

Carret Kansas Insight



Kansas – Population Change and Revenue Growth

Many people in Kansas may believe that the recently passed legislatively budget would immediately mean an end to the state’s fiscal quandaries. Despite positive revenue figures, according to the Kansas Department of Revenue, we believe that the “fix” will occur over the longer term with a series of fits and starts. For example, the new state budget includes a subsidy increase for public education. However, the state Supreme Court has yet to approve the exact funding amount and offered a special order to clear the way for the start of the 2017 school year. This is simply one example of the disconnect between the goals of the new budget compared with the eventual results. The state will not benefit from the tax increase if amplified spending limits any boost to the state’s broader economy.

Governor Brownback has decided to accept an appointment by President Trump, but has yet to be confirmed and has not left his governorship post. The Governor is known to run a tight ship with strict budgets and a focus on cost cutting. In fact, he publically denounced the most recent budget bill claiming that it contained excessive spending. Ironically, of late, the Governor has been less drawn to budget cutting measures and appears more focused on current spending programs.

Aside from budgets and spending, two of the key drivers that influence municipal health at the state and local government level are employment and population change. Wichita, for example, is looking for ways to benefit the local economy. Wichita, as we all know, is an aviation-oriented city. It has a new airport and the largest component of its workforce is tied to aviation related endeavors. Beyond today’s employment landscape, city officials are looking for ways to encourage Kansans to relocate to Wichita to build for the future. Recent projects undertaken to foster growth in Wichita include: the Innovation Campus at Wichita State University, a new public library, continued downtown renovation projects, and a renewed focus on sprucing up parks and recreation facilities.

The example that Wichita illustrates is becoming more prevalent throughout the state. Clearly, the fate of the state and its people are linked. From the population perspective, a few regions and counties within the state have progressed while others continue to face challenging headwinds. The economic strength of local economies along with employment trends will determine the health and well-being of the residents. We are

Portfolio Managers

Jason R. Graybill, CFA
212.207.2339
jgraybill@carret.com

Neil D. Klein
212.207.2340
nklein@carret.com

Robert A. Campbell, CFA
316.383.1574
rcampbell@carret.com

Firm AUM

\$2.5 Billion

Key Interest Rates	9.30.17	12.31.16	12.31.15
5 Yr U.S. Treasury Note	1.92%	1.92%	1.76%
10 Yr U.S. Treasury Bond	2.33%	2.44%	2.27%
5 Yr AAA Municipal Bond	1.34%	1.79%	1.26%
10 Yr AAA Municipal Bond	2.00%	2.33%	1.93%
5 Yr AA Municipal Bond	1.45%	1.91%	1.38%
10 Yr AA Municipal Bond	2.20%	2.53%	2.12%

Source: Municipal Market Data (MMD), FactSet

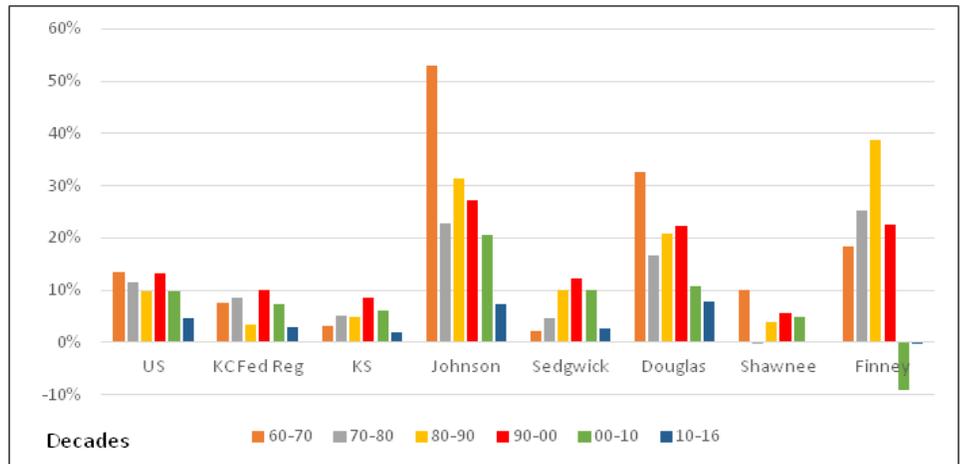
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encouraged that the state, as a whole, has maintained positive population growth despite trending below the national average. However, as with the Wichita example, local officials need to continue pressing for initiatives to drive employment and population growth at the city and county level.

The third quarter in the Kansas financial markets were relatively quiet. The Kansas municipal bond market continues to respond to national events and international factors. Municipal bond yields ebbed and flowed throughout the quarter and ultimately ended down

7 basis points from the start of the quarter (Bloomberg AAA municipal bond index). The yield spread on Kansas municipal bonds is holding steady at 18 basis points versus General Market bonds. The trend of light Kansas new issue supply continues to be offset by strong demand. A bright spot from the supply side is that the recently passed budget provides an opportunity for some local school districts to proceed with their sidelined capital improvement programs. As active investors in the Kansas market, we continue to scour the primary and secondary markets for value opportunities in essential service revenue bonds and GOs. Our focus continues to be on higher quality tax-exempt securities in the intermediate duration part of the yield curve.

Kansas Population Change



Source: U.S. Census Bureau

Separately Managed Account Strategies:

Kansas Municipal: Carret’s Municipal Bond Strategy is designed to maximize tax efficiency through opportunistic portfolio management while preserving principal through practical portfolio structuring and fundamental credit analysis. We actively manage investment-grade portfolios with a diversified blend of issuers, sectors and maturities aimed at delivering consistent, risk-adjusted total return with an emphasis on tax-free current income.

Mutual Fund Strategies:

American Independence Kansas Tax-Exempt Bond Fund: The Fund’s investment objective is to preserve capital while producing current income for the investor that is subject to both Federal and Kansas state income taxes. This Fund is intended for investors seeking investment income exempt from Federal taxes and Kansas state tax. The Fund seeks to generate monthly income focusing on investment-grade intermediate duration bonds.

For more complete information on the American Independence Funds and Rx Funds, you can obtain a prospectus containing complete information for the Funds by calling 866.410.2006 or by visiting www.americanindependence.com. You should consider the Fund's investment objectives, risks, charges, and expenses, carefully before you invest or send money. Information about these and other important subjects is in the Fund's prospectus. The prospectus and, if available, the summary prospectus should be read carefully before investing. Shares of the American Independence Funds and Rx Funds are distributed by Matrix Capital Group, Inc., which is not affiliated with RiskX Investments, LLC, or Carret Asset Management, LLC.

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