

# CITY OF FRANKLIN CORE

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June 30, 2013



**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 2013

The rapid increase in yields during June resulted in some of the biggest losses seen by bond investors in quite some time. The Bank of America Merrill Lynch Broad Market Index lost an average of 1.4 percent during the month. The bulk of the losses occurred after the June 19th comments from Federal Reserve Chairman Ben Bernanke suggesting the central bank could taper bond purchases this year. The increase in yields was certainly the greatest non-crisis change in interest rates in recent history. After reaching a low yield of 1.61 percent on May 1<sup>st</sup>, the yield on the 10-year closed on 6/28 at 2.49 percent. As bonds sold off, the Dow ended up 2.3 percent in the first quarter. This was its best performance since 1999.

**FOMC:** As expected, the FOMC maintained its \$85 billion Quantitative Easing (QE) purchases and reiterated in the statement that the economy is expanding at a moderate pace, and added that the labor market had improved “further” (vs. “some improvement” previously). Yet the unemployment rate remains elevated. The statement also reiterated that “fiscal policy is restraining economic growth.” But, the Fed noted “downside risks to the economy and the labor market as having diminished.”

The Fed acknowledged that the economy has diminished downside risks, “Information received since the Federal Open Market committee met in May suggests that the economy has been expanding at a moderate pace. Labor Market conditions have shown further improvement in recent months, on balance, but the unemployment rate remains elevated. The Committee sees the downside risks to the outlook for the economy and the labor market as having diminished since the fall.”

**Unemployment Report:** Nonfarm payrolls in May rose 175,000. A gain of 163,000 was expected. The previous two months subtracted 12,000 workers. Private employment rose 178,000 while government workers fell 3,000. In the past twelve months, 2.115 million jobs have been created while we remain 2.4719 million below the peak in January 2008. Outside of government, manufacturing was the one source of weakness sliding 8,000 for its third consecutive monthly decline. Payrolls have added an average of 189,000 workers this year compared to an average of 183,000 in 2012. The labor market continues to exhibit slow, steady growth, but remains below its prerecession peak.

**Other Economic Data\*:**

Inflation has been running at or below the Fed’s 2% year-over-year target in recent months. Core CPI inflation picked up slightly in May, with the index posting a rise of 0.17% after an increase of only 0.05% in the prior month. The owners’ equivalent rent index, which accounts for approximately 22% of the CPI, posted a rise of .21% after increasing by 0.119% in the prior month.

**CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER (ABSOLUTE YIELD LEVELS)\*:**

	<u>04/30/2013</u>	<u>05/31/2013</u>	<u>06/30/13</u>	<u>Change June</u>
3-month bill	0.05	0.03	0.03	unchanged
6-month bill	0.08	0.06	0.09	+0.03
2-year note	0.21	0.30	0.36	+0.06
5-year note	0.68	1.02	1.40	+0.38
10-year note	1.67	2.13	2.49	+0.36

