

## City of Ormond Beach Firefighters Pension - International Equity Portfolio

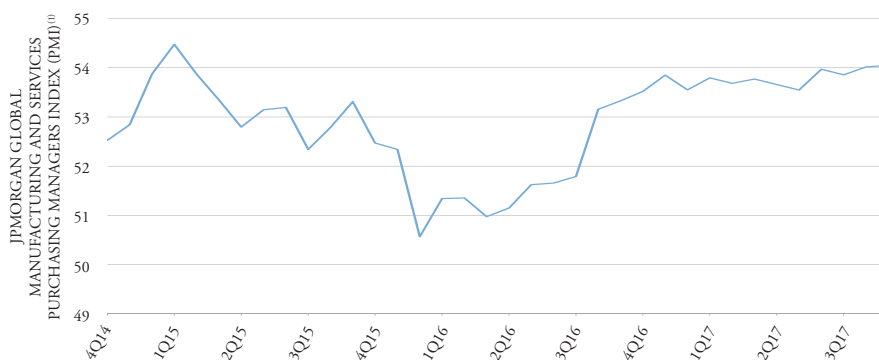
International equity markets finished 2017 on a strong note, propelling the MSCI ACWI ex US Index to a 27% gain (in U.S. dollars) for the year and marking the first time since 2012 that foreign markets outpaced the S&P 500. Favorable economic readings from Europe, China and the U.S. were more than enough to assuage geopolitical fears ranging from Brexit negotiations to the nuclear ambitions of North Korea. Indicative of the broad economic strength around the globe, the JPMorgan Global PMI Index reached multi-year highs in November (Chart 1) and showed strength in both the manufacturing and services components.

Foreign index returns were led by emerging markets, which gained 7.4% for the quarter and 37.3% for the year as measured by the MSCI Emerging Markets Index. After an 11.2% rise in 2016, some investors are wondering if emerging markets may run out of steam in 2018. To put the gains in perspective, Chart 2 shows the returns of the MSCI USA Index compared to the MSCI Emerging Markets Index. Based on relative returns going back to the late 1980's, recent emerging market returns do not look excessive, and we may be in a situation of emerging markets performance simply catching up to U.S. markets.

The consistent theme of growth stocks outperforming value stocks in 2017 continued through the fourth quarter. For the year, the MSCI ACWI ex US Growth Index climbed 32.0% compared to a 22.7% gain in the

Value index. Growth stocks beat value stocks across the market cap spectrum and within developed and emerging market indices. Another theme that prevailed throughout 2017 was the decline of the U.S. dollar, with

**CHART 1: Global PMI at Highest Level Since 2015**

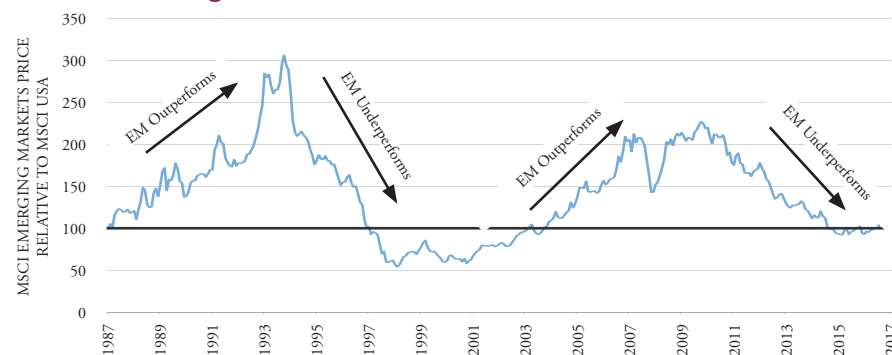


Data from 12/31/14–11/30/17

<sup>(1)</sup>Composite PMIs are calculated by taking the weighted average of the manufacturing and services PMI indices for each country, using relative weights based on gross value added data provided by the national statistical institute in each country. An index reading of 50.0 signals no change since the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signaled.

