

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 Police Officers' Pension Trust Fund

Q3 2017 Statement of Changes

	Cash	Equity	Total
Market Value at July 1, 2017	\$143,414.00	\$7,249,234.00	\$7,392,648.00
Contributions / (Withdrawals)	22,502.19	(112,986.26)	(90,484.07)
Interest and Dividends	204.81	45,633.65	45,838.46
Realized Gains / (Losses)	-	140,084.61	140,084.61
Unrealized Gains / (Losses)	-	158,154.00	158,154.00
Market Value at September 30, 2017	166,121.00	7,480,120.00	7,646,241.00

Total Investment Return at September 30, 2017	205	343,872	344,077
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Equity Rate of Return	4.77%	Russell 1000 Value	3.11%
Total Fund Rate of Return	4.69%		

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

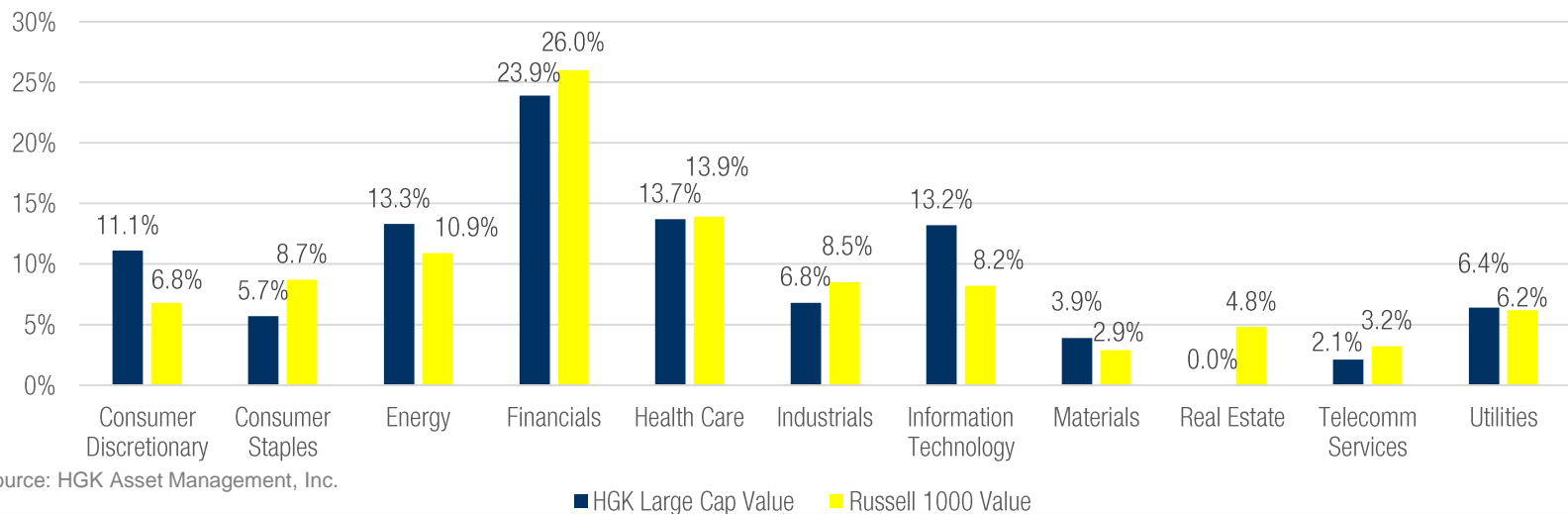
Source: FactSet

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.

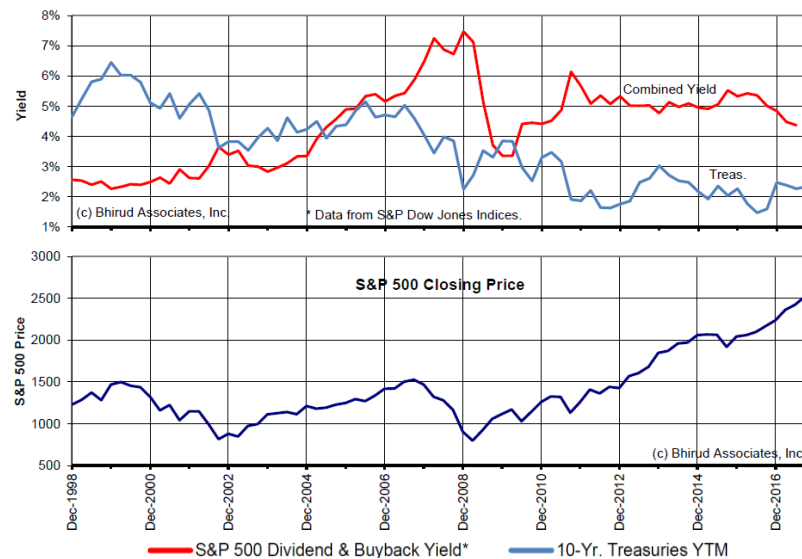
HGK Large Cap Value Equity Review

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.

