

City of Ormond Beach Firefighters Pension - International Equity Account

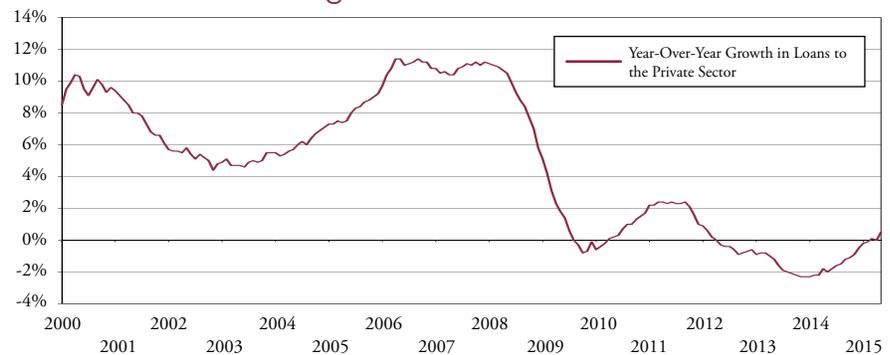
Despite very strong performance for the month of April, major international equity indices gave up most of the early advancement and recorded only nominal gains for the second quarter. Both the developed market MSCI EAFE and MSCI Emerging Market indices rose just under .7% in U.S. dollar terms, as the Greek bailout saga and China's volatile stock market fueled uncertainty across the globe. The European Central Bank's decision in January to begin quantitative easing has already started to have its intended effect. It has jumpstarted the European economy as evidenced by the now positive year-over-year growth of private sector loans (Chart 1). With bank lending on the upswing, eurozone companies are finding it easier to finance growth. However, there still is work to be done, particularly since the employment situation remains precarious across the continent. As illustrated in Chart 2, there is a very wide gap in unemployment rates across Europe with stronger countries, such as Germany, reporting low unemployment rates, while the weakest countries, such as Spain and Greece, reporting that more than one out of five workers are unable to find employment.

The Greeks' decision to vote "No" to the proposed bailout package could result in Greece leaving the eurozone,

bringing near term uncertainty for the markets. Greece has been receiving bailout assistance for a number of years, but its economy has yet to show any signs of progress. The austerity measures imposed on the country by

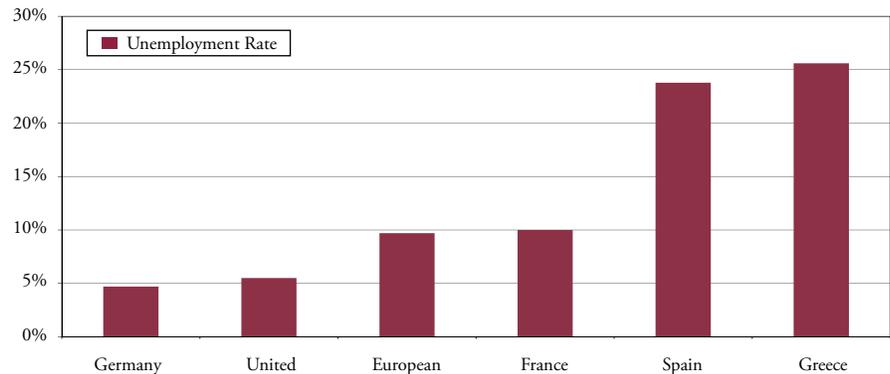
the International Monetary Fund, the European Commission and the European Central Bank have resulted in a consistently deteriorating Greek economy, so weak that Greek Gross Domestic Product is now below levels

CHART 1: Quantitative Easing Has Helped Increase Eurozone Bank Lending to the Private Sector



Data ending 5/31/15
Source: European Central Bank

CHART 2: Wide Dispersion in European Unemployment Rates



Data ending 3/31/15
Source: Bloomberg

MARKET VALUE SUMMARY

	Quarter Ending 6/30/15
Equities (\$)	\$1,134,267
Cash (\$)	\$14,523
Total Portfolio (\$)	\$1,148,790

PORTFOLIO PERFORMANCE⁽¹⁾

	Quarter Ending 6/30/15	Year-to-Date 6/30/15
Firefighters' International Pension (net of fees)	+1.1%	+6.8%
MSCI ACWI ex US Index ⁽²⁾	+0.5%	+4.0%

