



GOVERNMENT PORTFOLIO ADVISORS

Monthly Report

Account

City of Franklin

5/31/2014

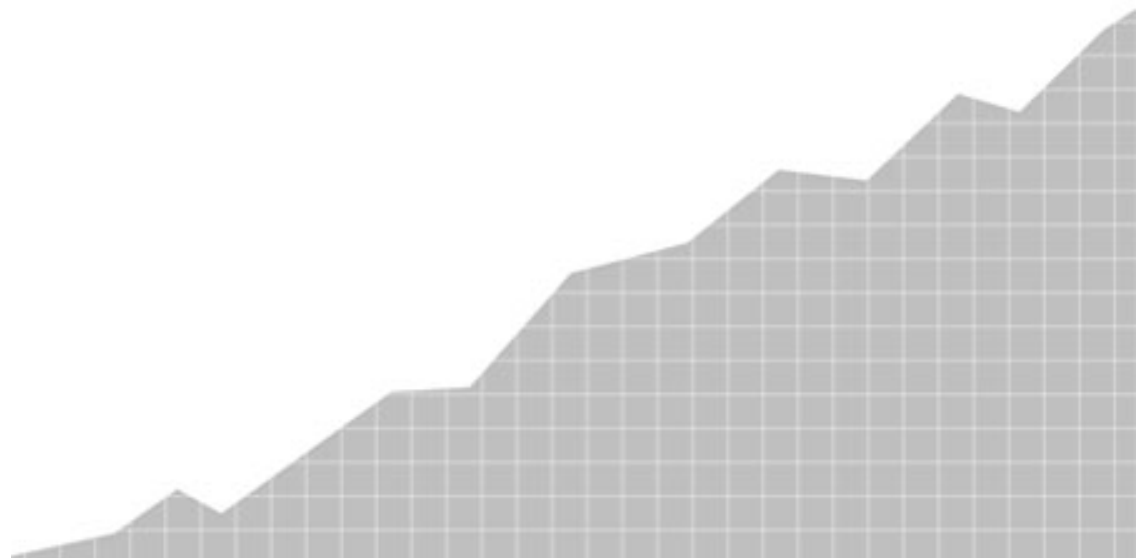




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MONTH END COMMENTARY

May 2014

A worldwide bond market rally pushed yields to the lowest levels in a year. Market sentiment is that Central Banks can keep stimulating economic growth without sparking inflation. Evidence that weakening labor markets will constrain demand and inflation has caused investors to pour into government bonds. Long treasuries have been one of the best returning assets in 2014.

FOMC Minutes:

The Federal Reserve said continued stimulus to push unemployment lower doesn't risk fueling an undesirable increase in inflation. With inflation expected to remain well below its 2% goal, the Fed (FOMC) doesn't "face a tradeoff between its employment and inflation objectives, and an expansion of aggregate demand would result in further progress relative to both objectives," according to the minutes of their April 29-30 meeting released in May. Fed officials also discussed the need to improve their guidance on the likely direction of interest rates.

The FOMC is watching progress toward their goal of full employment as they consider the timing of the first interest rate increase since 2006. The Fed has said the fed funds rate is likely to stay low for a "considerable time" after it ends its bond purchase program later this year. Participants agreed that "early communication" of their exit strategy "would enhance the clarity and credibility of monetary policy." While no decisions were made, committee members agreed that further testing of different tools to use to exit the current strategy should be explored.

Other Economic Data:

Non-farm Payrolls/Unemployment: Total nonfarm payroll employment increased by 288,000 in April, and the unemployment rate fell sharply to 6.3% from 6.7% the previous month. This is the lowest unemployment rate since September 2008. The 288,000 April jobs gain followed a revised 203,000 increase in the prior month that was stronger than initially estimated. The median forecast was for an increase of 218,000.

GDP: Gross Domestic Product contracted at a negative 1% annual rate in the first quarter, which was twice as much as economists predicted. According to Bloomberg surveys, GDP is expected to grow at a 3.5% pace in the second quarter.

