



Summit Strategies Group

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Active Versus Passive Management

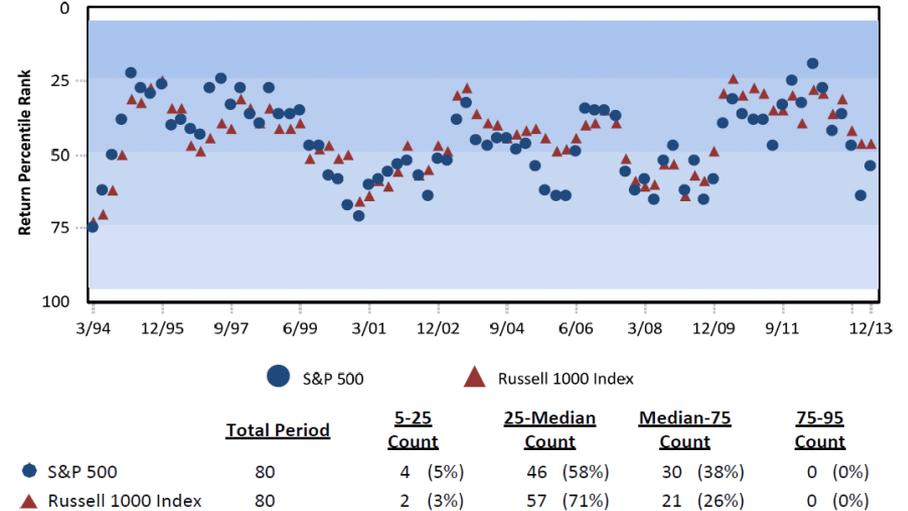
City of Jacksonville Police & Fire Pension Fund

February 2014

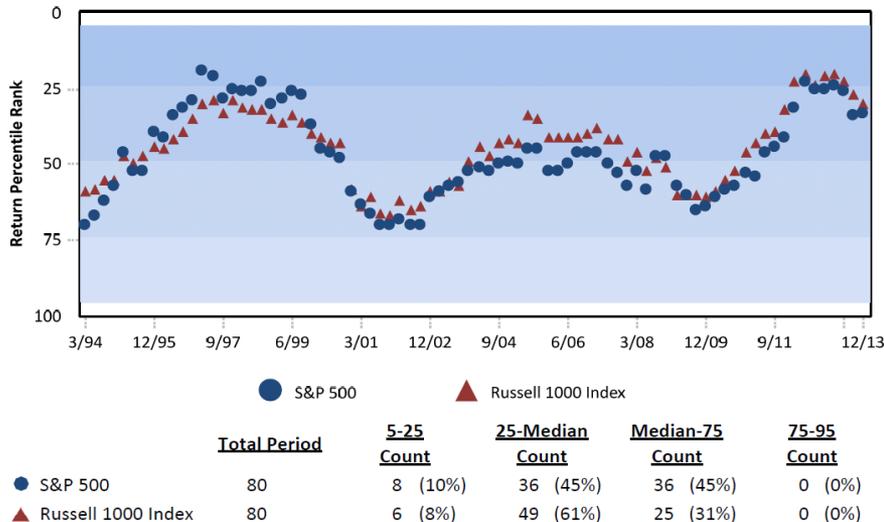
S&P 500 & RUSSELL 1000 VS. LARGE CAP PEERS

- Over the last 20 years, the S&P 500 and Russell 1000 Indices have fluctuated around the median peer rank for the US Large Cap Equity universe.
- Over rolling one-year periods, the S&P 500 and Russell 1000 have ranked above median versus peers 63% and 74% of the time, respectively.
- Over rolling three- and five-year periods, the S&P 500 ranked above median versus peers 55% and 42% of the time while the Russell 1000 ranked above median 69% and 61% of the time.
- These rolling peer ranks suggest that the Large Cap Equity asset class is relatively efficient, and ranking above the index over prolonged periods of time is challenging.

