Police Pension News

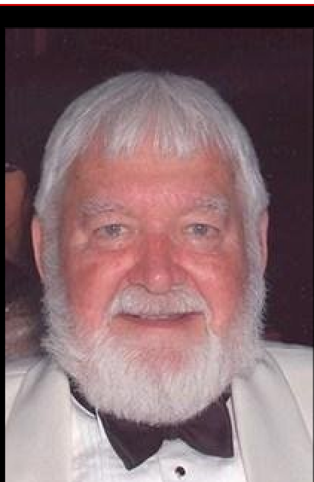
A Hollywood Police Officers' Retirement System Publication

Issue 45

Date of Issue:

First Quarter 2013

Inside this issue:



This edition dedicated in the memory of Mr. Richard Hynds

PENSION FUND INVESTMENT SUMMARY

On December 31, 2012 our fund had a total market value of $235,945,000.

For the quarter the total fund return was -0.11% (net) and its benchmark return was 0.45%. In the previous quarter the fund return was 4.83%.

For the quarter the stock return was -0.30% and the benchmark return was 0.57%. The bond return was 0.34% and the benchmark return was 0.34%.

For the quarter the average allocation of our fund was 51.3% invested in stocks, 44.5% in bonds and 4.2% in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds and Israeli bonds). Our ongoing target for investment in stocks remains at 50% of the total fund.

Calendar Year to Date (1/1/12 – 12/31/12)

For the calendar year the total fund return was 9.91% (net). The stock return was 15.35% and the benchmark return was 16.56%. The bond return was 5.82% and the benchmark return was 4.27%.

Major Economic Indicators

For the last year the best performing sector among S&P 500 stocks was Financials which increased 26.26% and the worst sector was Utilities which decreased 2.91%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 1.7% before seasonal adjustment for the twelve months ended in December.

The Producer Price Index (PPI) for finished goods advanced 1.3% before seasonal adjustment for the twelve months ended in December.

The seasonally adjusted unemployment rate was 7.8% in December compared to 7.8% in September.

Real Gross Domestic Product (GDP) increased at an annual rate of 3.1% for the third quarter of 2012, compared with an increase of 1.3% in the second quarter.

During the fourth quarter of 2012 the Federal Reserve Open Market Committee kept the target range for the federal funds rate of 0.00% to 0.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

Remember: A complete investment report is available on-line.

Total Fund Summary

Since September 30, 1992 the fund has an average rate of return of 7.30% (net) per year. For the last five years the total fund return was 3.28% (net) per year, which was edged out by the overall combined stock and bond benchmark return of 3.87%. For the last three years the total return was 7.81% and the benchmark return was 8.77%. For the last year the total return was 9.91% and the benchmark return was 10.24%. For the last five years the stock return was 1.83% and the bond return was 6.83%. For the last three years the stock return was 9.86% and bond return was 6.63%. For the year the stock return was 15.35% and bond return was 5.82%.

Our Bond portfolio was in the TOP 20% of the investment universe for 5 year return!

Top Ten Stocks

INVERNESS	GARCIA HAMILTON	EAGLE ASSET	BUCKHEAD	RHUMBLINE
Baxter Int'l.	Apple Inc.	ICU Medical	GE	Regeneron Pharma.
Roper Industries	IBM	Thermon Group	Cisco	Equinix inc.
Gilead Sciences	Qualcomm	NeuStar Inc.	Exxon Mobil	Hollyfrontier
Merck & Co.	Microsoft	Allete Inc.	PepsiCo	Kansas City South
GE	Coca Cola	Team Health	Conoco Phillips	Ametek Inc.
Walt Disney	American Tower	Terex Corp.	Blackrock	Vertex Pharma.
Union Pacific	Roper Industries	Cogent Comm.	Comcast Corp.	Rackspace
Weyerhaeuser	Google	CoreLogic	Pfizer	Macerich Co.
US Bancorp	Walt Disney	SemGroup Corp.	Lockheed Martin	Pvh Corp.
Liberty Global	Express Scripts	Macquarie Infra.	AT&T	Trimble Nav.

STOCK SPOTLIGHT

Wesfarmers LTD (Sedol)

Sector:	Consumer Staples
Industry:	Food & Staples Retailing
Country:	Australia
Market Capitalization:	$44 Billion as of December 31, 2012

From its origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies and employers. Its diverse business operations cover: supermarkets, department stores, home improvement and office supplies; coal mining; insurance; chemicals, energy and fertilizers; and industrial and safety products.

Share price as of December 31, 2012 was 36.85 (AUD).

