



HUGH L. CAREY  
BATTERY PARK  
CITY AUTHORITY

# Hugh L. Carey Battery Park City Authority

Review of Investment Performance  
Quarter Ended October 31, 2016



PFM®

PFM Asset Management LLC

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**Section A –  
Executive Summary**

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# Performance Overview

	Past Quarter	Past Quarter Annualized	Past 12 Months	Past 3-Years	Since Inception
<b>Short-Term Strategy:</b>					
<b>2003 Pledged Revenue</b>	<b>0.13%</b>	<b>0.50%</b>	<b>0.36%</b>	<b>0.22%</b>	<b>1.23%</b>
<b>2003 Project Operating Fund</b>	<b>0.14%</b>	<b>0.57%</b>	<b>0.49%</b>	<b>0.25%</b>	<b>1.23%</b>
<i>BM: Merrill Lynch 3 Month US Treasury Bill Index</i>	<i>0.09%</i>	<i>0.37%</i>	<i>0.31%</i>	<i>0.12%</i>	<i>1.15%</i>
<b>Long-Term Strategy:</b>					
<b>2003 Reserve Fund</b>	<b>-0.26%</b>	<b>-1.02%</b>	<b>1.75%</b>	<b>1.51%</b>	<b>3.70%</b>
<i>BM: Merrill Lynch 1-5 Year US Treasury Note Index</i>	<i>-0.34%</i>	<i>-1.34%</i>	<i>1.55%</i>	<i>1.28%</i>	<i>3.55%</i>
<b>BPCPC Operating Reserve Contingency</b>	<b>-0.57%</b>	<b>-2.23%</b>	<b>2.43%</b>	<b>2.18%</b>	<b>4.14%</b>
<b>Insurance Fund</b>	<b>-0.71%</b>	<b>-2.77%</b>	<b>2.08%</b>	<b>1.94%</b>	<b>4.09%</b>
<b>Operating Budget Reserve</b>	<b>-0.60%</b>	<b>-2.34%</b>	<b>2.43%</b>	<b>2.17%</b>	<b>4.27%</b>
<i>BM: Merrill Lynch 1-10 Year US Treasury Note Index</i>	<i>-0.75%</i>	<i>-2.93%</i>	<i>2.30%</i>	<i>1.97%</i>	<i>3.77%</i>
<b>BPCA Other Post Employment Benefits</b>	<b>-0.63%</b>	<b>-2.47%</b>	<b>2.30%</b>	<b>2.02%</b>	<b>3.21%</b>
<i>BM: Merrill Lynch 1-10 Year US Treasury Note Index</i>	<i>-0.75%</i>	<i>-2.93%</i>	<i>2.30%</i>	<i>1.97%</i>	<i>2.96%</i>
<b>BPCPC Other Post Employment Benefits</b>	<b>-0.65%</b>	<b>-2.55%</b>	<b>2.27%</b>	<b>2.00%</b>	<b>2.51%</b>
<i>BM: Merrill Lynch 1-10 Year US Treasury Note Index</i>	<i>-0.75%</i>	<i>-2.93%</i>	<i>2.30%</i>	<i>1.97%</i>	<i>2.60%</i>

Notes:

1. Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
2. Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present
3. For the 'Reserve Fund,' the inception of the BAML 1-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BAML 1-10 Year Treasury Index was utilized.
4. Since inception performance for the 'BPCA Other Post Employment Benefits' is calculated from January 31, 2008 to present.
5. Since inception performance for the 'BPCPC Other Post Employment Benefits' is calculated from February 12, 2010 to present.

# Portfolio Summary

## Short-Term Funds

- The Pledged Revenue and Project Operating fund portfolios have outperformed the BAML 3 Month Treasury Bill index for the quarter and 12 months ending October 31, 2016.
  - The relative return of the Short-Term portfolios has continued to benefit from attractive yields in the high quality commercial paper sector.
  - During the quarter portfolios were positioned to accommodate transfers and to prepare for the end of the fiscal year in October.
  - Liquidity considerations are the primary determinant of portfolio structure and duration positioning.
  - For the 12 months ended October 31, 2016, the Short-Term portfolios outperformed the benchmark by an average of 11 basis points.

## Longer-Term Funds

- All longer-term portfolios have outperformed their respective benchmark for the quarter ending October 31, 2016.
- U.S. Treasury yields rose during the quarter, with the 2-year climbing 19 bps (0.19%) and the 10-year rising 38 bps (0.38%). All U.S. Treasury benchmarks posted negative returns due to the rise in rates.
- Modest allocations to the Government mortgage-backed security (MBS) sector contributed to outperformance versus respective benchmarks. The MBS sector outperformed the U.S. Treasury sector as interest rates rose during the quarter.
- Generally modest allocations to the municipal sector was also a negative for relative return during the quarter.
- Portfolios have been positioned with durations close to benchmarks in an effort to protect them from unpredictable rate moves.
- Most market participants expect a 0.25% increase in the federal funds rate at the Fed's December meeting. Outside the U.S., global central banks continue to administer accommodative monetary policy, keeping rates low and implementing large-scale purchase programs.

# Portfolio Value – Strategy Level

	October 31, 2016			July 31, 2016			Change in Strategy Value Summary			
	Market Value	Effective Duration	% of Total Portfolio	Market Value	Effective Duration	% of Total Portfolio	Net Cash Flows	Market Value Change	Change in Cash Balance	(+/-)
<b>Total Return Accounts</b>										
Longer Term Investment Strategy	\$139,489,016	3.39	29.3%	\$136,933,608	3.21	28.4%	\$3,050,000	\$2,555,408	(\$137,697)	(\$632,289)
Short Term Investment Strategy	\$180,649,333	0.03	37.9%	\$150,568,462	0.27	31.2%	\$29,764,182	\$30,080,871	(\$109,239)	\$207,450
Subtotal of Total Return Accounts	\$320,138,349	1.49	67.1%	\$287,502,070	1.67	59.6%	\$32,814,182	\$32,636,279	(\$246,936)	(\$424,839)
<b>Other BPCA Accounts</b>										
Subtotal of Other BPCA Accounts	\$156,694,386	0.43	32.9%	\$194,799,238	0.33	40.4%	\$3,019,484	(\$38,104,853)	\$35,570,326	(\$5,554,011)
<b>Grand Total BPCA Portfolio</b>	<b>\$476,832,735</b>	<b>1.14</b>	<b>100.0%</b>	<b>\$482,301,309</b>	<b>1.13</b>	<b>100.0%</b>	<b>\$35,833,666</b>	<b>(\$5,468,574)</b>	<b>\$35,323,389</b>	<b>(\$5,978,850)</b>

Notes:

1. "Market Value" includes accrued interest, but does not include cash balances held at the bank.

# Portfolio Value – Total Return Accounts

<i>Total Return Accounts</i>	October 31, 2016		July 31, 2016		Change in Account Value Summary			
	Market Value	Effective Duration	Market Value	Effective Duration	Net Cash Flows	Market Value Change	Change in Cash Balance	(+/-)
<b>Longer Term Investment Strategy</b>								
2003 Reserve Fund	\$73,709,139	3.06	\$72,016,681	2.66	\$1,850,000	\$1,692,458	(\$69,974)	(\$227,516)
BPCPC Operating Reserve Contingency	\$13,758,550	3.77	\$13,820,357	3.85	\$0	(\$61,807)	(\$16,528)	(\$78,335)
Insurance Fund	\$5,652,110	3.76	\$5,684,653	3.81	\$0	(\$32,543)	(\$7,648)	(\$40,191)
Operating Budget Reserve	\$9,600,969	3.78	\$9,636,798	3.82	\$0	(\$35,829)	(\$21,651)	(\$57,480)
BPCA Other Post Employment Benefits	\$23,594,942	3.73	\$22,523,273	3.80	\$1,200,000	\$1,071,669	(\$14,313)	(\$142,643)
BPCPC Other Post Employment Benefits	\$13,173,306	3.77	\$13,251,846	3.83	\$0	(\$78,540)	(\$7,584)	(\$86,124)
<b>Short Term Investment Strategy</b>								
2003 Pledged Revenue	\$172,415,769	0.03	\$143,530,775	0.28	\$28,582,731	\$28,884,994	(\$105,368)	\$196,895
2003 Project Operating Fund	\$8,233,564	0.09	\$7,037,687	0.18	\$1,181,451	\$1,195,877	(\$3,871)	\$10,555
<b>Subtotal of Total Return Accounts</b>	<b>\$320,138,349</b>	<b>1.49</b>	<b>\$287,502,070</b>	<b>1.67</b>	<b>\$32,814,182</b>	<b>\$32,636,279</b>	<b>(\$246,936)</b>	<b>(\$424,839)</b>

Notes:

1. "Market Value" includes accrued interest, but does not include cash balances held at the bank.



