

PFM Funds

Semi-Annual Report

December 31, 2018



Beginning on January 1, 2021, and as permitted by a rule adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports like this one will no longer be sent to you by mail, unless you specifically request that the Fund or your financial intermediary send you paper copies of these reports. Instead, shareholder reports will be made available on a website, and you will be notified by mail each time a report is posted and will be provided with a website link to access the report.

You may elect to receive electronic delivery of shareholder reports and other communications from the Fund by contacting the Fund at 1-800-338-3383 or, if you own your shares through a financial intermediary, by contacting your financial intermediary.

You may elect to receive all future shareholder reports of the Fund in paper free of charge. You can inform the Fund that you wish to continue receiving paper copies of your shareholder reports by contacting the Fund at 1-800-338-3383. If you own shares through a financial intermediary, you may contact your financial intermediary or follow instructions included with this document to elect to continue to receive paper copies of your shareholder reports.

pfm FUNDS

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**For further information on the PFM Funds, call 1-800-338-3383
or visit us online at www.pfmfunds.com**

PFM Funds (the "Trust") files its complete schedule of portfolio holdings with the SEC for the Trust's first and third fiscal quarters on Form N-Q. The Trust's Form N-Q filings are available on the SEC's website at <http://www.sec.gov>. The Trust's Form N-Q filings may be reviewed and copied at the SEC's public reference room in Washington, D.C. Information on the operation of the SEC's public reference room may be obtained by calling the SEC at (800) SEC-0330.

This semi-annual report is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus. The prospectus can be obtained from PFM Fund Distributors, Inc., the Trust's Distributor. The prospectus provides more complete information including charges and expenses. Please read the prospectus carefully before investing.

You can obtain a free copy of the Trust's proxy voting guidelines either by calling 1-800-338-3383 or visiting the SEC's website at <http://www.sec.gov>. In addition, you may obtain a free report on the Trust's proxy voting record during the 12 months ended June 30, 2018 either by calling 1-800-338-3383 or visiting the SEC's website at <http://www.sec.gov>.

MESSAGE FROM THE INVESTMENT MANAGER (UNAUDITED)

We are pleased to present the Semi-Annual Report for PFM Funds (the “Trust”) for the six-month period ended December 31, 2018. Safety of principal and liquidity remain our top priorities when managing the Trust’s Government Select Series (the “Fund”).

Economic Update

The last 12 months have been characterized by strong economic growth in the U.S. despite heightened volatility in the markets and less predictable U.S. politics and policies. Growth was fueled by a strong labor market, record corporate profits, fiscal stimulus in the form of tax cuts, and a continued optimistic business outlook.

Positive data prompted the Federal Reserve (the “Fed”) to raise short-term rates by 25 basis points (0.25 percent) four times in 2018. Specifically, a decline in the already low unemployment rate due to strong job creation and core inflation at or near the Fed’s desired 2 percent level during the year supported the Fed’s tightening. Wages grew on a real basis (after inflation) at the best level in three years and consumer confidence was high (that metric hit an 18-year high in 2018).

While short-term rates increased in response to Fed moves, longer-term yields rose more modestly due to moderate inflation expectations, less exuberant growth prospects for 2019 and beyond and persistently low interest rates around the globe.

This year slower growth in the U.S. appears likely as the boost from the tax cuts has so far failed to drive long-term business investment. More stimulus is unlikely to come from the U.S. government, as it faces a widening Federal deficit. Global growth is also set to slow, hampered by continued stress around trade and political uncertainty in many major economies.

Lower growth expectations (and late 2018 market volatility) have recently led the Fed to modify its monetary policy from one focused on measured tightening to one that is best described as “wait and see.” In response, short-term markets appear to be pricing in an extended pause by the Fed or even a cut in short-term rates late this year or in 2020. Meanwhile long term interest rates have declined by 50 basis points or more, a further signal that investors expect weaker growth and contained price movements this year and beyond.

Portfolio Strategy

We employed active management of the Fund’s portfolio through the six-month period to take advantage of opportunities present in the market. We strategically positioned the weighted average maturity of the portfolio ahead of anticipated Fed rate hikes. This strategy enabled the portfolio yield to quickly adjust higher after each rate hike. Floating rate securities were also an integral part of our strategy in this rising rate environment. As a result, the Fund’s yield rose over the year, in tandem with overall rises in short-term rates.

With the recent shift in the Fed’s stance from tightening to wait and see, the yield premium available in longer-maturity money market securities has diminished. Managing the weighted average maturity of the portfolio has become somewhat less significant in our strategy and we have shifted focus, identifying specific securities that add value to the portfolio. In other words, managing within a flat yield curve environment will require a keen focus on active management and relative value strategies.

