



ASSET  
PRESERVATION  
ADVISORS

# Municipal Bond Portfolio Management

Q4 2022



Since our founding in 1989, Asset Preservation Advisors (APA) has specialized in delivering the highest level of customization and active management of municipal bond portfolios for registered investment advisors, family wealth offices and institutional clients.

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## We Are Specialists

***Boutique*** Municipal Manager with \$5.80 Billion AUM (12/31/22)

***SEC Registered*** Investment adviser registered with the SEC\*

***Based in*** Atlanta, Georgia

***Founded*** more than 30 years ago

***Focused*** on a single fixed income asset class

***Specializing*** exclusively on the management of Municipal Bond portfolios in Separately Managed Accounts (SMA)

***Currently*** manage assets for clients in more than 35 states

\*Registration does not imply a certain level of skill or training

# APA ADVANTAGE

**5.80B**  
Assets under  
management  
*as of 12/31/22*

**17**  
Dedicated  
professionals

Investment  
team average  
experience  
**20+**  
years

## **Dedicated to Municipal Bond Management**

Our dedication to one sector of the market, municipal bonds, allows us to focus our resources and strengthen our capabilities in credit research, trading and overall portfolio management.

## **Boutique Size = Agility**

We believe our size is an advantage, allowing us to be more nimble in the secondary market.

## **Proven Investment Discipline**

The same investment philosophy has been followed since our inception in 1989.

We believe in maintaining a consistent set of principles to meet our clients' objectives.

## **Emphasis on Separately Managed Customized Portfolios**

APA believes that investors are better served owning individual bonds rather than mutual funds.

This allows for customization to meet their specific objectives and risk tolerance parameters.

## **Integrity and Commitment to Service**

We are best known for our client service. The Advisors that utilize us to manage their client portfolios have direct and unlimited access to our portfolio managers and traders.

### **Credit Research Group**

*(Career Analyst  
Expertise)*

### **Trading Team**

*(Capturing Market  
Inefficiencies)*

### **Portfolio Managers**

*(Continuous  
Oversight)*

# High-Quality Intermediate Tax-Exempt

AS OF 12/31/22



**STRATEGY AUM**  
\$1.80B



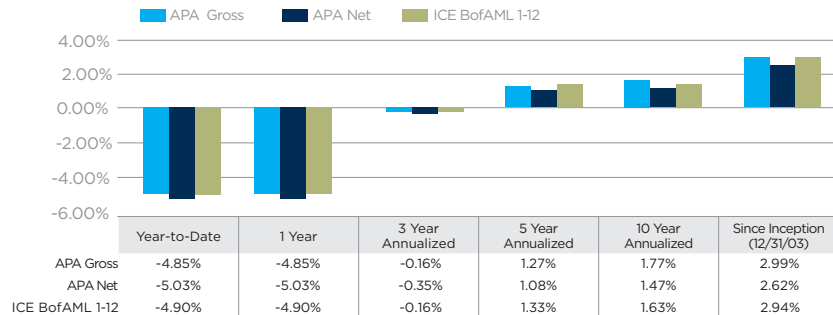
**AVERAGE DURATION**  
3.62 YEARS



**AVERAGE CREDIT QUALITY**  
Aa2/AA

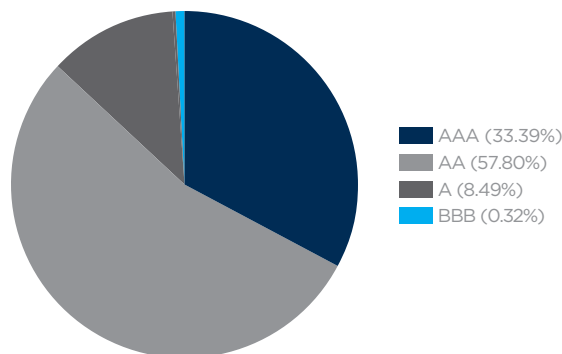
## HIGH-QUALITY INTERMEDIATE MATURITY, TAX-EXEMPT MUNICIPAL BOND PORTFOLIOS

### Annualized Performance



*Periods less than one year are not annualized.*

### Credit Quality



### Top 5 Sectors

General Obligation	26.26%
Education	25.76%
Utilities	24.15%
Transportation	11.03%
Medical	4.47%

