

GW CAPITAL, Inc.

Presentation to:



City of Ormond Beach

By

Scott Mullet, Principal



GW Capital, Inc.

10900 N.E. Eighth Street, Suite 750

Bellevue, WA 98004

(425) 455-4551



ORGANIZATION UPDATE

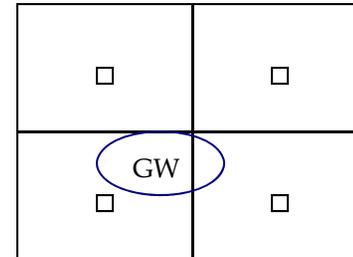
- **New Office Location**
 - Moved from Suite #1010 to Suite #750 effective June 27, 2011
- **New Product Offering**
 - Mid Cap Equity product addition effective June 30, 2011
- **Staff – 12**
 - Beginning search for an additional Research Analyst
- **Ownership Changes**
 - Initial equity purchase by Touk Sinantha, Sr. Research Analyst and Nick Brown, Research Analyst, from Guy Watanabe in August 2011.
- **\$2.0+ Billion Total Assets as of July 2011** (*\$1.4 billion total assets as of June 2010*)
 - \$860 million Small Cap Equity (*\$675 million in June 2010*)
 - \$305 million Small Mid Cap Equity (*\$300 million in June 2010*)
 - \$400 million Mid Cap Equity (*new product offering effective June 2011*)
 - \$485 million Fixed Income (*\$400 million in June 2010*)



EQUITY PORTFOLIOS

APPROACH SUMMARY

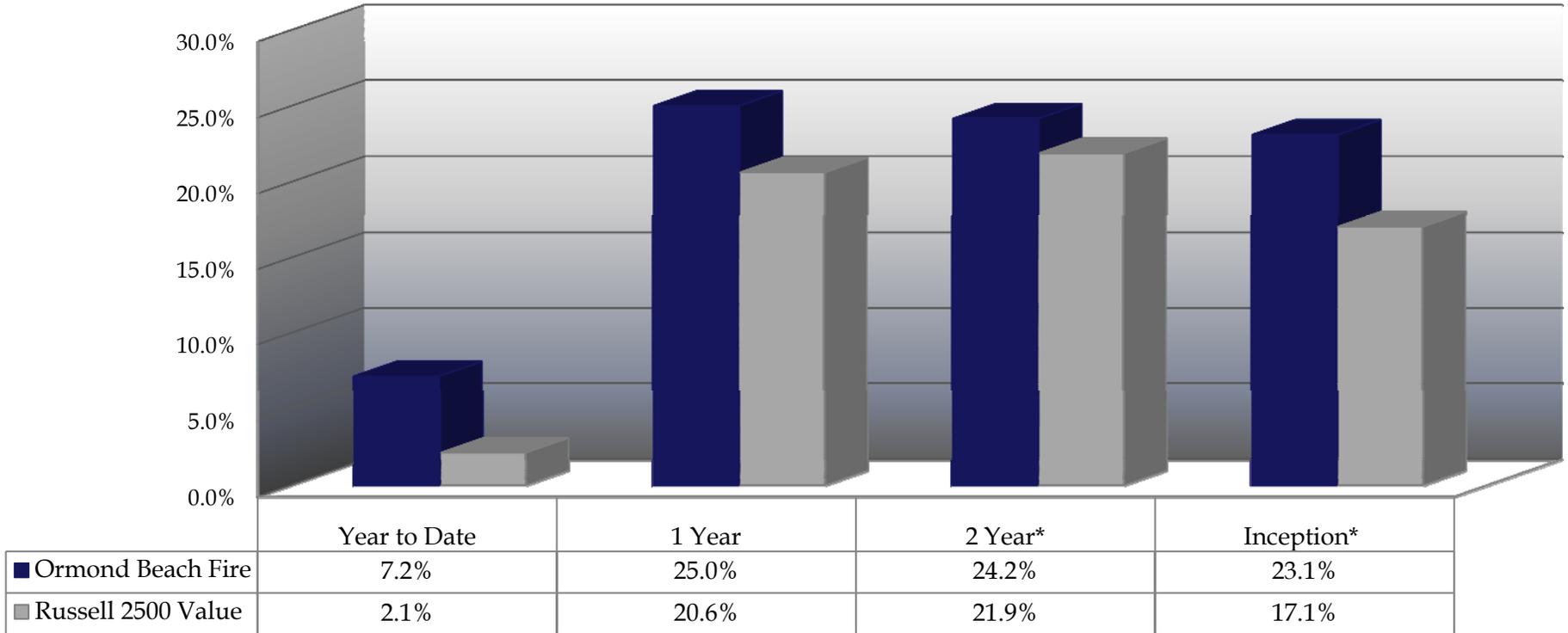
- Style: Value tilt
- Team managed
 - Best ideas, focused approach (30 – 40 securities)
- Top-down
 - Thematic driven; active sector weightings
- Bottom-up
 - Special situation single stock opportunities
- Enhanced by fixed income research





