



February 15, 2018

City of Fort Pierce

Fourth Quarter Performance
Review

Weston Lewis, CFA, CAIA
Atlanta Fund Sponsor Consulting

Cody Chapman, CFA, CAIA
Atlanta Fund Sponsor Consulting

Market Environment 4Q17: Global Economy

In the U.S., fourth quarter real GDP growth was 2.6%% (annualized) reflecting positive contributions from personal consumption expenditures (PCE), nonresidential fixed investment, exports, residential fixed investment, state and local government spending, and federal government spending. Outside the U.S., developed economies continued to gain momentum.

- The Fed raised its Fed Funds target by 25 bps to a range of 1.25% - 1.50%
 - This marked the third increase of 25 bps in 2017
 - Markets are pricing in an additional three hikes in 2018, though Fed projections are for rates to year end between 2.0% and 2.25%
 - The Senate confirmed Jerome (Jay) Powell to become the next Fed Chair, replacing Janet Yellen, whose term expired in February
- Inflation remained benign
 - Headline CPI +2.1% y-o-y
 - Core CPI (ex-food and energy) +1.8% y-o-y as prices of goods fell 0.9% y-o-y with declines broad-based
 - Fed's favored measure, the PCE price deflator, gained 2.8% year-over-year, above the 2% target
- Labor markets remain tight: unemployment rate at 4.1%
 - Lowest unemployment rate since 2000
 - However, average hourly earnings growth continued to languish at 2.5% for the trailing year (as of November)
- Strong retail sales during holidays
 - Fueled by high consumer confidence and a robust job market, U.S. retail sales in the holiday period rose at their best pace since 2011
- Manufacturing continued to show strength
 - ISM Index exceeded 50 (indicating expansion) for 15 consecutive months through November
- Euro zone 4th quarter GDP growth +2.7% (y-o-y)
 - Inflation remained low (1.4% y-o-y as of November)
- ECB upgraded its 2018 forecast for growth from 1.8% to 2.3%
 - ECB kept its interest rates unchanged in the fourth quarter, but confirmed the plan to reduce asset purchases to €30bn from €60bn a month in January 2018
- Euro zone unemployment rate fell to 8.8%
 - Below 9% for the first time since 2009
 - Unemployment in Germany fell to a record low of 3.6%
- Japan's economy continued to grow
 - Unemployment reached a 24-year low at 2.7%
 - Core CPI +0.9% y-o-y in November
 - Bank of Japan is expected to continue its stimulus measures in an effort to stimulate inflation

Market Environment 4Q17: Global Equity

The S&P 500 Index gained 6.6% in the fourth quarter and its 21.8% gain for the year was its best since 2013. The Index hit 62 record highs during the year and had only eight days of 1% or more fluctuations, the lowest number since 1964. Markets were fanned by strong corporate earnings, expectations for tax cuts and deregulation, and share buybacks. Non-US equity annual gains were broad-based and further bolstered by a weakening U.S. dollar.

U.S. Equity

- Large caps outperformed small caps across styles for the quarter and the year
 - S&P 500: Q4: +6.6%; 2017: 21.8%
 - Russell 2000: Q4: +3.3%; 2017: 14.6%
- Growth outperformed value for the quarter and the year
 - Growth: Q4: +7.9%; 2017: +30.2% vs. Russell 1000 Value: Q4: +5.3%; 2017: +13.7%
 - Growth: Q4: +4.6%; 2017: +22.2% vs. Russell 2000 Value: Q4: +2.0%; 2017: +7.8%
- Tech sector was a clear leader for the year in S&P
 - Best performing sector was Technology for the year (+38.8%); sector now makes up 24% of S&P 500 and 38% of the Russell 1000 Growth
 - High flying tech stocks continue to perform well
 - Consumer Discretionary (+9.9%) outperformed Technology (+9.0%) for the quarter
 - Energy (-1.0%) and Telecom (-1.3%) lost ground for the year

International Equity

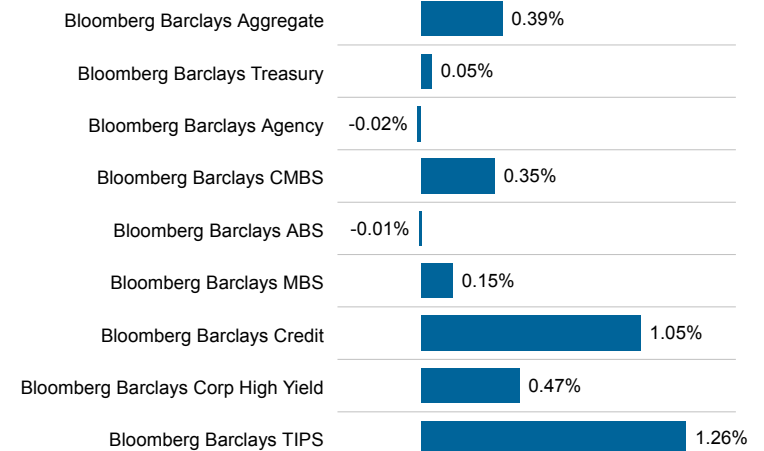
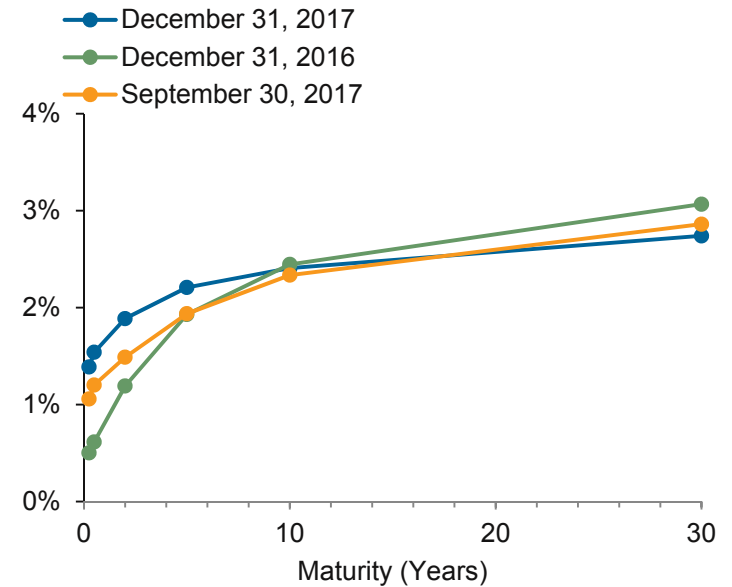
- Bolstered by a weakening dollar, non-US equity performed well
- Strong results for developed markets
 - MSCI EAFE: Q4: +4.2%; 2017: +25.0%
 - Annual gains were broad-based with several countries posting double-digit returns (U.K. +22.3%; ex-U.K. +26.8%; Japan +24.0%)
 - For the year, Technology was the clear leader at +51%
- Emerging markets outperformed developed markets in the quarter and for the year
 - MSCI EM USD: Q4: +7.4%; 2017: +37.3%
 - Latin America was the only weak spot in the quarter (-2.3%) but was up a robust 23.7% for the year
 - Emerging Asia performed the best for the quarter and the year (+8.4%; +42.8%) . China (+7.6%, +54.1%) and Korea (+11.4%, +47.3%) are the top two contributors

