



GH&A  
GARCIA HAMILTON & ASSOCIATES, L.P.

# GAZETTE

**MARCH 2023**

VOLUME 02 • ISSUE NO. 01



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# ABOUT THE AUTHORS

**Gilbert Andrew Garcia, CFA**

Joined GH&A in 2002 and is the Managing Partner of the Firm and oversees all day-to-day operations.

**Mark Delaney, CFA**

Joined GH&A in 2021 and brings over 42 years of experience to the Firm. In addition to his portfolio management duties, he also serves as a Strategist for the investment team.

**Karen H. Tass, CFA**

Joined GH&A in 2010 and oversees all corporate bonds and other portfolio implementations for the Firm.

**Jeffrey D. Detwiler, CFA, AAMS**

Joined GH&A in 2007 and oversees short duration portfolios and short-term securities.

**Don Elsenbrock**

Joined GH&A in 2014, and in addition to his portfolio management duties, he also serves as a Strategist for the investment team.

**Benjamin D. Monkiewicz**

Joined GH&A in 2011 and is a generalist for all products managed along the yield curve with an emphasis in our MBS and agency sectors.

**Yvette M. Dueñas**

Joined GH&A in 2016 and oversees all Municipal Bond strategies for the Firm.

**Connie Falcon Davis**

Joined GH&A in 2012 and is a generalist and assists with reporting and trading.

**Ruby Muñoz Dang**

First joined GH&A in 1994 and has held numerous positions on the Investment Team before being promoted to Director of Marketing and Client Service. She currently leads the Firm's client and consultant outreach.

**Stephanie J. Roberts**

Joined GH&A in 2000 and currently, focuses on client services and new business development.

**Emily Davis**

First joined GH&A in 2011 and focuses on the Firm's marketing and events.

**Alejandro Castillo**

Joined GH&A in 2023 and is a generalist on the client service and marketing team.

# LETTER FROM THE MANAGING PARTNER

Many of you know my personal story. I grew up in a traditional middle class Latino family in Corpus Christi, Texas. I am a product of public schools, first generation college, and received my first big break when I attended Yale University. I would have never made it through Yale without the significant financial aid and government student loans that I received. My interest rate was a subsidized 9%!

My next big break was the summer between my sophomore and junior years when I applied for two summer internships and was admitted to both. The first was an internship with Senator Lloyd Bentsen. The second was an internship with a relatively new program called SEO that placed minority undergraduates on Wall Street. While I really wanted to intern in Washington, I discovered it was unpaid. By default, I was off to New York because the internship paid \$500 a week, more money than I had even seen and more than enough to help with my tuition. That summer, I was placed on the trading floor of the prince of capitalism, Salomon Brothers.

My career at Salomon was incredible, and I saw the birth of many of the products that we use regularly today. I was even the first Hispanic Vice-President of the firm. But the interest in public service never left me. My desire to "give back" led me to spend significant time with SEO, and I joined the Board in 1987. Now, I am the longest serving Board Member, serving alongside Chairman Henry Kravis, Founder Michael Osheowitz, and other financial leaders.

In 1990, I returned to Texas and joined former Mayor Henry Cisneros to start a Latino-owned bond firm, which provided me many exciting opportunities to be involved in community service. In early 2002, I joined Garcia Hamilton, and we were only \$200 million in bonds under management and with a two-person fixed income department. We are now 100% fixed income and have grown to over \$21 billion and 39 employees, all rowing in one direction. Furthermore, my partners and I have served on numerous boards, advisory panels, philanthropic groups, and other worthy causes while receiving dozens of awards for our public service and investment performance.

One great experience for me was chairing Annise Parker's campaign for Houston Mayor in 2009. We worked hard and were successful. The mayor then appointed me co-chairman of her transition team along with long-time state representative Garnet Coleman and philanthropist Nancy Kinder. After the transition team, she named me Chairman of the Board of Metro (Houston's transit agency) in 2010.

At that time, Metro was in a very difficult place. It had lost public support, was untransparent, was deep in litigation, was in a difficult financial position, and had violated procurement policies relating to a \$900 million government grant. We rolled up our sleeves and got to work. We put all meetings, committee meetings, and corresponding material on-line to build public support and to increase transparency. We put the check registry on-line, paid down debt, and wrote-off worthless assets to improve our financial position. We revamped our entire procurement process, received the \$900 million grant, and built 15 new miles of light rail. We joined other agencies to secure the funding for a 5 mile bus rapid transit line and even re-imagined our entire bus system, becoming a model for America. Along the way, we held a successful public referendum securing more funds for Metro with almost 80% of the vote, won numerous awards for transparency, and were even named Transit Agency of the Year for North America in 2015.

Besides Metro and SEO, I've served on many boards including pension boards in Houston and in Dallas, the Houston Downtown Management District, and now even the Children's Museum Houston. However, our greatest work may have been during COVID. During the depths of COVID, our firm stepped up significantly.



We held many food giveaways for those most in need, bought and distributed over 60,000 masks and hundreds of gallons of hand sanitizer. My wonderful family - DeeDee (wife of 24 years), Andrew, Daniel Thomas, Ben and JuJu - joined me for many of these efforts and cheered me on during all the others.

The City of Houston is now in a difficult position reminiscent of Metro. From investigations into both Houston's Health Department and Housing Department, lawsuits surrounding pay disputes with the firefighters, indictments of key city staffers, allegations surrounding airport concession procurements, to an impending state takeover of HISD (our largest school district), city hall needs a "shake up." With a looming recession and COVID relief money ending, we need sound business leadership more than ever.

For this reason, I have filed for Mayor! Filing allows me to raise funds and begin the work necessary to potentially launch a full-fledged campaign in the Fall. Our firm is rock solid with clean financials, a strong performance track record, and exceptional client service. Even though my health is good, we are prepared for any possible succession planning for anybody, including me. To be clear, I remain managing partner and am the largest shareholder with no plans to dissociate myself from the firm. My partner Ruby Dang (29 years with the firm) has already taken on a much larger role managing the firm. In addition, both partners Karen Tass (13 years with the firm) and Jeff Detwiler (15 years with the firm) have assumed greater leadership roles on the investment desk.

It is an exciting time for all of us at GHA. We would not be one of the largest MWBE firms in America with \$21 billion under management without the hard work and dedication of the team, staff and partners, the incredible love from our families, and the amazing support from all our clients and supporters.

Please call me anytime or email me here to let me know what you think.

A handwritten signature in black ink, appearing to read "Gilbert A. Garcia". The signature is fluid and stylized, with a large initial "G" and "A".

Gilbert A. Garcia, CFA  
Managing Partner  
March 14, 2023

# HOT OFF THE PRESS!

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## SVB BANKRUPTCY THROWS A WRENCH INTO THE SOFT LANDING SCENARIO!

WRITTEN BY MARK DELANEY, CFA  
PARTNER, SENIOR PORTFOLIO MANAGER/STRATEGIST

Just as the gazette was going to press, news of Silicon Valley Bank (SVB) entering bankruptcy was hitting the airwaves. This news was quickly followed up by a joint announcement from the Federal Reserve, U.S. Treasury and FDIC of a non-bailout bailout of SVB depositors. In essence, government authorities managed to tell the capital markets that there's no fire so no need to worry... while simultaneously pulling the financial system fire alarm switch. Ok, so no need to worry? Then why pull the fire alarm? Just because the "let's not call it a bail out" targeted Venture Capital and Private Equity depositors at SVB, doesn't mean it wasn't a bailout. It just wasn't a traditional bond or equity holder bailout.

