PRESERVE

ASSET PRESERVATION ADVISORS ANNUAL REVIEW

THE MUNICIPAL BOND MARKET POST TAX CUTS & JOBS ACT

ASSET PRESERVATION ADVISORS

2019

APA STRATEGIES

INTERMEDIATE | ENHANCED INTERMEDIATE
SHORT-TERM | TAXABLE | POSITIVE IMPACT

Dedicated to Excellence in Fixed-Income Portfolio Management

APA

Dear Reader,

Welcome to the fourth annual edition of *APA Preserve*. In this piece we explore many issues expected to impact the municipal market in 2019 after a year that has challenged conventional wisdom.

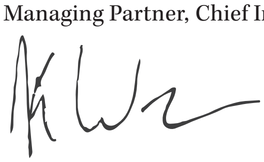
This issues' columns and features touch on a range of topics, including:

- Infrastructure in the U.S., how can municipals help?
- Teacher strikes and their potential impact on both school and general obligation bonds
- A look back at 2018, 1Q19 and expectations for the remainder of the year
- SALT deductions and how the new tax reform has added to demand for municipals
- Investing in a social and environmental responsible strategy; APA's Positive Impact Strategy

As always, the goal of *APA Preserve* is to provide you with relevant ideas and recommendations. We want to thank you for your trust and confidence in choosing Asset Preservation Advisors to manage your clients municipal bond investments. We hope you enjoy our 2019 *APA Preserve* and look forward to hearing from you soon.

Sincerely,

Kevin Woods
Managing Partner, Chief Investment Officer



Navigating the Municipal Bond Market Post Tax-Cuts & Jobs Act

By: Kyle Gerberding, Wesley Williams, Patricia Hodgman

The latter part of 2018 and early 2019 has been defined by headline-driven clamor for the U.S. financial markets with breaking news over trade wars, a drawn-out Brexit process and speculation over the Fed's direction. The S&P 500, up 13% in the first quarter of 2019, posted its best quarterly performance in ten years, closely following its worst performing quarter since 2011 (4Q18). This tumult in the markets comes despite continued growth and a 50-year low in the unemployment rate in the U.S. Short-term volatility over concerns of trade wars and geopolitical factors have driven headlines, as the conjecture of the FOMC in response to an inflation rate that has not been consistently above target for any relevant period drives stakes for the future direction of Fed policy. The more recent inversion of the Treasury yield curve has sparked concerns of a looming recession. While a flattening Treasury curve and subsequent inversion may not be a harbinger of near-term recession, we believe it suggests a weakening economic outlook by market participants.

APA's mission is to preserve capital in these highly uncertain times through continuous credit monitoring, targeted yield curve positioning and the pursuit of added value through our buying practices in every type of market. In this issue, we will discuss the expected impact and potential risks to the municipal market, the comparatively steeper municipal yield curve versus U.S. Treasuries and APA's strategic portfolio positioning.

TAXPAYERS FEEL THE EFFECTS OF TAX REFORM

The well-publicized $10,000 cap on state and local tax (SALT) deductions buoyed demand for municipals as investors searched for shelter from future tax bills. Residents in high-tax states have felt the greatest impact from the cap of the SALT tax deduction, leading to an insatiable demand for tax-exempt products. Macroeconomic moves alone would likely have provided a tailwind for municipal bond returns, however, the significant outperformance of municipals versus Treasuries may be explained by the realization by high-net worth investors that the Tax Cuts and Jobs Act may not have added cash to their pockets in the same way it did for corporations.

SUPPLY

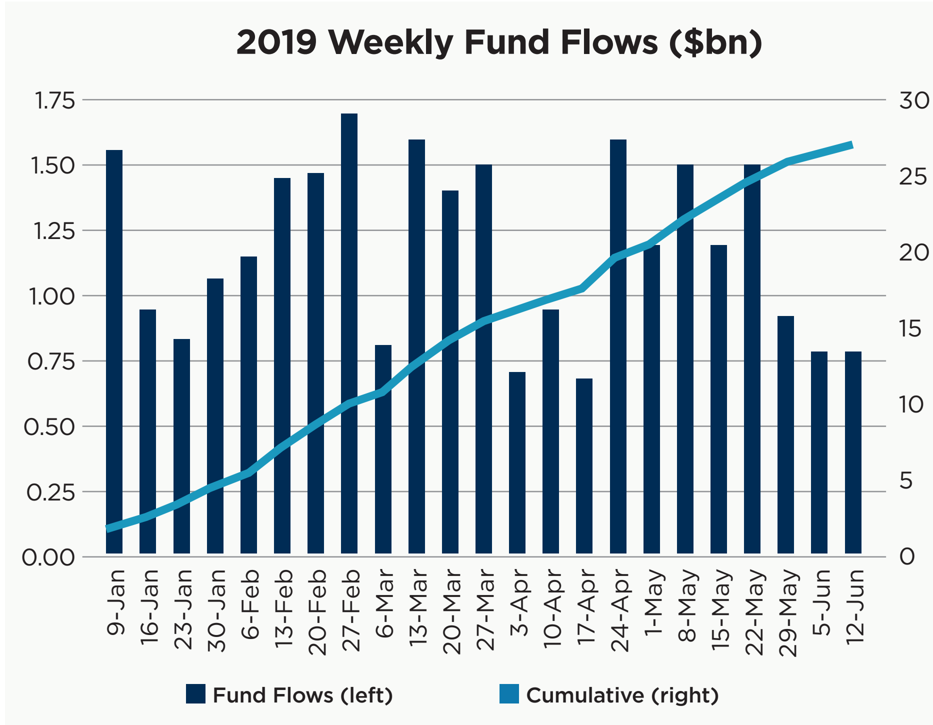
Total muni supply for the first quarter of the year came in at $76 billion, a decrease of -11.6% quarter over quarter. Furthermore, Q1 gross issuance was -11.1% below the trailing five-year Q1 average of $86 billion. Subdued supply coupled with the roll-off of maturing bonds has created periods of net-negative supply in the market. Or simply demand has outpaced supply, creating a strong technical environment for municipals to outperform in the first quarter. Ratios to Treasuries are now near historically tight levels, with the 10-year AAA MMD/UST ratio closing the quarter at 78% versus the historical average of around 85%. The first quarter ended with 12 straight weeks of municipal mutual fund inflows totaling $15 billion for the period or an average of $1.14 billion per week; the most robust start to a year since fund flow data collection began. At the time of this publication, municipal mutual funds have experienced inflows for 23 straight weeks totaling more than $27 billion, which would be the third highest annual total since data collection began.

THE SECTOR THAT HAS QUIETLY OUTPERFORMED THE REST

An esoteric subset of the municipal market, taxable municipal bonds, are often overlooked in favor of their tax-free counterpart. However, this sector has offered outsized returns in 2019, up 2.96% for the month of May and outperforming all other municipal sectors year-to date. Taxable municipals generally offer a higher credit quality than comparable corporate bonds; 56% of outstanding taxable municipals carry a AAA or AA rating, while U.S. Corporate bonds in the same rating categories amount to only 7% of overall debt. Furthermore, taxable municipals have outperformed corporate bonds over the last 10-year period through 2018, with sector returns of 6.9% versus 4.6%, respectively. For some investors taxable municipals may offer compelling advantages over corporate bonds, as they typically offer greater ratings stability as well as a lower correlation to equity markets.

23 straight weeks of fund inflows totaling $27 billion

would be third highest annual total since data collection began



Source: Bloomberg

A SHIFT IN MONETARY POLICY

As monetary policy-makers surprised markets with a more dovish stance, the (2) rate hikes that had been priced into the bond market were quickly reversed to predict (2) rate cuts, expected by mid-2020. Demand for fixed income was buoyed after the Fed's press release following its March meeting, reversing its plan for further hikes in 2019 and halting the further decline of its balance sheet in September. The Treasury market painted a less rosy picture for the future with an inversion of 3-month and 10-year yields amid continued uncertainty around trade talks and Brexit, slowing global growth and weaker forward expectations by corporations fading from the "sugar high" following tax-reform. The 10-year Treasury traded in a range of just 11.6 bps in February, the tightest range for a month in two decades. Conversely, March more than made up for this with a significantly wider, 42.7 bps trading range.

Recently, Chairman Powell pledged that the FOMC "will act as appropriate to sustain the expansion." However, looking further down the road, the Fed may face issues addressing inflation that has yet to be sustained at the targeted rate of 2%. Powell has said that persistently low inflation could lead to "a difficult-to-arrest downward drift" in expectations.

RISKS

APA continues to pay close attention to the outmigration risk that some high-tax states could face as a result of the SALT deductions. While we believe that mass outmigration is unlikely, as tax rates are only one of many factors for choosing to live in a locale, this could strain state and local finances and would certainly be a credit negative. Away from tax reform, we view declining pension-funding ratios as an ongoing and serious market risk. While strong returns in the stock market have softened the noise on pension health, funding ratios have continued a declining trend. Pension funding will continue to pressure state and local budgets over the near-term, while low funding ratios continue to raise a red flag regarding state and local credit quality.

GOING FORWARD

APA continues to analyze the yield curve, identifying and targeting areas that we find the most value in every market. With the long end of the municipal yield curve moving lower and a market that has priced in interest rate cuts, APA is targeting a greater investment in the "belly of the yield curve" or short to intermediate maturities, utilizing a modified ladder structure. In doing so, we will look to take advantage of the Fed sensitive, 5-year maturity range in an effort to posture defensively should we see a further steepening and a reversal of the inflows that the market has experienced to date. Additionally, with credit spreads near all-time tight levels, we continue to actively increase portfolio credit quality, focusing on revenue backed bonds and sectors that we believe are more insulated from credit deterioration and pension risk. We believe a focus on high-quality bonds will better prepare investors for what could be an uneven and challenging environment ahead.

For more on APA's thoughts on credit quality, please see our Q&A with Paul Nolan, APA's Director of Research.

Developing Trends in Municipal Bond Market

MORE SALT DEDUCTIONS, PLEASE

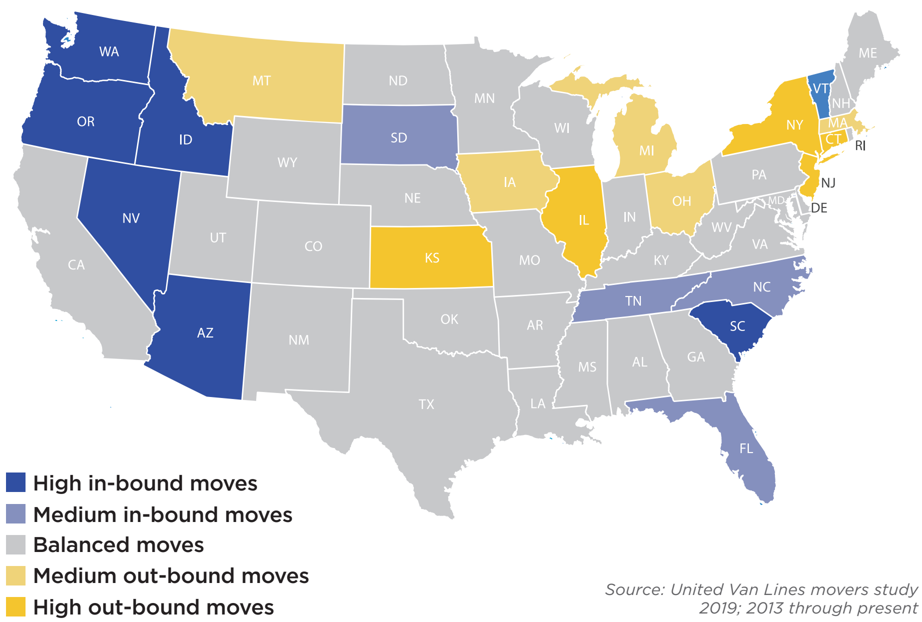
By: Paul Nolan, Matthew Riggle

Federal politicians love to tout tax reform, the battle cry of Ronald Reagan, George W. Bush, and now Donald Trump, whose biggest legislative victory since becoming president remains the Tax Cuts and Jobs Act of 2017. In previous publications, APA has discussed the details of this bill and its impact on the municipal bond market, including the elimination of advance refunding bonds and a $10,000 cap on state and local tax (SALT) deductions. Additionally, new homeowners can only deduct mortgage interest on up to $750,000. Focusing on the effect of the cap on SALT deductions, we will highlight trends in the municipal market over the past year and carrying forward to 2019.

