



February 16, 2017

City of Fort Pierce

Fourth Quarter Performance
Review

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Market Environment 4Q16: Economy

The U.S. economic picture continued to improve during the final quarter of 2016. In response to relatively strong data the Fed, in a widely anticipated move, raised its Fed Funds target in December. The U.S. dollar reached its highest level against a basket of major currencies in 14 years. Outside the U.S., the euro zone grew at a slow pace and Japan's economy remained stagnant.

- Third quarter GDP was revised up to +3.5%
 - The sharpest quarterly increase in two years
 - Year-over-year +1.7%
 - Advance estimate for 4Q GDP +1.9%, suggesting 1.6% growth in 2016
- The Fed raised its Fed Funds target 25 bps to a range of 0.50% – 0.75%
 - This was the Fed's only move for 2016
 - The Fed expects three additional hikes in 2017, though the markets expect fewer
- Inflation remained benign but wages picked up
 - Personal Consumption Expenditures Index +2.2% for 2016; Core was +1.3% y-o-y but still short of Fed's 2% target
 - Headline CPI +2.1% y-o-y; Core CPI +2.2% y-o-y
 - Wages advanced 3.9% in October, the fastest since November of 2008, per Atlanta Fed's wage growth tracker index
- Unemployment reached a nine-year low of 4.6% in November
- Consumer confidence hit its highest level in 15 years in December
 - According to the Conference Board's Index
- Home prices hit an all-time high in November
 - Average price for an existing single family home reached \$282,341 in November
- Euro zone economies remained weak but showed some improvement
 - Euro zone unemployment declined to 9.8% in October from 10.0% in September
 - Consumer prices in the euro zone increased but remained below the 2% target
 - Euro zone GDP +0.3% (+1.6% y-o-y) in the third quarter
 - ECB announced an extension of its asset purchase program but purchases will be €20 billion lower per month after March 2017
- Japanese GDP +0.3% (+1.0% y-o-y) in Q3
 - Below the preliminary estimate of +0.5%

Market Environment 4Q16: Global Equity

U.S. equities posted strong returns in the fourth quarter, cheered by relatively good economic data, a rebound in corporate earnings, and speculation that Trump's presidency will bring lower taxes, lighter regulation and increased spending. The S&P 500 climbed to an all-time high of 2,239 on December 30. Non-US equity returns were negatively impacted by the strong dollar.

U.S. Equity

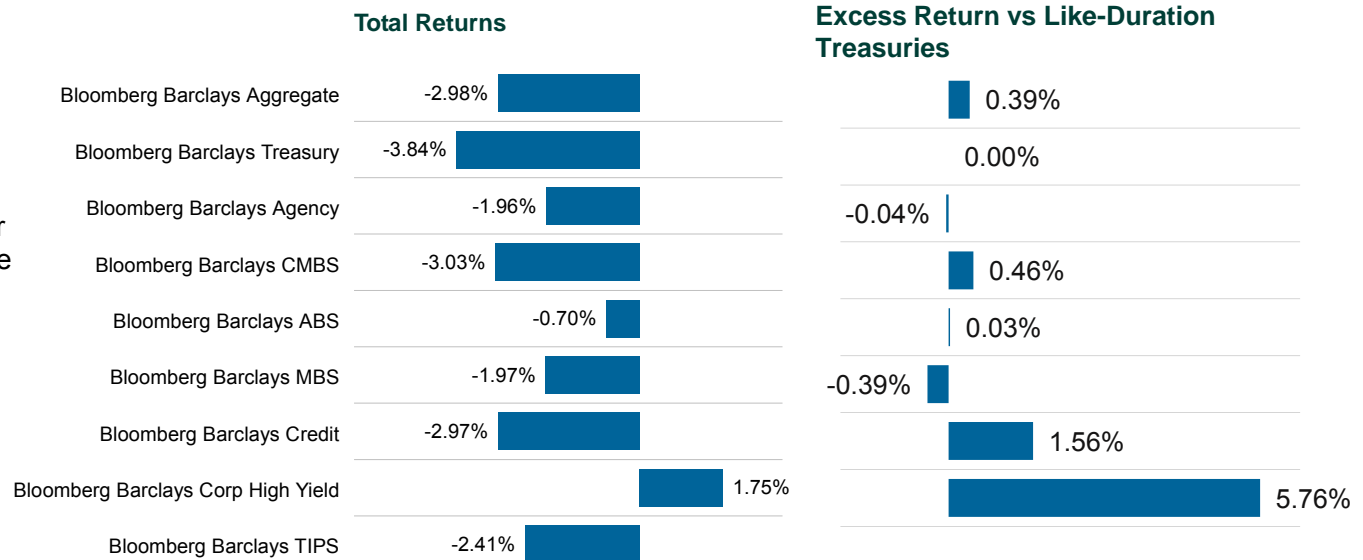
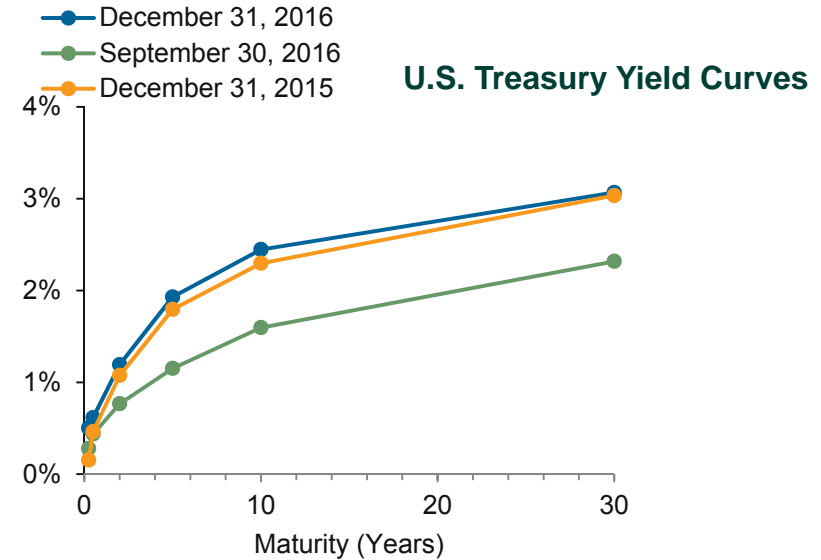
- Small stocks outperformed large caps
 - S&P 500 Q4: +3.8%; 2016: +12.0%
 - Russell Mid Cap Q4: +3.2%; 2016: +13.8%
 - Russell 2000 Q4: +8.8%; 2016: +21.3%
- Value outperformed growth
 - Russell 2000 Value Q4: +14.1% vs. Growth +3.6%
 - Russell 2000 Value 2016: +31.7% vs. Growth +11.3%
 - Value bolstered by Financial and Energy stocks, which comprise significant portion of value indices
- Sector returns divergent
 - Best performing sector was Financials (+21.1% Q4; +22.8% 2016)
 - Health Care (Q4: -4.0%; 2016: -2.7%) and Real Estate (Q4: -4.4%; 2016: +3.4%) are among the worst

