

# GH&A

GARCIA HAMILTON & ASSOCIATES, L.P.

November 22, 2016

Lois Towey  
City of Ormond Beach  
22 South Beach Street  
Ormond Beach, FL 32174

5 HOUSTON CENTER  
1401 MCKINNEY, SUITE 1600  
HOUSTON, TX 77010-4035  
TEL: (713) 853-2322  
FAX: (713) 853-2308  
WWW.GARCIAHAMILTONASSOCIATES.COM

Dear Ms. Towey:

We have enclosed performance for the City of Ormond Beach General Employees' Pension Plan for the period ending September 30, 2016. Relevant indices have been included for comparison purposes.

The Federal Reserve opted to wait for "further evidence" of economic improvement and decided to keep the federal funds rate unchanged at the FOMC meeting in September. Despite the lack of action, the FOMC statement appeared to send a message that the probability of a rate hike this year has increased. The press release indicated that the risks to economic growth are now "roughly balanced," and the majority of committee members project at least one rate hike by the end of the year. In the economy, measures of core inflation continued to inch higher, and the Consumer Confidence Index hit a nine-year high on optimism about the labor market.

The 10-year Treasury yield increased 11 basis points to end the quarter at 1.60%. The 2-year yield rose 17 basis points to 0.76% while the yield of the 30-year Treasury increased 2 basis points to 2.33%. These moves caused the 2-30 year yield spread to flatten to 157 basis points.

With the marginal rise in rates, the bond market had only a modest positive return this quarter with a return of 0.46% for the Barclays Capital Aggregate Index and a return of 0.16% on the Barclays Capital Intermediate Government/Credit Index. Spread product was a contributor to the market's performance as all four of the spread sectors delivered positive excess return. The corporate sector was the leader this quarter with 173 basis points of excess return followed by the mortgage-backed securities sector with 64 basis points of excess return. The agency sector and the asset-backed securities sector followed suit with excess returns of 44 basis points and 26 basis points, respectively. Thus, the Barclays Capital Aggregate Index had a positive excess return this quarter of 68 basis points.

We maintained a marginally shorter duration than the benchmark index in anticipation of a rise in short-to-intermediate rates. In the near term, we expect short-to-intermediate term rates to rise leading to a flatter yield curve.

Please do not hesitate to contact us if you have any questions or comments.

Sincerely,



Janna Hamilton  
Partner

Enclosures



GARCIA HAMILTON & ASSOCIATES

*Portfolio Review*  
**CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION PLAN-FIXED (3250000311)**  
**ormondgf**

September 30, 2016

Client Use Only

See disclosures for other relevant information.

We urge you to compare account statements that you receive from us with the account statements that you receive from your custodian.



GARCIA HAMILTON & ASSOCIATES  
**CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION PLAN-FIXED (3250000311)**  
**ormondgf**  
September 30, 2016

PORTFOLIO COMPOSITION	Market Value	Pct. Assets	Yield	CHANGE IN PORTFOLIO	
EQUITIES	0.00	0.0	0.0	Portfolio Value on 03-31-01	10,873,145.62
FIXED INCOME	13,509,969.32	94.9	1.6	Accrued Interest	34,905.86
CASH & EQUIVALENTS	725,899.49	5.1	0.1	Net Additions/Withdrawals	3,807,643.82
				Net Transfers	-6,459,088.35
				Realized Gains/Losses	-174,998.55
				Unrealized Gains/Losses	407,818.44
				Income Received	5,730,783.59
				Change in Accrued Interest	15,658.37
				Portfolio Value on 09-30-16	14,185,304.57
				Accrued Interest	50,564.23
<b>Total</b>	<b>14,235,868.81</b>	<b>100.0</b>	<b>1.5</b>		<b>14,235,868.81</b>

**TIME WEIGHTED RETURN**

	Quarter	Year To Date	Fiscal 09-30-15 YTD	Annualized Last 3 Years	Annualized Last 5 Years	Annualized Inception 03-31-01 To Date
Account	0.3	4.6	3.9	4.0	4.5	N/A
FIXED INCOME	0.3	4.7	4.0	4.1	4.6	5.8
Barclays Capital Int Gov/Credit	0.2	4.2	3.5	2.8	2.4	4.4

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Note: Account inception 3/31/01 with balanced mandate.  
Effective 10/1/03 mandate changed to fixed income.

