

# Callan



August 19, 2021

**City of Fort Pierce**

Second Quarter Performance Review

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# Continued Surge in Global Equity Markets in 2Q21

Small cap leads in both U.S. and global ex-U.S. markets

## Global equity continued to surge in 2Q

- Year-over-year returns from June are eye-popping:
  - S&P 500: +41%
  - MSCI World ex-USA: +34%
  - Emerging Markets: +41%
  - U.S. Small Cap: +62% (!)
- The initial recovery was concentrated in a few stocks (FAANG) and U.S. mega cap.
- Market rotation to small cap and value with the flip from a “COVID trade” to a “GDP growth trade” in November, with the announcement of vaccines
- Economic recovery now looking very strong in 2021, into 2022. Fed projects GDP growth of 7.0% in 2021, although initial GDP estimate for 2Q is 6.5% and 1Q was revised down to 6.3%.
- Initial distribution challenges and resistance to vaccination have stalled the achievement of widespread inoculation in the U.S. Restricted availability of the vaccine outside the U.S. means inoculation rates have been held back in countries around the globe.

## Returns for Periods ended 6/30/21

	1 Quarter	1 Year	5 Years	10 Years	25 Years
<b>U.S. Equity</b>					
Russell 3000	8.24	44.16	17.89	14.70	9.87
S&P 500	8.55	40.79	17.65	14.84	9.76
Russell 2000	4.29	62.03	16.47	12.34	9.33
<b>Global ex-U.S. Equity</b>					
MSCI World ex USA	5.65	33.60	10.36	5.70	5.37
MSCI Emerging Markets	5.05	40.90	13.03	4.29	--
MSCI ACWI ex USA Small Cap	6.35	47.04	11.97	7.02	6.60
<b>Fixed Income</b>					
Bloomberg Barclays Aggregate	1.83	-0.33	3.03	3.39	5.14
90-day T-Bill	0.00	0.09	1.17	0.63	2.17
Bloomberg Barclays Long Gov/Credit	6.44	-1.86	5.45	7.30	7.48
Bloomberg Barclays Global Agg ex-US	0.92	4.60	1.63	0.99	3.79
<b>Real Estate</b>					
NCREIF Property	1.72	5.42	5.74	8.59	9.04
FTSE Nareit Equity	12.02	38.02	6.31	9.41	10.23
<b>Alternatives</b>					
CS Hedge Fund	3.02	16.60	5.63	4.24	7.05
Cambridge Private Equity*	9.48	54.21	18.83	15.07	15.52
Bloomberg Commodity	13.30	45.61	2.40	-4.44	1.31
Gold Spot Price	3.26	-1.61	6.05	1.66	6.33
<b>Inflation - CPI-U</b>	2.57	5.39	2.43	1.87	2.22

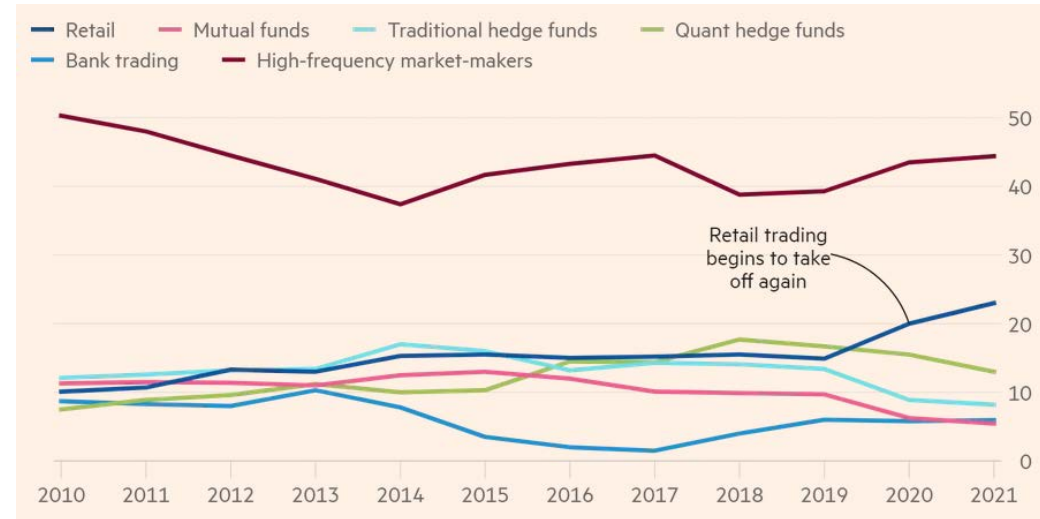
\*Cambridge PE data through 03/31/21

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

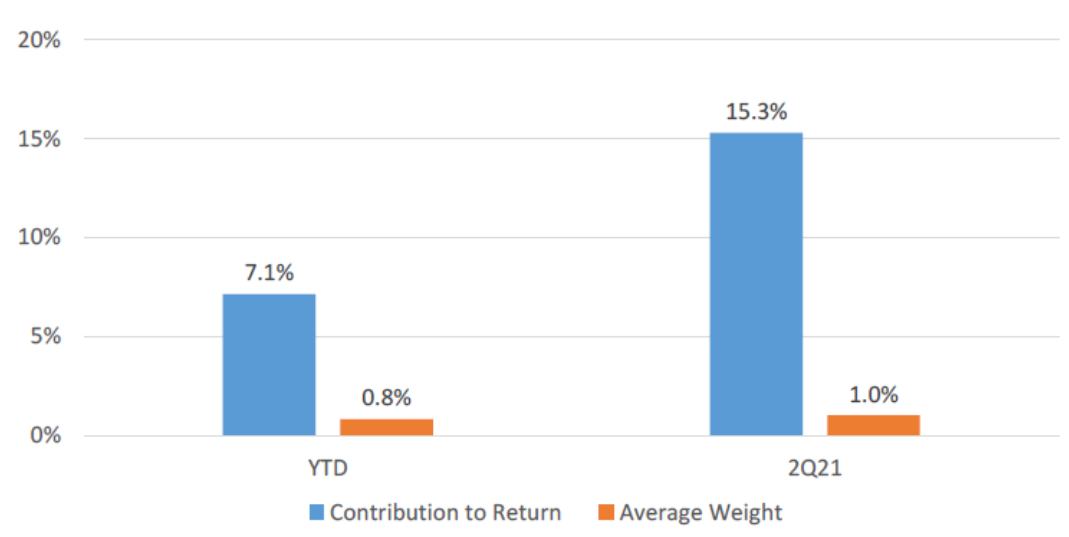
# The Rise of Retail

- Retail traders flush with cash from stimulus checks have increasingly turned to platforms such as Robinhood to invest in the equity markets.
- These investors have proven that they are able to move markets as evidenced by price movements of “meme stocks.”
  - After GME was targeted for a short squeeze in 1Q21, retail investors focused on AMC in 2Q (+450% during the quarter).
- Institutional investors have taken notice and asset managers have increasingly tracked retail behavior in search of alpha opportunities.

