

# Callan



February 20, 2025

**City of Fort Pierce**

Fourth Quarter Performance Review

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**Weston Lewis, CFA, CAIA**

Atlanta Fund Sponsor Consulting

**Paola J. Cardenas, MBA**

Atlanta Fund Sponsor Consulting

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**Market Environment Update**

# Equity Markets Up Sharply in 2024

Stocks have recovered losses of 2022; fixed income still lags

- **S&P 500 climbed 25% in 2024**

- U.S. large cap substantially outperformed U.S. small cap, developed ex-U.S. markets, and emerging markets. Technology and AI drove the S&P 500.

- **Weak 4Q for core fixed income**

- The Bloomberg Aggregate fell 3.1%. Long duration and non-U.S. bonds saw even greater declines.
- Interest rates remain volatile as the markets assess how the Fed will continue with easing.
- CPI-U came in at 2.9% (year-over-year) through December, up from 3Q, but with a welcome decline in the core figure, which rose 3.2%.

- **Solid growth through 2024**

- 3Q GDP came in at a surprisingly strong 3.1%, after another surprise in 2Q, and saw 2.3% growth in 4Q. Consumer spending continues to drive GDP growth.

Returns for Periods ended 12/31/24

	Quarter	1 Year	3 Years	5 Years	10 Years	25 Years
<b>U.S. Equity</b>						
Russell 3000	2.63	23.81	8.01	13.86	12.55	7.84
S&P 500	2.41	25.02	8.94	14.53	13.10	7.70
Russell 2000	0.33	11.54	1.24	7.40	7.82	7.55
<b>Global ex-U.S. Equity</b>						
MSCI World ex USA	-7.43	4.70	1.91	5.10	5.26	3.78
MSCI Emerging Markets	-8.01	7.50	-1.92	1.70	3.64	--
MSCI ACWI ex USA Small Cap	-7.66	3.36	-1.47	4.30	5.66	6.23
<b>Fixed Income</b>						
Bloomberg Aggregate	-3.06	1.25	-2.41	-0.33	1.35	3.94
90-day T-Bill	1.17	5.25	3.89	2.46	1.77	1.91
Bloomberg Long Gov/Credit	-7.42	-4.15	-9.20	-3.26	0.99	5.36
Bloomberg Global Agg ex-US	-6.84	-4.22	-6.28	-3.37	-0.90	2.45
<b>Real Estate</b>						
NCREIF Property Index	0.90	0.43	-0.82	3.13	5.66	7.58
FTSE Nareit Equity	-6.21	8.73	-2.20	4.27	5.73	9.84
<b>Alternatives</b>						
Cambridge Private Equity*	2.68	7.93	2.75	14.27	13.40	12.39
Cambridge Senior Debt*	3.35	10.18	7.08	7.89	7.31	4.59
HFRI Fund Weighted	1.49	9.83	4.41	7.00	5.26	5.57
Bloomberg Commodity	-0.45	5.38	4.05	6.77	1.28	2.15
Gold Spot Price	-0.69	27.47	13.04	11.64	8.35	9.24
<b>Inflation: CPI-U*</b>	0.10	2.89	4.22	4.20	3.00	2.54

\*Cambridge Private Equity and Cambridge Senior Debt data as of 9/30/24. Returns greater than one year are annualized.

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

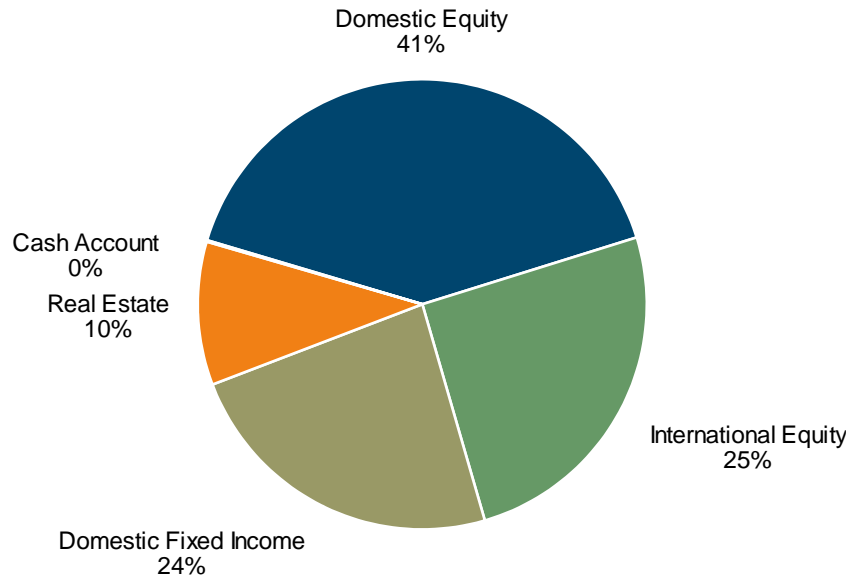
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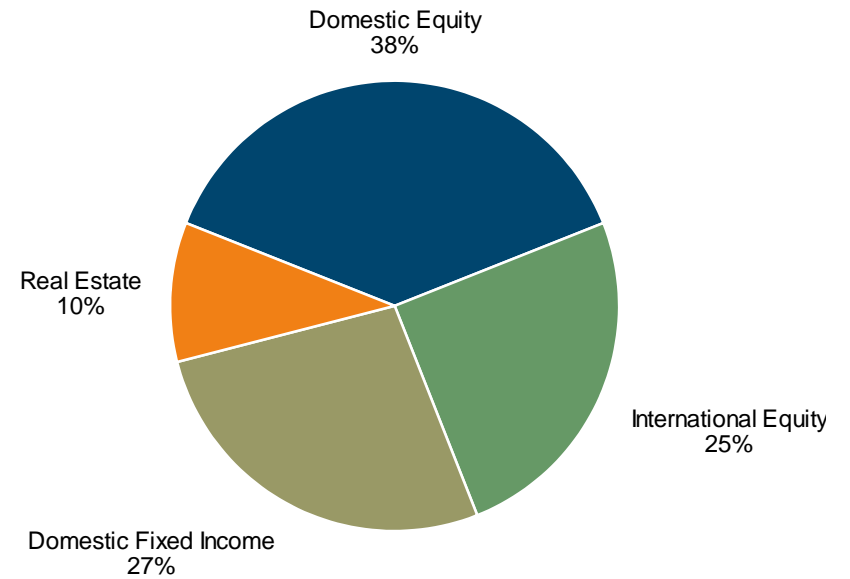
**Asset Allocation and Performance Review**

# Asset Allocation

**Actual Asset Allocation**



**Target Asset Allocation**



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	94,806	40.6%	38.0%	2.6%	6,129
International Equity	59,155	25.3%	25.0%	0.3%	815
Domestic Fixed Income	55,239	23.7%	27.0%	(3.3%)	(7,769)
Real Estate	23,979	10.3%	10.0%	0.3%	643
Cash Account	182	0.1%	0.0%	0.1%	182
<b>Total</b>	<b>233,361</b>	<b>100.0%</b>	<b>100.0%</b>		

