GH&A
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May 6, 2011

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, 2011. Relevant indices have been included for comparison purposes.

There was no shortage of dramatic headlines in the first quarter of 2011. Japan was hit with a devastating earthquake and tsunami, which also caused a nuclear emergency due to damaged reactors. Political unrest swept through many Arab countries, driving crude oil prices well north of $100 per barrel. Although these events initially drove investors to the safety of U.S. Treasuries, rates made their way higher amidst confidence on global stability and growth. Even high oil prices, which initially sparked concern regarding the recovery, are unlikely to derail growth, according to Fed Chairman Ben Bernanke.

The 10-year Treasury yield ended March at 3.45%, representing a 16 basis point increase for the quarter. Looking at other parts of the yield curve, the 2-year Treasury yield climbed 19 basis points to 0.78% while the 30-year Treasury yield rose 17 basis points to 4.51%. Thus, the 2-30 yield spread flattened to 373 basis points.

Despite the rise in rates, the bond market delivered modest positive performance as the Barclays Capital Aggregate Index returned 0.42% for the quarter, and the Barclays Capital Intermediate Government/Credit returned 0.34%. Spread product was favored as all four sectors delivered positive excess return. The corporate sector led with excess return of 102 basis points, followed by asset-backed securities with 61 basis points of excess return. Mortgage-backed securities provided 55 basis points of excess return, and lastly, agencies delivered 28 basis points of excess return. Thus, the Barclays Capital Aggregate Index delivered positive excess return of 50 basis points.

We are maintaining the duration of the portfolio at a level marginally above the index and remain overweighted in corporate bonds with an emphasis on financials. In the near term, we expect rates to trade in a narrow range with a bias lower. Later in the year, we expect the yield curve to begin a new flattening trend as short rates rise more than long rates.

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

Sincerely,

Janna Hamilton
Partner

JH/kr
Enclosure