



ASSET  
PRESERVATION  
ADVISORS

# Municipal Bond Portfolio Management

Q3 2023



*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 \$6.43 Billion AUM (9/30/23)

**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 40 states

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

# APA ADVANTAGE

**6.43B**

Assets under  
management  
*as of 9/30/23*

**20**

Dedicated  
professionals

Investment  
team average  
Experience

**25+**  
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**

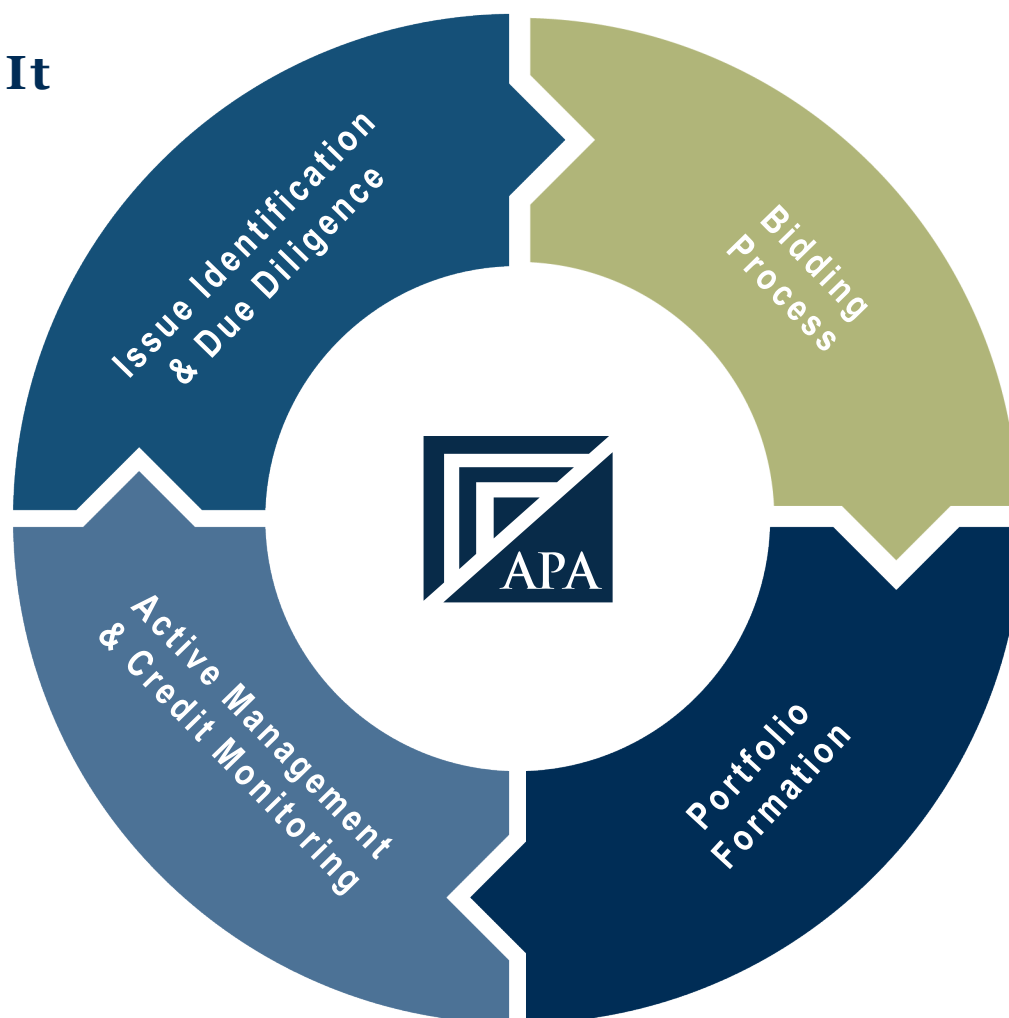
*(Continuous  
Oversight)*



# INVESTMENT PROCESS

*APA is covered by more than 115 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

