

# The City of Atlantic Beach General Employees Pension Plan

Quarterly Review  
Period Ending June 30, 2012

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## Section 1: Capital Markets Overview

- U.S. Economy
- U.S. Equity Markets
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2012

# Capital Markets Overview

## Introduction

- In the second quarter, equities retreated from their first quarter advances as investors reassessed the impact of the European financial crisis on global economic growth.
- The Dow Jones Industrial Average was down 1.9% for the second quarter. The NASDAQ Composite was down 5.1% for the quarter, while the S&P 500 fell 2.8% in the same period.
- Six out of the 10 sectors of the S&P 500 fell in the second quarter. Telecommunication Services fared the best, with a 14.1% uptick. Utilities rose 6.6% and Consumer Staples rose 2.9%. Information Technology and Financials were the laggards, falling 6.7% and 6.8%, respectively.
- With Europe in a recession and slowing worldwide economic growth, fiscal concerns weighed on global growth expectations.
- Both Morgan Stanley and Citi economists have lowered global growth expectations for 2012 to 3.5% and 3.0%, respectively, with about 80% of growth coming from emerging market economies.
- U.S. economic growth is expected by both firms to be 2.1% in 2012.
- The Dow Jones-UBS Commodity index has fallen 3.7% since the start of 2012. Recognizing that Europe may weigh on global growth and thus weaken demand, commodity prices declined significantly in the second quarter.
- Mergers-and-acquisitions activity remained slow in the second quarter. Global M&A volume for the quarter totaled \$613.5 billion, down 14% from the year prior. Deal activity has been depressed by concerns over the European financial crisis and slack economic recovery in the U.S.

## The U.S. Economy

- In its June 28 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 1.9% in the first quarter of 2012, in comparison to 3.0% in the fourth quarter of 2011. Both Morgan Stanley and Citi economists forecast that U.S. GDP will grow 2.1% in 2012.
- For the quarter, the seasonally adjusted unemployment rate rose from 8.1% for April to 8.2% for June. Job gains in the quarter took place in professional and business services. The unemployment rate (8.2%) and the number of unemployed persons (12.7 million) changed little in June. The number of long-term unemployed (5.4 million) was unchanged in June.
- According to the most recent estimate from the Commerce Department, corporate profits fell 0.3% between the fourth quarter of 2011 and the first quarter of 2012, and rose 5.5% between the first quarter of 2011 and the first quarter of 2012.
- Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index remained flat in April 2012 and fell 0.3% in May 2012. Morgan Stanley economists expect a 1.9% inflation rate for 2012, while Citi economists are forecasting a 1.7% rate for 2012.
- The Census Bureau reported that privately owned housing starts in May 2012 were at a seasonally adjusted annual rate of 708,000—4.8% below the revised April estimate but 28.5% above May 2011 housing starts. Despite the one-year rise in housing starts, demand for new homes in 2012 remains weak.
- The Census Bureau also reported that seasonally adjusted retail and food services sales decreased 0.2% between April and May 2012, and increased 5.3% between May 2011 and May 2012.
- In June, the Institute for Supply Management's manufacturing-sector index ("PMI") was 49.7, down 3.8 from May and 54.8 in April. The latest PMI data indicates that the manufacturing sector has contracted for the first time since July 2009. Still, PMI has been above 42 for 37 consecutive months.
- The ISM Nonmanufacturing Index ("NMI") rose 0.2 points to 53.7 between April and May of 2012 but fell 1.6 to 52.1 between May and June of 2012. The index has now been above 50 for 30 consecutive months.
- Generally speaking, a PMI or NMI over 50 indicates that the sector is expanding and a PMI over 42 indicates that the overall economy is expanding.

## The U.S. Equity Markets

- The Dow Jones Industrial Average was down 1.9% for the second quarter. The NASDAQ Composite was down 5.1% for the quarter, while the S&P 500 fell 2.8% in the same period.
- Six out of the 10 sectors of the S&P 500 fell in the second quarter. Telecommunication Services fared the best, with a 14.1% uptick. Utilities rose 6.6% and Consumer Staples rose 2.9%. Information Technology and Financials were the laggards, falling 6.7% and 6.8%, respectively.
- Both value- and growth-style stocks fell during the second quarter, with value stocks faring slightly better, especially those of large-cap companies. Accordingly, the Russell 1000 Value index, a large-cap index, fell 2.2%, but had the best quarterly showing of the Russell indexes. In small caps, the Russell 2000 Value index fell 3.0% for the quarter. The Russell 1000 index, a large-cap index, fell 3.1% for the quarter.
- Returns for the Russell Midcap Value index fell 3.3% for the quarter. The Russell 2000 index, a small-cap index, fell 3.5% for the quarter. The small-cap Russell 2000 Growth index fell 3.9% for the quarter, while the Russell 1000 Growth index, a large-cap index, fell 4.0%. The Russell Midcap index and the Russell Midcap Growth index had the weakest showings of the quarter compared to other Russell indexes, falling 4.4% and 5.6%, respectively.
- Concerns about the global economy and the protracted European sovereign debt crisis drove the CBOE VIX volatility index, the so-called “fear index,” to a reading of nearly 27 at the start of June 2012. These concerns have agitated equity investors on and off for over a year. However, once European leaders resolved to bolster their monetary and economic union, the VIX declined. The VIX ended the second quarter at 17.1, which is a distinct contrast from its August 8, 2011 high of 48.

### Key U.S. Stock Market Index Returns (%) for the Period Ending 6/29/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
S&P 500	(2.8)	5.5	0.2	4.1
Dow Jones	(1.9)	6.6	2.0	6.1
Russell 2000	(3.5)	(2.1)	0.5	4.6
Russell Midcap	(4.4)	(1.7)	1.1	5.4
Russell 1000	(3.1)	4.4	0.4	4.3

Source: Vestek

*Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.*

Please refer to important information, disclosures and qualifications at the end of this material.

## Global Equity Markets

- In the second quarter, emerging markets (EM) and global equities fell. The MSCI EAFE index (a benchmark for developed markets) fell 6.9% for U.S.-currency investors and fell 5.1% for local-currency investors, as the U.S. dollar appreciated in relation to the currencies of many nations on the index. In contrast, in the first quarter of 2012, the MSCI EAFE index was up 10.9% in U.S. dollars and rose 10.3% in local currency.
- For the second quarter, the MSCI Emerging Markets index was down 8.8% for U.S.-currency investors and fell 5.1% for local-currency investors, as the U.S. dollar appreciated in relation to many emerging-market currencies. This contrasts with the previous quarter, when the MSCI Emerging Markets index was up 14.1% for U.S.-dollar based investors and rose 10.8% for local-currency investors.
- The MSCI Europe index fell 7.1% for U.S.-currency investors and fell 3.6% for local-currency investors during the second quarter. In comparison, the MSCI Far East index fell 6.8% for the quarter in terms of the dollar and fell 9.1% in terms of local currencies.
- More specific emerging-economy equity market indices also fell in the second quarter. The MSCI BRIC (Brazil, Russia, India and China) index fell 11.6% for the quarter in U.S. dollars and 6.5% in local currencies. In comparison, for the second quarter, the MSCI EM Asia index fell 7.3% in U.S.-dollar terms and 5.5% in local terms.

### Key Global Equity Market Indices Based on the U.S. Dollar (%) for the Period Ending 6/29/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
MSCI EAFE	(6.9)	(13.5)	(5.7)	2.8
MSCI EAFE Growth	(7.1)	(12.3)	(4.3)	3.6
MSCI EAFE Value	(6.7)	(14.6)	(7.1)	1.9
MSCI Europe	(7.1)	(16.0)	(6.4)	2.6
MSCI Japan	(7.3)	(7.2)	(6.4)	0.7
MSCI Emerging Markets	(8.8)	(15.7)	0.2	10.4

Source: Vestek

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## The U.S. Bond Market

- A flight to safety rallied U.S. Treasuries in the second quarter of 2012.
- As a result, the benchmark 10-year Treasury note yield fell, ending the quarter at 1.66%.
- The Barclays Capital U.S. Aggregate Bond index, a general measure of the fixed-income market, rose 2.1% for the second quarter.
- In contrast, the Barclays Capital High Yield index, a measure of lower-rated corporate bonds, rose 1.8% for the quarter.
- Investor wariness of risk weighed on mortgage-backed securities in the second quarter. As a result, the Barclays Capital Mortgage Backed index rose just 1.1% for the quarter.
- During the second quarter, investors looked past the negative headlines about state and local government finances, which proved to be a boon to the municipal-bond market. As U.S. Treasuries rallied, municipal bond prices also benefited. As a result, the Barclays Capital Muni index was up 1.9% for the second quarter, besting its 1.8% rise in the first quarter.