Given that short-term interest rates are highly dependent on the economic outlook and monetary policy, we are on alert for indicators that may signal Federal Open Market Committee action going forward. We stand ready to adjust our portfolio strategy as markets evolve. As always, our primary objectives are to protect the value of the Fund’s shares and to provide liquidity for investors. We will continue to work hard toward these goals while also seeking to increase investment yields in a prudent manner.

Respectfully,

PFM Asset Management LLC

January 31, 2019

FINANCIAL HIGHLIGHTS (UNAUDITED)

Government Select Series - Institutional Class

For a share outstanding throughout each period⁽¹⁾

	Six Months Ended	Year Ended June 30,				
	December 31, 2018	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Income From Investment Operations						
Net Investment Income	0.010	0.012	0.004	0.003	0.001	0.001
Total From Operations	0.010	0.012	0.004	0.003	0.001	0.001
Less: Distributions						
Net Investment Income	(0.010)	(0.012)	(0.004)	(0.003)	(0.001)	(0.001)
Total Distributions	(0.010)	(0.012)	(0.004)	(0.003)	(0.001)	(0.001)
Net Asset Value, End of Period	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Total Return	0.98% ⁽²⁾	1.18%	0.41%	0.30%	0.07%	0.08%
Ratios/Supplemental Data						
Net Assets, End of Period (000)	\$952,700	\$907,484	\$948,853	\$1,555,873	\$1,815,312	\$2,052,845
Ratio of Expenses to Average Net Assets	0.23% ⁽³⁾	0.23%	0.19%	0.16%	0.15%	0.16%
Ratio of Expenses to Average Net Assets Before Fee Waivers	0.23% ⁽³⁾	0.23%	0.20%	0.18%	0.18%	0.16%
Ratio of Net Investment Income to Average Net Assets	1.94% ⁽³⁾	1.18%	0.41%	0.28%	0.07%	0.07%
Ratio of Net Investment Income to Average Net Assets Before Fee Waivers	1.94% ⁽³⁾	1.18%	0.40%	0.26%	0.04%	0.07%

(1) Effective October 3, 2016, Government Select Series adopted a policy to invest at least 99.5% of its total assets in cash and the following types of high quality, short-term investments: U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) ("U.S. Government Securities"); repurchase agreements that are collateralized fully by U.S. Government Securities; and shares of other government money market funds that invest exclusively in the types of obligations in which Government Select Series is authorized to invest. It also adopted, effective on such date, a policy under which it invests, under normal market conditions, at least 80% of its net assets in U.S. Government Securities, repurchase agreements that are collateralized fully by U.S. Government Securities, and shares of other government money market funds. Prior to October 3, 2016, Government Select Series was known as Prime Series and invested in a broader range of money market obligations, including obligations of U.S. companies, financial institutions and municipalities. Investment performance for periods prior to October 3, 2016 is not reflective of the performance that Government Select Series would have achieved under its current investment policies.

(2) Not annualized.

(3) Annualized.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS (UNAUDITED)

Government Select Series

December 31, 2018

Rate ⁽¹⁾	Maturity Date ⁽²⁾	Face Amount	Value
Government Agency & Instrumentality Obligations (75.10%)			
Fannie Mae Notes			
2.56%	4/26/19	\$ 10,000,000	\$ 9,958,804
2.58% ⁽³⁾	7/30/19	10,000,000	10,001,143
2.68%	8/23/19	10,000,000	9,902,915
2.56% ⁽⁴⁾	4/30/20	15,000,000	15,000,000
Federal Farm Credit Banks Notes			
2.42% ⁽⁵⁾	6/6/19	16,000,000	15,999,316
2.38% ⁽⁶⁾	7/15/19	25,000,000	25,004,053
2.70% ⁽⁷⁾	7/26/19	15,000,000	15,023,940
2.40% ⁽⁸⁾	8/8/19	15,350,000	15,349,169
2.57% ⁽⁹⁾	8/9/19	20,000,000	20,033,386
2.42% ⁽¹⁰⁾	10/28/19	7,000,000	7,000,000
2.42% ⁽¹¹⁾	4/15/20	15,000,000	14,995,387
2.51% ⁽¹²⁾	6/26/20	20,000,000	20,000,000
Federal Home Loan Bank Notes			
2.50% ⁽¹³⁾	5/15/19	20,000,000	20,000,000
Federal Home Loan Banks Discount Notes			
2.40%	2/1/19	105,000,000	104,783,525
2.39%	2/8/19	20,000,000	19,949,756
2.40%	2/13/19	60,000,000	59,828,717
2.41%	2/15/19	45,000,000	44,865,056
2.67%	8/29/19	25,000,000	24,563,333
Freddie Mac Notes			
2.40% ⁽¹⁴⁾	5/28/19	30,000,000	30,000,000
2.29% ⁽¹⁵⁾	8/8/19	15,000,000	15,000,000
2.68%	8/15/19	15,025,000	14,905,448
U.S. Treasury Bills			
2.40%	2/5/19	30,000,000	29,930,292
U.S. Treasury Notes			
2.43%	1/15/19	58,889,500	58,795,308
2.42%	3/31/19	15,000,000	14,971,122
2.49%	3/31/19	50,000,000	49,879,629
2.52%	4/30/19	41,000,000	40,829,923
2.44%	5/31/19	9,000,000	8,956,428
<i>Total Government Agency & Instrumentality Obligations</i>			<u>715,526,650</u>
Repurchase Agreements (24.69%)			
Credit Agricole Corporate & Investment Bank (NY)			
3.00%	1/2/19	90,200,000	90,200,000
(Dated 12/31/18, repurchase price \$90,215,033, collateralized by: Ginnie Mae securities, 4.50%, maturing 6/20/48, market value \$31,158,390; and Fannie Mae securities, 4.00%, maturing 11/1/48, market value \$60,860,945)			