Past performance is no guarantee of future results.



GARCIA HAMILTON & ASSOCIATES  
**PORTFOLIO SUMMARY**  
***CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION PLAN-FIXED***  
***(3250000311)***  
*ormondgf*  
September 30, 2016

<u>Security Type</u>	<u>Total Cost</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Yield</u>	<u>Est. Annual Income</u>
<b>FIXED INCOME</b>					
CORPORATE BONDS	3,610,039.94	3,624,039.90	25.5	2.8	128,039.01
GOVERNMENT BONDS					
TREASURY	1,604,328.80	1,622,020.13	11.4	1.5	31,475.00
AGENCY - NONCALLABLE	5,031,466.34	5,038,641.89	35.4	0.6	35,602.08
GOVERNMENT BONDS	<u>6,635,795.14</u>	<u>6,660,662.02</u>	<u>46.8</u>	<u>0.8</u>	<u>67,077.08</u>
MORTGAGE-BACKED SECURITIES-FNMA	1,678,579.64	1,681,509.20	11.8	1.8	81,616.70
MORTGAGE-BACKED SECURITIES-FHLMC	1,488,335.39	1,493,193.96	10.5	2.1	68,177.61
Accrued Interest		50,564.23	0.4		
	<u>13,412,750.10</u>	<u>13,509,969.32</u>	<u>94.9</u>	<u>1.6</u>	<u>344,910.40</u>
<b>CASH &amp; EQUIVALENTS</b>					
CASH & EQUIVALENTS	725,899.49	725,899.49	5.1	0.1	871.08
	<u>725,899.49</u>	<u>725,899.49</u>	<u>5.1</u>	<u>0.1</u>	<u>871.08</u>
<b>TOTAL PORTFOLIO</b>	<b>14,138,649.59</b>	<b>14,235,868.81</b>	<b>100.0</b>	<b>1.5</b>	<b>345,781.48</b>

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GARCIA HAMILTON & ASSOCIATES  
 PORTFOLIO APPRAISAL  
**CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION PLAN-FIXED (3250000311)**  
**ormondgf**  
 September 30, 2016

