Co-Directors Fixed Income

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Firm AUM (12/31/25)

$3.466 Billion

Don't Fight the ~~Fed~~ White House

All signs point to higher interest rates; however, the old adage of "Don't Fight the Fed" can now be adapted to "Don't Fight the White House". With the economy on solid footing and GDP growing an estimated 2.3% in 2025 and expected to post a 2.2% gain in 2026, the Fed has been data dependently challenged on its two main priorities: full employment and stable prices. While unemployment has risen as the labor market softens, inflation remains stubbornly elevated above the Fed's 2% target. Both statistics point to the "affordability" challenge that is increasingly front and center with both voters and the administration, as the mid-term elections in November quickly approach. The White House would like rates to decline sharply and quickly. In general, Presidents have always complained of rates being too high – they want low rates, a strong economy, rising stock markets, and healthy employment. Trump has simply been more aggressive and vocal about his wishes. It remains our view that the Fed should move slowly as the primary risk remains on the inflation side.

As stated, we believe that interest rates should be higher. Our focus list for 2026 highlight the following: The U.S. Government debt continues to grow with persistent budget deficits, sticky inflation, solid economic growth, mounting geopolitical complexity, raging wars, and the Fed's independence being challenged. We believe investors should be paid for risk and thus, rates shouldn't trend lower. The White House's focus on affordability and subsequent rhetoric and policy initiatives could put a lid on interest rates through the mid-terms; thereafter, we anticipate interest rates could rise into year-end.

We expect our "Don't Fight the White House" theme to intensify as the year progresses. Let's start with the looming uncertainty of the White House and Department of Justice (DOJ) investigation into Fed Chairman Jerome Powell and Fed Governor Lisa Cook. If either were successfully removed, it would alter the market's interpretation of Fed independence. Independence is paramount, as without it, the President could heavily influence the direction and magnitude of interest rates via Fed appointments. In December of 2025, the Fed, most likely at the U.S. Treasury's request, initiated new purchases of $20B of U.S Treasuries (UST) per month. This sounds like quantitative easing (QE) to us, but the folks in DC (the Fed included) are calling it reserve management purchases (RMPs). Call it what you will, buying $20B a month of UST is designed to lower rates. The President's recent order for his "Representatives", the Government Sponsored Enterprises (GSEs), to purchase $200B of mortgage bonds is a move meant to lower interest rates on mortgages. Additionally, the White House recently announced a goal of a one year cap on credit card

Key Market Levels	12.31.25	12.31.24	12.31.23
Fed Funds Rate	3.50% – 3.75%	4.25% – 4.50%	5.25% – 5.50%
3 Month U.S. T-Bill	3.63%	4.32%	5.35%
10 Yr U.S. Treasury Bond	4.17%	4.57%	3.88%
5 Yr AAA Municipal Bond	2.43%	2.87%	2.28%
5 Yr A Corporate Bond	4.43%	5.12%	4.89%

Source: Municipal Market Data (MMD) and FactSet interest rates at 10%. While we do not believe this is targeting interest rates, it is targeting affordability. We anticipate more non-traditional actions from the White House to lower interest rates and address affordability in the months ahead.

Let's turn to inflation and the labor markets – the Fed's two key factors in determining policy. The labor market has clearly softened over the past year as the unemployment rate increased by 0.3%, rising from 4.1% in December of 2024 to 4.4% in December of 2025. We do not want to minimize a nominal increase of 0.3% as each increase of 0.1% impacts about 170,000 jobs. Thus, a +/- 0.3% swing is a difference of 1,020,000 U.S. citizens being employed. The FactSet estimate for the unemployment rate at year end 2026 is 4.4%. We are in the camp that the labor markets are stabilizing and thus the focus of the Fed will turn to inflation. We are well aware of AI's negative potential impact on the labor pool; however, we view this as a 2027 – 2028 challenge and anticipate discussing this in greater detail in the years ahead. Inflation has cooled materially from 2023 – 2024 levels; however, PCE and CPI remain stubbornly above the Fed's 2% target. Additionally, inflation expectations remain elevated with Core CPI estimated at 2.6% and Core PCE at 2.5% at Yr end 2026. We see elevated inflation continuing due to the on-shoring / deglobalization movement, energy generation and infrastructure build out related to AI, and military spending, to name a few key drivers. We note that inflation related to tariffs starts to diminish in the 3rd Q of 2026, but at a slow pace as many businesses initially did not pass tariff costs on to consumers.

