

Third Quarter 2017

City of Ormond Beach

General Employees' Pension Plan
Police Officers' Pension Trust Fund
Firefighters' Pension Trust Fund

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Ormond Beach General Employees' Pension Plan

Q3 2017 Statement of Changes

	Cash	Equity	Total
Market Value at July 1, 2017	\$ 338,557	\$ 10,207,005	\$ 10,545,562
Contributions / (Withdrawals)	(186,894.49)	(6,418.42)	(193,312.91)
Interest and Dividends	419.49	64,860.21	65,279.70
Realized Gains / (Losses)	0	173,137.21	173,137.21
Unrealized Gains / (Losses)	0	250,062.00	250,062.00
Market Value at September 30, 2017	152,082.00	10,688,646.00	10,840,728.00
Total Investment Return at September 30, 2017	466.47	488,059.42	488,478.91
Equity Rate of Return	4.76%	Russell 1000 Value	3.11%
Total Fund Rate of Return	4.67%		

City of Ormond Beach

Calendar Year End Performance

Year	General Employees'	Police Officers'	Firefighters'	Russell 1000 Value
May – Dec. 2009	27.55%	27.53%	27.62%	29.8%
2010	11.87%	11.90%	11.92%	15.51%
2011	0.75%	0.77%	0.69%	0.39%
2012	17.33%	16.98%	17.06%	17.51%
2013	33.20%	33.37%	33.20%	32.53%
2014	11.85%	11.81%	11.85%	13.45%
2015	-13.35%	-13.47%	-13.36%	-3.83%
2016	21.22%	21.36%	21.61%	17.32%
As of September 30, 2017	8.29%	8.29%	8.29%	7.92%
Annualized as of September 2017				
1 Year	17.67%	17.73%	17.80%	15.11%
3 Year	5.42%	5.41%	5.54%	8.53%
5 Year	11.36%	11.36%	11.41%	13.20%
7 Year	11.82%	11.78%	11.82%	13.24%
Since Inception (8.42 Years)				
Cumulative	185.86%	185.25%	186.16%	224.00%
Annualized	13.29%	13.26%	13.31%	14.99%

Large Cap Value

Attribution Analysis Q3 2017

	HGK Large Cap Value			Russell 1000 Value			Attribution Analysis		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Total	100.00	4.74	4.74	100.00	3.12	3.12	0.50	1.13	1.62
Information Technology	12.83	11.20	1.41	8.14	5.21	0.43	0.10	0.73	0.83
Energy	12.14	12.46	1.51	10.44	6.88	0.72	0.07	0.66	0.73
Consumer Discretionary	10.87	5.72	0.63	6.86	1.70	0.11	-0.04	0.43	0.39
Health Care	13.54	2.12	0.33	14.07	0.25	0.06	0.03	0.25	0.28
Consumer Staples	5.51	1.67	0.10	9.12	-0.42	-0.04	0.11	0.13	0.24
Real Estate	--	--	--	4.96	-0.10	-0.00	0.16	--	0.16
Financials	23.97	5.37	1.26	25.61	4.83	1.20	-0.04	0.13	0.09
Utilities	6.47	3.10	0.21	6.30	2.83	0.18	-0.00	0.02	0.02
Cash	2.13	0.26	0.01	--	--	--	-0.00	--	-0.00
Industrials	6.46	-1.58	-0.09	8.56	0.80	0.07	0.06	-0.17	-0.10
Materials	3.92	-3.76	-0.16	2.81	8.35	0.23	0.06	-0.49	-0.43
Telecommunication Services	2.15	-18.69	-0.47	3.12	5.10	0.15	-0.02	-0.57	-0.58

