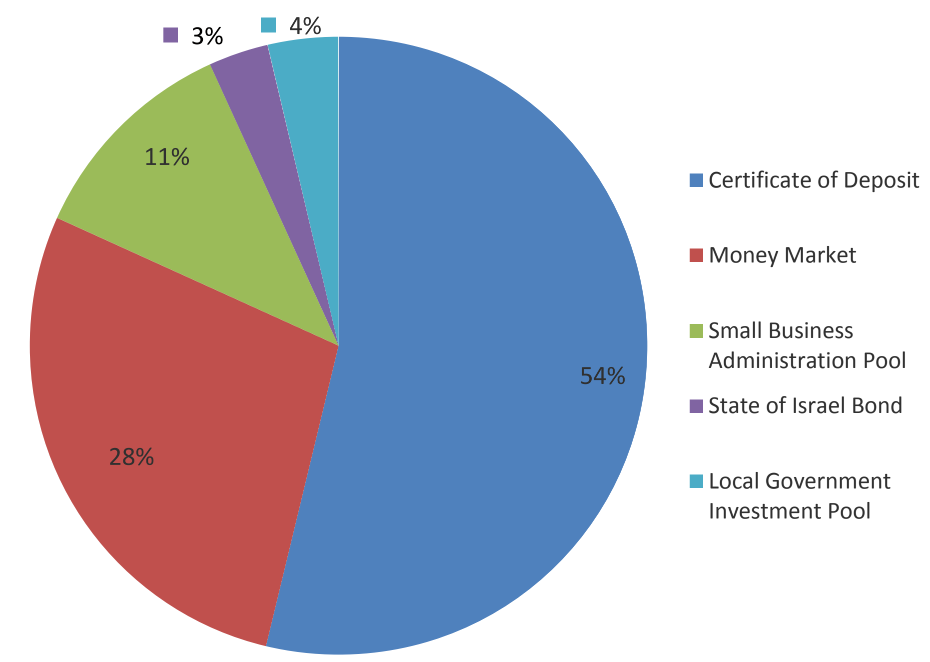
Consolidated Investment Report

September 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
September 30, 2015



Performance
Total Return

Fiscal Year to Date	1.43%
Prior Month	0.14%
Prior Quarter	0.33%
Prior Year	1.24%*
Prior 3 Years	1.05%*
Prior 5 Years	2.31%*
Prior 8 Years	3.65%*

*figures annualized

Portfolio Statistics

	September '15	August '15	July '15	June '15	May '15	April '15
Month-end Market Value	$1,381,695,231	$1,390,388,579	$1,401,979,723	$1,270,204,407	$1,264,390,651	$1,455,368,328
Book Value	$1,368,802,182	$1,378,098,505	$1,390,604,872	$1,259,351,800	$1,252,990,552	$1,444,152,728
Unrealized Gain/Loss	$12,893,048	$12,290,074	$11,374,850	$10,852,607	$11,400,099	$11,215,600
Book Yield	1.627%	1.612%	1.650%	1.801%	1.798%	1.612%
Market Yield	1.489%	1.470%	1.497%	1.596%	1.588%	1.455%
Effective Duration	.40 years	.41 years	.44 years	.47 years	.47 years	.42 years
Convexity	.095	.192	.103	0.245	0.296	.271
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

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Portfolio Income

	September '15	August '15	July '15	June '15	May '15	April '15
Interest Income (FYTD)	$23,502,677	$21,546,383	$19,499,761	$17,397,840	$15,251,102	$13,879,668
Investment Income (FYTD)	$20,191,741	$17,864,436	$15,867,924	$14,489,773	$13,189,725	$11,522,333
Interest Income (current month)	$1,956,294	$2,046,622	$2,101,920	$2,146,738	$2,061,434	$1,998,397

Economic Overview

Consumers:

The U.S. economy created fewer jobs than expected in August as nonfarm payrolls increased by 173,000 vs. the expected 217,000 gain. Private sector hiring fell to 140,000 jobs from 224,000 and well under the 204,000 expected 17,000 jobs lost in manufacturing. The unemployment rate fell by 0.2% to 5.1%, the lowest level since April, while the labor force participation rate fell to 62.6%, the lowest rate since 1977. Average Hourly Earnings increased 0.3%, above July's 0.2% gain. On a year-over-year basis, wages have increased 2.2%, the high end of the annual range since 2009. The August Labor Market Conditions Index rose to 2.1 vs. 1.8 in July. The rate of improvement in the Federal Reserve Board's LMCI indicated improvement in the job market.

The Job Openings and Labor Turnover Survey rose to 5,723,000, up from 5,323,000 in June. The July level was a record high and was driven by a 430,000 jump in positions waiting to be filled, the largest since 2010. The preliminary September University of Michigan Consumer Sentiment Index sank to 85.7 vs. 91.9 in August, a larger decline than expected, on global growth fears and financial market turbulence. The final University of Michigan Consumer Sentiment Survey Index was revised to 87.2 at the end of September vs. the preliminary 85.7.

