

MONTHLY REVIEW

June 2022



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A Decade of Muni Tales & Facts

June 30, 2022 marks the 10th year MainLine West has been publishing its Municipal Monthly Reviews. It is amazing how quickly time passes by. We must have shattered some sort of record for municipal coverage and information. I am not sure how we came up with ten years' worth of information, but in this month's review you will see the topics discussed, the work involved, and a special thanks to our subscribers for their readership.

As for June, munis suffered another embarrassing month versus taxables. Is this the high-mark for yields and under performance –or– simply another “fake summit”? Early market indicators say “no”, while relative value and seasonal technicals say “yes”. So, two out of three ain't bad. *MainLine still feels today is an opportunistic time to build a tax-exempt portfolio to enjoy for years to come.*



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Muni Market Review

May looks like it was another fake summit on rates for the muni market, as June set a new high. Continued muni mutual outflows spurred on by a rise in US Treasury rates, inflation concerns, and indifference for muni value has the market in a tough place at the end of June. *MainLine remains cautiously optimistic that we are now on the summit of muni yields for the year.*

Highlights for June are as follows:

- Muni yields were higher by 13 to 37 basis points with the curve steepening.
- Taxable yields were higher 21 to 11 basis points with curve flattening.
- Issuance continues to slow down at the current higher level of rates. Total issuance is down 14% year-to-date versus 2021. Refunding is the biggest reason as it is down 38%, and new money is actually up 3%.

This remains an opportune time to buy munis. MainLine is building for clients 5-to-10-year laddered portfolios at 2.75%, 7-to-12 years at 3%, and long-term maximum yield at 4%. Let us know if we can build one for you.

MainLine is close to completing the legal and regulatory requirements for the **Taxable Arbitrage Fund**. It is the first of its kind and, therefore, has taken a bit longer to strategize and has endured more “red tape”. MainLine will look to begin presentations and fund raising in the coming months. *The Taxable Arbitrage Fund will provide investors a source of long-term high income and wealth building for IRAs and other fixed income needs.*

SPECIALISTS IN MUNICIPAL BOND INVESTMENTS



Market News & Credit Update:

The foundation of the muni market remains solid as credit news continues to be positive. Could this be the summit of this climb?

- On average, states have the largest General Fund balances ever (rainy day funds) at \$112.7 billion, up from a record level in 2021 at \$76.9 billion (47% increase). Now they are busy making plans to spend it.
- First time defaults year-to-date are at \$581 million, down 38% from last year. 76% are nursing home/senior living issuers.

MainLine West Tax Advantaged Opportunity Fund VII is fully invested, and we feel will meet its anticipated performance objectives. More details:

- Anticipated payout of 6% to 6.25%.
- Anticipated life of five to six years (June 2027-June 2028).
 - 40% of assets will be at par or close to par by the anticipated life.
- Average credit quality of AA, with all issuers providing an essential service.
 - 82% top tier rated (AAA/AA).
- Anticipated NAV opportunity of 3% to 5%.
 - Average muni yield ratio is 150%, long term is closer to 90%.

A Decade of Muni Tales & Facts:

Over 30 years ago, when I was in graduate school, there was only one chapter on muni finance in the curriculum and it was about the difference between general obligation and revenue bonds. As of June 30, 2022, MainLine will be marking its ten-year anniversary of publishing its monthly reviews. So, to think we have found something to write about munis each month for ten years would seem quite a feat, given one chapter in grad school 30 years ago.



Since July 2012, we have been sharing with you our thoughts monthly, whether you wanted them or not. No break for COVID, no break for holidays, no break because we had nothing to say (*kidding, of course*). The monthly review started out as a way to educate MainLine investors about the municipal market and its performance. It has grown into a communication tool, not only to share market thoughts, but to conduct in-depth research, explore investment theories, share opinions, and sometimes have a little fun. We have always been honest and tried to look at things from both sides. I dare you to guess my political affiliation.



The monthly reviews have ranged in topics, but we can categorize them as follows:

- **Market Outlook** – MainLine’s forecast for market performance and events in the muni market.
- **Research** – MainLine features a theory or possible event and how it could impact the muni market.
- **Credit Quality**– MainLine analyzes a recent topic or entity and the credit quality implications in the muni market.
- **Investment Strategy** – MainLine focuses on opportunities and ways to attain value or avoid losses in the muni market.
- **Fund Focus** – A series of studies focused on the Family of Funds concerning risks, return attributes, and their strategic design.
- **Misc** – Review on several topics at a time, MainLine specific items, or information unrelated to munis.

