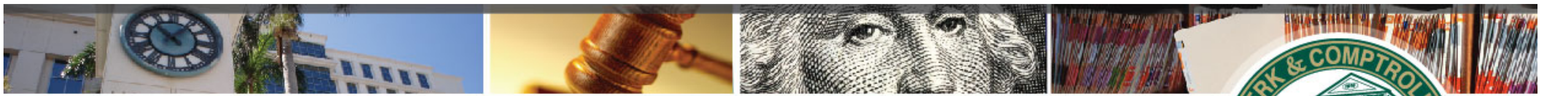


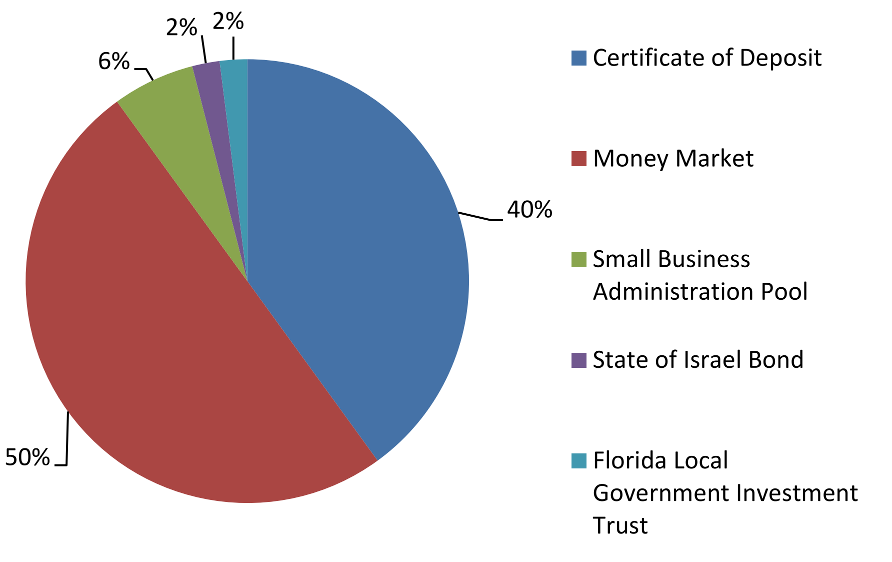
Consolidated Investment Report

December 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
December 31, 2017



Performance
Total Return

Fiscal Year to Date	0.46%
Prior Month	0.12%
Prior Quarter	0.46%
Prior Year	1.61%*
Prior 3 Years	1.51%*
Prior 5 Years	1.12%*
Prior 8 Years	2.00%*

*figures annualized

Portfolio Statistics

	December '17	November '17	October '17	September '17	August '17	July '17
Month-end Market Value	$2,216,164,904.78	$1,597,938,393.57	$1,478,410,347.93	$1,563,767,157.11	$1,601,366,521.31	$1,674,357,988.49
Book Value	$2,200,451,845.71	$1,582,853,075.09	$1,463,303,012.57	$1,548,483,462.92	$1,585,102,219.48	$1,658,033,005.48
Unrealized Gain/Loss	$15,713,059.07	$15,085,318.47	$15,107,335.36	$15,277,694.19	$16,264,301.83	$16,324,983.01
Book Yield	1.629%	1.801%	1.841%	1.799%	1.789%	1.739%
Market Yield	1.720%	1.799%	1.846%	1.639%	1.779%	1.754%
Effective Duration	1.46 years	1.309 years	1.16 years	1.001 years	0.89 years	0.78 years
Convexity	0.790	0.663	0.701	0.609	0.483	0.410
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA/Aa2/AA	AA+Aa1/AA=	AA/Aa2/AA	AA/Aa2/AA+

www.mypalmbeachclerk.com/investments

Portfolio Income

	December '17	November '17	October '17	September '17	August '17	July '17
Interest Income (FYTD)	$7,444,940.82	$4,557,431.16	$2,339,761.25	$26,338,131.73	$24,028,973.03	$21,656,049.99
Investment Income (FYTD)	$6,098,410.95	$3,862,019.73	$1,987,149.48	$27,844,315.19	$25,624,527.89	$22,973,958.12
Interest Income (current month)	$2,955,863.23	$2,277,651.69	$2,339,761.25	$2,257,126.58	$2,312,323.26	$2,312,662.81

December 2017 Economic Overview

Long term Treasury bond yields were unchanged in December from November but short term interest rates rose during the month on expectations for gradual Fed rate hikes and an eventual rise in inflation. The 10-year Treasury note yield was unchanged at 2.41% on December 29 vs. November's month-end close of 2.41%. The 2-year Treasury note yield increased to 1.88% vs. 1.78% at November's month-end close. The stock market rose on the outlook for continued moderate economic growth and increasing corporate earnings, especially after the passage of the Republican tax cut. The Dow Jones Industrial Average rose to 24,719 vs. November's month-end close of 24,272.

Consumers:

Consumer confidence fell more than expected in December but remained near the strongest levels in this economic expansion. There was a slight downward revision in third quarter consumer spending but strong November retail sales suggested strong fourth quarter consumer spending was likely. That spending momentum should persist in 2018. The November nonfarm payroll report produced solid gains (+228,000 new jobs), low unemployment (4.1%), but weak wage growth (2.5% y/y). Weak wage gains could limit consumer spending in 2018 and suggested that there is still slack in the job market.

Business:

Both Institute for Supply Management reports slipped in November and capital goods activity was slightly weaker than expected. However, levels remained stable and small business confidence increased to its highest level since 1983 producing a positive outlook.

International:

Trade continued to disappoint despite the weaker U.S. dollar. Net external trade seems likely to be a drag on fourth quarter 2017 real GDP growth. November's advance trade balance was $1.8 billion wider than expected.

