

Callan



November 21, 2019

City of Fort Pierce

Third Quarter Performance Review

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Does Strong 2019 Spell Problems for 2020 and Beyond?

Did we just “steal” the expected return for the next 18 months?

U.S. equity market expanded modestly in Q3, while non-U.S. markets suffered losses

- S&P up 1.7%, World ex USA down 0.9%, Emerging Markets lost 4.3%. One-year results look weak, thanks to Q4 2018, but all regions are still up sharply y-t-d

Fed rate cuts, solid corporate fundamentals, and even lower unemployment propel U.S. equity markets in Q3:

- Value caught up to growth in September
- Small cap declined and lags large cap again
- Economic weakness, trade concerns hit developed non-U.S. and EM equities in Q3

Fixed income markets are having an “outlier” year

- Investment grade is strongest performer in the U.S.
- Credit spreads continued rally in Q3
- Yield curve shifts lower across maturities; inverted from 3 month – 10 year in April, then from 2- to 10-year in August

*Cambridge PE data are available through June 30, 2019.

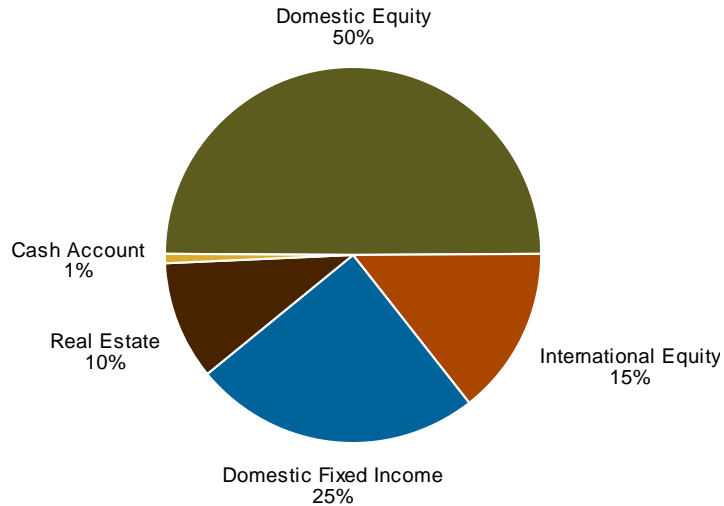
Source: Callan

Returns for Periods ended September 30, 2019

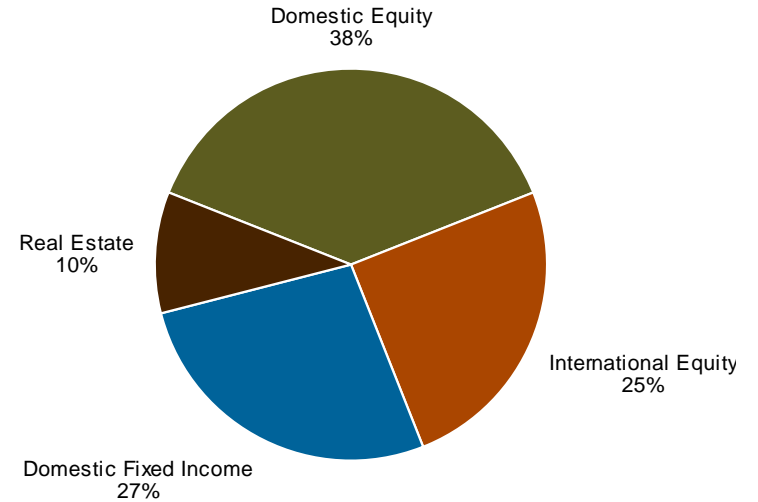
	1 Quarter	1 Year	5 Years	10 Years	25 Years
U.S. Equity					
Russell 3000	1.16	2.92	10.44	13.08	9.81
S&P 500	1.70	4.25	10.84	13.24	9.83
Russell 2000	-2.40	-8.89	8.19	11.19	8.86
Non-U.S. Equity					
MSCI World ex USA	-0.93	-0.95	3.06	4.78	4.94
MSCI Emerging Markets	-4.25	-2.01	2.33	3.37	--
MSCI ACWI ex USA Small Cap	-1.19	-5.63	3.98	6.13	5.30
Fixed Income					
Bloomberg Barclays Aggregate	2.27	10.30	3.38	3.75	5.57
90-day T-Bill	0.56	2.39	0.98	0.54	2.50
Bloomberg Barclays Long Gov/Credit	6.58	21.88	6.81	7.42	8.02
Bloomberg Barclays Global Agg ex-US	-0.58	5.34	0.87	1.27	4.38
Real Estate					
NCREIF Property	1.41	6.24	8.57	9.77	9.36
FTSE Nareit Equity	7.80	18.42	10.26	13.04	10.67
Alternatives					
CS Hedge Fund	0.26	2.13	2.30	4.32	7.69
Cambridge Private Equity*	4.31	12.23	12.22	14.51	15.42
Bloomberg Commodity	-1.84	-6.57	-7.18	-4.32	1.66
Gold Spot Price	4.19	23.13	3.98	3.85	5.38
Inflation - CPI-U	0.24	1.71	1.53	1.75	2.19