POPULATION SHIFTS

The first developing trend is the migration out of high-tax states, especially New Jersey, which had the greatest percentage of outbound movers (66.8%) than any other state according to the latest United Van Lines national movers study. On the other hand, Southern states and the Mountain

2018 United Van Lines' National Movers Study



Source: United Van Lines movers study 2019; 2013 through present

West and Pacific West regions continue to attract residents because of job growth, moderate climates, and a lower cost of living. In the West, California is seeing a reversal of its moving pattern, with 54% outbound migration, the result of many residents relocating to nearby states to take advantage of the lower cost of living.

State	Percentage of Filers with SALT Deductions	Average SALT Deductions	Tax Burden Rank	2018 Population Growth	2018 Population Growth Rank
New York	34%	$21,038	1	-0.2%	47
Connecticut	41%	$18,940	6	0.0%	43
New Jersey	41%	$17,183	9	0.2%	36
California	34%	$17,148	10	0.4%	25
Illinois	32%	$12,878	8	-0.4%	50

Source: Census Data, July 1, 2017- July 1, 2018

COST OF LIVING

With the cap on SALT deductions and the reduced mortgage-interest deduction, the cost of living will increase for residents of high-tax states. One potential result of that is, over time, people will relocate to reduce their overall tax burden. APA continues to monitor population shifts and the effect on both tax base and infrastructure needs. Of the states commonly associated with high tax rates, none finished higher than 25th in population growth in 2018; note that all five states — New York, Connecticut, New Jersey, Illinois, and California — had average SALT deductions higher than the new $10,000 cap.

Of states associated with high tax rates,

none finished higher than 25th in population growth in 2018 high-tax states, especially New Jersey.

EFFECT ON REAL ESTATE PRICES

Another developing trend worthy of monitoring is the effect these changes might have on real estate transactions in high-tax states. The housing market in New York City continues to slow, with purchases declining for the fourth consecutive quarter. Since September 2017, purchases are down 11%, while the median purchase price slipped 4.5%, to $1.1 million, according to Miller Samuel Inc. and Douglas Elliman Real Estate. To put that in perspective, the third quarter of 2018 was the worst quarter since the collapse of Lehman Brothers more than a decade ago.

Westchester County, N.Y., home of the highest property taxes in the country, has undergone a change in home-buyer attitudes, with many people now favoring condos and co-ops over single-family houses. While single-family home transactions fell for the sixth consecutive quarter, condo purchases increased 8%, and co-op purchases climbed 16%. Overall, the median sale price declined 1.1% (to $470,000) from the prior year, and transactions on premium homes ($2 million or more) decreased 50% (from 49 transactions to 73 over the same time period).

What drove this change in consumer behavior? Perhaps the average property tax bill for Westchester County in 2017: $17,179, or 1.7 times higher than the newly instituted cap on SALT deductions.

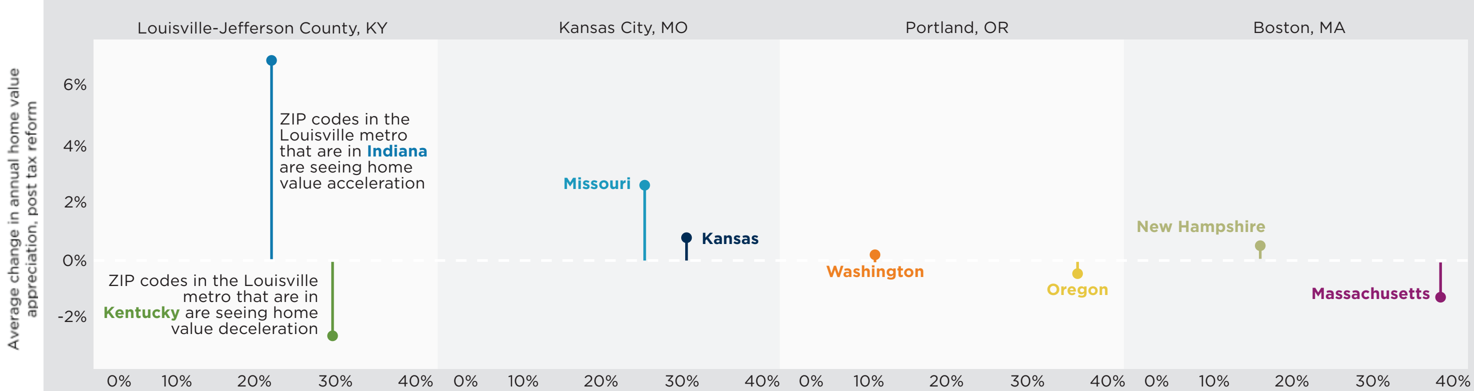
To illustrate one example, Zillow examined metropolitan areas that straddle state lines. The specific cities were chosen based on their proximity to a high-tax state and a state with a lower tax burden; home prices in the state with the lower tax burden outperformed in every example, an indication of a developing trend. In the zip codes on the Massachusetts side of the Boston-area border, for instance, 41% of taxpayers took the SALT deduction, compared to 18% of New Hampshire residents located in the Boston-metro region; consequently, Boston-metro home values in Massachusetts depreciated 1.3%, while those in New Hampshire appreciated 0.1%.

SUMMARY

When analyzing the credit fundamentals of a municipality, APA accounts for overall financial strength, various legacy costs (such as pension obligations and post-employment benefits), and other key credit factors. Demographics and population trends play an important role, too; more people moving in to an area generally leads to higher property values, increasing tax revenue for a municipality. For this reason, tax-base growth is vital to maintaining fiscal health; long-term issues arise when areas lose population, typically because of a lagging local economy, the high cost of living, low quality of life, or numerous other factors. Although the full implications of the Tax Cuts and Jobs Act won't be known for many years, APA will continue to monitor its impact on the municipal market.

In metros that cross statelines, home value growth has been slower in ZIP codes on the higher-tax side of the line as a result of change to SALT deductions

Average change in annual home value appreciation, post tax reform and average share taxpayers talking SALT



Source: Zillow analysis of Zillow data and Internal Revenue Service, Statistics of Income

P3 FINANCING:

Snake Oil or Viable Alternative to Funding and Financing Infrastructure?

By: Ken Woods

Like many countries worldwide, the United States has dilapidated and unproductive infrastructure, a serious hazard with an equally troubling side effect: It has made America less competitive in world markets. Recently, Mississippi closed more than 500 perilous bridges, a little more than decade after the I-35W Bridge in Minneapolis, Minn., collapsed during rush hour, killing 13 people and injuring 145. Flint, Mich., continues to replace thousands of corroded water pipes to address a citywide crisis — dangerous levels of lead in tap water — that began six years ago. Unfortunately, these examples are just the tip of the iceberg when it comes to our decaying infrastructure.

How can an advanced society like America's allow such serious, systemic problems to threaten the safety and health of citizens and the economy?

P3

Many on Wall Street advocate using public-private partnerships (P3's) to solve our infrastructure problem, arguing that innovative financing would propel these projects. Today there is strong demand from investors for quality long-term assets, especially among pension funds that invest with a longer scope than traditional investors. Infrastructure assets can be structured to meet their investment parameters, but what it really boils down to is a lack of political will to specify the funding sources necessary to pay for vital projects. However, raising taxes is anathema to much of the general public, whether by increasing the federal gas tax or levying tolls on many highways. There is a glimmer of hope that some people realize the magnitude of the problem exists; in 2017, overcoming bitter opposition, California increased taxes on gasoline and diesel fuel, and in November 2018, Californians voted against repealing those taxes. However, most places decline to exhibit that sort of political gallantry. In France, some citizens literally battled against higher taxes. Over three weeks in November 2018, at least one person died and 400 people were injured protesting a proposal to raise the fuel tax another 30 cents. The protestors did succeed in forcing the French prime minister to suspend the increase in a nation where gas already costs more than $7 a gallon. To be clear, the demonstration was more about high taxes in general. France has the highest taxes of any wealthy nation, according to the Organization for Economic Cooperation and Development (OECD).

Infrastructure funding and financing are different issues. Funding infrastructure involves determining who will pay for projects, and as we have seen in the past, policymakers and leaders are reluctant, if not wholly unwilling, to identify funding sources. Who is going to pay is the headwind proponents of projects must overcome. Most infrastructure projects must be funded either with fees or taxes. Financing an infrastructure project requires raising the upfront money through capital markets. P3 structures

APA'S PROPOSALS

1 Establish a new Highway Trust Fund, closing down the current one as soon as it is feasible.

2 Establish a Board of Directors to represent every state and the District of Columbia. Include the Secretary of Transportation and the chairperson of the House Transportation Committee on the panel, thereby promoting regional and national coordination of decision-making because many projects have ripple effects across the country.

3 Direct all current and future fuel-tax revenues to the new trust fund.

4 Over five years, increase the federal fuel tax, last raised in 1993, by 25 cents on gasoline (to 43.4 cents) and 50 cents on diesel fuel (to 74.4 cents). Testimony before the Senate Finance Committee five years ago declared that raising the taxes dedicated to the Highway Trust Fund by just a penny a gallon "would increase trust fund revenues [currently $40 billion a year] by between $1.5 billion and $1.7 billion annually." In addition, tax electric cars every year. Studies indicate that there will be 1 million electric cars in the U.S. by 2020; in all, 17 states, including Georgia, already charge owners of electric vehicles annual fees ranging from $50 to $200.

5 Allow every state to establish tolls on the federal Interstate Highway System, with approval from the new trust fund.

6 Issue tax-exempt bonds with the same structure of GARVEE (Grant Anticipation Revenue Vehicle) bonds that would be collateralized by the revenues from gas taxes and other projects. Get an annual appropriations pledge from states if the trust is underfunded at the end of every year. The pledge will not be jointly liable. Allow a one-time refunding for the older GARVEE bonds .If the new structure is well funded, the new structure should be AA rated.

