



Town of Fountain Hills Quarterly Investment Review Quarter Ended March 31, 2015



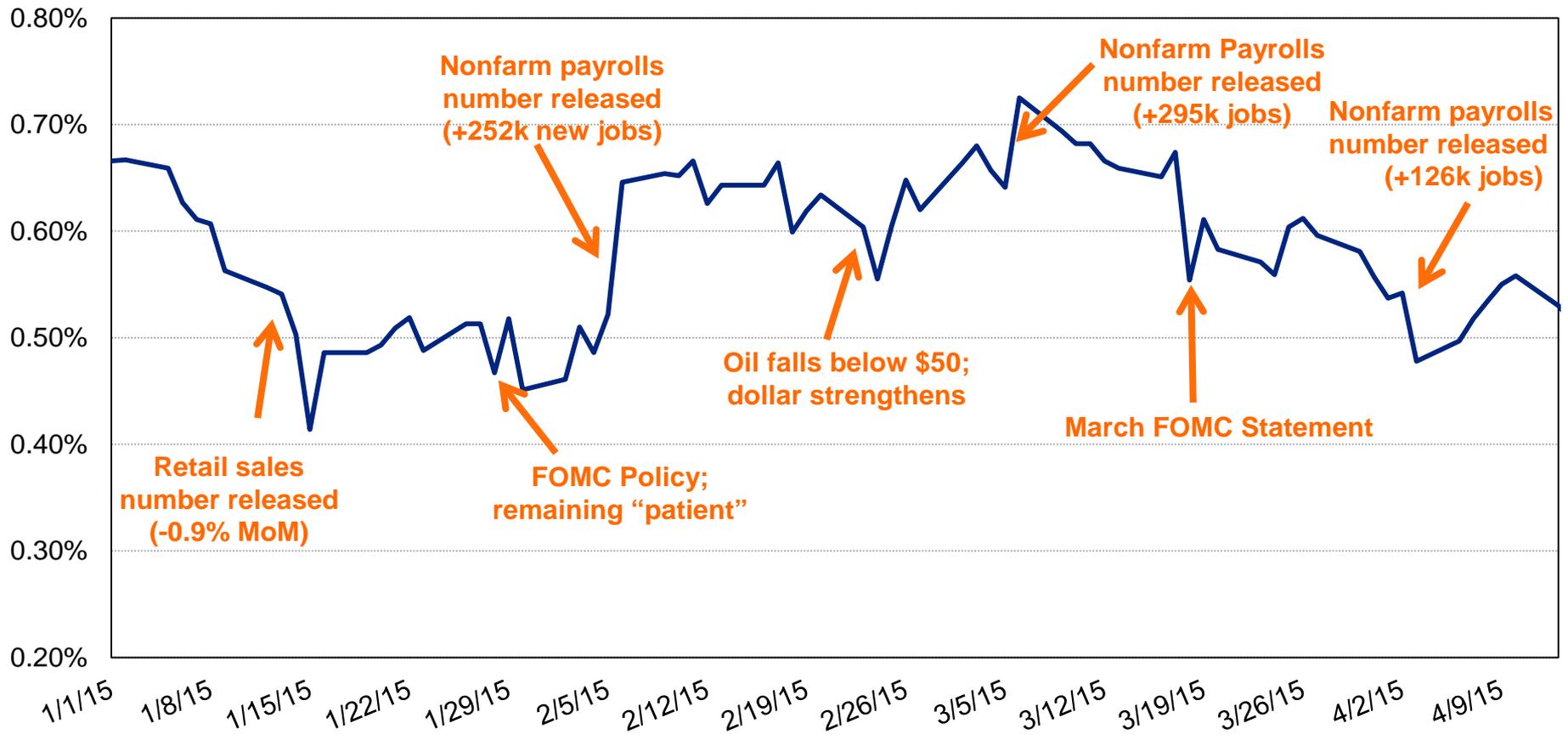
1820 East Ray Road
Chandler, AZ 85225
855-885-9621
brantl@pfm.com / woop@pfm.com

First Quarter 2015 Strategy and Recap

- Rates trended lower during the quarter due to:
 - Lackluster economic data in the U.S.;
 - Economic uncertainty in the European Union exacerbated by Greece's unsettled political situation;
 - The Federal Open Market Committee's (FOMC) indication that it is in no hurry to raise the Fed Funds rate.
- There was a greater decline in the yields of securities with longer maturities than of those with shorter maturities; this has been attributed to expectations of continued low inflation.
- At the beginning of the quarter, PFM kept the duration of the portfolio somewhat shorter than the duration of the benchmark, seeking to mitigate the potential price depreciation of the portfolio if the Fed decides to raise rates mid-year.
- As new economic data was released, and FOMC statements suggested that the Fed would likely not raise the Fed Funds rate in June, we gradually extended the portfolio's duration.
- The difference in yields between U.S. Treasury and Federal agency securities fluctuated throughout the quarter because the yields of Federal agencies typically do not respond as quickly as Treasuries to economic data.
- We paid careful attention to the selection of maturities along the yield curve, buying those securities which captured the higher yields offered by longer-term investments and maximized the benefit of "roll down."

Yields Have Fallen Modestly Since Start of Year

2-Year Treasury Yield
January 1, 2015 – April 13, 2015

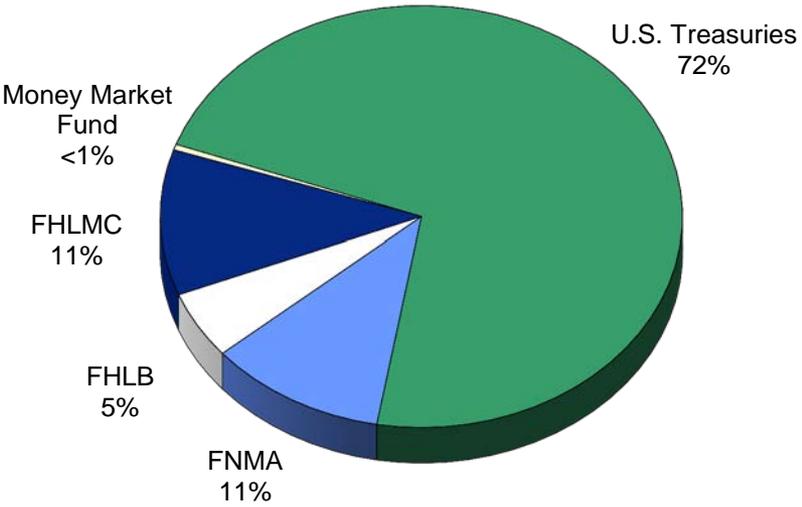


Source: Bloomberg.

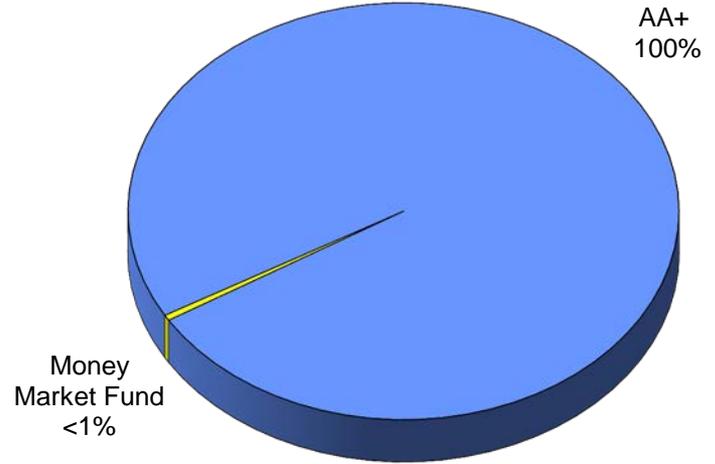
Portfolio Composition and Credit Quality Characteristics

Security Type ¹	March 31, 2015	% of Portfolio	% Change From Prior Quarter	Permitted by Policy
U.S. Treasuries	\$11,062,316.05	72%	-3%	100%
Federal Agencies	\$4,195,979.48	27%	+2%	100%
<i>FNMA</i>	\$1,692,040.83	11%	-	-
<i>FHLB</i>	\$796,263.57	5%	+2%	-
<i>FHLMC</i>	\$1,707,675.08	11%	-	-
<i>FFCB</i>	\$0.00	0%	-	-
Money Market Fund	\$66,748.95	<1%	-	-
Total	\$15,325,044.48	100%		

