

Santa Barbara County Employees Retirement System

April 26, 2023

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Awards/rankings may not represent client experiences and are not indicative of future performance.
See Award Methodologies & Disclosures at end of this document for additional information on each award.

GH&A

GARCIA HAMILTON & ASSOCIATES

Investment Goal

INVESTMENT GOAL

Our goal is to outperform the benchmark, net of fees, over a full market cycle using a high-quality strategy with less risk and an ESG overlay. By setting realistic expectations, we avoid taking unnecessary risks.

Core Principles

- Preserve Principal
- Maintain Liquidity
- Provide High Current Income
- Be Responsible Citizens (ESG)

Key Tools

- Sector Rotation
- Controlled Interest Rate Anticipation
- Yield Curve Positioning

Investment Style

High-Quality

- Portfolio dominated by US Treasuries, agency debentures and agency guaranteed MBS
- Corporate securities rated A- or better
- Spread product exclusively in the short to intermediate maturities to reduce volatility

No Big Surprises

- No foreign bonds/yankees
- No BBB rated securities
- No sin names - tobacco, gambling, alcohol, firearms
- No derivatives
- No leverage/dollar rolls
- No pricing overrides
- Maintain a manageable number of securities
- No soft dollars
- ESG Corporate overlay

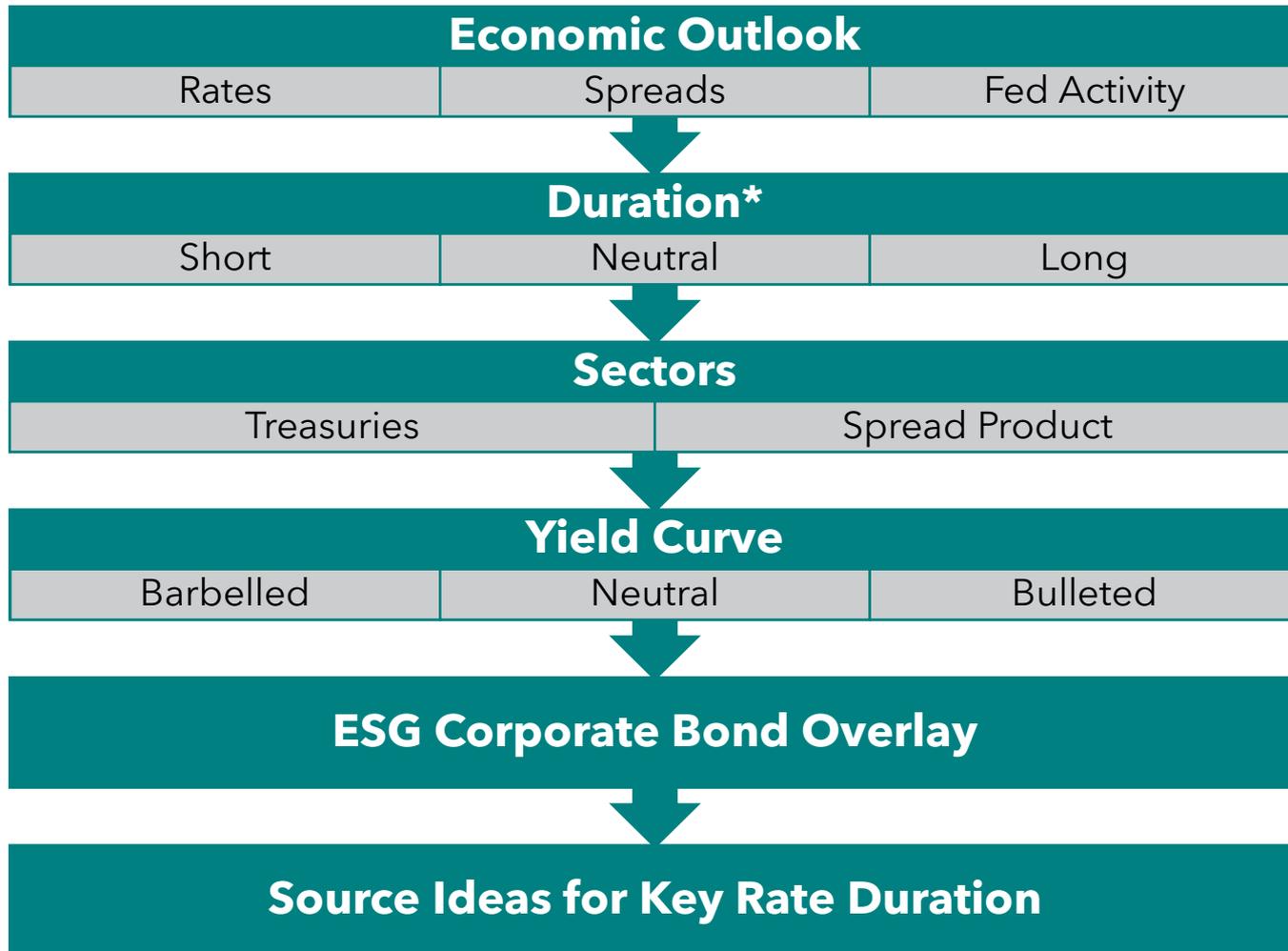
Flexibility

- Actively rotating sectors
- Actively managing yield curve
- Exploiting smaller markets

Risk Controls

- Percentage sector allocation
- Duration contribution by sector
- Credit reviews
- Yield curve
- Performance attribution
- Peer group performance monitoring
- ESG scale monitoring for Corporates

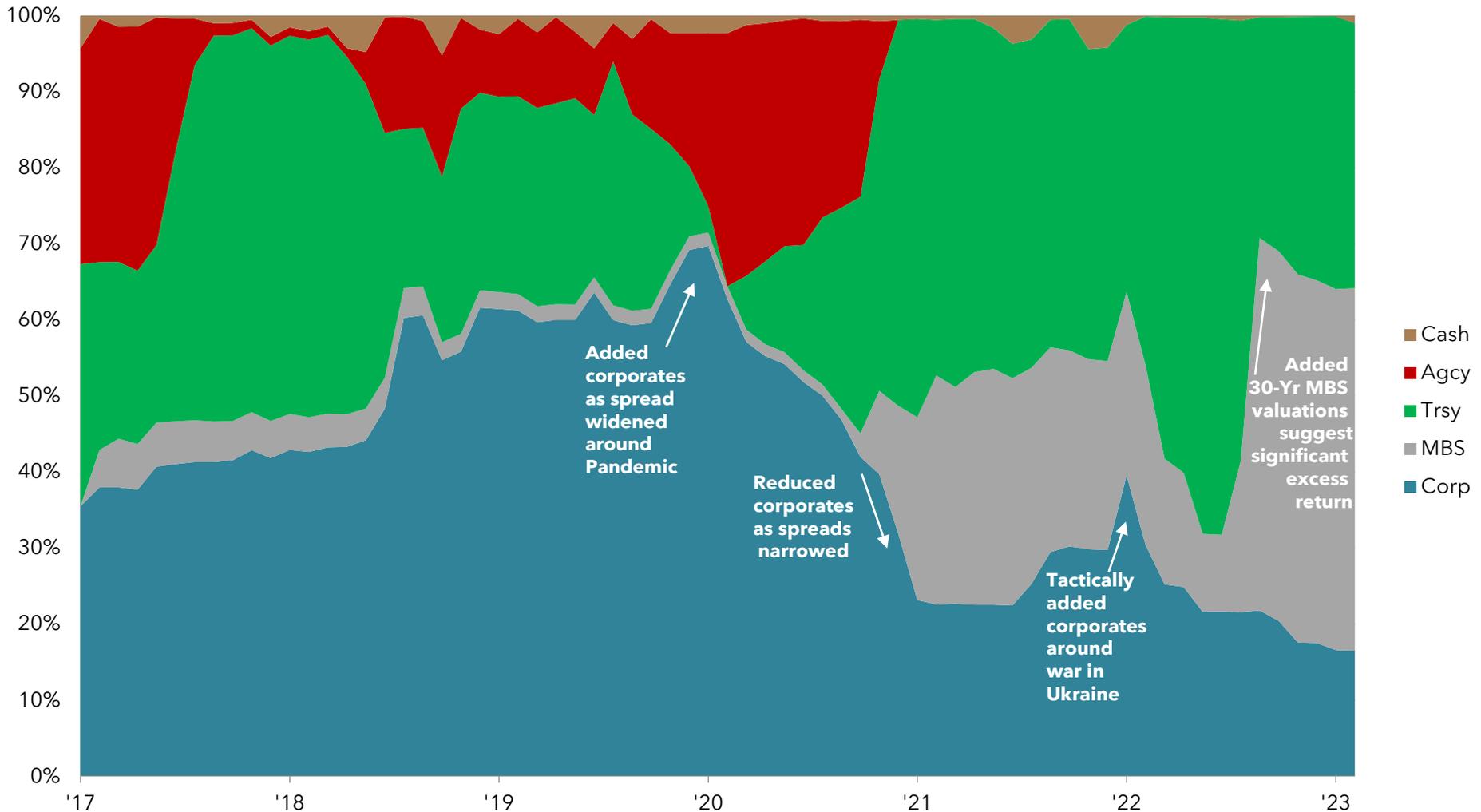
Portfolio Construction



*The firm normally operates in a duration range of +/- 10% of the benchmark index duration for all mandates, excluding 1-3 and cash mandates. In extreme market environments, the firm operates in a duration range of +/- 25%.

