

GARCIA HAMILTON & ASSOCIATES

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

September 30, 2021

Client Use Only

See disclosures for other relevant information.

GARCIA HAMILTON & ASSOCIATES
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf
September 30, 2021

PORTFOLIO COMPOSITION	Market Value	Pct. Assets	Yield	CHANGE IN PORTFOLIO	
FIXED INCOME	12,409,547.18	96.2	0.7	Portfolio Value on 03-31-01	4,313,579.29
CASH	487,442.10	3.8	0.0	Accrued Interest	49,602.98
				Net Additions/Withdrawals	4,605,680.22
				Net Transfers	-4,750,890.94
				Realized Gains/Losses	742,595.99
				Unrealized Gains/Losses	-66,021.30
				Income Received	5,100,705.43
				Change in Accrued Interest	-19,859.37
				Portfolio Value on 09-30-21	12,867,245.67
				Accrued Interest	29,743.61
Total	12,896,989.28	100.0	0.7		12,896,989.28

TIME WEIGHTED RETURN - GROSS OF FEES

	<u>Quarter</u>	<u>One Year</u>	<u>Annualized Last 3 Years</u>	<u>Annualized Last 5 Years</u>	<u>Annualized Last 7 Years</u>	<u>Annualized Last 10 Years</u>	<u>Annualized Inception 03-31-01 To Date</u>
Account	-0.02	-0.81	3.79	2.45	2.82	3.49	N/A
FIXED INCOME	-0.02	-0.83	3.90	2.51	2.87	3.56	4.94
Bloomberg US Int Gov/Credit	0.02	-0.40	4.63	2.60	2.74	2.52	3.98

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

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.

GARCIA HAMILTON & ASSOCIATES
PORTFOLIO SUMMARY
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf
September 30, 2021

Security Type	Total Cost	Market Value	Pct. Assets	Yield	Est. Annual Income
FIXED INCOME					
Corporate Bonds					
Corporates	2,338,533.76	2,367,365.48	18.4	1.1	43,121.60
Government Bonds					
Treasury	5,898,116.54	5,802,230.61	45.0	0.8	103,781.25
Agency	400,000.00	399,950.00	3.1	0.1	98.00
Government Bonds	6,298,116.54	6,202,180.61	48.1	0.8	103,879.25
Mortgage-Backed Securities FNMA					
MBS	2,939,733.76	2,936,459.87	22.8	0.4	92,471.77
Mortgage-Backed Securities FHLMC					
MBS	876,244.83	873,797.61	6.8	0.3	25,978.01
Accrued Interest		29,743.61	0.2		
	12,452,628.88	12,409,547.18	96.2	0.7	265,450.63
CASH					
CASH					
Cash	487,442.10	487,442.10	3.8	0.0	48.74
	487,442.10	487,442.10	3.8	0.0	48.74
TOTAL PORTFOLIO	12,940,070.98	12,896,989.28	100.0	0.7	265,499.38

