



Your success. Our priority.

Bay County Employees Retirement System Investment Review

As of March 31, 2015

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Your success. Our priority.

Investment team, philosophy and process



Columbia Focused Value Team

- Dedicated team Focused solely on value equity investing
- Experienced professionals with wide breadth of industry knowledge
- Complementary skills with clear accountability

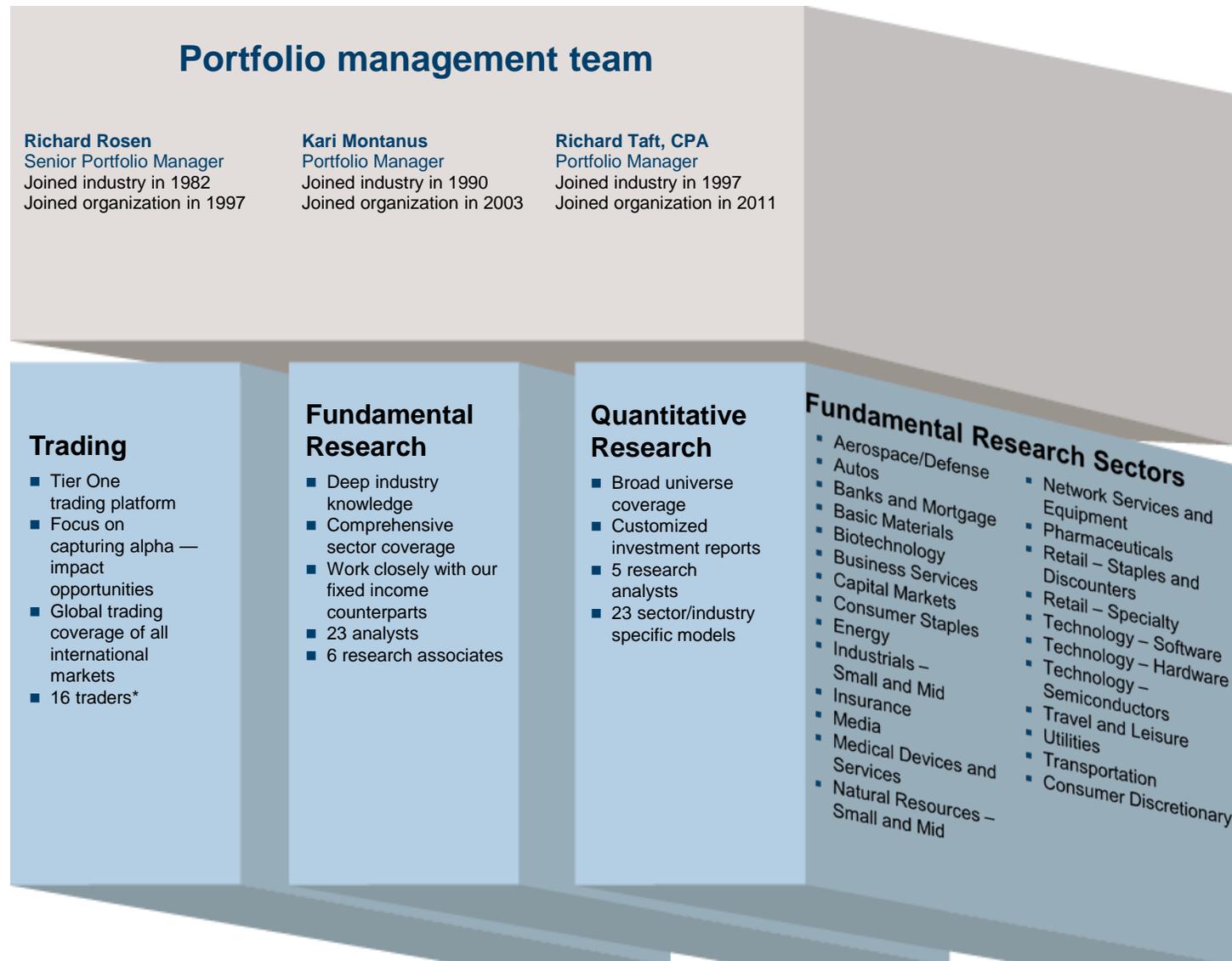
Professional	Title/ responsibilities	Year joined industry	Year joined organization
Richard Rosen	Senior Portfolio Manager	1982	1997
Kari Montanus	Portfolio Manager	1990	2003
Rick Taft, CPA	Portfolio Manager	1997	2011