The Gazette staff views this event as symptomatic of the underlying conditions in the macro-environment, and frankly we aren't surprised by its occurrence. As Warren Buffet says, when the tide goes out, you see who isn't wearing any clothing. This event specifically will likely weaken one of the previously strong sectors of the economy, the tech sector. Even in the absence of the SVB bankruptcy, the massive tightening of monetary conditions as evidenced by negative money supply growth, the multiple string of negative LEI readings, an extreme inverted yield curve, historically high real rates and a severe tightening of lending standards all point towards a coming recession accompanied by lower inflation rates. We continue to expect lower yields in the future accompanied by much wider credit spreads and are positioned in our portfolios accordingly. Although SVB was in the Bloomberg Aggregate Index, shockingly rated A3 on March 7th and rated C as of March 13th, we have no exposure in any portfolio to SVB.

# THE “TEXAS BOND KING” REACHES OVER \$20 BILLION IN ASSETS

AS PRINTED IN *HOUSTON STYLE MAGAZINE* - MARCH 1, 2023

Garcia Hamilton and Associates, L.P., the leading bond manager in Texas surpasses \$20 billion in assets under management. The company has grown from \$200 million and continues to prove that they are one of the fastest growing and most successful businesses in the US.

Built on integrity and trust, the company's mission is “to build meaningful partnerships with institutional clients and structure investment management solutions to address their specific requirements utilizing high-quality fixed income strategies.”

Managing Partner Gilbert Andrew Garcia takes great pride in the work that he and his team have accomplished. This not only includes building assets, but the impact they have made on the community. “In the last nine years, the firm has donated over \$3 million dollars to various non-profits in the city and in the nation.” Many of their partners serve on various non-profit and community service boards. They continue to work with national, state, and local leaders to better serve the needs of all communities.

A strong believer in diversity, Garcia Hamilton and Associates, L.P, have been awarded numerous awards including Best Places to Work by P&I magazine in the last six years. The firm also received the Outstanding Diverse Organization Award in 2022. Garcia has stressed that, “No firm looks like ours in America. . . roughly 75% of the 39 people that work here are women. . .and roughly 70% are Black and Hispanic.”

The firm has also won several other awards and has been recognized in the *Houston Chronicle*, the *Houston Business Journal*, and several other publications. The firm continues to grow every day and has worked hard to be in the forefront for bond management. Garcia Hamilton and Associates, L.P is not just a business, but a place that customizes the needs of their clients, while giving back to the community, and providing their employees with a place where they can thrive.

We are thrilled our Managing Partner, Gilbert Andrew Garcia, is now an official Guest Contributor for CNBC. See the link below for some of his most recent segments. <https://qrco.de/GGarciaCNBC>



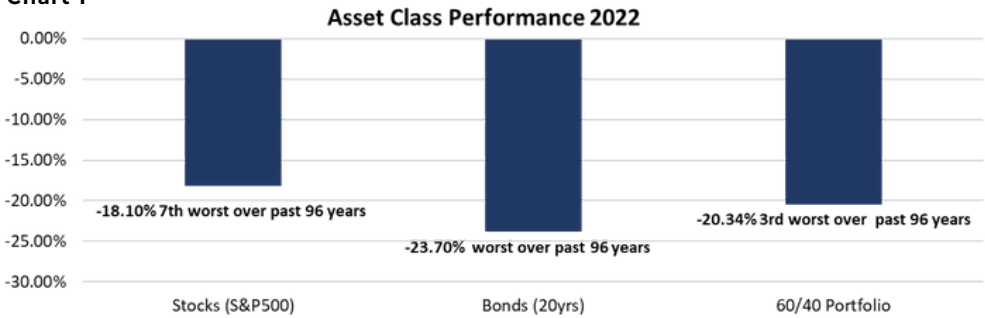
# PREMATURE DEATH KNOLL FOR THE 60/40 PORTFOLIO

WRITTEN BY MARK DELANEY, CFA  
PARTNER, SENIOR PORTFOLIO MANAGER/STRATEGIST

The venerable 60% equity/40% bond portfolio developed by Nobel Laureate Harry Markowitz in 1952 suffered the third worst performance in 97 years in 2022. Using the S&P 500 and the 20-year U.S. Treasury as proxies for their respective asset classes, we see that the 60/40 blended portfolio delivered a return of -20.34% for 2022. Over the past 97 years, the 60/40 portfolio has produced positive returns 78% of the time. So, what makes 2022 unique and what's the outlook for the 60/40?

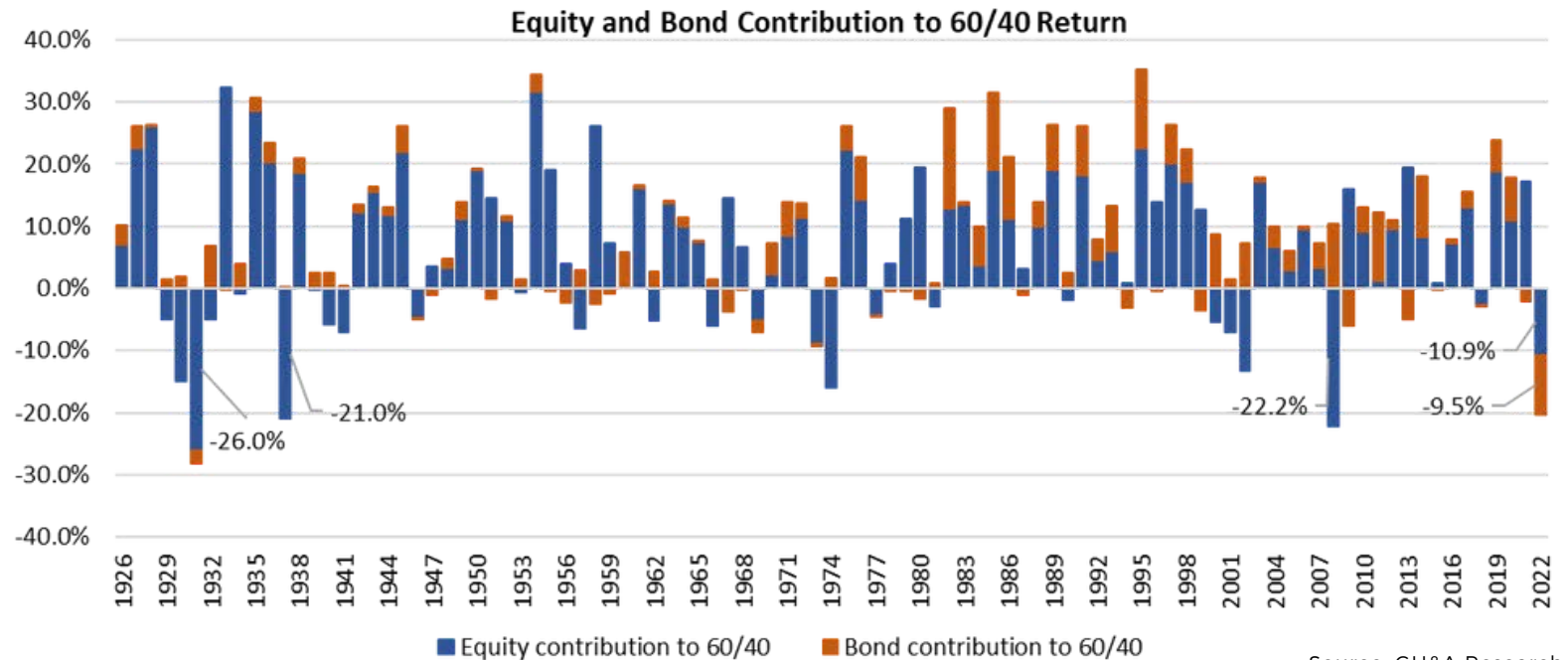
What makes 2022 unusual for the 60/40 portfolio is the fact that relative to history, an outsized portion of the negative return was due to the bond market. The chart below shows equity and bond contribution to the total 60/40 return. Bonds contributed an unusually large portion of the negative return during 2022. The previous years where the 60/40 return was comparable in negative return to 2022, witnessed either positive bond returns or slightly negative, this was not the case in 2022.