### Portfolio Characteristics

Average Maturity	6.53 years
Average Duration	3.62 years
Average Coupon	4.87%
Yield to Worst/TEY**	2.88% / 4.86%
Yield to Maturity/TEY**	3.39% / 5.73%
Average Credit Quality	Aa2/AA
Number of Issuers*	15-30

*\*For a typical portfolio within this strategy.*

*\*\*Taxable Equivalent Yield (TEY) assumes the highest current Federal rate of 3.7% + the 3.8% net investment income tax, from which tax-free income is exempt*

### Top 10 States

GA	17.50%	OH	3.47%
TX	16.17%	AL	3.28%
FL	6.42%	IN	2.89%
NY	6.21%	CA	2.86%
WA	3.55%	TN	2.79%

*Past performance not indicative of future results. Please see the attached disclosures.*



# Enhanced Intermediate Tax-Free

AS OF 12/31/22

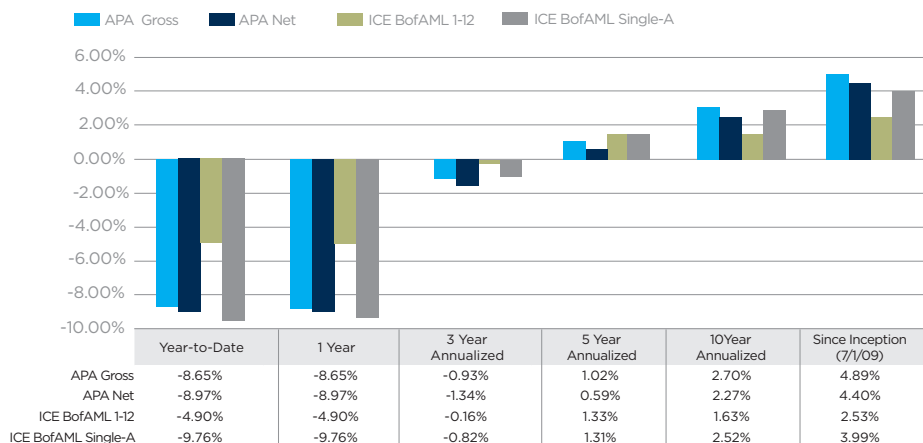
**STRATEGY AUM**  
\$254.30MM

**AVERAGE DURATION**  
4.66 YEARS

**AVERAGE CREDIT QUALITY**  
A2/A

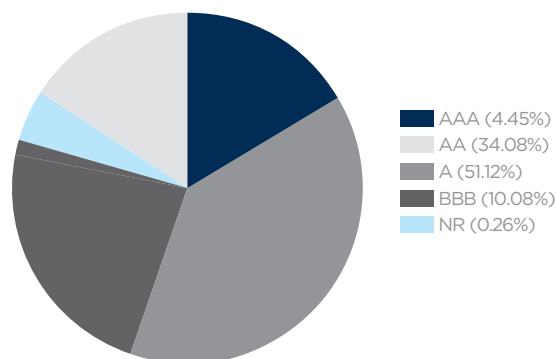
## ENHANCED INTERMEDIATE MATURITY, TAX-EXEMPT MUNICIPAL BOND PORTFOLIOS

### Annualized Performance



Periods less than one year are not annualized.

### Credit Quality



Past performance not indicative of future results. Please see the attached disclosures.

### Top 5 Sectors

Medical	29.09%
Transportation	21.98%
Utilities	15.69%
Education	13.46%
General Obligations	11.67%

### Portfolio Characteristics

Average Maturity	12.15 years
Average Duration	4.66 years
Average Coupon	4.82%
Yield to Worst/TEY**	3.73% / 6.29%
Yield to Maturity/TEY**	4.10% / 6.92%
Average Credit Quality	A2/A
Number of Issuers*	20-35

\*For a typical portfolio within this strategy.