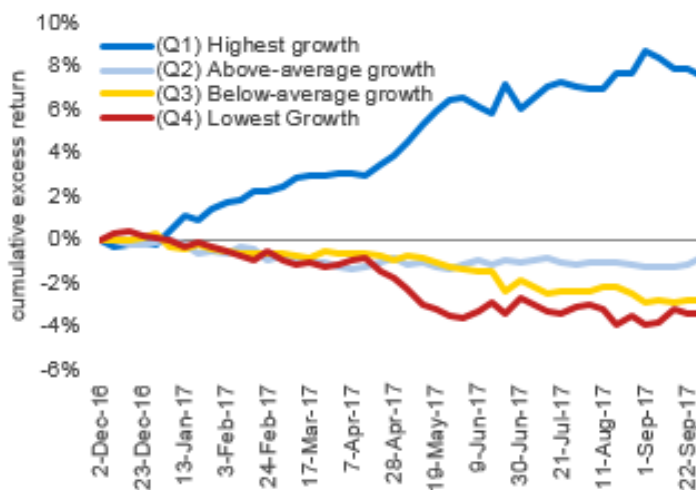
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HGK Large Cap Value Equity Review

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 Police Officers' Pension Trust Fund

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>								
2,900	Nucor Corp.	56.04	162,516	2.17%	48.09	139,602	2.7%	1,094.75
2,500	RPM International Inc.	51.34	128,350	1.72%	53.30	133,369	2.5%	0.00
<i>TOTAL MATERIALS</i>			290,866	3.89%		272,972	2.6%	1,094.75
<i>- INDUSTRIALS -</i>								
1,335	Carlisle Cos.	100.29	133,887	1.79%	98.02	130,924	1.5%	0.00
2,600	Fluor Corp.	42.10	109,460	1.46%	58.66	152,641	2.0%	588.00
550	General Dynamics Corp.	205.58	113,069	1.51%	83.15	45,752	1.6%	0.00
875	Lear Corp.	173.08	151,445	2.02%	137.86	120,675	1.2%	0.00
970	Snap-On Inc.	149.01	144,540	1.93%	153.13	148,586	2.2%	0.00
<i>TOTAL INDUSTRIALS</i>			652,401	8.72%		598,578	1.7%	588.00
<i>- CONSUMER DISCRETIONARY -</i>								
3,500	Comcast Corp. (Cl A)	38.48	134,680	1.80%	31.31	109,679	1.6%	0.00
3,200	Kohl's Corp.	45.65	146,080	1.95%	48.21	154,427	4.8%	0.00
2,800	Newell Rubbermaid Inc.	42.67	119,476	1.60%	48.51	135,957	2.2%	0.00
1,750	VF Corp.	63.57	111,248	1.49%	41.56	72,767	2.9%	0.00
875	Whirlpool Corp.	184.44	161,385	2.16%	158.97	139,136	2.4%	0.00
<i>TOTAL CONSUMER DISCRETIONARY</i>			672,869	9.00%		611,966	2.8%	0.00
<i>- CONSUMER STAPLES -</i>								
3,650	Archer Daniels Midland Co.	42.51	155,162	2.07%	31.79	116,197	3.0%	0.00
2,100	CVS Caremark Corp.	81.32	170,772	2.28%	61.80	129,869	2.5%	0.00
900	J.M. Smucker Co.	104.93	94,437	1.26%	106.40	95,809	3.0%	0.00
<i>TOTAL CONSUMER STAPLES</i>			420,371	5.62%		341,875	2.8%	0.00

Ormond Beach Police Officers' Pension Trust Fund

Current Holdings as of September 30, 2017

- HEALTH CARE -

2,900	Bristol-Myers Squibb Co.	63.74	184,846	2.47%	58.28	169,153	2.4%	0.00
2,100	HCA Healthcare, INC	79.59	167,139	2.23%	78.28	164,488	0.8%	0.00
1,350	Johnson & Johnson	130.01	175,514	2.35%	76.96	103,934	2.6%	0.00
1,025	McKesson Corp.	153.61	157,450	2.10%	162.94	167,065	0.9%	348.50
4,800	Pfizer Inc.	35.70	171,360	2.29%	32.00	153,837	3.6%	0.00
850	UnitedHealth Group Inc.	195.85	166,473	2.23%	63.37	53,887	1.5%	0.00
TOTAL HEALTH CARE			1,022,781	13.67%		812,365	2.0%	348.50

- ENERGY -

3,700	ConocoPhillips	50.05	185,185	2.48%	48.73	180,428	2.1%	0.00
2,250	Chevron Corp.	117.50	264,375	3.53%	87.07	195,972	3.7%	0.00
4,150	Devon Energy Corp.	36.71	152,347	2.04%	53.55	222,415	0.7%	0.00
6,200	ENSCO International Inc.	5.97	37,014	0.49%	45.87	284,623	0.7%	0.00
8,800	Marathon Oil Corp.	13.56	119,328	1.60%	20.33	179,257	1.5%	0.00
4,600	Murphy Oil Corp.	26.56	122,176	1.63%	46.12	212,364	3.8%	0.00
1,800	Occidental Petroleum Corp.	64.21	115,578	1.55%	63.18	113,795	4.8%	1,386.00
TOTAL ENERGY			996,003	13.32%		1,388,854	2.7%	1,386.00

