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

Investment Review

September 30, 2012

Ormond Beach Police Officers' Pension Trust Fund

Presented by:

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

December 12, 2012

Chris Greco, Partner
Institutional Marketing & Client Service

What's New at Sawgrass

Our Business:

- 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;
  David Siegel Fixed Income Team Analyst Hire July 2012;
  Anthony Brooks Equity Team Analyst Hire August 2012.

- Ten New Clients Selected Sawgrass in the Last Six Months

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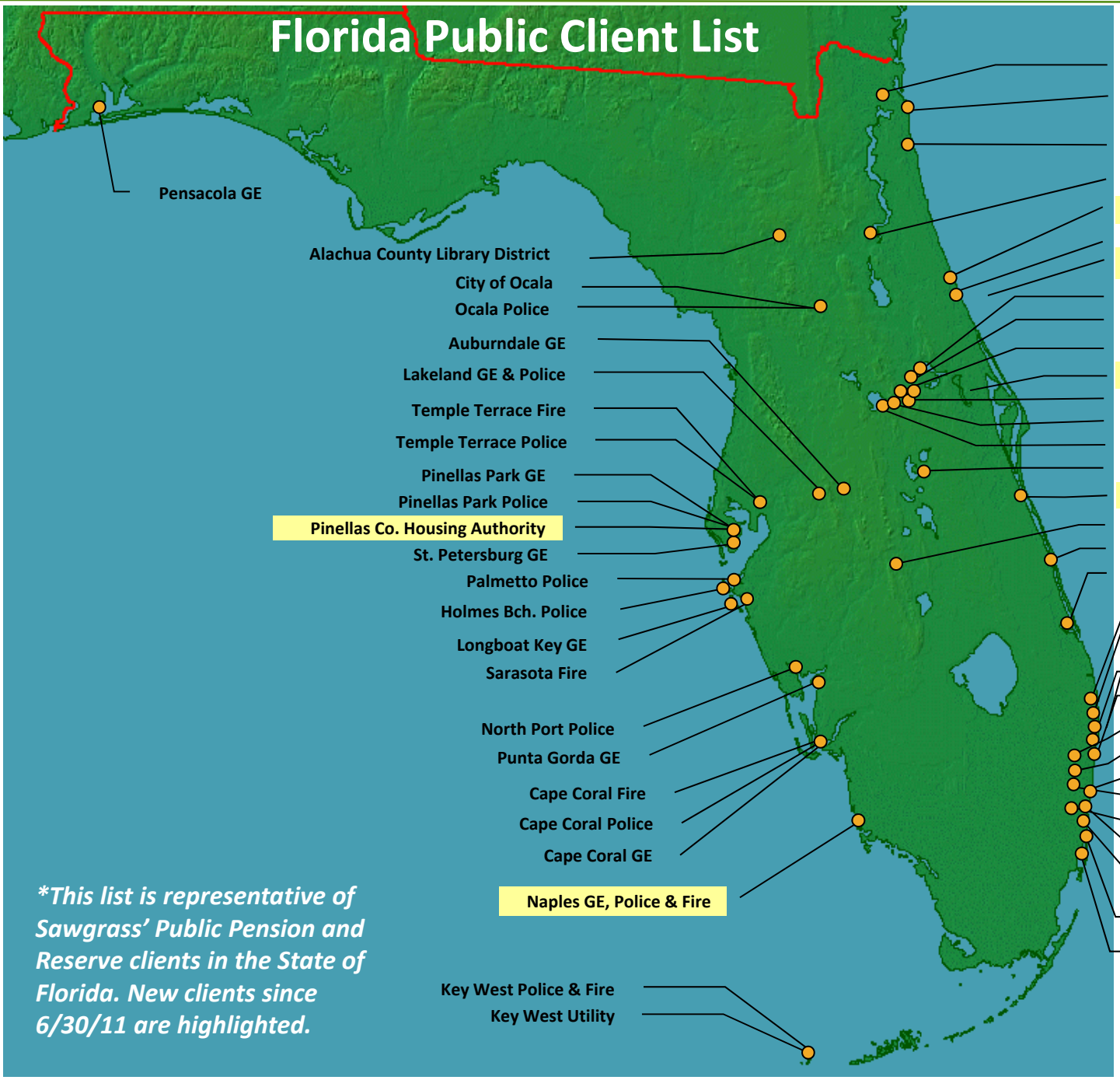
Florida Public Client List