U.S. Bond Market Index Returns (%) for the Period Ending 6/29/12				
	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
Barclays Capital U.S. Aggregate	2.1	7.5	6.8	5.6
Barclays Capital High Yield	1.8	7.3	8.4	8.4
Barclays Capital Govt/Credit	2.6	8.8	6.9	5.5
Barclays Capital Government	2.6	8.3	6.6	5.3
Barclays Capital Intermediate Govt/Credit	1.5	5.4	6.0	5.1
Barclays Capital Long Govt/Credit	7.3	24.6	11.0	7.8
Barclays Capital Mortgage Backed Securities	1.1	5.0	6.7	5.7
Barclays Capital Muni	1.9	9.9	6.0	5.0

Source: Vestek

*Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.*

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## INDEX DESCRIPTIONS:

**DOW JONES INDUSTRIAL AVERAGE:** The most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the *Wall Street Journal* (WSJ) (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. Charles Dow officially started the Dow in 1896, at which time it consisted of only 11 stocks. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system. Simply put, the editors at WSJ add up the prices of all the stocks and then divide by the number of stocks in the index. (In actuality, the divisor is much higher today in order to account for stock splits that have occurred in the past.) **DOW JONES-UBS COMMODITY INDEX:** Composed of futures contracts on physical commodities which are traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). **NASDAQ COMPOSITE INDEX:** Covers 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest NASDAQ stocks. It is a value-weighted index calculated on price change only and does not include income. **S&P 500 INDEX:** Covers 400 industrial, 40 utility, 20 transportation and 40 financial companies in the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total-return basis with dividends reinvested. **RUSSELL 1000 INDEX:** Measures the performance of the 1,000 largest companies in the Russell 3000 index, which represents approximately 89% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately \$9.9 billion; the median market capitalization was approximately \$3.7 billion. The smallest company in the index had an approximate market capitalization of \$1,404.7 million. **RUSSELL 1000 GROWTH INDEX:** Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 1000 VALUE INDEX:** Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 2000 INDEX:** Measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 11% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately \$592.0 million; the median market capitalization was approximately \$500.0 million. The largest company in the index had an approximate market capitalization of \$1,402.7 million. **RUSSELL 2000 GROWTH INDEX:** Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 2000 VALUE INDEX:** Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 3000 INDEX:** Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. **RUSSELL MIDCAP INDEX:** Measures the performance of the 800 smallest companies in the Russell 1000 index, which represent approximately 35% of the total market capitalization of the Russell 1000 index. As of the latest reconstitution, the average market capitalization was approximately \$3.7 billion; the median market capitalization was approximately \$2.9 billion. The largest company in the index had an approximate market capitalization of \$10.3 billion. **RUSSELL MIDCAP GROWTH INDEX:** Russell Midcap Growth index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index. An investment cannot be made directly in a market index. **RUSSELL MIDCAP VALUE INDEX:** Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. An investment cannot be made directly in a market index. **VIX INDEX:** (Chicago Board Options Exchange Volatility Index) Estimates volatility in the S&P 500 index for the next 30 days using a weighted blend of prices for various options on the S&P 500 index.

**THE BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX:** A broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS. **BARCLAYS CAPITAL GOVERNMENT INDEX:** Barclays Capital Treasury bond and agency bond indices (all publicly issued debt of agencies of the U.S. government, quasi-federal corporations and corporate debt guaranteed by the U.S. government, but no mortgage-backed securities) are combined to form the government bond index. **BARCLAYS CAPITAL U.S. INTERMEDIATE GOVERNMENT/CREDIT BOND INDEX:** The Barclays Capital U.S. Intermediate Government/Credit Bond index is a total return index consisting of investment-grade corporate debt issues as well as debt issues of U.S. government agencies and the U.S. Treasury. The debt issues all maintain maturities within a range of one to 10 years. An investment cannot be made directly in a market index. **BARCLAYS CAPITAL HIGH YIELD INDEX:** The Barclays Capital U.S. High Yield index covers the universe of fixed rate, noninvestment-grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. Liquidity Rules: All bonds included in the High Yield index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least \$150 million. Quality Rating Rules: Securities in the index must be rated Ba1 or lower. If both Moody's and S&P provide a rating for a security, the lower of the two ratings is used. A small number of unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. Components: The index has several subcomponents. Intermediate indices include bonds with remaining maturities of less than 10 years; long indices include bonds with remaining maturities of 10 years or more. The index also has subdivisions by credit quality, and subindices are available that exclude securities in default. **BARCLAYS CAPITAL MUNI INDEX:** The composite measure of the total return performance of the muni-bond market. The muni market contains over two million bond issues. The market is divided into seven major sectors: state G.O. debt (31%), prerefunded bonds (7.7%); electric-utility revenue bonds (7.79%); hospital revenue bonds (3.4%); state-housing revenue bonds (3.4%); industrial-development and pollution-control revenue bonds (1.8%); and transportation revenue bonds (7.1%). These weightings are reviewed annually. **BARCLAYS CAPITAL GOVT/CREDIT INDEX:** The U.S. Government/Credit index is the nonsecuritized component of the U.S. Aggregate index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational and local-authority debt) and U.S. dollar corporates. In order to qualify for inclusion in the U.S. Government/Credit index, a bond or security must have at least one year to maturity; at least \$250 million par amount outstanding; must be rated Baa3 by Moody's, BBB- by Standard & Poor's, and BBB- by Fitch Investor Service; must be fixed rate, although it can carry a coupon that steps up; and it must be U.S.-dollar denominated. **BARCLAYS CAPITAL LONG GOVERNMENT/CREDIT INDEX:** Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization. **BARCLAYS CAPITAL MORTGAGE BACKED SECURITIES INDEX:** Includes all fixed securities issued and backed by mortgage pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), Freddie Mac (FHLMC) and half-coupon securities. The index excludes buydowns, graduated equity mortgages (GEM), project loans, nonagency (whole loans),

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jumbos, collateralized mortgage obligations (“CMOs”), graduated payment mortgages (“GPMs”), adjustable rate mortgages (“ARMs”), manufactured home mortgages and prepayment-penalty collateral. Formed by grouping the universes of over one million individual fixed-rate MBS pools into approximately 5,500 generic aggregates. Pool aggregates must be U.S. dollar-denominated, have at least \$250 million current outstanding and average-weighted life of at least one year.

**MSCI EUROPE, AUSTRALASIA AND THE FAR EAST (“EAFE”) INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. **MSCI EUROPE INDEX:** A free-float-adjusted market capitalization-weighted index that is designed to measure developed market equity performance in Europe. As of June 2007, the index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits. **MSCI JAPAN INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Japan. **MSCI EAFE GROWTH INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Global Value and Growth Indices cover the full range of developed, emerging and All Country MSCI International Equity Indices across all size segmentations. MSCI Barra uses a two-dimensional framework for style segmentation in which value and growth securities are categorized using a multifactor approach, which uses three variables to define the value investment-style characteristics and five variables to define the growth investment-style characteristics, including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Equity index into respective value and growth indices, each targeting 50% of the free float-adjusted market capitalization of the underlying market index. **MSCI EAFE VALUE INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. As of the close of May 30, 2003, MSCI implemented an enhanced methodology for the MSCI Global Value and Growth Indices, adopting a two-dimensional framework for style segmentation in which value and growth securities are categorized using different attributes: three for value and five for growth including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Standard Country index into a value index and a growth index, each targeting 50% of the free float-adjusted market capitalization of the underlying country index. Country Value/Growth indices are then aggregated into regional value/growth indices. Prior to May 30, 2003, the indices used price/book value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either “value” securities (low P/BV securities) or “growth” securities (high P/BV securities), relative to each MSCI country index. **MSCI FAR EAST INDEX:** A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in the Far East. As of March 2010, the index consists of the following three developed country indices: Japan, Hong Kong and Singapore. **MSCI EMERGING MARKETS INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 27, 2010, the index consisted of the following 21 emerging-market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. **MSCI BRIC INDEX:** A free-float-adjusted market capitalization index that measures equity market performance in larger emerging markets. The index consists of the following emerging-market country indices: Brazil, Russia, India and China. **MSCI EM ASIA INDEX:** A free-float-adjusted market capitalization index that measures equity market performance in emerging markets in Asia. The index consists of the following emerging-market country indices: China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.

## DISCLOSURES

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Although the statements of fact and data in this report have been obtained from, and are based upon, sources the firm believes 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. This report may contain forward-looking statements, and there can be no guarantee that they will come to pass. Past performance is not a guarantee of future results.

The indices are unmanaged, and an investor cannot invest directly in an index. The indices are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns consist of income and capital appreciation (or depreciation) and do not take into account fees, taxes or other charges. Such fees and charges would reduce performance. Index performance is calculated on a total return basis and assumes that dividends and distributions were reinvested.