Housing Data: One bright spot in the economy was the housing data which may have been spurred by lower mortgage rates. Sales of new U.S. single-family homes rose more than expected in April and the supply of houses on the market hit a 3-1/2 year high. New home sales increased 6.4% over the previous month.



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

<u>Maturity</u>	<u>Total Return (trailing 12 months)</u>
3month bill	.06
1 year note	.29
2 year note	.79
3 year note	.88
5 year note	.59

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

	<u>03/31/14</u>	<u>4/30/14</u>	<u>5/31/14</u>	<u>Change in May</u>
3month bill	.04	.03	.04	+.01
6month bill	.06	.05	.05	unchanged
2 year note	.42	.41	.38	-.03
3 year note	.87	.85	.78	-.07
5 year note	1.72	1.68	1.54	-.14
10 year bond	2.72	2.65	2.48	-.17
30 year bond	3.56	3.46	3.33	-.13

*Source: Bloomberg



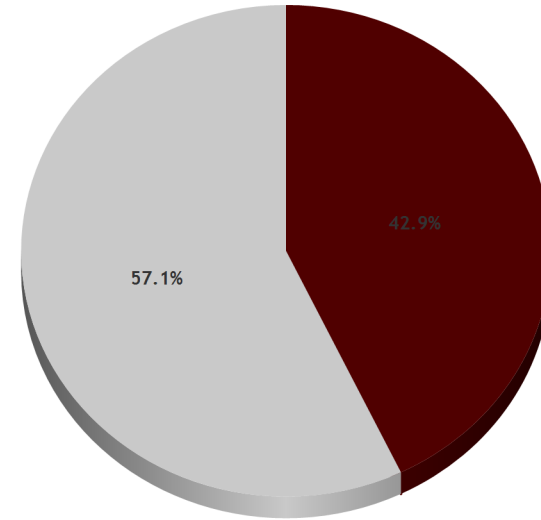
Weighted Averages

Average Yield	0.52
Average Maturity	2.23
Average Coupon	0.69
Average Duration	2.21
Average Moody	Aaa
Average S&P	AA+
Average Fitch	Not Rated

Fixed Income Totals

Par Value	17,500,000
Market Value	17,555,337.50
Total Cost	17,495,687.23
Net Gain/Loss	59,650.27
Annual Income	121,250.00

Fixed Income Allocation



Security Type	Market Value	% Fixed Income	% Assets
US Agency (USD)	7,523,892.50	42.9	42.9
US Treasury (USD)	10,031,445.00	57.1	57.1
Fixed Income Total	17,555,337.50	100.0	100.0



City of Franklin

Portfolio Holdings - Settled Trades

US Dollar
5/31/2014

Quantity	Symbol	Security	Unit Adj. Cost	Total Adjusted Cost	Price	Market Value	% Assets	Unrealized Gain/Loss
US Agency (USD)								
2,500,000	313378CN9	FEDERAL HOME LOAN BANKS 0.600% Due 08-17-15	99.93	2,498,285.55	100.44	2,510,930.00	14.3	12,644.45
2,500,000	313380L96	FEDERAL HOME LOAN BANKS 0.500% Due 11-20-15	99.99	2,499,625.37	100.43	2,510,737.50	14.3	11,112.13
2,500,000	3137EADJ5	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17	100.04	2,500,972.45	100.09	2,502,225.00	14.3	1,252.55
				7,498,883.37		7,523,892.50	42.9	25,009.13
US Treasury (USD)								
2,500,000	912828VR8	UNITED STATES TREAS NTS 0.625% Due 08-15-16	100.00	2,500,090.73	100.38	2,509,375.00	14.3	9,284.27
2,500,000	912828WA4	UNITED STATES TREAS NTS 0.625% Due 10-15-16	99.82	2,495,440.35	100.23	2,505,665.00	14.3	10,224.65
2,500,000	912828A59	UNITED STATES TREAS NTS 0.625% Due 12-15-16	99.97	2,499,251.34	100.07	2,501,757.50	14.3	2,506.16
2,500,000	912828SC5	UNITED STATES TREAS NTS 0.875% Due 01-31-17	100.08	2,502,021.43	100.59	2,514,647.50	14.3	12,626.07
				9,996,803.86		10,031,445.00	57.1	34,641.14
Total Portfolio				17,495,687.23		17,555,337.50	100.0	59,650.27



