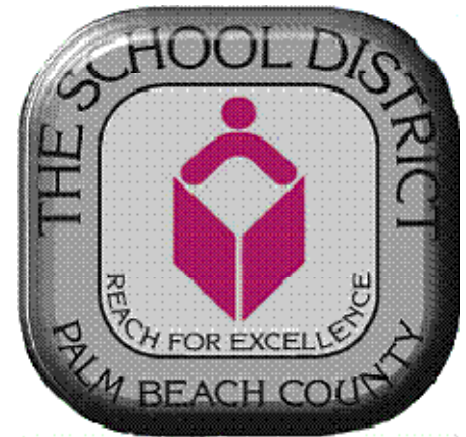


# Palm Beach County School District

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Annual Investment Performance Review  
Fiscal Year Ended June 30, 2010



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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 recommendation. The information contained in this report is not an offer to purchase or sell any securities.



**Portfolio Yield to Maturity and Interest Earnings**

<b>Portfolio Yield to Maturity at Market<sup>1</sup></b>	<b>June 30, 2010</b>	June 30, 2009	<b>Yield to Maturity at Market</b>	<b>June 30, 2010</b>	June 30, 2009
Cash Portfolio	<b>0.40%</b>	0.70%	Cash Portfolio	<b>0.40%</b>	0.70%
Money Market Fund - Columbia	<b>0.11%</b>	0.13%	Florida SBA	<b>0.34%</b>	0.60%
Money Market Fund - Dreyfus	<b>0.00%</b>	0.12%	Merrill Lynch 1-3 Year U.S. Treasury Index <sup>1</sup>	<b>0.60%</b>	0.99%
Money Market Fund - JP Morgan	<b>0.00%</b>	0.28%			
PFM Core Portfolio	<b>0.88%</b>	1.39%			
PFM Short Term Portfolio	<b>0.27%</b>	N/A			
PFM Sales Tax Portfolio	<b>N/A</b>	0.29%			
Florida PRIME (SBA)	<b>0.34%</b>	0.60%			
Cash & Money Market - BONY	<b>0.40%</b>	0.70%			
<b>Weighted Average Yield</b>	<b>0.44%</b>	0.56%			

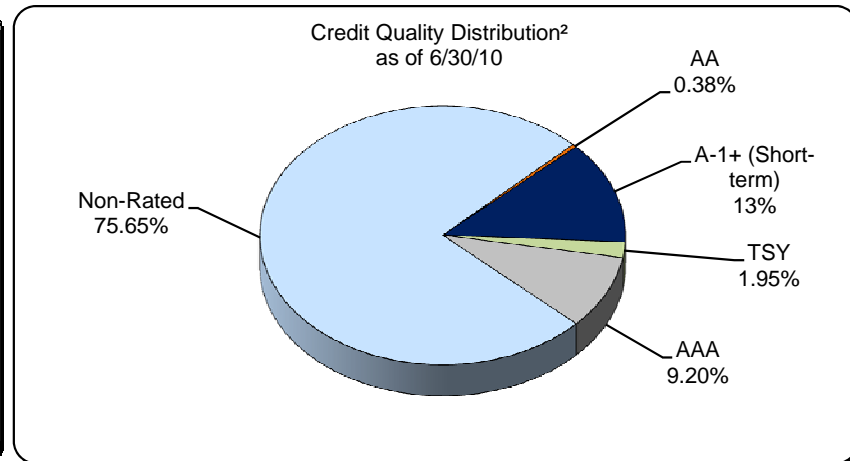
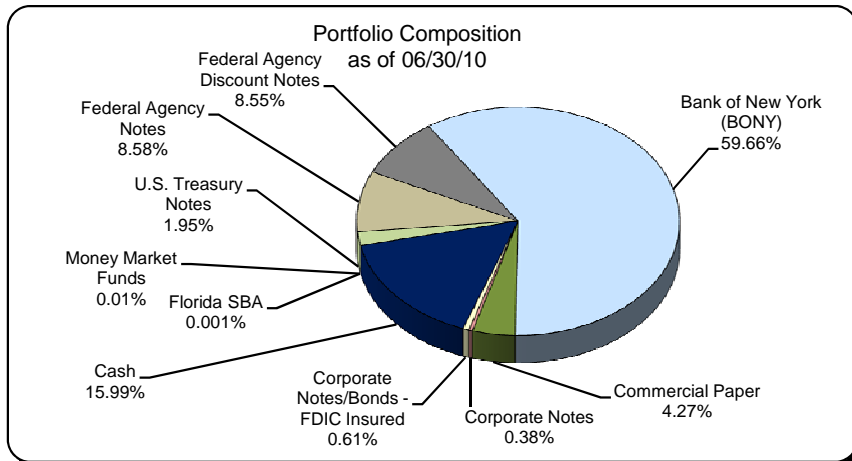
<b>Interest Earnings Fund Name</b>	<b>Interest Earned Fiscal Year 2010</b>	Interest Earned Fiscal Year 2009	Percent Change From Fiscal Year 2009 - 2010
General	<b>\$1,509,903.23</b>	\$4,881,021.35	-69.07%
Internal Service	<b>629,889.23</b>	306,370.50	105.60%
Food Service Funds	<b>123,516.76</b>	240,706.30	-48.69%
Debt Service Funds	<b>96,555.05</b>	1,370,724.39	-92.96%
Capital Funds	<b>3,952,933.03</b>	18,876,693.75	-79.06%
	<b>\$6,312,797.30</b>	\$25,675,516.29	-75.41%

