

# Account Review

---



FOR ONE ON ONE PRESENTATION ONLY.  
NOT FOR PUBLIC DISTRIBUTION.



Jacksonville Police & Fire Pension Fund

August 28, 2015

William M. Bellamy, CFA  
Director of Income Strategies

Tracy L. Musser  
Sr. Institutional Relationship Manager

# Organizational Update 2Q 2015

---

## Firm

- \$13.9 billion in assets as of June 30, 2015
- 70 associates
- 27 equity shareholders own 24.7%

## Investment Strategies

- Continued growth in Fixed Income strategies
- Continued growth in International strategies
  - International Small Cap \$1.2 billion in AUM (planned closing at \$1.5 billion)
  - International Small Cap mutual fund closed to new investors; LLC and ERISA collective open
  - International Large Cap \$4.9 billion in AUM
  - International Large Cap separate account, ERISA collective and mutual fund available
- Limited capacity in Small Cap Value and SMID Cap Value; Small Cap Value mutual fund is open
- Increased interest in Mid Cap Value for DC and DB plans
  - Separate account, ERISA collective and mutual fund available

# TS&W Income Strategies Team



## **William M. Bellamy, CFA**

Director of Income Strategies

Portfolio Manager – Fixed Income, Strategic High Income

- Cornell University, BS; Duke University, MBA
- Merrill Lynch & Co., Inc. - Assistant Vice President
- Clayton Brown & Associates - VP, Institutional Fixed Income
- First Union Corporation - Vice President
- Trusco Capital Management, Inc. - Vice President



## **David L. McMackin, CFA**

Research Analyst – Income Strategies

- Virginia Polytechnic Institute & State University, BS
- Crestar Asset Management - Trading Assistant
- Trusco Capital Management, Inc. - Portfolio Analyst



## **Gregory T. Cole**

Credit Analyst

- Virginia Polytechnic Institute & State University, BS
- Sidoti & Company – Research Analyst
- Sterne Agee – Investment Banking Analyst

## Firm Investment Resources

**Portfolio  
Managers**

**8**

**Research  
Analysts**

**15**

**Traders**

**4**

**Client  
Service/  
Marketing**

**9**

# Jacksonville Police & Fire Pension Fund Portfolio Review

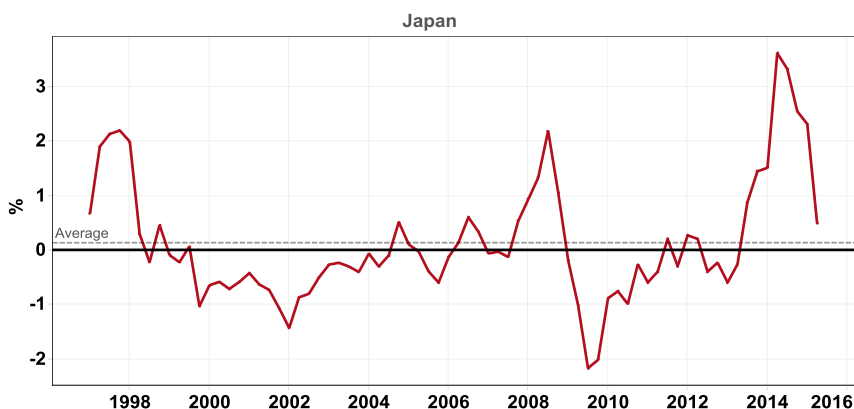
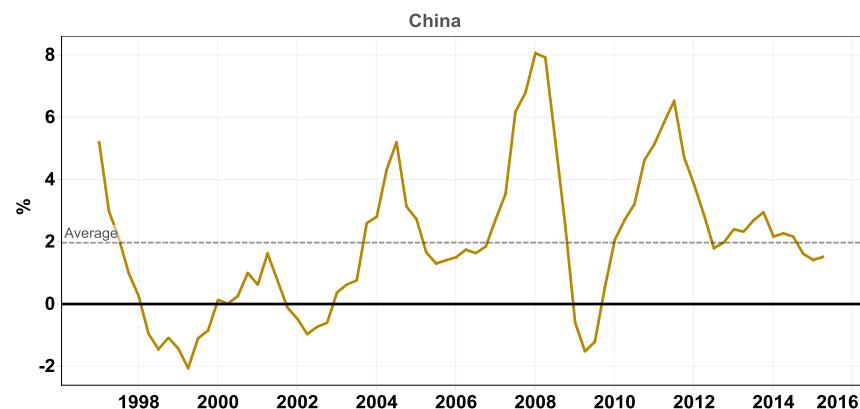
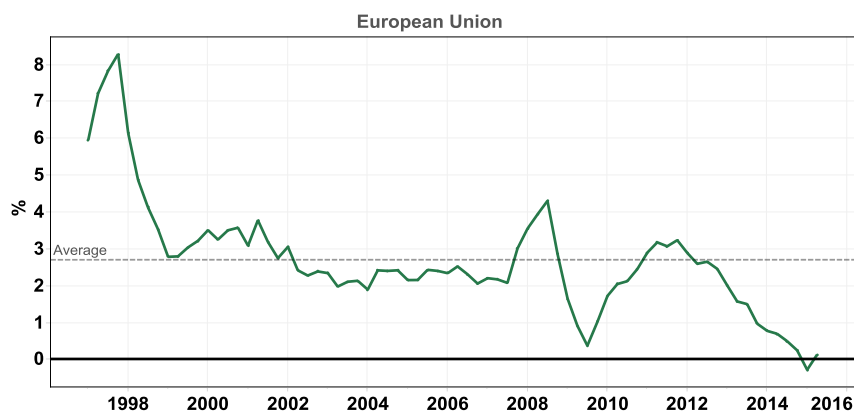
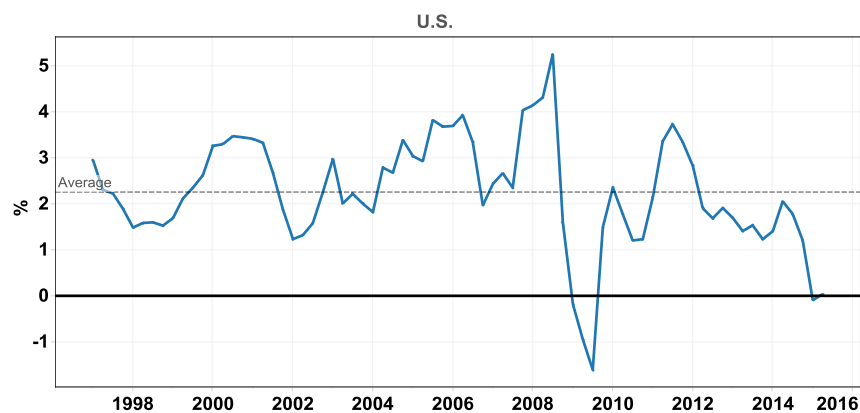
---

