



**PFM Asset Management LLC**

## CITY OF DIXON

### **Investment Performance Review For the Quarter Ended September 30, 2016**

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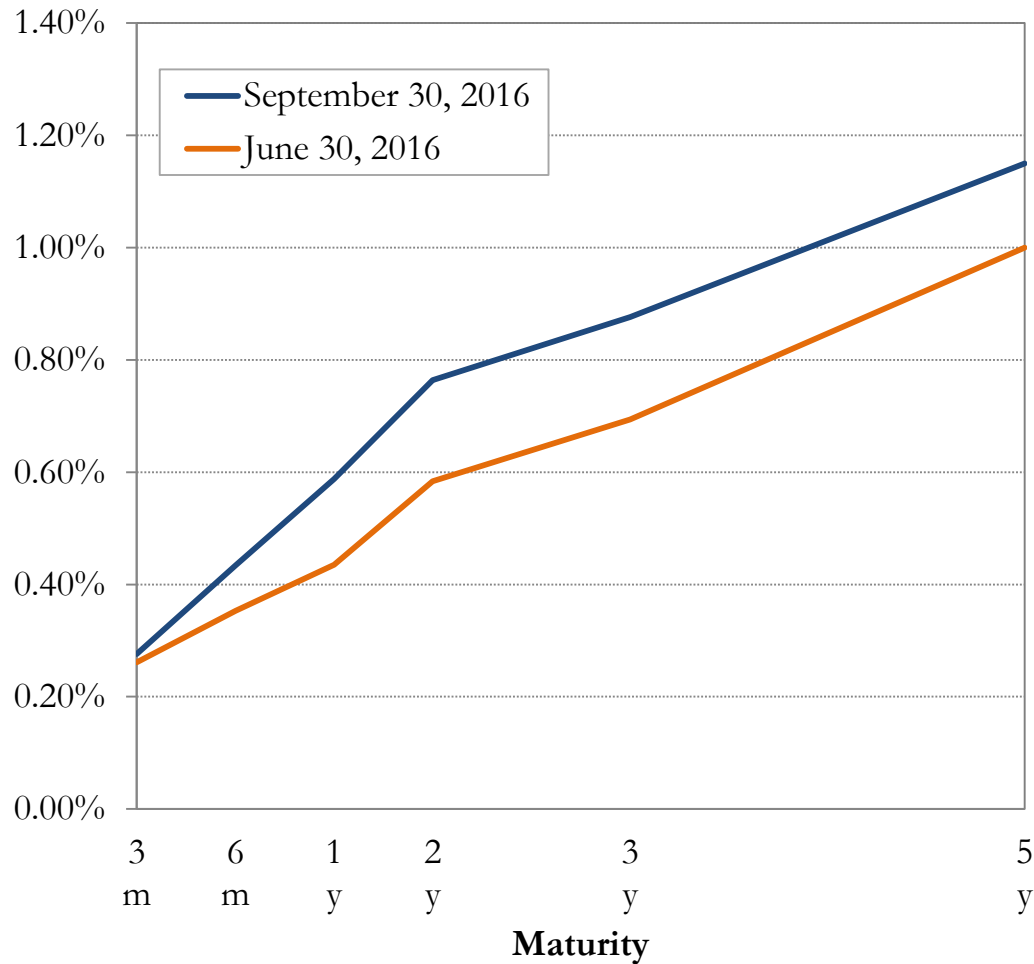
# Economic and Market Update

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# U.S. Treasury Curve Remains Flat

U.S. Treasury Yield Curves

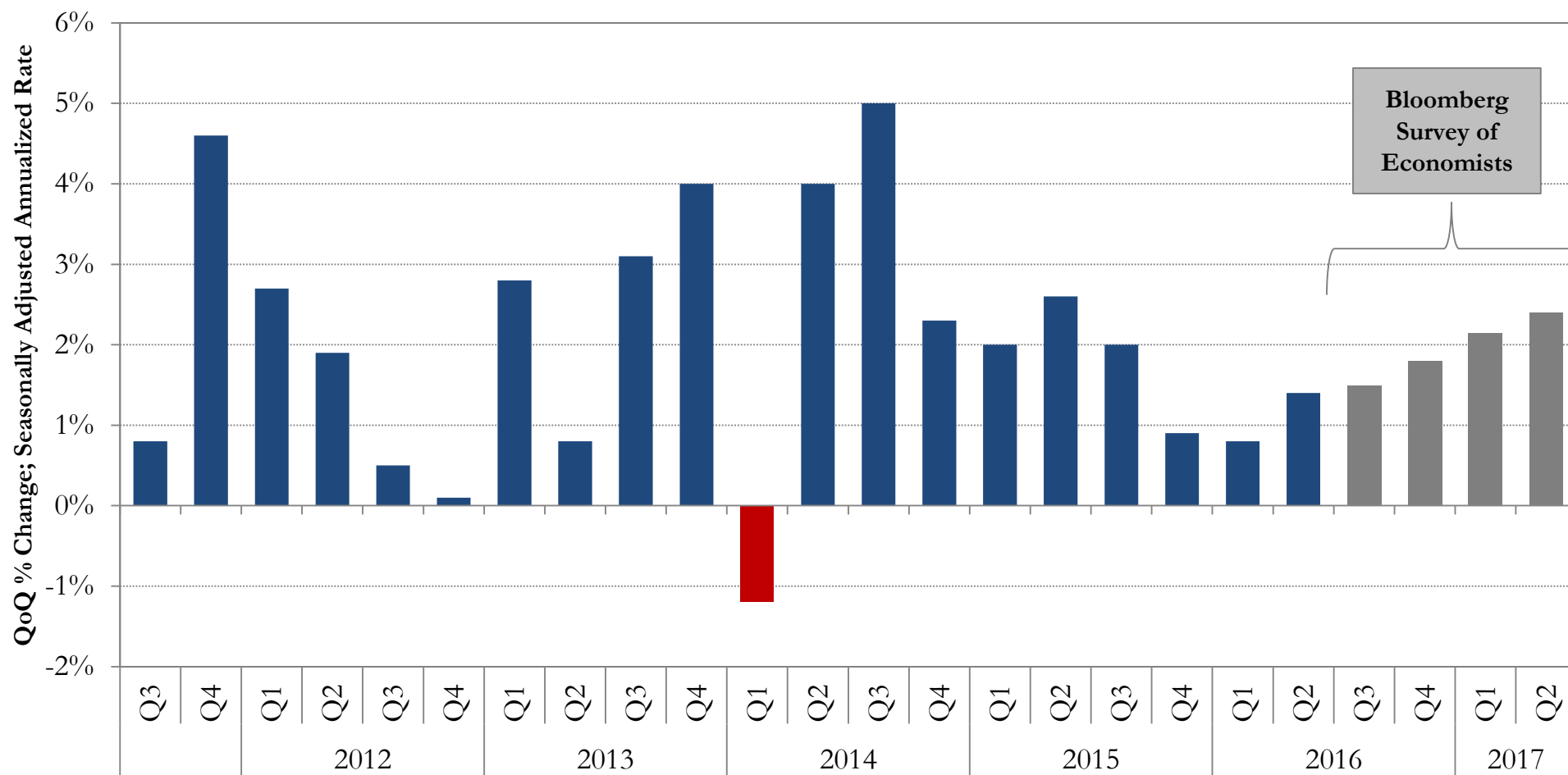


	6/30/16	9/30/16	Change
<b>3 month</b>	0.26%	0.28%	+0.02%
<b>6 month</b>	0.35%	0.43%	+0.08%
<b>1 year</b>	0.44%	0.59%	+0.15%
<b>2 year</b>	0.58%	0.76%	+0.18%
<b>3 year</b>	0.69%	0.88%	+0.18%
<b>5 year</b>	1.00%	1.15%	+0.15%
<b>10 year</b>	1.47%	1.60%	+0.12%
<b>30 year</b>	2.29%	2.32%	+0.03%

Source: Bloomberg as of 09/30/2016.

