

INVESTMENT UPDATE

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CITY OF FORT PIERCE  
RETIREMENT AND BENEFIT SYSTEM

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*Thursday, May 18, 2017*

*b y*

Paul H. Lundmark, CFA  
*Managing Director*  
*Portfolio Manager*



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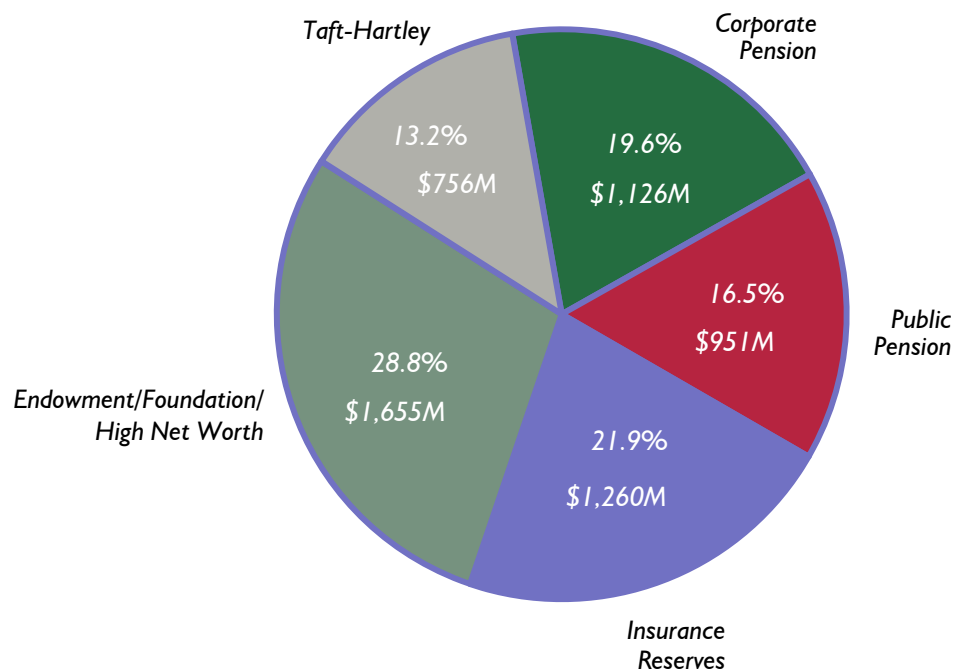
RICHMOND CAPITAL MANAGEMENT  
*Experience, Knowledge, Service*

# ORGANIZATION

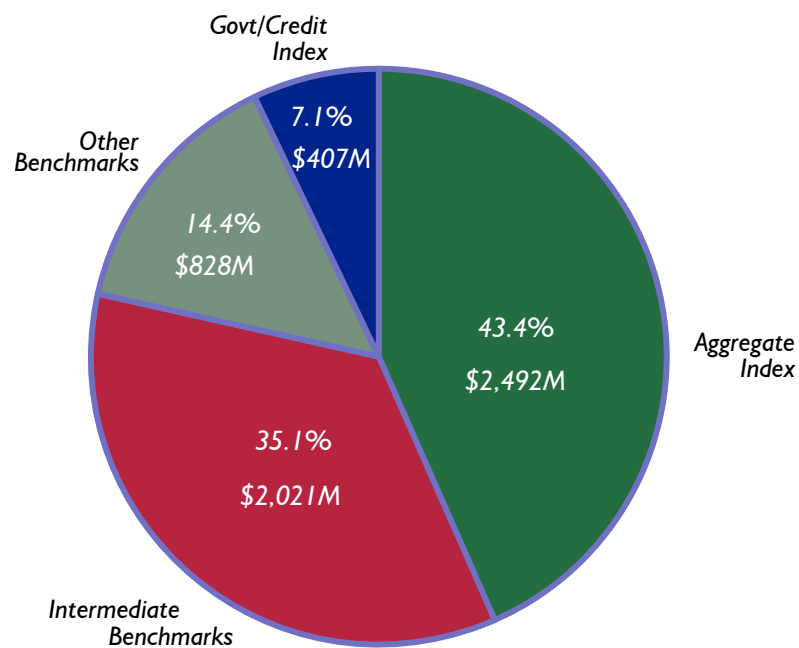
As of March 31, 2017

- » Independent Investment Advisor since 1987
- » 100% Employee Owned
- » Seasoned Professionals: 27 Years Average Bond Experience
- » \$5.7 Billion Under Management

