



May 17, 2018

City of Fort Pierce

First Quarter Performance
Review

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Market Environment 1Q18: Global Economy

Real GDP increased at an annual rate of 2.3% in the first quarter of 2018, while 4th quarter GDP was revised upward from 2.5% to 2.9%. The U.S. unemployment rate of 4.1% is the lowest since 2000 while inflation pressures remain modest given the length of the economic expansion and tight labor markets. Several geopolitical issues continue to drive uncertainty about future global economic growth. Outside the U.S., economic activity across the Euro zone remained solid despite high unemployment rate of 8.6%; Japan appears to be on a solid footing, while China's growth is being tempered by calls for economic and trade reforms.

- **The Fed raised its target**
 - Targeting Fed Fund range of 1.50 % – 1.75%
 - New Fed Chair, Jerome Powell, announced his first rate hike in March
 - Market projecting another two hikes this year, and three to four more in 2019
- **Inflation notched higher**
 - Headline CPI +2.4% as of March (year-over-year)
 - Core CPI was +2.1%
 - Estimates for Personal and Disposable Personal Income both increased by 0.4% in February
- **Unemployment rate sunk further to 4.1%**
 - Lowest unemployment rate since 2000
- **Strong corporate earnings**
 - Supported by recent tax cuts
 - February IBES estimates : anticipating another year of strong EPS growth of nearly 20%
- **Existing home sales bounced back in February**
 - Current sales 1.1% above a year ago (after two straight months of declines)
- **Euro area GDP growth continued to hover above 2%**
 - Unemployment still trended lower: 8.6% as of January 2018
 - Inflation remained manageable at just over 1% as of February
- **Political risks remain within Eurozone**
 - Uncertainty around Italy's ability to manage coalition talks
 - Ongoing Brexit-related negotiations between the U.K. and European Union
- **Japan shows strength**
 - 4th quarter GDP +2.0%
 - Unemployment rate continued to decline to 2.5% as of February
 - Wage growth ticked up slightly to 0.8% as of January
 - CPI rose by 1.5% y-o-y in February
 - GDP is expected to boost from 2020 Tokyo Olympics-related spending in the coming quarters
- **China continues to target healthy growth in challenging economic and geopolitical environment**
 - Targeting growth around 6.5%
 - The market remained focused on the country's ability to balance much-needed supply-side reform
 - Growing trade-related tensions between the U.S. and China continue to be an area of concern

Market Environment 1Q18: Global Equity

Volatility returned to U.S. equity markets in February and March. The S&P 500 Index saw six days of movements greater than 2% during the quarter versus zero 2% swings in all of 2017; ultimately the benchmark fell 0.8% which is its first quarterly loss since 2015. This modest loss belied volatile intra-quarter results where the S&P 500 reached a record high on January 26, then fell about 8% to close the quarter. Most non-U.S. markets also posted negative results in local terms, however a weakening U.S. dollar benefited U.S.-based investors. Emerging Markets were one of the only market segments to generate positive results for the quarter.

U.S. Equity

- Small caps outperformed large caps across style
 - S&P 500: -0.8%
 - Russell 2000: -0.1%
- Growth outperformed value for the quarter
 - Russell Growth: +1.4% vs. Russell 1000 Value: -2.8%
 - Russell Growth: +2.3% vs. Russell 2000 Value: -2.6%
- Volatility Surges
 - Biggest jump ever recorded, albeit from historically low levels
 - VIX spiked 116% on Feb 5 when the market sank 4%
- Consumer Discretionary and Technology lead the S&P
 - Both up by more than 3%
 - Amazon (+24%) and Netflix (+54%) were key drivers
 - High-flying tech stocks - “FAAMG” - experienced volatility and divergence of returns:

	QTD
Facebook	-9.45%
Apple	-0.48%
Amazon	23.76%
Microsoft	7.19%
Google (Alphabet A&C)	-2.94%

International Equity

- Currency
 - Most major Developed Market currencies rose vs. the U.S. Dollar
 - Emerging Market currencies appreciated vs. the U.S. Dollar, with exceptions to the Indian Rupee and Philippine Peso
 - Growing worries over a trade war with China
 - Signs that rates may be poised to rise in other countries as global economies improve
- Developed markets
 - MSCI EAFE: -1.5% in USD terms; -4.3% in local terms
 - Japan’s equity benchmark fell by nearly 6% in local terms, but was up +0.8% in U.S. dollar terms due to the strength of yen
 - U.K. market posted -8% in local terms but -4% in USD terms due to pound’s appreciation
 - Utilities (+1.3%) and Technology (+1.1%) were the best performers; Telecommunications (-3.9%) and Materials (-3.8%) were laggards
- Emerging Markets
 - MSCI EM USD: +1.4%
 - BRICs: Brazil (+12.4%); Russia (+9.4%); India (-7%); China (+1.8%)
 - Energy (+7.5%) and Health Care (+7%) were the top contributors; Technology posted a modest gain of just over 2%; Consumer Discretionary fell by 6.1% mostly in India, Mexico and UAE

Market Environment 1Q18: Fixed Income

Through the first two months of the first quarter, the 10-year U.S. Treasury yield marched steadily higher on the heels of positive economic data, only to fall through March as equity market weakness and concerns over a looming trade war pushed yields lower. Conversely, non-U.S. fixed income market returns benefited from U.S. dollar weakness.