To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. These risks may be magnified in **emerging markets**. International investing may not be for everyone. **Value investing** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. With respect to fixed income securities, please note that, in general, as prevailing interest rates rise, fixed income securities prices fall. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

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## Section 2: Portfolio Overview

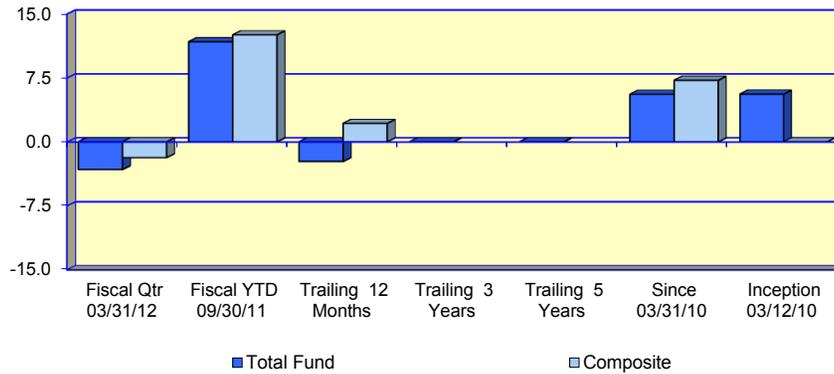
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# TOTAL FUND

CITY OF ATLANTIC BEACH #40000004256

AS OF 06/30/2012

## Portfolio Performance (%)



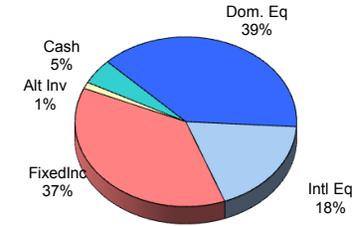
	Fiscal Qtr Since: 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
<b>Investment Returns (%)</b>							
<b>Total Fund</b>	-3.25	11.75	-2.30	N/A	N/A	5.59	5.60
Composite	-1.86	12.55	2.16	N/A	N/A	7.22	N/A
COAB GENERAL TARGET INDEX	-1.06	11.49	3.26			7.26	N/A
454-109635 03/2010 Wnsl Green	-7.51	18.64	0.37	N/A	N/A	9.35	9.57
454-109636 03/2010 CAMBIAR LV	-7.82	11.95	-10.68	N/A	N/A	1.82	2.17
454-109637 03/2010 Penn Mid C	-9.29	18.96	-12.19	N/A	N/A	2.20	3.26
454-109638 03/2010 RB SCG	2.31	27.50	6.82	N/A	N/A	15.52	14.48
454-109639 03/2010 GW CAP SV	-2.25	25.61	-9.08	N/A	N/A	7.90	7.86
454-109640 03/2010 HRD LOV IN	-6.71	8.93	-12.75	N/A	N/A	1.95	1.90
454-109641 03/2010 PIM TT	2.44	6.32	6.06	N/A	N/A	6.22	5.92

## Asset Growth (\$000)

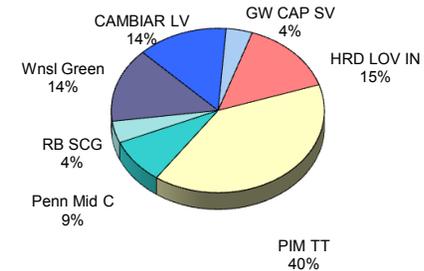
Beginning Market Value	12,207	10,435	11,773	N/A	N/A	9,911	9,882
Net Contributions & Withdrawals	0	150	300	N/A	N/A	587	587
Gain/Loss + Income	-395	1,227	-261	N/A	N/A	1,314	1,343
Ending Market Value	11,812	11,812	11,812	N/A	N/A	11,812	11,812

## Asset Allocation (\$000)

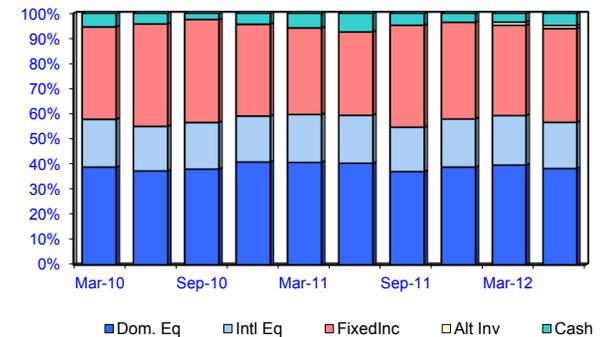
Dom. Eq	Intl Eq	FixedInc	Alt Inv	Cash
4,539	2,168	4,388	145	571
<b>Total</b>				
11,812				



## Asset Allocation By Manager



## Allocation Over Time

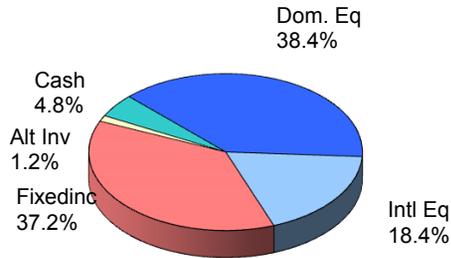


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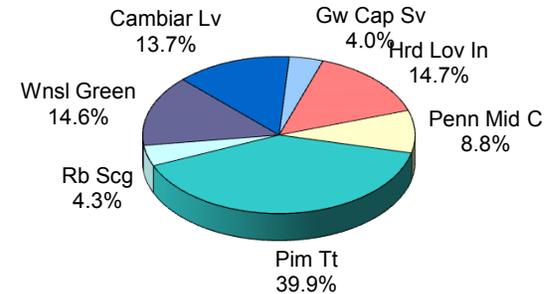
Please refer to the attached Disclosures for important information.

# ASSET ALLOCATION ANALYSIS

**ALLOCATION by ASSET CLASS**



**ALLOCATION by MANAGER & STYLE**



Asset Allocation	Lower Limit	Upper Limit	Strategic Allocation	Total Fund	Percentage Difference	Strategic Allocation(\$000)	Total Fund Allocation(\$000)	Difference(\$000)
<b>Total Equities - Domestic &amp; Intl</b>			<b>60.0%</b>	<b>58.0%</b>	<b>-2.0%</b>	<b>\$7,087</b>	<b>\$6,852</b>	<b>-\$235</b>
<b>Equity Investments</b>			<b>45.0%</b>	<b>43.8%</b>	<b>-1.2%</b>	<b>\$5,315</b>	<b>\$5,177</b>	<b>-\$138</b>
Us Large Growth Equity - Wnsl Green	12.0%	15.0%	14.0%	14.2%	0.2%	\$1,654	\$1,683	\$29
Us Large Value Equity - Cambiar Lv	12.0%	15.0%	14.0%	13.1%	-0.9%	\$1,654	\$1,545	-\$108
Us Mid Cap Core Equity - Penn Mid C	8.0%	10.0%	9.0%	8.4%	-0.6%	\$1,063	\$991	-\$72
Us Small Growth Equity - Rb Scg	4.0%	5.0%	4.0%	4.2%	0.2%	\$472	\$499	\$27
Us Small Value Equity - Gw Cap Sv	4.0%	5.0%	4.0%	3.9%	-0.1%	\$472	\$458	-\$15
<b>International Equity</b>								
International Equity - Hrd Lov In	10.0%	20.0%	15.0%	14.2%	-0.8%	\$1,772	\$1,675	-\$97
<b>Fixed Income Investments</b>								
Total Return - Pim Tt	35.0%	45.0%	40.0%	37.2%	-2.8%	\$4,725	\$4,388	-\$336

## ASSET ALLOCATION ANALYSIS

CITY OF ATLANTIC BEACH #400000004256

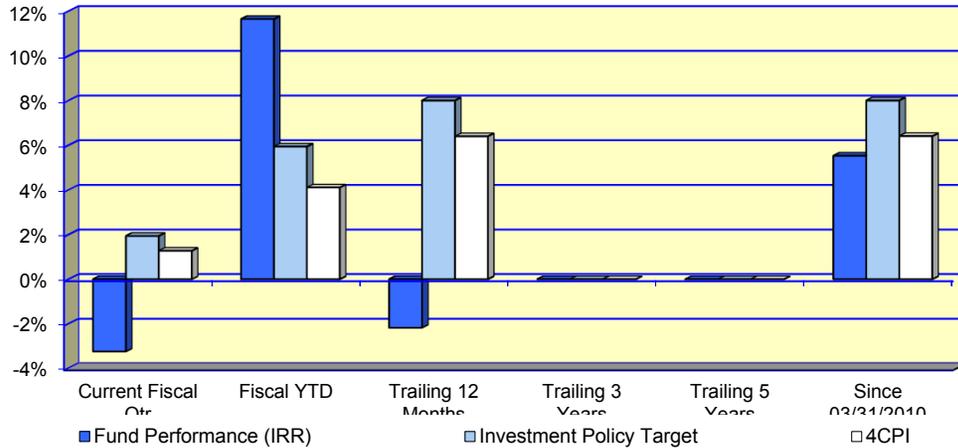
AS OF 06/30/2012

<i>Asset Allocation</i>	<i>Lower Limit</i>	<i>Upper Limit</i>	<i>Strategic Allocation</i>	<i>Total Fund</i>	<i>Percentage Difference</i>	<i>Strategic Allocation(\$000)</i>	<i>Total Fund Allocation(\$000)</i>	<i>Difference(\$000)</i>
<b>Cash &amp; Equivalents</b>								
Combined Allocation - All Managers	0.0%	0.0%	0.0%	4.8%	4.8%	\$0	\$571	\$571
<b>TOTAL ALLOCATION</b>			<b>100.0%</b>	<b>100.0%</b>		<b>\$11,812</b>	<b>\$11,811</b>	

# INVESTMENT POLICY (Dollar-Weighted)

CITY OF ATLANTIC BEACH #400000004256

AS OF 06/30/2012



To provide an absolute annualized rate of return over the long-term, which is equal to or exceeds the actuarial assumption rate of 8.00%.

To earn an average annual rate of return over the long-term which exceeds the Consumer Price Index (CPI) by 4.0%.