7 Have every state and the District of Columbia make equity investments into the fund based on their populations.

8 Give relief to low-income drivers to offset fuel taxes, which are regressive.

are of little help answering the critical question: Who pays? Herein lies the misconception of the P3 structure. Simply handing the responsibility to a group of P3 investors does not safeguard the public if a project experiences financial difficulties. If a private-sector contractor incurs major losses and must declare bankruptcy, ensuring the completion of a project reverts to the government. In Indiana, for instance, the bankruptcy filing of a private operator threatened to cause considerable delays on a partially completed road. Something similar happened when toll revenues did not meet expectations in Texas, stalling a project along Texas 130 that connects San Antonio and Austin.

Funding our infrastructure, ***no matter the source, depends on emphasizing the risks of further neglect.***

If P3s are not the panacea, what is the remedy?

Funding our infrastructure, no matter the source, depends on emphasizing the risks of further neglect. U.S. policymakers must make difficult, likely unpopular, decisions about how to fund these projects. President Trump's proposal was to establish an infrastructure bank that would raise private money in the form of tax credits; but beyond that, few details exist nearly two years later. Sen. Chuck Schumer's proposal was to raise income tax rates on the wealthy to pay for his program. The chasm between those two plans makes them nonstarters.

SUMMARY

Private companies have been assisting public entities with infrastructure projects for years. The expertise and state-of-the-art designs they provide has added significant value to infrastructure projects in states and municipalities. But turning the keys over to private investors, in essence creating a monopoly, is neither financially feasible nor prudent. It is critical that national, state, and local leaders speak openly with Americans and instill in them the necessity of restoring our eroding infrastructure. Although somewhat difficult to quantify, there are considerable savings for everybody for having efficient, effective, and safe infrastructure, including time savings, fuel savings, savings on car repairs. Explaining the infrastructure problem and its solution in those terms would benefit the public and the nation.

MAKE A POSITIVE IMPACT IN YOUR PORTFOLIO

By: Trisha Broussard, Patricia Hodgman

APA believes municipal bonds are a natural fit for socially responsible investment and green initiatives. The municipal bond market offers state and local governments access to low-cost capital to finance a range of diverse climate-aligned projects, such as transportation issues or efficient energy programs, thereby allowing investors to align their personal interests with their portfolios. For investors who want to invest in sustainability, APA offers our Positive Impact Strategy, which seeks to maximize tax-exempt income and preserve capital while emphasizing positive environmental, social, and governance (ESG) objectives.

The landscape of the "green" municipal bond market is expanding and evolving rapidly in response to changes to our climate that increase the urgency for environmentally sustainable projects. We believe the surge in the issuance of green municipal bonds over the past several years should continue as state and local governments look for ways to pay for much-needed infrastructure upgrades and plug any gaps in federal funding for those projects. Through sustainable or impact investing, we can positively influence the environment and society while seeking to maximize returns. Municipal bonds backed by taxes and revenue collected from essential public services, such as water and sewer, have historically had a significantly lower default risk than corporate bonds. The 5-year municipal default rate since 2007 was 0.15% versus global corporate defaults of 6.92%.

APA's Positive Impact Strategy targets primarily what we believe are high-quality municipal bonds that are labeled "green" by their issuers and/or bonds that finance climate-aligned projects. APA's Credit Research Group (CRG) has expertise across the municipal-credit spectrum and identifies sectors that we project will have the greatest impact, with a focus on essential projects backed by fiscally sound and forward-thinking municipalities. Bonds selected by our investment professionals meet APA's green standard, as part of our fundamental analysis and is not limited to bonds labeled "green" at issuance. Sustainable investing can include municipal bonds from any of the following sectors:

Water and sewer bonds — which often meet upgraded environmental standards while providing an essential service to the public.

School district bonds —investing in schools strengthens communities by eventually lowering the local unemployment rate, increasing median household incomes, and raising overall education levels.

Transportation bonds — which help reduce carbon emissions by encouraging people to embrace mass transit, upgrade infrastructure, and create new infrastructure.

Healthcare bonds — including buying clean energy and offsetting the amount of greenhouse gas (GHG) emissions to become "carbon net positive," increasing recycling efforts, reducing water usage (a large expense for hospitals), and/or pursuing new collaborations to reduce risks in the hospitals' communities.

Clean energy – improving energy efficiency and implementing renewable energy projects can reduce carbon pollution.

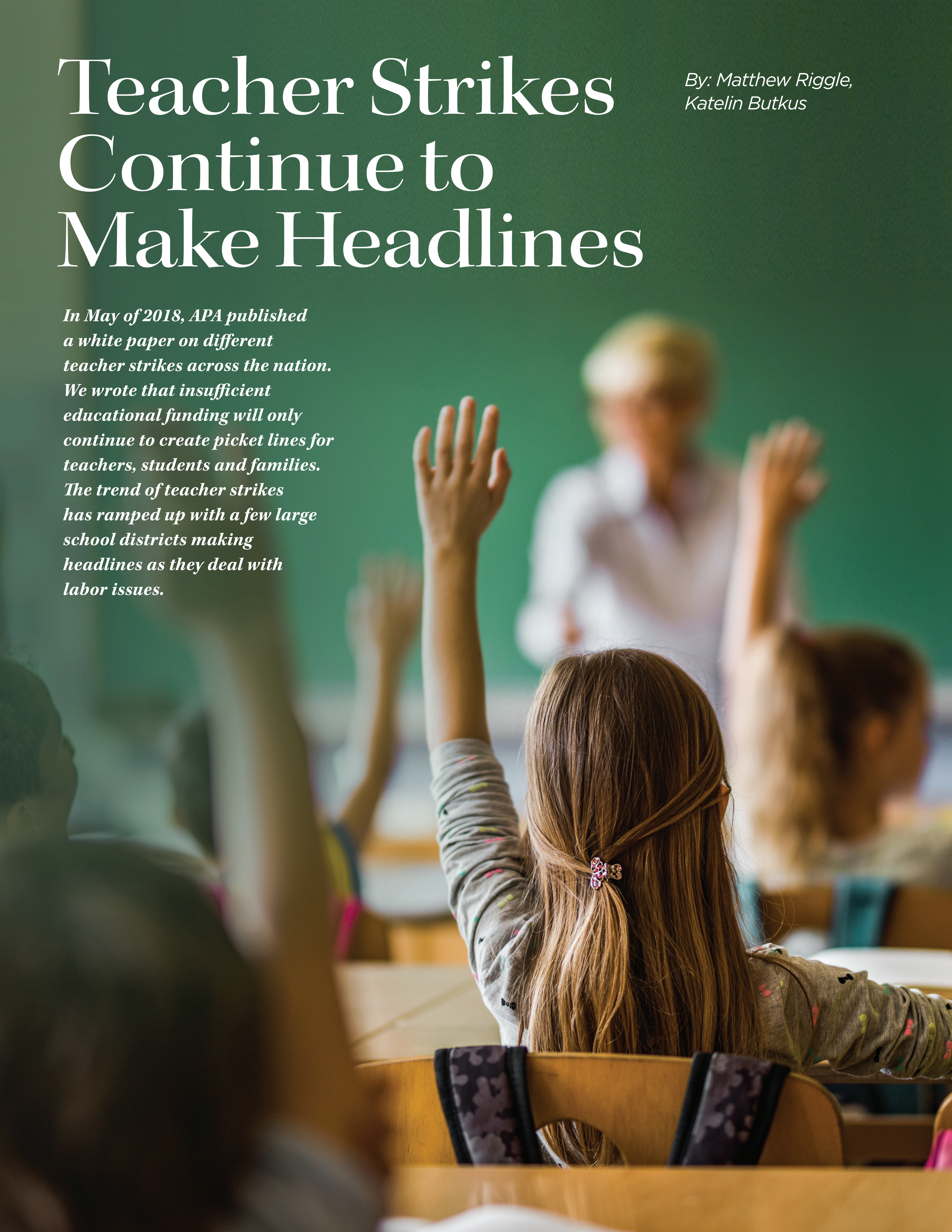
LOOKING FOR POSITIVE IMPACT FROM YOUR PORTFOLIO?

APA customizes portfolios using the principles of sustainable investing while keeping in mind our clients' portfolio objectives and values.

Teacher Strikes Continue to Make Headlines

By: Matthew Riggle, Katelin Butkus

In May of 2018, APA published a white paper on different teacher strikes across the nation. We wrote that insufficient educational funding will only continue to create picket lines for teachers, students and families. The trend of teacher strikes has ramped up with a few large school districts making headlines as they deal with labor issues.



APA continues to monitor states' and localities' budgets, particularly in low education spending states, to see how teacher strikes and demands impact the credit quality of state and local issuers.

California districts have been dealing with rising pension costs and enrollment declines. Of the state's 1,200 districts, 65% are dealing with enrollment declines according to a report from the California Fiscal Crisis and Management Assistance Team. To compound the issue, California districts must deal with reduced state funding. Over the last decade, K-12 funding per student in California has fallen roughly 12% when adjusted for inflation.

Over the last decade,* *K-12 funding per student in California has fallen roughly 12% when adjusted for inflation.

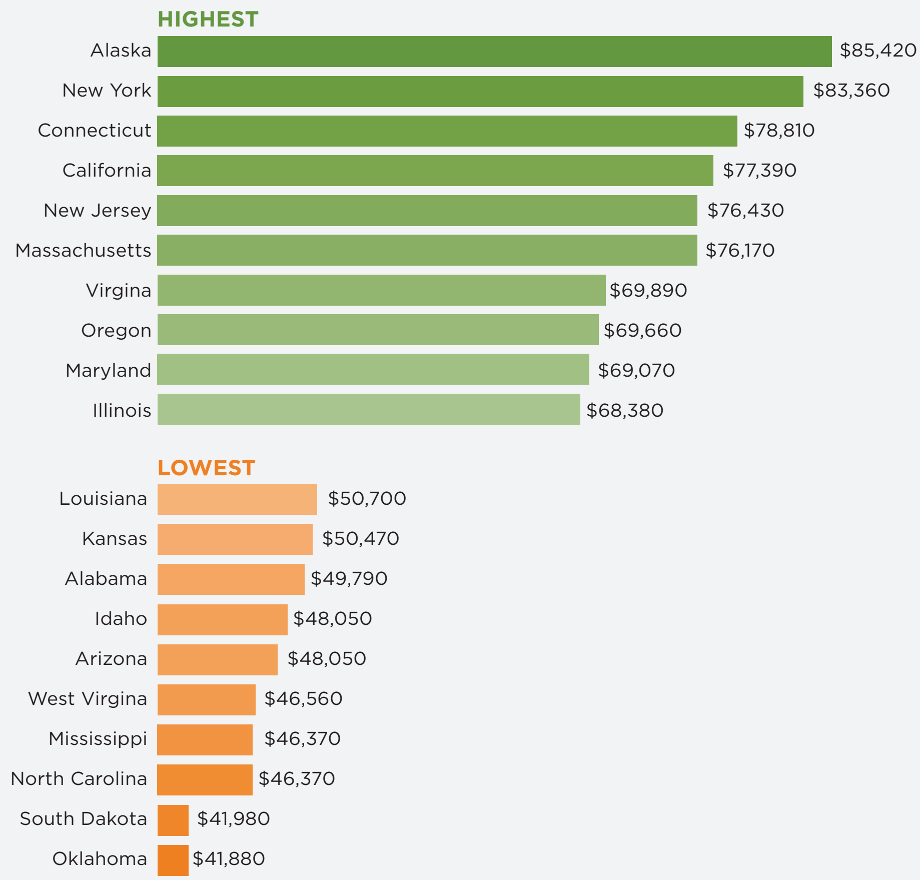
Los Angeles–In January, the second largest school district in the country (with nearly 500,000 students) went on strike for 6 days. The subsequent agreement included a 6% salary increase for teachers, class size reductions and thirty "community schools" by 2020. Reserves are projected to decline over the next three years, however, the county has sent in a fiscal stabilization team and is working with the district. reserves are projected to decline over the next 3 years.

