

SIX MONTH INVESTMENT UPDATE

as of

FIRST QUARTER 2018

for

CITY OF FORT PIERCE
RETIREMENT AND BENEFIT SYSTEM



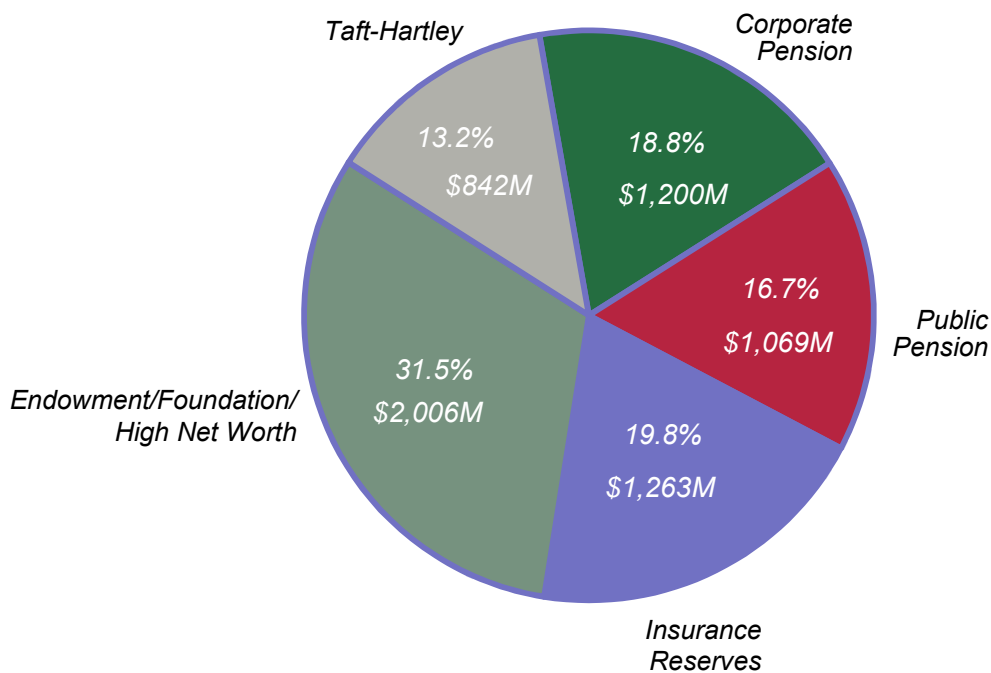
RICHMOND CAPITAL MANAGEMENT
Experience, Knowledge, Service

