

Investment Presentation
for
Bay County Employees'
Retirement System

March 12, 2013

Adam I. Friedman
Senior Portfolio Manager & Principal

Andrea E. Leistra
Senior Investment Manager

MISSION STATEMENT

Our goal is to deliver excellence:

With integrity

In everything

At all times



Daniel G. Bandi, CFA



Sean A. Burke



Brian T. Cavalier



Daniel J. DeMonica, CFA



Adam I. Friedman



Joe A. Gilbert, CFA



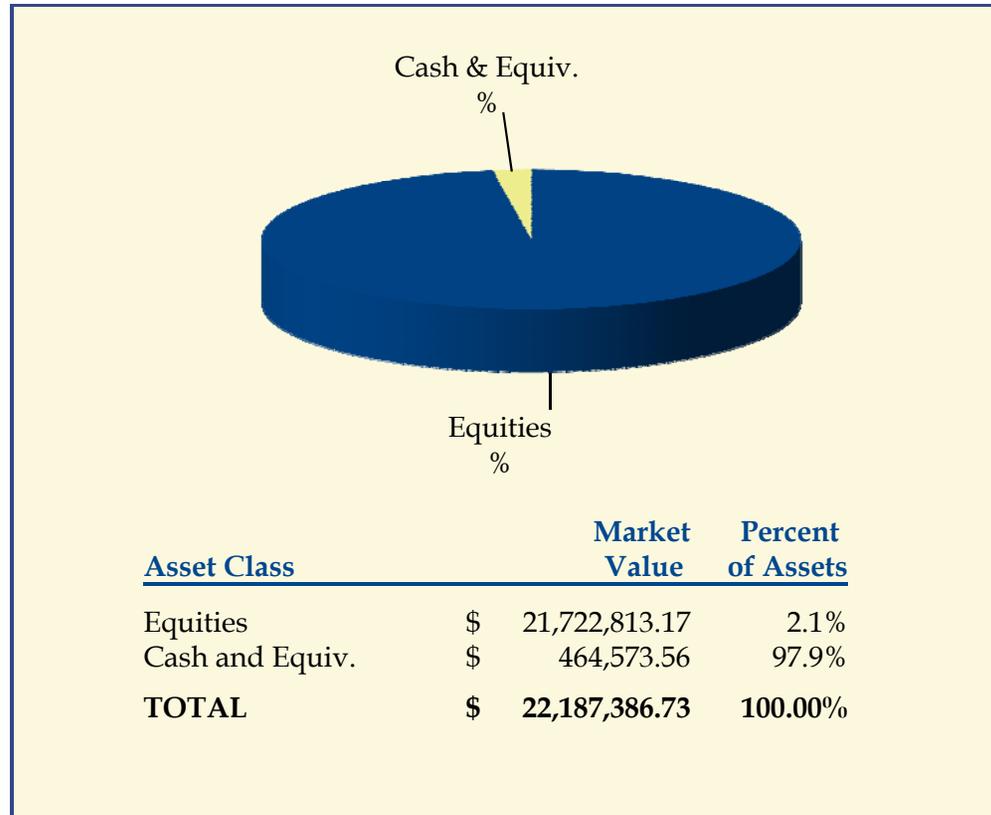
Mirsat Nikovic, CFA



J. Bryan Tinsley, CFA

Portfolio Summary

Current Asset Allocation



Portfolio Performance

	February 2013	Quarter to Date	1 Year	3 Year	5 Year	Annualized ITD*
Bay County Employees' Retirement System	1.41%	9.10%	18.02%	16.59%	7.72%	5.26%
Russell Midcap Value Index	1.76%	9.32%	18.91%	15.97%	7.36%	4.30%
Relative Performance	-0.35%	-0.22%	-0.89%	0.62%	0.36%	0.96%

* Since Inception 1/3/2007

FIRM OVERVIEW

- Institutional investment management firm
- Experienced, stable investment team
- Proven investment philosophy and process
- Portfolio strategy offerings:
 - *Micro Cap Equity*
 - *Small Cap Value Equity*
 - *Small/Mid Cap Value Equity*
 - *Mid Cap Value Equity*

INVESTMENT PHILOSOPHY

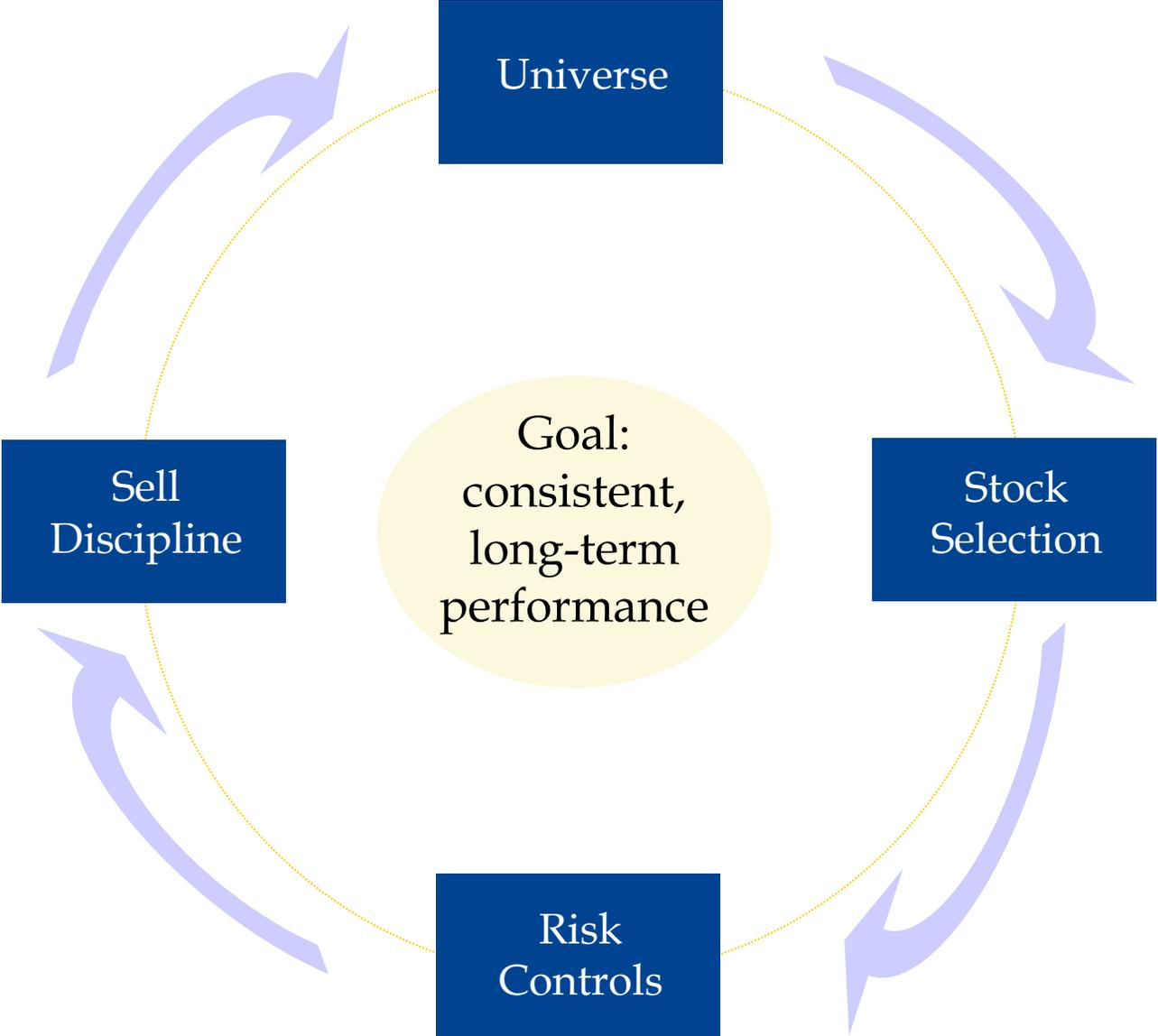
- Prudent value:
 - statistically cheap stocks trading below our estimate of intrinsic value
- Improving sentiment:
 - identify catalysts that lead to improving investor sentiment
- Risk controls:
 - continuous evaluation of risk exposure to deliver consistent long-term performance

INVESTMENT TEAM

- Team approach
- Sector focus
- Team stability

Portfolio Management & Research		
	Years Experience	Sector Responsibilities
Daniel G. Bandi, CFA <i>Lead Portfolio Manager:</i> <i>Small Cap Value Equity</i> <i>Small/Mid Cap Value Equity</i>	21	Financials Industrials
Adam I. Friedman <i>Lead Portfolio Manager:</i> <i>Mid Cap Value Equity</i>	21	Consumer Cyclicals Technology
Daniel J. DeMonica, CFA <i>Lead Portfolio Manager:</i> <i>Micro Cap Equity</i>	17	Consumer Services Health Care Telecommunications Utilities
J. Bryan Tinsley, CFA	16	Basic Materials Energy Commercial Services
Joe A. Gilbert, CFA	16	Autos & Transportation Consumer Staples Insurance
Mirsat Nikovic, CFA	15	Financials Industrials Quantitative Analysis
Sean A. Burke	6	Generalist Quantitative Research
William H. McNett, CFA	29	Portfolio Advisor Client Liaison

