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

March 31, 2014

City of Ormond Beach Pension Plans

Presented by:

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

Partnering with Sawgrass Asset Management

Sawgrass Provides

Stability

100% Employee Owned
25+ Year Experienced Team
16+ Year Team Continuity

Consistency

Repeatable Process
Focused Investment Models
Risk Management

Commitment

Priority on Client Needs
Direct Access to Managers
Customized Reporting

Client Benefits

- Fully Aligned Interests Between our Clients and Our Team
- Continuity of Leadership
- Long-term Investment Experience

- Clear Approach to Our Investment Decisions
- Consistent and Repeatable Results
- Excess Alpha with Low Volatility Over a Full Market Cycle

- Understanding of Client Challenges and Solutions
- Responsiveness to Client Needs
- Dependable, Accountable, Knowledgeable and Consistent Service

Ormond Beach Firefighters Portfolio Market Values

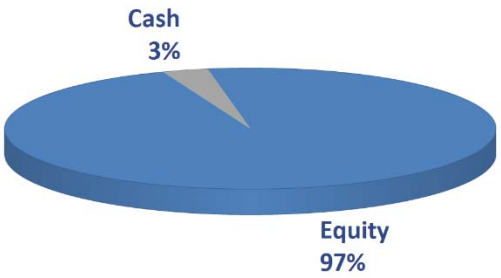
Change in Portfolio Value

Beginning Market Value on 12/31/13	**2,839,918**
Cash Additions	0
Cash Withdrawals	-4,095
Investment Gain/Loss	45,491
Ending Market Value on 03/31/14	**2,881,315**

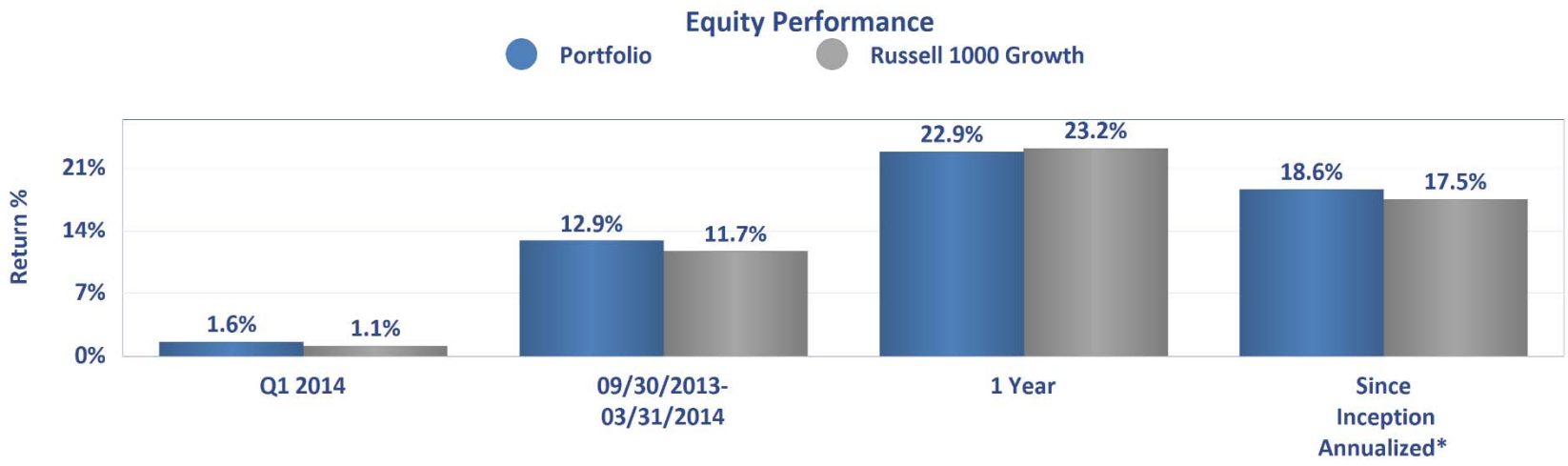
Portfolio Summary

Asset Class		Market Value	Percent of Assets
Cash	$	74,669	2.6%
Equity	$	2,806,646	97.4%
TOTAL	**$**	**2,881,315**	**100.0%**

Asset Allocation



Ormond Beach Firefighters
Portfolio Performance



	Q1 2014	09/30/2013-03/31/2014	1 Year	Since Inception Annualized*
TOTAL PORTFOLIO	**1.6%**	**12.9%**	**22.9%**	**18.6%**
Russell 1000 Growth	1.1%	11.7%	23.2%	17.5%
S&P 500	1.8%	12.5%	21.9%	19.3%

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

Ormond Beach General Employees
Portfolio Market Values

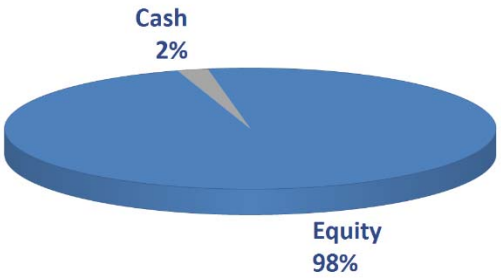
Change in Portfolio Valueaaaaa

Beginning Market Value on 12/31/13	**5,035,704**
Cash Additions	0
Cash Withdrawals	-210,260
Investment Gain/Loss	91,285
Ending Market Value on 03/31/14	**4,916,730**