**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*

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Sawgrass Large Cap Growth vs. Russell 1000 Growth

Consistent Results Across Various Markets

Negative Markets			Positive Markets of 0-15%			Strong 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.*

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Portfolio Summary

Security Type	Market Value	% Assets
Equities		

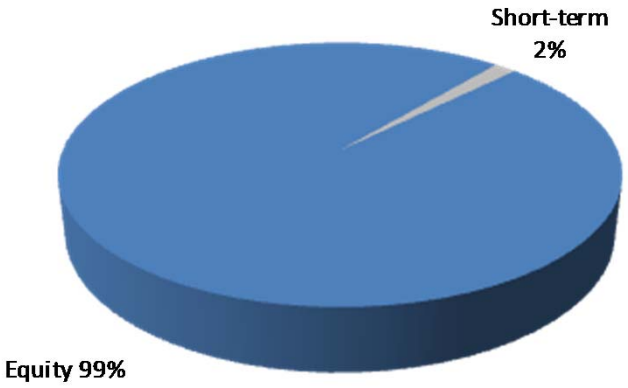
COMMON STOCK	$2,591,047	98.5
	$2,591,047	98.5
Cash and Equiv.		

CASH AND EQUIVS.	$40,223	1.5
	$40,223	1.5
TOTAL PORTFOLIO	$2,631,269	100.0

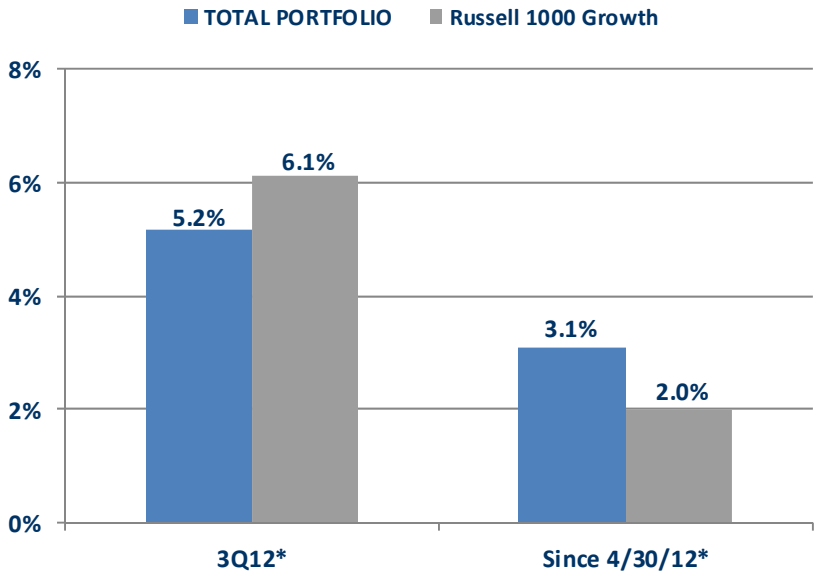
Portfolio Market Values

Portfolio Value on 6-30-12	**$2,505,151**
Contributions	$0
Withdrawals	($2,777)
Investment Gain	$128,896
Portfolio Value on 9-30-12	**$2,631,269**

Asset Allocation



Portfolio Performance



	3Q12*	Since 4/30/12*
TOTAL PORTFOLIO	**5.2%**	**3.1%**
Russell 1000 Growth	6.1%	2.0%
S&P 500	6.4%	4.1%