Notes:

1. Yield to Maturity at Market as of Fiscal Year End June 30, 2010.

**Portfolio Assets<sup>1</sup>**

<u>Security Type<sup>3</sup></u>	<u>June 30, 2010</u>	<u>% of Portfolio</u>	<u>June 30, 2009</u>	<u>% of Portfolio</u>
Cash	\$187,146,761.24	15.99%	\$238,598,821.56	23.40%
Money Market Funds	\$101,157.58	0.01%	\$577,569,662.30	56.64%
Florida PRIME (SBA)	10,323.73	0.001%	9,910.78	0.00%
U.S. Treasury Notes	22,841,393.57	1.95%	37,498,362.91	3.68%
Federal Agency Notes	100,392,349.30	8.58%	49,610,832.91	4.86%
Federal Agency Discount Notes	100,005,392.69	8.55%	37,806,021.98	3.71%
Federal Agency Mortgage Pass Throughs	0.00	0.00%	831,589.02	0.08%
Bank of New York (BONY)	698,188,112.56	59.66%	\$0.00	0.00%
Commercial Paper	49,979,250.00	4.27%	778,106.51	0.08%
Corporate Notes	4,422,924.66	0.38%	10,404,686.98	1.02%
Corporate Notes/Bonds - FDIC Insured	7,184,094.07	0.61%	0.00	0.00%
Flexible Repurchase Agreements	0.00	0.00%	66,694,161.82	6.54%
<b>Totals</b>	<b>\$1,170,271,759.40</b>	<b>100.0%</b>	<b>\$1,019,802,156.77</b>	<b>100.0%</b>



Notes:

1. Cash, Operating and Investment Portfolio balances.
2. Credit rating of securities held in portfolio.
3. Investment balances are market values as of June 30, 2010.

**COPS - Bank of New York (BONY) Portfolio Balances<sup>1</sup>**

Portfolio Balance	Market Value June 30, 2010	Market Value June 30, 2009
2000 COPS	\$4,834,008.13	\$4,822,008.13
2001A COPS	750,743.75	484,968.75
2001B COPS	161,191,300.98	0.00
2002 QZAB	603,513.01	7,733,496.89
2002A COPS	7,859,371.89	4,274,352.99
2002B COPS	3,328,147.58	3,858,386.26
2002C COPS	3,669,508.13	7,628,812.50
2002D COPS	6,650,513.88	534,674.61
2002E COPS	11,273,231.26	11,049,356.26
2003A COPS	4,091,633.13	4,061,845.63
2003B COPS	4,986,667.03	3,071,182.24
2004A COPS	5,030,796.26	4,992,480.64
2004 QZAB	947,256.92	778,210.75
2005A COPS	132,250,482.65	3,282,132.50
2005B COPS	8,476,250.00	8,325,050.00
2005 QZAB	469,093.89	347,935.53
2006 COPS	31,141,035.95	42,618,473.58
2007A COPS	68,959,277.53	102,130,839.54
2007B COPS	13,279,946.97	14,429,548.02
2007C COPS	199,091,891.26	4,537,681.25
2007D COPS	4,602,225.00	4,528,325.00
2007E COPS	24,701,217.36	48,631,415.91
<b>Total</b>	<b>\$698,188,112.56</b>	<b>\$282,121,176.98</b>

Notes:

1. Provided by the District.

**Executive Summary****PORTFOLIO STRATEGY**

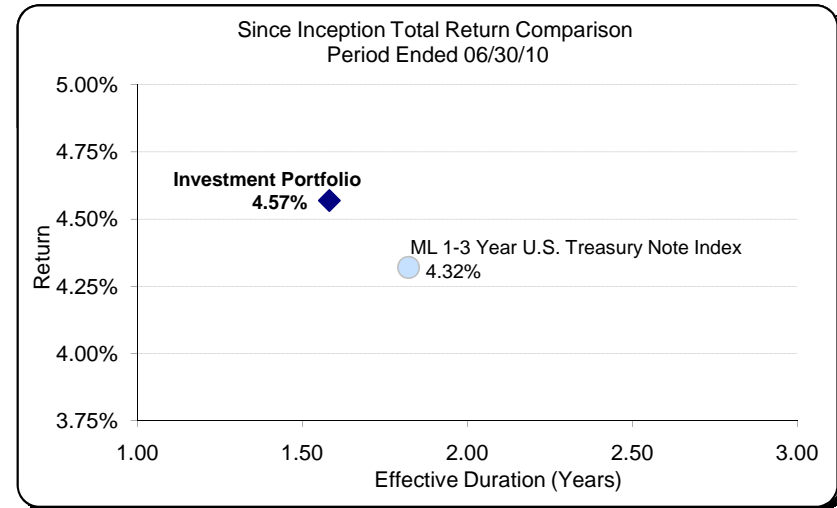
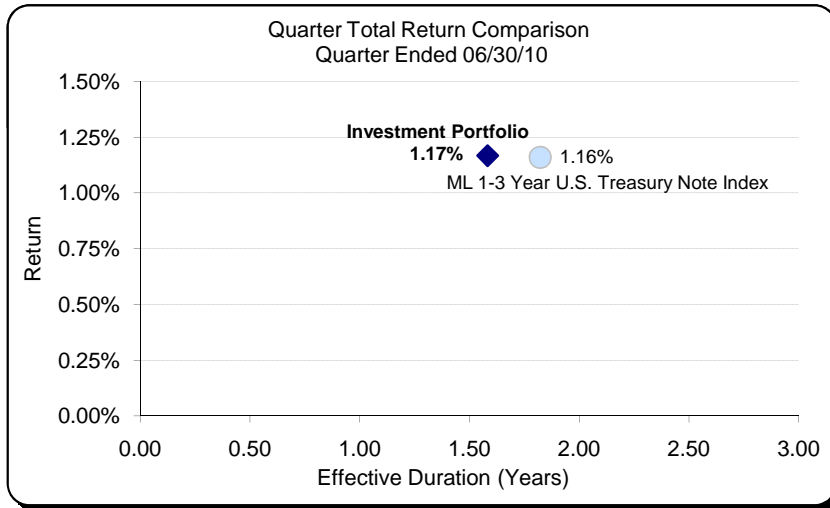
- The District's Investment and Short Term portfolios are of high credit quality and maintain adequate liquidity. The portfolios are invested entirely in Federal Agency, U.S. Treasury, Commercial Paper, Corporate Notes and FDIC guaranteed corporate securities. The securities are allocated among high quality issuers rated AAA, AA and A-1+.
- The Investment Portfolio's total return for the last 12 months of 2.95% outperformed the return of its benchmark Merrill Lynch 1-3 Year U.S. Treasury Note Index by 26 basis points (0.26%).
- We managed the Investment Portfolio's duration in response to changing interest rates. During the fiscal year, we shortened the portfolio's duration from 1.70 years to 1.58 years, keeping the duration between 87% - 94% of the benchmark's duration. We will continue to position the portfolio short of the benchmark in this period of historic low interest rates to limit interest rate risk and the market value erosion that will occur if rates rise.
- The yield curve remained steep in the last year and the portfolio benefitted from a roll-down investment strategy of selling low-yielding short-term securities prior to maturity and investing the proceeds further out on the yield curve at higher yields. For example, in late July 2009 in the District's Investment Portfolio, we sold approximately \$3 million in short-term U.S. Treasury Bills yielding 0.32% and 0.44%, and purchased U.S. Treasury Notes yielding 1.20% with 2 years to maturity, where we found value and opportunity for roll-down. Over the fiscal year, PFM has generated over \$670,000 in realized gains through actively managing the Investment Portfolio.
- Near the end of the year, we began purchasing floating-rate notes, which offer a good yield, while helping to keep the duration, or interest rate risk, of the portfolio low. In addition, the rates of floating-rate securities reset periodically (daily, monthly, or quarterly depending on the security) to current market rates and, therefore, provide some protection in a rising interest rate environment. A daily reset floating-rate security was bought in the District's Investment Portfolio in June with a yield of 0.39%, which was 0.32% greater than the yield of a 1-month Treasury on the same day.
- Spreads of federal agency securities over Treasuries began the year below historical averages and compressed further to near 0.10% in the last few months of 2009. At that time, we over-weighted U.S. Treasury securities in anticipation that widening spreads could lead agencies to underperform Treasuries. In January, 41% of the District's Investment Portfolio was in Treasury securities. In the following months, as spreads widened near 0.30%, we increased the allocation of federal agency securities, decreasing the District's Treasury exposure to 27% by the end of June.
- In this time of historically low interest rates, we will maintain the disciplined long-term focus of managing the portfolios, which has safely provided the School District's portfolios with strong long-term returns relative to the performance benchmarks.

