CARRET Asset Management

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Carret Insights

And Winter, slumbering in the open air, wears on his smiling face a dream of Spring…

Samuel Taylor Coleridge, 1825

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Firm AUM

$3.041 Billion

Falling midway between the winter solstice and the spring equinox, February 2nd is a significant day in ancient and modern traditions. The Celts, for instance, celebrated it as *Imbolc*, a pagan festival marking the beginning of spring. As Christianity spread throughout Europe, such pagan rituals evolved into Candlemas, a feast commemorating the presentation of Jesus at the Temple in Jerusalem and set some forty days after Christmas. Clergy would bless and distribute candles needed for winter, representing how long and cold the remainder of the season might be. In parts of Europe, Christians believed that a sunny Candlemas meant another forty days of cold and snow. Germans had their own take on the legend, pronouncing the day sunny only if badgers and other small animals glimpsed their own shadows. When German immigrants settled Pennsylvania in the 18th and 19th centuries, they brought the custom with them, choosing the native *groundhog* as the annual forecaster.

In the 1993 comedy Groundhog Day, the protagonist Phil Connors relives a single day *over and over again*. Film buffs have identified thirty-eight separate repetitions of the eponymous February 2nd, but some pundits have suggested that the development of skills such as playing the piano, speaking French, and ice sculpting would in fact take years. Religious scholars have identified the importance of earning redemption, which is ultimately the way that the hapless Connors breaks the time loop. Why would I start this investment piece with this reference? For most of the past six months, I felt that I was observing some sort of Groundhog Day cycle.

In our view, the desire for the Federal Reserve to cease its *search and destroy* mission against inflation has caused "investors" to hang their hopes on any headline that indicates that inflation was easing. We have expressed skepticism about the bullish scenario wherein the Fed sees *inflation slowing* and dramatically *curtails the tightening* effort. There is a fairy tale element to this belief that suggests that the Fed will begin to lower interest rates immediately upon achieving its goal. But the market would indeed rally on any such glimmer of hope.

Key Market Levels	3.31.23	12.31.22	12.31.21
Fed Funds Rate	4.75% – 5.00%	4.25% – 4.50%	0.00% – 0.25%
3 Month U.S. T-Bill	4.75%	4.41%	0.05%
10 Yr U.S. Treasury Bond	3.49%	3.88%	1.51%
10 Yr AAA Municipal Bond	2.27%	2.63%	1.03%
10 Yr A Corporate Bond	5.04%	5.32%	2.31%
S&P 500	4,109	3,840	4,766
S&P 500 Dividend Yield	1.59%	1.65%	1.20%
S&P 500 Trailing 4 Quarter P/E	19.8	18.0	24.6

Source: Bloomberg, Wall Street Journal, Reuters, Municipal Market Data (MMD), FactSet

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We think that the Fed is committed to a course of action to reduce the rate of inflation back to some acceptable level close to its target 2%. A "slowing" in the rate of inflation from last summer's 9.1% to 5.0% is movement in the right direction, but still far away from the mark. The adage "don't fight the Fed" seems to be dominant here. The enervating Groundhog loop occurred every time Chairman Powell held a press conference or testified before Congress and reiterated in no uncertain terms what the Fed's intentions were. The almost guaranteed subsequent market sell-off convinced us repeatedly that the yearning for an "optimistic" scenario is likely to lead to disappointment in the near term. This cycle of unrequited optimism and dashed hopes reinforces our premise that to discount the same news persistently is an exercise in futility.

To further underscore my current obsession with Groundhog Day, February 2nd was the day that the NASDAQ 100 reached a bull market or 20% recovery from its recent low, and the S&P 500 reached a 15% recovery from its recent low, both before "correcting" back through mid-March. We have spoken quite often about the return of volatility which had been absent for so long. We can correlate this ebb and flow in the market with this *Fed-watching* and *Fed-wishing* game. Indeed, one year ago, we observed that over the previous ten years, we had only six corrections, defined as a market move top to bottom of 10% or more. In each of these cases, the market recovered in short order, and only afterwards did the punditry have the chance to assign a *cause*. However, just in the one year since the Federal Reserve declared its intent to combat inflation through a course of interest rate hikes coupled with quantitative tightening through reductions in the monetary base, we have had an *additional six corrections and rebounds*, although we note that each recovery high has generally been lower than the previous one. We can readily identify that this declining, deleterious and otherwise depressing trend is simply a response to the underlying **F**ear, **U**ncertainty and **D**read or **FUD** factor surrounding the ultimate course and end result of the Fed's program. Will it achieve a soft landing? Will it lead to a major recession? Will it even succeed in reining in inflation? Simply put, the tug-of-war between wishful thinking and harsh reality has generally favored the latter over the past twelve months. Remaining with our rodential motif for one last iteration, under what circumstances could one even envision an *early spring* coming to pass?