- Yields rise

- The 10-year U.S. Treasury yield climbed up to a peak of nearly 3% before closing at 2.74%, 34 bps higher than at year-end
- The 2-year U.S. Treasury yield rose nearly 40 bps to their highest level since 2008, closing the quarter at 2.27%

- U.S. Aggregate Bond Index fell 1.5% for the quarter

- Corporate and securitized sectors underperformed Treasuries for the first time in many quarters

- High yield corporates suffered outflows

- Bloomberg High Yield Corporate Index: -0.9%

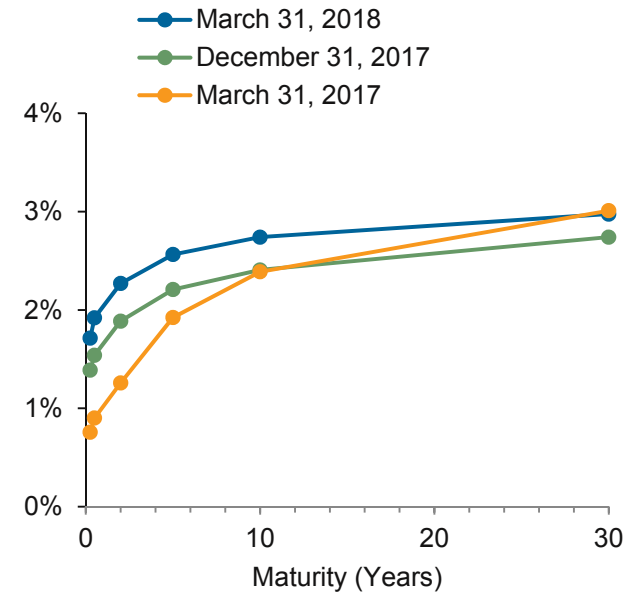
- Currency movements drove global fixed income returns more than interest rate changes

- Bloomberg Global Aggregate ex-U.S. (hedged): -0.1%
- Bloomberg Global Aggregate ex-U.S. (unhedged): +1.4%

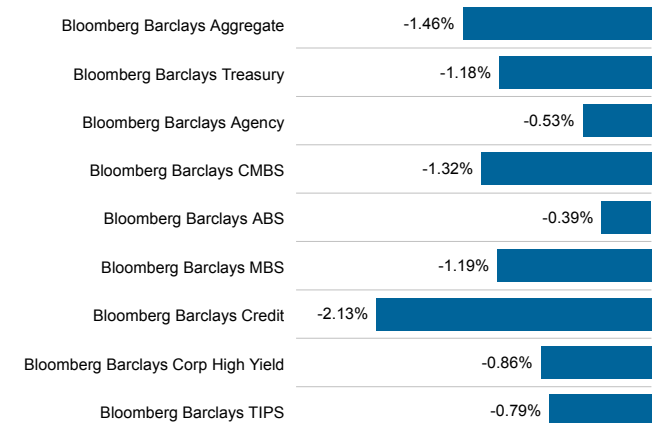
- Emerging markets debt delivered muted returns

- Credit underperformed government bonds
- Local currency emerging markets debt was a top performing asset class: local currency-denominated JPM GBI-EM Global Diversified Index returned +4.4% in Q1
- Spreads widened in sympathy with the broader risk-off environment: U.S. Dollar-denominated JPM EMBI Global Diversified Index returned -1.7% in Q1

U.S. Treasury Yield Curves

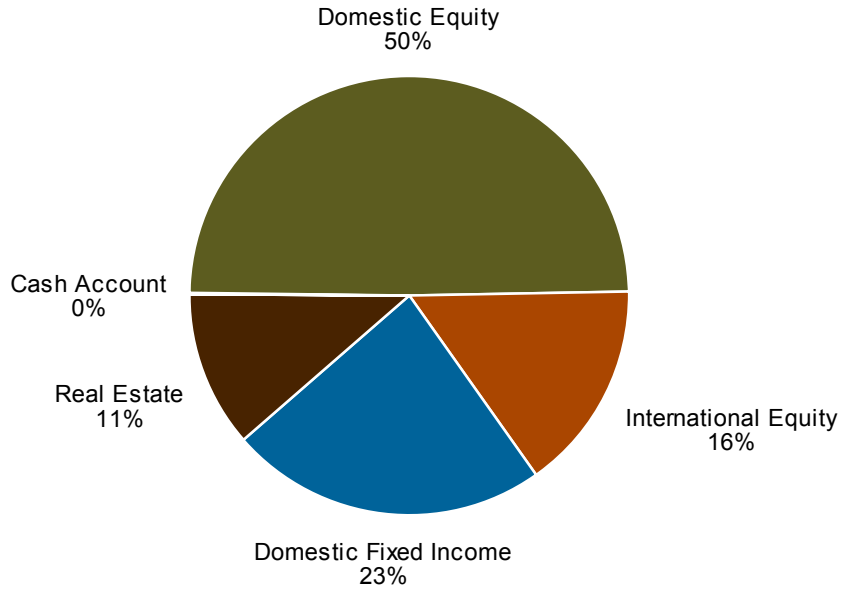


Total Returns

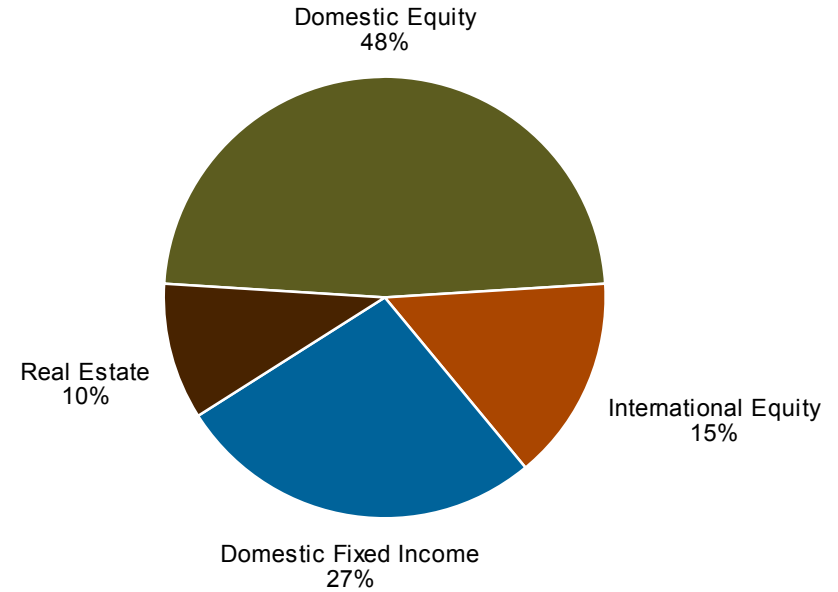


Asset Allocation Review

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	96,931	49.5%	48.0%	1.5%	3,030
International Equity	30,357	15.5%	15.0%	0.5%	1,013
Domestic Fixed Income	45,805	23.4%	27.0%	(3.6%)	(7,014)
Real Estate	22,487	11.5%	10.0%	1.5%	2,924
Cash Account	48	0.0%	0.0%	0.0%	48
Total	195,628	100.0%	100.0%		

