



August 17, 2017

City of Fort Pierce

Second Quarter Performance
Review

Weston Lewis, CFA, CAIA
Atlanta Fund Sponsor Consulting

Cody Chapman, CFA, CAIA
Atlanta Fund Sponsor Consulting

Market Environment 2Q17: Economy

The U.S. economy entered its 96th month of expansion, but its pace of growth slowed and economic data was mixed. Inflation was lower than expected. Projections for 2017 U.S. GDP growth were cut by the International Monetary Fund from 2.3% to 2.1% in response to diminished hopes for fiscal stimulus, including tax reform. Overseas, news was brighter.

- First quarter U.S. GDP growth was revised slightly upward from +1.2% to +1.4%
 - Advance estimate of 2.6% annual rate for second quarter of 2017
- The Fed raised its Fed Funds target 25 bps to a range of 1.0% - 1.25%
 - Consistent with expectations
 - Fed also announced its plans to reduce its \$4.5 trillion balance sheet
- Inflation remained stubbornly low as of May
 - Headline CPI +1.6% y-o-y; Core CPI +1.7% y-o-y
 - Personal Consumption Expenditures +1.4% y-o-y; below Fed's 2% target for nearly 5 years
- Unemployment fell to a 15-year low of 4.3%
 - Declining workforce participation continued to influence this metric
 - Wage growth remained elusive
- Vehicle sales were down from record high set in 2016
- Median home price reached new high: \$345,800
- Euro zone first quarter GDP +2.3% (annualized)
 - The highest in two years
- Euro zone unemployment dropped to 9.3%
 - The lowest since 2009
- Inflation in the U.K. hit a four-year high of 2.9% y-o-y in May
 - A weaker pound, post Brexit news, has been a key driver
- Japanese first quarter GDP +1.3% (annualized)
 - Fifth quarter of expansion; the longest in more than ten years
- Chinese second quarter GDP +6.9% (annualized)
 - Stronger than expected
 - Manufacturing data also beat expectations

Market Environment 2Q17: Global Equity

In the U.S., the S&P 500 Index hit a new high. Investors focused on climbing after-tax corporate profits rather than stalled pro-growth initiatives and ongoing political drama. Non-US markets were bolstered by dollar weakness and outperformed U.S. markets.

U.S. Equity

- Large stocks outperformed mid and small caps
 - S&P 500 +3.1%; +9.3% y-t-d
 - Russell Mid Cap +2.0%; +8.0% y-t-d
 - Russell 2000 +2.5%; +5.0% y-t-d
- Growth outperformed value
 - Russell 1000 Value +1.3% vs. Growth +4.7%
 - Russell 2000 Value +0.7% vs. Growth +4.4%
 - Growth was bolstered by Technology sector while value was hurt by Energy stocks
- Sector returns divergent in S&P 500
 - Health Care (+7.1%), Industrials (+4.7%), Financials (+4.2%) and Technology (+4.1%) were strong performers
 - Telecom (-7.0%) and Energy (-6.4%) were the worst

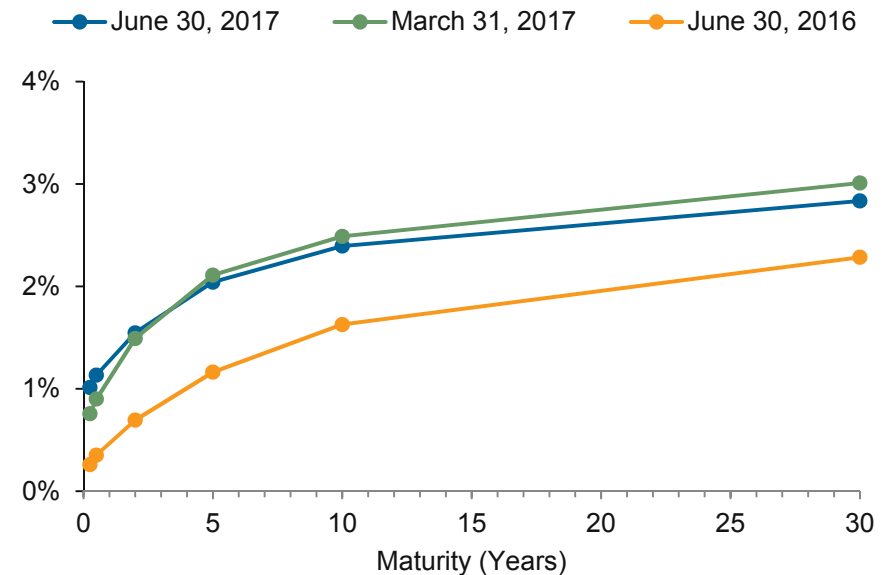
International Equity

- Developed markets outperformed U.S.
 - MSCI EAFE +6.1%; +13.8% y-t-d
 - Small cap outperformed (MSCI EAFE Sm Cap +8.1%; +16.7% y-t-d)
 - Gains were broad-based and helped by U.S. dollar weakness
- Emerging markets modestly outperformed
 - MSCI EM +6.3%; +18.4% y-t-d
 - BRICs:
 - ❖ *Brazil (-6.7%) on widening corruption charges*
 - ❖ *China (+10.6%) on better than anticipated growth*
 - ❖ *Russia (-10.0%) on falling oil prices and strained U.S. relations*
 - ❖ *India (+2.9%) but remains a top performer y-t-d at +21%*