PORTFOLIO PERFORMANCE

As of July 31, 2011



* Annualized from 11/01/08 - 07/31/11. Gross-of-fee returns.

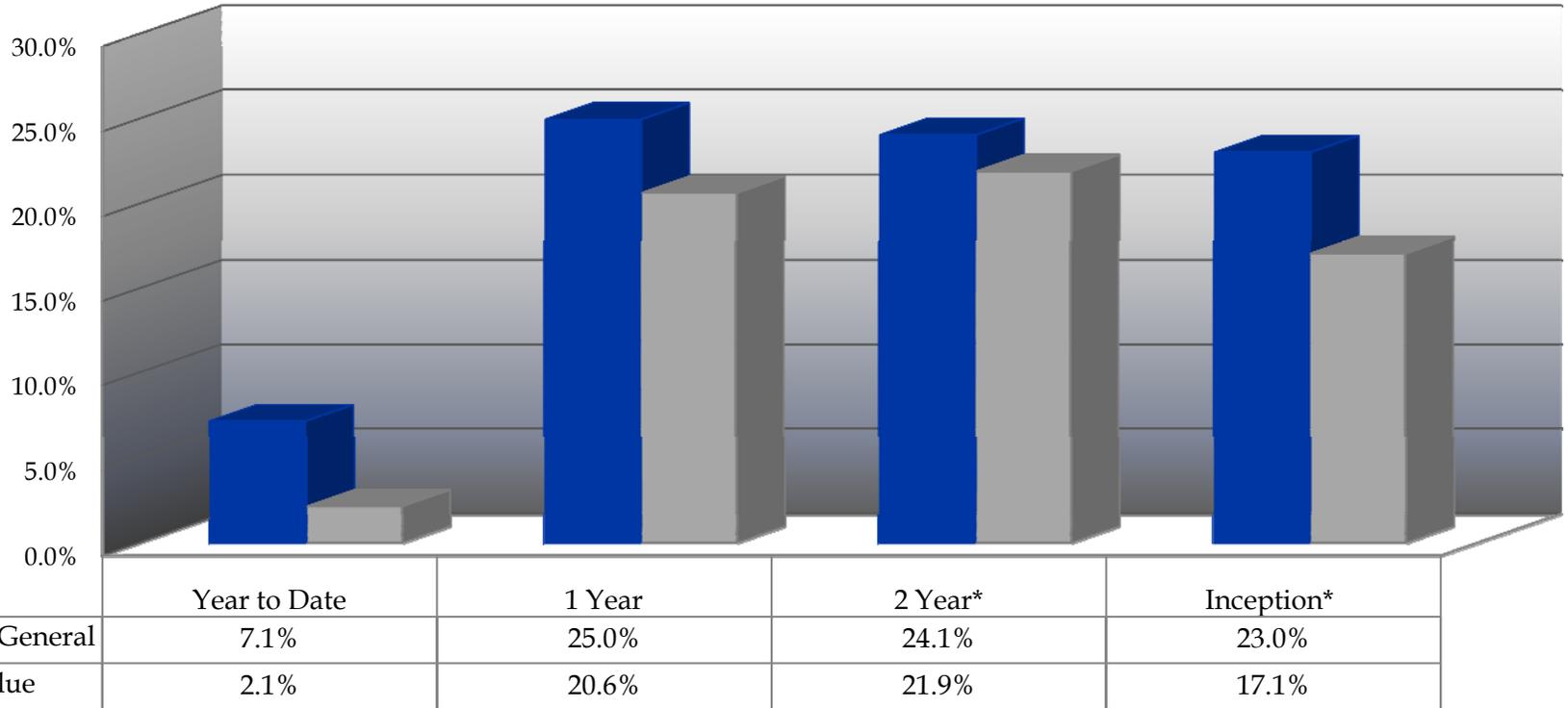
ORMOND BEACH FIREFIGHTERS PENSION PLAN

Starting Market Value	\$585,000
Distributions	(\$50,000)
Current Market Value	\$997,392



PORTFOLIO PERFORMANCE

As of July 31, 2011



* Annualized from 11/01/08 - 07/31/11. Gross-of-fee returns.

