

Callan



November 18, 2021

City of Fort Pierce

Third Quarter Performance Review

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Market Environment: 3Q21

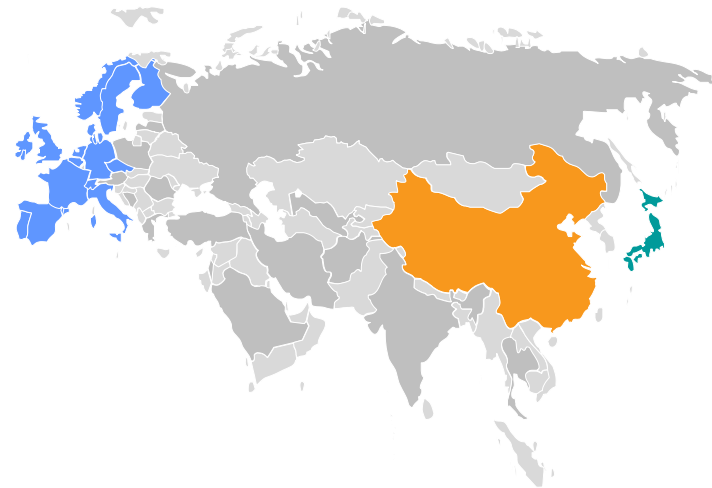
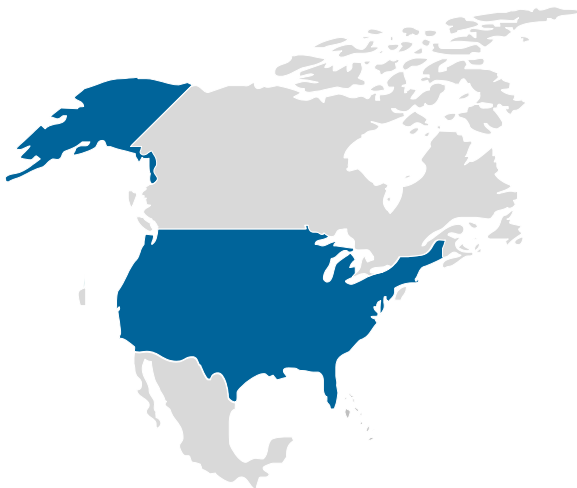
Strong growth worldwide during the first half of 2021, but slowdown hit in 3Q

U.S.

- GDP growth slipped to 2% in 3Q, after a 6.7% gain in 2Q. The Fed now expects 5.9% growth for the year.
- Consumer spending, non-residential investment, and exports drove GDP gains through the first half of the year. But consumers grew cautious in 3Q as the Delta variant fueled a pandemic surge, and both spending and employment disappointed.
- Unemployment dropped to 4.8% in September, but it is still above the pre-COVID rate of 3.5%. The economy added 194,000 jobs in September, down from a monthly average of 560,000 during 2021.

Global

- Euro zone GDP expanded 9.2% in 2Q21, after shrinking in 4Q20 and 1Q21.
- U.K. GDP grew 5.5% in 2Q21, far better than estimates. U.K. may face a longer road to recovery than the euro zone due to the double-whammy of the pandemic and Brexit.
- Japan's economy is expected to grow much more modestly than other developed nations in 2021; 2Q21 GDP grew 1.9%.
- China's GDP rose less than 1% annualized in 3Q21, after recovering to 4.9% in 2Q21. Renewed pandemic restrictions and supply chain issues challenged growth.



A Pause in Global Equity Markets in 3Q21

Flat-to-down returns across all market segments

Global equity hit the pause button in 3Q

- One-year returns from September 2020 are still eye-popping:
 - S&P 500: +30%
 - MSCI World ex-USA: +27%
 - Emerging Markets: +18%
 - U.S. Small Cap: +48%
- Economic data began to show signs of softening; consumer and business spending hit by the concern over the 3Q surge in the Delta variant of COVID-19.
- 3Q GDP growth dropped sharply to 2% from a robust 6.7% in 2Q, but the economic recovery is still solid. Supply chain issues and sentiment surrounding the end of fiscal stimulus, the Delta variant, and return to a Fed taper slowed economic activity in 3Q.

Returns for Periods ended 9/30/21

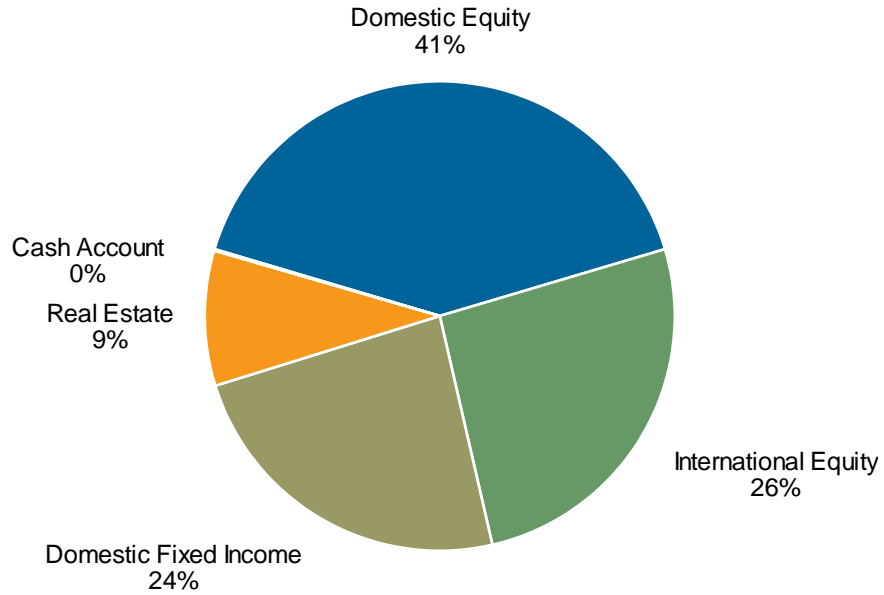
	1 Quarter	1 Year	5 Years	10 Years	25 Years
U.S. Equity					
Russell 3000	-0.10	31.88	16.85	16.60	9.74
S&P 500	0.58	30.00	16.90	16.63	9.65
Russell 2000	-4.36	47.68	13.45	14.63	9.12
Global ex-U.S. Equity					
MSCI World ex USA	-0.66	26.50	8.88	7.88	5.34
MSCI Emerging Markets	-8.09	18.20	9.23	6.09	--
MSCI ACWI ex USA Small Cap	0.00	33.06	10.28	9.44	6.77
Fixed Income					
Bloomberg Aggregate	0.05	-0.90	2.94	3.01	5.06
90-day T-Bill	0.01	0.07	1.16	0.63	2.11
Bloomberg Long Gov/Credit	0.07	-2.97	5.21	5.76	7.41
Bloomberg Global Agg ex-US	-1.59	-1.15	1.10	0.90	3.58
Real Estate					
NCREIF Property	5.23	12.15	6.84	8.99	9.23
FTSE Nareit Equity	0.98	37.39	6.83	11.27	9.99
Alternatives					
CS Hedge Fund	1.19	14.07	5.51	4.88	7.07
Cambridge Private Equity*	11.52	56.87	20.97	15.81	15.62
Bloomberg Commodity	6.59	42.29	4.54	-2.66	1.41
Gold Spot Price	-0.82	-7.31	5.93	0.80	6.31
Inflation - CPI-U	0.96	5.39	2.59	1.92	2.23