ORGANIZATION

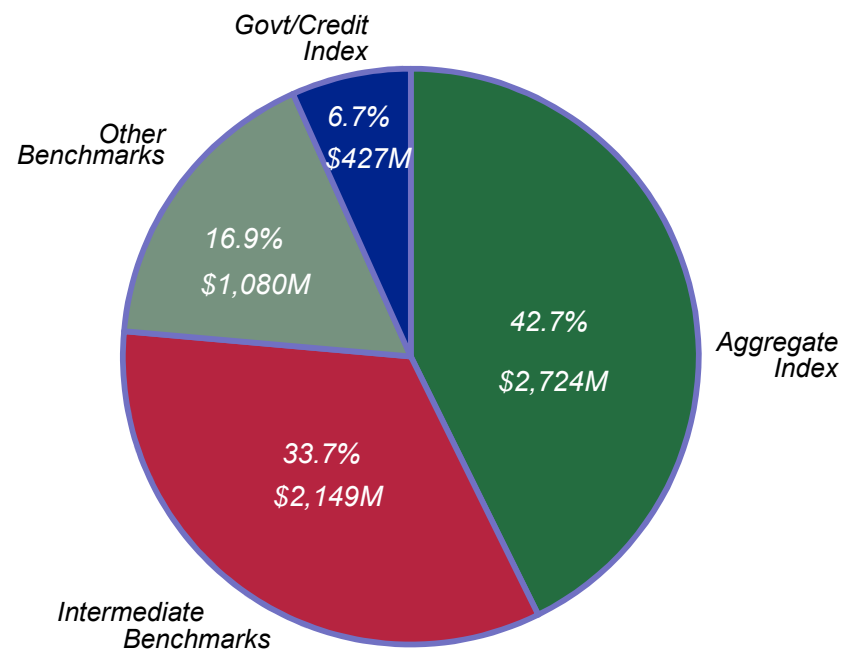
As of March 31, 2018

- » Independent Investment Advisor since 1987
- » 100% Employee Owned
- » Seasoned Professionals: 29 Years Average Bond Experience
- » \$6.4 Billion Under Management

Assets by Client Type



Assets by Benchmark



PROFESSIONALS FOCUSED ON YOUR PORTFOLIO

Portfolio Managers

Senior Investment Team has been together for over 15 years

Howard K. Bos, CFA
President, RCM since 1999
32 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
33 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
33 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
25 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
40 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
31 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
31 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
5 Years Bond Investment Experience
Prior Experience: Virginia Retirement System
M.S. Sloan School, Mass. Institute of Technology, 2014
B.S. University of Virginia, 2011

Client Services, Operations, Business Development, and Compliance

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

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

Gregory Glatt
Vice President, Business Development, RCM since 2018
22 Years Investment Experience
Prior Experience: Thompson Davis, BB&T
B.A. Albright College, 1993

Geoffrey B. Sale
Chief Compliance Officer, RCM since 2002
26 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, 2018

| Cash Flows Since Inception <i>Through March 31, 2018</i> | |
|---|-----------------------------------|
| Market Value <i>(8/1/1989)</i> | \$12,816,948 |
| Change in Market Value of Holdings | 2,846,094 |
| Interest Earned | 66,630,785 |
| Contributions/ <i>Withdrawals</i> | 26,508,163 <i>(62,993,276)</i> |
| Total | \$45,808,714 |

| Portfolio Review <i>Through March 31, 2018</i> | |
|--|--------------------------|
| Average Maturity | 8.08 Years |
| Portfolio Duration <i>(Barclays Aggregate)</i> | 5.94 Years 6.08 Years |
| Average Yield to Maturity <i>(Barclays Aggregate)</i> | 3.23% 3.12% |
| Average Quality | AA |

Statistics in this report are calculated by Bloomberg PORT Fixed Income Analytic models.

