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

September 30, 2013

City of Ormond Beach Pension Plans

Presented by:

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

Gregg Gosch
Client Service

Sawgrass By the Numbers

100	*Percent Employee Ownership of Sawgrass Asset Management*
20	*States in which Sawgrass Represents Clients*
20+	*Average Years of Investment Experience for Our Team*
15	*Years We Have Been Serving Our Institutional Clients*
8	Chartered Financial Analyst Charterholders (CFA®) on our Team
2.9	*Billion in Assets Under Management*

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Sawgrass Diversified Large Growth Equity – 3Q13 Portfolio Review/Outlook

Market Review – Rolling, Rolling, Rolling

- Stocks posted another strong quarter (S&P 500 +5.3%) and have turned in the strongest nine month start since 1997 (S&P 500 +19.8%).
- Growth and small cap significantly outperformed value and large cap. From a sector perspective the quarter had a decidedly more cyclical tone as Industrials and Materials led while Utilities and Staples lagged.
- This more risky tone can be seen in factor performance as Higher Beta and Higher Price Volatility resulted in strong returns for the quarter. This shift from the more defensive tone of the first six months is also evident in some individual stocks (Facebook +100% & Tesla+80%) which produced outsized returns for the quarter.
- It is particularly interesting that the market would take on this more speculative complexion despite the uncertainty stemming from the Fed's stance on tapering and the potential shocks of government shutdown and debt ceiling debates.
- It is worth noting that the strong year-to-date returns have been a smooth ride, and in fact, the market has been relatively pain free since the significant pullback in the summer of 2011.

Portfolio Review:

- The portfolio gave relative ground this quarter in the face of this more "Risk On" flavor to the market.
- We had no significant detractors for the quarter and our largest holding AAPL reversed course to be the most significant contributor. CELG, VIAB, and AMGN also provided meaningful contributions.
- Not surprisingly our lower Beta profile was the most significant negative impact from a factor perspective.
- In looking at selection, there was weak performance in Discretionary, Energy, and Technology while Financials had solid performance.
- Despite giving relative ground this quarter, we were pleased to stay in game in this strong quarter and maintain a year-to-date advantage in a nine month period which has returns well above average.

Outlook & Positioning:

- We admit to being somewhat surprised at the stock market's above average strength.
- Investors should recognize that much of the market's price appreciation has come from multiple expansion rather than growing earnings. While this seems reasonable in a falling interest rate environment, a period of rising interest rates may not be as hospitable.
- Stocks enter the fourth quarter having avoided a 10% pullback since March of last year, the longest stretch in over seven years.
- Despite the political and economic challenges at hand, the market has been very durable and fourth quarters have been historically strong.
- We have been encouraged by our portfolios performance this year and continue to emphasize our lower volatility profile.
- Given the markets recent strength and a bull market that is approaching 5 years old, our expectations for near term returns are modest.

Sawgrass Composite Portfolio versus Russell 1000 Growth (as of 3rd Qtr 2013):

What Helped:	***What Hurt:***
No Torpedoes	Lower Beta Bias

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Growth Equity Investing with Sawgrass

The Sawgrass Investment "Thumbprint:"

- Blending the Art and Science of Our Investment Process
- Disciplined and Repeatable Approach
- Superior Earnings Growth Consistency
- Modest Valuation
- Clean Earnings
- Low Volatility Profile

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Portfolio Risk Control / Emphasis

We Seek to Build Efficient Risk-Adjusted Portfolios:

- Take Conscious Risk
- Target Total Risk of Portfolio
- Consistent Growth Style

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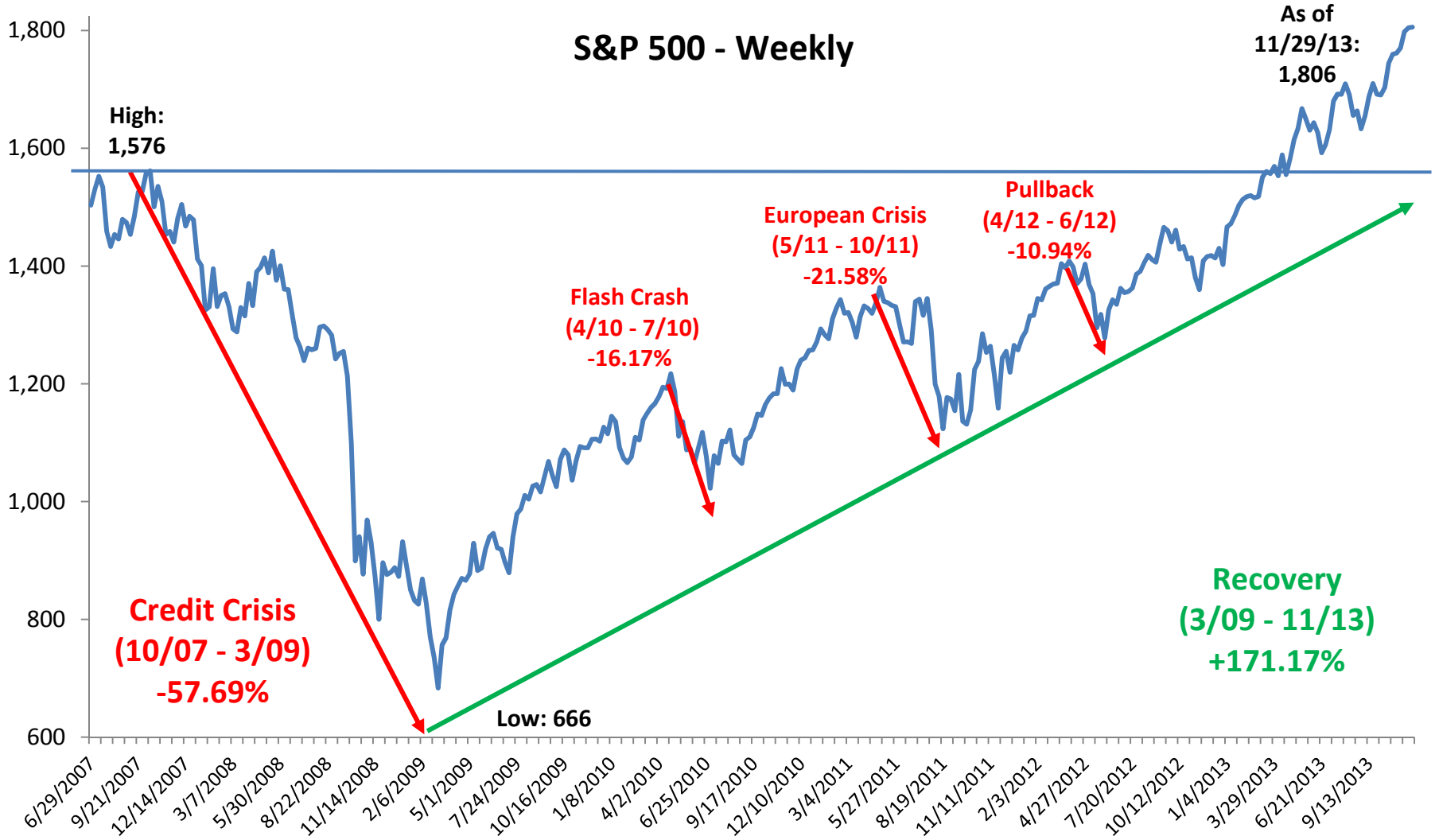
It Has Been an "Eventful" 5 Years



