



QUARTERLY PERFORMANCE SUMMARY

AS OF DECEMBER 31, 2018

Graystone Consulting Tampa

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U.S. Equity Market % Returns for the Period Ending December 31, 2018					
	Quarter	12 Months	Three Years (annualized)	Five Years (annualized)	Seven Years (annualized)
S&P 500 Index	(13.52)	(4.38)	9.26	8.49	12.70
Dow Jones Industrial Average	(11.32)	(3.48)	12.94	9.70	12.43
Russell 1000 Index	(13.82)	(4.78)	9.09	8.21	12.63
Russell 1000 Growth Index	(15.89)	(1.51)	11.15	10.41	14.14
Russell 1000 Value Index	(11.72)	(8.27)	6.95	5.95	11.02
Russell 2000 Index	(20.20)	(11.01)	7.36	4.41	10.44
Russell 2000 Growth Index	(21.65)	(9.31)	7.24	5.13	11.25
Russell 2000 Value Index	(18.67)	(12.86)	7.37	3.61	9.57
Russell 3000 Index	(14.30)	(5.24)	8.97	7.91	12.46
Russell 3000 Growth Index	(16.33)	(2.12)	10.85	9.99	13.92
Russell 3000 Value Index	(12.24)	(8.58)	7.01	5.77	10.91
Russell Midcap Index	(15.37)	(9.06)	7.04	6.26	11.49
Russell Midcap Growth Index	(15.99)	(4.75)	8.59	7.42	12.27
Russell Midcap Value Index	(14.95)	(12.29)	6.06	5.44	10.89
NAREIT All Reits	(0.95)	20.60	13.67	15.72	15.18

Past Performance is not a guarantee of future results. Indices are not available for direct investment.
Source: MAX

S&P 500 Sector % Returns for the Period Ending December 31, 2018	
	Quarter
Utilities	1.40
Real Estate	(3.80)
Consumer Staples	(5.20)
Health Care	(8.70)
Materials	(12.30)
Financials	(13.10)
Communication Services	(13.20)
Consumer Discretionary	(16.40)
Industrials	(17.30)
Technology	(17.30)
Energy	(23.80)

Past Performance is not a guarantee of future results.
Source: MAX

Developed Markets Equity % Returns for the Period Ending December 31, 2018				
	U.S. Dollar		Local Currency	
	Quarter	12 Months	Quarter	12 Months
<i>Regional and Other Multi Country Indices</i>				
MSCI EAFE	(12.54)	(13.79)	(12.16)	(10.54)
MSCI Europe	(12.72)	(14.86)	(11.20)	(10.02)
MSCI Far East	(12.72)	(11.83)	(15.18)	(13.64)
MSCI Pacific ex. Japan	(7.94)	(10.30)	(6.53)	(4.35)
MSCI The World	(13.31)	(8.20)	N/A	N/A
MSCI World ex. U.S.	(12.78)	(14.09)	(11.99)	(10.41)
<i>National Indices</i>				
MSCI Hong Kong	(4.53)	(7.83)	(4.48)	(7.70)
MSCI Ireland	(17.72)	(25.02)	N/A	N/A
MSCI Japan	(14.20)	(12.58)	(17.13)	(14.85)
MSCI Singapore	(6.71)	(9.37)	(6.94)	(7.58)
Past Performance is not a guarantee of future results.				
Source: MAX				

Emerging Markets Equity % Returns for the Period Ending December 31, 2018				
	U.S. Dollar		Local Currency	
	Quarter	12 Months	Quarter	12 Months
<i>Regional and Other Multi Country Indices</i>				
MSCI EM	(7.40)	(14.25)	(7.36)	(9.74)
<i>National Indices</i>				
MSCI China	(10.73)	(18.75)	(10.69)	(18.58)
MSCI Malaysia	(5.81)	(6.03)	(10.69)	(18.58)
MSCI Taiwan	(13.67)	(8.16)	(13.09)	(5.14)
MSCI Thailand	(10.20)	(5.26)	(10.20)	(5.26)
Past Performance is not a guarantee of future results.				
Source: MAX				

