



Presented By:

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GARCIA HAMILTON & ASSOCIATES

City of Ormond Beach General Employees' Pension Plan

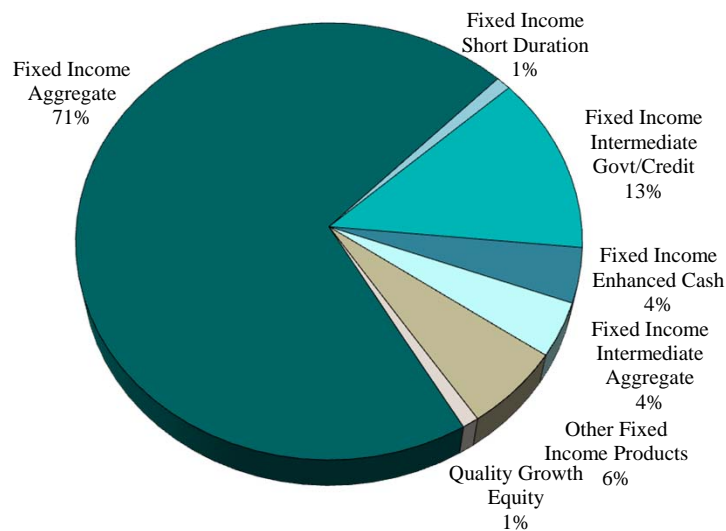
August 11, 2017

Organization

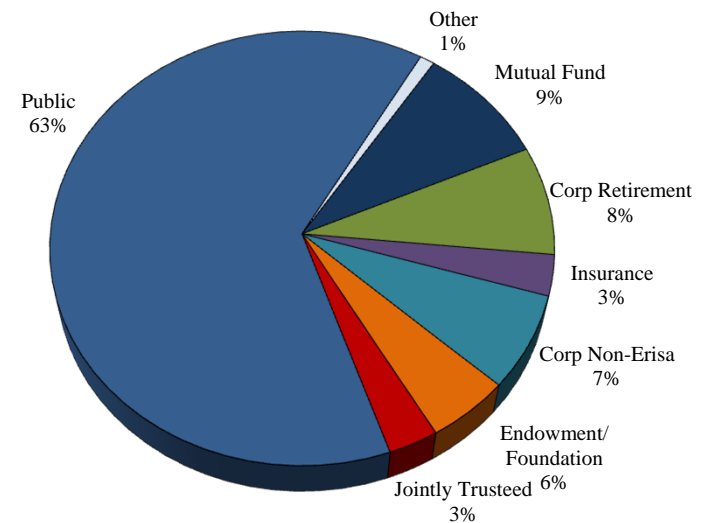
- Founded in 1988.
- Firm is 100% employee-owned and certified as a MBE firm.
- Firm has 32 employees located in Houston, Texas.
- The 11 members of the fixed income investment team have 210 years combined investment experience and over 85 years combined with the firm. In addition, 5 are Chartered Financial Analyst (CFA) charterholders.
- Firm manages approximately \$9.3 billion in assets under management.
- High quality fixed income strategies designed to prevent “negative surprises.”
- No litigation. No debt.

Asset Breakdown

By Type



By Client



Data as of June 30, 2017

Investment Goal

Investment Goal

Our goal is to outperform the benchmark, net of fees, over a full market cycle using a high quality strategy with less risk, lower volatility and low turnover. By setting realistic expectations, we avoid taking unnecessary risks.

Achieving our goal is centered around several core principles:

- Preserve Principal
- Maintain Liquidity
- Provide High Current Income

Key Tools:

- Sector Rotation
- Controlled Interest Rate Anticipation
- Yield Curve Positioning

City of Ormond Beach General Employees' Pension Plan

June 30, 2017

PORTFOLIO COMPOSITION

	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Yield</u>
EQUITIES	0.00	0.0	0.0
FIXED INCOME	14,193,226.87	99.8	1.7
CASH & EQUIVALENTS	25,603.16	0.2	0.6
Total	14,218,830.03	100.0	1.7

CHANGE IN PORTFOLIO

Portfolio Value on 03-31-01	10,873,145.62
Accrued Interest	34,905.86
Net Additions/Withdrawals	3,777,749.22
Net Transfers	-6,459,088.35
Realized Gains/Losses	-343,120.48
Unrealized Gains/Losses	340,240.28
Income Received	5,990,731.33
Change in Accrued Interest	4,266.55
Portfolio Value on 06-30-17	14,179,657.62
Accrued Interest	39,172.40
Total	14,218,830.03