### Assets by Client Type



### Assets by Benchmark



## PROFESSIONALS FOCUSED ON YOUR PORTFOLIO

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### Portfolio Managers

Core Investment Team has been together for over 14 years

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

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

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

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

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

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

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

David W. Schultz, CFA  
**Investment Officer, RCM since 2017**  
**4 Years Bond Investment Experience**  
Prior Experience: Virginia Retirement System  
M.S. MIT Sloan School of Management, 2014  
B.S. University of Virginia, 2011

### Client Services, Operations, and Compliance

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

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

Geoffrey B. Sale  
**Chief Compliance Officer, RCM since 2002**  
**25 Years Compliance 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, 2017

Cash Flows Since Inception Through March 31, 2017	
Market Value (8/1/1989)	<b>\$12,816,948</b>
Change in Market Value of Holdings	<b>3,943,815</b>
Interest Earned	<b>64,822,586</b>
Contributions/ Withdrawals	<b>26,508,147</b> <b>(62,854,323)</b>
Total	<b>\$45,237,173</b>

Portfolio Review Through March 31, 2017	
Average Maturity	<b>7.26 Years</b>
Portfolio Duration (Barclays Aggregate)	<b>5.57 Years</b> <b>5.84 Years</b>
Average Yield to Maturity (Barclays Aggregate)	<b>2.69%</b> <b>2.56%</b>
Average Quality	<b>AA-</b>

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, 2017*

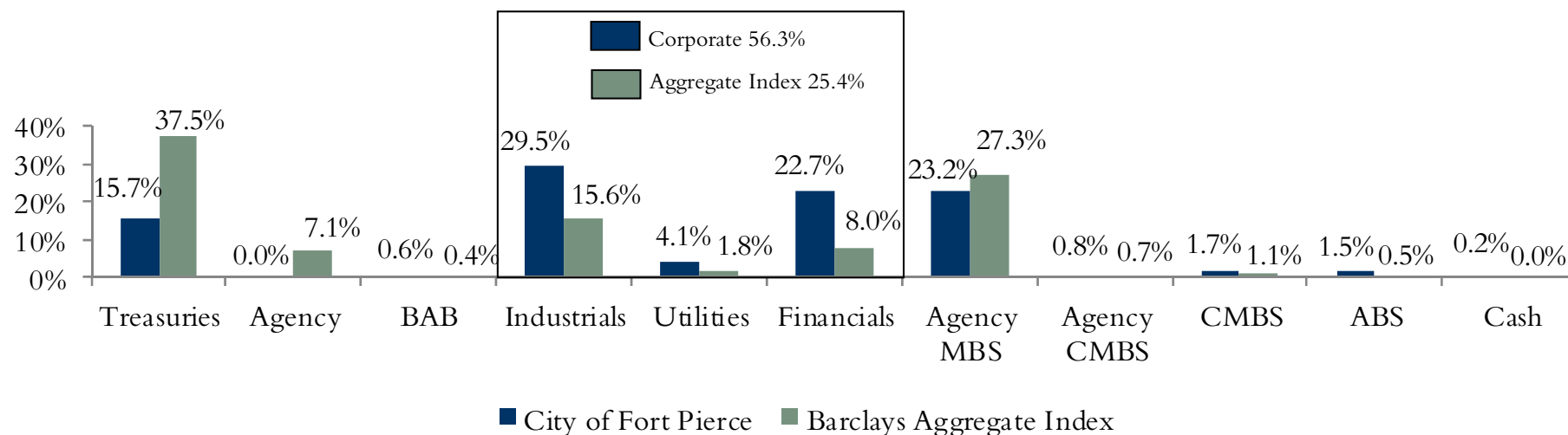
	<b>City of Fort Pierce Retirement and Benefit System</b>	Barclays Aggregate Index	Value Added
1st Quarter, 2017	0.81%	0.82%	-0.01%
12 Months to Date	1.02%	0.44%	+0.58%
Annualized: 3 Years	3.15%	2.68%	+0.47%
5 Years	3.03%	2.50%	+0.53%
10 Years	5.07%	4.36%	+0.71%
Annualized Since Inception (8/1/1989)	6.71%	6.14%	+0.57%