Asset Allocation

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	101,375	49.8%	38.0%	11.8%	23,974
International Equity	29,578	14.5%	25.0%	(10.5%)	(21,345)
Domestic Fixed Income	50,252	24.7%	27.0%	(2.3%)	(4,744)
Real Estate	20,853	10.2%	10.0%	0.2%	484
Cash Account	1,631	0.8%	0.0%	0.8%	1,631
Total	203,688	100.0%	100.0%		

Relative Attribution Effects for Quarter ended September 30, 2019

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	50%	38%	0.65%	0.77%	(0.06%)	0.02%	(0.04%)
Domestic Fixed Income	24%	27%	2.17%	2.27%	(0.02%)	(0.04%)	(0.07%)
Real Estate	10%	10%	1.53%	1.18%	0.04%	0.00%	0.04%
International Equity	15%	25%	(1.32%)	(1.80%)	0.07%	0.25%	0.32%
Cash Account	1%	0%	0.53%	0.53%	0.00%	(0.00%)	(0.00%)

Total **0.83% = 0.57% + 0.02% + 0.23%**

0.25%

Asset Distribution Across Investment Managers

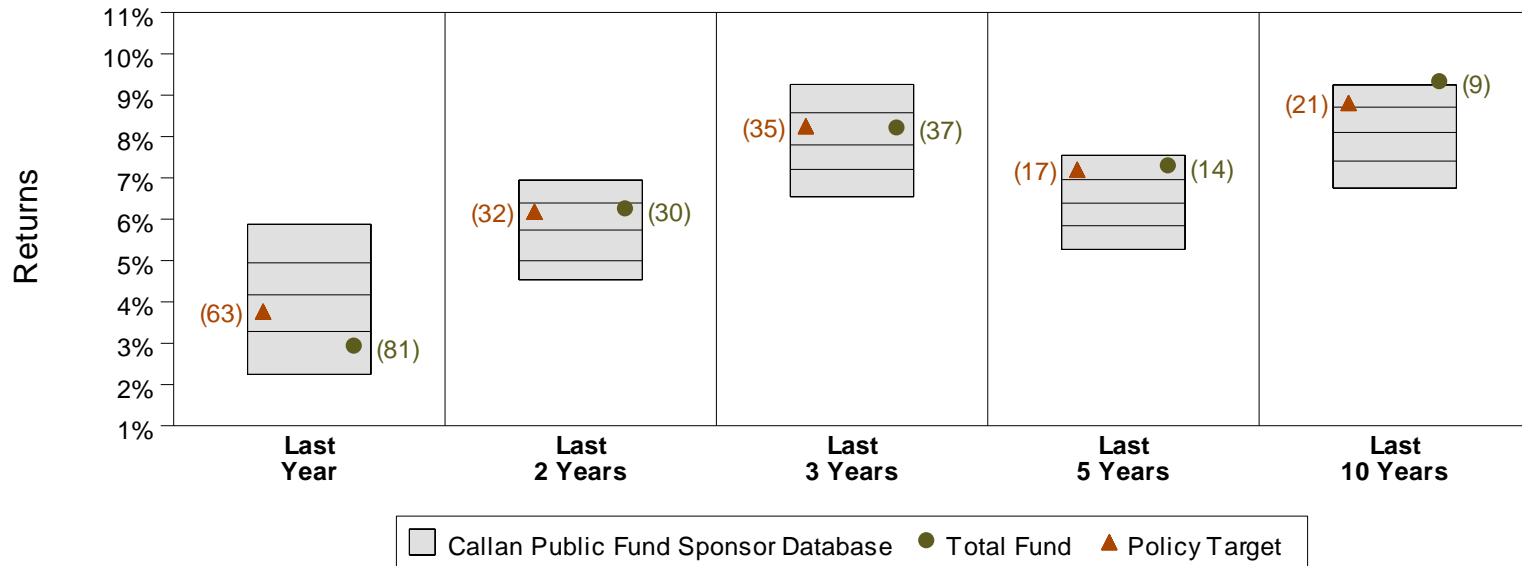
	September 30, 2019					June 30, 2019		
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
Domestic Equity	\$101,375,097	49.77%	38.00%	\$(45,976)	\$651,448	\$100,769,624	49.86%	38.00%
Emerald Advisers, Inc.	8,086,726	3.97%	3.00%	(18,087)	(600,348)	8,705,161	4.31%	3.00%
Ceredex Value Advisors	7,775,289	3.82%	3.00%	(17,281)	100,679	7,691,891	3.81%	3.00%
SSgA S&P 500 Index	69,708,805	34.22%	26.00%	(7,509)	1,166,426	68,549,888	33.92%	26.00%
SSgA S&P 400 Index	15,804,276	7.76%	6.00%	(3,099)	(15,309)	15,822,684	7.83%	6.00%
International Equity	\$29,577,510	14.52%	25.00%	\$(26,044)	\$(357,453)	\$29,961,007	14.82%	25.00%
Morgan Stanley Int'l Equity	13,860,138	6.80%	10.00%	(26,044)	(201,134)	14,087,317	6.97%	10.00%
Causeway Emerging Markets *	1,296,296	0.64%		1,261,350	34,946	-	-	
Morgan Stanley Emerging Mkts.	0	0.00%	2.50%	(1,261,350)	(8,720)	1,270,070	0.63%	2.50%
William Blair & Company	14,421,075	7.08%	12.50%	0	(182,545)	14,603,621	7.23%	12.50%
Domestic Fixed Income	\$50,252,143	24.67%	27.00%	\$(35,948)	\$1,069,250	\$49,218,842	24.35%	27.00%
Richmond Capital Management	50,252,143	24.67%	27.00%	(35,948)	1,069,250	49,218,842	24.35%	27.00%
Real Estate	\$20,852,825	10.24%	10.00%	\$0	\$313,693	\$20,539,132	10.16%	10.00%
Heitman	20,852,825	10.24%	10.00%	0	313,693	20,539,132	10.16%	10.00%
Cash Account	\$1,630,609	0.80%	0.00%	\$0	\$8,535	\$1,622,074	0.80%	0.00%
Total Fund	\$203,688,184	100.0%	100.0%	\$(107,968)	\$1,685,472	\$202,110,679	100.0%	100.0%

