



May 18, 2017

**City of Fort Pierce**

First Quarter Performance  
Review

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# Market Environment 1Q17: Economy

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*Economies in the U.S. and Europe continued to gain traction. Expectations for lower taxes, reduced regulation, and other pro-growth reforms helped propel U.S. equity prices to new highs. In Europe, economic momentum picked up. In Japan, growth remained weak but positive.*

- Fourth quarter GDP was revised up to +2.1%
  - Advance estimate of 0.7% for first quarter of 2017
- The Fed raised its Fed Funds target 25 bps to a range of 0.75% – 1.0%
  - The Fed expects two additional hikes in 2017
- Inflation fell slightly in March
  - First decline since February 2016
  - Over the last 12 months the all items index rose 2.4%
  - Ex food and energy, the index rose 2% over the last year
- Unemployment fell to 4.5%
- Consumer confidence hit its highest level since December 2000
  - According to the Conference Board's Index
- Home data continued to show strength
  - U.S. single family home starts approached a 10-year high
- Eurozone first quarter GDP +1.7%
  - GDP was positive in each country except Greece (-1.2%)
- Eurozone unemployment remained high at 9.5%, though down from its peak of 12.1% in July 2013
- Chinese first quarter GDP +6.9%
  - Supported by government infrastructure spending
  - Concerns over housing market overheating

# Market Environment 1Q17: Global Equity

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*The S&P 500 Index has lodged gains for eight consecutive calendar years, and the first quarter continued on that trajectory. US equity market volatility remained subdued. Non-US markets modestly outperformed U.S. markets, bolstered by dollar weakness.*

## U.S. Equity

- Large stocks outperformed mid and small caps
  - S&P 500 +6.1%
  - Russell Mid Cap +5.1%
  - Russell 2000 +2.5%
- Growth outperformed value
  - Russell 1000 Value +3.3% vs. Growth +8.9%
  - Russell 2000 Value -0.1% vs. Growth +5.3%
  - Growth was bolstered by Technology sector while value was hurt by Energy stocks
- Sector returns divergent
  - Best performing sector was Technology (+12.6%)
  - Healthcare (+8.4%) rebounded after being the worst performer in 2016
  - Energy (-6.7%) was the worst performer as oil prices fell 7% during Q1

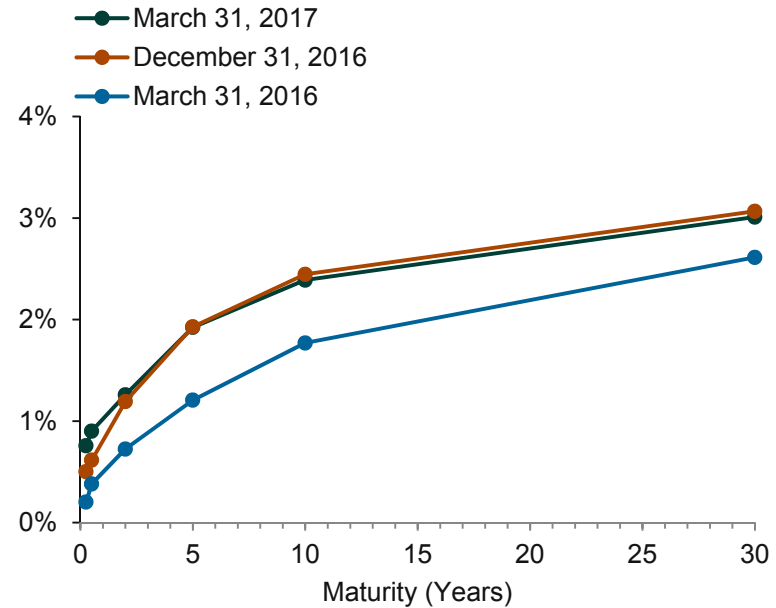
## International Equity

- Developed markets modestly outperformed U.S.
  - MSCI EAFE +7.2%
  - Best performer was Spain (+14.8%)
- Emerging markets outperformed
  - MSCI EM +11.4%
  - Countries with the top performance included India (+17.1%), Mexico (+16.0%), Korea (+16.8%), China (+12.9%), and Brazil (+10.4%)
  - Russia fared the worst (-4.6%), pulling back from a 55% gain in 2016

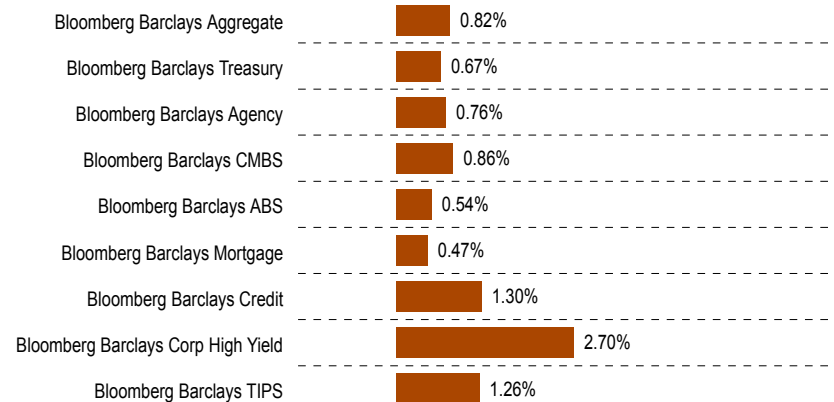
# Market Environment 1Q17: Fixed Income

- Bloomberg Barclays U.S. Aggregate Index returned +0.8% for the quarter
  - Corporate bonds outperformed, with BBB-rated credit (+1.7%) posting the strongest returns
- High yield corporates performed best
  - Bloomberg Barclays High Yield Index +2.7%
  - Lower-rated bonds outperformed higher-rated issues
- Foreign bonds (unhedged) helped by weaker dollar
  - Bloomberg Barclays Global Aggregate ex-US (unhedged): +2.5%
  - Bloomberg Barclays Global Aggregate ex-US (hedged): +0.1%
  - The U.S. dollar lost nearly 5% versus the yen and depreciated to a lesser extent versus other developed markets currencies
- Emerging markets debt outperformed
  - Dollar-denominated JPM EMBI Global Diversified Index +3.9%
  - Local currency-denominated JPM GBI-EM Global Diversified Index +6.5%
  - Country gains were broad-based across both indices

