

INVESTMENT UPDATE

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CITY OF FORT PIERCE
RETIREMENT AND BENEFIT SYSTEM

o n

Thursday, May 21, 2015

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Paul H. Lundmark, CFA
Managing Director
Portfolio Manager



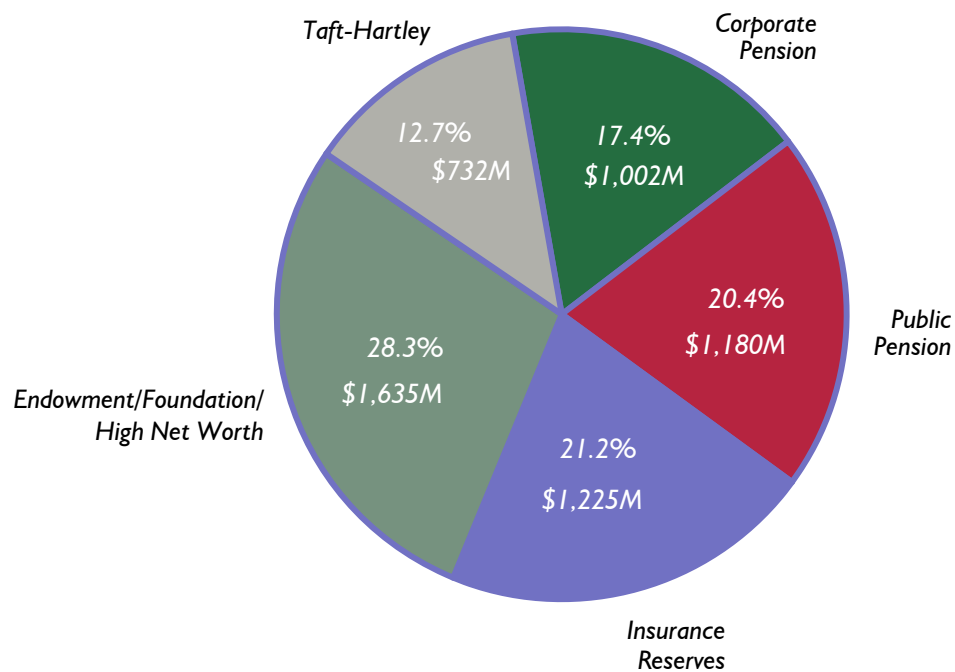
RICHMOND CAPITAL MANAGEMENT
Experience, Knowledge, Service

ORGANIZATION

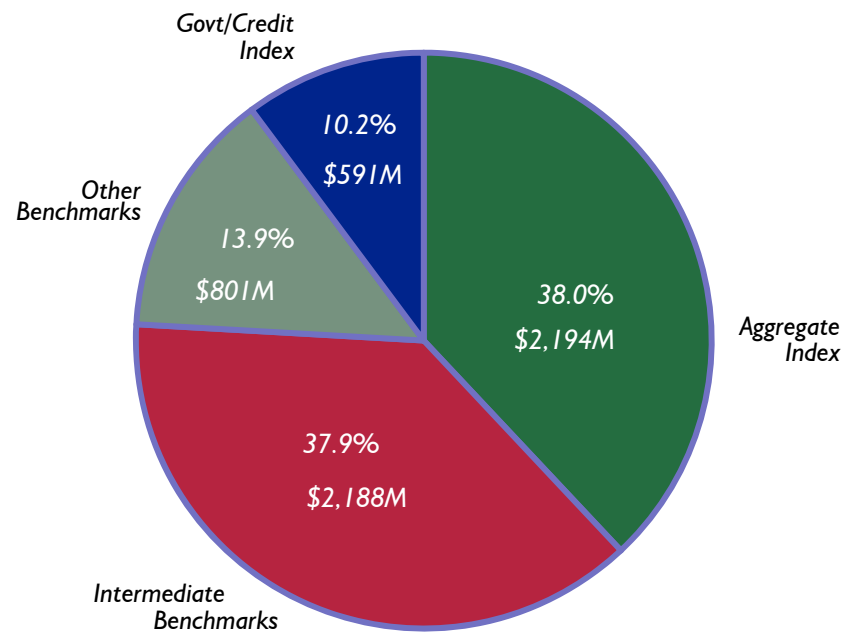
As of March 31, 2015

- » Independent Investment Advisor since 1987
- » Fixed Income Securities Only
- » Seasoned Professionals: 29 Years Average Bond Experience
- » \$5.8 Billion Under Management

Assets by Client Type



Assets by Benchmark



PROFESSIONALS FOCUSED ON YOUR PORTFOLIO

Portfolio Managers

- All Portfolio Managers are shareholders of the firm.
- Investment Team has been together for over 12 years.