# Asset Distribution Across Investment Managers

	December 31, 2024			September 30, 2024		
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$94,805,782</b>	<b>40.63%</b>	<b>\$(2,541,744)</b>	<b>\$1,745,026</b>	<b>\$95,602,500</b>	<b>39.77%</b>
Emerald Advisers, Inc.	7,372,555	3.16%	(1,507,268)	291,628	8,588,195	3.57%
Ceredex Value Advisors	6,882,706	2.95%	(1,018,046)	(127,670)	8,028,422	3.34%
SSgA S&P 500 Index	65,099,321	27.90%	(10,181)	1,529,457	63,580,044	26.45%
SSgA S&P 400 Index	15,451,200	6.62%	(6,249)	51,610	15,405,839	6.41%
<b>International Equity</b>	<b>\$59,155,234</b>	<b>25.35%</b>	<b>\$(48,354)</b>	<b>\$(4,657,624)</b>	<b>\$63,861,212</b>	<b>26.57%</b>
Morgan Stanley Int'l Equity	24,912,881	10.68%	(48,354)	(2,359,091)	27,320,326	11.37%
Causeway Emerging Markets	6,449,716	2.76%	0	(407,632)	6,857,348	2.85%
William Blair Intl Growth	27,792,637	11.91%	0	(1,890,900)	29,683,538	12.35%
<b>Domestic Fixed Income</b>	<b>\$55,238,891</b>	<b>23.67%</b>	<b>\$(33,868)</b>	<b>\$(1,724,985)</b>	<b>\$56,997,745</b>	<b>23.71%</b>
Richmond Capital	55,238,891	23.67%	(33,868)	(1,724,985)	56,997,745	23.71%
<b>Real Estate</b>	<b>\$23,979,438</b>	<b>10.28%</b>	<b>\$(62,265)</b>	<b>\$318,582</b>	<b>\$23,723,121</b>	<b>9.87%</b>
Heitman	23,979,438	10.28%	(62,265)	318,582	23,723,121	9.87%
<b>Cash Account</b>	<b>\$181,750</b>	<b>0.08%</b>	<b>\$0</b>	<b>\$2,075</b>	<b>\$179,676</b>	<b>0.07%</b>
Cash & Equivalents	181,750	0.08%	0	2,075	179,676	0.07%
<b>Total Fund</b>	<b>\$233,361,096</b>	<b>100.0%</b>	<b>\$(2,686,231)</b>	<b>\$(4,316,926)</b>	<b>\$240,364,254</b>	<b>100.0%</b>

- The City of Fort Pierce Retirement and Benefit System plan assets are approximately \$233.4 million as of December 31st, 2024.
- At the end of 3Q 2024, the city requested funds to pay for benefit payments. Approximately \$4.5 million were withdrawn in September and \$2.5 million were redeemed from Emerald and Ceredex in 4Q.
- Investment returns were negative for the fourth quarter at \$4.3 million.

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

- The Plan fell 1.82% in the fourth quarter and was ahead of the index by 0.16% on a gross of fee basis. Compared to peers, the Plan is in the fourth quartile for the quarter.
- Sector performance for the S&P 500 was mixed; only 4 (Communication Services, Consumer Discretionary, Financials, and Information Technology) posted positive returns. The quarter was marked by volatility, particularly during October and December driven by investor anxiety around the U.S. presidential election, uncertainty with the Fed's approach to interest rate cuts on a go-forward basis, and some misses to earnings expectations for companies.
- Active manager performance within the international equity composite contributed to relative results as William Blair and Causeway both beat their benchmarks, despite negative returns, and placed in the top quartile relative to peers.
- For the quarter, Domestic Equity outperformed its benchmark due to strong performance by Emerald; the value option was a laggard, but long-term performance remains strong.
- Active management has had positive effects over the trailing 1-year the majority coming from real estate and domestic equity.
- On a net of fee basis, the Plan outperformed its benchmark during the quarter and over the last year. Longer-term performance trails the benchmark slightly on a net of fee basis.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Domestic Equity</b>	<b>1.87%</b>	<b>21.85%</b>	<b>7.63%</b>	<b>13.10%</b>	<b>12.07%</b>
Domestic Equity Benchmark	1.75%	21.12%	7.09%	12.85%	11.81%
Pub Pln- Dom Equity	1.88%	21.55%	7.45%	13.12%	12.01%
Emerald Advisers, Inc.	4.14%	21.28%	3.32%	9.81%	10.81%
Russell 2000 Growth Index	1.70%	15.15%	0.21%	6.86%	8.09%
Callan Small Cap Growth	1.80%	15.94%	(0.25%)	9.10%	10.57%
Ceredex Value Advisors	(1.82%)	10.21%	5.46%	8.83%	8.35%
Russell 2000 Index	0.33%	11.54%	1.24%	7.40%	7.82%
Russell 2000 Value Index	(1.06%)	8.05%	1.94%	7.29%	7.14%
Callan Small Cap Value	(0.32%)	9.03%	4.33%	9.51%	8.68%
SSgA S&P 500 Index	2.41%	25.00%	8.93%	14.51%	13.11%
Standard & Poor's 500	2.41%	25.02%	8.94%	14.53%	13.10%
Callan Large Cap Core	2.29%	24.87%	9.32%	14.58%	12.94%
SSgA S&P 400 Index	0.33%	13.92%	4.89%	10.36%	9.70%
S&P Mid Cap 400 Index	0.34%	13.93%	4.87%	10.34%	9.68%
Callan Mid Capitalization	(0.35%)	13.28%	3.23%	10.09%	9.88%
<b>International Equity</b>	<b>(7.30%)</b>	<b>3.89%</b>	<b>(1.98%)</b>	<b>4.38%</b>	<b>5.28%</b>
International Equity Benchmark	(7.60%)	5.53%	0.82%	4.10%	4.80%
Pub Pln- Intl Equity	(7.70%)	4.95%	1.05%	4.90%	5.74%
Morgan Stanley Int'l Equity	(8.64%)	2.85%	1.66%	4.49%	5.28%
MSCI EAFE Index	(8.11%)	3.82%	1.65%	4.73%	5.20%
Callan NonUS Dev Core Eq	(7.14%)	6.16%	2.20%	5.94%	5.86%
William Blair Intl Growth(2)(3)	(6.37%)	2.66%	(5.28%)	4.25%	5.33%
MSCI ACWI x US (Net)	(7.60%)	5.53%	0.82%	4.10%	4.80%
Callan Non US Equity MFs	(7.92%)	4.41%	1.37%	4.50%	5.06%
Causeway Emerging Markets(2)	(5.94%)	14.94%	1.22%	3.66%	-
MSCI EM	(8.01%)	7.50%	(1.92%)	1.70%	3.64%
Callan Emerging Equity MF	(6.83%)	6.56%	(3.56%)	1.01%	3.28%
<b>Domestic Fixed Income</b>	<b>(3.03%)</b>	<b>1.79%</b>	<b>(1.81%)</b>	<b>0.11%</b>	<b>1.75%</b>
Domestic Fixed Income Benchmark	(3.06%)	1.25%	(2.41%)	(0.33%)	1.35%
Blmbg Aggregate Index	(3.06%)	1.25%	(2.41%)	(0.33%)	1.35%
Pub Pln- Dom Fixed	(2.40%)	2.69%	(1.19%)	0.92%	2.10%
Richmond Capital	(3.03%)	1.79%	(1.81%)	0.11%	1.75%
Blended Benchmark(1)	(3.06%)	1.25%	(2.41%)	(0.33%)	1.35%
Callan Core Bond FI	(2.94%)	1.93%	(1.95%)	0.30%	1.86%
<b>Real Estate</b>	<b>1.34%</b>	<b>(0.13%)</b>	<b>(0.58%)</b>	<b>4.12%</b>	<b>5.72%</b>
Real Estate Benchmark	0.85%	(2.43%)	(3.11%)	2.24%	5.25%
Pub Pln- Real Estate	0.90%	(1.00%)	(2.12%)	2.67%	5.49%
Heitman(2)	1.08%	(1.16%)	(1.60%)	3.05%	5.15%
NFI-ODCE Equal Weight Net	0.85%	(2.43%)	(3.11%)	2.24%	5.25%
Callan OE Core Cmngld RE	0.72%	(1.72%)	(1.95%)	2.55%	5.49%
<b>Total Fund</b>	<b>(1.82%)</b>	<b>9.83%</b>	<b>1.98%</b>	<b>6.68%</b>	<b>7.23%</b>
Total Fund Benchmark*	(1.98%)	9.33%	2.19%	6.51%	7.13%
CPI + 5%	1.32%	7.89%	9.22%	9.20%	8.00%
Callan Public Fund Spr DB	(1.12%)	10.00%	2.97%	7.19%	7.32%