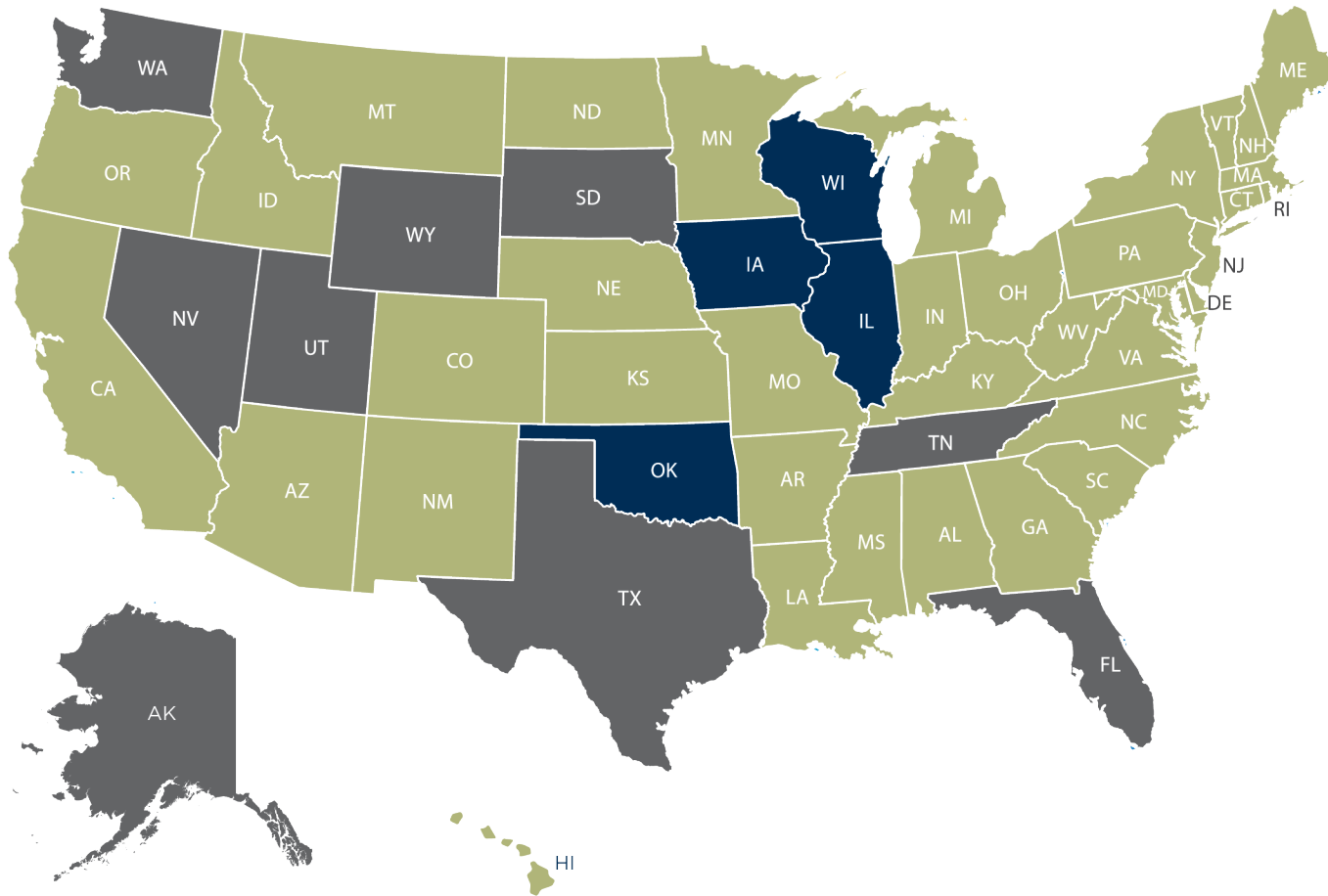


**Tax efficiency**  
is employed through  
active management

# INVESTMENT PROCESS

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 a 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 PROCESS

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 research 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 June 2023

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

	Municipal Securities	Corporate Securities
Market Size	\$4.0 Trillion	\$10.0 Trillion
No. of Securities	~1,000,000	~43,000
Daily Trading Volume	\$9.0 Billion	\$36.7 Billion
New Issuance Volume	\$487 Billion	\$1,958 Billion
Default Rates <sup>1</sup>	0.09%	2.23%

Note: Calendar year 2022 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.