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

Performance Summary

As of March 31, 2018

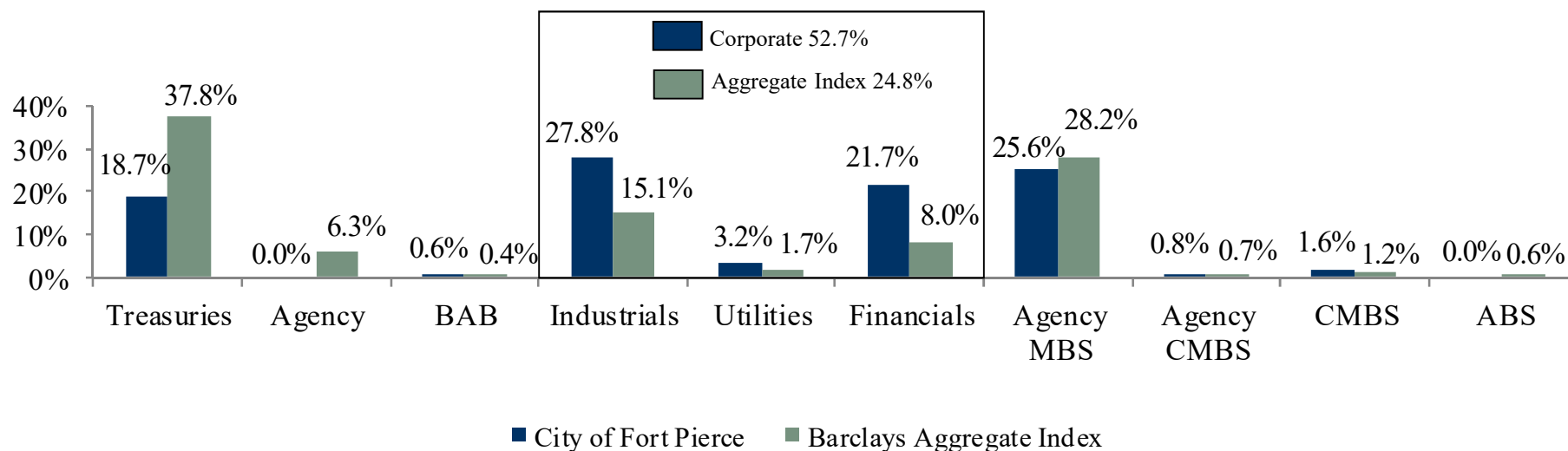
| | City of Fort Pierce Retirement and Benefit System | Barclays Aggregate Index | Value Added |
|--|--|-----------------------------|-------------|
| 1st Quarter, 2018 | -1.34% | -1.46% | +0.12% |
| Fiscal Year to Date | -0.85% | -1.08% | +0.23% |
| 12 Months to Date | 1.57% | 1.20% | +0.37% |
| Annualized: 3 Years | 1.67% | 1.20% | +0.47% |
| 5 Years | 2.29% | 1.83% | +0.46% |
| 10 Years | 4.54% | 3.65% | +0.89% |
| Annualized Since Inception (8/1/1989) | 6.52% | 5.96% | +0.56% |

*Barclays G/C 8/1/89 to 5/31/13, Barclays Aggregate 6/1/13 forward
Fiscal Year End September 30th*

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

As of March 31, 2018

| Quality Distribution | | |
|----------------------|---------------------|--------------------------|
| | City of Fort Pierce | Barclays Aggregate Index |
| AAA | 47.3% | 71.6% |
| AA | 2.8% | 3.7% |
| A | 32.9% | 11.2% |
| BAA | 17.0% | 13.5% |



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INVESTMENT THEME: INTEREST RATES

