



## **Key West General Employees' Fund**

Investment Review

Period Ending

December 31, 2016

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**Highland Capital**  
MANAGEMENT, LLC  
An Argent Company

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## **4Q16 Core Value Equity Portfolio Manager Commentary**

It's always nice for things to end on a positive note, and that can certainly be said for the way the equity market closed out 2016. It was a tumultuous year in many respects, with oil declining to \$26 in February, the 10 year US Treasury yield falling to its lowest level in a decade, the surprising Brexit vote, and a divisive presidential election race that ended in an unexpected victory for Donald Trump. When it was all said and done, the S&P 500 had gained 11.9% for the year, but the bulk of the year's gain occurred after the election based on the new administration's agenda on fiscal stimulus, tax reform, and deregulation. Energy, which had been the most beleaguered sector in 2015, finished 2016 as the market's best performer, gaining over 27%. By year end, the crude price had doubled off its February lows, and increased roughly 45% for the year. Falling US crude production, coupled with an OPEC production cutting accord helped crude to move ahead, gaining almost 19% since the end of November. The US economy also finally showed some acceleration, with GDP growing 3.5% in Q3, up from the tepid Q2 rate of 1.4%. What had started out in January 2016 as the worst ever start for the equity market in a new year, closed the year with a decisively different tone.

**Fourth Quarter Market Recap:** The S&P gained 3.8% in Q4. Once the election results were tallied, the market took a "risk on" posture with the more economically sensitive sectors of the market posting the largest gains. Financials, Energy, and Industrials led the moves higher, while the more defensive areas of the market such as Healthcare, Consumer Staples, and Telecom lagged. The economy should be able to grow at a faster clip with infrastructure spending increasing, foreign cash repatriation to the US, lower corporate tax rates, and a less burdensome regulatory environment. There is even talk of perhaps some degree of regulatory repeal (i.e. Dodd-Frank). While the market seemed to discount all the news as good, there are several aspects of the new administration's approach that could prove to be problematic, such as trade and additional debt. Tax reform could be constructed to be revenue neutral with the elimination of deductions, but infrastructure spending will be more challenging. Many changes will require more than an executive order, so the timing and degree to which Congress implements these proposed changes is always suspect. President elect Trump will enter office with the highest debt to GDP ratio (77%) since Truman (104%). With many of the Trump proposals adding to the debt load, there are no guarantees that a Republican Congress that has avowed higher spending and debt will necessarily rubber

stamp agenda items.

Financials were the biggest winner in Q4 gaining 21.1%. It's no secret that higher interest rates are good for banks as it allows the Net Interest Margin to expand, and the increase in the 10 year US Treasury yield from 1.6% on 9/30 to 2.43% by 12/31, coupled with the Fed's more hawkish tone for additional rate hikes in 2017, created a much more optimistic outlook for the group. Faster GDP growth should also encourage additional lending, and most forecasts now expect loan growth at banks to expand roughly 7% in 2017. With job growth and credit quality remaining solid, the question for the financial sector now is whether or not the recent strong upward moves have already discounted all the good news. Industrials also gained 7.2% in Q4, on the anticipated ramp in growth and infrastructure spending. Both Consumer Staples (-2%), and Healthcare (-4%) were the only negative sectors in the quarter. Both sectors are viewed as defensive and yield plays, and are less attractive if growth is reinvigorated, and interest rates rise. Consumer Staples had also become expensive trading at 19.4X forward earnings, versus its historical 5 year average of 17.6X. Healthcare pricing (especially drug pricing) had been in the crosshairs of both presidential candidates, and the resulting uncertainty led to pressure on the stocks, especially within the biotech segment.

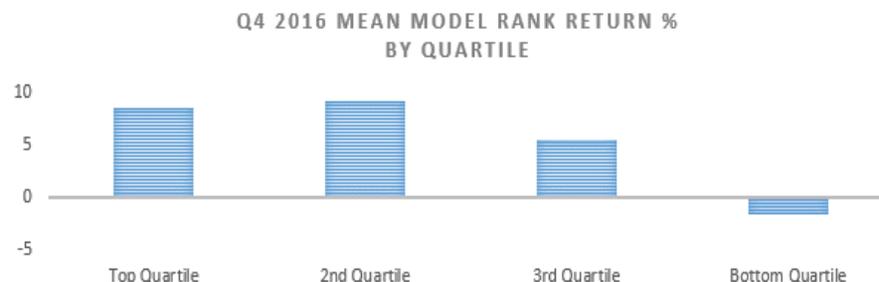
**Outlook:** While the market finished strong in 2016, we would expect markets in 2017 to exhibit greater volatility, given the unpredictability of Trump, the fact that he has never held public office, and many of his pronouncements to date have been vague with few details, and even sometimes contradictory. It may now become part of standard research protocol to follow @realdonaldtrump on Twitter, as the president elect's tweets have caused stock prices to move. The more fundamental aspects of the market also bear watching. Interest rates have finally moved upward, and while the Fed expects to raise rates three times in 2017, inflationary pressures or faster than anticipated growth could alter their stance. Inflation remains under control with the Fed's favorite indicator (the Core PCE) annualizing at a 1.65% clip, below their 2% target. With the unemployment rate at 4.6%, a tighter labor market should start to add to inflationary pressures. However, with wages just growing 2.5%, that is indicative of some slack remaining in the labor market. Both longer term interest rates and inflation would need to move closer to 4% before we would expect them to be detrimental to the equity market. History has

**4Q16 Core Value Equity Portfolio Manager Commentary (cont.)**

shown that market multiples are at their highest when inflation resides between 0-4%. Even with some upward move in inflation we would expect the market to maintain an upper teens multiple. The US dollar may also serve as a governor on economic growth and inflation. The US dollar index gained 4.6% in 2016, and recently reached a 14 year high as the US is now raising rates, and with quickening economic activity demand for dollars has increased. While a stronger dollar is beneficial for the US in purchasing items, it also makes our products sold outside the US more expensive. This could have a negative impact on the earnings of large US multinationals who have a significant percentage of their sales outside the US. Perhaps most significantly, the earnings recession that had persisted for five quarters has now ended. The third quarter of 2016 saw earnings grow 3.1%. With earnings now on the upswing (Q4 2016 eps estimate is for a 3.2% increase), and CFO confidence and consumer confidence on the rise, the odds of a recession have declined. Valuation metrics will also look more favorable with earnings now headed in a positive direction – full year 2017 eps forecast is for growth of 11.5%. If Trump’s corporate tax rate reductions are implemented, those dollars fall straight to the bottom line improving eps growth even further. Cash repatriation (some estimates put the amount that could come home at \$1 trillion over 12-15 months) would also influence earnings in a more subtle way, as cash brought back to the US would most likely be used in share buybacks, and the lower share count would be additive to earnings. And while the US equity market has moved higher, it has continued to be a market with limited participation, as domestic equity flows of mutual funds and ETF’s registered a net outflow of \$167.5 billion for the first 11 months of 2016. To the contrary, bond funds and bond ETF’s had positive net flows of \$1.4 trillion in the first 11 months, yet bonds returns turned negative in the fourth quarter, and will continue under pressure if rates continue to rise in 2017. Is it possible that money will flow out of bonds and into stocks? If so, that could provide another leg up for the market. Yes, the market valuation at 16.9X forward eps is above the 5 and 10 year averages of 15X and 14.4X respectively. But with earnings now inflecting to growth, a business friendly administration, lower tax rates, and cash hoards set to come back onshore, valuation should be supported. In our view, the the environment for equities should be conducive for further gains in 2017.

**HCM Large Cap Value Equity Model**

Commensurate with our Value model, the portfolios performed well by following the discipline of positioning holdings at the top end of the model ranks. Despite the quarterly events including the election and the change in monetary policy, the benchmark returns were loaded toward cheap valuation and better than average earnings outlook (the top two model quartiles). The following chart illustrates the relationship for the quarter.



Two of our quarterly purchases, Regions Financial (Rank 20.6) and Synchrony Financial (Rank 6.2) are examples that highlight the opportunity to continue to add to companies that rank well in the model. Conversely, Philip Morris Int’l (Rank 75.8) and Coca Cola (Rank 78.8) are examples of sales that maintain our disciplined portfolio structure.

At the time of this writing, our model is recommending over weights in the Capital Goods, Communications, Consumer Cyclical, Financials and Utilities Sectors. Equal-weights are recommended for the Basic Materials, Consumer Staples, Healthcare and Technology Sectors. Energy and Real Estate are ranked underweight. As always, we closely monitor the models against benchmark performance to adjust if performance differs significantly from expectations.

-Highland Capital Management

## ***4Q16 Large Cap Growth Portfolio Manager Commentary***

The fourth quarter of 2016 culminated with the election of Donald Trump for President and a subsequent equity rally which more than made up for some of the weakness in the markets seen at the end of Q3. With the rise in the market came a rise in interest rates in anticipation that the Trump administration and Republican controlled Congress would instill more growth oriented fiscal policies. These rising rates pushed investors away from the more richly valued names in the benchmark and towards the cheaper names. As a result, the strategy returned 2.77% in the quarter versus 1.02% for the Russell 1000 Growth Index.

has come back into favor as increasing interest rates and the prospect for higher growth have caused higher valuation names to sell off and cheaper names have performed well. Our internal research and experience over time have shown that having portfolios that have a lower valuation, higher growth, higher quality and momentum bias will outperform over the long run. We continue to follow these core investment principles and believe they will be rewarded with excess returns versus the index.

-Highland Capital Management

### **Performance Attribution**

In the quarter the best stock selection came within the Industrials sector. United Rentals, +34.51%, and Huntington Ingalls, 20.46%, rose significantly as they are expected to benefit from increased government infrastructure spending. Airlines stocks, which had been a drag to performance, also helped. Warren Buffet announced he had taken positions in the very cheap sector and Southwest, +28.43%, and Delta, +25.54%, rose accordingly. Stock selection also added to returns in Consumer Discretionary, Health Care, and Financials.

The strategy had the toughest time with stock selection with Consumer Staples. Positions in Tyson Foods, -17.08%, which sold off after there were questions of wholesale chicken prices in Georgia, CVS, -10.90, and Spectrum Brands, -10.88%, detracted the most.

### **Outlook**

While year to date performance was less than the benchmark, over the past three months the strategy has outperformed the index by +1.75% as valuation

## ***4Q16 Fixed Income Portfolio Manager Commentary***

It was a tumultuous year in many respects, with oil declining to \$26 in February, the 10 year US Treasury yield fell to historically low levels, the surprising Brexit vote, and a divisive presidential election race that ended in an unexpected victory for Donald Trump. The bond market has been waiting for rates to normalize for at least five years and on December 14th the Federal Reserve raised interest rates for the second time in twelve months. The decision in December by the Federal Reserve was anticipated by the market and already priced into short dated Treasury securities. The real question is what happens next year and is the Fed finally going to start consistently raising interest rates. Based on data released by the Federal Reserve, the committee targets three interest rate hikes in 2017. However, investors remember the beginning of 2016 when the Fed expected a similar tightening scenario and in the end they decided to raise interest rates only one time.

