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**Funding of Neuberger Berman and
Loomis Sayles Core-Plus Fixed Income Accounts**

**City of Jacksonville
Police & Fire Pension Fund**

December 2016

EXECUTIVE SUMMARY

Background

- Earlier this year, the Board of Trustees conducted a Core-Plus Fixed Income manager search which resulted in the following:
 - Selection of Neuberger Berman for the original unfunded Core-Plus Fixed Income mandate.
 - Consolidating an unfunded Emerging Market Debt mandate with the Senior Bank Loan mandate to create a second Core-Plus Fixed Income mandate. Loomis Sayles was selected for this second assignment.
 - Adjusted current and new fixed income manager target allocations to reflect the mandate consolidation and fund the new accounts (reflected on the following pages).
- Presently the Pension Plan has received approximately \$144,745,000 in contributions from the City.

Recommendations (reflected on the following pages)

- In December, allocate the City's contribution as follows:
 - \$84,745,000 to Northern Trust S&P 500 Index Fund to maintain equity/fixed income balances.
 - \$2,000,000 to cash for liquidity needs.
 - \$58,000,000 to fund new Neuberger Berman account.
- In December, redeem \$60,000,000 from Northern Bond Index Fund and fully redeem Eaton Vance Senior Bank Loan Fund (\$41,639,490 as of 11/30/16); contribute proceeds to Neuberger Berman to bring them to target.
- In January 2017, redeem \$35,000,000 from the Northern Bond Index Fund and rebalance \$74,000,000 from the Thompson Siegel Core Fixed Income strategy; contribute proceeds to fully fund new Loomis Sayles Core-Plus account and provide \$2,000,000 to cash for liquidity needs.

DECEMBER 2016 REBALANCING/REALLOCATION

	\$ Actual	% Actual	\$ Current Target	% Current Target	Reallocation	Ending \$	Ending %	% Δ from Target
A. Total Equity	\$981,283,107	61.2%	\$945,876,290	59.0%	\$84,745,000	\$1,066,028,107	61.0%	2.0%
1. Domestic Large Cap Equity (70% of Domestic)	521,328,870	32.5%	503,398,568	31.4%		606,073,870	34.7%	3.3%
NT S&P 500 Index Fund	168,663,557	10.5%	176,349,817	11.0%	84,745,000	253,408,557	14.5%	3.5%
Eagle Capital Management	182,640,805	11.4%	163,524,376	10.2%		182,640,805	10.4%	0.2%
Brown Advisory	82,282,073	5.1%	81,762,188	5.1%		82,282,073	4.7%	-0.4%
Sawgrass Asset Management	87,742,435	5.5%	81,762,188	5.1%		87,742,435	5.0%	-0.1%
2. Domestic Small/Mid Cap Equity (30% of Domestic)	139,472,637	8.7%	121,841,692	7.6%		139,472,637	8.0%	0.4%
Wedge Capital Mgmt	71,315,344	4.4%	60,920,846	3.8%		71,315,344	4.1%	0.3%
Pinnacle	68,157,293	4.3%	60,920,846	3.8%		68,157,293	3.9%	0.1%
3. International Equity Developed	227,834,947	14.2%	224,445,221	14.0%		227,834,947	13.0%	-1.0%
NT EAFE Index Fund	72,672,152	4.5%	80,159,008	5.0%		72,672,152	4.2%	-0.8%
Baillie Gifford	90,951,016	5.7%	80,159,008	5.0%		90,951,016	5.2%	0.2%
Silchester	64,211,779	4.0%	64,127,206	4.0%		64,211,779	3.7%	-0.3%
4. International Emerging Markets	92,646,653	5.8%	96,190,809	6.0%		92,646,653	5.3%	-0.7%
Acadian Emerging Markets	92,646,653	5.8%	96,190,809	6.0%		92,646,653	5.3%	-0.7%
B. Total Fixed Income	\$329,631,708	20.6%	\$328,651,931	20.5%	\$60,000,000	\$389,631,708	22.3%	1.8%
1. Core Fixed Income	286,913,881	17.9%	64,127,206	4.0%		226,913,881	13.0%	9.0%
NTGI Aggregate Bond Index	121,249,319	7.6%	24,047,702	1.5%	(60,000,000)	61,249,319	3.5%	2.0%
Thompson Siegel Fixed	165,664,562	10.3%	40,079,504	2.5%		165,664,562	9.5%	7.0%
2. Core Plus	0	0.0%	248,492,924	15.5%		159,639,490	9.1%	-6.4%
Loomis Sayles	0	0.0%	99,397,169	6.2%		0	0.0%	-6.2%
Neuberger Berman	0	0.0%	149,095,754	9.3%	159,639,490	159,639,490	9.1%	-0.2%
3. Senior Bank Notes	41,639,490	2.6%	0	0.0%		0	0.0%	0.0%
Eaton Vance Instl Senior Loan Trust	41,639,490	2.6%	0	0.0%	(41,639,490)	0	0.0%	0.0%
4. Cash/Paid Receipts	1,078,337	0.1%	16,031,802	1.0%	2,000,000	3,078,337	0.2%	-0.8%
C. Total Real Assets	\$292,265,337	18.2%	\$328,651,931	20.5%	\$0	\$292,265,337	16.7%	-3.8%
1. Real Estate	192,405,158	12.0%	240,477,023	15.0%		192,405,158	11.0%	-4.0%
JPM RE Strategic Property	146,321,109	9.1%	80,159,008	5.0%		146,321,109	8.4%	3.4%
Principal Global Investments	46,084,049	2.9%	80,159,008	5.0%		46,084,049	2.6%	-2.4%
Non-Core Real Estate (TBD)	0	0.0%	80,159,008	5.0%		0	0.0%	-5.0%
2. MLPs / Timber / Commodities	99,860,179	6.2%	88,174,908	5.5%		99,860,179	5.7%	0.2%
Harvest MLP	50,469,713	3.1%	44,087,454	2.8%		50,469,713	2.9%	0.1%
Tortoise MLP	49,390,465	3.1%	44,087,454	2.8%		49,390,465	2.8%	0.1%
D. TOTAL FUND	\$1,603,180,153	100.0%	\$1,603,180,153	100.0%	\$144,745,000	1,747,925,153	100.0%	0.0%

- In December, use the \$144,745,000 contribution, a rebalance of the NTGI Aggregate Bond Index fund, and termination of Eaton Vance to fund new core plus manager Neuberger Berman to target (and increase allocations to passive domestic equity and cash).

