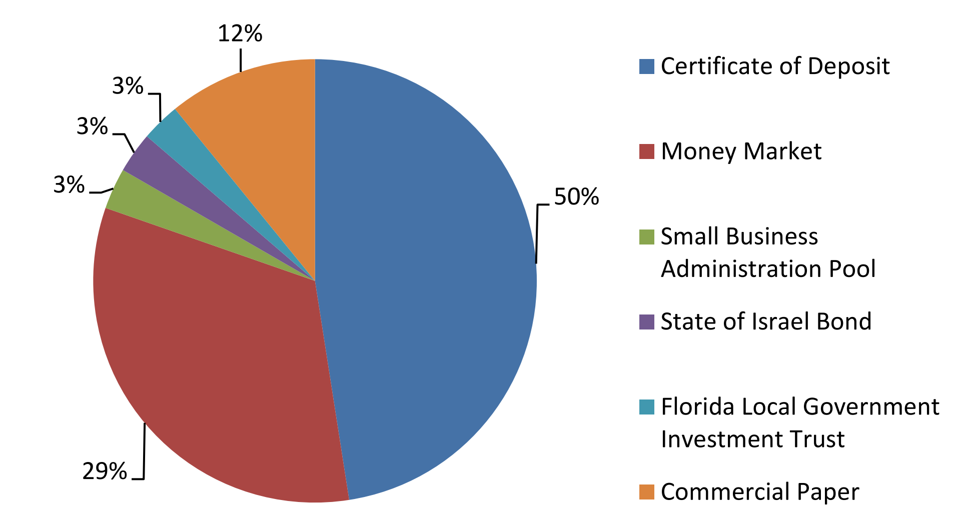
Consolidated Investment Report

May 2017

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
May 30, 2017



Performance
Total Return

Fiscal Year to Date	1.05%
Prior Month	0.14%
Prior Quarter	0.38%
Prior Year	1.42%*
Prior 3 Years	1.38%*
Prior 5 Years	1.20%*
Prior 8 Years	2.67%*

*figures annualized

Portfolio Statistics

	May '17	April '17	March '17	February '17	January '17	December '16
Month-end Market Value	$1,739,215,215,671.24	$1,833,505,199.10	$1,850,504,712.50	$1,747,174,706.13	$1,794,172,991.83	$2,121,143,574.45
Book Value	$1,722,996,749.10	$1,817,601,485.75	$1,835,297,017.11	$1,731,746,186.84	$1,778,959,240.30	$2,106,376,006.34
Unrealized Gain/Loss	$16,218,922.14	$15,903,713.35	$15,207,695.39	$15,428,519.29	$15,213,751.53	$14,767,568.10
Book Yield	1.619%	1.581%	1.493%	1.588%	1.579%	1.392%
Market Yield	1.619%	1.586%	1.516%	1.590%	1.592%	1.360%
Effective Duration	0.65 years	0.66 years	0.67 years	0.82 years	0.86 years	0.68 years
Convexity	.252	.265	.359	.364	.259	.448
Average Credit Rating	AA/Aa2/AA	AA/Aa2/AA	AA-/Aa3/AA-	AA-/Aa3/AA-	AA/Aa2/AA	AA-/Aa3/AA-

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Portfolio Income

	May '17	April '17	March '17	February '17	January '17	December '16
Interest Income (FYTD)	**$16,691,993.02**	**$14,565,782.10**	**$12,392,314.71**	**$10,136,346.71**	**$8,166,681.30**	**$ 6,121,127.89**
Investment Income (FYTD)	**$17,697,868.82**	**$15,424,382.65**	**$12,761,495.54**	**$10,407,751.56**	**$8,365,064.54**	**$5,920,502.73**
Interest Income (current month)	**$2,126,210.61**	**$2,069,540.13**	**$2,151,297.73**	**$1,854,504.58**	**$2,045,553.41**	**$2,283,729.26**

May 2017 Economic Overview

Long term fixed income yields fell while shorter maturities rose. Short term rates rose on fears of more Fed rate hikes after the one in March while bond yields fell on buying sparked by weaker economic data, restrained inflation, and Washington political turmoil. The 2-year Treasury note yield rose slightly to 1.29% at the end of May vs. 1.27% at the end of April. The 10-year Treasury note yield ended May at 2.21% vs. the 2.28% level at the end of April. The Dow Jones Industrial Average rose to 21,009 at the end of May vs. 20,941 at the end of April.

Consumers:

April nonfarm payrolls rose 211,000, exceeding the 190,000 expected, and vs. the downwardly revised 79,000 for March (originally 98,000). The April unemployment rate fell to 4.4% vs. 4.5% in March. April average hourly earnings slipped to 2.5% year over-year, the weakest since August, vs. the 2.6% annual gain in March and the 2.9% annual increase in December. April auto sales increased to 16.81 million on a seasonally adjusted annualized basis vs 16.53 million in March, below the record high 2016 17.5 million annual sales rate. April's retail sales were weaker than expected but personal income and spending rose 0.4% in April. The initial estimate of 0.3% growth in first quarter consumption was revised to 0.6% but it was still the weakest quarter for the consumer since 2009. U.S. first quarter GDP growth was revised to 1.2% vs. the 0.7% original estimate. Consumer confidence was missed.