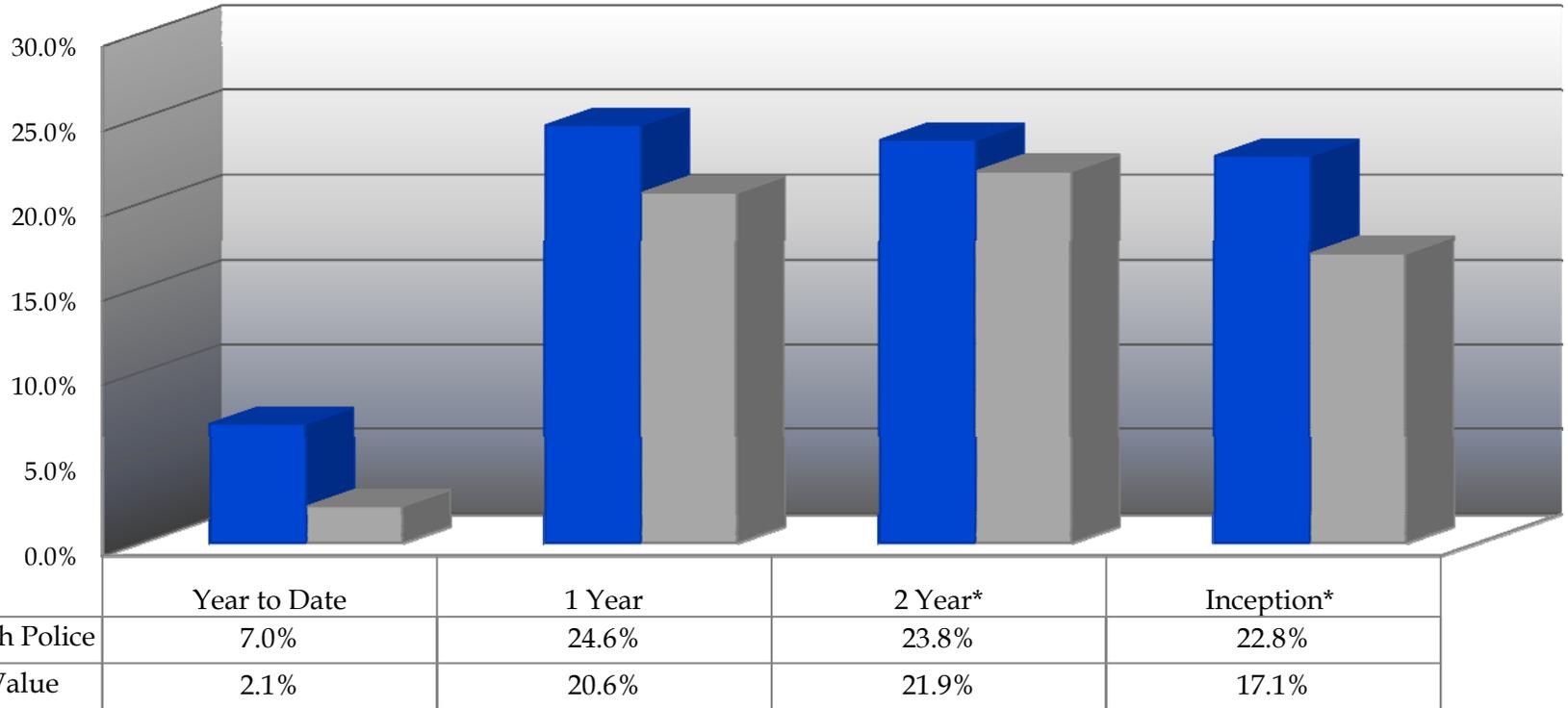
ORMOND BEACH GENERAL EMPLOYEES PENSION PLAN

Starting Market Value	\$1,150,000
Distributions	(\$243,000)
Current Market Value	\$1,769,611



PORTFOLIO PERFORMANCE

As of July 31, 2011



* Annualized from 11/01/08 - 07/31/11. Gross-of-fee returns.

