

INVESTMENT UPDATE

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CITY OF FORT PIERCE
RETIREMENT AND BENEFIT SYSTEM

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Thursday, May 19, 2016

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RICHMOND CAPITAL MANAGEMENT
Experience, Knowledge, Service

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

Portfolio Review

As of March 31, 2016

Cash Flows Since Inception Through March 31, 2016	
Market Value (8/1/1989)	\$12,816,948
Change in Market Value of Holdings	5,258,763
Interest Earned	63,015,721
Contributions/ Withdrawals	26,506,983 (61,214,122)
Total	\$46,384,293

Portfolio Review Through March 31, 2016	
Average Maturity	6.53 Years
Portfolio Duration (Barclays Aggregate)	4.81 Years 5.46 Years
Average Yield to Maturity (Barclays Aggregate)	2.26% 2.07%
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

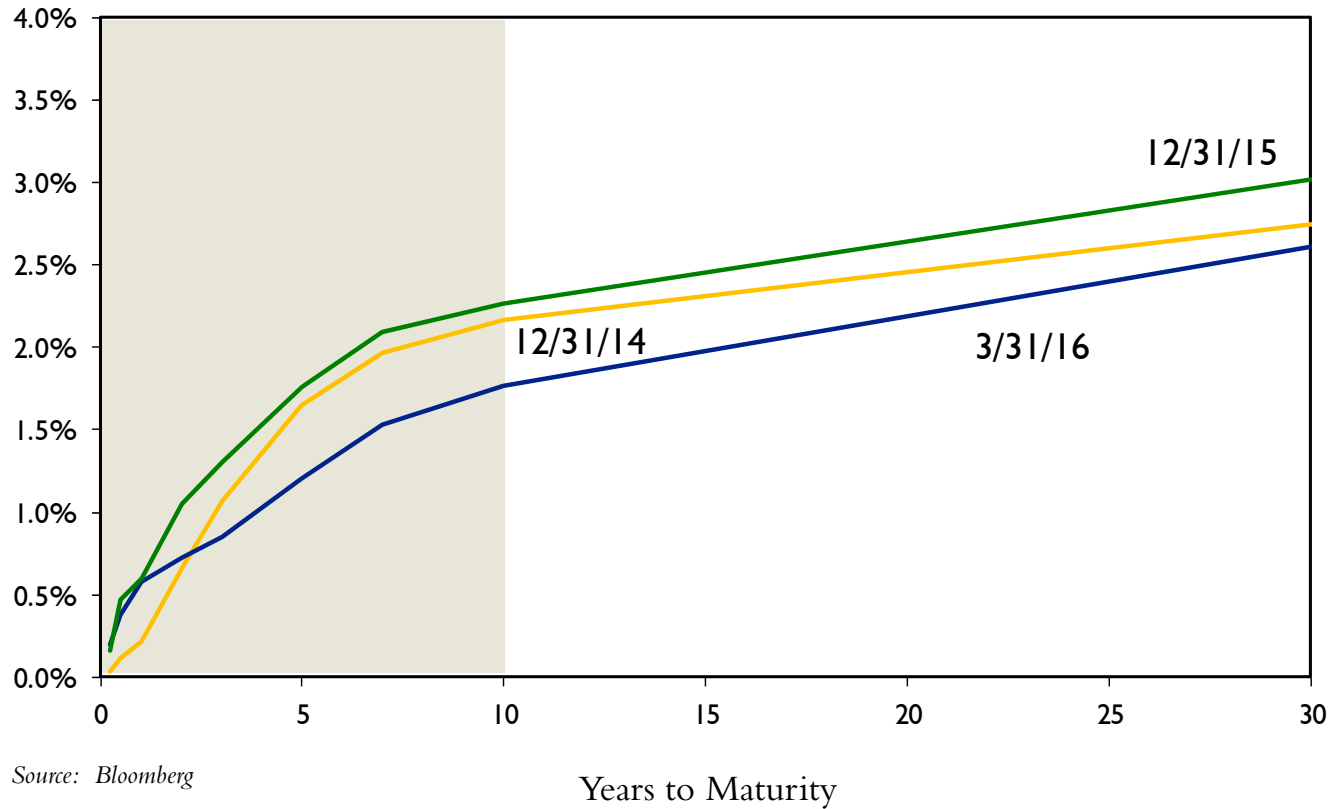
As of March 31, 2016

	City of Fort Pierce Retirement and Benefit System	Barclays Aggregate Index	Value Added
Ist Quarter, 2016	2.95%	3.03%	-0.08%
Fiscal Year to Date	2.47%	2.45%	+0.02%
12 Months to Date	2.42%	1.96%	+0.46%
Annualized: 3 Years	2.95%	2.52%	+0.43%
5 Years	4.71%	4.10%	+0.61%
10 Years	5.65%	4.96 %	+0.69%
Annualized Since Inception (8/1/1989)	6.92%	6.36%	+0.56%