Relative Attribution Effects for Quarter ended March 31, 2018

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return	
Domestic Equity	51%	48%	(1.06%)	(0.67%)	(0.20%)	0.00%	(0.20%)	
Domestic Fixed Income	23%	27%	(1.37%)	(1.46%)	0.02%	0.02%	0.04%	
Real Estate	11%	10%	1.93%	1.96%	(0.00%)	0.02%	0.01%	
International Equity	15%	15%	(0.34%)	(1.18%)	0.13%	(0.00%)	0.13%	
Cash Account	0%	0%	0.31%	0.31%	0.00%	0.00%	0.00%	
Total			(0.71%)	(0.70%)	+	(0.05%)	+	0.04%
								(0.02%)

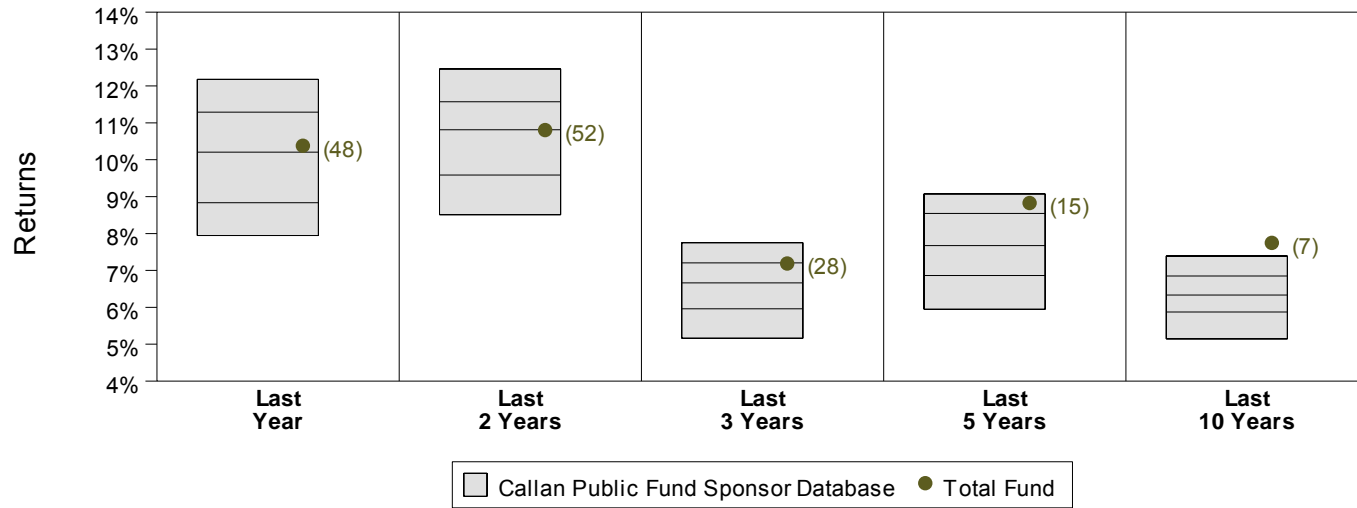
Asset Distribution Across Investment Managers

	March 31, 2018					December 31, 2017		
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
Domestic Equity	\$96,931,339	49.55%	48.00%	\$(4,044,126)	\$(1,093,031)	\$102,068,497	50.75%	48.00%
Emerald Advisers, Inc.	8,590,720	4.39%	3.75%	(16,500)	(150,974)	8,758,194	4.35%	3.75%
Ceredex Value Advisors	7,417,657	3.79%	3.75%	(17,250)	(276,098)	7,711,006	3.83%	3.75%
SSgA S&P 500 Index	65,943,045	33.71%	33.00%	(3,007,192)	(517,052)	69,467,288	34.54%	33.00%
SSgA S&P 400 Index	14,979,918	7.66%	7.50%	(1,003,184)	(148,907)	16,132,008	8.02%	7.50%
International Equity	\$30,357,181	15.52%	15.00%	\$(26,492)	\$(102,108)	\$30,485,781	15.16%	15.00%
Morgan Stanley Int'l Equity	14,074,427	7.19%	7.00%	(26,492)	(160,934)	14,261,853	7.09%	7.00%
Morgan Stanley Emerging Mkts.	1,424,475	0.73%	1.00%	0	26,027	1,398,448	0.70%	1.00%
William Blair & Company	14,858,280	7.60%	7.00%	0	32,800	14,825,480	7.37%	7.00%
Domestic Fixed Income	\$45,805,268	23.41%	27.00%	\$(34,925)	\$(637,117)	\$46,477,310	23.11%	27.00%
Richmond Capital Management	45,805,268	23.41%	27.00%	(34,925)	(637,117)	46,477,310	23.11%	27.00%
Real Estate	\$22,486,839	11.49%	10.00%	\$0	\$426,306	\$22,060,533	10.97%	10.00%
Heitman	22,486,839	11.49%	10.00%	0	426,306	22,060,533	10.97%	10.00%
Cash Account	\$47,674	0.02%	0.00%	\$0	\$2,132	\$45,542	0.02%	0.00%
Total Fund	\$195,628,302	100.0%	100.0%	\$(4,105,544)	\$(1,403,818)	\$201,137,664	100.0%	100.0%

- The total fund decreased by \$5.5 million over the quarter to \$195.6 million as of March 31, 2018

