

# Callan



September 18, 2024

**City of Fort Pierce**

Second Quarter Performance Review

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**Market Environment Update**

# Equity and Bond Markets Mixed in 2Q

Many sectors still have ground to make up to recover losses of 2022

- **S&P 500 climbed 4.3% in 2Q24**

  - Emerging markets and non-U.S. small cap equities also posted gains but U.S. small cap and developed non-U.S. stocks fell.
- **Core fixed income eked out a gain**

  - The Bloomberg Aggregate rose 0.1% despite rates rising over the quarter.
  - Long duration fixed income and non-U.S. bonds fell.
  - Interest rates have been volatile as the markets assess when and how swiftly the Fed will begin easing.
  - CPI-U came in at 3.0% (year-over-year) in 2Q, falling sharply from last quarter’s 3.5%, and improving the prospects for a rate cut later this year.
- **First signs of cooling for economy**

  - The final reading for 1Q24 GDP growth came in at 1.4%, down slightly from the prior estimate of 1.6%.

Returns for Periods ended 6/30/24

	Quarter	1 Year	1/1/22 - Current	5 Years	10 Years	25 Years
<b>U.S. Equity</b>						
Russell 3000	3.22	23.13	5.96	14.14	12.15	7.82
S&P 500	4.28	24.56	7.29	15.05	12.86	7.67
Russell 2000	-3.28	10.06	-2.18	6.94	7.00	7.60
<b>Global ex-U.S. Equity</b>						
MSCI World ex USA	-0.60	11.22	2.39	6.55	4.27	4.63
MSCI Emerging Markets	5.00	12.55	-2.31	3.10	2.79	--
MSCI ACWI ex USA Small Cap	0.66	11.26	-1.98	6.13	4.44	6.74
<b>Fixed Income</b>						
Bloomberg Aggregate	0.07	2.63	-3.64	-0.23	1.35	3.88
90-day T-Bill	1.32	5.40	3.64	2.16	1.51	1.91
Bloomberg Long Gov/Credit	-1.73	-1.58	-10.91	-2.22	1.65	5.29
Bloomberg Global Agg ex-US	-2.11	-0.66	-7.88	-3.56	-1.86	2.46
<b>Real Estate</b>						
NCREIF Property	-0.98	-6.22	-1.93	3.24	6.00	7.72
FTSE Nareit Equity	0.06	7.79	-5.90	3.90	5.90	9.06
<b>Alternatives</b>						
Cambridge Private Equity*	2.61	5.95	3.47	15.39	13.70	13.62
Cambridge Senior Debt*	4.15	9.97	5.81	6.88	6.90	4.25
HFRI Fund Weighted	0.54	9.80	3.44	6.67	4.77	6.00
Bloomberg Commodity	2.89	5.00	4.79	7.25	-1.29	2.69
<b>CPI-U</b>	0.59	2.97	4.89	4.17	2.80	2.58

\*Cambridge Private Equity and Cambridge Senior Debt data as of 12/31/23.

Returns greater than one year are annualized. Sources: Bloomberg, Callan, Cambridge, FTSE Russell, HFRI, MSCI, NCREIF, S&P Dow Jones Indices

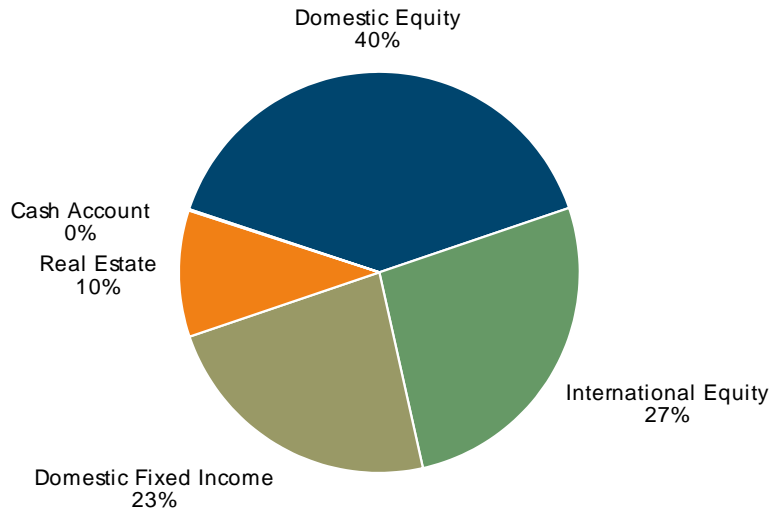
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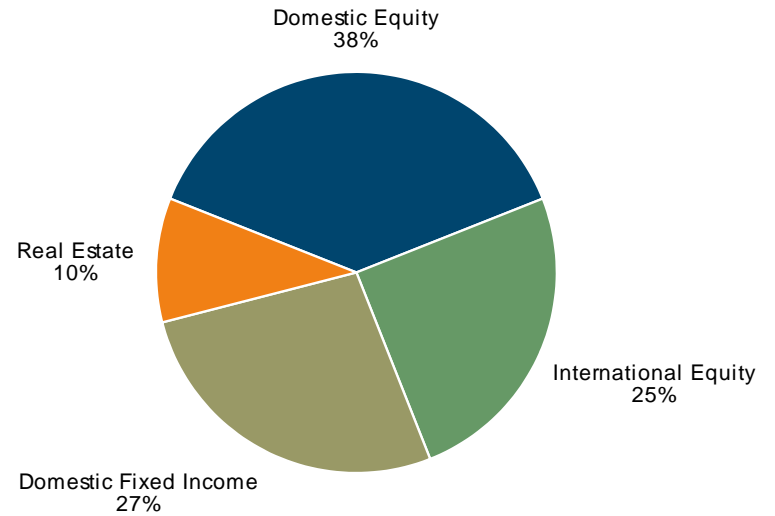
**Asset Allocation and Performance Review**

# Asset Allocation

**Actual Asset Allocation**



**Target Asset Allocation**



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	92,289	39.7%	38.0%	1.7%	3,989
International Equity	62,078	26.7%	25.0%	1.7%	3,986
Domestic Fixed Income	54,149	23.3%	27.0%	(3.7%)	(8,590)
Real Estate	23,675	10.2%	10.0%	0.2%	438
Cash Account	177	0.1%	0.0%	0.1%	177
<b>Total</b>	<b>232,369</b>	<b>100.0%</b>	<b>100.0%</b>		