Inflation:

The November core, ex food and energy, CPI inflation rate was 1.7% year-over-year matching October's 1.7% while the core PCE rate rose to 1.5% year-over-year, below the Fed's 2.00% target. The Federal Reserve is likely to be concerned about restrained inflation in 2018.

Housing:

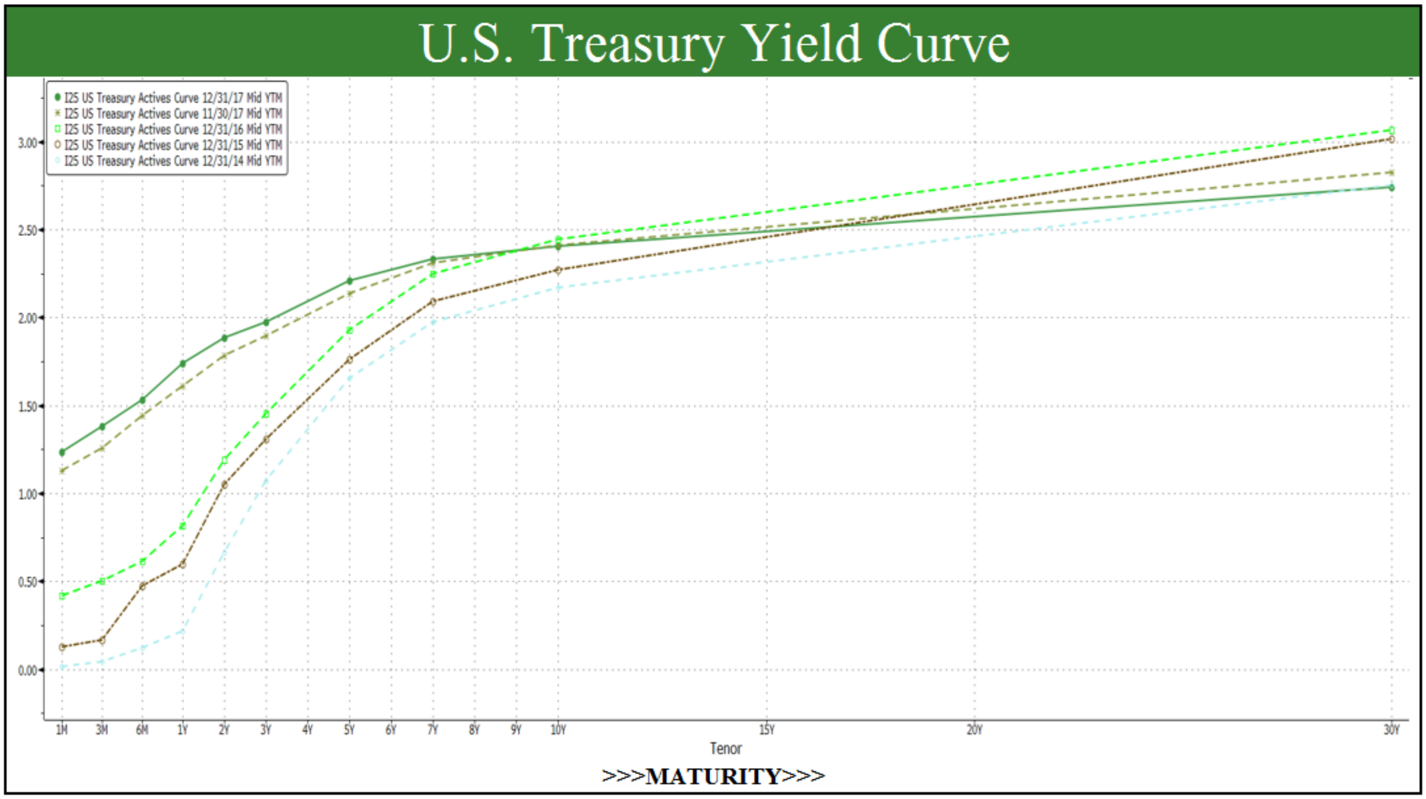
The housing data were surprisingly strong as sales of both new and existing homes beat estimates with their best months of the cycle. Housing starts and building permits also beat expectations and pending sales increased as well. However, home prices continued to rise at an above 6% year-over-year rate. That combined with rising mortgage rates made affordability a drag for housing.

Monetary Policy:

The Fed hiked rates on December 13, 2017 for a Fed Funds Top-end Target Rate of 1.50% vs. 1.25% prior. Global economic data remained solid and potentially faster U.S. economic growth from tax cuts and deregulation continue to bias the Fed in favor of more hikes ahead. The Fed's December economic and rate forecast projected faster economic growth and three more rate hikes in 2018. Since December 2015 when the Fed's credit tightening began, the Fed has increased rates five times. More are planned.

Bottom Line:

Current long term financial market trends: higher bond yields, higher short term interest rates, and higher stock prices. Financial market trends continue to suggest somewhat faster economic growth (tax cuts) with contained inflation. In this economic environment, the Federal Reserve is likely to gradually increase rates until something in the economy breaks.



U.S. Treasury Yield Curve
I25 US Treasury Actives Curve 12/31/17 Mid YTM
I25 US Treasury Actives Curve 11/30/17 Mid YTM
I25 US Treasury Actives Curve 12/31/16 Mid YTM
I25 US Treasury Actives Curve 12/31/15 Mid YTM
I25 US Treasury Actives Curve 12/31/14 Mid YTM
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1M 3M 6M 1Y 2Y 3Y 4Y 5Y 6Y 7Y 8Y 9Y 10Y 15Y 20Y 30Y
Tenor
>>>MATURITY>>>