Source: FactSet, Market Economics

**CHART 2: Emerging Markets Look Appealing to Long-Term Investors**



Data from 12/31/87–12/28/17

Source: MSCI, FactSet, Renaissance Research

### MARKET VALUE SUMMARY

	Quarter Ending 12/31/17
Equities	\$1,320,444
Cash	\$19,934
<b>Total Portfolio</b>	<b>\$1,340,378</b>

### PORTFOLIO PERFORMANCE<sup>(1)</sup>

	Quarter Ending 12/31/17	Year Ending 12/31/17
<b>Firefighters' Pension (net of fees)</b>	<b>2.6%</b>	<b>27.3%</b>
MSCI ACWI ex US Index <sup>(2)</sup>	5.0%	27.2%

<sup>(1)</sup>Performance and Benchmark data sources: Renaissance Research, Bloomberg, MSCI

<sup>(2)</sup>Renaissance primary benchmark.

the weaker greenback adding 9% to U.S. dollar denominated returns of the MSCI ACWI ex US Index and helping ease the pain from the dollar's strength from 2013 to 2016.

During the quarter, European politics also grabbed headlines with the focus on the inability of Germany's Chancellor Angela Merkel's Christian Democratic Union (CDU) party to form a new coalition government following September's national elections. Despite the uncertainty, the Ger-

man DAX Index still gained for the quarter. Brexit negotiations continued, although this quarter's attention was on the first rate hike by the Bank of England since the middle of 2007. The widely expected move was in response to higher inflation brought on in part from the weaker pound following the Brexit vote in 2016.

Also boosting markets across the globe was the continued strength of the U.S. economy, which looks to solidify its 2018 economic growth

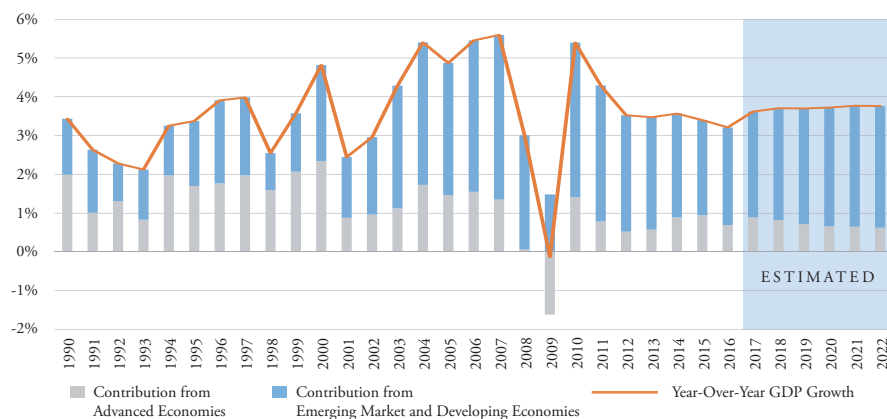
prospects after Congress passed major tax reforms. A positive outlook for the U.S. should lift the economic tide for many nations. According to the October World Economic Outlook from the International Monetary Fund, global GDP growth for 2017 is estimated at 3.6%, rising to 3.7% in 2018, with both estimates up from earlier projections in April.

Breaking down GDP growth by emerging and developed countries, data on Chart 3 shows that emerging markets have accounted for a large portion of overall global growth, and this fact is likely to continue for years to come.

China remains the largest driver of world economic growth, and our portfolios are positioned to take advantage of this opportunity, with an approximately 14% weighting to China/Hong Kong. One of the concerns with China's growth has been growing debt levels relative to GDP. While the debt load has increased in recent years, China's household debt burden compared to major developed countries is still very manageable (Chart 4). Furthermore, China is moving from a period of rapid growth to "a stage of high quality development," as reported after the 19<sup>th</sup> National Congress held in October. This focus on quality should alleviate concerns of a debt bubble forming in China.