International Equity

- Developed markets underperformed U.S.
 - MSCI EAFE: Q4: -0.7%; 2016: +1.0%
 - Best performer was Italy (Q4: +11.0%; 2016: -10.5%)
- Emerging markets underperformed
 - MSCI EM: Q4: -4.2%; 2016: +11.2%
 - Russia posted the best return (Q4: +19%; 2016: +54.8%) while Turkey (Q4: -14%; 2016: -8.5%) sank
 - Mexico (Q4: -7.9%; 2016: -9.2%) was hurt by Trumponomic concerns

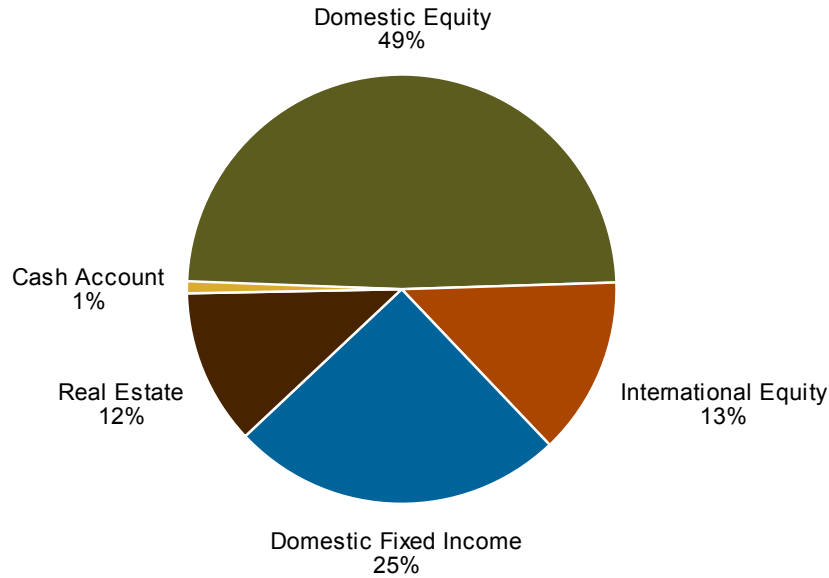
Market Environment 4Q16: Fixed Income

- Bloomberg Barclays U.S. Aggregate Index returned -3.0% for the quarter but +2.6% in 2016
 - Corporate bond sector outperformed (Q4: -2.8%; 2016: +6.1%)
 - Corporate issuance hit another record high in 2016 (roughly \$1.4 trillion)
- High yield corporates performed best
 - Bloomberg Barclays High Yield Index Q4: +1.8%; 2016: +17.1%
- TIPS outperformed nominal Treasuries
 - Bloomberg Barclays TIPS Index -2.4% Q4; +4.7% 2016
 - 10-year breakeven spreads widened to 1.95% from 1.60% as of 9/30
- Global bonds (unhedged) plunged due to strong dollar
 - Bloomberg Barclays Global Aggregate ex-US (unhedged): Q4: -10.3%; 2016: +1.5%
 - Yen lost more than 13% versus the dollar over the quarter while the euro depreciated by more than 6%
 - Bloomberg Barclays Global Aggregate ex-US (hedged): Q4: -1.9%; 2016: +5.0%
- Emerging markets debt underperformed
 - Dollar-denominated JPM EMBI Global Diversified Index Q4: -4.0%; 2016: +10.2%
 - Local currency-denominated JPM GBI-EM Global Diversified Index Q4: -6.1%; 2016: +9.9%

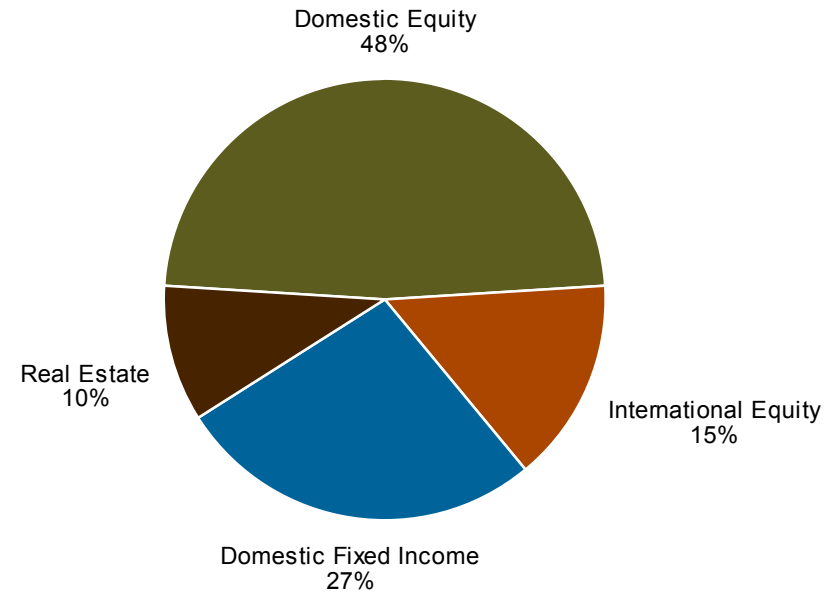


Asset Allocation Review

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	87,424	49.0%	48.0%	1.0%	1,712
International Equity	23,862	13.4%	15.0%	(1.6%)	(2,923)
Domestic Fixed Income	44,905	25.1%	27.0%	(1.9%)	(3,308)
Real Estate	20,836	11.7%	10.0%	1.7%	2,980
Cash Account	1,539	0.9%	0.0%	0.9%	1,539
Total	178,566	100.0%	100.0%		

Relative Attribution Effects for Quarter ended December 31, 2016

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	47%	48%	4.63%	5.17%	(0.25%)	(0.03%)	(0.28%)
Domestic Fixed Income	26%	27%	(2.57%)	(2.98%)	0.11%	0.02%	0.13%
Real Estate	12%	10%	2.27%	1.95%	0.04%	0.00%	0.04%
International Equity	15%	15%	(3.33%)	(1.25%)	(0.30%)	0.01%	(0.29%)
Cash Account	0%	0%	0.06%	0.06%	0.00%	(0.00%)	(0.00%)