**Investment Portfolio Performance**

<b>Total Portfolio Value<sup>1,2</sup></b>		<b>June 30, 2010</b>	<b>June 30, 2009</b>
Market Value		<b>\$84,927,843.37</b>	\$84,851,159.25
Amortized Cost		<b>\$84,010,562.88</b>	\$84,358,085.22

<b>Total Return<sup>1,2,3,4,5,6,7,8</sup></b>	<b>Quarterly Return June 30, 2010</b>	<b>Calendar Year to Date</b>	<b>Last 12 Months</b>	<b>Last 24 Months</b>	<b>Since Inception on 12/31/98</b>
<b>Investment Portfolio</b>	<b>1.17%</b>	<b>1.92%</b>	<b>2.95%</b>	<b>4.29%</b>	<b>4.57%</b>
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.16%	1.87%	2.69%	3.54%	4.32%

<b>Effective Duration (Years)<sup>4</sup></b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>Yields</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Investment Portfolio</b>	<b>1.58</b>	1.70	Yield at Market	<b>0.88%</b>	1.39%
ML 1-3 Year U.S. Treasury Note Index	1.82	1.81	Yield at Cost	<b>1.43%</b>	1.95%
Portfolio Duration % of Benchmark Duration	87%	94%			

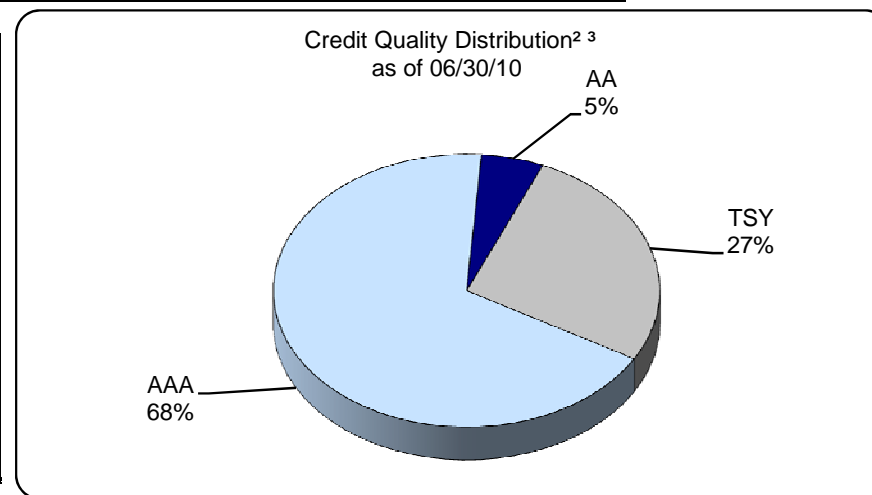
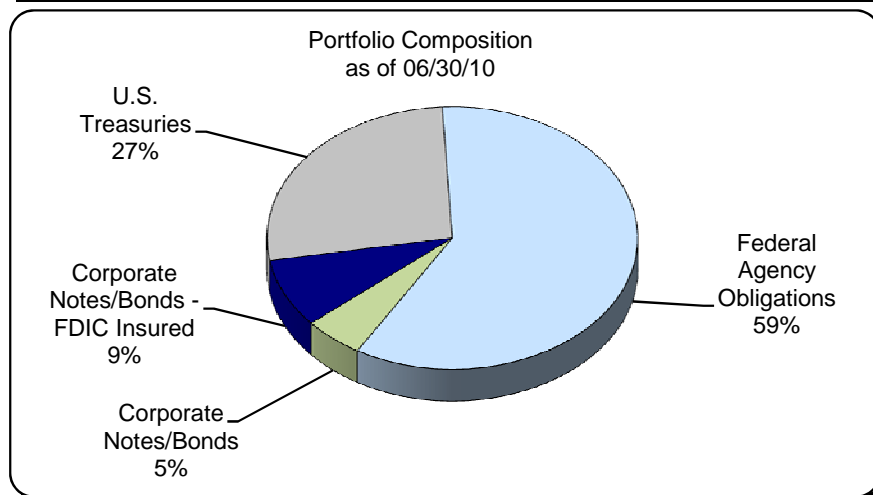


Notes:

- In order to comply with GASB accrual accounting reporting requirements, forward settling trades are included in the monthly balances.
- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Quarterly returns are presented on both an unannualized and annualized basis. The annualized return assumes the quarterly return is compounded at the same rate for four quarters and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
- Excludes money market fund/cash in performance and duration computations.
- Returns presented for 12 months or longer are presented on an annual basis.
- Past performance is not indicative of future results.

**Investment Portfolio Composition and Credit Quality Characteristics**

<u>Security Type<sup>1</sup></u>	<u>June 30, 2010</u>	<u>% of Portfolio</u>	<u>June 30, 2009</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$22,841,393.57	26.9%	\$37,498,362.91	44.2%
Federal Agencies	50,479,431.07	59.4%	36,116,520.34	42.6%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	4,422,924.66	5.2%	4,173,241.48	4.9%
Corporate Notes/Bonds - FDIC Insured	7,184,094.07	8.5%	6,231,445.50	7.3%
Mortgage Backed	0.00	0.0%	831,589.02	1.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
<b>Totals</b>	<b>\$84,927,843.37</b>	<b>100.0%</b>	<b>\$84,851,159.25</b>	<b>100.0%</b>