Portfolio Composition



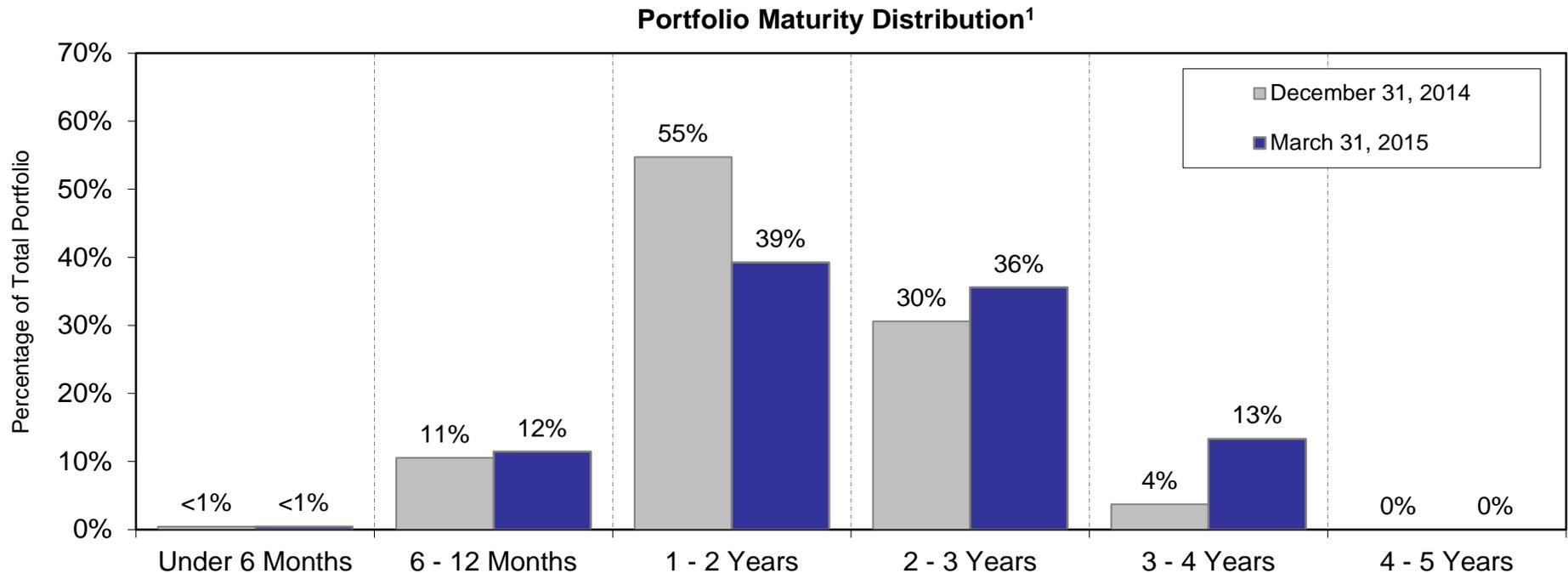
Portfolio Credit Quality Distribution²



1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
 2. Ratings by Standard and Poor's.

Portfolio Maturity Distribution

Maturity Distribution ¹	March 31, 2015	December 31, 2014
Under 6 Months	\$66,748.95	\$66,086.75
6 - 12 Months	\$1,750,858.75	\$1,605,292.36
1 - 2 Years	\$6,015,517.92	\$8,346,658.38
2 - 3 Years	\$5,451,005.50	\$4,663,172.04
3 - 4 Years	\$2,040,913.36	\$568,947.39
4 - 5 Years	\$0.00	\$0.00
Totals	\$15,325,044.48	\$15,250,156.92



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

Individual Portfolio Yield Summary

		Core Funds		Liquid Funds	
Date	Market Value ¹	Portfolio Yield (Cost)	1-3 Year Treasury/Agency Index Yield ²	AZ-LGIP Pool 7 ³	Wells Fargo MMF Yield ⁴
Apr-14	\$15,159,262	0.46%	0.56%	0.03%	0.01%
May-14	\$15,185,922	0.49%	0.36%	0.04%	0.01%
Jun-14	\$15,196,043	0.48%	0.43%	0.13%	0.01%
Jul-14	\$15,186,857	0.52%	0.51%	0.05%	0.01%
Aug-14	\$15,200,009	0.52%	0.48%	0.06%	0.01%
Sep-14	\$15,190,172	0.55%	0.56%	0.05%	0.01%
Oct-14	\$15,233,264	0.58%	0.49%	0.06%	0.01%
Nov-14	\$15,243,198	0.58%	0.47%	0.07%	0.01%
Dec-14	\$15,225,956	0.61%	0.65%	0.08%	0.01%
Jan-15	\$15,288,391	0.61%	0.45%	0.08%	0.01%
Feb-15	\$15,251,169	0.66%	0.60%	0.08%	0.01%
Mar-15	\$15,297,198	0.71%	0.54%	0.09%	0.01%

1. Excludes accrued interest and includes balance in the custody account MMF.

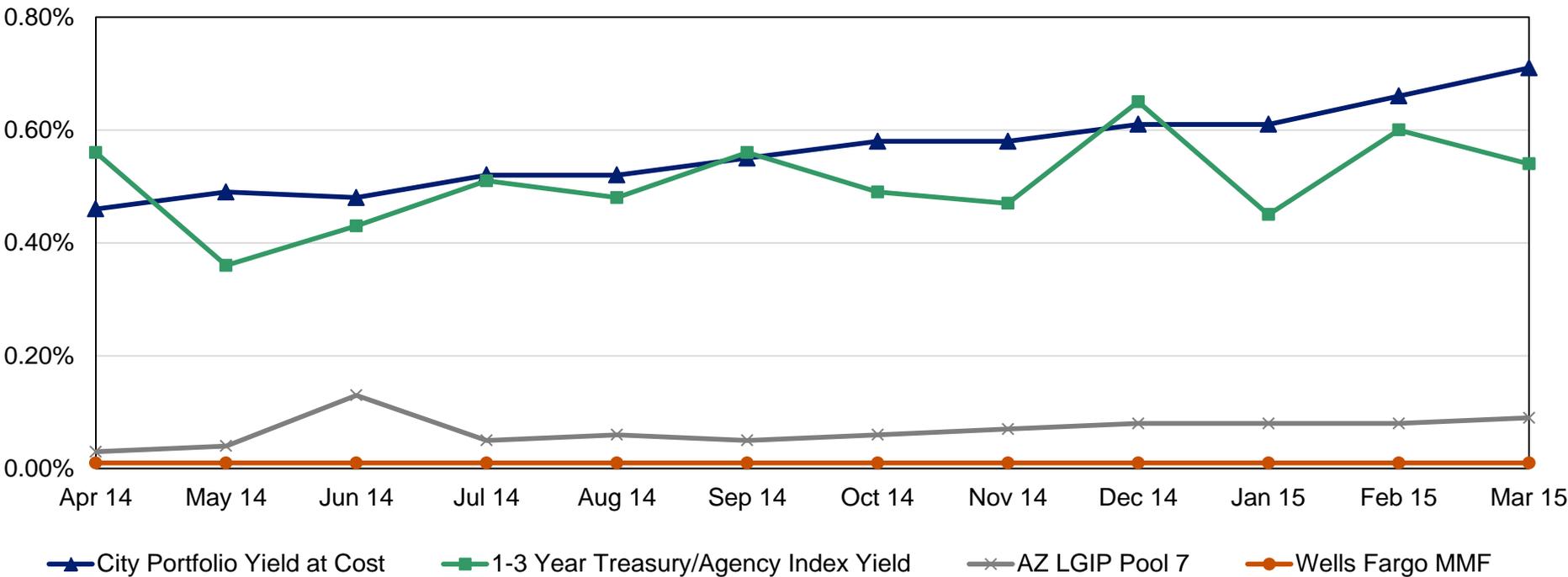
2. Rate represents the Merrill Lynch 1-3 Year U.S. Treasury / Agency Index month-end yield (G1A0). Source: Bloomberg.