**Unannualized Returns*

Returns are gross of investment management fees

Contribution to Return – Quarter

Top 10 Performers	Ending Percent of Total	Price Change (%)**	Contribution To Return
Google Inc.	4.4	30.1	1.09
Apple Inc.	5.3	14.2	0.73
Celgene Corp.	3.0	19.1	0.53
Home Depot Inc.	2.4	13.9	0.32
ResMed Inc.	1.4	29.7	0.31
International Business Machines Corp.	4.7	6.1	0.30
Abbott Laboratories	3.9	6.3	0.29
Express Scripts Holding Co	2.5	12.2	0.28
Viacom Inc. Cl B	2.0	14.0	0.27
Chevron Corp.	2.3	10.5	0.26

Bottom 10 Performers	Ending Percent of Total	Price Change (%)**	Contribution To Return
Sigma-Aldrich Corp.	0.9	-2.6	-0.03
American Express Co.	1.9	-2.3	-0.04
CSX Corp.	1.1	-7.2	-0.08
Boeing Co.	1.2	-6.3	-0.08
Praxair Inc.	1.7	-4.5	-0.08
Coca-Cola Co.	4.2	-3.0	-0.10
Microsoft Corp.	4.4	-2.7	-0.11
Starbucks Corp.	--	-4.9	-0.14
Ecolab Inc.	2.4	-5.4	-0.15
McKesson Corp.	1.9	-8.2	-0.18

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

Portfolio Characteristics

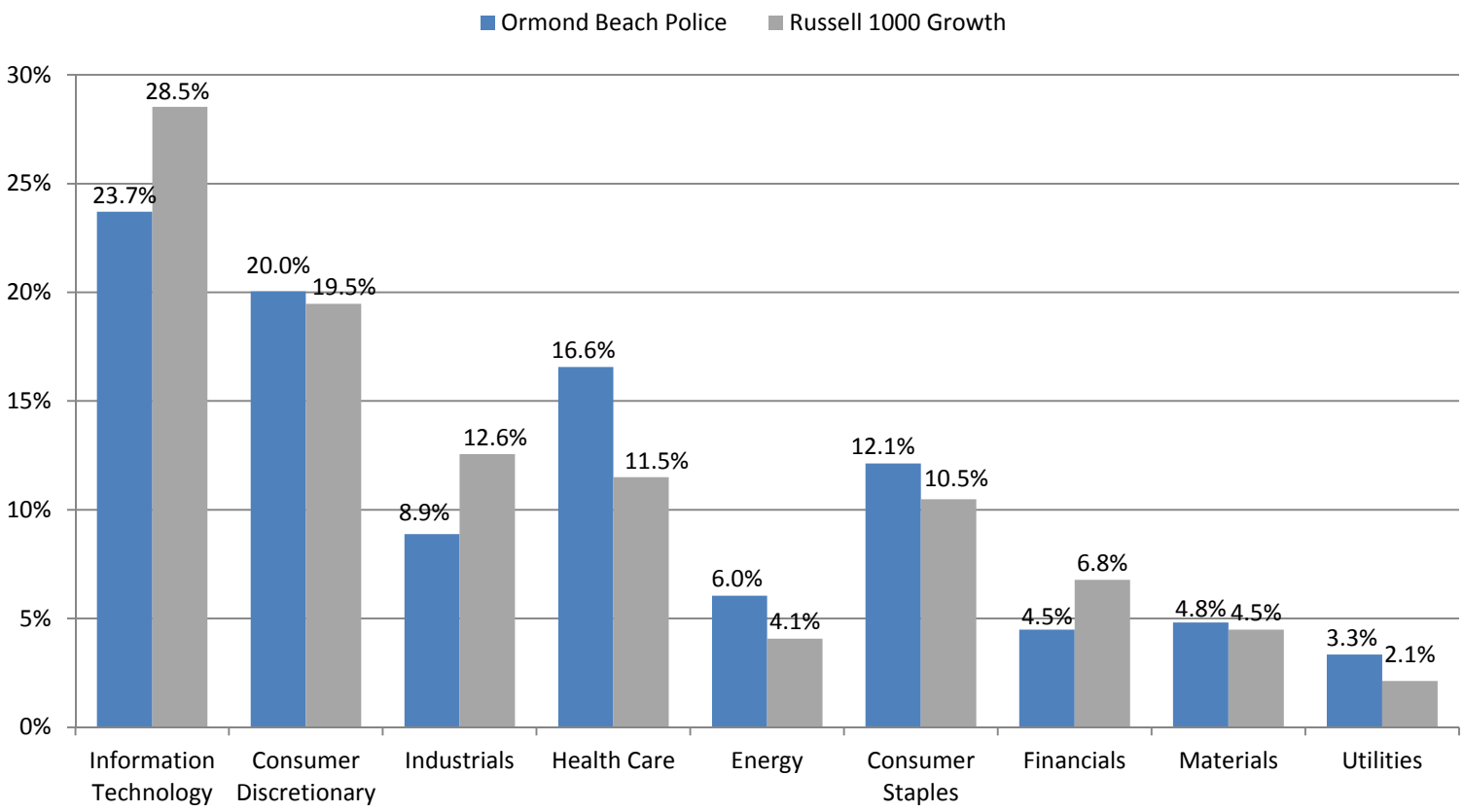
	Portfolio*	Russell 1000 Growth
1 Year EPS Forecast - Growth (%)	15.8	15.5
Portfolio P/E	17.9	18.3
Price/Cash Flow	13.1	14.6
Portfolio Price/Sales	2.9	3.6
Portfolio Price/Book	4.7	5.0
Market Cap - $ Wtd Avg - $ Billion	133.4	121.9
Number of Holdings	45	567