Concern About Higher Interest Rates

Action:
Defensive Duration

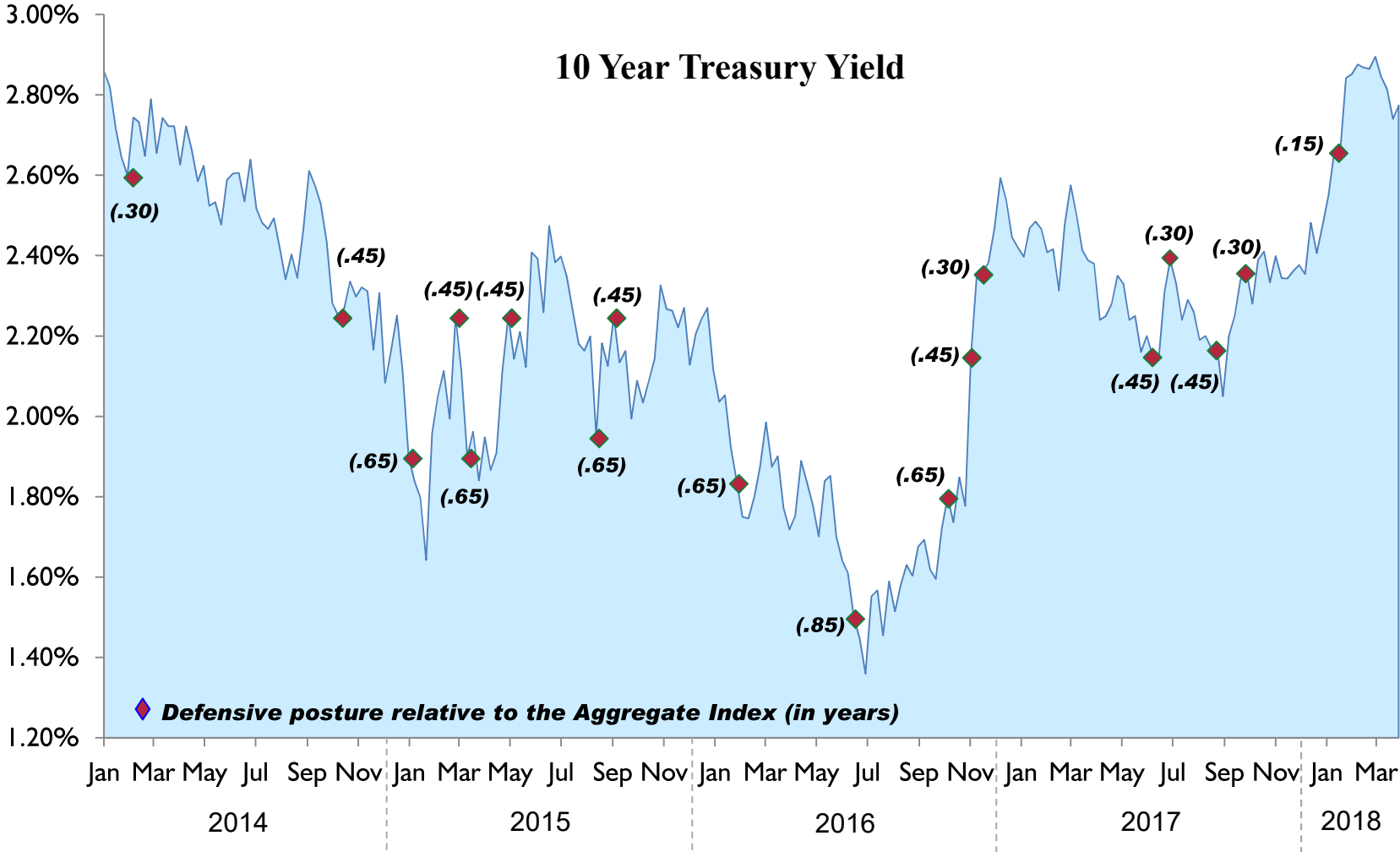
- Do not fight the Federal Reserve: balance sheet reduction & short-term rate adjustments will continue to pressure interest rates higher.
- Supply from U.S. Treasury will continue due to budget deficits and social security funding.
- Employ an “emotion-less” duration schedule to take advantage of volatility.

Dot Plot Points to Higher Rates



Source: Bloomberg, Federal Reserve

DURATION DECISIONS (12/31/2013 to Present)