- Key issues facing fixed income markets
- Portfolio characteristics, positioning & performance
- Market outlook

# Inflation Rates of Major Economies

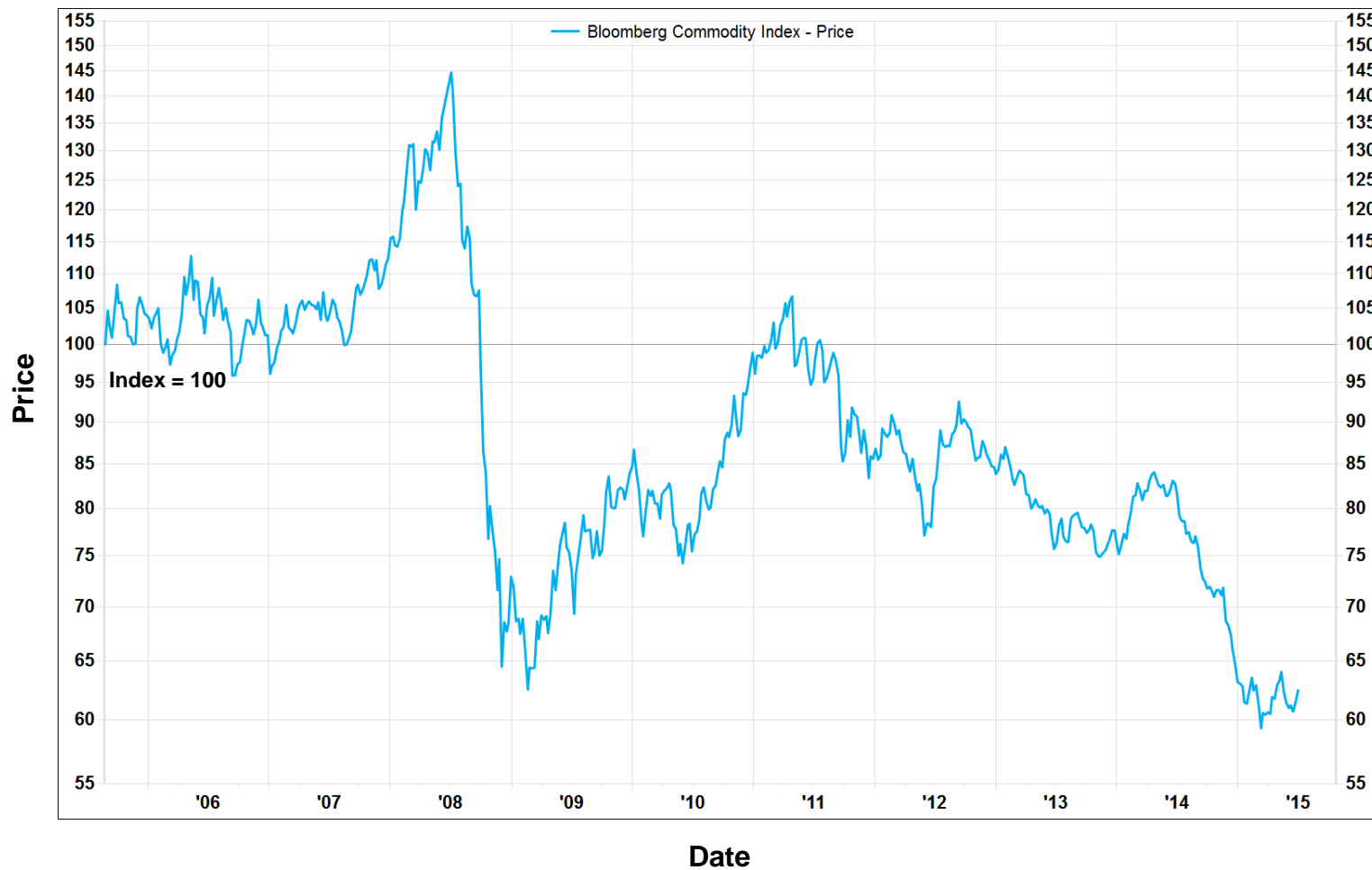
As of June 30, 2015

CPI % Change Year-over-Year QTR end



