



GOVERNMENT PORTFOLIO ADVISORS

Monthly Report

Account

City of Franklin

7/31/2014

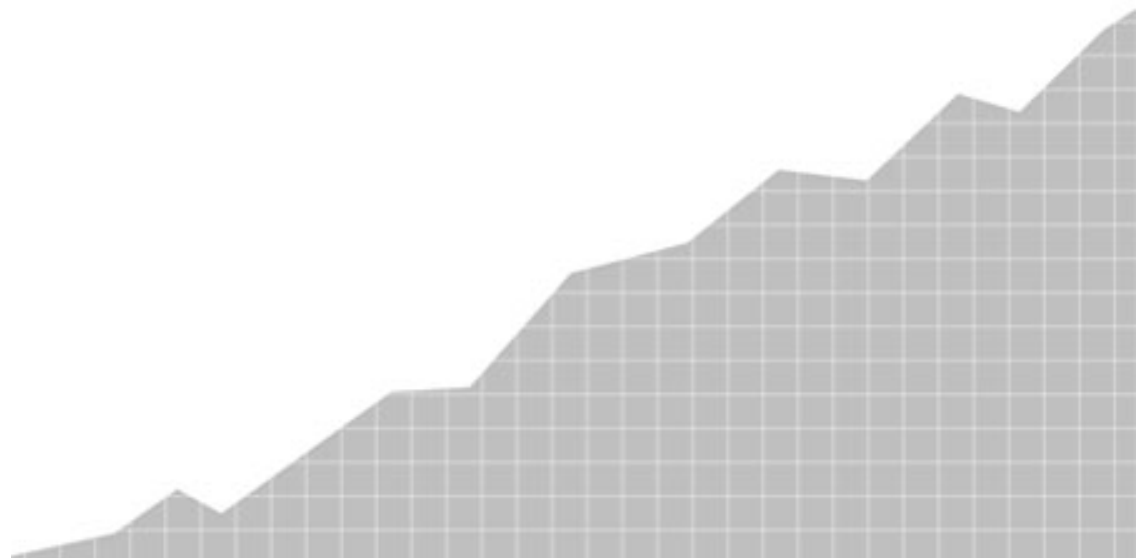




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MONTH END COMMENTARY

July 2014

With the exception of the 30-year long bond, yields rose in July, spurred on by a much higher than expected increase in GDP in the second quarter of 4%. This report was issued after the GDP in the first quarter was revised to a negative 2.1%. Growth in the first half of the year has now averaged 1%. The Bureau of Economic Analysis emphasized that the second quarter advance estimate was based on source data that are incomplete or subject to further revision by the Bureau. The “second” estimate for the second quarter, based on more complete data, will be released on August 28, 2014. Nevertheless, bonds reacted negatively with a large sell off in prices and an increase in yields across the curve.

Geo-political Events: Before the GDP number was released, bond prices had rallied to their highest point since March as a flight to quality continued due to a variety of global destabilizing events. The shooting down of a Malaysian plane in the Ukraine, Israel’s escalating military operations in the Gaza strip and expanded sanctions in Russia contributed to the rush to the safety of U.S. Government bonds.

FOMC Minutes: The Federal Reserve will continue to taper and reduce its pace of bond purchases by another \$10 billion as labor market conditions improve and the unemployment rate declines further, the June FOMC meeting minutes said. However, the FOMC cautioned that there remains significant underutilization of labor resources, with the recovery in the housing sector moving at a slow pace. The federal funds rate will remain at the current 0 to .25% target range. The minutes showed the FOMC is debating having the final reduction come in a single \$15 billion reduction, or in a \$10 billion reduction followed by a \$5 billion reduction, which would make the final reduction in October.

Other economic data:

Non-farm Payrolls/Unemployment: Payroll employment increased by 288,000 in the month of June, with upward revisions to both May and April. Job gains were broad based, with notable increases in business services outside of the temporary sector. The unemployment rate fell to 6.1%, the lowest reading since September 2008. Expectations were for the unemployment rate to remain unchanged at 6.3%.

European Bond Yields: Bonds yields have fallen to the lowest levels in modern history in Germany, France and other European nations. 10 Year German bonds fell to a record low of 1.1% while French 10 Year bonds fell to 1.50%. The 10 Year U.S. Bond ended the month at 2.56%. Risks of deflation and mounting concerns about sanctions against Russia contributed to the drop in European yields.

