



GARCIA HAMILTON & ASSOCIATES

Presented By:

Janna Hamilton
Partner

*City of Ormond Beach Police Officers'
Pension Trust Fund*

August 10, 2018



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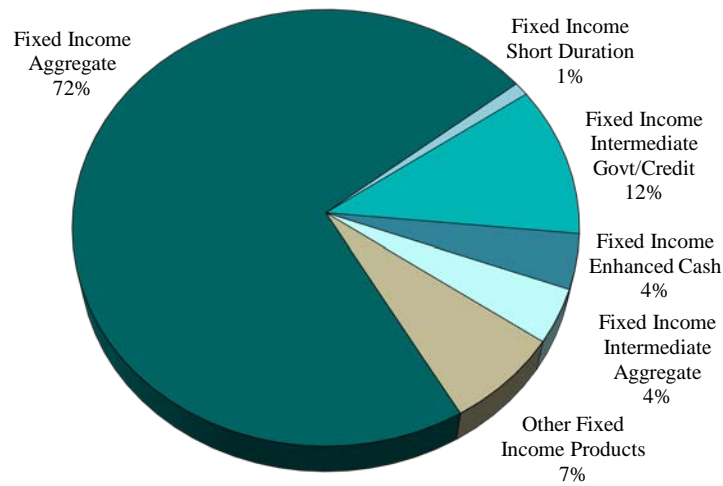
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Organization

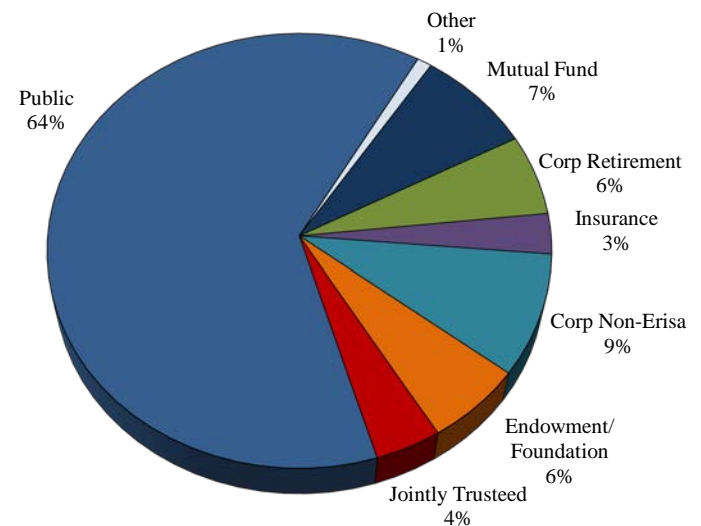
- Founded in 1988.
- Firm is 100% employee-owned and certified as a MBE firm.
- Firm has 32 employees located in Houston, Texas.
- The 10 members of the fixed income investment team have over 200 years combined investment experience and 75 years combined with the firm. In addition, 4 are Chartered Financial Analyst (CFA) charterholders.
- Firm manages approximately \$10.5 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, 2018

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 Police Officers' Pension Trust Fund

June 30, 2018

PORTFOLIO COMPOSITION

CHANGE IN PORTFOLIO

	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Yield</u>		
EQUITIES	0.00	0.0	0.0	Portfolio Value on 03-31-01	7,533,666.42
FIXED INCOME	9,089,252.39	98.8	2.5	Accrued Interest	24,119.59
CASH & EQUIVALENTS	111,161.78	1.2	1.5	Net Additions/Withdrawals	2,172,885.09
				Net Transfers	-4,750,890.94
				Realized Gains/Losses	-353,252.34
				Unrealized Gains/Losses	215,612.15
				Income Received	4,349,304.16
				Change in Accrued Interest	8,970.04
				Portfolio Value on 06-30-18	9,167,324.54
				Accrued Interest	33,089.63
Total	9,200,414.17	100.0	2.5		9,200,414.17

TIME WEIGHTED RETURN - GROSS OF FEES

	<u>Quarter</u>	<u>Fiscal 09-30-17 YTD</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	0.1	0.6	2.1	2.8	4.7	N/A
FIXED INCOME	0.5	0.1	0.6	2.1	2.9	4.8	5.2
Bloomberg Barclays Int Gov/Credit	0.0	-1.2	-0.6	1.2	1.6	3.1	3.9