Cinemark Holdings Inc. (Ticker = CNK)

Sector: Consumer Discretionary

Industry: Movies & Entertainment

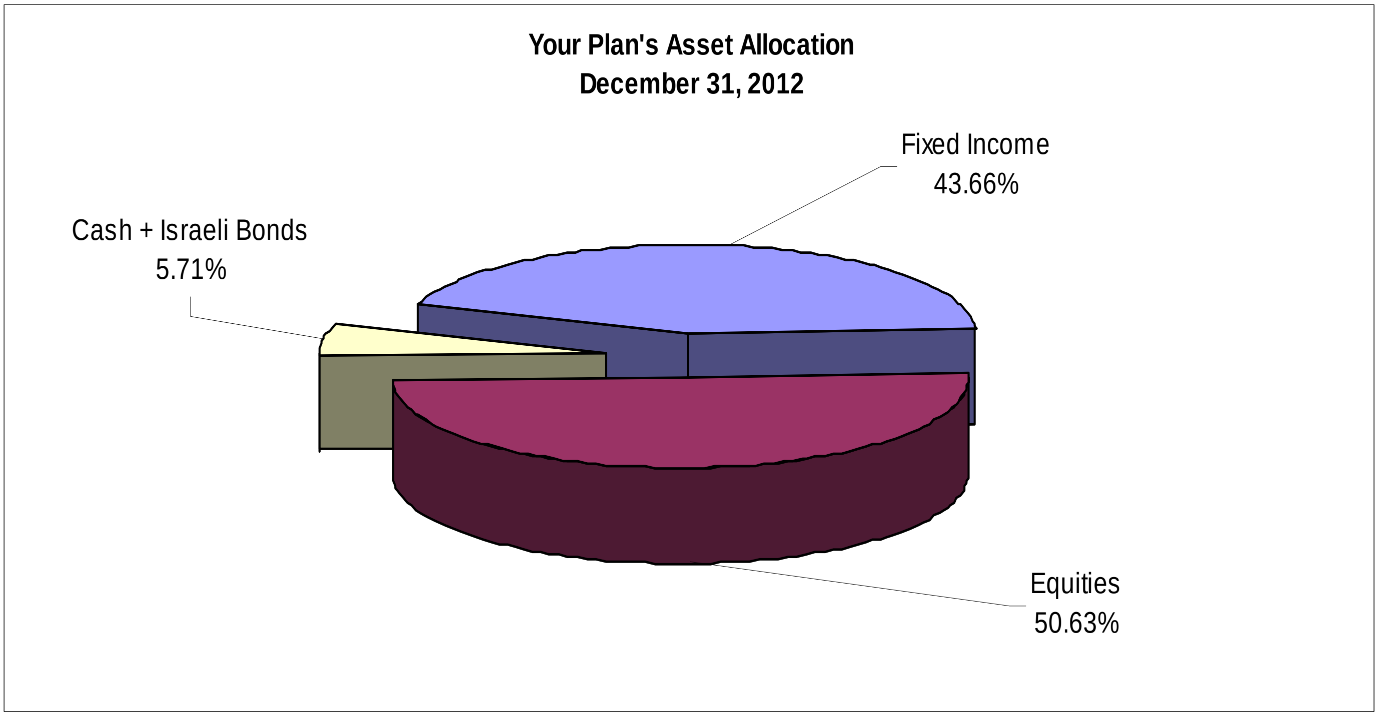
Market Capitalization: $3.15 Billion

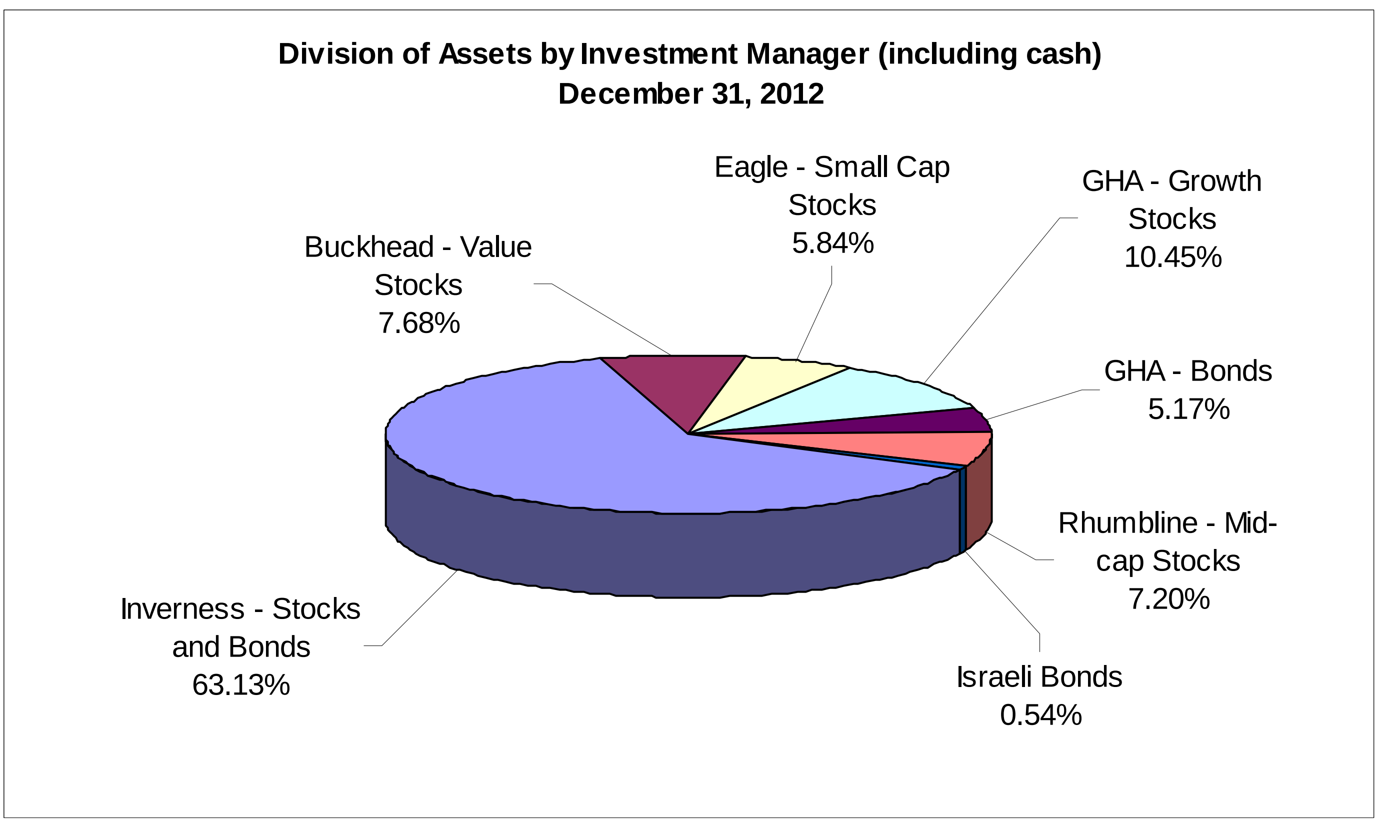
Cinemark operates one of the largest chains of movie theaters in the US, Canada, and Mexico. Higher ticket prices tied to 3-D and a healthy movie business in general is likely to hold up even in a slowing economy and has provided the company with strong free cash flow that it has used to rapidly expand its operations in Latin American countries where the penetration of movie theaters is still in the early stages of growth. On top of strong revenue growth from Latin America, the company also rewards investors with a 3.1% dividend yield.