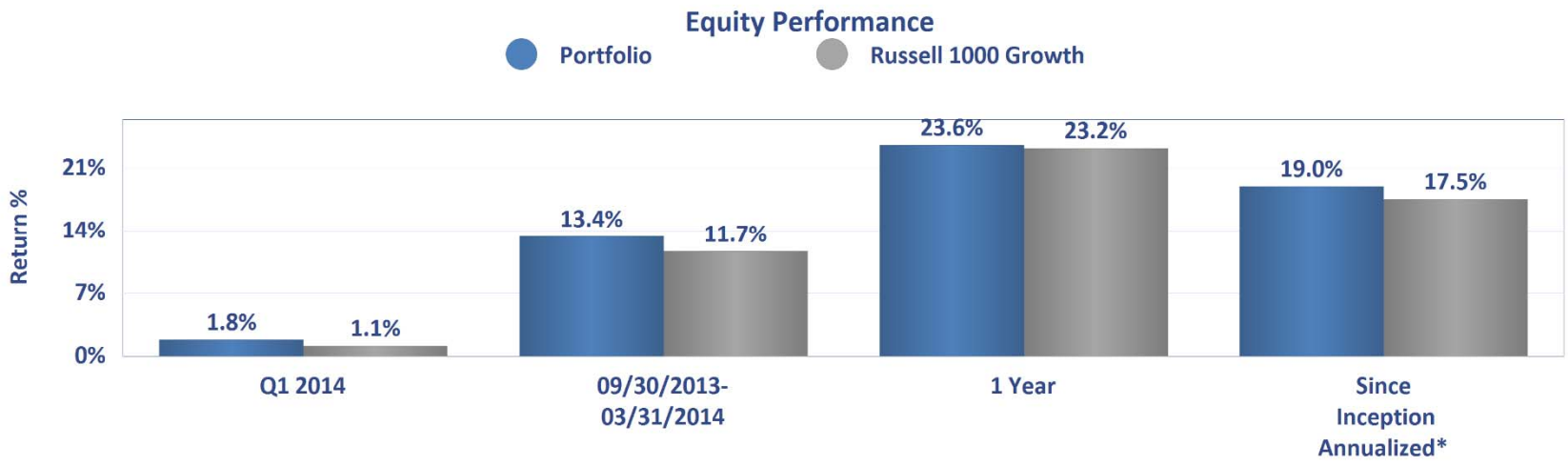
Portfolio Summary

Asset Class		Market Value	Percent of Assets
Cash	$	113,040	2.3%
Equity	$	4,803,689	97.7%
TOTAL	**$**	**4,916,730**	**100.0%**

Asset Allocation



Ormond Beach General Employees Portfolio Performance



	Q1 2014	09/30/2013-03/31/2014	1 Year	Since Inception Annualized*
TOTAL PORTFOLIO	**1.8%**	**13.4%**	**23.6%**	**19.0%**
Russell 1000 Growth	1.1%	11.7%	23.2%	17.5%
S&P 500	1.8%	12.5%	21.9%	19.3%

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

Ormond Beach Police Officers

Portfolio Market Values

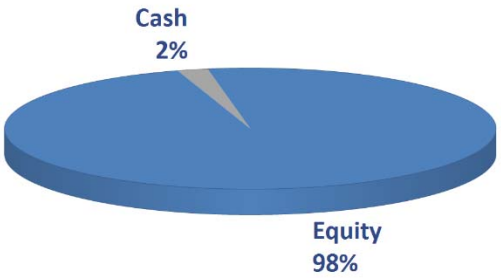
Change in Portfolio Value

Beginning Market Value on 12/31/13	**3,439,814**
Cash Additions	0
Cash Withdrawals	-59,959
Investment Gain/Loss	62,351
Ending Market Value on 03/31/14	**3,442,205**