Chart 1



Source: GH&A Research

Chart 2



Source: GH&A Research

The results from 2022 reflected the extreme over valuation we had in the bond market, as correctly identified by us at Garcia Hamilton. This was the direct result of the Federal Reserve and U.S. Government throwing historically large amounts of fiscal and monetary stimulus at the pandemic era economic contraction. As always, valuations matter a lot!

(Continued on next page)

Comparing the return on the 60/40 portfolio versus cash is instructive. Looking at 3 different time periods, the last 3 years, the last 10 years and annual returns since the first year of the GFC, the 60/40 still delivered returns better than the risk-free asset. If anything, the results of the Fed keeping interest rates artificially low, took a more deadly tool of the bond market and cash than they did the 60/40 portfolio.

Since the main driver of the poor outsized returns of the 60/40 portfolio during 2022 revolved heavily around bond performance, where does that leave us today? Bonds are now undervalued with yields approaching 5% on the Bloomberg Aggregate Index and break-even yield changes are much more attractive now versus the past 2 years.

The long and short of it is, 40% of the 60/40 portfolio now looks quite attractive. The 60/40 portfolio is alive and well, the rumors of its demise have been greatly exaggerated!

Chart 3

	3 years	10 years	Since GFC (15 years)
60/40 Portfolio	2.55%	6.70%	7.60%
Cash	0.70%	0.73%	0.89%
Bonds (20 year maturity)	-5.60%	1.00%	3.70%

Source: GH&A Research

Chart 4

1 YEAR HORIZON RETURN ANALYZER  
WITH BREAK EVEN YIELD CHANGES

Interest rate	U.S. Treasury 1 Year Horizon Returns				
	2yr Maturity	5yr	10yr	20yr	30yr
Change	4.88	4.26	3.99	4.16	3.95
-200	6.89	11.94	20.67	35.64	49.98
-175	6.65	10.95	18.42	31.09	42.07
-150	6.40	9.97	16.23	26.74	35.58
-125	6.15	9.00	14.08	22.58	29.48
-100	5.91	8.03	11.98	18.58	23.74
-75	5.66	7.08	9.92	14.76	18.34
-50	5.42	6.14	7.92	11.09	13.27
-25	5.18	5.21	5.95	7.57	8.49
0	4.94	4.29	4.03	4.20	3.99
25	4.69	3.38	2.15	0.97	-0.25
50	4.46	2.48	0.31	-2.13	-4.25
75	4.22	1.59	-1.49	-5.10	-8.01
100	3.98	0.71	-3.25	-7.96	-11.57
125	3.74	-0.16	-4.97	-10.69	-14.92
150	3.50	-1.03	-6.66	-13.32	-18.09
175	3.27	-1.88	-8.31	-15.84	-21.08
200	3.03	-2.73	-9.92	-18.27	-23.90
Instantaneous Break even yield change required to produce negative return	2.60	0.93	0.50	0.31	0.22
Instantaneous Break even in 2021	0.37	0.26	0.16	0.11	0.08
Instantaneous Break even in 2020	0.06	0.07	0.10	0.08	0.08

Source: GH&A Research



# SERVICE HIGHLIGHT

WRITTEN BY RUBY MUÑOZ DANG  
PARTNER, DIRECTOR OF MARKETING & CLIENT SERVICE

It was an honor and a privilege to be appointed to the Investment Advisory Committee for the \$38 billion Employees Retirement System of Texas (ERS) Fund. I have just completed six months of service and have enjoyed collaborating with my colleagues under the leadership of David Veal, CIO of the Fund. Furthermore, I was also asked to be a member of the Texa\$aver 401(k)/457 Program Product Review Committee. I look forward to my continued conversations with the team throughout my appointment.

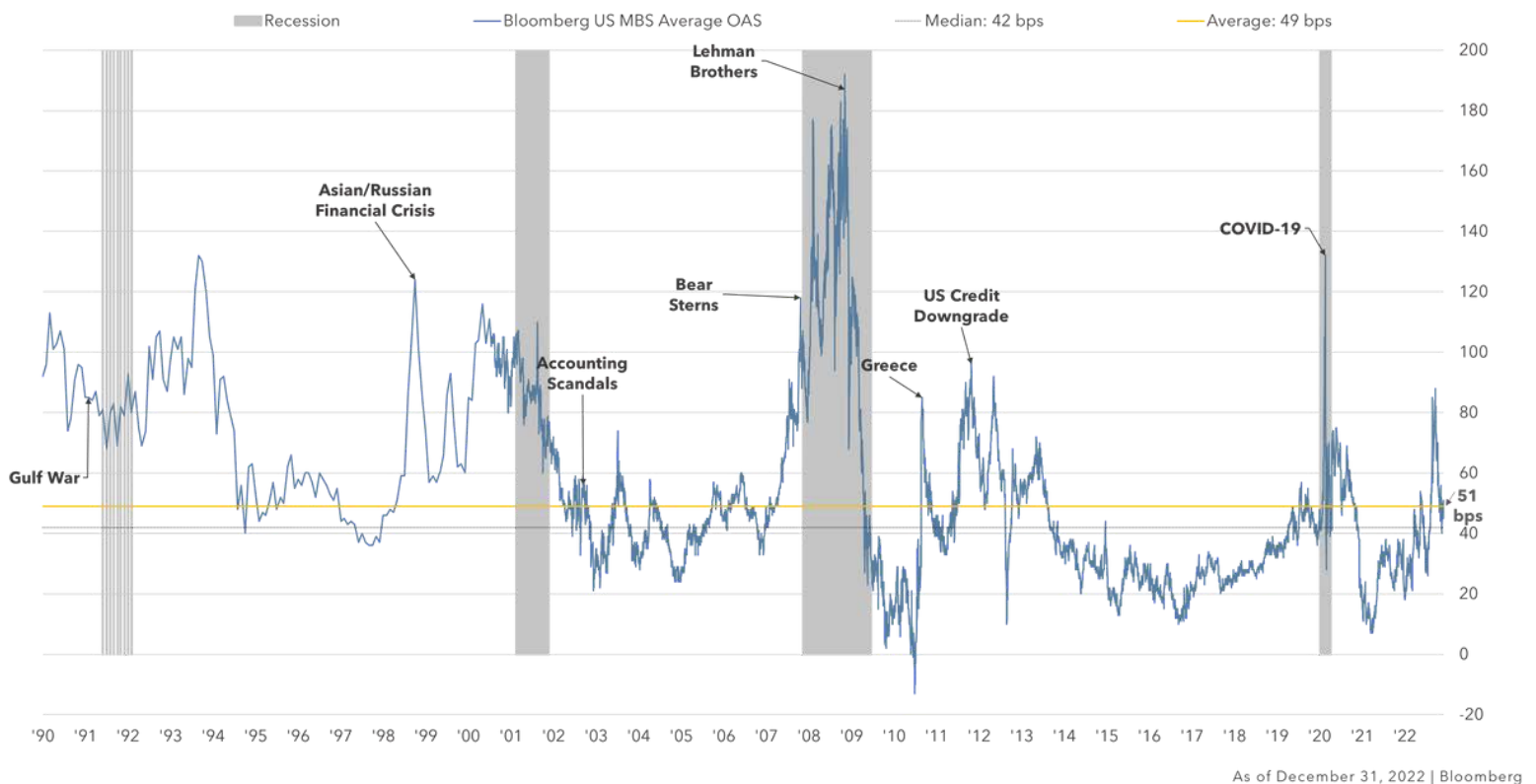
# MORTGAGE MADNESS

WRITTEN BY KAREN TASS, CFA  
PARTNER, PORTFOLIO MANAGER

The year of 2022 was record breaking in the fixed income market, especially within the Mortgage-Backed Securities (MBS) sector. The Federal Reserve hiked the fed funds rate 425 basis points over the course of nine months, causing mortgage rates to more than double. The entire coupon stack in the MBS index went from being over par to being under par. Given the incredible move in interest rates, MBS traded at their lowest dollar prices ever. The 30-year average price got as low as \$83, while the 15-year average price bottomed at \$88. Higher rates forced the MBS Index duration to peak at an all-time high of 6.09 years in November. The low dollar prices also pushed the MBS Index convexity into positive territory, a phenomenon previously unheard of in the mortgage market. Option adjusted spreads widened to 88 basis points in October, levels not seen since the peak of the COVID crisis. The MBS sector suffered with an excess return of negative 332 basis points through 10/31/22.

