

**Manning, Deborah**

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**From:** Keane, John  
**Sent:** Friday, December 19, 2014 12:53 PM  
**To:** Manning, Deborah  
**Subject:** FW: Asset re-balancing  
**Attachments:** 1114 Rebalancing Spreadsheet.xls

Board Agenda. Investments.

*John Keane*

John Keane  
Executive Director-Administrator  
Police and Fire Pension Fund  
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**From:** Dan Holmes [[mailto:d\\_holmes@summitstrategies.com](mailto:d_holmes@summitstrategies.com)]  
**Sent:** Thursday, December 18, 2014 4:28 PM  
**To:** Keane, John  
**Subject:** FW: Asset re-balancing

John:

I am forwarding to you a pro-forma spread sheet. We added \$125 million to cash using November month-end market values. Based on this I am making the following rebalancing recommendations (which are not reflected on the attached):

- Given Summit's view that MLPs have become expensive and the current pressure on the entire energy sector, I am recommending taking 1% (\$16 million) each from Harvest and Tortoise and giving it to Thompson Siegel. This will reduce MLPs to approximately 5% of total assets, which is what we believe is a reasonable amount. When MLPs become reasonably priced, we will rebalance in the future. If not, we will have to reduce target.
- JP Morgan and Principal are not taking additional capital at this time. We should notify Principal that we want to add more there in the future. We can do this at the beginning of 2015. We expect that they would then have an opening Mid-2015. For now, nothing can be added.
- Equities already are 1.4% over target. We don't want to exceed the 5% allowable range over target. Accordingly, I recommend we take:
  - 0.5% (\$8 million) from cash and give it to Acadian (this will bring emerging markets to target).

- 0.5% (\$8 million) from cash and give to the Northern EAFE Index Fund (this will bring international developed markets to target). In 2015 we will have to press on Silchester to take more money.
- 2.6% (\$42 million) from cash and give it to the Northern S&P 500 Index fund (this will bring domestic large cap to 8.8% passive, and 9.8 % active value and 9.8% active growth). This will overweight domestic large cap but keep within the permissible over weight range.
- 3.1% (\$51 million) and give it to Northern Aggregate Bond Index fund (this will keep the total fixed income within permissible policy range but allow easy future rebalancing to fund Aberdeen or any other fixed income managers).
- The remainder (approximately 2%) should be left in cash.

Please call me if you have any questions.

Regards,

Dan Holmes

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**From:** John Elking  
**Sent:** Thursday, December 18, 2014 2:22 PM  
**To:** Dan Holmes  
**Subject:** RE: Asset re-balancing

Here you go.

Thanks,

John Elking  
**Summit Strategies Group**  
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St.Louis, MO 63105  
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**From:** Dan Holmes  
**Sent:** Thursday, December 18, 2014 2:18 PM  
**To:** John Elking  
**Subject:** FW: Asset re-balancing

\$125 million

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**From:** Keane, John [<mailto:KEANE@coj.net>]  
**Sent:** Monday, December 01, 2014 11:00 AM  
**To:** Dan Holmes  
**Subject:** Asset re-balancing

Good morning Dan. I see that is very cold in St. Louis this morning. Chilly here 54 a 6 am. We will receive 125 + million from the City of Jacksonville today. We need to discuss allocation. We will have special Board Meeting on December 10<sup>th</sup> at 9 am to review. I understand the St. Louis public safety plan is in a very productive MLP. Please call to discuss. Have a great day.

*John Keane*

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**City of Jacksonville Police & Fire Fund  
Asset Allocation as of November 30, 2014**