Firm tenure includes time with legacy firms of Columbia Threadneedle Investments. As of December 31, 2014

Columbia Focused Value Team

Firm-wide resources

Independent perspectives available to all portfolio management teams



Firm tenure includes time with legacy firms of Columbia Threadneedle Investments. As of December 31, 2014

Investment approach

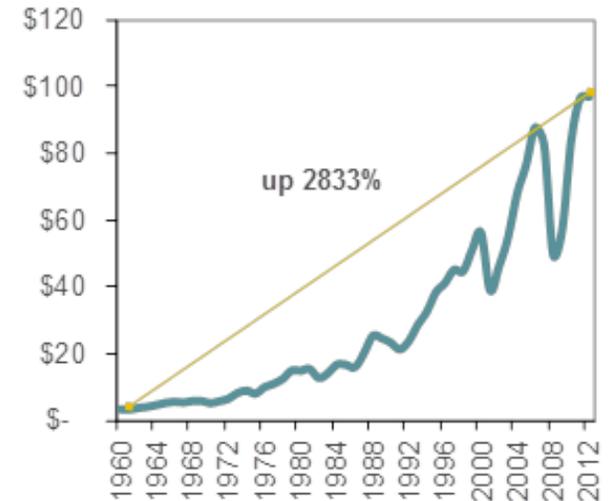
Seeks to:

- Outperform benchmark and peer strategies
- Rank in top quartile over full market cycle

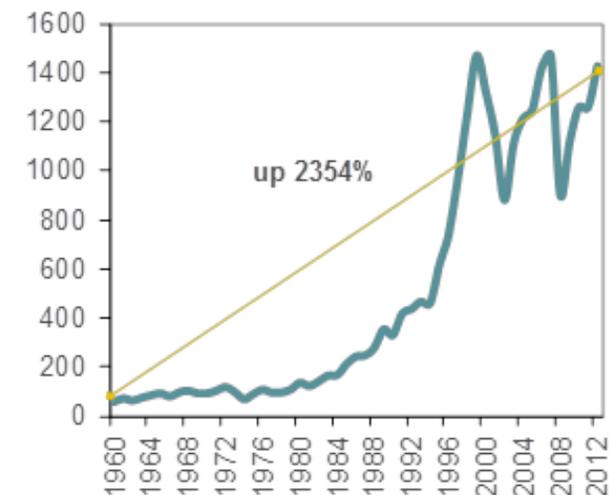
Investment Philosophy

- Companies that show accelerating earnings growth tend to outperform
- We can exploit inefficiencies created by low market expectations
- Value generally is defined by price-to-earnings levels below the general market
- Research can identify potential catalysts that will drive earnings acceleration
- A concentrated, low-turnover portfolio can maximize outperformance

S&P 500 Annual EPS



S&P 500 Annual Price



Source: Columbia Management Investment Advisers, LLC. There is no guarantee that the investment objectives will be achieved or that return expectations will be met.

Distinguishing features

Seasoned, stable investment team

- Average more than 24 years of investing experience
- Complementary industry knowledge
- Ability to leverage extensive centralized resources

**Sound investment
decision making**

Distinct view of value

- Seek stocks with attractive ‘value’ characteristics, combined with a potential for an acceleration in earnings growth
- Identifying a catalyst as the cornerstone of the investment process
- Long holding period fully captures the inflection point and full period of a stock’s outperformance

**Portfolio
concentrated in
manager’s best ideas**

Benefits of a concentrated portfolio

- Efficient way to capture alpha and mitigate risk exposures
- Allows manager to know companies extremely well

Risk management

There is no guarantee that the investment objectives will be achieved or that return expectations will be met.