Portfolio Summary

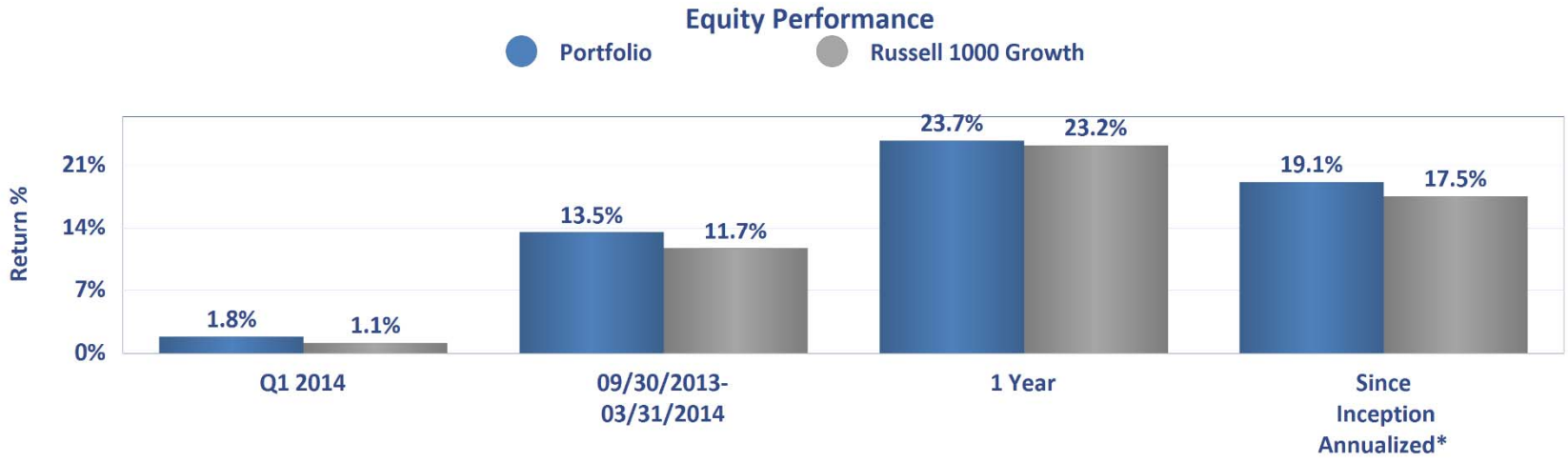
Asset Class		Market Value	Percent of Assets
Cash	$	63,028	1.8%
Equity	$	3,379,177	98.2%
TOTAL	**$**	**3,442,205**	**100.0%**

Asset Allocation



Ormond Beach Police Officers

Portfolio Performance



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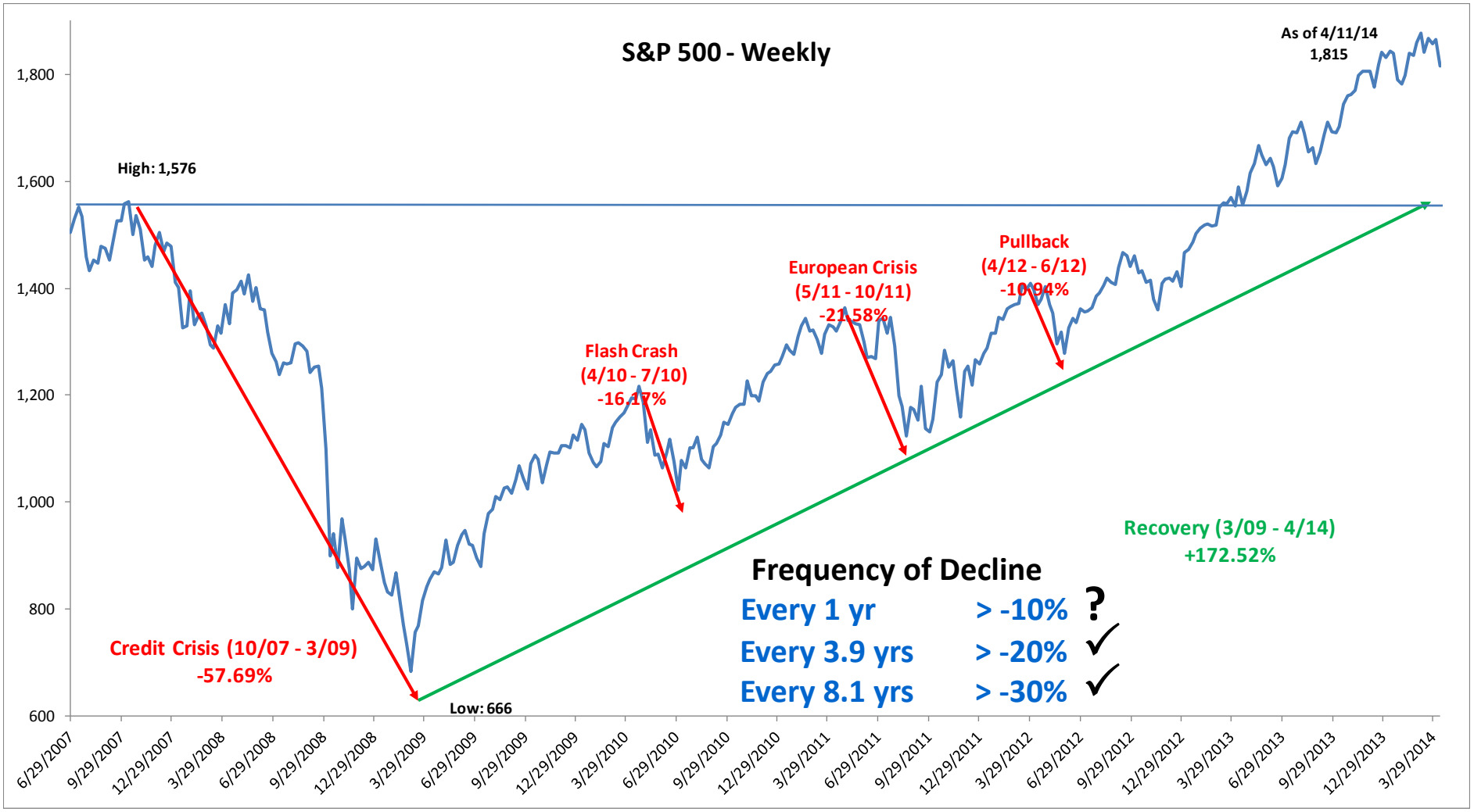
S&P 500	1.8%	12.5%	21.9%	19.3%

