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Recalibrating a Fixed Income Portfolio in Unprecedented Conditions

November 19, 2020

Overview & Learning Objectives



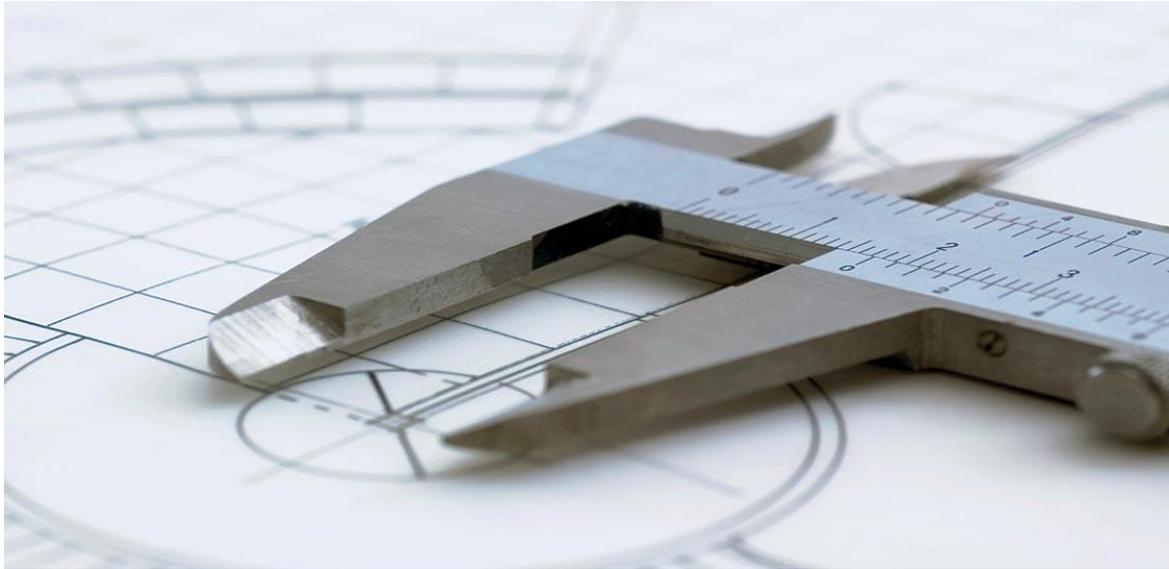
Overview:

The FOMC's actions and increased market demand for fixed income have resulted in lower yields for government bonds and core fixed-income portfolios, leaving credit and spread products in an advantaged position to potentially provide portfolio yield. However, not all spread products are created equal and this session will examine the importance of examining that risk, managing liquidity, tactical asset allocation and other strategies to navigate this low-rate environment during this time of uncertainty.

Learning Objectives:

- The global central banks' actions & impact on lenders & bond portfolios
- The importance of tactical asset allocation in this rate environment
- Strategies to navigate through this unprecedented environment while mitigating risk

Re-calibrating



Calibrate

verb (used with object), cal·i·brat·ed, cal·i·brat·ing.

- to determine, check, or rectify the graduation of (any instrument giving quantitative measurements).
- to divide or mark with gradations, graduations, or other indexes of degree, quantity, etc., as on a thermometer, measuring cup, or the like.
- to determine the correct range for (an artillery gun, mortar, etc.) by observing where the fired projectile hits.
- to plan or devise (something) carefully so as to have a precise use, application, appeal, etc.: *a fixed income portfolio strategy re-calibrated for uncertainty.*

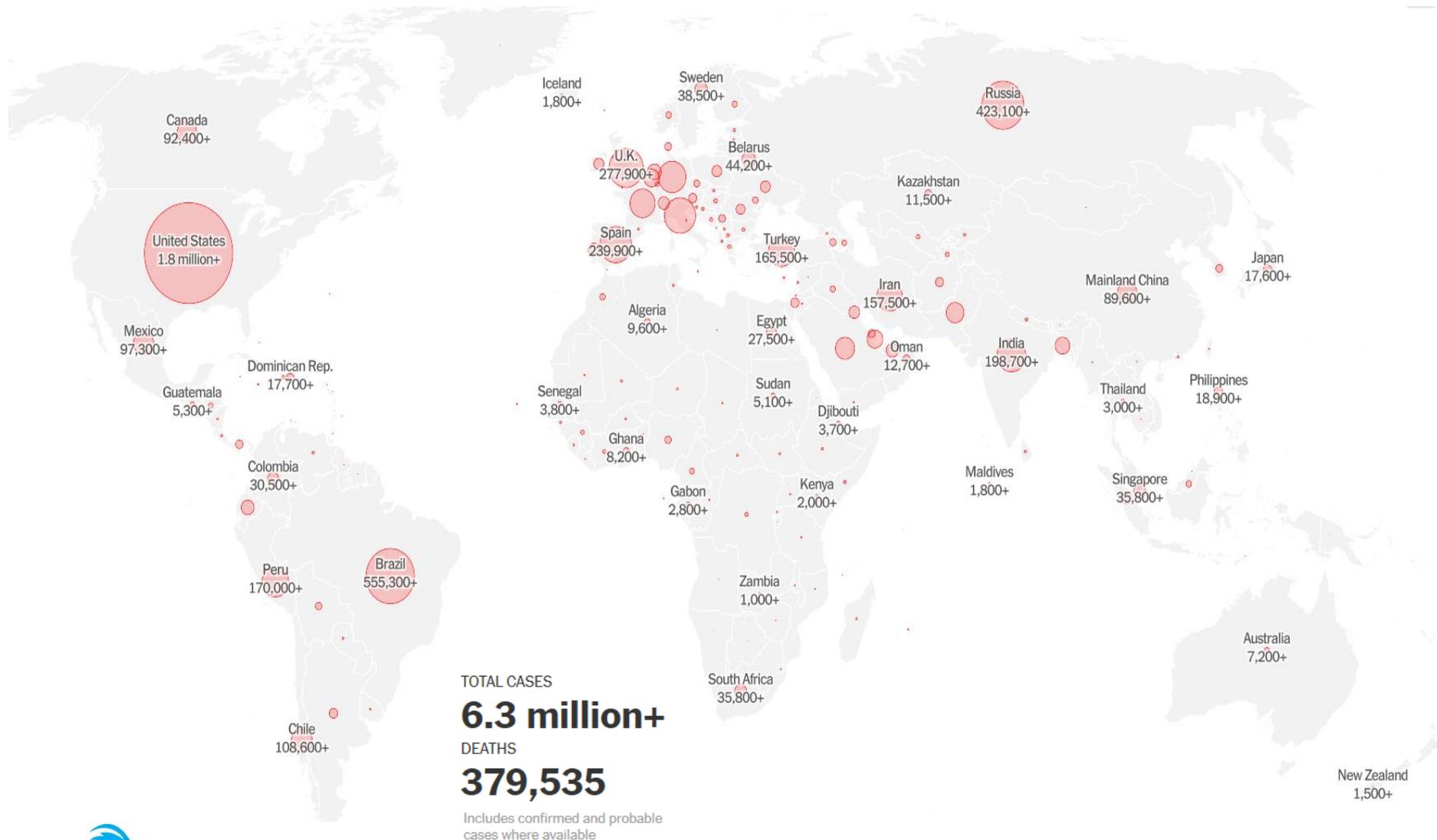
Uncertainty In Unprecedented Conditions



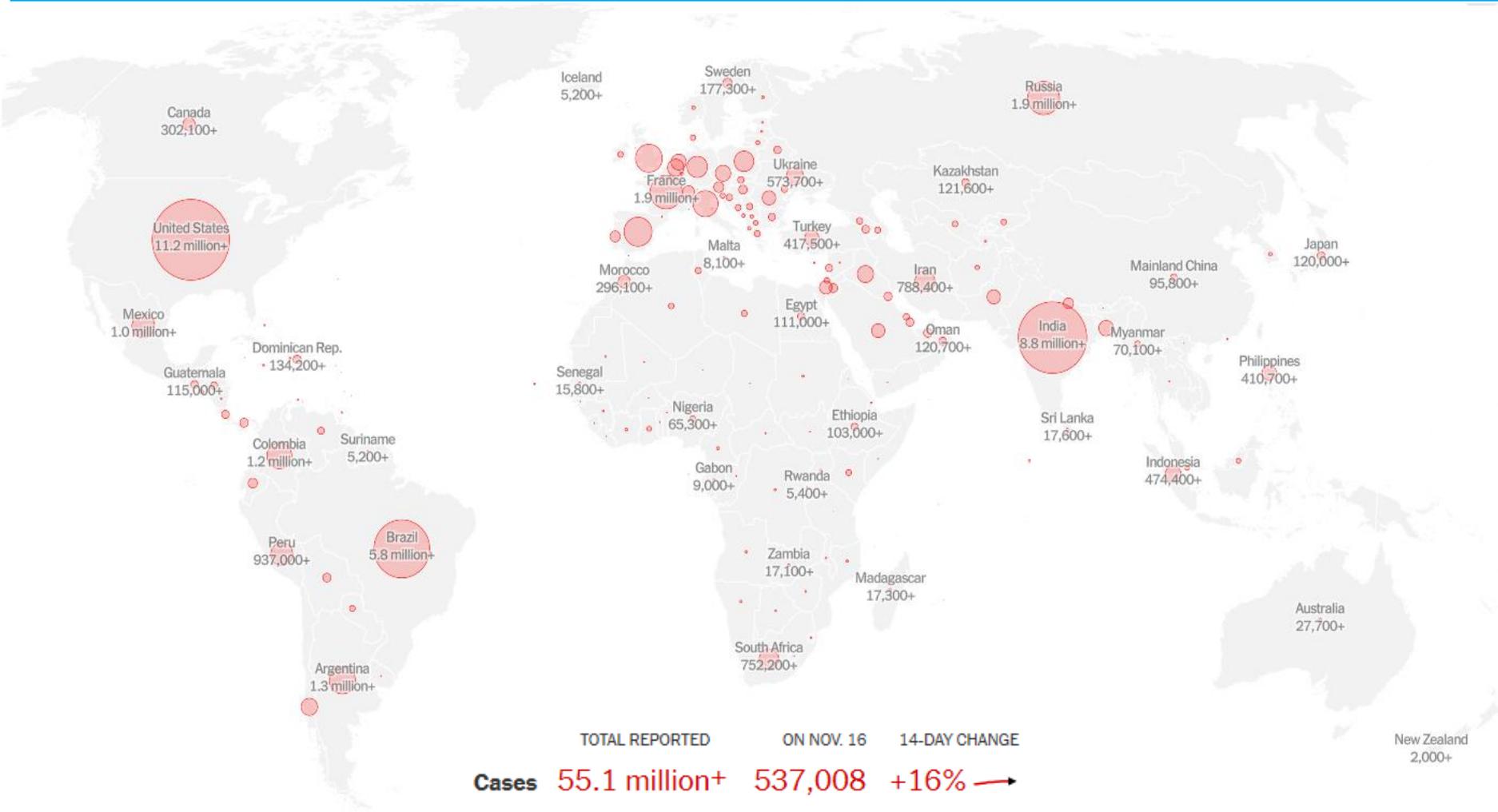
- COVID-19 – Imposed Lockdowns & Shutdowns Impact
 - Global Monetary Response – Impact on real rates of return
 - 2nd Wave of COVID-19 - What will be the impact?
- Political Uncertainty – impact on policies & fiscal stimulus?
- Economic Impact – Domestically & Globally – Recovery projections?