ORMOND BEACH POLICE PENSION PLAN

Starting Market Value	\$825,000
Distributions	(\$190,000)
Current Market Value	\$1,272,832

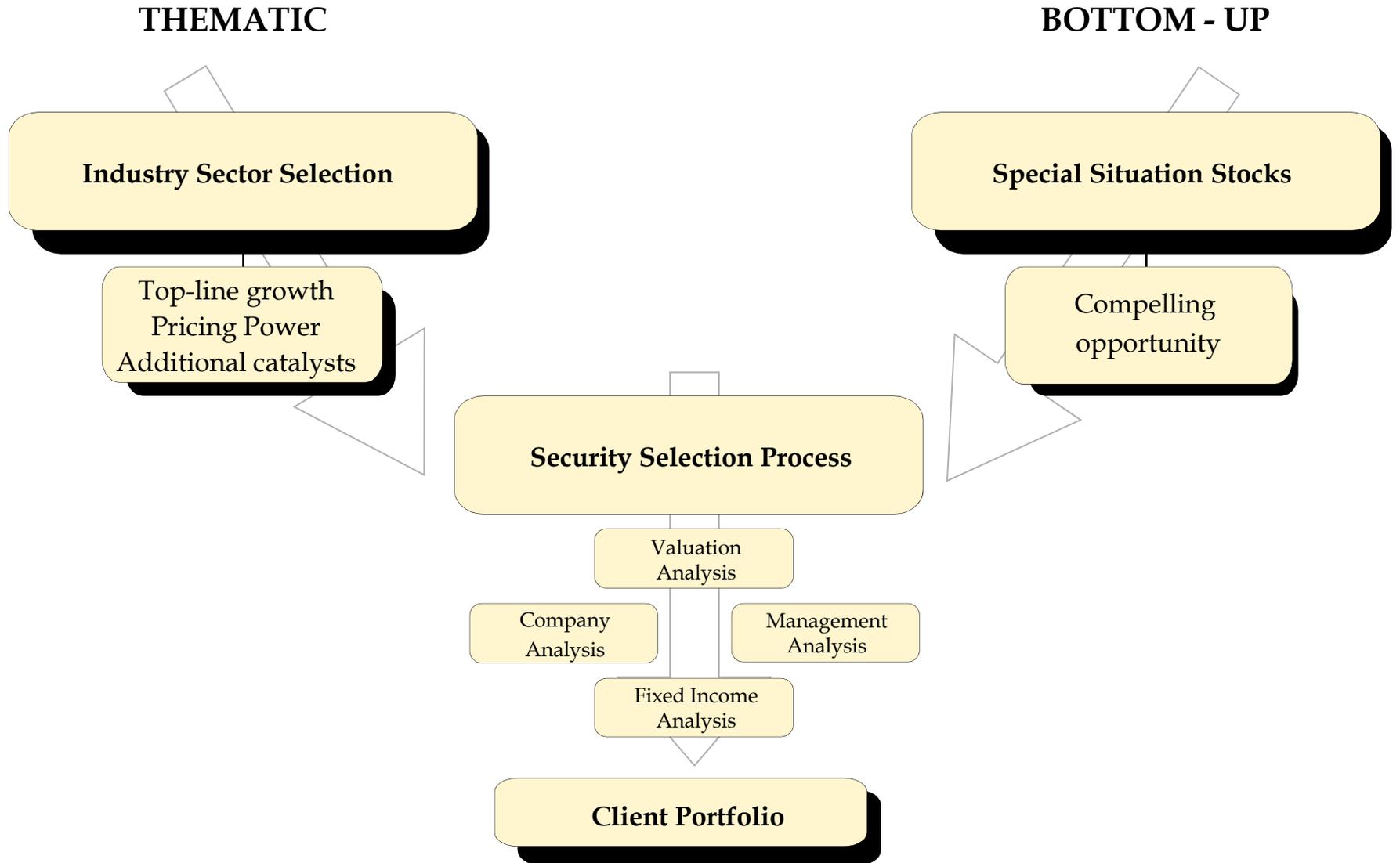


INVESTMENT PROCESS DISCIPLINES

- Maximum 25% weighting in any Sector
- No Futures, Options, or Short Selling
- Attempt to minimize:
 - Valuation risk
 - Business risk
 - Balance sheet/financial risk
- Small Mid 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