The chart below identifies the breakdown by topic over the ten years of monthly reviews:

Topic	# Monthly	% Monthly
Investment Strategy	35	30%
Research	27	23%
Credit Quality	23	20%
Misc	14	12%
Market Outlook	12	10%
Fund Focus	5	4%

A few monthly review facts:

- We distribute the monthly review to over 250 individuals. Some are fund investors, some are SMA clients, and some are recipients who simply want our opinion.
 - Roughly 50% each month open it. Experts say that is good (anything over 30%). Yes, we know who you are.
- A total of 116 reviews have been written. *(Yes, that means we took four months off.)*
- Recipients of the monthly review are contacts we have made, ranging from SMA clients, Fund investors and those we hope will one day be one or the other, or both. We do not distribute it publicly or randomly.
- We are always open for ideas, if you have one. There has been numerous times an investor has asked us a thought-provoking question and it ended up becoming a monthly review.
- We estimate that we have used the word “Swan” (Sleep Well At Night) 211 times, give or take 100, but who’s counting?
- We did get busted once for using an “unapproved” image. Cost us \$500. *(It wasn’t even a good photograph.)*



Conclusions:

- A big thank you to you, our clients and readers. Your feedback, candid remarks, and interest has continued to motivate us to explore topics and ideas to share. I have learned a great deal writing these monthlies which, in turn, has allowed us to achieve better performance. The Opportunity Funds would not have the track record they have enjoyed without my spending days each month diving deeper into munis -- sometimes finding good stuff, sometimes finding things I wish I did not see. All of it is part of the learning process. I have been learning for over 25 years now -- the last 10 with you.
- A big thanks to my MainLine West partners Paul and Brad for the hours they spend each month reviewing and trying to understand what I am trying to convey. My English teachers back in my younger school days would wonder how you could still be sane while, at the same time, know what I am trying to say.
- We are looking forward to another ten years of exploring the muni market and, hopefully, teaching our investors what we learn. We will see if we can find another 120 topics to explore.
- Below is a "catalog" for the monthly reviews by release month. If you see one you would like us to send out to you, let us know. We would be glad to share.

Cheers to MainLine and its loyal clients!

This document is for informational purposes only and is summary in nature. No representations or warranties express or implied, are made as to the accuracy or the completeness of the information contained herein. Any prior investment results presented herein are provided for illustrative purposes only and have not been verified by a third party. Further, any hypothetical or simulated performance results contained herein have inherent limitations and do not represent an actual performance record. Actual future performance will likely vary and may vary sharply from such hypothetical or simulated performance results. This document does not constitute an offer to invest in securities in the funds. No offer of securities in the funds can be made without delivery of The Fund's confidential private placement memorandum and related offering materials. An investment in securities of The Funds involve risk, including potential risks that could lead to a loss of some, or all, of one's capital investment. There is no assurance that the fund will achieve its investment objective. Past performance does not guarantee future results. There can be no possibility of profit without the risk of loss, including loss of one's entire investment. There are interest and management fees associated with an investment in The Funds which are disclosed in The Funds' offering materials.



The Catalog of MainLine West Monthly Reports

Year	Month	Topic	Title
2012	July	Credit	Pension Funding Review of the states
	August	Invest Strat	Buffet selling Muni CDS
	September	Misc	The Importance of Tax-Exempt bonds
	October	Invest Strat	The Cushion Bond Strategy
	November	Credit	The Decline of Detroit
	December	Invest Strat	SIFMA Floating Rate Bonds
2013	January	Outlook	2013 Muni Market Outlook
	February	Invest Strat	When to Buy/Sell seasonal impact
	March	Research	State of the States
	April	Credit	Debt with a 30-year Fuse
	May	Invest Strat	OAS and muni arbitrage
	June	Invest Strat	Window of Opportunity
	July	Credit	The Decline of Detroit
	August	Credit	Puerto Rico - Problems in Paradise?
	September	Invest Strat	80/50 Investment Strategy
	October	Invest Strat	Tax-Loss Swaps - Why & how
	November	Invest Strat	Investing in a rising rate environment
	December	Research	A Review of 2013
2014	January	Outlook	2014 Muni Market Outlook
	February	Credit	Detroit - No Faith, No Credit
	March	Credit	Who is Zooming Who? S&P vs Moody's
	April	Misc	A buffet of muni news
	May	Credit	S&P Default and Rating Study
	June	Credit	Is Chicago the next Detroit/Illinois Greece?
	July	Invest Strat	When to Buy/Sell seasonal impact
	August	Research	The History of the Muni Market
	September	Credit	Loops Pending Muni Pension Crisis
	October	Invest Strat	Where to wait (cash)
	November	Research	A Review on the extinction of the Mono line Insurers
	December	Research	Green Municipal Bonds



