GARCIA HAMILTON & ASSOCIATES, L.P.

5 Houston Center
1401 McKinney, Suite 1600
Houston, TX 77010-4035
Tel: (713) 853-2322
Fax: (713) 853-2308
www.GarciaHamiltonAssociates.com

April 27, 2012

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

Dear Ms. Towey:

We have enclosed performance for your account for the period ending March 31, 2012. Relevant indices have been included for comparison purposes.

After the Federal Reserve announced that they were likely to keep the fed funds rates low at least through late 2014, and the European Central Bank (ECB) enacted a second round of the Long Term Refinancing Operation (LTRO), global stocks extended the best first quarter rally since 1998. Focus has shifted from the ailing Eurozone to the strengthening U.S. economy as personal spending and consumer confidence topped expectations, while employment numbers are trending up. Positive economic data drove treasury yields higher while credit spreads continued to contract.

After reaching a high of 2.38% in March, the 10-year Treasury yield ended the quarter at 2.22%, representing an increase of 34 basis points over the previous quarter end. The 2-year Treasury yield rose 9 basis points to 0.33%, while the 30-year Treasury yield increased 45 basis points to 3.34%. These moves caused the 2-30 year yield spread to widen to 301 basis points.

Despite the rise in rates, the bond market delivered modest positive performance for the quarter, with a return of 0.30% for the Barclays Capital Aggregate Index and a return of 0.61% for the Barclays Capital Intermediate Government/Credit Index. Spread product was favored as all four major sectors delivered positive excess returns. Corporate bonds were the leader by far with 378 basis points of excess return, followed by asset-backed securities with 120 basis points of excess return. Mortgage-backed securities and agencies provided 101 basis points and 82 basis points of excess return, respectively.

We expect the recovery to continue and believe treasuries remain overvalued at these levels. We continue to be overweighted in corporate bonds with an emphasis on financials. Given the current low level of rates, we believe that rates will rise from here and spreads will continue to contract.

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

Sincerely,

Janna Hamilton

Janna Hamilton
Partner

JH/klr
Enclosure