

Second Quarter 2017

City of Ormond Beach

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

Table of Contents

Section I	Performance Update
Section II	Equity Review
Section III	Current Holdings

Ormond Beach General Employees' Pension Plan

Q2 2017 Statement of Changes

	Cash	Equity	Total
Market Value at April 1, 2017	\$226,396	\$10,408,205	\$10,634,601
Contributions / (Withdrawals)	111,954	(261,489)	(149,535)
Interest and Dividends	201	63,763	63,964
Realized Gains / (Losses)	-	274,629	274,629
Unrealized Gains / (Losses)	-	(268,555)	(268,555)
Market Value at June 30, 2017	338,551	10,216,554	10,555,105
Total Investment Return at June 30, 2017	\$201	\$69,838	\$70,039
Equity Rate of Return	0.70%	Russell 1000 Value	1.34%
Total Fund Rate of Return	0.67%		

City of Ormond Beach

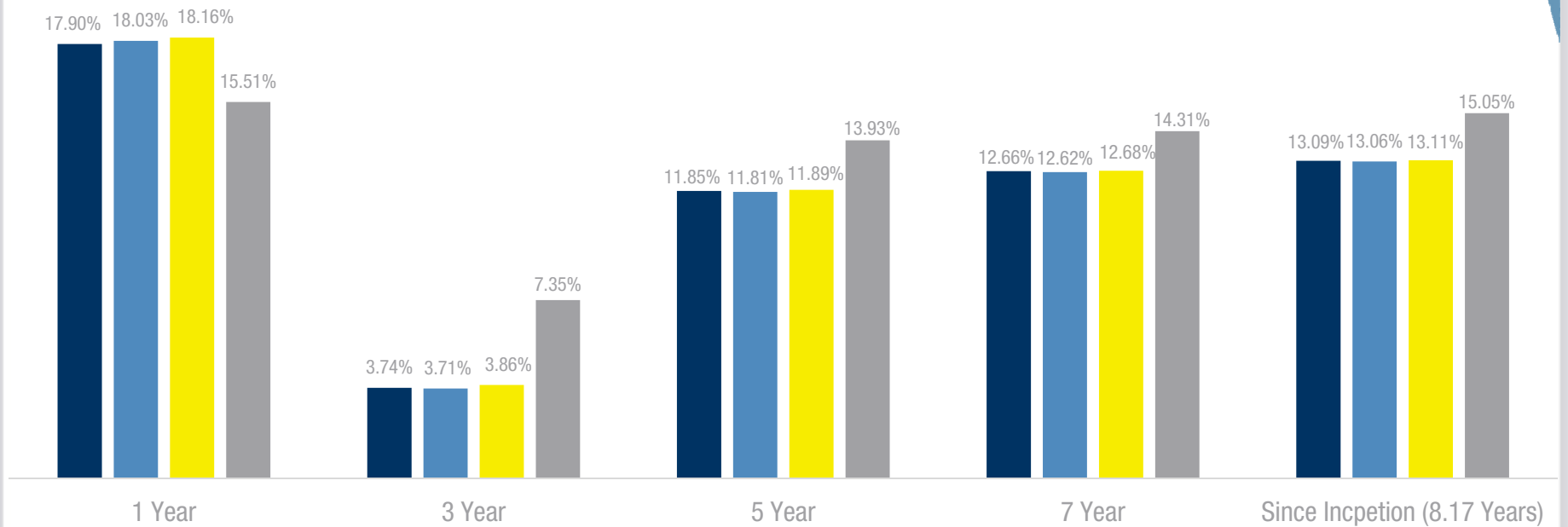
Calendar Year End Performance

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 June 30, 2017	3.46%	3.44%	3.53%	4.66%
Annualized as of June 2017				
1 Year	17.90%	18.03%	18.16%	15.51%
3 Year	3.74%	3.71%	3.86%	7.35%
5 Year	11.85%	11.81%	11.89%	13.93%
7 Year	12.66%	12.62%	12.68%	14.31%
Since Inception (8.17 Years)				
Cumulative	173.11%	172.48%	173.57%	214.21%
Annualized	13.09%	13.06%	13.11%	15.05%

City of Ormond Beach

Annualized Performance as of June 30, 2017

- General Employees
- Police Officers
- Firefighters
- Russell 1000 Value



Source: HGK Asset Management, Inc.