Historical Sector Weightings

Santa Barbara County Employees Retirement System



Risk Tools

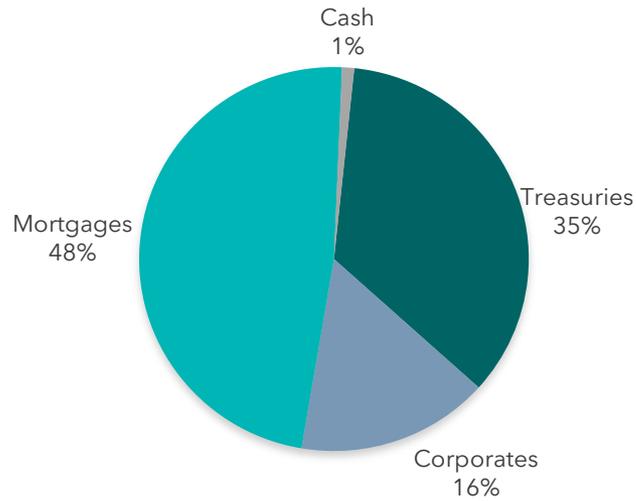
Santa Barbara County Employees Retirement System

	Duration Contribution	Treasury	Agency	Corp	MBS	ABS	Sum
Dec '21	Portfolio	3.50	0.00	1.31	0.66	0.00	5.47
	Bloomberg US Aggregate	2.75	0.34	2.20	1.29	0.11	6.69
Dec '22	Portfolio	3.78	0.00	0.97	2.12	0.00	6.87
	Bloomberg US Aggregate	2.47	0.27	1.70	1.59	0.09	6.12
Mar '23	Portfolio	3.25	0.00	0.89	2.66	0.00	6.80
	Bloomberg US Aggregate	2.55	0.27	1.76	1.59	0.09	6.26

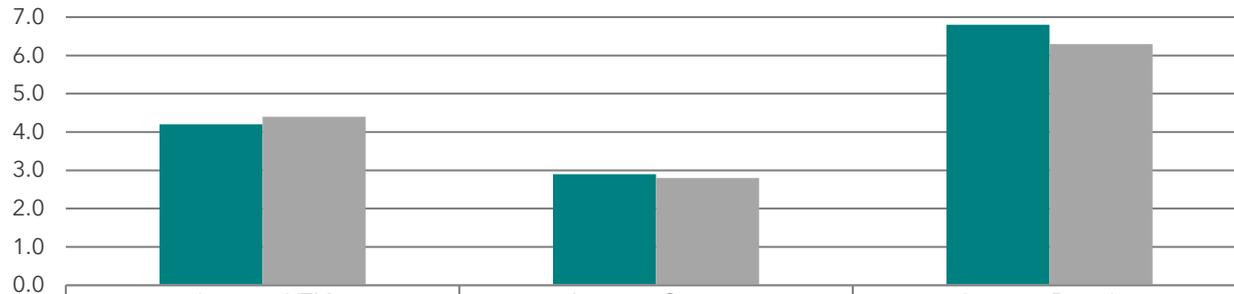
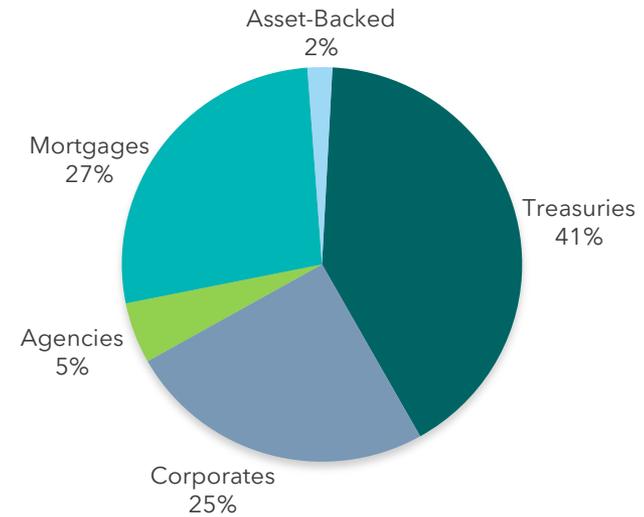
Fixed Income Portfolio Characteristics

