



HUGH L. CAREY  
BATTERY PARK  
CITY AUTHORITY

# Hugh L. Carey Battery Park City Authority

Review of Investment Performance  
Quarter Ended October 31, 2013



PFM Asset Management LLC

# Table of Contents

- A. Executive Summary
- B. Summary of Aggregate Portfolio
- C. Performance Attributes
- D. Market Commentary

# **Section A – Executive Summary**

---

# Portfolio Recap

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

## Short-Term Strategy

- The Authority's Short-Term portfolios outperformed the benchmark during the quarter.
  - Short-term interest rates remained near zero for most of the quarter, but spiked considerably higher during the October U.S. government shut down and debt ceiling debate. As the quarter ended, however, rates returned to their pre-shut down levels.
  - Fed policy is not expected to change soon as market analysts forecast the overnight rate will remain at current levels for an extended period.
  - Investment strategy during the quarter was driven by the Authority's fiscal year-end, issuance of its 2013 Bonds and the additional Project Fund accounts totaling approximately \$91 million. PFM worked diligently to ensure that all liquidity needs were met during this period and to ensure all funds were invested at year-end.
- Exposure to the commercial paper sector diversified portfolio holdings and enhanced earnings when compared to short-term Treasuries. Commercial paper has been an important part of the Authority's strategy as short-term Treasury yields have remained near 0%.

## Longer-Term Strategy

- The Authority's Longer-Term portfolios outperformed their respective benchmarks during the quarter.
- Interest rates were volatile during the quarter as expectations for a reduction of Fed asset purchases in September were not met. After rates increased to 2013 highs in early September, intermediate- and longer-term Treasury yields finished the quarter nearly unchanged. During this period, the 10-year Treasury yield fell nearly 50 basis points from its high in late August.
- PFM adopted a more defensive duration position during the quarter, a change from previous quarters when duration had been maintained near 100% of the benchmark. Concern over potential interest rate increases and increased volatility led to the modification in duration positioning. At the start of the quarter, durations averaged 96% of the benchmark compared to 92% at quarter-end.
- Since inception, the Longer-Term portfolios have outperformed their benchmarks by an average of 30 basis points (0.30%) per year.

# Portfolio Value – Strategy Level

	October 31, 2013			July 31, 2013			Market Value Change
	Market Value	Effective Duration	% of Total Portfolio	Market Value	Effective Duration	% of Total Portfolio	
<b><i>Total Return Accounts</i></b>							
Longer Term Investment Strategy	\$134,299,028	2.94	27.0%	\$136,410,626	3.14	33.8%	<b>(\$2,111,599)</b>
Short Term Investment Strategy	\$146,197,554	0.04	29.3%	\$114,834,022	0.20	28.5%	<b>\$31,363,532</b>
Subtotal of Total Return Accounts	\$280,496,582	1.43	56.3%	\$251,244,648	1.80	62.3%	<b>\$29,251,934</b>
<b><i>Other BPCA Accounts</i></b>							
Subtotal of Other BPCA Accounts	\$217,828,076	0.15	43.7%	\$152,162,182	0.36	37.7%	<b>\$65,665,894</b>
<b><i>Grand Total BPCA Portfolio</i></b>	<b>\$498,324,658</b>	<b>0.87</b>	<b>100.0%</b>	<b>\$403,406,830</b>	<b>1.25</b>	<b>100.0%</b>	<b>\$94,917,828</b>



# Shorter-Term Investment Strategy – Historical Performance

Total Return Period *	2003 Pledged Revenue	2003 Project Operating Fund	ML 3-Month U.S. Treasury Bill Index
4Q2013	0.03%	0.02%	0.01%
<b>Annualized</b>	<b>0.11%</b>	<b>0.08%</b>	<b>0.02%</b>
Past 12 Months	0.09%	0.10%	0.09%
3Q2013	0.01%	0.03%	0.02%
<b>Annualized</b>	<b>0.05%</b>	<b>0.11%</b>	<b>0.08%</b>
2Q2013	0.02%	0.02%	0.03%
<b>Annualized</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.11%</b>
1Q2013	0.02%	0.03%	0.03%
<b>Annualized</b>	<b>0.09%</b>	<b>0.11%</b>	<b>0.12%</b>
3 Years	0.31%	0.35%	0.29%
<b>Annualized</b>	<b>0.10%</b>	<b>0.12%</b>	<b>0.10%</b>
Inception	13.34%	13.21%	12.69%
<b>Annualized</b>	<b>1.63%</b>	<b>1.61%</b>	<b>1.55%</b>

Notes:

1. Since inception performance is calculated from January 31, 2006 to present.

# Longer-Term Investment Strategy – Historical Performance

Total Return Period	2003 Reserve Fund	BoA/ML 1-5 Year U.S. Treasury Index	BPCPC Operating Reserve Contingency	Insurance Fund	Operating Budget Reserve	BoA/ML 1-10 Year U.S. Treasury Index	BPCA Other Post Employment Benefits	BoA/ML 1-10 Year U.S. Treasury Index	BPCPC Other Post Employment Benefits	BoA/ML 1-10 Year U.S. Treasury Index
4Q2013	0.50%	0.48%	0.79%	0.52%	0.81%	0.73%	0.83%	0.73%	0.86%	0.73%
<b>Annualized</b>	<b>1.98%</b>	<b>1.91%</b>	<b>3.19%</b>	<b>2.09%</b>	<b>3.26%</b>	<b>2.94%</b>	<b>3.35%</b>	<b>2.94%</b>	<b>3.47%</b>	<b>2.94%</b>
Past 12 Months	(0.82%)	(0.73%)	(0.39%)	(0.76%)	(0.22%)	(0.48%)	(0.42%)	(0.48%)	(0.34%)	(0.48%)
3Q2013	(2.20%)	(2.06%)	(2.03%)	(2.21%)	(1.87%)	(2.06%)	(2.19%)	(2.06%)	(2.13%)	(2.06%)
<b>Annualized</b>	<b>(8.45%)</b>	<b>(7.91%)</b>	<b>(7.81%)</b>	<b>(8.48%)</b>	<b>(7.22%)</b>	<b>(7.91%)</b>	<b>(8.41%)</b>	<b>(7.91%)</b>	<b>(8.17%)</b>	<b>(7.91%)</b>
2Q2013	1.12%	1.16%	0.96%	1.04%	0.94%	1.16%	1.06%	1.16%	1.04%	1.16%
<b>Annualized</b>	<b>4.68%</b>	<b>4.83%</b>	<b>4.01%</b>	<b>4.35%</b>	<b>3.93%</b>	<b>4.83%</b>	<b>4.44%</b>	<b>4.83%</b>	<b>4.32%</b>	<b>4.83%</b>
1Q2013	(0.21%)	(0.28%)	(0.10%)	(0.09%)	(0.08%)	(0.28%)	(0.10%)	(0.28%)	(0.08%)	(0.28%)
<b>Annualized</b>	<b>(0.84%)</b>	<b>(1.11%)</b>	<b>(0.38%)</b>	<b>(0.34%)</b>	<b>(0.32%)</b>	<b>(1.11%)</b>	<b>(0.40%)</b>	<b>(1.11%)</b>	<b>(0.32%)</b>	<b>(1.11%)</b>
3 Years	6.27%	5.49%	6.22%	5.80%	7.05%	5.76%	5.99%	5.76%	5.79%	5.76%
<b>Annualized</b>	<b>2.05%</b>	<b>1.80%</b>	<b>2.03%</b>	<b>1.89%</b>	<b>2.29%</b>	<b>1.88%</b>	<b>1.96%</b>	<b>1.88%</b>	<b>1.89%</b>	<b>1.88%</b>
Inception	41.27%	40.08%	45.01%	45.32%	47.04%	40.44%	24.13%	21.72%	11.29%	12.09%
<b>Annualized</b>	<b>4.56%</b>	<b>4.44%</b>	<b>4.91%</b>	<b>4.94%</b>	<b>5.10%</b>	<b>4.48%</b>	<b>3.83%</b>	<b>3.48%</b>	<b>2.92%</b>	<b>3.12%</b>

Notes:

1. 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
2. For the 'Reserve Fund,' the inception of the Bank of America/Merrill Lynch 1-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BoA/ML 1-10 Year Treasury Index was utilized.
3. Since inception performance for the 'BPCA Other Post Employment Benefits' is calculated from January 31, 2008 to present.
4. Since inception performance for the 'BPCPC Other Post Employment Benefits' is calculated from February 12, 2010 to present.



