

City of Ormond Beach Police Officers Pension - International Equity Account

Global stocks rallied during the second quarter as a result of improving economic trends and an easing of the geopolitical conflicts that gripped the markets at the start of the year. Volatility in the global equity markets, as measured by the CBOE EAFE ETF Volatility and CBOE Emerging Markets ETF Volatility indices, declined throughout the quarter. This resulted in pro-cyclical sectors such as Financials and Energy contributing the most to benchmark returns and helped emerging market equity returns outpace developed market returns (Chart 1).

Economic readings around the globe continue to improve, with relatively strong readings reported in the United States and various countries within Europe and Asia. It was only a couple of years ago that investors debated the breakup of the European Union, as some member nations faced economic malaise following the financial crisis. With balance sheets loaded with debt, these weaker nations had difficulty financing their fiscal commitments as high unemployment translated into declining tax receipts. As a consequence, nations such as Spain, Italy, Ireland, Portugal and Greece were locked out of the sovereign debt market. This resulted in a

rapid rise in their bond yields, further straining their economic outlook. However, through economic reforms and fiscal austerity measures, many of

these nations have seen positive economic results thus far in 2014. Most important has been the rapid decline in their bond yields (see Chart 2), as

CHART 1: Emerging Market Stock Indices Rebound in Second Quarter

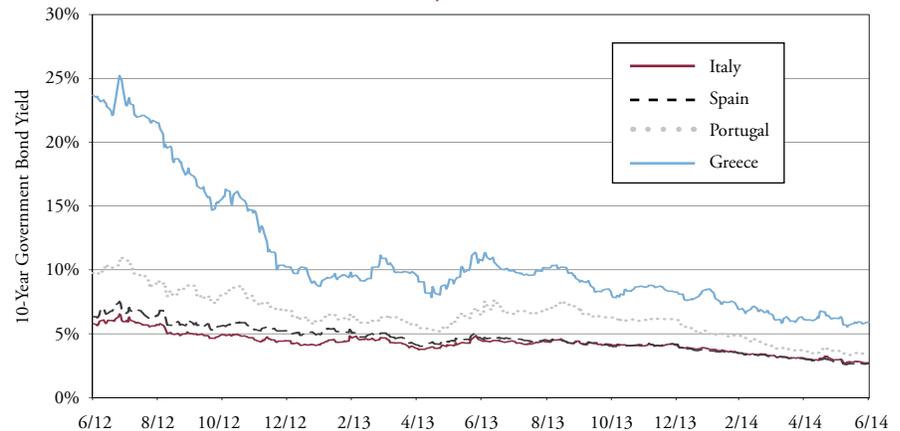
	2nd Qtr. 2014 Return ⁽¹⁾	YTD Return ⁽¹⁾
MSCI Emerging Market Index	6.6%	6.1%
MSCI Brazil	7.5%	10.5%
MSCI Russia	10.7%	-5.3%
MSCI India	12.7%	21.9%
MSCI China	5.5%	-0.7%
MSCI EAFE (Developed Markets)	4.1%	4.8%

Data ending 6/30/14

⁽¹⁾Total Return in U.S. Dollars

Source: FactSet, MSCI

CHART 2: Weak European Nations Have Seen Funding Costs Decline Dramatically



Data ending 6/30/14

Source: FactSet

MARKET VALUE SUMMARY

	Quarter Ending 6/30/14
Equities (\$)	\$1,427,790
Cash (\$)	\$101,809
Total Portfolio (\$)	\$1,529,599

PORTFOLIO PERFORMANCE⁽¹⁾

	Quarter Ending 6/30/14	Year-to-Date 6/30/14
Police Officers' International Pension (net of fees)	+5.4%	+5.0%
MSCI ACWI ex US Index ⁽²⁾	+5.0%	+5.6%

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

⁽²⁾Renaissance primary benchmark.

these lower rates will further enhance their ability to mend their finances and potentially help drive economic growth into 2015 and beyond.