## Second Quarter U.S. GDP Revised Higher

- The third reading of second quarter GDP indicated the economy expanded 1.4% over the previous quarter on an annualized rate, revised higher from the second reading of 1.1%.
- The increase in the economy's pace of expansion was primarily driven by an improvement in business investment, while personal consumption remains the main driver of economic growth.

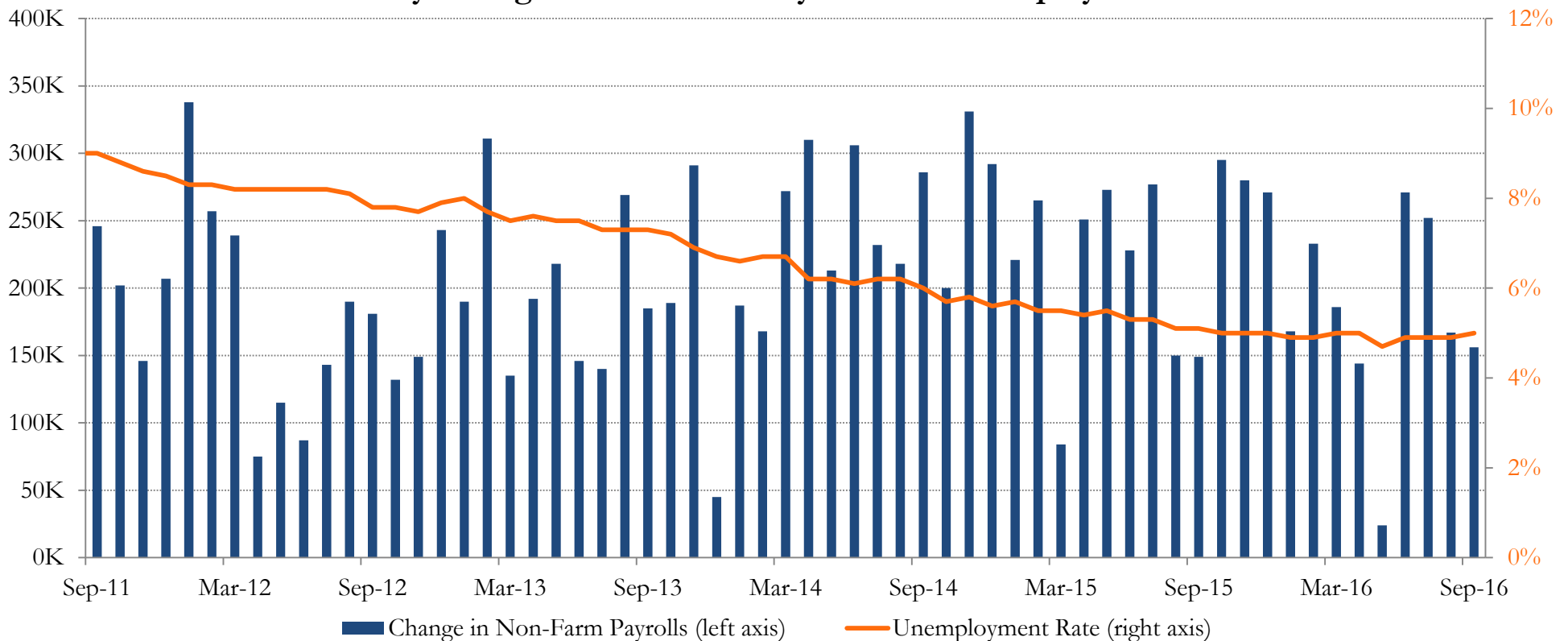


Source: Bureau of Economic Analysis

# Employment Sector Remains Solid

- The U.S. economy added 156,000 net new jobs in September, continuing the trend of favorable job growth but undershooting economists' expectations of 176,000 net new jobs. In total, 575,000 jobs were added during the third quarter.
- The unemployment rate ticked up slightly to 5.0% while the labor force participation rate increased to 62.9% as more individuals joined the workforce or were actively seeking employment than in recent months.

### Monthly Change in Non-Farm Payrolls and Unemployment Rate



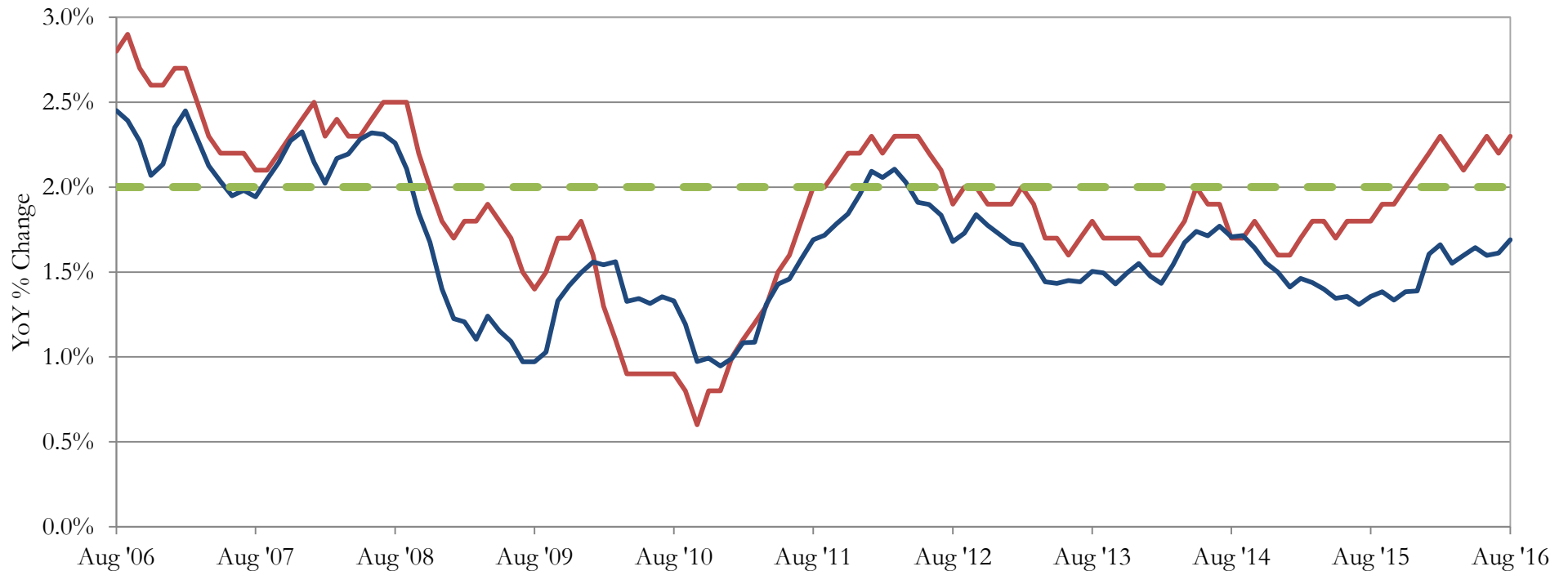
Source: Bureau Of Labor Statistics.

# Inflation Rising Slowly

- The core personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, inched up to 1.7% year-over-year through August but continues to undershoot the 2% target.

**Inflation Measures**  
**Consumer Price Index vs Personal Consumption Expenditures**

— Core CPI    — Core PCE    - - - Fed's Long Term Inflation Target



Source: Bureau Of Labor Statistics as of 10/07/16.

## Fed Holds off in September but Hints at Imminent Rate Hike

- At the Federal Reserve’s September meeting, they voted to keep the fed funds target range at 0.25% to 0.50%.
  - However, three dissenters cast their votes *in favor* of a rate hike.
- Highlights from the September 21 Press Release:
  - “. . . the labor market has continued to strengthen and growth of economic activity has picked up . . .”
  - “The Committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives.”
  - “. . . the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run.”