So what portfolio strategies will work during this uncertainty?

Covid-19 – Virus World Map (June 2)



Covid-19 – Virus World Map (Nov 16)

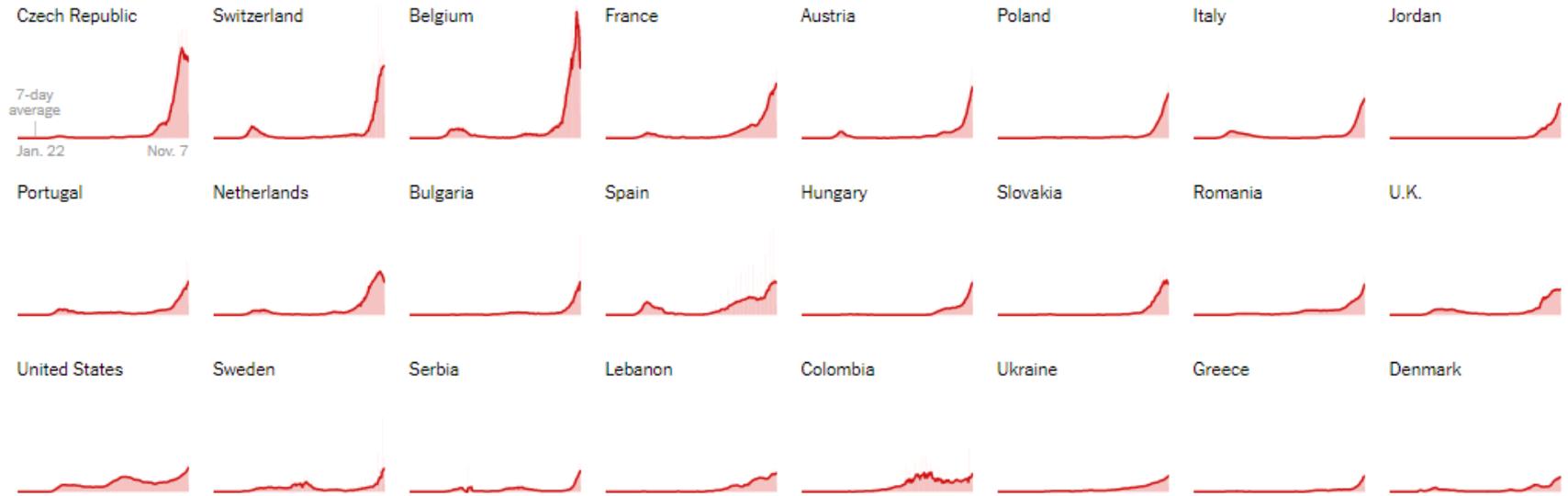


	TOTAL REPORTED	ON NOV. 16	14-DAY CHANGE
Cases	55.1 million+	537,008	+16% →
Deaths	1.3 million+	7,945	+35% →

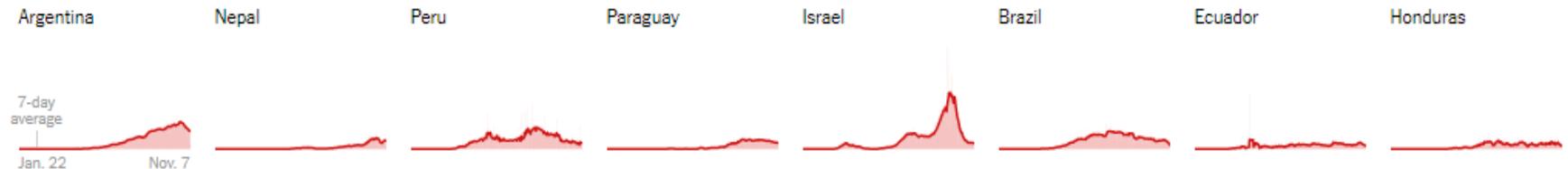
14-day change trends use 7-day averages.

Covid-19 Case Trends

Where new cases are higher & staying higher



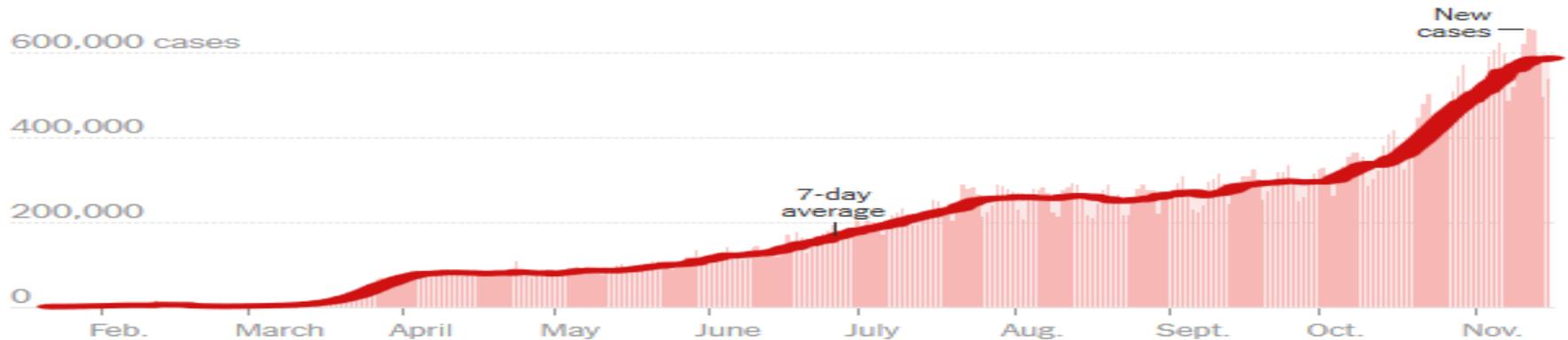
Where new cases are higher but going down



Countries where new cases are higher had a daily average of at least four new cases per 100,000 people over the past week. The charts, which are all on the same scale, show daily cases per capita and are of countries with at least five million people.

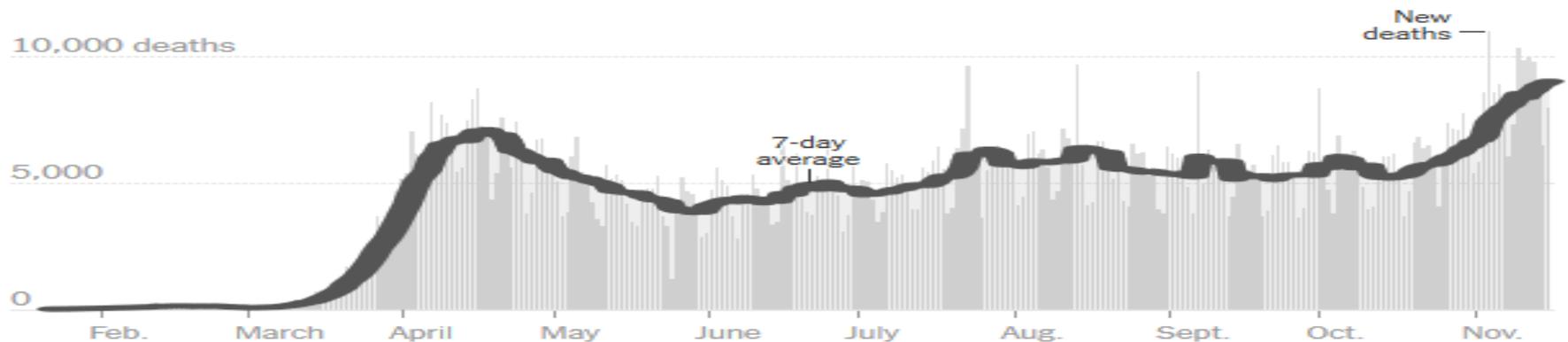
Tracking Global Outbreak (Nov 16)

New reported cases by day across the world



Note: The seven-day average is the average of a day and the previous six days of data.

Reported deaths by day across the world



Note: Scale for deaths chart is adjusted from cases chart to display trend.