*Cambridge PE data through 06/30/21

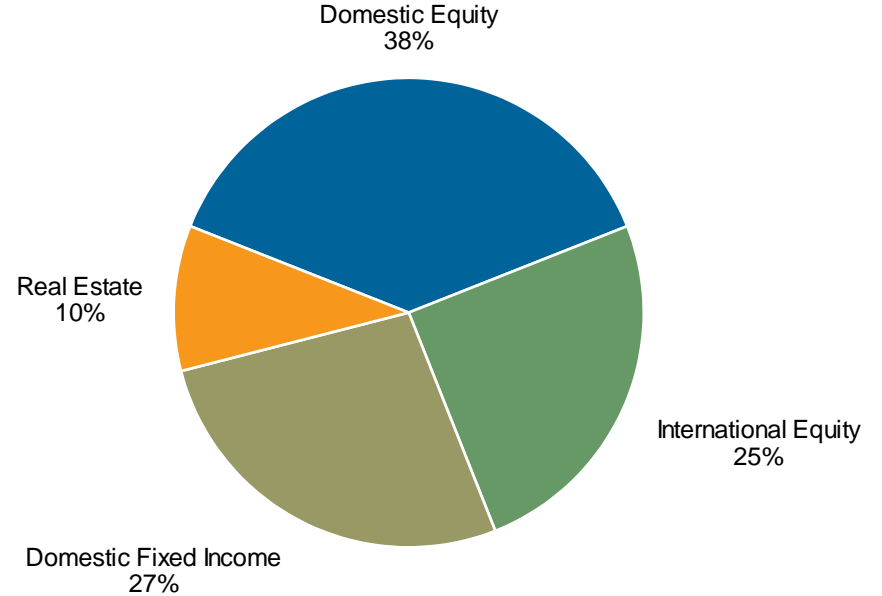
Sources: Bloomberg, Callan, Cambridge, Credit Suisse, FTSE Russell, MSCI, NCREIF, S&P Dow Jones Indices

Asset Allocation

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	100,944	40.8%	38.0%	2.8%	6,872
International Equity	64,379	26.0%	25.0%	1.0%	2,489
Domestic Fixed Income	58,955	23.8%	27.0%	(3.2%)	(7,886)
Real Estate	23,118	9.3%	10.0%	(0.7%)	(1,637)
Cash Account	162	0.1%	0.0%	0.1%	162
Total	247,558	100.0%	100.0%		

Asset Distribution Across Investment Managers

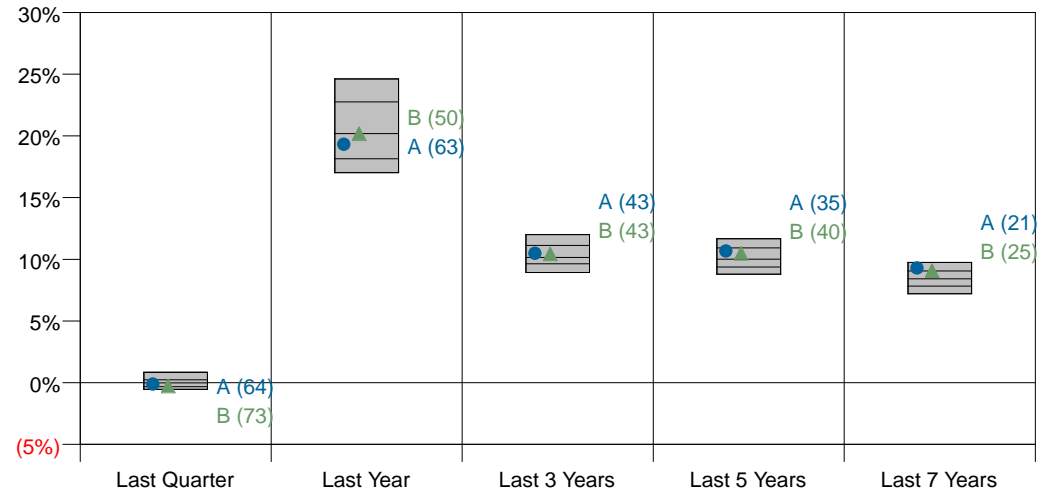
	September 30, 2021			June 30, 2021				
	Market Value	Weight	Target	Net New Inv.	Inv. Return	Market Value	Weight	Target
Domestic Equity	\$100,943,504	40.78%	38.00%	\$(3,046,007)	\$133,947	\$103,855,564	41.37%	38.00%
Emerald Advisers, Inc.	8,883,796	3.59%	3.00%	(18,202)	(138,857)	9,040,854	3.60%	3.00%
Ceredex Value Advisors	7,367,309	2.98%	3.00%	(16,461)	64,849	7,318,920	2.92%	3.00%
SSgA S&P 500 Index	69,474,723	28.06%	26.00%	(2,008,026)	473,906	71,008,843	28.28%	26.00%
SSgA S&P 400 Index	15,217,676	6.15%	6.00%	(1,003,319)	(265,952)	16,486,946	6.57%	6.00%
International Equity	\$64,378,756	26.01%	25.00%	\$(47,186)	\$(2,003,149)	\$66,429,090	26.46%	25.00%
Morgan Stanley Int'l Equity	23,710,833	9.58%	10.00%	(47,186)	(1,175,098)	24,933,117	9.93%	10.00%
Causeway Emerging Markets	6,230,200	2.52%	2.50%	0	(624,277)	6,854,477	2.73%	2.50%
William Blair & Company	34,437,723	13.91%	12.50%	0	(203,774)	34,641,496	13.80%	12.50%
Domestic Fixed Income	\$58,954,926	23.81%	27.00%	\$(39,601)	\$52,810	\$58,941,716	23.48%	27.00%
Richmond Capital Management	58,954,926	23.81%	27.00%	(39,601)	52,810	58,941,716	23.48%	27.00%
Real Estate	\$23,118,490	9.34%	10.00%	\$(60,395)	\$1,505,630	\$21,673,255	8.63%	10.00%
Heitman	23,118,490	9.34%	10.00%	(60,395)	1,505,630	21,673,255	8.63%	10.00%
Cash Account	\$162,155	0.07%	0.00%	\$0	\$2	\$162,153	0.06%	0.00%
Total Fund	\$247,557,830	100.0%	100.0%	\$(3,193,188)	\$(310,759)	\$251,061,778	100.0%	100.0%

Total Plan assets for the City of Fort Pierce Retirement and Benefit System are \$247.6 million as of September 30, 2021.

Investment returns were mostly flat for the quarter, with a small loss of \$310 thousand.