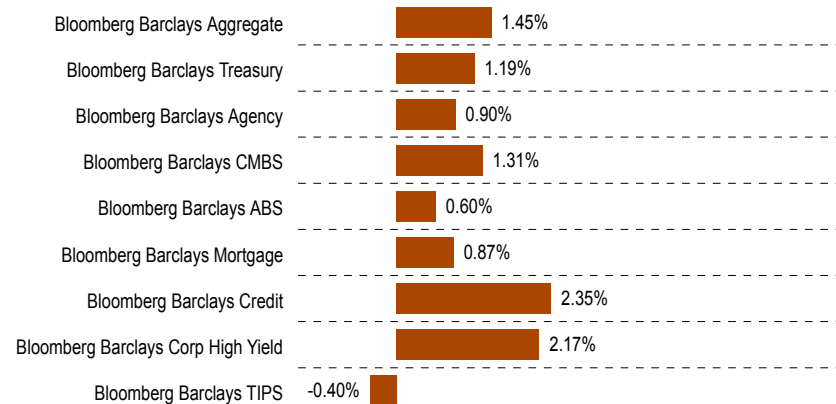
Market Environment 2Q17: Fixed Income

- **U.S. Aggregate Index up 1.4%; +2.3% y-t-d**
 - Corporate bonds performed the best on strong demand
- **High yield performed well but lagged investment grade corporates**
 - Blmbg Barc High Yield Corporate Index +2.2%; +4.9% y-t-d
 - Blmbg Barc Corporate Index +2.5%; +3.8% y-t-d
- **Municipal bonds outperformed Treasuries**
 - Results were bolstered by lowered expectations for tax reform and favorable supply/demand technicals
 - Blmbg Barc Municipal Bond Index +2.0%; + 3.6% y-t-d
 - Blmbg Barc US Treasury Index +1.2%; +1.9% y-t-d
- **TIPS underperformed as expectations for inflation sank**
 - Blmbg Barc U.S TIPS Index -0.4%: +0.9% y-t-d
 - 10-year breakeven spread was 1.73% as of quarter-end
- **Foreign bonds (unhedged) helped by weaker dollar**
 - Blmbg Barc Global Aggregate ex-US (unhedged): +3.5%; +6.1% y-t-d
 - Blmbg Barc Global Aggregate ex-US (hedged): +0.6%; +0.6% y-t-d
 - U.S. dollar lost nearly 7% versus the euro and almost 5% versus a broad basket of developed markets currencies
- **Emerging markets debt posted strong returns**
 - Dollar-denominated JPM EMBI Global Diversified Index +2.2%; +6.2% y-t-d
 - Local currency-denominated JPM GBI-EM Global Diversified Index +3.6%; +10.4% y-t-d

U.S. Treasury Yield Curves

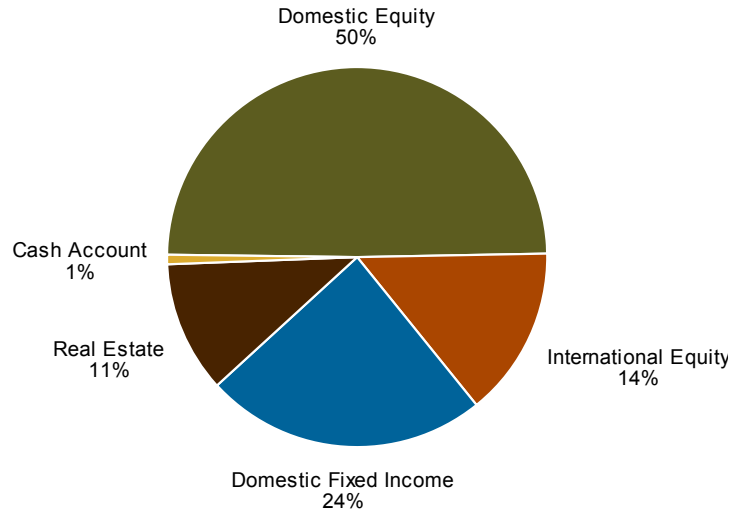


Absolute Returns for Quarter ended June 30, 2017

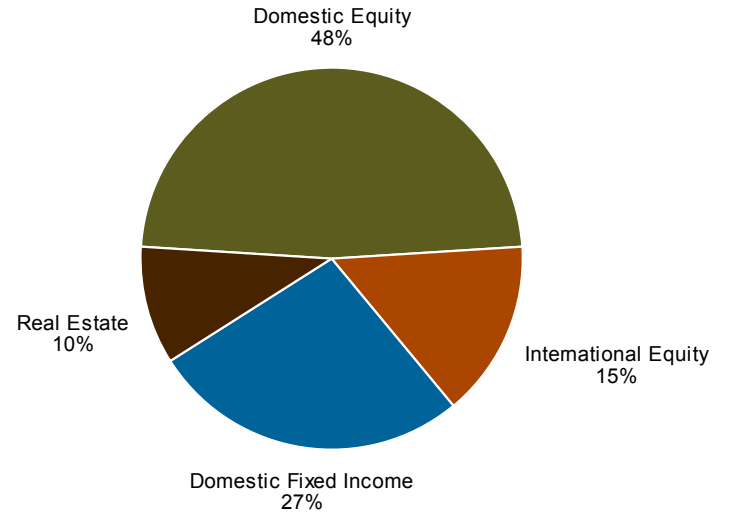


Asset Allocation Review

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	94,558	49.5%	48.0%	1.5%	2,907
International Equity	27,635	14.5%	15.0%	(0.5%)	(1,006)
Domestic Fixed Income	45,900	24.0%	27.0%	(3.0%)	(5,654)
Real Estate	21,303	11.2%	10.0%	1.2%	2,209
Cash Account	1,543	0.8%	0.0%	0.8%	1,543
Total	190,938	100.0%	100.0%		

One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	48%	48%	18.42%	19.11%	(0.32%)	(0.02%)	(0.34%)
Domestic Fixed Income	26%	27%	0.32%	(0.31%)	0.18%	0.14%	0.32%
Real Estate	11%	10%	6.72%	7.23%	(0.06%)	(0.08%)	(0.14%)
International Equity	14%	15%	17.07%	20.45%	(0.45%)	(0.12%)	(0.58%)
Cash Account	0%	0%	0.38%	0.38%	0.00%	(0.07%)	(0.07%)
Total			11.86%	12.66%	+(0.65%)	+(0.15%)	(0.80%)