Total **1.29% = 1.68% + (0.41%) + 0.01%** **(0.40%)**

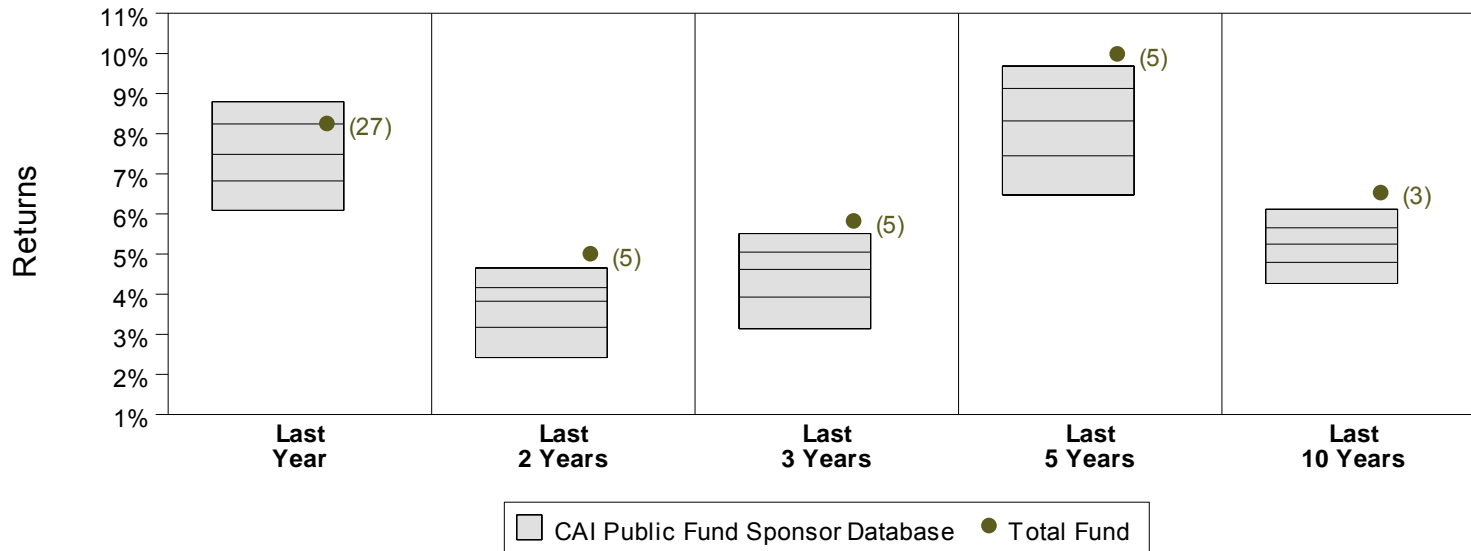
Asset Distribution Across Investment Managers

	December 31, 2016					September 30, 2016		
	Market Value	Weight	(min)	Target	(max)	Market Value	Weight	Target
Domestic Equity	\$87,424,053	48.96%	40.00%	48.00%	56.00%	\$88,111,971	48.41%	48.00%
Emerald Advisers, Inc.	6,823,835	3.82%	2.75%	3.75%	4.75%	6,593,803	3.62%	3.75%
Ceredex Value Advisors	7,001,940	3.92%	2.75%	3.75%	4.75%	7,609,600	4.18%	3.75%
SSgA S&P 500 Index	59,707,502	33.44%	28.00%	33.00%	38.00%	59,731,015	32.82%	33.00%
SSgA S&P 400 Index	13,890,776	7.78%	6.50%	7.50%	8.50%	14,177,553	7.79%	7.50%
International Equity	\$23,861,965	13.36%	12.00%	15.00%	18.00%	\$25,843,455	14.20%	15.00%
Morgan Stanley Int'l Equity	11,380,580	6.37%	6.00%	7.00%	8.00%	11,912,995	6.55%	7.00%
Morgan Stanley Emerging Mkts.	1,036,103	0.58%	0.00%	1.00%	2.00%	1,124,840	0.62%	1.00%
William Blair & Company	11,445,282	6.41%	6.00%	7.00%	8.00%	12,805,620	7.04%	7.00%
Domestic Fixed Income	\$44,905,191	25.15%	22.00%	27.00%	32.00%	\$47,641,882	26.18%	27.00%
Richmond Capital Management	44,905,191	25.15%	22.00%	27.00%	32.00%	47,641,882	26.18%	27.00%
Real Estate	\$20,836,176	11.67%	5.00%	10.00%	12.00%	\$20,372,890	11.19%	10.00%
Heitman	20,836,176	11.67%	5.00%	10.00%	12.00%	20,372,890	11.19%	10.00%
Cash Account	\$1,539,081	0.86%	0.00%	0.00%	1.00%	\$38,467	0.02%	0.00%
Total Fund	\$178,566,466	100.0%		100.0%		\$182,008,664	100.0%	100.0%

- The total fund decreased by \$3.4 million over the quarter to \$178.6 million as of December 31st, 2016

City of Fort Pierce Total Fund

CAI Public Fund Sponsor Database



	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Last 7 Years	
Total Fund	1.29%	20	8.21%	27	5.79%	5	9.95%	5	9.43%	4
Total Fund Benchmark(1)	1.68%	6	9.29%	5	5.76%	6	9.33%	15	8.79%	14
CPI + 5%	1.18%	27	6.99%	68	5.90%	4	6.17%	94	6.53%	90
CAI Public Fund Spr DB	0.80%		7.49%		4.62%		8.32%		7.86%	

- The Total Fund underperformed the benchmark by 0.39% for the quarter
- Total Fund performance relative to the benchmark and peers has remained strong over the long-term

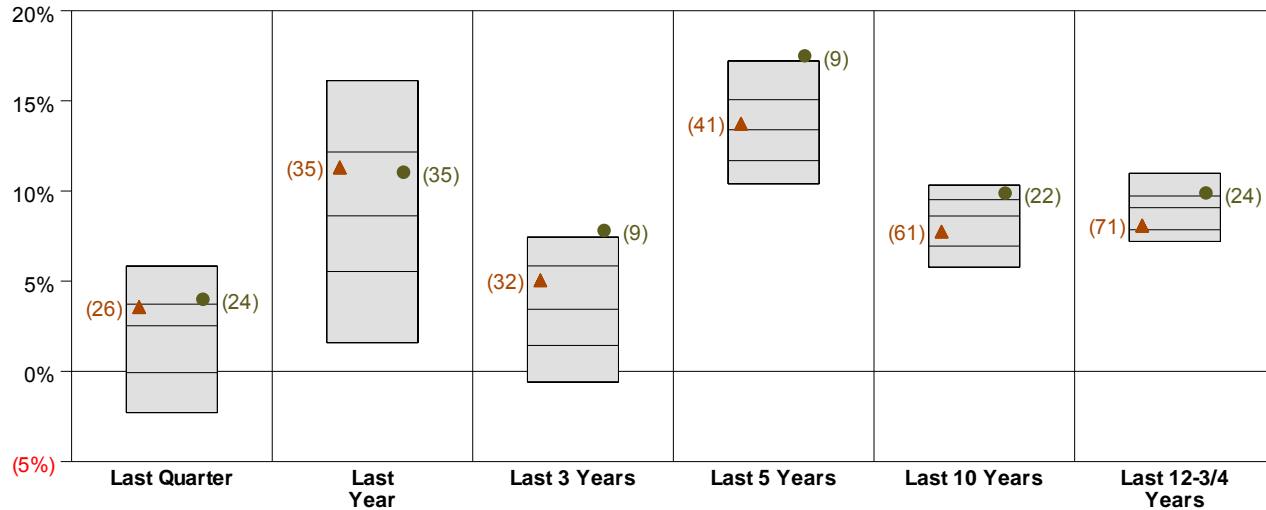
* Current Quarter Target = 33.0% S&P 500 Index, 27.0% Barclays Aggregate Index, 15.0% MSCI ACWI ex US Index, 10.0% NFI-ODCE Equal Weight Net, 7.5% S&P Mid Cap 400 Index, 3.8% Russell 2000 Growth Index and 3.8% Russell 2000 Value Index.