Large Cap Value

Attribution Analysis Q2 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	0.74	0.74	100.00	1.34	1.34	0.10	-0.71	-0.60
Consumer Discretionary	10.98	5.83	0.64	4.67	3.14	0.17	0.09	0.29	0.39
Telecommunication Services	2.48	3.43	0.09	3.42	-7.09	-0.25	0.08	0.27	0.35
Financials	23.70	5.19	1.21	26.28	3.79	0.93	-0.01	0.31	0.30
Health Care	13.28	6.16	0.80	11.30	6.21	0.63	0.16	-0.00	0.16
Information Technology	12.60	1.04	0.14	9.90	0.73	0.11	-0.05	0.05	-0.00
Real Estate	--	--	--	4.74	1.64	0.08	-0.01	--	-0.01
Utilities	6.48	1.62	0.11	6.39	2.18	0.15	-0.01	-0.04	-0.04
Materials	3.84	-1.28	-0.03	2.88	0.08	0.00	-0.00	-0.04	-0.04
Consumer Staples	5.59	-2.25	-0.12	8.63	1.16	0.10	0.02	-0.19	-0.17
Industrials	6.32	-5.10	-0.29	10.13	3.10	0.31	-0.05	-0.51	-0.56
Energy	12.59	-13.27	-1.82	11.66	-7.09	-0.89	-0.09	-0.85	-0.94

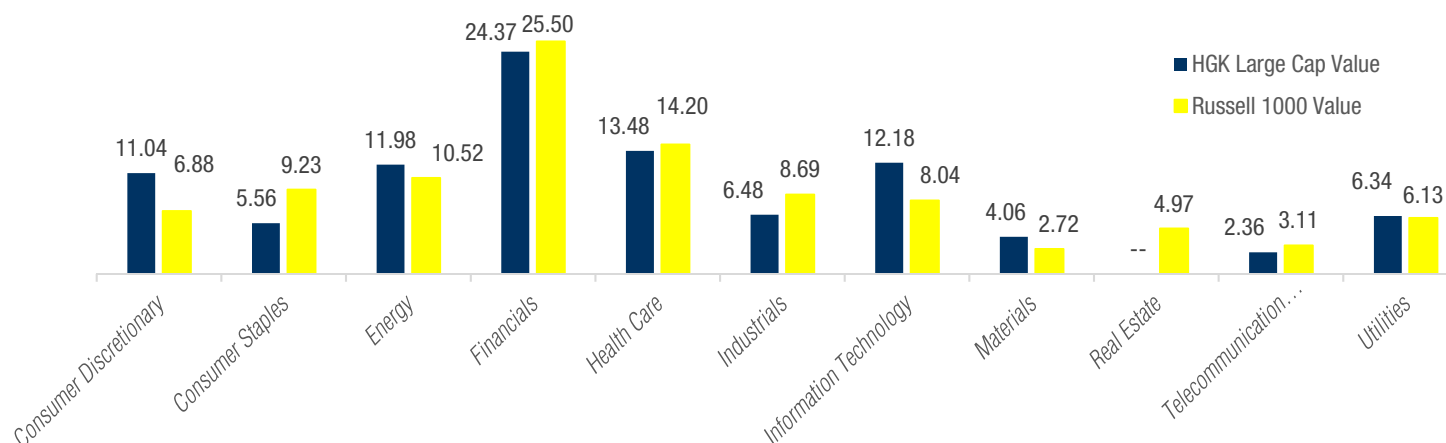
Source: FactSet

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

Large Cap Value

Portfolio Characteristics as of June 30, 2017

	Fund	Russell 1000 Value
Weighted Average Market Cap	\$96.9 billion	\$114.4 billion
Median Market Cap	\$39.8 billion	\$65.4 billion
Number of Holdings	50	719
P/E Ratio	15.6x	17.1x
ROE	12.0%	12.3%
Dividend Yield	2.44%	2.44%
Active Share	78.3%	--
Upside Capture (SI)	96.5%	--
Downside Capture (SI)	96.9%	--



Source: HGK Asset Management, Inc.