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



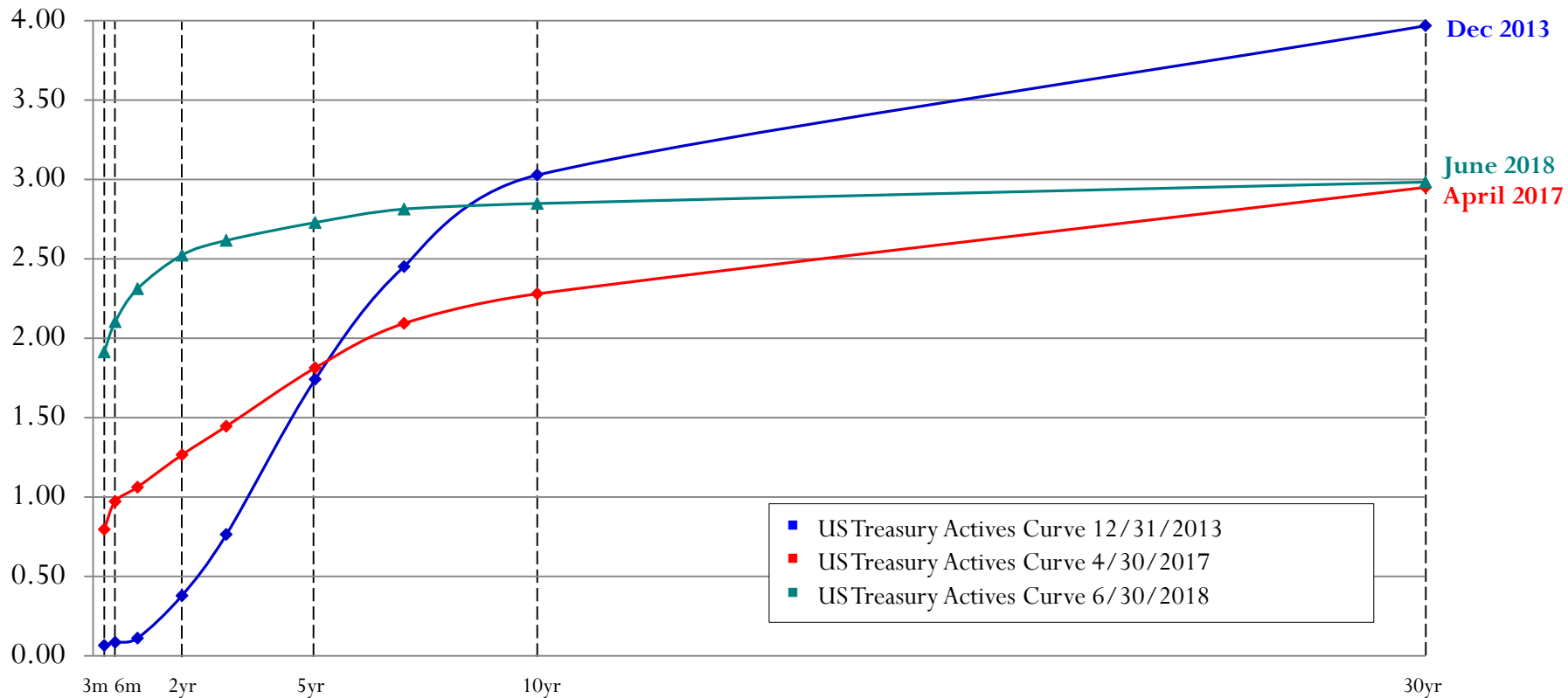
Our Form ADV disclosure document is available upon request. We urge you to compare account statements that you receive from us with the account statements that you receive from your custodian. Past performance is no guarantee of future results. See disclosures for other relevant information. Client Use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