Howard K. Bos, CFA
President, RCM since 1999
29 Years Bond Investment Experience
Prior Experience: Key Capital Partners
B.A. College of William & Mary, 1985

William H. Schultz, CFA
Managing Director, RCM since 1991
37 Years Bond Investment Experience
Prior Experience: Sovran Capital Management
M.S. University of Wisconsin, 1978
B.B.A. University of Wisconsin, 1975

Beth L. Baron, CFA, CFP®
Managing Director, RCM since 2000
30 Years Bond Investment Experience
Prior Experience: Banc of America Investment Svcs.
B.S. University of Virginia, 1983

Paul H. Lundmark, CFA
Managing Director, RCM since 2003
28 Years Bond Investment Experience
Prior Experience: USAA Investment Management
M.B.A. University of Minnesota, 1987
B.S. University of Minnesota, 1983

Mark J. Walker, CFA
Managing Director, RCM since 1989
30 Years Bond Investment Experience
Prior Experience: First Boston, Price Waterhouse
M.B.A. Wharton School, Univ. of Pennsylvania, 1985
B.S. Duke University, 1980

R. Wheatley McDowell, CFA
Managing Director, RCM since 2001
28 Years Bond Investment Experience
Prior Experience: Lehman Brothers
M.B.A. University of Virginia, 1987
B.A. University of Virginia, 1982

Patton H. Roark, Jr., CFA
Managing Director, RCM since 2003
22 Years Bond Investment Experience
Prior Experience: AFL-CIO Housing Invest. Trust
B.S. Shepherd University, 1989

Client Services, Operations, and Compliance

Elizabeth M. Harris
Managing Director, Client Services, RCM since 1984
31 Years Client Service Experience
B.S. Virginia Commonwealth University, 1984

Janis H. Warren
Managing Director, Operations, RCM since 1987
28 Years Client Service Experience
B.S. Bob Jones University, 1979

Geoffrey B. Sale
Chief Compliance Officer, RCM since 2002
26 Years Experience
Prior Experience: Wachovia Securities
M.B.A. University of Richmond, 1996
B.S. Clemson University, 1988

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

Portfolio Review

As of March 31, 2015

Cash Flows Since Inception Through March 31, 2015	
Market Value (8/1/1989)	\$12,816,948
Change in Market Value of Holdings	6,098,649
Interest Earned	61,081,348
Contributions/ Withdrawals	26,506,983 (57,070,428)
Total	\$49,433,500

Portfolio Review Through March 31, 2015	
Average Maturity	6.28 Years
Portfolio Duration (Barclays Aggregate)	4.60 Years 5.30 Years
Average Yield to Maturity (Barclays Aggregate)	2.05% 1.94%
Average Quality	AA

Statistics in this report are calculated by Bond Edge Fixed Income Analytic models.