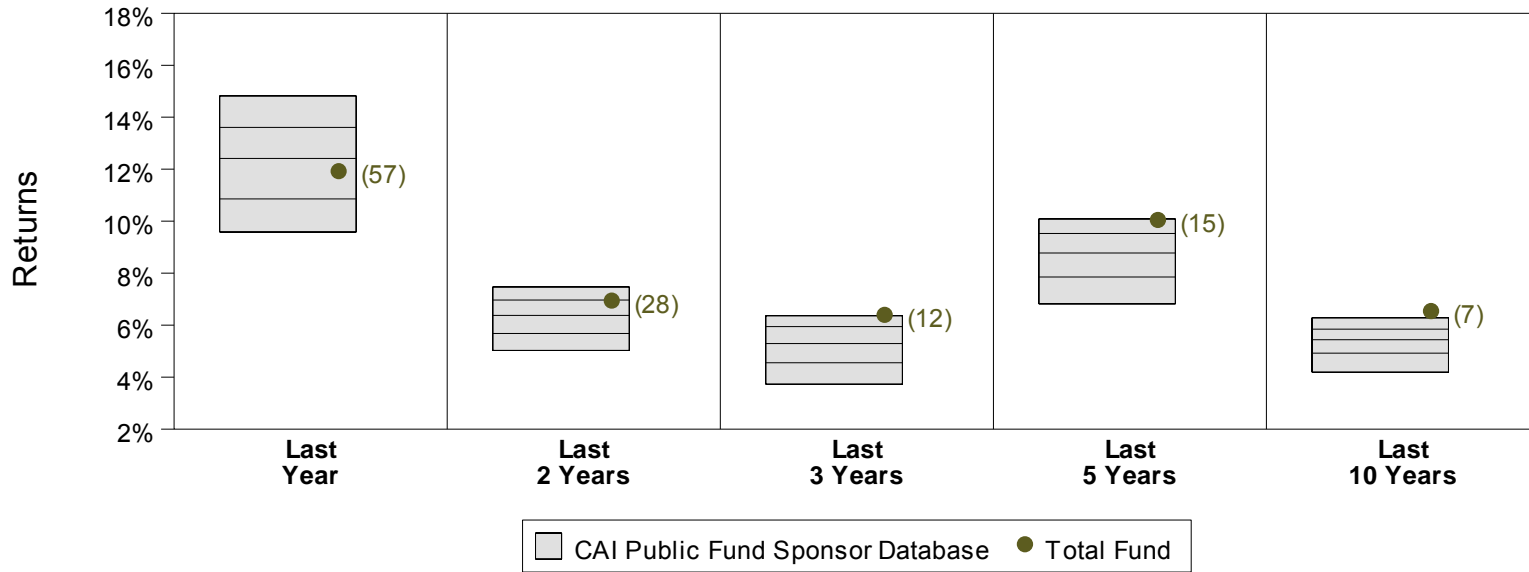
Asset Distribution Across Investment Managers

	June 30, 2017					March 31, 2017		
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
Domestic Equity	\$94,557,531	49.52%	48.00%	\$(25,370)	\$2,578,123	\$92,004,778	49.58%	48.00%
Emerald Advisers, Inc.	7,631,669	4.00%	3.75%	0	480,496	7,151,173	3.85%	3.75%
Ceredex Value Advisors	6,934,498	3.63%	3.75%	(15,943)	(145,604)	7,096,044	3.82%	3.75%
SSgA S&P 500 Index	65,275,130	34.19%	33.00%	(6,557)	1,958,754	63,322,933	34.12%	33.00%
SSgA S&P 400 Index	14,716,235	7.71%	7.50%	(2,870)	284,477	14,434,628	7.78%	7.50%
International Equity	\$27,634,841	14.47%	15.00%	\$(23,817)	\$1,920,814	\$25,737,844	13.87%	15.00%
Morgan Stanley Int'l Equity	13,287,766	6.96%	7.00%	(23,817)	974,365	12,337,218	6.65%	7.00%
Morgan Stanley Emerging Mkts.	1,242,030	0.65%	1.00%	0	89,036	1,152,994	0.62%	1.00%
William Blair & Company	13,105,045	6.86%	7.00%	0	857,413	12,247,632	6.60%	7.00%
Domestic Fixed Income	\$45,899,574	24.04%	27.00%	\$(34,464)	\$696,421	\$45,237,616	24.38%	27.00%
Richmond Capital Management	45,899,574	24.04%	27.00%	(34,464)	696,421	45,237,616	24.38%	27.00%
Real Estate	\$21,303,049	11.16%	10.00%	\$0	\$239,982	\$21,063,067	11.35%	10.00%
Heitman	21,303,049	11.16%	10.00%	0	239,982	21,063,067	11.35%	10.00%
Cash Account	\$1,543,262	0.81%	0.00%	\$0	\$2,553	\$1,540,709	0.83%	0.00%
Total Fund	\$190,938,257	100.0%	100.0%	\$(83,650)	\$5,437,893	\$185,584,015	100.0%	100.0%

- The total fund increased by \$5 million over the quarter to \$190.9 million as of June 30, 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	
Total Fund	2.93%	58	11.86%	57	6.34%	12	9.99%	15	10.74%	7
Total Fund Benchmark(1)	2.76%	67	12.66%	44	6.24%	15	9.53%	26	10.20%	19
CPI + 5%	1.70%	98	6.50%	95	5.58%	40	6.11%	94	6.59%	96
CAI Public Fund Spr DB	3.04%		12.42%		5.30%		8.78%		9.24%	

- The Total Fund outperformed the benchmark by 0.17% for the quarter
- Total Fund performance relative to the benchmark and peers has remained strong over time

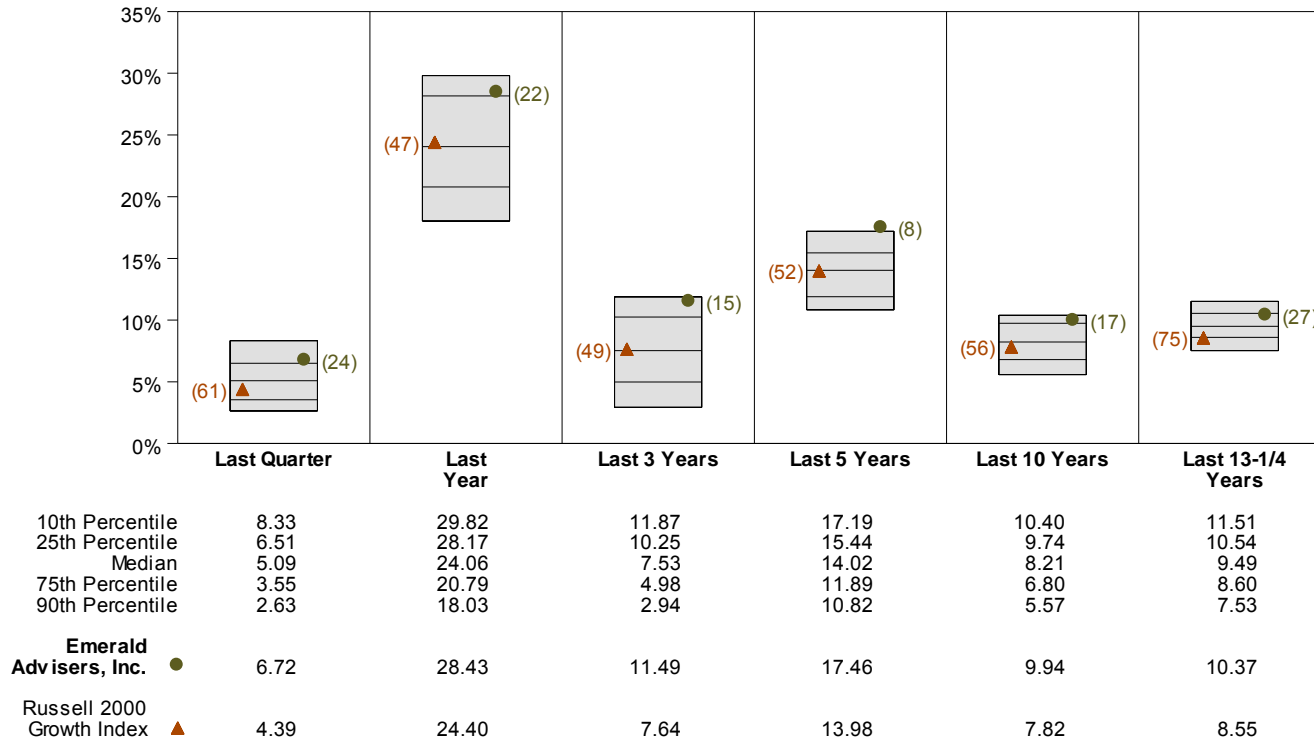
* Current Quarter Target = 33.0% S&P 500 Index, 27.0% Barclays Aggregate Index, 15.0% MSCI ACWI ex US Index, 10.0% NFI-ODCE Equal Weight Net, 7.5% S&P Mid Cap 400 Index, 3.8% Russell 2000 Growth Index and 3.8% Russell 2000 Value Index.