The Barclays US Gov/Credit index declined -3.39% during the quarter bringing year-to-date performance to +3.05%. The Gov/Credit index continued to outperform the Barclays Aggregate which was up 2.65% during 2016. The main reason for the benchmark discrepancy is that mortgage-backed securities (+1.67%) have underperformed the broad market and the Gov/Credit does not include mortgages. The Barclays Intermediate Gov/Credit index declined -2.07% during the quarter bringing year-to-date performance to 2.08%. From a performance standpoint, it's very easy to discuss what worked in 2016. Risk across fixed income securities was the clear winner. Corporate bonds outperformed treasuries for the first time since 2013. The lowest quality rating within investment grade (BBB) outperformed AAA investments by approximately 650 bps in 2016. The top performing sectors included: Energy, Metals and Transportation. It was a record year for corporate bond issuance, increasing 7.6% from 2015 levels.

From an economic standpoint, we questioned the portfolios positioning several times during the year based on unimpressive data which showed US growth in a prolonged stall. However, recent economic data has pointed to sustained and possibly pent up growth which we expect to further prolong this economic cycle. Back in July market sentiment was markedly different from today. The 30 year Treasury traded at 2.11%, investors questioned growth, British voters decided to exit the European Union and many believed deflationary pressure existed within the economy. Over the course of the

next few months, sentiment changed as economic data evolved to show reason for optimism. The change in sentiment/optimism helped risk assets in the bond market to find a bid, especially after the price of oil stabilized. The US economy finally showed some acceleration, with GDP growing 3.5% in Q3, up from the tepid Q2 rate of 1.4%. The economy should be able to grow at a faster clip with infrastructure spending increasing, foreign cash repatriation to the US, lower corporate tax rates, and a less burdensome regulatory environment. There is even talk of perhaps some degree of regulatory repeal (i.e. Dodd-Frank). While the market seemed to discount all the news as good, there are several aspects of the new administration's approach that could prove to be problematic, such as trade and additional debt. Tax reform could be constructed to be revenue neutral with the elimination of deductions, but infrastructure spending will be more challenging. Many changes will require more than an executive order, so the timing and degree to which Congress implements these proposed changes is always suspect. President elect Trump will enter office with the highest debt to GDP ratio (77%) since Truman (104%). With many of the Trump proposals adding to the debt load, there are no guarantees that a Republican Congress that has avowed higher spending and debt will necessarily rubber stamp agenda items.

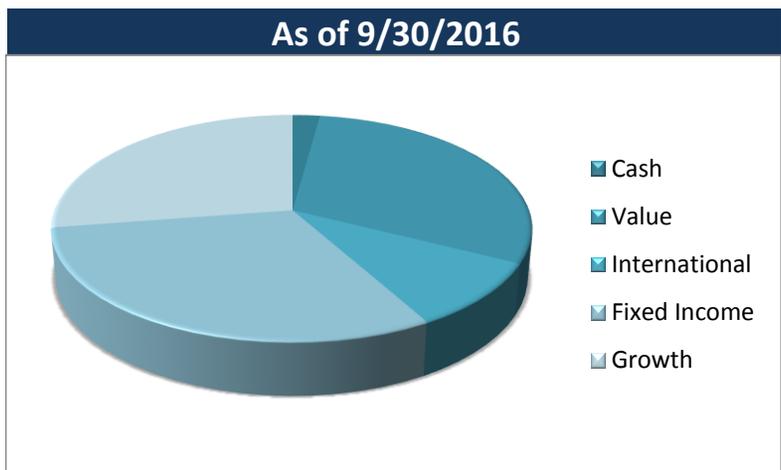
Interest rates have finally moved upward, and while the Fed expects to raise rates three times in 2017, inflationary pressures or faster than anticipated growth could alter their stance. Inflation remains under control with the Fed's favorite indicator (the Core PCE) annualizing at a 1.65% clip, below their 2% target. With the unemployment rate at 4.6%, a tighter labor market should start to add to inflationary pressures. However, with wages just growing 2.5%, that is indicative of some slack remaining in the labor market. With earnings now on the upswing (Q4 2016 eps estimate is for a 3.2% increase), and CFO confidence and consumer confidence on the rise, the odds of a recession have declined. We continue to be slightly underweight duration and favor parts of the corporate bond market with defensive characteristics.

-Highland Capital Investment Team

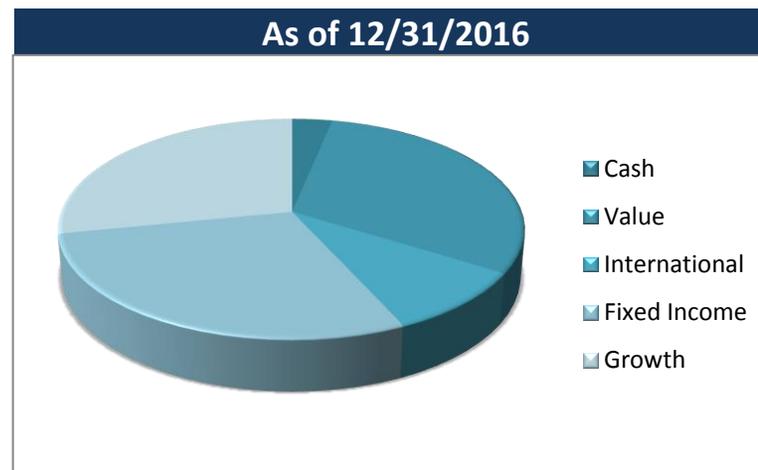
**Total Return Summary**

	Beginning Market Value	Ending Market Value	Difference	Contributions	Withdrawals	Gain/Loss	Cumulative Return	Annualized Return
<b>Quarter</b> (10/1/16 - 12/31/16)	\$41,206,181	\$41,753,768	\$547,587	\$386,369	-\$783,040	\$944,258	<b>2.32%</b>	-----
<b>One Year</b> (1/1/16 - 12/31/16)	\$40,447,113	\$41,753,768	\$1,306,655	\$1,565,420	-\$3,158,816	\$2,900,050	<b>7.36%</b>	-----
<b>Five Year</b> (1/1/12 - 12/31/16)	\$37,900,771	\$41,753,768	\$3,852,997	\$19,772,148	-\$32,403,130	\$16,483,979	<b>52.08%</b>	<b>8.75%</b>

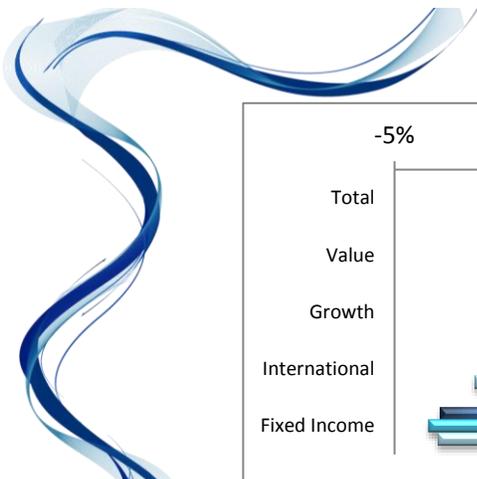
**Asset Allocation**



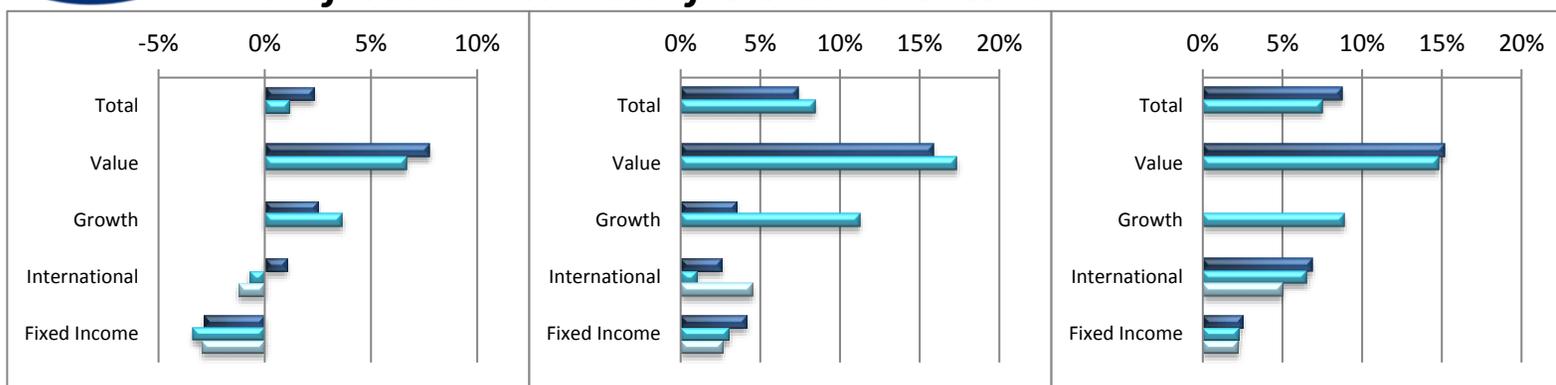
Cash	\$878,619	2.1%
Value	\$12,481,870	30.3%
International	\$3,889,918	9.4%
Fixed Income	\$12,650,064	30.7%
Growth	\$11,305,711	27.4%
<b>Total</b>	<b>\$41,206,181</b>	<b>100.0%</b>



Cash	\$1,341,756	3.2%
Value	\$12,782,622	30.6%
International	\$3,909,421	9.4%
Fixed Income	\$11,962,115	28.6%
Growth	\$11,757,855	28.2%
<b>Total</b>	<b>\$41,753,768</b>	<b>100.0%</b>