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
September 30, 2021

Quantity	Symbol	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
Corporate Bonds										
Corporates										
420,000	31677QBQ1	Fifth Third Bank Floater 0.766% Due 02-01-22	100.00	420,000.00	100.22	420,906.36	3.3	0.766	3,216.15	0.1
375,000	05531FAY9	Truist Bank Floater 0.795% Due 04-01-22	100.74	377,788.07	100.28	376,031.62	2.9	0.795	2,980.80	0.3
305,000	20030NCX7	Comcast Corp. Floater 0.756% Due 04-15-24	100.03	305,076.66	101.23	308,747.53	2.4	0.756	2,306.20	0.3
270,000	06051GJQ3	Bank of America 1.658% Due 03-11-27	100.00	270,000.00	100.57	271,549.80	2.1	1.658	4,476.60	1.5
225,000	61747YEC5	Morgan Stanley 1.512% Due 07-20-27	100.00	225,000.00	99.52	223,930.35	1.7	1.512	3,402.00	1.6
235,000	61744YAK4	Morgan Stanley 3.591% Due 07-22-28	100.12	235,283.13	109.66	257,709.93	2.0	3.591	8,438.85	2.1
230,000	95000U2D4	Wells Fargo 4.150% Due 01-24-29	111.02	255,337.26	113.65	261,397.76	2.0	4.150	9,545.00	2.1
220,000	172967ME8	Citigroup Inc. 3.980% Due 03-20-30	113.66	250,048.64	112.31	247,092.12	1.9	3.980	8,756.00	2.4
		Accrued Interest				6,306.00	0.0			
				2,338,533.76		2,373,671.48	18.4		43,121.60	1.1
		Corporate Bonds Total		2,338,533.76		2,373,671.48	18.4		43,121.60	1.1
Government Bonds										
Treasury										
495,000.00	912796M55	U S Treasury Bill 0.000% Due 10-26-21	100.00	494,982.13	100.00	494,979.70	3.8	0.000	0.00	0.1
450,000.00	912796G78	U S Treasury Bill 0.000% Due 10-28-21	100.00	449,989.88	99.99	449,977.50	3.5	0.000	0.00	0.1
1,275,000.00	9128284F4	U S Treasury 2.625% Due 03-31-25	108.85	1,387,885.95	106.80	1,361,759.92	10.6	2.625	33,468.75	0.7
115,000.00	912828XB1	U S Treasury 2.125% Due 05-15-25	107.42	123,534.87	105.09	120,857.87	0.9	2.125	2,443.75	0.7
1,380,000.00	9128286F2	U S Treasury 2.500% Due 02-28-26	109.93	1,517,008.59	107.03	1,476,976.74	11.5	2.500	34,500.00	0.9
1,000,000.00	912828X88	U S Treasury 2.375% Due 05-15-27	109.09	1,090,855.05	106.95	1,069,531.00	8.3	2.375	23,750.00	1.1
855,000.00	91282CBL4	U S Treasury 1.125% Due 02-15-31	97.53	833,860.07	96.86	828,147.87	6.4	1.125	9,618.75	1.5

GARCIA HAMILTON & ASSOCIATES
PORTFOLIO APPRAISAL
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf
September 30, 2021

Quantity	Symbol	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
		Accrued Interest				13,884.12	0.1			
				5,898,116.54		5,816,114.73	45.1		103,781.25	0.8
Agency										
400,000.00	31422BZG8	FAMCA Floater 0.024% Due 02-18-22	100.00	400,000.00	99.99	399,950.00	3.1	0.024	98.00	0.1
		Accrued Interest				11.71	0.0			
				400,000.00		399,961.71	3.1		98.00	0.1
		Government Bonds Total		6,298,116.54		6,216,076.43	48.2		103,879.25	0.8
Mortgage-Backed Securities FNMA										
MBS										
790,000.00	3140X4ZL3	FNMA Pool #FM1646 3.500% Due 06-01-34	106.78	239,950.93	107.21	240,918.65	1.9	3.500	7,864.94	0.1
875,000.00	31418DJK9	FNMA Pool #MA3865 3.000% Due 12-01-34	105.48	329,615.83	105.51	329,697.64	2.6	3.000	9,374.35	0.3
590,000.00	31418DKL5	FNMA Pool #MA3898 3.500% Due 01-01-35	106.73	241,263.79	106.73	241,263.76	1.9	3.500	7,911.45	0.1
1,150,000.00	3140X6WA5	FNMA Pool #FM3340 3.500% Due 05-01-35	106.82	528,121.26	106.60	527,019.19	4.1	3.500	17,304.31	0.3
380,000.00	3140XBJC5	FNMA Pool #FM7458 3.500% Due 09-01-35	107.03	345,217.62	106.60	343,831.53	2.7	3.500	11,288.87	0.1
250,000.00	3140XBH86	FNMA Pool #FM7454 3.500% Due 12-01-35	107.27	232,683.73	107.22	232,583.29	1.8	3.500	7,592.30	0.3
305,000.00	3140X97J8	FNMA Pool #FM6296 3.500% Due 05-01-38	107.00	233,504.39	107.35	234,268.21	1.8	3.500	7,637.99	0.2
320,000.00	3140X9WT8	FNMA Pool #FM6057 3.500% Due 08-01-39	106.73	224,531.84	105.95	222,885.83	1.7	3.500	7,362.78	0.2
905,000.00	31418DKC5	FNMA Pool #MA3890 3.000% Due 01-01-40	105.11	358,370.78	104.93	357,774.80	2.8	3.000	10,228.51	1.1
455,000.00	31418DMG4	FNMA Pool #MA3958 3.000% Due 03-01-40	104.88	206,473.57	104.74	206,216.98	1.6	3.000	5,906.28	1.2
		Accrued Interest				7,449.12	0.1			
				2,939,733.76		2,943,908.98	22.8		92,471.77	0.4
		Mortgage-Backed Securi Total		2,939,733.76		2,943,908.98	22.8		92,471.77	0.4

