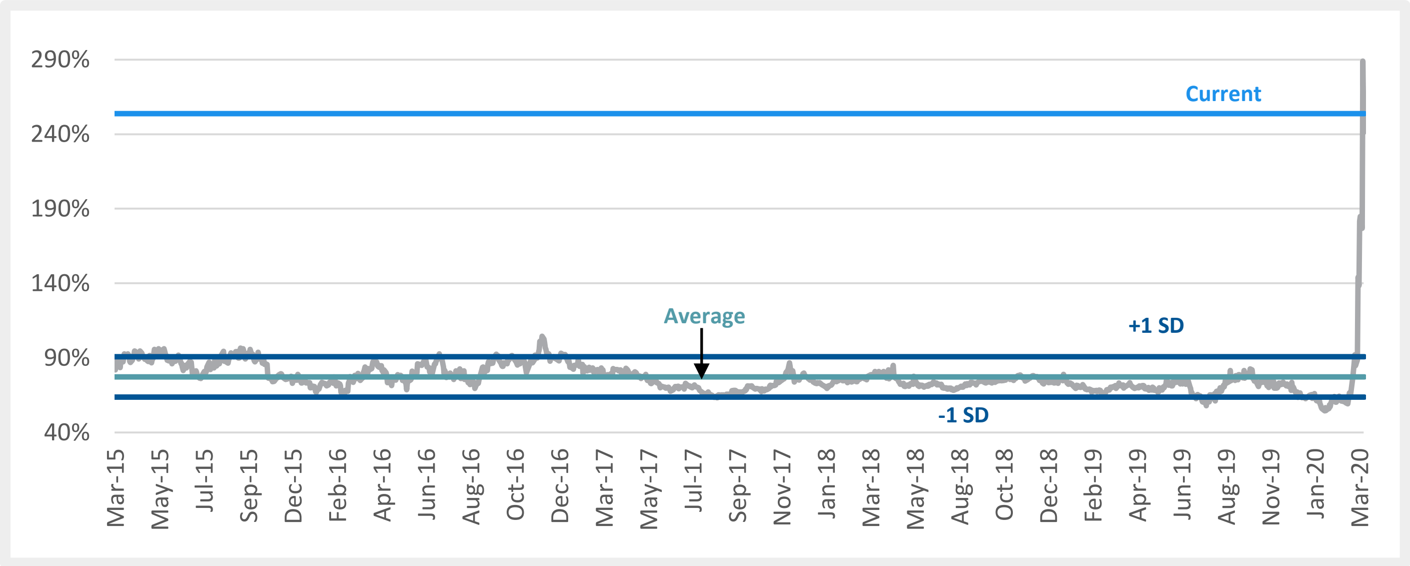
Update: Municipal Market Volatility and Liquidity Amid COVID-19

As of March 19, 2020

Given the continued market volatility, we want to make sure we continue providing clients with regular updates on the state of the municipal bond market. Please see below the market update compiled from our trading and portfolio management teams:

- Municipals continue to cheapen today by approximately 50 basis points across the curve and are drastically underperforming Treasuries, which are up about 5 basis points for the day.
- A massive flight to safety has resulted in Treasury bills showing negative yields out through 6 months.
- Dealers are still risk averse as volatility remains extreme and markets behave abnormally. Their risk departments are tapping traders on the shoulder to sell positions and lighten up on inventory.
- Large mutual fund complexes' redemptions continue, as mutual funds keep selling their most liquid holdings such as VRDNs and pre-refunded bonds.
- Dealers are holding large amounts of VRDNs tendered by funds, but with so many other opportunities buyers have been limited yet they are contractually required to set the rates at market clearing levels. For this reason, dealers are setting rates at higher levels where they think the balances will clear quickly. Over the last week, coupons for General Market VRDNS went from 1% to 8%.
- Fund flows, as reported by EPFR, indicate about $11 billion in outflows over the last 7 days.
- There is significant dislocation in bid wanted sales. Prior to this crisis, the municipal market would see $750 million out for the bid on a typical day. These past few days the bid lists have increased to $2 billion, and today they totaled $4.5 billion – with virtually no one buying. Ratios across the curve remain at elevated levels – with front end ratios north of 300%.
- Dealers are experiencing stress all the way through their back office, and trade fails have increased because so many people working remotely is putting stress on company infrastructures. Today, a large municipal dealer had a confirmed case of COVID-19 on the NJ trading desk where half their trading team was working. They shut down the desk and all traders went home in the middle of a big bid wanted list, this further hurt liquidity.

5 Year AAA Muni / Treasury Ratio



AAA Muni / Treasury Ratio By Maturity

	1 YR
Current	1429%
Average	75%
Std Dev	44%
Minimum	42%
Maximum	1426%

	3 YR
Current	356%
Average	77%
Std Dev	17%
Minimum	56%
Maximum	356%

	5 YR
Current	254%
Average	77%
Std Dev	14%
Minimum	55%
Maximum	289%

	10 YR
Current	187%
Average	89%
Std Dev	11%
Minimum	69%
Maximum	234%

Source: Thomson and JP Morgan as of March 19, 2020.

