

HIGHLANDS RANCH METROPOLITAN DISTRICT
BOARD MEETING ADDENDA

November 28, 2017

Addendum documents can also be viewed at
<http://highlandsranch.org>

or

<http://intranet.highlandsranch.org/default.aspx>

- Termination letter
- Highlands Ranch Metro District Review of Investment Performance



62 West Plaza Drive
Highlands Ranch, Colorado 80129

303-791-0430 – Telephone
303-791-0437 – Management/Engineering – Fax
303-791-3290 – Financial/Customer Service – Fax
www.highlandsranch.org

November 28, 2017

The Honorable Debbie Brinkman, Mayor of Littleton
and Members of the Littleton City Council
2255 W. Berry Ave
Littleton, CO 80120

Littleton Fire Protection District Board of Directors
5890 S. Bemis Street
Littleton, CO 80120

Dear Mayor Brinkman, Members of Littleton City Council, and Littleton Fire Protection District Directors,

During the past two years the Highlands Ranch Metropolitan District has conducted an extensive evaluation of the options for future Fire and Emergency Services for the citizens of Highlands Ranch. The conclusion of this evaluation is that continuing the current agreement is not in the best interests of our community. Therefore, the Board of Directors has decided to terminate our contract for fire and emergency services effective January 1, 2019. This is the official written notice of termination in accordance with paragraph 13 of our Agreement dated January 17, 2012.

The relationship between the City, the District and the Ranch has been long and beneficial to all of our constituents. With the support of these three governments the firefighters, paramedics and dispatchers of Littleton Fire Rescue have performed admirably in providing excellent fire and emergency services, often under demanding circumstances. I believe that the Metro District Board speaks for the people of Highlands Ranch in saying, "Thank you for your exemplary service to our community." It is our hope that the people of Littleton Fire Rescue will continue to serve Highlands Ranch as part of our new fire and emergency services provider.

The reasons for terminating the contract include:

1. Highlands Ranch should receive improved services that the current partnership is not able to fund. Service improvements needed include an additional fire station, improved response times, enhanced on-scene leadership when multiple incidents occur, more frequent safety inspections of businesses and reduced dependence of automatic and mutual aid.
2. Enhanced stability associated with joining a large regional fire and emergency services provider – stability in funding of a nationally accredited service and stability and enhanced safety for the people providing these important services. Unification into large regional fire and emergency service providers is a national trend supported by all of the significant fire related associations.
3. Governance – the people of Highlands Ranch should be able to vote for their representatives who make decisions about fire and emergency services.

It is our sincere hope that the City of Littleton will join Highlands Ranch and the Littleton Fire Protection District as we seek inclusion in South Metro Fire Rescue.

Sincerely,

Jim Worley
Chairman, Board of Directors
Highlands Ranch Metropolitan District

cc: Terry Nolan
Mark Relph
Chief Armstrong
Cindy Hathaway



Highlands Ranch Metro District

Review of Investment Performance

Quarter-ended September 30, 2017

PFM Asset Management LLC

633 17th Street
Suite 2250
Denver, CO 80202

Chris Blackwood, Managing Director
Marc McClure, CFA, Senior Managing Consultant
Andrea Vlad, Senior Marketing Representative

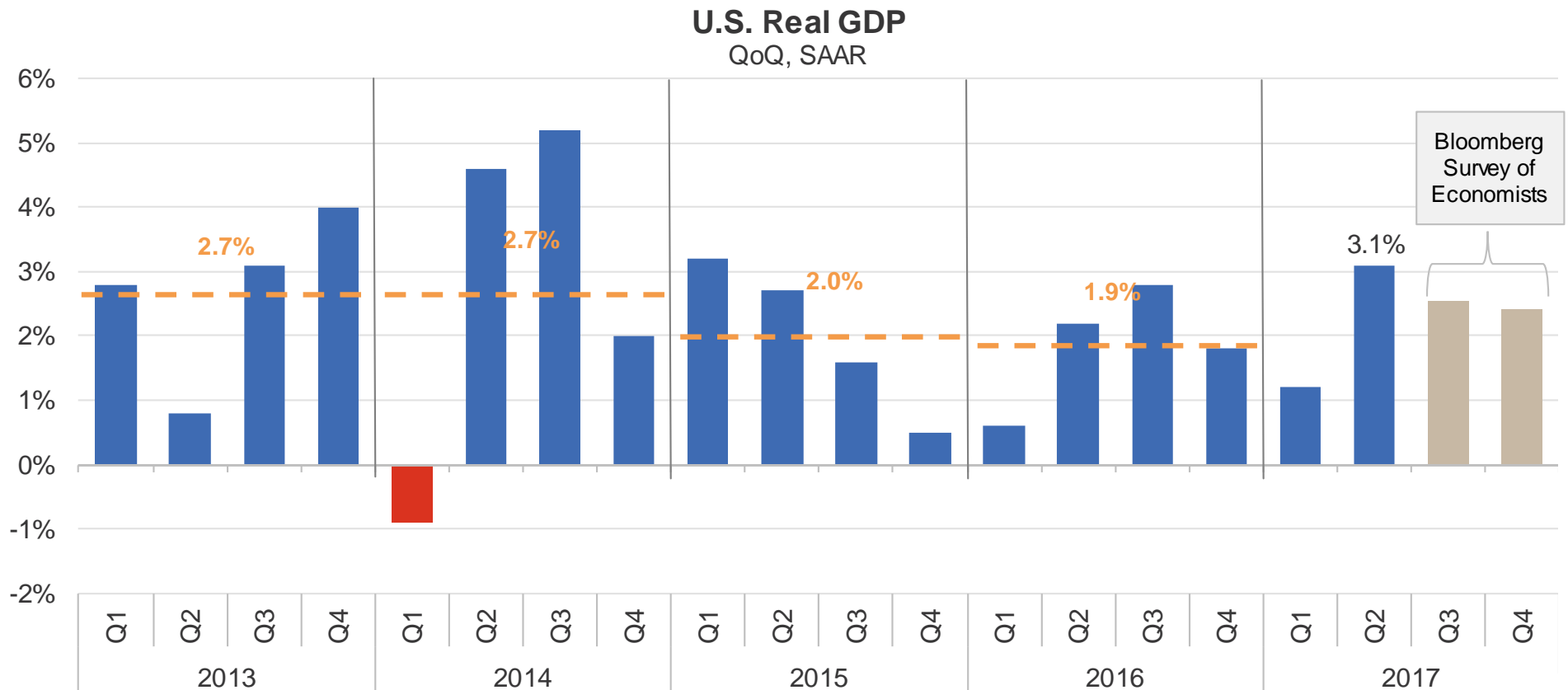
Economic and Market Update

Current Market Themes

- ◆ U.S. economic conditions are characterized by:
 - Moderate economic growth
 - Disruptions due to Hurricanes Harvey and Irma such that economic data will likely experience a lot of “noise” over the next few months
 - Muted inflation pressures
- ◆ Treasury yields rose in the 3rd quarter and appear headed gradually higher
 - 2-year Treasury note yields reached the highest level since October, 2008
 - Fed officials still forecast one more rate hike in 2017, with market-based probabilities above 75% by year end
 - Fed announced balance sheet normalization will begin in October based on the previously released plan
- ◆ Stock markets around the globe continue to march ever higher, even as volatility is close to an all-time low
- ◆ The global growth outlook continues to brighten, led by the Euro-area
- ◆ Geopolitical risks continue to linger, with potential hot spots in several parts of the globe

Economic Growth

- Gross domestic product (GDP) increased at an annualized rate of 3.1% in the second quarter of 2017.
- The acceleration in second quarter GDP reflected positive contributions from personal consumption, nonresidential private investments, exports, and federal government spending, offset by negative contributions from residential fixed investments, imports, and state and local government spending.