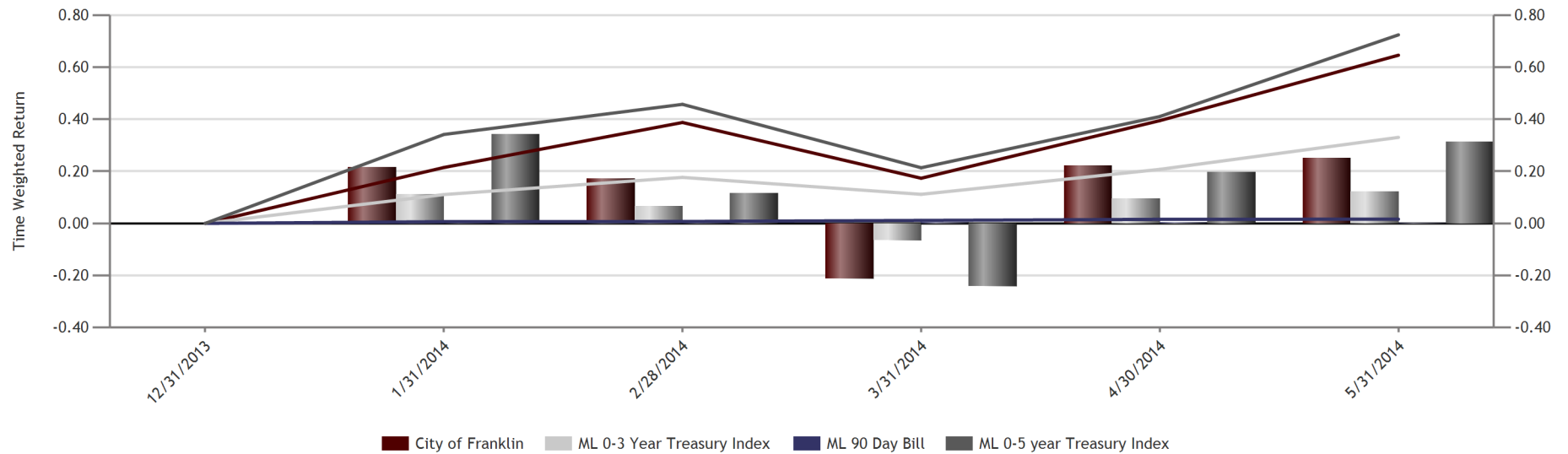
Performance History

Industry Sector	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Inception To Date
Treasury	0.32	0.51	0.83		0.83
Agency	0.16	0.42	0.56		0.56
Account	0.25	0.47	0.65		0.65

Index

ML 0-3 Year Treasury Index	0.12	0.22	0.33		0.33
ML 90 Day Bill	0.00	0.00	0.02		0.02
ML 0-5 year Treasury Index	0.31	0.51	0.72		0.72