Chart 1

## Mortgage Option Adjusted Spreads (OAS)



All these aspects combined presented an incredible opportunity to add alpha to our portfolios through MBS. At GHA, we went from being considerably underweight MBS in September to being significantly overweight by the end of October. We were able to buy agency guaranteed MBS at roughly \$0.85 on the dollar with incredibly attractive spreads to treasuries, even at a prepayment of zero. Keep in mind, any prepayment is received back at \$100, and mortgages never pay zero, as there will always be deaths, divorces, moves, etc. causing a loan to be prepaid. On top of that, when rates decline, and speeds pick up even slightly, there is huge upside. Additionally, even at these impaired levels the credit quality is drastically higher than pre GFC when over 60% of borrowers had a credit score below 760; now over 60% of borrowers have a credit score greater than 760. Finally, the supply outlook for MBS is very low, due to the minimal prospects for refinancing and slowing existing home sales, causing spread compression in the sector.

(Continued on next page)

Sometimes it's better to be lucky than smart. Mortgages came roaring back in the last two months of the year with an excess return of 137 basis points, and they are well positioned to outperform in 2023.

Chart 2

MBS Market is Trading at Historically Low Prices



Chart 3

FN MA4783				94-16		Yield				Coupon 4.000%				BVAL									
As of 05 Jan				Prepay		125PSA		Fannie Mae Pool				BAM TOAS 33.2											
FN MA4783 Mtge				Actions		Export		Settings				Yield Table											
100% FNCL 4 N				4.888(355)3		CUSIP 31418EJ50		Pool Level				As of 12/2022											
12/2022		599P		3.6C		0.0B		Traits		CL, 30/360		Coupon		4.0% Maturity		10/1/52		CA		22% 2022		100%	
3Mo		811		3.2		0		09/01/2022		4.3MMM		LTV/HLTV		77/77 Accrual		1/1-1/31		TX		7% 2021		0%	
6Mo		--		--		--		12/25/2022		4.3MMM		MAXLS		1,200,000 Next Pay		2/25/23		CO		6%			
12Mo		--		--		--		Factor		0.98811337		WAOLS		463,238				FL		5%			
Life		811		3.2		--		# Loans		10,388													
				1) Price-to-Yield																			
Settle		01/12/2023		CF		CF		CF		CF		CF		CF		CF		CF		CF			
Vary		2		0 CPR		5 CPR		10 CPR		20 CPR		30 CPR		40 CPR		50 CPR							
Price		94-11		4.4995		4.7348		5.0107		5.6481		6.3799		7.2152		8.1842							
		94-13		4.4938		4.7263		4.9987		5.6283		6.3511		7.1760		8.1330							
		94-15		4.4882		4.7178		4.9868		5.6085		6.3222		7.1369		8.0819							
		94-17		4.4826		4.7092		4.9749		5.8888		6.2935		7.0979		8.0308							
		94-19		4.4770		4.7007		4.9630		5.5690		6.2648		7.0588		7.9799							
Avg Life				18.25		11.17		7.50		4.17		2.74		1.97		1.49							
Mod Duration				11.75		7.75		5.54		3.34		2.30		1.69		1.29							
Prin Win				2/23-7/52		2/23-7/52		2/23-7/52		2/23-7/52		2/23-7/52		2/23-7/52		2/23-7/52							
I Spread				56		97		118		158		207		267		348							
Dec22		Nov		Oct		Sep		Aug		July		Jun		May		Apr		Mar		Feb		Jan	
599P		1136		785		--		--		--		--		--		--		--		--		--	
3.6C		4.5		1.6		--		--		--		--		--		--		--		--		--	
														GOVT(I)		6M		1Y		2Y		3Y	
														17:24		4.83		4.75		4.46		4.20	
														Disc		30/60		10Y		103-10		20Y	
																				100-15			

# PARALLELS OF SUCCESS

WRITTEN BY CONNIE FALCON DAVIS  
PARTNER, INVESTMENT ANALYST

I have been with Garcia Hamilton & Associates since July of 2012. At that time, we were managing approximately three billion in assets. It has been 10 and a half years since I've started at this Firm, can you believe it? We are over \$20 billion in assets under management, and I am happy to share my recent promotion to partner! It has been an honor to be a part of the tremendous growth of our Firm and in many ways, I see the parallels of our success with my own career. When I started, I worked in the client service department creating our marketing materials and handling client requests. I then started helping the investment desk with trade tickets and daily reports. I fully transitioned to the investment team in 2015 and much like the Firm's performance and assets I have grown in my position and responsibilities. Working at GHA has been a reward that keeps on giving. Not only have I been a part of some incredible events and opportunities, but I can say I work at a company that is an advocate for minorities and diversity within the financial industry! I am so blessed to be able to represent this Firm and our clients in a time that diversity and inclusion are at the forefront of social justice. This along with the many accolades we have received over the years has filled my heart with pride and gratitude. I am also very thankful to my colleagues and friends for their mentorship and support throughout my career. I promise to use my new position to positively impact the Firm and be a mentor to the next generation of leaders in our industry.



# DEBT CEILING

WRITTEN BY MARK DELANEY, CFA  
PARTNER, PORTFOLIO MANAGER/STRATEGIST

## Debt ceiling limit hit

On January 19th Secretary Yellen stated that the U.S. Treasury has begun using extraordinary measures to borrow, after the \$31.4 trillion borrowing limit was hit. The Secretary stated that extraordinary measures (accounting adjustments that allow the Treasury to continue issuing debt once it has reached the debt limit) will carry the country until at least early June, at which point the drop-dead or x-date will occur. Most estimates using previous years tax inflow data suggests that extraordinary measures will likely run out during the August/September time period, not June. A sharp recession in the coming months could lower tax revenue and pull the x-date day forward but it's highly likely that this will be a 3rd quarter event.

## Today's debt ceiling relative to history, why the worry now?

Since 1960, the debt limit has been raised 78 times, 49 times under Republican presidents and 29 times under Democratic presidents.

The most memorable episode surrounding an increase in the debt ceiling occurred during 2011, when Republicans seized control of Congress under a Democrat president when the White House/Senate/House had previously all been under Democrat control. Republicans that year used the debt ceiling as leverage, to force significant fiscal consolidation (including sequestration).

Given unprecedented levels of political polarization in recent years (the negotiations will really be between the Republican House majority and the administration), the likelihood of an "accident" similar to the January to September 2011 period will certainly be elevated in 2023.

## The real consequences of not raising the debt limit ceiling

At it's worst, in 2011 the market assigned a 5% chance of the U.S. Treasury defaulting as indicated by credit default swaps on the U.S. trading at a level of 63 basis

points the week before S&P downgrade From AAA to AA+ on August 5th of 2011. This worry quickly passed because the real effect of the debt ceiling not being raised is a sharp but temporary fiscal contraction, not a bond default. If the debt ceiling is not raised by the cut off date (likely August), the Treasury will have to rein in outlays. The U.S. Treasury would not stop making payments on Treasury debt. In 2011, Treasury and Fed officials devised a payment schedule if the debt limit was not raised on time, and reiterated these principles in 2013. They agreed that Treasury would prioritize first paying principal on interest on Treasury bonds and make them on time. That means other cuts to spending would be necessary.