### Dollar-Weighted Returns

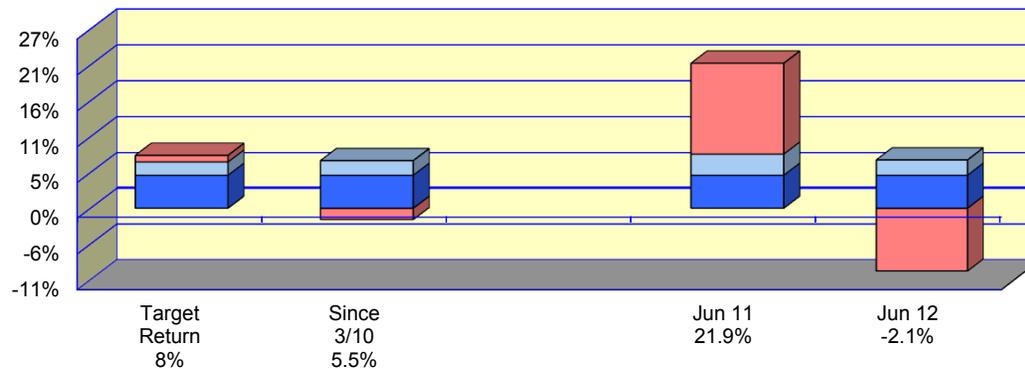
(Internal Rate of Return)

The investment policy monitor is calculated on a dollar-weighted basis, accounting for deposits and cash flows upon receipt. The dollar-weighted or "internal rate of return - IRR" is the actual rate earned by the Fund. The dollar-weighted return is the appropriate measurement to evaluate the fund's performance in relation to the statement of investment policy and guidelines.

Asset Class Investment Manager	Current Fiscal Qtr	Fiscal YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/2010
<b>Fund Performance (IRR)</b>	<b>-3.25%</b>	<b>11.65%</b>	<b>-2.18%</b>	<b>N/A</b>	<b>N/A</b>	<b>5.53%</b>
<b><u>Investment Policy Objectives</u></b>						
Investment Policy Target	1.94%	5.94%	8.00%	N/A	N/A	8.00%
4CPI	1.28%	4.11%	6.40%	N/A	N/A	6.41%

### Trailing 1 Year Rolling Period Returns

**Target Return 8%**  
Growth 1%  
CPI 2%  
Annual Distribution 5%



Real Growth  
Inflation  
Annual Distribution

## MONTHLY RATES OF RETURN

CITY OF ATLANTIC BEACH #400000004256

As Of 06/30/2012

	Total	DYNAMIC
04/2010	1.55%	1.65%
05/2010	-5.12%	-4.66%
06/2010	-1.69%	-2.20%
07/2010	4.62%	4.77%
08/2010	-2.12%	-2.03%
09/2010	6.60%	5.85%
10/2010	2.60%	2.38%
11/2010	-0.45%	-0.26%
12/2010	4.27%	3.92%
01/2011	0.76%	1.03%
02/2011	2.82%	2.35%
03/2011	0.76%	0.45%
04/2011	2.62%	2.59%
05/2011	-0.82%	-0.46%
06/2011	-1.14%	-1.23%
07/2011	-0.91%	-0.84%
08/2011	-5.04%	-3.62%
09/2011	-7.09%	-5.02%
10/2011	7.84%	6.95%
11/2011	-0.87%	-0.93%
12/2011	-0.15%	0.55%
01/2012	4.39%	3.87%
02/2012	2.60%	2.69%
03/2012	1.03%	0.92%
04/2012	-0.54%	-0.14%
05/2012	-4.89%	-4.21%
06/2012	2.29%	2.60%

## INVESTMENT PERFORMANCE SUMMARY (TIME WEIGHTED)

CITY OF ATLANTIC BEACH #400000004256

AS OF 06/30/2012

Investment Returns are <u>Annualized and Time Weighted (%)</u>	<i>Current Fiscal Qtr</i>	<i>Fiscal YTD</i>	<i>Trailing 12 Months</i>	<i>Trailing 3 Years</i>	<i>Trailing 5 Years</i>	<i>Since 03/31/2010</i>	<i>Since Inc Period End</i>	<i>Account Number</i>
<b>TOTAL FUND</b> Composite	<b>-3.25</b> -1.86	<b>+11.75</b> +12.55	<b>-2.30</b> +2.16	<b>N/A</b>	<b>N/A</b>	<b>+5.59</b> +7.22	<b>03/31/2010</b>	
<b>EQUITY INVESTMENTS</b>								
Winslow Capital - Large Cap Growth FS Russell 1000 Gr	-7.51 -4.02	18.64 21.76	0.37 5.76	N/A	N/A	9.35 10.82	03/31/2010	454-109635
Cambiar Investors - Large Cap Value Russell 1000 VI	-7.82 -2.20	11.95 22.91	-10.68 3.00	N/A	N/A	1.82 7.64	03/31/2010	454-109636
Penn Capital - Mid Cap Core Russell Mid Cap	-9.29 -4.40	18.96 21.26	-12.19 -1.66	N/A	N/A	2.20 9.53	03/31/2010	454-109637
Riverbridge Partners - Small Cap Growth FS Russell 2000 Gr	2.31 -3.94	27.50 25.13	6.82 -2.71	N/A	N/A	15.52 11.10	03/31/2010	454-109638
GW Capital - Small Cap Value Equity FS Russell 2000 VI	-2.25 -3.01	25.61 25.51	-9.08 -1.44	N/A	N/A	7.90 6.71	03/31/2010	454-109639
<b>INTERNATIONAL EQUITY</b>								
Harding Loevner - International ADR MSCI AC World ex US NET	-6.71 -7.61	8.93 6.60	-12.75 -14.56	N/A	N/A	1.95 -1.33	03/31/2010	454-109640
<b>FIXED INCOME INVESTMENTS</b>								
PIMCO - Total Return for Managed Accounts BC Aggregate	2.44 2.06	6.32 3.52	6.06 7.47	N/A	N/A	6.22 6.64	03/31/2010	454-109641

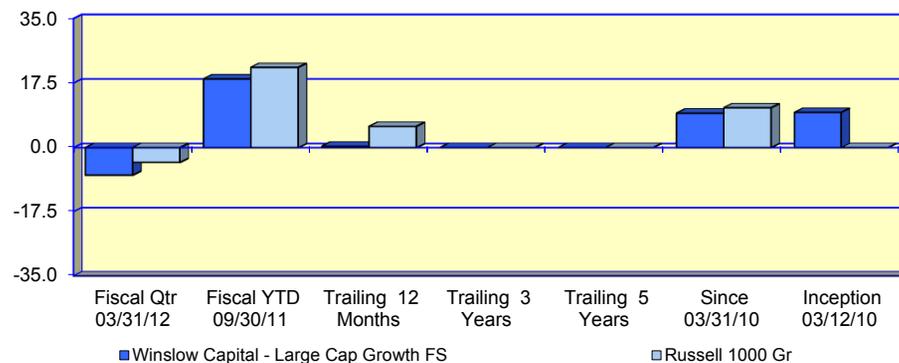
Report Created: 7/6/2012

# ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109635 Winslow Capital - Large Cap Growth FS

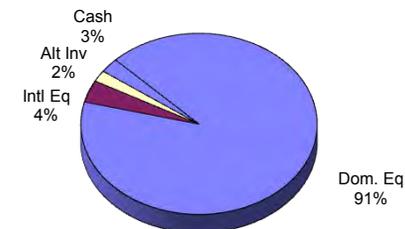
AS OF 06/30/2012

## Portfolio Performance (%)



## Asset Allocation (\$000)

Dom. Eq	Intl Eq	Alt Inv	Cash	Total
1,580	68	35	45	1,728



Investment Returns (%)	Since	Fiscal Qtr 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Winslow Capital - Large Cap Growth	-7.51	18.64	0.37	N/A	N/A	9.35	9.57	
Russell 1000 Gr	-4.02	21.76	5.76	N/A	N/A	10.82	N/A	

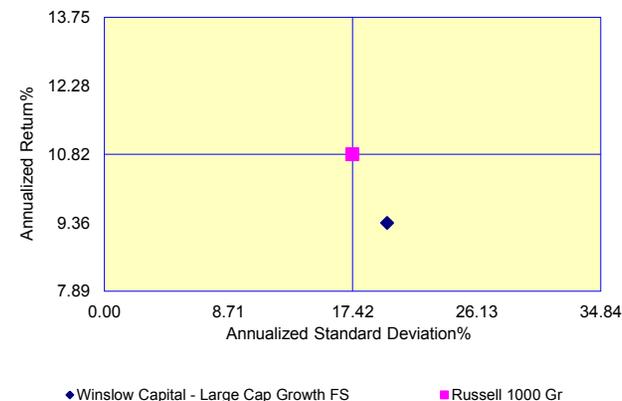
## Asset Growth (\$000)

	03/31/12	09/30/11	12 Months	3 Years	5 Years	03/31/10	03/12/10
Beginning Market Value	1,868	1,388	1,641	N/A	N/A	1,347	1,334
Net Contributions & Withdrawals	0	76	76	N/A	N/A	76	76
Gain/Loss + Income	-140	264	11	N/A	N/A	305	318
Ending Market Value	1,728	1,728	1,728	N/A	N/A	1,728	1,728

## Portfolio Characteristics

Yield	0.73%	Account Sharpe Ratio	0.46
Beta	1.13	Index Sharpe Ratio	0.61
Alpha	-2.37%	# Equity Positions	63
R <sup>2</sup>	98%		

## Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Winslow Capital - Large Cap Growth FS	9.35	19.86
Russell 1000 Gr	10.82	17.42