City of Fort Pierce Total Fund

Callan Public Fund Sponsor Database



10th Percentile	0.84	24.62	12.01	11.67	9.75
25th Percentile	0.24	22.77	11.12	10.93	9.06
Median	(0.01)	20.19	10.15	10.02	8.42
75th Percentile	(0.32)	18.16	9.64	9.38	7.83
90th Percentile	(0.54)	17.02	8.94	8.80	7.22
Total Fund	● A (0.15)	19.29	10.46	10.64	9.27
Total Fund Benchmark(1)	▲ B (0.27)	20.18	10.43	10.48	9.08
CPI + 5%	2.16	10.39	7.81	7.59	7.05
Callan Public Fund Spr DB	(0.01)	20.19	10.15	10.02	8.42
Member Count	205	205	204	202	200

The Total Fund outperformed the benchmark by 12 basis points for the third quarter and trailed the target by 0.89% for the one-year period.

Over the three, five and seven year periods, the fund is outperforming the benchmark and ranks above the peer median universe.

(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.

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
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

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**China: Considerations for Emerging
Markets Equity Allocations**

China: Considerations for Emerging Markets Equity Allocations

MSCI Emerging Markets Index - Highlights

3Q Performance

- The MSCI Emerging Markets Index sank 8.0% in 3Q21, its worst quarter since 1Q20
- Over the last year the index returned 18.2%

Challenges

- The stronger U.S. dollar
- Rising U.S. yields
- Higher oil prices
- Significant decline of China's equity market, which comprises about one-third of the Index.

China has been impacted by

- China's government's regulatory interventions
- The country's electricity shortages
- The potential default of Evergrande

New Regulatory Focus in China

- Since China opened its economy in the 1970s, annual real GDP growth has averaged 9%.
- China's growth model in the last four decades has been heavily dependent on low-paid labor, resource-intensive manufacturing, and exports
- The regulatory crackdown began in November 2020, when China blocked Ant Group's initial public offering.
- Soon after the Chinese government announced they were taking other measurements:
 - Investigating Alibaba for monopolistic practices
 - Probes and fines for several more high-profile internet platform companies, online insurance firms, the education sector, video gaming companies, and Macau casino operators.

4 Primary Areas of Regulatory Actions

Common prosperity

- | | |
|---|-------------------------|
| Promote "inclusive growth" with larger middle class | • After school tutoring |
| Reduce household expenditure in core areas | • Online games |
| | • Healthcare |
| | • Gig economy |

Anti-Trust

- | | |
|-------------------------------|----------------|
| Prevent exclusivity contracts | • E-commerce |
| Foster fair competition | • Online games |

Financial Stability

- | | |
|------------------------|------------|
| Manage systematic risk | • Fintechs |
|------------------------|------------|

Data Security

- | | |
|--|------------------------|
| Protect consumers and national interests | • All online platforms |
|--|------------------------|

Source: Harding Loevner

Implementation Implications

MSCI EM Index and EM Universe

- China represents about 34% of the MSCI EM index, as of 9/30/21.
- More than 90% of the managers in the Callan Emerging Markets Equity Mutual Fund Universe are underweight to China.
- More than 50% of Chinese stocks in the index by weight are only allocated in two sectors: Communication Services and Consumer Discretionary.
- These two sectors experienced significant outperformance in 2020 before being at the forefront of China's regulatory crackdown in 2021.

Ft. Pierce's allocation to China (9/30/2021)

- Investors should understand their manager's allocation within China given the concentration of the index.
 - Morgan Stanley: 3.4% vs. 0% MSCI EAFE
 - William Blair: 7.3% vs. 10.1% MSCI ACWI ex US
 - Causeway: 25.9% vs. 34% MSCI EM

What are managers doing?

- Many managers have been attempting to ensure that the industries and stocks they hold within China are aligned with Beijing's priorities:
 - Limited exposure to over-levered real estate operators
 - Increasing exposure to low- to mid-level consumer-focused firms (particularly local brands), cloud and semiconductor areas
 - Investments in energy names that focus on reduced carbon and particulate pollution
 - The promotion of Hong Kong rather than overseas exchanges for Chinese companies' capital markets activities.
- Of note, quantitative managers, such as Causeway, with whom Ft Pierce invests, have modified their models to adapt to the changes in the real estate sector.

Final Thoughts

- Institutional Investors should consider the changing landscape in China and understand the approaches used by active managers when making an emerging markets asset allocation decision.
- While it's unclear whether there will be further impacts on more market segments, there are signs that the Chinese government is sensitive to market concerns.
- In this latest selloff, Vice Premier Liu He and representatives of China's Securities Regulatory Commission actively reached out to global investment banks and other market participants in an attempt to calm market concerns.
- The Chinese government has reiterated their continued support for the stock market and private enterprise, including overseas listings. They also emphasized their commitment to further opening China's financial markets to foreign investors.

Callan's Proposed 2022 Work Plan

City of Fort Pierce Retirement and Benefit System

	1 st Quarter 2022			2 nd Quarter 2022			3 rd Quarter 2022			4 th Quarter 2022		
Strategic Planning												
Review Capital Market Expectations												
Review Investment Policy Statement												
Present Proposed 2023 Work Plan												
Plan Implementation												
Investment Manager Fee Review												
Prepare Cash Raise for Benefit Payments												
Manager Searches (as needed)												
Monitoring & Evaluation												
Quarterly Performance Reviews												
Quarterly Meeting Attendance												
Present Executive Summary												
Investment Manager Presentations												
Continuous Qualitative Review												
Research & Education												
National Client Conference – San Francisco, CA, April 25-27												
“Callan College”												
Regional Workshops												
Custom Board Education												
Research Papers and Publications												