U.S. Treasury Yield Curves

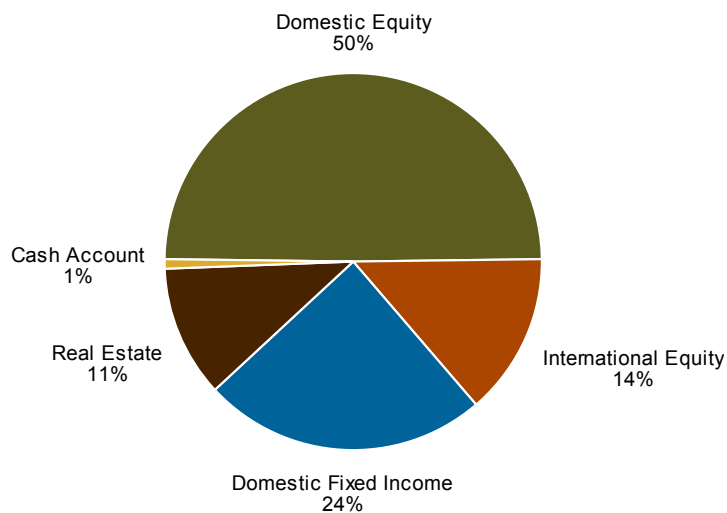


Absolute Returns for Quarter ended March 31, 2017

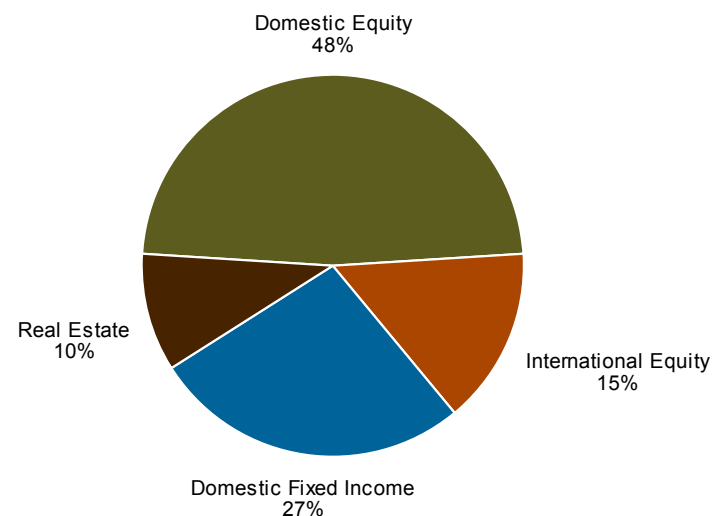


# Asset Allocation Review

**Actual Asset Allocation**



**Target Asset Allocation**



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	92,005	49.6%	48.0%	1.6%	2,924
International Equity	25,738	13.9%	15.0%	(1.1%)	(2,100)
Domestic Fixed Income	45,238	24.4%	27.0%	(2.6%)	(4,870)
Real Estate	21,063	11.3%	10.0%	1.3%	2,505
Cash Account	1,541	0.8%	0.0%	0.8%	1,541
<b>Total</b>	<b>185,584</b>	<b>100.0%</b>	<b>100.0%</b>		

**Relative Attribution Effects for Quarter ended March 31, 2017**

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	49%	48%	5.28%	5.19%	0.04%	0.01%	0.06%
Domestic Fixed Income	25%	27%	0.82%	0.82%	0.00%	0.06%	0.06%
Real Estate	12%	10%	1.09%	1.62%	(0.06%)	(0.04%)	(0.10%)
International Equity	13%	15%	7.97%	7.86%	0.01%	(0.06%)	(0.05%)
Cash Account	1%	0%	0.11%	0.11%	0.00%	(0.03%)	(0.03%)
<b>Total</b>			<b>3.99%</b>	<b>4.05%</b>	<b>(0.00%)</b>	<b>(0.07%)</b>	<b>(0.07%)</b>

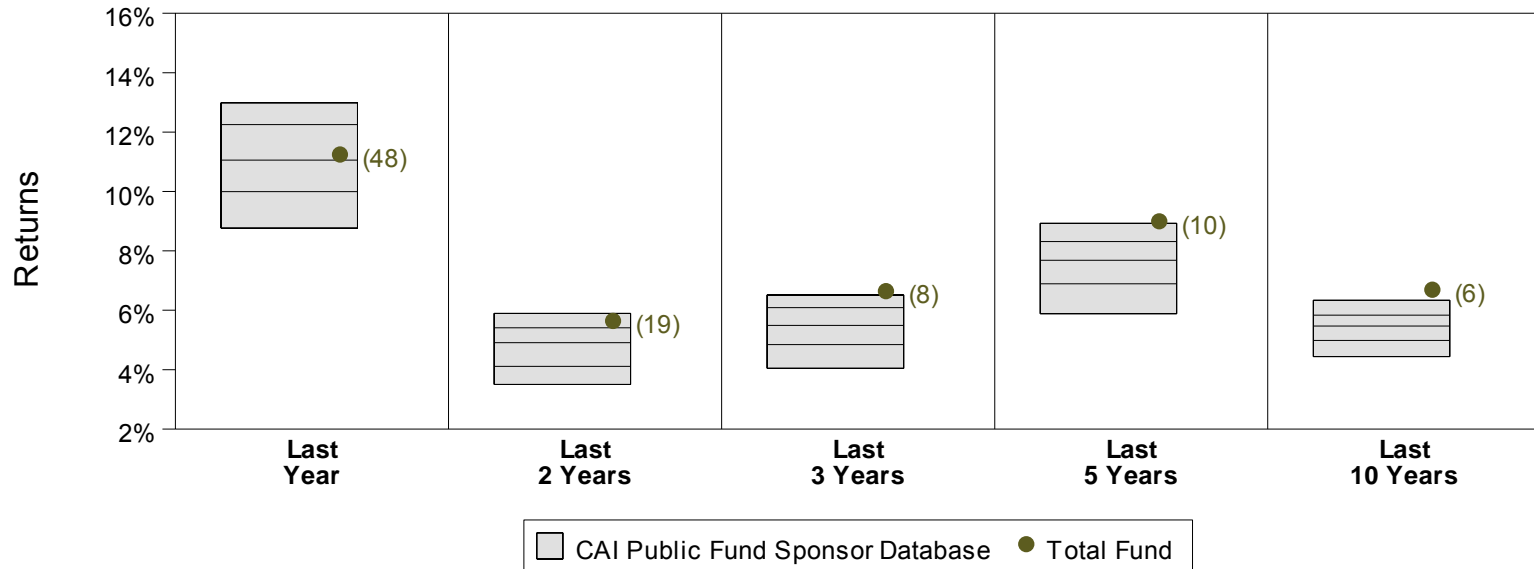
# Asset Distribution Across Investment Managers