# Portfolio Value – Other BPCA Accounts

Other BPCA Accounts	October 31, 2016		July 31, 2016		Net Cash Flows	Market Value Change	Change in Cash Balance	(+/-)
	Market Value	Effective Duration	Market Value	Effective Duration				
Liberty Terr Mariners Cove-K	\$287,089	0.07	\$297,376	0.05	\$0	(\$10,287)	\$338	(\$9,949)
Liberty House Mariners J	\$234,742	0.07	\$234,975	0.05	\$0	(\$233)	\$398	\$165
Rector Park L	\$32,095	0.04	\$31,996	0.05	\$0	\$99	(\$78)	\$22
Hudson View W Towers G	\$165,525	0.07	\$164,985	0.05	\$0	\$541	(\$426)	\$114
Hudson Towers E/F	\$201,632	0.07	\$200,981	0.05	\$0	\$651	(\$514)	\$137
Hudson View Towers C	\$177,561	0.07	\$176,984	0.05	\$0	\$578	(\$455)	\$122
Liberty Ct Mariners Cove B	\$586,855	0.07	\$585,937	0.05	\$0	\$919	(\$506)	\$413
Millenium	\$3,534,722	0.11	\$3,673,171	0.05	\$0	(\$138,449)	\$1,104	(\$137,345)
Liberty Battery Place Assoc 4	\$423,697	0.07	\$443,773	0.05	\$0	(\$20,075)	\$65	(\$20,011)
South Cove Assoc 11	\$384,491	0.07	\$399,574	0.05	\$0	(\$15,083)	\$122	(\$14,960)
Soundings Rector Park A	\$205,656	0.08	\$204,981	0.05	\$0	\$675	(\$532)	\$143
The Regatta Site 10	\$468,752	0.07	\$483,566	0.05	\$0	(\$14,814)	(\$90)	(\$14,904)
Corporate Funds	\$1,905,434	0.25	\$1,702,824	0.04	\$200,000	\$202,609	(\$440)	\$2,169
2000 Arbitrage Rebate	\$790,443	0.58	\$789,036	0.83	\$0	\$1,407	\$0	\$1,407
1993 Unpledged Revenue	\$5,694,442	0.03	\$1,209,683	0.28	\$4,480,850	\$4,484,758	\$324	\$4,232
2003 Residual Fund	\$389,978	0.03	\$37,548,979	0.28	(\$37,190,169)	(\$37,159,001)	(\$83)	\$31,085
Joint Purpose Fund	\$37,204,422	0.01	\$8,994	0.28	\$37,190,169	\$37,195,429	\$571	\$5,831
Special Fund	\$913,928	0.05	\$975,917	0.05	(\$62,422)	(\$61,989)	\$137	\$570
Debt Service Junior Payments	\$7,117,886	0.11	\$29,388,936	0.24	\$0	(\$22,271,050)	\$17,751,393	(\$4,519,658)
2003 Debt Service Senior Payments	\$5,332,442	0.08	\$34,179,504	0.26	\$0	(\$28,847,062)	\$28,712,636	(\$134,426)
BPCPC Operating Reserve	\$988,304	0.63	\$982,173	0.55	\$0	\$6,131	(\$5,289)	\$842
BPCA Millenium Tower Security Fund 2A	\$2,952,550	0.11	\$3,070,412	0.05	\$0	(\$117,862)	\$382	(\$117,480)
BPCA S 16/17 Riverhouse Security Fund	\$6,271,017	0.12	\$6,541,157	0.05	\$0	(\$270,139)	\$978	(\$269,161)
BPCA Goldman Sachs Liberty Contribution Fund	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0
BPCA Visionaire Security Fund	\$3,822,798	0.12	\$3,975,732	0.05	\$0	(\$152,934)	\$603	(\$152,331)
BPCA Series 2009A Project Costs	\$6,829,736	0.42	\$5,518,756	0.31	(\$731,211)	\$1,310,981	(\$2,033,378)	\$8,814
BPCA Series 2009B Project Costs	\$1,323,482	0.14	\$1,469,453	0.13	(\$147,699)	(\$145,970)	(\$649)	\$1,079
BPCA Pier A Construction Escrow	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0
BPCA Pier A Security Deposit Account	\$402,545	0.07	\$417,562	0.05	\$0	(\$15,017)	\$79	(\$14,938)
BPCA One Rector Park Security Fund	\$936,592	0.07	\$972,332	0.05	\$0	(\$35,740)	(\$141)	(\$35,880)
BPCA Rector Square Security Fund Site D	\$216,689	0.08	\$215,980	0.05	\$0	\$709	(\$559)	\$150
BPCA Insurance Advance	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0
BPCA WFC TOWER C RETAIL RENT ESCROW	\$243,769	0.07	\$243,968	0.05	\$0	(\$199)	\$376	\$177
BPCA2013ACDE COI SUB AC	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0
BPCA2013B COI SUB AC	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0
BPCA2013ACDE PROJ COST SUB AC	\$60,830,911	0.96	\$52,636,141	0.62	(\$720,033)	\$8,194,769	(\$8,857,523)	\$57,279
BPCA2013B PROJ COSTS SUB AC	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0
BPCA RIVER & WARREN SEC FUND - SITE 19/	\$5,774,050	0.12	\$6,003,408	0.05	\$0	(\$229,358)	\$1,605	(\$227,753)
BPCA NORTH COVE MARINA SECURITY FUNG	\$50,148	0.04	\$49,994	0.05	\$0	\$155	(\$121)	\$34
<b>Subtotal of Other BPCA Accounts</b>	<b>\$156,694,386</b>	<b>0.43</b>	<b>\$194,799,238</b>	<b>0.33</b>	<b>\$3,019,484</b>	<b>(\$38,104,853)</b>	<b>\$35,570,326</b>	<b>(\$5,554,011)</b>

Notes:

1. "Market Value" includes accrued interest, but does not include cash balances held at the bank.
2. Highlighted funds are managed by Ramirez Asset Management ("RAM"). Market values for these funds are provided by RAM.



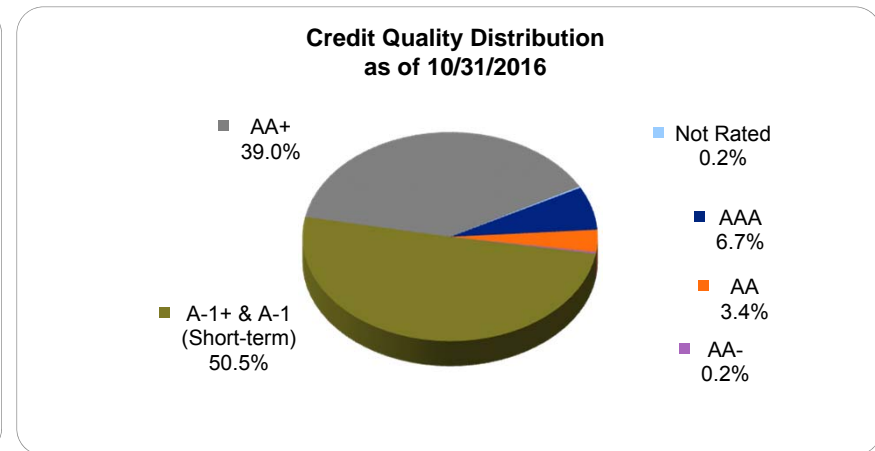
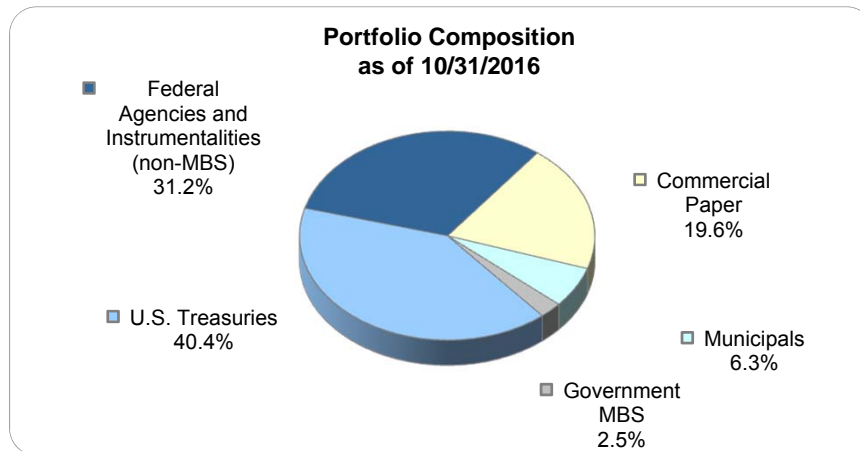


**Section B –  
Summary of Aggregate Portfolio**

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# Aggregate Portfolio Composition and Credit Quality

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	Effective Duration	July 31, 2016	% of Portfolio	Effective Duration
U.S. Treasuries	\$192,477,770	40.4%	2.00	\$205,573,489	42.6%	1.58
Federal Agencies and Instrumentalities (non-MBS)	\$148,714,809	31.2%	0.44	\$196,632,017	40.8%	0.55
Commercial Paper	\$93,666,484	19.6%	0.03	\$37,449,446	7.8%	0.26
Municipals	\$30,072,315	6.3%	1.65	\$29,774,515	6.2%	1.83
Government MBS	\$11,901,356	2.5%	3.60	\$12,871,841	2.7%	3.65
<b>Totals</b>	<b>\$476,832,735</b>	<b>100.0%</b>	<b>1.14</b>	<b>\$482,301,309</b>	<b>100.0%</b>	<b>1.13</b>



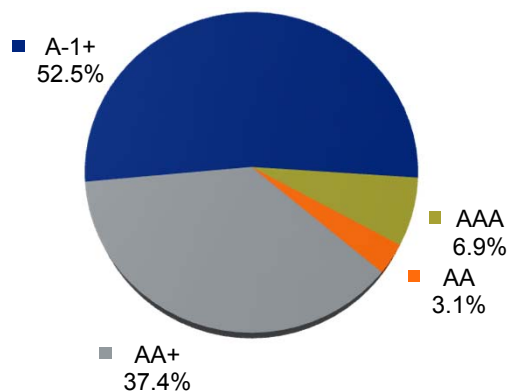
**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

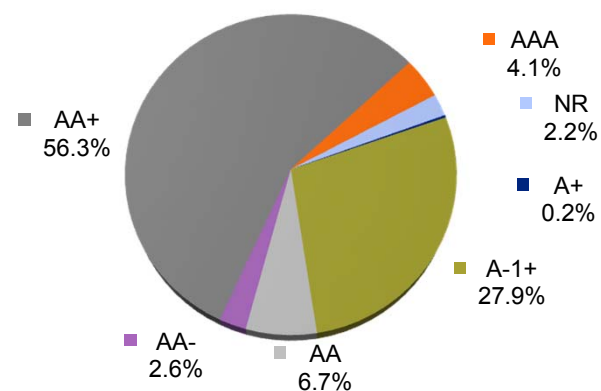
# Aggregate Portfolio Composition and Credit Quality by Advisor