The economy is set for continued expansion in 2026, uncomfortably supported by the high-end consumer, in addition to AI and business capital spending (driven by new tax incentives for capital expenditures in 2026). Our "uncomfortable" view of consumer spending relates to the fact that 49.2% of total consumer spending was by the top 10% of income earners (2nd Q of 2025). Additionally, the wealthiest 20% of households in America control 70% of the wealth. We believe that consumer spending has been heavily supported by the wealthy, as equity market gains have created a material wealth explosion amongst affluent households. Thus, any sustained pullback in the equity markets could negatively impact consumer spending in a material way.

As the markets focus on the Fed transition in 2026 – 4 new voting members that are perceived to be more hawkish than the 4 departing voting members and a new Fed chair in May – we would simply remind investors and the Administration that the Fed controls short term interest rates while the markets control longer rates. Case in point – the Fed has cut rates 6 times since September 18th, 2024. On that date, the 10 Yr UST yielded 3.71% while at year end 2025, the 10 Yr UST yielded 4.17%, 46bp higher after the Fed's 175 bp in cuts.

We would be remiss if we didn't mention the U.S. Government's debt – a concern we have been preaching about for 2+ years. Heading into year-end, the total gross national debt totaled $38.4 Trillion, an increase of $2.2 Trillion Y/Y. The debt is $11 Trillion higher in just the past 5 years. We are now increasing our debt at a rate of $255 Million per hour. Fortunately, foreign governments are enabling our spending as foreign holdings of UST hit an all-time high of $9.4 Trillion in November with Japan and the UK as the largest non-U.S. holders. China has been a net seller for the past 9 months. Both the UK and Japan have had fiscal hiccups recently that caused their rates to rise and we are aware that this could happen at anytime in the U.S. On a positive note, some estimates suggest that tariff revenue could approach $400B in 2026, which could help offset annual deficits.

On that note, we wish you and your families a healthy, happy, and prosperous 2026!

U.S. Government Bond Market Update

In 2025, the UST market was characterized by competing forces of an increasingly accommodative stance on monetary policy and persistent concerns over U.S. deficits, lingering inflation, and a cooling labor market coupled with volatility driven by abrupt shifts in trade policy. On Liberation Day (April 2nd, 2025) President Trump announced a new tariff policy that impacted nearly every sector of the U.S. economy. Initially, investors flocked to USTs in a flight to safety, driving long-term yields lower. Markets soon began to focus on the broader impact of tariffs on the overall economy, reigniting inflationary concerns and prompting investors to sell longer-term USTs, driving yields higher. These concerns lingered throughout the remainder of the year, reflected by long-term interest rates remaining range-bound at elevated levels. The 10 Yr UST finished the year yielding 4.17%, a decline of 40 bp Y/Y, while yields on the 30 Yr UST increased 6 bp during the same period, ending 2025 at 4.84%, signaling investor demand for extra compensation to hold longer maturity bonds.

The short-end of the UST curve was defined by three consecutive 25 bp cuts to the Fed's benchmark rate at the end of 2025, bringing the target range down to 3.50% – 3.75%. Yields on short-term USTs fell as a result, with the 6 Month UST declining 66 bp during the year, and the 1 Yr declining 68 bp during the same period.

U.S. Agency spreads above USTs remain attractive despite having an equivalent credit profile. We continue to monitor the news around Fannie Mae and Freddie Mac returning to the public markets. While the proposal keeps inching forward to a potential 2026 IPO, we expect that any deal would ensure that existing U.S. Agency bonds will be backed by the U.S. government. If and when they go public, we see little change in the inherent risk structure of our holdings.

The market expects the Fed to continue easing short-term interest rates in 2026, but we see limited need for an aggressive pace of cuts. The biggest challenge to this outlook is uncertainty surrounding the Fed Board of Governors, primarily with current Fed Chair Jerome Powell's chairmanship ending in May, including continued political pressure on the committee. If the committee experiences unexpected turnover coupled with a new Chair that shares the current administration's fervor to swiftly reduce rates, we would likely end up with a historic number of dissentions within the Fed.