Housing Data: Housing starts fell 9.3% to an 893,000 annualized rate from a 985,000 pace in May that was weaker than initially estimated. The median estimate of 79 economists surveyed by Bloomberg called for a 1.02 million rate.



Treasury Yield Curve Total Returns over the last 12 months:*

<u>Maturity</u>	<u>Total Return (trailing 12 months)</u>
3month bill	.05
1 year note	.26
2 year note	.57
3 year note	.54
5 year note	1.06

Changes in the Treasury Market over the past quarter (absolute yield levels):*

	<u>7/31/13</u>	<u>5/31/14</u>	<u>6/30/14</u>	<u>7/31/14</u>	<u>Change in July</u>	<u>Change from prior year</u>
3month bill	.04	.04	.02	.02	unch	-.02
6month bill	.07	.05	.07	.05	-.02	-.02
2 year note	.31	.38	.46	.53	+.07	+.22
3 year note	.59	.78	.87	.99	+.12	+.40
5 year note	1.38	1.54	1.63	1.76	+.13	+.38
10 year bond	2.58	2.48	2.53	2.56	+.03	-.02
30 year bond	3.64	3.33	3.36	3.31	-.05	-.33

*Source: Bloomberg



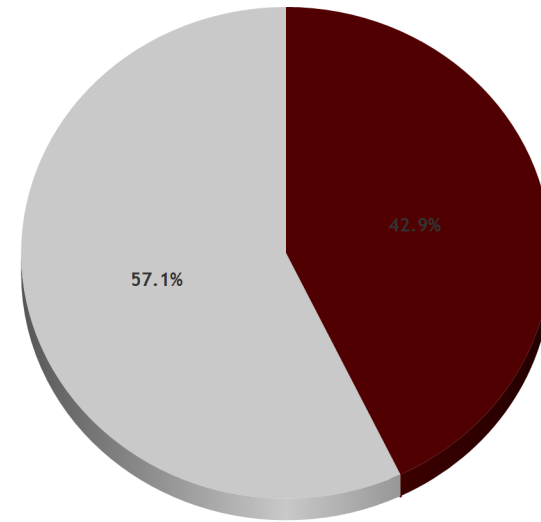
Weighted Averages

Average Yield	0.64
Average Maturity	2.07
Average Coupon	0.69
Average Duration	2.04
Average Moody	Aaa
Average S&P	AA+
Average Fitch	Not Rated

Fixed Income Totals

Par Value	17,500,000
Market Value	17,505,239.69
Total Cost	17,496,169.80
Net Gain/Loss	9,069.89
Annual Income	121,250.00

Fixed Income Allocation



Security Type	Market Value	% Fixed Income	% Assets
US Agency (USD)	7,507,972.50	42.9	42.9
US Treasury (USD)	9,997,267.19	57.1	57.1
Fixed Income Total	17,505,239.69	100.0	100.0

PORTFOLIO HOLDINGS- SETTLED TRADES

City of Franklin

July 31, 2014

Cusip	Par Value	Security	Call Date	Trade Date	Amor Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Dur Call
US Treasury															
912828VR8	2,500,000	UNITED STATES TREAS NTS 0.625% Due 08-15-16		03-27-14	100.00	0.62	100.09	0.58	2,502,345.00	7,165.06	2,509,510.06	2,261.20	14.3	2.02	2.02
912828WA4	2,500,000	UNITED STATES TREAS NTS 0.625% Due 10-15-16		03-27-14	99.83	0.70	99.90	0.67	2,497,460.00	4,567.96	2,502,027.96	1,695.08	14.3	2.18	2.18
912828A59	2,500,000	UNITED STATES TREAS NTS 0.625% Due 12-15-16		12-18-13	99.97	0.64	99.72	0.74	2,492,970.00	1,963.80	2,494,933.80	-6,331.69	14.2	2.35	2.35
912828SC5	2,500,000	UNITED STATES TREAS NTS 0.875% Due 01-31-17		03-27-14	100.08	0.84	100.18	0.80	2,504,492.19	0.00	2,504,492.19	2,599.28	14.3	2.47	2.47
	10,000,000					0.70		0.70	9,997,267.19	13,696.82	10,010,964.01	223.87	57.1	2.26	2.26
US Agency Bullet															
313378CN9	2,500,000	FEDERAL HOME LOAN BANKS 0.600% Due 08-17-15		03-12-12	99.94	0.66	100.33	0.28	2,508,200.00	6,833.33	2,515,033.33	9,664.43	14.3	1.04	1.04
313380L96	2,500,000	FEDERAL HOME LOAN BANKS 0.500% Due 11-20-15		07-11-13	99.99	0.51	100.21	0.34	2,505,215.00	2,465.28	2,507,680.28	5,545.85	14.3	1.30	1.30
3137EADJ5	2,500,000	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17		12-18-13	100.04	0.99	99.78	1.07	2,494,557.50	208.33	2,494,765.83	-6,364.26	14.3	2.94	2.94
	7,500,000					0.72		0.56	7,507,972.50	9,506.94	7,517,479.44	8,846.03	42.9	1.76	1.76
TOTAL PORTFOLIO	17,500,000					0.71		0.64	17,505,239.69	23,203.76	17,528,443.45	9,069.89	100.0	2.04	2.04



