

Callan



City of Fort Pierce

Fourth Quarter Performance
Review

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Volatility Spikes in First and Fourth Quarters of 2018

Is this our return to normal?

Three sharp declines during 2018

- Full corrections (10% decline) in February and December
- Near-correction (8% drop) in March

U.S. equity market suffered 5% loss for the year

- Developed and emerging markets fell over 14%

The Fed raised rates four times in 2018, and signaled two more hikes in 2019

Wage pressures are building as the unemployment rate stays below 4%

However, CPI fell back below 2% year-over-year in December

- Higher rates threatened earlier in the year
- Falling oil prices alters the outlook for inflation

Returns for Periods ended December 31, 2018

| | 1 Quarter | 1 Year | 5 Years | 10 Years | 25 Years |
|-------------------------------------|-----------|--------|---------|----------|----------|
| U.S. Equity | | | | | |
| Russell 3000 | -14.30 | -5.24 | 7.91 | 13.18 | 9.04 |
| S&P 500 | -13.52 | -4.38 | 8.49 | 13.12 | 9.07 |
| Russell 2000 | -20.20 | -11.01 | 4.41 | 11.97 | 8.28 |
| Non-U.S. Equity | | | | | |
| MSCI World ex USA | -12.78 | -14.09 | 0.34 | 6.24 | 4.76 |
| MSCI Emerging Markets | -7.46 | -14.57 | 1.65 | 8.02 | -- |
| MSCI ACWI ex USA Small Cap | -14.43 | -18.20 | 1.96 | 10.02 | -- |
| Fixed Income | | | | | |
| Bloomberg Barclays Aggregate | 1.64 | 0.01 | 2.52 | 3.48 | 5.09 |
| 3-Month T-Bill | 0.56 | 1.87 | 0.63 | 0.37 | 2.55 |
| Bloomberg Barclays Long Gov/Credit | 0.78 | -4.68 | 5.37 | 5.88 | 6.82 |
| Bloomberg Barclays Global Agg ex-US | 0.91 | -2.15 | -0.01 | 1.73 | 4.39 |
| Real Estate | | | | | |
| NCREIF Property | 1.37 | 6.72 | 9.33 | 7.49 | 9.34 |
| FTSE NAREIT Equity | -6.32 | -4.62 | 7.90 | 12.12 | 9.76 |
| Alternatives | | | | | |
| CS Hedge Fund | -4.30 | -3.19 | 1.66 | 5.10 | 7.27 |
| Cambridge Private Equity* | 3.37 | 16.77 | 13.77 | 11.62 | 15.46 |
| Bloomberg Commodity | -9.41 | -11.25 | -8.80 | -3.78 | 2.03 |
| Gold Spot Price | 7.11 | -2.14 | 1.28 | 3.78 | 4.85 |
| Inflation - CPI-U | -0.48 | 1.91 | 1.51 | 1.80 | 2.20 |

*Cambridge PE data are available through September 30, 2018.

Source: Callan

Equity Markets

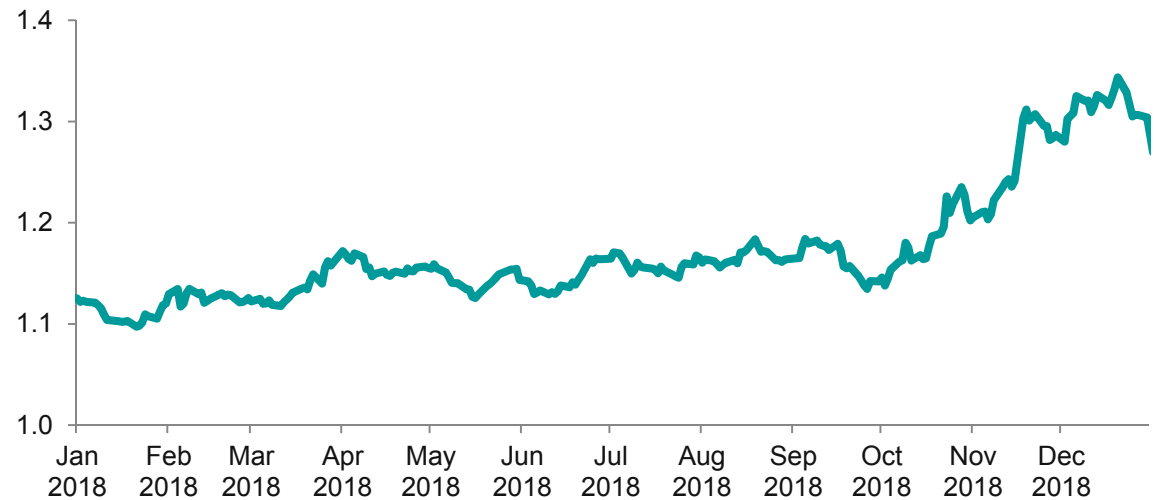
Return of Volatility

- After a year of very little volatility in 2017, VIX index ended 2018 above 20 on 59 separate occasions, illustrating extreme volatility
- Much of the volatility occurred in the second half of the year
- As defensive sectors outperformed in 4Q, valuations rose relative to the broader market

The VIX Index

| | #Number of Days VIX Traded Over | | | | |
|------|---------------------------------|----|----|----|----|
| | 20 | 25 | 30 | 35 | 40 |
| 2018 | 59 | 16 | 5 | 2 | 0 |
| 2017 | 0 | 0 | 0 | 0 | 0 |
| 2016 | 42 | 12 | 0 | 0 | 0 |
| 2015 | 42 | 14 | 4 | 2 | 1 |

S&P Low Volatility / S&P 500 12-month Forward P/E Ratio



Source: Bloomberg as of 12/31/2018

Unprecedented Policy Response Is Finally Over

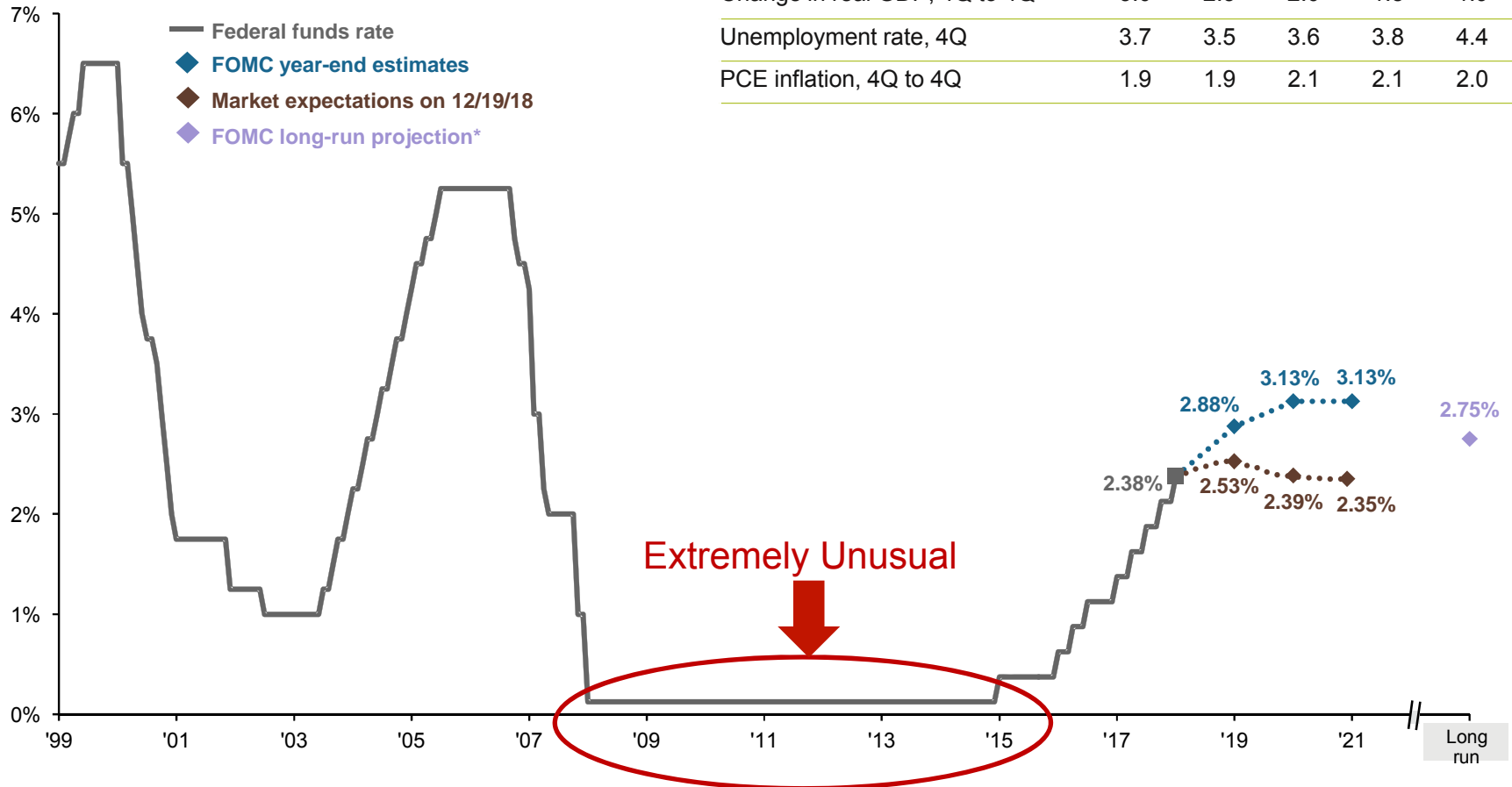
Fed moved toward normalization with four rate hikes in 2018; two more still projected for 2019