Investment returns were positive for the quarter at \$1.7 million

The total portfolio overseen by Callan is approximately \$203.7 million as of September 30, 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	0.83%	42	2.90%	81	8.18%	37	7.26%	14	8.69%	15
Total Fund Benchmark(1)	0.57%	70	3.76%	63	8.25%	35	7.20%	17	8.38%	25
CPI + 5%	1.42%	9	6.50%	6	7.05%	81	6.34%	53	6.33%	89
Callan Public Fund Spr DB	0.75%		4.17%		7.80%		6.39%		7.58%	

The Total Fund was ahead of the benchmark for the quarter and modestly ahead of the peer group median

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)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 15-1/2 Years
10th Percentile	(2.06)	0.42	18.83	14.68	16.14	12.33	11.96
25th Percentile	(3.26)	(3.31)	16.55	13.03	15.33	11.87	11.07
Median	(4.51)	(6.39)	13.42	11.33	14.43	11.07	10.39
75th Percentile	(6.83)	(9.58)	11.27	9.92	13.28	10.20	9.54
90th Percentile	(8.31)	(12.84)	8.86	8.05	12.28	8.85	8.17
Emerald Advisors, Inc.	● (6.91)	(8.84)	11.97	11.85	15.22	11.20	10.12
Russell 2000 Growth Index	▲ (4.17)	(9.63)	9.79	9.08	12.25	9.04	8.31

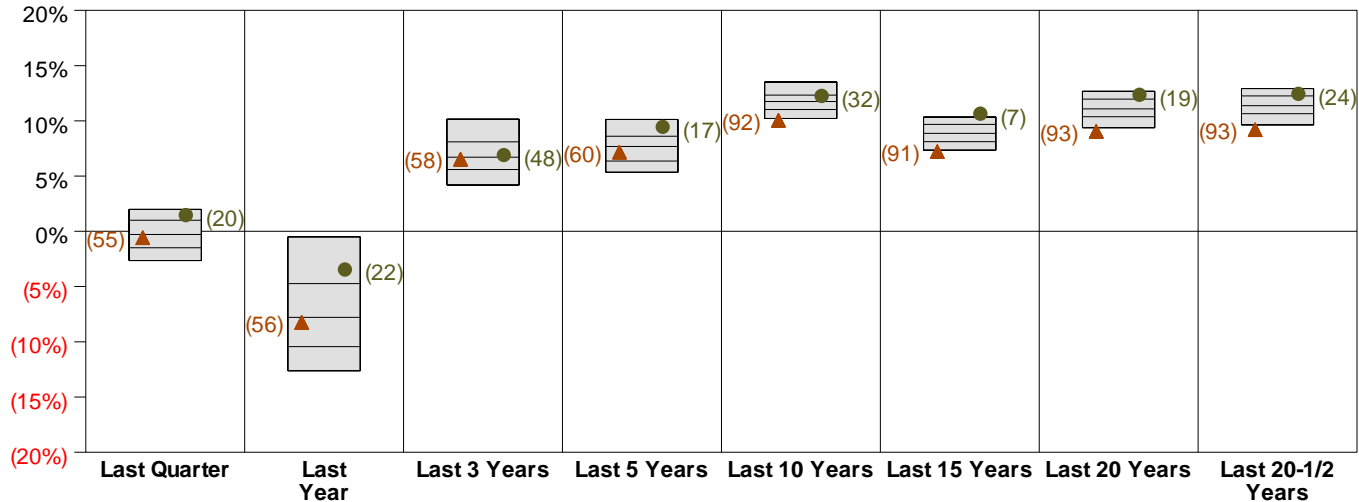
Emerald has strong long-term returns well above the benchmark

