

Callan



May 16, 2019

City of Fort Pierce

First Quarter Performance Review

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Rebound in Q1 After a Severe Downtraft in Q4 2018

Was Q4 2018 the anomaly, or Q1 2019?

Three sharp declines during 2018

First quarter snapback

Dovish Fed comments, solid corporate fundamentals and low employment propelled equity markets in first quarter:

- low quality stocks outperform
- growth over value
- small cap over large cap
- Global equities rebound

China drives emerging markets

Fixed Income markets participate, too

- High yield is the strongest performer in the U.S.
- Credit spreads rally
- Yield curve shifts lower across maturities

Returns for Periods ended March 31, 2019

	1 Quarter	1 Year	5 Years	10 Years	25 Years
U.S. Equity					
Russell 3000	14.04	8.77	10.36	16.00	9.78
S&P 500	13.65	9.50	10.91	15.92	9.80
Russell 2000	14.58	2.05	7.05	15.36	8.99
Non-U.S. Equity					
MSCI World ex USA	10.45	-3.14	2.20	8.82	5.04
MSCI Emerging Markets	9.93	-7.40	3.68	8.95	--
MSCI ACWI ex USA Small Cap	10.26	-9.48	3.26	11.86	--
Fixed Income					
Bloomberg Barclays Aggregate	2.94	4.48	2.74	3.77	5.33
3-Month T-Bill	0.60	2.12	0.74	0.43	2.54
Bloomberg Barclays Long Gov/Credit	6.45	5.24	5.35	7.23	7.34
Bloomberg Barclays Global Agg ex-US	1.52	-4.13	-0.26	2.46	4.40
Real Estate					
NCREIF Property	1.80	6.83	9.13	8.50	9.36
FTSE NAREIT Equity	16.33	20.86	9.12	18.28	10.27
Alternatives					
CS Hedge Fund	3.99	0.20	2.26	5.42	7.72
Cambridge Private Equity*	-0.53	10.61	11.94	13.76	15.20
Bloomberg Commodity	6.32	-5.25	-8.92	-2.56	2.15
Gold Spot Price	1.34	-2.17	0.23	3.45	4.88
Inflation - CPI-U	1.18	1.86	1.47	1.80	2.21

*Cambridge PE data are available through December 31, 2018.

Source: Callan

Q1 Rebound Reverses Fourth Quarter Loss in U.S. Stock Market

Strongest first quarter since 2009 lifted S&P 500 close to the record level set last October

- Strong 3rd quarter put S&P up over 10% by September; obliterating TWO corrections in February and March.

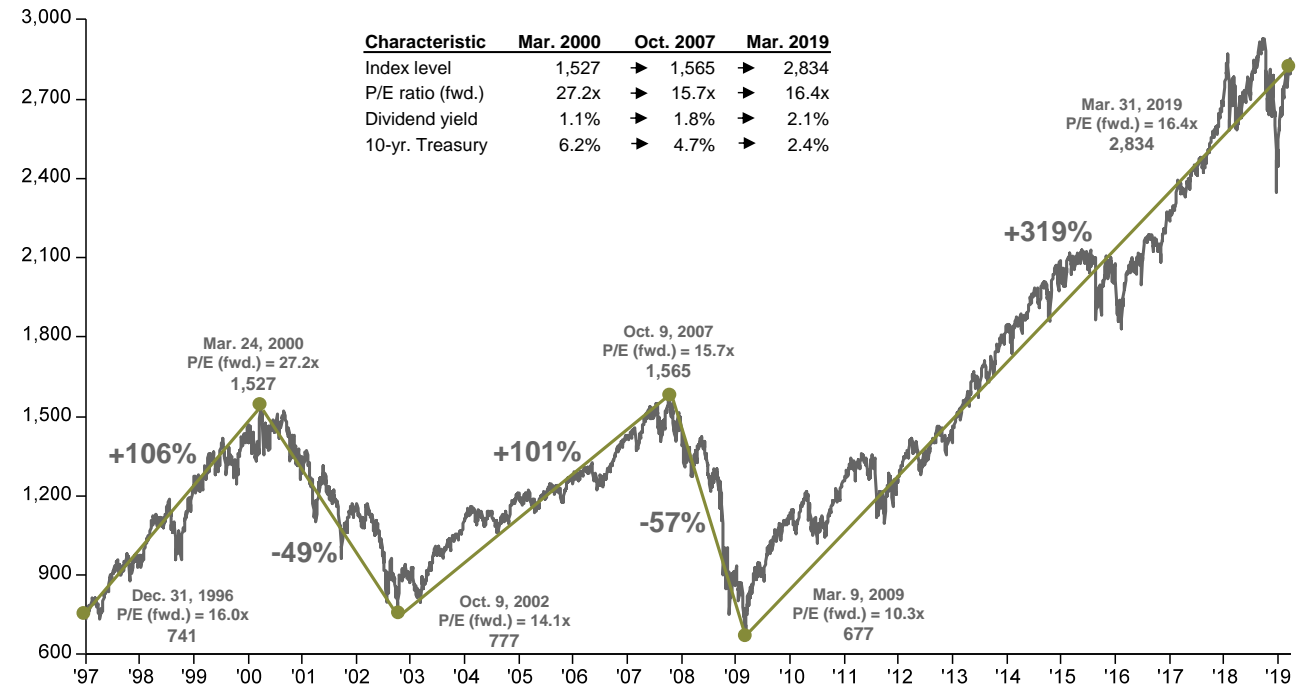
Forward valuation rose back to 16.4 in Q1, just above its 25-year average

- Still nowhere near the peak set in 2000

Dividend yield on stocks has been comparable to that of a 10-year Treasury for an extended period. Gap began to widen in 2018, but narrowed again in Q1

- Vastly different relationship between stock and bond yields in 2000 and 2007

S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. *Guide to the Markets – U.S.* Data are as of March 31, 2019.