Fixed Income % Returns for the Period Ending December 31, 2018					
	Quarter	12 Months	Three Years (annualized)	Five Years (annualized)	10 Years (annualized)
<i>U.S. Fixed Income</i>					
90-Day Treasury Bill	0.57	1.86	0.99	0.60	0.35
Barclays Capital Aggregate	1.64	0.01	2.06	2.52	3.48
Barclays Capital Credit	0.01	(2.11)	3.16	3.21	5.52
Barclays Capital Govt/Credit	1.46	(0.42)	2.19	2.53	3.46
Barclays Capital Government	2.54	0.89	1.41	1.99	2.12
Barclays Capital High Yield	(4.54)	(2.08)	7.23	3.84	11.14
Barclays Capital Intermediate Govt/Credit	1.65	0.88	1.70	1.86	2.90
Barclays Capital Long Govt/Credit	0.78	(4.68)	4.03	5.37	5.88
Barclays Capital Mortgage Backed	2.08	0.99	1.71	2.53	3.11
Barclays Capital Municipal	1.69	1.28	2.30	3.82	4.85
<i>Global Fixed Income</i>					
Merrill Lynch Global High Yield	(3.79)	(3.33)	6.92	3.20	11.06
Barclays Global Treasury ex. U.S.	1.01	(1.88)	3.44	0.06	1.92
Barclays Capital Majors ex. U.S.	2.15	(0.77)	3.29	0.43	1.32
Past Performance is not a guarantee of future results.					
Source: MAX					

SUMMARY OF RELEVANT FACTS
City of St. Pete Beach General Employees' Pension Plan
As of December 31, 2018

Distribution of Assets:

Equity		
-Large Cap. Value	\$1,125,149.52	
-Large Cap. Core	\$2,141,608.00	
-Mid Cap. Value	\$540,600.50	
-Mid Cap. Growth	\$645,966.93	
-Small Cap. Value	\$548,742.66	
-Small Cap. Growth	\$677,805.59	
-International	\$844,124.07	
Total Equity	\$6,523,997.27	
Fixed	\$3,858,783.47	
REITs	\$688,157.49	
Cash (Receipts & Disbursement Account)	\$203,436.73	
Total Portfolio	\$11,274,374.96	

Distribution by Percentages:

	Policy	Current
Equity Breakdown		
-Large Cap. Value	10.00%	9.98%
-Large Cap. Core	20.00%	19.00%
-Mid Cap. Value	4.50%	4.79%
-Mid Cap. Growth	4.50%	5.73%
-Small Cap. Value	4.50%	4.87%
-Small Cap. Growth	4.50%	6.01%
-International	6.00%	7.49%
Total Equity	54.00%	57.87%
Fixed	40.00%	34.23%
REITs	6.00%	6.10%
Cash (Receipts & Disbursement Account)	0.00%	1.80%
Total Portfolio	100.00%	100.00%

Other Important Facts:

Total Portfolio	\$11,274,375
Total Gain or (Loss) - Gross-of-Fees	(\$1,109,498)
Total Gain or (Loss) - Net-of-Fees	(\$1,109,498)
Fees	\$0

Anchor Capital Advisors

Total Assets	100.00%	\$1,125,150
Equity	94.49%	\$1,063,143
Cash	5.51%	\$62,006
Fees		\$0
Gain or (Loss) - Gross-of-Fees		(\$137,639)

Vanguard Russell 1000 ETF

Total Assets	\$2,141,608
Gain or (Loss) - Gross-of-Fees	(\$343,136)

Vanguard Mid Cap Value ETF

Total Assets	\$540,601
Gain or (Loss) - Gross-of-Fees	(\$92,135)

Vanguard Mid Cap Growth ETF

Total Assets	\$645,967
Gain or (Loss) - Gross-of-Fees	(\$120,130)

Vanguard Small Cap Value ETF

Total Assets	\$548,743
Gain or (Loss) - Gross-of-Fees	(\$114,025)