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

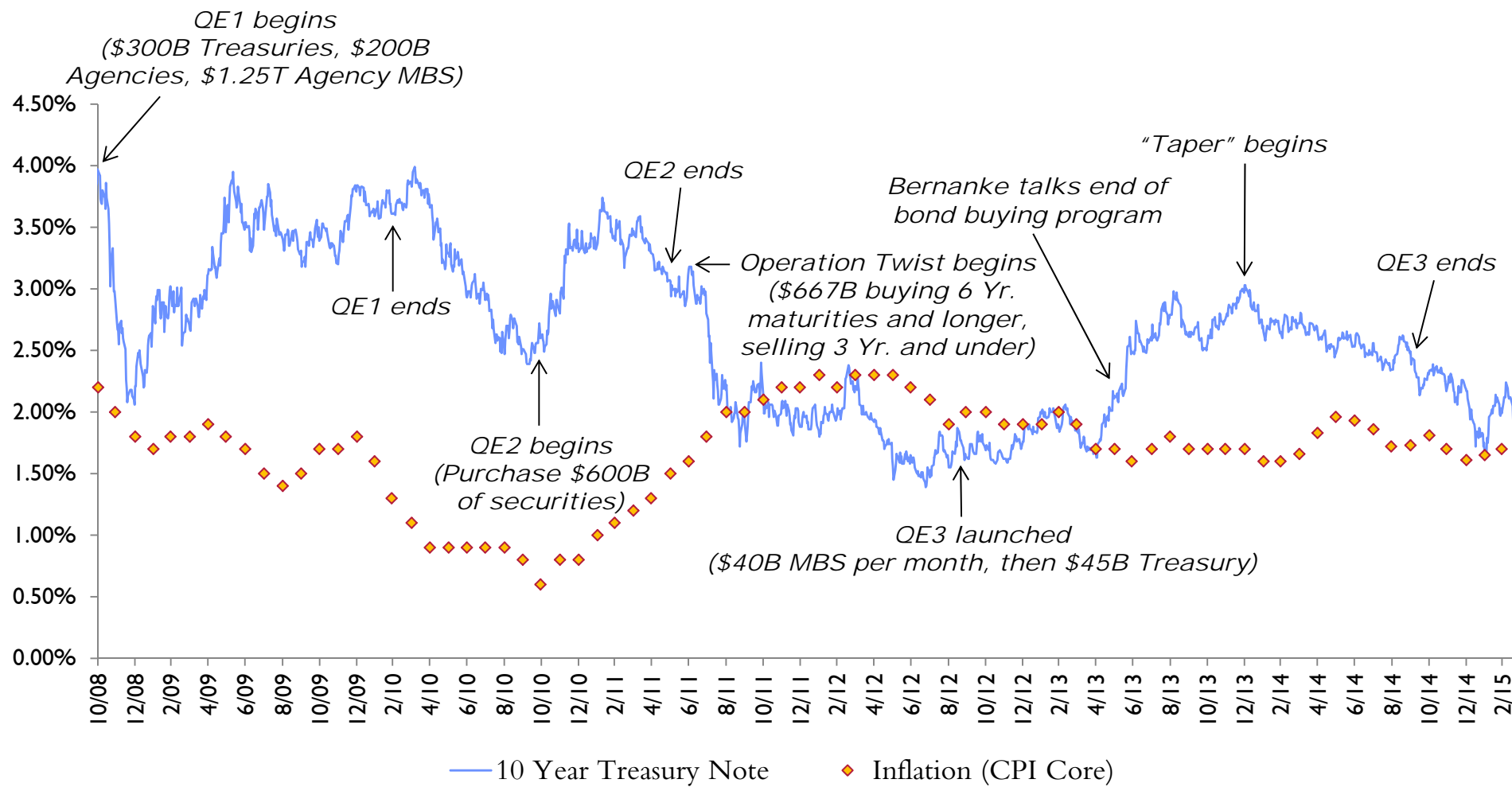
Performance Summary

As of March 31, 2015

	City of Fort Pierce Retirement and Benefit System	Barclays Aggregate Index★	Value Added
1st Quarter, 2015	1.69%	1.61%	+0.08%
12 Months to Date	6.07%	5.72%	+0.35%
Annualized: 3 Years	3.92%	3.39%	+0.53%
5 Years	5.51%	4.77%	+0.74%
10 Years	5.62%	4.97 %	+0.65%
Annualized Since Inception (8/1/1989)	7.10%	6.53%	+0.57%