Domestic Equity Performance

Emerald Advisors Small Cap Growth

Performance vs CAI Small Cap Growth (Gross)

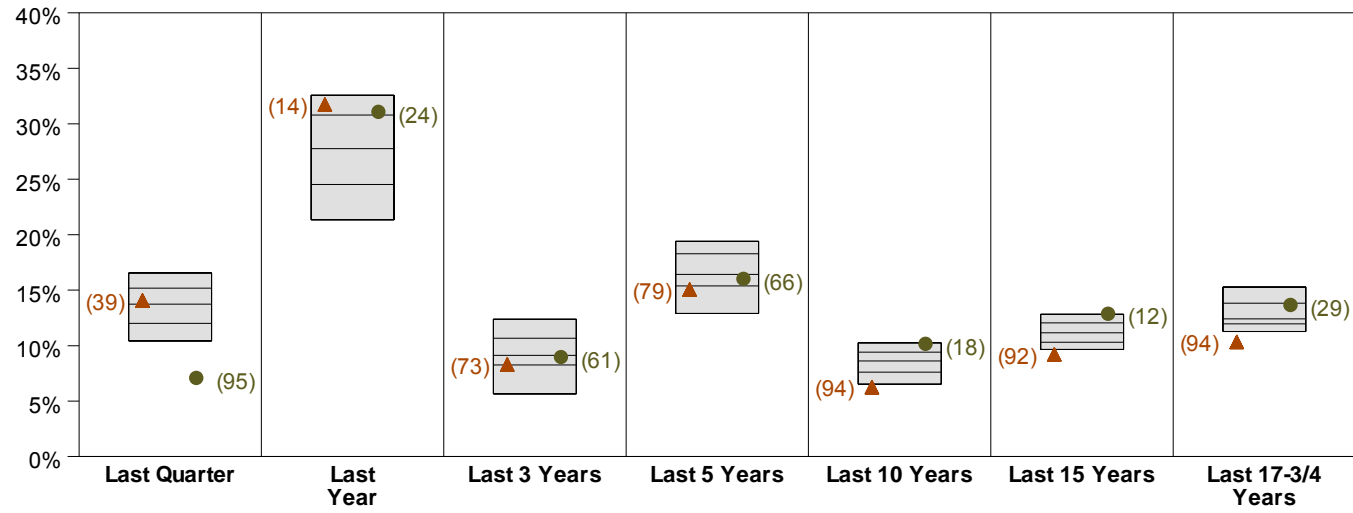


10th Percentile	5.84	16.12	7.45	17.22	10.33	10.99
25th Percentile	3.73	12.16	5.85	15.07	9.52	9.73
Median	2.53	8.63	3.44	13.40	8.62	9.07
75th Percentile	(0.06)	5.53	1.44	11.69	6.95	7.86
90th Percentile	(2.28)	1.59	(0.59)	10.40	5.78	7.21
Emerald Advisors, Inc. ●	3.92	10.97	7.74	17.42	9.80	9.81
Russell 2000 Growth Index ▲	3.57	11.32	5.05	13.74	7.76	8.09

- Emerald outperformed the benchmark by 0.35% during the quarter and underperformed by 0.35% over the last year
- Emerald has strong long-term returns well above the benchmark over longer time frames
- Positive contribution was seen within the Materials, Technology, and Consumer Discretionary sectors while the primary detractors were Utilities and Energy

Ceredex Value Advisors Small Cap Value

Performance vs CAI Small Cap Value (Gross)