Vanguard Small Cap Growth ETF

Total Assets	\$677,806
Gain or (Loss) - Gross-of-Fees	(\$162,110)

Insight

Total Assets	100.00%	\$3,858,783
Fixed	98.83%	\$3,813,655
Cash	1.17%	\$45,129
Fees		\$0
Gain or (Loss) - Gross-of-Fees		\$39,602

Vanguard REIT Index Adm

Total Assets	\$688,157
Gain or (Loss) - Gross-of-Fees	(\$47,370)

Europacific Growth

Total Assets	\$844,124
Gain or (Loss) - Gross-of-Fees	(\$132,556)

Receipts & Disbursement Cash

Total Assets	\$203,437
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Breakdown of Returns
City of St. Pete Beach General Employees' Pension Plan
As of December 31, 2018

EQUITY		Gross-of-Fees	Net-of-Fees	Anchor Dynamic Index ⁽¹⁾	Investment
Anchor Capital Advisors 9.53%	Large Cap Value	Return	Return	Anchor Dynamic Index ⁽¹⁾	Investment
				Russell 1000/3000 Value	Expense Ratio 0.75%
	Quarter	(10.90)	(10.90)	(11.72)	
	1 Year	(3.17)	(3.54)	(8.27)	
	3 Year	8.70	8.02	6.95	
	5 Year	6.68	5.93	5.74	
	Since 4/30/2012	10.30	9.58	9.88	
Vanguard Russell 1000 ETF 18.71%	Large Cap Core			Russell 1000	Investment
					Expense Ratio 0.12%
	Quarter	(13.75)	(13.75)	(13.82)	
	1 Year	(4.50)	(4.50)	(4.78)	
	3 Year	8.97	8.97	9.09	
	5 Year	8.10	8.10	8.21	
	Since 12/31/2011	12.48	12.48	12.61	
Vanguard Mid Cap Value ETF 5.12%	Mid Cap Value			CRSP Mid Cap Value	Investment
					Expense Ratio 0.07%
	Quarter	(14.48)	(14.48)	(15.06)	
	1 Year	(12.50)	(12.50)	(12.42)	
	Since 12/31/2016	1.21	1.21	1.28	
Vanguard Mid Cap Growth ETF 5.77%	Mid Cap Growth			CRSP Mid Cap Growth	Investment
					Expense Ratio 0.07%
	Quarter	(15.65)	(15.65)	(15.82)	
	1 Year	(5.56)	(5.56)	(5.57)	
	Since 4/30/2016	7.75	7.75	7.79	
Vanguard Small Cap Value ETF 5.14%	Small Cap Value			CRSP Small Cap Value	Investment
					Expense Ratio 0.07%
	Quarter	(17.12)	(17.12)	(17.50)	
	1 Year	(12.30)	(12.30)	(12.27)	
	Since 12/31/2016	(1.15)	(1.15)	(0.95)	
Vanguard Small Cap Growth ETF 6.09%	Small Cap Growth			CRSP Small Cap Growth	Investment
					Expense Ratio 0.07%
	Quarter	(19.26)	(19.26)	(19.30)	
	1 Year	(5.71)	(5.71)	(5.68)	
	Since 4/30/2016	9.74	9.74	9.69	