Security Type <sup>1</sup>	PFM Asset Management	% of Advisor	% of Total Portfolio	Effective Duration	Ramirez Asset Management	% of Advisor	% of Total Portfolio	Effective Duration
U.S. Treasuries	\$170,212,041	38.9%	35.7%	2.25	\$22,265,729	55.9%	4.7%	0.06
Federal Agencies and Instrumentalities (non-MBS)	\$148,214,889	33.9%	31.1%	0.44	\$499,920	1.3%	0.1%	0.08
Commercial Paper	\$83,067,225	19.0%	17.4%	0.03	\$10,599,259	26.6%	2.2%	0.01
Municipals	\$23,751,104	5.4%	5.0%	2.00	\$6,321,212	15.9%	1.3%	0.34
Government MBS	\$11,764,170	2.7%	2.5%	3.60	\$137,186	0.3%	0.0%	1.76
<b>Totals</b>	<b>\$437,009,429</b>	<b>100%</b>	<b>91.6%</b>	<b>1.24</b>	<b>\$39,823,306</b>	<b>100.0%</b>	<b>8.4%</b>	<b>0.10</b>

**PFMAM Credit Quality Distribution  
as of 10/31/2016**



**RAM Credit Quality Distribution  
as of 10/31/2016**



**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

# Aggregate Portfolio Issuer Breakdown

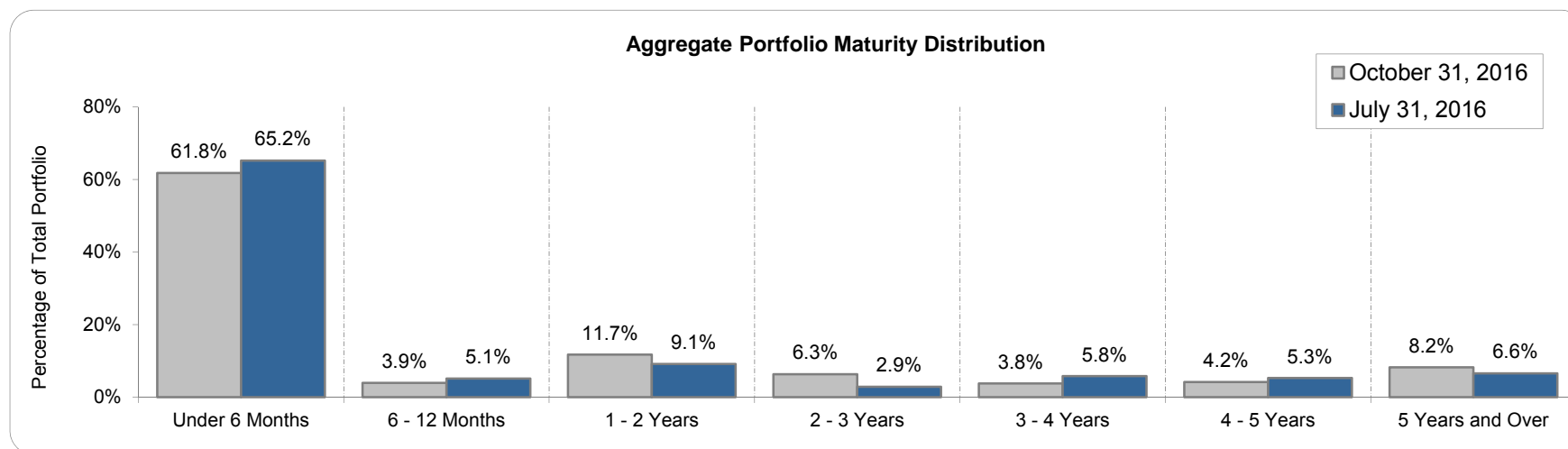
Security Type	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
<b>United States Treasury<sup>2</sup></b>					
U.S. Treasury	\$192,477,770	40.4%	\$205,573,489	42.6%	(2.3%)
Ginnie Mae	\$6,857,540	1.4%	\$7,633,404	1.6%	(0.1%)
Small Business Administration	\$2,806,257	0.6%	\$2,835,086	0.6%	0.0%
<b>Federal Agencies and Instrumentalities (includes Mortgage-Backed Securities)<sup>2</sup></b>					
Freddie Mac	\$2,966,841	0.6%	\$31,755,839	6.6%	(6.0%)
Fannie Mae	\$33,953,010	7.1%	\$86,380,845	17.9%	(10.8%)
Federal Home Loan Bank	\$89,714,375	18.8%	\$59,184,226	12.3%	6.5%
International Bank of Recon and Development	\$13,330,417	2.8%	\$10,807,674	2.2%	0.6%
International American Development Bank	\$3,333,567	0.7%	\$1,829,269	0.4%	0.3%
Asian Development Bank	\$5,613,974	1.2%	\$5,668,151	1.2%	0.0%
African Development Bank	\$2,040,185	0.4%	\$3,409,365	0.7%	(0.3%)
<b>Commercial Paper<sup>2</sup></b>					
General Electric Capital Tsy Services	\$14,998,485	3.1%	\$0	0.0%	3.1%
General Electric Company	\$3,499,610	0.7%	\$0	0.0%	0.7%
Prudential Funding LLC	\$16,888,668	3.5%	\$3,924,639	0.8%	2.7%
Exxon Mobil Corporation	\$20,191,162	4.2%	\$0	0.0%	4.2%
Toyota Motor Credit Corporation	\$20,617,481	4.3%	\$20,076,090	4.2%	0.2%
US Bank NA	\$17,471,078	3.7%	\$13,448,717	2.8%	0.9%
<b>Municipal Issuers<sup>2</sup></b>					
Delaware State	\$0	0.0%	\$2,757,695	0.6%	(0.6%)
Nassau County, New York	\$3,056,728	0.6%	\$3,056,848	0.6%	0.0%
New York City	\$15,955,444	3.3%	\$15,427,775	3.2%	0.1%
New York City Transitional Finance Authority	\$7,000,984	1.5%	\$7,162,875	1.5%	(0.0%)
NY State Dorm Authority	\$626,209	0.1%	\$332,651	0.1%	0.1%
Triborough Bridge & Tunnel Authority	\$95,462	0.0%	\$0	0.0%	0.0%
Maryland State	\$1,025,000	0.2%	\$1,036,671	0.2%	0.0%
Metropolitan Transportation Authority	\$1,021,047	0.2%	\$0	0.0%	0.2%
New York State Throughway Authority	\$401,827	0.1%	\$0	0.0%	0.1%
West Islip NY Union Free SD	\$889,614	0.2%	\$0	0.0%	0.2%
<b>TOTAL</b>	<b>\$476,832,735</b>	<b>100.0%</b>	<b>\$482,301,309</b>	<b>100.0%</b>	

Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Pursuant to the Authority's Investment Policy, investments in obligations other than those backed by the full faith and credit of the U.S. Government are limited to the following: (1) Federal Agencies - \$250 million per issuer, (2) Commercial Paper - the lesser of 5% or \$250 million per issuer, (3) Bankers' Acceptances - the lesser of 5% or \$250 million per issuer and (4) Municipal Bonds - 10%.

# Aggregate Portfolio Maturity Structure

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
Under 6 Months	\$294,559,191	61.8%	\$314,434,296	65.2%	(3.4%)
6 - 12 Months	\$18,708,340	3.9%	\$24,747,653	5.1%	(1.2%)
1 - 2 Years	\$55,957,246	11.7%	\$44,068,669	9.1%	2.6%
2 - 3 Years	\$30,242,738	6.3%	\$13,784,601	2.9%	3.5%
3 - 4 Years	\$18,080,066	3.8%	\$28,038,321	5.8%	(2.0%)
4 - 5 Years	\$19,989,852	4.2%	\$25,553,418	5.3%	(1.1%)
5 Years and Over	\$39,295,303	8.2%	\$31,674,351	6.6%	1.7%
<b>Totals</b>	<b>\$476,832,735</b>	<b>100.0%</b>	<b>\$482,301,309</b>	<b>100.0%</b>	



**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

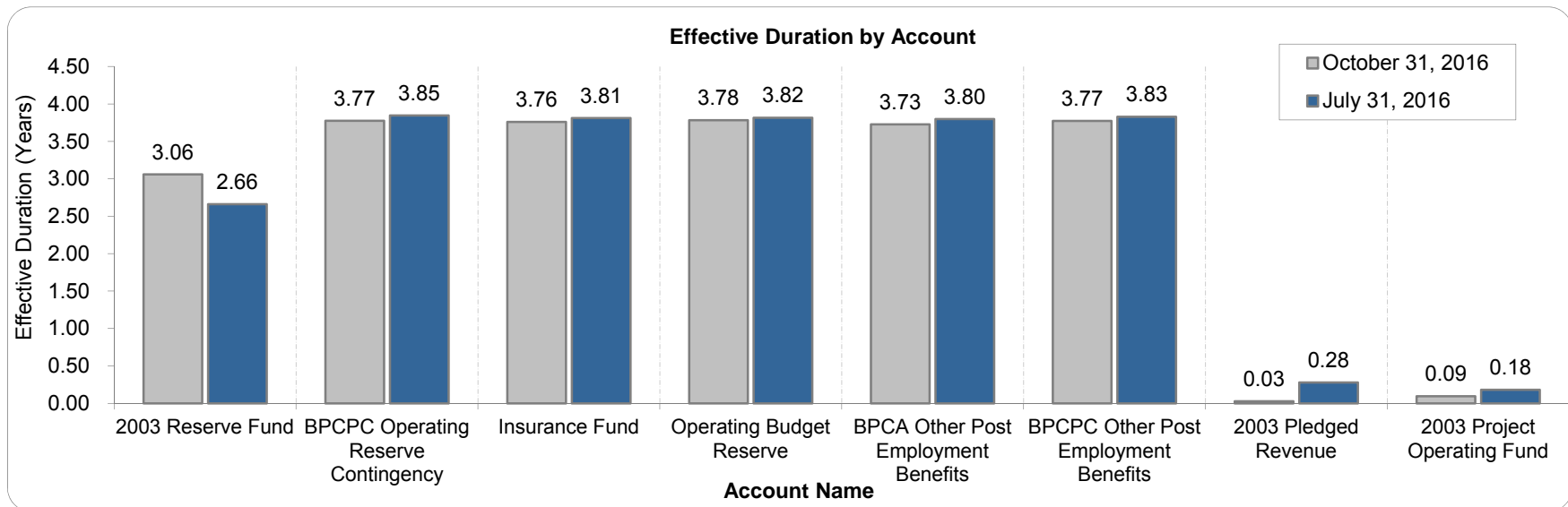


**Section C –  
Performance Attributes**

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# Total Return Portfolio Attributes