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS (UNAUDITED)

Government Select Series

December 31, 2018

Rate ⁽¹⁾	Maturity Date ⁽²⁾	Face Amount	Value
Goldman Sachs			
2.81%	1/2/19	\$ 45,000,000	\$ 45,000,000
(Dated 12/31/18, repurchase price \$45,007,025, collateralized by Ginnie Mae securities, 3.50%, maturing 3/20/47, market value \$45,907,166)			
2.39%	1/7/19 ⁽¹⁶⁾	50,000,000	50,000,000
(Dated 12/20/18, repurchase price \$50,092,944, collateralized by: Fannie Mae securities, 2.50% - 6.00%, maturing 3/1/29 - 2/1/48, market value \$26,321,208; and Freddie Mac securities, 3.00% - 5.50%, maturing 6/1/25 - 12/1/44, market value \$24,722,808)			
Merrill Lynch Pierce Fenner & Smith Inc.			
2.83%	1/3/19	50,000,000	50,000,000
(Dated 12/31/18, repurchase price \$50,011,792, collateralized by Ginnie Mae securities, 4.50%, maturing 12/20/48, market value \$51,000,000)			
Total Repurchase Agreements			235,200,000
Total Investments (99.79%)			950,726,650
Other Assets and Liabilities, Net (0.21%)⁽¹⁷⁾			1,973,720
Net Assets (100.00%)			\$ 952,700,370
Net Assets Consist of			
Institutional Class Shares (applicable to 952,700,370 outstanding shares of beneficial interest; unlimited shares authorized; no par value; equivalent to \$1.00 per share)			\$ 952,700,370

(1) Yield-to-maturity at original cost unless otherwise noted. For floating rate instruments represents rate in effect on the report date.

(2) Actual maturity dates unless otherwise noted.

(3) Floating rate instrument based on Secured Overnight Financing Rate ("SOFR") +0.12%.

(4) Floating rate instrument based on SOFR +0.10%.

(5) Floating rate instrument based on daily federal funds +0.02%.

(6) Floating rate instrument based on 1 month USD London Inter-bank Offered Rate ("LIBOR") -0.08%.

(7) Floating rate instrument based on 1 month USD LIBOR +0.19%.

(8) Floating rate instrument based on daily federal funds.

(9) Floating rate instrument based on 1 month USD LIBOR +0.185%.

(10) Floating rate instrument based on daily federal funds +0.015%.

(11) Floating rate instrument based on 1 month USD LIBOR -0.035%.

(12) Floating rate instrument based on 1 month USD LIBOR.

(13) Floating rate instrument based on SOFR +0.04%.

(14) Floating rate instrument based on 1 month USD LIBOR -0.11%.

(15) Floating rate instrument based on 1 month USD LIBOR -0.10%.

(16) Subject to put with 7 day notice.