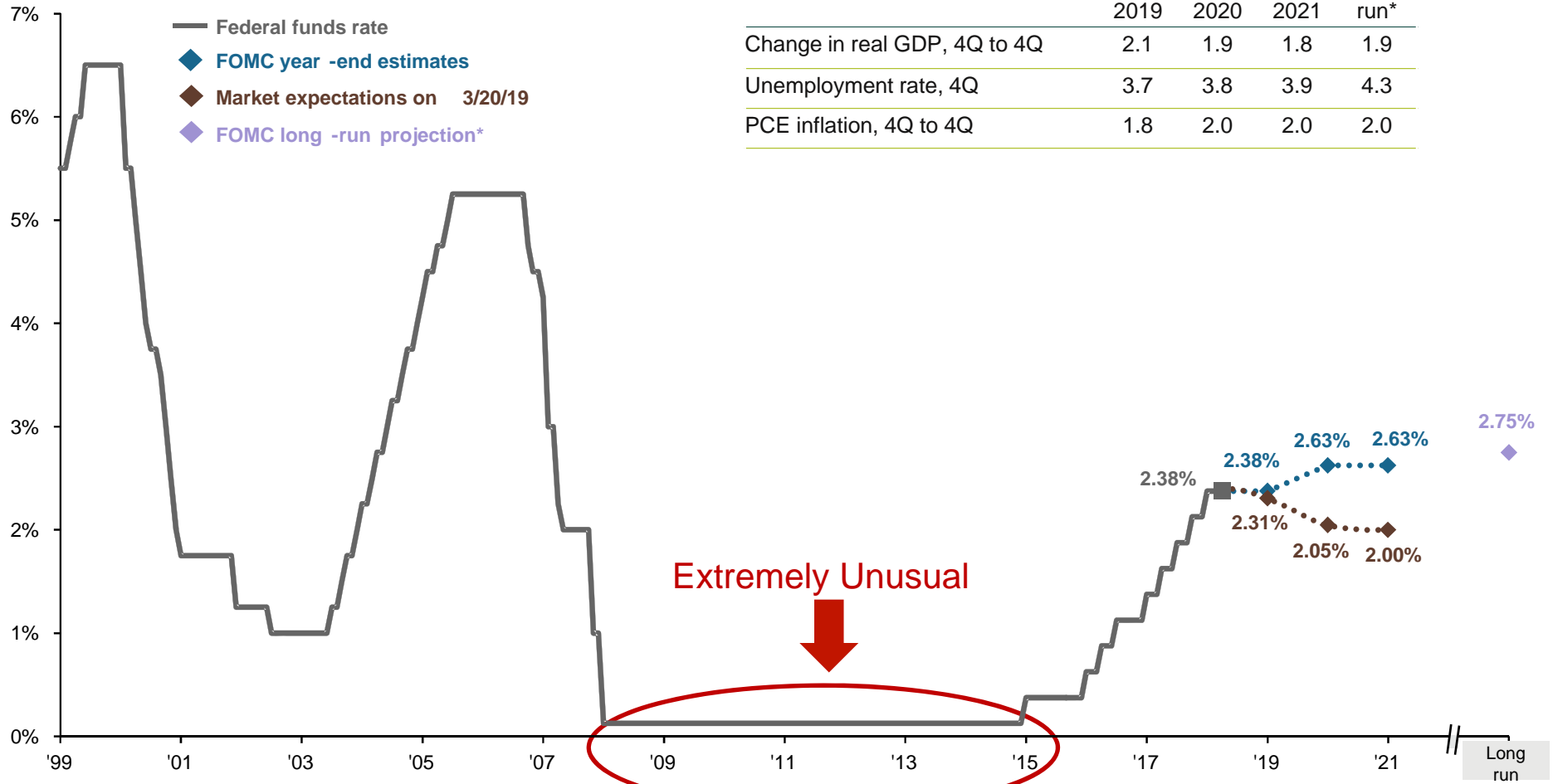
Source: J.P. Morgan Asset Management.

Is Interest Rate Normalization Complete?

Fed executed nine rate hikes since 2015, but current rates still historically low

Federal funds rate expectations

FOMC and market expectations for the fed funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

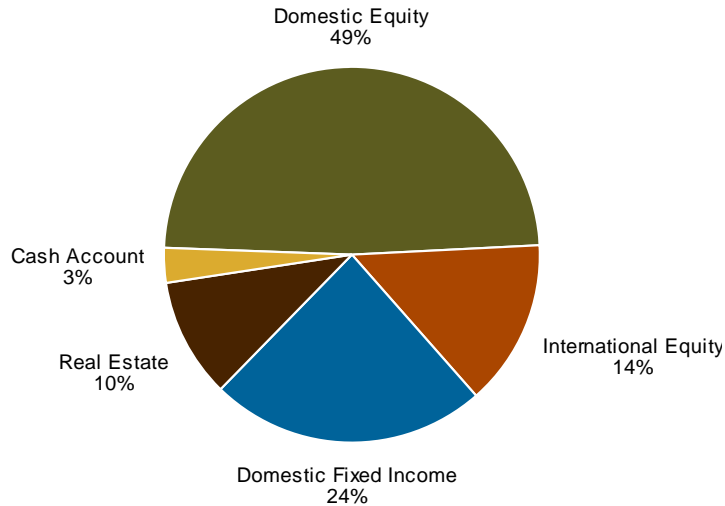
Market expectations are the federal funds rates priced into the fed futures market as of the date of the March 2019 FOMC meeting and are through December 2021.

*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.

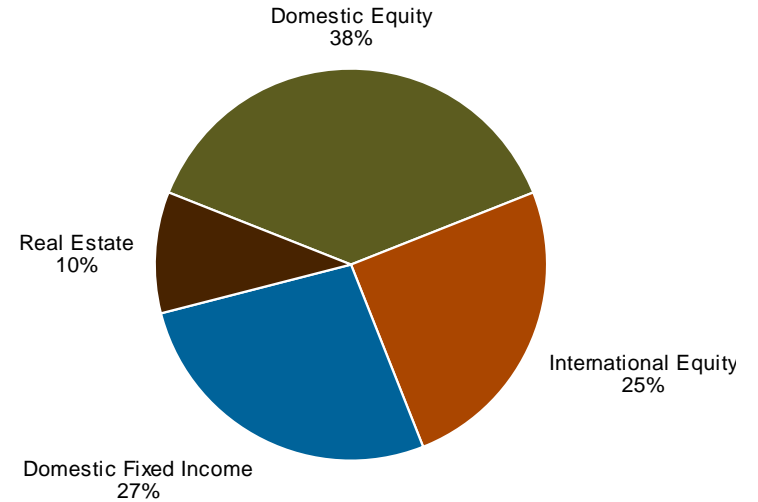
Guide to the Markets – U.S. Data are as of March 31, 2019.