Yields	Effective Duration (in years)		Yield To Maturity - At Market		Yield To Maturity - On Cost	
	October 31, 2016	July 31, 2016	October 31, 2016	July 31, 2016	October 31, 2016	July 31, 2016
<b>Longer Term Investment Strategy</b>						
2003 Reserve Fund	3.06	2.66	1.22%	0.97%	1.68%	1.67%
BPCPC Operating Reserve Contingency	3.77	3.85	1.44%	1.22%	2.12%	2.12%
Insurance Fund	3.76	3.81	1.29%	1.05%	1.75%	1.74%
Operating Budget Reserve	3.78	3.82	1.36%	1.13%	2.00%	2.01%
BPCA Other Post Employment Benefits	3.73	3.80	1.31%	1.09%	1.87%	1.90%
BPCPC Other Post Employment Benefits	3.77	3.83	1.32%	1.09%	1.81%	1.80%
<b>Short Term Investment Strategy</b>						
2003 Pledged Revenue	0.03	0.28	0.26%	0.44%	0.41%	0.42%
2003 Project Operating Fund	0.09	0.18	0.50%	0.62%	0.52%	0.59%







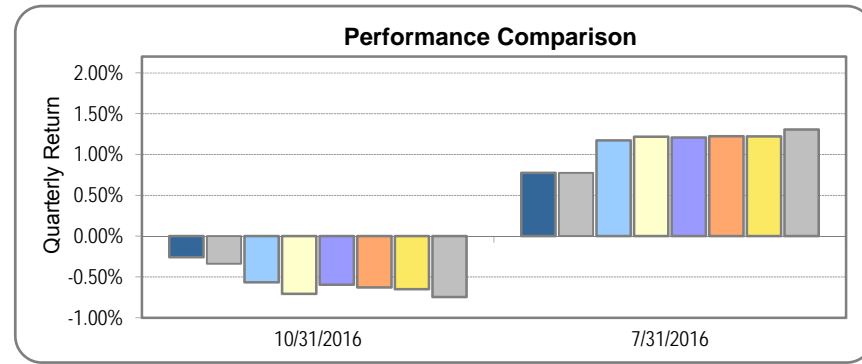
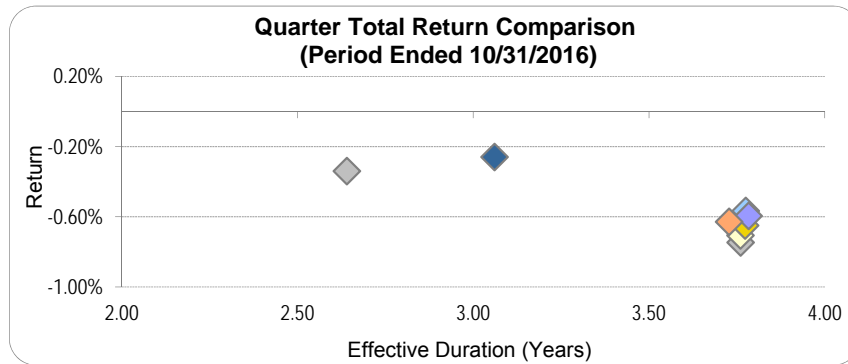
**Portfolios Managed with a  
Longer-Term Investment Strategy**

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# Longer-Term Investment Strategy

Total Return <sup>1,2,4,5</sup>	October 31, 2016	Annualized Quarter	Annualized Since Inception
2003 Reserve Fund	(0.26%)	(1.02%)	3.70%
<b>BM: Merrill Lynch 1-5 Year US Treasury Note Index</b>	<b>(0.34%)</b>	<b>(1.34%)</b>	<b>3.55%</b>
BPCPC Operating Reserve Contingency	(0.57%)	(2.23%)	4.14%
Insurance Fund	(0.71%)	(2.77%)	4.09%
Operating Budget Reserve	(0.60%)	(2.34%)	4.27%
<b>BM: Merrill Lynch 1-10 Year US Treasury Note Index</b>	<b>(0.75%)</b>	<b>(2.93%)</b>	<b>3.77%</b>
BPCA Other Post Employment Benefits	(0.63%)	(2.47%)	3.21%
<b>BM: Merrill Lynch 1-10 Year US Treasury Note Index</b>	<b>(0.75%)</b>	<b>(2.93%)</b>	<b>2.96%</b>
BPCPC Other Post Employment Benefits	(0.65%)	(2.55%)	2.51%
<b>BM: Merrill Lynch 1-10 Year US Treasury Note Index</b>	<b>(0.75%)</b>	<b>(2.93%)</b>	<b>2.60%</b>

Effective Duration (in years) <sup>3</sup>	October 31, 2016	July 31, 2016
2003 Reserve Fund	3.06	2.66
<b>BM: Merrill Lynch 1-5 Year US Treasury Note Index</b>	<b>2.64</b>	<b>2.65</b>
BPCPC Operating Reserve Contingency	3.77	3.85
Insurance Fund	3.76	3.81
Operating Budget Reserve	3.78	3.82
BPCA Other Post Employment Benefits	3.73	3.80
BPCPC Other Post Employment Benefits	3.77	3.83
<b>BM: Merrill Lynch 1-10 Year US Treasury Note Index</b>	<b>3.76</b>	<b>3.80</b>



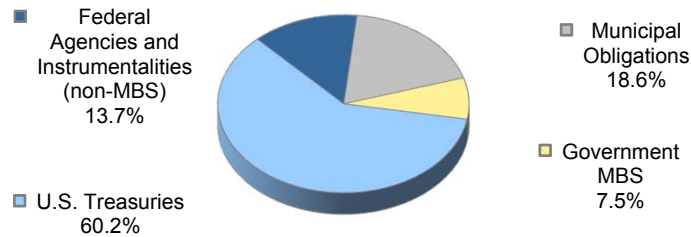
Notes:

- Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
- Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
- Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
- Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
- Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present. For the 'Reserve Fund,' the inception of the BAML 1-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BAML 1-10 Year Treasury Index was utilized. Since inception performance for the 'BPCA Other Post Employment Benefits' is calculated from January 31, 2008 to present. Since inception performance for the 'BPCPC Other Post Employment Benefits' is calculated from February 12, 2010 to present.

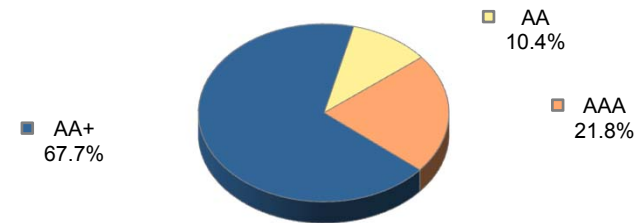
# 2003 Reserve Fund Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$44,374,170	60.2%	\$40,558,051	56.3%	3.9%
Federal Agencies and Instrumentalities (non-MBS)	\$10,104,919	13.7%	\$11,545,550	16.0%	(2.3%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$13,694,800	18.6%	\$13,839,949	19.2%	(0.6%)
Government MBS	\$5,535,250	7.5%	\$6,073,131	8.4%	(0.9%)
<b>Totals</b>	<b>\$73,709,139</b>	<b>100.0%</b>	<b>\$72,016,681</b>	<b>100.0%</b>	

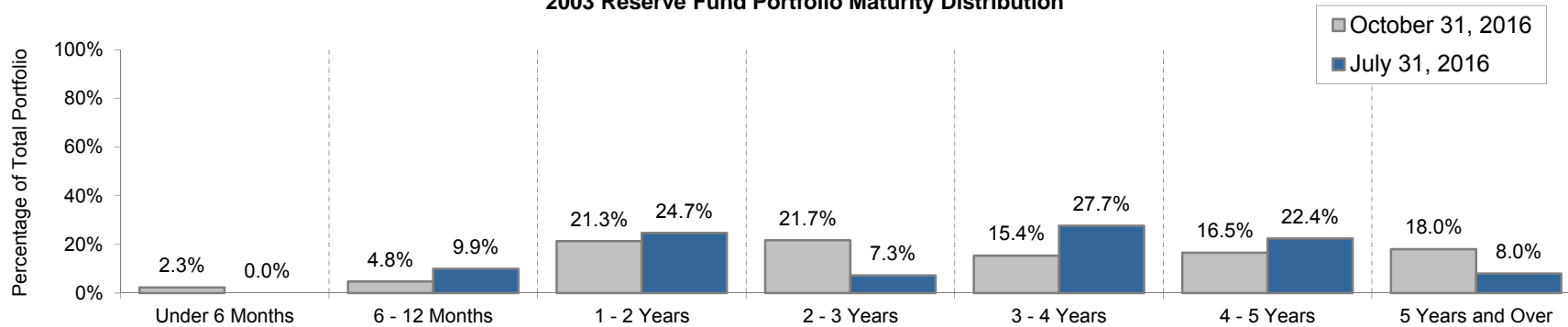
**Portfolio Composition as of 10/31/2016**