Portfolio performance for the quarter trailed our benchmark due to weak contribution from Health Care, Consumer Staples and Materials. Our Health Care sector returns were negatively affected by **Sanofi** (SNY, -13.6%) with the share price falling on investor concern about possible weakening sales in the company's important diabetes franchise. Within Consumer Staples, global consumer goods manufacturer **Unilever** (UL, -3.8%) failed to advance as investors favored higher growth companies in other sectors. Our Materials sector holdings were led lower by Ireland-based building

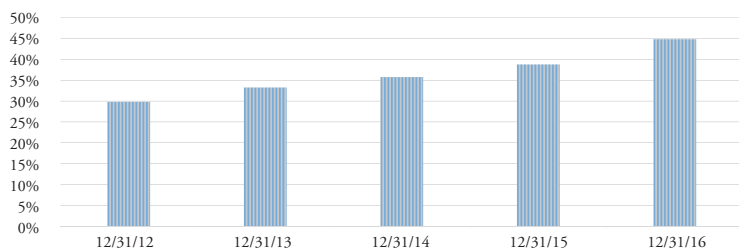
**CHART 3: Global GDP Growth**



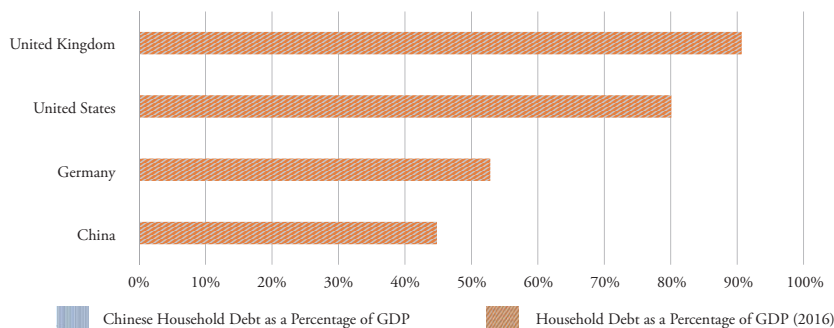
Report date: 10/10/17  
Source: IMF World Economic Outlook, October 2017

**CHART 4: Chinese Household Debt**

Chinese Household Debt is Rising...



...But Remains Low Relative to Developed Countries



Data as of 12/31/16  
Source: Bloomberg Intelligence, International Monetary Fund

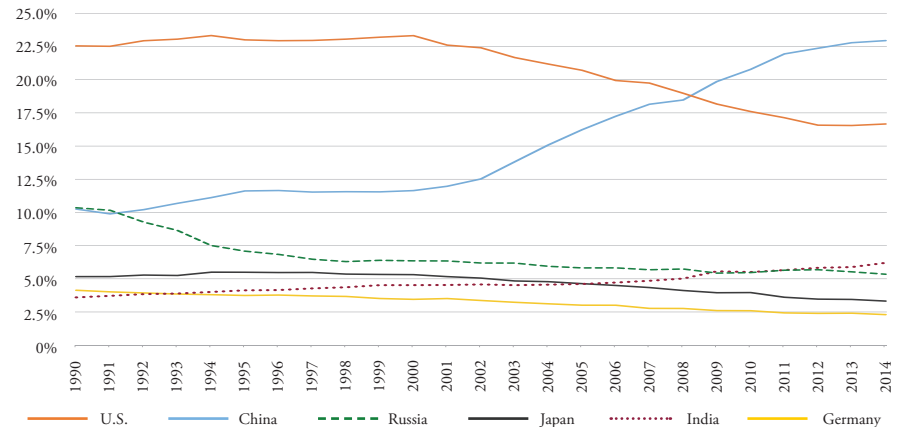
and construction materials provider **CRH** (CRH, -4.7%), which fell after lowering its 2017 EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) projection due to weaker-than-expected results from the Philippines and slightly slower U.S. growth.

The Consumer Discretionary, Information Technology and Industrials sectors contributed the most to returns for the quarter. Within Consumer Discretionary, **China Lodging Group** (HTHT, +22.3%) was our best contributing holding as demand for hotels in China continues to be strong. Information Technology was led by internet gaming software developer **NetEase** (NTES, +31.1%), which gained on optimism about upcoming new gaming titles and a share buyback that should support the shares in the near term. Within Industrials, **SMC Corp.** (SMCAY, +16.8%), a Japanese manufacturer of automatic control equipment, rose on robust earnings led by strong sales for semiconductor, home appliance and machine tool products.