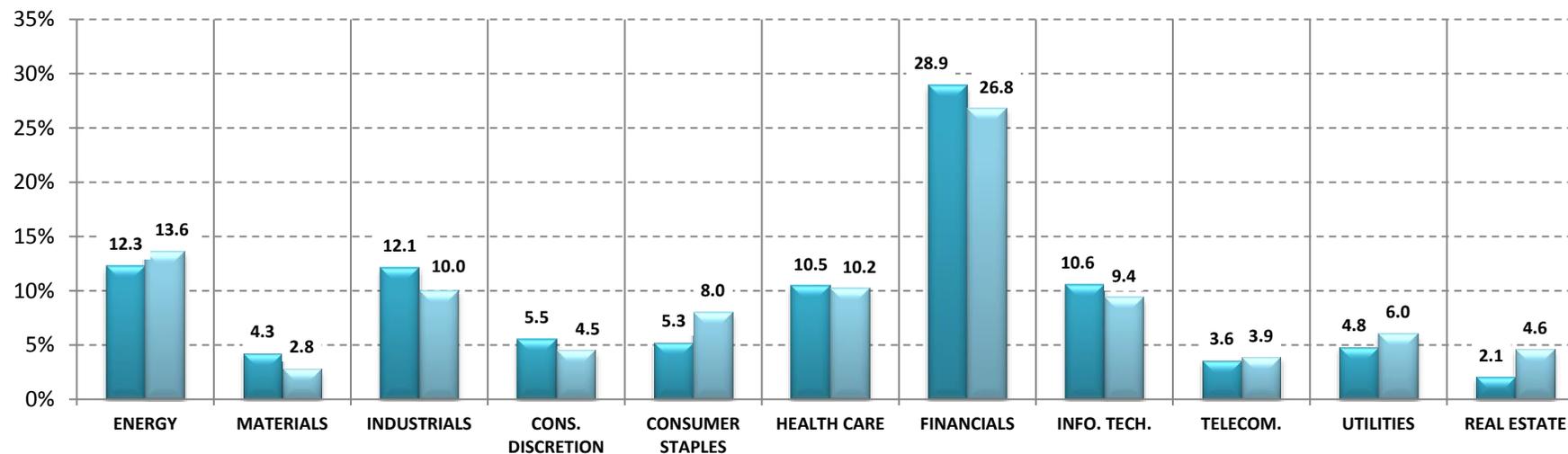


**Performance Returns for Various Periods**

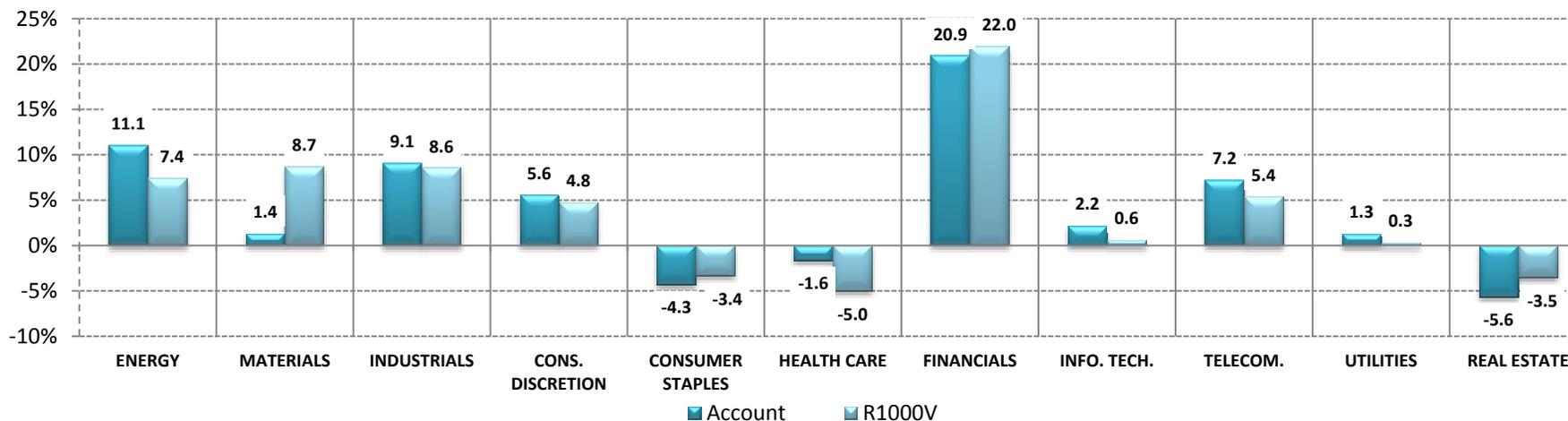


	<b>Quarter</b> (10/1/16 - 12/31/16)	<b>One Year</b> (1/1/16 - 12/31/16)	<b>Five Year (Annualized)</b> (1/1/12 - 12/31/16)
<b>Total</b>	2.32%	7.36%	8.75%
<b>Total Benchmark</b>	1.15%	8.46%	7.48%
<b>Value</b>	7.76%	15.87%	15.17%
<b>R1000V</b>	6.66%	17.33%	14.79%
<b>International</b>	1.05%	2.59%	6.88%
<b>MSCI EAFE</b>	-0.71%	1.00%	6.53%
<b>MSCI ACWI ex US</b>	-1.25%	4.50%	5.00%
<b>Fixed Income</b>	-2.88%	4.15%	2.52%
<b>BCGC</b>	-3.39%	3.05%	2.29%
<b>BCAG</b>	-2.98%	2.65%	2.23%
<b>BCAG (A or Better)</b>	-3.01%	1.87%	1.97%
<b>Growth</b>	2.51%	3.51%	
<b>S&amp;P 500</b>	3.65%	11.23%	

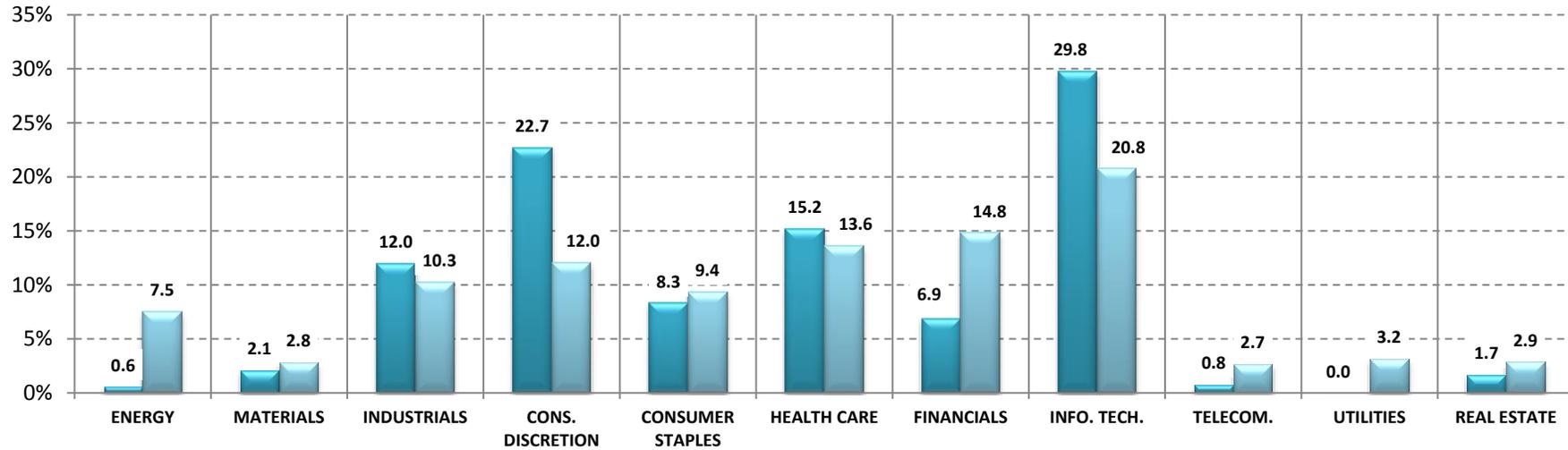
***Domestic Equity Sector Allocation vs. R1000V***



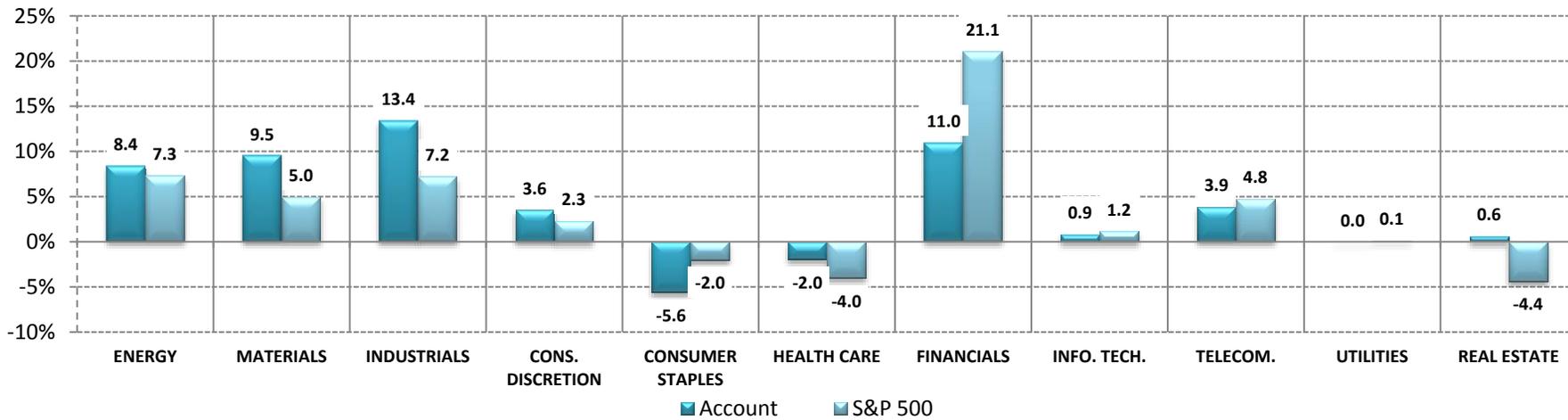
***Domestic Equity Quarterly Sector Returns vs. R1000V***



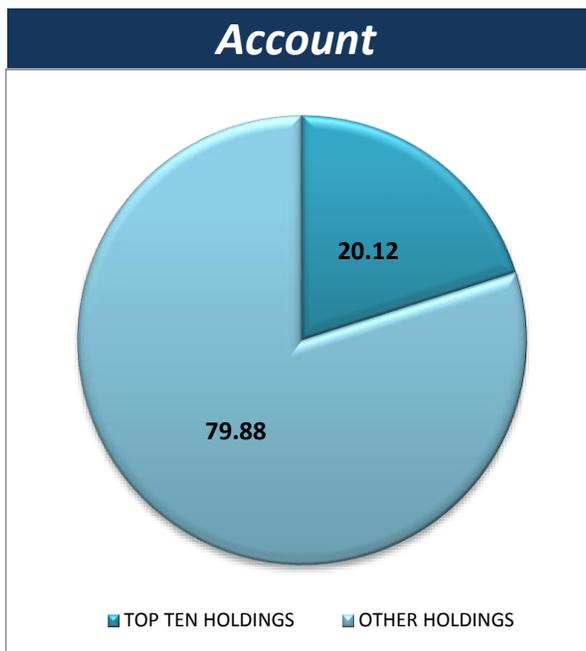
**Domestic Equity Sector Allocation vs. S&P 500**



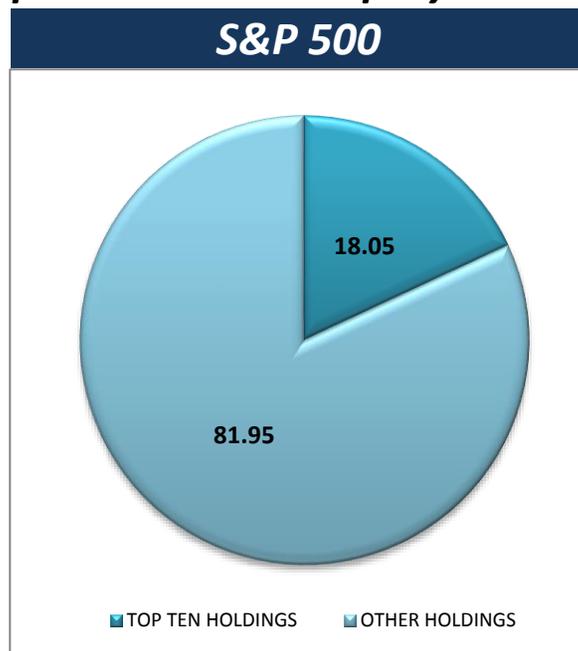
**Domestic Equity Quarterly Sector Returns vs. S&P 500**