## Top Equity Holdings

Stock	Sector	% Port
Apple Inc	Information Technolo	7.6
Visa Inc Cl A	Information Technolo	3.9
Union Pacific Corp	Industrials	3.9
Qualcomm Inc	Information Technolo	3.3
Danaher Corporation	Industrials	3.2
Priceline.com Inc New	Consumer Discretionary	3.0
Unitedhealth Gp Inc	Health Care	2.9
Google Inc-cl A	Information Technolo	2.8
Monsanto Co/new	Materials	2.6
Salesforce.com,inc.	Information Technolo	2.5

## Economic Sector Allocation

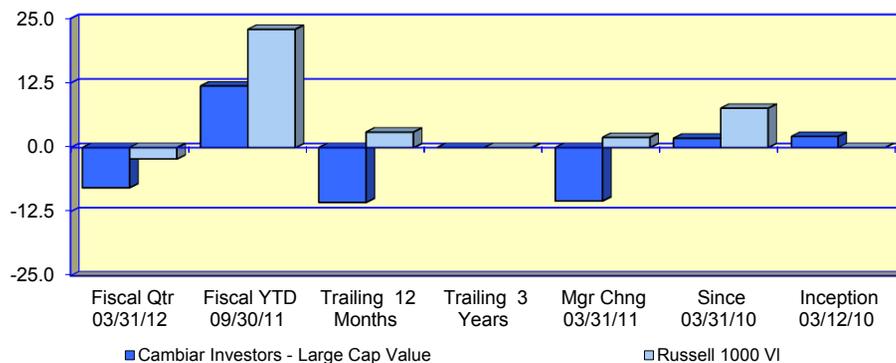
Sector	% Port
Information Technolo	31.8
Consumer Discretionary	17.0
Industrials	13.4
Health Care	12.0
Financials	6.3
Other	5.6
Energy	4.7
Materials	4.5
Consumer Staples	3.5
Telecommunication Se	1.0

# ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109636 Cambiar Investors - Large Cap Value

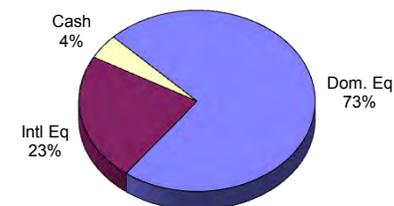
AS OF 06/30/2012

**Portfolio Performance (%)**



**Asset Allocation (\$000)**

Dom. Eq	Intl Eq	Cash	Total
1,177	369	72	1,617



**Portfolio Characteristics**

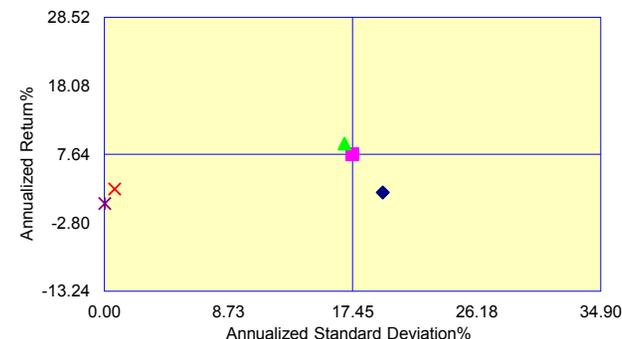
Yield	2.28%	Account Sharpe Ratio	0.09
Beta	1.08	Index Sharpe Ratio	0.43
Alpha	-5.77%	# Equity Positions	36
R <sup>2</sup>	93%		

Investment Returns (%)	Since	Fiscal Qtr 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Mgr Chng 03/31/11	Since 03/31/10	Inception 03/12/10
<b>Cambiar Investors - Large Cap Value</b>		<b>-7.82</b>	<b>11.95</b>	<b>-10.68</b>	N/A	<b>-10.40</b>	<b>1.82</b>	<b>2.17</b>
Russell 1000 VI		-2.20	22.91	3.00		1.98	7.64	N/A

**Asset Growth (\$000)**

	Fiscal Qtr 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Mgr Chng 03/31/11	Since 03/31/10	Inception 03/12/10
Beginning Market Value	1,755	1,342	1,569	N/A	1,608	1,346	1,334
Net Contributions & Withdrawals	0	112	212	N/A	212	212	212
Gain/Loss + Income	-138	163	-164	N/A	-203	59	71
Ending Market Value	1,617	1,617	1,617	N/A	1,617	1,617	1,617

**Risk / Return Analysis Since 03/31/2010**



◆ Cambiar Investors - Large Cap Value ■ Russell 1000 VI ▲ S&P 500 × 90-Day T-Bills × CPI

Annualized %	Return	Std. Dev.
<b>Cambiar Investors - Large Cap Value</b>	<b>1.82</b>	<b>19.58</b>
Russell 1000 VI	7.64	17.45
S&P 500	9.27	16.90
90-Day T-Bills	0.14	0.05
CPI	2.33	0.74

**Top Equity Holdings**

Stock	Sector	% Port
Halliburton Co	Energy	3.6
Carnival Cp New Paired Com	Consumer Discretionary	3.4
Vodafone Gp Plc Ads New	Telecommunication Services	3.2
Chevron Corp	Energy	3.2
The Mosaic Co (hldg Co) New	Materials	3.2
Norfolk Southern Corp	Industrials	3.1
Procter & Gamble	Consumer Staples	3.1
Dow Chemical Co	Materials	3.1
Baxter Intl Inc	Health Care	3.0
Flextronics Intl Ltd	Information Technology	3.0

**Economic Sector Allocation**

Sector	% Port
Health Care	15.2
Energy	14.9
Industrials	13.4
Financials	13.3
Information Technology	12.9
Consumer Staples	10.2
Consumer Discretionary	6.3
Materials	6.2
Other	4.5
Telecommunication Services	3.2

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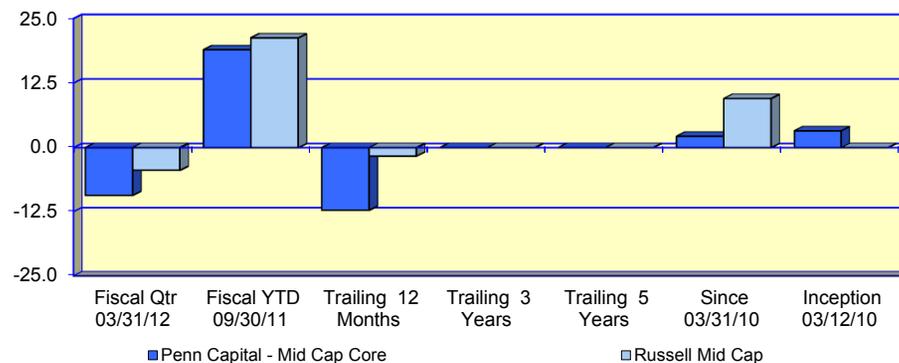
Please refer to the attached Disclosures for important information.

# ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109637 Penn Capital - Mid Cap Core

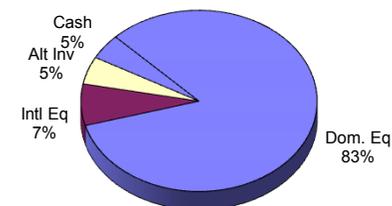
AS OF 06/30/2012

**Portfolio Performance (%)**



**Asset Allocation (\$000)**

Dom. Eq	Intl Eq	Alt Inv	Cash	Total
863	77	51	47	1,038



**Portfolio Characteristics**

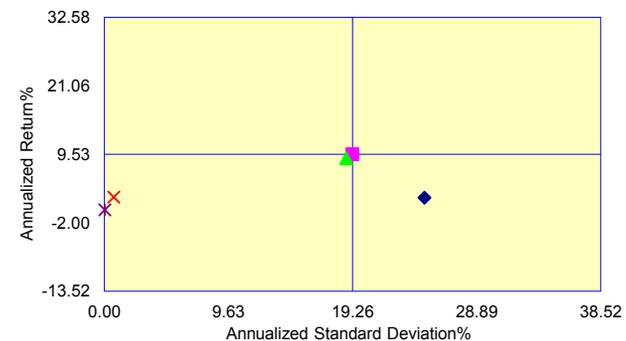
Yield	1.19%	Account Sharpe Ratio	0.08
Beta	1.27	Index Sharpe Ratio	0.49
Alpha	-8.33%	# Equity Positions	73
R <sup>2</sup>	97%		

Investment Returns (%)	Since:	Fiscal Qtr 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
<b>Penn Capital - Mid Cap Core</b>		<b>-9.29</b>	<b>18.96</b>	<b>-12.19</b>	N/A	N/A	<b>2.20</b>	<b>3.26</b>
Russell Mid Cap		-4.40	21.26	-1.66			9.53	N/A

**Asset Growth (\$000)**

	Fiscal Qtr 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Beginning Market Value	1,145	849	1,091	N/A	N/A	912	889
Net Contributions & Withdrawals	0	25	75	N/A	N/A	75	75
Gain/Loss + Income	-107	164	-128	N/A	N/A	51	74
Ending Market Value	1,038	1,038	1,038	N/A	N/A	1,038	1,038

**Risk / Return Analysis Since 03/31/2010**



◆ Penn Capital - Mid Cap Core ■ Russell Mid Cap ▲ Russell Mid Cap VI ✕ 90-Day T-Bills ✕ CPI

Annualized %	Return	Std. Dev.
<b>Penn Capital - Mid Cap Core</b>	<b>2.20</b>	<b>24.86</b>
Russell Mid Cap	9.53	19.26
Russell Mid Cap VI	8.83	18.78
90-Day T-Bills	0.14	0.05
CPI	2.33	0.74