Federal funds rate expectations

FOMC and market expectations for the fed funds rate

FOMC December 2018 forecasts (percent)

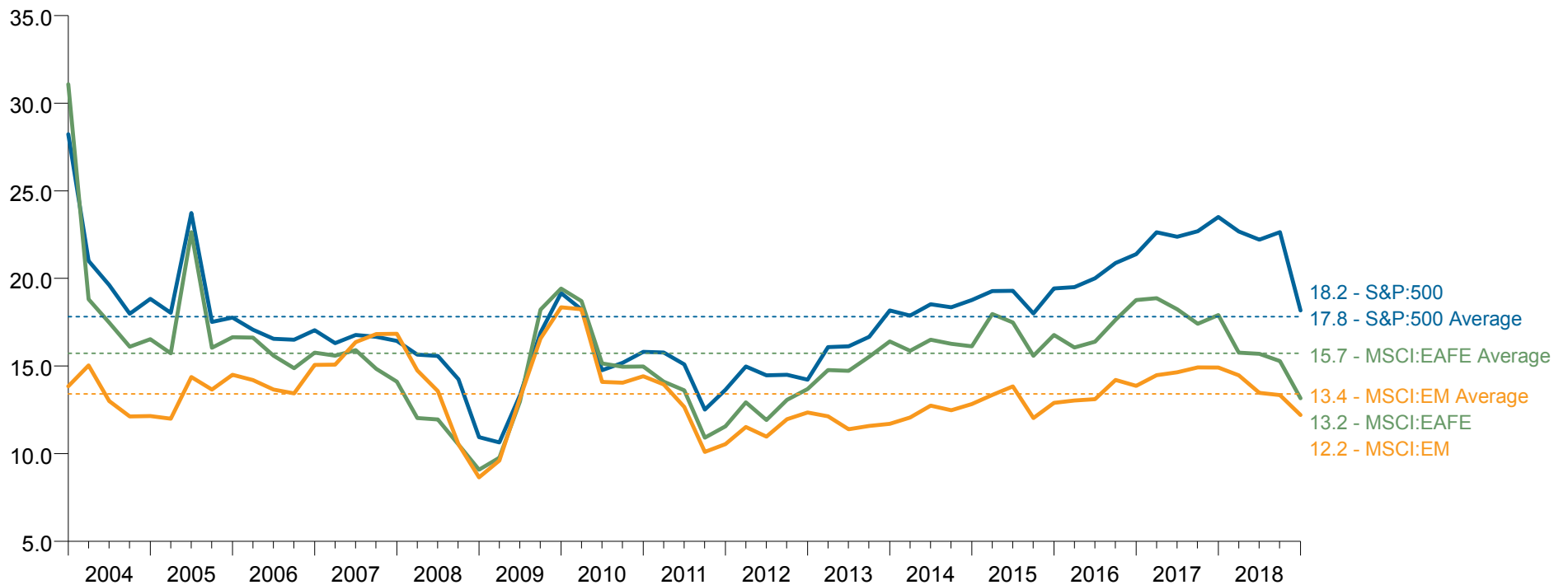
| | 2018 | 2019 | 2020 | 2021 | Long run |
|------------------------------|------|------|------|------|----------|
| Change in real GDP, 4Q to 4Q | 3.0 | 2.3 | 2.0 | 1.8 | 1.9 |
| Unemployment rate, 4Q | 3.7 | 3.5 | 3.6 | 3.8 | 4.4 |
| PCE inflation, 4Q to 4Q | 1.9 | 1.9 | 2.1 | 2.1 | 2.0 |



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are the federal funds rates priced into the fed futures market as of the date of the December 2018 FOMC meeting and are through November 2021. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. *Guide to the Markets – U.S.* Data are as of December 31, 2018.

Global Equity Valuations—Historical Data

Price/Earnings Ratio (exc neg) for 15 Years ended December 31, 2018



U.S. equity valuations plummeted in Q4 and have returned to their historical average

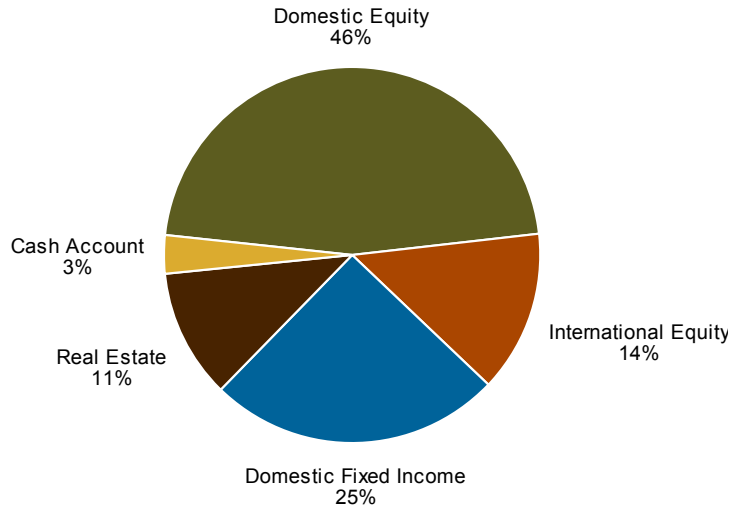
- U.S. remains higher than non-U.S. developed and emerging market equity valuations relative to the 15-year average for each index.
- Despite reasonable relative valuations, both political and economic risks remain in international markets

Forward valuations dropped during 2018 and the 14.4 December reading is below the 25-year average

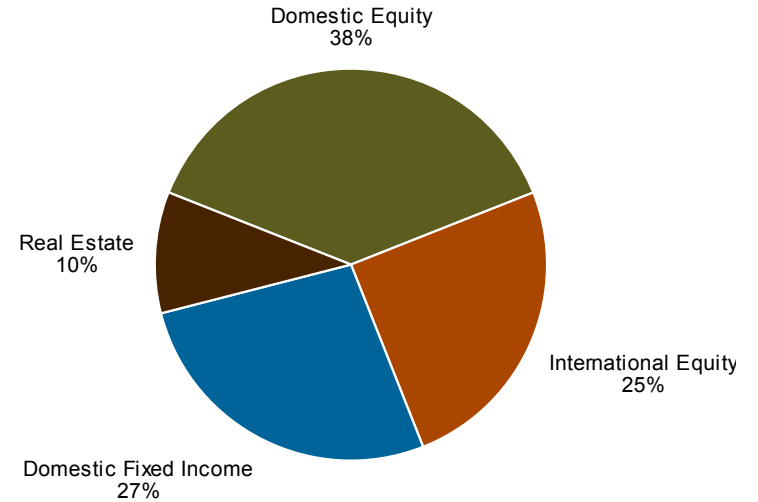
Sources: MSCI, Standard & Poor's, Callan

Asset Allocation

Actual Asset Allocation



Target Asset Allocation



| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-----------------------|----------------|---------------|---------------|--------------------|-------------------|
| Domestic Equity | 85,762 | 46.5% | 38.0% | 8.5% | 15,670 |
| International Equity | 25,720 | 13.9% | 25.0% | (11.1%) | (20,392) |
| Domestic Fixed Income | 46,501 | 25.2% | 27.0% | (1.8%) | (3,301) |
| Real Estate | 20,396 | 11.1% | 10.0% | 1.1% | 1,951 |
| Cash Account | 6,072 | 3.3% | 0.0% | 3.3% | 6,072 |
| Total | 184,451 | 100.0% | 100.0% | | |

Relative Attribution Effects for Quarter ended December 31, 2018

| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-----------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity | 52% | 38% | (15.20%) | (15.16%) | (0.02%) | (0.96%) | (0.98%) |
| Domestic Fixed Income | 22% | 27% | 1.68% | 1.64% | 0.01% | (0.43%) | (0.42%) |
| Real Estate | 10% | 10% | 0.51% | 1.39% | (0.09%) | (0.00%) | (0.09%) |
| International Equity | 15% | 25% | (13.95%) | (11.46%) | (0.37%) | 0.36% | (0.01%) |
| Cash Account | 1% | 0% | 0.53% | 0.53% | 0.00% | 0.10% | 0.10% |

| | | |
|--------------|--|----------------|
| Total | (9.45%) = (8.05%) + (0.46%) + (0.94%) | (1.40%) |
|--------------|--|----------------|