Pundits bandy about terms of art such as "soft landing" and "hard landing" without taking the time to define them. A soft landing is when the Fed engineers a slowdown in the economy that tames inflation *without triggering* a recession, while a hard landing is such a slowdown that *triggers a recession*. Recall that the Fed only has three blunt instruments at its disposal: changes in interest rates, changes in the monetary base, and jawboning. One should stop to consider how effective those tools can be at curtailing inflation *expectations*. Expectations about inflation are more important than current inflation rates. If inflation is anticipated to persist, workers demand higher wages and companies demand higher prices to compensate. It is a challenge for the Fed to rein in such "baked-in" sentiment without resorting to drastic measures. If inflation is seen as transitory, perhaps the Fed's gentle nudging can accomplish the goal. Recall also that we have often stated that no recession has ever occurred without the intentional or accidental actions of the Fed or Congress.

One would assume that there are many examples of the Fed "sticking the landing" to review for insight. Unfortunately, in the post-war period there is only one successful example, and that is 1994. During that year, the Fed made its first tightening moves since 1989, adjusting the target rate from 3% to 5.5% through three 0.25% basis point hikes, followed by two 0.50% hikes, and culminating in one 0.75% jump at year end. Although the Fed's moves resulted in only a 10% correction mid-year in the equity markets, it did engender enhanced volatility in the fixed income markets. Granted, the S&P 500 traded at a more cautious 15 times earnings back then. Here is an interesting observation. There was no "pivot," as it were, to lower interest rates at the end of the tightening cycle, but rather, a *cessation of hostilities* by the Fed leading to a rather stable period of rates that lasted right up through the post Y2K tightening, often referred to as the end of the tech bubble. No matter, we recall wistfully the outsized returns of the last years of the "millennium." Although we are skeptical, one might posit that the "soft landing" crowd retains some vestigial longing for those heady days. We can speculate that the *end of tightening* might be sufficient encouragement to some.

Based on the detailed reporting of the ISM PMI data, the anecdotal evidence of layoffs, cutbacks, and *headline inspired uncertainty*, the tinge of some sort of banking crisis, and perhaps a looming debt ceiling showdown, the prospect of a recession becomes increasingly likely. The problem is that a recession is only observed through the rearview mirror, and by the time it is recognized, we may well be engaged in the next recovery. But the outcome that we should perhaps be considering is the dreaded "hard landing." Ironically, the prospect of a hard landing does ultimately increase the likelihood of a pivot or reversal back to accommodation on the part of the Federal Reserve. This is exactly what the wishful thinking wing of the investor party is anticipating.

Rather than debating the details of the economic nadir that might be anticipated, we actually believe that one should focus on the impact on e*arnings* of that economic outcome. As we have observed repeatedly, the market anticipates earnings. A soft landing implies probably modest damage to forward earnings estimates. A hard landing would suggest more of a decline, but likely nothing compared to the 40% decline that we saw in the 2008 financial crisis. Year to date, near term earnings growth appears to have flattened, reminiscent of the 2015 time frame, when we famously observed, *no earnings growth, no market growth.*

We referred earlier to the concept of redemption, in which Phil Connors escapes the time loop by turning from a self-absorbed individual to someone who goes the extra mile for others, which allows him to realize his future. In our world, redemption will come from "investors" extending their horizons beyond the putative six weeks until spring and accepting that *investing* is truly a long-term vision. If we have a soft landing, there will be a resumption in earnings growth. If we have a hard landing, there will be a resumption in earnings growth. If we have a pivot, there will be a resumption in earnings growth, and if we move to a period of stable interest rates, there will be a resumption in earnings growth. You may be thinking that this sounds like Phil Carret's dictum, *Patience can produce uncommon profits*. In a sense it is. We cannot time this. The market will move well in advance of the Fed signaling "our work here is done." It is also a reminder that one's personal asset allocation should truly incorporate volatility in its conception. At this time, we are fortunate to have the ability to balance equity exposure with higher yielding bonds than we have seen in more than a decade. After a period in which many individuals had to stretch equity exposure just to make required returns, one can argue that this is a sounder environment for core balanced portfolio investing. We consistently follow the key principles of identifying companies with sustainable profitability, strong balance sheets, vigorous new product activity, and properly incentivized management. That sort of *repetition* should yield positive results.