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

Europacific Growth 10.46%		Gross-of-Fees	Net-of-Fees	Investment
International		Return	Return	MSCI ACWI ex US (Net)
				Expense Ratio 0.50%
	Quarter	(12.48)	(12.48)	(11.46)
	1 Year	(14.98)	(14.98)	(14.20)
	3 Year	3.65	3.65	4.48
	5 Year	1.35	1.35	0.67
	Since 12/31/2011	6.56	6.56	4.84
FIXED INCOME				Investment
Insight 31.29%				Dynamic Index ⁽²⁾
Short-Term Fixed Income				Expense Ratio 0.25%
	Quarter	1.04	1.04	1.18
	1 Year	1.74	1.49	1.60
	3 Year	1.48	1.23	1.24
	5 Year	1.85	1.59	1.49
	Since 7/31/2006	4.57	4.29	3.60
REITS				Investment
Vanguard REIT Index Adm 6.61%				Expense Ratio 0.12%
	Quarter	(6.44)	(6.44)	(6.93)
	1 Year	(6.23)	(6.23)	(4.84)
	3 Year	2.21	2.21	2.06
	5 Year	7.29	7.29	7.87
	Since 12/31/2011	7.98	7.98	8.31
TOTAL RETURN				Policy Index ⁽³⁾
Time-Weighted Return (TWR)				
	Quarter	(8.93)	(8.95)	(7.71)
	1 Year	(4.56)	(4.75)	(3.69)
	3 Year	4.34	4.13	4.61
	5 Year	4.45	4.26	4.69
	Since 7/31/2006	6.17	5.83	5.53
	Since 6/30/1994	7.77	7.29	7.26
TOTAL RETURN				Actuarial Rate
Dollar-Weighted Net (IRR)				
	Quarter		(8.94)	1.86
	1 Year		(4.61)	7.65
	3 Year		4.43	7.65
	5 Year		4.52	7.65

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(1) Anchor Dynamic Index Composition:

100% Russell 1000 Value for periods since June 30, 2016 & 100% Russell 3000 Value for periods prior to June 30, 2016

(2) Fixed Income Dynamic Index Composition:

100% BC Gov/Cr 1-3 Yr for periods since May 2014 & 100% Barclays Aggregate for periods since October 2010 & 100% Barclays Intermediate Aggregate for periods from July 2006 to October 2010.

(3) Policy Index Composition:

For Periods from June 2016 to Present: 30% Russ 1000/ 9% Russ 1000 Value/ 9% Russ 3000 Growth/ 6% MSCI ACWI ex US (Net)/ 40% BC Aggregate/ 6% Wilshire REIT.

For Periods from April 2012 to June 2016: 30% Russ 1000/ 9% Russ 3000 Value/ 9% Russ 3000 Growth/ 6% MSCI ACWI ex US (Net)/ 40% BC Aggregate/ 6% Wilshire REIT.

For Periods from October 2010 to April 2012: 45% Russ 3000/ 15% MSCI EAFE (Net)/ 40% BC Aggregate.

For Periods from July 2006 to October 2010: 60% S&P 500/ 40% BC Aggregate.