GARCIA HAMILTON & ASSOCIATES
PORTFOLIO APPRAISAL
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST FUND-FIXED
(3250000393) ormondpf
September 30, 2021

Quantity	Symbol	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unit Income	Annual Income	Yield
Mortgage-Backed Securities FHLMC										
MBS										
820,000.00	3132D54E9	FHLMC Pool# SB8021 3.000% Due 12-01-34	105.52	335,662.64	105.21	334,704.21	2.6	3.000	9,543.50	0.1
1,060,000.00	31329QJJ1	FHLMC Pool #ZA6565 3.500% Due 04-01-39	106.47	231,184.13	106.16	230,508.42	1.8	3.500	7,599.83	0.1
845,000.00	3133KYSE0	FHLMC Pool #RB5017 3.000% Due 11-01-39	105.06	309,398.05	104.79	308,584.98	2.4	3.000	8,834.69	0.5
		Accrued Interest				2,092.67	0.0			
				876,244.83		875,890.29	6.8		25,978.01	0.3
		Mortgage-Backed Securi Total		876,244.83		875,890.29	6.8		25,978.01	0.3
CASH										
Cash										
	RMMDC	Regions Trust Cash Sweep		487,442.10		487,442.10	3.8	0.010	48.74	0.0
				487,442.10		487,442.10	3.8		48.74	0.0
		CASH Total		487,442.10		487,442.10	3.8		48.74	0.0
TOTAL PORTFOLIO				12,940,070.98		12,896,989.28	100.0		265,499.38	0.7

GARCIA HAMILTON & ASSOCIATES
PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 07-01-2021 To 09-30-2021

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Price	Amount
PURCHASES						
07-28-2021	07-30-2021	242,541.50	31329QJ1	FHLMC Pool #ZA6565 3.500% Due 04-01-39	106.47	258,230.90
07-15-2021	07-20-2021	225,000	61747YEC5	Morgan Stanley 1.512% Due 07-20-27	100.00	225,000.00
08-11-2021	08-13-2021	75,000.00	91282CBL4	U S Treasury 1.125% Due 02-15-31	98.07	73,552.73
08-31-2021	09-02-2021	35,000.00	91282CBL4	U S Treasury 1.125% Due 02-15-31	98.89	34,611.72
09-23-2021	09-27-2021	270,000.00	91282CBL4	U S Treasury 1.125% Due 02-15-31	97.84	264,154.53
09-24-2021	09-28-2021	185,000.00	91282CBL4	U S Treasury 1.125% Due 02-15-31	97.44	180,254.85
09-27-2021	09-29-2021	135,000.00	91282CBL4	U S Treasury 1.125% Due 02-15-31	97.25	131,281.36
09-28-2021	09-30-2021	155,000.00	91282CBL4	U S Treasury 1.125% Due 02-15-31	96.78	150,004.88
09-28-2021	09-30-2021	495,000.00	912796M55	U S Treasury Bill 0.000% Due 10-26-21	100.00	494,982.13
09-29-2021	10-01-2021	450,000.00	912796G78	U S Treasury Bill 0.000% Due 10-28-21	100.00	449,989.88
						2,262,062.98
SALES						
08-11-2021	08-13-2021	130,000.000	31422BZG8	FAMCA Floater 0.024% Due 02-18-22	99.97	129,961.00
08-12-2021	08-16-2021	49,609.89	3132J4GA1	FHLMC Pool #G30892 5.500% Due 04-01-30	111.50	55,315.03
08-12-2021	08-16-2021	62,971.62	31335AEF1	FHLMC Pool #G60134 4.500% Due 06-01-36	110.69	69,701.69
08-12-2021	08-16-2021	29,135.74	31417YQ26	FNMA Pool #MA0472 5.000% Due 07-01-30	109.91	32,022.02
09-23-2021	09-27-2021	365,000.00	912828XB1	U S Treasury 2.125% Due 05-15-25	105.18	383,905.86
09-24-2021	09-28-2021	365,000.00	912828XB1	U S Treasury 2.125% Due 05-15-25	105.12	383,706.25
09-27-2021	09-29-2021	365,000.00	912828XB1	U S Treasury 2.125% Due 05-15-25	105.05	383,449.61