INVESTMENT PROCESS





CURRENT THEMES

Rationale

Economic Recovery Underway



- 2 steps forward, 1 step back
- Credit market stabilization
- Rotated 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

Diversify Financials Exposure



- Continue to diversify portfolio
- Banking, insurance, REITs, other creditors
- Credit market stabilization

Underweight Consumer Discretionary

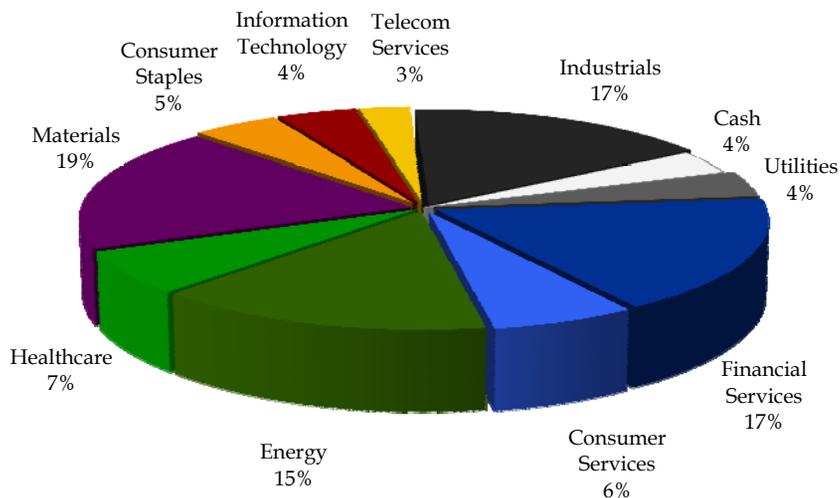


- Savings rate
- Declining credit availability
- Sentiment shift - needs versus wants
- High unemployment