Probability of Fed Rate Hike					
		9/30/16	8/31/16	7/31/16	6/30/16
FOMC Meeting Dates	11/02/16	17%	42%	20%	0%
	12/14/16	60%	60%	36%	9%
	02/01/17	61%	62%	36%	9%
	03/15/17	66%	68%	41%	13%
	05/03/17	68%	70%	42%	14%
	6/14/17	72%	74%	46%	23%





# Investment Strategy

### Third Quarter Portfolio Recap

- The portfolio complies with the City of Dixon's investment policy and California Government Code.
- Yields drifted modestly higher during the third quarter as early-quarter Brexit fears faded and U.S. economic data rebounded, bringing the Fed closer to an eventual rate hike, perhaps in December.
- Our primary strategy involved emphasizing allocations to credit instruments, including corporate notes, commercial paper, and negotiable certificates of deposits (CDs). Credit sectors provided incremental yield, a key contributor to return in a low rate environment.
- We purchased additional agency securities as spreads between Treasuries and Agencies remained attractive in maturities greater than two years. Additionally, we took advantage of the value in new agency issuances throughout the quarter.
- We also purchased high quality corporate notes for the portfolio. The sector's strong performance during the quarter added to its outperformance for the year.
- A modest amount of agency mortgage-backed securities (MBS) were also held. Gradually rising interest rates slowed agency MBS prepayments and resulted in the agency MBS sector strongly outperforming Treasuries for the quarter.
- We sought to maintain the portfolio's duration and maturity distribution comparable to the benchmark to reduce potential performance mismatches given the uncertain rate environment.

### Fourth Quarter Investment Strategy Outlook

- Our strategy continues to favor broad allocation to various credit sectors, including corporates notes, commercial paper, negotiable bank CDs, and asset-backed securities (ABS).
- We believe the best opportunities in the corporate sector are currently with issuers in the financial industry where capital is strong and valuations are fair. At today's narrower yield spreads, new purchases will be more selective.
- Yields on commercial paper and negotiable CDs continue to offer significant yield pickup relative to short-term government securities as October money market reform has kept spread levels elevated.
- We will continue to evaluate the agency MBS and ABS sectors, purchasing those issues we believe are well structured, offer adequate yield spreads, and which have limited duration variability, providing further portfolio diversification when seeking incremental return.
- Agency yield spreads moved modestly tighter during the third quarter but still offer value in certain maturities. New issues, which typically offer a yield concession, offer the best opportunities.
- As we have done for most of the year, we plan to keep the duration and maturity distribution of the portfolio generally in line with the distribution of the benchmark, except where shifting to short-term credit securities offers better value.
- We will continue to monitor incoming economic data to assess and confirm the prospect for a Fed rate hike by year-end.



# Portfolio Review

<u>Security Type</u> <sup>1</sup>	<u>September 30, 2016</u>	<u>% of Portfolio</u>	<u>Permitted by Policy</u>
U.S. Treasury	\$1,972,355	7.6%	100%
Federal Agency	\$6,635,535	25.5%	100%
Federal Agency MBS	\$110,809	0.4%	100%
Commercial Paper	\$299,762	1.2%	25%
Negotiable CDs	\$2,409,194	9.3%	30%
Corporate Notes	\$3,036,679	11.7%	30%
Supra-National Agency	\$218,869	0.8%	30%
CAMP	\$2,043,524	7.9%	\$5 million
LAIF	\$9,222,506	35.5%	\$65 million
Money Market Fund	\$25,860	0.1%	20%
<b>Totals</b>	<b>\$25,975,093</b>	<b>100.0%</b>	

Notes:

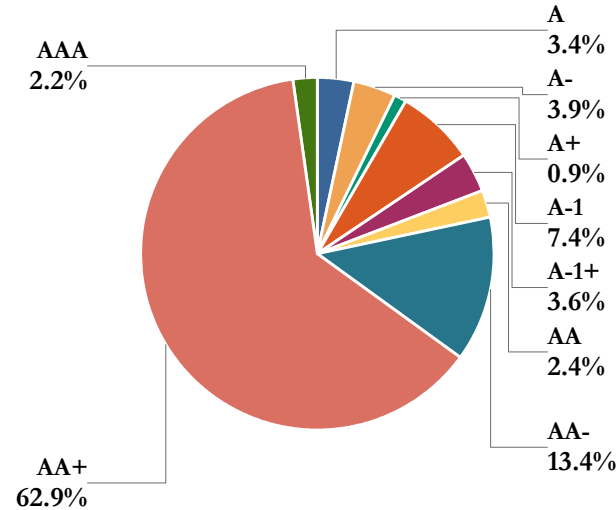
1. End of quarter trade-date market values of portfolio holdings, excluding accrued interest

**Portfolio Statistics**

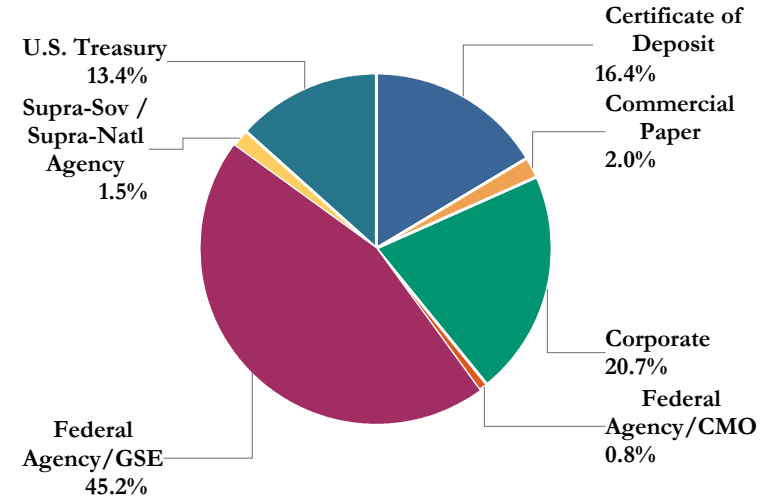
As of September 30, 2016

Par Value:	14,663,000
Total Market Value:	14,750,131
Security Market Value:	14,683,203
Accrued Interest:	41,068
Cash:	25,860
PFM	-
Amortized Cost:	14,657,503
Yield at Market:	0.99%
Yield at Cost:	1.13%
Effective Duration:	1.84 Years
Duration to Worst:	1.85 Years
Average Maturity:	1.89 Years
Average Credit: **	AA