"The essence of investment management is the management of RISKS, not the management of RETURNS." – Benjamin Graham

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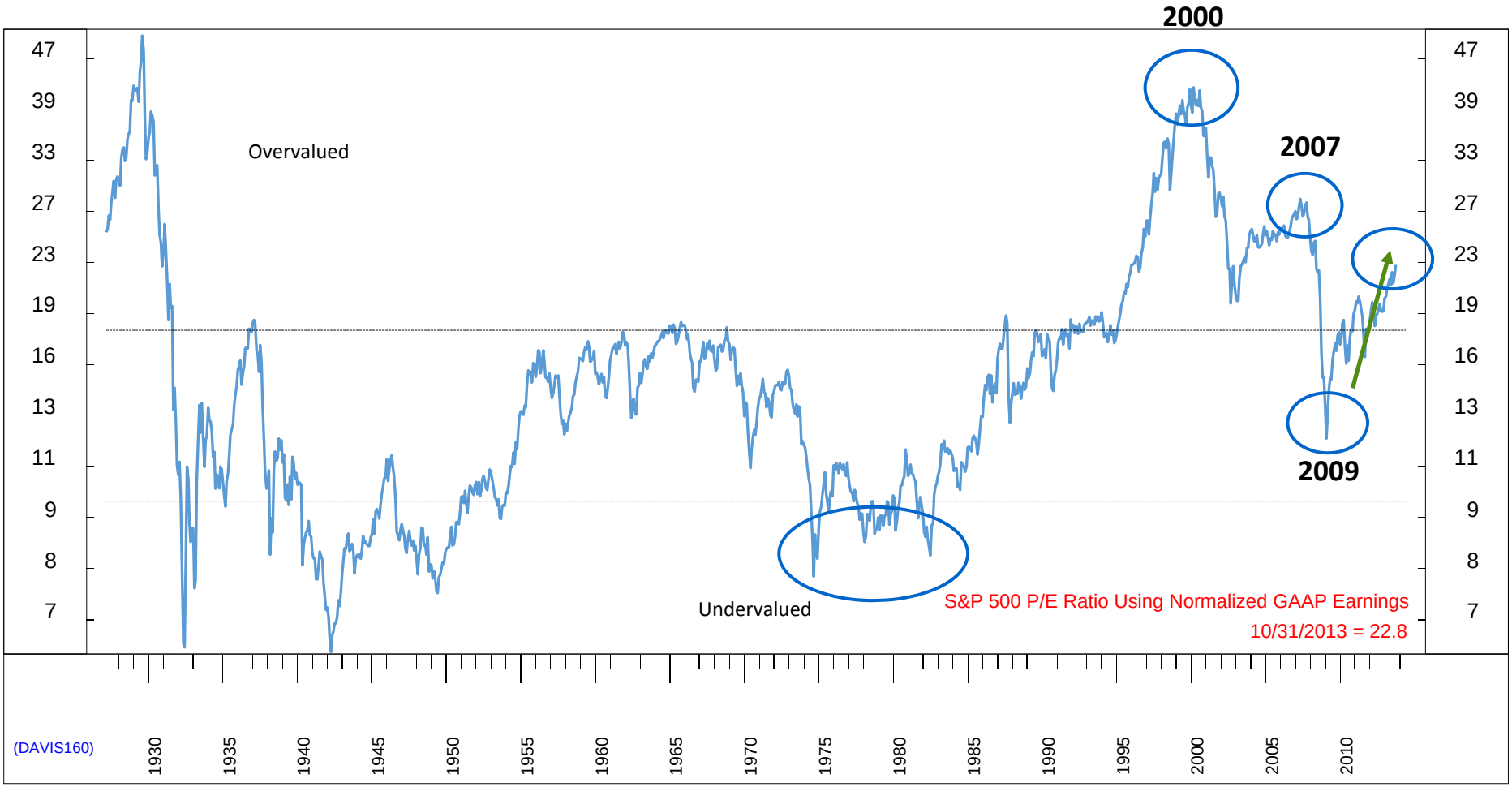
Stocks Modestly Overvalued on P/E Basis