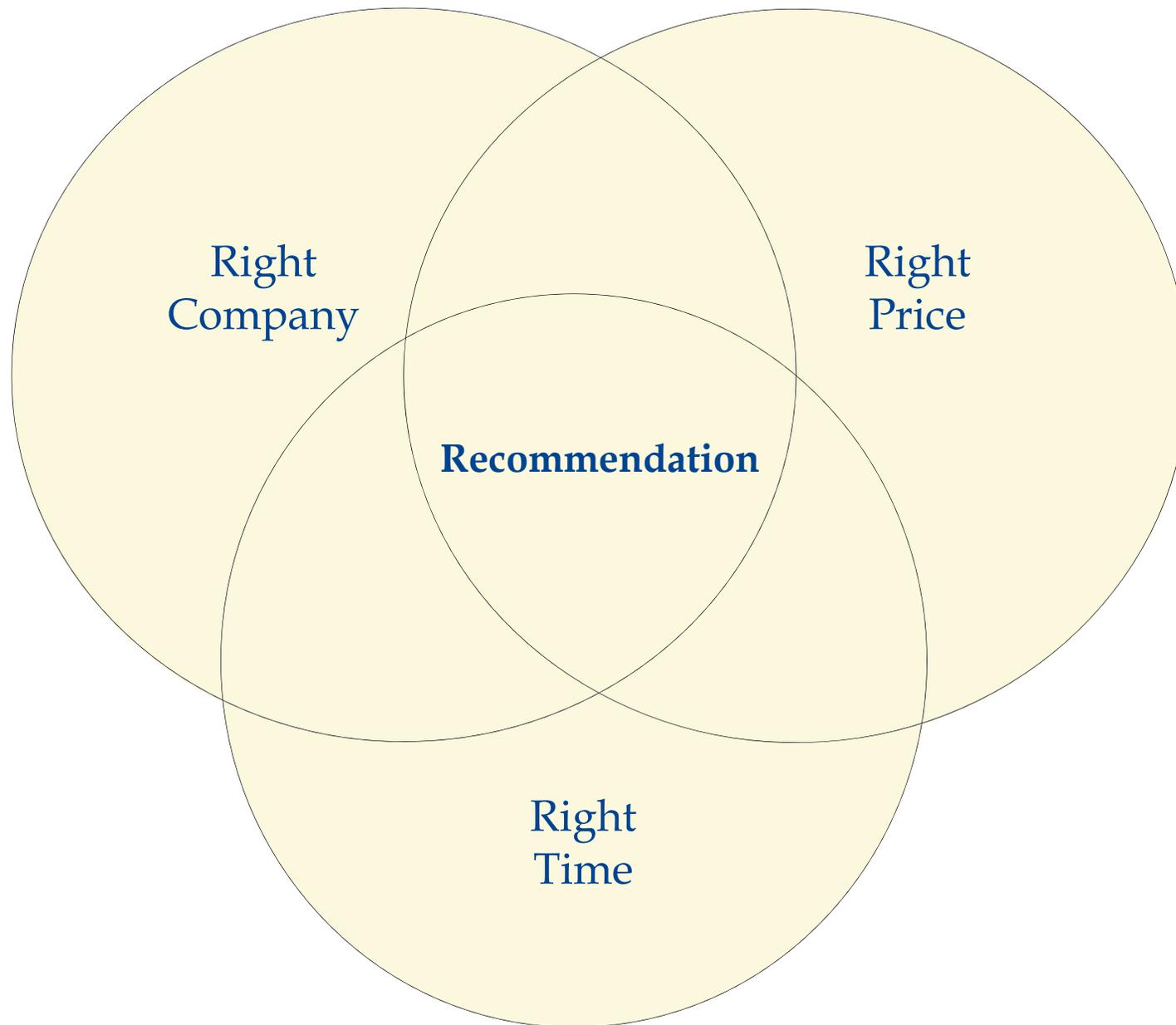
INVESTMENT PROCESS



UNIVERSE DEFINITIONS

	Mid Cap Value
Market Capitalization:	\$500 million to \$10 billion
Liquidity Requirement:	Trading Volume of at least \$5 million per day
Resulting Universe:	Split in half using valuation (P/B, P/S, P/CF, P/FCF)

STOCK SELECTION



STOCK SELECTION: **RIGHT COMPANY**

- **What we look for:**

- Management analysis
 - Economic value added
 - Capital allocation discipline
 - Identify future opportunities and potential problems

- **How we do it:**

- Teamwork
 - Experienced sector specialists
 - Management meetings
 - Company monitoring

STOCK SELECTION: **RIGHT PRICE**

- **What we look for:**

- Evaluate statistical cheapness
 - Relative to universe
 - Relative to sector
 - Relative to history
- Determine intrinsic value
 - Model earnings and balance sheet growth
 - Discounted economic value added
 - Dividend discount model
- Balance upside potential with downside risk

- **How we do it:**

- Teamwork
 - Experienced sector specialists
 - Cross-sector information sharing

STOCK SELECTION: **RIGHT TIME**

- **What we look for:**

- Identify catalysts
 - Company developments
 - Industry developments
 - Macroeconomic developments

- **How we do it:**

- Teamwork
 - Cross-sector information sharing
 - Customer contact
 - Supplier contact

STOCK SELECTION: **RECOMMENDATION**

- **How does a stock get into the portfolio?**
 - Recommended by sector analyst
 - Approved by lead portfolio manager
 - One-on-one discussion between lead portfolio manager and sector analyst

STOCK SELECTION: SAMPLE RECOMMENDATION

SAMPLE		Name		DDM	37	Date	
Ticker	SAMPLE	SS	SAMPLE	AFG	32	Sector	SAMPLE
Price	\$ 26.30	IV	5.00	WACC	6.4	Industry	Banks
Market Cap	\$ 3.45 (In Billions)	ER	7.00	ROIC	17	PM	BANDI
Avg \$ Vol							

	2004					2005					2006				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Rev Growth Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Margin %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SGA %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin %	20.78	21.26	22.85	22.90	22.91	22.77	22.81	22.53	21.91	21.91	20.79	19.79	-	-	-
LT Growth Rate	11.30	11.73	11.45	11.48	11.48	10.62	10.45	10.70	9.49	9.49	8.63	8.90	8.67	-	-
EPS	0.44	0.47	0.45	0.50	1.86	0.47	0.53	0.50	0.50	2.00	0.45	0.52	-	-	-
EPS Growth Y/Y	6.02	10.59	76.47	16.28	21.97	6.82	12.77	11.11	0.00	7.53	-4.26	-1.89	-	-	-
EPS Surprise	0.01	0.03	-0.02	0.02	-	0.01	0.07	0.01	0.01	-	0.01	0.04	-	-	-
% Change on Surprise	-1.81	3.25	-3.53	-6.90	-	-5.61	6.01	-0.35	-7.27	-	5.67	5.77	-	-	-
Asset Turnover	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.10	0.09	0.09	0.09	0.10	-	-	-
D/SO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory Turnover	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capx/Dep	615.8	672.0	717.5	781.5	781.5	820.8	816.1	852.8	915.2	915.2	981.9	1069.5	-	-	-
OCF/NI	1.84	2.40	1.54	1.74	1.74	1.41	1.33	1.18	0.58	0.58	0.84	1.13	-	-	-
Assets/Equity	12.14	12.72	12.43	12.88	12.88	13.75	13.21	13.17	13.39	13.39	14.29	14.53	-	-	-
Net Debt/Cap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Coverage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	5.55	5.53	5.00	4.83	4.83	4.87	4.42	3.57	5.87	5.87	6.38	6.60	-	-	-
Insider Info ?	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short Interest Ratio	3.81	5.97	6.10	4.99	4.99	3.59	4.32	4.36	7.18	7.18	5.59	4.10	3.49	3.63	3.63
P/B	3.73	4.31	4.35	4.60	4.60	3.96	3.64	3.70	3.64	3.64	3.51	3.56	3.59	3.59	3.57
P/S	3.42	3.86	3.85	3.94	3.94	3.25	3.01	3.01	2.97	2.97	2.71	2.67	2.69	2.69	2.92
P/CF	8.94	7.57	10.97	9.92	9.92	10.16	9.95	11.30	23.48	23.48	15.59	11.95	12.05	12.05	23.08
P/FCF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
P/E	13.91	15.68	15.43	16.30	16.30	13.51	13.33	13.25	13.49	13.49	13.14	13.20	13.06	-	-

Q1	Q2	Q3	Q4	FY
0.48	0.54	0.57	0.58	2.15
E	E	E	E	E
0.00	0.00	0.00	0.00	-0.01

ESTIMATE REVISION TRENDS

Date	12/2006	12/2007	Price	P/E
9/30/05	2.14	2.30	26.75	12.52
10/31/05	2.08	2.29	27.10	13.00
11/30/05	2.08	2.31	27.46	13.21
12/30/05	2.08	2.31	27.14	13.06
1/31/06	1.98	2.19	24.99	12.61
2/28/06	1.96	2.17	25.36	12.91
3/31/06	1.96	2.17	25.75	13.13
4/28/06	1.96	2.16	26.86	13.73
5/31/06	1.96	2.17	26.70	13.60
6/30/06	1.96	2.16	26.45	13.50
7/31/06	1.98	2.16	26.91	13.57
8/31/06	1.98	2.16	26.07	13.17
9/20/06	1.98	2.15	26.68	13.51

