



HUGH L. CAREY  
BATTERY PARK  
CITY AUTHORITY

# Hugh L. Carey Battery Park City Authority

Review of Investment Performance  
Quarter Ended October 31, 2014



**PFM Asset Management LLC**

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# Section A – Executive Summary

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# Performance Overview

	Past Quarter	Past 12 Months	Past 3-Years	Since Inception
<b>Short-Term Investment Strategy:</b>				
<b>2003 Pledged Revenue</b>	<b>0.03%</b>	<b>0.13%</b>	<b>0.10%</b>	<b>1.46%</b>
<b>2003 Project Operating Fund</b>	<b>0.01%</b>	<b>0.09%</b>	<b>0.10%</b>	<b>1.44%</b>
BM: BAML 3 Month US Treasury Bill Index	0.01%	0.05%	0.07%	1.38%
<b>Longer-Term Investment Strategy:</b>				
<b>2003 Reserve Fund</b>	<b>0.61%</b>	<b>1.40%</b>	<b>1.31%</b>	<b>4.19%</b>
BM: BAML 1-5 Year US Treasury Note Index	0.67%	0.89%	0.93%	4.03%
<b>BPCPC Operating Reserve Contingency Insurance Fund</b>	<b>1.00%</b>	<b>2.02%</b>	<b>1.63%</b>	<b>4.58%</b>
<b>Operating Budget Reserve</b>	<b>1.06%</b>	<b>1.87%</b>	<b>1.47%</b>	<b>4.58%</b>
BM: BAML 1-10 Year US Treasury Note Index	1.05%	1.54%	1.23%	4.14%
<b>BPCA Other Post Employment Benefits</b>	<b>0.97%</b>	<b>1.79%</b>	<b>1.56%</b>	<b>3.52%</b>
BM: BAML 1-10 Year US Treasury Note Index	1.05%	1.54%	1.23%	3.19%
<b>BPCPC Other Post Employment Benefits</b>	<b>0.94%</b>	<b>1.73%</b>	<b>1.54%</b>	<b>2.67%</b>
BM: BAML 1-10 Year US Treasury Note Index	1.05%	1.54%	1.23%	2.78%

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

Portfolios are in compliance with the Authority's investment policy, diversified by sector and issuer and are of high credit quality.

## **Short-Term Funds**

- Strategy was largely dictated by (1) fiscal year end liquidity requirements and (2) net cash inflows during the quarter totaling approximately \$34 million (2003 Pledged Revenue).
  - New cash invested in US Treasuries (approximately \$22 million) and high-quality commercial paper (approximately \$12 million) targeted to a November 13, 2014 maturity date.
  - As a result of matching new investments to a specific, short-term maturity date, the Pledged Revenue Fund ended the quarter with a duration of 0.04 years, compared to 0.29 years at the beginning of the quarter and the benchmark's duration of 0.15 years.
  - 100% of funds are scheduled to mature within the next 2 months to facilitate transfers between funds at the beginning of the upcoming fiscal year.
  - For the fiscal year ended October 31, 2014, the funds generated total returns of 0.08% to 0.12% versus the benchmark return of 0.04%.
    - Outperformance was primarily attributed to (1) investing to the maximum maturity limit allowed by liquidity needs to benefit from the steepness of the short-term yield curve and (2) allocations to high-quality commercial paper, both of which on average added incremental income and yield to the portfolios relative to the benchmark.

## **Longer-Term Funds**

- The funds generated attractive returns during the quarter, as yields drove lower through October. Those portfolios managed to a 1-10 year benchmark outpaced those managed to a 1-5 year benchmark, as longer maturities benefitted more significantly from yield declines relative to their shorter, intermediate-term counterparts.
  - As Treasury yields declined through mid-October, gains were captured in a portion of Treasury holdings and proceeds reallocated into attractive supnationals and municipal obligations.
  - Duration posture remained defensive and relatively unchanged compared to the benchmark (in the 90% to 94% range, similar to recent quarters), which benefitted the portfolios as yields rebounded significantly through the final two weeks of October.
  - As in the past several quarters, diversification, specifically allocations to Government MBS, benefited performance as this sector has dominated performance relative to US Treasury and agency securities of similar duration.
- For the quarter, the Authority's Longer-Term portfolios generated strong absolute returns while slightly underperforming their respective benchmarks by an average of 5 basis points (0.05%), due largely to defensive duration positions as yields decreased during the quarter.

# Portfolio Value – Strategy Level

	October 31, 2014			July 31, 2014			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 Strategy	\$137,481,354	2.98	27.7%	\$137,689,768	3.00	29.1%	(\$1,313,913)	(\$208,414)	(\$22,628)	\$1,082,871
Short Term Strategy	\$162,746,996	0.04	32.8%	\$125,164,842	0.28	26.4%	\$37,282,397	\$37,582,154	(\$253,993)	\$45,764
Subtotal: Total Return	\$300,228,350	1.38	60.5%	\$262,854,610	1.71	55.5%	\$35,968,484	\$37,373,740	(\$276,622)	\$1,128,634
<b>Other BPCA Accounts</b>										
Subtotal: Other BPCA	\$196,064,210	0.45	39.5%	\$211,031,390	0.50	44.5%	(\$15,436,440)	(\$14,967,180)	(\$371,894)	\$97,366
<b>Grand Total BPCA Portfolio</b>	<b>\$496,292,561</b>	<b>1.01</b>	<b>100.0%</b>	<b>\$473,886,000</b>	<b>1.17</b>	<b>100.0%</b>	<b>\$20,532,044</b>	<b>\$22,406,560</b>	<b>(\$648,516)</b>	<b>\$1,226,001</b>

Notes:

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

# Portfolio Value – Account Level

Total Return Accounts	October 31, 2014		July 31, 2014		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	\$70,998,758	2.45	\$71,273,401	2.47	(\$710,000)	(\$274,643)	(\$4,529)	\$430,828
BPCPC Operating Reserve Contingency	\$19,733,502	3.55	\$20,138,723	3.58	(\$603,913)	(\$405,221)	(\$924)	\$197,768
Insurance Fund	\$4,449,898	3.60	\$5,388,974	3.57	(\$1,000,000)	(\$939,077)	(\$4,682)	\$56,241
Operating Budget Reserve	\$9,187,654	3.48	\$9,090,992	3.57	\$0	\$96,661	(\$5,017)	\$91,645
BPCA Other Post Employment Benefits	\$20,485,150	3.50	\$20,282,969	3.57	\$0	\$202,180	(\$4,524)	\$197,656
BPCPC Other Post Employment Benefits	\$12,626,392	3.61	\$11,514,708	3.58	\$1,000,000	\$1,111,684	(\$2,952)	\$108,732
<b>Short Term Investment Strategy</b>								
2003 Pledged Revenue	\$155,582,173	0.04	\$121,594,865	0.29	\$33,688,178	\$33,987,308	(\$254,009)	\$45,121
2003 Project Operating Fund	\$7,164,823	0.03	\$3,569,977	0.01	\$3,594,219	\$3,594,846	\$16	\$643
<b>Subtotal of Total Return Accounts</b>	<b>\$300,228,350</b>	<b>1.38</b>	<b>\$262,854,610</b>	<b>1.71</b>	<b>\$35,968,484</b>	<b>\$37,373,740</b>	<b>(\$276,622)</b>	<b>\$1,128,634</b>
<b>Other BPCA Accounts</b>								
Liberty Terr Mariners Cove-K	\$285,992	0.15	\$285,946	0.41	\$0	\$45	\$0	\$45
Liberty House Mariners J	\$233,993	0.16	\$233,955	0.41	\$0	\$38	\$0	\$38
Rector Park L	\$31,998	0.27	\$31,992	0.52	\$0	\$7	\$0	\$7
Hudson View W Towers G	\$164,998	0.09	\$164,976	0.34	\$0	\$22	\$0	\$22
Hudson Towers E/F	\$199,997	0.09	\$199,971	0.35	\$0	\$26	\$0	\$26
Hudson View Towers C	\$179,997	0.09	\$179,974	0.35	\$0	\$24	\$0	\$24
Liberty Ct Mariners Cove B	\$583,982	0.17	\$583,886	0.42	\$0	\$96	\$0	\$96
Millenium	\$3,520,946	0.09	\$3,520,485	0.35	\$0	\$461	\$0	\$461
Liberty Battery Place Assoc 4	\$421,993	0.10	\$421,936	0.35	\$0	\$57	\$0	\$57
South Cove Assoc 11	\$382,994	0.09	\$382,944	0.34	\$0	\$50	\$0	\$50
Soundings Rector Park A	\$204,997	0.09	\$204,970	0.34	\$0	\$27	\$0	\$27
The Regatta Site 10	\$466,993	0.09	\$466,932	0.34	\$0	\$61	\$0	\$61
Corporate Funds	\$1,720,693	0.13	\$1,711,400	0.38	\$0	\$9,293	(\$9,000)	\$293
2000 Arbitrage Rebate	\$785,630	0.65	\$785,302	0.90	\$0	\$328	\$0	\$328
1993 Unpledged Revenue	\$10,942,967	0.04	\$10,829,830	0.29	\$111,880	\$113,137	(\$117)	\$1,140
2003 Residual Fund	\$225,999	0.04	\$225,976	0.29	\$0	\$24	\$0	\$24
Joint Purpose Fund	\$9,000	0.04	\$8,999	0.29	\$0	\$1	\$0	\$1
Special Fund	\$4,405,530	1.41	\$8,252,065	0.85	(\$3,868,739)	(\$3,846,534)	(\$319)	\$21,885
Debt Service Junior Payments	\$26,573,903	0.03	\$27,225,475	0.27	(\$986,464)	(\$651,572)	(\$332,027)	\$2,866
2003 Debt Service Senior Payments	\$34,972,059	0.05	\$34,953,663	0.30	\$0	\$18,396	(\$10,511)	\$7,885
BPCPC Operating Reserve	\$971,350	1.47	\$957,867	1.72	\$0	\$13,483	(\$10,762)	\$2,722
BPCA Millenium Tower Security Fund 2A	\$2,940,955	0.09	\$2,940,570	0.35	\$0	\$385	\$0	\$385
BPCA S 16/17 Riverhouse Security Fund	\$6,242,855	0.13	\$6,241,930	0.38	\$0	\$925	\$0	\$925
BPCA Goldman Sachs Liberty Contribution Fund	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0
BPCA Visionaire Security Fund	\$3,805,921	0.12	\$3,805,378	0.37	\$0	\$543	\$0	\$543
BPCA Series 2009A Project Costs	\$16,248,314	0.94	\$21,367,075	0.93	(\$5,135,558)	(\$5,118,761)	(\$664)	\$16,133
BPCA Series 2009B Project Costs	\$1,631,523	0.50	\$1,828,946	0.75	(\$198,805)	(\$197,422)	(\$872)	\$510
BPCA Pier A Security Deposit Account	\$400,868	0.48	\$400,737	0.73	\$0	\$131	\$0	\$131
BPCA One Rector Park Security Fund	\$931,978	0.13	\$931,841	0.38	\$0	\$138	\$0	\$138
BPCA Rector Square Security Fund Site D	\$214,997	0.09	\$214,969	0.34	\$0	\$28	\$0	\$28
BPCA Insurance Advance	\$0	0.00	\$625,648	0.59	(\$625,500)	(\$625,648)	\$408	\$259
BPCA WFC TOWER C RETAIL RENT ESCROW	\$242,987	0.27	\$242,937	0.52	\$0	\$51	\$0	\$51
BPCA2013ACDE COI SUB AC	\$0	0.00	\$0	0.00	(\$85)	\$0	(\$85)	\$0
BPCA2013B COI SUB AC	\$0	0.00	\$0	0.00	(\$2,215)	\$0	(\$2,215)	\$0
BPCA2013ACDE PROJ COST SUB AC	\$75,043,001	0.77	\$77,674,901	0.55	(\$2,677,776)	(\$2,631,899)	(\$6,715)	\$39,161
BPCA2013B PROJ COSTS SUB AC	\$1,074,798	0.42	\$3,127,917	0.79	(\$2,053,180)	(\$2,053,119)	\$983	\$1,044
<b>Subtotal of Other BPCA Accounts</b>	<b>\$196,064,210</b>	<b>0.45</b>	<b>\$211,031,390</b>	<b>0.50</b>	<b>(\$15,436,440)</b>	<b>(\$14,967,180)</b>	<b>(\$371,894)</b>	<b>\$97,366</b>
<b>GRAND TOTAL</b>	<b>\$496,292,561</b>	<b>1.01</b>	<b>\$473,886,000</b>	<b>1.17</b>	<b>\$20,532,044</b>	<b>\$22,406,560</b>	<b>(\$648,516)</b>	<b>\$1,226,001</b>