In addition to the improving sovereign bond yields of the aforementioned nations, the rest of the world is also benefitting from record low interest rates. By keeping interest rates low, central bankers are incentivizing

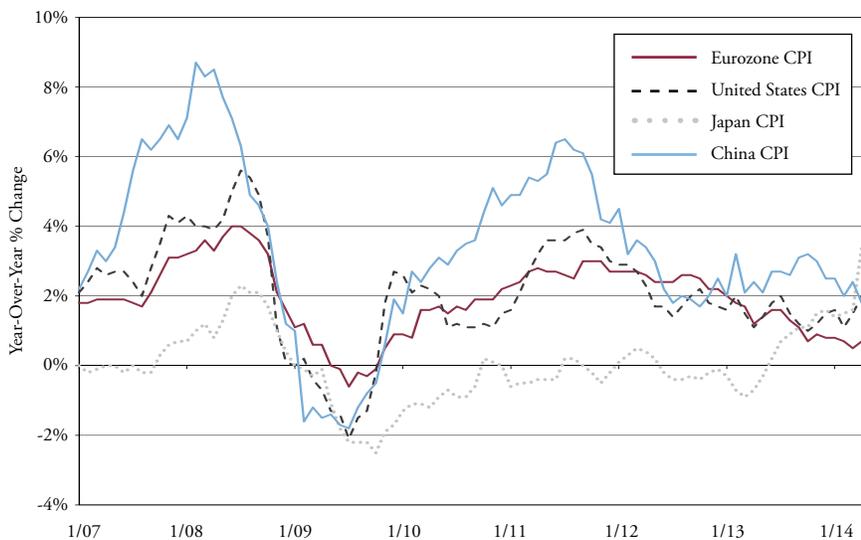
investors and companies to drive asset prices higher, as the cost of funds needed to buy assets remains low. We expect the current level of interest rates to remain muted for the foreseeable future as inflation remains in check throughout most of the world (see Chart 3). Interestingly, since the start of the financial crisis, emerging markets seem to be the biggest beneficiaries of lower inflation, which we

believe will help support equity prices in these markets going forward.

While Europe and the United States seem to be on an upswing economically, Japan is showing some signs of strain. Japanese equities performed strongly in 2013 as a result of the monetary stimulus enacted to restart the sluggish economy following the election of Prime Minister Shinzo Abe. However, Japanese equities have underperformed relative to other developed markets thus far in 2014 as the longer term effects of monetary policies put in place last year remain unclear. Couple this uncertainty with the recent April 2014 increase in the nation's consumption tax, it is easy to understand why investors remain concerned about Japan's economic future. Looking at history, an increase in the consumption tax in Japan has had a negative effect on consumer spending habits in the months following the increase. As seen in Chart 4, the significant drop in household spending in May helps support our weak outlook for Japan and explains why we remain underweight relative to our benchmark.

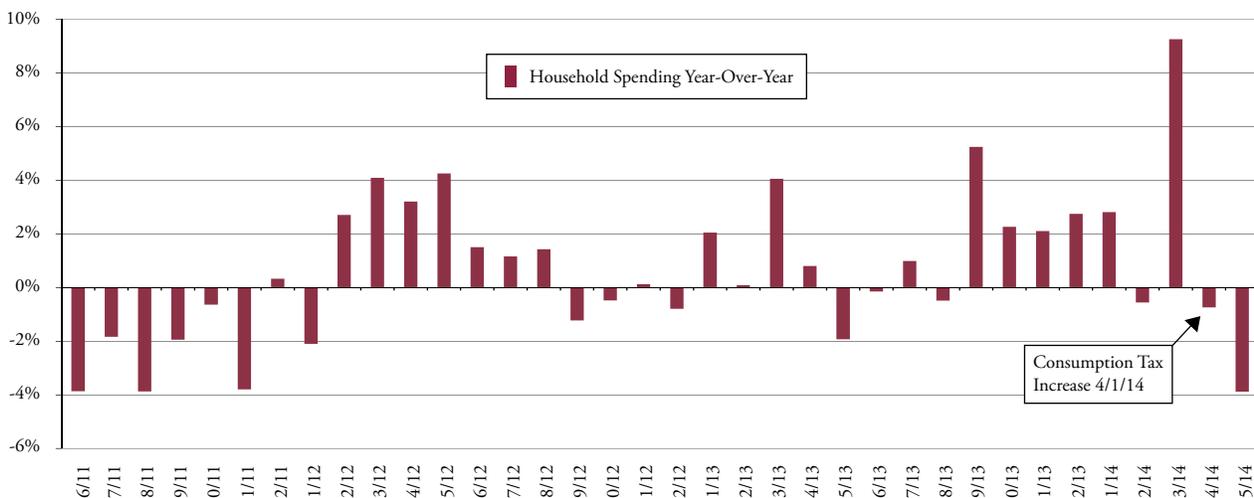
Unlike Japan, where investors have known that the economic growth story