3. Monthly Apportionment Yields. Source: Office of the Arizona State Treasurer.

4. Rate represents the Wells Fargo Advantage Government Money Market Service Fund.

Individual Portfolio Yield Summary (Continued)

Comparison of Combined Portfolio Yield to Various Benchmarks^{1,2,3}



1. Rate represents the Merrill Lynch 1-3 Year U.S. Treasury / Agency Index month-end yield (G1A0). Source: Bloomberg.
 2. Monthly Apportionment Yields. Source: Office of the Arizona State Treasurer.
 3. Rate represents the Wells Fargo Advantage Government Money Market Service Fund.

Treasury Purchases Add Yield and Duration

- We extended the portfolio's duration as interest rates are not expected to rise until later 2015 and to take advantage of the steep yield curve.
- The following purchases picked up an average of +0.71% over those sold with a duration extension of 2.13 years.
- The total gains on the sale were \$5,000 in addition to incremental earnings of \$15,000 over the life of the securities.

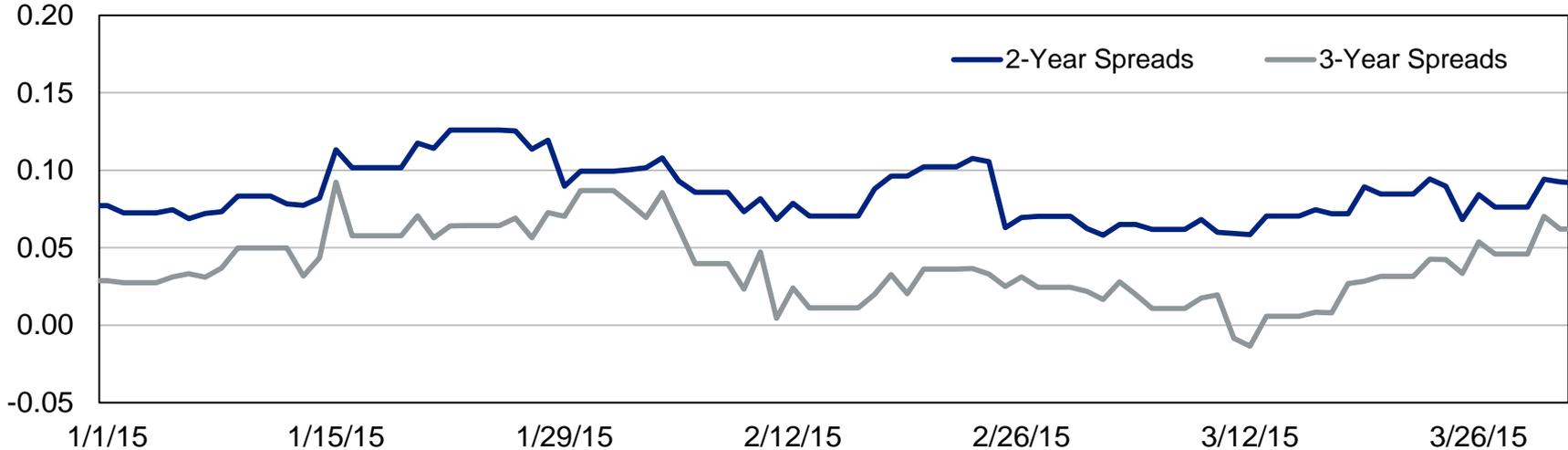
Trade Date	Trade Type	Security	Maturity	Par Value	Yield
2/2/15	Buy	U.S. Treasury Notes	7/31/17	\$700,000	0.63%
2/2/15	Sell	FHLMC Notes	8/28/15	\$325,000	0.15%
2/2/15	Sell	U.S. Treasury Notes	11/30/15	\$350,000	0.17%
2/26/15	Buy	U.S. Treasury Notes	3/31/18	\$950,000	1.04%
2/26/15	Sell	U.S. Treasury Notes	11/30/15	\$290,000	0.17%
2/26/15	Sell	U.S. Treasury Notes	11/30/15	\$625,000	0.17%
3/26/15	Buy	U.S. Treasury Notes	3/31/18	\$1,100,000	1.00%
3/26/15	Sell	U.S. Treasury Notes	1/31/16	\$1,100,000	0.27%

Capitalizing on Agency Spread

- Yield spreads generally widened when Treasury yields fell and narrowed when Treasury yields rose.
- We were able to capitalize on the changes in these yield differences by adding Federal agency notes when spreads were at attractive levels.

Trade Date	Security	Maturity	Par Value	Yield
1/15/15	FHLMC Notes	1/27/17	\$415,000	0.59%
1/21/15	FHLB Notes	11/23/16	\$375,000	0.56%
3/19/15	FHLMC Notes	7/28/18	\$350,000	0.85%

Treasury-Agency Yield Spread
January 1, 2015 – March 31, 2015

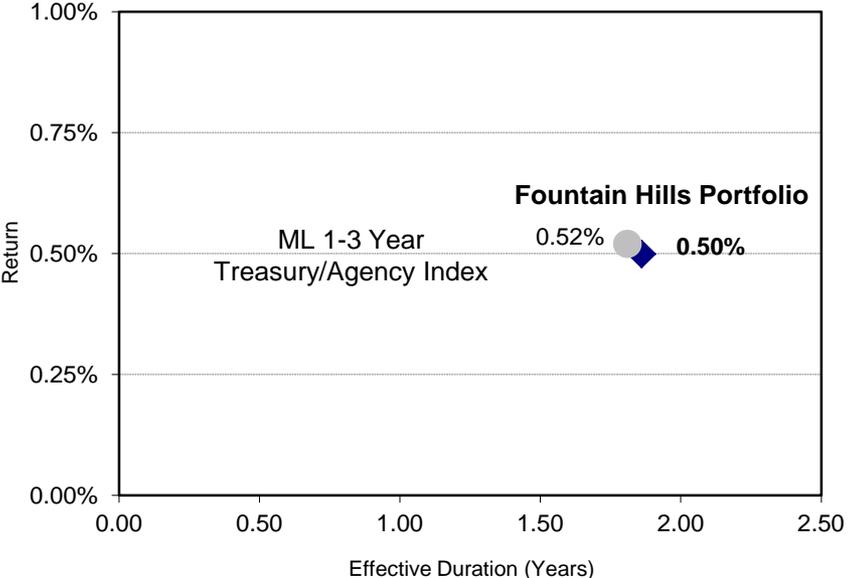


Source: Bloomberg.

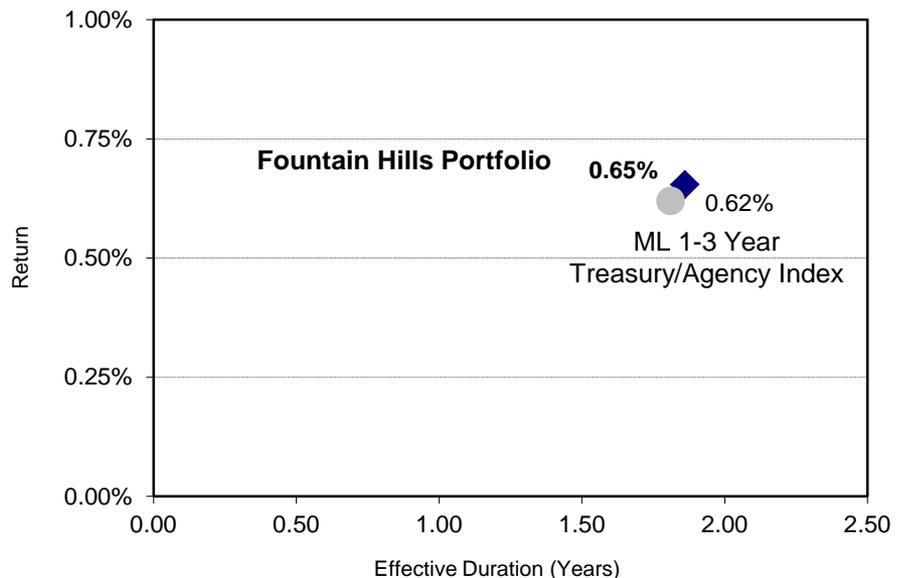
Portfolio Performance

Total Return ^{1,2,3,4}	Quarter Ended March 31, 2015	Past 12 Months	Past 2 Years	Past 3 Years	Since Inception
Fountain Hills Portfolio	0.50%	0.94%	0.63%	0.64%	0.65%
ML 1-3 Year Treasury/Agency Index	0.52%	1.01%	0.70%	0.68%	0.62%
Effective Duration	March 31, 2015	December 31, 2014	Yields	March 31, 2015	December 31, 2014
Fountain Hills Portfolio	1.86	1.73	Yield at Market	0.56%	0.61%
ML 1-3 Year Treasury/Agency Index	1.78	1.81	Yield on Cost	0.71%	0.61%