# Asset Distribution Across Investment Managers

	June 30, 2024				March 31, 2024	
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$92,289,084</b>	<b>39.72%</b>	<b>\$(8,043,586)</b>	<b>\$2,508,212</b>	<b>\$97,824,458</b>	<b>41.17%</b>
Emerald Advisers, Inc.	8,098,805	3.49%	(16,125)	267,725	7,847,205	3.30%
Ceredex Value Advisors	7,371,264	3.17%	(16,807)	(91,027)	7,479,098	3.15%
SSgA S&P 500 Index	61,475,441	26.46%	(8,007,644)	2,878,745	66,604,340	28.03%
SSgA S&P 400 Index	15,343,574	6.60%	(3,010)	(547,231)	15,893,815	6.69%
<b>International Equity</b>	<b>\$62,077,894</b>	<b>26.72%</b>	<b>\$(47,035)</b>	<b>\$381,657</b>	<b>\$61,743,272</b>	<b>25.98%</b>
Morgan Stanley Int'l Equity	25,198,647	10.84%	(47,035)	353,045	24,892,636	10.48%
Causeway Emerging Markets	6,594,483	2.84%	0	548,588	6,045,895	2.54%
William Blair Intl Growth	30,284,764	13.03%	0	(519,976)	30,804,741	12.96%
<b>Domestic Fixed Income</b>	<b>\$54,149,277</b>	<b>23.30%</b>	<b>\$(32,790)</b>	<b>\$117,254</b>	<b>\$54,064,813</b>	<b>22.75%</b>
Richmond Capital	54,149,277	23.30%	(32,790)	117,254	54,064,813	22.75%
<b>Real Estate</b>	<b>\$23,675,253</b>	<b>10.19%</b>	<b>\$(60,909)</b>	<b>\$(78,132)</b>	<b>\$23,814,294</b>	<b>10.02%</b>
Heitman	23,675,253	10.19%	(60,909)	(78,132)	23,814,294	10.02%
<b>Cash Account</b>	<b>\$177,386</b>	<b>0.08%</b>	<b>\$0</b>	<b>\$2,261</b>	<b>\$175,125</b>	<b>0.07%</b>
Cash & Equivalents	177,386	0.08%	0	2,261	175,125	0.07%
<b>Total Fund</b>	<b>\$232,368,895</b>	<b>100.0%</b>	<b>\$(8,184,320)</b>	<b>\$2,931,253</b>	<b>\$237,621,963</b>	<b>100.0%</b>

- The City of Fort Pierce Retirement and Benefit System plan assets are approximately \$232.4 million as of June 30<sup>th</sup>, 2024. During the quarter, approximately \$8 million were redeemed to paid for benefit payments.
- Investment returns were positive for the second quarter at \$2.9 million.

# Investment Manager Returns & Peer Rankings (Gross of Fees)

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years					
<b>Domestic Equity</b>	<b>2.58%</b>	<b>37</b>	<b>21.19%</b>	<b>48</b>	<b>7.97%</b>	<b>29</b>	<b>13.27%</b>	<b>52</b>	<b>11.70%</b>	<b>42</b>
Domestic Equity Benchmark	1.87%	65	20.48%	61	7.11%	58	13.12%	62	11.44%	58
Pub Pln- Dom Equity	2.16%		21.15%		7.52%		13.31%		11.54%	
Emerald Advisers, Inc.	3.44%	1	15.22%	19	(0.59%)	29	8.39%	51	10.38%	38
Russell 2000 Growth Index	(2.92%)	62	9.14%	58	(4.86%)	66	6.17%	87	7.39%	99
Callan Small Cap Growth	(2.33%)		10.21%		(2.49%)		8.46%		10.05%	
Ceredex Value Advisors	(1.22%)	7	12.08%	59	5.78%	19	8.16%	74	7.45%	64
Russell 2000 Index	(3.28%)	42	10.06%	77	(2.58%)	96	6.94%	89	7.00%	84
Russell 2000 Value Index	(3.64%)	57	10.90%	71	(0.53%)	90	7.07%	89	6.23%	97
Callan Small Cap Value	(3.48%)		13.22%		3.65%		9.38%		7.86%	
SSgA S&P 500 Index	4.29%	47	24.56%	75	10.00%	55	15.03%	49	12.87%	48
Standard & Poor's 500	4.28%	47	24.56%	75	10.01%	55	15.05%	48	12.86%	48
Callan Large Cap Core	4.08%		26.57%		10.31%		15.00%		12.79%	
SSgA S&P 400 Index	(3.44%)	33	13.72%	30	4.51%	39	10.31%	41	9.16%	52
S&P Mid Cap 400 Index	(3.45%)	33	13.57%	30	4.47%	40	10.27%	43	9.14%	52
Callan Mid Capitalization	(4.03%)		11.62%		3.59%		9.80%		9.50%	
<b>International Equity</b>	<b>0.62%</b>	<b>82</b>	<b>9.10%</b>	<b>96</b>	<b>(1.94%)</b>	<b>96</b>	<b>6.32%</b>	<b>62</b>	<b>4.61%</b>	<b>73</b>
International Equity Benchmark	0.96%	73	11.62%	72	0.46%	58	5.55%	73	3.84%	89
Pub Pln- Intl Equity	1.62%		12.62%		0.93%		6.63%		4.94%	
Morgan Stanley Int'l Equity	1.42%	6	6.14%	92	1.11%	82	5.90%	70	4.31%	83
MSCIEAFE Index	(0.42%)	75	11.54%	47	2.89%	49	6.46%	63	4.33%	79
Callan NonUS Dev Core Eq	0.18%		11.26%		2.85%		7.39%		4.93%	
William Blair Intl Growth(2)(3)	(1.69%)	86	8.54%	65	(4.38%)	89	6.59%	43	4.92%	30
MSCI ACWI x US (Net)	0.96%	21	11.62%	31	0.46%	66	5.55%	68	3.84%	64
Callan Non US Equity MFs	(0.04%)		9.93%		1.70%		6.23%		4.19%	
Causeway Emerging Markets(2)	9.07%	4	25.48%	6	(1.28%)	13	-	-	-	-
MSCIEM	5.00%	39	12.55%	47	(5.07%)	35	3.10%	48	2.79%	41
Callan Emerging Equity MF	4.03%		10.95%		(6.20%)		2.94%		2.57%	
<b>Domestic Fixed Income</b>	<b>0.22%</b>	<b>53</b>	<b>3.32%</b>	<b>68</b>	<b>(2.54%)</b>	<b>68</b>	<b>0.21%</b>	<b>80</b>	<b>1.75%</b>	<b>72</b>
Domestic Fixed Income Benchmark	0.07%	82	2.63%	87	(3.02%)	89	(0.23%)	97	1.35%	94
Bimbg Aggregate Index	0.07%	82	2.63%	87	(3.02%)	89	(0.23%)	97	1.35%	94
Pub Pln- Dom Fixed	0.25%		4.02%		(2.04%)		0.86%		1.97%	
Richmond Capital	0.22%	65	3.32%	50	(2.54%)	37	0.21%	76	1.75%	63
Blended Benchmark(1)	0.07%	93	2.63%	90	(3.02%)	90	(0.23%)	95	1.35%	98
Callan Core Bond FI	0.25%		3.34%		(2.61%)		0.38%		1.82%	
<b>Real Estate</b>	<b>(0.33%)</b>	<b>68</b>	<b>(7.67%)</b>	<b>34</b>	<b>4.05%</b>	<b>22</b>	<b>3.90%</b>	<b>34</b>	<b>-</b>	<b>-</b>
Real Estate Benchmark	(0.82%)	85	(10.32%)	76	1.14%	68	2.58%	63	-	-
Pub Pln- Real Estate	(0.26%)		(8.27%)		1.91%		3.06%		6.00%	
Heitman(2)	(0.58%)	44	(8.62%)	51	2.99%	34	2.88%	52	-	-
NFI-ODCE Equal Weight Net	(0.82%)	60	(10.32%)	68	1.14%	59	2.58%	61	5.80%	61
Callan OE Core Crmngld RE	(0.60%)		(8.55%)		1.60%		3.18%		5.96%	
<b>Total Fund</b>	<b>1.23%</b>	<b>56</b>	<b>10.54%</b>	<b>61</b>	<b>2.41%</b>	<b>73</b>	<b>7.27%</b>	<b>65</b>	<b>7.06%</b>	<b>43</b>
Total Fund Benchmark*	0.89%	79	10.15%	69	2.38%	74	7.03%	73	6.92%	51
CPI + 5%	1.80%	28	7.97%	93	9.97%	1	9.17%	6	7.80%	11
Callan Public Fund Spr DB	1.38%		11.13%		3.16%		7.70%		6.96%	