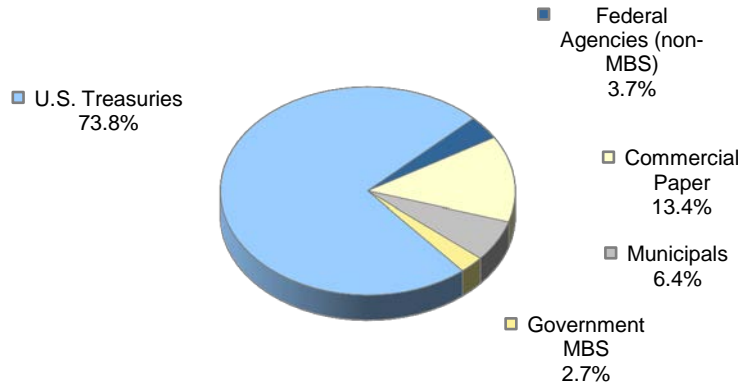
**Section B –  
Summary of Aggregate Portfolio**

---

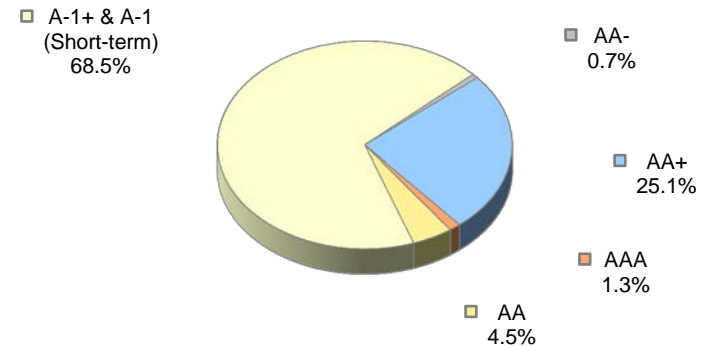
# Aggregate Portfolio Composition and Credit Quality

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	Effective Duration	July 31, 2013	% of Portfolio	Effective Duration
U.S. Treasuries	\$367,906,125	73.8%	0.65	\$252,435,181	62.6%	1.07
Federal Agencies (non-MBS)	\$18,371,145	3.7%	2.13	\$22,771,185	5.6%	2.11
Commercial Paper	\$66,666,070	13.4%	0.02	\$79,528,001	19.7%	0.16
Municipals	\$31,855,289	6.4%	3.41	\$34,027,626	8.4%	3.67
Government MBS	\$13,526,029	2.7%	3.31	\$14,644,837	3.6%	3.42
<b>Totals</b>	<b>\$498,324,658</b>	<b>100.0%</b>	<b>0.87</b>	<b>\$403,406,830</b>	<b>100.0%</b>	<b>1.25</b>

**Portfolio Composition  
as of 10/31/13**



**Credit Quality Distribution  
as of 10/31/13**



**Notes:**

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

# Aggregate Portfolio Issuer Breakdown

Security Type	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
<b>United States Treasury<sup>2</sup></b>					
U.S. Treasury	\$367,906,125	73.8%	\$252,435,181	62.6%	11.3%
Ginnie Mae	\$6,420,519	1.3%	\$6,960,229	1.7%	(0.4%)
<b>Federal Agencies (includes Mortgaged-Backed Securities)<sup>2</sup></b>					
Freddie Mac	\$14,370,567	2.9%	\$18,222,366	4.5%	(1.6%)
Fannie Mae	\$7,729,837	1.6%	\$8,218,742	2.0%	(0.5%)
Federal Home Loan Bank	\$3,376,250	0.7%	\$4,014,685	1.0%	(0.3%)
Federal Farm Credit Bank	\$0	0.0%	\$0	0.0%	-
<b>Commercial Paper<sup>2</sup></b>					
Bank of Nova Scotia NY	\$13,924,986	2.8%	\$13,919,820	3.5%	(0.7%)
Exxon Mobil Corporation	\$19,999,960	4.0%	\$16,781,228	4.2%	(0.1%)
General Electric Capital Corporation	\$10,816,708	2.2%	\$10,812,349	2.7%	(0.5%)
Prudential Funding LLC	\$1,499,913	0.3%	\$0	0.0%	0.3%
Toyota Motor Credit Corporation	\$2,449,998	0.5%	\$20,821,996	5.2%	(4.7%)
US Bank NA	\$17,974,506	3.6%	\$17,192,609	4.3%	(0.7%)
<b>Municipal Issuers<sup>2</sup></b>					
Georgia State	\$3,255,854	0.7%	\$3,221,540	0.8%	(0.1%)
Nassau County, New York	\$2,985,328	0.6%	\$2,962,858	0.7%	(0.1%)
New York City	\$17,922,828	3.6%	\$20,031,843	5.0%	(1.4%)
New York State	\$4,338,992	0.9%	\$4,501,983	1.1%	(0.2%)
Triborough Bridge and Tunnel Authority	\$3,352,287	0.7%	\$3,309,403	0.8%	(0.1%)
<b>TOTAL</b>	<b>\$498,324,658</b>	<b>100.0%</b>	<b>\$403,406,830</b>	<b>100.0%</b>	

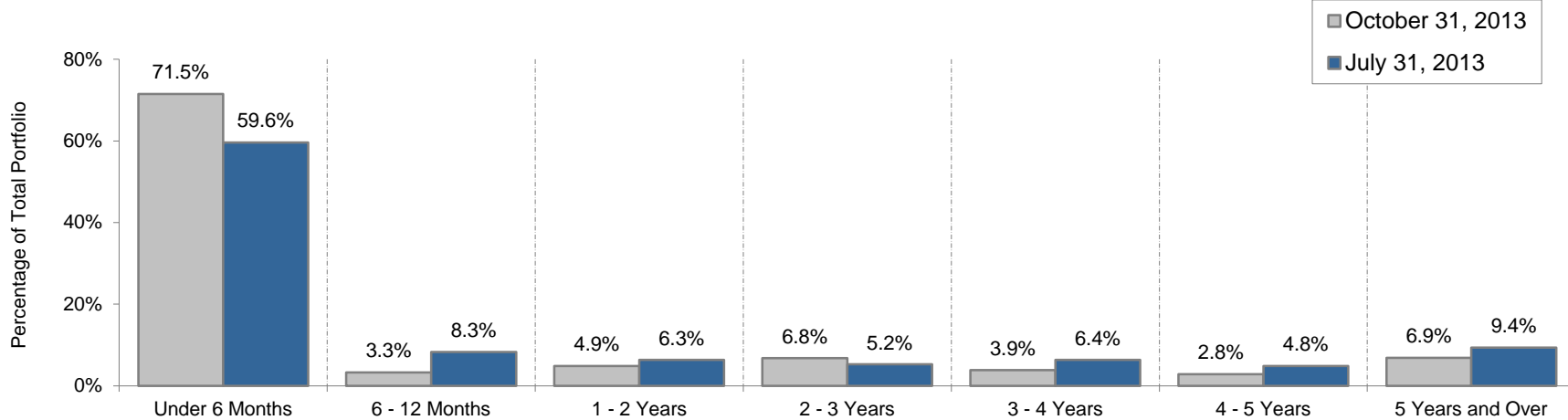
Notes:

- 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, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
Under 6 Months	\$356,427,078	71.5%	\$240,596,510	59.6%	11.9%
6 - 12 Months	\$16,263,194	3.3%	\$33,308,778	8.3%	(5.0%)
1 - 2 Years	\$24,175,770	4.9%	\$25,544,232	6.3%	(1.5%)
2 - 3 Years	\$33,845,408	6.8%	\$21,110,633	5.2%	1.6%
3 - 4 Years	\$19,236,573	3.9%	\$25,632,271	6.4%	(2.5%)
4 - 5 Years	\$14,156,863	2.8%	\$19,433,332	4.8%	(2.0%)
5 Years and Over	\$34,219,772	6.9%	\$37,781,074	9.4%	(2.5%)
<b>Totals</b>	<b>\$498,324,658</b>	<b>100.0%</b>	<b>\$403,406,830</b>	<b>100.0%</b>	

Aggregate Portfolio Maturity Distribution



Notes:

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

# Statement of Broker Trades

Direct Issuers	Quarterly, August 01, 2013 to October 31, 2013		Cumulative, November 01, 2012 to October 31, 2013	
	Quarterly Trades	Quarterly Par Amount	Cumulative Trades	Cumulative Par Amount
Branch Banking & Trust Co.	1	100,000	1	100,000
Credit Agricole SA	-	-	52	215,911,000
Exxon Mobil Corp	7	97,588,000	12	193,545,000
General Electric Corp	3	13,675,000	49	105,799,000
Toyota Motor Credit Corp.	5	30,012,000	24	102,099,000
US Bank	14	19,760,000	62	142,965,000
<b>Total</b>	<b>30</b>	<b>161,135,000</b>	<b>200</b>	<b>760,419,000</b>

