

Integrity
Fixed Income Management, LLC

Presents:
The City of Ocala
Firefighters' Retirement Plan
As of September 30, 2016

Presentation Summary

Long term economic growth remains less than robust but is expected to continue its modest improvement

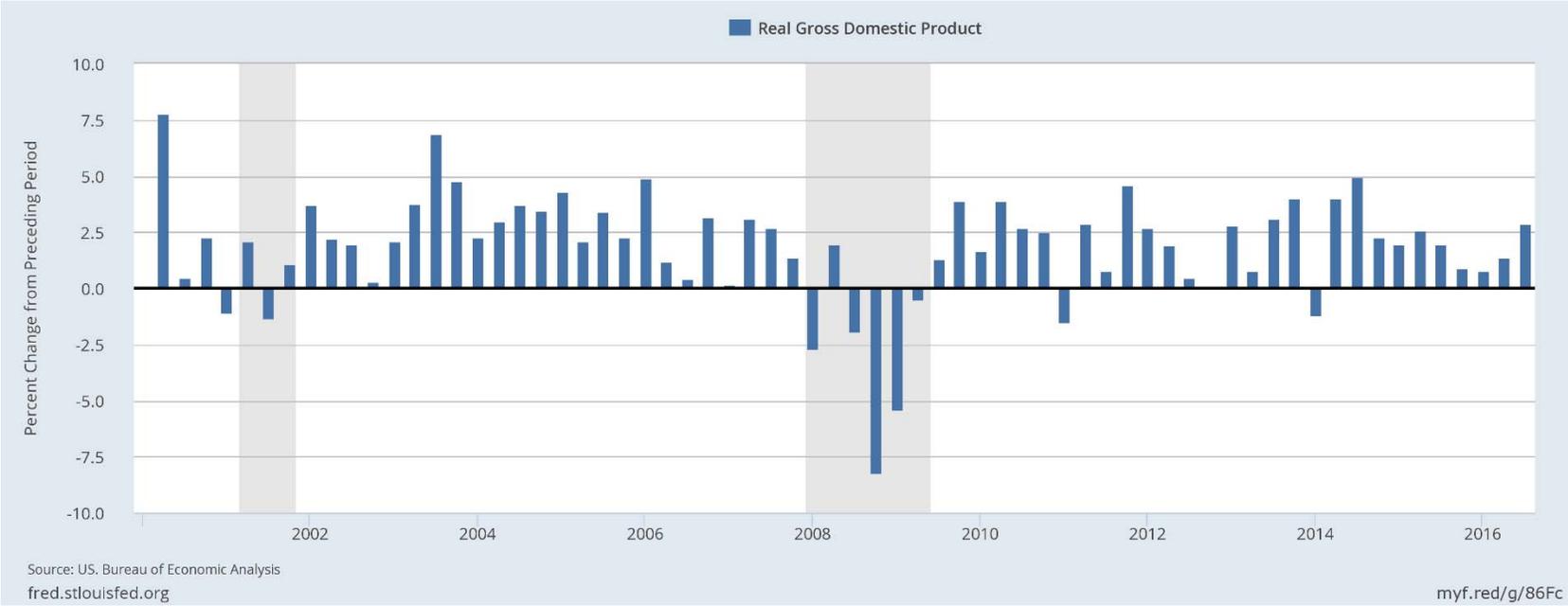
Reasons why:

- Consumer income is growing slowly and is likely to continue improving
- Service sectors continuing to grow
- Manufacturing sector growth limited by strong dollar and weak oil prices
- Monetary stimulus will gradually be removed but at a very slow pace

