.81**	**13,088,065.66**	**13,058,420.92**
Certificate of Deposit											
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	1,450,739.50
CANADIAN IMPERIAL BANK NY YCD DTD 04/10/2015 1.010% 04/06/2017	13606JYY9	1,450,000.00	A-1	P-1	04/06/15	04/10/15	1,450,000.00	1.01	3,457.85	1,450,000.00	1,443,003.75
RABOBANK NEDERLAND NV CERT DEPOS DTD 04/27/2015 1.070% 04/21/2017	21684BXH2	1,450,000.00	A-1	P-1	04/22/15	04/27/15	1,450,000.00	1.07	3,016.81	1,450,000.00	1,443,040.00
NORDEA BANK FINLAND NY CD DTD 05/29/2015 1.150% 05/26/2017	65558LFA5	1,450,000.00	AA-	Aa3	05/27/15	05/29/15	1,450,000.00	1.15	1,667.50	1,450,000.00	1,441,735.00
US BANK NA CINCINNATI (CALLABLE) CD DTD 09/11/2014 1.375% 09/11/2017	90333VPF1	1,450,000.00	AA-	A1	09/09/14	09/11/14	1,447,665.50	1.41	6,092.01	1,448,681.52	1,444,646.60
BANK OF NOVA SCOTIA HOUSTON YCD DTD 11/09/2015 1.560% 11/06/2017	06417GAS7	1,450,000.00	A-1	P-1	11/06/15	11/09/15	1,450,000.00	1.55	3,267.33	1,450,000.00	1,448,136.75
SKANDINAVISKA ENSKILDA BANKEN NY CD DTD 11/17/2015 1.480% 11/16/2017	83050FBG5	1,450,000.00	A-1	P-1	11/16/15	11/17/15	1,450,000.00	1.48	2,682.50	1,450,000.00	1,444,301.50
HSBC BANK USA NA CD DTD 11/18/2015 1.540% 11/17/2017	40428AR58	1,450,000.00	A-1+	P-1	11/17/15	11/18/15	1,450,000.00	1.54	2,729.22	1,450,000.00	1,449,913.00
Security Type Sub-Total		**11,600,000.00**					**11,597,665.50**	**1.26**	**26,320.72**	**11,598,681.52**	**11,565,516.10**
Managed Account Sub-Total		**73,570,000.00**					**73,864,573.08**	**1.31**	**250,215.80**	**73,783,824.25**	**73,577,245.02**

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS - 15233500

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
Money Market Fund											
PFM Funds - Prime, Colorado Invest		5,086,049.09	AAAm	NR			5,086,049.09		0.00	5,086,049.09	5,086,049.09
Money Market Sub-Total		**5,086,049.09**					**5,086,049.09**		**0.00**	**5,086,049.09**	**5,086,049.09**
Securities Sub-Total		**$78,656,049.09**					**$78,950,622.17**	**1.31%**	**$250,215.80**	**$78,869,873.34**	**$78,663,294.11**
Accrued Interest											**$250,215.80**
Total Investments											**$78,913,509.91**

Airport Reserve Portfolio Holdings

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS AIRPORT RESERVE - 15233510

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
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 02/29/2012 0.875% 02/28/2017	912828SJ0	119,000.00	AA+	Aaa	03/26/15	03/27/15	119,595.00	0.61	351.85	119,359.74	119,046.53
US TREASURY NOTES DTD 02/29/2012 0.875% 02/28/2017	912828SJ0	470,000.00	AA+	Aaa	02/18/15	02/23/15	471,523.83	0.71	1,389.66	470,881.91	470,183.77
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	149,441.96	148,863.30
Security Type Sub-Total		**739,000.00**					**739,390.31**	**0.70**	**2,055.37**	**739,683.61**	**738,093.60**
Municipal Bond / Note											
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	125,312.50
Security Type Sub-Total		**125,000.00**					**125,000.00**	**1.08**	**562.50**	**125,000.00**	**125,312.50**
Federal Agency Bond / Note											
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	140,837.41	140,525.00
FREDDIE MAC GLOBAL NOTES DTD 05/14/2012 1.000% 06/29/2017	3137EADH9	373,000.00	AA+	Aaa	11/02/15	11/02/15	374,805.32	0.71	20.72	374,628.47	372,963.07
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	100,214.19	99,833.70
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	199,763.98	198,596.60
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	99,261.08	99,062.60
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	174,282.75	173,359.55
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	438,806.58	443,925.98

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2015**

CITY OF COLORADO SPRINGS AIRPORT RESERVE - 15233510

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
Security Type Sub-Total		**1,518,000.00**					**1,584,312.27**	**1.72**	**6,753.38**	**1,527,794.46**	**1,528,266.50**
Managed Account Sub-Total		**2,382,000.00**					**2,448,702.58**	**1.37**	**9,371.25**	**2,392,478.07**	**2,391,672.60**
Securities Sub-Total		**$2,382,000.00**					**$2,448,702.58**	**1.37%**	**$9,371.25**	**$2,392,478.07**	**$2,391,672.60**
Accrued Interest											**$9,371.25**
Total Investments											**$2,401,043.85**

Important Disclosures

Important Disclosures

This statement is for general information purposes only and is not intended to provide specific advice or recommendations. PFM Asset Management LLC ("PFM") is an investment advisor registered with the Securities and Exchange Commission, and is required to maintain a written disclosure statement of our background and business experience. If you would like to receive a copy of our current disclosure statement, please contact Service Operations at the address below.

