

Florida Municipal Pension Trust Fund – DB 60/40 Allocation

Executive Summary

As of September 30, 2016

60/40 Allocation

- ◆ The 60/40 Allocation rose 2.6% in the third quarter, below that of the target index (up 3.1%) as challenging results in the high quality fixed income and growth equity allocations offset strength in the core plus fixed income, value equity and international equity options.
- ◆ Over the past year, strong relative performance for this allocation early in this period was offset by more recent shortfalls as the market has vacillated between a risk-on and risk-off sentiment, with the quality bias being a headwind during most of this period.
- ◆ While this allocation has been challenged to keep pace with the target index and the peer group of similarly-allocated funds over the past 10 years, it has displayed a lower risk profile and more favorable comparisons based on risk-adjusted returns.

FMIvT Broad Market High Quality Bond Fund

- ◆ The Broad Market High Quality Bond Fund value on September 30, 2016 was \$123 million. The portfolio is in compliance with stated guidelines.
- ◆ The Broad Market High Quality Bond Fund advanced 0.2% in the second quarter, which was in line with the Barclays Capital Aggregate A+ Index, but modestly below the core bond manager peer group due to its lower duration and a high quality focus.
- ◆ The fund has displayed a consistent pattern of performance, posting absolute returns of 4.4% on average annually over the past 10 years. These results were modestly below objectives as the high quality focus provided a headwind, particularly over the past several years.
- ◆ The portfolio's conservative risk profile and high quality bias are in line with the objectives for this fund. This bias has rewarded investors in the form of a more favorable relative risk-adjusted return profile compared with its primary benchmark over the long-term.

FMIvT Core Plus Fixed Income Fund

- ◆ The Core Plus Fixed Income Fund value on September 30, 2016 was \$152 million.
- ◆ The Core Plus Fixed Income Fund rose 1.2% in the third quarter, outpacing the Barclays Multiverse Index but below that of the bond manager peer group, as the benefit of high yield and emerging markets exposure was offset by the very conservative duration posture.
- ◆ In the 2 years since inception, this fund has been challenged to keep pace with its benchmark and peer group, as fixed income investors have vacillated between a risk-on, risk-off sentiment globally.
- ◆ Last year, Pioneer announced a preliminary agreement to merge with Santander Asset Management which was recently terminated due to regulatory issues. Their parent company (UniCredit) will retain its ownership, but are exploring other options to monetize this position due to a need to raise capital. We recommend maintaining this manager and will provide future updates as they become available.
- ◆ The Core Plus Fixed Income Fund was added to the FMIvT lineup in April 2014 to provide broad global fixed income exposure, through equal allocation to two strategies (Pioneer Multi-Sector Fixed Income Fund and the Franklin Templeton Global Multi-Sector Plus Fund).

FMIvT High Quality Growth Equity Fund

- ◆ The High Quality Growth Equity Fund value on September 30, 2016 was \$52 million. The portfolio is in compliance with stated guidelines.
- ◆ The High Quality Growth Equity Fund was up 2.9% in the second quarter, below that of the Russell 1000 Growth Index and the large cap growth manager peer group primarily due to above average exposure to relatively weak healthcare and consumer sectors.
- ◆ This strategy has struggled to keep pace with the very strong equity market over the past several years, which has moderated the longer-term return profile. Strong equity markets during most of this period served to downplay the historic downside protection of this strategy.
- ◆ The high quality and growth oriented focus of this strategy positions this fund to provide consistent performance over long periods of time, while also representing a strong complement to the large cap value-oriented strategy within the FMIvT lineup.

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FMIvT Diversified Value Fund

- ◆ The Diversified Value Fund value on September 30, 2016 was \$52 million. The portfolio is in compliance with stated guidelines.
- ◆ The Diversified Value Fund rose 6.7% in the third quarter, well ahead of the Russell 1000 Value Index (up 3.5%) and the large cap value manager peer group (up 4.0%) as above average exposure to the strengthening technology and financial sectors were beneficial.
- ◆ Despite the performance challenges over the past year, this strategy remains ahead of both the benchmark and peer group over the past five years, ranking in the top 28th percentile of other large cap value managers.
- ◆ While performance for this strategy can be volatile, its focus on economic principles and valuations as the key drivers of stock selection, not momentum or growth, provides a strong complement to other large cap managers in the FMIvT lineup.