Quarter Total Return Comparison

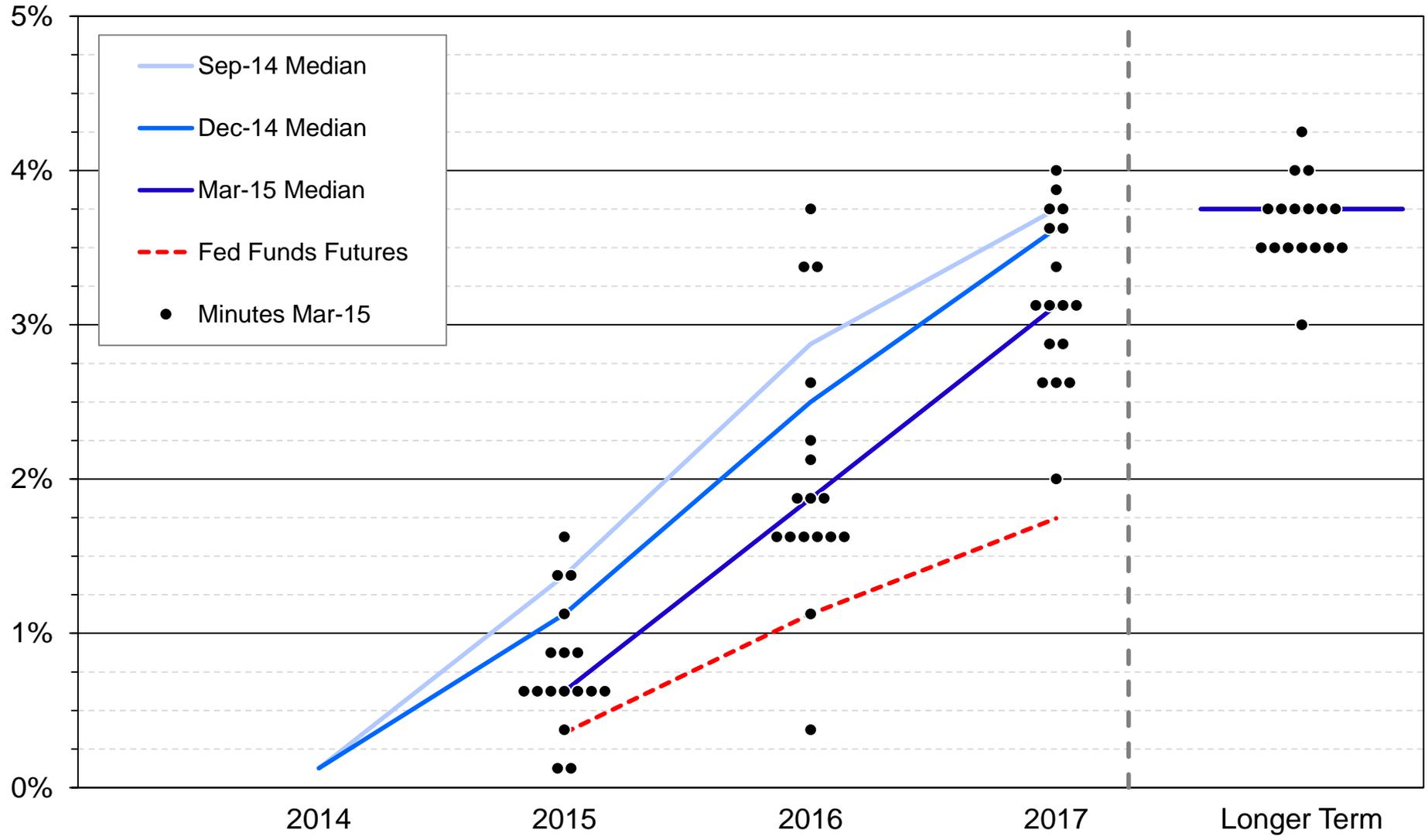


Since Inception Total Return Comparison



1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
 2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
 3. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.
 4. Inception date is 12/31/11.

Conservative Trend of FOMC Interest Rate Expectations



Source: Bloomberg. Fed Fund Futures as of 5/5/15.

Second Quarter Investment Strategy

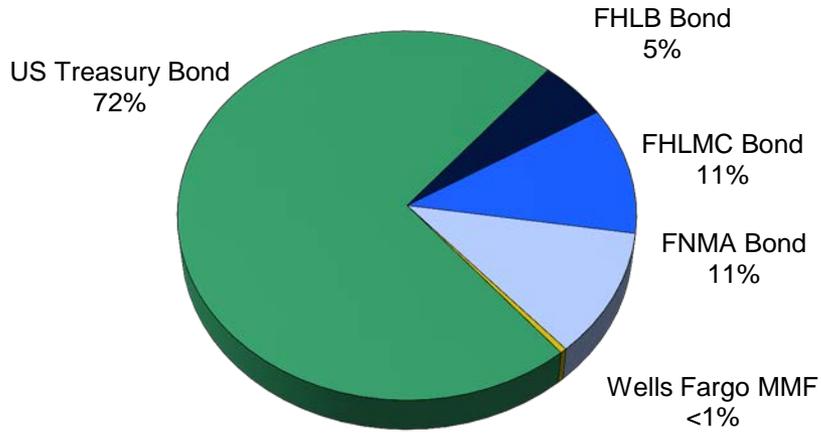
- We expect U.S. economic conditions to gradually advance in the second quarter, including improvements in GDP, employment, retail sales, and consumer sentiment.
- The FOMC changed the language in their March statement, replacing the notion that they “can be patient” in their plans to raise rates with a statement that they need to be “reasonably confident that inflation will move back to its two percent objective” before taking any action on rates.
- This stronger emphasis on inflation, combined with the FOMC’s more conservative projections for the future trajectory of the federal funds rate, informs our market view that rates will remain within their current range in the coming months.
- With this expectation, we will likely invest in securities further out the yield curve because we want to take advantage of the additional investment income on securities with longer maturities.
- Because FOMC policy continues to evolve, we expect volatility to continue throughout the quarter. This will be particularly true around the announcement of key economic releases as market participants digest the impact on the timing of an initial FOMC rate hike and on the pace of subsequent hikes.
- In a potentially turbulent market environment, we will carefully manage the durations of the portfolio within narrow target ranges.
- We will make selective longer-term investments when rates are on the higher side of their recent trading ranges, and remain patient when rates are closer to the lower end of the range.

Town of Fountain Hills Portfolio Summary

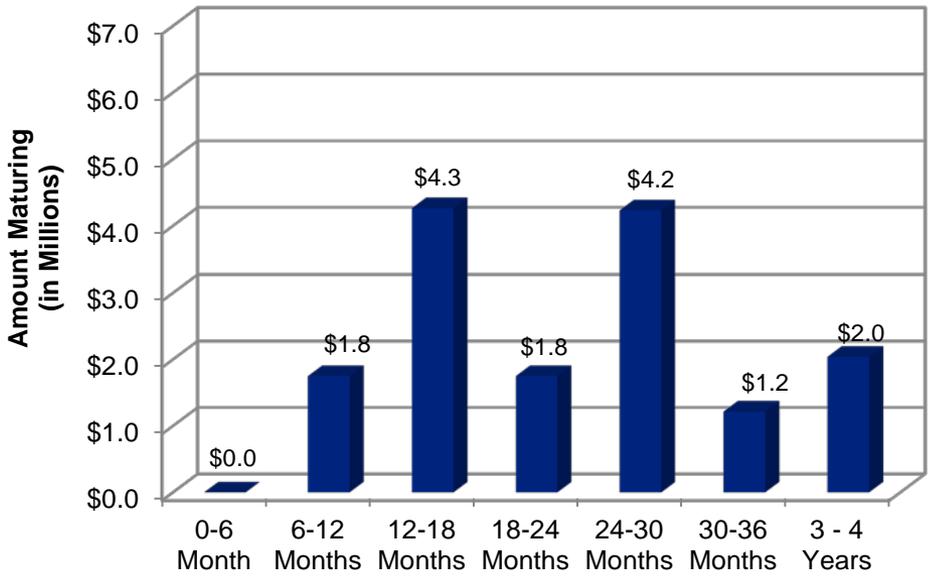
Summary By Type	Book Value	Market Value ¹	Days to Maturity	% of Portfolio	% Allowed per Policy	YTM @ Cost
US Treasury Bond	\$11,031,758	\$11,062,316	740	72.18%	100%	0.73%
FHLB Bond	\$795,653	\$796,263	573	5.20%	100%	0.58%
FHLMC Bond	\$1,702,914	\$1,707,675	681	11.14%	100%	0.70%
FNMA Bond	\$1,687,089	\$1,692,041	411	11.04%	100%	0.63%
FFCB Bond	\$0	\$0	-	0.00%	100%	-
Wells Fargo MMF	\$66,749	\$66,749	1	0.44%	N/A	0.01%
Total including cash	\$15,284,163	\$15,325,044	685	100.00%		0.70%
Total without cash	\$15,217,414	\$15,258,296				0.71%

