

May 2016

## It's a "Beautiful Day"

I was driving yesterday when one of my favorite U2 songs came on-Beautiful Day. It caused me to reflect. Recently, everybody in Houston has either been touched by storms or knows somebody who has. And like the aftermath of many storms, there's a certain calmness and beauty to the ensuing sunrise.

In these moments, it is appropriate to reflect on the many blessings bestowed upon us. In addition to our good health and three births among the Garcia Hamilton staff over the recent past, we have received many professional blessings as well.

The firm is now 28 people strong with nine on the fixed income investment team, ten on the client service team and nine among the other departments. Together, we continue to deliver superior investment performance and quality client service. In fact, *Institutional Investor Magazine* just awarded us Intermediate Manager of the Year for the second year in a row and our third consecutive overall award from them.



We have been well positioned the past few years. Since Lehman, the market has experienced a renaissance of traditional fixed income management. Furthermore, investors are losing patience with paying high fees for underperformance in hedge funds, core plus, unconstrained, absolute return and other trendy fixed income alternatives. We crossed \$1 billion in fixed income assets under management in 2008. We just crossed \$7.1 billion last month! This would never have happened without the hard work of the entire team and the support of so many including our families, our clients, several consultants, brokers and others who have supported our firm. This asset milestone placed us number three on the List of Largest Houston Money Managers in the *Houston Business Journal* Book of Lists.

Until now, our focus has been the institutional space, primarily defined benefit plans. To diversify and enter the defined contribution space, we have done two things. First, we just launched a collective trust. Second, we are thrilled to partner with Irving-based American Beacon Advisors to launch a mutual fund, the American Beacon Garcia Hamilton Quality Bond Fund (GHQIX). We are the fund's sole sub-advisor. The fund is managed against the Aggregate Index and already has over \$10 million in assets. American Beacon Advisors is a \$51.5 billion\* solutions-based firm offering innovative investment products. (\*as of 3/31/16)

Meanwhile, public service remains a key part of our firm's culture. In that regard, I just completed my six-year tour as Chairman of the Board of Directors of the Metropolitan Transit Authority of Harris County (METRO). We achieved many historic milestones including building 15 miles of light rail on time and under budget, passing a referendum with almost 80% of the vote securing \$400 million additional tax dollars for METRO, improving the agency's finances leading to a higher credit rating, and receiving Gold and Platinum transparency awards. All of these and more contributed to METRO being awarded American Public Transportation Agency's Transit Agency of the Year. [The Houston Chronicle wrote a nice article](#) summarizing some of these achievements.



At METRO, I stressed diversity and small business opportunities. METRO's pension board responded by passing its own diversity/opportunity policy, named the "Garcia Rule." The Rule is modeled after the NFL's Rooney Rule. It states that METRO's investment consultant must bring at least one emerging manager (defined as 51% minority, women or disabled veteran-owned; or a firm less than one billion in total assets) to the finals in every search. Everybody wins as the manager gains valuable exposure, the consultant becomes familiar with new quality managers and METRO might find additional alpha through a great emerging firm. [Click for more information.](#)

Diversity is becoming an increasingly important issue in our business. Our client, Dallas Employees' Retirement Fund has taken a leadership role nationally with their Next Generation Manager Initiative. We salute their efforts and are proud to be one of its beneficiaries. Their efforts were recently profiled in the [Dallas Morning News where we received nice coverage as well.](#)

We at GHA are thankful for all of our recent blessings. And together with the passing storms, these truly are Beautiful Days. In the words of U2:

It's a beautiful day  
Sky falls, you feel like  
It's a beautiful day  
Don't let it get away

Gilbert Andrew Garcia, CFA  
Managing Partner