Sacramento–The teachers' association, hoping to send a message to the district, went on a one-day strike on April 11th, which was widely supported 92% of teachers voting in favor. Recent talks have focused on the state stepping in and taking over the failing school system. The district, which barely avoided a teacher strike in 2017, is struggling to close a $35 million budget gap after years of unbalanced operations. Projections show the district will run out of cash in November without major cuts being made.

Oakland–Oakland teachers went on strike for seven days in February before a new agreement was reached. The teachers returned to work after receiving an 11% salary increase and a 3% bonus. The agreement also calls for class size reductions and a 5-month moratorium on school closures. Prior to the deal there were talks of closing 24 schools amidst continuous enrollment declines. Another point worth noting is that Oakland Unified School District, which went into state receivership, still owes the state $30 million from a 2003 bail-out.

Where U.S. Teacher Pay is the Highest & Lowest

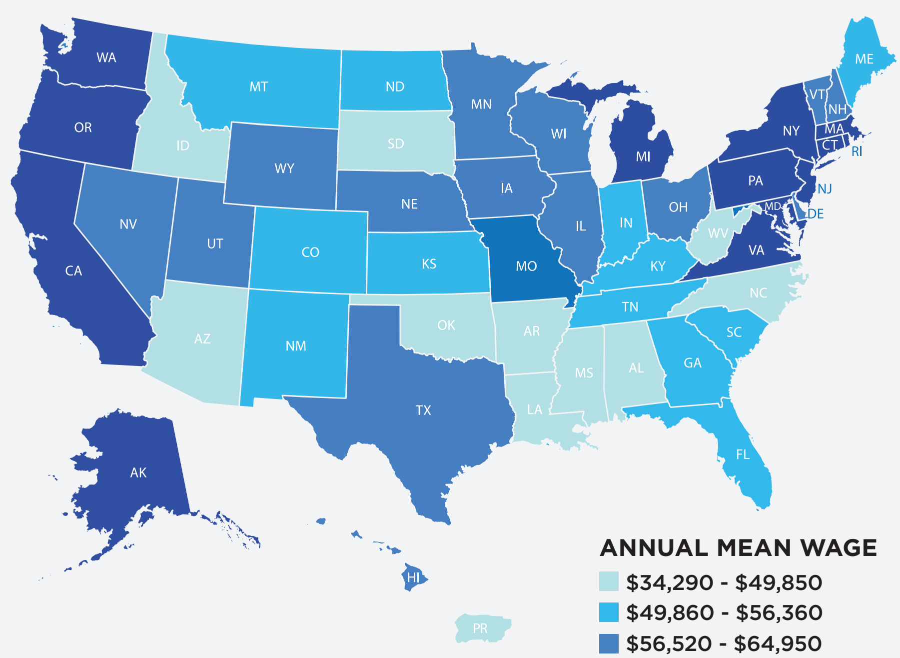
Average annual wages for secondary school teachers in 2017



Source: Bureau of Labor Statistics

Annual Mean Wage of Elementary School Teacher

except special education by state, May 2018



Blank areas indicate data not available

Source: Bureau of Labor Statistics

APA **High-Quality Intermediate Tax-Exempt Strategy**

HIGH-QUALITY INTERMEDIATE MATURITY, TAX-EXEMPT MUNICIPAL BOND PORTFOLIOS

STYLE
Intermediate Municipal Bond

BENCHMARK
Merrill Lynch 1-12

INCEPTION
December 31, 2003

STRATEGY AUM
$1.23 B

HIGHLIGHTS

- Tailor portfolios to meet the client's specific liquidity needs and tax objectives
- Prudently manage risk by diversifying across a number of high-quality municipal issuers
- Unlimited access to Municipal Bond Portfolio Team
- Active management of portfolio holdings
- Customization for state specific tax-exempt portfolios

ADDITIONAL INFORMATION

Sample Portfolios: available for standard and custom strategies

Alternative Approach: for more conservative investors seeking slightly higher yields at lower risk than longer-duration bonds

Identify Undervalued Sectors: through intensive fundamental credit research

Customized Portfolios: designed to meet client specific requirements

CONTACT US
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(404) 261-1333
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Objective

To manage for after-tax total return, this strategy seeks to add value through active management and access to institutional pricing; conducted through relative value and credit analysis to take advantage of inefficiencies in the market and maximize after-tax income. Bonds selected for this strategy typically have maturities between 1 and 20 years.

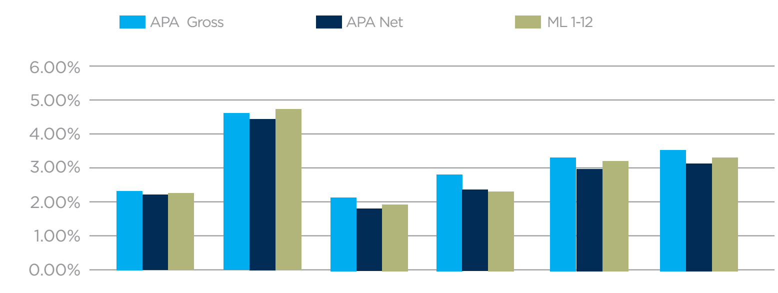
APA Municipal Bond Team

APA's investment professionals utilize a top-down and bottom-up approach to add value through our active management program. Together, the team identifies issuers, evaluates credit fundamentals and implements a relative-value trading approach.

Investment Process

The strategy employs a quantitative approach to investing in primarily high-quality municipal bonds. We combine our fundamental research with an investment process that emphasizes both risk management and relative-value investing to achieve competitive risk-adjusted returns.

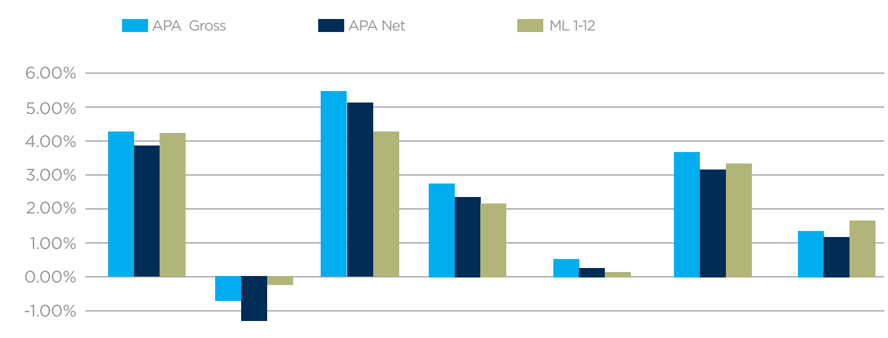
Annualized Performance as of 3/31/19



	1Q19	1 Year	3 Year Annualized	5 Year Annualized	10 Year Annualized	Since Inception (12/31/03)
APA Gross	2.27%	4.55%	2.07%	2.83%	3.37%	3.55%
APA Net	2.22%	4.34%	1.73%	2.46%	2.97%	3.14%
ML 1-12	2.24%	4.63%	1.94%	2.42%	3.24%	3.48%

Periods less than one year are not annualized.

Calendar Year Performance as of 3/31/19



	2012	2013	2014	2015	2016	2017	2018
APA Gross	3.41%	-0.89%	5.46%	2.82%	0.55%	3.58%	1.34%
APA Net	2.98%	-1.31%	5.02%	2.39%	0.13%	3.14%	1.14%
ML 1-12	3.40%	-0.12%	4.27%	2.34%	0.02%	3.21%	1.62%

Past performance is not indicative of future results.

Top 10 Holdings as of 3/31/19

	Rating	Date of Maturity
Atlanta GA Wtr & Wastewtr Rev	Aa2/AA-	11/1/2028
Atlanta GA Dev Auth Student Hsg Rev	PRE-RE	9/1/2023
Cobb Cnty GA Kennestone Hosp Auth Rev	A2/A	4/1/2030
Athens-Clarke Cnty GA Wtr & Sew Rev	Aa1/AA	1/1/2031
District Columbia	Aaa/AA+	6/1/2029
Atlanta GA Arpt Passenger Fac Chg Rev	Aa3/AA-	1/1/2028
Dorchester Cnty SC Sch Dist No 002	Aa3/AA-	12/1/2027
Gwinnett Cnty GA Sch Dist	Aaa/AAA	2/1/2029
Georgia St	Aaa/AAA	2/1/2027
Atlanta GA Wtr & Wastewtr Rev	Aa2/AA-	11/1/2029

Portfolio Characteristics as of 3/31/19

Average Maturity	6.98 years
Average Duration	4.05 years
Average Coupon	4.90%
Yield to Worst	1.87%
Average Credit Quality	Aa2/AA
Number of Issuers	1,904

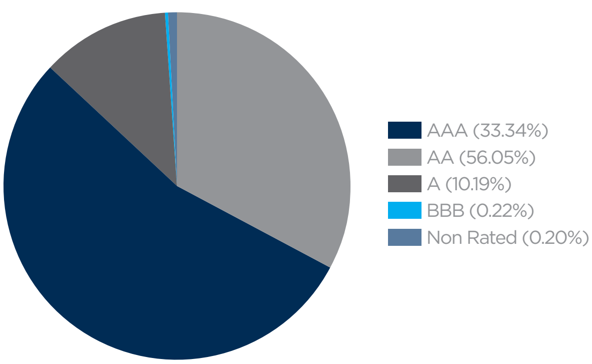
Top 5 Sectors as of 3/31/19

Education	30.72%
General Obligation	24.01%
Utilities	21.00%
Transportation	9.19%
Medical	6.98%

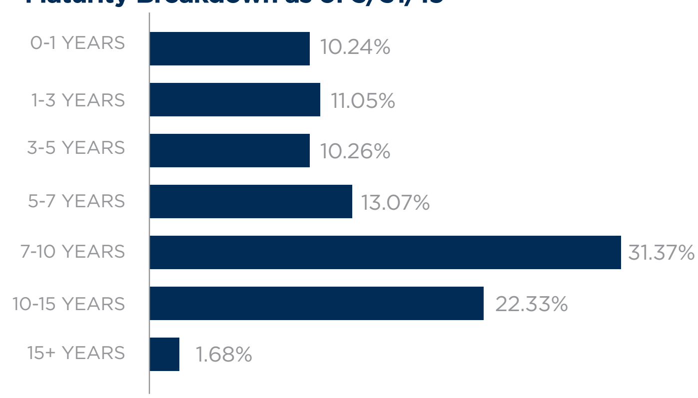
Top 10 States as of 3/31/19

GA	28.34%	WA	3.24%
TX	14.22%	AL	2.92%
NY	5.52%	OH	2.60%
CA	4.35%	SC	2.22%
FL	4.05%	NC	2.13%

Credit Quality as of 3/31/19



Maturity Breakdown as of 3/31/19



Disclosures

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APA is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about the advisor including its investment strategies and objectives can be obtained by visiting www.assetpreservationadvisors.com. A list of composite descriptions is available upon request.