Investment process overview



Step 1: Define and evaluate investable universe

Objective: Prioritize candidates for further research

Look for stocks that have:

- Market capitalizations in the range of companies in the Russell 1000® Value Index at the time of purchase
- Valuation metrics generally below market P/E, industry P/E multiple or company's historical P/E multiple
- Stocks that have come down hard for reasons we believe are temporary and/or are off their 52 week high



**100–200
Stocks under
consideration**

Potential benefit: Select from a broad-based group of stocks within the “value” style that deserve further research

Step 2: Identify potential catalysts that could accelerate earnings growth

Objective: Focus research efforts on stocks with the potential to show earnings acceleration

Potential catalysts could contribute to accelerating earnings growth:

- Management change
- Corporate restructuring
- New product cycle

Changing industry fundamentals can also drive earnings acceleration:

- Improving competitive dynamics (i.e., consolidation)
- Attractive supply/demand trends
- A cyclical recovery
- New secular growth driver (i.e., new technology)



**50–75
Stocks under
consideration**

Potential benefit: Ability to overweight attractive or underweight unattractive industries in the portfolio leverages bottom-up research approach.

There is no guarantee that the investment objectives will be achieved or that return expectations will be met.

Step 3: Construct portfolio and manage risk

Objective: Invest in 30-40 stocks with the best chance of exhibiting earnings acceleration

Risk control:

- Position size limited to 5% at time of purchase; Positions trimmed back when they reach 7%
- Sector exposure limited to 35% of portfolio
- Top 10 holdings typically account for less than 40% of the portfolio
- Contribution at Risk (CAR) analysis ensures positions are in line with manager conviction
- Price targets maintained on all portfolio holdings; updated regularly
- Semi Annual 5P review to ensure no unintentional style bias

Less is more — concentrated portfolio not necessarily more risky:

- Allows managers to know companies well
- Diversification benefits can be captured within a 30–40 stock portfolio

Potential benefit: Concentrated portfolio with low turnover keeps risk exposures balanced and maximizes alpha

Step 4: Monitor holdings

Objective: Give stocks the time it takes for the catalyst to unfold and the market to reward accelerating earnings growth.

Outperformance takes patience:

- Anticipate change early and allow sufficient time for company to become a better company
- Continuously monitor positions for leading indicators and signs of pending earnings growth improvement
- Upward earnings estimate revisions and P/E multiple expansion due to changing investor perceptions often accompany earnings acceleration and can generate significant multi-year outperformance

Constantly challenging existing positions. Sell or trim a position if:

- Expected catalyst or market dynamics do not materialize or fundamentals deteriorate
- Team recognizes factors that may imperil investment thesis
- Stock becomes fully-valued relative to our price target or the market
- Better investment opportunity arises

Potential benefit: Maximize potential alpha of the portfolio through longer holding period

Step 4 (continued): Monitor holdings

Intensive fundamental research continually seeks additional drivers and assesses valuation

Stock Example: A leading freight rail company

Drivers over the duration of ownership have included:

- **2003:** New CEO appointed; rail carriers taking share from trucking companies as oil prices and environmentally-based anti-truck sentiment rise; growth in intermodal rail; commitment to sell non-core business; New CFO appointed; management realignment flattens reporting lines
- **2004:** New technology initiatives allow pricing based on profitability and introduce profitability metrics; New COO appointed; pricing power increase on strong demand for rail
- **2005:** Secular changes in rail industry - continued price increases successfully implemented (2% -3% net pricing); increased capital budget geared to capacity increases; constrained truck capacity due to driver shortage; road congestion increases delivery times
- **2006:** Rising Asian imports fuel demand; rising diesel prices provides competitive advantage over truckers; share gains over rivals due to superior execution; intermodal sharing arrangement with BNI
- **2007:** Share repurchase program and dividend hike implemented
- **2008:** Export coal demand rises (company's highest margin business)
- **2009:** Effective cost management as volumes decline
- **2012:** New COO appointed; new technology deployed at Ohio intermodal hub
- **2013:** Increasing crude oil shipments by rail; improving agricultural and housing-related demand



The securities listed are intended to illustrate the investment monitoring process and should not be construed as a recommendation to buy, sell, or hold. Holdings are subject to change, and securities discussed may or may not prove profitable. For a full listing of the holdings in this strategy please contact your relationship manager.

5P process

To ensure the integrity of our investment strategies, each product team participates in the 5P process. The system is based on accountability and meritocracy, all Focused on delivering results for the client.

5P Investment Oversight

Performance Expectation

Establish performance targets — excess return and tracking error

Product

Identify the strategy's benchmark and peer group



Philosophy

Articulate the investment team's approach and how it intends to add value

People

Assess strengths and define roles of investment team members

Process

Explain the strategy for generating returns and defining selection criteria

Our process follows a simple philosophy. We do not tell portfolio managers what to do — we ensure they do what they say.