# Performance of Commodities

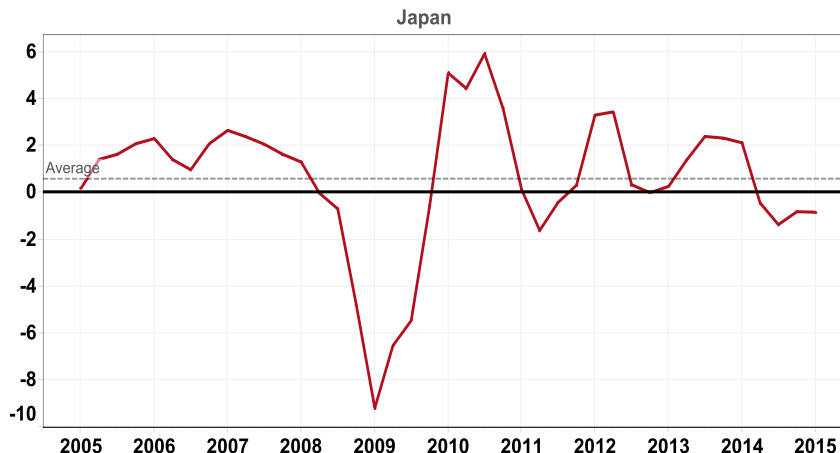
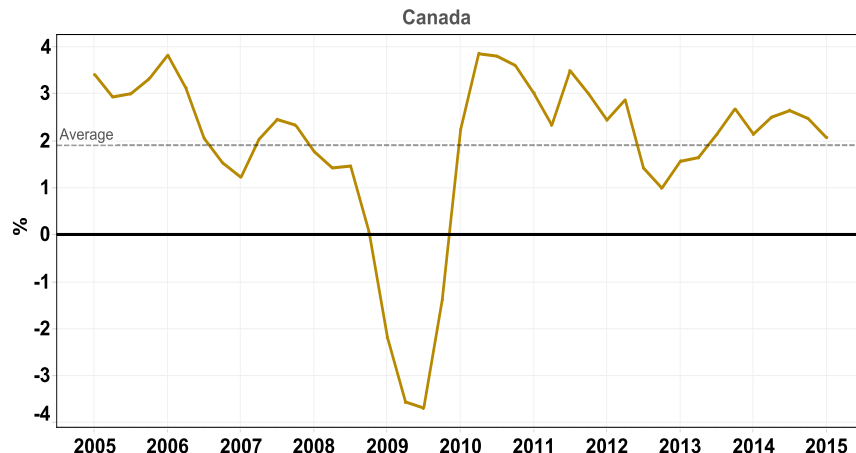
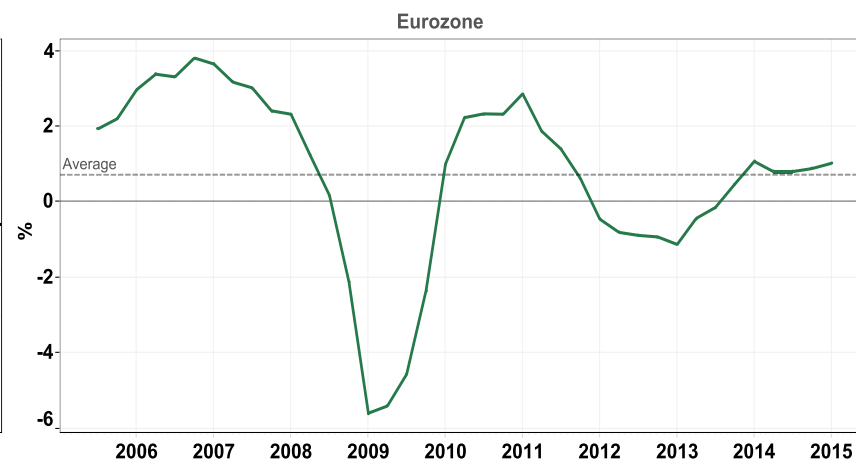
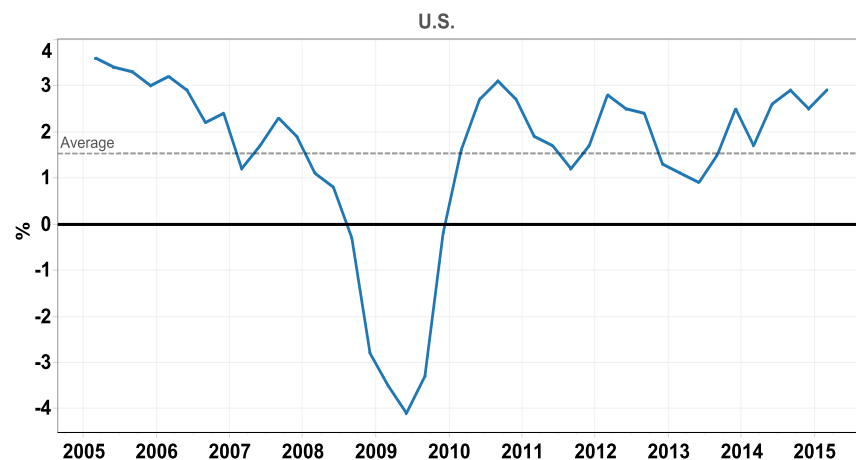
10 years ending June 30, 2015