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
PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 07-01-2021 To 09-30-2021

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Price	Amount
09-28-2021	09-30-2021	365,000.00	912828XB1	U S Treasury 2.125% Due 05-15-25	105.02	383,321.29
						1,821,382.75
PRINCIPAL PAYDOWNS						
07-01-2021	07-01-2021	987.34	3132J4GA1	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	987.34
08-01-2021	08-01-2021	1,487.67	3132J4GA1	FHLMC Pool #G30892 5.500% Due 04-01-30	100.00	1,487.67
07-01-2021	07-01-2021	1,527.21	31335AEF1	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	1,527.21
08-01-2021	08-01-2021	1,322.77	31335AEF1	FHLMC Pool #G60134 4.500% Due 06-01-36	100.00	1,322.77
07-01-2021	07-01-2021	17,894.95	3133KYSE0	FHLMC Pool #RB5017 3.000% Due 11-01-39	100.00	17,894.95
08-01-2021	08-01-2021	14,004.54	3133KYSE0	FHLMC Pool #RB5017 3.000% Due 11-01-39	100.00	14,004.54
09-01-2021	09-01-2021	18,242.60	3133KYSE0	FHLMC Pool #RB5017 3.000% Due 11-01-39	100.00	18,242.60
08-01-2021	08-01-2021	12,871.09	31329QJJ1	FHLMC Pool #ZA6565 3.500% Due 04-01-39	100.00	12,871.09
09-01-2021	09-01-2021	12,532.39	31329QJJ1	FHLMC Pool #ZA6565 3.500% Due 04-01-39	100.00	12,532.39
07-01-2021	07-01-2021	19,076.19	3132D54E9	FHLMC Pool# SB8021 3.000% Due 12-01-34	100.00	19,076.19
08-01-2021	08-01-2021	14,950.00	3132D54E9	FHLMC Pool# SB8021 3.000% Due 12-01-34	100.00	14,950.00
09-01-2021	09-01-2021	15,151.56	3132D54E9	FHLMC Pool# SB8021 3.000% Due 12-01-34	100.00	15,151.56
07-01-2021	07-01-2021	14,624.24	3140X4ZL3	FNMA Pool #FM1646 3.500% Due 06-01-34	100.00	14,624.24
08-01-2021	08-01-2021	12,649.80	3140X4ZL3	FNMA Pool #FM1646 3.500% Due 06-01-34	100.00	12,649.80
09-01-2021	09-01-2021	11,181.79	3140X4ZL3	FNMA Pool #FM1646 3.500% Due 06-01-34	100.00	11,181.79
07-01-2021	07-01-2021	28,182.65	3140X6WA5	FNMA Pool #FM3340 3.500% Due 05-01-35	100.00	28,182.65
08-01-2021	08-01-2021	24,651.93	3140X6WA5	FNMA Pool #FM3340 3.500% Due 05-01-35	100.00	24,651.93
09-01-2021	09-01-2021	23,104.80	3140X6WA5	FNMA Pool #FM3340 3.500% Due 05-01-35	100.00	23,104.80

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
PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 07-01-2021 To 09-30-2021