**Credit Quality Distribution as of 10/31/2016**



**2003 Reserve Fund Portfolio Maturity Distribution**

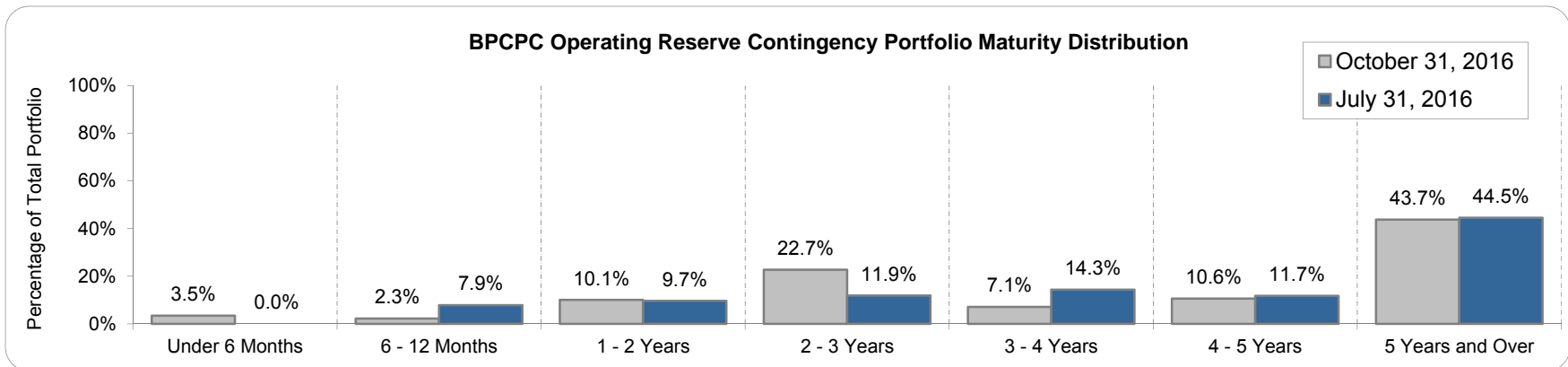
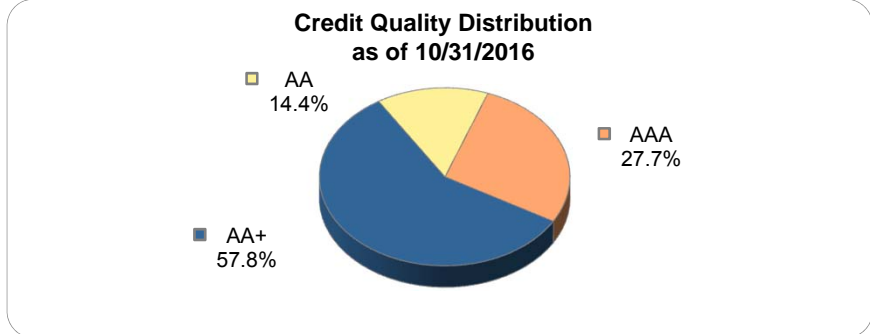
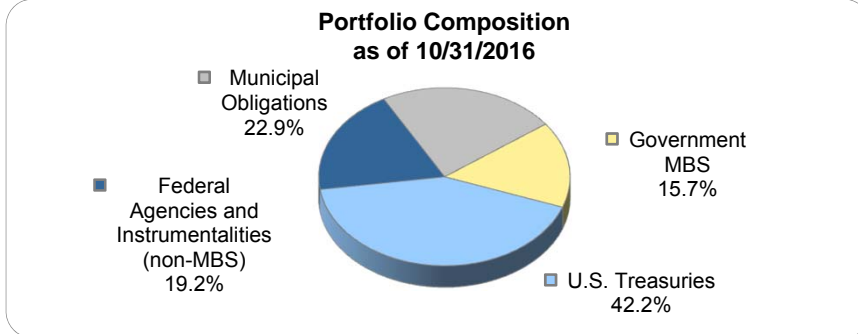


**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

# BPCPC Operating Reserve Contingency Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$5,800,726	42.2%	\$5,579,614	40.4%	1.8%
Federal Agencies and Instrumentalities (non-MBS)	\$2,648,024	19.2%	\$2,753,209	19.9%	(0.7%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$3,156,424	22.9%	\$3,192,153	23.1%	(0.2%)
Government MBS	\$2,153,376	15.7%	\$2,295,381	16.6%	(1.0%)
<b>Totals</b>	<b>\$13,758,550</b>	<b>100.0%</b>	<b>\$13,820,357</b>	<b>100.0%</b>	



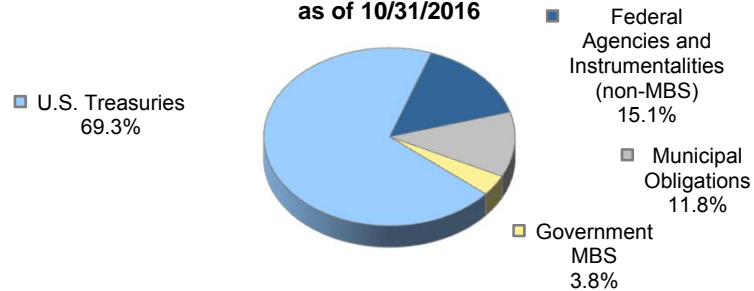
**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

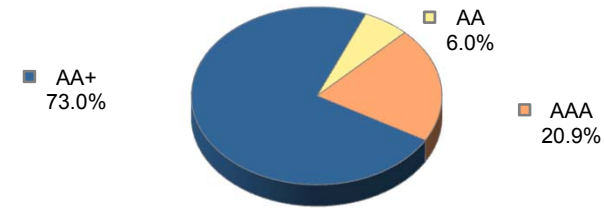
# Insurance Fund Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$3,915,998	69.3%	\$3,916,773	68.9%	0.4%
Federal Agencies and Instrumentalities (non-MBS)	\$853,904	15.1%	\$862,356	15.2%	(0.1%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$669,424	11.8%	\$678,580	11.9%	(0.1%)
Government MBS	\$212,784	3.8%	\$226,943	4.0%	(0.2%)
<b>Totals</b>	<b>\$5,652,110</b>	<b>100.0%</b>	<b>\$5,684,653</b>	<b>100.0%</b>	

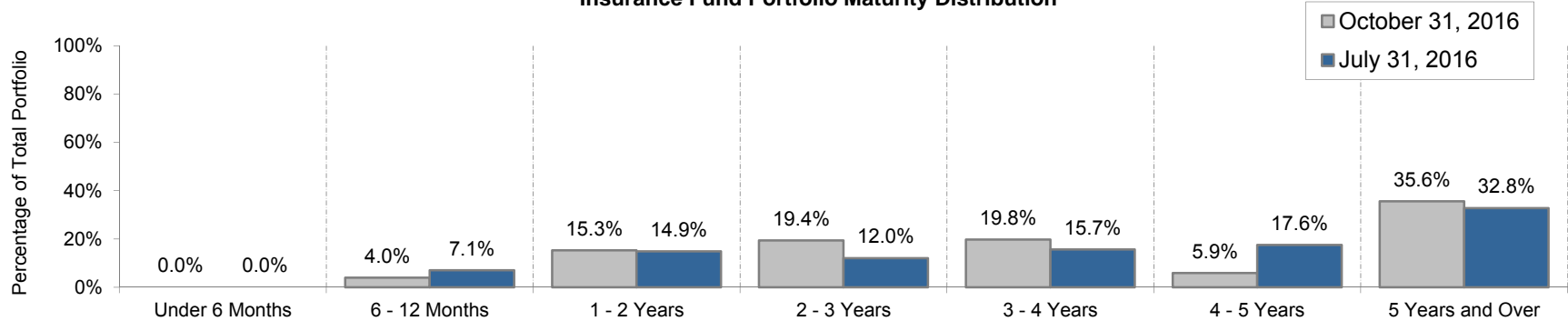
**Portfolio Composition as of 10/31/2016**



**Credit Quality Distribution as of 10/31/2016**



**Insurance Fund Portfolio Maturity Distribution**



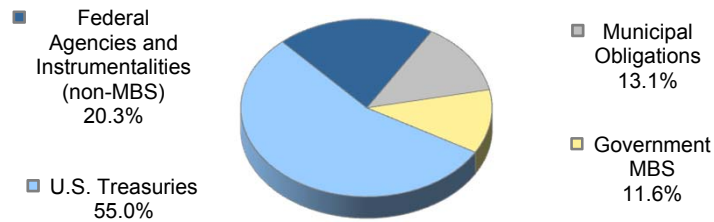
**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

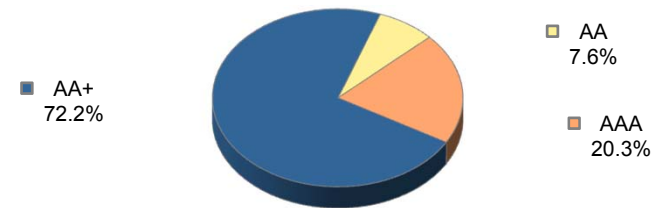
# Operating Budget Reserve Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$5,278,997	55.0%	\$5,216,753	54.1%	0.9%
Federal Agencies and Instrumentalities (non-MBS)	\$1,948,382	20.3%	\$1,967,345	20.4%	(0.1%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$1,258,869	13.1%	\$1,271,074	13.2%	(0.1%)
Government MBS	\$1,114,721	11.6%	\$1,181,626	12.3%	(0.7%)
<b>Totals</b>	<b>\$9,600,969</b>	<b>100.0%</b>	<b>\$9,636,798</b>	<b>100.0%</b>	

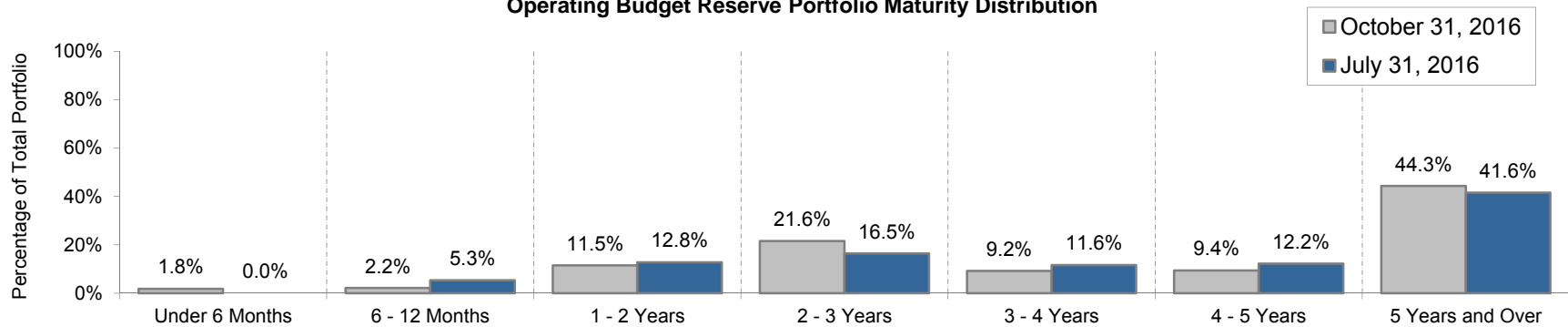
**Portfolio Composition as of 10/31/2016**