# GDP of Major Economies

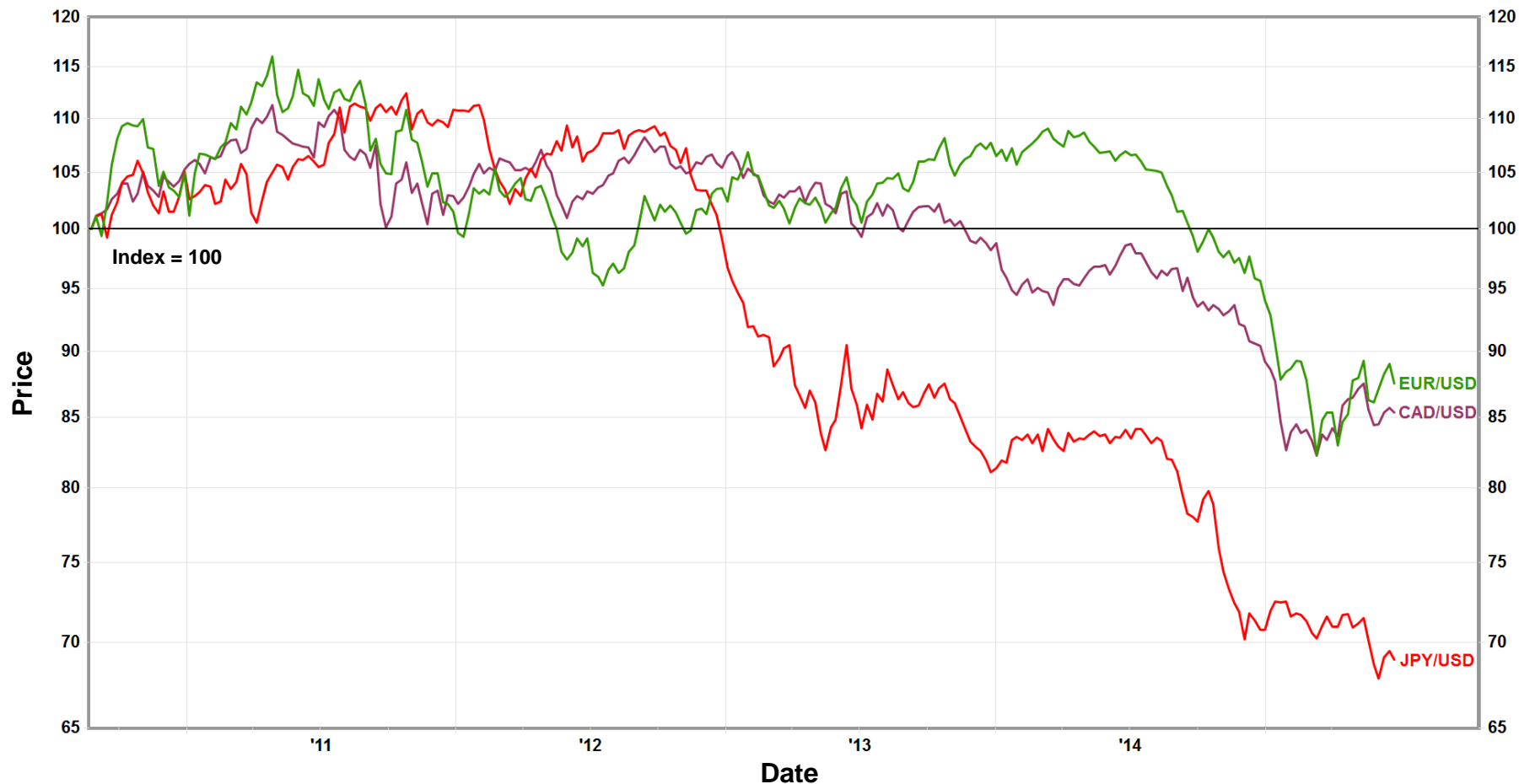
10 years ending March 31, 2015

## Percentage Change Year-Over-Year



# Performance of Major Currencies

5 years ending June 30, 2015

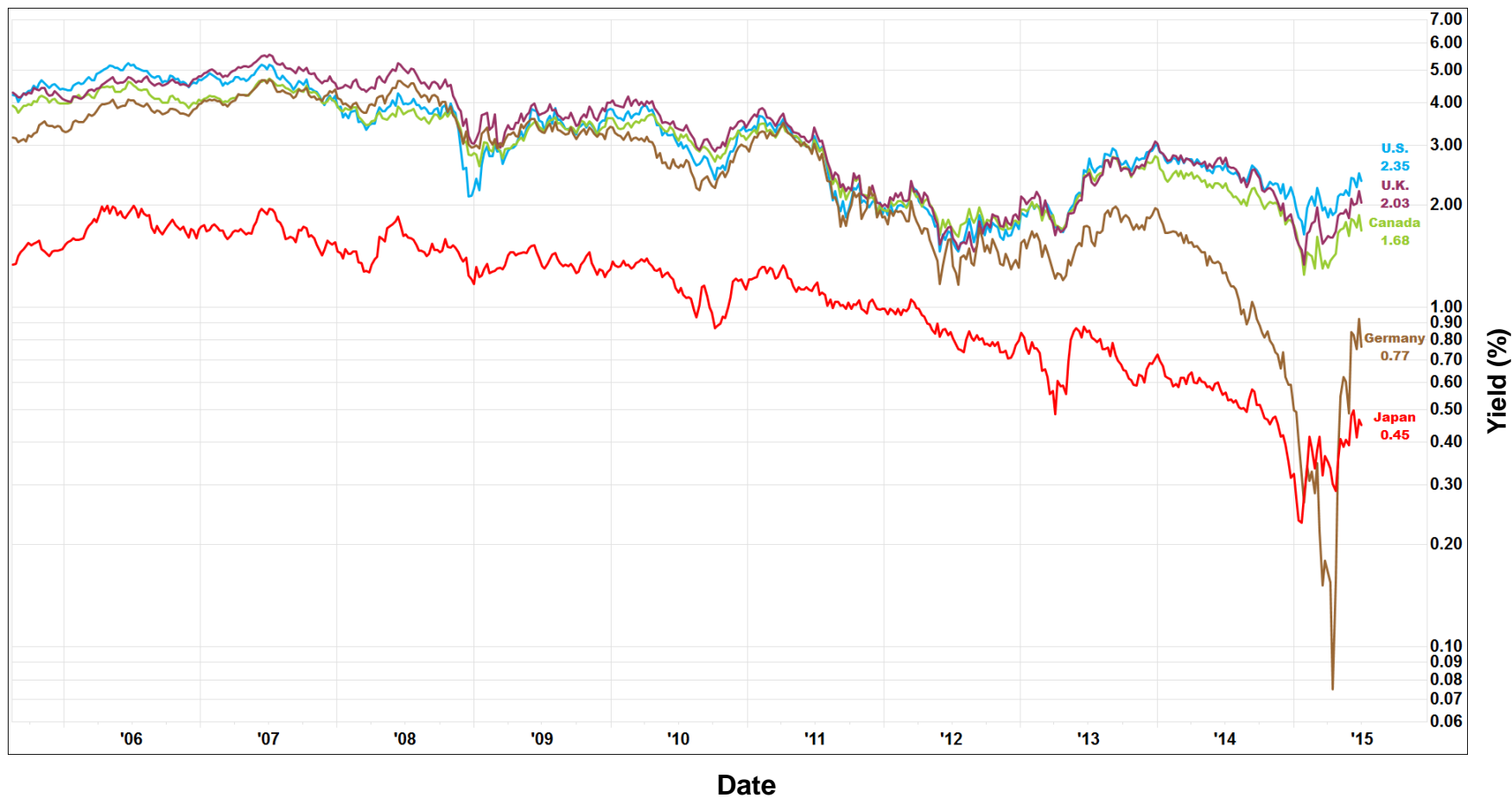




# Yields of Major Economies

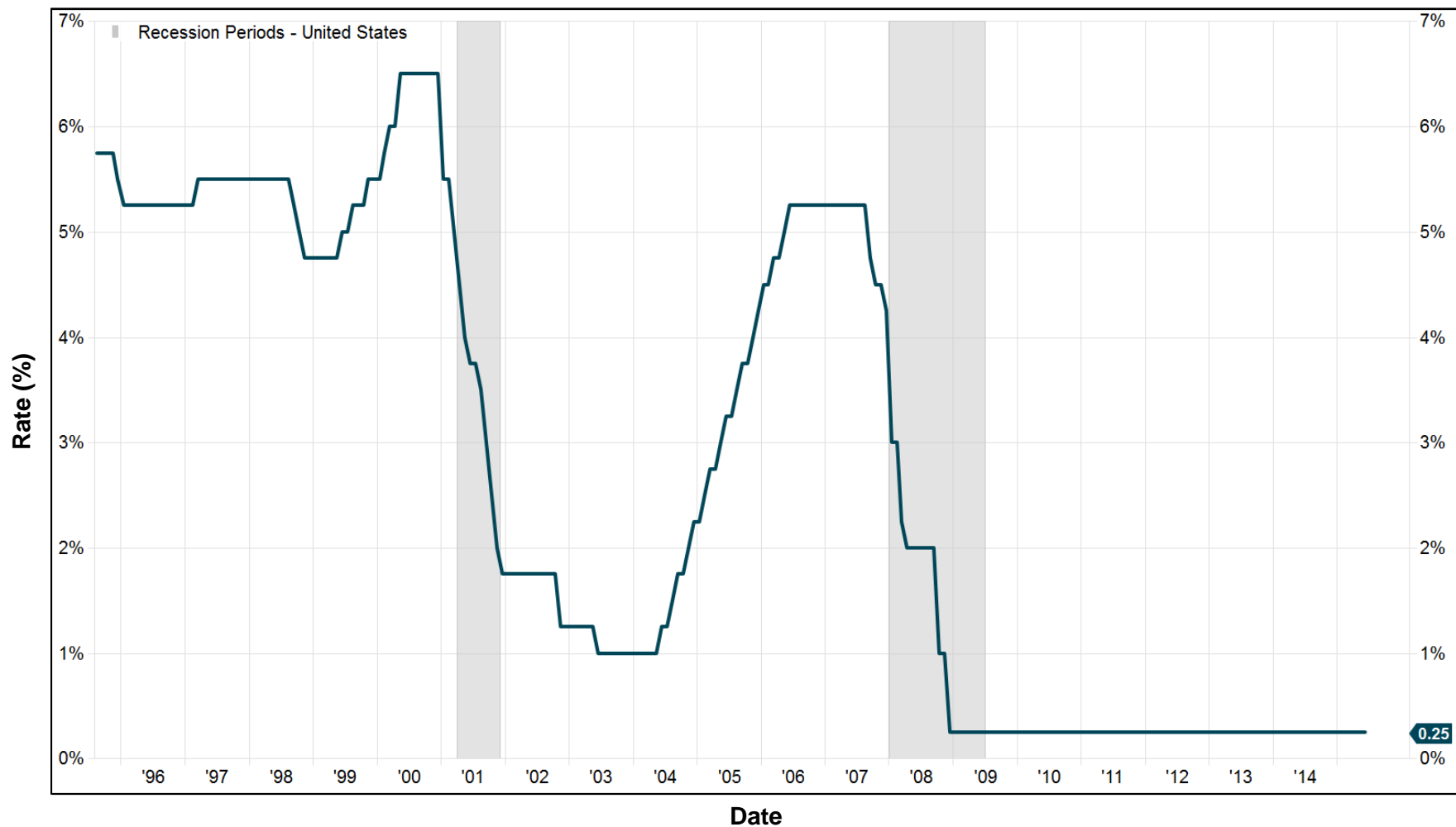
10 years ending June 30, 2015

## 10-Year Benchmark Bond Yields



# U.S. Federal Funds Target Rate

20 years ending June 30, 2015



# Jacksonville Police & Fire Bond Pension Fund

Account Balance & Cash Flow: As of June 30, 2015

	Market Value	% of Total
Cash Equivalents	\$ 1,914,100	1.4%
Fixed Income	\$ 135,779,914	98.6%
<b>Total Account</b>	<b>\$ 137,694,013</b>	<b>100.0%</b>

*Estimated Annual Income*      \$ 5,694,661  
*Portfolio Yield*                      4.1%

	Beginning Market Value	Additions	Withdrawals	Assets Available for Investment	Estimated Income	Ending Market Value
2006	\$ 95,241,985	\$0	\$0	\$95,241,985	\$5,291,788	\$99,453,763
2007	99,453,763	\$0	-\$7,000,000	\$92,453,763	\$5,240,658	\$98,985,063
2008	98,985,063	\$0	-\$11,000,000	\$87,985,063	\$4,737,905	\$91,991,143
