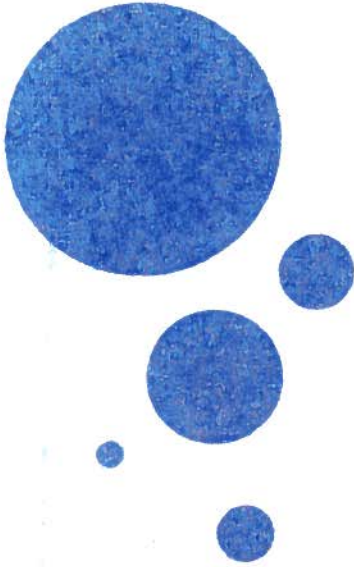


HANDED OUT AT BOARD MEETING
AUGUST 28, 2015
by: Bill Gassett

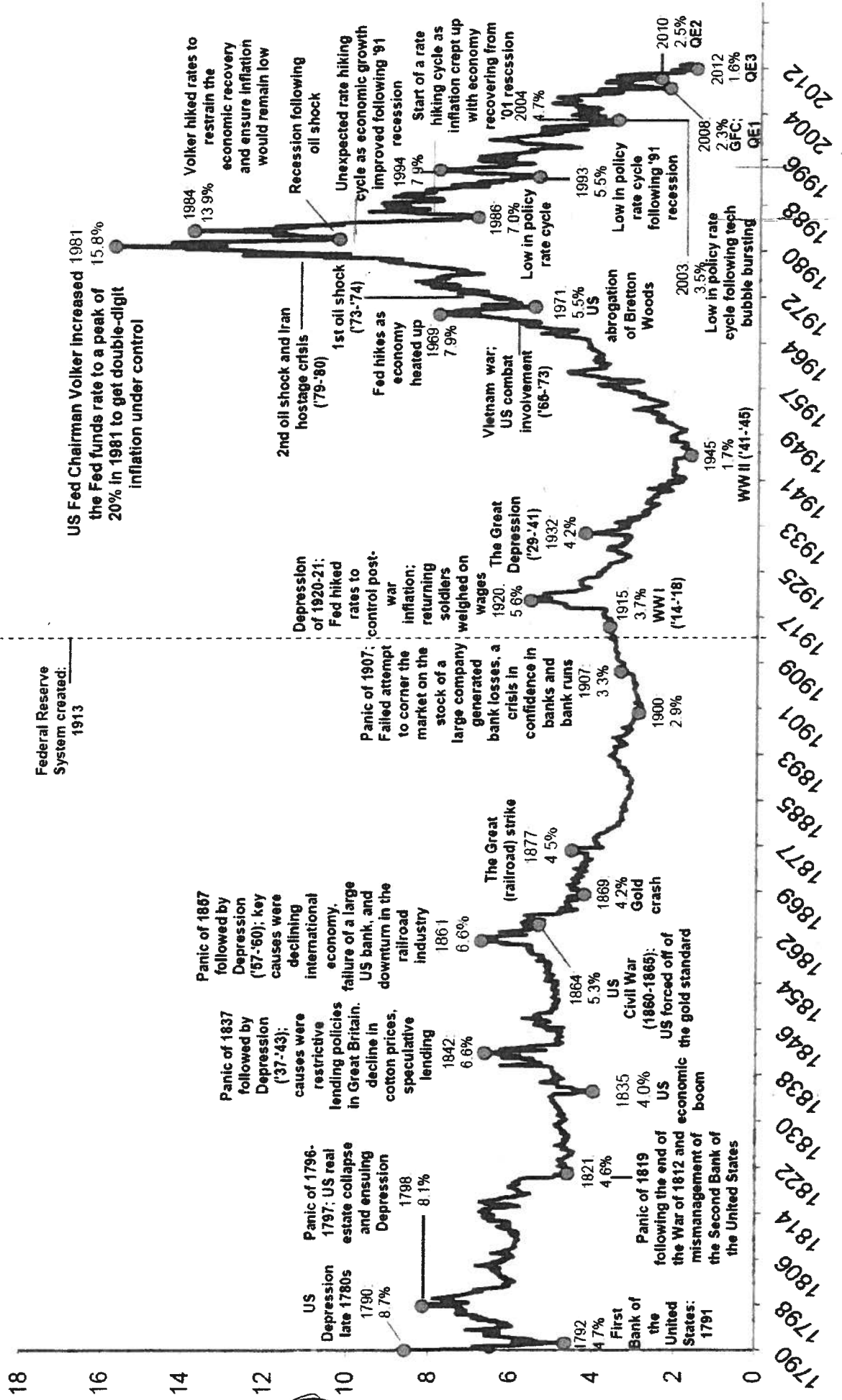
8/27/15



POLICE AND FIRE PENSION ANALYSES

10 YEAR TSY YIELDS SINCE 1790

The long history of long (10-year US treasuries) yields



