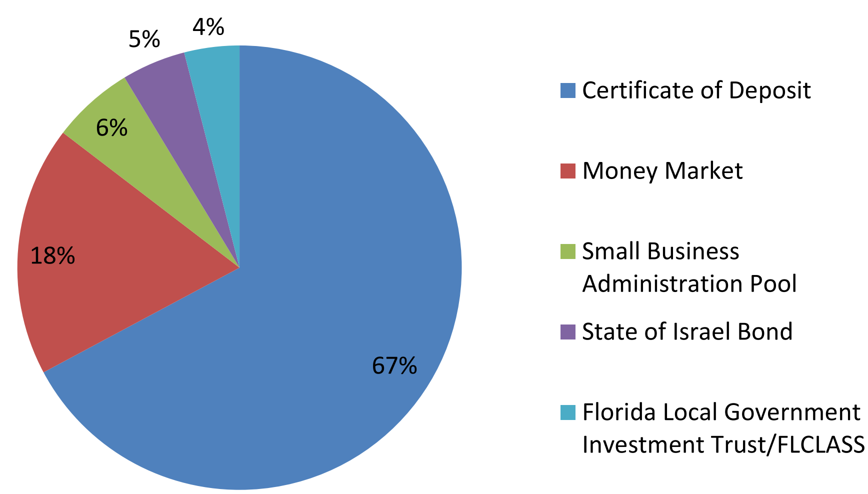
Consolidated Investment Report

August, 2016

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
August 31, 2016



Performance
Total Return

Fiscal Year to Date	1.27%
Prior Month	0.13%
Prior Quarter	0.33%
Prior Year	1.43%*
Prior 3 Years	0.85%*
Prior 5 Years	1.60%*
Prior 8 Years	3.17%*

*figures annualized

Portfolio Statistics

	August '16	July '16	June '16	May '16	April '16	March '16
Month-end Market Value	$1,279,471,291.20	$1,413,382,671.70	$1,523,458,493.77	$1,601,321,071.45	$1,708,691,793.53	$1,713,169,857.41
Book Value	$1,265,499,927.49	$1,400,314,928.85	$1,510,376,786.18	$1,589,729,061.37	$1,696,954,628.61	$1,701,019,168.67
Unrealized Gain/Loss	$13,971,363.71	$13,067,742.85	$13,081,707.59	$11,592,010.08	$11,737,164.92	$12,150,688.74
Book Yield	1.737%	1.661%	1.585%	1.568%	1.508%	1.508%
Market Yield	1.697%	1.604%	1.541%	1.466%	1.411%	1.411%
Effective Duration	.80 years	.88 years	.82 years	.40 years	.39 years	.37 years
Convexity	.377	.290	.157	.163	.143	.106
Average Credit Rating	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA

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Portfolio Income

	August '16	July '16	June '16	May '16	April '16	March '16
Interest Income (FYTD)	$24,058,875.54	$21,890,519.79	$19,797,937.55	$17,678,705.19	$15,437,581.22	$13,231,413.13
Investment Income (FYTD)	$20,467,151.20	$18,519,121.75	$16,539,415.31	$14,848,078.60	$12,934,856.90	$11,244,825.37
Interest Income (current month)	$2,187,785.95	$2,092,582.24	$2,120,006.19	$2,243,267.66	$2,208,496.05	$2,278,979.70

Economic Overview

Market Activity:

Market volatility was very low for the month of August due to the lack of market-moving anxiety-provoking news. Interest rates and bond yields rose while stocks were lower on relentless Fed official chatter implying that the Fed will increase short rates soon. Soon, the rate-setting Federal Reserve Open Market Committee (FOMC) may be called the Federal Open Mouth Committee.

