

City of Ormond Beach Firefighters Pension - International Equity Account

After a strong start to the year, global equities hit a speed bump in May following congressional testimony from Federal Reserve Chairman Ben Bernanke that suggested an improving economy might cause the U.S. central bank to taper back its bond purchases as early as September. Though there are many positives about a strengthening U.S. economy, judging by the declines in various global indices and commodities, global investors appear to be unnerved at the prospect of the Fed backing off from its easy money policies (see Chart 1). Even though the United States appears to be ending its accommodative interest-rate policy sooner than expected, most central banks globally have maintained a more dovish stance towards interest rates. This has provided a tailwind to equity prices as investors have sought out greater returns on their money than the near 0% interest rates offered in many nations (see Chart 2).

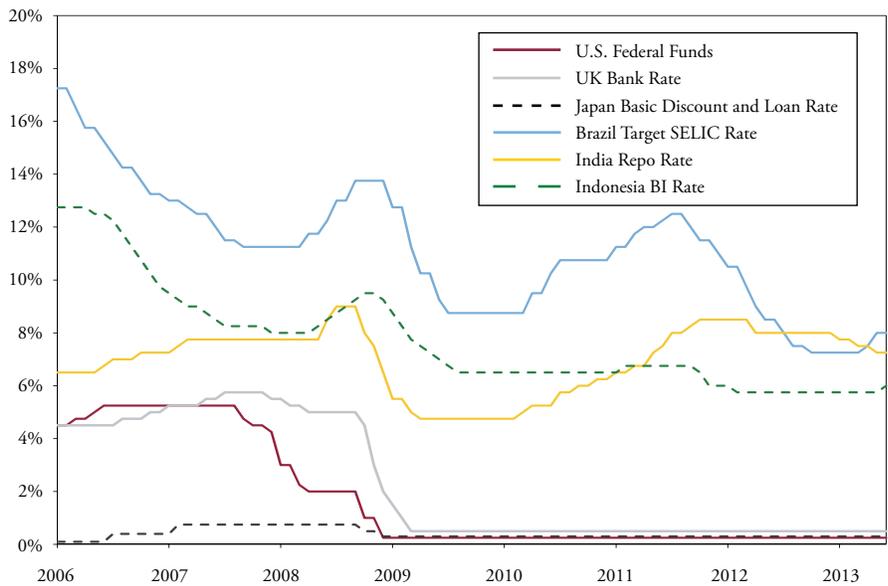
Noteworthy, however, are the nations of Brazil and Indonesia, where higher-than-expected inflation readings have resulted in interest rate movements to the upside. In particular, Brazil raised their SELIC rate to 8% in May, following inflation readings close to the policy limit of 6.5%. Increasing consumer costs throughout

CHART 1: Markets Fall After Chairman Bernanke's Testimony Signals End of Cheap Money

	Through 6/30/13	
	YTD	Since 5/22/13 ⁽¹⁾
Japan Nikkei 225	15.1%	-8.7%
U.S. S&P 500	13.8%	-2.8%
Brazil Bovespa	-28.4%	-22.5%
MSCI Emerging Markets	-9.5%	-9.7%
Brent Oil	-8.1%	-0.3%
Gold	-26.6%	-10.2%
Copper	-14.9%	-9.7%

⁽¹⁾Date of Bernanke's Congressional Testimony
Source: Bloomberg

CHART 2: Most Central Banks Remain in Accommodative Mode



Data as of 6/30/13
Source: FactSet

MARKET VALUE SUMMARY

	Quarter Ending 6/30/13
Equities (\$)	\$899,564
Cash (\$)	\$9,435
Total Portfolio (\$)	\$909,000

PORTFOLIO PERFORMANCE⁽¹⁾

	Quarter Ending 6/30/13	Year-to-Date 6/30/13
Firefighters' International Pension (net of fees)	+1.0%	+5.9%
MSCI ACWI ex US Index ⁽²⁾	-3.1%	0.0%

⁽¹⁾Performance and Benchmark data sources: Renaissance Research, MSCI

⁽²⁾Renaissance primary benchmark.