FMIvT Russell 1000 Enhanced Index

- ◆ The Russell 1000 Enhanced Index Fund strategy value on September 30, 2016 was \$152 million.
- ◆ The Russell 1000 Enhanced Index Fund was up 2.4% in the third quarter compared to returns of 4.0% for both the Russell 1000 Index and the large cap core equity manager universe (up 1.9%), as stock selection particularly in utilities moderated returns during this period.
- ◆ This enhanced large cap strategy is focused on producing a consistent enhancement to the Russell 1000 Index, and has achieved this objective over the long-term, outperforming the benchmark by over 40 percentage points on average annually over the past 10 years.

FMIvT Diversified Small to Mid Cap Equity Fund

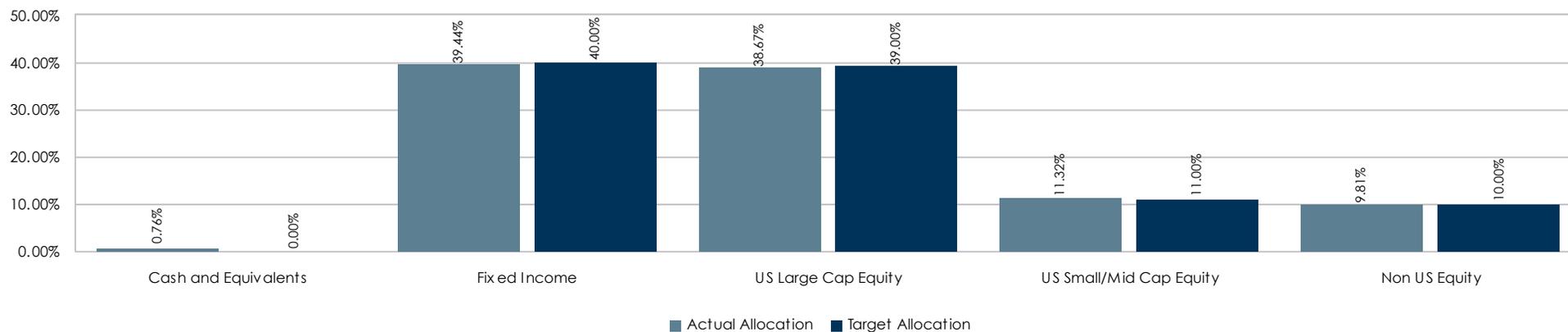
- ◆ The Diversified Small to Mid Cap Equity Fund value on September 30, 2016 was \$107 million. The portfolio is in compliance with stated guidelines.
- ◆ On the heels of very strong relative performance for the Diversified Small to Mid Cap Equity Fund earlier this year, this strategy rose 1.8% in the third quarter, lagging both the Russell 2500 Index (up 6.6%) and the small cap manager peer group (up 6.3%) on weak healthcare performance.
- ◆ This strategy has generated very strong results over the past 10 years, rising 12.6% on average annually compared with 7.6% for the benchmark. Furthermore, the fund ranked in the top 4th percentile of its peer group, with a more modest risk profile and strong risk-adjusted returns.

FMIvT International Equity Portfolio

- ◆ The FMIvT International Equity Portfolio value on September 30, 2016 was \$73 million.
- ◆ The FMIvT International Equity Portfolio posted the strongest returns in the FMIvT lineup in the third quarter, rising 9.0% and outpacing the 7.0% returns for both the MSCI ACWI ex US Index and the core international equity manager peer group.
- ◆ The manager for this strategy was changed to Investec in October 2014. In the seven quarters since inception of this new manager, the portfolio has displayed strong downside protection earlier in this period, although recent results have moderated this performance somewhat.
- ◆ This strategy is intended to provide strong diversification across the broad spectrum of equity markets outside the US.

FMPTF - DB 60/40 Allocation

For the Period Ending September 30, 2016



	Market Value (\$000s)	Actual Allocation (%)	Target Allocation (%)	Over/Under Target (%)
Total Portfolio	349,241	100.00	100.00	
Cash and Equivalents	2,663	0.76	0.00	0.76
Fixed Income	137,725	39.44	40.00	-0.56
Equity	208,853	59.80	60.00	-0.20
US Equity	174,610	50.00	50.00	0.00
US Large Cap Equity	135,063	38.67	39.00	-0.33
US Small/Mid Cap Equity	39,546	11.32	11.00	0.32
Non US Equity	34,244	9.81	10.00	-0.19

