

14G 12-04-13
Budget & Finance

CITY OF FRANKLIN CORE

October 31, 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



OCTOBER 2013

The major issue effecting financial markets in October was the Federal Government shut down. The 16-day federal government shut down came to an end just after midnight on October 17, 2013. During the month, bond yields on short treasury bills moved dramatically higher as fears that a prolonged stalemate in Washington would lead to a default on U.S. government debt. For example, the 10/31/13 Treasury Bill reached a high of over 50 basis points on 10/15 but returned to .015 on 10/18. The following are the returns on U.S. Treasuries over the last twelve months:

Treasury Yield Curve Total Returns Over The Last 12 Months:

Maturity	Total Return (trailing 12 months)
3 Month Bill	0.085
1 Year Note	0.29
2 Year Note	0.20
3 Year Note	0.42
5 Year Note	-0.72

Source: Bloomberg

Non-farm Payrolls/Unemployment Report:

The unemployment numbers were delayed from the usual first Friday in the month release to October 22, after the Federal Government restarted. Non-farm payrolls in September rose 148,000. A gain of 180,000 was expected. The bond market reacted by yields moving to their lowest point during the month. Unemployment fell to 7.2%, its lowest level since December 2008.

The Fed:

As expected, in a 9-1 vote, the Fed left policy unchanged as well as its asset purchases at \$85 billion per month. The accompanying statement was little changed keeping the economy expanding at a moderate pace and labor markets better but unemployment is still elevated. The statement did say there were some signs of "underlying strength." The fed funds target is expected to remain unchanged at 0% to .25%.

Other Economic Data:

- Consumer credit rose \$13.6 billion. Consumers continue to be cautious about adding debt, except for student loans.
- Existing home sales fell 1.9% to 2.59 million units annualized. Existing home sales are up 10.7% but remain 27.0% below their record high in September 2005.
- Initial jobless claims in the week ending October 19 fell 12,000 to 350,000. A decline to 340,000 was expected. Claims still remain elevated, but appear to be returning to pre-shutdown levels.

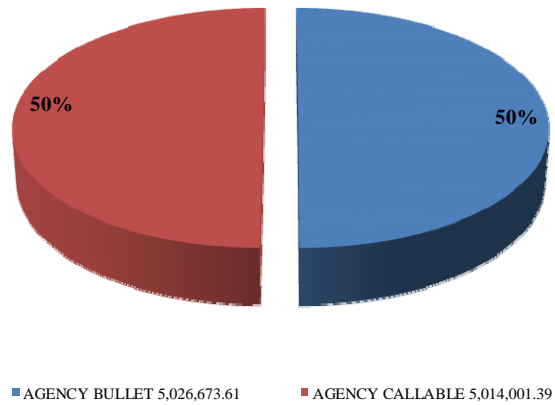
CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

	<u>8/31/2013</u>	<u>9/30/2013</u>	<u>10/31/13</u>	<u>Change October</u>
3-month bill	0.02	0.01	0.04	+0.03
6-month bill	0.05	0.03	0.08	+0.05
2-year note	0.40	0.32	0.31	-0.01
3-year note	0.78	0.61	0.57	-0.04
5-year note	1.64	1.38	1.33	-0.05
10-year note	2.78	2.61	2.56	-0.05
30-year bond	3.70	3.69	3.64	-0.05