Brazil have sparked not only higher interest rates but also a protest movement focused on exposing government excesses. Dilma Rousseff, Brazil's president, is lobbying to increase spending on health and education to appease protestors; however, only time will tell if this strategy will work. In the interim, political unrest has caused investors to flee this once high-flying emerging nation, with the Bovespa Index declining over 28% year-to-date in U.S. dollars.

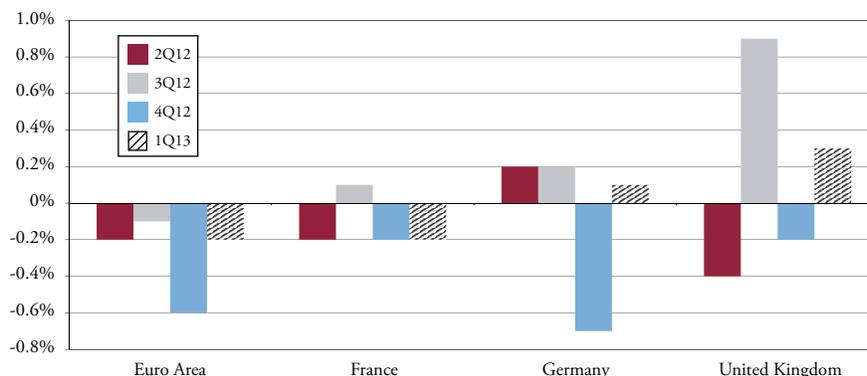
Similar to other emerging nations, China has also experienced some flutters within its equity markets as economic growth has slowed. The government has grown increasingly vigilant about reigning in lending within its banking industry, as many market participants fear a real estate bubble. The 1Q13 GDP growth rate in China came in at +7.7% year-over-year, down from +7.9% in 4Q12, sparking concern that the economic driver of global growth was indeed slowing down. Most recently, the federal government rebuffed pressure by Chinese banks to lower their banking reserve requirement. By keeping the reserve requirement steady, the government is attempting to flush out poorly structured loans from the shadow banking system in hopes of avoiding a credit crunch similar to the one experienced in the United States in 2009.

Shifting gears to Europe, although the continent's economic outlook on the whole remains subdued, there are bright spots. Most importantly, the recent positive economic growth readings in Germany and the United Kingdom again remind us that country selection will be important in helping to drive returns for our investors over the long term (see Chart 3).

Not surprisingly, developed equity markets, as measured by the MSCI EAFE Index, performed better than emerging markets with the EAFE

CHART 3: Germany and United Kingdom Marginally Better Than the Rest

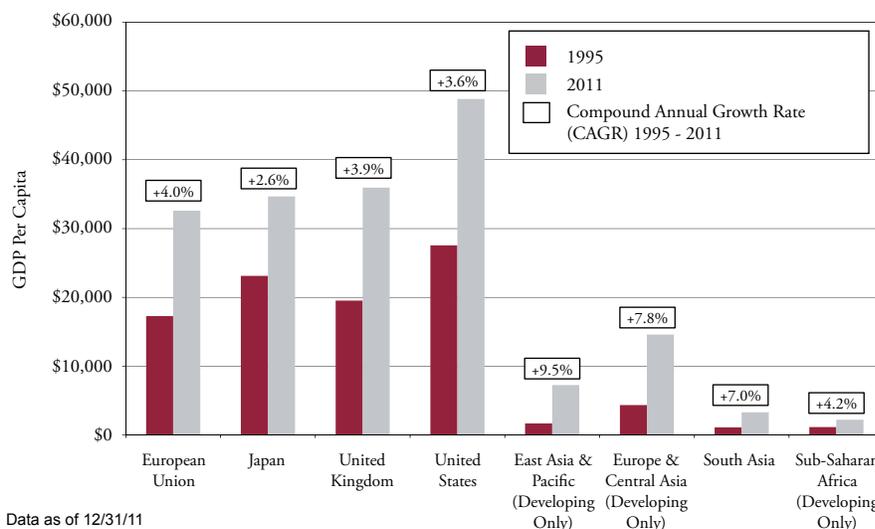
Quarterly GDP Growth Rates⁽¹⁾



⁽¹⁾Percentage change versus previous quarter. Data as of 3/31/13

Source: Bloomberg

Chart 4: Lower Values, but Developing Nations Growing Income Faster Than Mature Nations