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

⁽²⁾Renaissance primary benchmark.

seen in 2004 (Chart 3). We have avoided Greek stocks in our International Equity portfolios, focusing on companies with stronger growth profiles. Our research shows that over

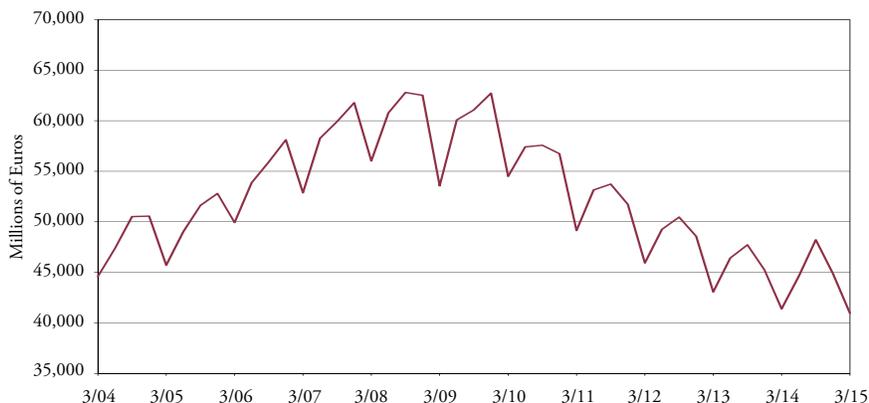
time, investors reward higher quality growth stocks with good relative performance. Conversely, weak companies are typically not rewarded by investors, and the MSCI Greek Index

market returns of -25.7% year-to-date and -40% in 2014 bear witness to this.

A consistent theme thus far in 2015 has been the appreciation of the U.S. dollar against many currencies around the globe. Investors expect the Federal Reserve to raise its benchmark interest rate at the September or December meeting as the economic environment in the United States continues to slowly improve. This will likely put renewed pressure on many foreign currencies relative to the U.S. dollar (Chart 4). While our portfolio returns in U.S. dollars are lower when a currency depreciates against the greenback, foreign companies benefit from a weak currency as it makes their exports to the U.S. more price competitive. Accordingly, we continue to look for attractive companies whose exports will benefit from the weaker currency in relation to the U.S. dollar.

The tremendous rally in Chinese stocks continued to make headlines during the quarter as the Shanghai Composite jumped 14%, even after a 17% sell-off during the second half of June. Chinese regulators are attempting to maintain orderly markets, instituting a number of changes including easing regulations on margin trading and proposing rules to allow pension plans to invest in the stock markets. Additionally, the Chinese government lowered benchmark interest rates and reduced some reserve requirement ratios in an effort to keep the economy growing as planned. These and other maneuvers being implemented show that the Chinese government is acutely aware of the need for orderly growth, while at the same time avoiding a stock market bubble. Most of the rally in Chinese stocks has occurred with the Chinese A-shares, which only trade in China. Certain companies with A-share listings also trade in Hong Kong and these shares are called H-shares. As shown on Chart 5, A-shares are trading at a large

CHART 3: In the Wake of Greek Austerity, GDP Falls Below 2004 Levels⁽¹⁾



Data ending 3/31/15
⁽¹⁾At current prices. In millions of euros. Non-seasonally adjusted figures.
 Source: Statistical Service of Greece

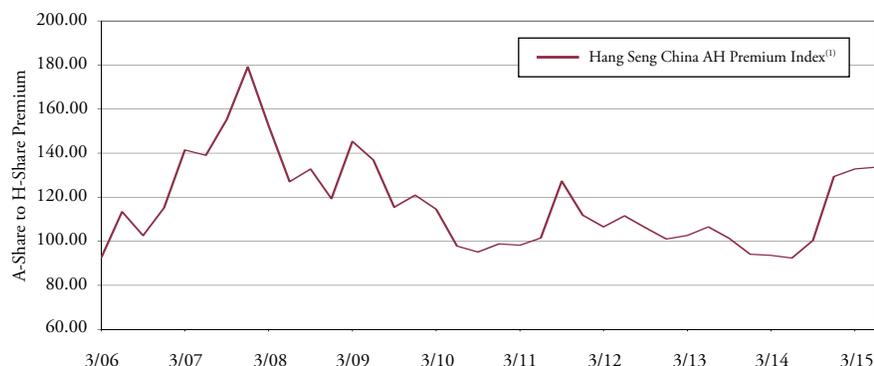
CHART 4: U.S. Dollar Continues to Strengthen