(17) Includes fees payable to PFM Asset Management LLC of \$150,401. There were no fees payable to the Trust's Independent Trustees at December 31, 2018.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS (UNAUDITED)

Government Select Series

Six Months Ended December 31, 2018

Investment Income	
Interest Income	\$ 10,607,113
Expenses	
Investment Advisory Fees	343,132
Administrative Fees	98,038
Transfer Agent Fees:	
Institutional Class	392,150
Custody Fees	11,809
Cash Management Fees:	
Institutional Class	27,703
Audit Fees	19,570
Legal Fees	127,093
Trustee Fees and Expenses	21,196
Insurance Premiums	30,708
Registration Fees	15,341
Other Expenses	41,677
Total Expenses	1,128,417
Less Expenses Paid Indirectly	(10,854)
Net Expenses	1,117,563
Net Investment Income	9,489,550
Net Realized Gain on Sale of Investments	2,113
Net Increase in Net Assets Resulting from Operations	\$ 9,491,663

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

Government Select Series

	Six Months Ended December 31, 2018	Year Ended June 30, 2018
INCREASE (DECREASE) IN NET ASSETS		
Operations		
Net Investment Income	\$ 9,489,550	\$ 11,087,937
Net Realized Gain on Sale of Investments	2,113	648
Net Increase in Net Assets	<u>9,491,663</u>	<u>11,088,585</u>
Distributions to Shareholders⁽¹⁾		
Distributable Earnings:		
Institutional Class Shares	(9,491,663)	(10,260,249)
Colorado Investors Class Shares	-	(828,336)
Total Distributions	<u>(9,491,663)</u>	<u>(11,088,585)</u>
Capital Share Transactions (at \$1.00 per share)		
Issued:		
Institutional Class Shares	6,096,538,267	9,948,004,858
Colorado Investors Class Shares	-	418,178,552
Redeemed:		
Institutional Class Shares	(6,060,813,145)	(9,999,634,758)
Colorado Investors Class Shares	-	(650,025,750)
Distributions Reinvested:		
Institutional Class Shares	9,491,663	10,260,249
Colorado Investors Class Shares	-	828,336
Net Increase (Decrease) from Capital Share Transactions	<u>45,216,785</u>	<u>(272,388,513)</u>
Total Increase (Decrease) in Net Assets	<u>45,216,785</u>	<u>(272,388,513)</u>
Net Assets		
Beginning of Period	907,483,585	1,179,872,098
End of Period	<u>\$ 952,700,370</u>	<u>\$ 907,483,585</u>

(1) Distributions for the year ended June 30, 2018, previously reported as "Distributions from net investment income, inclusive of realized gain on sale of investments", have been reclassified to conform with the current year's presentation. See Note G in the Notes to Financial Statements.

The accompanying notes are an integral part of these financial statements.

A. ORGANIZATION

PFM Funds (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a diversified, open-end, management investment company. The Trust was originally organized as a Virginia corporation called Commonwealth Cash Reserve Fund, Inc. (“CCRF”) on December 8, 1986. On September 29, 2008, CCRF converted to a Virginia business trust and was renamed PFM Funds. The Trust is currently comprised of one investment portfolio, interests in which are represented by a separate series of shares of the Trust: Government Select Series.

Government Select Series (the “Fund”) is a money market mutual fund designed and managed to suit the special cash management needs of institutions, such as municipalities, other governmental entities, universities, hospitals and not-for-profit organizations. Effective October 3, 2016, the Fund adopted a policy to invest at least 99.5% of its total assets in cash and the following types of high quality, short-term investments: U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) (“U.S. Government Securities”); repurchase agreements that are collateralized fully by U.S. Government Securities; and shares of other government money market funds that invest exclusively in the types of obligations in which the Fund is authorized to invest. It also adopted, effective on such date, a policy under which it invests, under normal market conditions, at least 80% of its net assets in U.S. Government Securities, repurchase agreements that are collateralized fully by U.S. Government Securities and shares of other government money market funds. Prior to October 3, 2016, the Fund was known as Prime Series and invested in a broader range of money market obligations, including obligations of U.S. companies, financial institutions and municipalities.

The Fund currently offers Institutional Class shares (“Institutional Shares”). The Fund previously offered Colorado Investors Class shares (“Colorado Investors Class”), however, the Board approved the termination of the Colorado Investors Class, effective June 1, 2018.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund follows the accounting and reporting guidelines for investment companies in conformity with U.S. generally accepted accounting principles (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The following significant accounting policies are in conformity with GAAP:

1. Securities are stated at fair value, which is determined by using the amortized cost valuation method. This method involves valuing a portfolio security initially at its original cost and thereafter adjusting for amortization of premium or accretion of discount to maturity. Significant inputs to the amortized cost method include purchase cost of security, premium or discount at the purchase date and time to maturity. It is the Trust’s policy to compare the amortized cost values and market values of securities periodically throughout the month and as of the last business day of each month. Market value is determined by reference to quoted market prices.
2. Security transactions are accounted for on the trade date. Costs used in determining realized gains and losses on sales of investment securities are those of specific securities sold. Interest income is recorded using the accrual method. Discounts and premiums are accreted and amortized, respectively, to interest income over the lives of the respective securities.
3. Dividends from net investment income and net realized gains on investments are declared daily and, at each shareholder’s option, either paid or reinvested in additional shares of the Fund on the last day of each month. Income, common expenses and realized gains and losses are allocated to each of the classes of shares of the Fund based on the relative net assets of each class when earned or incurred. Expenses specific to a class of shares, such as transfer agent and cash management fees, are allocated to the class of shares to which they relate.
4. The Fund invests in repurchase agreements collateralized by U.S. Government and Agency obligations. Collateral for repurchase agreements is held by the Fund’s custodian bank until maturity of the repurchase agreement. The Fund also enters into tri-party repurchase agreements. Collateral for tri-party repurchase agreements is held for the Fund by an independent third-party custodian bank until the maturity of the repurchase agreement. Provisions of each agreement require that the market value of the collateral, including accrued interest thereon, is sufficient in the event of default; however, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. GAAP requires balance sheet offsetting disclosures for derivatives, repurchase agreements and securities lending

transactions to the extent that they are (i) offset in the financial statements or (ii) subject to an enforceable master netting arrangement or similar agreement. The disclosure requirements are included within the Fund's Statement of Net Assets under the section titled Repurchase Agreements. The total value of repurchase agreements held by the Fund at December 31, 2018 is \$235,200,000 and they are collateralized by \$239,970,517 of non-cash collateral.

5. The Fund intends to continue to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code and to distribute to its shareholders all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements. At December 31, 2018, the cost of securities for federal income tax purposes is the same as the amounts reported for financial reporting purposes. All distributions paid by the Fund are considered ordinary income for federal income tax purposes.
6. The Fund evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The Fund did not record any tax benefit or expense in the current period.

C. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events prior to the issuance of these financial statements. No events have taken place that meet the definition of a subsequent event that requires adjustment to or disclosure in these financial statements.

D. FAIR VALUE MEASUREMENTS

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the Fund discloses the fair values of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and like factors.

Level 3 – Unobservable inputs for the assets, including the Fund's own assumptions for determining fair value.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. If held within the investment portfolio, the fair value of any investments in money market funds is based on the published net asset values per share of those funds. Other investments held by the Fund are valued using amortized cost, in accordance with Rule 2a-7 under the 1940 Act. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such investments held by the Fund are categorized as Level 2. There were no transfers between levels during the six months ended December 31, 2018.

E. FEES AND CHARGES

PFM Asset Management LLC ("PFM") is an investment adviser registered under the Investment Advisers Act of 1940. The Trust has entered into agreements with PFM to provide investment advisory, administration, and transfer agent services to the Fund.

The investment advisory fees payable by the Fund under its investment advisory agreement with PFM are calculated at the following annual percentage rates of the Fund's average daily net assets:

Fund Average Daily Net Assets	Applicable Rate
First \$2 billion	0.07%
Next \$3 billion	0.065%
Next \$5 billion	0.06%
Over \$10 billion	0.05%

The administration fees payable by the Fund under its administration agreement with PFM are calculated at the annual rate of 0.02% of the average daily net assets of the Fund.

The transfer agency fees payable by the Institutional Class of the Fund under its transfer agent agreement with PFM are calculated at the annual rate of 0.08% of the average daily net assets of the Institutional Class.

The Trust has adopted an Amended and Restated Distribution Plan (the “Distribution Plan”) pursuant to Rule 12b-1 under the 1940 Act, which permits the Institutional Class to bear certain expenses in connection with the distribution of its shares. PFM Fund Distributors, Inc. (the “Distributor”) serves as the distributor of shares of the Fund pursuant to a distribution agreement with the Trust. The Distributor is a wholly-owned subsidiary of PFM. No fee is payable by the Fund to the Distributor; however, the Distribution Plan authorizes the Fund to reimburse the Distributor for expenses incurred by the Distributor in connection with the sale, promotion and distribution of the Institutional Class shares, in an amount not to exceed 0.25% of the average daily net assets of the Fund attributable to shares of the Institutional Class in any year. Payments made under the Distribution Plan shall be made only as determined from time to time by the Trust’s Board of Trustees (the “Board”). For the year ended June 30, 2018, there were no expenses paid by the Institutional Class pursuant to the Distribution Plan.

The Trust pays fees to its independent trustees and reimburses expenses incurred by them in connection with the discharge of their duties. The Trust also pays cash management fees and custody fees to its depository and custodian banks, audit fees, registration fees and other expenses. During the six months ended December 31, 2018, cash management fees payable by the Fund were reduced by \$10,854 as a result of earnings credits on cash balances maintained with its depository bank.

The Trust has entered into agreements with various of its service providers which provide for indemnification against losses, costs, claims and liabilities arising from the performance of their obligations under such agreements, except for gross negligence or bad faith. The Trust has had no indemnification-related claims or payments pursuant to these or prior agreements, and the Trust’s management believes the likelihood of a claim being made is remote.