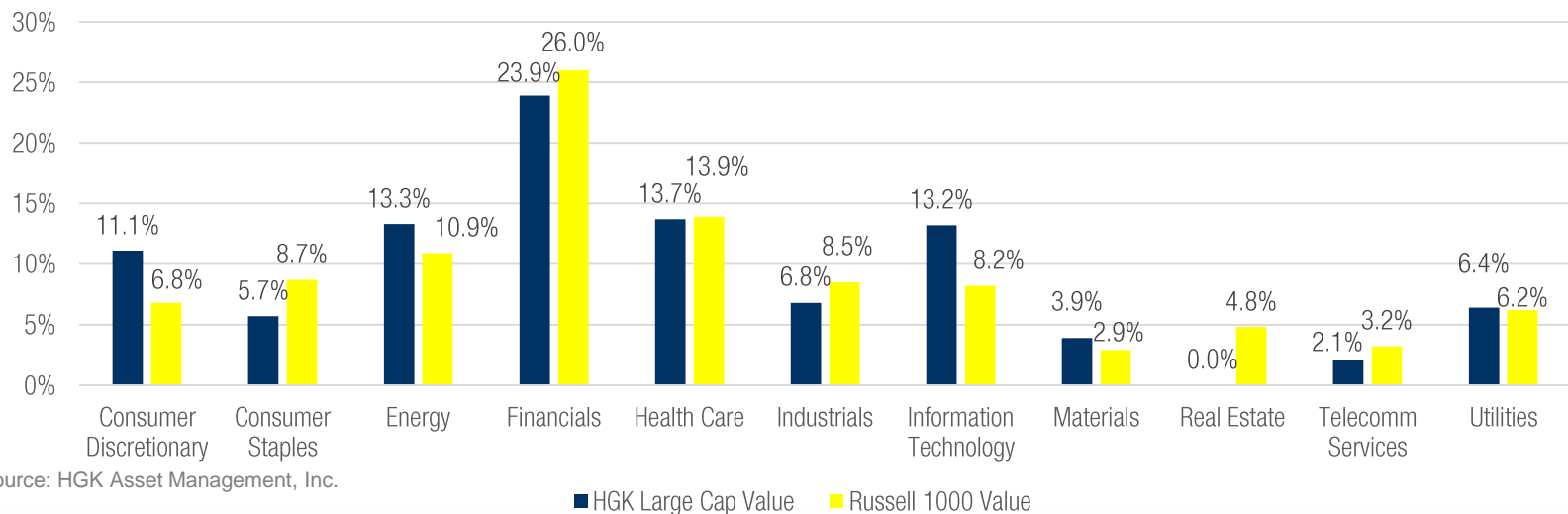
Source: FactSet

Excludes cash. For informational purposes only. Slight rounding errors may occur.

Large Cap Value

Portfolio Characteristics as of September 30, 2017

	Fund	Russell 1000 Value
Wtd. Avg. Market Cap	\$102.1 billion	\$118.2 billion
Median Market Cap	\$32.7 billion	\$8.8 billion
Number of Holdings	51	716
P/E Ratio	15.9x	17.5x
ROE	12.90%	12.30%
Dividend Yield	2.40%	2.40%
Beta (vs. Russell 3000)	1.1	1
Active Share	78.00%	--
Upside Capture (15Y)	101.30%	--
Downside Capture (15Y)	98.2%	--



Large Cap Value

Top Ten Holdings as of September 30, 2017

Issue	Sector	% of Portfolio
Chevron Corp.	Energy	3.41%
Cisco Systems Inc.	Technology	2.46%
State Street Corp.	Financials	2.45%
Bristol-Myers Squibb Co.	Health Care	2.42%
ConocoPhillips	Energy	2.39%
MetLife Inc.	Financials	2.39%
Johnson & Johnson	Health Care	2.33%
CVS Caremark Corp.	Consumer Staples	2.32%
Intel Corp.	Technology	2.30%
Citigroup Inc.	Financials	2.27%
	TOTAL	24.74%

Source: HGK Asset Management, Inc.