Large Cap Value

Top Ten Holdings as of June 30, 2017

Issue	Sector	% of Portfolio
Chevron Corp.	Energy	3.12%
Citigroup Inc.	Financials	2.84%
State Street Corporation	Financials	2.8%
MetLife Inc.	Financials	2.62%
Bristol-Myers Squibb Company	Health Care	2.58%
UnitedHealth Group Incorporated	Health Care	2.52%
Johnson & Johnson	Health Care	2.48%
CVS Health Corporation	Consumer Staples	2.4%
Cisco Systems, Inc.	Information Technology	2.38%
Hartford Financial Services Group, Inc.	Financials	2.36%
	TOTAL	26.10%

Source: HGK Asset Management, Inc.

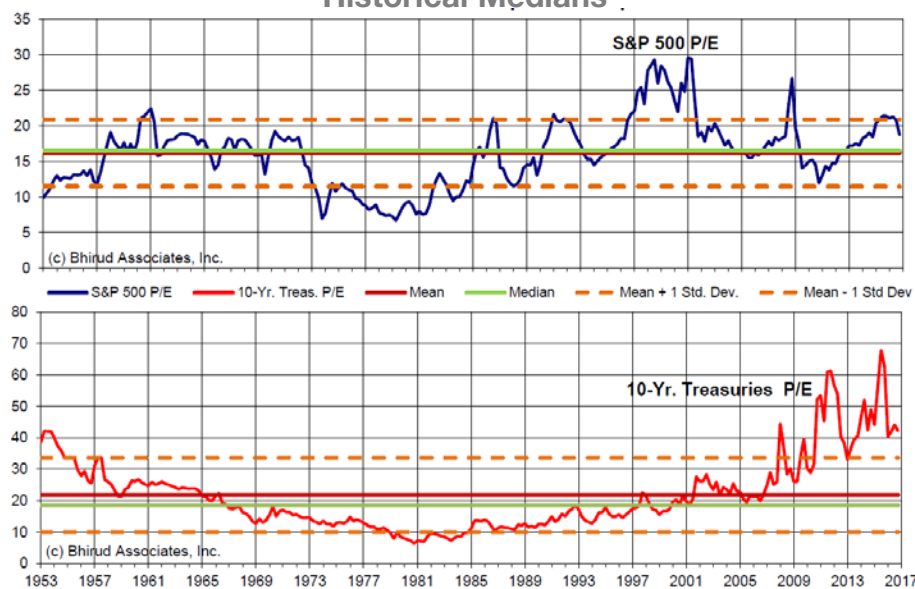
HGK Equity Review

Second Quarter 2017

2017 has marked a continuation in the upward trend for the equity markets despite economic and political uncertainties. Year-to-date, the Russell 1000 Index has gained 9.3%. The leadership of Growth stocks over Value shares has been the dominant theme for the U.S. stock market this year with the Russell 1000 Growth index returning 14.0% vs. 4.7% for the Russell 1000 Value Index YTD. As we have stated in previous commentary, news on policy initiatives by the current administration will continue to drive short-term movements in markets. Most recently the inability of the Trump administration to follow through on any of its pre-election economic or reform initiatives has narrowed broad based growth prospects and heightened investors' almost exclusive preference for companies with the highest growth characteristics.

Following its eight year uptrend, the current bull market is long by modern standards. Although we are alert to the prospect of a market correction, in our view, the critical question is whether the long-term fundamentals are still in place. Thus far, there is no indication of a change in underpinnings of the current environment and as such we remain cautiously optimistic.