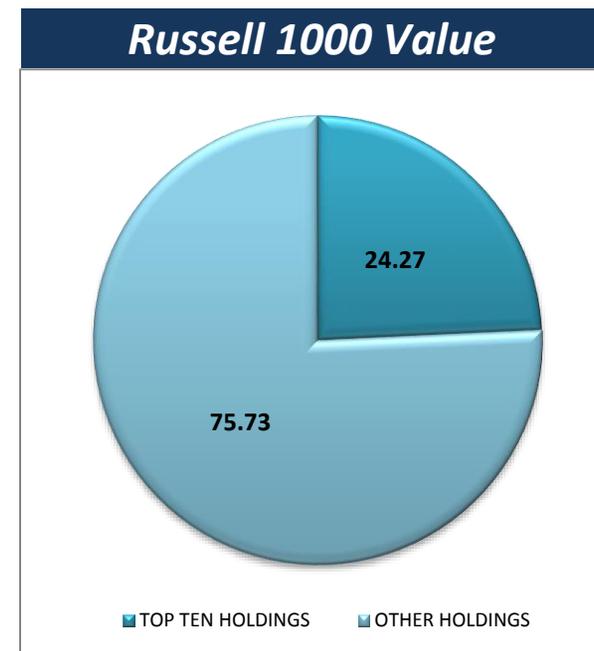
Top Ten Domestic Equity Holdings



Security	Weight %	QTD Return %
APPLE COMPUTER	3.48	2.96
MICROSOFT CORPORATION	2.96	8.59
COMCAST CORP CL A	1.97	4.93
AMAZON.COM INC	1.79	-10.29
JOHNSON & JOHNSON	1.72	-1.80
JP MORGAN CHASE & CO	1.72	30.52
EXXON MOBIL CORPORATION	1.67	4.32
FACEBOOK INC	1.64	-10.31
INTEL CORPORATION	1.61	-3.25
ALPHABET INC CL C	1.56	-0.61



Security	Weight %	QTD Return %
APPLE INC	3.18	2.98
MICROSOFT CORP	2.48	8.60
EXXON MOBIL CORP	1.92	4.32
JOHNSON & JOHNSON	1.61	-1.80
BERKSHIRE HATHAWAY INC-CL B	1.59	12.81
JPMORGAN CHASE & CO	1.59	30.52
AMAZON.COM INC	1.52	-10.44
GENERAL ELECTRIC CO	1.44	7.49
FACEBOOK INC-A	1.38	-10.31
AT&T INC	1.34	6.01



Security	Weight %	QTD Return %
EXXON MOBIL CORP	3.42	4.32
JPMORGAN CHASE & CO	2.85	30.52
BERKSHIRE HATHAWAY INC-CL B	2.80	12.81
JOHNSON & JOHNSON	2.38	-1.80
AT&T INC	2.38	6.01
WELLS FARGO & CO	2.29	25.50
GENERAL ELECTRIC CO	2.13	7.49
BANK OF AMERICA CORP	2.06	41.72
CHEVRON CORP	2.01	15.50
PROCTER & GAMBLE CO/THE	1.95	-5.58

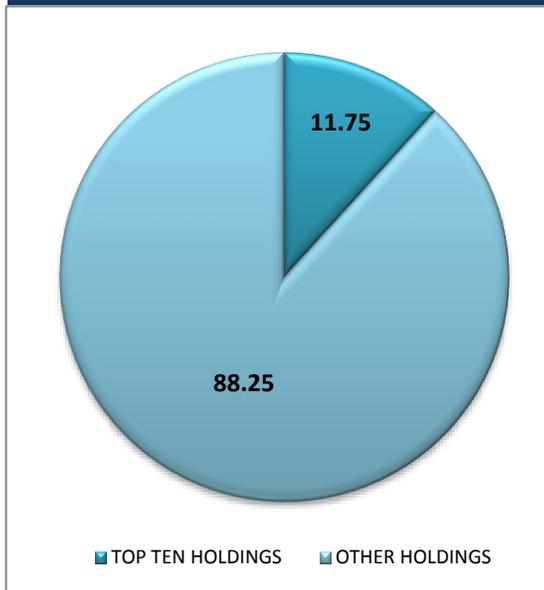
Top Ten International Equity Holdings

Account



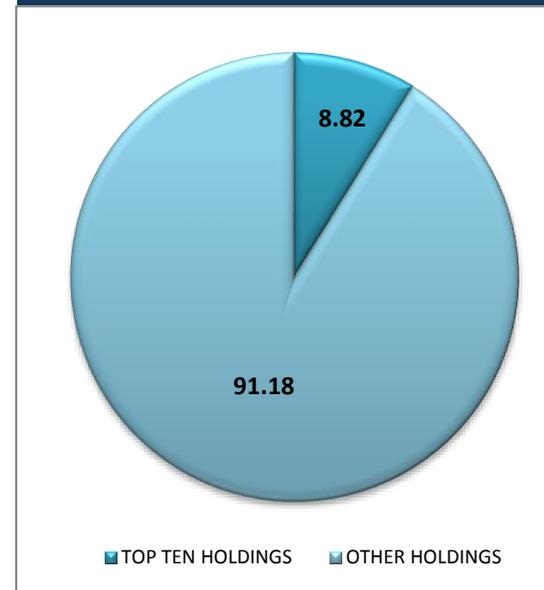
Security	Weight %	QTD Return %
ANHEUSER-BUSCH INBEV	5.42	-18.98
KYOCERA CORP ADR	5.19	4.24
UNILEVER NV	5.00	-10.33
SIEMENS SPONSORED ADR	4.90	4.35
GLAXO SMITHKLINE PLC	4.64	-9.73
BRITISH TELECOMMUNICATIONS P	4.38	-8.36
KONINKLIJKE PHILIPS NV	4.12	3.31
SONY CORP	3.98	-15.38
DAIMLER AG	3.81	4.98
STMICROELECTRONICS NV-NY SHS	3.69	39.93

MSCI EAFE



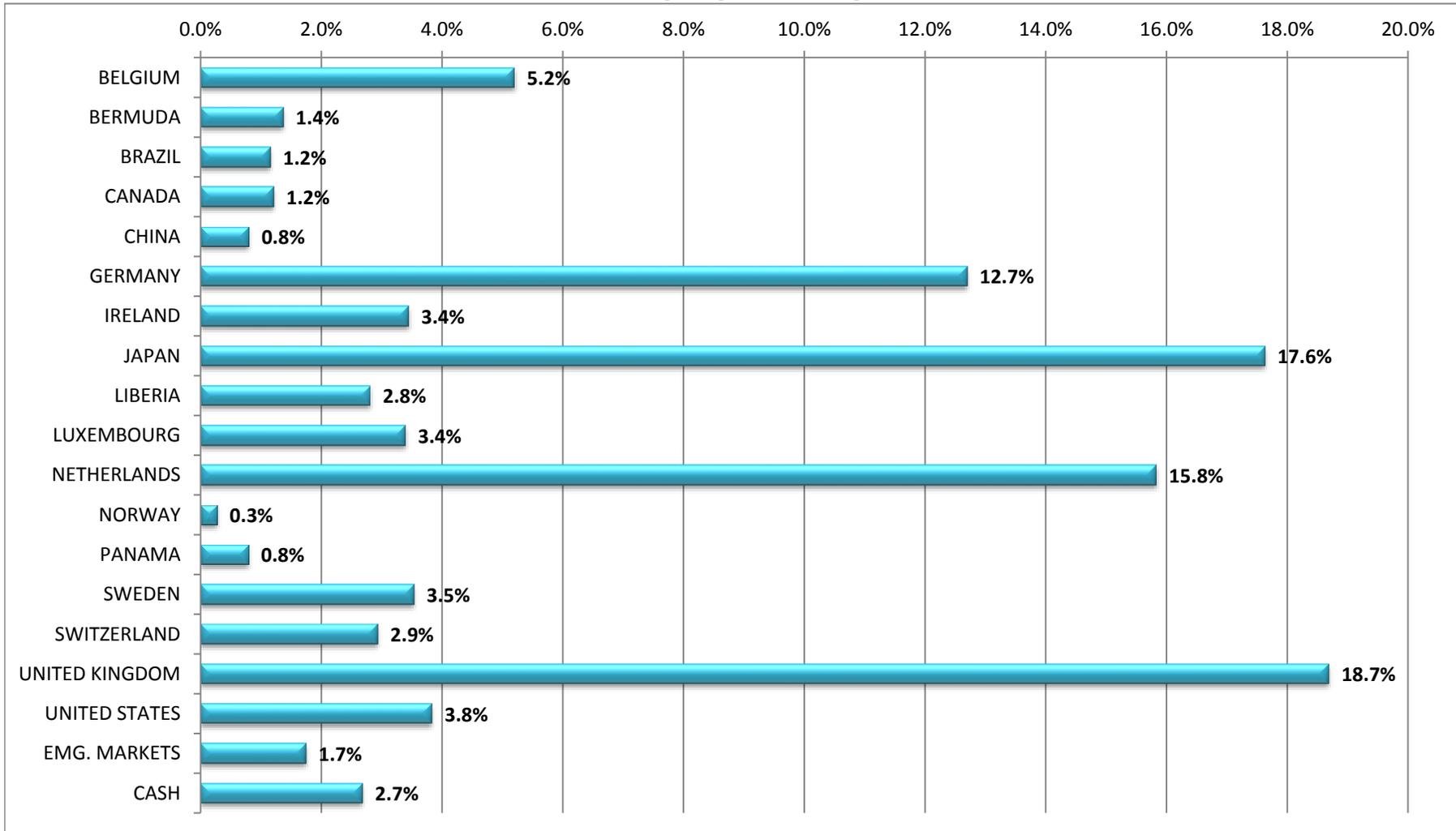
Security	Weight %	QTD Return %
NESTLE	1.83	-4.57
NOVARTIS	1.33	-3.01
HSBC HOLDINGS (GB)	1.32	15.00
ROCHE HOLDING GENUSS	1.32	-3.49
TOYOTA MOTOR CORP.	1.29	19.02
ROYAL DUTCH SHELL A	0.98	19.37
BP	0.97	15.25
TOTAL	0.95	17.01
ROYAL DUTCH SHELL B	0.89	19.93
BRITISH AMERICAN TOBACCO	0.87	-6.26

MSCI ACWI ex US

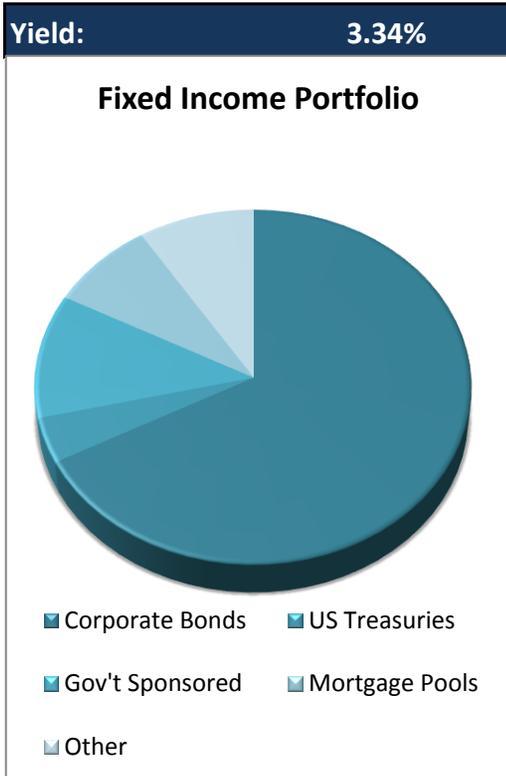


Security	Weight %	QTD Return %
NESTLE	1.29	-4.57
NOVARTIS	0.94	-3.01
HSBC HOLDINGS (GB)	0.93	15.00
ROCHE HOLDING GENUSS	0.93	-3.49
TOYOTA MOTOR CORP.	0.91	19.02
SAMSUNG ELECTRONICS CO.	0.85	12.77
TENCENT HOLDINGS LI (CN)	0.80	-11.92
TAIWAN SEMICONDUCTOR MF	0.80	-1.37
ROYAL DUTCH SHELL A	0.69	19.93
BP	0.68	15.25