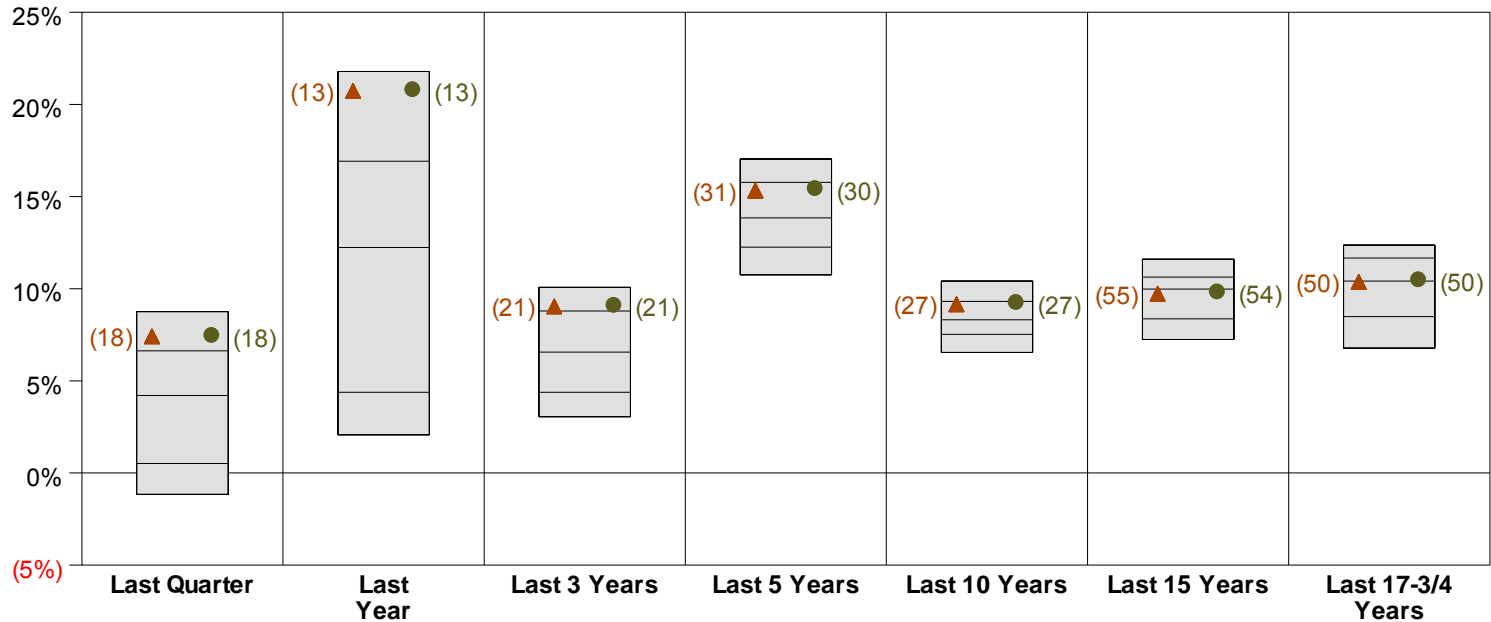


10th Percentile	16.56	32.58	12.38	19.41	10.25	12.83	15.27
25th Percentile	15.18	30.80	10.67	18.28	9.41	12.05	13.82
Median	13.73	27.75	9.13	16.43	8.61	11.17	12.41
75th Percentile	12.01	24.53	8.25	15.37	7.60	10.31	11.97
90th Percentile	10.43	21.34	5.65	12.90	6.52	9.67	11.28
Ceredex Value Advisors ●	6.94	30.95	8.83	15.88	10.03	12.73	13.53
Russell 2000 Value Index ▲	14.07	31.74	8.31	15.07	6.26	9.22	10.34

- Ceredex underperformed the benchmark by 7.13% for the quarter and underperformed by 0.80% over the last year
- Long-term results are strong as the fund has outperformed the index for most trailing periods shown
- Underweight positions in the Financial Services and Energy sectors and an overweight position in the Consumer Discretionary sector detracted from performance

SSgA S&P Mid Cap 400 Index

Performance vs CAI Mid Capitalization (Gross)

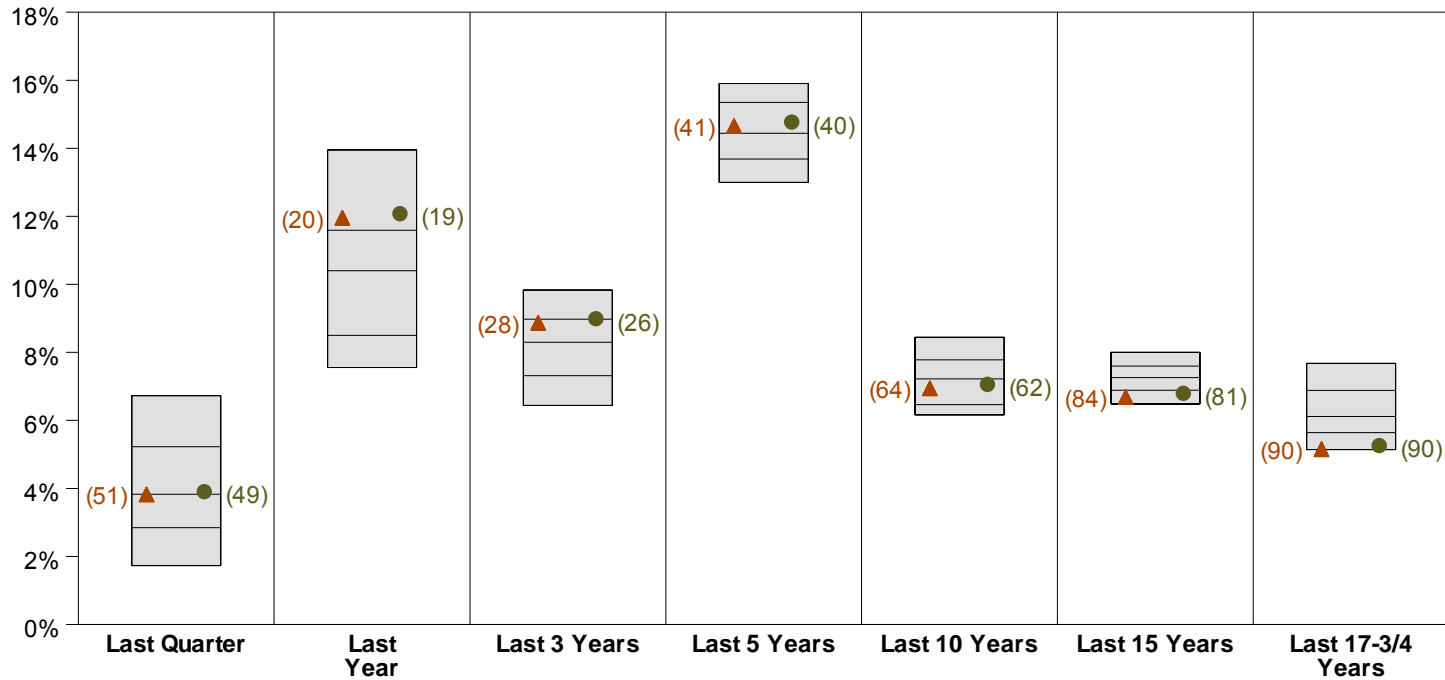


10th Percentile	8.76	21.80	10.08	17.04	10.42	11.60	12.37
25th Percentile	6.62	16.92	8.80	15.77	9.31	10.63	11.66
Median	4.21	12.23	6.55	13.84	8.32	9.98	10.41
75th Percentile	0.52	4.38	4.38	12.25	7.53	8.37	8.49
90th Percentile	(1.16)	2.07	3.05	10.76	6.54	7.25	6.78
SSgA S&P 400 Index ●	7.40	20.73	9.04	15.37	9.19	9.77	10.43
S&P Mid Cap 400 Index ▲	7.42	20.74	9.04	15.33	9.16	9.73	10.37

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

SSgA S&P 500 Index

Performance vs CAI Large Cap Core (Gross)



10th Percentile	6.72	13.95	9.83	15.91	8.44	8.00	7.68
25th Percentile	5.22	11.59	8.97	15.35	7.78	7.60	6.88
Median	3.83	10.40	8.30	14.44	7.22	7.26	6.12
75th Percentile	2.85	8.50	7.32	13.69	6.47	6.89	5.64
90th Percentile	1.73	7.55	6.44	13.00	6.16	6.48	5.14
SSgA S&P 500 Index ●	3.85	12.03	8.93	14.72	7.01	6.75	5.20
S&P 500 Index ▲	3.82	11.96	8.87	14.66	6.95	6.69	5.15