Notes:

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

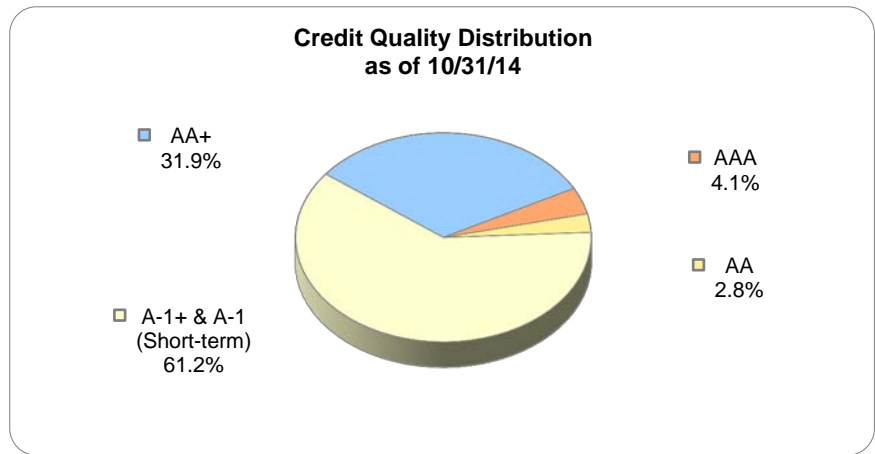
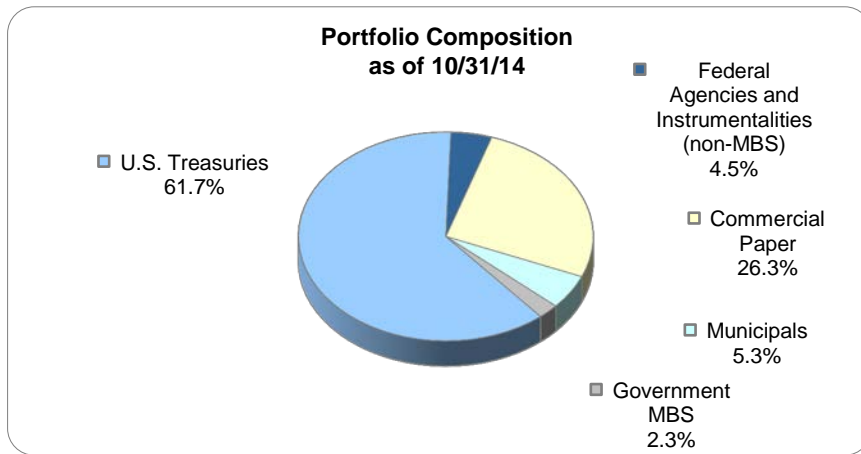
**Section B –  
Summary of Aggregate Portfolio**

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# Aggregate Portfolio Composition and Credit Quality

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	Duration	July 31, 2014	% of Portfolio	Duration
U.S. Treasuries	\$306,027,844	61.7%	1.04	\$317,945,382	67.1%	1.15
Federal Agencies and Instrumentalities (non-MBS)	\$22,268,845	4.5%	2.90	\$24,126,529	5.1%	1.98
Commercial Paper	\$130,345,053	26.3%	0.03	\$95,561,040	20.2%	0.27
Municipals	\$26,315,416	5.3%	2.86	\$24,810,112	5.2%	2.93
Government MBS	\$11,335,403	2.3%	3.27	\$11,442,938	2.4%	3.58
<b>Totals</b>	<b>\$496,292,561</b>	<b>100.0%</b>	<b>1.01</b>	<b>\$473,886,000</b>	<b>100.0%</b>	<b>1.17</b>



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.

# Aggregate Portfolio Issuer Breakdown

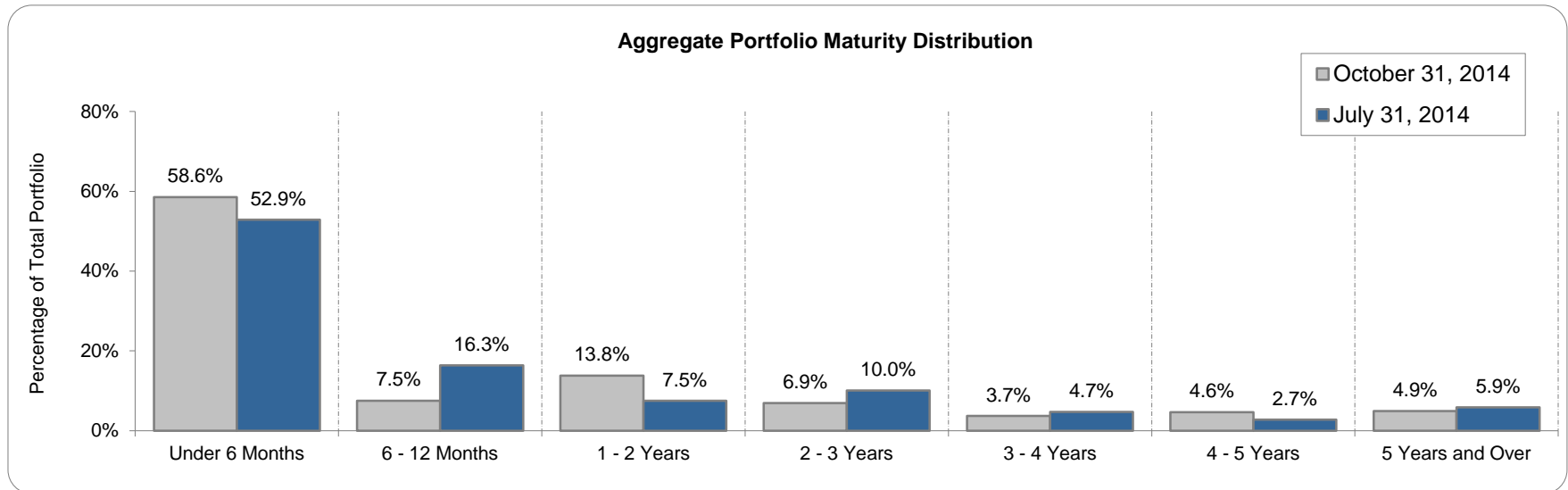
Security Type	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
<b>United States Treasury<sup>2</sup></b>					
U.S. Treasury	\$306,027,844	61.7%	\$317,945,382	67.1%	(5.4%)
Ginnie Mae	\$5,139,334	1.0%	\$5,434,223	1.1%	(0.1%)
Small Business Administration	\$519,048	0.1%	\$0	0.0%	0.1%
<b>Federal Agencies and Instrumentalities (includes Mortgaged-Backed Securities)<sup>2</sup></b>					
Freddie Mac	\$10,090,171	2.0%	\$10,776,903	2.3%	(0.2%)
Fannie Mae	\$5,184,513	1.0%	\$5,434,785	1.1%	(0.1%)
International Bank of Recon and Development	\$10,670,017	2.1%	\$11,934,352	2.5%	(0.4%)
African Development Bank	\$2,001,166	0.4%	\$1,989,203	0.4%	(0.0%)
<b>Commercial Paper<sup>2</sup></b>					
Canadian Imperial Bank of Commerce	\$25,674,024	5.2%	\$25,659,287	5.4%	(0.2%)
Exxon Mobil Corporation	\$19,024,905	3.8%	\$0	0.0%	3.8%
General Electric Capital Corporation	\$23,030,585	4.6%	\$21,558,452	4.5%	0.1%
General Electric Company	\$189,997	0.0%	\$0	0.0%	0.0%
HSBC USA Inc.	\$0	0.0%	\$1,418,881	0.3%	(0.3%)
Prudential Funding LLC	\$17,994,551	3.6%	\$2,569,985	0.5%	3.1%
Toyota Motor Credit Corporation	\$21,147,619	4.3%	\$21,082,659	4.4%	(0.2%)
US Bank NA	\$23,283,371	4.7%	\$23,271,776	4.9%	(0.2%)
<b>Municipal Issuers<sup>2</sup></b>					
Georgia State	\$3,254,348	0.7%	\$3,266,377	0.7%	(0.0%)
Nassau County, New York	\$3,026,098	0.6%	\$2,987,818	0.6%	(0.0%)
New York City	\$14,136,348	2.8%	\$14,223,950	3.0%	(0.2%)
New York City Transitional Finance Authority	\$1,614,714	0.3%	\$0	0.0%	0.3%
New York State	\$4,283,907	0.9%	\$4,331,967	0.9%	(0.1%)
<b>TOTAL</b>	<b>\$496,292,561</b>	<b>100.0%</b>	<b>\$473,886,000</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%.
- CIBC commercial paper was less than 5% at the time of purchase, the last purchase being made in April 2014.