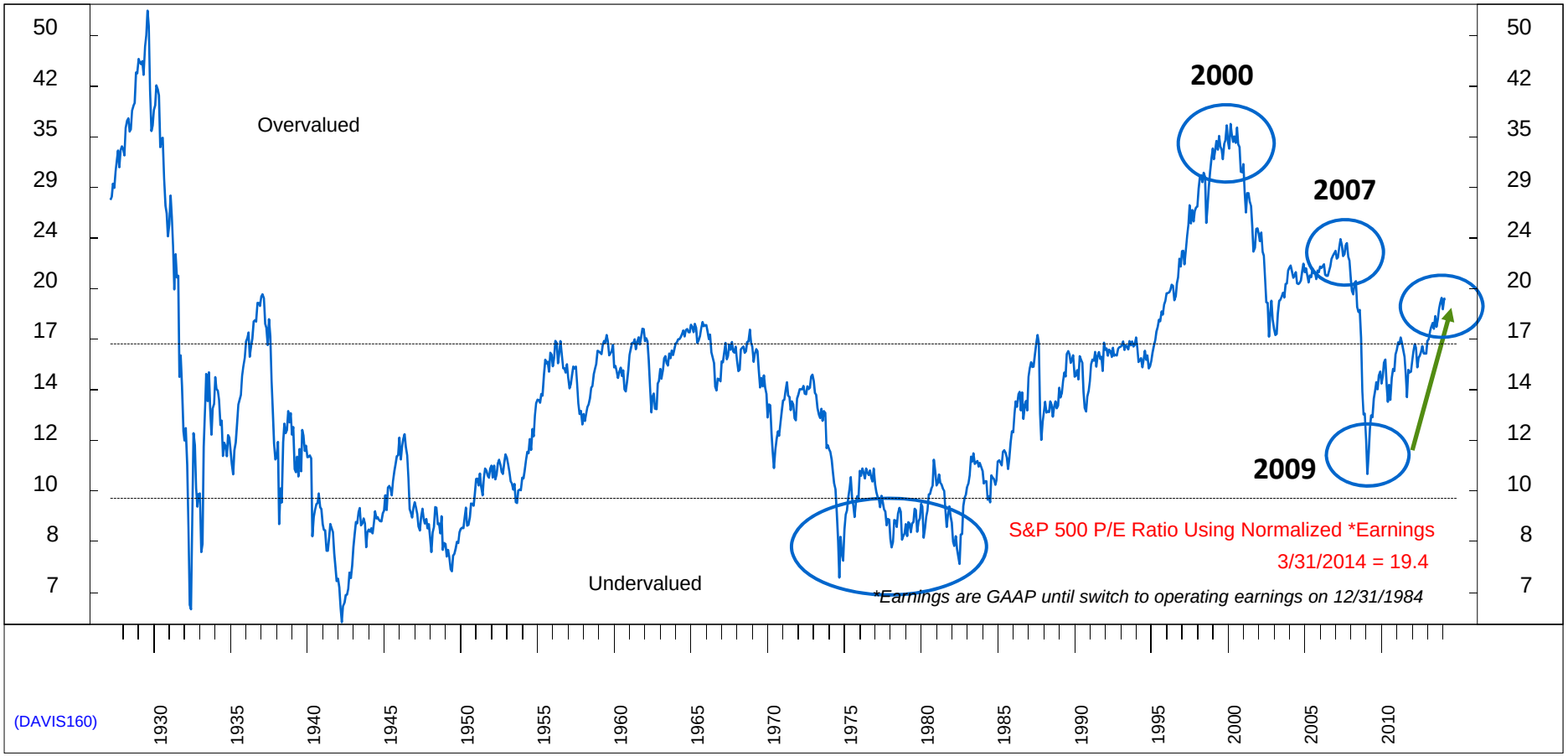
** Since Inception 4/25/12*
Returns are gross of investment management fees

Okay, he's getting pretty close. I'm counting on you guys to back me up…

What a Ride! The Past 6 Years



Stocks Modestly Overvalued on P/E Basis



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Portfolio Characteristics

	Portfolio*	Russell 1000 Growth
1 Yr Forecast EPS Growth (FE)	11.8	12.2
PE LTM (FF)	18.4	21.5
Price to Cash Flow	13.5	15.6
Price to Sales	2.9	3.5
Price to Book	4.3	5.4
Market Cap - Weighted Average - $ Billion	125.3	100.0
# of Securities	43	626