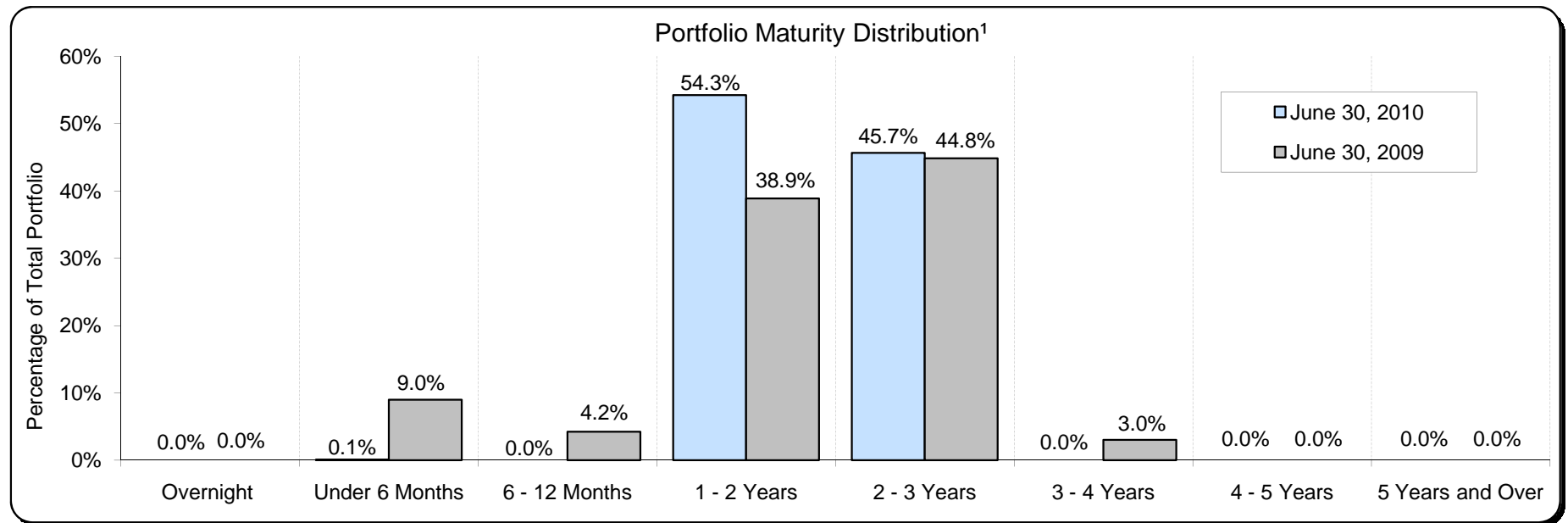


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

**Investment Portfolio Maturity Distribution**

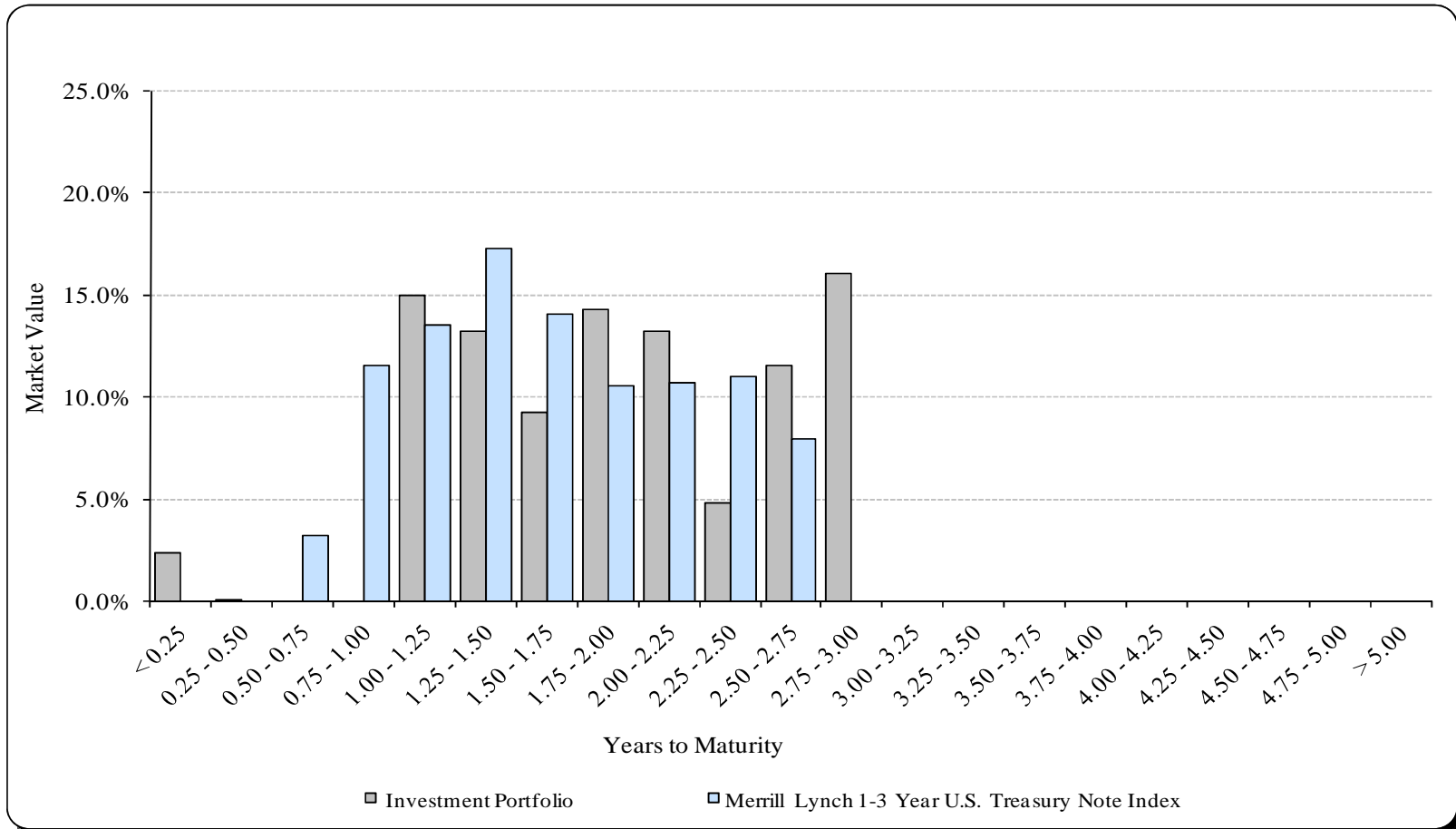
<u>Maturity Distribution<sup>1</sup></u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	75,543.46	7,637,014.11
6 - 12 Months	0.00	3,601,353.03
1 - 2 Years	46,079,609.15	32,999,221.51
2 - 3 Years	38,772,690.76	38,054,819.07
3 - 4 Years	0.00	2,558,751.53
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
<b>Totals</b>	<b>\$84,927,843.37</b>	<b>\$84,851,159.25</b>