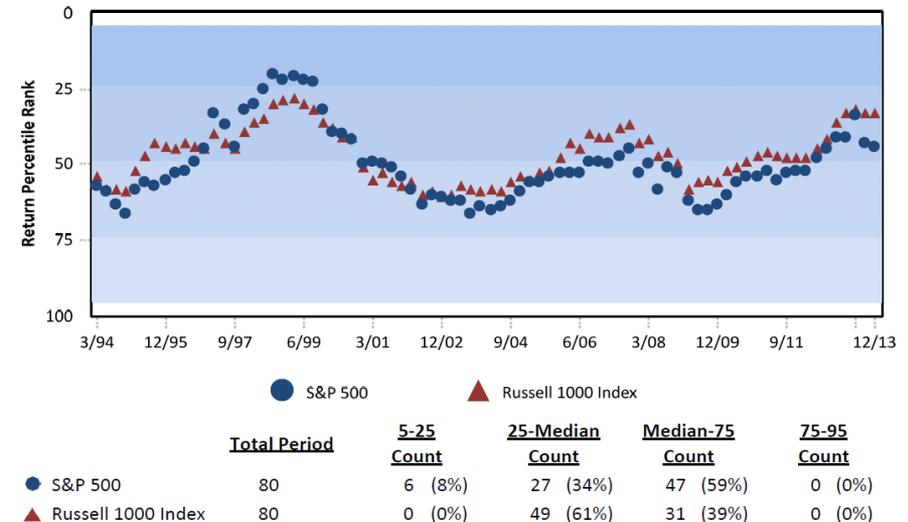
Rolling 1 Year Periods



Rolling 3 Year Periods



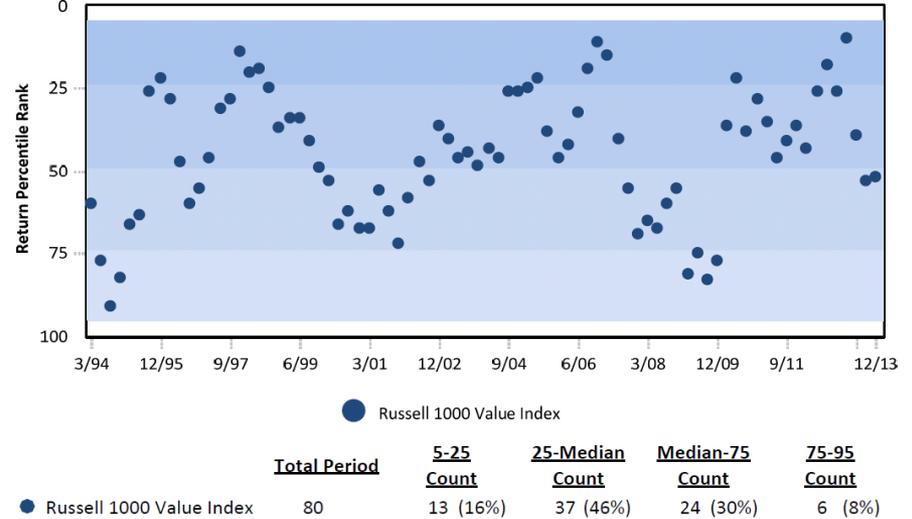
Rolling 5 Year Periods



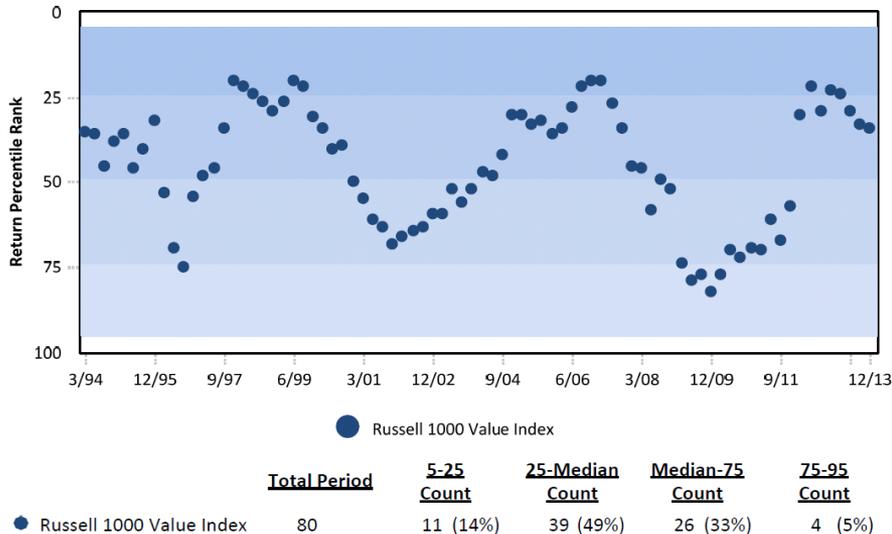
RUSSELL 1000 VALUE VS. LARGE CAP VALUE PEERS

- Russell 1000 Value has periodically out/underperformed median in the Large Cap Value Equity universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 62% of the time and ranked below median 38% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 63% and 54% of the time, respectively.
- These rolling peer ranks suggest that the Large Cap Value asset class is relatively efficient, and consistently ranking above the index over prolonged periods of time is challenging.

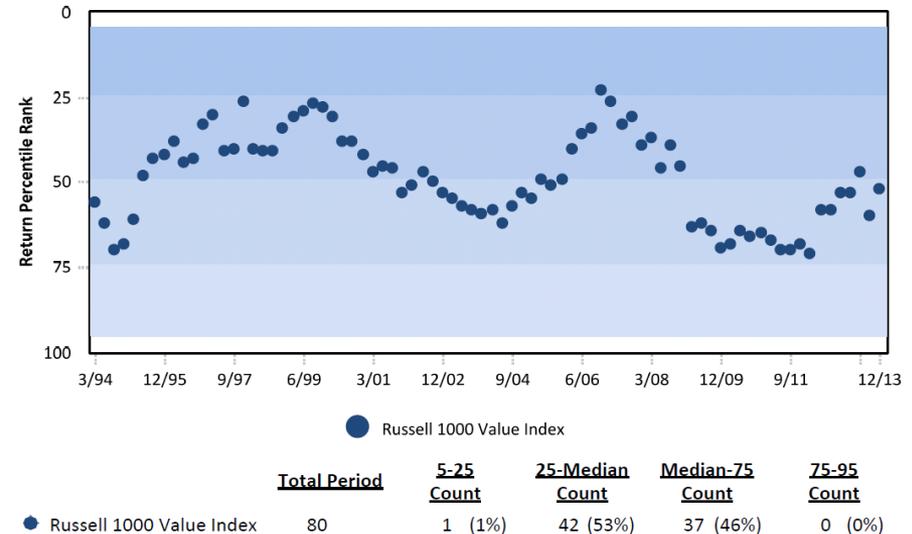
Rolling 1 Year Periods



Rolling 3 Year Periods



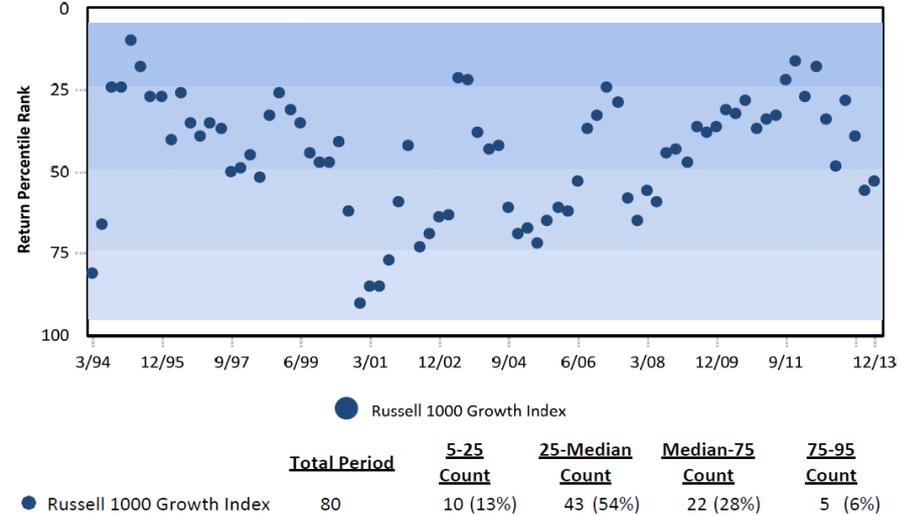
Rolling 5 Year Periods



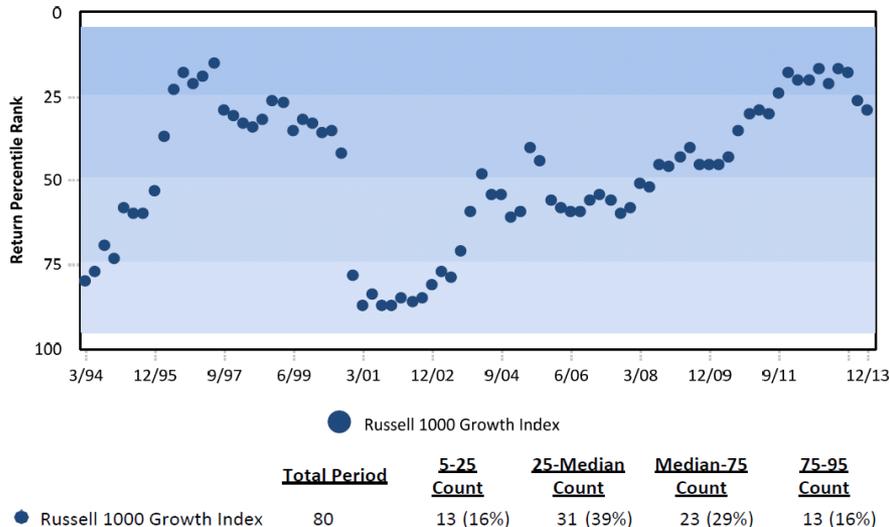
RUSSELL 1000 GROWTH VS. LARGE CAP GROWTH PEERS

- The Russell 1000 Growth has consistently ranked above median in the US Large Cap Growth Equity universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 67% of the time and ranked below median only 33% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 55% and 49% of the time, respectively.
- These rolling peer ranks suggest that the Large Cap Growth asset class is relatively efficient, and ranking above the index over prolonged periods of time is challenging.

