

GW CAPITAL, Inc.

Presentation to:



City of Ormond Beach, Florida

By

Scott Mullet, Senior Vice President & Principal



GW Capital, Inc.

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Bellevue, WA 98004

(425) 455-4551



ORGANIZATION UPDATE

- **Staff - 12**
 - Added 1 Operations/Marketing staff member July 1

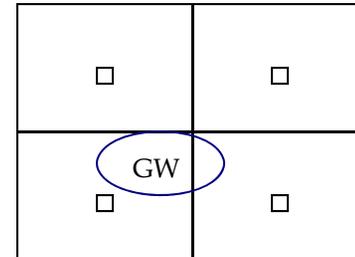
- **Ownership Changes - None**

- **\$1.4 Billion Total Assets as of June 2010** (*\$1.0 billion total assets as of June 2009*)
 - \$675 million Small-Cap Equity (*\$490 million in June 2009*)
 - \$300 million SMID-Cap Equity (*\$225 million in June 2009*)
 - \$400 million Fixed Income (*\$290 million in June 2009*)
 - “Medium-grade Bond” (A/BBB portfolio average quality)



EQUITY PORTFOLIOS APPROACH SUMMARY

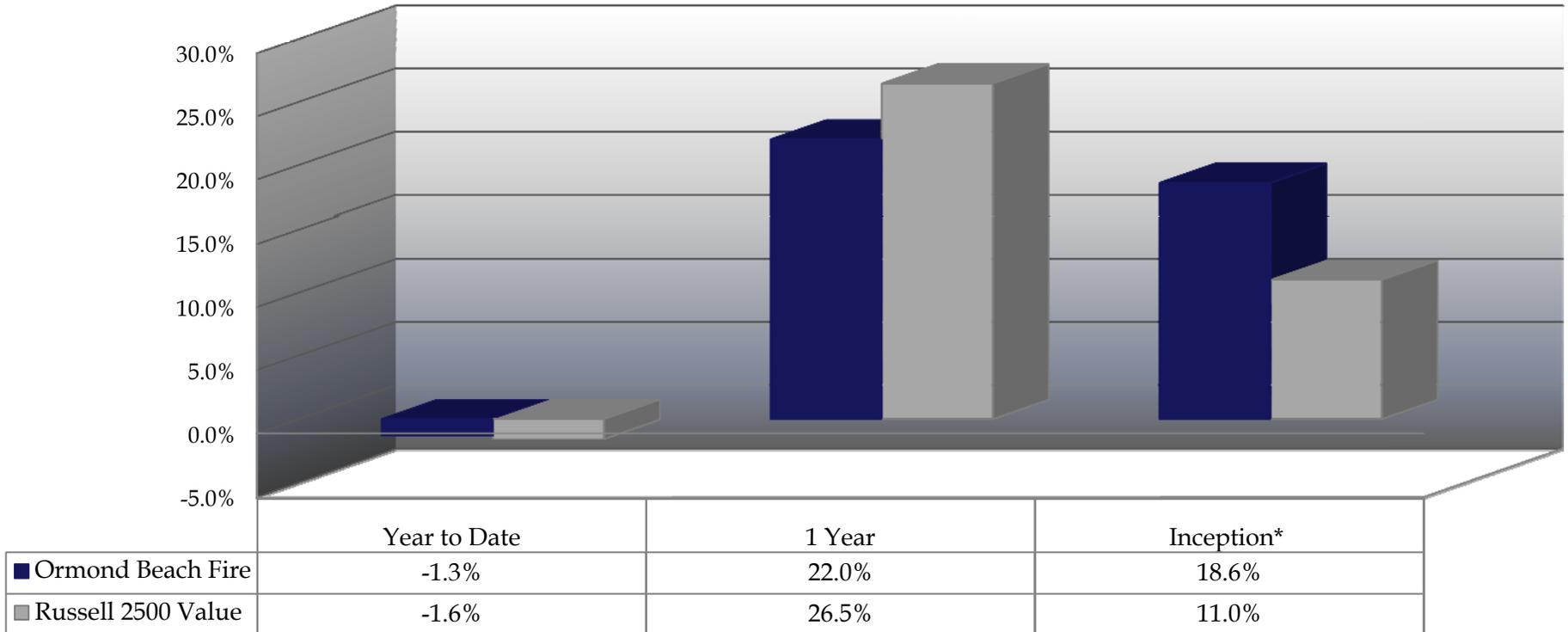
- Style: Value tilt
- Team managed
 - Best ideas, focused approach (30 – 35 securities)
- Top-down
 - Thematic driven; active sector weightings
- Bottom-up
 - Special situation single stock opportunities
- Enhanced by fixed income research





PORTFOLIO PERFORMANCE

As of June 30, 2010



* Annualized from 11/01/08 - 06/30/10. Gross-of-fee returns.