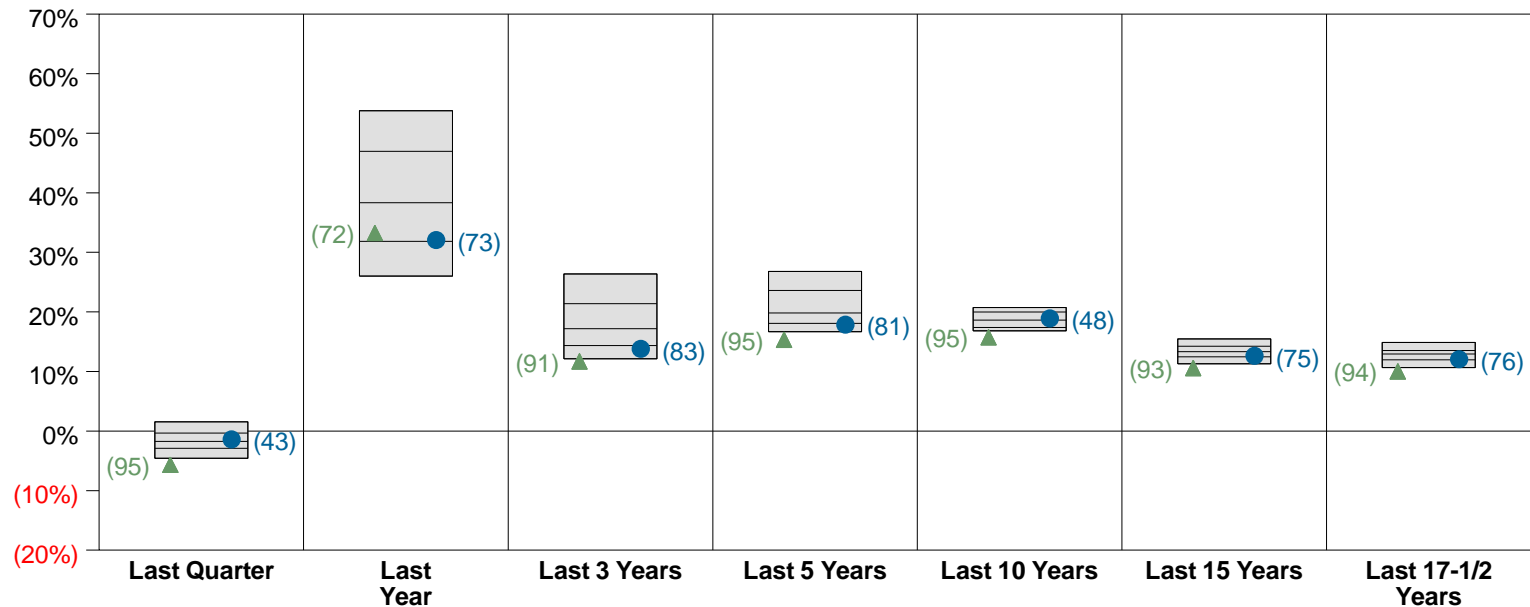
Appendix

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Domestic Equity Performance

Emerald Advisors Small Cap Growth

Performance vs Callan Small Cap Growth (Gross)



10th Percentile	1.57	53.78	26.37	26.80	20.73	15.48	14.87
25th Percentile	(0.34)	46.96	21.40	23.62	19.96	14.23	13.50
Median	(1.75)	38.32	17.18	19.82	18.64	13.34	12.95
75th Percentile	(2.88)	31.85	14.35	18.08	17.40	12.48	11.94
90th Percentile	(4.56)	26.01	12.13	16.68	16.82	11.29	10.65
Emerald Advisors, Inc.	● (1.53)	31.95	13.66	17.73	18.76	12.48	11.92
Russell 2000 Growth Index	▲ (5.65)	33.27	11.70	15.34	15.74	10.59	10.02

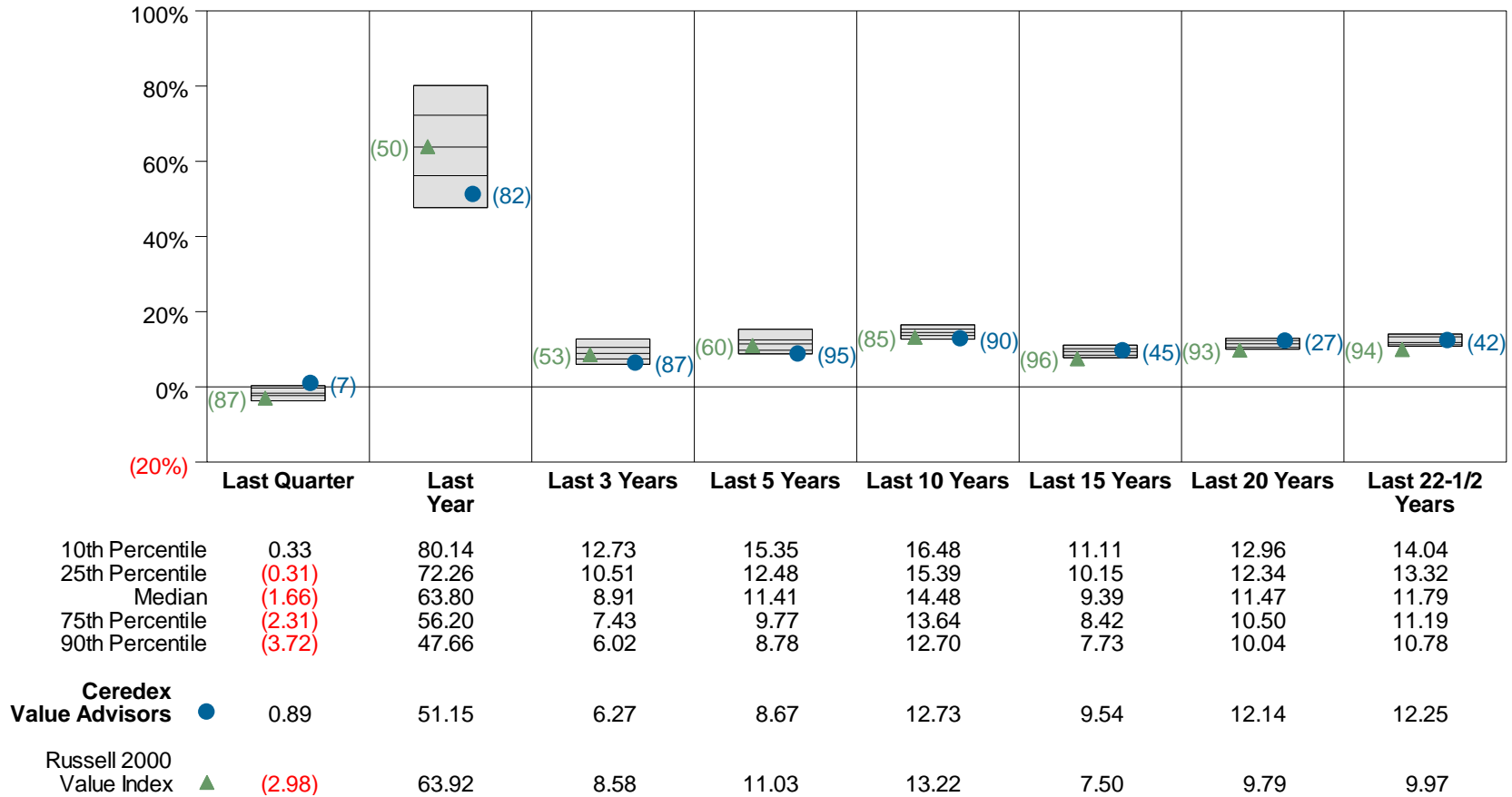
Emerald outperformed the Russell 2000 index by 4.12% by September 30, 2021 which helped to close the relative underperformance gap over the last year.

Relative outperformance for the quarter was attributed to stock selection within the financials, industrials, and technology sectors which offset modest relative underperformance within the consumer staples sector.

Long-term results remain well ahead of the benchmark.

Ceredex Value Advisors Small Cap Value

Performance vs Callan Small Cap Value (Gross)