2nd Quarter 2018 Fixed Income Market Commentary

June 30, 2018

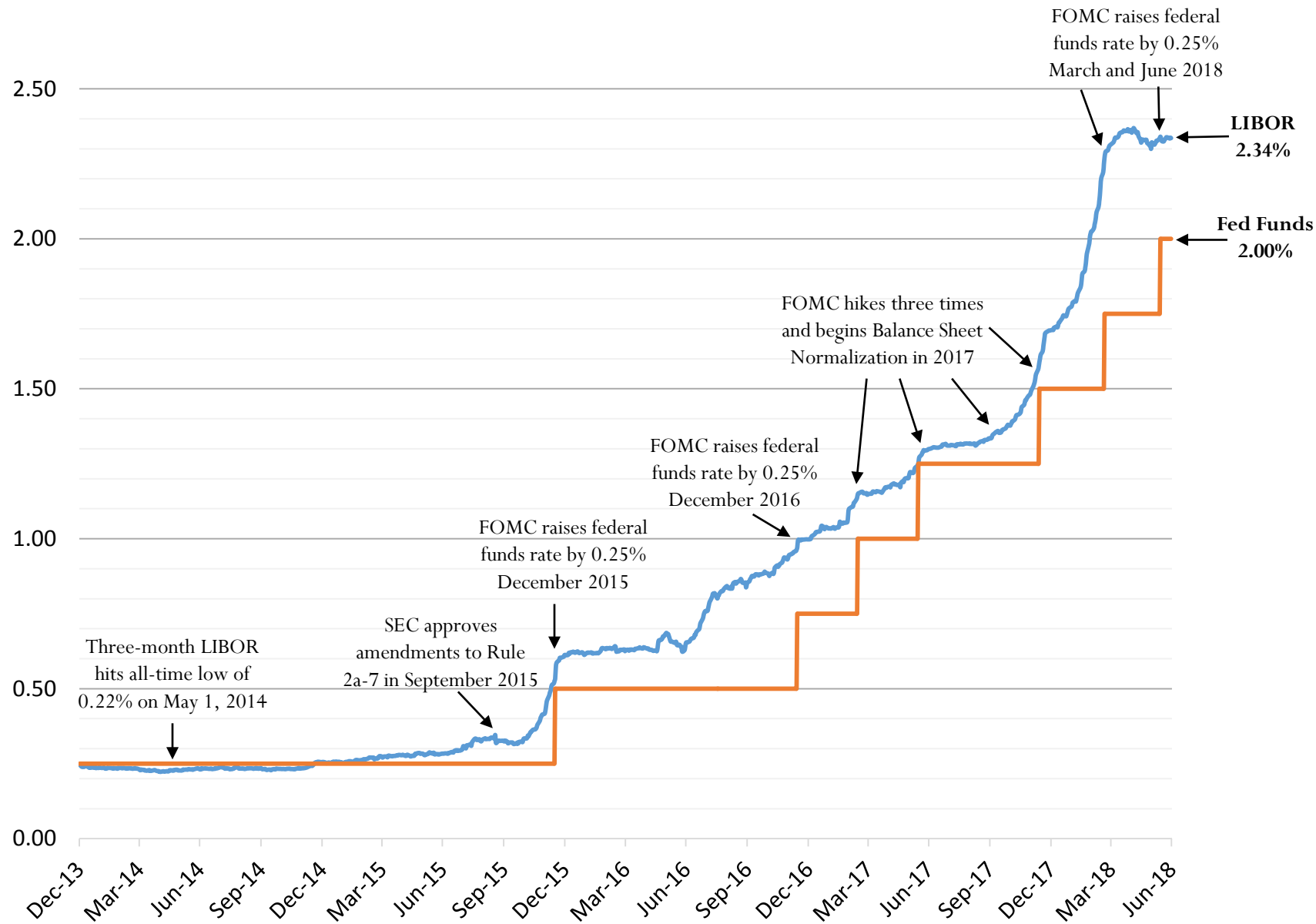
- As expected, the Federal Open Market Committee voted to raise the fed funds rate range by 25 basis points from 1.50%-1.75% to 1.75%-2.00% at the June meeting. The committee also increased its projections for economic growth and future interest rate hikes. Fed officials revised their forecast for GDP growth in 2018 to 2.8% from 2.7%, and signaled an expectation for four total rate hikes this year. By comparison, just six months ago the fed funds futures market was implying only two rate hikes this year.
- Fed officials have most likely been encouraged by the continued gradual rise in inflation readings as the Consumer Price Index increased to 2.8% over the past twelve months, the largest year-over-year increase in six years.
- Globally, trade tensions remained elevated as China and other countries announced retaliatory tariffs against the United States. The growing concerns over the impact of a trade war sent equity market volatility higher and kept long term rates in check.
- The yield of the 10-year treasury rose by 11 basis points to end the quarter at 2.85%. The 2-year yield finished the quarter 26 basis points higher at 2.52% while the yield of the 30-year treasury increased just 1 basis point to 2.98%. These moves caused the 2-30 year yield spread to flatten by 25 basis points to 46 basis points.
- With the modest rise in rates, the bond market posted a marginally negative return this quarter with a return of -0.16% for the Aggregate Index.
- Spread product was mixed this quarter as two of the four spread sectors delivered positive excess return. The asset-backed securities sector was the leader this quarter with 17 basis points of excess return followed by the mortgage-backed securities sector with 15 basis points of excess return. The agency sector posted a negative excess return of -28 basis points, and the corporate sector was the laggard again this quarter with a negative excess return of -100 basis points.
- We believe the market has overreacted to the geopolitical environment and has underestimated the impact of future Fed rate hikes and quantitative tightening. Therefore, we are maintaining a shorter duration than the benchmark index in anticipation of higher interest rates. Additionally, we further reduced our exposure to the long end as the yield curve has flattened significantly since we initiated our “barbell” positioning.

Yield Curve Changes



	12/31/13	4/30/17	6/30/18
3 Month	0.07	0.80	1.92
6 Month	0.09	0.97	2.11
2 Year	0.38	1.27	2.52
5 Year	1.74	1.81	2.73
10 Year	3.03	2.28	2.85
30 Year	3.97	2.95	2.98

