

GH&A

GARCIA HAMILTON & ASSOCIATES, L.P.

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January 27, 2017

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

Dear Ms. Towey:

We have enclosed performance for the City of Ormond Beach Police Officers' Pension Trust Fund for the period ending December 31, 2016. Relevant indices have been included for comparison purposes.

At the December FOMC meeting, the Committee voted unanimously to raise the fed funds rate range by 25 basis points from 0.25%-0.50% to 0.50%-0.75%. The rate hike was only the second one so far in this tightening cycle and the first since December 2015. Although the rate increase itself was widely expected, the Fed's increase in its projection for rate hikes for 2017 from two to three was a surprise to the markets. Despite the FOMC statement which referenced gains in the job market and inflation, the Fed's GDP forecast for 2017 moved up by only 0.1% to 2.1%. This moderate level of growth, which has been about the average for the current expansion, would not typically warrant aggressive tightening from the Federal Reserve.

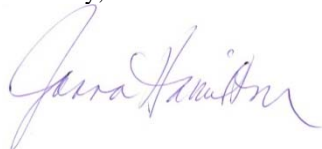
In the bond market, we saw a significant increase in rates in the fourth quarter as fears of the impact of the British referendum abated, and the results of the U.S. elections brought expectations of faster economic growth and higher inflation. The 10-year Treasury yield increased 84 basis points to end the quarter at 2.44%. The 2-year yield increased 43 basis points to 1.19% while the yield of the 30-year Treasury rose 73 basis points to 3.07%. These moves caused the 2-30 year yield spread to steepen to 188 basis points.

With the rise in rates, the bond market declined this quarter with a return of -2.98% for the Barclays Capital Aggregate Index and a return on the Barclays Capital Intermediate Government Credit Index of -2.07%. Spread product was mixed this quarter as three of the four spread sectors delivered positive excess return. The corporate sector was the leader this quarter with a whopping 185 basis points of excess return. The agency sector and asset-backed securities sector followed with 17 basis points and 3 basis points of excess return, respectively. The mortgage-backed securities sector was the laggard with a negative excess return of -39 basis points. Thus, the Barclays Capital Aggregate Index had 39 basis points of excess return this quarter.

We moved from a shorter duration to a longer duration than the benchmark index in December. We believe the significant rise in rates that occurred in the fourth quarter was overdone, and we now expect rates to move sideways-to-lower from here.

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

Sincerely,



Janna Hamilton
Partner

Enclosure



GARCIA HAMILTON & ASSOCIATES

Portfolio Review
**CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf**

December 31, 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 POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf
December 31, 2016

PORTFOLIO COMPOSITION	Market Value	Pct. Assets	Yield	CHANGE IN PORTFOLIO	
EQUITIES	0.00	0.0	0.0	Portfolio Value on 03-31-01	7,533,666.42
FIXED INCOME	8,981,630.14	99.5	2.0	Accrued Interest	24,119.59
CASH & EQUIVALENTS	44,980.91	0.5	0.1	Net Additions/Withdrawals	2,211,607.08
				Net Transfers	-4,750,890.94
				Realized Gains/Losses	-177,592.56
				Unrealized Gains/Losses	139,722.64
				Income Received	4,032,875.70
				Change in Accrued Interest	13,103.11
				Portfolio Value on 12-31-16	8,989,388.35
				Accrued Interest	37,222.70
Total	9,026,611.05	100.0	2.0		9,026,611.05

TIME WEIGHTED RETURN

	<u>Quarter</u>	<u>One Year</u>	<u>Annualized Last 3 Years</u>	<u>Annualized Last 5 Years</u>	<u>Annualized Last 10 Years</u>	<u>Annualized Inception 03-31-01 To Date</u>
Account	-1.5	3.1	3.1	4.0	5.6	N/A
FIXED INCOME	-1.5	3.1	3.1	4.1	5.7	5.6
Barclays Capital Int Gov/Credit	-2.1	2.1	2.1	1.9	3.9	4.2

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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 POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf
December 31, 2016

Security Type	Total Cost	Market Value	Pct. Assets	Yield	Est. Annual Income
FIXED INCOME					
CORPORATE BONDS	2,119,805.50	2,063,042.01	22.9	2.9	66,345.21
GOVERNMENT BONDS					
TREASURY	3,218,437.74	3,159,574.92	35.0	2.4	63,143.75
AGENCY - NONCALLABLE	2,009,351.15	2,011,709.74	22.3	0.7	16,271.22
GOVERNMENT BONDS	5,227,788.89	5,171,284.66	57.3	1.7	79,414.97
MORTGAGE-BACKED SECURITIES-FNMA	612,677.81	604,506.94	6.7	1.8	29,898.52
MORTGAGE-BACKED SECURITIES-FHLMC	1,115,688.93	1,105,573.82	12.2	1.8	52,678.56
Accrued Interest		37,222.70	0.4		
	9,075,961.13	8,981,630.14	99.5	2.0	228,337.26
CASH & EQUIVALENTS					
CASH & EQUIVALENTS	44,980.91	44,980.91	0.5	0.1	53.98
	44,980.91	44,980.91	0.5	0.1	53.98
TOTAL PORTFOLIO	9,120,942.04	9,026,611.05	100.0	2.0	228,391.23