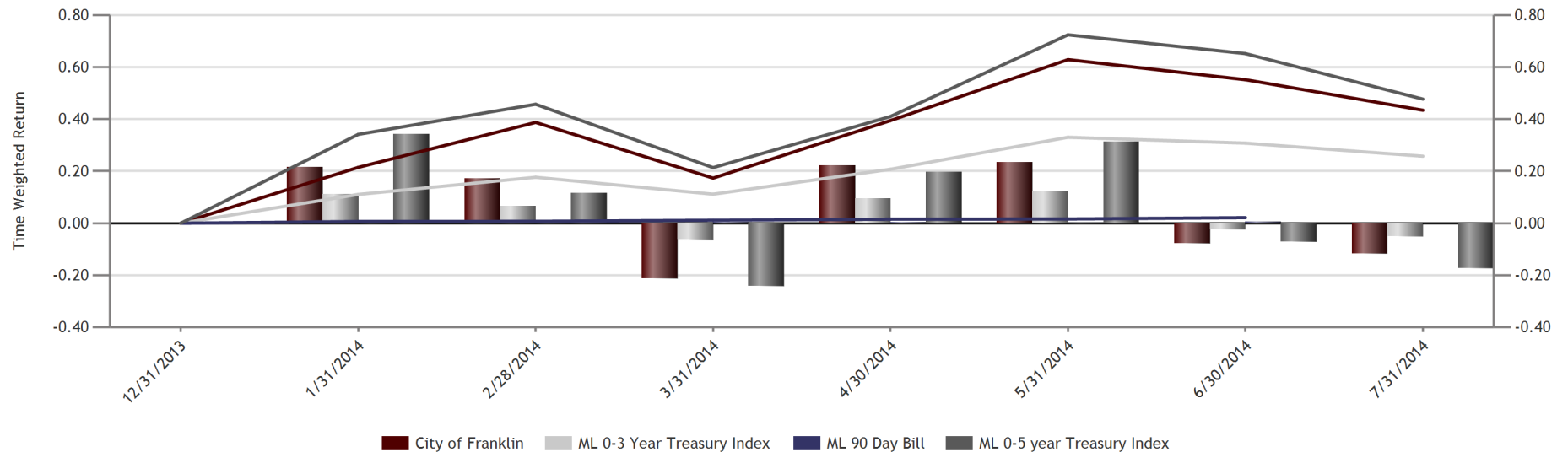
Performance History

Industry Sector	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Inception To Date
Treasury	-0.16	-0.16	0.58		0.58
Agency	-0.05	-0.05	0.41		0.41
Account	-0.12	-0.12	0.43		0.43

Index

ML 0-3 Year Treasury Index	-0.05	-0.05	0.26		0.26
ML 90 Day Bill					
ML 0-5 year Treasury Index	-0.17	-0.17	0.48		0.48