Summary by Issuer	Book Value	% of Portfolio
US Treasury	\$11,031,758	72.18%
FHLB	\$795,653	5.21%
FHLMC	\$1,702,914	11.14%
FNMA	\$1,687,089	11.04%
FFCB Bond	\$0	0.00%
Wells Fargo	\$66,749	0.44%
Total	\$15,284,163	100%

Issuer Distribution



Maturity Distribution²



Weighted Average Maturity (in years)	1.88
Duration Allowed by Policy	5.00
Current Portfolio Duration Including Cash	1.85
Current Portfolio Duration Without Cash	1.86

¹ Market values of portfolio holdings include accrued interest.
² Excludes Money Market Balance.



Managed Account Detail of Securities Held

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

TOWN OF FOUNTAIN HILLS, OPERATING FUNDS

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 01/31/2011 2.000% 01/31/2016	912828PS3	115,000.00	AA+	Aaa	01/30/13	02/04/13	120,327.73	0.44	381.22	116,493.85	116,680.04
US TREASURY NOTES DTD 01/31/2011 2.000% 01/31/2016	912828PS3	365,000.00	AA+	Aaa	03/04/14	03/05/14	376,805.47	0.30	1,209.94	370,167.51	370,332.29
US TREASURY NOTES DTD 06/02/2014 0.375% 05/31/2016	912828WM8	825,000.00	AA+	Aaa	06/02/14	06/03/14	824,871.09	0.38	1,036.92	824,924.51	825,257.40
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	475,000.00	AA+	Aaa	05/22/13	05/24/13	516,024.41	0.44	3,880.70	491,578.62	492,033.03
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	500,000.00	AA+	Aaa	05/10/13	05/15/13	544,140.63	0.41	4,084.94	517,691.06	517,929.50
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	750,000.00	AA+	Aaa	05/24/13	05/31/13	812,402.34	0.53	6,127.42	775,393.37	776,894.25
US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	285,000.00	AA+	Aaa	02/27/14	03/03/14	288,595.90	0.49	247.83	287,044.38	287,360.09
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	400,000.00	AA+	Aaa	12/03/13	12/04/13	403,578.13	0.57	1,173.08	402,000.35	402,718.80
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	450,000.00	AA+	Aaa	10/31/13	11/01/13	453,480.47	0.62	1,319.71	451,890.05	453,058.65
US TREASURY NOTES DTD 01/03/2012 0.875% 12/31/2016	912828RX0	100,000.00	AA+	Aaa	12/05/14	12/09/14	100,375.00	0.69	219.96	100,318.72	100,679.70
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	525,000.00	AA+	Aaa	03/19/14	03/21/14	526,209.96	0.92	14.34	525,802.21	529,388.48
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	650,000.00	AA+	Aaa	10/02/14	10/06/14	653,173.83	0.80	17.76	652,557.54	655,433.35
US TREASURY NOTES DTD 05/31/2012 0.625% 05/31/2017	912828SY7	825,000.00	AA+	Aaa	06/02/14	06/03/14	820,423.83	0.81	1,728.19	821,678.05	825,064.35
US TREASURY NOTES DTD 07/02/2012 0.750% 06/30/2017	912828TB6	550,000.00	AA+	Aaa	10/30/14	11/03/14	549,441.41	0.79	1,036.95	549,527.41	551,117.05



Managed Account Detail of Securities Held

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

TOWN OF FOUNTAIN HILLS, OPERATING FUNDS

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 07/31/2012 0.500% 07/31/2017	912828TG5	50,000.00	AA+	Aaa	02/06/15	02/10/15	49,582.03	0.84	41.44	49,605.19	49,808.60
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	130,000.00	AA+	Aaa	07/01/14	07/07/14	128,197.26	0.96	107.73	128,623.07	129,502.36
US TREASURY NOTES DTD 07/31/2012 0.500% 07/31/2017	912828TG5	700,000.00	AA+	Aaa	02/02/15	02/04/15	697,785.16	0.63	580.11	697,921.97	697,320.40
US TREASURY NOTES DTD 09/30/2010 1.875% 09/30/2017	912828PA2	625,000.00	AA+	Aaa	09/02/14	09/04/14	640,673.83	1.04	32.02	637,784.84	642,578.13
US TREASURY NOTES DTD 12/31/2012 0.750% 12/31/2017	912828UE8	575,000.00	AA+	Aaa	12/01/14	12/03/14	572,192.38	0.91	1,084.08	572,488.37	573,921.88
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	950,000.00	AA+	Aaa	02/26/15	02/27/15	941,613.28	1.04	19.47	941,856.98	945,769.65
US TREASURY NOTES DTD 04/01/2013 0.750% 03/31/2018	912828UU2	1,100,000.00	AA+	Aaa	03/26/15	03/27/15	1,092,007.81	1.00	22.54	1,092,043.93	1,095,101.70
Security Type Sub-Total		10,945,000.00					11,111,901.95	0.73	24,366.35	11,007,391.98	11,037,949.70
Federal Agency Bond / Note											
FANNIE MAE GLOBAL NOTES DTD 02/15/2013 0.500% 03/30/2016	3135G0VA8	300,000.00	AA+	Aaa	03/12/13	03/13/13	300,141.00	0.48	4.17	300,046.36	300,532.80
FANNIE MAE GLOBAL NOTES DTD 02/15/2013 0.500% 03/30/2016	3135G0VA8	460,000.00	AA+	Aaa	02/14/13	02/15/13	459,475.60	0.54	6.39	459,831.61	460,816.96
FANNIE MAE GLOBAL NOTES DTD 02/15/2013 0.500% 03/30/2016	3135G0VA8	500,000.00	AA+	Aaa	08/29/13	08/30/13	497,335.00	0.71	6.94	498,965.60	500,888.00
FHLMC REFERENCE NOTE DTD 11/21/2014 0.400% 05/27/2016	3134G5RF4	500,000.00	AA+	Aaa	11/19/14	11/21/14	499,850.00	0.42	722.22	499,885.66	500,006.50
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	170,000.00	AA+	Aaa	10/01/13	10/03/13	172,510.90	0.75	17.71	171,261.30	171,896.52
FNMA NOTES DTD 08/19/2011 1.250% 09/28/2016	3135G0CM3	255,000.00	AA+	Aaa	10/01/13	10/03/13	258,826.56	0.74	26.56	256,922.09	257,844.78