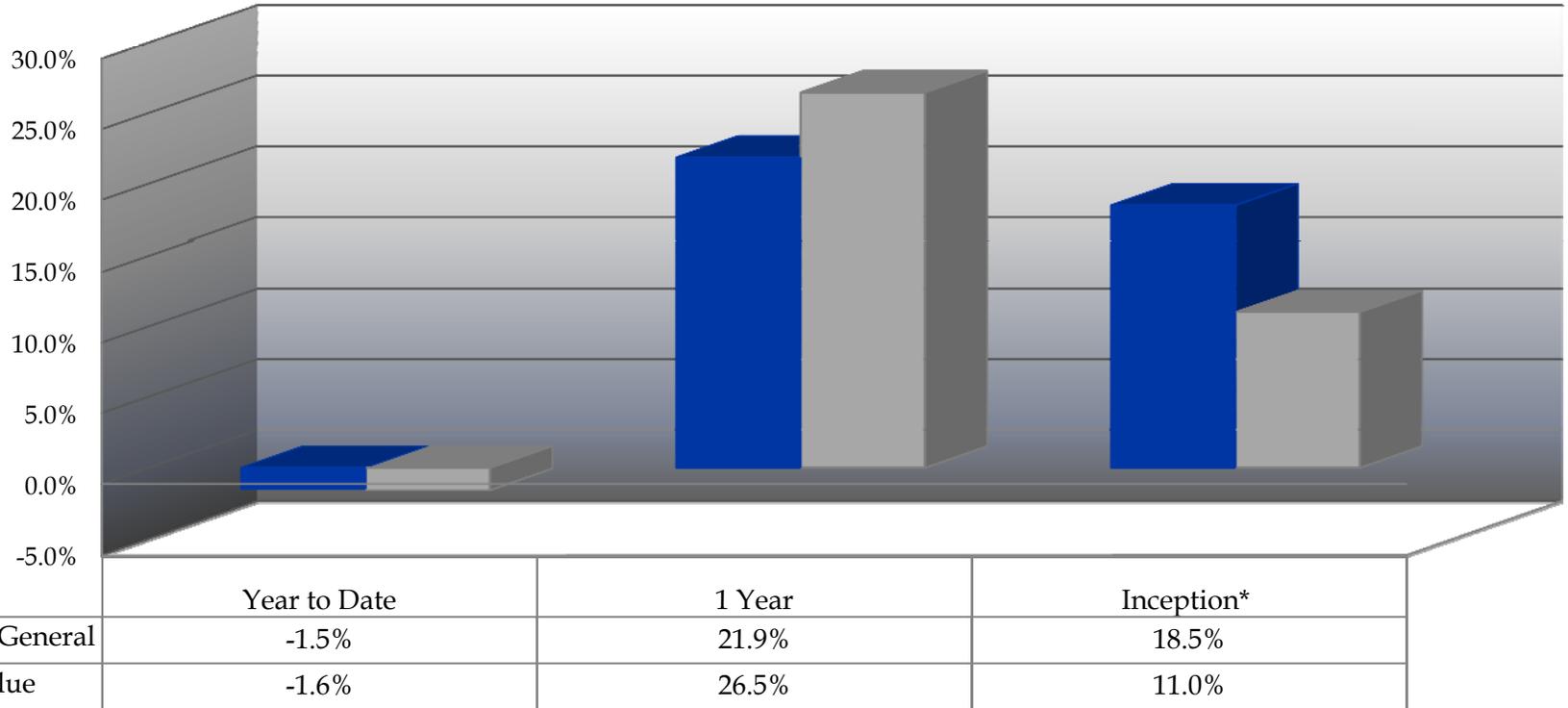
ORMOND BEACH FIREFIGHTERS PENSION PLAN

Starting Market Value	\$585,000
Distributions	(\$50,000)
Current Market Value	\$752,943



PORTFOLIO PERFORMANCE

As of June 30, 2010



* Annualized from 11/01/08 - 06/30/10. Gross-of-fee returns.