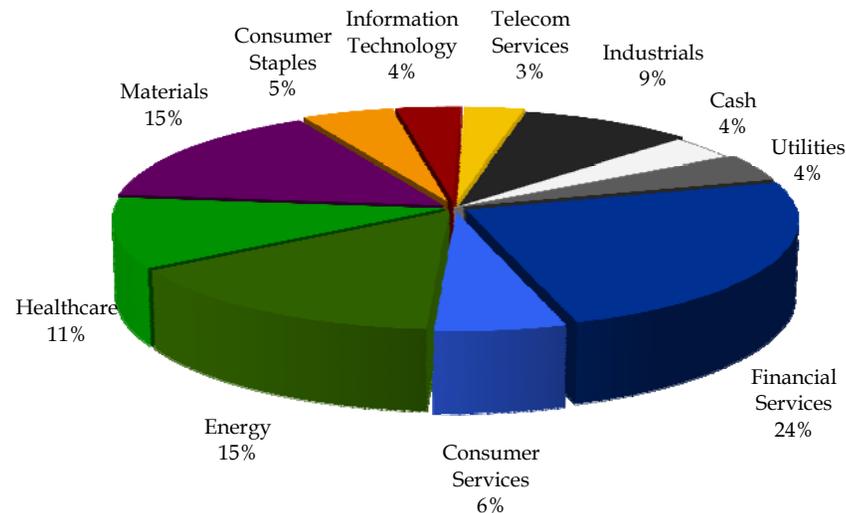


SECTOR WEIGHTINGS & CHARACTERISTICS

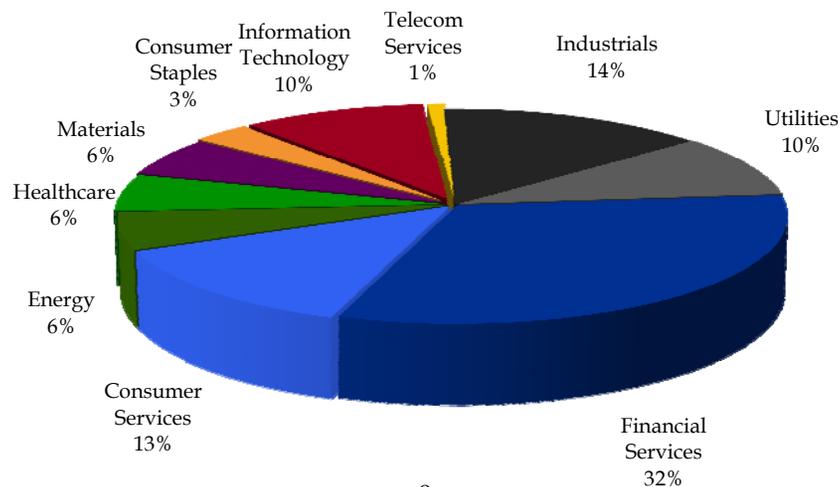
July 2011



June 2010



Russell 2500 Value Index*





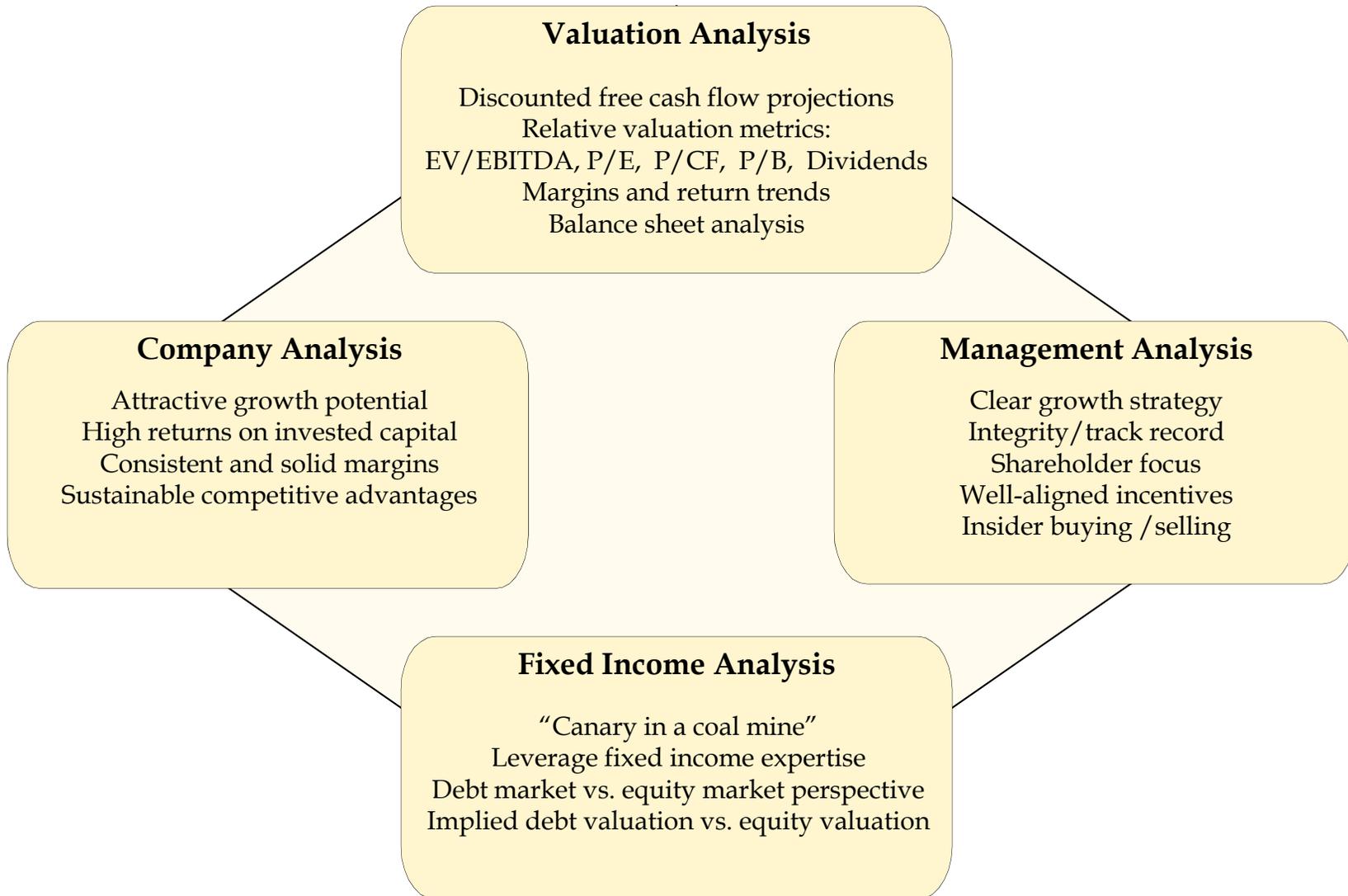
NEW PURCHASES & OUTRIGHT SALES

July 2010 – August 2011

<u>Purchases</u>	<u>Sales</u>
KLA Tencor (<i>July 2010</i>)	McCormick & Co. (<i>July 2010</i>)
Iron Mountain (<i>September 2010</i>)	Omnicare Inc. (<i>September 2010</i>)
Supervalu Inc. (<i>January 2011</i>)	Exterran Holdings (<i>December 2010</i>)
Ashland Inc. (<i>March 2011</i>)	Genworth Financial (<i>January 2011</i>)
Cintas Corp (<i>April 2011</i>)	Lender Processing Services (<i>June 2011</i>)
General Cable Corp (<i>June 2011</i>)	Fifth Third Bancorp (<i>July 2011</i>)
Aspen Insurance Holdings (<i>August 2011</i>)	



SECURITY SELECTION PROCESS





SECURITY SELECTION

SPECIAL SITUATION STOCK EXAMPLE

- Pure specialty chemical company operating in industries with strong underlying global dynamics
- Largest supplier of HEC and number two global producer of cellulose ethers, behind Dow
- Valvoline dominates the automobile lubricant industry along with Pennzoil and Castrol with almost 70% combined market share.

- Few competition, robust margins, and strong growth in Aqualon business
- Water business will benefit from increasing global concerns about scarcity and quality of water
- Strong pricing power in most segments to help offset raw material inflation

- Attractive valuation compared to peers and on a sums-of-parts basis