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	(0.71%)	87	10.34%	48	7.15%	28	8.78%	15	8.79%	10
Total Fund Benchmark(1)	(0.70%)	84	9.77%	61	7.13%	28	8.41%	28	8.24%	23
CPI + 5%	2.41%	1	7.44%	93	6.76%	45	6.21%	87	6.46%	85
Callan Public Fund Spr DB	(0.39%)		10.21%		6.66%		7.67%		7.43%	

- The Total Fund was in line with the benchmark for the quarter but trailed the majority of peers
- Total Fund performance relative to the benchmark and peers has remained strong over time

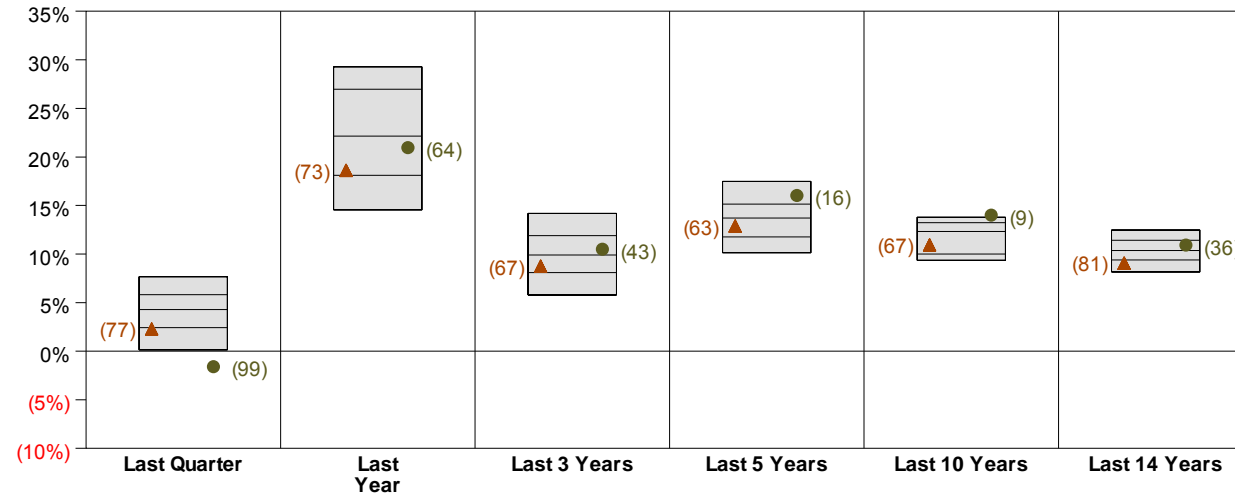
* Current Quarter Target = 33.0% S&P 500 Index, 27.0% Barclays Aggregate Index, 15.0% MSCI ACWI ex US Index, 10.0% NFI-ODCE Equal Weight Net, 7.5% S&P Mid Cap 400 Index, 3.8% Russell 2000 Growth Index and 3.8% Russell 2000 Value Index.



Domestic Equity Performance

Emerald Advisors Small Cap Growth

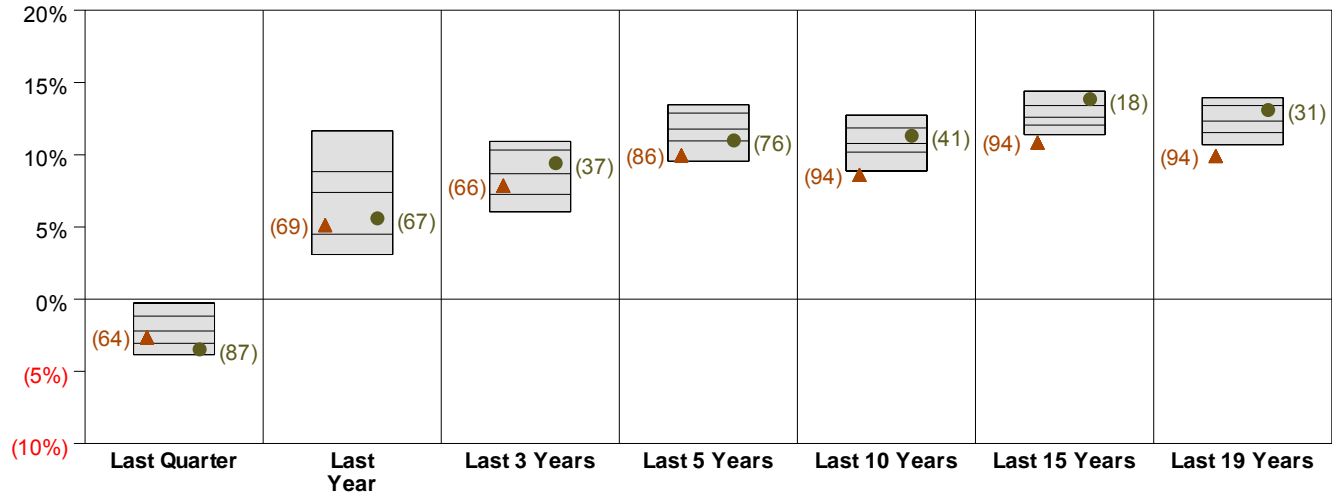
Performance vs Callan Small Cap Growth (Gross)



- Emerald underperformed the benchmark by 4.03% during the quarter and outperformed by 2.19% over the last year
- Emerald has strong long-term returns well above the benchmark over longer time frames
- Stock selection within the Health Care, Materials, Producer Durables, and Consumer Discretionary sectors detracted from performance

Ceredex Value Advisors Small Cap Value

Performance vs Callan Small Cap Value (Gross)

