

# GH&A

GARCIA HAMILTON & ASSOCIATES, L.P.

November 22, 2017

Colby Cilento  
City of Ormond Beach  
22 South Beach Street  
Ormond Beach, FL 32174

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Dear Ms. Cilento:

We have enclosed performance for City of Ormond Beach Firefighters' Pension Trust Fund for the period ending September 30, 2017. Relevant indices have been included for comparison purposes.

As expected, the Federal Reserve decided to pause in the pace of rate hikes at the September FOMC meeting by maintaining the fed funds rate in a range of 1.00% - 1.25%. However, this meeting ushered a new phase in monetary policy. The quantitative easing policies which began in 2008 are being replaced with balance sheet reduction starting in October. Although the details of the tapering of reinvestment of the Federal Reserve System Open Market Account were outlined in June, the start date of the process was previously unknown. Regarding the economy and inflation, Federal Reserve Chairman Yellen expressed "uncertainty about the inflation outlook" but made her case for reduced accommodation by stating the labor market could become "overheated" without future rate hikes. Additionally, she stated "persistently easy monetary policy" could lead to financial instability.

The 10-year Treasury yield rose by 3 basis points to end the quarter at 2.33%. The 2-year yield finished the quarter 9 basis points higher at 1.48% while the yield of the 30-year Treasury increased 2 basis points to 2.86%. These moves caused the 2-30 year yield spread to flatten by 8 basis points to 138 basis points.

Despite the modest rise in rates, the bond market still experienced a positive return of 0.85% for the Bloomberg Barclays Aggregate Index and a return on the Bloomberg Barclays Intermediate Government Credit Index of 0.60% this quarter. Investors in spread product were rewarded this quarter as all four of the spread sectors delivered positive excess return. Leading the way was the corporate sector with 87 basis points of excess return. The mortgage-backed securities sector and the agency sector followed suit with 47 basis points and 45 basis points of excess return, respectively. The asset-backed securities sector was the laggard this quarter with an excess return of 14 basis points. Thus, the Bloomberg Barclays Aggregate Index had 41 basis points of excess return this quarter.

We maintained a shorter duration than the benchmark index in anticipation of higher interest rates. Additionally, we maintained our "barbell" positioning in anticipation of a flatter yield curve.

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

Sincerely,



Janna Hamilton  
Partner

JH/bmc  
Enclosure



GARCIA HAMILTON & ASSOCIATES

*Portfolio Review*

**CITY OF ORMOND BEACH FIREFIGHTERS' PENSION TRUST FUND-FIXED (3250000231)**  
**ormondff**

September 30, 2017

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 FIREFIGHTERS' PENSION TRUST FUND-FIXED (3250000231)**  
**ormondff**  
September 30, 2017

PORTFOLIO COMPOSITION	Market Value	Pct. Assets	Yield	CHANGE IN PORTFOLIO	
EQUITIES	0.00	0.0	0.0	Portfolio Value on 03-31-01	4,674,237.96
FIXED INCOME	8,174,980.12	99.3	1.7	Accrued Interest	14,911.66
CASH & EQUIVALENTS	53,610.29	0.7	0.7	Net Additions/Withdrawals	3,654,606.33
				Net Transfers	-3,367,218.95
				Realized Gains/Losses	-187,736.66
				Unrealized Gains/Losses	181,560.32
				Income Received	3,247,325.58
				Change in Accrued Interest	10,904.17
				Portfolio Value on 09-30-17	8,202,774.58
				Accrued Interest	25,815.83
<b>Total</b>	<b>8,228,590.41</b>	<b>100.0</b>	<b>1.7</b>		<b>8,228,590.41</b>