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

# CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

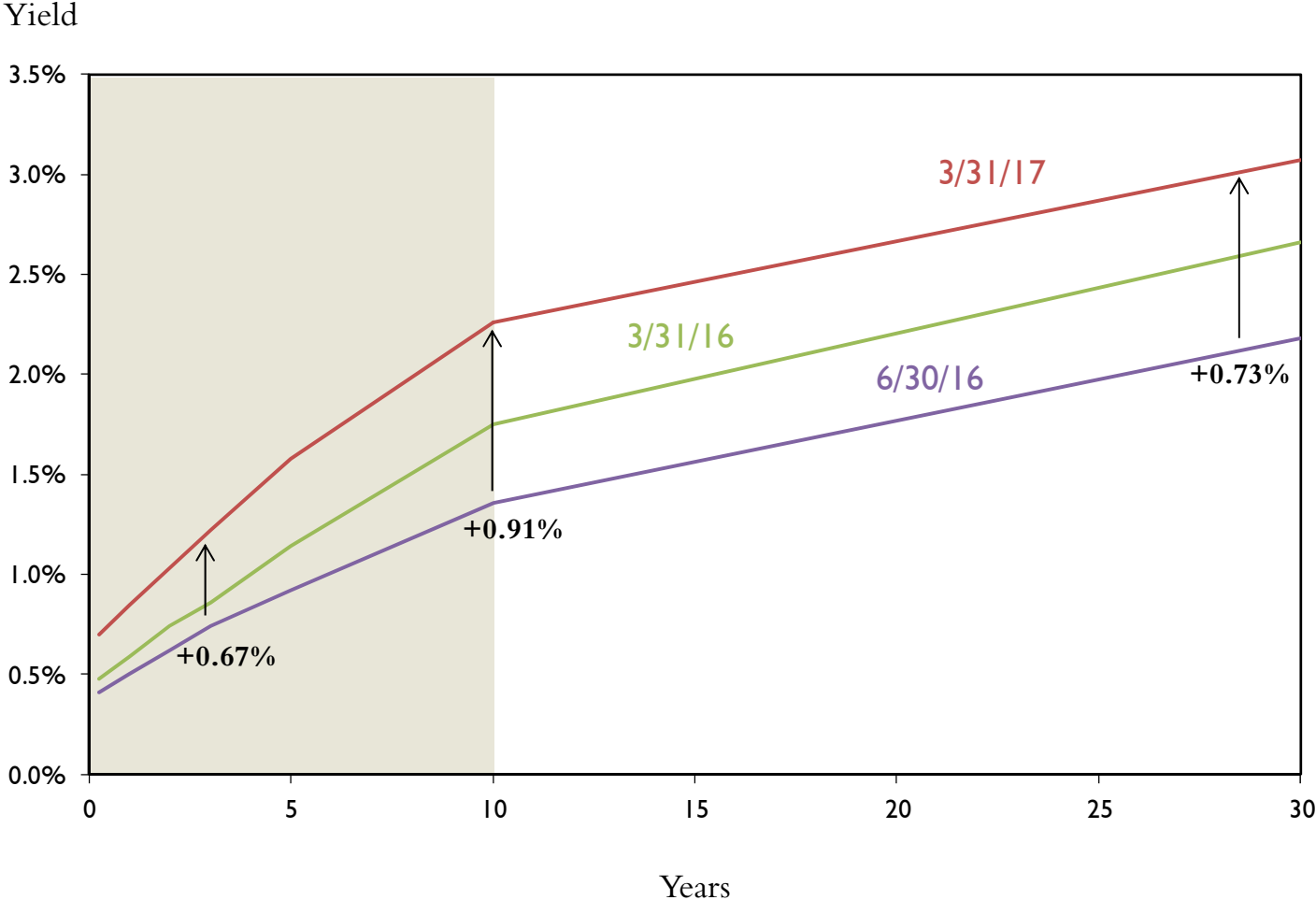
As of March 31, 2017

Quality Distribution		
	City of Fort Pierce	Barclays Aggregate Index
AAA	43.5%	71.9%
AA	4.6%	4.1%
A	33.4%	10.4%
BAA	18.5%	13.6%