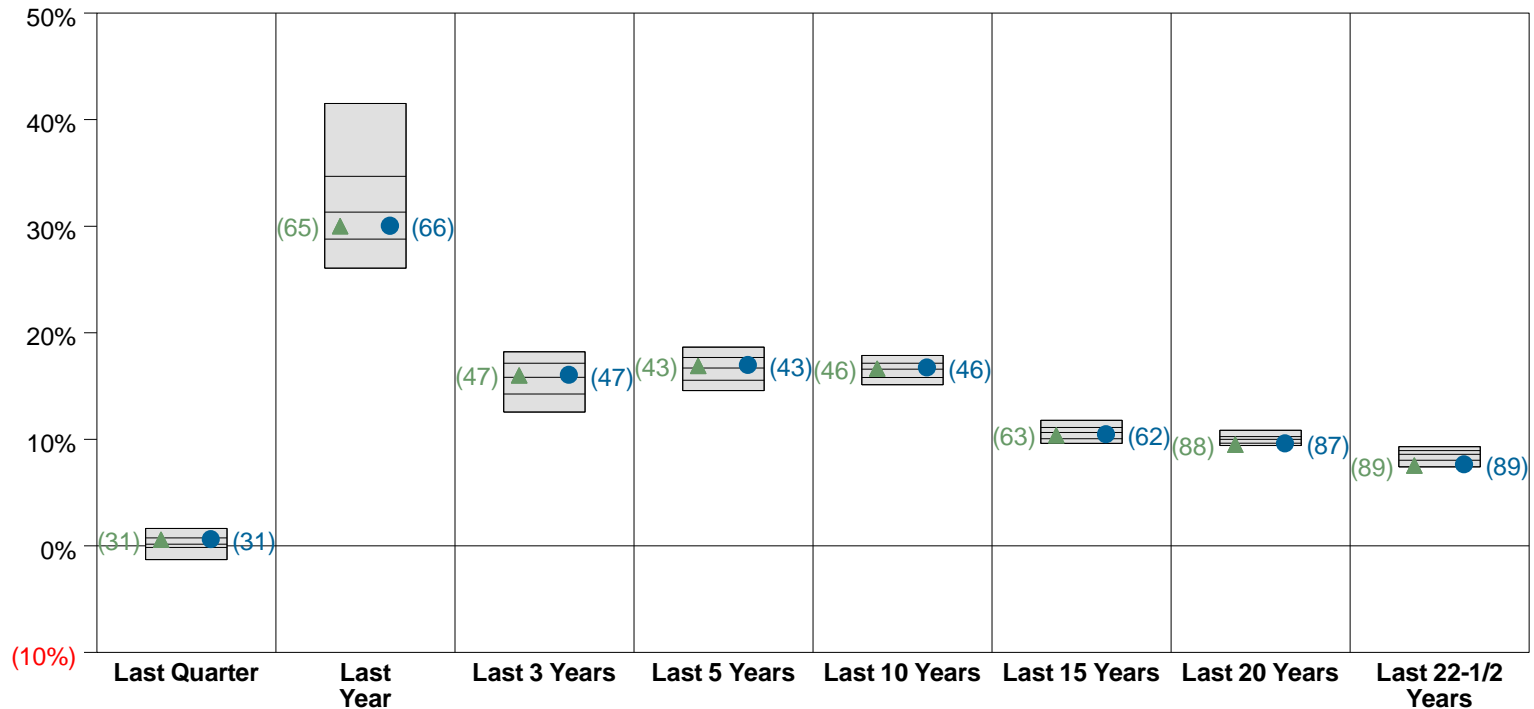


Ceredex finished the third quarter in positive territory posting an absolute return of 0.89% and outperforming the benchmark by 3.87%. Over the last year, the manager is underperforming the benchmark by 12.77% on a gross of fee basis.

Stock selection in the information technology, communication services, consumer discretionary, and healthcare sectors added the most to performance. Stock selection in the industrials, financials, and consumer staples sectors weighed the most on returns.

SSgA S&P 500 Index

Performance vs Callan Large Cap Core (Gross)

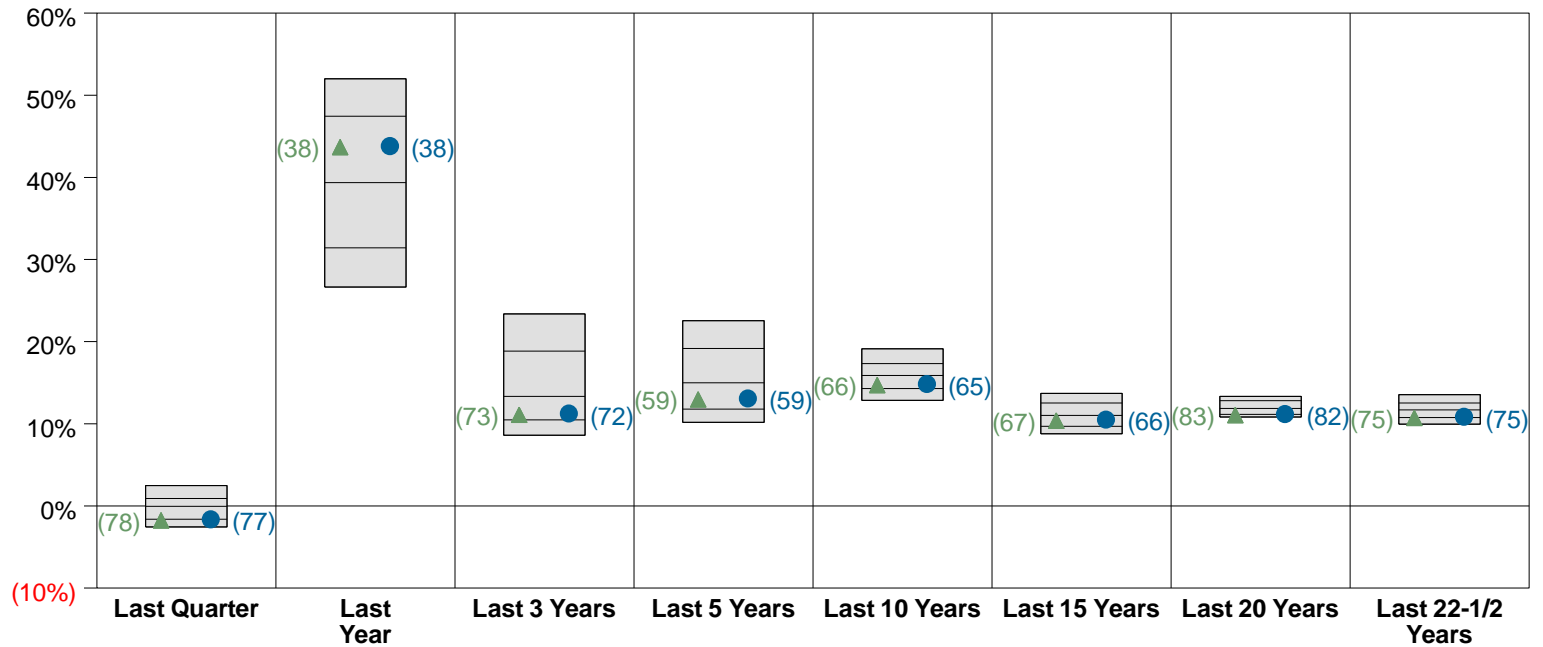


10th Percentile	1.63	41.52	18.21	18.65	17.87	11.78	10.83	9.31
25th Percentile	0.73	34.68	17.14	17.67	17.15	11.11	10.26	8.94
Median	0.16	31.32	15.82	16.68	16.59	10.63	10.01	8.59
75th Percentile	(0.14)	28.78	14.25	15.54	15.79	10.05	9.63	8.03
90th Percentile	(1.29)	26.07	12.56	14.57	15.12	9.61	9.42	7.42
SSgA S&P 500 Index ●	0.56	29.97	15.98	16.90	16.66	10.41	9.55	7.58
S&P 500 Index ▲	0.58	30.00	15.99	16.90	16.63	10.37	9.51	7.54

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

SSgA S&P Mid Cap 400 Index

Performance vs Callan Mid Capitalization (Gross)