- To ensure the integrity of our investment strategies, each product team participates in the 5P process.
- Our system is based on accountability and meritocracy, all Focused on delivering results for the client.
- We monitor managers continuously, not just during periods of underperformance.
- Results are reviewed formally on a semiannual basis to assess adherence to strategy, product viability and performance.
- Portfolio alpha and risk exposures are monitored daily.
- Clear risk and return expectations are established, based on the product positioning and the portfolio management process.



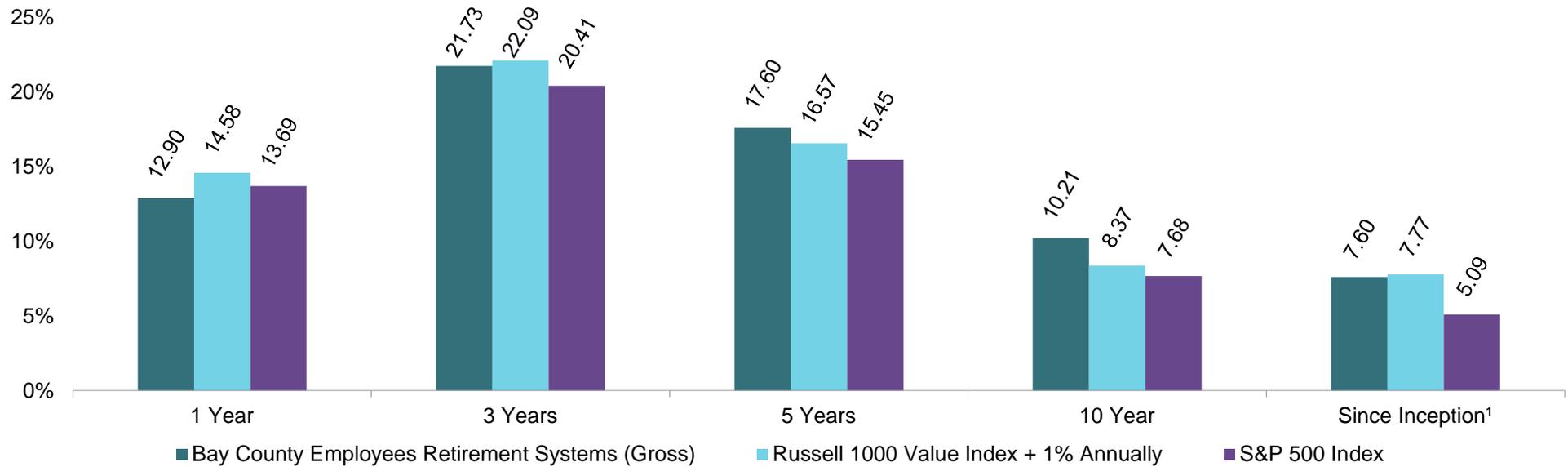
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Performance and portfolio structure



Portfolio performance

As of December 31, 2014



	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception ¹ (%)
Bay County Employees Retirement Systems (Gross)	12.90	21.73	17.60	10.21	7.60
Russell 1000 Value Index + 1% Annually	14.58	22.09	16.57	8.37	7.77
S&P 500 Index	13.69	20.41	15.45	7.68	5.09