Top 10 Holdings

	% Weight
Apple Inc.	5.1
International Business Machines Corp.	4.8
Google Inc.	4.4
Microsoft Corp.	4.4
Coca-Cola Co.	4.2
Wal-Mart Stores Inc.	4.0
Abbott Laboratories	3.8
Verizon Communications Inc.	3.3
CVS Caremark Corp.	3.1
Celgene Corp.	2.9
	40.1

**Large Cap Growth Composite Data*

Sector Breakdown



Portfolio Attribution – Quarter

	Large Cap Growth			Russell 1000 Growth			Variation			Attribution Analysis		
Sawgrass Russell Sector	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	22.20	10.83	2.31	28.26	8.21	2.27	-6.06	2.62	0.04	-0.13	0.54	0.41
Consumer Discretionary	19.55	6.71	1.33	19.26	7.54	1.44	0.29	-0.83	-0.11	0.00	-0.16	-0.16
Health Care	14.66	9.07	1.31	11.38	7.28	0.82	3.28	1.79	0.48	0.04	0.25	0.29
Consumer Staples	11.99	1.22	0.15	10.82	0.60	0.08	1.17	0.62	0.07	-0.05	0.06	0.01
Industrials	9.56	0.22	0.06	12.82	2.64	0.34	-3.26	-2.42	-0.28	0.12	-0.21	-0.09
Energy	5.61	9.53	0.47	4.01	14.84	0.58	1.60	-5.31	-0.11	0.17	-0.36	-0.19
Materials	5.09	-4.24	-0.24	4.49	4.50	0.20	0.60	-8.74	-0.44	-0.01	-0.46	-0.47
[Cash]	4.49	0.02	0.00	--	--	--	4.49	0.02	0.00	-0.29	--	-0.29
Financials	4.19	1.75	0.07	6.85	3.78	0.27	-2.66	-2.03	-0.20	0.06	-0.09	-0.03
Utilities	2.67	3.70	0.11	2.12	4.51	0.10	0.55	-0.81	0.02	0.01	-0.02	-0.01
Total	**100.00**	**5.57**	**5.57**	**100.00**	**6.10**	**6.10**	**--**	**-0.52**	**-0.52**	**-0.09**	**-0.44**	**-0.52**