Asset Allocation

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	97,981	48.6%	38.0%	10.6%	21,422
International Equity	28,865	14.3%	25.0%	(10.7%)	(21,502)
Domestic Fixed Income	47,859	23.8%	27.0%	(3.2%)	(6,538)
Real Estate	20,659	10.3%	10.0%	0.3%	512
Cash Account	6,106	3.0%	0.0%	3.0%	6,106
Total	201,471	100.0%	100.0%		

Relative Attribution Effects for Quarter ended March 31, 2019

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	47%	38%	14.30%	13.92%	0.17%	0.43%	0.61%
Domestic Fixed Income	25%	27%	3.00%	2.94%	0.01%	0.11%	0.12%
Real Estate	11%	10%	1.29%	1.48%	(0.02%)	(0.08%)	(0.10%)
International Equity	14%	25%	12.32%	10.31%	0.28%	(0.17%)	0.11%
Cash Account	3%	0%	0.57%	0.57%	0.00%	(0.27%)	(0.27%)
Total			9.28%	8.81%	+ 0.45%	+ 0.02%	0.47%

Asset Distribution Across Investment Managers

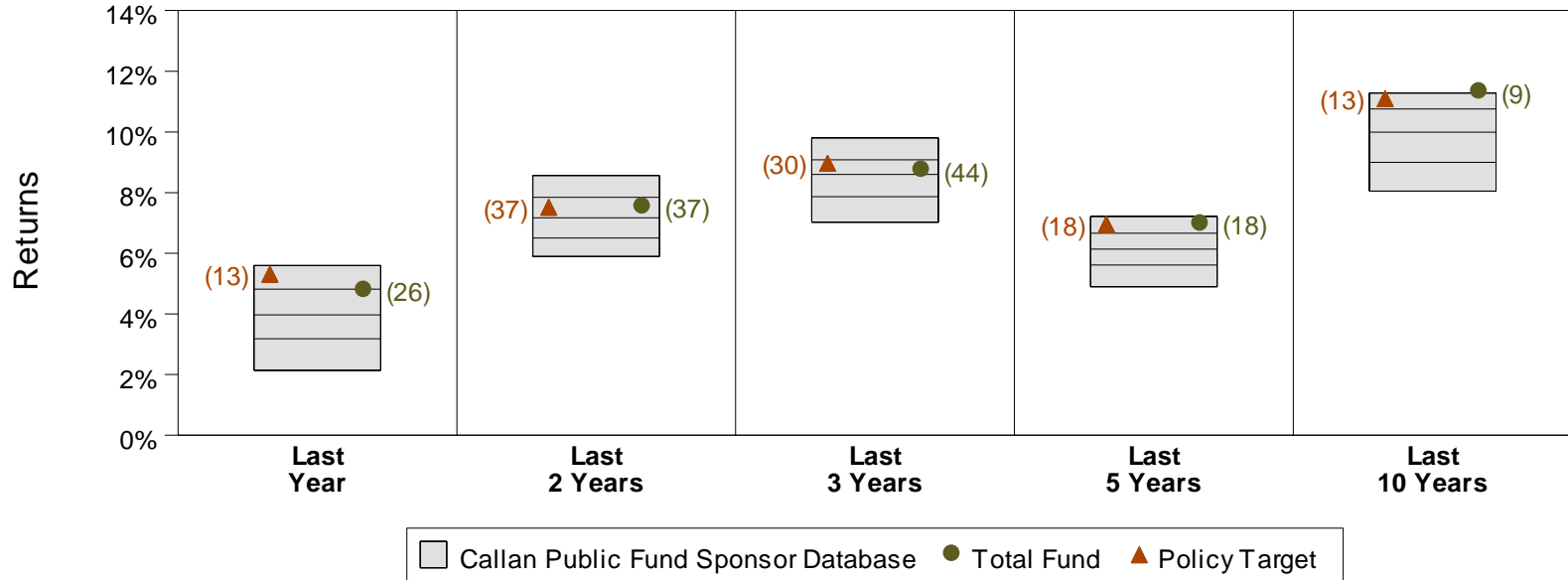
	March 31, 2019			December 31, 2018				
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
Domestic Equity	\$97,980,944	48.63%	38.00%	\$(40,741)	\$12,259,801	\$85,761,884	46.50%	38.00%
Emerald Advisers, Inc.	9,375,773	4.65%	3.00%	(15,752)	1,656,443	7,735,082	4.19%	3.00%
Ceredex Value Advisors	7,531,880	3.74%	3.00%	(15,217)	771,787	6,775,310	3.67%	3.00%
SSgA S&P 500 Index	65,722,297	32.62%	26.00%	(6,892)	7,890,565	57,838,624	31.36%	26.00%
SSgA S&P 400 Index	15,350,993	7.62%	6.00%	(2,881)	1,941,006	13,412,868	7.27%	6.00%
International Equity	\$28,865,469	14.33%	25.00%	\$(23,606)	\$3,168,635	\$25,720,440	13.94%	25.00%
Morgan Stanley Int'l Equity	13,724,330	6.81%	10.00%	(23,606)	1,414,222	12,333,714	6.69%	10.00%
Morgan Stanley Emerging Mkts.	1,240,319	0.62%	2.50%	0	84,124	1,156,195	0.63%	2.50%
William Blair & Company	13,900,821	6.90%	12.50%	0	1,670,289	12,230,532	6.63%	12.50%
Domestic Fixed Income	\$47,858,622	23.75%	27.00%	\$(34,928)	\$1,392,218	\$46,501,332	25.21%	27.00%
Richmond Capital Management	47,858,622	23.75%	27.00%	(34,928)	1,392,218	46,501,332	25.21%	27.00%
Real Estate	\$20,659,338	10.25%	10.00%	\$0	\$263,646	\$20,395,692	11.06%	10.00%
Heitman	20,659,338	10.25%	10.00%	0	263,646	20,395,692	11.06%	10.00%
Cash Account	\$6,106,270	3.03%	0.00%	\$0	\$34,350	\$6,071,920	3.29%	0.00%
Total Fund	\$201,470,643	100.0%	100.0%	\$(99,276)	\$17,118,651	\$184,451,268	100.0%	100.0%

Investment returns were positive for the quarter at \$17.1 million

The total portfolio overseen by Callan is approximately \$201.5 million as of March 31, 2019