**Credit Quality Distribution as of 10/31/2016**



**Operating Budget Reserve Portfolio Maturity Distribution**



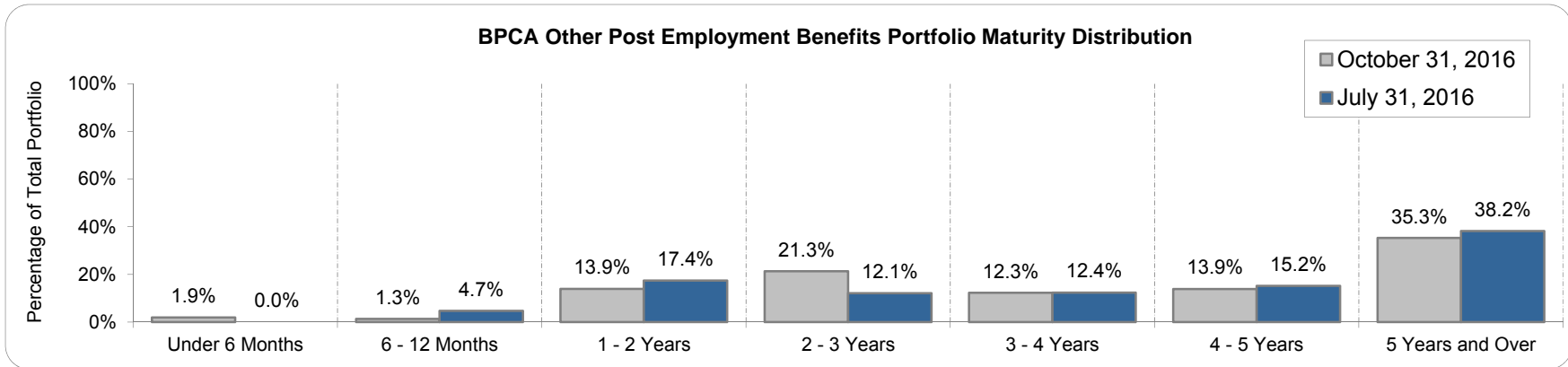
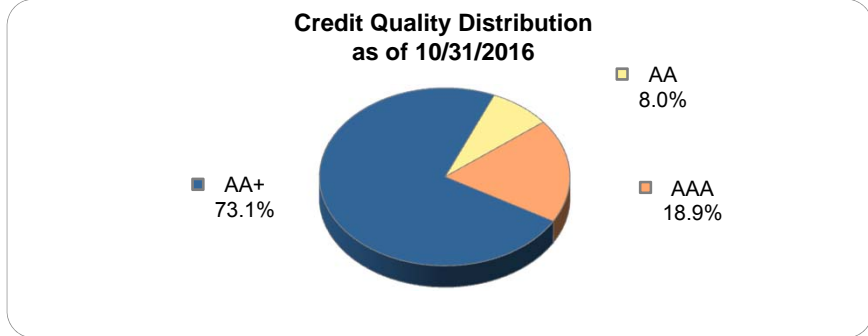
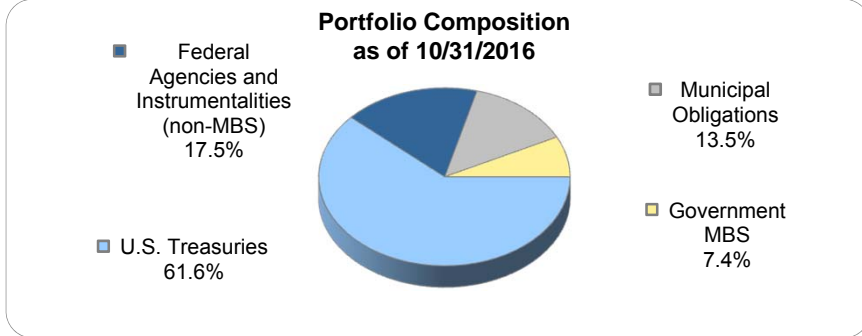
**Notes:**

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



# BPCA OPEB Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$14,545,145	61.6%	\$13,297,005	59.0%	2.6%
Federal Agencies and Instrumentalities (non-MBS)	\$4,127,556	17.5%	\$4,141,615	18.4%	(0.9%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$3,180,392	13.5%	\$3,215,757	14.3%	(0.8%)
Government MBS	\$1,741,849	7.4%	\$1,868,896	8.3%	(0.9%)
<b>Totals</b>	<b>\$23,594,942</b>	<b>100.0%</b>	<b>\$22,523,273</b>	<b>100.0%</b>	



Notes:

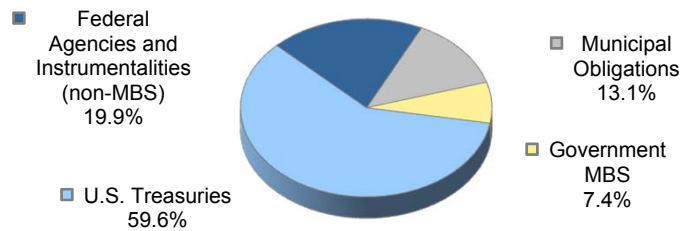
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



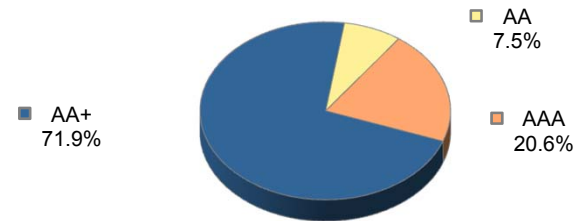
# BPCPC OPEB Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$7,848,630	59.6%	\$7,840,517	59.2%	0.4%
Federal Agencies and Instrumentalities (non-MBS)	\$2,616,348	19.9%	\$2,612,370	19.7%	0.1%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$1,727,827	13.1%	\$1,748,250	13.2%	(0.1)%
Government MBS	\$980,501	7.4%	\$1,050,709	7.9%	(0.5)%
<b>Totals</b>	<b>\$13,173,306</b>	<b>100.0%</b>	<b>\$13,251,846</b>	<b>100.0%</b>	

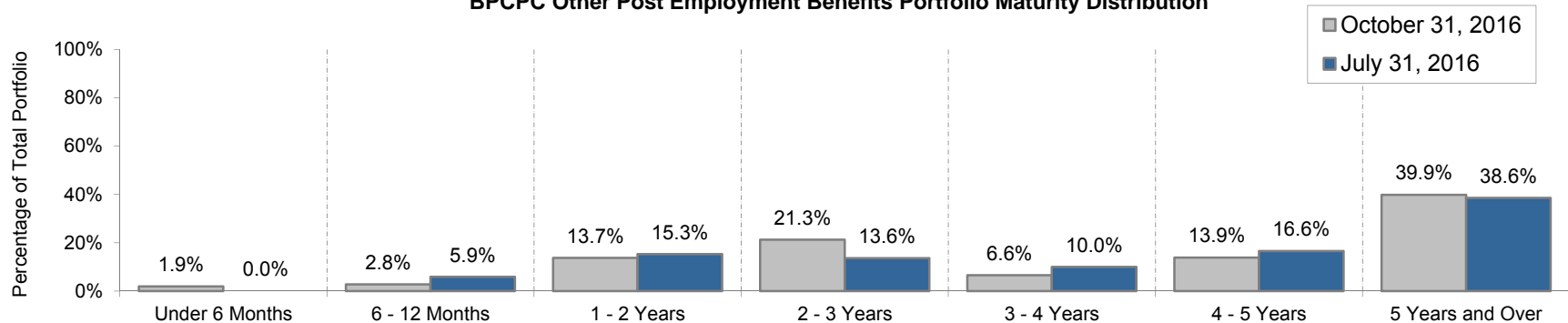
**Portfolio Composition as of 10/31/2016**



**Credit Quality Distribution as of 10/31/2016**



**BPCPC Other Post Employment Benefits Portfolio Maturity Distribution**



**Notes:**

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



**Portfolios Managed with a  
Shorter-Term Investment Strategy**

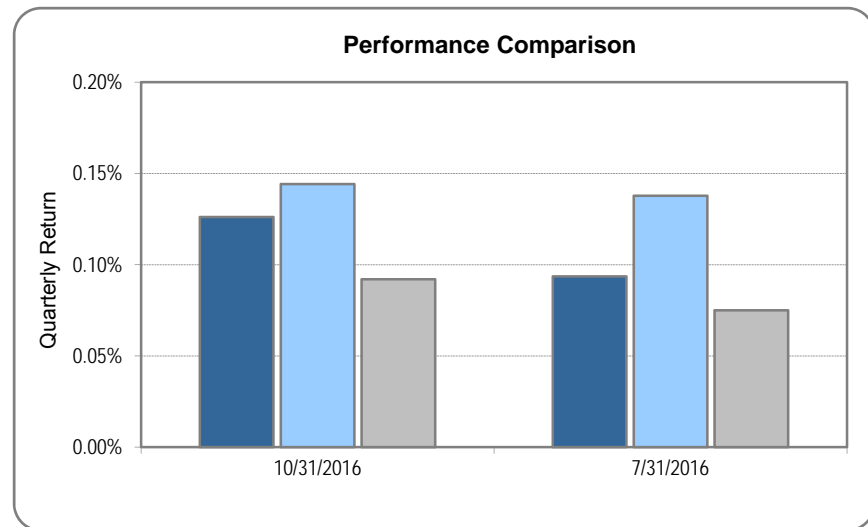
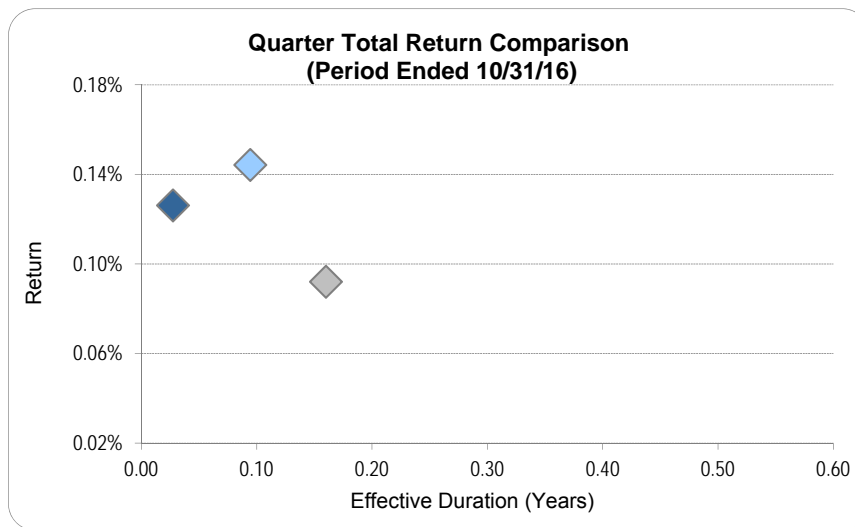
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# Shorter-Term Investment Strategy