Domestic Equity Performance

Emerald Advisors Small Cap Growth

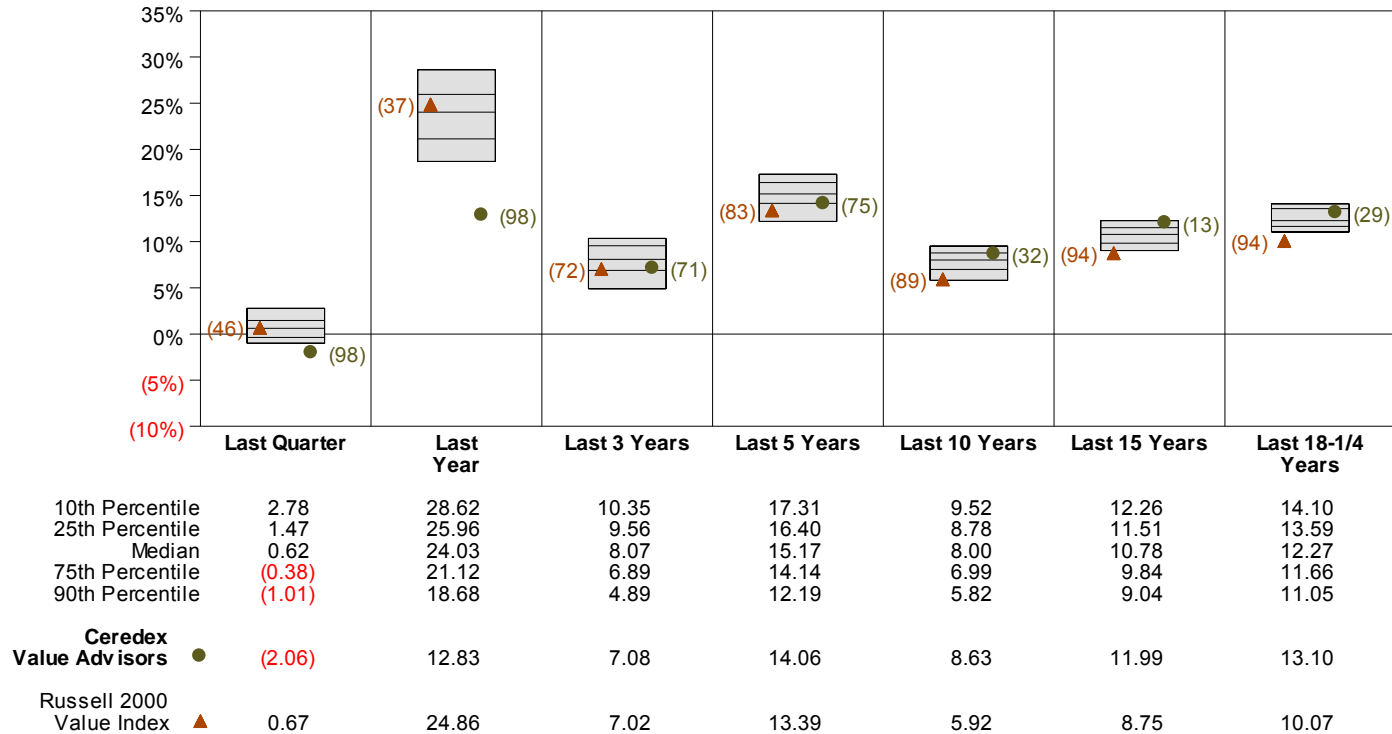
Performance vs CAI Small Cap Growth (Gross)



- Emerald outperformed the benchmark by 2.33% during the quarter and outperformed by 4.03% over the last year
- Emerald has strong long-term returns well above the benchmark over longer time frames
- The primary contributor was stock selection within the Healthcare and Technology sectors, which more than offset the relative weakness in the Utilities and Materials sectors