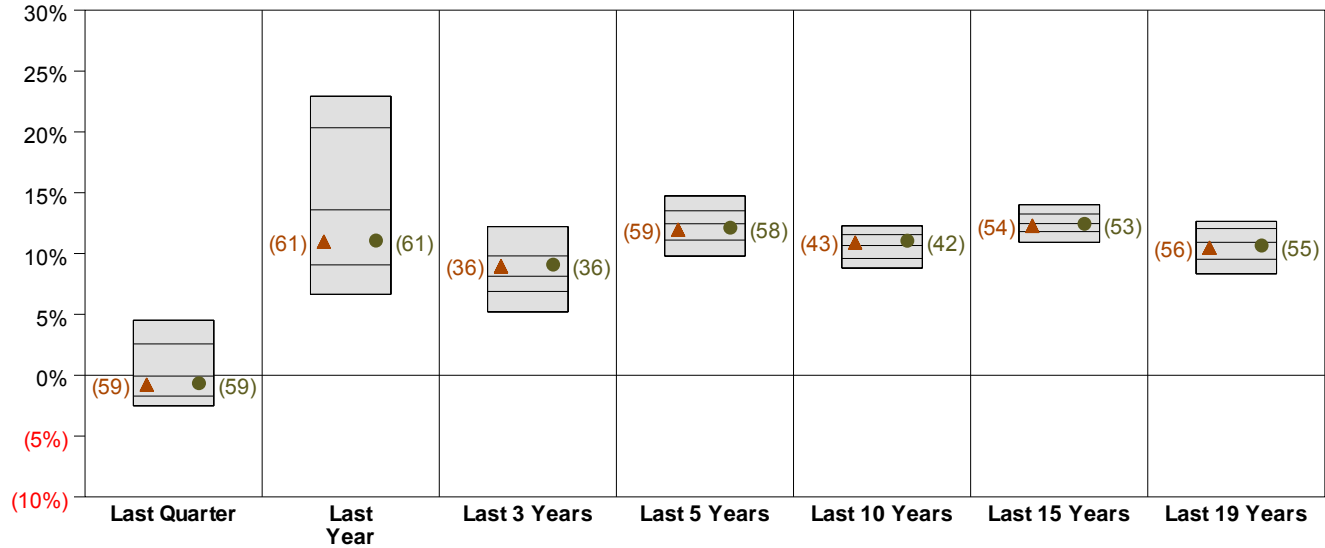


10th Percentile	(0.27)	11.66	10.93	13.46	12.74	14.40	13.95
25th Percentile	(1.18)	8.83	10.32	12.89	11.85	13.41	13.40
Median	(2.20)	7.40	8.69	11.78	10.79	12.60	12.33
75th Percentile	(3.06)	4.50	7.25	10.95	10.17	12.06	11.53
90th Percentile	(3.84)	3.09	6.04	9.55	8.87	11.39	10.69
Ceredex Value Advisors	(3.58)	5.50	9.30	10.88	11.20	13.76	12.99
Russell 2000 Value Index	(2.64)	5.13	7.87	9.96	8.61	10.85	9.91

- Ceredex underperformed the benchmark by 0.94% for the quarter and outperformed by 0.37% over the last year
- Long-term results are strong as the fund has outperformed the benchmark for all trailing periods shown
- Stock selection in Industrials, Real Estate, Consumer Discretionary and Financials detracted from performance for the quarter

SSgA S&P Mid Cap 400 Index

Performance vs Callan Mid Capitalization (Gross)

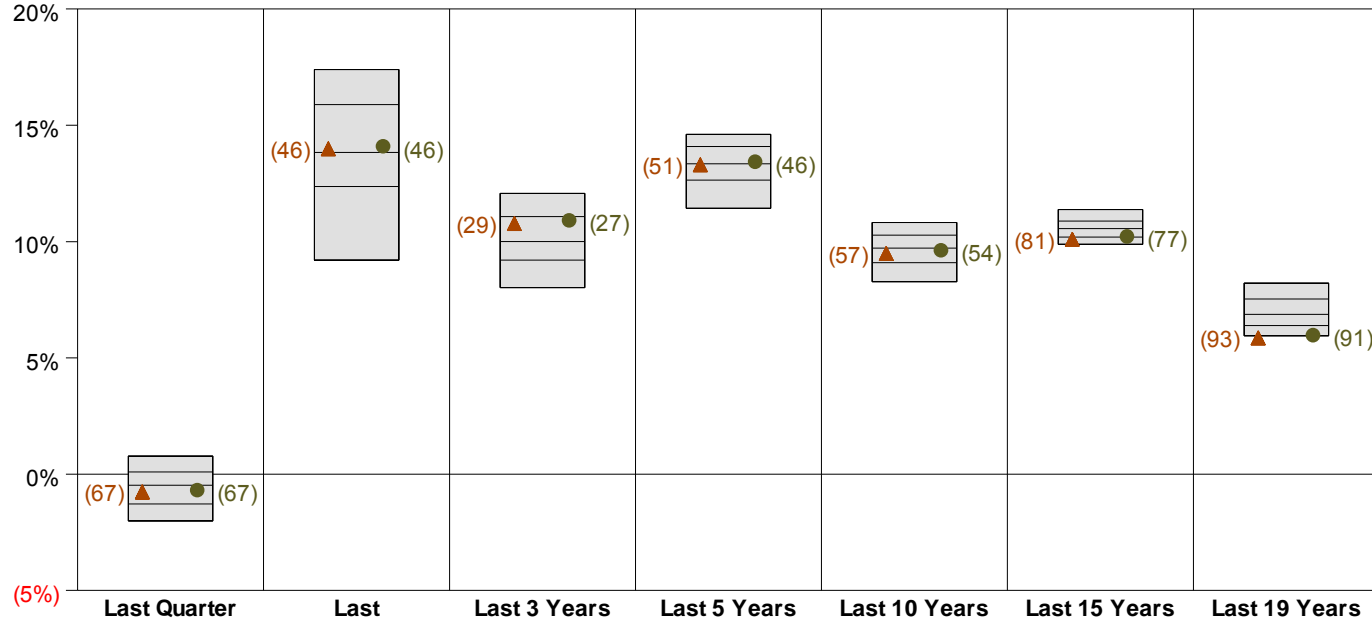


10th Percentile	4.52	22.94	12.22	14.74	12.28	14.01	12.65
25th Percentile	2.57	20.34	9.80	13.52	11.55	13.25	12.05
Median	(0.07)	13.59	8.14	12.45	10.66	12.46	10.92
75th Percentile	(1.71)	9.07	6.89	11.11	9.59	11.81	9.53
90th Percentile	(2.51)	6.64	5.21	9.79	8.81	10.92	8.33
SSgA S&P 400 Index ●	(0.77)	10.96	8.96	11.99	10.93	12.32	10.53
S&P Mid Cap 400 Index ▲	(0.77)	10.97	8.96	11.97	10.90	12.28	10.48