Currently trading at $27.41.

Please note that the Board of Trustees provide this data for informational purposes only. It is in no way to be interpreted as investment advice.

Track The Fund!





Retiree Corner

Congratulations to our latest Retirees

The exodus continues

Sorry to see you go....

RUTH AUGUSTUS

BARRY BOULTON

ALISON BRANTLEY

MICHAEL BURROWES

RANDY GOOD

KURT KOWALSKI

ARTHUR METZLER

H LANCE MOORE

ALEXANDER PEREZ

VINCENT ROSIAK

WALTER SCHATZEL

CHADWICK E. WAGNER

AUDIT RESULTS

The following is information recently provided by Goldstein Schechter Koch as a result of our annual independent audit.

City of Hollywood Police Officers Retirement System (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal years ended September 30, 2012 and 2011. The Share Plan was created to implement the provisions of Chapter 185, Florida Statutes. Please read it in conjunction with the financial statements, which follow this discussion.

Financial Highlights

• The Fund's assets exceeded its liabilities at the close of fiscal years ended September 30, 2012 and 2011 by $173,635,358 and $152,489,252, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increase of and $21,146,106 and the decrease of $8,373,087, of the respective years have resulted primarily from the changes in the fair value of the Fund's investments due to volatile financial markets.

• The Fund's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension liability, changed from 53.5% as of the October 1, 2009 to 60.7% as of the October 1, 2010 actuarial valuations and 56.4% as of the October 1, 2011 valuation.

• Receivables at September 30, 2012 increased by $1,152,395 (or 77.32%) primarily due to an increase in State contributions receivable.

Receivables at September 30, 2011 increased by $41,432 (or 2.86%) primarily due to an increase in City contributions receivable.

• For the fiscal year ended September 30, 2012, liabilities increased by $7,490,167 (or 14.76%) primarily due to an increase in the Deferred Retirement Option Plan Payable and prepaid City contributions for the fiscal year ended September 30, 2013 received in advance.

For the fiscal year ended September 30, 2011, liabilities increased by $7,706,590 (or 17.90%) primarily due to an increase in the Deferred Retirement Option Plan Payable and prepaid City contributions for the fiscal year ended September 30, 2012 received in advance.

• For the fiscal year ended September 30, 2012, employer (City) contributions to the Fund decreased $2,849,051 (or 23.91%) based on the actuarial calculation. Actual employer contributions were $9,068,274 and $11,917,325 for 2012 and 2011, respectively.

For the fiscal year ended September 30, 2011, employer (City) contributions to the Fund increased $547,525 (or 4.82%) based on the actuarial calculation. Actual employer contributions were $11,917,325 and $11,369,800 for 2011 and 2010, respectively.

• For the fiscal year ended September 30, 2012, state contributions to the Fund increased $58,755 (or 5.6%). Actual state contributions were $1,111,640 and $1,052,885 for 2012 and 2011, respectively.

For the fiscal year ended September 30, 2011, state contributions to the Fund decreased $49,095 (or 4.46%). Actual state contributions were $1,052,885 and $1,101,980 for 2011 and 2010, respectively.

• For the fiscal year ended September 30, 2012, employee contributions including buybacks decreased by $329,821 (or 19.33%). Actual employee contributions and buybacks were $1,364,978 and $11,744 and $1,592,450 and $114,093, for 2012 and 2011, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

For the fiscal year ended September 30, 2011, employee contributions including buybacks increased by $73,259 (or 4.49%). Actual employee contributions and buybacks were $1,592,450 and $114,093 and $1,586,857 and $46,427, for 2011 and 2010, respectively. Employee contributions have fluctuated from year to year, based on the number of active members and changes in the rate of employee contributions.