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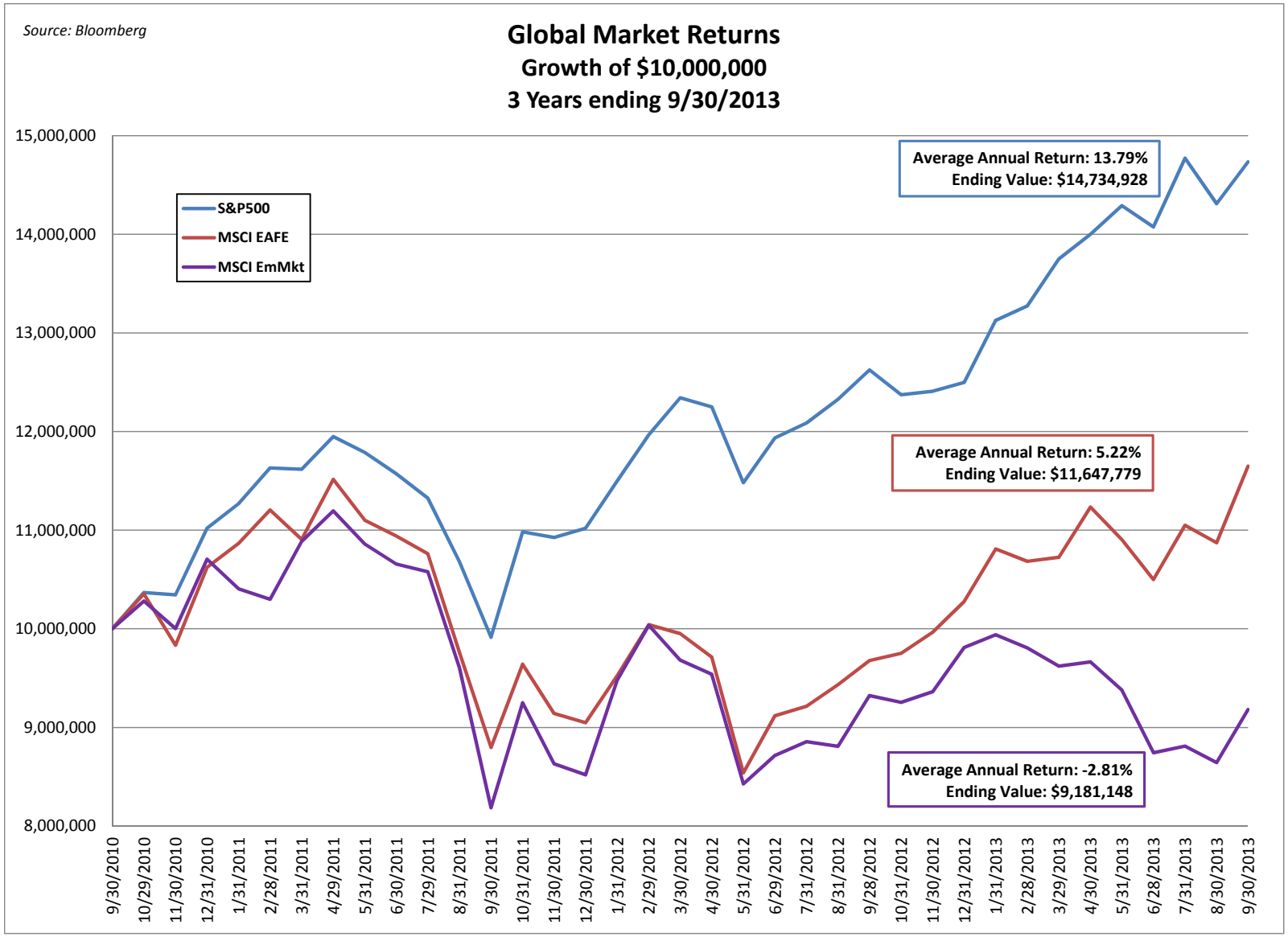
"Don't Forget About U.S."



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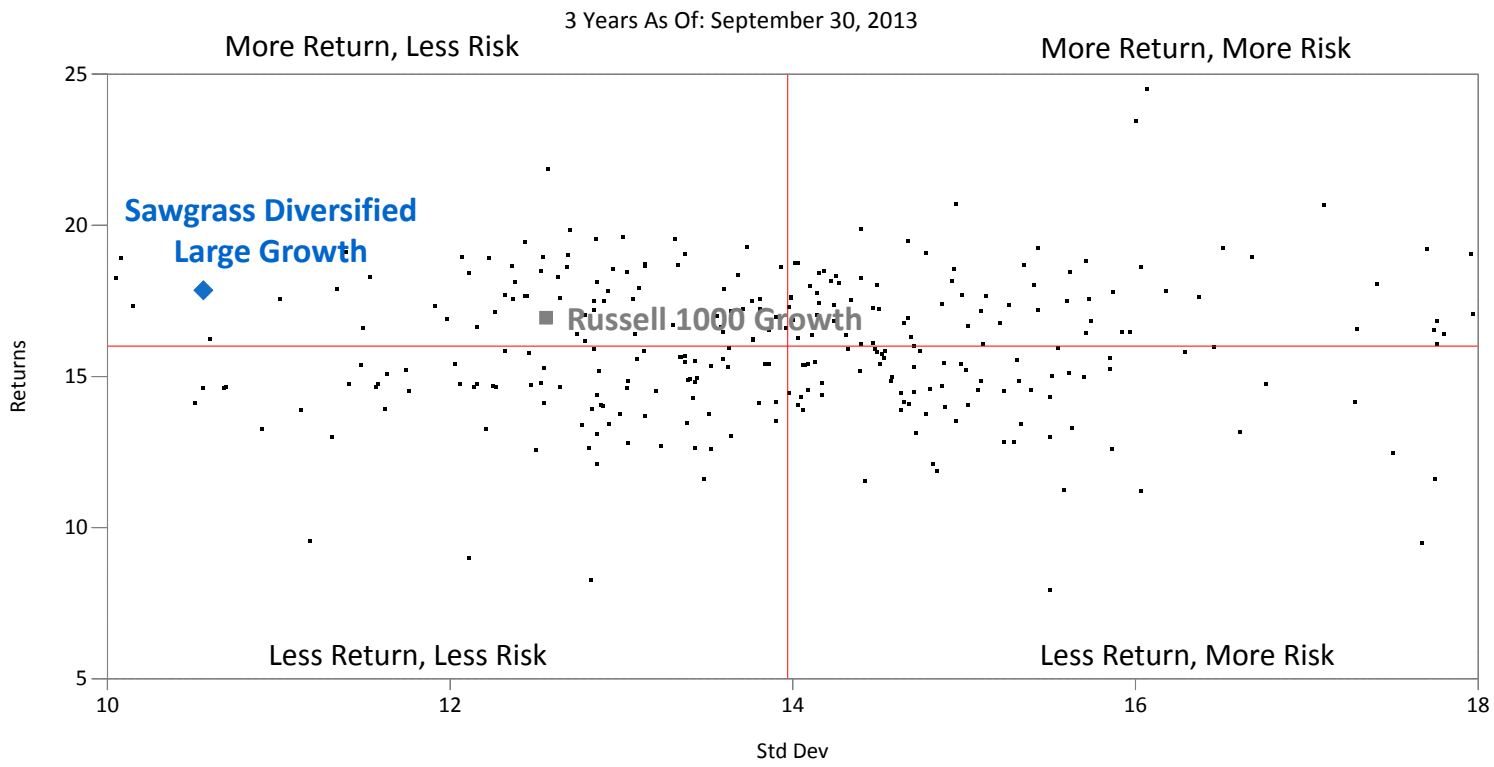
3 Year Risk and Return