The Energy sector performed well in our portfolio and was the second best performing sector in our benchmark for the quarter. Crude oil (West Texas Intermediate) gained 16.8% for the final three months of the year, putting the 2017 gain at 12.3%. We remain underweight in the Energy sector relative to our benchmark and believe crude oil prices are likely range-bound in the near term as OPEC continues to curb production while U.S. shale production puts pressure on the supply side of the equation. One of the biggest potential boosts to energy prices is the continued increase in demand from China. China's demand for oil has increased dramatically over the last 15 years, but other countries such as the United States and Japan have decreased their appetite for oil (Chart 5). Until we see a clearer picture of crude oil supply/demand dynamics,

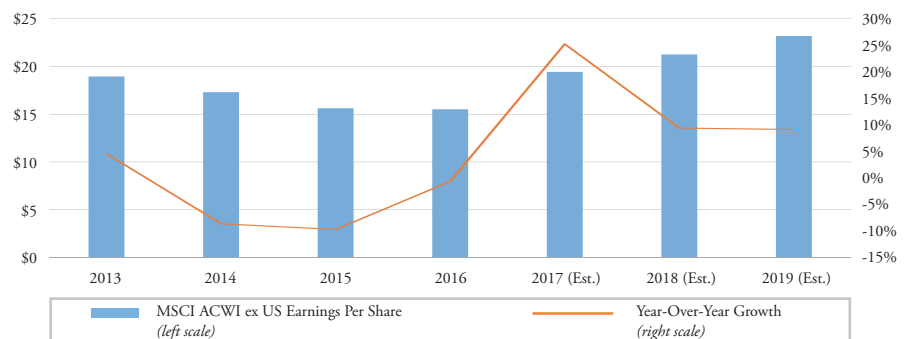
**CHART 5: World Energy Consumption**

Energy Use per \$1,000 GDP, Percent of World Total



Data from 6/29/90–6/30/14  
Source: World Bank, Data as of 6/30/14

**CHART 6: International Earnings Expected to Increase**



Data as of 12/29/17  
Source: FactSet Estimates

we will likely remain underweight in the Energy sector.

Looking at performance by region, we enjoyed the most success in the Asia/Pacific area where we averaged an almost 40% weighting. Our Chinese holdings contributed the most to returns, while India detracted from returns. Western Europe, our largest regional weight at 46%, was our weakest performing region as positive contributions from Germany were negated by poor returns in Denmark.

Relative to our benchmark, we ended the year with our largest overweightings to the Information Technology sector followed by Consumer Discretionary. We believe that attractive investment opportunities exist in higher growth areas such as semiconductors, autos and leisure, while our portfolio remains underweight in slower growth sectors such

as Financials and Consumer Staples. Additionally, we remain overweight to emerging markets in the portfolio as the asset class offers both better growth rates and attractive valuation.

Although the advances in global equity markets in 2017 were not unprecedented, what was unusual was the lack of volatility, as evidenced by the fact that the MSCI ACWI ex US Index was positive each month of the year. Many market prognosticators foresee continued gains in 2018, buoyed in part by good earnings growth (Chart 6). According to earnings estimates compiled by FactSet, international firms are expected to increase 2018 earnings per share close to 10% year-over-year, well above the 4.5% average yearly growth rate since 2005.

Despite the run-up in foreign markets this year, market valuations still remain

attractive compared to U.S. markets. Favorable valuations are a positive for international equity markets, but one concern for investors is the potential rise in inflation as economies expand (Chart 7). It is unlikely, though, that inflation will rise enough to offset positive growth, even as the U.S. Federal Reserve looks to move rates higher in 2018 and other major central banks look to taper their monetary easing programs. Despite the almost 50% return in emerging markets since the end of 2015, we believe the asset class still presents opportunities. While emerging markets account for 34% of world GDP, those same countries only represent 21% of global market capitalization (Chart 8), suggesting that emerging equity markets have ample room to expand.

