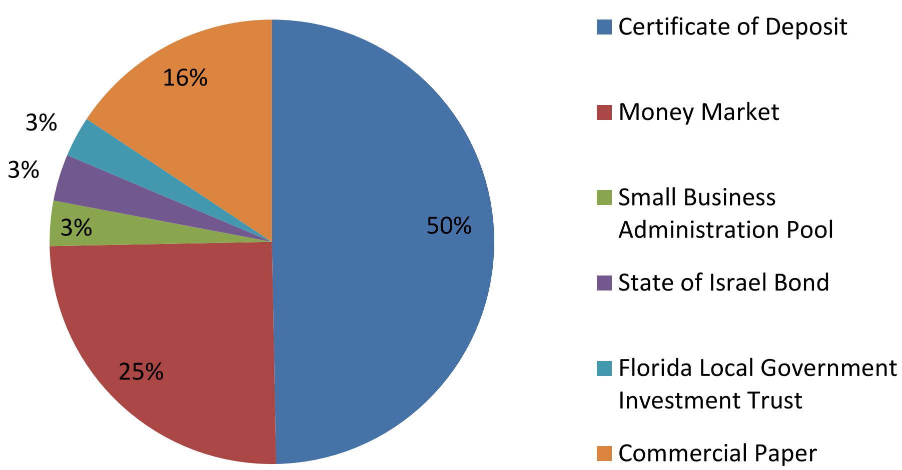
Consolidated Investment Report

February 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
February 28, 2017



Performance
Total Return

Fiscal Year to Date	0.63%
Prior Month	0.14%
Prior Quarter	0.38%
Prior Year	1.42%*
Prior 3 Years	1.36%*
Prior 5 Years	1.20%*
Prior 8 Years	2.67%*

*figures annualized

Portfolio Statistics

	February '17	January '17	December '16	November '16	October '16	September '16
Month-end Market Value	$1,747,174,706.13	$1,794,172,991.83	$2,121,143,574.45	$1,577,621,113.99	$1,266,464,758.64	$1,279,023,005.35
Book Value	$1,731,746,186.84	$1,778,959,240.30	$2,106,376,006.34	$1,562,901,829.62	$1,251,711,474.81	$1,264,867,240.41
Unrealized Gain/Loss	$15,428,519.29	$15,213,751.53	$14,767,568.10	$14,719,284.37	$14,753,283.83	$14,155,764.94
Book Yield	1.588%	1.579%	1.392%	1.542%	1.765%	1.769%
Market Yield	1.590%	1.592%	1.360%	1.503%	1.767%	1.730%
Effective Duration	.82 years	.86 years	.68 years	.85 years	.96 years	.95 years
Convexity	.359	.364	.259	.448	.516	.514
Average Credit Rating	AA-/Aa3/AA-	AA-/Aa3/AA-	AA/Aa2/AA	AA-/Aa3/AA-	AA-/Aa3/AA-	AA-/Aa3/AA-

Portfolio Income

	February '17	January '17	December '16	November '16	October '16	September '16
Interest Income (FYTD)	$10,136,346.71	$8,166,681.30	$ 6,121,127.89	$3,837,399.25	$3,833,244.89	$1,920,455.39
Investment Income (FYTD)	$10,407,751.56	$8,365,064.54	$5,920,502.73	$3,661,699.77	$3,657,546.03	$1,843,722.85
Interest Income (current month)	$1,854,504.58	$2,045,553.41	$2,283,729.26	$1,916,943.55	$1,912,789.81	$1,920,455.39

February 2017 Economic Overview

Fixed income markets traded in ranges in February until the last hour of trading on 2/28/17. Two Fed Presidents gave surprisingly hawkish (favoring higher short term interest rates) speeches two weeks before the March FOMC rate setting meeting. The speeches sent the probability of a rate hike from 50% to 75% in an hour. A positive speech to Congress later that evening by President Trump intensified the rise in rates with the two-year Treasury note yield hitting a post-recession high. Stocks remained in love with the Trump administration's pro-growth program of tax reform, infrastructure spending, deregulation, defense spending, and tax reform. The two-year Treasury note yield rose from 1.20% on 1/31/17 to 1.26% on 2/28/17 while the ten-year Treasury note yield fell from 2.45% to 2.39% over the same time frame. The decline in longer term yields was driven by foreign bond buying of Treasuries, a stronger dollar, and confidence that the Fed is willing to fight inflation with higher short term rates.