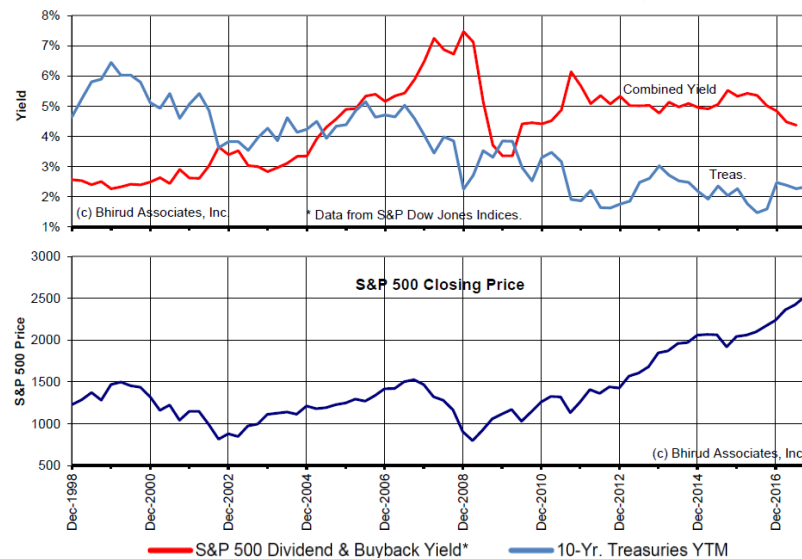
HGK Large Cap Value Equity Review

Third Quarter 2017

During the third quarter of 2017, HGK's Large Cap Value strategy returned 4.6% while the Russell 1000 Value index returned 3.1%. The leadership of Growth over Value shares, which has been the dominant theme for U.S. stocks continued with the Russell 1000 Large Growth posting a 5.9% return versus 3.11% for its Value counterpart. Interestingly, in September a reversal in style developed with Value outperforming by 1.7% absolute. Although it is too early to call a trend, the combination of attractive valuations and accelerating earnings growth brought about by more synchronous global economic activity does appear to favor value shares.

The current bull run in equities is very near the strongest in history and, while valuation appears stretched on many historical measures, not enough emphasis has been placed on the role that interest rates play in the valuation process. Valuation involves the discounting of future cash flow streams and earnings multiples need to be gauged against interest rates. At present, the current low rate environment still appears firmly entrenched. The rally appears driven by a combination of low and stable inflation, stable GDP growth, easy monetary policy and high profitability. As economic activity accelerates and monetary policy remains moderately accommodative, prospects for earnings are very favorable. Despite the duration of the current bull market and the commencement of a gradual unwind of central bank balance sheets, led by the Federal Reserve, the current backdrop of favorable long-term fundamentals remains largely in place. While the prospects of a market correction are always present, HGK remains cautiously optimistic on equities overall and increasingly positive towards the value space.

S&P 500 Stock Buyback and Dividend Combined Yield vs. 10-Yr Treasury Yield



Source: Bhird Associates, Inc.

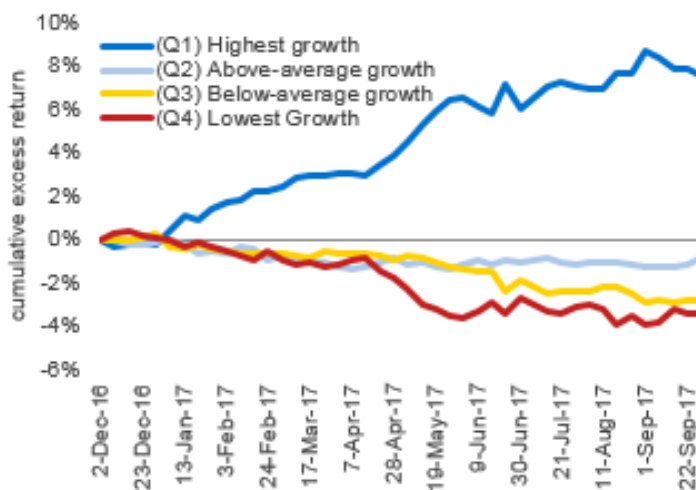
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HGK Large Cap Value Equity Review

Third Quarter 2017

As we consider the tenor of the recent market rally, the stock specific price movements are unusual, providing even more opportunity than usual for patient investors. This recent leg has been led by a relatively few companies with high growth profiles. Year to date factor analysis is showing Growth massively outperforming Value +15% vs. -12%. The cumulative spread by growth quartiles is at very high levels and factors that generally underperform in the long run have significantly outperformed in the short run. Currently, high growth companies trade at a 1.3 standard deviation premium to history which is unlikely to persist.

Dissecting the Growth Rally of 2017



Leadership of growth over value, specifically the divergence between the extreme ends of the growth spectrum has been both dominant and unusual given the last 25 years of market history.