With market sentiment seemingly overwhelmingly bullish, we remain optimistic for 2018, but also cautious given the many uncertainties in the market. We have learned in managing international portfolios for over 23 years that market volatility will inevitably pick up, and we believe that as active managers, we will be able to position our portfolio to capitalize on the changing landscape while mitigating risk.

**CHART 7: Inflation Inching Higher**  
Year-Over-Year Change in CPI<sup>(1)</sup>

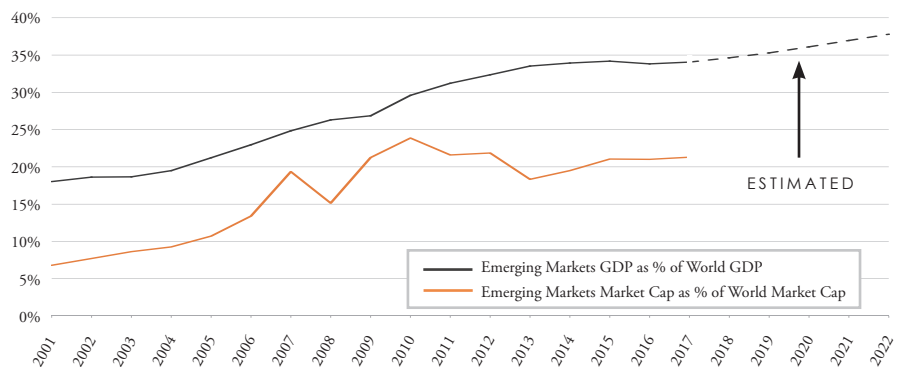


Data from 1/1/16–11/30/17

<sup>(1)</sup>The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the pre-determined basket of goods and averaging them.

Source: Factset, U.S. Bureau of Labor Statistics, Eurostat, Japanese Statistics Bureau & Statistics Center

**CHART 8: Emerging Markets**  
Market Capitalization Well Below Percentage of World GDP



Data as of 12/28/17

Source: International Monetary Fund, MSCI, FactSet

The opinions stated in this presentation are those of the authors as of the date listed on this presentation and are subject to change at any time due to changes in market or economic conditions. Past performance is not indicative of future results. Performance for periods of less than a year is not annualized. All returns are shown in U.S. dollars unless otherwise stated.

Individual securities and their returns listed in the commentary are based upon a representative account of the strategy discussed. These securities and returns may not be the same for all accounts due to factors such as pending trades or account restrictions.