Time Weighted Return Inception (12/31/2013) to Date





Yield Curve Distribution

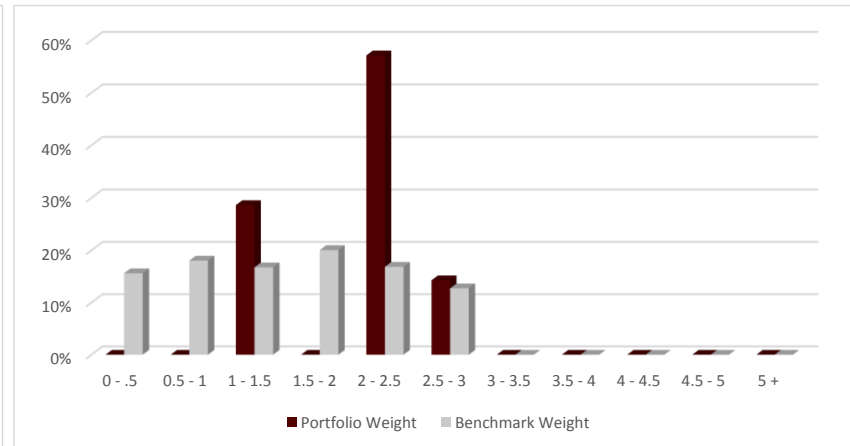
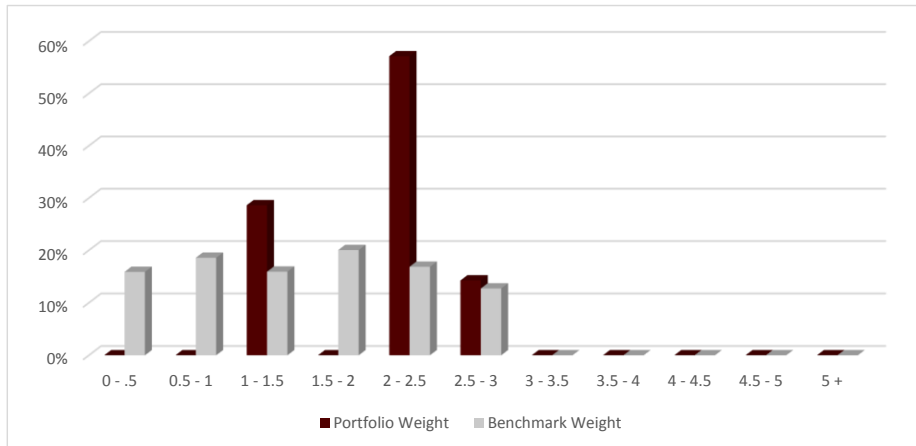
vs. 0-3 Treasury Benchmark

8/1/2014

	Effective Duration	Modified Duration
Portfolio	2.03	2.03
Benchmark	1.45	1.46
Difference	0.58	0.57

Modified Duration	Market Value	Portfolio Weight	Benchmark Weight	Overweight/Underweight
	\$ 17,533,276			
0 - .5	\$ -	0%	16%	-16%
0.5 - 1	\$ -	0%	19%	-19%
1 - 1.5	\$ 5,017,500	29%	16%	13%
1.5 - 2	\$ -	0%	20%	-20%
2 - 2.5	\$ 10,014,551	57%	17%	40%
2.5 - 3	\$ 2,501,225	14%	13%	2%
3 - 3.5	\$ -	0%	0%	0%
3.5 - 4	\$ -	0%	0%	0%
4 - 4.5	\$ -	0%	0%	0%
4.5 - 5	\$ -	0%	0%	0%
5 +	\$ -	0%	0%	0%

Effective Duration	Market Value	Portfolio Weight	Benchmark Weight	Overweight/Underweight
	\$ 17,533,276			
0 - .5	\$ -	0%	16%	-16%
0.5 - 1	\$ -	0%	18%	-18%
1 - 1.5	\$ 5,017,500	29%	17%	12%
1.5 - 2	\$ -	0%	20%	-20%
2 - 2.5	\$ 10,014,551	57%	17%	40%
2.5 - 3	\$ 2,501,225	14%	13%	2%
3 - 3.5	\$ -	0%	0%	0%
3.5 - 4	\$ -	0%	0%	0%
4 - 4.5	\$ -	0%	0%	0%
4.5 - 5	\$ -	0%	0%	0%
5 +	\$ -	0%	0%	0%



*Please review the last page of this report for our disclaimer

Government Portfolio Advisors
PERFORMANCE REPORT
NET OF FEES
City of Franklin
 From 06-30-14 to 07-31-14

Portfolio Value on 06-30-14	17,534,019.7
Accrued Interest	36,262.24
Contributions	0.00
Withdrawals	-23,437.50
Realized Gains	0.00
Market Value Change in Period	-28,780.00
Interest	10,379
Portfolio Value on 07-31-14	17,505,239.69
Accrued Interest	23,203.76
Average Capital	17,568,316.21
Total Return	-20,484.31
Return for Period	-0.12
Annualized Return for period	-1.36