**Top Equity Holdings**

Stock	Sector	% Port
Cbs Corp New Cl B Shrs	Consumer Discretionary	2.2
Interpublic Group Of Cos Inc	Consumer Discretionary	2.1
Crown Castle Intl	Telecommunication Services	2.1
Wyndham Worldwide Corp	Consumer Discretionary	2.1
International Paper Co	Materials	2.1
Hologic Inc	Health Care	2.0
Comerica Inc	Financials	1.9
EnSCO Plc Class A	Other	1.8
Triumph Group Inc	Industrials	1.8
Cabot Oil & Gas Corp A	Energy	1.7

**Economic Sector Allocation**

Sector	% Port
Consumer Discretionary	18.7
Industrials	14.8
Financials	13.0
Health Care	10.1
Information Technology	10.1
Materials	8.4
Energy	8.4
Other	6.4
Consumer Staples	5.0
Utilities	2.9
Telecommunication Services	2.1

Report Created: 7/6/2012

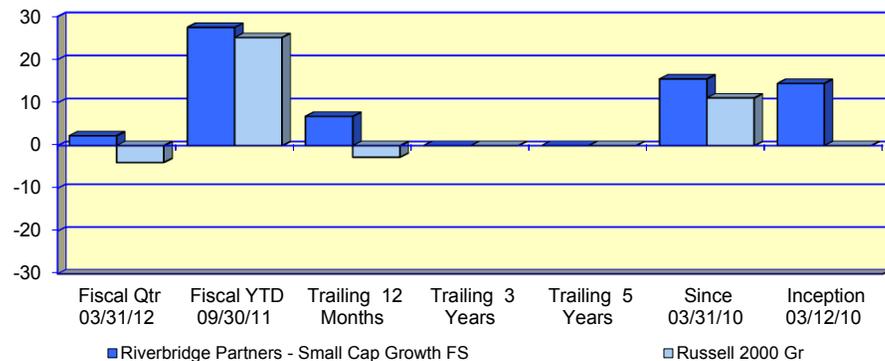
Please refer to the attached Disclosures for important information.

# ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109638 Riverbridge Partners - Small Cap Growth FS

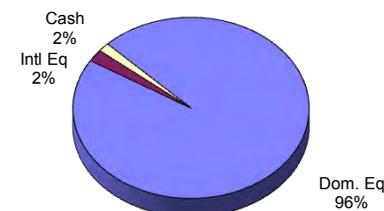
AS OF 06/30/2012

**Portfolio Performance (%)**



**Asset Allocation (\$000)**

Dom. Eq	Intl Eq	Cash	Total
488	11	8	508



**Portfolio Characteristics**

Yield	0.38%	Account Sharpe Ratio	0.83
Beta	0.77	Index Sharpe Ratio	0.47
Alpha	6.14%	# Equity Positions	50
R <sup>2</sup>	93%		

Investment Returns (%)	Fiscal Qtr Since 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
<b>Riverbridge Partners - Small Cap Grc</b>	<b>2.31</b>	<b>27.50</b>	<b>6.82</b>	N/A	N/A	<b>15.52</b>	<b>14.48</b>
Russell 2000 Gr	-3.94	25.13	-2.71			11.10	N/A

**Asset Growth (\$000)**

	03/31/12	09/30/11	12 Months	3 Years	5 Years	03/31/10	03/12/10
Beginning Market Value	496	476	568	N/A	N/A	439	445
Net Contributions & Withdrawals	0	-80	-80	N/A	N/A	-80	-80
Gain/Loss + Income	12	112	20	N/A	N/A	149	143
Ending Market Value	508	508	508	N/A	N/A	508	508

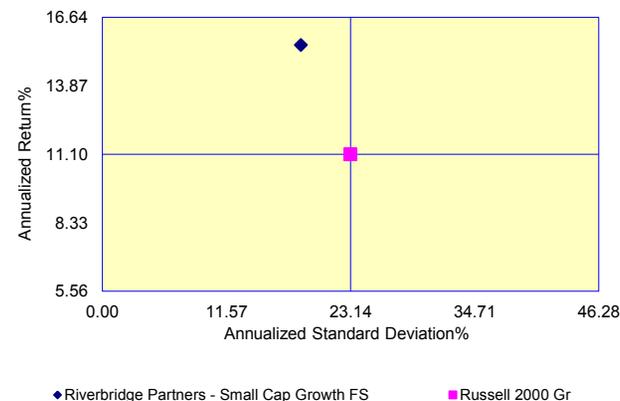
**Top Equity Holdings**

Stock	Sector	% Port
Ultimate Software Gp Inc	Information Technolo	4.6
Cepheid Inc	Health Care	4.0
Rollins Inc	Industrials	3.9
United Natural Foods Inc	Consumer Staples	3.4
Lkq Corporation	Consumer Discretionary	3.3
Natl Instrums Cp	Information Technolo	3.1
Chemed Corporation	Health Care	3.0
Maximus Inc	Information Technolo	3.0
Portfolio Recovery Assoc Inc	Industrials	2.8
Grand Canyon Ed Inc Com	Consumer Discretionary	2.7

**Economic Sector Allocation**

Sector	% Port
Information Technolo	38.4
Health Care	24.6
Industrials	18.3
Consumer Discretionary	10.5
Consumer Staples	5.3
Other	1.6
Financials	1.3

**Risk / Return Analysis Since 03/31/2010**



Annualized %	Return	Std. Dev.
<b>Riverbridge Partners - Small Cap Growth</b>	<b>15.52</b>	<b>18.52</b>
Russell 2000 Gr	11.10	23.14

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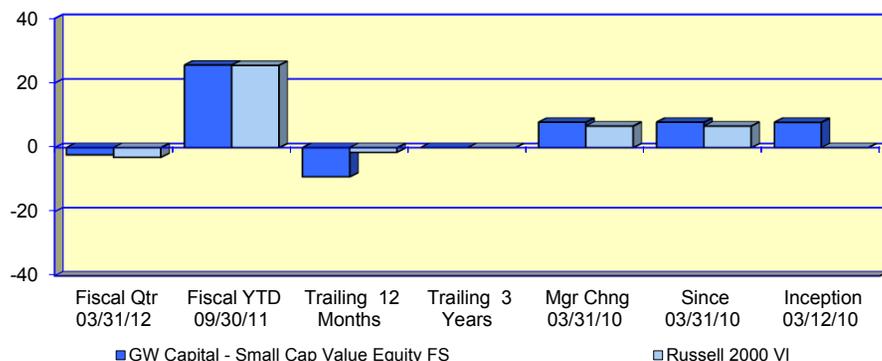
Please refer to the attached Disclosures for important information.

# ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109639 GW Capital - Small Cap Value Equity FS

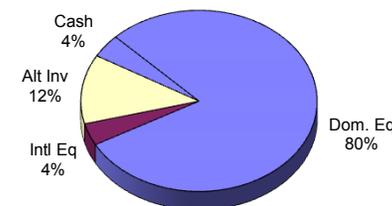
AS OF 06/30/2012

**Portfolio Performance (%)**



**Asset Allocation (\$000)**

Dom. Eq	Intl Eq	Alt Inv	Cash	Total
380	19	59	20	477



Investment Returns (%)	Fiscal Qtr Since 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Mgr Chng 03/31/10	Since 03/31/10	Inception 03/12/10
<b>GW Capital - Small Cap Value Equity</b>	<b>-2.25</b>	<b>25.61</b>	<b>-9.08</b>	N/A	<b>7.90</b>	<b>7.90</b>	<b>7.86</b>
Russell 2000 VI	-3.01	25.51	-1.44	N/A	6.71	6.71	N/A

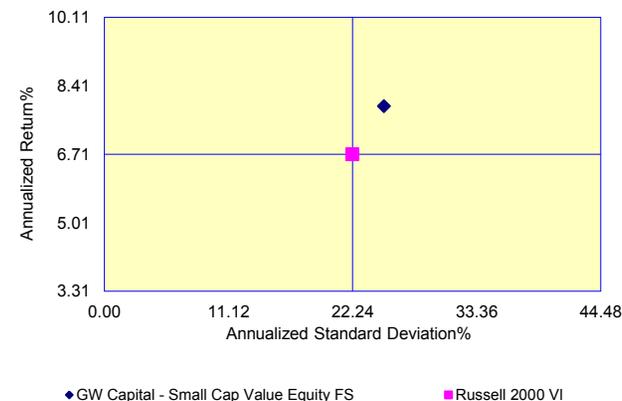
**Portfolio Characteristics**

Yield	2.07%	Account Sharpe Ratio	0.31
Beta	1.10	Index Sharpe Ratio	0.30
Alpha	0.92%	# Equity Positions	33
R <sup>2</sup>	95%		

**Asset Growth (\$000)**

Beginning Market Value	488	421	582	N/A	446	446	445
Net Contributions & Withdrawals	0	-45	-45	N/A	-45	-45	-45
Gain/Loss + Income	-11	101	-60	N/A	76	76	77
Ending Market Value	477	477	477	N/A	477	477	477

**Risk / Return Analysis Since 03/31/2010**



Annualized %	Return	Std. Dev.
<b>GW Capital - Small Cap Value Equity FS</b>	<b>7.90</b>	<b>25.07</b>
Russell 2000 VI	6.71	22.24