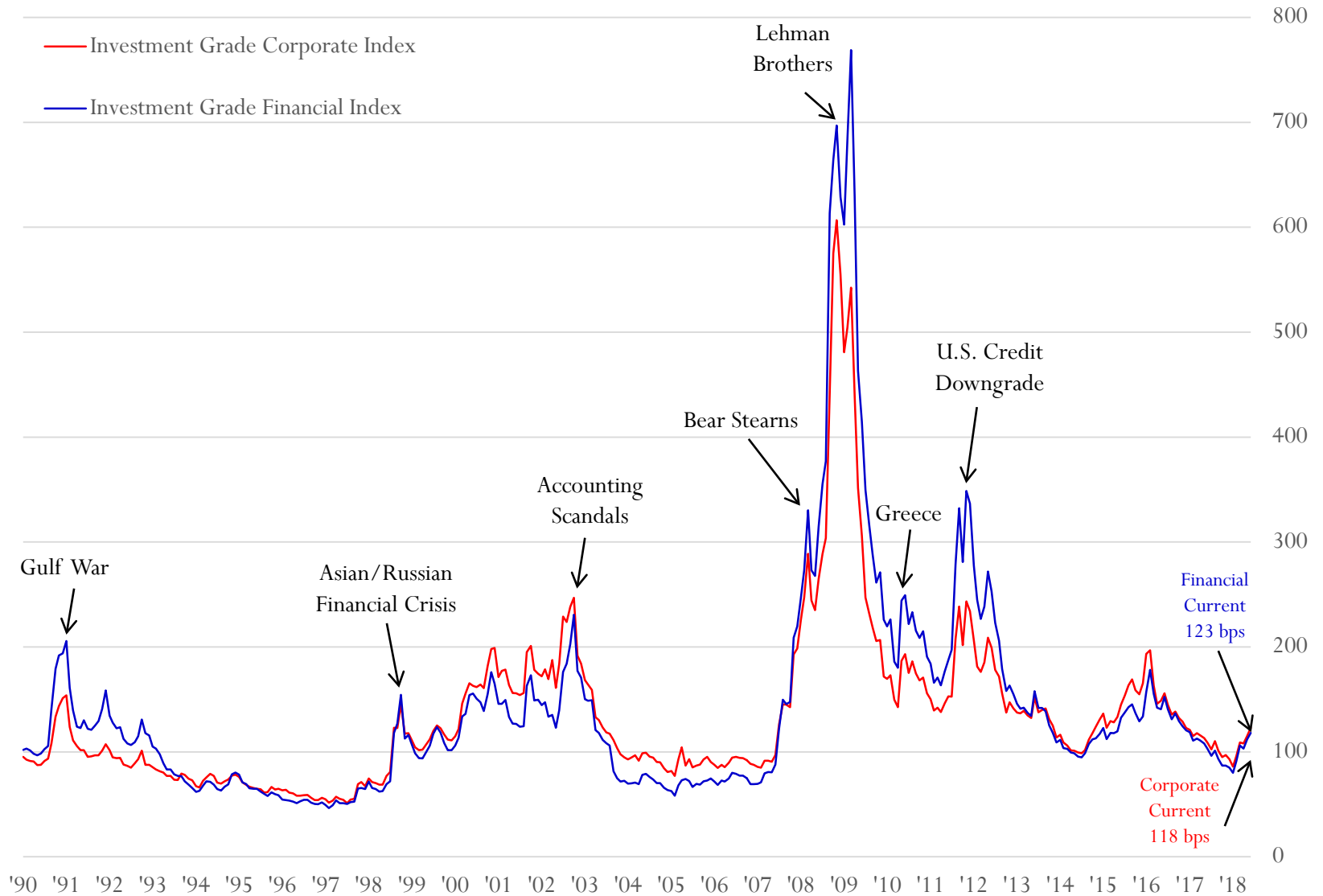
Three- Month Dollar LIBOR vs. Fed Funds Rate Hikes



30-Year Treasury Trading Range 2017-2018



Average Option Adjusted Spreads (OAS)