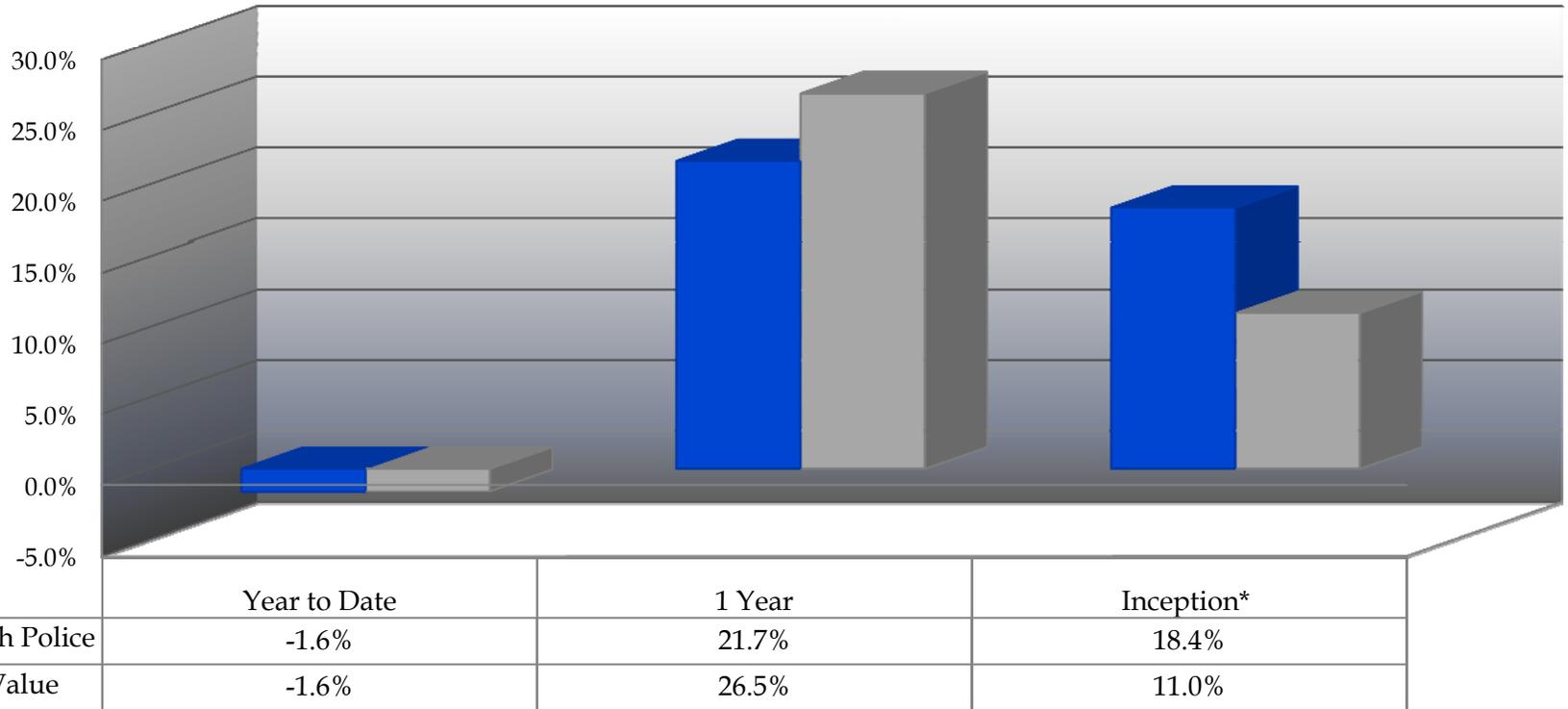
ORMOND BEACH GENERAL EMPLOYEES PENSION PLAN

Starting Market Value	\$1,150,000
Distributions	(\$243,000)
Current Market Value	\$1,336,959



PORTFOLIO PERFORMANCE

As of June 30, 2010



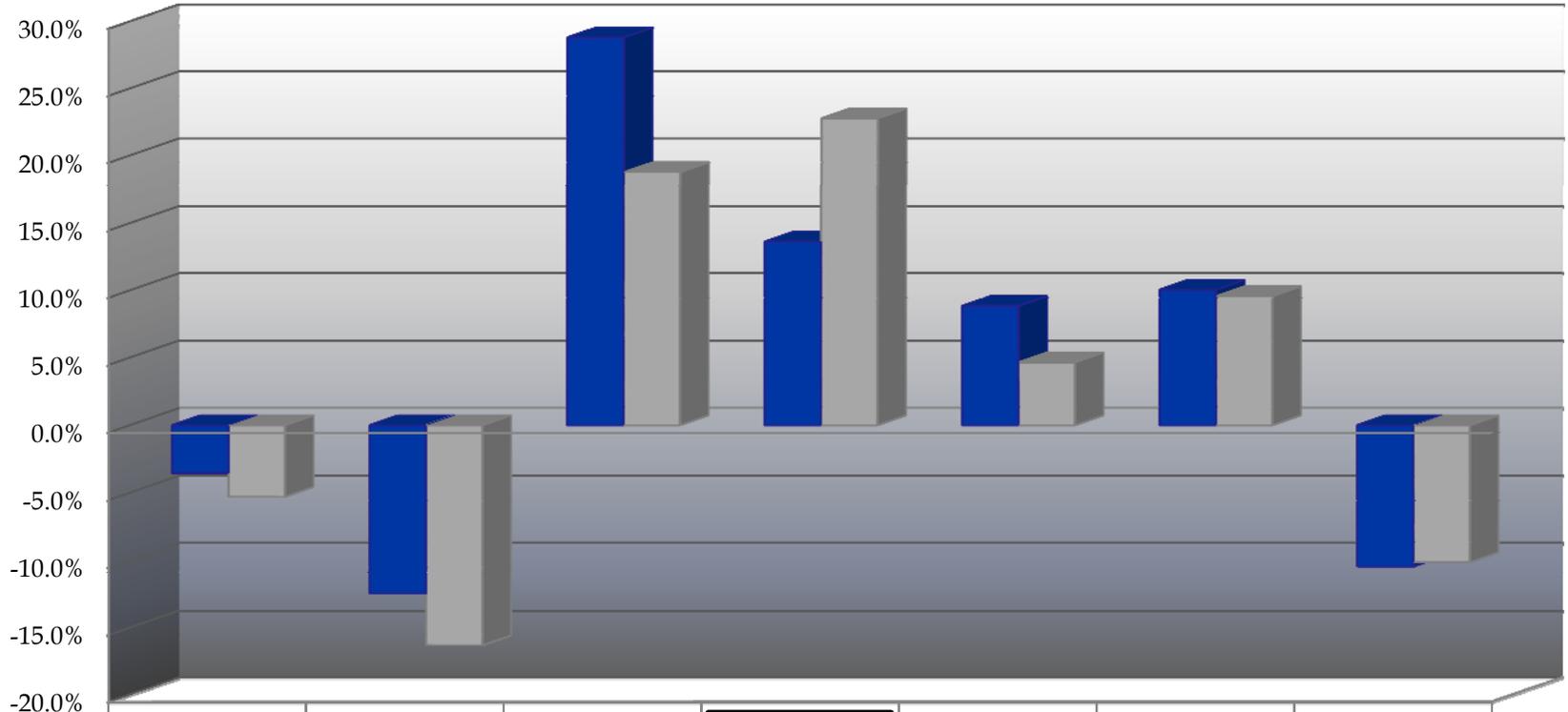
* Annualized from 11/01/08 - 06/30/10. Gross-of-fee returns.