S&P 500 P/E and 10-Year Treasuries P/E Compared to Respective Historical Medians



Although the statements of fact and data in this report have been obtained from, and are based upon, sources that the Firm believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the Firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Past performance is not a guarantee of future results.

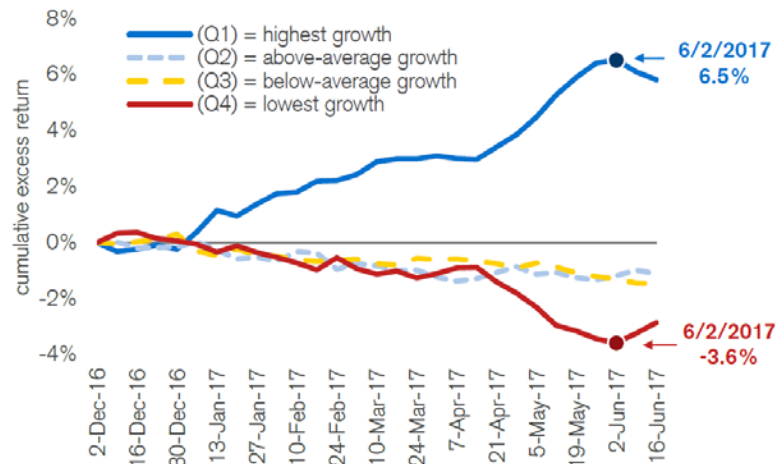
HGK Equity Review

Second 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 led by a relatively few companies with high growth profiles. Year to date Factor analysis is showing Growth massively outperforming Value +16% vs. -9%. 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. We believe one major reason for the growing opportunity set is the massive growth in assets in recently created products like thematic ETFs. For instance, from 2009 to 2016, low volatility ETF strategies have grown assets at a 150% annual rate creating outsized P/E distortions (and therefore price appreciation) in the underlying shares that will likely need to unwind.

Dissecting the Growth Rally of 2017

Cumulative excess return by growth quartile / Largest 1000 US Stocks by market cap



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

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Primary Factors: Fundamental and Technical

Factor ¹ - Market Neutral	Performance (Total Return)				
	2016	YTD	Trailing		
			3M	1M	1W
Growth (High vs. Low)	1%	16%	8%	1%	-1%
Value (Cheapest vs. Richest)	9%	-9%	-7%	0%	2%
Balance Sheet (Strong vs. Weak)	-8%	6%	3%	0%	-1%
Integrated (High vs. Low)	1%	1%	-2%	-1%	0%
Short Interest (Low vs. High)	-4%	-1%	-1%	-2%	0%
Momentum (Leaders vs. Laggards)	-21%	3%	4%	-2%	-3%
Financial Returns (High vs. Low)	-14%	1%	0%	-2%	-1%
Size (Large vs. Small)	-21%	2%	1%	-3%	-1%
Volatility (Low vs. High)	-18%	1%	1%	-4%	-1%

Source GoEim an Sachs

HGK Equity Review

Second 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.

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Ormond Beach General Employees' Pension Plan