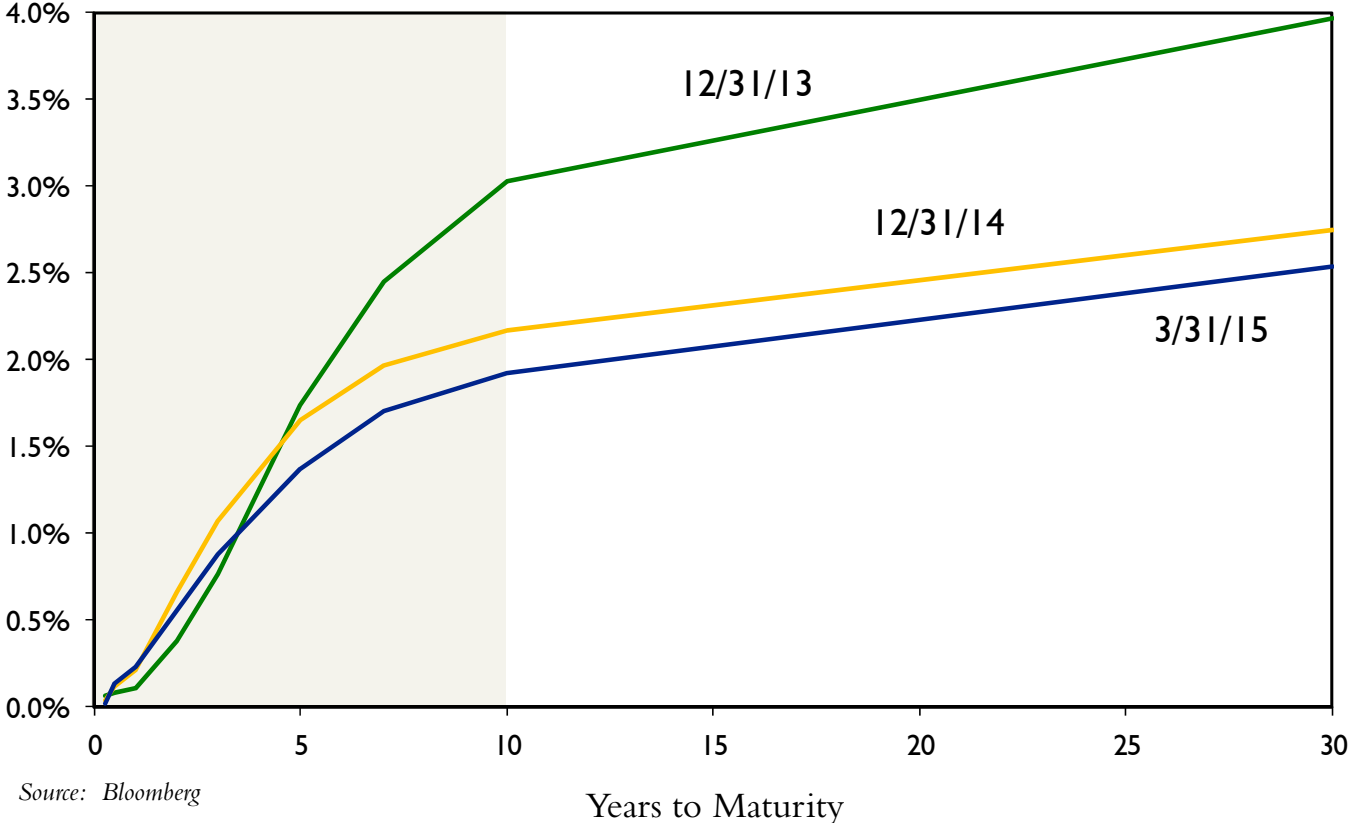
*Barclays G/C 8/1/89 to 5/31/13, Barclays Aggregate 6/1/13 forward

10 YEAR TREASURY YIELDS



Source: Bloomberg

INTEREST RATE VALUATION: A TALE OF THE YIELD CURVE



Short-term rates are artificially low due to Federal Reserve policy – underweight