Ceredex Value Advisors Small Cap Value

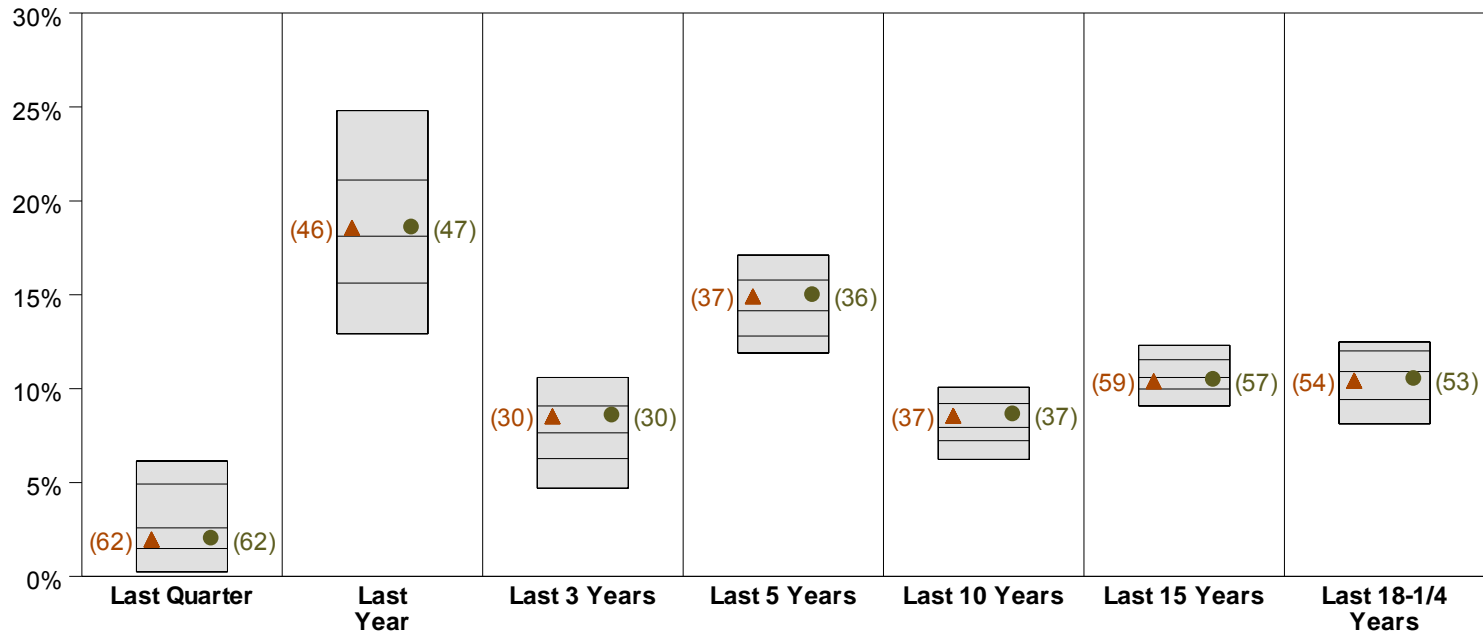
Performance vs CAI Small Cap Value (Gross)



- Ceredex underperformed the benchmark by 2.73% for the quarter and underperformed by 12.02% over the last year
- Long-term results are ahead of benchmark; one year performance particularly affected by 2nd half of 2016, failing to capture much of the post-election rally that was most pronounced in small value stocks
- The largest detractor from performance for the quarter was stock selection in Consumer Discretionary and Industrials sectors

SSgA S&P Mid Cap 400 Index

Performance vs CAI Mid Capitalization (Gross)

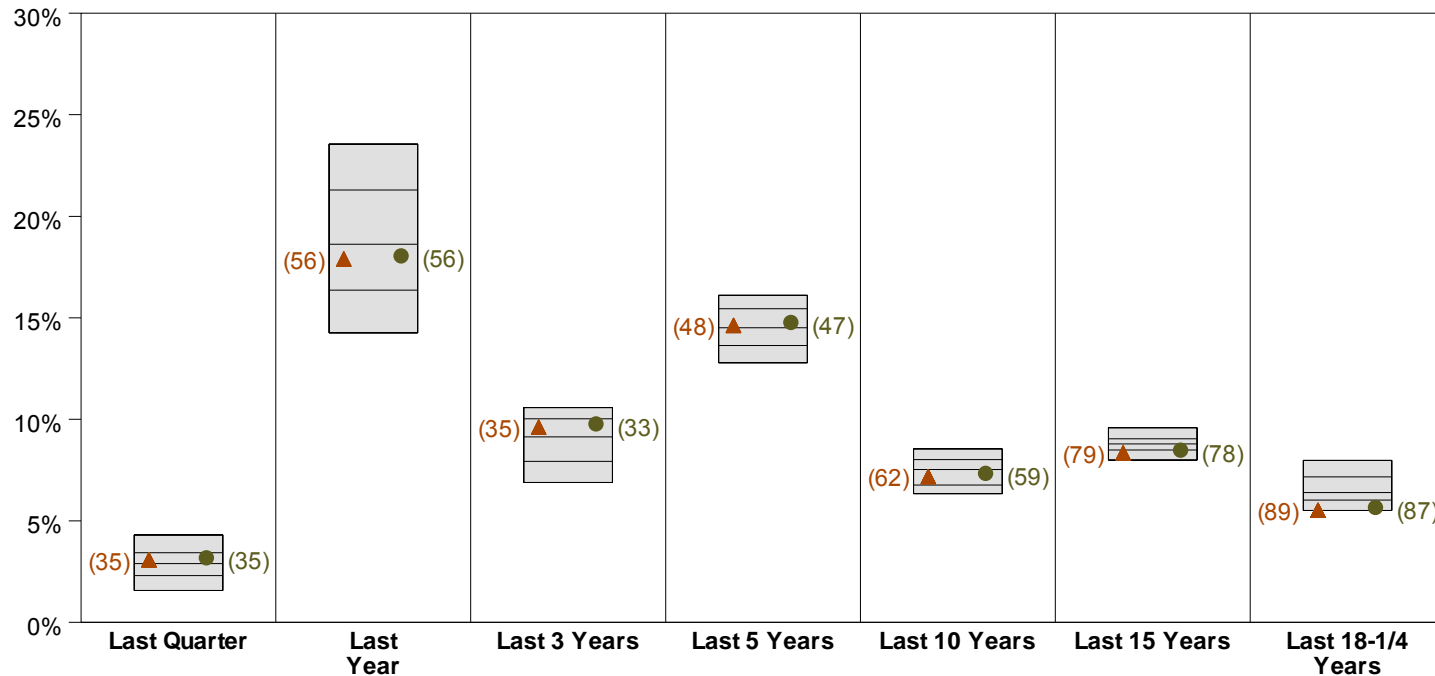


10th Percentile	6.15	24.81	10.60	17.10	10.08	12.31	12.49
25th Percentile	4.93	21.11	9.08	15.78	9.20	11.54	12.01
Median	2.59	18.12	7.65	14.15	7.94	10.60	10.91
75th Percentile	1.49	15.63	6.28	12.80	7.23	9.98	9.42
90th Percentile	0.25	12.93	4.70	11.89	6.23	9.08	8.12
SSgA S&P 400 Index ●	1.97	18.54	8.53	14.94	8.59	10.43	10.48
S&P Mid Cap 400 Index ▲	1.97	18.57	8.53	14.92	8.56	10.40	10.42

