SAWGRASS
Asset Management, L.L.C.
Blending the Art & Science of Investing

Sawgrass Asset Management provides active growth equity and fixed income investment management services to institutional investors

Quarterly Review

June 30, 2012

City Of Ormond Beach Police Officers' Pension Trust Fund

Presented by:

Sawgrass Asset Management, L.L.C.
(904) 493-5500

August 10, 2012

***Chris Greco**, Partner*
Marketing & Client Service

What's New at Sawgrass

Our Business:

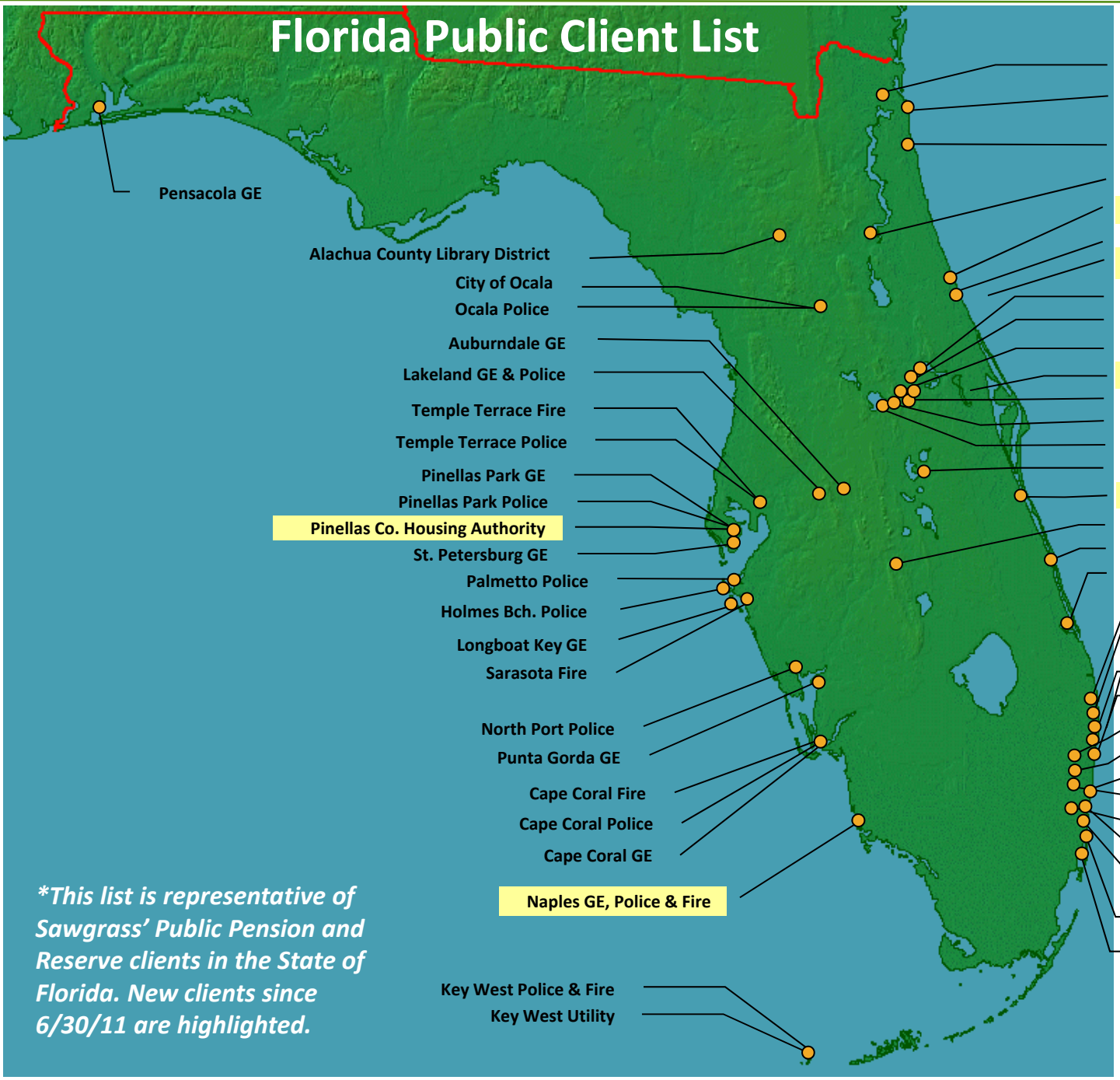
- Second Annual Client Conference September 13, 2012 in Ft. Lauderdale
- 15 Year Anniversary Event January 28, 2013 at TPC Sawgrass
- David Furfine Promoted to Director of Fixed Income;
  Liridon Gila Promoted to Fixed Income Portfolio Manager;
  New Fixed Income Team Analyst Hire July 2012
  Internship Platform with Local University

Investments:

- New Products:
  -Small Cap Best Ideas
  -Small Cap Genesis
  -Diversified Income Fund
  -Credit Strategy
- Ten New Clients Selected Sawgrass in the Last Six Months

SAWGRASS Asset Management, L.L.C.
© 2009 Sawgrass Asset Management, L.L.C.

Florida Public Client List



**This list is representative of Sawgrass' Public Pension and Reserve clients in the State of Florida. New clients since 6/30/11 are highlighted.*

SAWGRASS Asset Management, L.L.C.

Large Cap Growth Investing with Sawgrass

Our Investment Edge:

- Blending the Art and Science of Our Investment Process
- Repeatable Investment Discipline

INVESTMENT "THUMBPRINT"

- ★ *Superior Earnings Growth / Consistency*
- ★ *Improving Earnings Forecasts*
- ★ *Modest P/E Ratios*
- ★ *High Quality Earnings*

SAWGRASS Asset Management, L.L.C.
© 2009 Sawgrass Asset Management, L.L.C.

Sawgrass Large Cap Growth Themes

After a difficult 2009 and 2010;

- Outperformance versus the Benchmark in 5 Out of 6 Quarters Since 2009 and 2010
- Continued Protection of Capital in Down Markets
- Outperformance During a Very Strong "Up Market" Since September 2011
- Large Cap Growth Sector Lead the Market Over the Past Year
- Provided Positive Risk-Adjusted Returns Over the Past Five Years

SAWGRASS Asset Management, L.L.C.
© 2009 Sawgrass Asset Management, L.L.C.

Sawgrass Large Cap Growth – 2Q12 Portfolio Review/Outlook

Market Review – Pause that Refreshes?