CHART 3: Lower Inflation Allows for Continued Accommodative Central Bank Policies



Data ending 5/31/14
 Source: Bloomberg, Eurostat, Bureau of Labor Statistics, Ministry of Internal Affairs and Communications, National Bureau of Statistics of China

CHART 4: Japanese Household Spending Hurt By Consumption Tax Increase⁽¹⁾

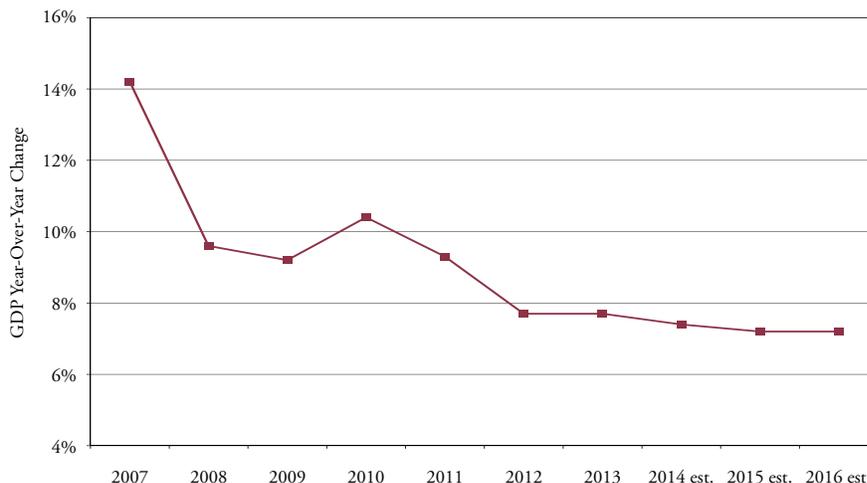


Data ending 5/31/14
⁽¹⁾ Growth Calculated Year-Over-Year
 Source: FactSet

has been on the decline for years, China's economic growth has only started to moderate. Investors have begun to realize that a larger and more complex Chinese economy can no longer post the consistent double-digit gross domestic product (GDP) growth rates seen before 2010. This has resulted in more muted expectations from global economists about future economic growth in the nation (see Chart 5). Slowing economic growth is not fundamentally bad for China, but the country continues to face concerns that excessive funding from the nation's banks and lending institutions has caused its property sector to overheat. Recent monetary policy changes to curb lending have caused housing starts to decline (Chart 6), which is a positive as it conveys the perception that the government is reining in excessive lending practices that could shock the economy if left unbridled. In addition to curbing real estate lending, Chinese authorities are supporting the manufacturing sector through a mini-stimulus package. The impact of this was evident in the June HSBC/Markit Purchasing Managers Index reading of 50.7, up from 49.4 in May, indicating a slight expansion in the manufacturing sector (Chart 7). Although we are encouraged by the ability of Chinese authorities to manage their economy, we continue to shy away from industries tied to the Chinese housing market, such as banking and real estate, as the government remains vigilant in restricting growth in these markets.

As a result of our significant exposure to cyclical stocks, our International Equity portfolio posted positive absolute and relative performance in the second quarter. In addition, the portfolio also performed well on an absolute and relative basis for the one-year trailing time period. For the second quarter, our holdings in the Energy sector contributed the most to our performance, driven by

CHART 5: Chinese Economic Growth Has Slowed at Measured Pace



Source: Bloomberg

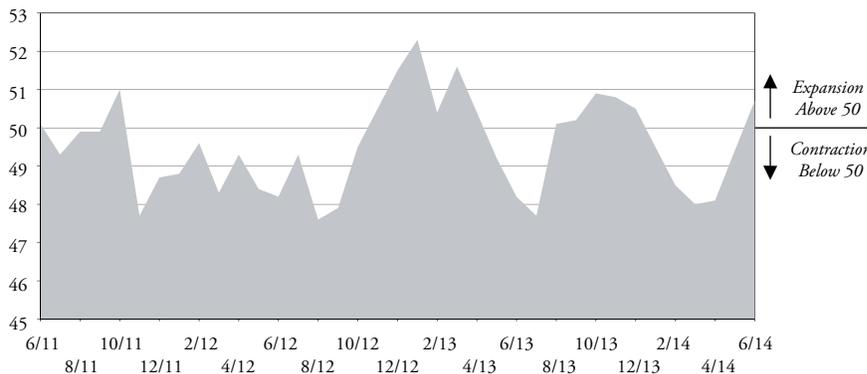
CHART 6: Chinese Government Works to Rein In Potential Housing Bubble
Floor Space of Newly Started Housing



Data ending 5/31/14

Source: Bloomberg, Markit, National Bureau of Statistics of China

CHART 7: China Manufacturing Rebounds Into Expansion Territory
HSBC China Manufacturing PMI Index⁽¹⁾



Data ending 6/30/14

⁽¹⁾The HSBC China Manufacturing PMI Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 420 manufacturing companies. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month.