Current Qtr Target=27.0% Bimbg Aggregate, 26.0% S&P 500 Index, 25.0% MSCI ACWI xUS, 10.0% NCREIF NFI-ODCE Eq Wt Net, 6.0% S&P Mid Cap 400 Index, 3.0% Russell 2000 Growth Index and 3.0% Russell 2000 Value Index.

(1) Bimbg Gov/Credit Bond Index through May 31, 2013 and Bimbg Aggregate thereafter. (2) Returns are reported net of fees.

# Investment Manager Objectives

Manager	Objective	Comments
<b>Total Fund</b>	Outperform the CPI + 5% over long term.	<b>Not Met</b>
<b>Emerald</b>	Outperform the Russell 2000 Growth Index (net of fees) over rolling 3-year periods by 0.50%.	<b>Met</b>
	Outperform the median small cap growth manager over rolling 3-year periods.	<b>Met</b>
<b>Ceredex</b>	Outperform the Russell 2000 Value Index (net of fees) over rolling 3-year periods by 0.50%.	<b>Met</b>
	Outperform the median small cap value manager over rolling 3-year periods.	<b>Met</b>
<b>SSgA S&amp;P MidCap 400 Index</b>	Replicate the return of the S&P MidCap 400 Index.	<b>Met</b>
<b>SSgA S&amp;P 500 Index</b>	Replicate the return of the S&P 500 Index.	<b>Met</b>
<b>Morgan Stanley Developed</b>	Outperform the MSCI EAFE (net of fees) by 0.50% over rolling 3-year periods.	<b>Not Met*</b>
	Outperform the median international equity manager over rolling 3-year periods.	<b>Not Met*</b>
<b>William Blair</b>	Outperform the MSCI ACWI ex-US Index (net of fees) by 0.50% over rolling 3-year periods.	<b>Not Met</b>
	Outperform the median international equity manager over rolling 3-year periods.	<b>Not Met</b>
<b>Causeway Emerging</b>	Outperform the MSCI Emerging Markets Index over rolling 3-year periods by 1.00%.	<b>Met</b>
	Outperform the median emerging markets equity manager over rolling 3-year periods.	<b>Met</b>
<b>Richmond</b>	Outperform BC Aggregate (net of fees) over rolling 3-year periods by 0.25%.	<b>Met</b>
	Outperform the median fixed income manager over rolling 3-year periods.	<b>Met</b>
<b>Heitman (HART)</b>	Outperform the NFI-ODCE Index over rolling 5-year periods.	<b>Met</b>

\*This strategy is on Watch and a replacement search is underway.

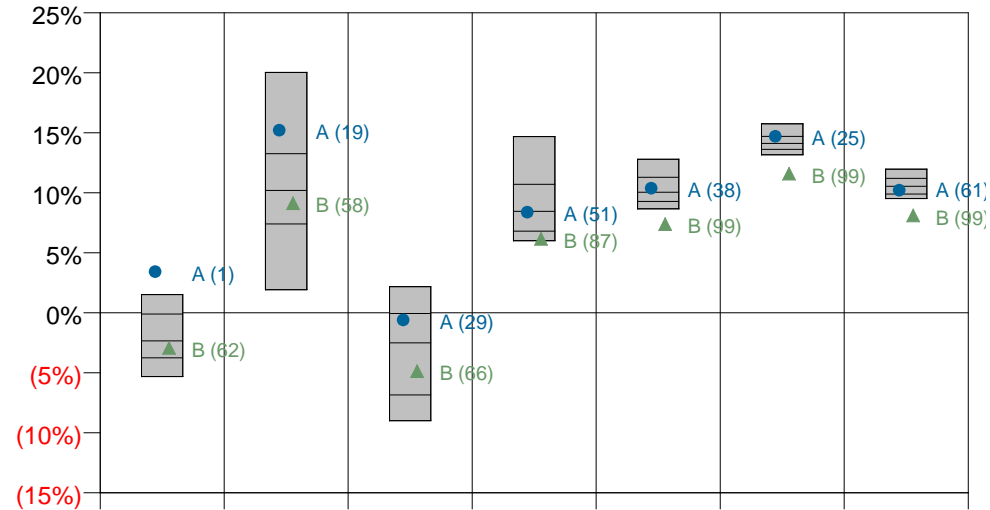
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**Domestic Equity**