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Price	Amount
07-01-2021	07-01-2021	10,110.11	3140X9WT8	FNMA Pool #FM6057 3.500% Due 08-01-39	100.00	10,110.11
08-01-2021	08-01-2021	12,291.62	3140X9WT8	FNMA Pool #FM6057 3.500% Due 08-01-39	100.00	12,291.62
09-01-2021	09-01-2021	8,826.27	3140X9WT8	FNMA Pool #FM6057 3.500% Due 08-01-39	100.00	8,826.27
07-01-2021	07-01-2021	12,113.27	3140X97J8	FNMA Pool #FM6296 3.500% Due 05-01-38	100.00	12,113.27
08-01-2021	08-01-2021	10,248.10	3140X97J8	FNMA Pool #FM6296 3.500% Due 05-01-38	100.00	10,248.10
09-01-2021	09-01-2021	8,638.71	3140X97J8	FNMA Pool #FM6296 3.500% Due 05-01-38	100.00	8,638.71
07-01-2021	07-01-2021	7,070.82	3140XBH86	FNMA Pool #FM7454 3.500% Due 12-01-35	100.00	7,070.82
08-01-2021	08-01-2021	14,122.67	3140XBH86	FNMA Pool #FM7454 3.500% Due 12-01-35	100.00	14,122.67
09-01-2021	09-01-2021	3,873.92	3140XBH86	FNMA Pool #FM7454 3.500% Due 12-01-35	100.00	3,873.92
07-01-2021	07-01-2021	20,696.00	3140XBJC5	FNMA Pool #FM7458 3.500% Due 09-01-35	100.00	20,696.00
08-01-2021	08-01-2021	10,748.05	3140XBJC5	FNMA Pool #FM7458 3.500% Due 09-01-35	100.00	10,748.05
09-01-2021	09-01-2021	13,200.20	3140XBJC5	FNMA Pool #FM7458 3.500% Due 09-01-35	100.00	13,200.20
07-01-2021	07-01-2021	924.14	31417YQ26	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	924.14
08-01-2021	08-01-2021	833.09	31417YQ26	FNMA Pool #MA0472 5.000% Due 07-01-30	100.00	833.09
07-01-2021	07-01-2021	20,559.03	31418DJK9	FNMA Pool #MA3865 3.000% Due 12-01-34	100.00	20,559.03
08-01-2021	08-01-2021	14,488.91	31418DJK9	FNMA Pool #MA3865 3.000% Due 12-01-34	100.00	14,488.91
09-01-2021	09-01-2021	16,936.56	31418DJK9	FNMA Pool #MA3865 3.000% Due 12-01-34	100.00	16,936.56
07-01-2021	07-01-2021	19,961.68	31418DKC5	FNMA Pool #MA3890 3.000% Due 01-01-40	100.00	19,961.68
08-01-2021	08-01-2021	19,338.13	31418DKC5	FNMA Pool #MA3890 3.000% Due 01-01-40	100.00	19,338.13
09-01-2021	09-01-2021	20,402.61	31418DKC5	FNMA Pool #MA3890 3.000% Due 01-01-40	100.00	20,402.61

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
PURCHASE AND SALE
CITY OF ORMOND BEACH POLICE OFFICERS' PENSION TRUST
FUND-FIXED
(3250000393) ormondpf
From 07-01-2021 To 09-30-2021

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Price	Amount
07-01-2021	07-01-2021	12,190.95	31418DKL5	FNMA Pool #MA3898 3.500% Due 01-01-35	100.00	12,190.95
08-01-2021	08-01-2021	12,171.62	31418DKL5	FNMA Pool #MA3898 3.500% Due 01-01-35	100.00	12,171.62
09-01-2021	09-01-2021	14,275.86	31418DKL5	FNMA Pool #MA3898 3.500% Due 01-01-35	100.00	14,275.86
07-01-2021	07-01-2021	10,849.28	31418DMG4	FNMA Pool #MA3958 3.000% Due 03-01-40	100.00	10,849.28
08-01-2021	08-01-2021	10,804.06	31418DMG4	FNMA Pool #MA3958 3.000% Due 03-01-40	100.00	10,804.06
09-01-2021	09-01-2021	9,466.88	31418DMG4	FNMA Pool #MA3958 3.000% Due 03-01-40	100.00	9,466.88
						559,586.06

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. Future investments may be made under significantly different market or economic conditions. These market or economic conditions may or may not be repeated. Therefore, there may be differences between the performance shown and the actual performance results achieved by any other client retaining Garcia Hamilton for the same investment strategies.