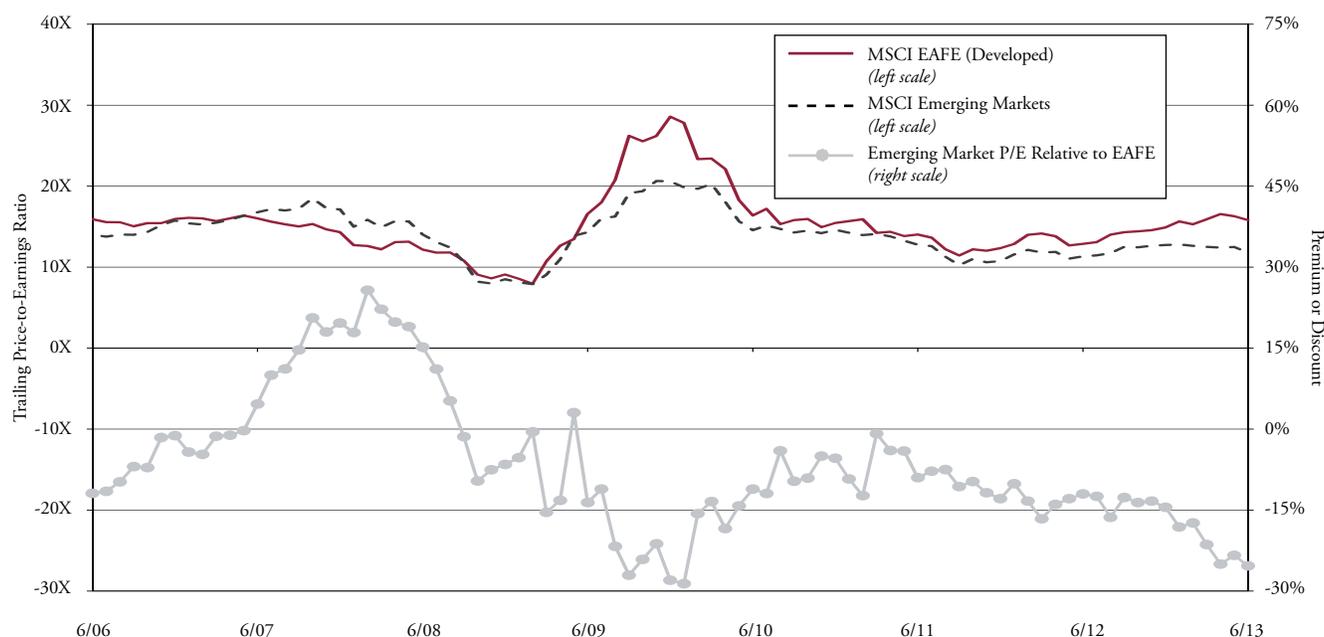
Data as of 12/31/11

Source: World Bank. In U.S. dollars.

Index declining 1% in U.S. dollars for the quarter, while the MSCI Emerging Market Index lost 8.1%. The best-performing developed nation this quarter was Japan, with the MSCI Japan Index up 4.4%. This was in sharp contrast to emerging nations where, according to their respective MSCI country indices, the major countries of Brazil, Russia, India and China all posted negative returns. Despite the recent turbulence within emerging markets, we continue to believe in the long-term benefits of being an active investor in this space. Even with a temporary slowdown of

economic growth, many of these nations have produced growth metrics, in particular per capita GDP growth, that are much stronger than their developed brethren (see Chart 4). We would expect this to continue given the demographic and government balance sheet advantages inherent in the emerging world, and we welcome the current disconnect between market expectations and our own given that emerging markets are currently trading at an appealing 25% discount (see Chart 5).