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
<b>CORPORATE BONDS</b>									
195,000	American Express Floater 1.555% Due 05-26-20	100.69	196,343.55	100.49	195,955.50	1.4	1.555	3,033.11	1.4
505,000	Metlife Inc. 4.368% Due 09-15-23	109.95	555,235.64	110.82	559,630.90	3.9	4.368	22,058.40	2.7
505,000	JP Morgan Chase 3.875% Due 02-01-24	108.29	546,846.00	107.83	544,542.00	3.8	3.875	19,568.75	2.7
525,000	Morgan Stanley 3.875% Due 04-29-24	105.19	552,230.45	106.95	561,481.72	3.9	3.875	20,343.75	2.8
520,000	Goldman Sachs 3.850% Due 07-08-24	105.56	548,914.75	106.17	552,105.32	3.9	3.850	20,020.00	3.0
505,000	Aflac Inc. 3.625% Due 11-15-24	107.04	540,534.80	107.54	543,066.39	3.8	3.625	18,306.25	2.6
115,000	Berkshire Hathaway 3.125% Due 03-15-26	103.41	118,921.50	105.11	120,871.90	0.8	3.125	3,593.75	2.5
515,000	Wells Fargo Sub 4.100% Due 06-03-26 Accrued Interest	106.99	551,013.25	106.09	546,386.16	3.8	4.100	21,115.00	3.4
					31,391.23	0.2			
			3,610,039.94		3,655,431.13	25.7		128,039.01	2.8
<b>GOVERNMENT BONDS</b>									
<b>TREASURY</b>									
1,425,000	U S Treasury 2.000% Due 02-15-25	102.30	1,457,831.92	103.55	1,475,654.47	10.4	2.000	28,500.00	1.5
140,000	U S Treasury 2.125% Due 05-15-25 Accrued Interest	104.64	146,496.88	104.55	146,365.66	1.0	2.125	2,975.00	1.6
					4,678.12	0.0			
			1,604,328.80		1,626,698.26	11.4		31,475.00	1.5
<b>AGENCY - NONCALLABLE</b>									
1,245,000	FHLB Floater 0.752% Due 08-09-17	100.00	1,244,992.01	100.18	1,247,285.82	8.8	0.752	9,362.40	0.5
435,000	FHLB Floater 0.805% Due 08-25-17	100.03	435,119.19	100.24	436,062.27	3.1	0.805	3,501.75	0.5
280,000	FHLB Floater 0.568% Due 09-05-17	100.01	280,039.20	100.06	280,170.80	2.0	0.568	1,590.40	0.5
345,000	FHLB Floater 0.598% Due 12-05-17	100.02	345,057.85	100.09	345,298.77	2.4	0.598	2,063.10	0.5
420,000	FHLB Floater 0.596% Due 12-07-17	100.01	420,037.80	100.09	420,363.30	3.0	0.596	2,503.20	0.5
1,005,000	FNMA Floater 0.811% Due 03-21-18	100.11	1,006,066.09	100.29	1,007,928.57	7.1	0.811	8,147.23	0.6

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 September 30, 2016

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
460,000	FFCB Floater 0.694% Due 03-26-18	100.02	460,101.20	100.19	460,881.36	3.2	0.694	3,192.40	0.6
840,000	FFCB Floater 0.624% Due 05-25-18	100.01	840,053.00	100.08	840,651.00	5.9	0.624	5,241.60	0.6
	Accrued Interest				2,428.12	0.0			
			5,031,466.34		5,041,070.01	35.4		35,602.08	0.6
	<b>GOVERNMENT BONDS Total</b>		6,635,795.14		6,667,768.27	46.8		67,077.08	0.8
<b>MORTGAGE-BACKED SECURITIES-FNMA</b>									
2,685,000.00	FNMA Pool #889716 5.500% Due 10-01-22	108.43	168,293.98	107.94	167,540.69	1.2	5.500	8,536.83	2.0
3,440,000.00	FNMA Pool #889390 6.000% Due 03-01-23	108.20	142,178.05	108.61	142,722.34	1.0	6.000	7,884.49	1.8
220,320.00	FNMA Pool #AL7638 5.500% Due 01-01-24	108.80	177,267.80	108.08	176,099.76	1.2	5.500	8,961.41	1.3
290,000.00	FNMA Pool #AL7883 5.000% Due 06-01-26	107.14	241,930.29	107.34	242,371.46	1.7	5.000	11,290.32	1.8
950,000.00	FNMA Pool #AL0289 5.000% Due 05-01-31	110.53	346,152.69	111.39	348,842.06	2.5	5.000	15,658.59	2.0
10,380,000.00	FNMA Pool #745418 5.500% Due 04-01-36	113.20	602,756.83	113.42	603,932.89	4.2	5.500	29,285.08	1.8
	Accrued Interest				6,574.68	0.0			
			1,678,579.64		1,688,083.87	11.9		81,616.70	1.8
<b>MORTGAGE-BACKED SECURITIES-FHLMC</b>									
4,955,000.00	FHLMC Pool #G12444 6.000% Due 10-01-21	108.78	201,307.64	107.93	199,734.42	1.4	6.000	11,103.35	1.7
320,000.00	FHLMC Pool #G15718 5.500% Due 12-01-24	108.05	270,724.61	107.30	268,865.75	1.9	5.500	13,780.92	1.6
250,000.00	FHLMC Pool #G15743 5.000% Due 06-01-26	107.19	215,811.59	106.94	215,311.26	1.5	5.000	10,067.01	1.5
1,055,000.00	FHLMC Pool #G60134 4.500% Due 06-01-36	108.41	800,491.55	109.60	809,282.54	5.7	4.500	33,226.33	2.5
	Accrued Interest				5,492.08	0.0			
			1,488,335.39		1,498,686.04	10.5		68,177.61	2.1
<b>CASH &amp; EQUIVALENTS</b>									
	Regions Trust Cash Sweep		725,899.49		725,899.49	5.1	0.120	871.08	0.1
			725,899.49		725,899.49	5.1		871.08	0.1
<b>TOTAL PORTFOLIO</b>			14,138,649.59		14,235,868.81	100.0		345,781.48	1.5