Emerald underperformed the benchmark by 2.74% during the quarter and outperformed by 0.79% over the last year

Underperformance for the quarter was driven by relative underperformance within the Producer Durables, Financial Services, Consumer Discretionary and Technology sectors

Ceredex Value Advisors Small Cap Value

Performance vs Callan Small Cap Value (Gross)



10th Percentile	1.98	(0.51)	10.16	10.13	13.51	10.34	12.68	12.92
25th Percentile	1.00	(4.74)	8.10	8.61	12.33	9.68	11.97	12.27
Median	(0.29)	(7.79)	6.70	7.68	11.75	8.86	11.07	11.39
75th Percentile	(1.49)	(10.44)	5.59	6.37	11.02	8.11	10.38	10.65
90th Percentile	(2.66)	(12.63)	4.19	5.35	10.21	7.36	9.38	9.65
Ceredex Value Advisors	● 1.32	(3.60)	6.77	9.31	12.12	10.50	12.22	12.32
Russell 2000 Value Index	▲ (0.57)	(8.24)	6.54	7.17	10.06	7.23	9.05	9.20

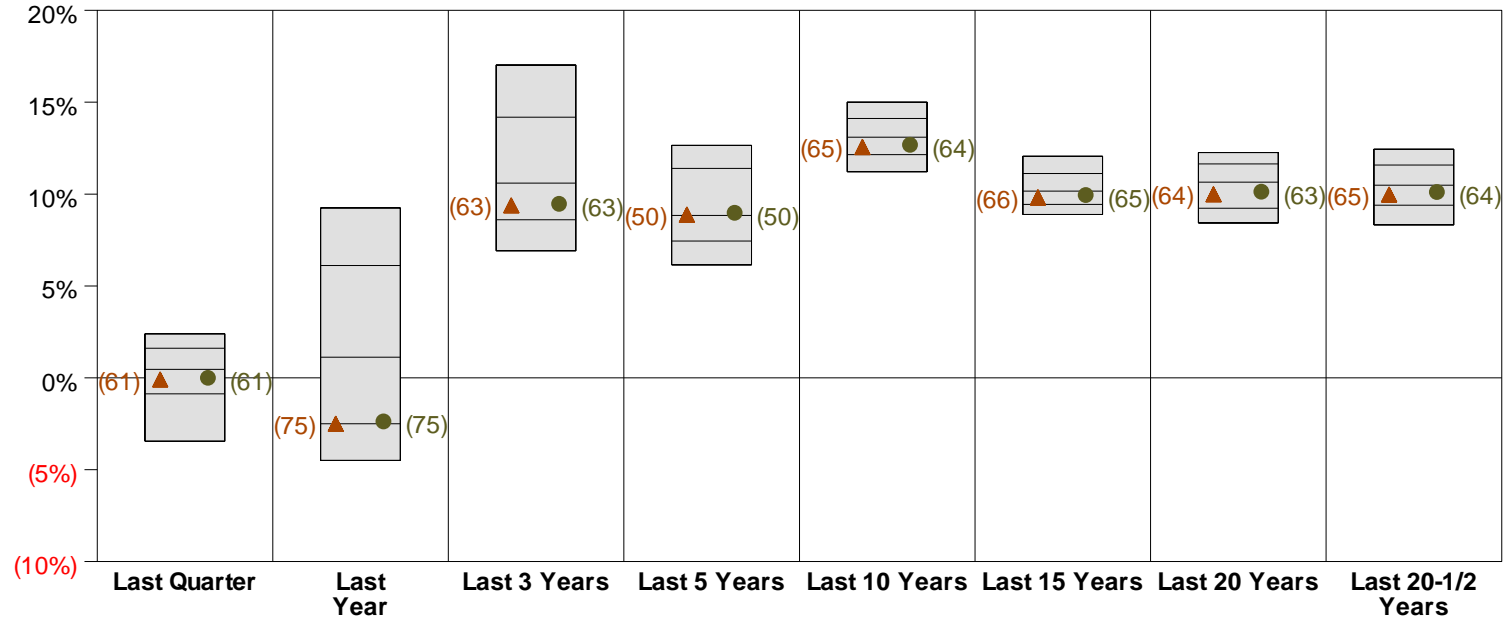
Ceredex outperformed the benchmark by 1.89% for the quarter and outperformed by 4.64% over the last year

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

Stock selection within Information Technology and Industrials and an underweight Energy position contributed the most to returns

SSgA S&P Mid Cap 400 Index

Performance vs Callan Mid Capitalization (Gross)