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

# TREASURY YIELD CURVE CHANGE



Source: Bloomberg

## DIVERGING CENTRAL BANK POLICIES

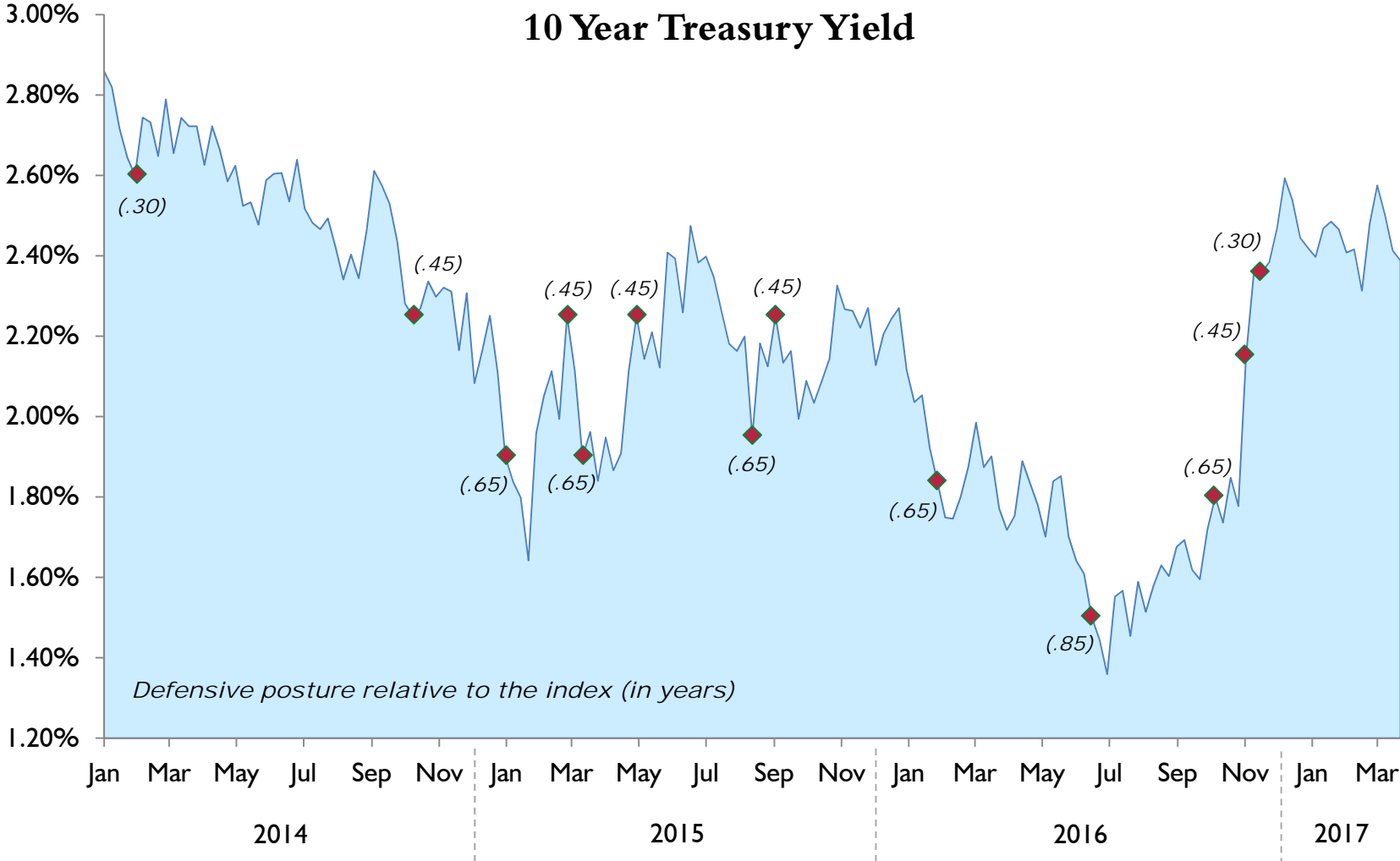
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Country	2 Year Rates		10 Year Rates	
	12/2015	3/2017	12/2015	3/2017
United States	1.05%	1.25%	2.27%	2.39%
Germany	-0.35%	-0.80%	0.63%	0.34%
United Kingdom	0.65%	0.13%	1.96%	1.11%
Italy	0.02%	-0.09%	1.59%	2.34%
Switzerland	-0.89%	-0.96%	-0.09%	-0.16%
Japan	-0.01%	-0.18%	0.26%	0.07%

**U.S. 10-year Treasury rates are attractive versus most other industrialized nations but inflation expectations are pushing interest rates higher in the U.S.**