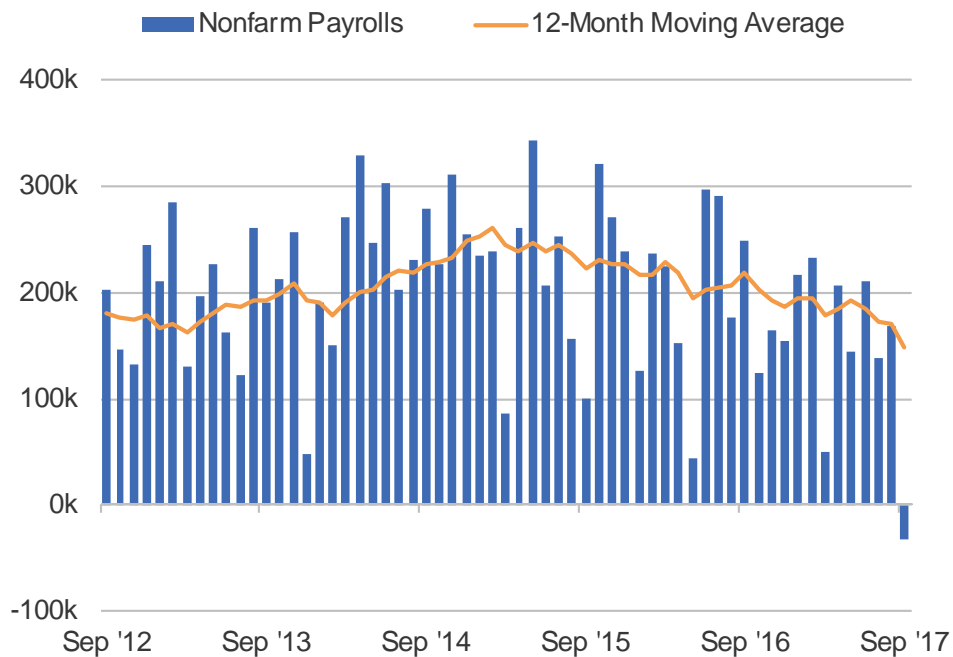


Source: Bloomberg, as of 9/30/17. SAAR is seasonally adjusted annualized rate. Orange dashes denotes four-quarter averages.

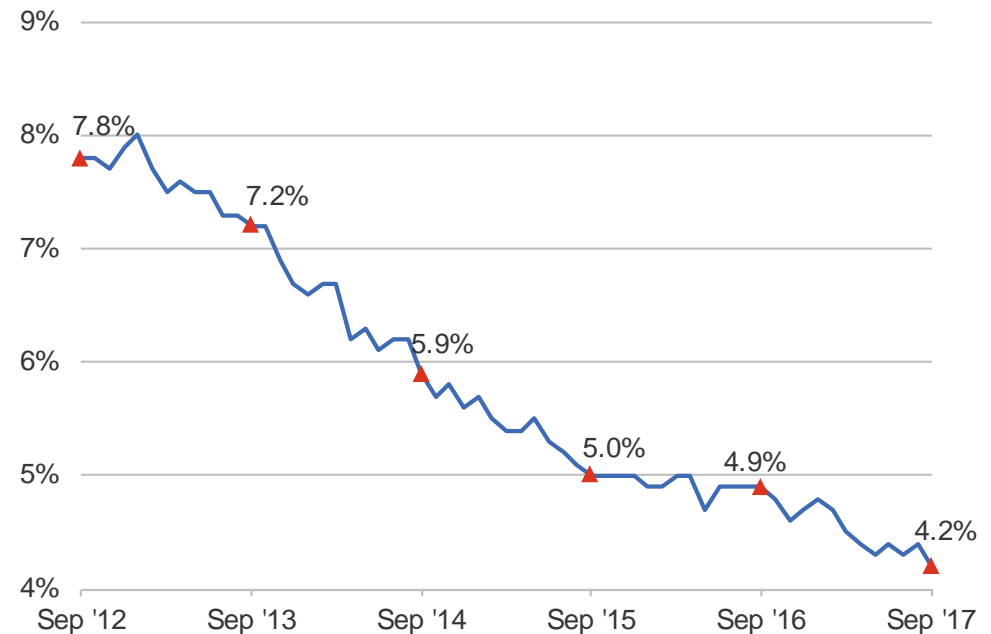
Labor Market Remains Strong Despite the Impact of Hurricanes

- The U.S. labor market lost 33,000 jobs in September. The first decline in U.S. nonfarm payrolls in seven years.
- Despite the impact of the hurricanes on the September job numbers, the headline unemployment rate ticked down to 4.2%, hitting the lowest level in more than 16 years. The U6 unemployment rate also decreased slightly from 8.6% in June to 8.3% in September, while the labor force participation rate ticked up from 62.8% in June to 63.1% in September.
- Average hourly earnings—an important gauge of wage growth—grew 2.9% over the past 12 months.

Monthly Change in Nonfarm Payrolls



Unemployment Rate

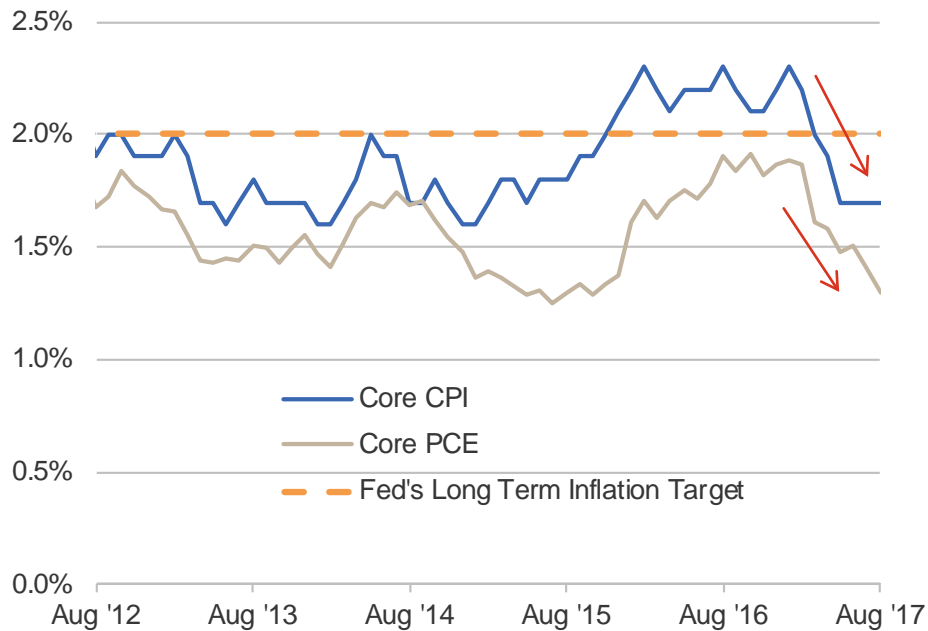


Source: Bloomberg, as of 9/30/17.

Inflation Steadies but Outlook Remains Weak

- ◆ Inflation pressures have declined from levels at the beginning of the year. The core personal consumption expenditures (PCE) price index, the Fed's preferred measure of inflation, slipped to 1.3% year-over-year in August. While some Fed officials expect this weakness to be transitory, the prospect for another rate hike in 2017 may be diminished should this trend continue.
- ◆ Although inflation expectations jumped following the U.S. election, the outlook has since softened, reflecting doubts in the administration's ability to implement its agenda.