Treasury debt obligations will not be affected but other forms of government expenditure will be, and suddenly. For example, if Treasury cash flows mimic the path of 2019, the US government's cash outlays in August this year will be \$200bn over inflows. If the debt limit is not raised to cover this extra \$200bn, the government will need to cut spending by that amount. The economic effect would start slowly but worsen progressively, especially if concerns build that the spending cuts are cumulatively larger and permanent or if the negotiations are prolonged. Spending cuts would have even larger negative consequences for the economy if a recession exists at the time of the negotiations.

## Comparison of Macroeconomic data and market valuations 2011 versus 2023

Both the economy (weaker) and markets (more fully valued) are more vulnerable in 2023 to the volatility likely to come from future debt ceiling negotiations, as seen in Chart 1.

Chart 1

Economic Indicators	Beginning of 2011	As of 3/2/23	Comparison 2011 vs. Now
YOY% Money Supply beginning of year	4.70%	-1.90%	Much weaker money growth now
Monetary Policy Stance	Neutral	Tightening	Tighter Fed
6 month change in LEI	5.9	-7	Weaker LEI
NAPM Prices Paid index	79.6	51.3	Weaker inflation impulse
Consumer sentiment	74.2	67	Weaker consumer sentiment
Small Business outlook % Expecting better	10%	-45%	Weaker Small Business outlook
Senior Loan Officer Survey-% tightening standards ( med. & large banks)	-10.50%	44.80%	Tighter lending standards
Other Comparisons	Beginning of 2011	As of 3/2/23	Comparison 2011 vs. Now
CAPE S&P 500	23.1x	28.7x	Equity market valuation higher now
% BBB in Corporate Market	37%	50.50%	Corporate market is riskier
Bond Market as % of GDP	5.70%	7.30%	Bond market is bigger now
Beginning Market Valuation measures	Beginning of 2011	As of 3/2/23	Changes during debt negotiations 12/31/10 to 9/30/11
S&P 500	1257	3839	-10%- Equities weakened
Average Corporate bond Spread	1.56%	1.30%	.82% - Corporate Spreads widened
BBB credit Spread vs single A and better Spread	0.59%	0.50%	.17%-Quality Spreads widened
10 year Treasury rate	3.30%	3.99%	-1.38%- 10yr Yields fell
2 year Treasury rate	0.60%	4.88%	-.35%- 2yr Yields fell
10 year real rate	1.06%	1.57%	-1.06%- 10yr Real Yields fell
10yr vs 2yr Curve	2.70%	-0.89%	-1.67%- yield curve flattened

Source: GH&A Research

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### Our core outlook and the impact of debt ceiling limit negotiations

We believe the Federal Reserve will be successful in 2023 orchestrating a significant slowdown in aggregate demand growth to the point of forcing the U.S. economy into a recession. As such, we feel inflation has peaked and interest rates are likely to continue to fall as we progress through 2023. Our 6-to-12-month outlook for the bond market is bullish, and we maintain a portfolio duration longer than that of the benchmark. We are negative on credit spreads and positive on the MBS sector. Debt ceiling negotiations later this year reinforce the key components of our outlook. The upcoming debt ceiling negotiations will likely have a similar impact on capital markets as they did in 2011, due to the political similarities that exist in Washington D.C. What makes the current period different than 2011 is the fact that risk assets in general are now more fully valued and the economy more vulnerable to both our core recessionary outlook as well as the volatility that is likely to emerge from the debt ceiling negotiations. Treasury debt obligations will not be affected but other forms of government expenditure will be, and suddenly. For example, if Treasury cash flows mimic the path of 2019, the US government's cash outlays in August this year will be \$200bn over inflows. If the debt limit is not raised to cover this extra \$200bn, the government will need to cut spending by that amount. The economic effect would start slowly but worsen progressively, especially if concerns build that the spending cuts are cumulatively larger and permanent or if the negotiations are prolonged. Spending cuts would have even larger negative consequences for the economy if a recession exists at the time of the negotiations.

# LIGHTS, CAMERA, ACTION!

WRITTEN BY RUBY MUÑOZ DANG

PARTNER, DIRECTOR OF MARKETING & CLIENT SERVICE

Through conversations with Mary Duffy, Emily Lorsch and Will Parson at CNBC, we have been seeing a bit more coverage on fixed income – Thanks Team! With Gilbert's passion and knowledge of the markets, he was invited to speak on a few segments. This led to Gilbert becoming an official CNBC contributor. With the interesting environment within the bond market, I expect to see and hear more from Gilbert. In the meantime, please go to <https://qrco.de/GGarciaCNBC> for some of his most recent CNBC segments.



## CNBC Appearances

03/10/2023	CNBC Power Lunch
02/02/2023	CNBC Asia
01/19/2023	CNBC The Exchange
12/30/2022	CNBC Squawk on the Street
12/30/2022	CNBC Taking Stock 2023
12/27/2022	CNBC Power Lunch
12/06/2022	CNBC Financial Advisor Summit
10/26/2022	CNBC International
10/17/2022	CNBC The Exchange
09/26/2022	CNBC Street Signs
06/28/2022	CNBC Muni Money
12/08/2021	CNBC Financial Advisor Summit
11/29/2021	CNBC The Exchange



# HARD WORK PAYS OFF

WRITTEN BY EMILY DAVIS  
MARKETING ASSOCIATE

Over the years, GH&A is proud to have won various awards honoring our best-in-class performance and our diversity, but perhaps our most treasured award has been winning Best Places to Work from *Pensions and Investments* magazine. We are over the moon to have won for the SIXTH time this year (2016 -2020, 2022).

Even through one of the most turbulent market environments we have seen, we never lost sight of our most important resource, our employees. We continued to take moments to celebrate our team, celebrate the small victories, and had a lot of great moments doing so. From lighthearted competitions, to gifting all employees \$500 gift cards to combat inflation, we have kept in mind the people that make our team so special. So we are thrilled for the recognition and hope to keep the momentum in the new year.

*Pensions & Investments* partnered with Best Companies Group, a research firm specializing in identifying great places to work, to conduct a two-part survey process of employers and their employees.

The first part consisted of evaluating each nominated company's workplace policies, practices, philosophy, systems and demographics. This part of the process was worth approximately 25% of the total evaluation. The second part consisted of an employee survey to measure the employee experience. This part of the process was worth approximately 75% of the total evaluation. The combined scores determined the top companies.

For more information on this and other GH&A awards, go to [www.garciahamiltonassociates.com/awards](http://www.garciahamiltonassociates.com/awards).

# 'TWAS THE SEASON

WRITTEN BY ALEXANDRA ESTRADA  
SCHEDULER TO GILBERT ANDREW GARCIA

The weather outside was frightful this Christmas season in Houston and what better way to celebrate a Texas version of white Christmas than with a Christmas Sweater Contest and a Gingerbread House Competition? This year, we had so many good houses, it was nearly impossible to choose! Our GHA families rolled up their sleeves and got to decorating. All children received a cash prize along with our 1st, 2nd, and 3rd place which were Connie, Alexandra and Amy. For our sweater contest, Jazmine took home the funniest sweater award while Brittney, Alexandra, and Stephanie got 1st, 2nd, and 3rd place for the Best Sweater category.

Congratulations to all the winners! And Happy Holiday season from our GHA Family to yours!



## SERVICE HIGHLIGHT

WRITTEN BY STEPHANIE J. ROBERTS  
PARTNER, MARKETING & CLIENT SERVICE

I am honored to be on the Board of Directors of the Investment Diversity Advisory Council (IDAC).

The mission of IDAC is to serve as a forum for all participants in the asset management ecosystem to share best practices and document progress on Diversity Equity and Inclusion (DEI).

A big "Thank you" to Sam Austin with NEPC for his leadership in launching the organization. I look forward to working with my colleagues to promote DEI in our industry.