Universe: eVestment US Large Cap Growth Equity

As Of: September 30, 2013
3 Years

	Returns	Std Dev
Diversified Large Growth Equity	17.85	10.56
Russell 1000 Growth	16.94	12.56
Universe Median	16.00	13.97

Results displayed in US Dollar (USD)

Source: eVestment Alliance Large Cap Growth Universe

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Portfolio Market Values

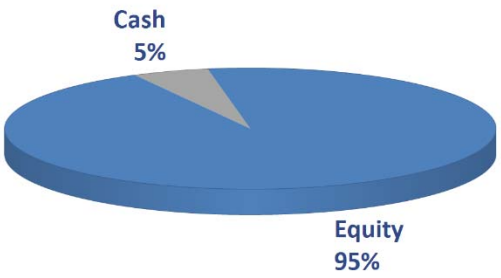
Change in Portfolio Value

Beginning Market Value on 06/30/13	**2,408,395**
Cash Additions	0
Cash Withdrawals	-3,508
Investment Gain/Loss	155,533
Ending Market Value on 09/30/13	**2,560,420**

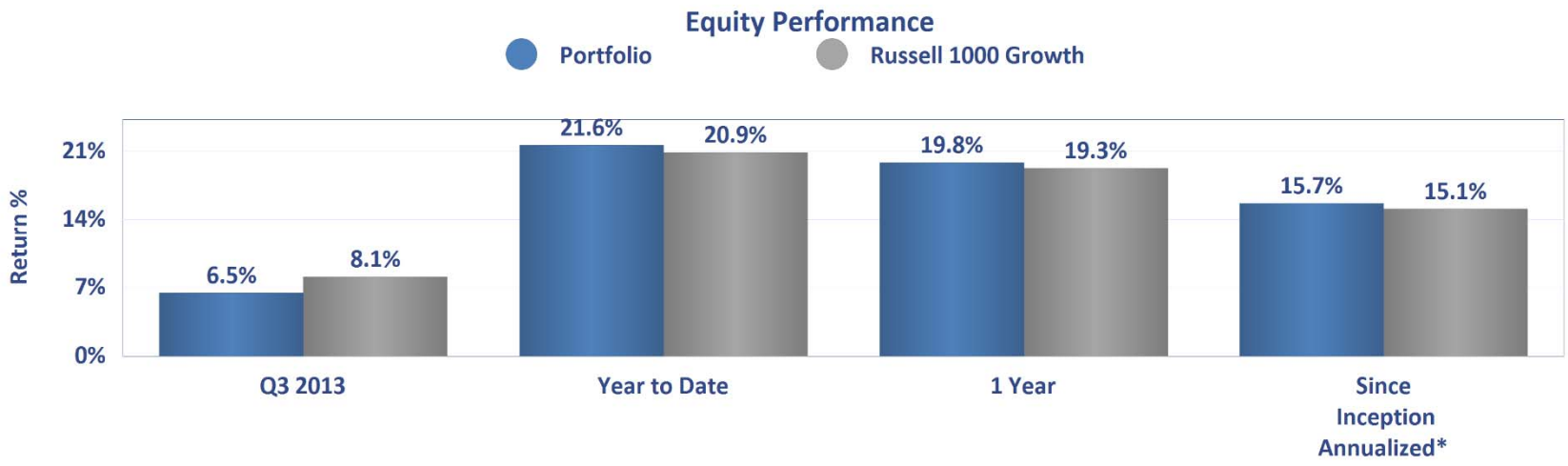
Portfolio Summary

Asset Class		Market Value	Percent of Assets
Cash	$	121,338	4.7%
Equity	$	2,439,083	95.3%
TOTAL	**$**	**2,560,420**	**100.0%**

Asset Allocation



Portfolio Performance



	Q3 2013	Year to Date	1 Year	Since Inception Annualized*
TOTAL PORTFOLIO	**6.5%**	**21.6%**	**19.8%**	**15.7%**
Russell 1000 Growth	8.1%	20.9%	19.3%	15.1%
S&P 500	5.2%	19.8%	19.3%	16.8%

** Since Inception 4/25/12*
Returns are gross of investment management fees

Portfolio Market Values

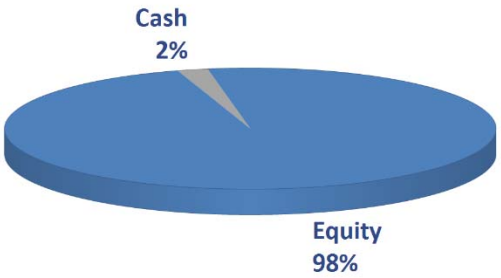
Change in Portfolio Value

Beginning Market Value on 06/30/13	**4,246,607**
Cash Additions	0
Cash Withdrawals	-6,184
Investment Gain/Loss	287,613
Ending Market Value on 09/30/13	**4,528,037**