\*\*Taxable Equivalent Yield (TEY) assumes the highest current Federal rate of 3.7% + the 3.8% net investment income tax, from which tax-free income is exempt

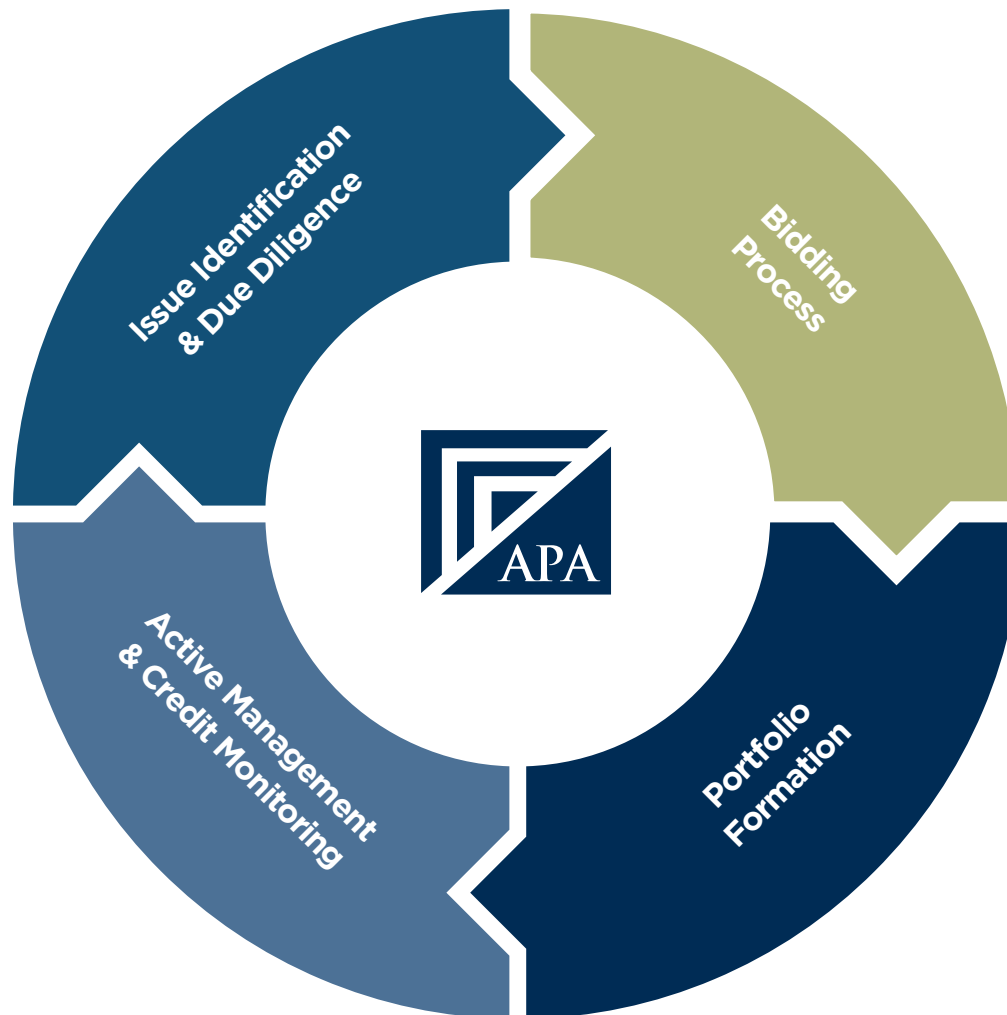
### Top 10 States

TX	11.18%	NJ	5.15%
CA	10.35%	GA	5.13%
FL	9.89%	NY	4.03%
IL	8.42%	OH	3.74%
PA	7.25%	MI	3.07%

# INVESTMENT PROCESS

*APA is covered by more than 120 National and Regional Broker-Dealers. We compete with dealers in the bidding process in an effort to capture market inefficiencies; we believe our managed portfolios benefit by our purchasing methods which eliminate the mark-up of the broker-dealer sales process.*