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Portfolio Manager



Joe G. Bruening, CFA

Client Services



Mary C. Meiners

Portfolio Administrator



Steve M. Frakes

50 East RiverCenter Blvd., Suite 1200  
Covington, KY 41011

City of Ormond Beach Firefighters Pension - International Equity Portfolio

Ticker	Security Description	Shares/Face	Unit Cost	Total Cost	Price	Market Value	% of Total Assets
<b>DEVELOPED</b>							
<b>Canada</b>							
CNI	Canadian National Railway	281	39.58	\$11,122	82.50	\$23,183	1.7%
MGA	Magna International	428	45.42	\$19,441	56.67	\$24,255	1.8%
MFC	Manulife Financial	1,096	18.35	\$20,108	20.86	\$22,863	1.7%
TECK	Teck Resources	1,288	23.13	\$29,793	26.17	\$33,707	2.5%
<b>TOTAL Canada</b>				<b>\$80,463</b>		<b>\$104,007</b>	<b>7.8%</b>
<b>Denmark</b>							
PANDY	Pandora	650	17.11	\$11,122	27.24	\$17,703	1.3%
<b>TOTAL Denmark</b>				<b>\$11,122</b>		<b>\$17,703</b>	<b>1.3%</b>
<b>France</b>							
ARKAY	Arkema	253	77.46	\$19,597	121.94	\$30,851	2.3%
AXAHY	AXA	792	30.06	\$23,804	29.67	\$23,495	1.8%
CGEMY	Capgemini	1,190	12.93	\$15,382	23.75	\$28,261	2.1%
RNLSY	Renault	1,109	18.92	\$20,986	20.15	\$22,349	1.7%
SNY	Sanofi	475	49.41	\$23,470	43.00	\$20,425	1.5%
SCRYY	SCOR	5,814	3.44	\$19,972	4.03	\$23,419	1.7%
VLECY	Valeo	677	8.32	\$5,630	37.39	\$25,311	1.9%
<b>TOTAL France</b>				<b>\$128,843</b>		<b>\$174,110</b>	<b>13.0%</b>
<b>Germany</b>							
AZSEY	Allianz	1,253	12.28	\$15,387	22.97	\$28,775	2.1%
DPSGY	Deutsche Post	586	33.67	\$19,733	47.59	\$27,885	2.1%
IFNNY	Infineon Technologies	1,250	16.36	\$20,449	27.42	\$34,275	2.6%
<b>TOTAL Germany</b>				<b>\$55,569</b>		<b>\$90,935</b>	<b>6.8%</b>
<b>Ireland</b>							
CRH	CRH	817	35.01	\$28,607	36.09	\$29,486	2.2%
ICLR	ICON	244	54.86	\$13,386	112.15	\$27,365	2.0%
JAZZ	Jazz Pharmaceuticals	137	150.34	\$20,597	134.65	\$18,447	1.4%
RYAAY	Ryanair	248	69.64	\$17,271	104.19	\$25,839	1.9%
<b>TOTAL Ireland</b>				<b>\$79,861</b>		<b>\$101,136</b>	<b>7.5%</b>
<b>Israel</b>							
CHKP	Check Point Software Technologies	203	23.98	\$4,869	103.62	\$21,035	1.6%
<b>TOTAL Israel</b>				<b>\$4,869</b>		<b>\$21,035</b>	<b>1.6%</b>
<b>Japan</b>							
BRDCY	Bridgestone	1,013	17.03	\$17,254	23.25	\$23,551	1.8%
KDDIY	KDDI	1,383	10.19	\$14,095	12.45	\$17,216	1.3%
MIELY	Mitsubishi Electric	677	24.02	\$16,263	33.23	\$22,495	1.7%
MRAAY	Murata Manufacturing Co	561	35.39	\$19,853	33.56	\$18,824	1.4%
NTTY	Nippon Telephone & Telegraph	413	22.48	\$9,283	47.06	\$19,435	1.4%
IX	Orix	274	78.57	\$21,529	84.78	\$23,230	1.7%
SMCAY	SMC Corp.	1,484	13.06	\$19,383	20.59	\$30,550	2.3%
TRYIY	Toray Industries	1,639	17.14	\$28,099	18.86	\$30,918	2.3%
<b>TOTAL Japan</b>				<b>\$145,760</b>		<b>\$186,218</b>	<b>13.9%</b>
<b>Netherlands</b>							
AER	AerCap Holdings	498	13.96	\$6,952	52.61	\$26,200	2.0%
AKZOY	Akzo Nobel	985	22.67	\$22,328	29.23	\$28,789	2.1%
NXPI	NXP Semiconductors	208	105.35	\$21,912	117.09	\$24,355	1.8%
<b>TOTAL Netherlands</b>				<b>\$51,192</b>		<b>\$79,343</b>	<b>5.9%</b>
<b>Singapore</b>							
DBSDY	DBS Group	394	58.95	\$23,228	74.38	\$29,305	2.2%