|  | % Current Target | % Actual       | % Difference from Current Target | \$ Current Target      | \$ Actual              | \$ Difference          |
|--|------------------|----------------|----------------------------------|------------------------|------------------------|------------------------|
| <b>A. Total Equity</b>                             | <b>55.00%</b>    | <b>56.41%</b>  | <b>1.41%</b>                     | <b>\$92,659,335</b>    | <b>\$915,476,733</b>   | <b>\$22,817,398</b>    |
| 1. Domestic Large Cap Equity (70% of Domestic)     | 26.00%           | 25.85%         | (0.15%)                          | 421,984,413            | 419,574,323            | (2,410,090)            |
| NT S&P 500 Index Fund                              |                  | 6.25%          | 6.25%                            | 101,380,032            | 101,380,032            | 0                      |
| Fayez Sarofim                                      |                  | 0.00%          | 0.00%                            | 28,010                 | 28,010                 | 0                      |
| Eagle Capital Management                           |                  | 5.26%          | 5.26%                            | 85,408,455             | 85,408,455             | 0                      |
| GAMCO  |                  | 4.53%          | 4.53%                            | 73,447,805             | 73,447,805             | 0                      |
| Brown Advisory                                     |                  | 3.56%          | 3.56%                            | 57,793,618             | 57,793,618             | 0                      |
| Sawgrass Asset Management                          |                  | 6.25%          | 6.25%                            | 101,516,403            | 101,516,403            | 0                      |
| 2. Domestic Small/Mid Cap Equity (30% of Domestic) | 9.00%            | 11.66%         | 2.66%                            | 146,071,528            | 189,167,433            | 43,095,906             |
| DePrince Race & Zollo                              |                  | 6.60%          | 6.60%                            | 107,041,108            | 107,041,108            | 0                      |
| Pinnacle   |                  | 5.06%          | 5.06%                            | 82,126,326             | 82,126,326             | 0                      |
| 3. International Equity Developed                  | 14.00%           | 13.47%         | (0.53%)                          | 227,222,376            | 218,581,241            | (8,641,135)            |
| NT EAFE Index Fund                                 |                  | 3.68%          | 3.68%                            | 59,703,166             | 59,703,166             | 0                      |
| Baillie Gifford                                    |                  | 6.00%          | 6.00%                            | 97,374,235             | 97,374,235             | 0                      |
| Boston Company                                     |                  | 0.00%          | 0.00%                            | 66,357                 | 66,357                 | 0                      |
| Silchester   |                  | 3.79%          | 3.79%                            | 61,437,484             | 61,437,484             | 0                      |
| 4. International Emerging Markets                  | 6.00%            | 5.43%          | (0.57%)                          | 97,381,018             | 88,153,736             | (9,227,283)            |
| NTGI-QM MSCI Emerging Markets                      |                  | 0.04%          | 0.04%                            | 592,989                | 592,989                | 0                      |
| Acadian Emerging Markets                           |                  | 5.39%          | 5.39%                            | 87,560,746             | 87,560,746             | 0                      |
| <b>B. Total Fixed Income</b>                       | <b>22.50%</b>    | <b>27.26%</b>  | <b>4.76%</b>                     | <b>\$65,178,819</b>    | <b>\$442,487,874</b>   | <b>\$77,309,055</b>    |
| 1. Core Fixed Income                               | 5.00%            | 15.32%         | 10.32%                           | 81,150,849             | 248,672,878            | 167,522,029            |
| NTGI Aggregate Bond Index                          |                  | 7.82%          | 7.82%                            | 126,920,872            | 126,920,872            | 0                      |
| Thompson Siegel Fixed                              |                  | 7.50%          | 7.50%                            | 121,752,006            | 121,752,006            | 0                      |
| 2. Core Plus                                       | 7.50%            | 0.00%          | (7.50%)                          | 121,726,273            | 0                      | (121,726,273)          |
| Manager TBD  |                  | 0.00%          | 0.00%                            | 0                      | 0                      | 0                      |
| 3. Senior Bank Notes                               | 2.50%            | 2.40%          | (0.10%)                          | 40,575,424             | 38,929,835             | (1,645,589)            |
| Eaton Vance Instl Senior Loan Trust                |                  | 2.40%          | 2.40%                            | 38,929,835             | 38,929,835             | 0                      |
| 4. TIPS  | 2.50%            | 1.81%          | (0.69%)                          | 40,575,424             | 29,304,154             | (11,271,271)           |
| NTGI TIPS  |                  | 1.81%          | 1.81%                            | 29,304,154             | 29,304,154             | 0                      |
| 5. Emerging Market Debt                            | 5.00%            | 0.00%          | (5.00%)                          | 81,150,849             | 0                      | (81,150,849)           |
| Manager TBD  |                  | 0.00%          | 0.00%                            | 0                      | 0                      | 0                      |
| 6. Cash/Paid Receipts                              | 0.00%            | 7.74%          | 7.74%                            | 0                      | 125,581,008            | 125,581,008            |
| <b>C. Total Real Assets</b>                        | <b>22.50%</b>    | <b>16.33%</b>  | <b>(6.17%)</b>                   | <b>\$365,178,819</b>   | <b>\$265,052,365</b>   | <b>(\$100,126,454)</b> |
| 1. Real Estate                                     | 15.00%           | 9.41%          | (5.59%)                          | 243,452,546            | 152,675,448            | (90,777,098)           |
| JPM RE Strategic Property                          |                  | 5.00%          | 5.00%                            | 81,150,849             | 116,214,696            | 35,063,848             |
| Principal Global Investments                       |                  | 2.25%          | (2.75%)                          | 81,150,849             | 36,460,751             | (44,690,097)           |
| Non-Core Real Estate (TBD)                         |                  | 5.00%          | (5.00%)                          | 81,150,849             | 0                      | (81,150,849)           |
| 2. MLPs / Timber / Commodities                     | 7.50%            | 6.92%          | (0.58%)                          | 121,726,273            | 112,376,918            | (9,349,355)            |
| Harvest MLP  |                  | 3.50%          | 3.50%                            | 56,792,791             | 56,792,791             | 0                      |
| Tortoise MLP                                       |                  | 3.42%          | 3.42%                            | 55,584,127             | 55,584,127             | 0                      |
| <b>D. TOTAL FUND</b>                               | <b>100.00%</b>   | <b>100.00%</b> |                                  | <b>\$1,623,016,972</b> | <b>\$1,623,016,972</b> | <b>0</b>               |