Historical Valuation Analysis

	5yr. Ave.	Target	Current
P/E	15.22	30.14	13.51
Rel. P/E	0.95	29.62	0.86
P/B	3.78	29.62	12.05
Rel. P/B	2.43	33.85	6.77
P/S	2.94	23.28	2.69
Rel. P/S	4.54	30.93	3.13
P/CF	15.89	36.88	12.05
Rel. P/CF	1.37	38.26	1.00
EV/EBITDA	12.28	23.23	13.90
Rel. EV/EBITDA	0.77	5.78	1.51

5 yr Avg	Mean	7.1%	\$ 28.16	\$ 26.30
	Median	13.6% <td>\$ 29.88</td> <td></td>	\$ 29.88	
	P/B & P/S	11.9% <td>\$ 29.42</td> <td></td>	\$ 29.42	

5 yr Low	Mean	-7.6%	\$ 24.29
	Median	-6.8%	\$ 24.52
	P/B & P/S	-5.1%	\$ 24.97

5 yr High	Mean	43.2%	\$ 37.66
	Median	36.3%	\$ 35.85
	P/B & P/S	29.2%	\$ 33.97

Company Description	SAMPLE
Valuation	15% upside looks attractive given low probability of blowup
AFG Valuation	Upside Target +3 33.45 27% Target +1 28.08 7% Accuracy #####

Why are we buying this stock

At time of purchase stock has inverted yield curve and slow revenue growth priced in. TCB has an impressive franchise and a good customer base and good product offerings. While the curve has hurt growth, the foundation and elements for above-average growth is present. The fed being done with rate increases is one-step closer to realizing this potential. Furthermore, TCB's franchise would be valued highly in an acquisition and ex-CEO Cooper still owns 3% of the company and is chairman of the board. He is unlikely to allow the company to languish.

Earnings Outlook

Earnings have been depressed by declining spreads and fee income. Fee income has been partially addressed and spread income will take care of itself. Until the curve steepens some will likely not see upward revisions although we don't expect significant downward pressure from here. Credit looks stable and we have forecasted a modest uptick in chargeoffs.

Power ProfitsSM

Average Balance (\$ millions)
Profit center net income (\$ 000s)

	YTD 2006		
	Balance	Net Income	%
Commercial Lending	\$ 2,839	\$ 12,040	10%
Consumer Lending	5,349	24,093	19
Leasing and Equipment Finance	1,579	17,256	14
Total Power Assets*	\$ 9,767	53,389	43
Traditional and Campus Branches	\$ 7,268	41,968	33
Supermarket Branches	2,030	19,141	14
Total Power Liabilities*	\$ 9,298	60,109	47
Total Power Assets & Liabilities	113,498	90	90
Equity and Other	11,785	10	10
Net Income	\$ 125,283	100%	
ROA ¹		1.82 %	
ROE ¹		25.80 %	

Industry Analysis

Slow top line.
Rate decrease would help margins
Credit costs likely rising
Valuation attractive
M&A on the rise

Risks

Credit
Margin



Portfolio Construction Constraints

	Mid Cap Value
Maximum Position Size	5.0%
Sector Allocation Constraints	+/- 10% versus index
Cash Allocation Target	0-5%
Number of Holdings	100 +/-
Average Annual Turnover*	70%
Style Purity	Monitor portfolio characteristics weekly

**Historically, approximately 50-60% of annual turnover has been the result of position size management (adds, trims). The remaining 40-50% has come from actual name turnover.*