Government Portfolio Advisors
PORTFOLIO SUMMARY
City of Franklin
 July 31, 2014

<u>Security Type</u>	<u>Total Cost</u>	<u>Total Adjusted Cost</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Yield On Cost</u>	<u>Est. Annual Income</u>
Fixed Income Investments	17,492,166.88	17,496,169.80	17,505,239.69	100.0	0.71	121,250.00
TOTAL PORTFOLIO	17,492,166.88	17,496,169.80	17,505,239.69	100.0	0.71	121,250.00

Government Portfolio Advisors
EARNED INCOME REPORT
City of Franklin
From 06-30-14 To 07-31-14

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Ending Accrued Interest	Earned Interest	Amortization/ Accretion	Earned Income
US Agency (USD)									
US Agency Bullet									
313378CN9	FEDERAL HOME LOAN BANKS 0.600% Due 08-17-15	5,541.67	0.00	0.00	0.00	6,833.33	1,291.67	119.47	1,411.14
313380L96	FEDERAL HOME LOAN BANKS 0.500% Due 11-20-15	1,388.89	0.00	0.00	0.00	2,465.28	1,076.39	21.62	1,098.00
3137EADJ5	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17	10,555.56	0.00	0.00	-12,500.00	208.33	2,152.78	-25.77	2,127.01
		17,486.11	0.00	0.00	-12,500.00	9,506.94	4,520.83	115.31	4,636.15
US Agency (USD) Total		17,486.11	0.00	0.00	-12,500.00	9,506.94	4,520.83	115.31	4,636.15
US Treasury (USD)									
US Treasury									
912828VR8	UNITED STATES TREAS NTS 0.625% Due 08-15-16	5,827.00	0.00	0.00	0.00	7,165.06	1,338.05	-3.49	1,334.56
912828WA4	UNITED STATES TREAS NTS 0.625% Due 10-15-16	3,244.54	0.00	0.00	0.00	4,567.96	1,323.43	163.25	1,486.68
912828A59	UNITED STATES TREAS NTS 0.625% Due 12-15-16	640.37	0.00	0.00	0.00	1,963.80	1,323.43	24.99	1,348.42
912828SC5	UNITED STATES TREAS NTS 0.875% Due 01-31-17	9,064.23	0.00	0.00	-10,937.50	0.00	1,873.27	-64.40	1,808.87
		18,776.13	0.00	0.00	-10,937.50	13,696.82	5,858.18	120.35	5,978.53
US Treasury (USD) Total		18,776.13	0.00	0.00	-10,937.50	13,696.82	5,858.18	120.35	5,978.53
TOTAL PORTFOLIO		36,262.24	0.00	0.00	-23,437.50	23,203.76	10,379.02	235.66	10,614.68