Benchmark results are shown for comparison purposes only. The benchmark presented represents unmanaged portfolios whose characteristics are similar to the portfolio(s); and it tends to represent the investment environment existing during the time periods shown. The benchmark cannot be invested in directly. The returns of the benchmark do not include any transaction costs, management fees or other costs. The holdings of the client portfolio(s) may differ significantly from the securities that comprise the benchmark shown. The benchmark has been selected to represent what the client and Garcia Hamilton believe is an appropriate benchmark with which to compare the performance of the portfolio(s).

GH&A

GARCIA HAMILTON & ASSOCIATES, L.P.

5 HOUSTON CENTER
1401 MCKINNEY, SUITE 1600
HOUSTON, TX 77010-4035
TEL: (713) 853-2322
FAX: (713) 853-2300

WWW.GARCIAHAMILTONASSOCIATES.COM

November 1, 2021

Ms. Sha Moss
City of Ormond Beach
22 South Beach Street
Ormond Beach, FL 32174

Dear Ms. Moss:

We have enclosed performance for the City of Ormond Beach Police Officers' Pension Trust Fund account for the period ending September 30, 2021. Relevant indices have been included for comparison purposes.

As we expected, the Federal Reserve indicated during the September FOMC meeting that they intend to announce a tapering plan at their next meeting November 2, 2021. FOMC consensus for ending purchases by the middle of next year indicates that the Committee has a high bar for delaying the tapering process. Given the large degree of asset market support provided by the Fed over the past 1.5 years, tapering is a critical component shaping our investment outlook. Tapering, when combined with a lower Delta variant COVID-19 infection rate, as indicated by a September reproduction rate (R-0) below 1, is highly supportive of our overall defensive portfolio positioning.

Economic data reported in September continued to display mixed readings, due largely to the past 3-month surge in the Delta COVID-19 variant. Given a fall in COVID-19's R-0 rate below 1 in September, we anticipate that macro-economic data will resume stronger readings over the next 6-12 months. That being said, the Conference Board's Consumer Confidence number came in at 109.3 in September, down 6 percentage points from the month prior. Weakness in consumer sentiment was offset by much stronger retail sales (up 0.7% m/m) and the backlog of unfilled orders remained at a record level in August with U.S. factories struggling to keep up with the pace of demand. The twin tailwinds of historically large fiscal and monetary stimulus will propel the economy through the current soft patch of economic growth and economic momentum will gain steam as COVID-19 infections decline in response to increasing vaccination rates and building herd immunity.

The 10-year Treasury yield increased 2 basis points to end the quarter at 1.49%. The 2-year yield finished higher by 3 basis points at 0.28% while the yield of the 30-year Treasury decreased 4 basis points to 2.05%. These moves caused the 2-30-year yield spread to flatten by 7 basis points to 177. The bond market posted a positive return this quarter with a return of 0.05% for the Bloomberg US Aggregate Index and a return of 0.02% for the Bloomberg US Intermediate Government/Credit Index. Within spread sectors of the market, corporate spreads widened from their historical tights and returned -15 basis points of excess return. Agencies were relatively flat during the quarter with 0 basis points of excess return. Lastly, structured product sectors were positive for the quarter with both asset-backed securities and mortgage-backed securities each delivering 3 basis points of excess return. Thus, the Bloomberg US Aggregate Index recorded an excess return of -5 basis points this quarter.

There is no change to our overall defensive portfolio positioning nor is there any change to our 6- to 12-month investment outlook. We continue to maintain a maximum underweight in duration, at current levels see little value in corporate spreads, and strongly recommend upgrading credit quality. Within structured products, we remain positive on the high coupon 15- and 20-year sectors of the MBS market because they will benefit from falling prepayment risks while having minimal duration extension risks. We anticipate that Fed tapering will strengthen the case for upward pressure on both interest rates and corporate bond spreads while removing the difficult to justify "non-market" policy support of open-ended QE, given the positive macro-economic conditions over the past 9 months.

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

Sincerely,

Janna Hamilton
Partner
Enclosure



Awards/rankings may not represent client experiences and are not indicative of future performance. Go to www.garciahiltonassociates.com/awards/ for additional information on each award.