

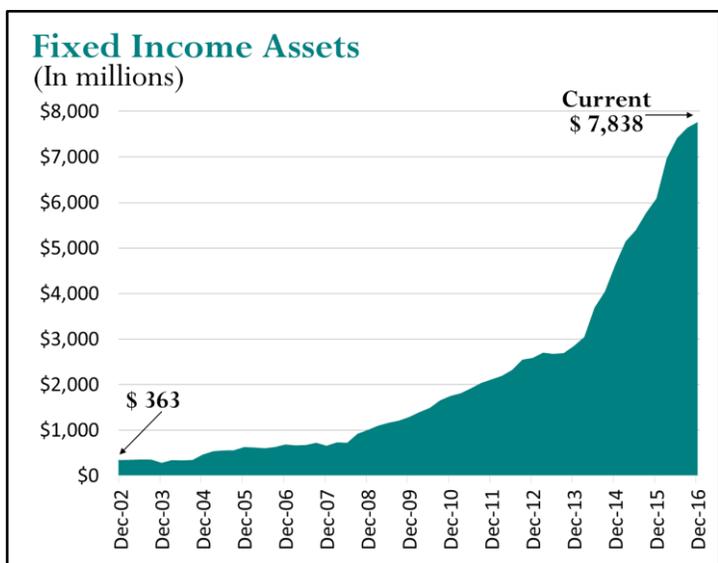
What a Wonderful World

We finally did it. My family and I spent New Year's Eve in Times Square! Of course, my wife loves to tell all her friends about our big trip. But, she doesn't mention that she fell asleep at 10 pm!

At midnight, it was a very emotional moment for everybody. During the revelry, they played several classic songs over the loud speaker. For me, the most memorable was "What a Wonderful World" by the legendary Louis Armstrong. I got a few chills myself during the song, especially with the line, "and I think to myself what a wonderful world."

It is a wonderful world. And, we at GHA received many blessings in 2016. Everybody was healthy, our kids got bigger and the firm crossed several key milestones.

First, the firm continued to grow. We now manage \$7.8 billion in fixed income assets for 251 clients. When I joined the firm in January 2002, Nancy Rodriguez was reassigned to work with me to build a fixed income business. At that time, we only had \$363 million in fixed income assets under management. The graph below shows our fixed income growth since then.



Second, despite a strong rally in low quality corporates, we had another good performance year. We felt American voters across the political spectrum were frustrated with Washington/government. This fact, along with his high name ID, led us to position our portfolios for a Trump victory. To us, a Trump victory would lead to higher expectations for tax cuts/fiscal stimulus and Dodd-Frank regulatory relief. Our election forecast, together with the bond market's overreaction (bond rally) to the British vote, led us to change our portfolios this past summer. We lowered their durations versus their benchmark indices from 20% long, to 20% short. In addition, we increased financial corporate bonds in our portfolios. These moves worked well, particularly in the fourth quarter.

Third, we proudly launched our first bond mutual fund in April with America Beacon Advisors (GHQIX). It is already almost \$140 million in assets.

Fourth, we received another investment management award from Institutional Investor Magazine-our third year in a row. We were named Intermediate-Term Fixed Income Manager of the Year.



Fifth, we were just named Pensions & Investments Best Places to Work in Money Management. This award is particularly special because it is based on our employees' opinions about the firm.

Each employee gave input by filling out an extensive and anonymous questionnaire. Thank you GHA employees for helping us create something special here at the firm!

Sixth, with our equity assets under management representing less than 2% of our firm assets, we decided to focus on our core competency (fixed income) and to discontinue managing equity assets at the end of 2017. This time period should give our equity clients ample time to find new management solutions. We can't thank our equity clients enough for standing by us all these years. But, we recognize that the large cap equity market is increasingly efficient and the trend toward passive equity management is accelerating. As a result, we repurchased the ownership from our equity portfolio manager, Curt Rohrman, as he will retire from the firm at the end of 2017.



Lastly, my mother always said "when the Lord closes one door, He opens another." In that regard, we issued additional ownership to four existing partners-Ruby Dang, Stephanie Roberts, Nancy Rodriguez and Kevin Lunday. Even better, we named two new partners-Karen Tass and Jeff Detwiler. Karen and Jeff are both long-time, seasoned portfolio managers with the firm. We are now 91% women and minority-owned; and 59% minority-owned. If 2017 is anything like last year, I can hardly wait!

These blessings went through my mind when I stood with a million people in Times Square and heard the beautiful words:

I see trees of green, red roses too
I see them bloom for me and you
And I think to myself what a wonderful world.

Happy New Year
Gilbert Andrew Garcia, CFA
Managing Partner