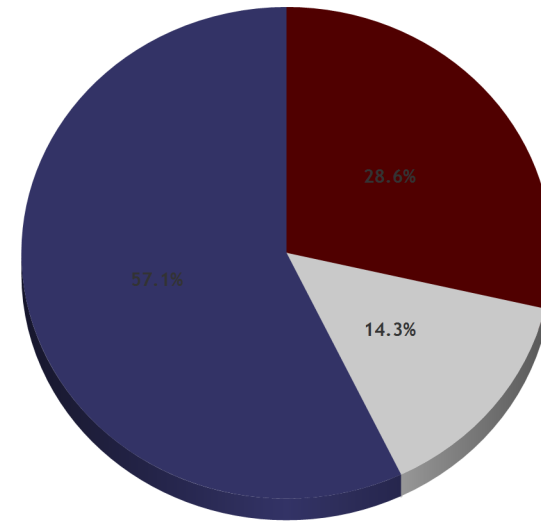


Activity and Issuer Overview - Settled

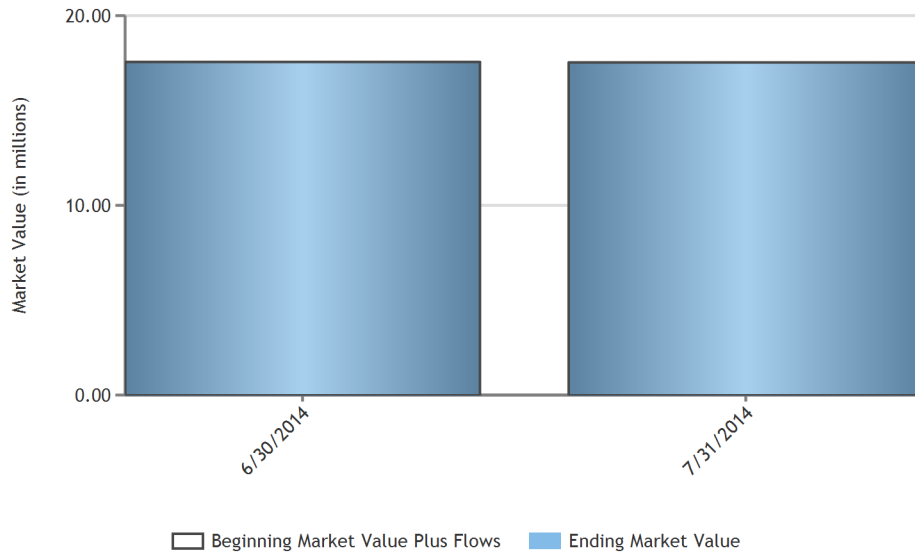
Activity Summary

	Month to Date
Beginning Value	17,534,019.69
Accrued Interest	36,262.24
Net Contributions/Withdrawals	-23,437.50
Realized Gains	0.00
Unrealized Gains	-28,780.00
Income Received	23,437.50
Change in Accrued Interest	-13,058.48
Ending Value	17,505,239.69
Accrued Interest	23,203.76
Management Fees Paid By Client	-2,083.33

Portfolio Allocation as of 7/31/2014



Change in Portfolio



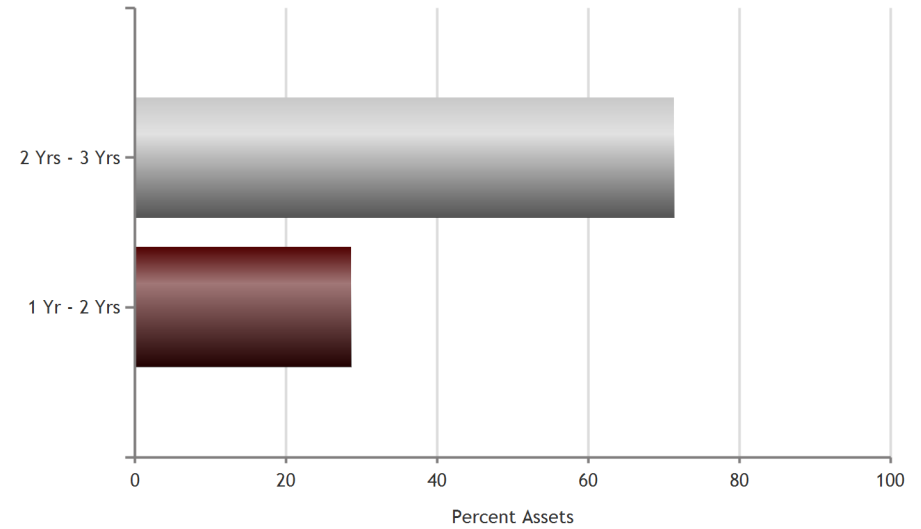
Issuer	Market Value	% Assets	Yield
FEDERAL HOME LOAN BANKS	5,013,415.00	28.6	0.6
FEDERAL HOME LN MTG CORP	2,494,557.50	14.3	1.0
UNITED STATES TREAS NTS	9,997,267.19	57.1	0.7
Total	17,505,239.69	100.0	0.7



Distribution by Duration

Duration	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
1 Yr - 2 Yrs	2	5,013,415.00	28.6	0.3	0.550%	1.2
2 Yrs - 3 Yrs	5	12,491,824.69	71.4	0.8	0.750%	2.4

