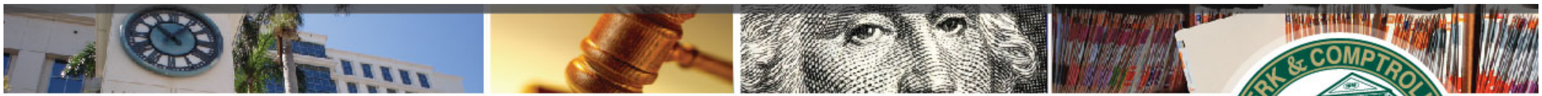


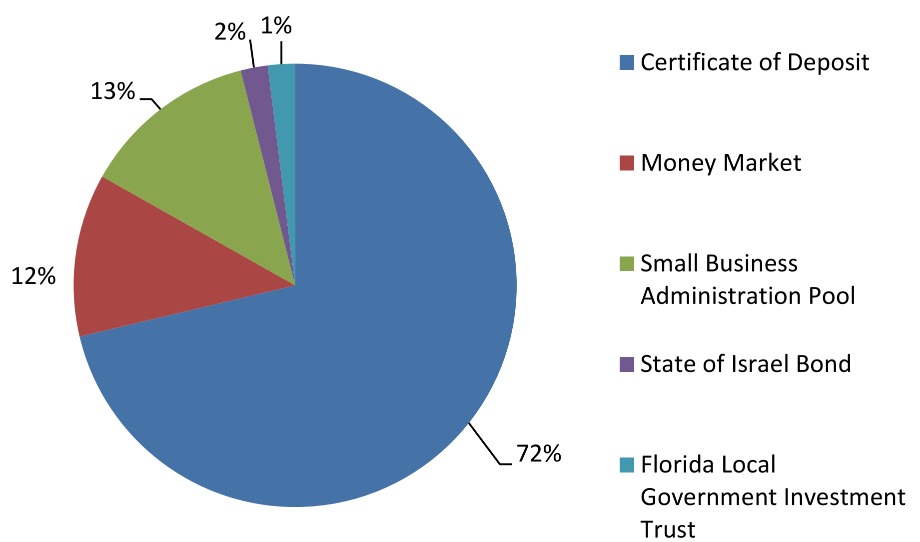
# Consolidated Investment Report

***September 2019***

**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
*September 30, 2019*




## Performance
*Total Return*

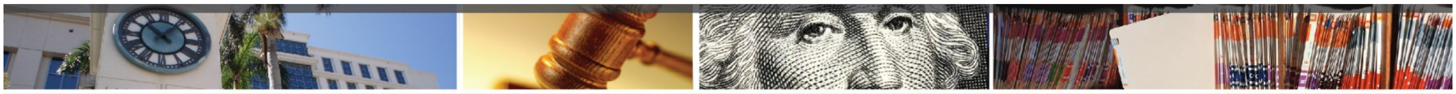
| | |
|---|---|
| Fiscal Year to Date | 1.87% |
| Prior Month | 0.27% |
| Prior Quarter | 0.77% |
| Prior Year | 1.87%* |
| Prior 3 Years | 1.63%* |
| Prior 5 Years | 1.53%* |
| Prior 8 Years | 1.60%* |

*figures annualized

## Portfolio Statistics

| | September '19 | August '19 | July '19 | June '19 | May '19 | April '19 |
|---|---|---|---|---|---|---|
| Month-end Market Value | $1,975,577,637.74 | $1,938,856,465.75 | $2,108,518,998.55 | $2,154,352,159.12 | $2,222,292,169.20 | $2,335,403,694.84 |
| Book Value | $1,972,555,708.97 | $1,935,463,250.15 | $2,105,176,290.45 | $2,148,131,896.12 | $2,205,392,443.10 | $2,318,875,311.19 |
| Unrealized Gain/Loss | $3,021,928.77 | $3,393,215.60 | $3,342,708.09 | $6,220,262.34 | $16,899,726.10 | $16,528,383.66 |
| Book Yield | 2.495% | 2.661% | 2.788% | 2.785% | 2.756% | 2.747% |
| Market Yield | 2.472% | 2.697% | 2.753% | 2.777% | 2.783% | 2.772% |
| Effective Duration | 0.437 years | 0.468 years | 0.400 years | 0.471 years | 0.475 years | 0.514 years |
| Convexity | 0.447 | 0.501 | 0.301 | 0.285 | 0.488 | 0.233 |
| Average Credit Rating | AA+/Aa1/AA+ | AA+/Aa1/AA+ | AA+/Aa1/AA+ | AA+/Aa1/AA+ | AA+/Aa1/AA+ | AA+/Aa1/AA+ |