Year	Month	Topic	Title
2015	January	Outlook	2015 Muni Market Outlook
	February	Credit	Puerto Rico - Trouble in Paradise
	March	Research	State of the States Review
	April	Invest Strat	5% Max Yield Strategy
	May	Credit	Chicago vs Puerto Rico
	June	Credit	S&P Default and Rating Study
	July	Invest Strat	Money Market Reforms
	August	Misc	Muni-Land Postcards- A review on what is up
	September	Credit	A review of the resources to pay back pensions
	October	Invest Strat	What Coupon of Choice #1
	November	Research	Swans & Doves. Investing during Fed tightening
	December	Research	A Review of 2015
2016	January	Outlook	2016 Muni Market Outlook
	February	Research	State of the States Review
	March	Research	Review of Presidential Candidates and Munis
	April	Invest Strat	Return of Cash Investing
	May	Misc	Notes From CFA International Conference
	June	Research	A Review on the City of Chicago
	July	Research	The Birth of The White Swan
	August	Invest Strat	Money Market Reforms
	September	Invest Strat	What Coupon of Choice #2
	October	Misc	Notes From Schwab Impact Conference
	November	Research	Trumped Up Munis
	December	Research	A Review of 2016
2017	January	Outlook	2017 Muni Market Outlook
	February	Research	Around the World w/ Munis
	March	Outlook	Update on 2017 Outlook
	April	Fund Focus	Family of MW Tax Adv Funds
	May	Invest Strat	When to Buy/Sell seasonal impact
	June	Misc	Mid-Year Review of 2017
	July	Research	Ranking the States by Fiscal condition
	August	Invest Strat	Intro to Muni VRDO's
	September	Credit	Hurricanes and their impact on muni issuers
	October	Invest Strat	What Coupon of Choice #3
	November	Misc	Notes From Schwab Impact Conference
	December	Outlook	2018 Muni Market Outlook



Year	Month	Topic	Title
2018	January	Research	The Need for Infrastructure
	February	Misc	The MainLine Advantage
	March	Credit	Muni GO's, no longer the gold standard
	April	Research	Goodbye Libor, Hello SOFR
	May	Invest Strat	Summertime in MuniLand update on the market
	June	Fund Focus	Fund I and the 2008 Crisis
	July	Invest Strat	Munis winning the race, slow & steady
	August	Invest Strat	What Coupon of Choice #4
	September	Research	Why the rest of the world wants munis
	October		
	November	Fund Focus	Fund Spotlight on Basis Risk
	December		
2019	January	Outlook	2019 Muni Market Outlook
	February		
	March	Fund Focus	Fund Spotlight on NAV volatility
	April	Credit	SALT (state & local tax deduction) Reforms
	May	Invest Strat	Muni Technicals, a strong summer ahead
	June	Misc	The MainLine Advantage Revisited
	July	Credit	The Illinois Agenda
	August	Invest Strat	Lower yields, coupons, and prices. DE Minimis risk
	September	Invest Strat	What Coupon of Choice #5
	October	Invest Strat	Ways to Invest in the muni market
	November	Misc	Bungle in DC - Tax code changes
	December	Outlook	2020 Muni Market Outlook
2020	January	Research	Climate Control & Munis
	February	Invest Strat	The World of Taxable Munis
	March	Research	Munis & Great Depression
	April	Fund Focus	Power of the Muni Ratio
	May	Credit	COVID-19 Budget Holes
	June	Credit	Climate Change and Your MW Portfolio
	July	Invest Strat	The Eye of the Storm - COVID & Munis
	August	Research	2020 Election & Munis
			Calming Thoughts on Climate Change & Your MW Portfolio
	September	Credit	Portfolio
	October	Research	Goodbye Libor, Hello SOFR
	November	Credit	The Fiscal Mess called Illinois
December	Outlook	2021 Muni Market Outlook	



Year	Month	Topic	Title
2021	January	Research	Muni Ratio - How low can it go?
	February	Research	Munis & Inflation - Beware?
	March	Outlook	Platinum SWAN - Top Credit Quality
	April	Research	Taxable Municipal Bonds - Primer
	May	Misc	MW Improved Client Reporting
	June	Misc	Postcards from Muniland - Mid Year Review
	July	Research	Muni Default vs Hit by Lightning probabilities
	August	Invest Strat	Munis Forward Delivery Bonds Explained
	September	Invest Strat	BABs II & Taxable Fund Introduction
	October	Misc	The Personality of the Muni Market
	November	Invest Strat	Opportunities Hit, and Missed by DC
	December	Outlook	2022 Muni Market Outlook
2022	January	Research	Muni Value & Tax Rates - Past & Present
	February	Invest Strat	The Curse of the Low Coupon - De minimis risk
	March	Research	So long Libor, SIFR who? Welcome BSBY!
	April	Invest Strat	Tax Loss Swaps - How to and why
	May	Invest Strat	The Muni Main Event; Tax-exempt vs Taxable
	June	Misc	A Decade of Muni Tales & Facts



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