TIME WEIGHTED RETURN - GROSS OF FEES

	<u>Quarter</u>	<u>Year To Date</u>	<u>Fiscal 09-30-16 YTD</u>	<u>One Year</u>	<u>Annualized Last 3 Years</u>	<u>Annualized Last 5 Years</u>	<u>Annualized Inception 03-31-01 To Date</u>
Account	0.9	1.7	0.1	0.3	2.6	3.3	N/A
FIXED INCOME	0.9	1.7	0.0	0.3	2.6	3.3	5.5
Bloomberg Barclays Int Gov/Credit	0.9	1.7	-0.4	-0.2	1.9	1.8	4.2

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



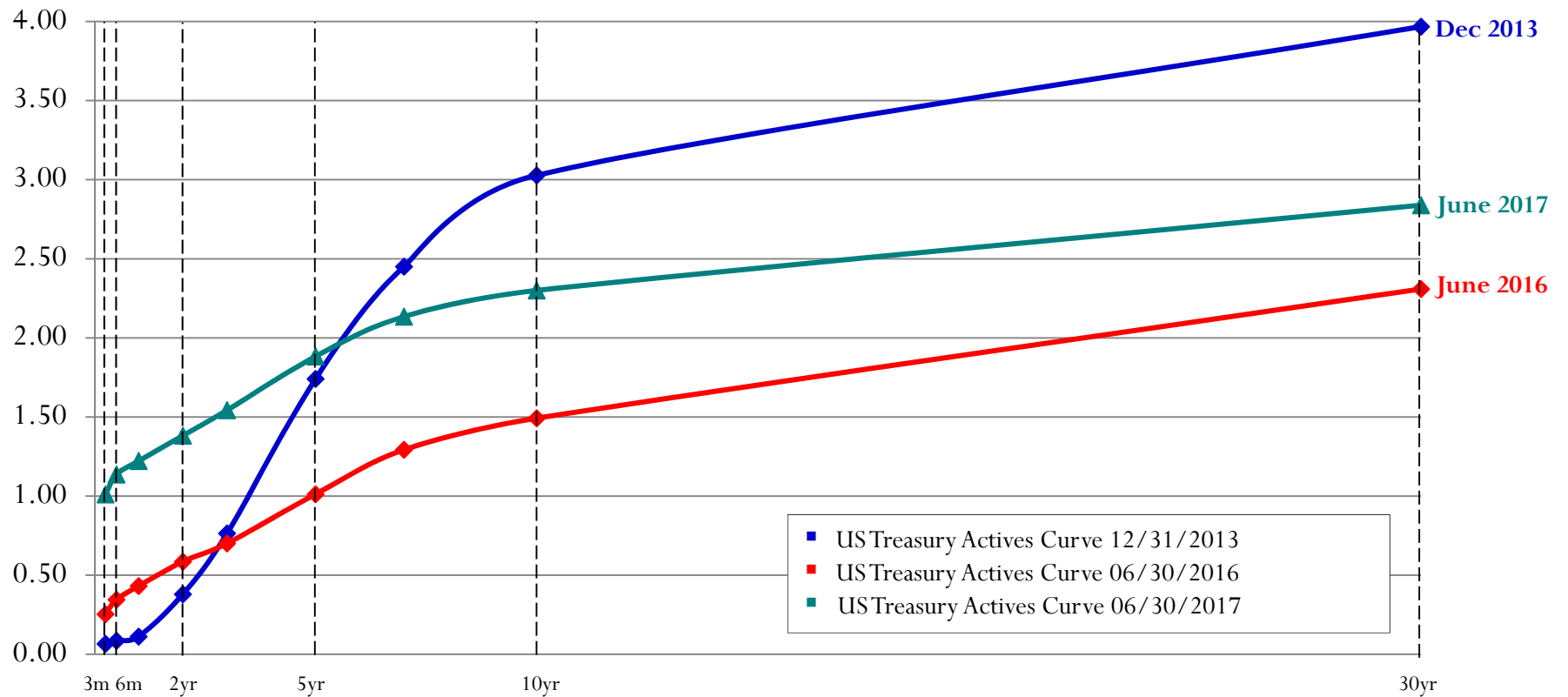
Our Form ADV disclosure document is available upon request. We urge you to compare account statements that you receive from us with the account statements that you receive from your custodian. Past performance is no guarantee of future results. See disclosures for other relevant information. Client Use Only.

