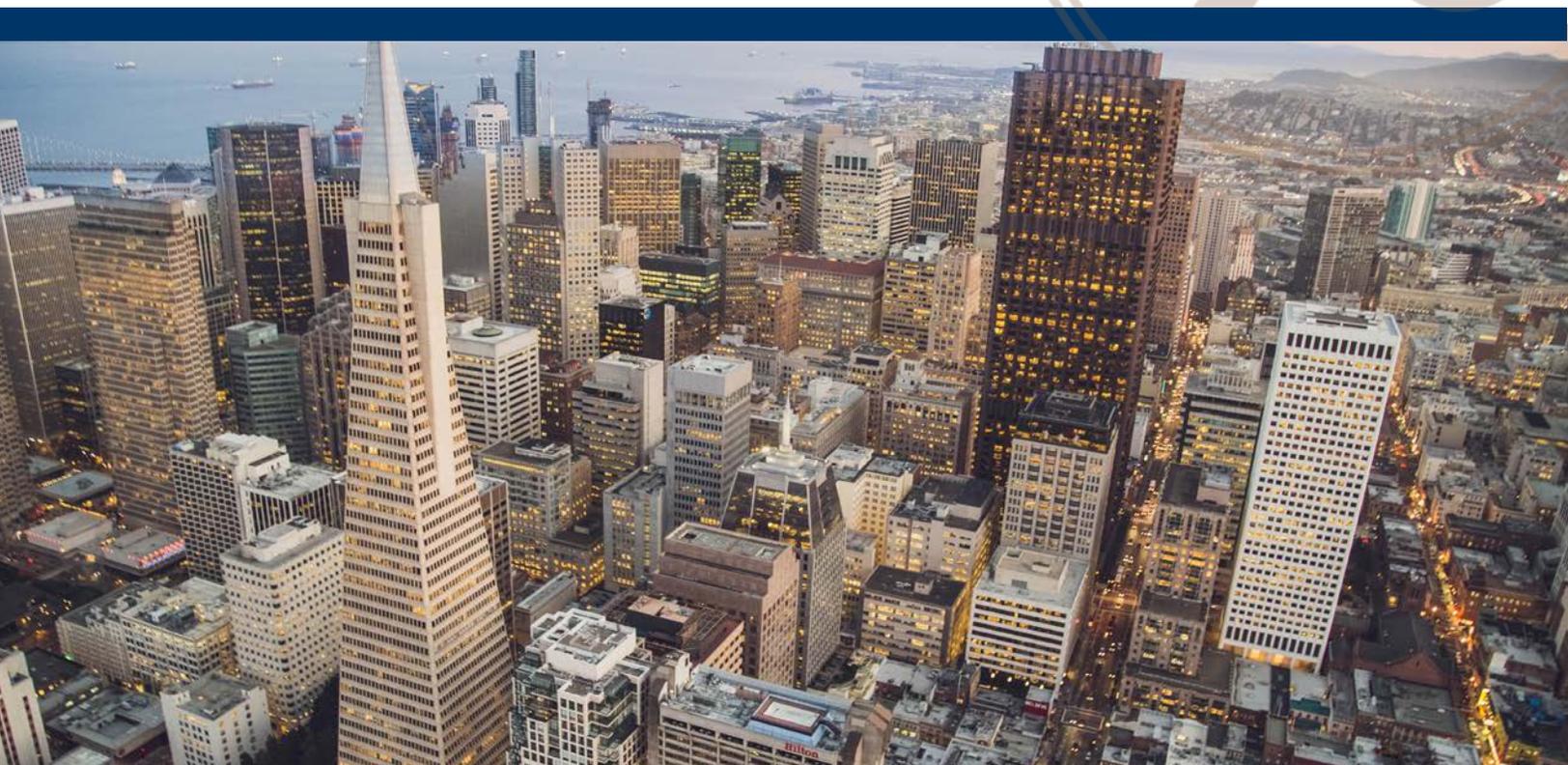


# MUNIWATCH

## FIXED INCOME MARKET UPDATE



The Municipal curve steepened in September, with yields on the short end essentially flat and 10+ year yields higher by 5-6 basis points (bps). Inflows into Muni Mutual Funds continued, with an additional \$6 billion added this month. With rates so low, the market appears to be reaching for yield and focusing on lower-rated credits, resulting in spreads continuing to fall. We expect new issuance to pick up prior to the election and the market's focus to remain on these lower-rated issuers, presenting a good opportunity to invest in the higher-grade sectors and credits that we prefer.