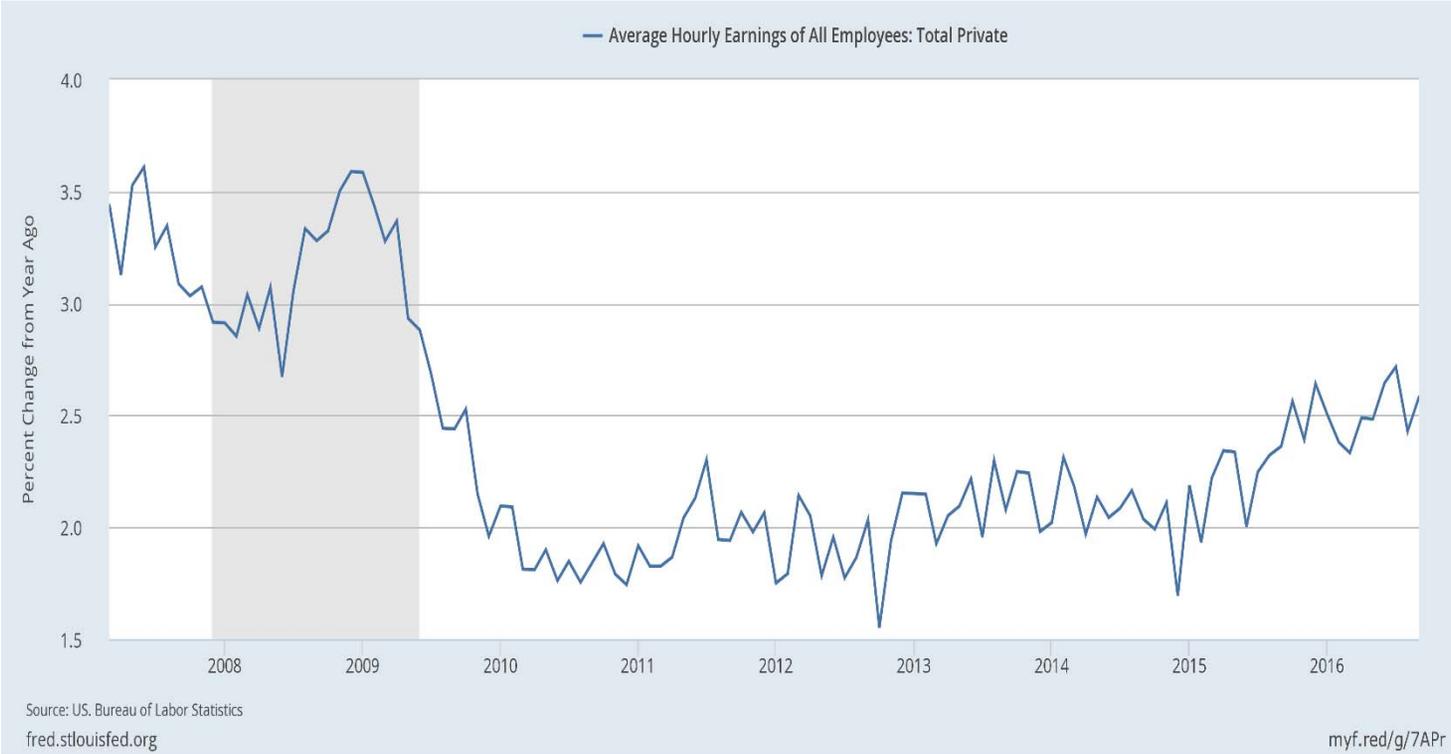
Results of the above:

- Modest economic growth
- Low but improving wage gains
- Inflation is likely to increase over time
- Lower than expected but gradually rising interest rates for an extended period.

Most Recent GDP Readings Show Moderate Growth



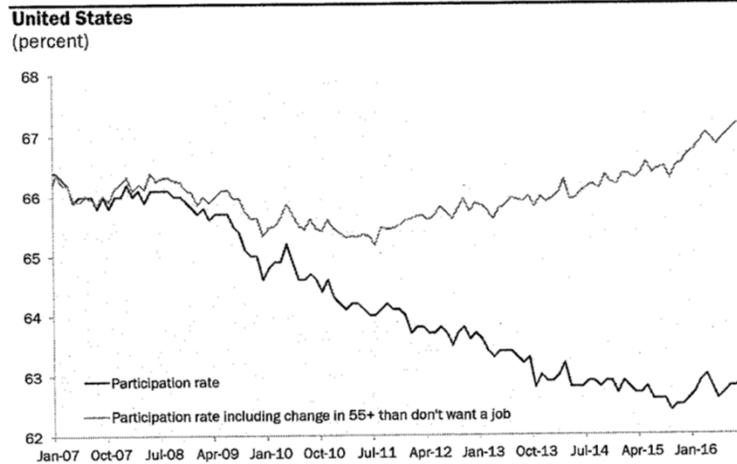
Wage Growth Remains Strong



Aging Demographics Impacting Job Market Participation

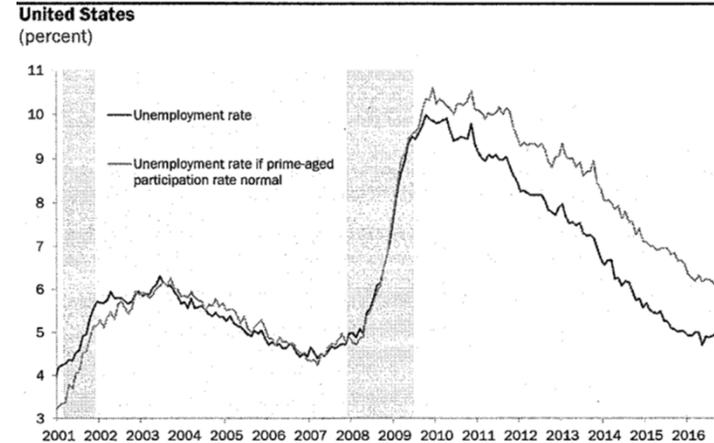
Businesses are having a difficult time finding qualified applicants...yet the employment participation rate is still well below historical levels.