For comparison purposes, the Composite is measured against the BofA Merrill Lynch 1-12 Year US Municipal Securities Index. This index tracks the performance of US dollar denominated investment grade tax-exempt debt publicly issued by US states and territories, and their political subdivisions, in the US domestic market. Qualifying securities must have at least 1 year and less than 12 years remaining term to final maturity, a fixed coupon schedule and an investment grade rating (based on an average of Moody's, S&P and Fitch). The volatility of the index could be materially different from that of the Composite. It is not possible to invest in the index.

Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account.

The fee schedule for APA's investment advisory services for separately managed accounts in the APA High Quality Intermediate Tax-Exempt Strategy is 0.50% on the first $10 million in net assets under management and 0.40% on amounts above $10 million in net assets under management. Actual investment advisory fees incurred by clients may vary. A complete description of APA's fee schedule can be found in Part 2 of its FORM-ADV which is available at www.assetpreservationadvisors.com or by calling (404) 261-1333.

High Quality APA-19-127

APA **Short-Term Tax-Exempt Strategy**

SHORT-TERM MATURITY, TAX-EXEMPT MUNICIPAL BOND PORTFOLIOS

STYLE
Short-Term Municipal Bond

BENCHMARK
Merrill Lynch 1-3

INCEPTION
September 30, 2003

STRATEGY AUM
$124.9M

HIGHLIGHTS

- Tailor portfolios to meet the client's specific liquidity needs and tax objectives
- Prudently manage risk by diversifying across a number of high-quality municipal issuers
- Unlimited access to Municipal Bond Portfolio Team
- Active management of portfolio holdings
- Customization for specific state tax-exempt portfolios

ADDITIONAL INFORMATION

Sample Portfolios: Available for standard and custom strategies

Portfolio Holdings: will typically hold 15 to 30 securities

Custom Strategy: designed to meet client specific requirements

CONTACT US
ContactUs@AssetPreservationAdvisors.com
(404) 261-1333
www.AssetPreservationAdvisors.com

Firm Overview

APA specializes in managing high-quality tax-exempt and taxable municipal bond portfolios for registered investment advisors, family-wealth offices and institutional clients. Total firm assets under management were $3.96 billion as of March 31, 2019.

APA Municipal Bond Team

APA's investment professionals utilize a top-down and bottom-up approach in order to add value through our active management program. Six of APA's Investment Professionals, including the credit research team, portfolio managers, and analysts focus on this strategy.

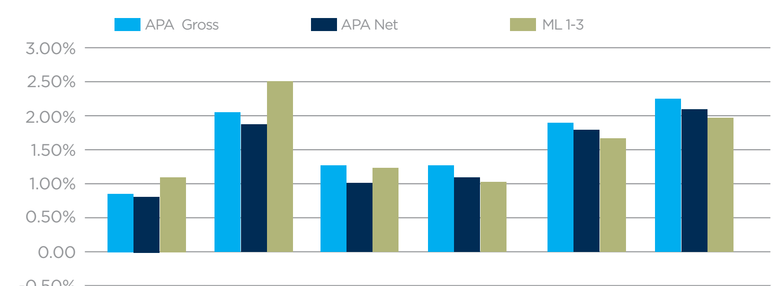
Objective

This strategy seeks to provide current income (exempt from federal income taxes) while providing liquidity and preserving capital.

Investment Process

This strategy provides an alternative approach for money-market investors to seek enhanced returns, capital preservation, and a high level of liquidity. We combine our fundamental research and investment process to emphasize principal stability, tax-free income and short-term growth.

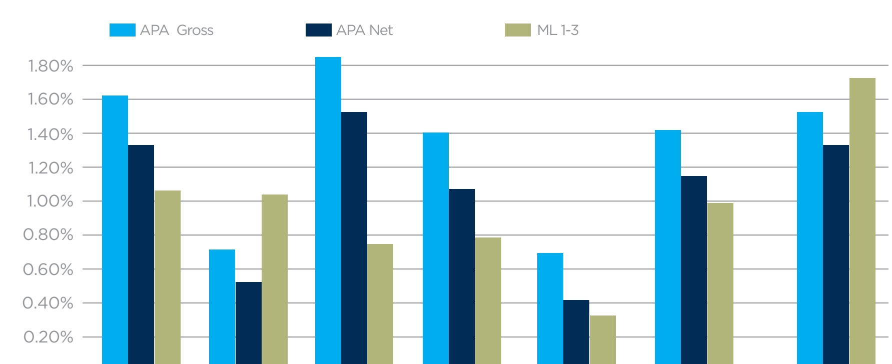
Annualized Performance as of 3/31/19



	1Q19	1 Year	3 Year Annualized	5 Year Annualized	10 Year Annualized	Since Inception (9/30/03)
APA Gross	0.77%	2.07%	1.22%	1.41%	1.78%	2.28%
APA Net	0.73%	1.90%	1.01%	1.18%	1.53%	2.04%
ML 1-3	1.03%	2.50%	1.20%	1.06%	1.38%	2.01%

Periods less than one year are not annualized.

Calendar Year Performance as of 3/31/19



	2012	2013	2014	2015	2016	2017	2018
APA Gross	1.63%	0.78%	1.83%	1.40%	0.65%	1.41%	1.51%
APA Net	1.37%	0.53%	1.58%	1.13%	0.40%	1.16%	1.35%
ML 1-3	1.03%	1.07%	0.72%	0.76%	0.33%	0.99%	1.76%

Past performance is not indicative of future results.

Top 10 Holdings as of 3/31/19

	Rating	Date of Maturity
Dekalb Cnty GA Sch Dist	Aa1/AA+	10/01/2019
Texas St	SP-1+	8/29/2019
Private Colleges And Univs Auth GA Rev	Aa2/AA	WEEKLY
Pennsylvania St Indl Dev Auth Rev	A1/A+	7/1/2019
Regional Transn Auth Ill	AA	7/1/2019
Dekalb Cnty Newton Cnty Gwinnett Cnty GA Jt Dev Au	A1	6/1/2020
Berks Cnty Pa Mun Auth Rev	A3/A	11/1/2019
Grand Rapids Mich Pub Schs	A2/AA	5/1/2019
Georgia St	Aaa/AAA	7/1/2019
Kentucky St Tpk Auth Economic Dev Rd Rev	PRE-RE	7/1/2019

Portfolio Characteristics as of 3/31/19

Average Maturity	2.03 years
Average Duration	1.09 years
Average Coupon	4.43%
Yield to Worst	1.72%
Average Credit Quality	Aa3/AA-
Number of Issuers	484

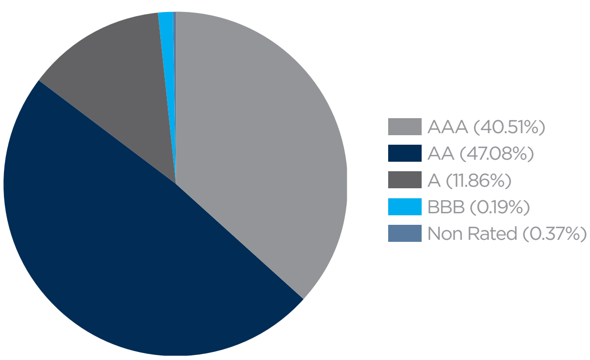
Top 5 Sectors as of 3/31/19

Education	34.15%
General Obligation	21.00%
Utilities	13.17%
Medical	11.80%
Transportation	11.20%

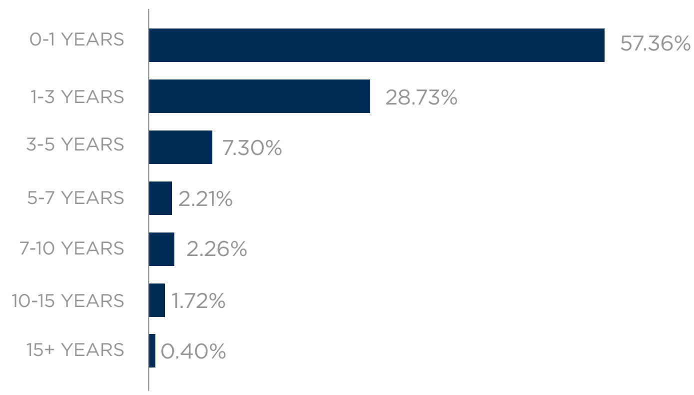
Top 10 States as of 3/31/19

GA	31.71%	CT	2.58%
TX	12.63%	NY	2.57%
MI	8.50%	NC	2.25%
PA	6.48%	NJ	2.24%
FL	4.27%	IL	2.11%

Credit Quality as of 3/31/19



Maturity Breakdown as of 3/31/19



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For comparison purposes, the Composite is measured against the BofA Merrill Lynch Municipals 1-3-Year Index. This index tracks the performance of tax-exempt investment grade debt publicly issues by US states and territories, and their political subdivisions, in the US domestic market. Qualifying securities must have at least 1 year and less than 3 years remaining term to final maturity, a fixed coupon schedule and an investment grade rating (based on average of Moody's, S&P and Fitch). The volatility of the index could be materially different from that of the Composite. It is not possible to invest in the index.

Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account.

The fee schedule for APA's investment advisory services for separately managed accounts in the APA Enhanced Short-Term Tax-Exempt Composite is 0.25% on net assets under management. Actual investment advisory fees incurred by clients may vary. A complete description of APA's fee schedule can be found in Part 2 of its FORM-ADV which is available at www.assetpreservationadvisors.com or by calling (404) 261-1333.

Short Term APA-19-132

APA **Enhanced Intermediate Tax-Free Strategy**

ENHANCED INTERMEDIATE MATURITY, TAX-EXEMPT MUNICIPAL BOND PORTFOLIOS

STYLE
Enhanced Interm Municipal Bond

BENCHMARK
Merrill Lynch BBB, Merrill Lynch A

INCEPTION
June 30, 2009

STRATEGY AUM
$182.5M

HIGHLIGHTS

- Tailor portfolios to meet the client's specific liquidity needs and tax objectives
- Prudently manage risk by diversifying across a number of investment grade municipal issuers
- Unlimited access to Municipal Bond Team
- Active management of portfolio holdings
- Customization for state specific tax-exempt portfolios

ADDITIONAL INFORMATION

Sample Portfolios: Also available for standard and custom strategies

Structured: for investors with higher risk tolerance seeking higher yields and attractive after-tax returns

Identify Undervalued Sectors: through intensive fundamental credit research

Customized Portfolios: designed to meet client specific requirements

CONTACT US
ContactUs@AssetPreservationAdvisors.com
(404) 261-1333
www.AssetPreservationAdvisors.com

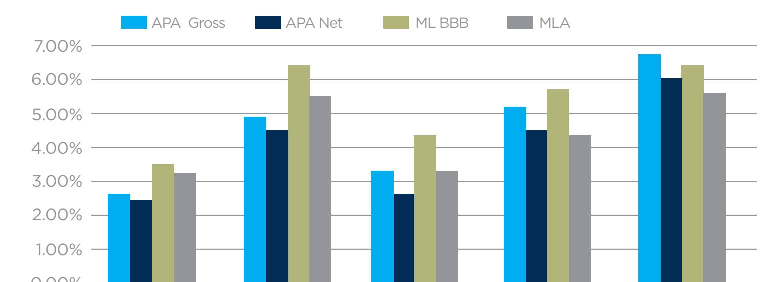
Objective

APA seeks to provide a high level of income exempt from federal income tax by investing primarily in lower-rated municipal bonds. The strategy seeks to exploit investment opportunities using relative-value and credit analysis, primarily through diversified exposure to the lower bands of investment-grade municipal bonds. Investment opportunities that maximize total return are sought through a well-defined investment process that has been in place for over 25 years.