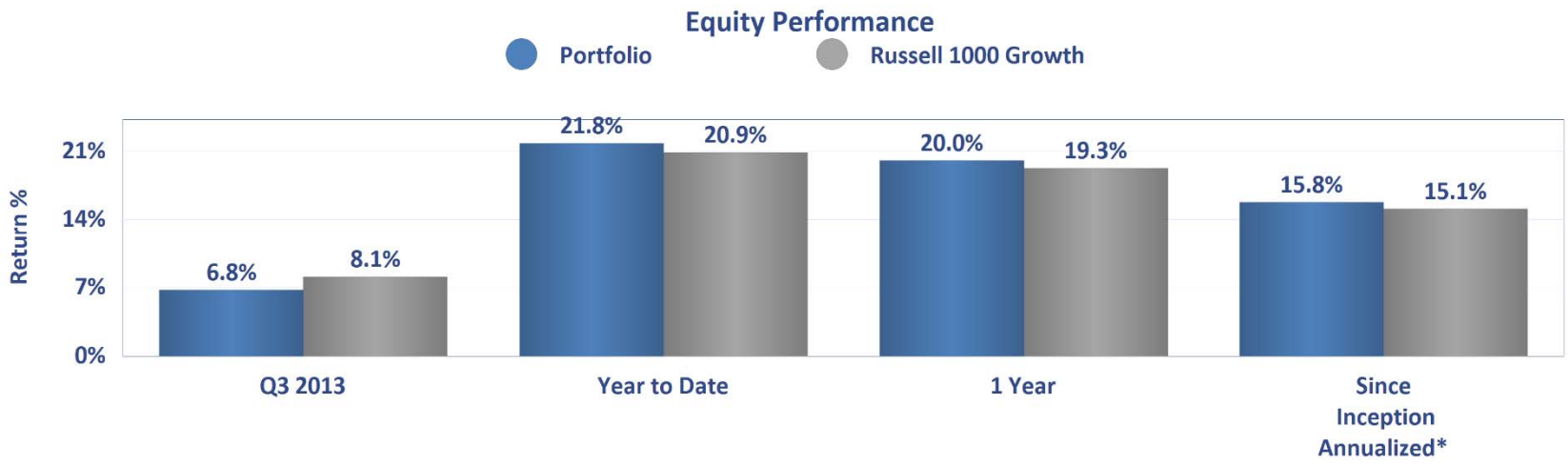
Portfolio Summary

Asset Class		Market Value	Percent of Assets
Cash	$	99,860	2.2%
Equity	$	4,428,177	97.8%
TOTAL	**$**	**4,528,037**	**100.0%**

Asset Allocation



Portfolio Performance



	Q3 2013	Year to Date	1 Year	Since Inception Annualized*
TOTAL PORTFOLIO	**6.8%**	**21.8%**	**20.0%**	**15.8%**
Russell 1000 Growth	8.1%	20.9%	19.3%	15.1%
S&P 500	5.2%	19.8%	19.3%	16.8%

** Since Inception 4/25/12*
Returns are gross of investment management fees

Portfolio Market Values

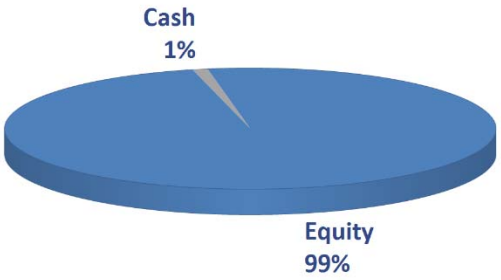
Change in Portfolio Value

Beginning Market Value on 06/30/13	**2,941,088**
Cash Additions	0
Cash Withdrawals	-54,283
Investment Gain/Loss	203,773
Ending Market Value on 09/30/13	**3,090,578**

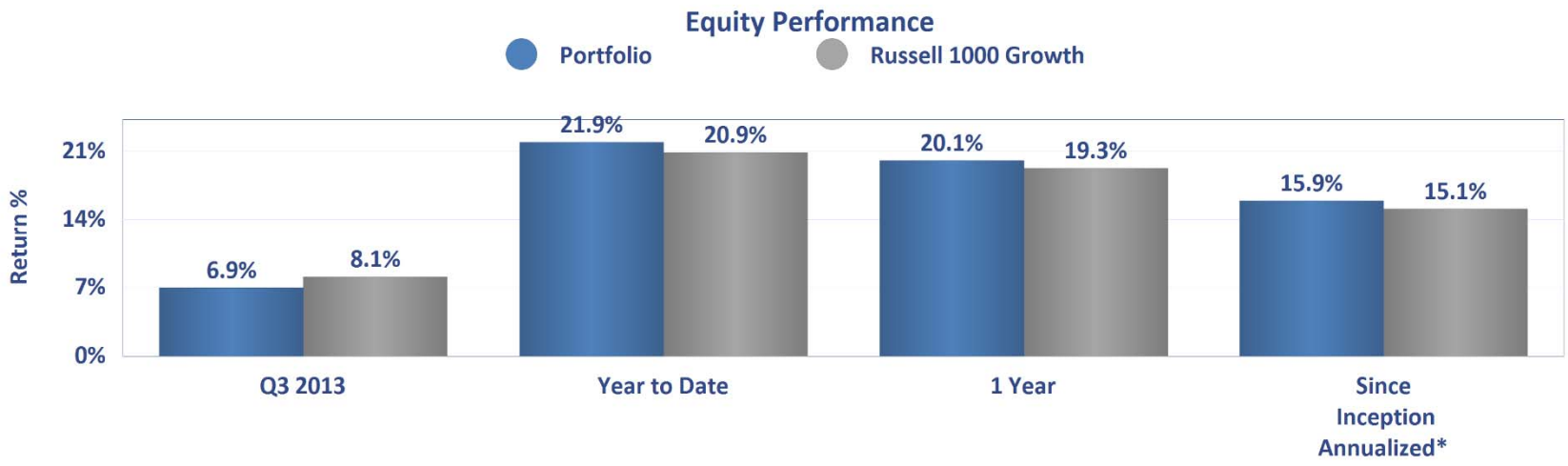
Portfolio Summary

Asset Class		Market Value	Percent of Assets
Cash	$	16,042	0.5%
Equity	$	3,074,536	99.5%
TOTAL	**$**	**3,090,578**	**100.0%**

Asset Allocation



Portfolio Performance



	Q3 2013	Year to Date	1 Year	Since Inception Annualized*
TOTAL PORTFOLIO	**6.9%**	**21.9%**	**20.1%**	**15.9%**
Russell 1000 Growth	8.1%	20.9%	19.3%	15.1%
S&P 500	5.2%	19.8%	19.3%	16.8%

** Since Inception 4/25/12*
Returns are gross of investment management fees

Contribution to Return - Quarter

Top 10 Performers	Ending Percent Of Total	Price Change %	Contribution To Return
APPLE INC	5.5	20.2	1.11
CELGENE CORP COM	2.4	31.8	0.72
VIACOM INC CL B	3.1	22.9	0.60
AMGEN INC COM	3.5	13.4	0.45
UNITED TECHNOLOGIES CP COM	3.0	16.0	0.45
MASTERCARD INC CL A	2.9	17.1	0.43
ECOLAB INC COM	3.0	15.9	0.43
QUALCOMM INC COM	3.5	10.2	0.35
KROGER CO	1.6	16.8	0.35
SCHLUMBERGER LTD	1.6	23.3	0.32