Current Qtr Target=27.0% Blmbg 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) Blmbg Gov/Credit Bond Index through May 31, 2013 and Blmbg Aggregate thereafter. (2) Returns are reported net of fees. (3) Switched to commingled investment trust 2/27/2023.

# 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 has been replaced by Brandes International Value.

\*\*The emerging markets allocation has been removed as the Brandes strategy includes emerging markets.

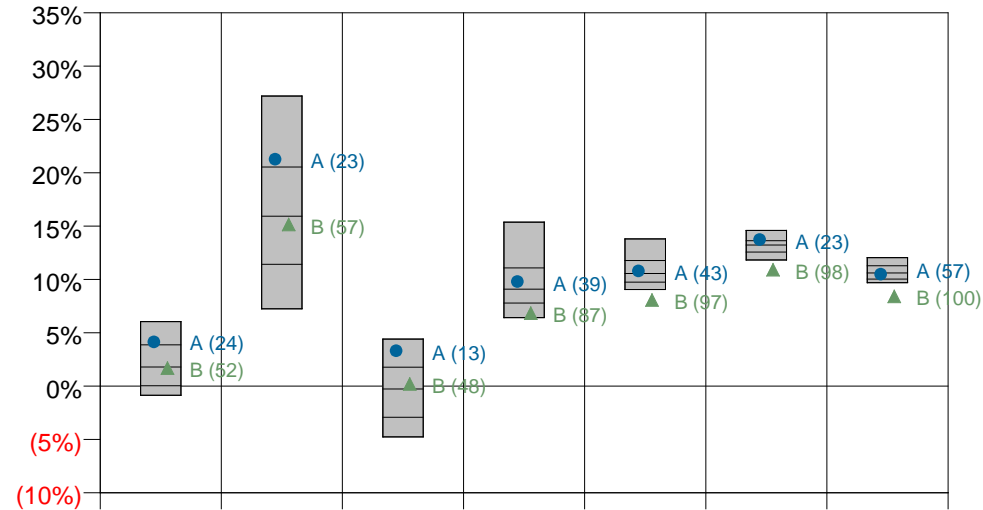
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**Domestic Equity**

# Emerald Advisors Small Cap Growth

## Performance vs Callan Small Cap Growth (Gross)

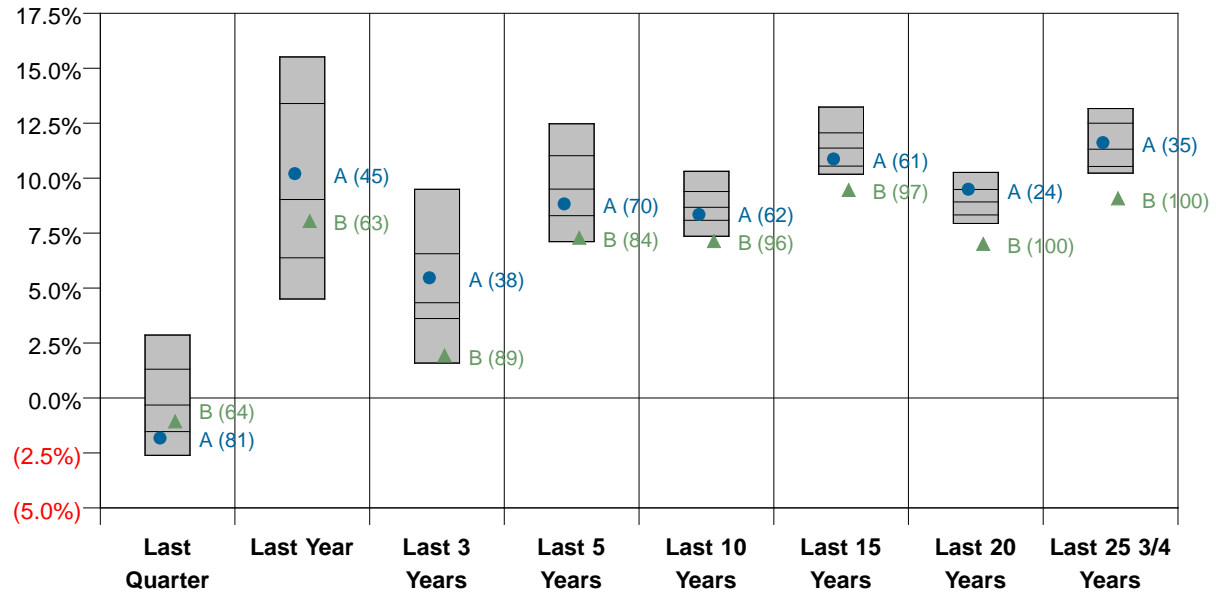


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 3/4 Years
10th Percentile	6.06	27.20	4.41	15.39	13.80	14.60	12.06
25th Percentile	3.88	20.55	1.79	11.09	11.78	13.64	11.29
Median	1.80	15.94	(0.25)	9.10	10.57	13.23	10.61
75th Percentile	0.05	11.43	(2.91)	7.80	9.75	12.58	10.05
90th Percentile	(0.86)	7.25	(4.76)	6.43	9.07	11.84	9.71
Emerald Advisers ● A	4.14	21.28	3.32	9.81	10.81	13.75	10.49
Russell 2000 Growth Index ▲ B	1.70	15.15	0.21	6.86	8.09	10.92	8.42

- The healthcare sector was the portfolio's largest positive contributor to return for the quarter, as the positive contribution from stock selection more than offset the negative contribution from allocation effect. Policy uncertainty related to the incoming Presidential administration and rising treasury yields weighed on healthcare sector performance
- 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)