<u>Total Return</u> <sup>1,2,4,5</sup>	<u>October 31, 2016</u>	<u>Annualized Quarter</u>	<u>Annualized Since Inception</u>
■ 2003 Pledged Revenue	<b>0.13%</b>	0.50%	1.23%
■ 2003 Project Operating Fund	<b>0.14%</b>	0.57%	1.23%
■ <b>BM: Merrill Lynch 3 Month US Treasury Bill Index</b>	<b>0.09%</b>	0.37%	1.15%

<u>Effective Duration (in years)</u> <sup>3</sup>	<u>October 31, 2016</u>	<u>July 31, 2016</u>
■ 2003 Pledged Revenue	0.03	0.28
■ 2003 Project Operating Fund	0.09	0.18
■ <b>BM: Merrill Lynch 3-Month US Treasury Bill Index</b>	<b>0.16</b>	<b>0.16</b>



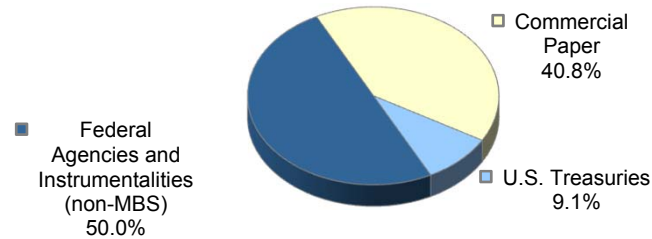
**Notes:**

1. Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
2. Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
3. Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
4. Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
5. Since inception performance is calculated from January 31, 2006 to present.

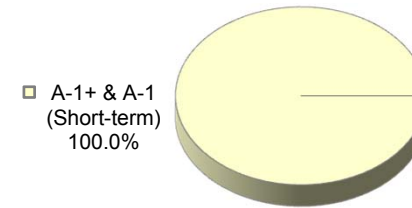
# 2003 Pledged Revenue Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$15,750,512	9.1%	\$85,939	0.1%	9.1%
Federal Agencies and Instrumentalities (non-MBS)	\$86,280,107	50.0%	\$115,029,448	80.1%	(30.1%)
Commercial Paper	\$70,385,151	40.8%	\$28,415,387	19.8%	21.0%
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%
<b>Totals</b>	<b>\$172,415,769</b>	<b>100.0%</b>	<b>\$143,530,775</b>	<b>100.0%</b>	

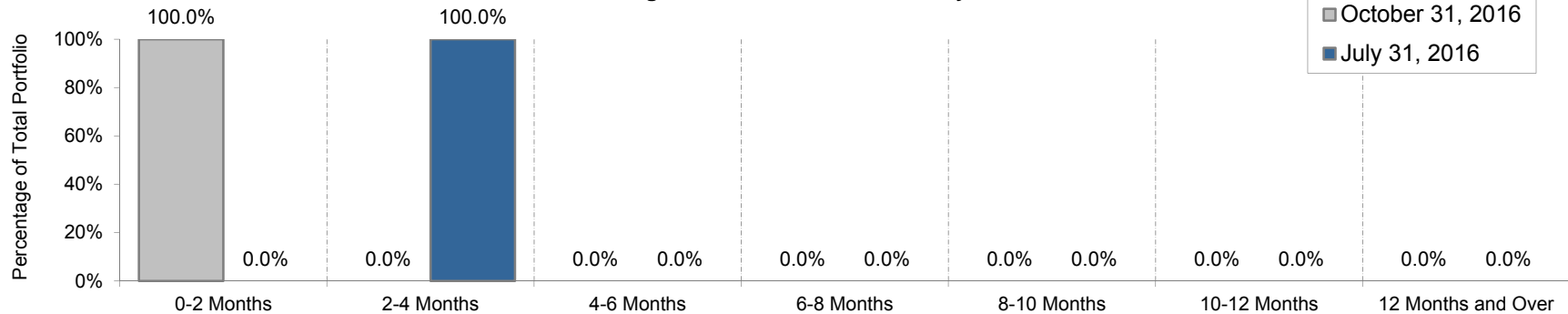
Portfolio Composition as of 10/31/2016



Credit Quality Distribution as of 10/31/2016



2003 Pledged Revenue Portfolio Maturity Distribution



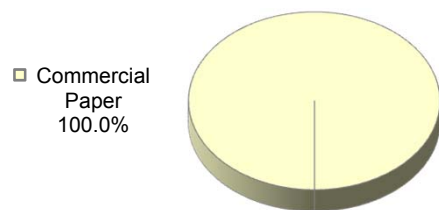
Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.

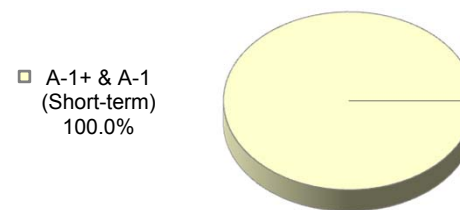
# 2003 Project Operating Fund Portfolio

Security Type <sup>1</sup>	October 31, 2016	% of Portfolio	July 31, 2016	% of Portfolio	QoQ % Change
U.S. Treasuries	\$0	0.0%	\$0	0.0%	0.0%
Federal Agencies and Instrumentalities (non-MBS)	\$0	0.0%	\$0	0.0%	0.0%
Commercial Paper	\$8,233,564	100.0%	\$7,037,687	100.0%	0.0%
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%
<b>Totals</b>	<b>\$8,233,564</b>	<b>100.0%</b>	<b>\$7,037,687</b>	<b>100.0%</b>	

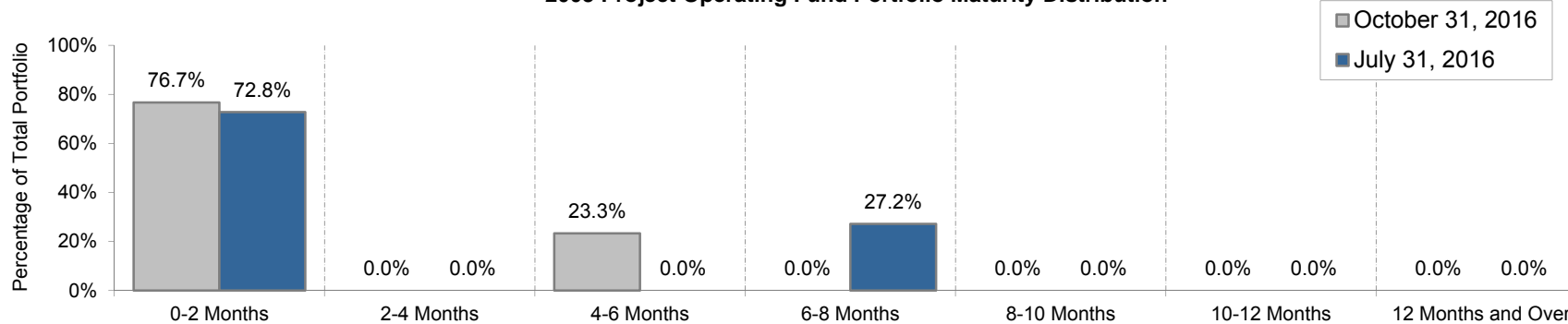
Portfolio Composition as of 10/31/2016



Credit Quality Distribution as of 10/31/2016



2003 Project Operating Fund Portfolio Maturity Distribution



Notes:

- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.



**Section D –  
Market Commentary**

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# Summary of Economic and Market Conditions

## Summary

- The Federal Reserve (Fed) left rates unchanged at its September meeting. Given the upcoming U.S. presidential election, the market expects no action at the Fed's November meeting, but as of the end of October, most market participants expect a rate hike in December.
- Other central banks continued to implement accommodative monetary policy. The European Central Bank (ECB) kept its benchmark interest rate near 0% and continued its 80-billion-euro monthly bond-buying program. Meanwhile, the Bank of Japan (BoJ) introduced two policies: one keeps 10-year Japanese government bond yields near zero percent; the other expands money supply until inflation remains above the 2% target. The Bank of England (BoE) joined the easing by cutting its interest rate to 0.25% from 0.50% and enacting a bond purchase program to the tune of 10 billion pounds a month.

## Economic Snapshot

- Economic data released in October generally met or exceeded expectations, indicating a continuing rebound in growth from the slow pace in the first half of the year.
- In the first estimate of third quarter growth, the U.S. economy expanded at an annual rate of 2.9%, making it the strongest quarter since the third quarter of 2014. Business investment contributed to growth for the first time in a year, and inventories grew for the first quarter since the start of 2015. However, third-quarter consumer spending fell from the second quarter's pace.
- October saw the 73<sup>rd</sup> consecutive month of job growth, with the U.S. labor market adding 161,000 jobs – fewer than the median estimate of 173,000. The unemployment rate fell back to 4.9%. In a positive sign, job openings remained near record highs, and initial unemployment claims fell to their lowest level since 1973.
- As economic data indicated a stronger pace of expansion, and inflation indicators moved toward the coveted 2% level, expectations rose for a Fed interest rate hike.