Business:

Business and residential investment were revised higher for the first quarter but inventory accumulation was weaker. The ISM reports were mixed; manufacturing hit a 2017 low but the non-manufacturing report improved. Actual manufacturing output rose by the most since 2014. Home builder confidence was the second best since 2005 but actual housing data disappointed. Tight housing inventories continue to push prices higher. Small business confidence held steady. However, capital goods orders were flat in April and March's 0.5% increase was revised to unchanged.

International:

Trade was essentially flat in the first revision to first quarter GDP. April's advanced goods trade deficit was wider than expected and included a slightly negative revision for March.

Inflation:

April Core CPI and Core PCE inflation were mixed month-over-month but both showed slower year-over-year numbers. Energy prices rose but headline inflation rates slowed on a year-over-year basis. Core goods prices weakened again and services inflation continued to drive overall inflation.

Housing:

Pending home sales fell 1.35% in April, down back-to-back months. Yet home prices continued to rise as the S&P Case-Shiller Price Index rose 5.89% year-over-year, its fastest pace since the summer of 2014. Home sales, which had been stronger in recent months, declined in April. New home sales decreased 11.4% to 569,000 units at a seasonally adjusted annualized rate (SAAR), while existing home sales fell 2.3% to a 5.57 million unit SAAR. Housing starts fell 2.6% in April to 1.17 million units, while new building permits fell 2.5% to 1.23 million.

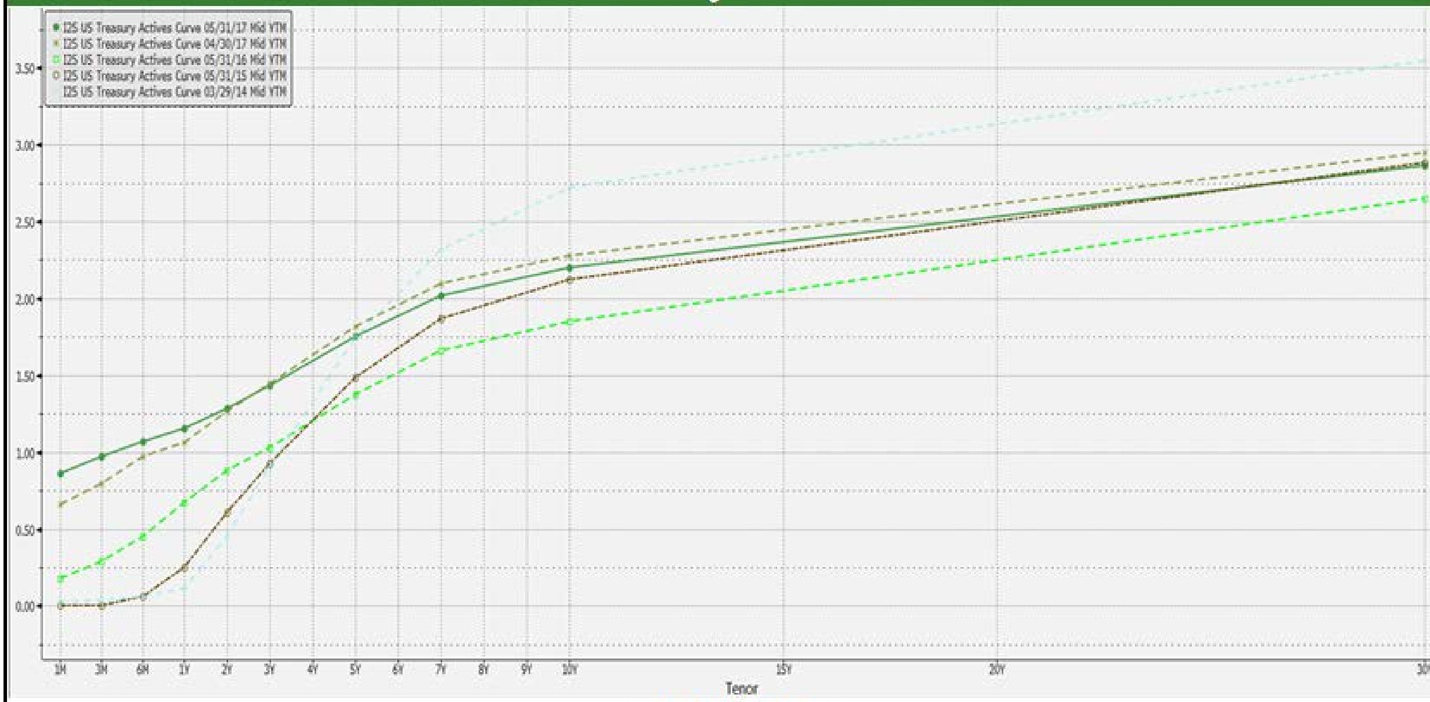
Monetary Policy:

The Federal Reserve's May meeting kept rates unchanged but the FOMC meeting statement indicated that the Fed saw the recent slowing economic activity and weaker inflation as transitory. In the minutes from that meeting, the Fed said another rate hike would be appropriate soon. The Fed also outlined a potential policy for reducing the size of its fixed income investment portfolio. Under the policy, dollar caps would limit how much cash could run-off each month. These caps would be low at first and then be gradually increased quarterly until they reach a terminal target.

Bottom Line:

Financial market trends remain: higher bond yields, higher short term interest rates, and higher stock prices. The market trends seem to imply moderate, low inflation growth ahead with the job market at near full employment and wage/salary growth likely to increase.

U.S. Treasury Yield Curve



>>>MATURITY>>>