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GARCIA HAMILTON & ASSOCIATES  
**PURCHASE AND SALE**  
**CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION**  
**PLAN-FIXED (3250000311)**  
*ormondgf*  
From 07-01-16 To 09-30-16

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
07-11-2016	07-14-2016	245,000	Aflac Inc. 3.625% Due 11-15-24	108.71	266,329.70
08-18-2016	08-23-2016	130,000	Aflac Inc. 3.625% Due 11-15-24	108.38	140,892.70
08-17-2016	08-22-2016	195,000	American Express Floater 1.555% Due 05-26-20	100.69	196,343.55
07-25-2016	07-27-2016	255,000	FHLB Floater 0.752% Due 08-09-17	99.98	254,938.80
07-08-2016	07-12-2016	170,000	FNMA Floater 0.811% Due 03-21-18	100.01	170,016.37
09-29-2016	10-03-2016	280,000	FNMA Floater 0.811% Due 03-21-18	100.32	280,903.10
07-18-2016	07-21-2016	105,000	Goldman Sachs 3.850% Due 07-08-24	106.50	111,822.90
07-05-2016	07-08-2016	270,000	JP Morgan Chase 3.875% Due 02-01-24	109.31	295,145.10
07-06-2016	07-11-2016	255,000	Metlife Inc. 4.368% Due 09-15-23	111.83	285,176.70
08-08-2016	08-11-2016	140,000	Metlife Inc. 4.368% Due 09-15-23	110.65	154,907.20
07-19-2016	07-22-2016	130,000	Morgan Stanley 3.875% Due 04-29-24	106.76	138,784.10
09-30-2016	10-04-2016	140,000	U S Treasury 2.125% Due 05-15-25	104.64	146,496.88
07-01-2016	07-07-2016	130,000	Wells Fargo Sub 4.100% Due 06-03-26	108.15	140,596.30
07-14-2016	07-19-2016	120,000	Wells Fargo Sub 4.100% Due 06-03-26	108.12	129,742.80
					2,712,096.20

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**PLAN-FIXED (3250000311)**  
*ormondgf*  
From 07-01-16 To 09-30-16