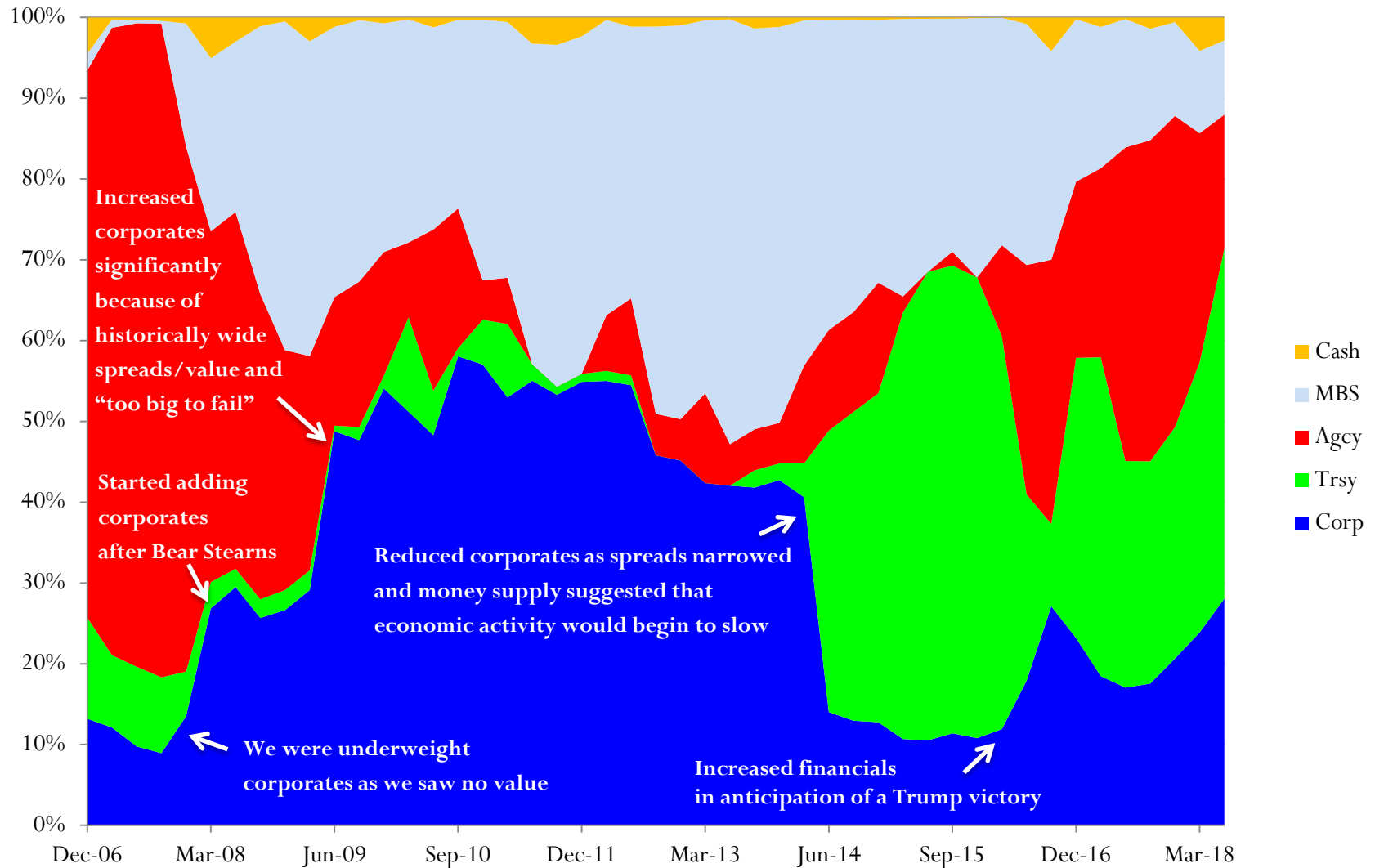


BBB Corporate Index Excess Returns

Year	Excess Return
2009	32.93
2003	9.45
2012	8.41
2016	6.82
2017	4.19
1991	3.70
2013	3.66
2010	3.10
1999	2.48
2001	2.23
2004	2.01
1996	2.00
1992	1.67
1993	1.58
1995	1.50
2006	1.46
1994	1.32
1997	0.59
2015	0.24
2014	-0.44
2018	-1.73
2005	-2.33
2011	-3.68
1998	-3.83
1990	-3.87
2002	-5.04
2007	-5.33
2000	-7.77
2008	-24.62

Fixed Income Intermediate Govt./Credit Historical Sector Weightings

June 30, 2018



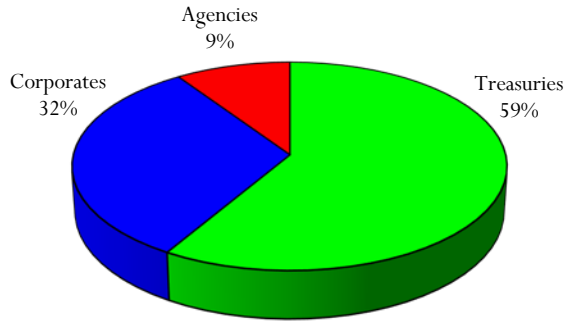
The percent weightings shown are those of an actual portfolio that is representative of this strategy. The percent weightings may vary depending on the dates shown as well as client-imposed restrictions, cash flows, etc.