Total Return (trailing 12 months) 5-year UST Note Index: -2.30%\*

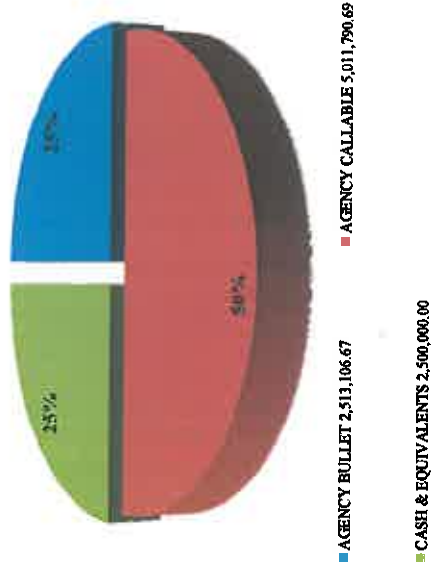
\*Source: Bloomberg

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

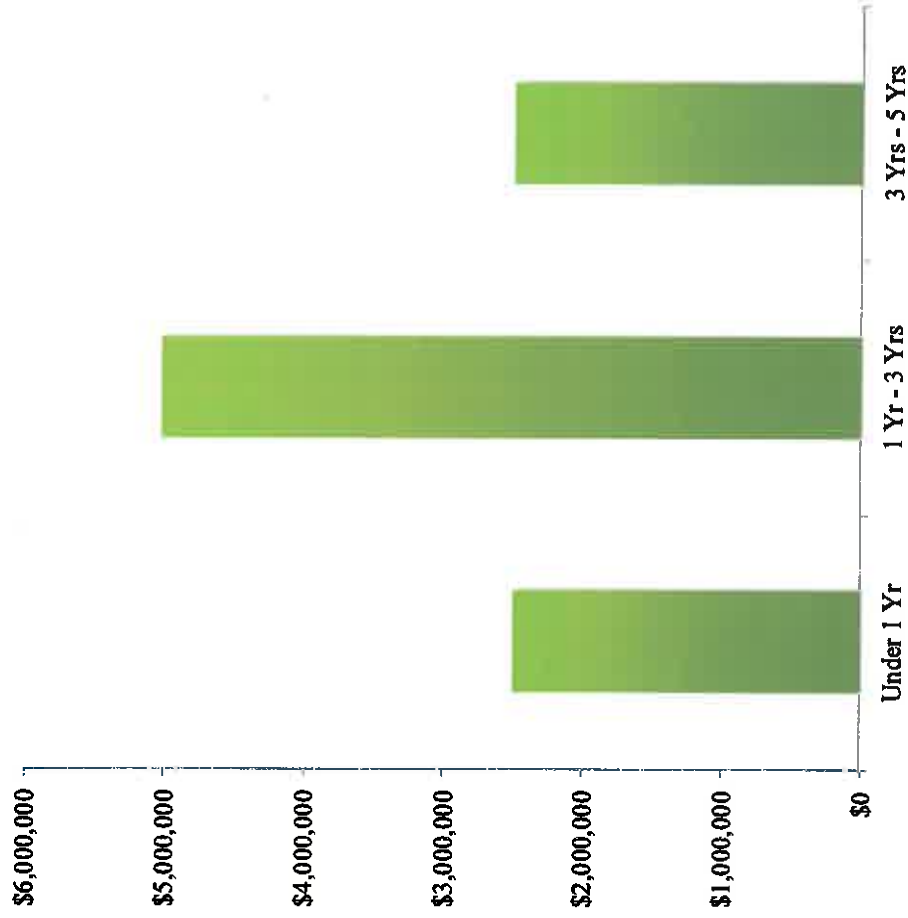


**CITY OF FRANKLIN CORE**

DISTRIBUTION BY ASSET CLASS



DISTRIBUTION BY MATURITY



DISTRIBUTION BY ISSUER

Industry Groups	Market Value	Pct.
FHLMC	2,513,475.00	25.07
FHLB	2,513,106.67	25.07
CASH & EQUIVALENTS	2,500,000.00	24.94
FFCB	2,498,315.69	24.92
<b>Total</b>	<b>10,024,897.36</b>	<b>100.00</b>

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**Securities Summary Report**  
**CITY OF FRANKLIN CORE**  
 June 30, 2013

	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	2,497,004.60	2,507,565.00	10,560.40	778	25.06	0.5	2.1	0.0
AGENCY CALLABLE	5,000,000	5,001,406.25	5,000,243.95	4,996,852.50	-3,391.45	1,041	49.95	0.8	2.8	0.4
CASH & EQUIVALENTS	2,500,000	2,500,000.00	2,500,000.00	2,500,000.00	0.00	1	24.99	0.5	0.0	0.0
<b>TOTAL</b>	<b>10,000,000</b>	<b>9,996,581.25</b>	<b>9,997,248.55</b>	<b>10,004,417.50</b>	<b>7,168.95</b>	<b>715</b>	<b>100.00</b>	<b>0.6</b>	<b>1.9</b>	<b>0.4</b>

**Securities Summary Report**  
**CITY OF FRANKLIN CORE**  
 June 30, 2013

	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	2,497,004.60	2,507,565.00	10,560.40	778	25.06	0.5	2.1	0.0
FHLMC	2,500,000	2,500,625.00	2,500,203.77	2,506,475.00	6,271.23	969	25.05	0.7	2.6	0.6
FFCB	2,500,000	2,500,781.25	2,500,040.18	2,490,377.50	-9,662.68	1,115	24.89	0.8	3.0	0.1
CASH & EQUIVALENTS	2,500,000	2,500,000.00	2,500,000.00	2,500,000.00	0.00	1	24.99	0.5	0.0	0.0
<b>TOTAL</b>	<b>10,000,000</b>	<b>9,996,581.25</b>	<b>9,997,248.55</b>	<b>10,004,417.50</b>	<b>7,168.95</b>	<b>715</b>	<b>100.00</b>	<b>0.6</b>	<b>1.9</b>	<b>0.4</b>

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

May 31, 2013 to June 30, 2013

	<u>Total Portfolio</u>
Interest Earned	5,242.46
Accretion/Amortization	23.15
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	5,265.60
Average Daily Historical Cost	10,037,497.45
Return	0.05%
Annualized Return	0.64%
Annualized Return Net of Fees	0.64%
Weighted Duration to Maturity in Years	1.93
Weighted Days to Maturity	715

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

From 05-31-13 to 06-30-13

<b>CURRENT HOLDINGS</b>	<b>Interest Earned</b>	<b>Accretion (Amortization)</b>	<b>Realized Gain/Loss</b>	<b>Total Income</b>
AGENCY BULLET	1,208.33	115.80	0.00	1,324.13
AGENCY CALLABLE	3,040.97	-92.65	0.00	2,948.32
CASH & EQUIVALENTS	993.15	0.00	0.00	993.15
<b>TOTAL</b>	<b>5,242.46</b>	<b>23.15</b>	<b>0.00</b>	<b>5,265.60</b>

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

From 05-31-13 to 06-30-13

Current Holdings	Interest	Change in	Total Income
	Earned	Market Value	
AGENCY BULLET	1,208.33	-2,867.50	-1,659.17
AGENCY CALLABLE	3,040.97	-14,015.00	-10,974.03
CASH & EQUIVALENTS	993.15	0.00	993.15
<b>TOTAL</b>	<b>5,242.46</b>	<b>-16,882.50</b>	<b>-11,640.04</b>