10th Percentile	2.47	52.01	23.38	22.55	19.14	13.70	13.34	13.56
25th Percentile	0.91	47.45	18.85	19.18	17.32	12.52	12.82	12.53
Median	(0.05)	39.36	13.32	14.98	15.89	11.03	11.88	11.71
75th Percentile	(1.62)	31.42	10.47	11.78	14.29	9.70	11.14	10.77
90th Percentile	(2.57)	26.66	8.60	10.17	12.84	8.77	10.83	9.96
SSgA S&P 400 Index	● (1.74)	43.72	11.14	12.99	14.75	10.41	11.08	10.76
S&P Mid Cap 400 Index	▲ (1.76)	43.68	11.08	12.97	14.72	10.38	11.05	10.71

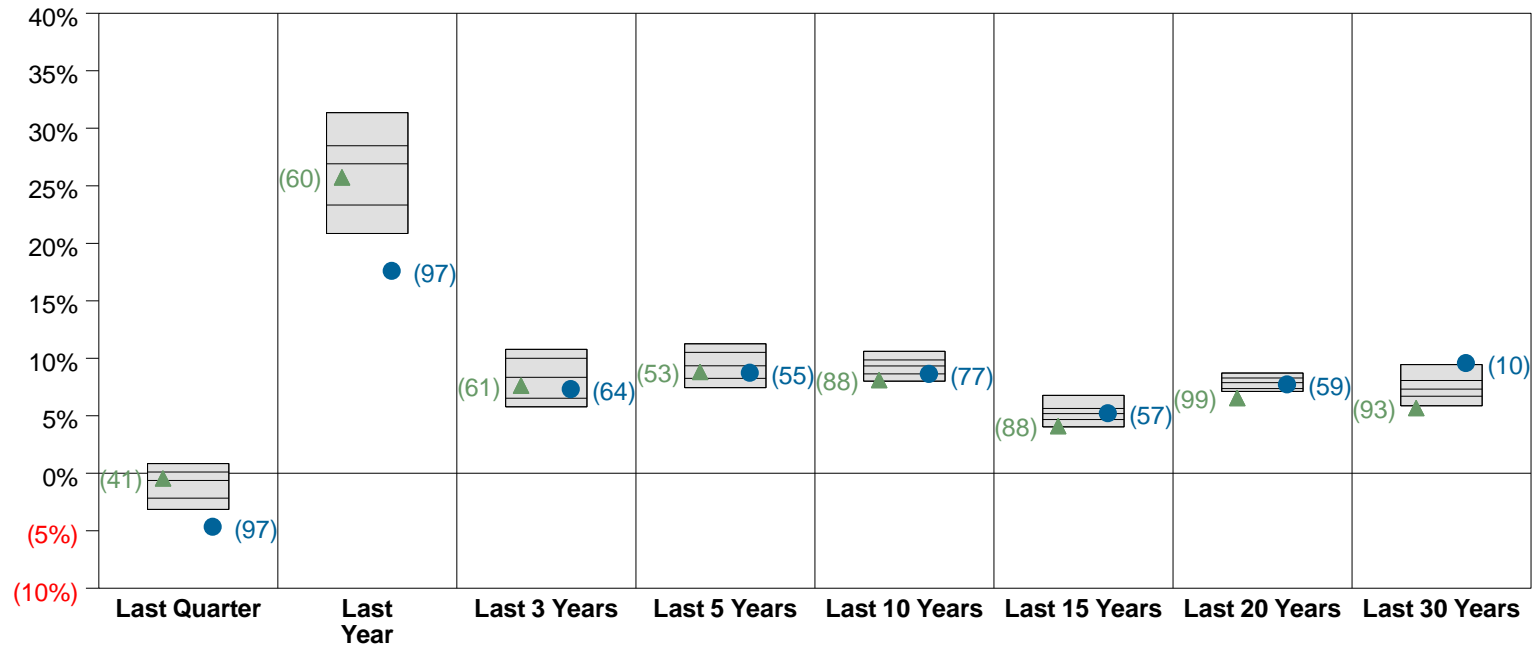
The fund continues to track the index closely at a very low fee

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International Equity Performance

Morgan Stanley Developed International Equity

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



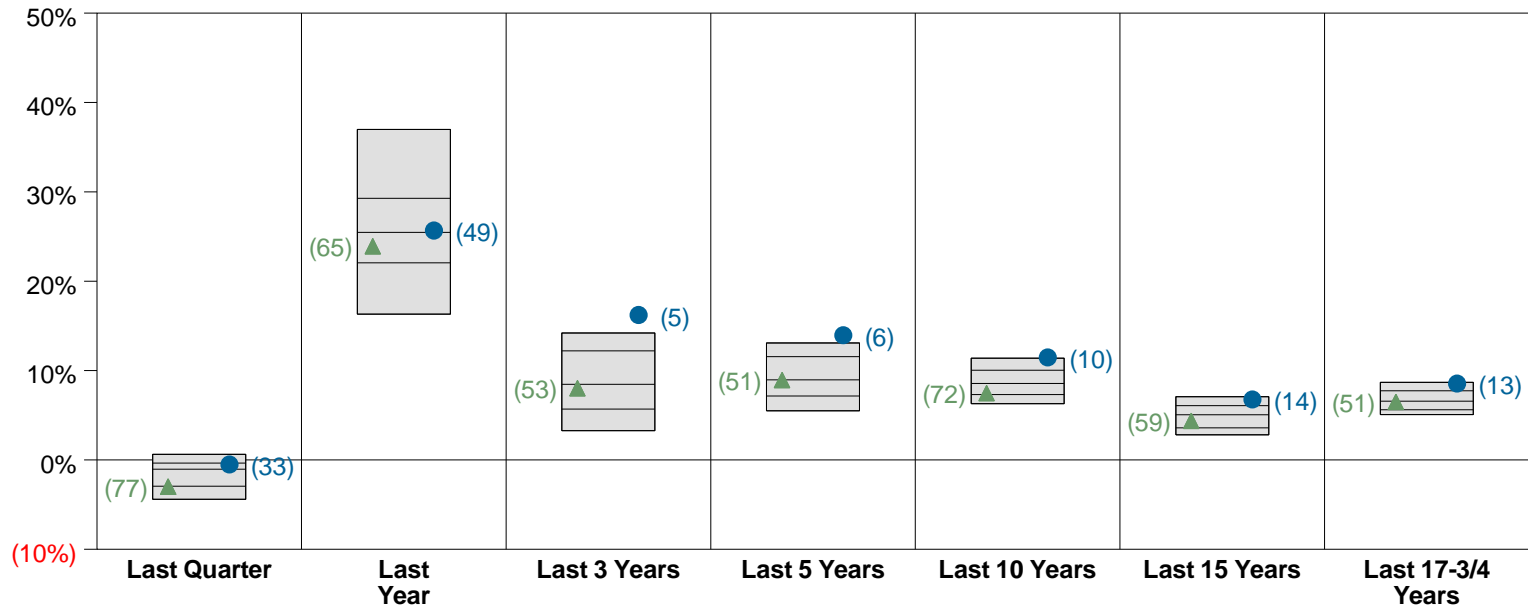
10th Percentile	0.85	31.36	10.78	11.26	10.60	6.78	8.72	9.46
25th Percentile	0.10	28.48	10.00	10.52	9.86	5.64	8.28	8.06
Median	(0.63)	26.91	8.35	9.34	9.34	5.19	7.88	7.32
75th Percentile	(2.17)	23.33	6.53	8.26	8.64	4.68	7.37	6.70
90th Percentile	(3.14)	20.85	5.78	7.44	8.00	4.04	7.12	5.87
Morgan Stanley Int'l Equity	● (4.72)	17.53	7.26	8.68	8.59	5.16	7.66	9.52
MSCI EAFE	▲ (0.45)	25.73	7.62	8.81	8.10	4.10	6.55	5.67

The fund underperformed the MSCI EAFE Index by 4.27% for the quarter and is also underperforming it by 8.2% over the one-year period.