**Top Equity Holdings**

Stock	Sector	% Port
A O Smith Corp	Industrials	4.9
Avis Budget Group Com	Industrials	4.1
Esterline Technologies Cp	Industrials	3.9
Darling International Inc	Consumer Staples	3.8
Cno Finl Group Inc Com	Financials	3.7
Ocwen Financial Corp New	Financials	3.6
Casey's General Stores Inc	Consumer Staples	3.5
Brookdale Senior Living Inc	Health Care	3.3
Simpson Manufacturing Co Inc	Industrials	3.3
Ion Geophysical Corp	Energy	3.1

**Economic Sector Allocation**

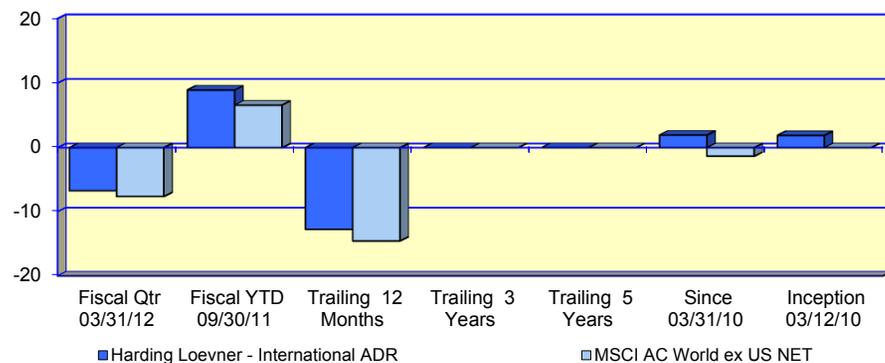
Sector	% Port
Industrials	25.7
Financials	24.0
Consumer Staples	16.0
Energy	10.9
Utilities	8.0
Materials	7.8
Other	4.1
Health Care	3.3

# ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109640 Harding Loevner - International ADR

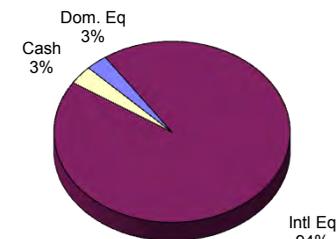
AS OF 06/30/2012

**Portfolio Performance (%)**



**Asset Allocation (\$000)**

Dom. Eq	Intl Eq	Cash	Total
51	1,624	58	1,733



Investment Returns (%)	Since	Fiscal Qtr 03/31/12	Fiscal YTD 09/30/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Harding Loevner - International ADR	-6.71	8.93	-12.75	N/A	N/A	1.95	1.90	
MSCI AC World ex US NET	-7.61	6.60	-14.56	N/A	N/A	-1.33	N/A	

**Asset Growth (\$000)**

	Beginning	03/31/12	09/30/11	12 Months	3 Years	5 Years	Since 03/31/10	Inception 03/12/10
Beginning Market Value	1,858	1,421	1,774	N/A	N/A	1,482	1,482	
Net Contributions & Withdrawals	0	168	168	N/A	N/A	168	168	
Gain/Loss + Income	-125	144	-209	N/A	N/A	83	83	
Ending Market Value	1,733	1,733	1,733	N/A	N/A	1,733	1,733	

**Top Equity Holdings**

Stock	Sector	% Port
Nestle Spon ADR Rep Reg Shr	Consumer Staples	4.2
Air Liquide ADR	Materials	4.0
Sap Ag	Information Technolo	3.7
Li & Fung Ltd Unspn ADR	Other	3.5
Fanuc Corporation Unsp ADR	Industrials	3.4
Dassault Systems Sa Ads	Information Technolo	3.4
Fresenius Medical Care Ag&co	Health Care	3.1
Unicharm Corp ADR	Other	3.0
Arm Holdings Plc Ads	Information Technolo	3.0
Schlumberger Ltd	Energy	3.0

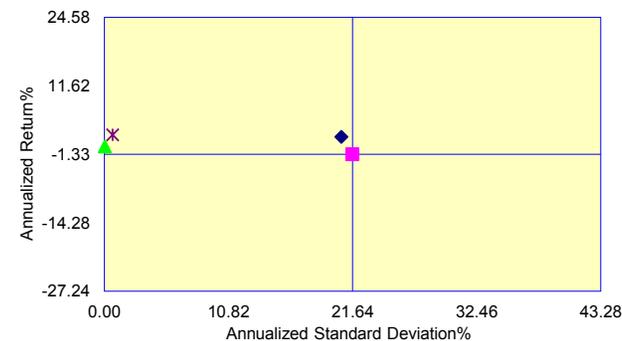
**Economic Sector Allocation**

Sector	% Port
Other	28.2
Information Technolo	15.3
Consumer Staples	11.8
Energy	9.6
Health Care	9.3
Industrials	8.1
Financials	7.6
Materials	4.0
Consumer Discretionary	3.7
Telecommunication Se	2.4

**Portfolio Characteristics**

Yield	1.89%	Account Sharpe Ratio	0.09
Beta	0.94	Index Sharpe Ratio	-0.07
Alpha	3.16%	# Equity Positions	50
R <sup>2</sup>	98%		

**Risk / Return Analysis Since 03/31/2010**



◆ Harding Loevner - International ADR    ■ MSCI AC World ex US NET    ▲ 90-Day T-Bills    ✕ CPI

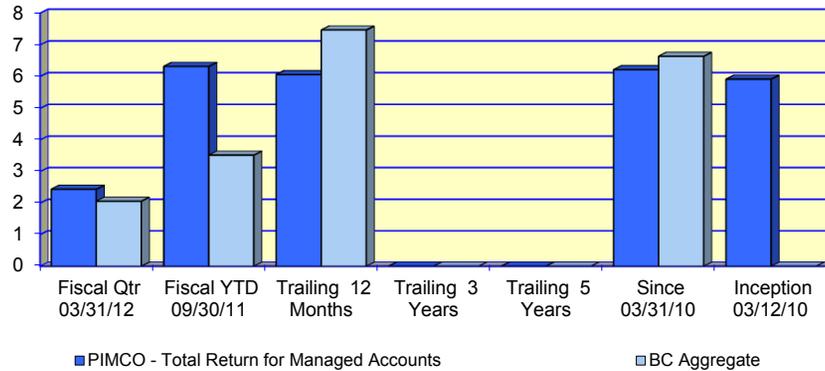
Annualized %	Return	Std. Dev.
Harding Loevner - International ADR	1.95	20.67
MSCI AC World ex US NET	-1.33	21.64
90-Day T-Bills	0.14	0.05
CPI	2.33	0.74

# ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109641 PIMCO - Total Return for Managed Accounts

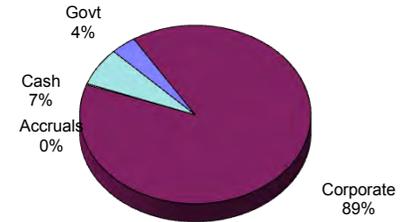
AS OF 06/30/2012

**Portfolio Performance (%)**



**Asset Allocation (\$000)**

Govt	Corporate	Accruals	Cash	Total
168	4,211	10	322	4,710



**Portfolio Characteristics**

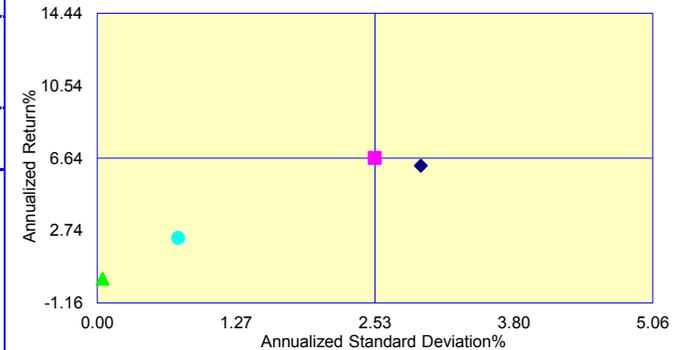
Current Yield	1.57%	Avg. Maturity	21.07 yrs
Yield to Mat.	3.58%	Duration	3.63 yrs
Avg. Coupon	4.12%	Avg. Yrs. to Call	21.07 yrs
# of Bonds	24		

Investment Returns (%)	Fiscal Qtr	Fiscal YTD	Trailing	Trailing	Trailing	Since	Inception
Since:	03/31/12	09/30/11	12 Months	3 Years	5 Years	03/31/10	03/12/10
<b>PIMCO - Total Return for Managed Ac</b>	<b>2.44</b>	<b>6.32</b>	<b>6.06</b>	N/A	N/A	<b>6.22</b>	<b>5.92</b>
BC Aggregate	2.06	3.52	7.47			6.64	N/A

**Asset Growth (\$000)**

	Fiscal Qtr	Fiscal YTD	Trailing	Trailing	Trailing	Since	Inception
	03/31/12	09/30/11	12 Months	3 Years	5 Years	03/31/10	03/12/10
Beginning Market Value	4,598	4,537	4,548	N/A	N/A	3,940	3,953
Net Contributions & Withdrawals	0	-106	-106	N/A	N/A	181	181
Gain/Loss + Income	112	279	268	N/A	N/A	589	576
Ending Market Value	4,710	4,710	4,710	N/A	N/A	4,710	4,710