**TIME WEIGHTED RETURN - GROSS OF FEES**

	<u>Quarter</u>	<u>Year To Date</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	0.5	2.1	0.6	2.7	2.8	5.3	N/A
Bloomberg Barclays Int Gov/Credit	0.6	2.3	0.2	2.1	1.6	3.6	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 FIREFIGHTERS' PENSION TRUST FUND-FIXED***  
***(3250000231)***  
*ormondff*  
September 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>
<b>FIXED INCOME</b>					
CORPORATE BONDS	1,435,993.84	1,422,919.43	17.3	2.3	38,213.60
GOVERNMENT BONDS					
TREASURY	2,162,377.33	2,176,481.64	26.5	2.2	41,337.50
AGENCY - NONCALLABLE	3,517,435.13	3,516,781.89	42.7	1.2	44,127.07
GOVERNMENT BONDS	<u>5,679,812.46</u>	<u>5,693,263.53</u>	<u>69.2</u>	<u>1.6</u>	<u>85,464.57</u>
MORTGAGE-BACKED SECURITIES-FNMA	274,907.72	270,743.99	3.3	1.9	13,449.33
MORTGAGE-BACKED SECURITIES-FHLMC	772,667.68	762,237.34	9.3	1.9	36,150.21
Accrued Interest		<u>25,815.83</u>	<u>0.3</u>		
	<u>8,163,381.71</u>	<u>8,174,980.12</u>	<u>99.3</u>	<u>1.7</u>	<u>173,277.72</u>
<b>CASH &amp; EQUIVALENTS</b>					
CASH & EQUIVALENTS	53,610.29	53,610.29	0.7	0.7	364.55
	<u>53,610.29</u>	<u>53,610.29</u>	<u>0.7</u>	<u>0.7</u>	<u>364.55</u>
<b>TOTAL PORTFOLIO</b>	<b>8,216,992.00</b>	<b>8,228,590.41</b>	<b>100.0</b>	<b>1.7</b>	<b>173,642.27</b>

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GARCIA HAMILTON & ASSOCIATES  
 PORTFOLIO APPRAISAL  
 CITY OF ORMOND BEACH FIREFIGHTERS' PENSION TRUST FUND-FIXED (3250000231)  
 ormondff  
 September 30, 2017

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
<b>CORPORATE BONDS</b>									
145,000	Berkshire Hathaway Floater 2.010% Due 03-15-19	101.35	146,957.50	101.03	146,496.98	1.8	2.010	2,914.50	1.3
265,000	American Express Floater 2.047% Due 05-26-20	100.69	266,825.85	100.84	267,228.65	3.2	2.047	5,425.13	1.7
145,000	State Street Floater 2.217% Due 08-18-20	102.05	147,978.30	102.04	147,951.33	1.8	2.217	3,214.17	1.5
75,000	BB&T Floater 1.985% Due 04-01-22	100.84	75,628.50	100.66	75,494.92	0.9	1.985	1,488.75	1.8
175,000	Intel Corp Floater 1.659% Due 05-11-22	100.26	175,454.65	100.28	175,486.32	2.1	1.659	2,903.55	1.6
95,000	JP Morgan 3.875% Due 02-01-24	108.39	102,967.39	105.84	100,548.00	1.2	3.875	3,681.25	2.9
180,000	Aflac Inc. 3.625% Due 11-15-24	107.23	193,011.40	105.45	189,815.22	2.3	3.625	6,525.00	2.8
55,000	Berkshire Hathaway 3.125% Due 03-15-26	103.41	56,875.50	101.13	55,623.92	0.7	3.125	1,718.75	3.0
210,000	Wells Fargo Sub 4.100% Due 06-03-26	107.02	224,751.15	103.95	218,299.20	2.7	4.100	8,610.00	3.6
45,000	Goldman Sachs 3.850% Due 01-26-27	101.21	45,543.60	102.17	45,974.88	0.6	3.850	1,732.50	3.6
	Accrued Interest				8,040.44	0.1			
			1,435,993.84		1,430,959.87	17.4		38,213.60	2.3
<b>GOVERNMENT BONDS</b>									
<b>TREASURY</b>									
135,000	U S Treasury 2.000% Due 02-15-25	102.33	138,139.64	98.63	133,154.28	1.6	2.000	2,700.00	2.2
870,000	U S Treasury 2.125% Due 05-15-25	99.77	868,020.98	99.35	864,358.92	10.5	2.125	18,487.50	2.2
1,240,000	U S Treasury 1.625% Due 02-15-26	93.24	1,156,216.71	95.08	1,178,968.44	14.3	1.625	20,150.00	2.3
	Accrued Interest				9,789.06	0.1			
			2,162,377.33		2,186,270.70	26.6		41,337.50	2.2
<b>AGENCY - NONCALLABLE</b>									
265,000	FHLMC Floater 1.276% Due 11-13-17	100.00	265,000.00	100.02	265,063.33	3.2	1.276	3,381.69	1.1
150,000	FHLB Floater 1.308% Due 12-07-17	100.01	150,013.50	100.04	150,061.20	1.8	1.308	1,962.00	1.1
240,000	FHLB Floater 1.315% Due 02-22-18	100.11	240,256.80	100.08	240,185.28	2.9	1.315	3,156.00	1.1
520,000	FNMA Floater 1.276% Due 03-21-18	100.12	520,601.09	100.06	520,328.12	6.3	1.276	6,635.77	1.1
130,000	FFCB Floater 1.400% Due 03-26-18	100.02	130,028.60	100.14	130,183.82	1.6	1.400	1,819.41	1.1
395,000	FFCB Floater 1.328% Due 05-25-18	100.01	395,027.00	100.15	395,593.29	4.8	1.328	5,245.13	1.1
260,000	FHLB Floater 1.161% Due 10-26-18	100.02	260,041.60	99.99	259,964.12	3.2	1.161	3,018.60	1.2

