Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 53

Date of Issue:

Second Quarter 2015

Inside this issue:

Attention Retirees

The Annual Confirmation of Retirement Forms will be mailed our soon.

Please remember to complete and return to the Office of Retirement

PENSION FUND INVESTMENT SUMMARY

On March 31, 2015 our fund had a total market value of $266,323,000. For the quarter the fund gained $6,530,000.

For the quarter ending March 31, 2015 the total fund return was 2.51% (net) ranking in the TOP 8 percentile and its benchmark return was 2.08%.

For the quarter the stock return was 3.27% ranking in the TOP 14 percentile and the benchmark return was 2.37%. The bond return was 1.81% ranking in the TOP 18 percentile and the benchmark return was 1.61%.

For the quarter the average allocation of our fund was 53.80% invested in stocks, 7.05% invested in real estate, 37.09% in bonds and 2.06% in cash equivalents (i.e., short term liquid interest bearing investments including money market funds and Israeli bonds). Our ongoing target for investment in stocks is 50% of the total fund.

Fiscal Year to Date (10/1/2014 – 3/31/2015)

For the fiscal year to date the total net return was 5.93%, the Inverness large cap stock return was 6.58%, the Garcia Hamilton & Associates growth stock return was 8.24%, the Buckhead value stock return was 3.33%, the Eagle small cap stock return was 14.22% and the Rhumbline mid-cap stock index return was 11.93%. The S&P 500 index return was 5.93%.

For the fiscal year the American Realty Advisors real estate return is 5.80% and the Intercontinental Real Estate Corp. real estate return is 4.69%. The NCREIF real estate index return is 6.90%.

Major Economic Indicators

For the last year the best performing sector among S&P 500 stocks was Healthcare which increased 24.18% and the worst sector was Energy which decreased 13.35%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) decreased 0.1% before seasonal adjustment for the twelve months ended in March.

The Producer Price Index (PPI) for finished goods declined 0.8% before seasonal adjustment for the twelve months ended in March.

The seasonally adjusted unemployment rate is 5.5% in March down from 5.6% in December.

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

Total Fund Summary

Since December 31, 1992 the fund has an average rate of return of 7.72% (net) per year. For the last five years the total fund return was 9.25% (net) per year. For the last three years the total return was 9.54% and the benchmark return was 9.64%.

For the last five years the stock return is 14.12% and the bond return is 4.57%. For the last three years the stock return is 15.96% and bond return is 3.08%. For the year the stock return is 13.00% and bond return is 4.72%.

Top Ten Stocks

INVERNESS	GARCIA HAMILTON	EAGLE ASSET	BUCKHEAD	RHUMBLINE
Discover Financial	Apple Inc.	Kite Realty	Wells Fargo	Skyworks Solutions
Adobe	Walt Disney	GEO Corp.	Express Scripts	Equinix Inc.
Mylan, Inc.	Blackrock Inc.	Universal Electronics	Procter & Gamble	Advanced Auto Parts
Carlisle	Coca Cola	CDW	Johnson & Johnson	SI Green Realty
TJX Companies	CVS	Harbinger Group	GE	Henry Schein
Bank of America	Goldman Sachs	Allison Transmission	Exxon Mobil	Hanesbrands Inc.
Apple	Home Depot	Deluxe	US Bancorp	Endo International PLC
CVS	Express Scripts	Assured Guaranty	Chevron	Realty Income
McKesson Corp.	Qualcomm	West Corporation	Anthem, Inc.	Signet Jewelers
Roper Industries	Baxter International	CommScope	Pfizer	Church & Dwight

STOCK SPOTLIGHT

The J.M. Smucker Company (Ticker: SJM)

Sector: Consumer Staples

Industry: Food

Market Capitalization: $13.9 billion

The J.M. Smucker Company manufactures and markets branded food products, primarily in the United States and Canada. Jerome Monroe Smucker started the firm in 1897, selling cider made from the fruit of trees planted by John Chapman (Johnny Appleseed) in Orrville, Ohio. To offset the seasonality of cider sales, Smucker soon expanded into apple butter. For 100 years, spreads and jams dominated the product line prior to a series of growth-enhancing acquisitions beginning in 2001. Current brands include Crisco, Folgers, Jif, Pillsbury baking, and Martha White. The firm further expanded its Total Addressable Market with the 2015 acquisition of Big Heart Pet, adding pet food lines such as Meow Mix, Milk Bone, 9Lives, and Kibbles ‘n Bits. Additional extensions across all product lines, expansion to adjacent “center of store” grocery aisles, cost reduction actions, and market share gains are expected to produce high-single digit earnings growth across the investment horizon. Attractive cash flows support the stock’s 2.2% dividend yield.