# Emerald Advisors Small Cap Growth

## Performance vs Callan Small Cap Growth (Gross)

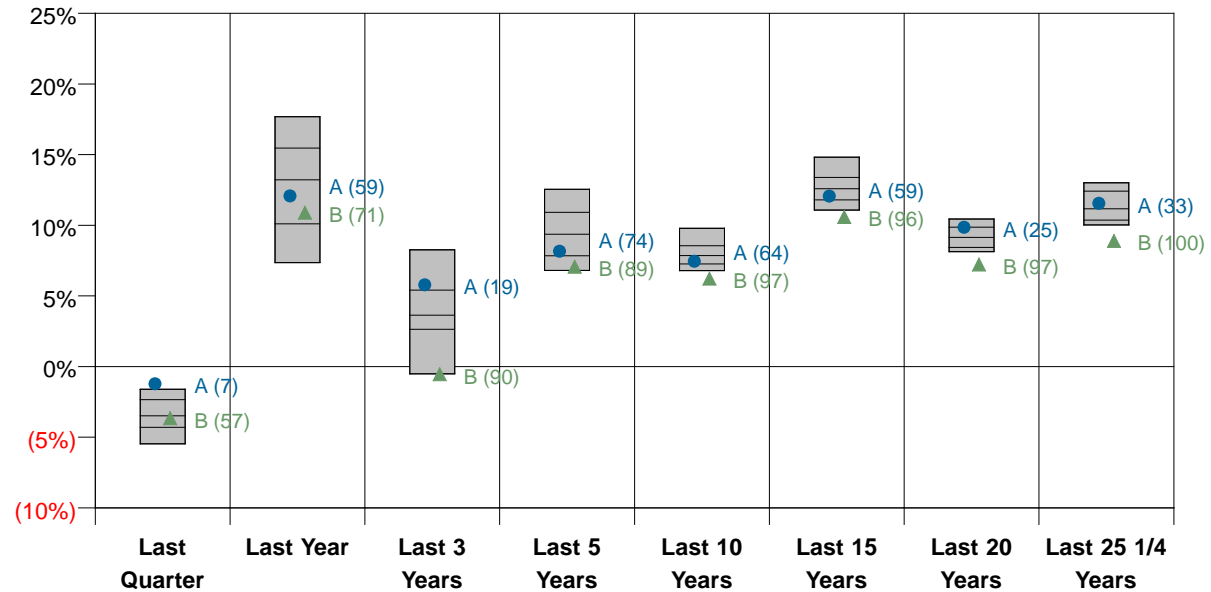


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 1/4 Years
10th Percentile	1.52	20.04	2.19	14.69	12.80	15.75	11.97
25th Percentile	(0.10)	13.26	(0.05)	10.71	11.30	14.71	11.21
Median	(2.33)	10.21	(2.49)	8.46	10.05	14.12	10.55
75th Percentile	(3.75)	7.41	(6.84)	6.81	9.28	13.62	9.91
90th Percentile	(5.31)	1.93	(8.99)	6.02	8.67	13.17	9.53
Emerald Advisers ● A	3.44	15.22	(0.59)	8.39	10.38	14.70	10.21
Russell 2000 Growth Index ▲ B	(2.92)	9.14	(4.86)	6.17	7.39	11.59	8.11

- Emerald outperformed the Russell 2000 Growth Index due to strong stock selection within industrials, technology, materials, and healthcare sectors. The portfolio is positioned with an overweight to technology with focus on semiconductors, consumer staples due to easing inflation and supply chain issues, and financials with a favorable view on insurers and brokers.
- Over the long term, the manager continues to outperform the benchmark both gross and net of fees.

# Ceredex Value Advisors Small Cap Value

## Performance vs Callan Small Cap Value (Gross)

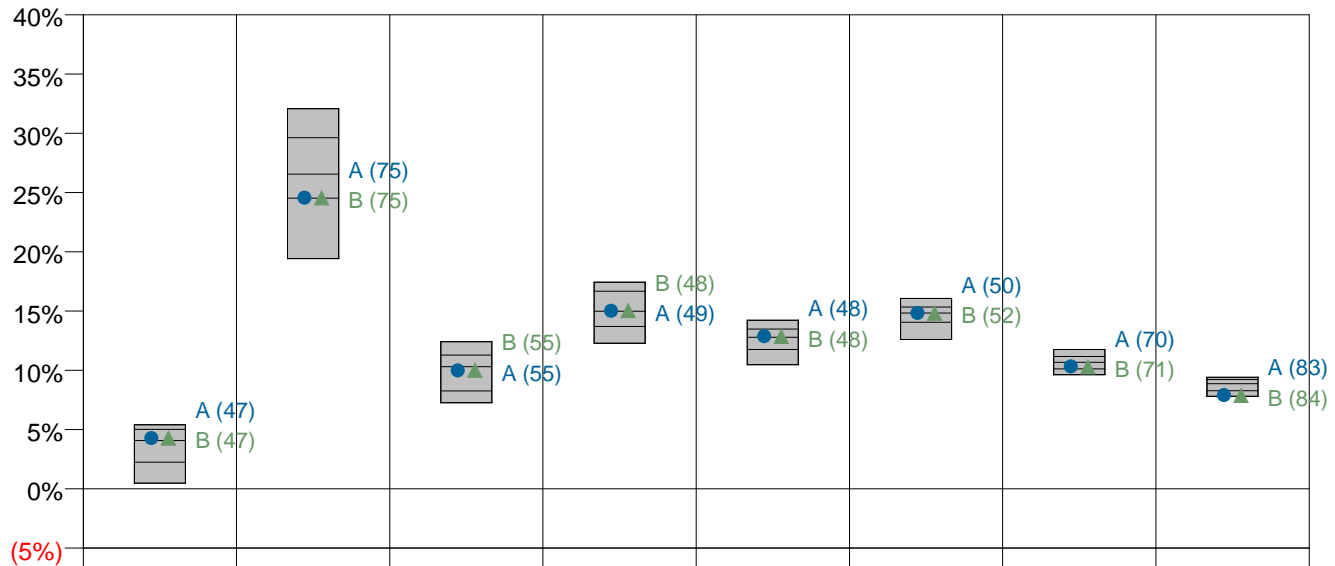


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 25 1/4 Years
10th Percentile	(1.60)	17.69	8.27	12.56	9.79	14.83	10.45	13.02
25th Percentile	(2.33)	15.47	5.41	10.92	8.56	13.39	9.87	12.41
Median	(3.48)	13.22	3.65	9.38	7.86	12.59	9.15	11.17
75th Percentile	(4.29)	10.11	2.65	7.84	7.27	11.80	8.44	10.37
90th Percentile	(5.46)	7.37	(0.51)	6.81	6.79	11.09	8.14	10.03
Ceredex Value Advisors (A)	(1.22)	12.08	5.78	8.16	7.45	12.07	9.86	11.55
Russell 2000 Value Index (B)	(3.64)	10.90	(0.53)	7.07	6.23	10.59	7.23	8.90

- The largest sector performance contributors were an underweight and stock selection in healthcare, where their sole holding, hospitals operator Select Medical Holdings, reported strong earnings and also materials stock selection, due to several holdings benefiting from drivers such as artificial intelligence (AI) optimism, strong demand and pricing power, and destocking improvements
- The manager's long-term performance remains strong versus the benchmark but the peer median over 5-, 10- and 15-year periods.