	March 31, 2017						December 31, 2016		
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target	
<b>Domestic Equity</b>	<b>\$92,004,778</b>	<b>49.58%</b>	<b>48.00%</b>	<b>\$(38,489)</b>	<b>\$4,619,214</b>	<b>\$87,424,053</b>	<b>48.96%</b>	<b>48.00%</b>	
Emerald Advisers, Inc.	7,151,173	3.85%	3.75%	(14,045)	341,382	6,823,835	3.82%	3.75%	
Ceredex Value Advisors	7,096,044	3.82%	3.75%	(15,732)	109,836	7,001,940	3.92%	3.75%	
SSgA S&P 500 Index	63,322,933	34.12%	33.00%	(6,041)	3,621,473	59,707,502	33.44%	33.00%	
SSgA S&P 400 Index	14,434,628	7.78%	7.50%	(2,671)	546,523	13,890,776	7.78%	7.50%	
<b>International Equity</b>	<b>\$25,737,844</b>	<b>13.87%</b>	<b>15.00%</b>	<b>\$(24,232)</b>	<b>\$1,900,111</b>	<b>\$23,861,965</b>	<b>13.36%</b>	<b>15.00%</b>	
Morgan Stanley Int'l Equity	12,337,218	6.65%	7.00%	(24,232)	980,871	11,380,580	6.37%	7.00%	
Morgan Stanley Emerging Mkts.	1,152,994	0.62%	1.00%	0	116,891	1,036,103	0.58%	1.00%	
William Blair & Company	12,247,632	6.60%	7.00%	0	802,350	11,445,282	6.41%	7.00%	
<b>Domestic Fixed Income</b>	<b>\$45,237,616</b>	<b>24.38%</b>	<b>27.00%</b>	<b>\$(34,487)</b>	<b>\$366,913</b>	<b>\$44,905,191</b>	<b>25.15%</b>	<b>27.00%</b>	
Richmond Capital Management	45,237,616	24.38%	27.00%	(34,487)	366,913	44,905,191	25.15%	27.00%	
<b>Real Estate</b>	<b>\$21,063,067</b>	<b>11.35%</b>	<b>10.00%</b>	<b>\$0</b>	<b>\$226,891</b>	<b>\$20,836,176</b>	<b>11.67%</b>	<b>10.00%</b>	
Heitman	21,063,067	11.35%	10.00%	0	226,891	20,836,176	11.67%	10.00%	
<b>Cash Account</b>	<b>\$1,540,709</b>	<b>0.83%</b>	<b>0.00%</b>	<b>\$0</b>	<b>\$1,628</b>	<b>\$1,539,081</b>	<b>0.86%</b>	<b>0.00%</b>	
<b>Total Fund</b>	<b>\$185,584,015</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$(97,209)</b>	<b>\$7,114,758</b>	<b>\$178,566,466</b>	<b>100.0%</b>	<b>100.0%</b>	

- The total fund increased by \$7 million over the quarter to \$185.6 million as of March 31, 2017

# City of Fort Pierce Total Fund

## CAI Public Fund Sponsor Database



	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Last 7 Years	
<b>Total Fund</b>	<b>3.99%</b>	<b>75</b>	<b>11.18%</b>	<b>48</b>	<b>6.59%</b>	<b>8</b>	<b>8.94%</b>	<b>10</b>	<b>9.34%</b>	<b>6</b>
Total Fund Benchmark(1)	4.05%	72	11.93%	31	6.58%	8	8.49%	21	8.78%	17
CPI + 5%	2.16%	98	7.35%	96	5.73%	38	5.99%	89	6.54%	90
CAI Public Fund Spr DB	4.38%		11.06%		5.49%		7.68%		7.87%	

- The Total Fund underperformed the benchmark by 0.06% for the quarter
- Total Fund performance relative to the benchmark and peers has remained strong over time

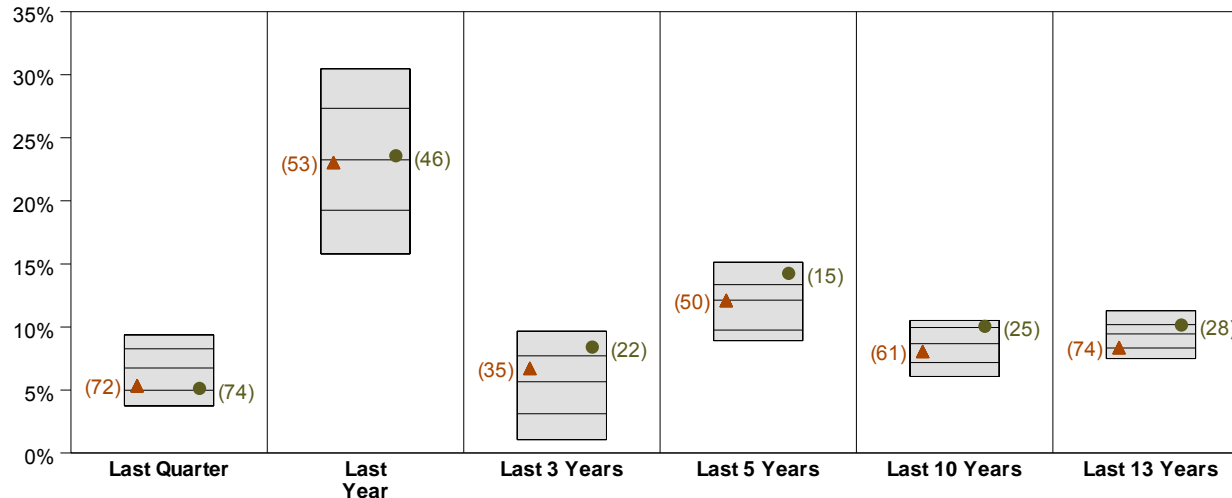
\* Current Quarter Target = 33.0% S&P 500 Index, 27.0% Barclays Aggregate Index, 15.0% MSCI ACWI ex US Index, 10.0% NFI-ODCE Equal Weight Net, 7.5% S&P Mid Cap 400 Index, 3.8% Russell 2000 Growth Index and 3.8% Russell 2000 Value Index.