ORMOND BEACH POLICE PENSION PLAN

Starting Market Value	\$825,000
Distributions	(\$175,000)
Current Market Value	\$975,676



PORTFOLIO PERFORMANCE



	11/01/08 - 12/31/08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
■ Ormond Beach General	-3.5%	-12.4%	28.8%	13.6%	8.8%	10.1%	-10.5%
■ Russell 2500 Value	-5.3%	-16.3%	18.8%	22.8%	4.7%	9.6%	-10.2%



THIRD QUARTER 2009 UNDERPERFORMANCE COMMENTARY

GW Capital	Market
Higher quality SMID Cap stocks	Low quality rally
More defensive & higher dividend	Dividend payers & defensive sectors underperformed
Significantly underweight Consumer Discretionary	2 nd best performing sector = Consumer Discretionary
Some Financial Service issues underperformed (SLM, CIT)	

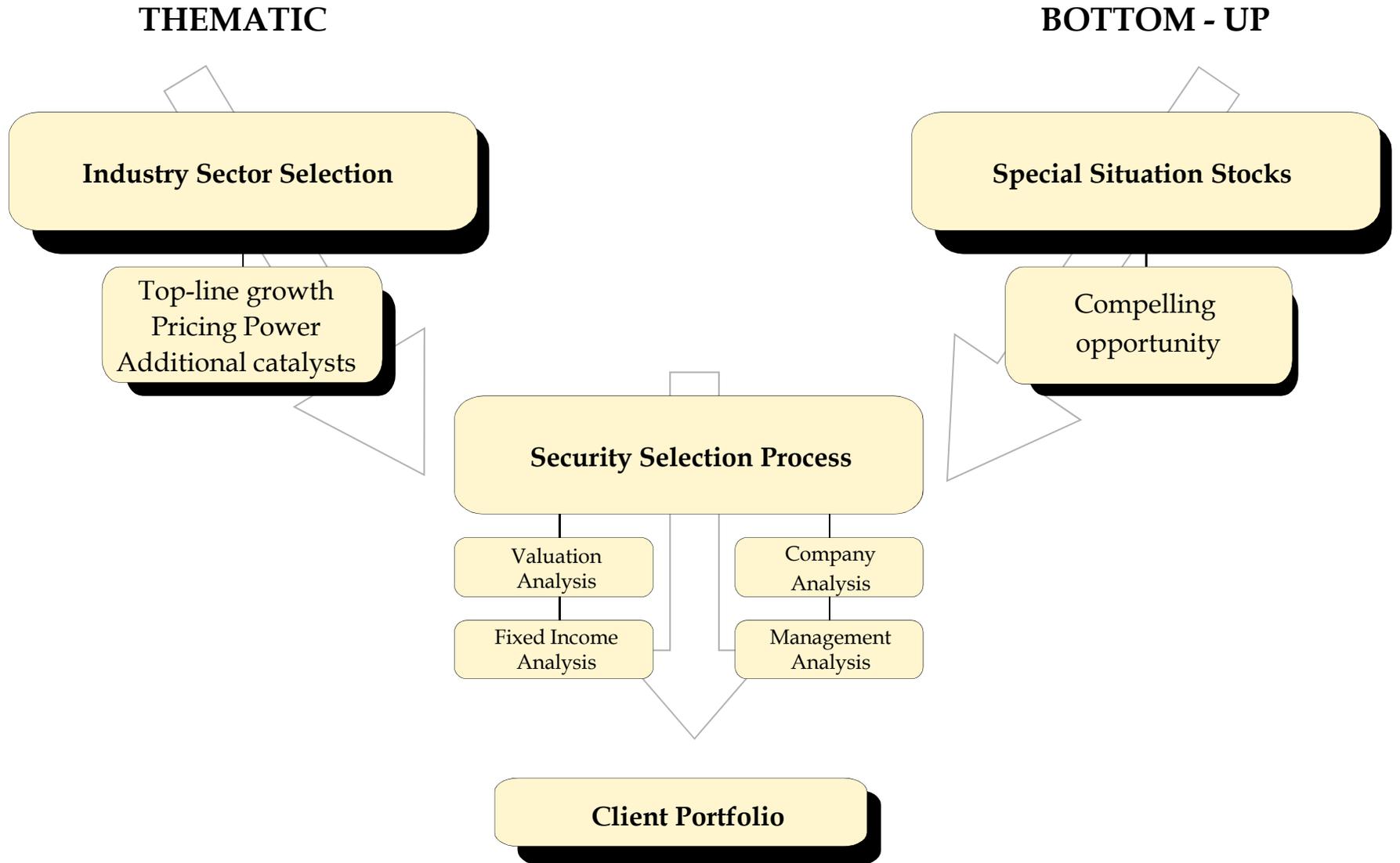


INVESTMENT PROCESS DISCIPLINES

- Maximum 25% weighting in any Sector
- No Futures, Options, or Short Selling
- Attempt to minimize:
 - Valuation risk
 - Business risk
 - Balance sheet/financial risk
- SMID Cap Market Capitalization Ranges:
 - New security buy-in Market Capitalization range \$500 million to \$10 billion
 - Expect majority between \$1 billion and \$7.5 billion
 - Maximum 25% of portfolio in securities with Market Capitalization above \$10 billion