# SSgA S&P 500 Index

## Performance vs Callan Large Cap Core (Gross)

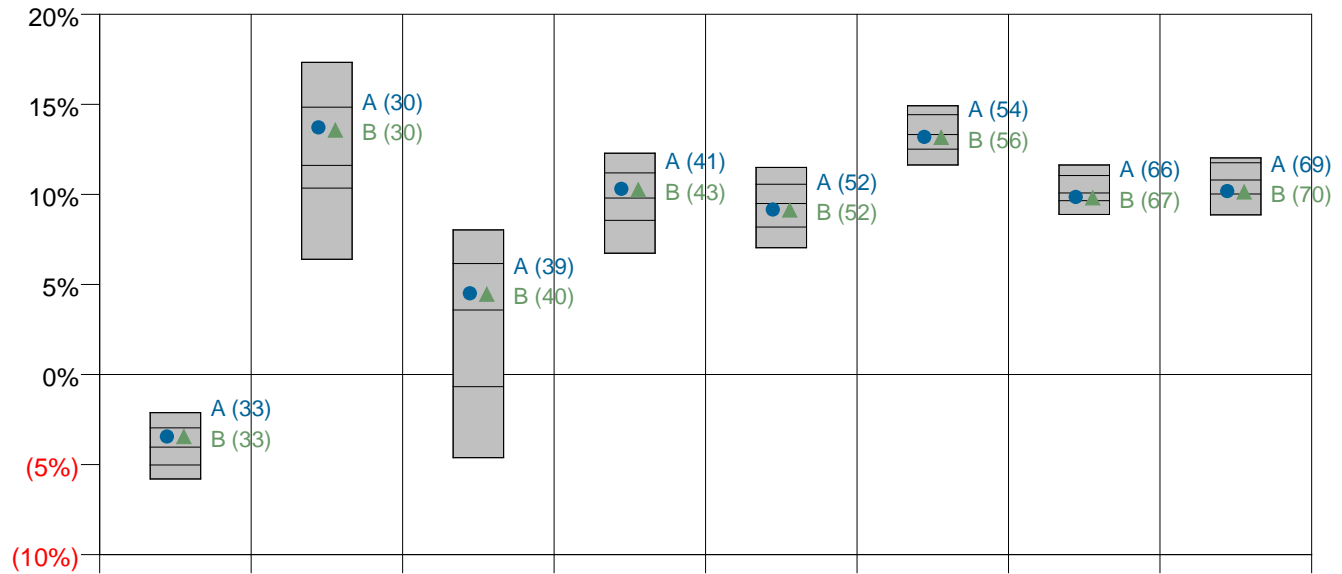


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 25 1/4 Years
10th Percentile	5.41	32.08	12.43	17.44	14.23	16.07	11.76	9.42
25th Percentile	5.02	29.64	11.29	16.68	13.48	15.34	11.17	9.23
Median	4.08	26.57	10.31	15.00	12.79	14.84	10.69	8.87
75th Percentile	2.25	24.53	8.27	13.71	11.76	14.06	10.13	8.29
90th Percentile	0.48	19.43	7.27	12.28	10.48	12.61	9.64	7.82
SSgA S&P 500 Index ● A	4.29	24.56	10.00	15.03	12.87	14.84	10.33	7.92
S&P 500 Index ▲ B	4.28	24.56	10.01	15.05	12.86	14.82	10.29	7.88

- The SSgA S&P 500 Index fund continues to track the benchmark across all periods over time.
- Index returns were driven by a handful of stocks; the 10 largest stocks in the index returned 14% while the equal-weighted S&P 500 fell 2.6% for the quarter.

# 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 25 1/4 Years
10th Percentile	(2.12)	17.34	8.04	12.29	11.50	14.93	11.64	12.04
25th Percentile	(2.96)	14.85	6.16	11.20	10.56	14.43	11.05	11.76
Median	(4.03)	11.62	3.59	9.80	9.50	13.33	10.08	10.80
75th Percentile	(5.01)	10.35	(0.67)	8.57	8.19	12.52	9.66	10.03
90th Percentile	(5.80)	6.41	(4.62)	6.74	7.04	11.63	8.89	8.87
SSgA S&P 400 Index ● A	(3.44)	13.72	4.51	10.31	9.16	13.20	9.85	10.19
S&P 400 Mid Cap Index ▲ B	(3.45)	13.57	4.47	10.27	9.14	13.16	9.82	10.14

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

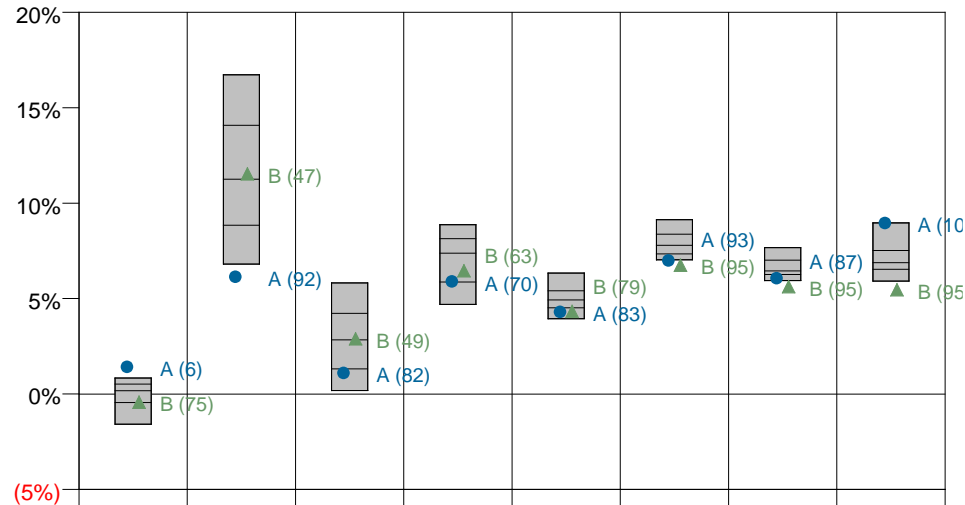
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**International Equity Performance**

