

# CITY OF FRANKLIN CORE

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June 30, 2012



**Davidson**  
**Fixed Income Management**

REGISTERED INVESTMENT ADVISER

*We urge you to compare the information contained in this periodic statement with the account statement(s) you receive directly from the custodian that holds your account(s). Please notify us immediately if you identify any discrepancies or have any questions.*

MONTHLY MARKET COMMENTARY

JUNE 2012

On June 1<sup>st</sup>, 2012, the U.S. Treasury 10-year note reached its lowest yield ever of 1.45%. After reaching record lows, Treasury yields increased across the curve as plans started to be put in place to deal with the European economic crisis. The Euro Area summit of June 29<sup>th</sup> produced a potentially significant statement that may point to some direction for solving the debt crisis. The solution points to an agreement of greater sharing of banking system risks among the European nations and containing some austerity measures. Bond yields climbed on this positive move, although, fears remain about a default on Greek debt.

Unemployment Report: The month's lowest interest rates occurred on the first day of June with the report of a much lower than expected Non-farm payrolls. Non-farm payrolls rose 69,000 in May. A gain of 150,000 was expected. This was the weakest non-farm payroll report since September, 2010. Revisions to the previous two months subtracted an additional 49,000 workers. Beyond payrolls, the workweek and hours-worked both fell. The unemployment rate in May rose .1% to 8.2%. An unchanged reading at 8.1% was expected. The final result was a weak labor report which leaves the door open for additional accommodation by the Fed.

FOMC: As expected, the FOMC voted unanimously to keep the Fed Funds target unchanged at 0%-0.25% with interest rates remaining exceptionally low for an "extended period." Guidance was left unchanged with policy rates expected to be exceptionally low through 2014. The meeting statement downgraded the status of the economy – notably for the labor market and consumer sector. Again, Richmond Fed President Jeffrey M. Lacker dissented. The vote for the statement was 11-1.

The Fed acknowledged that the economy has slowed. "Information received since the Federal Open Market committee met in April suggests that the economy has been expanding moderately this year. However, growth in employment has slowed in recent months and the unemployment rate remains elevated. Business fixed investment has continued to advance. Household spending appears to be rising at a somewhat slower pace than earlier in the year. Despite some signs of improvement, the housing sector remains depressed."

Other Economic Data\*:

- Single-family housing starts are increasing and building permits have risen to the highest level since 2008.
- Core CPI declined 0.3% in May, after remaining unchanged in April, which marks a 1.7% 12-month increase.
- The Conference Board Consumer Confidence index fell to 62.00, the lowest confidence number since January 2012.
- The 3<sup>rd</sup> Estimate of Quarter One 2012 GDP revealed a 1.9% rate of gain, same as the 2<sup>nd</sup> estimate, but down from the advance estimate of 2.2%.

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER\*:

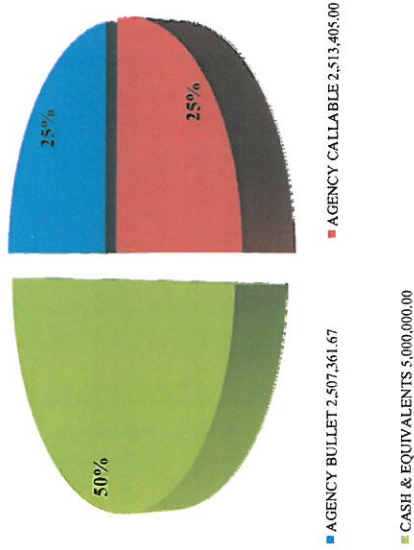
	<u>04/30/2012</u>	<u>05/31/2012</u>	<u>06/30/12</u>	<u>Change June</u>
3-month bill	0.09	0.07	0.08	+0.01
6-month bill	0.14	0.12	0.16	+0.04
2-year note	0.26	0.26	0.30	+0.04
5-year note	0.81	0.66	0.72	+0.06
10-year note	1.92	1.56	1.65	+0.09