# Aggregate Portfolio Maturity Structure

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
Under 6 Months	\$290,697,121	58.6%	\$250,511,153	52.9%	5.7%
6 - 12 Months	\$37,321,775	7.5%	\$77,431,252	16.3%	(8.8%)
1 - 2 Years	\$68,385,643	13.8%	\$35,485,628	7.5%	6.3%
2 - 3 Years	\$34,262,937	6.9%	\$47,579,789	10.0%	(3.1%)
3 - 4 Years	\$18,284,758	3.7%	\$22,160,902	4.7%	(1.0%)
4 - 5 Years	\$22,875,458	4.6%	\$12,927,409	2.7%	1.9%
5 Years and Over	\$24,464,869	4.9%	\$27,789,868	5.9%	(0.9%)
<b>Totals</b>	<b>\$496,292,561</b>	<b>100.0%</b>	<b>\$473,886,000</b>	<b>100.0%</b>	



**Notes:**

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

# Statement of Broker Trades

	Quarterly, August 01, 2014 to October 31, 2014		Cumulative, November 01, 2013 to October 31, 2014	
<b>Direct Issuers</b>	<b>Quarterly Trades</b>	<b>Quarterly Par Amount</b>	<b>Cumulative Trades</b>	<b>Cumulative Par Amount</b>
Exxon Mobil Corp	2	19,025,000	4	52,932,000
General Electric Corp	3	3,225,000	12	52,741,000
Toyota Motor Credit Corp.	2	1,058,000	15	35,922,000
US Bank	-	-	17	64,838,000
<b>Total</b>	<b>7</b>	<b>23,308,000</b>	<b>48</b>	<b>206,433,000</b>

	Quarterly, August 01, 2014 to October 31, 2014		Cumulative, November 01, 2013 to October 31, 2014	
<b>MWBE Broker/Dealers</b>	<b>Quarterly Trades</b>	<b>Quarterly Par Amount</b>	<b>Cumulative Trades</b>	<b>Cumulative Par Amount</b>
CastleOak Securities	-	-	6	2,000,000
The Williams Capital Group, LP	-	-	4	40,072,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>42,072,000</b>

	Quarterly, August 01, 2014 to October 31, 2014		Cumulative, November 01, 2013 to October 31, 2014	
<b>Broker/Dealers</b>	<b>Quarterly Trades</b>	<b>Quarterly Par Amount</b>	<b>Cumulative Trades</b>	<b>Cumulative Par Amount</b>
Barclays Capital, Inc.	8	4,077,000	66	91,544,000
BNP Paribas Securities Corp.	2	730,000	14	8,613,000
CIBC World Markets Corp.	-	-	3	45,675,000
Citigroup Global Markets, Inc.	50	41,467,000	154	129,431,000
Credit Suisse Securities (USA) LLC	-	-	1	20,000,000
Deutsche Bank Securities, Inc	-	-	79	198,328,000
FTN Financial	1	527,784	1	527,784
Goldman, Sachs & Co.	6	1,575,000	17	21,364,000
HSBC Securities (USA) Inc.	-	-	7	566,000
J. P. Morgan Securities LLC	1	330,000	30	63,819,000
Jefferies & Company, Inc.	-	-	34	59,227,000
Merrill Lynch, Pierce, Fenner & Smith Inc.	20	25,986,000	101	346,286,000
Morgan Stanley & Co., Inc.	13	8,790,000	146	190,371,000
Nomura Securities USA, Inc.	-	-	5	793,000
Prudential Funding Corp.	32	64,340,000	39	95,027,000
RBC Capital Markets, LLC.	41	11,497,000	114	247,724,000
RBS Securities, Inc.	10	13,543,000	82	259,563,000
SG Americas Securities, LLC	-	-	6	2,685,000
TD Securities (USA) LLC	6	4,600,000	14	22,180,000
UBS Securities, LLC	-	-	1	4,005,000
Wells Fargo Securities, LLC	6	948,000	11	43,092,000
<b>Total</b>	<b>196</b>	<b>178,410,784</b>	<b>925</b>	<b>1,850,820,784</b>

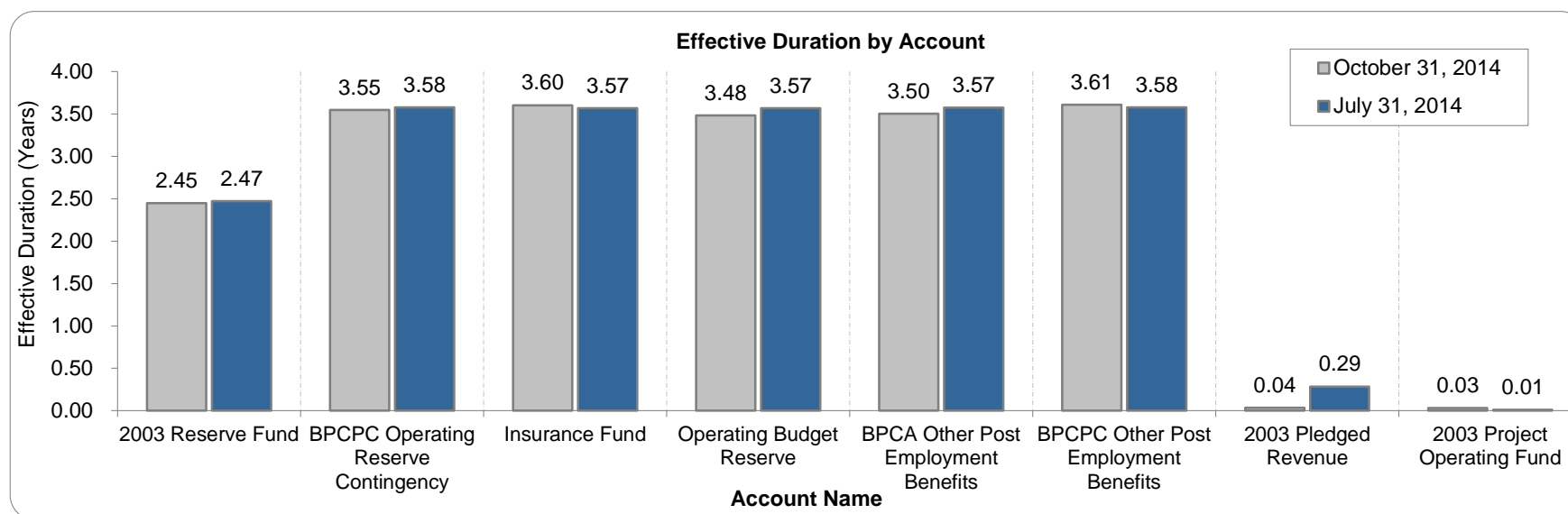
	Quarterly, August 01, 2014 to October 31, 2014		Cumulative, November 01, 2013 to October 31, 2014	
	<b>Quarterly Trades</b>	<b>Quarterly Par Amount</b>	<b>Cumulative Trades</b>	<b>Cumulative Par Amount</b>
	<b>203</b>	<b>201,718,784</b>	<b>983</b>	<b>2,099,325,784</b>