Credit Insights

I refuse to use the overused phrase "data dependent" in discussing the Fed's likely next moves. I prefer the more verbose, but somewhat more descriptive, "future actions on the part of the Federal Reserve, and the accompanying narrative from Chairman Powell, will be informed by data, observations and analysis available to the policy makers." At this juncture, I don't think that the data is terribly nuanced. Inflation, running at a 5% annualized rate, is still way above the Fed's target of 2%. Accordingly, it is reasonable to expect that the Fed will *maintain its restrictive stance* until that target is in sight.

From the market action that we discussed earlier in this issue of ***Insights***, it is clear that half of the market is hoping that the Fed is done with their work, and half the market realizes that it is too soon to declare "mission accomplished." As 49.9% of all statistics are made up, we can observe that there is another half of the market that is calling for a "pivot" in which the Fed immediately begins to cut rates upon realizing its objective. Let us make a simple declarative statement: *To bank on "pivot" as an investment strategy makes no sense*. The Fed may in fact cut rates sooner rather than later if they find that they have overshot their objective and fostered a recession. But the Fed's goal is to curtail inflation; *a recession may or may not be an unintended consequence* of achieving that goal. We cannot at this time predict exactly how the economy will react after twelve months of aggressive tightening. We have some evidence of a manufacturing sector slowdown, and we have some evidence of service sector strength. We have surprisingly strong employment data being reported, given the amount of uncertainty.

What is the fixed income market saying? The Fed Funds range is currently 4.75% to 5.00%. The nominal rate is 4.83%. The three-month Treasury stood at 4.75% at quarter-end, up from 4.41% at year-end. The six-month Treasury stood at 4.89% at quarter-end, up from 4.66% at year-end. This seems to make sense given the Fed's rate hikes during the quarter. But wait, the one-year Treasury is 4.67%, down from 4.73%; the two-year is down to 4.06% from 4.42%; the ten-year is down to 3.49% from 3.88%. Of note, all of these *maturities* peaked at even *higher levels* during the quarter, The financial press calls this an *inverted yield curve* and an assured prediction of *recession.* We call it an assessment by the market that the *inflation threat* will be dissipating within the next year, and therefore that the *inflation premium* demanded by investors will relax somewhat.

Simply put, *headline uncertainty* about the outcome of the Fed's mission will lead to continued *volatility.* But as we have said before, volatility leads to *opportunity*. We would like to share more detailed thoughts on our fixed income strategies in the commentary below.

Laurence R. Golding, Managing Director, April 21, 2023

Data as of March 31, 2023	Taxable Fixed Income	Municipal Fixed Income	Opportunity Fixed Income	Enhanced Cash
Maturity	3.3	6.2	2.7	0.4
Duration / Dur to Worst	3.0	5.2 / 3.7	2.5	0.4
YTM / YTW	4.95%	3.15% / 2.67%	6.63%	4.06%
Taxable Equiv YTM/YTW *		6.11% / 5.16%		
Coupon	3.48%	4.52%	5.25%	2.60%
Credit Rating	A-	AA	BB+	A+

** Assumes a combined effective tax rate of 48.30%*

Sector Allocations:				
U.S. Treasury	10%	1%	4%	35%
Government Agency	3%			10%
Corporate - Inv Grade	80%	2%	29%	37%
Corporate - High Yield			57%	
Preferreds	5%	1%	8%	
Convertible				
Municipal		95%		9%
Cash	1%	1%	2%	9%

Taxable Fixed Income Strategy:

- During the 1st Q of 2023, 5 Yr U.S. Treasury (UST) yields decreased 39 bp from 4.00% to 3.61%. While middle and long areas of the curve fell, the short end of the curve (6 months and less) increased during the Q.
- Investment Grade (IG) corporate bond yields remained inverted during the 1st Q of 2023. The quarter saw yields across the curve decrease.
- IG spreads, as measured by the 3-5 Yr A rated FactSet index widened by 35 bp during the Q, increasing from 113 bp to 148 bp.
- IG spreads, as measured by the 3-5 Yr BBB rated FactSet index widened by 37 bp during the Q, increasing from 158 bp to 195 bp.
- The Taxable Fixed Income Strategy matched the Barclays Intermediate Gov't Credit Index during the Q with a gross return of 2.3% versus the index's return of 2.3%.
- The strategy's overweight exposure to corporate bonds was a wash relative to the index. Corporate bonds contributed positively on a cash flow basis due to higher coupon cash flows relative to the Index. The

overweight position, however, underperformed on a price movement basis relative to the benchmark as corporate bond spreads widened and while UST yields fell.

- The strategy's duration remained steady at 3.0 Yrs Q / Q, as the inversion of the UST curve makes extending duration less compelling from a risk/reward perspective.
- Average portfolio quality remained steady Q / Q at A- as we anticipate a slowing economy. UST's have become attractive over the last 12 months for the first time in a decade.
- The strategy's Yield to Maturity (YTM) decreased during the quarter from 4.99% on December 31, 2022 to 4.95% at quarter end.
- The strategy's top three economic sectors are Financials, Information Technology, and Communication Services.
- We continue to find value in corporate credits; however, we have increased our allocation to UST and US Agency positions from 11% to 13% during the Q. With higher market yields on UST and a slowing economy vs. a year ago, UST and US Agencies are gaining attraction from a risk/reward standpoint.
- Corporations have shored up balance sheets in anticipation of a mild recession toward the end of 2023. Measures taken include continued workforce layoffs coupled with a pullback of stock buybacks. We remain confident in the balance sheet profile of corporate America as a "soft" recession would see companies continue to generate near record earnings and interest coverage ratios (S&P 500).
- The strategy's 5% allocation to preferred securities provides an increase in the total yield and aims to capture incremental cash flows (positive reinvestment opportunities in a rising rate environment).
- With inflation remaining elevated and the inversion of the UST / corporate yield curves, the strategy's 3.0 Yr duration aims to capture attractive yields while maintaining an appropriate level of interest rate risk.
- For the remainder of 2023, the strategy aims to capitalize upon the reinvestment of maturities and calls, swaps, and coupon cash flows, into an attractive interest rate environment.

Municipal Fixed Income Strategy:

- Representative AAA rated 5 Yr Municipal Bond yields declined 33 bp during the 1st Q of 2023. The index's YTM began the Q at 2.56%, reached a peak of 2.69% on March 1st, and closed the Q at 2.23%. Over the same period, 5 Yr UST yields declined by 39 bp.
- The 2Yr-to-10Yr municipal curve spread continues to be inverted. The curve flattened during the Q from a -3 bp to -13 bp at quarter end. After a short period of positive slope early in the Q, the municipal curve inverted again in early February.
- The Municipal Fixed Income Strategy was impacted by the overall decline in interest rates during the Q along with a generally positive outlook for the asset class. Positive price returns in January and March sandwiched market weakness in February. Municipal market fundamentals remained quite positive / resilient during the Q. The Municipal Strategy gross return for the 4th Q was 2.0% while the Bloomberg Barclays 5 Yr Muni Index returned 1.9%. We continue to see positive absolute and relative value in the short-to-intermediate part of the curve anchored in high-quality, premium coupon, essential revenue, and GO credits.
- We maintained the Strategy's duration-to-worst during the Q at 3.7 years after closing 2022 at 3.8 years. The Bloomberg Barclays 5 Yr Muni Index duration is also 3.7 years.
- Average portfolio quality continues to be AA.
- According to the Pew Charitable Trusts, which used data collected by the National Association of State Budget Officers (NASBO), states' total balances reached a record $343 billion at the end of fiscal year (FY) 2022, an increase of $102 billion from the prior year. The report concluded that these funds could run state government operations for a median of 126 days, equivalent to roughly 35% of spending, or about 27 more days than a year earlier. Tax collections [above budgeted amounts] and federal pandemic aid enabled states to build these reserves. In the current FY 2023, slower revenue growth, tax cuts, and higher spending from inflationary pressures will likely prompt some reserve drawdowns.
- Municipal rating upgrades continue to exceed downgrades. At year-end 2022, the ratio of municipal upgrades to downgrades was nearly 3-to-1. We expect the trend to continue as we move through 2023 as revenue

surpluses and fully funded rainy day funds provide a sound fundamental backdrop for the municipal marketplace.

