

Consolidated Investment Report

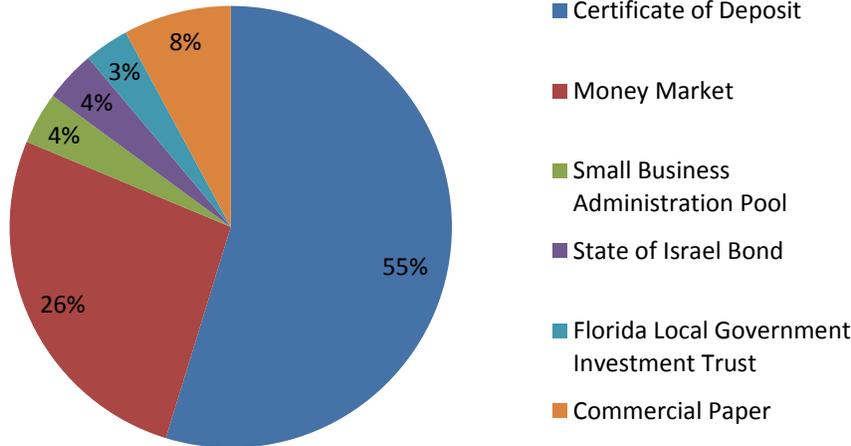
November 2016



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 November 30, 2016



Performance

Total Return

Fiscal Year to Date	0.27%
Prior Month	0.14%
Prior Quarter	0.42%
Prior Year	1.42%*
Prior 3 Years	1.36%*
Prior 5 Years	1.20%*
Prior 8 Years	2.67%*
*figures annualized	

Portfolio Statistics

	November '16	October '16	September '16	August '16	July '16	June '16
Month-end Market Value	\$1,577,621,113.99	\$1,266,464,758.64	\$1,279,023,005.35	\$1,279,471,291.20	\$1,413,382,671.70	\$1,523,458,493.77
Book Value	\$1,562,901,829.62	\$1,251,711,474.81	\$1,264,867,240.41	\$1,265,499,927.49	\$1,400,314,928.85	\$1,510,376,786.18
Unrealized Gain/Loss	\$14,719,284.37	\$14,753,283.83	\$14,155,764.94	\$13,971,363.71	\$13,067,742.85	\$13,081,707.59
Book Yield	1.542%	1.765%	1.769%	1.737%	1.661%	1.585%
Market Yield	1.503%	1.767%	1.730%	1.697%	1.604%	1.541%
Effective Duration	.85 years	.96 years	.95 years	.80 years	.88 years	.82 years
Convexity	.448	.516	.514	.377	.290	.157
Average Credit Rating	AA-/Aa3/AA-	AA-/Aa3/AA-	AA-/Aa3/AA-	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA

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Portfolio Income

	October '16	September '16	August '16	July '16	June '16	May '16
Interest Income (FYTD)	\$3,833,244.89	\$1,920,455.39	\$25,963,746.50	\$24,058,875.54	\$21,890,519.79	\$19,797,937.55
Investment Income (FYTD)	\$3,657,546.03	\$1,843,722.85	\$22,394,637.82	\$20,467,151.20	\$18,519,121.75	\$16,539,415.31
Interest Income (current month)	\$1,912,789.81	\$1,920,455.39	\$1,885,440.76	\$2,187,785.95	\$2,092,582.24	\$2,120,006.19

Economic Overview

In November, bond yields and short rates rose while stocks surged. The financial market moves were due to the election of Trump as president and the potential for fiscal stimulus from tax cuts and increased government spending on national defense and infrastructure projects. The possibility of a regulatory rollback from a business friendly federal government completely controlled by the Republican Party encouraged stock buying and bond selling. Improving economic numbers through the month indicated that the U.S. economy was on a solid growth path. Fiscal stimulus could accelerate growth and lead to higher inflation.