\*Source: Bloomberg

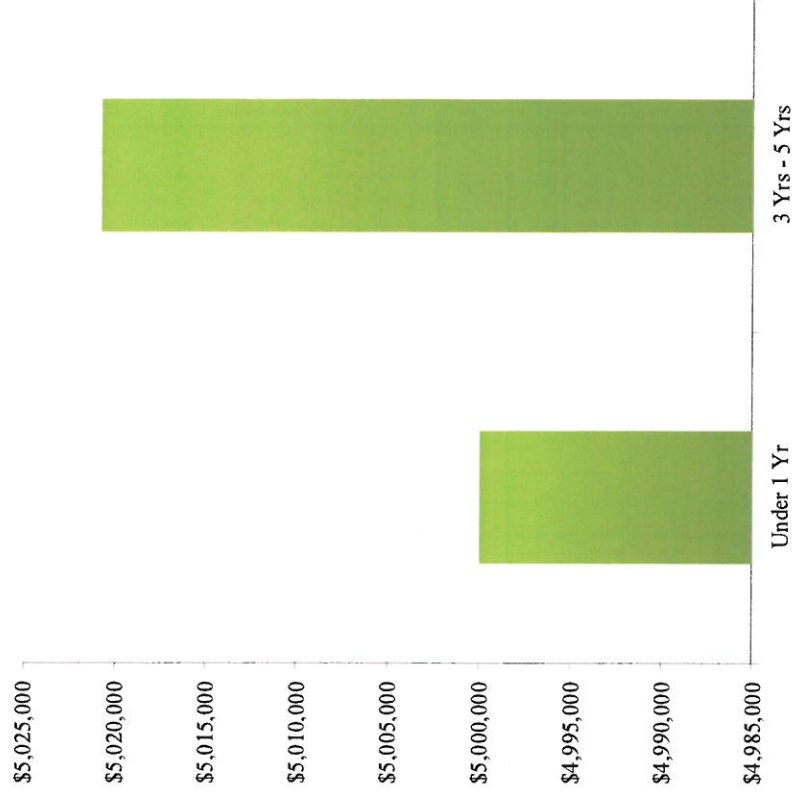


**CITY OF FRANKLIN CORE**

DISTRIBUTION BY ASSET CLASS



DISTRIBUTION BY MATURITY



DISTRIBUTION BY ISSUER

Industry Groups	Market Value	Pct.
CASH & EQUIVALENTS	5,000,000.00	49.90
FHLMC	2,513,405.00	25.08
FHLB	2,507,361.67	25.02
<b>Total</b>	<b>10,020,766.67</b>	<b>100.00</b>

\*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.



**Securities Summary Report**  
**CITY OF FRANKLIN CORE**

June 30, 2012

	Par Value	Purchase Cost	Amortized Cost	Market Value	Unrealized Gain/Loss	Weighted Days to Maturity	% Portfolio	Weighted Average Yield	Weighted Average Duration to Maturity	Weighted Average Duration to Call
AGENCY BULLET	2,500,000	2,495,175.00	2,495,595.73	2,501,820.00	6,224.27	1,143	25.00	0.6	3.1	0.0
AGENCY CALLABLE	2,500,000	2,500,625.00	2,500,515.71	2,506,405.00	5,889.29	1,334	25.04	0.7	3.6	1.6
CASH & EQUIVALENTS	5,000,000	5,000,000.00	5,000,000.00	5,000,000.00	0.00	1	49.96	1.1	0.0	0.0
<b>TOTAL</b>	<b>10,000,000</b>	<b>9,995,800.00</b>	<b>9,996,111.44</b>	<b>10,008,225.00</b>	<b>12,113.56</b>	<b>619</b>	<b>100.00</b>	<b>0.9</b>	<b>1.7</b>	<b>1.6</b>