Managed Account Detail of Securities Held

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

TOWN OF FOUNTAIN HILLS, OPERATING FUNDS

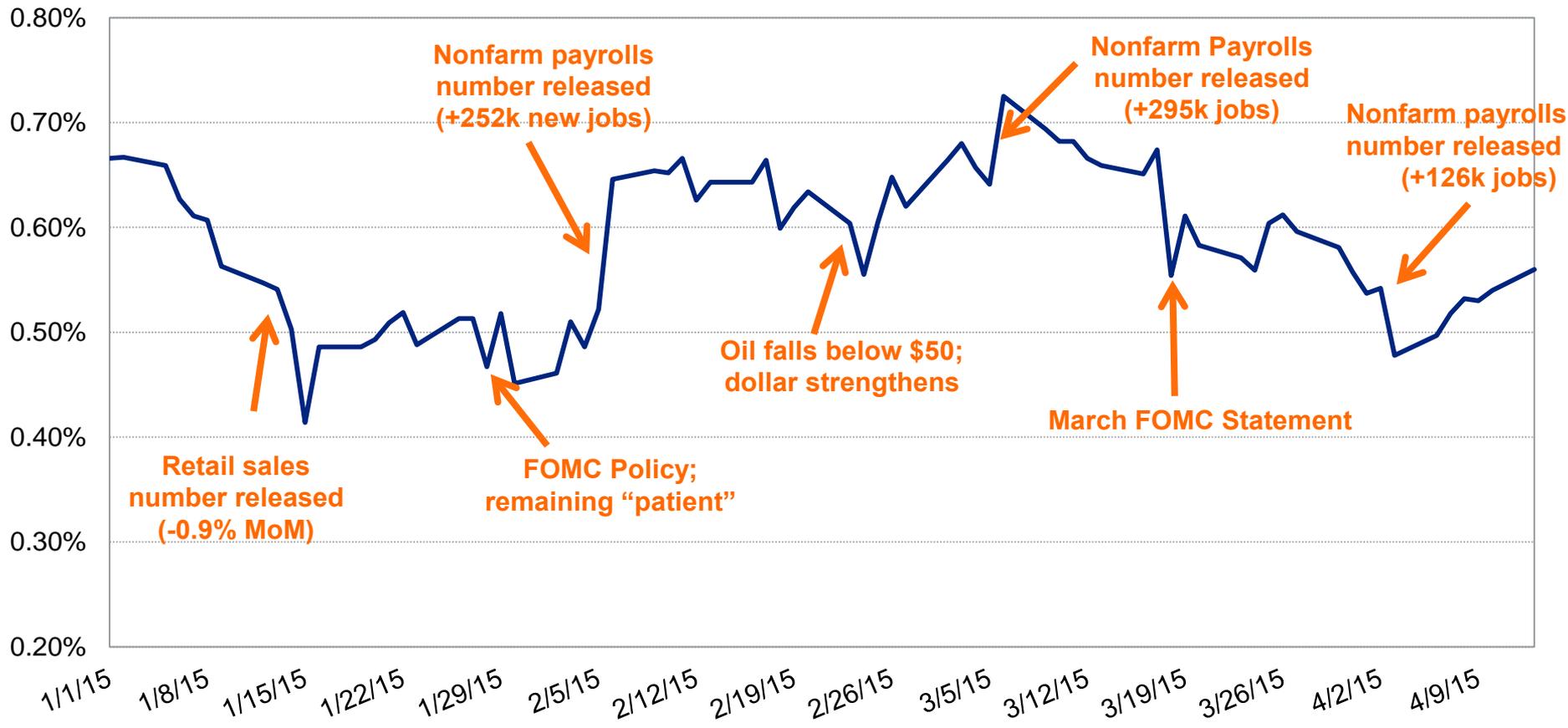
Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FHLB NOTES DTD 08/07/2014 0.500% 09/28/2016	3130A2T97	420,000.00	AA+	Aaa	08/06/14	08/07/14	419,055.00	0.61	17.50	419,340.30	420,015.54
FHLB NOTES DTD 11/17/2014 0.625% 11/23/2016	3130A3J70	375,000.00	AA+	Aaa	01/21/15	01/22/15	375,471.59	0.56	872.40	375,422.77	375,358.13
FHLMC REFERENCE NOTE DTD 01/16/2015 0.500% 01/27/2017	3137EADU0	415,000.00	AA+	Aaa	01/15/15	01/16/15	414,273.75	0.59	432.29	414,347.96	414,285.79
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	350,000.00	AA+	Aaa	03/19/15	03/20/15	351,190.00	0.85	612.50	351,174.75	352,610.30
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	435,000.00	AA+	Aaa	08/12/14	08/14/14	434,970.86	1.00	761.25	434,977.35	438,244.23
Security Type Sub-Total		4,180,000.00					4,183,100.26	0.65	3,479.93	4,182,175.75	4,192,499.55
Managed Account Sub-Total		15,125,000.00					15,295,002.21	0.71	27,846.28	15,189,567.73	15,230,449.25
Securities Sub-Total		\$15,125,000.00					\$15,295,002.21	0.71%	\$27,846.28	\$15,189,567.73	\$15,230,449.25
Accrued Interest											\$27,846.28
Total Investments											\$15,258,295.53



Economic Update

Yields Have Fallen Modestly Since Start of Year

2-Year Treasury Yield
January 1, 2015 – April 13, 2015

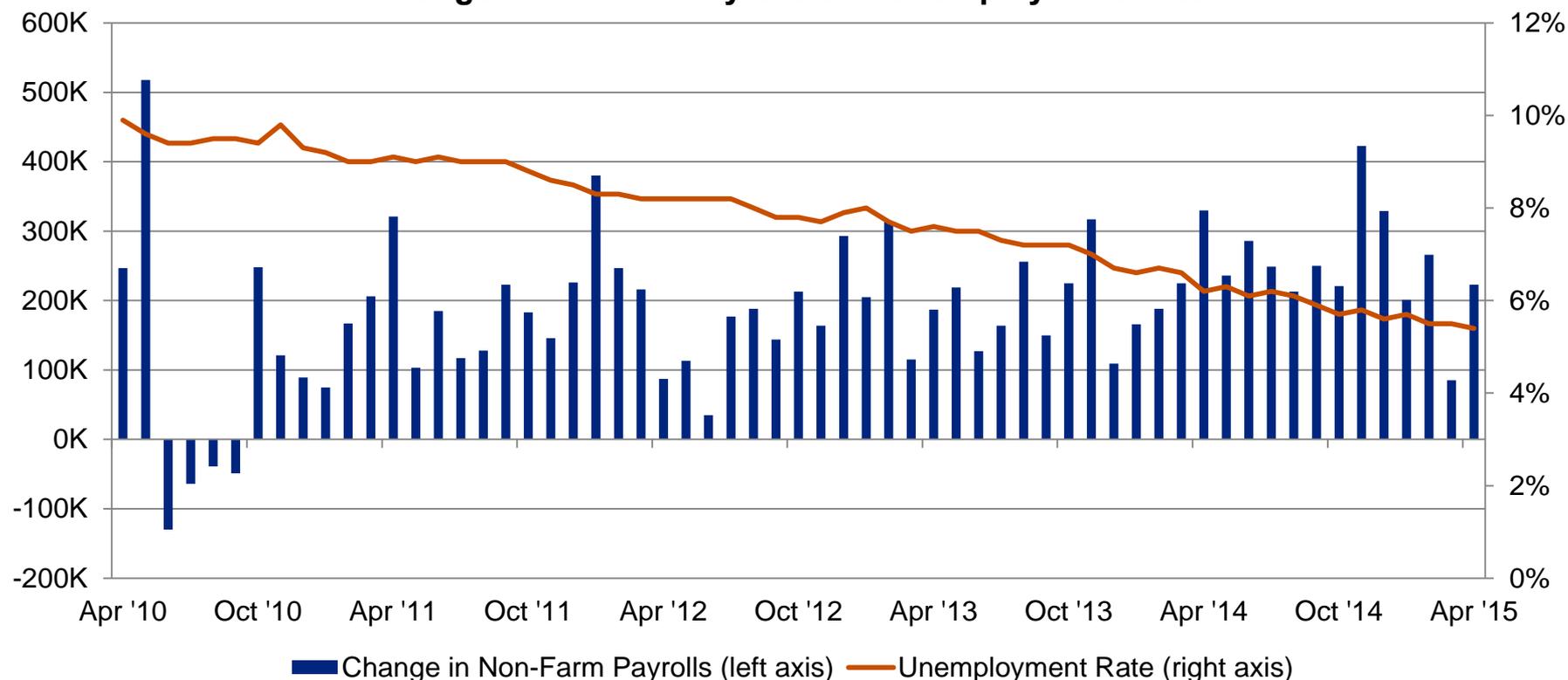


Source: Bloomberg.

Nonfarm Payrolls Rebound in April

- After a disappointing March jobs report, 223,000 jobs were added to the economy in April.
- The unemployment rate fell to from 5.5% to 5.4%; the lowest since May 2008.
- Job gains were the highest in the professional and business services , heath care, and construction sectors.