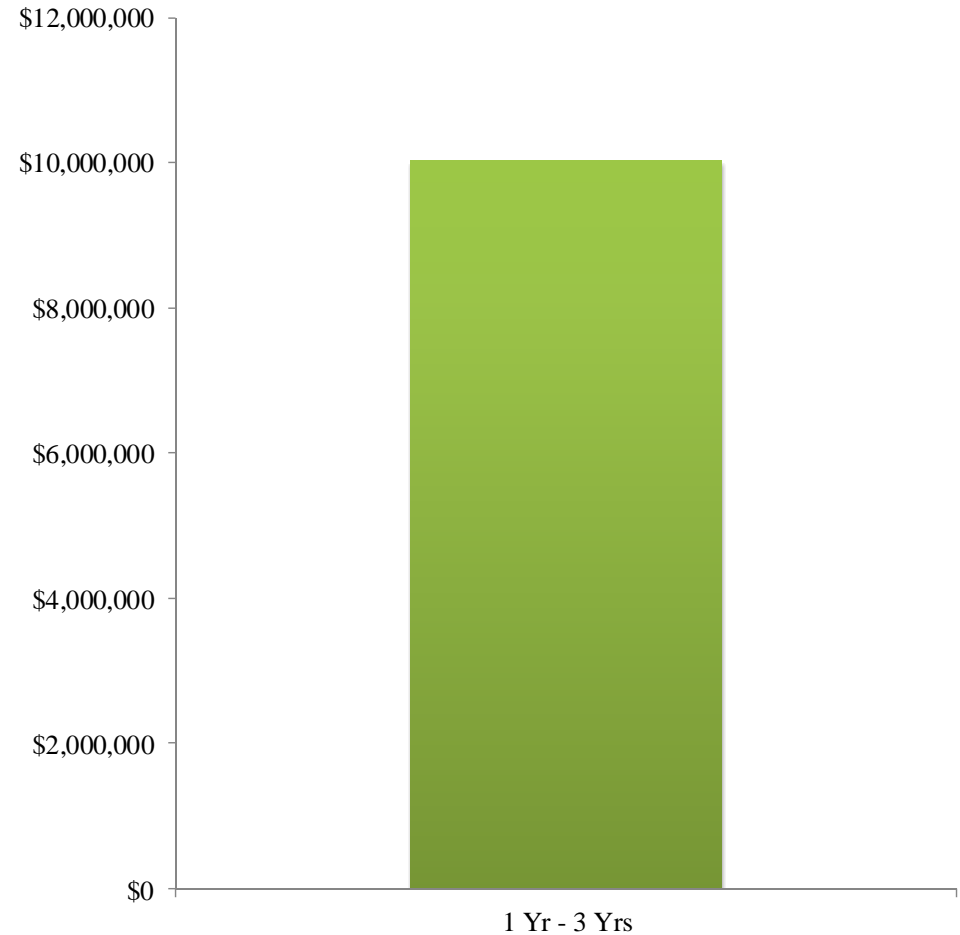
Source: Bloomberg

CITY OF FRANKLIN CORE

DISTRIBUTION BY ASSET CLASS



DISTRIBUTION BY MATURITY



DISTRIBUTION BY ISSUER

Industry Groups	Market Value	Pct.
FHLB	5,026,673.61	50.06
FHLMC	2,508,824.72	24.99
FFCB	2,505,176.67	24.95
Total	10,040,675.00	100.00

*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
October 31, 2013

	<u>Par Value</u>	<u>Purchase Cost</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>	<u>Weighted Days to Maturity</u>	<u>% Portfolio</u>	<u>Weighted Average Yield</u>	<u>Weighted Average Duration to Maturity</u>	<u>Weighted Average Duration to Call</u>
AGENCY BULLET	5,000,000	4,994,575.00	4,996,955.72	5,018,000.00	21,044.28	702	50.06	0.4	1.9	0.0
AGENCY CALLABLE	5,000,000	5,001,406.25	5,000,098.46	5,005,250.00	5,151.54	918	49.94	0.7	2.5	0.2
TOTAL	10,000,000	9,995,981.25	9,997,054.18	10,023,250.00	26,195.82	811	100.00	0.5	2.2	0.2

Securities Summary Report
CITY OF FRANKLIN CORE
October 31, 2013

	<u>Par Value</u>	<u>Purchase Cost</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>	<u>Weighted Days to Maturity</u>	<u>% Portfolio</u>	<u>Weighted Average Yield</u>	<u>Weighted Average Duration to Maturity</u>	<u>Weighted Average Duration to Call</u>
FHLB	5,000,000	4,994,575.00	4,996,955.72	5,018,000.00	21,044.28	702	50.06	0.4	1.9	0.0
FHLMC	2,500,000	2,500,625.00	2,500,098.46	2,505,102.50	5,004.04	846	24.99	0.7	2.3	0.3
FFCB	2,500,000	2,500,781.25	2,500,000.00	2,500,147.50	147.50	992	24.94	0.7	2.7	0.0
TOTAL	10,000,000	9,995,981.25	9,997,054.18	10,023,250.00	26,195.82	811	100.00	0.5	2.2	0.2