Investment Process

- Conducted thorough relative-value and credit analysis to take advantage of pricing inefficiencies in the market
- Fundamental bottom-up credit research is the cornerstone of our approach to high-yield investing. We combine our fundamental research with an investment process that emphasizes both risk management and relative-value investing to achieve competitive risk-adjusted returns.
- Customize portfolios to meet your clients' specific tax objectives, income requirements and risk tolerance
- Provide ongoing internal analysis of credit quality and underlying fundamentals

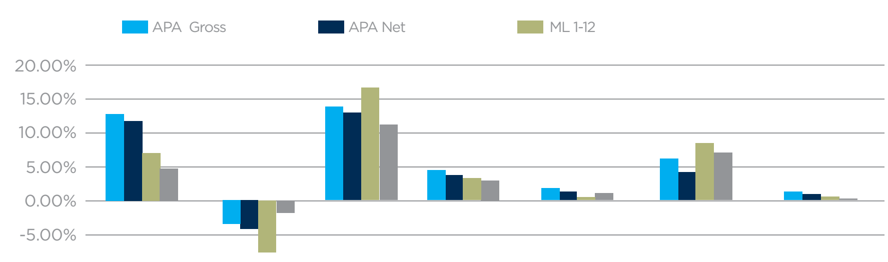
Annualized Performance as of 3/31/19



	1Q19	1 Year	3 Year Annualized	5 Year Annualized	Since Inception (6/30/09)
APA Gross	2.61%	4.95%	3.25%	5.15%	6.73%
APA Net	2.50%	4.48%	2.65%	4.51%	6.07%
ML BBB	3.45%	6.35%	4.25%	5.71%	6.38%
MLA	3.20%	5.42%	3.17%	4.35%	5.59%

Periods less than one year are not annualized.

Calendar Year Performance as of 3/31/19



	2012	2013	2014	2015	2016	2017	2018
APA Gross	12.82%	-3.85%	13.77%	4.88%	2.59%	5.43%	1.52%
APA Net	12.09%	-4.47%	13.04%	4.20%	1.92%	4.75%	1.05%
ML BBB	9.93%	-8.16%	16.45%	4.56%	0.72%	8.87%	1.81%
MLA	8.52%	-2.98%	10.99%	3.97%	1.05%	6.27%	0.93%

Past performance is not indicative of future results.

Top 10 Holdings as of 3/31/19

	Rating	Date of Maturity
Florida Higher Edl Facs Fing Auth Rev	Baa1/A-	4/1/2027
Greene Cnty GA Dev Auth Rev	NR	1/1/2046
Montgomery Cnty PA Indl Dev Auth Retirement Cmnty	A-	11/15/2025
Miami Beach Fla Health Facs Auth Hosp Rev	Baa1	11/15/2029
SC Jobs-Economic Dev Auth Hosp Rev	PRE-RE	8/1/2023
Lower Colo Riv Auth Tex Rev	A2/A	5/15/2026
Private Colleges & Univs Auth GA Rev	A3	4/1/2027
Wisconsin St Health & Edl Facs Auth Rev	PRE-RE	8/15/2022
Southeastern PA Transn Auth Rev	A3/AA-	6/1/2021
Tyler Tex Health Facs Dev Corp Hosp Rev	PRE-RE	7/1/2021

Portfolio Characteristics as of 3/31/19

Average Maturity	10.34 years
Average Duration	4.36 years
Average Coupon	5.03%
Yield to Worst	2.44%
Average Credit Quality	A2/A
Number of Issuers	378

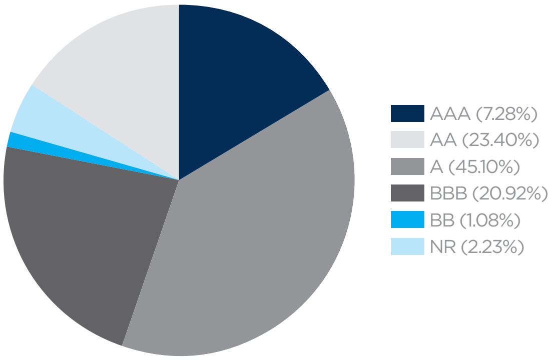
Top 5 Sectors as of 3/31/19

Medical	33.16%
Education	25.68%
General Obligation	14.47%
Transportation	11.01%
Utilities	10.00%

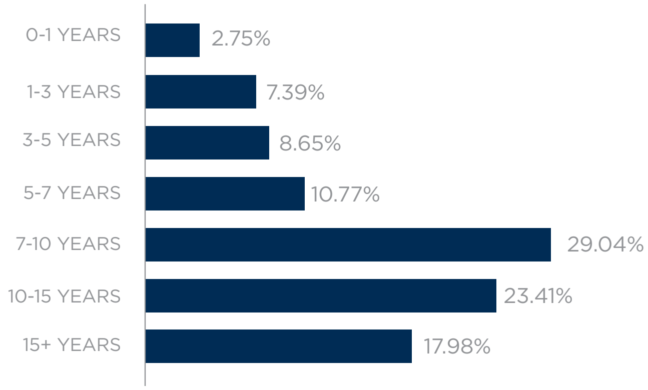
Top 10 States as of 3/31/19

FL	13.27%	MI	5.12%
TX	13.26%	NJ	3.48%
CA	7.84%	IN	3.40%
GA	7.65%	LA	3.37%
PA	7.32%	IL	3.22%

Credit Quality as of 3/31/19



Maturity Breakdown as of 3/31/19



Disclosures

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For comparison purposes, the Composite is measured against the BofA Merrill Lynch BBB Municipal Securities Index and the Single- A Municipal Securities Index. The BBB Municipal Securities Index is a subset of The BofA Merrill Lynch US Municipal Securities Index including all securities rated BBB1 through BBB3, inclusive. The Single- A Municipal Securities Index is a subset of the The BofA Merrill Lynch US Municipal Securities Index including all securities rated A1 through A3, inclusive. The volatility of the indices could be materially different from that of the Composite. It is not possible to invest in the indices.

Returns are presented gross and net of investment advisory fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account.

The fee schedule for APA's investment advisory services for separately managed accounts in the APA Enhanced Intermediate Tax-Free Strategy Composite is 0.65% on net assets under management. Actual investment advisory fees incurred by clients may vary. A complete description of APA's fee schedule can be found in Part 2 of its FORM-ADV which is available at www.assetpreservationadvisors.com or by calling (404) 261-1333.

Enhanced Intermediate APA-19-133

APA **Taxable Municipal Bond Strategy**

HIGH-QUALITY, TAXABLE MUNICIPAL BOND PORTFOLIOS

STYLE
Taxable Municipal Bond

BENCHMARK
Merrill Lynch 1-10 AAA-AA

INCEPTION
September 30, 2003

STRATEGY AUM
$22.9M

HIGHLIGHTS

- Tailor portfolios to meet the client's specific liquidity needs and tax objectives
- Prudently manage risk by diversifying across a number of high-quality municipal issuers
- Unlimited access to Municipal Bond Portfolio Team
- Active management of portfolio holdings
- Customization for state specific tax-exempt portfolios

ADDITIONAL INFORMATION

Sample Portfolios: Available for standard and custom strategies

Alternative Approach: for more conservative investors seeking slightly higher yields at lower risk than longer duration bonds

Identify Undervalued Sectors: through intensive fundamental credit research

Customized Portfolios: designed to meet client specific requirements

Firm Overview

APA specializes in managing high-quality tax-exempt and taxable municipal bond portfolios for registered investment advisors, family-wealth offices and institutional clients. Total firm assets under management were $3.96 billion as of March 31, 2019.

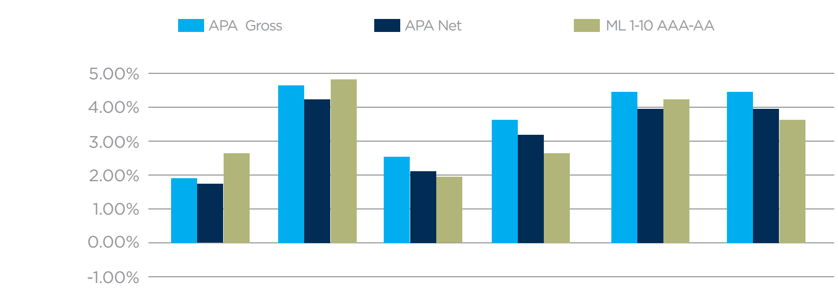
APA Municipal Bond Team

APA's investment professionals utilize a top-down and bottom-up approach in order to add value through our active management program. Six of APA's Investment Professionals, including the credit research team, portfolio managers and analysts focus on this strategy.

Objective

This strategy seeks to maximize risk adjusted returns through the structuring of high-quality taxable municipal bond portfolios with targeted average maturities between 1 to 12 years.

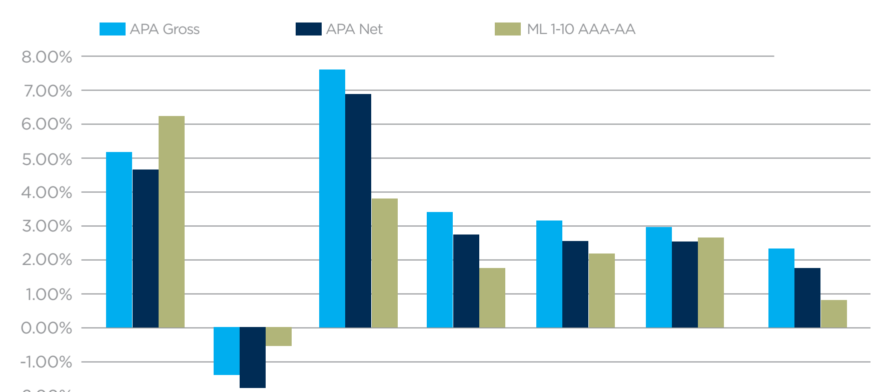
Annualized Performance as of 3/31/19



	1Q19	1 Year	3 Year Annualized	5 Year Annualized	10 Year Annualized	Since Inception (9/30/03)
APA Gross	1.93%	4.61%	2.51%	3.59%	4.40%	4.41%
APA Net	1.84%	4.20%	2.10%	3.16%	3.97%	3.93%
ML 1-10 AAA-AA	2.67%	4.85%	1.97%	2.57%	4.20%	3.60%

Periods less than one year are not annualized.