## Retail trading has increased its market share since 2019



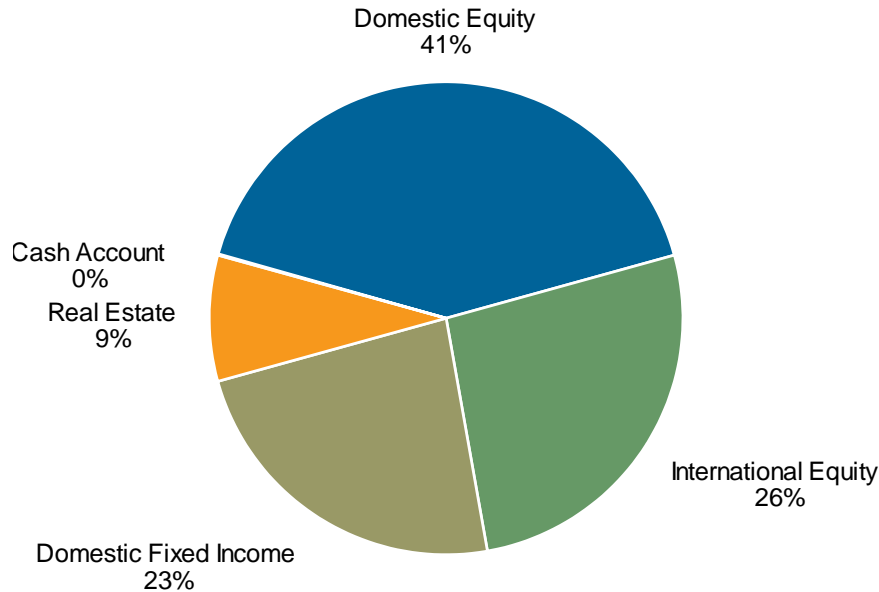
## Nine meme stocks contributed 15% of Russell 2000 return in 2Q21



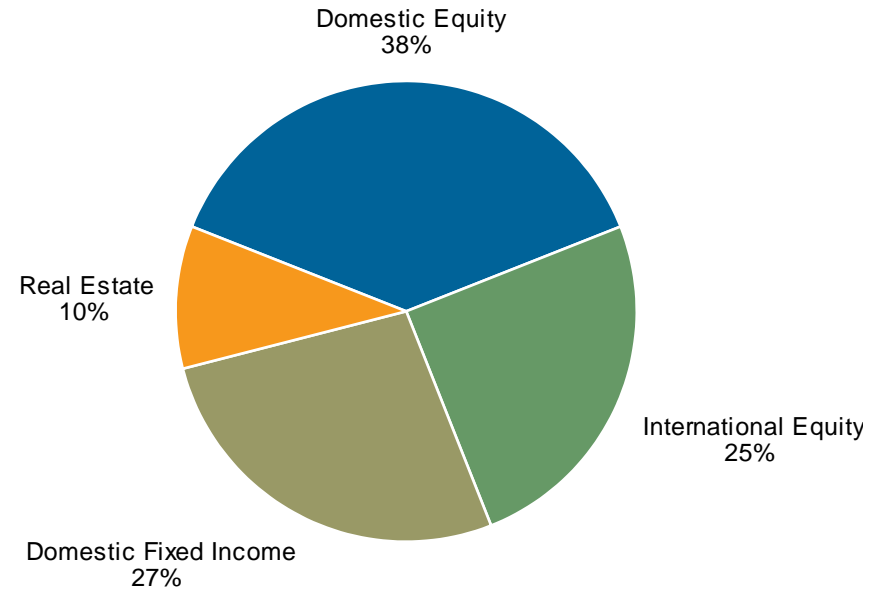
Sources: Bloomberg Intelligence, Furey Research Partners

# Asset Allocation

**Actual Asset Allocation**



**Target Asset Allocation**



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	103,856	41.4%	38.0%	3.4%	8,452
International Equity	66,429	26.5%	25.0%	1.5%	3,664
Domestic Fixed Income	58,942	23.5%	27.0%	(3.5%)	(8,845)
Real Estate	21,673	8.6%	10.0%	(1.4%)	(3,433)
Cash Account	162	0.1%	0.0%	0.1%	162
<b>Total</b>	<b>251,062</b>	<b>100.0%</b>	<b>100.0%</b>		