Current Holdings as of June 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.	57.87	234,374	2.30%	48.11	195,023	2.6%	1,528.88
3,300	RPM International Inc.	54.55	180,015	1.76%	53.32	176,130	2.2%	0.00
<i>TOTAL MATERIALS</i>			414,389	4.06%		371,153	2.4%	1,528.88
<i>- INDUSTRIALS -</i>								
1,350	Carlisle Cos.	95.40	128,790	1.26%	98.69	133,305	1.5%	0.00
3,980	Fluor Corp.	45.78	182,204	1.79%	58.18	231,716	1.8%	835.80
750	General Dynamics Corp.	198.10	148,575	1.46%	78.45	58,865	1.7%	0.00
1,600	Lear Corp.	142.08	227,328	2.23%	137.94	220,784	1.4%	0.00
1,400	Snap-On Inc.	158.00	221,200	2.17%	154.22	215,973	1.8%	0.00
<i>TOTAL INDUSTRIALS</i>			908,097	8.90%		860,643	1.6%	835.80
<i>- CONSUMER DISCRETIONARY -</i>								
5,000	Comcast Corp. (Cl A)	38.92	194,600	1.91%	30.50	152,613	1.6%	787.50
4,490	Kohl's Corp.	38.67	173,628	1.70%	48.73	219,002	5.7%	0.00
2,000	Newell Rubbermaid Inc.	53.62	107,240	1.05%	48.64	97,374	1.7%	0.00
3,900	VF Corp.	57.60	224,640	2.20%	40.90	159,612	2.9%	0.00
1,075	Whirlpool Corp.	191.62	205,992	2.02%	158.49	170,426	2.3%	0.00
<i>TOTAL CONSUMER DISCRETIONARY</i>			906,100	8.88%		799,026	2.9%	787.50
<i>- CONSUMER STAPLES -</i>								
5,650	Archer Daniels Midland Co.	41.38	233,797	2.29%	31.75	179,648	3.1%	0.00
1,300	Colgate-Palmolive Co.	74.13	96,369	0.94%	64.40	83,789	2.2%	0.00
3,090	CVS Caremark Corp.	80.46	248,621	2.44%	60.39	186,730	2.5%	0.00
<i>TOTAL CONSUMER STAPLES</i>			578,787	5.67%		450,167	2.7%	0.00

Ormond Beach General Employees' Pension Plan

Current Holdings as of June 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>								
4,800	Bristol-Myers Squibb Co.	55.72	267,456	2.62%	58.48	280,961	2.8%	0.00
2,900	HCA Healthcare, INC	87.20	252,880	2.48%	78.30	227,217	0.7%	0.00
1,950	Johnson & Johnson	132.29	257,966	2.53%	75.54	147,360	2.5%	0.00
1,400	McKesson Corp.	164.54	230,356	2.26%	164.70	230,645	0.7%	448.00
4,200	Pfizer Inc.	33.59	141,078	1.38%	31.05	130,603	3.8%	0.00
1,400	UnitedHealth Group Inc.	185.42	259,588	2.54%	61.80	86,557	1.6%	0.00
<i>TOTAL HEALTH CARE</i>			1,409,324	13.81%		1,103,342	1.9%	448.00
<i>- ENERGY -</i>								
5,350	ConocoPhillips	43.96	235,186	2.30%	47.34	253,461	2.4%	0.00
3,190	Chevron Corp.	104.33	332,813	3.26%	86.13	274,838	4.1%	0.00
5,500	Devon Energy Corp.	31.97	175,835	1.72%	54.01	297,280	0.8%	0.00
8,330	ENSCO International Inc.	5.16	42,983	0.42%	46.04	383,842	0.8%	0.00
12,600	Marathon Oil Corp.	11.85	149,310	1.46%	20.26	255,800	1.7%	0.00
6,500	Murphy Oil Corp.	25.63	166,595	1.63%	44.96	292,544	3.9%	0.00
2,600	Occidental Petroleum Corp.	59.87	155,662	1.53%	62.99	163,882	5.1%	1,976.00
<i>TOTAL ENERGY</i>			1,258,384	12.33%		1,921,647	3.0%	1,976.00
<i>- FINANCIAL -</i>								
3,930	American Int'l Group Inc	62.52	245,704	2.41%	41.66	163,910	2.0%	0.00
2,300	Allstate Corp.	88.44	203,412	1.99%	71.17	163,814	1.7%	925.00
9,300	Bank of America Corp.	24.26	225,618	2.21%	13.88	129,566	1.2%	0.00
3,330	Franklin Resources Inc.	44.79	149,151	1.46%	52.34	174,443	1.8%	666.00
1,200	BERKSHIRE HATHAWAY B	169.37	203,244	1.99%	145.72	174,918	0.0%	0.00
4,200	Citigroup Inc.	66.88	280,896	2.75%	51.41	216,101	1.9%	0.00
2,440	Capital One Financial Corp.	82.62	201,593	1.98%	54.68	133,535	1.9%	0.00
985	Goldman Sachs Group Inc.	221.90	218,572	2.14%	149.87	147,653	1.4%	0.00
4,620	Hartford Financial Services	52.57	242,873	2.38%	22.97	106,302	1.8%	1,108.60
5,050	MetLife Inc.	54.94	277,447	2.72%	33.73	170,460	2.9%	0.00