Source Credit Suisse

Primary Factors: Fundamental and Technical

Primary Factors			
Market Neutral Factor:	2016	3Q	YTD
Growth (High vs Low)	1%	-1%	15%
Balance Sheet (Strong vs Weak)	-8%	2%	9%
Momentum (Leaders vs Laggrads)	-21%	2%	6%
Financial Returns (High vs. Low)	-14%	1%	1%
Short Interest (Low vs High)	-4%	2%	1%
Size (Large vs Small)	-21%	-1%	1%
Volatility (Low vs High)	-18%	0%	0%
Value (Cheapest vs Richest)	9%	-3%	-12%

Long/Short Valuation				
Market Neutral Factor:	Fwd P/E (L/S) Ratio	5 Year Avg	Diff:	Std Dev Above / Below Average
Financial Returns (High vs. Low)	1.0	0.9	11%	1.7
Momentum (Leaders vs Laggrads)	1.4	1.2	15%	1.4
Growth (High vs Low)	1.7	1.5	11%	1.3
Size (Large vs Small)	1.0	0.9	9%	1.3
Short Interest (Low vs High)	1.0	0.9	7%	1.0
Volatility (Low vs High)	1.0	0.9	4%	0.9
Balance Sheet (Strong vs Weak)	1.1	1.1	1%	0.3
Value (Cheapest vs Richest)	0.5	0.5	0%	0.0

Source Goldman Sachs

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HGK Large Cap Value Equity Review

Third Quarter 2017

As a result of these new anomalies, HGK feels opportunities for a long-term fundamental investing approach with a strong valuation underpinning are increasing. We continue to believe that over the long run, well managed businesses that compound cash flows and trade at a reasonable valuation will be the highest returning investments. HGK continues to ensure that our portfolio is best positioned to achieve long-term performance. We embrace short-term anomalies while taking advantage of increased dislocations to upgrade the quality and valuation within the portfolio. We continue to execute our disciplined investment process based on our philosophy. HGK believes that investing in companies with strong competitive moats, which generate significant cash flow from their existing asset bases and whose valuations imply strong upside with significant margin of safety are the best investments for our clients. These types of fundamentally strong, undervalued firms have an opportunity to provide robust returns through the market cycles and permit our clients to reap returns that are independent of the headlines news items of the moment.

*Michael Pendergast, CFA
CEO / CIO
HGK Asset Management, Inc.*

Source Credit Suisse

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Ormond Beach General Employees' Pension Plan

Current Holdings as of September 30, 2017

<u>QUANTITY (UNITS)</u>	<u>SECURITY DESCRIPTION</u>	<u>MARKET PRICE</u>	<u>MARKET VALUE</u>	<u>% INV TYPE</u>	<u>COST PRICE</u>	<u>COST VALUE</u>	<u>CPN/DIV YLD</u>	<u>ACCR DVD</u>
<i>- MATERIALS -</i>								
4,050	Nucor Corp.	56.04	226,962	2.12%	48.11	195,023	2.7%	1,528.88
3,600	RPM International Inc.	51.34	184,824	1.73%	53.22	191,768	2.5%	0.00
<i>TOTAL MATERIALS</i>			411,786	3.85%		386,791	2.6%	1,528.88
<i>- INDUSTRIALS -</i>								
1,950	Carlisle Cos.	100.29	195,566	1.83%	97.99	191,171	1.5%	0.00
3,900	Fluor Corp.	42.10	164,190	1.54%	58.18	227,059	2.0%	835.80
750	General Dynamics Corp.	205.58	154,185	1.44%	78.45	58,865	1.6%	0.00
1,300	Lear Corp.	173.08	225,004	2.11%	137.94	179,387	1.2%	0.00
1,400	Snap-On Inc.	149.01	208,614	1.95%	154.22	215,973	2.2%	0.00
<i>TOTAL INDUSTRIALS</i>			947,559	8.87%		872,455	1.7%	835.80
<i>- CONSUMER DISCRETIONARY -</i>								
5,100	Comcast Corp. (Cl A)	38.48	196,248	1.84%	31.25	159,523	1.6%	0.00
4,700	Kohl's Corp.	45.65	214,555	2.01%	47.92	225,429	4.8%	0.00
4,000	Newell Rubbermaid Inc.	42.67	170,680	1.60%	48.49	194,146	2.2%	0.00
2,550	VF Corp.	63.57	162,104	1.52%	40.90	104,362	2.9%	0.00
1,250	Whirlpool Corp.	184.44	230,550	2.16%	161.81	202,319	2.4%	0.00
<i>TOTAL CONSUMER DISCRETIONARY</i>			974,137	9.11%		885,778	2.8%	0.00
<i>- CONSUMER STAPLES -</i>								
5,150	Archer Daniels Midland Co.	42.51	218,927	2.05%	31.75	163,750	3.0%	0.00
3,090	CVS Caremark Corp.	81.32	251,279	2.35%	60.39	186,730	2.5%	0.00
1,300	J.M. Smucker Co.	104.93	136,409	1.28%	106.40	138,391	3.0%	0.00
<i>TOTAL CONSUMER STAPLES</i>			606,614	5.68%		488,871	2.8%	0.00