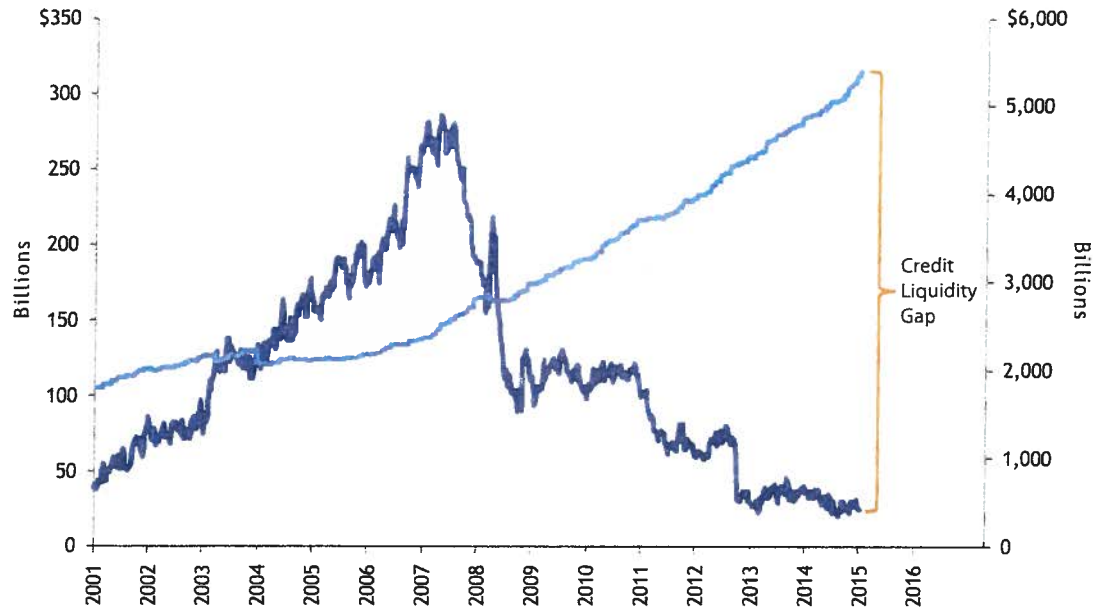
Source: Global Financial Database, Goldman Sachs Global ECS Research. Special thanks to Jose Ursua.



CORPORATE SECTOR LIQUIDITY

Source: Deutsche Bank, Barclays & Bloomberg. Data as of 6/30/2015.

