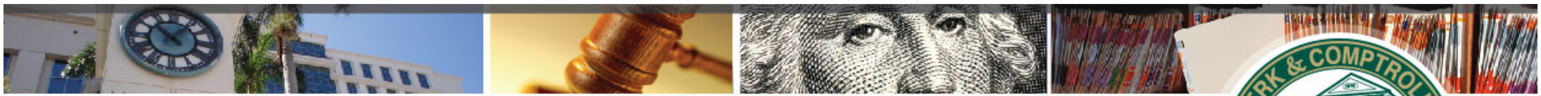


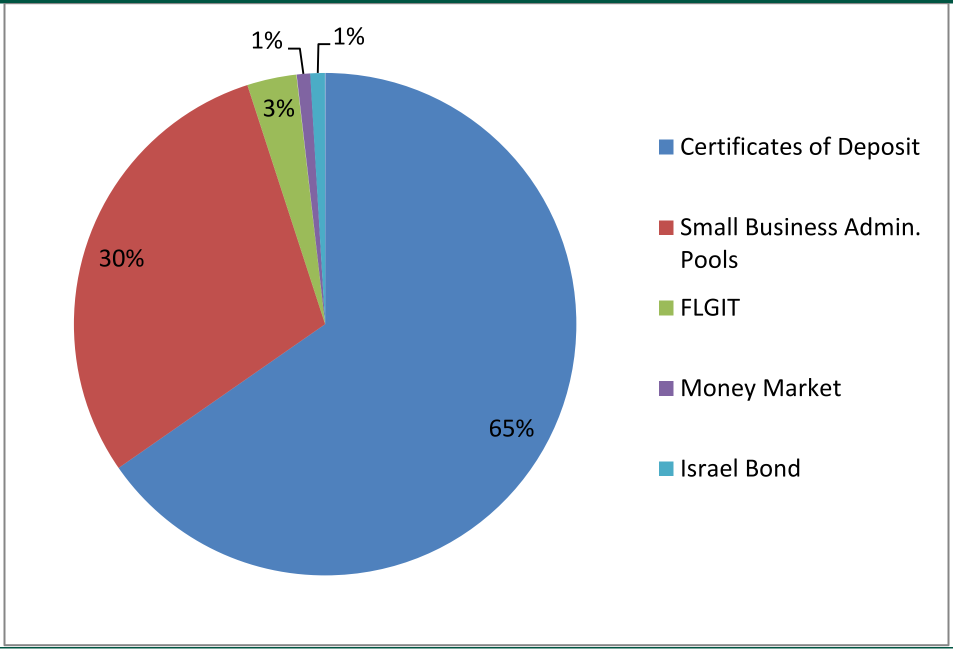
Consolidated Investment Report

October 2014

SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

As Palm Beach County's Chief Financial Officer, the Clerk & Comptroller is charged with safeguarding and investing all County funds. The Clerk's management of the fixed income portfolio is in accordance with regulations set forth in Palm Beach County's Investment Policy. The County Investment Policy is very specific in terms of its stated investment objectives. The primary objective of the policy is to prevent any loss of principal and, secondarily, to meet the County's expenditures. After meeting these two objectives, the Clerk actively seeks opportunities to maximize investment income.

Portfolio Allocation
October 31, 2014



Performance
Total Return

Fiscal Year to Date	0.12%
Prior Month	0.10%
Prior Quarter	0.34%
Prior Year	1.24%*
Prior 3 Years	1.05%*
Prior 5 Years	2.31%*
Prior 8 Years	3.65%*

*All figures annualized

Portfolio Statistics

	October '14	September '14	August '14	July '14	June '14	May '14
Month-end Market Value	$961,971,610	$1,278,599,856	$1,381,513,545	$1,448,983,379	$1,504,439,977	$1,534,921,740
Book Value	$952,080,011	$1,270,263,723	$1,372,700,798	$1,440,522,439	$1,495,483,830	$1,525,574,847
Unrealized Gain/Loss	$9,891,600	$8,336,134	$8,812,747	$8,460,940	$8,956,146	$9,346,893
Book Yield	2.28%	2.27%	2.09%	2.03%	1.97%	1.91%
Market Yield	1.94%	1.77%	1.62%	1.57%	1.50%	1.39%
Effective Duration	.60 years	.78 years	.73 years	.75 years	.69 years	.70 years
Convexity	0.31	0.22	0.16	0.13	0.05	0.10
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