Change in Nonfarm Payrolls and Unemployment Rate

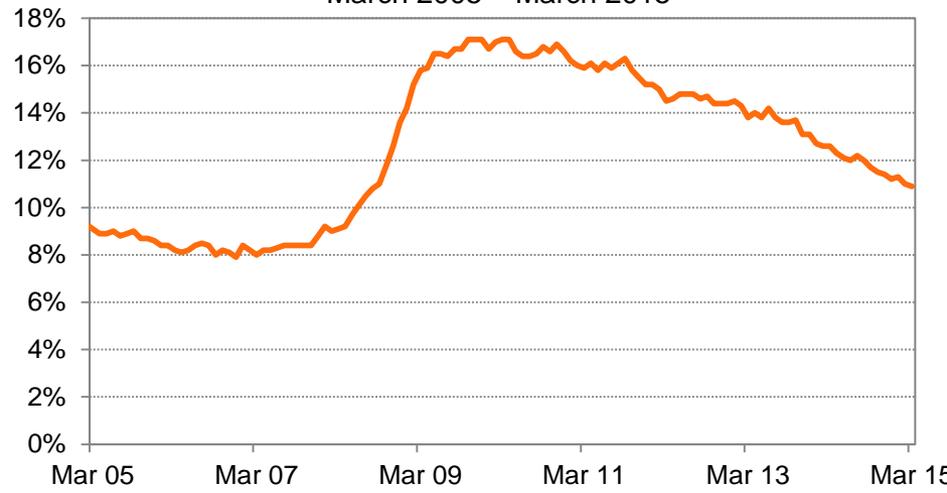


Source: Bureau Of Labor Statistics.

Other Labor Market Indicators Positive

- Underemployment rate ticked down 0.1% to 10.9%.
- Continuing jobless claims fell to their lowest level since 2000, while initial jobless claims fell to a 9-week low.
- Average hourly earnings rose 2.1% YoY and 0.3% MoM; although in line with expectations, wage pressures remain subdued.

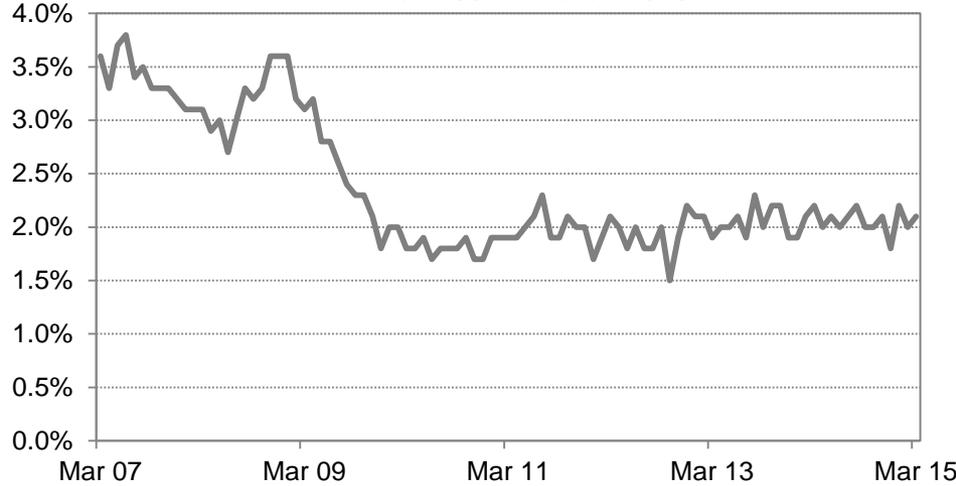
Underemployment Rate (U-6)
March 2005 – March 2015



Continuing Jobless Claims
March 2005 – March 2015



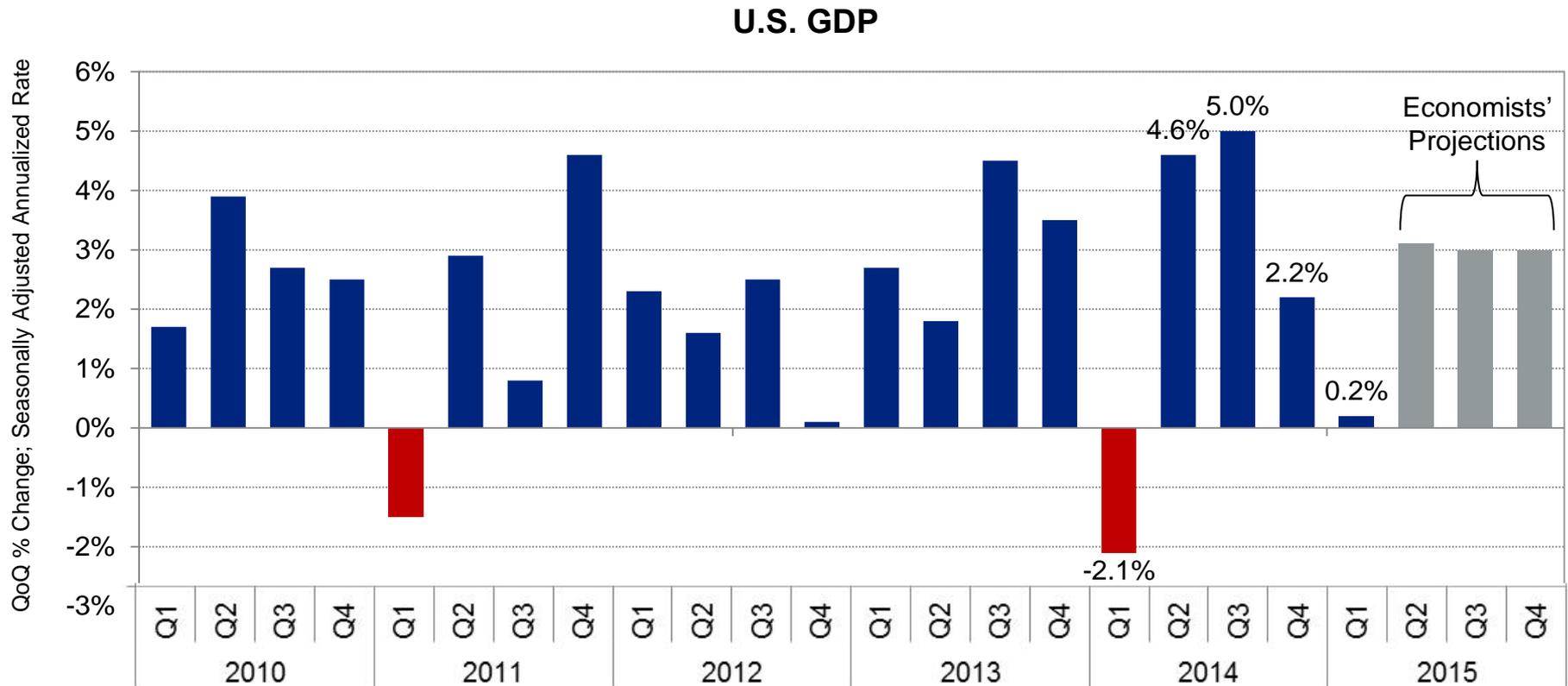
US Average Hourly Earnings % Change (YoY)
March 2007 – March 2015



Source: Bloomberg.

Low Expectations for First Quarter GDP

- U.S. fourth quarter GDP was revised down to 2.2%; solid consumer spending helped offset declines in business investment, exports, and government spending.
- The advance estimate of U.S. first quarter GDP revealed a rate of 0.2%.



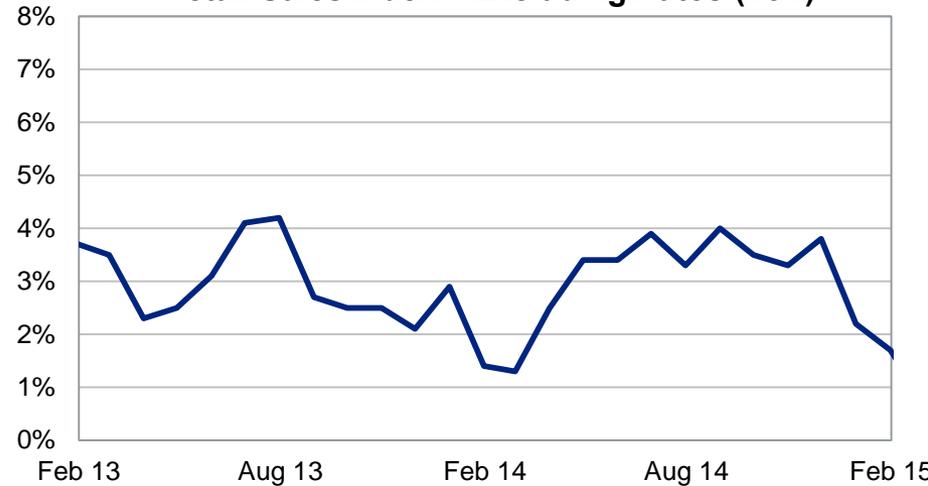
Source: Bureau of Economic Analysis.