Average Cost in Hollywood Police Portfolio: $96.36 per share, currently trading at $115.77.

3M Company (Ticker: MMM)

Sector: Industrials

Industry: Industrial Conglomerates

Market Capitalization: $105.2 Billion

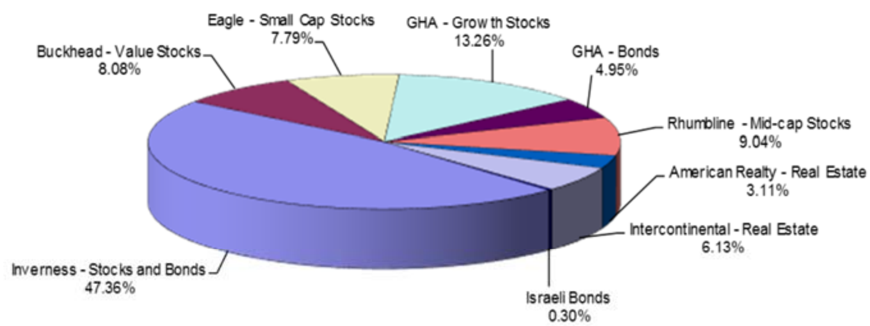
3M is a global manufacturer of products for the industrial, transportation, health care, safety, consumer, office, and communications markets. Founded as the Minnesota Mining and Manufacturing Company in 1902, the firm now sells 55,000 products across the globe, while operating plants in 29 countries. Virtually every product exploits the firm’s core competitive technological advantage in adhering one material to another. The two most visible examples are Scotch tape and Post-it notes. Innovation is a highlight of the company, with R&D spending near 6% of revenues annually. One-third of sales come from products introduced in the prior five years. Low natural gas and natural gas liquids pricing give a significant boost to margins. Single-digit revenue growth should provide nearly double-digit earnings growth for the investment horizon. Strong cash flows and a pristine balance sheet allow for a 2.5% dividend yield.

Average Cost in Hollywood Police Portfolio: $145.55 per share, currently trading at $166.00.

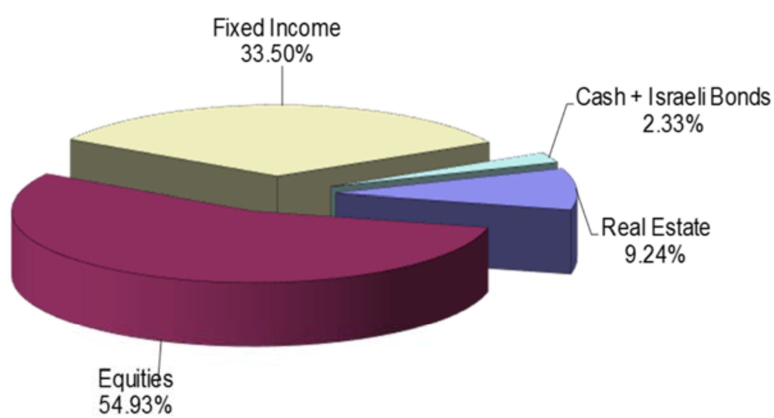
Please note that the Board of Trustees provide this data for informational purposes only. It is in no way to be interpreted as investment advice.

Track The Fund!

Division of Assets by Investment Manager (including cash)
March 31, 2015



Your Plan's Asset Allocation
March 31, 2015



Institutional Investor Awards 2015

6th Annual U.S. Investment Management Awards

2015 Institutional Investor
U.S. INVESTMENT MANAGEMENT AWARDS

INTERMEDIATE-TERM FIXED INCOME MANAGER OF THE YEAR

Institutional Investor Awards 2014

FIXED INCOME INVESTMENT GRADE MANAGER OF THE YEAR

GH&A
GARCIA HAMILTON & ASSOCIATES, L.P.

- *Honored by Institutional Investor for the* ***second year in a row****.*
- *GH&A manages over $5.6 billion in high quality fixed income assets in various strategies along the yield curve.*
- *GH&A is 100% employee owned, and is certified as a Texas HUB and a MBE/MWBE firm in several states.*

Congrats!!!!