- 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)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 19 Years
10th Percentile	0.78	17.40	12.07	14.61	10.82	11.38	8.21
25th Percentile	0.10	15.90	11.08	14.08	10.28	10.88	7.53
Median	(0.47)	13.84	10.01	13.34	9.72	10.56	6.87
75th Percentile	(1.28)	12.37	9.21	12.64	9.09	10.19	6.39
90th Percentile	(2.01)	9.21	8.02	11.43	8.28	9.89	5.95
SSgA S&P 500 Index ●	(0.76)	14.02	10.84	13.36	9.56	10.15	5.91
S&P 500 Index ▲	(0.76)	13.99	10.78	13.31	9.50	10.10	5.86

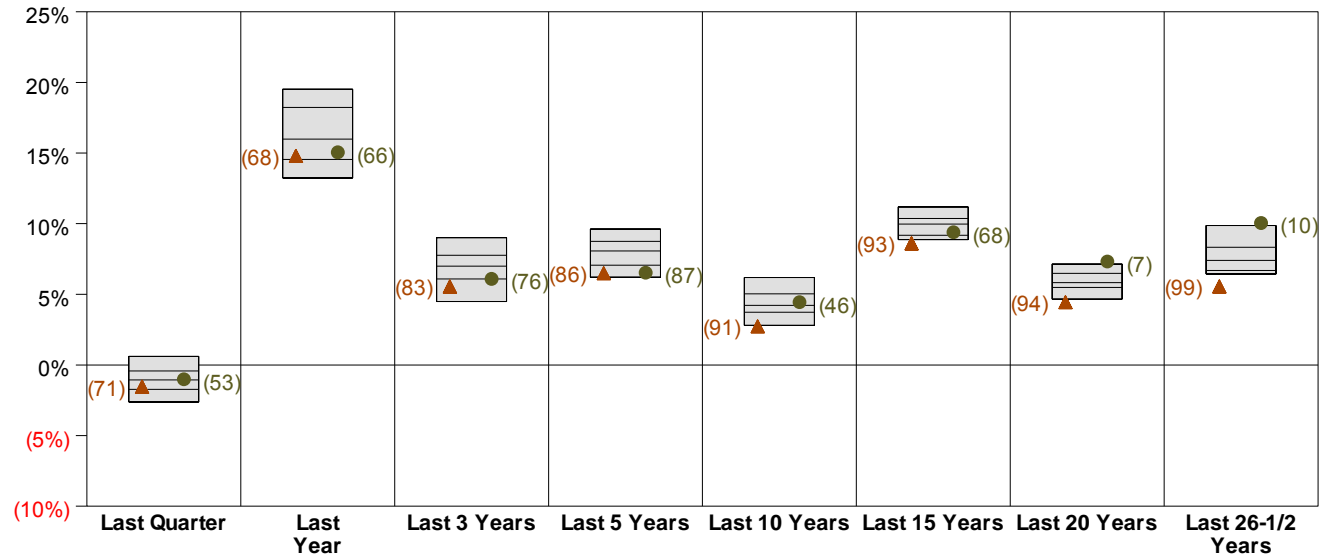
- The fund continues to track the index closely at a very low fee



International Equity Performance

Morgan Stanley Developed International Equity

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

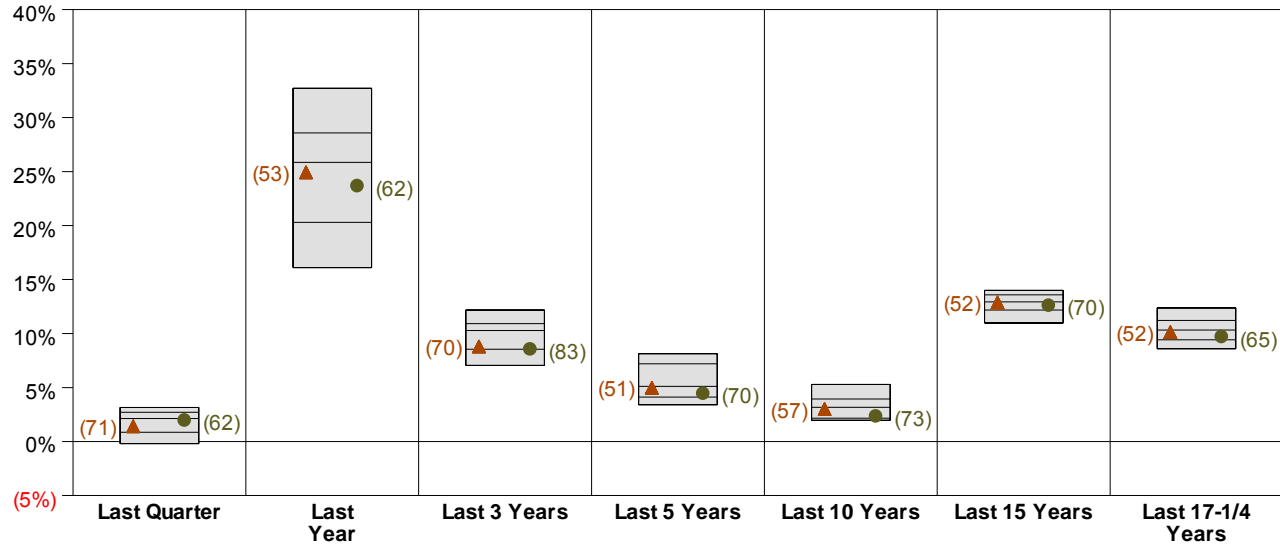


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 26-1/2 Years
10th Percentile	0.61	19.52	9.01	9.63	6.19	11.18	7.14	9.88
25th Percentile	(0.42)	18.22	7.76	8.75	5.03	10.37	6.49	8.33
Median	(1.06)	15.99	6.99	8.06	4.21	9.97	5.83	7.40
75th Percentile	(1.72)	14.55	6.09	7.07	3.73	9.18	5.49	6.69
90th Percentile	(2.62)	13.23	4.49	6.21	2.80	8.87	4.66	6.44
Morgan Stanley Int'l Equity ●	(1.13)	14.93	5.99	6.42	4.33	9.29	7.20	9.94
MSCI EAFE ▲	(1.53)	14.80	5.55	6.50	2.74	8.62	4.45	5.56