CHART 5: Emerging Markets Trading at Steep Discount to Developed Markets



Data as of 6/30/13
Source: MSCI

DISCUSSION OF PERFORMANCE

For the quarter, our International portfolio outperformed our benchmark, the MSCI All Country World ex USA Index, by a strong margin due in large part to solid stock selection in the Information Technology and the Industrials sectors. Our Information Technology shares were led by Chinese semiconductor manufacturer **Spreadtrum**, which jumped 28.6% after receiving a take-out offer and raising 2Q13 guidance based on increasing demand for its smartphone chip suite. Like other stocks in our portfolio, Spreadtrum is benefitting from growing secular demand for smartphones and other electronic gadgets such as tablets, which have taken the place of laptop computers for many people throughout the globe (see Chart 6). It is our opinion that the demand for smartphones will continue to rise, especially in the emerging economies where incomes are growing, and we continue to focus on identifying stocks that will benefit from such a trend. Another current

CHART 6: Emerging Market Consumers Demanding Smartphones

Estimated Growth Year-Over-Year By Market Type	2013 Estimated	2017 Estimated	Annualized Growth Rate
Emerging	45.4%	12.5%	15.7%
Developed	14.3%	4.6%	8.3%

Worldwide Share By Market Type	2013 Estimated	2017 Estimated
Emerging	64.8%	70.6%
Developed	35.2%	29.4%

Data as of May 2013
Source: Renaissance Research, IDC

holding capitalizing on the need for advanced electronic gadgets is lithography system manufacturer **ASML Holding**, up 17.3% in the quarter. In addition to our technology holdings, we also had strong returns within the Industrials sector, including French commercial engine manufacturer **Safran**, which rose 16.8% due to increased demand for commercial airliners. Unfortunately, our Energy holdings did not perform well, returning on average -13.1% during the quarter. Particularly

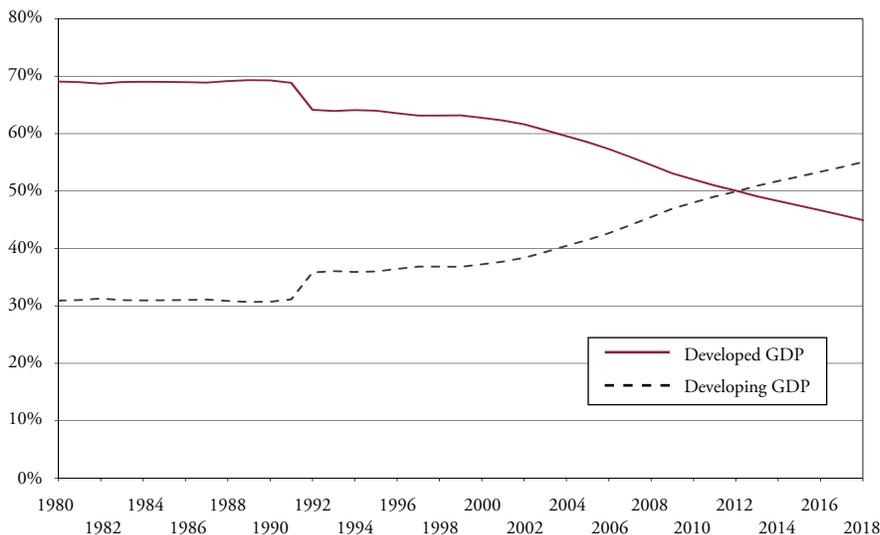
disappointing was **Gazprom**, which declined 22.7% in the quarter due to increasing investor concern about the Russian gas company's overall growth outlook and the increased capital expenditure budget necessary to achieve its growth targets.

Our portfolio allocation to emerging markets ended the quarter at 29%, down from the end of March. For the second quarter, our stock selection in emerging markets positively contributed to our overall relative performance,

with China and South Korea posting the best returns. We are comfortable with our emerging market exposure and feel our stocks are positioned to take advantage of higher-than-expected economic growth rates in emerging markets in the coming years, especially given that the current low interest rate environment will provide the incentive for businesses to expand and grow and the compelling valuations for long-term investors. As highlighted in Chart 7, the emerging markets continue to become a larger part of global GDP, further reinforcing our commitment to the asset class.