Monetary Policy Effectiveness



- Role of the Central Bank:
 - Designed to be a short-term stabilizer to the economy
 - Price stability & maximize sustainable employment
- Monetary Policy:
 - Will lower borrowing costs & encourages businesses & households to take loans & spend
 - Will not open factories nor return workers to work
 - Will not increase the velocity of money through the economy
 - Will not restore impact of supply shocks or demand shocks

FOMC Market Support

- Federal Reserve support has been unprecedented. After initial widening, both corporate and municipal spreads tightened significantly, the UST curve is “normal”, and the S&P 500 is over 3,500.

Commercial Paper Funding Facility (CPFF)

- * Announced: March 17
- * Launched: April 14
- * Treasury backstop: \$10 billion
- * Program limit: none
- * Deployed: \$4.29 billion
- * Current Balance of Loan: \$0

Money Market Fund Liquidity Facility (MMFLF)

- * Announced: March 18
- * Launched: March 23
- * Treasury backstop: \$10 billion
- * Program limit: none
- * Deployed: \$5.5 billion
- * Current Balance 10/31/20 : \$5.5 billion

Primary Dealer Credit Facility (PDCF)

- * Announced: March 17
- * Launched: March 20
- * Treasury backstop: none
- * Program limit: none
- * Deployed: \$34.549 billion
- * Current Balance (10/31/20): \$243 million

Secondary Market Corporate Credit Facility (SMCCF)

- * Announced: March 23
- * Launched: May 12
- * Treasury backstop: \$25 billion
- * Program limit: \$250 billion
- * Deployed: \$13.35 million
- * Current Balance 10/31/20 : \$13.3 billion

FOMC Market Support

Municipal Liquidity Facility (MLF)

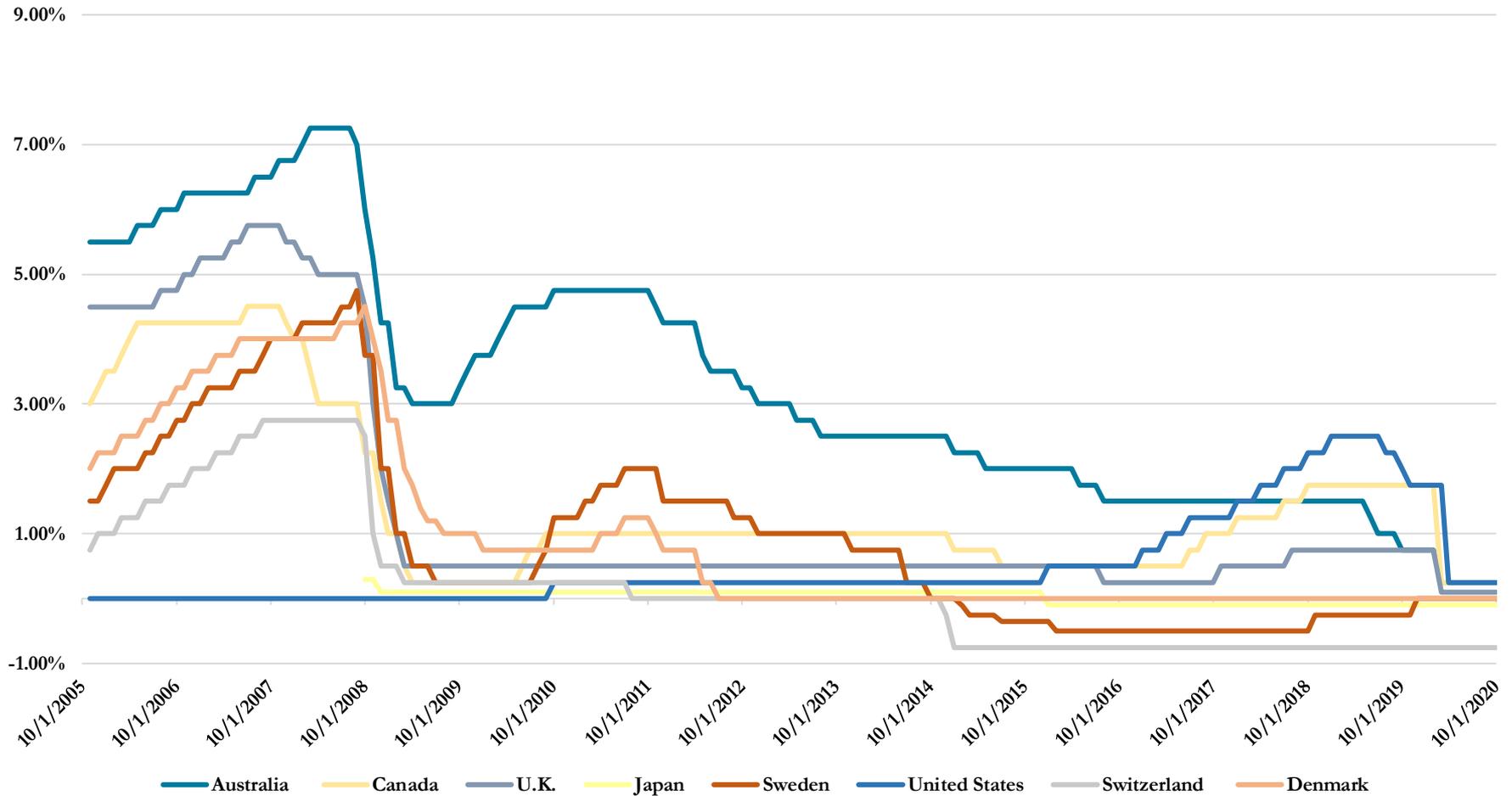
- * Announced: April 8
- * Launched: May 24
- * Treasury backstop: \$35 billion
- * Program limit: \$500 billion
- * Deployed: \$1.20 billion
- * Current Balance of Loan: \$1.65 billion

Term Asset Back Securities Loan Facility (TALF)

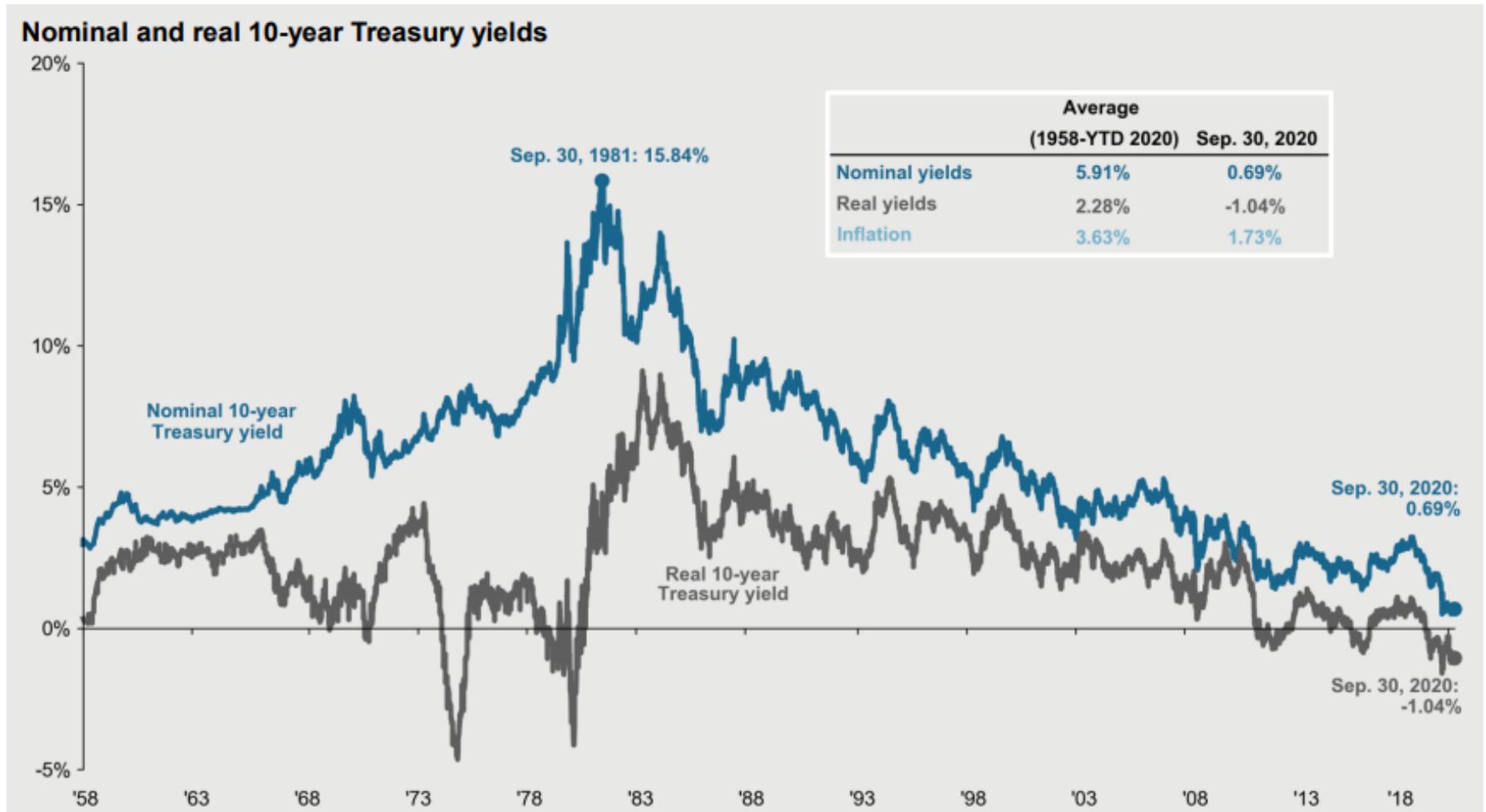
- * Announced: March 22
- * Launched: June 18
- * Treasury backstop: \$10 billion
- * Program limit: none
- * Deployed: \$0
- * Current Balance (10/31/20): \$3.75 billion



Global Central Bank Rates



Negative Real Rates Enter into the U.S. Bond Market



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for September 2020 where real yields are calculated by subtracting out August 2020 year-over-year core inflation.