Consumers:

Consumer confidence increased to an almost one-year high in August as Americans became more optimistic about the job market, according to the Conference Board. The August confidence index increased to 101.1, the highest since September, vs. 96.7 in July. Personal income rose 0.4% in July, up from the 0.3% increase in June (revised up from 0.2%), for the largest gain since April. That produced an annual gain in personal income of 3.3% in July vs. the 3.1% in June. July personal spending increased 0.3% vs. the 0.5% rise in June. U.S. second-quarter gross domestic product (GDP) was revised to a 1.1% annualized rate from the 1.2% previously reported due to weaker state and local spending and lower business inventories. July retail sales were unchanged vs. expectations for a 0.4% gain. The annual sales gain was 2.3%, below the estimated 3% to 4% annual gain required to get 3% real GDP growth in the third quarter.

Auto sales and online sales were the only positive standouts in the report growing at 1.1% and 1.3% respectively for the month. The August University of Michigan Consumer Sentiment Index rose to a less-than-expected 90.4 reading vs. July's 90.0.

Expectations for the future improved and the outlook for inflation for the next year fell to 2.5%. Nonfarm payrolls surprised for a second straight month; adding 255,000 in July, taking the three-month average to a solid 190,000. July auto sales rose 0.7% to an annualized rate of 17.77, the highest level since November.

Inflation:

The July Core Personal Consumption Expenditure Deflator, excluding food and energy, (the Fed's preferred inflation gauge), increased 1.6% year-over-year, the same as the year-over-year gain in June. Inflation remained contained. The Consumer Price Index was flat in July, held down by a 4.7% drop in gasoline, but increased 0.8% from a year ago. Excluding food and energy, the core CPI increased 0.1% for July and 2.2% year-over-year. The July Producer Price index, a measure of prices for goods and services at the wholesale level, fell 0.4% m/m vs. a 0.4% gain in June. The annual change in the PPI in July was -0.2% vs. a 0.3% rise in June. The core PPI, excluding food and energy, rose 0.7% annually in July vs. an increase of 1.3% in June.

Housing:

The July Pending Home Sales Index of existing homes increased 1.3%, above expectations, after a downwardly revised reading in June of a decline of 0.8% (originally up 0.2%). The increase followed two months of declines and did not hit the highs of earlier 2016. Home prices in 20 U.S. cities continued to moderate in June, according to S&P CoreLogic Case-Shiller data. The 20-city property values index increased 5.1% from June 2015 as expected, for the smallest rise since August, after a 5.3% year-over-year rise in May. July housing data was mixed. New home sales surged 12.4% to 654,000 annualized units, the highest level since November 2007, but existing home sales fell 3.2% from a one-year high to a 5.39 million annualized pace. Housing starts rose to a five-month high in July. Residential starts increased 2.1% to a 1.211 million annualized rate, up from 1.186 million in June. More houses were under construction in July than at any time since the beginning of 2008. However, new building permits slipped 0.1% to a 1.15 million annualized pace. Construction spending fell 0.6% in June largely driven by a decline in government projects, almost a quarter of total construction, as federal governmental construction projects dropped 2.3%.

Business:

New durable goods orders surged 4.4% in July driven by transports, particularly commercial and military aircraft. Excluding those segments, new core capital goods orders increased 1.6%. However, through the first seven months of 2016, durable goods orders were down 0.9%, compared to the same period in 2015. Orders improved but are far from robust on a trend basis. Industrial production rose 0.7% in July for the largest monthly gain since 2014. June business inventories rose 0.2% vs. the 0.2% increase in May, while sales increased 1.2% vs. a 0.3% rise in May. That reduced the inventory/sales ratio to a manageable 1.39 vs. May's 1.40. The ISM Manufacturing Index edged down to 52.6 in July from a one-year high last month. Also, the ISM Services Index ebbed slightly to 55.5 after hitting its highest reading of the year in June.

Government:

The Congressional Budget Office expects the federal deficit for the fiscal year that ends in September to increase to $549 billion, or 3% of gross domestic product, up from $500 billion estimated earlier this year. Both are up from last year's $438 billion deficit of 2.5%, the lowest since 2007. Government spending is providing some economic stimulus.

International:

The IMF said European economies are still struggling to escape the legacies of the financial crisis with high unemployment and debt. Japan keeps flirting with recession. China's slowdown and an associated long-term commodity price slump still hurts many emerging markets around the world. Brazil and Russia are coping with deep, two-year contractions. Nigeria, Africa's largest economy, is now in recession. South Africa's economy continues to struggle in the face of political troubles.