How We Do It



**Focus on**  
high-quality investment grade  
issues with intermediate  
maturities



**Actively seek**  
bids/offers on issues that meet  
our credit, maturity, & spread  
requirements



**Custom**  
allocation of issuers  
for each portfolio



**Continuous** monitoring of credit  
quality & fundamentals

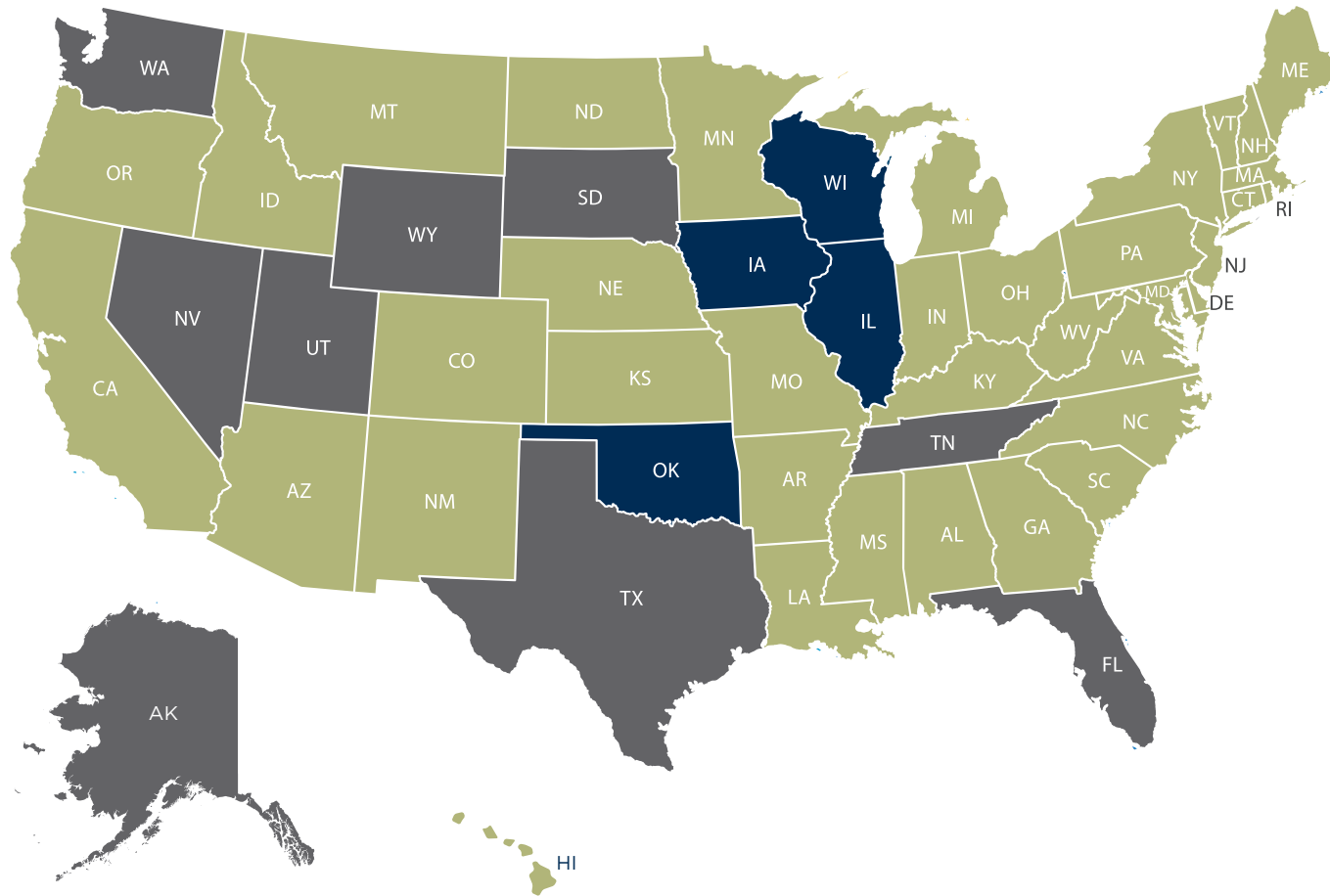


**Tax efficiency**  
is employed through  
active management

# STATE DIVERSIFICATION

***APA focuses on tailoring portfolios to meet the unique investment goals and tax-sensitivities of each client.***

Within a state specific portfolio, APA generally targets an in-state allocation of approximately 50-80%. However, this can be adjusted to meet the client's custom mandate.