Guide to the Markets – U.S. Data are as of September 30, 2020.

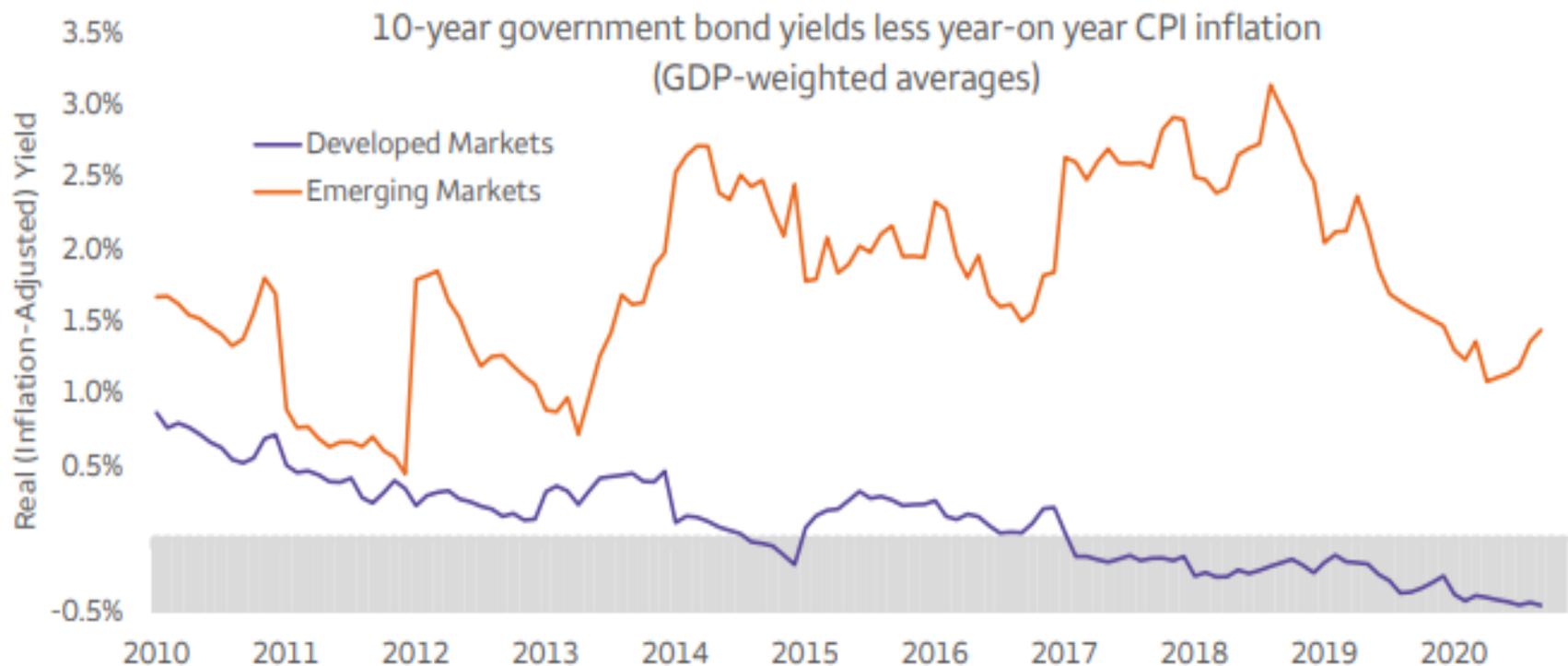
Impact of Negative Real Rates on Investors

Barclays U.S. Aggregate Index Negative real yield assets (i.e. below zero)					
	30-Sep-19		30-Sep-20		1Y Change
Total market cap	\$23.0 trillion		\$24.4 trillion		+\$1.4 trillion
Real yields < 0%	\$6.5 trillion	28.1%	\$14.9 trillion	61.0%	+\$8.4 trillion +32.8ppt
Real yields > 0%	\$16.5 trillion	71.9%	\$9.5 trillion	39.0%	-\$7.0 trillion -32.8ppt

Source: Bloomberg Barclays Indices, Wells Fargo Investment Institute

- Global hunt for yield will cause vanishing nominal and real yields causing investors to move further out the curve and down the credit spectrum to satisfy yield desire.
- Negative real rates will be supportive of the equity markets and risk assets.
- Emerging Market (EM) Fixed Income is seeing larger inflows as investors look for returns above inflation rates.

Negative Real Rates In DM Make EM Rates Look Attractive



Sources: Bloomberg, International Monetary Fund, Wells Fargo Investment Institute. Monthly data, latest as of September 30, 2020. Developed markets represented by J.P. Morgan Emerging Markets Bond Index (EMBI Global); Emerging Markets represented by J.P. Morgan GBI Global ex-US Index (Unhedged). Real yields are 10-year government bond yields less the latest year-on-year rate of CPI inflation in each country. DM & EM real yields are GDP-weighted averages within each country group. The DM universe is the G7 countries: United States, Germany, United Kingdom, Japan, Canada, France and Italy. The EM universe here consists of: China, India, Indonesia, Brazil, Mexico, Turkey, South Africa, Russia and Poland. **Past performance is no guarantee of future results.** Current performance may be higher or lower than the performance quoted above. Yields and returns will fluctuate as market conditions change

CPE Question #1

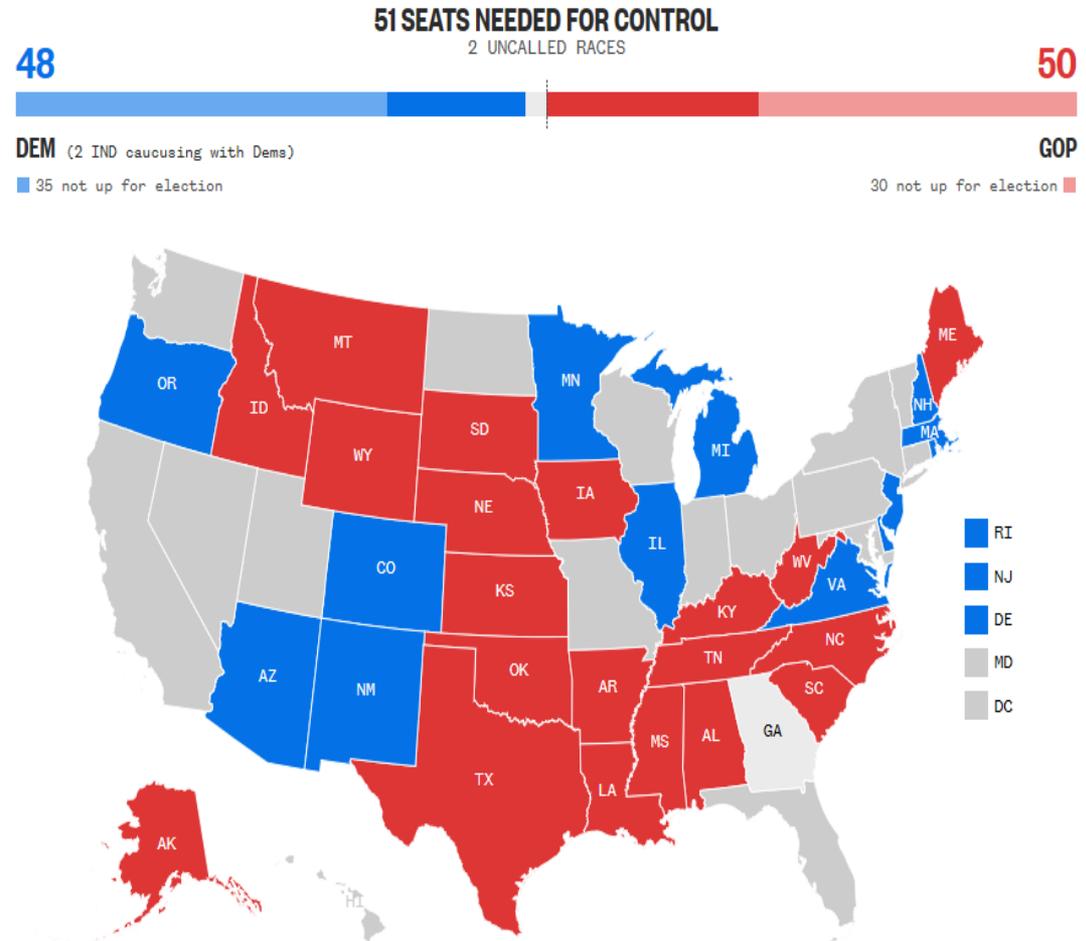


If you were to review your investment policy statement, what options below might you consider?