After two very strong quarters (+23% S&P 500), the market paused to consolidate these gains as the S&P 500 fell -2.8%. During the quarter, larger cap stocks outperformed smaller stocks while value stocks bested growth stocks. From a sector perspective, the more defensive areas of Staples, Healthcare, and Utilities led the way while Energy, Financials, and Technology were the weakest. It is notable that the market traded down 10% off the April 2nd highs but closed well off those lows down less than 3%. It was clearly a "risk off" quarter as higher beta stocks significantly underperformed. As we look at the first half of 2012, there was not dominant theme as the market digests changes in Europe and the upcoming presidential election.

Portfolio Review:

As we would hope, our portfolio faired relatively well in this down quarter declining less than the Russell 1000 Growth. Strong performance from stable growers like Verizon, Walmart, and Coca-Cola combined with a lower beta profile to help relative performance for the quarter. There was clearly a resumption of the trends seen in the last six months of 2011 that favored a consistent growth flavor. Though we did have some weak performers in Celgene and Caterpillar, the portfolio held up well in this grinding market. Looking back over the last year, it is noteworthy that our "stability" profile (lower earnings variability, lower price volatility, and lower beta) has helped the portfolio outperform in what has been a very volatile period.

Outlook & Positioning:

As we prepare for the spectacle that is our presidential election, we should be ready for anything. Generally, election years have been favorable, perhaps as all parties anticipate a favorable outcome. As the results become more certain, we might expect a reaction by the market. While the outcome of the election may not be clear, it is apparent that growth rates have slowed. With interest rates at historical lows, the bond market appears to be pricing in continued economic weakness. Stocks have managed to overlook this short-term concern by posting a year-to-date gain of almost 10%. It would seem unlikely that yields continue to fall and stock prices rises, so this divergence bears watching. While we may see "risk on" bursts in this volatile environment, we would not be surprised to see the market continue to grind. We look for the market to end the year modestly higher with the presidential question resolved.

Sawgrass Composite Portfolio versus Russell 1000 Growth (as of 2nd Qtr 2012):

What Helped:
Lower Beta
Consumer Discretionary Selection

What Hurt:
Larger Market Cap
Healthcare Selection

SAWGRASS Asset Management, L.L.C.
© 2009 Sawgrass Asset Management, L.L.C.

Sawgrass Large Cap Growth vs. Russell 1000 Growth

Consistent Results Across Various Markets

Negative Markets			Positive Markets of 0-15%			Positive Markets > 15% returns		
	Sawgrass	R1000G		Sawgrass	R1000G		Sawgrass	R1000G
(2000)	-12.10%	-22.42%	(2004)	7.11%	6.30%	(1998)*	12.37%	20.45%
(2001)	0.65%	-20.42%	(2005)	8.16%	5.26%	(1999)	15.80%	33.16%
(2002)	-19.74%	-27.88%	(2006)	10.42%	9.07%	(2003)	27.47%	29.75%
(2008)	-36.83%	-38.44%	(2007)	13.20%	11.81%	(2009)	28.54%	37.21%
			(2011)	9.29%	2.64%	(2010)	10.85%	16.71%
Years Sawgrass outperformed		4/4		5/5			0/5	
Cumulative Returns	-55.1%	-72.6%		58.3%	40.1%		136.3%	233.3%
Annualized Returns	-18.16%	-27.6%		9.6%	7.0%		18.8%	27.2%
UP/Down Capture		66%			138%			71%

	Sawgrass	R1000G
Cumulative Return	67.78	27.94
Annualized Return	3.83	1.81
Standard Deviation	14.7%	19.2%

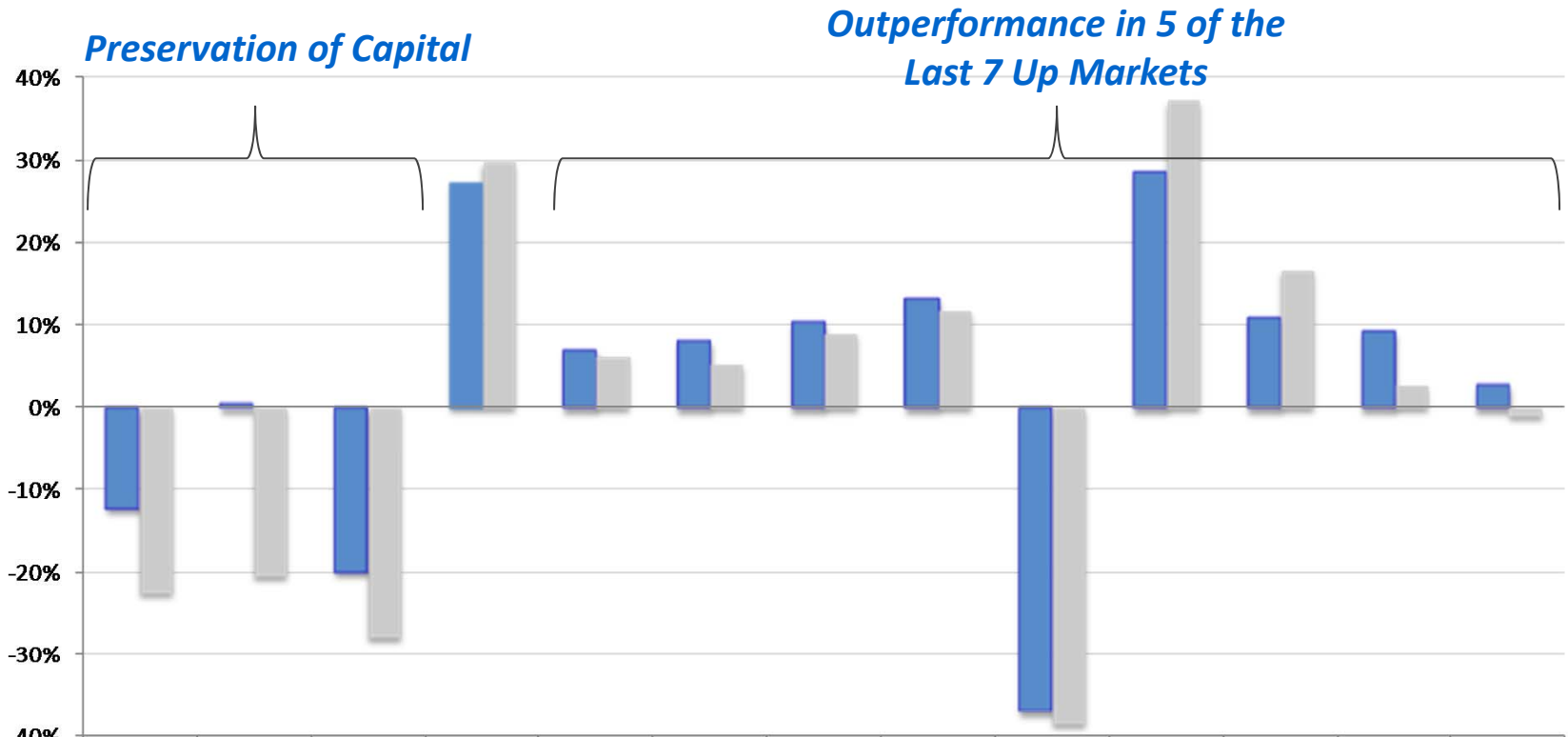
**The inception of the Sawgrass Large Cap Growth product was March 31, 1998, therefore these two returns are not representative of a full calendar year.*