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GARCIA HAMILTON & ASSOCIATES
 PORTFOLIO APPRAISAL
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(325000393) ormondpf
 December 31, 2016

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
CORPORATE BONDS									
180,000	Apple Inc. Floater 1.016% Due 08-02-19	99.98	179,973.00	99.91	179,836.20	2.0	1.016	1,828.21	1.1
355,000	American Express Floater 2.009% Due 09-14-20	101.93	361,848.00	101.67	360,913.94	4.0	2.009	7,130.96	1.5
235,000	Metlife Inc. 4.368% Due 09-15-23	109.56	257,468.02	107.61	252,883.50	2.8	4.368	10,264.80	3.1
190,000	JP Morgan 3.875% Due 02-01-24	108.33	205,833.83	103.64	196,912.20	2.2	3.875	7,362.50	3.3
240,000	Morgan Stanley 3.875% Due 04-29-24	105.45	253,072.16	102.56	246,136.80	2.7	3.875	9,300.00	3.5
220,000	Goldman Sachs 3.850% Due 07-08-24	105.74	232,627.28	102.08	224,574.02	2.5	3.850	8,470.00	3.5
330,000	Aflac Inc. 3.625% Due 11-15-24	107.13	353,525.45	102.92	339,635.67	3.8	3.625	11,962.50	3.2
65,000	Berkshire Hathaway 3.125% Due 03-15-26	103.41	67,216.50	99.35	64,577.82	0.7	3.125	2,031.25	3.2
195,000	Wells Fargo Sub 4.100% Due 06-03-26	106.79	208,241.27	101.32	197,571.85	2.2	4.100	7,995.00	3.9
	Accrued Interest				12,580.72	0.1			
			2,119,805.50		2,075,622.74	23.0		66,345.21	2.9
GOVERNMENT BONDS									
TREASURY									
985,000	U S Treasury 2.000% Due 02-15-25	102.32	1,007,838.10	97.33	958,681.78	10.6	2.000	19,700.00	2.4
1,230,000	U S Treasury 2.125% Due 05-15-25	99.64	1,225,594.16	98.03	1,205,783.76	13.4	2.125	26,137.50	2.4
1,065,000	U S Treasury 1.625% Due 02-15-26	92.49	985,005.48	93.44	995,109.37	11.0	1.625	17,306.25	2.4
	Accrued Interest				17,198.68	0.2			
			3,218,437.74		3,176,773.60	35.2		63,143.75	2.4
AGENCY - NONCALLABLE									
220,000	FHLB Floater 0.722% Due 12-07-17	100.01	220,019.80	100.09	220,202.62	2.4	0.722	1,588.40	0.6
305,000	FFCB Floater 0.669% Due 01-08-18	99.81	304,418.85	100.06	305,198.25	3.4	0.669	2,040.11	0.6
385,000	FNMA Floater 0.944% Due 03-21-18	100.03	385,101.71	100.21	385,806.96	4.3	0.944	3,635.48	0.8
175,000	FFCB Floater 0.916% Due 03-26-18	100.02	175,038.50	100.19	175,336.52	1.9	0.916	1,603.19	0.8
470,000	FFCB Floater 0.756% Due 05-17-18	99.95	469,745.29	99.99	469,935.61	5.2	0.756	3,554.23	0.8

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 PORTFOLIO APPRAISAL
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(325000393) ormondpf
 December 31, 2016