- a. Extend maturity limitations or duration of securities
- b. Loosen credit risk standards – (lower rated instruments into the portfolio)
- c. Permit other risk related securities as permissible investments (ie: Equity, ETFs, Real Estate, etc..)
- d. Combination of a, b, & c
- e. None of the above

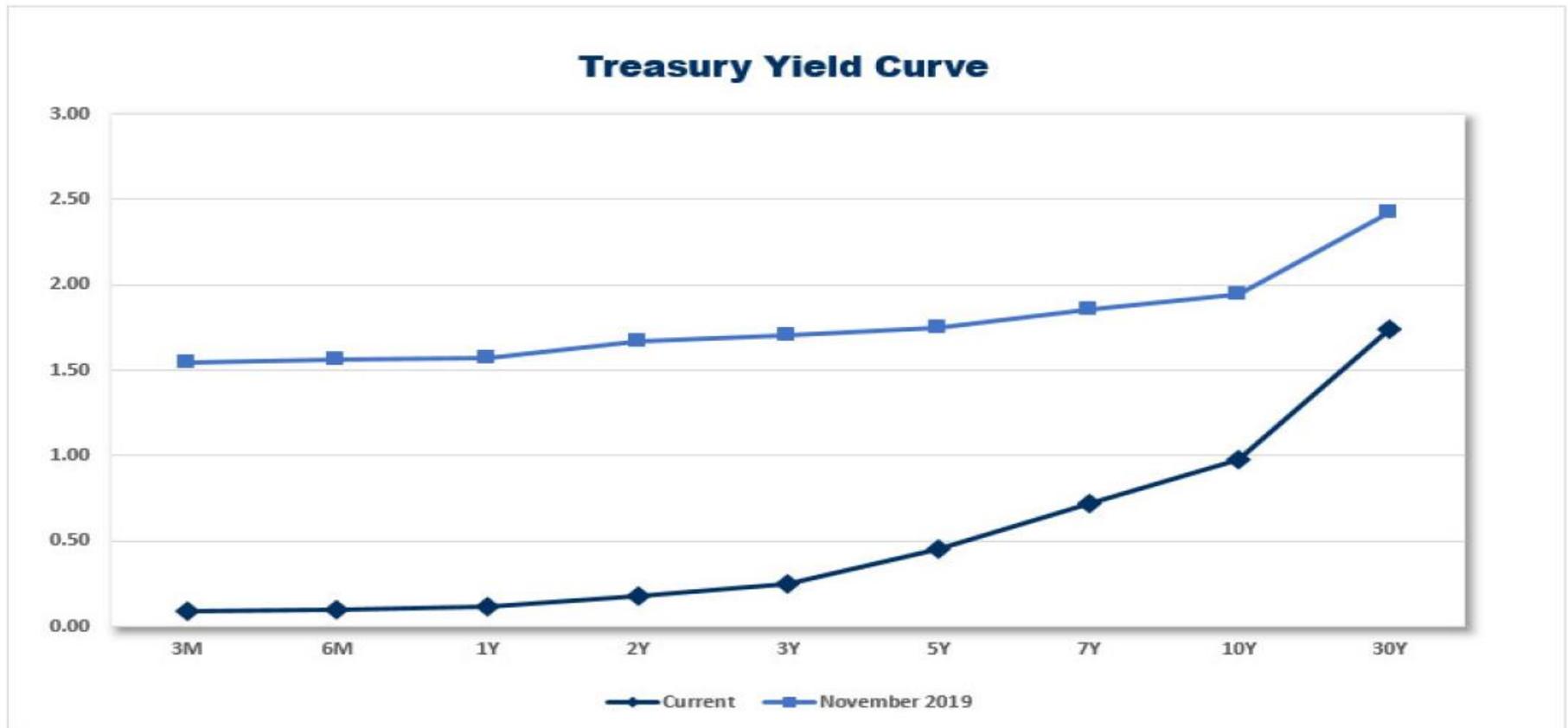
2020 Election and Outlook

- With the Presidential outcome nearly concluded in favor of Joe Biden, the markets have quickly shifted focus on key Senatorial races in Georgia to determine if the GOP retains Senate control.
- A Biden-Harris victory likely means an increase in taxes and overall spending by the federal government. The new administration will likely put forward an aggressive climate change policy which has potential to dampen business growth in the near-term.
- If Democrats assume control of the Senate, which currently stands at a 50/50 probability, the incoming administration will have a much easier path to aggressively pursue its agenda beginning in January 2021.
- If Republicans retain a slight edge in the Senate, expect some level of bipartisanship to occur and therefore result in a moderating of policy objectives.



Sources: NBC News, Capital Economics

Low rates: How can we manage through this?



- Optimize Cash Strategies
- Complement Core Fixed Income Allocations
- Diversify Credit & Spread Risk

CPE Question #2



Prior to the Pandemic, what was your current level of cash on hand and how long could your organization fund existing cash needs without impacting invested reserves?

- a. Less than 6 months
- b. From 6 to 12 months
- c. From 12 to 18 months
- d. Greater than 18 months

CPE Question #3



Post Pandemic, same question – has cash on hand changed? What is your current level of cash on hand and how long could your organization fund existing cash needs without impacting invested reserves?

- a. Less than 6 months
- b. From 6 to 12 months
- c. From 12 to 18 months
- d. Greater than 18 months

Institutional Cash Tiers

Operating Cash	Core Cash	Strategic Cash
Time Horizon: 0-3 months Use: Unexpected cash needs, business operating expenses (e.g., payroll) Objective: Capital preservation Risk: Ultra low volatility	Time Horizon: 3-12 months Use: Periodic cash needs Objective: Capital preservation, incremental yield Risk: Low volatility	Time Horizon: Over 12 months Use: Not intended for specific expenditures Objective: Total return, incremental yield Risk: Conservative

Operating Cash:

- LGIPs, QPDs & FDIC Insured Deposit providers

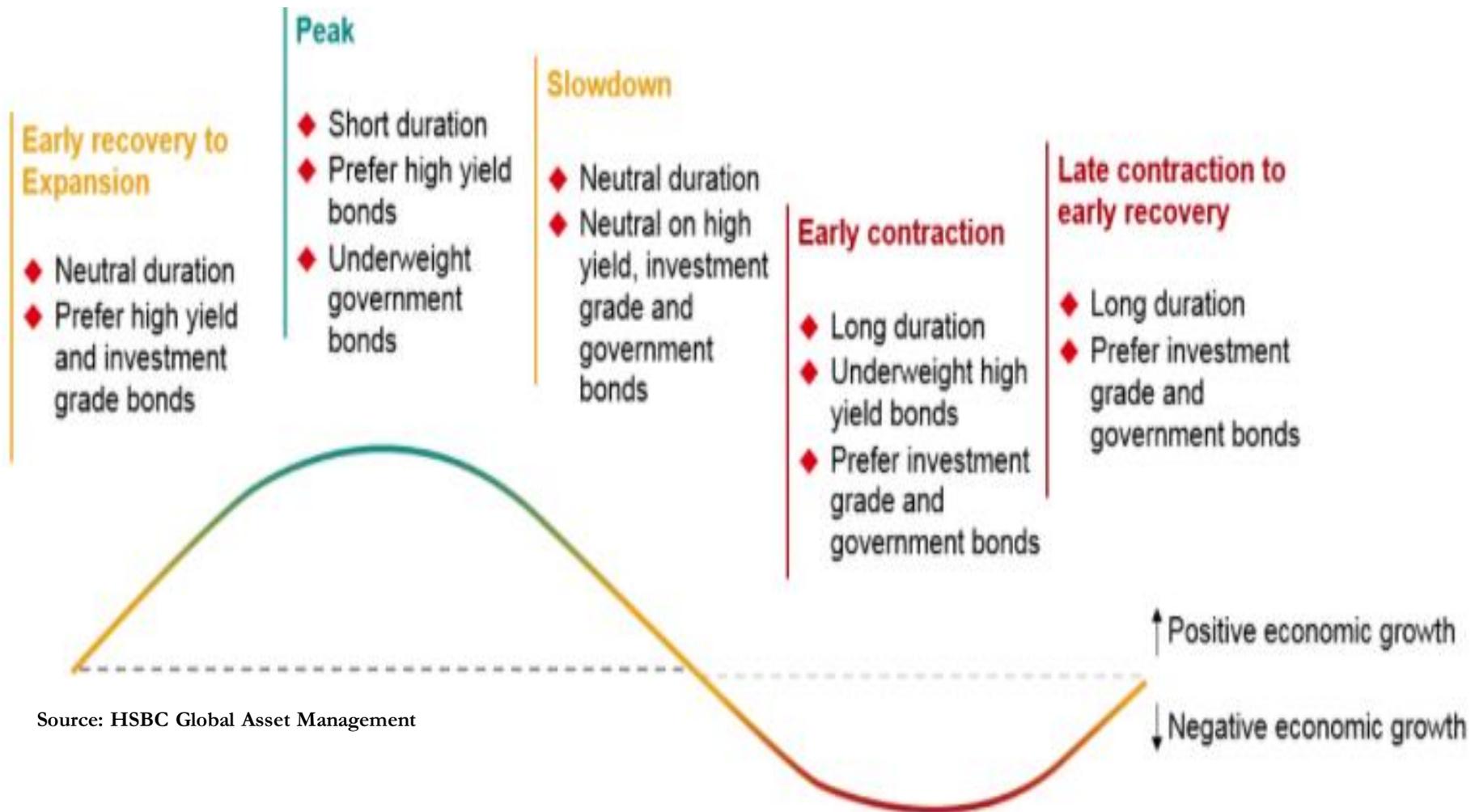
Core Cash:

- Ultra Short Bond Strategies, Short Floating Net Asset Value LGIPs, CDs

Strategic Cash:

- Short term bond funds, add multisector short duration conservative spread product which can diversify risk (IG Corporates, CMBS, ABS, Municipal Notes & Bonds)

Fixed Income Strategies throughout the Economic Cycle



Source: HSBC Global Asset Management

CPE Question #4



Which part of the economic cycle do you think we are now entering?