Source: Bloomberg

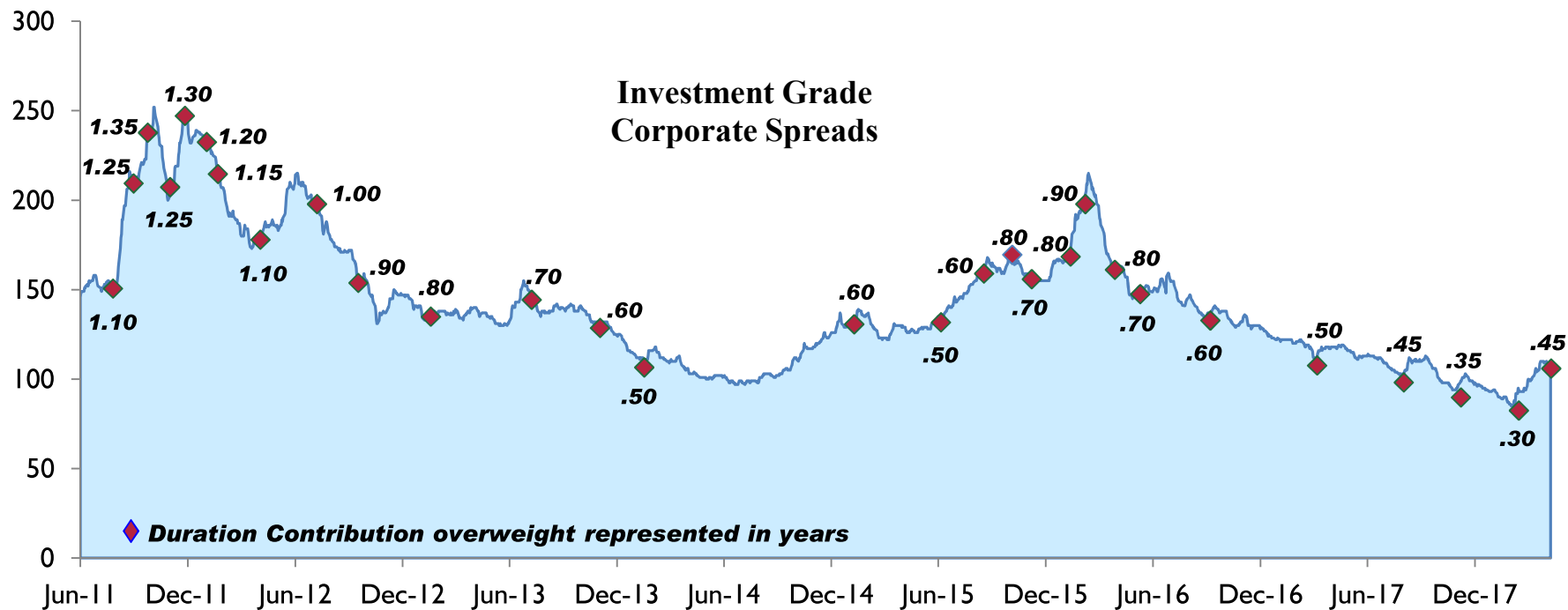
INVESTMENT THEME: OPPORTUNISTIC CORPORATE BOND ALLOCATION

Spread Product is Historically Tight

Action:
Reduce Risk

- We are very disciplined in our approach to overweighting the corporate sector.
- In response to a continued tightening of corporate spreads, we have allowed our risk to decline.
- With current spread widening, we have increased our allocation to the corporate sector.

OAS Spread (bps)