## States with No Earned Income Tax

*Nationally Diversified Portfolio*

Washington  
Texas  
Florida  
Alaska  
South Dakota  
Wyoming  
Nevada  
Utah\*  
Tennessee

## States that Tax Interest on In-State Bonds

*Nationally Diversified Portfolio*

Iowa  
Wisconsin  
Illinois  
Oklahoma

\*Utah does not tax bonds issued within the state, and also does not tax bonds issued in states that do not tax Utah bonds (WA, TX, FL, AK, SD, WY, NV, TN).  
New Hampshire only tax interest and dividend income.

# INVESTMENT RESEARCH

***APA's dedicated credit research group focuses on maintaining the investment approach our firm has relied on for more than 30 years; an emphasis on asset preservation while evaluating the risk/reward in exploiting market inefficiencies.***

APA reviews each credit on a continuous basis, employing both a top-down and bottom-up approach to determine a proprietary credit opinion and rating. Within the rigorous credit review process there are several main inputs that help shape APA's propriety ratings which are used to identify bonds that we believe offer above market value for their rating category. Some examples are outlined in the table below.

## CREDIT REVIEW PROCESS KEY INPUTS

General Obligations (State/City/County)	Special Revenue (i.e. Hospitals)
Purpose of Project	Purpose of Project
Population Size & Growth/Decline	Market Share (Based on Admissions)
Economy (Unemployment, etc.)	Total Operating Revenue
Wealth (Per Capita Income, % Poverty etc.)	Operating Margins
Top Ten Taxpayers	Payer Mix (% Medicare, % Medicaid, % Self-Paid)
General Fund Balance	Average Age of Property, Plant and Equipment
Liquidity (Days Cash on Hand)	Liquidity (Days Cash on Hand)
Expenses	Debt Service Coverage
Debt Levels (% Assessed Value & Per Capita)	Debt Ratios (LT Debt/Capital)
Pension Obligations (OPEB)	Reliance on State/Federal Funding

Source: APA, December 2022



# MUNIS VS. CORPORATES: A SIDE-BY-SIDE COMPARISON

	Municipal Securities	Corporate Securities
Market Size	<b>\$4.0 Trillion</b>	\$10.0 Trillion
No. of Securities	<b>~1,000,000</b>	~43,000
Daily Trading Volume	<b>\$9.0 Billion</b>	\$36.7 Billion
New Issuance Volume	<b>\$487 Billion</b>	\$1,958 Billion
Default Rates <sup>1</sup>	<b>0.10%</b>	2.24%

Note: Calendar year 2021 data unless otherwise noted.

<sup>1</sup>According to Moody's Investment-Grade, 10 year cumulative default rates average over the period 1970-2020

Sources: MSRB, Federal Reserve, FINRA, SIFMA, Moody's and Bloomberg.

