

# Tax-Exempt Fixed Income

The Tax-Exempt Fixed Income strategy is a portfolio of investment-grade fixed income securities issued by state and local governments throughout the United States. The strategy focuses on state and local general obligation (GO) and essential-service revenue (REV) bonds. Bonds are laddered by maturity, with portfolio duration maintained from short to broad market maturity ranges. The strategy offers effective risk management while providing income exempt from federal taxes.

## Investment Philosophy

Our long-term, fundamental fixed income philosophy is centered on capital preservation and generating after-tax income.

### Bond Portfolios Provide:

- Asset diversification
- Volatility control
- Income generation
- Liquidity

### Our Process:

- Based on a consistent, disciplined investment approach
- Effective management of portfolio risk attributes

## Portfolio Approach

- Our clients' assets are positioned in our preferred selections and effectively diversified
- Acquiring securities of well-established issuers provide consistency and liquidity

## Strategy Overview

### Performance Objective

- Stable, federal tax-free income generated from portfolios of short, intermediate, or broad market municipal bonds
- Maintain a low volatility portfolio consistent with the benchmark index

### Investment Approach

- Market driven, relative value strategy
- Bias toward state and local general obligation and essential-service revenue bonds
- Focused on strong geographic regions with economic stability and favorable demographics

### Portfolio Profile

- Maintain a liquid portfolio with municipal bonds rated Double-A or higher
- Non-callable bonds or bonds with narrow call windows
- Laddered exposures maturing up to 5, 10, or 22 years
- Diversified by issuers, geographical locations, and revenue sources

## Representative Portfolio Characteristics as of June 30, 2025

| Statistics                    | Limited<br>1-5 yrs. | Intermediate<br>1-12 yrs. | Broad<br>1-22 yrs. |
|-------------------------------|---------------------|---------------------------|--------------------|
| <b>Number of Holdings*</b>    | 15-25               | 20-30                     | 35-45              |
| <b>Yield to Worst**</b>       | 3.13%               | 3.25%                     | 3.49%              |
| <b>Duration**</b>             | 2.15                | 3.98                      | 5.68               |
| <b>Coupon**</b>               | 4.61%               | 4.28%                     | 4.26%              |
| <b>Credit Quality**</b>       | Aa2                 | Aa2                       | Aa2                |
| <b>Maturity Distribution*</b> |                     |                           |                    |
| <b>0-3 Years</b>              | 54.74%              | 26.61%                    | 18.07%             |
| <b>3-5 Years</b>              | 25.32%              | 31.31%                    | 7.68%              |
| <b>5-7 Years</b>              | 19.94%              | 18.19%                    | 10.59%             |
| <b>7-10 Years</b>             | 0.00%               | 12.26%                    | 26.04%             |
| <b>10+ Years</b>              | 0.00%               | 11.63%                    | 37.62%             |
| <b>Quality Distribution*</b>  |                     |                           |                    |
| <b>AAA</b>                    | 18.89%              | 35.23%                    | 16.04%             |
| <b>AA</b>                     | 61.51%              | 50.35%                    | 69.84%             |
| <b>A</b>                      | 19.60%              | 14.43%                    | 14.12%             |
| <b>BBB</b>                    | 0.00%               | 0.00%                     | 0.00%              |
| <b>No Rating</b>              | 0.00%               | 0.00%                     | 0.00%              |
| <b>Municipal Bond Type*</b>   |                     |                           |                    |
| <b>General Obligation</b>     | 74.77%              | 75.37%                    | 80.71%             |
| <b>Revenue Bonds</b>          | 21.33%              | 20.94%                    | 18.28%             |
| <b>Pre-Refunded</b>           | 3.90%               | 3.69%                     | 1.01%              |

Source: Bloomberg, BondEdge®

\*Only evaluated on municipal bond holdings.

Does not include mutual funds.