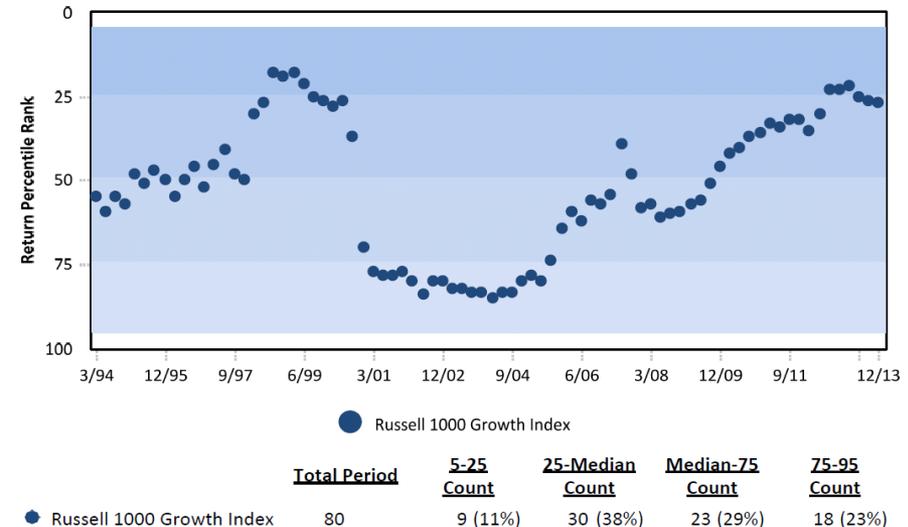
Rolling 1 Year Periods



Rolling 3 Year Periods



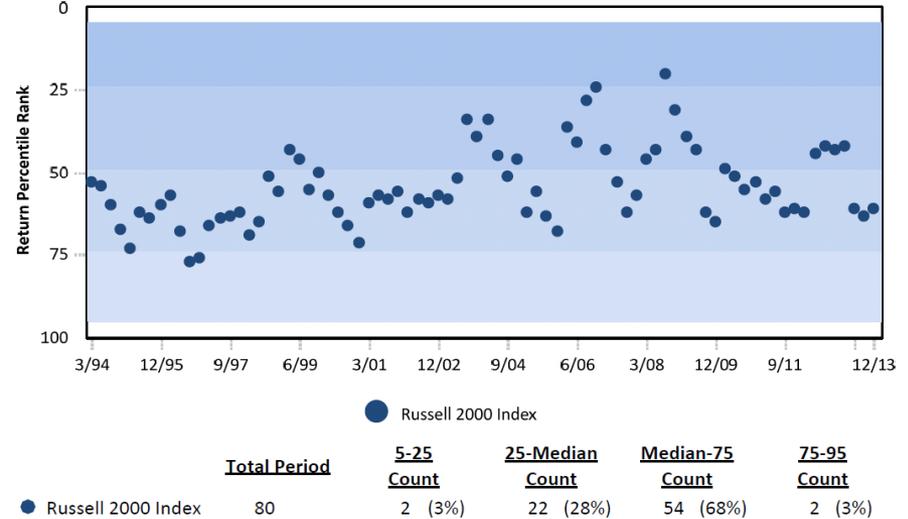
Rolling 5 Year Periods



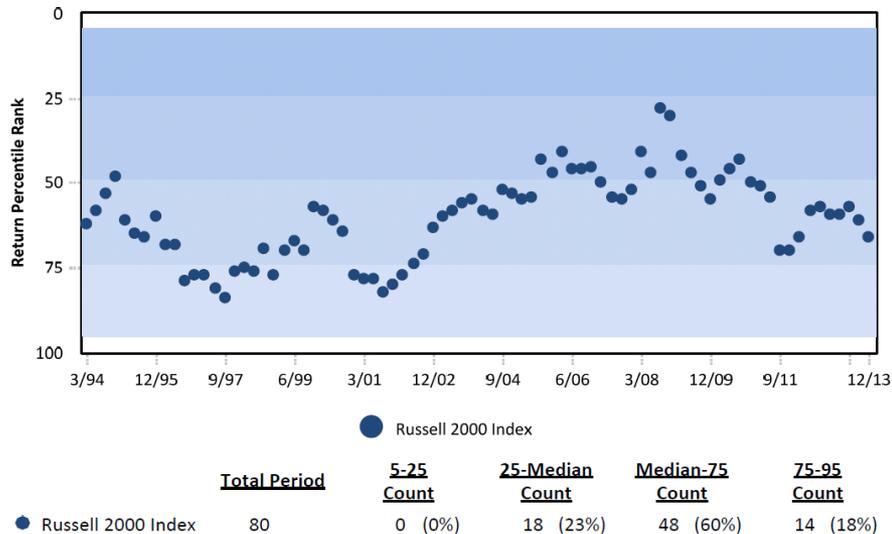
RUSSELL 2000 VS. SMALL CAP PEERS

- The Russell 2000 has periodically under/outperformed the median in the US Small Cap Equity universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 30% of the time and ranked below median 70% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 23% and 18% of the time, respectively.
- These rolling peer ranks suggest that the small cap core asset class is relatively inefficient; the index's active manager peers have had a greater capacity to outperform over the long-term.