For Periods from April 2002 to July 2006: 60% S&P 500/ 40% BC Government/Credit

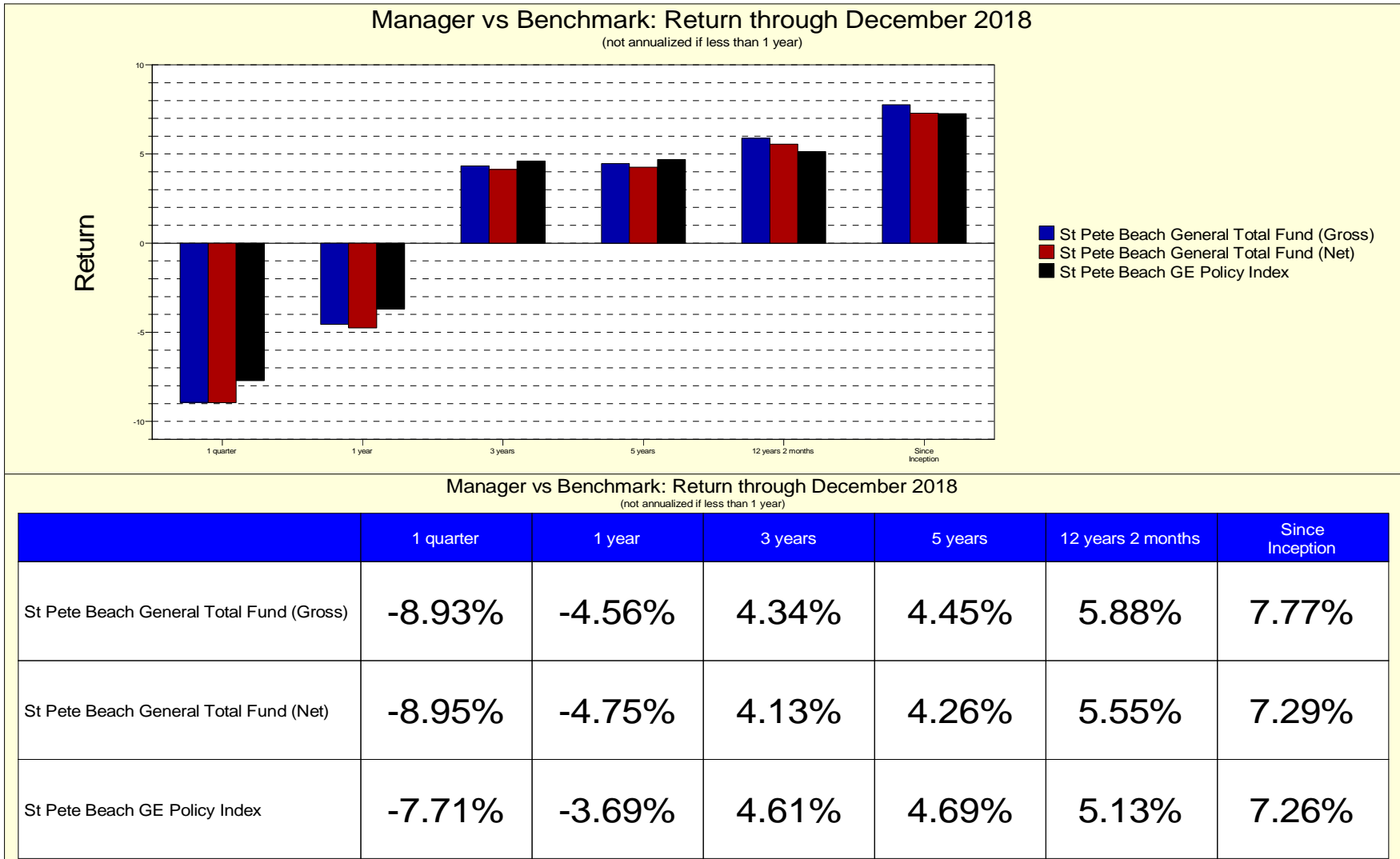
For Periods from January 1997 to April 2002: 60% S&P 500/ 30% BC Government/Credit/10% Citigroup 3 Month T-Bill

For Periods prior to January 1997: 50% S&P 500/ 40% BC Government/Credit/10% Citigroup 3 Month T-Bill

Note

All performance results (including but not limited to rates of return, risk, measures, unit values, and dollar values) prior to April 1, 2012 were provided by The Bogdahn Group, who was the previous consultant. The performance data is believed to be accurate, but there is no assurance. Graystone Consulting has not calculated or independently verified the accuracy of the returns or market values and is not responsible or liable for any mistake or miscalculations. Effective October 1, 2012, all valuations and rates of return are calculated by Graystone Consulting.