CHART 3: DEMOGRAPHICS THE REASON FOR DROP IN THE PART RATE



Source: Haver Analytics, Gluskin Sheff

CHART 8: DEMOGRAPHICS THE REASON FOR DROP IN THE PART RATE



Shaded regions represent periods of U.S. recession

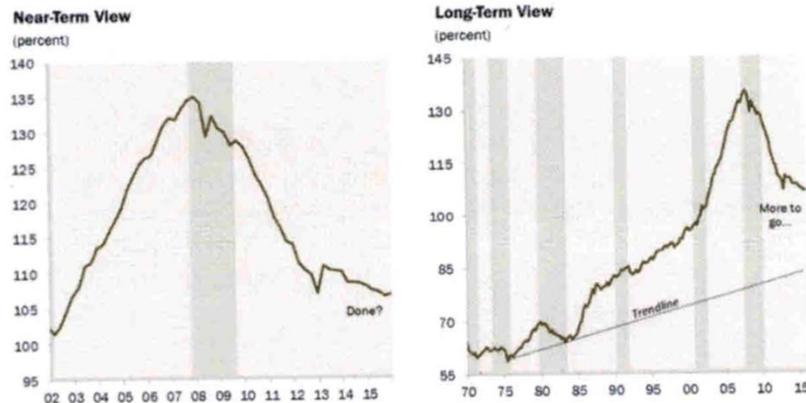
Source: Haver Analytics, Gluskin Sheff

Increase in Consumer Net Worth not Translating to Spending

Historically, each \$1 of net worth gain translated to \$0.035 increase in consumer spending. Recent years have shown this to be closer to \$0.0175 reflecting a multi year deleveraging process.

CHART 10: A MULTI-YEAR DELEVERAGING PROCESS

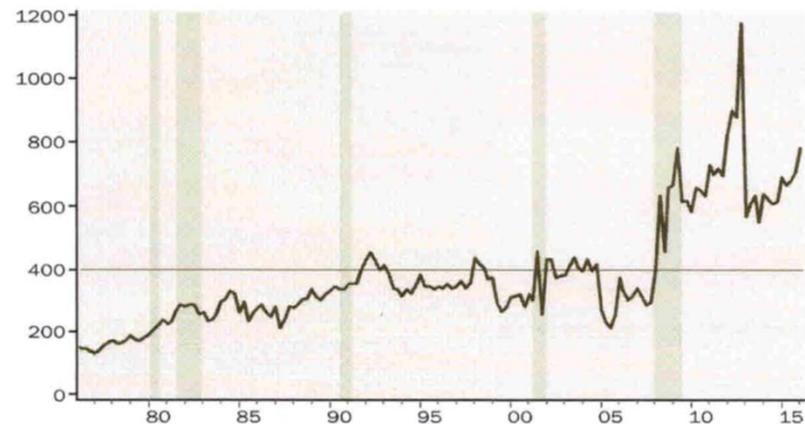
United States: Household Debt-to-Income



Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

CHART 2: NET SAVINGS

United States
(billions of U.S. dollars)



Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

U.S. Industrial Production Back to 2007 Levels, Growth Negative for 13 Months

CHART 6: INDUSTRIAL PRODUCTION

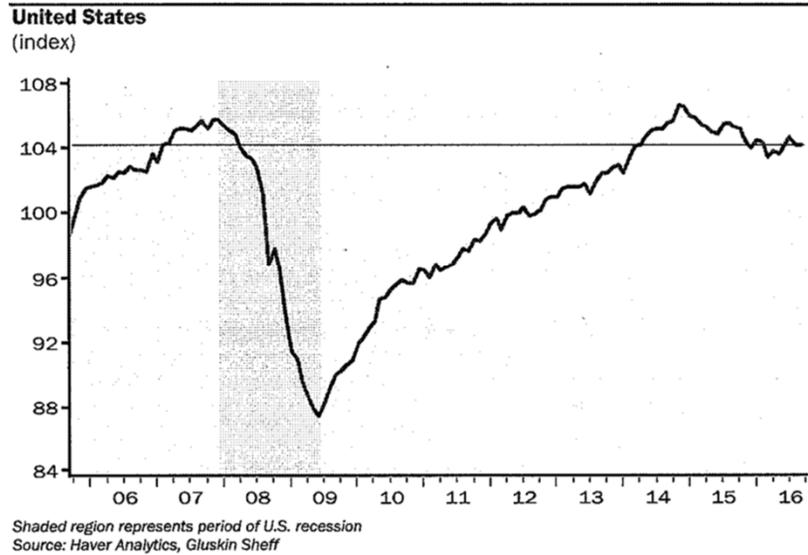
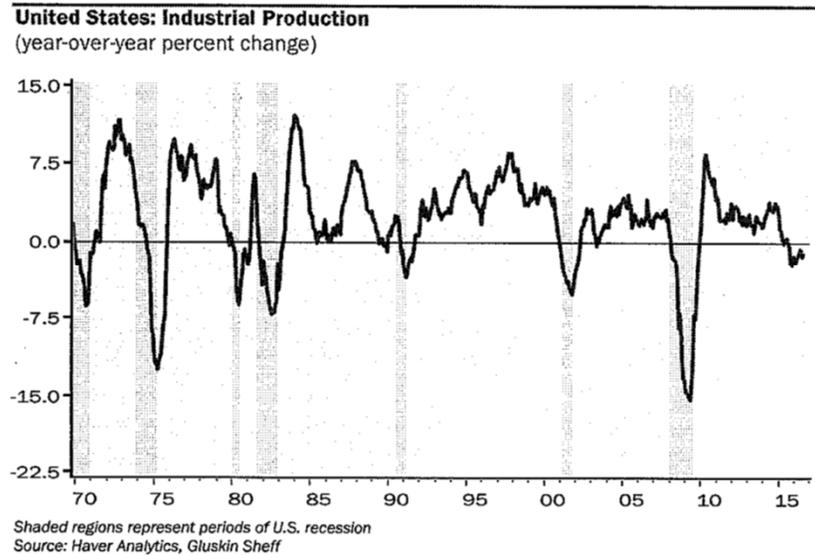


