

Muni Opportunity

We believe the selling pressure from ETF's in the Muni market this past week has created an opportunity for long term Muni investors. The market has been repriced to levels we believe are attractive.

Munis & Infrastructure

Our firm believes in helping to make our communities a better place to live. We help to finance the infrastructure needs of our communities by investing in Muni bonds for our clients. We place a high priority on investing in bonds with a good public purpose. These bonds help to finance schools to educate our children. They build hospitals to help with the sick. They provide places for our elderly to live. They also aid in improving streets and highways, bridges, water and sewer facilities, and facilities and equipment so our first responders can keep us safe. The Muni market is a wonderful vehicle for helping our communities to finance their projects.

Muni Credit Quality

We do not believe the recent rise in yields is related to the credit quality of Munis. The Muni market for most investment grade securities has strong underlying credit characteristics which make them desirable for conservative investors. These bonds are typically secured by taxes and dedicated revenue streams. We typically focus on these types of bonds and avoid bonds that don't have a good public purpose.

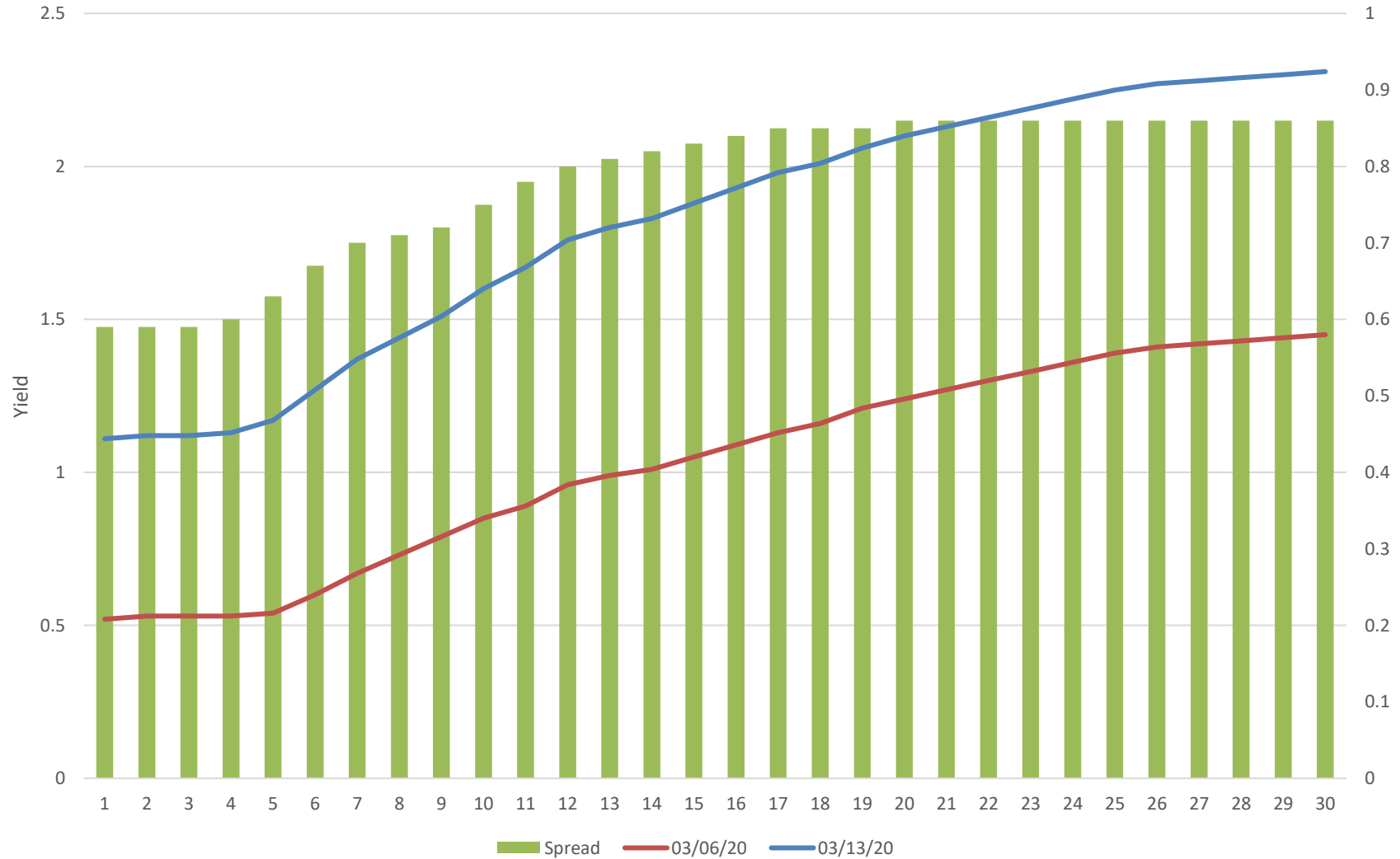
Curve Movement

The chart on the following page shows the yield curve shift in AAA Munis during the last week. Bonds due in 7 years are about 70 bp's cheaper now than they were a week ago. Bonds due in 12 years and longer are about 85 bp's cheaper. A rated bonds in the 10 year part of the curve now yield about 3.0% which is up from less than 2.0% a week ago.

Conclusion

The liquidation of bonds by funds to meet investor outflows has repriced the market for Munis. Ratios vs UST are now extremely attractive. We believe investors should take advantage of this opportunity to increase their exposure to Munis and we plan to use this as a buying opportunity for our clients.

AAA GO Yield Curve Comparison



Source: MMD & TFS

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