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





Yield Curve Distribution

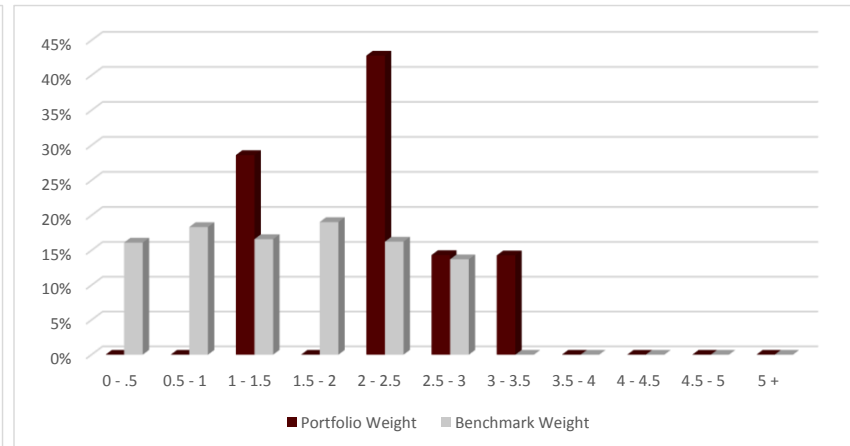
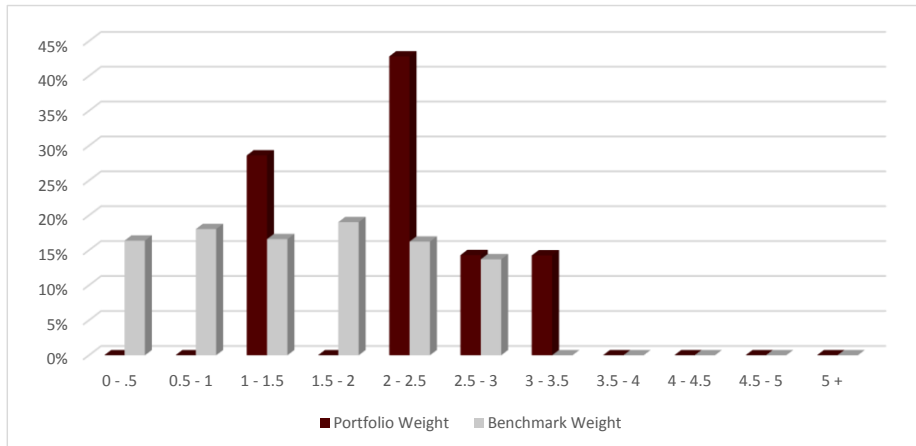
vs. 0-3 Treasury Benchmark

6/4/2014

	Effective Duration	Modified Duration
Portfolio	2.19	2.19
Benchmark	1.45	1.46
Difference	0.74	0.73

Modified Duration	Market Value	Portfolio Weight	Benchmark Weight	Overweight/Underweight
	\$ 17,544,570			
0 - .5	\$ -	0%	16%	-16%
0.5 - 1	\$ -	0%	18%	-18%
1 - 1.5	\$ 5,019,000	29%	17%	12%
1.5 - 2	\$ -	0%	19%	-19%
2 - 2.5	\$ 7,510,352	43%	16%	27%
2.5 - 3	\$ 2,511,719	14%	14%	1%
3 - 3.5	\$ 2,503,500	14%	0%	14%
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
	\$ 17,544,570			
0 - .5	\$ -	0%	16%	-16%
0.5 - 1	\$ -	0%	18%	-18%
1 - 1.5	\$ 5,019,000	29%	17%	12%
1.5 - 2	\$ -	0%	19%	-19%
2 - 2.5	\$ 7,510,352	43%	16%	27%
2.5 - 3	\$ 2,511,719	14%	14%	1%
3 - 3.5	\$ 2,503,500	14%	0%	14%
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 04-30-14 to 05-31-14

Portfolio Value on 04-30-14	17,522,697.5
Accrued Interest	30,036.56
Contributions	0.00
Withdrawals	-6,250.00
Realized Gains	0.00
Market Value Change in Period	32,640.00
Interest	10,386

Portfolio Value on 05-31-14	17,555,337.50
Accrued Interest	34,172.85
Average Capital	17,550,314.71
Total Return	40,942.96
Return for Period	0.23
Annualized Return for period	2.78

Government Portfolio Advisors
PORTFOLIO SUMMARY
City of Franklin
 May 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	17,495,687.23	17,555,337.50	100.0	0.71	121,250.00
TOTAL PORTFOLIO	17,492,166.88	17,495,687.23	17,555,337.50	100.0	0.71	121,250.00

Government Portfolio Advisors
EARNED INCOME REPORT
City of Franklin
From 04-30-14 To 05-31-14