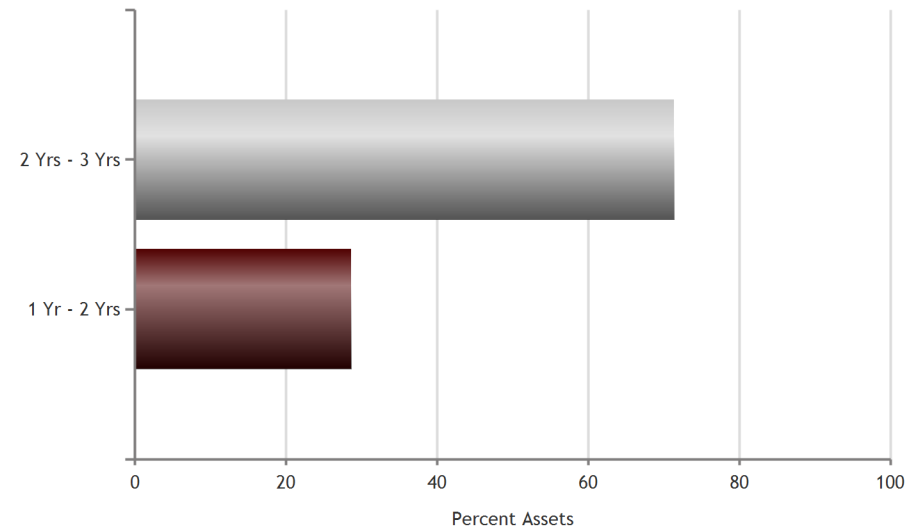
Distribution by Duration



Distribution by Maturity

Maturity	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
1 Yr - 2 Yrs	2	5,013,415.00	28.6	0.3	0.550%	1.2
2 Yrs - 3 Yrs	5	12,491,824.69	71.4	0.8	0.750%	2.4

Distribution by Maturity

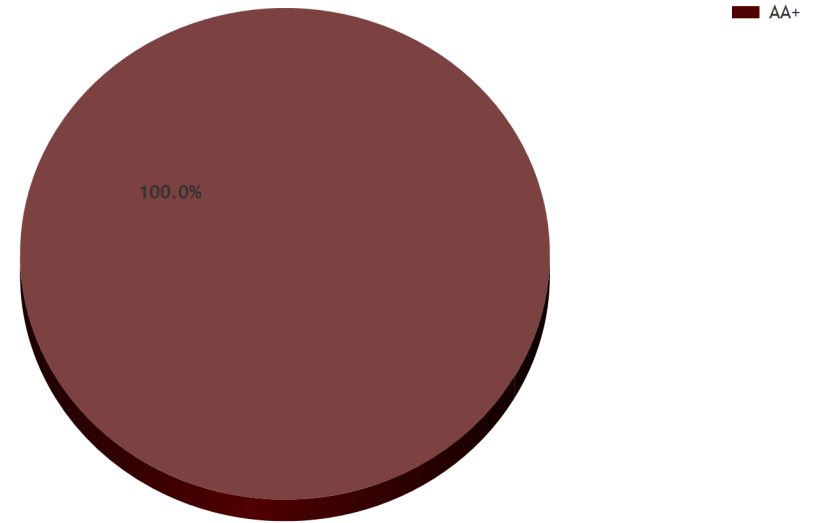




Distribution by S&P Rating

S&P Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
AA+	7	17,505,239.69	100.0	0.7	0.693%	2.8

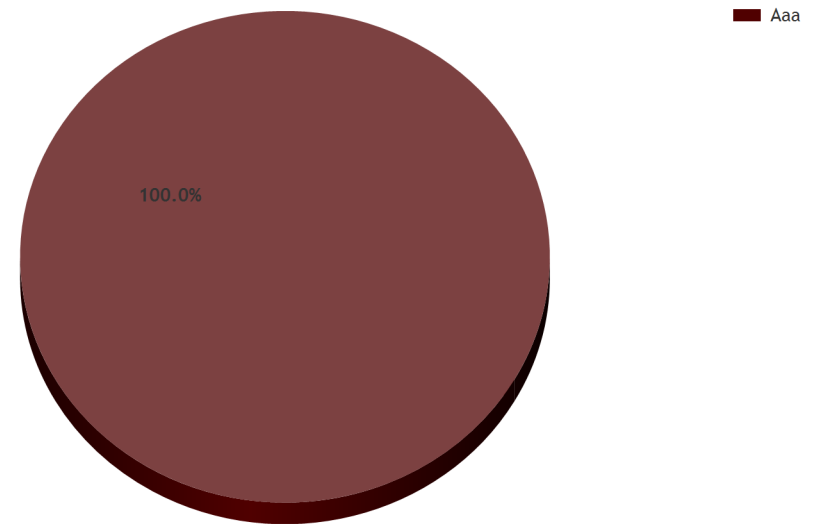
Distribution by S&P Rating



Distribution by Moody Rating

Moody Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
Aaa	7	17,505,239.69	100.0	0.7	0.693%	2.8