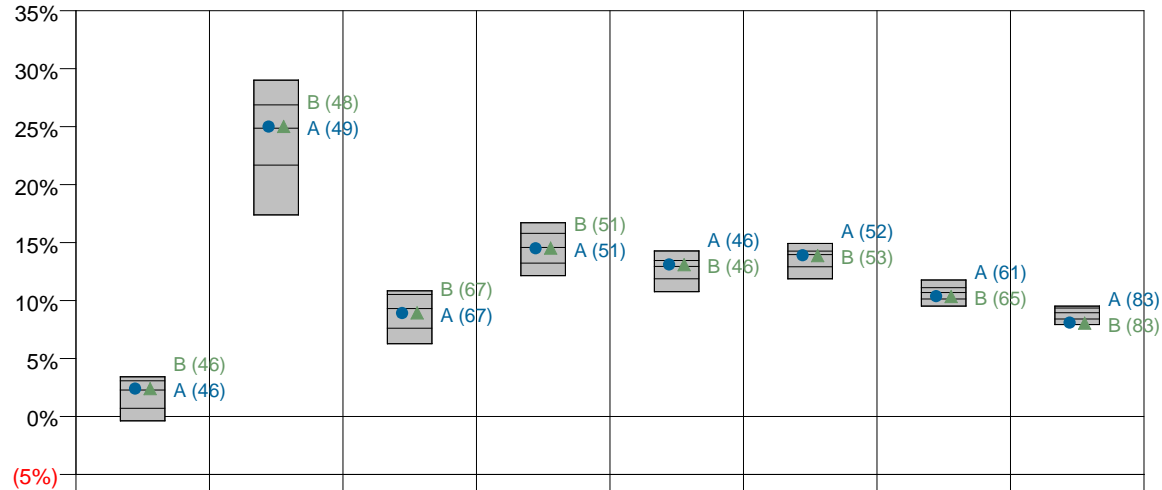


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 25 3/4 Years
10th Percentile	2.87	15.52	9.50	12.48	10.31	13.24	10.27	13.17
25th Percentile	1.32	13.40	6.57	11.03	9.39	12.06	9.49	12.51
Median	(0.32)	9.03	4.33	9.51	8.68	11.37	8.92	11.32
75th Percentile	(1.52)	6.38	3.62	8.30	8.09	10.55	8.34	10.54
90th Percentile	(2.60)	4.51	1.59	7.12	7.36	10.18	7.94	10.23
Ceredex Value Advisors (A)	(1.82)	10.21	5.46	8.83	8.35	10.88	9.50	11.62
Russell 2000 Value Index (B)	(1.06)	8.05	1.94	7.29	7.14	9.46	7.01	9.08

- Ceredex underperformed the benchmark during the quarter and placed in the bottom quartile among peers. Information technology stock selection, affected by continued slower cyclical momentum in autos hurt performance as did industrials stock selection, due to idiosyncratic business weakness and building product exposure, pressured by rising longer-term rates.
- The manager's medium and long-term performance remains strong versus the benchmark and peer group results are mixed, but overall favorable.

# SSgA S&P 500 Index

## Performance vs Callan Large Cap Core (Gross)

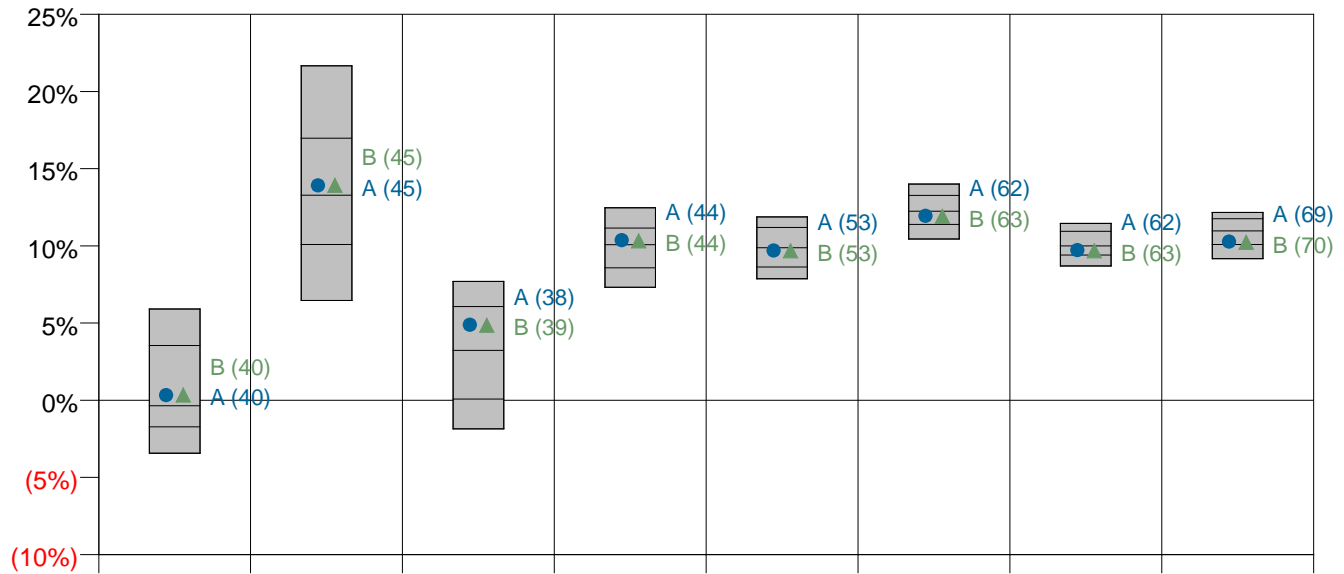


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 25 3/4 Years
10th Percentile	3.44	29.01	10.85	16.73	14.28	14.93	11.78	9.53
25th Percentile	3.09	26.88	10.53	15.80	13.46	14.26	11.11	9.37
Median	2.29	24.87	9.32	14.58	12.94	13.97	10.70	8.95
75th Percentile	0.71	21.69	7.62	13.24	11.88	12.92	10.14	8.41
90th Percentile	(0.37)	17.39	6.28	12.15	10.77	11.89	9.53	7.94
SSgA S&P 500 Index ● A	2.41	25.00	8.93	14.51	13.11	13.91	10.39	8.10
S&P 500 Index ▲ B	2.41	25.02	8.94	14.53	13.10	13.88	10.35	8.06

- The SSgA S&P 500 Index fund continues to track the benchmark across all periods over time.
- Market concentration remains elevated; the percentage of companies outperforming the S&P 500 is at historic lows and there remains a large divergence between S&P 500 and S&P 500 ex-Magnificent Seven 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 25 3/4 Years
10th Percentile	5.91	21.67	7.70	12.48	11.88	14.01	11.46	12.17
25th Percentile	3.55	16.99	6.07	11.16	11.20	13.27	10.94	11.77
Median	(0.35)	13.28	3.23	10.09	9.88	12.25	10.01	10.98
75th Percentile	(1.72)	10.09	0.08	8.58	8.64	11.40	9.42	10.10
90th Percentile	(3.43)	6.47	(1.84)	7.33	7.87	10.45	8.70	9.17
SSgA S&P 400 Index ● A	0.33	13.92	4.89	10.36	9.70	11.95	9.73	10.28
S&P 400 Mid Cap Index ▲ B	0.34	13.93	4.87	10.34	9.68	11.92	9.69	10.24