# Domestic Equity Performance

# Emerald Advisors Small Cap Growth

Performance vs CAI Small Cap Growth (Gross)

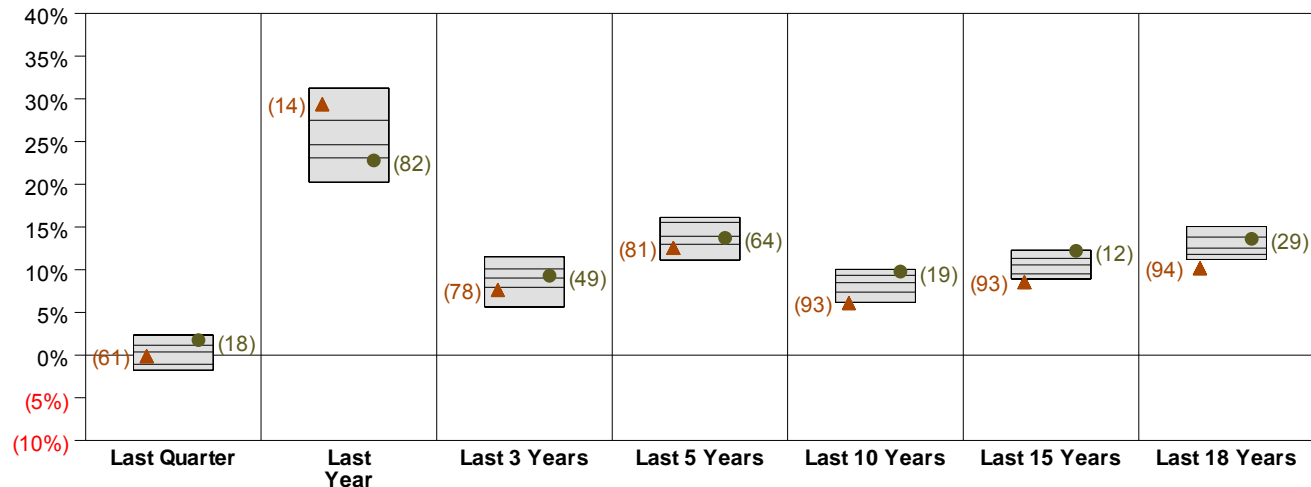


10th Percentile	9.38	30.47	9.67	15.13	10.51	11.28
25th Percentile	8.27	27.34	7.71	13.36	9.95	10.18
Median	6.75	23.25	5.66	12.12	8.67	9.45
75th Percentile	4.98	19.26	3.11	9.75	7.18	8.33
90th Percentile	3.74	15.80	1.07	8.92	6.07	7.50
<b>Emerald Advisers, Inc.</b>	● 5.01	23.45	8.30	14.14	9.95	10.03
Russell 2000 Growth Index	▲ 5.35	23.03	6.72	12.10	8.06	8.37

- Emerald underperformed the benchmark by 0.34% during the quarter and outperformed by 0.42% over the last year
- Emerald has strong long-term returns well above the benchmark over longer time frames
- The primary detractors was the portfolio's underweight to Health Care, which as a sector strongly outperformed the Russell 2000 Growth Index

# Ceredex Value Advisors Small Cap Value

Performance vs CAI Small Cap Value (Gross)