Inflation Measures
(YoY)



Expectations for Average Inflation Rate Over Next 5 Years



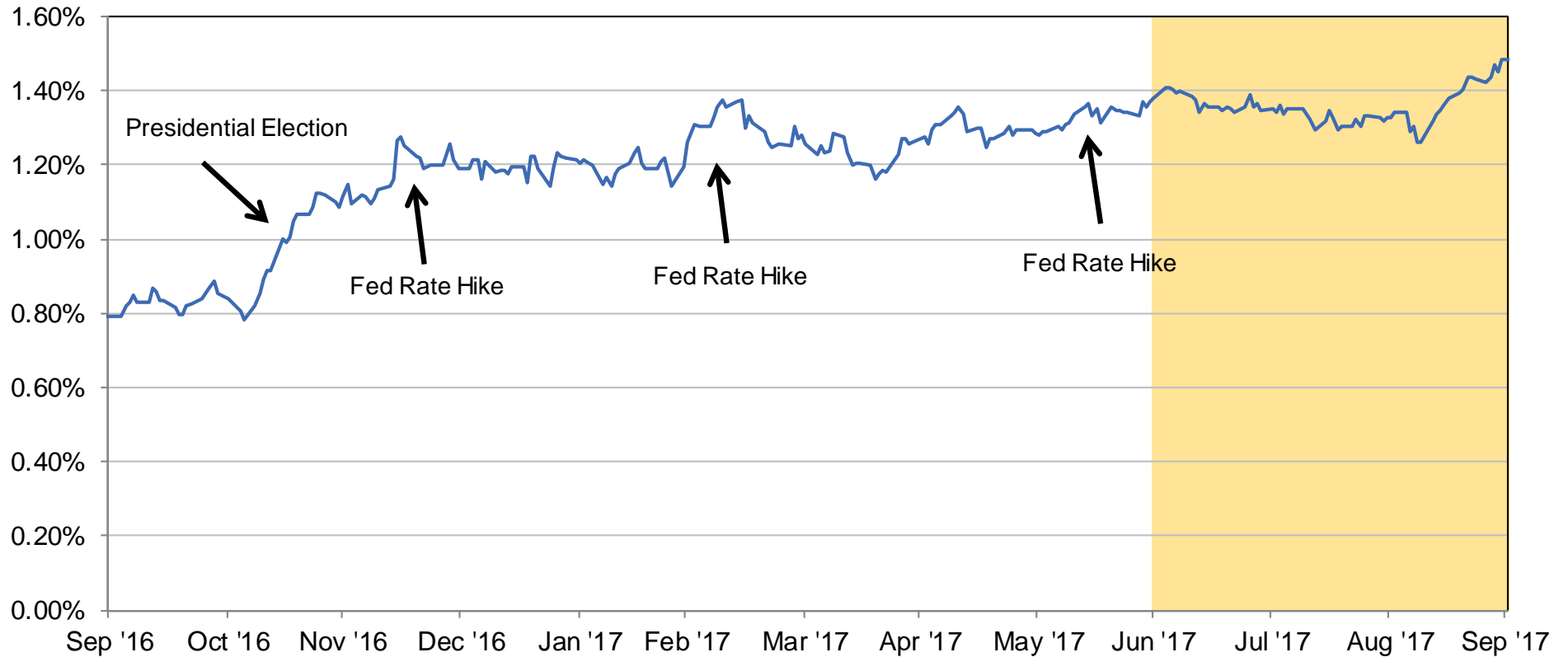
Source: Bloomberg, as of 9/30/17. Inflation expectations based on yield difference between 5-year Treasury note and 5-year Treasury Inflation Protected Securities (TIPS).

Interest Rate Update

- Two-year treasury yields moved modestly higher towards the end of the quarter, possibly due to heightened expectations of another rate hike and a tax overhaul that could increase government borrowing.

2-Year Treasury Yields

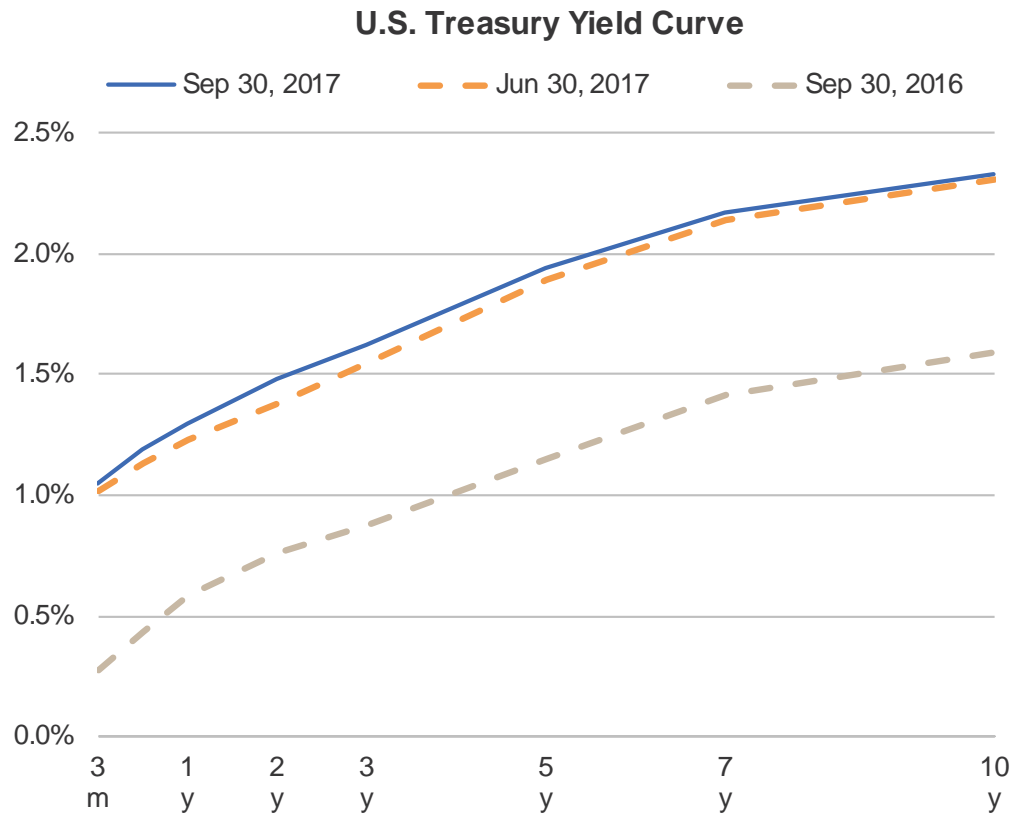
September 30, 2016 – September 30, 2017



Source: Bloomberg, as of 9/30/17.

Short-Term Yields Higher but Curve Flatter in Third Quarter

- Treasury yields are substantially higher compared to a year ago. Short-term yields continue to rise in response to the Fed raising rates in their efforts to normalize policy. Longer-term yields still remain relatively low in response to lower inflation and growth expectations.



Yield Curve History

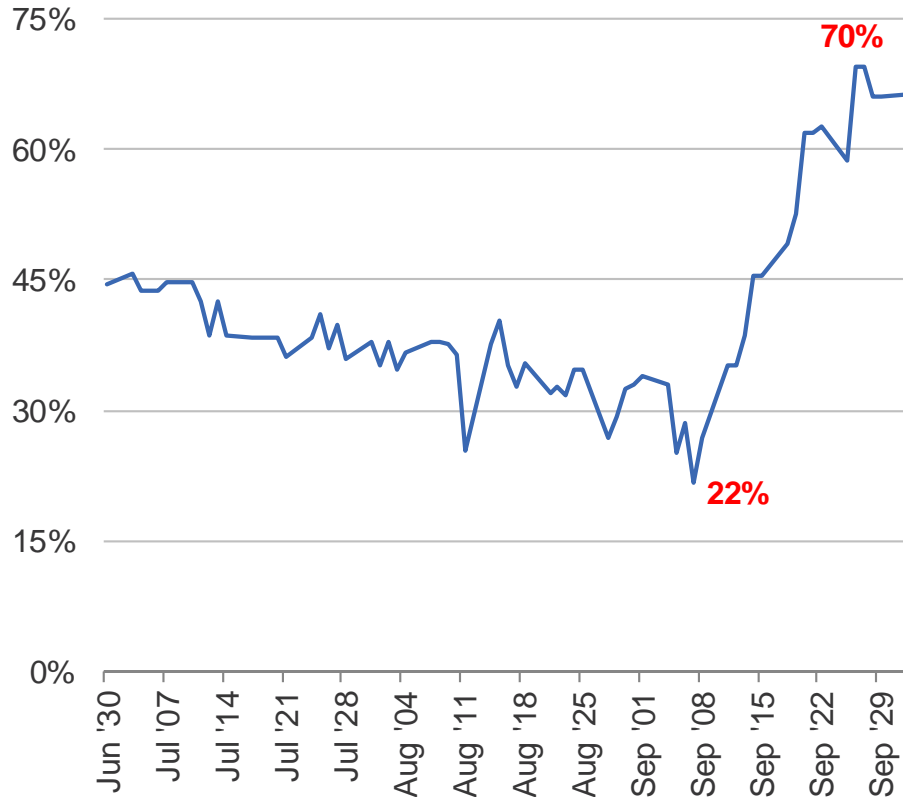
Maturity	6/30/17	9/30/17	Change
3-Mo.	1.01	1.05	0.04
6-Mo.	1.13	1.19	0.06
1-Yr.	1.23	1.29	0.06
2-Yr.	1.38	1.49	0.11
3-Yr.	1.55	1.62	0.07
5-Yr.	1.89	1.94	0.05
10-Yr.	2.31	2.33	0.02
20-Yr.	2.61	2.60	0.01
30-Yr.	2.84	2.86	0.02

Source: Bloomberg, as of 9/30/17.