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

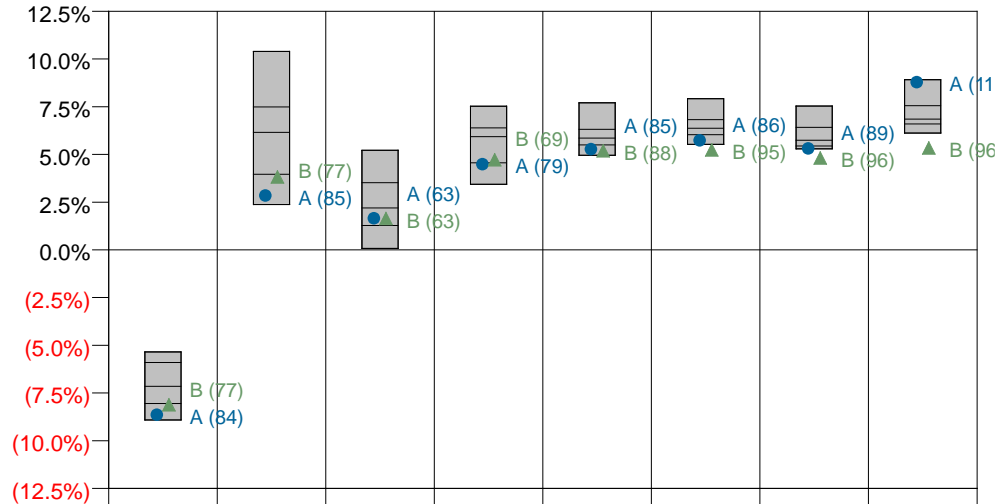
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**International Equity Performance**

# Morgan Stanley Developed International Equity

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

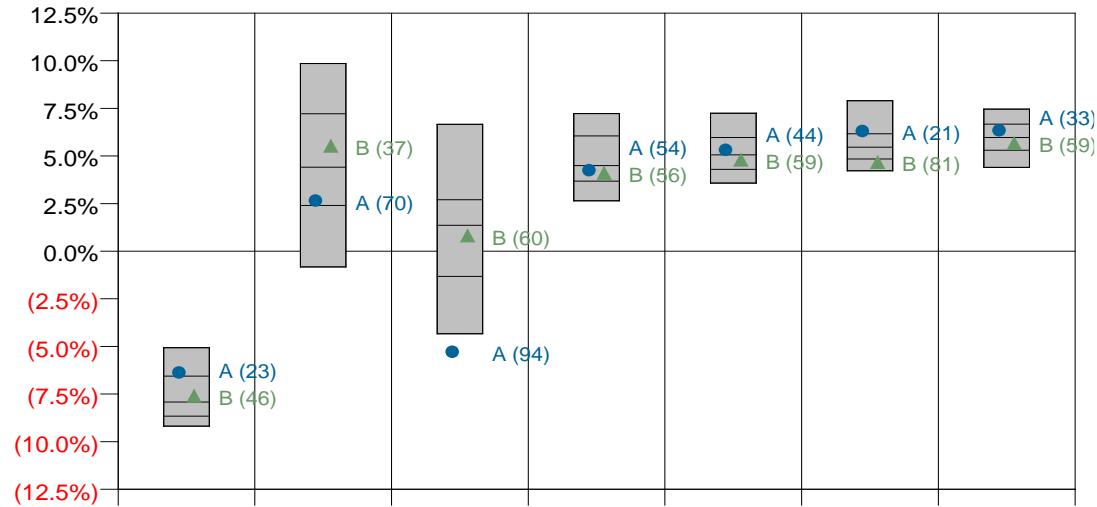


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 33 1/4 Years
10th Percentile	(5.35)	10.41	5.23	7.53	7.71	7.92	7.54	8.92
25th Percentile	(5.90)	7.50	3.52	6.40	6.32	6.83	6.42	7.56
Median	(7.14)	6.16	2.20	5.94	5.86	6.38	5.75	6.85
75th Percentile	(8.05)	3.96	1.28	4.56	5.50	6.04	5.45	6.60
90th Percentile	(8.91)	2.38	0.08	3.44	4.96	5.53	5.30	6.12
Morgan Stanley Int'l Equity ● A	(8.64)	2.85	1.66	4.49	5.28	5.74	5.32	8.79
MSCI EAFE ▲ B	(8.11)	3.82	1.65	4.73	5.20	5.24	4.81	5.34

- The MSCI EAFE Index was weak in the final quarter of 2024, with a strengthening dollar contributing to the index falling 8.1% in U.S. dollars (USD), whilst only a milder 0.6% in local currency.
- The largest absolute detractors in the fourth quarter were Davide Campari and L'Oréal, both consumer staples names impacted by weak third quarter results and concerns over the potential for U.S. tariffs.
- This manager has been replaced with Brandes International Value in January 2025 following a search conducted at the August meeting.

# William Blair International Growth Equity

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

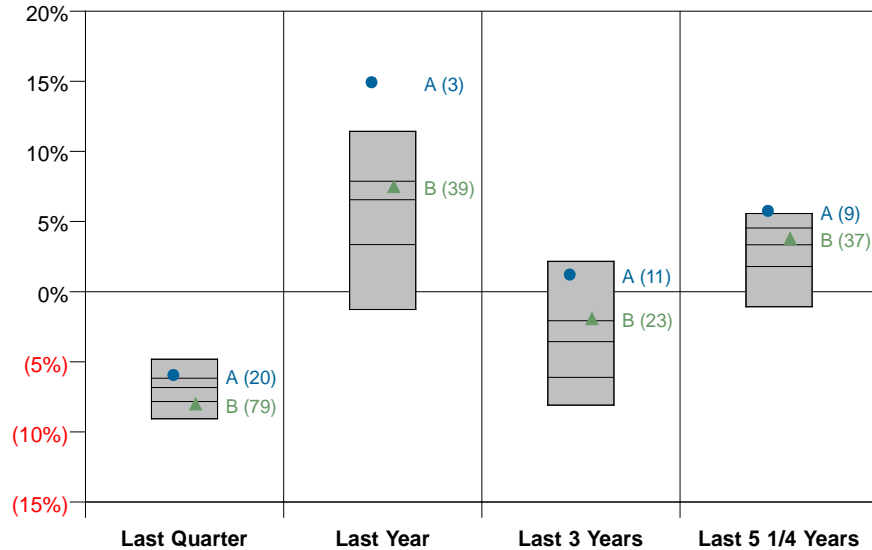


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	Last 21 Years
10th Percentile	(5.06)	9.86	6.66	7.23	7.25	7.90	7.46
25th Percentile	(6.55)	7.22	2.70	6.06	5.98	6.17	6.68
Median	(7.92)	4.41	1.37	4.50	5.06	5.46	5.97
75th Percentile	(8.65)	2.41	(1.32)	3.69	4.30	4.84	5.30
90th Percentile	(9.18)	(0.82)	(4.34)	2.65	3.58	4.23	4.41
William Blair & Company ● A	(6.37)	2.66	(5.28)	4.25	5.33	6.31	6.35
MSCI ACWI ex US ▲ B	(7.60)	5.53	0.82	4.10	4.80	4.68	5.67