Top 10 Holdings

Ten Largest Holdings	Percent of Equity
Google Inc Cl A	4.64%
Oracle Corporation	4.17%
Verizon Communications Com	4.11%
Qualcomm Inc Com	4.02%
Comcast Corp New Cl A	4.01%
Apple Inc	3.91%
Wal Mart Stores Inc Com	3.50%
Autozone Inc Com	3.35%
Emc Corp/Mass	3.22%
Coca Cola Co Com	3.06%
TOTAL	**37.99%**

**Diversified Large Growth Equity Composite Data*

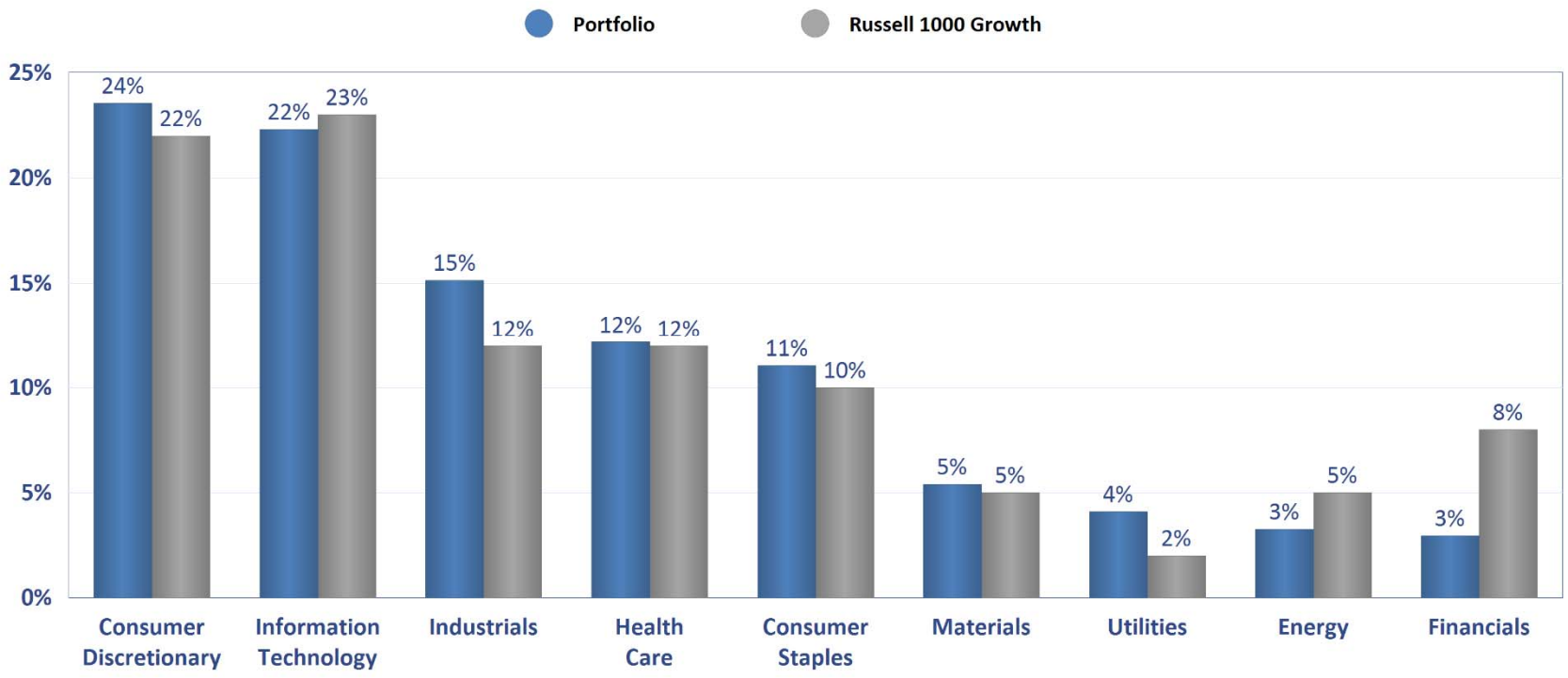
Contribution to Return - Quarter

Top 10 Performers	Ending Percent Of Total	Price Change %	Contribution To Return
AUTOZONE INC COM	3.2	12.4	0.38
DIRECTV COM	2.4	10.7	0.35
ORACLE CORPORATION	4.2	6.9	0.30
EMC CORP/MASS	3.2	9.0	0.29
KROGER CO	3.0	10.4	0.28
AMGEN INC COM	2.0	8.1	0.28
SOUTHWEST AIRLS CO COM	1.3	25.3	0.27
UNION PAC CORP COM	2.3	11.7	0.26
QUALCOMM INC COM	4.0	6.2	0.26
JOHNSON & JOHNSON COM	2.5	7.2	0.19

Bottom 10 Performers	Ending Percent Of Total	Price Change %	Contribution To Return
TJX COS INC NEW COM	1.6	-4.8	-0.08
COSTCO COMPANIES INC COM	1.5	-6.2	-0.09
WAL MART STORES INC COM	3.5	-2.9	-0.09
VERIZON COMMUNICATIONS COM	4.1	-3.2	-0.10
COMCAST CORP NEW CL A	4.0	-3.7	-0.13
VERISIGN INC COM	1.4	-9.8	-0.17
COCA COLA CO COM	3.1	-6.4	-0.20
APPLE INC	4.0	-4.3	-0.21
MASTERCARD INC CL A	1.9	-10.6	-0.23
CONAGRA INC COM	0.0	-7.9	-0.29