- Municipal fund flows were mixed during the Q. Municipal Bond Mutual Funds experienced net inflows of \$4.7 billion in the 1st Q compared with net outflows of \$28 billion during the 1st Q of 2022. Compelling yield levels combined with the positive fundamental outlook drew in investors from mid-January to mid-February. Flows turned negative in March, as tax selling and lower yields led investors to withdraw assets from mutual funds. While mutual funds experienced outflows, SMAs and ETFs garnered inflows over the same time.
- 1st Q new issuance was \$75 billion which was well behind the 1st Q 2022 amount of \$103 billion. Overall new issuance is running roughly 17% below the 10-year average. The split for the \$75 billion in issuance was \$63 billion Tax-Exempt and \$12 billion Taxable. New project borrowing accounted for 81% of new issuance during the Q. The dealer survey projected range for annual new issuance is between \$350 billion and \$500 billion. Our current forecast for 2023 is \$375 billion. Sound municipal finances could encourage more new-project borrowing in the quarters ahead.

Opportunity Fixed Income Strategy:

- During the 1st Q of 2023, 5 Yr UST yields decreased 39 bp to 3.61% while 6 Mo UST rates increased 23 bp to 4.89%. As the Fed continues its inflation fight, opportunistic investors are being rewarded (over the short term). The market is indicating the Feds tightening cycle will cause an economic slow-down and thus warrant lower rates in the future – we agree; however, we believe the higher for longer thesis could last into 2024, providing a unique opportunity for short-duration High Yield (HY) bonds.
- HY rates (as measured by the iBoxx HY Index ETF – HYG) decreased from 8.72% on December 31st to 8.26% on March 31st, a decrease of 46 bp.
- HY spreads tightened during the Q, decreasing from 472 on December 31st to 465 on March 31st, a tightening move of a nominal 7 bp. This is surprising given the market volatility during the Q.
- IG spreads, as measured by the 3-5 Yr BBB rated FactSet index widened by 37 bp during the Q, increasing from 158 bp to 195 bp.
- The strategy underperformed the Barclays Intermediate Gov't Credit Index during the 1st Q, with a positive gross return of 2.0% versus the index's return of 2.3%. For the latest 12-month period the Strategy outperformed the index returning a positive 0.3% versus -1.7% for the index.
- The Strategy's duration held constant during the Q at 2.5 Yrs. The strategy's mandated duration range is from 2 to 10 years.
- Average portfolio quality improved Q / Q, rising from BB to BB+; additionally, IG exposure at quarter end was 33%.
- S&P 500 earnings estimates for 2023 are roughly 6% below 2022's record level. While we expect the economy to slow, we are also anticipating slower revenue growth, lower margins and in turn, declining earnings. We have thus increased our average credit quality over the first 90 days of 2023. We would highlight that earnings remain firmly above pre-Covid levels, thus providing solid credit profiles for many HY bonds.
- We remain defensively positioned and have ample flexibility to add value as credit and interest rate opportunities arise – nearly 38% of our bonds mature in the coming 12 months.

Enhanced Cash Strategy:

- Ultra-short-term interest rates remained elevated, as the yield on the 6 Mo UST increased from 4.66% to 4.89% from December 31st to March 31st. Over the last twelve months, the 6 Mo UST has increased a staggering 389 bp.
- IG spreads, as measured by the ICE BofA 0-1 Year A-AAA US Corp Index, widened slightly during the Q, increasing from 69 bp to 79 bp.

- Average portfolio quality improved slightly Q / Q from A to A+, while duration remained relatively unchanged, from 0.38 Yrs to 0.39 Yrs.
- The Enhanced Cash Strategy performed well during the Q, returning 1.12%, with the ICE BofA 0-1 yr UST Index up 1.18% over the same time frame. Over the last twelve months, the Strategy returned 2.31% compared to 2.09% for the index.
- While short-term interest rates were raised far less aggressively by the Fed in the Q compared to the prior year, ultra-short-term yields are still the highest across the inverted yield curve. We expect that these higher ultra-short rates will remain elevated in the near term and continue to offer meaningful opportunities for the Enhanced Cash Strategy.