Asset Distribution Across Investment Managers

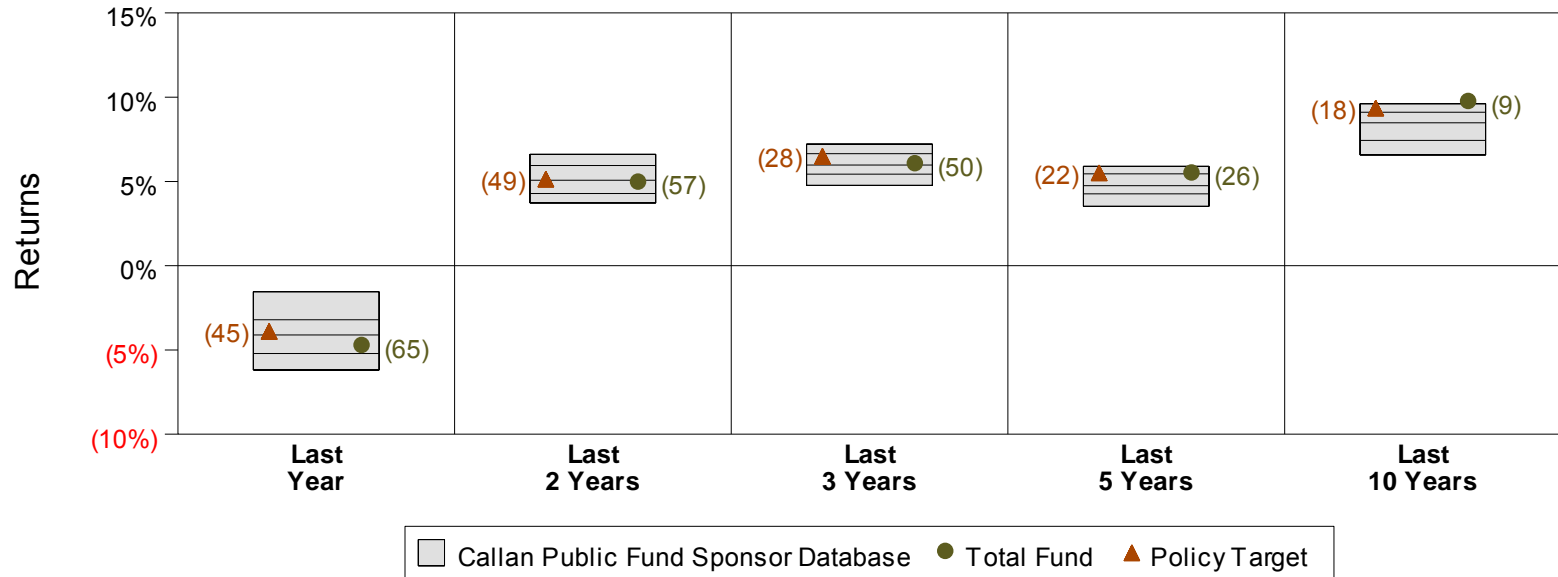
| | December 31, 2018 | | | | | September 30, 2018 | | |
|-------------------------------|----------------------|---------------|---------------|----------------------|-----------------------|----------------------|---------------|---------------|
| | Market Value | Weight | Target | Net New Inv. | Inv. Return | Market Value | Weight | Target |
| Domestic Equity | \$85,761,884 | 46.50% | 38.00% | \$(6,049,270) | \$(15,976,392) | \$107,787,546 | 52.89% | 48.00% |
| Emerald Advisers, Inc. | 7,735,082 | 4.19% | 3.00% | (19,956) | (2,222,280) | 9,977,318 | 4.90% | 3.75% |
| Ceredex Value Advisors | 6,775,310 | 3.67% | 3.00% | (18,280) | (1,344,499) | 8,138,088 | 3.99% | 3.75% |
| SSgA S&P 500 Index | 57,838,624 | 31.36% | 26.00% | (6,007,800) | (9,608,394) | 73,454,818 | 36.04% | 33.00% |
| SSgA S&P 400 Index | 13,412,868 | 7.27% | 6.00% | (3,234) | (2,801,219) | 16,217,321 | 7.96% | 7.50% |
| International Equity | \$25,720,440 | 13.94% | 25.00% | \$(25,070) | \$(4,173,202) | \$29,918,712 | 14.68% | 15.00% |
| Morgan Stanley Int'l Equity | 12,333,714 | 6.69% | 10.00% | (25,070) | (1,738,402) | 14,097,186 | 6.92% | 7.00% |
| Morgan Stanley Emerging Mkts. | 1,156,195 | 0.63% | 2.50% | 0 | (77,650) | 1,233,845 | 0.61% | 1.00% |
| William Blair & Company | 12,230,532 | 6.63% | 12.50% | 0 | (2,357,150) | 14,587,682 | 7.16% | 7.00% |
| Domestic Fixed Income | \$46,501,332 | 25.21% | 27.00% | \$(34,657) | \$770,119 | \$45,765,870 | 22.45% | 27.00% |
| Richmond Capital Management | 46,501,332 | 25.21% | 27.00% | (34,657) | 770,119 | 45,765,870 | 22.45% | 27.00% |
| Real Estate | \$20,395,692 | 11.06% | 10.00% | \$0 | \$102,757 | \$20,292,935 | 9.96% | 10.00% |
| Heitman | 20,395,692 | 11.06% | 10.00% | 0 | 102,757 | 20,292,935 | 9.96% | 10.00% |
| Cash Account | \$6,071,920 | 3.29% | 0.00% | \$6,000,000 | \$23,833 | \$48,087 | 0.02% | 0.00% |
| Total Fund | \$184,451,268 | 100.0% | 100.0% | \$(108,997) | \$(19,252,886) | \$203,813,150 | 100.0% | 100.0% |

Investment returns were negative for the quarter at \$19.3 million

The total portfolio overseen by Callan is approximately \$184.5 million as of December 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 | (9.45%) 86 | (4.81%) 65 | 5.98% 50 | 5.42% 26 | 8.48% 13 |
| Total Fund Benchmark(1) | (8.05%) 67 | (3.89%) 45 | 6.50% 28 | 5.51% 22 | 8.12% 25 |
| CPI + 5% | 0.53% 1 | 6.77% 1 | 6.98% 16 | 6.33% 3 | 6.40% 79 |
| Callan Public Fund Spr DB | (7.42%) | (4.11%) | 5.97% | 4.76% | 7.33% |

The Total Fund was behind the benchmark for the quarter and below the majority of peers

Total Fund performance relative to the benchmark and peers has remained strong over time

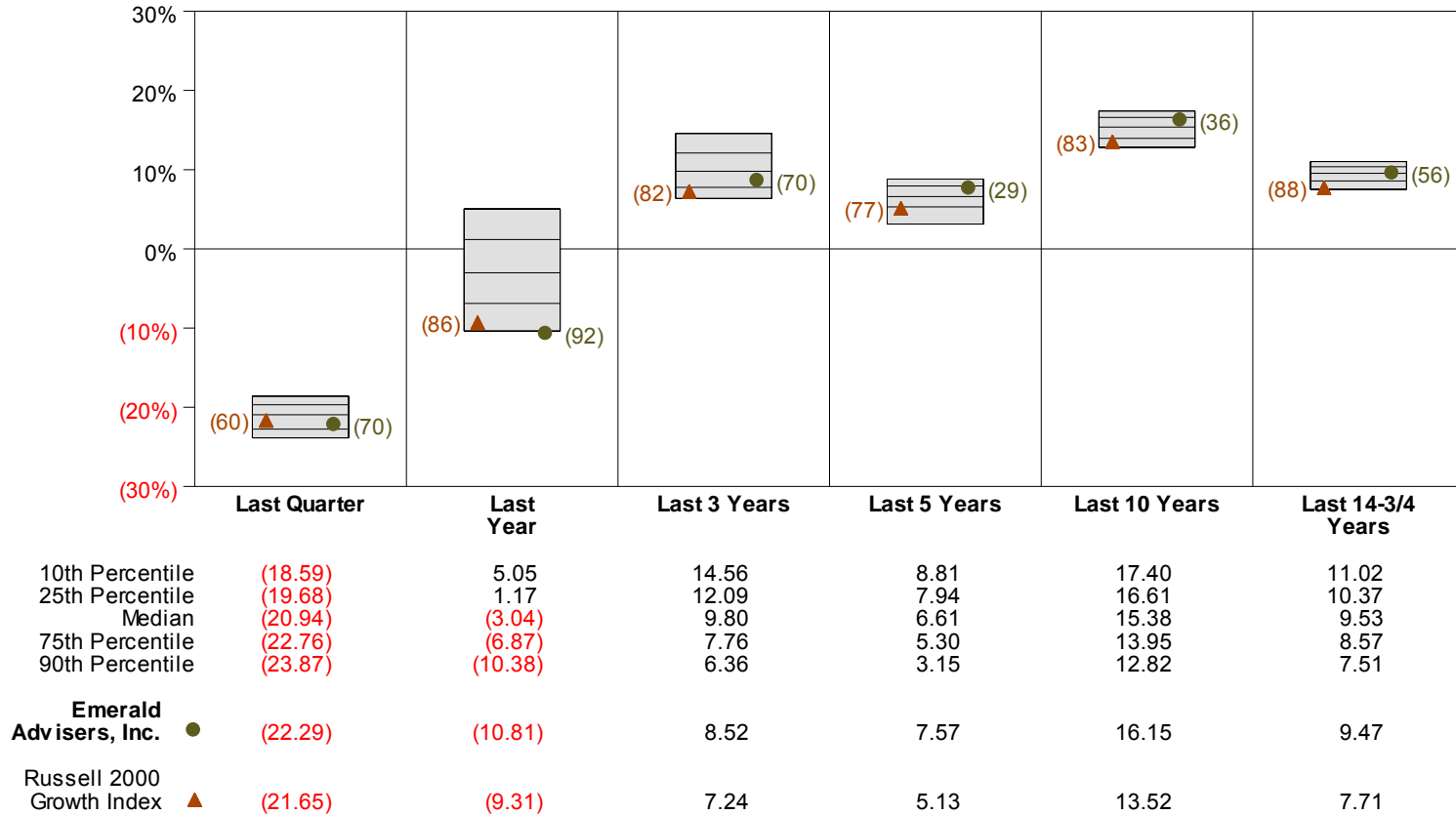
(1) The Total Fund Benchmark consists of 26% S&P500 Index, 27% Blmbg Aggregate Index, 25% MSCI ACWI ex US (Net), 10% NFI-ODCE Equal Weight Net, 6% S&P MidCap 400, 3% Russell 2000 Growth and 3% Russell 2000 Value.