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Investment Company Strategy (Closed-End Funds)

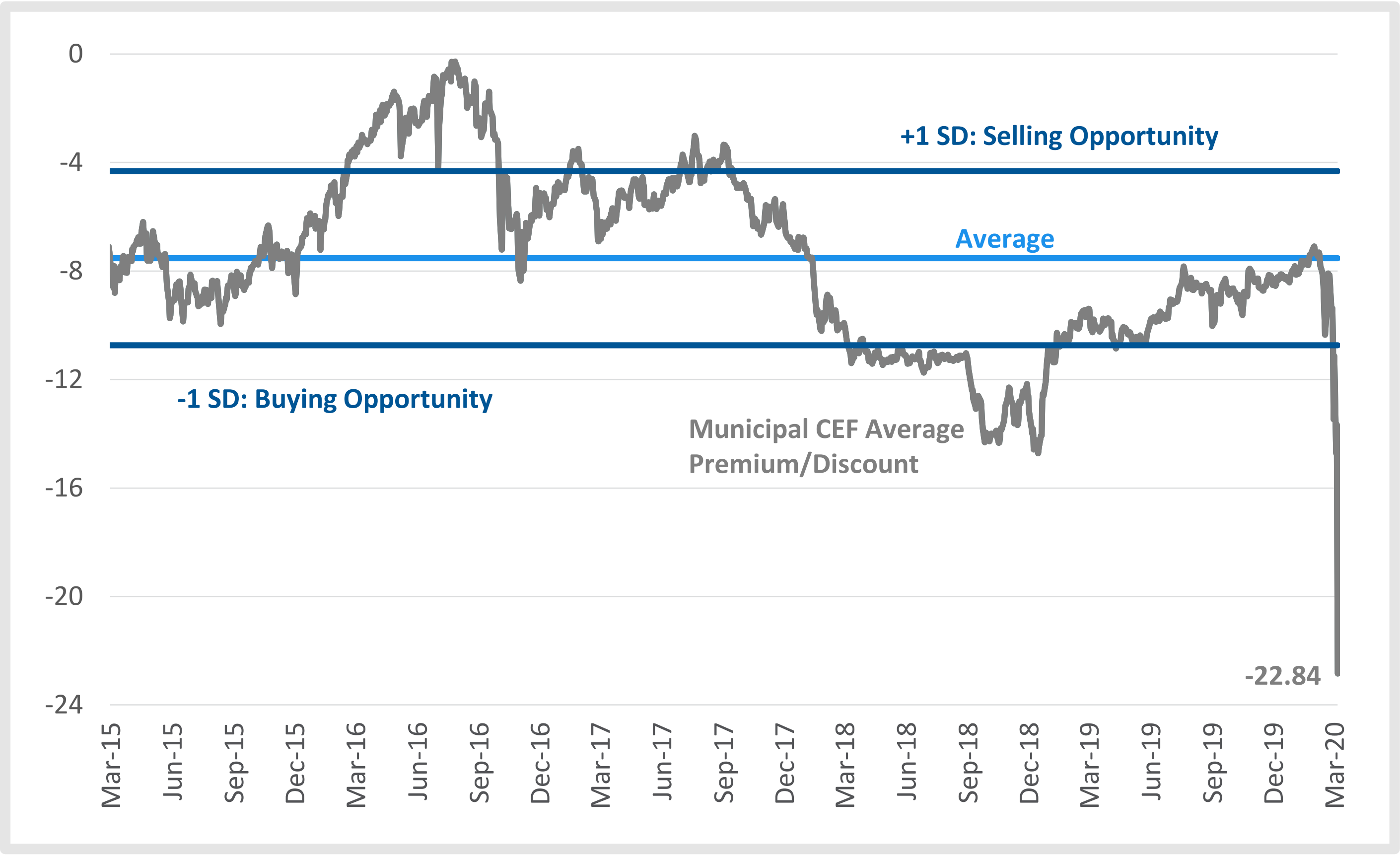
Although Closed-End Funds are not subject to direct redemption pressure, the deterioration in trading conditions and selling from investors have put significant pressure on discounts. Below is a snapshot of our Investment Company (ICS) Strategies as of yesterday's close:

	Discounts	Dividend Yield
Municipal ICS	22.53	5.33%
Taxable ICS	21.18	11.20%

Source: Fiera Capital as of 3/19/2020. Past performance is not a guarantee of future results. The current allocation is a pro forma calculation that is based on the current holdings and weightings of the strategy and does not represent performance for the composite or a client's account.

5 Year Average Premium/Discount & Standard Deviation of The Municipal ICS Strategy

Discounts Below -1 SD Have Historically Been a Buy Signal



Sources: Morningstar, Bloomberg, Investment Company Institute, Fiera Capital. As of March 19, 2020. Past performance is not indicative of future results. Inherent in any investment is the potential for loss

We believe this may prove to be another good buying opportunity for long-term investors that can handle the volatility.

Important Disclosures

GENERAL DISCLOSURES

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