- 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	4.30	23.56	10.58	16.11	8.54	9.59	7.98
25th Percentile	3.43	21.29	10.03	15.45	8.01	9.04	7.17
Median	2.90	18.62	9.13	14.52	7.53	8.79	6.40
75th Percentile	2.31	16.36	7.94	13.63	6.76	8.49	6.02
90th Percentile	1.57	14.26	6.89	12.78	6.34	8.00	5.52
SSgA S&P 500 Index ●	3.09	17.97	9.68	14.68	7.25	8.40	5.57
S&P 500 Index ▲	3.09	17.90	9.61	14.63	7.18	8.35	5.53

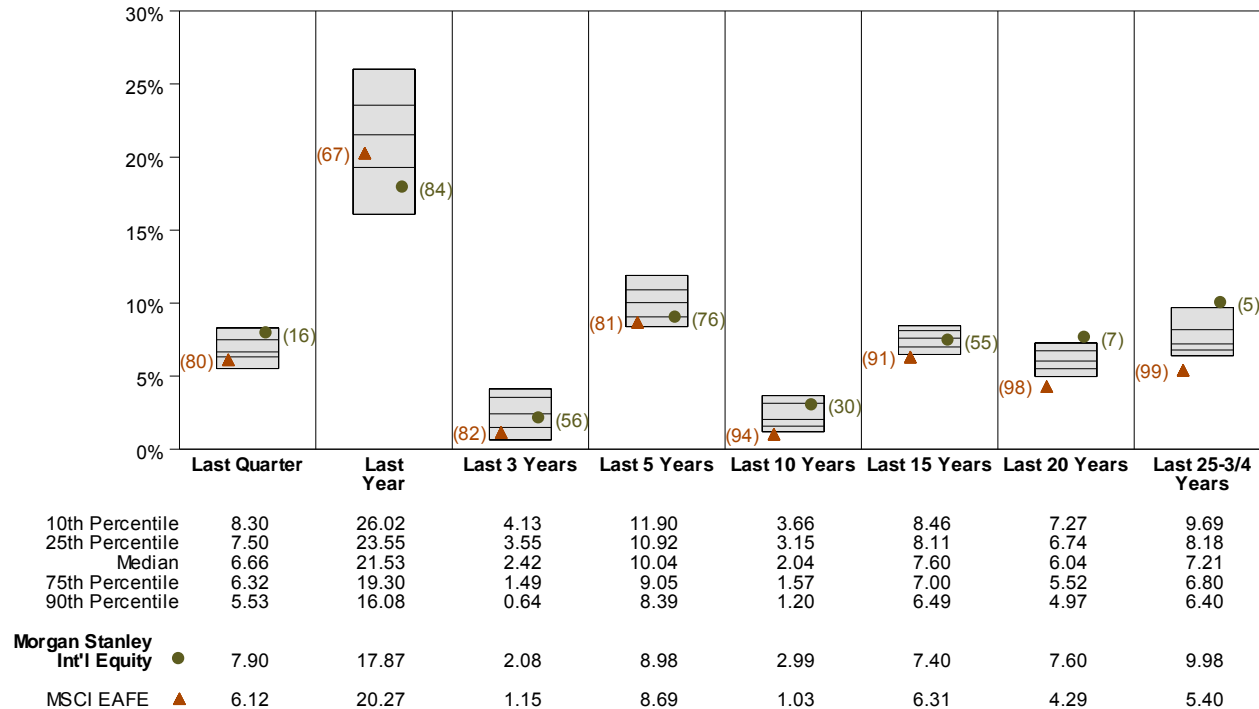
- The fund continues to track the index closely at a very low fee



International Equity Performance

Morgan Stanley Developed International Equity

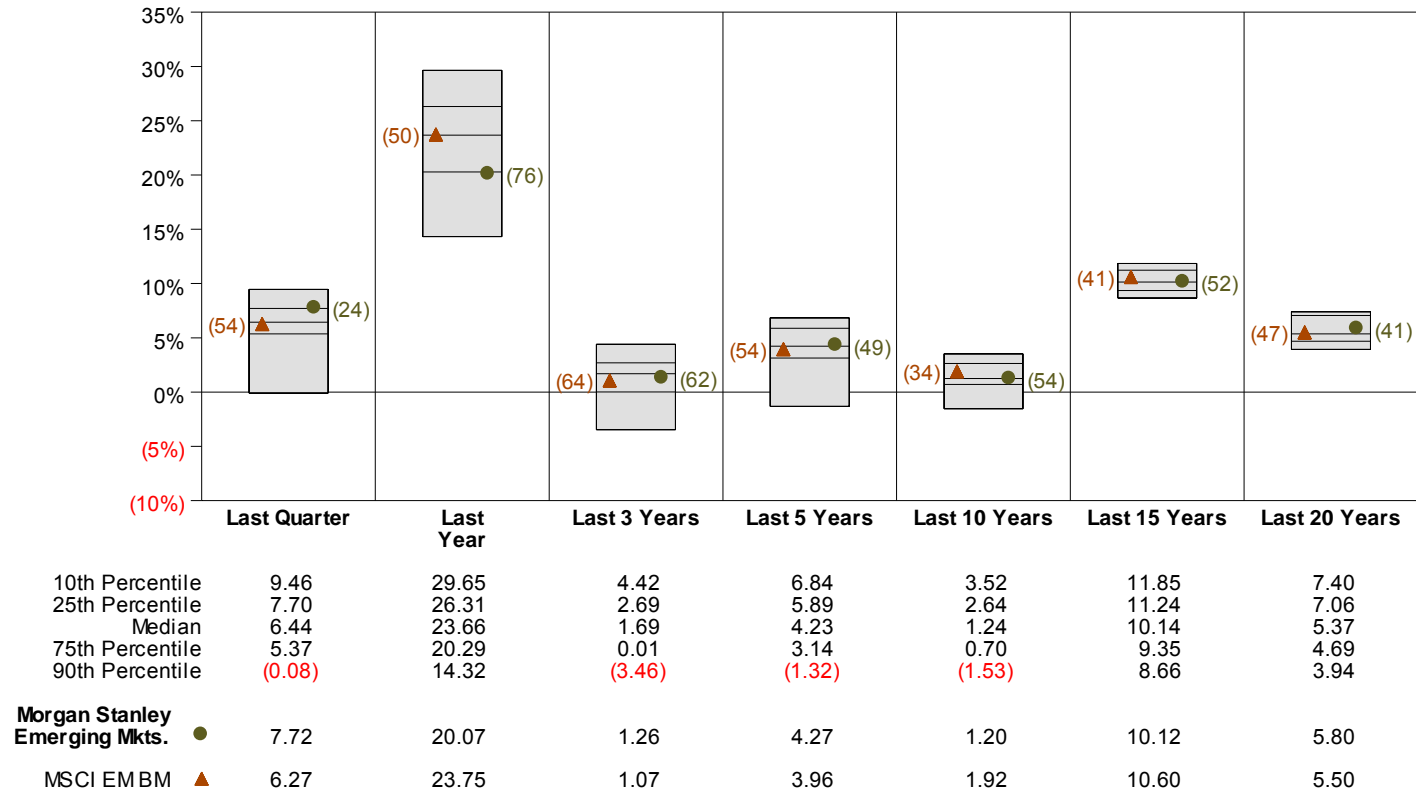
Performance vs CAI Non-US Developed Core Equity (Gross)