• For the fiscal year ended September 30, 2012, net investment income increased by $31,846,197. Actual results were $29,172,204 and ($2,282,216) of net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, and $6,392,846 and $5,781,480 of income from interest and dividends for 2012 and 2011, respectively. Deferred Retirement Option Plan participants' earnings were $3,701,275 and $3,434,750 for 2012 and 2011, respectively. Investment expenses decreased by $46,936 or (4.58%).

For the fiscal year ended September 30, 2011, net investment income decreased by $13,380,679. Actual results were ($2,282,216) and $12,608,763 of net (depreciation) appreciation in fair value of investments for 2011 and 2010, respectively, and $5,781,480 and $5,577,104 of income from interest and dividends for 2011 and 2010, respectively. Deferred Retirement Option Plan participants' earnings were $3,434,750 and $2,955,098 for 2011 and 2010, respectively. Investment expenses increased by $133,608 or (13.05%).

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- For the fiscal year ended September 30, 2012, benefit payments and participants' contributions refunded decreased by $895,657 (or 4.14%) primarily due to no 13th check distribution.

For the fiscal year ended September 30, 2011, benefit payments and participants' contributions refunded increased by $3,255,472 (or 17.73%) primarily due to the distribution of a 13th check.

- For the fiscal year ended September 30, 2012, administrative expenses increased $102,544 from 2011 (or 21.79%) primarily due to an increase in fees for professional services.

For the fiscal year ended September 30, 2011, administrative expenses increased $93,041 from 2010 (or 24.64%) primarily due to an increase in fees for professional services.

Plan Highlights

For the fiscal year ended September 30, 2012, the return of the portfolio, net of fees was 17.16% for the trailing year and ranked in the top 64th percentile. Actual net investment income in 2012 was $30,886,605 compared with a net investment loss of $959,592 in 2011.

For the fiscal year ended September 30, 2011, the return of the portfolio, net of fees was 1.21% for the trailing year and ranked in the top 71st percentile. Actual net investment loss in 2011 was $959,592 compared with net investment income of $14,340,271 in 2010.

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Assets and Statements of Changes in Plan Net Assets and Notes to the Financial Statements. The Fund also includes in this report additional information to supplement the financial statements.

The Fund presents two types of required supplementary schedules, which provide historical trend information about the Fund's funding. The two types of schedules include a schedule of funding progress and a schedule of contributions by employer and other contributing entity.

The Fund prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Fund's overall financial status.

Description of the Financial Statements

The Statement of Plan Net Assets presents information that includes all of the Fund's assets and liabilities, with the balance representing the Net Assets Held in Trust for Pension Benefits. It is a snapshot of the financial position of the Fund at that specific point in time and reflects the resources available to pay employees, retirees and beneficiaries at that point in time.

The Statement of Changes in Plan Net Assets reports how the Fund's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employer, state and employees and net investment income (loss), which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The Notes to the Financial Statements are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Fund, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There are also two Required Supplementary Schedules included in this report as required by the Governmental Accounting Standards Board. The Schedule of Funding Progress presents historical trend information about the actuarially determined funded status of the Fund from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The Schedule of Employer and Other Contributing Entity presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

Additional information is presented as part of Other Supplementary Schedules. This section is not required but management has chosen to include it. It includes Combining Statements of Net Assets, and Combining Statements of Changes in Net Assets, Schedules of Investment Expenses and Administrative Expenses. The Combining Statement of Net Assets and Combining Statements of Changes in Net Assets reflects a reporting column for the assets, liabilities and the activities in the Share Plan. Schedule of Investment Expenses presents the expenses incurred in managing and monitoring the investments of the Fund and include financial management, consultant, and custodial fees. The Schedule of Administrative Expenses presents the expenses incurred in the administration of the Fund.

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Continued from the prior page of this publication

Statements of Plan Net Assets

The table below reflects condensed comparative statements of plan net assets demonstrates the investment position of the Fund as of September 30:

		2012		2011		2010
Cash and cash equivalents	$	6,534,757	$	4,759,663	$	3,631,033
Receivables		2,642,850		1,490,455		1,449,023
Investments		222,706,385		196,997,601		198,834,160
Total assets		231,883,992		203,247,719		203,914,216
Liabilities		58,248,634		50,758,467		43,051,877
Net assets held in trust for pension benefits	$	173,635,358	$	152,489,252	$	160,862,339

Statements of Changes in Plan Net Assets

The table below reflects a condensed comparative statements summarizing the changes in net assets and reflects the activities of the Fund for the fiscal years ended September 30:

		2012		2011		2010
Additions:						
Contributions						
City	$	9,068,274	$	11,917,325	$	11,369,800
Employee		1,364,978		1,592,450		1,586,857
State		1,111,640		1,052,885		1,101,980
Buybacks		11,744		114,093		46,427
Total		11,556,636		14,676,753		14,105,064
Net investment income (loss)		30,886,605		(959,592)		14,340,271
Total additions		42,443,241		13,717,161		28,445,335
Deductions:						
Benefits paid		20,510,999		21,599,662		18,192,676
Participants' contributions refunded		212,915		19,909		171,423
Administrative expenses		573,221		470,677		377,636
Total deductions		21,297,135		22,090,248		18,741,735
Net increase (decrease)		21,146,106		(8,373,087)		9,703,600
Net assets held in trust for pension benefits						
at beginning of year		152,489,252		160,862,339		151,158,739
Net assets held in trust for pension benefits						
at end of year	$	173,635,358	$	152,489,252	$	160,862,339

Statements of Changes in Plan Net Assets - continued next page

The Fund's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for fiscal year 2012 increased from those of fiscal years ended September 30, 2011 and 2010.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At the end of the fiscal year September 30, 2012, the domestic equity portion comprised 51.03% ($116,987,549) of the total portfolio. The allocation to fixed income securities was 45.15% ($103,495,991), while cash and cash equivalents comprised 2.85% ($6,534,757). The portion allocated to international equity was 0.97% ($2,222,845).