Notes:

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

**Investment Portfolio Maturity Distribution versus the Benchmark<sup>1</sup>**



Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

**Short Term Fund Portfolio Statistics**

<u>Account Name</u>	<b>Amortized Cost<sup>1,2,3</sup> June 30, 2010</b>	Amortized Cost <sup>1,2,3</sup> <u>June 30, 2009</u>	<b>Market Value<sup>1,2,3</sup> June 30, 2010</b>	Market Value <sup>1,2,3</sup> <u>June 30, 2009</u>	<b>Duration (Years) June 30, 2010</b>
Short Term Fund	<b>\$199,892,058.26</b>	N/A	<b>\$199,897,560.92</b>	N/A	<b>0.09</b>

<u>Account Name</u>	<b>Average Annual Yield to Maturity on Cost<sup>4</sup> June 30, 2010</b>	Average Annual Yield to Maturity on Cost <sup>4</sup> <u>June 30, 2009</u>	<b>Average Annual Yield to Maturity at Market June 30, 2010</b>	Average Annual Yield to Maturity at Market <u>June 30, 2009</u>	Duration (Years) <u>June 30, 2009</u>
Short Term Fund	<b>0.21%</b>	N/A	<b>0.21%</b>	N/A	N/A

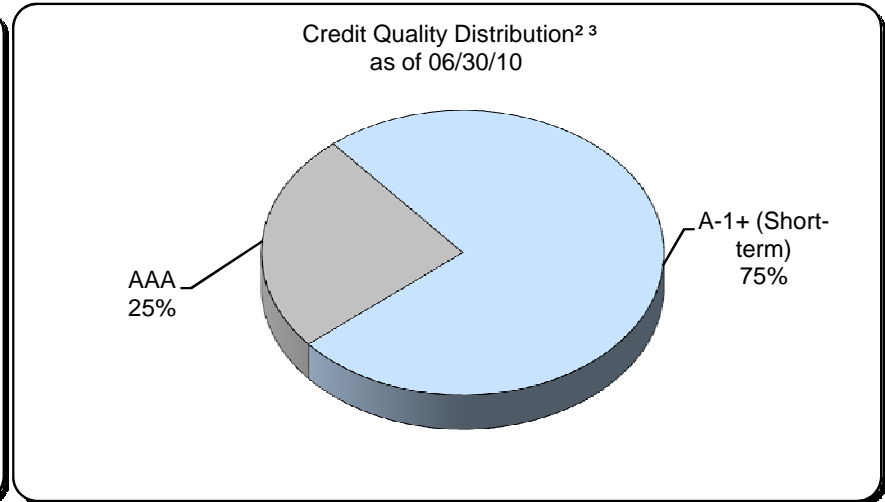
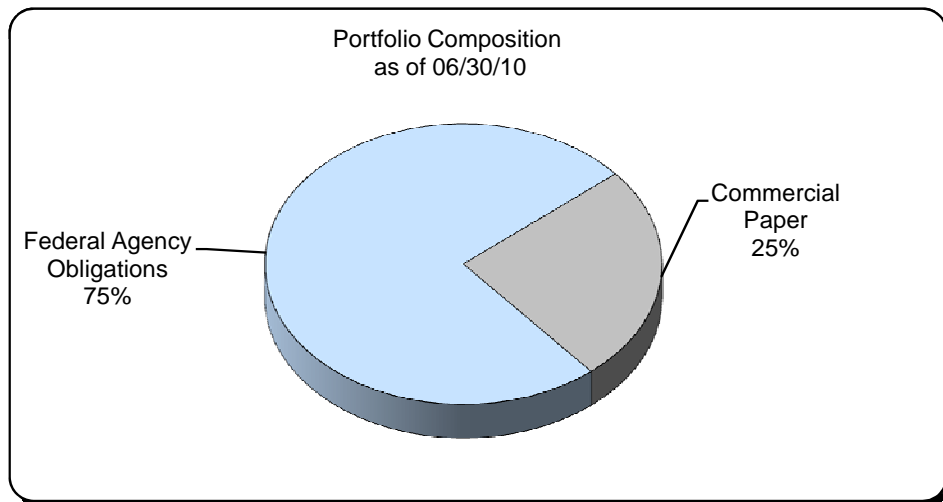
<u>Benchmarks</u>	<b>June 30, 2010</b>	<u>June 30, 2009</u>
3 Month U.S. Treasury Bill Index <sup>5, 6</sup>	<b>0.11%</b>	0.57%

Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. Annual returns, source Bloomberg.
6. Due to its excessive concentration in Corporate Instruments, the SBA is no longer a suitable benchmark, therefore; we are utilizing the 3 Month U.S. Treasury Bill Index at this time, as it represents a risk-free benchmark.

**Short Term Fund Portfolio Composition and Credit Quality Characteristics**

<u>Security Type<sup>1</sup></u>	<u>June 30, 2010</u>	<u>% of Portfolio</u>	<u>June 30, 2009</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	N/A	N/A
Federal Agencies	149,918,310.92	75.0%	N/A	N/A
Commercial Paper	49,979,250.00	25.0%	N/A	N/A
Certificates of Deposit	0.00	0.0%	N/A	N/A
Bankers Acceptances	0.00	0.0%	N/A	N/A
Repurchase Agreements	0.00	0.0%	N/A	N/A
Municipal Obligations	0.00	0.0%	N/A	N/A
Corporate Notes/Bonds	0.00	0.0%	N/A	N/A
Mortgage Backed	0.00	0.0%	N/A	N/A
Money Market Fund/Cash	0.00	0.0%	N/A	N/A
<b>Totals</b>	<b>\$199,897,560.92</b>	<b>100.0%</b>	N/A	N/A

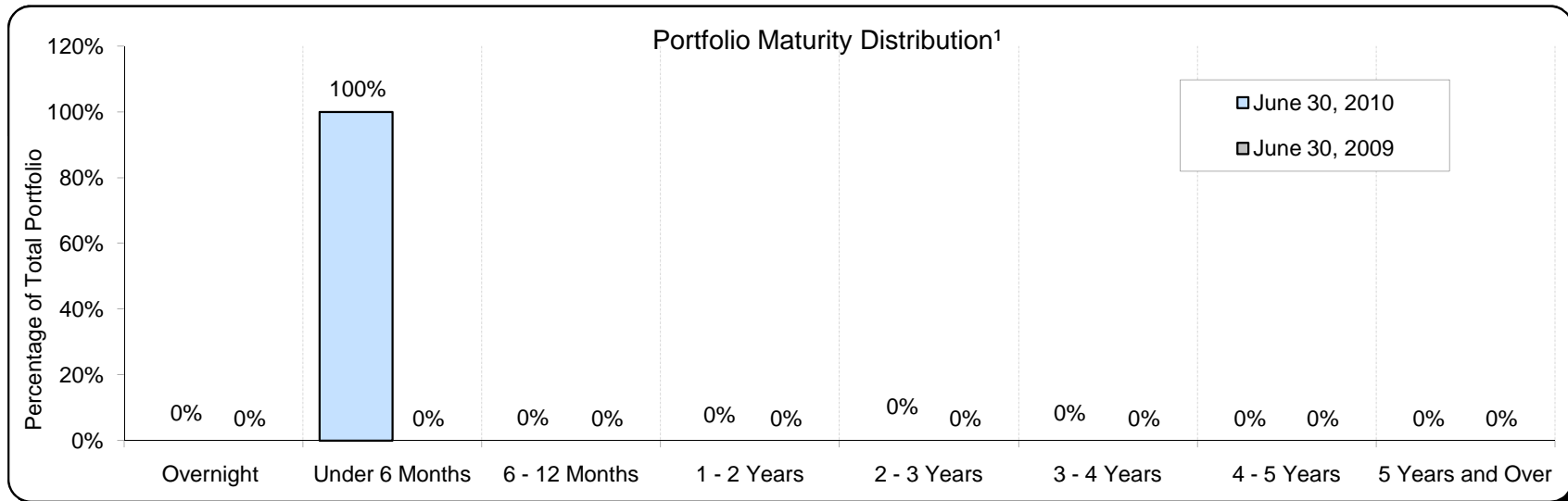


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

**Short Term Fund Portfolio Maturity Distribution**

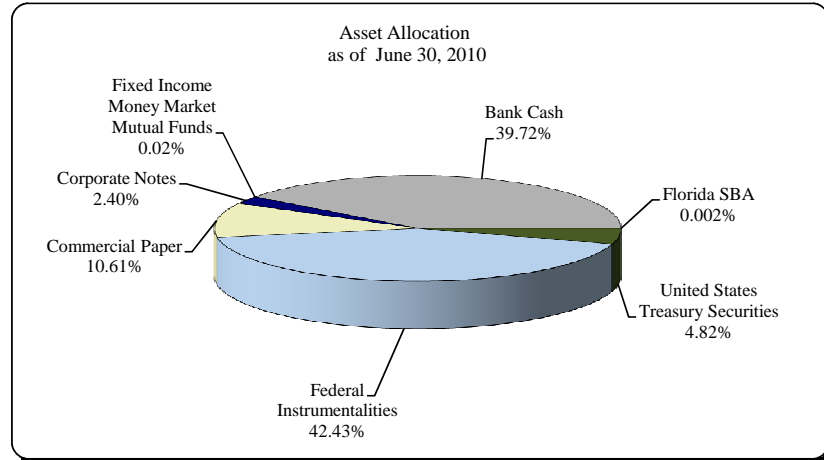
<u>Maturity Distribution</u> <sup>1</sup>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Overnight (Money Market Fund)	\$0.00	N/A
Under 6 Months	199,897,560.92	N/A
6 - 12 Months	0.00	N/A
1 - 2 Years	0.00	N/A
2 - 3 Years	0.00	N/A
3 - 4 Years	0.00	N/A
4 - 5 Years	0.00	N/A
5 Years and Over	0.00	N/A
<b>Totals</b>	<b>\$199,897,560.92</b>	<b>N/A</b>



Notes:

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

Security Type	June 30, 2010	Notes	Permitted by Policy
Florida SBA	0.002%	2	100%
United States Treasury Securities	4.82%		100%
United States Government Agency Securities	0.00%		50%
Federal Instrumentalities	42.43%	1	80%
Certificates of Deposit	0.00%		25%
Repurchase Agreements	0.00%		50%
Commercial Paper	10.61%		35%
Corporate Notes	2.40%		15%
Mortgage-Backed Securities	0.00%	1	25%
Bankers' Acceptances	0.00%		35%
State and/or Local Government Debt	0.00%		20%