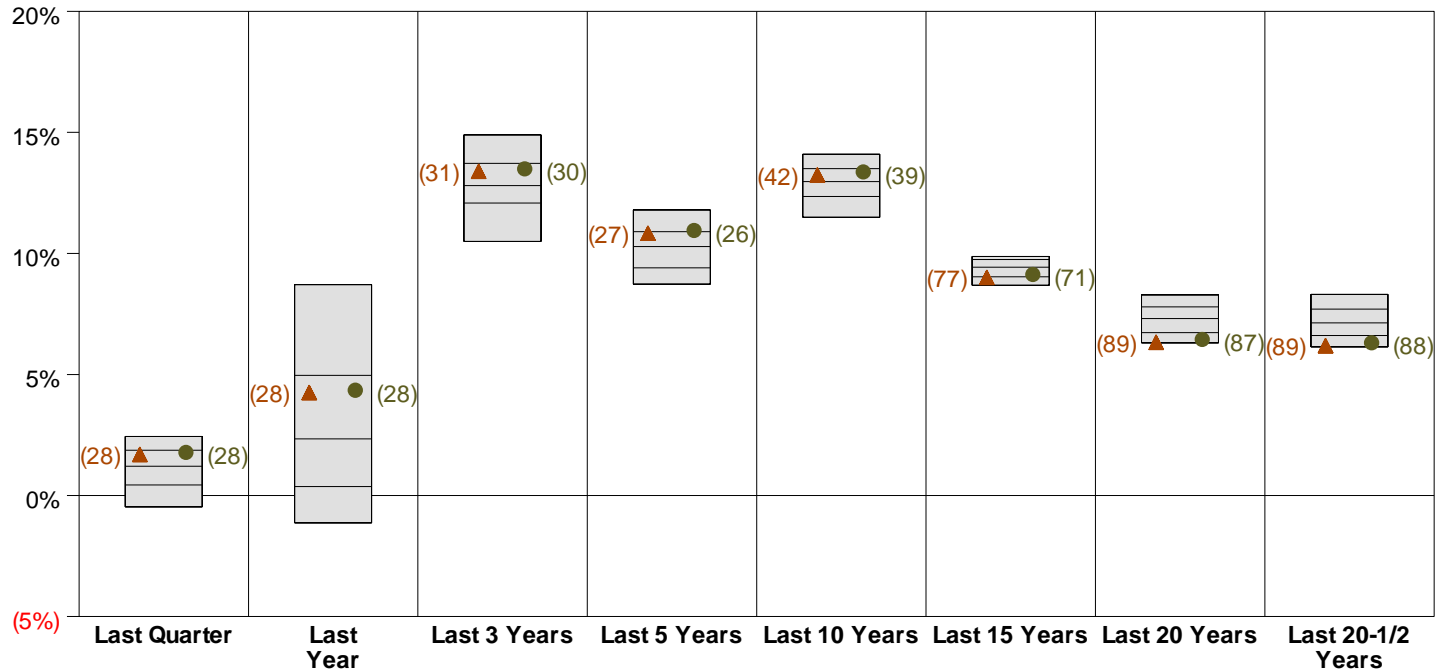


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 20-1/2 Years
10th Percentile	2.40	9.25	17.02	12.65	15.00	12.06	12.26	12.44
25th Percentile	1.61	6.12	14.18	11.40	14.11	11.11	11.64	11.58
Median	0.45	1.13	10.60	8.84	13.10	10.16	10.65	10.48
75th Percentile	(0.87)	(2.50)	8.61	7.45	12.15	9.44	9.23	9.39
90th Percentile	(3.45)	(4.49)	6.91	6.15	11.21	8.88	8.43	8.33
SSgA S&P 400 Index ●	(0.10)	(2.47)	9.37	8.89	12.58	9.85	10.04	10.02
S&P Mid Cap 400 Index ▲	(0.09)	(2.49)	9.38	8.88	12.56	9.82	9.99	9.97

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 20 Years	Last 20-1/2 Years
10th Percentile	2.44	8.71	14.90	11.80	14.10	9.87	8.29	8.31
25th Percentile	1.87	4.96	13.73	10.90	13.51	9.75	7.79	7.70
Median	1.21	2.34	12.80	10.28	12.96	9.43	7.31	7.13
75th Percentile	0.43	0.37	12.08	9.40	12.35	9.03	6.73	6.61
90th Percentile	(0.47)	(1.13)	10.49	8.73	11.49	8.68	6.31	6.14
SSgA S&P 500 Index ●	1.70	4.28	13.42	10.88	13.29	9.06	6.38	6.24
S&P 500 Index ▲	1.70	4.25	13.39	10.84	13.24	9.01	6.33	6.19

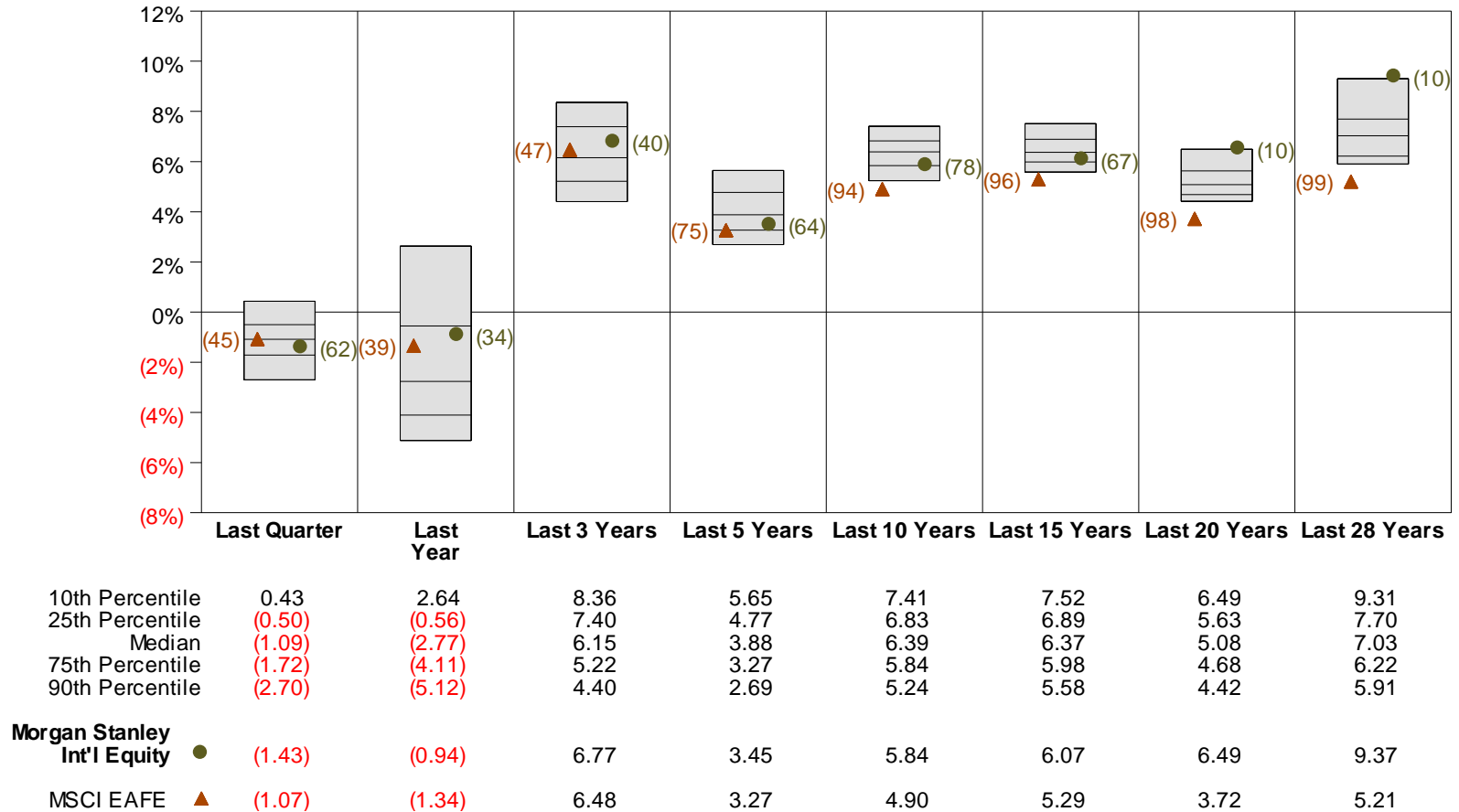
The fund continues to track the index closely at a very low fee

Callan

International Equity Performance

Morgan Stanley Developed International Equity

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

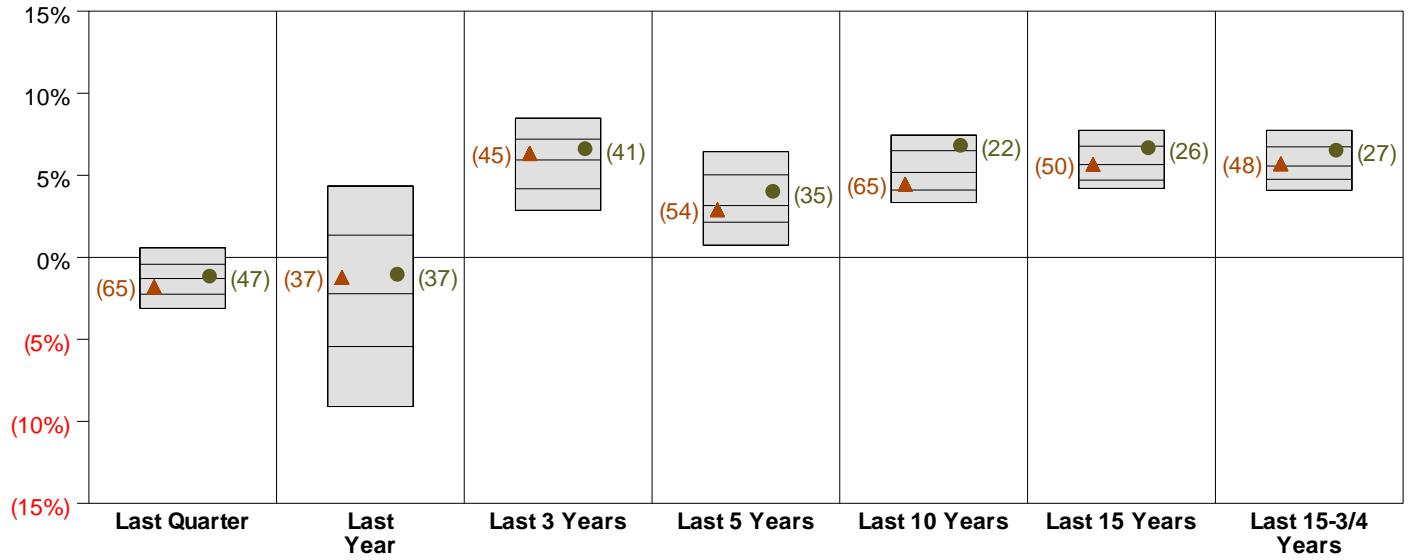


The fund underperformed by 0.35% for the quarter and outperformed for the year by 0.40%

Poor stock selection in Financials, Consumer Staples, and Healthcare weighed on relative performance 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 Years	Last 15-3/4 Years
10th Percentile	0.58	4.34	8.48	6.44	7.44	7.74	7.74
25th Percentile	(0.43)	1.35	7.19	5.03	6.50	6.77	6.73
Median	(1.29)	(2.22)	5.94	3.16	5.18	5.65	5.57
75th Percentile	(2.24)	(5.44)	4.18	2.15	4.10	4.70	4.75
90th Percentile	(3.11)	(9.09)	2.87	0.74	3.34	4.20	4.08
William Blair & Company ●	(1.25)	(1.14)	6.51	3.91	6.72	6.58	6.43
MSCI ACWI ex US ▲	(1.80)	(1.23)	6.33	2.90	4.46	5.66	5.70

The fund outperformed by 0.55% for the quarter and outperformed by 0.08% over the last year

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

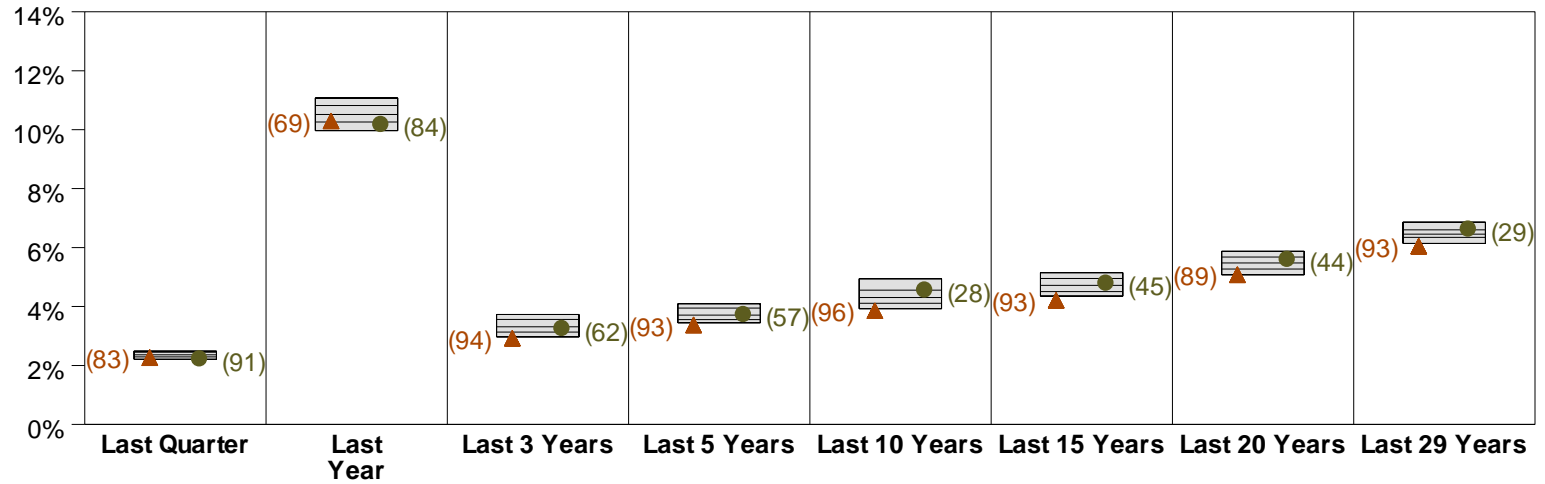
The overweight allocation to the Information Technology sector and underweight allocation to the Materials sector were the largest sources of relative return for the quarter

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Fixed Income

Richmond Capital Core Fixed Income

Performance vs Callan Core Bond Fixed Income (Gross)