## Asset Distribution Across Investment Managers

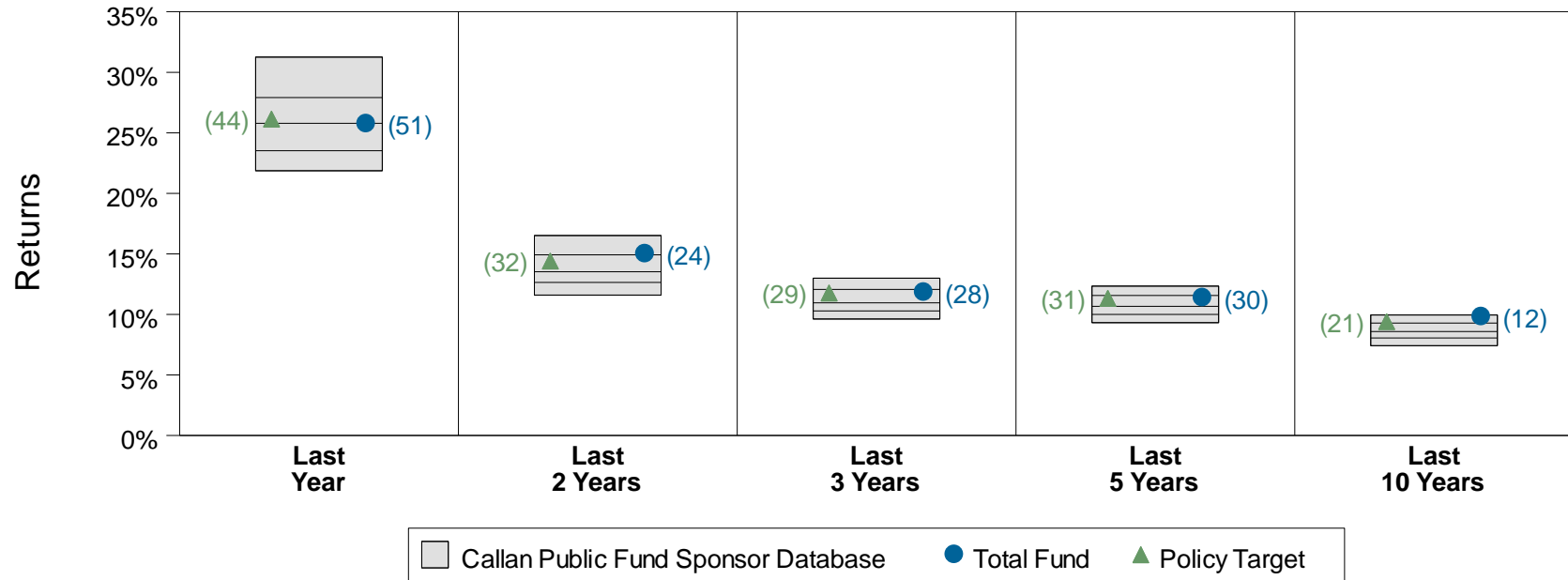
	June 30, 2021				March 31, 2021			
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
<b>Domestic Equity</b>	<b>\$103,855,564</b>	<b>41.37%</b>	<b>38.00%</b>	<b>\$(43,273)</b>	<b>\$6,749,566</b>	<b>\$97,149,271</b>	<b>40.90%</b>	<b>38.00%</b>
Emerald Advisers, Inc.	9,040,854	3.60%	3.00%	(17,588)	344,759	8,713,684	3.67%	3.00%
Ceredex Value Advisors	7,318,920	2.92%	3.00%	(15,937)	243,393	7,091,464	2.99%	3.00%
SSgA S&P 500 Index	71,008,843	28.28%	26.00%	(6,724)	5,584,214	65,431,353	27.55%	26.00%
SSgA S&P 400 Index	16,486,946	6.57%	6.00%	(3,024)	577,200	15,912,770	6.70%	6.00%
<b>International Equity</b>	<b>\$66,429,090</b>	<b>26.46%</b>	<b>25.00%</b>	<b>\$(45,802)</b>	<b>\$4,896,161</b>	<b>\$61,578,732</b>	<b>25.92%</b>	<b>25.00%</b>
Morgan Stanley Int'l Equity	24,933,117	9.93%	10.00%	(45,802)	1,569,391	23,409,529	9.86%	10.00%
Causeway Emerging Markets	6,854,477	2.73%	2.50%	0	238,817	6,615,660	2.79%	2.50%
William Blair & Company	34,641,496	13.80%	12.50%	0	3,087,952	31,553,544	13.28%	12.50%
<b>Domestic Fixed Income</b>	<b>\$58,941,716</b>	<b>23.48%</b>	<b>27.00%</b>	<b>\$(39,181)</b>	<b>\$1,194,220</b>	<b>\$57,786,677</b>	<b>24.33%</b>	<b>27.00%</b>
Richmond Capital Management	58,941,716	23.48%	27.00%	(39,181)	1,194,220	57,786,677	24.33%	27.00%
<b>Real Estate</b>	<b>\$21,673,255</b>	<b>8.63%</b>	<b>10.00%</b>	<b>\$(56,114)</b>	<b>\$876,821</b>	<b>\$20,852,548</b>	<b>8.78%</b>	<b>10.00%</b>
Heitman	21,673,255	8.63%	10.00%	(56,114)	876,821	20,852,548	8.78%	10.00%
<b>Cash Account</b>	<b>\$162,153</b>	<b>0.06%</b>	<b>0.00%</b>	<b>\$0</b>	<b>\$3</b>	<b>\$162,149</b>	<b>0.07%</b>	<b>0.00%</b>
<b>Total Fund</b>	<b>\$251,061,778</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$(184,370)</b>	<b>\$13,716,771</b>	<b>\$237,529,378</b>	<b>100.0%</b>	<b>100.0%</b>

Investment returns were positive for the quarter at \$13.7 million

The total portfolio overseen by Callan is approximately \$251 million as of June 30, 2021

# 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>5.78%</b>	<b>25.75%</b>	<b>11.82%</b>	<b>11.37%</b>	<b>9.12%</b>
Total Fund Benchmark(1)	4.98%	26.13%	11.77%	11.33%	8.93%
CPI + 5%	4.02%	11.12%	7.67%	7.52%	6.83%
Callan Public Fund Spr DB	4.96%	25.78%	10.95%	10.67%	8.11%
	<b>14</b>	<b>51</b>	<b>28</b>	<b>30</b>	<b>18</b>
	49	44	29	31	21
	91	98	97	97	89

The Total Fund outperformed by 0.8% for the quarter and trailed the target by 0.4% 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.

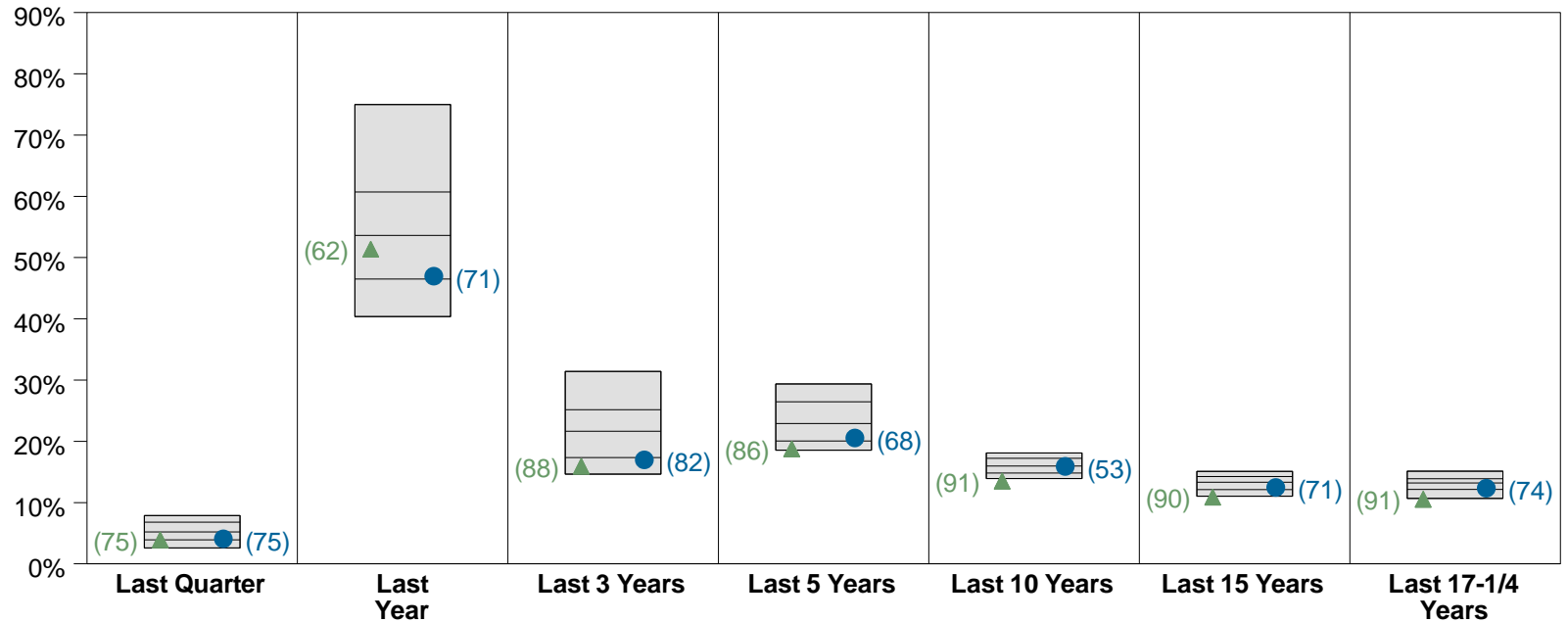
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**Domestic Equity Performance**