Market Environment 4Q17: Fixed Income

The U.S. yield curve continued its flattening trend in the fourth quarter. The 2-year U.S. Treasury yield climbed 42 bps to close at 1.89%. The 30-year U.S. Treasury yield fell 12 bps during the quarter, ending the year at 2.74%. This trend reflects the Fed's tightening bias as well as benign inflation. The municipal bond market performed well in 2017 and demand remained strong even in the face of uncertainty around tax changes. Outside the U.S., quarterly returns were mostly flat in both developed and emerging markets.

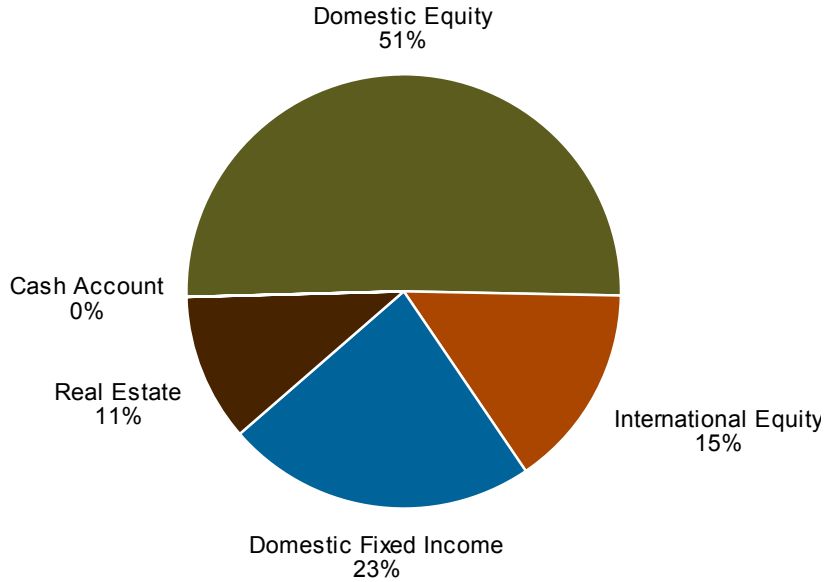
- Longer-term bonds sharply outperformed short-term and intermediate-maturity bonds for the quarter and the year
 - Bloomberg Barclays Long U.S. Treasury Index: Q4: +2.4%; 2017: +8.5%
 - Bloomberg Barclays Intermediate Treasury Index: Q4: -0.4%; 2017: +1.1%
- U.S Treasury 10-year traded in a narrow 60 bps band for the year, lowest since 2000
- U.S. Aggregate Bond Index was roughly flat (+0.4%) for the quarter
 - Annual return (+3.5%) was generated largely from its coupon
 - Corporate bonds outperformed for the quarter and the year
 - Yield spreads reached a post-crisis tight of 93 bps over Treasuries
- High yield corporates continue to outperform investment grade
 - Bloomberg Barclays High Yield Corporate Index: Q4: +0.5%; 2017: +7.5%
- TIPS outperformed nominal Treasuries
 - Bloomberg Barclays U.S TIPS Index: Q4: +1.3%; 2017: +3.0%
 - 10-year breakeven spread (the difference between nominal and real yields) rose to 1.96% as of year-end
- Quarterly returns were flat in developed markets
 - Bloomberg Barclays Global Aggregate ex-US (unhedged): Q4: +1.6%; 2017: +10.5%
 - Bloomberg Barclays Global Aggregate ex-US (hedged): Q4: +1.1%; 2017: +2.5%

U.S. Treasury Yield Curves

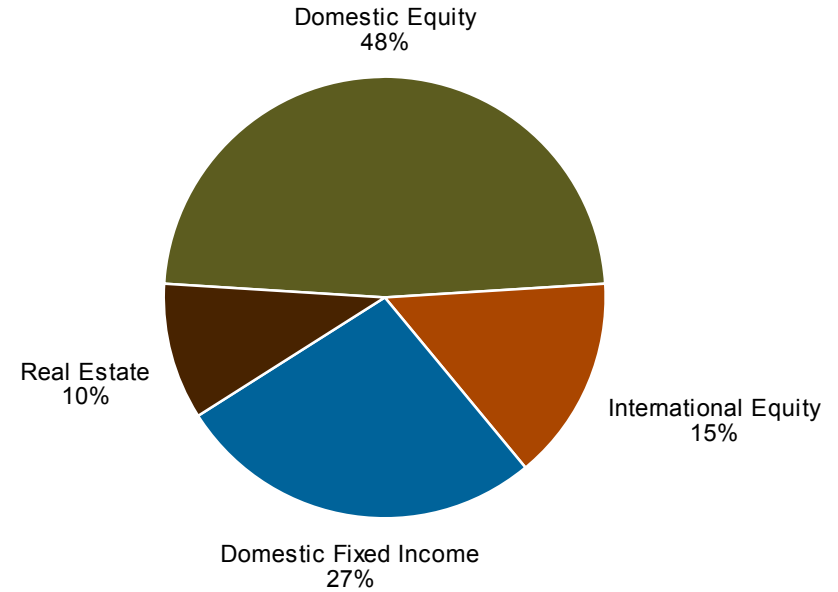


Asset Allocation Review

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	102,068	50.7%	48.0%	2.7%	5,522
International Equity	30,486	15.2%	15.0%	0.2%	315
Domestic Fixed Income	46,477	23.1%	27.0%	(3.9%)	(7,830)
Real Estate	22,061	11.0%	10.0%	1.0%	1,947
Cash Account	46	0.0%	0.0%	0.0%	46
Total	201,138	100.0%	100.0%		