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

From 05-31-13 to 06-30-13

Portfolio Value on 05-31-13 10,021,300.00  
 Accrued Interest 16,230.56

Contributions 0.00  
 Withdrawals -993.15  
 Market Value Change in Period -16,882.50  
 Interest Earned in Period 5,242.46

Portfolio Value on 06-30-13 10,004,417.50  
 Accrued Interest 20,479.86

Weighted Portfolio Value 10,037,497.45

Total Return -11,640.04

Return For Period -0.14  
 Return For Period Annualized -1.65

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

**Target Benchmark: Treas 0-3 Year**  
**From 06-30-12 to 06-30-13**  
**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
06/30/2012	10,020,766.67	-2,465.75	16,312.50	5,479.64	10,020,766.67	21,792.14	1.40	1.46	-0.066
07/31/2012	10,040,093.06	-17,261.35	8,038.75	5,530.10	10,040,093.06	13,568.85	1.84	1.47	0.378
09/30/2012	10,036,400.56	-1,191.78	-555.00	5,441.09	10,040,094.86	4,886.09	1.79	1.45	0.335
10/31/2012	10,040,094.86	-1,232.88	-6,277.50	5,775.24	10,038,359.72	-502.26	1.74	1.45	0.288
11/30/2012	10,038,359.72	-1,191.78	8,432.50	5,441.09	10,051,041.53	13,873.59	1.62	1.45	0.171
12/31/2012	10,051,041.53	-1,150.68	-27.50	5,693.04	10,055,556.39	5,665.54	1.57	1.44	0.128
01/31/2013	10,055,556.39	-10,107.88	-2,967.50	5,628.71	10,048,109.72	2,661.21	1.53	1.43	0.100
02/28/2013	10,048,109.72	-18,609.59	-3,435.00	5,065.84	10,031,130.97	1,630.84	1.44	1.44	0.003
03/31/2013	10,031,130.97	-1,232.88	-237.50	6,068.30	10,035,728.89	5,830.80	1.34	1.43	-0.086
04/30/2013	10,035,728.89	-1,191.78	1,577.50	5,441.09	10,041,555.69	7,018.59	1.27	1.45	-0.181
05/31/2013	10,041,555.69	0.00	-8,567.50	4,542.36	10,037,530.56	-4,025.14	1.30	1.46	-0.159
06/30/2013	10,037,530.56	-993.15	-16,882.50	5,242.46	10,024,897.36	-11,640.04	1.36	1.45	-0.093
<b>Total</b>		<b>-56,629.50</b>	<b>-4,588.75</b>	<b>65,348.94</b>		<b>60,760.19</b>			

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

**Target Benchmark: Treas 0-3 Year**  
 From 06-30-12 to 06-30-13  
 Inception Date: 01-31-12

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
	07/31/2012	0.163%	0.055%	0.197%	0.174%	0.197%	0.174%	0.023%	0.499%	0.184%
	08/31/2012	0.079%	0.054%	0.113%	0.009%	0.310%	0.182%	0.127%	0.612%	0.193%
	09/30/2012	-0.006%	0.054%	0.028%	0.014%	0.338%	0.196%	0.142%	0.640%	0.206%
	10/31/2012	-0.063%	0.058%	-0.026%	-0.036%	0.312%	0.160%	0.152%	0.615%	0.170%
	11/30/2012	0.084%	0.054%	0.117%	0.068%	0.430%	0.228%	0.201%	0.733%	0.239%
	12/31/2012	0.000%	0.057%	0.036%	0.032%	0.465%	0.260%	0.205%	0.769%	0.270%
	01/31/2013	-0.030%	0.056%	0.006%	0.015%	0.471%	0.275%	0.196%	0.774%	0.285%
	02/28/2013	-0.034%	0.050%	-0.005%	0.059%	0.467%	0.334%	0.132%	0.770%	0.345%
	03/31/2013	-0.002%	0.060%	0.037%	0.023%	0.504%	0.358%	0.147%	0.808%	0.368%
	04/30/2013	0.016%	0.054%	0.049%	0.077%	0.554%	0.435%	0.119%	0.857%	0.445%
	05/31/2013	-0.085%	0.045%	-0.061%	-0.097%	0.492%	0.337%	0.155%	0.796%	0.348%
	06/30/2013	-0.168%	0.052%	-0.137%	-0.045%	0.355%	0.292%	0.063%	0.658%	0.302%
						<b>0.355%</b>	<b>0.292%</b>	<b>0.063%</b>	<b>0.465%</b>	<b>0.214%</b>

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**CITY OF FRANKLIN CORE  
PORTFOLIO HOLDINGS**