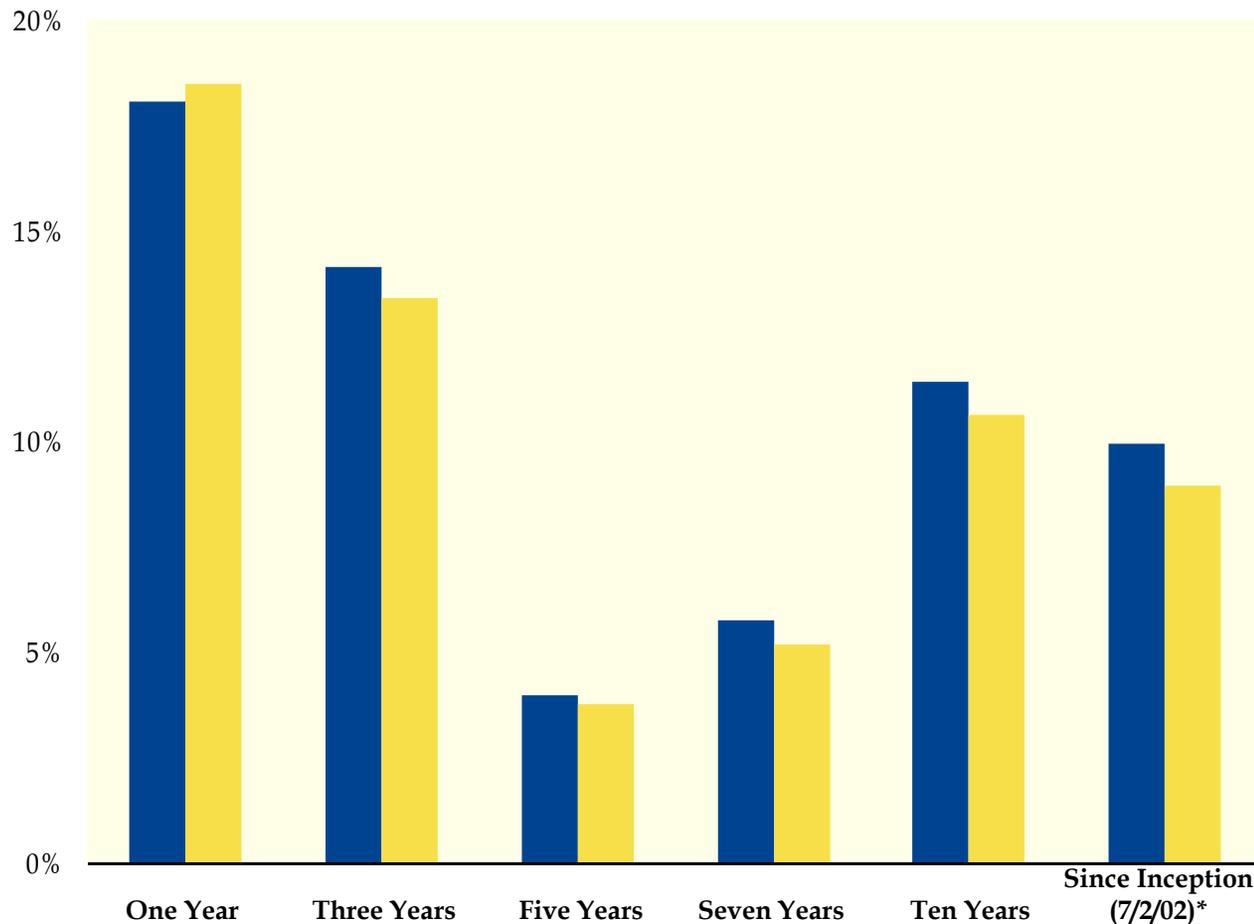
SELL DISCIPLINE

- Catalyst change
- Negative fundamental development
- Overvaluation

MID CAP VALUE EQUITY PERFORMANCE

Composite Annualized Rates of Return Versus Benchmark – Gross of Fees

As of December 31, 2012



■ Integrity Mid Cap Value Equity Composite*

■ Russell Midcap® Value Index

Value Added

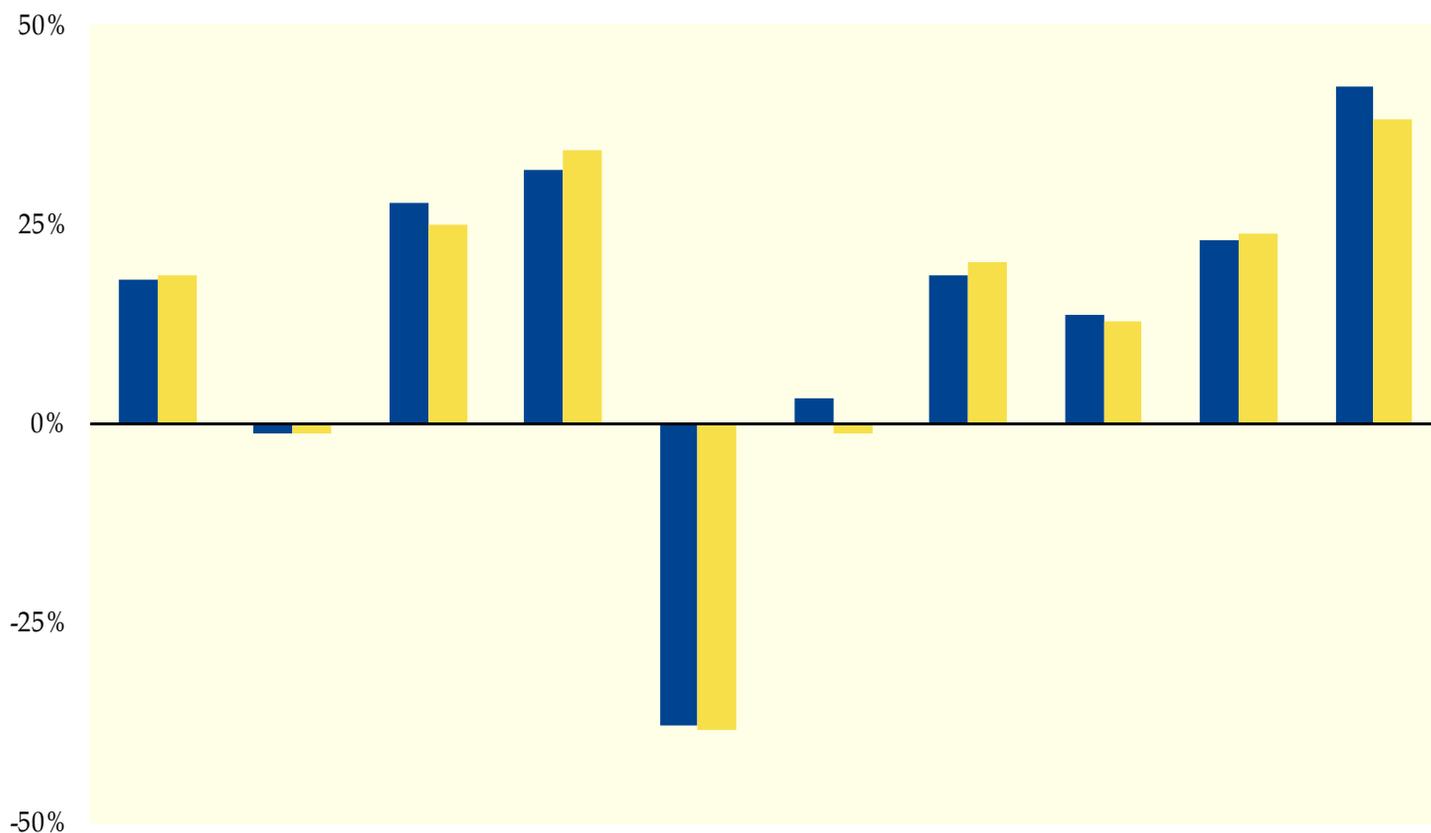
Past performance is no guarantee of future results. The information above cannot be shown without the fully-compliant presentation for the Integrity Mid Cap Value Equity composite, which contains net of fee performance and is located on the last page(s) of the Appendix in this book.

*The performance data above for the period from July 2, 2002 to June 25, 2003 reflects the performance of Class I Shares of the Armada Small/Mid Cap Value Fund (ARVIX), which was advised and managed by National City Investment Management Company (NCIMC). During that period, various current employees of Integrity Asset Management were employed by NCIMC and participated in the management of the Armada Small/Mid Cap Value Fund. This performance history is gross of all fees charged to investors in the Fund and is derived by compounding the monthly returns as reported by Morningstar. The Armada Small/Mid Cap Value Fund represents the only account managed by the team in the mid cap value strategy while at NCIMC.

FOR USE ONLY IN ONE-ON-ONE PRESENTATIONS WITH SEPARATE ACCOUNT INVESTORS.

MID CAP VALUE EQUITY PERFORMANCE

Composite Calendar Rates of Return Versus Benchmark - Gross of Fees



	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
■ Integrity Mid Cap Value Equity Composite*	18.08	-1.37%	27.67%	31.82%	-37.99%	2.96%	18.42%	13.69%	22.99%	42.23%
■ Russell Midcap® Value Index	18.51	-1.38%	24.75%	34.21%	-38.44%	-1.42%	20.22%	12.65%	23.71%	38.07%
Value Added	-0.43	0.01%	2.92%	-2.39%	0.45%	4.38%	-1.80%	1.04%	-0.72%	4.16%

Past performance is no guarantee of future results. The information above cannot be shown without the fully-compliant presentation for the Integrity Mid Cap Value Equity composite, which contains net of fee performance and is located on the last page(s) of the Appendix in this book.

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==== APPENDIX ====

MID CAP VALUE EQUITY PORTFOLIO CHARACTERISTICS

As of December 31, 2012

	Mid Cap Value Equity Portfolio	Russell Midcap® Value Index
3-5 Year EPS Growth (projected)*	11.1%	8.8%
3 Year EPS Growth (historical)	4.9%	7.9%
P/E (12 month projected)*	12.1x	12.4x
P/E (12 month trailing)	20.1x	19.8x
P/B	1.4x	1.4x
P/CF	8.4x	7.4x
P/S	0.99x	0.91x
Dividend Yield	1.4%	2.2%
Weighted Average Market Cap (\$mil)	\$7,043 mm	\$8,410 mm
# of holdings	105	564
Cash	3.6%	
<i>Top Ten Holdings</i>		
Company Name	Portfolio Weight	
CIGNA CORPORATION	1.5%	
AMERIPRISE FINANCIAL INC.	1.4%	
EDISON INTERNATIONAL	1.3%	
FOREST LABORATORIES INC.	1.3%	
HCP INC.	1.3%	
INVESCO LTD.	1.3%	
KEYCORP	1.3%	
PPL CORP.	1.3%	
NRG ENERGY INC.	1.3%	
MARATHON PETROLEUM CORP.	1.2%	
TOTAL	13.1%	

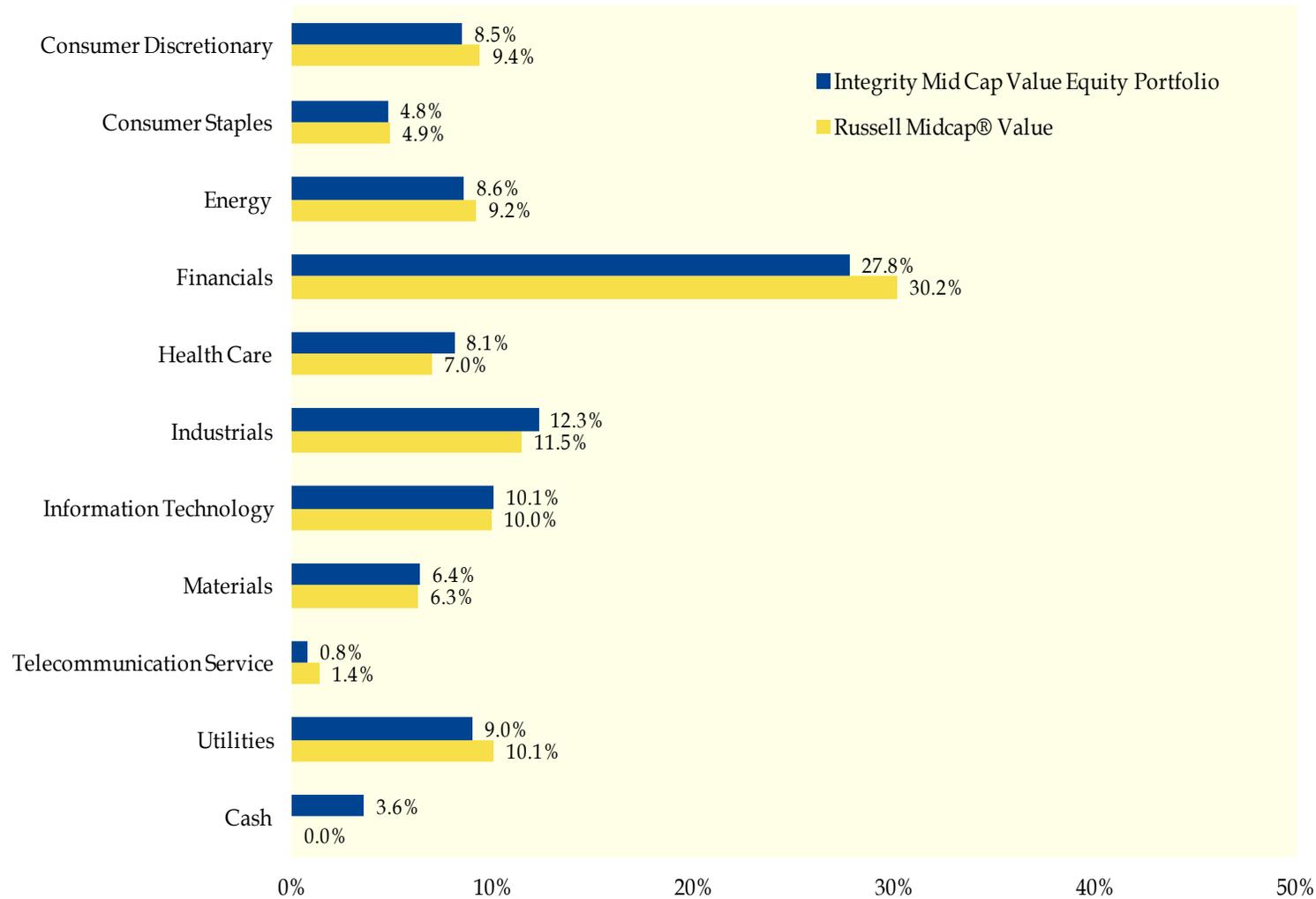
Source: FactSet

*Projected characteristics are based on information obtained from a third party that is believed to be reliable. Projected characteristics are not guarantees. The Mid Cap Value Equity portfolio characteristics listed above are based on a representative account and is supplemental to the Mid Cap Value Equity composite information, which is located on the last page(s) in the Appendix of this book. The representative account serves as the model against which each Mid Cap Value Equity account is managed. The representative account is an actual account and the information provided will vary for other accounts. Portfolio holdings should not be considered a recommendation to purchase or sell any security and are subject to change.