2009	91,991,143	\$0	-\$28,000,000	\$63,991,143	\$3,551,539	\$72,293,360
2010	72,293,360	\$0	-\$9,000,000	\$63,293,360	\$3,177,959	\$68,008,138
2011	68,008,138	\$11,000,000	-\$13,000,000	\$66,008,138	\$2,937,894	\$69,696,314
2012	69,696,314	\$35	-\$5,220	\$69,691,129	\$2,495,726	\$74,927,754
2013	74,927,754	\$41,020,417	-\$4,956	\$115,943,216	\$3,755,335	\$115,027,016
2014	115,027,016	\$16,000,322	-\$6,030	\$131,021,307	\$5,149,916	\$136,828,316
2015 YTD	136,828,316	\$0	-\$2,372	\$136,825,945	\$5,694,661	\$137,694,013
<b>Total</b>	<b>\$ 68,020,773.70</b>	<b>\$ (68,018,577.61)</b>			<b>\$ 42,033,380.61</b>	

Beginning Value - 01/01/2006                      \$ 95,241,985  
 Net Additions and Withdrawals                      \$ 2,196  
 Current Value - 06/30/2015                      \$ 137,694,013

# Jacksonville Police & Fire Pension Fund Portfolio Positioning

---

- Slightly short duration, less interest rate risk
- Neutral/barbelled yield curve position
- Overweight credit, MBS, underweight treasuries
- Higher yield vs. Barclay's Aggregate index