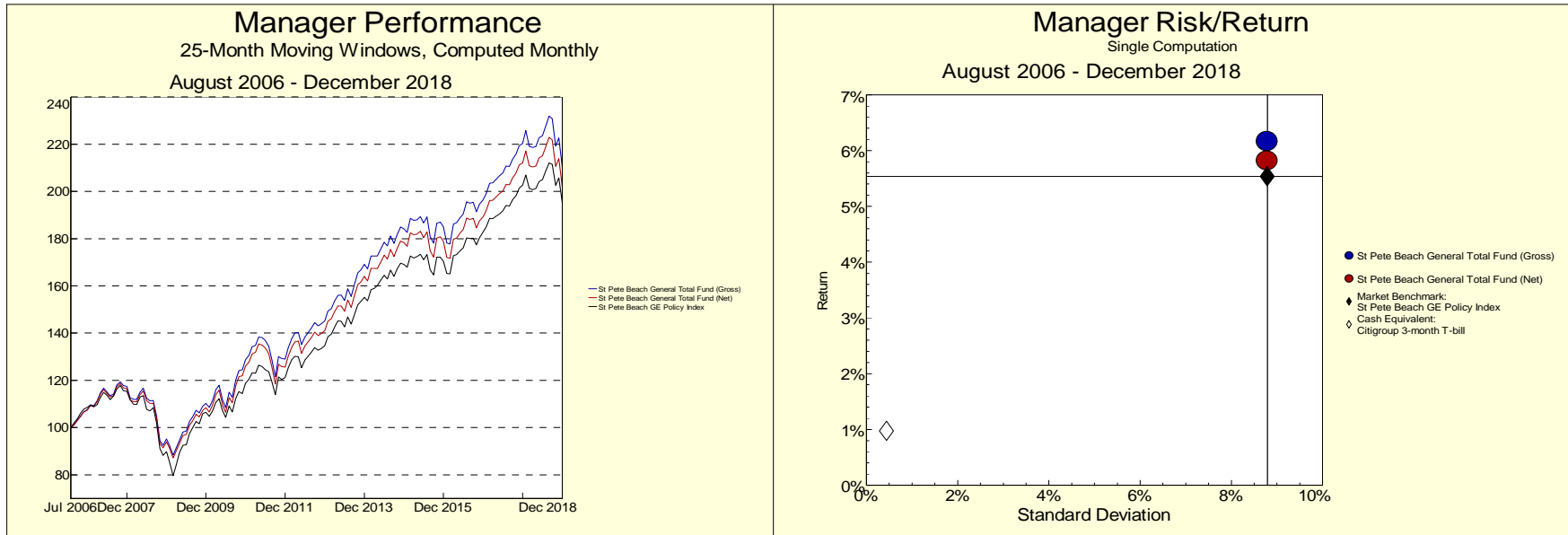
Trailing Periods Returns Analysis



Manager vs Benchmark: Return through December 2018
(not annualized if less than 1 year)

	1 quarter	1 year	3 years	5 years	12 years 2 months	Since Inception
St Pete Beach General Total Fund (Gross)	-8.93%	-4.56%	4.34%	4.45%	5.88%	7.77%
St Pete Beach General Total Fund (Net)	-8.95%	-4.75%	4.13%	4.26%	5.55%	7.29%
St Pete Beach GE Policy Index	-7.71%	-3.69%	4.61%	4.69%	5.13%	7.26%