2nd Quarter 2017 Fixed Income Market Commentary

June 30, 2017

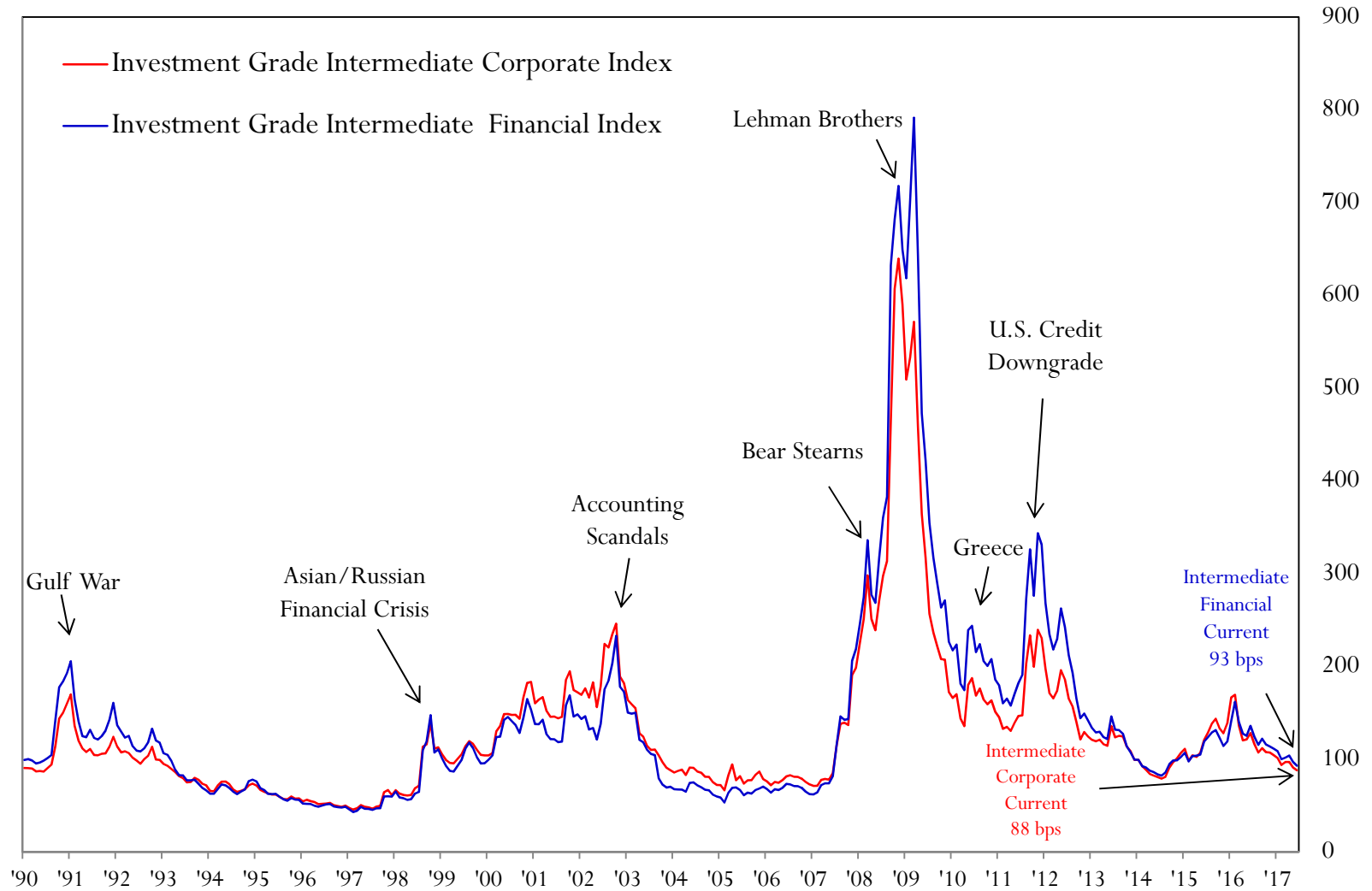
- As was widely anticipated, the Federal Reserve increased the fed funds rate for the 3rd time in six months, moving the target range to between 1.00% - 1.25% at the June FOMC meeting. The Fed made no changes to the expected path of hikes for the remainder of the year and next by projecting one more rate increase this year and three next year. However, the FOMC issued an addendum which laid out a wind-down of their balance sheet holdings of treasuries and mortgage-backed securities.
- In the economy, measures of inflation continued to trend lower despite the low rate of unemployment. The weak inflation readings were described by Fed Reserve Chairman Yellen as “transitory,” and she continued to express confidence that inflation would stabilize around the committee’s objective of 2% “over the medium term.”
- The 10-year treasury yield declined by 9 basis points to end the quarter at 2.30%. The 2-year yield finished the quarter 13 basis points higher at 1.38% while the yield of the 30-year treasury decreased 18 basis points to 2.84%. These moves caused the 2-30 year yield spread to flatten to 146 basis points.
- With the decline in longer term rates, the bond market experienced a positive return of 1.45% for the Bloomberg Barclays Aggregate Index and a return of 0.94% for the Bloomberg Barclays Intermediate Government Credit Index for the quarter.
- 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 112 basis points of excess return. The asset-backed securities sector and agency sector followed with 32 basis points and 20 basis points of excess return, respectively. The mortgage-backed securities sector was the laggard with -4 basis points of excess return.
- We expect shorter term rates to rise and the yield curve to flatten, therefore, we are maintaining a shorter duration than the benchmark and a “barbelled” yield curve positioning.