Fixed Income Portfolio Characteristics

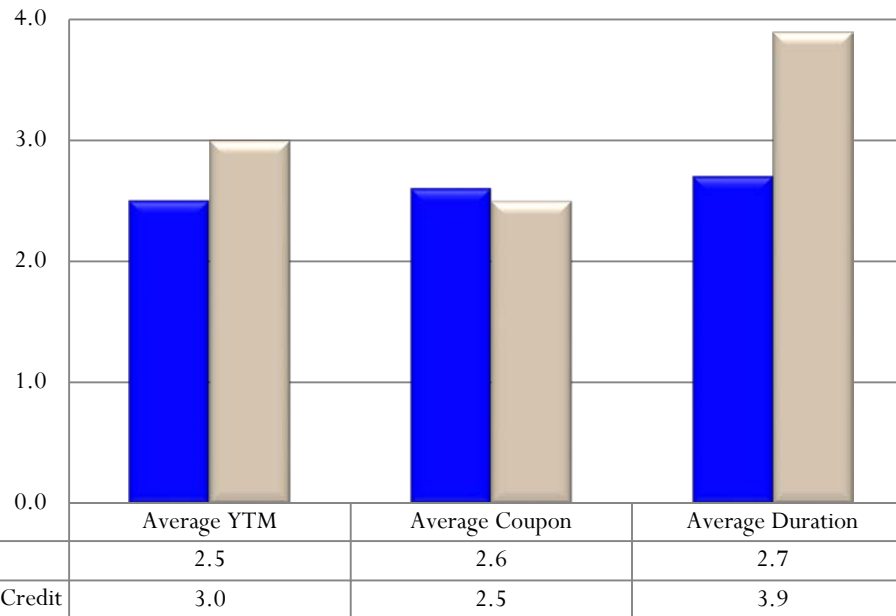
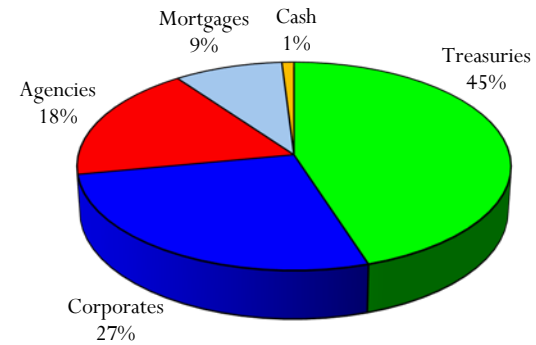
City of Ormond Beach Police Officers' Pension Trust Fund

June 30, 2018

Bloomberg Barclays Int. Govt./Credit



Portfolio



Current Fixed Income Market Factors

June 30, 2018

Factor		Position
Sentiment	The put/call ratio on long Treasuries is generally neutral. Speculators in long dated Treasury futures have moved to a short position on average, but the implied fed funds rate is still below the median FOMC projection.	Neutral
Monetary	The Federal Reserve will increase its balance sheet reduction program from \$20 billion per month to \$30 billion per month starting in March. Additionally, multiple rate hikes over the next twelve months are expected.	Negative
Valuation	Although the yield of the 10-year Treasury has risen this year, it is still below our estimate for fair value.	Negative
Economic	Although estimates for GDP growth have fallen somewhat, they remain at levels consistent with moderate growth.	Neutral
Inflation	Measures of inflation expectations have begun to increase, given the strengthening labor market and the possibility of higher prices due to potentially new or increasing tariffs.	Negative

Portfolio Review

GARCIA HAMILTON & ASSOCIATES
PORTFOLIO SUMMARY
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf
June 30, 2018

Security Type	Total Cost	Market Value	Pct. Assets	Yield	Est. Annual Income
FIXED INCOME					
CORPORATE BONDS	2,493,403.01	2,488,605.09	27.0	2.7	76,858.02
GOVERNMENT BONDS					
TREASURY	4,086,679.92	4,070,284.50	44.2	2.7	80,206.25
AGENCY - NONCALLABLE	1,640,138.45	1,641,196.14	17.8	2.0	34,286.28
GOVERNMENT BONDS	5,726,818.37	5,711,480.65	62.1	2.5	114,492.53
MORTGAGE-BACKED SECURITIES-FNMA	245,018.23	234,886.28	2.6	1.9	11,637.52
MORTGAGE-BACKED SECURITIES-FHLMC	646,587.34	621,190.73	6.8	1.8	30,425.65
Accrued Interest		33,089.63	0.4		
	9,111,826.94	9,089,252.39	98.8	2.5	233,413.72
CASH & EQUIVALENTS					
CASH & EQUIVALENTS	111,161.78	111,161.78	1.2	1.5	1,678.54
	111,161.78	111,161.78	1.2	1.5	1,678.54
TOTAL PORTFOLIO	9,222,988.72	9,200,414.17	100.0	2.5	235,092.26

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
 PORTFOLIO APPRAISAL
 CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
 (3250000393) ormondpf
 June 30, 2018