SAWGRASS Asset Management, L.L.C.
© 2009 Sawgrass Asset Management, L.L.C.

Annual Performance

Total Annual & Annualized Returns as of 6/30/12

Sawgrass Large Cap Growth Equity versus Russell 1000 Growth Index



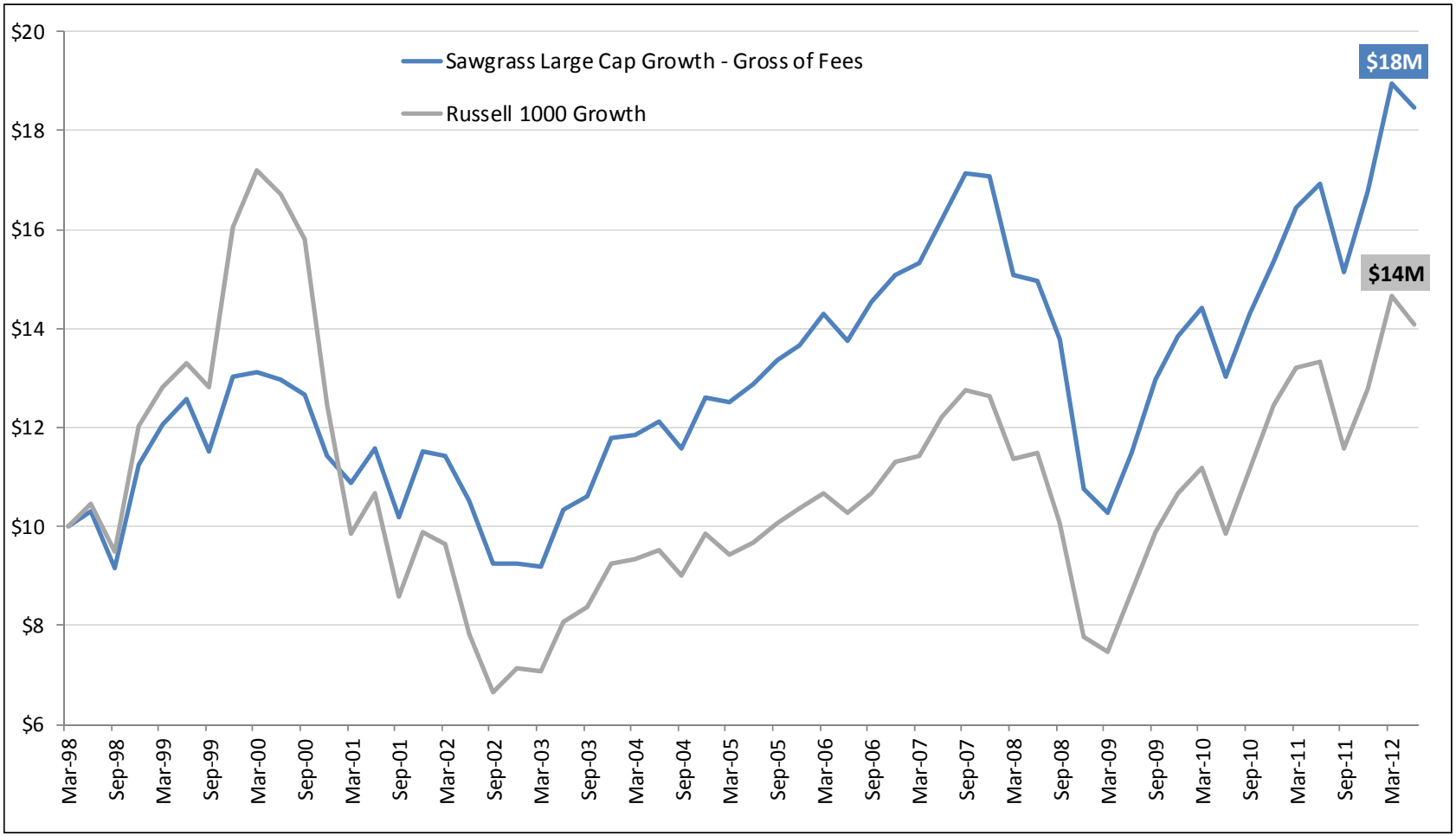
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	13.5 yrs ended 6/30/12
Sawgrass	-12.1%	0.7%	-19.7%	27.5%	7.1%	8.2%	10.4%	13.2%	-36.8%	28.5%	10.9%	9.3%	2.8%
Index	-22.4%	-20.4%	-27.9%	29.8%	6.3%	5.3%	9.1%	11.8%	-38.4%	37.2%	16.7%	2.6%	-1.0%
Value Added	10.3%	21.1%	8.2%	---	0.8%	2.9%	1.3%	1.4%	1.6%	---	---	6.7%	3.8%

Sawgrass has outperformed our benchmark in 9 out of the last 12 annual periods.

© 2009 Sawgrass Asset Management, L.L.C.