- The fund outperformed by 0.61% for the quarter and outperformed the index by 0.13% over the last year
- Stock selection was positive as outperformance in Consumer Staples and Energy outweighed underperformance in Materials

Morgan Stanley Emerging Markets Equity

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

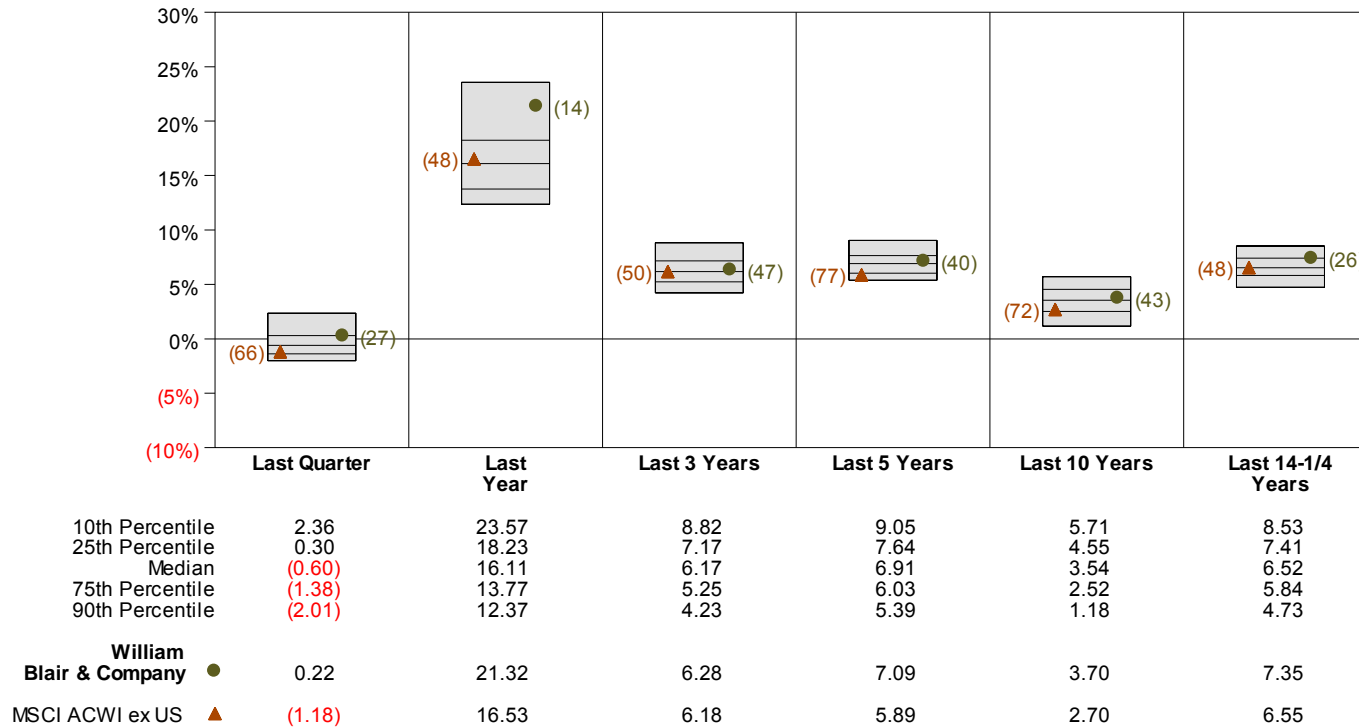


10th Percentile	3.15	32.71	12.17	8.14	5.29	14.00	12.37
25th Percentile	2.71	28.58	10.93	7.19	3.94	13.59	11.22
Median	2.12	25.85	10.28	5.11	3.18	12.93	10.32
75th Percentile	0.87	20.30	8.54	4.11	2.17	12.17	9.42
90th Percentile	(0.19)	16.10	7.06	3.39	1.98	10.98	8.60
Morgan Stanley Emerging Mkts.	● 1.86	23.55	8.45	4.34	2.23	12.48	9.59
MSCI EMBM	▲ 1.42	24.93	8.81	4.99	3.02	12.88	10.14

- The fund outperformed the index by 0.44% for the quarter and underperformed by 1.38% over the last year
- Overweight allocation in Brazil, as well as stock selection in India and China, were the largest contributors to performance
- Morgan Stanley Investment Management announced that lead portfolio manager of Asia Munib Madni will leave the firm on June 30, 2018, to pursue academic interests. May Yu and Amay Hattangadi will become the co-lead portfolio managers for the Asia region following Madni's departure. Ruchir Sharma remains the lead portfolio manager for the overall strategy.