Broker/Dealers	Quarterly, August 01, 2013 to October 31, 2013		Cumulative, November 01, 2012 to October 31, 2013	
	Quarterly Trades	Quarterly Par Amount	Cumulative Trades	Cumulative Par Amount
Barclays Capital, Inc.	35	68,815,000	130	402,585,000
BNP Paribas Securities Corp.	3	885,000	59	185,129,000
Citigroup Global Markets, Inc.	51	198,468,000	109	227,592,000
Credit Suisse Securities (USA) LLC	-	-	6	2,625,000
Deutsche Bank Securities, Inc	47	137,848,000	58	145,869,000
Goldman, Sachs & Co.	23	102,088,000	44	195,688,000
HSBC Securities (USA) Inc.	6	3,983,000	12	7,639,000
J. P. Morgan Securities LLC	3	943,000	28	121,504,000
Jefferies & Company, Inc.	6	3,318,000	7	4,776,000
Merrill Lynch, Pierce, Fenner & Smith Inc.	19	10,275,000	121	586,836,000
Morgan Stanley & Co., Inc.	9	2,250,000	94	46,567,000
Nomura Securities USA, Inc.	1	200,000	26	16,042,538
Prudential Funding Corp.	11	69,446,000	11	69,446,000
Rabobank Nederland	4	53,600,000	4	53,600,000
RBC Capital Markets, LLC.	14	59,162,000	24	67,486,000
RBS Securities, Inc.	8	17,093,000	65	131,602,000
SG Americas Securities, LLC	3	2,880,000	11	4,819,000
TD Securities (USA) LLC	3	3,895,000	5	5,895,000
UBS Securities, LLC	-	-	2	1,240,000
Wells Fargo Securities, LLC	4	445,000	5	4,445,000
<b>Total</b>	<b>250</b>	<b>735,594,000</b>	<b>821</b>	<b>2,281,385,538</b>

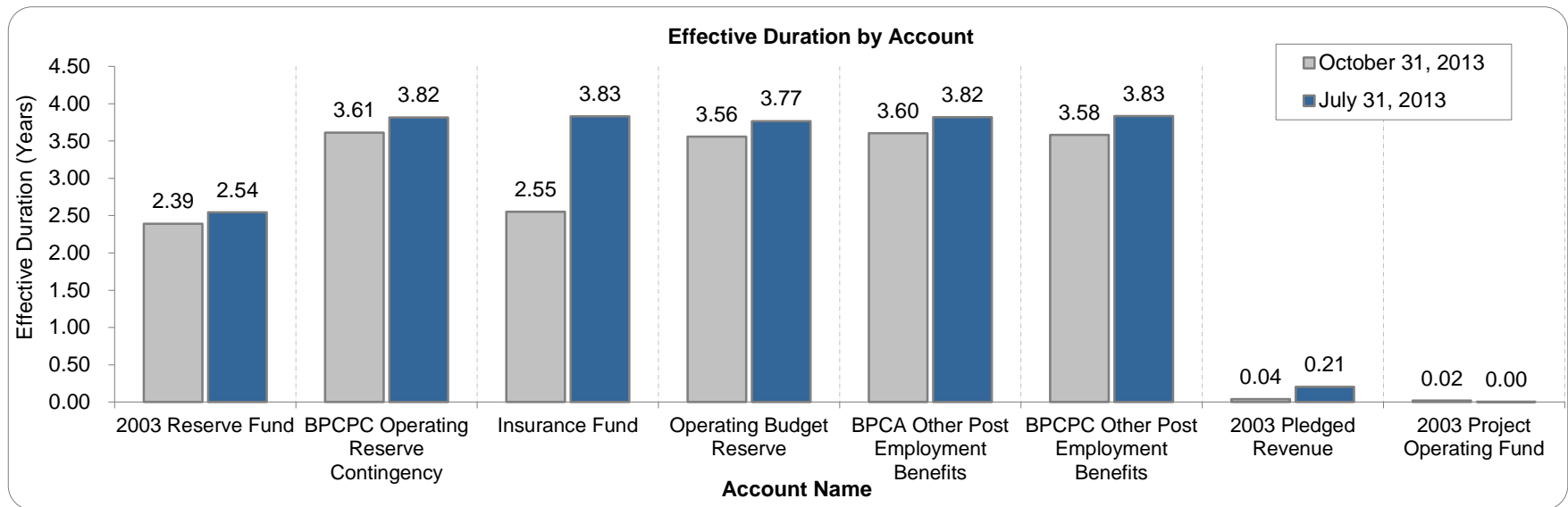
Quarterly, August 01, 2013 to October 31, 2013		Cumulative, November 01, 2012 to October 31, 2013	
Quarterly Trades	Quarterly Par Amount	Cumulative Trades	Cumulative Par Amount
<b>280</b>	<b>896,729,000</b>	<b>1,021</b>	<b>3,041,804,538</b>

# Section C – Performance Attributes

---

# Total Return Portfolio Attributes

Yields	Effective Duration (in years)		Yield To Maturity - At Market		Yield To Maturity - On Cost	
	October 31, 2013	July 31, 2013	October 31, 2013	July 31, 2013	October 31, 2013	July 31, 2013
<b>Longer Term Investment Strategy</b>						
2003 Reserve Fund	<b>2.39</b>	2.54	<b>0.81%</b>	0.92%	<b>1.36%</b>	1.58%
BPCPC Operating Reserve Contingency	<b>3.61</b>	3.82	<b>1.28%</b>	1.42%	<b>2.44%</b>	2.48%
Insurance Fund	<b>2.55</b>	3.83	<b>1.08%</b>	1.38%	<b>1.26%</b>	2.48%
Operating Budget Reserve	<b>3.56</b>	3.77	<b>1.27%</b>	1.42%	<b>2.47%</b>	2.52%
BPCA Other Post Employment Benefits	<b>3.60</b>	3.82	<b>1.19%</b>	1.33%	<b>2.33%</b>	2.36%
BPCPC Other Post Employment Benefits	<b>3.58</b>	3.83	<b>1.13%</b>	1.31%	<b>1.79%</b>	1.91%
<b>Short Term Investment Strategy</b>						
2003 Pledged Revenue	<b>0.04</b>	0.21	<b>0.02%</b>	0.09%	<b>0.13%</b>	0.09%
2003 Project Operating Fund	<b>0.02</b>	0.00	<b>0.06%</b>	0.00%	<b>0.03%</b>	0.04%



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

---

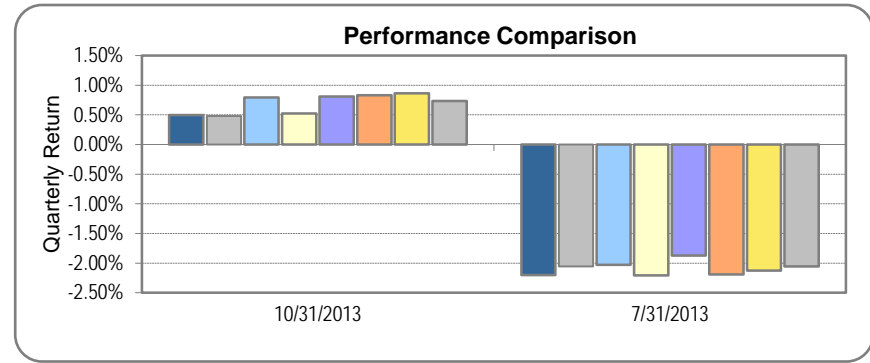
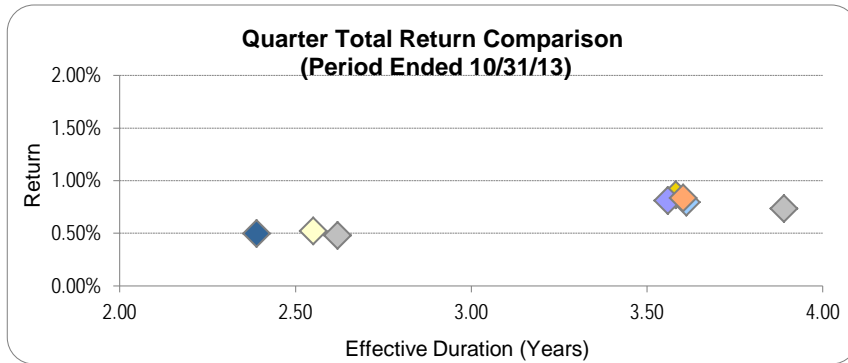


# Longer-Term Investment Strategy

Total Return <sup>1,2,4,5</sup>	October 31, 2013	Annualized Quarter	Since Inception <sup>5</sup>	Annualized Since Inception
2003 Reserve Fund	0.50%	1.98%	41.27%	4.56%
BM: BoA/ML 1-5 Year US Treasury Note Index	0.48%	1.91%	40.08%	4.44%
BPCPC Operating Reserve Contingency	0.79%	3.19%	45.01%	4.91%
Insurance Fund	0.52%	2.09%	45.32%	4.94%
Operating Budget Reserve	0.81%	3.26%	47.04%	5.10%
BM: BoA/ML 1-10 Year US Treasury Note Index	0.73%	2.94%	40.44%	4.48%
BPCA Other Post Employment Benefits	0.83%	3.35%	24.13%	3.83%
BM: BoA/ML 1-10 Year US Treasury Note Index	0.73%	2.94%	21.72%	3.48%
BPCPC Other Post Employment Benefits	0.86%	3.47%	11.29%	2.92%
BM: BoA/ML 1-10 Year US Treasury Note Index	0.73%	2.94%	12.09%	3.12%

Effective Duration (in years) <sup>3</sup>	October 31, 2013	July 31, 2013
2003 Reserve Fund	2.39	2.54
BM: BoA/ML 1-5 Year US Treasury Note Index	2.62	2.63
BPCPC Operating Reserve Contingency	3.61	3.82
Insurance Fund	2.55*	3.83
Operating Budget Reserve	3.56	3.77
BPCA Other Post Employment Benefits	3.60	3.82
BPCPC Other Post Employment Benefits	3.58	3.83
BM: BoA/ML 1-10 Year US Treasury Note Index	3.89	3.96

\* Portfolio redemption near quarter-end impacted duration of Insurance Fund portfolio; the result of which was a shorter duration than similar mandated funds.