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	3,041.67	0.00	0.00	0.00	4,333.33	1,291.67	119.73	1,411.40
313380L96	FEDERAL HOME LOAN BANKS 0.500% Due 11-20-15	5,555.56	0.00	0.00	-6,250.00	381.94	1,076.39	21.54	1,097.93
3137EADJ5	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17	6,388.89	0.00	0.00	0.00	8,541.67	2,152.78	-25.73	2,127.05
		14,986.11	0.00	0.00	-6,250.00	13,256.94	4,520.83	115.54	4,636.38
US Agency (USD) Total		14,986.11	0.00	0.00	-6,250.00	13,256.94	4,520.83	115.54	4,636.38
US Treasury (USD)									
US Treasury									
912828VR8	UNITED STATES TREAS NTS 0.625% Due 08-15-16	3,194.06	0.00	0.00	0.00	4,532.11	1,338.05	-3.46	1,334.59
912828WA4	UNITED STATES TREAS NTS 0.625% Due 10-15-16	640.37	0.00	0.00	0.00	1,963.80	1,323.43	161.63	1,485.06
912828A59	UNITED STATES TREAS NTS 0.625% Due 12-15-16	5,837.91	0.00	0.00	0.00	7,168.61	1,330.70	24.80	1,355.50
912828SC5	UNITED STATES TREAS NTS 0.875% Due 01-31-17	5,378.11	0.00	0.00	0.00	7,251.38	1,873.27	-63.53	1,809.75
		15,050.45	0.00	0.00	0.00	20,915.90	5,865.46	119.44	5,984.89
US Treasury (USD) Total		15,050.45	0.00	0.00	0.00	20,915.90	5,865.46	119.44	5,984.89
TOTAL PORTFOLIO		30,036.56	0.00	0.00	-6,250.00	34,172.85	10,386.29	234.98	10,621.27



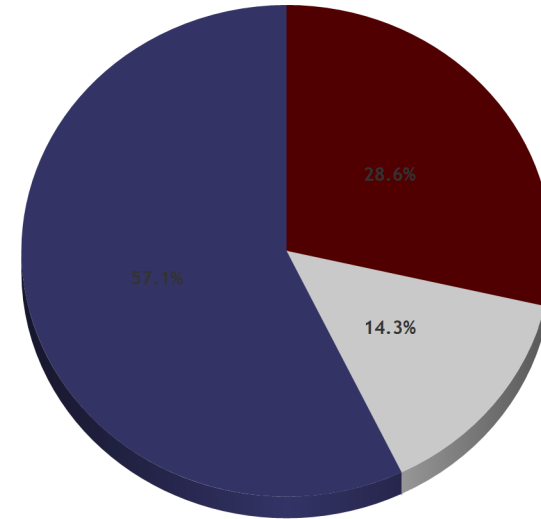
Activity and Issuer Overview - Settled

Net of Fees | US Dollar
4/30/2014 - 5/31/2014

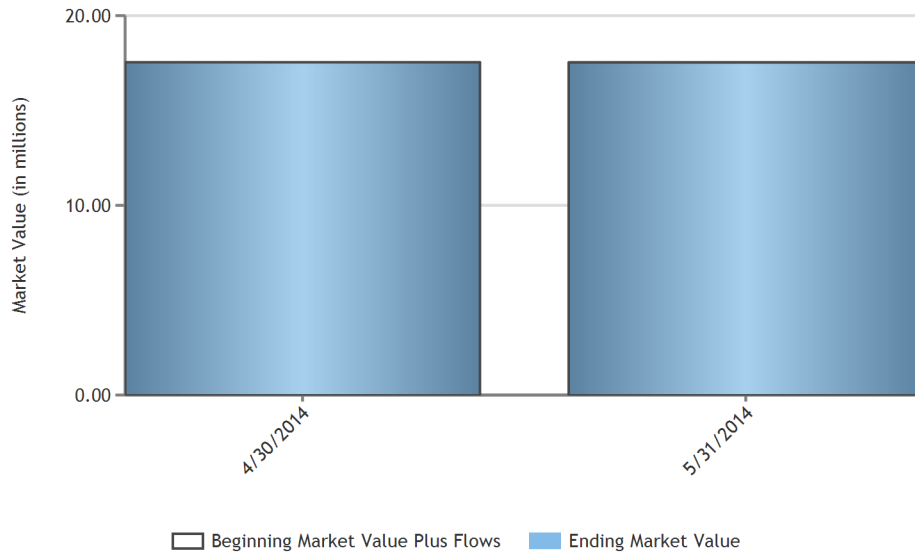
Activity Summary

	Month to Date
Beginning Value	17,522,697.50
Accrued Interest	30,036.56
Net Contributions/Withdrawals	-6,250.00
Realized Gains	0.00
Unrealized Gains	32,640.00
Income Received	6,250.00
Change in Accrued Interest	4,136.29
Ending Value	17,555,337.50
Accrued Interest	34,172.85
Management Fees Paid By Client	-2,083.33