Distribution by Moody Rating





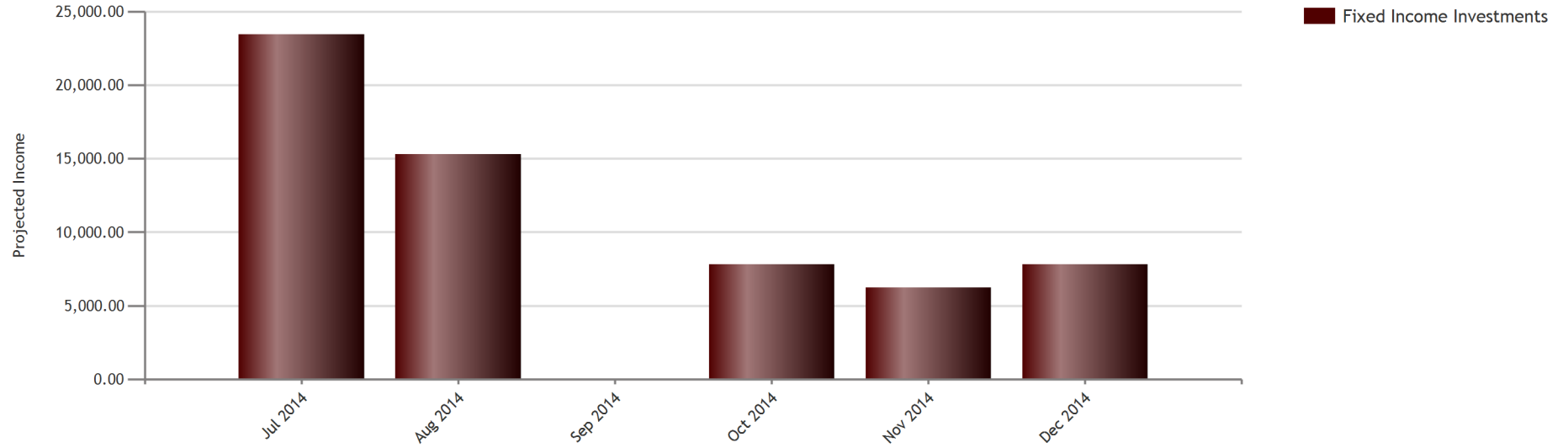
Transaction Summary

Interest

Trade Date	Settle Date	Symbol	Security	Amount
7/28/2014	7/28/2014	3137EADJ5	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17	12,500.00
7/31/2014	7/31/2014	912828SC5	UNITED STATES TREAS NTS 0.875% Due 01-31-17	10,937.50
Total Interest				23,437.50

Expenses

Trade Date	Settle Date	Symbol	Security	Amount
7/31/2014	7/31/2014	manfee	Management Fee	2,083.33
Total Expenses				2,083.33



	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014
Fixed Income Investments	23,437.50	15,312.50	0.00	7,812.50	6,250.00	7,812.50
US Agency (USD)	12,500.00	7,500.00	0.00	0.00	6,250.00	0.00
US Treasury (USD)	10,937.50	7,812.50	0.00	7,812.50	0.00	7,812.50
Total	23,437.50	15,312.50	0.00	7,812.50	6,250.00	7,812.50
Grand Total	60,625.00					



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Generally, market prices in GPA's reports are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data or Bloomberg. 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. Prices that fall between data points are interpolated. Non-negotiable FDIC - insured bank certificates of deposit are priced at par. Although GPA believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for money market and TERM funds is contained in the appropriate fund information statement.

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 premiums with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straightline basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.

Financial Situation

In order to better serve you, GPA should be promptly notified of any material change in your investment objective or financial situation.

Callable Securities

Securities subject to redemption prior to maturity may be redeemed in whole or in part before maturity, which could affect the yield represented. Certain call dates may not show up on the report if the call date has passed and it is continuously callable.

Duration

The duration listed on the reports is duration to maturity and duration to call. These reports do not calculate the effective duration that incorporates callable bonds. GPA will provide this number in the strategic reports.

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Rating

Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed.