

# Callan



August 20, 2020

**City of Fort Pierce**

Second Quarter Performance Review

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# Stunning Recovery in Global Equity Markets in 2Q20

V-shaped equity rebound, ahead of the global economy

## Global equity rally after March market bottom

- S&P -33% from peak (02/19/20) to low on 3/23/20
- Sharp rebound since March, suggesting broad-based recovery, but YTD results concentrated in a few stocks
- Fed cut rates to zero, commenced QE, instituted multiple facilities to backstop money markets, credit markets, and economy
  - Further fiscal stimulus expected
- Congress passed fiscal stimulus (CARES) to carry the economy through the crisis
- Economic recovery will be uncertain as COVID-19 infections continue; re-openings may be reversed

## Returns for Periods ended June 30, 2020

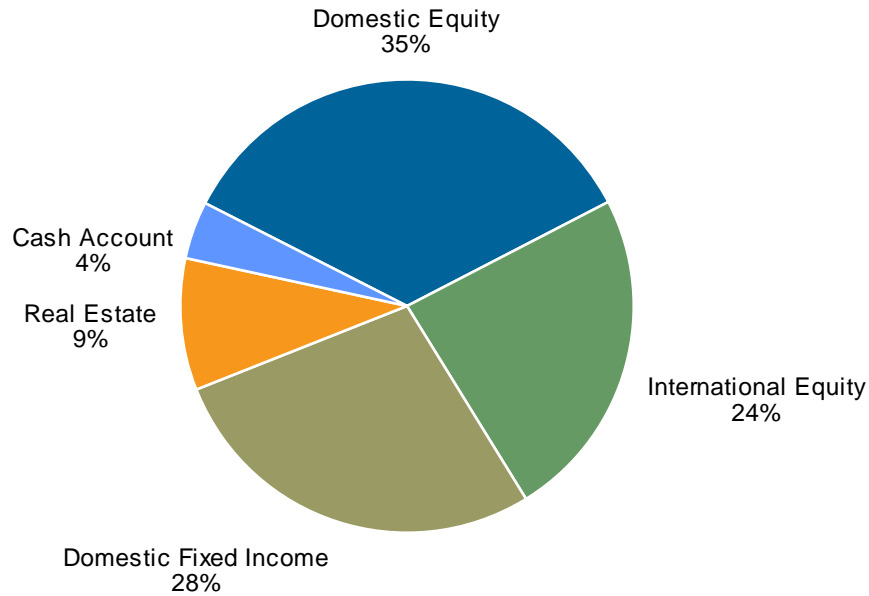
	1 Quarter	1 Year	5 Years	10 Years	25 Years
<b>U.S. Equity</b>					
Russell 3000	22.03	6.53	10.03	13.72	9.28
S&P 500	20.54	7.51	10.73	13.99	9.27
Russell 2000	25.42	-6.63	4.29	10.50	8.16
<b>Global ex-U.S. Equity</b>					
MSCI World ex USA	15.34	-5.42	2.01	5.43	4.68
MSCI Emerging Markets	18.08	-3.39	2.86	3.27	--
MSCI ACWI ex USA Small Cap	22.83	-4.34	2.50	6.05	5.51
<b>Fixed Income</b>					
Bloomberg Barclays Aggregate	2.90	8.74	4.30	3.82	5.36
90-day T-Bill	0.02	1.63	1.19	0.64	2.37
Bloomberg Barclays Long Gov/Credit	6.23	18.91	8.98	7.84	7.72
Bloomberg Barclays Global Agg ex-US	3.38	0.71	2.89	1.98	3.73
<b>Real Estate</b>					
NCREIF Property	0.71	4.46	7.13	9.89	9.22
FTSE Nareit Equity	11.82	-13.04	4.06	9.05	9.48
<b>Alternatives</b>					
CS Hedge Fund	6.20	-0.73	1.55	3.83	7.49
Cambridge Private Equity*	5.36	16.14	12.64	13.57	15.29
Bloomberg Commodity	5.08	-17.38	-7.69	-5.82	0.75
Gold Spot Price	12.77	27.36	8.97	3.75	6.36
<b>Inflation - CPI-U</b>	-0.12	0.65	1.56	1.69	2.12

\*Cambridge PE data through 12/31/19

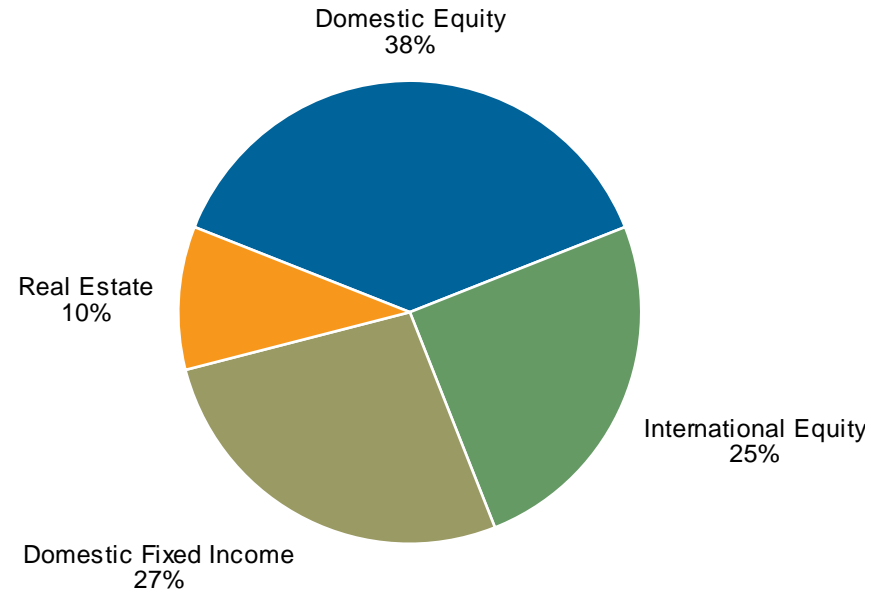
Sources: Bloomberg, Bloomberg Barclays, Callan , Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

# Asset Allocation

**Actual Asset Allocation**



**Target Asset Allocation**



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	74,086	34.9%	38.0%	(3.1%)	(6,495)
International Equity	50,481	23.8%	25.0%	(1.2%)	(2,533)
Domestic Fixed Income	58,989	27.8%	27.0%	0.8%	1,734
Real Estate	19,838	9.4%	10.0%	(0.6%)	(1,368)
Cash Account	8,661	4.1%	0.0%	4.1%	8,661
<b>Total</b>	<b>212,055</b>	<b>100.0%</b>	<b>100.0%</b>		

## Asset Distribution Across Investment Managers

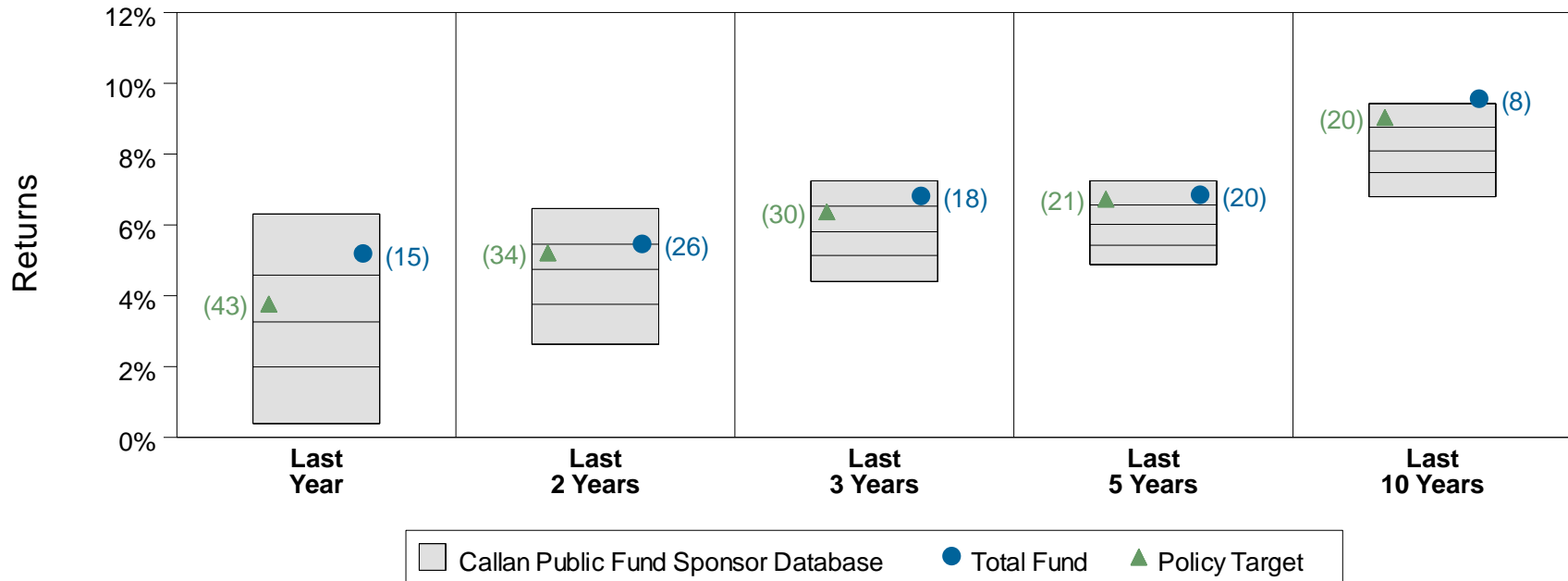
	June 30, 2020					March 31, 2020		
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
<b>Domestic Equity</b>	<b>\$74,086,374</b>	<b>34.94%</b>	<b>38.00%</b>	<b>\$(29,090)</b>	<b>\$13,239,023</b>	<b>\$60,876,442</b>	<b>32.42%</b>	<b>38.00%</b>
Emerald Advisers, Inc.	6,205,575	2.93%	3.00%	(11,602)	1,526,649	4,690,528	2.50%	3.00%
Ceredex Value Advisors	4,815,823	2.27%	3.00%	(9,252)	711,121	4,113,955	2.19%	3.00%
SSgA S&P 500 Index	52,293,539	24.66%	26.00%	(5,736)	8,908,652	43,390,623	23.11%	26.00%
SSgA S&P 400 Index	10,771,437	5.08%	6.00%	(2,500)	2,092,601	8,681,336	4.62%	6.00%
<b>International Equity</b>	<b>\$50,481,221</b>	<b>23.81%</b>	<b>25.00%</b>	<b>\$(32,721)</b>	<b>\$9,014,940</b>	<b>\$41,499,002</b>	<b>22.10%</b>	<b>25.00%</b>
Morgan Stanley Int'l Equity	19,604,784	9.25%	10.00%	(32,721)	3,058,678	16,578,827	8.83%	10.00%
Causeway Emerging Markets	4,826,651	2.28%	2.50%	0	677,715	4,148,937	2.21%	2.50%
William Blair & Company	26,049,786	12.28%	12.50%	0	5,278,548	20,771,238	11.06%	12.50%
<b>Domestic Fixed Income</b>	<b>\$58,988,800</b>	<b>27.82%</b>	<b>27.00%</b>	<b>\$(38,014)</b>	<b>\$2,511,983</b>	<b>\$56,514,831</b>	<b>30.10%</b>	<b>27.00%</b>
Richmond Capital Management	58,988,800	27.82%	27.00%	(38,014)	2,511,983	56,514,831	30.10%	27.00%
<b>Real Estate</b>	<b>\$19,837,970</b>	<b>9.36%</b>	<b>10.00%</b>	<b>\$(51,546)</b>	<b>\$(309,903)</b>	<b>\$20,199,419</b>	<b>10.76%</b>	<b>10.00%</b>
Heitman	19,837,970	9.36%	10.00%	(51,546)	(309,903)	20,199,419	10.76%	10.00%
<b>Cash Account</b>	<b>\$8,660,954</b>	<b>4.08%</b>	<b>0.00%</b>	<b>\$0</b>	<b>\$3,066</b>	<b>\$8,657,888</b>	<b>4.61%</b>	<b>0.00%</b>
<b>Total Fund</b>	<b>\$212,055,319</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$(151,372)</b>	<b>\$24,459,109</b>	<b>\$187,747,581</b>	<b>100.0%</b>	<b>100.0%</b>

Investment returns were positive for the quarter at \$24.5 million

The total portfolio overseen by Callan is approximately \$212 million as of June 30, 2020

# City of Fort Pierce Total Fund

## Callan Public Fund Sponsor Database



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
<b>Total Fund</b>	<b>13.03%</b>	<b>5.17%</b>	<b>6.80%</b>	<b>6.83%</b>	<b>8.08%</b>
Total Fund Benchmark(1)	12.93%	3.77%	6.37%	6.73%	7.76%
CPI + 5%	1.10%	5.52%	6.68%	6.44%	6.26%
Callan Public Fund Spr DB	11.79%	3.26%	5.81%	6.02%	6.91%
	23	15	18	20	12
	25	43	30	21	21
	100	13	20	28	78

The Total Fund outperformed by 0.10% for the quarter and was ahead of the target by 1.40% for the year

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.

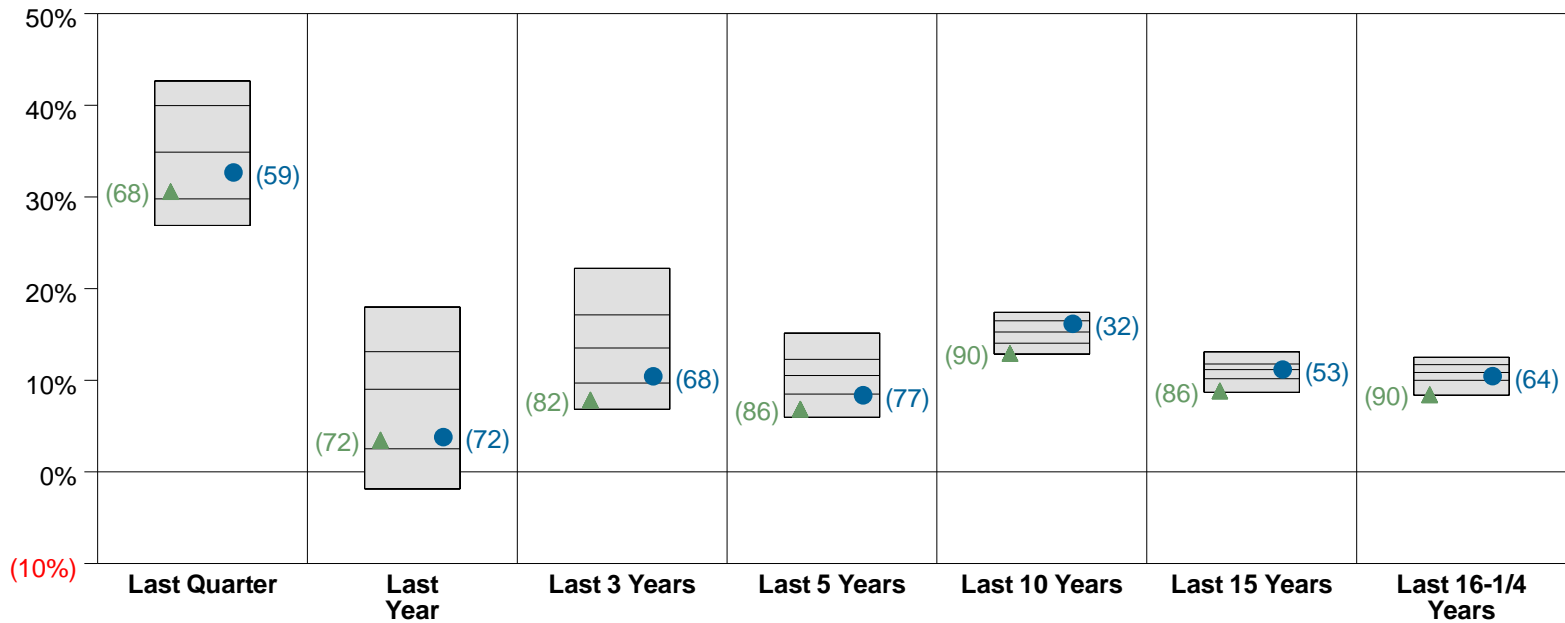
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**Domestic Equity Performance**

# 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 16-1/4 Years
10th Percentile	42.65	17.99	22.21	15.15	17.41	13.10	12.50
25th Percentile	39.97	13.12	17.14	12.28	16.50	11.78	11.70
Median	34.87	9.03	13.52	10.53	15.28	11.17	10.84
75th Percentile	29.78	2.53	9.71	8.49	14.05	10.16	10.01
90th Percentile	26.88	(1.86)	6.84	5.95	12.87	8.67	8.38

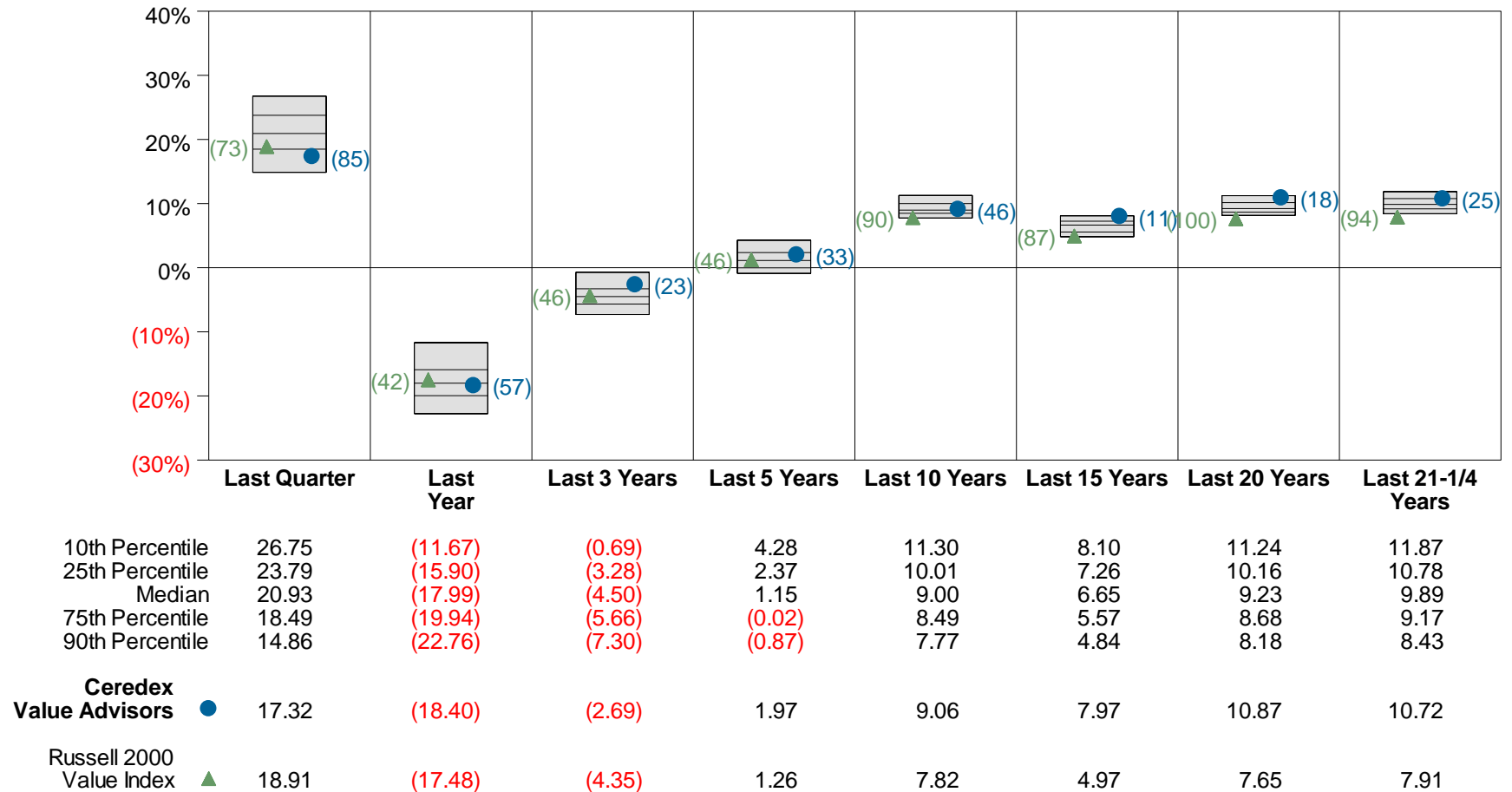
<b>Emerald Advisors, Inc.</b>	●	32.59	3.71	10.33	8.27	16.07	11.08	10.36
Russell 2000 Growth Index	▲	30.58	3.48	7.86	6.86	12.92	8.85	8.43

Emerald outperformed the benchmark by 2.00% during the quarter and outperformed by 0.23% over the last year. Relative outperformance for the quarter was attributed to stock selection in Technology, Consumer Discretionary, and Consumer Staples sectors, which offset relative underperformance within the Healthcare, Producer Durables and Energy sectors

Long-term results remain competitive to both the benchmark and peers

# Ceredex Value Advisors Small Cap Value

## Performance vs Callan Small Cap Value (Gross)

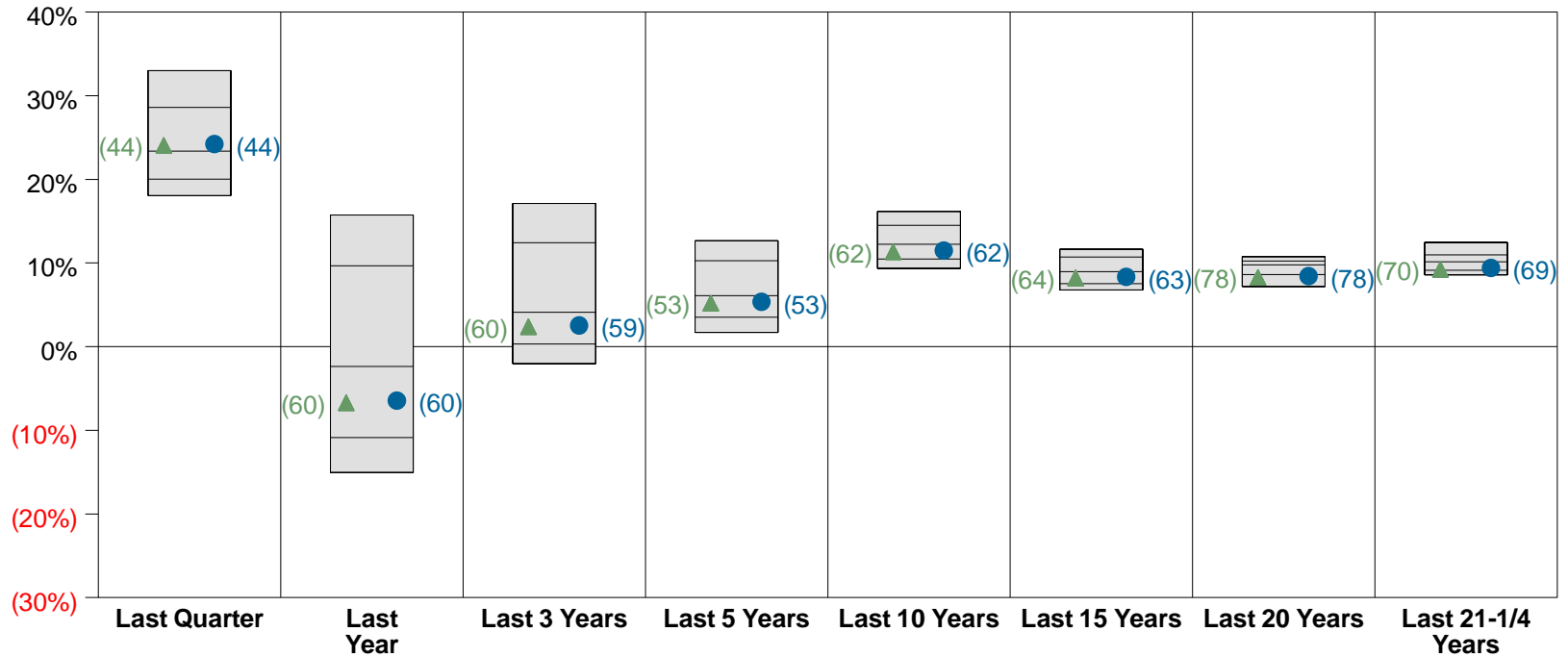


Ceredex underperformed the benchmark by 1.58% for the quarter and underperformed by 0.93% over the last year

An underweight position in the Consumer Discretionary sector and stock selection in Healthcare and Financials weighed the most on performance

# SSgA S&P Mid Cap 400 Index

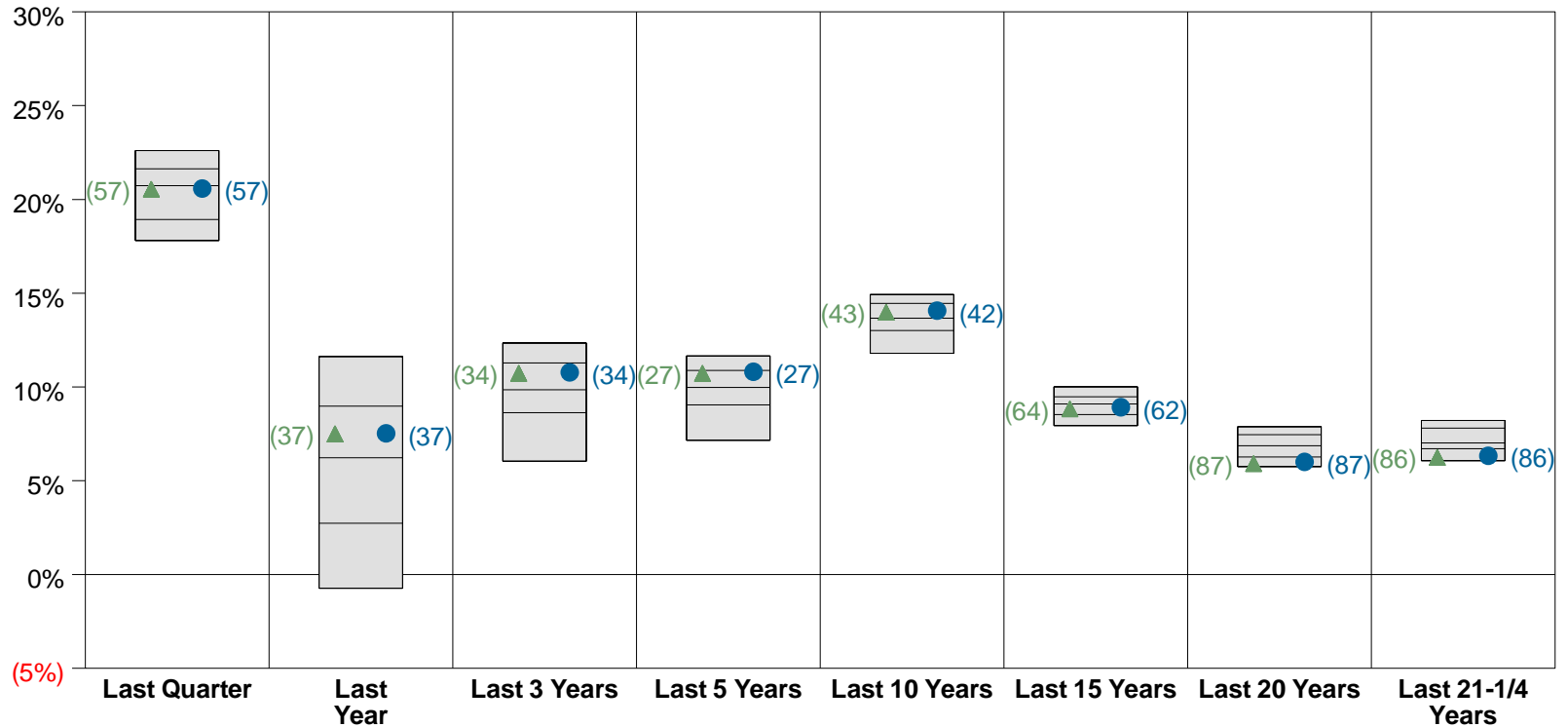
## Performance vs Callan Mid Capitalization (Gross)



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	22.60	11.62	12.34	11.65	14.92	10.01	7.89	8.21
25th Percentile	21.63	8.98	11.28	10.88	14.46	9.48	7.46	7.81
Median	20.73	6.23	9.86	9.98	13.66	9.10	6.86	7.02
75th Percentile	18.93	2.74	8.62	9.04	13.01	8.53	6.27	6.70
90th Percentile	17.81	(0.73)	6.04	7.16	11.79	7.94	5.75	6.07

<b>SSgA S&amp;P 500 Index</b>	●	20.53	7.48	10.74	10.77	14.02	8.88	5.96	6.29
S&P 500 Index	▲	20.54	7.51	10.73	10.73	13.99	8.83	5.91	6.24

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

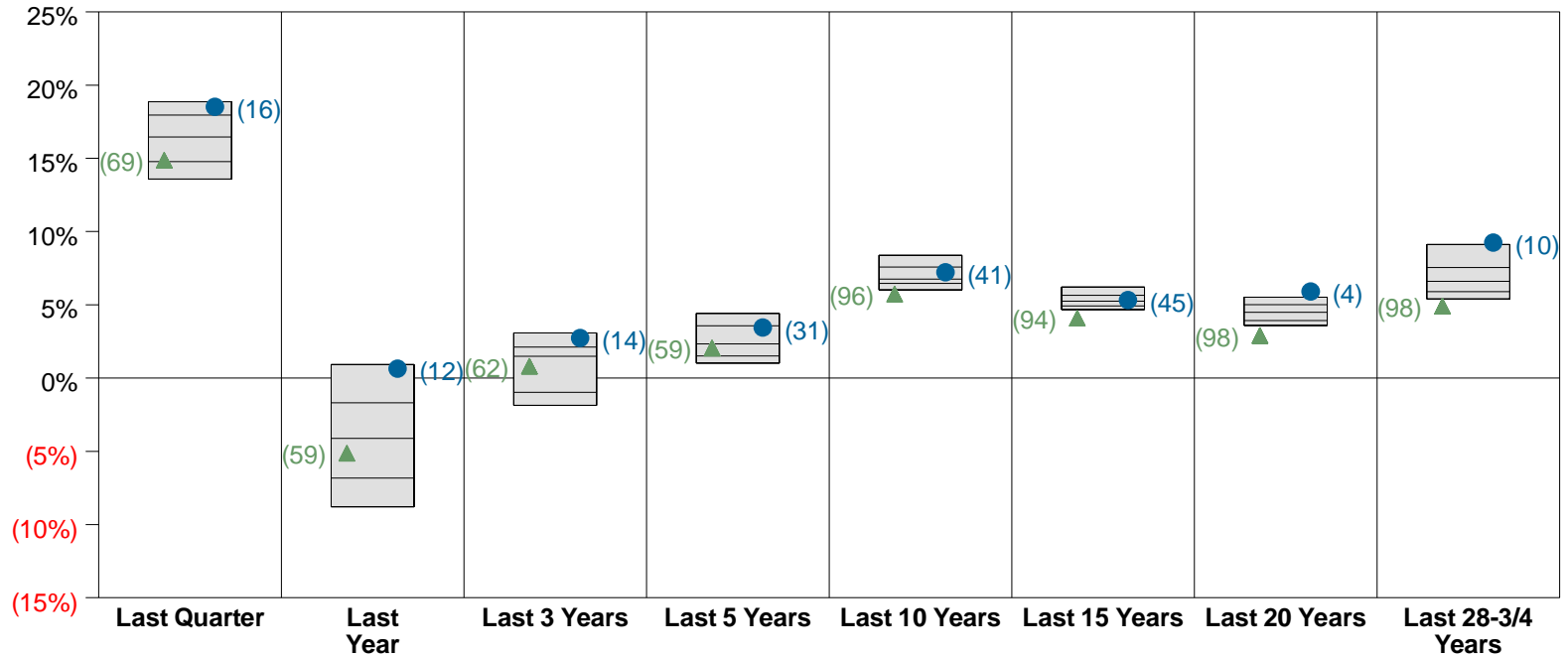
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**International Equity Performance**

# Morgan Stanley Developed International Equity

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



10th Percentile	18.86	0.92	3.08	4.41	8.39	6.22	5.52	9.13
25th Percentile	17.95	(1.69)	2.11	3.56	7.58	5.65	5.01	7.55
Median	16.46	(4.12)	1.48	2.33	6.75	5.24	4.48	6.61
75th Percentile	14.77	(6.82)	(0.98)	1.51	6.47	4.92	3.93	5.90
90th Percentile	13.59	(8.79)	(1.86)	1.02	6.02	4.67	3.59	5.39

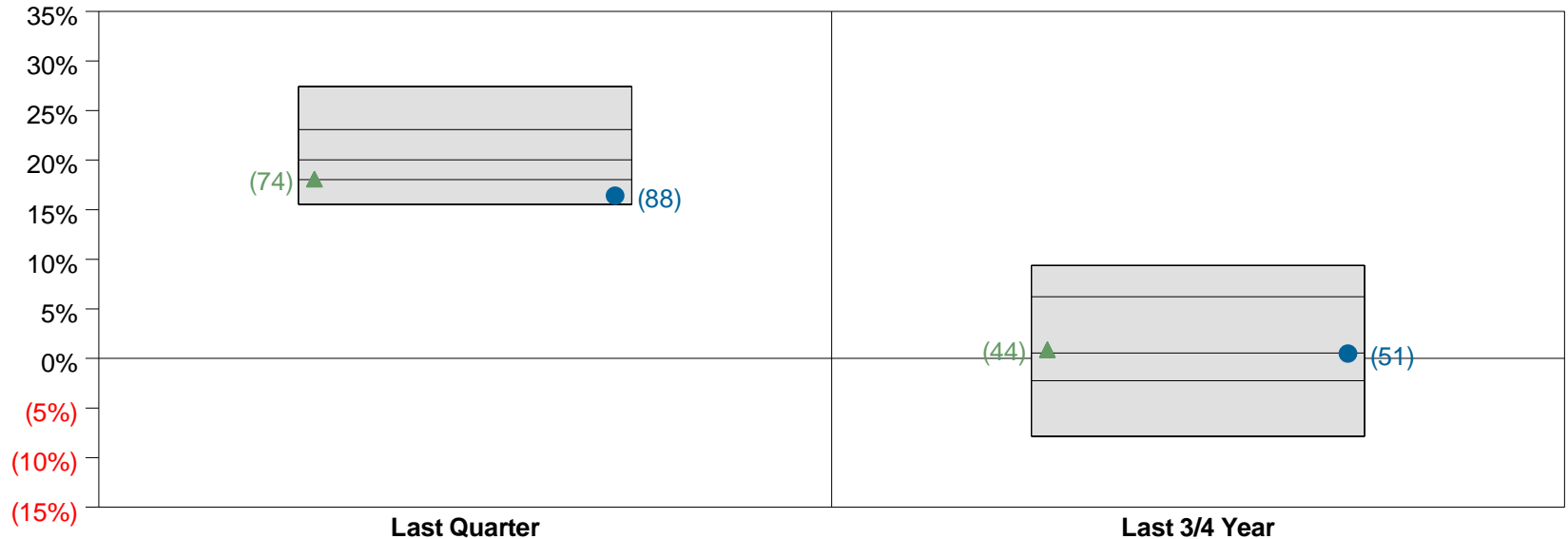
<b>Morgan Stanley Int'l Equity</b> ●	18.47	0.59	2.68	3.39	7.17	5.27	5.86	9.19
MSCIEAFE ▲	14.88	(5.13)	0.81	2.05	5.73	4.09	2.91	4.91

The fund outperformed by 3.59% for the quarter and outperformed for the year by 5.72%

Outperformance was driven by strong stock selection particularly in Consumer Staples, Materials, Energy, and Health Care

# Causeway Emerging Markets

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



	Last Quarter	Last 3/4 Year
10th Percentile	27.42	9.38
25th Percentile	23.07	6.22
Median	20.03	0.53
75th Percentile	18.02	(2.25)
90th Percentile	15.53	(7.86)

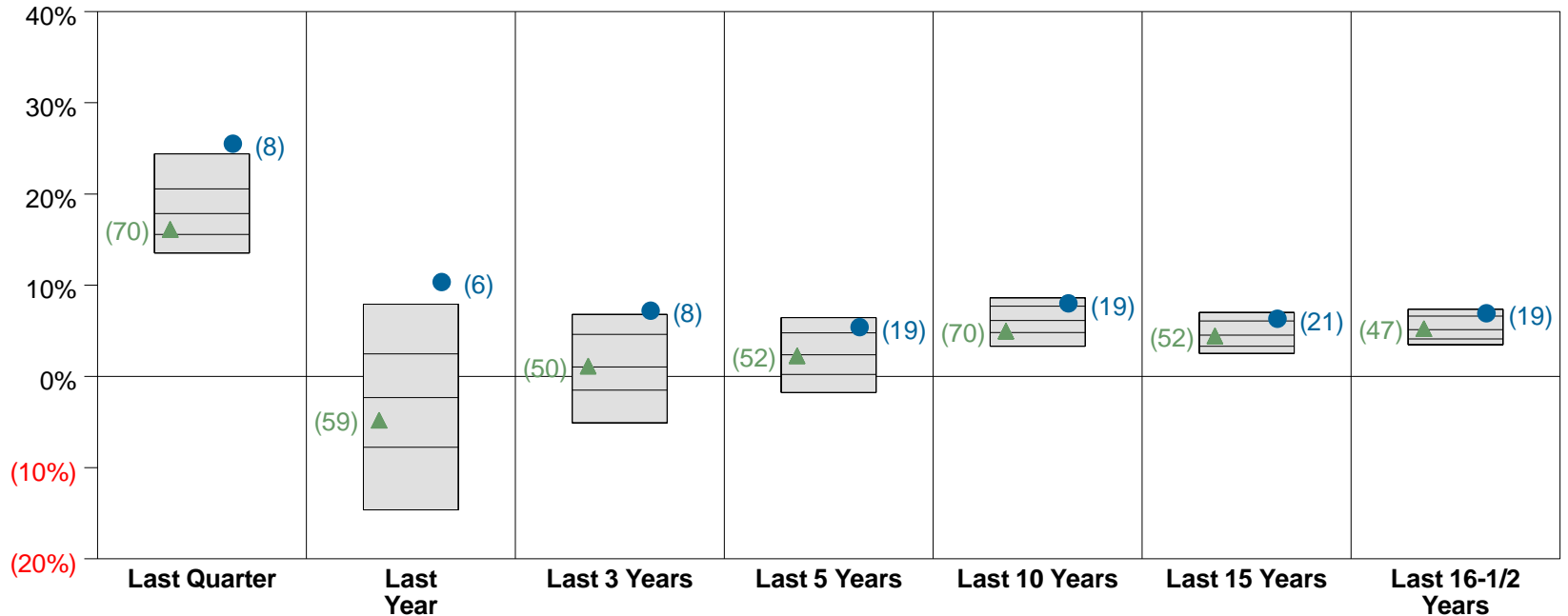
<b>Causeway Emerging Markets</b> ●	16.33	0.42
MSCIEM ▲	18.08	0.89

Causeway underperformed by 1.75% for the quarter. This was the third full quarter of performance for Causeway

Underperformance was due to negative stock selection in Emerging Asia, particularly China and South Korea. From a sector perspective, Materials, Consumer Discretionary, and Health Care were the largest detractors from relative performance

# 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 16-1/2 Years
10th Percentile	24.39	7.92	6.79	6.46	8.61	7.01	7.37
25th Percentile	20.55	2.47	4.61	4.76	7.70	6.08	6.62
Median	17.85	(2.32)	1.04	2.36	6.14	4.53	5.13
75th Percentile	15.57	(7.77)	(1.51)	0.22	4.81	3.30	4.10
90th Percentile	13.52	(14.63)	(5.08)	(1.75)	3.31	2.52	3.47
<b>William Blair &amp; Company</b> ●	25.41	10.26	7.11	5.30	7.90	6.24	6.84
MSCI ACWI ex US ▲	16.12	(4.80)	1.14	2.26	4.97	4.44	5.23

The fund outperformed by 9.29% for the quarter and outperformed by 15.06% over the last year

An overweight allocation to Information Technology, coupled with above average stock selection within Information Technology, Communication Services, and Industrials drove outperformance for the quarter

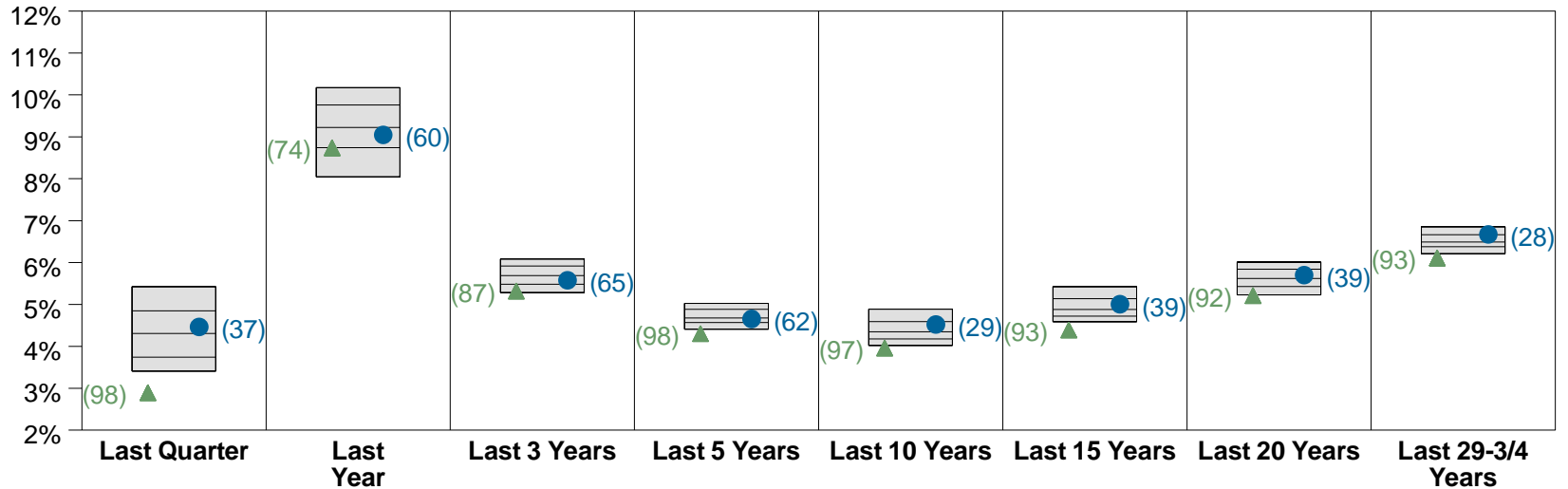
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**Fixed Income**

# Richmond Capital Core Fixed Income

## Performance vs Callan Core Bond Fixed Income (Gross)



10th Percentile	5.43	10.17	6.09	5.03	4.89	5.43	6.01	6.85
25th Percentile	4.85	9.76	5.92	4.88	4.59	5.14	5.85	6.66
Median	4.31	9.22	5.69	4.68	4.35	4.88	5.62	6.49
75th Percentile	3.74	8.74	5.48	4.57	4.18	4.72	5.43	6.38
90th Percentile	3.41	8.04	5.28	4.41	4.02	4.59	5.23	6.21
<b>Richmond Capital Management</b>	● 4.45	9.03	5.56	4.64	4.50	4.98	5.68	6.65
Blended Benchmark*	▲ 2.90	8.74	5.32	4.30	3.96	4.39	5.21	6.11

Richmond outperformed for the quarter by 1.55% and outperformed over the year by 0.29%

An overweight to corporate duration versus treasuries contributed to performance

Long-term results remain competitive to both the benchmark and peers

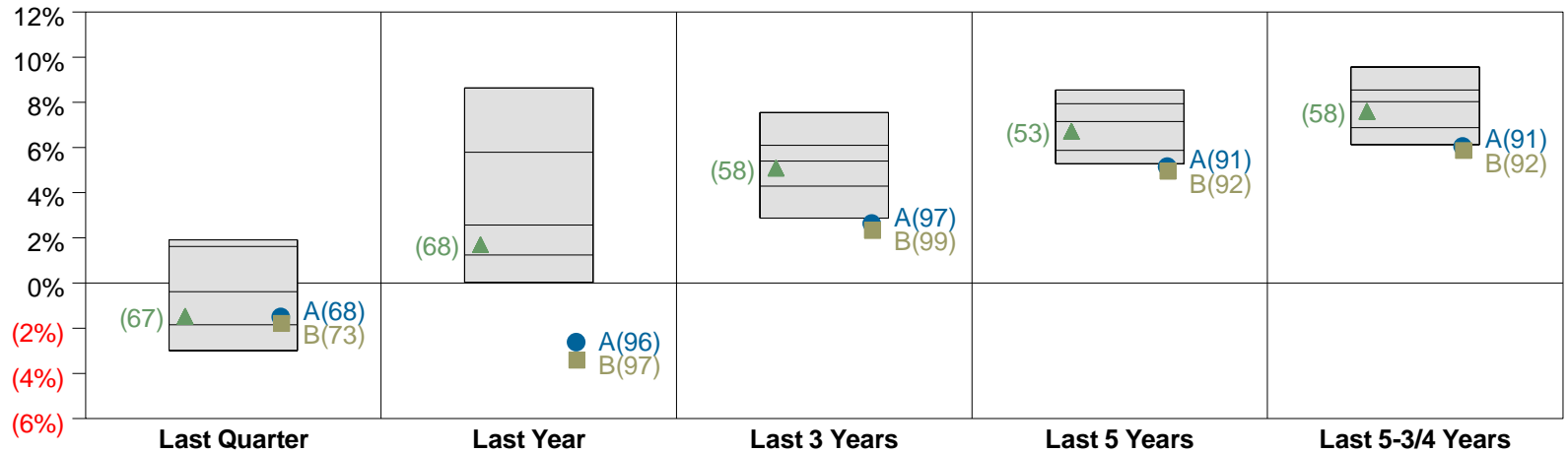
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**Real Estate**

# Heitman America Real Estate Trust

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



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 5-3/4 Years
10th Percentile	1.91	8.64	7.55	8.55	9.56
25th Percentile	1.62	5.79	6.09	7.94	8.54
Median	(0.38)	2.57	5.40	7.15	8.03
75th Percentile	(1.85)	1.24	4.29	5.87	6.88
90th Percentile	(2.99)	0.03	2.88	5.28	6.13
Heitman A	(1.53)	(2.66)	2.60	5.11	6.01
Heitman - net B	(1.79)	(3.41)	2.33	4.95	5.87
NCREIF NFI-ODCE Eq Wt Net	(1.47)	1.70	5.09	6.72	7.60

Heitman underperformed the index by 0.06% for the quarter and underperformed by 4.36% over the last year

For the year, the fund's Retail and Office portfolio's detracted from 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%.	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.