Probability of Fed Rate Hike at the December Meeting

- The probability of a third rate hike in 2017 at the FOMC's December meeting increased following their September meeting.
- The FOMC will initiate the balance sheet normalization program described in the June 2017 Addendum to the Committee's Policy Normalization Principles and Plans in October.

Historical Probability of December Rate Hike



Probability of Fed Rate Hike

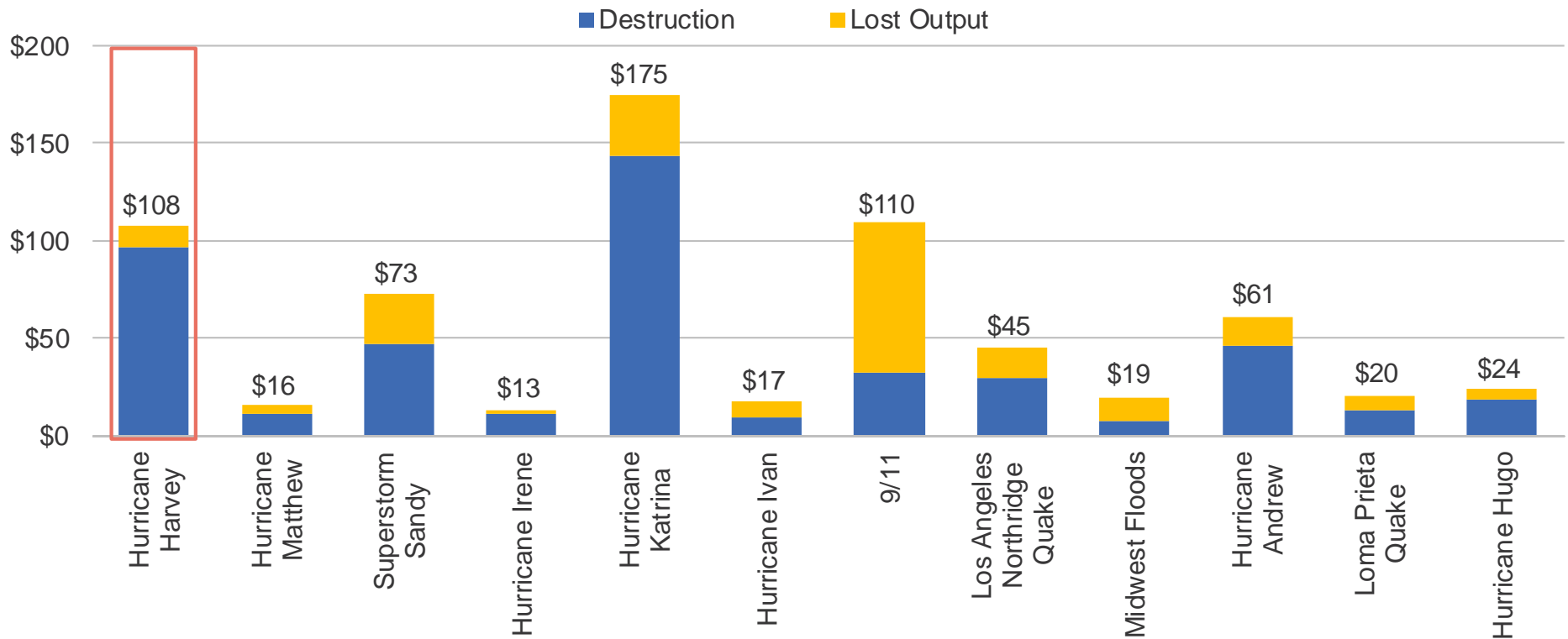
Meeting	Probability (25bps)
12/13/2017	70%
1/31/2018	68%
3/21/2018	54%
5/2/2018	54%
6/13/2018	43%

Source: Bloomberg, as of 9/30/2017.

Hurricane Disruption

- Hurricane Harvey is expected to be the second most destructive natural disaster over the last three decades.
- Destruction to property caused by Hurricane Harvey is estimated to range from \$77 to \$97 billion. The lost economic output is forecasted to be \$9 – \$11 billion.

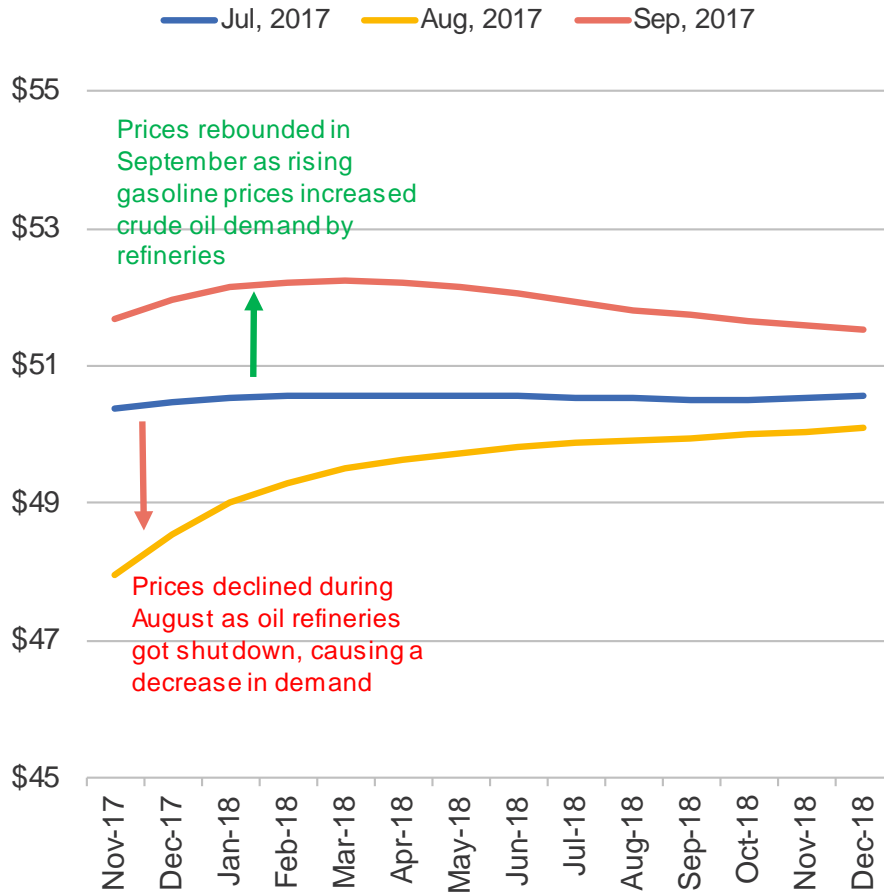
Total Economic Loss Due to Disasters
(Billions of Today's Dollars)