Santa Barbara County Employees Retirement System

Portfolio

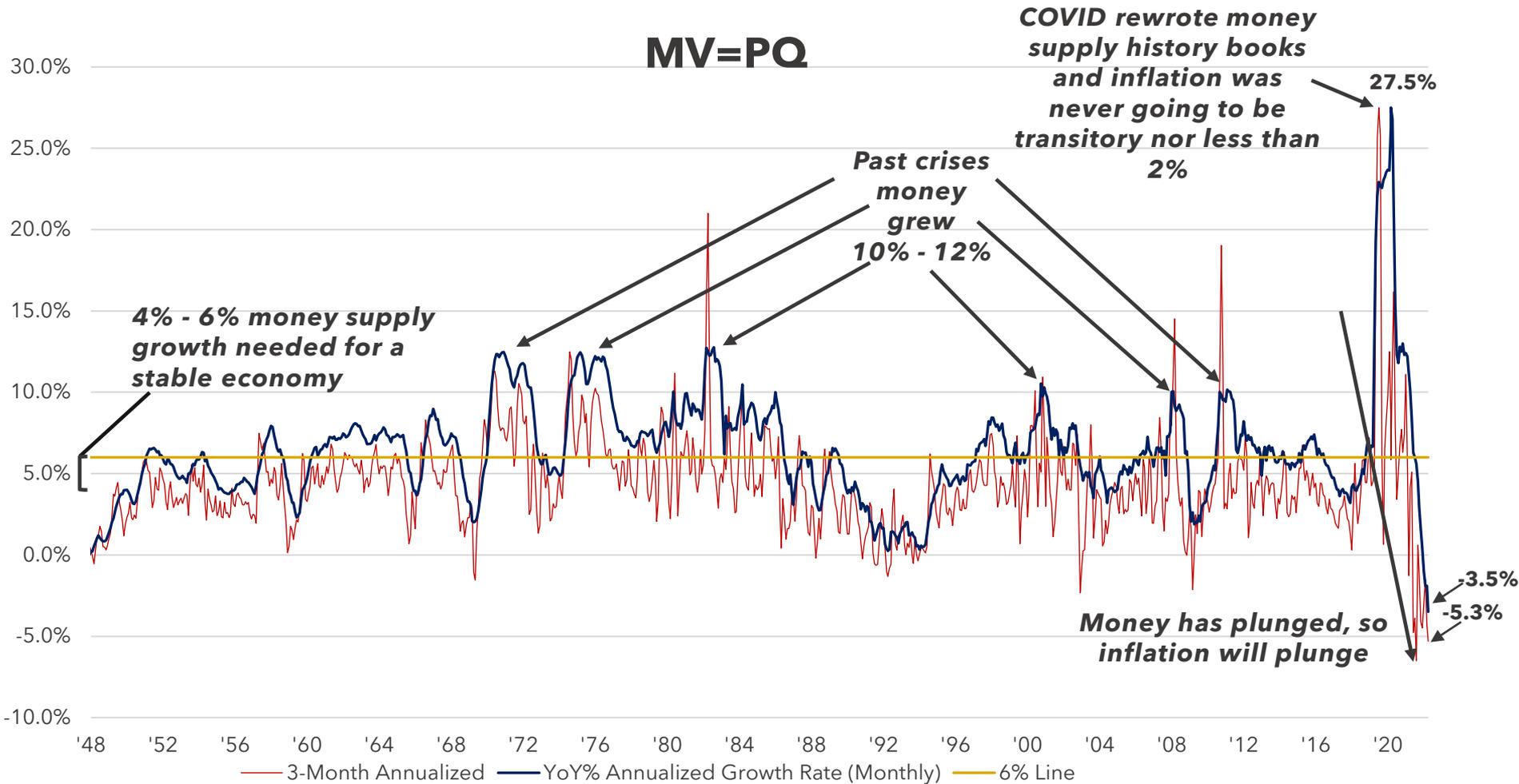


Bloomberg US Aggregate



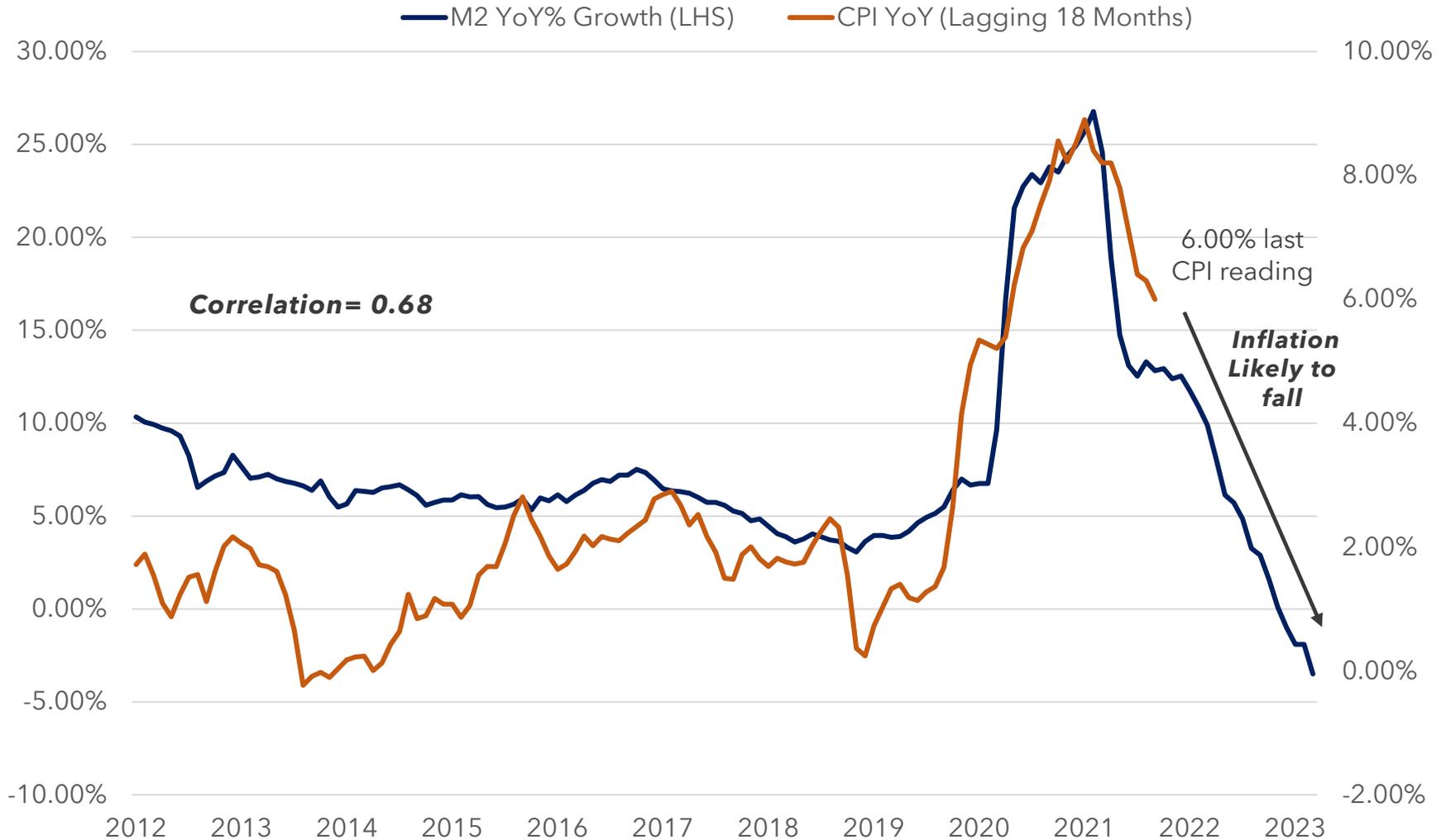
	Average YTM	Average Coupon	Average Duration
■ Portfolio	4.2	2.9	6.8
■ Bloomberg US Aggregate	4.4	2.8	6.3

Money Supply Long Term Growth



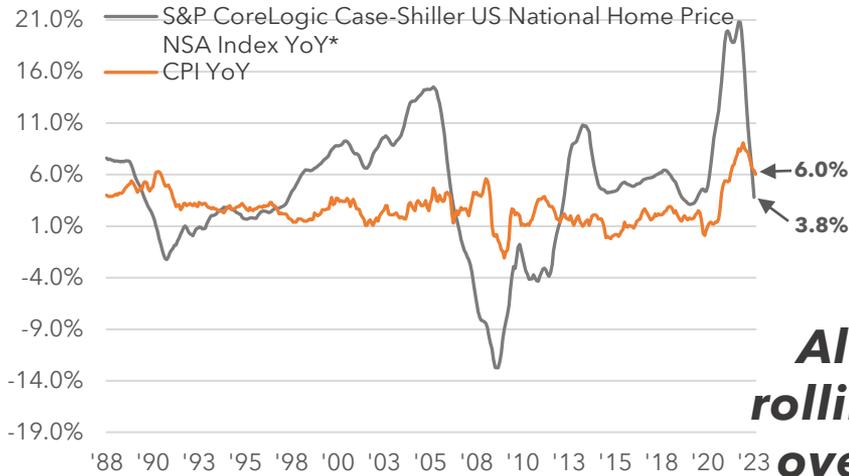
The data used to create the long-term year over year growth rate was compiled from data published by the Federal Reserve Historical Monetary Aggregate Data. The monthly series from Jan 1948 until November 1980 was compiled from the M2SA and M2SL series and is used to calculate the year over year annualized growth rate. After November 1980, the weekly data series for M2 is used to calculate the year over year annual growth rate.

Low Money Supply Growth Suggests Lower CPI/Rates

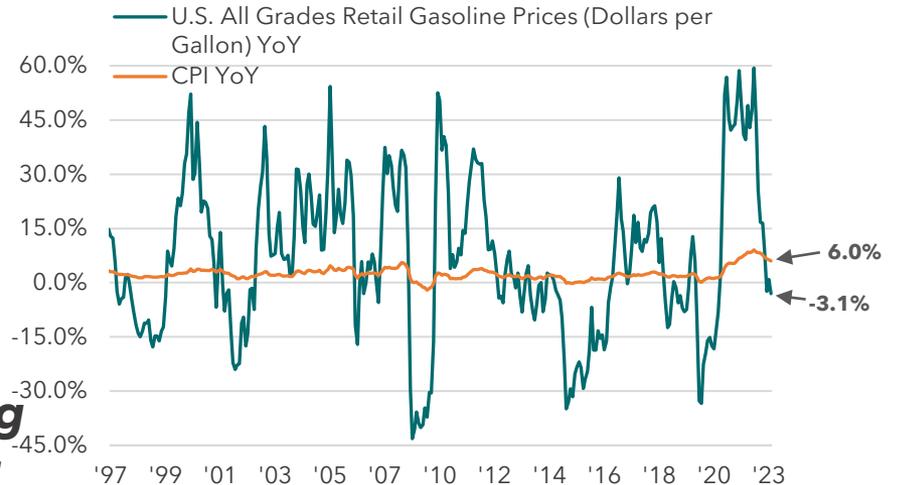


Inflationary Pressures Moderating

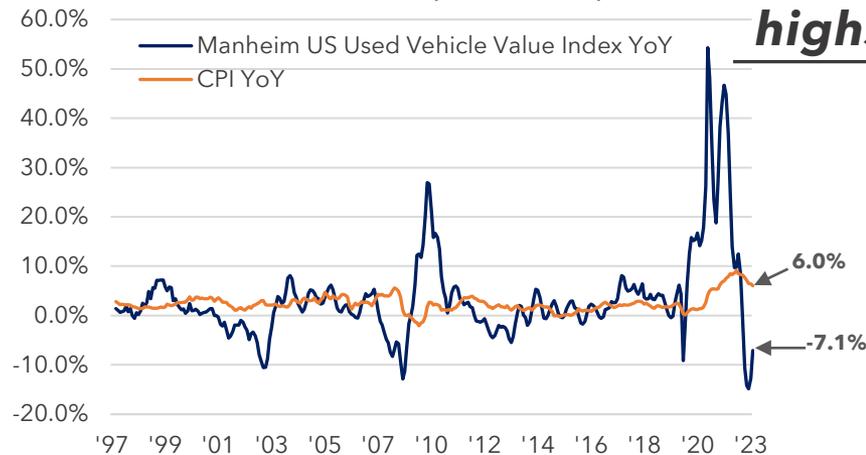
Housing Prices (24% of CPI)