Relative Attribution Effects for Quarter ended December 31, 2017

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	50%	48%	6.71%	6.06%	0.32%	0.03%	0.36%
Domestic Fixed Income	24%	27%	0.48%	0.39%	0.02%	0.11%	0.13%
Real Estate	11%	10%	1.80%	1.94%	(0.02%)	(0.02%)	(0.04%)
International Equity	15%	15%	4.35%	5.00%	(0.10%)	0.00%	(0.10%)
Cash Account	0%	0%	0.24%	0.24%	0.00%	(0.00%)	(0.00%)
Total			4.30%	3.96%	+ 0.23%	+ 0.12%	0.34%

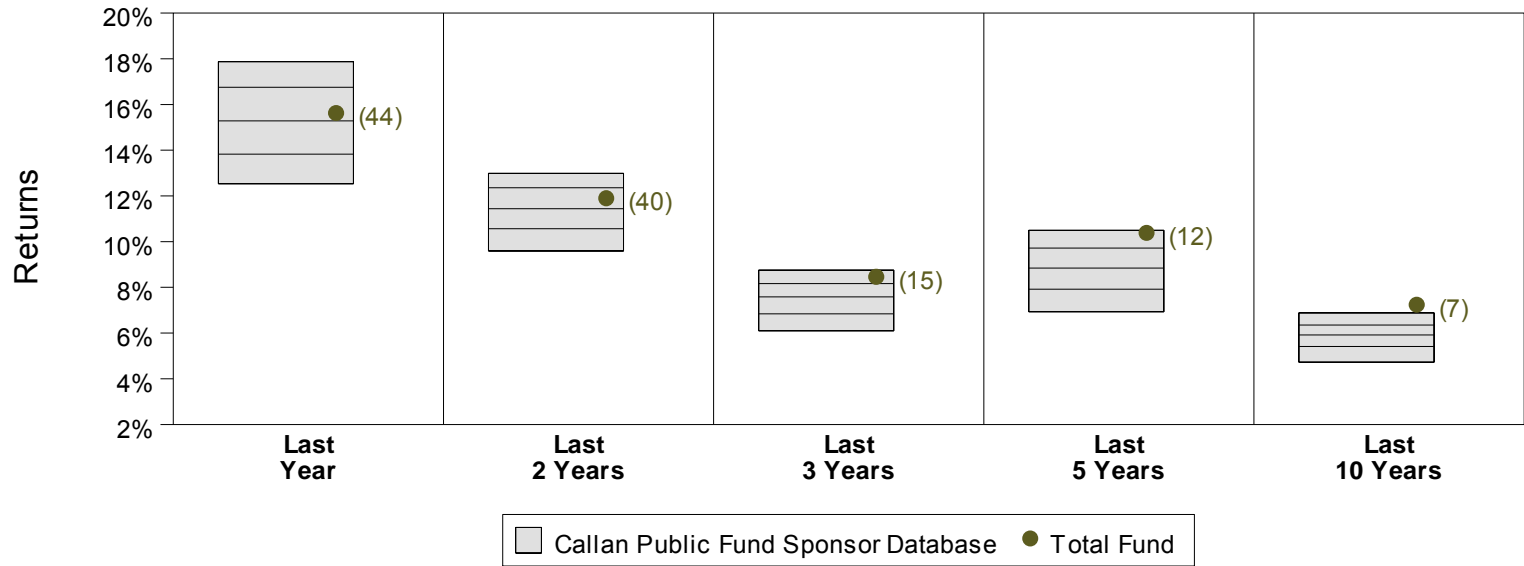
Asset Distribution Across Investment Managers

	December 31, 2017					September 30, 2017		
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
Domestic Equity	\$102,068,497	50.75%	48.00%	\$(35,704)	\$6,421,258	\$95,682,943	49.59%	48.00%
Emerald Advisers, Inc.	8,758,194	4.35%	3.75%	0	624,625	8,133,569	4.22%	3.75%
Ceredex Value Advisors	7,711,006	3.83%	3.75%	(16,210)	514,129	7,213,087	3.74%	3.75%
SSgA S&P 500 Index	69,467,288	34.54%	33.00%	(13,600)	4,334,298	65,146,590	33.77%	33.00%
SSgA S&P 400 Index	16,132,008	8.02%	7.50%	(5,894)	948,206	15,189,696	7.87%	7.50%
International Equity	\$30,485,781	15.16%	15.00%	\$(25,869)	\$1,270,768	\$29,240,883	15.16%	15.00%
Morgan Stanley Int'l Equity	14,261,853	7.09%	7.00%	(25,869)	549,552	13,738,170	7.12%	7.00%
Morgan Stanley Emerging Mkts.	1,398,448	0.70%	1.00%	0	70,581	1,327,868	0.69%	1.00%
William Blair & Company	14,825,480	7.37%	7.00%	0	650,635	14,174,845	7.35%	7.00%
Domestic Fixed Income	\$46,477,310	23.11%	27.00%	\$(34,851)	\$221,163	\$46,290,998	23.99%	27.00%
Richmond Capital Management	46,477,310	23.11%	27.00%	(34,851)	221,163	46,290,998	23.99%	27.00%
Real Estate	\$22,060,533	10.97%	10.00%	\$0	\$389,303	\$21,671,230	11.23%	10.00%
Heitman	22,060,533	10.97%	10.00%	0	389,303	21,671,230	11.23%	10.00%
Cash Account	\$45,542	0.02%	0.00%	\$0	\$109	\$45,433	0.02%	0.00%
Total Fund	\$201,137,664	100.0%	100.0%	\$(96,424)	\$8,302,601	\$192,931,487	100.0%	100.0%

- The total fund increased by \$8.2 million over the quarter to \$201.1 million as of December 31, 2017