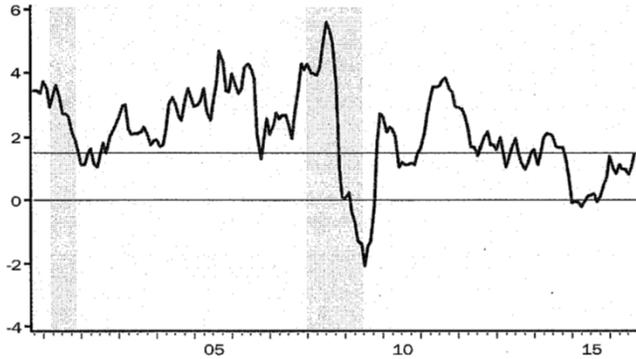
CHART 7: GROWTH IN IP HAS BEEN NEGATIVE FOR 13 MONTHS!



Core CPI up 1.3% Year over Year as of September Reading

CHART 7: HEADLINE INFLATION PERKS UP TO A TWO-YEAR HIGH

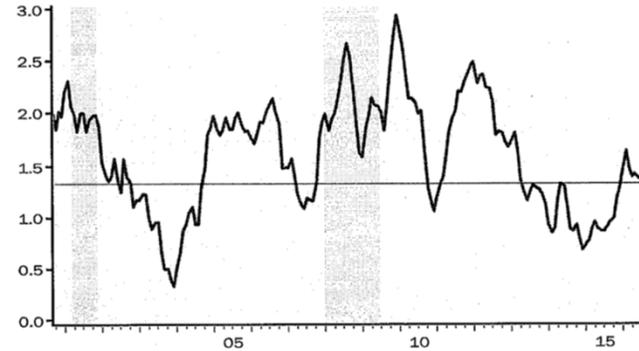
United States: Consumer Price Index
(year-over-year percent change)



Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

CHART 9: CPI EXCLUDING FOOD, SHELTER, AND ENERGY

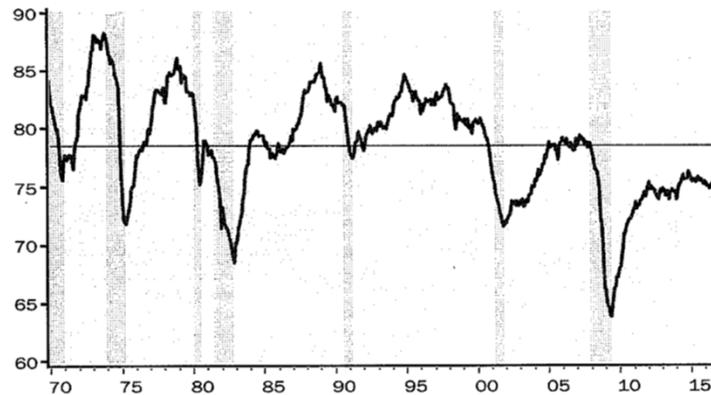
United States
(year-over-year percent change)



Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

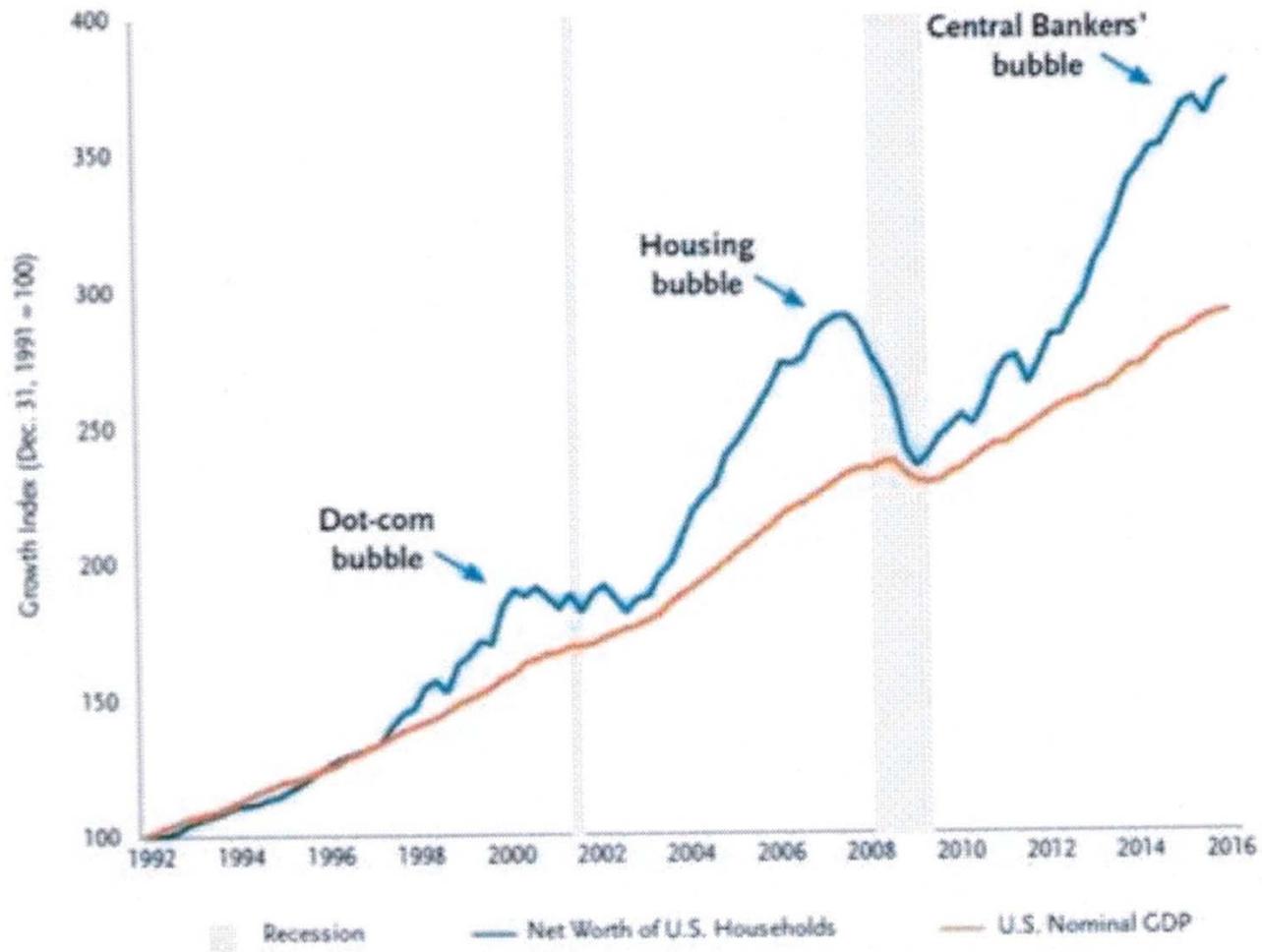
CHART 8: MANUFACTURING CAPACITY UTILIZATION RATE

United States
(percent)

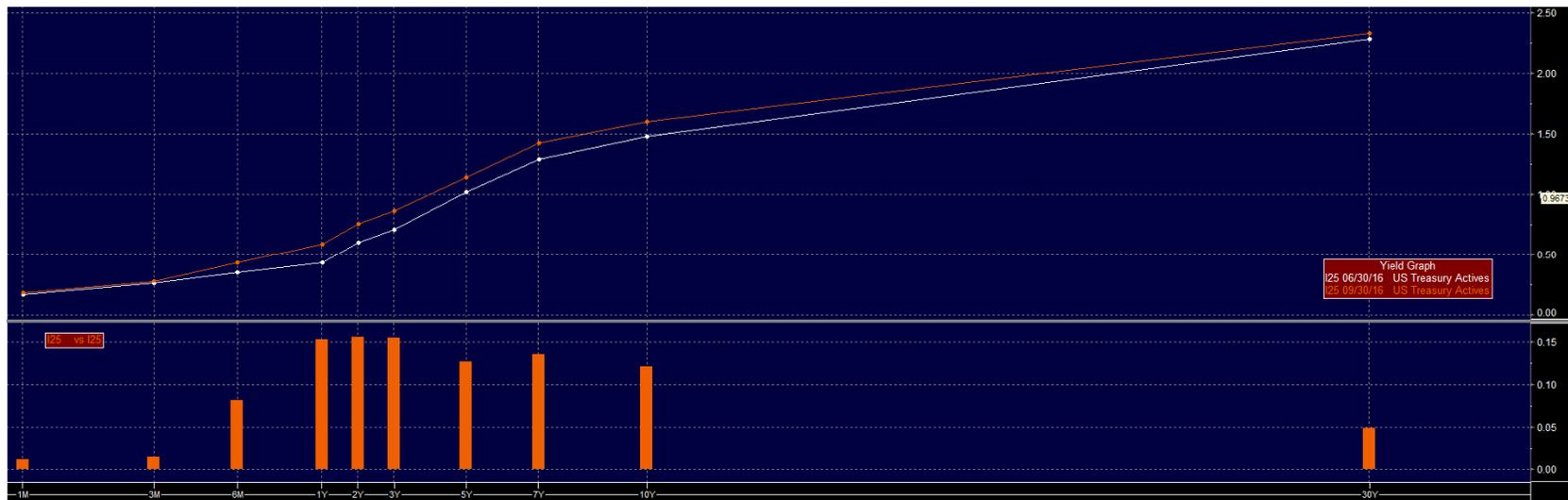


Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

Household Net Worth Growth Detached from GDP Growth



The Yield Curve Flattened During the 3rd Quarter of 2016



Investment Strategy Summary

- Interest Rate Environment

- Growth to Remain Moderate
- Interest rates should gradually increase
- Inflation not a problem in the near future