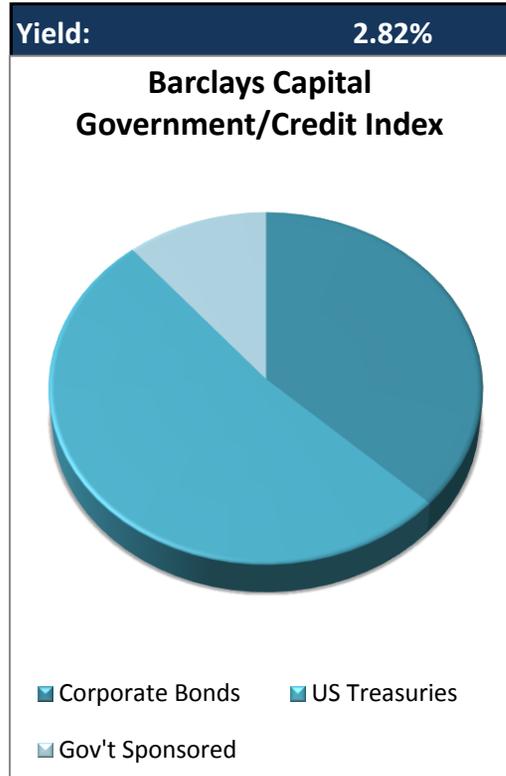
***International Equity Country Allocation***



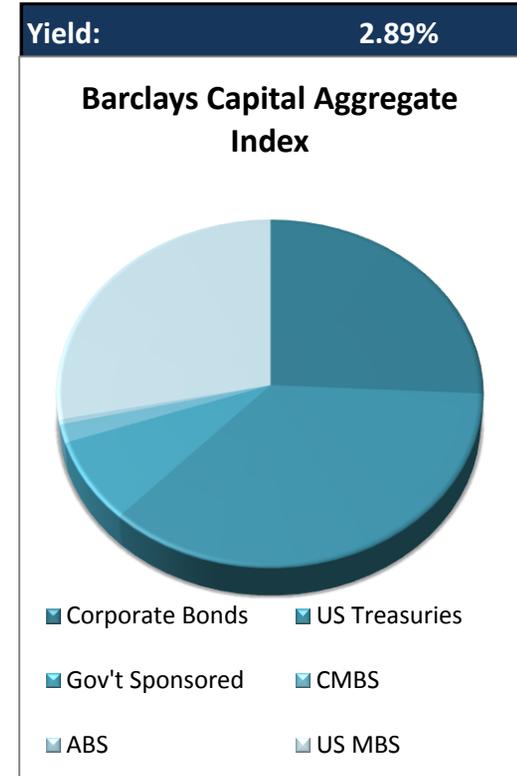
**Fixed Income Sector Allocation**



Corporate Bonds	67.3%
US Treasuries	4.1%
Gov't Sponsored	11.4%
Mortgage Pools	8.3%
Other	9.0%
<b>Total</b>	<b>100%</b>



Corporate Bonds	37.0%
US Treasuries	51.9%
Gov't Sponsored	11.1%
<b>Total</b>	<b>100%</b>

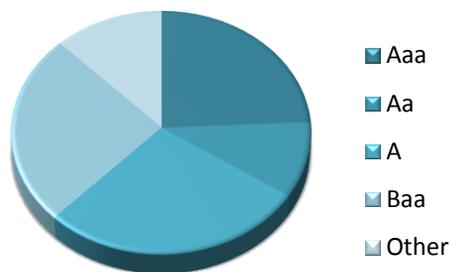


Corporate Bonds	25.8%
US Treasuries	36.2%
Gov't Sponsored	7.7%
CMBS	1.7%
ABS	0.5%
US MBS	28.1%
Other	0.1%
<b>Total</b>	<b>100%</b>

**Bond Quality Allocation**

**Average Quality: A2**

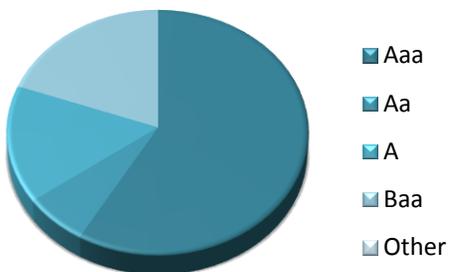
**Fixed Income Portfolio**



Aaa	24.3%
Aa	10.0%
A	27.9%
Baa	25.5%
Other	12.3%
<b>Total</b>	<b>100%</b>

**Average Quality: AA2/AA3**

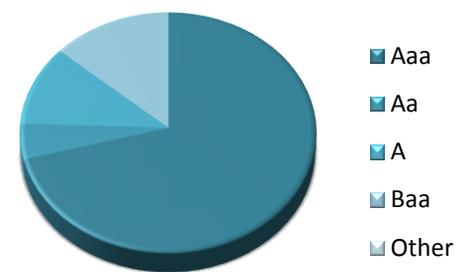
**Barclays Capital Government/Credit Index**



Aaa	58.4%
Aa	6.7%
A	15.5%
Baa	19.5%
Other	0.0%
<b>Total</b>	<b>100%</b>

**Average Quality: AA1/AA2**

**Barclays Capital Aggregate Index**

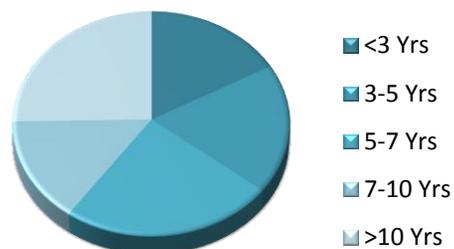


Aaa	70.8%
Aa	4.8%
A	10.9%
Baa	13.6%
Other	0.0%
<b>Total</b>	<b>100%</b>

**Bond Maturity Allocation**

**Average Maturity: 9.41 Years**

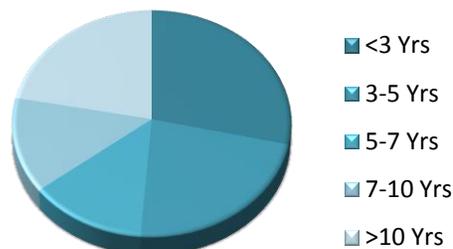
**Fixed Income Portfolio**



<3 Yrs	17.0%
3-5 Yrs	18.6%
5-7 Yrs	24.2%
7-10 Yrs	14.9%
>10 Yrs	25.3%
<b>Total</b>	<b>100%</b>

**Average Maturity: 8.74 Years**

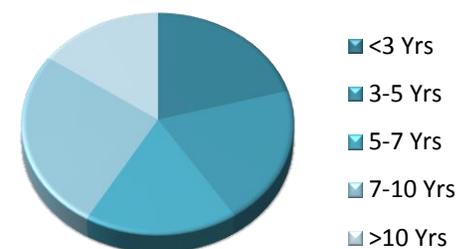
**Barclays Capital Government/Credit Index**



<3 Yrs	28.6%
3-5 Yrs	22.6%
5-7 Yrs	13.3%
7-10 Yrs	13.6%
>10 Yrs	22.0%
<b>Total</b>	<b>100%</b>

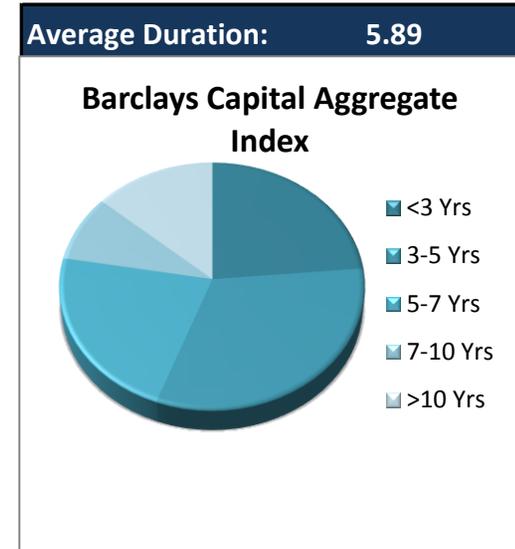
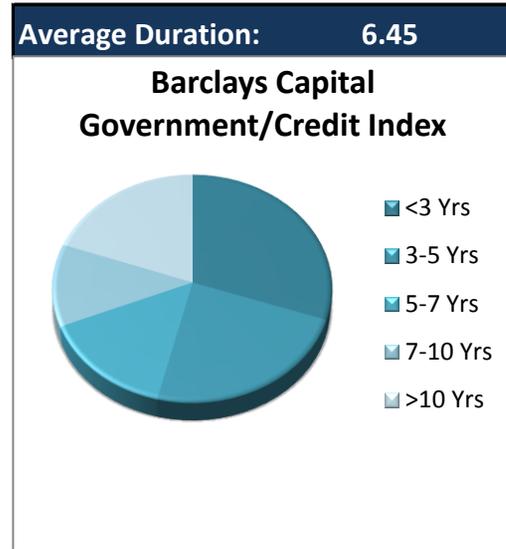
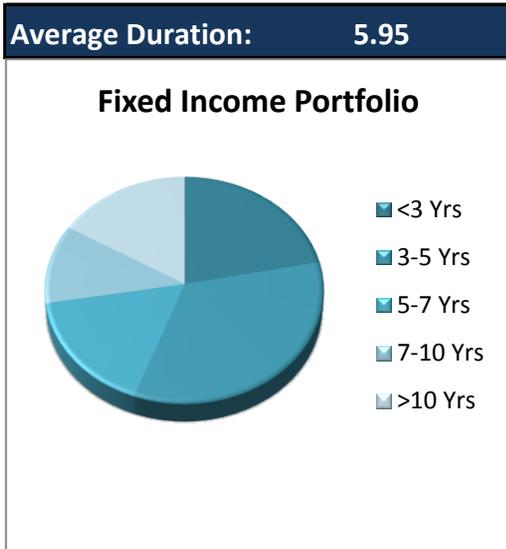
**Average Maturity: 8.19 Years**

**Barclays Capital Aggregate Index**



<3 Yrs	20.8%
3-5 Yrs	20.0%
5-7 Yrs	17.6%
7-10 Yrs	26.2%
>10 Yrs	15.3%
<b>Total</b>	<b>100%</b>