INVESTMENT PROCESS





CURRENT THEMES

Rationale

Economic Recovery Underway



- 2 steps forward, 1 step back
- Credit market stabilization
- Paring back of defensive holdings (Utilities)
- Rotate into more economically sensitive stocks

Overweight Energy/Materials/Industrials



- Should benefit from more global, non-US recovery coming first
- Preference for names with global presence/exposure

Financials Becoming More Attractive



- Reducing Healthcare REITs and increasing banks/insurance
- Credit market stabilization
- Potentially add more in future

Underweight Consumer Discretionary



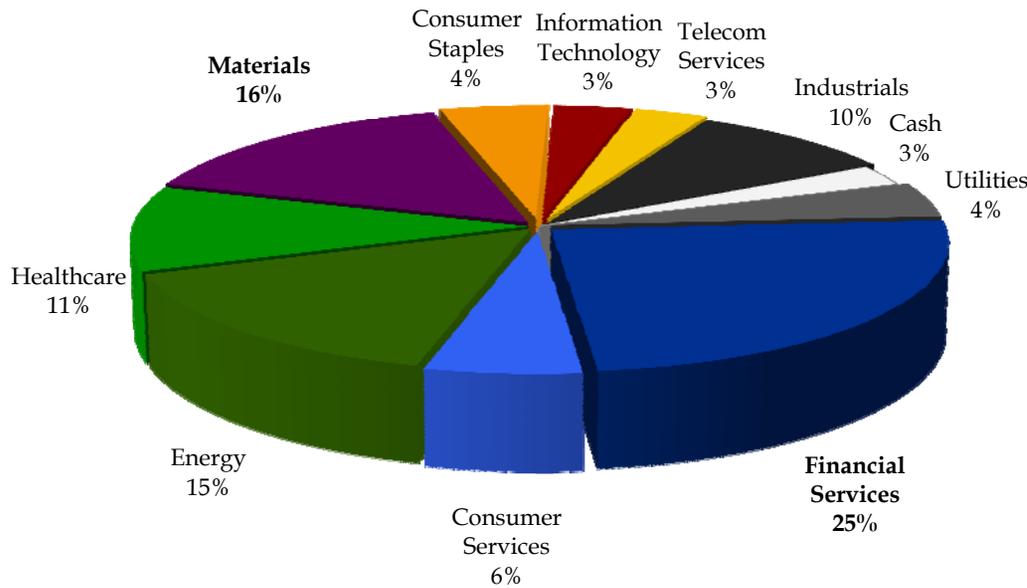
- Savings rate
- Declining credit availability
- Sentiment shift - needs versus wants
- High unemployment