Separately Managed Account Strategies:

Taxable: Carret's Taxable Bond Strategy seeks to achieve above-average total returns with an emphasis on preservation of capital and consistent cash flow. We utilize investment grade fixed income securities and shift across bond sectors based on changing market conditions. Our intermediate duration approach (3 - 7 years) seeks to identify the sweet spot on the yield curve and structure maturities accordingly. Active management of the strategy includes forecasting the long-term direction of interest rates and credit spreads. Our fundamental credit research and active portfolio management process has provided consistent and attractive risk adjusted returns.

Municipal: Carret's Municipal Bond Strategy seeks 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 returns with an emphasis on tax-efficient cash flows. Carret uses a value approach when buying and selling bonds. This method recognizes the inefficiencies of the municipal marketplace and enables clients to benefit from our expertise and market knowledge.

Our high-quality, intermediate-maturity bias is designed to balance preservation of principal, total return, and tax-exempt cash flows. We opportunistically add value through credit research, bond structuring, and yield curve positioning. Our municipal bond portfolios are actively managed as either state-specific or state-focused (general market in approach, otherwise). Essential service revenue bonds and high-quality general obligation bonds make up the framework of our municipal bond portfolio strategy. The strategy's primary focus is on high-quality, investment-grade municipal bonds with an intermediate duration of approach (3 - 7 years), which enables us to utilize bonds in the 2 - 12 year maturity range.

Opportunity: Carret's Fixed-Income Opportunity Strategies seeks to generate a higher level of current income with a secondary focus on long term capital appreciation. We utilize various types of higher yielding fixed income securities and shift among types based on changing market conditions. We actively manage risk, respond quickly to market movements, and utilize interest rate hedges to limit duration risk. We focus on high quality high yield and low-quality investment grade bonds, and couple them with preferreds and broken convertibles to try to generate above average levels of cash flow.

Our intermediate duration approach (2 - 10 years) seeks to identify the sweet spot on the yield curve and structure maturities, accordingly. Active management of the strategy includes forecasting the long-term direction of interest rates and credit spreads. Our fundamental credit research and active portfolio management process has provided consistent and attractive risk adjusted returns.

Leveraged Opportunity: Carret's Fixed Income Leveraged Opportunity Strategy seeks to utilize low cost leverage and favorably negotiated release rates to potentially enhance our existing Opportunity Strategy returns.

We actively manage leverage to augment opportunities within the high yield and investment-grade sectors of the fixed income market.

Enhanced Cash: Carret's Enhanced Cash Strategy seeks to provide excess returns above those offered by cash equivalents, while focusing on capital preservation and liquidity. The strategy invests in ultra-short-duration investment grade bonds – those with a maximum maturity of 12 months, and a typical duration of less than 6 months.

Our custom, tailored approach opportunistically utilizes a thoughtful mix of Investment Grade Corporate debt, US Treasury and Agency securities, as well as taxable and tax-exempt Municipal bonds to enhance overall after-tax returns.

Large Cap Equity: Carret's Large Cap Equity Strategy seeks to provide long term capital appreciation by owning companies with attractive growth prospects, and by acquiring this ownership interest at a reasonable price. We invest in seasoned companies with strong marketplace and financial characteristics. Fundamental analysis and quantitative screening drive this active management strategy. Portfolios are broadly diversified and customized to meet client objectives and risk tolerances.

Mutual Fund Strategy:

Kansas Tax-Exempt: The Carret Kansas Tax-Exempt Bond Fund seeks to preserve capital while producing current income that is exempt from both Federal and Kansas state taxes. The Fund seeks to generate monthly income and principally invests in investment-grade bonds of intermediate maturity.

For more complete information on the Carret Kansas Tax Exempt Bond Fund, you can obtain a prospectus containing complete information for the Funds by calling 888.266.8787 or by downloading it from Carret's web site. 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 Funds' prospectus. The prospectus and, if available, the summary prospectus, should be read carefully before investing. Shares of the Carret Kansas Tax Exempt Bond Fund are distributed by ALPS Distributors, Inc., which is not affiliated with Carret Asset Management, LLC.

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