Bottom 10 Performers	Ending Percent Of Total	Price Change %	Contribution To Return
KIMBERLY CLARK CORP COM	1.0	-3.0	-0.02
HOME DEPOT INC COM	2.1	-2.1	-0.02
EXXON MOBIL CORPORATION	1.6	-4.8	-0.06
INTERNATIONAL BUS MACH COM	2.4	-3.1	-0.06
DIRECTV COM	2.9	-3.0	-0.08
ABBOTT LABS COM	1.9	-4.8	-0.09
MICROSOFT CORP COM	0.0	-3.2	-0.09
COCA COLA CO COM	3.1	-5.6	-0.13
VERIZON COMMUNICATIONS COM	3.5	-7.3	-0.13
CONAGRA INC COM	1.4	-13.1	-0.20

**Diversified Large Growth Equity Composite Data*

Portfolio Characteristics

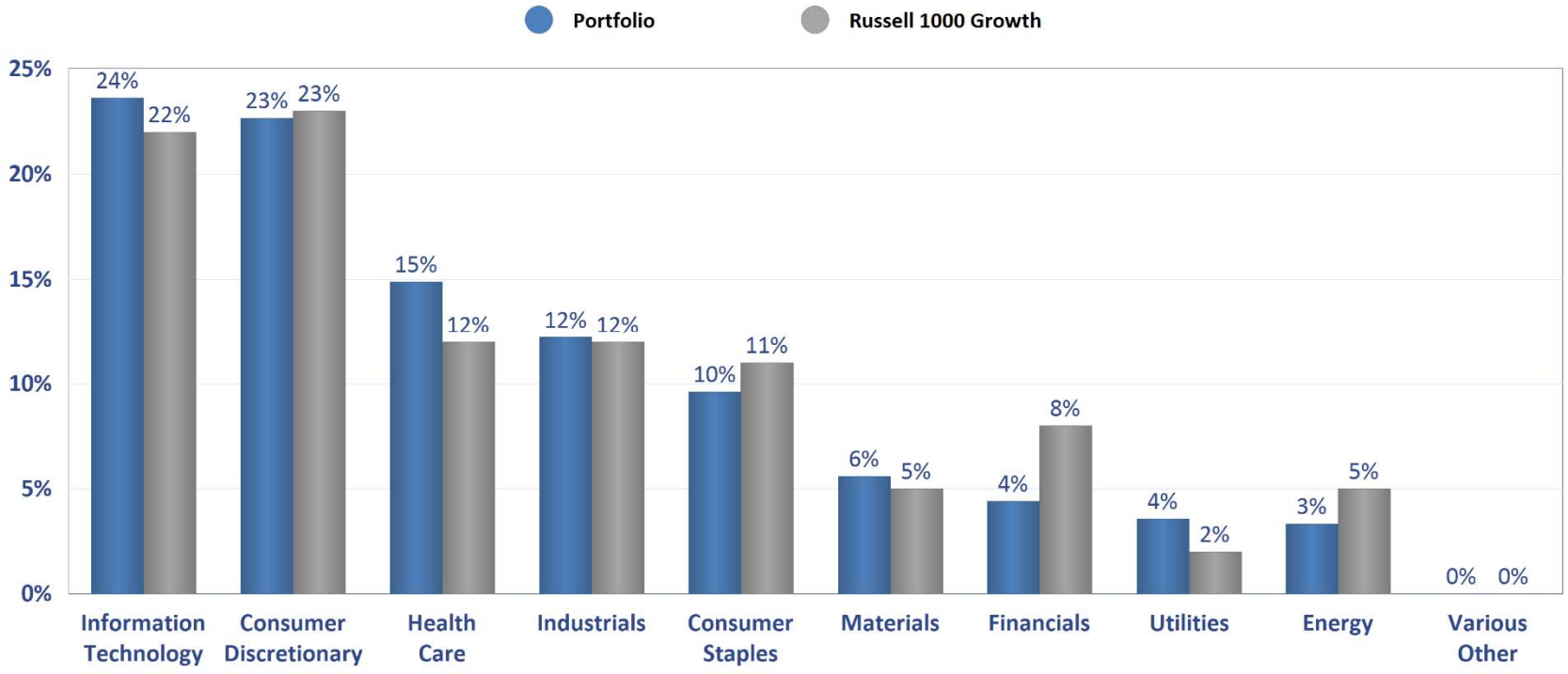
	Portfolio*	Russell 1000 Growth
1 Year EPS Forecast - Growth (%)	10.6	11.6
Portfolio P/E	19.1	22.2
Price/Cash Flow	14.3	15.3
Portfolio Price/Sales	3.0	3.6
Portfolio Price/Book	4.8	5.2
Market Cap - $ Wtd Avg - $ Billion	118.5	87.4
Number of Holdings	42	610

Top 10 Holdings

Ten Largest Holdings	Percent of Equity
Apple Inc	6.5%
Google Inc Cl A	4.0%
Wal Mart Stores Inc Com	3.8%
Comcast Corp New Cl A	3.7%
Verizon Communications Com	3.6%
Amgen Inc Com	3.5%
Qualcomm Inc Com	3.5%
Oracle Corporation	3.4%
Viacom Inc Cl B	3.2%
Coca Cola Co Com	3.2%
TOTAL	**38.4%**