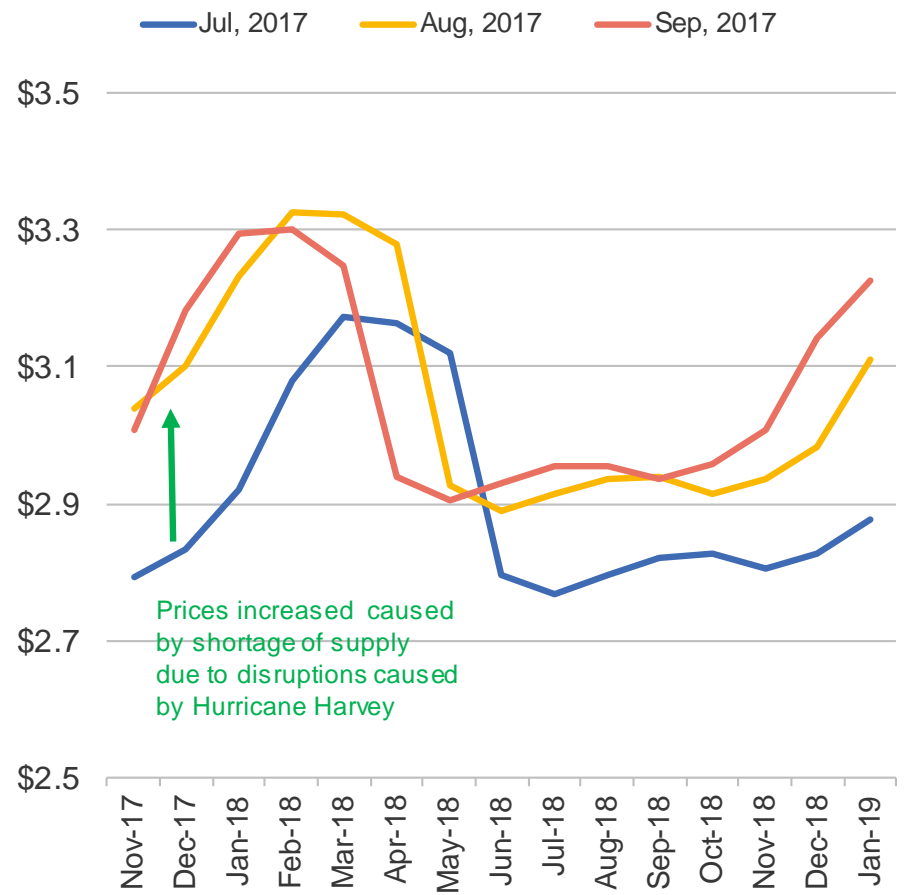
Hurricane Harvey estimates are preliminary and shown in the chart at the high end of the estimated range. Source: The Economic Impact of Hurricane Harvey, Moody's Analytics, 9/5/17.

Impact of Hurricane Harvey on Energy Prices

WTI Crude Oil Futures Curve Widening
(Dollars per Barrel)



Natural Gas Futures Curve Widening
(Dollars per MMBtu)



Source: Bloomberg, as of 9/30/2017

Portfolio Characteristics and Investment Strategy

Portfolio Recap

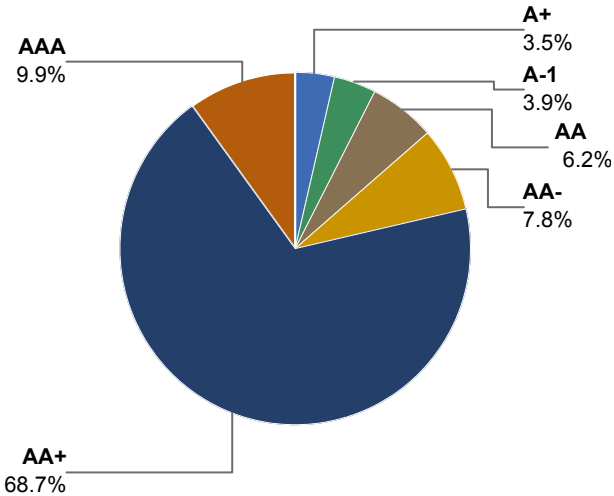
- Policy challenges in the U.S., combined with escalating tensions on the geopolitical front, led to bouts of uncertainty which triggered periods of “risk-off” and ”risk-on” during the third quarter. Nonetheless, volatility remained low and equities continued to book new record highs, reflective of investor complacency.
- After three rate hikes since December 2016, the Federal Reserve (Fed) shifted gears and announced the beginning of their program to reduce the central bank’s enormous balance sheet. The plan is to gradually reduce the Fed's securities holdings by decreasing its reinvestment of the principal payments on its large holdings of Treasury and agency mortgage-backed securities. This had little impact on our strategy as the process was telegraphed well in advance and will be gradual and predictable.
- Strong investor appetite for high-quality bonds generally caused the yield spreads on investment-grade fixed income sectors (relative to U.S. Treasuries) to tighten over the quarter, resulting in strong relative performance for corporate, mortgage-backed (MBS), asset-backed (ABS), municipal, and supranational securities.
 - The yield spreads on federal agency securities vs. comparable-maturity Treasuries narrowed to historic lows, in some cases near zero, leading to diminished value of the agency sector.
 - Supranationals carried more yield spread and offered an attractive alternative in the high-quality government agency space.
 - Corporate yield spreads also tightened to multi-year lows as investors reaching for yield piled into a limited market supply of investment-grade securities.
 - Following three straight quarters of underperformance, the MBS sector generated solid excess returns during the third quarter and is now in positive excess return territory year-to-date.
 - Despite weakening collateral metrics in some higher risk areas of the ABS sector (e.g., subprime auto loans which PFM does not purchase), higher quality prime auto loan and credit-card-backed tranches performed well, benefitting from higher initial yields.
- Without a clear trend in the direction of interest rates, we maintained the portfolio duration in line with the benchmark to minimize return volatility.

Portfolio Statistics

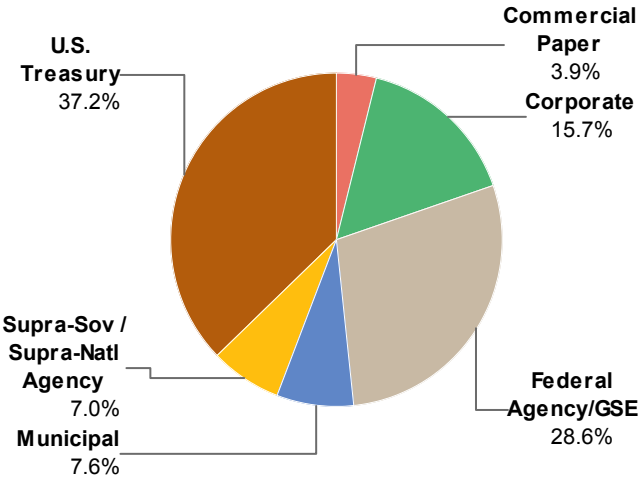
As of September 30, 2017

Par Value:	\$39,210,000
Total Market Value:	\$39,217,614
Security Market Value:	\$39,087,947
Accrued Interest:	\$129,667
Cash:	-
Amortized Cost:	\$39,223,608
Yield at Market:	1.55%
Yield at Cost:	1.34%
Effective Duration:	1.78 Years
Duration to Worst:	1.78 Years
Average Maturity:	1.82 Years
Average Credit: *	AA

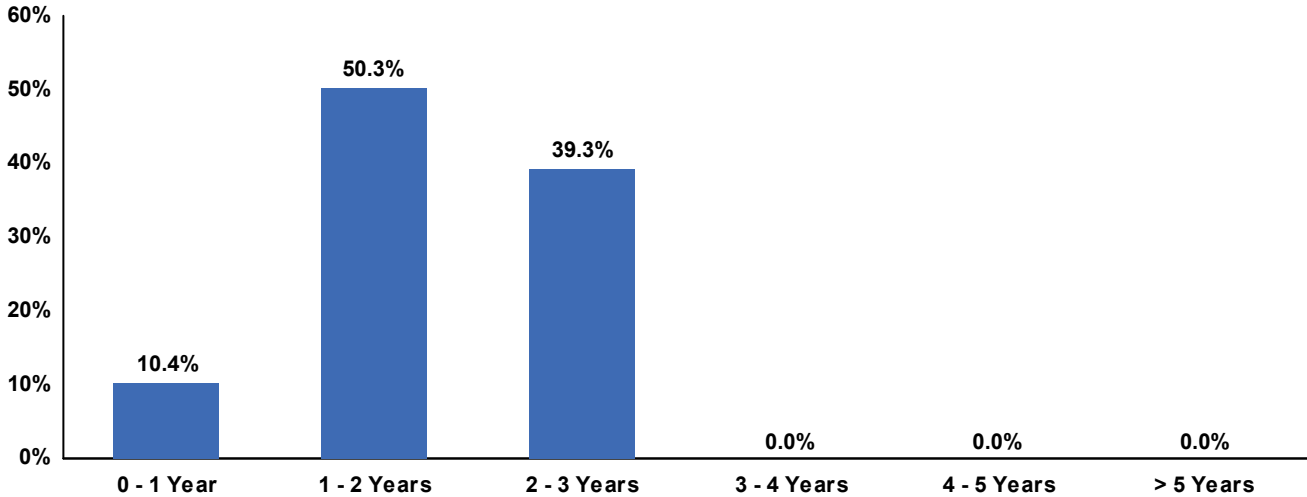
Credit Quality (S&P Ratings)