MID CAP VALUE EQUITY PORTFOLIO SECTOR WEIGHTINGS

Versus Benchmark

As of December 31, 2012



Source: FactSet

The Mid Cap Value Equity portfolio characteristics listed above are based on a representative account and is supplemental to the Mid Cap Value Equity composite information, which is located on the last page(s) in the Appendix of this book. The representative account serves as the model against which each Mid Cap Value Equity account is managed. The representative account is an actual account and the information provided will vary for other accounts. Portfolio holdings should not be considered a recommendation to purchase or sell any security and are subject to change.

Performance Disclosures - Integrity Mid Cap Value Equity Composite

As of December 31, 2012

Calendar Year	Total Return (%)		Primary Benchmark (%)	3-Yr St Dev		Composite Portfolios	Dispersion within Composite (%)	Composite Assets (\$ millions)	Total Firm Assets (\$ millions)
	Gross	Net		Composite (%)	Benchmark (%)				
2012	18.08	17.10	18.51	18.56	16.76	12	0.12	227.19	3,282.82
2011	-1.37	-2.21	-1.38	23.71	22.78	13	0.08	221.64	3,098.55
2010	27.67	26.62	24.75	26.51	27.11	20	0.29	302.07	3,268.56
2009	31.82	30.73	34.21	23.92	25.01	21	0.22	201.52	2,364.11
2008	-37.99	-38.53	-38.44	17.77	18.74	23	0.58	152.91	1,641.29
2007	2.96	2.10	-1.42	9.54	9.13	20	0.45	211.76	2,498.71
2006	18.42	17.43	20.22	8.67	8.65	11	n.m. ^a	141.47	2,496.81
2005	13.69	12.74	12.65	10.70	10.92	≤5	n.m.	53.78	1,407.74
2004	22.99	21.97	23.71	n.a.	n.a.	≤5	n.m.	19.37	438.68
2003	42.23	40.97	38.07	n.a.	n.a.	≤5	n.m.	0.13	9.15

^a n.m. = not-meaningful

Primary Benchmark: Russell Midcap® Value Index

Annualized Compounded Rates of Return for Periods Ended December 31, 2012 (%)

1 Year	18.08	17.10	18.51
3 Years	14.14	13.18	13.39
5 Years	3.98	3.10	3.79
7 Years	5.78	4.89	5.21
10 Years	11.41	10.47	10.63
Since Inception (7.02.2012)	9.97	9.04	8.94

Past performance is no guarantee of future results.

Integrity Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Integrity Asset Management has been independently verified for the periods from July 1, 2003 through December 31, 2011. The verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

See accompanying notes on the next page.

Performance Disclosures - Integrity Mid Cap Value Equity Composite

Integrity Asset Management is an investment management firm established in 2003 that manages a variety of equity assets for primarily institutional clients. The firm, which is a wholly owned subsidiary of Munder Capital Management, maintains full investment autonomy and is treated as a separate entity for GIPS compliance purposes.

The Mid Cap Value Equity composite was created in July 2003, and includes all fee-paying, fully discretionary portfolios that are managed according to the Mid Cap Value Equity strategy. The strategy focuses on mid-cap companies that are currently trading below our estimate of intrinsic value and are characterized by improving investor sentiment. Please Note: The performance data for the period from July 2, 2002 through June 20, 2003, reflects the performance of a registered investment company managed by the portfolio management team members while at a prior employer. During that period, the portfolio management team members primarily responsible for the Integrity Mid Cap Value Equity strategy were primarily responsible for the management of the registered investment company. This performance history is gross of all fees charged to investors in the registered investment company, with the exception of transaction costs, and is derived by compounding the monthly returns as reported by Morningstar. The registered investment company represents the only account managed by the team in the Mid Cap Value Equity strategy while at their prior employer. For continuity, the Fund's performance has been linked, for the remainder of June 2003, to the performance of the one portfolio managed in the same strategy during this time period by the portfolio managers while at Integrity Asset Management.

All returns reflect the reinvestment of investment income (dividends and/or interest) and capital gains, and are net of non-reclaimable withholding taxes, if any. Valuations and returns are stated in U.S. dollars. The gross returns shown are based on time-weighted rates of return less transaction costs. Effective June 21, 2003, net returns reflect gross performance less model investment management fees, which were derived using the maximum fixed fee rate in effect for the strategy for the respective time period. (For periods prior to June 21, 2003, net returns reflect the deduction of all expenses charged to the fund, including management fees, custodian, audit and other administrative fees.) Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are accrued monthly.

The investment management fee for this strategy is as follows: 0.85% on the first \$15 million; 0.75% on the next \$35 million; 0.65% on the next \$50 million; 0.60% thereafter. (Please note: Non-fee-paying portfolios accounted for 100% of composite assets as of 12/31/2003, and 0% of composite assets for all other annual period ends.)

The benchmark: Russell Midcap® Value Index, a capitalization-weighted index that measures the performance of approximately 800 of the smallest companies in the Russell 1000® Index, an index representing approximately 1,000 of the largest publically traded companies, with lower price-to-book ratios and lower forecasted growth values. Index performance information was furnished by sources deemed reliable and is believed to be accurate, however, no warranty or representation is made as to the accuracy thereof and the information is subject to correction. You cannot invest directly in an index, securities in the Composite may not match those in the index and performance of the Composite will differ. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index's return.

Dispersion within the composite is calculated using the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the full year. If less than six portfolios are included in the composite for the full year, no dispersion measure is presented, as it is not considered meaningful.

The three-year annualized ex-post standard deviation measures the volatility of the composite and the benchmark returns over the preceding 36-month time period. The notation "n.a." (not available) will appear for periods, if any, where 36 monthly returns are not available for the composite and/or the benchmark.

Integrity Asset Management's policies for valuing portfolios, calculating performance, and preparing compliant presentations, as well as a complete list of composite descriptions, are available upon request from Bill McNett at (216) 920-5280.

==== ADDENDUM ====

Bay County Employees' Retirement System

Mid-Cap Value

December 31, 2012



INTEGRITY ASSET MANAGEMENT

Firm Background

Integrity Asset Management

- Founded in 2003
- \$3.28 billion in assets under management

Experienced team

- 8 investment professionals
- Working together as a team since 1999
- Over 16 years average investment experience

Investment focus

- U.S. Value Equity
- Internally generated fundamental research
- Bottom-up stock selection

Bay County Employees' Retirement System Mid-Cap Value

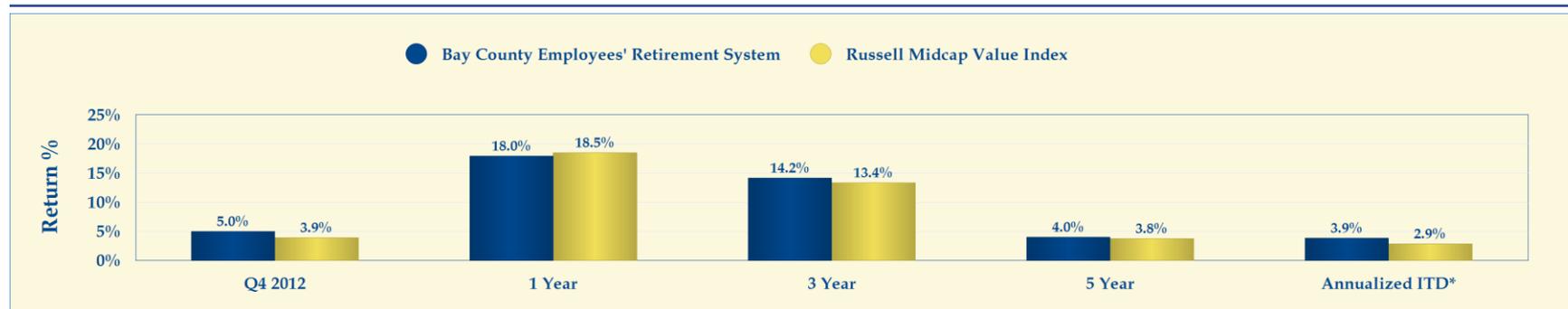
As of 12/31/12

Account Performance

For the quarter ending December 31, 2012, your portfolio returned 5.01% versus the Russell Midcap Value Index, which returned 3.93%. Stock selection in financials and consumer discretionary were the most significant contributors. Materials and technology also added to performance due to stock selection. Health care and consumer staples were the largest detractors stemming from stock selection. Sector weightings were neutral to performance.