Yield Curve Changes



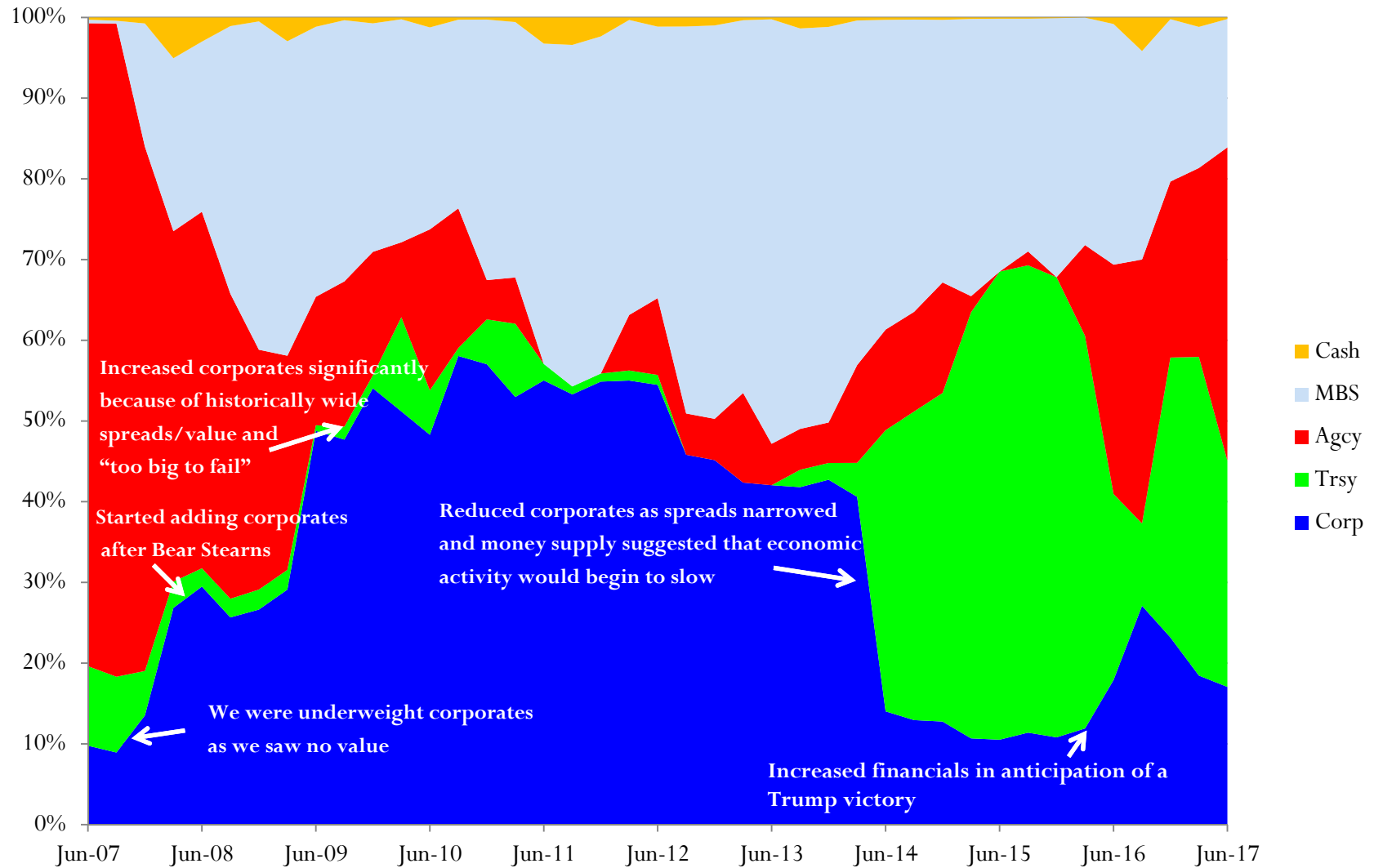
	12/31/13	06/30/16	06/30/17
3 Month	0.07	0.25	1.01
6 Month	0.09	0.35	1.14
2 Year	0.38	0.59	1.38
5 Year	1.74	1.01	1.88
10 Year	3.03	1.49	2.30
30 Year	3.97	2.31	2.84