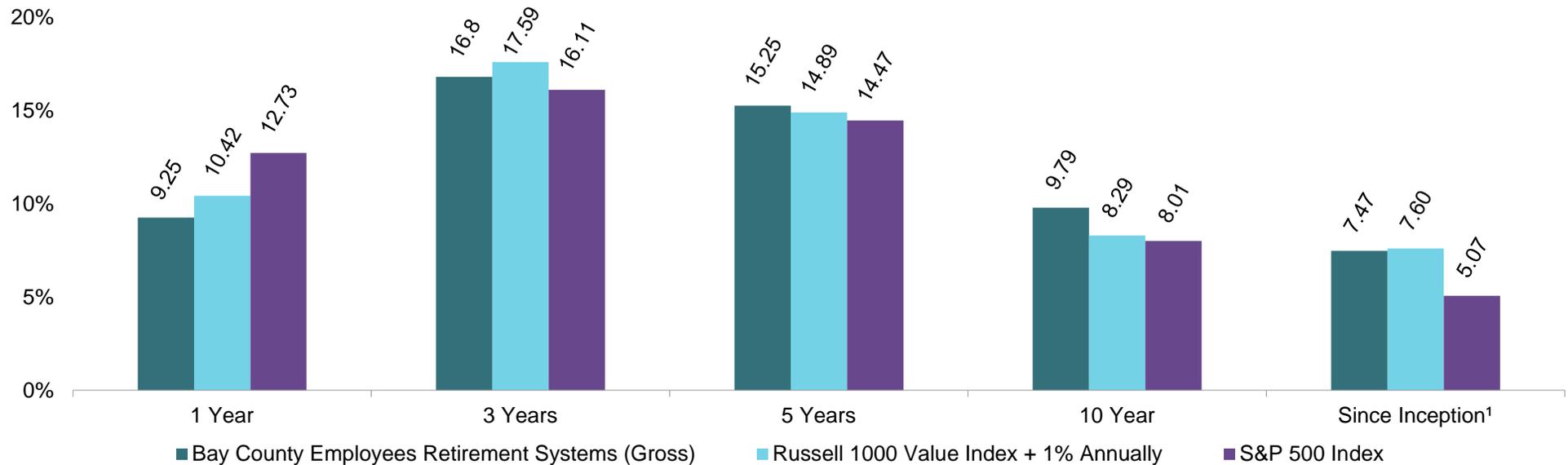
¹ Inception Date: January 27 2001

Source: Columbia Management Investment Advisers, LLC, Factset

Past performance does not guarantee future results. Please refer to the Disclosures at the end of this presentation for more information.

Portfolio performance

As of March 31, 2015



	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception ¹ (%)
Bay County Employees Retirement Systems (Gross)	9.25	16.80	15.25	9.79	7.47
Russell 1000 Value Index + 1% Annually	10.42	17.59	14.89	8.29	7.60
S&P 500 Index	12.73	16.11	14.47	8.01	5.07

¹ Inception Date: January 27 2001

Source: Columbia Management Investment Advisers, LLC, Factset

Past performance does not guarantee future results. Please refer to the Disclosures at the end of this presentation for more information.

Portfolio characteristics

As of March 31, 2015

Characteristics	Bay County	Russell 1000 Value	S&P 500
Debt/Capital	43.3%	36.1%	37.3%
3 Year Historical EPS Growth	10.0%	6.3%	10.1%
3 to 5 Year Projected EPS Growth	9.4%	8.3%	10.8%
Return on Equity	15.0%	12.2%	18.5%
Dividend Yield	2.2%	2.3%	2.0%
Weighted Average Market Cap (mil)	\$75,941.5	\$105,988.4	\$132,989.6

P/E Ratio ¹	Bay County	Russell 1000 Value	S&P 500
Last Twelve Months (LTM)	18.0x	17.2x	19.1x
Next Twelve Months (NTM)	14.2x	15.4x	16.4x
Next Twelve Months Relative to Russell 1000 Value	0.92x	1.00x	1.06x
Next Twelve Months Relative to S&P 500	0.87x	0.94x	1.00x