F. GOVERNMENTAL ACCOUNTING STANDARDS

Under Governmental Accounting Standards (“GAS”), state and local governments and other municipal entities are required to disclose credit risk, concentration of credit risk, and interest rate risk for investment portfolios. Although the Fund is not subject to GAS, the following risk disclosures relating to the Fund as of December 31, 2018 have been provided for the information of shareholders.

Credit Risk

The investment policies and investment restrictions of the Fund are set forth in the Fund’s Prospectus and Statement of Additional Information. Certain of the investment restrictions may not be changed without the approval of the holders of a majority of the outstanding shares of the Fund.

As of December 31, 2018, the Fund’s investment portfolio was comprised of investments which were, in aggregate, rated by Standard and Poor’s (“S&P”) as follows:

S&P Rating	%
AA+	51.9%
A-1+	26.7%
Exempt ⁽¹⁾	21.4%

(1) Represents investments in U.S. Treasury securities, or repurchase agreements collateralized by U.S. Treasury securities, which are not considered to be exposed to overall credit risk per GAS.

The ratings in the preceding chart of investments held by the Fund include the ratings of collateral underlying repurchase agreements in effect at December 31, 2018.

Concentration of Credit Risk

The Fund may not purchase any security if 25% or more of its total assets (valued at market value) would then be invested in the securities of issuers in the same industry (exclusive of U.S. Government Securities and obligations of domestic banks). The Fund may not buy the obligations of any issuer, other than U.S. Government Securities or shares of another money market fund, if more than 5% of the total assets of the Fund (valued at market value) would then be invested in obligations of that issuer, except that such 5% limitation shall not apply to repurchase agreements collateralized by U.S. Government Securities.

Although the Fund may not lend money or assets, it can buy debt obligations or use deposit instruments in which it is permitted to invest (see “Investment Objective and Policies” in the Prospectus). The Fund can also enter into repurchase agreements. However, as a matter of operating (but not fundamental) policy, the Fund will not enter into a repurchase agreement maturing or subject to put in more than seven days if thereafter more than 10% of the value of its total assets would then consist of such repurchase agreements. The Fund may not sell securities short (i.e., sell securities that it does not own) and may not buy securities on margin. The Fund may not purchase securities of any other investment company if such purchase would cause the Fund to own more than

3% of the outstanding shares of the other investment company. The Fund may not make certain illiquid investments (including a repurchase agreement maturing or subject to put in more than seven days) if thereafter more than 10% of the value of its net assets would be so invested. Investments included in this 10% limit are: (i) those which are restricted (i.e., those which cannot be freely sold for legal reasons); (ii) fixed time deposits subject to withdrawal penalties having a maturity of more than seven days; (iii) repurchase agreements maturing or subject to put in more than seven days; and (iv) investments which are not readily marketable.

The Fund's investments at December 31, 2018 included the following issuers which individually represented greater than 5% of the Fund's total net assets:

Issuer	%
Credit Agricole Corporate and Investment Bank (NY) ⁽¹⁾	9.5%
Federal Farm Credit Banks Notes	14.2%
Federal Home Loan Banks Notes	28.8%
Freddie Mac Notes	6.3%
Goldman Sachs ⁽¹⁾	10.0%
Merrill Lynch Pierce, Fenner, & Smith, Inc. ⁽¹⁾	5.3%
U.S. Treasury	21.4%

(1) These issuers are counterparties to repurchase agreements entered into by the Fund. These repurchase agreements are fully collateralized by U.S. Government Securities.

Interest Rate Risk

The Fund's investment policy seeks to limit exposure to market value fluctuations due to changes in interest rates by: (i) requiring that the Fund maintain a dollar-weighted average maturity of not greater than sixty days; and (ii) requiring that any investment securities purchased by the Fund have remaining maturities of 397 days or less. The dollar-weighted average maturity of the investment portfolio of the Fund at December 31, 2018 was 41 days. The value and weighted average maturity of the types of investments held by the Fund at December 31, 2018 are as follows:

Type of Investments	Value	Weighted Average Maturity
Cash and Cash Equivalents	\$ 686,143	1 Day
U.S. Government Agency Discount Notes	253,990,387	58 Days
U.S. Government Agency Notes	258,173,561	37 Days
U.S. Treasury Bills	29,930,292	36 Days
U.S. Treasury Notes	173,432,410	75 Days
Repurchase Agreements	235,200,000	3 Days
Total	\$ 951,412,793	

The weighted average maturities shown above are calculated based on the stated maturity dates with the following exceptions: (i) floating or variable rate securities are assumed to have an effective maturity of the date upon which the security's interest rate next resets; (ii) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date; (iii) for instruments subject to demand features, the effective maturity is assumed to be the period remaining until the principal amount of the security may be recovered through the demand feature; and (iv) the effective maturity of cash and cash equivalents is assumed to be one day.