City of Fort Pierce Total Fund

Callan Public Fund Sponsor Database



	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Last 7 Years	
Total Fund	4.30%	14	15.56%	44	8.38%	15	10.31%	12	9.53%	9
Total Fund Benchmark(1)	3.96%	33	15.02%	56	8.20%	22	9.85%	22	8.97%	22
CPI + 5%	1.06%	99	7.18%	98	6.52%	86	6.27%	93	6.60%	92
Callan Public Fund Spr DB	3.71%		15.28%		7.59%		8.85%		8.07%	

- The Total Fund outperformed the benchmark by 0.34% for the quarter
- Total Fund performance relative to the benchmark and peers has remained strong over time

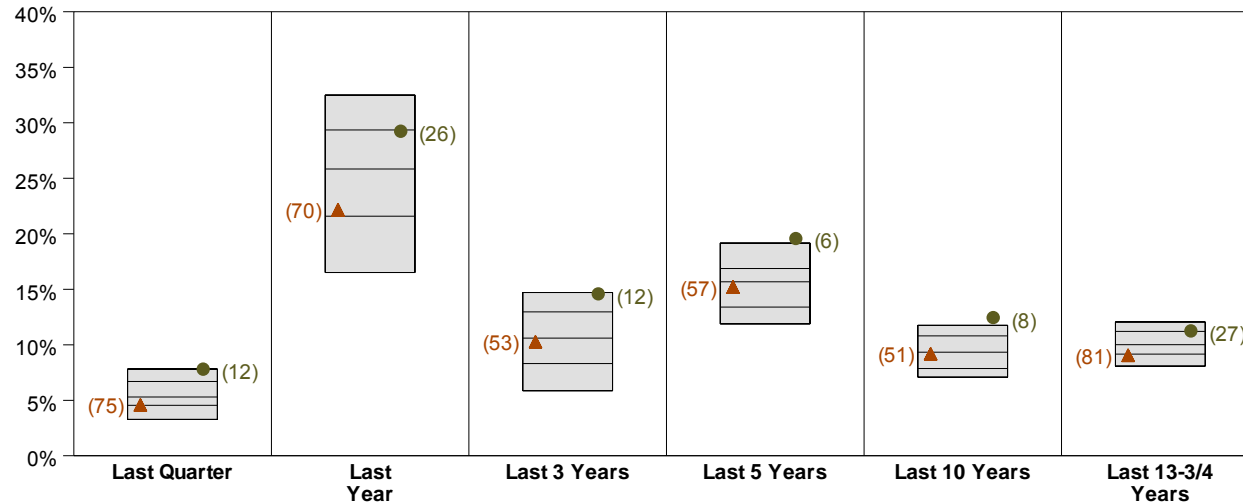
* Current Quarter Target = 33.0% S&P 500 Index, 27.0% Barclays Aggregate Index, 15.0% MSCI ACWI ex US Index, 10.0% NFI-ODCE Equal Weight Net, 7.5% S&P Mid Cap 400 Index, 3.8% Russell 2000 Growth Index and 3.8% Russell 2000 Value Index.



Domestic Equity Performance

Emerald Advisors Small Cap Growth

Performance vs Callan Small Cap Growth (Gross)

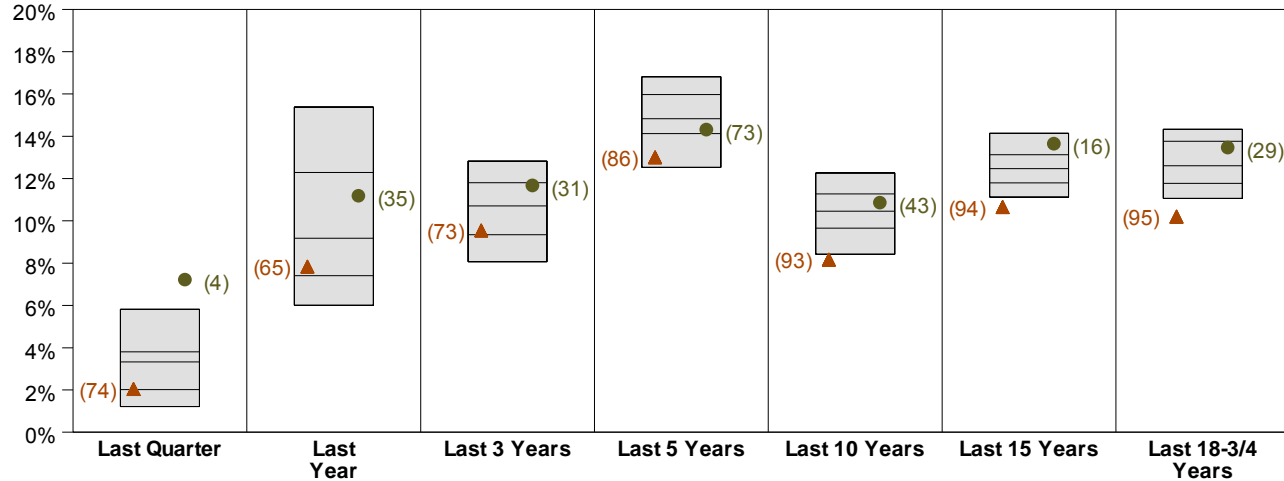


10th Percentile	7.82	32.49	14.71	19.17	11.75	12.06	
25th Percentile	6.70	29.36	12.96	16.87	10.81	11.21	
Median	5.29	25.83	10.59	15.66	9.33	10.01	
75th Percentile	4.55	21.58	8.31	13.40	7.85	9.17	
90th Percentile	3.28	16.51	5.85	11.88	7.08	8.07	
Emerald Advisors, Inc.	●	7.68	29.11	14.46	19.45	12.32	11.11
Russell 2000 Growth Index	▲	4.59	22.17	10.28	15.21	9.19	9.06

- Emerald outperformed the benchmark by 3.09% during the quarter and outperformed by 6.94% over the last year
- Emerald has strong long-term returns well above the benchmark over longer time frames
- Positive contributors at the sector level were the Financial Services, Technology, and Healthcare sectors. The primary detractors were Consumer Discretionary and Consumer Staples sectors.