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	9.28%	15	4.77%	26	8.73%	44	6.96%	18	8.53%	13
Total Fund Benchmark(1)	8.81%	25	5.31%	13	8.97%	30	6.96%	18	8.21%	22
CPI + 5%	2.40%	99	6.77%	2	7.19%	88	6.28%	43	6.31%	87
Callan Public Fund Spr DB	8.14%		3.97%		8.60%		6.14%		7.43%	

The Total Fund was ahead of the benchmark for the quarter and ranked in the top quartile of peers

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

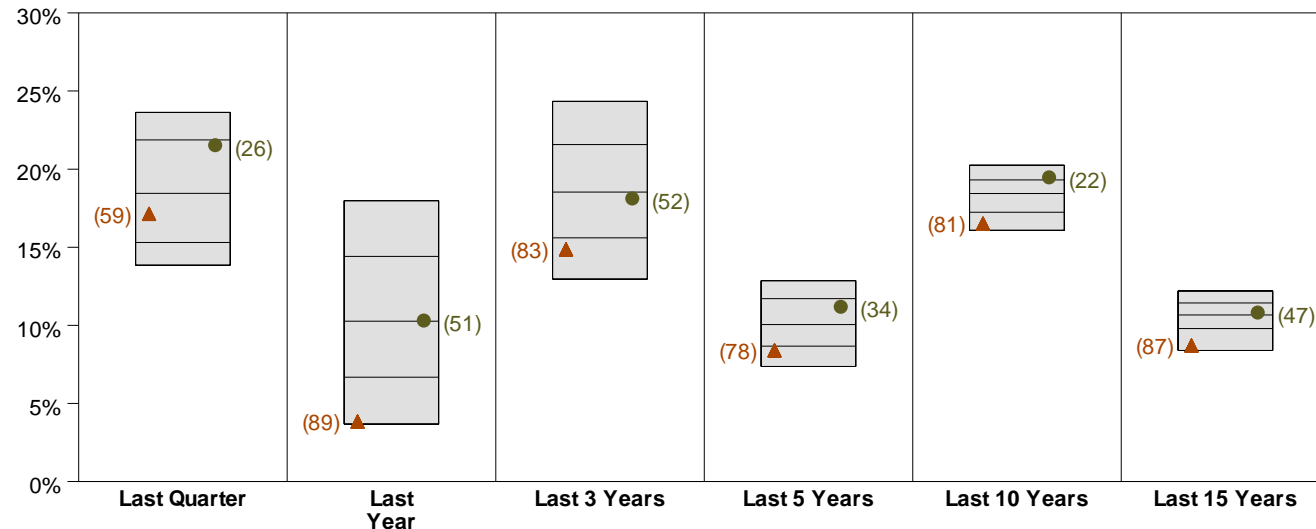
(1) The Total Fund Benchmark consists of 26% S&P500 Index, 27% Blmbg Aggregate Index, 25% MSCI ACWI ex US (Net), 10% NFI-ODCE Equal Weight Net, 6% S&P MidCap 400, 3% Russell 2000 Growth and 3% Russell 2000 Value.

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Domestic Equity Performance

Emerald Advisors Small Cap Growth

Performance vs Callan Small Cap Growth (Gross)



10th Percentile	23.63	17.98	24.35	12.86	20.26	12.21
25th Percentile	21.87	14.41	21.56	11.72	19.32	11.44
Median	18.45	10.27	18.53	10.05	18.44	10.68
75th Percentile	15.31	6.69	15.60	8.67	17.24	9.80
90th Percentile	13.85	3.68	12.97	7.37	16.08	8.40
Emerald Advisers, Inc.	21.43	10.22	18.02	11.09	19.38	10.73
Russell 2000 Growth Index	17.14	3.85	14.87	8.41	16.52	8.71

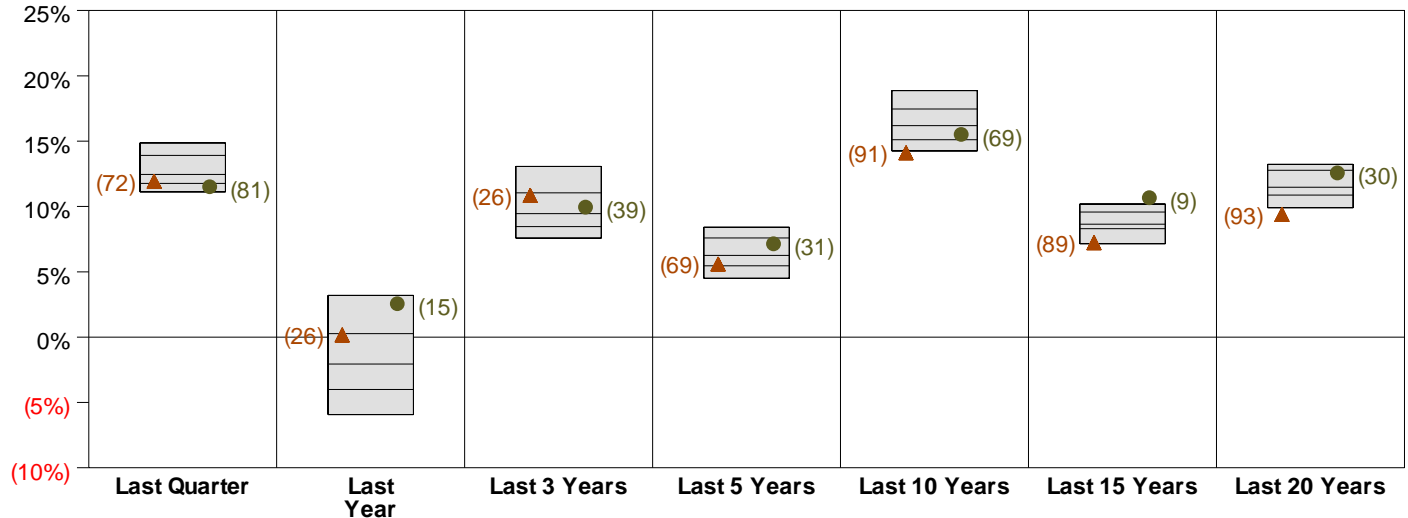
Emerald has strong long-term returns well above the benchmark

Emerald outperformed the benchmark by 4.29% during the quarter and outperformed by 6.37% over the last year