**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
Consumer Discretionary	22.44	0.94	0.28	22.27	-2.11	-0.48	0.17	3.05	0.76	0.01	0.68	0.70
Information Technology	21.38	2.35	0.49	22.41	3.02	0.67	-1.03	-0.67	-0.18	-0.02	-0.15	-0.17
Health Care	13.25	5.09	0.72	12.58	3.56	0.46	0.67	1.53	0.26	0.14	0.12	0.27
Industrials	12.89	3.62	0.45	12.40	1.02	0.11	0.49	2.60	0.34	0.02	0.32	0.35
Consumer Staples	10.16	0.44	0.03	9.98	0.98	0.08	0.18	-0.54	-0.05	0.02	-0.08	-0.06
Materials	5.02	1.86	0.09	5.38	2.09	0.12	-0.36	-0.23	-0.02	0.00	-0.01	-0.01
Cash	4.43	0.01	0.00	0.00	0.00	0.00	4.43	0.01	0.00	-0.05	0.00	-0.05
Utilities	4.02	-2.14	-0.09	1.89	-0.85	0.00	2.13	-1.29	-0.10	-0.07	-0.05	-0.12
Financials	3.32	-6.40	-0.23	8.48	-1.74	-0.16	-5.15	-4.66	-0.07	0.15	-0.16	0.00
Energy	3.08	2.50	0.07	4.61	6.73	0.31	-1.52	-4.24	-0.24	-0.08	-0.13	-0.21
Total	**100.00**	**1.82**	**1.82**	**100.00**	**1.12**	**1.12**	**0.00**	**0.70**	**0.70**	**0.14**	**0.55**	**0.70**

**Diversified Large Growth Equity Composite Data*

Portfolio Changes - Quarter

3/31/14

Sawgrass Russell Sector	12/31/2013 Weight	3/31/2014 Weight	Changes
Consumer Discretionary	**21.58**	**22.74**	
AutoZone, Inc.	2.77	3.06	
Comcast Corporation Class A	4.12	3.90	
Costco Wholesale Corporation	1.57	1.45	
DIRECTV	2.96	2.33	(0.63)
Home Depot, Inc.	1.71	1.62	
PetSmart, Inc.	1.22	1.80	0.59
TJX Companies, Inc.	1.63	1.52	
Viacom Inc. Class B	2.02	1.93	
Wal-Mart Stores, Inc.	3.58	3.41	
Walt Disney Company	0.00	1.70	1.70
Consumer Staples	**10.29**	**10.84**	
Coca-Cola Company	3.26	3.01	
ConAgra Foods, Inc.	1.90	0.00	(1.90)
CVS Caremark Corporation	2.73	2.80	
General Mills, Inc.	0.00	2.13	2.13
Kroger Co.	2.39	2.89	0.50
Energy	**3.18**	**3.18**	
Exxon Mobil Corporation	1.71	1.62	
Schlumberger NV	1.47	1.56	
Financials	**3.47**	**3.19**	
American Express Company	1.42	1.38	
MasterCard Incorporated Class A	2.05	1.80	
Health Care	**15.46**	**11.81**	
Abbott Laboratories	2.33	2.30	
AbbVie, Inc.	1.05	1.01	
Amgen Inc.	3.21	1.99	(1.22)
Celgene Corporation	2.36	0.00	(2.36)
Express Scripts Holding Company	2.56	2.69	
Johnson & Johnson	2.33	2.46	
McKesson Corporation	1.62	1.36	

	12/31/2013 Weight	3/31/2014 Weight	Changes
Industrials	**12.30**	**14.79**	
3M Company	0.00	1.86	1.86
Danaher Corporation	1.71	1.63	
FedEx Corporation	0.00	1.16	1.16
Honeywell International Inc.	1.51	1.50	
Southwest Airlines Co.	0.99	1.22	
Stericycle, Inc.	2.21	2.36	
Union Pacific Corporation	2.01	2.21	
United Parcel Service, Inc. Class B	1.05	0.00	(1.05)
United Technologies Corporation	2.81	2.83	
Information Technology	**22.07**	**21.38**	
Apple Inc.	4.90	3.87	(1.03)
EMC Corporation	2.93	3.14	
Google Inc. Class A	4.15	4.06	
International Business Machines Corporatio	0.96	0.97	
Oracle Corporation	3.90	4.10	
QUALCOMM Incorporated	3.75	3.92	
VeriSign, Inc.	1.48	1.32	
Materials	**5.01**	**5.30**	
Ecolab Inc.	1.97	2.01	
Praxair, Inc.	1.89	2.17	0.28
Sigma-Aldrich Corporation	1.14	1.12	
Utilities	**4.17**	**3.96**	
Verizon Communications Inc.	4.17	3.96	
[Cash]	2.48	2.82	