William Blair International Growth Equity

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



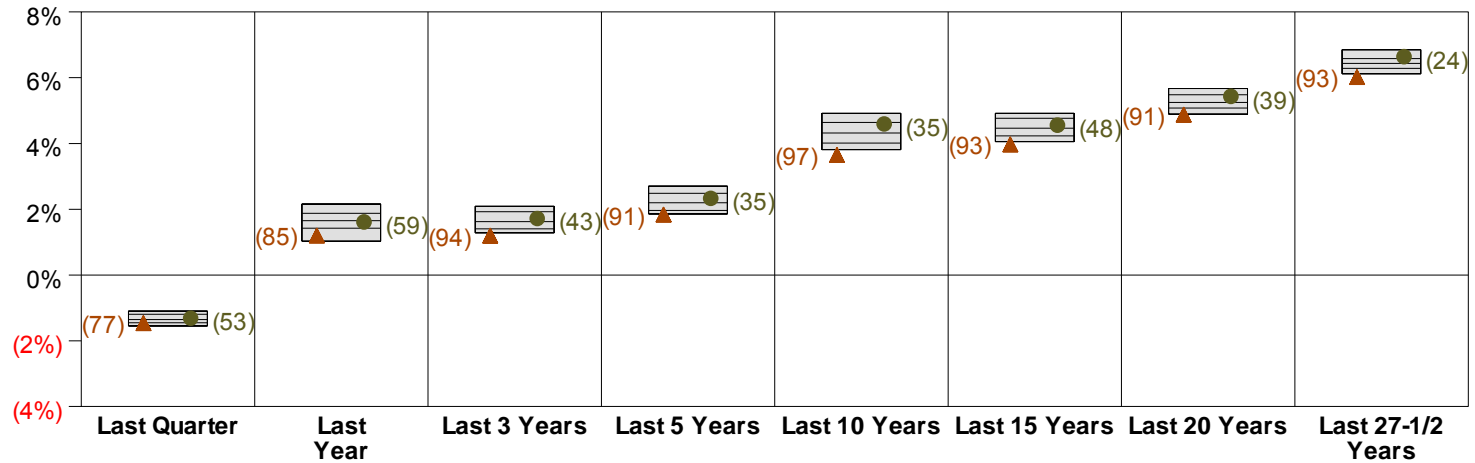
- The fund outperformed by 1.40% for the quarter and outperformed by 4.79% over the last year
- Long-term performance remains strong, as the fund has outperformed for the trailing three and five years
- Stock selection in Financials and Consumer Staples sectors were the most notable contributors to relative return



Fixed Income

Richmond Capital Core Fixed Income

Performance vs Callan Core Bond Fixed Income (Gross)



10th Percentile	(1.10)	2.16	2.09	2.71	4.92	4.92	5.67	6.85
25th Percentile	(1.19)	1.88	1.93	2.49	4.64	4.77	5.48	6.58
Median	(1.36)	1.65	1.62	2.20	4.32	4.47	5.25	6.43
75th Percentile	(1.45)	1.43	1.40	1.96	4.01	4.23	5.08	6.28
90th Percentile	(1.55)	1.03	1.28	1.86	3.81	4.06	4.90	6.12
Richmond Capital Management	● (1.37)	1.56	1.67	2.28	4.53	4.50	5.37	6.58
Blended Benchmark*	▲ (1.46)	1.20	1.20	1.84	3.65	3.97	4.88	6.02

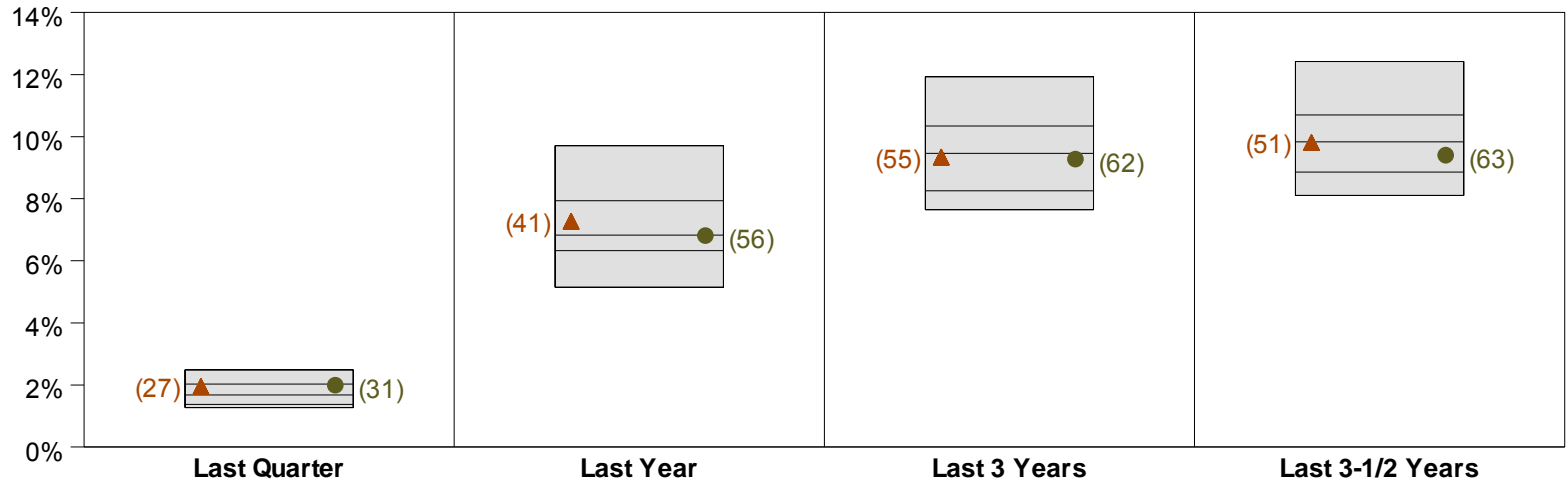
- Richmond outperformed for the quarter and outperformed over the year by 0.36%
- Long-term performance remains strong. The fund has outperformed by 0.88% over the last 10 years



Real Estate

Heitman America Real Estate Trust

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



10th Percentile	2.49	9.71	11.93	12.42
25th Percentile	2.03	7.94	10.34	10.69
Median	1.68	6.83	9.46	9.83
75th Percentile	1.38	6.33	8.25	8.86
90th Percentile	1.27	5.15	7.65	8.11
Heitman ●	1.93	6.76	9.22	9.35
NCREIF NFI-ODCE Eq Wt Net ▲	1.96	7.28	9.34	9.81

- Tenth full quarter of performance for Heitman. The fund underperformed the index by 0.52% over the last year
- Property appreciation for the quarter was driven primarily by the Fund's industrial and self-storage investments

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.	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