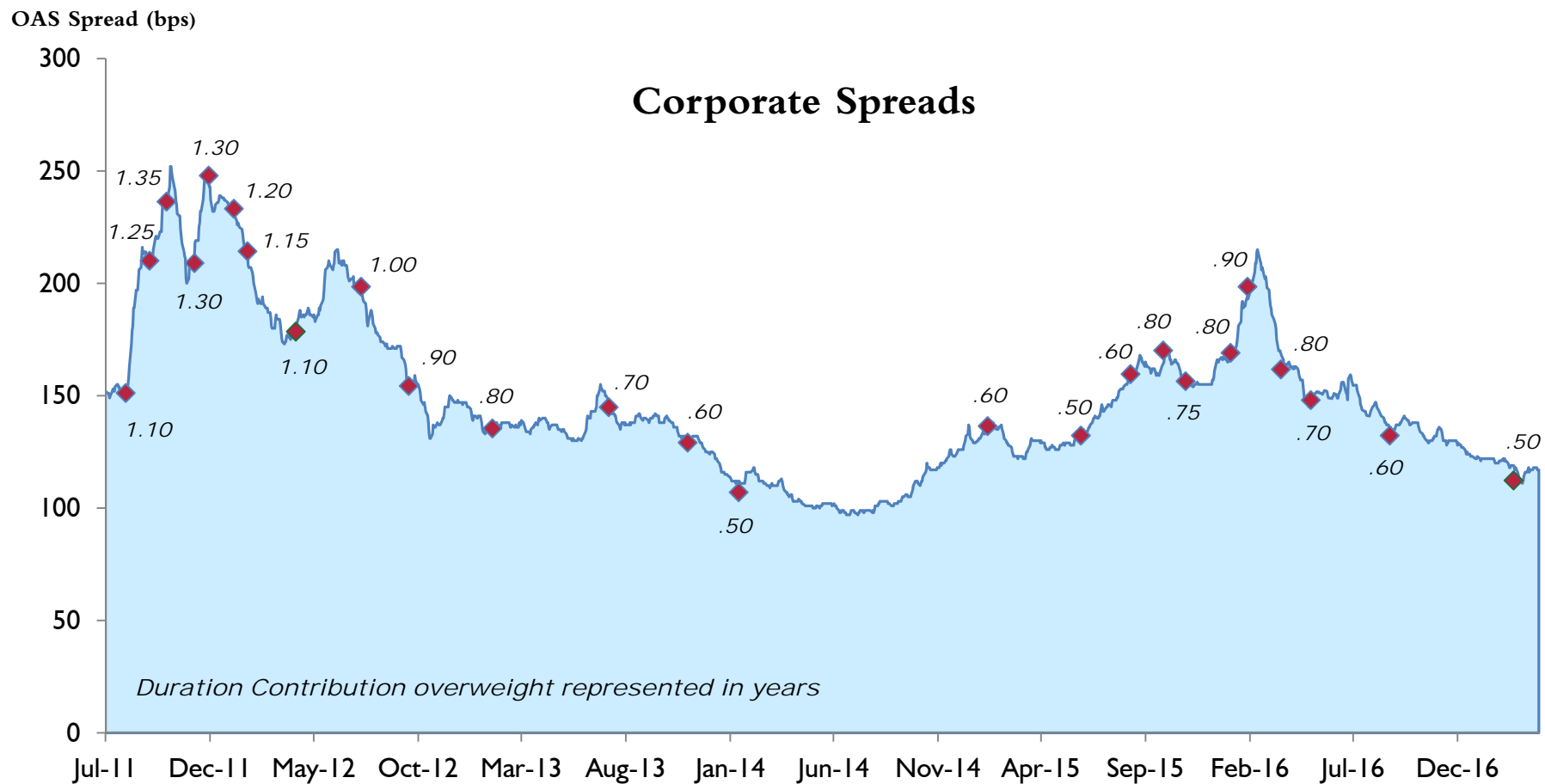
Source: Bloomberg

# DISCIPLINED APPROACH TO DURATION MANAGEMENT



Source: Bloomberg

# OPPORTUNISTIC CORPORATE BOND ALLOCATION CHANGES



Source: Bloomberg Barclays

## STRATEGY FOR 2017

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- » **As interest rates moved higher at the end of 2016**, we increased the portfolio's duration from 0.65 years shorter than the index to 0.30 years shorter. We are still modestly defensive as the Federal Reserve is poised to increase short-term rates two more times in 2017.
- » **The yield curve steepened at the end of 2016** with the two year Treasury increasing 43 basis points versus 85 basis points for the ten year Treasury. As we increased our duration, we took advantage of the steeper curve by purchasing longer maturity securities and reducing our underweight in this area. Overall duration underweight is spread fairly evenly across the curve.
- » **Corporate bond spreads narrowed significantly during the 4th quarter and the year.** "BBB" rated corporates, in particular, produced outstanding performance. We remain overweight corporates on a diversified basis with exposure to 79 credits. However, as spreads tightened throughout 2016, we reduced our overweight to the corporate sector. We do not expect yield spreads to narrow as drastically in 2017 as they did in 2016. If corporate spreads widen during the year, we are prepared to increase our overweight.