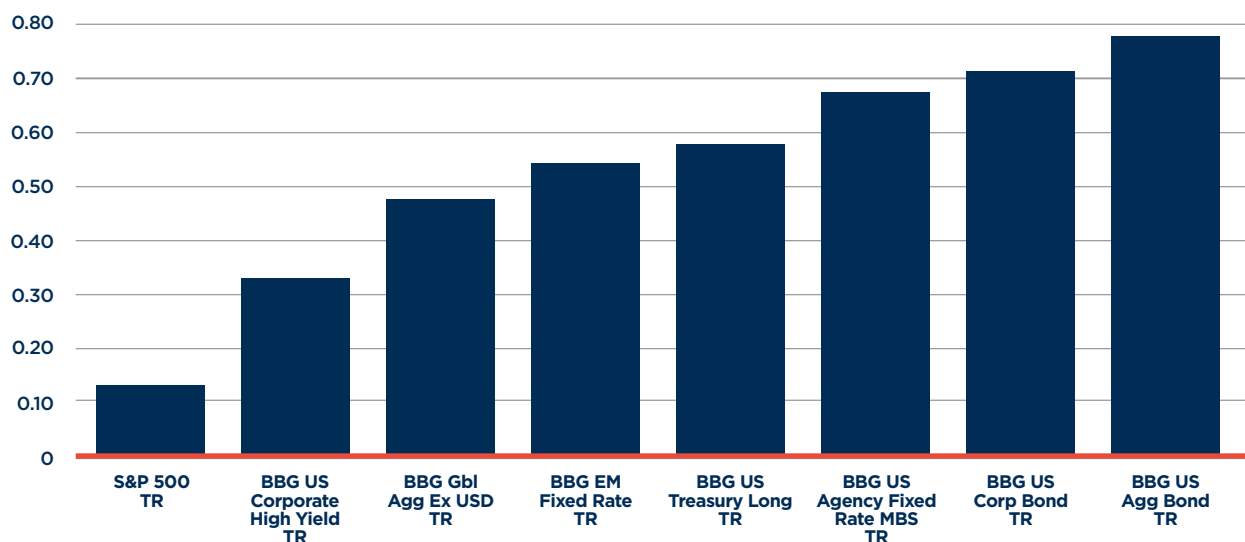
## ASSET CLASS CORRELATION

Correlation to municipal bonds, January 2003-December 2022

*Historically, munis have had a low correlation with taxable bonds and a negative correlation with the S&P 500 index.*



Approximately 50,000 different state and local governments and other issuing authorities



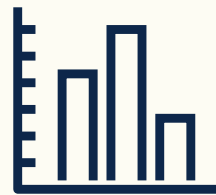
Past performance not indicative of future results. Please see the attached disclosures.

Source: Morningstar.

# HOW WE CAN HELP

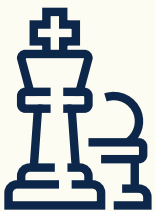
## PORTFOLIO ANALYSIS

offered for prospective clients,  
provided with portfolio  
review and management  
recommendations

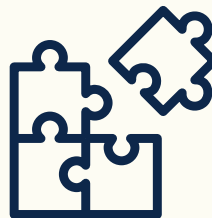


## CUSTOMIZATION

for specific state tax-exempt  
portfolios, duration goals, specific  
liquidity needs, “green” ESG investing,  
and many other customizable options



**SAMPLE PORTFOLIOS**  
available for any APA Strategy  
and customizable to meet  
individual client needs



**TAILOR PORTFOLIOS**  
to meet specific liquidity needs  
and tax objectives for each  
individual client



**UNLIMITED ACCESS**  
to APA’s Municipal Bond Portfolio  
Team including direct access to  
portfolio managers and traders

# TAXABLE-EQUIVALENT YIELD

*APA focuses on tailoring portfolios to meet the unique investment goals and tax-sensitivities of each client.*

Combined Fed + State Tax Rate	Tax-Free Yield:						
	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
	Taxable-Equivalent Yield:						
35%	3.85%	4.23%	4.62%	5.00%	5.38%	5.77%	6.15%
38%	4.00%	4.40%	4.80%	5.20%	5.60%	6.00%	6.40%
40%	4.17%	4.58%	5.00%	5.42%	5.83%	6.25%	6.67%
43%	4.35%	4.78%	5.22%	5.65%	6.09%	6.52%	6.96%
45%	4.55%	5.00%	5.45%	5.91%	6.36%	6.82%	7.27%
48%	4.76%	5.24%	5.71%	6.19%	6.67%	7.14%	7.62%
50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%

