FLORIDA SAFE INVESTMENT POOL

Economic Update

July 27, 2017

Economic Commentary

Economic Overview

The U.S economic expansion has entered its ninth year and represents one of the longest recoveries in the last century. Economic activity continues to grow at a slow but steady pace, averaging 2.1 percent since the 2008 global financial crisis. The final estimate for first quarter 2017 annualized real GDP growth came in at 1.4 percent, down from 2.1 percent in the fourth quarter. Growth was primarily driven by inventory accumulation, consumer spending, business investment, and residential fixed investment. Federal, state and local government spending detracted from growth. Looser fiscal policy should contribute to growth in 2017. However, broad U.S. policy uncertainty and its global ramifications could be a drag on 2017 GDP growth.

While incoming economic data remains mixed, survey based measures present an upbeat assessment of the economy. Consumer and business sentiment remain high. Consumer sentiment as measured by the Conference Board Consumer Confidence index rose to 118.9 in June from 117.6 in May. It peaked at 125.6 in March; the highest level since December 2000. This strong confidence reading indicates that consumer spending may contribute to GDP growth during the second quarter. The labor market continues to strengthen and we are operating near full employment. Payroll growth has slowed to an average of 120,000 during the past three months which is the slowest pace in 5 years. This is expected at the current low level of unemployment. The unemployment rate fell to 4.3 percent in May, down from 4.8 percent in January and from a high of 10 percent in October 2009. In April, job openings rose to the highest on record, totaling 6.0 million jobs, while hires fell to 5.0 million, the lowest since April 2016. The employment-to-population ratio increased to 60.2 percent, the best showing in 2017 and the highest since February 2009. All of the above indicators point to a tightening labor market which allows the Federal Open Market Committee (FOMC) to continue increasing rates.

Inflation remains moderate. The core personal consumption expenditure (PCE) price index, Fed's preferred price gauge rose at a 1.5 percent annual pace in April, down from 1.8 percent increase in January. The Fed's long term projection is a range between 1.7 percent and 2.0 percent. Underlying data indicates that prices have remained stable and inflation is currently contained. With an economy operating near full employment, going forward, we expect to see inflationary pressures firming as the economic recovery ages. All of the above factors point to improving economic and financial conditions. As such, we expect the Federal Reserve to continue normalizing monetary policy.

Looking ahead to the second half of 2017, we expect to see continued tepid growth resulting in 2 – 2.5 percent GDP growth for 2017.

While the post-crisis road to economic and financial normalization has been long and downside risks still remain, we believe the U.S economy is likely entering a sustained period of slow but steady growth with moderate inflation. In the short-run, a combination of monetary policy and fiscal stimulus will support growth. In the long-run, economic growth will be weighed down by an aging population and weaker productivity growth.