Outperformance for the quarter was driven by stock selection in the Technology sector

Ceredex Value Advisors Small Cap Value

Performance vs Callan Small Cap Value (Gross)



10th Percentile	14.86	3.21	13.06	8.41	18.87	10.19	13.22
25th Percentile	13.91	0.27	11.04	7.60	17.46	9.58	12.77
Median	12.46	(2.06)	9.44	6.26	16.19	8.65	11.48
75th Percentile	11.76	(4.00)	8.47	5.45	15.12	8.30	10.87
90th Percentile	11.12	(5.92)	7.59	4.51	14.26	7.16	9.90
Ceredex Value Advisors	● 11.39	2.43	9.83	7.02	15.39	10.55	12.44
Russell 2000 Value Index	▲ 11.93	0.17	10.86	5.59	14.12	7.24	9.40

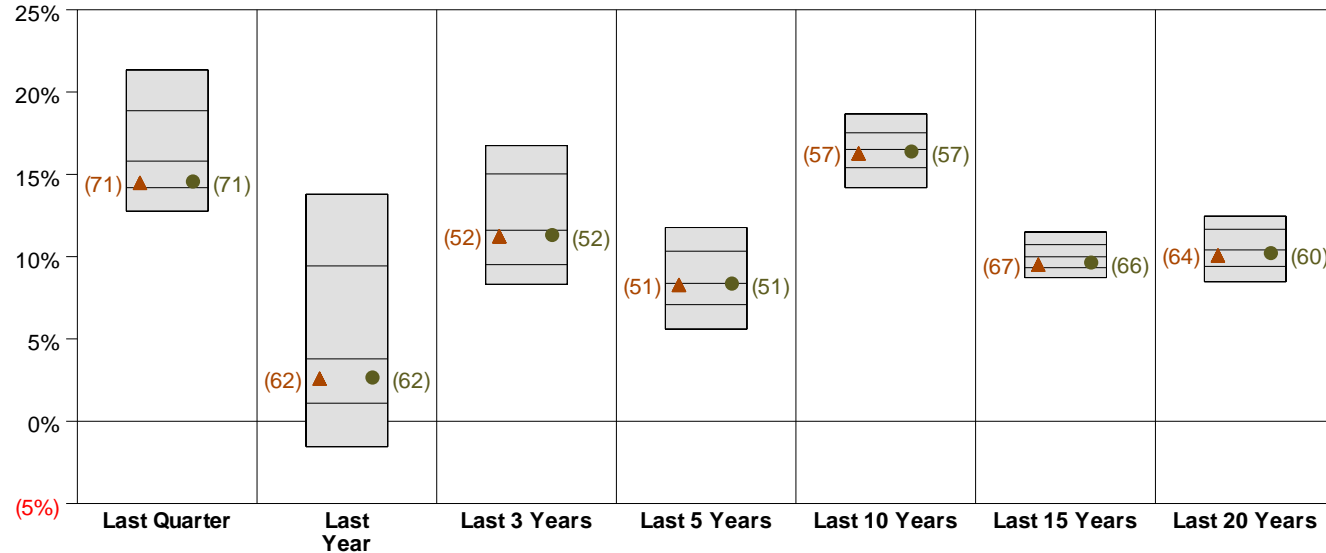
Ceredex underperformed the benchmark by 0.53% for the quarter and outperformed by 2.26% over the last year

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

Stock selection in the Consumer Staples, Information Technology, and Communication Services sectors detracted from relative performance

SSgA S&P Mid Cap 400 Index

Performance vs Callan Mid Capitalization (Gross)

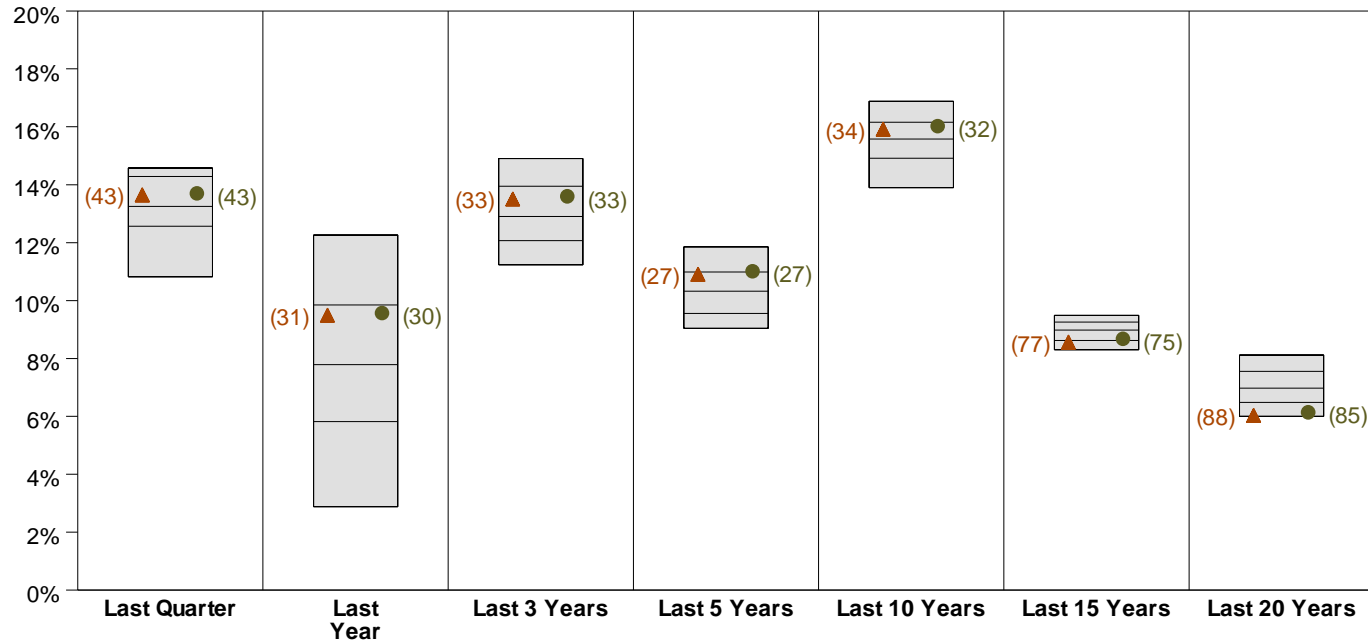


10th Percentile	21.35	13.79	16.75	11.77	18.68	11.50	12.47
25th Percentile	18.86	9.44	15.02	10.34	17.53	10.73	11.66
Median	15.81	3.79	11.60	8.38	16.51	9.99	10.41
75th Percentile	14.19	1.09	9.52	7.09	15.41	9.33	9.40
90th Percentile	12.76	(1.55)	8.31	5.61	14.19	8.72	8.48
SSgA S&P 400 Index	● 14.47	2.56	11.22	8.28	16.29	9.55	10.12
S&P Mid Cap 400 Index	▲ 14.49	2.59	11.24	8.29	16.28	9.52	10.08