G. RECENT REGULATORY REPORTING UPDATES

In August 2018, the Securities and Exchange Commission issued release No.33-10532, "Disclosure Update and Simplification," which adopted amendments to certain disclosure requirements under Regulation S-X to conform to U.S. GAAP, including: (i) an amendment to require presentation of the total, rather than the components, of distributable earnings on the Statement of Assets and Liabilities; and (ii) an amendment to require presentation of the total, rather than the components, of distributions to shareholders, except for tax return of capital distributions, on the Statement of Changes in Net Assets. This was effective immediately upon issuance and management has implemented the amendments to these financial statements.

PFM FUNDS BOARD OF TRUSTEES AND OFFICERS (UNAUDITED)

Each member of the Board was elected by shareholders. Under the Trust's bylaws, each Trustee holds office until his successor is elected and qualified or until earlier resignation or removal. Vacancies on the Board may be filled by the remaining Board members subject to restrictions imposed by the 1940 Act, which are described in the Fund's Statement of Additional Information.

The following table sets forth information about the Trust's Trustees and Officers.

INDEPENDENT TRUSTEES

Name, Position Held with Trust, (Served Since), Birthyear, Other Directorships Held	Principal Occupation(s) During the Past Five Years (Number of Portfolios in Fund Complex Overseen by Trustee)
Michael P. Flanagan Trustee (2008), Chairman of the Board (2018) Birthyear: 1949 Other directorships: None	Retired. State Superintendent of Education, State of Michigan, 2005 to 2016; (1)
Jeffrey A. Laine Trustee (1986), Chairman of the Audit Committee (2008) Birthyear: 1957 Other directorships: None	President, Commonwealth Financial Group, 1994 to present; President, Laine Financial Group, Inc. (an investment advisory firm) 1992 to present; formerly, President and Treasurer of the Trust (1986 to 2008); (1)
Brian M. Marcel Trustee (2008), Chairman of the Nominating and Governance Committee (2018) Birthyear: 1962 Other directorships: Michigan Liquid Asset Fund Plus	Assistant Superintendent, Administrative & Support Services, Washtenaw Intermediate School District, 1994 to present; (1)
Larry W. Davenport Trustee (2012), Advisory Board Member (1995-2012) Birthyear: 1946 Other directorships: None	Retired. Director of Finance, Hampton Roads Transit, Virginia, 2004 to 2010; (1)

Mr. Davenport retired from the Board on February 21, 2019.

OFFICERS AND AFFILIATED TRUSTEES

Name, Position Held with Trust, (Served Since), Birthyear, Other Directorships Held	Principal Occupation(s) During the Past Five Years (Number of Portfolios in Fund Complex Overseen by Trustee)
Martin P. Margolis Trustee (1996) & President (2008) Birthyear: 1944 Other directorships: None	President, Manager and Managing Director, PFM Asset Management LLC, 2001 to present; President and Director, PFM Fund Distributors, Inc., 2001 to present; Treasurer and Director, Public Financial Management, Inc. (a financial advisory firm) 1986 to present; Vice President and Manager, PFM I, LLC, 2009 to present; (1)
Barbara L. Fava Vice President (2008) Birthyear: 1959 Other directorships: None	Managing Director, PFM Asset Management LLC, 2001 to present
Debra J. Goodnight Treasurer (2007) Birthyear: 1955 Other directorships: None	Secretary and Managing Director, PFM Asset Management LLC, 2001 to present; Secretary, PFM Fund Distributors, Inc., 2001 to present
Daniel R. Hess Secretary (2012) and Assistant Treasurer (2007) Birthyear: 1974 Other directorships: None	Managing Director, PFM Asset Management LLC, 2001 to present
Leo J. Karwejna Chief Compliance Officer (2012) Birthyear: 1976 Other directorships: None	Chief Compliance Officer and Managing Director, PFM Asset Management LLC, 2011 to present; Vice President – Chief Compliance Officer, Prudential Investment Management, 2008 to 2011

Ms. Goodnight resigned as Treasurer on February 21, 2019, after which Mr. Hess was appointed Treasurer.