\*\* Weighted Average

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## Tax-Equivalent Bond Yields – Married Filing Jointly (2025)

| Municipal Bond Yield | 10% Marginal to \$23,850 | 12% Marginal to \$96,950 | 22% Marginal to \$206,700 | 24% Marginal to \$394,600 | 32% Marginal to \$501,050 | 35% Marginal to \$751,600 | 37% Marginal over \$751,600 |
|----------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|
| 2.00%                | 2.22%                    | 2.27%                    | 2.56%                     | 2.63%                     | 2.94%                     | 3.08%                     | 3.17%                       |
| 2.50%                | 2.78%                    | 2.84%                    | 3.21%                     | 4.44%                     | 3.68%                     | 3.85%                     | 3.97%                       |
| 3.00%                | 3.33%                    | 3.41%                    | 3.85%                     | 3.95%                     | 4.41%                     | 4.62%                     | 4.76%                       |
| 3.50%                | 3.89%                    | 3.98%                    | 4.49%                     | 4.61%                     | 5.15%                     | 5.38%                     | 5.56%                       |
| 4.00%                | 4.44%                    | 4.55%                    | 5.13%                     | 5.26%                     | 5.88%                     | 6.15%                     | 6.35%                       |
| 4.50%                | 5.00%                    | 5.11%                    | 5.77%                     | 5.92%                     | 6.62%                     | 6.92%                     | 7.14%                       |

Source: Internal Revenue Service Tax Rates

## ICE Municipal Bond Index Performance Matrix

|                               |           |
|-------------------------------|-----------|
| <b>Pricing Date:</b>          | 6/30/2025 |
| <b>Instantaneous Horizon:</b> | 12 months |
| <b>Reinvestment Rate:</b>     | 3.42%     |

Note: The accompanying chart demonstrates the risk and return attributes of various fixed income benchmarks in specified instantaneous parallel interest rate shifts over a stated time horizon. Index returns will vary based on actual changes in interest rates, the yield curve, credit spreads, prepayment factors and other market related inputs. This chart is for illustration purposes only.

### Fixed Income Risks

- Investing in bonds involves the risk that the issuer could default on the bond and be unable to make payments
- After purchase, bonds face the chance that the market values of the securities will decline as interest rates increase
- The periodically paid set income amounts face the risk that inflation could erode their spending power

| Yield Change (BPs) | ICE BofA 1-5 Year AAA-AA (%) | ICE BofA 1-12 Year AAA-AA (%) | ICE BofA 1-22 Year AAA-AA (%) |
|--------------------|------------------------------|-------------------------------|-------------------------------|
| -200               | 7.43                         | 11.43                         | 15.18                         |
| -175               | 6.84                         | 10.40                         | 13.87                         |
| -150               | 6.25                         | 9.36                          | 12.56                         |
| -125               | 5.66                         | 8.35                          | 11.21                         |
| -100               | 5.08                         | 7.33                          | 9.86                          |
| -75                | 4.51                         | 6.33                          | 8.44                          |
| -50                | 3.94                         | 5.34                          | 7.02                          |
| -25                | 3.38                         | 4.34                          | 5.54                          |
| 0                  | <b>2.81</b>                  | <b>3.34</b>                   | <b>4.06</b>                   |
| 25                 | 2.25                         | 2.33                          | 2.51                          |
| 50                 | 1.68                         | 1.32                          | 0.97                          |
| 75                 | 1.12                         | 0.30                          | -0.59                         |
| 100                | 0.56                         | -0.73                         | -2.15                         |
| 125                | 0.00                         | -1.76                         | -3.68                         |
| 150                | -0.55                        | -2.80                         | -5.21                         |
| 175                | -1.12                        | -3.83                         | -6.69                         |
| 200                | -1.68                        | -4.87                         | -8.17                         |

Source: CMS BondEdge – ICE BofAML Municipal Index

The benchmark for the Composite is the ICE BofA 1-12 Year AAA-AA Municipal Index. The index represents unmanaged portfolios whose characteristics differ from the Composite portfolios; however, it tends to represent the investment environment existing during the time period shown. The ICE BofA 1-12 AAA-AA Year Municipal Index is an unmanaged index that tracks the performance of 1-12 year investment-grade municipal bonds, rated AAA through AA, inclusive. The ICE BofA 1-5 AAA-AA Year Municipal Index is an unmanaged index that tracks the performance of 1-5 year investment-grade municipal bonds, rated AAA through AA, inclusive. The ICE BofA 1-20 AAA-AA Year Municipal Index is an unmanaged index that tracks the performance of 1-22 year investment-grade municipal bonds, rated AAA through AA, inclusive.