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Domestic Equity Performance

Emerald Advisors Small Cap Growth

Performance vs Callan Small Cap Growth (Gross)



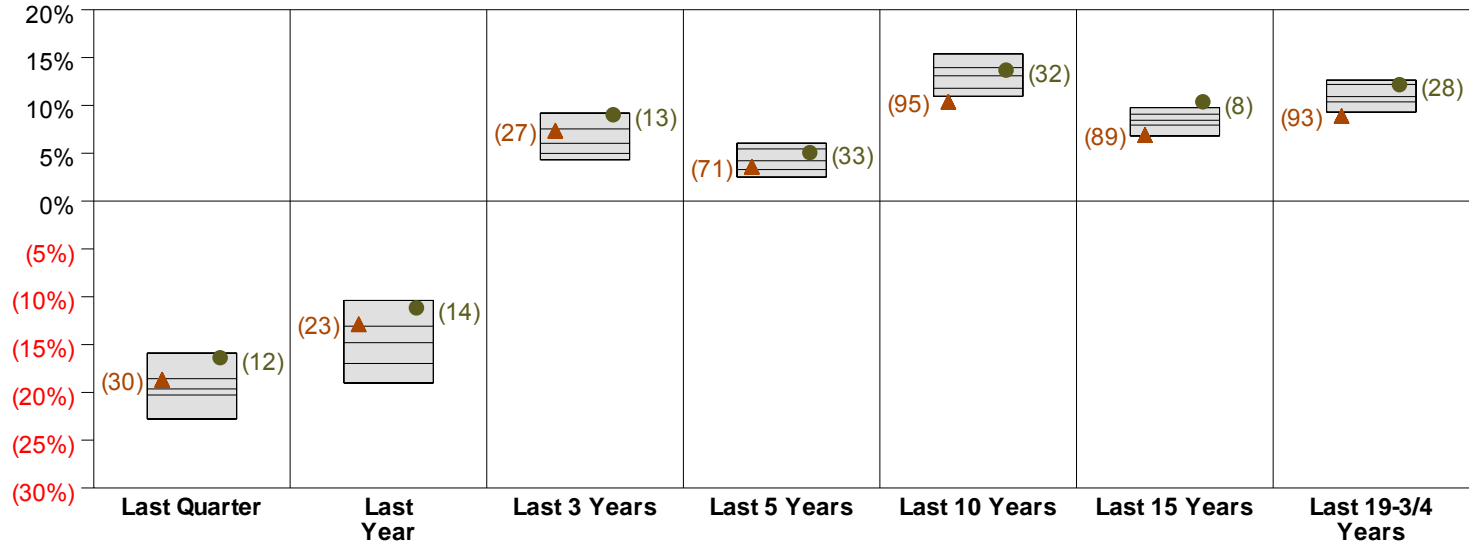
Emerald has strong long-term returns well above the benchmark

Emerald underperformed the benchmark by 0.64% during the quarter and underperformed by 1.50% over the last year

Underperformance for the quarter was driven by stock selection in financial services, technology, and utilities.

Ceredex Value Advisors Small Cap Value

Performance vs Callan Small Cap Value (Gross)



| | | | | | | | |
|-------------------------------|------------------|----------------|------|------|-------|-------|-------|
| 10th Percentile | (15.88) | (10.39) | 9.22 | 6.07 | 15.39 | 9.77 | 12.64 |
| 25th Percentile | (18.56) | (13.07) | 7.55 | 5.44 | 13.95 | 9.09 | 12.19 |
| Median | (19.63) | (14.81) | 6.04 | 4.23 | 13.10 | 8.45 | 10.92 |
| 75th Percentile | (20.27) | (16.97) | 4.97 | 3.30 | 11.80 | 7.96 | 10.37 |
| 90th Percentile | (22.78) | (19.01) | 4.31 | 2.51 | 10.96 | 6.82 | 9.30 |
| Ceredex Value Advisors | ● (16.55) | (11.34) | 8.86 | 4.89 | 13.51 | 10.19 | 11.99 |
| Russell 2000 Value Index | ▲ (18.67) | (12.86) | 7.37 | 3.61 | 10.40 | 6.91 | 8.90 |

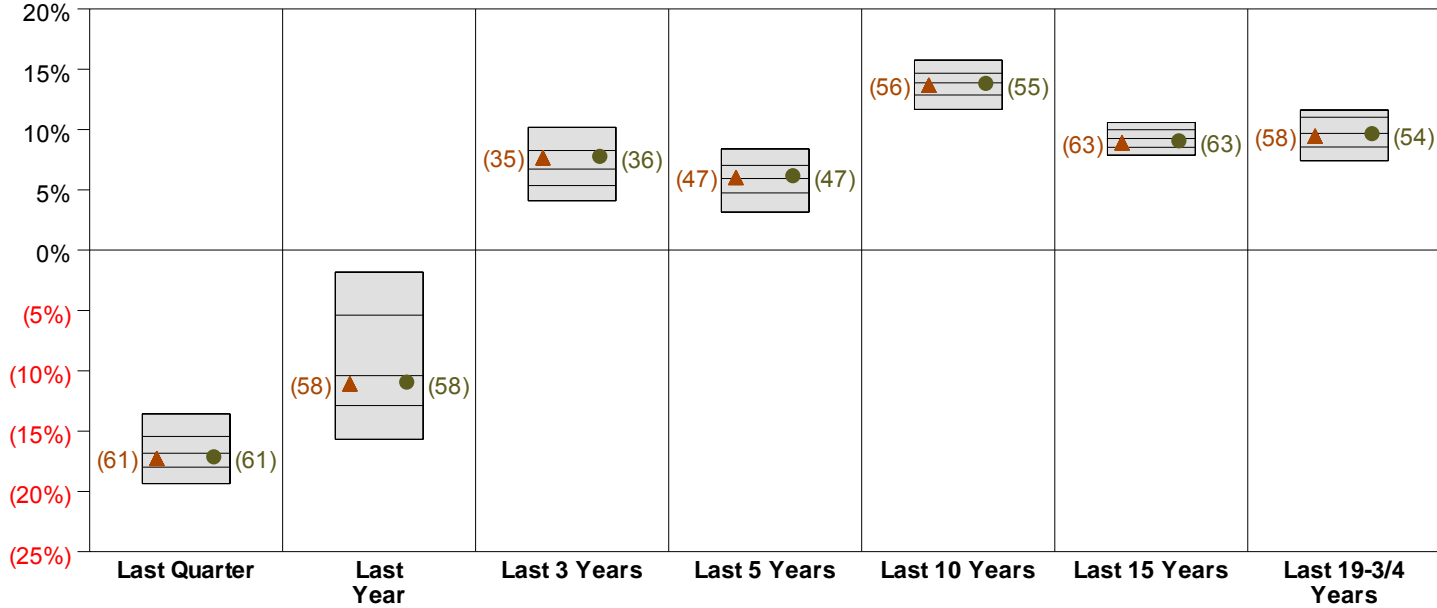
Ceredex outperformed the benchmark by 2.12% for the quarter and outperformed by 1.53% over the last year

Long-term results are strong as the fund has outperformed the benchmark for all of the trailing periods shown

Stock selection in the Healthcare, Consumer Discretionary, Real Estate, and Communication Services sectors helped performance for the quarter

SSgA S&P Mid Cap 400 Index

Performance vs Callan Mid Capitalization (Gross)