LOW FOREIGN INTEREST RATES ARE DRAGGING U.S. RATES LOWER

As of March 31, 2015

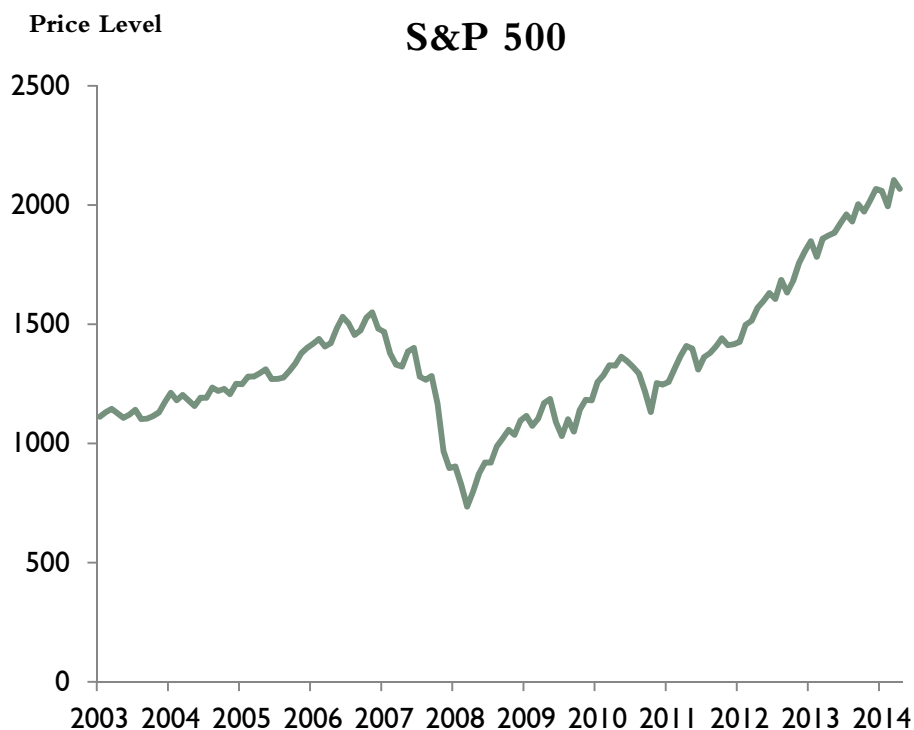
Country	1 Year Rates		10 Year Rates	
	12/2013	3/2015	12/2013	3/2015
United States	0.21%	0.22%	3.03%	1.93%
Germany	0.14%	-0.24%	1.93%	0.19%
United Kingdom	0.35%	0.36%	3.02%	1.56%
Italy	0.89%	0.01%	4.08%	1.26%
Switzerland	-0.11%	-0.88%	1.06%	-0.06%
Japan	0.09%	0.03%	0.74%	0.39%

- **Many foreign short-term rates are negative.**
- **U.S. 10-year Treasury rates are very attractive versus most other industrialized nations.**