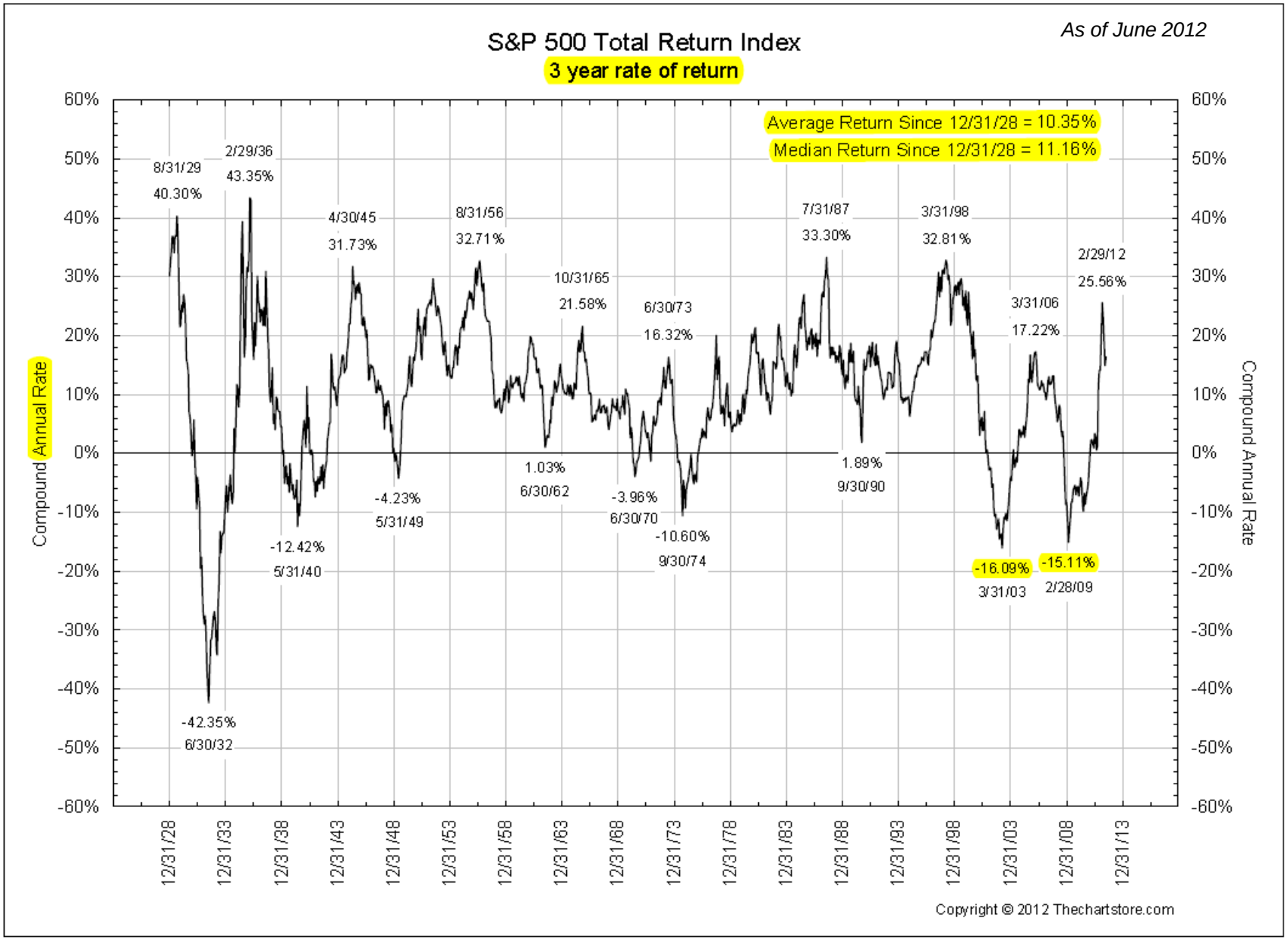
Sawgrass Growth of $10 Million

This chart shows that with an initial placement of $10 million, Sawgrass' Large Cap Growth product would have provided you with an additional $4 million (gross of fees) over the index over the last 14 year period.



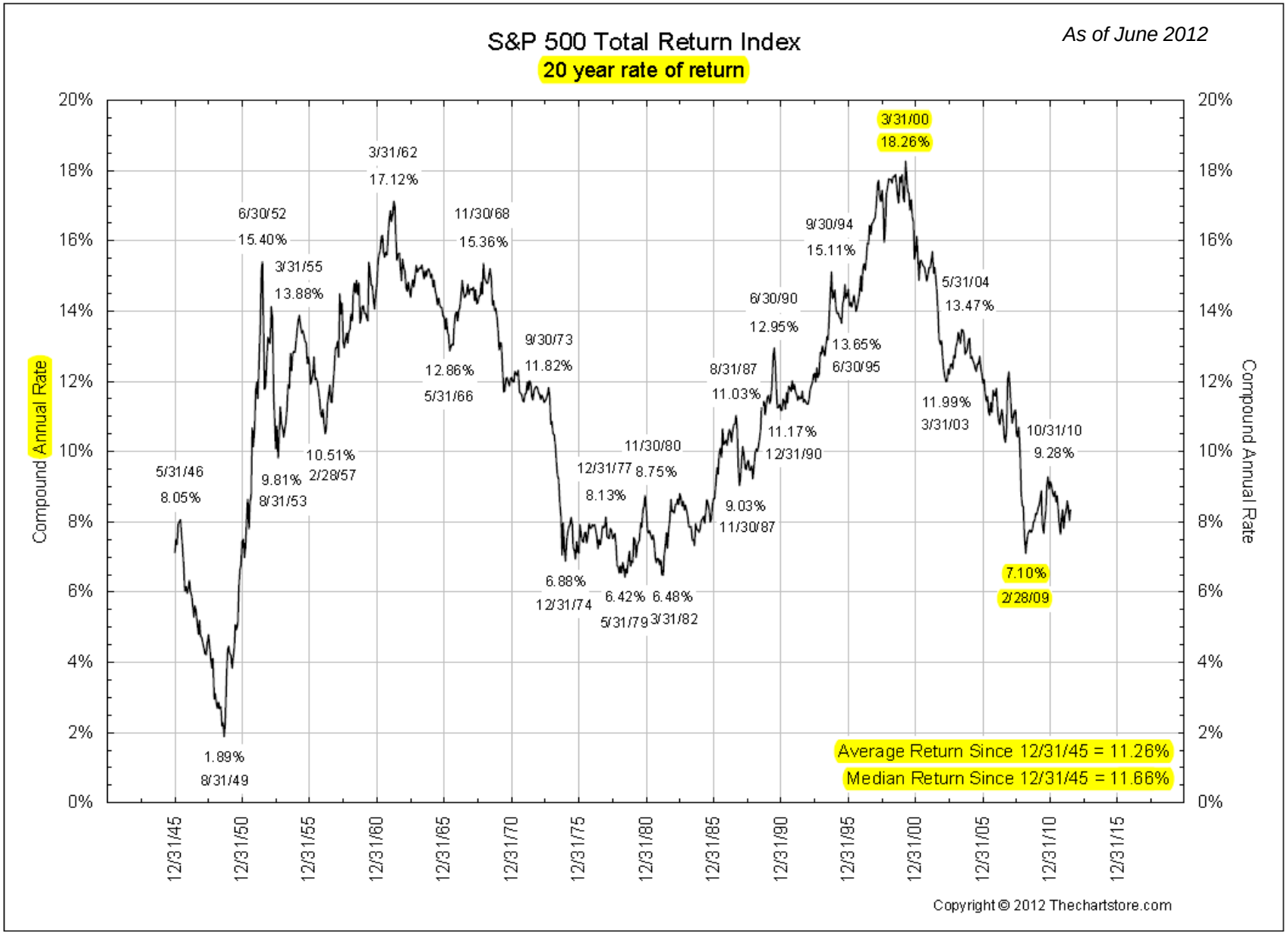
© 2009 Sawgrass Asset Management, L.L.C.