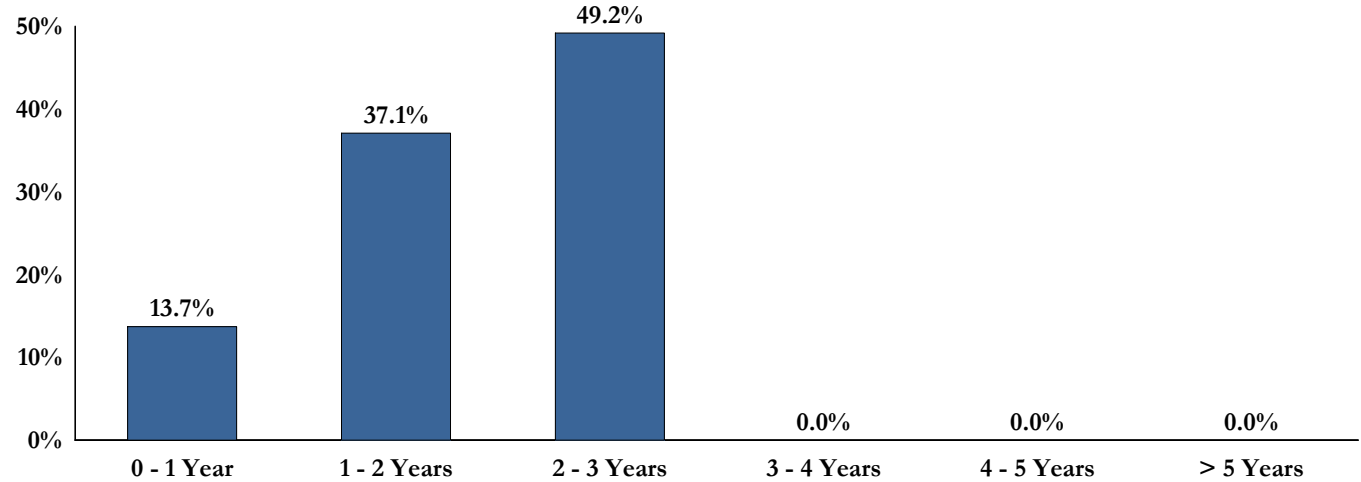
**Credit Quality (S&P Ratings)**



**Sector Allocation**



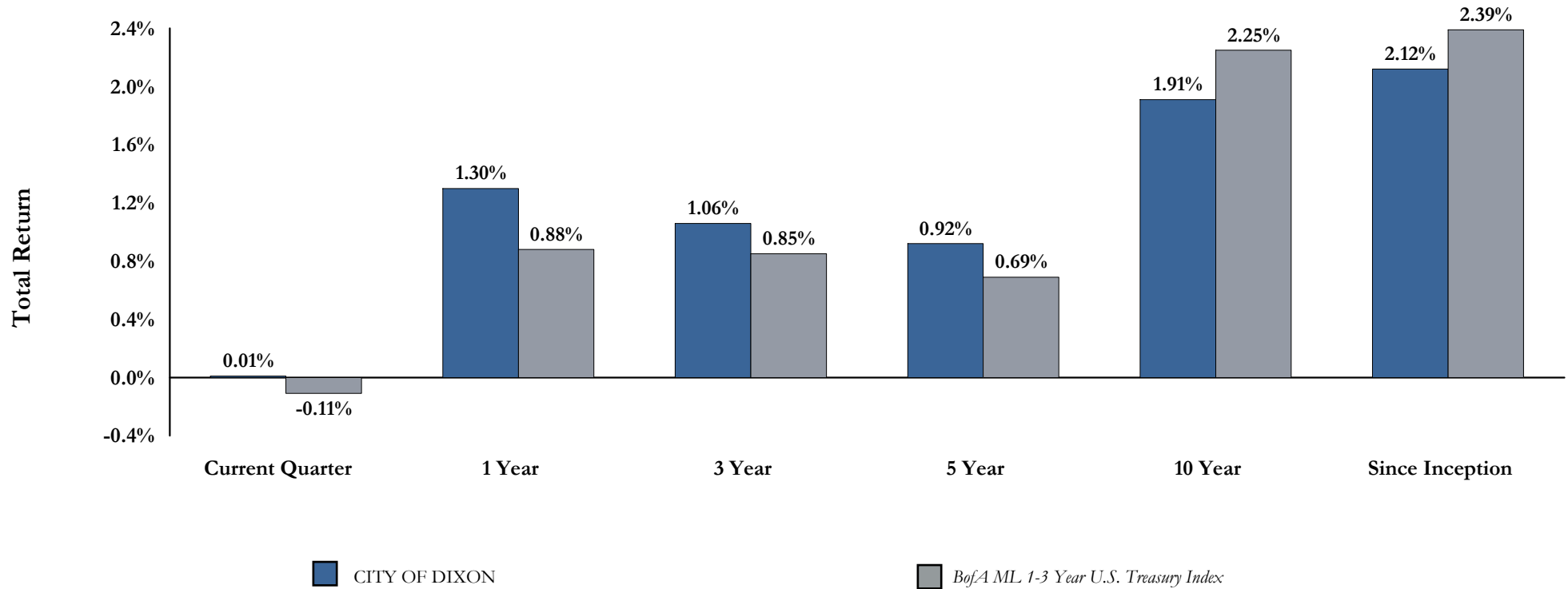
**Maturity Distribution**



\*\* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

### Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	1 Year	Annualized Return			Since Inception (09/30/05)
				3 Year	5 Year	10 Year	
CITY OF DIXON	1.84	0.01%	1.30%	1.06%	0.92%	1.91%	2.12%
<i>BofA ML 1-3 Year U.S. Treasury Index</i>	<i>1.83</i>	<i>-0.11%</i>	<i>0.88%</i>	<i>0.85%</i>	<i>0.69%</i>	<i>2.25%</i>	<i>2.39%</i>
Difference		0.12%	0.42%	0.21%	0.23%	-0.34%	-0.27%



Portfolio performance is gross of fees unless otherwise indicated.

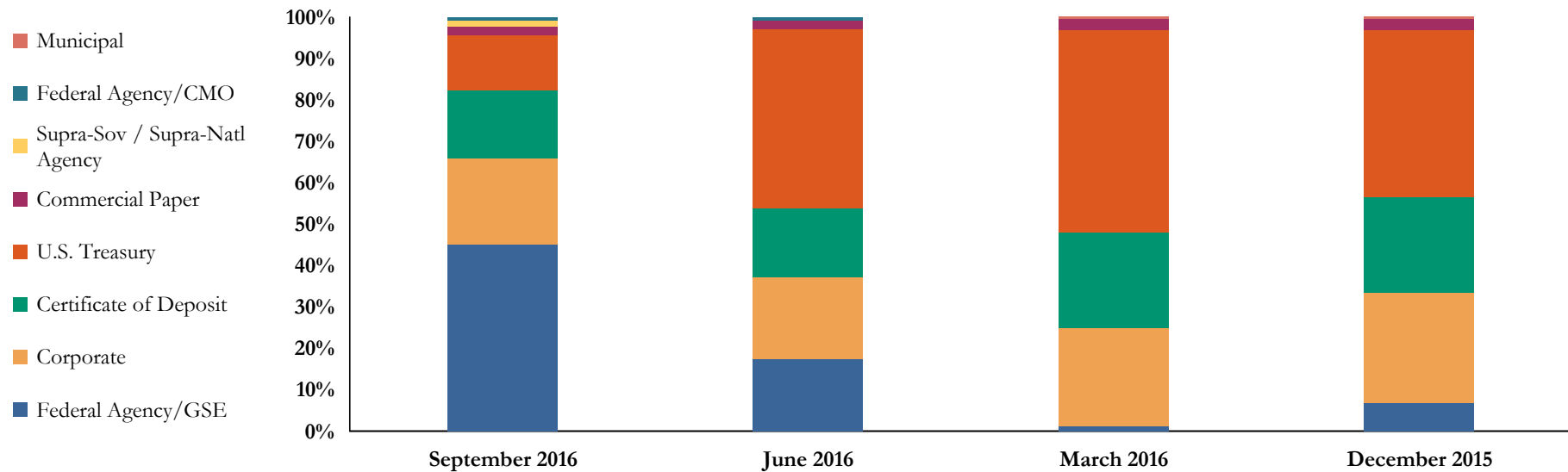
**Portfolio Earnings**  
*Quarter-Ended September 30, 2016*

	<u>Market Value Basis</u>	<u>Accrual (Amortized Cost) Basis</u>
<b>Beginning Value (06/30/2016)</b>	\$14,668,080.00	\$14,582,549.87
<b>Net Purchases/Sales</b>	\$56,128.62	\$56,128.62
<b>Change in Value</b>	(\$41,005.74)	\$18,824.97
<b>Ending Value (09/30/2016)</b>	\$14,683,202.88	\$14,657,503.46
<b>Interest Earned</b>	\$42,393.36	\$42,393.36
<b>Portfolio Earnings</b>	\$1,387.62	\$61,218.33



### Sector Allocation

Sector	September 30, 2016		June 30, 2016		March 31, 2016		December 31, 2015	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
Federal Agency/GSE	6.6	45.2%	2.5	17.4%	0.1	1.3%	0.8	6.8%
Corporate	3.0	20.7%	2.9	20.0%	2.7	23.6%	3.1	26.6%
Certificate of Deposit	2.4	16.4%	2.4	16.4%	2.7	23.0%	2.7	23.2%
U.S. Treasury	2.0	13.4%	6.4	43.4%	5.7	49.1%	4.6	40.4%
Commercial Paper	0.3	2.0%	0.3	2.0%	0.3	2.6%	0.3	2.6%
Supra-Sov / Supra-Natl Agency	0.2	1.5%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Federal Agency/CMO	0.1	0.8%	0.1	0.8%	0.0	0.0%	0.0	0.0%
Municipal	0.0	0.0%	0.0	0.0%	0.1	0.4%	0.1	0.4%
<b>Total</b>	<b>\$14.7</b>	<b>100.0%</b>	<b>\$14.7</b>	<b>100.0%</b>	<b>\$11.5</b>	<b>100.0%</b>	<b>\$11.5</b>	<b>100.0%</b>