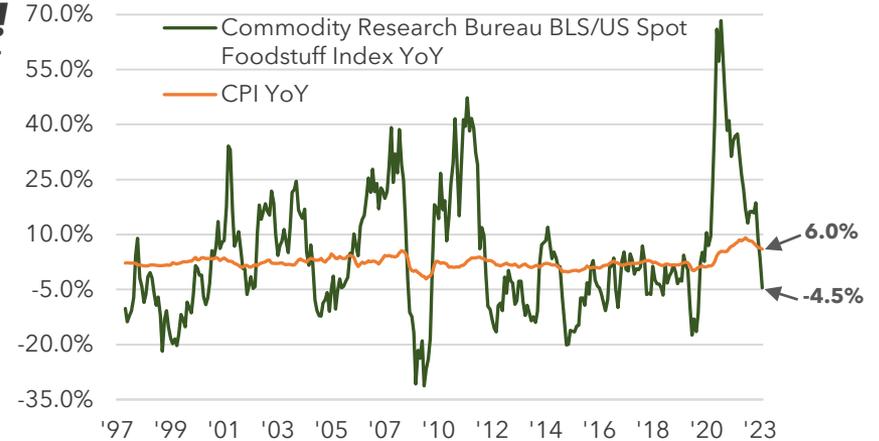
Gas Prices (5% of CPI)



Car Prices (8% of CPI)



Food Prices (13% of CPI)



All rolling over from highs!

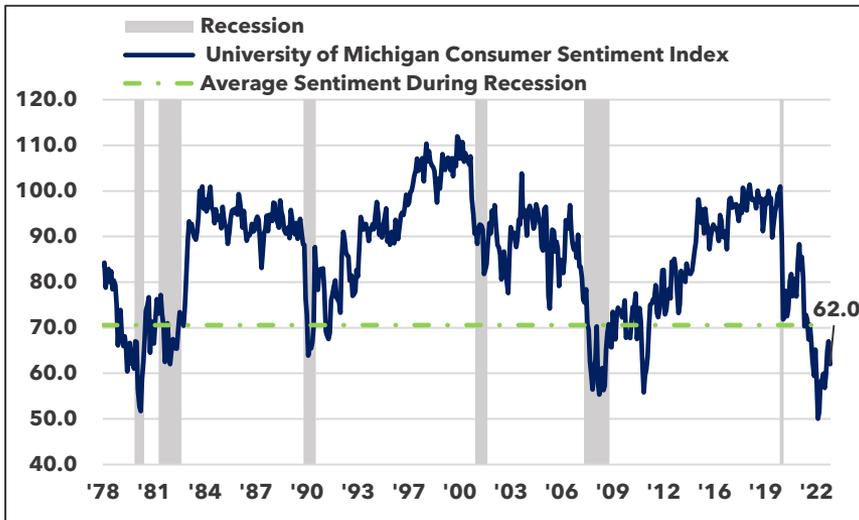
Several Indicators are Flashing Recession Risks