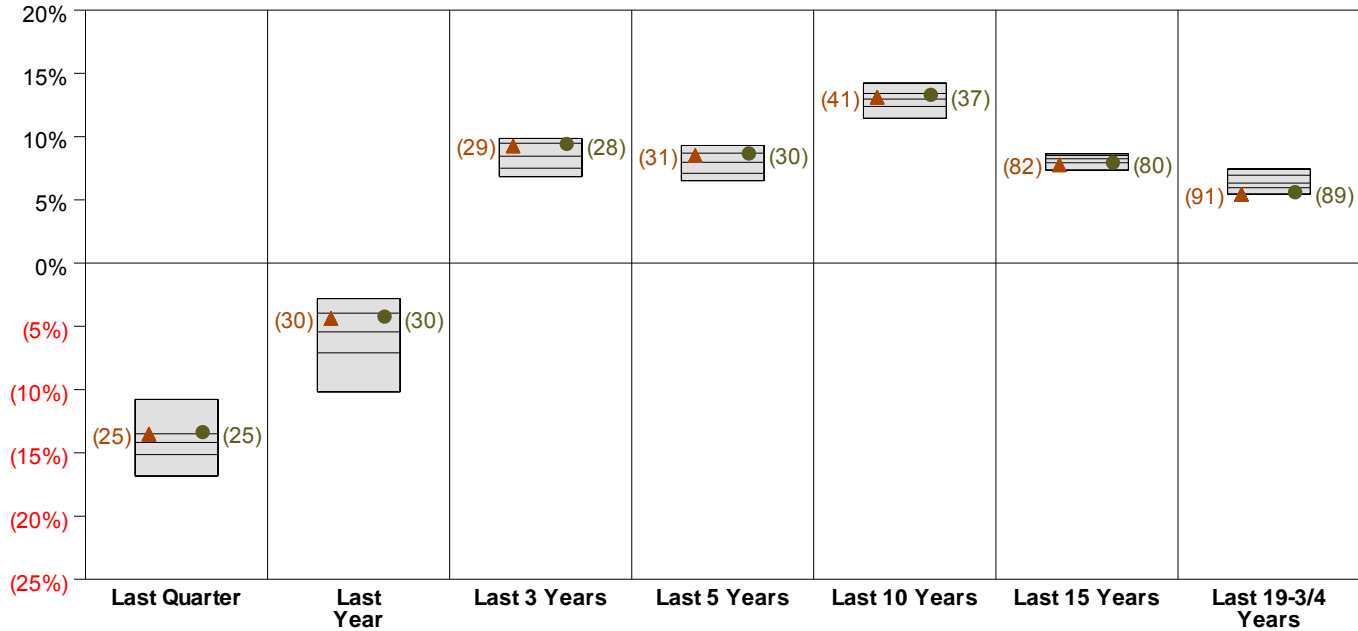


| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 10 Years | Last 15 Years | Last 19-3/4 Years |
|------------------------------------|----------------|----------------|--------------|--------------|---------------|---------------|-------------------|
| 10th Percentile | (13.58) | (1.81) | 10.19 | 8.40 | 15.76 | 10.59 | 11.62 |
| 25th Percentile | (15.45) | (5.39) | 8.26 | 7.02 | 14.67 | 9.99 | 11.02 |
| Median | (16.83) | (10.41) | 6.73 | 5.95 | 13.88 | 9.25 | 9.69 |
| 75th Percentile | (17.99) | (12.89) | 5.36 | 4.75 | 12.87 | 8.53 | 8.55 |
| 90th Percentile | (19.36) | (15.69) | 4.09 | 3.17 | 11.68 | 7.88 | 7.42 |
| SSgA S&P 400 Index ● | (17.27) | (11.10) | 7.65 | 6.02 | 13.69 | 8.93 | 9.50 |
| S&P Mid Cap 400 Index ▲ | (17.28) | (11.08) | 7.66 | 6.03 | 13.68 | 8.90 | 9.46 |

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)



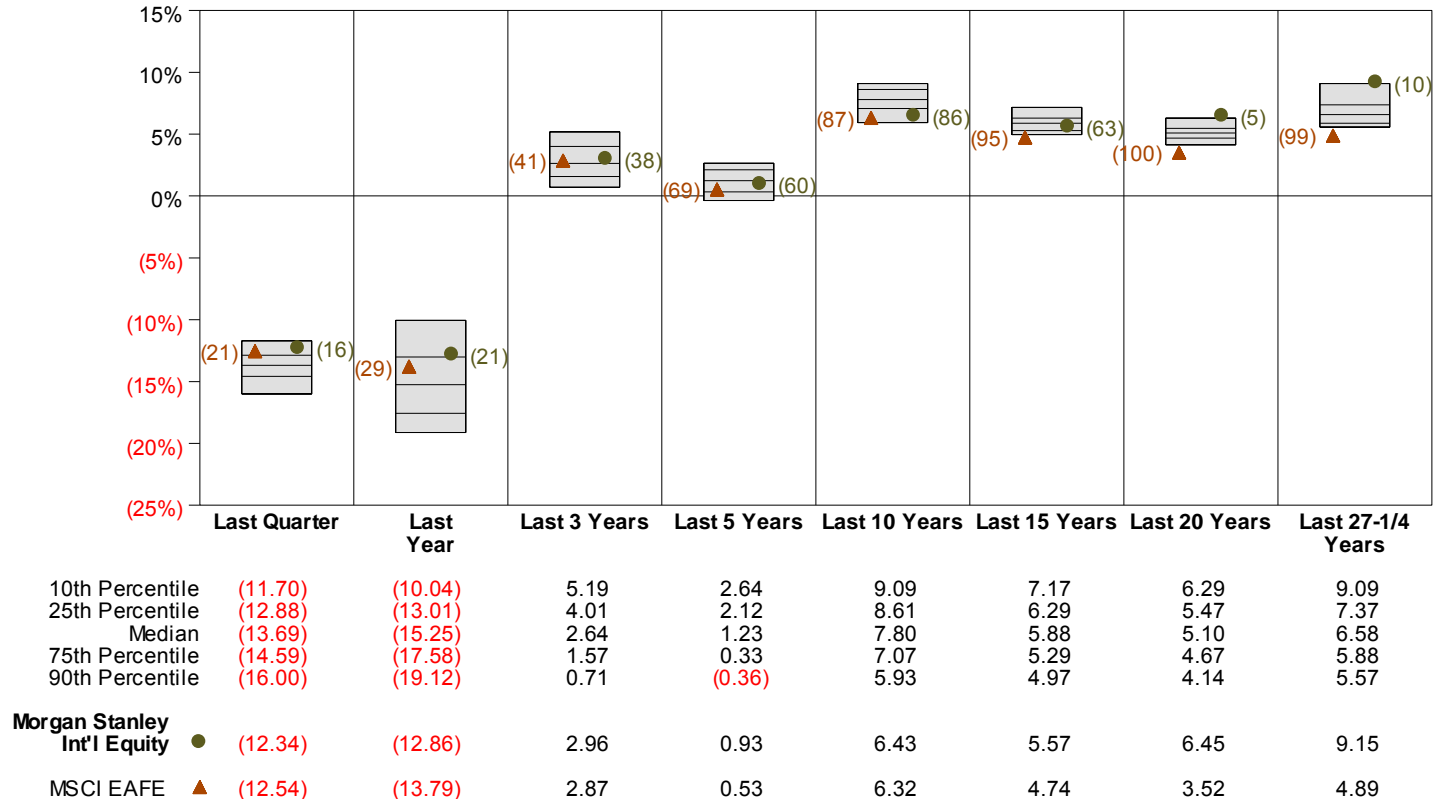
The fund continues to track the index closely at a very low fee

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International Equity Performance

Morgan Stanley Developed International Equity

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

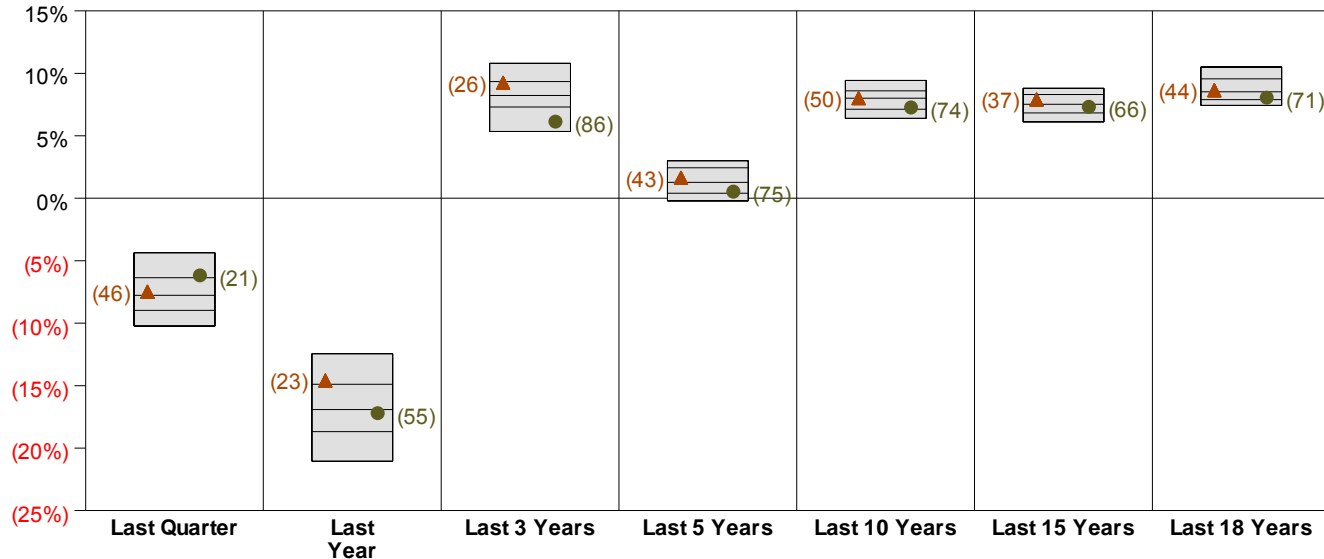


The fund outperformed by 0.20% for the quarter and outperformed for the year by 0.93%