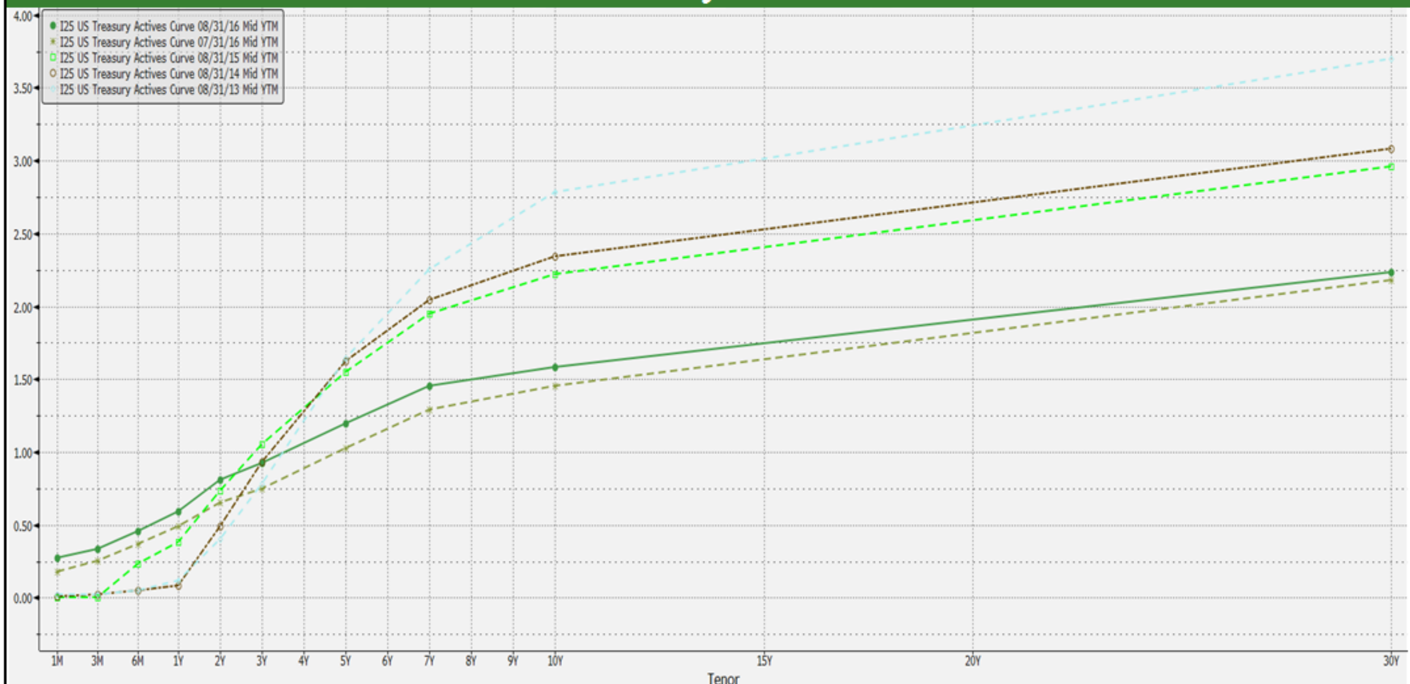
Federal Reserve:

Vice Fed Chair Fischer said that a Fed rate increase was data dependent and emphasized the importance of job market growth. Fed Chair Yellen told a meeting of central bankers that the U.S. economy has strengthened and is close to the Fed's goal of full employment, and will eventually reach the Fed's 2% inflation target. She said that if the data are strong enough, a gradual pattern of rising short-term rates is likely.

Bottom Line:

The long-term financial market trends are lower bond yields, higher short rates, and higher stocks. U.S. inflation remains near 2%, below the Fed's 2% target and U.S. trend economic growth, measured by gains in real Gross Domestic Product. The financial market trends suggest moderate growth ahead with an upward tilt in short rates but stubbornly low bond yields due to low inflation and foreign buying.

U.S. Treasury Yield Curve



>>>MATURITY>>>