Fiscal Year End September 30th

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

INTEREST RATE VALUATION: A TALE OF THE YIELD CURVE



- **Short-term rates are artificially low due to Federal Reserve policy – underweight.**
- **Yield curve flattened during 2015 with short rates rising more than long rates. With yield curve flatter, we reduced our underweight of shorter maturities and increased our underweight of longer maturities.**

TWO DIFFERENT METHODS TO EVALUATE CORPORATE EXPOSURE

Percentage Basis is the Same

1% Wells Fargo 5.625% 12/11/17

1% Wells Fargo 5.375% 11/2/43

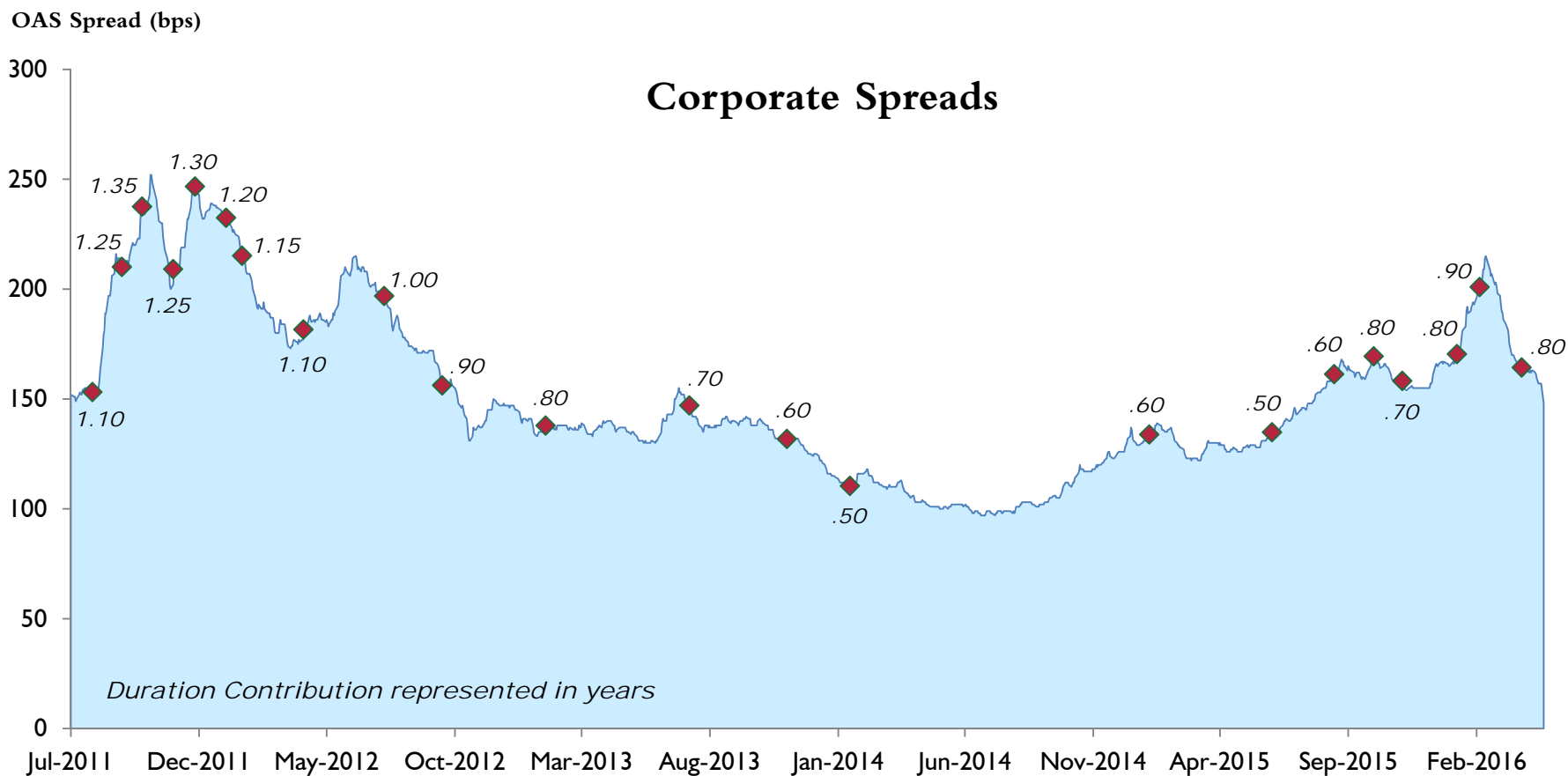
Duration Contribution Basis Differs Significantly

	Duration	Duration Contribution
1% Wells Fargo 5.625% 12/11/17	1.65	0.017
1% Wells Fargo 5.375% 11/2/43	16.90	0.169

If Spreads Widen 100 Basis Points, What Would the Effect Be to Total Portfolio?