# 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, 2014	July 31, 2014	October 31, 2014	July 31, 2014	October 31, 2014	July 31, 2014
<b>Longer Term Investment Strategy</b>						
2003 Reserve Fund	<b>2.45</b>	2.47	<b>0.91%</b>	0.95%	<b>1.43%</b>	1.37%
BPCPC Operating Reserve Contingency Insurance Fund	<b>3.55</b>	3.58	<b>1.32%</b>	1.38%	<b>2.15%</b>	2.23%
Operating Budget Reserve	<b>3.60</b>	3.57	<b>1.30%</b>	1.33%	<b>1.58%</b>	1.42%
BPCA Other Post Employment Benefits	<b>3.48</b>	3.57	<b>1.30%</b>	1.40%	<b>2.27%</b>	2.25%
BPCPC Other Post Employment Benefits	<b>3.50</b>	3.57	<b>1.27%</b>	1.35%	<b>2.00%</b>	1.95%
BPCPC Other Post Employment Benefits	<b>3.61</b>	3.58	<b>1.27%</b>	1.33%	<b>1.63%</b>	1.58%
<b>Short Term Investment Strategy</b>						
2003 Pledged Revenue	<b>0.04</b>	0.29	<b>0.05%</b>	0.13%	<b>0.11%</b>	0.13%
2003 Project Operating Fund	<b>0.03</b>	0.01	<b>0.07%</b>	0.07%	<b>0.06%</b>	0.09%



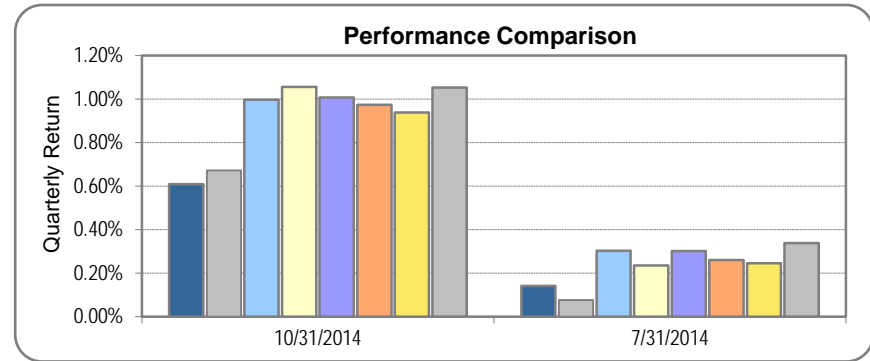
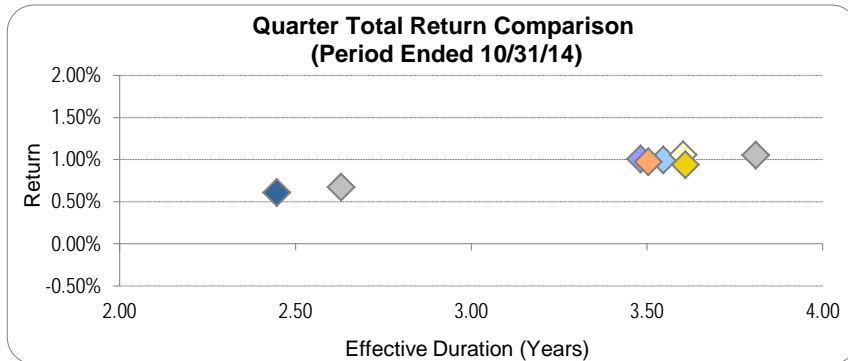
# **Portfolios Managed with a Longer-Term Investment Strategy**

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# Longer-Term Investment Strategy

Total Return <sup>1,2,4,5</sup>	October 31, 2014	Annualized Quarter	Since Inception <sup>5</sup>	Annualized Since Inception
2003 Reserve Fund	0.61%	2.44%	43.25%	4.19%
<b>BM: BAML 1-5 Year US Treasury Note Index</b>	<b>0.67%</b>	<b>2.69%</b>	<b>41.33%</b>	<b>4.03%</b>
BPCPC Operating Reserve Contingency	1.00%	4.01%	47.95%	4.58%
Insurance Fund	1.06%	4.26%	48.05%	4.58%
Operating Budget Reserve	1.01%	4.06%	50.07%	4.75%
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>1.05%</b>	<b>4.24%</b>	<b>42.60%</b>	<b>4.14%</b>
BPCA Other Post Employment Benefits	0.97%	3.92%	26.35%	3.52%
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>1.05%</b>	<b>4.24%</b>	<b>23.59%</b>	<b>3.19%</b>
BPCPC Other Post Employment Benefits	0.94%	3.78%	13.22%	2.67%
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>1.05%</b>	<b>4.24%</b>	<b>13.81%</b>	<b>2.78%</b>

Effective Duration (in years) <sup>3</sup>	October 31, 2014	July 31, 2014
2003 Reserve Fund	2.45	2.47
<b>BM: BAML 1-5 Year US Treasury Note Index</b>	<b>2.63</b>	<b>2.63</b>
BPCPC Operating Reserve Contingency	3.55	3.58
Insurance Fund	3.60	3.57
Operating Budget Reserve	3.48	3.57
BPCA Other Post Employment Benefits	3.50	3.57
BPCPC Other Post Employment Benefits	3.61	3.58
<b>BM: BAML 1-10 Year US Treasury Note Index</b>	<b>3.81</b>	<b>3.81</b>



**Notes:**

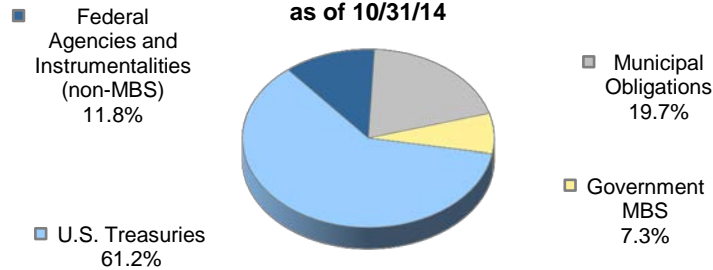
1. Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
2. Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns 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 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.



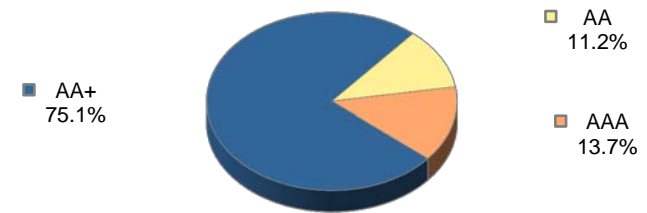
# 2003 Reserve Fund Portfolio

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
U.S. Treasuries	\$43,467,513	61.2%	\$46,173,559	64.8%	(3.6%)
Federal Agencies and Instrumentalities (non-MBS)	\$8,365,848	11.8%	\$6,348,549	8.9%	2.9%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$13,996,345	19.7%	\$13,836,737	19.4%	0.3%
Government MBS	\$5,169,052	7.3%	\$4,914,555	6.9%	0.4%
<b>Totals</b>	<b>\$70,998,758</b>	<b>100.0%</b>	<b>\$71,273,401</b>	<b>100.0%</b>	

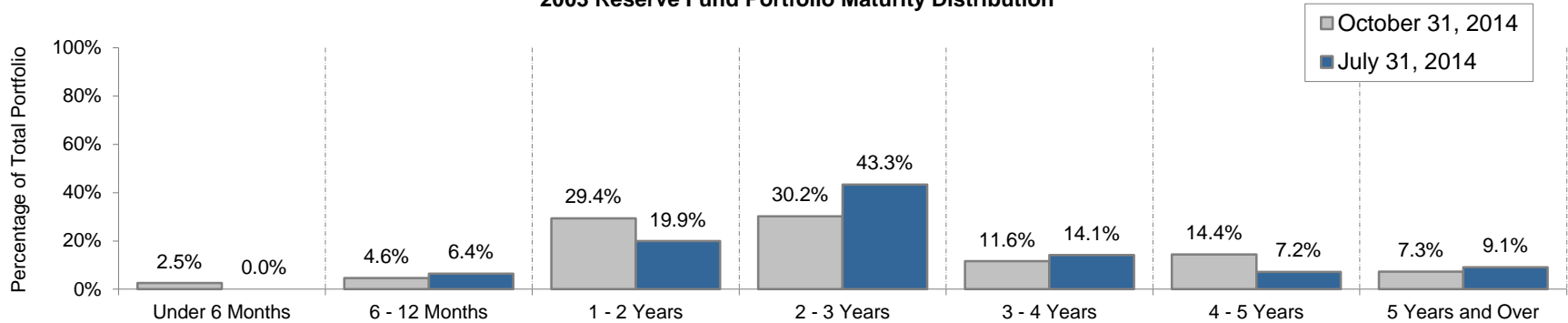
**Portfolio Composition as of 10/31/14**



**Credit Quality Distribution as of 10/31/14**



**2003 Reserve Fund Portfolio Maturity Distribution**



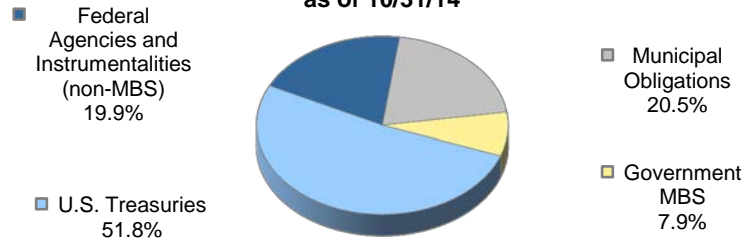
**Notes:**

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.