August retail sales rose 0.2% from the previous month, in line with expectations. Sales were up 2.2% year-over-year vs. a recent peak of 4.9% annually in August of 2014, indicating slowing momentum. A 1.8% drop in spending at gas stations, a result of lower oil prices, reduced overall spending. Second quarter GDP growth was revised to 3.9% from 3.7% on higher consumer spending and somewhat improved business investment.

The Conference Board's Consumer Confidence Index rose to 103.0 in September from 101.3 in August (revised slightly lower from 101.5). This is the highest reading since January and was driven by the current situations component despite a decline in the expectation index.

August personal income rose 0.3% after 0.5% gain in July. August personal spending rose 0.4% for an annual spending gain of 3.5%, down from 3.7% in July. Annual spending peaked in August 2014 at 5.0% and has slowed, stabilizing near a 3.5% annual rate in early 2015.

Housing:

July construction spending increased 0.7% after a similar gain in June. Private residential construction was up 1.1% while nonresidential rose 0.5%. August housing starts fell 3% from the prior month to a seasonally adjusted annual pace of 1.126 million. Building permits rose by a larger-than-expected 3.5% during the month implying better data ahead. August existing home sales fell 4.8% to a 4.31 million annualized rate vs. 5.58 million in July, a larger than expected decline from July's 8-year high rate of sales. Sales remain about half their pre-boom levels on a population adjusted basis.

The FHFA House Price Index rose by 0.6% in July, more than the 0.4% expected. Sales of newly built single-family homes rose 5.7% to a seasonally adjusted annual rate of 552,000, the highest level since the recession ended. August pending home sales fell by 1.4% vs. a 0.5% gain in July and the expectation for a 0.4% rise. The National Association of Realtors said rising prices and low inventories caused the decline. The Case-Shiller Home Price Index surprised the market by declining 0.20% in July vs. an expected 0.10% increase. The annual increase was 4.96% with the annual changes remaining around 5% since February,indicating that the recovery in residential real estate is stable.

Business:

The August ISM Manufacturing Index fell to 51.1 vs. 52.7 in July, less than the 52.5 that had been expected. Even though the August level was above 50, which implied continued expansion in the sector, it was the lowest level since May 2013. The decline was widespread in most components with a large drop in new orders. Prices paid remained below 50 indicating deflation.

The August ISM Non-Manufacturing Index, which measures the strength of the services sector, fell to 59.0 vs. 60.3 in July. The July reading was the highest the index has achieved since its inception in 2008.

U.S. productivity was revised higher for the second quarter to 3.3% from an originally reported 1.3% increase. This cut unit labor costs down to a 1.4% decline from a 0.5% increase. July factory orders rose 0.4%, significantly lower than the 2.2% rate in June.

The NFIB Small Business Optimism Index increased to 95.9 in August vs. 95.4 in July on higher sales, profits, capital expenditures, and employment. August industrial production was off 0.4%, a larger than expected monthly decline, vs. the July 0.9% gain. Capacity Utilization declined to 77.6% vs. 78%.

The Index of Leading Economic Indicators increased for the fifth time in six months by gaining 0.1% in August, up from a revised no change in July (originally a 0.2% decline). Improving components included consumer expectations and new manufacturing orders while the largest decline was in credit accessibility. August new orders for durables good, products designed to last three years, fell a seasonally adjusted 2.0%

from July. The Chicago Purchasing Managers Survey in September fell to 48.7 vs. 54.4 in August. Readings below 50 indicate contraction.

International Trade:

The July U.S. trade deficit was off 7.4% due to a 0.4% rise in exports from auto and industrial equipment sales and a 1.1% fall in imports from weaker cell phone and electronics purchases. Canada's second quarter GDP contracted at a 0.5% annual rate vs. a 0.8% decline in the first quarter, throwing the commodity producer into recession. Canada has been directly affected by the slowdown in China and the U.S. sells 19.1% of its exports to Canada. Chinese trade data showed a further slowing in the economy today. Exports were off a larger-than-expected 5.5% while imports fell 13.8%.

Inflation:

August import prices fell 1.8% and are now down 11.4% on a year-over- year basis increasing the risk that the U.S. is importing deflation. Producer prices were unchanged in August from July for a year-over-year gain of 0.8%. Core prices, excluding food and energy, were up 0.3% for a year-over-year gain of 0.9%. The August consumer price index fell by 0.1% from the previous month, the first decline since January due to lower energy prices. Excluding food and energy, the CPI rose 0.1% in the month for an annual gain of 1.8%. The annual core, excluding food and energy, Personal Consumption Expenditures Deflator was up 1.3% in August vs. 1.2% in July

Federal Reserve:

The Fed kept interest rates unchanged at the September 16-17, 2015 FOMC meeting and expressed worries about weak global growth and turbulent financial markets. The Fed is aware of waning U.S. economic growth, weak wage gains, and inflation persistently below the FED's target of 2.0%. Since 2007, core prices according to the Personal Consumption Expenditures Deflator have averaged 1.5% annually. In the 10 years before that, the core averaged 1.8%.

Bottom Line:

The economic and monetary evidence continues to suggest little change in short term interest rates and bond yields for the foreseeable futures with stocks struggling to gain in slow growing U.S. and global economies.

U.S. Treasury Yield Curve