**Diversified Large Growth Equity Composite Data*

Sector Breakdown



Portfolio Attribution - Quarter

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

	Diversified Large Growth 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	23.55	7.43	1.76	22.20	9.71	2.12	1.34	-2.28	-0.36	0.02	-0.52	-0.50
Consumer Discretionary	19.51	5.80	1.13	22.85	8.32	1.90	-3.34	-2.52	-0.77	0.01	-0.50	-0.49
Health Care	14.62	10.27	1.50	11.97	10.72	1.27	2.65	-0.45	0.23	0.08	-0.06	0.01
Industrials	12.33	8.38	1.07	12.26	9.91	1.20	0.07	-1.54	-0.13	0.00	-0.18	-0.19
Consumer Staples	10.57	-0.63	0.00	11.16	0.43	0.07	-0.59	-1.06	-0.06	0.04	-0.10	-0.06
Materials	5.32	11.00	0.56	4.55	7.43	0.34	0.77	3.56	0.22	0.00	0.19	0.18
Cash	4.61	0.01	0.00	0.00	0.00	0.00	4.61	0.01	0.00	-0.27	0.00	-0.27
Financials	4.10	11.64	0.47	8.17	5.91	0.48	-4.06	5.74	-0.01	0.09	0.23	0.32
Energy	3.22	7.98	0.26	4.81	15.43	0.71	-1.59	-7.44	-0.45	-0.11	-0.23	-0.34
Utilities	2.17	-6.35	-0.13	2.02	-3.39	-0.07	0.15	-2.95	-0.07	-0.02	-0.07	-0.08
Total	**100.00**	**6.62**	**6.62**	**100.00**	**8.03**	**8.03**	**0.00**	**-1.41**	**-1.41**	**-0.16**	**-1.25**	**-1.41**

**Diversified Large Growth Equity Composite Data*

Portfolio Holdings	% Weight
Consumer Discretionary	
Autozone Inc Com	2.9
Comcast Corp New Cl A	3.7
Costco Companies Inc C	1.3
Directv Com	2.8
Home Depot Inc Com	2.2
Tjx Cos Inc New Com	2.7
Viacom Inc Cl B	3.2
Wal Mart Stores Inc Co	3.8
Consumer Staples	
Coca Cola Co Com	3.2
Kimberly Clark Corp Co	1.0
Kroger Co	1.6
Cvs/Caremark Corp	2.4
Conagra Inc Com	1.4
Energy	
Exxon Mobil Corporatio	1.7
Schlumberger Ltd Forei	1.6
Financials	
American Express Co	1.4
Mastercard Inc Cl A	3.0
Health Care	
Amgen Inc Com	3.5
Abbott Labs Com	2.0
Abbvie Inc. Com	1.0
Celgene Corp Com	2.4
Mckesson Corp	2.3
Express Scripts Holdin	2.1
Johnson & Johnson Com	1.6
Industrials	
Boeing Co	1.1
Danaher Corp Com	1.7
Honeywell Intl Inc Com	1.5
Union Pac Corp Com	1.4
United Parcel Service	1.0
United Technologies Cp	2.9
Stericycle Inc Com	2.6
Information Technology	
Apple Inc	6.5
International Bus Mach	2.5
Google Inc Cl A	4.0
Motorola Solutions Inc	1.3
Oracle Corporation	3.4
Emc Corp/Mass	2.5
Qualcomm Inc Com	3.5
Materials	
Ecolab Inc Com	3.0
Praxair Inc Com	1.6
Sigma Aldrich Corp Com	1.0
Utilities	
Verizon Communications	3.6

Portfolio Holdings	% Weight
# of Securities	42

Protecting Florida's Investments Act Compliance

November 2013

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 September 24, 2013 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, 2013 Volume 16; Issue 3

Stock Market: Quarter in Review

- The equity markets continued their march higher in the third quarter despite ongoing uncertainty surrounding Federal Reserve tapering and the looming potential fiscal shocks from the government shutdown and debt ceiling debates.
- The major indices enjoyed a relatively smooth ride during the quarter enduring only one small mid-quarter selloff on their way to posting high single digit percentage quarterly gains and twenty plus percent year to date returns.
- The underlying tone to the market was generally "risk on" especially during September as higher beta, smaller, more cyclical companies were rewarded pushing the year to date spread in favor of small caps over large caps to almost seven percent.
- Growth and small cap dramatically outperformed value and large cap as the best performing sectors were industrials, materials, and information technology while the relative laggards were utilities, consumer staples, and financials.

Stock Market: The Quarter Ahead

- Stocks enter the fourth quarter with an impressive year to date gain having avoided a ten plus percent correction since March of last year, the longest such stretch in over seven years.
- The large cap indices continue to hold their breakouts to all-time highs that have pushed them outside the very large range that has contained prices since the peaks in 2000 and improved investor sentiment toward the longer term potential of the equity markets.
- The continued relative strength in small and midcap stocks along with the outperformance of more cyclically oriented sectors offers hope for further strength going forward.
- However, the surge over the past year has created less attractive valuation as significant multiple expansion has occurred despite slowing earnings growth and higher interest rates.
- Additionally, the current bull market is growing old as it approaches its fifth anniversary and with the major indices up over a hundred and fifty percent off their bear market lows, further significant gains are likely to be more challenging and fraught with greater risk.
- Finally, the current partial government shutdown and looming debt limit deadline create fiscal policy wild cards that investors will have to contend with even as the Federal Reserve offered a surprise monetary solution when the expected taper was pushed back indefinitely.
- Despite the impressive strength so far in 2013, the coming months could see equity price movement become more volatile and further gains more difficult given the hefty gains already posted, less favorable valuation, and the numerous global economic, political, and monetary uncertainties.

(Continued on back)

3rd Quarter Scorecard — *Table 1*

Index	Quarter	YTD	1 Year
S&P 500	5.3%	19.8%	19.4%
Russell 1000	6.0%	20.8%	20.9%
Russell 2000	10.2%	27.7%	30.1%
Russell 3000	6.4%	21.3%	20.6%
Russell 3000 Growth	8.5%	21.8%	20.3%
Russell 3000 Value	4.2%	20.7%	22.7%
Barclays Capital US Aggregate	0.6	-1.9	-1.7
3 Month T-Bills	0.02%	0.06%	0.10%

Source: Bloomberg & Russell Investments

Interest Rate Summary — *Table 2*

	9/30/12	6/30/13	9/30/13	Qtr Change	12-Month Change
3 Month T-Bills	0.1	0.0	0.0	-0.0	-0.1
5 Year Treasury	0.6	1.4	1.4	-0.0	+0.8
10 Year Treasury	1.6	2.5	2.6	+0.1	+1.0
30 Year Treasury	2.8	3.5	3.7	+0.2	+0.9
5 Year Corporate ('A')	1.6	2.3	2.3	0.0	+0.7
10 Year Corporate ('A')	2.9	3.8	3.9	+0.1	+1.0
30 Year Fixed Rate Mortg.	3.4	4.4	4.3	-0.1	+0.9

Source: Bloomberg

Fed Focus: End of Summer...End of Summers

While we would rather focus our narrative on international surfing trips or a string of Beach Boys' number one hits, the end of September traditionally brings an end to summer. Also nearing an end is Ben Bernanke's term as Chairman of the Federal Reserve. As we await the administration's nomination of the next chairman, President Obama's leading candidate, Lawrence Summers withdrew his name from consideration. Congressional support seems to favor the dovish, current Vice-Chairman, Janet Yellen. Just days after Summers' withdrawal, the Federal Open Market Committee surprised the markets by delaying a widely expected tapering of quantitative easing stating "the Committee decided to await more evidence that [economic growth] will be sustained before adjusting the pace of its purchases." Stock markets rallied to new highs and bond markets reversed most of their recent yield increases.

