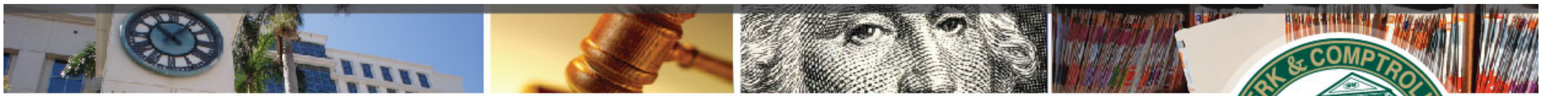


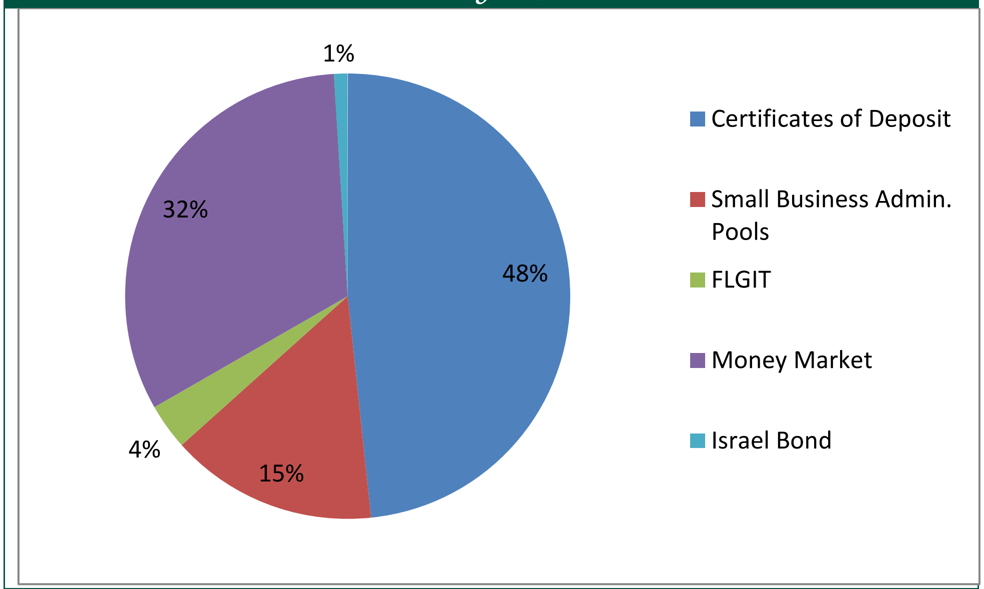
Consolidated Investment Report

February 2015

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
February 28, 2015



Performance
Total Return

Fiscal Year to Date	**0.57%**
Prior Month	**0.11%**
Prior Quarter	**0.35%**
Prior Year	**1.24%***
Prior 3 Years	**1.05%***
Prior 5 Years	**2.31%***
Prior 8 Years	**3.65%***

***figures annualized**

Portfolio Statistics

	February '15	January '15	December '14	November '14	October '14	September '14
Month-end Market Value	$1,517,753,272	$1,526,013,520	$1,877,098,797	$1,302,378,418	$961,135,891	$1,277,124,290
Book Value	$1,507,367,601	$1,515,964,931	$1,867,215,846	$1,293,315,158	$952,080,011	$1,270,263,723
Unrealized Gain/Loss	$11,090,489	$10,748,924	$10,572,647	$9,854,174	$9,891,600	$8,336,134
Book Yield	1.543	1.492%	1.114%	1.661%	2.28%	2.27%
Market Yield	1.394	1.271%	0.984%	1.427%	1.94%	1.77%
Effective Duration	.44years	.41 years	.29 years	.42 years	.60 years	.78 years
Convexity	0.16	0.21	0.16	0.14	0.31	0.22
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AAA/Aaa/AAA	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

Portfolio Income

	February '15	January '15	December '14	November '14	October '14	September '14
Interest Income (FYTD)	$9,075,314	$7,137,040	$5,170,850	$3,325,483	$1,327,684	$31,079376
Investment Income (FYTD)	$7,927,532	$6,156,654	$4,327,065	$2,714,296	$1,112,084	$19,061,741
Interest Income (current month)	$1,938,274	$1,966,191	$1,935,366	$1,907,799	$1,327,684	$ 2,514,470