At the end of the fiscal year September 30, 2011, the domestic equity portion comprised 46.56% ($93,942,301) of the total portfolio. The allocation to fixed income securities was 50.43% ($101,743,028), while cash and cash equivalents comprised 2.36% ($4,759,663). The portion allocated to international equity was 0.65% ($1,312,272).

The target asset allocation was as follows as of September 30:

	2012	2011
Domestic equity	50%	50%
Fixed income	46%	46%
Cash	4%	4%
International equity	0%	0%
Other	0%	0%

Contacting the Fund's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Fund finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact the City of Hollywood Police Officers Retirement System, 4205 Hollywood Boulevard, Suite 4, Hollywood, FL 33021.

WELCOME NEW PENSION MEMBERS!

CHARLES BURROWS

RYAN LISS

MARC PEKROL

KYLE KARL

FUTURE THEMES

Explore.
Collaborate.
Integrate.

WELLINGTON MANAGEMENT

THE POWER OF WOMEN: PARTICIPATION AND THE PURSE

Michael Carmen, CFA
Equity Portfolio Manager

About the Author

As a manager of institutional portfolios in the Multi-Cap Growth styles, Michael draws on research provided by Wellington Management's regional and global industry analysts and other global research resources within the firm.

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The socioeconomic advancements of women over the past 20 years have been significant. In coming years, their impact as consumers, employees, voters, and political and business leaders will rapidly expand, and investors should pay close attention to the sectors and countries that will benefit most.

Narrowing Gaps

According to the World Economic Forum, global gender gaps in education and health have narrowed substantially — practically disappearing in many regions. Girls and women often have equal access to schools and health care, and they are clearly taking advantage of those gains, surpassing men in educational enrollment in some countries. Opportunities for women have never been greater.

Significant gaps do remain in economic participation and political empowerment; however, these too have started to narrow. The disparity suggests that the only barriers preventing women from contributing more broadly are the cultural norms and institutional constructs that persist in many places. If those barriers were removed, the advancement of women would be swift and economically meaningful, improving the competitiveness and productivity of dozens of countries.

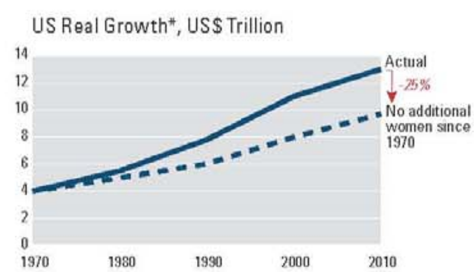
Economic Potential

We believe the economic potential of women is significant. Over the next decade, nearly one billion women are likely to enter the global labor force, a tidal wave that could have profound effects on GDP, particularly in places where women are drastically under-represented in the workforce. A recent study estimates that if female employment rates were to match those of men, GDP would grow by 33% in Egypt, 27% in India, and 12% in Italy by 2020.[1] Given current anemic GDP growth rates in most places, women's participation would be transformative.

The US actually provides great proof of the economic benefit of women. Over the last four decades, millions of American women have entered the workforce each year. Women now make up half of all workers on US payrolls. **Figure 1** shows that without women's increasing participation since 1970, US GDP would be three-quarters of its current size.

Figure 1

Women's Contribution to US GDP



*In 2005 dollars, assuming total hours worked by women remained unchanged since 1970 and productivity gains remained constant.
Sources: US Bureau of Labor Statistics, McKinsey

Women as Consumers and Leaders

Clearly, as women's employment rises, so does their disposable income and control over financial decisions. A 2009 case study in the United Kingdom found that women control 80% of food, child care, and school-related purchases, 60% of medical spending, and over 50% of all household-good purchases.[2] Economically empowered women are also marrying later (or choosing not to marry at all), and having fewer children, decisions which will continue to ripple through society and change social dynamics. The influence of women and the power of the purse, as it were, will only grow from here.

The expanding presence of women in politics and business will bring about changes in everything from policymaking to legal procedures to corporate decision making. Women in executive positions are often more comfortable using collaboration and compromise to achieve results. In an age when leaders must process large amounts of data, incorporate vastly diverse needs and opinions, and provide creative solutions in order to compete, women may have an edge.

Investment Implications

As women's influence grows, clear winners could include for-profit educational companies, branded apparel, child care, elder care, and other types of health care goods and services. Women will have profound effects on financial services. Research has shown that many women favor lower beta, simple financial savings products, and more service from providers than men. Women also live longer. Life insurance and long-term, annuitized, stable income vehicles should see greater demand as women make more savings and investment decisions.

In terms of consumption and retail, women worldwide have become active Internet and social media participants. Online retail will have significant opportunities to capture household share of wallet. Products and services that are expedient, convenient, and transparent will be competitive advantages for retailers.