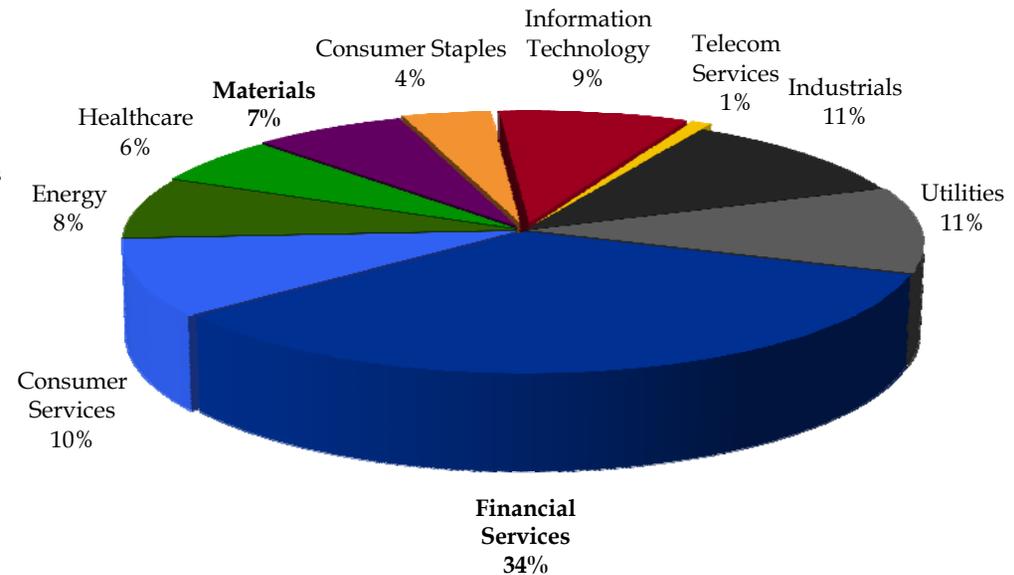
SECTOR WEIGHTINGS & CHARACTERISTICS

June 2010

City of Ormond Beach



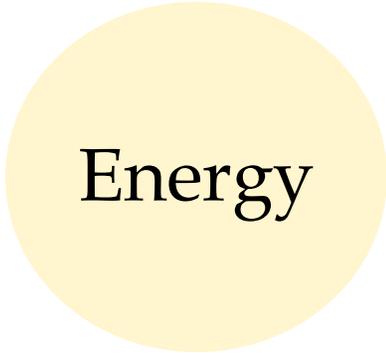
Russell 2500 Value Index*



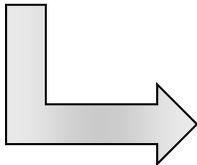
	Weighted Avg. Market Cap	Yield	P/E (forward)	Price/Book
City of Ormond Beach	\$4.6 billion	1.3%	12.5x	2.0x
Russell 2500 Value*	\$2.0 billion	2.1%	12.7x	1.2x



SECTOR SELECTION EXAMPLE

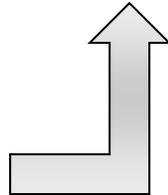


- Sector weighting increased August 2009
- Beneficiary of economic recovery
- Historical sector valuations at trough levels
- Industry response to supply/demand imbalances more timely as evidenced by lower y/y rig count



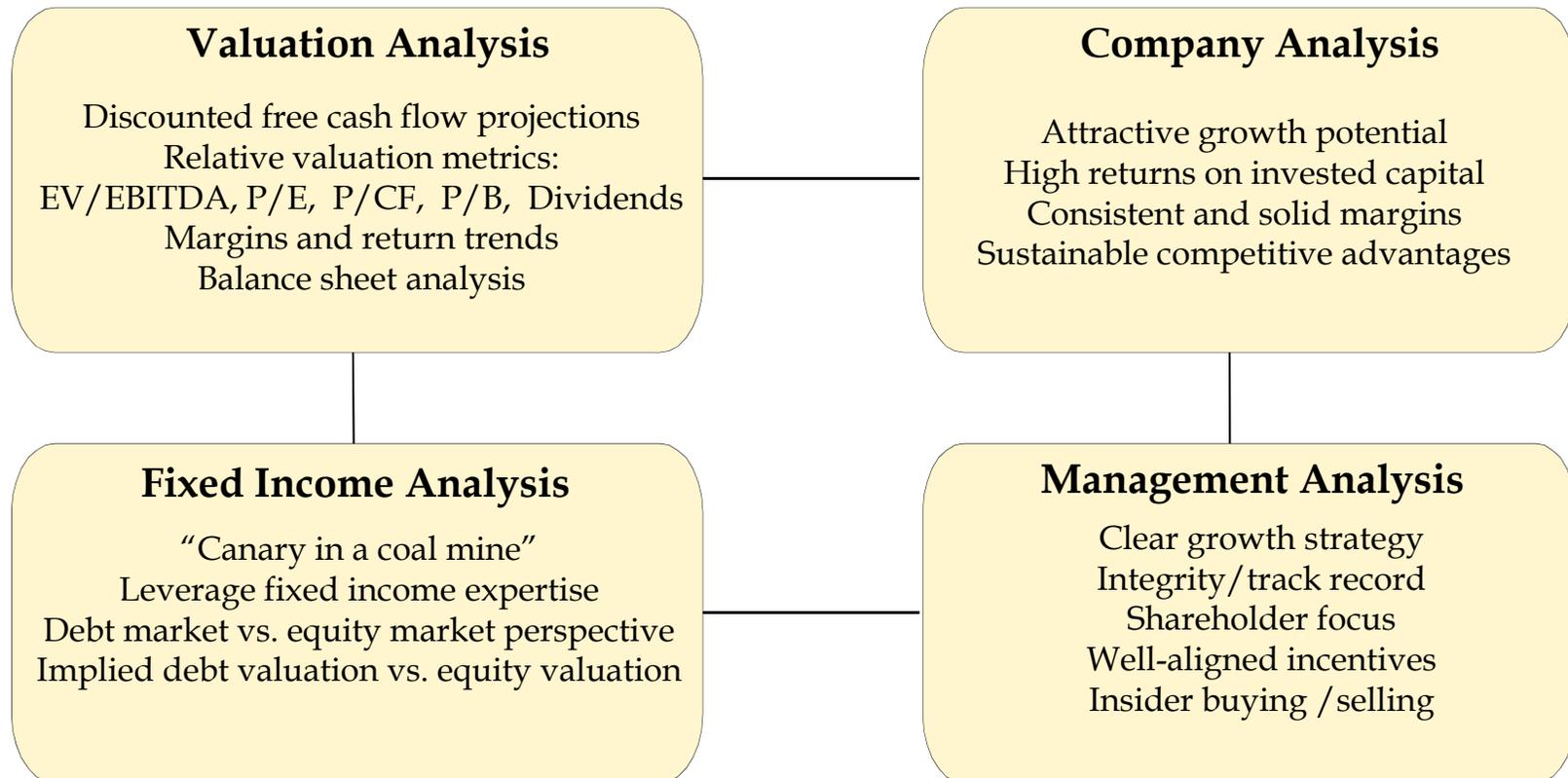
- Focus on domestic oil and natural gas producers
- Large multinational energy firms looking at domestic acquisition candidates
- Favorable regulatory and political environment