Sector Allocation



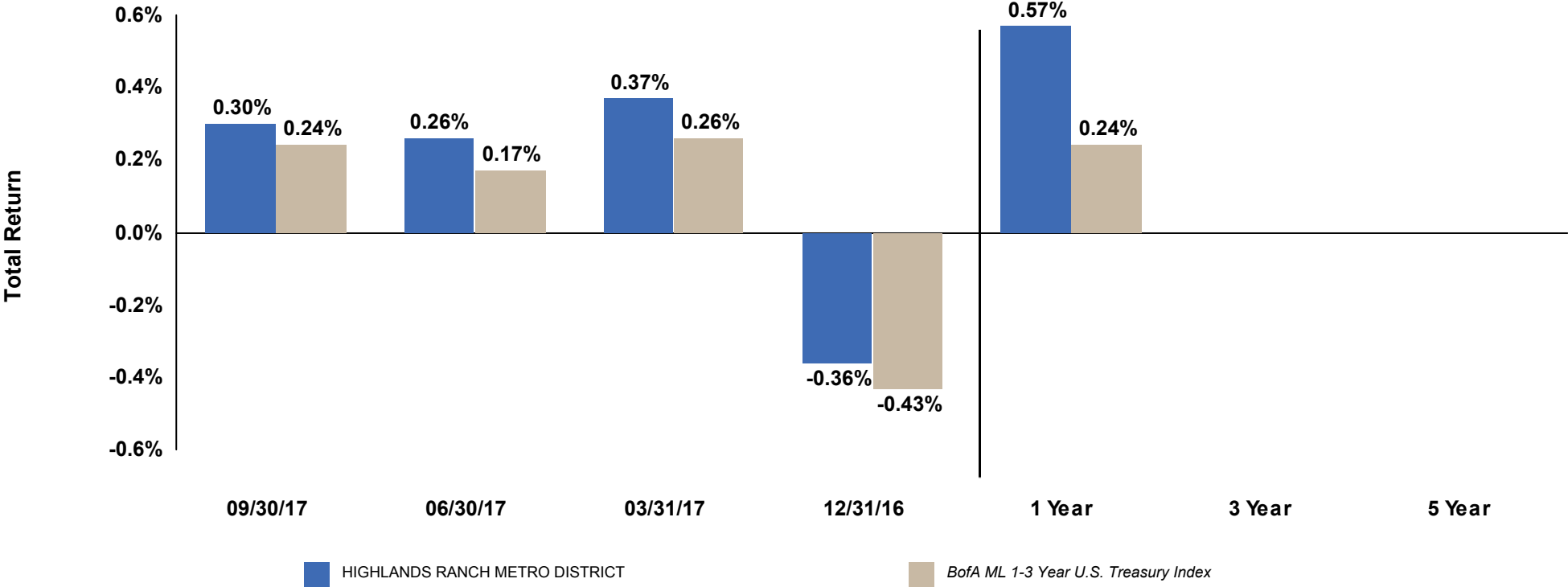
Maturity Distribution



* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance (Total Return)

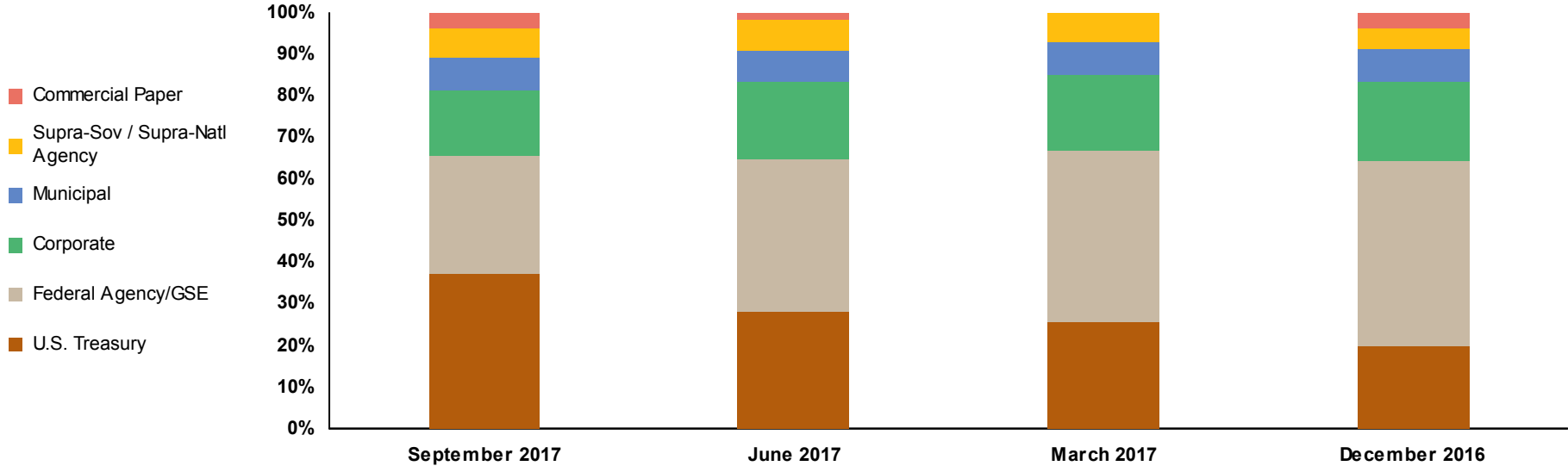
Portfolio/Benchmark	Effective Duration	Quarter Ended				1 Year	Annualized Return	
		09/30/17	06/30/17	03/31/17	12/31/16		3 Year	5 Year
HIGHLANDS RANCH METRO DISTRICT	1.78	0.30%	0.26%	0.37%	-0.36%	0.57%	0.99%	-
BofA ML 1-3 Year U.S. Treasury Index	1.81	0.24%	0.17%	0.26%	-0.43%	0.24%	0.76%	-
Difference		0.06%	0.09%	0.11%	0.07%	0.33%	0.23%	-



Portfolio performance is gross of fees unless otherwise indicated.

Sector Allocation

Sector	September 30, 2017		June 30, 2017		March 31, 2017		December 31, 2016	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
U.S. Treasury	14.5	37.2%	11.0	28.1%	10.0	25.7%	7.8	20.0%
Federal Agency/GSE	11.2	28.6%	14.2	36.6%	16.0	41.3%	17.2	44.4%
Corporate	6.1	15.7%	7.3	18.7%	7.0	18.1%	7.3	18.8%
Municipal	3.0	7.6%	3.0	7.6%	3.0	7.8%	3.0	7.8%
Supra-Sov / Supra-Natl Agency	2.7	7.0%	2.7	7.0%	2.7	7.1%	1.9	5.0%
Commercial Paper	1.5	3.9%	0.8	2.0%	0.0	0.0%	1.5	4.0%
Total	\$39.1	100.0%	\$39.0	100.0%	\$38.7	100.0%	\$38.7	100.0%



Detail may not add to total due to rounding.