# TREASURE THE SIMPLE THINGS

WRITTEN BY ALINA HARYAZHA  
CLIENT SERVICE ASSOCIATE

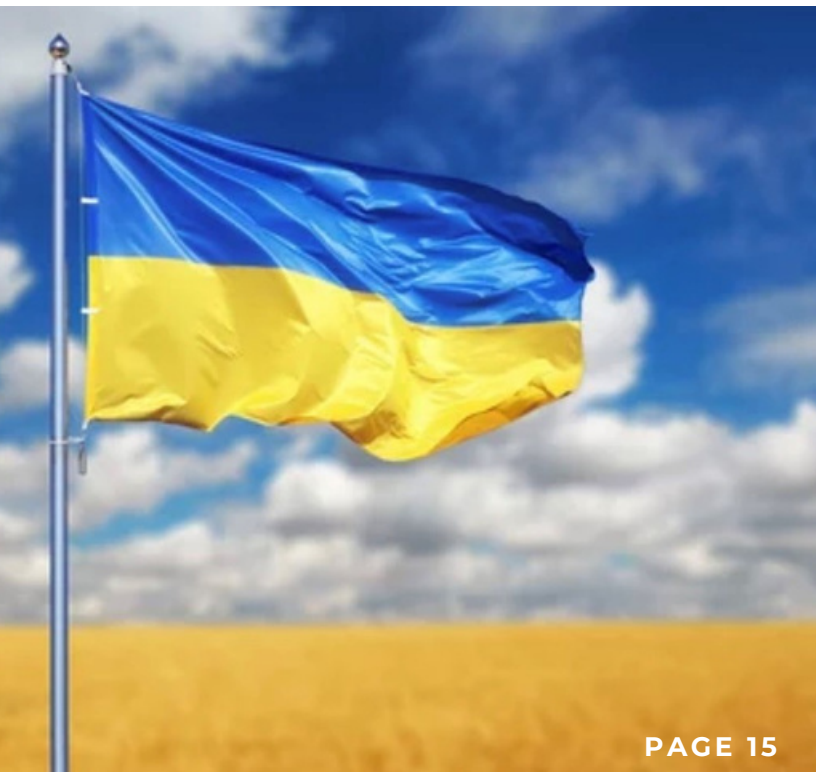
As Winston Churchill once said, "All the greatest things are simple, and many can be expressed in a single word: freedom; justice; honor; duty; mercy; hope." The Ukrainian people have treasured and held these essential principles close to their hearts for centuries. For the whole year, the world witnessed the highest level of bravery and fearlessness of the Ukrainian people in this brutal and unjust war. Ukrainians proved to the world that they will never accept anything other than freedom and democracy. I would like the world to learn more about the vibrant, welcoming, and freedom loving Ukrainian people.

Our values can be seen in the colors of the Ukrainian flag, where blue symbolizes peaceful sky over our land and the highest values of freedom, while yellow stands for the prosperity and the grain growing in the huge wheatfields below. While I was watching a live news broadcast from Kyiv on February 24th, I precisely remember the specific minute when the first explosions were heard in Kyiv. It was a moment that will forever be burned into the consciousness of all Ukrainians.

My family is currently living in Kyiv, Ukraine and is witnessing the brutality and horror of the war. My grandmother lived through World War II and never imagined that she would have to relive that horror. Some of my scariest moments are when I try to call my family in Ukraine, and they don't pick up the phone for a long time, or I hear the air raid sirens while we're talking on the phone. This happens frequently, sometimes every day.

During this turbulent and challenging time, I have been so blessed to be surrounded by my Garcia Hamilton & Associates family. I'm so grateful for their continuous prayers, support and understanding.

Everything in life is a lesson, and if you ask any Ukrainian right now what they would like the world to know, they will likely say that we should treasure the simple things in life - a peaceful sky above, freedom, fresh air, and most importantly, a loving family and friends.



# FLIP THIS HOUSE

## FEATURING JEROME POWELL & CO.

WRITTEN BY BENJAMIN MONKIEWICZ  
PARTNER, PORTFOLIO MANAGER

A lot can change in a short period of time and that's exactly what happened with the housing market in 2022. It's no wonder the National Association of Homebuilders (NAHB) have been flashing warning signals at every opportunity they get. Home affordability has quite literally fallen off a cliff with the US 30-year Mortgage rate more than doubling from January of last year to a rate above 7% today. This is the highest commitment rate the housing market has seen since December of 2000. That is just how real things have gotten in the face of greater than "transitory" inflation and a Federal Reserve now hell-bent on a path of total demand destruction. To be very clear, 2022 realized the most FED rate hikes over a calendar year in history. Home affordability has deteriorated so much so that when you take the median home price, median household income and current 30-Year mortgage rate your mortgage payment as a % of income is above 50%. The typical limit for lenders is 28%. This quite simply is not a sustainable relationship and will ultimately have grave consequences. See just how drastically things have changed in the housing sector in the almost 3 years since COVID began in chart 1 below.

Chart 1

### Home Affordability Has Declined Significantly

Affordability is Also Poor Because Home Prices Have Risen So Much

	2020	2021	2022
Median New Home Price	\$317,000	\$390,400	\$471,200
30 Year Mortgage Rate	3.60%	3.25%	6.79%
P&I Payment (assume 20% down)	\$13,824	\$16,308	\$29,448
Property Taxes (1.1%)	\$3,487	\$5,856	\$5,654
Insurance (\$1,400 per \$250k)	\$1,775	\$2,186	\$2,639
Annual Mortgage Payment	\$19,086	\$24,350	\$37,741
Median Household Income	\$67,500	\$69,018	\$70,537
Mortgage Payment as % of Income	28%	35%	54%

Most lenders follow the guideline that a borrower's housing payment should not be higher than 28% of gross income for 20% down payment.

As of December 31, 2022  
Federal Reserve, US Census Bureau, 2019 American Community Survey; Tax Foundation Calculations

closed economy. It's quite clear that any excess savings have been wiped out as the personal savings rate dropped to just 4.7% as of January. The 10-year pre-covid average was 7.3%. With stimulus well in the rear view and fiscal policy set to be a net drag on the economy in 2023, it will be no surprise to us to see a major decline in consumption moving forward. Student loan repayment pause will most likely be over by middle of this year further hindering consumer's discretionary spending. Furthermore, capital markets had an extremely painful 2022 with the S&P down over 18% and the Bloomberg Aggregate down 13% only adding to consumers concerns about what's in store for the future. Consumer sentiment as measured by the University of Michigan remains subdued historically speaking and only 8 months removed from the lowest level ever recorded by the survey. The average sentiment during past recessions historically is right at a reading of 70, currently we are at a reading of 67. There is no doubt that the FED is achieving its mandate to reduce aggregate demand and flip the market on its head.





# BABY BOOM!

WRITTEN BY YVETTE DUEÑAS  
PARTNER, PORTFOLIO MANAGER

ALEJANDRO CASTILLO  
CLIENT RELATIONS ASSOCIATE

Our GH&A family has expanded! I am very excited to share that my husband and I have been blessed with welcoming our baby boy this last year, Brantley Archer Dueñas on February 4, 2022, weighing 7 pounds, 1 ounce and measuring 20 inches long. Sweet Brantley was a “40th” birthday surprise I could have never imagined, and I am so happy to be a mother.

Now more recently, GH&A would also like to congratulate Cristal Cervantes on the newest addition to the family. On December 20th, 2022, baby Juliet was born at 4:54 pm weighing in at 10lbs 3oz and measuring 19 inches long. Juliet will grow up with 3 older siblings, Jonathan (16), Adrian (12), and Sofia (9).

Cristal started her career at GH&A 17 years ago as an intern when she was a student at the then-named Jefferson Davis High School in Houston, TX. Her time as an intern played a big role when deciding what major to pursue as she eventually graduated with a BBA in Finance from the University of Houston-Downtown in 2012. From a high school intern to a Portfolio Administrator and mother of 4, we could not be happier for Cristal.

Juliette is the Firm's 19th kid/baby, and we look forward to continuing expanding our GH&A family!