# Emerald Advisors Small Cap Growth

## Performance vs Callan Small Cap Growth (Gross)



10th Percentile	7.88	74.99	31.40	29.37	18.11	15.11	15.13
25th Percentile	6.79	60.71	25.17	26.47	17.22	14.24	13.89
Median	5.22	53.63	21.64	22.91	15.96	13.33	13.20
75th Percentile	3.93	46.51	17.34	20.05	14.81	12.14	12.16
90th Percentile	2.60	40.36	14.66	18.55	13.94	11.03	10.69

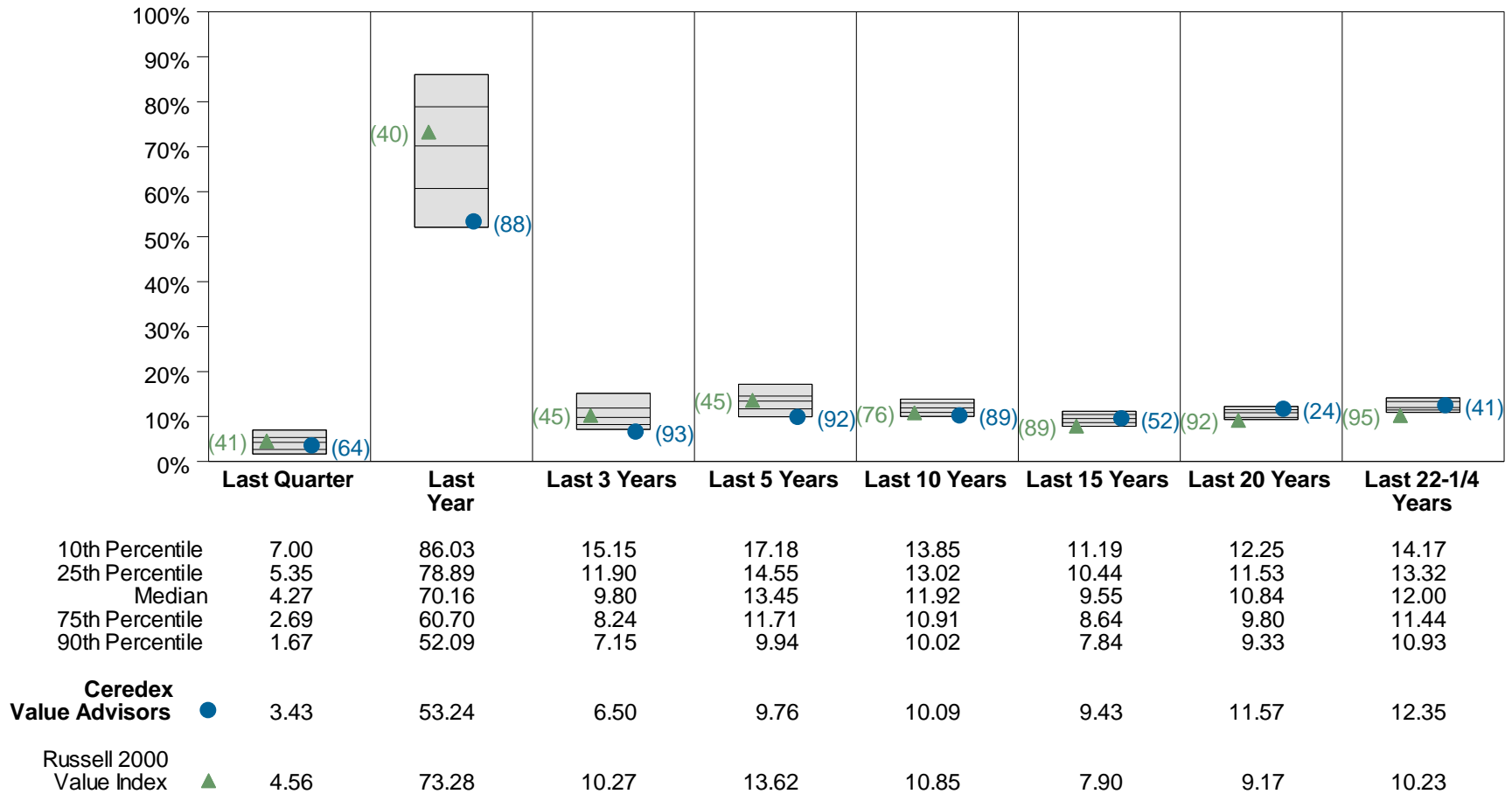
<b>Emerald Advisors, Inc.</b>	●	3.96	46.83	16.82	20.43	15.80	12.33	12.21
Russell 2000 Growth Index	▲	3.92	51.36	15.94	18.76	13.52	10.89	10.54

Emerald outperformed the benchmark by 0.04% during the quarter and underperformed by 4.53% over the last year. Relative outperformance for the quarter was attributed to stock selection in the Consumer Discretionary and Consumer Staples sectors. Selection within Health Care and Financials detracted from performance for the quarter.