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
CORPORATE BONDS									
225,000	Apple Inc. Floater 2.503% Due 08-02-19	100.01	225,022.95	100.13	225,295.65	2.4	2.503	5,631.61	2.4
270,000	State Street Floater 3.226% Due 08-18-20	101.83	274,928.04	101.50	274,054.86	3.0	3.226	8,709.20	2.5
355,000	American Express Floater 3.386% Due 09-14-20	101.93	361,848.00	101.67	360,922.11	3.9	3.386	12,018.99	2.6
225,000	Goldman Sachs Floater 3.720% Due 04-23-21	102.56	230,766.30	102.18	229,910.62	2.5	3.720	8,368.96	2.9
135,000	JP Morgan Floater 3.419% Due 06-07-21	102.06	137,775.60	101.88	137,533.00	1.5	3.419	4,615.91	2.8
260,000	Bank of America Flt Call 3.022% Due 07-21-21	100.54	261,415.05	100.39	261,011.40	2.8	3.022	7,856.06	2.9
110,000	Morgan Stanley Flt Call 3.539% Due 01-20-22	101.56	111,721.50	101.30	111,434.51	1.2	3.539	3,892.53	3.2
270,000	Walt Disney Floater 2.711% Due 03-04-22	101.00	272,698.30	100.87	272,362.50	3.0	2.711	7,320.37	2.5
205,000	BB&T Floater 2.958% Due 04-01-22	101.06	207,182.62	100.64	206,314.66	2.2	2.958	6,063.90	2.8
270,000	Intel Corp Floater 2.706% Due 05-11-22	100.49	271,326.75	100.62	271,676.43	3.0	2.706	7,305.52	2.5
135,000	Morgan Stanley Flt Call 3.759% Due 10-24-23	102.75	138,717.90	102.29	138,089.34	1.5	3.759	5,074.96	3.3
	Accrued Interest				10,574.09	0.1			
			2,493,403.01		2,499,179.18	27.2		76,858.02	2.7
GOVERNMENT BONDS									
TREASURY									
445,000	U S Treasury 1.000% Due 09-15-18	99.79	444,073.83	99.81	444,145.60	4.8	1.000	4,450.00	1.9
530,000	U S Treasury 2.000% Due 10-31-22	96.28	510,290.62	97.10	514,617.81	5.6	2.000	10,600.00	2.7
1,270,000	U S Treasury 2.000% Due 11-30-22	97.50	1,238,198.82	97.05	1,232,594.69	13.4	2.000	25,400.00	2.7
200,000	U S Treasury 2.125% Due 05-15-25	98.75	197,499.44	95.69	191,382.80	2.1	2.125	4,250.00	2.8
645,000	U S Treasury 1.625% Due 02-15-26	92.80	598,532.86	91.74	591,737.19	6.4	1.625	10,481.25	2.8
275,000	U S Treasury 1.500% Due 08-15-26	93.57	257,311.33	90.31	248,359.37	2.7	1.500	4,125.00	2.8
880,000	U S Treasury 2.375% Due 05-15-27	95.54	840,773.02	96.30	847,447.04	9.2	2.375	20,900.00	2.8
	Accrued Interest				13,791.06	0.1			
			4,086,679.92		4,084,075.56	44.4		80,206.25	2.7
AGENCY - NONCALLABLE									
350,000	FFCB Floater 1.941% Due 04-03-19	100.02	350,079.20	100.02	350,072.45	3.8	1.941	6,792.45	1.9

GARCIA HAMILTON & ASSOCIATES
 PORTFOLIO APPRAISAL
 CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
 (3250000393) ormondpf
 June 30, 2018

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
230,000	FFCB Floater 2.006% Due 05-24-19	100.00	230,000.00	100.00	230,000.00	2.5	2.006	4,614.10	2.0
175,000	FHLB Floater 2.166% Due 06-12-19	100.03	175,052.50	100.14	175,239.92	1.9	2.166	3,790.50	2.0
465,000	FHLB Floater 2.158% Due 07-05-19	100.00	465,006.75	100.11	465,508.71	5.1	2.158	10,034.70	2.0
420,000	FHLMC Floater 2.156% Due 07-05-19	100.00	420,000.00	100.09	420,375.06	4.6	2.156	9,054.53	2.1
	Accrued Interest				5,336.06	0.1			
			1,640,138.45		1,646,532.21	17.9		34,286.28	2.0
	GOVERNMENT BONDS Total		5,726,818.37		5,730,607.77	62.3		114,492.53	2.5
MORTGAGE-BACKED SECURITIES-FNMA									
555,000.00	FNMA Pool #MA0472 5.000% Due 07-01-30	110.60	78,986.38	106.02	75,717.18	0.8	5.000	3,570.82	1.9
4,475,000.00	FNMA Pool #745418 5.500% Due 04-01-36	113.20	166,031.84	108.52	159,169.10	1.7	5.500	8,066.70	1.8
	Accrued Interest				937.47	0.0			
			245,018.23		235,823.75	2.6		11,637.52	1.9
MORTGAGE-BACKED SECURITIES-FHLMC									
395,000.00	FHLMC Pool #G15718 5.500% Due 12-01-24	108.05	162,303.54	103.14	154,938.65	1.7	5.500	8,261.87	1.6
510,000.00	FHLMC Pool #G15743 5.000% Due 06-01-26	107.01	204,643.64	103.12	197,207.99	2.1	5.000	9,561.69	1.5
200,000.00	FHLMC Pool #G30892 5.500% Due 04-01-30	111.56	126,918.43	106.91	121,628.95	1.3	5.500	6,257.04	2.0
330,000.00	FHLMC Pool #G60134 4.500% Due 06-01-36	108.31	152,721.72	104.55	147,415.15	1.6	4.500	6,345.05	2.5
	Accrued Interest				2,450.96	0.0			
			646,587.34		623,641.69	6.8		30,425.65	1.8
CASH & EQUIVALENTS									
	Regions Trust Cash Sweep		111,161.78		111,161.78	1.2	1.510	1,678.54	1.5
			111,161.78		111,161.78	1.2		1,678.54	1.5
TOTAL PORTFOLIO			9,222,988.72		9,200,414.17	100.0		235,092.26	2.5