Portfolio Allocation as of 5/31/2014



Change in Portfolio



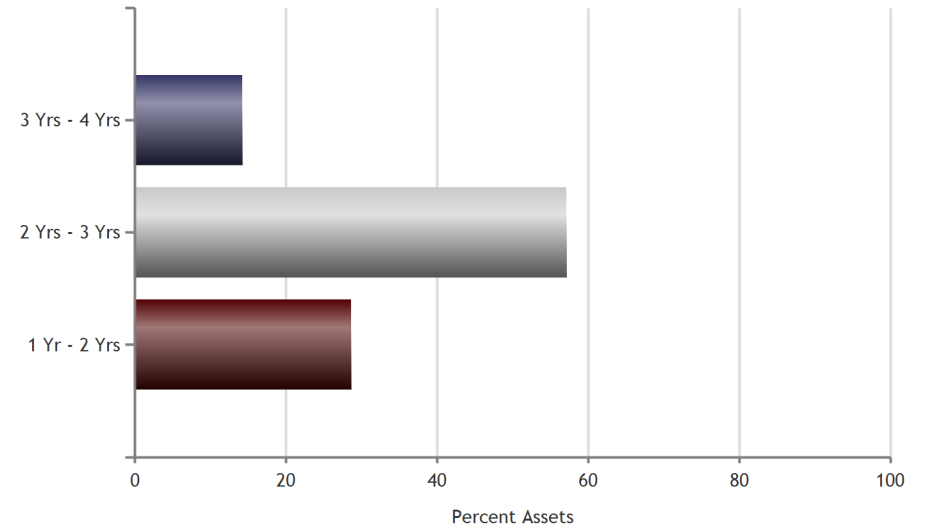
Issuer	Market Value	% Assets	Yield
FEDERAL HOME LOAN BANKS	5,021,667.50	28.6	0.6
FEDERAL HOME LN MTG CORP	2,502,225.00	14.3	1.0
UNITED STATES TREAS NTS	10,031,445.00	57.1	0.7
Total	17,555,337.50	100.0	0.7



Distribution by Duration

Duration	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
1 Yr - 2 Yrs	2	5,021,667.50	28.6	0.2	0.550%	1.3
2 Yrs - 3 Yrs	4	10,031,445.00	57.1	0.6	0.688%	2.4
3 Yrs - 4 Yrs	1	2,502,225.00	14.3	1.0	1.000%	3.1