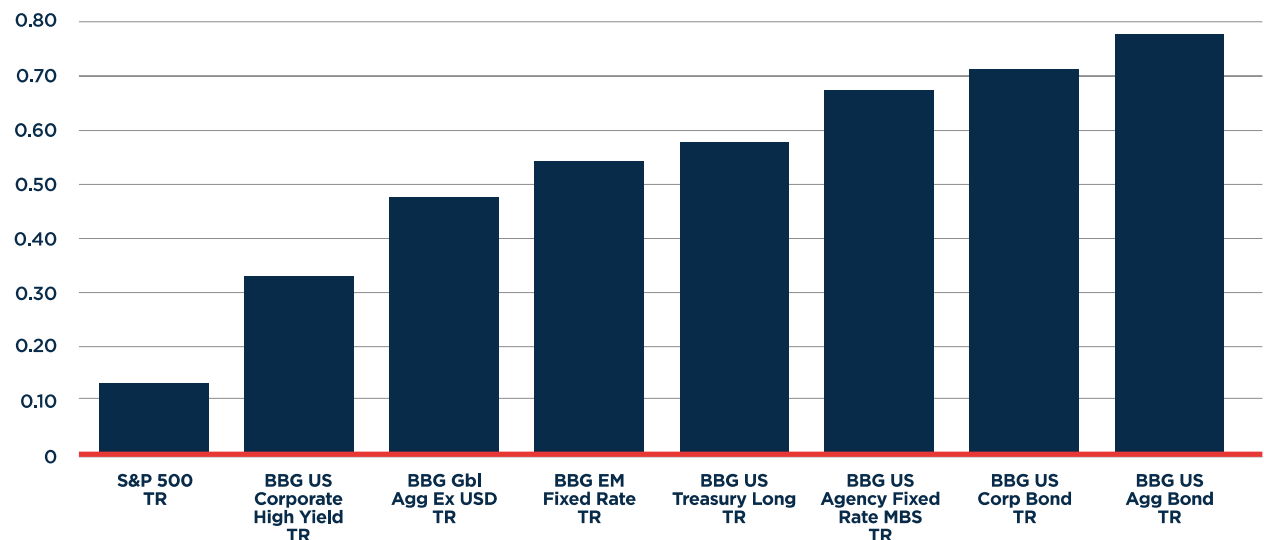
## ASSET CLASS CORRELATION

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.