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
455,000	FFCB Floater 0.846% Due 05-25-18 Accrued Interest	100.01	455,027.00	100.05	455,229.77	5.0	0.846	3,849.80	0.8
					561.87	0.0			
			2,009,351.15		2,012,271.61	22.3		16,271.22	0.7
	GOVERNMENT BONDS Total		5,227,788.89		5,189,045.21	57.5		79,414.97	1.7
MORTGAGE-BACKED SECURITIES-FNMA									
1,490,000.00	FNMA Pool #944122 5.500% Due 07-01-22	108.37	133,980.26	107.15	132,464.27	1.5	5.500	6,799.51	2.0
163,090.00	FNMA Pool #AL7638 5.500% Due 01-01-24	108.80	119,920.23	106.78	117,693.85	1.3	5.500	6,062.32	1.3
555,000.00	FNMA Pool #MA0472 5.000% Due 07-01-30	110.60	116,840.90	109.13	115,291.47	1.3	5.000	5,282.15	1.9
4,475,000.00	FNMA Pool #745418 5.500% Due 04-01-36 Accrued Interest	113.20	241,936.41	111.86	239,057.36	2.6	5.500	11,754.54	1.8
					2,491.54	0.0			
			612,677.81		606,998.49	6.7		29,898.52	1.8
MORTGAGE-BACKED SECURITIES-FHLMC									
395,000.00	FHLMC Pool #G15718 5.500% Due 12-01-24	108.05	303,292.76	106.26	298,290.95	3.3	5.500	15,438.76	1.6
510,000.00	FHLMC Pool #G15743 5.000% Due 06-01-26	107.01	397,345.33	106.39	395,042.27	4.4	5.000	18,565.41	1.5
200,000.00	FHLMC Pool #G30892 5.500% Due 04-01-30	111.56	184,501.98	110.80	183,236.00	2.0	5.500	9,095.90	2.0
330,000.00	FHLMC Pool #G60134 4.500% Due 06-01-36 Accrued Interest	108.31	230,548.86	107.59	229,004.60	2.5	4.500	9,578.49	2.5
					4,389.88	0.0			
			1,115,688.93		1,109,963.70	12.3		52,678.56	1.8
CASH & EQUIVALENTS									
	Regions Trust Cash Sweep		44,980.91		44,980.91	0.5	0.120	53.98	0.1
			44,980.91		44,980.91	0.5		53.98	0.1
TOTAL PORTFOLIO			9,120,942.04		9,026,611.05	100.0		228,391.23	2.0

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PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 10-01-16 To 12-31-16

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
11-23-2016	11-29-2016	60,000	American Express Floater 2.009% Due 09-14-20	101.87	61,125.00
11-16-2016	11-21-2016	180,000	Apple Inc. Floater 1.016% Due 08-02-19	99.98	179,973.00
11-09-2016	11-14-2016	300,000	U S Treasury 2.125% Due 05-15-25	101.82	305,460.94
11-15-2016	11-18-2016	300,000	U S Treasury 2.125% Due 05-15-25	99.64	298,921.88
11-17-2016	11-21-2016	30,000	U S Treasury 2.125% Due 05-15-25	99.45	29,835.94
11-21-2016	11-25-2016	45,000	U S Treasury 2.125% Due 05-15-25	98.81	44,465.63
11-30-2016	12-02-2016	50,000	U S Treasury 2.125% Due 05-15-25	98.34	49,171.88
12-09-2016	12-13-2016	45,000	U S Treasury 2.125% Due 05-15-25	97.80	44,008.59
12-12-2016	12-15-2016	120,000	U S Treasury 2.125% Due 05-15-25	97.58	117,093.75
12-13-2016	12-16-2016	275,000	U S Treasury 2.125% Due 05-15-25	97.68	268,619.14
12-15-2016	12-20-2016	250,000	U S Treasury 1.625% Due 02-15-26	92.25	230,625.00
12-19-2016	12-22-2016	45,000	U S Treasury 1.625% Due 02-15-26	92.58	41,660.16
12-21-2016	12-28-2016	50,000	U S Treasury 1.625% Due 02-15-26	92.48	46,242.19
12-22-2016	12-27-2016	70,000	U S Treasury 1.625% Due 02-15-26	92.50	64,750.00
12-22-2016	12-28-2016	35,000	U S Treasury 1.625% Due 02-15-26	92.47	32,364.06
12-23-2016	12-28-2016	135,000	U S Treasury 1.625% Due 02-15-26	92.60	125,012.11

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From 10-01-16 To 12-31-16

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
12-23-2016	12-29-2016	240,000	U S Treasury 1.625% Due 02-15-26	92.61	222,262.50
12-27-2016	12-30-2016	70,000	U S Treasury 1.625% Due 02-15-26	92.36	64,651.56
12-27-2016	12-30-2016	80,000	U S Treasury 1.625% Due 02-15-26	92.41	73,931.25
12-28-2016	01-03-2017	45,000	U S Treasury 1.625% Due 02-15-26	92.51	41,628.52
12-29-2016	01-03-2017	45,000	U S Treasury 1.625% Due 02-15-26	93.06	41,878.13
					2,383,681.23
SALES					
11-15-2016	11-17-2016	245,000	FHLB Floater 0.675% Due 09-05-17	100.09	245,222.95
11-16-2016	11-18-2016	170,000	FHLB Floater 0.675% Due 09-05-17	100.03	170,057.80
11-21-2016	11-23-2016	85,000	FHLB Floater 0.675% Due 09-05-17	100.05	85,041.65
11-23-2016	11-28-2016	175,000	FHLB Floater 0.705% Due 12-05-17	100.05	175,094.50
12-13-2016	12-15-2016	270,000	FHLB Floater 0.847% Due 08-09-17	100.17	270,463.59
12-15-2016	12-19-2016	200,000	FHLB Floater 0.847% Due 08-09-17	100.16	200,327.40
12-22-2016	12-27-2016	90,000	FHLB Floater 0.847% Due 08-09-17	100.16	90,146.97
12-27-2016	12-29-2016	135,000	FHLB Floater 0.847% Due 08-09-17	100.15	135,209.25
12-22-2016	12-28-2016	45,000	Goldman Sachs 3.850% Due 07-08-24	101.58	45,712.80
12-27-2016	12-30-2016	70,000	Goldman Sachs 3.850% Due 07-08-24	101.40	70,978.60