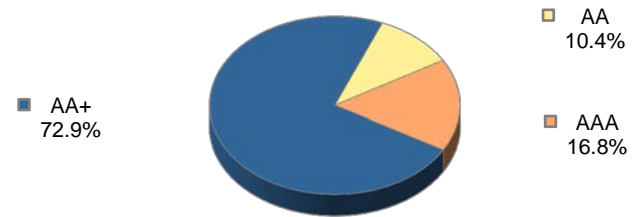
# BPCPC Operating Reserve Contingency Portfolio

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
U.S. Treasuries	\$10,213,927	51.8%	\$11,145,891	55.3%	(3.6%)
Federal Agencies and Instrumentalities (non-MBS)	\$3,921,939	19.9%	\$3,715,593	18.4%	1.4%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$4,036,838	20.5%	\$3,622,195	18.0%	2.5%
Government MBS	\$1,560,798	7.9%	\$1,655,044	8.2%	(0.3%)
<b>Totals</b>	<b>\$19,733,502</b>	<b>100.0%</b>	<b>\$20,138,723</b>	<b>100.0%</b>	

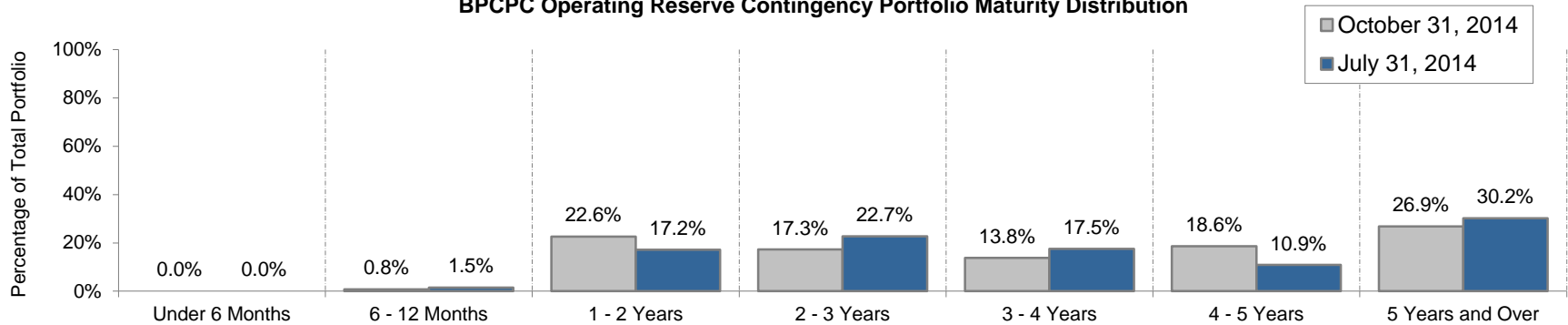
**Portfolio Composition as of 10/31/14**



**Credit Quality Distribution as of 10/31/14**



**BPCPC Operating Reserve Contingency Portfolio Maturity Distribution**



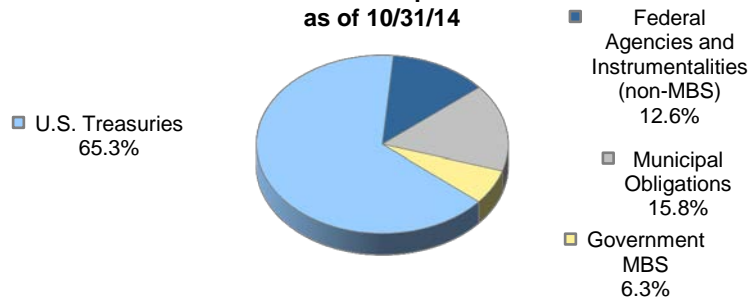
**Notes:**

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.

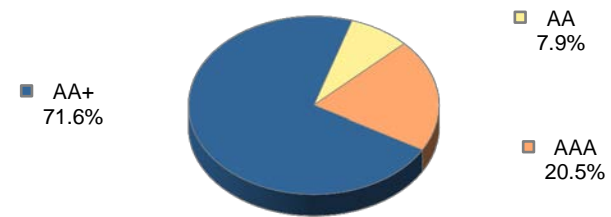
# Insurance Fund Portfolio

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
U.S. Treasuries	\$2,905,412	65.3%	\$4,181,396	77.6%	(12.3%)
Federal Agencies and Instrumentalities (non-MBS)	\$559,191	12.6%	\$305,748	5.7%	6.9%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$704,560	15.8%	\$605,545	11.2%	4.6%
Government MBS	\$280,734	6.3%	\$296,285	5.5%	0.8%
<b>Totals</b>	<b>\$4,449,898</b>	<b>100.0%</b>	<b>\$5,388,974</b>	<b>100.0%</b>	

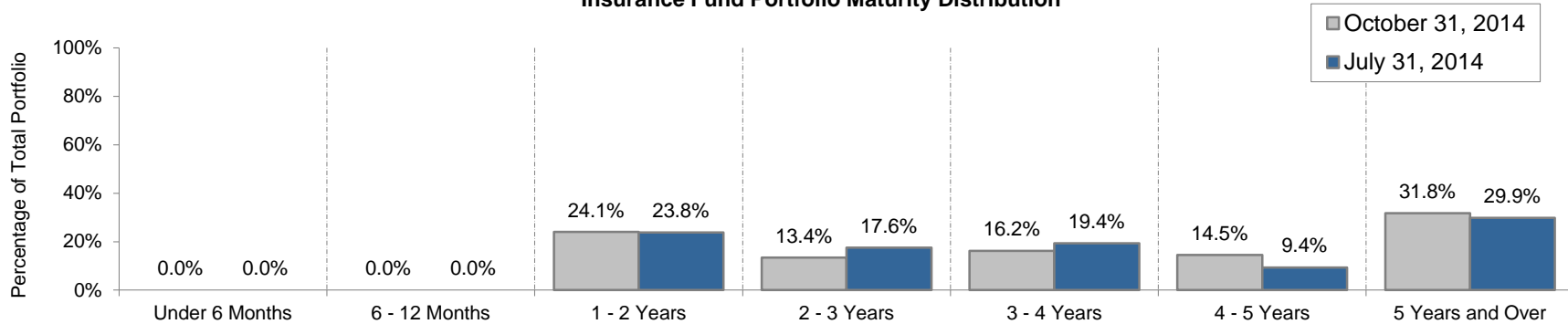
**Portfolio Composition as of 10/31/14**



**Credit Quality Distribution as of 10/31/14**



**Insurance Fund Portfolio Maturity Distribution**



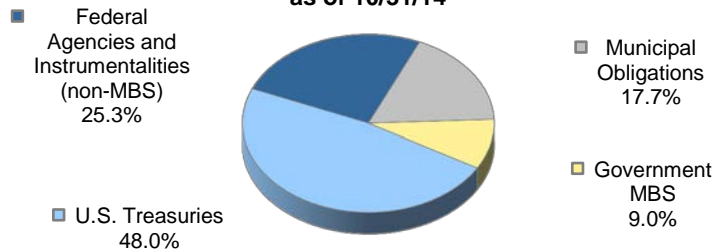
Notes:

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.

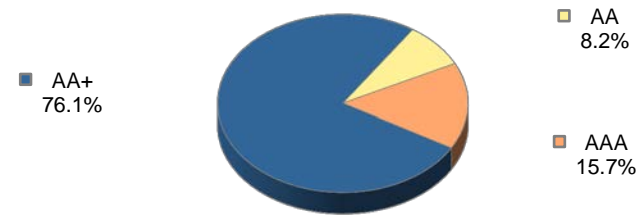
# Operating Budget Reserve Portfolio

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
U.S. Treasuries	\$4,409,157	48.0%	\$4,808,678	52.9%	(4.9%)
Federal Agencies and Instrumentalities (non-MBS)	\$2,328,494	25.3%	\$1,991,756	21.9%	3.4%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$1,622,304	17.7%	\$1,426,012	15.7%	2.0%
Government MBS	\$827,698	9.0%	\$864,546	9.5%	(0.5%)
<b>Totals</b>	<b>\$9,187,654</b>	<b>100.0%</b>	<b>\$9,090,992</b>	<b>100.0%</b>	

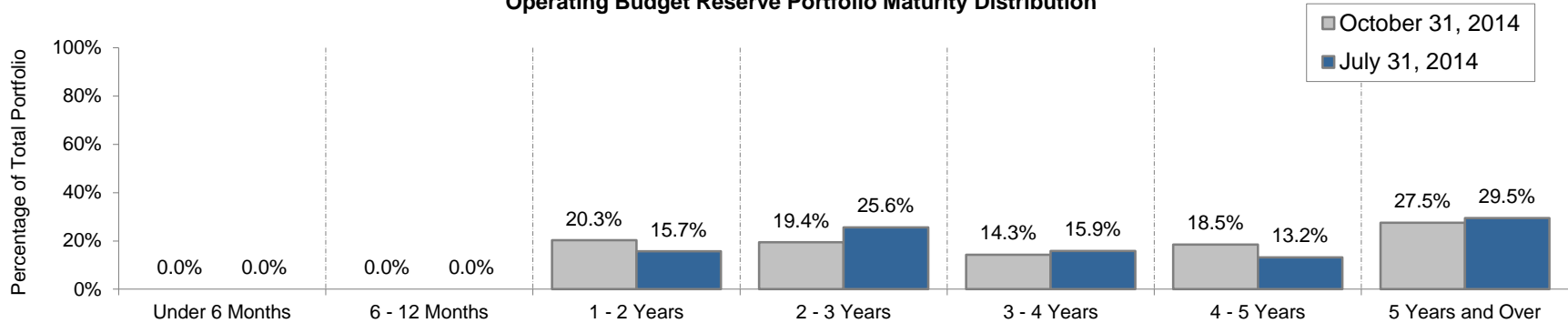
**Portfolio Composition as of 10/31/14**