- a. Early recovery to expansion
- b. Peak
- c. Slowdown
- d. Early contraction
- e. Late contraction to early recovery

Strategy for early contraction and late contraction & recovery



- Income Driven Strategy:
 - Take profits in portfolio & don't focus on coupons – focus on YTM
 - Extend Duration – review and purge any low credit exposure under pressure
 - Diversify Portfolio – Add Spread Product – Tactical Allocation is important
 - Add Spread Products (IG Corporates, ABS, Municipals)
 - Add Amortizing Securities (CF in anticipation of Higher rates)
 - Yield Curve Roll Down – Riding the Yield Curve
 - Steep Yield Curve
 - Works well in stable environment

Not All Credit is the Same



- Why is this?
 - Can't just rely on the credit agency ratings
 - Valuations often adjust prior to credit ratings
 - Ratings reflect - probability of default but not loss severity of default
 - Difficult to predict credit-negative outcomes (ie: litigation, natural disaster, pandemic)
 - Complex Corporate Structures:
 - Parent Holding companies operating multiple subsidiaries
 - Holding company structurally subordinated to subsidiary debt
 - More diverse assets & earning streams
 - Parent appears to have higher effective credit rating than subsidiary
 - Priority of claims in bankruptcy not always absolute
 - Bonds are contract – company's duty to bondholders and creditors is limited to the terms of the contract

The 5 C' Credit Analysis



Character *Who are you and do you know what you're doing?*



Capacity *Do you have the cash flow to pay back the debt?*



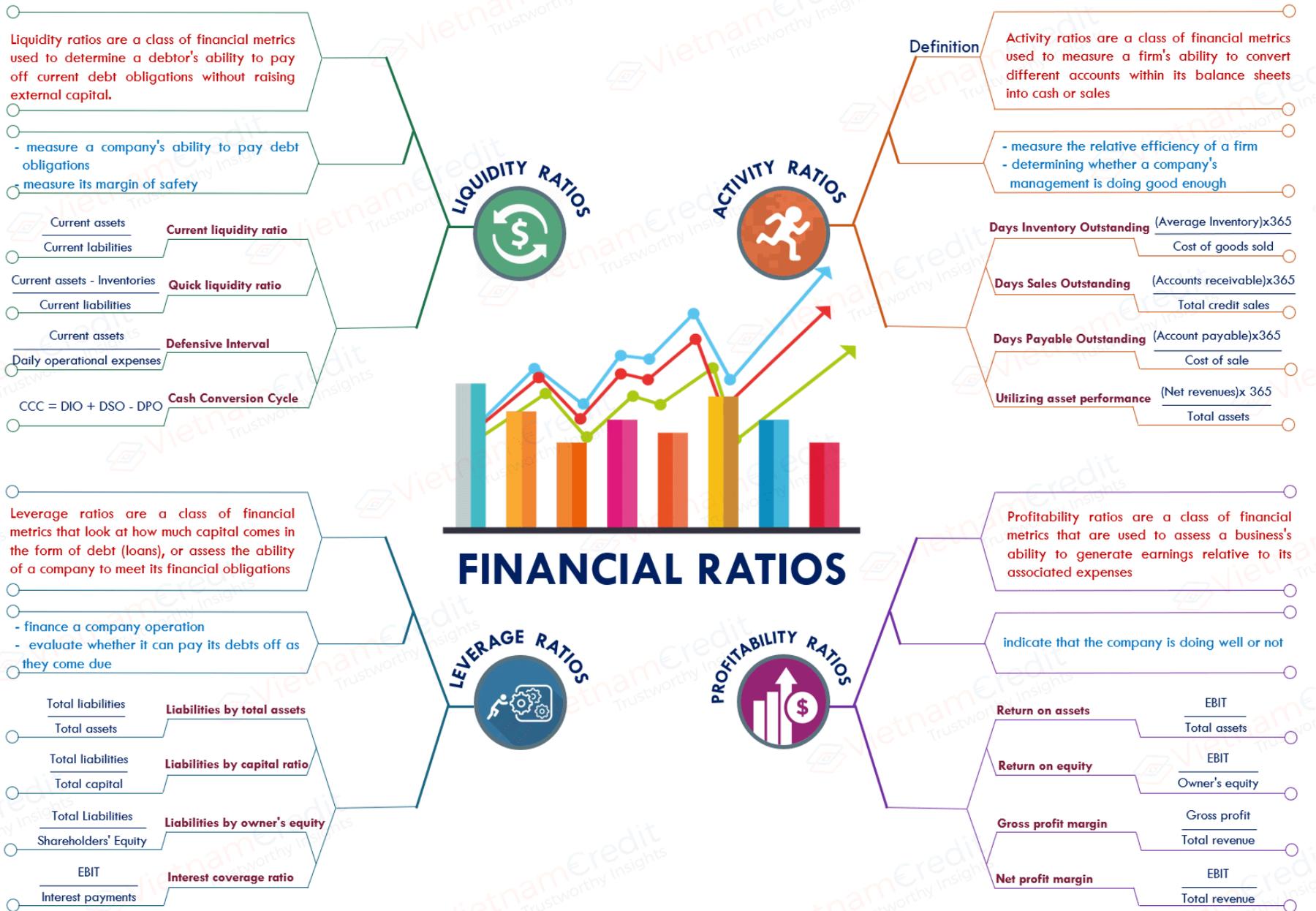
Commitment *How much cash are you putting in?*



Collateral *How do we get our money back if it all goes wrong?*



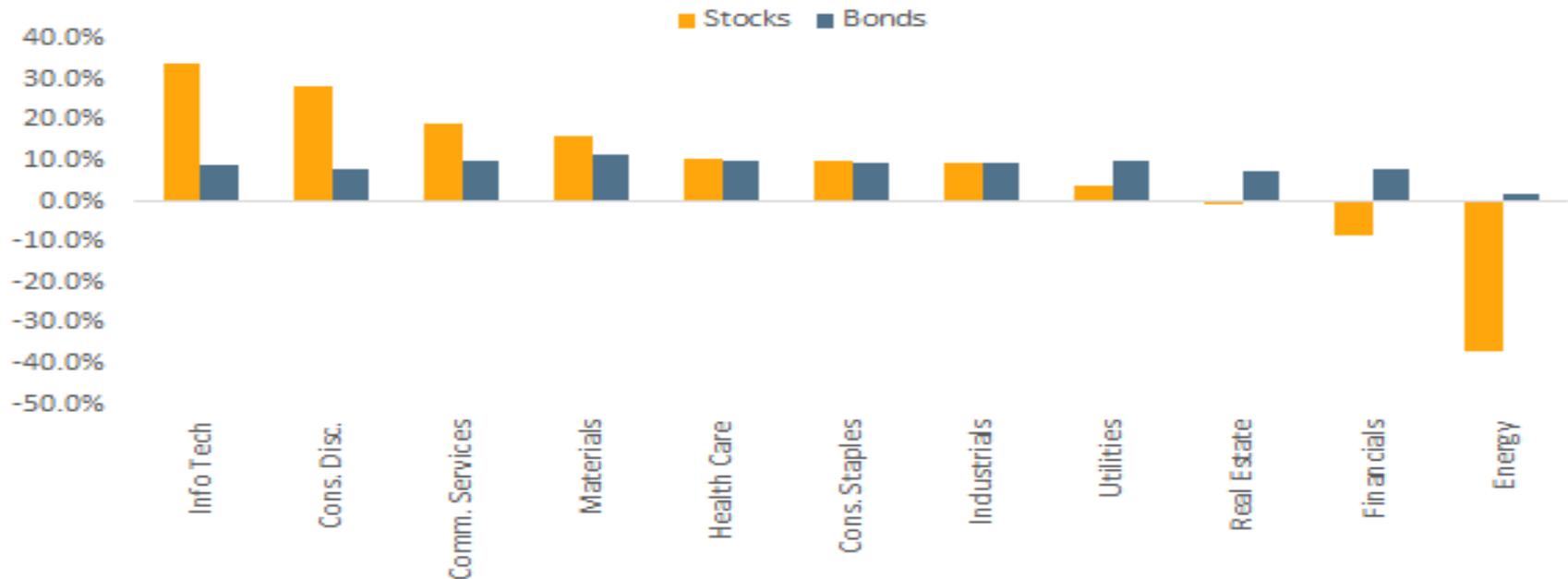
Conditions *Can the business operate in the current market?*



S & P 500 vs US IG Bond Market

- The S & P 500 returned 13.6% YTD in total return to 8.13% for the US IG ICE BofA ML Index.
- Financials and Energy are the only negative return sectors for equity, while Info and Tech has outperformed the most. All S & P 500 bond sectors posted positive returns with Energy lagging the most.