The largest sector exposures in the portfolio are Financials, Information Technology and Industrials, which are all cyclical sectors that should perform well as the global economy inches forward. Our Financials sector weight continued to increase in 2Q13 as a larger number of financial stocks screen well in our discipline, especially in the emerging markets. However, despite our increased weighting in the sector, we still retain an underweight position relative to our benchmark and expect this to continue going forward.

CHART 7: Developed Versus Developing GDP
(Percent of World Based on Purchasing Power Parity)



Data as of 4/16/13

Source: International Monetary Fund

OUTLOOK

Reflecting on the second quarter of 2013, equity markets could not overcome negative headlines regarding protests and sputtering economic growth in the emerging nations or the perceived ending of the U.S. Federal Reserve's accommodative interest-rate policies. Looking forward through the end of the year, we expect the same volatility

and uncertainty, as monetary authorities and government leaders around the globe press forward with policies designed to increase growth in their home countries. Nevertheless, we expect that adhering to our discipline of finding quality growth companies at a reasonable price will provide solid long-term results for investors in this unique investment environment.

Unless otherwise notified, Renaissance assumes our clients receive statements from their custodian at least quarterly and encourages them to compare the account balance included in this report with their custodial statement. If you do not receive statements from your custodian at least quarterly, or if you have any questions, please contact us immediately.

Your Portfolio Manager



Joe G. Bruening, CFA

Director of Client Services



Carey F. Kruer, CFA

Your Portfolio Administrator



Steve M. Frakes

50 East RiverCenter Blvd., Suite 1200
Covington, KY 41011

City of Ormond Beach Firefighters Pension - International Equity Portfolio

Shares/Face	Security Description	Unit Cost	Total Cost	Price	Market Value	% of Total Assets
Belgium						
213	ANHEUSER-BUSCH INBEV	69.73	\$14,853	90.26	\$19,225	2.1%
	TOTAL Belgium		\$14,853		\$19,225	2.1%
Bermuda						
852	ENERGY XXI (BERMUDA)	30.99	\$26,408	22.18	\$18,893	2.1%
343	SIGNET JEWELERS	21.50	\$7,376	67.43	\$23,128	2.6%
454	VALIDUS HOLDINGS LTD	33.02	\$14,991	36.12	\$16,398	1.8%
	TOTAL Bermuda		\$48,775		\$58,420	6.4%
Brazil						
588	TELEFONICA BRASIL SA	20.34	\$11,958	22.82	\$13,418	1.5%
	TOTAL Brazil		\$11,958		\$13,418	1.5%
Canada						
165	AGRIUM INC	82.59	\$13,627	86.96	\$14,348	1.6%
263	BANK OF MONTREAL	57.78	\$15,196	58.03	\$15,262	1.7%
292	BANK OF NOVA SCOTIA HALIFAX	56.31	\$16,443	53.55	\$15,637	1.7%
190	CANADIAN NATL RAILWAY	79.16	\$15,040	97.27	\$18,481	2.1%
183	DOMTAR CORP	73.55	\$13,460	66.50	\$12,170	1.4%
904	SUNCOR ENERGY INC	31.17	\$28,179	29.49	\$26,659	3.0%
	TOTAL Canada		\$101,945		\$102,557	11.3%
Cayman Islands						
324	HERBALIFE INC.	25.61	\$8,296	45.14	\$14,625	1.6%
	TOTAL Cayman Islands		\$8,296		\$14,625	1.6%
China						
243	NETEASE INC	59.90	\$14,555	63.17	\$15,350	1.7%
907	SPREADTRUM COMMUNICATIONS	17.76	\$16,112	26.25	\$23,809	2.6%
1,104	WUXI PHARMATECH INC	16.00	\$17,665	21.00	\$23,184	2.6%
	TOTAL China		\$48,332		\$62,343	6.9%
France						
366	SAFRAN SA	45.99	\$16,833	52.16	\$19,089	2.1%
672	VALEO SA ADR	27.44	\$18,441	31.38	\$21,089	2.3%
	TOTAL France		\$35,274		\$40,178	4.4%
Germany						
1,253	ALLIANZ SE	12.28	\$15,387	14.59	\$18,283	2.0%
503	VOLKSWAGEN AG	27.85	\$14,010	38.93	\$19,582	2.2%
	TOTAL Germany		\$29,397		\$37,865	4.2%
Hong Kong						
282	CHINA MOBILE LTD	44.95	\$12,676	51.77	\$14,599	1.6%
	TOTAL Hong Kong		\$12,676		\$14,599	1.6%
India						
605	TATA MOTORS ADR	26.26	\$15,887	23.44	\$14,181	1.6%
	TOTAL India		\$15,887		\$14,181	1.6%
Indonesia						
1,705	PT BANK MANDIRI	10.25	\$17,471	9.07	\$15,461	1.7%