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
<b>SALES</b>					
08-31-2016	09-06-2016	120,000	Apple Inc 3.450% Due 05-06-24	108.71	130,455.60
08-19-2016	08-24-2016	110,453.05	FNMA Pool #257595 5.000% Due 03-01-29	110.72	122,292.24
08-19-2016	08-24-2016	194,942.76	FNMA Pool #AL1768 5.000% Due 05-01-31	111.09	216,569.23
09-02-2016	09-08-2016	145,000	Florida Power & Light NEE 3.250% Due 06-01-24	107.02	155,183.35
09-09-2016	09-14-2016	110,000	IBM Corp 3.625% Due 02-12-24	108.47	119,322.50
08-24-2016	08-29-2016	115,000	MidAmerican Energy 3.500% Due 10-15-24	109.36	125,767.45
07-01-2016	07-06-2016	125,000	U S Treasury 2.750% Due 02-15-24	110.51	138,134.77
07-05-2016	07-07-2016	285,000	U S Treasury 2.750% Due 02-15-24	111.12	316,706.25
07-06-2016	07-08-2016	270,000	U S Treasury 2.250% Due 11-15-24	107.41	290,017.97
07-11-2016	07-13-2016	80,000	U S Treasury 2.250% Due 11-15-24	107.38	85,906.25
07-11-2016	07-13-2016	250,000	U S Treasury 2.250% Due 11-15-24	107.05	267,636.72
07-14-2016	07-18-2016	120,000	U S Treasury 2.250% Due 11-15-24	106.23	127,481.25
07-15-2016	07-19-2016	70,000	U S Treasury 2.250% Due 11-15-24	105.71	73,997.66
07-18-2016	07-20-2016	110,000	U S Treasury 2.000% Due 02-15-25	103.80	114,176.56
07-19-2016	07-21-2016	135,000	U S Treasury 2.000% Due 02-15-25	104.07	140,494.92
07-29-2016	08-02-2016	70,000	U S Treasury 2.000% Due 02-15-25	104.55	73,182.81
08-08-2016	08-10-2016	150,000	U S Treasury 2.000% Due 02-15-25	103.76	155,642.58

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**PLAN-FIXED (3250000311)**  
*ormondgf*  
From 07-01-16 To 09-30-16

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
08-18-2016	08-22-2016	135,000	U S Treasury 2.000% Due 02-15-25	103.97	140,357.81
09-09-2016	09-14-2016	100,000	Wyeth LLC 6.450% Due 02-01-24	126.25	126,252.00
					2,919,577.92
<b>PRINCIPAL PAYDOWNS</b>					
07-01-2016	07-01-2016	1,149.90	FHLMC Pool #G12444 6.000% Due 10-01-21	100.00	1,149.90
07-01-2016	07-01-2016	4,732.63	FHLMC Pool #G12444 6.000% Due 10-01-21	100.00	4,732.63
08-01-2016	08-01-2016	1,074.49	FHLMC Pool #G12444 6.000% Due 10-01-21	100.00	1,074.49
08-01-2016	08-01-2016	4,422.24	FHLMC Pool #G12444 6.000% Due 10-01-21	100.00	4,422.24
09-01-2016	09-01-2016	1,193.82	FHLMC Pool #G12444 6.000% Due 10-01-21	100.00	1,193.82
09-01-2016	09-01-2016	4,913.37	FHLMC Pool #G12444 6.000% Due 10-01-21	100.00	4,913.37
07-01-2016	07-01-2016	8,386.06	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	8,386.06
08-01-2016	08-01-2016	7,615.34	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	7,615.34
09-01-2016	09-01-2016	8,525.62	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	8,525.62
07-01-2016	07-01-2016	6,876.85	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	6,876.85
08-01-2016	08-01-2016	6,497.26	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	6,497.26
09-01-2016	09-01-2016	6,828.17	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	6,828.17
07-01-2016	07-01-2016	24,562.27	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	24,562.27

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**PLAN-FIXED (3250000311)**  
*ormondgf*  
 From 07-01-16 To 09-30-16