Average Option Adjusted Spreads (OAS)



Fixed Income Intermediate Govt./Credit Historical Sector Weightings

June 30, 2017



Source: GH&A Research



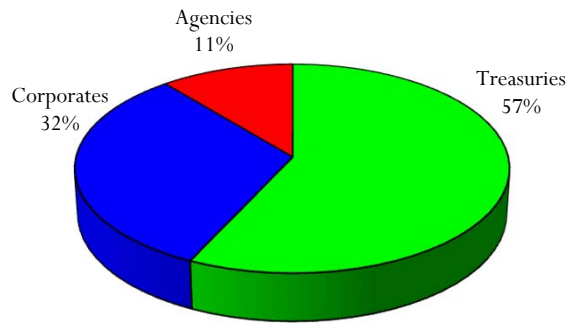
The percent weights shown are those of an actual portfolio that is representative of this strategy. The percent weights may vary depending on the dates shown as well as client-imposed restrictions, cash flows, etc.

Fixed Income Portfolio Characteristics

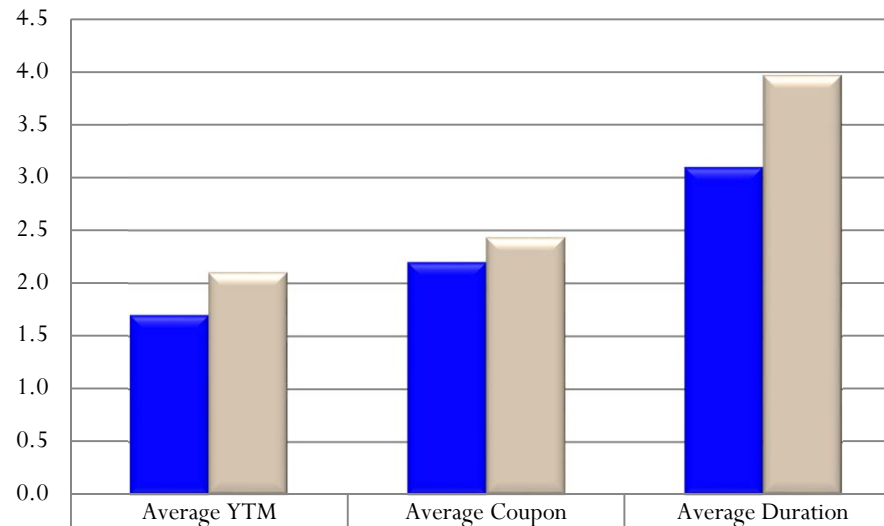
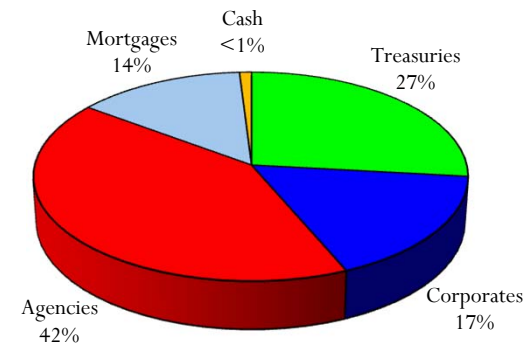
City of Ormond Beach General Employees' Pension Plan

June 30, 2017

Bloomberg Barclays Int. Govt./Credit



Portfolio



■ Portfolio	1.7	2.2	3.1
■ Bloomberg Barclays Int. Govt./Credit	2.1	2.4	4.0

Current Fixed Income Market Factors

June 30, 2017

Factor		Position
Sentiment	Speculators in Treasury futures have established long positions.	Negative
Monetary	The Federal Reserve increased the fed funds rate for the 3rd time in six months in June. Furthermore, the Fed issued an addendum which laid out a wind-down of their balance sheet holdings of treasuries and mortgage-backed securities.	Negative
Valuation	The 10-year Treasury yield is trading below our estimate of fair value.	Negative
Economic	Expectations for economic growth remain at moderate levels despite slower than expected implementation of the administration's economic policies and modest wage growth.	Neutral
Inflation	Measures of inflation continued to trend lower despite the low rate of unemployment.	Neutral

Portfolio Review

GARCIA HAMILTON & ASSOCIATES
PORTFOLIO SUMMARY
CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION PLAN-FIXED
(3250000311)
ormondgf
June 30, 2017