GARCIA HAMILTON & ASSOCIATES  
 PORTFOLIO APPRAISAL  
 CITY OF ORMOND BEACH FIREFIGHTERS' PENSION TRUST FUND-FIXED (3250000231)  
 ormondff  
 September 30, 2017

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
160,000	FHLB Floater 1.148% Due 11-08-18	100.01	160,016.00	100.00	160,000.00	1.9	1.148	1,836.80	1.2
160,000	FFCB Floater 1.172% Due 04-03-19	100.00	160,000.00	100.02	160,025.44	1.9	1.172	1,875.55	1.2
215,000	FFCB Floater 1.429% Due 05-16-19	100.52	216,122.49	100.43	215,924.71	2.6	1.429	3,072.11	1.2
165,000	FFCB Floater 1.153% Due 05-24-19	100.00	165,000.00	99.94	164,905.95	2.0	1.153	1,902.25	1.2
360,000	FHLB Floater 1.180% Due 07-05-19	100.00	360,000.00	99.89	359,600.76	4.4	1.180	4,248.00	1.2
360,000	FHLMC Floater 1.177% Due 07-05-19	100.00	360,000.00	99.94	359,769.96	4.4	1.177	4,239.00	1.2
135,000	FFCB Floater 1.285% Due 02-10-20	100.24	135,328.05	100.13	135,175.90	1.6	1.285	1,734.75	1.2
	Accrued Interest				3,990.80	0.0			
			3,517,435.13		3,520,772.70	42.8		44,127.07	1.2
	<b>GOVERNMENT BONDS Total</b>		5,679,812.46		5,707,043.40	69.4		85,464.57	1.6
	<b>MORTGAGE-BACKED SECURITIES-FNMA</b>								
985,000.00	FNMA Pool #AD0662 5.500% Due 01-01-25	109.53	56,976.60	105.98	55,132.89	0.7	5.500	2,861.10	2.2
4,945,000.00	FNMA Pool #745418 5.500% Due 04-01-36	113.20	217,931.13	112.00	215,611.10	2.6	5.500	10,588.23	1.8
	Accrued Interest				1,083.42	0.0			
			274,907.72		271,827.41	3.3		13,449.33	1.9
	<b>MORTGAGE-BACKED SECURITIES-FHLMC</b>								
145,000.00	FHLMC Pool #G15718 5.500% Due 12-01-24	108.05	82,385.33	105.19	80,206.21	1.0	5.500	4,193.73	1.6
360,000.00	FHLMC Pool #G15743 5.000% Due 06-01-26	107.19	204,663.91	105.46	201,365.42	2.4	5.000	9,547.00	1.5
375,000.00	FHLMC Pool #G30892 5.500% Due 04-01-30	111.56	288,104.49	110.12	284,368.98	3.5	5.500	14,203.47	2.0
355,000.00	FHLMC Pool #G60134 4.500% Due 06-01-36	108.31	197,513.95	107.64	196,296.73	2.4	4.500	8,206.00	2.5
	Accrued Interest				2,912.10	0.0			
			772,667.68		765,149.44	9.3		36,150.21	1.9
	<b>CASH &amp; EQUIVALENTS</b>								
	Regions Trust Cash Sweep		53,610.29		53,610.29	0.7	0.680	364.55	0.7
			53,610.29		53,610.29	0.7		364.55	0.7
<b>TOTAL PORTFOLIO</b>			8,216,992.00		8,228,590.41	100.0		173,642.27	1.7