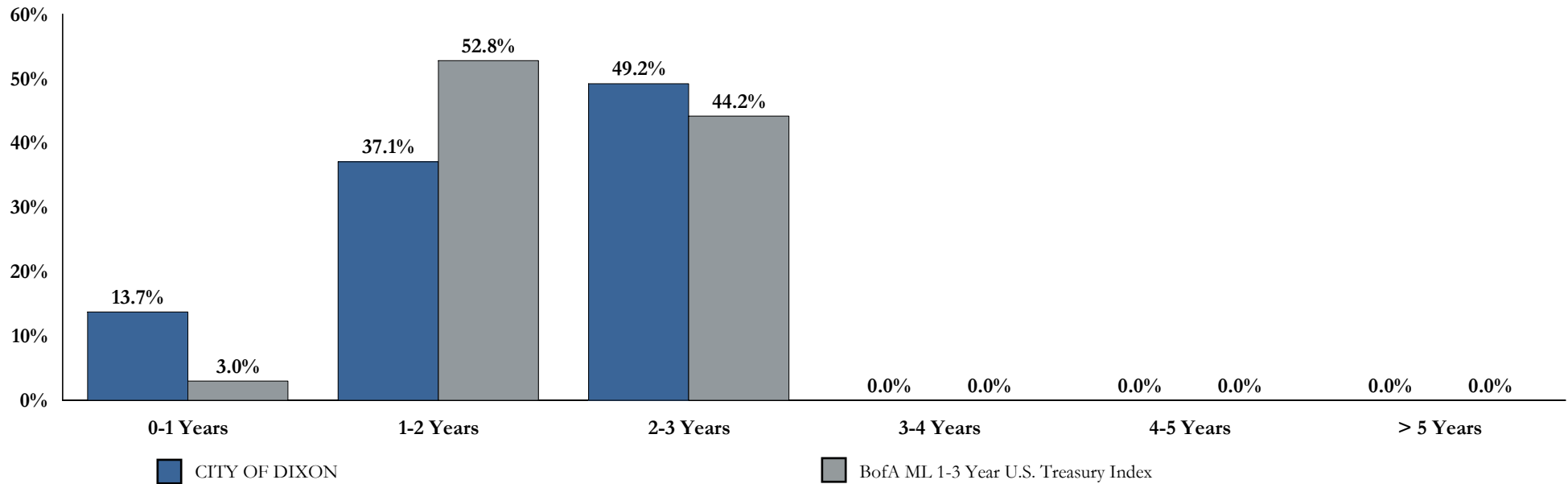


Detail may not add to total due to rounding.

### Maturity Distribution

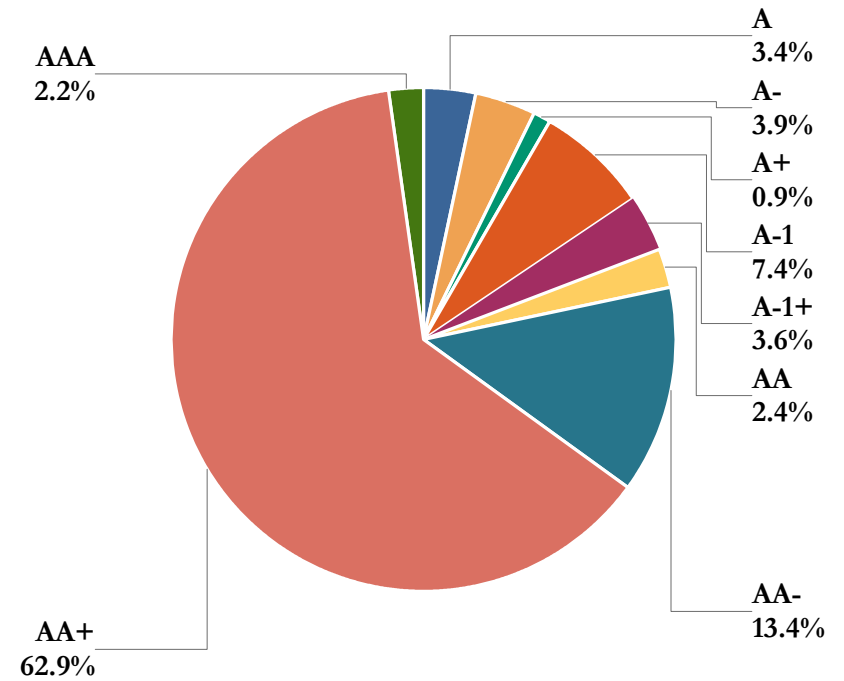
As of September 30, 2016

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
CITY OF DIXON	0.99%	1.89 yrs	13.7%	37.1%	49.2%	0.0%	0.0%	0.0%
BofA ML 1-3 Year U.S. Treasury Index	0.78%	1.95 yrs	3.0%	52.8%	44.2%	0.0%	0.0%	0.0%



**Credit Quality**  
As of September 30, 2016

S&P Rating	Market Value (\$)	% of Portfolio
AA+	\$9,234,809	62.9%
AA-	\$1,965,195	13.4%
A-1	\$1,080,889	7.4%
A-	\$574,382	3.9%
A-1+	\$525,649	3.6%
A	\$491,742	3.4%
AA	\$351,945	2.4%
AAA	\$318,550	2.2%
A+	\$140,042	1.0%
<b>Totals</b>	<b>\$14,683,203</b>	<b>100.0%</b>



Detail may not add to total due to rounding.

## Issuer Distribution

As of September 30, 2016

Issuer	Market Value (\$)	% of Portfolio			
FEDERAL HOME LOAN BANKS	3,312,896	22.6%	Top 5 = 61.8%	Top 10 = 72.0%	
FANNIE MAE	2,399,813	16.3%			
UNITED STATES TREASURY	1,972,355	13.4%			
FREDDIE MAC	1,033,635	7.0%			
TORONTO-DOMINION BANK	350,581	2.4%			
HSBC HOLDINGS PLC	349,986	2.4%			
PFIZER INC	301,778	2.1%			
MITSUBISHI UFJ FINANCIAL GROUP INC	299,762	2.0%			
SKANDINAVISKA ENSKIDA BANKEN AB	280,420	1.9%			
CISCO SYSTEMS INC	276,281	1.9%			
EXXON MOBIL CORP	275,832	1.9%			
SVENSKA HANDELSBANKEN	275,624	1.9%			
IBM CORP	274,964	1.9%			
BANK OF NEW YORK CO INC	271,610	1.9%			
NORDEA BANK AB	269,876	1.8%			
US BANCORP	250,875	1.7%			
BANK OF NOVA SCOTIA	250,834	1.7%			
JP MORGAN CHASE & CO	250,761	1.7%			

Issuer	Market Value (\$)	% of Portfolio
RABOBANK NEDERLAND	249,873	1.7%
CHEVRON CORP	241,269	1.6%
APPLE INC	240,278	1.6%
ROYAL BANK OF CANADA	231,087	1.6%
AMERICAN EXPRESS CO	224,889	1.5%
INTL BANK OF RECONSTRUCTION AND DEV	218,869	1.5%
AMERICAN HONDA FINANCE	140,042	1.0%
CATERPILLAR INC	120,171	0.8%
MICROSOFT CORP	99,681	0.7%
DU PONT DE NEMOURS	98,733	0.7%
TOYOTA MOTOR CORP	70,262	0.5%
BERKSHIRE HATHAWAY INC	50,167	0.3%
<b>Grand Total:</b>	<b>14,683,203</b>	<b>100.0%</b>