¹ Weighted Harmonic Average
Source: Factset

Portfolio characteristics

As of March 31, 2015

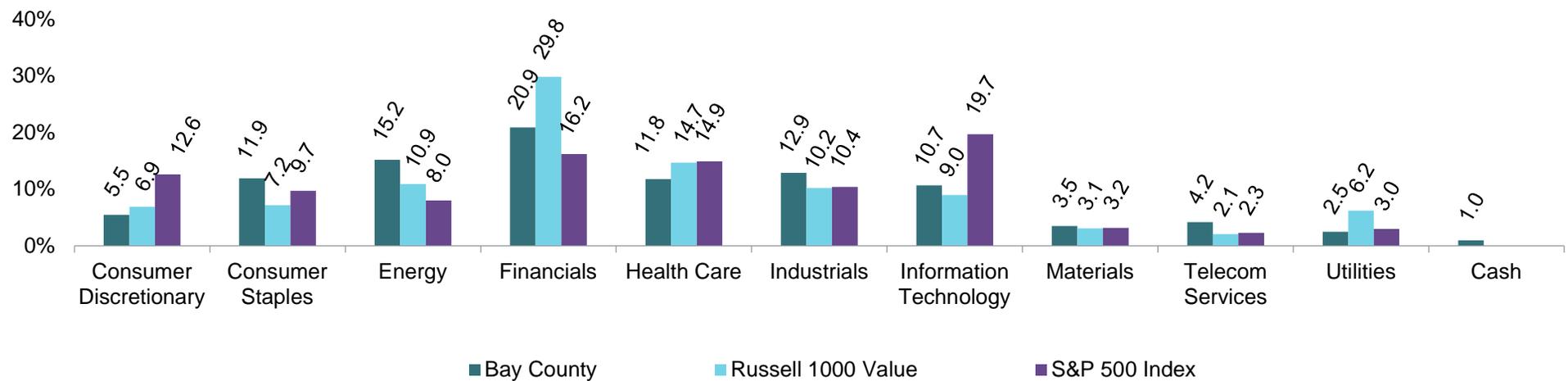
Top Ten Holdings	% Portfolio	Sector
Verizon Communications Inc.	4.3	Telecommunication Services
Tyson Foods, Inc. – Class A	4.0	Consumer Staples
Applied Materials, Inc.	3.8	Information Technology
Bristol-Myers Squibb Co	3.8	Health Care
Humana Inc.	3.8	Health Care
Valero Energy Corporation	3.5	Energy
Lowe's Companies	3.5	Consumer Discretionary
Unum Group	3.3	Financials
Altria Group	3.1	Consumer Staples
Teradata Corporation	3.0	Information Technology
Total	36.0	

Source: Factset

Portfolio characteristics

As of March 31, 2015

Sector allocation



Source: Factset

Open and closed positions

Calendar year 2014

Open positions: 1/1/2014 – 12/31/2014

Security Name	Sector
Verizon Communications Incorporated	Telecommunication Services
Teradata Corporation	Information Technology
Corning Incorporated	Information Technology
Express Scripts Holding Company	Health Care

Closed positions: 1/1/2014 – 12/31/2014

Security Name	Sector
Praxair Incorporated	Materials
The Gap Incorporated	Consumer Discretionary

Source: Columbia Management Investment Advisers, LLC.

Open and closed positions

First quarter 2015

Open positions: 1/1/2015 – 3/31/2015

Security Name	Sector
None	

Closed positions: 1/1/2015 – 3/31/2015

Security Name	Sector
None	

Source: Columbia Management Investment Advisers, LLC.



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Portfolio holdings



Investment Portfolio Summary
 Base Currency: USD

Category	Cost	Market Value	Accrued Income	Current Yield	Est. Annual Income	% of Portfolio
CASH AND EQUIVALENTS	316,422	316,422	0	0.00%	0	1.02%
EQUITIES	19,163,441	30,833,895	27,940	2.20%	678,585	98.98%
TOTAL	19,479,863	31,150,317	27,940	2.18%	678,585	100.00%
ACCRUED INCOME		27,940				
TOTAL MARKET VALUE		31,178,257				

Equity Portfolio Diversification
 Base Currency: USD

Sector	Cost	Market Value	% of Total Equity	Unrealized Gain/Loss
Equities				
CONSUMER DISCRETIONARY	613,887	1,721,215	5.58%	1,107,328
CONSUMER STAPLES	1,703,493	3,705,905	12.02%	2,002,412
ENERGY	2,790,930	4,733,950	15.35%	1,943,020
FINANCIALS	5,285,395	6,514,580	21.13%	1,229,185
HEALTH CARE	1,929,426	3,660,750	11.87%	1,731,324
INDUSTRIALS	1,026,496	4,008,095	13.00%	2,981,599
INFORMATION TECHNOLOGY	2,701,140	3,321,980	10.77%	620,840
MATERIALS	1,193,579	1,083,410	3.51%	(110,169)
TELECOMMUNICATION SERVICES	1,297,155	1,313,010	4.26%	15,855
UTILITIES	621,939	771,000	2.50%	149,061
TOTAL EQUITY	19,163,441	30,833,895	100.00%	11,670,454

Holdings Valuation
Base Currency: USD

Cash and Equivalents

CASH AND EQUIVALENTS		Quantity	Cost/ Price	Market Value	Accrued Income	Est. Income/ Current Yield	% of Cash Equivalents
USD	US DOLLAR	316,422	316,422 1.00	316,422 1.00	0	0 0.00%	100.00%
TOTAL CASH AND EQUIVALENTS			316,422	316,422	0	0 0.00%	100.00%