- Redeployment of FCF and Valvoline divestiture as a potential catalyst
- Solid balance sheet and liquidity

Bought

March 2011 in Small Mid Cap (\approx \$56)
Market Capitalization: \$4.4 billion

July 2011*

Price: \$61.24
Market Capitalization: \$4.8 billion

**Ashland Inc.
(ASH)**

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.

*Source: Bloomberg



SMALL MID CAP PORTFOLIO

July 31, 2011

Consumer Discretionary	6.3%
Hertz Global Holdings	3.5%
The Wendy's Company	2.8%
Consumer Staples	5.6%
JM Smucker	2.5%
Supervalu Inc	3.1%
Energy	16.0%
Brigham Exploration	3.8%
El Paso Corp	3.4%
Forest Oil	3.0%
Tidewater Inc	2.1%
Williams Cos Inc	3.7%
Financial Services	15.5%
CNO Financial Group	3.7%
Healthcare REIT	2.3%
Omega Healthcare	3.1%
SLM Corporation	4.3%
Washington Federal Inc	2.1%
Health Care	6.4%
Brookdale Senior Living	3.6%
Perrigo Co	2.8%

Industrials	16.2%
Cintas Corp	2.3%
Fluor Corp	2.8%
General Cable Corp	2.2%
Iron Mountain	3.6%
Thomas & Betts Corp	2.6%
Verisk Analytics	2.7%
Information Technology	4.0%
Harris Corp.	2.5%
KLA Tencor	1.5%
Materials	18.9%
Ashland Inc	3.4%
Crown Holdings Inc	4.2%
MeadWestvaco Corp	3.1%
Owens Illinois	2.2%
Weyerhaeuser Company	2.5%
Yamana Gold Inc	3.5%
Telecommunication Services	2.7%
SBA Communications	2.7%
Utilities	4.0%
Oneok Inc	4.0%

	Weighted Avg. Market Cap	Yield	P/E (forward)	Price/Book
<i>City of Ormond Beach</i>	\$6.3 billion	1.5%	13.6x	2.0x
Russell 2500 Value*	\$2.5 billion	1.9%	13.0x	1.4x

* Source: Frank Russell Co.