Keep up the great work

ECONOMIC ENVIRONMENT

Despite a March Downdraft the economy advances

In spite of severe winter weather, volatile oil prices, and concerns about possible Fed interest rate hikes, the economy continued to expand albeit slowly into its sixth year (0.2% GDP growth rate.) Overseas trends were largely improved compared to late 2014; the European and Japanese economies were in the black and China's gains continued at only a slightly lower rate. Two other global pluses were the easing of the Ukrainian crisis and progress in the Iranian nuclear negotiations. However, terrorism and combat continued to destabilize several African and Middle Eastern countries.

The pluses and minuses, both domestically and globally, translated into a modest 0.2% expansion in the first quarter which followed the more typical fourth quarter GDP growth rate of 2.2%. The following are the highlights for jobs, housing, manufacturing, consumer confidence, commodity moves, and Fed activity:

March jobs gains fell dramatically to 126,000. The hiring rate had averaged well over 200,000 per month during the prior 12-month period. The good news was that the unemployment rate remained steady at 5.5%. Year-over-year, unemployment has fallen by 1.1% or 1.8 million workers. Still, 2.6 million job seekers had been unemployed for at least 27 weeks and represented nearly 30% of the total. One bright note was a 0.3% uptick in wages, indicating some labor market tightening. Many economists viewed the low March figure as an anomaly due to winter weather and the West Coast longshoremen's slowdown.

Housing prices climbed 5.6% for the fiscal year ended February. For the latest three-months, the gains were 1.3%. CoreLogic reports that the low-end housing market has shown the fastest price growth for the year, as those prices were up 9.3% vs. 4.8% for the high-end market.

The Institute of Supply Management (ISM) reported slowing, but still net positive gains in the manufacturing and service sectors. From February to March, the manufacturing index dropped slightly from 52.9% to 51.5%. While still in expansion mode, the ISM reflected continuing challenges from the West Coast goods backup; a mixed impact from falling energy prices; the harsh winter; and the strong US dollar's effect on higher imports. The most positive sectors were paper and wood products and transportation equipment. The weakest sectors were clothing and related products, and also energy. The ISM non-manufacturing (service) index performed better, posting 56.5% in March; this was down a bit from 56.9% in February. Service sector expansion has been steaming ahead for 67 consecutive months! The majority of companies in the ISM survey were optimistic for business.

The Consumer Confidence Index gained ground from February when it stood at 98.8 to March when it advanced to 101.3. This gain represented an improved short-term outlook for both jobs and wages.

The US dollar continued to rise against other currencies -- by another 8.8%.

CPI inflation remained low, but has moved closer to the 2%/year threshold. Continuing slow wage growth and abundant and cheap import goods (in US $) have kept price creep at bay. The March CPI increased slightly by 0.2% from the prior month. Economists expect a more significant bump in CPI should the Fed hike short-term interest rates.

The Federal Reserve Board is in the enviable position of having successfully ended its QE3 program and is currently poised to raise the Fed Funds interest rate. The question on everyone's minds is when? Apparently, the Fed was enamored with healthy economic data through February, only to be surprised by March's economic numbers that revealed very low jobs growth and other sluggish economic indicators. Before any interest rate changes can be made, the Fed has a delicate balancing act. It must consider the economic effects of low gas prices and slow growth in consumer spending, with slowly rising housing prices and listless exports and weigh these against very strong jobs growth during the last fiscal year and currently very low inflation and the strong dollar.

Source: Dahab Associates

BOND MARKET

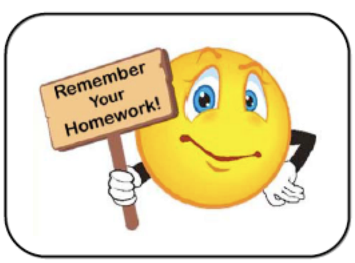
Tepid, but Still Positive

US Treasuries and investment grade bonds gained ground from both price appreciation (due to declining yields) and income. Combined, the Barclays Aggregate returned 1.6%. During the quarter, however, yields were quite volatile. In February, alone, yields climbed 40 points on concerns that the Fed would raise rates sooner rather than later. Treasury bonds, comprising almost 36% of the index also earned 1.6%; corporates had a solid performance (+2.3%); mortgage-backed debt, suffering a bit from anticipated prepayments, gained a lower 1.1%. Asset-backed securities (ABS) were up 0.9%, while commercial mortgage debt (CMBS) posted +1.8%, in sync with commercial real estate demand.

The long maturity Treasury sector was the sweet spot of the market, as Treasuries with maturities of 20-years and longer turned in a healthy 4.2%. Long-dated corporate bonds also performed well, earning 3.3%. Industrial, utility and financial bonds participated almost equally. On the flip side, holders of such long-dated securities were taking a risk that interest rates would not climb soon. When the Fed does begin to raise rates, long bonds should feel the biggest impact and will cease to be the sweet spot.