Short Term S&P 500 Results Provide Mixed Messages



© 2009 Sawgrass Asset Management, L.L.C.

Long Term S&P 500 Results Illustrate the Strength of the Market



© 2009 Sawgrass Asset Management, L.L.C.

Portfolio Market Values

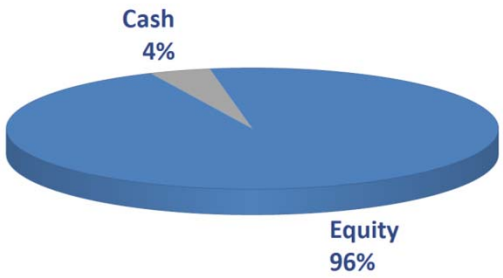
Change in Portfolio Value

Beginning Market Value on 03/31/12	**0**
Cash Additions	2,566,667
Cash Withdrawals	-7,100
Investment Gain/Loss	-54,417
Ending Market Value on 06/30/12	**2,505,151**

Portfolio Summary

Asset Class		Market Value	Percent of Assets
Cash	$	88,532	3.5%
Equity	$	2,416,619	96.5%
TOTAL	**$**	**2,505,151**	**100.0%**

Asset Allocation



Portfolio Performance

	June 2012*	4/23/12 Inception*
TOTAL PORTFOLIO	**2.9%**	**-2.1%**
Russell 1000 Growth	2.7%	-1.6%

** Returns are unannualized*
Returns are gross of investment management fees

Contribution to Return - Quarter

Top 10 Performers	Ending Percent Of Total	Price Change %**	Contribution To Return
VERIZON COMMUNICATIONS COM	2.7	16.2	0.41
WAL MART STORES INC COM	2.5	13.9	0.30
COCA COLA CO COM	4.6	5.6	0.27
ECOLAB INC COM	2.7	11.0	0.27
TJX COS INC NEW COM	2.6	8.1	0.24
ABBOTT LABS COM	3.9	5.2	0.21
ROSS STORES INC COM	1.9	7.5	0.21
MCKESSON CORP	2.2	6.8	0.15
HOME DEPOT INC COM	2.2	5.3	0.13
KIMBERLY CLARK CORP COM	2.3	13.4	0.12

Bottom 10 Performers	Ending Percent Of Total	Price Change %**	Contribution To Return
YUM! BRANDS INC	1.5	-9.5	-0.24
INTERNATIONAL BUS MACH COM	4.7	-6.3	-0.30
EMC CORP/MASS	1.9	-14.2	-0.31
OCCIDENTAL PETROLEUM CORP	0.0	-9.9	-0.33
CISCO SYS INC COM	0.0	-18.8	-0.33
QUALCOMM INC COM	1.8	-18.2	-0.39
MCDONALDS CORP COM	2.4	-9.8	-0.40
GOOGLE INC CL A	3.6	-9.5	-0.40
CATERPILLAR INC DEL COM	1.5	-20.3	-0.48
CELGENE CORP COM	2.7	-17.2	-0.75

**Large Cap Growth Composite Data*
***Denotes price change over the entire time period, not the actual holding period for the account.*

Portfolio Characteristics

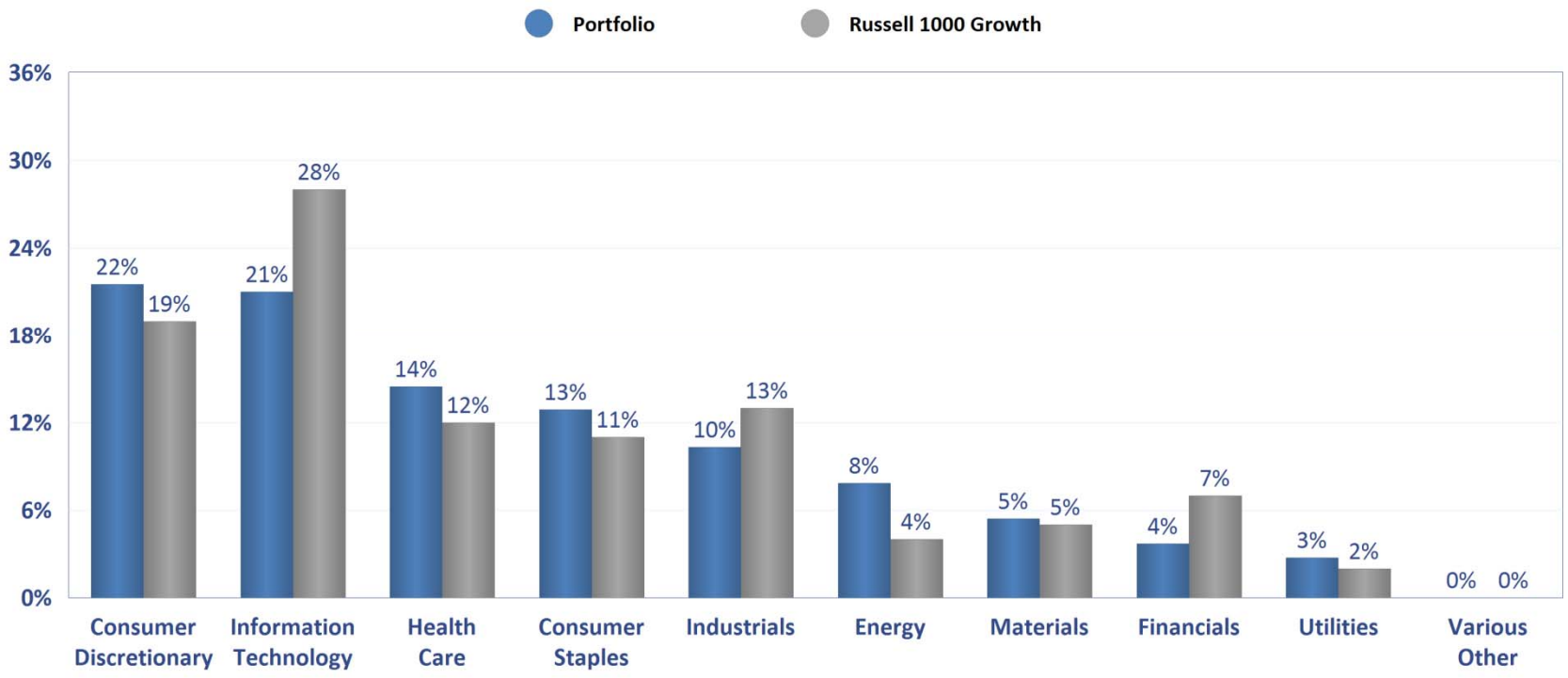
	Portfolio*	Russell 1000 Growth
1 Year EPS Forecast - I/B/E/S Medians	13.7	14.5
Portfolio P/E	16.6	18.2
Price/Cash Flow	11.2	12.6
Portfolio Price/Sales	1.6	1.9
Portfolio Price/Book	3.9	4.3
Market Cap. - $-Wtd Avg - $ billion	125.2	108.2
Number of Holdings	44.0	572.0