# Morgan Stanley Developed International Equity

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

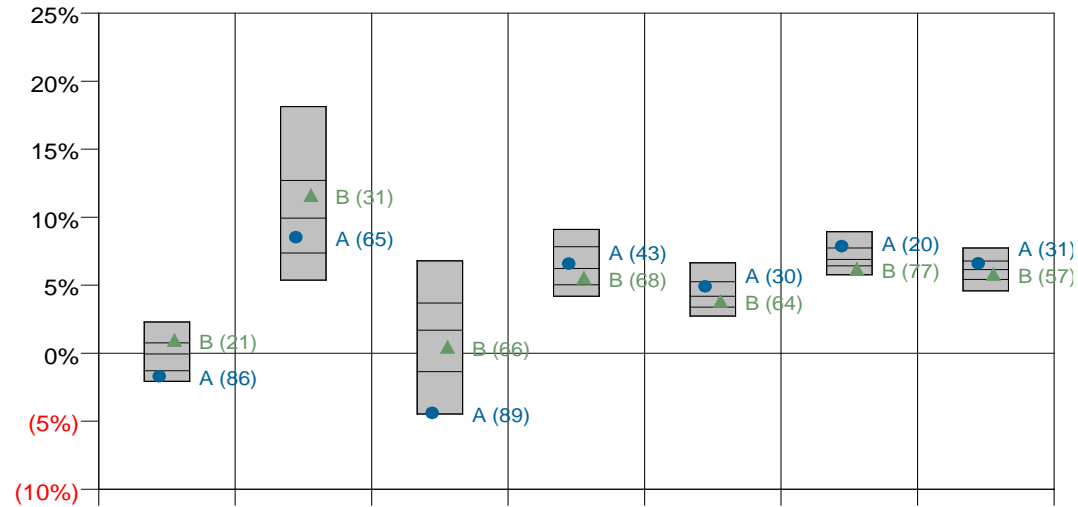


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 32/3 Years
10th Percentile	0.84	16.73	5.83	8.88	6.34	9.14	7.67	8.97
25th Percentile	0.52	14.08	4.23	8.14	5.42	8.38	7.01	7.52
Median	0.18	11.26	2.85	7.39	4.93	7.80	6.45	6.89
75th Percentile	(0.44)	8.85	1.32	5.87	4.52	7.34	6.27	6.54
90th Percentile	(1.58)	6.81	0.19	4.70	3.95	7.04	5.95	5.92
Morgan Stanley Int'l Equity ● A	1.42	6.14	1.11	5.90	4.31	7.00	6.07	8.95
MSCI EAFE ▲ B	(0.42)	11.54	2.89	6.46	4.33	6.76	5.63	5.47

- The MSCI EAFE index fell 0.42% during the quarter. MSIM's small exposure to emerging markets helped them during the quarter, particularly China .
- Positive stock selection was driven by strength in information technology, materials and industrials, which comfortably offset weakness in consumer staples. For sector allocation, the portfolio benefited from the underweight to consumer discretionary.
- Medium term performance remains challenged with this strategy, which has been impacted since the pandemic. A manager search to replace this manager is in progress.

# William Blair International Growth Equity

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

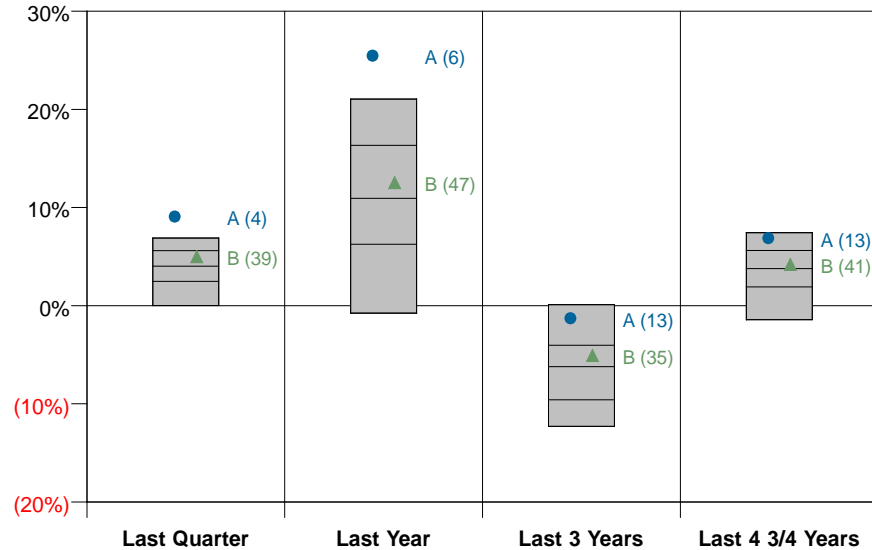


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 1/2 Years
10th Percentile	2.30	18.13	6.79	9.11	6.66	8.93	7.74
25th Percentile	0.77	12.71	3.70	7.83	5.25	7.74	6.79
Median	(0.04)	9.93	1.70	6.23	4.19	6.90	6.15
75th Percentile	(1.28)	7.38	(1.34)	5.04	3.39	6.43	5.44
90th Percentile	(2.06)	5.37	(4.47)	4.19	2.74	5.77	4.60
William Blair & Company	● A (1.69)	8.54	(4.38)	6.59	4.92	7.88	6.61
MSCI ACWI ex US	▲ B (0.96)	11.62	0.46	5.55	3.84	6.21	5.82

- William Blair underperformed its benchmark, driven by the strategy's underweight to China and selection effects within industrials and information technology.
- The strategy has outperformed both peers and its benchmark for all periods shown longer than the 3-year period.

# Causeway Emerging Markets

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



	Last Quarter	Last Year	Last 3 Years	Last 4 3/4 Years
10th Percentile	6.89	21.06	0.12	7.45
25th Percentile	5.61	16.34	(4.02)	5.63
Median	4.03	10.95	(6.20)	3.78
75th Percentile	2.49	6.27	(9.57)	1.93
90th Percentile	0.02	(0.76)	(12.29)	(1.42)
Causeway Emerging Markets (A)	9.07	25.48	(1.28)	6.88
MSCI EM (B)	5.00	12.55	(5.07)	4.21

- Emerging markets (“EM”) equities rallied during the second quarter as continued enthusiasm about artificial intelligence’s transformative potential supported information technology stocks in emerging Asia.
- Over the quarter, portfolio holdings in the emerging Asia region contributed to relative performance, due primarily to positive stock selection in China, South Korea, and India. From a sector perspective, the greatest contributors to relative performance were industrials, financials, and consumer staples.
- Overall, Causeway places in the top quartile among peers since being added to the international equity structure.

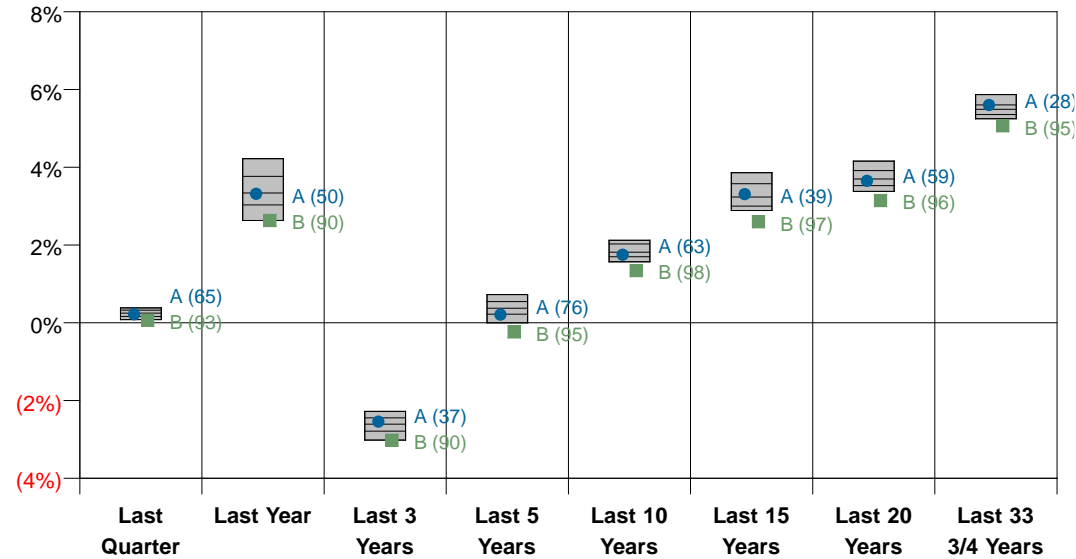
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**Fixed Income**