Long-term results remain well ahead of the benchmark

# Ceredex Value Advisors Small Cap Value

## Performance vs Callan Small Cap Value (Gross)

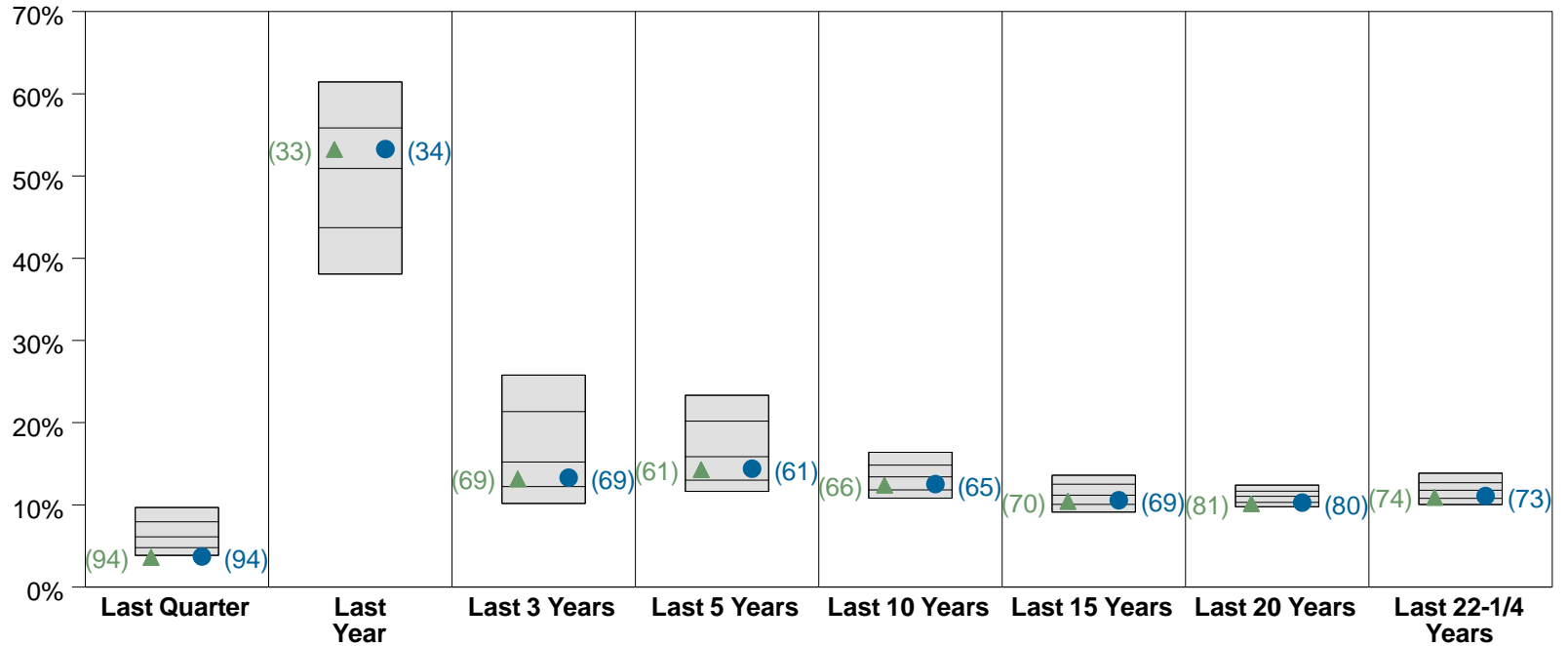


Ceredex underperformed the benchmark by 1.13% for the quarter and underperformed by 20.04% over the last year

Stock selection in the Communication Services and Information Technology, and an underweight in Energy weighed the most on performance

# SSgA S&P Mid Cap 400 Index

## Performance vs Callan Mid Capitalization (Gross)



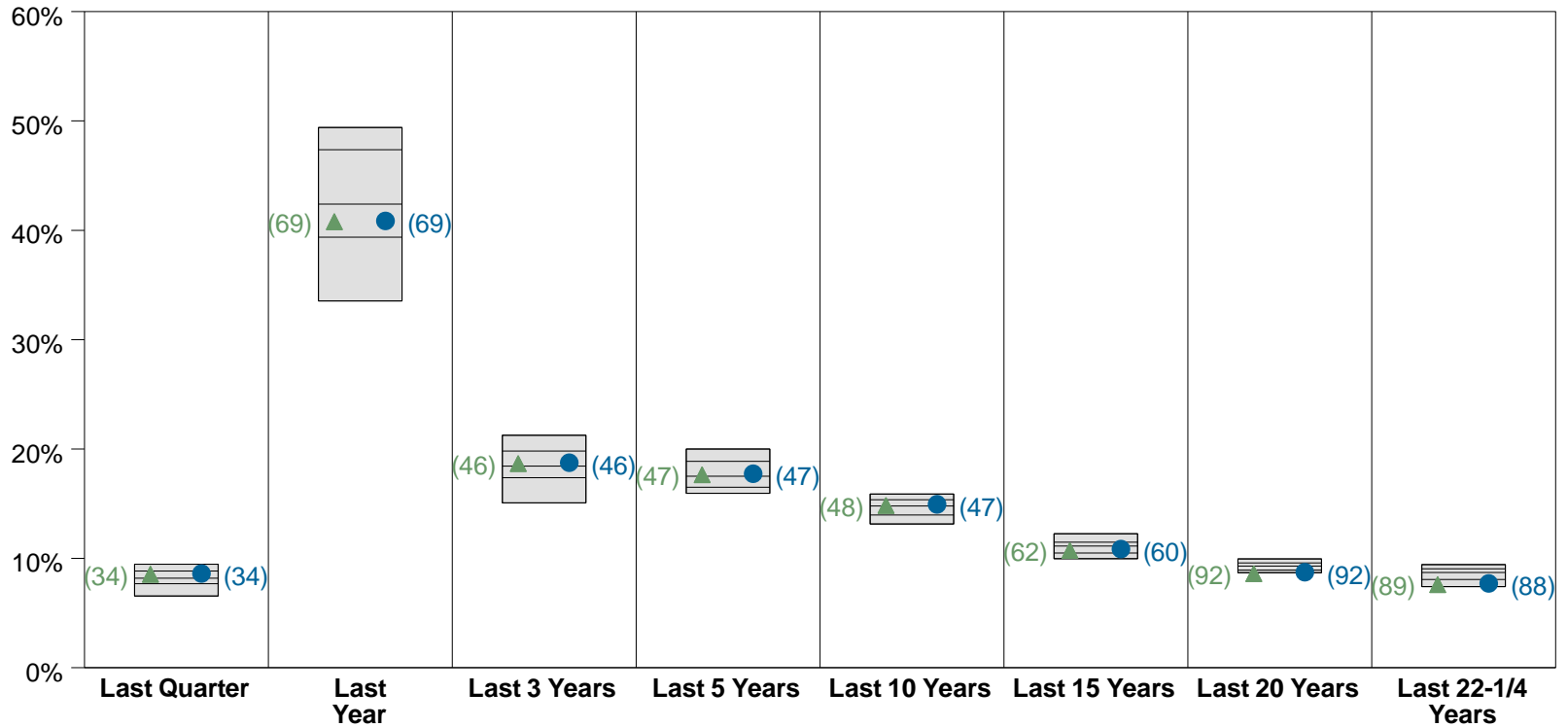
10th Percentile	9.68	61.45	25.78	23.33	16.40	13.62	12.41	13.85
25th Percentile	7.95	55.84	21.35	20.20	14.83	12.52	11.66	12.69
Median	6.11	50.92	15.22	15.86	13.40	11.17	11.04	11.79
75th Percentile	4.81	43.72	12.24	13.02	11.82	10.06	10.31	10.81
90th Percentile	3.88	38.07	10.18	11.65	10.83	9.13	9.77	10.04