Healthcare, Materials and Consumer Staples assisted in the outperformance for the quarter

Morgan Stanley Emerging Markets Equity

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



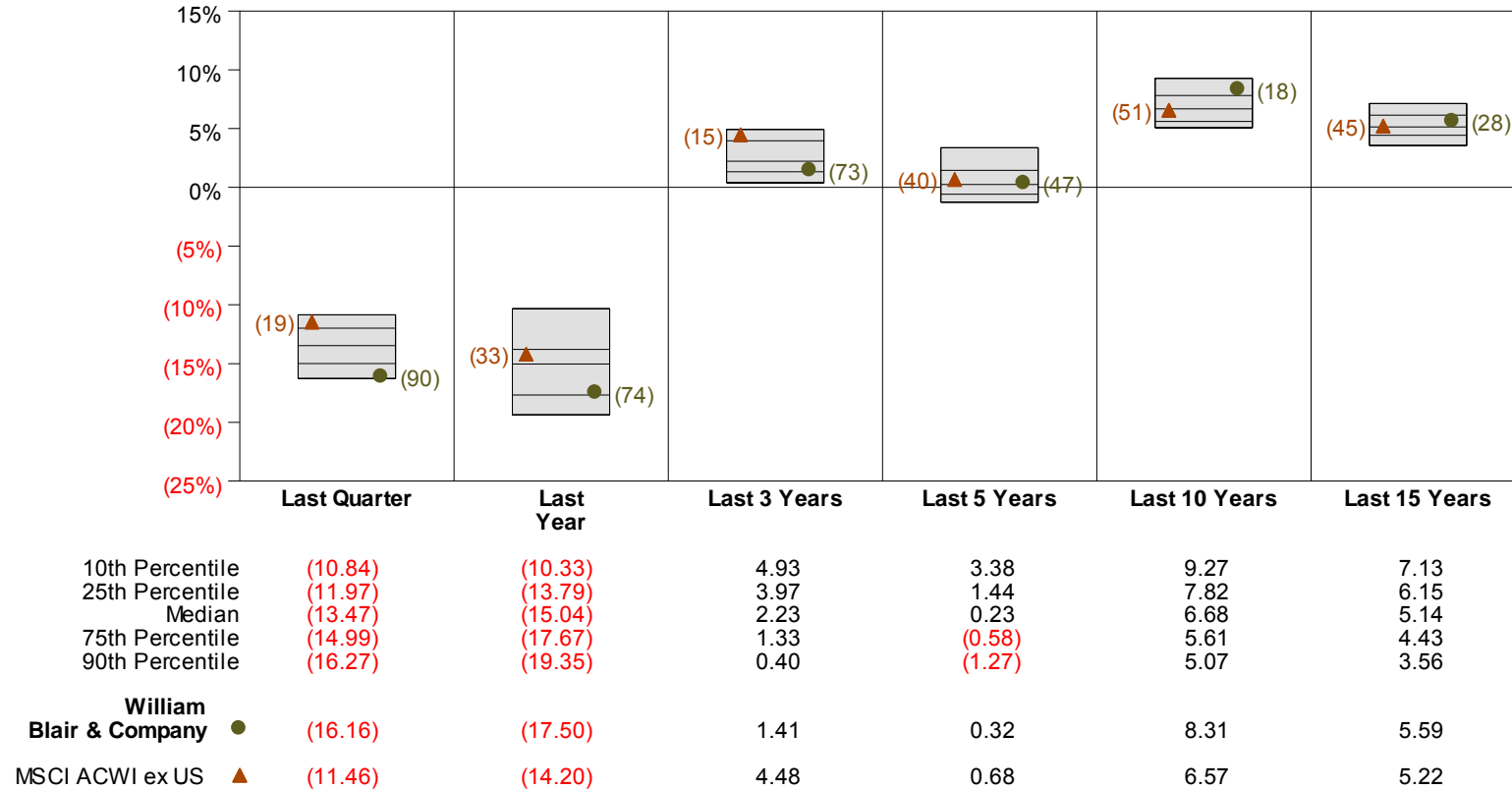
| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 10 Years | Last 15 Years | Last 18 Years |
|--------------------------------------|--------------|-----------|--------------|--------------|---------------|---------------|---------------|
| 10th Percentile | (4.37) | (12.44) | 10.81 | 3.00 | 9.44 | 8.80 | 10.51 |
| 25th Percentile | (6.36) | (14.89) | 9.34 | 2.44 | 8.60 | 8.30 | 9.56 |
| Median | (7.76) | (16.91) | 8.23 | 1.28 | 8.00 | 7.52 | 8.53 |
| 75th Percentile | (8.98) | (18.68) | 7.30 | 0.41 | 7.13 | 6.84 | 7.89 |
| 90th Percentile | (10.22) | (21.05) | 5.35 | (0.22) | 6.39 | 6.10 | 7.42 |
| Morgan Stanley Emerging Mkts. | ● (6.29) | (17.32) | 6.00 | 0.40 | 7.14 | 7.19 | 7.92 |
| MSCI EMBM | ▲ (7.47) | (14.58) | 9.25 | 1.65 | 8.02 | 7.90 | 8.65 |

The fund outperformed the index by 1.18% for the quarter and underperformed by 2.74% over the last year

Stock selection in and overweight allocation to Financials was the largest contributor to performance

William Blair International Growth Equity

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



The fund underperformed by 4.69% for the quarter and underperformed by 3.31% over the last year

Long-term performance remains strong, as the fund has outperformed over longer periods

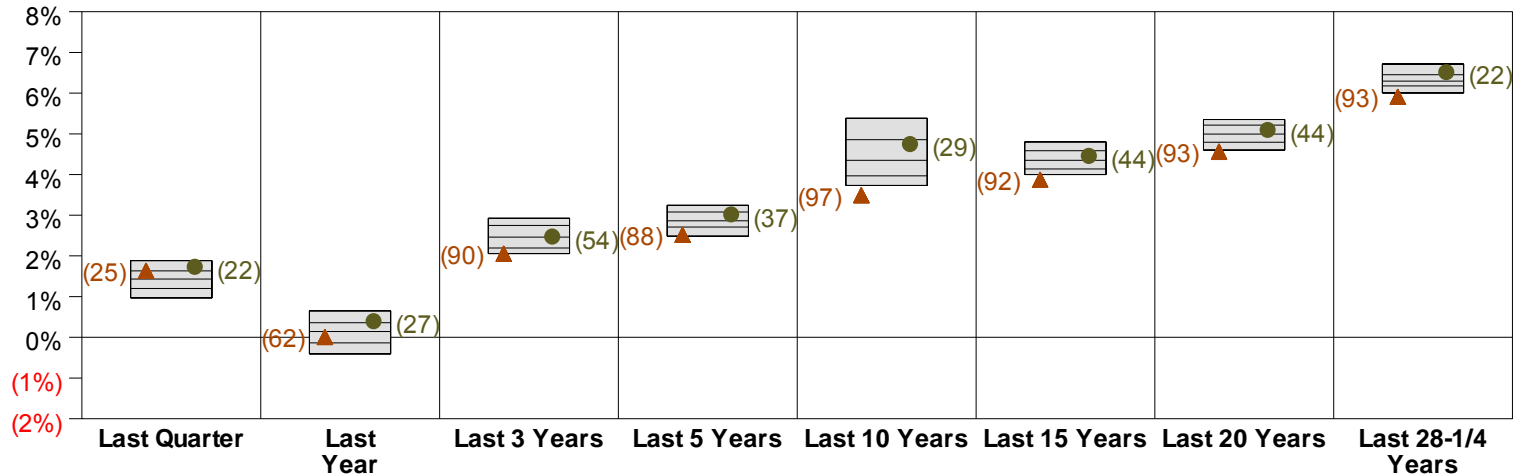
Materials, Consumer Staples and Industrials sectors were the largest detractors from relative performance for the quarter

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Fixed Income

Richmond Capital Core Fixed Income

Performance vs Callan Core Bond Fixed Income (Gross)



| | | | | | | | | |
|-----------------|------|--------|------|------|------|------|------|------|
| 10th Percentile | 1.88 | 0.65 | 2.93 | 3.24 | 5.38 | 4.80 | 5.35 | 6.72 |
| 25th Percentile | 1.63 | 0.36 | 2.75 | 3.08 | 4.86 | 4.59 | 5.21 | 6.45 |
| Median | 1.44 | 0.14 | 2.46 | 2.86 | 4.35 | 4.35 | 4.99 | 6.30 |
| 75th Percentile | 1.20 | (0.14) | 2.19 | 2.71 | 3.96 | 4.14 | 4.79 | 6.18 |
| 90th Percentile | 0.97 | (0.41) | 2.06 | 2.48 | 3.73 | 4.00 | 4.60 | 6.01 |

| | Richmond Capital Management ● | Blended Benchmark* ▲ |
|-------------------|-------------------------------|----------------------|
| Last Quarter | 1.68 | 1.64 |
| Last Year | 0.36 | 0.01 |
| Last 3 Years | 2.43 | 2.06 |
| Last 5 Years | 2.97 | 2.52 |
| Last 10 Years | 4.70 | 3.49 |
| Last 15 Years | 4.41 | 3.87 |
| Last 20 Years | 5.05 | 4.56 |
| Last 28-1/4 Years | 6.47 | 5.91 |

