

TAX EXEMPT TOTAL RETURN

June 2021

Morningstar Rating™

Overall



3-Year



Holding-Based Statistics

	Tax Exempt Total Return	Bloomberg Barclays Muni Bond
Yield to Maturity	2.26%	2.26%
Effective Duration	5.36 years	4.69 years
Average Credit Quality	A+	AA-

Strategy Statistics

Number of Bonds	286
Trailing 12 Month Turnover	15%
Firm Assets	259.62
Product Assets	22.46

Investment Philosophy

The Tax Exempt Total Return strategy seeks to deliver total return and a high level of tax-exempt income by constructing a diversified and high quality portfolio of municipal securities. Using a value oriented and opportunistic approach, the strategy takes advantage of the entire yield curve and investment grade credit quality spectrum. This separate account strategy can be customized to meet individual liquidity needs or risk tolerance.

Portfolio Management Team

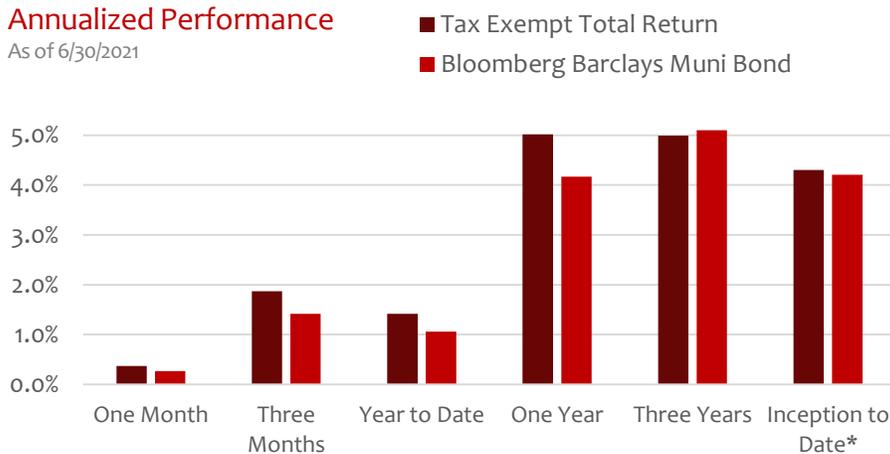
David M. Killian
Joseph D. Shacklock

Inception Date

6/30/2017

Annualized Performance

As of 6/30/2021

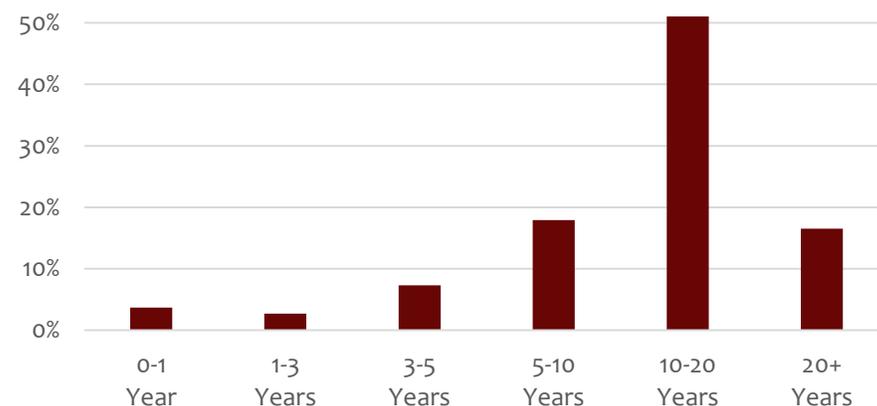


	One Month	Three Months	Year to Date	One Year	Three Years	Inception to Date*
Tax Exempt Total Return	0.37%	1.87%	1.42%	5.02%	4.99%	4.30%
Bloomberg Barclays Muni Bond	0.27%	1.42%	1.06%	4.17%	5.10%	4.21%