June 30, 2013

Security Symbol	Quantity	Security	Call Date	Pur Date	Amort Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Dur Call
<b>AGENCY BULLET</b>															
313378CN9	2,500,000	FEDERAL HOME LN BKS 0.600% Due 08-17-15		03-12-12	99.88	0.66	100.30	0.46	2,507,565.00	5,541.67	2,513,106.67	10,560.40	25.1	2.11	2.11
<b>AGENCY CALLABLE</b>															
3134G3MX5	2,500,000	FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16	02-24-14	02-01-12	100.01	0.79	100.26	0.70	2,506,475.00	7,000.00	2,513,475.00	6,271.23	25.1	2.61	0.65
3133EAYQ5	2,500,000	FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16	07-19-13	08-01-12	100.00	0.70	99.62	0.84	2,490,377.50	7,938.19	2,498,315.69	-9,662.68	24.9	3.00	0.05
	5,000,000					0.75		0.77	4,996,852.50	14,938.19	5,011,790.69	-3,391.45	49.9	2.81	0.35
<b>CASH &amp; EQUIVALENTS</b>															
FRNKCASH	2,500,000	FRANKLIN CASH 0.500% Due 07-01-13		02-01-12	1.00	0.50	1.00	0.50	2,500,000.00	0.00	2,500,000.00	0.00	25.0	0.00	0.00
<b>TOTAL</b>	<b>10,000,000</b>					<b>0.66</b>		<b>0.62</b>	<b>10,004,417.50</b>	<b>20,479.86</b>	<b>10,024,897.36</b>	<b>7,168.95</b>	<b>100.0</b>	<b>1.93</b>	<b>0.70</b>

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



**CITY OF FRANKLIN CORE  
 TRANSACTION SUMMARY**

From 06-01-13 To 06-30-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
<b>Deposit</b>							
06-30-13	06-30-13	manfee		Management Fee		2,083.34	
<b>Interest</b>							
06-30-13	06-30-13	FRNKCASH		FRANKLIN CASH 0.500% Due 07-01-13		993.15	

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**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF FRANKLIN CORE**  
 June 30, 2013

Purchase Information				Amortization/Accretion Information					
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
<b>FHLB(Straight Line)</b>									
		FEDERAL HOME LN BKS 0.600% Due 08-17-15 (313378CN9)							
2,500,000	1	03-12-12	99.807	2,495,175.00	115.80	698.64	1,829.60	2,995.40	2,497,004.60
<b>FFCB CALLABLE(Straight Line)</b>									
		FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16 (3133EAYQ5)							
2,500,000	1	08-01-12	100.031	2,500,781.25	-66.96	-404.02	-741.07	-40.18	2,500,040.18
<b>FHLMC CALLABLE(Straight Line)</b>									
		FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16 (3134G3MXX5)							
2,500,000	1	02-01-12	100.025	2,500,625.00	-25.68	-154.84	-421.23	-203.77	2,500,203.77
<b>CASH(Straight Line)</b>									
		FRANKLIN CASH 0.500% Due 07-01-13 (FRNKCASH)							
2,500,000	1	02-01-12	1.000	2,500,000.00	0.00	0.00	0.00	0.00	2,500,000.00
<b>GRAND TOTAL</b>				<b>9,996,581.25</b>	<b>23.15</b>	<b>139.79</b>	<b>667.30</b>	<b>2,751.45</b>	<b>9,997,248.55</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 05-31-13 To 06-30-13

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
		4,333.33	0.00	0.00	0.00	1,208.33	5,541.67
	<b>AGENCY BULLET Total</b>	4,333.33	0.00	0.00	0.00	1,208.33	5,541.67
<b>AGENCY CALLABLE</b>							
FHLMC 3134G3MX5	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
		5,388.89	0.00	0.00	0.00	1,611.11	7,000.00
FFCB 3133EAYQ5	FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16	6,508.33	0.00	0.00	0.00	1,429.86	7,938.19
		6,508.33	0.00	0.00	0.00	1,429.86	7,938.19
	<b>AGENCY CALLABLE Total</b>	11,897.22	0.00	0.00	0.00	3,040.97	14,938.19
	<b>AGENCY Total</b>	16,230.56	0.00	0.00	0.00	4,249.31	20,479.86

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**INTEREST ACCRUALS**  
**CITY OF FRANKLIN CORE**  
 From 05-31-13 To 06-30-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>CASH</b>							
<b>CASH &amp; EQUIVALENTS</b>							
<b>CASH &amp; EQUIVALENTS</b>							
FRNKCASH	FRANKLIN CASH 0.500% Due 07-01-13	0.00	0.00	0.00	-993.15	993.15	0.00
		0.00	0.00	0.00	-993.15	993.15	0.00
	<b>CASH &amp; EQUIVALENTS Total</b>	0.00	0.00	0.00	-993.15	993.15	0.00
	<b>CASH Total</b>	0.00	0.00	0.00	-993.15	993.15	0.00
	<b>TOTAL PORTFOLIO</b>	<b>16,230.56</b>	<b>0.00</b>	<b>0.00</b>	<b>-993.15</b>	<b>5,242.46</b>	<b>20,479.86</b>

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**PROJECTED FIXED INCOME CASH FLOWS**  
**CITY OF FRANKLIN CORE**  
 Beginning June 30, 2013

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													
FEDERAL FARM CR BKS CONS		8,875.00						8,875.00					17,750.00
0.710% Due 07-19-16													
<b>TOTAL</b>		8,875.00	17,500.00					8,875.00	17,500.00				52,750.00
<b>CASH</b>													
FRANKLIN CASH		2,500,000.00											2,500,000.00
0.500% Due 07-01-13													
<b>TOTAL</b>		2,500,000.00											2,500,000.00
<b>GRAND TOTAL</b>		2,508,875.00	17,500.00					8,875.00	17,500.00				2,552,750.00