Outlook and Strategy

- Although current low inflation is a conundrum, recent signaling from Fed officials boosted expectations for another rate hike this year, raising the market-implied probability of a December hike from 30% mid-third quarter to over 70%.
- With 2-year Treasury yields at the highest level since 2008, we plan to maintain the portfolio duration generally in line with the benchmark. However, the significant flattening of the yield curve since the beginning of the year has reduced the benefit of some maturity extensions, so we will carefully assess value along the yield curve.
- As we near the end of Janet Yellen's term as Chair of the Federal Reserve, which will expire early next year, we will assess the market implications of all new appointees to the Fed (there will be a total of 4 openings on the Fed's 7-member Board of Governors).
- Our prevailing economic theme includes moderate growth expectations in the U.S. and abroad, further improvements in the tightening U.S. labor market, healthy consumer demand, and a stable corporate backdrop.
- The impact from the recent Gulf Coast hurricanes will likely manifest itself in weaker economic data for September and early fourth quarter. However, history shows that the effects of weather-related events are typically short lived and may be smoothed over by the subsequent recovery and rebuilding activity.
- On the policy front, the potential for tax reform is worth watching, as will be the debt ceiling debate, which will resurface in December.
- Our outlook on each of the major investment-grade fixed income sectors is as follows:
 - Limited supply and robust demand are likely to keep yield spreads on federal agencies tight. Generally, we favor U.S. Treasuries over agencies, except for new issues that offer a fair yield concession. Supranationals remain an attractive alternative.
 - Corporate fundamentals remain stable, and we continue to view the sector positively. However, recent richness in the sector warrants being more selective with industries, issuers, and individual issues.
 - In the credit space, we find that negotiable certificates of deposit (CDs) offer the best value, especially in the 2-year and under maturity range.
 - Taxable municipal security yields spreads are low and offer limited value. New issue volume is also down relative to last year, constraining supply.
 - ABS continue to offer opportunity for modest incremental yield. We continue to closely monitor developments in the underlying collateral.
 - Our view is less optimistic on the MBS sector as the Fed's balance sheet reduction in this area should put upward pressure on yields. Shorter, more stable structures may offer opportunities, but supply is very limited.

Portfolio Holdings



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description	Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note												
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018		912828A34	255,000.00	AA+	Aaa	11/05/15	11/09/15	255,517.97	1.18	1,071.21	255,199.52	254,581.55
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018		912828A34	1,225,000.00	AA+	Aaa	05/03/16	05/06/16	1,237,919.92	0.83	5,146.00	1,230,889.13	1,222,989.78
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018		912828A75	1,300,000.00	AA+	Aaa	12/01/15	12/04/15	1,311,019.53	1.22	4,927.99	1,304,521.92	1,301,422.20
US TREASURY NOTES DTD 01/31/2014 1.500% 01/31/2019		912828B33	145,000.00	AA+	Aaa	12/28/15	12/30/15	145,532.42	1.38	366.44	145,232.59	145,152.98
US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019		912828D23	815,000.00	AA+	Aaa	11/10/16	11/14/16	826,142.58	1.06	5,542.22	822,192.92	817,291.78
US TREASURY NOTES DTD 12/01/2014 1.500% 11/30/2019		912828G61	1,250,000.00	AA+	Aaa	12/01/16	12/05/16	1,251,953.12	1.45	6,301.23	1,251,424.05	1,249,805.00
US TREASURY NOTES DTD 02/02/2015 1.250% 01/31/2020		912828H52	1,050,000.00	AA+	Aaa	01/03/17	01/05/17	1,041,632.81	1.52	2,211.28	1,043,614.97	1,043,109.90
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020		912828J50	1,210,000.00	AA+	Aaa	02/01/17	02/03/17	1,202,673.83	1.58	1,424.76	1,204,210.88	1,204,989.39
US TREASURY NOTES DTD 03/02/2015 1.375% 02/29/2020		912828J50	1,750,000.00	AA+	Aaa	08/31/17	09/01/17	1,749,931.64	1.38	2,060.60	1,749,933.90	1,742,753.25
US TREASURY NOTES DTD 04/01/2013 1.125% 03/31/2020		912828UV0	550,000.00	AA+	Aaa	03/15/17	03/17/17	540,525.39	1.71	17.00	542,178.15	544,177.70
US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020		912828K58	1,175,000.00	AA+	Aaa	04/03/17	04/05/17	1,169,721.68	1.53	6,761.04	1,170,547.34	1,169,125.00
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020		912828XH8	2,000,000.00	AA+	Aaa	06/26/17	06/28/17	2,007,187.50	1.50	8,213.32	2,006,582.06	2,001,640.00
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020		912828XM7	1,825,000.00	AA+	Aaa	07/05/17	07/07/17	1,826,140.62	1.60	4,996.43	1,826,061.40	1,825,998.28
Security Type Sub-Total			14,550,000.00					14,565,899.01	1.40	49,039.52	14,552,588.83	14,523,036.81



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Supra-National Agency Bond / Note											
AFRICAN DEVELOPMENT BANK NOTE DTD 10/02/2013 1.625% 10/02/2018	00828EBB4	375,000.00	AAA	Aaa	10/31/16	11/03/16	378,588.75	1.12	3,029.95	376,890.49	375,333.75
INTER-AMERICAN DEVELOPMENT BANK DTD 04/12/2016 1.000% 05/13/2019	458182DX7	525,000.00	AAA	Aaa	04/05/16	04/12/16	523,425.00	1.10	2,012.50	524,167.88	519,515.33
INTL BANK OF RECON AND DEV SN NOTE DTD 07/13/2016 0.875% 08/15/2019	459058FK4	375,000.00	AAA	Aaa	07/06/16	07/13/16	374,921.25	0.88	419.27	374,951.70	369,780.38
AFRICAN DEVELOPMENT BANK NOTE DTD 09/20/2016 1.125% 09/20/2019	00828EBQ1	290,000.00	AAA	Aaa	09/14/16	09/20/16	289,692.60	1.16	99.69	289,797.01	286,936.15
ASIAN DEVELOPMENT BANK NOTE DTD 01/12/2017 1.750% 01/10/2020	045167DT7	375,000.00	AAA	Aaa	01/04/17	01/12/17	374,782.50	1.77	1,476.56	374,833.63	375,570.75
AFRICAN DEVELOPMENT BANK NOTE DTD 03/16/2017 1.875% 03/16/2020	00828ECA5	435,000.00	AAA	Aaa	03/08/17	03/16/17	434,356.20	1.93	339.84	434,469.76	436,489.01
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 09/19/2017 1.561% 09/12/2020	45905UP32	375,000.00	AAA	Aaa	09/12/17	09/19/17	374,100.00	1.64	195.13	374,109.84	371,803.13
Security Type Sub-Total		2,750,000.00					2,749,866.30	1.38	7,572.94	2,749,220.31	2,735,428.50
Municipal Bond / Note											
MS ST TXBL GO BONDS DTD 02/18/2015 1.090% 10/01/2017	605581EO6	50,000.00	AA	Aa2	02/04/15	02/18/15	50,000.00	1.09	272.50	50,000.00	50,000.00
CT ST TXBL GO BONDS DTD 03/25/2015 1.422% 03/15/2018	20772JZJ4	205,000.00	A+	A1	03/13/15	03/25/15	205,000.00	1.42	129.56	205,000.00	204,891.35
REGIONAL TRANS AUTH, IL TXBL REV BONDS DTD 05/04/2016 1.250% 05/04/2018	7599112M1	750,000.00	AA	NR	04/26/16	05/04/16	750,000.00	1.25	4,687.50	750,000.00	749,100.00
NYC, NY TXBL GO BONDS DTD 08/03/2005 4.800% 08/01/2018	64966E3R6	575,000.00	AA	Aa2	07/24/15	07/29/15	630,378.25	1.51	4,600.00	590,598.53	590,852.75



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Municipal Bond / Note											
FL ST BOARD ADMIN FIN CORP TXBL REV BD DTD 03/08/2016 2.163% 07/01/2019	341271AA2	750,000.00	AA	Aa3	02/23/16	03/08/16	750,000.00	2.16	4,055.63	750,000.00	753,210.00
CT ST TXBL GO BONDS DTD 08/17/2016 1.300% 08/15/2019	20772J3D2	410,000.00	A+	A1	08/03/16	08/17/16	410,885.60	1.23	681.06	410,557.36	405,764.70
NYC TRANS FIN AUTH, NY TXBL REV BONDS DTD 06/29/2017 1.960% 05/01/2020	64971W5W6	220,000.00	AAA	Aa1	06/22/17	06/29/17	220,000.00	1.96	1,101.96	220,000.00	220,512.60