Performance Review (Annualized)

Gross of Fees



<i>Portfolio Performance</i>	Q4 2012	1 Year	3 Year	5 Year	Annualized ITD*
Bay County Employees' Retirement System	5.01%	17.99%	14.22%	3.99%	3.89%
Russell Midcap Value Index	3.93%	18.51%	13.39%	3.79%	2.88%
Relative Performance	1.08%	-0.52%	0.83%	0.20%	1.01%

* Since Inception 1/3/07

Market Review & Outlook

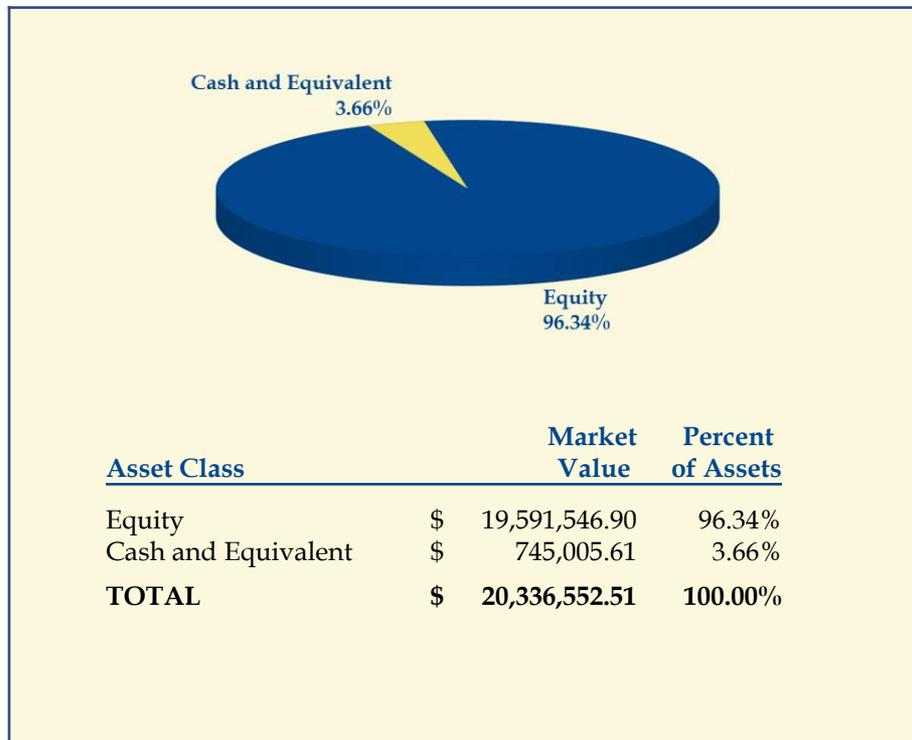
It looks to us that the first quarter and the New Year are shaping up to be a solid one for the equity markets as well as the global economy. We would love to think of the market environment like the famous Toga party scene in the 1978 movie *Animal House* (TOGA! TOGA!). However, given near term concerns over the upcoming earnings season, European economic woes and the continued debate in Washington over the debt ceiling, we feel it is prudent to buy on any near-term weakness as opposed to chase stocks. As we wrote last quarter, we felt the market would rally given all the global stimulative moves, low interest rates, strong U.S. housing market, solid auto sales, coupled with high investor skepticism over Washington's inability to solve the fiscal cliff issue. Nothing has really changed from our fourth quarter outlook; if anything, things continue to get better with more accommodative policy and further encouraging economic signs.

According to ISI, there now have been 333 stimulative policy initiatives over the last 16 months compared to 267 at the end of the third quarter. Global leading economic indicators are starting to rebound, especially in China and Europe. Moreover, the new Japanese government seems serious about stimulating their long dormant economy. In the U.S., economic growth in the fourth quarter was hampered by the debate in Washington, but with this issue mostly behind us and with companies knowing the rules of the game, the pent up demand created by this uncertainty should begin to be unleashed.

While microcap companies, which were more domestically focused, outperformed for most of 2012, we believe companies with more international exposure will outperform in 2013, namely technology, materials and industrials. We are currently overweight these sectors. Once we get through a few of the issues confronting the market, it seems like we are in a "Goldilocks" economic environment, "Not too hot, not too cold." Bottom line, global economies are healing, valuations look reasonable, global interest rates are low and thus we would rather be on the optimistic side. Currently, the portfolio is tilted pro-cyclically, but we would like to get more aggressive as the market gives us opportunities. Lastly, if we do get a synchronized global economic recovery, bonds should underperform and equities should be a direct beneficiary.

Portfolio Summary

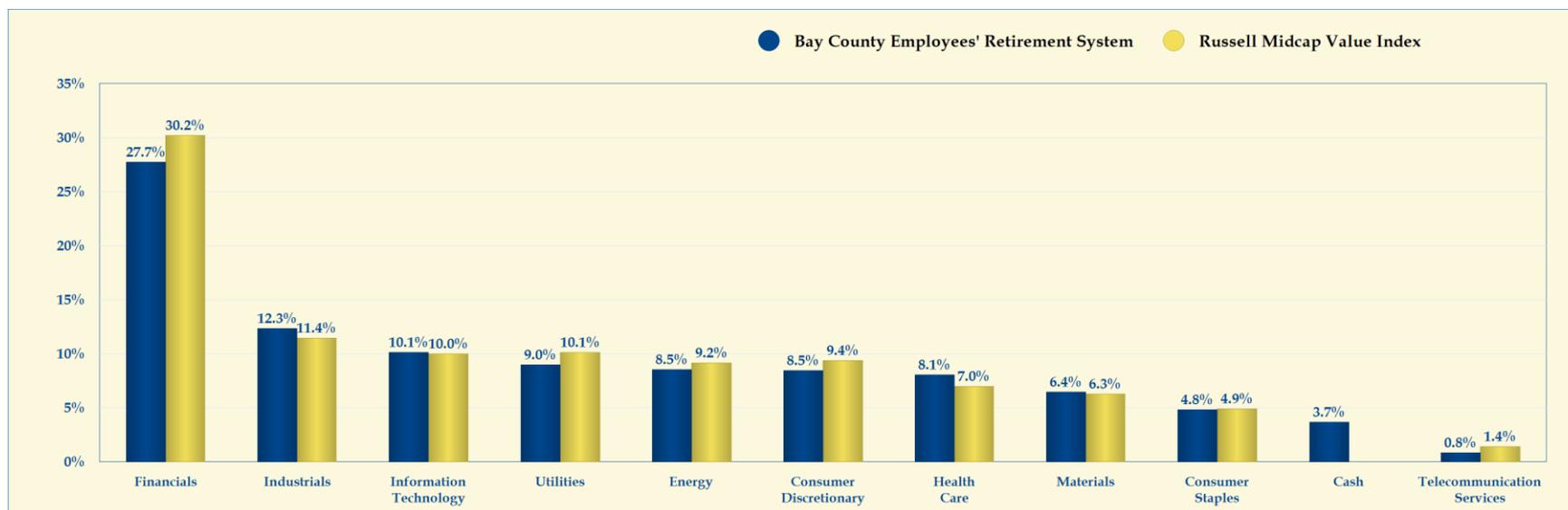
Current Asset Allocation



Bay County Employees' Retirement System Mid-Cap Value

As of 12/31/12

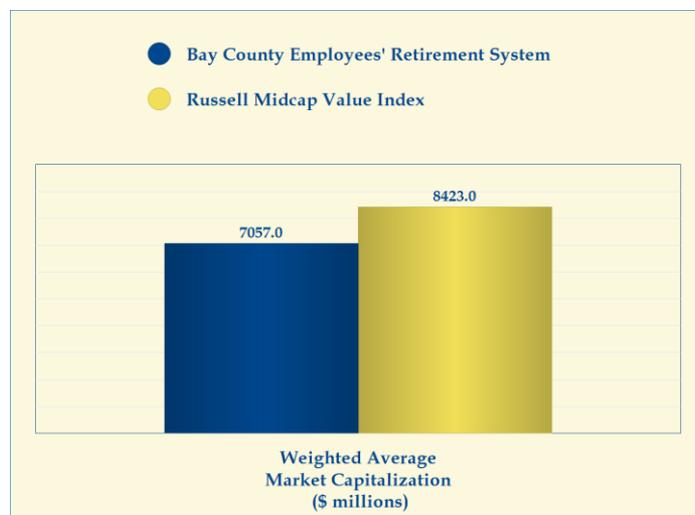
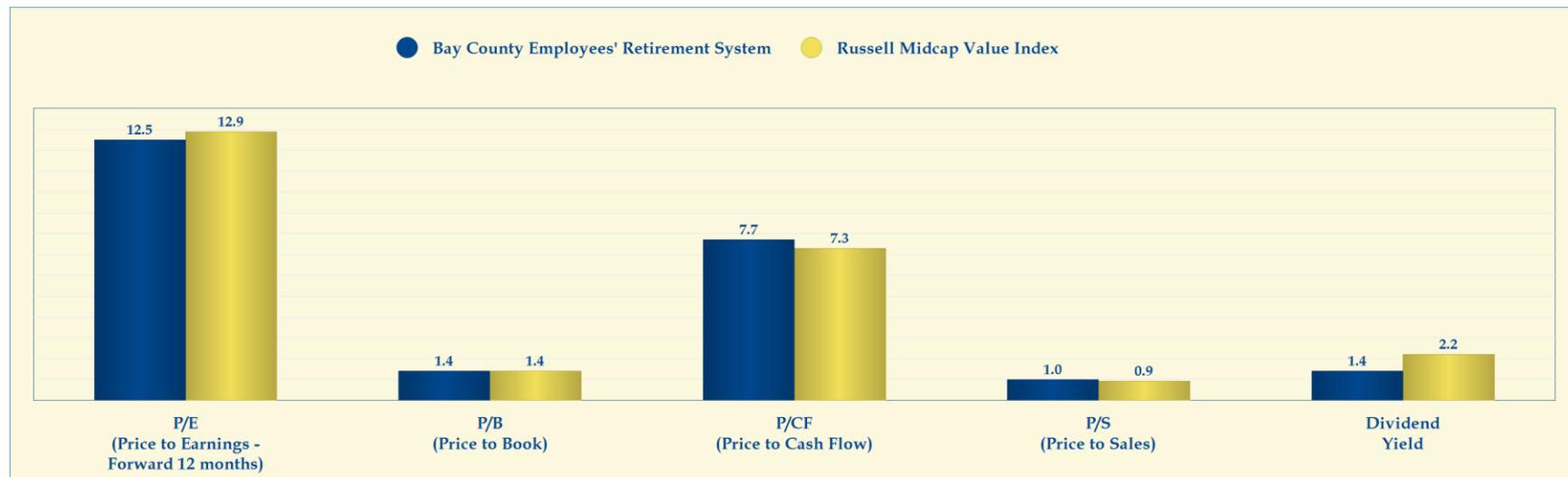
Sector Allocation