	Year-to-Date Change	Last 12 Months Change
Major Developed Currencies vs. U.S. Dollar		
British Pounds	-0.9%	8.7%
Canadian Dollar	7.8%	17.2%
Euro	8.6%	22.9%
Japanese Yen	2.1%	20.8%
Major Emerging Currencies vs. U.S. Dollar		
Brazilian Real	16.9%	40.9%
China Renminbi	-0.1%	-0.1%
Indian Rupee	0.9%	5.9%
Russian Ruble	-7.1%	63.6%

Data ending 6/30/15
 Source: FactSet, MSCI

CHART 5: Chinese A-Shares Trade at Large Premium to H-Shares

Base = 100, Where A-Shares are at a Premium to H-Shares Above 100



Data ending 6/30/15
⁽¹⁾Hang Seng China AH Premium Index tracks the price premium (or discount) of A-shares to H-shares.
 Source: Bloomberg, HIS Services Limited

premium to the H-shares, indicating the Chinese markets may be overvalued. However, we have avoided these overpriced stocks by only purchasing American Depositary Receipts that represent ownership in the H-shares, which trade at a discount to the A-shares. As of the end of the quarter, the weighted average trailing Price-to-Earnings (P/E) ratio of our four Chinese holdings was only 17.8X compared to the Shenzhen Composite Index P/E of 60.6X and the Shanghai Stock Exchange P/E of 21.6X.

Portfolio performance for the International Equity Strategy was positive on both an absolute and relative basis for the quarter. From a sector perspective, Financials, Information Technology and Telecommunications Services contributed the most to performance, while Consumer Discretionary, Industrials and Energy detracted the most from performance. Financials constitute the largest single sector weight in the portfolio, and we enjoyed good returns from **Hong Kong Exchanges & Clearing** (+44.9%) as record trading volume from the Shanghai-Hong Kong Stock Connect helped boost revenue. Within Information Technology, two of our Chinese holdings, online Internet gaming provider **NetEase** and Internet media company **YY, Inc.** climbed 37.9% and 27.4%, respectively. Japanese Telecom provider **NTT** gained 17.7%, aided by a recovery in the NTT DoCoMo division and a dividend hike. The Consumer Discretionary sector was generally weak due to poor performance from Indian auto manufacturer **Tata Motors** (-22.9%), which suffered from weaker sales in China. Meanwhile, our Industrial exposure in Latin American airline **Copa Holdings** (-17.4%) hurt performance as the Panamanian-based airline grapples with falling demand in Brazil. We continue to maintain a less-than-market exposure to the Energy sector due to the uncertainty and volatility with the price of crude

oil. Similarly, we are underweight in the Materials sector given the general decline in many commodity prices, as China is no longer an aggressive purchaser of commodities such as iron ore (Chart 6).

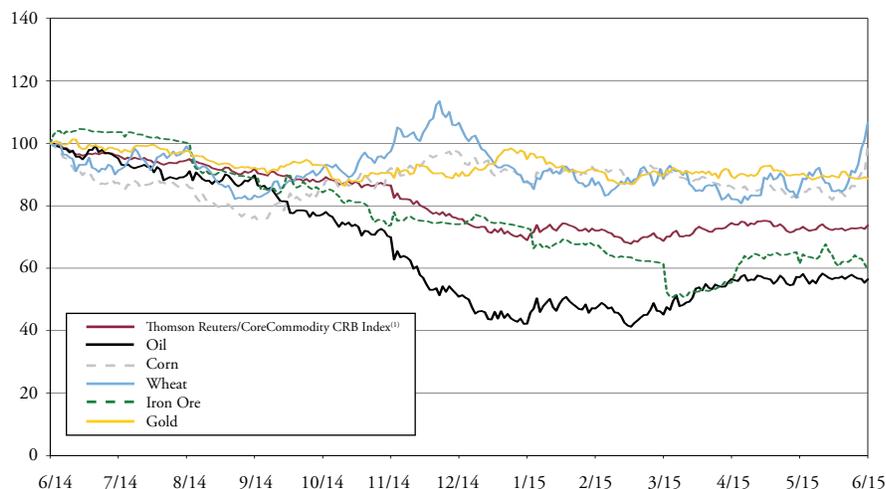
During the quarter, we maintained a higher-than-benchmark weight to emerging markets, which detracted from overall performance due to weak stock selection. Our two Indonesian holdings, **PT Astra International** (-19.2%) and **PT Bank Mandiri** (-21.0%) were both affected by a weaker-than-expected Indonesian economy, as President Jokowi struggles to reach his goal of 7% GDP growth by 2018. Auto and heavy equipment distributor PT Astra International reported recent earnings that were under target, as auto distribution margins dropped due to significant discounting that has been necessary given the heightened competition in the Indonesian marketplace. Meanwhile, shares of PT Bank Mandiri could not overcome industry-wide weakness, with reports depicting a slowdown in growth for the Indonesian banking sector as a result of slower loan growth and an increase in credit costs. Our developed market holdings fared well during the quarter, led by