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
7/6/16	7/13/16	220,000	459058FK4	INTL BANK OF RECON AND DEV SN NOTE	0.87%	8/15/19	219,953.80	0.88%	
7/7/16	7/12/16	80,000	02665WBE0	AMERICAN HONDA FINANCE	1.20%	7/12/19	79,920.00	1.23%	
7/19/16	7/20/16	220,000	3137EAEB1	FHLMC REFERENCE NOTE	0.87%	7/19/19	219,467.60	0.96%	
7/21/16	7/22/16	420,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	418,241.48	0.84%	
7/28/16	8/4/16	160,000	037833CB4	APPLE INC CORP NOTES	1.10%	8/2/19	159,840.00	1.13%	
7/29/16	8/2/16	800,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	798,656.00	0.93%	
8/1/16	8/8/16	100,000	594918BN3	MICROSOFT CORP NOTES	1.10%	8/8/19	99,897.00	1.14%	
8/3/16	8/4/16	300,000	3130A8Y72	FHLB GLOBAL NOTE	0.87%	8/5/19	299,424.00	0.94%	
8/8/16	8/15/16	30,000	084670BX5	BERKSHIRE HATHAWAY INC GLOBAL NOTES	1.15%	8/15/18	29,996.40	1.16%	
8/12/16	8/15/16	640,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	637,797.69	0.81%	
8/25/16	8/26/16	500,000	3130A9AE1	FHLB GLOBAL NOTE	0.87%	10/1/18	499,660.00	0.91%	
9/1/16	9/2/16	540,000	3135G0J53	FNMA BENCHMARK NOTE	1.00%	2/26/19	540,284.40	0.99%	
9/8/16	9/9/16	515,000	3130A9EP2	FHLB GLOBAL NOTES	1.00%	9/26/19	514,551.95	1.03%	
9/15/16	9/16/16	315,000	3137EAED7	FHLMC REFERENCE NOTE	0.87%	10/12/18	314,864.55	0.90%	
<b>Total BUY</b>		<b>4,840,000</b>					<b>4,832,554.87</b>		

**INTEREST**

7/1/16	7/1/16	0	MONEY0002	MONEY MARKET FUND			1.15		
7/1/16	7/25/16	110,000	3136ASPX8	FNMA SERIES 2016-M9 ASQ2	1.78%	6/1/19	163.63		
7/12/16	7/12/16	70,000	89236TCA1	TOYOTA MOTOR CREDIT CORP NOTE	1.45%	1/12/18	507.50		
7/27/16	7/27/16	4,000	3137EADU0	FHLMC REFERENCE NOTE	0.50%	1/27/17	10.00		
7/31/16	7/31/16	630,000	912828UJ7	US TREASURY NOTES	0.87%	1/31/18	2,756.25		
8/1/16	8/1/16	0	MONEY0002	MONEY MARKET FUND			0.25		
8/1/16	8/25/16	110,000	3136ASPX8	FNMA SERIES 2016-M9 ASQ2	1.78%	6/1/19	163.63		

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
8/6/16	8/6/16	275,000	459200HZ7	IBM CORP NOTES	1.12%	2/6/18	1,546.88		
8/7/16	8/7/16	420,000	3130A8PK3	FHLB NOTES	0.62%	8/7/18	211.46		
8/15/16	8/15/16	220,000	459058FK4	INTL BANK OF RECON AND DEV SN NOTE	0.87%	8/15/19	171.60		
8/18/16	8/18/16	120,000	14912L6D8	CATERPILLAR FINANCIAL SE	1.25%	8/18/17	750.00		
8/22/16	8/22/16	60,000	02665WBA8	AMERICAN HONDA FINANCE CORP NOTES	1.70%	2/22/19	507.17		
8/23/16	8/23/16	80,000	037833BQ2	APPLE INC CORP NOTES	1.70%	2/22/19	680.00		
8/24/16	8/24/16	275,000	86958DH54	SVENSKA HANDELSBANKEN NY FLT CERT DEPOS	1.27%	8/24/17	781.00		
8/26/16	8/26/16	450,000	3135G0J53	FNMA BENCHMARK NOTE	1.00%	2/26/19	2,250.00		
8/26/16	8/26/16	500,000	3135G0J53	FNMA BENCHMARK NOTE	1.00%	2/26/19	2,500.00		
8/31/16	8/31/16	600,000	912828UR9	US TREASURY NOTES	0.75%	2/28/18	2,250.00		
9/1/16	9/1/16	0	MONEY0002	MONEY MARKET FUND			0.27		
9/1/16	9/1/16	250,000	46623EKD0	JP MORGAN CHASE CORP NOTES (CALLABLE)	1.70%	3/1/18	2,125.00		
9/1/16	9/25/16	110,000	3136ASPX8	FNMA SERIES 2016-M9 ASQ2	1.78%	6/1/19	163.63		
9/3/16	9/3/16	125,000	17275RAT9	CISCO SYSTEMS INC GLOBAL NOTES	1.10%	3/3/17	687.50		
9/6/16	9/6/16	275,000	30231GAL6	EXXON MOBIL CORP NOTES	1.30%	3/6/18	1,794.38		
9/9/16	9/9/16	230,000	78009NZZ2	ROYAL BANK OF CANADA NY CD	1.70%	3/9/18	1,889.83		
9/11/16	9/11/16	250,000	90333VPF1	US BANK NA CINCINNATI (CALLABLE) CD	1.37%	9/11/17	1,718.75		
9/15/16	9/15/16	20,000	084664CG4	BERKSHIRE HATHAWAY INC NOTES	1.70%	3/15/19	170.00		
9/26/16	9/26/16	515,000	3130A9EP2	FHLB GLOBAL NOTES	1.00%	9/26/19	243.19		
<b>Total INTEREST</b>		<b>5,699,000</b>					<b>24,043.07</b>		

## SELL

7/6/16	7/13/16	225,000	94974BFM7	WELLS FARGO & COMPANY (FLOATING)	1.16%	7/20/16	225,640.31	0.33%	29.03
7/7/16	7/12/16	30,000	02665WAB7	AMERICAN HONDA FINANCE GLOBAL NOTES	1.12%	10/7/16	30,119.06	0.70%	38.37
7/12/16	7/12/16	20,000	912828PA2	US TREASURY NOTES	1.87%	9/30/17	20,409.44	0.62%	45.96
7/19/16	7/20/16	220,000	912828WL0	US TREASURY NOTES	1.50%	5/31/19	224,713.32	0.81%	634.03
7/21/16	7/22/16	420,000	912828VQ0	US TREASURY NOTES	1.37%	7/31/18	428,060.34	0.74%	3,029.10
7/29/16	8/2/16	4,000	3137EADU0	FHLMC REFERENCE NOTE	0.50%	1/27/17	4,000.40	0.49%	1.80

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
7/29/16	8/2/16	630,000	912828PA2	US TREASURY NOTES	1.87%	9/30/17	643,132.13	0.62%	1,385.07
7/29/16	8/2/16	300,000	912828TW0	US TREASURY NOTES	0.75%	10/31/17	301,066.92	0.62%	756.08
8/1/16	8/8/16	100,000	912828C65	US TREASURY NOTES	1.62%	3/31/19	102,823.27	0.77%	736.88
8/3/16	8/4/16	270,000	912828A75	US TREASURY NOTES	1.50%	12/31/18	275,363.32	0.73%	3,187.86
8/3/16	8/4/16	30,000	912828C65	US TREASURY NOTES	1.62%	3/31/19	30,849.86	0.76%	227.42
8/8/16	8/15/16	30,000	912828UU2	US TREASURY NOTES	0.75%	3/31/18	30,104.14	0.71%	164.10
8/12/16	8/15/16	500,000	912828RH5	US TREASURY NOTES	1.37%	9/30/18	509,370.29	0.73%	2,366.80
8/12/16	8/15/16	100,000	912828RH5	US TREASURY NOTES	1.37%	9/30/18	101,874.07	0.73%	437.09
8/25/16	8/26/16	320,000	912828RH5	US TREASURY NOTES	1.37%	9/30/18	325,579.23	0.80%	889.93
8/25/16	8/26/16	165,000	912828WD8	US TREASURY NOTES	1.25%	10/31/18	167,208.23	0.82%	244.46
9/1/16	9/2/16	400,000	912828TW0	US TREASURY NOTES	0.75%	10/31/17	401,128.40	0.73%	437.47
9/1/16	9/2/16	140,000	3135G0ZL0	FNMA NOTES	1.00%	9/27/17	141,001.78	0.73%	574.07
9/8/16	9/9/16	175,000	912828UA6	US TREASURY NOTES	0.62%	11/30/17	175,137.77	0.70%	360.03
9/8/16	9/9/16	340,000	912828UJ7	US TREASURY NOTES	0.87%	1/31/18	341,106.96	0.71%	2,331.04
9/15/16	9/16/16	315,000	912828UU2	US TREASURY NOTES	0.75%	3/31/18	316,115.49	0.74%	1,457.90
<b>Total SELL</b>		<b>4,734,000</b>					<b>4,794,804.73</b>		<b>19,334.49</b>