Stock selection was the main driver of underperformance, mainly within the consumer staples, health care, information technology, consumer discretionary, industrials and communication services sectors. Sector allocation added to performance but was not enough to offset the underperformance from stock selection.

William Blair International Growth Equity

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



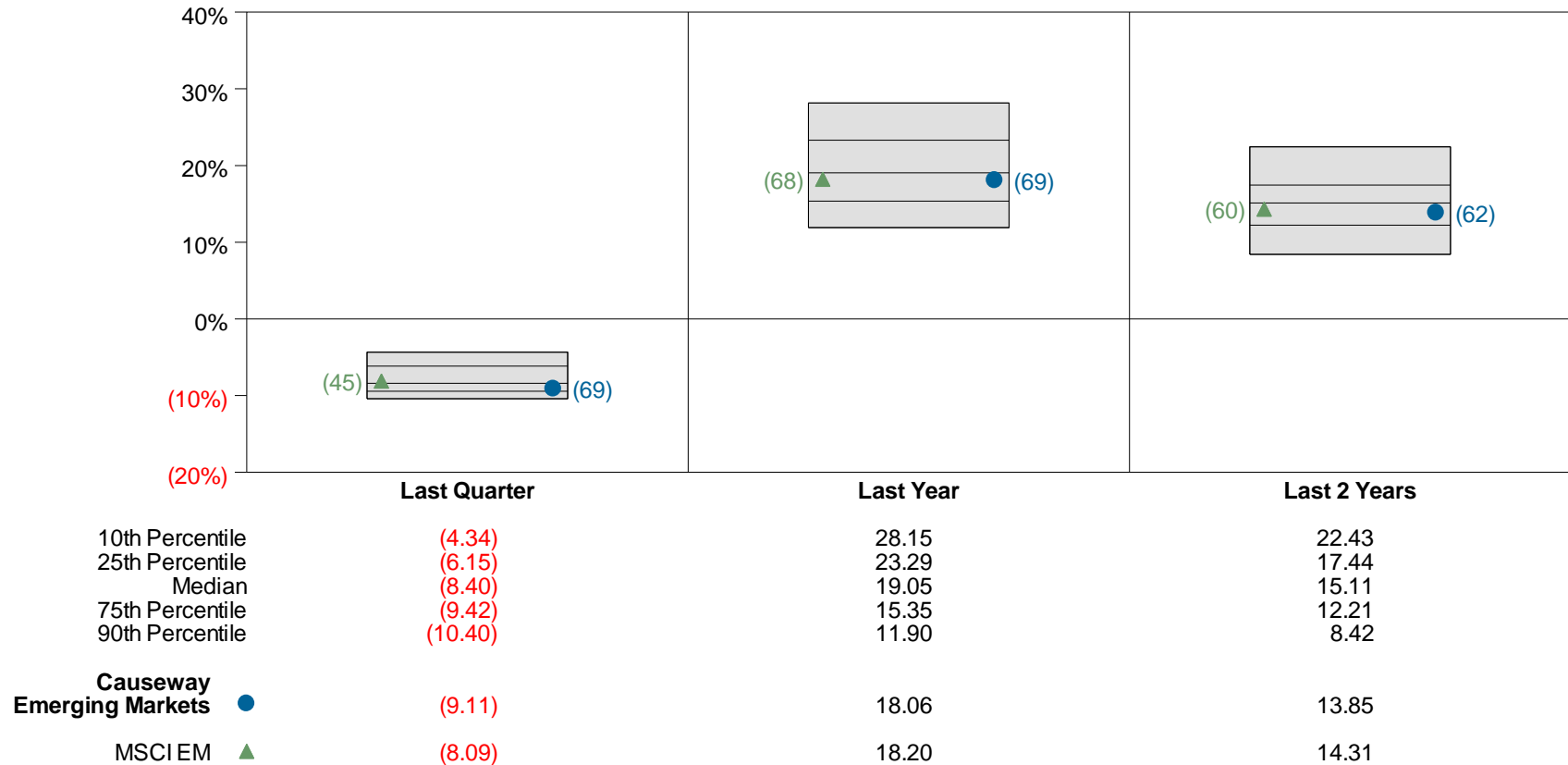
10th Percentile	0.63	36.99	14.21	13.08	11.37	7.08	8.67
25th Percentile	(0.35)	29.28	12.20	11.57	10.04	6.07	7.75
Median	(1.03)	25.46	8.46	8.96	8.56	5.05	6.58
75th Percentile	(2.94)	22.05	5.69	7.15	7.31	3.59	5.62
90th Percentile	(4.40)	16.31	3.26	5.50	6.29	2.80	5.07
William Blair & Company	● (0.59)	25.58	16.13	13.87	11.39	6.67	8.46
MSCI ACWI ex US	▲ (2.99)	23.92	8.03	8.94	7.48	4.38	6.49

William Blair posted an absolute return of -0.59% but outperformed the MSCI ACWI ex US Index by approximately 2.4% on a net of fee basis. At the end of the quarter, the manager outperformed the benchmark by 166 basis points over the one year period.

Relative outperformance was primarily driven by positive stock selection across most sectors. Stock selection in the information technology, industrials, and healthcare sectors was particularly strong.

Causeway Emerging Markets

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



Causeway underperformed the Emerging Markets index by 1.02% for the quarter and finished the year slightly underperforming the benchmark by 14 bps. This was the eight full quarter of performance for Causeway