- From a sector perspective, allocation effect was positive, primarily driven by an overweight to information technology and an underweight to materials. Selection effect was positive due to strong selection in information technology and healthcare.
- After a midcycle correction in the third quarter, the semiconductor industry rebounded in the fourth quarter and the dominant players, including TSMC, outperformed.
- 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 5 1/4 Years
10th Percentile	(4.81)	11.44	2.17	5.58
25th Percentile	(6.17)	7.88	(2.07)	4.55
Median	(6.83)	6.56	(3.56)	3.36
75th Percentile	(7.83)	3.36	(6.11)	1.80
90th Percentile	(9.06)	(1.27)	(8.09)	(1.07)
Causeway Emerging Markets (A)	(5.94)	14.94	1.22	5.76
MSCI EM (B)	(8.01)	7.50	(1.92)	3.81

- Emerging markets struggled during the quarter as the MSCI Emerging Markets Index fell 8.0%. Political uncertainty, coupled with a strengthening U.S. dollar, added further challenges to emerging market returns.
- Fund holdings in the emerging Asia region contributed to relative performance, due primarily to positive stock selection in Taiwan and China. The greatest stock level contributors to relative performance included overweight positions in bank, China Construction Bank Corp. (China), and financial technology company, Qifu Technology. Inc. (China).
- Following a re-structuring of the international equity portfolio, the emerging markets allocation has been terminated and assets has been mapped to the Brandes International Value in January 2025.

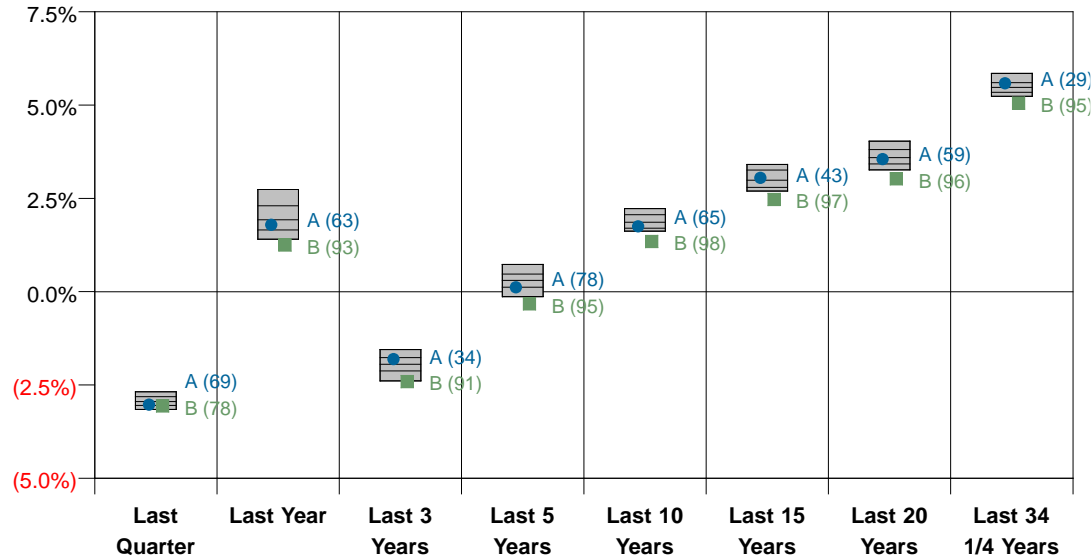
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**Fixed Income**

# 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 34 1/4 Years
10th Percentile	(2.68)	2.74	(1.55)	0.73	2.23	3.41	4.04	5.85
25th Percentile	(2.81)	2.30	(1.77)	0.47	2.06	3.26	3.81	5.60
Median	(2.94)	1.93	(1.95)	0.30	1.86	2.99	3.60	5.47
75th Percentile	(3.05)	1.66	(2.12)	0.12	1.70	2.79	3.42	5.34
90th Percentile	(3.15)	1.41	(2.39)	(0.13)	1.62	2.70	3.27	5.24
Richmond Capital Mgmt (A)	(3.03)	1.79	(1.81)	0.11	1.75	3.05	3.55	5.58
Blended Benchmark* (B)	(3.06)	1.25	(2.41)	(0.33)	1.35	2.47	3.03	5.05

- The Bloomberg US Aggregate Bond Index fell 3.1% due to the rise in rates. With the steepening yield curve, long government bonds fared the worst among sectors. At the beginning of the quarter, the market was pricing in a Fed Funds rate of 3.0% by year-end 2025. By the end the quarter that number had risen to roughly 4.0%, implying a removal of four previously-expected rate cuts by the end of 2025.
- Richmond performed in-line with the benchmark for the quarter and outperformed for the year due largely to an overweight to corporate credit, ABS, and agency MBS.
- For all time periods longer than the last quarter, Richmond is outperforming the benchmark on a gross and net of fee basis.

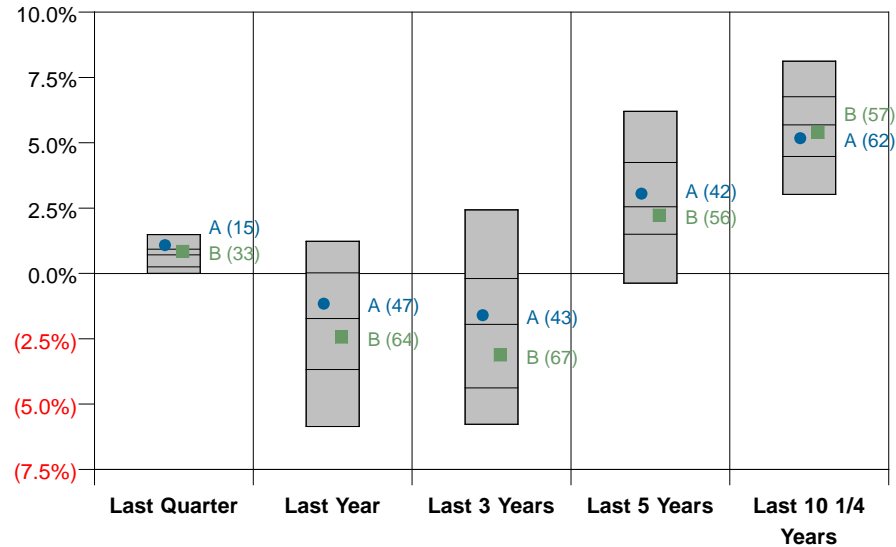
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**Real Estate**

# 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 10 1/4 Years
10th Percentile	1.49	1.23	2.44	6.21	8.13
25th Percentile	0.93	0.02	(0.19)	4.25	6.76
Median	0.72	(1.72)	(1.95)	2.55	5.69
75th Percentile	0.25	(3.68)	(4.38)	1.50	4.48
90th Percentile	0.00	(5.86)	(5.77)	(0.37)	3.03
Heitman Net ● A	1.08	(1.16)	(1.60)	3.05	5.18
NCREIF NFI ODCE Eq Wt Net ■ B	0.85	(2.43)	(3.11)	2.24	5.41

- Transaction volume is likely to remain muted due to elevated interest rates. Existing property fundamentals are strong, and valuations across the overall private real estate market appear to have reached a bottom.
- The fund's allocation to alternative sectors (self-storage, student housing, medical office) remains overweight to the index and has added 21bps of outperformance over the trailing 5-year period.
- Heitman paid out redemptions of \$159m in Q4 and \$225m in Q1. During 2024, the redemption queue fell from \$1.63b to \$1.16b and the commitment queue rose from \$60.1m to \$79.1m.