Bay County Employees' Retirement System Mid-Cap Value

As of 12/31/12

Equity Characteristics



Bay County Employees' Retirement System Mid-Cap Value

As of 12/31/12

Top Ten Holdings

Ten Largest Holdings	Percent of Portfolio	Description
KEYCORP	1.32%	KeyCorp operates as a holding company for KeyBank National Association that provides various banking services in the United States.
HCP INC.	1.31%	HCP, Inc. operates as a real estate investment trust in the United States.
EDISON INTERNATIONAL	1.29%	Edison International, through its subsidiaries, engages in the supply of electric energy in central, coastal, and southern California.
FOREST LABORATORIES INC.	1.26%	Forest Laboratories, Inc. develops, manufactures, and sells branded and generic forms of ethical drug products.
NV ENERGY INC.	1.21%	NV Energy, Inc., through its subsidiaries, engages in the generation, transmission, and distribution of electric energy in southern Nevada.
NORTHEAST UTILITIES	1.19%	Northeast Utilities, a public utility holding company, engages in the energy delivery business for residential, commercial, and industrial customers in Connecticut, New Hampshire, and western Massachusetts.
SPIRIT AEROSYSTEMS HOLDINGS INC.	1.11%	Spirit AeroSystems Holdings, Inc., through its subsidiaries, designs, engineers, and manufactures commercial aircraft structures worldwide.
ARCH CAPITAL GROUP LTD.	1.05%	Arch Capital Group, Ltd., through its subsidiaries, provides insurance and reinsurance products worldwide.
UGI CORP.	1.04%	UGI Corporation, through its subsidiaries, distributes and markets energy products and related services in the United States and internationally.
B/E AEROSPACE INC.	1.02%	BE Aerospace, Inc. manufactures and markets cabin interior products for commercial aircraft and business jets worldwide.

Bay County Employees' Retirement System Mid-Cap Value

As of 12/31/12

Portfolio Appraisal

Quantity	Security	Ticker Symbol	Unit Cost (\$)	Total Cost (\$)	Current Price (\$)	Current Value (\$)	Percent of Portfolio (%)
Equity							
CONSUMER DISCRETIONARY							
4,455.00	ABERCROMBIE & FITCH CO.	ANF	36.35	161,956.23	47.97	213,706.35	1.1
6,070.00	BRUNSWICK CORP.	BC	23.66	143,613.67	29.09	176,576.30	0.9
9,965.00	D.R. HORTON INC.	DHI	9.63	95,983.82	19.78	197,107.70	1.0
7,695.00	EXPRESS, INC.	EXPR	14.73	113,334.13	15.09	116,117.55	0.6
8,616.00	GANNETT CO. INC.	GCI	11.77	101,376.39	18.01	155,174.16	0.8
5,259.00	MACY'S INC.	M	13.93	73,233.64	39.02	205,206.18	1.0
13,160.00	MGM RESORTS INTERNATIONAL	MGM	14.56	191,575.38	11.64	153,182.40	0.8
2,950.00	TRW AUTOMOTIVE HOLDINGS	TRW	47.19	139,201.95	53.61	158,149.50	0.8
1,460.00	WHIRLPOOL CORP.	WHR	88.48	129,175.48	101.75	148,555.00	0.7
3,661.00	WYNDHAM WORLDWIDE CORP.	WYN	23.34	85,459.54	53.21	194,801.81	1.0
				1,234,910.23		1,718,576.95	8.5
CONSUMER STAPLES							
3,825.00	BEAM, INC.	BEAM	53.82	205,856.29	61.09	233,669.25	1.1
4,355.00	CONSTELLATION BRANDS INC	STZ	29.15	126,934.31	35.39	154,123.45	0.8
8,345.00	DEAN FOODS CO.	DF	14.02	116,960.01	16.51	137,775.95	0.7
2,722.00	HAIN CELESTIAL GROUP INC	HAIN	30.42	82,815.47	54.22	147,586.84	0.7
1,816.00	JM SMUCKER CO.- NEW	SJM	44.01	79,924.70	86.24	156,611.84	0.8
7,125.00	SMITHFIELD FOODS INC.	SFD	21.16	150,793.55	21.57	153,686.25	0.8
				763,284.33		983,453.58	4.8
ENERGY							
3,605.00	CAMERON INTERNATIONAL CO	CAM	48.91	176,310.04	56.46	203,538.30	1.0
2,223.00	CONTINENTAL RESOURCES IN	CLR	49.69	110,457.15	73.49	163,368.27	0.8
2,100.00	DIAMOND OFFSHORE DRILLIN	DO	65.83	138,244.26	67.96	142,716.00	0.7
5,036.00	GULFPORT ENERGY CORP.	GPOR	28.37	142,849.84	38.22	192,475.92	0.9
5,323.00	HELIX ENERGY SOLUTIONS G	HLX	19.03	101,308.22	20.64	109,866.72	0.5
3,980.00	MARATHON PETROLEUM CORPO	MPC	44.28	176,241.56	63.00	250,740.00	1.2
3,879.00	NOBLE CORPORATION	NE	36.25	140,627.33	34.82	135,066.78	0.7
2,297.00	NOBLE ENERGY INC.	NBL	79.37	182,324.13	101.74	233,696.78	1.1
4,535.00	PDC ENERGY, INC.	PDCE	32.09	145,547.82	33.21	150,607.35	0.7
7,559.00	SUPERIOR ENERGY SERVICES	SPN	24.88	188,062.00	20.72	156,622.48	0.8
				1,501,972.35		1,738,698.60	8.5
FINANCIALS							
1,285.00	AFFILIATED MANAGERS GROU	AMG	62.22	79,957.00	130.15	167,242.75	0.8
5,315.00	AMERICAN CAMPUS COMMUNIT	ACC	43.99	233,817.99	46.13	245,180.95	1.2
5,090.00	AMERICAN FINANCIAL GROUP	AFG	34.67	176,489.45	39.52	201,156.80	1.0
4,414.00	AMERIPRISE FINANCIAL INC	AMP	44.22	195,185.04	62.63	276,448.82	1.4