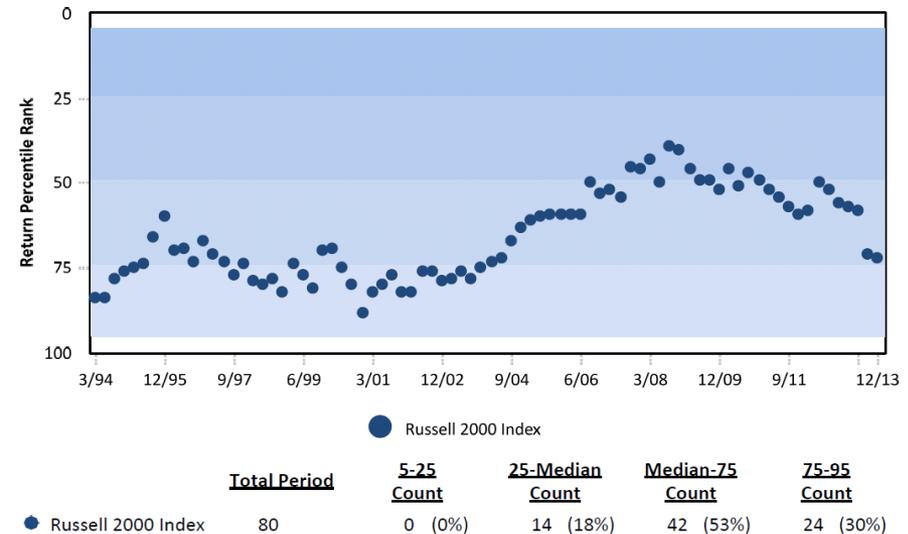
Rolling 1 Year Periods



Rolling 3 Year Periods



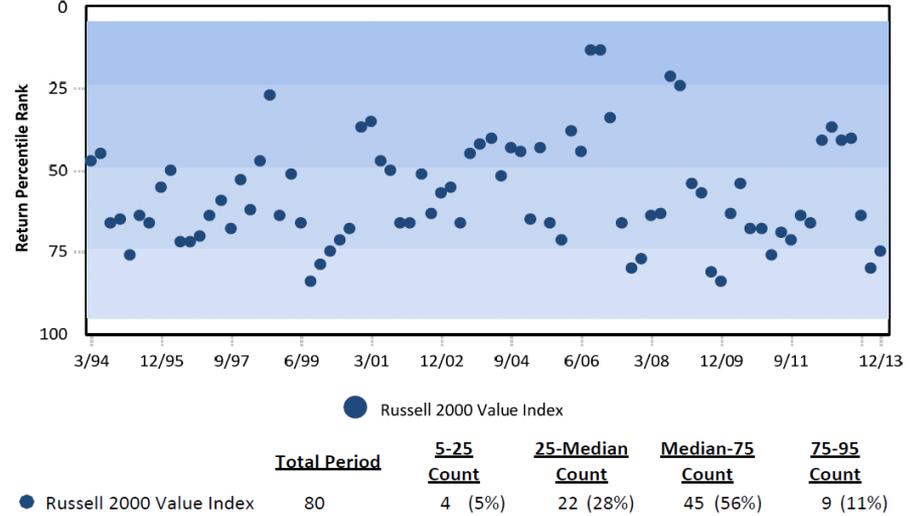
Rolling 5 Year Periods



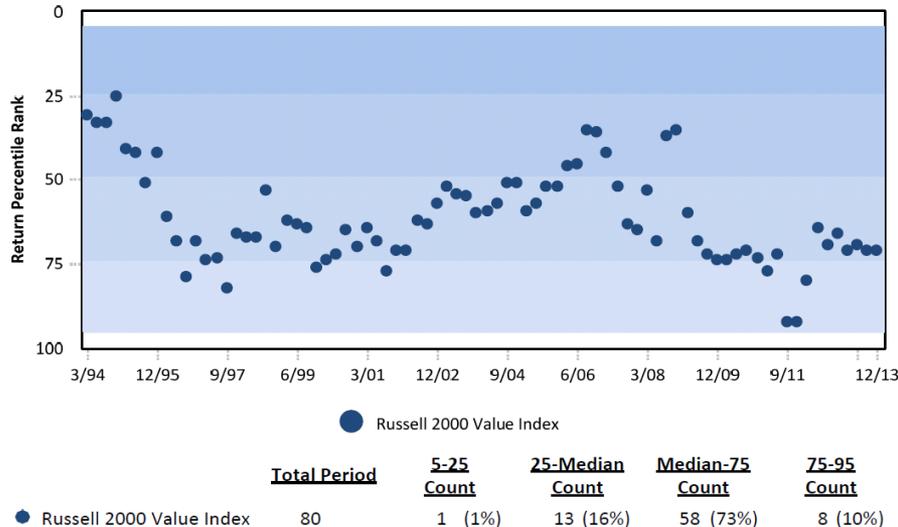
RUSSELL 2000 VALUE VS. SMALL CAP VALUE PEERS

- The Russell 2000 Value has periodically under/outperformed the median in the US Small Cap Value Equity universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 33% of the time and ranked below median 67% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 17% and 14% of the time, respectively.
- The index's frequency in ranking below the median peer rank suggests that this asset class is relatively inefficient, and active managers have outperformed the Russell 2000 Value over the long-term.