Duration Strategy

- Interest rates will likely remain relatively low but gradually rise
- Duration generally near index duration with a bias toward being defensive

- Yield Curve Structure

- Steep yield curve is likely to flatten



Yield Curve Strategy

- Moderate Barbell strategy
- Positioning on yield curve is important

- Sector Analysis

- Corporates, taxable municipals, and mortgages represent fair value
- Their incremental yield adds value in a low interest rate environment



Sector Allocations

- Overweight Corporates
- Marketweight to Underweight Agency Mortgages
- Underweight Treasuries and Agencies

- Security Analysis

- Emphasize defensive corporates



Security Selection

- Emphasize high quality, non-cyclicals, and financials
- Particularly attractive in short maturities

Portfolio Performance – Gross of Fees

	3 Months	Fiscal YTD	1 Year	2 Years	Inception to Date
Ocala Firefighters' Retirement Plan	0.77%	5.01%	5.01%	3.78%	3.78%
BAML 1-10 Domestic Master Index	0.32%	3.59%	3.59%	3.09%	3.09%
Relative Performance	0.45%	1.42%	1.42%	0.69%	0.69%
Inception Date is 10/1/2013					
Returns Longer Than One Year are Annualized					
Past Performance Does Not Guarantee Future Results					

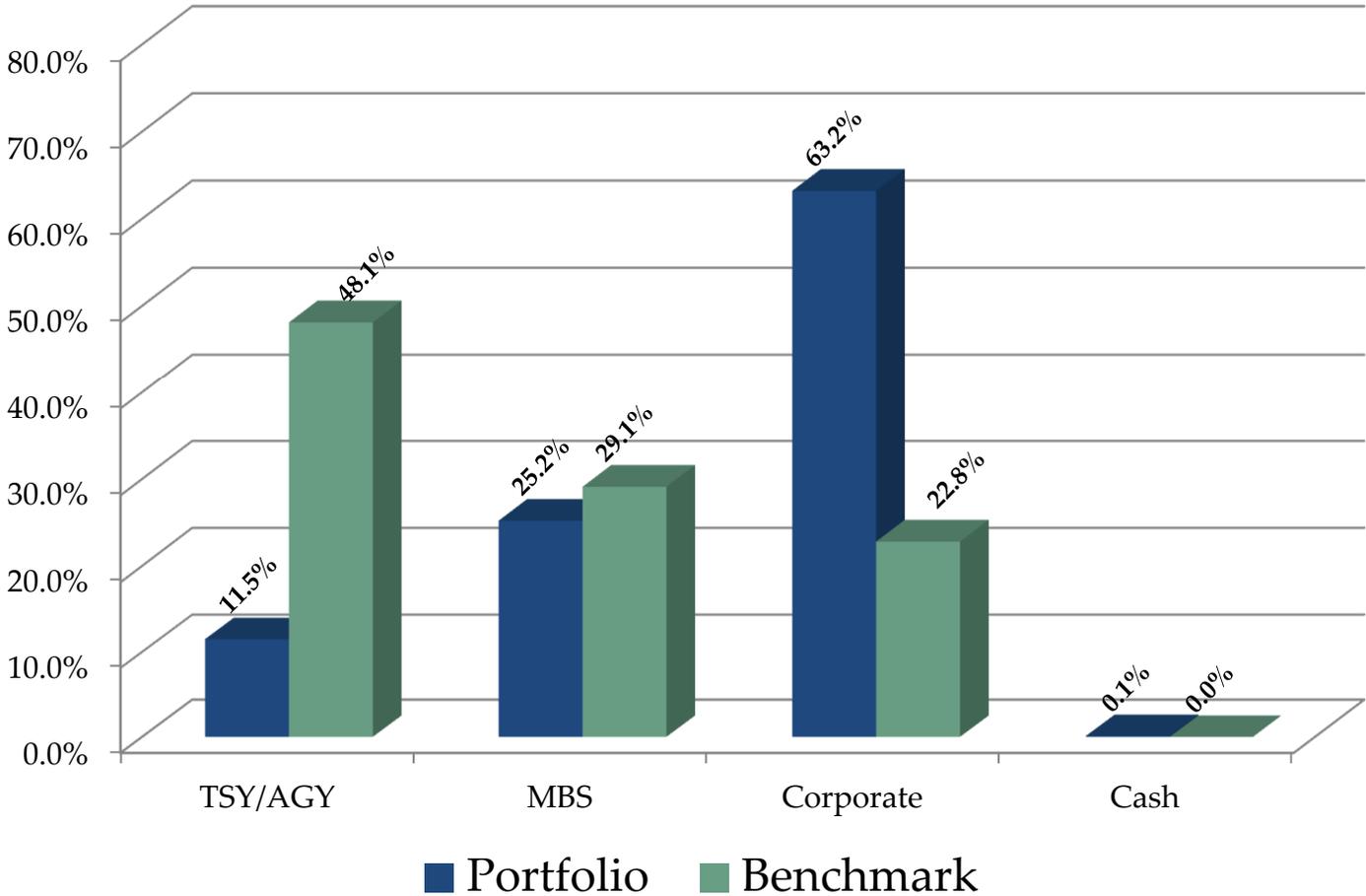
Core Portfolio Quarterly Activity

Portfolio Value on 6-30-16	\$8,965,058.10
Accrued Interest	79,252.91
Beginning Market Value	9,044,311.01
Contributions/Transfers	0.00
Withdrawals	0.00
Realized Gains	(5,903.41)
Unrealized Gains	(12,755.94)
Interest	93,631.77
Change in Accrued Interest	(5,192.21)
Portfolio Value on 9-30-16	9,040,030.52
Accrued Interest	74,060.70
Ending Market Value	\$9,114,091.22

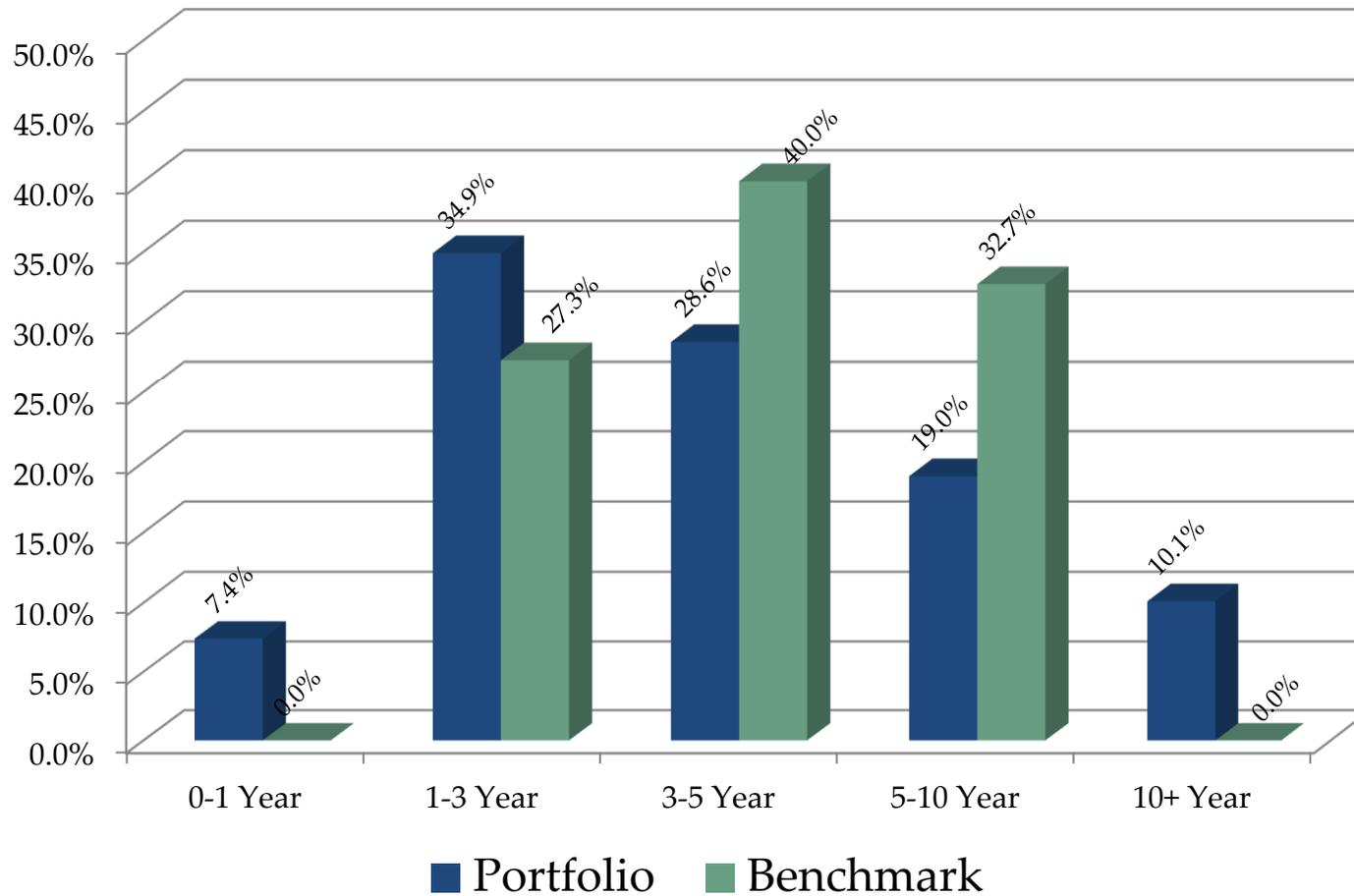
Portfolio Characteristics

	Portfolio	Index
Avg. Quality	A+	AA
Coupon	4.7%	3.0%
Yield to Maturity	2.1%	1.6%
Avg. Maturity	4.7	4.3
Effective Duration	3.8	4.0