**www.mypalmbeachclerk.com/investments**



| Portfolio Income | September '19 | August '19 | July '19 | June '19 | May '19 | April '19 |
|---|---|---|---|---|---|---|
| Interest Income (FYTD) | $57,388,632.23 | $53,820,787.49 | $41,754,126.71 | $43,610,773.06 | $38,720,982.81 | $33,511,140.50 |
| Investment Income (FYTD) | $59,803,124.21 | $56,614,971.55 | $50,491,110.78 | $46,430,537.37 | $40,010,532.84 | $34,500,778.81 |
| Interest Income (current month) | $3,567,844.74 | $6,066,660.78 | $4,143,353.35 | $4,889,790.24 | $5,209,842.31 | $5,373,184.65 |

## September 2019 Economic Overview

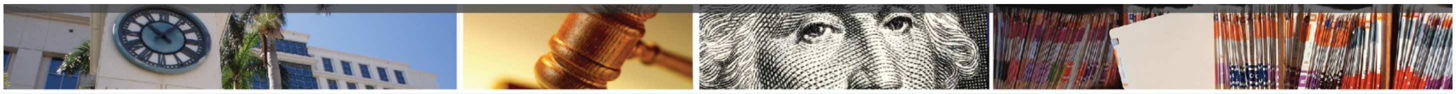
During September, the 10-year Treasury note yield and short term interest rates rose along with stocks on hopes for progress on U.S. trade negotiations with China which were partially offset by worries about global economic growth. The 10-year Treasury note yield closed September at 1.67% vs. 1.50% at the end of August while the 2 year note yield increased to 1.62% at the end of September vs. 1.51% at the end of August. The Dow Jones Industrial Average rose to 26,917 at the end of the third quarter vs. the 26,403 at the end of August. Global economic recession worries and trade war tensions increased concerns that the Fed was moving too slow to cut short rates to prevent a U.S. recession. Financial market uncertainties included: mixed U.S. economic data, speculation about German fiscal stimulus, Brexit turmoil, a mid-month attack on Saudi Arabia's oil facilities, and a formal impeachment inquiry on the president.

## Consumers:

Wage growth increased in August and unemployment remained low, but hiring was less than expected at 130,000 and the pace of job growth continued to slow. Compared with August 2018, total job gains on nonfarm payrolls grew 1.39% for the slowest annual pace in eight years. Initial jobless claims remained low but fewer job openings indicated a loss in labor market momentum. August retail sales data were strong but personal spending was below expectations and measures of consumer confidence were mixed.

## Business:

The business outlook remained shaky as small business confidence dropped more than expected and capital goods indicators were mixed. The major activity surveys gave no clear direction for the overall economy. Markit's manufacturing PMI was above expectations while the ISM's index contacted for the first time since 2016. The ISM's services index strengthened more than expected but the Markit reading was weak and signaled contracting employment.



## International:

Early August trade data indicated less widening in the monthly trade deficit but the broader trade worries remained a drag on economic growth.

## Inflation:

Core inflation showed some signs of strength, but overall inflationary pressure remained subdued. The year over year Core CPI increased 2.4%, the highest level of this cycle, while the Fed's favorite inflation gauge, the Core PCE deflator, rose 1.8% year over year, still below the Fed's 2.0% target.

## Housing:

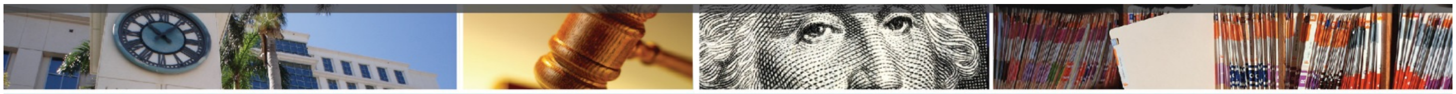
Mortgage rates continued to decline. The housing sector improved with each major indicator reporting stronger-than-expected readings.

## Monetary Policy:

The Fed cut its Fed Funds Target Rate to 1.75% to 2.00%, a 0.25% reduction. It was the second rate cut in a row. Three voters on the Federal Open Market committee dissented. The Fed pledged to take appropriate future action to support the current economic expansion.

## Bottom Line:

At the end of September, the Dow Jones Industrial Average was solidly above its 200 day average putting stocks into a long term uptrend. Importantly, the Federal Reserve had cut rates twice to spur economic growth and maintain full employment with low inflation. The implied forecast of current financial market trends of lower bond yields, lower short term interest rates, and higher stock prices suggest modest economic growth ahead.



## U.S. Treasury Yield Curve