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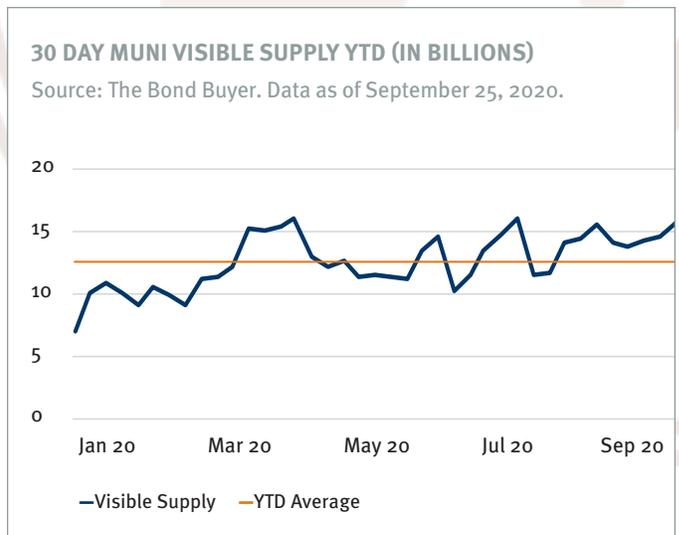
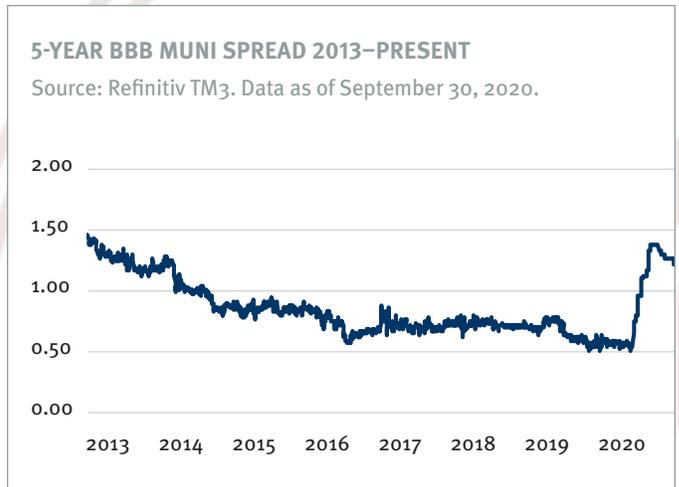
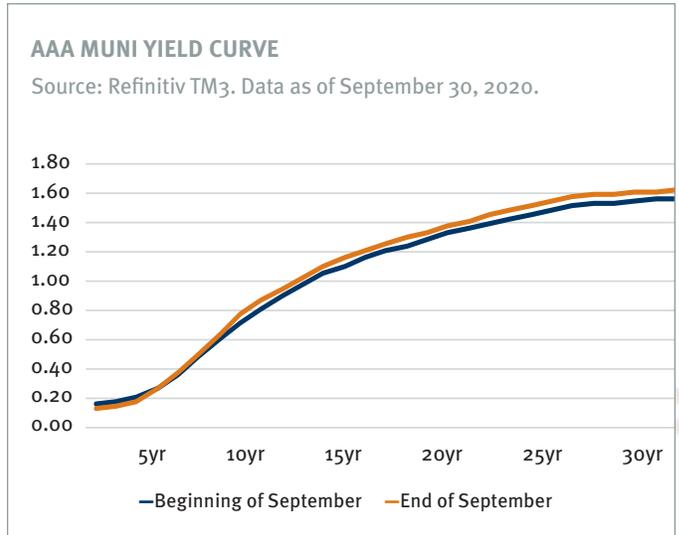


**Muni Curve Steepens**

While the short end of the curve was virtually unchanged, yields on 10+ year Munis rose by 5-6 bps in September (graph, top-right). Although net inflows continued (\$6 billion in September, according to Lipper), the market seemed to experience some fatigue due to low absolute rates and funds actually saw outflows in the last week of the month, breaking a streak of 19 consecutive weeks of inflows. We continue to find opportunity in the 6-12 year area, where the curve is steepest.