Slowdown Due To Multiple Factors

Oil Cost Per Barrel



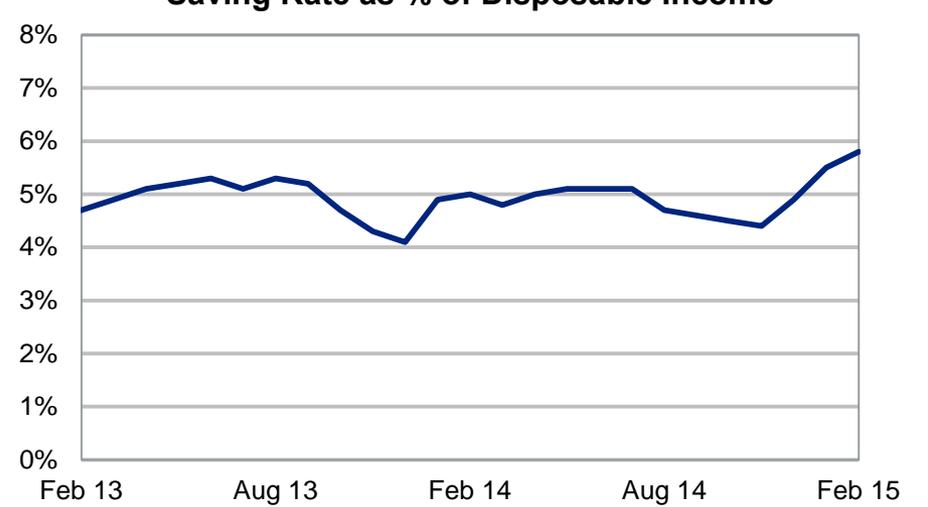
Retail Sales Index – Excluding Autos (YoY)



US Dollar per Euro



Saving Rate as % of Disposable Income



Source: Bloomberg.

Fed Funds Futures

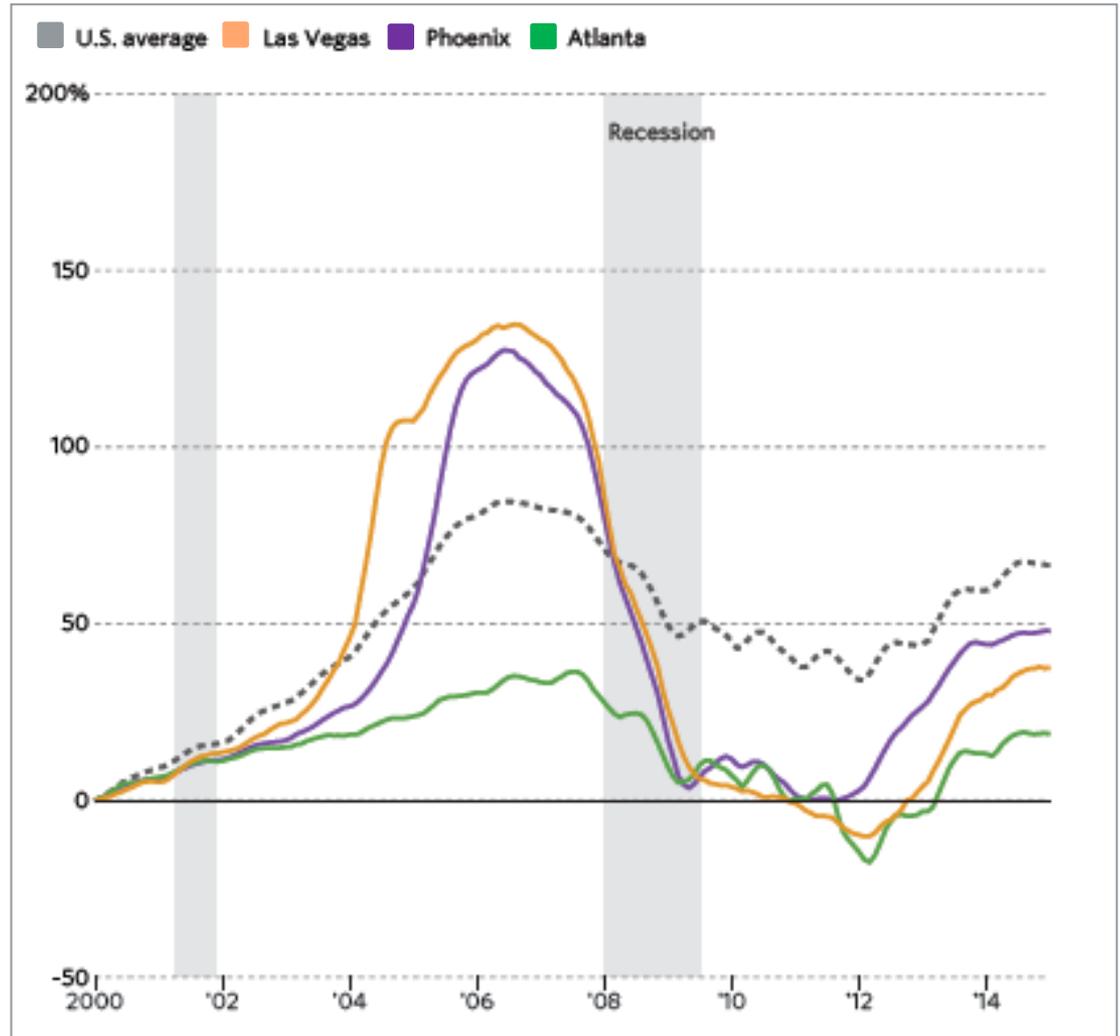


Source: Bloomberg.

Arizona Home Pricing Update

- Home prices rebounded strongly in 2012 and 2013.
- However, the pace of gains has slowed since then as supply of bargain-priced foreclosures has dwindled.
- The Case-Shiller Index measures prices on home re-sales. They are reported on a three-month moving average.

Case-Shiller Index for Various Cities
Cumulative change from 2000



Source: The Wall Street Journal.

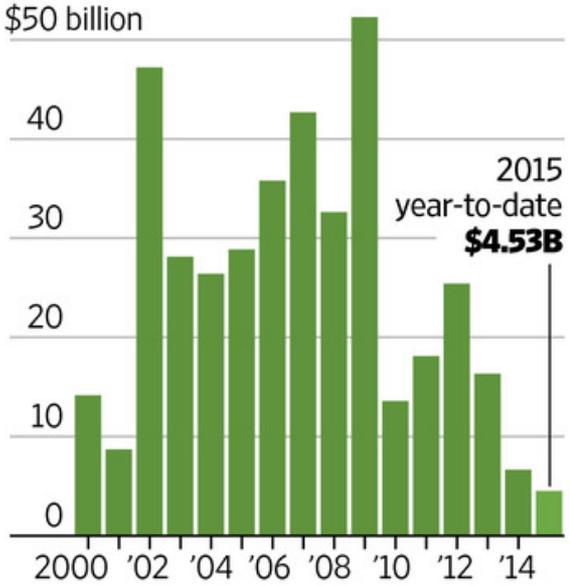
General Electric Restructuring

- GE announced earlier this month that they will be divesting their capital division to focus on their core industrial businesses.
 - Will likely result in a substantial drop in outstanding debt over the next 5 years.
 - GE is one of the largest corporate debt issuers in the country. The reduced supply may result in greater market demand for corporate debt and, therefore, lower yields overall.

Investment-grade bonds outstanding as a share of total*



GE Capital bond issuance



*Barclays U.S. Corporate Investment Grade index as of Thursday
Sources: Barclays; Dealogic (GE Capital bond issuance)

THE WALL STREET JOURNAL.

Source: The Wall Street Journal.

Effects on Credit Rating

- Following the announcement, Moody's lowered the rating of GE Company's unsecured debt from Aa3 to A1. GE Capital's A1 senior unsecured debt remains unchanged.
- S&P reaffirmed its AA+ credit rating for GE.
- The CDS price dropped significantly, indicating a positive market perception of GE debt.



Source: Bloomberg.

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.