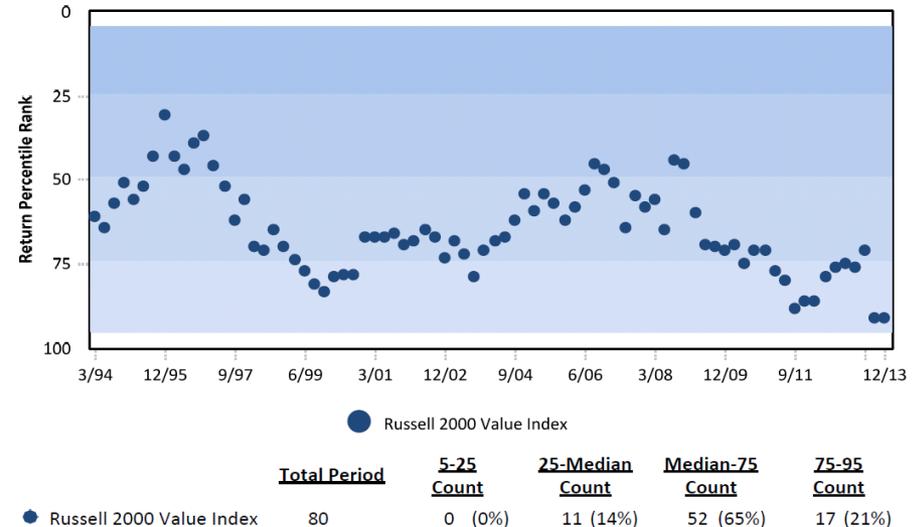
Rolling 1 Year Periods



Rolling 3 Year Periods



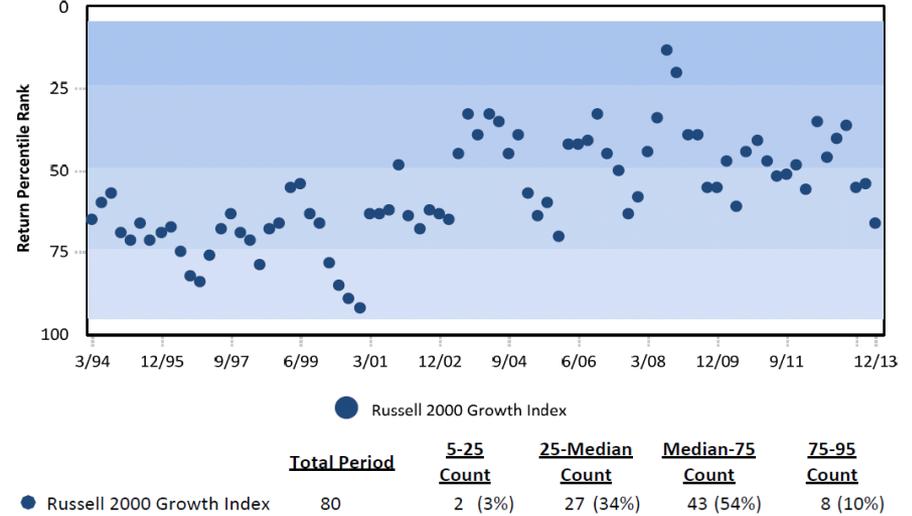
Rolling 5 Year Periods



RUSSELL 2000 GROWTH VS. SMALL CAP GROWTH PEERS

- The Russell 2000 Growth has both under/outperformed the median in the US Small Cap Growth Equity universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 36% of the time and ranked below median 64% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 31% and 30% of the time, respectively.
- The trend over the past twenty years suggests that the asset class has become relatively more efficient; the index's performance has improved moderately versus its small cap growth peers.

Rolling 1 Year Periods



Rolling 3 Year Periods



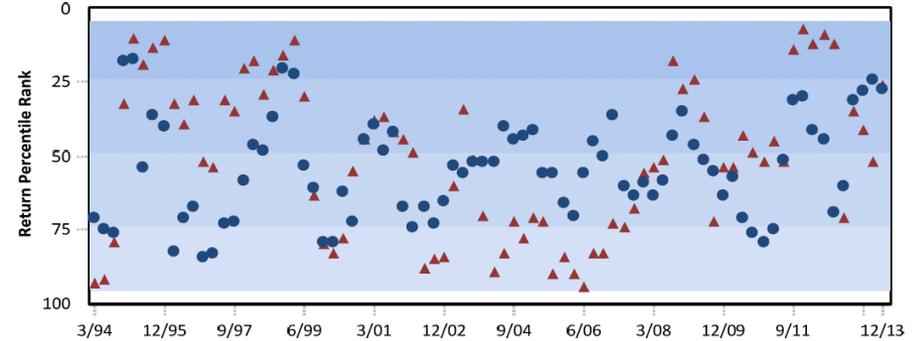
Rolling 5 Year Periods



EAFE & ACWI VS. INTERNATIONAL PEERS*

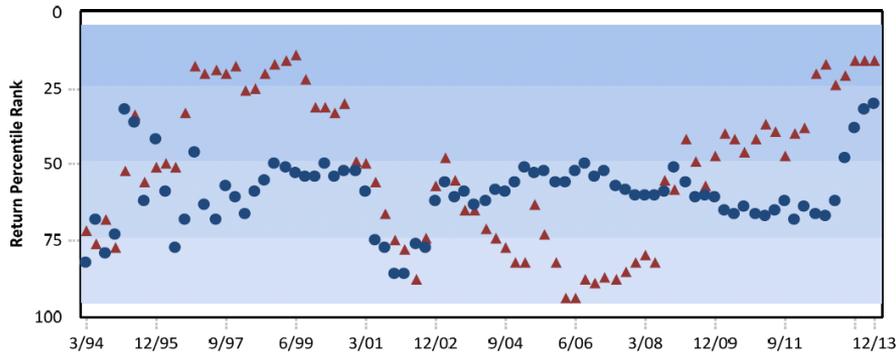
- Over the last 20 years, the MSCI EAFE and MSCI ACWI Indices have fluctuated around the median peer rank for the International Equity Universe.
- Over rolling one-year periods, the EAFE and ACWI have ranked above median versus peers 39% and 49% of the time, respectively.
- Over rolling three- and five-year periods, the EAFE ranked above median versus peers 14% and 3% of the time while the ACWI ranked above median 51% of the time for both time periods.
- The trend over the past twenty years suggests that the developed country index (EAFE) is relatively inefficient; active management has a greater probability of outperforming. Adding emerging markets (ACWI) introduces volatility but increases peer ranking. Manager selection is very important.

Rolling 1 Year Periods



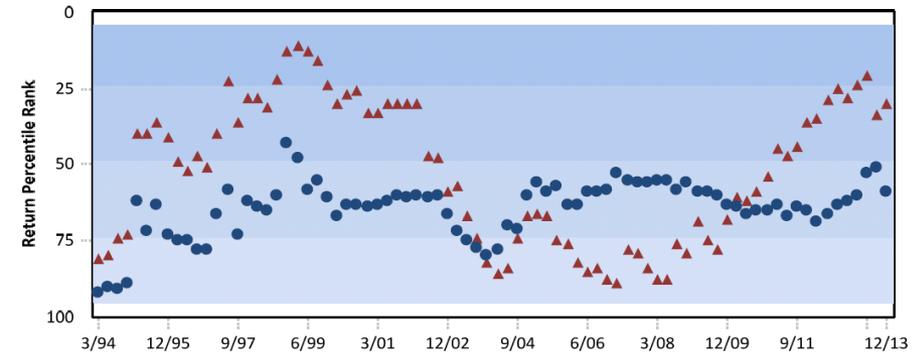
	Total Period	5-25 Count	25-Median Count	Median-75 Count	75-95 Count
● MSCI EAFE Index	80	5 (6%)	26 (33%)	41 (51%)	8 (10%)
▲ MSCI AC World Index	80	16 (20%)	23 (29%)	23 (29%)	18 (23%)

Rolling 3 Year Periods



	Total Period	5-25 Count	25-Median Count	Median-75 Count	75-95 Count
● MSCI EAFE Index	80	0 (0%)	11 (14%)	61 (76%)	8 (10%)
▲ MSCI AC World Index	80	18 (23%)	23 (29%)	21 (26%)	18 (23%)

Rolling 5 Year Periods



	Total Period	5-25 Count	25-Median Count	Median-75 Count	75-95 Count
● MSCI EAFE Index	80	0 (0%)	2 (3%)	69 (86%)	9 (11%)
▲ MSCI AC World Index	80	10 (13%)	31 (39%)	20 (25%)	19 (24%)

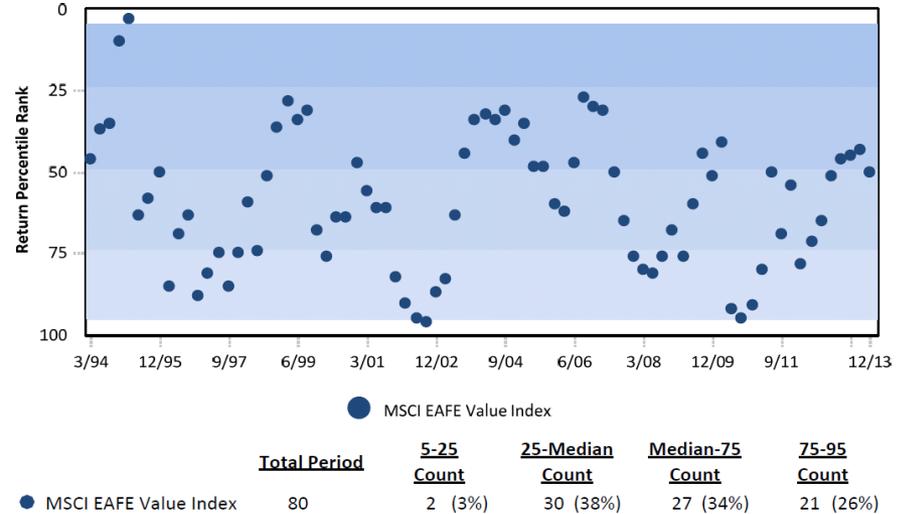
Universe: IM International Equity (SA+CF+MF)

*The ACWI includes both developed markets and emerging market countries while the EAFE measures the performance of international developed market countries only.