Source: Bloomberg Barclays

INVESTMENT THEME: UNSYSTEMATIC RISK

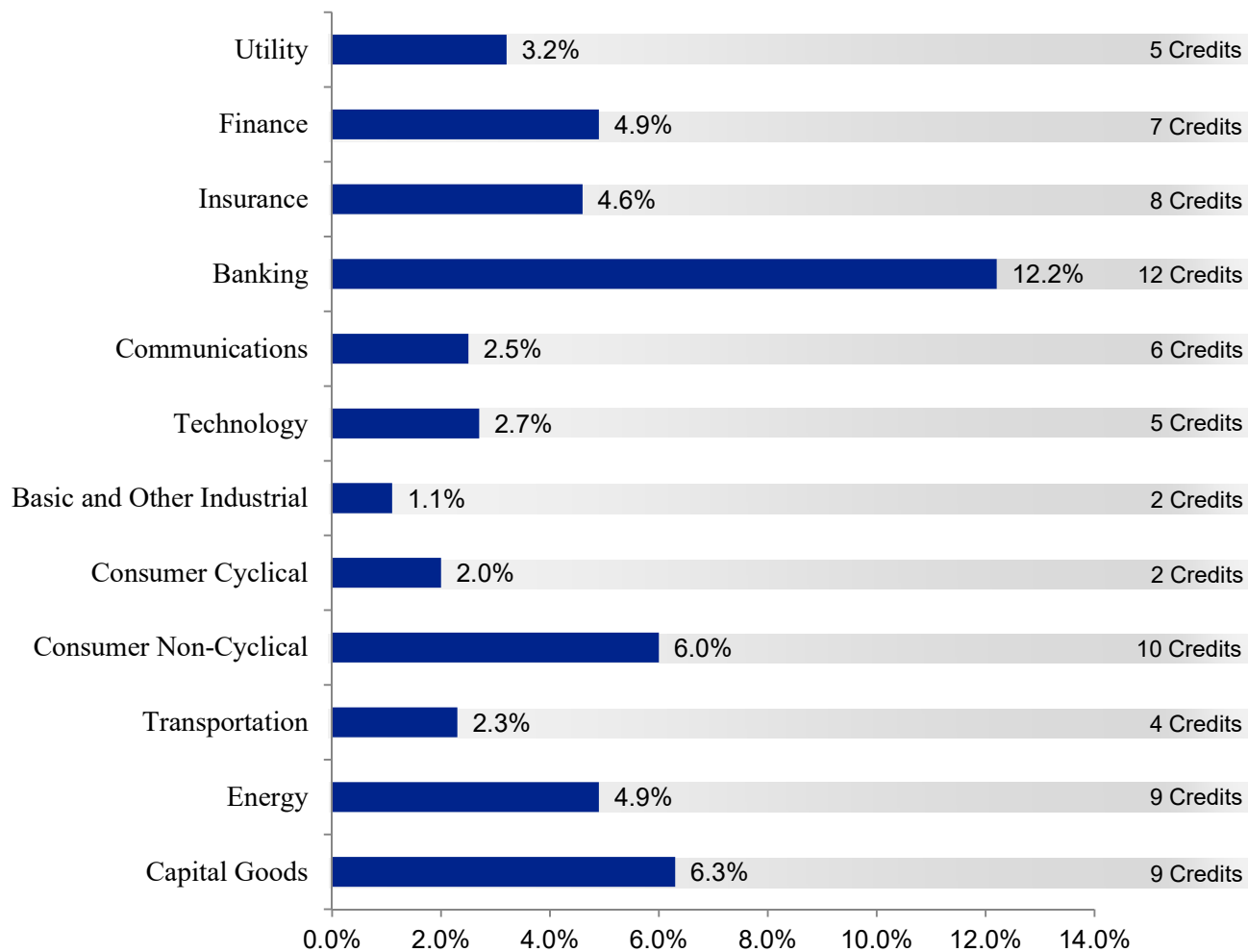
Avoid Unsystematic Risk

Action:
Diversified Sector and
Security Selection

Selected Approved Credits

| | |
|-----|---|
| AAA | Johnson & Johnson, Microsoft |
| AA | Apple, Berkshire Hathaway, Coca-Cola, Exxon Mobil, Procter & Gamble, Walmart |
| A | Bank of America, Boeing, Caterpillar, GE Capital, Goldman Sachs, J.P. Morgan, Travelers, Virginia Electric, Walt Disney |
| BAA | Capital One, Citigroup, CSX, Lockheed Martin, McDonald's, SunTrust |