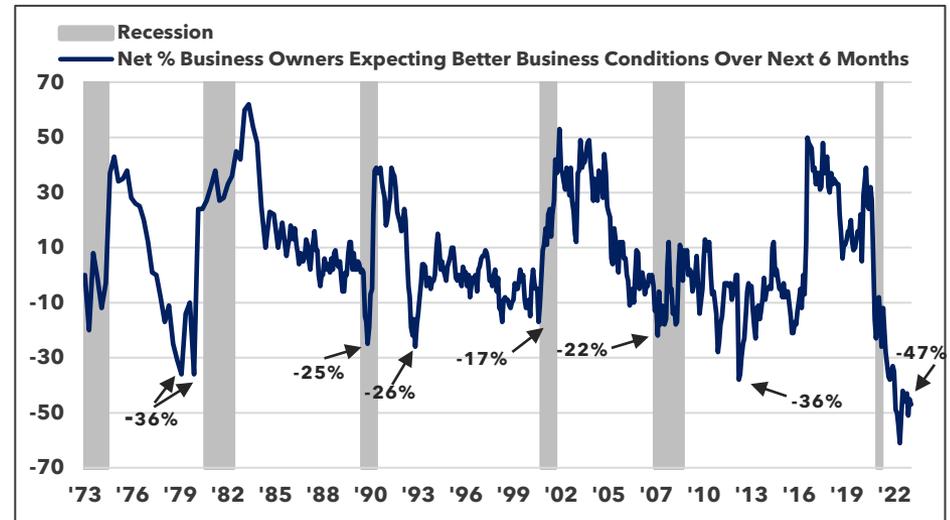
As of February 28, 2023 | Bloomberg



As of March 31, 2023 | Bloomberg

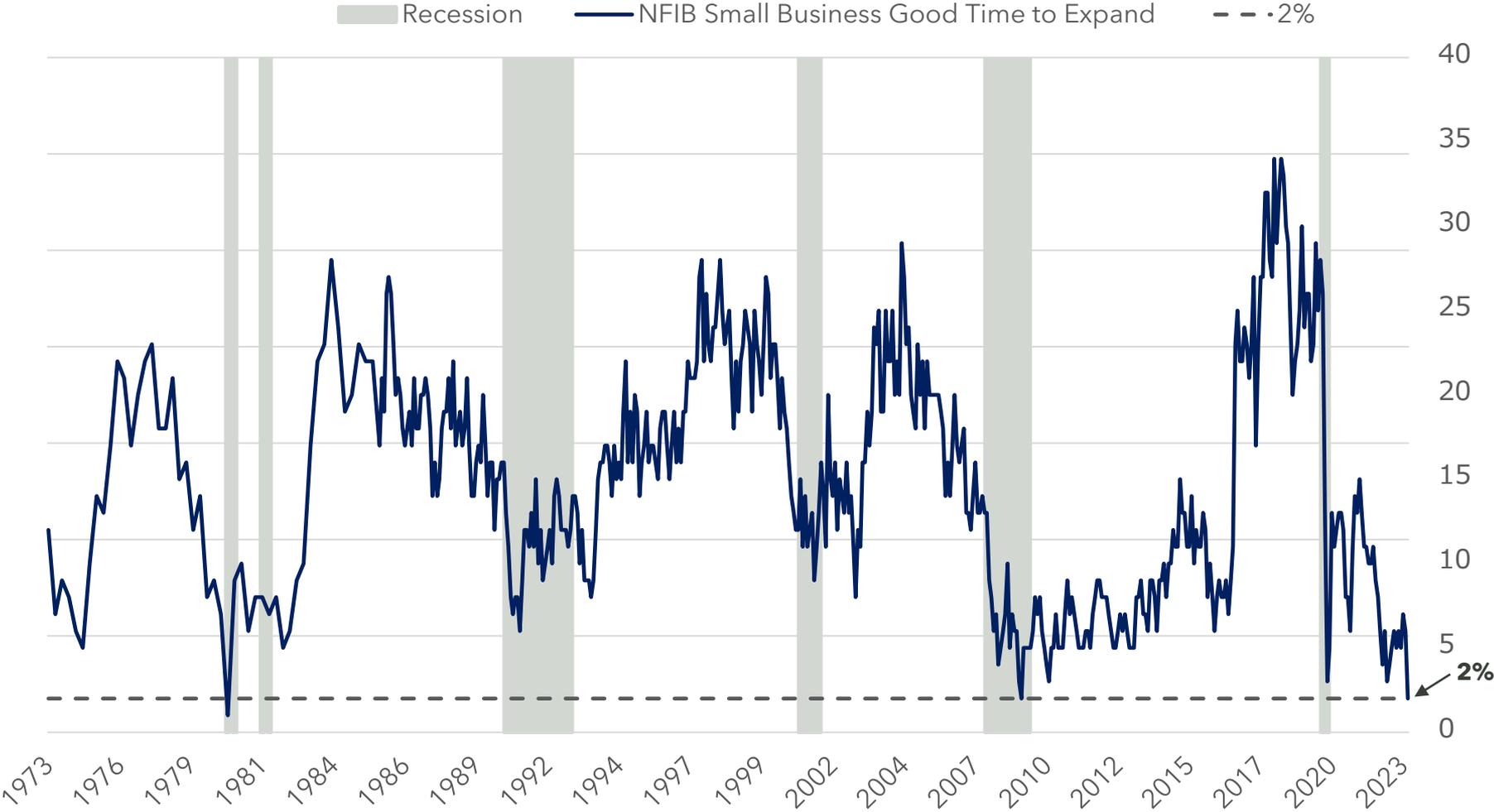


As of March 31, 2023 | Bloomberg

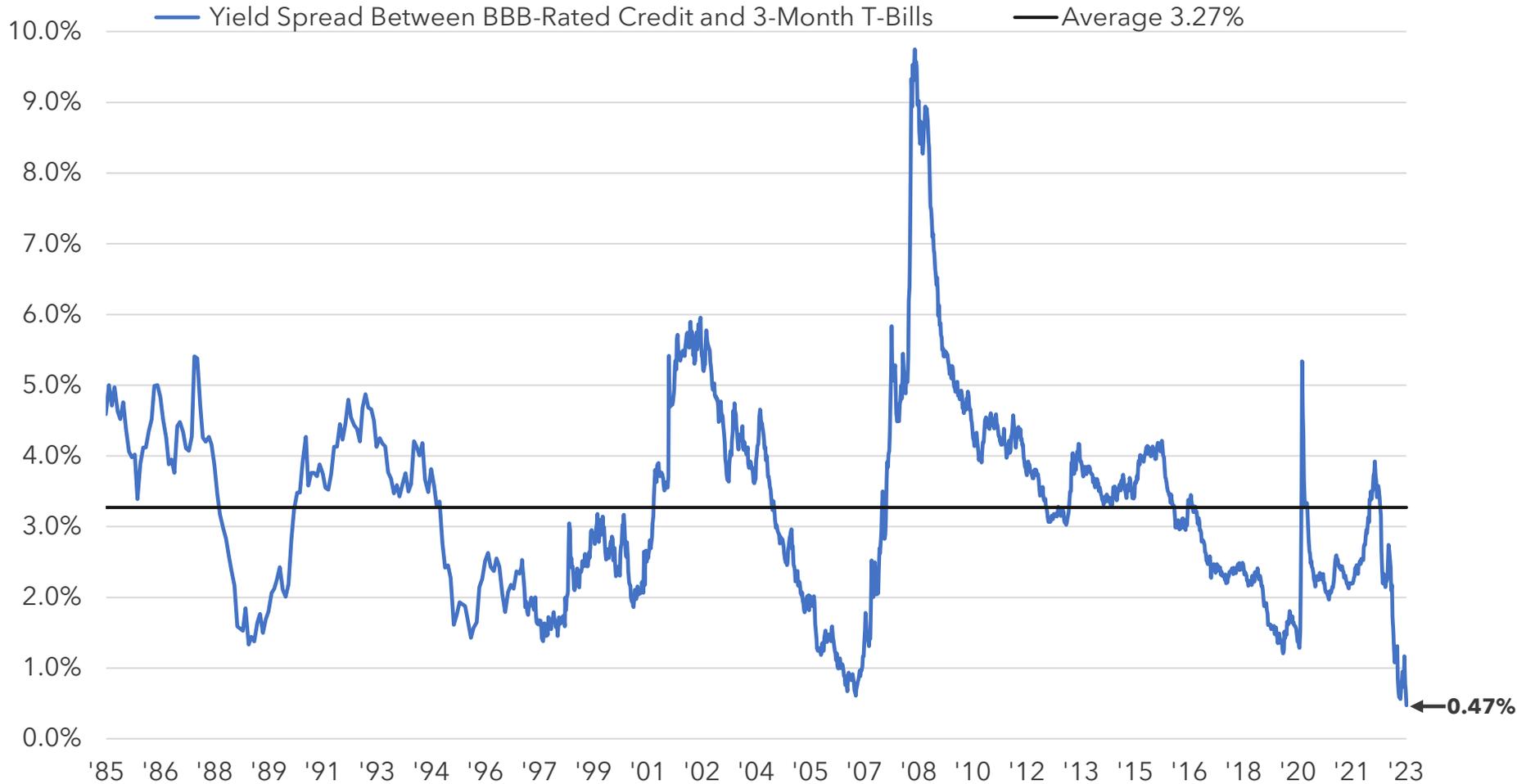


As of February 28, 2023 | Bloomberg

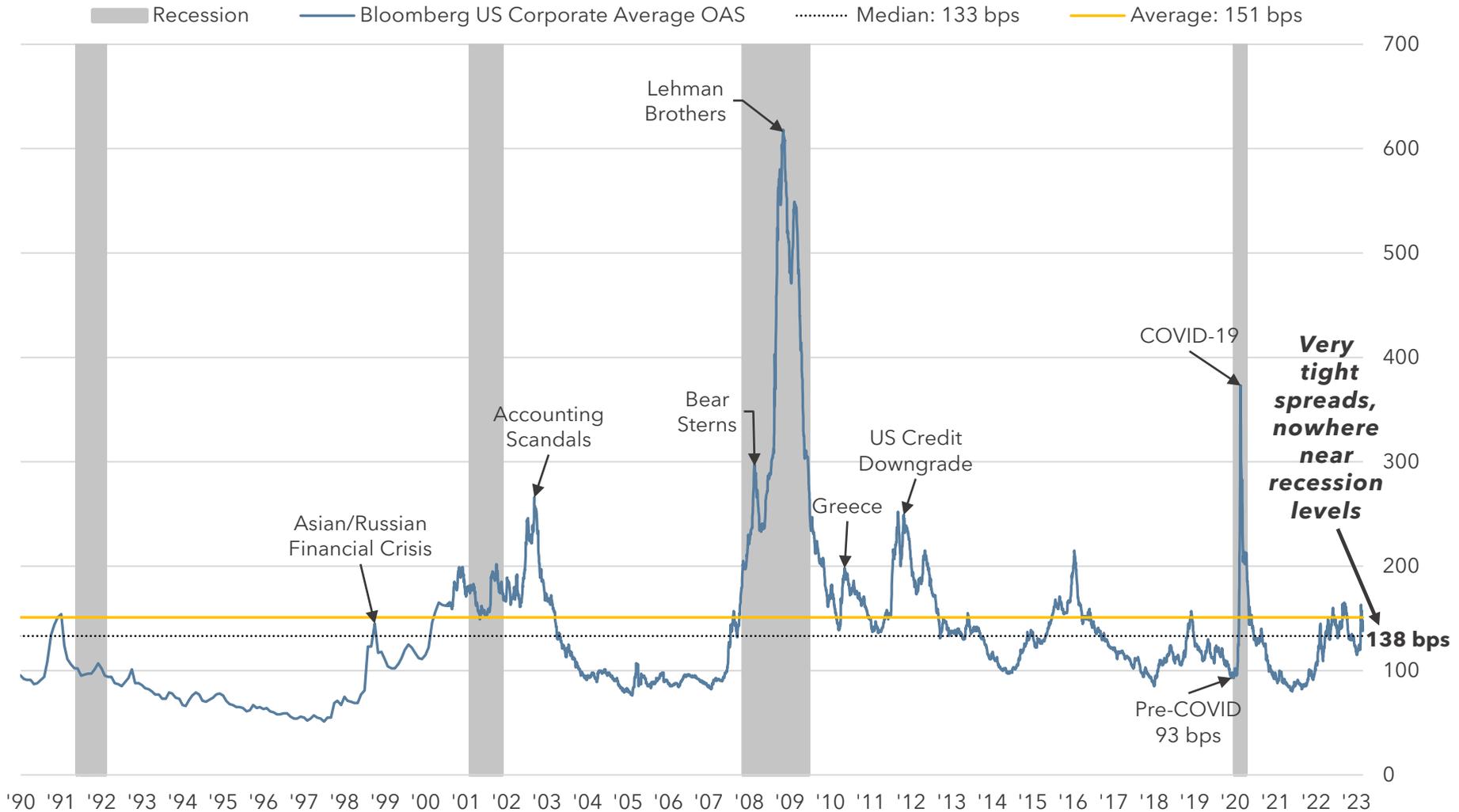
Outlook for Hiring and Business Investment is Grim