Top 10 Holdings

Ten Largest Holdings	Percent of Equity
International Bus Mach Com	4.86%
Coca Cola Co Com	4.85%
Apple Computer Inc Com	4.83%
Exxon Mobil Corporation	4.60%
Microsoft Corp Com	4.43%
Wal Mart Stores Inc Com	4.04%
Abbott Labs Com	4.00%
Cvs/Caremark Corp	2.90%
Kroger Co	2.88%
Verizon Communications Com	2.76%
TOTAL	**40.15%**

**Large Cap Growth Composite Data*

Sector Breakdown



Portfolio Attribution - Quarter

Attribution Analysis of Large Cap Equity Composite Vs Russell 1000 Growth - Quarter

	Large Cap Equity Composite			Russell 1000 Growth			Variation			Attribution Analysis		
	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Information Technology	22.46	-8.21	-1.98	27.08	-7.34	-2.02	-4.62	-0.87	0.04	0.11	-0.22	-0.11
Consumer Discretionary	21.27	1.36	0.26	17.26	-3.31	-0.59	4.01	4.67	0.85	0.10	1.00	1.10
Health Care	10.98	-4.37	-0.40	10.32	1.97	0.23	0.66	-6.34	-0.63	0.05	-0.72	-0.67
Energy	9.82	-4.27	-0.54	9.32	-6.73	-0.93	0.49	2.46	0.39	0.09	0.28	0.37
Industrials	9.81	-8.16	-0.84	13.06	-6.20	-0.82	-3.25	-1.96	-0.02	0.08	-0.22	-0.14
Consumer Staples	9.56	3.27	0.41	10.41	3.24	0.36	-0.85	0.02	0.05	-0.08	0.01	-0.07
Materials	5.08	3.32	0.18	5.80	-4.46	-0.30	-0.73	7.78	0.48	0.02	0.39	0.41
Cash	4.43	0.02	0.00	0.00	0.00	0.00	4.43	0.02	0.00	0.24	0.00	0.24
Financials	4.27	1.69	0.07	6.03	-0.75	-0.02	-1.75	2.44	0.08	-0.06	0.10	0.04
Utilities	2.32	17.79	0.39	0.73	3.48	0.04	1.60	14.30	0.35	0.14	0.29	0.42
Total	**100.00**	**-2.46**	**-2.46**	**100.00**	**-4.05**	**-4.05**	**0.00**	**1.59**	**1.59**	**0.68**	**0.91**	**1.59**

**Large Cap Growth Composite Data*

Portfolio Holdings	% Weight
Consumer Discretionary	
Costco Companies Inc C	0.8
Directv Com	2.3
Home Depot Inc Com	2.1
Mcdonalds Corp Com	2.1
Ross Stores Inc Com	1.7
Starbucks Corp Com	2.6
Viacom Inc Cl B	1.1
Wal Mart Stores Inc Co	3.9
Yum! Brands Inc	1.5
Tjx Cos Inc New Com	2.6
Consumer Staples	
Coca Cola Co Com	4.7
Cvs/Caremark Corp	2.8
Kimberly Clark Corp Co	2.2
Kroger Co	2.8
Energy	
Chevron Corp New Com	2.1
Exxon Mobil Corporatio	4.4
Schlumberger Ltd Forei	1.0
Financials	
American Express Co	1.9
Mastercard Inc Cl A	1.7
Health Care	
Abbott Labs Com	3.9
Allergan Inc Com	1.5

Portfolio Holdings	% Weight
Celgene Corp Com	2.6
Mckesson Corp	2.2
Express Scripts Holdin	1.8
Resmed Inc Com	1.0
Thermo Fisher Scientif	1.0
Industrials	
Boeing Co	1.2
Caterpillar Inc Del Co	1.4
Danaher Corp Com	1.7
Csx Corp Com	1.3
Dover Corp	0.9
Stericycle Inc Com	1.5
United Technologies Cp	2.1
Information Technology	
Apple Computer Inc Com	4.7
Emc Corp/Mass	1.8
Microsoft Corp Com	4.3
Motorola Solutions Inc	1.0
Google Inc Cl A	2.3
International Bus Mach	4.7
Qualcomm Inc Com	1.6
Materials	
Praxair Inc Com	1.7
Ecolab Inc Com	2.6
Sigma Aldrich Corp Com	0.9
Utilities	

Portfolio Holdings	% Weight
Verizon Communications	2.7
# of Securities	44

2Q12 Changes to the Large Cap Growth Portfolio

Buys	*Sells*		
Kimberly-Clark	Occidental Petroleum	-	Slowing growth
ResMed	Intel	-	Valuation
Express Scripts	Cisco Systems	-	Missed EPS
Allergan			
Stericycle			
Motorola Solutions			

SAWGRASS Asset Management, L.L.C.
© 2009 Sawgrass Asset Management, L.L.C.