<b>SSgA S&amp;P 400 Index</b>	●	3.63	53.18	13.21	14.31	12.44	10.47	10.18	10.98
S&P Mid Cap 400 Index	▲	3.64	53.24	13.17	14.29	12.40	10.43	10.15	10.93

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

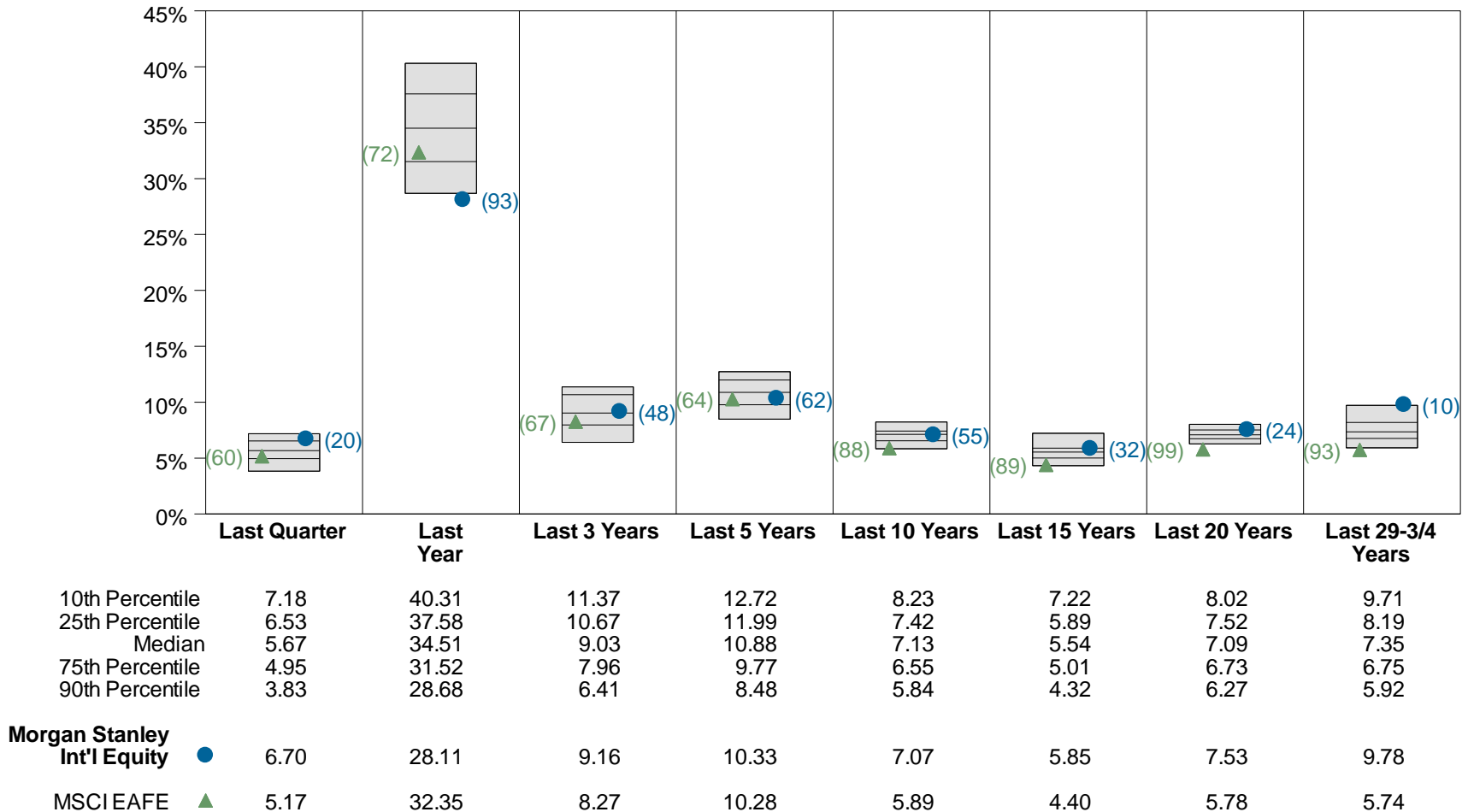
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**International Equity Performance**