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# CITY OF FRANKLIN CORE

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May 31, 2013



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

REGISTERED INVESTMENT ADVISER

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MONTHLY MARKET COMMENTARY

MAY 2013

Treasury yields rallied significantly in May with prices moving down to their lowest levels in over a year. The one exception to this increase in rates was the six month and under part of the curve with rates nearing zero. The increase in yield in the longer part of the curve was due to a combination of economic optimism and anticipation that the Fed will begin to reduce its purchasing program of securities. The yield on the 10-year UST Note hit its highest level in nearly 14 months, up to 2.13% as of the close on 5/31/13. This represents an increase in yield of 46 basis points. Contributing to the increase in yields in May was the stronger than expected gain of 165,000 in non-farm payrolls and upward revisions to the previous two months. The decline in the unemployment rate to 7.5% was real and did not involve a reduction in the labor force participation rates. The market consensus is that while these numbers are encouraging, the reports were not strong enough to decrease the pace of asset purchases by the Fed, but were not weak enough to increase Fed purchases.

Europe

Concerns over European economic health have lessened as the European Central Bank (ECB) lowered interest rates from .75% to a record low .50%. President Mario Draghi said risks continue to remain to the downside and the central bank stands ready to take additional actions as needed. This could include charging banks to keep excess reserves with the central bank. This would be an effective negative yield and the first time occurrence of this. The move would be meant to encourage lending and promote economic growth. The ECB will continue its money lending to banks to help liquidity until at least mid-2014. Some progress has been made on improving funding conditions.

The FOMC

In an 11-1 vote, the FOMC left interest rates unchanged and its asset purchases unchanged at \$85 billion. The committee is prepared to increase or decrease the level of its purchases as the economy changes. They restated their objective to keep interest rates near zero until employment falls below 6.5% or inflation exceeds 2.5%. The FOMC left its assessment of the economy unchanged and did not address the recent slowdown, although, they maintained downside risks remain. Inflation is currently below the Fed's long term target.

TREASURY YIELD CURVE TOTAL RETURNS OVER THE LAST 12 MONTHS\*

Maturity	Total Return (trailing 12 months)
3 month Bill	.12
1 year Note	.26
2 year Note	.23
3 year Note	.16
5 year note	-.25

\*Source: Bloomberg

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER (ABSOLUTE YIELD LEVELS):

	03/31/13	04/30/13	05/31/13	Chg May
3-month bill	0.07	0.05	0.03	-0.02
6-month bill	0.10	0.08	0.06	-0.02
2-year note	0.24	0.21	0.30	+0.09
3-year note	0.35	0.31	0.49	+0.18
5-year note	0.76	0.68	1.02	+0.34
10-year note	1.85	1.67	2.13	+0.46
30-year bond	3.10	2.88	3.28	+0.40

Source: Bloomberg

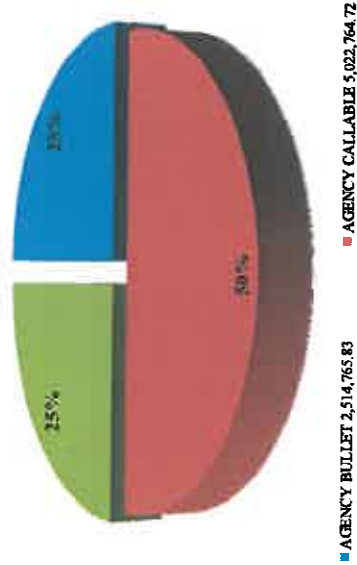
\*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.