Source: Bloomberg, Markit, National Bureau of Statistics of China

the benefits of rising oil prices to our exploration and production companies. On the negative side, the Materials sector contributed the least to our performance, with our agriculture-related holding dragging down results in this sector.

From a country perspective, portfolio performance was most impacted by our strong stock selection and relative overweighting to emerging markets. Emerging market stock indices fared better than developed market countries during the quarter, and our portfolio experience was similar to the indices. Hong Kong, Taiwan and China were our best-contributing emerging countries, while Canada, the United Kingdom and Singapore added the most to returns for our developed market countries. We finished the quarter with a 32% allocation to emerging markets, an increase from the prior quarter's weighting of 28%.

During the second quarter, we were active within the portfolio, exiting our

positions in **Energy XXI**, **CNOOC Ltd.**, **Credicorp**, **BAE Systems**, **Constellium NV** and **William Morrison Supermarkets**. Within the Energy sector, we grew concerned with the rising capital spending requirements at both CNOOC and Energy XXI. We sold BAE Systems because defense budgets around the globe have been slashed, and this began to show up in the firm's revenue stream as older defense programs were shut down by governments looking to rein in defense spending.

With our new additions to the portfolio, we continued to focus on our central themes of finding companies that will benefit from rising incomes in emerging markets. To that end, we added **Melco Crown Entertainment**, a casino operator and developer operating primarily in the Macau market. We also added an online game developer, **Perfect World**, towards the end of the quarter. We view Perfect World as a leader in the Chinese online gaming industry as the company

has shifted its strategy in the past year to refocus their developers' attention from PC-related games to mobile. Although mobile games are less profitable than PC games, we see the increasing smartphone usage in China as a driver for future mobile gaming demand. Recent beta testing of its upcoming mobile games has shown positive results, and we expect a strong response from players when these games officially launch in the second half of the year. We believe this should ultimately drive revenue growth at a faster pace than expected by investors.

Looking forward, we continue to believe the long-term potential for global markets remains very attractive, particularly given the low level of interest rates throughout the world. We continue to uncover strong investment candidates and believe a well-diversified portfolio of international stocks offering good growth and reasonable valuation offers excellent long-term investment potential.

*Individual securities and their returns listed in the commentary are based upon a representative account of the strategy discussed.