<u>Security Type</u>	<u>Total Cost</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Yield</u>	<u>Est. Annual Income</u>
FIXED INCOME					
CORPORATE BONDS	2,430,897.39	2,405,532.91	16.9	2.3	63,512.84
GOVERNMENT BONDS					
TREASURY	3,785,821.42	3,815,582.28	26.8	2.2	73,031.25
AGENCY - NONCALLABLE	5,887,605.65	5,889,920.54	41.4	1.1	70,163.16
GOVERNMENT BONDS	<u>9,673,427.07</u>	<u>9,705,502.82</u>	<u>68.3</u>	<u>1.5</u>	<u>143,194.41</u>
MORTGAGE-BACKED SECURITIES-FNMA	1,084,791.72	1,070,047.83	7.5	1.8	51,673.78
MORTGAGE-BACKED SECURITIES-FHLMC	985,861.47	972,970.90	6.8	2.1	43,626.98
Accrued Interest		39,172.40	0.3		
	<u>14,174,977.64</u>	<u>14,193,226.87</u>	<u>99.8</u>	<u>1.7</u>	<u>302,008.01</u>
CASH & EQUIVALENTS					
CASH & EQUIVALENTS	25,603.16	25,603.16	0.2	0.6	153.62
	<u>25,603.16</u>	<u>25,603.16</u>	<u>0.2</u>	<u>0.6</u>	<u>153.62</u>
TOTAL PORTFOLIO	14,200,580.80	14,218,830.03	100.0	1.7	302,161.63

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GARCIA HAMILTON & ASSOCIATES
 PORTFOLIO APPRAISAL
 CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION PLAN-FIXED (3250000311)
 ormondgf
 June 30, 2017

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
CORPORATE BONDS									
420,000	Apple Inc. Floater 1.314% Due 08-02-19	100.03	420,113.40	100.20	420,837.48	3.0	1.314	5,517.62	1.2
195,000	American Express Floater 1.928% Due 05-26-20	100.69	196,343.55	100.76	196,478.49	1.4	1.928	3,758.84	1.7
245,000	State Street Floater 2.081% Due 08-18-20	102.05	250,032.30	102.13	250,210.41	1.8	2.081	5,098.87	1.4
315,000	American Express Floater 2.292% Due 09-14-20	101.88	320,916.75	101.75	320,517.22	2.3	2.292	7,218.76	1.7
125,000	Intel Corp Floater 1.532% Due 05-11-22	100.17	125,208.75	100.14	125,174.00	0.9	1.532	1,915.00	1.5
100,000	JP Morgan 3.875% Due 02-01-24	108.29	108,286.34	104.81	104,806.40	0.7	3.875	3,875.00	3.1
330,000	Aflac Inc. 3.625% Due 11-15-24	107.04	353,220.76	104.72	345,577.32	2.4	3.625	11,962.50	2.9
115,000	Berkshire Hathaway 3.125% Due 03-15-26	103.41	118,921.50	101.12	116,293.75	0.8	3.125	3,593.75	3.0
375,000	Wells Fargo Sub 4.100% Due 06-03-26	106.99	401,223.24	103.55	388,301.25	2.7	4.100	15,375.00	3.6
135,000	Goldman Sachs 3.850% Due 01-26-27 Accrued Interest	101.21	136,630.80	101.73	137,336.58	1.0	3.850	5,197.50	3.6
					10,002.03	0.1			
			2,430,897.39		2,415,534.94	17.0		63,512.84	2.3
GOVERNMENT BONDS									
TREASURY									
325,000	U S Treasury 2.000% Due 02-15-25	102.30	332,487.98	98.63	320,543.92	2.3	2.000	6,500.00	2.2
1,590,000	U S Treasury 2.125% Due 05-15-25	99.59	1,583,409.04	99.37	1,580,000.49	11.1	2.125	33,787.50	2.2
2,015,000	U S Treasury 1.625% Due 02-15-26 Accrued Interest	92.80	1,869,924.40	95.04	1,915,037.86	13.5	1.625	32,743.75	2.3
					18,858.54	0.1			
			3,785,821.42		3,834,440.82	27.0		73,031.25	2.2
AGENCY - NONCALLABLE									
435,000	FHLB Floater 1.169% Due 08-25-17	100.03	435,119.19	100.03	435,129.63	3.1	1.169	5,085.15	0.9
265,000	FHLB Floater 1.154% Due 12-07-17	100.01	265,023.85	100.09	265,249.36	1.9	1.154	3,058.10	0.9
1,005,000	FNMA Floater 1.230% Due 03-21-18	100.11	1,006,066.09	100.10	1,006,011.03	7.1	1.230	12,363.71	1.1
460,000	FFCB Floater 1.376% Due 03-26-18	100.02	460,101.20	100.23	461,061.68	3.2	1.376	6,330.11	1.1
840,000	FFCB Floater 1.306% Due 05-25-18	100.01	840,053.00	100.22	841,836.24	5.9	1.306	10,971.32	1.1