**Large Cap Growth Composite Data*

Portfolio Holdings

Portfolio Holdings	% Weight
Consumer Discretionary	
Wal-Mart Stores Inc.	4.0
Comcast Corp.	2.6
DIRECTV	2.4
Home Depot Inc.	2.3
TJX Cos.	2.0
Viacom Inc.	2.0
McDonald's Corp.	1.4
Yum! Brands Inc.	1.4
Ross Stores Inc.	1.1
Costco Wholesale Corp.	0.8
Consumer Staples	
Coca-Cola Co.	4.2
CVS Caremark Corp.	3.1
Kroger Co.	2.7
Kimberly-Clark Corp.	2.2
Energy	
Chevron Corp.	2.2
Exxon Mobil Corp.	2.1
Schlumberger Ltd.	1.7

Portfolio Holdings	% Weight
Financials	
MasterCard Inc.	2.6
American Express Co.	1.9
Health Care	
Abbott Laboratories	3.8
Celgene Corp.	2.9
Express Scripts Holding Co	2.5
McKesson Corp.	2.0
Allergan Inc.	1.4
ResMed Inc.	1.4
Amgen Inc.	1.3
Thermo Fisher Scientific Inc.	1.1
Industrials	
United Technologies Corp.	2.7
Stericycle Inc.	1.4
Caterpillar Inc.	1.3
Boeing Co.	1.2
CSX Corp.	1.2
Danaher Corp.	1.1

Portfolio Holdings	% Weight
Information Technology	
Apple Inc.	5.1
International Business Machines Corp.	4.8
Google Inc.	4.4
Microsoft Corp.	4.4
EMC Corp.	1.8
QUALCOMM Inc.	1.8
Motorola Solutions Inc.	1.4
Materials	
Ecolab Inc.	2.4
Praxair Inc.	1.6
Sigma-Aldrich Corp.	0.8
Utilities	
Verizon Communications Inc.	3.3
# of Securities	**44**

Large Cap Growth - Portfolio Changes

Sawgrass Russell Sector	6/29/2012 Portfolio Weight	9/28/2012 Portfolio Weight	
Consumer Discretionary	**19.63**	**19.60**	
TJX Cos.	2.58	2.07	(0.50)
Wal-Mart Stores Inc.	2.48	3.35	0.87
DIRECTV	2.42	2.44	
McDonald's Corp.	2.37	1.36	(1.01)
Home Depot Inc.	2.23	2.38	
Ross Stores Inc.	1.91	1.01	(0.89)
Viacom Inc. Cl B	1.89	2.01	
Yum! Brands Inc.	1.50	1.45	
Starbucks Corp.	1.36	--	(1.36)
Costco Wholesale Corp.	0.89	0.87	
Comcast Corp. Cl A	--	2.65	2.65
Consumer Staples	**12.27**	**12.24**	
Coca-Cola Co.	4.61	4.19	(0.42)
Kroger Co.	2.86	2.72	
CVS Caremark Corp.	2.49	3.12	0.63
Kimberly-Clark Corp.	2.30	2.21	
Energy	**8.01**	**5.99**	
Exxon Mobil Corp.	4.67	2.09	(2.58)
Chevron Corp.	2.23	2.31	
Schlumberger Ltd.	1.10	1.59	0.49
Financials	**4.45**	**4.23**	
MasterCard Inc. Cl A	2.37	2.33	
American Express Co.	2.08	1.91	
Health Care	**14.38**	**16.83**	
Abbott Laboratories	3.94	3.92	
Celgene Corp.	2.72	3.04	
McKesson Corp.	2.24	1.93	
Express Scripts Holding Co	1.87	2.54	0.66
Allergan Inc.	1.53	1.42	
Thermo Fisher Scientific Inc.	1.09	1.16	
ResMed Inc.	0.97	1.35	0.38
Amgen Inc.	--	1.47	1.47

