

# Consolidated Investment Report

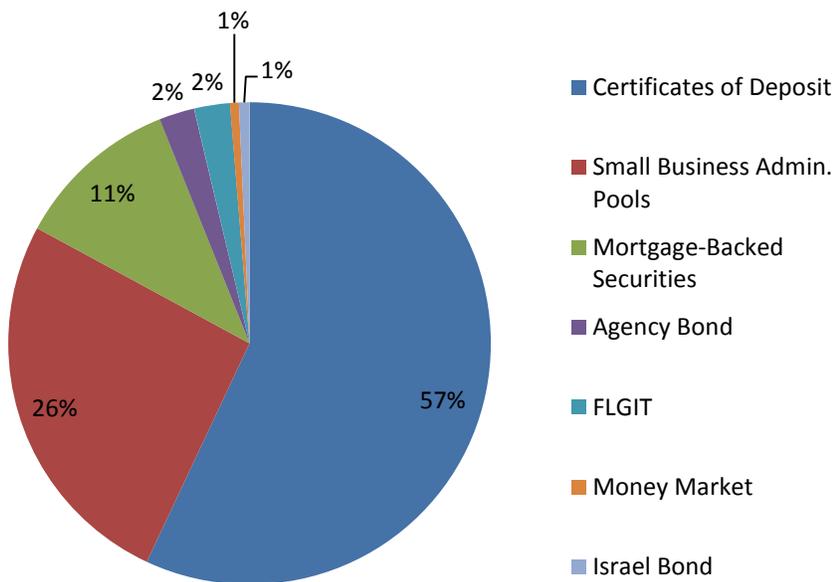
## September 2014



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.

**SHARON R. BOCK**  
Clerk & Comptroller  
Palm Beach County

### Portfolio Allocation September 30, 2014



### Performance

#### Total Return

Fiscal Year to Date	1.24%
Prior Month	1.97%
Prior Quarter	1.47%
Prior Year	-0.11%
Prior 3 Years	1.78%
Prior 5 Years	3.46%
Prior 8 Years	3.96%

\*All figures annualized

### Portfolio Statistics

	September '14	August '14	July '14	June '14	May '14	April '14
Month-end Market Value	\$1,278,599,856	\$1,381,513,545	\$1,448,983,379	\$1,504,439,977	\$1,534,921,740	\$1,615,543,030
Book Value	\$1,270,263,723	\$1,372,700,798	\$1,440,522,439	\$1,495,483,830	\$1,525,574,847	\$1,605,321,583
Unrealized Gain/Loss	\$8,336,134	\$8,812,747	\$8,460,940	\$8,956,146	\$9,346,893	\$10,221,449
Book Yield	2.27%	2.09%	2.03%	1.97%	1.91%	1.89%
Market Yield	1.77%	1.62%	1.57%	1.50%	1.39%	1.37%
Effective Duration	.78 years	.73 years	.75 years	.69 years	.70 years	.70 years
Convexity	0.22	0.16	0.13	0.05	0.10	0.10
Average Credit Rating	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA



## Portfolio Income

	September '14	August '14	July '14	June '14	May '14	April '14
Interest Income (FYTD)	\$31,079,376	\$28,564,907	\$25,970,586	\$22,961,154	\$20,356,874	\$17,622,881
Investment Income (FYTD)	\$19,061,741	\$18,243,297	\$15,937,366	\$13,871,043	\$12,254,049	\$11,350,244
Interest Income (current month)	\$ 2,514,470	\$2,594,321	\$3,009,431	\$2,604,280	\$2,733,993	\$2,595,063

## The Economy – *Little Change*

- August payroll jobs increased 142,000 (below expectations) and the unemployment rate fell to 6.1%, breaking the 9-month 200,000 or above streak of job gains. Labor force participation fell to 62.8%.
- July factory orders increased 10.5%. August vehicle sales increased to a 17.5 million annual sales rate, a post-recession high. August retail sales rose a strong 0.6%, ex-autos up 0.3%. University of Michigan consumer sentiment rose to 84.6, the highest in more than a year. The August ISM manufacturing index hit a better-than-expected 59.0, vs. 57.1 in July, to the highest level since March 2011. The August ISM nonmanufacturing index jumped to 59.6, its highest level since August 2005, led by increases in employment and production.
- Personal income and consumption increased in August, 0.3% and 0.5% respectively, with spending exceeding expectations. Industrial production fell 0.1% in August. Ex-vehicles, production was up 0.3%, implying weakness mainly in the auto sector probably due to model change-overs. Both housing starts and building permits fell in August to 14.4% and 5.6% respectively. Even after Q2, real GDP growth was revised to 4.6%, first half real growth was only 1.25%.
- Businesses remained reluctant to invest in plant expansion with low sales visibility but were willing to buy labor-saving technology to keep costs low and avoid new hires. Government budgets are under strain and unable or unwilling to increase spending. Global growth has slowed in China and Europe.
- The overall growth and inflation numbers suggest no change in Fed monetary policy for the foreseeable future. The Fed's September 17, 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.



## U.S. Treasury Yield Curve