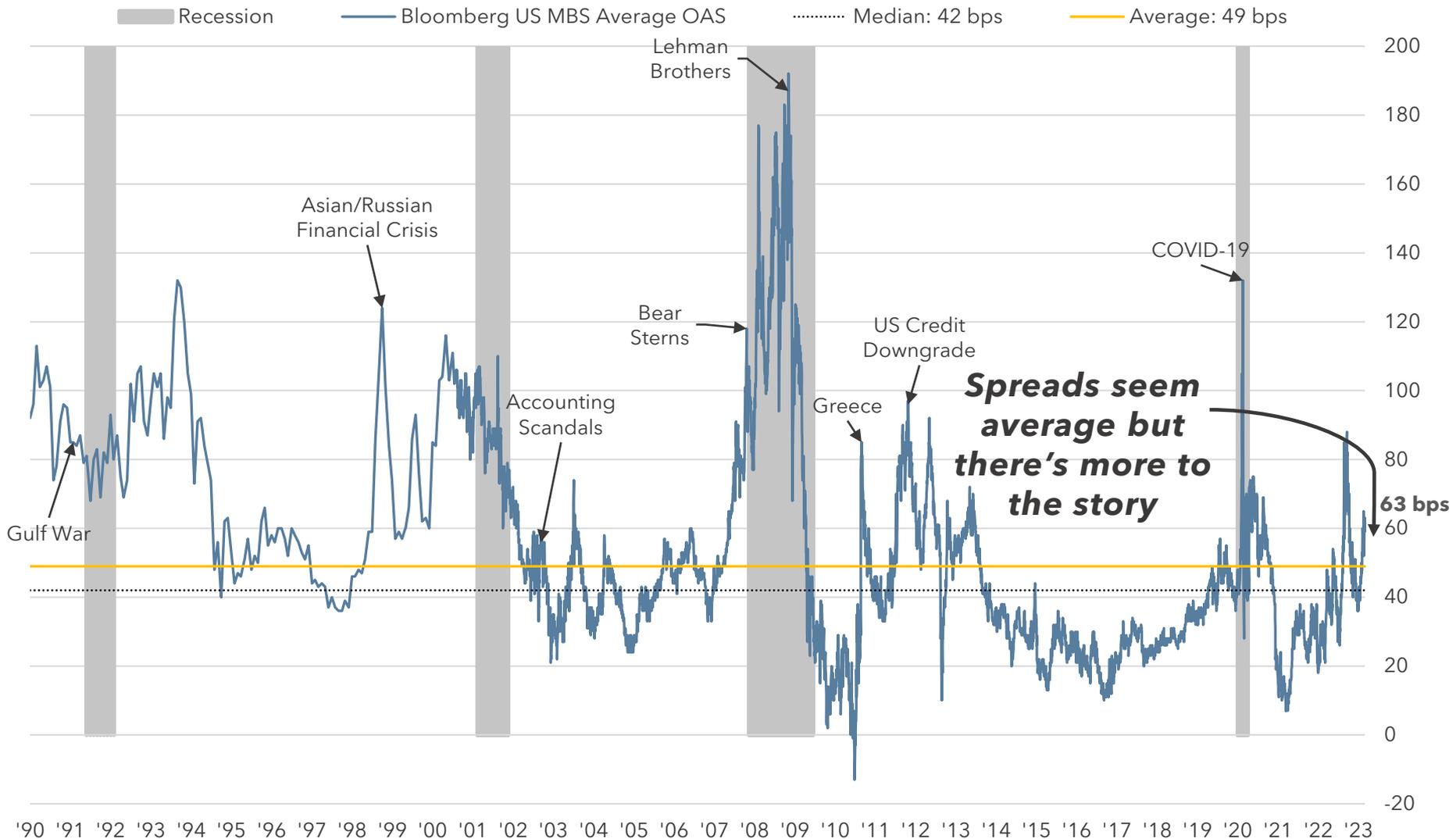
Fed is Discouraging Risk Taking



Average Option Adjusted Spreads (OAS)



Mortgage Option Adjusted Spreads (OAS)