I wish I had an X-chromosome fund to suggest, but I don't. I can say that women have made enormous gains in recent years, and all indicators suggest they're just getting started. As women continue to make their voices heard and their economic presence felt, investors who are prepared for the economic impact of women worldwide will recognize the benefits.

[1] "Empowering the Third Billion: Women and the World of Work in 2012," Booz & Company, 2012

[2] UK Office of National Statistics, Goldman Sachs

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Institute of Public Safety
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Broward College Central Campus
3501 SW Davie Road
Davie, FL

Tuesday April 30th @ 7pm

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GARCIA HAMILTON & ASSOCIATES

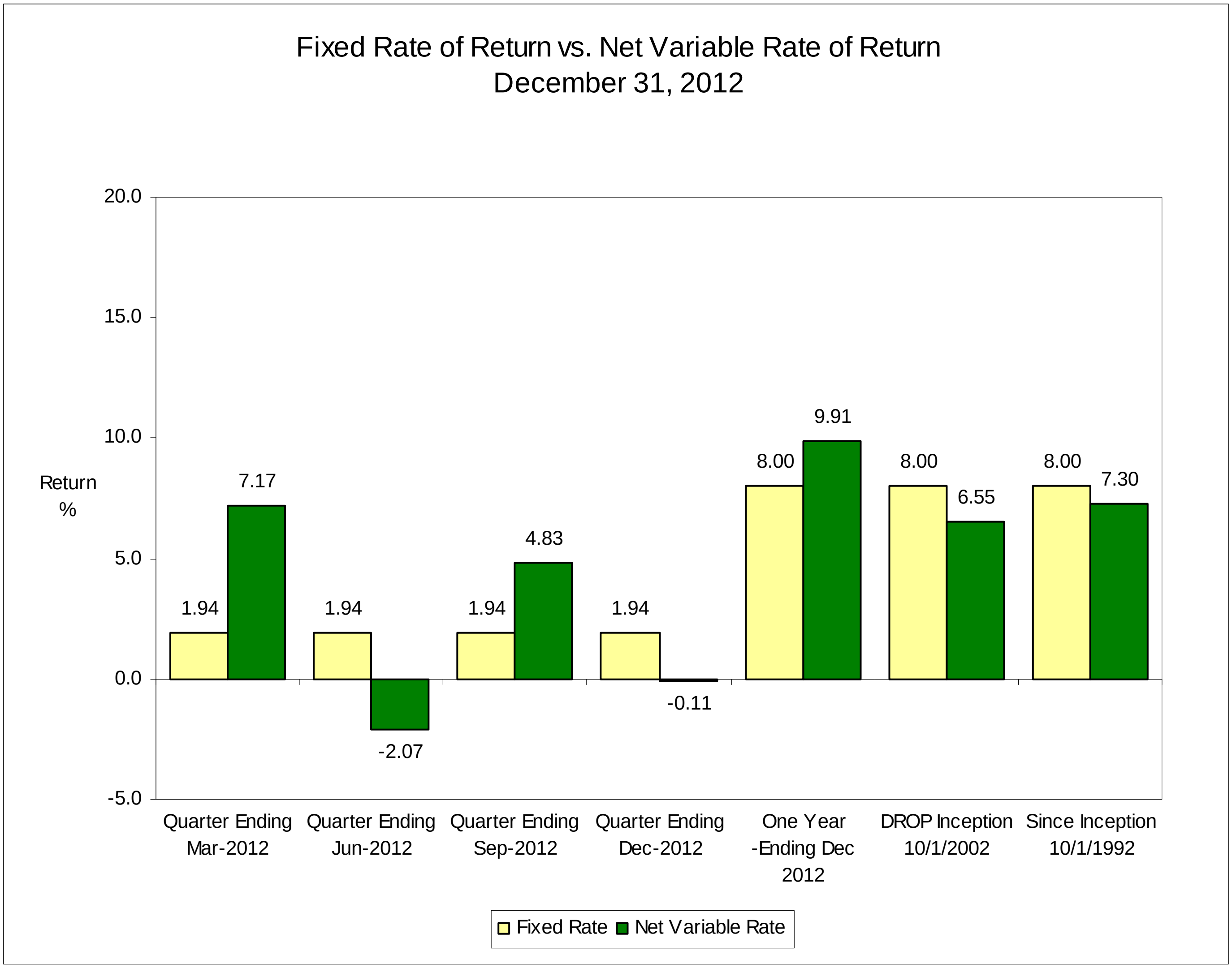
2012 Q4 Market Recap

Economic and corporate fundamentals remained at stall speed during the quarter, with fiscal policy concerns offsetting monetary policy accommodation. Though profit expectations were pared back, stock prices found support from easy money programs at every developed market central bank. The domestic stock market, as measured by the S&P 500 Index, slipped 0.4% including dividends for the quarter ending December 31.

Small capitalization stocks performed slightly better in the final quarter. Yet for the year, large caps and small caps had virtually identical performance. Sector performance for the quarter was inconsistent, with cyclicals such as Financials and Industrials leading while the Information Technology sector lagged.

Looking forward, fourth quarter profits and 2013 management outlooks may be disappointing given the cautious economic environment. If so, stock prices might pause. Yet, central bank accommodation will not pause. Equity markets are apt to move higher once earnings reports conclude.