							Holdings Valuation	
							Base Currency: USD	
<u>Equities</u>			<u>Cost Basis</u>		<u>Market Value</u>		Current Yield	% of Equity
CONSUMER DISCRETIONARY			Shares	Price	Price	Total		
LOWE'S COS INC	LOW	14,500	24.08	349,231	74.39	1,078,655	1.24%	3.50%
NORDSTROM INC	JWN	8,000	33.08	264,656	80.32	642,560	1.84%	2.08%
TOTAL CONSUMER DISCRETIONARY					613,887	1,721,215	1.46%	5.58%

							Holdings Valuation	
							Base Currency: USD	
<u>Equities</u>			<u>Cost Basis</u>		<u>Market Value</u>		Current Yield	% of Equity
CONSUMER STAPLES			Shares	Price	Price	Total		
ALTRIA GROUP INC	MO	19,000	28.59	543,195	50.02	950,380	4.16%	3.08%
COSTCO WHOLESALE CORP	COST	5,000	42.67	213,361	151.50	757,475	0.94%	2.46%
PHILIP MORRIS INTERNATIONAL	PM	10,000	19.93	199,266	75.33	753,300	5.31%	2.44%
TYSON FOODS INC-CL A	TSN	32,500	23.01	747,670	38.30	1,244,750	1.04%	4.04%
TOTAL CONSUMER STAPLES						1,703,493	2.69%	12.02%

<u>Equities</u>		Holdings Valuation							
		Base Currency: USD							
ENERGY		Shares	Cost Basis		Market Value		Current Yield	% of Equity	
			Price	Total	Price	Total			
ANADARKO PETROLEUM CORP	APC	11,000	73.04	803,402	82.81	910,910	1.30%	2.95%	
CHEVRON CORP	CVX	7,000	53.84	376,886	104.98	734,860	4.08%	2.38%	
CONOCOPHILLIPS	COP	6,000	47.97	287,846	62.26	373,560	4.69%	1.21%	
MARATHON OIL CORP	MRO	10,000	30.01	300,108	26.11	261,100	3.22%	0.85%	
MARATHON PETROLEUM CORP	MPC	5,000	40.96	204,822	102.39	511,950	1.95%	1.66%	
VALERO ENERGY CORP	VLO	17,000	24.36	414,127	63.62	1,081,540	2.51%	3.51%	
WILLIAMS COS INC	WMB	17,000	23.75	403,740	50.59	860,030	4.59%	2.79%	
TOTAL ENERGY					2,790,930	4,733,950	3.05%	15.35%	

<u>Equities</u>		Holdings Valuation						
		Base Currency: USD						
FINANCIALS	Shares	Cost Basis		Market Value		Current Yield	% of Equity	
		Price	Total	Price	Total			
BANK OF AMERICA CORP	BAC	60,000	15.54	932,379	15.39	923,400	1.30%	2.99%
CITIGROUP INC	C	17,000	35.07	596,167	51.52	875,840	0.08%	2.84%
JPMORGAN CHASE& CO	JPM	12,000	51.81	621,712	60.58	726,960	2.64%	2.36%
METLIFE INC	MET	12,000	59.09	709,127	50.55	606,600	2.77%	1.97%
MORGAN STANLEY	MS	21,000	34.84	731,579	35.69	749,490	1.12%	2.43%
PRUDENTIAL FINANCIAL INC	PRU	9,000	57.16	514,478	80.31	722,790	2.89%	2.34%
UNUM GROUP	UNM	30,000	23.17	695,157	33.73	1,011,900	1.96%	3.28%
WELLS FARGO& CO	WFC	16,500	29.38	484,795	54.40	897,600	2.57%	2.91%
TOTAL FINANCIALS				5,285,395		6,514,580	1.86%	21.13%