# TS&W Core Plus Fixed Income

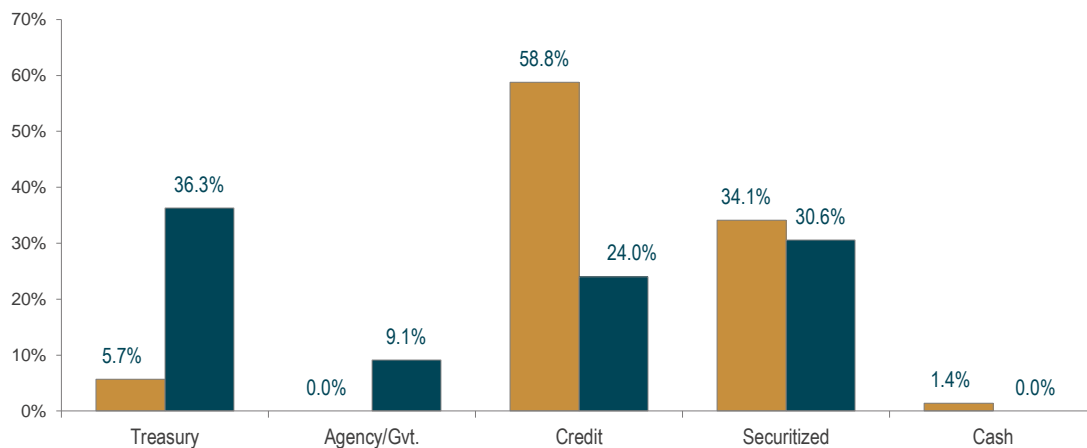
As of June 30, 2015

## Jacksonville Police & Fire Pension Fund – Portfolio Characteristics

### Summary

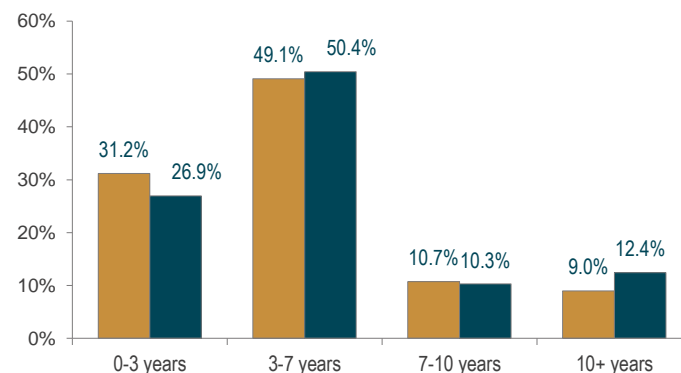
	Jacksonville Police & Fire Pension Fund	Barclays Capital U.S. Aggregate Index
Average Maturity	8.0 yrs	7.5 yrs
Effective Duration	4.9 yrs	5.4 yrs
Average Coupon	4.3%	3.3%
Average Yield to Worst	3.2%	2.3%
Average Quality	A2	Aa2

### Sector Distribution

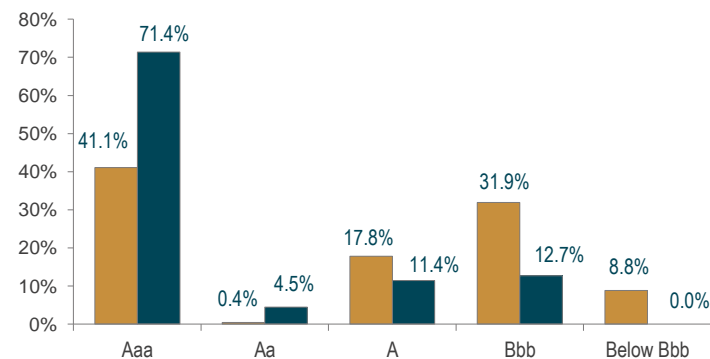


- Jacksonville Police & Fire Pension Fund
- Barclays Capital U.S. Aggregate Index

### Duration Distribution



### Quality Distribution



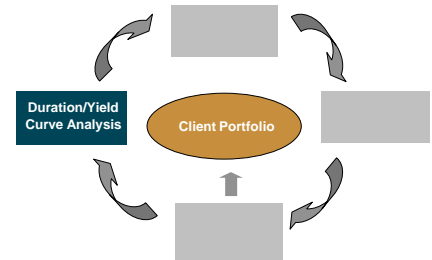
Note: Index information is as of 6/30/2015. Weights may not add up to 100% due to rounding.

Source: FactSet

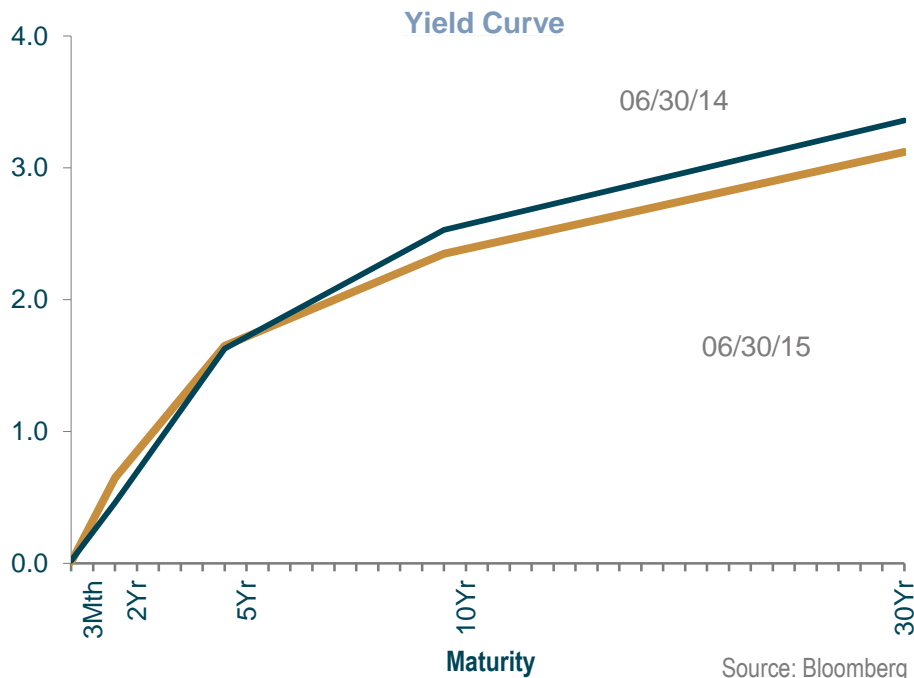
# Duration/Yield Curve Analysis

1 Year as of June 30, 2015

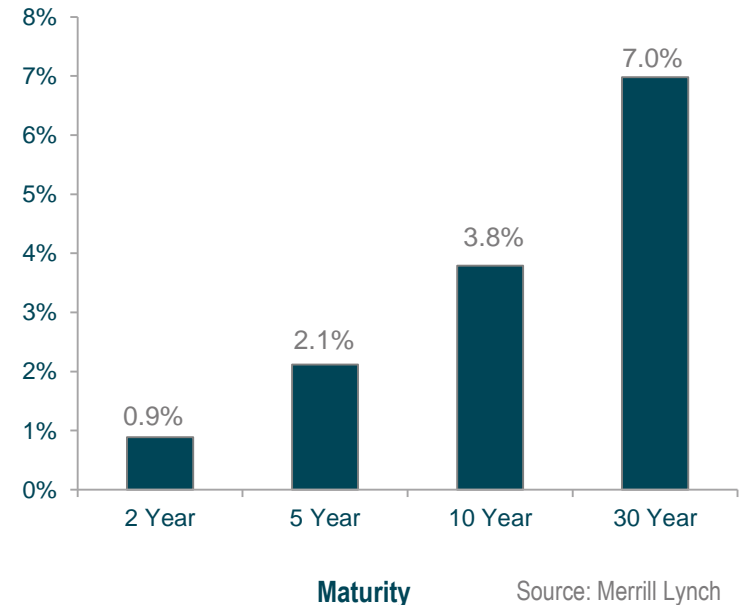
Determines Portfolio Interest-Rate Risk and Yield Curve Position