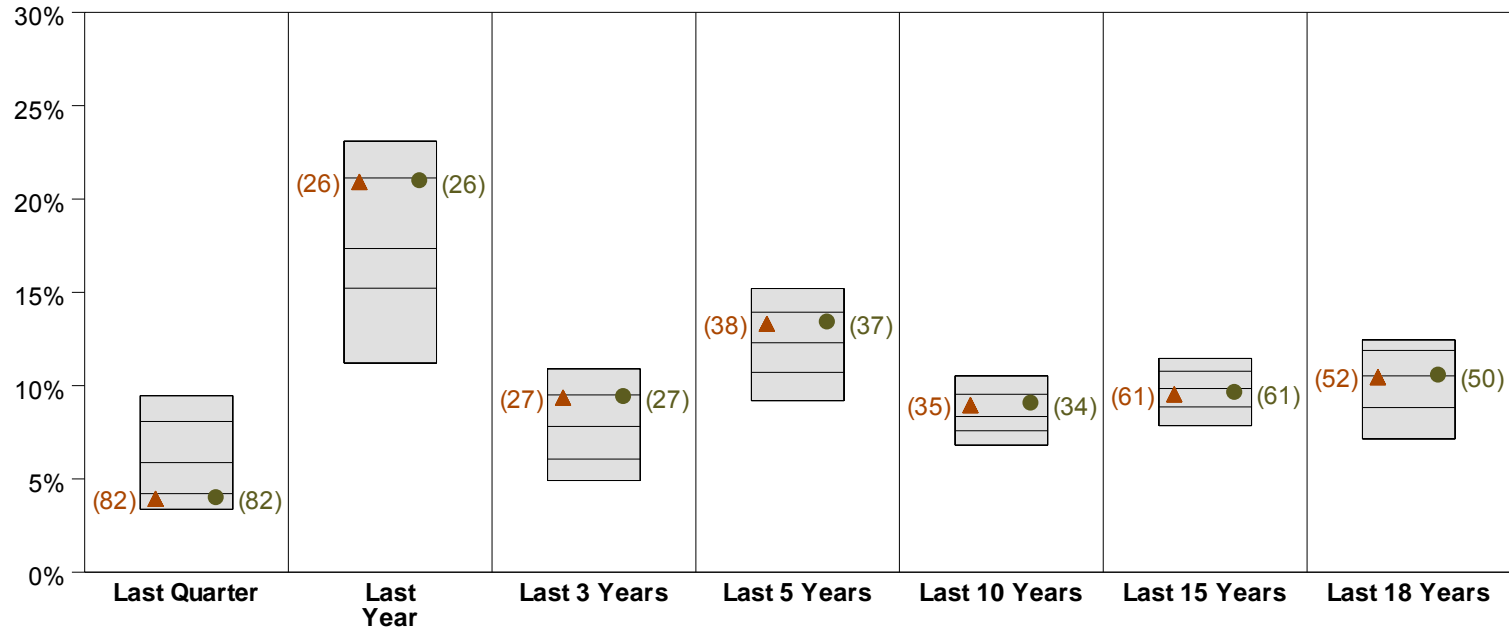


10th Percentile	2.35	31.26	11.50	16.11	10.03	12.27	15.04
25th Percentile	1.15	27.49	10.08	15.53	9.35	11.32	13.81
Median	0.37	24.62	9.02	13.91	8.49	10.55	12.53
75th Percentile	(1.08)	23.09	7.93	12.97	7.37	9.51	11.80
90th Percentile	(1.78)	20.23	5.62	11.11	6.19	8.92	11.19
<b>Ceredex Value Advisors</b>	● 1.57	22.61	9.12	13.53	9.61	12.05	13.43
<b>Russell 2000 Value Index</b>	▲ (0.13)	29.37	7.62	12.54	6.09	8.54	10.18

- Ceredex outperformed the benchmark by 1.70% for the quarter and underperformed by 6.76% over the last year
- Long-term results are strong and the fund has outperformed the benchmark for all periods greater than one year
- Underweight positions in Energy and Financial Services and stock selection from Consumer Staples contributed positively to performance

# SSgA S&P Mid Cap 400 Index

## Performance vs CAI Mid Capitalization (Gross)

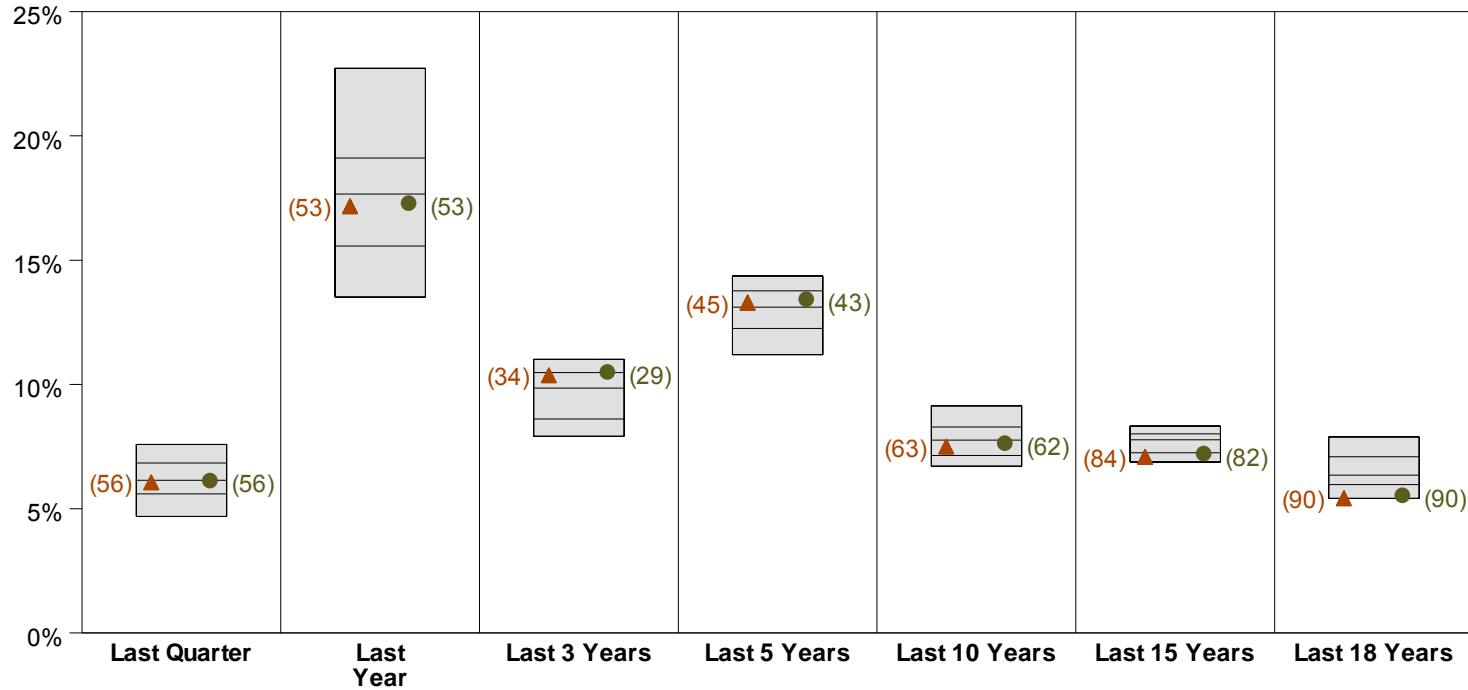


10th Percentile	9.47	23.10	10.90	15.21	10.53	11.46	12.46
25th Percentile	8.08	21.13	9.51	13.94	9.54	10.78	11.90
Median	5.88	17.35	7.81	12.30	8.35	9.84	10.53
75th Percentile	4.22	15.23	6.06	10.72	7.58	8.86	8.82
90th Percentile	3.37	11.21	4.92	9.19	6.81	7.86	7.14
<b>SSgA S&amp;P 400 Index</b> ●	3.93	20.91	9.36	13.35	9.00	9.57	10.51
S&P Mid Cap 400 Index ▲	3.94	20.92	9.36	13.32	8.96	9.54	10.46