*For informational purposes only, individual client experience may differ.*

# OUR TEAM



Kenneth R. Woods  
CHAIRMAN /  
PARTNER



Charles R. Doty  
CO-CEO /  
PARTNER



Kevin B. Woods  
CO-CEO / CIO /  
PARTNER



Patricia H. Hodgman  
PRESIDENT /  
PARTNER



Kyle Gerberding  
DIRECTOR OF TRADING  
/ PORTFOLIO MANAGER /  
PARTNER



Trisha Broussard  
SENIOR VICE PRESIDENT  
/ PORTFOLIO MANAGER



Bob Farmer  
SENIOR MANAGING  
DIRECTOR



Wesley Williams  
COO /  
PARTNER



Paul Nolan  
CO-DIRECTOR  
OF RESEARCH



Matthew Riggle  
CO-DIRECTOR  
OF RESEARCH



Katelin Butkus  
PORTFOLIO MANAGER /  
CREDIT RESEARCH  
ANALYST



Wesley Pond  
PORTFOLIO  
MANAGER



Marisol Reeves  
CCO



Courtney Taylor  
ASSOCIATE -  
COMPLIANCE



Peyton Bogard  
ASSOCIATE



Brandon Durnwald  
ANALYST



Thomas Welch  
TRADING ANALYST



## ABOUT APA

*Asset Preservation Advisors (APA) is a registered investment advisor founded in 1989. APA specializes in managing high quality tax-exempt and taxable municipal bond portfolios for other registered investment advisors, family wealth offices and institutional clients.*

Since its founding, Asset Preservation Advisors is committed to delivering a high level of service, quality and wealth preservation. APA believes our growth in assets under management can be attributed to a consistent investment process and corresponding trading discipline.

We value highly the trust our clients have shown in APA and remain committed to adhering to a high level of ethical, moral and business standards first envisioned at our founding in 1989. Asset Preservation Advisors (APA) is a registered investment advisor and specializes in managing high quality, tax-exempt and taxable municipal bond portfolios for other registered investment advisors, family wealth offices and institutional clients.



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*This material is not financial advice or an offer to sell any product. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment." Asset Preservation Advisors, LLC reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. This is not a recommendation to buy or sell a particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the investment recommendations or decisions we make in the future will be profitable. Past performance is not indicative of future results. Investing involves risk including the potential loss of principal. Information was obtained from third party sources which we believe to be reliable but are not guaranteed as to their accuracy or completeness. This presentation is for informational purposes only and does not constitute investment, legal or tax advice and should not be used as a substitute for the advice of a professional legal or tax advisor.*

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](http://www.assetpreservationadvisors.com). A copy of APA's disclosure statement (Part 2 of Form ADV) is available without charge upon request. Our Form ADV contains information regarding our Firm's business practices and the backgrounds of our key personnel. Please contact APA at 404-261-1333 if you would like to receive this information.

On 12/31/2020, APA changed the primary benchmark for the APA Enhanced Short-Term Tax-Exempt Composite from the ICE BofAML 1-3 Year US Municipal Securities Index to the ICE BofA 0-1 Year US Treasury Index, as certain characteristics of the ICE BofA 0-1 Year US Treasury Index benchmark are more in line with the APA Enhanced Short-Term Tax-Exempt Composite. Changes applied retroactive to the start of the APA Enhanced Short-Term Tax-Exempt Composite.

On 12/31/2020, APA changed the primary benchmark for the APA Enhanced Intermediate Tax-Free Strategy Composite from the ICE BofAML Single-A Municipal Securities Index to the ICE BofAML 1-12 Year US Municipal Securities Index, as certain characteristics of the ICE BofAML 1-12 Year US Municipal Securities Index benchmark are more in line with the APA Enhanced Intermediate Tax-Free Strategy Composite. Changes applied retroactive to the start of the APA Enhanced Intermediate Tax-Free Strategy Composite. Effective 06/30/2022, APA added the ICE BofAML Single-A Municipal Securities Index as a supplemental index for the Composite, as certain characteristics of the ICE BofAML Single-A Municipal Securities Index align with the Composite, providing an additional point of comparison for the Composite.

The ICE BofA BBB Municipal Securities Index served as a supplemental index for the APA Enhanced Intermediate Tax-Free Strategy Composite from 01/01/2020 (when APA changed the benchmark for the APA Enhanced Intermediate Tax-Free Strategy Composite from the ICE BofA BBB Municipal Securities Index to the ICE BofAML Single-A Municipal Securities Index) until 12/31/2020, when APA removed it all-together as a comparison for the APA Enhanced Intermediate Tax-Free Strategy Composite, as the ICE BofA BBB Municipal Securities Index has become no longer representative of the APA Enhanced Intermediate Tax-Free Strategy Composite.

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