	6/29/2012 Portfolio Weight	9/28/2012 Portfolio Weight	
Industrials	**10.92**	**8.92**	
United Technologies Corp	2.40	2.62	
Danaher Corp.	1.83	1.03	(0.79)
Stericycle Inc.	1.58	1.46	
Caterpillar Inc.	1.49	1.42	
Boeing Co.	1.42	1.25	
CSX Corp.	1.32	1.15	
Dover Corp.	0.88	--	(0.88)
Information Technology	**22.08**	**23.82**	
Apple Inc.	4.96	5.31	
International Business Ma	4.70	4.67	
Microsoft Corp.	4.16	4.40	
Google Inc. Cl A	3.62	4.41	0.79
EMC Corp.	1.87	1.86	
QUALCOMM Inc.	1.77	1.86	
Motorola Solutions Inc.	1.01	1.31	0.30
Materials	**5.56**	**4.97**	
Ecolab Inc.	2.66	2.36	
Praxair Inc.	1.90	1.70	
Sigma-Aldrich Corp.	0.99	0.90	
Utilities	**2.70**	**3.40**	
Verizon Communications I	2.70	3.40	0.70

New	
Comcast	
Amgen	
Sold	
Dover	Poor EPS growth, visiblity
Starbucks	Valuation, Slowing EPS growth

Sawgrass Large Cap Growth – 3Q12 Portfolio Review/Outlook

Market Review – Priming the Pump

The stock market posted strong broad gains (+6.4% S&P 500) for the third quarter as the Federal Reserve once again began to pump liquidity into the markets. It is noteworthy that the quarter capped off strong one and three year periods for stocks (+30.2% and 13.2% respectively, S&P 500). By a small margin, larger stocks led the way and value stocks were incrementally better than growth. From a sector perspective, Energy, Consumer Discretionary, and Technology were strong while Utilities and Industrials lagged. Overall it was difficult to point to any one theme other than higher beta stocks performing well in this rising market.

Portfolio Review:

Our portfolio slightly lagged the Russell 1000 Growth during this very strong quarter. Though we had strong performance from several stocks such as Google, Apple, and Celgene, we did not have quite enough "risk" in the portfolio to keep up in this more risk oriented market. We were somewhat encouraged that we stayed in the game as the Fed announced its liquidity boosting program. While this quarter did have a riskier tone, past Fed interventions have seen more dramatic divergences.

Outlook & Positioning:

The Fed's recent announcement to provide another round of liquidity to the financial markets is significant. Past actions have closely correlated with notable stock market rallies. The timing of this action is notably different in that the current stock market is near its highs as compared to past interventions which followed significant declines in stock prices. It is also interesting that the Federal Reserve sees a weaker economy in need of help. Given that we are near multi-year highs combined with an economy in need of help, we believe further near term upside may be limited. Investors have been rotating toward stable consistent growth, and our positioning anticipates this will continue. One wild card yet to be played is the upcoming election results. Any significant election surprises could change the tone of this market.

Sawgrass Composite Portfolio versus Russell 1000 Growth (as of 3rd Qtr 2012):

What Helped:

Technology Selection

What Hurt:

Lower Beta
Energy Selection
Materials Selection

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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

September 30, 2012 Volume 15; Issue 3

Stock Market: Quarter in Review

- The equity markets continued their march higher in the third quarter as European debt crisis fears waned and Federal Reserve action buoyed investor sentiment helping push the major indices to impressive year to date and one year gains.
- After a tough second quarter, the large cap indices continued their rebound from the early June lows and steadily scaled the wall of worry to reach new four year highs.
- Volatility and correlations continued their declines from multi-year highs as the markets breathed a collective sigh of relief that the ECB and Fed finally signaled with conviction that they would be more aggressive to promote growth and ensure the smooth functioning of the financial markets.
- Investor focus generally returned to more cyclical, higher beta, and less stable growth characteristics that have generally been in favor since the March 2009 lows.
- Large cap and value issues once again outperformed their small cap and growth counterparts. Top sector performers for the quarter were energy, consumer discretionary, and healthcare while the relative laggards were consumer staples, utilities, and industrials.