Calendar Year Performance as of 3/31/19



	2012	2013	2014	2015	2016	2017	2018
APA Gross	5.08%	-1.30%	7.37%	3.24%	3.14%	2.91%	2.26%
APA Net	4.64%	-1.71%	6.92%	2.81%	2.71%	2.48%	1.85%
ML 1-10 AAA-AA	6.10%	-0.51%	3.95%	1.80%	2.29%	2.64%	0.85%

CONTACT US
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(404) 261-1333
www.AssetPreservationAdvisors.com

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Top 10 Holdings as of 3/31/19

	Rating	Date of Maturity
Clermont Cnty Ohio Port Auth	Aa3/AA	12/1/2026
California St	Aa3/AA	11/1/2030
Ohio St Hsg Fin Agy Res Mtg Rev	Aaa	3/1/2036
Kennesaw GA Urban Redev Agy Rev	A1	2/1/2032
New York NY City Tran Fin Auth Rev	Aa1/AAA	8/1/2027
San Bernardino CA Redev Agy	AA	12/1/2027
Peach Cnty & Warner Robins City Ga Jt	A1	6/1/2029
Fulton Cnty GA Dev Auth Rev	Aa3/AA-	5/1/2024
Hidalgo Cnty TX	Aa2/AA-	8/15/2029
Build NYC Resource Corp NY Rev	Aa2/AA-	6/1/2022

Portfolio Characteristics as of 3/31/19

Average Maturity	6.29 years
Average Duration	4.07 years
Average Coupon	4.11%
Yield to Worst	3.07%
Average Credit Quality	Aa3/AA-
Number of Issuers	97

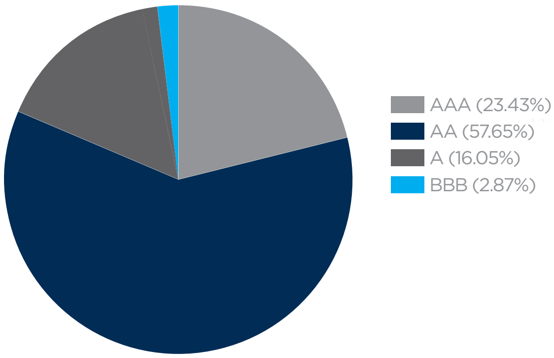
Top 5 Sectors as of 3/31/19

General Obligation	25.05%
Education	17.73%
Transportation	13.03%
Housing	10.06%
Utilities	8.60%

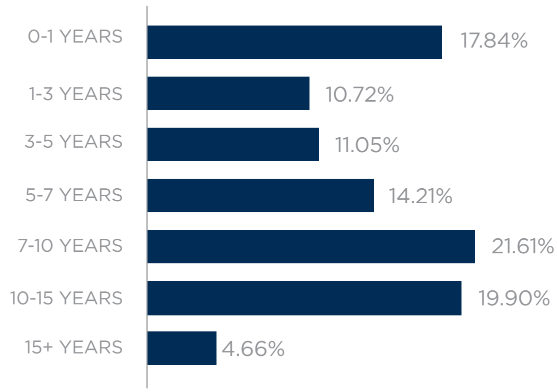
Top 10 States as of 3/31/19

GA	28.98%	FL	5.51%
CA	10.10%	MI	3.27%
NY	7.72%	IL	3.18%
OH	7.09%	CO	2.83%
TX	6.91%	WA	2.80%

Credit Quality as of 3/31/19



Maturity Breakdown as of 3/31/19



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For comparison purposes, the Composite is measured against the BofA Merrill Lynch 1-10 Year AAA-AA US Corporate Index. This index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have at least 1 year and less than 10 years remaining term to final maturity and rated AAA through AA3, inclusive. The volatility of the index could be materially different from that of the Composite. It is not possible to invest in the index.

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Taxable APA-19-136

APA **POSITIVE IMPACT TAX-EXEMPT STRATEGY**

SOCIALLY RESPONSIBLE, HIGH-QUALITY INTERMEDIATE MATURITY, TAX-EXEMPT MUNICIPAL BOND PORTFOLIOS

STYLE

Municipal Green Bond

HIGHLIGHTS

Duration
APA's Positive Impact strategy can be implemented with any customized duration strategy

Credit Quality
APA targets an average portfolio credit quality of A or better within this strategy

"Green" Bond Exposure
APA will construct portfolios to meet the client's specific green standard investment objectives (i.e. target allocation of 50% of overall portfolio)

Diversification
Prudently manage risk by diversifying across a number of high-quality municipal issuers Active Management of portfolio holdings

Additional Credit Research
In addition to APA's typical credit research process, further review of use of proceeds, and the Environmental, Social and Governance (ESG) profile of the issuer is considered

ADDITIONAL INFORMATION

Sample Portfolios
Available for standard and custom strategies

Ongoing Management
Providing ongoing internal analysis of credit quality and underlying fundamentals

OBJECTIVE

To provide the socially responsible investor with an investment option that supports positive social and environmental solutions while maximizing tax-exempt income. Managed for after-tax total return, this strategy seeks to add value through purchasing tax-exempt municipal green bonds, issued by state and local governments specifically to fund projects with clear environmental benefits. Bonds selected for this strategy have maturities within 1 to 20 years.

UNDERSTANDING GREEN FINANCING

- Municipal bonds are a natural fit for responsible investment and green initiatives
- Green bond issuance soared to a record high in 2017, according to Moody's rating agency
- Typically, tax-exempt bonds issued by federally qualified organizations or by municipalities and designated by Green Bond Principles (GBP)
- GBP are voluntary process guidelines that recommend transparency and disclosure and promote the integrity in the development of the Green Bond market
- According to the Climate Bonds Initiative, the U.S. municipal green bond market is $30.3 billion, of which $9.7 billion are labeled green bonds and the remainder are bonds financing climate-aligned assets that do not carry an explicit green label
- Only recently has the market begun to label bonds as "green" in response to investor demand

Investment Process

This strategy employs a quantitative approach to investing in primarily high-quality municipal bonds that are green labeled by issuers or bonds financing climate-aligned assets. Bond selections may include bonds that meet APA's green standard after careful evaluation of multiple factors, including but not limited to the underlying credit, transparency in the use of proceeds and disclosure of data. We combine our fundamental research with an investment process that emphasizes both risk management and relative-value investing in an attempt to achieve competitive risk-adjusted returns while also supporting positive social and environmental impact goals.

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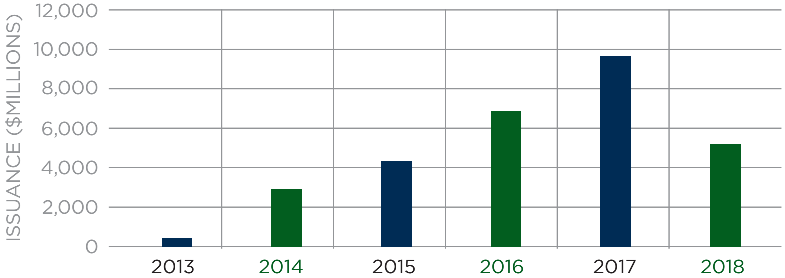
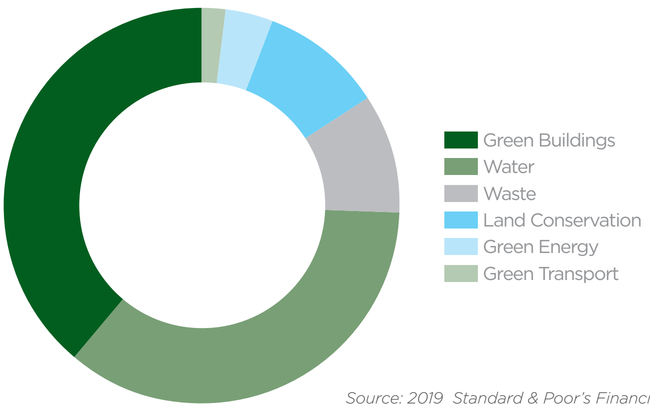
Municipal Green Bond Annual Issuance: 2013-2018



Source: 2019 Standard & Poor's Financial Services LLC.

Municipal Green Bond Sectors



Source: 2019 Standard & Poor's Financial Services LLC.

Top 10 Green Bond Issuers in U.S Public Finance 2013-2018*

	NUMBER OF ISSUES	PAR (MIL. $)
New York MTA	9	5,267
Central Puget Sound Transit Authority	2	1,343
Indiana Finance Authority	9	1,315
California Infrastructure and Economic Development Bank	3	1.310
San Fransisco Public Utilities	6	1,187
Massachusetts Water Resources Authority	4	1,063
Los Angeles	6	960
New York State Housing Finance Agency	10	954
Denver City and County Department of Aviation	1	922
Iowa Finance Authority	3	832
Other	153	13,407

**These bonds are presented only as examples of Green Bond Issues and may or may not be held in APA client accounts. This material is for informational purposes only and is not financial advice or an offer to sell any product*

Disclosures

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Meet the Team

Kenneth R. Woods
CHAIRMAN & CEO

Ken established Asset Preservation Advisors, Inc. in 1989. Prior to forming APA, he was Vice President and Manager of Bankers Trust Company's Southeastern Global Market Division located in Atlanta. Ken holds a B.S. degree in Finance and Economics from Florida State University and is a member of the FINRA (formerly NASD) Board of Arbitrators. Ken has been appointed by the Superior Court of Georgia to serve as an arbitrator in fee arbitration.

Charles R. Doty
PRESIDENT & COO

Charles joined APA in 2002 with over 30 years of experience in the municipal bond market. He is a graduate of the University of Mississippi and worked for SunTrust Equitable Securities for 16 years, eventually serving as Director of National Institutional Municipal Sales. In 1999, he joined Municipal Trade as Chief Operating Officer and President. Charles has been included in Barron's list of Top 100 Independent Wealth Advisors and Top 1,200 Advisors.

Kevin B. Woods
MANAGING PARTNER & CIO

Kevin joined APA in 2002, bringing 13 years of experience to his role. Kevin leads the firm's investment professionals and directs the long-term strategy and investment philosophy of the firm. He is a graduate of the University of Mississippi with a Bachelor of Finance degree and is a member of the National Federation of Municipal Analysts, the Southern Municipal Finance Society, and the Atlanta Society of Finance and Investment Professionals.

Wesley Williams
VICE PRESIDENT, BUSINESS DEVELOPMENT

Wesley joined APA in 2012. In his current role, Wesley supports the business development team and helps manage many of the firm's leading relationships. Wesley earned an MBA from the Georgia Institute of Technology's Scheller College of Business and a BBA in Finance from The University of Mississippi. Prior to joining APA, he worked in the investment management group at Morgan Stanley.

Patricia H. Hodgman
VICE PRESIDENT, PORTFOLIO MANAGER

Trish joined APA in 2015 as a Portfolio Manager, bringing 12 years of experience to her role. In additional to portfolio management, Trish works closely with the business development team in developing and presenting APA's investment strategy to current and prospective clients. She earned a B.A. in Economics from Hollins University, is a member of the CFA Institute, the Atlanta Society of Investment Professionals, the National Federation of Municipal Analysts and the Southern Municipal Finance Society.

Matthew Swan
BUSINESS DEVELOPMENT

Matthew joined APA in 2014 as an assistant trader and business development associate. Prior to joining APA, he was employed by Morgan Stanley. Before beginning his financial career, he played professional golf for several years. Matthew is a graduate of the University of Alabama, where he was a four-year letterman on the university's golf team and an academic and athletic All-American.

Wesley Pond, CFA
MUNICIPAL TRADER

Wesley joined APA in 2019, bringing with him more than 12 years of experience in the fixed income industry. As a member of the APA municipal bond trading team, Wesley is primarily responsible for identifying bonds and market trends which enhance the firm's portfolios and client separately managed accounts. Wesley is a graduate of Clemson University with a B.S. in Financial Management and obtained an MBA from the University of Georgia's Terry School of Business.