Bay County Employees' Retirement System Mid-Cap Value

As of 12/31/12

Portfolio Appraisal

Quantity	Security	Ticker Symbol	Unit Cost (\$)	Total Cost (\$)	Current Price (\$)	Current Value (\$)	Percent of Portfolio (%)
4,855.00	ARCH CAPITAL GROUP LTD.	ACGL	21.50	104,375.87	44.02	213,717.10	1.1
4,270.00	BERKLEY, (WR) CORP.	WRB	30.46	130,083.42	37.74	161,149.80	0.8
5,770.00	COMERICA INC.	CMA	32.27	186,223.41	30.34	175,061.80	0.9
13,962.00	DDR CORP	DDR	9.05	126,322.50	15.66	218,644.92	1.1
19,607.00	DIAMONDROCK HOSPITALITY	DRH	10.42	204,234.97	9.00	176,463.00	0.9
8,115.00	FIDELITY NATL FINANCIAL	FNF	19.77	160,440.45	23.55	191,108.25	0.9
14,560.00	FIFTH THIRD BANCORP	FITB	10.22	148,837.53	15.20	221,312.00	1.1
22,908.00	FIRST HORIZON NATIONAL C	FHN	9.25	211,830.21	9.91	227,018.28	1.1
5,115.00	GALLAGHER, (ARTHUR J.) &	AJG	33.15	169,570.51	34.65	177,234.75	0.9
9,651.00	GENERAL GROWTH PROPERTIE	GGP	15.74	151,893.63	19.85	191,572.35	0.9
18,710.00	GENWORTH FINANCIAL INC.	GNW	6.98	130,687.48	7.51	140,512.10	0.7
8,615.00	HARTFORD FINANCIAL SVCS.	HIG	20.49	176,549.85	22.44	193,320.60	1.0
5,886.00	HCP INC.	HCP	33.66	198,096.03	45.16	265,811.76	1.3
9,782.00	INVESCO LIMITED	IVZ	20.09	196,477.46	26.09	255,212.38	1.3
1,930.00	JONES LANG LASALLE INCOR	JLL	74.27	143,334.74	83.94	162,004.20	0.8
31,910.00	KEYCORP	KEY	6.48	206,643.72	8.42	268,682.20	1.3
3,550.00	KILROY REALTY CORPORATIO	KRC	46.70	165,791.91	47.37	168,163.50	0.8
7,610.00	LINCOLN NATIONAL CORP.	LNC	14.50	110,375.97	25.90	197,099.00	1.0
30,310.00	NORTHSTAR REALTY FINANCE	NRF	5.71	173,108.64	7.04	213,382.40	1.0
5,675.00	PROLOGIS, INC.	PLD	27.60	156,652.41	36.49	207,080.75	1.0
20,690.00	REGIONS FINANCIAL CORP.	RF	6.22	128,607.86	7.13	147,519.70	0.7
7,820.00	SUNTRUST BANKS INC.	STI	18.33	143,369.71	28.35	221,697.00	1.1
7,205.00	UDR INC.	UDR	25.63	184,649.38	23.78	171,334.90	0.8
8,556.00	ZIONS BANCORP.	ZION	18.15	155,254.32	21.40	183,098.40	0.9
				4,548,861.46		5,638,230.46	27.7
HEALTH CARE							
5,621.00	CIGNA CORP.	CI	30.12	169,278.92	53.46	300,498.66	1.5
4,130.00	ENDO HEALTH SOLUTIONS IN	ENDP	33.32	137,630.08	26.23	108,330.31	0.5
7,265.00	FOREST LABORATORIES INC.	FRX	27.76	201,673.33	35.32	256,599.80	1.3
9,698.00	HEALTHSOUTH CORP.	HLS	21.35	207,005.25	21.11	204,724.78	1.0
7,120.00	HOLOGIC INC.	HOLX	20.83	148,324.46	20.01	142,471.91	0.7
4,370.00	UNIVERSAL HEALTH SERVICE	UHS	40.56	177,231.11	48.35	211,289.50	1.0
1,930.00	WATSON PHARMACEUTICALS I	WPI	44.18	85,273.00	86.00	165,980.00	0.8
3,755.00	ZIMMER HOLDINGS INC.	ZMH	61.32	230,247.15	66.66	250,308.30	1.2
				1,356,663.30		1,640,203.27	8.1
INDUSTRIALS							
4,189.00	B/E AEROSPACE INC.	BEAV	10.91	45,713.81	49.40	206,936.60	1.0
9,755.00	DYCOM INDUSTRIES INC.	DY	17.43	170,024.16	19.80	193,149.00	0.9
4,135.00	EATON CORP. PLC	ETN	42.16	174,340.03	54.18	224,034.30	1.1

Bay County Employees' Retirement System Mid-Cap Value

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Portfolio Appraisal

Quantity	Security	Ticker Symbol	Unit Cost (\$)	Total Cost (\$)	Current Price (\$)	Current Value (\$)	Percent of Portfolio (%)
2,385.00	ESTERLINE TECHNOLOGIES C	ESL	58.67	139,939.51	63.61	151,709.85	0.7
6,178.00	HEXCEL CORP.	HXL	16.02	98,956.75	26.96	166,558.88	0.8
8,422.00	ITT CORP	ITT	20.42	172,016.65	23.46	197,580.12	1.0
1,933.00	KANSAS CITY SOUTHERN IND	KSU	38.75	74,908.39	83.48	161,366.84	0.8
5,346.00	OLD DOMINION FREIGHT LIN	ODFL	20.10	107,428.23	34.28	183,260.88	0.9
5,340.00	OSHKOSH CORPORATION	OSK	29.75	158,885.72	29.65	158,331.00	0.8
4,245.00	OWENS CORNING SALES INC.	OC	33.33	141,493.12	36.99	157,022.55	0.8
13,266.00	SPIRIT AEROSYSTEMS HOLDI	SPR	18.28	242,524.83	16.97	225,124.02	1.1
2,451.00	STANLEY BLACK & DECKER,	SWK	62.01	151,987.23	73.97	181,300.47	0.9
5,455.00	TEXTRON, INC.	TXT	27.47	149,841.05	24.79	135,229.45	0.7
3,455.00	TIMKEN CO.	TKR	39.40	136,139.50	47.83	165,252.65	0.8
				1,964,198.98		2,506,856.61	12.3
INFORMATION TECHNOLOGY							
6,050.00	ARROW ELECTRONICS INC.	ARW	34.18	206,799.68	38.08	230,384.00	1.1
7,430.00	CIENA CORP.	CIEN	15.13	112,419.87	15.70	116,651.00	0.6
18,305.00	COMPUWARE CORP.	CPWR	10.26	187,807.45	10.87	198,975.35	1.0
12,712.00	FAIRCHILD SEMICONDUCTOR	FCS	5.42	68,888.92	14.40	183,052.80	0.9
15,940.00	INTERSIL CORP.	ISIL	10.26	163,590.50	8.29	132,142.60	0.6
11,845.00	JABIL CIRCUIT INC.	JBL	20.24	239,756.55	19.29	228,490.05	1.1
24,430.00	LSI CORP.	LSI	6.98	170,498.68	7.07	172,720.10	0.8
6,917.00	PARAMETRIC TECHNOLOGY CO	PMTC	15.08	104,291.35	22.51	155,701.67	0.8
7,090.00	PROGRESS SOFTWARE CORP.	PRGS	19.94	141,373.06	20.99	148,819.10	0.7
9,700.00	TERADYNE INC.	TER	14.09	136,719.47	16.89	163,833.00	0.8
31,345.00	TRIQUINT SEMICONDUCTOR I	TQNT	5.42	169,936.58	4.83	151,396.35	0.7
16,845.00	VISHAY INTERTECHNOLOGY I	VSH	10.08	169,876.85	10.63	179,062.35	0.9
				1,871,958.96		2,061,228.37	10.1
MATERIALS							
2,653.00	ASHLAND INC.	ASH	67.24	178,387.69	80.41	213,327.73	1.0
3,795.00	CARPENTER TECHNOLOGY	CRS	40.22	152,648.67	51.63	195,935.85	1.0
2,924.00	FMC CORP.	FMC	22.68	66,314.36	58.52	171,112.48	0.8
4,198.00	FULLER, (H. B.) CO.	FUL	32.28	135,513.76	34.82	146,174.36	0.7
10,155.00	POLYONE CORP.	POL	14.06	142,744.34	20.42	207,365.10	1.0
3,004.00	ROCK-TENN COMPANY CL A	RKT	66.90	200,957.35	69.91	210,009.64	1.0
6,003.00	RTI INTERNATIONAL METALS	RTI	24.32	145,976.93	27.56	165,442.68	0.8
				1,022,543.10		1,309,367.84	6.4
TELECOMMUNICATION SERVICES							
29,895.00	SPRINT NEXTEL CORP.	S	4.45	133,082.66	5.67	169,504.65	0.8
				133,082.66		169,504.65	0.8
UTILITIES							

Bay County Employees' Retirement System Mid-Cap Value

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Portfolio Appraisal

Quantity	Security	Ticker Symbol	Unit Cost (\$)	Total Cost (\$)	Current Price (\$)	Current Value (\$)	Percent of Portfolio (%)
3,265.00	ALLIANT ENERGY CORP.	LNT	43.25	141,204.72	43.91	143,366.15	0.7
5,790.00	EDISON INTERNATIONAL	EIX	38.21	221,250.41	45.19	261,650.10	1.3
9,745.00	GREAT PLAINS ENERGY INC.	GXP	20.64	201,090.48	20.31	197,920.95	1.0
6,206.00	NORTHEAST UTILITIES	NU	24.53	152,263.70	39.08	242,530.48	1.2
11,215.00	NRG ENERGY INC.	NRG	21.09	236,468.11	22.99	257,832.85	1.3
13,540.00	NV ENERGY INC.	NVE	13.78	186,629.32	18.14	245,615.60	1.2
9,270.00	PPL CORP.	PPL	27.58	255,711.20	28.63	265,400.10	1.3
6,454.00	UGI CORP.	UGI	26.00	167,793.54	32.71	211,110.34	1.0
				1,562,411.48		1,825,426.57	9.0
				15,959,886.85		19,591,546.90	96.3
Cash and Equivalent							
CASH							
	DIVIDEND RECEIVABLE	DIVACC		20,647.87		20,647.87	0.1
	UNITED STATES DOLLAR (US	CASH		724,357.74		724,357.74	3.6
				745,005.61		745,005.61	3.7
				745,005.61		745,005.61	3.7
TOTAL PORTFOLIO				16,704,892.46		20,336,552.51	100.0