Consumers:

The ADP measure of private-sector job growth jumped to 216,000 in November. Personal income grew 0.6% in October vs. an upwardly revised 0.4% increase in September. Personal spending rose 0.3% in October vs. an upwardly revised 0.7% increase in September. Shoppers gobbled up so-called Black Friday bargains both in brick and mortar stores and online. The University of Michigan Consumer Sentiment Survey rose to 93.8, a seven-month high. The post-election survey rose 8.2, but it is difficult to determine if it was due to election relief or other factors. Retail sales rose 0.8% in October, ahead of expectations, and up 4.3% on a year-over-year basis. The Job Openings and Labor Turnover Survey showed 5.49 million job openings in September, indicating a strong demand for workers. U.S. nonfarm payrolls rose by 161,000 in October, along with revisions that added 44,000 more jobs to the two prior months. The unemployment rate was unchanged at 4.9%, with Average Hourly Earnings 2.8% higher on a year-over-year basis, the best annual gain for the most recent cycle. Auto sales hit a 17.9 million unit annualized pace in October, off 0.2% year-to-date from the record set in 2015.

Inflation:

The Consumer Price index increased 0.4%, matching its fastest pace in 2016, largely due to a 7% rise in gasoline prices. Excluding food and energy, core CPI rose 0.1% for October and 2.1% year-over-year. The Producer Price Index, which measures wholesale inflation, was unchanged in October as food declined 0.8%. Excluding food and energy, core PPI fell 0.2% in October but rose 1.6% year-over-year. The October PCE Deflator increased 1.4% year-over-year while the Core PCE Deflator, excluding food & energy, rose 1.7% year-over-



year. The Core PCE Deflator, which automatically adjusts for changing consumer spending patterns, is the Fed's preferred inflation gauge and has not been above the its 2.00% target since 2012.

Housing:

Existing home sales rose 2.0% in October to 5.60 million annualized units, the most since early 2007. New home sales fell 1.9% in October to 563,000 annualized units, but were just off an eight-year high. Housing starts surged 25.5% in October, the highest level since August 2007. The increase in October new building permits, which indicates intent for future building, was a more modest 0.3%.

Macro-economic Data:

Third Quarter real gross domestic product growth was revised to a 3.2% annualized rate, the fastest pace in two years, vs. the initial estimate of 2.9%. Year-to-date for 2016, GDP growth has averaged 1.8%, a moderate pace. Consumer spending, 70% of the economy, grew at a 2.8% rate vs. the 2.1% initial estimate. Business investment remained weak but before-tax corporate earnings in the third quarter increased 6.6% after declining 0.6% in the second quarter. Profits rose 2.8% from a year ago, the first year-over-year gain after 5 quarters of declines. Government spending provided slight stimulus.

Business:

New durable goods orders surged 4.8% in October as new commercial aircraft orders nearly doubled, up 94%. Excluding transportation and defense, new orders rose 5.2% for the month. Wholesale inventories declined 0.4% in October, which was twice as much as expected. Industrial production was flat in October, while capacity utilization declined to 75.3% from 75.5%. The Small Business Optimism Index of the National Federation of Independent Business, the U.S.'s largest small business association, rose to 94.9 in October; its highest level since December 2015. Several manufacturing gauges showed improvement. The ISM Manufacturing PMI increased 51.9 in October, the Markit PMI increased to 53.4 in October, and factory orders rose in September. The October ISM Services Index declined to 54.8 vs. 57.1 in September.

International:

The U.S. international trade deficit in goods and services decreased to \$36.4 billion in September vs. \$40.5 billion in August, as exports increased and imports decreased. The rising value of the dollar and the global economic slowdown is likely to slow exports in the months ahead.

Federal Reserve:

The Federal Reserve Beige Book for the 12/14/16 Fed's FOMC Rate meeting pointed to a hike in interest rates. The report showed generally positive trends around the 12 Fed Districts including a stronger labor market, modest gains in wages, and a slight increase in inflation. The Fed also said the Beige Book will include three



new national summaries: (1) economic activity, (2) employment and wages, and (3) inflation. The traditional anecdotal reports from each Fed district will follow the summaries. The national summaries should provide a valuable Fed barometer for the financial markets.

Bottom Line:

The economic and monetary policy evidence suggests that the financial market trend in place will continue. Those trends are: higher bond yields, higher stocks, and higher short term interest rates.