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)



10th Percentile	14.58	12.26	14.90	11.85	16.88	9.49	8.12
25th Percentile	14.29	9.85	13.95	10.98	16.16	9.25	7.56
Median	13.25	7.79	12.90	10.32	15.57	8.98	6.97
75th Percentile	12.56	5.82	12.07	9.56	14.91	8.62	6.48
90th Percentile	10.82	2.88	11.24	9.04	13.90	8.30	6.00
SSgA S&P 500 Index	● 13.64	9.51	13.54	10.96	15.97	8.62	6.08
S&P 500 Index	▲ 13.65	9.50	13.51	10.91	15.92	8.57	6.04

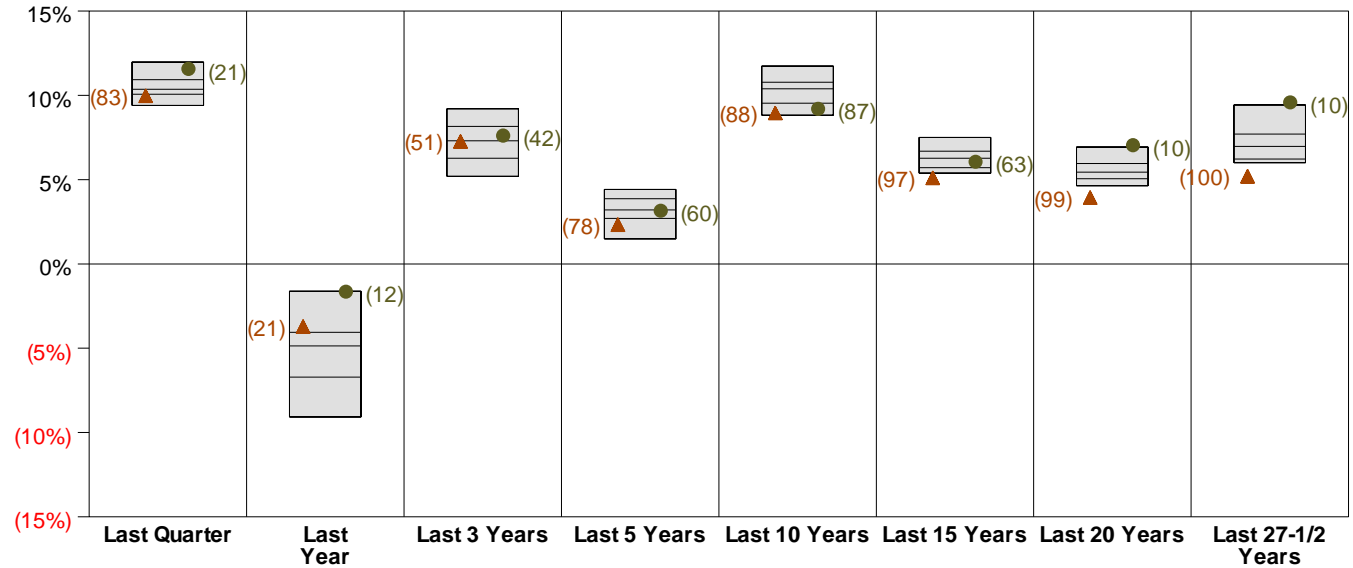
The fund continues to track the index closely at a very low fee

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International Equity Performance

Morgan Stanley Developed International Equity

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



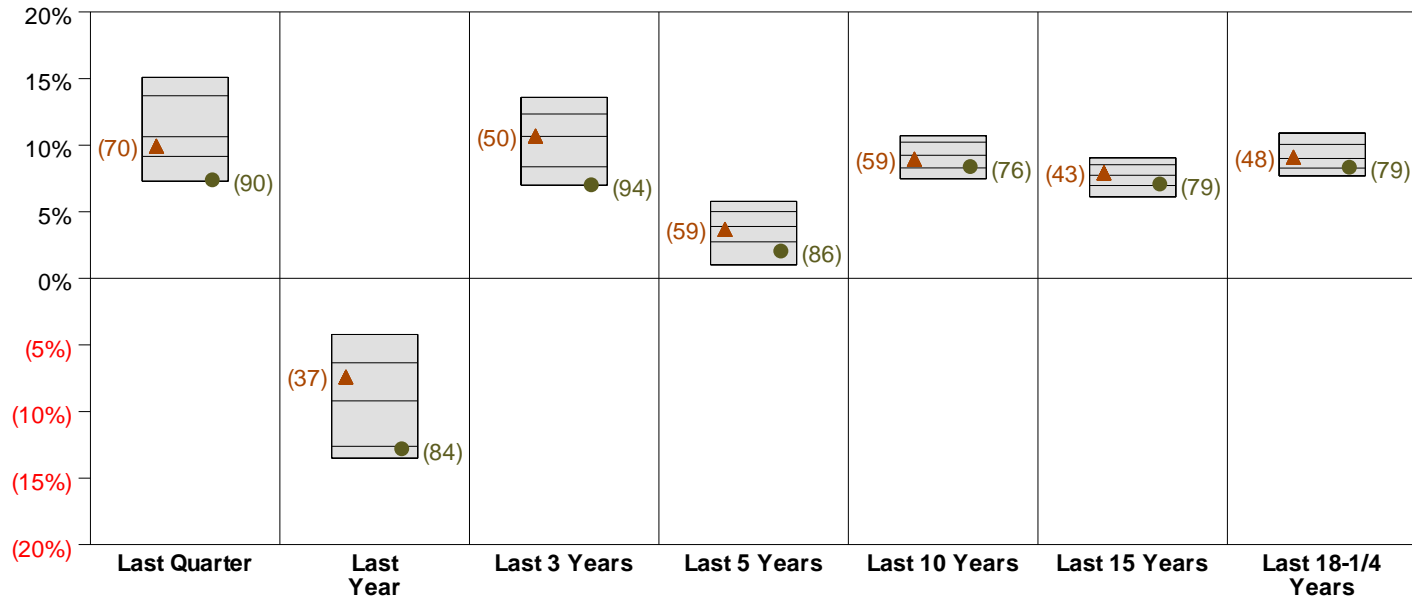
	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 27-1/2 Years
10th Percentile	11.97	(1.62)	9.20	4.42	11.74	7.50	6.93	9.43
25th Percentile	10.93	(4.06)	8.16	3.86	10.78	6.68	5.96	7.71
Median	10.36	(4.86)	7.30	3.21	10.38	6.27	5.44	6.98
75th Percentile	10.07	(6.72)	6.27	2.70	9.53	5.70	5.05	6.22
90th Percentile	9.41	(9.08)	5.20	1.49	8.83	5.38	4.64	6.01
Morgan Stanley Int'l Equity ●	11.47	(1.75)	7.52	3.05	9.11	5.97	6.94	9.49
MSCI EAFE ▲	9.98	(3.71)	7.27	2.33	8.96	5.11	3.94	5.21