US Equity vs Bond YTD Total Return by Sector



Source: CreditSights, S&P Indices

Credit Market Snapshot (11/12/20)

Spread Changes and Returns

Spread and Returns Summary									
	OAS (bp)		Spread Changes			Excess Returns (%)		Total Return (%)	
	Current	1D	WTD	MTD	YTD	MTD	YTD	MTD	YTD
Investment Grade	121	3	-6	-12	20	1.31%	-1.4 %	1.25%	7.76%
AAA	66	2	-1	-6	14	1.08%	-1.76 %	0.99%	10.31%
AA	74	2	-4	-7	21	1.04%	-1.02 %	0.97%	7.74%
A	90	2	-4	-9	14	0.99%	-0.87 %	0.92%	8.27%
BBB	154	2	-8	-17	24	1.62%	-1.88 %	1.56%	7.25%
1-3 Year	58	2	-2	-6	8	0.15%	0.62 %	0.11%	3.7%
3-5 Year	91	1	-4	-9	16	0.42%	0.53 %	0.37%	6.13%
5-7 Year	104	2	-6	-12	17	0.73%	0.18 %	0.68%	7.92%
7-10 Year	129	2	-6	-15	19	1.19%	-1.17 %	1.13%	8.31%
10+ Year	167	3	-8	-17	22	2.57%	-4.79 %	2.47%	10.34%
High Yield	462	25	3	-63	102	2.66%	-2.53 %	2.62%	2.8%
BB	328	21	5	-57	126	2.43%	-0.05 %	2.38%	5.7%
B	493	32	9	-61	137	2.39%	-4.16 %	2.35%	0.84%
CCC	1004	20	-38	-126	-4	4.58%	-8.7 %	4.54%	-3.9%

Source: CreditSights, BofA/ML. as of 11/12/2020

Consumer Goods Performance 2020

Consumer Goods 2020 Performance													
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2020
Recommendation	O/P	O/P	O/P	O/P	O/P	O/P	O/P	O/P	O/P	O/P			
Total Return													
Consumer Goods	2.78%	0.98%	-6.66%	5.48%	1.63%	2.08%	3.37%	-1.65%	0.00%	-0.13%			7.66%
US Corporate	2.38%	1.27%	-7.47%	5.27%	1.74%	2.02%	3.15%	-1.15%	-0.26%	-0.17%			6.43%
Sector Performance	0.40%	-0.30%	0.82%	0.21%	-0.11%	0.07%	0.22%	-0.49%	0.26%	0.04%			1.23%
Excess Return													
Consumer Goods	-0.50%	-2.45%	-10.51%	4.92%	2.00%	1.99%	1.95%	-0.02%	-0.22%	1.19%			-2.11%
US Corporate	-0.64%	-1.90%	-11.14%	4.75%	2.03%	1.92%	1.88%	0.28%	-0.46%	1.04%			-2.79%
Sector Performance	0.14%	-0.55%	0.64%	0.17%	-0.03%	0.07%	0.07%	-0.30%	0.25%	0.15%			0.69%
Change in Spreads (excluding rebalancing impacts)													
Consumer Goods	4	29	142	-77	-29	-21	-18	-2	3	-13			18
US Corporate	6	22	171	-76	-34	-25	-20	-5	7	-12			34
Duration													
Consumer Goods	8.53	8.48	8.02	8.60	8.56	8.85	9.15	8.93	8.94	8.82			
US Corporate	7.83	7.83	7.51	7.99	7.94	8.22	8.45	8.33	8.33	8.21			
OAS Levels													2020 Δ
US Corporate	109	131	305	217	185	160	141	136	144	133			32
Consumer Index	99	118	243	178	152	136	120	118	122	112			21
Consumer Goods	104	126	268	191	162	141	124	123	128	116			17
0%	AAA Rated	-	-	-	-	-	-	-	-	-			
8%	AA Rated	42	52	150	86	93	68	54	58	60			24
35%	A Rated	64	78	195	135	123	105	90	94	99			25
57%	BBB Rated	116	145	303	222	206	182	153	152	151			26
15%	1-3 Years	40	52	234	119	78	62	51	46	49			5
13%	3-5 Years	53	68	231	140	110	87	67	63	69			4
13%	5-7 Years	73	93	236	162	129	102	84	85	93			11
17%	7-10 Years	92	112	271	201	198	166	131	135	130			25
41%	10+ Years	147	179	287	243	252	216	185	190	191			34

Consumer Goods Issuers (15 largest)

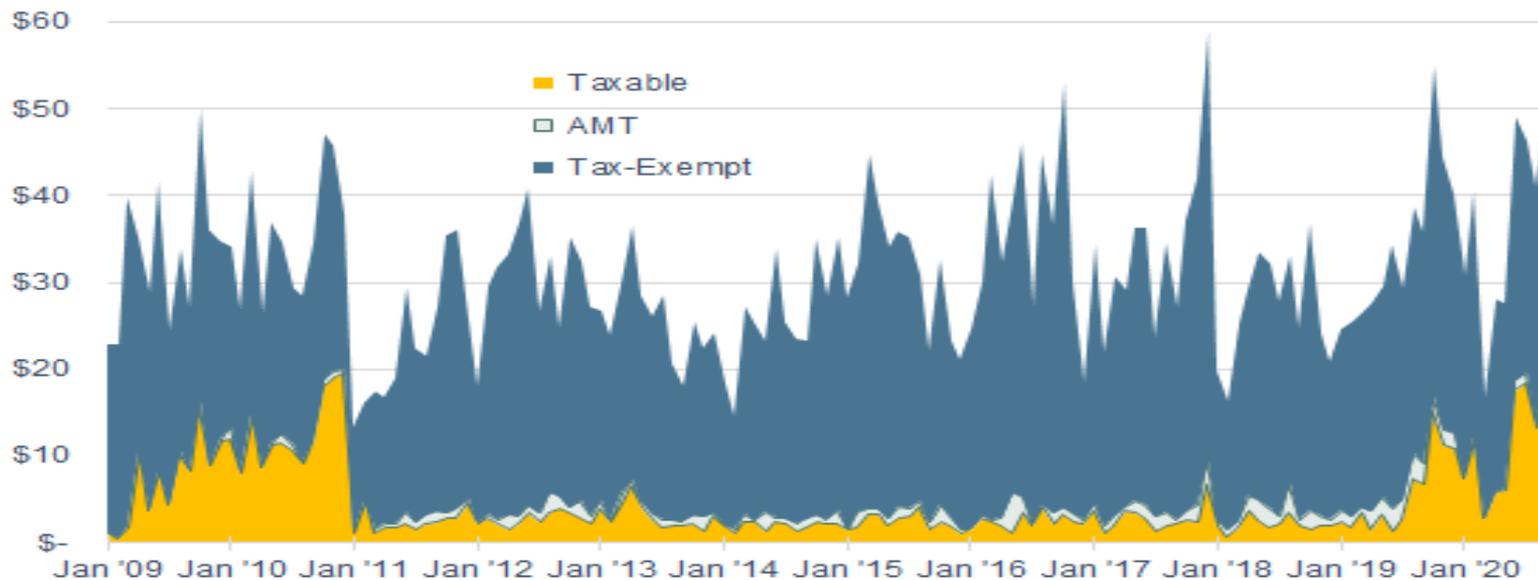
Consumer Goods - Oct. 2020 Company OAS Change (bp), Excess Return (%), and Total Return (%)											
Description	Ticker	Face Value	% MV	OAS Last	OAS Cur.	OAS Chg.	Eff Dur.	Exc. Ret.	Tot. Ret.	ER Cont.	TR Cont.
Consumer Goods	-	\$442,795	-	128	116	-11	8.8	1.19	-0.13	-	-
Anheuser-Busch Companies LLC/	ABIBB	\$62,073	15%	187	171	-16	12.3	2.05	0.11	0.31	0.02
B.A.T. Capital Corporation	BATSLN	\$36,350	8%	189	174	-15	7.9	1.08	-0.07	0.08	-0.01
Pepsico Inc	PEP	\$30,043	7%	80	71	-10	10.2	1.32	-0.22	0.09	-0.02
Altria Group Inc.	MO	\$22,500	5%	181	172	-9	9.4	1.15	-0.27	0.06	-0.01
The Coca-Cola Company	KO	\$23,004	5%	67	56	-11	9.3	1.13	-0.28	0.05	-0.01
Philip Morris International Inc.	PM	\$18,800	4%	107	96	-11	7.9	1.01	-0.13	0.04	-0.01
The Procter & Gamble Company	PG	\$13,410	3%	56	46	-9	8.2	1.23	-0.04	0.04	0.00
Keurig Dr Pepper Inc	KDP	\$11,335	3%	111	100	-10	7.8	1.03	-0.09	0.03	0.00
Nestle Holdings Inc.	NESNVX	\$11,000	2%	71	65	-6	9.3	0.69	-0.70	0.02	-0.02
Sysco Corporation	SY Y	\$10,334	2%	202	180	-22	9.6	2.34	0.88	0.06	0.02
Unilever Capital Corporation	UNANA	\$10,650	2%	55	50	-5	5.3	0.36	-0.34	0.01	-0.01
Constellation Brands Inc.	STZ	\$10,050	2%	116	102	-13	7.6	1.30	0.22	0.03	0.01
Mondelez International Holdings Ne	MDLZ	\$10,581	2%	68	75	6	5.6	-0.56	-1.34	-0.01	-0.03
Diageo Capital plc	DGELN	\$9,750	2%	88	79	-9	7.1	0.83	-0.24	0.02	-0.01
Tyson Foods Inc.	TSN	\$9,050	2%	115	105	-10	8.9	0.92	-0.39	0.02	-0.01
All Others	-	\$153,865	34%	120	109	-11	8.0	1.02	-0.14	0.35	-0.05

Source: CreditSights, BofA/ML Indices. Note: Largest 15 names shown. Metrics calculated using market value average of all company bonds

Taxable Municipals: Supply Update

- Advanced refunds of municipal issues that are callable over 90-days must be refunded with taxable pieces which are causing the increase in issuance.
- YTD taxable muni issuance has more than tripled while tax-exempt is actually down by 1%.
- Approximately 60% of this year's taxable municipal issuance has been for refunding older bonds, and an additional 14% were for new money and refunding combined.
- Muni bond mutual funds added \$4.6 billion in net new assets in September, however fund flows turned negative for the week ended 9/30.
- 30-Day visible supply is around \$28 billion.

Monthly Long-Term Municipal Market Borrowing by Federal Tax Status



In billions. Tax-Exempt includes Bank Qualified. Source: CreditSights, Bloomberg. As of September 30, 2020.