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

	<u>Total Portfolio</u>
Interest Earned	5,618.75
Accretion/Amortization	88.26
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	5,707.01
Average Daily Historical Cost	10,024,248.75
Return	0.06%
Annualized Return	0.67%
Annualized Return Net of Fees	0.67%
Weighted Duration to Maturity in Years	2.20
Weighted Days to Maturity	811

**DETAIL AMORTIZATION COST RETURN
 CITY OF FRANKLIN CORE
 From 09-30-13 to 10-31-13**

<u>CURRENT HOLDINGS</u>	<u>Interest Earned</u>	<u>Accretion (Amortization)</u>	<u>Realized Gain/Loss</u>	<u>Total Income</u>
AGENCY BULLET	2,368.06	141.37	0.00	2,509.43
AGENCY CALLABLE	3,250.69	-53.11	0.00	3,197.58
TOTAL	5,618.75	88.26	0.00	5,707.01

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DETAIL ON MARKET VALUE RETURN
CITY OF FRANKLIN CORE
From 09-30-13 to 10-31-13

<u>Current Holdings</u>	<u>Interest Earned</u>	<u>Change in Market Value</u>	<u>Total Income</u>
AGENCY BULLET	2,368.06	9,130.00	11,498.06
AGENCY CALLABLE	3,250.69	1,677.50	4,928.19
TOTAL	5,618.75	10,807.50	16,426.25

PERFORMANCE REPORT
CITY OF FRANKLIN CORE

From 09-30-13 to 10-31-13

Portfolio Value on 09-30-13	10,012,442.50
Accrued Interest	11,806.25
Contributions	0.00
Withdrawals	0.00
Market Value Change in Period	10,807.50
Interest Earned in Period	5,618.75
Portfolio Value on 10-31-13	10,023,250.00
Accrued Interest	17,425.00
Weighted Portfolio Value	10,024,248.75
Total Return	16,426.25
Return For Period	0.14
Return For Period Annualized	1.70



CITY OF FRANKLIN, TN
PORTFOLIO RETURNS
NET OF FEES

Target Benchmark: Treas 0-3 Year
From 06-30-13 to 10-31-13
Inception Date: 01-31-12

Market Value and Return

Period Ending	Beginning Value	Contribution/Withdrawal	Principal Change	Interest Earnings	Ending Value	Total Return
06/30/2013					10,024,897.36	
07/31/2013	10,024,897.36	-8,044.73	9,125.00	5,577.37	10,031,555.00	14,702.37
08/31/2013	10,031,555.00	-17,500.00	-13,112.50	5,437.50	10,006,380.00	-7,675.00
09/30/2013	10,006,380.00	0.00	12,612.50	5,256.25	10,024,248.75	17,868.75
10/31/2013	10,024,248.75	0.00	10,807.50	5,618.75	10,040,675.00	16,426.25
Total		-25,544.73	19,432.50	21,889.87		41,322.37

Duration Comparison

Portfolio Duration	Treas 0-3 Year Duration	Difference
1.79	1.46	0.331
1.79	1.46	0.329
1.64	1.46	0.184
1.48	1.46	0.021

Monthly Return

Date	Price Return	Interest Return	Portfolio Return	Treas 0-3 Year Return
07/31/2013	0.088%	0.054%	0.122%	0.132%
08/31/2013	-0.131%	0.054%	-0.097%	-0.075%
09/30/2013	0.126%	0.053%	0.158%	0.163%
10/31/2013	0.108%	0.056%	0.143%	0.068%

Cumulative Return

YTD Portfolio	YTD Treas 0-3 Year	Difference	Since Inception Portfolio	Since Inception Treas 0-3 Year
0.122%	0.132%	-0.010%	0.781%	0.435%
0.025%	0.058%	-0.033%	0.683%	0.360%
0.182%	0.220%	-0.038%	0.841%	0.523%
0.326%	0.289%	0.037%	0.986%	0.592%
Annualized	0.970%	0.859%	0.111%	0.562%
				0.338%

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**CITY OF FRANKLIN CORE
 PORTFOLIO HOLDINGS**