	Effect on Portfolio
1% Wells Fargo 5.625% 12/11/17	-2 bps
1% Wells Fargo 5.375% 11/2/43	-17 bps

CORPORATE DURATION CONTRIBUTION OVERWEIGHT (*Core Broad*)



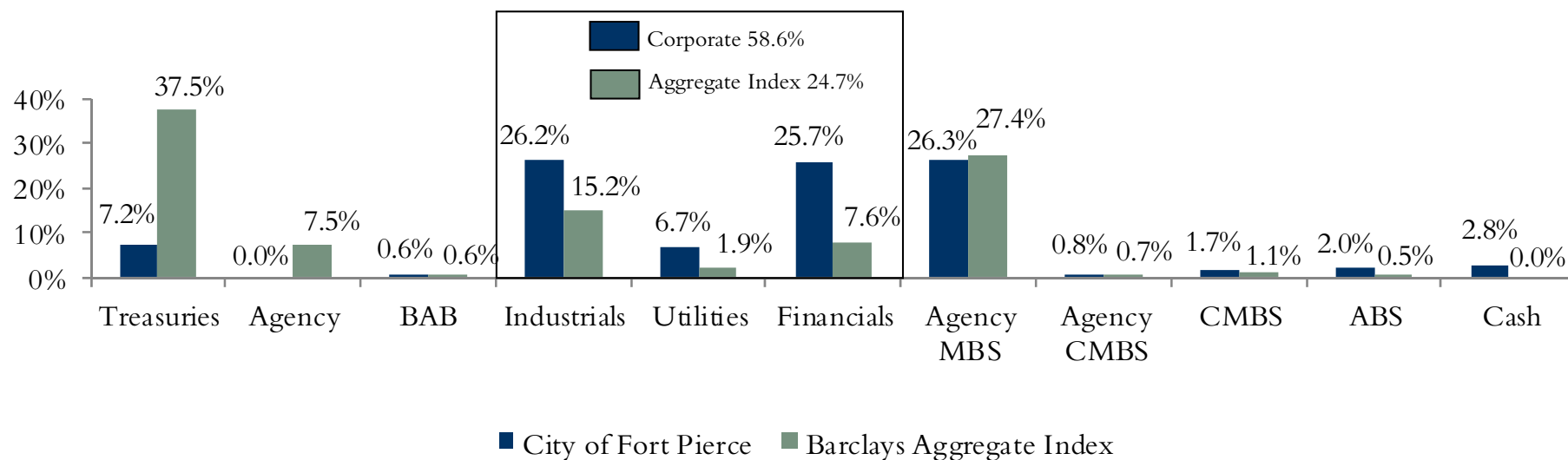
Source: Bloomberg

- **We are very disciplined in our approach to overweighting the corporate sector. As corporate spreads tightened in early 2015, we reduced our corporate overweight.**
- **As global market turmoil increased late 2015 through 1st Quarter 2016, corporate spreads widened and we increased our corporate exposure.**

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

As of March 31, 2016

Quality Distribution		
	City of Fort Pierce	Barclays Aggregate Index
AAA	41.0%	72.3%
AA	3.6%	3.5%
A	32.6%	11.2%
BAA	22.8%	13.0%



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

STRATEGY FOR 2016

- » **Income dominates return over the long term.** We are presently overweight high quality short and intermediate maturity corporate bonds. Given wider spreads in the first quarter, we increased our allocation to longer maturity corporates, reducing our underweight.
- » **Diversify, diversify, and diversify!** The portfolio has exposure to approximately 81 credits with individual issuer exposures under 2.0% and 0.09 duration contribution.
- » **Interest rates are low.** As of 3/31/16, the portfolio is defensive with duration 0.65 years less than the Barclays Aggregate Index. We prefer to be conservative in today's accommodative interest rate environment.
- » **Yield curve flattened during 2015** with short rates rising more than long rates. With yield curve flatter, we reduced our underweight of shorter maturities and increased our underweight of longer maturities.