MARKET OUTLOOK



MARKET OUTLOOK

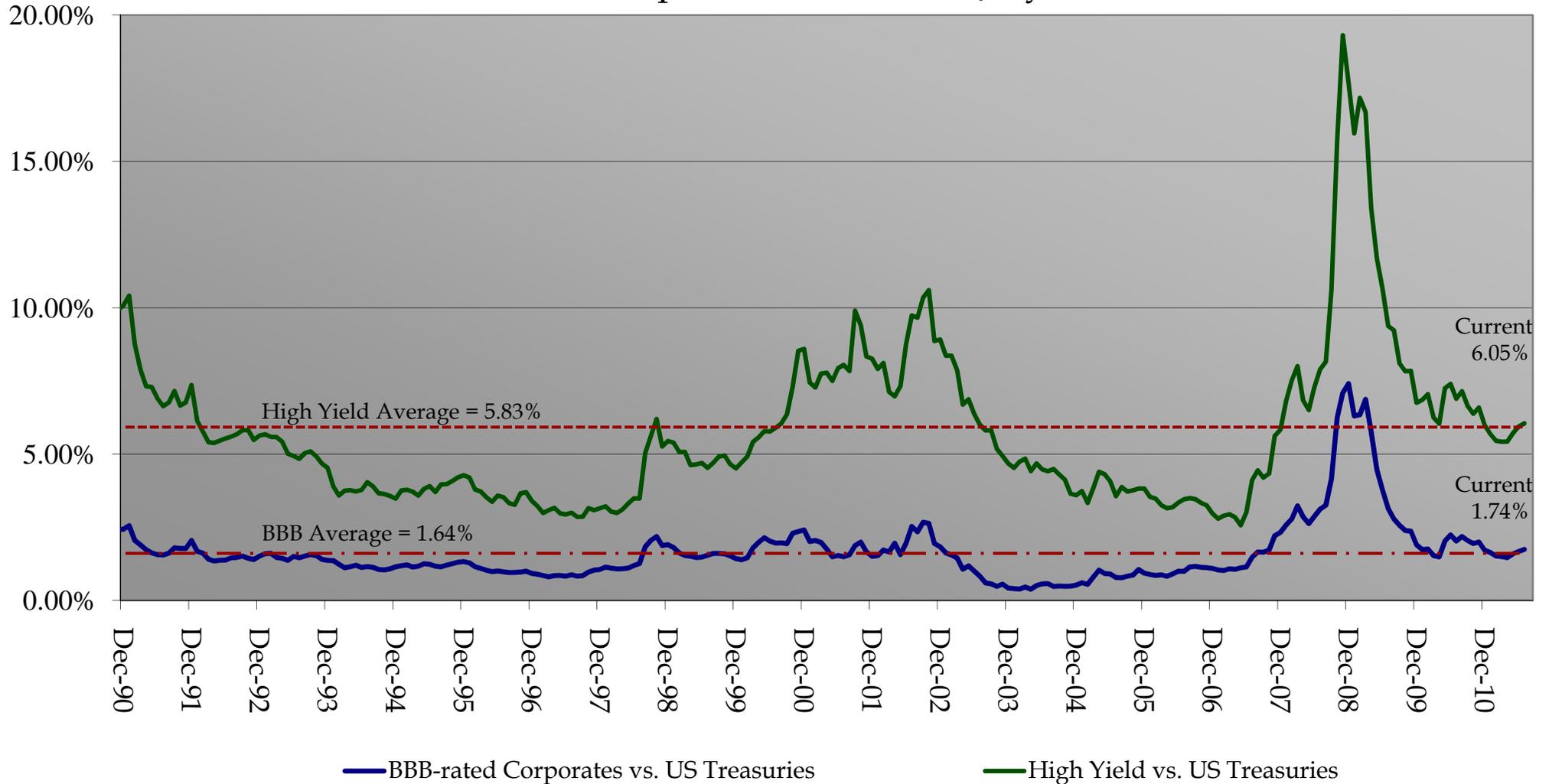
- Slow economic recovery - 2 steps forward, 1 step back
- Volatile- still some deleveraging in the system
- U.S & global economic headwinds slow corporate revenue growth
- Strong credit market bodes well for Small and Mid Cap companies



MARKET OUTLOOK

CORPORATE & HIGH YIELD SPREADS

Yield Spreads: Dec 1990 to July 2011



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, equity shareholder, 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, Principal & Senior Vice President, equity shareholder, 19 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. He also is Chairman of the First Presbyterian Church of Bellevue's Foundation.

Tom Parkhurst, Principal & Senior Vice President, equity shareholder, 21 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. He also is a member of the Investment Committee for the Bertschi School in Seattle.

Touk Sinantha, CFA, Vice President – Senior Research Analyst, equity shareholder, 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 an 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. She is also currently on the Investment Advisory Board of Western Washington University's College of Business and Economics Investment Management and Scholarship Fund.

Guy Watanabe, President and Founder of GW Capital, majority shareholder, has 35 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.