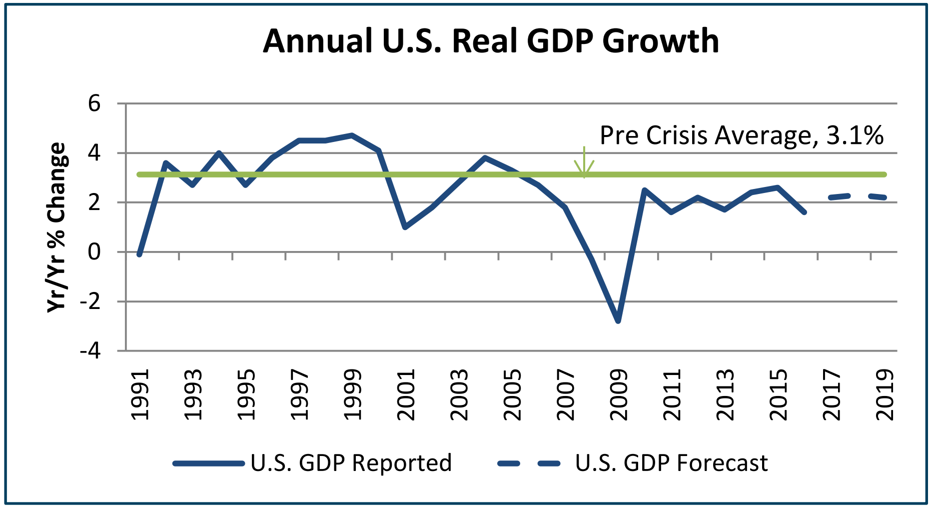
Economic Outlook

Annual GDP Growth

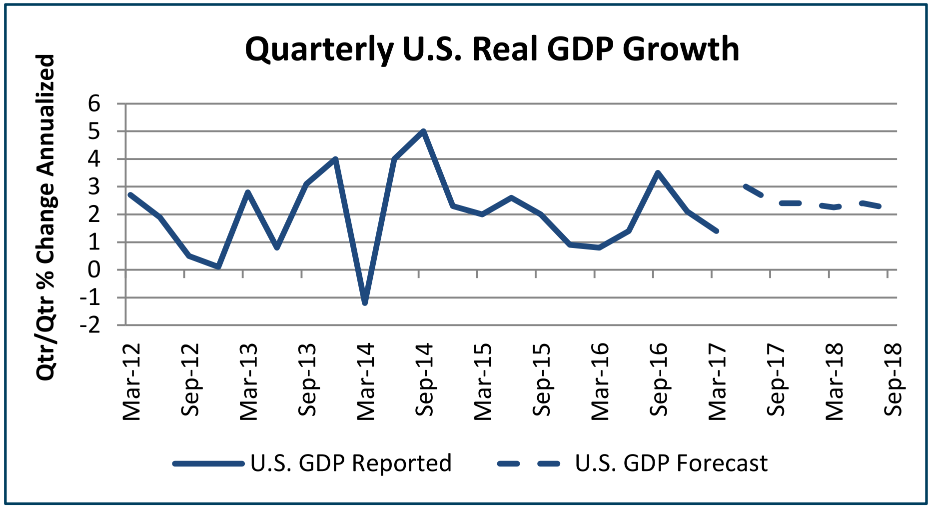
- Full year 2016: 1.6%
- Long term growth expected to remain below 3% average
- A recovery in inventory accumulation, solid consumption growth & looser fiscal policy should contribute to growth in 2017
- U.S. policy uncertainty and its global ramifications could be a drag on 2017 growth

Quarterly GDP Growth

- Q1 2017 1.4% vs. 2.1% in Q4
- Improved business investment , consumer spending and residential fixed investment
- Federal, state & local government spending detracted from growth
- Focus will be on consumer going forward



Source: Bloomberg

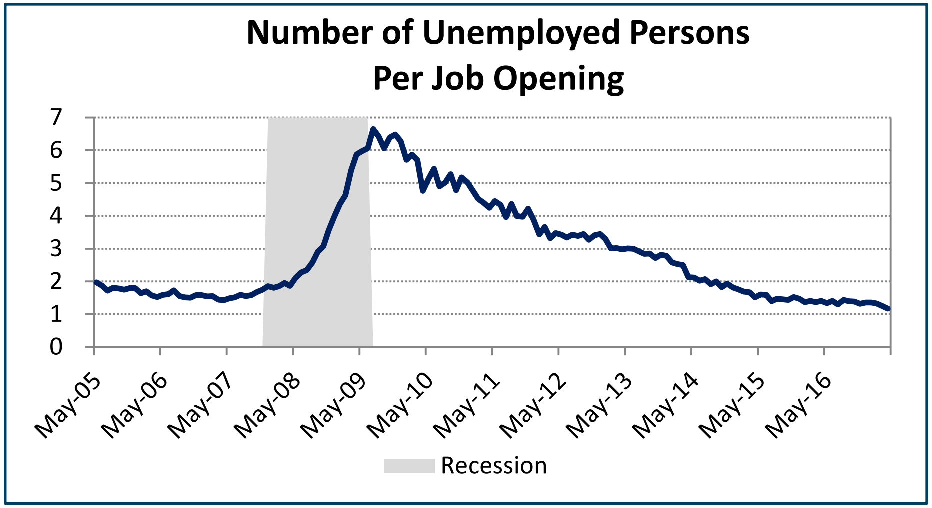


Source: Bloomberg

How strong is the labor market?

- Labor market remains strong
- Job openings have outpaced hires
- April job openings increased to a high of 6.0 million
- Hires fell to 5.1 million
- Unemployed persons per job opening at a new low of 1.2 in April
- Unemployment rate : 4.3% in May vs. 4.5% in March
- Key factor in allowing Fed to continue increasing rates

Source: Bloomberg



Source: Bloomberg

Wage Inflation Remains Benign

17.7%

82.3%

Source: BLS

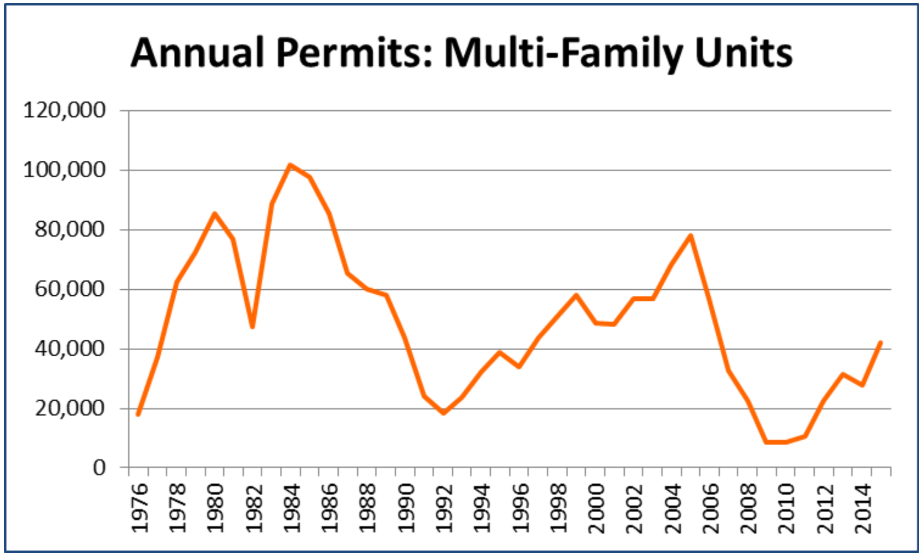
Florida Economy

Multi-Family Construction

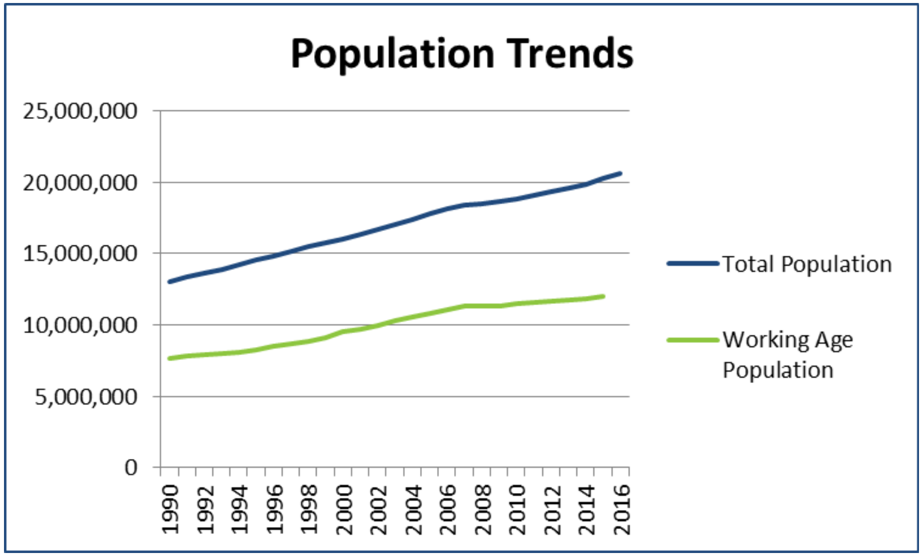
- Higher growth in 2014, but well short of peaks in 1984 and 2005
- Eyeball test says growth continues in 2016 and 2017

Demographics

- Total Population growing faster than Working Age Population
- 2010-2015 Total Population growth of 7.4%
- 2010-2015 Working Age Population growth of 4.1%
- Who will replace Baby Boomers in Florida apartments and condos?



Source: Bureau of Economic and Business Research



Source: Bureau of Economic and Business Research

Disclaimer

This document was prepared for clients of Prudent Man Advisors, Inc. It is being provided for informational and/or educational purposes only without regard to any particular user's investment objectives, financial situation or means. The content of this document is not to be construed as a recommendation, solicitation or offer to buy or sell any security, financial product or instrument; or to participate in any particular trading strategy in any jurisdiction in which such an offer or solicitation, or trading strategy would be illegal. Nor does it constitute any legal, tax, accounting or investment advice of services regarding the suitability or profitability of any security or investment. Although the information contained in this Investment Advisory Report has been obtained from third-party sources believed to be reliable, PMA cannot guarantee the accuracy or completeness of such information. It is understood that PMA is not responsible for any errors or omissions in the content in this document and the information is being provided to you on an "as is" basis without warranties or representations of any kind.

Securities, public finance services and institutional brokerage services are offered through PMA Securities, Inc. PMA Securities, Inc. is a broker-dealer and municipal advisor registered with the SEC and MSRB, and is a member of FINRA and SIPC. Prudent Man Advisors, Inc., an SEC registered investment adviser, provides investment advisory services to local government investment pools. All other products and services are provided by PMA Financial Network, Inc. PMA Financial Network, Inc., PMA Securities, Inc. and Prudent Man Advisors (collectively "PMA") are under common ownership.

Securities and public finance services offered through PMA Securities, Inc. are available in CA, CO, FL, GA, IL, IN, IA, KS, MI , MN , MO , NE, OH, OK, PA, SD, TX and WI. This document is not an offer of services available in any state other than those listed above, has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined. All investments mentioned herein may have varying levels of risk, and may not be suitable for every investor. PMA and its employees do not offer tax or legal advice. Individuals and organizations should consult with their own tax and/or legal advisors before making any tax or legal related investment decisions. Additional information is available upon request.