Through September 30, 2018, each Trustee who is not an “interested person,” as defined by the 1940 Act, of the Trust (an “Independent Trustee”) received from the Trust an annual retainer of \$4,000 plus \$750 for each meeting attended in person and \$500 for each meeting attended by telephone. The Chairman of the Board received an additional \$1,500 annual retainer and the Chairman of each committee of the Board received an additional \$1,000 annual retainer. Effective October 1, 2018, the annual retainer each Independent Trustee receives increased to \$6,000 and the annual retainer paid to the chairman of each committee increased to \$1,250. The Trust does not pay retirement or pension benefits to any of its officers or Trustees and does not pay compensation to officers of the Trust affiliated with the Adviser or the Distributor. For the six month period ended December 31, 2018, total fees paid to the Independent Trustees were \$18,125.

The Trust has previously established an Advisory Board; however at December 31, 2018 there were no members of the Advisory Board. Members of the Advisory Board do not receive compensation from the Trust.

The Board has established an Audit Committee, which consists of all of the Independent Trustees, and which operates in accordance with the Committee’s charter. The Audit Committee functions are: to oversee the accounting and financial reporting policies and practices and internal controls of the Trust and, as appropriate, the internal controls of certain service providers to the Trust; to oversee the quality and objectivity of the Trust’s financial statements and the independent audit thereof; to act as a liaison between the Trust’s independent registered public accounting firm and the Board; and to undertake such other functions as the Board may deem appropriate from time to time. The Audit Committee met once during the six months ended December 31, 2018.

The Board has established a Nominating and Governance Committee, which operates in accordance with the Committee’s charter and consists of all of the Independent Trustees. The Nominating and Governance Committee’s function is to oversee the composition and governance of the Board and its various committees. The Nominating and Governance Committee met once during the six months ended December 31, 2018.

The mailing address of each Trustee and Officer is 213 Market Street, Harrisburg, PA 17101.

The Fund’s Statement of Additional Information (“SAI”) includes additional information about the Trustees and Officers, and is available, without charge, upon request by calling (800) 338-3383.

INFORMATION ABOUT FUND EXPENSES (UNAUDITED)

As a shareholder of the Fund, it is important for you to understand the costs associated with your investment. Mutual fund costs can generally be categorized as two types: (1) transaction costs, including sales charges (loads) on purchase payments, redemption fees and exchange fees; and (2) ongoing costs, including management fees, distribution (12b-1) fees and other fund expenses. The Fund does not charge its shareholders transaction-based fees; however, as with all mutual funds, the Fund does incur operating expenses. So when invested in the Fund, you will incur ongoing costs, including management fees and other operating expenses of the Fund.

The example in the table that follows is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. This example is based on an investment of \$1,000 invested at the beginning of the period and held for the six months ended December 31, 2018. This example illustrates the Fund's expenses in two ways:

Actual Returns and Expenses The first section of the table below provides information to help you estimate the actual dollar amount of ongoing expenses (but not transaction costs) you paid on a \$1,000 investment in the Fund using its actual return during the period. Simply divide your account value by \$1,000, then multiply the result by the number in the line under the heading titled "Expenses Paid per \$1,000 During Period" to estimate the expenses you paid on your account with the Fund during this period.

Hypothetical 5% Returns and Actual Expenses The second section of the table below is intended to help you compare the Fund's ongoing expenses (but not transaction costs) with those of other mutual funds using the Fund's actual expense ratio and a hypothetical rate of return of 5% per year before expenses. This is not the Fund's actual rates of return, but is useful in making comparisons of the costs of investing in the Fund and other mutual funds. To do so, compare this 5% hypothetical cost with the actual fund expenses and 5% hypothetical cost examples that appear in the shareholder reports of other mutual funds.

Expenses and Value of a \$1,000 Investment in the Fund for the Six Months Ended December 31, 2018

Based on Actual Fund Expenses and Returns	Beginning Account Value	Ending Account Value	Expenses Paid per \$1,000 During Period ⁽¹⁾
Institutional Class	\$ 1,000.00	\$ 1,009.78	\$ 1.17
Based on Actual Fund Expenses and a Hypothetical 5% Return			
Institutional Class	\$ 1,000.00	\$ 1,024.05	\$ 1.17

(1) Expenses are equal to the annualized expense ratios of 0.23%, multiplied by the average account value over the period, multiplied by 184 days in the most recent fiscal half-year divided by 365.

Please note that the expenses shown in the preceding table are meant to highlight your ongoing costs only and do not reflect any transactional costs. The "Expenses Paid per \$1,000 During Period" line of the tables is useful in comparing ongoing expenses only and will not help you determine the relative total expense of owning different funds. As noted above, the Fund does not charge its shareholders transaction-based fees; however, other funds to which the Fund is compared may charge such fees. If transactional-based fees were included in the 5% hypothetical example above, the overall costs of investing would be higher.

pfm FUNDS

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Distributor

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Harrisburg, Pennsylvania 17101

Custodian

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