Richmond outperformed for the quarter by 0.05% and outperformed over the year by 0.34%

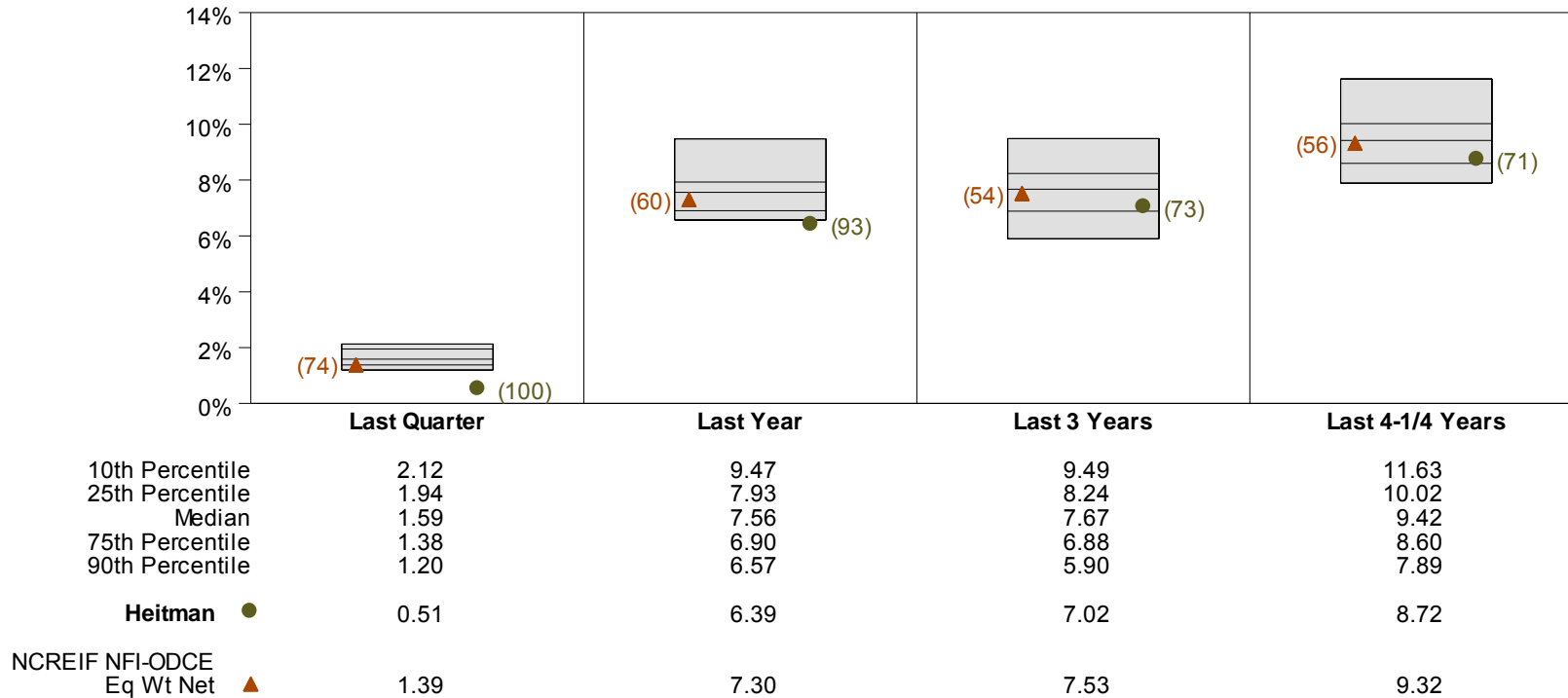
Long-term performance remains strong. The fund has outperformed for all time periods presented

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Real Estate

Heitman America Real Estate Trust

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



Thirteenth full quarter of performance for Heitman. The fund underperformed the index by 0.91% over the last year

Under allocation to top performing industrial sector, and select retail properties detracted from relative results for both the quarter and the year

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. | Not 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. | Not 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 over rolling 5-year periods. | N/A |

Appendix – Market Environment

U.S. Equity Performance: Broad-Based Losses

U.S. Equity Fell Drastically in 4Q18

- Decline driven by broad-based de-risking
- Trade tension, rising rates, concern over slowing growth, low oil prices, and government shutdown remain concerns
- Defensive “safe haven” sectors fared best; Cyclical sectors fared worst on end-of-cycle fears

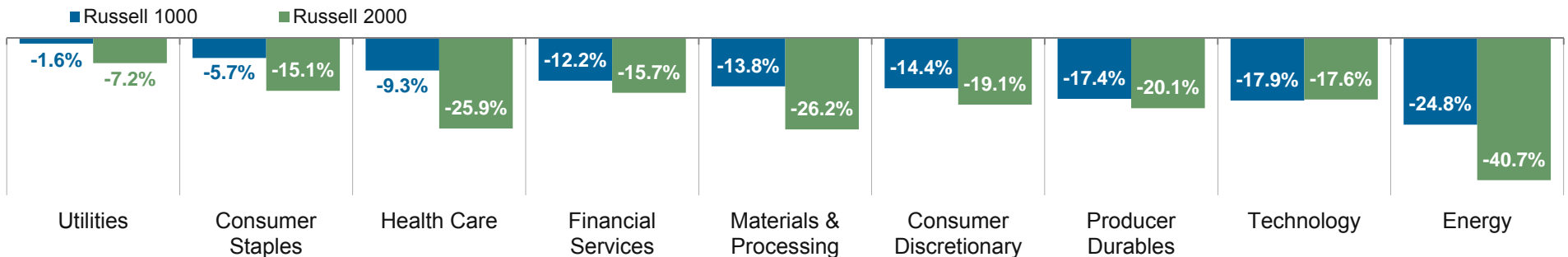
Growth Trailed Value for the Quarter

- Growth fell further than Value within both large and small cap due to larger weightings in poor performing Tech, Discretionary and Industrial sectors

Small Caps Hardest Hit

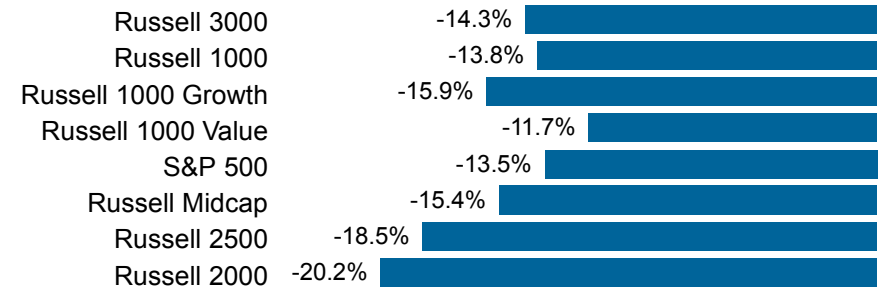
- Margin pressure, excess leverage, slowing growth and earnings expectations worried investors
- Russell 2000 fell over 22% from August peak

Economic Sector Quarterly Performance

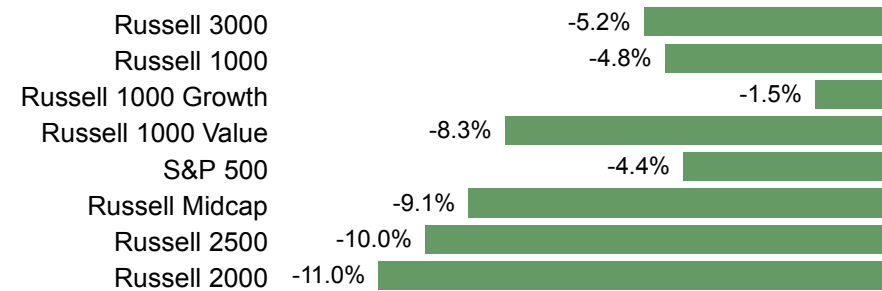


Sources: FTSE Russell, Standard & Poor's

U.S. Equity: Quarterly Returns



U.S. Equity: One-Year Returns



Non-U.S. Equity Performance

Markets Driven Down by Global Trade Dispute and Brexit impasse

- Dollar rallied against euro on fears of euro zone contraction; Yen gained against dollar as investors sought safe haven
- Defensive sectors fared better than cyclicals across all markets given risk-off environment
- Global growth concerns and falling oil prices challenged economically sensitive sectors
- Value outpaced growth (and quality outpaced volatility factors) across all markets as visible earners and stable businesses prevailed