# Morgan Stanley Developed International Equity

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

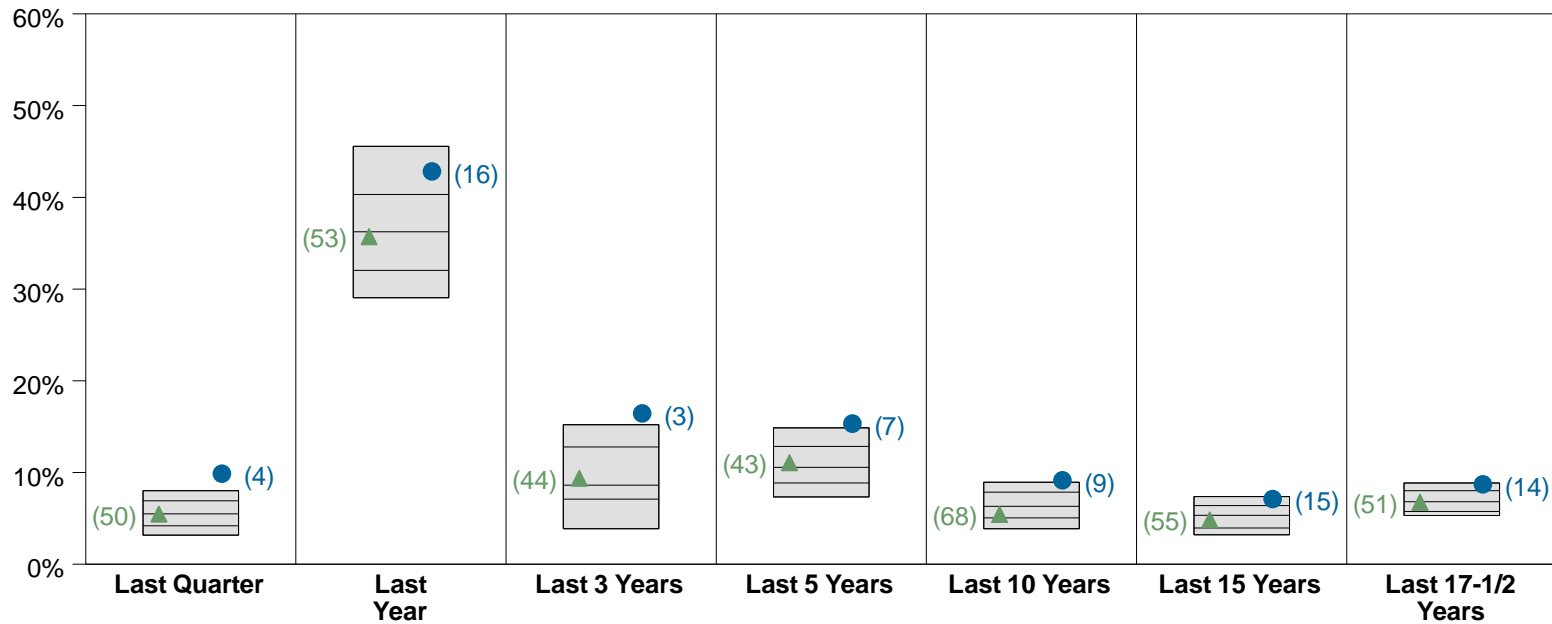


The fund outperformed by 1.53% for the quarter and underperformed for the year by 4.24%

The strategy's more defensive approach was in favor in the second quarter as overweight sector allocations to Health Care, Consumer Staples, and Information Technology contributed to outperformance.

# William Blair International Growth Equity

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



10th Percentile  
25th Percentile  
Median  
75th Percentile  
90th Percentile

8.03  
6.91  
5.50  
4.20  
3.18

45.57  
40.31  
36.25  
32.03  
29.04

15.21  
12.79  
8.62  
7.09  
3.87

14.87  
12.86  
10.57  
8.85  
7.33

8.95  
7.87  
6.32  
5.06  
3.87

7.39  
6.40  
5.33  
3.95  
3.20

8.85  
8.03  
6.81  
5.76  
5.32

**William Blair & Company** ●

9.79

42.73

16.36

15.24

9.06

7.01

8.62

MSCIACWI ex US ▲

5.48

35.72

9.38

11.08

5.45

4.85

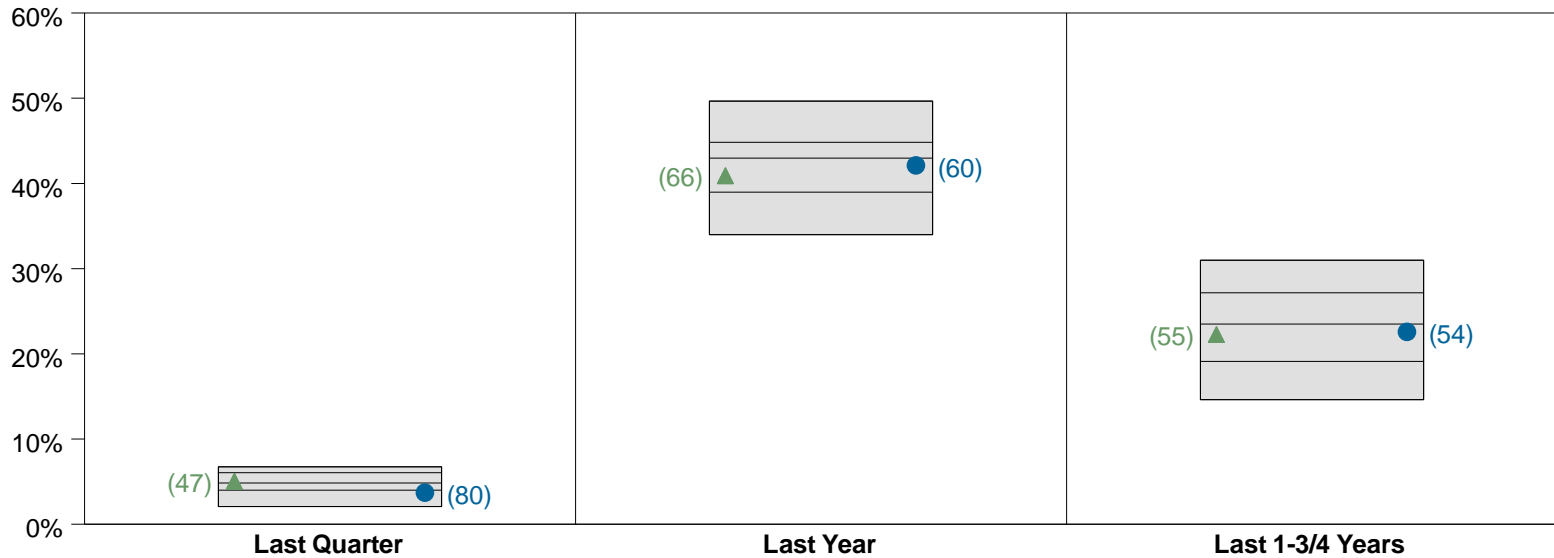
6.77

The fund outperformed by 4.31% for the quarter and outperformed by 7.02% over the last year

Outperformance was primarily driven by positive stock selection across most sectors. Consumer Discretionary , Health Care, and Industrials sectors had the largest impact on relative results

# Causeway Emerging Markets

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



	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	6.74	49.66	30.99
25th Percentile	6.06	44.83	27.18
Median	4.84	42.96	23.50
75th Percentile	4.00	38.97	19.12
90th Percentile	2.07	33.98	14.62

<b>Causeway Emerging Markets</b> ●	3.61	42.01	22.48
MSCI EM ▲	5.05	40.90	22.27

Causeway underperformed by 1.44% for the quarter and outperformed the MSCI EM Index for the year by 1.11%. This was the seventh full quarter of performance for Causeway

Underperformance was due to negative stock selection in Emerging Asia, particularly within China and Taiwan. From a sector perspective, Information Technology, Materials, and Industrials were the largest contributors to relative performance