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**2025 Capital Markets Assumptions**

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# Why Make Capital Market Projections?

## Guiding objectives and process

### **Cornerstone of a prudent process is a long-term strategic investment plan**

- ▶ Capital market projections are key elements — set reasonable return and risk expectations for the appropriate time horizon
- ▶ Projections represent our best thinking regarding the long-term (10-year) outlook, recognizing our median projections represent the midpoint of a range, rather than a specific number
- ▶ Develop results that are readily defensible both for individual asset classes and for total portfolios
- ▶ Be conscious of the level of change suggested in strategic allocations for long-term investors: DB plan sponsors, foundations, endowments, trusts, DC participants, families and individuals
- ▶ Reflect common sense and recent market developments, within reason

### **Callan's forecasts are informed by current market conditions, but are not built directly from them**

- ▶ Balance recent, immediate performance and valuation against long-term equilibrium expectations

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# How Are Capital Markets Projections Constructed?

## Guiding objectives and process

### **Underlying beliefs guide the development of the projections:**

- ▶ An initial bias toward long-run averages
- ▶ A conservative bias
- ▶ An awareness of risk premiums
- ▶ A presumption that markets are ultimately clear and rational

**Reflect our beliefs that long-term equilibrium relationships between the capital markets and lasting trends in global economic growth are key drivers to setting capital markets expectations**

**Long-term compensated risk premiums represent “beta” – exposure to each broad market, whether traditional or “exotic,” with limited dependence on successful realization of alpha**

### **The projection process is built around several key building blocks:**

- ▶ Advanced modeling at the individual asset class level (e.g., a detailed bond model, an equity model)
- ▶ A path for interest rates and inflation
- ▶ A cohesive economic outlook
- ▶ A framework that encompasses Callan beliefs about the long-term operation and efficiencies of the capital markets

# 2025 vs. 2024 Risk and Returns Assumptions

Summary of Callan's Long-Term Capital Markets Assumptions (2025–2034)

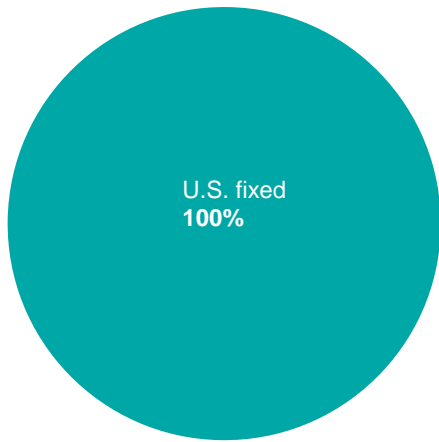
Asset Class	Index	Projected Return			Projected Risk	Projected Yield**	2024–2033		
		1-Year Arithmetic	10-Year Geometric*	Real	Standard Deviation		1-Year Arithmetic	10-Year Geometric*	Standard Deviation
<b>Equities</b>									
Broad U.S. Equity	Russell 3000	8.70%	7.35%	4.85%	17.35%	1.70%	8.85%	7.65%	17.40%
Large Cap U.S. Equity	S&P 500	8.50%	7.25%	4.75%	17.00%	1.75%	8.70%	7.50%	17.00%
Smid Cap U.S. Equity	Russell 2500	9.60%	7.45%	4.95%	22.00%	1.50%	9.80%	7.70%	22.00%
Global ex-U.S. Equity	MSCI ACWI ex USA	9.45%	7.45%	4.95%	21.25%	3.45%	9.65%	7.65%	21.40%
Developed ex-U.S. Equity	MSCI World ex USA	9.05%	7.25%	4.75%	20.15%	3.50%	9.25%	7.50%	20.15%
Emerging Markets Equity	MSCI Emerging Markets	10.30%	7.45%	4.95%	25.65%	3.30%	10.65%	7.70%	25.60%
<b>Fixed Income</b>									
Short Duration Gov/Credit	Bloomberg 1-3 Year Gov/Credit	4.05%	4.00%	1.50%	2.40%	3.65%	4.25%	4.25%	2.40%
Core U.S. Fixed	Bloomberg Aggregate	4.85%	4.75%	2.25%	4.40%	4.60%	5.25%	5.25%	4.25%
Long Government	Bloomberg Long Gov	5.65%	4.80%	2.30%	13.75%	4.60%	6.20%	5.40%	13.75%
Long Credit	Bloomberg Long Credit	6.05%	5.40%	2.90%	11.90%	5.90%	6.85%	6.30%	11.90%
Long Government/Credit	Bloomberg Long Gov/Credit	5.85%	5.20%	2.70%	11.75%	5.30%	6.55%	6.00%	11.70%
TIPS	Bloomberg TIPS	4.70%	4.55%	2.05%	5.40%	4.30%	5.10%	5.05%	5.40%
High Yield	Bloomberg High Yield	6.65%	6.00%	3.50%	11.75%	8.15%	7.30%	6.80%	11.75%
Global ex-U.S. Fixed	Bloomberg Global Agg ex US	3.30%	2.85%	0.35%	9.80%	2.80%	3.60%	3.15%	9.80%
Emerging Markets Sov Debt	EMBI Global Diversified	5.85%	5.35%	2.85%	10.65%	7.40%	6.75%	6.35%	10.65%
<b>Alternatives</b>									
Core Real Estate	NCREIF ODCE	7.15%	6.25%	3.75%	14.00%	4.00%	6.85%	6.00%	14.00%
Private Infrastructure	MSCI GI Infra/FTSE Dev Core 50/50	7.40%	6.35%	3.85%	15.20%	4.90%	7.30%	6.35%	15.20%
Private Equity	Cambridge Private Equity	11.80%	8.50%	6.00%	27.60%	0.00%	12.15%	8.75%	27.60%
Private Credit	Cambridge Senior Debt Index	8.35%	7.25%	4.75%	15.70%	7.25%	8.40%	7.40%	15.70%
Hedge Funds	Callan Hedge FOF Database	6.00%	5.70%	3.20%	8.20%	0.00%	6.25%	6.05%	8.20%
Commodities	Bloomberg Commodity	5.40%	3.90%	1.40%	18.05%	3.00%	5.45%	3.90%	18.05%
<b>Cash Equivalents</b>	90-Day T-Bill	3.00%	3.00%	0.50%	0.90%	3.00%	3.00%	3.00%	0.90%
<b>Inflation</b>	CPI-U		2.50%		1.60%			2.50%	1.60%

\* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).  
 \*\* Projected Yields represent the expected 10-year average yield

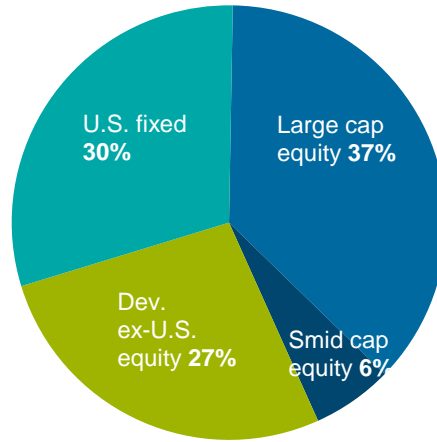
Source: Callan

# 7.5% Expected Returns Over Past 30 Years

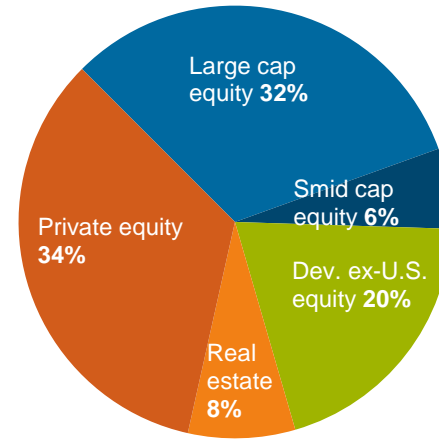
Increasing Complexity →



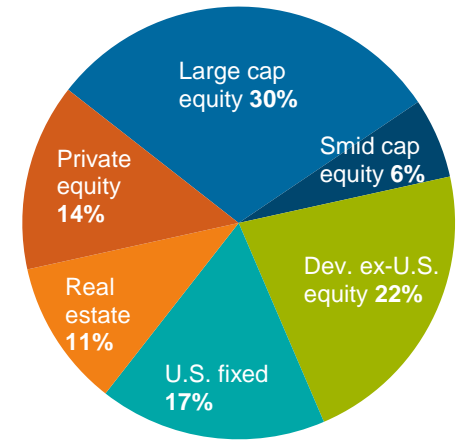
**1995**  
Return: 7.5%  
Risk: 6.0%



**2010**  
Return: 7.5%  
Risk: 11.9%



**2022**  
Return: 7.5%  
Risk: 19.4%



**2025**  
Return: 7.5%  
Risk: 14.1%

Increasing Risk →

In 1995, our expectation for broad U.S. fixed income was 7.5%.  
  
Return-seeking assets were not required to earn a 7.5% projected return.

15 years later, an investor would have needed 70% of the portfolio in public equities to achieve a 7.5% projected return at approximately double the volatility.

In 2022 an investor was required to hold 100% in return-seeking assets (with over 40% in private markets investments) to earn a 7.5% projected return at over 3x the volatility compared to 1995.

Today's 7.5% expected return portfolio is much more reasonable than it was in 2022, with 17% of the portfolio in fixed income and a quarter in private market investments; risk is much lower too.

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**Appendix**

# Callan's 2025 Work Plan

## City of Fort Pierce Retirement and Benefit System

	1 <sup>st</sup> Quarter 2025			2 <sup>nd</sup> Quarter 2025			3 <sup>rd</sup> Quarter 2025			4 <sup>th</sup> Quarter 2025		
<b>Strategic Planning</b>												
Review Capital Market Expectations												
Present Proposed 2026 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 – Scottsdale, AZ , April 27-29												
“Callan College”												
Regional Workshops												
Custom Board Education												
Research Papers and Publications												

# Callan Institute Events

Upcoming conferences, workshops, and webinars

## 2025 National Conference

Mark your calendars for this event in Scottsdale on April 27-29, 2025

Our annual conference will feature mainstage speakers and Callan-led workshops on a variety of topics.

This year we welcome Zanny Minton Beddoes to the stage.

Registration for this event will open in January 2025!

Please visit our website at [callan.com/events-education](https://callan.com/events-education) as we add dates to our 2025 calendar!



## Mark Your Calendar

### 2025 Regional Workshops

June 3, 2025 – Denver

June 5, 2025 – New York

October 28, 2025 – Chicago

October 30, 2025 – San Francisco

*Watch your email for further details and an invitation.*

## Upcoming Webinars

### November 21, 2024

Research Café featuring Callan's 2024 Private Equity Fees and Terms Study

### January 2025

Callan's 2025 Capital Markets Assumptions Webinar

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## Callan's Ethics Policy

The success of our business depends on maintaining our unblemished record for providing clients with objective advice. Callan's approach has always been to acknowledge and then aggressively manage possible conflicts to ensure they never manifest in the advice we give clients. Our firm is vigilant about employing a highly systematized process that vets potential conflicts, maintains separation of business units, and ensures that we are being entirely transparent in all our relationships. We mitigate conflicts of interest by adhering to the following:

**Code of ethical responsibility:** Callan adheres to a firm-wide ethical code which each associate must review and acknowledge in writing every year. This code affirms for Callan employees that they must uphold their duty to our clients by adhering to specific policies and procedures. Any breach of this code can result in immediate termination.

**Compliance:** Our in-house compliance officer makes sure Callan is adhering to all industry standards and regulations, while also identifying risks and putting procedures in place to mitigate them. This officer reports directly to the board of directors to ensure that any employee and all compliance oversight have a separate and distinct line of reporting away from the internal manager and report structures.

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**Peer Review:** Every manager search or strategic planning project undertaken for a client is a collective effort involving the client, general consultant, a team of specialists, and ultimately a peer review committee. Callan's Manager Search Committee, composed of approximately a dozen senior consultants, verifies the accuracy, completeness and objectivity of all methods used in the manager screening process. For strategic planning services, the Client Policy Review Committee, which is comprised of approximately a dozen senior consultants, evaluates all reports before they are submitted to the client. This environment of complete transparency requires a thoroughly documented process that is free of unsupported personal opinions and biases.

**Disclosure:** Callan believes in being proactively transparent with respect to all business activities and relationships. We routinely furnish our fund sponsor clients with a complete list of all investment managers who have professional relationships with Callan. New clients receive this information at the outset of our relationship.

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Past performance is no guarantee of future results.

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Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional investor with creative, customized investment solutions backed by proprietary research, exclusive data, and ongoing education. Today, Callan provides advisory services to institutional investor clients with more than \$3 trillion in total assets, which makes it among the largest independently owned investment consulting firms in the U.S. Callan uses a client-focused consulting model to serve pension and defined contribution plan sponsors, endowments, foundations, independent investment advisers, investment managers, and other asset owners. Callan has six offices throughout the U.S. For more information, please visit [www.callan.com](http://www.callan.com).

## Callan

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### Corporate Headquarters

One Bush Street  
Suite 800  
San Francisco, CA 94104

[www.callan.com](http://www.callan.com)

### Regional Offices

Atlanta  
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Denver  
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Callan