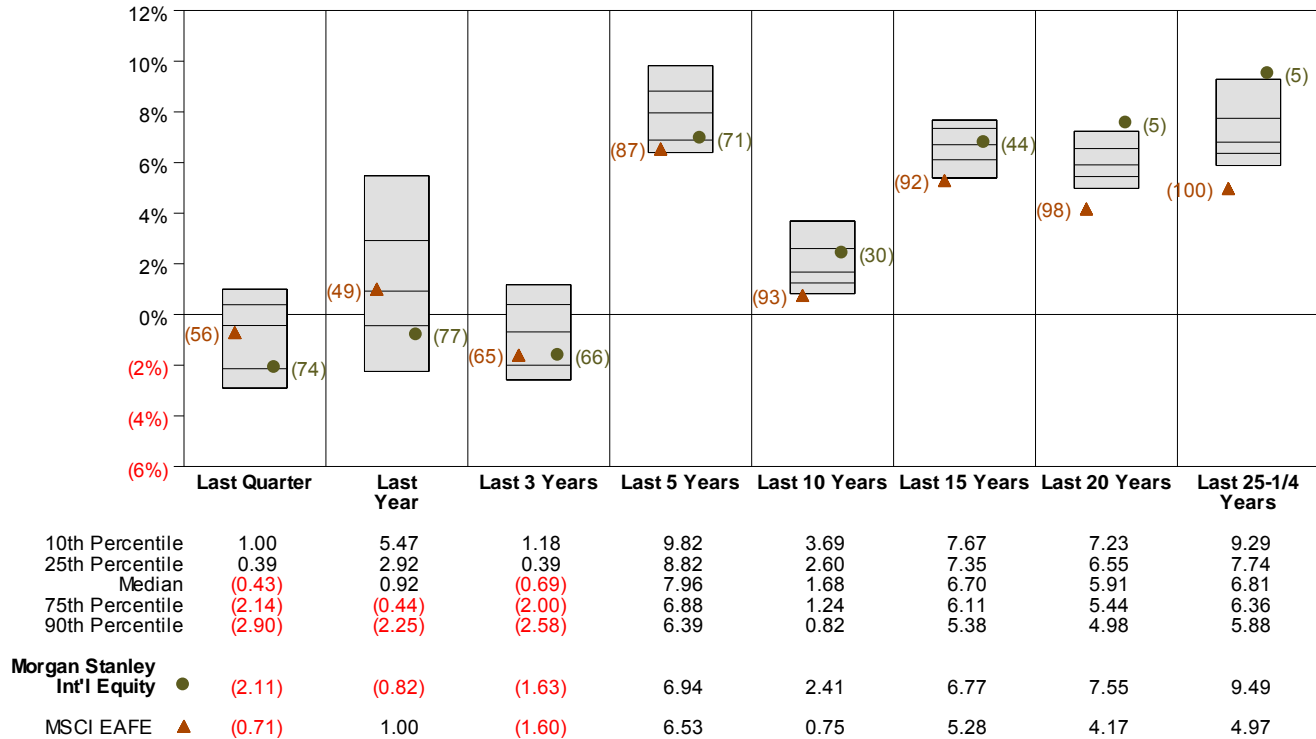
- The fund continues to track the index closely at a very low fee



International Equity Performance

Morgan Stanley Developed International Equity

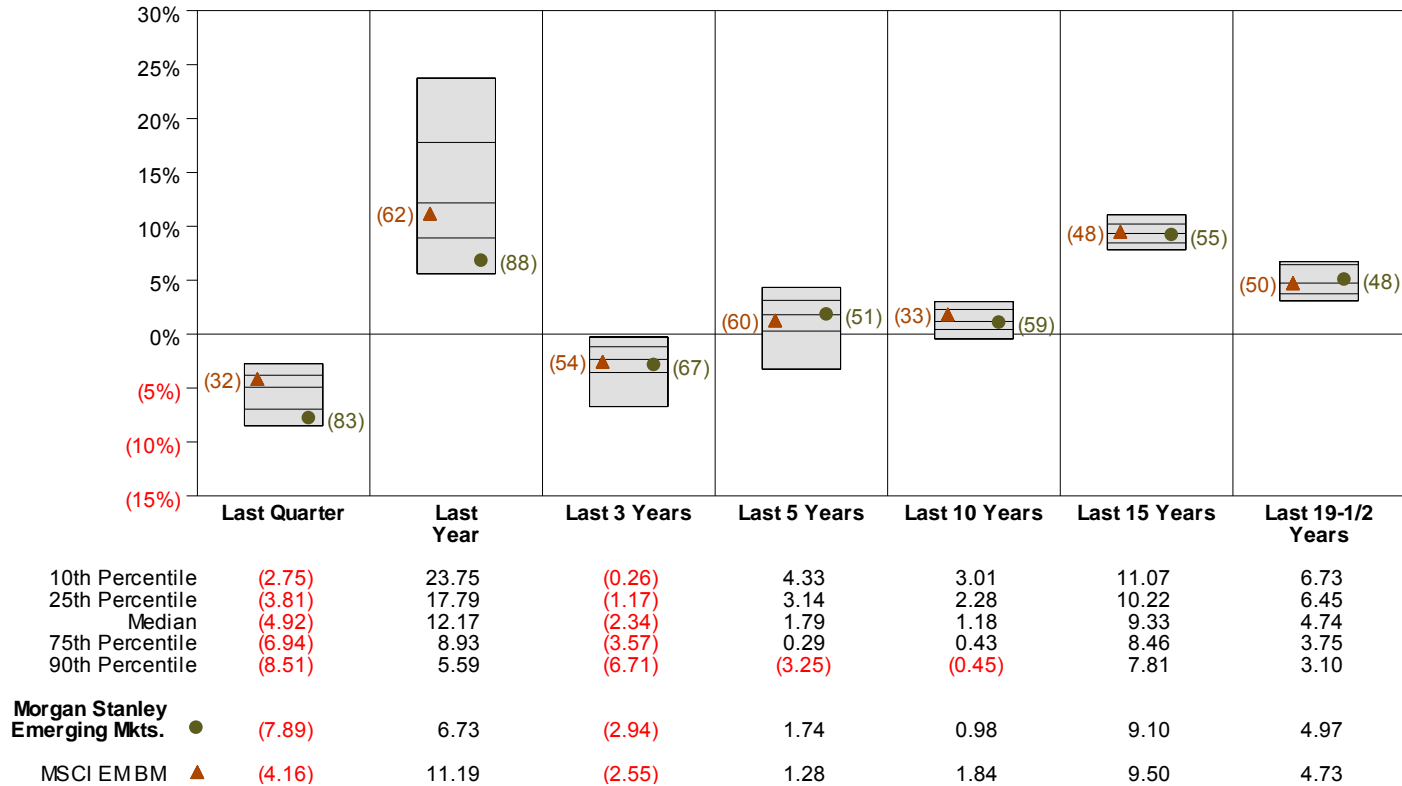
Performance vs CAI Core International Equity Style (Gross)