Risk/Return Analysis – Since August 2006

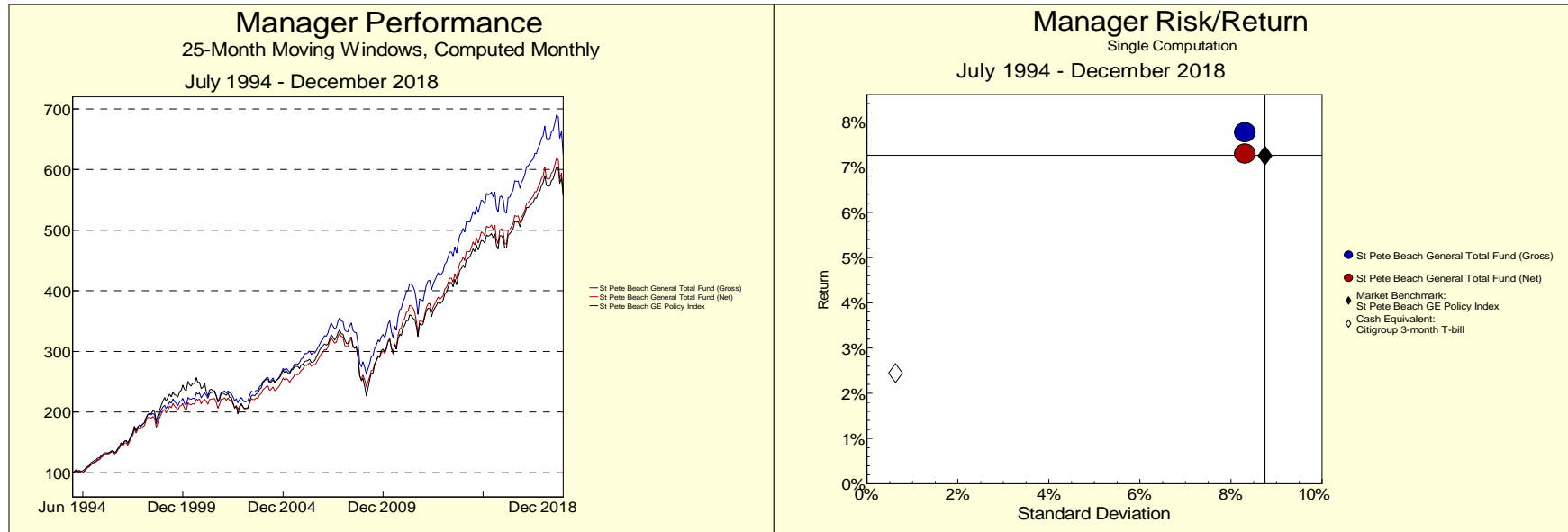


Return & Risk Measurements

August 2006 - December 2018: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
St Pete Beach General Total Fund (Gross)	6.17%	0.63%	8.77%	0.97	-26.01%	102.83%	97.66%	0.79%	0.59	94.03%
St Pete Beach General Total Fund (Net)	5.82%	0.29%	8.78%	0.97	-26.56%	101.27%	98.89%	0.46%	0.55	94.01%
St Pete Beach GE Policy Index	5.53%	0.00%	8.79%	1.00	-32.39%	100.00%	100.00%	0.00%	0.52	100.00%

Risk/Return Analysis – Since July 1994



Return & Risk Measurements

July 1994 - December 2018: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
St Pete Beach General Total Fund (Gross)	7.77%	0.51%	8.31%	0.90	-26.01%	96.18%	89.54%	1.20%	0.64	89.44%
St Pete Beach General Total Fund (Net)	7.29%	0.04%	8.30%	0.90	-26.56%	94.11%	91.14%	0.75%	0.58	89.49%
St Pete Beach GE Policy Index	7.26%	0.00%	8.75%	1.00	-32.39%	100.00%	100.00%	0.00%	0.55	100.00%

COMPLIANCE CHECKLIST

City of St. Pete Beach General Employees' Pension Plan

As of December 31, 2018

GUIDELINES In Compliance

Equity Portfolio

Listed on recognized exchange	Yes
Total equity portfolio < 75% at market value	Yes
Foreign equities < 25% of total portfolio at market	Yes

Anchor Capital Advisors

Large Capitalization Value Equity

Market Value < 15% & > 5% of total fund	Yes	
Performance (Inception 4/1/2012)	<u>3 years</u>	<u>Since Inception</u>
Return > Russell Dynamic Index	Yes	Yes
Positive Risk Adjusted Performance	Yes	Yes

Vanguard Russell 1000 ETF

Large Capitalization Core Equity

Market Value < 30% & > 10% of total fund	Yes
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Vanguard Mid Cap Value ETF

Mid Capitalization Value Equity

Market Value < 10% & > 0% of total fund	Yes
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Vanguard Mid Cap Growth ETF

Mid Capitalization Growth Equity

Market Value < 10% & > 0% of total fund	Yes
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Vanguard Small Cap Value ETF

Small Capitalization Value Equity

Market Value < 10% & > 0% of total fund	Yes
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OBJECTIVES In Compliance

Total Portfolio

	<u>5 years</u>	<u>Since Inception</u>
Exceed Target Index	No	Yes
Exceed actuarial assumption (7.65%)	No	No

Vanguard Small Cap Growth ETF

Small Capitalization Growth Equity

Market Value < 10% & > 0% of total fund	Yes
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American Funds Europacific Growth

International Equity

Market Value < 20% & > 5% of total fund		Yes
Performance (Inception 12/31/2011)	<u>3 years</u>	<u>Since Inception</u>
Return > MSCI ACWI ex US (Net)	No	Yes
Positive Risk Adjusted Performance	No	Yes

*Positive Alpha, lower Sharpe

Insight

Fixed Income

Market Value < 45% & > 30% of total fund		Yes
Performance (Inception 11/10/1995)	<u>5 years</u>	<u>Since Inception</u>
Return > Dynamic Index*	Yes	Yes
Positive Risk Adjusted Performance	Yes	Yes
U.S. Government / Agency or U.S. Corporations		Yes
No more than 20% of bonds below BBB/BAA		Yes

* Dynamic index = 100% BC 1-3 Year Gov/Credit for periods since 4/2014; 100% BC Agg for periods from 10/2010 to 4/2014; & 100% BC Int. Agg for periods prior to 10/2010.