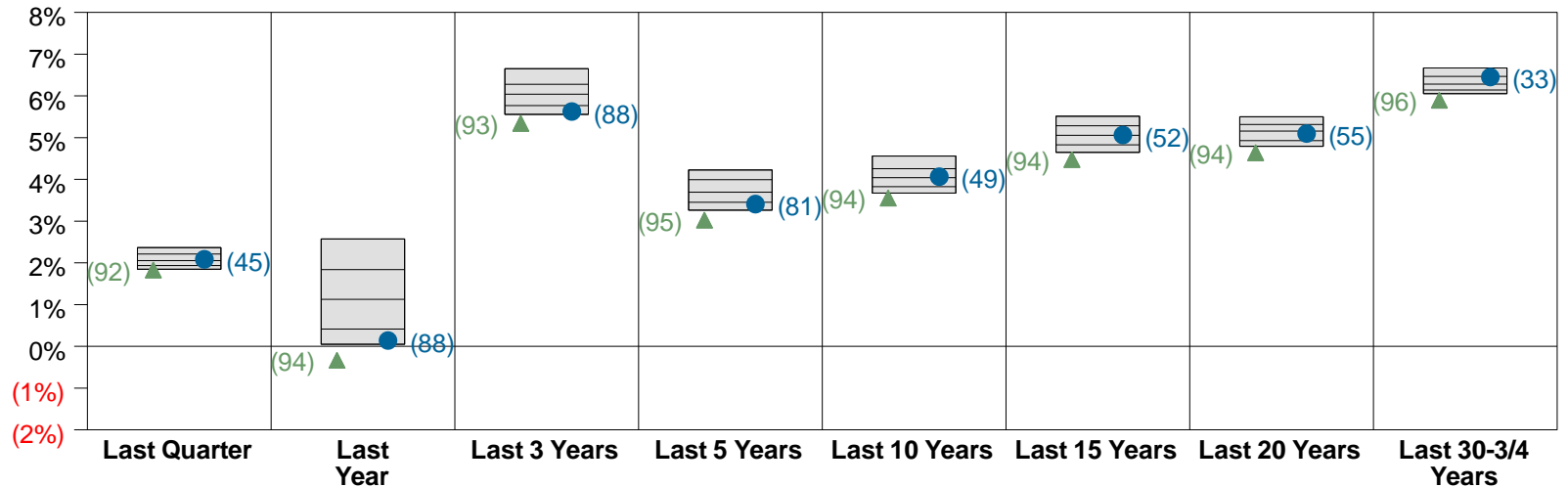
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**Fixed Income**

# Richmond Capital Core Fixed Income

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



10th Percentile	2.37	2.57	6.65	4.22	4.56	5.51	5.50	6.67
25th Percentile	2.21	1.84	6.28	3.99	4.26	5.29	5.32	6.47
Median	2.05	1.13	6.04	3.69	4.04	5.05	5.16	6.28
75th Percentile	1.93	0.42	5.77	3.45	3.83	4.83	4.93	6.14
90th Percentile	1.85	0.05	5.56	3.26	3.67	4.65	4.79	6.06

<b>Richmond Capital Management</b>	●	2.07	0.12	5.60	3.39	4.04	5.04	5.08	6.43
Blended Benchmark*	▲	1.83	(0.33)	5.34	3.03	3.55	4.48	4.64	5.90

Richmond outperformed for the quarter by 0.24% and outperformed over the year by 0.45%.

Outperformance was primarily driven by an overweight to corporate credit and underweight in agency MBS. Yield curve positioning detracted from results.

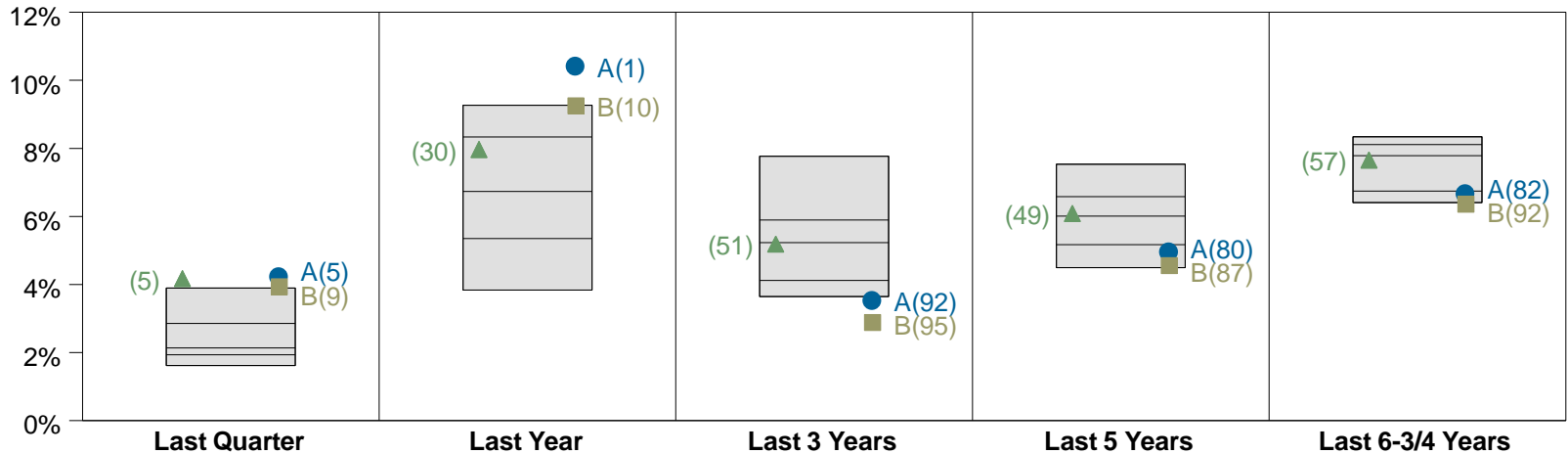
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**Real Estate**

# 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 6-3/4 Years
10th Percentile	3.90	9.27	7.77	7.54	8.34
25th Percentile	2.86	8.34	5.90	6.58	8.11
Median	2.14	6.73	5.23	6.01	7.79
75th Percentile	1.93	5.35	4.12	5.17	6.75
90th Percentile	1.62	3.83	3.65	4.50	6.41
Heitman A	4.20	10.39	3.51	4.94	6.65
Heitman - net B	3.94	9.25	2.88	4.56	6.36
NCREIF NFI-ODCE Eq Wt Net	4.17 (5)	7.97 (30)	5.19 (51)	6.09 (49)	7.66 (57)

Heitman outperformed the index by 0.03% for the quarter and outperformed by 2.42% over the last year on a gross of fee basis

The overall valuation for the Fund's assets increased for Q2 2021. The most significant increases were in the Industrial, Apartments, and Self-storage sectors, which were marginally offset by decreases in the Retail.

## 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.	Not 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.