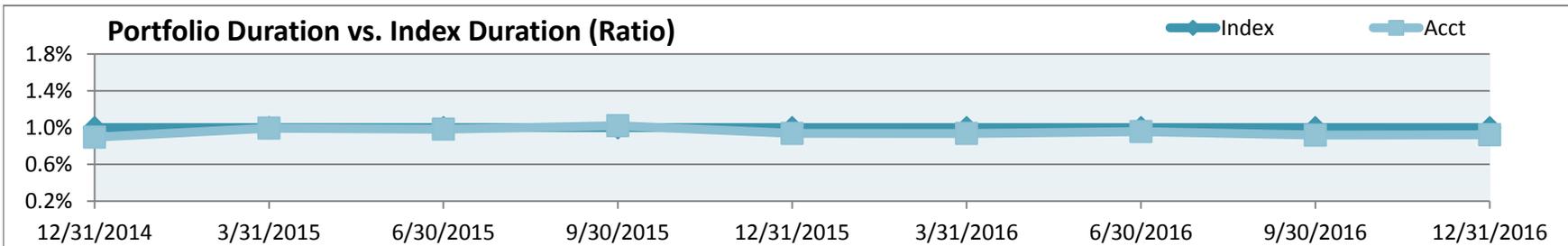
**Duration Allocation**



<3 Yrs	21.8%
3-5 Yrs	33.8%
5-7 Yrs	16.7%
7-10 Yrs	11.3%
>10 Yrs	16.4%
<b>Total</b>	<b>100%</b>

<3 Yrs	30.3%
3-5 Yrs	23.6%
5-7 Yrs	14.9%
7-10 Yrs	11.7%
>10 Yrs	19.5%
<b>Total</b>	<b>100%</b>

<3 Yrs	23.6%
3-5 Yrs	32.0%
5-7 Yrs	22.1%
7-10 Yrs	8.7%
>10 Yrs	13.6%
<b>Total</b>	<b>100%</b>



## Portfolio Holdings

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield	Moody's Ratings	Coupon %	Maturity Date
<b>CASH AND EQUIVALENTS (USD)</b>										
	Cash Account		197,114.20		197,114.20	2.7	0.1			
	Dividend Accrual		1,460.96		1,460.96	0.0				
			<b>198,575.16</b>		<b>198,575.16</b>	<b>2.7</b>	<b>0.1</b>			
<b>COMMON STOCK (USD)</b>										
<b>Energy</b>										
402	CHEVRON CORP	85.83	34,504.42	117.70	47,315.40	0.7	3.7			
333	CONOCOPHILLIPS	49.23	16,393.31	50.14	16,696.62	0.2	2.0			
300	EOG RESOURCES INC	95.49	28,645.80	101.10	30,330.00	0.4	0.7			
811	EXXON MOBIL CORPORATION	76.98	62,429.27	90.26	73,200.86	1.0	3.3			
480	HOLLYFRONTIER CORP	43.06	20,668.57	32.76	15,724.80	0.2	4.0			
1470	MARATHON OIL CORP	15.77	23,176.30	17.31	25,445.70	0.4	1.2			
370	MURPHY OIL CORP	26.59	9,839.10	31.13	11,518.10	0.2	3.2			
100	OCCIDENTAL PETROLEUM CORP	76.83	7,683.00	71.23	7,123.00	0.1	4.3			
200	PHILLIPS 66	77.84	15,569.00	86.41	17,282.00	0.2	2.9			
370	VALERO ENERGY CORP	58.72	21,724.80	68.32	25,278.40	0.3	3.5			
			<b>240,633.57</b>		<b>269,914.88</b>	<b>3.7</b>	<b>2.9</b>			
<b>Materials</b>										
480	BEMIS COMPANY INC	42.83	20,560.30	47.82	22,953.60	0.3	2.4			
480	DOW CHEMICAL CO	44.80	21,504.00	57.22	27,465.60	0.4	3.2			
1200	GRAPHIC PACKAGING HOLDING CO	14.02	16,822.80	12.48	14,976.00	0.2	2.4			
430	INTERNATIONAL PAPER	41.27	17,744.20	53.06	22,815.80	0.3	3.5			
			<b>76,631.30</b>		<b>88,211.00</b>	<b>1.2</b>	<b>2.9</b>			
<b>Industrials</b>										
820	CSX CORPORATION	27.02	22,158.60	35.93	29,462.60	0.4	2.0			
400	EATON CORPORATION PLC	67.51	27,004.00	67.09	26,836.00	0.4	3.4			
1718	GENERAL ELECTRIC COMPANY	29.20	50,158.00	31.60	54,288.80	0.8	3.0			
1350	JETBLUE AIRWAYS CORP	16.90	22,820.97	22.42	30,267.00	0.4	0.0			
300	NORFOLK SOUTHERN CORP	91.30	27,390.00	108.07	32,421.00	0.4	2.2			
700	OSHKOSH CORPORATION	69.40	48,581.40	64.61	45,227.00	0.6	1.3			
202	RAYTHEON COMPANY	106.19	21,451.38	142.00	28,684.00	0.4	2.1			
325	UNITED TECHNOLOGIES CORP	93.83	30,495.00	109.62	35,626.50	0.5	2.4			
			<b>250,059.35</b>		<b>282,812.90</b>	<b>3.9</b>	<b>2.1</b>			

## Portfolio Holdings

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield	Moody's Ratings	Coupon %	Maturity Date
<b>Consumer Discretionary</b>										
565	COMCAST CORP CL A	60.96	34,444.39	69.05	39,013.25	0.5	1.6			
1500	FORD MOTOR COMPANY	13.24	19,859.80	12.13	18,195.00	0.3	4.9			
750	GENERAL MOTORS CO	30.24	22,677.00	34.84	26,130.00	0.4	4.4			
915	GENTEX CORP	16.02	14,654.45	19.69	18,016.35	0.2	1.8			
370	MACYS INC	53.01	19,613.70	35.81	13,249.70	0.2	4.2			
			<b>111,249.34</b>		<b>114,604.30</b>	<b>1.6</b>	<b>3.1</b>			
<b>Consumer Staples</b>										
500	ARCHER-DANIELS-MIDLAND COMPANY	42.74	21,369.00	45.65	22,825.00	0.3	2.6			
250	COCA COLA COMPANY	44.17	11,042.27	41.46	10,365.00	0.1	3.4			
236	CVS CORPORATION	100.70	23,765.20	78.91	18,622.76	0.3	2.5			
215	INGREDION INC	109.52	23,547.15	124.96	26,866.40	0.4	1.6			
500	PROCTER & GAMBLE COMPANY	87.28	43,640.00	84.08	42,040.00	0.6	3.2			
			<b>123,363.62</b>		<b>120,719.16</b>	<b>1.7</b>	<b>2.6</b>			
<b>Health Care</b>										
200	AETNA INC	121.37	24,274.00	124.01	24,802.00	0.3	0.8			
70	CIGNA CORPORATION	142.85	9,999.50	133.39	9,337.30	0.1	0.0			
400	ENVISION HEALTHCARE CORP	70.91	28,364.25	63.29	25,316.00	0.3	0.0			
175	HCA HOLDINGS INC	84.11	14,719.25	74.02	12,953.50	0.2	0.0			
498	JOHNSON & JOHNSON	105.51	52,544.65	115.21	57,374.58	0.8	2.8			
503	MERCK & COMPANY	51.72	26,015.35	58.87	29,611.61	0.4	3.2			
1196	PFIZER INC	33.43	39,984.47	32.48	38,846.08	0.5	3.9			
115	QUEST DIAGNOSTIC INC	66.10	7,601.50	91.90	10,568.50	0.1	2.0			
			<b>203,502.97</b>		<b>208,809.57</b>	<b>2.9</b>	<b>2.1</b>			
<b>Financials</b>										
255	AMERICAN FINANCIAL GROUP INC	69.17	17,637.08	88.12	22,470.60	0.3	1.4			
170	AMERIPRISE FINANCIAL INC	106.82	18,159.40	110.94	18,859.80	0.3	2.7			
2155	BANK OF AMERICA CORPORATION	16.38	35,308.25	22.10	47,625.50	0.7	1.4			
400	BERKSHIRE HATHAWAY INC-CL B	148.94	59,575.52	162.98	65,192.00	0.9	0.0			
500	CAPITAL ONE FINANCIAL CORPORATION	72.52	36,261.00	87.24	43,620.00	0.6	1.8			
585	CITIGROUP INC	50.23	29,384.55	59.43	34,766.55	0.5	1.1			
150	GOLDMAN SACHS GROUP	228.04	34,206.51	239.45	35,917.50	0.5	1.1			
861	JP MORGAN CHASE & CO	63.08	54,313.96	86.29	74,295.69	1.0	2.2			
415	LINCOLN NATIONAL CORP	47.05	19,526.86	66.27	27,502.05	0.4	1.8			

## Portfolio Holdings

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield	Moody's Ratings	Coupon %	Maturity Date
435	RAYMOND JAMES FINANCIAL INC	51.19	22,269.03	69.27	30,132.45	0.4	1.3			
1650	REGIONS FINANCIAL CORP	14.35	23,675.03	14.36	23,694.00	0.3	1.8			
300	REINSURANCE GROUP OF AMERICA	94.27	28,279.80	125.83	37,749.00	0.5	1.3			
639	SUNTRUST BANKS INC	40.30	25,749.39	54.85	35,049.15	0.5	1.9			
650	SYNCHRONY FINANCIAL	30.90	20,085.53	36.27	23,575.50	0.3	1.4			
458	TORCHMARK CORP	60.21	27,575.47	73.76	33,782.08	0.5	0.8			
600	US BANCORP	43.23	25,938.00	51.37	30,822.00	0.4	2.2			
800	WELLS FARGO COMPANY	48.56	38,848.00	55.11	44,088.00	0.6	2.8			
			<b>516,793.38</b>		<b>629,141.87</b>	<b>8.7</b>	<b>1.5</b>			
<b>Information Technology</b>										
300	APPLE COMPUTER	109.48	32,844.00	115.82	34,746.00	0.5	2.0			
1164	CISCO SYSTEMS INC	26.13	30,410.12	30.22	35,176.08	0.5	3.4			
147	DELL TECHNOLOGIES INC - CL V	54.15	7,960.15	54.97	8,080.59	0.1	0.0			
1418	INTEL CORPORATION	30.96	43,906.34	36.27	51,430.86	0.7	4.3			
730	MICRON TECHNOLOGY INC	15.15	11,058.24	21.92	16,001.60	0.2	0.0			
787	MICROSOFT CORPORATION	47.28	37,212.58	62.14	48,904.18	0.7	2.5			
905	ORACLE CORPORATION	37.78	34,190.78	38.45	34,797.25	0.5	1.6			
			<b>197,582.21</b>		<b>229,136.56</b>	<b>3.2</b>	<b>2.6</b>			
<b>Telecommunication Services</b>										
1201	AT&T INC	37.23	44,715.38	42.53	51,078.53	0.7	4.6			
500	VERIZON COMMUNICATIONS	52.71	26,355.00	53.38	26,690.00	0.4	4.3			
			<b>71,070.38</b>		<b>77,768.53</b>	<b>1.1</b>	<b>4.5</b>			
<b>Utilities</b>										
740	CMS ENERGY CORP	37.73	27,923.20	41.62	30,798.80	0.4	3.0			
600	EXELON CORP	34.78	20,868.00	35.49	21,294.00	0.3	3.6			
395	PINNACLE WEST CAPITAL	62.28	24,600.60	78.03	30,821.85	0.4	3.4			
500	PUBLIC SERVICE ENTERPRISE GP	40.72	20,360.96	43.88	21,940.00	0.3	3.7			
			<b>93,752.76</b>		<b>104,854.65</b>	<b>1.4</b>	<b>3.4</b>			
<b>Real Estate</b>										
800	OMEGA HEALTHCARE INVESTORS INC	35.14	28,110.69	31.26	25,008.00	0.3	7.8			
400	PROLOGIS	53.80	21,519.24	52.79	21,116.00	0.3	3.2			
			<b>49,629.93</b>		<b>46,124.00</b>	<b>0.6</b>	<b>5.7</b>			