Ormond Beach General Employees' Pension Plan

Current Holdings as of September 30, 2017

<u>QUANTITY (UNITS)</u>	<u>SECURITY DESCRIPTION</u>	<u>MARKET PRICE</u>	<u>MARKET VALUE</u>	<u>% INV TYPE</u>	<u>COST PRICE</u>	<u>COST VALUE</u>	<u>CPN/DIV YLD</u>	<u>ACCR DVD</u>
<i>- HEALTH CARE -</i>								
4,200	Bristol-Myers Squibb Co.	63.74	267,708	2.50%	58.48	245,841	2.4%	0.00
3,000	HCA Healthcare, INC	79.59	238,770	2.23%	78.31	235,065	0.8%	0.00
1,950	Johnson & Johnson	130.01	253,520	2.37%	75.54	147,360	2.6%	0.00
1,400	McKesson Corp.	153.61	215,054	2.01%	164.70	230,645	0.9%	476.00
6,800	Pfizer Inc.	35.70	242,760	2.27%	31.97	217,730	3.6%	0.00
1,250	UnitedHealth Group Inc.	195.85	244,813	2.29%	61.80	77,283	1.5%	0.00
TOTAL HEALTH CARE			1,462,624	13.68%		1,153,924	2.0%	476.00
<i>- ENERGY -</i>								
5,350	ConocoPhillips	50.05	267,768	2.51%	47.34	253,461	2.1%	0.00
3,190	Chevron Corp.	117.50	374,825	3.51%	86.13	274,838	3.7%	0.00
5,900	Devon Energy Corp.	36.71	216,589	2.03%	52.60	310,592	0.7%	0.00
8,330	ENSCO International Inc.	5.97	49,730	0.47%	46.04	383,842	0.7%	0.00
12,600	Marathon Oil Corp.	13.56	170,856	1.60%	20.26	255,800	1.5%	0.00
6,500	Murphy Oil Corp.	26.56	172,640	1.62%	44.96	292,544	3.8%	0.00
2,600	Occidental Petroleum Corp.	64.21	166,946	1.56%	62.99	163,882	4.8%	2,002.00
TOTAL ENERGY			1,419,354	13.28%		1,934,959	2.7%	2,002.00
<i>- FINANCIAL -</i>								
3,930	American Int'l Group Inc	61.39	241,263	2.26%	41.66	163,910	2.1%	0.00
2,000	Allstate Corp.	91.91	183,820	1.72%	71.17	142,447	1.6%	851.00
7,600	Bank of America Corp.	25.34	192,584	1.80%	13.88	105,882	1.9%	0.00
3,330	Franklin Resources Inc.	44.51	148,218	1.39%	52.34	174,443	1.8%	666.00
1,859	Brighthouse Financial	60.80	113,027	1.06%	52.41	97,506	0.0%	0.00
1,200	BERKSHIRE HATHAWAY B	183.32	219,984	2.06%	145.72	174,918	0.0%	0.00
3,400	Citigroup Inc.	72.74	247,316	2.31%	51.41	174,939	1.8%	0.00
2,640	Capital One Financial Corp.	84.66	223,502	2.09%	56.50	149,282	1.9%	0.00
950	Goldman Sachs Group Inc.	237.19	225,331	2.11%	149.87	142,406	1.3%	0.00
4,320	Hartford Financial Services	55.43	239,458	2.24%	22.97	99,399	1.8%	993.60
5,050	MetLife Inc.	51.95	262,348	2.45%	30.05	151,880	3.1%	0.00