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GARCIA HAMILTON & ASSOCIATES
PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 04-01-18 To 06-30-18

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
04-05-2018	04-09-2018	135,000	JP Morgan Floater 3.419% Due 06-07-21	102.06	137,775.60
04-25-2018	04-27-2018	150,000	U S Treasury 2.375% Due 05-15-27	94.93	142,394.52
05-15-2018	05-18-2018	720,000	U S Treasury 2.000% Due 10-31-22	96.28	693,225.00
05-15-2018	05-18-2018	145,000	U S Treasury 2.375% Due 05-15-27	94.42	136,911.71
05-16-2018	05-21-2018	60,000	U S Treasury 2.125% Due 05-15-25	94.14	56,484.37
05-16-2018	05-21-2018	240,000	U S Treasury 2.375% Due 05-15-27	94.30	226,321.87
05-22-2018	05-24-2018	90,000	Goldman Sachs Floater 3.720% Due 04-23-21	102.53	92,280.60
05-24-2018	05-29-2018	45,000	BB&T Floater 2.958% Due 04-01-22	101.07	45,481.82
05-31-2018	06-04-2018	320,000	FHLB Discount Note 0.000% Due 06-06-18	99.99	319,971.38
06-14-2018	06-18-2018	335,000	U S Treasury 1.000% Due 09-15-18	99.78	334,267.19
06-18-2018	06-20-2018	135,000	State Street Floater 3.226% Due 08-18-20	101.63	137,197.80
06-29-2018	07-03-2018	110,000	U S Treasury 1.000% Due 09-15-18	99.82	109,806.64
					2,432,118.50
SALES					
05-15-2018	05-17-2018	325,000	FFCB Floater 1.987% Due 05-25-18	100.01	325,019.83
05-16-2018	05-18-2018	275,000	FHLB Floater 2.152% Due 10-26-18	100.08	275,220.00
05-17-2018	05-17-2018	470,000	FFCB Floater 1.915% Due 05-17-18	100.00	470,000.00

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GARCIA HAMILTON & ASSOCIATES
PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 04-01-18 To 06-30-18

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
05-17-2018	05-21-2018	130,000	FHLB Floater 2.152% Due 10-26-18	100.08	130,107.90
05-24-2018	05-29-2018	270,000	U S Treasury 1.625% Due 02-15-26	90.76	245,056.62
05-29-2018	05-31-2018	190,000	U S Treasury 2.000% Due 10-31-22	97.66	185,561.71
05-29-2018	05-31-2018	170,000	U S Treasury 2.125% Due 05-15-25	96.33	163,757.80
06-06-2018	06-06-2018	320,000	FHLB Discount Note 0.000% Due 06-06-18	100.00	320,000.00
					2,114,723.86
PRINCIPAL PAYDOWNS					
04-01-2018	04-01-2018	6,075.38	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	6,075.38
04-01-2018	04-01-2018	8,567.07	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	8,567.07
04-01-2018	04-01-2018	2,073.46	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	2,073.46
04-01-2018	04-01-2018	2,095.76	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	2,095.76
04-01-2018	04-01-2018	2,665.09	FNMA Pool #745418 5.500% Due 04-01-36	100.00	2,665.09
04-01-2018	04-01-2018	2,040.44	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	2,040.44
05-01-2018	05-01-2018	6,286.38	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	6,286.38
05-01-2018	05-01-2018	7,770.98	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	7,770.98
05-01-2018	05-01-2018	2,540.43	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	2,540.43
05-01-2018	05-01-2018	2,132.97	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	2,132.97
05-01-2018	05-01-2018	2,895.55	FNMA Pool #745418 5.500% Due 04-01-36	100.00	2,895.55

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GARCIA HAMILTON & ASSOCIATES
PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 04-01-18 To 06-30-18

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
05-01-2018	05-01-2018	457.45	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	457.45
06-01-2018	06-01-2018	5,902.58	FHLMC Pool #G15718 5.500% Due 12-01-24	100.00	5,902.58
06-01-2018	06-01-2018	8,795.03	FHLMC Pool #G15743 5.000% Due 06-01-26	100.00	8,795.03
06-01-2018	06-01-2018	2,984.54	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	2,984.54
06-01-2018	06-01-2018	2,972.79	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	2,972.79
06-01-2018	06-01-2018	2,515.22	FNMA Pool #745418 5.500% Due 04-01-36	100.00	2,515.22
06-01-2018	06-01-2018	1,879.54	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	1,879.54
					70,650.66

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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).