High yield/junk bonds performed better than their investment grade counterparts, advancing 2.5%. This sector is dominated by energy-related bonds, a sub-sector that has gained ground due to stabilizing oil prices. As a result, energy debt earned 2.4% compared to a 10.6% loss in the prior quarter. There was no significant difference in returns from the highest to lowest rated junk bond credits. BA-rated names, the highest grade junk bonds, gained 2.7%; single B was right behind, adding 2.6%; and CAA earned 2.0%. However, the lowest-rated CAA-D issues dropped 2.8%.

ATTENTION MEMBERS



Remember to stay up to date with Board activity by reviewing the minutes on-line. Also the latest information is also posted to the announcement page of the web site.

EQUITY MARKET

Growth and Small-Cap Stocks Set the Pace

Most of the major indices continued climbing in Q1. The S&P 500 and DJIA gained 0.9% and 0.3%, respectively, while the NASDAQ added 3.8%. Small cap growth stocks were the best performers up 6.6%. Small caps in general did better than large caps with the Russell 1000 gaining 1.6% vs. 4.3% for the Russell 2000. One reason for the disparity is that smaller-sized companies have less overseas business in an expensive US dollar environment. There also was a marked difference between the performance of growth and value stocks. While the Russell 3000 Growth Index (comprising essentially all publicly-traded growth stocks) returned 4.0%, the Russell 3000 Value Index actually lost 0.5%. REITs continued to do well, as the MSCI US REIT Index climbed 4.8%.

S&P sector returns ranged from +8.6% (Consumer Service) to -6.7% (Transportation). Autos and other consumer durables gained 4.0%, as did tech companies. Consumer non-durables (e.g. food and drugs) followed closely with a 3.3% gain. The utilities, finance, and energy sectors were all in the red. In part, these declines represented recent investor moves from higher dividend to more growth-oriented companies.

As of quarter-end, the S&P 500 dividend rate remained steady at 2.0%. Price/earnings ratios (using trailing 12-month earnings) moved up to 22.3, which is relatively high. Still, almost half of the companies have much lower P/Es, between 10 and 20.

Don't Forget To Visit Us !!!

www.hollywoodpolicepensionfund.com

Office & Mailing Address
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021

Phone: 954.967.4395

Out of town? - Please Call Toll Free: 866.738.4776

Fax: 954.967.4387

Email: info@hollywoodpolicepensionfund.com

QUOTABLE QUOTE

Its time that some people should reflect upon the following quote. *"I think there's no higher calling in terms of a career than public service, which is a chance to make a difference in people's lives and improve the world".* **- Jack Lew**

In Closing....

Garcia Hamilton

2015 Q1 Market Recap

Equity

Stock prices traded in a relatively narrow range during the first quarter of the year, with the S&P 500 Index grinding 1.0% higher, including dividends. Investors continued to fixate on every U.S. Federal Reserve hint as to when an initial interest rate hike would occur. Economic activity slowed, while energy prices fell further and the U.S. dollar strengthened. Central banks outside the United States ramped accommodation programs, providing fuel for global financial prices.

Gains were concentrated in higher risk areas of the market. Smaller capitalization stocks benefited from a perception of lower exposure to adverse foreign exchange movements. Biotechnology stocks stood out as investors clamored for organic growth stories in a slowing economic environment.

Looking forward, equity prices could post mid-single to high-single digit gains over the next twelve months. Earnings estimates have been reduced steadily since the year began, possibly setting the stage for a second half profit recovery. Current equity prices are toward the upper end of historical ranges, appropriate given a low interest rate environment. Stock price support is likely to continue from the U.S. Federal Reserve, if necessary.

Throughout the post-financial-crisis period, fundamentals have been secondary to macro risk factors in dictating stock price movements. High-quality large-cap growth companies have continually built their financial and global strategic positioning, without a commensurate improvement in valuations. These stocks will look extremely attractive once central bank support is reduced and financial markets normalize.

City of Hollywood

CITY COMMISSION PENSION WORKSHOP

April 9, 2015 11:00 AM

May be viewed on-line

Part One

http://hollywoodfl.granicus.com/MediaPlayer.php?view_id=2&clip_id=425

Part Two

http://hollywoodfl.granicus.com/MediaPlayer.php?view_id=2&clip_id=426

Part Three

http://hollywoodfl.granicus.com/MediaPlayer.php?view_id=2&clip_id=427