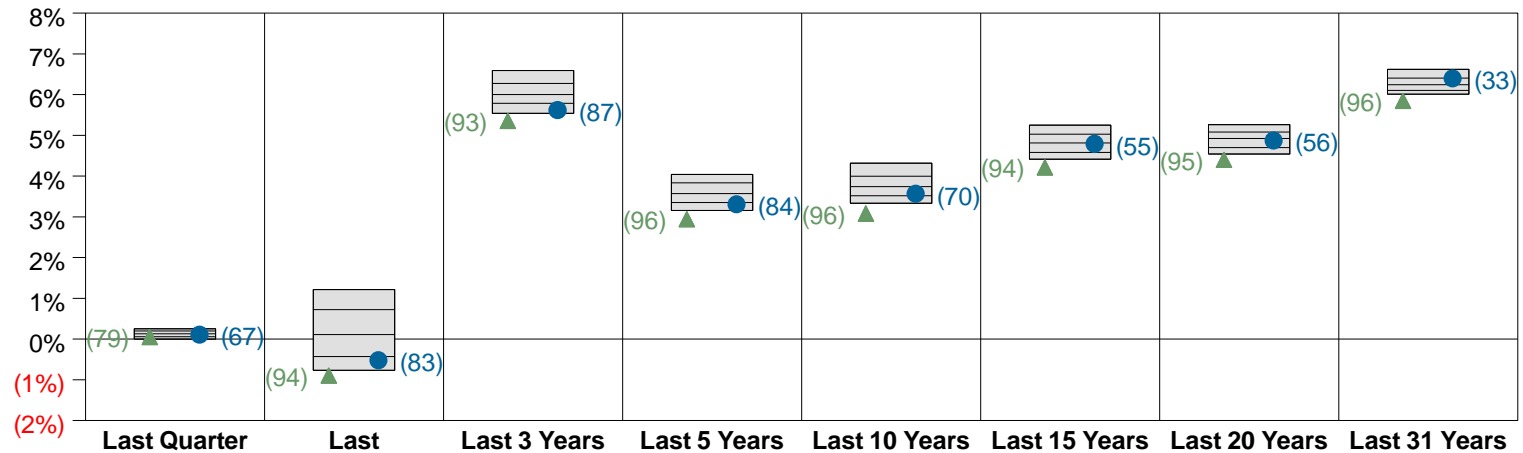
Emerging Markets stocks declined in September as supply chain disruptions and concerns related to leverage in China's real estate sector weighed on the overall asset class. During the quarter, country and currency allocation were detractors of relative performance within the fund.

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Fixed Income

Richmond Capital Core Fixed Income

Performance vs Callan Core Bond Fixed Income (Gross)



10th Percentile	0.25	1.22	6.59	4.04	4.32	5.25	5.26	6.62
25th Percentile	0.20	0.72	6.27	3.83	3.99	5.03	5.08	6.40
Median	0.13	0.11	6.00	3.57	3.74	4.81	4.93	6.24
75th Percentile	0.06	(0.43)	5.79	3.35	3.52	4.58	4.70	6.10
90th Percentile	0.00	(0.77)	5.54	3.16	3.33	4.41	4.54	6.01

Richmond Capital Management	●	0.09	(0.54)	5.60	3.29	3.55	4.78	4.85	6.38
Blended Benchmark*	▲	0.05	(0.90)	5.36	2.94	3.08	4.21	4.40	5.85

Richmond finished the quarter virtually in line with the Bloomberg Barclays Aggregate Index outperforming by only 4 basis points.

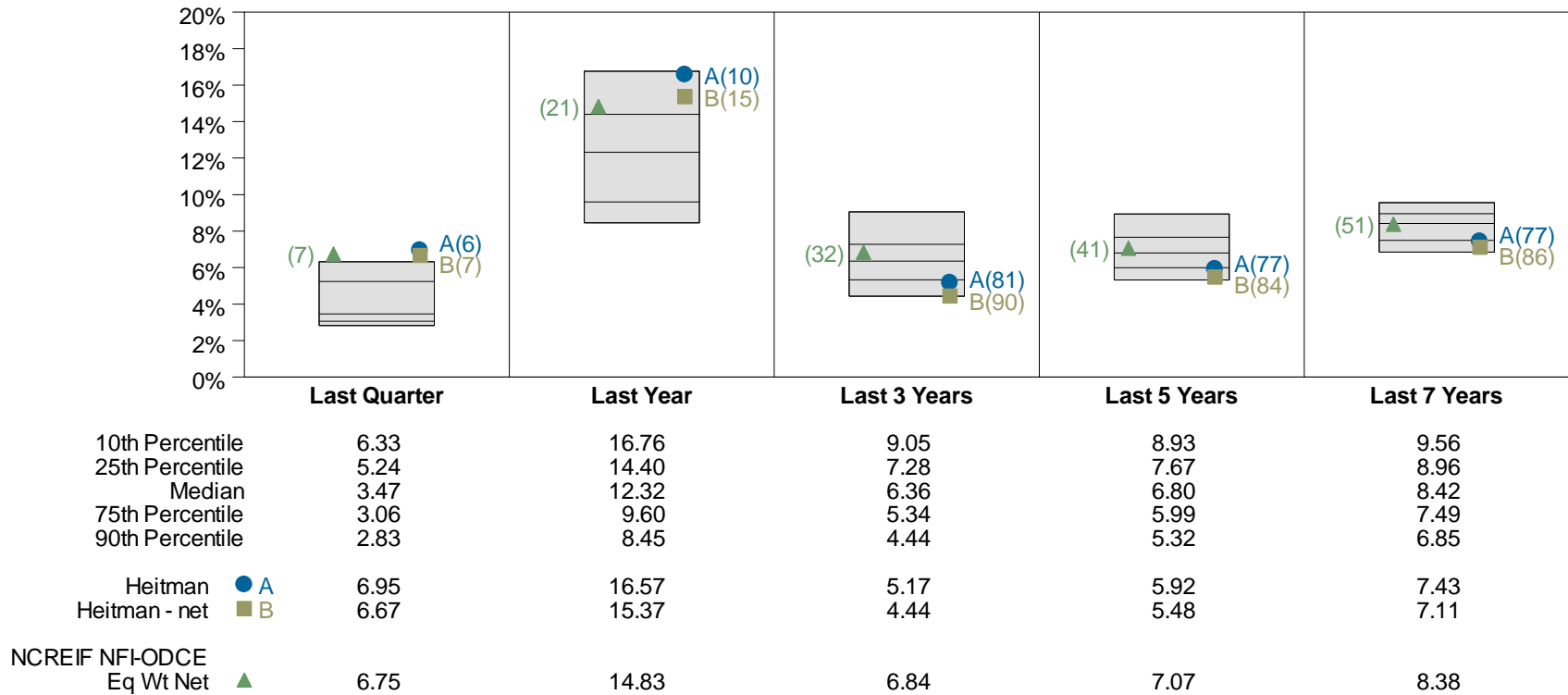
The relative underperformance to residential MBS has positively contributed to performance given the recent levels of refinancing and prepayments observed in the industry.

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Real Estate

Heitman America Real Estate Trust

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



Heitman outperformed the index by 0.2% during the third quarter and outperformed by 1.74% over the last year on a gross of fee basis.

The industrial and self-storage sectors continue to be additive to performance while office and retail underperformed other sectors during the quarter.

Evergrande and China's Property Sector

Background

- Real estate makes up nearly 30% of China's GDP and Chinese property developers have also grown rapidly following years of excessive borrowing.
- Troubles in the sector came to the forefront when the heavily indebted property giant Evergrande and other developers missed bond payments and faced the threat of defaulting.

Headlines

- While the news was concerning, it is important to understand Evergrande's size in the equity and fixed income markets:
 - Its shares represent less than two basis points of the standard Emerging Markets Equity index.
 - In debt markets, its liabilities represent a larger slice of the high yield space, but still mere basis points of total onshore China debt.

What happens next?

- Property developers in China may continue to face increased regulation.
- Authorities in China have also ramped up efforts to rein in excesses in the property sector and curb speculation among home buyers.
- China's construction activity and new home prices are expected to decline.
- This would have the effect of transforming Chinese property developers into quasi-utilities, with controls and regulations on their profitability.