- Morgan Stanley Investment Management (MSIM) announced that Portfolio Manager **Christian Derold** will retire from the industry, effective December 31st, 2017. MSIM also announced the addition of Portfolio Manager **Nathan Wong** to its International Equity team. Prior to joining the team in July, Wong spent 10 years at Sloane Robinson as a partner and senior analyst covering developed markets equities
- The fund outperformed by 1.78% for the quarter and underperformed the index by 2.39% over the last year
- Outperformance for the quarter was driven by stock selection in Consumer Staples, outperforming the index's sector by 4.65%

Morgan Stanley Emerging Markets Equity

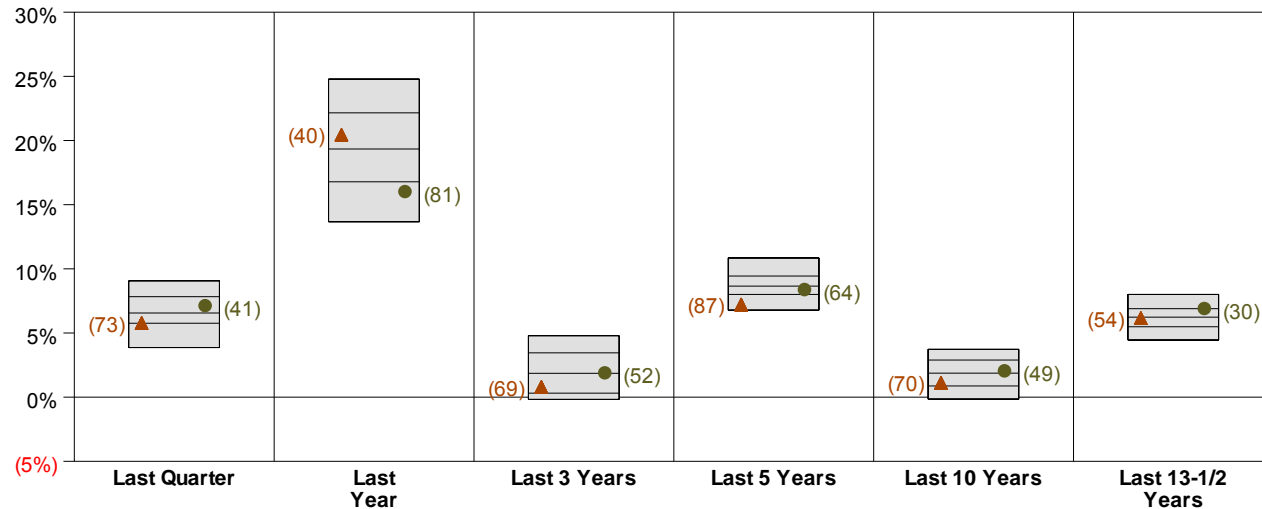
Performance vs CAI Emerging Markets Equity Mut Funds (Cheapest Net)



- The fund outperformed the index by 1.45% for the quarter and underperformed by 3.68% over the last year
- Long-term results remain around the median, outperforming the index and peers over the past 20 years
- Broad stock selection and underweight allocations to Russia and South Africa contributed most to the outperformance for the quarter; stock selection in Mexico and Philippines also contributed

William Blair International Growth Equity

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



10th Percentile	9.06	24.79	4.78	10.85	3.73	8.01
25th Percentile	7.83	22.17	3.45	9.43	2.89	6.90
Median	6.56	19.34	1.85	8.65	1.87	6.24
75th Percentile	5.77	16.78	0.31	8.01	0.87	5.48
90th Percentile	3.86	13.67	(0.17)	6.78	(0.15)	4.45
William Blair & Company ●	7.00	15.91	1.78	8.27	1.93	6.78
MSCI ACWI ex US ▲	5.78	20.45	0.80	7.22	1.13	6.16

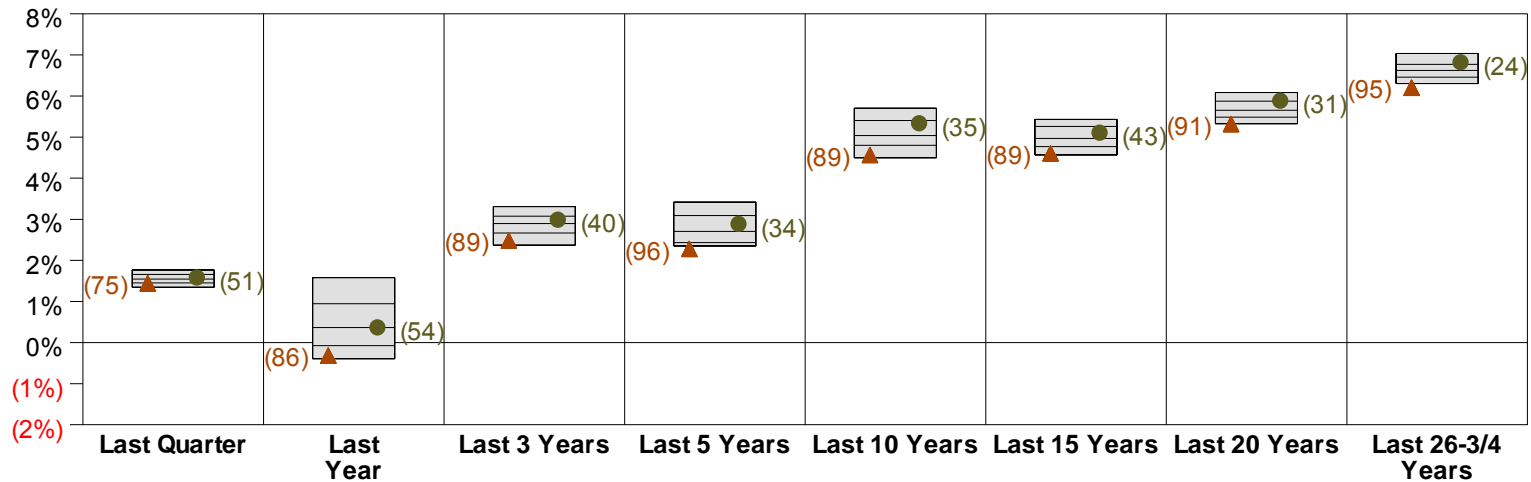
- The fund outperformed by 1.22% for the quarter and underperformed by 4.55% over the last year
- Three and five year results remain strong relative to the benchmark
- Strong stock selection in Financials, Healthcare and Information Technology drove outperformance for the quarter