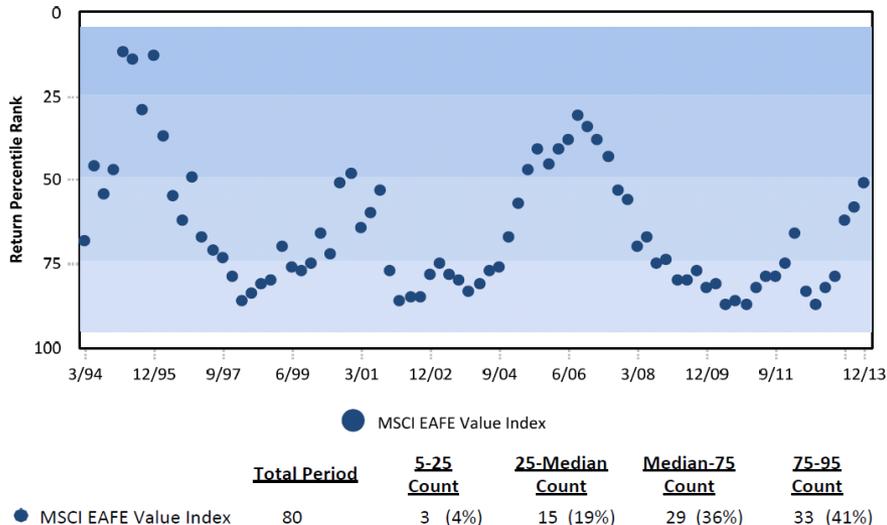
EAFE VALUE VS. INTERNATIONAL VALUE PEERS

- The MSCI EAFE Value Index has periodically under/outperformed the median in the International Value Equity universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 40% of the time and ranked below median 60% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 23% and 5% of the time, respectively.
- The index's frequent appearance in the bottom quartile suggests that this asset class is relatively inefficient, and active managers have had a greater capacity to outperform during these time periods.

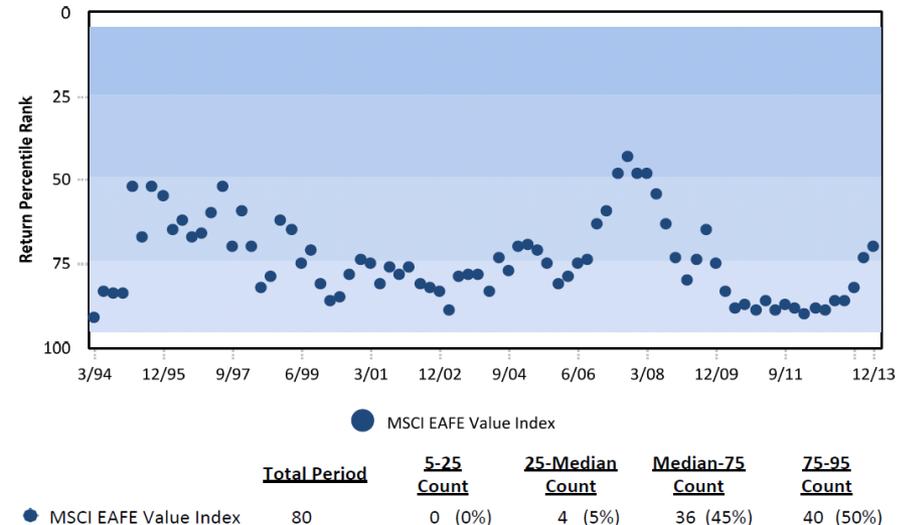
Rolling 1 Year Periods



Rolling 3 Year Periods



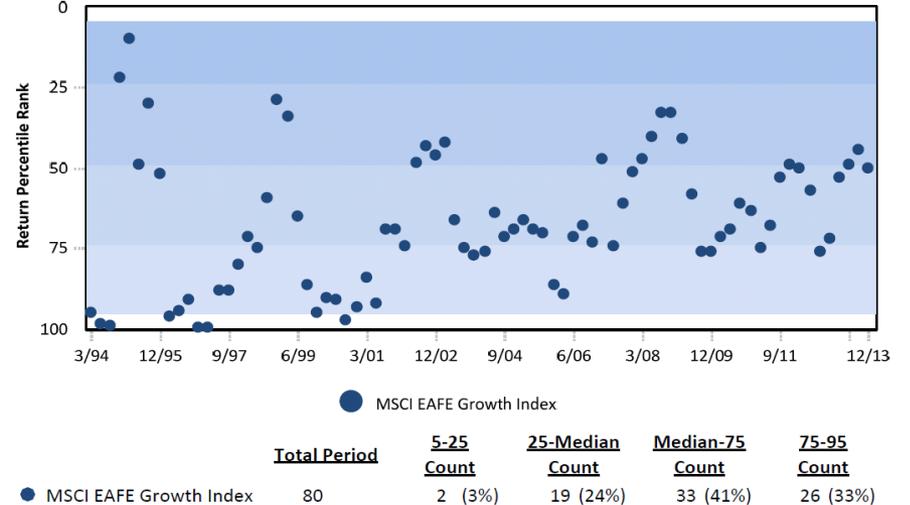
Rolling 5 Year Periods



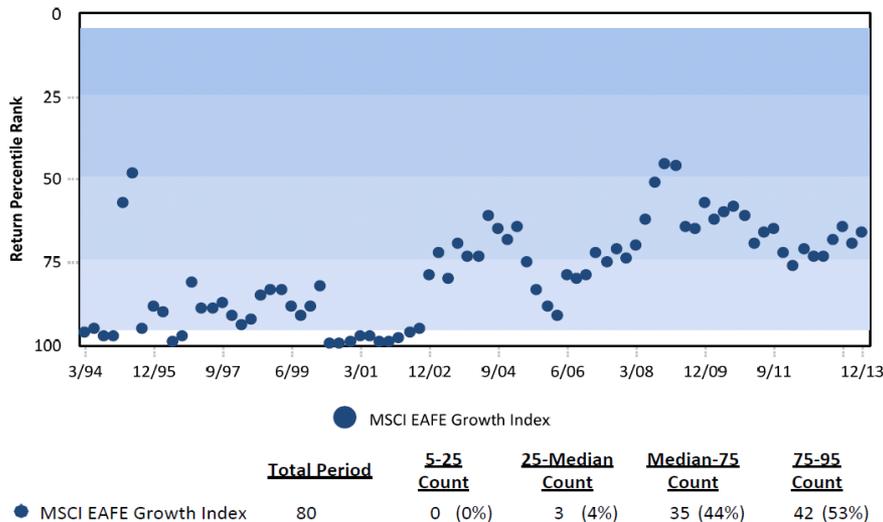
EAFE GROWTH VS. INTERNATIONAL GROWTH PEERS