# 6 STEPS TO TAKE STARTING YOUR OWN BUSINESS

WRITTEN BY GILBERT ANDREW GARCIA, CFA  
MANAGING PARTNER

I've been an entrepreneur my entire life. Being your own boss is an extraordinary feeling and it's an even better feeling to build a great firm. It's also an incredible responsibility to know your decisions impact your employees and their families. It motivates you to make good, sound decisions. Along my journey, I've learned many lessons, and here are a few:

## **Family buy-in**

Starting and running a business is a 24/7 undertaking and you will not succeed alone. Make sure your spouse or significant other, and family are fully on board. They need to be prepared for the ups and downs of the journey and ready for late-night calls from partners, weekend calls from clients, sleepless nights worrying about payroll, and regular travel.

## **Choosing partners**

Partners are critical. Don't think of partnering with family and friends unless you're willing to fire them if they don't perform. You need partners with skillsets different from yours who have the same desire, philosophy, and work ethic. And, you cannot plan on any safety net. When I hear people say they'll give their new venture a year or two, I know they probably won't make it. You must be fully committed. And like Apollo Creed said to Rocky Balboa, "There is no tomorrow."

## **Set your foundation**

Many new ventures fail because they didn't have the proper foundation. Start with a solid partnership agreement that contains automatic buy-back provisions at a predetermined formula, below market value. Buy-backs ensure that the ownership remains in the hands of those building the company. A predetermined formula will prevent disputes. A below-market value price prevents any partner from exiting the company prematurely. Buy-backs are particularly important if a key person dies, gets divorced, enters bankruptcy, or leaves.

## **Build a business plan**

Investors want to see a business plan. If you don't have a business plan, you're not even real. Business plans force you to think about your product, competitors, expenses, and capital needs. First, set up a realistic multi-year budget including salaries, rent, utilities, insurance, travel, office expenses, etc. Then, be realistic on new business to see when revenue covers

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your expenses (break-even). The amount of cumulative loss when you reach break-even is the absolute minimum capital needed.

### Raising capital

Raising capital is hard and you don't have it until the money hits your account. Investors want to see you have skin in the game from your own capital or your sweat equity, taking a below-market salary. You also need some working capital to carry you through the cash flow cycle of your business. In my business, we start work in January, bill in April, and get paid in May. Whatever the total capital you think you'll need, plan on needing more.

### Making it

After you make it, there's still much to do. Use your position to give back to the community. This could include mentoring future entrepreneurs, employing interns, or just giving your time and treasure. At some point, it will be time to hang up your gloves. Be a true hero and let your younger partners and team members have the opportunity to build upon your legacy. If all this sounds a bit scary, it's supposed to be scary. But it's also exciting, fulfilling, and every day is different. It's risky yet rewarding. It's stressful yet exciting. It's a lot of work but it's worth it. Nothing is more satisfying than to be in control of your destiny. If reading this article gets your juices flowing, then being an entrepreneur is for you. So put on your helmet, buckle your chinstrap, and prepare for the ride of your life. After all, that is what makes life's journey worth living.

# GH&A WORD SCRAMBLE

CREATED BY MARK DELANEY, CFA  
SENIOR PORTFOLIO MANAGER/STRATEGIST

G N I N E T H G I T E V I T A T I T N A U Q  
D G X Y R K N M G Y M B R K B J N L J B X T  
N T B E J N K I T D N R J T N D Y A T P Y Z  
D U E N K P Z I V A T I L P O D N D T Y N J  
R C B M L P L G N E N A X Q D N M N V M T D  
E D R D R I D C G B K N N X A D G E B M L G  
V Y P W T N Y V N T J N L D V X T D Y L X D  
Y B W A R N E G A T I V E R E T U R N S E J  
B T L K V I N F L A T I O N E N R Q R M N P  
B O L L W M E O P R Z P J P N Z T N I B L G  
V J E F F D O M S N J Y B R V W N L S Z M X  
D Y I V F M M R B A N B L R Q O Y T B Y L L  
V Q N U R P D Y G E J M Y T I X E V N O C D  
B M N Z R E A L R A T E S S T P Y W N R B G  
M D O W M H Q A N V N B S N H R D Y Z Q T R  
S J C W P J K T L Q M E N A M K E Q T B M N  
N Y Q L D Z N L N N C L N R A D L B D M R B  
N H A V N D G D Y E T I Q Q R W R M L G J L  
E N T J K X W Z R M E J R N K M D L Y I T R  
B B N E W B L R M Q G N P L V L W N B V G J  
N L Z L B Y V L Y T L R X V N T Z L M B M B

REAL RATES  
NEGATIVE RETURNS  
FED FUNDS  
VOLATILITY  
ALPHA  
GILBERT  
RUBY  
DON  
JEFF  
BEN  
KAREN  
NANCY  
CONNIE  
QUANTITATIVE TIGHTENING  
CONVEXITY  
INFLATION  
RECESSION  
YVETTE  
MARK  
STEPHANIE  
REECE  
BRIAN  
JASON  
MORGAN  
KEVIN  
JANNA  
BETH  
EMILY

# THE GHA MINI-WEENIE EATING CONTEST!!!

WRITTEN BY MARK DELANEY, CFA  
PARTNER, PORTFOLIO MANAGER

This Gazette reporter was honored to cover the "First Annual Mini- Weenie Eating Contest" at GHA during August. He also has exclusive behind the scenes access to the winner and eventually champion, Catherine Estrada.

*She eyed the date of August 26th, like a peregrine falcon eyes its prey. Catherine Estrada (Cat) trained for 3 months, waiting for her chance to prove all the naysayers wrong. She knew in her soul who would win the weenie eating competition. How could others be doubting her, she wondered. She smirked when she saw the official odds. Me, a longshot? How many other competitors got up at 4 a.m., trained by eating two dozen mini weenies while listening to Los Lobos song "Viking" for the past 3 months? How many others had beaten Joey Chestnut as kids in the Skittles eating competition in Lafayette, Louisiana? How could people not know she came from a long line of weenie eating champions? Her legacy was common knowledge among the competitive eating crowd. As "game time" inched closer, she scoffed at the competitors clothing. She automatically knew who was to be respected and who to be dismissed. Surveying the landscape, she saw nobody to fear. There was Matt in his loose fitting sweats thinking he was a true competitor, not. Reece, in his tight fitting Wranglers?...please. Brian, with his constant requests for condiments?...not a chance. Brian wouldn't even look her in the eyes, he knew he was going to lose before the competition even began. Her one true fear was Karen. She was competitive and she had heard through the grapevine that Karen was researching competitive strategies. If she has to research ways to win, Cat thought to herself, I'll bury her. And so it was, Cat Estrada, became the first official GHA mini weenie eating champion. May she forever live in glory.*



Check out the video on Gilbert's TikTok:  
[@gilbertandrewgarcia](#)

# “NEW BOSS SAME AS THE OLD BOSS”: MONETARY POLICY COMES FULL CIRCLE

WRITTEN BY DON ELSENBROCK  
PARTNER, PORTFOLIO MANAGER/STRATEGIST

Since the Great Financial Crisis, the Federal Reserve has been steadily increasing the number and scope of the policy tools available to implement monetary policy. The influence of these new avenues of monetary policy cannot be overstated, nor can their capacity to distort the incentives and pricing signals of the venerable risk-free US Treasury security and the associated lending markets. The ability for these new tools to meet the requirements of the Federal Reserve's dual mandates of full employment and stable prices have never been under greater pressure, or even greater scrutiny.