Ormond Beach General Employees' Pension Plan

Current Holdings as of June 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>								
3,350	- cont. State Street Corp.	89.73	300,596	2.94%	47.31	158,622	1.9%	1,273.00
<i>TOTAL FINANCIAL</i>			2,549,105	24.97%		1,739,324	1.7%	3,972.60
<i>-- INFORMATION TECHNOLOGY --</i>								
1,500	Apple Inc.	144.02	216,030	2.12%	107.32	161,050	1.7%	0.00
4,900	Applied Materials Inc.	41.31	202,419	1.98%	17.95	88,166	1.0%	0.00
8,100	Cisco Systems Inc.	31.30	253,530	2.48%	22.79	184,936	3.7%	0.00
1,200	International Business Machine	153.83	184,596	1.81%	152.51	183,071	3.9%	0.00
6,370	Intel Corp.	33.74	214,924	2.11%	27.84	177,625	3.2%	0.00
1,745	MasterCard Inc. (Cl A)	121.45	211,930	2.08%	107.83	188,250	0.7%	0.00
<i>TOTAL INFORMATION TECHNOLOGY</i>			1,283,429	12.57%		983,097	2.4%	0.00
<i>-- UTILITIES --</i>								
2,700	Consolidated Edison Inc.	80.82	218,214	2.14%	78.88	213,115	3.4%	0.00
3,080	Entergy Corp.	76.77	236,452	2.32%	67.45	207,823	4.5%	0.00
4,910	Public Service Enterprise Gro	43.01	211,179	2.07%	32.07	157,682	4.0%	0.00
<i>TOTAL UTILITIES</i>			665,845	6.52%		578,620	4.0%	0.00
<i>-- TELECOMMUNICATION SERVIC</i>								
9,780	CenturyLink Inc.	23.88	233,546	2.29%	29.84	292,282	9.0%	0.00
<i>TOTAL TELECOMMUNICATI</i>			233,546	2.29%		292,282	9.0%	0.00
<i>TOTAL EQUITIES</i>			10,207,005	100.00%		9,099,303	2.5%	9,548.78

Ormond Beach General Employees' Pension Plan

Current Holdings as of June 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	338,557.	3.2%	100.0%	338,557	0.0%
TOTAL CASH	338,557.	3.2%	100.0%	338,557	0.0%
***** EQUITIES *****					
MATERIALS	414,389.	3.9%	4.1%	371,153	2.4%
INDUSTRIALS	908,097.	8.6%	8.9%	860,643	1.6%
CONSUMER DISCRETI	906,100.	8.6%	8.9%	799,026	2.9%
CONSUMER STAPLES	578,787.	5.5%	5.7%	450,167	2.7%
HEALTH CARE	1,409,324.	13.4%	13.8%	1,103,342	1.9%
ENERGY	1,258,384.	11.9%	12.3%	1,921,647	3.0%
FINANCIAL	2,549,105.	24.2%	25.0%	1,739,324	1.7%
INFORMATION TECH	1,283,429.	12.2%	12.6%	983,097	2.4%
UTILITIES	665,845.	6.3%	6.5%	578,620	4.0%
TELECOMMUNICATIO	233,546.	2.2%	2.3%	292,282	9.0%
TOTAL EQUITIES	10,207,005.	96.8%	100.0%	9,099,303	2.5%
TOTAL	10,545,561.	100.0%		9,437,859	2.4%