positive contributions from Japan and the United Kingdom. Japan is our largest individual country allocation, and we feel we are well positioned to take advantage of the weakening yen, which will aid exporters such as Toyota Motor and Bridgestone Corp. Our worst contributing developed countries were Israel, Germany and Canada.

We made several portfolio adjustments during the last three months, initiating positions in **ITV PLC** (Consumer Discretionary), **Gruma SAB** (Consumer Staples), **Julius Baer Group** (Financials), **Adecco** (Industrials) and **Mitsubishi Electric Corp.** (Industrials). We exited positions in **Wuxi Pharmatech** (Health Care), **HSBC** (Financials), **Perfect World** (Information Technology), **Agrium** (Materials) and **PT Astra** (Consumer Discretionary).

As we head into the second half of the year, we believe central banks will continue to provide the necessary stimulus in the form of lower rates. Recent interest rate cuts, such as those by China and India, should provide support for emerging economies, while Europe, with the exception of Greece, looks to be on firmer footing. The important manufacturing sector in Europe

CHART 6: Many Commodity Prices Lower Over the Past Year
June 2014 = 100



Data ending 6/30/15

⁽¹⁾Thomson Reuters/CoreCommodity CRB Index is a weighted index consisting of 19 different commodities.

Source: FactSet, Bloomberg

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>
Belgium						
213	ANHEUSER-BUSCH INBEV	69.73	\$14,853	120.67	\$25,703	2.3%
201	WABCO HOLDINGS INC	105.47	\$21,200	123.72	\$24,868	2.2%
	TOTAL Belgium		\$36,053		\$50,570	4.4%
Bermuda						
559	VALIDUS HOLDINGS LTD	33.92	\$18,962	43.99	\$24,590	2.2%
	TOTAL Bermuda		\$18,962		\$24,590	2.1%
Brazil						
588	TELEFONICA BRASIL SA	20.34	\$11,958	13.93	\$8,191	0.7%
	TOTAL Brazil		\$11,958		\$8,191	0.7%
Canada						
380	CANADIAN NATL RAILWAY	39.58	\$15,040	57.75	\$21,945	1.9%
564	CANADIAN NATURAL RESOURCES LTD	44.64	\$25,177	27.16	\$15,318	1.4%
368	MAGNA INTERNATIONAL INC	55.14	\$20,292	56.09	\$20,641	1.8%
1,096	MANULIFE FINANCIAL CORP	18.35	\$20,108	18.59	\$20,375	1.8%
351	METHANEX CORP	62.14	\$21,810	55.66	\$19,537	1.7%
608	SUNCOR ENERGY INC	31.17	\$18,952	27.52	\$16,732	1.5%
	TOTAL Canada		\$121,379		\$114,548	10.0%
China						
183	NETEASE INC	59.90	\$10,961	144.87	\$26,510	2.3%
281	YY INC	72.05	\$20,246	69.52	\$19,535	1.7%
	TOTAL China		\$31,207		\$46,045	4.0%
Denmark						
1,000	PANDORA A/S	17.11	\$17,110	26.85	\$26,847	2.4%
	TOTAL Denmark		\$17,110		\$26,847	2.3%
France						
560	CAP GEMINI SA	32.31	\$18,096	44.22	\$24,762	2.2%
281	VALEO SA ADR	25.69	\$7,220	78.75	\$22,128	2.0%
	TOTAL France		\$25,316		\$46,889	4.1%
Germany						
1,253	ALLIANZ SE	12.28	\$15,387	15.67	\$19,635	1.7%
	TOTAL Germany		\$15,387		\$19,635	1.7%
Hong Kong						
282	CHINA MOBILE LTD	44.95	\$12,676	64.09	\$18,073	1.6%
577	HONG KONG EXCHANGES & CLEARING LTD	23.59	\$13,610	35.29	\$20,363	1.8%
929	LENOVO GROUP LIMITED	19.72	\$18,317	27.71	\$25,740	2.3%
	TOTAL Hong Kong		\$44,602		\$64,177	5.6%
India						
546	TATA MOTORS ADR	26.57	\$14,508	34.47	\$18,821	1.7%
1,929	WIPRO LTD	12.17	\$23,474	11.97	\$23,090	2.0%
	TOTAL India		\$37,982		\$41,911	3.6%
Indonesia						
2,841	PT BANK MANDIRI	9.10	\$25,866	7.54	\$21,415	1.9%