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
08-01-2016	08-01-2016	21,158.15	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	21,158.15
09-01-2016	09-01-2016	20,900.56	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	20,900.56
07-01-2016	07-01-2016	2,133.91	FNMA Pool #257595 5.000% Due 03-01-29	100.00	2,133.91
08-01-2016	08-01-2016	5,966.02	FNMA Pool #257595 5.000% Due 03-01-29	100.00	5,966.02
07-01-2016	07-01-2016	12,542.47	FNMA Pool #745418 5.500% Due 04-01-36	100.00	12,542.47
08-01-2016	08-01-2016	12,205.01	FNMA Pool #745418 5.500% Due 04-01-36	100.00	12,205.01
09-01-2016	09-01-2016	12,944.28	FNMA Pool #745418 5.500% Due 04-01-36	100.00	12,944.28
07-01-2016	07-01-2016	2,810.11	FNMA Pool #889390 6.000% Due 03-01-23	100.00	2,810.11
07-01-2016	07-01-2016	2,741.84	FNMA Pool #889390 6.000% Due 03-01-23	100.00	2,741.84
08-01-2016	08-01-2016	1,636.89	FNMA Pool #889390 6.000% Due 03-01-23	100.00	1,636.89
08-01-2016	08-01-2016	1,597.12	FNMA Pool #889390 6.000% Due 03-01-23	100.00	1,597.12
09-01-2016	09-01-2016	2,210.27	FNMA Pool #889390 6.000% Due 03-01-23	100.00	2,210.27
09-01-2016	09-01-2016	2,156.57	FNMA Pool #889390 6.000% Due 03-01-23	100.00	2,156.57
07-01-2016	07-01-2016	834.03	FNMA Pool #889716 5.500% Due 10-01-22	100.00	834.03
07-01-2016	07-01-2016	2,926.10	FNMA Pool #889716 5.500% Due 10-01-22	100.00	2,926.10
08-01-2016	08-01-2016	1,022.10	FNMA Pool #889716 5.500% Due 10-01-22	100.00	1,022.10
08-01-2016	08-01-2016	3,585.95	FNMA Pool #889716 5.500% Due 10-01-22	100.00	3,585.95

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**PURCHASE AND SALE**  
**CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION**  
**PLAN-FIXED (3250000311)**  
*ormondgf*  
 From 07-01-16 To 09-30-16

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
09-01-2016	09-01-2016	1,073.38	FNMA Pool #889716 5.500% Due 10-01-22	100.00	1,073.38
09-01-2016	09-01-2016	3,765.82	FNMA Pool #889716 5.500% Due 10-01-22	100.00	3,765.82
07-01-2016	07-01-2016	4,296.52	FNMA Pool #AL0289 5.000% Due 05-01-31	100.00	4,296.52
08-01-2016	08-01-2016	2,545.89	FNMA Pool #AL0289 5.000% Due 05-01-31	100.00	2,545.89
09-01-2016	09-01-2016	6,012.72	FNMA Pool #AL0289 5.000% Due 05-01-31	100.00	6,012.72
07-01-2016	07-01-2016	5,288.45	FNMA Pool #AL1768 5.000% Due 05-01-31	100.00	5,288.45
08-01-2016	08-01-2016	2,904.83	FNMA Pool #AL1768 5.000% Due 05-01-31	100.00	2,904.83
07-01-2016	07-01-2016	4,528.27	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	4,528.27
08-01-2016	08-01-2016	4,990.05	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	4,990.05
09-01-2016	09-01-2016	4,002.97	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	4,002.97
07-01-2016	07-01-2016	6,496.69	FNMA Pool #AL7883 5.000% Due 06-01-26	100.00	6,496.69
08-01-2016	08-01-2016	6,691.95	FNMA Pool #AL7883 5.000% Due 06-01-26	100.00	6,691.95
09-01-2016	09-01-2016	6,055.58	FNMA Pool #AL7883 5.000% Due 06-01-26	100.00	6,055.58
					254,802.52

We urge you to compare account statements that you receive from us with the account statements that you receive from your custodian.

## Client Report Disclosures

### **PERFORMANCE DATA**

Performance data represents historically achieved results for a client's portfolio(s), and is no guarantee of future performance. The market or economic conditions during this period may or may not be repeated. There may be differences between the performance shown and the performance results achieved by any other client retaining Garcia Hamilton for the same investment strategy. Benchmark results are shown for comparison purposes only. The benchmark represents an unmanaged portfolio with characteristics which are similar to the portfolio(s). The returns of the benchmark do not include any transaction costs, management fees or other costs. The holdings in the client's portfolio(s) may differ significantly from the securities that comprise the benchmark shown. The benchmark has been selected by the client as an appropriate benchmark with which to compare the performance of the portfolio(s).