- Modest duration shifts based on top down input
- Sensitivity analysis – shape of yield curve
- Portfolio construction based on allocation to maturity “buckets”



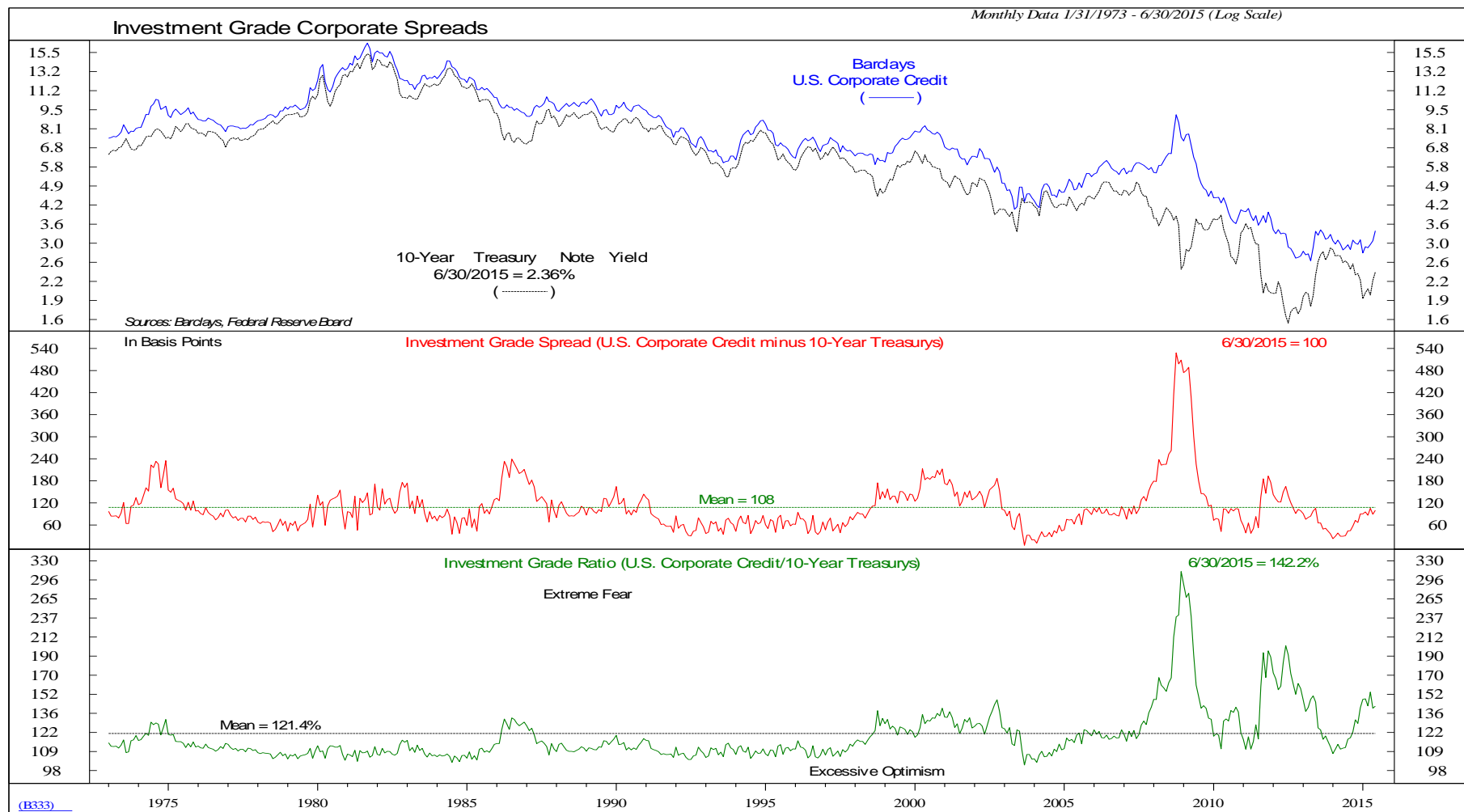
Cumulative Returns of U.S. Treasuries by Maturity  
Over the Period 6/30/14 – 6/30/15



# Corporate Bond Valuations Remain Attractive

January 31, 1973 – June 30, 2015

## Investment Grade Corporate Bond Spreads



Source: Ned Davis Research

# City of Jacksonville Police & Fire Bond Pension Fund

Performance Summary as of June 30, 2015

(Total Return)	YTD	1 Year	Annualized		
			← 3 Years	5 Years →	10 Years →
<b>Total Account</b>	0.75%	2.31%	2.76%	3.90%	5.00%
Inflation	-0.39%	-0.23%	0.92%	1.37%	1.50%
<b>Fixed Income</b>	0.74%	2.30%	2.76%	4.07%	5.15%
Barclays Capital Aggregate Index	-0.10%	1.86%	1.83%	3.35%	4.44%

Includes reinvestment of dividends and other income. Past performance is not indicative of future performance. Returns are gross of fees.