Fundamentals have been overshadowed by macro issues for several quarters. As a result, companies able to generate internal revenue and earnings growth appear increasingly attractive. Large cap, high quality growth companies remain particularly well-positioned, combining the ability to capture opportunities around the globe with the reassurance of strong balance sheets and healthy cash flows.



What does it all mean?

Unless you have a DROP Account, you may not be aware of this. But nonetheless it is still important information to put rumors to rest about the costs of the DROP Plan.

The Fixed Rate of Return (FRR) is based on the assumed rate of returned of the Fund, which is 8.0%. The Variable Rate of Return (VRR) is based on the actual investment return of the Fund. While the chart does fluctuate from quarter to quarter, it is overall doing well given the market conditions.

This chart demonstrates that since inception, the minimal impact that the FRR had to the Fund. For the last year, the chart exhibits how the VRR has out-paced the FRR by 191 basis points. That means that if a DROP Member selected the FRR he/she received 8% interest on his/her account. It also means the city earned 1.91% on that same DROP Account and will be enjoining that return as a gain. Since the earliest measurement the DROP, the FRR cost was a mere 0.70%.

Buckhead Capital — Value Equity– Fourth Quarter 2012 Review

Market Review

Equity prices declined in the first half of the fourth quarter, but rallied in the second half, despite the threat of the "fiscal cliff". For the full quarter, equity returns were barely positive, with the Russell 3000 Index providing a total return of 0.25%. Small cap and value stocks strongly outperformed large cap and growth stocks, with the last group showing a loss for the quarter. The best performing sectors of large-cap stocks were Financials, Industrials, and Materials, while the worst performing were Telecommunications, Information Technology, and Utilities.

Despite the flat fourth quarter, U.S. equity markets were up strongly for all of 2012, with all major market indices closing near multi-year highs. Even with the ongoing barrage of negative headlines – weak growth and stubbornly high joblessness in the U.S., no real progress to resolve the European debt crisis, and intense partisan conflict in Washington D.C. – the determination of central banks around the world to suppress bond yields and encourage speculation carried the day. The broad based Russell 3000 Index posted a total return of 16.4% in 2012, with large caps slightly outperforming small caps, while value stocks were up over 2% more than growth stocks. All sectors delivered positive returns in 2012, with Financials and Consumer Discretionary the best performing sectors, while Utilities and Energy were the worst.

Performance Update

Buckhead Capital Management's Value Equity composite portfolio lost 0.7% in the fourth quarter, trailing the benchmark Russell 1000 Value Index's 1.5% return. For the full year, the Value Equity composite gained 11.8% compared to 17.5% for the Russell 1000 Value Index.

Most of the underperformance in both the fourth quarter and 2012 was due to the fact that lower quality stocks significantly outperformed higher quality stocks. On an equal-weighted basis, the average lower quality stock in the Russell 1000 Value Index (equity quality rating of B or worse by Standard & Poors) outperformed the average higher quality stock (B+ or better) by 1.8% for the quarter and 4.6% for the year. Since 72% of the stocks in the Value Equity portfolio are rated B+ or better, compared with only 37% in the Russell 1000 Value, relative performance suffered. (These ratings are based on the long-term growth and stability of a company's earnings and dividends, with higher ranked companies generally having higher margins, lower debt levels, and higher returns on equity.)

Another factor that affected relative performance was the portfolio's underweight position in the Financial sector, which has the largest weight in the benchmark and which was up 5.2% and 27.5% in the fourth quarter and 2012, respectively. Specifically, not owning Bank of America and Citigroup cost the portfolio approximately 0.70% of performance in the quarter and 1.6% for the year (about 30% of relative underperformance in each period). In addition, the portfolio's overweight position in higher quality regional banks hurt relative performance in the fourth quarter. However, relative performance in the quarter was helped by stock selection in Materials (Nucor) and both an overweight position and stock selection in Healthcare (Agilent, Wellpoint).

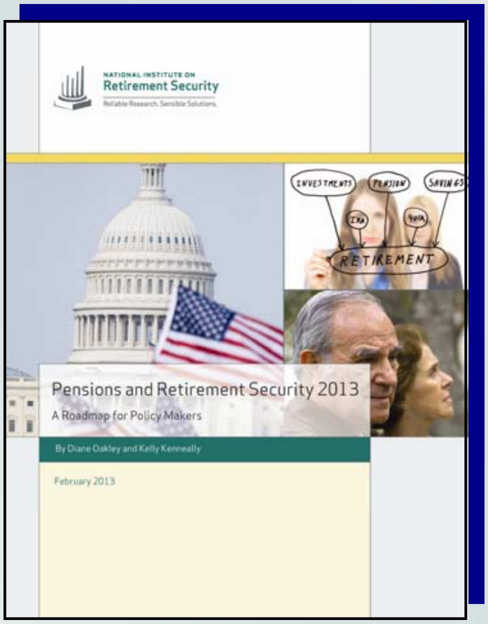
Trading and Portfolio Strategy

Initial positions in Walt Disney and Verifone were added to the Value Equity portfolio during the fourth quarter. New York Community Bank was eliminated from the portfolio due to concerns about its ability to offset the narrowing net interest margins resulting from current and forecast Fed monetary policy. We also added to our positions in Annaly Capital, Devon, Express Scripts, PPL, Spectra, and Staples, while we reduced our positions in Allstate, Baxter, H&R Block, and TJX.