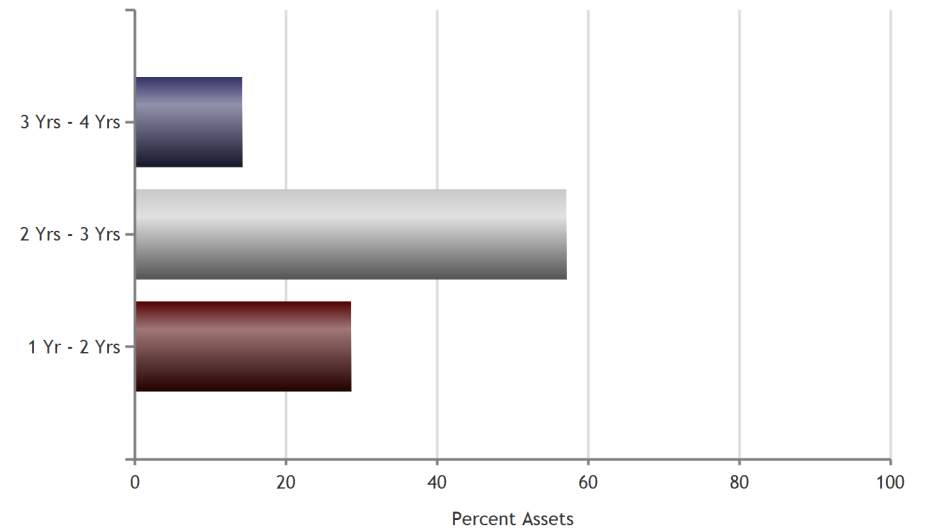
Distribution by Duration



Distribution by Maturity

Maturity	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
1 Yr - 2 Yrs	2	5,021,667.50	28.6	0.2	0.550%	1.3
2 Yrs - 3 Yrs	4	10,031,445.00	57.1	0.6	0.688%	2.4
3 Yrs - 4 Yrs	1	2,502,225.00	14.3	1.0	1.000%	3.1

Distribution by Maturity

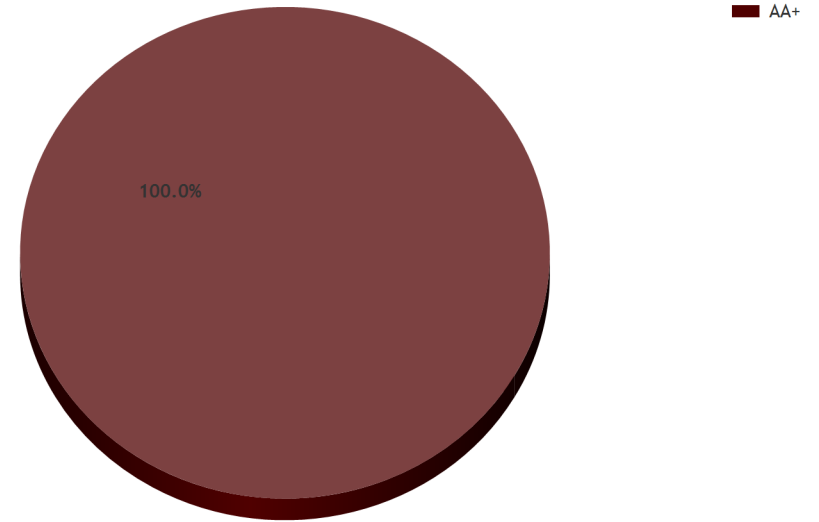




Distribution by S&P Rating

S&P Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
AA+	7	17,555,337.50	100.0	0.7	0.693%	2.8

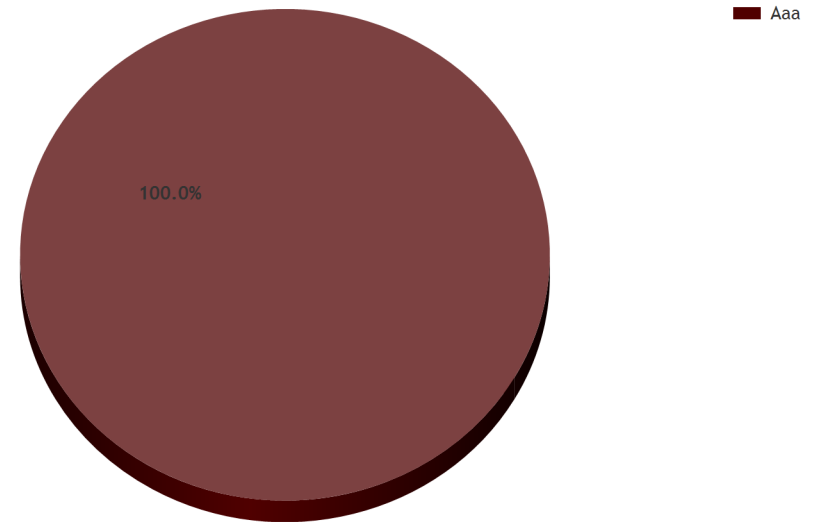
Distribution by S&P Rating



Distribution by Moody Rating

Moody Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
Aaa	7	17,555,337.50	100.0	0.7	0.693%	2.8