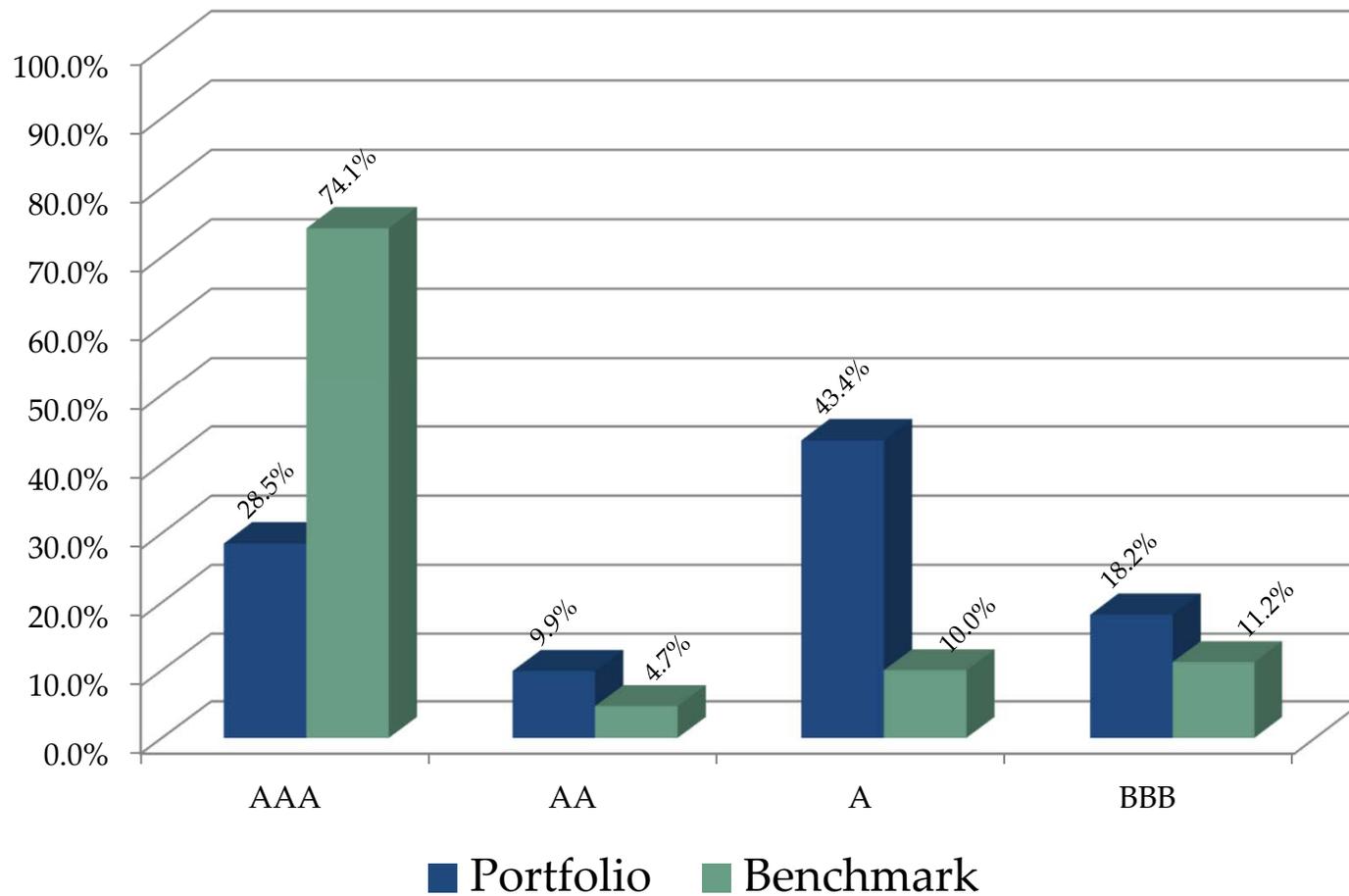
Portfolio Sector Distribution



Portfolio Maturity Distribution



Portfolio Quality Distribution



Portfolio Compliance Review

In compliance with the SEC Pay to Play rules, Integrity Fixed Income Management, LLC and its employees disclose that they have not made any contributions to any candidates/incumbents for the City of Ocala Commission or Mayor.

Portfolio Guidelines

In Compliance?

- | | |
|---------------------------------------------------------------------------|-----|
| 1) All securities rated "Investment Grade" | Yes |
| 2) Effective Duration of the portfolio within +/- 25% of Policy Benchmark | Yes |
| 3) Yankee Bonds may not exceed 10% at market of the portfolio | Yes |
| 4) Non-dollar denominated bonds prohibited | Yes |
| 5) Investments in CMO's limited to 25% of market value of portfolio | Yes |
| 6) Maximum exposure to any one corporate issues < 3% of portfolio value | Yes |