Proxy Voting PFM does not normally receive proxies to vote on behalf of its clients. However, it does on occasion receive consent requests. In the event a consent request is received the portfolio manager contacts the client and then proceeds according to their instructions. PFM's Proxy Voting Policy is available upon request by contacting Service Operations at the address below.

Questions About an Account PFM's monthly statement is intended to detail our investment advisory activity as well as the activity of any accounts held by clients in pools that are managed by PFM. The custodian bank maintains the control of assets and executes (i.e., settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. PFM recognizes that clients may use these reports to facilitate record keeping and that the custodian bank statement and the PFM statement should be reconciled and differences resolved. Many custodians use a settlement date basis which may result in the need to reconcile due to a timing difference.

Account Control PFM does not have the authority to withdraw funds from or deposit funds to the custodian. Our clients retain responsibility for their internal accounting policies; implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

Market Value Generally, PFM's market prices are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg or Telerate. 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. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFM believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for money market and TERM funds is contained in the appropriate fund information statement.

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 straightline basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.

Tax Reporting Cost data and realized gains / losses are provided for informational purposes only. Please review for accuracy and consult your tax advisor to determine the tax consequences of your security transactions. PFM does not report such information to the IRS or other taxing authorities and is not responsible for the accuracy of such information that may be required to be reported to federal, state or other taxing authorities.

Financial Situation In order to better serve you, PFM should be promptly notified of any material change in your investment objective or financial situation.

Callable Securities Securities subject to redemption prior to maturity may be redeemed in whole or in part before maturity, which could affect the yield represented.

Portfolio The securities in this portfolio, including shares of mutual funds, are not guaranteed or otherwise protected by PFM, the FDIC (except for certain non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.

Rating Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed. Shares of some money market and TERM funds are marketed through representatives of PFM's wholly owned subsidiary, PFM Fund Distributors, Inc. PFM Fund Distributors, Inc. is registered with the SEC as a broker/dealer and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). You may reach the FINRA by calling the FINRA Regulator Public Disclosure Hotline at 1-888-289-9999 or at the FINRA Regulation Internet website address www.nasd.com. A brochure describing the FINRA Regulation Public Disclosure Program is also available from the FINRA upon request.

Key Terms and Definitions

Dividends on money market funds consist of interest earned, plus any discount ratably amortized to the date of maturity, plus all realized gains and losses on the sale of securities prior to maturity, less ratable amortization of any premium and all accrued expenses to the fund. Dividends are accrued daily and may be paid either monthly or quarterly. The monthly earnings on this statement represent the estimated dividend accrued for the month for any program that distributes earnings on a quarterly basis. There is no guarantee that the estimated amount will be paid on the actual distribution date.

Current Yield is the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical fund account with a balance of one share over the seven-day base period including the statement date, expressed as a percentage of the value of one share (normally $1.00 per share) at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. The yields quoted should not be considered a representation of the yield of the fund in the future, since the yield is not fixed.

Average maturity represents the average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing the sum by the total principal value of the portfolio. The stated maturity date of mortgage backed or callable securities are used in this statement. However the actual maturity of these securities could vary depending on the level or prepayments on the underlying mortgages or whether a callable security has or is still able to be called.

Monthly distribution yield represents the net change in the value of one share (normally $1.00 per share) resulting from all dividends declared during the month by a fund expressed as a percentage of the value of one share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month.

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.

Managed Account A portfolio of investments managed discretely by PFM according to the client's specific investment policy and requirements. The investments are directly owned by the client and held by the client's custodian.

Unsettled Trade A trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.

Please review the detail pages of this statement carefully. If you think your statement is wrong, missing account information, or if you need more information about a transaction, please contact PFM within 60 days of receipt. If you have other concerns or questions regarding your account you should contact a member of your client management team or PFM Service Operations at the address below.

PFM Asset Management LLC
Attn: Service Operations
One Keystone Plaza, Suite 300
N. Front & Market Sts
Harrisburg, PA 17101

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An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of investments at $1.00 per share, it is possible to lose money by investing in the Fund. ***PFM Fund Distributors, Inc.****, a registered member of the Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org), serves as the Fund's Distributor. PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.*

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