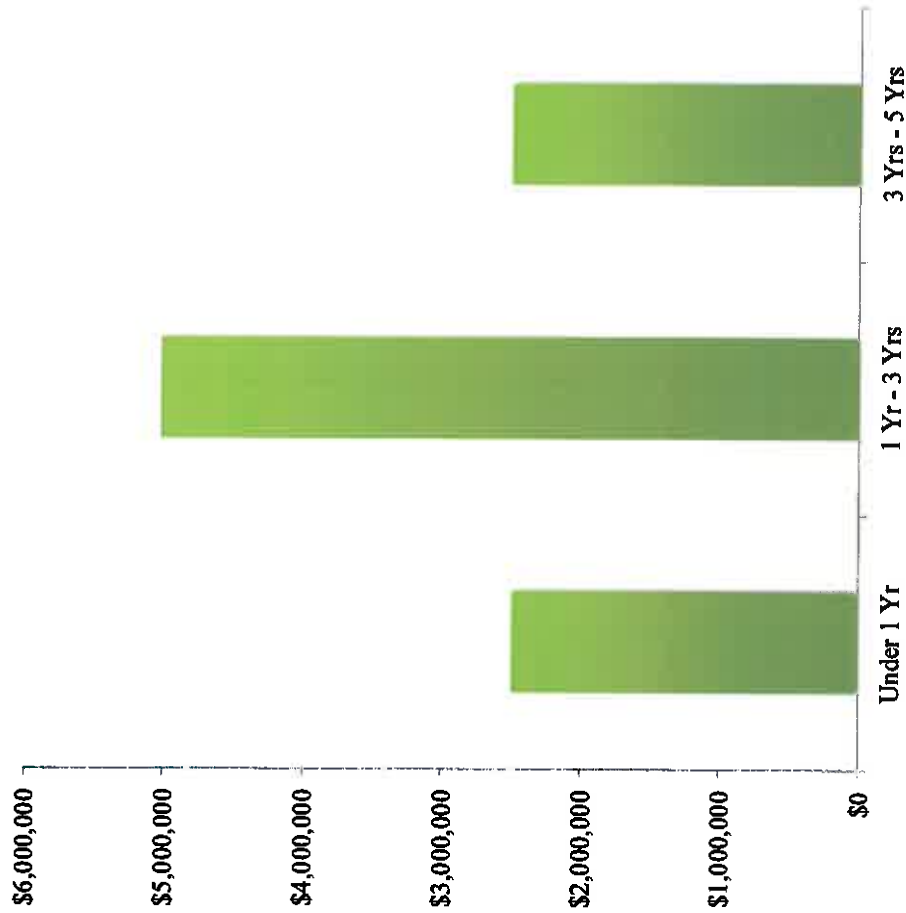


**CITY OF FRANKLIN CORE**

DISTRIBUTION BY ASSET CLASS



DISTRIBUTION BY MATURITY



DISTRIBUTION BY ISSUER

Industry Groups	Market Value	Pct.
FHLB	2,514,765.83	25.05
FHLMC	2,514,763.89	25.05
FFCB	2,508,000.83	24.99
CASH & EQUIVALENTS	2,500,000.00	24.91
<b>Total</b>	<b>10,037,530.56</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**  
 May 31, 2013

	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	2,496,888.80	2,510,432.50	13,543.70	808	25.05	0.4	2.2	0.0
AGENCY CALLABLE	5,000,000	5,001,406.25	5,000,336.59	5,010,867.50	10,530.91	1,071	50.00	0.7	2.9	0.4
CASH & EQUIVALENTS	2,500,000	2,500,000.00	2,500,000.00	2,500,000.00	0.00	1	24.95	0.5	0.0	0.0
<b>TOTAL</b>	<b>10,000,000</b>	<b>9,996,581.25</b>	<b>9,997,225.40</b>	<b>10,021,300.00</b>	<b>24,074.60</b>	<b>738</b>	<b>100.00</b>	<b>0.6</b>	<b>2.0</b>	<b>0.4</b>

**Securities Summary Report**  
**CITY OF FRANKLIN CORE**  
 May 31, 2013

	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	2,496,888.80	2,510,432.50	13,543.70	808	25.05	0.4	2.2	0.0
FHLMC	2,500,000	2,500,625.00	2,500,229.45	2,509,375.00	9,145.55	999	25.04	0.7	2.7	0.7
FFCB	2,500,000	2,500,781.25	2,500,107.14	2,501,492.50	1,385.36	1,145	24.96	0.7	3.1	0.1
CASH & EQUIVALENTS	2,500,000	2,500,000.00	2,500,000.00	2,500,000.00	0.00	1	24.95	0.5	0.0	0.0
<b>TOTAL</b>	<b>10,000,000</b>	<b>9,996,581.25</b>	<b>9,997,225.40</b>	<b>10,021,300.00</b>	<b>24,074.60</b>	<b>738</b>	<b>100.00</b>	<b>0.6</b>	<b>2.0</b>	<b>0.4</b>

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



**SUMMARY OF AMORTIZED COST BASIS  
 RETURN FOR THE PERIOD  
 CITY OF FRANKLIN CORE**  
 April 30, 2013 to May 31, 2013

Interest Earned	4,542.36
Accretion/Amortization	23.92
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	4,566.28
Average Daily Historical Cost	10,041,555.69
Return	0.05%
Annualized Return	0.54%
Annualized Return Net of Fees	0.54%
Weighted Duration to Maturity in Years	2.00
Weighted Days to Maturity	738

**DETAIL AMORTIZATION COST RETURN  
 CITY OF FRANKLIN CORE**  
 From 04-30-13 to 05-31-13

<b>CURRENT HOLDINGS</b>	<b>Interest Earned</b>	<b>Accretion (Amortization)</b>	<b>Realized Gain/Loss</b>	<b>Total Income</b>
AGENCY BULLET	1,291.67	119.66	0.00	1,411.32
AGENCY CALLABLE	3,250.69	-95.74	0.00	3,154.96
CASH & EQUIVALENTS	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>4,542.36</b>	<b>23.92</b>	<b>0.00</b>	<b>4,566.28</b>

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



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

From 04-30-13 to 05-31-13

<b>Current Holdings</b>	<b>Interest Earned</b>	<b>Change in Market Value</b>	<b>Total Income</b>
AGENCY BULLET	1,291.67	-4,892.50	-3,600.83
AGENCY CALLABLE	3,250.69	-3,675.00	-424.31
CASH & EQUIVALENTS	0.00	0.00	0.00
<b>TOTAL</b>	<b>4,542.36</b>	<b>-8,567.50</b>	<b>-4,025.14</b>