MBS Market is Trading at Historically Low Prices

Average Price on 30-year and 15-year MBS



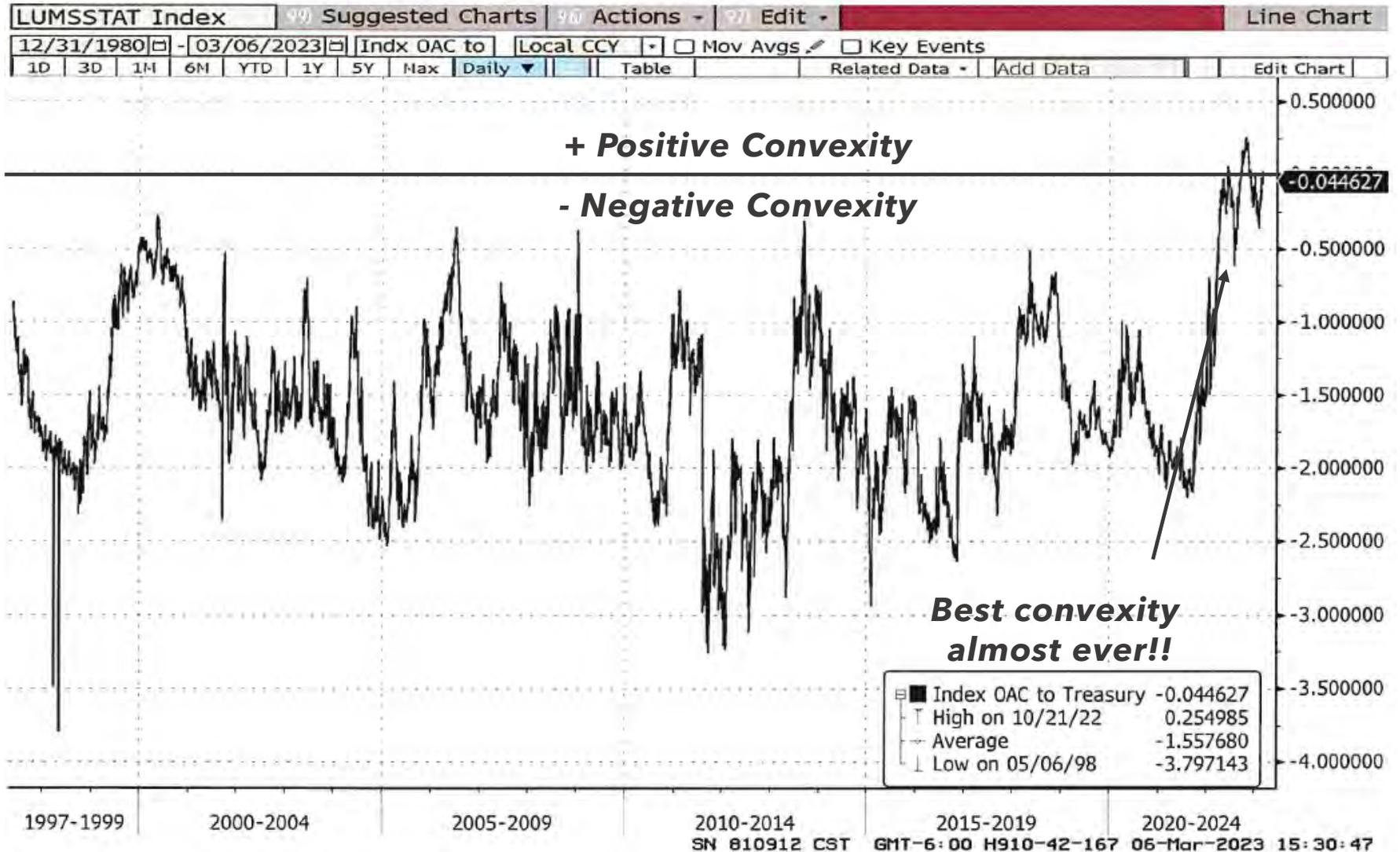
Yield Table Analysis

FN MA4783 Mtge												Actions			Export			Settings			Yield Table					
100% FNCL 4 N												4.888(351)7 CUSIP 31418EJ50 [Pool Level]												As of 04/2023		
4/2023	245P	3.4C	0.4B	Traits	CL, 30/360	Coupon	4.0%	Maturity	10/1/52	CA	22%	2022	100%													
3Mo	222	2.7	0.1	09/01/2022	4.3MMM	LTV/HLTV	77/78	Accrual	4/1-4/30	TX	7%	2021	0%													
6Mo	347	3.1	0.1	04/25/2023	4.2MMM	MAXLS	1,200,000	Next Pay	5/25/23	CO	6%															
12Mo	--	--	--	Factor	0.97434626	WAOLS	463,357			FL	5%															
Life	363	2.9	--	# Loans	10,333																					
Price-to-Yield																										
Settle	04/13/23			CF	CF	CF	CF	CF	CF	CF	CF	CF	CF	CF												
Vary	0			0 CPR	3.4 CPR	5 CPR	10 CPR	20 CPR	30 CPR	40 CPR																
Price	95-24			4.38	4.49	4.55	4.75	5.21	5.74	6.35																
Avg Life				18.07	12.83	11.10	7.48	4.16	2.74	1.97																
Mod Duration				11.75	8.81	7.80	5.60	3.38	2.33	1.71																
Prin Win	Date			5/23-7/52	5/23-7/52	5/23-7/52	5/23-7/52	5/23-7/52	5/23-7/52	5/23-7/52																
I Spread				69	97	108	128	157	190	231																
Apr23	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	GOVT(1)	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y						
245P	179	241	326	599	1136	785	--	--	--	--	--	14:41	4.95	4.66	4.03	3.79	3.54	3.48	3.43	3.62						
3.4C	2.2	2.4	2.6	3.6	4.5	1.6	--	--	--	--	--	Disc	30/360	10Y	100-19	20Y	101-26									

Spread is positive (69) to treasuries at a worst case prepayment - 0 (zero)

With huge upside potential if rates decline and prepayments accelerate

MBS Convexity

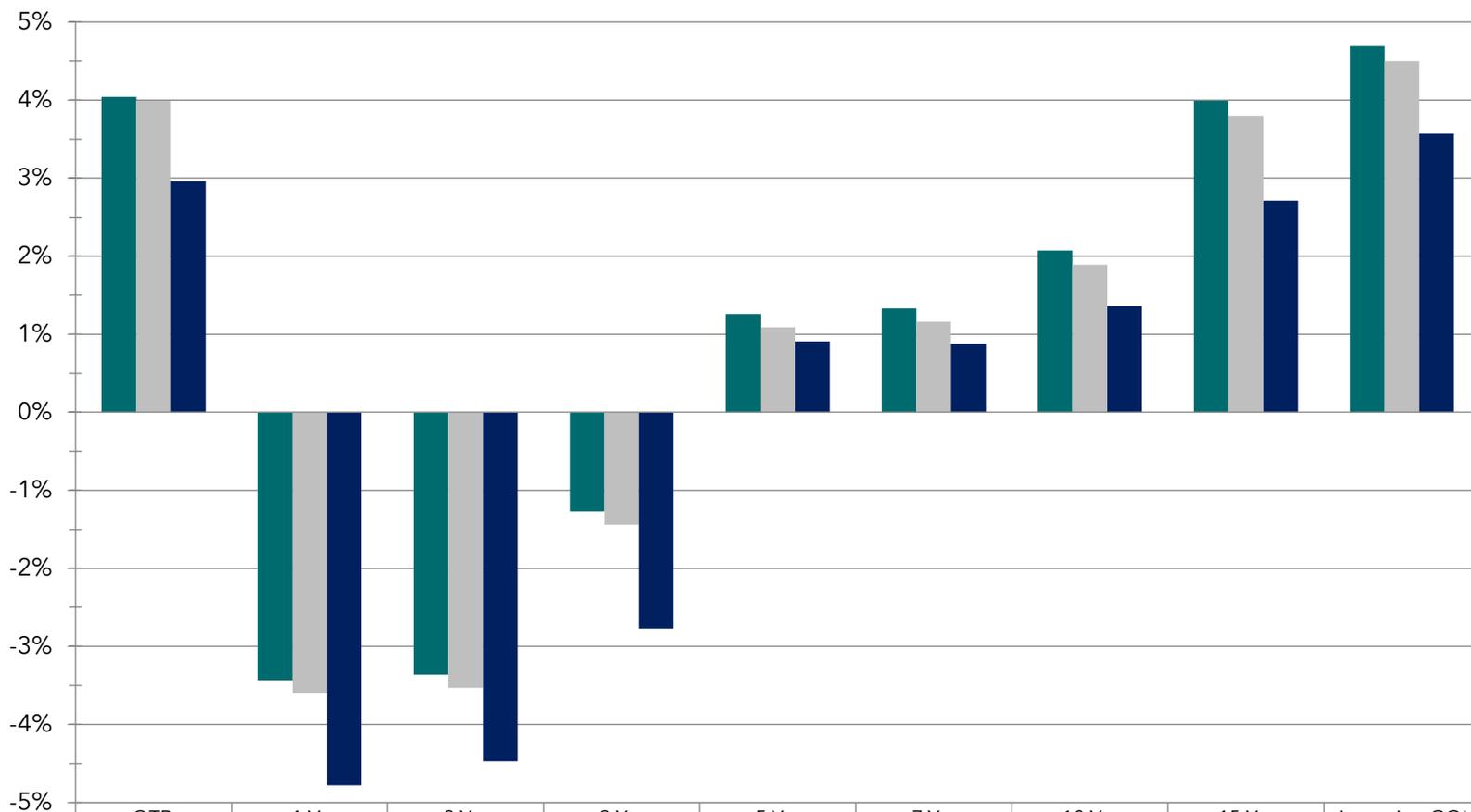


Appendix

Fixed Income - Aggregate Composite Returns

Comparative Annualized Rates of Return

Preliminary



	QTD	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	15 Yrs	Inception GG*
GH&A Gross of Fees	4.04%	-3.43%	-3.36%	-1.27%	1.26%	1.33%	2.07%	3.99%	4.69%
GH&A Net of Fees	3.99%	-3.60%	-3.53%	-1.44%	1.09%	1.16%	1.89%	3.80%	4.50%
Bloomberg US Aggregate	2.96%	-4.78%	-4.47%	-2.77%	0.91%	0.88%	1.36%	2.71%	3.57%

Periods longer than 12 months are annualized.

*Gilbert Garcia management inception March 31, 2002

Performance Disclosure

FIXED INCOME - AGGREGATE COMPOSITE (GIPS Report as of December 31, 2022)

Garcia Hamilton & Associates, L.P.

Year End	Annual Composite - Gross Composite Total Return (% US\$)	Annual Composite - Net Composite Total Return (% US\$)	Annual Composite - Bloomberg US Aggregate Index Return (%)	Annual Composite - Composite Dispersion (%)	Composite - Standard Deviation (3-yr) ¹ (%)	Bloomberg US Aggregate Index - Standard Deviation (3-yr) ¹ (%)	Composite Assets - Number of Portfolios	Composite Assets - Period End (US\$ mil)	Total Firm Assets - Period End (US\$ mil)	% of Total Firm Assets
2002	10.4	10.2	10.3	NM	-	-	3	85	3,280	3
2003	4.1	3.9	4.1	NM	-	-	3	88	4,628	2
2004	4.9	4.8	4.3	NM	-	-	4	98	4,710	2
2005	3.8	3.6	2.4	NM	-	-	4	121	4,152	3
2006	4.2	4.0	4.3	NM	-	-	4	126	3,025	4
2007	8.6	8.4	7.0	0.1	-	-	6	184	2,215	8
2008	5.9	5.7	5.2	0.2	-	-	9	248	1,538	16
2009	12.1	11.9	5.9	1.7	-	-	16	419	1,939	22
2010	8.2	8.0	6.5	0.4	-	-	27	653	2,382	27
2011	5.3	5.1	7.8	0.3	3.5	2.8	42	983	2,704	36
2012	10.5	10.3	4.2	0.2	3.1	2.4	47	1,084	3,227	34
2013	0.1	-0.1	-2.0	0.2	3.4	2.7	59	1,372	3,387	40
2014	8.0	7.8	6.0	0.2	2.8	2.6	111	2,485	4,962	50
2015	0.8	0.7	0.6	0.1	3.2	2.9	146	3,768	6,340	59
2016	3.2	3.0	2.7	0.1	3.3	3.0	168	5,080	8,016	63
2017	3.8	3.6	3.5	0.1	3.1	2.8	185	7,135	10,071	71
2018	1.0	0.8	0.0	0.2	2.5	2.8	205	8,287	12,590	66
2019	7.3	7.1	8.7	0.5	2.3	2.9	250	10,113	14,997	67
2020	8.1	7.9	7.5	0.4	3.1	3.4	253	10,994	16,726	66
2021	-2.1	-2.3	-1.5	0.1	3.3	3.4	254	10,951	18,740	58
2022	-11.3	-11.4	-13.0	0.3	6.1	5.8	258	9,968	16,764	59

¹Historical information not required prior to 2011. NM = Not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. Creation Date: 10/1/1999
Source: Bloomberg

The GH&A Fixed Income - Aggregate Composite is comprised of fully discretionary, fee paying institutional portfolios, including those portfolios no longer with the firm. The Fixed Income - Aggregate investment philosophy utilizes high-quality U.S. investment grade fixed income securities. To help control risk, the portfolios typically purchase spread product (non-Treasuries) with less than 10-year maturities, 15- and 20-year Agency Guaranteed Mortgage-Backed securities and Corporate Bonds rated a minimum of single "A-" or equivalent. The portfolios do not contain derivatives or short positions and do not employ leverage. The duration exposure is generally managed within a +/- 10% band around the Bloomberg US Aggregate Index and a maximum of +/- 25% in extreme market environments.