**Securities Summary Report**  
**CITY OF FRANKLIN CORE**

June 30, 2012

	Par Value	Purchase Cost	Amortized Cost	Market Value	Unrealized Gain/Loss	Weighted Days to Maturity	% Portfolio	Weighted Average Yield	Weighted Average Duration to Maturity	Weighted Average Duration to Call
FHLB	2,500,000	2,495,175.00	2,495,595.73	2,501,820.00	6,224.27	1,143	25.00	0.6	3.1	0.0
FHLMC	2,500,000	2,500,625.00	2,500,515.71	2,506,405.00	5,889.29	1,334	25.04	0.7	3.6	1.6
CASH & EQUIVALENTS	5,000,000	5,000,000.00	5,000,000.00	5,000,000.00	0.00	1	49.96	1.1	0.0	0.0
<b>TOTAL</b>	<b>10,000,000</b>	<b>9,995,800.00</b>	<b>9,996,111.44</b>	<b>10,008,225.00</b>	<b>12,113.56</b>	<b>619</b>	<b>100.00</b>	<b>0.9</b>	<b>1.7</b>	<b>1.6</b>

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**SUMMARY OF AMORTIZED COST BASIS  
 RETURN FOR THE PERIOD  
 CITY OF FRANKLIN CORE**

May 31, 2012 to June 30, 2012

Interest Earned	6,990.67
Accretion/Amortization	90.18
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	7,080.86
Average Daily Historical Cost	10,014,748.18
Return	0.07%
Annualized Return	0.87%
Annualized Return Net of Fees	0.87%
Weighted Duration to Maturity in Years	1.67
Weighted Days to Maturity	619

**DETAIL AMORTIZATION COST RETURN  
 CITY OF FRANKLIN CORE**

From 05-31-12 to 06-30-12

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	1,208.33	115.80	0.00	1,324.13
AGENCY CALLABLE	1,611.11	-25.61	0.00	1,585.50
CASH & EQUIVALENTS	4,171.23	0.00	0.00	4,171.23
<b>TOTAL</b>	<b>6,990.67</b>	<b>90.18</b>	<b>0.00</b>	<b>7,080.86</b>

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**DETAIL ON MARKET VALUE RETURN**  
**CITY OF FRANKLIN CORE**

From 05-31-12 to 06-30-12

<b>Current Holdings</b>	<b>Interest Earned</b>	<b>Change in Market Value</b>	<b>Total Income</b>
AGENCY BULLET	1,208.33	1,547.50	2,755.83
AGENCY CALLABLE	1,611.11	1,512.50	3,123.61
CASH & EQUIVALENTS	4,171.23	0.00	4,171.23
<b>TOTAL</b>	<b>6,990.67</b>	<b>3,060.00</b>	<b>10,050.67</b>

**PERFORMANCE REPORT**  
**CITY OF FRANKLIN CORE**

From 05-31-12 to 06-30-12

Portfolio Value on 05-31-12 10,005,165.00  
 Accrued Interest 9,722.22

Contributions 0.00  
 Withdrawals -4,171.23  
 Market Value Change in Period 3,060.00  
 Interest Earned in Period 6,990.67

Portfolio Value on 06-30-12 10,008,225.00  
 Accrued Interest 12,541.67

Weighted Portfolio Value 10,014,748.18  
 Total Return 10,050.67

Return For Period 0.10  
 Return For Period Annualized 1.23

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**CITY OF FRANKLIN, TN**  
**PORTFOLIO RETURNS**

Target Benchmark: Treas 0-3 Year  
 From 01-31-12 to 06-30-12  
 Inception Date: 01-31-12