- 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	7.58	22.72	11.01	14.37	9.14	8.33	7.89
25th Percentile	6.84	19.11	10.47	13.76	8.29	8.01	7.10
Median	6.14	17.66	9.85	13.11	7.76	7.77	6.35
75th Percentile	5.59	15.57	8.61	12.25	7.14	7.25	5.97
90th Percentile	4.69	13.51	7.91	11.20	6.71	6.87	5.42

<b>SSgA S&amp;P 500 Index</b> ●	6.07	17.22	10.43	13.35	7.57	7.15	5.47
S&P 500 Index ▲	6.07	17.17	10.37	13.30	7.51	7.09	5.43

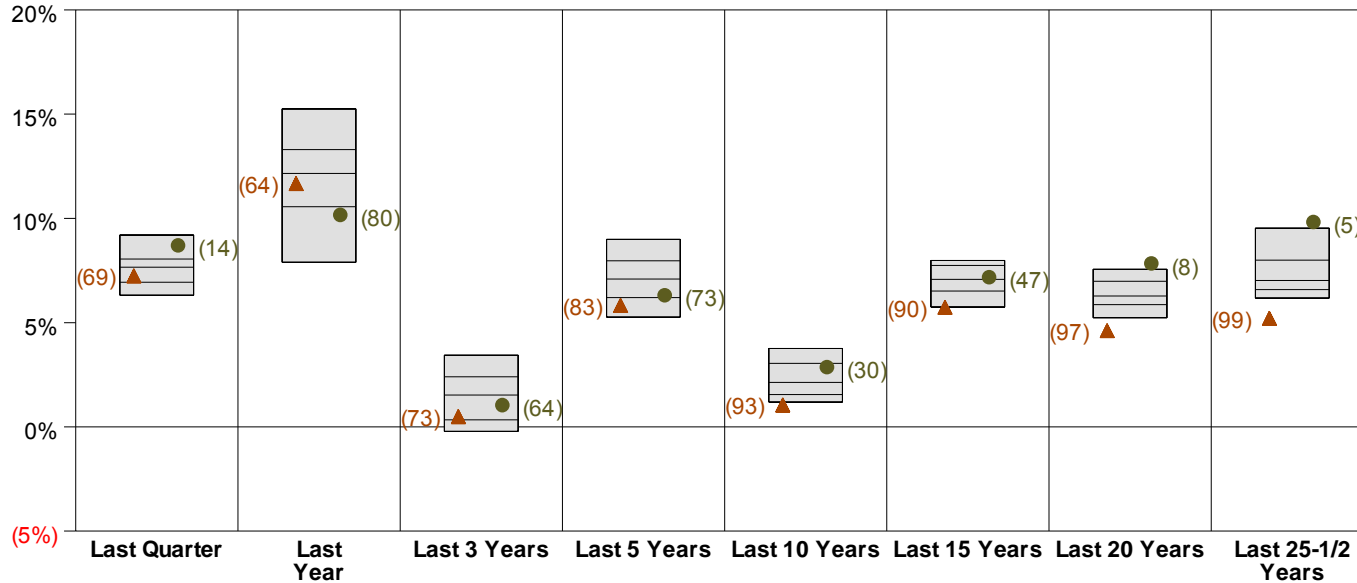
- The fund continues to track the index closely at a very low fee



## International Equity Performance

# Morgan Stanley Developed International Equity

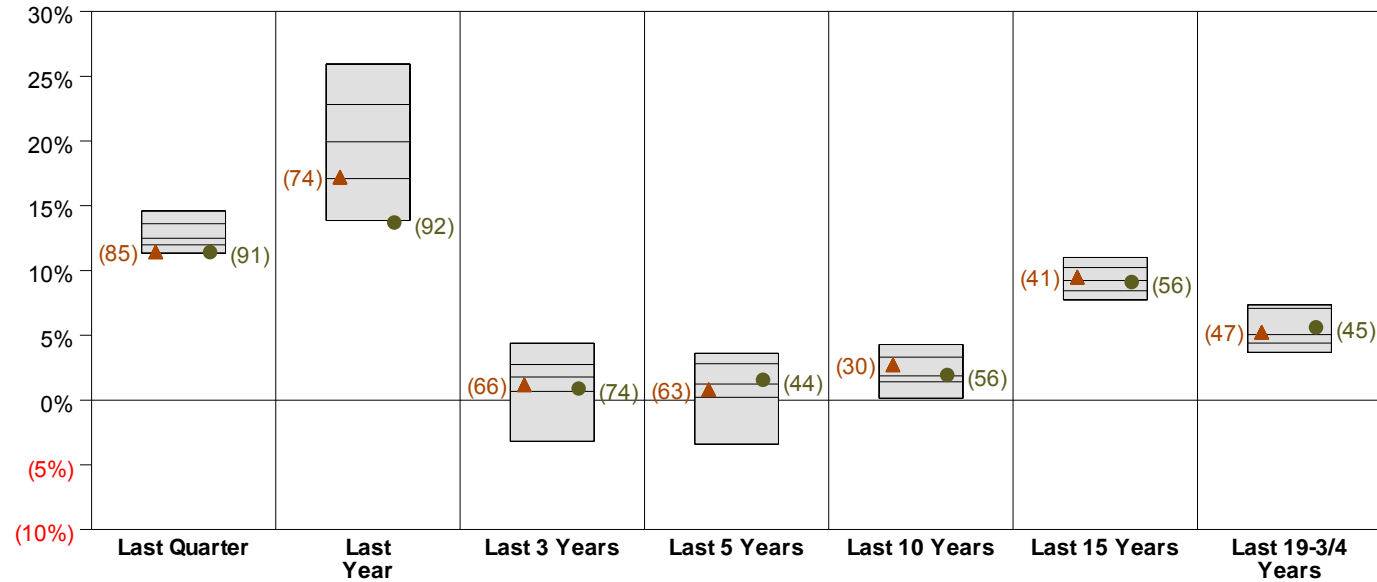
## Performance vs CAI Non-US Developed Core Equity (Gross)