New	Eliminated
Disney	Celgene
General Mills	ConAgra
3M Company	UPS
Fedex	

Sawgrass Diversified Large Growth Equity 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%
						(2012)	14.28%	15.26%
Number of Years						(2013)	35.51%	33.48%
Sawgrass								
Outperformed	4/4			5/5			1/7	

Performance Across Various Markets		
As of Year-End 2013	Sawgrass	R1000G
Cumulative Return	159.79%	96.83%
Annualized Return	6.25%	4.39%
Standard Deviation	14.2%	18.4%

Since Inception March 31, 1998

Sawgrass Diversified Large Growth Equity – 1Q14 Portfolio Review/Outlook

Market Review: More Than Meets the Eye

- After six months of steady rising prices, stocks slowed their pace in the first quarter rising +1.8% (S&P 500).
- While the total quarter return was modest, there was increased volatility as stocks began the quarter by falling almost -6% before rallying to new highs in March.
- The first quarter had no discernable theme. Sector returns were mixed as Utilities (+9%) and Healthcare (+5.4%) led while long time leader Discretionary fell (-3.2%). Cap returns were mixed as midcap stocks modestly outperformed. Utility heavy Value indices outperformed the Discretionary heavy Growth.
- Modest returns masked more significant rotation underneath the surface. Biotech stocks jumped more than 20% early in the quarter only to give back most of their gains by quarter end. The market rotated from risk-off to risk-on to risk-off as investors handicapped the strength of the economy and the prospect of rising interest rates.
- All in all, it was a market in search of direction after five years of rising prices.

Portfolio Review: Modest Gains

- Our portfolio scratched out a modest relative gain for the quarter, outperforming the Russell 1000 Growth in a hard fought give and take market.
- We have seen much more dramatic performance swings on a daily basis than we saw at any time last year.
- In analyzing our performance, we added value primarily from our factor exposures. Our emphasis on lower volatility, favorable valuation, and lower beta all added value. A reduction in our Biotech exposure early in the quarter was also timely as Biotech companies significantly rolled over.
- All in all, we were pleased to outperform in a quarter which was challenging for active managers.

Outlook: More Volatility

- If the first quarter is any indication, we should expect more volatility from the stock market this year.
- Time will tell if the 6% pullback was saw early in the year is the pause that refreshes or a precursor to something more significant. We lean to the latter sentiment.
- As we said last quarter, we wouldn't be surprised to see an uncomfortable pullback at some point, only to end the year higher.
- From a portfolio perspective, we are tilted toward a more "risk aware" posture, expecting that real economic growth may be hard to come by and that any hint of rising interest rates, to this point, has not been viewed favorably by the stock market.

Sawgrass Composite Portfolio versus Russell 1000 Growth (as of 1st Qtr 2014):

What Helped:

Low Volatility Bias
Favorable Valuation Bias
Lower Beta Bias

What Hurt:

Nothing Significant

SAWGRASS Asset Management, L.L.C.

Financial Review & Outlook

March 31, 2014 Volume 17; Issue 1

Stock Market: Quarter in Review

- The equity markets marked the fifth anniversary of the current bull market by posting modest first quarter gains to finish off a five year period that generated 20+ percent annualized returns.
- Despite ongoing concerns about the pace of economic growth, the continued tapering operations by the Federal Reserve, and escalated geopolitical risks, stocks continued their upward march and avoided the long anticipated correction that has now been absent for almost two years, a historically unusual period of relative calm.
- While the overall quarterly gains were modest and the markets seemingly stable, the rotations underneath the surface were volatile as the shift from "risk on" to "risk off" and away from momentum names during March ended up generally favoring lower volatility, lower beta, and more attractive valuation.
- Value and large cap outperformed growth and small cap. The best performing sectors were healthcare, utilities, and information technology while the relative laggards were consumer discretionary, industrials, and consumer staples.

Stock Market: The Quarter Ahead

- As equities enter the sixth year of their current bull market, the major indices have pushed the returns from the lows of 2009 to upwards of 175 percent, an extraordinary run that is approaching the time length and percentage gains of some of the great bull markets of the past.
- The ability of the major indices to hold their breakout to new all-time highs has helped to improve investor sentiment about the prospects of longer-term gains and likely formed a strong area of initial support should the indices attempt to retest those levels.
- Significant multiple expansion despite slowing earnings growth and higher interest rates has created less attractive valuation and increased the probability that future growth will disappoint relative to the expectations implied by this expansion.
- Recent high volume selling and relative weakness in momentum oriented growth names in consumer discretionary, technology, and biotechnology has elevated the risk that the overall market has reached an area of formidable resistance and started more extensive corrective action. Additionally, the inability of the Volatility Index (VIX) to hit new lows even as the major indices have continued to carve out new highs is another divergence that increases concerns about the potential for a larger retracement.
- The ongoing tapering actions of the Federal Reserve and the political battles likely to be waged as the mid-term elections approach could create notable headwinds through the balance of the year.
- Despite the impressive resilience of the major indices during the past five years, the coming months could see equity price movement become more volatile and

(Continued on back)

1st Quarter Scorecard *Table 1*

Index	Quarter	1 Year
S&P 500	1.8%	22.1%
Russell 1000	2.1%	22.4%
Russell 2000	1.1%	24.9%
Russell 3000	2.0%	22.6%
Russell 3000 Growth	1.1%	23.5%
Russell 3000 Value	2.9%	21.7%
Barclays Capital US Aggregate	1.8%	-0.1%
3 Month T-Bills	0.01%	0.07%

Source: Bloomberg & Russell Investments

Okay, he's getting pretty close. I'm counting on you guys to back me up…

further gains more difficult given an aging bull market in its sixth year, less favorable valuation, and ongoing political, monetary, and fiscal uncertainties.