As 2013 opens, the challenges facing the market remain largely unchanged from 2012: continued sub-par economic growth and high unemployment in the U.S.; the sustainability of corporate profit growth given historically high margins and slowing revenue gains; the growing indebtedness and unprecedented monetary easing in the United States, Europe, and Japan; and, finally, the durability of China's economic growth. Having skirted the "fiscal cliff", the United States now faces the prospect of prolonged partisan bickering over spending and taxes. Ultimately, the decision will need to be made as to what kind of spending voters are willing to support. But that decision is likely to take a while and the process will be messy. The only certainty is that the current path of rapidly increasing spending and borrowing is unsustainable.

Faced with such significant risks and a market which appears to be more than fully valued, Buckhead Capital is focused on maintaining high quality, fundamentally sound portfolios for our clients. We continue to look for undervalued companies with strong balance sheets, sustainable free cash flow, and management teams that make shareholder-friendly capital allocation decisions. We expect that such a high quality, low-volatility approach will provide superior compounded returns on capital over a full-market cycle, as it has historically.

NIRS Reports that Americans Remain Concerned About Pensions and Retirement Security



On February 26, 2013, the National Institute on Retirement Security (NIRS) released its public opinion research report, Pensions and Retirement Security 2013: A Roadmap for Policy Makers. NIRS commissioned its report to assess how Americans feel about retirement and to better understand their views on public policies that could improve retirement security. According to the survey, 85% of Americans continue to have concerns about their retirement prospects and consider pensions to be effective for improving retirement readiness. The research findings are intended to help policymakers, thought leaders, and retirement service providers to improve the U.S. retirement infrastructure.

The key findings include:

Americans remain highly anxious about retirement. The majority of respondents (85%) are concerned about their retirement security, with 55% being very concerned.

Americans consider pensions to be effective for improving retirement readiness. About 83% of respondents have favorable views of pensions and 82% believe those with pensions are more likely to have a secure retirement. Also, 84% indicated that all Americans need a pension for independence and self-reliance during retirement.

Americans feel that policymakers are disconnected from the struggles of saving for retirement. About 87% of respondents believe policymakers do not understand the difficulties of saving for retirement. Over 90% favor Congressional action to provide all Americans with access to a new pension plan that would: 1) be portable throughout career employment, 2) provide a guaranteed lifetime monthly retirement benefit, and 3) allow employers to easily administer the plan and offer professional money management.

Younger Americans believe the U.S. retirement system is under stress and needs reform. About 95% of the millennial generation (those born after 1976) believes the current retirement system is under stress and needs to be reformed, with 90% indicating that lawmakers should make pension reform a higher priority.

Social Security benefits should be protected. About 67% of respondents are very supportive of Social Security benefits and are opposed to cutting government spending if it would reduce current Social Security benefits.

Americans support public pension benefits. About 73% of respondents support public pension benefits because employees contribute to the cost of funding their pension plans. Also, 86% support pensions for public employees who are in high-risk jobs with lower pay, such as police and firefighters. Americans feel more retirees are without pensions and adequate savings. About 87% of respondents believe that an increasing number of Baby Boomers (born between 1946 and 1964) are retiring without pensions and adequate savings, which results in additional economic stress.

The report is available at:

http://www.nirsonline.org/storage/nirs/documents/2013%20Opinion%20Study/final_2013restricted_opinion_research.pdf

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QUOTABLE QUOTE

May the good saints protect you,
And bless you today.
And may troubles ignore you,
Each step of the way.

In Closing....

In Memoriam:

Dick Hynds

May 28, 1930 - January 2, 2013

Richard N. "Dick" Hynds, 82, of Homosassa, passed away on Jan. 2, 2013 at Hospice House, Lecanto.

A native of Batavia, NY, he was born May 28, 1930 to Kenneth and Irene (Spahn) Hynds, one of seven children. Mr. Hynds was a retired lieutenant with the Hollywood Police Department., with 30 years of service. President of the HPD Alumni Association.

Dick was a volunteer for the Citrus County Sheriff's Office in the Community Watch Division and also was Santa Claus for many organizations at Christmas.

He was a member of F & A M Springs Masonic Lodge #378 and the B.P.O.E. West Citrus Elks Lodge #2693.

Mr. Hynds was a veteran of the New York National Guard as a second lieutenant and honorably discharged in 1960.

Dick is survived by his wife of 47 years, Arliss Hynds, Homosassa; son Michael Hynds (wife Sharon), Hollywood, FL; daughter Lynn Craig (husband Clyde), Homosassa, FL; son Rick Hynds (wife Trang), Scottsdale, AZ; three brothers; Gene Hynds, Ponce Inlet, FL; Bruce Hynds, Lady Lake, FL and Ken Hynds, W. Senenca, NY; sisters Carolyn Hinman, Melbourne, FL and Gayle Grandits, Arcade, NY; grandchildren Todd, Kayde, Megan, Janna and Allison and great grandchildren Ryan, Aaron, Christian, Felicia and Trent and his beloved dog Pretty.

A true friend to all he met.

BOLO

Please help us raise money for Officer Armando Silva's family.

You can purchase a bracelet for $10 from Jessica De Vega on Bravo Shift and from Jimmy Gibbons on Charlie Shift.

If you have any questions, you can contact Jimmy Gibbons at 954-868-0400.