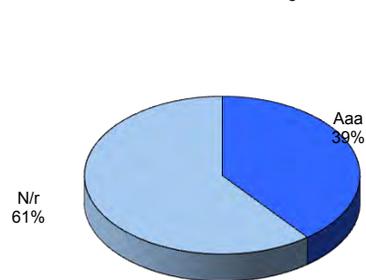
**Risk / Return Analysis Since 03/31/2010**



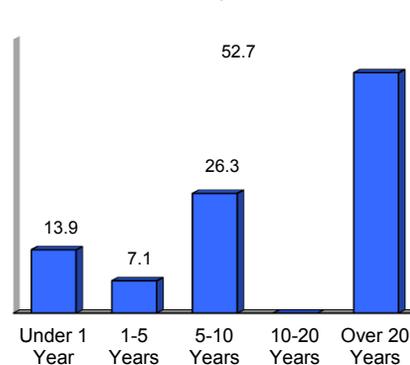
◆ PIMCO - Total Return for Managed Accounts    ■ BC Aggregate    ▲ 90-Day T-Bills    ● CPI

Annualized %	Return	Std. Dev.
<b>PIMCO - Total Return for Managed Accou</b>	<b>6.22</b>	<b>2.95</b>
BC Aggregate	6.64	2.53
90-Day T-Bills	0.14	0.05
CPI	2.33	0.74

**Bond Quality**



**Bond Maturity Distribution**



## Information Disclosures

Please notify your Financial Advisor if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the management of your Investment Advisory accounts, or to reasonably modify existing restrictions.

For a copy of the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC, or for any Investment Adviser with whom we contract to manage your investment advisory account, please contact your Financial Advisor. These Disclosure Documents contain important information about advisory programs.

### Sources and Intent

This investment evaluation is directed only to the client for whom the evaluation was performed. The underlying data has been obtained from sources the Firm believes to be reliable but we do not guarantee their accuracy, and any such information may be incomplete or condensed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization. Past performance is not a guarantee of future results. Performance for periods greater than one year is annualized. The information contained herein was prepared by your Financial Advisor and does not represent an official statement of your account at the Firm (or other outside custodians, if applicable.) Please refer to your monthly statement for a complete record of your transactions, holdings and balances.

This Performance Report may show the consolidated performance of some, but not necessarily all, of your Morgan Stanley Smith Barney accounts. In addition, it may show the full performance history of your accounts or just the performance of your accounts since inception in their current Morgan Stanley Smith Barney programs. In some cases, it may show the combined performance of brokerage accounts and advisory accounts. It is important that you understand the combination of accounts and account histories that are included in this Performance Report. Upon your request, performance information can be obtained for other accounts you may have with us, but which are not shown here.

Accounts included in this Performance Report may have had different investment objectives, been subject to different rules and restrictions, and incurred different types of fees, mark-ups, commissions, and other charges. Accordingly, the performance results for this portfolio may blend the performance of assets and strategies that may not have been available in all of your accounts at all times during the reporting period. Please consult your Financial Advisor for more information about the fees and expenses applicable to the accounts included in this Performance Report.

### Net Rates of Return

The investment results depicted herein represent historical Net performance after the deduction of investment management fees and Select Retirement fees (if applicable). Valuation for periods prior to July 2004 is calculated based on settlement date accounting methods. The return is reduced by the account fee paid directly from your account for services. Fees paid outside Morgan Stanley Smith Barney are not recognized and therefore will not impact this return. The client is referred to the Consulting Group Descriptive Brochure or Part II of the Firm's Form ADV and any applicable Select Retirement Prospectus and Contract. Returns in excess of one year are annualized.

### Advisory Notice

The Fiduciary Services-Affiliated Program and the Fiduciary Services-Unaffiliated Manager Program are separate and distinct advisory programs. Absent your written authorization, assets may only be transferred among managers within the particular program.

### List of Composite Accounts

The Composite account presentation includes the following accounts: Total Fund, 454-109635, 454-109636, 454-109637, 454-109638, 454-109639, 454-109640, 454-109641.

### **Composite Index Definition**

The Composite account's benchmark comprises the Russell 1000 Gr, Russell 1000 VI, Russell Mid Cap, Russell 2000 Gr, Russell 2000 VI, MSCI AC World ex US NET, BC Aggregate, indices in the same asset mix as your portfolio. The mix is adjusted monthly based on changes in your portfolio.

### **International History:**

Until 4th quarter 1997, International equities were included within the Domestic equity category for performance presentation. For asset allocation purposes, they are reflected beginning Jan. 1, 1998.

### **Bond Average**

Please note that all averages calculated are weighted averages meaning that the calculation takes into account the par value of each position. CMO's and Asset Backed securities are excluded from the calculation. Any bonds that are non-rated by both Moody's and S&P are excluded from the average rating calculation.

### **Fiscal Year**

Total Fund's fiscal year ends on 2012/09

Acct# 454-109635's fiscal year ends on 2012/09

Acct# 454-109636's fiscal year ends on 2012/09

Acct# 454-109637's fiscal year ends on 2012/09

Acct# 454-109638's fiscal year ends on 2012/09

Acct# 454-109639's fiscal year ends on 2012/09

Acct# 454-109640's fiscal year ends on 2012/09

Acct# 454-109641's fiscal year ends on 2012/09

### **International and Small Capitalization Securities**

To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing involving foreign, economic, political, and/or legal factors. International investing may not be for everyone. In addition, small capitalization securities may be more volatile than those of larger companies, but these companies may present greater growth potential.

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### **Daily Performance**

Beginning January 1, 2005 (former Smith Barney accounts) and July 1, 2011 (former Morgan Stanley accounts), portfolio performance is calculated using a daily valuation methodology, with contributions and withdrawals to the portfolio reflected as of days they were actually made. Portfolio performance for earlier periods reflects various methodologies. Different calculation methods may result in portfolio performance figures that vary from those shown above.

### **Alpha**

Alpha is the value added by active management of the portfolio's assets, given the risk of that portfolio. In other words, alpha is equal to the incremental return earned by the manager when the market is flat or stationary. An alpha of zero indicates that the manager earned the exact return dictated by the level of market risk (i.e., beta) of the portfolio. A positive alpha indicates that the manager has earned, on average, more than the portfolio's level of market risk would have dictated. A negative alpha indicates that the manager has earned, on average, less than the portfolio's level of market risk would have dictated. Alpha is the Y-intercept of the least squares regression line.

### **Beta**

Beta is the systematic risk of the portfolio. Measured by the slope of the least squares regression, beta is the measure of portfolio risk which cannot be removed through diversification. Beta is also known as market risk. Beta is a statistical estimate of the average change in the portfolio's performance with a corresponding 1.0 percent change in the risk index. A beta of 1.0 indicates that the portfolio moves, on average, lock step with the risk index. A beta in excess of 1.0 indicates that the portfolio is highly sensitive to movements in the risk index. A beta of 1.5, for example, indicates that the portfolio tends to move 1.5 percent with every 1.0 percent movement in the risk index. A beta of less than 1.0 indicates that the portfolio is not as sensitive to movements in the risk index. A beta of 0.5, for example, indicates that the portfolio moves only 0.5 percent for every 1.0 percent movement in the risk index.

### **R-Squared**

R-squared, or the coefficient of determination, measures the strength of the least squares regression relationship between the portfolio (the dependent variable) and the risk index (the independent variable). The statistic reveals the extent to which the variability in the dependent variable is due to the variability in the independent variable. As such, R-squared measures how well the portfolio returns move in tandem with the returns of the risk benchmark. Though it is true that the higher the R-squared the better, an R-squared of less than 0.9 (i.e., 90 percent), indicates that the total fund does not track closely with the risk benchmark. The strength of the R-squared statistic will reflect on the strength of alpha and beta. A weak R-squared, for example, would indicate that alpha and beta cannot be strictly interpreted.

### **Brokerage Account**

In a brokerage relationship, your Financial Advisor will work with you to facilitate the execution of securities transactions on your behalf. Your Financial Advisor also provides investor education and professional, personalized information about financial products and services in connection with these brokerage services. You can choose how you want to pay for these services and you will receive the same services regardless of which pricing option you choose. There are important differences in your relationship with your Financial Advisor and Morgan Stanley Smith Barney in brokerage accounts and in advisory accounts.

## Compliance Checklist

Investment Objectives	Yes	No	N/A
Exceed CPI + 4% over the long-term (3-5 year period)			✓
Equal or exceed the actuarial assumption of 8% over the long-term (3-5 year period)			✓
Exceed the Plan's Target Index over the long-term (3-5 year period)			✓
Investment Guidelines	Yes	No	N/A
The total market value < upper limit and > lower limit	✓		
No direct investments in interest only or principal only CMOs, precious metals, limited partnerships or trusts (does not include REITs), real estate, venture capital, futures contracts or options contracts. No Trading on margin or short selling.	✓		
<b><u>Equity Portfolio:</u></b>			
Traded on major stock exchange or NASDAQ	✓		
No more than 15% (at cost) of total assets invested in foreign securities	✓		
No more than 5% (at cost) of total value in shares of a single corporate issuer	✓		
No one equity holding > 5% of the outstanding common stock of any one company	✓		
<b><u>Fixed Income Portfolio:</u></b>			
At a minimum, 80% of total fixed income portfolio "investment grade" or higher	✓		
No more than 10% (at cost) of total value in securities of any single corporate issuer	✓		
Structured notes are not held in the fixed income portfolio	✓		