- The MSCI EAFE Growth Index has primarily underperformed the median in the International Growth Equity universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 26% of the time and ranked below median 74% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 4% and 0% of the time, respectively.
- The index's frequent appearance in the bottom quartile suggests that this asset class is relatively inefficient, and active managers have had a greater capacity to outperform during these time periods.

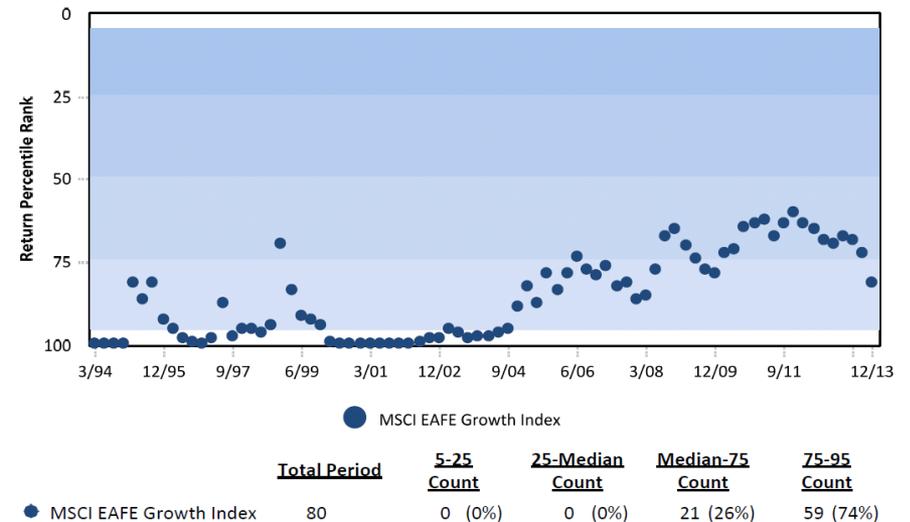
Rolling 1 Year Periods



Rolling 3 Year Periods



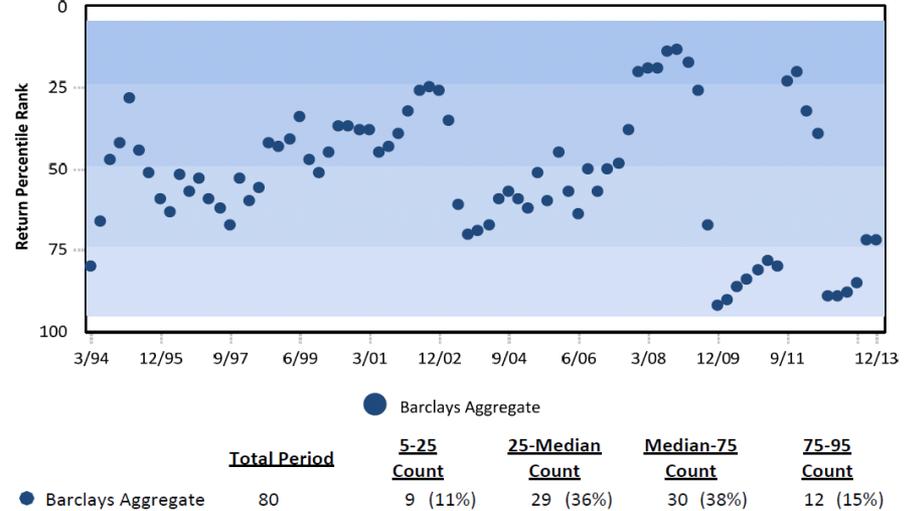
Rolling 5 Year Periods



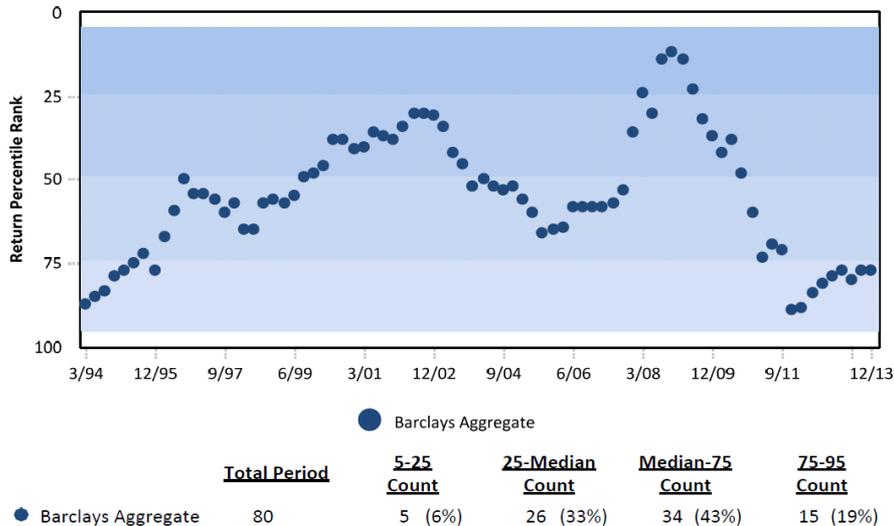
BARCLAYS AGGREGATE VS. CORE FIXED INCOME PEERS

- The Barclays Aggregate has periodically under/outperformed the median in the Broad Market Fixed Income universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers 47% of the time and ranked below median 53% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 39% and 41% of the time, respectively.
- The rolling peer ranks suggest that this asset class is relatively inefficient; although the index ranks close to the median versus peers over long periods of time. Managers' ability to hold sectors outside the index can add value.