The fund outperformed by 1.50% for the quarter and outperformed for the year by 1.96%

An overweight in Consumer Staples and Information Technology, along with an underweight in Consumer Discretionary and Financials assisted in the outperformance for the quarter

Morgan Stanley Emerging Markets Equity

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



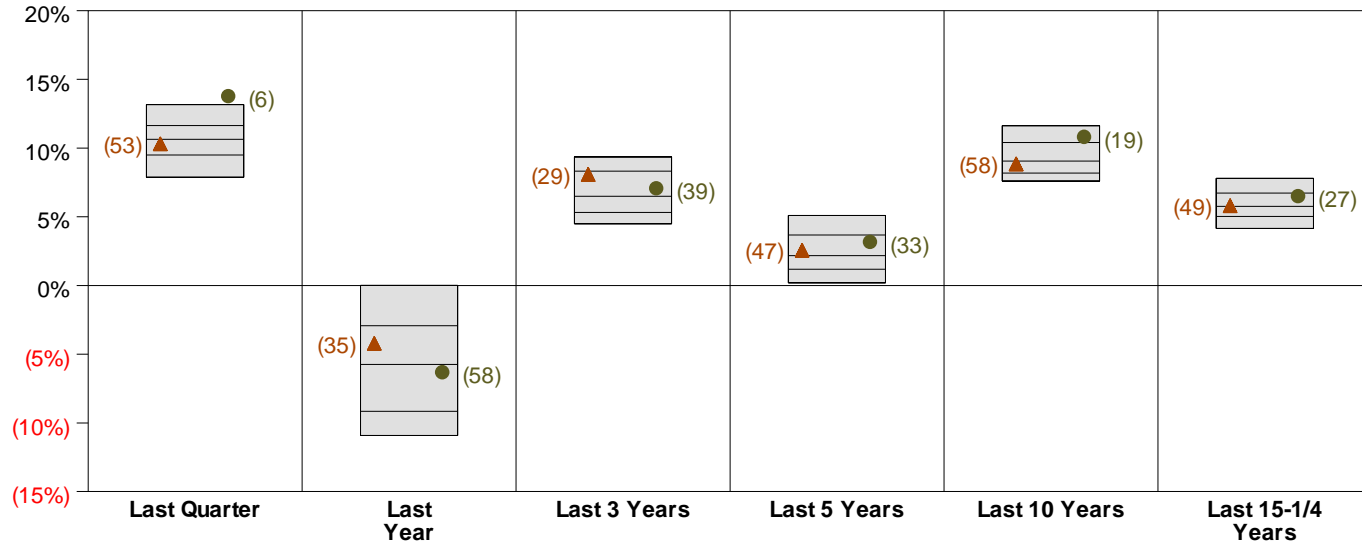
10th Percentile	15.10	(4.21)	13.58	5.78	10.71	9.06	10.91
25th Percentile	13.71	(6.34)	12.34	5.02	10.22	8.53	10.06
Median	10.64	(9.20)	10.66	3.89	9.24	7.75	9.00
75th Percentile	9.15	(12.60)	8.38	2.73	8.29	6.98	8.28
90th Percentile	7.29	(13.50)	6.99	1.01	7.47	6.12	7.70
Morgan Stanley Emerging Mkts.	● 7.28	(12.93)	6.90	1.93	8.26	6.95	8.22
MSCI EMBM	▲ 9.93	(7.40)	10.68	3.68	8.95	7.92	9.10

The fund underperformed the index by 2.65% for the quarter and underperformed by 5.53% over the last year

India stock selection and weighting contributed to underperformance for the quarter

William Blair International Growth Equity

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



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-1/4 Years
10th Percentile	13.17	0.01	9.36	5.10	11.63	7.79
25th Percentile	11.64	(2.93)	8.32	3.68	10.41	6.73
Median	10.64	(5.75)	6.50	2.17	9.06	5.76
75th Percentile	9.50	(9.17)	5.31	1.17	8.18	5.02
90th Percentile	7.88	(10.92)	4.48	0.20	7.60	4.16
William Blair & Company ●	13.66	(6.44)	6.96	3.05	10.70	6.39
MSCI ACWI ex US ▲	10.31	(4.21)	8.09	2.57	8.85	5.81

The fund outperformed by 3.34% for the quarter and underperformed by 2.23% over the last year