Protecting Florida's Investments Act Compliance

July 2011

Re: Protecting Florida's Investments Act

This notification is intended to inform you of Sawgrass Asset Management's understanding of and compliance with the Protecting Florida's Investments Act (PFIA). As you may know, the Florida State Board of Administration has issued a guidance regarding some prohibited investments for municipal plans in Florida.

We have reviewed the information from the March 20, 2012 Board of Administration quarterly report and can verify that we hold no securities in your portfolio(s) that are identified on the list of scrutinized companies and any of the other companies on watch regarding the PFIA.

We will continue to monitor this list and notify you should we have any questions regarding our ability to comply. Given the nature of this list, we believe it is unlikely that we would have any problems.

Please contact us if you have any questions regarding the PFIA or your investment with Sawgrass Asset Management.

Best Regards,

Sawgrass Asset Management Team

SAWGRASS Asset Management, L.L.C.

Financial Review & Outlook

June 30, 2012 Volume 15; Issue 2

Stock Market: Quarter in Review

- Equities stumbled in the second quarter as weaker economic news and the ongoing European debt crisis combined to put the markets back on the defensive and volatility on the rise from the five year lows set in the first quarter.
- The large cap indices endured a roughly 10% setback during a 3-4 week period in May before finding support to rally into the end of the quarter and offset the majority of the decline.
- Despite the moderate losses for the quarter, investor focus on higher quality, stable growth, lower beta stocks was reminiscent of last year's defensive environment and stood in contrast to those issues generally rewarded in the first quarter's surge.
- Correlations increased from the levels set early in the year but still remain below the peaks set during last year's swoon and above the long-term average.
- Large cap and value issues outperformed their small cap and growth counterparts. Top sector performers for the quarter were utilities, healthcare, and consumer staples while the downside leaders were information technology, energy, and materials.

Stock Market: The Quarter Ahead

- The equity markets enter the third quarter with a solid year to date gain even as the ride has become a little bumpier since the major indices failed to hold their breakout above last summer's highs.
- The recent decline in investor sentiment has created an environment for the bull market to be reenergized with better than expected news from Europe and the U.S. economy. Removal of the political uncertainty surrounding the election and a solution to the fiscal cliff could also act as positive catalysts.
- However, weakening earnings trends, slower economic growth, and higher valuation given the market's 20-25% rise from last fall's lows have created a tougher backdrop for an expansion of P/E multiples despite the historically low interest rate environment.
- Additionally, the continued escalation of the European debt crisis, despite numerous attempts to quell the fear, could keep equities on edge until investors are satisfied that a longer term solution has been reached.
- Moreover, the ongoing disconnect between the outlook implied by the performance of the stock and bond markets could lead to a significant readjustment to correct the disparity.
- Finally, the recent announcement by the Federal Reserve of a smaller monetary stimulus effort than those over the last few years could lead to heightened investor sensitivity to economic news and increased volatility given the more intense focus on the economy in the upcoming election season.

2nd Quarter Scorecard *Table 1*

Index	Quarter	1 Year
S&P 500	-2.8%	5.4%
Russell 1000	-3.1%	4.4%
Russell 2000	-3.5%	-2.1%
Russell 3000	-3.2%	3.8%
Russell 3000 Growth	-4.0%	5.1%
Russell 3000 Value	-2.3%	2.6%
Barclays Capital US Aggregate	2.1%	7.5%
3 Month T-Bills	0.03%	0.05%

Source: Bloomberg & Russell Investments

- In summary, further significant equity gains will likely be more challenging over the balance of the year given the numerous global political and economic uncertainties in combination with less favorable valuation.

The Economy: Downshifting

The U.S. economic recovery officially begins its fourth year in an environment of weakening indicators and more than usual political uncertainty. Job growth, while still positive, has weakened considerably, retail sales has slowed, manufacturing growth appears to have weakened and consumer sentiment fell in June for the first time in 10 months (see Graphs 1 & 4).

(Continued on back)

