Callan

August 21, 2014

City of Fort Pierce

Second Quarter Performance Review

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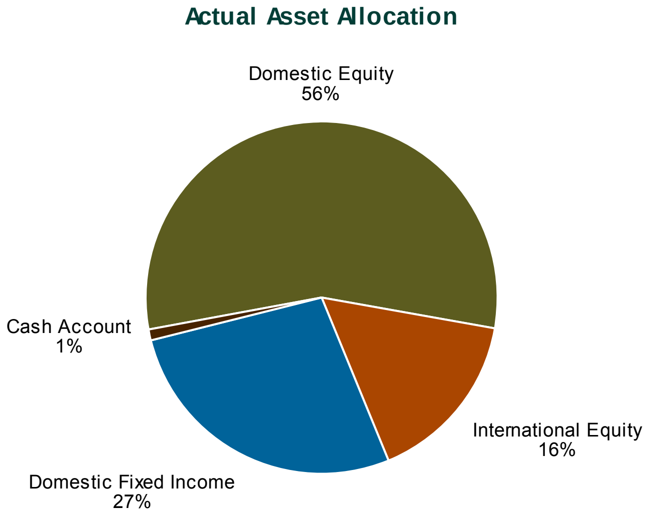
Second Quarter Market Environment

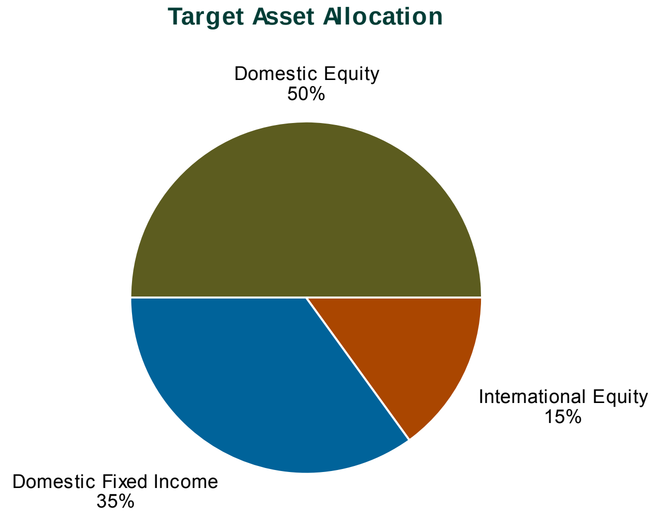
U.S. Economy

1st Quarter GDP was revised sharply downward, though growth is widely expected to be significantly better in the 2nd quarter with the advance estimate signaling 4% annualized growth. Numerous geopolitical crises were largely shunned by equity investors as volatility hovered near record lows and stock markets posted broad gains.

- 1st Quarter GDP was revised sharply downward:
  - Initial read was +0.1%, first revision was -1.0% and final revision came in at -2.9% (annualized).
  - Largest downward revision ever and the biggest contraction since the recession.
  - While the unusually cold winter was widely blamed, inventory drawdowns, a decline in health care spending, and falling exports also played roles in the downward revision.
- Labor market continued to improve:
  - June marked the best five-month stretch of job creation since early 2006.
  - Unemployment rate dropped to 6.1%, lowest since 2008.
- Consumer confidence trended higher:
  - Household net worth is 19% above pre-crisis levels, driven primarily by rising financial asset prices.
- The Fed continued to taper:
  - QE purchases down to $35 billion per month, effective July.
  - Consensus expectations are that QE purchases will end by October 2014.
- Housing market recovery on track:
  - Sales of new homes reached a seasonally adjusted annual rate of 504,000, the highest since May 2008.
  - The median price for a new home increased 4.6% to $282,000, nearly reaching a record high.
- Inflation remained benign though up modestly from Q1.
  - Core CPI up 1.9% year-over-year (as of June).
  - The Fed's preferred inflation gauge, the PCE (personal consumption expenditures deflator) has fallen short of the Fed's 2% target for 25 consecutive months – the headline PCE rose 1.6% percent in June from a year earlier.
- Volatility hovered near all-time lows…
  - ….in spite of conflicts in Ukraine, Syria, Iraq and a coup in Thailand.
  - The S&P 500 chalked up 51 consecutive sessions without closing up or down more than 1%, the longest such stretch since 1995.
  - VIX hovered just above all-time lows and in late June, hit its lowest level since 2007.
  - Bond market volatility was also subdued.

Asset Allocation Review





Asset Class	$000s Actual	Weight Actual	Target	Percent Difference	$000s Difference
Domestic Equity	101,208	55.7%	50.0%	5.7%	10,358
International Equity	29,090	16.0%	15.0%	1.0%	1,835
Domestic Fixed Income	49,665	27.3%	35.0%	(7.7%)	(13,930)
Cash Account	1,736	1.0%	0.0%	1.0%	1,736
Total	181,699	100.0%	100.0%		

One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	54%	50%	24.94%	24.59%	0.17%	0.25%	0.42%
Domestic Fixed Income	29%	35%	4.83%	4.37%	0.14%	0.66%	0.80%
International Equity	16%	15%	20.02%	22.27%	(0.34%)	0.00%	(0.34%)
Cash Equiv	1%	0%	0.01%	0.01%	0.00%	(0.23%)	(0.23%)
Total			**17.60% =**	**16.96% +**	**(0.03%) +**	**0.67%**	**0.64%**

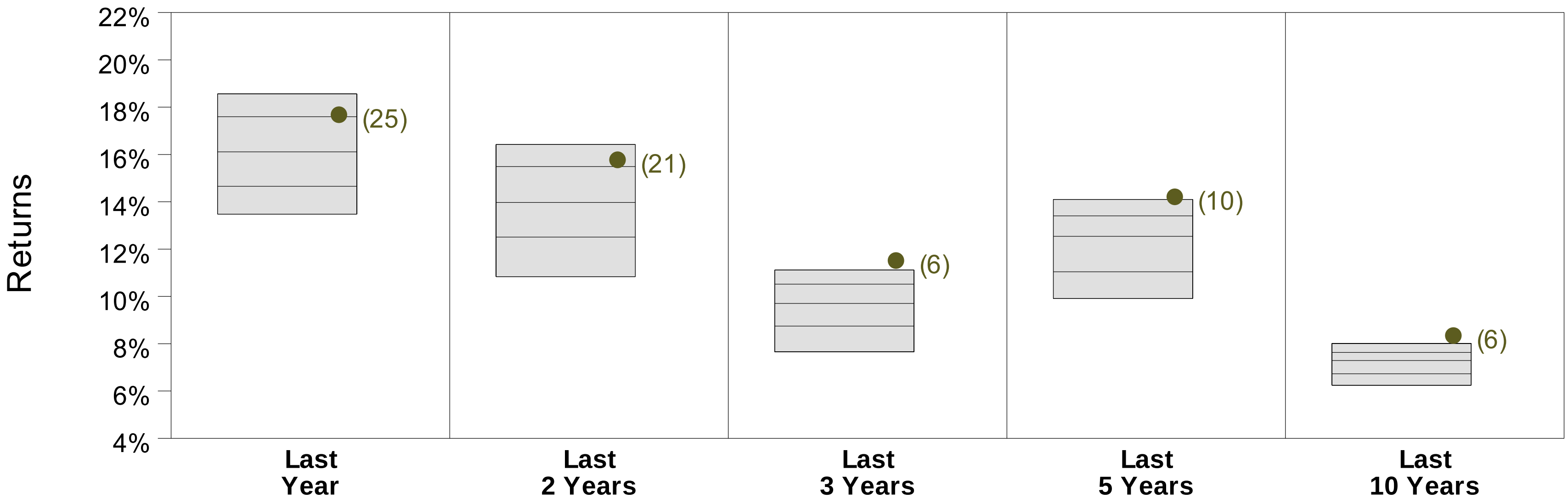
Asset Distribution Across Investment Managers

	June 30, 2014					March 31, 2014		
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
Domestic Equity	**$101,207,636**	**55.70%**	**50.00%**	**$(44,900)**	**$4,197,928**	**$97,054,608**	**55.34%**	**50.00%**
Emerald Advisers, Inc.	8,239,943	4.53%	3.75%	(17,076)	(183,317)	8,440,336	4.81%	3.75%
Ceredex Value Advisors	8,218,914	4.52%	3.75%	(17,854)	289,102	7,947,667	4.53%	3.75%
SSgA S&P 500 Index	69,530,694	38.27%	35.00%	(7,104)	3,460,895	66,076,903	37.67%	35.00%
SSgA S&P 400 Index	15,218,085	8.38%	7.50%	(2,866)	631,249	14,589,702	8.32%	7.50%
International Equity	**$29,089,934**	**16.01%**	**15.00%**	**$(28,710)**	**$1,183,815**	**$27,934,829**	**15.93%**	**15.00%**
Morgan Stanley - Int'l Equity	13,116,907	7.22%	6.75%	(28,710)	555,660	12,589,957	7.18%	6.75%
Morgan Stanley - Emerging Mkts.	1,196,298	0.66%	0.75%	0	68,991	1,127,307	0.64%	0.75%
William Blair & Company	14,776,729	8.13%	7.50%	0	559,164	14,217,565	8.11%	7.50%
Domestic Fixed Income	**$49,665,141**	**27.33%**	**35.00%**	**$(35,749)**	**$1,038,496**	**$48,662,394**	**27.75%**	**35.00%**
Richmond Capital Management	49,665,141	27.33%	35.00%	(35,749)	1,038,496	48,662,394	27.75%	35.00%
Cash Account	**$1,736,470**	**0.96%**	**-**	**$0**	**$43**	**$1,736,427**	**0.99%**	**-**
Total Fund	**$181,699,180**	**100.0%**	**100.0%**	**$(109,359)**	**$6,420,283**	**$175,388,257**	**100.0%**	**100.0%**

- Investment returns were mostly positive during the quarter, leading to more than $6.4 million in investment gains for the quarter.
- Heitman American Real Estate Trust called $6.6 million on July 7, 2014.

City of Fort Pierce Total Fund

Public Fund Sponsor Database



	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Last 7 Years	
Total Fund	**3.66%**	**32**	**17.60%**	**25**	**11.44%**	**6**	**14.13%**	**10**	**6.54%**	**9**
Total Fund Benchmark(1)	3.81%	22	16.96%	35	10.59%	22	13.47%	22	6.08%	19
CPI + 5%	2.12%	97	7.05%	98	6.80%	94	7.16%	97	7.04%	4
Pub PlnSponsor DB	3.52%		16.11%		9.70%		12.54%		5.45%	

- The Total Fund slightly trailed the benchmark by 0.15% during the quarter.
- Total Fund performance relative to the benchmark and peers has remained strong over time.

Domestic Equity Performance

Second Quarter Market Environment

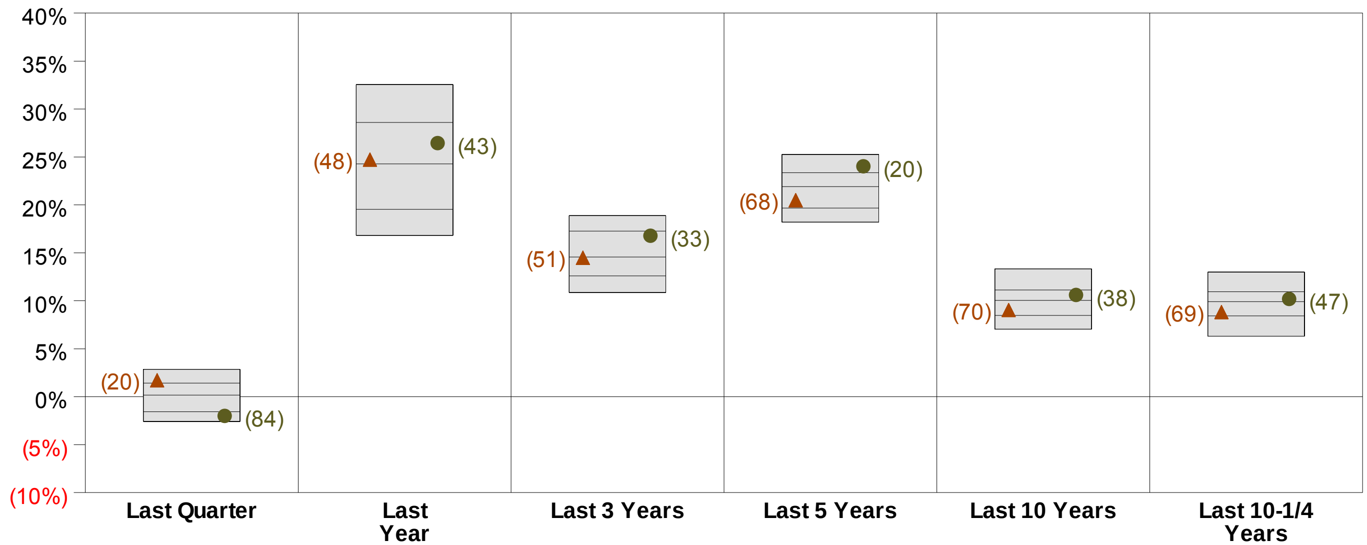
Domestic Equity

U.S. equities achieved solid gains in the 2nd quarter with returns for most indices in the mid-single digits. After a small drawdown in early April, the S&P 500 marched steadily higher on its way to an all-time peak on July 2nd. The S&P 500 hit 16 record closes in the 2nd quarter, which marked its sixth consecutive quarterly gain.

- S&P 500 gained 5.2% for the quarter, bringing YTD performance to 7.1%.
- Large caps outperformed, followed closely by mid caps:
  - (Russell Top 200: +5.2%, Russell Midcap: +5.0%).
- Small caps fared less well (Russell 2000: +2.0%) .
- Low quality again outperformed high quality:
  - S&P LQ: +6.8%, S&P HQ: +4.1%.
- Within the S&P 500, the Energy sector performed best.
  - Energy returned +12.1% on rising oil prices spurred by unrest in the Middle East.
  - Financials (+2.3%) trailed all other sectors in the S&P 500.

Emerald Advisors Small Cap Growth

Performance vs CAI Small Cap Growth Style (Gross)

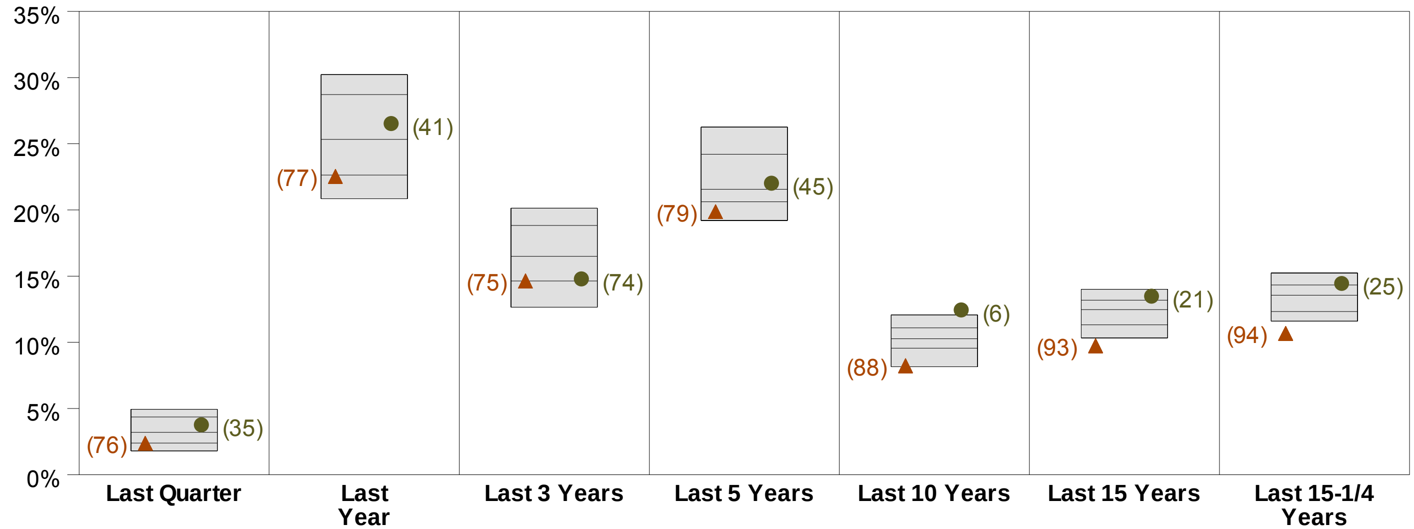


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 10-1/4 Years
10th Percentile	2.86	32.56	18.88	25.26	13.33	12.99
25th Percentile	1.43	28.61	17.26	23.35	11.13	10.94
Median	0.18	24.28	14.57	21.92	10.03	9.90
75th Percentile	(1.56)	19.54	12.59	19.66	8.46	8.43
90th Percentile	(2.58)	16.82	10.86	18.20	7.05	6.31
Emerald Advisers, Inc. ●	(2.16)	26.28	16.63	23.87	10.44	10.05
Russell 2000 Growth Index ▲	1.72	24.73	14.49	20.50	9.04	8.82

- Emerald underperformed the benchmark by 3.88% during the quarter.
- Emerald has strong long-term returns well above the benchmark for all periods greater than 1 year.
- Stock selection in Technology, Financial Services and Healthcare sectors drove underperformance for the quarter.

Ceredex Value Advisors Small Cap Value

Performance vs CAI Small Cap Value Style (Gross)

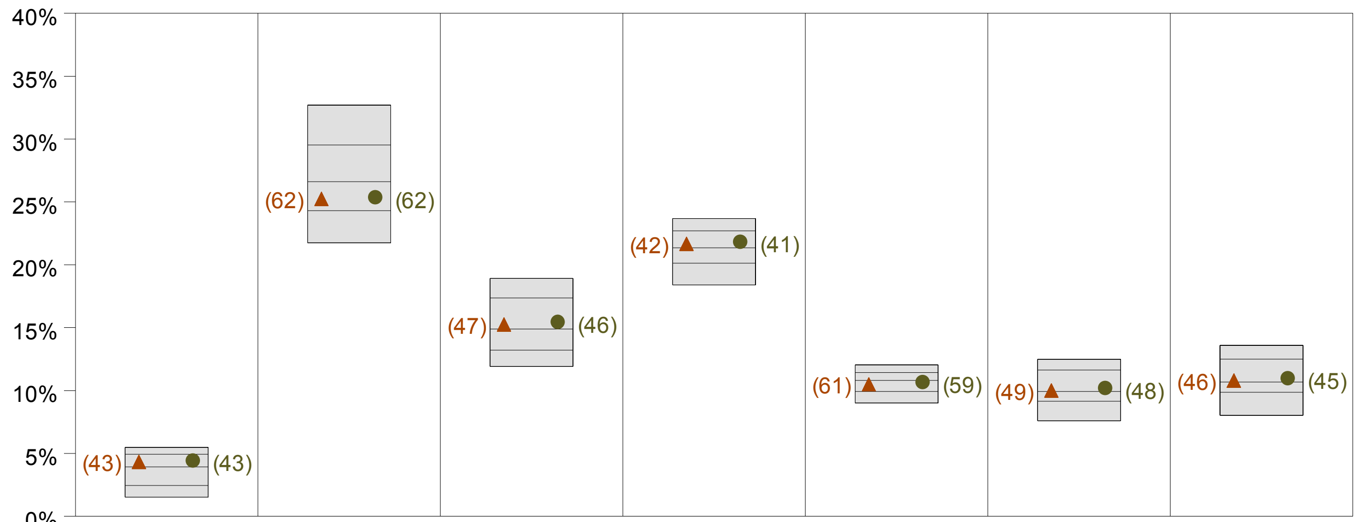


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 15-1/4 Years
10th Percentile	4.94	30.22	20.13	26.26	12.06	14.01	15.25
25th Percentile	4.36	28.72	18.83	24.21	11.11	13.19	14.33
Median	3.20	25.33	16.50	21.56	10.27	12.47	13.56
75th Percentile	2.40	22.63	14.63	20.62	9.57	11.33	12.34
90th Percentile	1.80	20.85	12.64	19.21	8.15	10.34	11.60
Ceredex Value Advisors ●	3.65	26.40	14.67	21.90	12.32	13.37	14.32
Russell 2000 Value Index ▲	2.38	22.54	14.65	19.88	8.24	9.74	10.68

- Ceredex outperformed the benchmark by 1.27% for the quarter and 3.86% over the last year.
- Long-term results are strong. The fund ranks in the top quartile relative to peers over the last 15 years.
- The most significant contributors to performance in the quarter were stock selection in the Financials, Energy and Consumer Discretionary sectors.

SSgA S&P Mid Cap 400 Index

Performance vs CAI Mid Capitalization Style (Gross)

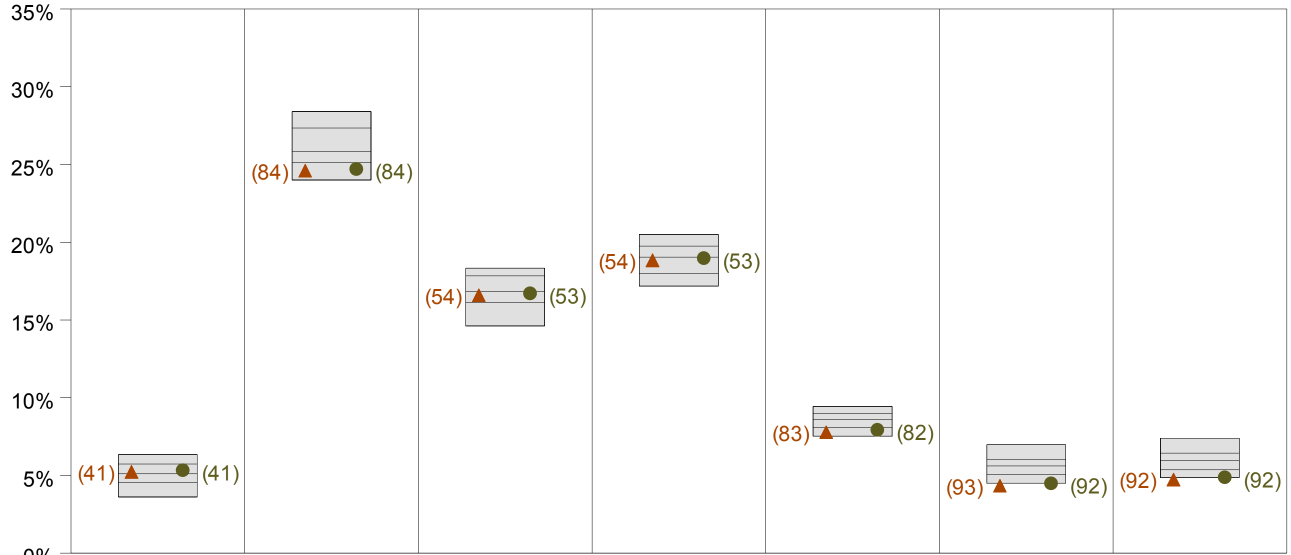


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 15-1/4 Years
10th Percentile	5.48	32.71	18.92	23.67	12.05	12.49	13.60
25th Percentile	4.94	29.53	17.36	22.70	11.44	11.64	12.51
Median	3.92	26.61	14.91	21.34	10.81	9.93	10.68
75th Percentile	2.45	24.30	13.22	20.12	9.93	9.15	9.86
90th Percentile	1.53	21.74	11.91	18.39	9.01	7.60	8.04
SSgA S&P 400 Index ●	4.33	25.25	15.33	21.72	10.55	10.08	10.87
S&P Mid Cap 400 Index ▲	4.33	25.24	15.26	21.67	10.50	10.02	10.80

- The fund continues to track the index closely at a very low fee.

SSgA S&P 500 Index

Performance vs CAI Large Cap Core Style (Gross)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 15-1/4 Years
10th Percentile	6.35	28.41	18.33	20.50	9.44	6.98	7.39
25th Percentile	5.73	27.35	17.84	19.75	8.98	6.03	6.43
Median	5.11	25.84	16.83	19.04	8.60	5.61	5.97
75th Percentile	4.54	25.13	16.12	17.98	8.08	5.05	5.36
90th Percentile	3.61	24.01	14.62	17.17	7.52	4.50	4.86
SSgA S&P 500 Index ●	5.24	24.61	16.62	18.88	7.83	4.39	4.78
S&P 500 Index ▲	5.23	24.61	16.58	18.83	7.78	4.35	4.74

- The fund continues to track the index closely at a very low fee.

International Equity Performance

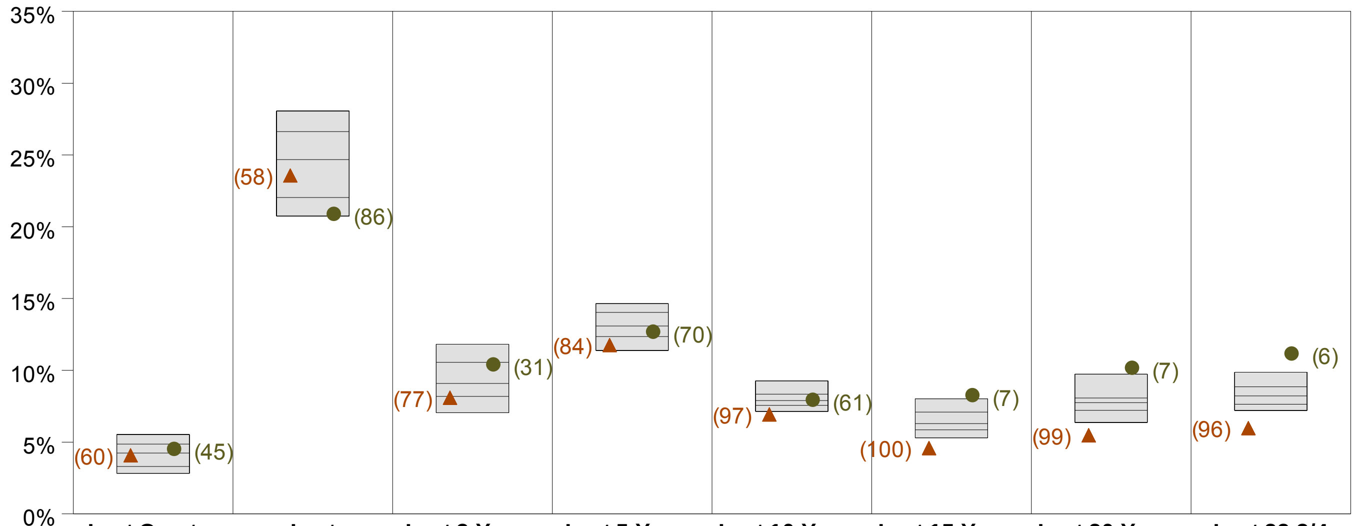
Second Quarter Market Environment

International Equity

- Foreign equities lagged their US counterparts:
  - MSCI EAFE US$: +4.1%.
- The yen and pound appreciated versus the US dollar while the euro weakened modestly.
  - Japan and UK both up over 6% in US$ terms.
- Emerging markets recovered and outperformed developed markets.
  - MSCI EM: +6.7%.
- Value outperformed growth:
  - EAFE Value: +4.7%, EAFE Growth: +3.5%.
- BRICs posted mixed results:
  - Brazil +7.7%; 10.7% YTD.
  - Russia +10.8%; -5.2% YTD.
  - India +12.7%; 21.9% YTD.
  - China +5.7%; -0.5% YTD.

Morgan Stanley Developed International Equity

Performance vs CAI Core International Equity Style (Gross)

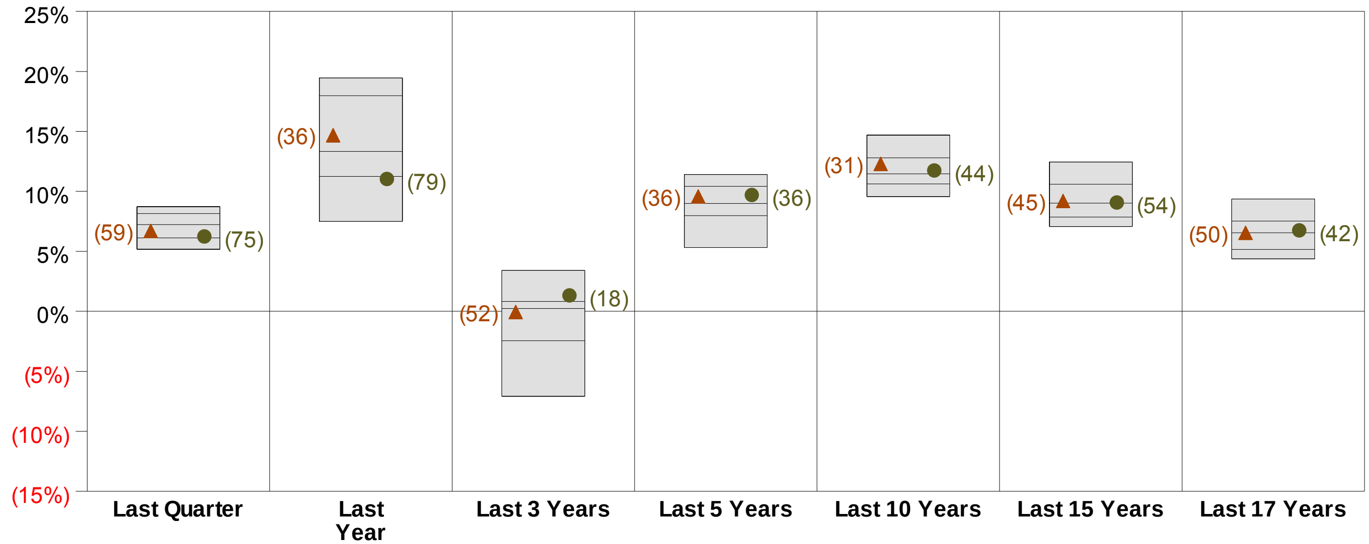


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 22-3/4 Years
10th Percentile	5.54	28.06	11.83	14.64	9.27	8.02	9.74	9.87
25th Percentile	4.87	26.63	10.57	14.03	8.34	7.10	8.08	8.86
Median	4.24	24.68	9.10	13.09	7.90	6.29	7.75	8.22
75th Percentile	3.31	22.04	8.18	12.36	7.57	5.86	7.22	7.64
90th Percentile	2.83	20.74	7.06	11.39	7.14	5.30	6.37	7.21
Morgan Stanley - Int'l Equity ●	4.42	20.80	10.32	12.59	7.85	8.16	10.09	11.06
MSCI EAFE Index ▲	4.09	23.57	8.10	11.77	6.93	4.59	5.48	5.98

- The fund outperformed for the quarter and trailed the index by 2.77% over the last year.
- Long-term performance remains strong. The fund ranks in the 7th percentile over the last 15 years.
- Outperformance was driven by stock selection in Consumer Staples, along with an overweight to the sector.
- Personnel changes over the last two years include John Goodacre (Portfolio Manager, left firm) in 2013 and Peter Wright (Portfolio Manager, retiring effective Dec. 17, 2014).

Morgan Stanley Emerging Markets Equity

Performance vs CAI MF - Emerging Markets Style (Net)

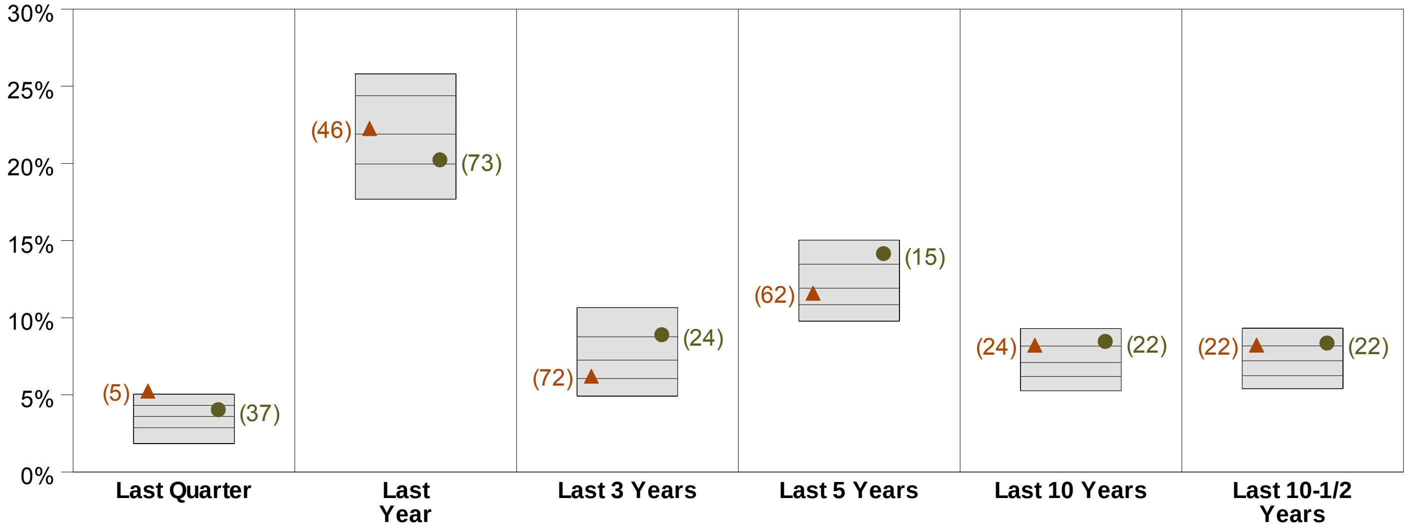


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 17 Years
10th Percentile	8.72	19.46	3.40	11.41	14.70	12.44	9.36
25th Percentile	8.15	17.98	0.81	10.41	12.79	10.59	7.52
Median	7.22	13.33	0.23	9.00	11.47	9.01	6.54
75th Percentile	6.12	11.25	(2.44)	7.97	10.62	7.85	5.16
90th Percentile	5.17	7.50	(7.07)	5.31	9.56	7.07	4.37
Morgan Stanley - Emerging Mkts. ●	6.12	10.91	1.20	9.58	11.61	8.94	6.62
MSCI Emerging Mkts Idx ▲	6.71	14.68	(0.06)	9.58	12.30	9.21	6.54

- The fund underperformed the index by 3.77% over the last year.
- Long-term results remains above median, slightly outperforming the index over the past 17 years.
- Stock selection and an overweight allocation to Poland, as well as an underweight allocation to Taiwan detracted from results.

William Blair International Growth Equity

Performance vs CAI MF - Non-US Equity Style (Net)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 10-1/2 Years
10th Percentile	5.04	25.81	10.65	15.03	9.29	9.32
25th Percentile	4.32	24.39	8.77	13.47	8.17	8.17
Median	3.61	21.90	7.25	11.91	7.10	7.22
75th Percentile	2.88	19.96	6.06	10.85	6.20	6.25
90th Percentile	1.85	17.69	4.92	9.79	5.27	5.40
William Blair & Company ●	3.93	20.13	8.80	14.05	8.36	8.25
MSCI ACWI ex US Index ▲	5.25	22.27	6.21	11.59	8.22	8.23

- The fund underperformed by 1.32% for the quarter and 2.14% over the last year.
- Long-term performance remains strong. The fund ranks in the top quartile over the last 5 and 10 years.
- Stock selection in Consumer Staples and Financials drove underperformance, as did the Fund’s overweight to Energy.
- Longtime PM, George Greig, retired in late 2013, with Simon Fennel and Jeff Urbina assuming co-PM roles.

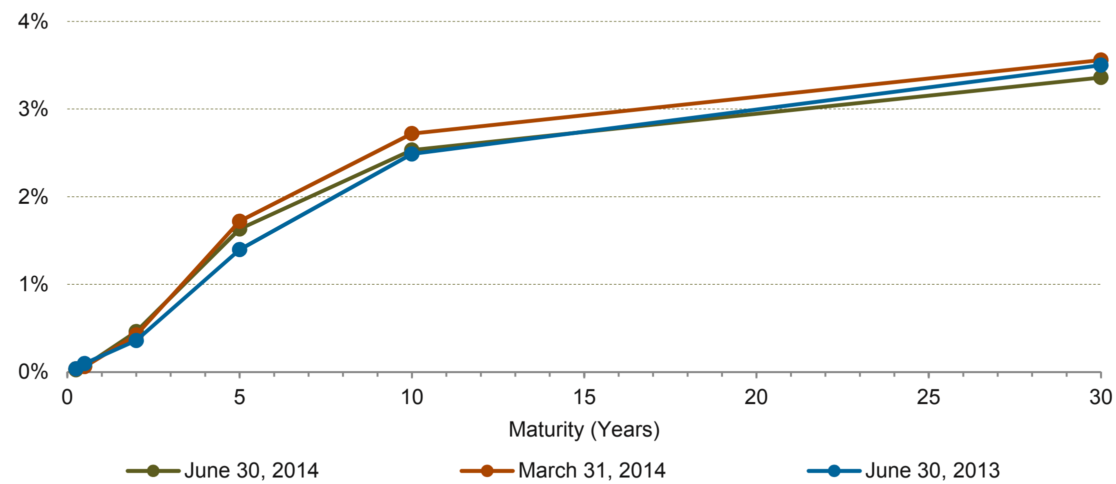
Fixed Income

Second Quarter Market Environment

Fixed Income

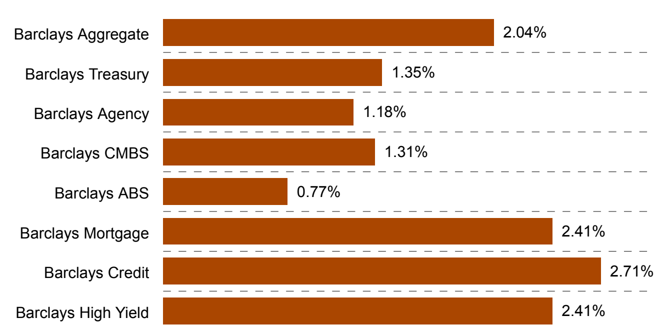
- The Barclays Aggregate Index returned 2.0% and is up 3.9% YTD, a result that exceeded most expectations for full year returns in 2014.
  - The yield curve continued to flatten with the 30-year U.S. Treasury bond yield falling the most.
  - The yield on the 10-year U.S. Treasury closed at 2.53%, 20 bps lower than 3/31/2014.
  - Agency mortgage-backed securities and corporate bonds outperformed US Treasuries.
- High yield underperformed investment grade for the first time in recent memory.
  - The Barclays High Yield index returned 2.4% with the corporate sector of the Barclays Aggregate up 2.7%.
- TIPS outperformed nominal U.S. Treasuries:
  - Barclays TIPS Index returned 3.8% for the quarter.
  - 10-year TIPS yield fell 33 bps to 0.27%.

U.S. Treasury Yield Curves



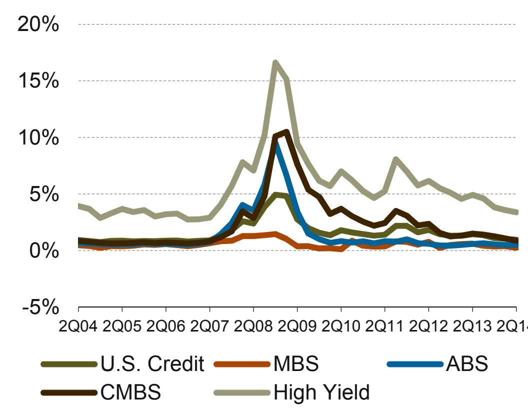
Source: Bloomberg

Absolute Returns for Quarter ended June 30, 2014



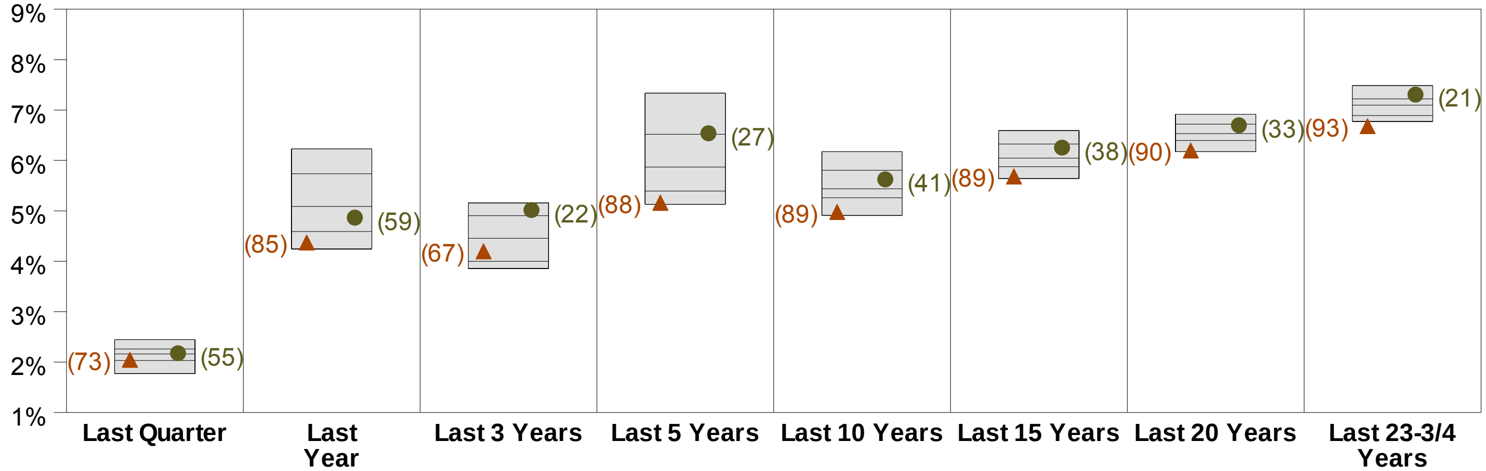
Source: Barclays

Effective Yield Over Treasuries



Richmond Capital Core Fixed Income

Performance vs CAI Core Bond Fixed-Inc Style (Gross)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 23-3/4 Years
10th Percentile	2.44	6.23	5.16	7.34	6.17	6.59	6.92	7.49
25th Percentile	2.26	5.73	4.91	6.52	5.80	6.33	6.72	7.22
Median	2.16	5.09	4.46	5.87	5.44	6.05	6.53	7.10
75th Percentile	2.03	4.59	4.00	5.39	5.26	5.87	6.40	6.89
90th Percentile	1.77	4.24	3.86	5.13	4.91	5.64	6.17	6.77
Richmond Capital Management ●	2.14	4.83	4.98	6.50	5.59	6.21	6.66	7.27
Blended Benchmark* ▲	2.04	4.37	4.20	5.16	4.98	5.68	6.20	6.68

- Richmond slightly outperformed for the quarter and outperformed for the year by 0.46%.
- Long-term performance remains strong. The fund has outperformed by 0.61% over the last 10 years.
- An overweight allocation to Corporate bonds and underweight to Treasuries drove outperformance.

Investment Manager Objectives

Manager	Objective	Comments
Total Fund	CPI + 5% over long term.	Met.
Richmond	Outperform BC Aggregate over rolling 3-year periods by 0.50%.	Met.
	Outperform the median fixed income manager over rolling 3-year periods.	Met.
Morgan Stanley Developed	Outperform the MSCI EAFE over rolling 3-year periods by 0.50%.	Met.
	Outperform the median international equity manager over rolling 3-year periods.	Met.
Morgan Stanley Emerging	Outperform the MSCI Emerging Markets Index over rolling 3-year periods by 1.00%.	Met.
	Outperform the median emerging markets equity manager over rolling 3-year periods.	Met.
William Blair	Outperform the MSCI ACWI ex-US Index over rolling 3-year periods.	Met.
	Outperform the median international equity manager over rolling 3-year periods.	Met.
Ceredex	Outperform the Russell 2000 Value Index over time.	Met.
Emerald	Outperform the Russell 2000 Growth Index over time.	Met.
SSgA S&P MidCap 400 Index	Replicate the return of the S&P MidCap 400 Index.	Met.
SSgA S&P 500 Index	Replicate the return of the S&P 500 Index.	Met.