- The fund outperformed by 1.38% for the quarter and underperformed the index by 1.59% over the last year
- Outperformance for the quarter was driven by stock selection in Consumer Staples, Health Care, and Materials

# Morgan Stanley Emerging Markets Equity

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

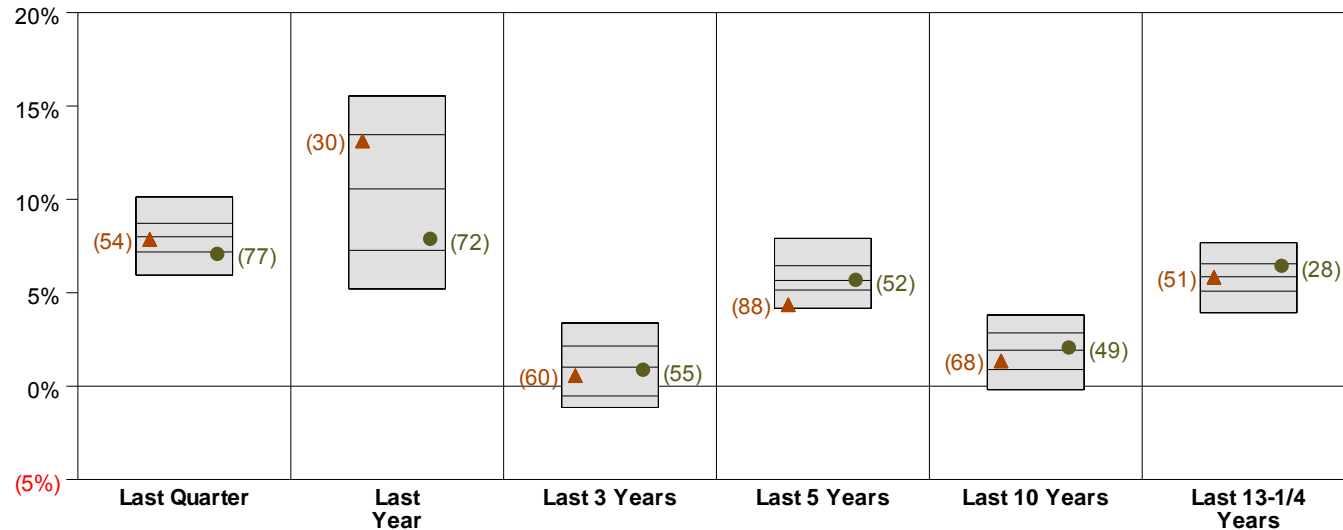


10th Percentile	14.61	25.94	4.39	3.60	4.29	11.00	7.36
25th Percentile	13.61	22.82	2.75	2.81	3.30	10.23	7.09
Median	12.49	19.94	1.77	1.24	1.87	9.23	5.06
75th Percentile	11.98	17.10	0.67	0.20	1.41	8.44	4.40
90th Percentile	11.34	13.86	(3.18)	(3.41)	0.14	7.73	3.68
<b>Morgan Stanley Emerging Mkts.</b>	● 11.28	13.57	0.75	1.43	1.81	8.97	5.47
MSCI EMBM	▲ 11.44	17.21	1.18	0.81	2.72	9.51	5.24

- The fund underperformed the index by 0.16% for the quarter and underperformed by 3.64% over the last year
- Long-term results remain above median, outperforming the index and peers over the past 19 3/4 years
- An underweight to South Korea and poor stock selection within the country was the primary driver of poor performance

# William Blair International Growth Equity

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



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 13-1/4 Years
10th Percentile	10.13	15.54	3.38	7.92	3.81	7.68
25th Percentile	8.72	13.46	2.15	6.45	2.86	6.55
Median	8.00	10.56	1.01	5.66	1.93	5.86
75th Percentile	7.19	7.28	(0.52)	5.14	0.89	5.08
90th Percentile	5.94	5.20	(1.14)	4.17	(0.19)	3.93
<b>William Blair &amp; Company</b> ●	7.01	7.80	0.80	5.61	1.99	6.37
MSCI ACWI ex US ▲	7.86	13.13	0.56	4.36	1.35	5.83

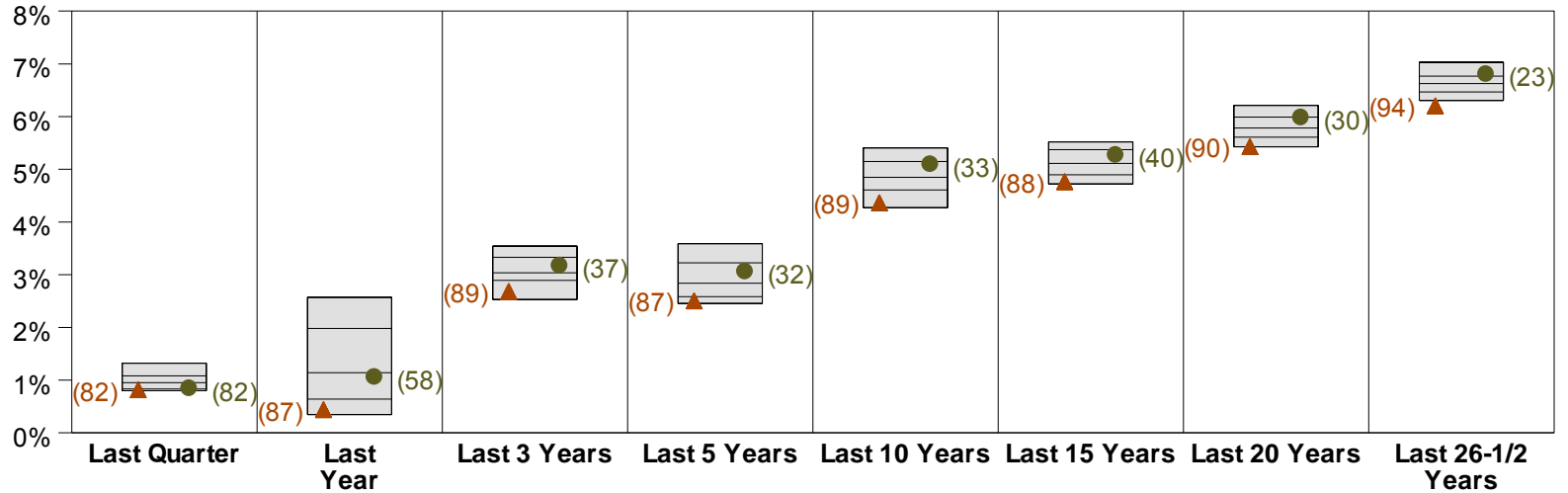
- The fund underperformed by 0.85% for the quarter and underperformed by 5.33% over the last year
- Three and five year results remain strong relative to the benchmark and in line with peers
- Stock selection in Consumer Discretionary and Financials drove underperformance for the quarter