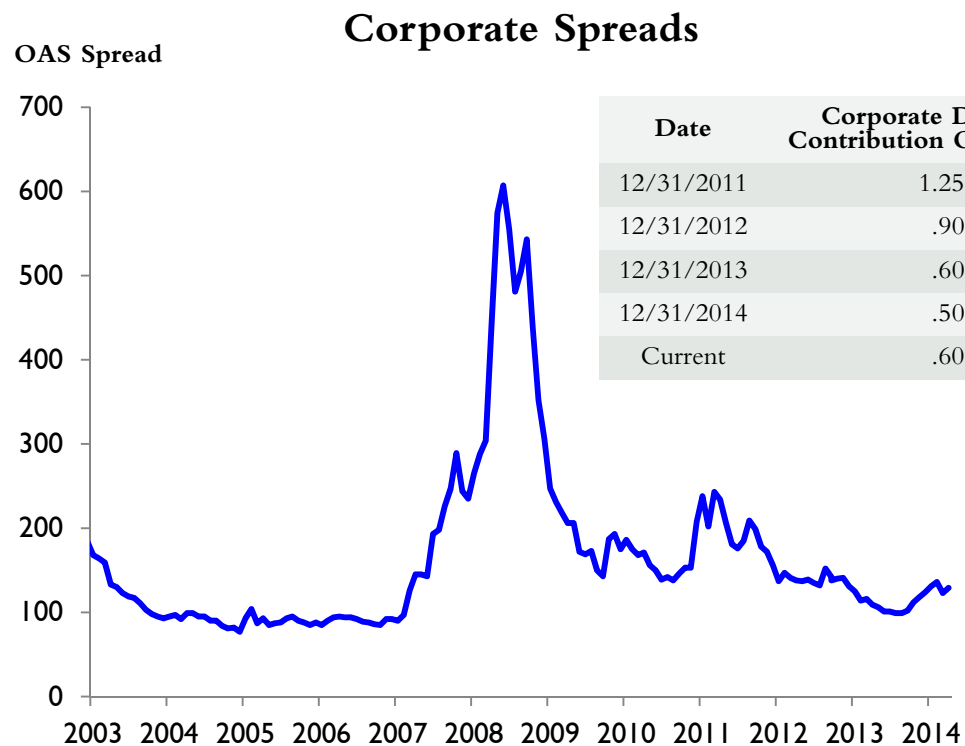
Source: Bloomberg

CORPORATE BOND ALLOCATION

As of March 31, 2015



Source: Bloomberg



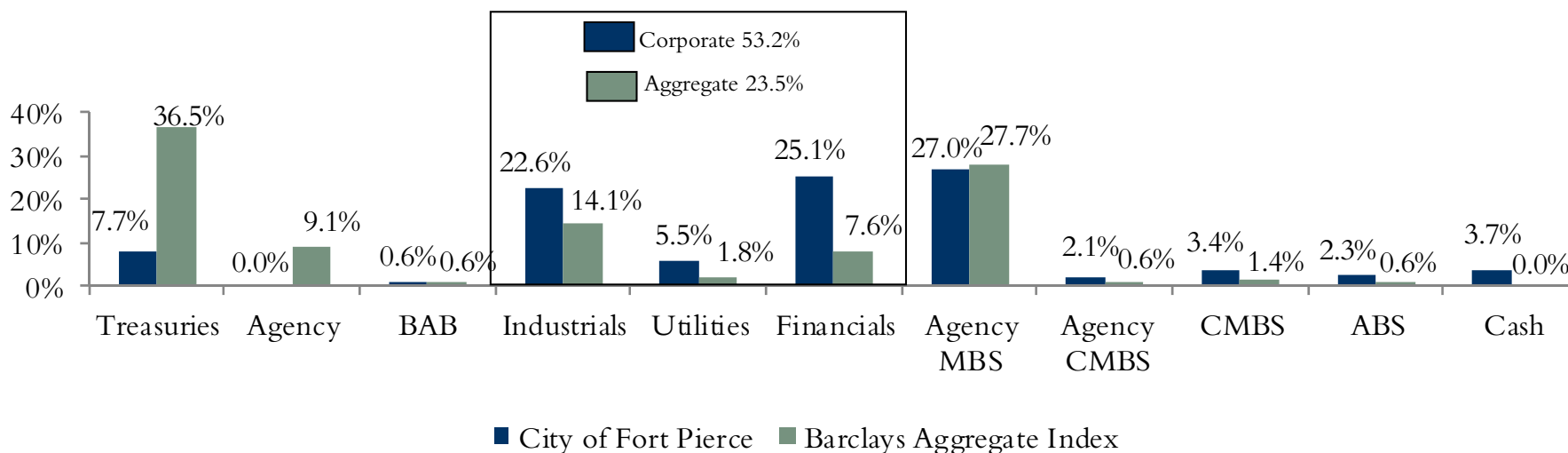
Source: Barclays Corporate Index

- **Since the financial crisis, market confidence has returned as evidenced by the record-high stock market.**
- **We reduced our risk in corporate bonds gradually. In early 2015, we slightly increased our risk as credit spreads widened.**

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

As of March 31, 2015

Quality Distribution		
	City of Fort Pierce	Barclays Aggregate Index
AAA	46.2%	72.7%
AA	3.6%	4.1%
A	34.9%	10.3%
BAA	15.3%	12.9%



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STRATEGY FOR TODAY'S LOW REWARD/HIGH RISK MARKET

- » **Income dominates return over the long term.** We are presently overweight high quality short and intermediate maturity corporate bonds. We take comfort in the high quality of our holdings. With credit spreads widening around the turn of the year, we slightly increased our allocation to corporate bonds.
- » **Diversify, diversify, and diversify!** The portfolio has exposure to 76 credits with individual issuer exposures under 2.0%.
- » **Interest rates are low.** At year-end the portfolio was defensive with duration 0.45 years less than the Barclays Aggregate Index. In 2015 interest rates continued to fall and we reduced the duration underweight to 0.70 years less than the index. We prefer to be conservative in today's ultra-low, super accommodative interest rate environment.
- » **The yield curve is still positively sloped.** The portfolio is defensively postured in the 1-5 year maturity area to take advantage of higher short-term yields when the Federal Reserve raises interest rates.