Fixed Income Money Market Mutual Funds	0.02%	2	50%
Bank Cash	39.72%	2	100%



Individual Issuer Breakdown	June 30, 2010	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		25%
US Export-Import Bank (Ex-Im)	0.00%		25%
Farmers Home Administration (FMHA)	0.00%		25%
Federal Financing Bank	0.00%		25%
Federal Housing Administration (FHA)	0.00%		25%
General Services Administration	0.00%		25%
New Communities Act Debentures	0.00%		25%
US Public Housing Notes & Bonds	0.00%		25%
US Dept. of Housing and Urban Development	0.00%		25%
Federal Farm Credit Bank (FFCB)	0.00%		50%
Federal Home Loan Bank (FHLB)	13.86%		50%
Federal National Mortgage Association (FNMA)	17.57%		50%
Federal Home Loan Mortgage Corporation (FHLMC)	11.00%		50%
Student Loan Marketing Association (SLMA)	0.00%		50%

Individual Issuer Breakdown	June 30, 2010	Notes	Permitted by Policy
CD - Bank A	0.00%		15%
CD - Bank B	0.00%		15%
Fully collateralized Repo - A	0.00%		25%
Fully collateralized Repo - B	0.00%		25%
General Electric CP	10.61%	3	10%
CP B	0.00%		10%
CP C	0.00%		10%
CP D	0.00%		10%
CP E	0.00%		10%
General Electric Corporate Note	0.91%		5%
Morgan Stanley Corporate Note - FDIC Insured	0.64%		5%
JP Morgan Chase Corporate Notes - FDIC Insured	0.43%		5%
Citigroup Corporate Notes - FDIC insured	0.42%		5%
Corporate Notes E	0.00%		5%
BA Bank A	0.00%		10%
BA Bank B	0.00%		10%
Palm Beach County School Board Muni Bonds	0.00%		20%
Columbia Money Market Fund	0.00%	2	25%
Dreyfus Money Market Fund	0.00%	2	25%
Dreyfus Sales Tax Money Market Fund	0.00%	2	25%
JP Morgan Money Market Fund	0.02%	2	25%

Notes:

1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 80%. The combined total as of June 30, 2010 is 42.43%.
2. Managed by the School District.
3. The money market fund balances have continued to drop since January, pushing the individual issuer commercial paper allocation over the permitted allocation limits. General Electric commercial paper investments were within allocation limits at the time of purchase.

\* No Bond Proceeds.