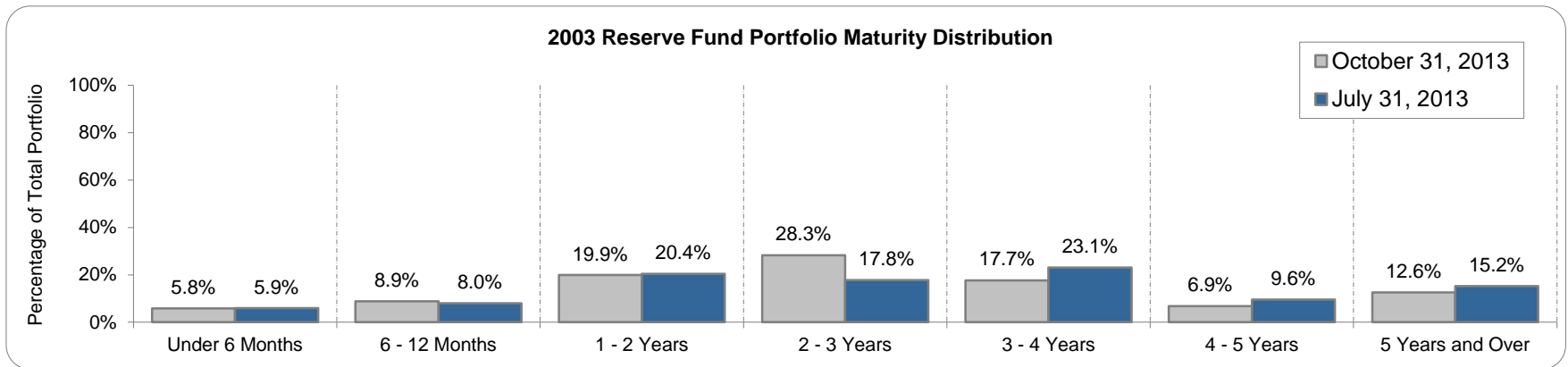
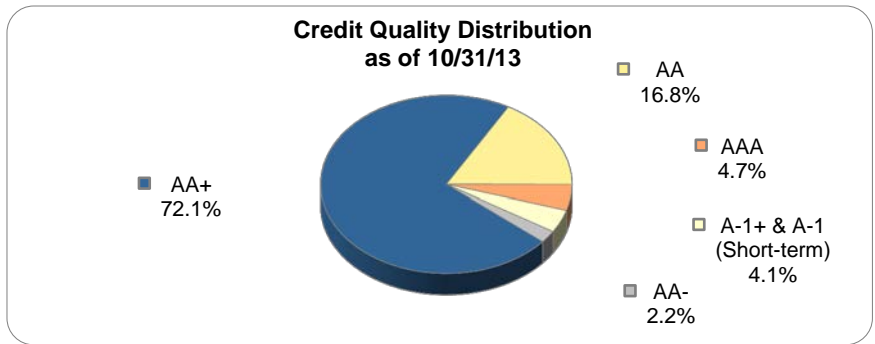
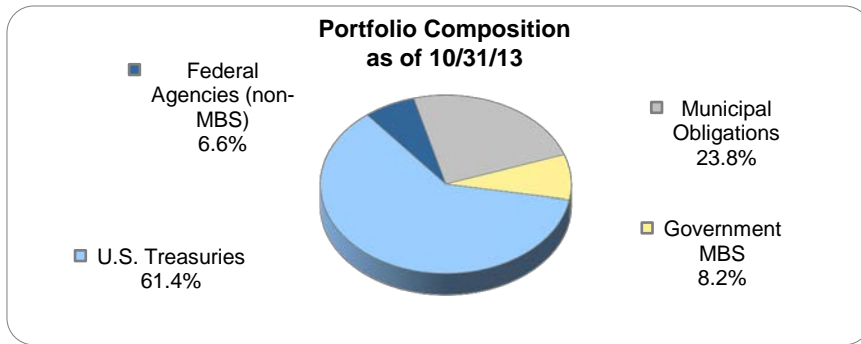


Notes:

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 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 Bank of America/Merrill Lynch 1-5 Year Treasury Index as the performance benchmark is July 31, 2013. For prior periods, the BoA/ML 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, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$43,451,254	61.4%	\$39,701,496	55.1%	6.3%
Federal Agencies (non-MBS)	\$4,698,215	6.6%	\$7,658,552	10.6%	(4.0%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$16,799,607	23.8%	\$18,409,141	25.6%	(1.8%)
Government MBS	\$5,770,596	8.2%	\$6,219,022	8.6%	(0.5%)
<b>Totals</b>	<b>\$70,719,671</b>	<b>100.0%</b>	<b>\$71,988,212</b>	<b>100.0%</b>	



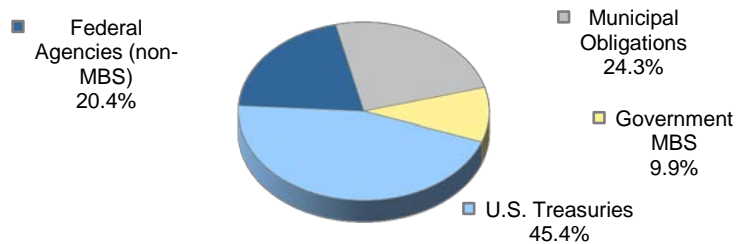
Notes:

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

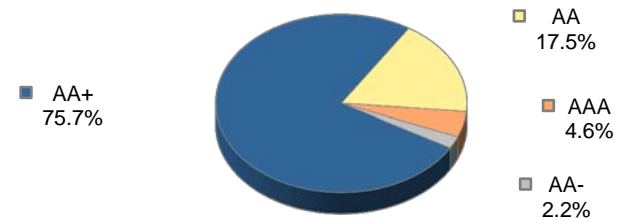
# BPCPC Operating Reserve Contingency Portfolio

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$9,111,073	45.4%	\$8,830,307	44.3%	1.2%
Federal Agencies (non-MBS)	\$4,086,374	20.4%	\$4,104,743	20.6%	(0.2)%
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$4,875,068	24.3%	\$4,870,537	24.4%	(0.1)%
Government MBS	\$1,978,242	9.9%	\$2,145,523	10.8%	(0.9)%
<b>Totals</b>	<b>\$20,050,756</b>	<b>100.0%</b>	<b>\$19,951,111</b>	<b>100.0%</b>	

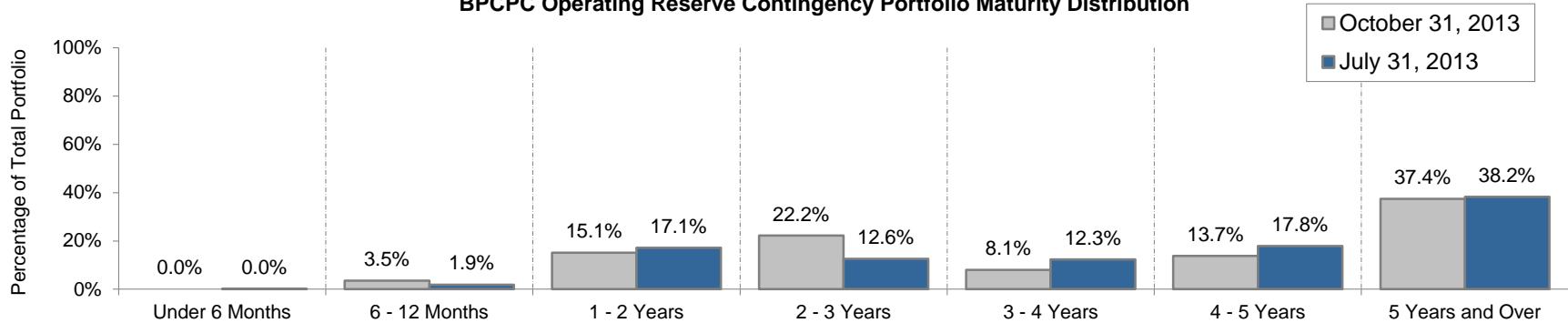
**Portfolio Composition as of 10/31/13**