City of Ormond Beach Firefighters Pension - International Equity Portfolio

Ticker	Security Description	Shares/Face	Unit Cost	Total Cost	Price	Market Value	% of Total Assets
TOTAL Singapore				\$23,228		\$29,305	2.2%
<b>Spain</b>							
ACSAY	ACS	2,842	7.79	\$22,144	7.83	\$22,264	1.7%
TOTAL Spain				\$22,144		\$22,264	1.7%
<b>United Kingdom</b>							
CUK	Carnival plc	352	55.48	\$19,529	66.28	\$23,331	1.7%
GKNLY	GKN plc	4,686	4.66	\$21,860	4.32	\$20,248	1.5%
PSMMY	Persimmon	469	53.56	\$25,120	74.08	\$34,742	2.6%
UL	Unilever	502	42.07	\$21,118	55.34	\$27,781	2.1%
TOTAL United Kingdom				\$87,627		\$106,102	7.9%
TOTAL DEVELOPED				\$690,677		\$932,159	69.5%
<b>EMERGING</b>							
<b>China</b>							
BIDU	Baidu	100	239.68	\$23,968	234.21	\$23,421	1.7%
CEA	China Eastern Airlines	704	29.19	\$20,551	36.14	\$25,443	1.9%
HTHT	China Lodging Group	202	36.81	\$7,436	144.43	\$29,175	2.2%
NTES	NetEase	70	59.90	\$4,193	345.07	\$24,155	1.8%
TOTAL China				\$56,148		\$102,193	7.6%
<b>Hong Kong</b>							
WHGLY	WH Group	1,195	10.75	\$12,846	22.57	\$26,965	2.0%
TOTAL Hong Kong				\$12,846		\$26,965	2.0%
<b>India</b>							
WIT	Wipro	3,100	6.08	\$18,862	5.47	\$16,957	1.3%
TOTAL India				\$18,862		\$16,957	1.3%
<b>Mexico</b>							
BSMX	Grupo Financiero Santander Mexico	2,507	8.31	\$20,838	7.31	\$18,326	1.4%
VLRS	Volaris	1,276	18.80	\$23,983	8.02	\$10,234	0.8%
TOTAL Mexico				\$44,821		\$28,560	2.1%
<b>Russia</b>							
LUKOY	Lukoil	884	54.01	\$47,749	57.65	\$50,963	3.8%
TOTAL Russia				\$47,749		\$50,963	3.8%
<b>South Korea</b>							
KB	KB Financial	479	44.17	\$21,159	58.51	\$28,026	2.1%
KEP	Korea Electric Power	925	20.59	\$19,046	17.71	\$16,382	1.2%
SKM	SK Telecom	703	16.02	\$11,262	27.91	\$19,621	1.5%
TOTAL South Korea				\$51,467		\$64,029	4.8%
<b>Taiwan</b>							
ASX	Advanced Semiconductor Engineering	3,334	4.99	\$16,652	6.48	\$21,604	1.6%
TSM	Taiwan Semiconductor Manufacturing	784	14.36	\$11,260	39.65	\$31,086	2.3%
TOTAL Taiwan				\$27,912		\$52,690	3.9%
<b>Thailand</b>							
KPCPY	Kasikornbank	721	27.57	\$19,876	28.48	\$20,530	1.5%
TOTAL Thailand				\$19,876		\$20,530	1.5%
<b>Turkey</b>							
TKC	Turkcell Iletisim Hizmetleri	2,490	9.48	\$23,606	10.20	\$25,398	1.9%
TOTAL Turkey				\$23,606		\$25,398	1.9%
TOTAL EMERGING				\$303,287		\$388,285	29.0%

**Portfolio Holdings as of 12/31/2017**

**City of Ormond Beach Firefighters Pension - International Equity Portfolio**

<u>Ticker</u>	<u>Security Description</u>	<u>Shares/Face</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>% of Total Assets</u>
	TOTAL EQUITIES			\$993,964		\$1,320,444	98.5%
	Total Cash			\$19,934		\$19,934	1.5%
	Total Portfolio			\$1,013,898		\$1,340,378	100.0%
	Accrued Income					\$436	
	Total Portfolio plus Accrued Income					\$1,340,815	