Consumers:

After weak hiring in the fourth quarter of 2016, nonfarm payrolls increased 227,000 in January. However, the January unemployment rate rose to 4.8% vs. 4.7% in December and annual average hourly earnings growth slowed to 2.5% in January vs. 2.8% in December. Consumer spending outpaced income growth for most of 2016 which reduced consumer savings. A faster pace of inflation increased January's retail sales report and disguised a more modest trend in real (inflation-adjusted) spending increases. The first revision to fourth quarter GDP growth showed personal consumption rose 3.0% vs. the originally reported 2.5% increase. Vehicle sales slowed from a cycle high 18.29 million seasonally adjusted annualized pace in December to a five-month low of 17.48 million in January. In February, the rate was 17.47 million. The 12-month average has been flat since early last year.

Business:

The ISM reports were solid, small business confidence hit a new cycle high, and regional Fed Surveys were strong. Homebuilder confidence moderated but remained elevated. Aircraft orders increased headline

durable goods orders but business investment in capital goods data weakened. A positive revision for December offset some of the weakness in January.

International:

Trade remained the known unknown in the U.S. economy. The future of U.S. involvement in global trade remained unclear under the Trump administration but there has been a push by President Trump to focus on bilateral trade agreements. As to the data, January's advance goods trade deficit was much wider than expected due to a relatively stronger U.S. economy vs. the world.

Inflation:

The price gains in commodities began flowing through global consumer and producer headline inflation numbers in January. On an annual basis, the January headline CPI hit 2.5%, the fastest pace since March 2012. At the core level, ex food and energy, consumer goods showed slight price pressures with year-over-year core inflation of 2.3% supported primarily by rents and medical care costs. The headline Personal Consumption Expenditure Deflator rose to 1.9% year-over-year in January vs. the 1.6% increase year-over-year in December. The annual Core, ex-food and energy, PCE Deflator (the Fed's favorite inflation gauge) was unchanged at 1.7%.

Housing:

January housing data were mixed as backward looking sales data on existing home sales improved but leading indicators such as mortgage applications and pending sales continue to suggest a potential slowdown.

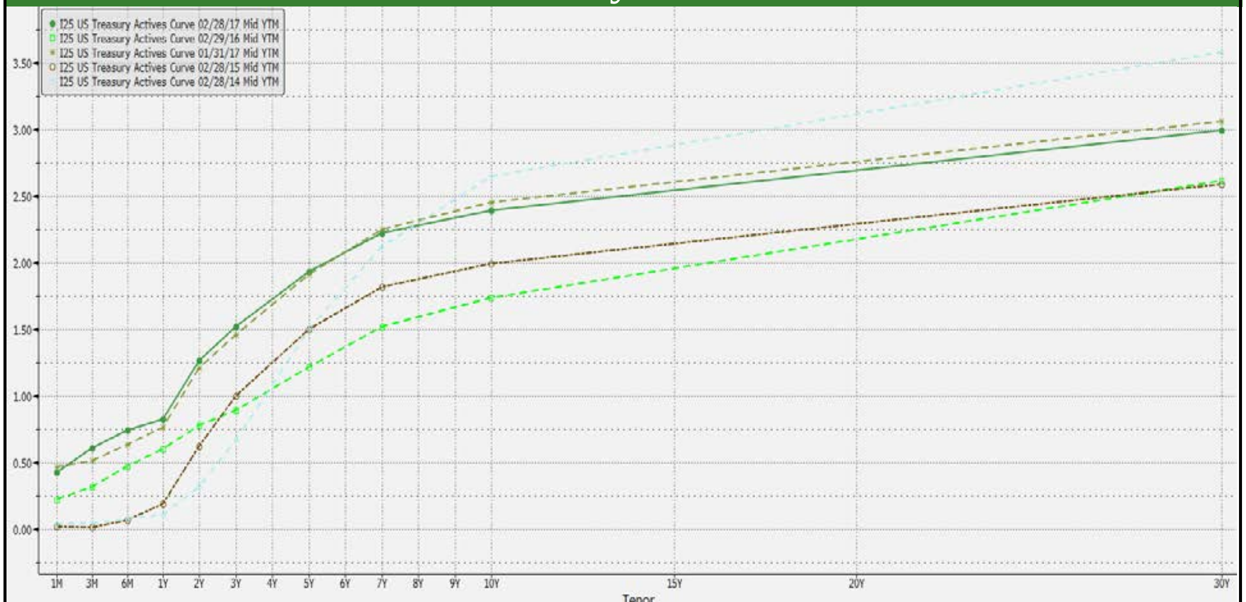
Monetary Policy:

The Fed left rates unchanged in February and the FOMC Statement kept the overall message intact. Through the month, Fed speakers built a case for a hike in short term interest rates soon.

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 poised to increase.

U.S. Treasury Yield Curve



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