**Credit Quality Distribution as of 10/31/14**



**Operating Budget Reserve Portfolio Maturity Distribution**

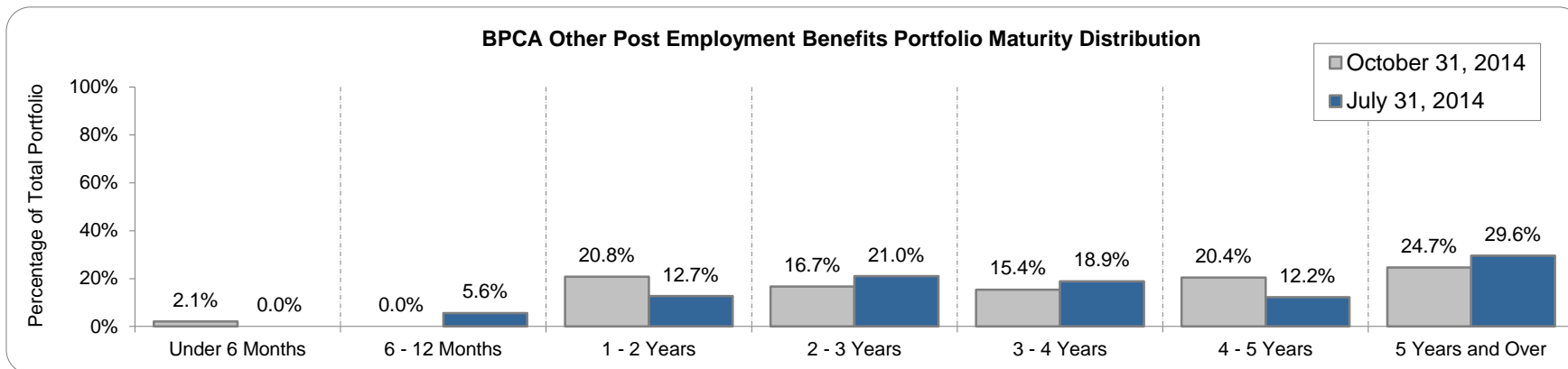
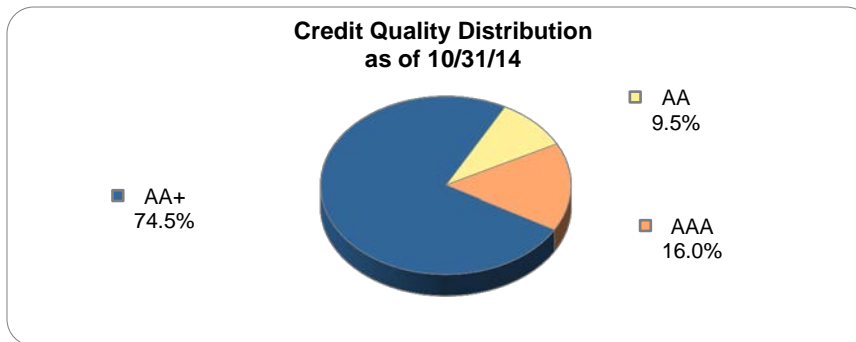
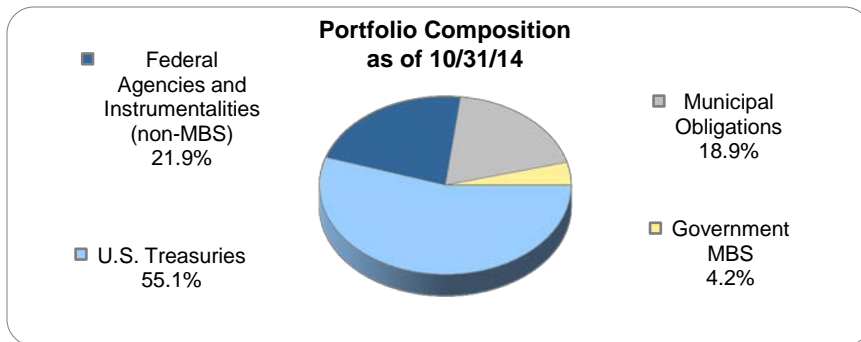


**Notes:**

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, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
U.S. Treasuries	\$11,280,823	55.1%	\$12,175,868	60.0%	(5.0%)
Federal Agencies and Instrumentalities (non-MBS)	\$4,476,486	21.9%	\$3,724,898	18.4%	3.5%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$3,877,571	18.9%	\$3,486,870	17.2%	1.7%
Government MBS	\$850,270	4.2%	\$895,334	4.4%	(0.3%)
<b>Totals</b>	<b>\$20,485,150</b>	<b>100.0%</b>	<b>\$20,282,969</b>	<b>100.0%</b>	



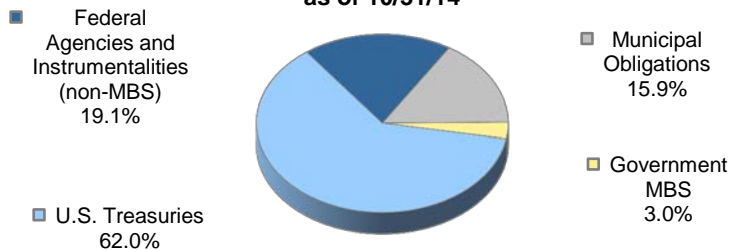
Notes:

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.

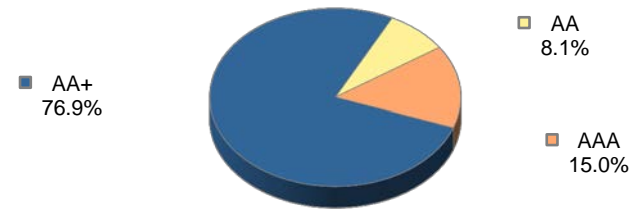
# BPCPC OPEB Portfolio

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
U.S. Treasuries	\$7,825,023	62.0%	\$7,439,556	64.6%	(2.6%)
Federal Agencies and Instrumentalities (non-MBS)	\$2,416,848	19.1%	\$1,916,198	16.6%	2.5%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$2,011,461	15.9%	\$1,765,603	15.3%	0.6%
Government MBS	\$373,061	3.0%	\$393,351	3.4%	(0.5%)
<b>Totals</b>	<b>\$12,626,392</b>	<b>100.0%</b>	<b>\$11,514,708</b>	<b>100.0%</b>	

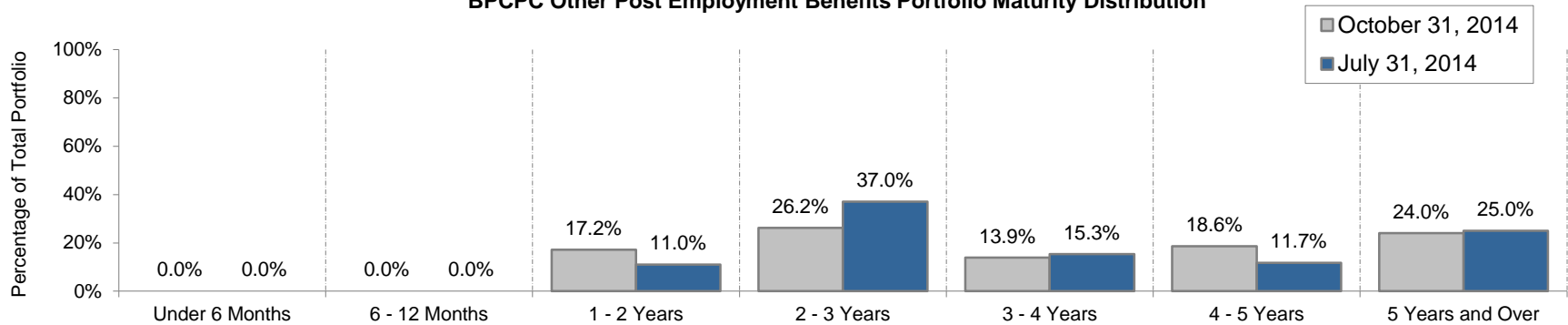
**Portfolio Composition as of 10/31/14**



**Credit Quality Distribution as of 10/31/14**



**BPCPC Other Post Employment Benefits 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.

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

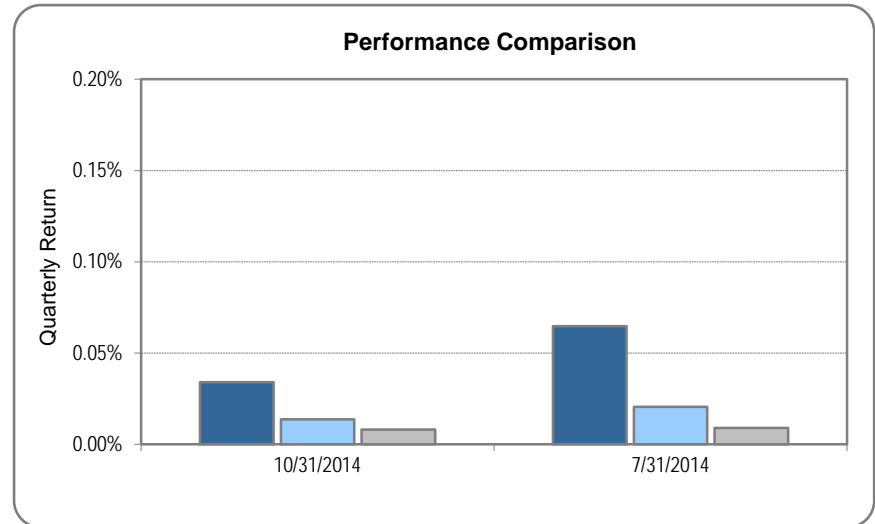
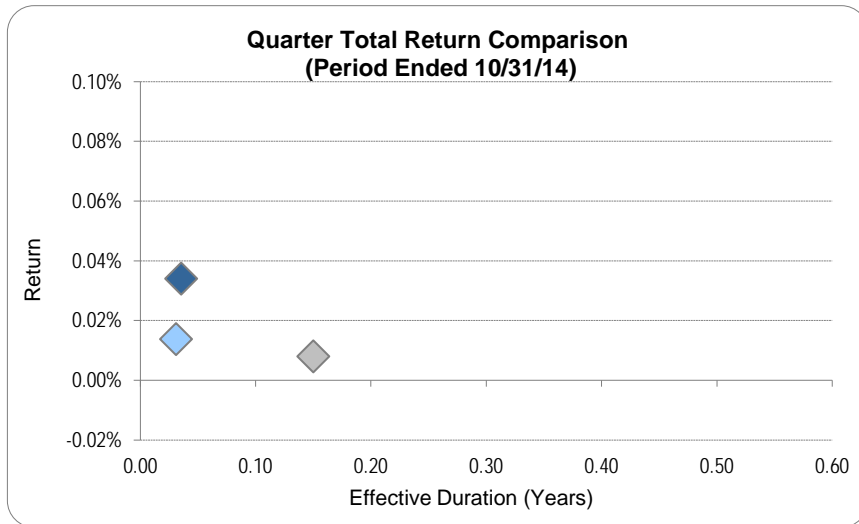
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# Shorter-Term Investment Strategy