Portfolio Income

	October '14	September '14	August '14	July '14	June '14	May '14
Interest Income (FYTD)	$1,327,684	$31079376	$28,564,907	$25,970,586	$22,961,154	$20,356,874
Investment Income (FYTD)	$1,112,084	$19,061,741	$18,243,297	$15,937,366	$13,871,043	$12,254,049
Interest Income (current month)	$1,327,684	$ 2,514,470	$2,594,321	$3,009,431	$2,604,280	$2,733,993

The Economy – Moderate Growth, Low Inflation

- **Consumers**
  September payroll jobs increased 248,000 and the unemployment rate fell to 5.9%. August and July's job gains were revised upward by a total of 69,000 for both months. Average hours worked rose slightly and wages dropped. The Federal Reserve Board's Labor Market Conditions Index (LMCI) showed a slowing in the reduction of job market slack since the index was last reported in April. The third quarter's average monthly change was at the slowest pace since 2012. The Fed reported that consumer borrowing increased in August at the slowest rate in nine months as credit card use declined. The $13.5 billion gain in credit outstanding followed a $21.6 billion July gain. Consumers are reluctant to take on more debt with limited wage growth and uncertain job security. September retail sales decreased more than expected suggesting a broad-based reduction in consumer spending. The 0.3% decline followed a 0.6% August gain that was the largest in four months. October consumer sentiment rose to a seven-year high due to lower gasoline prices and recent labor market gains. The Thomson Reuters/University of Michigan preliminary sentiment index increased to 86.4, the highest since July 2007, vs. 84.6 in September.

- **Housing**
  Housing starts increased to a 1.02 million annualized pace from 957,000 in August. Both multi-family and single-family starts rose. Permits for future homes also rose to a 1.02 million pace. September existing home sales rose to the highest level in a year. Closed sales increased 2.4% from August to a 5.17 million annualized rate and were up 1.9% from a year ago. The median price rose 5.6% year over year. Pending sales contracts on existing homes rose 0.3% in September, following a 1.0% decline in August. On an annualized basis, sales were up 1% in September vs. a 4.1% decline in August. September was the first annual increase in pending contracts since September 2013. September new home sales were little changed after a downward revision in August sales. September sales rose 0.2% to an annualized pace of 467,000 vs. the revised August 466,000 (originally 504,000).

- **Inflation**
  The September Consumer Price Index (CPI) rose 0.1% vs. a 0.2% decline in August. Excluding food and energy, the core rate of inflation also increased 0.1% after being little changed in August. The overall September CPI gained 1.7% year over year, the same as the August annual increase. The core CPI had the exact same increase in both months as well. The personal consumption expenditures deflator, an inflation measure that adjusts for the mix of consumer spending, fell 0.2% in the month of September after increasing 0.5% in August. The PCE deflator rose 1.4% year over year matching the downwardly revised reading from August. The core PCE deflator, excluding food and energy, rose 1.5% annually.

- **Business**

  The September Conference Board Index of Leading Indicators of the outlook for economic growth for the next three to six months increased 0.8% after an unchanged reading in August. September durable goods orders dropped for a second month as demand for machinery and computers fell. Orders for goods meant to last at least three years decreased 1.3% after falling 18.3% in August. The U.S. economy (measured by real Gross Domestic Product gains) expanded at 3.5% in the third quarter for the strongest performance since the last six months of 2003. This compares with the second quarter growth of 4.6%. However, the decline in the first quarter kept the long term growth in the economy around 2%. Consumer spending in the third quarter slowed to 1.8% annually vs. 2.5% in the second quarter. September industrial production increased 1%, the largest gain since November 2012 vs. a 0.2% decline in the prior month, due to a surge in utilities and a bounce in manufacturing. The Institute for Supply Management manufacturing index fell to 56.6 in September from 59.0 in August. The ISM services index, which measures the health of the nonmanufacturing sector in the U.S. economy, dropped to 58.6 in September from 59.6 in August. Both suggest continued expansion but at a slower pace.

- **News**

  The monthly news subjects with economic and financial market relevance included: the Ebola epidemic, the ISIS wars in Syria and Iraq, the Iran nuclear talks, the Ukraine/Russia conflict, the economic slowdowns in Europe/China/emerging markets, global deflation worries, and the Hong Kong protests.

- **Bottom Line**

  The overall economic growth and inflation numbers, despite the new backdrop, suggest no change in Fed monetary policy for the foreseeable future. The Fed's October 29, 2014 FOMC meeting statement retained the "considerable time" language to describe when short rates would be increased after the Quantitative Easing 4 bond-buying program ends in October. With slowing consumer spending (high debt and low income growth), restrained business investment spending and hiring due to unreliable sales growth visibility, uneven government spending trends, and declining global growth with deflation risks mounting, there is little chance that a booming economy and rising inflation will force the Fed to increase short rates any time soon.

U.S. Treasury Yield Curve