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GARCIA HAMILTON & ASSOCIATES  
**PURCHASE AND SALE**  
**CITY OF ORMOND BEACH FIREFIGHTERS' PENSION TRUST**  
**FUND-FIXED (3250000231)**  
*ormondff*  
From 07-01-17 To 09-30-17

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
08-17-2017	08-22-2017	75,000	BB&T Floater 1.985% Due 04-01-22	100.84	75,628.50
09-01-2017	09-06-2017	135,000	FFCB Floater 1.285% Due 02-10-20	100.24	135,328.05
08-09-2017	08-11-2017	160,000	FHLB Floater 1.148% Due 11-08-18	100.01	160,016.00
08-30-2017	09-01-2017	240,000	FHLB Floater 1.315% Due 02-22-18	100.11	240,256.80
08-28-2017	08-31-2017	80,000	Intel Corp Floater 1.659% Due 05-11-22	100.37	80,296.00
08-28-2017	08-30-2017	150,000	U S Treasury 1.625% Due 02-15-26	96.31	144,468.75
					835,994.10
<b>SALES</b>					
08-09-2017	08-09-2017	125,000	FHLB Floater 1.140% Due 08-09-17	100.00	125,000.00
08-17-2017	08-21-2017	40,000	FHLB Floater 1.308% Due 12-07-17	100.06	40,023.08
					165,023.08
<b>PRINCIPAL PAYDOWNS</b>					
07-01-2017	07-01-2017	2,977.13	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	2,977.13
08-01-2017	08-01-2017	2,718.40	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	2,718.40
09-01-2017	09-01-2017	2,528.39	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	2,528.39
07-01-2017	07-01-2017	7,737.02	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	7,737.02
08-01-2017	08-01-2017	7,088.37	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	7,088.37

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**GARCIA HAMILTON & ASSOCIATES**  
**PURCHASE AND SALE**  
**CITY OF ORMOND BEACH FIREFIGHTERS' PENSION TRUST**  
**FUND-FIXED (3250000231)**  
*ormondff*  
*From 07-01-17 To 09-30-17*

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
09-01-2017	09-01-2017	6,930.38	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	6,930.38
07-01-2017	07-01-2017	6,205.35	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	6,205.35
08-01-2017	08-01-2017	4,696.79	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	4,696.79
09-01-2017	09-01-2017	5,379.58	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	5,379.58
07-01-2017	07-01-2017	3,792.42	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	3,792.42
08-01-2017	08-01-2017	5,535.72	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	5,535.72
09-01-2017	09-01-2017	2,647.35	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	2,647.35
07-01-2017	07-01-2017	3,839.84	FNMA Pool #745418 5.500% Due 04-01-36	100.00	3,839.84
08-01-2017	08-01-2017	3,940.42	FNMA Pool #745418 5.500% Due 04-01-36	100.00	3,940.42
09-01-2017	09-01-2017	4,276.39	FNMA Pool #745418 5.500% Due 04-01-36	100.00	4,276.39
07-01-2017	07-01-2017	646.64	FNMA Pool #AD0662 5.500% Due 01-01-25	100.00	646.64
07-01-2017	07-01-2017	1,700.73	FNMA Pool #AD0662 5.500% Due 01-01-25	100.00	1,700.73
08-01-2017	08-01-2017	462.92	FNMA Pool #AD0662 5.500% Due 01-01-25	100.00	462.92
08-01-2017	08-01-2017	1,217.51	FNMA Pool #AD0662 5.500% Due 01-01-25	100.00	1,217.51
09-01-2017	09-01-2017	445.06	FNMA Pool #AD0662 5.500% Due 01-01-25	100.00	445.06
09-01-2017	09-01-2017	1,170.56	FNMA Pool #AD0662 5.500% Due 01-01-25	100.00	1,170.56
					75,936.97

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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).