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

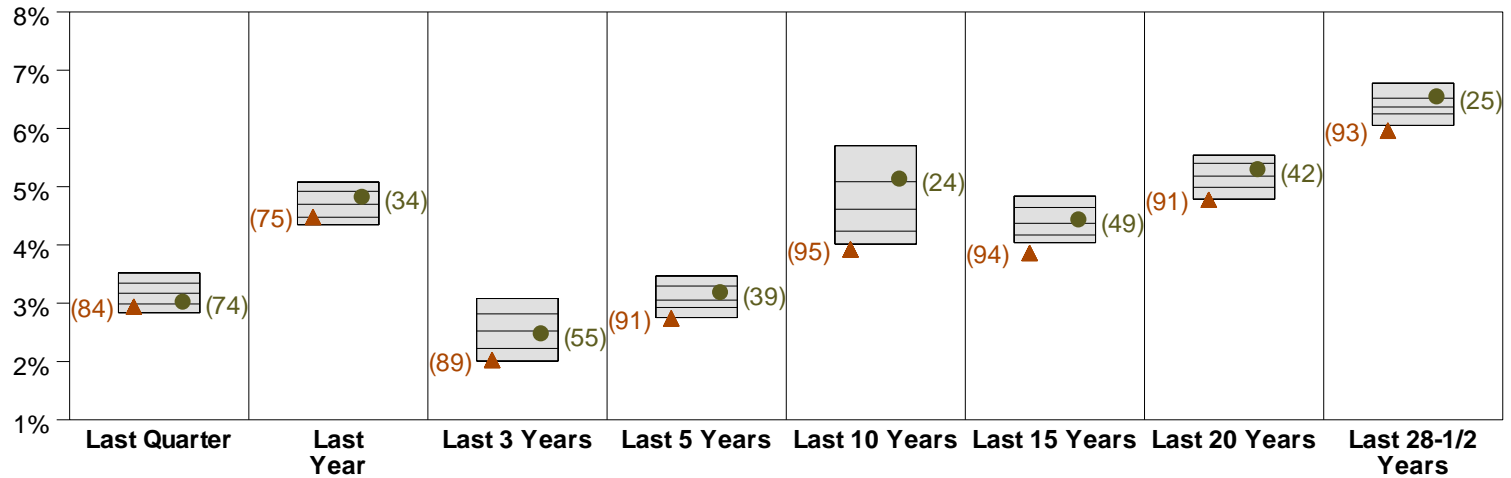
Financials, Consumer Discretionary and Industrials sectors were the most notable contributors to relative return for the quarter

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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 28-1/2 Years
10th Percentile	3.52	5.08	3.08	3.47	5.71	4.84	5.54	6.78
25th Percentile	3.35	4.92	2.82	3.30	5.09	4.64	5.40	6.52
Median	3.17	4.70	2.52	3.05	4.61	4.37	5.18	6.37
75th Percentile	2.99	4.48	2.23	2.93	4.24	4.17	4.99	6.25
90th Percentile	2.84	4.35	2.01	2.76	4.02	4.04	4.79	6.05
Richmond Capital Management	3.00	4.80	2.45	3.16	5.11	4.41	5.27	6.52
Blended Benchmark*	2.94	4.48	2.03	2.74	3.93	3.86	4.78	5.96

Richmond outperformed for the quarter by 0.06% and outperformed over the year by 0.32%

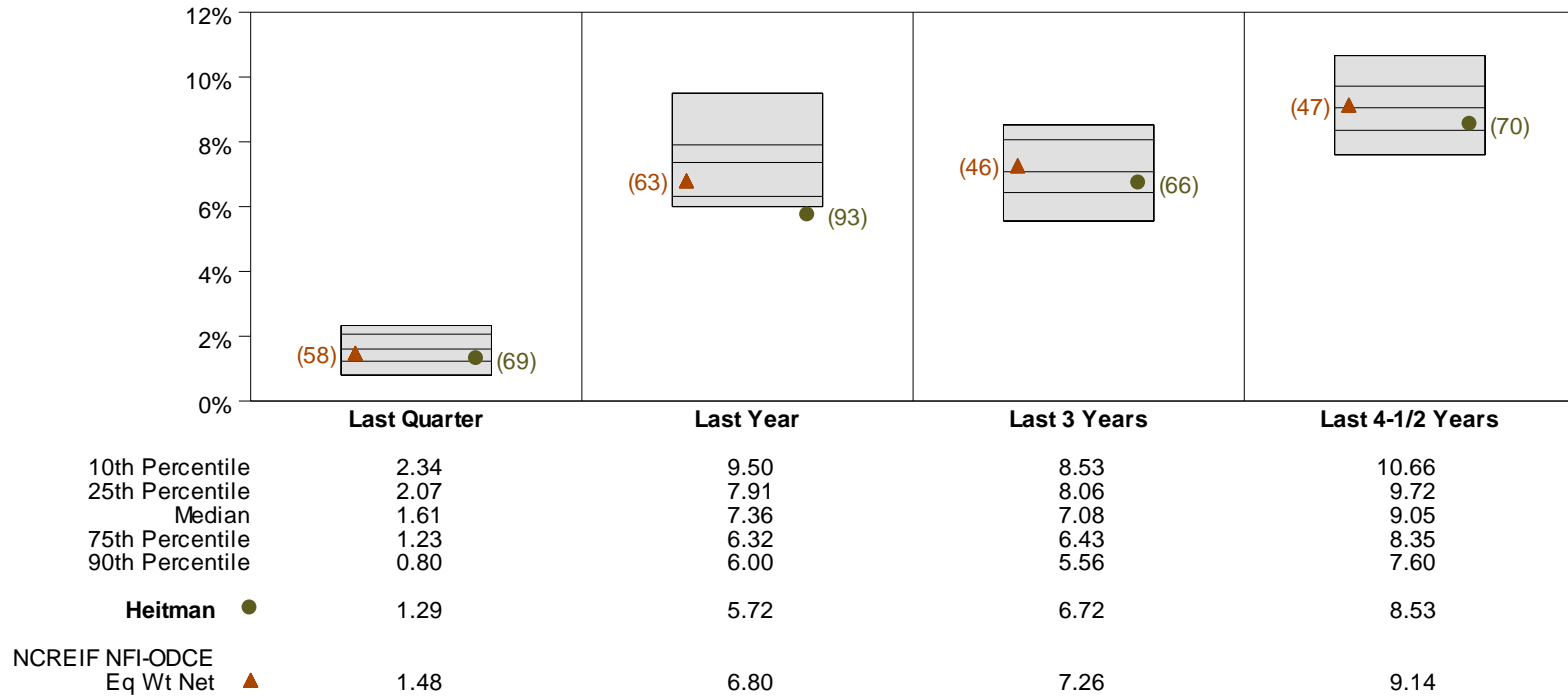
Long-term performance remains strong. The fund has outperformed for all time periods presented

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Real Estate

Heitman America Real Estate Trust

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



Fourteenth full quarter of performance for Heitman. The fund underperformed the index by 1.08% over the last year

A decrease in valuation for the retail assets detracted from quarterly results

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.	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.	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