**Credit Quality Distribution as of 10/31/13**



**BPCPC Operating Reserve Contingency Portfolio Maturity Distribution**



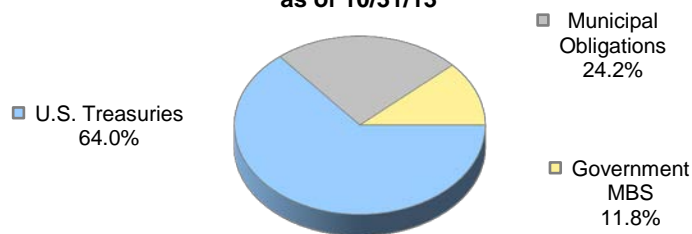
**Notes:**

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

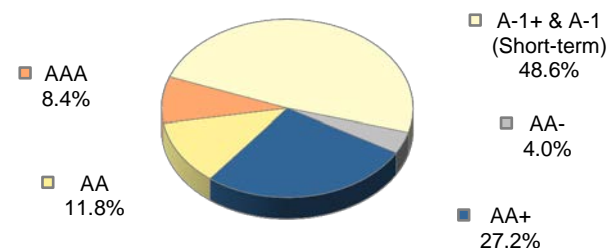
# Insurance Fund Portfolio

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$1,901,281	64.0%	\$2,238,046	42.0%	22.0%
Federal Agencies (non-MBS)	\$0	0.0%	\$1,411,520	26.5%	(26.5%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$718,855	24.2%	\$1,299,560	24.4%	(0.2%)
Government MBS	\$350,280	11.8%	\$376,253	7.1%	4.7%
<b>Totals</b>	<b>\$2,970,416</b>	<b>100.0%</b>	<b>\$5,325,378</b>	<b>100.0%</b>	

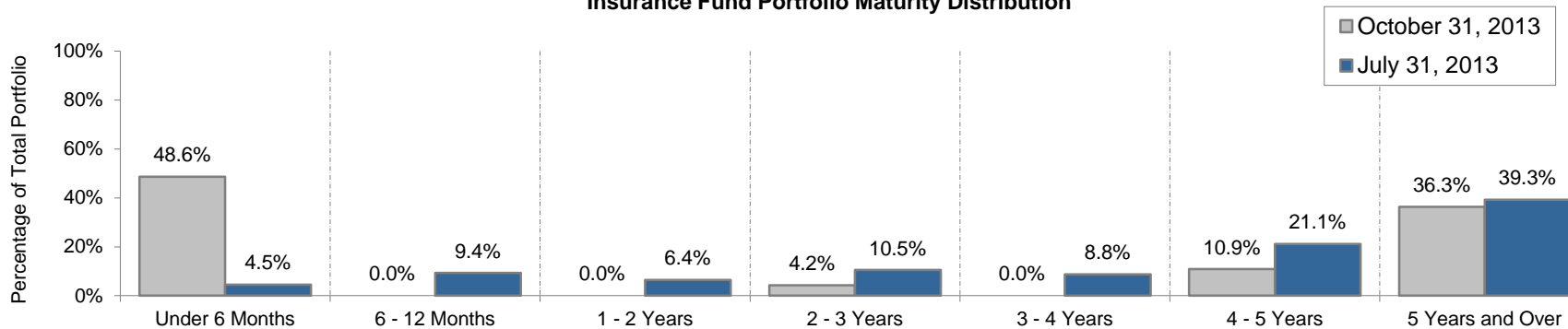
**Portfolio Composition as of 10/31/13**



**Credit Quality Distribution as of 10/31/13**



**Insurance Fund Portfolio Maturity Distribution**



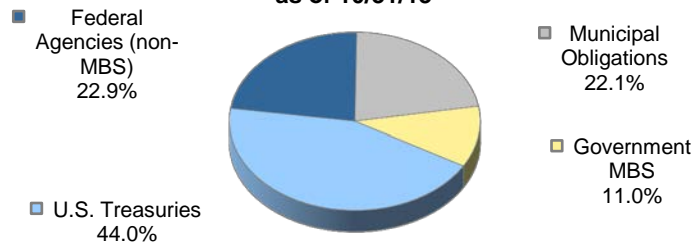
**Notes:**

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

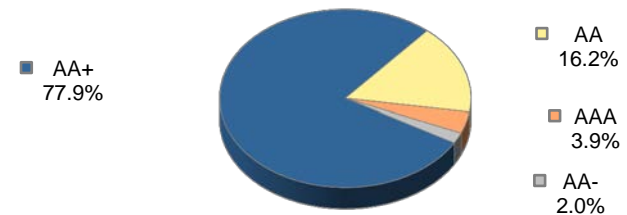
# Operating Budget Reserve Portfolio

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$3,957,516	44.0%	\$3,815,455	42.7%	1.2%
Federal Agencies (non-MBS)	\$2,065,815	22.9%	\$2,077,454	23.3%	(0.3%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$1,985,953	22.1%	\$1,985,397	22.2%	(0.2%)
Government MBS	\$993,361	11.0%	\$1,052,217	11.8%	(0.7%)
<b>Totals</b>	<b>\$9,002,645</b>	<b>100.0%</b>	<b>\$8,930,523</b>	<b>100.0%</b>	

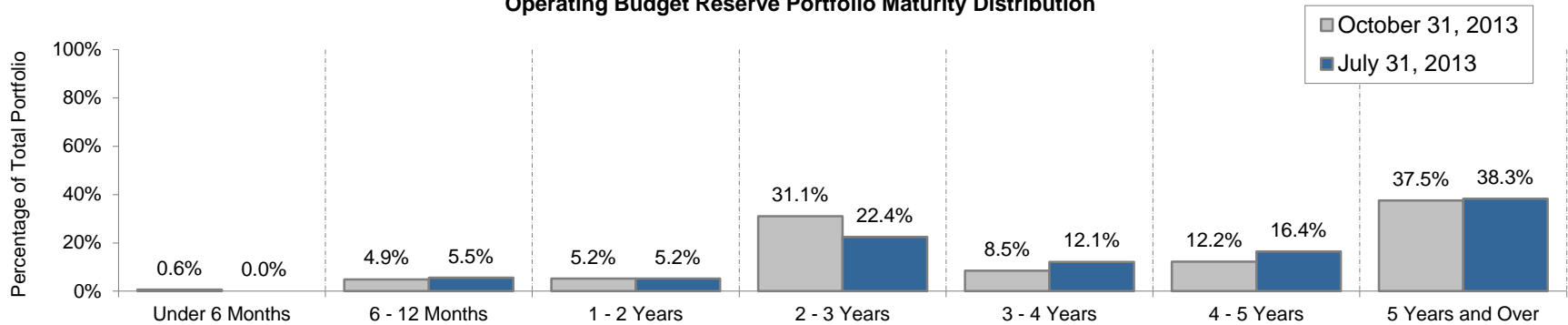
**Portfolio Composition as of 10/31/13**



**Credit Quality Distribution as of 10/31/13**



**Operating Budget Reserve Portfolio Maturity Distribution**



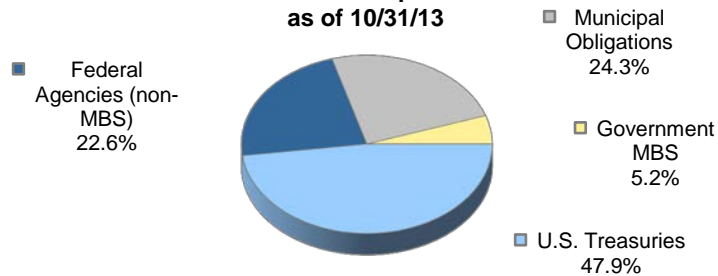
Notes:

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

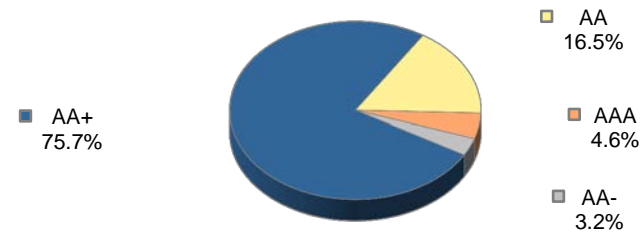
# BPCA OPEB Portfolio

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$9,641,693	47.9%	\$9,413,762	47.2%	0.7%
Federal Agencies (non-MBS)	\$4,549,947	22.6%	\$4,547,887	22.8%	(0.2%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$4,887,882	24.3%	\$4,880,053	24.5%	(0.2%)
Government MBS	\$1,045,854	5.2%	\$1,117,328	5.6%	(0.4%)
<b>Totals</b>	<b>\$20,125,375</b>	<b>100.0%</b>	<b>\$19,959,030</b>	<b>100.0%</b>	