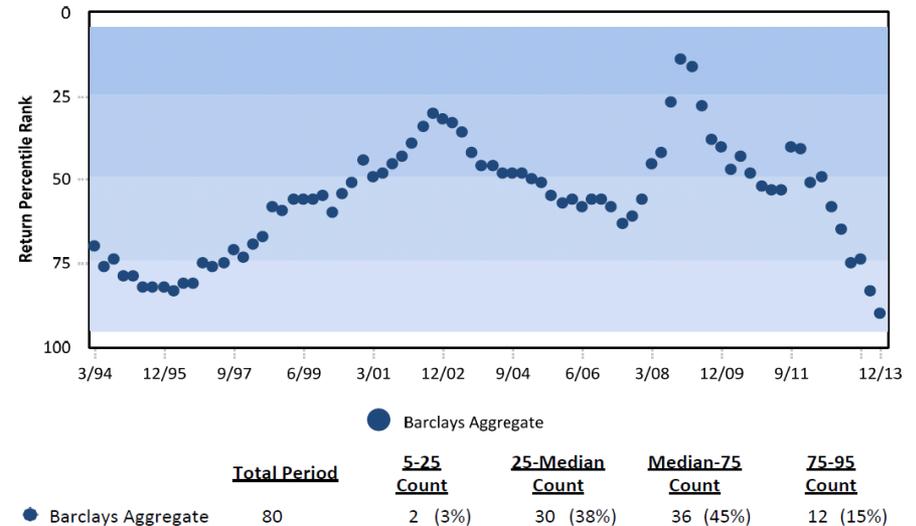
Rolling 1 Year Periods



Rolling 3 Year Periods



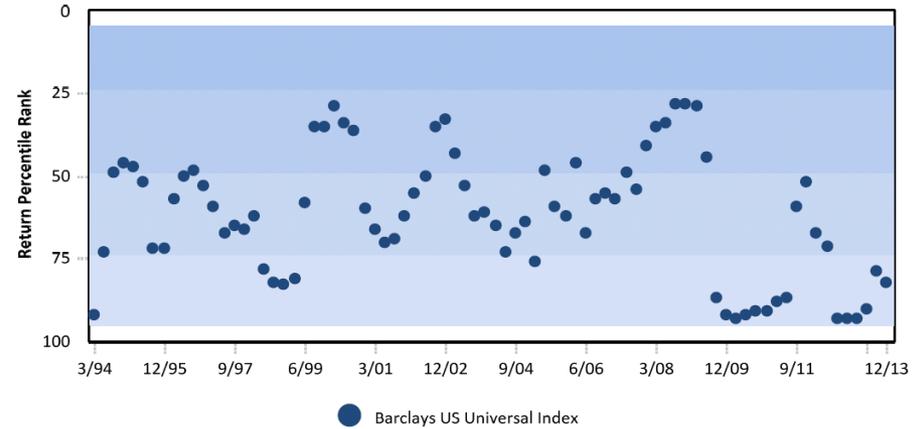
Rolling 5 Year Periods



BARCLAYS UNIVERSAL VS. CORE PLUS FIXED INCOME PEERS

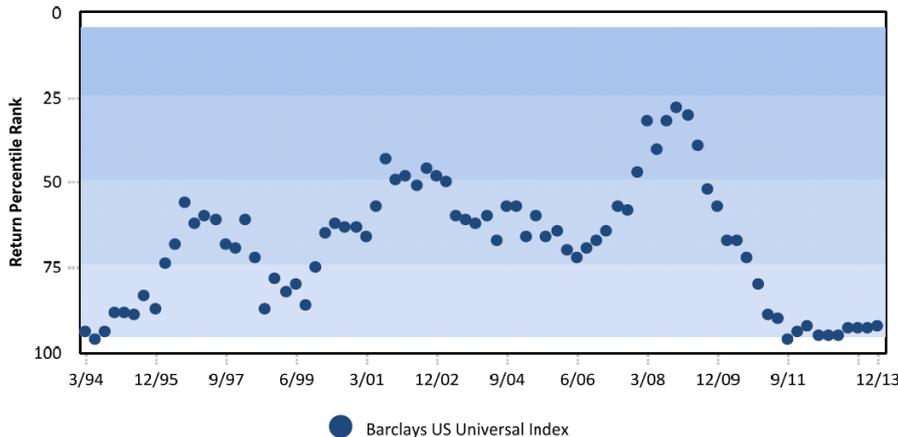
- The Barclays Universal has mostly underperformed the median in the Broad Market Core + Fixed Income universe over the last twenty years.
- Over rolling one-year periods, the index ranked above median versus peers only 30% of the time and ranked below median 70% of the time.
- Over rolling three- and five-year periods, the index ranked above median versus peers 16% and 12% of the time, respectively.
- The index's frequent appearance in the bottom quartile suggests that active managers with full discretion have had a greater capacity to outperform during these time periods.

Rolling 1 Year Periods



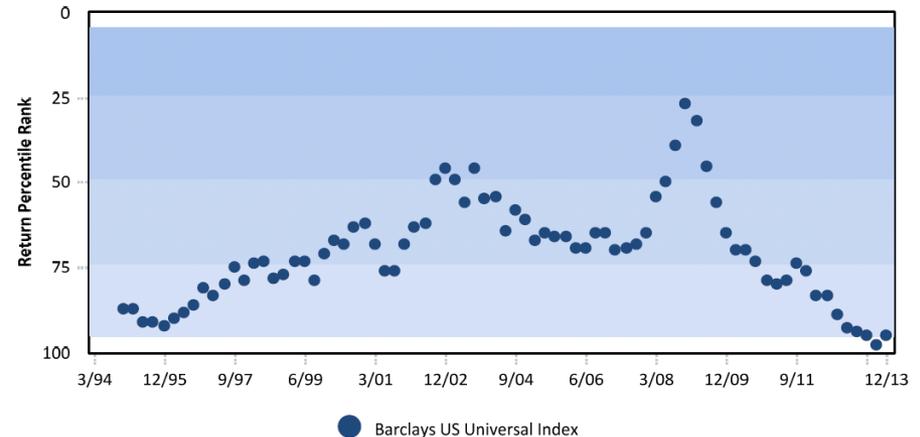
	<u>Total Period</u>	<u>5-25</u> <u>Count</u>	<u>25-Median</u> <u>Count</u>	<u>Median-75</u> <u>Count</u>	<u>75-95</u> <u>Count</u>
● Barclays US Universal Index	80	0 (0%)	24 (30%)	36 (45%)	20 (25%)

Rolling 3 Year Periods



	<u>Total Period</u>	<u>5-25</u> <u>Count</u>	<u>25-Median</u> <u>Count</u>	<u>Median-75</u> <u>Count</u>	<u>75-95</u> <u>Count</u>
● Barclays US Universal Index	80	0 (0%)	13 (16%)	41 (51%)	26 (33%)

Rolling 5 Year Periods



	<u>Total Period</u>	<u>5-25</u> <u>Count</u>	<u>25-Median</u> <u>Count</u>	<u>Median-75</u> <u>Count</u>	<u>75-95</u> <u>Count</u>
● Barclays US Universal Index	77	0 (0%)	9 (12%)	39 (51%)	29 (38%)

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