Municipal Bond Yield Comparison

Yield Comparisons as of Friday, November 13 vs Friday, November 6											
	Issuer	1-Yr Mty		2-Yr Mty		5-Yr Mty		10-Yr Mty		30-Yr Mty	
		11/13/20	Δ (bp)	11/13/20	Δ (bp)	11/13/20	Δ (bp)	11/13/20	Δ (bp)	11/13/20	Δ (bp)
	US Treasury	0.12%	unch	0.18%	+3	0.41%	+5	0.90%	+8	1.65%	+5
Muni	AAA	0.17%	+1	0.18%	+	0.29%	+	0.83%	+	1.64%	-
	G.O. AA	0.32%	+2	0.34%	+1	0.51%	+1	1.10%	+1	1.85%	-2
	G.O. A	0.40%	-24	0.42%	-24	0.58%	-23	1.16%	-24	1.99%	-19
	G.O. BBB	1.02%	+1	1.04%	+1	1.19%	+	1.77%	+	2.62%	-1
	Revenue AAA	0.19%	+	0.21%	-1	0.35%	-1	0.92%	-1	1.68%	-9
	Revenue AA	0.32%	+4	0.34%	+3	0.52%	+5	1.11%	+4	1.94%	-20
	Revenue A	0.60%	+5	0.63%	+4	0.86%	+3	1.56%	+2	2.45%	-3
Taxable Muni	G.O. AAA	0.27%	-5	0.32%	-10	0.77%	-11	1.66%	-3	2.66%	-16
	G.O. AA	0.42%	-5	0.50%	-8	0.91%	-19	1.73%	-20	2.79%	-8
	G.O. A	0.63%	-2	0.72%	-1	1.18%	-8	2.00%	-9	2.89%	-9
	Revenue AAA	0.30%	+1	0.44%	+4	0.86%	+3	1.61%	-5	2.74%	+6
	Revenue AA	0.70%	+8	0.76%	+4	1.10%	-4	1.94%	-2	2.86%	-8
	Revenue A	0.70%	-2	0.78%	-1	1.17%	-4	1.87%	-6	2.80%	-7
	Revenue BBB	1.78%	-3	1.84%	-2	2.14%	-5	2.67%	-6	3.51%	-8
Corp	AA	0.26%	+2	0.34%	+3	0.76%	+5	1.56%	+4	2.65%	+3
	A	0.30%	+2	0.41%	+3	0.89%	+4	1.71%	+4	2.74%	+
	BBB	0.59%	+2	0.72%	+3	1.24%	+4	2.15%	+3	3.10%	+1
State G.O.	California	0.23%	+5	0.25%	+4	0.37%	-1	0.98%	+2	1.83%	-6
	Florida	0.21%	-3	0.23%	-2	0.37%	+5	0.91%	+9	1.67%	-8
	Georgia	0.22%	+	0.22%	-	0.31%	+1	0.84%	+4	1.61%	-2
	Illinois	1.85%	+78	2.23%	+79	3.26%	+74	3.94%	+22	4.43%	+3
	Michigan	0.51%	+7	0.52%	+6	0.63%	+6	1.03%	+1	1.71%	+9
	New York	0.16%	+6	0.18%	+3	0.32%	-3	0.86%	+3	1.68%	+2
	Ohio	0.21%	-3	0.24%	-2	0.36%	-	0.90%	+	1.72%	+7
	Pennsylvania	0.23%	-5	0.26%	-4	0.47%	+2	1.13%	-	1.93%	+3
	Texas	0.19%	+3	0.20%	+1	0.37%	+3	0.95%	+2	1.55%	-5

Indicative bond yields as of close 11/13/20. Source: CreditSights, Bloomberg.

Municipal Bond Market Update

Select Index Data as of October 31, 2020

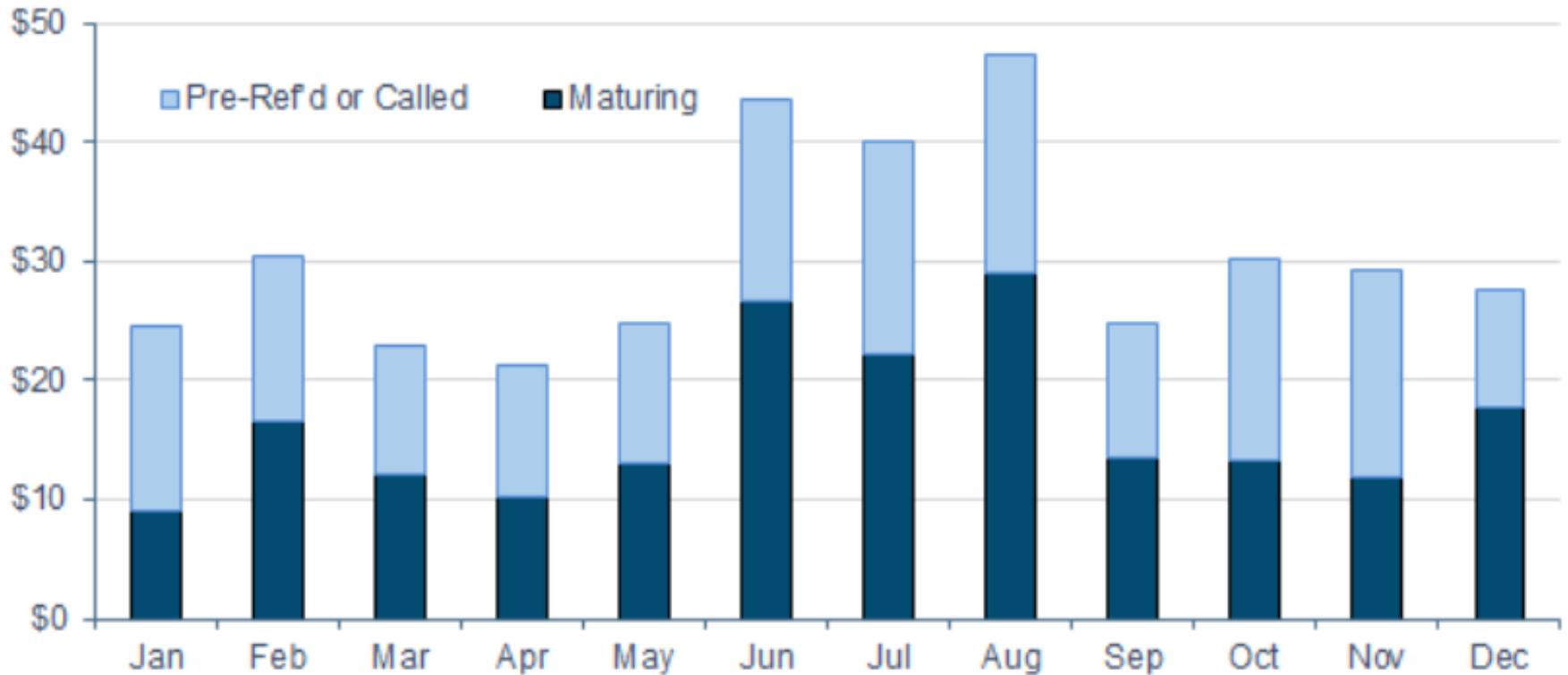
	Index	Effective Yield	Effective Duration	Wtd Coupon	Compos Rating	YTD Return		
						Price	Income	Total
Muni	Muni Index	1.79%	6.8	4.52	AA3	-0.43%	+3.40%	+2.98%
	Taxable Muni	2.73%	11.4	5.05	AA3	+3.93%	+3.56%	+7.50%
	Cash	0.09%	0.2	-	AAA	N/A	N/A	+0.53%
	UST Index	0.61%	7.4	2.11	AAA	+6.28%	+1.84%	+8.12%
	Corp Index	2.08%	8.3	3.85	A3	+3.33%	+3.10%	+6.43%
By Ratings	AAA	1.31%	6.6	4.47	AAA	+0.59%	+3.31%	+3.90%
	AA	1.53%	6.5	4.53	AA2	+0.00%	+3.37%	+3.37%
	A	2.14%	7.2	4.59	A2	-0.93%	+3.47%	+2.54%
	BBB	2.94%	7.3	4.41	BBB2	-2.65%	+3.53%	+0.88%
	High Yield	3.98%	5.9	5.21	B1	-2.91%	+4.20%	+1.29%
By Maturity	1-3 Yrs	0.44%	1.8	4.79	AA2	-1.86%	+3.71%	+1.85%
	3-7 Yrs	0.77%	3.8	4.78	AA2	-0.41%	+3.47%	+3.06%
	7-12 Yrs	1.58%	5.6	4.65	AA3	-0.20%	+3.34%	+3.14%
	12-22 Yrs	2.36%	7.8	4.39	AA3	-0.17%	+3.33%	+3.16%
	22+ Yrs	2.58%	10.5	4.33	AA3	-0.27%	+3.34%	+3.07%

As of 10/31/20. Sources: CreditSights, ICE BofAML Indices. Period to date returns are not annualized.

Municipal Redemptions Update

2020 Municipal Bond Redemptions (\$ bn)

Estimated monthly maturing, pre-refunded and called volume



Updated October 27, 2020. Sources: CreditSights, Bloomberg. Pre-Ref'd or Called includes bonds with mandatory tenders.



CONCLUSION

- Central Banks have driven real rates below zero – pushing the investor into riskier assets to achieve yield – proceed cautiously & know what you are buying
- Remember no all credits are equal – tactical allocation & security selection are critical
- Strategically – Optimize your cash strategy, Implement Income driven strategy, & diversify credit & spread risk

Questions



Presenter's Bio



M. Brent Wertz
Managing Partner
24 Years Investment Experience

Brent Wertz is the Managing Partner at Water Walker Investments. Brent provides strategic leadership for the company and is responsible for overseeing all aspects of the firm's investment process. He heads implementation of the firm's investment strategies and portfolio risk management. He serves on the firm's investment and credit committees.

Brent started Water Walker based on his experience serving as a consultant to special taxing districts throughout the State of Florida assisting these districts in bond offerings, assessment allocation, and collections as well as assisting District Managers with treasury management.

Brent is a graduate of Virginia Military Institute with a B.A., Economics. Brent received his Master's in Business Administration from the University of Tampa

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