Distribution by Moody Rating





City of Franklin

Transaction Summary

US Dollar

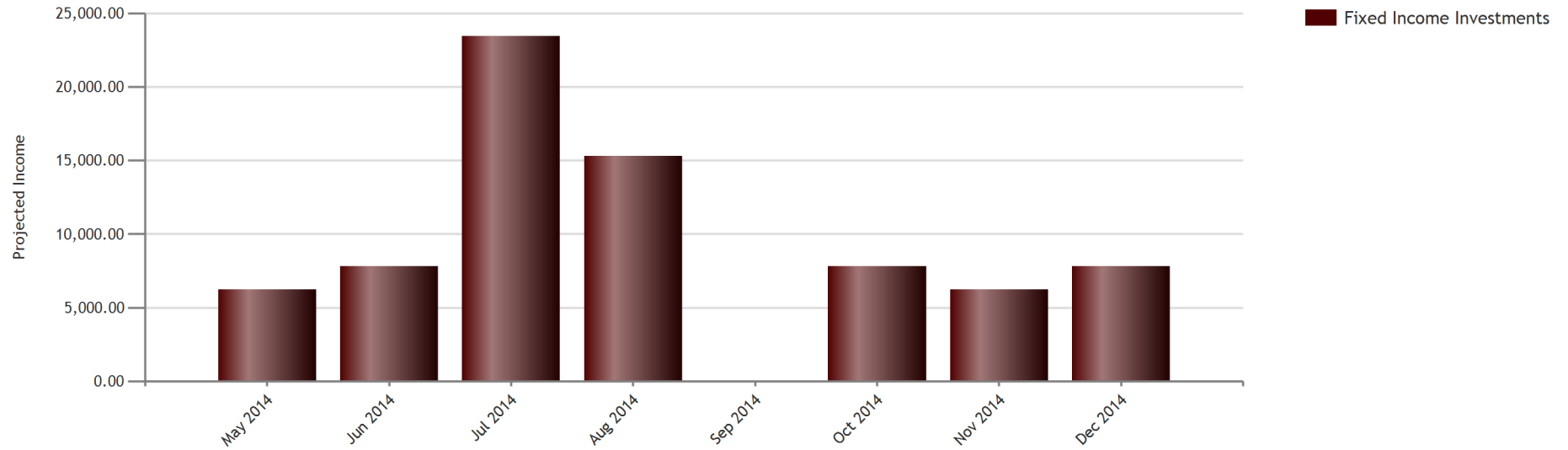
5/1/2014 - 5/31/2014

Interest

Trade Date	Settle Date	Symbol	Security	Amount
5/20/2014	5/20/2014	313380L96	FEDERAL HOME LOAN BANKS 0.500% Due 11-20-15	6,250.00
Total Interest				6,250.00

Expenses

Trade Date	Settle Date	Symbol	Security	Amount
5/31/2014	5/31/2014	manfee	Management Fee	2,083.33
Total Expenses				2,083.33



	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014
Fixed Income Investments	6,250.00	7,812.50	23,437.50	15,312.50	0.00	7,812.50	6,250.00	7,812.50
US Agency (USD)	6,250.00	0.00	12,500.00	7,500.00	0.00	0.00	6,250.00	0.00
US Treasury (USD)	0.00	7,812.50	10,937.50	7,812.50	0.00	7,812.50	0.00	7,812.50
Total	6,250.00	7,812.50	23,437.50	15,312.50	0.00	7,812.50	6,250.00	7,812.50
Grand Total	74,687.50							



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Questions About an Account: GPA's monthly report is intended to detail our investment advisory activity managed by GPA. In addition, at the request of the account, the report may include bank balances, LGIP balances and other funds that are held but not invested at the direction of GPA. The custodian bank maintains the control of assets and executes (ie. Settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. GPA recognizes that clients may use these reports to facilitate record keeping and that the custodian bank statement and the GPA report should be reconciled and differences resolved. Many custodians use a settlement date basis which may result in the need to reconcile due to a timing difference.

Account Control

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Market Value

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.

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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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The securities in this portfolio are not guaranteed or otherwise protected by GPA, the FDIC (except for non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.

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