## Portfolio Holdings

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield	Moody's Ratings	Coupon %	Maturity Date
0.707	GOLDMAN SACHS STRAT INC-INST	9.50		6.72	9.64	6.82	0.0	4.7		
			1,934,275.53		2,172,104.24	30.0	2.4			
<b>CORPORATE BONDS (USD)</b>										
7000	ACE INA HOLDINGS	106.68	7,467.39	100.49	7,034.58	0.1	5.7	A3	5.700%	2/15/17
35000	ACTAVIS FUNDING SCS	100.35	35,122.50	100.10	35,033.60	0.5	1.8	Baa3	1.850%	3/1/17
40000	CISCO SYSTEMS INC	103.26	41,304.80	100.43	40,173.20	0.6	3.1	A1	3.150%	3/14/17
50000	CITIGROUP INC	100.14	50,071.00	100.08	50,038.00	0.7	1.3	Baa1	1.280%	5/1/17
8000	AMGEN INC	101.29	8,103.36	100.33	8,026.08	0.1	2.1	Baa1	2.130%	5/15/17
30000	CELGENE CORP	100.65	30,195.00	100.32	30,094.80	0.4	1.9	Baa2	1.900%	8/15/17
40000	SOUTHERN CO	100.06	40,023.60	99.97	39,989.20	0.6	1.3	Baa2	1.300%	8/15/17
8000	AMERICAN EXPRESS CO	109.01	8,721.20	103.00	8,240.00	0.1	6.0	A3	6.150%	8/28/17
9000	MERRILL LYNCH & CO	108.97	9,807.03	103.11	9,279.54	0.1	6.2	Baa1	6.400%	8/28/17
45000	KEY BANK NA	103.27	46,471.95	102.94	46,324.80	0.6	5.5	Baa1	5.700%	11/1/17
45000	VF CORP	103.93	46,769.54	103.67	46,651.05	0.6	5.7	A3	5.950%	11/1/17
30000	METLIFE INC	100.59	30,176.10	100.12	30,037.50	0.4	1.8	A3	1.760%	12/15/17
40000	WACHOVIA CORP	109.45	43,779.20	104.24	41,694.40	0.6	5.5	A2	5.750%	2/1/18
22000	PNC BANK	99.87	21,971.18	99.91	21,980.20	0.3	1.5	A2	1.500%	2/23/18
40000	JPMORGAN CHASE & CO	99.85	39,938.40	99.97	39,990.00	0.6	1.7	A3	1.700%	3/1/18
50000	MEDCO HEALTH SOLUTIONS	108.30	54,152.00	105.99	52,995.00	0.7	6.7	Baa2	7.130%	3/15/18
40000	GOLDMAN SACHS GROUP INC	110.29	44,117.20	105.21	42,082.80	0.6	5.8	A3	6.150%	4/1/18
50000	TOYOTA MOTOR CREDIT CORP	99.98	49,988.00	99.57	49,786.00	0.7	1.2	Aa3	1.200%	4/6/18
16000	ORACLE CORP	110.88	17,740.16	105.59	16,894.24	0.2	5.4	A1	5.750%	4/15/18
30000	UNITED TECHNOLOGIES CORP	99.88	29,964.30	100.06	30,018.90	0.4	1.8	Baa1	1.780%	5/4/18
30000	NUCOR CORP	110.18	33,054.00	105.62	31,686.00	0.4	5.5	Baa1	5.850%	6/1/18
100000	JOHN HOPKINS UNIVERITY	0.00	0.01	99.89	99,890.00	1.4	1.5	Aa2	1.480%	7/1/18
8000	GOLDMAN SACHS GROUP INC	102.33	8,186.80	101.42	8,113.36	0.1	2.9	A3	2.900%	7/19/18
40000	PNC BANK	100.30	40,120.40	100.24	40,097.60	0.6	1.8	A2	1.850%	7/20/18
40000	FIFTH THIRD BANK	100.69	40,274.40	100.65	40,259.20	0.6	2.1	A3	2.150%	8/20/18
40000	JOHN DEERE CAPITAL CORP	111.65	44,658.40	106.77	42,708.40	0.6	5.4	A2	5.750%	9/10/18
9000	CVS HEALTH CORP	101.02	9,091.53	100.89	9,080.37	0.1	2.2	Baa1	2.250%	12/5/18
9000	JOHN DEERE CAPITAL CORP	100.38	9,034.47	100.55	9,049.23	0.1	1.9	A2	1.950%	12/13/18
18000	BANK OF MONTREAL	101.06	18,190.26	100.82	18,147.78	0.3	2.4	Aa3	2.380%	1/25/19
40000	ROYAL BANK OF CANADA	99.89	39,954.40	98.70	39,479.20	0.5	1.5	Aa3	1.500%	7/29/19
25000	APPLE INC	99.90	24,975.00	98.52	24,630.25	0.3	1.1	Aa1	1.100%	8/2/19
40000	PACCAR FINANCIAL CORP	100.00	40,000.00	98.26	39,305.60	0.5	1.2	A1	1.200%	8/12/19

## Portfolio Holdings

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield	Moody's Ratings	Coupon %	Maturity Date
50000	BERKSHIRE HATHAWAY FIN	100.00	50,000.00	100.18	50,089.50	0.7	1.1	Aa2	1.050%	8/15/19
50000	DOMINION RESOURCES INC	99.99	49,995.50	98.56	49,282.50	0.7	1.6	Baa2	1.600%	8/15/19
25000	CANADIAN IMPERIAL BANK	100.00	25,000.00	100.12	25,029.25	0.3	1.4	Aa3	1.360%	9/6/19
50000	NATIONAL RURAL UTIL COOP	100.00	50,000.00	99.29	49,643.50	0.7	1.5	A	1.500%	11/1/19
7000	ANHEUSER-BUSCH INBEV	112.44	7,870.52	109.05	7,633.57	0.1	4.9	A3	5.380%	1/15/20
30000	GILEAD SCIENCES INC	100.09	30,027.60	100.65	30,196.50	0.4	2.3	A3	2.350%	2/1/20
8000	COMCAST CORP	112.29	8,983.52	109.28	8,742.08	0.1	4.7	A3	5.150%	3/1/20
30000	QUEST DIAGNOSTIC INC	99.13	29,739.60	99.81	29,942.70	0.4	2.5	Baa2	2.500%	3/30/20
30000	GENERAL ELEC CAP CORP	113.70	34,110.60	110.59	33,177.60	0.5	5.0	A1	5.550%	5/4/20
25000	APPLE INC	99.98	24,995.25	100.20	25,050.75	0.3	2.0	Aa1	2.000%	5/6/20
30000	MARATHON OIL CORP	97.94	29,383.50	98.81	29,643.90	0.4	2.7	Ba1	2.700%	6/1/20
30000	WEC ENERGY GROUP INC	100.13	30,039.90	100.24	30,071.40	0.4	2.4	A3	2.450%	6/15/20
30000	BB&T CORPORATION	100.34	30,101.70	100.87	30,260.40	0.4	2.6	A2	2.630%	6/29/20
9000	DOMINION RESOURCES INC	106.78	9,610.11	106.89	9,620.37	0.1	4.2	Baa2	4.450%	3/15/21
40000	WALGREENS BOOTS ALLIANCE	99.94	39,977.60	99.31	39,725.20	0.5	2.6	Baa2	2.600%	6/1/21
50000	MICROSOFT CORP	99.89	49,947.50	96.97	48,485.50	0.7	1.6	Aaa	1.550%	8/8/21
30000	BANK OF MONTREAL	99.81	29,943.00	97.07	29,120.40	0.4	2.0	Aa3	1.900%	8/27/21
40000	SYSCO CORPORATION	102.07	40,827.20	98.21	39,283.60	0.5	2.6	A3	2.600%	6/12/22
20000	VERIZON COMMUNICATIONS INC	93.80	18,760.20	96.62	19,324.60	0.3	2.5	Baa1	2.450%	11/1/22
	Accrued Interest				11,782.38	0.2				
			<b>1,552,736.88</b>		<b>1,644,916.58</b>	<b>22.7</b>	<b>2.8</b>			
<b>MUNICIPAL BONDS (USD)</b>										
15000	RALEIGH NC COPS	103.00	15,450.30	100.23	15,034.50	0.2	4.2	Aa2	4.250%	2/1/17
20000	HOUSTON TX CMNTY CLG	103.82	20,763.20	100.38	20,076.40	0.3	5.0	Aa1	5.000%	2/15/17
15000	DE KALB CNTY GA DEV	97.42	14,613.00	99.50	14,925.00	0.2	0.0	Aa2	0.000%	4/1/17
25000	LOUISIANA ST PUBLIC FACS REV PREREF	106.79	26,698.25	101.53	25,381.75	0.4	5.2	NR	5.250%	5/15/17
35000	MISSISSIPPI ST DEV BANK	103.87	36,355.90	101.57	35,551.25	0.5	4.2		4.250%	7/1/17
20000	SUCCESSOR AGY TO RICHMOND CA REDEV AG'	101.06	20,211.20	100.34	20,068.20	0.3	2.2		2.250%	9/1/17
30000	WHITTIER CA REDEV AGY PREREF	110.06	33,018.00	103.74	31,121.10	0.4	5.9	A3	6.090%	11/1/17
75000	PENDLETON CNTY KY SCH DIST	101.57	76,178.25	100.23	75,176.25	1.0	4.0	NR	4.000%	2/1/18
40000	NEW YORK CITY NY TRANS	100.00	40,000.00	96.50	38,600.00	0.5	1.6	Aa1	1.500%	5/1/21
	Accrued Interest				3,359.36	0.0				
			<b>283,288.10</b>		<b>279,293.81</b>	<b>3.9</b>	<b>3.7</b>			
<b>GOVERNMENT BONDS (USD)</b>										
77000	US TREASURY	100.24	77,186.34	100.01	77,009.02	1.1	0.9	Aaa	0.880%	11/15/17

