



Quarterly Review

June 30, 2015

City of Ormond Beach Pension Plans

Presented by:

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

Gregg Gosch
Client Service Professional

Portfolio Market Values

Ormond Beach Firefighters

Beginning Market Value on 03/31/15	3,090,820
Cash Additions	0
Cash Withdrawals	-251
Investment Gain/Loss	-31,295
Ending Market Value on 06/30/15	3,059,274

Ormond Beach General Employees

Beginning Market Value on 03/31/15	5,064,703
Cash Additions	0
Cash Withdrawals	-412
Investment Gain/Loss	-52,895
Ending Market Value on 06/30/15	5,011,396

Ormond Beach Police Officers

Beginning Market Value on 03/31/15	3,614,768
Cash Additions	0
Cash Withdrawals	-294
Investment Gain/Loss	-38,166
Ending Market Value on 06/30/15	3,576,308

Portfolio Summary

<u>Asset Class</u>		<u>Market Value</u>	<u>Percent of Assets</u>
Cash	\$	57,575	1.9%
Equity	\$	3,001,699	98.1%
TOTAL	\$	3,059,274	100.0%

<u>Asset Class</u>		<u>Market Value</u>	<u>Percent of Assets</u>
Cash	\$	65,731	1.3%
Equity	\$	4,945,665	98.7%
TOTAL	\$	5,011,396	100.0%

<u>Asset Class</u>		<u>Market Value</u>	<u>Percent of Assets</u>
Cash	\$	92,578	2.6%
Equity	\$	3,483,730	97.4%
TOTAL	\$	3,576,308	100.0%

Portfolio Performance

Ormond Beach Firefighters

	Q2 2015	Year to Date	1 Year	3 Years Annualized	Since Inception Annualized*
TOTAL PORTFOLIO	-1.0%	0.7%	8.5%	17.0%	15.1%
Russell 1000 Growth	0.1%	4.0%	10.6%	18.0%	15.7%

Ormond Beach General Employees

	Q2 2015	Year to Date	1 Year	3 Years Annualized	Since Inception Annualized*
TOTAL PORTFOLIO	-1.0%	0.5%	8.5%	17.3%	15.4%
Russell 1000 Growth	0.1%	4.0%	10.6%	18.0%	15.7%

Ormond Beach Police Officers

	Q2 2015	Year to Date	1 Year	3 Years Annualized	Since Inception Annualized*
TOTAL PORTFOLIO	-1.1%	0.6%	8.4%	17.3%	15.4%
Russell 1000 Growth	0.1%	4.0%	10.6%	18.0%	15.7%

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

2Q15 Portfolio Review & Outlook

Market Review:

- The equity market continued its rudderless action in the second quarter to finish up the first half of the year not far from where it started. The intra-quarter range for the large cap indices was one of the smallest in recent memory as major themes were hard to discern.
- The choppy trading environment masked a generally more favorable environment for riskier securities. This was evident given the strength in higher beta, less stable securities and the relative weakness from low volatility sectors such as utilities and consumer staples.
- Style was neutral as there were essentially no differences between large and small, growth and value. The best sector performers were healthcare, financials, and consumer discretionary while the relative laggards were utilities, industrials, and energy.

Portfolio Review:

- The portfolio lagged the benchmark in the second quarter as poor stock selection and factor positioning created headwinds in a choppy, range bound trading environment.
- Our poor selection in consumer discretionary (WMT, COST) and information technology (QCOM, ORCL, VRSN) overwhelmed our mostly positive selection in the other economic sectors.
- Factor positioning was generally negative as higher beta led the way while our quantitative models were mostly ineffective as they were in the first quarter.
- While not surprised to give back some relative return after a good run of performance in the strong markets of the previous two calendar years, we are somewhat surprised by the magnitude in such a low return environment over the last six months.
- We understand that our approach to lower volatility growth investing will have challenging periods. Our experience has demonstrated that disciplined adherence to our investment philosophy gives our clients the best chance to realize the longer term advantage this approach provides.

Outlook:

- Stocks enter the second half with a number of headwinds that could make the next six month period more volatile.
- The combination of increased interest rate volatility, elevated valuations, slowing economic growth, macroeconomic issues created by Eurozone uncertainty, and the lack of any meaningful downside over the last three years could create a more challenging environment for stocks.
- Despite these concerns, the recent relative strength in small cap stocks and higher beta securities offers the possibility that the slow grinding trading environment experienced so far this year could resolve to the upside and lead to further marginal gains.
- Given all of the current headwinds and the potential that the markets are late in the current up portion of the cycle, we are comfortable that our style of growth investing is positioned well for the environment going forward.

Sawgrass Composite Portfolio versus Russell 1000 Growth (as of 2nd Qtr 2015):

What Helped:

Energy Selection
Timely Sales in LUV, UNP

What Hurt:

Poor Selection in Discretionary – WMT, COST
Poor Selection in Technology – MSFT, QCOM, ORCL
Healthcare, Technology Selection