

# Consolidated Investment Report

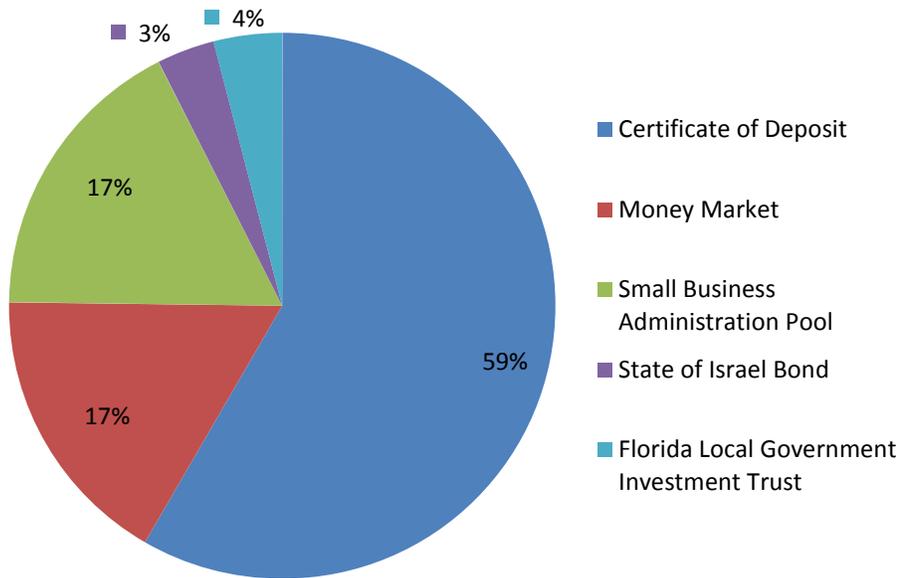
May 2015



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 May 31, 2015



## Performance

### Total Return

Fiscal Year to Date	0.94%
Prior Month	0.11%
Prior Quarter	0.34%
Prior Year	1.24%*
Prior 3 Years	1.05%*
Prior 5 Years	2.31%*
Prior 8 Years	3.65%*

\*figures annualized

## Portfolio Statistics

	May '15	April '15	March '15	February '15	January '15	December '14
Month-end Market Value	\$1,264,390,651	\$1,455,368,328	\$1,448,424,468	\$1,517,753,272	\$1,526,013,520	\$1,877,098,797
Book Value	\$1,252,990,552	\$1,444,152,728	\$1,437,201,347	\$1,507,367,601	\$1,515,964,931	\$1,867,215,846
Unrealized Gain/Loss	\$11,400,099	\$11,215,600	\$11,223,121	\$11,090,489	\$10,748,924	\$10,572,647
Book Yield	1.798	1.612%	1.602%	1.543%	1.492%	1.114%
Market Yield	1.588	1.455%	1.446%	1.394%	1.271%	.984%
Effective Duration	.47 years	.42 years	.44 years	.44 years	.41 years	.29 years
Convexity	0.296	.271	.248	.16	.21	.16
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AAA/Aaa/AAA	AA+/Aa1/AA+

[www.mypalmbeachclerk.com/investments](http://www.mypalmbeachclerk.com/investments)



## Portfolio Income

	May '15	April '15	March '15	February '15	January '15	December '14
<b>Interest Income (FYTD)</b>	\$15,251,102	\$13,879,668	\$11,881,271	\$9,075,314	\$7,137,040	\$5,170,850
<b>Investment Income (FYTD)</b>	\$13,189,725	\$11,522,333	\$9,877,258	\$7,927,532	\$6,156,654	\$4,327,065
<b>Interest Income (current month)</b>	\$2,061,434	\$1,998,397	\$2,115,957	\$1,938,274	\$1,966,191	\$1,935,366

## Economic Overview

- Consumers:** Nonfarm payroll growth was weaker-than-expected in April with 223,000 jobs added, and March revised down to 85,000 for the first sub-100,000 payroll reading in four years. Even though the unemployment rate fell to 5.4%, the weaker payroll number pushed back expectations for a Fed rate hike. As long as more than 125,000 new jobs are created each month, that will be enough to offset population growth and keep the downward trend in the unemployment rate in place. Payroll increases have averaged 193,750 per month in 2015 after a 259,670 average in 2014 that was the highest monthly average since 1999. Annual average hourly earnings increased 2.2%. The four-week moving average of initial jobless claims fell to 279,500, the lowest in 15 years. Retail sales were disappointingly flat in April, though big upward revisions to March data reduced some concern about the consumer. First quarter GDP annualized growth was revised from 0.2% to -0.7%, with final sales down to 1.1%, further confirming the slowdown in Q1. The Fed's April FOMC minutes revealed little new information. The Fed acknowledged that Q1 weakness made a June rate hike unlikely while expressing confidence in a quick second quarter rebound.
- Housing:** Housing starts and building permits surged, up 20.2% and 10.1% respectively. Existing home sales fell 3.3% in April to a 5.04 million annual rate, offsetting earlier positive housing market data. The mixed-to-positive data suggested that consumer income growth and bank lending were improving.
- Inflation:** The April annual rate for the Fed's favorite inflation gauge, the core, ex-food and energy, Personal Consumption Expenditure Deflator which adjusts to changing consumer spending patterns was 1.2%, below the central bank's 2% target. However, the headline Consumer Price Index rose 0.1% for a year-over-year rate of -0.2%, and the core CPI rose 0.3% for a y/y gain of 1.8%, still below the Fed's target.
- Business:** The April ISM non-manufacturing index rose above expectations to 57.8, a good sign for stronger growth because it measures the 90% of the U.S. economy that is in the service sector. Above 50 indicates expansion. Durable goods orders rose 0.5% in April, following a 5.1% increase in March (originally a 4.0% gain). Nondefense capital goods orders ex-aircraft, a leading indicator for future business investment, rose 1.0% in April: the first sign that the worst effect of the strong dollar on growth may have passed. April industrial production fell 0.3%, the fifth consecutive decline, as low oil prices and the strong dollar continued to weigh on domestic production.
- News:** Concerns over a possible Greek debt default continued as the IMF payment deadline on June 5, 2015 approached. Janet Yellen, Fed Chair, told the IMF Director that equity-market valuations "generally (are) quite high."
- Bottom Line:** The economic evidence for the data dependent Federal Reserve indicates no change in short rates or monetary policy until after September and potentially much later. Inflation remains contained and wage growth is still around 2%. U.S. economic growth in the first half is likely to be a weak 1%.



## U.S. Treasury Yield Curve