Interest Rate Summary ***Table 2***

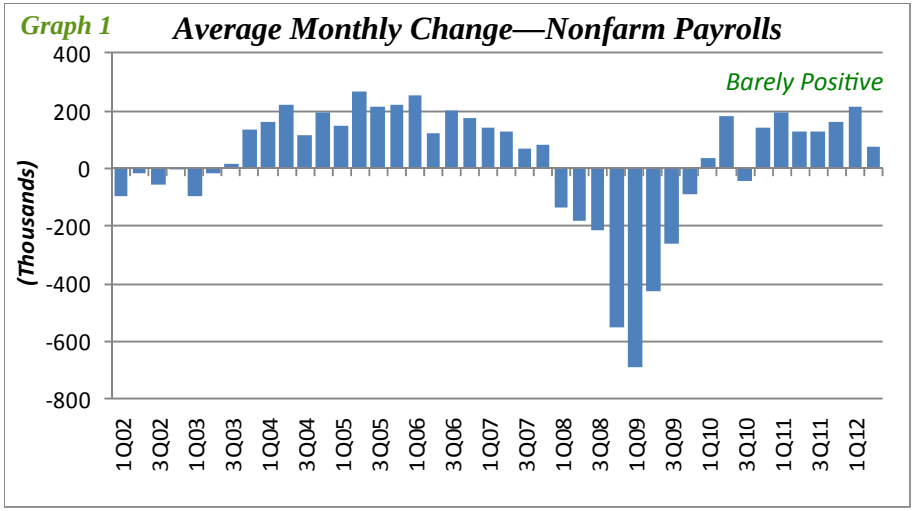
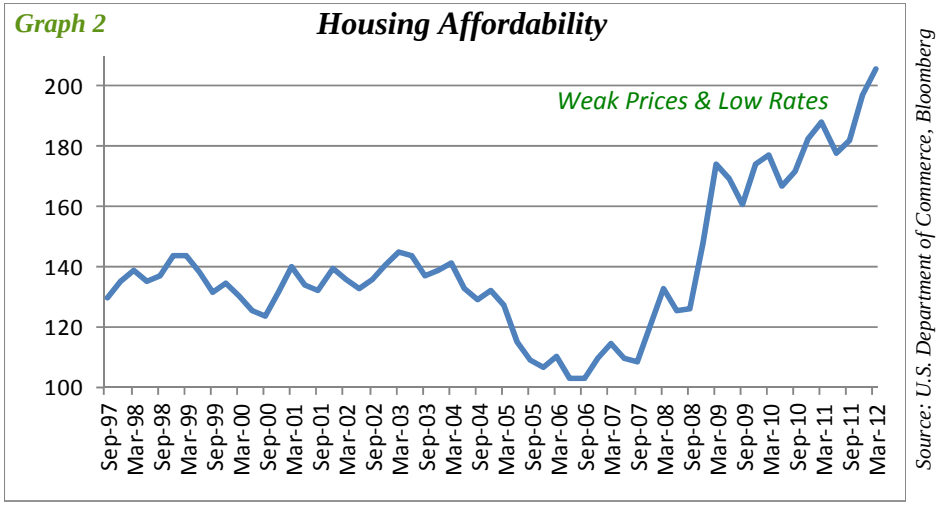
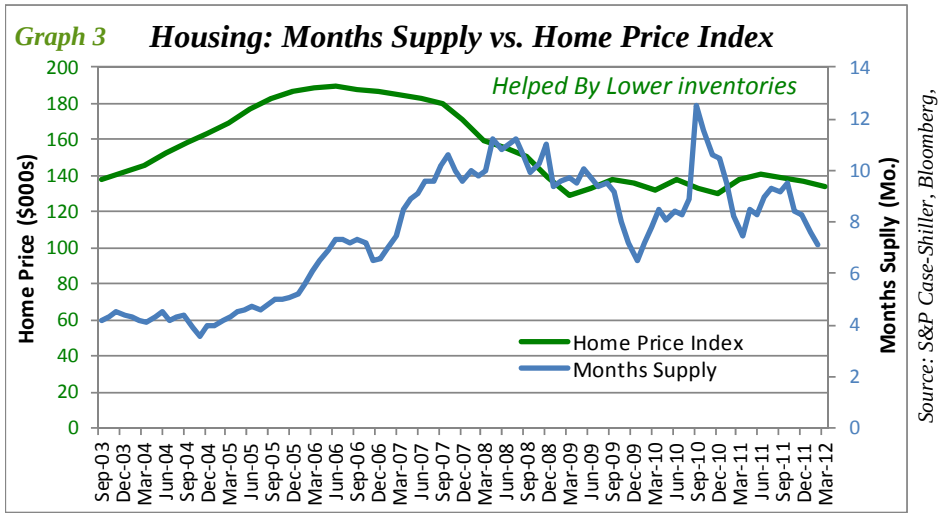
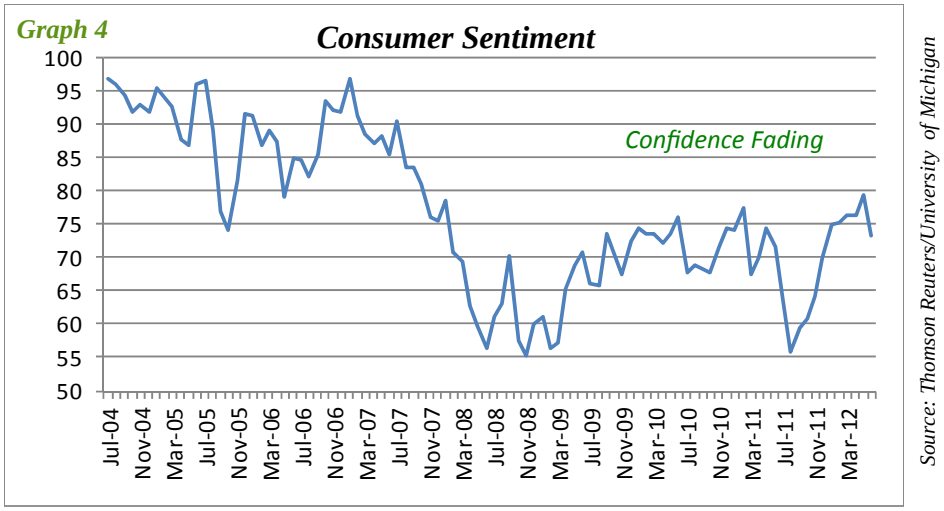
	6/30/11	3/31/12	6/30/12	Qtr Change	12-Month Change
3 Month T-Bills	0.0	0.1	0.1	—	+0.1
5 Year Treasury	1.8	1.1	0.7	-0.4	-1.1
10 Year Treasury	3.3	2.3	1.7	-0.6	-1.6
30 Year Treasury	4.4	3.3	2.8	-0.5	-1.6
5 Year Corporate ('A')	2.9	2.4	2.0	-0.4	-0.9
10 Year Corporate ('A')	4.6	3.9	3.2	-0.7	-1.4
30 Year Fixed Rate Mortg.	4.5	4.0	3.7	-0.3	-0.8

Source: Bloomberg

Ironically, the housing market, which has been the primary drag on economic growth during the past four years, appears to have stabilized and sales activity in many markets has begun to improve. Prospects for further improvement are supported partly by shrinking inventories but more significantly by housing affordability, which incorporates both home prices and mortgage rates. In fact, by the latest reading, housing affordability is at its highest level since 1986, when this data series first began (see Graph 2).

Euro contagion, slowing growth in China and the pending "fiscal cliff" all represent risks to a recovery that is already noteworthy for its anemic pace. Despite these risks, our baseline expectation is that the economic recovery will continue at a painfully slow pace in the months ahead.

The Fed & Interest Rates: Whatever It Takes

The combination of European weakness and softer domestic economic data resulted in lower interest rates in the quarter just ended. Yields on U. S. Treasury securities fell by approximately 50 basis points with 10-year Treasury Bonds, at one point, falling to below 1 ½ percent (see Table 62). Corporate yield spreads were mostly unchanged during the quarter with some deterioration in spreads of selected financial issuers. Notably, the widely expected financial institution credit rating downgrades announced late in the quarter resulted in little disruption and was actually followed by some improvement in credit spreads of the issuers involved.

The Federal Reserve is on record with their intent to keep short term rates at, or near, zero through 2014. Moreover, they have taken additional action aimed at keeping longer term rates low by shifting the bond purchases toward longer term maturities. It is most likely the latter action that has helped push mortgage rates to record lows. In addition, by extending this program, the message to the markets is that the Fed intends to exert flexibility to respond to changing economic conditions and would ease even more aggressively if conditions deteriorate further. We remain skeptical that economic conditions would be helped by still lower rates. It is not likely that economic activity is being held back due to interest rates. Based on our expectation of gradually improving economic conditions, we believe that stepped up stimulus measures are not likely and our bias toward an eventual, if modest, rise in rates remains.