Total Return <sup>1,2,4,5</sup>	October 31, 2014	Annualized Quarter	Since Inception <sup>5</sup>	Annualized Since Inception
2003 Pledged Revenue	0.03%	0.13%	13.48%	1.46%
2003 Project Operating Fund	0.01%	0.05%	13.32%	1.44%
<b>BM: BAML 3 Month US Treasury Bill Index</b>	<b>0.01%</b>	<b>0.03%</b>	<b>12.75%</b>	<b>1.38%</b>

Effective Duration (in years) <sup>3</sup>	October 31, 2014	July 31, 2014
2003 Pledged Revenue	0.04	0.29
2003 Project Operating Fund	0.03	0.01
<b>BM: BAML 3-Month US Treasury Bill Index</b>	<b>0.15</b>	<b>0.15</b>



Notes:

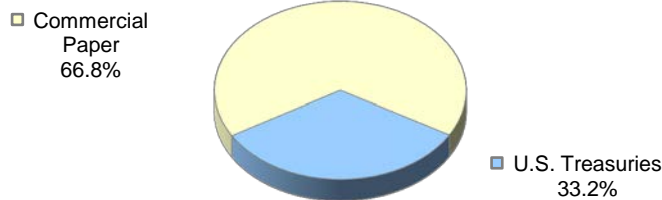
1. Performance on trade-date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
2. Bank of America/Merrill Lynch (BAML) indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns 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.



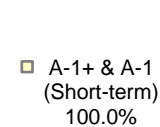
# 2003 Pledged Revenue Portfolio

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% of Portfolio	QoQ % Change
U.S. Treasuries	\$51,616,845	33.2%	\$29,603,802	24.3%	8.8%
Federal Agencies and Instrumentalities (non-MBS)	\$0	0.0%	\$0	0.0%	0.0%
Commercial Paper	\$103,965,328	66.8%	\$91,991,063	75.7%	(8.8%)
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%
<b>Totals</b>	<b>\$155,582,173</b>	<b>100.0%</b>	<b>\$121,594,865</b>	<b>100.0%</b>	

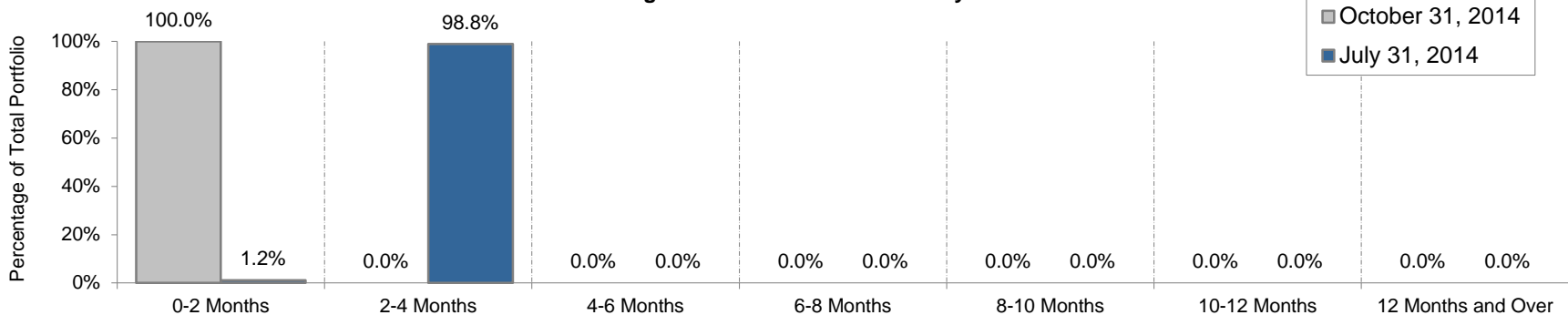
**Portfolio Composition as of 10/31/14**



**Credit Quality Distribution as of 10/31/14**



**2003 Pledged Revenue Portfolio Maturity Distribution**



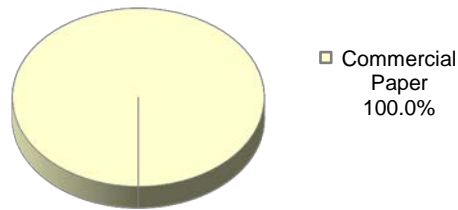
**Notes:**

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.

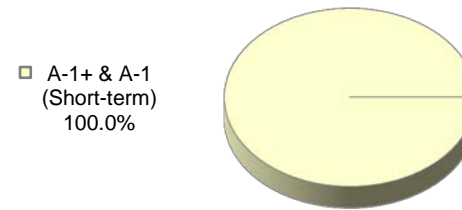
# 2003 Project Operating Fund Portfolio

Security Type <sup>1</sup>	October 31, 2014	% of Portfolio	July 31, 2014	% 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	\$7,164,823	100.0%	\$3,569,977	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>\$7,164,823</b>	<b>100.0%</b>	<b>\$3,569,977</b>	<b>100.0%</b>	

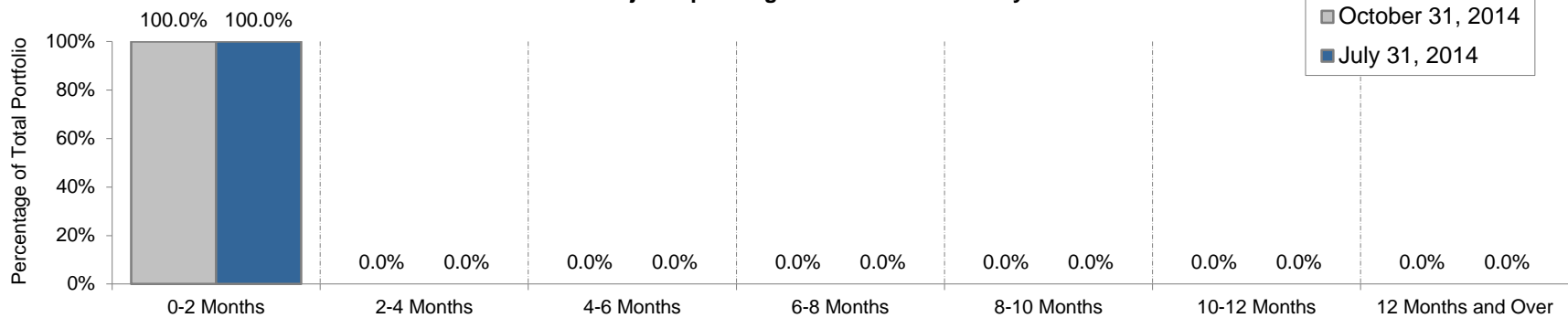
**Portfolio Composition  
as of 10/31/14**



**Credit Quality Distribution  
as of 10/31/14**



**2003 Project Operating 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.

**Section D –  
Market Commentary**

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# Summary of Economic and Market Conditions

## Summary

- While the U.S. economy continued its recovery through the quarter ended September 30th, global unrest, a very strong October jobs report, and uncertainty about future central bank policy—including actions of the Federal Reserve (Fed)—resulted in volatility in the bond and equity markets.
- Ten-year Treasury bond yields fell noticeably by October 31st compared to the end of the previous quarter ended July 31st. On the other hand, shorter-term rates were relatively unchanged.
- Geopolitical uncertainty continued to move the markets. Military conflicts in Ukraine and the Middle East, as well as weaker economic data in the euro zone and various emerging markets such as China and Brazil, factored significantly in investor sentiment.

## Economic Snapshot

- Third-quarter (ended September 30th) gross domestic product (GDP) rose at an annual rate of 3.9%, a strong reading on the heels of a stronger release of 4.6% for the previous quarter-ended June 30th.
- The U.S. unemployment rate fell from 6.2% in July to 5.8% in October. While job growth has been impressive, wage growth has been weak and other measures such as the labor force participation rate and the number of part-time workers for economic reasons indicate lingering levels of underutilization.
- Housing market data was also a “glass half empty, glass half full” scenario, as housing-related indicators experienced a series of ups and downs over the past several months. Most recently, new-home sales reached the highest level since 2008, while existing-home sales had a small, unexpected decline.

## Interest Rates

- The Federal Open Market Committee (FOMC) reaffirmed that its quantitative easing bond purchase program will end in October. At the same time, the FOMC released updated assessments of where individual participants judged the appropriate level for the federal funds rate at the end of the next few calendar years. Those assessments showed a surprisingly fast upward trajectory for short-term rates that are inconsistent with both Fed Chair Janet Yellen’s public comments and persistently low current market rates.
- Inflation (as measured by the Consumer Price Index) unexpectedly decreased month over month in August. This marked the first decline in almost a year and a half. Inflation continues to run below the Fed’s 2% target rate.
- Yields on intermediate-maturity (two- to five-year) Treasuries ended the quarter modestly lower. Longer maturities (10-30 years) fell more significantly relative to their shorter, intermediate-term counterparts, causing a flattening of the Treasury yield curve.