# Account Holdings



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

### CITY OF DIXON

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 01/31/2013 0.875% 01/31/2018	912828UJ7	290,000.00	AA+	Aaa	12/29/14	12/30/14	287,100.00	1.21	427.51	288,736.46	290,611.61
US TREASURY NOTES DTD 02/28/2013 0.750% 02/28/2018	912828UR9	600,000.00	AA+	Aaa	05/20/16	05/23/16	598,710.94	0.87	385.36	598,970.44	600,187.20
US TREASURY NOTES DTD 10/31/2013 1.250% 10/31/2018	912828WD8	60,000.00	AA+	Aaa	03/30/16	03/31/16	60,560.16	0.88	313.86	60,452.56	60,543.72
US TREASURY NOTES DTD 10/31/2013 1.250% 10/31/2018	912828WD8	250,000.00	AA+	Aaa	11/03/15	11/03/15	251,044.92	1.11	1,307.74	250,730.64	252,265.50
US TREASURY NOTES DTD 10/31/2013 1.250% 10/31/2018	912828WD8	250,000.00	AA+	Aaa	11/05/15	11/09/15	250,703.13	1.15	1,307.74	250,494.54	252,265.50
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	200,000.00	AA+	Aaa	11/20/15	11/23/15	200,007.81	1.25	840.16	200,005.73	201,843.80
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	310,000.00	AA+	Aaa	12/01/15	12/04/15	312,615.62	1.22	1,175.14	311,922.48	314,637.91
<b>Security Type Sub-Total</b>		<b>1,960,000.00</b>					<b>1,960,742.58</b>	<b>1.08</b>	<b>5,757.51</b>	<b>1,961,312.85</b>	<b>1,972,355.24</b>
<b>Supra-National Agency Bond / Note</b>											
INTL BANK OF RECON AND DEV SN NOTE DTD 07/13/2016 0.875% 08/15/2019	459058FK4	220,000.00	AAA	Aaa	07/06/16	07/13/16	219,953.80	0.88	245.97	219,956.72	218,868.76
<b>Security Type Sub-Total</b>		<b>220,000.00</b>					<b>219,953.80</b>	<b>0.88</b>	<b>245.97</b>	<b>219,956.72</b>	<b>218,868.76</b>
<b>Federal Agency Collateralized Mortgage Obligation</b>											
FNMA SERIES 2016-M9 ASQ2 DTD 06/01/2016 1.785% 06/01/2019	3136ASPX8	110,000.00	AA+	Aaa	06/09/16	06/30/16	111,099.95	1.05	163.63	110,989.24	110,809.26
<b>Security Type Sub-Total</b>		<b>110,000.00</b>					<b>111,099.95</b>	<b>1.05</b>	<b>163.63</b>	<b>110,989.24</b>	<b>110,809.26</b>
<b>Federal Agency Bond / Note</b>											



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

### CITY OF DIXON

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FHLMC REFERENCE NOTE DTD 04/07/2016 0.750% 04/09/2018	3137EAEA3	500,000.00	AA+	Aaa	04/06/16	04/07/16	499,215.00	0.83	1,812.50	499,403.04	499,548.00
FEDERAL HOME LOAN BANKS AGCY DTD 05/27/2016 0.875% 06/29/2018	3130A8BD4	310,000.00	AA+	Aaa	05/26/16	05/27/16	309,252.90	0.99	693.19	309,374.73	311,191.64
FHLB NOTES DTD 07/08/2016 0.625% 08/07/2018	3130A8PK3	420,000.00	AA+	Aaa	07/21/16	07/22/16	418,139.40	0.84	393.75	418,312.75	418,362.84
FHLB NOTES DTD 07/08/2016 0.625% 08/07/2018	3130A8PK3	640,000.00	AA+	Aaa	08/12/16	08/15/16	637,708.80	0.81	600.00	637,855.97	637,505.28
FHLB GLOBAL NOTE DTD 08/26/2016 0.875% 10/01/2018	3130A9AE1	500,000.00	AA+	Aaa	08/25/16	08/26/16	499,660.00	0.91	425.35	499,674.88	499,779.50
FHLMC REFERENCE NOTE DTD 09/16/2016 0.875% 10/12/2018	3137EAED7	315,000.00	AA+	Aaa	09/15/16	09/16/16	314,864.55	0.90	114.84	314,867.28	314,855.10
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	450,000.00	AA+	Aaa	05/17/16	05/18/16	449,644.50	1.03	437.50	449,692.56	450,638.55
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	500,000.00	AA+	Aaa	05/20/16	05/23/16	498,485.00	1.11	486.11	498,679.33	500,709.50
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	540,000.00	AA+	Aaa	09/01/16	09/02/16	540,194.40	0.99	525.00	540,188.18	540,766.26
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	250,000.00	AA+	Aaa	06/28/16	06/29/16	252,127.50	0.84	781.25	251,946.87	251,038.25
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	380,000.00	AA+	Aaa	06/02/16	06/03/16	379,840.40	1.14	1,187.50	379,856.82	381,578.14
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	220,000.00	AA+	Aaa	07/19/16	07/20/16	219,467.60	0.96	379.65	219,502.21	219,231.98
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	800,000.00	AA+	Aaa	07/29/16	08/02/16	798,656.00	0.93	1,147.22	798,728.57	796,889.60
FHLB GLOBAL NOTE DTD 08/04/2016 0.875% 08/05/2019	3130A8Y72	300,000.00	AA+	Aaa	08/03/16	08/04/16	299,424.00	0.94	415.63	299,454.02	298,891.20



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

### CITY OF DIXON

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FHLB GLOBAL NOTES DTD 09/09/2016 1.000% 09/26/2019	3130A9EP2	515,000.00	AA+	Aaa	09/08/16	09/09/16	514,551.95	1.03	71.53	514,560.25	514,548.86
<b>Security Type Sub-Total</b>		<b>6,640,000.00</b>					<b>6,631,232.00</b>	<b>0.95</b>	<b>9,471.02</b>	<b>6,632,097.46</b>	<b>6,635,534.70</b>

<b>Corporate Note</b>											
E.I. DU PONT DE NEMOURS GLOBAL NOTES DTD 12/15/2006 5.250% 12/15/2016	263534BQ1	98,000.00	A-	A3	01/14/14	01/17/14	110,191.20	0.91	1,514.92	98,870.34	98,732.55
CISCO SYSTEMS INC GLOBAL NOTES DTD 03/03/2014 1.100% 03/03/2017	17275RAT9	125,000.00	AA-	A1	02/24/14	03/03/14	124,992.50	1.10	106.94	124,998.93	125,050.13
AMERICAN EXPRESS CREDIT CORP NOTES DTD 06/05/2014 1.125% 06/05/2017	0258M0DM8	225,000.00	A-	A2	06/02/14	06/05/14	224,451.00	1.21	815.63	224,874.29	224,888.63
HSBC USA INC DTD 06/23/2014 1.300% 06/23/2017	40434CAA3	100,000.00	A	A2	06/16/14	06/23/14	99,848.00	1.35	353.89	99,962.58	99,961.10
CATERPILLAR FINANCIAL SE DTD 08/20/2014 1.250% 08/18/2017	14912L6D8	120,000.00	A	A2	08/13/14	08/20/14	119,940.00	1.27	179.17	119,982.12	120,171.24
TOYOTA MOTOR CREDIT CORP NOTE DTD 01/12/2015 1.450% 01/12/2018	89236TCA1	70,000.00	AA-	Aa3	01/07/15	01/12/15	69,904.10	1.50	222.74	69,958.55	70,262.43
IBM CORP NOTES DTD 02/06/2015 1.125% 02/06/2018	459200HZ7	275,000.00	AA-	Aa3	02/03/15	02/06/15	274,161.25	1.23	472.66	274,619.61	274,963.98
JP MORGAN CHASE CORP NOTES (CALLABLE) DTD 03/02/2015 1.700% 03/01/2018	46623EKD0	250,000.00	A-	A3	02/25/15	03/02/15	249,935.00	1.71	354.17	249,968.85	250,761.00
EXXON MOBIL CORP NOTES DTD 03/06/2015 1.305% 03/06/2018	30231GAL6	275,000.00	AA+	Aaa	03/04/15	03/06/15	275,000.00	1.31	249.22	275,000.00	275,832.15
BANK OF NEW YORK MELLON CORP (CALLABLE) DTD 05/29/2015 1.600% 05/22/2018	06406HDB2	270,000.00	A	A1	05/22/15	05/29/15	269,975.70	1.60	1,548.00	269,986.30	271,609.74
CISCO SYSTEMS INC CORP NOTE DTD 06/17/2015 1.650% 06/15/2018	17275RAU6	150,000.00	AA-	A1	06/10/15	06/17/15	149,974.50	1.66	728.75	149,985.29	151,231.35