JANUARY 2017 REBALANCING/REALLOCATION

	\$ Actual	% Actual	\$ Current Target	% Current Target	Reallocation	Ending \$	Ending %	% Δ from Target
A. Total Equity	\$1,066,028,107	61.0%	\$1,031,275,840	59.0%	\$0	\$1,066,028,107	61.0%	2.0%
1. Domestic Large Cap Equity (70% of Domestic)	606,073,870	34.7%	548,848,498	31.4%		606,073,870	34.7%	3.3%
NT S&P 500 Index Fund	253,408,557	14.5%	192,271,767	11.0%		253,408,557	14.5%	3.5%
Eagle Capital Management	182,640,805	10.4%	178,288,366	10.2%		182,640,805	10.4%	0.2%
Brown Advisory	82,282,073	4.7%	89,144,183	5.1%		82,282,073	4.7%	-0.4%
Sawgrass Asset Management	87,742,435	5.0%	89,144,183	5.1%		87,742,435	5.0%	-0.1%
2. Domestic Small/Mid Cap Equity (30% of Domestic)	139,472,637	8.0%	132,842,312	7.6%		139,472,637	8.0%	0.4%
Wedge Capital Mgmt	71,315,344	4.1%	66,421,156	3.8%		71,315,344	4.1%	0.3%
Pinnacle	68,157,293	3.9%	66,421,156	3.8%		68,157,293	3.9%	0.1%
3. International Equity Developed	227,834,947	13.0%	244,709,521	14.0%		227,834,947	13.0%	-1.0%
NT EAFE Index Fund	72,672,152	4.2%	87,396,258	5.0%		72,672,152	4.2%	-0.8%
Baillie Gifford	90,951,016	5.2%	87,396,258	5.0%		90,951,016	5.2%	0.2%
Silchester	64,211,779	3.7%	69,917,006	4.0%		64,211,779	3.7%	-0.3%
4. International Emerging Markets	92,646,653	5.3%	104,875,509	6.0%		92,646,653	5.3%	-0.7%
Acadian Emerging Markets	92,646,653	5.3%	104,875,509	6.0%		92,646,653	5.3%	-0.7%
B. Total Fixed Income	\$389,631,708	22.3%	\$358,324,656	20.5%	\$0	\$389,631,708	22.3%	1.8%
1. Core Fixed Income	226,913,881	13.0%	69,917,006	4.0%		117,913,881	6.7%	2.7%
NTGI Aggregate Bond Index	61,249,319	3.5%	26,218,877	1.5%	(35,000,000)	26,249,319	1.5%	0.0%
Thompson Siegel Fixed	165,664,562	9.5%	43,698,129	2.5%	(74,000,000)	91,664,562	5.2%	2.7%
2. Core Plus	159,639,490	9.1%	270,928,399	15.5%		266,639,490	15.3%	-0.2%
Loomis Sayles	0	0.0%	108,371,359	6.2%	107,000,000	107,000,000	6.1%	-0.1%
Neuberger Berman	159,639,490	9.1%	162,557,039	9.3%		159,639,490	9.1%	-0.2%
3. Senior Bank Notes	0	0.0%	0	0.0%		0	0.0%	0.0%
Eaton Vance Instl Senior Loan Trust	0	0.0%	0	0.0%		0	0.0%	0.0%
4. Cash/Paid Receipts	3,078,337	0.2%	17,479,252	1.0%	2,000,000	5,078,337	0.3%	-0.7%
C. Total Real Assets	\$292,265,337	16.7%	\$358,324,656	20.5%	\$0	\$292,265,337	16.7%	-3.8%
1. Real Estate	192,405,158	11.0%	262,188,773	15.0%		192,405,158	11.0%	-4.0%
JPM RE Strategic Property	146,321,109	8.4%	87,396,258	5.0%		146,321,109	8.4%	3.4%
Principal Global Investments	46,084,049	2.6%	87,396,258	5.0%		46,084,049	2.6%	-2.4%
Non-Core Real Estate (TBD)	0	0.0%	87,396,258	5.0%		0	0.0%	-5.0%
2. MLPs / Timber / Commodities	99,860,179	5.7%	96,135,883	5.5%		99,860,179	5.7%	0.2%
Harvest MLP	50,469,713	2.9%	48,067,942	2.8%		50,469,713	2.9%	0.1%
Tortoise MLP	49,390,465	2.8%	48,067,942	2.8%		49,390,465	2.8%	0.1%
D. TOTAL FUND	\$1,747,925,153	100.0%	\$1,747,925,153	100.0%	\$0	1,747,925,153	100.0%	0.0%

- In January 2017, \$2,000,000 will be added to cash for liquidity needs and Loomis Sayles will be fully funded to target with a \$74,000,000 rebalance of Thompson Siegel and a \$35,000,000 rebalance of the NTGI Aggregate Bond Index Fund.

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