Ceredex Value Advisors Small Cap Value

Performance vs Callan Small Cap Value (Gross)

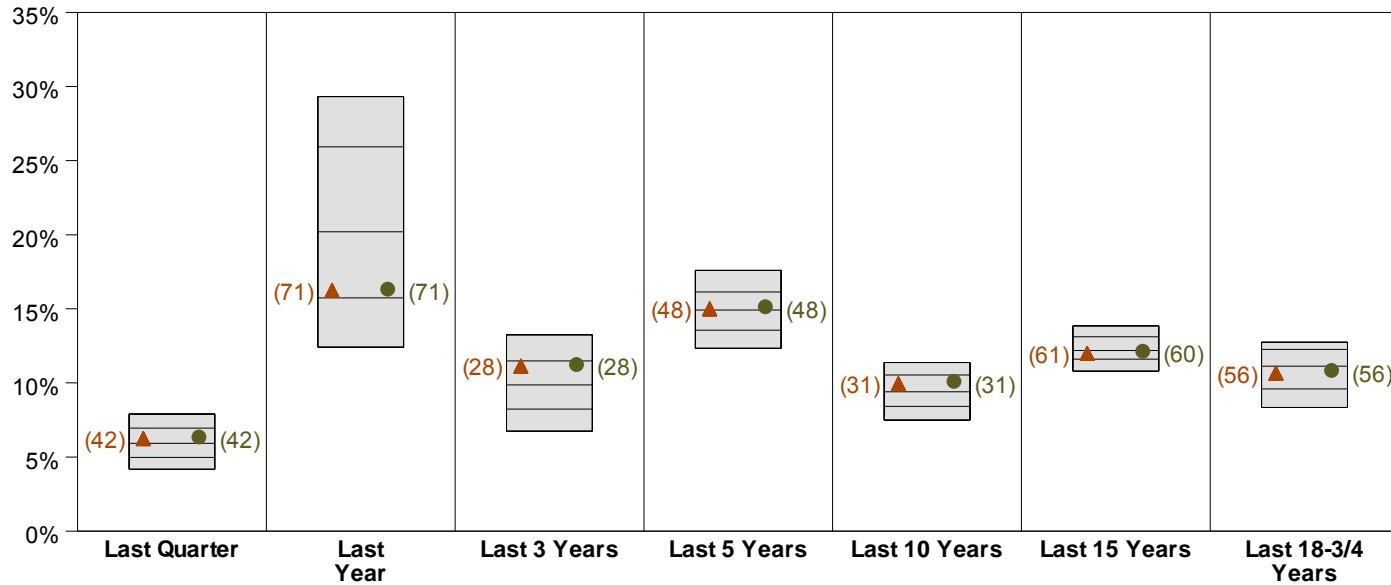


10th Percentile	5.82	15.38	12.83	16.81	12.26	14.14	14.33
25th Percentile	3.80	12.28	11.81	15.97	11.28	13.13	13.77
Median	3.33	9.18	10.71	14.83	10.46	12.47	12.60
75th Percentile	2.02	7.41	9.34	14.13	9.65	11.80	11.78
90th Percentile	1.22	6.00	8.06	12.53	8.42	11.12	11.06
Ceredex Value Advisors ●	7.15	11.12	11.61	14.24	10.79	13.58	13.40
Russell 2000 Value Index ▲	2.05	7.84	9.55	13.01	8.17	10.66	10.20

- Ceredex outperformed the benchmark by 5.10% for the quarter and outperformed by 3.28% over the last year
- Long-term results are strong. The fund has outperformed the benchmark for all trailing periods shown.
- Stock selection was strong within the Financials, Industrials, Real Estate, and Healthcare sectors. On a sector level the performance within Materials was a minor headwind to the strong quarter.

SSgA S&P Mid Cap 400 Index

Performance vs Callan Mid Capitalization (Gross)



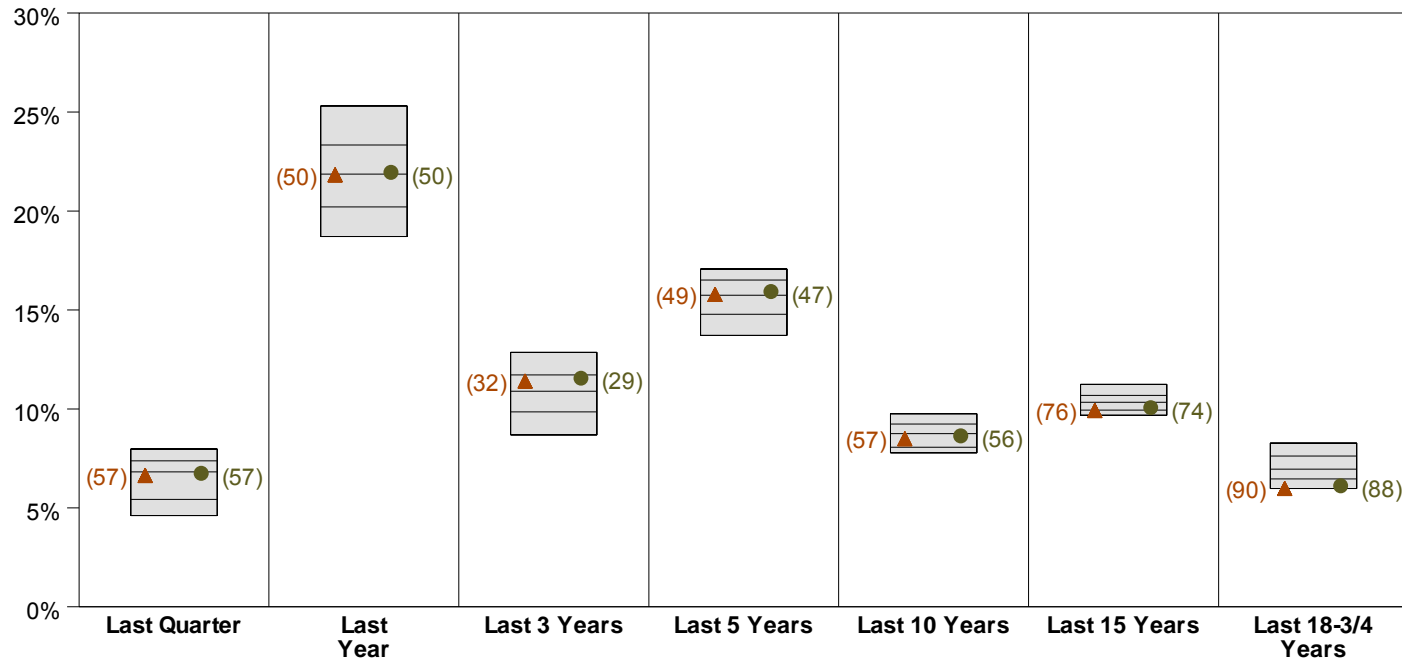
	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 18-3/4 Years
10th Percentile	7.90	29.31	13.24	17.60	11.38	13.85	12.75
25th Percentile	6.95	25.93	11.48	16.14	10.54	13.12	12.27
Median	5.92	20.19	9.87	14.92	9.40	12.19	11.13
75th Percentile	4.98	15.74	8.23	13.56	8.42	11.60	9.60
90th Percentile	4.17	12.42	6.75	12.34	7.50	10.79	8.35