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PURCHASE AND SALE
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FUND-FIXED
(3250000393) ormondpf
From 10-01-16 To 12-31-16

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
12-23-2016	12-29-2016	130,000	JP Morgan 3.875% Due 02-01-24	102.86	133,716.70
12-12-2016	12-15-2016	50,000	Metlife Inc. 4.368% Due 09-15-23	107.25	53,627.00
12-29-2016	01-03-2017	40,000	Metlife Inc. 4.368% Due 09-15-23	107.27	42,909.60
10-27-2016	11-01-2016	40,000	Morgan Stanley 3.875% Due 04-29-24	105.84	42,336.00
12-19-2016	12-22-2016	55,000	Morgan Stanley 3.875% Due 04-29-24	101.84	56,010.35
10-06-2016	10-11-2016	45,000	Wells Fargo Sub 4.100% Due 06-03-26	105.27	47,373.30
12-23-2016	12-29-2016	90,000	Wells Fargo Sub 4.100% Due 06-03-26	100.22	90,200.70
12-22-2016	12-28-2016	70,000	Wyeth LLC 6.450% Due 02-01-24	121.00	84,700.00
					2,039,129.16
PRINCIPAL PAYDOWNS					
10-01-2016	10-01-2016	9,650.25	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	9,650.25
11-01-2016	11-01-2016	9,662.13	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	9,662.13
12-01-2016	12-01-2016	9,270.52	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	9,270.52
10-01-2016	10-01-2016	12,714.19	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	12,714.19
11-01-2016	11-01-2016	13,978.52	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	13,978.52
12-01-2016	12-01-2016	12,733.18	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	12,733.18
10-01-2016	10-01-2016	2,890.81	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	2,890.81

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From 10-01-16 To 12-31-16

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-01-2016	11-01-2016	4,371.74	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	4,371.74
12-01-2016	12-01-2016	2,527.46	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	2,527.46
10-01-2016	10-01-2016	7,255.80	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	7,255.80
11-01-2016	11-01-2016	6,932.41	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	6,932.41
12-01-2016	12-01-2016	3,913.61	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	3,913.61
10-01-2016	10-01-2016	5,445.49	FNMA Pool #745418 5.500% Due 04-01-36	100.00	5,445.49
11-01-2016	11-01-2016	5,453.82	FNMA Pool #745418 5.500% Due 04-01-36	100.00	5,453.82
12-01-2016	12-01-2016	4,932.97	FNMA Pool #745418 5.500% Due 04-01-36	100.00	4,932.97
10-01-2016	10-01-2016	1,456.90	FNMA Pool #944122 5.500% Due 07-01-22	100.00	1,456.90
10-01-2016	10-01-2016	779.75	FNMA Pool #944122 5.500% Due 07-01-22	100.00	779.75
11-01-2016	11-01-2016	1,476.90	FNMA Pool #944122 5.500% Due 07-01-22	100.00	1,476.90
11-01-2016	11-01-2016	790.46	FNMA Pool #944122 5.500% Due 07-01-22	100.00	790.46
12-01-2016	12-01-2016	1,471.02	FNMA Pool #944122 5.500% Due 07-01-22	100.00	1,471.02
12-01-2016	12-01-2016	787.31	FNMA Pool #944122 5.500% Due 07-01-22	100.00	787.31
10-01-2016	10-01-2016	3,920.05	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	3,920.05
11-01-2016	11-01-2016	3,168.58	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	3,168.58
12-01-2016	12-01-2016	3,298.38	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	3,298.38

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(3250000393) ormondpf
From 10-01-16 To 12-31-16

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
10-01-2016	10-01-2016	1,378.84	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	1,378.84
11-01-2016	11-01-2016	3,696.46	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	3,696.46
12-01-2016	12-01-2016	1,962.96	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	1,962.96
					135,920.51

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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).