# 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 33 3/4 Years
10th Percentile	0.39	4.22	(2.28)	0.73	2.13	3.86	4.16	5.87
25th Percentile	0.33	3.77	(2.45)	0.55	2.03	3.58	3.91	5.61
Median	0.25	3.34	(2.61)	0.38	1.82	3.24	3.70	5.49
75th Percentile	0.16	3.03	(2.79)	0.22	1.70	3.00	3.53	5.36
90th Percentile	0.08	2.63	(3.02)	0.00	1.57	2.89	3.38	5.25
Richmond Capital Mgmt (A)	0.22	3.32	(2.54)	0.21	1.75	3.31	3.65	5.60
Blended Benchmark* (B)	0.07	2.63	(3.02)	(0.23)	1.35	2.60	3.15	5.07

- The Bloomberg US Aggregate Bond Index (+0.1%) was flat in 2Q, bringing its YTD return to -0.7%. The yield on the 10-year U.S. Treasury climbed from 4.20% to 4.36% over the quarter.
- Richmond posted positive results for the quarter and outperformed the benchmark Bloomberg Aggregate Index, with relative returns assisted by the overweight to securitized sectors. Additions during the quarter included more short dated ABS bonds and agency MBS holdings.
- For all time periods shown, Richmond is outperforming the benchmark on a gross and net of fee basis.

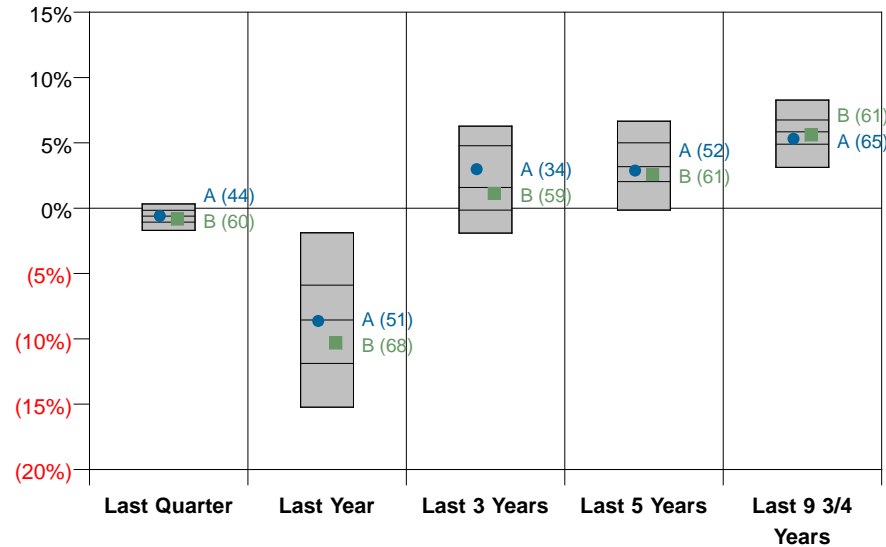
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## Real Estate

# Heitman America Real Estate Trust

## Performance vs Callan Open End Core Commingled Real Estate (Net)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 9 3/4 Years
10th Percentile	0.33	(1.88)	6.28	6.66	8.29
25th Percentile	(0.15)	(5.88)	4.78	5.01	6.76
Median	(0.60)	(8.55)	1.60	3.18	5.85
75th Percentile	(1.06)	(11.88)	(0.15)	2.04	4.90
90th Percentile	(1.69)	(15.22)	(1.90)	(0.14)	3.12
Heitman Net ● A	(0.58)	(8.62)	2.99	2.88	5.31
NCREIF NFI ODCE Eq Wt Net ■ B	(0.82)	(10.32)	1.14	2.58	5.61

- Real Estate valuations continue to be reflective of higher interest rates, which have put upward pressure on capitalization rate and discount rate assumptions. All property sectors and regions experienced negative appreciation, except for hotels.
- Defensive positioning in the portfolio continues to help with relative performance as self storage (25% allocation) and industrial (26% allocation) sectors have seen the lowest downward valuation adjustment in recent quarters.
- Heitman maintains short-term outperformance against the benchmark, benefiting from sector selection, but trails the benchmark slightly over longer time periods.