Fixed Income

Richmond Capital Core Fixed Income

Performance vs CAI Core Bond Fixed Income (Gross)



10th Percentile	1.77	1.58	3.31	3.42	5.70	5.43	6.09	7.03	
25th Percentile	1.66	0.95	3.07	3.09	5.40	5.26	5.87	6.77	
Median	1.54	0.37	2.90	2.70	5.04	4.97	5.65	6.62	
75th Percentile	1.45	(0.07)	2.67	2.43	4.80	4.77	5.49	6.46	
90th Percentile	1.35	(0.39)	2.37	2.35	4.50	4.57	5.32	6.30	
Richmond Capital Management	●	1.54	0.32	2.95	2.84	5.29	5.06	5.84	6.77
Blended Benchmark*	▲	1.45	(0.31)	2.48	2.28	4.56	4.61	5.32	6.20

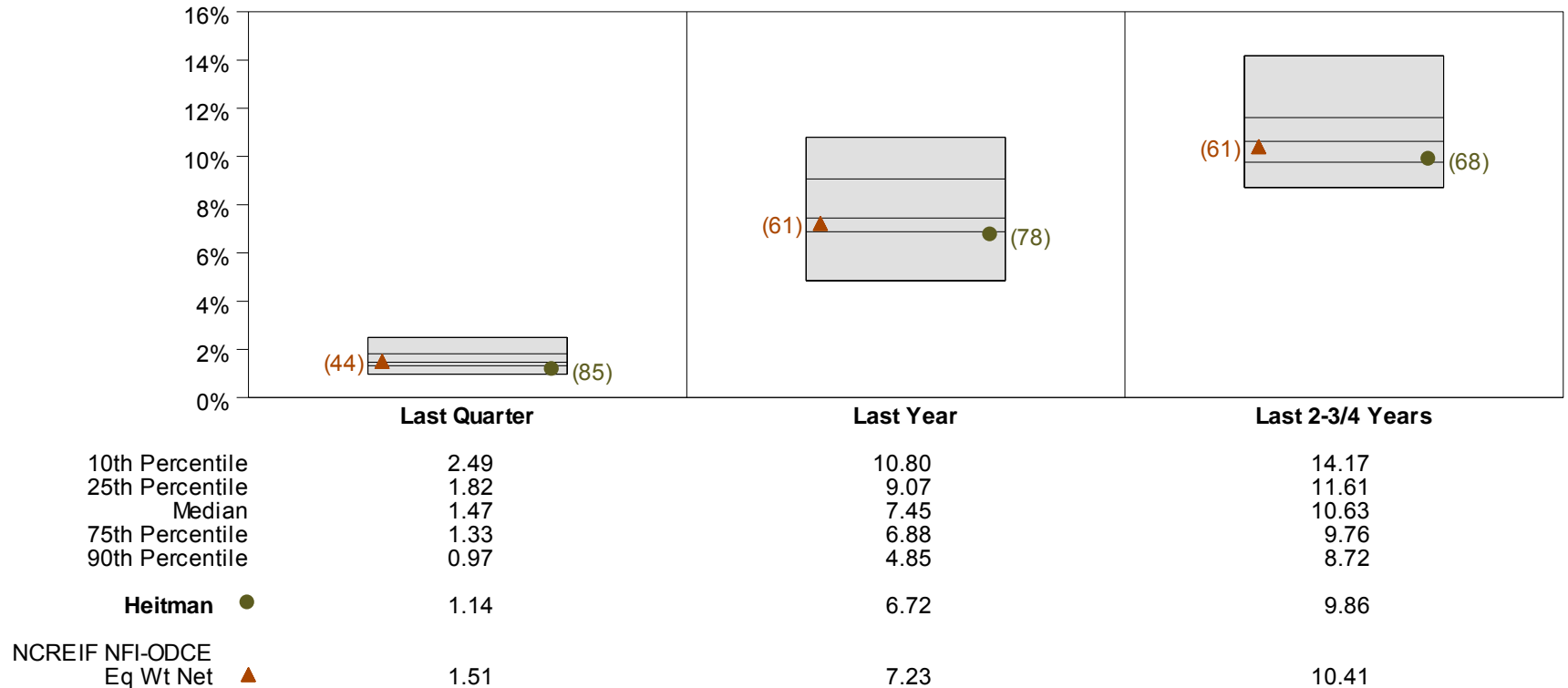
- Richmond's performance outperformed the benchmark by 0.10% for the quarter and outperformed by 0.64% over the last year
- Long-term performance remains strong as the fund has outperformed by 0.73% over the last 10 years
- Yield curve positioning aided performance over the last year; as did an overweight to corporate duration



Real Estate

Heitman America Real Estate Trust

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



- Approaching 3 years of performance for Heitman. The fund underperformed the index by 0.51% over the last year.
- Over 80% of the return for the quarter came from income; the portfolio continues to offer an income return advantage relative to the benchmark

Investment Manager Objectives

Manager	Objective	Comments
Total Fund	CPI + 5%.	Met.
Richmond	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.
Morgan Stanley Developed	Outperform the MSCI EAFE over rolling 3-year periods by 0.50%.	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