At the risk of putting everyone to sleep, I'll cover a bit of monetary policy history. Following the last great inflation fight of the early 1980s, Paul Volcker's Federal Reserve maintained a tight rein on the towering heights of U.S. monetary policy and particularly the long-forgotten measures of money supply and bank reserve targets. This ushered in the Monetarist period of Federal Reserve policy formulation. There was a time when the markets anticipated with bated breath the release of the money supply data and the announcement of the week's coupon pass. The Fed's open market operations were focused on the variation of the discount rate to force a floating fed funds rate to stimulate or deflate the liquidity in the banking system and thereby the economy through the level of borrowed bank reserves. One unforeseen early effect of the inflation fighting measures of the day was an expansion in speculative bank lending. This forced the Federal Reserve to create new restrictions and programs to limit the banking systems lending practices and began a process of controlling behavioral shifts through the manipulation of bank reserves and risk controls. Don't nod off we're almost home. This led to concerns over the inability of policy rates alone to arrest an inflationary spiral, while at the same time avoid slowing the economy to the point of recession. As the decade passed, monetary policy and its procedures evolved as the Fed's ability to affect the real economy through rate manipulation and system reserves proved unsatisfactory.

The current monetary policy tool kit is based on the precedents set during the Volcker Fed's epic battle to bring down inflation. As the Great Financial Crisis (GFC) unfolded, a new Chairman of the Federal Reserve resurrected policy elements from the past to stave off the crisis. Ben Bernanke became the Chairman of the Board of Governors of the Federal Reserve in 2006, only 2 years before the greatest financial crisis in American history. Once again, the Fed Funds rate, bank reserves and Federal Reserve system assets would combine into a new policy regime to play a critical role in sustaining an unstable banking system and an economy on the brink of disaster. As assets were removed from banks balance sheets and mortgage-backed securities were purchased on the open market by the Federal Reserve, coordination with the Legislative branch of the Federal Government, specifically through targeted government spending, opened the door to a new policy framework. The era of quantitative easing had begun. The Federal Reserve would intervene in the money and bond markets across the yield curve through direct purchases of Treasury Bonds and simultaneously lower the Fed Funds rate to historic lows. While excitement may overcome some of you, let's not lose sight of the shortcomings of these programs. An economic depression was avoided, employment slowly returned to pre-crisis levels, and the banking system was saved, but the economy failed to launch, and the proceeding years saw multiple rounds of quantitative easing that did little to spur widespread economic growth. The seeds were sown for the inevitable consequences foretold by yet another long-deceased economist.

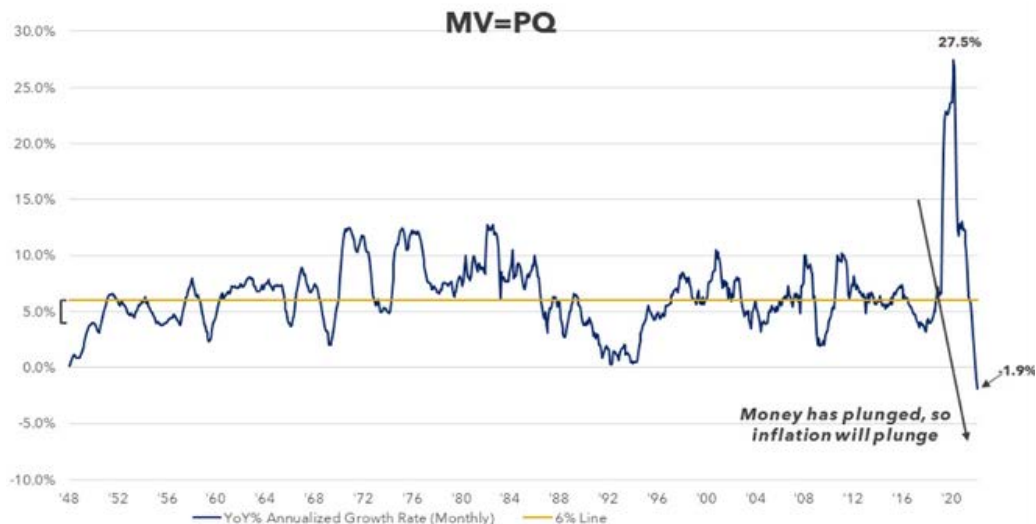
This brings us to the Quantitative Theory of Money. This theory was made famous by Milton Friedman, (our long-deceased economist) which has come back into critical focus over the past 10 years. If, as the esteemed economist suggests, inflation is everywhere a monetary phenomenon, the reaction from the Federal Government and

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the Federal Reserve to the onset of the Covid pandemic could create the mother of all inflationary waves. According to USASpending, the response by the Federal government alone was \$4.4 Trillion dollars in 2020. Chart 1 depicts the growth rate of the money supply (M2) over the last 75 years. Within our chart, the red line indicates the 3-month annualized growth rate, and the black line depicts the year-over-year growth rate. When viewed historically, the most memorable periods of inflation occurred during the 1970s when the money supply was growing at an unprecedented annual rate of +12% and consumer and business budgets were forced to dramatically shift spending priorities. Moving forward in time, the response to the Covid pandemic pushed the growth rate to over 27% year-over-year.

Chart 1



The implications for the US economy were clear. During the years preceding the pandemic, as many of you may remember, we were quite vocal about our concern for the inflationary implications of a M2 growth rate exceeding 6% (the orange line in Chart 1). As the federal authority's response to the crisis unfolded during the first half of 2020, what can only be described as an explosion in liquidity in the form of money and bank reserves ensued. Another component of our long-deceased economist's missive about inflation was that the lead times are long and variable and that the lead time will be shorter the higher the inflation level. This theory has never been proven to be more accurate than over the last 24 months. If we examine Chart 2, we can clearly see the relationship between inflation and money supply growth. While the lead is indeed variable across time, the current state of the economy is responding with an 18-month lag. The spike in M2 growth of March of 2020 has led to a peak to month-over-month inflation equivalent to an annual rate of inflation of 9.1%.

Chart 2



If one can ever be grateful to a long-deceased economist, it may come in the form of the nature of this relationship. As an increase in money supply leads to an increase in inflation, the opposite is true. With the Federal Reserve embarking on a policy normalization (shrinking the balance sheet and raising the funds rate) and a federal appropriations process

returning to normal, the overall level of the monetary base has declined in an accelerated and extreme manner. Chart 2 again illuminates the dis-inflationary process currently unfolding. As events evolve over the coming months the inflationary pressures created from the excessive expansion of the money supply will rapidly diminish as will the associated inflationary momentum. No one, not even our favorite

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long-deceased economist, can accurately predict the future, but we are confident that the self-inflicted pace of the current inflationary environment will fade as the level of prices declines further and, all things being equal (an overused phrase by all economists) will return to normal by the end of 2023. The moral of this story is, like the song said, “the new boss same as the old boss”, and in our case the boss is and always will be “money supply” and represents a monetary phenomenon that we ignore at our own peril.

# WALKING THE WALK

WRITTEN BY JEFFREY D. DETWILER, CFA, AAMS  
PARTNER, PORTFOLIO MANAGER

Last year, we executed 78% of our trades with minority-owned, women-owned, and veteran-owned broker-dealers. However, this is not a recent phenomenon for us as we have executed 65% of our trades with diversity broker-dealers over the past 10 years. Even though some may have thought otherwise, our performance has not suffered from utilizing independent diverse brokerage firms. Rather, I would make the case it’s been enhanced by it through hard work and excellent execution.

Since the Global Financial Crisis and the subsequent implementation of the Dodd-Frank Act, talent has left the big dealers to join independent, diverse firms. With this migration over the years, the diversity

firms have acquired experienced traders who have seen all types of markets and have a better understanding of historical relative value. On the other end of the spectrum, large dealers have had to cut back their inventories of bonds for trading and have replaced their lost talent with less experienced traders.

Because diversity firms are employee-owned, they have an intensity to their work and will hustle to get things done. Additionally, their knowledge of the markets allows them to identify opportunities and dislocations in the market. At Garcia Hamilton & Associates, we always include at least one diversity firm along with several large and regional dealers in our transactions. By putting multiple firms in competition, it ensures we achieve best execution for our clients, and as it turns out, it also proves that diversity firms can do a better job than the larger firms.

## GHA WORD SCRAMBLE ANSWER KEY