- The fund underperformed by 1.40% for the quarter and underperformed the index by 1.82% over the last year
- Long-term performance remains strong. Underperformance for the quarter was driven by an overweight in Consumer Staples and an underweight in Financials

Morgan Stanley Emerging Markets Equity

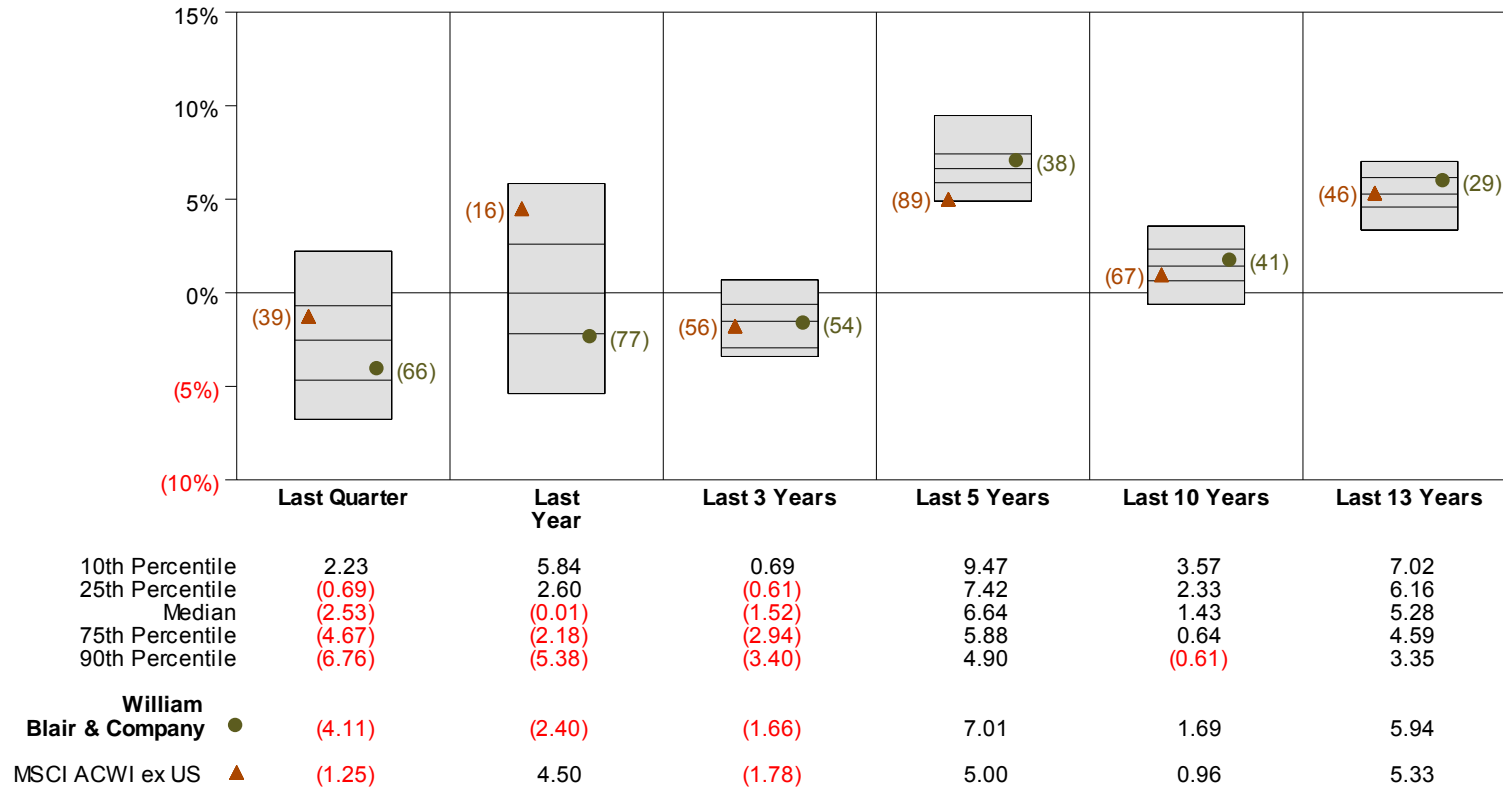
Performance vs CAI Emerging Markets Equity Mut Funds (Cheapest Net)



- The fund underperformed the index by 3.73% for the quarter and underperformed by 4.46% over the last year
- Long-term results remain just above the median, outperforming the index and peers over the past 19 years
- Stock selection in Pakistan contributed most to returns, while stock selection in Brazil, Taiwan and Korea detracted the most from results

William Blair International Growth Equity

Performance vs CAI Non US Equity Mutual Funds (Cheapest Net)



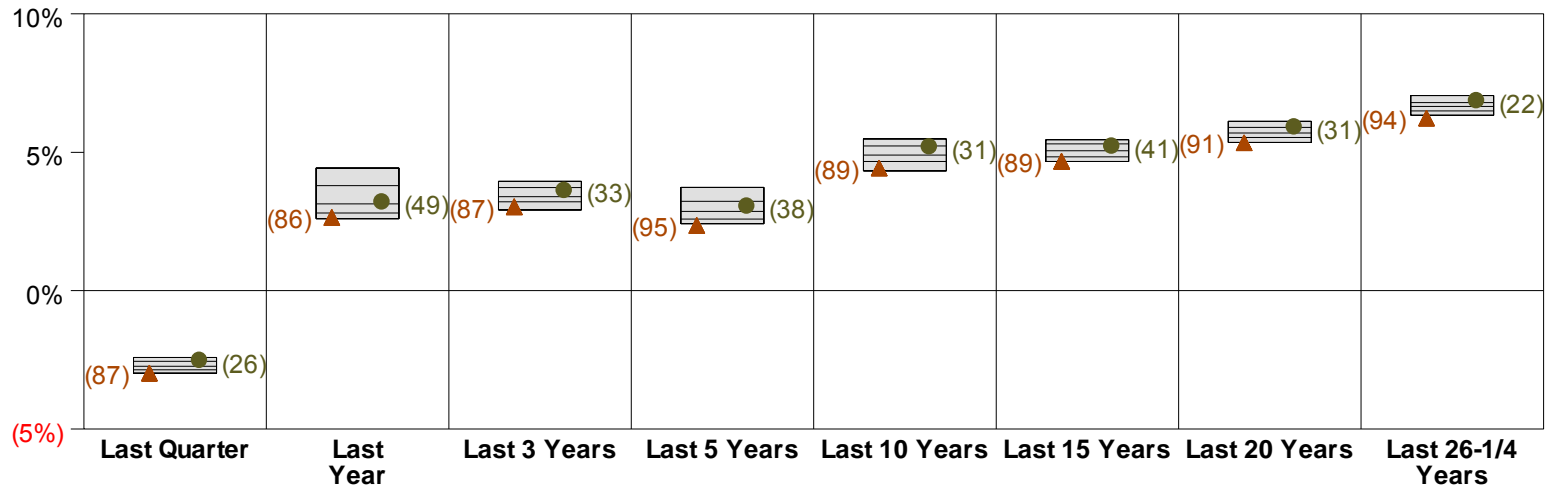
- The fund underperformed by 2.86% for the quarter and underperformed by 6.90% over the last year
- Long-term performance remains strong, as the fund has outperformed for the trailing three and five years
- Stock selection in Financials and Industrials drove underperformance for the quarter