Hope Springs Eternal

As we shake free from winter's grip and the Northeast thaws from record snowfall, the truth about our U.S. economy will slowly emerge. Forecasts for first quarter 2014 Gross Domestic Product (GDP) call for below two percent growth rates. This is lower than last year's 2.6% pace. Will spring bring the hopeful bounce in pent-up spending or will the lackluster economy look beyond weather for other excuses? The full impact of the disastrous winter season won't be seen for months, however, hopeful signs from the housing sector – rising starts, permits and values – and increasing consumer confidence lead forecasters to increase expectations for growth. In fact, when looking at regional data first quarter growth showed continued strength in the South and West, areas unaffected by the polar vortex.

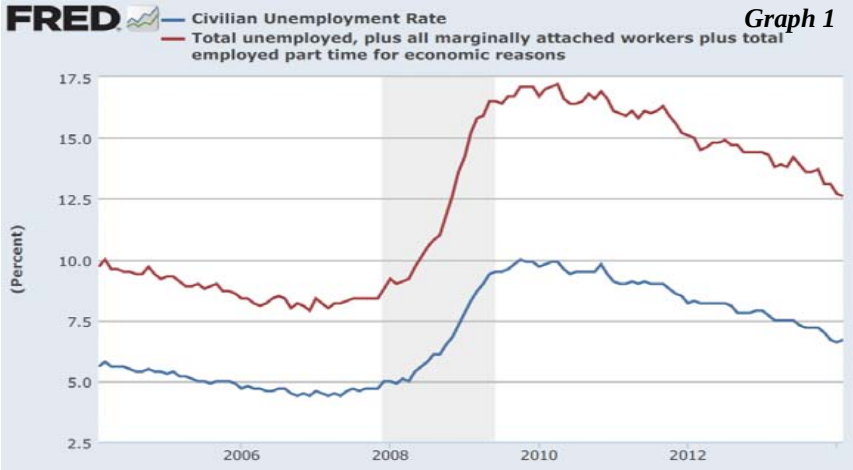
As Sure As Spring Follows Winter

Changes at the Federal Reserve are not as frequent as the seasons, but this spring welcomes a new Fed Chair. Janet Yellen presided over her first meeting of the Federal Open Market Committee this March and participated in an extended press conference. Her main message was that the economy is not as strong as the falling unemployment rate might suggest. Other measures must be considered to more fully evaluate the lasting trajectory for growth. Under-employment (workers taking lower paid or part time jobs) is falling but still remains elevated (see Graph 1) Low quit rates suggest workers find it difficult to secure better jobs (Graph 2).

Unintended fireworks ensued during the question and answer portion of the FOMC meeting. Chair Yellen's statement of "low rates for a considerable time" after the QE3 ends brought the question of what is "considerable?" The answer of "six months or that type of thing" surprised investors as being sooner than expected, sending stocks lower, and interest rates higher. Later speeches by Dr. Yellen and other committee members tried to put the genie back into the bottle by emphasizing the "lower for longer" message, repairing much of the financial damage (see Table 1).

Interest Rates

With all that said, the continued slow, plodding global growth, portfolio rebalancing taking profits from last year's equity rally and the search for yield has led interest rates lower for the quarter. Long term rates fell by 40 basis points while shorter-term rates ended marginally higher. Corporate bonds improved over the quarter, tightening by 10 basis points. All in, the Barclays Aggregate added 1.84% during a quarter where consensus expected just the opposite (See Table 2).



Graph 1

Source: FRED Economic Data, St. Louis Fed

Graph 2

Source: FRED Economic Data, St. Louis Fed, US Department of Labor; Bureau of Labor Statistics

Interest Rate Summary *Table 2*

	3/31/13	12/31/13	3/31/14	Qtr Change	12-Month Change
3 Month T-Bills	0.1	0.1	0.0	-0.1	-0.1
5 Year Treasury	0.8	1.7	1.7	0.0	+0.9
10 Year Treasury	1.8	3.0	2.7	-0.3	+0.9
30 Year Treasury	3.1	4.0	3.6	-0.4	+0.5
5 Year Corporate ('A')	1.7	2.5	2.4	-0.1	+0.7
10 Year Corporate ('A')	3.1	4.2	3.8	-0.4	+0.7
30 Year Fixed Rate Mortg.	3.7	4.5	4.4	-0.1	+0.7

Source: Bloomberg

Please feel to contact us at (904) 493-5500.