## Interest Rates

- Interest rates rose significantly in the quarter ending October 31, reversing previous-quarter declines spurred by Brexit. Longer maturities lead the way and the yield curve steepened. The two-year Treasury yield climbed 19 basis points (bps), while the yield on the 10-year Treasury rose 38 bps.
- In the money market space, shorter-term Treasury yields rebounded from their second-quarter compression. Short-term credit instruments, like commercial paper and negotiable bank certificates of deposit (CDs), continued to offer significant added income, although yields slightly narrowed in October from near widest levels of the year as issuers and investors adjusted to money market reform, which became effect October 14.

## Sector Performance

- Returns declined for U.S. Treasury indexes for the quarter as yields rose, decreasing market values. The declines offset previous-quarter gains. Shorter maturity issues outperformed longer maturities.
- Non-callable federal agency spreads drifted tighter during the quarter, leading to the sector's outperformance relative to comparable-maturity Treasuries.
- Corporate yield spreads tightened throughout most of the third quarter, reaching their lowest levels of the year, as Brexit fears abated and investors' search for yield continued. The sector modestly outperformed Treasuries.
- Mortgage-backed (MBS) and asset-backed securities (ABS) outperformed Treasuries as rising interest rates decreased prepayment risk.



# Economic Snapshot

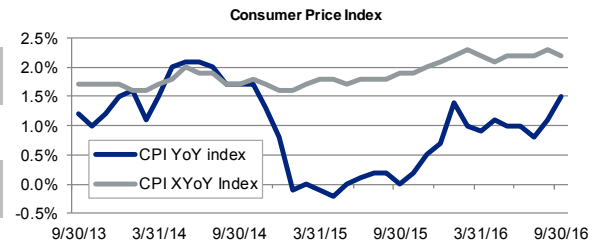
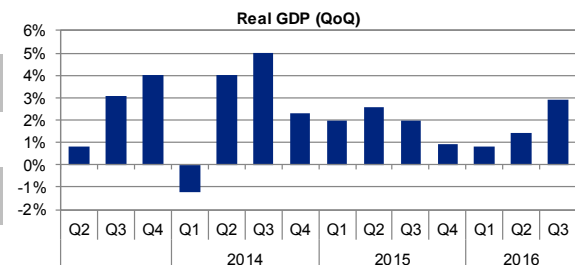
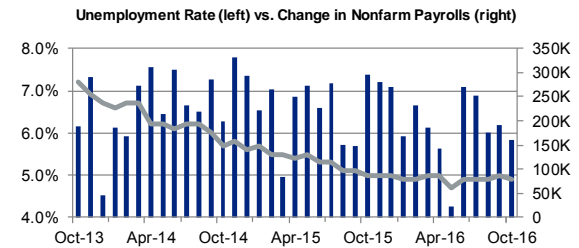
Labor Market		Latest	Jul 2016	Oct 2015
Unemployment Rate	Oct	4.9%	4.9%	5.0%
Change In Non-Farm Payrolls	Oct	161,000	252,000	295,000
Average Hourly Earnings (YoY)	Oct	2.8%	2.7%	2.6%
Personal Income (YoY)	Sep	3.2%	3.2%	3.9%
Initial Jobless Claims	Nov 05	254,000	267,000	278,000

Growth				
Real GDP (QoQ SAAR)	Q3	2.9%	1.4% <sup>1</sup>	2.0% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	Q3	2.1%	4.3% <sup>1</sup>	2.7% <sup>2</sup>
Retail Sales (YoY)	Sep	2.7%	2.4%	1.6%
ISM Manufacturing Survey	Oct	51.9	52.6	49.4
Existing Home Sales (millions)	Sep	5.47	5.38	5.29

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Sep 16	1.2%	0.8%	0.3%
Consumer Price Index (YoY)	Sep 16	1.5%	0.8%	0.2%
Consumer Price Index Core (YoY)	Sep 16	-0.1%	-2.2%	-4.0%
Crude Oil Futures (WTI, per barrel)	Oct 31	\$46.86	\$41.60	\$46.59
Gold Futures (oz)	Oct 31	\$1,273	\$1,349	\$1,141



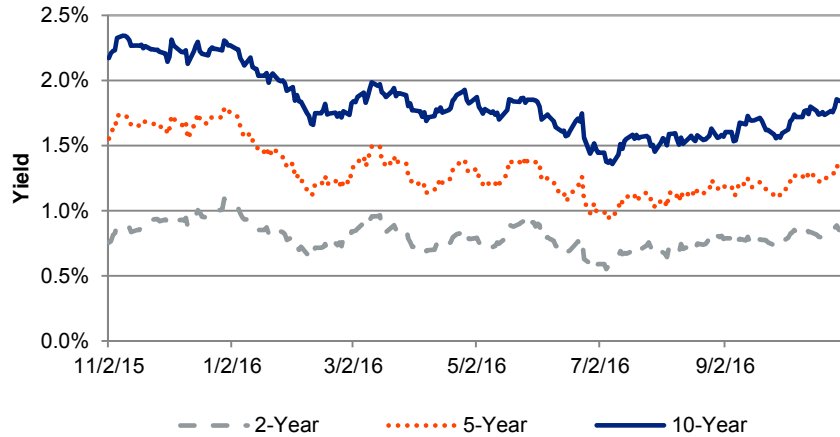
1. Data as of Second Quarter 2016 (June 2016), 2. Data as of Third Quarter 2015 (September 2015)

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

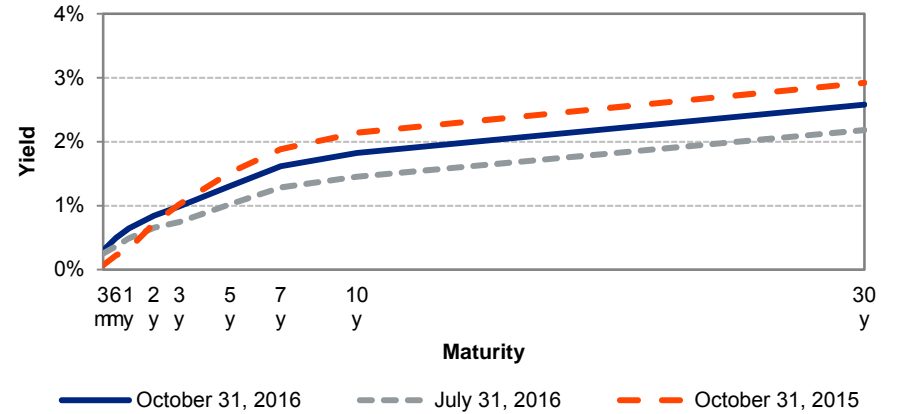
Source: Bloomberg

# Interest Rate Overview

U.S. Treasury Note Yields



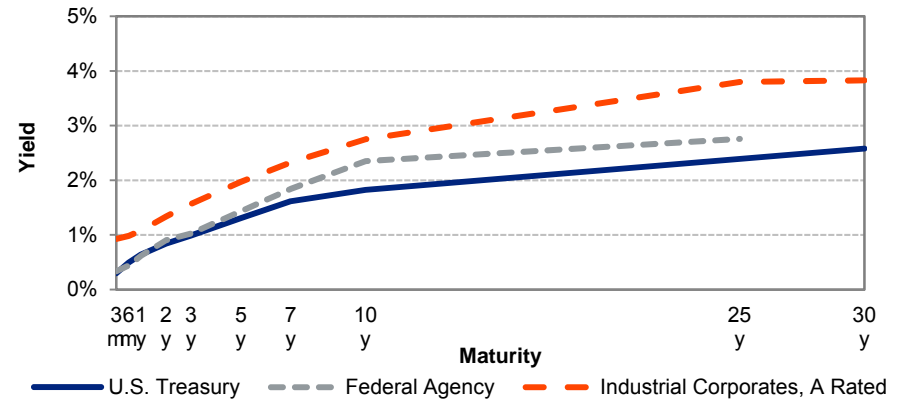
U.S. Treasury Note Yield Curve



U.S. Treasury Note Yields

Maturity	10/31/16	7/31/16	Change over Quarter	10/31/15	Change over Year
3-month	0.45%	0.41%	0.04%	0.23%	0.22%
1-year	0.65%	0.54%	0.12%	0.42%	0.23%
2-year	0.87%	0.68%	0.19%	0.79%	0.09%
5-year	1.36%	1.05%	0.31%	1.57%	(0.21%)
10-year	1.87%	1.49%	0.38%	2.21%	(0.33%)
30-year	2.59%	2.24%	0.36%	2.95%	(0.36%)

Yield Curves as of 10/31/16



Source: Bloomberg

# Bank of America Merrill Lynch Index Returns

As of 10/31/2016

Periods Ended 10/31/2016

	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.89	0.86%	(0.12%)	0.91%	0.79%
Federal Agency	1.76	0.96%	0.05%	0.98%	0.89%
U.S. Corporates, A-AAA Rated	1.89	1.55%	0.02%	1.91%	1.50%
Agency MBS (0 to 3 years)	2.14	1.44%	0.24%	1.69%	1.69%
Municipals	1.82	0.99%	(0.37%)	0.59%	0.80%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.70	1.00%	(0.34%)	1.55%	1.28%
Federal Agency	2.20	1.06%	(0.05%)	1.38%	1.28%
U.S. Corporates, A-AAA Rated	2.74	1.76%	(0.16%)	2.75%	2.18%
Agency MBS (0 to 5 years)	3.31	1.93%	0.20%	2.73%	2.74%
Municipals	2.44	1.11%	(0.52%)	0.93%	1.21%
<b>Master Indices</b>					
U.S. Treasury	6.45	1.43%	(1.90%)	3.50%	3.12%
Federal Agency	3.93	1.38%	(0.58%)	2.65%	2.50%
U.S. Corporates, A-AAA Rated	7.06	2.60%	(1.29%)	6.10%	4.61%
Agency MBS	3.76	2.09%	0.10%	3.23%	3.23%
Municipals	6.79	2.04%	(1.19%)	4.44%	5.23%

Returns for periods greater than one year are annualized

Source: Bloomberg

# Important Disclosures

## **Important Disclosures**

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