City of Ormond Beach Firefighters Pension - International Equity Portfolio

<u>Shares/Face</u>	<u>Security Description</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>% of Total Assets</u>
	TOTAL Indonesia		\$17,471		\$15,461	1.7%
Israel						
283	CHECK POINT SOFTWARE TECH	23.78	\$6,730	49.68	\$14,059	1.6%
	TOTAL Israel		\$6,730		\$14,059	1.5%
Japan						
254	HITACHI ADR	51.58	\$13,102	64.13	\$16,288	1.8%
646	NIPPON TELEPHONE & TELEGRAPH ADR	19.72	\$12,738	26.01	\$16,802	1.9%
	TOTAL Japan		\$25,840		\$33,090	3.6%
Netherlands						
1,230	AERCAP HOLDINGS NV	13.43	\$16,514	17.46	\$21,476	2.4%
234	ASML HOLDINGS NV	52.25	\$12,226	79.11	\$18,512	2.1%
354	CHICAGO BRIDGE & IRON CO	20.91	\$7,404	59.66	\$21,120	2.3%
392	ROYAL DUTCH SHELL PLC	62.93	\$24,670	63.80	\$25,010	2.8%
	TOTAL Netherlands		\$60,813		\$86,117	9.5%
Norway						
1,107	STATOIL ASA	26.53	\$29,368	20.69	\$22,904	2.5%
	TOTAL Norway		\$29,368		\$22,904	2.5%
Panama						
172	COPA HOLDINGS ADR	83.08	\$14,290	131.12	\$22,553	2.5%
	TOTAL Panama		\$14,290		\$22,553	2.5%
Russia						
431	LUKOIL OIL ADR	58.87	\$25,373	57.59	\$24,819	2.8%
1,317	SBERBANK	12.60	\$16,594	11.42	\$15,034	1.7%
	TOTAL Russia		\$41,967		\$39,853	4.4%
Singapore						
496	AVAGO TECHNOLOGIES LTD	30.97	\$15,359	37.38	\$18,540	2.1%
2,563	FLEXTRONICS INTL LTD	7.37	\$18,901	7.74	\$19,838	2.2%
502	UNITED OVERSEAS BANK LTD	31.82	\$15,973	31.32	\$15,722	1.7%
	TOTAL Singapore		\$50,233		\$54,100	6.0%
South Korea						
1,016	SK TELECOM LTD	16.02	\$16,276	20.33	\$20,655	2.3%
	TOTAL South Korea		\$16,276		\$20,655	2.3%
Switzerland						
198	ALLIED WORLD ASSRNC CO HLDGS	39.60	\$7,841	91.51	\$18,119	2.0%
580	SWATCH GROUP AG	28.64	\$16,610	27.32	\$15,846	1.8%
	TOTAL Switzerland		\$24,452		\$33,965	3.7%
Taiwan						
1,067	TAIWAN SEMICONDUCTOR MANUFACTURING C	13.54	\$14,447	18.32	\$19,547	2.2%
	TOTAL Taiwan		\$14,447		\$19,547	2.2%
United Kingdom						
282	ASTRAZENECA PLC ADR	35.45	\$9,997	47.30	\$13,339	1.5%
665	BAE SYS PLC ADR	21.29	\$14,157	23.24	\$15,452	1.7%
453	BT GROUP PLC	36.69	\$16,621	46.99	\$21,286	2.4%