Market Value and Return				Duration Comparison					
Period Ending	Beginning Value	Contribution/Withdrawal	Principal Change	Interest Earnings	Ending Value	Total Return	Portfolio Duration	Treas 0-3 Year Duration	Difference
01/31/2012					0.00				
02/29/2012	0.00	7,495,597.60	-17,340.00	5,305.18	7,483,562.78	-12,034.82	1.12	1.46	-0.346
03/31/2012	7,483,562.78	2,491,984.93	-10,337.50	6,801.18	9,972,011.39	-3,536.32	1.66	1.45	0.211
04/30/2012	9,972,011.39	-4,171.23	37,480.00	6,990.67	10,012,310.83	44,470.67	1.59	1.46	0.131
05/31/2012	10,012,310.83	-4,315.07	-437.50	7,328.96	10,014,887.22	6,891.46	1.54	1.47	0.068
06/30/2012	10,014,887.22	-4,171.23	3,060.00	6,990.67	10,020,766.67	10,050.67	1.49	1.46	0.033
Total		9,974,925.00	12,425.00	33,416.67		45,841.67			

**Monthly Return**

**Cumulative Return**

Date	Price Return	Interest Return	Portfolio Return	Treas 0-3 Year Return	YTD Portfolio	YTD Treas 0-3 Year	Difference	Since Inception Portfolio	Since Inception Treas 0-3 Year
02/29/2012	-0.231%	0.071%	-0.188%	-0.100%	-0.188%	-0.100%	-0.089%	-0.188%	-0.100%
03/31/2012	-0.114%	0.075%	-0.062%	-0.035%	-0.250%	-0.135%	-0.115%	-0.250%	-0.135%
04/30/2012	0.376%	0.070%	0.425%	0.150%	0.174%	0.015%	0.159%	0.174%	0.015%
05/31/2012	-0.004%	0.073%	0.048%	0.035%	0.222%	0.050%	0.173%	0.222%	0.050%
06/30/2012	0.031%	0.070%	0.080%	-0.039%	0.302%	0.010%	0.291%	0.302%	0.010%
			<b>Annualized</b>		<b>0.733%</b>	<b>0.025%</b>	<b>0.708%</b>	<b>0.733%</b>	<b>0.025%</b>

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**CITY OF FRANKLIN CORE  
 PORTFOLIO HOLDINGS**

June 30, 2012

Security Symbol	Quantity	Security	Call Date	Par Date	Amort Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Dur Call
AGENCY BULLET 313378CN9	2,500,000	FEDERAL HOME LN BKS 0.600% Due 08-17-15		03-12-12	99.82	0.66	100.07	0.58	2,501,820.00	5,541.67	2,507,361.67	6,224.27	25.0	3.09	3.09
AGENCY CALLABLE 3134G3MX5	2,500,000	FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16	02-24-14	02-01-12	100.02	0.79	100.26	0.73	2,506,405.00	7,000.00	2,513,405.00	5,889.29	25.0	3.58	1.63
CASH & EQUIVALENTS FRNKCASH	5,000,000	FRANKLIN CASH 1.050% Due 07-01-12		02-01-12	1.00	1.05	1.00	1.05	5,000,000.00	0.00	5,000,000.00	0.00	50.0	0.00	0.00
<b>TOTAL</b>	<b>10,000,000</b>					<b>0.89</b>		<b>0.85</b>	<b>10,008,225.00</b>	<b>12,541.67</b>	<b>10,020,766.67</b>	<b>12,113.56</b>	<b>100.0</b>	<b>1.67</b>	<b>1.18</b>

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Special note: At this time A.X.Y.S. does not correctly calculate book or market yields for variable rate, floating rate, or mortgage backed securities.