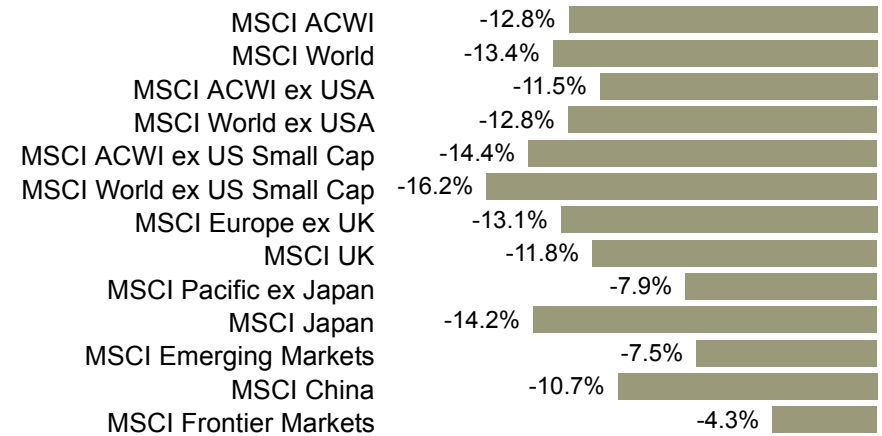
Emerging Markets Faltered

- China down double digits on rising dollar, trade tension and slowing economy
- Brazil up double digits on shifting growth and pension reform sentiment with presidential election
- Asian Tech companies down on soft demand, heightened regulation and consumption slowdown

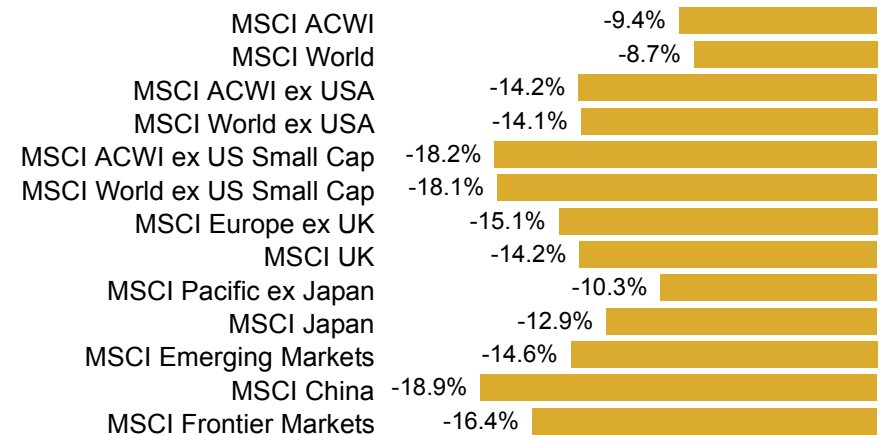
Non-U.S. Small Cap Trailed Large Cap

- Non-U.S. small cap also negatively impacted by U.S.-China trade tension and global growth fears

Global Equity: Quarterly Returns



Global Equity: Annual Returns



Source: MSCI

U.S. Fixed Income Performance

Investors Rotated into Safe Haven Securities

- U.S. Treasuries returned 2.57% as the 10-year Treasury yield closed the quarter at 2.69%
- Yield curve continued to flatten with long-term rates declining faster than short-term rates
- IG corporates sank amid elevated leverage concerns
- Investment grade spreads widened to levels (+153 bps) not seen since July 2016
- Greater than 50% of new issuance came from BBB-rated issuers in 2018

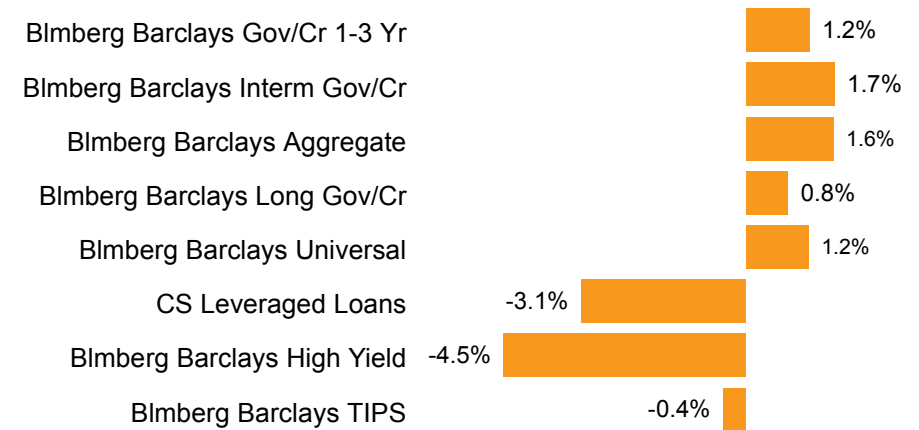
High Yield Spreads Widened as Yield-to-Worst Approached 8%

- High Yield funds saw \$20bn in outflows as sector dealt with flight to quality
- Energy sector led selloff amid volatile oil prices

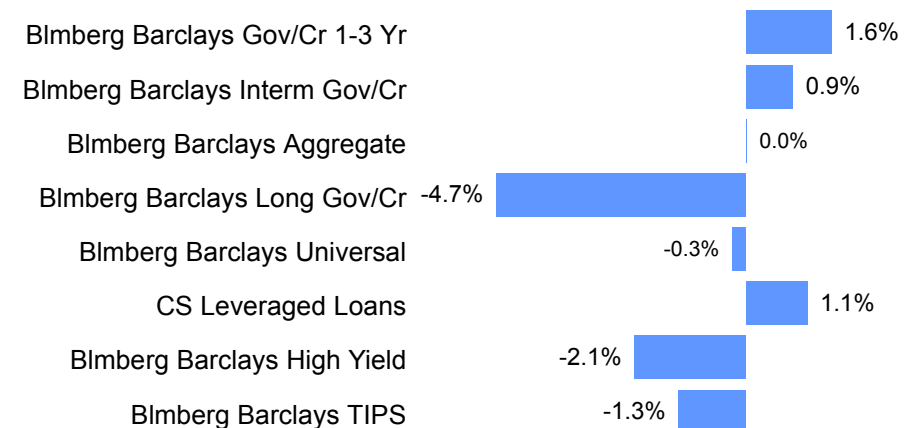
Leveraged Loans Experienced \$17 bn in Outflows

- Changing interest rate projections sparked additional volatility
- CLO formation decreased in December, pulling back from technical demand in 4Q

U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: Annual Returns



Sources: Bloomberg Barclays, Credit Suisse

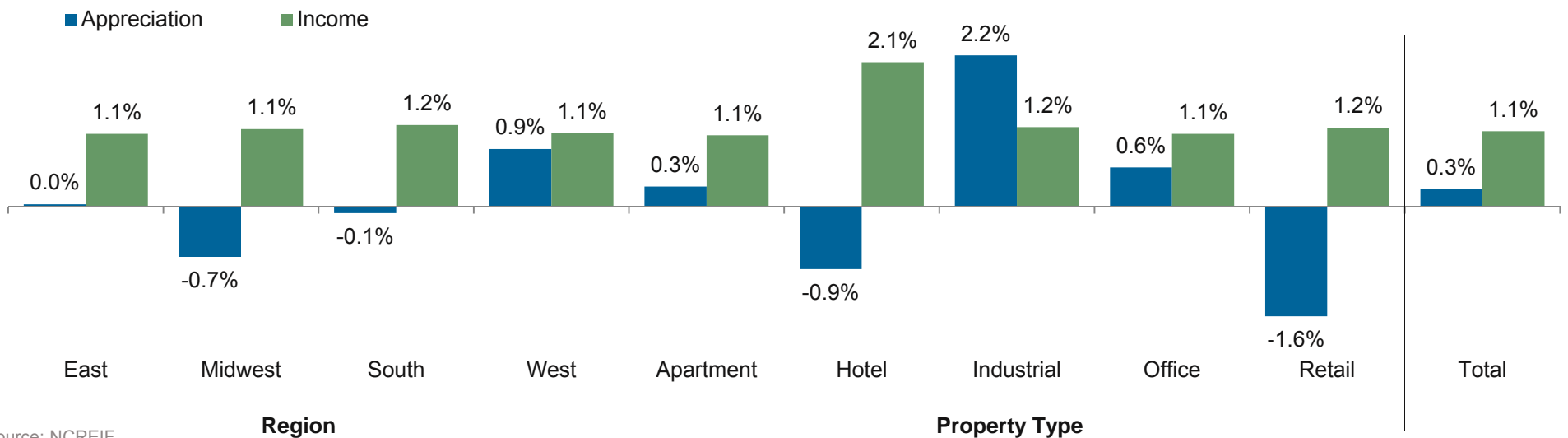
U.S. Real Estate

Returns Continue to Moderate

- U.S. Core real estate returns continue to shift toward income with limited appreciation
- Appreciation coming from NOI growth rather than further cap rate compression
- Industrial real estate remains best performer

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 7 Years |
|-----------------------|--------------|-----------|--------------|--------------|--------------|
| NCREIF ODCE | 1.5% | 7.4% | 7.8% | 9.7% | 10.0% |
| Appreciation | 0.7% | 4.0% | 3.8% | 5.6% | 6.0% |
| Income | 0.8% | 3.3% | 3.4% | 3.6% | 3.8% |
| NCREIF Property Index | 1.4% | 6.7% | 7.2% | 9.3% | 9.7% |
| Appreciation | 0.3% | 2.1% | 2.5% | 4.3% | 4.4% |
| Income | 1.1% | 4.6% | 4.7% | 4.9% | 5.1% |

NCREIF Property Index Returns by Region and Property Type



Source: NCREIF