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

From 04-30-13 to 05-31-13

Portfolio Value on 04-30-13 10,029,867.50  
 Accrued Interest 11,688.19

Contributions 0.00  
 Withdrawals 0.00  
 Market Value Change in Period -8,567.50  
 Interest Earned in Period 4,542.36

Portfolio Value on 05-31-13 10,021,300.00  
 Accrued Interest 16,230.56

Weighted Portfolio Value 10,041,555.69

Total Return -4,025.14

Return For Period -0.06  
 Return For Period Annualized -0.71

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



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

**Target Benchmark: Treas 0-3 Year**  
 From 06-30-12 to 05-31-13  
 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
06/30/2012	10,020,766.67	-2,465.75	16,312.50	5,479.64	10,020,766.67	21,792.14	1.40	1.46	-0.066
07/31/2012	10,040,093.06	-17,261.35	8,038.75	5,530.10	10,040,093.06	13,568.85	1.84	1.47	0.378
09/30/2012	10,036,400.56	-1,191.78	-555.00	5,441.09	10,036,400.56	4,886.09	1.79	1.45	0.335
10/31/2012	10,040,094.86	-1,232.88	-6,277.50	5,775.24	10,040,094.86	-502.26	1.74	1.45	0.288
11/30/2012	10,038,359.72	-1,191.78	8,432.50	5,441.09	10,038,359.72	13,873.59	1.62	1.45	0.171
12/31/2012	10,051,041.53	-1,150.68	-27.50	5,693.04	10,051,041.53	5,665.54	1.57	1.44	0.128
01/31/2013	10,055,556.39	-10,107.88	-2,967.50	5,628.71	10,055,556.39	2,661.21	1.53	1.43	0.100
02/28/2013	10,048,109.72	-18,609.59	-3,435.00	5,065.84	10,048,109.72	1,630.84	1.44	1.44	0.003
03/31/2013	10,031,130.97	-1,232.88	-237.50	6,068.30	10,031,130.97	5,830.80	1.34	1.43	-0.086
04/30/2013	10,035,728.89	-1,191.78	1,577.50	5,441.09	10,035,728.89	7,018.59	1.27	1.45	-0.181
05/31/2013	10,041,555.69	0.00	-8,567.50	4,542.36	10,041,555.69	-4,025.14	1.30	1.46	-0.159
<b>Total</b>		<b>-55,636.35</b>	<b>12,293.75</b>	<b>60,106.49</b>		<b>72,400.24</b>			

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



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

Target Benchmark: Treas 0-3 Year  
 From 06-30-12 to 05-31-13  
 Inception Date: 01-31-12

Date	Monthly Return				Cumulative Return				
	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
07/31/2012	0.163%	0.055%	0.197%	0.174%	0.197%	0.174%	0.023%	0.499%	0.184%
08/31/2012	0.079%	0.054%	0.113%	0.009%	0.310%	0.182%	0.127%	0.612%	0.193%
09/30/2012	-0.006%	0.054%	0.028%	0.014%	0.338%	0.196%	0.142%	0.640%	0.206%
10/31/2012	-0.063%	0.058%	-0.026%	-0.036%	0.312%	0.160%	0.152%	0.615%	0.170%
11/30/2012	0.084%	0.054%	0.117%	0.068%	0.430%	0.228%	0.201%	0.733%	0.239%
12/31/2012	0.000%	0.057%	0.036%	0.032%	0.465%	0.260%	0.205%	0.769%	0.270%
01/31/2013	-0.030%	0.056%	0.006%	0.015%	0.471%	0.275%	0.196%	0.774%	0.285%
02/28/2013	-0.034%	0.050%	-0.005%	0.059%	0.467%	0.334%	0.132%	0.770%	0.345%
03/31/2013	-0.002%	0.060%	0.037%	0.023%	0.504%	0.358%	0.147%	0.808%	0.368%
04/30/2013	0.016%	0.054%	0.049%	0.077%	0.554%	0.435%	0.119%	0.857%	0.445%
05/31/2013	-0.085%	0.045%	-0.061%	-0.097%	0.492%	0.337%	0.155%	0.796%	0.348%
					<b>0.537%</b>	<b>0.367%</b>	<b>0.169%</b>	<b>0.597%</b>	<b>0.261%</b>