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

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Covington, KY 41011

City of Ormond Beach Police Officers 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>
Belgium						
287	ANHEUSER-BUSCH INBEV	69.73	\$20,014	114.94	\$32,988	2.3%
270	WABCO HOLDINGS INC	105.47	\$28,478	106.82	\$28,841	2.0%
	TOTAL Belgium		\$48,491		\$61,829	4.0%
Bermuda						
751	VALIDUS HOLDINGS LTD	33.91	\$25,470	38.24	\$28,718	2.0%
	TOTAL Bermuda		\$25,470		\$28,718	1.9%
Brazil						
807	TELEFONICA BRASIL SA	20.34	\$16,411	20.51	\$16,552	1.2%
	TOTAL Brazil		\$16,411		\$16,552	1.1%
Canada						
223	AGRIUM INC	82.59	\$18,417	91.63	\$20,433	1.4%
512	CANADIAN NATL RAILWAY	39.58	\$20,264	65.02	\$33,290	2.3%
4,418	GRAN TIERRA ENERGY INC	7.62	\$33,664	8.12	\$35,874	2.5%
1,471	MANULIFE FINANCIAL CORP	18.35	\$26,988	19.87	\$29,229	2.0%
451	METHANEX CORP	62.14	\$28,024	61.78	\$27,863	2.0%
808	SUNCOR ENERGY INC	31.17	\$25,187	42.63	\$34,445	2.4%
	TOTAL Canada		\$152,543		\$181,134	11.8%
Cayman Islands						
436	HERBALIFE INC.	27.86	\$12,147	64.54	\$28,139	2.0%
	TOTAL Cayman Islands		\$12,147		\$28,139	1.8%
China						
327	NETEASE INC	59.90	\$19,586	78.36	\$25,624	1.8%
741	WUXI PHARMATECH INC	16.12	\$11,947	32.86	\$24,349	1.7%
	TOTAL China		\$31,534		\$49,973	3.3%
Denmark						
1,625	PANDORA A/S	17.11	\$27,804	19.17	\$31,148	2.2%
	TOTAL Denmark		\$27,804		\$31,148	2.0%
France						
1,030	AXA GROUP	26.59	\$27,392	23.98	\$24,699	1.7%
835	CAP GEMINI SA	32.31	\$26,983	35.67	\$29,781	2.1%
1,559	SAFRAN SA	11.50	\$17,925	16.37	\$25,516	1.8%
380	VALEO SA ADR	26.04	\$9,897	67.15	\$25,517	1.8%
	TOTAL France		\$82,197		\$105,514	6.9%
Germany						
1,685	ALLIANZ SE	12.28	\$20,692	16.79	\$28,289	2.0%
621	VOLKSWAGEN AG	27.66	\$17,175	51.85	\$32,199	2.3%
	TOTAL Germany		\$37,867		\$60,488	4.0%
Hong Kong						
377	CHINA MOBILE LTD	44.94	\$16,942	48.61	\$18,326	1.3%
1,249	LENOVO GROUP LIMITED	19.72	\$24,626	27.30	\$34,100	2.4%
816	MELCO CROWN ENTERTAINMENT	31.53	\$25,731	35.71	\$29,139	2.0%
	TOTAL Hong Kong		\$67,299		\$81,566	5.3%

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Shares/Face	Security Description	Unit Cost	Total Cost	Price	Market Value	% of Total Assets
India						
912	TATA MOTORS ADR	26.77	\$24,413	39.06	\$35,623	2.5%
	TOTAL India		\$24,413		\$35,623	2.3%
Indonesia						
1,932	PT ASTRA INTERNATIONAL TBK	13.33	\$25,762	12.27	\$23,711	1.7%
3,112	PT BANK MANDIRI	8.85	\$27,535	8.20	\$25,528	1.8%
	TOTAL Indonesia		\$53,297		\$49,239	3.2%
Israel						
388	CHECK POINT SOFTWARE TECH	23.76	\$9,219	67.03	\$26,008	1.8%
	TOTAL Israel		\$9,219		\$26,008	1.7%
Japan						
1,563	BRIDGESTONE CORP	17.03	\$26,622	17.50	\$27,348	1.9%
335	JGC CORP	69.10	\$23,149	60.77	\$20,357	1.4%
1,879	KDDI CORPORATION	15.29	\$28,725	15.25	\$28,653	2.0%
1,036	NIPPON TELEPHONE & TELEGRAPH ADR	20.87	\$21,620	31.21	\$32,334	2.3%
	TOTAL Japan		\$100,115		\$108,691	7.1%
Mexico						
2,460	CONTROLADORA VUELA COMPANIA DE AVIACI	9.95	\$24,475	9.00	\$22,140	1.6%
	TOTAL Mexico		\$24,475		\$22,140	1.4%
Netherlands						
784	AERCAP HOLDINGS NV	13.02	\$10,210	45.80	\$35,907	2.5%
	TOTAL Netherlands		\$10,210		\$35,907	2.3%
Norway						
1,086	STATOIL ASA	26.27	\$28,527	30.83	\$33,481	2.3%
	TOTAL Norway		\$28,527		\$33,481	2.2%
Panama						
180	COPA HOLDINGS ADR	83.08	\$14,955	142.57	\$25,663	1.8%
	TOTAL Panama		\$14,955		\$25,663	1.7%
Singapore						
413	AVAGO TECHNOLOGIES LTD	30.97	\$12,789	72.07	\$29,765	2.1%
1,673	KEPPEL CORPORATION LIMITED	17.14	\$28,682	17.29	\$28,926	2.0%
	TOTAL Singapore		\$41,471		\$58,691	3.8%
South Korea						
1,367	SK TELECOM LTD	16.02	\$21,899	25.94	\$35,460	2.5%
	TOTAL South Korea		\$21,899		\$35,460	2.3%
Switzerland						
798	ALLIED WORLD ASSRNC CO HLDGS	13.19	\$10,524	38.02	\$30,340	2.1%
790	ROCHE HOLDING AG	32.01	\$25,288	37.30	\$29,467	2.1%
779	SWATCH GROUP AG	28.64	\$22,309	30.19	\$23,520	1.6%
933	ZURICH INSURANCE GROUP AG	29.77	\$27,775	30.14	\$28,122	2.0%
	TOTAL Switzerland		\$85,897		\$111,450	7.3%
Taiwan						