Fixed Income

Richmond Capital Core Fixed Income

Performance vs CAI Core Bond Fixed Income (Gross)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 26-1/4 Years
10th Percentile	(2.41)	4.43	3.95	3.73	5.48	5.45	6.12	7.05
25th Percentile	(2.55)	3.79	3.72	3.23	5.23	5.30	5.89	6.79
Median	(2.73)	3.13	3.39	2.86	4.90	5.05	5.69	6.65
75th Percentile	(2.86)	2.80	3.21	2.58	4.67	4.83	5.53	6.49
90th Percentile	(2.98)	2.59	2.91	2.42	4.33	4.66	5.35	6.34
Richmond Capital Management	● (2.57)	3.15	3.58	3.00	5.14	5.17	5.86	6.81
Blended Benchmark*	▲ (2.98)	2.65	3.03	2.36	4.43	4.68	5.34	6.23

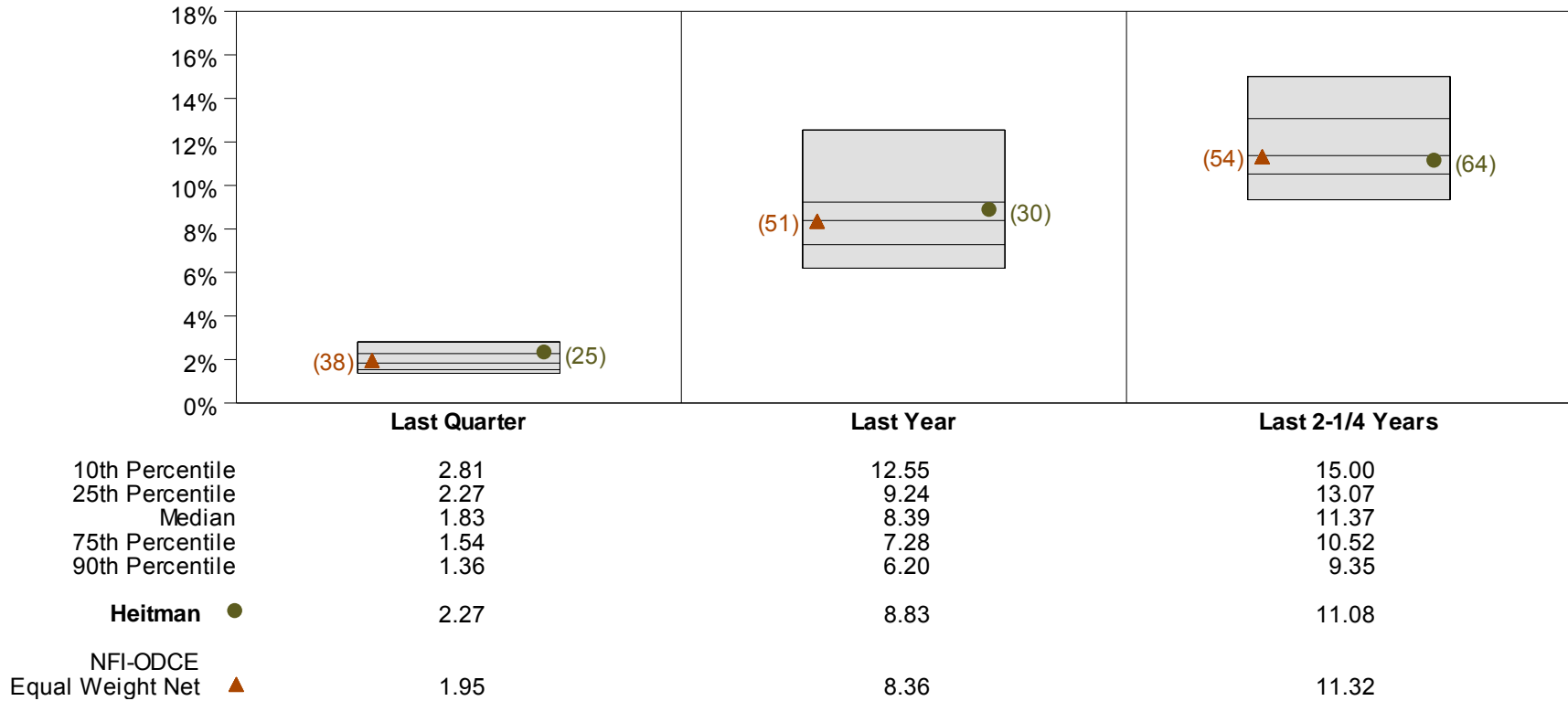
- Richmond slightly outperformed for the quarter and outperformed over the year by 0.50%
- Long-term performance remains strong as the fund has outperformed by 0.71% over the last 10 years



Real Estate

Heitman America Real Estate Trust

Performance vs CAI Open End Core Commingled Real Estate (Net)



- Ninth full quarter of performance for Heitman. The fund outperformed the index by 0.47% over the last year.
- The fund benefited from continued strong appreciation of its Industrial properties

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%.	Not Met.
	Outperform the median international equity manager over rolling 3-year periods.	Not Met.
Morgan Stanley Emerging	Outperform the MSCI Emerging Markets Index over rolling 3-year periods by 1.00%.	Not Met.
	Outperform the median emerging markets equity manager over rolling 3-year periods.	Not 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.	Not 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.
Heitman (HART)	Outperform the NFI-ODCE Index by 1% or more over rolling 5-year periods	N/A



2017 Work Plan

2017 Work Plan

	1st Quarter 2017			2nd Quarter 2017			3rd Quarter 2017			4th Quarter 2017		
Strategic Planning												
Review Capital Market Expectations												
Prepare 2018 Work Plan												
Plan Implementation												
Manager Searches (as needed)												
Monitoring & Evaluation												
Quarterly Performance Reviews												
Quarterly Meeting Attendance												
Present Executive Summary												
Investment Manager Presentations												
Continuous Qualitative Review												
Research & Education												
“Callan College”												
Regional Workshops												
National Client Conference												
Custom Board Education Session												
Research Papers and Publications												