<u>Equities</u>		Holdings Valuation						
		Base Currency: USD						
HEALTH CARE		Shares	Cost Basis		Market Value		Current Yield	% of Equity
			Price	Total	Price	Total		
BAXTER INTERNATIONAL INC	BAX	12,000	56.67	679,995	68.50	822,000	3.04%	2.67%
BRISTOL-MYERS SQUIBB CO	BMY	18,000	25.10	451,831	64.50	1,161,000	2.29%	3.77%
EXPRESS SCRIPTS HOLDING CO	ESRX	6,000	78.85	473,104	86.77	520,620	0.00%	1.69%
HUMANA INC	HUM	6,500	49.92	324,496	178.02	1,157,130	0.63%	3.75%
TOTAL HEALTH CARE				1,929,426		3,660,750	1.61%	11.87%

<u>Equities</u>		Holdings Valuation Base Currency: USD						
		Shares	Cost Basis		Market Value		Current Yield	% of Equity
INDUSTRIALS	Price		Total	Price	Total			
CSX CORP	CSX	25,000	7.93	198,312	33.12	828,000	1.93%	2.69%
GENERAL DYNAMICS CORP	GD	6,500	41.94	272,632	135.73	882,245	2.03%	2.86%
HONEYWELL INTERNATIONAL INC	HON	7,500	27.17	203,802	104.31	782,325	1.98%	2.54%
UNION PACIFIC CORP	UNP	7,500	0.00	131,663	108.31	812,325	2.03%	2.63%
UNITED TECHNOLOGIES CORP	UTX	6,000	36.68	220,087	117.20	703,200	2.18%	2.28%
TOTAL INDUSTRIALS					1,026,496	4,008,095	2.03%	13.00%

<u>Equities</u>		Shares	<u>Cost Basis</u>		<u>Market Value</u>		<u>Holdings Valuation</u>	
			Price	Total	Price	Total	Current Yield	% of Equity
INFORMATION TECHNOLOGY								
APPLIED MATERIALS INC	AMAT	52,000	14.01	728,761	22.56	1,173,120	1.77%	3.80%
CORNING INC	GLW	26,000	20.34	528,926	22.68	589,680	2.12%	1.91%
JUNIPER NETWORKS INC	JNPR	28,000	20.21	565,986	22.58	632,240	1.77%	2.05%
TERADATA CORP	TDC	21,000	41.78	877,467	44.14	926,940	0.00%	3.01%
TOTAL INFORMATION TECHNOLOGY					2,701,140	3,321,980	1.34%	10.77%

<u>Equities</u>		Holdings Valuation						
		Base Currency: USD						
MATERIALS	Shares	<u>Cost Basis</u>		<u>Market Value</u>		Current Yield	% of Equity	
		Price	Total	Price	Total			
DU PONT (E.I.) DE NEMOURS	DD	8,000	38.77	310,175	71.47	571,760	2.63%	1.85%
FREEPORT-MCMORAN INC	FCX	27,000	32.72	883,404	18.95	511,650	1.06%	1.66%
TOTAL MATERIALS				1,193,579		1,083,410	1.89%	3.51%

Equities

Holdings Valuation
Base Currency: USD

TELECOMMUNICATION SERVICES	Shares	Cost Basis		Market Value		Current Yield	% of Equity	
		Price	Total	Price	Total			
VERIZON COMMUNICATIONS INC	VZ	27,000	48.04	1,297,155	48.63	1,313,010	4.52%	4.26%
TOTAL TELECOMMUNICATION SERVICES				1,297,155		1,313,010	4.52%	4.26%

							Holdings Valuation	
							Base Currency: USD	
<u>Equities</u>		Shares	<u>Cost Basis</u>		<u>Market Value</u>		Current Yield	% of Equity
UTILITIES			Price	Total	Price	Total		
AES CORP	AES	60,000	10.37	621,939	12.85	771,000	3.11%	2.50%
TOTAL UTILITIES				621,939	771,000	3.11%	2.50%	

<u>Equities</u>	Shares	<u>Cost Basis</u>		<u>Market Value</u>		Holdings Valuation	
		Price	Total	Price	Total	Current Yield	% of Equity
TOTAL EQUITIES			19,163,441		30,833,895	2.20%	100.00%



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Appendix



Important information

Columbia Focused Large Cap Value Strategy

Information as of December 31, 2014 unless otherwise noted. This information does not constitute investment advice and is issued without regard to specific investment objectives or the financial situation of any particular recipient.

Individual performance returns may differ from those of the composite due to the size and timing of cash flows as well as your individual investment objectives.

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Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.

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Entity Definitions and Disclosures

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

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