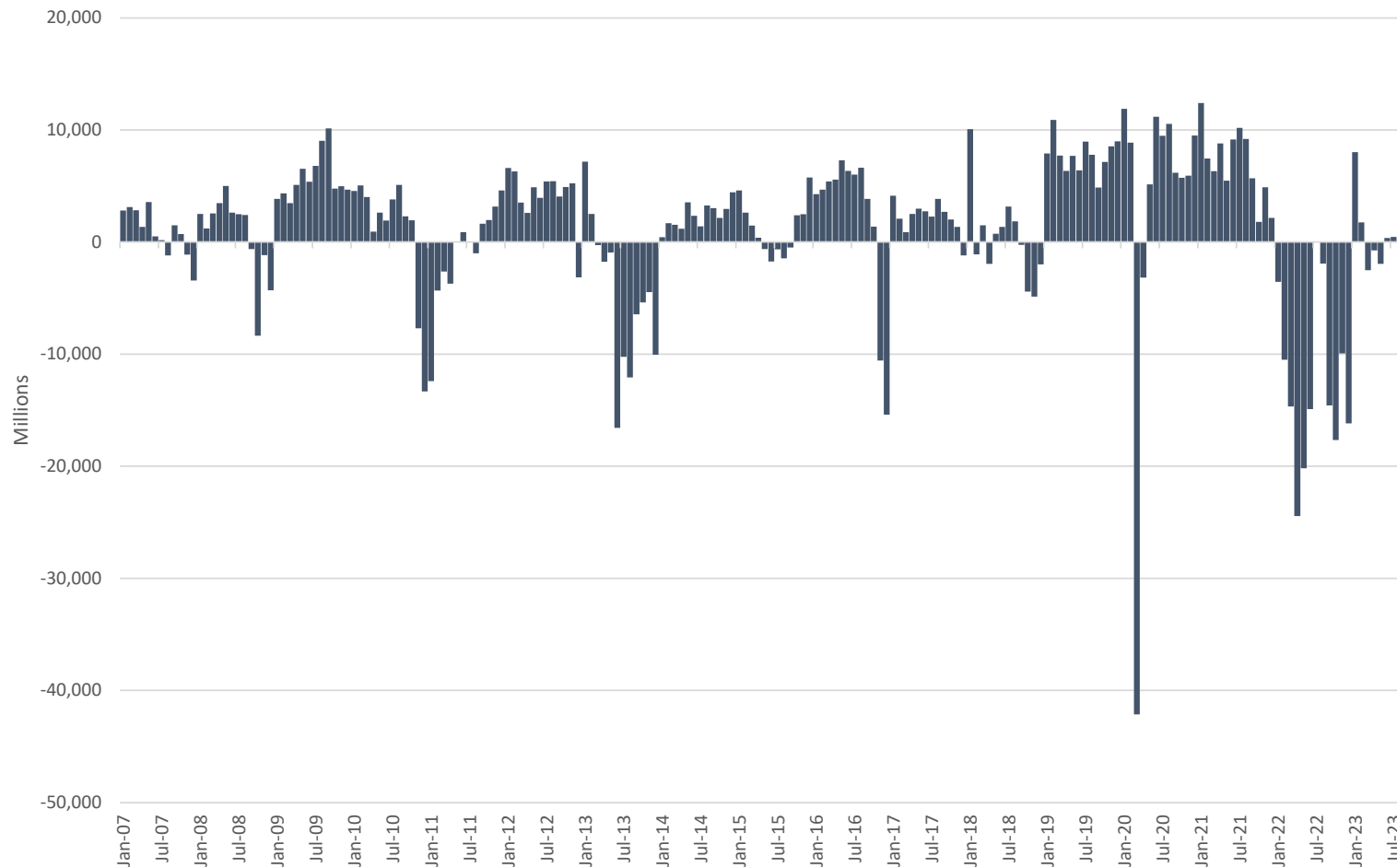
Source: Morningstar Direct

# ICI MONTHLY MUNICIPAL FUND FLOWS

*Historically, municipal fund outflow cycles have been followed by periods of vigorous inflows and price rebounds.*



Fund flows by month, January 2007 - September 2023



Source: Fund flows shown monthly between January 2007 and September 2023 according to the Investment Company Institute (ICI)

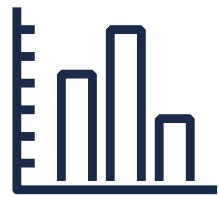
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# HOW WE CAN HELP

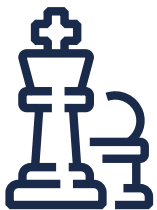
## PORTFOLIO ANALYSIS

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



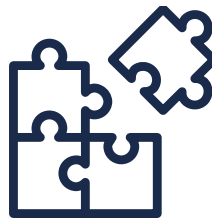
## CUSTOMIZATION

for specific state tax-exempt  
portfolios, duration goals, specific  
liquidity needs, 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:						
	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
	Taxable-Equivalent Yield:						
35%	5.38%	5.77%	6.15%	6.54%	6.92%	7.31%	7.69%
38%	5.65%	6.05%	6.45%	6.85%	7.26%	7.66%	8.06%
40%	5.83%	6.25%	6.67%	7.08%	7.50%	7.92%	8.33%
43%	6.14%	6.58%	7.02%	7.46%	7.89%	8.33%	8.77%
45%	6.36%	6.82%	7.27%	7.73%	8.18%	8.64%	9.09%
48%	6.73%	7.21%	7.69%	8.17%	8.65%	9.13%	9.62%
50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%

*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**  
SENIOR VICE PRESIDENT



**Wesley Pond**  
PORTFOLIO  
MANAGER



**Tara Hart**  
CCO



**Courtney Taylor**  
ASSOCIATE •  
COMPLIANCE



**Peyton Bogard**  
ASSOCIATE



**Meghan Bynum**  
ASSOCIATE



**Brandon Durnwald**  
ANALYST



**Thomas Welch**  
TRADING ANALYST



**Henry Trapnell**  
JUNIOR  
ASSOCIATE



**Amethyst Dvorak**  
ADMINISTRATIVE  
ASSISTANT

## 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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*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 or by visiting our website. 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.*

3344 Peachtree Road, Suite 2050  
Atlanta, GA 30326

email: [contactus@assetpreservationadvisors.com](mailto:contactus@assetpreservationadvisors.com)  
phone: (404) 261-1333