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<u>Shares/Face</u>	<u>Security Description</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>% of Total Assets</u>
157	DIAGEO PLC	82.11	\$12,891	114.95	\$18,047	2.0%
344	HSBC HOLDING PLC	43.09	\$14,823	51.90	\$17,854	2.0%
1,834	KINGFISHER PLC	8.71	\$15,976	10.41	\$19,083	2.1%
649	PRUDENTIAL PLC	21.86	\$14,187	32.72	\$21,235	2.4%
193	ROLLS-ROYCE ADR	86.63	\$16,720	86.00	\$16,597	1.8%
854	WM MORRISON SUPERMARKETS	20.06	\$17,130	19.85	\$16,955	1.9%
	TOTAL United Kingdom		\$132,501		\$159,848	17.6%
	TOTAL EQUITIES		\$761,782		\$899,564	99.0%
	Total Cash		\$9,435		\$9,435	1.0%
	Total Portfolio		\$771,217		\$909,000	100.0%
	Accrued Income				\$920	
	Total Portfolio plus Accrued Income				\$909,920	

Commission Report

From: 4/1/2013
To: 6/30/2013
Range: 2Q2013
Account: HE0217 - City of Ormond Beach Firefighters Pension - International Equity Portfolio

Group By: Broker
Metric: Dollars
Type: Discretionary

Broker	Shares	Value	Cents per Share	Commission Recapture	Directed	Execution Only	Minority	Research	Soft Dollar	Total Commission
BNY Brokerage Inc.	3,835	120,096	1.97	0.00	0.00	75.59	0.00	0.00	0.00	75.59
Liquidnet	904	28,179	1.50	0.00	0.00	13.56	0.00	0.00	0.00	13.56
Lynch, Jones, and Ryan	3,959	67,899	5.00	197.95	0.00	0.00	0.00	0.00	0.00	197.95
Totals:	8,698	216,175	3.30	197.95	0.00	89.15	0.00	0.00	0.00	287.10

2Q2013 Corporate Governance Rankings

<u>Holdings</u>	<u>CGQ Index</u>	<u>CGQ Industry</u>
AER	N/A	N/A
AGU	100.00	97.30
ASML	18.20	16.70
AVGO	N/A	N/A
AWH	N/A	N/A
AZN	42.70	33.30
AZSEY	69.00	54.50
BAESY	60.80	18.20
BMO	88.70	99.30
BNS	84.40	97.10
BT	72.70	57.10
BUD	56.00	53.40
CBI	96.50	90.90
CHKP	N/A	N/A
CHL	66.40	60.00
CNI	66.10	75.00
CPA	N/A	N/A
DEO	85.30	100.00
EXXI	N/A	N/A
FLEX	55.20	60.00
HBC	62.20	87.50
HLF	93.00	100.00
HTHIY	3.30	4.90
KGFHY	77.60	50.00
LUKOY	N/A	N/A
MRWSY	90.80	97.80
NTES	N/A	N/A
NTT	36.30	14.50
PPERY	N/A	N/A
PUK	83.20	84.20
RDSA	24.50	34.50
RYCEY	85.70	84.80
SAFRY	70.90	69.10
SBRCY	N/A	N/A
SIG	95.10	100.00
SKM	57.60	45.50
SPRD	10.50	18.70
STO	39.50	22.90
SU	85.50	89.70
SWGAY	54.50	66.20
TSM	N/A	N/A
TTM	N/A	N/A
UFS	29.20	54.30
UOVEY	23.10	37.50
VIV	N/A	N/A
VLEEY	81.80	97.10
VLKAY	59.80	81.20
VR	N/A	N/A
WX	N/A	N/A

*All numbers provided by Bloomberg