- Finding costs of reserves down considerably over past decade
- New technologies have allowed for carbon recoveries (shale) previously unattainable
- Cost of and availability of capital extremely attractive compared to other industry sectors





SECURITY SELECTION PROCESS





SECURITY SELECTION

SPECIAL SITUATION STOCK EXAMPLE

- Largest student loan servicer in the US
- Catalyst: Extremely attractive valuation as market heavily discounted due to Fed policy shift.
- Catalyst: Well-positioned to dominate the servicing business post FFELP reform in growing student lending market

- Significant discount to tangible book on high quality collateral implied depressed valuation
- Residual value in servicing platform and private loan portfolio given favorable demographic trends

- Continued normalization of financing and securitization markets to drive earnings growth
- Gradual portfolio runoff will allow time to scale business model

Bought
March/ April 2009 in Small & SMID Cap (\approx \$4.50) plus Fixed Income

June 2010*
Price: \$10.39
Market Capitalization: \$5.0 billion

**SLM Corporation
(SLM)**

The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.



SMID CAP PORTFOLIO HOLDINGS

June 30, 2010

Consumer Discretionary	5.8%	Health Care	10.6%
Hertz Global Holdings	3.0%	Brookdale Senior Living	3.3%
Wendy's/ Arby's Group	2.8%	Omnicare Inc	2.5%
Consumer Staples	5.0%	Perrigo Co	4.8%
JM Smucker	2.6%	Industrials	9.5%
McCormick & Co.	2.4%	Fluor Corporation	2.5%
Energy	15.3%	Thomas & Betts Corp	3.8%
Brigham Exploration	2.4%	Verisk Analytics	3.2%
El Paso Corp	3.2%	Information Technology	3.5%
Exterran Holdings	1.7%	Harris Corp.	3.5%
Forest Oil	3.2%	Materials	15.5%
Tidewater Inc	2.0%	Crown Holdings Inc	3.6%
Williams Cos Inc	2.8%	MeadWestvaco Corp	2.8%
Financial Services	24.5%	Owens Illinois	3.3%
CNO Financial Group	3.2%	Weyerhaeuser Company	2.2%
Fifth Third Bancorp	3.8%	Yamana Gold Inc	3.6%
Genworth Financial Inc	2.6%	Telecommunication Services	3.3%
Healthcare REIT	2.4%	SBA Communications	3.3%
Lender Processing Services	1.9%	Utilities	4.4%
Omega Healthcare	4.2%	Oneok Inc	4.4%
SLM Corporation	3.8%		
Washington Federal Inc	2.6%		

MARKET OUTLOOK



MARKET OUTLOOK

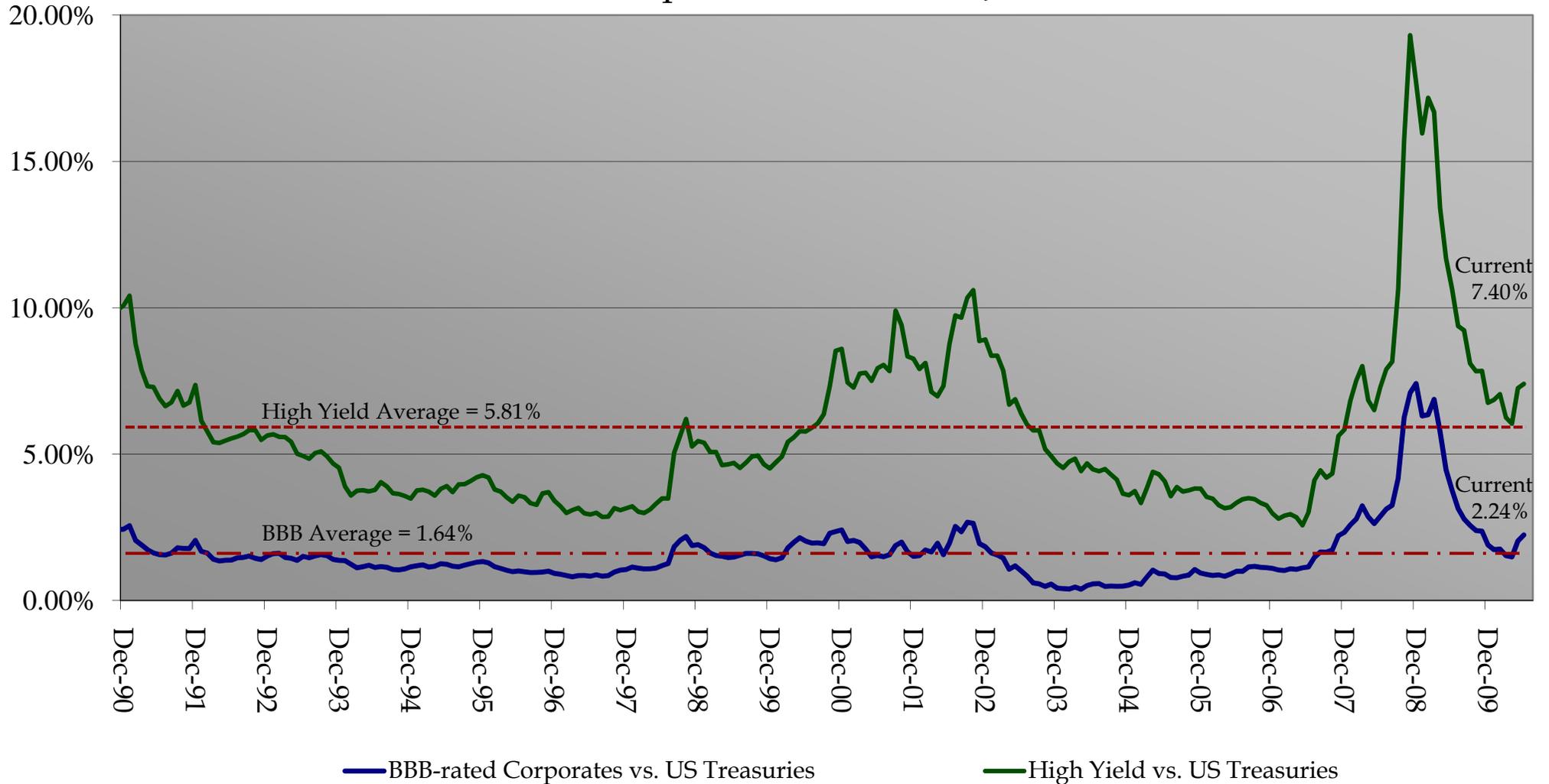
- Range bound stock market – impacted by rate of GDP recovery
- Volatile– still some deleveraging in the system
- Economic headwinds slow corporate revenue growth
 - Earnings driven by cost cutting, not sales increases
- Elements of potential support
 - Credit spread stability