Sector Diversification



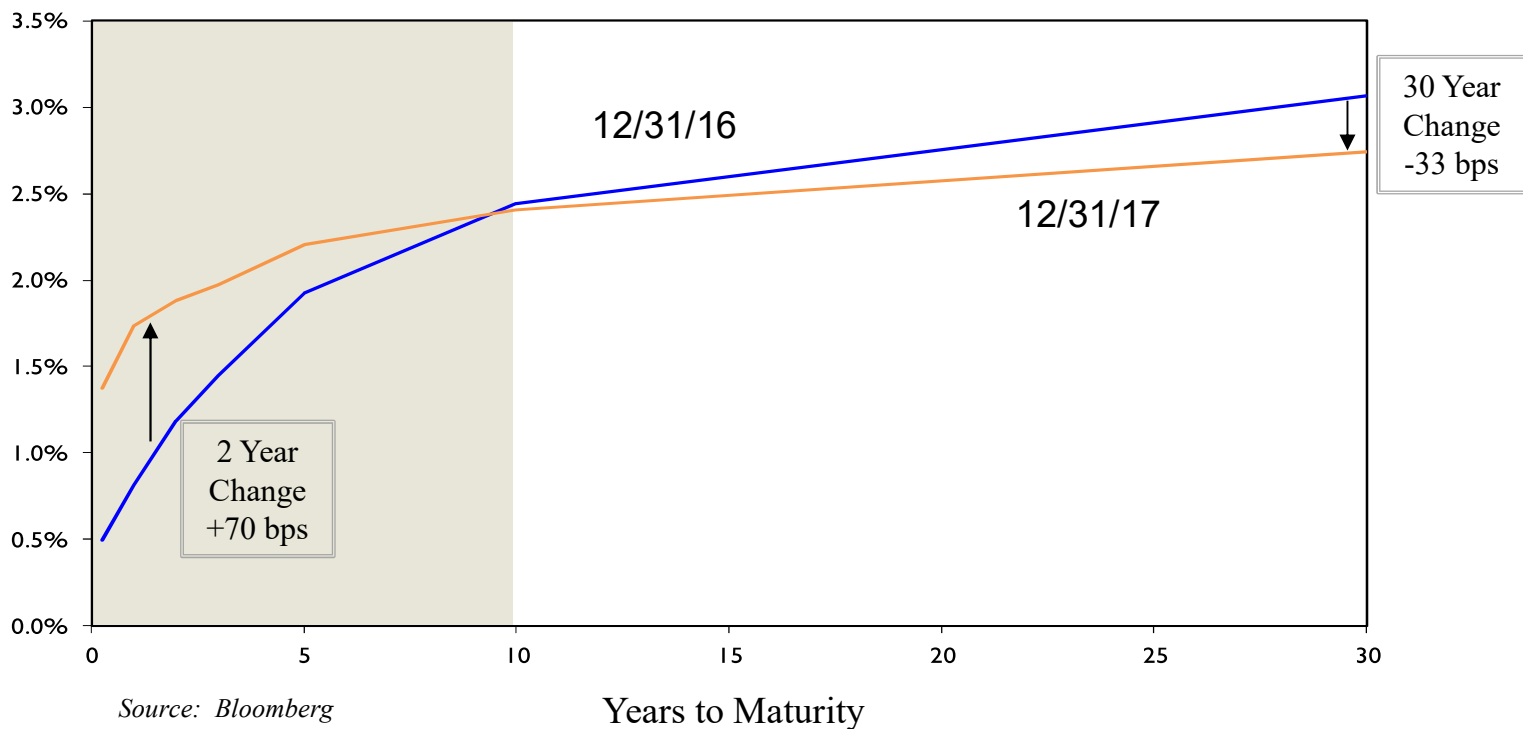
Source: Bloomberg

INVESTMENT THEME: FLATTER YIELD CURVE

Yield Curve Flatter

Action:
Even Yield Curve
Distribution

- As the yield curve has flattened, we have reduced our underweight to the front end of the yield curve.
- We are currently yield curve agnostic.



STRATEGY FOR 2018

- » **We still expect interest rates to move higher** and have positioned the portfolio modestly shorter than the benchmark. As interest rates moved higher at the end of 2017 and offered better value, we extended the portfolios.
- » **Corporate bond spreads narrowed significantly in 2017.** “BBB” rated corporates, in particular, produced outstanding performance as well as longer maturity corporates. We still remain overweight corporates on a diversified basis especially in the front end of the yield curve. However, as spreads continued to tighten throughout 2017 and the start of 2018, we reduced our overweight to the corporate sector. Spreads then started to widen at the end of the first quarter, and we have been swapping Treasuries for corporates, increasing our corporate overweight.
- » Overall, we are in **“patient” mode** as we await opportunity.