Marisol Reeves
SENIOR ASSOCIATE

Marisol joined Asset Preservation Advisors in November, 2018 as a Senior Associate working closely with APA's Chief Compliance Officer on compliance matters and the firm's response to industry-related reporting requests. Prior to joining APA, Marisol worked in the Public Finance department of Raymond James & Associates, Inc., where she was primarily responsible for providing continuing disclosure dissemination agent services to municipal issuers and obligated entities across the State of Georgia.

Timothy Hoynes, Jr.
TRADING ASSOCIATE

Tim provides support to APA's trading team, managing the daily trade flow as well as various support functions across the firm. Previously, Tim worked for UBS in Nashville as a fixed income analyst supporting the UBS Investment Bank's fixed income trading desk. Tim is a Cum Laude graduate of the University of South Carolina Darla Moore School of Business with a dual major in Finance and International Business accompanied by a minor in Portuguese.

Trisha Broussard
SENIOR VICE PRESIDENT

Trisha joined APA in January of 2006 with 20 years of experience in the muni bond market. Trisha began her career in the Atlanta Municipal Bond Department at Dean Witter and was Vice President in the Municipal Bond Department at Morgan Stanley, responsible for Southeast trading, as well as Senior Vice President of Municipal Trading at Sterne Agee & Leach. She is a graduate of the University of Southwest Louisiana.

Bob Farmer
SENIOR MANAGING DIRECTOR

Bob joined APA in 2008 and has over 38 years of investment experience. Prior to joining APA, he was Managing Director of Consultant Relations for Ridgeworth Investments. He obtained his B.S. degree from Hampden Sydney College in Economics and a Master's in Commerce and Business Administration from the University of Richmond. He is a member of the Atlanta Society of Finance and Investment Professionals and formerly served on the Honorary Board of Directors for Special Olympics of Georgia.

Kyle Gerberding
DIRECTOR OF TRADING

Kyle directs the firms' trading operations and is the primary trader of the APA Short-Term Tax-Exempt Strategy and APA Enhanced Intermediate Tax-Exempt Strategy. Kyle has been an active member of the APA Investment Committee since 2008 and works closely with clients to develop an in-depth understanding of their unique investment objectives. He graduated from the University of Florida and is a member of the National Federation of Municipal Analysts and the Southern Municipal Finance Society.

Paul Nolan
DIRECTOR OF RESEARCH

Paul joined APA in 2011, bringing 14 years of investment industry experience. Prior to joining APA, he was employed by McDonnell Investment Management and Moody's Investors Service. He earned a Master's of Science in Urban Policy Analysis and Management from the Milano New School University and holds a degree from the University of Buffalo. Paul is one of the founding Board Members of the International Charter School of Atlanta.

Matthew Riggle
VICE PRESIDENT CREDIT RESEARCH

Matthew joined APA in 2006 as a senior member of the Credit Research team. Prior to joining APA, he was employed by Smith Barney and Ameriprise in the role of Financial Analyst. He has a Master's of Business Administration from the Georgia Institute of Technology and is a cum laude Graduate of the University of Florida, where he received his degree in Business. He is a member of the National Federation of Municipal Analysts and the Southern Municipal Finance Society.

Katelin D. Butkus
PORTFOLIO MANAGER, CREDIT RESEARCH

Katelin Butkus joined APA in 2018, bringing with her six years of investment experience in the financial services industry, in particular the municipal bond market. She serves as Portfolio Manager and Credit Research Analyst, while also working closely with the business development team. As a member of APA's credit research team, she contributes to the firms' investment research, risk management, as well as oversees the guiding credit principles of APA's Positive Impact Tax-Exempt Strategy. Katelin graduated Cum Laude with a B.S. in Business Administration, majoring in Finance, from Auburn University.

Mia Samonte
INVESTMENT OPERATIONS ANALYST

An Atlanta native, Mia graduated with a BS in Psychology from Georgia State University. Mia joined Asset Preservation Advisors in March of 2019, bringing with her over six combined years of experience in client relations, project coordination and customer service. In her role at APA, Mia provides support in both the client operations and relationship management areas of the firm.

Courtney Taylor
EXECUTIVE ASSISTANT

Courtney joined APA in April of 2018. She serves as the face, voice and control center of APA, providing support to the Managing Partners and Business Development team. Courtney's strength in the areas of organization, multitasking, and relationship building help meet the needs of a busy and demanding office. Courtney is an Atlanta native and earned a B.S. in Biology from Georgia State University.

Q&A WITH PAUL NOLAN, *APA'S DIRECTOR OF RESEARCH*

Q: DOES APA CONTINUE TO FAVOR REVENUE BONDS OVER GENERAL OBLIGATION BONDS FROM A CREDIT PERSPECTIVE?

A: APA still recommends revenue and dedicated tax bonds over General Obligation (GO) bonds. In a typical account, we target 60% to 70% revenue bonds and the rest GO bonds. We still believe that revenue bonds are a preferable option for investors because they are often secured by pledged taxes, user fees, or both, and provide additional bondholder protections lacking in traditional GO bonds. Another key difference: GO bonds often require the political willingness necessary to raise revenues to meet debt obligations, and even in a post–Tea Party political environment it is difficult for political leaders to enact tax increases.

Q: WHAT IS APA'S VIEW ON PENSIONS?

A: Pension obligations continue to grab headlines as municipalities strive to balance the increasing cost of pensions and Post–Employment Benefits with their ability to provide fundamental services to the general population. In the rare event of a municipal bankruptcy, bondholders and pensioners find themselves battling for funds. For this reason, APA is highly selective when purchasing GO bonds, especially in those states with underfunded pension funds, such as Kentucky (33.9% funded as of 2017), New Jersey (35.8%), Illinois (38.4%), Connecticut (43.8%), and Colorado (47.1%).

APA is also wary of Pension Obligation Bonds (POBs), whose sales are expected to increase in 2019 as unfunded pension liabilities continue to grow. POBs concern APA for three reasons: reduced long-term financial flexibility, investment risk, and the fact that the governments issuing POBs have low-funding ratios for a reason and thus need to issue bonds to plug holes in funding levels.

Q: WHAT IMPACT HAS THE AFFORDABLE CARE ACT (ACA) HAD ON APA'S SELECTION OF HOSPITAL ISSUERS?

A: APA will continue to be selective of hospitals, which remain an essential service, especially because of the Unites States' aging population and the necessity of accessing health care. APA does believe the repeal of the individual mandate in the 2017 tax bill could have a negative impact on hospitals' financials, given the likely increase of uninsured people and uncompensated care.

We have seen an increase in the number of Mergers and Acquisitions (M&A) since passage of the Affordable Care Act in 2010 and expect this trend to continue in 2019 and beyond. In 2010, there were 74 health-system mergers, a 48% increase over 2009. In 2017, there were 115 such mergers, the most since 2000. The increase in M&A activity is the result of hospitals' conscious efforts to build scale and to expand their reach into new markets. The potential credit implications might take time to manifest, but it is APA's view that a forward-looking credit- review process is one of the best ways to mitigate risk.

Q: WHAT ARE SOME DEVELOPING TRENDS FOR INVESTORS TO WATCH IN 2019?

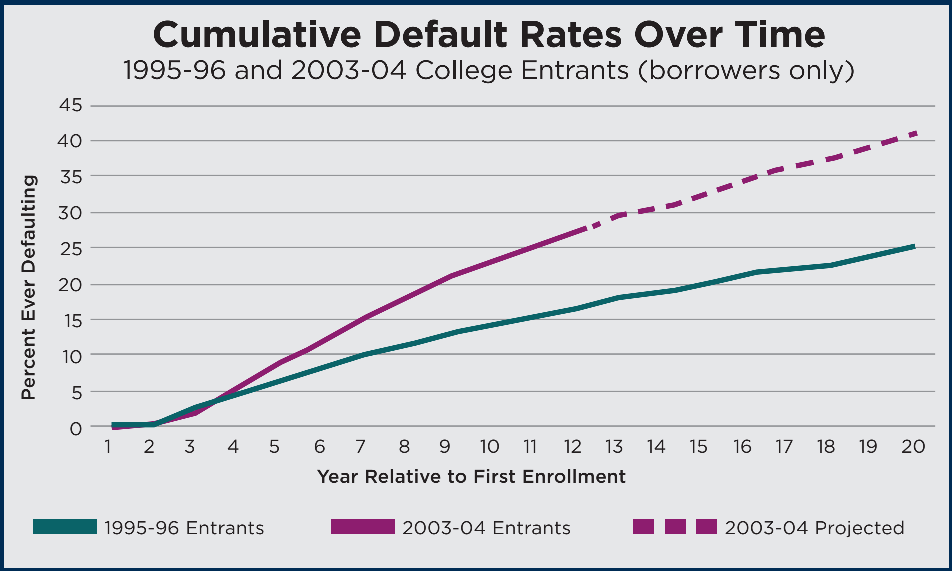
A: The first developing trend is the migration out of high-tax states, particularly New Jersey. New Jersey had the greatest percentage of outbound movers (66.8%) than any other state, according to the latest United Van Lines national movers study. On the other hand, Southern states and the Mountain West and Pacific West regions continue to attract residents because of job growth, their moderate climates, and their lower cost of living. In the West, California is seeing a reversal of its moving pattern, with 54% outbound migration, the result of many residents relocating to nearby states to take advantage of the lower cost of living.

Another developing trend worthy of monitoring is the effect the mortgage-interest reduction and the cap on SALT deductions (provisions of the 2017 tax bill) might have on real estate transactions in high-tax states. The housing market in New York City continues to slow, with purchases declining for the fourth consecutive quarter. Since September 2017, purchases are down 11%, while the median purchase price slipped 4.5%, to $1.1 million, according to Miller Samuel Inc. and Douglas Elliman Real Estate. To put that in perspective, the third quarter of 2018 was the worst quarter since the collapse of Lehman Brothers more than a decade ago.

Q: HOW DO STUDENT LOAN DEFAULTS IMPACT THE MUNI MARKET?

A: APA believes the student-loan issue will continue to make headlines now and in the future. Federal student loans are the only segment of consumer debt to continuously grow since the Great Recession. The market is flooded with $1.4 trillion in federal student loans, the second-largest household debt segment after mortgages. Since 2008, the amount of student loans has risen nearly 157%. Over that same time period, auto loan debt increased 52%, while mortgage and credit card debt actually decreased by 1%, according to an analysis of federal loans conducted by Bloomberg Global Data. From 2006 to 2018, the average interest rates on federal student loans were 4.81% for undergraduates, 6.38% for graduate students, and 7.44% for parents and graduate students with PLUS loans.

The bigger issue is the potential impact of rising student-loan defaults on the Unites States' economy overall and, ultimately, issuers. Defaulting on a student loan greatly lowers the borrower's credit score, making it harder for that person to qualify for a car loan or a mortgage. The problem may lead to difficulty acquiring utilities, obtaining homeowner's insurance, getting a cell phone plan, or renting an apartment, life necessities all contingent on good credit. Keep in mind that defaulting on a student loan can remain on a credit report for up to seven years.



Source: Brookings

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