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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>
6,032	ADVANCED SEMICONDUCTOR ENGINEERING	4.90	\$29,580	6.50	\$39,208	2.7%
1,644	TAIWAN SEMICONDUCTOR MANUFACTURING C	14.06	\$23,122	21.39	\$35,165	2.5%
	TOTAL Taiwan		\$52,702		\$74,373	4.9%
United Kingdom						
424	ASTRAZENECA PLC ADR	35.45	\$15,031	74.31	\$31,507	2.2%
445	BT GROUP PLC	36.69	\$16,327	65.63	\$29,205	2.0%
463	HSBC HOLDING PLC	43.09	\$19,951	50.80	\$23,520	1.6%
1,948	KINGFISHER PLC	8.68	\$16,910	12.28	\$23,916	1.7%
259	ROLLS-ROYCE ADR	86.63	\$22,437	91.39	\$23,670	1.7%
415	ROYAL DUTCH SHELL PLC	62.98	\$26,135	82.37	\$34,184	2.4%
	TOTAL United Kingdom		\$116,792		\$166,003	10.9%
	TOTAL EQUITIES		\$1,085,733		\$1,427,790	93.3%
	Total Cash		\$101,809		\$101,809	6.7%
	Total Portfolio		\$1,187,542		\$1,529,599	100.0%
	Accrued Income				\$1,457	
	Total Portfolio plus Accrued Income				\$1,531,056	

Commission Report

From: 4/1/2014
To: 6/30/2014
Range: 2Q2014
Account: IE0216 - City of Ormond Beach Police Officers 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.	1,147	19,324	2.00	0.00	0.00	22.94	0.00	0.00	0.00	22.94
Gordon Haskett Capital Corp.	210	32,830	2.00	0.00	0.00	4.20	0.00	0.00	0.00	4.20
Instinet	2,896	89,108	1.00	0.00	0.00	28.96	0.00	0.00	0.00	28.96
Lynch, Jones, and Ryan	4,333	85,834	5.00	216.65	0.00	0.00	0.00	0.00	0.00	216.65
National Alliance Capital Markets	1,775	54,232	1.50	0.00	0.00	26.63	0.00	0.00	0.00	26.63
Totals:	10,361	281,328	2.89	216.65	0.00	82.73	0.00	0.00	0.00	299.38

2Q2014 Corporate Governance Rankings

<u>Holdings</u>	<u>CGQ Index</u>	<u>CGQ Industry</u>
AER	N/A	N/A
AGU	100.00	97.30
ASX	N/A	N/A
AVGO	N/A	N/A
AWH	N/A	N/A
AXAHY	66.60	50.60
AZN	42.70	33.30
AZSEY	69.00	54.50
BRDCY	16.40	34.80
BT	72.70	57.10
BUD	56.00	53.40
CGEMY	98.10	99.00
CHKP	N/A	N/A
CHL	66.40	60.00
CNI	66.10	75.00
CPA	N/A	N/A
GTE	73.90	41.70
HLF	93.00	100.00
HSBC	62.20	87.50
JGCCY	32.80	34.60
KDDIY	11.80	1.80
KGFHY	77.60	50.00
KPELY	73.80	75.60
LNVGY	55.60	62.60
MEOH	61.30	67.60
MFC	45.20	47.40
MPEL	N/A	N/A
NTES	N/A	N/A
NTT	36.30	14.50
PNDZY	N/A	N/A
PPERY	N/A	N/A
PTAIY	N/A	N/A
RDSA	24.50	34.50
RHHBY	46.90	50.00
RYCEY	85.70	84.80
SAFRY	70.90	69.10
SKM	57.60	45.50
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
VIV	N/A	N/A
VLEEY	81.80	97.10
VLKAY	59.80	81.20
VLRS	N/A	N/A
VR	N/A	N/A
WBC	83.90	74.50
WX	N/A	N/A
ZURVY	100.00	100.00

*All numbers provided by Bloomberg