**City of Ormond Beach Firefighters Pension - International Equity Portfolio**

<b>Broker</b>	<b>Shares</b>	<b>Value</b>	<b>Cents Per Share</b>	<b>Commission Recapture</b>	<b>Directed</b>	<b>Execution Only</b>	<b>Minority</b>	<b>Research</b>	<b>Soft Dollar</b>	<b>Total Commission</b>
Cowen & Company	88	2,771	2.00	0.00	0.00	1.76	0.00	0.00	0.00	1.76
Gordon Haskett Capital Corp.	868	19,014	1.00	0.00	0.00	8.68	0.00	0.00	0.00	8.68
Instinet	1,388	53,761	1.00	0.00	0.00	13.88	0.00	0.00	0.00	13.88
Liquidnet	2,490	23,606	1.50	0.00	0.00	37.35	0.00	0.00	0.00	37.35
Lynch, Jones, and Ryan	1,179	47,572	5.00	58.95	0.00	0.00	0.00	0.00	0.00	58.95
NatAlliance Securities	364	18,556	1.50	0.00	0.00	5.46	0.00	0.00	0.00	5.46
<b>TOTALS</b>	<b>6,377</b>	<b>165,279</b>	<b>1.98</b>	<b>58.95</b>	<b>0.00</b>	<b>67.13</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>126.08</b>



**City of Ormond Beach Firefighters Pension - International Equity Portfolio**

<u>Ticker</u>	<u>Security Description</u>	<u>CGQ Index</u>	<u>CGQ Industry</u>
ACSAY	ACS	48.90	54.00
AER	AerCap Holdings	N/A	N/A
AKZOY	Akzo Nobel	44.80	40.50
ARKAY	Arkema	N/A	N/A
ASX	Advanced Semiconductor Engineering	N/A	N/A
AXAHY	AXA	66.60	50.60
AZSEY	Allianz	69.00	54.50
BIDU	Baidu	N/A	N/A
BRDCY	Bridgestone	16.40	34.80
BSMX	Grupo Financiero Santander Mexico	N/A	N/A
CEA	China Eastern Airlines	N/A	N/A
CGEMY	Capgemini	98.10	99.00
CHKP	Check Point Software Technologies	N/A	N/A
CNI	Canadian National Railway	66.10	75.00
CRH	CRH	33.60	29.70
CUK	Carnival plc	28.00	40.00
DBSDY	DBS Group	15.40	25.00
DPSGY	Deutsche Post	57.80	63.00
GKNLY	GKN plc	96.80	100.00
HTHT	China Lodging Group	N/A	N/A
ICLR	ICON	N/A	N/A
IFNNY	Infineon Technologies	73.10	80.60
IX	Orix	6.10	7.70
JAZZ	Jazz Pharmaceuticals	42.20	49.40
KB	KB Financial	N/A	N/A
KDDIY	KDDI	11.80	1.80
KEP	Korea Electric Power	33.50	29.10
KPCPY	Kasikornbank	N/A	N/A
LUKOY	Lukoil	N/A	N/A
MFC	Manulife Financial	45.20	47.40
MGA	Magna International	16.10	100.00
MIELY	Mitsubishi Electric	11.80	10.80
MRAAY	Murata Manufacturing Co	20.00	28.50
NTES	NetEase	N/A	N/A
NTTY	Nippon Telephone & Telegraph	36.30	14.50
NXPI	NXP Semiconductors	N/A	N/A
PANDY	Pandora	N/A	N/A
PSMMY	Persimmon	70.90	75.40
RNLSY	Renault	64.30	84.10
RYAAY	Ryanair	12.60	25.00
SCRY	SCOR	N/A	N/A
SKM	SK Telecom	57.60	45.50
SMCAY	SMC Corp.	25.30	25.40
SNY	Sanofi	84.90	81.10
TECK	Teck Resources	38.70	43.20
TKC	Turkcell Iletisim Hizmetleri	45.50	32.70
TRYIY	Toray Industries	25.50	26.60
TSM	Taiwan Semiconductor Manufacturing	N/A	N/A
UL	Unilever	69.90	60.00
VLEEY	Valeo	81.80	97.10
VLRS	Volaris	N/A	N/A
WHGLY	WH Group	N/A	N/A
WIT	Wipro	N/A	N/A