Vanguard REIT Index Signal

Real Estate Investment Trust (REIT)

Market Value < 10% & > 0% of total fund	Yes
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*Due to management fees, performance for Vanguard Funds are expected to be lower versus the benchmark

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Tactical Asset Allocation Reasoning

Global Equities		Relative Weights
US	Equal Weight	US equities have done exceptionally well since the global financial crisis, but they are now in the latter stages of a cyclical bull market. While the acceleration of the Trump/Republican progrowth agenda has created a booming economy and earnings outlook, it may also be sowing the seeds for the end of the cycle as the Fed is forced to raise rates and tighten policy in a more deliberate manner. With the exceptional run in growth and small-cap stocks, we reduced positions in both and favor large-cap value stocks back in July and that has worked well. We would be aggressive buyers of the S&P 500 at 2,500 or lower.
International Equities (Developed Markets)	Overweight	We maintain constructive on Japanese and European equity markets in the long term. The populist movements around the world are now spreading to Italy, which may spur further fiscal support from Germany and France. This would be a potential positive catalyst. Japan is in a secular bull market.
Emerging Markets	Overweight	Emerging market (EM) equities are underperforming in 2018. Some of this is simply the result of a market that needs to consolidate strong gains the past few years. However, it is also directly related to the Fed's tightening campaign. We expect EM to find support not far from current levels and believe 2019 will be a better year.

Global Fixed Income

US Investment Grade	Underweight	We have recommended shorter-duration (maturities) since March 2013, given the extremely low yields and potential capital losses associated with rising interest rates from such low levels. While interest rates have remained exceptionally low, US economic data have been very strong recently and the Fed is now raising rates at an accelerating pace. Adding some longer duration when 10-year US Treasury yields are above 3% makes sense.
International Investment Grade	Underweight	Yields are even lower outside the US, leaving very little value in international fixed income, particularly as the global economy begins to recover more broadly. While interest rates are likely to stay low, the offsetting diversification benefits do not warrant much, if any, position, in our view.
Inflation-Protected Securities	Overweight	With deflationary fears having become extreme in 2015 and early 2016, these securities still offer relative value in the context of our forecasted acceleration in global growth and our expectations for oil prices and the US dollar's year-over-year rate of change to revert toward 0%. That view played out in 2016 and 2017 but has not yet run its course.
High Yield	Underweight	We have zero exposure to high yield having reduced it completely in January. While credit spreads have likely reached a low for this cycle, they have been slow to rise. We think the risk of spreads widening have increased significantly with the rising risk of an earnings recession next year.

Alternative Investments

Real Estate/REITS	Underweight	Real estate investment trusts (REITs) have underperformed global equities since mid-2016 when interest rates bottomed. We think it is still too early to reconsider our underweight zero allocation given the further rise in rates we expect and deteriorating fundamentals for the industry. Non-US REITs should be favored relative to domestic REITs.
Master Limited Partnerships/Energy Infrastructure	Overweight	Master limited partnerships (MLPs) have traded better since their capitulation in March around the FERC regulatory announcement. However, recent price action has been much worse than expected given their 8% to 10% yields. We stick with this group as a hybrid cyclical with defensive characteristics.
Hedged Strategies (Hedge Funds and Managed Futures)	Equal Weight	This asset category can provide uncorrelated exposure to traditional risk-asset markets. It tends to outperform when traditional asset categories are challenged by growth scares and/or interest rate volatility spikes. As volatility becomes more persistent in 2018, these strategies should do better than in recent years.