GARCIA HAMILTON & ASSOCIATES
PORTFOLIO APPRAISAL
CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION PLAN-FIXED (3250000311)
ormondgf
June 30, 2017

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
550,000	FHLB Floater 0.960% Due 10-26-18	100.02	550,088.00	99.97	549,811.35	3.9	0.960	5,280.00	1.0
315,000	FFCB Floater 1.167% Due 04-03-19	100.00	315,000.00	100.00	315,000.00	2.2	1.167	3,676.74	1.2
225,000	FFCB Floater 1.362% Due 05-16-19	100.51	226,154.32	100.44	225,998.10	1.6	1.362	3,063.76	1.1
270,000	FFCB Floater 1.131% Due 05-24-19	100.00	270,000.00	99.93	269,823.15	1.9	1.131	3,054.00	1.2
760,000	FHLB Floater 1.138% Due 07-05-19	100.00	760,000.00	100.00	760,000.00	5.3	1.138	8,648.80	1.1
760,000	FHLMC Floater 1.136% Due 07-05-19	100.00	760,000.00	100.00	760,000.00	5.3	1.136	8,631.47	1.1
	Accrued Interest				2,634.84	0.0			
			5,887,605.65		5,892,555.38	41.4		70,163.16	1.1
	GOVERNMENT BONDS Total		9,673,427.07		9,726,996.20	68.4		143,194.41	1.5
MORTGAGE-BACKED SECURITIES-FNMA									
220,320.00	FNMA Pool #AL7638 5.500% Due 01-01-24	108.80	132,998.13	105.75	129,277.16	0.9	5.500	6,723.44	1.3
290,000.00	FNMA Pool #AL7883 5.000% Due 06-01-26	107.14	186,430.86	105.72	183,964.11	1.3	5.000	8,700.29	1.8
950,000.00	FNMA Pool #AL0289 5.000% Due 05-01-31	110.53	279,256.24	109.37	276,317.30	1.9	5.000	12,632.46	2.0
10,380,000.00	FNMA Pool #745418 5.500% Due 04-01-36	113.20	486,106.49	111.89	480,489.26	3.4	5.500	23,617.60	1.8
	Accrued Interest				4,162.61	0.0			
			1,084,791.72		1,074,210.44	7.6		51,673.78	1.8
MORTGAGE-BACKED SECURITIES-FHLMC									
320,000.00	FHLMC Pool #G15718 5.500% Due 12-01-24	108.05	201,425.68	105.50	196,683.28	1.4	5.500	10,253.34	1.6
250,000.00	FHLMC Pool #G15743 5.000% Due 06-01-26	107.19	158,321.79	105.43	155,725.87	1.1	5.000	7,385.27	1.5
1,055,000.00	FHLMC Pool #G60134 4.500% Due 06-01-36	108.41	626,113.99	107.45	620,561.75	4.4	4.500	25,988.37	2.5
	Accrued Interest				3,514.40	0.0			
			985,861.47		976,485.29	6.9		43,626.98	2.1
CASH & EQUIVALENTS									
	Regions Trust Cash Sweep		25,603.16		25,603.16	0.2	0.600	153.62	0.6
			25,603.16		25,603.16	0.2		153.62	0.6
TOTAL PORTFOLIO			14,200,580.80		14,218,830.03	100.0		302,161.63	1.7

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GARCIA HAMILTON & ASSOCIATES
PURCHASE AND SALE
CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION
PLAN-FIXED (3250000311)
ormondgf
From 04-01-17 To 06-30-17

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
04-03-2017	04-05-2017	270,000	U S Treasury 0.750% Due 06-30-17	100.01	270,015.82
04-04-2017	04-06-2017	175,000	U S Treasury 0.750% Due 06-30-17	100.01	175,013.67
04-10-2017	04-12-2017	300,000	U S Treasury 0.750% Due 06-30-17	100.00	300,000.00
04-17-2017	04-19-2017	505,000	U S Treasury 0.750% Due 06-30-17	100.00	505,000.00
04-18-2017	04-20-2017	215,000	U S Treasury 0.750% Due 06-30-17	100.01	215,016.80
04-26-2017	04-28-2017	550,000	FHLB Floater 0.960% Due 10-26-18	100.02	550,088.00
05-15-2017	05-24-2017	270,000	FFCB Floater 1.131% Due 05-24-19	100.00	270,000.00
05-17-2017	05-22-2017	125,000	Intel Corp Floater 1.532% Due 05-11-22	100.17	125,208.75
06-30-2017	07-06-2017	760,000	FHLB Floater 1.138% Due 07-05-19	100.00	760,000.00
06-30-2017	07-05-2017	760,000	FHLMC Floater 1.136% Due 07-05-19	100.00	760,000.00
					3,930,343.04
SALES					
04-03-2017	04-05-2017	100,000	U S Treasury 2.000% Due 02-15-25	98.22	98,218.75
04-04-2017	04-06-2017	180,000	U S Treasury 2.000% Due 02-15-25	98.22	176,793.75
04-05-2017	04-07-2017	100,000	U S Treasury 2.000% Due 02-15-25	97.99	97,992.19
04-07-2017	04-11-2017	200,000	U S Treasury 2.000% Due 02-15-25	97.95	195,906.25
04-11-2017	04-13-2017	220,000	U S Treasury 2.000% Due 02-15-25	98.45	216,596.88