Stock Market: The Quarter Ahead

- Investor sentiment has improved dramatically over the last few months as the market's resilience and the broad support of the central banks have left fewer underinvested skeptics.
- Despite the historically low interest rate environment, valuation has become less attractive given the magnitude of the rally over the last few years combined with an uncertain, decelerating earnings growth backdrop.
- In spite of the aggressive action by the Federal Reserve, the major indices have seen a more muted response as compared to previous announcements of large-scale monetary interventions. Additionally, the rush to cyclical exposure has been less hurried than previous perceived "risk on" situations.
- Economic data generally remains positive at this point of the expansion and could lead to greater volatility given the focus on the economy in the final weeks of this election year. With interest rates near historical lows, the bond market appears to be expecting continued economic weakness. Stocks have overlooked this weakness and have posted four year highs. It would seem unlikely that yields continue to fall and stock prices rise, so this divergence bears watching.
- As the markets enter the fourth quarter with year end in sight, further significant equity gains will likely be more challenging given the numerous global political and economic uncertainties, less favorable valuation, and already impressive year to date gains.

3rd Quarter Scorecard *Table 1*

Index	Quarter	1 Year
S&P 500	6.4%	30.2%
Russell 1000	6.3%	30.1%
Russell 2000	5.3%	31.9%
Russell 3000	6.2%	30.2%
Russell 3000 Growth	6.0%	29.4%
Russell 3000 Value	6.4%	30.1%
Barclays Capital US Aggregate	1.6%	5.2%
3 Month T-Bills	0.03%	0.07%

Source: Bloomberg & Russell Investments

The Economy: Plodding Along

As far as economic expansions go, the current one is distinguished by its painfully anemic pace. Now into its fourth year, a number of important economic indicators have barely begun to improve, and many that show improvement reflect a level of economic activity that remains well below the pre-recession peak.

While overall GDP has surpassed the previous cyclical peak, employment growth significantly lags. In fact, of the 8.8 million jobs lost subsequent to the January 2008 peak, only 4.3 million, or less than 50 percent, have been regained (see Graph #1).

(Continued on back)

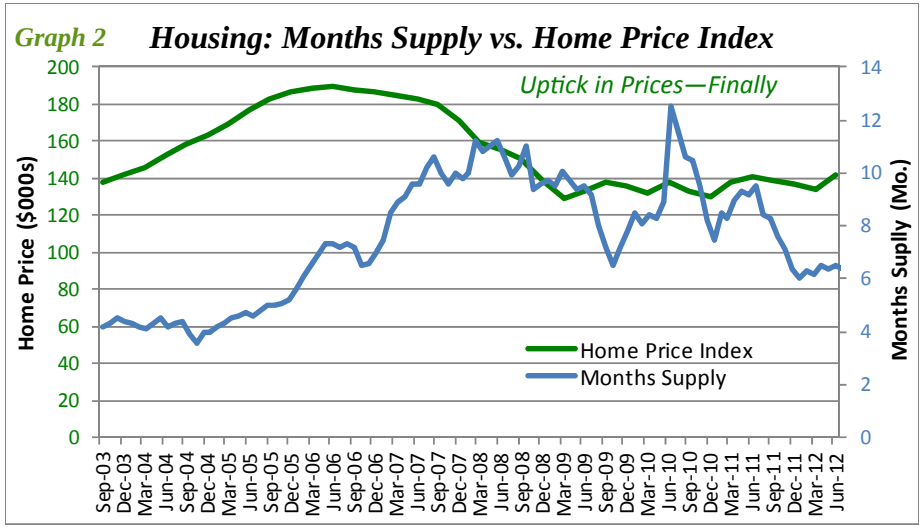
Interest Rate Summary *Table 2*

	9/30/11	6/30/12	9/30/12	Qtr Change	12-Month Change
3 Month T-Bills	0.0	0.1	0.1	—	+0.1
5 Year Treasury	1.0	0.7	0.6	-0.1	-0.4
10 Year Treasury	2.0	1.7	1.7	—	-0.3
30 Year Treasury	2.9	2.8	2.8	—	-0.1
5 Year Corporate ('A')	2.7	2.0	1.6	-0.4	-1.1
10 Year Corporate ('A')	4.0	3.2	2.9	-0.3	-1.1
30 Year Fixed Rate Mortg.	4.2	3.9	3.5	-0.4	-0.5