Fixed Income

# Richmond Capital Core Fixed Income

## Performance vs CAI Core Bond Fixed Income (Gross)



10th Percentile	1.32	2.57	3.54	3.59	5.41	5.52	6.21	7.03
25th Percentile	1.08	1.98	3.33	3.23	5.15	5.37	5.99	6.77
Median	0.95	1.14	3.03	2.84	4.85	5.11	5.78	6.63
75th Percentile	0.83	0.64	2.89	2.58	4.61	4.90	5.61	6.47
90th Percentile	0.80	0.34	2.53	2.46	4.27	4.72	5.43	6.30

<b>Richmond Capital Management</b> ●	0.82	1.03	3.15	3.03	5.07	5.24	5.96	6.78
Blended Benchmark* ▲	0.82	0.44	2.68	2.51	4.36	4.77	5.43	6.20

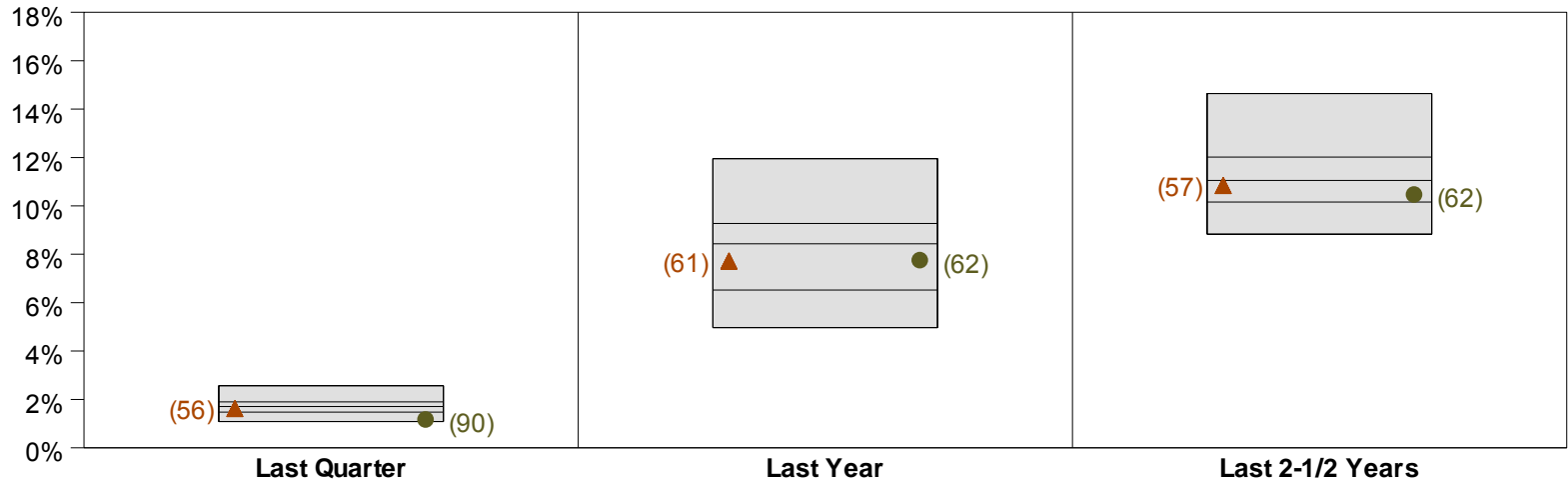
- Richmond's performance was in line with the benchmark for the quarter and led by 0.59% over the last year
- Long-term performance remains strong as the fund has outperformed by 0.71% over the last 10 years



Real Estate

# Heitman America Real Estate Trust

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



10th Percentile	2.56	11.95	14.65
25th Percentile	1.90	9.27	12.02
Median	1.70	8.43	11.06
75th Percentile	1.47	6.52	10.16
90th Percentile	1.08	4.97	8.83
<b>Heitman</b> ●	1.09	7.68	10.40
<b>NCREIF NFI-ODCE Eq Wt Net</b> ▲	1.62	7.72	10.84

- Tenth full quarter of performance for Heitman. The fund underperformed the index by 0.04% over the last year.
- The portfolio's properties appreciated at a slightly slower pace than the index during the quarter, accounting for the majority of underperformance relative to the benchmark

# Investment Manager Objectives

Manager	Objective	Comments
<b>Total Fund</b>	CPI + 5%.	Met.
<b>Richmond</b>	Outperform BC Aggregate over rolling 3-year periods by 0.50%.	Not Met.
	Outperform the median fixed income manager over rolling 3-year periods.	Met.
<b>Morgan Stanley Developed</b>	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.
<b>Morgan Stanley Emerging</b>	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.
<b>William Blair</b>	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.
<b>Ceredex</b>	Outperform the Russell 2000 Value Index over time.	Met.
<b>Emerald</b>	Outperform the Russell 2000 Growth Index over time.	Met.
<b>SSgA S&amp;P MidCap 400 Index</b>	Replicate the return of the S&P MidCap 400 Index.	Met.
<b>SSgA S&amp;P 500 Index</b>	Replicate the return of the S&P 500 Index.	Met.
<b>Heitman (HART)</b>	Outperform the NFI-ODCE Index by 1% or more over rolling 5-year periods	N/A