SSgA S&P 400 Index ●	6.24	16.22	11.14	15.03	9.99	12.04	10.73
S&P Mid Cap 400 Index ▲	6.25	16.24	11.14	15.01	9.97	12.00	10.68

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

SSgA S&P 500 Index

Performance vs Callan Large Cap Core (Gross)



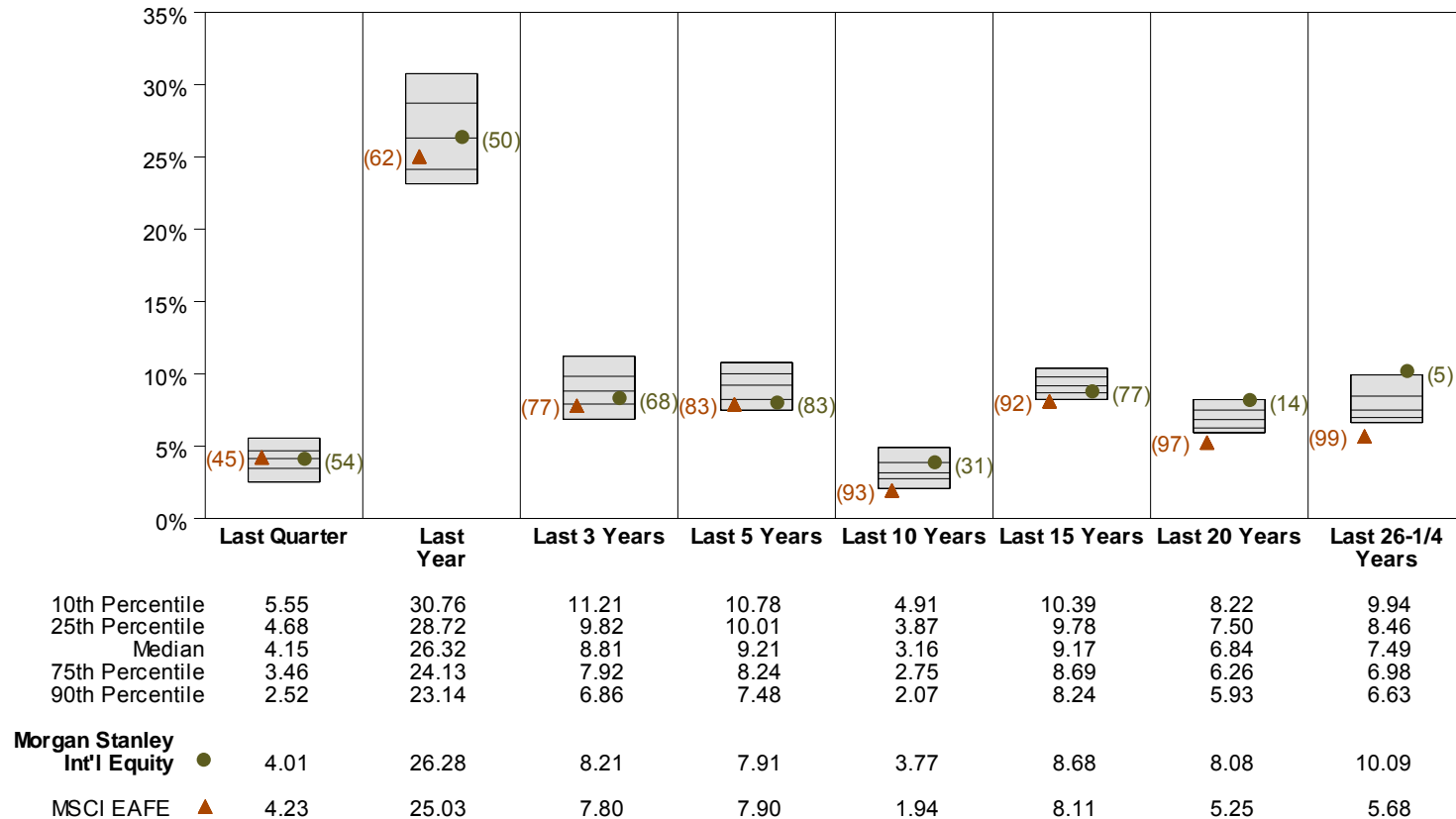
- The fund continues to track the index closely at a very low fee