# Market Outlook

---

- Expect Fed rate hike in 2015 – slow, gradual
- Slow growth, low inflation, range-bound rates
- Continued volatility across all markets
- Outside of energy/metals/mining – very strong balance sheets

# TS&W Core Plus Fixed Income Performance Presentation

12/31/2004 - 12/31/2014

Reported in: USD

Period	Returns			3 Yr. Annualized Standard Deviation		Dispersion	Assets		
	Total Gross Return AWR	Total Net Return AWR	Index	Composite	Index	Internal Equal Wtd.	Number of Portfolios	Composite (MM)	Total Firm (MM)
2005	2.62%	2.16%	2.43%			n.m	1	31.11	6,581.96
2006	5.79%	5.32%	4.33%			n.m	1	35.01	7,613.34
2007	5.46%	4.99%	6.97%	2.45%	2.80%	n.m	1	48.10	7,841.90
2008	-3.03%	-3.46%	5.24%	6.13%	4.03%	n.m	1	45.69	5,448.97
2009	15.95%	15.40%	5.93%	6.68%	4.17%	n.m	1	52.60	7,409.58
2010	9.76%	9.26%	6.54%	6.78%	4.23%	n.m	1	56.84	7,988.20
2011	6.64%	6.34%	7.84%	3.47%	2.82%	n.m	2	111.06	6,758.70
2012	9.38%	9.05%	4.21%	2.51%	2.42%	n.m	1	69.35	6,164.92
2013	0.71%	0.26%	-2.02%	2.69%	2.75%	n.m	1	277.95	7,368.85
2014	5.43%	5.21%	5.97%	2.47%	2.67%	n.m	4	947.56	12,009.39

Index: Barclay's Capital U.S. Aggregate Bond

- Thompson, Siegel & Walmsley LLC ("TS&W") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Thompson, Siegel & Walmsley LLC has not been independently verified.
- TS&W is an investment adviser, established in 1969, registered with the Securities and Exchange Commission, investing in domestic and international equities and fixed income securities for a broad array of clients. TS&W is an autonomous investment management firm, majority owned by OMAM Inc.
- TS&W's list of composite descriptions, definitions, and calculation methods are available upon request.
- TS&W's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- The composite may include all taxable and non-taxable, fee paying and non-fee paying, fully discretionary fixed income portfolios managed with the TS&W Core Plus Fixed Income strategy that invests, primarily, in investment grade fixed income securities, but may invest up to 20% in less than investment grade fixed income securities.
- The time-weighted Gross and Net performance stated above reflects the deduction of trading expenses and the reinvestment of interest and other income. Returns are presented net of non-reclaimable withholding taxes. Gross performance does not include the deduction of investment management fees. Net performance includes the actual investment management fee on the specific account in the composite. Starting May 1, 2011, TS&W's performance process began using a daily time-weighted, Modified Dietz, rate of return calculation, on a trade date basis using accruals for dividends and fixed income, while treating cash flows as beginning of day transactions. Daily performance periods are geometrically linked to create the monthly performance return.
- TS&W requests that any third party investment management consultant provides our performance data only on a one-on-one basis. Please disclose the following: Gross performance results are presented before investment management and custodial fees. As described in TS&W's Form ADV Part 2A, investment management fees are:

First \$25,000,000	0.40%
Over \$25,000,000	0.30%

A client's return will be reduced by these and other related expenses. The actual fee charged to an individual portfolio may vary from the stated schedule, depending on a number of factors, including type and size.

- The creation date of the TS&W Core Plus Fixed Income composite is April 12, 2005. The portfolio represented in this composite are valued at calendar month-end. Annual rates of return are calculated by linking the monthly returns, using trade date valuations. All performance is expressed in U.S. dollars.
- The benchmark utilized is the Barclays Capital U.S. Aggregate Bond Index. In September 2008, Barclays Capital acquired Lehman Brothers' North American Investment Banking and Capital Markets businesses including the family of Lehman Brothers indices with the commitment to maintain their history and future performance calculations. The Barclays Capital U.S. Aggregate Bond Index is a broad-based bond index comprised of government, corporate, mortgage and asset-backed issues, rated investment grade or higher, and having at least one year to maturity. Benchmark returns include interest and other earned income, but do not include any transaction costs, management fees or any other expenses.
- Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of all portfolios that were included in the composite for the full year. The statistical measurement of internal dispersion for composites with fewer than five (5) accounts for the year is not considered meaningful and, accordingly, has not been presented. "n.m"="Not Meaningful." The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. No performance is shown where 36 months of composite data is not available.
- The significant cash flow policy for this composite states: For periods beginning January 1, 2014, net cash flows that exceed 25% of the beginning market value of the portfolio for the month are removed from the composite. Portfolios are then re-included in the composite the following month.
- Historical performance results are not indicative of the future investment performance of TS&W.

Compliance Review 1-15

# Important Disclosure Information

---

## CLIENT REPORTS AND CUSTODY STATEMENT

It is important to receive and review the statement you receive from your custodian. Any client account report provided by our Firm is not intended to replace your custody statement, which should be considered your official record for all pertinent account information. And while our Firm's reports are provided in a different format from the custodian's, and may vary in content and scope, you should compare the asset information to that of your custody statement. Please notify us promptly if you do not receive statements on all accounts from the custodian on at least a quarterly basis.

Certain additional reports, such as a Realized Gain/Loss Report, may also be included from your custodian or other third parties. All information contained in such reports is believed to be correct, but because this information is provided by a third party source and not directly from our Firm, its accuracy and completeness cannot be guaranteed. TS&W and its employees do not provide tax or legal advice.

## FIXED INCOME

Fixed Income investments may or may not be subject to different tax charges. Bond investments are extremely sensitive to changes in interest rates and other related economic conditions. In a rising interest rate or inflationary environment, bond prices may fluctuate quickly. In addition to pre-payment and other early principal pay back, interest and re-investment risk are also factors that may be considered.

## INTERNATIONAL INVESTING RISKS

Investments in global/international markets involve special risks not associated with U.S. markets, including greater economic, political and currency fluctuation risks, which may be even higher in emerging markets. In addition, foreign countries may have different accounting standards than those of the U.S.

## HOLDINGS DISCLOSURE

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of every holding's contribution to performance during the period and the methodology of the contribution to return is available by contacting TS&W Marketing.

## GENERAL ECONOMIC AND MARKET COMMENTARY DISCLOSURE

Comments and general market related projections are based on information available at the time of writing and believed to be accurate; are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm and may not be relied upon for future investing. Ned Davis charts are created by a third party and are exempt from the internal compliance review process. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions. **Past performance is not indicative of future results.**

## SECTOR WEIGHTINGS AND PORTFOLIO CHARACTERISTICS

The sector weightings and portfolio characteristics are presented as of the date shown on this presentation, and may change without notice. A complete list of sector weightings and individual security positions are available upon request.

© 2015 Thompson, Siegel & Walmsley LLC ("TS&W"). TS&W is an investment adviser registered with the SEC. Registration does not imply a certain level of skill or training. All information contained herein is believed to be correct but accuracy cannot be guaranteed. TS&W and its employees do not provide tax or legal advice. Past performance is not indicative of future results. Certain GIPS® disclosures are provided on TS&W's website at [www.tsinvest.com](http://www.tsinvest.com), others are available upon request.