City of Ormond Beach Firefighters Pension - International Equity Portfolio

Shares/Face	Security Description	Unit Cost	Total Cost	Price	Market Value	% of Total Assets
TOTAL Indonesia			\$25,866		\$21,415	1.9%
Ireland						
329	ICON PLC	54.86	\$18,049	67.30	\$22,142	2.0%
283	RYANAIR HOLDINGS PLC	67.90	\$19,216	71.35	\$20,192	1.8%
86	SHIRE PLC	248.19	\$21,345	241.49	\$20,768	1.8%
TOTAL Ireland			\$58,610		\$63,102	5.5%
Israel						
271	CHECK POINT SOFTWARE TECH	23.80	\$6,451	79.55	\$21,558	1.9%
351	TEVA PHARMACEUTICAL INDUSTRIES	61.54	\$21,601	59.10	\$20,744	1.8%
TOTAL Israel			\$28,052		\$42,302	3.7%
Japan						
1,013	BRIDGESTONE CORP	17.03	\$17,254	18.50	\$18,741	1.7%
2,098	KDDI CORPORATION	10.19	\$21,382	12.07	\$25,323	2.2%
785	MITSUBISHI ELECTRIC CORP	26.50	\$20,805	25.86	\$20,298	1.8%
772	NIPPON TELEPHONE & TELEGRAPH ADR	20.90	\$16,136	36.29	\$28,016	2.5%
274	ORIX CORPORATION	78.57	\$21,529	74.52	\$20,418	1.8%
1,484	SMC CORP	13.06	\$19,383	15.06	\$22,355	2.0%
2,592	SUMITOMO MITSUI FINANCIAL GROUP INC	7.94	\$20,587	8.89	\$23,043	2.0%
159	TOYOTA MOTOR CORP	128.99	\$20,510	133.75	\$21,266	1.9%
TOTAL Japan			\$157,586		\$179,460	15.6%
Mexico						
423	GRUMA SAB DE CV	51.02	\$21,580	51.51	\$21,789	1.9%
TOTAL Mexico			\$21,580		\$21,789	1.9%
Netherlands						
584	AERCAP HOLDINGS NV	12.89	\$7,528	45.79	\$26,741	2.4%
208	NXP SEMICONDUCTORS NV	105.35	\$21,912	98.20	\$20,426	1.8%
TOTAL Netherlands			\$29,441		\$47,167	4.1%
Panama						
134	COPA HOLDINGS ADR	83.08	\$11,133	82.59	\$11,067	1.0%
TOTAL Panama			\$11,133		\$11,067	1.0%
Singapore						
334	DBS GROUP HOLDINGS LTD	60.67	\$20,264	61.46	\$20,529	1.8%
1,245	KEPPEL CORPORATION LIMITED	17.14	\$21,345	12.20	\$15,189	1.3%
TOTAL Singapore			\$41,608		\$35,718	3.1%
South Korea						
703	SK TELECOM LTD	16.02	\$11,262	24.79	\$17,427	1.5%
TOTAL South Korea			\$11,262		\$17,427	1.5%
Switzerland						
523	ADECCO SA	40.26	\$21,058	40.61	\$21,238	1.9%
594	ALLIED WORLD ASSRNC CO HLDGS	13.20	\$7,841	43.22	\$25,673	2.3%
1,944	JULIUS BAER GROUP LTD	11.18	\$21,729	11.23	\$21,821	1.9%
588	ROCHE HOLDING AG	32.01	\$18,822	35.07	\$20,621	1.8%
726	ZURICH INSURANCE GROUP AG	29.77	\$21,613	30.45	\$22,109	1.9%