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

### CITY OF DIXON

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate Note</b>											
BERKSHIRE HATHAWAY INC GLOBAL NOTES DTD 08/15/2016 1.150% 08/15/2018	084670BX5	30,000.00	AA	Aa2	08/08/16	08/15/16	29,996.40	1.16	44.08	29,996.63	29,983.80
AMERICAN HONDA FINANCE CORP NOTES DTD 02/23/2016 1.700% 02/22/2019	02665WBA8	60,000.00	A+	A1	02/18/16	02/23/16	59,988.00	1.71	110.50	59,990.37	60,510.42
APPLE INC CORP NOTES DTD 02/23/2016 1.700% 02/22/2019	037833BQ2	80,000.00	AA+	Aa1	02/16/16	02/23/16	79,986.40	1.71	143.56	79,989.10	80,906.16
BERKSHIRE HATHAWAY INC NOTES DTD 03/15/2016 1.700% 03/15/2019	084664CG4	20,000.00	AA	Aa2	03/08/16	03/15/16	19,984.80	1.73	15.11	19,987.50	20,183.54
CHEVRON CORP NOTES DTD 05/16/2016 1.561% 05/16/2019	166764BH2	240,000.00	AA-	Aa2	05/09/16	05/16/16	240,000.00	1.56	1,404.90	240,000.00	241,269.12
PFIZER INC CORP NOTES DTD 06/03/2016 1.450% 06/03/2019	717081DU4	300,000.00	AA	A1	06/21/16	06/24/16	300,861.00	1.35	1,425.83	300,783.85	301,777.80
AMERICAN HONDA FINANCE DTD 07/12/2016 1.200% 07/12/2019	02665WBE0	80,000.00	A+	A1	07/07/16	07/12/16	79,920.00	1.23	210.67	79,925.76	79,531.36
APPLE INC CORP NOTES DTD 08/04/2016 1.100% 08/02/2019	037833CB4	160,000.00	AA+	Aa1	07/28/16	08/04/16	159,840.00	1.13	278.67	159,848.34	159,371.52
MICROSOFT CORP NOTES DTD 08/08/2016 1.100% 08/08/2019	594918BN3	100,000.00	AAA	Aaa	08/01/16	08/08/16	99,897.00	1.14	161.94	99,901.98	99,681.10
<b>Security Type Sub-Total</b>		<b>3,028,000.00</b>					<b>3,038,846.85</b>	<b>1.38</b>	<b>10,341.35</b>	<b>3,028,630.39</b>	<b>3,036,679.12</b>
<b>Commercial Paper</b>											
BANK OF TOKYO MITS UFJ LTD COMM PAPER -- 0.000% 11/16/2016	06538BLG6	300,000.00	A-1	P-1	05/20/16	05/20/16	298,605.00	0.93	0.00	299,643.50	299,761.50
<b>Security Type Sub-Total</b>		<b>300,000.00</b>					<b>298,605.00</b>	<b>0.93</b>	<b>0.00</b>	<b>299,643.50</b>	<b>299,761.50</b>
<b>Certificate of Deposit</b>											
RABOBANK NEDERLAND NV CERT DEPOS DTD 04/27/2015 1.070% 04/21/2017	21684BXH2	250,000.00	A-1	P-1	04/22/15	04/27/15	250,000.00	1.07	1,188.89	250,000.00	249,873.25



## Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

### CITY OF DIXON

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Certificate of Deposit</b>											
NORDEA BANK FINLAND NY CD DTD 05/29/2015 1.150% 05/26/2017	65558LFA5	270,000.00	AA-	Aa3	05/27/15	05/29/15	270,000.00	1.15	1,104.00	270,000.00	269,875.80
SVENSKA HANDELSBANKEN NY FLT CERT DEPOS DTD 11/24/2015 1.275% 08/24/2017	86958DH54	275,000.00	A-1+	P-1	11/20/15	11/24/15	275,000.00	0.84	360.49	275,000.00	275,624.25
US BANK NA CINCINNATI (CALLABLE) CD DTD 09/11/2014 1.375% 09/11/2017	90333VPF1	250,000.00	AA-	Aa1	09/09/14	09/11/14	249,597.50	1.41	190.97	249,873.30	250,874.50
BANK OF NOVA SCOTIA HOUSTON YCD DTD 11/09/2015 1.560% 11/06/2017	06417GAS7	250,000.00	A-1	P-1	11/06/15	11/09/15	250,000.00	1.55	1,570.83	250,000.00	250,833.75
SKANDINAVISKA ENSKILDA BANKEN NY CD DTD 11/17/2015 1.480% 11/16/2017	83050FBG5	280,000.00	A-1	P-1	11/16/15	11/17/15	280,000.00	1.48	3,672.04	280,000.00	280,420.00
HSBC BANK USA NA CD DTD 11/18/2015 1.540% 11/17/2017	40428AR58	250,000.00	A-1+	P-1	11/17/15	11/18/15	250,000.00	1.54	3,400.83	250,000.00	250,025.00
ROYAL BANK OF CANADA NY CD DTD 03/15/2016 1.700% 03/09/2018	78009NZZ2	230,000.00	AA-	Aa3	03/11/16	03/15/16	230,000.00	1.69	238.94	230,000.00	231,086.75
TORONTO DOMINION BANK NY CD DTD 03/14/2016 1.720% 03/14/2018	89113E5E2	350,000.00	AA-	Aa1	03/14/16	03/16/16	350,000.00	1.72	3,361.17	350,000.00	350,581.00
<b>Security Type Sub-Total</b>		<b>2,405,000.00</b>					<b>2,404,597.50</b>	<b>1.39</b>	<b>15,088.16</b>	<b>2,404,873.30</b>	<b>2,409,194.30</b>
<b>Managed Account Sub-Total</b>		<b>14,663,000.00</b>					<b>14,665,077.68</b>	<b>1.13</b>	<b>41,067.64</b>	<b>14,657,503.46</b>	<b>14,683,202.88</b>
<b>Securities Sub-Total</b>		<b>\$14,663,000.00</b>					<b>\$14,665,077.68</b>	<b>1.13%</b>	<b>\$41,067.64</b>	<b>\$14,657,503.46</b>	<b>\$14,683,202.88</b>
<b>Accrued Interest</b>											<b>\$41,067.64</b>
<b>Total Investments</b>											<b>\$14,724,270.52</b>

## Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values which include accrued interest, are derived from closing bid prices as of the last business day of the month as supplied by a third party vendor. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed-income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount, expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.



## Glossary

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction occurs on a non-business day (i.e. coupon payments and maturity proceeds), the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred however the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return, based on the original cost, the annual interest receipts, maturity value and the time period from purchase date to maturity, stated as a percentage, on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return, based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.