## Sector Performance

- Fixed-income performance was strong for the quarter ended October 31st, as the precipitous decline in yields through the first two weeks of October more than offset the yield increases experienced through September and late October.
- Mortgage-backed securities have been one of the best-performing sectors over the past three and 12-month periods.
- Short-term markets continued to be driven by the Fed as well as new regulations affecting banks and money market funds.

*The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC (PFMAM) at the time of distribution and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFMAM cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.*

# Economic Snapshot

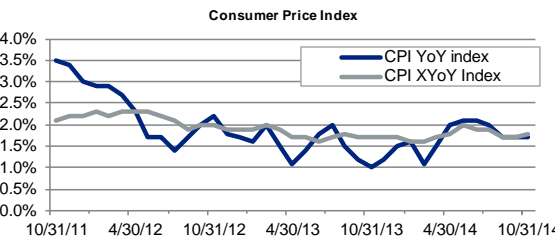
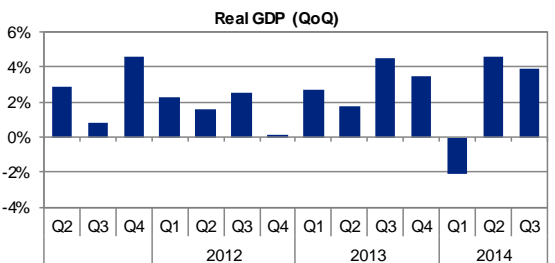
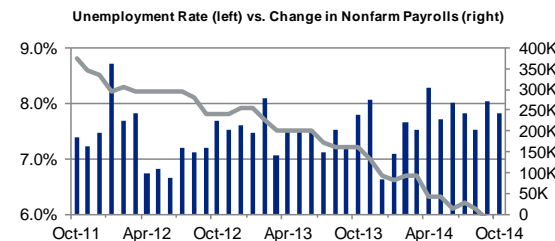
Labor Market		Latest	Jul 2014	Oct 2013
Unemployment Rate	Nov	5.8%	6.2%	6.3%
Change In Non-Farm Payrolls	Nov	321,000	243,000	304,000
Average Hourly Earnings (YoY)	Nov	2.1%	2.1%	2.0%
Personal Income (YoY)	Oct	4.1%	4.0%	3.8%
Initial Jobless Claims	Nov 28	297,000	303,000	345,000

Growth		Latest	Jul 2014	Oct 2013
Real GDP (QoQ SAAR)	Sep 14	3.9%	4.6% <sup>1</sup>	4.5% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	Sep 14	2.2%	2.5% <sup>1</sup>	2.0% <sup>2</sup>
Retail Sales (YoY)	Oct	4.1%	4.1%	4.7%
ISM Manufacturing Survey	Nov	58.7	57.1	54.9
Existing Home Sales (millions)	Oct	5.26	5.14	4.66

Inflation / Prices		Latest	Jul 2014	Oct 2013
Personal Consumption Expenditures (YoY)	Oct 14	1.4%	1.6%	1.5%
Consumer Price Index (YoY)	Oct 14	1.7%	2.0%	2.0%
Consumer Price Index Core (YoY)	Oct 14	1.7%	2.9%	3.1%
Crude Oil Futures (WTI, per barrel)	Oct 31	\$80.54	\$98.17	\$99.74
Gold Futures (oz)	Oct 31	\$1,172	\$1,281	\$1,296



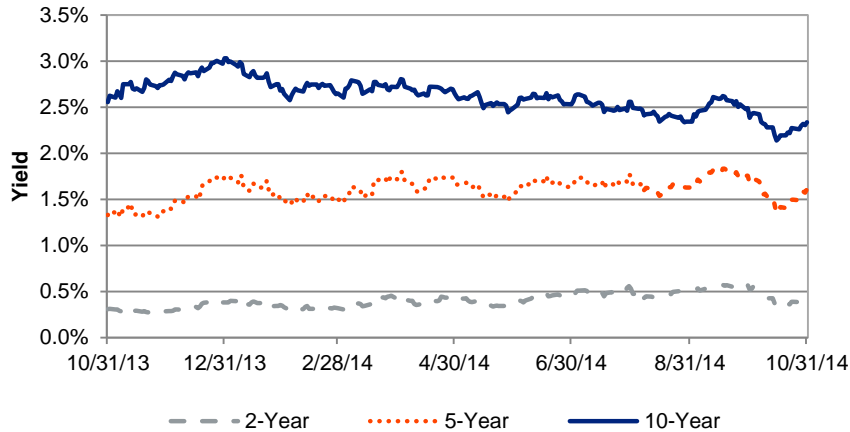
1. Data as of Second Quarter 2014 (June 2014) 2. Data as of Third Quarter 2013 (September 2013)

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

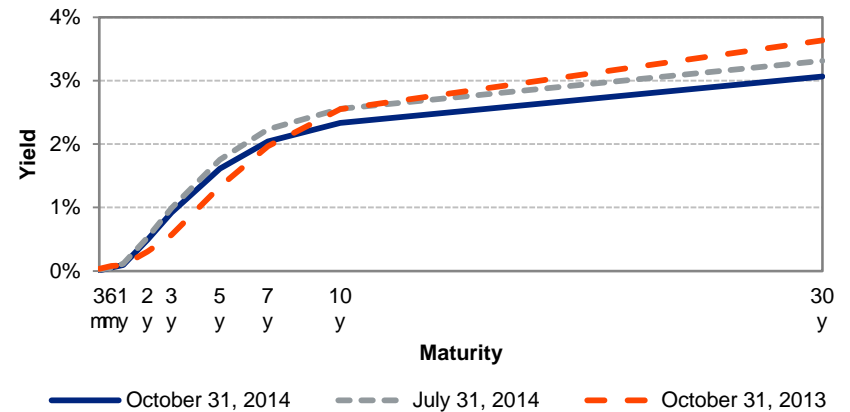
Source: Bloomberg

# Interest Rate Overview

### U.S. Treasury Note Yields



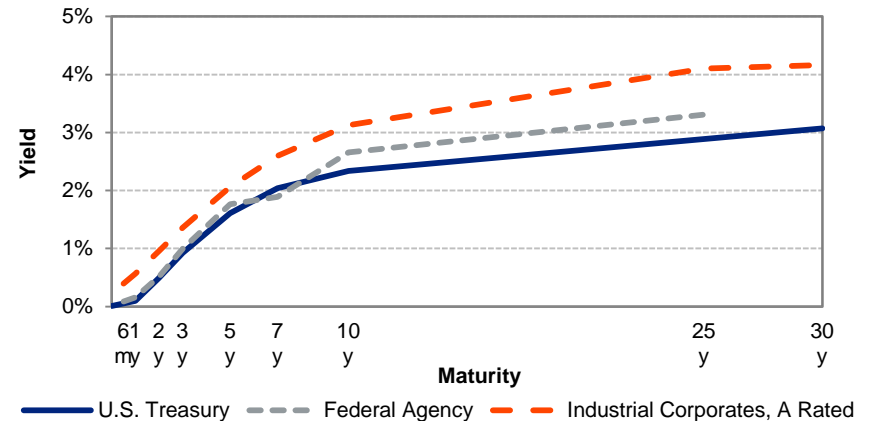
### U.S. Treasury Note Yield Curve



### U.S. Treasury Note Yields

Maturity	10/31/14	7/31/14	Change over Quarter	10/31/13	Change over Year
3-month	0.05%	0.04%	0.01%	0.01%	0.03%
1-year	0.14%	0.14%	0.00%	0.13%	0.01%
2-year	0.54%	0.55%	(0.01%)	0.29%	0.25%
5-year	1.65%	1.78%	(0.13%)	1.33%	0.33%
10-year	2.40%	2.62%	(0.22%)	2.65%	(0.24%)
30-year	3.10%	3.32%	(0.23%)	3.64%	(0.54%)

### Yield Curves as of 10/31/14



Source: Bloomberg

# Bank of America Merrill Lynch Index Returns

	As of 10/31/2014		Periods Ended 10/31/2014		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.90	0.51%	0.39%	0.67%	0.54%
Federal Agency	1.84	0.67%	0.36%	0.68%	0.70%
U.S. Corporates, A-AAA Rated	1.97	1.12%	0.31%	1.31%	2.11%
Agency MBS (0 to 3 years)	1.90	1.17%	0.47%	1.71%	1.23%
Municipals	1.79	0.56%	0.13%	0.90%	1.10%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.70	0.85%	0.67%	0.89%	0.76%
Federal Agency	2.35	0.92%	0.51%	1.02%	0.95%
U.S. Corporates, A-AAA Rated	2.85	1.59%	0.51%	1.96%	2.84%
Agency MBS (0 to 5 years)	3.42	2.13%	1.15%	3.59%	2.22%
Municipals	2.57	0.83%	0.34%	1.47%	1.71%
<b>Master Indices</b>					
U.S. Treasury	5.99	1.50%	1.67%	3.25%	1.70%
Federal Agency	3.92	1.39%	0.98%	2.71%	1.60%
U.S. Corporates, A-AAA Rated	6.78	2.69%	1.24%	5.60%	4.38%
Agency MBS	4.43	2.45%	1.70%	3.98%	2.38%
Municipals	6.97	2.56%	2.08%	8.37%	5.19%

Returns for periods greater than one year are annualized

Source: Bloomberg

# Important Disclosures

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