Annualized



**CITY OF FRANKLIN CORE  
 PORTFOLIO HOLDINGS**

May 31, 2013

Security Symbol	Quantity	Security	Call Date	Pur Date	Amort Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Dur Call
<b>AGENCY BULLET</b>															
313378CN9	2,500,000	FEDERAL HOME LN BKS 0.600% Due 08-17-15		03-12-12	99.88	0.66	100.42	0.41	2,510,432.50	4,333.33	2,514,765.83	13,543.70	25.1	2.19	2.19
<b>AGENCY CALLABLE</b>															
3134G3MX5	2,500,000	FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16	02-24-14	02-01-12	100.01	0.79	100.38	0.66	2,509,375.00	5,388.89	2,514,763.89	9,145.55	25.0	2.69	0.73
3133EAYQ5	2,500,000	FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16	07-19-13	08-01-12	100.00	0.70	100.06	0.69	2,501,492.50	6,508.33	2,508,000.83	1,385.36	25.0	3.09	0.14
	5,000,000					0.75		0.68	5,010,867.50	11,897.22	5,022,764.72	10,530.91	50.0	2.89	0.43
<b>CASH &amp; EQUIVALENTS</b>															
FRNKCASH	2,500,000	FRANKLIN CASH 0.500% Due 06-01-13		02-01-12	1.00	0.50	1.00	0.50	2,500,000.00	0.00	2,500,000.00	0.00	24.9	0.00	0.00
<b>TOTAL</b>	<b>10,000,000</b>					<b>0.66</b>		<b>0.56</b>	<b>10,021,300.00</b>	<b>16,230.56</b>	<b>10,037,530.56</b>	<b>24,074.60</b>	<b>100.0</b>	<b>2.00</b>	<b>0.77</b>

\*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.  
 Special note: At this time AXYS does not correctly calculate book or market yields for variable rate, floating rate, or mortgage backed securities.



**CITY OF FRANKLIN CORE  
 TRANSACTION SUMMARY**

From 05-01-13 To 05-31-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
05-31-13	05-31-13	manfec		Management Fee		2,083.33	

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





**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF FRANKLIN CORE**  
 May 31, 2013

Purchase Information				Amortization/Accretion Information					
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
<b>FHLB(Straight Line)</b>									
		FEDERAL HOME LN BKS 0.600% Due 08-17-15 (313378CN9)							
2,500,000	1	03-12-12	99.807	2,495,175.00	119.66	582.85	1,713.80	3,111.20	2,496,888.80
<b>FCB CALLABLE(Straight Line)</b>									
		FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16 (3133EAYQ5)							
2,500,000	1	08-01-12	100.031	2,500,781.25	-69.20	-337.05	-674.11	-107.14	2,500,107.14
<b>FHLMC CALLABLE(Straight Line)</b>									
		FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16 (3134G3MX5)							
2,500,000	1	02-01-12	100.025	2,500,625.00	-26.54	-129.15	-395.55	-229.45	2,500,229.45
<b>CASH(Straight Line)</b>									
		FRANKLIN CASH 0.500% Due 06-01-13 (FRNKCASH)							
2,500,000	1	02-01-12	1.000	2,500,000.00	0.00	0.00	0.00	0.00	2,500,000.00
<b>GRAND TOTAL</b>				<b>9,996,581.25</b>	<b>23.92</b>	<b>116.64</b>	<b>644.15</b>	<b>2,774.60</b>	<b>9,997,225.40</b>

\*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.  
 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 04-30-13 To 05-31-13

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	3,041.67	0.00	0.00	0.00	1,291.67	4,333.33
		3,041.67	0.00	0.00	0.00	1,291.67	4,333.33
	<b>AGENCY BULLET Total</b>	<b>3,041.67</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,291.67</b>	<b>4,333.33</b>
<b>AGENCY CALLABLE</b>							
FHLMC 313463MX5	FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16	3,666.67	0.00	0.00	0.00	1,722.22	5,388.89
		3,666.67	0.00	0.00	0.00	1,722.22	5,388.89
	<b>AGENCY CALLABLE Total</b>	<b>3,666.67</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,722.22</b>	<b>5,388.89</b>
FFCB 3133EAYQ5	FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16	4,979.86	0.00	0.00	0.00	1,528.47	6,508.33
		4,979.86	0.00	0.00	0.00	1,528.47	6,508.33
	<b>AGENCY CALLABLE Total</b>	<b>4,979.86</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,528.47</b>	<b>6,508.33</b>
	<b>AGENCY Total</b>	<b>11,688.19</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,542.36</b>	<b>16,230.56</b>

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



**INTEREST ACCRUALS**  
**CITY OF FRANKLIN CORE**  
 From 04-30-13 To 05-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>CASH</b>							
<b>CASH &amp; EQUIVALENTS</b>							
<b>CASH &amp; EQUIVALENTS</b>							
FRNKCASH	FRANKLIN CASH 0.500% Due 06-01-13	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00
<b>CASH &amp; EQUIVALENTS Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CASH Total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL PORTFOLIO</b>		<b>11,688.19</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,542.36</b>	<b>16,230.56</b>

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



**PROJECTED FIXED INCOME CASH FLOWS**  
**CITY OF FRANKLIN CORE**  
 Beginning May 31, 2013

Security	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
<b>AGENCY</b>													
FEDERAL HOME LN BKS				7,500.00						7,500.00			15,000.00
0.600% Due 08-17-15				10,000.00						10,000.00			20,000.00
FEDERAL HOME LN MTG CORP													
0.800% Due 02-24-16			8,875.00										17,750.00
FEDERAL FARM CR BKS CONS									8,875.00				
0.710% Due 07-19-16			8,875.00	17,500.00					8,875.00	17,500.00			52,750.00
<b>TOTAL</b>													
<b>CASH</b>													
FRANKLIN CASH	2,500,000.00												2,500,000.00
0.500% Due 06-01-13	2,500,000.00												2,500,000.00
<b>TOTAL</b>													
<b>GRAND TOTAL</b>			8,875.00	17,500.00					8,875.00	17,500.00			2,552,750.00

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