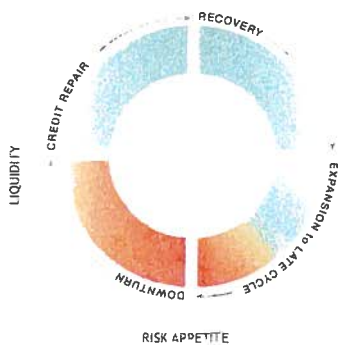
- Corporate Bond Dealer Inventories (left scale)
- Total Corporate Bonds Outstanding (right scale)



Looking Beyond Liquidity

Deteriorating liquidity can push security prices well above or below fair value. However, short-term price movements may be difficult to interpret without a broader view of the credit markets. Our assessment of the credit cycle, with inputs such as corporate health, leverage, profits, economic growth, inflation and investor risk appetite, informs our three- to five-year credit view. When markets begin to trade away from our long-term view, we draw on our deep research to identify value-oriented opportunities. We believe a key ingredient of our long-term alpha generation is capturing value when prevailing market conditions cause deviations from our fundamental view.

US CREDIT CYCLE



We believe the US credit cycle is in the expansion to late-cycle phase when bonds become more fully valued, although the yield in specific sectors remains attractive. If history holds, this phase could persist for at least one to two more years, with credit metrics stable and defaults low. Eventually, the cycle will progress into a downturn, characterized by low liquidity, widening spreads, falling prices, rising yields and investor flight. Leading up to this transition, we believe we will see increased instances of market dislocation, as occurred recently in the energy sector.

Given our expansion-to-late-cycle assessment, we are comfortable holding higher-than-average reserves, such as cash and high-quality developed market sovereign debt. This gives us room to potentially capitalize on market disruptions without having to sell existing holdings into the same weakness. Since we expect higher US rates or volatility to present buying opportunities, we intend to patiently use reserves to invest in our best ideas. This is a basic tenet of our investment approach; we take a long-term view, carefully research opportunities and step in to buy what we consider attractive securities that seem to have fallen out of favor.

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

June 30, 2015

Performance(%)

	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund Composite	1,654,824,070	100.00	-1.49	0.57	2.54	4.53	3.12	12.18	11.87	7.02
Total Fund Policy			-2.00	-0.57	1.45	2.45	2.19	11.11	11.52	6.32
Excess Return			0.51	1.14	1.09	2.08	0.93	1.07	0.35	0.70
Total Equity	984,051,758	59.47	-1.71	1.16	3.44	6.69	3.78	15.36	14.34	-
US Equity	656,053,807	39.64	-1.19	1.28	2.44	8.82	7.21	17.34	17.38	8.58
US Equity Index			-1.67	0.14	1.94	7.28	7.29	17.73	17.54	8.27
Excess Return			0.48	1.14	0.50	1.54	-0.08	-0.39	-0.16	0.31
International Equity	327,997,951	19.82	-2.72	0.91	5.54	2.66	-2.37	11.48	8.08	5.31
International Equity Index			-2.75	0.72	4.35	0.37	-4.85	9.92	8.23	5.15
Excess Return			0.03	0.19	1.19	2.29	2.48	1.56	-0.15	0.16
Fixed Income *	385,525,467	23.30	-0.96	-1.22	0.53	1.89	1.75	1.84	3.42	4.40
Barclays Aggregate			-1.09	-1.68	-0.10	1.69	1.86	1.83	3.35	4.44
Excess Return			0.13	0.46	0.63	0.20	-0.11	0.01	0.07	-0.04
Real Estate	167,030,762	10.09	1.50	3.99	7.57	10.97	13.78	13.99	15.14	8.91
NCREIF Fund Index - ODCE [M]			0.00	0.00	3.39	6.76	10.22	11.71	13.55	6.45
Excess Return			1.50	3.99	4.18	4.21	3.56	2.28	1.59	2.46
NCREIF Property Index			0.00	0.00	3.57	6.72	9.54	10.49	12.02	7.83
MLP's/Energy	116,961,446	7.07	-5.45	-2.87	-4.80	-11.80	-10.77	18.27	-	-
S&P MLP Index			-8.14	-5.17	-8.14	-19.18	-16.48	10.54	-	-
Excess Return			2.69	2.30	3.34	7.38	5.71	7.73	-	-
Cash	1,254,637	0.08	0.01	0.04	0.08	0.10	1.14	1.02	0.69	5.24