**Portfolio Holdings**

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield	Moody's Ratings	Coupon %	Maturity Date
61000	US TREASURY NOTE	100.93	61,567.30	100.39	61,240.66	0.8	1.4	Aaa	1.380%	9/30/18
	Accrued Interest				295.30	0.0				
			<b>138,753.64</b>		<b>138,544.99</b>	<b>1.9</b>	<b>1.1</b>			
<b>GOVERNMENT SPONSORED BOND (USD)</b>										
100000	FHLMC - STEP	99.95	99,948.00	99.93	99,927.00	1.4	0.6	Aaa	0.630%	5/15/18
100000	FNMA	99.86	99,860.00	99.21	99,206.00	1.4	0.9	Aaa	0.880%	7/27/18
100000	FHLB	100.00	100,000.00	99.66	99,662.00	1.4	1.0	Aaa	1.000%	8/28/18
70000	US TREASURY N/B	98.66	69,064.80	99.05	69,335.55	1.0	1.1	Aaa	1.130%	12/31/19
200000	FNMA	100.00	200,000.00	98.20	196,396.00	2.7	1.5	Aaa	1.450%	9/15/20
250000	FHLB - STEP	99.90	249,750.00	98.30	245,740.00	3.4	1.1	Aaa	1.130%	5/10/21
100000	FHLB	99.97	99,975.00	97.79	97,794.00	1.4	1.6	Aaa	1.550%	9/28/21
200000	FFCB	100.00	200,000.00	97.49	194,978.00	2.7	1.7	Aaa	1.630%	10/5/21
100000	FNMA	99.83	99,832.00	97.34	97,344.00	1.3	1.4	Aaa	1.380%	10/7/21
100000	FFCB	99.98	99,985.00	97.73	97,727.00	1.4	1.8	Aaa	1.780%	12/13/21
100000	FFCB	99.94	99,940.00	97.18	97,181.00	1.3	1.7	Aaa	1.680%	1/5/22
100000	FFCB	99.87	99,870.00	97.03	97,027.00	1.3	1.7	Aaa	1.620%	2/10/22
100000	FFCB	100.00	100,000.00	97.43	97,435.00	1.3	1.8	Aaa	1.750%	7/11/22
	Accrued Interest				5,908.69	0.1				
			<b>1,618,224.80</b>		<b>1,595,661.23</b>	<b>22.0</b>	<b>1.4</b>			
<b>MORTGAGE POOLS (USD)</b>										
75485.73	GNR 2004-39 LH	105.35	79,523.86	102.50	77,375.82	1.1	5.4	Aaa	5.500%	9/20/33
1729.12	FHR 3076 PG	102.47	1,771.82	100.00	1,729.12	0.0	5.5	Aaa	5.500%	10/15/34
13438.32	GNR 2005-56 JA	108.06	14,521.88	109.50	14,714.96	0.2	4.6	Aaa	5.000%	5/17/35
	Accrued Interest				409.89	0.0				
			<b>95,817.56</b>		<b>94,229.80</b>	<b>1.3</b>	<b>5.2</b>			
<b>CERTIFICATES OF DEPOSIT (USD)</b>										
150000	CITIZENS STATE BANK OK	99.92	149,887.50	100.08	150,120.75	2.1	0.8	NR	0.850%	3/24/17
100000	GE CAPITAL BANK	100.92	100,924.00	100.36	100,364.00	1.4	1.8	NR	1.800%	7/20/17
50000	COMENITY CAPITAL BANK	100.00	50,000.00	100.33	50,164.70	0.7	1.2	NR	1.250%	8/31/17
200000	ALLY BANK	100.00	200,000.00	100.79	201,574.00	2.8	1.7	NR	1.750%	8/20/18
250000	GOLDMAN SACHS BANK USA	100.00	250,000.00	100.77	251,932.00	3.5	1.6	NR	1.650%	9/4/18
150000	DISCOVER BANK	100.00	150,000.00	101.44	152,161.95	2.1	2.0	NR	2.000%	8/26/19
200000	CAPITAL ONE NA	100.00	200,000.00	100.94	201,882.00	2.8	2.4	NR	2.400%	8/19/20
	Accrued Interest				6,292.07	0.1				
			<b>1,100,811.50</b>		<b>1,114,491.47</b>	<b>15.4</b>	<b>1.7</b>			
			<b>6,922,483.18</b>		<b>7,237,817.28</b>	<b>100.0</b>	<b>2.2</b>			
<b>TOTAL PORTFOLIO</b>			<b>6,922,483.18</b>		<b>7,237,817.28</b>	<b>100.0</b>	<b>2.2</b>			

**Purchases**

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount	Comm/Share	Commission
<b>CITICORP</b>							
11/2/16	11/10/16	250,000.00	FHLB - STEP 1.125% Due 05-10-21	99.90	249,750.00	0.00	0.00
<b>FBN SECURITIES</b>							
11/9/16	11/15/16	600.00	BANK OF AMERICA CORPORATION	17.98	10,785.90	0.02	12.00
<b>GS</b>							
10/5/16	10/7/16	100,000.00	FNMA 1.375% Due 10-07-21	99.83	99,832.00	0.00	0.00
<b>JNK SEC</b>							
12/7/16	12/12/16	1,650.00	REGIONS FINANCIAL CORP	14.35	23,675.03	0.02	33.00
<b>Jones Trading</b>							
12/19/16	12/22/16	200.00	OMEGA HEALTHCARE INVESTORS INC	31.40	6,279.12	0.04	8.00
<b>JP MORGAN_O</b>							
10/25/16	11/1/16	50,000.00	NATIONAL RURAL UTIL COOP 1.500% Due 11-01-19	100.00	50,000.00	0.00	0.00
<b>KNIGHT</b>							
12/5/16	12/8/16	150.00	GOLDMAN SACHS GROUP	228.04	34,206.51	0.01	1.50
<b>MARKET AXESS MARKET AXESS</b>							
12/28/16	1/3/17	22,000.00	PNC BANK 1.500% Due 02-23-18	99.87	21,971.18	0.00	0.00
<b>MORGAN STANLEY</b>							
12/28/16	1/3/17	45,000.00	KEY BANK NA 5.700% Due 11-01-17	103.27	46,471.95	0.00	0.00
12/14/16	12/19/16	45,000.00	VF CORP 5.950% Due 11-01-17	103.93	46,769.54	0.00	0.00
					<b>93,241.49</b>	<b>0.00</b>	<b>0.00</b>
<b>Reynolds Securities</b>							
11/23/16	11/29/16	700.00	OSHKOSH CORPORATION	69.40	48,581.40	0.02	14.00
11/29/16	12/2/16	350.00	SYNCHRONY FINANCIAL	33.97	11,887.79	0.02	7.00
					<b>60,469.19</b>	<b>0.02</b>	<b>21.00</b>
<b>TD SECS</b>							
11/17/16	11/17/16	100,000.00	FHLMC - STEP 0.625% Due 05-15-18	99.95	99,948.00	0.00	0.00
<b>PURCHASES SUBTOTAL</b>					<b>750,158.42</b>	<b>0.00</b>	<b>75.50</b>
						<b>0.00</b>	<b>75.50</b>

**Sales**

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount	Comm/Share	Commission
9/30/16	9/30/16	175,000.00	FHLMC - STEP 1.000% Due 06-30-21	100.00	175,000.00		
11/23/16	11/23/16	75,000.00	FNMA - STEP 0.750% Due 11-23-18	100.00	75,000.00		
10/18/16	10/18/16	50,000.00	MORGAN STANLEY 5.750% Due 10-18-16	100.00	50,000.00		
11/7/16	11/7/16	40,000.00	PEPSICO INC 7.900% Due 11-01-18	112.84	45,136.80		
10/1/16	10/1/16	20,000.00	RHODE ISLAND ST HSG&MTGE FIN CORP I 1.270% Due 10-01-16	100.00	20,000.00		
11/1/16	11/1/16	30,000.00	SOUTH DAKOTA HSG DEV AUTH 1.150% Due 11-01-16	100.00	30,000.00		
10/31/16	10/31/16	56,000.00	US TREASURY FRN 0.178% Due 10-31-16	100.00	56,000.00		
					451,136.80	0.00	0.00
<b>FBN SECURITIES</b>							
12/2/16	12/7/16	410.00	AFLAC INC	68.78	28,200.78	0.02	8.20
12/2/16	12/7/16	200.00	AFLAC INC	68.78	13,756.48	0.02	4.00
					41,957.26	0.02	12.20
<b>JNK SEC</b>							
11/29/16	12/2/16	270.00	ALLSTATE CORP	69.61	18,795.96	0.02	5.40
11/29/16	12/2/16	100.00	ALLSTATE CORP	69.61	6,961.47	0.02	2.00
10/7/16	10/13/16	300.00	BOOZ ALLEN HAMILTON HOLDINGS	30.16	9,048.94	0.02	6.00
11/9/16	11/15/16	550.00	COCA COLA COMPANY	42.08	23,143.39	0.02	11.00
11/15/16	11/18/16	104.00	SUNTRUST BANKS INC	51.75	5,381.97	0.02	2.08
11/15/16	11/18/16	296.00	SUNTRUST BANKS INC	51.75	15,317.90	0.02	5.92
					78,649.63	0.02	32.40
<b>Jones Trading</b>							
10/28/16	11/2/16	445.00	CENTURYTEL INC	30.52	13,579.72	0.04	17.80
10/28/16	11/2/16	200.00	CENTURYTEL INC	30.52	6,103.25	0.04	8.00
11/4/16	11/9/16	290.00	PG&E CORP	60.25	17,472.26	0.04	11.60
11/4/16	11/9/16	100.00	PG&E CORP	60.25	6,024.92	0.04	4.00
11/9/16	11/15/16	400.00	PHILIP MORRIS INTL INC	94.28	37,712.77	0.04	16.00
11/22/16	11/28/16	1,080.00	THE AES CORPORATION	11.37	12,279.11	0.04	43.20

**Sales**

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount	Comm/Share	Commission
11/22/16	11/28/16	400.00	THE AES CORPORATION	11.37	4,547.82	0.04	16.00
					<b>97,719.85</b>	<b>0.04</b>	<b>116.60</b>
<b>KNIGHT</b>							
12/12/16	12/15/16	100.00	INGREDION INC	125.32	12,531.59	0.01	1.00
12/12/16	12/15/16	35.00	NORTHROP GRUMMAN CORP	229.97	8,048.88	0.01	0.35
					<b>20,580.47</b>	<b>0.01</b>	<b>1.35</b>
<b>UNASSIGNED</b>							
12/16/16	12/16/16	30,000.00	MONDELEZ INTERNATIONAL 2.250% Due 02-01-19	101.94	30,580.80	0.00	0.00
<b>SALES SUBTOTAL</b>					<b>720,624.81</b>	<b>0.00</b>	<b>162.55</b>
						<b>0.00</b>	<b>162.55</b>
<b>PRINCIPAL PAYDOWNS</b>							
<b>Not Classified</b>							
10/15/16	10/15/16	2,146.10	FHR 3076 PG 5.500% Due 10-15-34	100.00	2,146.10		
11/15/16	11/15/16	399.47	FHR 3076 PG 5.500% Due 10-15-34	100.00	399.47		
12/15/16	12/15/16	3,428.67	FHR 3076 PG 5.500% Due 10-15-34	100.00	3,428.67		
10/20/16	10/20/16	6,489.07	GNR 2004-39 LH 5.500% Due 09-20-33	100.00	6,489.07		
11/21/16	11/21/16	5,740.97	GNR 2004-39 LH 5.500% Due 09-20-33	100.00	5,740.97		
12/20/16	12/20/16	6,321.42	GNR 2004-39 LH 5.500% Due 09-20-33	100.00	6,321.42		
10/17/16	10/17/16	118.39	GNR 2005-56 JA 5.000% Due 05-17-35	100.00	118.39		
11/17/16	11/17/16	426.03	GNR 2005-56 JA 5.000% Due 05-17-35	100.00	426.03		
12/20/16	12/20/16	125.25	GNR 2005-56 JA 5.000% Due 05-17-35	100.00	125.25		
					<b>25,195.37</b>	<b>0.00</b>	<b>0.00</b>
<b>PRINCIPAL PAYDOWNS SUBTOTAL</b>					<b>25,195.37</b>	<b>0.00</b>	<b>0.00</b>
						<b>0.00</b>	<b>0.00</b>