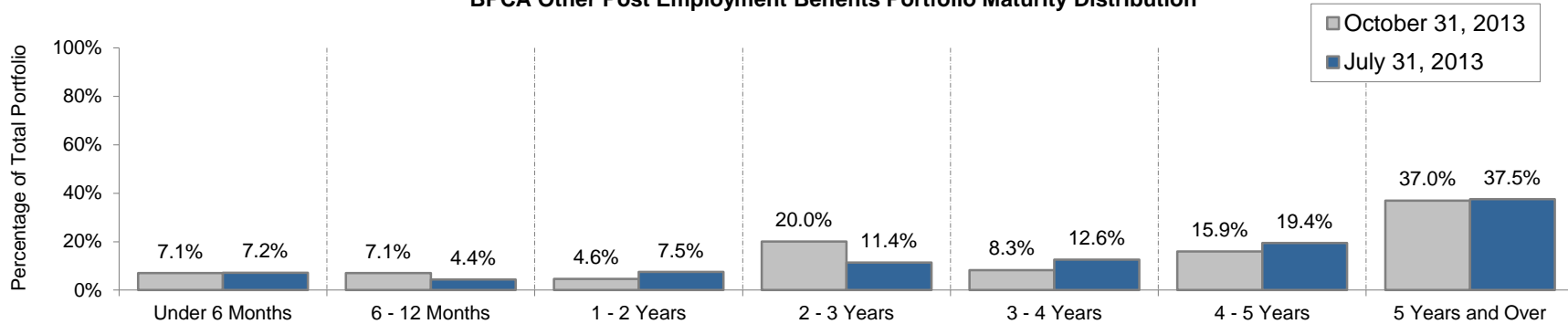
**Portfolio Composition as of 10/31/13**



**Credit Quality Distribution as of 10/31/13**



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



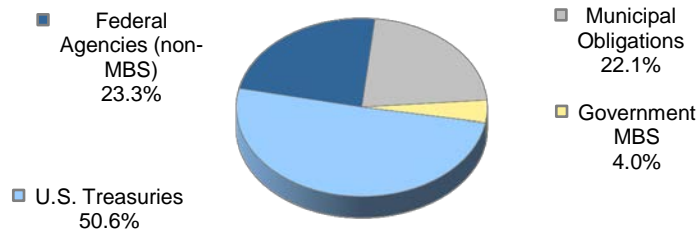
Notes:

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

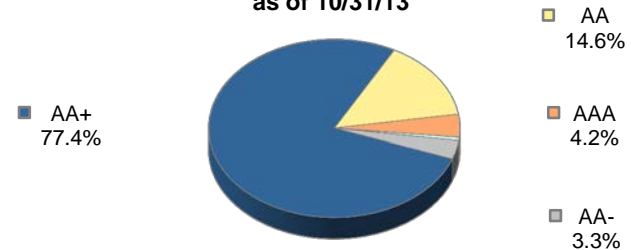
# BPCPC OPEB Portfolio

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$5,783,764	50.6%	\$4,582,448	44.7%	5.9%
Federal Agencies (non-MBS)	\$2,663,381	23.3%	\$2,663,970	26.0%	(2.7%)
Commercial Paper	\$0	0.0%	\$0	0.0%	0.0%
Municipal Obligations	\$2,521,607	22.1%	\$2,515,752	24.5%	(2.5%)
Government MBS	\$461,412	4.0%	\$494,202	4.8%	(0.8%)
<b>Totals</b>	<b>\$11,430,165</b>	<b>100.0%</b>	<b>\$10,256,372</b>	<b>100.0%</b>	

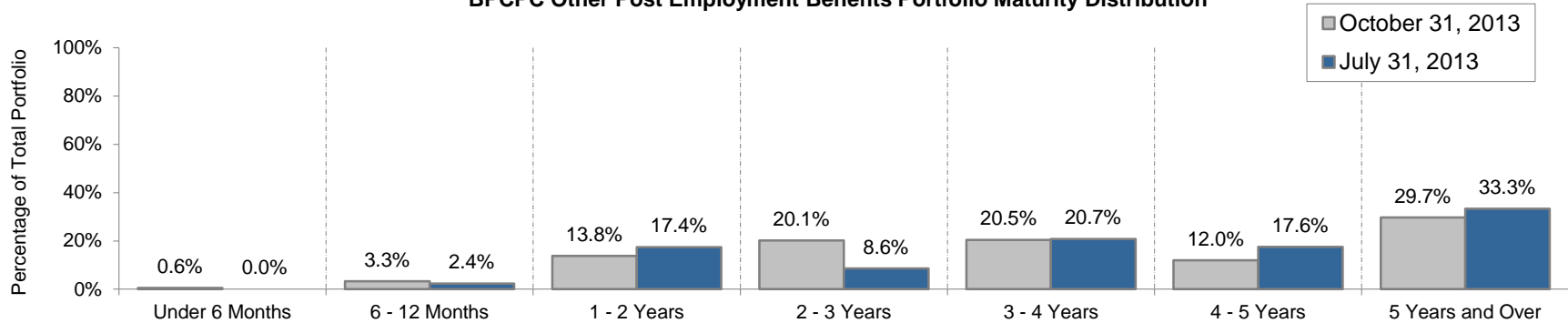
**Portfolio Composition as of 10/31/13**



**Credit Quality Distribution as of 10/31/13**



**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, and Ginnie Mae MBS.

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

---

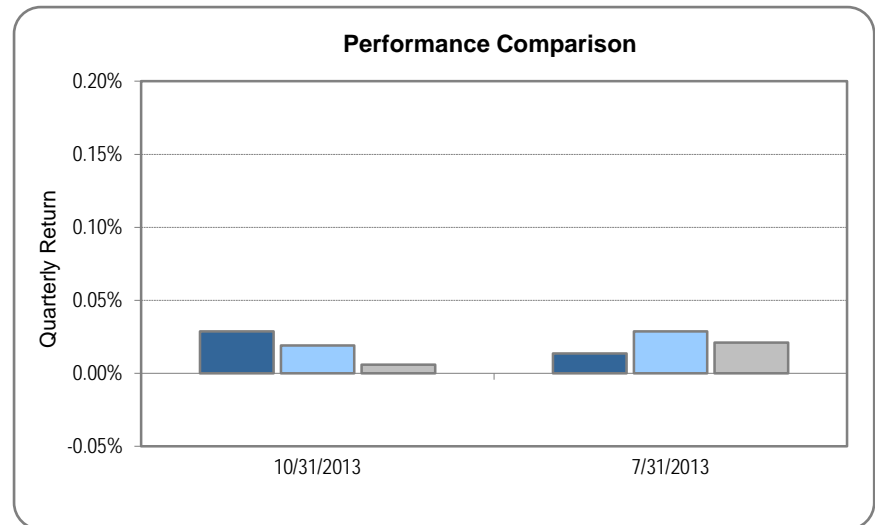
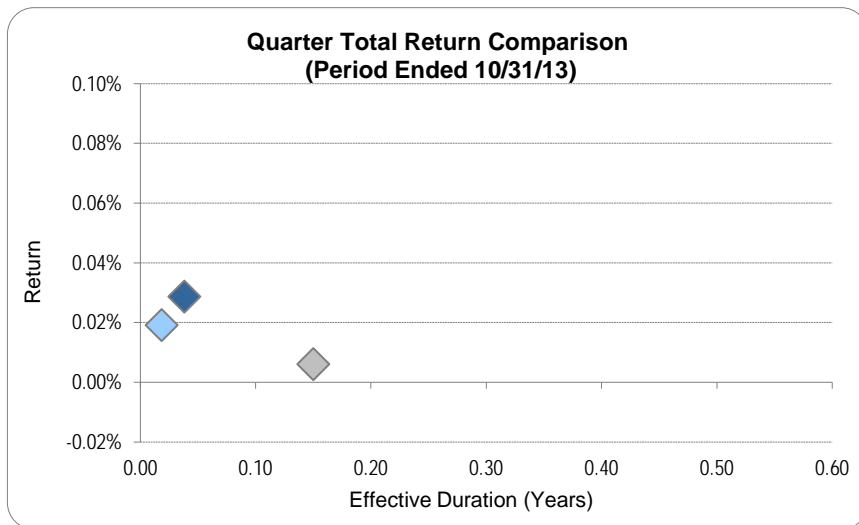


# Shorter-Term Investment Strategy

Total Return <sup>1,2,4,5</sup>	October 31, 2013	Annualized Quarter	Since Inception <sup>5</sup>	Annualized Since Inception
2003 Pledged Revenue	0.03%	0.11%	13.34%	1.63%
2003 Project Operating Fund	0.02%	0.08%	13.21%	1.61%
BM: BoA/ML 3 Month US Treasury Bill Index	0.01%	0.02%	12.69%	1.55%

Effective Duration (in years) <sup>3</sup>	October 31, 2013	July 31, 2013
2003 Pledged Revenue	0.04	0.21
2003 Project Operating Fund	0.02	0.00
BM: BoA/ML 3-Month US Treasury Bill Index	0.15	0.15



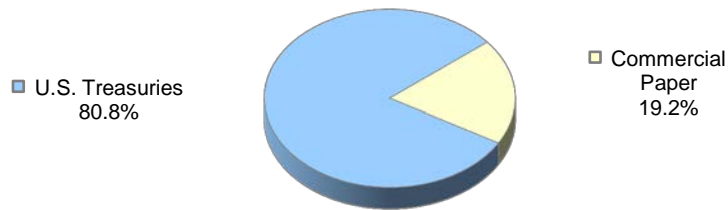
Notes:

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 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.