**CITY OF FRANKLIN CORE  
 TRANSACTION SUMMARY**

From 06-01-12 To 06-30-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
<b>Deposit</b>							
06-30-12	06-30-12	manfee		Management Fee		2,083.34	
<b>Interest</b>							
06-30-12	06-30-12	FRNKCASH		FRANKLIN CASH 1.050% Due 07-01-12		4,171.23	

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**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF FRANKLIN CORE**

June 30, 2012

Purchase Information				Amortization/Accretion Information				Adjusted Cost	
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date		Balance
<b>FHLB(Straight Line)</b>									
FEDERAL HOME LN BKS 0.600% Due 08-17-15 (313378CN9)									
2,500,000	1	03-12-2012	99.807	2,495,175.00	115.80	420.73	420.73	4,404.27	2,495,595.73
<b>FHLMC CALLABLE(Straight Line)</b>									
FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16 (3134G3MX5)									
2,500,000	1	02-01-2012	100.025	2,500,625.00	-25.61	-109.29	-109.29	-515.71	2,500,515.71
<b>CASH(Straight Line)</b>									
FRANKLIN CASH 1.050% Due 07-01-12 (FRNKCASH)									
5,000,000	1	02-01-2012	1.000	5,000,000.00	0.00	0.00	0.00	0.00	5,000,000.00
<b>GRAND TOTAL</b>				<b>9,995,800.00</b>	<b>90.18</b>	<b>311.44</b>	<b>311.44</b>	<b>3,888.56</b>	<b>9,996,111.44</b>

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 Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.



**INTEREST ACCRUALS**  
**CITY OF FRANKLIN CORE**  
From 05-31-12 To 06-30-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>AGENCY</b>							
<b>AGENCY BULLET</b>							
FHLB 313378CN9	FEDERAL HOME LN BKS 0.600% Due 08-17-15	4,333.33	0.00	0.00	0.00	1,208.33	5,541.67
		<u>4,333.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,208.33</u>	<u>5,541.67</u>
	<b>AGENCY BULLET Total</b>	<u>4,333.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,208.33</u>	<u>5,541.67</u>
<b>AGENCY CALLABLE</b>							
FHLMC 31343MX5	FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16	5,388.89	0.00	0.00	0.00	1,611.11	7,000.00
		<u>5,388.89</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,611.11</u>	<u>7,000.00</u>
	<b>AGENCY CALLABLE Total</b>	<u>5,388.89</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,611.11</u>	<u>7,000.00</u>
	<b>AGENCY Total</b>	<u>9,722.22</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,819.44</u>	<u>12,541.67</u>
<b>CASH</b>							
<b>CASH &amp; EQUIVALENTS</b>							
CASH & EQUIVALENTS FRNKCASH	FRANKLIN CASH 1.050% Due 07-01-12	0.00	0.00	0.00	-4,171.23	4,171.23	0.00
		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-4,171.23</u>	<u>4,171.23</u>	<u>0.00</u>
	<b>CASH &amp; EQUIVALENTS Total</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-4,171.23</u>	<u>4,171.23</u>	<u>0.00</u>
	<b>CASH Total</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-4,171.23</u>	<u>4,171.23</u>	<u>0.00</u>



**INTEREST ACCRUALS**  
**CITY OF FRANKLIN CORE**  
 From 05-31-12 To 06-30-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
TOTAL PORTFOLIO		9,722.22	0.00	0.00	-4,171.23	6,990.67	12,541.67



**PROJECTED FIXED INCOME CASH FLOWS**  
**CITY OF FRANKLIN CORE**  
 Beginning June 30, 2012

Security	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Total
<b>AGENCY</b>													
FEDERAL HOME LN BKS			7,500.00						7,500.00				15,000.00
0.600% Due 08-17-15													
FEDERAL HOME LN MTG CORP			10,000.00						10,000.00				20,000.00
0.800% Due 02-24-16													
<b>TOTAL</b>			<b>17,500.00</b>						<b>17,500.00</b>				<b>35,000.00</b>
<b>CASH</b>													
FRANKLIN CASH													
1.050% Due 07-01-12		5,000,000.00											5,000,000.00
<b>TOTAL</b>		<b>5,000,000.00</b>											<b>5,000,000.00</b>
<b>GRAND TOTAL</b>		<b>5,000,000.00</b>	<b>17,500.00</b>						<b>17,500.00</b>				<b>5,035,000.00</b>

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