October 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
AGENCY BULLET															
313378CN9	2,500,000	FEDERAL HOME LN BKS 0.600% Due 08-17-15		03-12-12	99.90	0.66	100.49	0.33	2,512,125.00	3,083.33	2,515,208.33	14,645.63	25.1	1.79	1.79
313380L96	2,500,000	FEDERAL HOME LN BKS 0.500% Due 11-20-15		07-11-13	99.98	0.51	100.24	0.38	2,505,875.00	5,590.28	2,511,465.28	6,398.65	25.0	2.04	2.04
	5,000,000					0.58		0.36	5,018,000.00	8,673.61	5,026,673.61	21,044.28	50.1	1.91	1.91
AGENCY CALLABLE															
3134G3MX5	2,500,000	FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16	02-24-14	02-01-12	100.00	0.79	100.20	0.71	2,505,102.50	3,722.22	2,508,824.72	5,004.04	25.0	2.29	0.32
3133EAYQ5	2,500,000	FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16	11-14-13	08-01-12	100.00	0.70	100.01	0.71	2,500,147.50	5,029.17	2,505,176.67	147.50	24.9	2.68	0.04
	5,000,000					0.75		0.71	5,005,250.00	8,751.39	5,014,001.39	5,151.54	49.9	2.49	0.18
TOTAL	10,000,000					0.67		0.53	10,023,250.00	17,425.00	10,040,675.00	26,195.82	100.0	2.20	1.05

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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 10-01-13 To 10-31-13

<u>Trade Date</u>	<u>Settle Date</u>	<u>Cusip</u>	<u>Quantity</u>	<u>Security</u>	<u>Call Date</u>	<u>Amount</u>	<u>Broker</u>
Deposit							
10-31-13	10-31-13	manfee		Management Fee		2,083.33	



AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF FRANKLIN CORE
 October 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
FHLB(Straight Line)									
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	1,173.41	2,304.37	2,520.63	2,497,479.37
FEDERAL HOME LN BKS 0.500% Due 11-20-15 (313380L96)									
2,500,000	1	07-11-13	99.976	2,499,400.00	21.71	76.35	76.35	523.65	2,499,476.35
Total				4,994,575.00	141.37	1,249.77	2,380.72	3,044.28	4,996,955.72
FFCB CALLABLE(Straight Line)									
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	-26.57	-512.28	-781.25	0.00	2,500,000.00
FHLMC CALLABLE(Straight Line)									
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	-260.15	-526.54	-98.46	2,500,098.46
GRAND TOTAL				9,995,981.25	88.26	477.34	1,072.93	2,945.82	9,997,054.18

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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 09-30-13 To 10-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
AGENCY							
AGENCY BULLET							
FHLB							
313378CN9	FEDERAL HOME LN BKS 0.600% Due 08-17-15	1,791.67	0.00	0.00	0.00	1,291.67	3,083.33
313380L96	FEDERAL HOME LN BKS 0.500% Due 11-20-15	4,513.89	0.00	0.00	0.00	1,076.39	5,590.28
		<u>6,305.56</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,368.06</u>	<u>8,673.61</u>
AGENCY BULLET Total		6,305.56	0.00	0.00	0.00	2,368.06	8,673.61
AGENCY CALLABLE							
FHLMC							
3134G3MX5	FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16	2,000.00	0.00	0.00	0.00	1,722.22	3,722.22
		<u>2,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,722.22</u>	<u>3,722.22</u>
FFCB							
3133EAYQ5	FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16	3,500.69	0.00	0.00	0.00	1,528.47	5,029.17
		<u>3,500.69</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,528.47</u>	<u>5,029.17</u>
AGENCY CALLABLE Total		5,500.69	0.00	0.00	0.00	3,250.69	8,751.39
AGENCY Total		11,806.25	0.00	0.00	0.00	5,618.75	17,425.00
TOTAL PORTFOLIO		11,806.25	0.00	0.00	0.00	5,618.75	17,425.00

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

Security	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
AGENCY													
FEDERAL HOME LN BKS 0.600% Due 08-17-15					7,500.00						7,500.00		15,000.00
FEDERAL HOME LN BKS 0.500% Due 11-20-15		6,250.00						6,250.00					12,500.00
FEDERAL HOME LN MTG CORP 0.800% Due 02-24-16					10,000.00						10,000.00		20,000.00
FEDERAL FARM CR BKS CONS 0.710% Due 07-19-16				8,875.00						8,875.00			17,750.00
TOTAL		6,250.00		8,875.00	17,500.00			6,250.00		8,875.00	17,500.00		65,250.00
GRAND TOTAL		6,250.00		8,875.00	17,500.00			6,250.00		8,875.00	17,500.00		65,250.00