10th Percentile	2.49	11.08	3.73	4.09	4.94	5.15	5.88	6.86
25th Percentile	2.45	10.82	3.57	3.95	4.56	4.95	5.68	6.61
Median	2.36	10.52	3.32	3.71	4.31	4.72	5.48	6.46
75th Percentile	2.29	10.26	3.14	3.56	4.11	4.50	5.27	6.34
90th Percentile	2.21	9.97	2.97	3.45	3.93	4.36	5.08	6.14
Richmond Capital Management	● 2.17	10.13	3.21	3.68	4.52	4.75	5.55	6.59
Blended Benchmark*	▲ 2.27	10.30	2.92	3.38	3.86	4.21	5.08	6.05

Richmond underperformed for the quarter by 0.10% and underperformed over the year by 0.17%

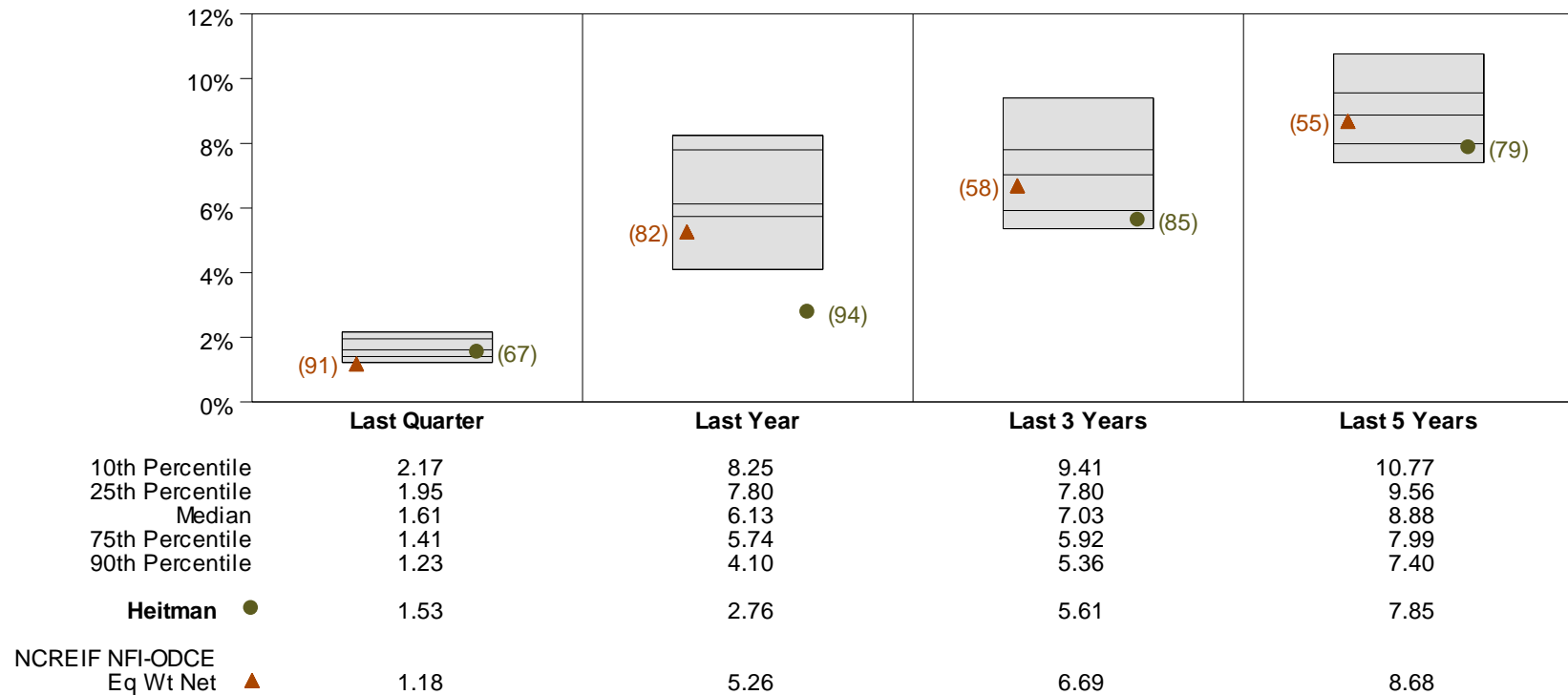
Long-term performance remains strong. The fund has outperformed for most of the time periods presented

Callan

Real Estate

Heitman America Real Estate Trust

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



Heitman outperformed the index by 0.35% for the quarter and underperformed by 2.50% over the last year

For the quarter the Industrial, Office, Self-storage, and Apartment asset valuations increased leading to relative outperformance

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.
Causeway Emerging	Outperform the MSCI Emerging Markets Index over rolling 3-year periods by 1.00%.	N/A
	Outperform the median emerging markets equity manager over rolling 3-year periods.	N/A
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 over rolling 5-year periods.	Not Met.