Source: Bloomberg

During the most recent quarter, the unemployment rate fell modestly and employment growth did accelerate slightly. However, the current pace of employment gains is not sufficient to make a significant impact on unemployment rates going forward. Led by dramatically improved affordability factors and shrinking inventory, housing continues to improve with home prices advancing slightly after more than five years of decline (see Graph #2).

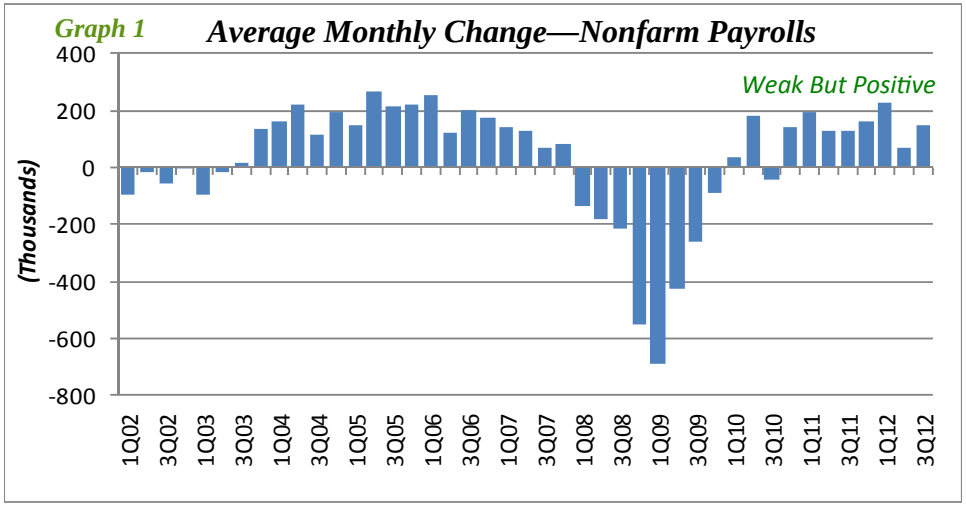
Our baseline expectation is for economic growth to remain weak but positive for the foreseeable future. The major risks to the economy continue to be the slowdown in China, further weakening in Europe, and most importantly the pending "fiscal cliff" in the United States. Legislative failure on the issues of upcoming tax hikes and spending cuts would likely derail the recovery and precipitate a new round of weaker demand and falling employment.



Source: S&P Case-Shiller, Bloomberg,

The Fed & Interest Rates: QE's Ad Infinitum

Yields on U. S. Treasury securities were essentially unchanged during the quarter (see Table #2) as the Federal Reserve announced so-called QE3 in September - its intention to purchase a significant amount of mortgage securities for as long as they deem necessary in order to stimulate housing further and improve employment conditions Overall credit market conditions improved somewhat as indicated by the small decline in corporate bond yields and a narrowing of spreads relative to Treasury yields. The effectiveness of the Fed's unprecedented accommodation is somewhat controversial. What is clear is that the Fed appears to be going all in with this strategy in the belief that conditions would otherwise be even worse. With the Fed's stated intent to keep interest rates near zero for an additional three years (in addition to the four years already there), short term market rates are likely to remain anchored for the foreseeable future. Based on our longer term expectation of gradual economic improvement, we would expect long term rates to move modestly higher during the months ahead.



Source: U.S. Department of Labor & Statistics, Bloomberg