International Equity Performance

Morgan Stanley Developed International Equity

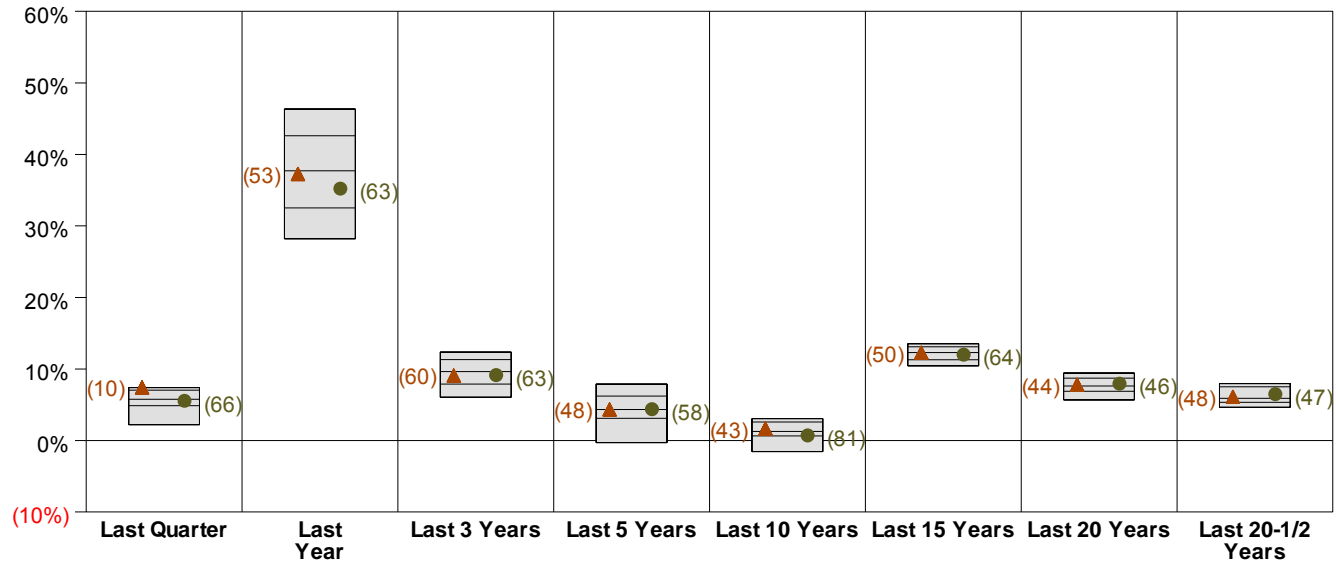
Performance vs Callan Non-US Developed Core Equity (Gross)



- The fund underperformed by 0.22% for the quarter and outperformed the index by 1.24% over the last year
- Long-term performance remains strong. Underperformance for the quarter was driven by poor stock selection in Healthcare and Materials.

Morgan Stanley Emerging Markets Equity

Performance vs Callan Emerging Markets Equity Mut Funds (Institutional Net)

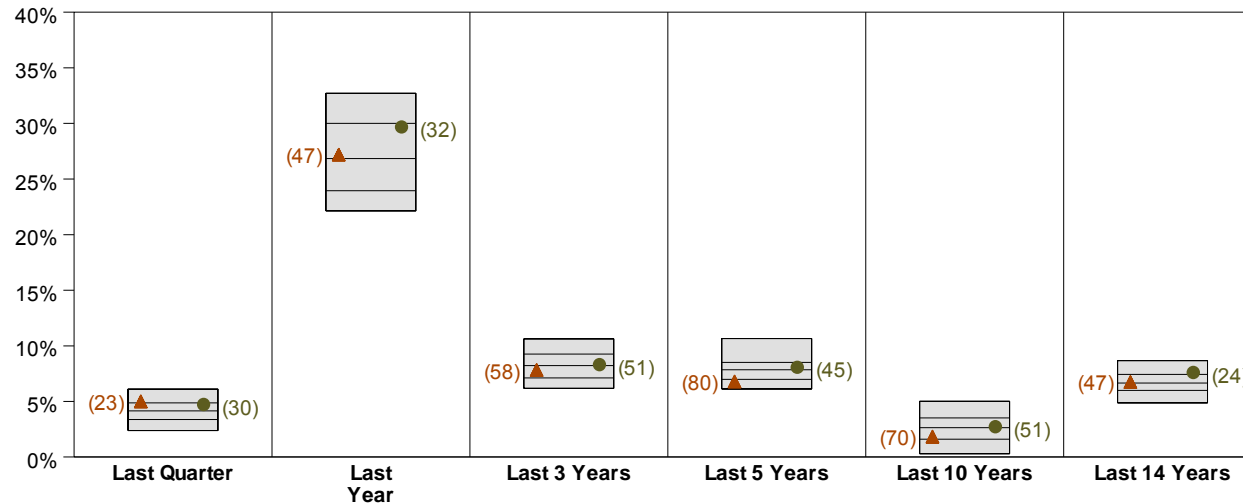


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 20-1/2 Years
10th Percentile	7.39	46.33	12.37	7.88	3.06	13.52	9.44	7.95
25th Percentile	7.03	42.62	11.30	6.20	2.59	13.09	8.71	7.52
Median	5.78	37.69	9.63	4.34	1.27	12.29	7.63	5.91
75th Percentile	4.87	32.52	7.88	3.10	0.65	11.29	6.89	5.34
90th Percentile	2.21	28.19	6.05	(0.30)	(1.56)	10.43	5.67	4.64
Morgan Stanley Emerging Mkts. ●	5.32	34.97	8.91	4.13	0.50	11.78	7.71	6.26
MSCI EMBM ▲	7.44	37.28	9.10	4.35	1.68	12.31	7.81	6.12

- The fund underperformed the index by 2.12% for the quarter and underperformed by 2.31% over the last year
- Long-term results are mixed compared to peers
- The chief detractors from performance were stock selection in and an underweight allocation to South Africa and stock selection in Mexico, India and Indonesia

William Blair International Growth Equity

Performance vs Callan Non US Equity Mutual Funds (Institutional Net)



10th Percentile	6.10	32.71	10.62	10.65	5.02	8.68
25th Percentile	4.86	30.00	9.26	8.51	3.51	7.42
Median	4.16	26.84	8.21	7.86	2.64	6.65
75th Percentile	3.37	23.95	7.13	6.99	1.61	5.99
90th Percentile	2.38	22.13	6.18	6.12	0.30	4.88
William Blair & Company ●	4.59	29.53	8.16	7.93	2.60	7.47
MSCI ACWI ex US ▲	5.00	27.19	7.83	6.80	1.84	6.76