Security Type Sub-Total		2,960,000.00					3,016,263.85	1.59	15,528.21	2,976,155.89	2,974,331.40
--------------------------------	--	---------------------	--	--	--	--	---------------------	-------------	------------------	---------------------	---------------------

Federal Agency Bond / Note											
FHLB GLOBAL NOTE DTD 08/26/2016 0.875% 10/01/2018	3130A9AE1	1,000,000.00	AA+	Aaa	08/25/16	08/26/16	999,320.00	0.91	4,375.00	999,673.41	995,612.00
FHLB NOTES DTD 12/08/2016 1.250% 01/16/2019	3130AAE46	750,000.00	AA+	Aaa	12/07/16	12/08/16	749,970.00	1.25	1,953.13	749,980.01	748,172.25
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	950,000.00	AA+	Aaa	02/19/16	02/23/16	947,758.00	1.08	923.61	948,945.58	943,951.35
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	950,000.00	AA+	Aaa	08/05/16	08/08/16	952,403.50	0.90	923.61	951,329.35	943,951.35
FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	800,000.00	AA+	Aaa	08/12/16	08/15/16	804,944.00	0.89	4,150.00	802,868.52	795,936.80
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	775,000.00	AA+	Aaa	06/02/16	06/03/16	774,674.50	1.14	2,421.88	774,814.22	770,213.60
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	950,000.00	AA+	Aaa	07/19/16	07/20/16	947,701.00	0.96	1,662.50	948,611.62	939,001.85
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	525,000.00	AA+	Aaa	07/29/16	08/02/16	524,118.00	0.93	752.86	524,457.34	518,809.73
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	1,000,000.00	AA+	Aaa	10/03/16	10/05/16	999,400.00	1.02	916.67	999,603.92	990,202.00



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	1,500,000.00	AA+	Aaa	08/31/16	09/02/16	1,497,660.00	1.05	1,375.00	1,498,497.38	1,485,303.00
FNMA NOTES DTD 02/28/2017 1.500% 02/28/2020	3135G0T29	490,000.00	AA+	Aaa	02/24/17	02/28/17	489,686.40	1.52	673.75	489,747.16	488,834.78
FHLMC AGENCY NOTES DTD 04/20/2017 1.375% 04/20/2020	3137EAEF2	400,000.00	AA+	Aaa	04/19/17	04/20/17	398,632.00	1.49	2,459.72	398,832.16	397,451.60
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	775,000.00	AA+	Aaa	08/31/17	09/01/17	775,201.50	1.49	1,937.50	775,196.34	770,763.85
FHLB NOTES DTD 09/08/2017 1.375% 09/28/2020	3130ACE26	405,000.00	AA+	Aaa	09/07/17	09/08/17	403,699.95	1.48	46.41	403,725.55	401,125.77
Security Type Sub-Total		11,270,000.00					11,265,168.85	1.10	24,571.64	11,266,282.56	11,189,329.93

Corporate Note											
GENERAL ELECTRIC CO NOTES DTD 12/06/2007 5.250% 12/06/2017	369604BC6	750,000.00	AA-	A1	12/01/14	12/08/14	835,792.50	1.34	12,578.13	755,259.61	755,238.00
BERKSHIRE HATHAWAY INC GLOBAL NOTES DTD 08/15/2016 1.150% 08/15/2018	084670BX5	180,000.00	AA	Aa2	08/08/16	08/15/16	179,978.40	1.16	264.50	179,990.52	179,470.98
MICROSOFT CORP NOTES DTD 11/03/2015 1.300% 11/03/2018	594918BF0	700,000.00	AAA	Aaa	10/29/15	11/03/15	699,300.00	1.33	3,741.11	699,742.75	698,871.60
IBM CORP NOTE DTD 02/12/2014 1.950% 02/12/2019	459200HT1	750,000.00	A+	A1	02/17/16	02/19/16	758,595.00	1.56	1,990.63	753,981.69	753,649.50
JOHNSON & JOHNSON CORP NOTES DTD 03/01/2016 1.125% 03/01/2019	478160BR4	210,000.00	AAA	Aaa	02/26/16	03/01/16	209,974.80	1.13	196.88	209,988.00	208,501.65
BERKSHIRE HATHAWAY INC NOTES DTD 03/15/2016 1.700% 03/15/2019	084664CG4	110,000.00	AA	Aa2	03/08/16	03/15/16	109,916.40	1.73	83.11	109,958.91	110,212.96
COLGATE-PALMOLIVE COMPANY CORP NOTES DTD 03/03/2014 1.750% 03/15/2019	19416OEF3	400,000.00	AA-	Aa3	04/26/17	05/01/17	401,484.00	1.55	311.11	401,159.31	400,644.80



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
CHEVRON CORP NOTES DTD 05/16/2016 1.561% 05/16/2019	166764BH2	750,000.00	AA-	Aa2	05/09/16	05/16/16	750,000.00	1.56	4,390.31	750,000.00	748,939.50
COCA-COLA COMPANY CORP NOTES DTD 05/31/2016 1.375% 05/30/2019	191216BV1	400,000.00	AA-	Aa3	05/25/16	05/31/16	399,720.00	1.40	1,848.61	399,843.30	398,704.40
APPLE INC CORP NOTES DTD 08/04/2016 1.100% 08/02/2019	037833CB4	750,000.00	AA+	Aa1	07/28/16	08/04/16	749,250.00	1.13	1,306.25	749,537.24	743,520.00
TOYOTA MOTOR CORP NOTES DTD 10/18/2016 1.550% 10/18/2019	89236TDH5	515,000.00	AA-	Aa3	10/13/16	10/18/16	514,742.50	1.57	3,614.30	514,822.99	512,223.64
EXXON MOBIL CORP NOTE DTD 03/06/2015 1.912% 03/06/2020	30231GAG7	150,000.00	AA+	Aaa	07/05/17	07/10/17	150,292.50	1.84	199.17	150,269.52	150,406.65
EXXON MOBIL CORP NOTE DTD 03/06/2015 1.912% 03/06/2020	30231GAG7	225,000.00	AA+	Aaa	04/26/17	04/28/17	225,884.25	1.77	298.75	225,757.03	225,609.98
TOYOTA MOTOR CREDIT CORP DTD 04/17/2017 1.950% 04/17/2020	89236TDU6	240,000.00	AA-	Aa3	04/11/17	04/17/17	239,889.60	1.97	2,132.00	239,905.96	240,087.60
Security Type Sub-Total		6,130,000.00					6,224,819.95	1.45	32,954.86	6,140,216.83	6,126,081.26
Commercial Paper											
BANK OF TOKYO MITSUBISHI UFJ COMM PAPER DTD 05/01/2017 0.000% 01/26/2018	06538CAS0	775,000.00	A-1	P-1	05/01/17	05/02/17	766,197.72	1.54	0.00	771,171.50	771,469.88
ING (US) FUNDING LLC COMM PAPER DTD 08/02/2017 0.000% 05/01/2018	4497W1E10	775,000.00	A-1	P-1	08/04/17	08/04/17	766,048.75	1.56	0.00	767,971.61	768,269.13
Security Type Sub-Total		1,550,000.00					1,532,246.47	1.55	0.00	1,539,143.11	1,539,739.01
Managed Account Sub-Total		39,210,000.00					39,354,264.43	1.34	129,667.17	39,223,607.53	39,087,946.91



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2017**

HIGHLANDS RANCH METRO DISTRICT

Securities Sub-Total	\$39,210,000.00	\$39,354,264.43	1.34%	\$129,667.17	\$39,223,607.53	\$39,087,946.91
Accrued Interest						\$129,667.17
Total Investments						\$39,217,614.08

IMPORTANT DISCLOSURES

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. 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.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **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 premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

GLOSSARY

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.