The composite benchmark is the Bloomberg US Aggregate Index. The benchmark is used for comparative purposes only and generally reflects the risk or investment style of the product. The account minimum for the composite is \$2.0 million. The composite inception date is January 1, 1992.

Garcia Hamilton & Associates, L.P. (GH&A) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. GH&A has been independently verified for the periods January 1, 1993, through December 31, 2015, by Ashland Partners & Company LLP and from January 1, 2016, through December 31, 2021, by ACA Performance Services, LLC. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Returns presented include the reinvestment of all income. The net of fees performance results are calculated based on actual fees. The standard fee schedule is: 0.25% of the first \$25 million, 0.20% of the next \$25 million, 0.18% of the next \$50 million, 0.15% of the next \$100 million, and 0.09% of the balance. GH&A is an investment management firm registered under the Investment Advisers Act of 1940. GH&A was known as Davis Hamilton Jackson & Associates prior to June 30, 2010. Past performance is no guarantee of future results. A complete list and description of firm composites is available upon request.

Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Composite dispersion is calculated using an asset value-weighted standard deviation of annual gross of fees returns of those portfolios included in the composite the entire year. Standard deviation is presented as a 3-year annualized standard deviation measure of risk using monthly gross of fees returns as of each annual period end. While the composite is older, this date was selected when Mr. Garcia arrived and took over the portfolios.

Award Disclosure

GARCIA HAMILTON & ASSOCIATES, L.P. AWARD METHODOLOGIES & DISCLOSURES

Each third-party award and/or ranking about Garcia Hamilton & Associates, L.P. (GH&A) or its representatives was given based upon various criteria and methodologies. No direct or indirect compensation was provided by the Firm to participate in or distribute the results of any of the awards below. Any information contained in this correspondence is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Awards and/or rankings may not be representative of actual client experiences, are not indicative of past or future performance. Rankings and recognitions by unaffiliated publications should not be construed by a client or prospective client as a guarantee that GH&A will provide a certain level of results in client accounts, nor should they be construed as current or past endorsements of GH&A by clients. Such publications base their selections on information prepared and/or submitted by the sponsor organization. Investments in securities involve the risk of loss. Past performance is no guarantee of future results. Do not rely upon this information to predict future investment performance or market conditions. This information is not a substitute for consultation with a competent financial, legal, or tax adviser and should only be used in conjunction with their advice.

Pensions & Investments "Best Places to Work"

Pensions & Investments works with Best Companies Group in Harrisburg, PA to produce the Best Places to Work in Money Management awards. To participate, a firm had to have at least \$100 million of discretionary income, at least 20 employees in the U.S., institutional assets under management or advisement, and be in business for at least one year. Anonymous employee survey responses accounted for 75% of the total company score and employer responses account for the remaining 25%. Unless otherwise noted, all awards are based on AUM as of June 30 of the awarded year.

2022 "Best Places to Work" in Money Management	Companies with 20-49 Employees	Awarded to GH&A December 12, 2022
2020 "Best Places to Work" in Money Management	Companies with 20-49 Employees	Awarded to GH&A December 10, 2020
2019 "Best Places to Work" in Money Management	Companies with 20-49 Employees	Awarded to GH&A December 10, 2019
2018 "Best Places to Work" in Money Management	Companies with 20-49 Employees	Awarded to GH&A December 10, 2018
2017 "Best Places to Work" in Money Management	Companies with 20-49 Employees	Awarded to GH&A December 11, 2017
2016 "Best Places to Work" in Money Management	Companies with 20-49 Employees	Awarded to GH&A December 12, 2016

Houston Business Journal Diversity in Business

The Houston Business Journal's Diversity in Business Awards program recognizes organizations and individuals that have shown exceptional commitment to promoting practices that advance diversity and inclusion in the workplace. Awardees do not apply to be recognized. All company honorees are for-profit and nonprofit organizations local to the Houston business community and are split into three categories: Outstanding Diverse Organization, Outstanding Supplier Diversity, and Outstanding Diversity Helping Hand. All individual honorees are active in the Houston community and are split into two categories: Outstanding Diversity Champion and Outstanding Head of Diversity. Awards are based on activities of the previous calendar year (May to May).

2022 Outstanding Diverse Organization	Small Organization (10-99 Employees)	Awarded to GH&A May 6, 2022
2021 Outstanding Diversity Champion		Awarded to Gilbert Andrew Garcia, CFA, Managing Partner, February 24, 2021

Emerging Manager Monthly "Fixed Income Manager of the Year"

Presented by Emerging Manager Monthly, Emerging Manager Awards are awarded annually to firms across seven categories: large-cap equity, small-cap equity, small- to mid-cap equity, all-cap equity, international equity, and core fixed income. Nominees are ranked on the following criteria: excess returns over benchmark, performance versus peers, asset growth, asset percentage growth, and standard deviation. The top three managers in each category are then judged by a committee comprised of highly respected industry experts. The committee remains anonymous and evaluates the merits of each firm on qualitative and quantitative measures. To be eligible for the 2019 awards, managers must have submitted year end 2018 data to PSN Informa by January 25th, have had at least \$10 million in product assets, and have full year 2018 performance figures as well as 2018 year-end product asset information. Firm-wide assets for non-minority and women-owned firms were capped at \$2 billion, and all MWBE fixed-income managers were considered. To be eligible for the 2018 awards, managers must have submitted year end 2017 data to PSN Informa by January 26th, have had at least \$10 million in product assets, and have full year 2017 performance figures as well as 2017 year-end product asset information. Firm-wide assets for non-minority and women-owned firms were capped at \$2 billion, and all MWBE fixed-income managers were considered. The 2010 Emerging Manager Awards were presented by Emerging Manager Monthly, in association with eVestment. To be eligible, managers must have submitted 2009 year-end data to eVestment Alliance, have had less than \$2 billion in assets under management and have had full-year performance figures. Only separately managed accounts were considered.

2019 "Fixed Income Manager of the Year" Award		Awarded to GH&A April 3, 2019
2018 "Fixed Income Manager of the Year" Award		Awarded to GH&A April 5, 2018
2010 "Core Fixed Income Manager of the Year" Award		Awarded to GH&A April 1, 2010

Institutional Asset Management

Sponsored by FundMAP, the 2018 Institutional Asset Management Awards constitute a vote of recognition from U.S. peers and a significant achievement for asset managers. Award winners are selected by majority vote, through an online poll of the entire Institutional Asset Management readership including key industry professionals based on the previous calendar year.

2018 U.S. Fixed Income Manager of the Year		Awarded to GH&A November 13, 2018
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Houston Business Journal "Best Places to Work"

This award from the Houston Business Journal celebrates companies in the Houston area with the most satisfied employees. Companies are ranked by the results of an anonymous employee survey covering the current employee sentiment, which aims to evaluate employee engagement and satisfaction.

2018 "Best Places to Work"		Awarded to GH&A October 24, 2018
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Institutional Investor U.S. Investment Management

Manager of the Year awards are part of Institutional Investor's U.S. Investment Management Awards. Awardees are recognized by endowments, foundations, pension funds, and other institutional investors for innovation and impressive returns during the previous calendar year. Following a public call for nominations, the editorial staff of Institutional Investor selects award nominees based on the staff's analysis of data collected. Once the nominees are publicly announced, the group then conducts a wide survey of U.S. institutional investors and invites them to vote for the manager nominees.

2016 "Intermediate-Term Manager of the Year"		Awarded to GH&A May 10, 2016
2015 "Intermediate-Term Manager of the Year"		Awarded to GH&A May 4, 2015
2014 "Intermediate-Term Manager of the Year"		Awarded to GH&A May 8, 2014