**Spreads Continue to Narrow while Supply Increases**

With rates so low, the market continues to reach for yield and focus on lower-rated credits, resulting in spreads continuing to narrow (graph, middle-right). With a wide range of issuers rushing to market prior to the election, as evidenced by the rising 30 Day Visible Supply (graph, bottom-right), we expect the market to continue its reach for yield and focus on lower-rated credits, which should present a good opportunity to invest in our favored higher-grade sectors and credits. We believe that underlying risks still exist in the market and continue to take a cautious approach, emphasizing careful sector and individual credit selection.



## SEPARATELY MANAGED ACCOUNTS PROFESSIONAL PORTFOLIO MANAGEMENT

Washington Crossing Advisors' separately managed account programs provide investors with access to the management team who for the past 20 years have worked together as market strategists and portfolio managers.

In addition, since these programs are offered only through investment professionals, financial advisors can provide individualized monitoring of portfolio manager performance.

### Portfolio Customization

Separate accounts can be tailored to address individual investors' needs — focusing on risk tolerance and long-term investment objectives. Investors can specify certain parameters to customize their accounts, such as excluding certain securities or sectors, due to social, political or environmental concerns, and managing the portfolio to help reduce tax liabilities.

### Individual Security Ownership

Ownership has its privileges: investors own each individual security held in a separate account. Sell decisions are made by portfolio management based on the investment portfolio and are not affected by the redemption needs of anyone except the individual account owner.

### Tax Advantages

When investing through a separately managed account, investors pay taxes only on the capital gains that they actually realize. Individual securities in the account are owned directly, allowing investors to work with their tax advisor and financial advisor to implement tax-efficient investing strategies.

## FEATURED STRATEGY

### 1-10 Year Municipal Ladder (BPGCMT)

The Washington Crossing Advisors' Laddered Municipal Bond SMA Portfolio offers investors better control over exposure to interest rate risk, predictable cash flow, and the opportunity to help manage an everchanging interest rate environment.

### Philosophy

We believe that stable long-term returns are achieved through bottom-up credit research and issuer diversification.

### Process

The securities chosen for the Washington Crossing Advisors' Laddered Municipal Bond SMA Portfolio undergo a thorough selection process. The portfolio management team emphasizes fundamental analysis and employs a disciplined review process that focuses on a comprehensive analysis of the issuer's creditworthiness, valuation, liquidity, and each bond's unique factor footprint.

### Buy/Sell Discipline

Positions are sold if our evaluation of credit quality deteriorates and/or the risk of a potential rating downgrade increases.

### Construction

The Washington Crossing Advisors' Laddered Municipal Bond SMA Portfolio will invest in investment grade municipal fixed-income securities laddered across consecutive maturities from one to ten years. When a bond matures, it will be replaced with a bond having the longest maturity in the strategy's range. The portfolio may invest in callable bonds, which if called prior to maturity, will generate a need to reinvest in a manner that will maintain the composition and risk profile of the portfolio.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, and you cannot invest directly in an index.

Bond laddering does not assure a profit or protect against loss in a declining market. Yields and market values will fluctuate, and if sold prior to maturity, bonds may be worth more or less than the original investment. Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher-quality bonds. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. Equity investments are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors to varying degrees. Fixed Income investments are subject to market, market liquidity, issuer, investment style, interest rate, credit quality, and call risks, among other factors to varying degrees.

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**About Washington Crossing Advisors** | Washington Crossing Advisors is a registered investment advisor and wholly-owned subsidiary of Stifel Financial Corp. WCA helps supervise and manage over \$5 billion in discretionary assets for individuals and institutions. Proprietary strategies include equity, fixed income, balanced, and asset allocation.

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