* NOT JUST A LOSER, BUT A BIG LOSER

10 YEAR RESET FIXED INCOME / 20 YEAR PROJECTION

@ 7%

Reset 6/30 Value FI \$385,525,467 ÷ 1.54 = 250,341,212

Reset 6/30 Value \$ 250,341,212.00

	Equity	Intl. Equity	R. E.
ALLOC %	X 5.19	X 3.52	X 1.28
\$	129,927,089.00	\$ 88,120,107.00	\$ 32,043,675.00
% GROWTH	X 2.28	X 1.68	X 2.35
TOTAL	\$ 296,233,763.00	\$ 148,041,780.00	\$ 75,302,636.00

GRAND TOTAL

\$ 519,578.2 m.

VS \$ 385.5 m

Adjusted Gain

and Base

20 Yr Factor

Estimated 20 Yr Value

X 3.87

\$ 2,297.8 m

X 3.87

\$ 1,491.9 m

Pension Fund Contribution

20 Yr Factor

Estimated 20 Yr Value

\$74.0 M

X 3.87

\$286.40

+ 286.4 m

Grand Total

projected

\$ 2,297.8 m

\$ 1,778.3 m

FI @ 6% = 4.3%

PF Contribution

\$ 385.5 m

X 1.52

\$ 585.9 m

286.4 m

\$ 866.3 m

- \$ 1,778.3 m

Deficit

- \$ 912.0 m

DJIA HISTORY

% Returns Years Net of Dividends +/- 2.125%

YEAR	ACTUAL			REQUIRED					
	DJIA	20 yrs	25 yrs	30 yrs	YEAR	DJIA	20 yrs	25 yrs	30 yrs
1970	838.92	5.9	9.5	8.8	2000	10,789.85			
1971	890.2	6.5	8.6	11.3	2001	10,021.50			
1972	1,020.02	6.0	8.5	7.5	2002	8,341.63			
1973	850.86	8.7	10.0	8.5	2003	10,453.00			
1974	616.24	9.5	12.2	10.1	2004	10,783.01			
1975	852.41	9.4	10.7	8.7	2005	10,717.50			
1976	1,004.65	9.6	9.7	8.6	2006	12,463.15			
1977	831.17	11.8	9.7	9.5	2007	13,264.00			
1978	805.01	12.6	11.0	[8.2]	2008	[8,776.50]			
1979	838.74	13.8	10.4	8.7	2009	10,428.23			
1980	936.98	12.6	10.1	8.4	2010	11,577.00			
1981	875.00	12.5	10.7	9.2	2011	12,217.56			
1982	1,112.20	10.2	11.9	8.6	2012	13,104.58			
1983	1,258.64	11.1	8.2	9.25	2013	16,576.70			
1984	1,211.57	11.4	9.0	16.2	2014	17,823.07			
1985	1,546.67	10.2	8.5	11775	2015				
1986	1,895.95	9.7	7.6	14428	2016				
1987	1,938.83	10.1	7.9	14755	2017				
1988	2,168.57	[7.2]	7.8	16510	2018				
1989	2,753.20	7.0	7.6	20956	2019				
1990	2,633.66	7.7	14289	20047	2020				
1991	3,168.83	7.0	17192	24121	2021				
1992	3,301.11	7.2	17915	25127	2022				
1992	3,754.09	7.7	20372	28575	2023				
1994	3,834.44	8.0	20807	29190	2024				
1995	5,117.12	19803	27770	38951	2025				
1996	6,448.27	24954	34993	49082	2026				
1997	7,908.25	30604	42917	60195	2027				
1998	9,181.43	35530	49825	69885	2028				
1999	11,497.12	44493	62394	87515	2029				
					2030				

** All projections based on 7% annualized rate of return