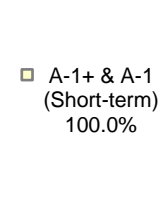
# 2003 Pledged Revenue Portfolio

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$112,161,439	80.8%	\$48,843,675	44.2%	36.7%
Federal Agencies (non-MBS)	\$0	0.0%	\$0	0.0%	0.0%
Commercial Paper	\$26,626,218	19.2%	\$61,765,346	55.8%	(36.7%)
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%
<b>Totals</b>	<b>\$138,787,657</b>	<b>100.0%</b>	<b>\$110,609,022</b>	<b>100.0%</b>	

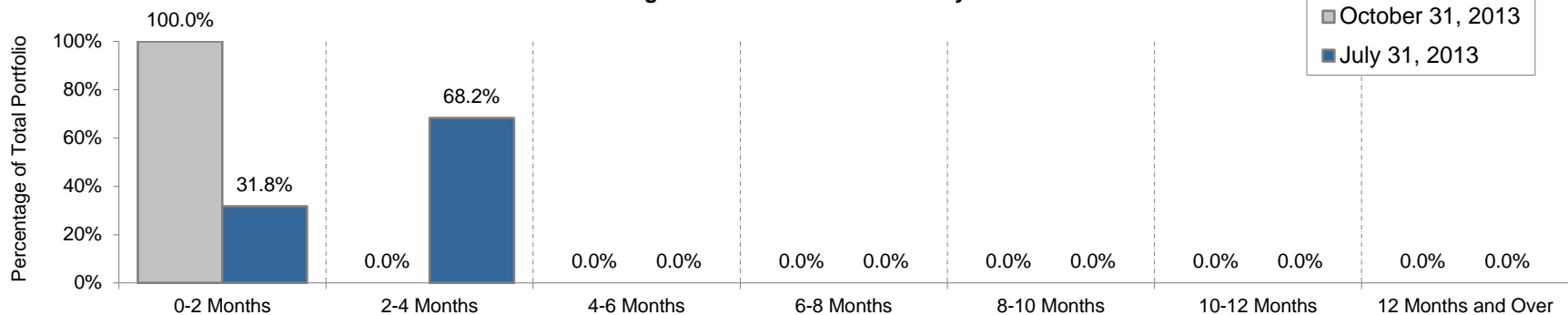
**Portfolio Composition as of 10/31/13**



**Credit Quality Distribution as of 10/31/13**



**2003 Pledged Revenue Portfolio Maturity Distribution**



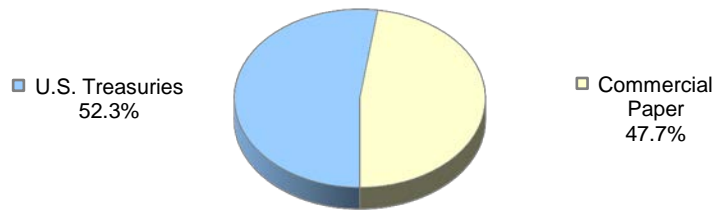
**Notes:**

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

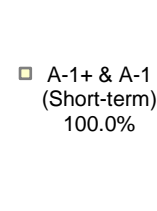
# 2003 Project Operating Fund Portfolio

Security Type <sup>1</sup>	October 31, 2013	% of Portfolio	July 31, 2013	% of Portfolio	QoQ % Change
U.S. Treasuries	\$3,874,988	52.3%	\$4,225,000	100.0%	(47.7%)
Federal Agencies (non-MBS)	\$0	0.0%	\$0	0.0%	0.0%
Commercial Paper	\$3,534,909	47.7%	\$0	0.0%	47.7%
Municipal Obligations	\$0	0.0%	\$0	0.0%	0.0%
Government MBS	\$0	0.0%	\$0	0.0%	0.0%
<b>Totals</b>	<b>\$7,409,897</b>	<b>100.0%</b>	<b>\$4,225,000</b>	<b>100.0%</b>	

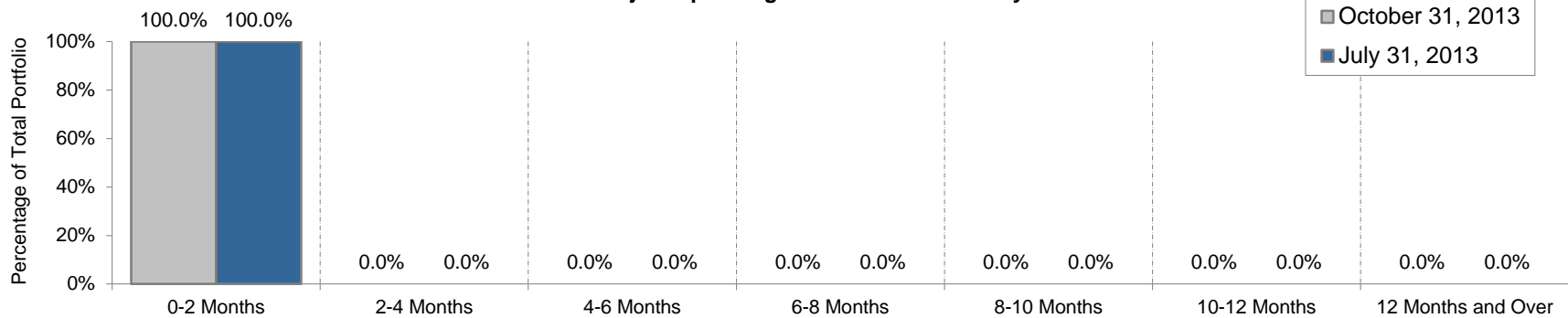
**Portfolio Composition  
as of 10/31/13**



**Credit Quality Distribution  
as of 10/31/13**



**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, and Ginnie Mae MBS.

**Section C –  
Market Commentary**

---

# Summary of Economic and Market Conditions

## Summary

- Markets were whipsawed during the quarter ended October 31, 2013, as rates marched steadily higher through August and into September, only to reverse on:
  - Weaker-than-expected employment and economic data;
  - Larry Summers' withdrawal from consideration as the next Federal Reserve (Fed) Chairman; and
  - The Fed's surprise announcement that it would await more evidence of sustainable economic progress before adjusting the pace of its bond purchases.
- As a result of the Fed's decision not to taper its bond purchases, 10-year Treasury yields ended October at 2.65%, unchanged over the quarter.
- The domestic economy continued to grow modestly, although forecasts for growth into next year have been reduced.
- Partisan wrangling over the federal budget, looming debt ceiling, and impact of the government shutdown have created a great deal of uncertainty.

## Economic Snapshot

- U.S. gross domestic product (GDP) grew at a modest 2.5% for the second quarter. The release of the Fed's September economic projections confirmed that growth is unlikely to pick up in the next few quarters, as its GDP growth forecast was revised slightly downward for 2013, 2014, and 2015.
- During the quarter, the unemployment rate continued to fall from 7.4% in July to 7.2% in September. The economy created 148,000 jobs in September, but compared to the average job creation of 162,000 per month over the previous six months this number was somewhat lackluster.
- Consumer confidence fell to 79.7 in September, marking its weakest reading since May.
- The euro zone emerged from recession but generated second-quarter GDP growth of only 0.3%.

## Interest Rates

- Intermediate-term interest rates were only slightly lower at the end of the quarter, as the market re-priced the yield curve to reflect the Fed's surprise inaction on tapering.
- At its September 17-18 meeting, the Federal Open Market Committee (FOMC) maintained its commitment to low short-term rates until the unemployment picture improves, as long as inflation remains within expectations. Its decision not to taper was based partially on its belief that growth in the near term would be somewhat lower than expected.
- While rates have come down from two-year highs in early September, once tapering starts, they may resume their gradual trend toward normalization, resulting in higher levels over time.

## Sector Performance

- Fixed-income securities generally performed well across most segments of the U.S. market, with longer-term maturities outperforming their shorter-term counterparts.
- The corporate sector led the way with strong returns, as yield spreads reversed much of the spread widening that occurred in the second quarter.
- Agencies modestly outperformed Treasuries for the quarter, but yield spreads remain near historically narrow levels, especially in shorter maturities.
- Agency mortgage-backed securities had a very good quarter, as option-adjusted spreads narrowed, while the worst of the rate-induced duration extensions appear to be behind us.
- Municipal bonds across the curve also had a good quarter, despite the Detroit bankruptcy filing in July.