Ormond Beach General Employees' Pension Plan

Current Holdings as of September 30, 2017

<u>QUANTITY (UNITS)</u>	<u>SECURITY DESCRIPTION</u>	<u>MARKET PRICE</u>	<u>MARKET VALUE</u>	<u>% INV TYPE</u>	<u>COST PRICE</u>	<u>COST VALUE</u>	<u>CPN/DIV YLD</u>	<u>ACCR DVD</u>
<i>TOTAL FINANCIAL</i>	- cont.							
2,850	State Street Corp.	95.54	272,289	2.55%	47.31	134,947	1.8%	1,197.00
<i>TOTAL FINANCIAL</i>			2,569,139	24.04%		1,711,959	1.7%	3,707.60
<i>- INFORMATION TECHNOLOGY -</i>								
1,500	Apple Inc.	154.12	231,180	2.16%	107.32	161,050	1.6%	0.00
4,400	Applied Materials Inc.	52.09	229,196	2.14%	17.95	79,169	0.8%	0.00
7,800	Cisco Systems Inc.	33.63	262,314	2.45%	22.79	178,086	3.4%	0.00
1,500	International Business Machine	145.08	217,620	2.04%	151.28	226,996	4.1%	0.00
6,370	Intel Corp.	38.08	242,570	2.27%	27.84	177,625	2.9%	0.00
1,500	MasterCard Inc. (Cl A)	141.20	211,800	1.98%	107.83	161,819	0.6%	0.00
<i>TOTAL INFORMATION TECHNOLOGY</i>			1,394,680	13.05%		984,746	2.3%	0.00
<i>- UTILITIES -</i>								
2,700	Consolidated Edison Inc.	80.68	217,836	2.04%	78.88	213,115	3.4%	0.00
3,080	Entergy Corp.	76.36	235,189	2.20%	67.45	207,823	4.7%	0.00
4,910	Public Service Enterprise Gro	46.25	227,088	2.12%	32.07	157,682	3.7%	0.00
<i>TOTAL UTILITIES</i>			680,112	6.36%		578,620	3.9%	0.00
<i>- TELECOMMUNICATION SERVICE</i>								
11,780	CenturyLink Inc.	18.90	222,642	2.08%	28.20	332,779	11.4%	0.00
<i>TOTAL TELECOMMUNICATIONS</i>			222,642	2.08%		332,779	11.4%	0.00
<i>TOTAL EQUITIES</i>			10,688,646	100.00%		9,330,882	2.5%	8,550.28

Ormond Beach General Employees' Pension Plan

Current Holdings as of September 30, 2017

SECTOR	MARKET VALUE	% INV TYPE	% INV. TYPE	COST VALUE	CPN/DIV YLD
***** CASH *****					
CASH	152,082.	1.4%	100.0%	152,082	0.0%
TOTAL CASH	152,082.	1.4%	100.0%	152,082	0.0%
***** EQUITIES *****					
MATERIALS	411,786.	3.8%	3.9%	386,791	2.6%
INDUSTRIALS	947,559.	8.7%	8.9%	872,455	1.7%
CONSUMER DISCRETI	974,137.	9.0%	9.1%	885,778	2.8%
CONSUMER STAPLES	606,614.	5.6%	5.7%	488,871	2.8%
HEALTH CARE	1,462,624.	13.5%	13.7%	1,153,924	2.0%
ENERGY	1,419,354.	13.1%	13.3%	1,934,959	2.7%
FINANCIAL	2,569,139.	23.7%	24.0%	1,711,959	1.7%
INFORMATION TECH	1,394,680.	12.9%	13.0%	984,746	2.3%
UTILITIES	680,112.	6.3%	6.4%	578,620	3.9%
TELECOMMUNICATIO	222,642.	2.1%	2.1%	332,779	11.4%
TOTAL EQUITIES	10,688,646.	98.6%	100.0%	9,330,882	2.5%
TOTAL	10,840,728.	100.0%		9,482,965	2.4%