MARKET OUTLOOK

CORPORATE & HIGH YIELD SPREADS

Yield Spreads: Dec 1990 to Jun 2010



Source: Merrill Lynch. BBB Corporate index vs. 7 - 10yr US Treasuries index and HY Master index vs. US Treasury Master index



GW CAPITAL, INC

INVESTMENT TEAM

Nick Brown, CFA, Research Analyst, began his investment career in 2006 with GW Capital, Inc. In addition to his Research Analyst role, he is involved with trading and WRAP program operations. Mr. Brown received his B.A. from the University of Puget Sound. Mr. Brown earned his CFA and is a member of the CFA Institute.

Scott Mullet, Co-owner, Principal & Senior Vice President, 18 years investment experience, is a member of the firm's investment committee with portfolio management responsibilities for both equity and fixed income clients. Mr. Mullet also leads marketing and client service efforts. He joined GW Capital in 2003 after working with the Quellos Group in Seattle as Associate Director of Investments for more than two years. His responsibilities there included product management, business development, and client service for fixed income products. He also researched and proposed investment strategies as a key member of the fixed income portfolio strategy team. Mr. Mullet began his investment career in 1992 with Western Asset Management Company in Pasadena, CA. During his nine-year tenure, he held managerial positions in product development, investment analytics, marketing and client service, finishing as a Product Specialist. Mr. Mullet received his M.B.A. from the Anderson Graduate School of Management at UCLA, and his B.A. from the University of Southern California. He is a member of the CFA Institute and the CFA Society of Seattle.

Tom Parkhurst, Co-owner, Principal & Senior Vice President, 20 years investment experience, is a member of the firm's investment committee with portfolio management responsibilities for both equity and fixed income clients. He also acts as the firm's chief compliance officer. Mr. Parkhurst joined GW Capital in 1992 after serving as a portfolio manager/security analyst and head security trader for Puget Sound Bank Trust Department for two years. There, he was a member of the Investment Management Committee responsible for establishing and implementing investment strategy for the Trust Department's three equity common funds and three fixed income common funds. Mr. Parkhurst's background in portfolio management combines quantitative and fundamental research in fixed income and equity assets. He received his B.A. in Business and Finance from the University of Puget Sound. He is active in the CFA Society of Seattle, the CFA Institute, and the Northwest Bond Club.

Touk Sinantha, CFA, Vice President – Senior Research Analyst, began her finance career more than 10 years ago. She joined GW Capital from Members Capital Advisors in Wisconsin where she served as a Senior Research Analyst for over two years. Prior to Members Capital, Touk spent five years as a buy-side analyst at Ariel Investments in Chicago. Ms. Sinantha holds a M.B.A. from the University of Chicago and a B.A. from Western Washington University. Ms. Sinantha earned her CFA and is a member of the CFA Institute.

Guy Watanabe, Majority owner, President and Founder of GW Capital, has 34 years investment experience. Mr. Watanabe is a member of the firm's investment committee with portfolio management responsibilities for both equity and fixed income clients. Mr. Watanabe began his career in 1976 at one of the Northwest's largest investment-management firms at the time, Kennedy Associates. As a Vice President and shareholder, he had direct responsibility for portfolio management and research analysis of equity and fixed income instruments. His clients included institutional pension and profit sharing plans as well as charitable endowment and trust funds. Mr. Watanabe's long-standing client relations and excellent performance record enabled him to found GW Capital, and to continue his record of service. Mr. Watanabe received his M.B.A. in Finance and B.A. in Business Administration from the University of Puget Sound. He is active in the investment community as reflected by his membership in the CFA Society of Seattle and the CFA Institute. He is also on the Board of Trustees for the University of Puget Sound and the Board of Trustees for the Japanese American National Museum in Los Angeles.