* Inception 6/30/2017

Maturity Distribution

As of 6/30/2021



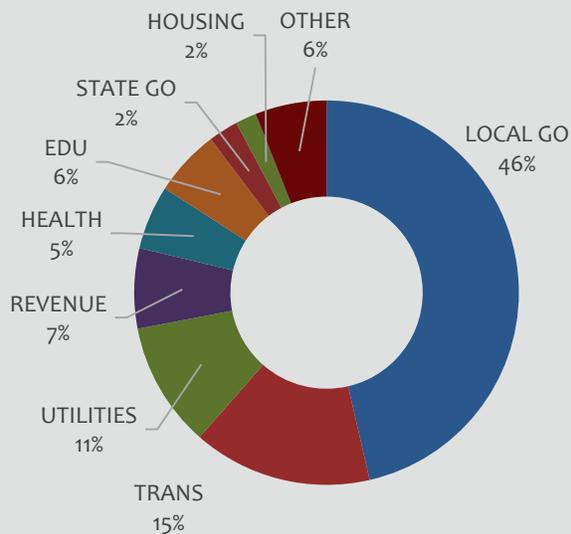
Distribution by Quality

As of 6/30/2021



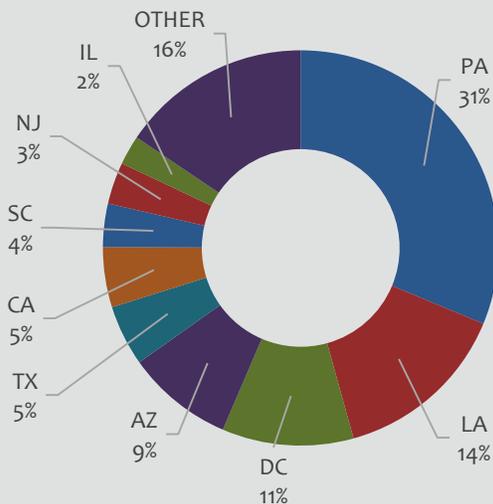
Sector Distribution

As of 6/30/2021



State Distribution

As of 6/30/2021



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2Q 2021 Portfolio Commentary

Vaccination efforts in the U.S. have been strong with approximately 172 million Americans, or about 67% of the adult population, having received at least one dose of a COVID-19 vaccine. These figures fall only slightly short of the Biden administration's goal of 70% before the July 4th holiday. Falling rates of new infections have allowed for the easing of many pandemic related restrictions, giving way to a surge in both consumer and business spending fueled by \$6 trillion in Federal stimulus and a large degree of the long anticipated pent-up demand. As measured by the S&P 500 Index, U.S. equities continue to post strong positive total return performance, gaining 8.5% in the most recent quarter, 15.2% year to date, and 96.1% from the March 2020 pandemic low. Market sentiment is mixed regarding the remainder of 2021 and beyond, with expectations of continued strength counterbalanced by the idea that an extended rally is unlikely given that the majority of the reopening momentum is already priced in.

Though near-term inflation expectations remain elevated, there is continued uncertainty around long-term projections. While the 2-Year U.S. Treasury yield has increased 9 basis points to end the quarter at 0.25%, the 10-Year U.S. Treasury yield has fallen 29 basis points to 1.45%. The spread, or difference in yield, between the 2-Year and 10-Year U.S. Treasury notes ended the quarter at 120 basis points, down from 158 basis points at the end of the first quarter. Movement at the short end of the yield curve is typically driven by the market's expectation of changes to the fed funds rate. At the long end, movement is driven by inflation expectations. The activity seen in the most recent quarter suggests that the market believes that the Federal Reserve (Fed) will respond to an inflation spike with higher rates, which will effectively cool the market and stifle inflation in the intermediate term. Risk appetite remains strong in credit markets: for the six months ending June 2021 the Barclays U.S. Municipal Bond Index returned 1.06%, outpacing the Barclays U.S. Treasury Index return of -2.6%.

While the Fed continues to maintain an accommodative policy, how this policy will shift in the coming quarters is highly debated among investors. The latest commentary from Chairman Powell holds firmly to the position that the recent increase in inflation has been the result of transitory factors related to the reopening of the economy. Thus he believes the spike in inflation will subside, leading to a decline back to the Fed's long-term 2% target. As a group, the FOMC does not expect to increase the benchmark short-term rate until at least 2023. However, individual board members have been vocal in their opinion that continued strength may very likely force the Fed to act in 2022. Forward market pricing has responded to this internal debate among Fed officials and now implies a 41% probability of at least one rate increase in 2022, up from 12% at the start of the year. The most recently released employment and wage growth figures further cloud the outlook as investors question if the recent gain in wages is sustainable, or if it is a result of transitory pandemic related factors that will subside in the coming months.

Similar to their corporate counterparts, municipal bonds are also trading near the extreme low end of recent historical values, indicating expensive valuations. Performance in municipals remains strong as federal stimulus provides support, and a reopening economy propels tax revenue. This strong performance is in stark contrast to previous forecasts that predicted trouble for municipalities as travel halted and local sales tax revenue became almost non-existent. In addition to continued strong positive performance, the unexpected speed of the recovery has improved the credit quality of many municipalities that were having difficulties prior to the pandemic. Strong demand for the stability, liquidity and income provided by municipal bonds has stretched valuations for bonds of the highest quality – which is our preferred segment of the market. Despite the tight valuations seen in many of the bonds we evaluate, we continue to find ample opportunities which have allowed us to maintain an attractive yield while posting consistent positive performance. At the short end of the curve, we continue to favor corporate bonds that provide after tax yields that are favorable to municipals of the same maturity. Despite the sharp move lower in yields seen in the recent quarter, we expect the trend towards higher overall yields and a steeper yield curve to resume. We continue to seek opportunities to improve portfolio income by adding exposure to longer maturity bonds that provide an attractive yield differential.

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