



Sometimes We All Feel Like Nik Wallenda (6/27/13)

In RSW's opinion, the municipal bond market seems to be in the process of bottoming now.

- No different than Nik Wallenda on a high wire, a disciplined game plan and long-term approach are necessary to ensure that you can arrive safely on the other side.
- It is too easy during times of maximum pain to join in with the crowd and buy or sell any security simply because prices are rapidly rising or falling or are headlined by the media.
- As money managers and investors, even as we keep our wits about us, we too might have to “take a knee” to collect ourselves.
- Over long periods of time, the municipal bond market has been valued (and should continue to be) for its long term safety, tax-exempt income and relative stability of principal.
- Unfortunately, the walk to point B from A is not always comfortable. At RSW, we have recently invested through several periods of “high winds” (2008, 2010, and 2013) on our walk to the other side.
- Our job as bond managers is to assess the current risk to reward in the marketplace and implement a disciplined and methodical approach that can enhance portfolio return over long periods of time.

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- The 72 hours of illiquidity that recently gripped the municipal bond market is starting to dissipate.
- Buyers are now emerging to capitalize on the relative attractiveness of the municipal asset class versus other fixed income securities.
- We believe the recent selling in the marketplace was indiscriminate, and a period of illiquidity exaggerated the move in price.



- Historically, when the market reverses course and yields decline, it usually does so quickly.
- Prices have now reached levels where investors actively seek to acquire bonds, issuers are reluctant to come to market, and the July effect is upon us.
- Akin to the “January Effect”, the July/August period typically marks another seasonal period of strong municipal returns.
- Investors during this period receive a heightened level of cash flow resulting from coupon income, bond calls, and maturing securities.
- Bottom line: In our opinion, the market seems to be in process of bottoming now.

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