The Economy – Moderate Growth, Low Inflation

- **Consumers**

  January nonfarm payroll jobs increased a solid 257,000. Upward revisions in for December and November totaled 147,000 for a three month average of 336,000 vs. a fourth quarter average of 289,000. The unemployment rate rose to 5.5% vs. 5.6% in December. The labor force participation rate rose to 62.9%, a two-month high as more people joined the work force to look for jobs. Average hourly earnings rose 0.5% in January more than offsetting the 0.2% decline in December. Year-over-year January average hourly earnings were up 2.2%% vs. 1.9% the month before. January retail sales fell 0.8%, double the expected decline following a similar decline in December. January sales were down 0.5%, the second consecutive monthly decline. Excluding autos, sales fell 0.9% at the start of 2015. Annualized January vehicle sales fell to 16.56 million, a three month low, vs. 16.80 million the prior month. Personal income rose 0.3 % in December. After adjusting for inflation, real income rose 0.5% in December, a ten-month high, and 4.6% over the last year. Personal spending fell 0.3% in December, the largest decline in more than four years, vs. a 0.5% increase the prior month. Year-over-year, real spending rose 3.4% in December compared to a 2.8% gain in November. The February Conference Board's Consumer Confidence Index fell to 96.4 vs. 103.8 in January, a two-year high. The expectations component of the sentiment survey fell to 87.2 vs. 97.0, a 10-year high.

- **Housing**

  January housing starts fell 2% to a 1.065 million annualized pace vs. 1.087 million in December. The weakness in January was in single-family starts, down 6.7%. Multi-family starts rose 7.5%. Year over year, starts were up 19% in January. December permits for future homes fell 0.7% in January, led by a 3.1% decline in single-family permits. Multi-family permits rose 3.6% in January. Year-over-year, permits were up 8%. January existing home sales fell 4.9%, more than double the expected decline falling to a 4.82 million unit pace, a nine-month low. The decline was widespread with single-family family sales off 5.1% and multi-family sales down 3.5%. January new home sales fell 0.2%, a smaller than expected decline, leaving the annualized pace little changed at 481,000 units. Year-over-year, new home sales were up 5.2% in January. The S&P/Case/Shiller 20 City Home Price Index rose 4.5% annually in December vs. a 4.3% annual gain in November.

- **Inflation**

  The December Personal Consumption Expenditures (PCE) Deflator, a measure of inflation that adjusts for the mix of consumer spending, was up just 0.7% year-over-year compared to a 1.2% annual pace in November. Excluding food and energy, the core PCE increased 1.3% annually. The January Consumer Price Index (CPI) fell 0.7% from the month before, a slightly larger decline than expected, pulling the annual rate into negative territory for the first time since 2009. Year-over-year headline inflation fell 0.1% in January. Excluding food and energy, the core CPI rose 0.2% in January keeping the annual growth rate steady at 1.6%.

- **<u>Business</u>**

  The January U.S. ISM Manufacturing Index fell to 53.5 vs. 55.1 in December, the slowest pace in a year. Production slowed, the order backlog fell, employment declined. The January ISM Non-Manufacturing Index edged up to 56.7, a two-month high, vs. 56.5 in December. Business activity improved and new orders increased, but employment slipped, new orders slowed, and imports dropped. December construction spending rose 0.4% after a 0.3% decline in November. The U.S. fourth quarter real GDP growth rose 2.2% in the revised fourth quarter report, eradicating fears of ending the year slipping below 2%. January industrial production increased 0.2% vs. a 0.3% decline the prior month. January capacity utilization was unchanged at 79.4%. January durable goods orders rose 2.8% vs. a revised 3.7% December decline (originally a 3.4% fall). This volatile series is showing some weakness on a trend basis. The NFIB Small Business Optimism Index decreased to 97.9 in January vs. its first 100+ reading since December 2006.

- **<u>News</u>**

  The ECB announced it would no longer accept Greek government debt as loan collateral which added pressure on Greece to reach a bailout deal. China's PBOC cut bank reserve requirements to spur lending and growth. The January Fed minutes appeared initially dovish (lower rates for longer), but they were actually balanced on growth, financial market stability, inflation, and unemployment. Fed Chair Yellen's Congressional testimony contained little new information stressing that monetary policy will remain data dependent.

- **<u>Bottom Line</u>**

  The moderate overall economic growth and inflation numbers, despite the news flow, suggest no change in Fed monetary policy for the foreseeable future. With restrained consumer spending (high debt and low income growth), moderate business investment spending, an improvement job market with diminishing slack, uneven government spending trends, and slowing global growth along with mounting deflation risks, there is little chance that a booming economy and rising inflation will force the Fed to increase short rates any time soon. Watching Fed policy evolve can be just as exciting as watching grass grow or paint dry or metal rust!

U.S. Treasury Yield Curve