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PURCHASE AND SALE
**CITY OF ORMOND BEACH GENERAL EMPLOYEES' PENSION
PLAN-FIXED (3250000311)**
ormondgf
From 04-01-17 To 06-30-17

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
04-13-2017	04-19-2017	115,000	Morgan Stanley 3.875% Due 04-29-24	103.61	119,152.65
04-13-2017	04-18-2017	180,000	U S Treasury 1.625% Due 02-15-26	95.05	171,084.38
04-17-2017	04-19-2017	185,000	U S Treasury 1.625% Due 02-15-26	95.37	176,436.52
04-21-2017	04-26-2017	80,000	Goldman Sachs 3.850% Due 01-26-27	101.53	81,228.00
04-21-2017	04-25-2017	240,000	U S Treasury 1.625% Due 02-15-26	95.36	228,862.50
04-24-2017	04-26-2017	210,000	U S Treasury 2.125% Due 05-15-25	99.42	208,785.94
05-03-2017	05-05-2017	85,000	U S Treasury 2.000% Due 02-15-25	98.44	83,671.88
05-05-2017	05-10-2017	70,000	JP Morgan 3.875% Due 02-01-24	104.36	73,051.30
05-10-2017	05-15-2017	70,000	Goldman Sachs 3.850% Due 01-26-27	100.95	70,667.80
05-17-2017	05-19-2017	140,000	U S Treasury 0.750% Due 06-30-17	99.99	139,989.06
06-07-2017	06-12-2017	55,000	Aflac Inc. 3.625% Due 11-15-24	105.87	58,226.30
06-30-2017	06-30-2017	1,325,000	U S Treasury 0.750% Due 06-30-17	100.00	1,325,000.00
					3,521,664.15
PRINCIPAL PAYDOWNS					
04-01-2017	04-01-2017	7,131.59	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	7,131.59
04-01-2017	04-01-2017	5,553.57	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	5,553.57
04-01-2017	04-01-2017	19,823.67	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	19,823.67
04-01-2017	04-01-2017	11,784.10	FNMA Pool #745418 5.500% Due 04-01-36	100.00	11,784.10

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PLAN-FIXED (3250000311)
ormondgf
From 04-01-17 To 06-30-17

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
04-01-2017	04-01-2017	1,396.53	FNMA Pool #AL0289 5.000% Due 05-01-31	100.00	1,396.53
04-01-2017	04-01-2017	5,072.25	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	5,072.25
04-01-2017	04-01-2017	6,080.94	FNMA Pool #AL7883 5.000% Due 06-01-26	100.00	6,080.94
05-01-2017	05-01-2017	6,350.68	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	6,350.68
05-01-2017	05-01-2017	5,607.79	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	5,607.79
05-01-2017	05-01-2017	16,005.16	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	16,005.16
05-01-2017	05-01-2017	9,280.65	FNMA Pool #745418 5.500% Due 04-01-36	100.00	9,280.65
05-01-2017	05-01-2017	9,629.59	FNMA Pool #AL0289 5.000% Due 05-01-31	100.00	9,629.59
05-01-2017	05-01-2017	4,003.04	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	4,003.04
05-01-2017	05-01-2017	5,191.64	FNMA Pool #AL7883 5.000% Due 06-01-26	100.00	5,191.64
06-01-2017	06-01-2017	6,480.97	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	6,480.97
06-01-2017	06-01-2017	5,251.87	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	5,251.87
06-01-2017	06-01-2017	10,439.12	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	10,439.12
06-01-2017	06-01-2017	10,376.78	FNMA Pool #745418 5.500% Due 04-01-36	100.00	10,376.78
06-01-2017	06-01-2017	1,266.17	FNMA Pool #AL0289 5.000% Due 05-01-31	100.00	1,266.17
06-01-2017	06-01-2017	4,396.75	FNMA Pool #AL7638 5.500% Due 01-01-24	100.00	4,396.75
06-01-2017	06-01-2017	6,596.78	FNMA Pool #AL7883 5.000% Due 06-01-26	100.00	6,596.78
					157,719.64

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).