- FINANCIAL -

2,700	American Int'l Group Inc	61.39	165,753	2.22%	41.95	113,374	2.1%	0.00
1,400	Allstate Corp.	91.91	128,674	1.72%	71.20	99,750	1.6%	592.00
5,300	Bank of America Corp.	25.34	134,302	1.80%	13.87	73,764	1.9%	0.00
2,400	Franklin Resources Inc.	44.51	106,824	1.43%	52.37	125,793	1.8%	480.00
1,327	Brighthouse Financial	60.80	80,682	1.08%	52.25	69,381	0.0%	0.00
875	BERKSHIRE HATHAWAY B	183.32	160,405	2.14%	145.89	127,696	0.0%	0.00
2,400	Citigroup Inc.	72.74	174,576	2.33%	51.83	124,494	1.8%	0.00
1,900	Capital One Financial Corp.	84.66	160,854	2.15%	56.83	108,061	1.9%	0.00
650	Goldman Sachs Group Inc.	237.19	154,174	2.06%	154.12	100,201	1.3%	0.00
3,000	Hartford Financial Services	55.43	166,290	2.22%	22.91	68,850	1.8%	690.00
3,600	MetLife Inc.	51.95	187,020	2.50%	29.65	106,819	3.1%	0.00

Ormond Beach Police Officers' Pension Trust Fund

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>								
2,000	- cont. State Street Corp.	95.54	191,080	2.55%	48.36	96,815	1.8%	840.00
<i>TOTAL FINANCIAL</i>			1,810,633	24.21%		1,214,998	1.7%	2,602.00
<i>- INFORMATION TECHNOLOGY -</i>								
1,050	Apple Inc.	154.12	161,826	2.16%	107.38	112,800	1.6%	0.00
3,100	Applied Materials Inc.	52.09	161,479	2.16%	17.88	55,539	0.8%	0.00
5,500	Cisco Systems Inc.	33.63	184,965	2.47%	22.99	126,691	3.4%	0.00
1,025	International Business Machine	145.08	148,707	1.99%	151.18	155,015	4.1%	0.00
4,700	Intel Corp.	38.08	178,976	2.39%	27.79	130,829	2.9%	0.00
1,025	MasterCard Inc. (Cl A)	141.20	144,730	1.93%	107.83	110,581	0.6%	0.00
<i>TOTAL INFORMATION TECHNOLOGY</i>			980,683	13.11%		691,454	2.3%	0.00
<i>- UTILITIES -</i>								
1,900	Consolidated Edison Inc.	80.68	153,292	2.05%	78.88	149,969	3.4%	0.00
2,200	Entergy Corp.	76.36	167,992	2.25%	67.70	148,998	4.7%	0.00
3,400	Public Service Enterprise Gro	46.25	157,250	2.10%	32.07	109,179	3.7%	0.00
<i>TOTAL UTILITIES</i>			478,534	6.40%		408,147	4.0%	0.00
<i>- TELECOMMUNICATION SERVICE</i>								
8,200	CenturyLink Inc.	18.90	154,980	2.07%	28.57	234,684	11.4%	0.00
<i>TOTAL TELECOMMUNICATIONS</i>			154,980	2.07%		234,684	11.4%	0.00
<i>TOTAL EQUITIES</i>			7,480,120	100.00%		6,575,892	2.5%	6,019.25

Ormond Beach Police Officers' Pension Trust Fund

Current Holdings as of September 30, 2017

<u>SECTOR</u>	<u>MARKET VALUE</u>	<u>% INV TYPE</u>	<u>% INV. TYPE</u>	<u>COST VALUE</u>	<u>CPN/DIV YLD</u>
***** CASH *****					
CASH	166,121.	2.2%	100.0%	166,121	0.0%
TOTAL CASH	166,121.	2.2%	100.0%	166,121	0.0%
***** EQUITIES *****					
MATERIALS	290,866.	3.8%	3.9%	272,972	2.6%
INDUSTRIALS	652,401.	8.5%	8.7%	598,578	1.7%
CONSUMER DISCRETI	672,869.	8.8%	9.0%	611,966	2.8%
CONSUMER STAPLES	420,371.	5.5%	5.6%	341,875	2.8%
HEALTH CARE	1,022,781.	13.4%	13.7%	812,365	2.0%
ENERGY	996,003.	13.0%	13.3%	1,388,854	2.7%
FINANCIAL	1,810,633.	23.7%	24.2%	1,214,998	1.7%
INFORMATION TECH	980,683.	12.8%	13.1%	691,454	2.3%
UTILITIES	478,534.	6.3%	6.4%	408,147	4.0%
TELECOMMUNICATIO	154,980.	2.0%	2.1%	234,684	11.4%
TOTAL EQUITIES	7,480,120.	97.8%	100.0%	6,575,892	2.5%
TOTAL	7,646,241.	100.0%		6,742,013	2.4%