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**Appendix**

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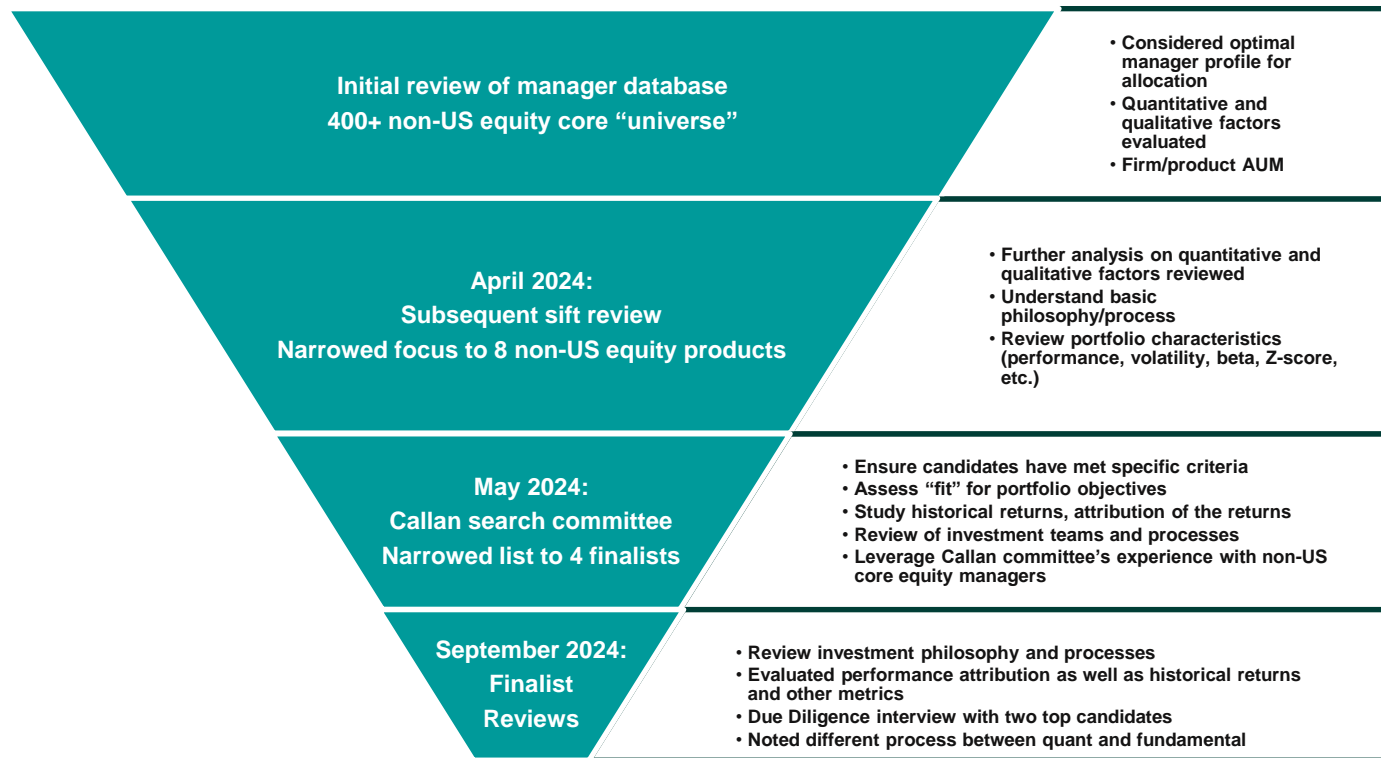
## **International Equity Manager Review**

Manager Search

# Non-US Equity Manager Search

## Process Overview

- Earlier in 2024, longer term performance issues with the Morgan Stanley International Value mandate reached a point where a decision to replace the manager became necessary.
- The objective of the non-US equity manager search is to identify a manager that can consistently create alpha across multiple market environments and pairs well with the non-US growth manager. In addition, this decision will also impact the emerging market manager, Causeway.
- Callan and staff identified the following finalists: Brandes, Causeway and Pzena.



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## Background

How did we get here? Why are we conducting this review?

### History

- The international equity portfolio has evolved over time. The portfolio started with a T. Rowe Price Growth Fund before adding two Morgan Stanley strategies, International Equity first in 1991, followed by Emerging Markets in 1997.
- William Blair's Growth Strategy was added in 2004 to replace T. Rowe Price and provide additional exposure to growth equities, emerging markets, international small caps.
- Causeway Capital replaced Morgan Stanley's Emerging Markets Strategy in 2018

### Current Structure

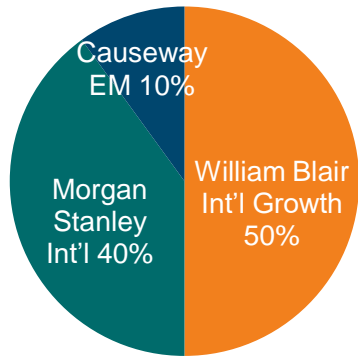
- The structure is intended to balance William Blair's growth strategy against Morgan Stanley's historically quality and value-oriented strategy while getting a balanced emerging markets exposure through Causeway.
- The MSIM strategy is EAFE benchmarked (does not have exposure to Emerging Markets). William Blair also provides some exposure to International Small Caps as it is benchmarked to the MSCI ACWI ex US IMI.
- The targeted weights for the structure as a percentage of non-US equity: William Blair – 50%; Morgan Stanley – 40%; Causeway 10%.

### Reasoning for Review

- Morgan Stanley has evolved to a quality/core-oriented manager that does not effectively balance William Blair's quality/growth orientation.
- Causeway Emerging Markets is a value-oriented strategy resulting in a value overweight to the Emerging Markets exposure of the overall International Equity allocation.
  - Causeway's Emerging Markets allocation in the fund is small compared to the International Equity allocations, but sized similar to the historical market weight.

# Alternative International Equity Fund Structures

## Current Structure

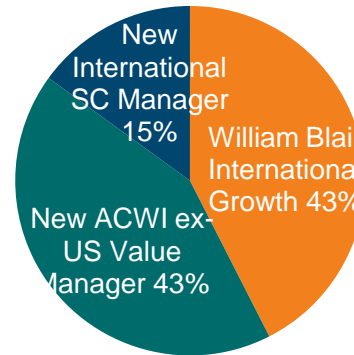


## Alternative 1



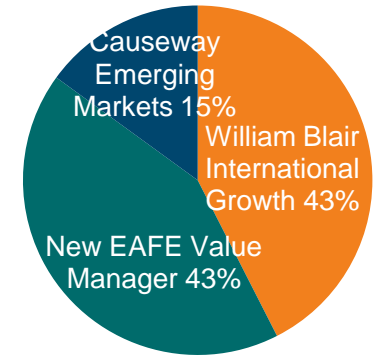
- Replace Morgan Stanley and Causeway Emerging Markets with a value-oriented, ACWI ex-US manager
- Reallocate funds to 50/50 International Value + Growth.

## Alternative 2



- Conduct a manager search and replace Morgan Stanley with a value-oriented, ACWI ex-US manager.
- Since William Blair is benchmarked to the MSCI ACWI ex US IMI, consider adding an International Small Cap Equity manager to complement the new value oriented manager.

## Alternative 3



- Conduct a manager search and replace Morgan Stanley with a value-oriented EAFE manager.
- Keeps International Equity benchmark MSCI ACWI ex-US

# Callan's Proposed 2024 Work Plan

## City of Fort Pierce Retirement and Benefit System

	1 <sup>st</sup> Quarter 2024			2 <sup>nd</sup> Quarter 2024			3 <sup>rd</sup> Quarter 2024			4 <sup>th</sup> Quarter 2024		
<b>Strategic Planning</b>												
Review Capital Market Expectations												
Present Proposed 2025 Work Plan												
<b>Plan Implementation</b>												
Prepare Cash Raise for Benefit Payments												
Investment Manager Fee Review												
Provide annual Fiscal YE results												
Manager Searches (as needed)												
<b>Monitoring &amp; Evaluation</b>												
Quarterly Performance Reviews												
Quarterly Meeting Attendance												
Present Executive Summary												
Investment Manager Presentations												
Continuous Qualitative Review												
<b>Research &amp; Education</b>												
National Client Conference – San Francisco, CA , April 8-10												
“Callan College”												
Regional Workshops												
Custom Board Education												
Research Papers and Publications												

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