Rates of Return Summary & Universe Rankings

For the Periods Ending September 30, 2016

	Market Value (\$000s)	Actual Allocation (%)	3 Months (%)	YTD (%)	FYTD (%)	3 Years (%)	5 Years (%)	10 Years (%)
FMPTF - DB 60/40 Allocation ¹	349,241	100.00	2.56	5.09	8.11	5.46	9.01	5.48
<i>Target Index ²</i>			3.05	6.93	10.54	7.05	10.26	6.19
IF TF Between 55 - 70% Equity			3.75	6.57	9.73	5.79	9.56	5.82
IF Public DB Gross			3.47	6.75	9.70	6.01	9.34	5.69
Cash and Equivalents	2,663	0.76						
Capital City Cash	2,663	0.76	0.01	0.04	0.05	0.05	0.07	0.41
<i>US T-Bills 90 Day</i>			0.10	0.24	0.27	0.11	0.10	0.93
Fixed Income	137,725	39.44						
Core Bonds								
FMIvT Broad Market High Quality Bond Fund	54,510	15.61	0.17	4.14	3.74	3.34	2.51	4.40
<i>BloomBar US Aggregate A+</i>			0.23	5.03	4.50	3.78	2.79	4.58
eA US Core Fixed Income			0.71	6.16	5.68	4.38	3.76	5.32
Core Plus Bonds								
FMIvT Core Plus Fixed Income Fund	83,216	23.83	1.23	4.38	5.14	--	--	--
<i>BloomBar Multiverse</i>			1.05	10.21	9.23	2.22	1.97	4.38
eA Global Unconstrained Fixed Income			2.47	5.84	6.17	2.95	4.16	5.50

Rates of Return Summary & Universe Rankings

For the Periods Ending September 30, 2016

	Market Value (\$000s)	Actual Allocation (%)	3 Months (%)	YTD (%)	FYTD (%)	3 Years (%)	5 Years (%)	10 Years (%)
Equity	208,853	59.80						
US Equity	174,610	50.00						
US Large Cap Equity	135,063	38.67	3.23	5.67	10.56	9.45	15.42	6.49
<i>S&P 500</i>			3.85	7.84	15.43	11.16	16.37	7.24
eA US Large Cap Core Equity			3.92	6.44	12.68	10.32	15.83	7.57
FMIvT High Quality Growth Portfolio	26,532	7.60	2.92	4.06	10.19	9.78	14.31	7.91
<i>Russell 1000 Growth</i>			4.58	6.00	13.76	11.83	16.60	8.85
eA US Large Cap Growth Equity			5.26	4.25	11.64	10.93	16.17	8.81
FMIvT Diversified Value Portfolio	28,551	8.18	6.71	7.53	10.40	7.47	16.41	--
<i>Russell 1000 Value</i>			3.48	10.00	16.20	9.70	16.15	5.85
eA US Large Cap Value Equity			4.01	7.97	13.62	9.02	15.51	6.82
FMIvT Russell 1000 Enhanced Index Portfolio	79,981	22.90	2.41	6.26	11.63	11.00	16.55	7.83
<i>Russell 1000</i>			4.03	7.92	14.93	10.78	16.41	7.40
eA US Large Cap Core Equity			3.92	6.44	12.68	10.32	15.83	7.57
US Small/Mid Cap Equity								
FMIvT Diversified SMID Cap Equity Portfolio ³	39,546	11.32	1.81	9.56	17.92	11.89	19.37	12.56
<i>SMID Benchmark</i>			6.56	10.80	14.44	7.77	16.30	7.60
eA US Small-Mid Cap Core Equity			6.33	9.30	12.94	8.82	17.03	9.35
Non-US Equity								
FMIvT International Equity Portfolio ⁴	34,244	9.81	8.99	1.72	4.52	-0.68	5.61	-0.88
<i>MSCI ACWI ex US</i>			7.00	6.29	9.80	0.64	6.52	2.63
eA All ACWI ex-US Equity			7.02	5.46	9.85	2.61	8.98	4.40

Rates of Return Summary & Universe Rankings

For the Periods Ending September 30, 2016

Notes:

- ¹ Market values and Total Portfolio performance includes all fees and expenses. Beginning July 2008 and ending September 2010, the net of fee performance includes the impact of securities lending activity, which may increase or decrease the total expenses of the portfolio.
- ² Target Index: Effective June 2010, the index consists of 40.0% BloomBar US Aggregate, 39.0% S&P 500, 11.0% Russell 2500, 10.0% MSCI EAFE.
- ³ Custom Index consists of the Russell 2500 beginning June 1, 2010 and prior to that the Russell 2000.
- ⁴ Portfolio renamed and manager changed in October 2014 and April 2011.