The Federal Reserve's dual mandate of maximum employment with stable prices gives us a guide into Fed thinking. "Economic activity has been expanding at a moderate pace," claims the Fed. As Graph 1 shows, U.S. Gross Domestic Production has surpassed pre-crisis levels and continues to grow. However, this growth has yet to fuel employment as U.S. Total Employment lags pre-crisis levels, four years into this recovery, see Graph 2. Recently falling unemployment rates have been driven by job seekers leaving the market either by abandoning the job search or thru retirement. Some Fed watchers point to the stubbornly low inflation rate as a major concern. Graph 3 shows the Core Consumer Price Index (less food and energy) continuing below the 2% Fed target, leaving disinflation a fear.

Interest Rates

A slow to expand economy with a fully accommodative Fed will leave interest rates low for a time, but the market has shown its hand. A consensus for higher rates someday, large flows out of bond investments, and the ongoing debate regarding tapering have driven rates higher. Table 1 shows the weakness in bonds vs. the relative strength in equities. Note the sharp increase in the slope of the yield curve (Table 2). This is the bond market's way of forecasting higher rates to come. The increase in the yield of the ten-year Treasury note (over 1% higher in the last five months) during a period of weak economic activity also raises cause for concern.

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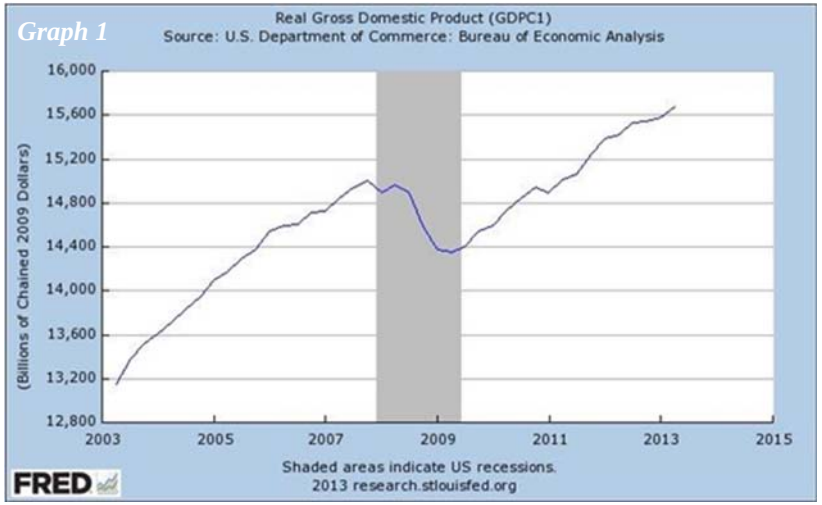
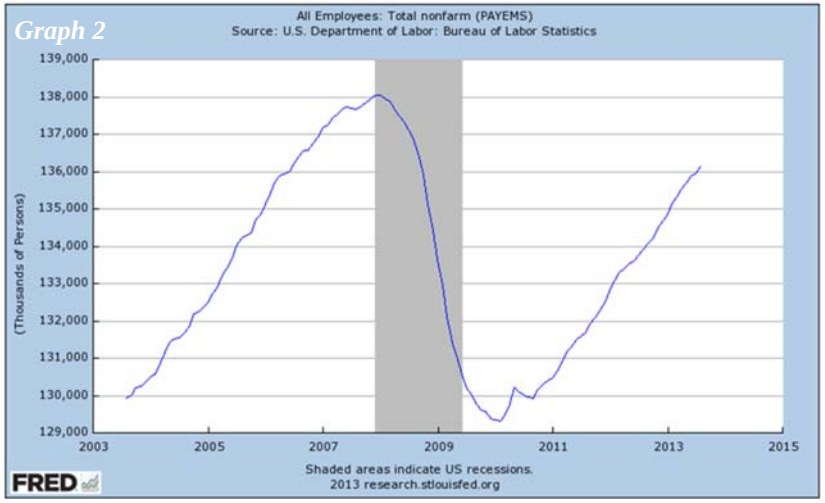


Source: FRED Economic Data, St. Louis Fed



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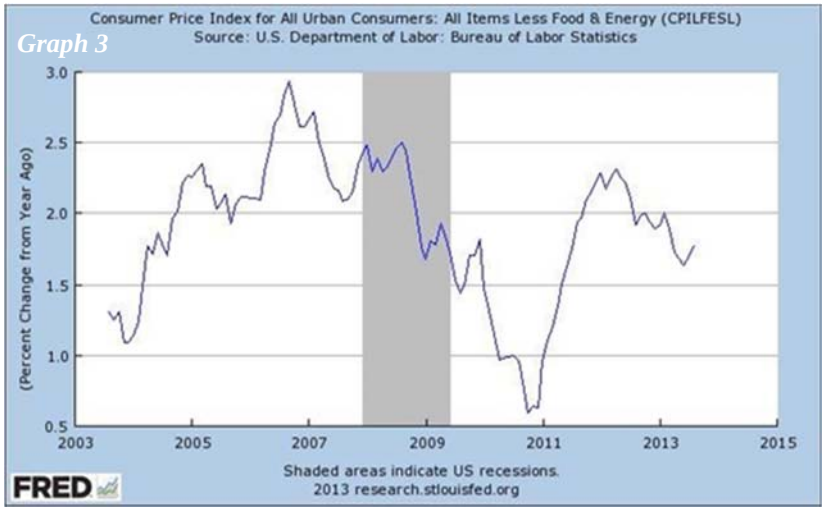

Source: FRED Economic Data, St. Louis Fed