*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

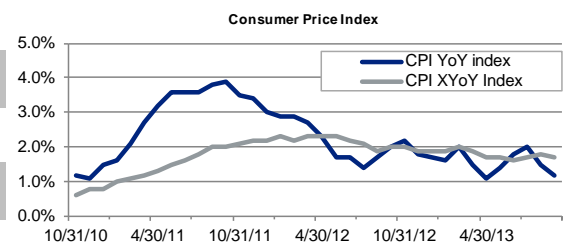
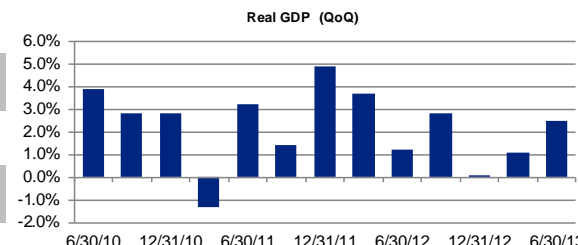
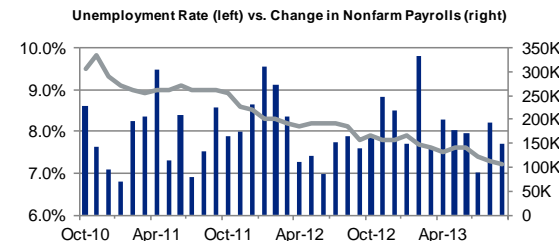
Labor Market		Latest	Jul 2013	Oct 2012
Unemployment Rate	Sep	7.2%	7.4%	7.9%
Change In Non-Farm Payrolls	Sep	148,000	89,000	160,000
Average Hourly Earnings (YoY)	Sep	2.1%	1.9%	1.6%
Personal Income (YoY)	Aug	3.7%	3.4%	4.0%
Initial Jobless Claims	Oct 25	340,000	328,000	367,000

Growth		Latest	Jul 2013	Oct 2012
Real GDP (QoQ SAAR)	Q2	2.5%	1.1% <sup>1</sup>	1.2% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	Q2	1.8%	2.3% <sup>1</sup>	1.9% <sup>2</sup>
Retail Sales (YoY)	Sep	3.2%	5.7%	4.4%
ISM Manufacturing Survey	Oct	56.4	55.4	51.7
Existing Home Sales (millions)	Sep	5.29	5.39	4.83

Inflation / Prices		Latest	Jul 2013	Oct 2012
Personal Consumption Expenditures (YoY)	Aug 13	1.2%	1.3%	1.8%
Consumer Price Index (YoY)	Sep 13	1.2%	2.0%	2.2%
Consumer Price Index Core (YoY)	Sep 13	0.3%	2.1%	2.3%
Crude Oil Futures (WTI, per barrel)	Oct 31	\$96.38	\$105.03	\$86.24
Gold Futures (oz)	Oct 31	\$1,324	\$1,312	\$1,719



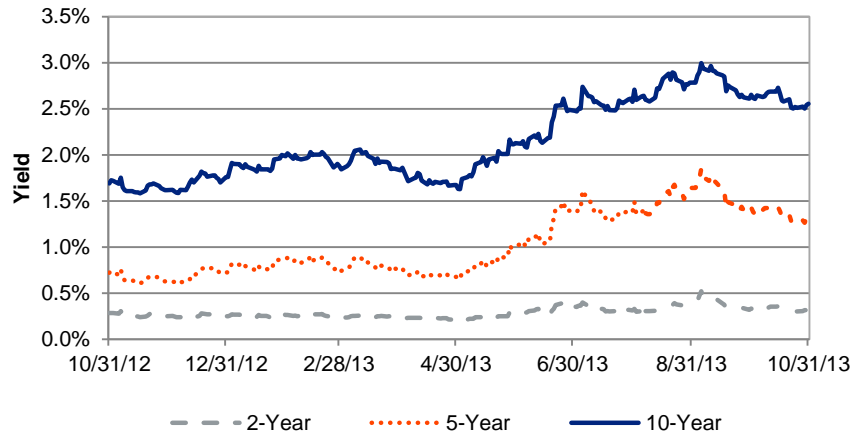
1. Data as of First Quarter 2013 (March 2013) 2. Data as of Second Quarter 2012 (June 2012)

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

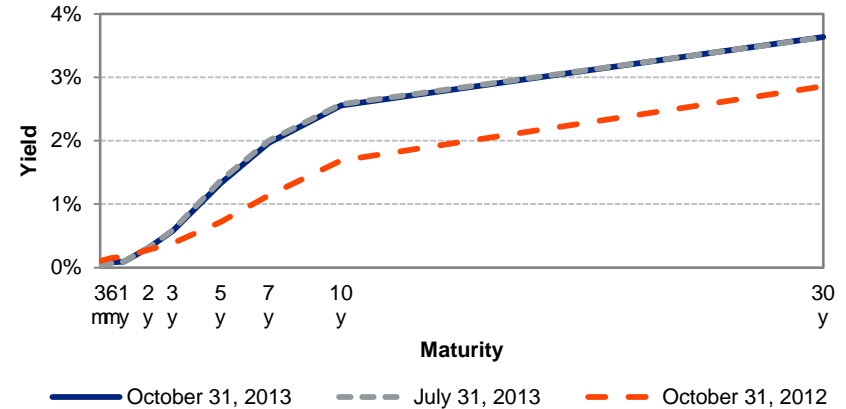
Source: Bloomberg

# Interest Rate Overview

### U.S. Treasury Note Yields



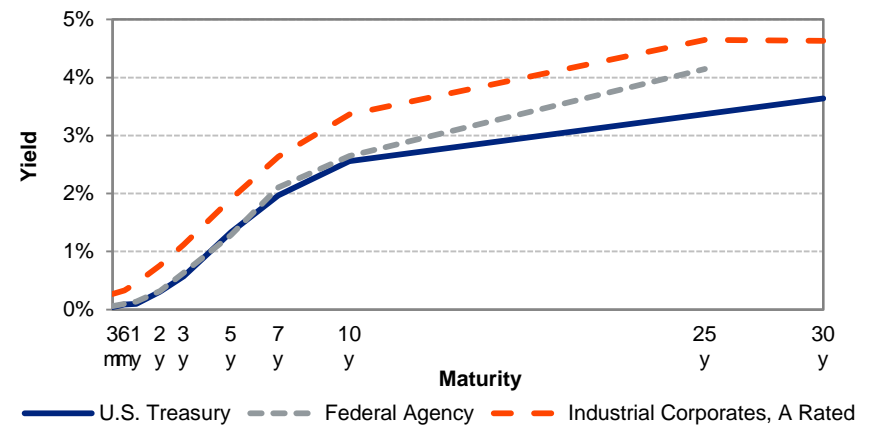
### U.S. Treasury Note Yield Curve



### U.S. Treasury Note Yields

Maturity	10/31/13	7/31/13	Change over Quarter	10/31/12	Change over Year
3-month	0.01%	0.01%	0.00%	0.13%	(0.11%)
1-year	0.13%	0.13%	0.00%	0.20%	(0.06%)
2-year	0.29%	0.32%	(0.03%)	0.31%	(0.02%)
5-year	1.33%	1.38%	(0.06%)	0.74%	0.58%
10-year	2.65%	2.65%	(0.00%)	1.76%	0.88%
30-year	3.64%	3.61%	0.04%	2.84%	0.80%

### Yield Curves as of 10/31/13



Source: Bloomberg

# Bank of America Merrill Lynch Index Returns

	As of 10/31/2013		Periods Ended 10/31/2013		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.89	0.32%	0.24%	0.52%	0.67%
Federal Agency	1.68	0.40%	0.31%	0.57%	0.83%
U.S. Corporates, A-AAA Rated	1.92	0.91%	0.66%	1.46%	2.17%
Agency MBS (0 to 3 years)	1.81	1.45%	0.43%	(0.03%)	1.58%
Municipals	1.80	0.58%	0.45%	0.96%	1.30%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.69	0.58%	0.48%	0.34%	1.12%
Federal Agency	2.36	0.66%	0.59%	0.42%	1.13%
U.S. Corporates, A-AAA Rated	2.81	1.35%	1.16%	1.46%	2.79%
Agency MBS (0 to 5 years)	3.32	2.48%	0.84%	(0.29%)	2.29%
Municipals	2.53	0.85%	0.85%	1.13%	1.88%
<b>Master Indices</b>					
U.S. Treasury	5.72	1.37%	0.77%	(1.84%)	2.37%
Federal Agency	3.84	1.23%	0.68%	(0.92%)	1.68%
U.S. Corporates, A-AAA Rated	6.50	2.71%	1.39%	(1.51%)	4.25%
Agency MBS	5.04	2.83%	1.83%	(0.30%)	2.57%
Municipals	8.06	3.34%	1.61%	(2.13%)	3.69%

Returns for periods greater than one year are annualized

Source: Bloomberg



# Important Disclosures

## Important Disclosures

This report is only intended for the entity identified in the report, and should specifically not be relied on by any other entity. The information contained in the report is intended for institutional and/or sophisticated professional investors. This material is intended for informational purposes only and should not be relied upon to make an investment decision, as it was prepared without regard to any specific objectives, or financial circumstances. It should not be construed as an offer or to purchase or sell any investment. Any investment or strategy referenced may involve significant risks, including, but not limited to: risk of loss, illiquidity, unavailability within all jurisdictions, and may not be suitable for all investors. To the extent permitted by applicable law, no member of the PFM Group, or any officer, employee or associate accepts any liability whatsoever for any direct or consequential loss arising from any use of this presentation or its contents, including for negligence. This material is not intended for distribution to, or use by, any person in a jurisdiction where delivery would be contrary to applicable law or regulation, or where it is subject to any contractual restriction. No further distribution is permissible without prior written consent.

The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

PFM Asset Management LLC is an investment adviser registered with the United States Securities and Exchange Commission.