City of Ormond Beach Firefighters Pension - International Equity Portfolio

Shares/Face	Security Description	Unit Cost	Total Cost	Price	Market Value	% of Total Assets
	TOTAL Switzerland		\$91,063		\$111,462	9.7%
Taiwan						
2,948	ADVANCED SEMICONDUCTOR ENGINEERING	4.88	\$14,396	6.60	\$19,457	1.7%
880	TAIWAN SEMICONDUCTOR MANUFACTURING C	14.27	\$12,560	22.71	\$19,985	1.8%
	TOTAL Taiwan		\$26,956		\$39,442	3.4%
Thailand						
721	KASIKORNBANK	27.57	\$19,876	22.38	\$16,138	1.4%
	TOTAL Thailand		\$19,876		\$16,138	1.4%
United Kingdom						
331	BT GROUP PLC	36.69	\$12,145	70.89	\$23,465	2.1%
544	ITV PLC	40.46	\$22,011	41.41	\$22,527	2.0%
295	ROYAL DUTCH SHELL PLC	63.09	\$18,612	57.01	\$16,818	1.5%
502	UNILEVER PLC	42.07	\$21,118	42.96	\$21,566	1.9%
	TOTAL United Kingdom		\$73,886		\$84,375	7.3%
	TOTAL EQUITIES		\$956,876		\$1,134,267	98.7%
	Total Cash		\$14,523		\$14,523	1.3%
	Total Portfolio		\$971,399		\$1,148,790	100.0%
	Accrued Income				\$1,171	
	Total Portfolio plus Accrued Income				\$1,149,961	

Commission Report

From: 04/01/2015
To: 06/30/2015
Range: 2Q2015
Account: IE0217 - 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.	642	29,602	2.00	0.00	0.00	12.84	0.00	0.00	0.00	12.84
Instinet	165	17,112	1.00	0.00	0.00	1.65	0.00	0.00	0.00	1.65
Lynch, Jones, and Ryan	5,377	104,034	5.00	268.85	0.00	0.00	0.00	0.00	0.00	268.85
National Alliance Capital Markets	2,159	63,089	1.50	0.00	0.00	32.39	0.00	0.00	0.00	32.39
Totals:	8,343	213,838	3.78	268.85	0.00	46.88	0.00	0.00	0.00	315.73

2Q2015 Corporate Governance Rankings

<u>Holdings</u>	<u>CGQ Index</u>	<u>CGQ Industry</u>
AER	N/A	N/A
AHEXY	87.90	76.60
ASX	N/A	N/A
AWH	N/A	N/A
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
CNQ	19.40	31.00
CPA	N/A	N/A
DBSDY	15.40	25.00
GMK	N/A	N/A
HKXCY	82.70	82.70
HSBC	62.20	87.50
ICLR	N/A	N/A
ITVPY	99.50	100.00
IX	6.10	7.70
JBAXY	N/A	N/A
KDDIY	11.80	1.80
KPCPY	N/A	N/A
KPELY	73.80	75.60
LNVGY	55.60	62.60
MEOH	61.30	67.60
MFC	45.20	47.40
MGA	16.10	100.00
MIELY	11.80	10.80
NTES	N/A	N/A
NTT	36.30	14.50
NXPI	N/A	N/A
PNDZY	N/A	N/A
PPERY	N/A	N/A
RDSA	24.50	34.50
RHHBY	46.90	50.00
RYAAY	12.60	25.00
SHPG	57.30	66.70
SKM	57.60	45.50
SMCAY	25.30	25.40
SMFG	32.20	38.40
SU	85.50	89.70
TEVA	N/A	N/A
TM	8.30	11.60
TSM	N/A	N/A
TTM	N/A	N/A
UL	69.90	60.00
VIV	N/A	N/A
VLEEY	81.80	97.10
VR	N/A	N/A
WBC	83.90	74.50
WIT	N/A	N/A
YY	N/A	N/A
ZURVY	100.00	100.00

*All numbers provided by Bloomberg