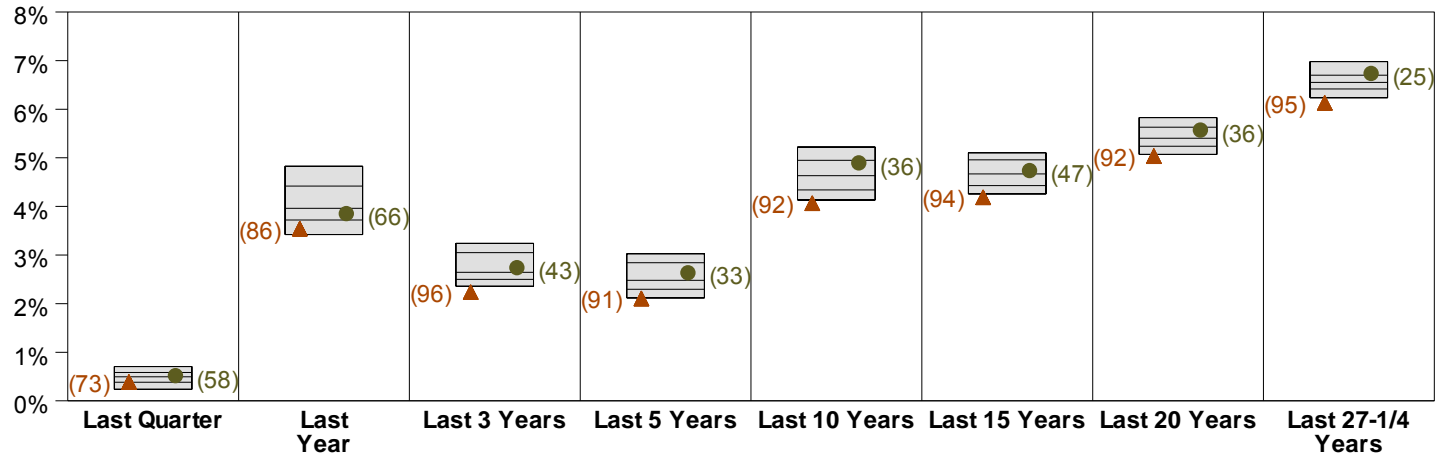
- The fund underperformed by 0.41% for the quarter and outperformed by 2.34% over the last year
- Long-term performance remains strong, as the fund has outperformed for the trailing three and five years
- Stock selection in Materials and Consumer Discretionary drove underperformance for the quarter



Fixed Income

Richmond Capital Core Fixed Income

Performance vs Callan 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 27-1/4 Years
10th Percentile	0.71	4.83	3.24	3.02	5.22	5.10	5.83	6.98
25th Percentile	0.59	4.42	3.05	2.84	4.95	4.96	5.63	6.70
Median	0.49	3.96	2.65	2.48	4.63	4.67	5.40	6.55
75th Percentile	0.38	3.72	2.50	2.30	4.34	4.43	5.24	6.42
90th Percentile	0.24	3.42	2.36	2.12	4.13	4.26	5.07	6.24

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 27-1/4 Years
Richmond Capital Management ●	0.48	3.82	2.70	2.60	4.86	4.70	5.53	6.70
Blended Benchmark* ▲	0.39	3.54	2.24	2.11	4.07	4.19	5.03	6.13

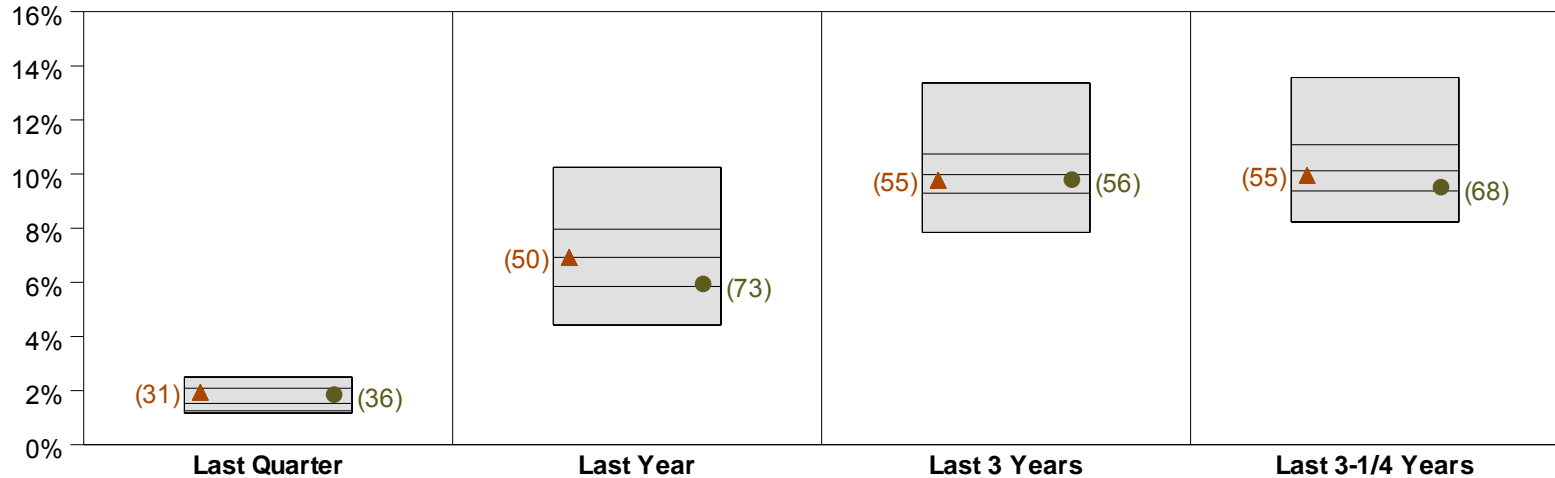
- Richmond outperformed for the quarter and outperformed over the year by 0.28%
- Long-term performance remains strong. The fund has outperformed by 0.79% over the last 10 years



Real Estate

Heitman America Real Estate Trust

Performance vs Callan Open End Core Cmmingled Real Est (Net)



	Last Quarter	Last Year	Last 3 Years	Last 3-1/4 Years
10th Percentile	2.51	10.25	13.37	13.57
25th Percentile	2.09	7.96	10.75	11.08
Median	1.53	6.93	9.98	10.13
75th Percentile	1.26	5.85	9.29	9.38
90th Percentile	1.18	4.43	7.85	8.23
Heitman ●	1.80	5.88	9.73	9.45
NCREIF NFI-ODCE Eq Wt Net ▲	1.94	6.92	9.77	9.95

- Ninth full quarter of performance for Heitman. The fund underperformed the index by 1.04% over the last year
- The fund benefited from strong appreciation of its Industrial properties during the quarter

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%.	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%.	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