Corporate Bond Market Update

The A.I. debt boom (bubble?) surged to the forefront of the market's collective attention in the second half of 2025. Investment Grade (IG) borrowing for A.I. companies grew to $125 Billion in new issuance in 2025 with over $110 Billion being issued in the 4th Q alone. For reference, the total issuance for A.I. related debt in 2024 was $16.75 Billion. Estimates are that companies tied to A.I. represent over 14% of the IG corporate bond market (versus around 40% of the S&P 500). Analysts project a collective $1.5 Trillion in A.I. debt issuance over the next five years. The question that remains to be answered is whether this debt binge is sustainable. Will the A.I. investments pay off for these companies? Will the issuers be able to generate enough cash flow to pay off the debt or will there be a wave of downgrades? For all the analogies to the dotcom bubble of the late 90s, today's market is different. Unlike the tech bubble in the 90s, the bulk of A.I. issuers are some of the largest companies in the world with already profitable business lines – think Amazon, Meta, Oracle, etc. Additionally, the majority of the debt issued has a long duration/maturity schedule, meaning that the companies have 10+ years before the bill comes due. The market's reaction to the deluge of new debt is one of caution but not of panic; individual companies saw modest spread widening on the issuance news, but the market does not see immediate rating downgrades ahead. We will continue to monitor the A.I. market for the opportunities and risks that will certainly arise.

Despite the dramatic corporate debt issuance in the 4th Q, spreads over UST broadly fell Y/Y and remain stubbornly near their historically tight levels signaling low perceived credit risk across the market. We would expect some "reversion to the mean" in the coming year and are prepared to take advantage of volatility to structure portfolios with higher yields and spreads. Alternatively, perhaps spreads are tight not because of corporate America's collective low credit risk but because of the U.S. government's growing credit risk. As of May 2025, when Moody's downgraded America's debt, the treasury market no longer holds a AAA rating across S&P, Moody's, or Fitch – a fact that credit spreads are starting to reflect.

As the total debt pie has grown in size, so has the private credit market. While private credit attracts investors from individuals to hedge funds, we remain wary of less financial transparency and less liquidity when weighing the risks versus the yield benefits. Issuers are attracted due to less regulations and ease of issuance when borrowing from the private market; however, the flip side of this is that risks to investors are elevated. With bankruptcies climbing throughout 2025 in the public High Yield (HY) market, we would expect private credit markets to be the first sector to experience stress in the event of an economic pullback.

2025 delivered the best IG returns in over a decade, as measured by the Bloomberg Intermediate Gov't Credit Index, as corporate credit markets generated strong cash flow and price appreciation on falling yields. The S&P 500 had record earnings in 2025 with another year of record earnings projected in 2026 – a positive for stock and bondholders alike. As we enter the new year, we are focused on quality investments, preservation of principal, and income to drive total returns going forward. We will continue to diversify portfolios across liquid holdings in an effort to minimize volatility and risk to the portfolios.

Municipal Bond Market Update

The 2025 municipal bond market was characterized by record-setting issuance and a late-year rally driven primarily by Fed interest rate cuts. The market experienced significant volatility, particularly in April, but ultimately rallied in the second half of the year. Yields of 5 Yr tax-exempt securities peaked shortly after Liberation Day tariff announcements, a week that saw a dramatic and rapid increase in yields and volatility. Following the announcement, 5 Yr yields rapidly rose 81 bp only to drop 45 bp in the following days. After the initial market disruption, 5 Yr benchmark yields proceeded to decline consistently for the rest of the year. Despite significant volatility and policy concerns early in the year, strong credit fundamentals and robust investor demand provided a positive return environment for municipal bond investors.

New issue supply exceeded $580 Billion in 2025, marking a record year and surpassing the previous record year (2024) by 13%. This heavy supply was driven by pent-up capital needs for infrastructure projects and a desire by issuers to front-load borrowing ahead of potential tax policy changes. Interestingly, the new issue volumes in 2024 and 2025 were driven primarily by new project financing, as opposed to refunding (refinancing) debt which represented 12% of the overall issuance in 2025. We expect the trend of robust new issuance to continue, driven by persistent investment needs tied to aging infrastructure across the U.S.

Positive demand has continued through 2025, with municipal funds recording $57 Billion of net inflows. The inflows recorded this year extend the net inflow streak to $100 Billion over the past two years. The combined net inflows fall approximately $20 Billion short of the outflows that left the municipal marketplace in 2022 and 2023. The fact that the current two-year inflow cycle has not yet surpassed the record outflow cycle observed in 2022-2023 is a positive signal for potential future demand.

The Fed cuts in the latter half of 2025 supported price appreciation for municipal bonds and helped drive market strength. The yield curve, particularly the long end, continues to offer compelling value, leading investors to extend duration. From the start of the year through mid-summer, the 2 Yr-to-10 Yr municipal yield spread steepened significantly from 30 bp to 100 bp. As investor demand grew coming into the 4Q, the spread between 2 Yr and 10 Yr municipals flattened again. Ratios comparing municipal yields to UST yields ended the year at a respectable level of 65% for both 5 Yr and 10 Yr bonds, demonstrating solid value for the municipal sector.

The underlying credit quality of municipal issuers remained strong, with state and local governments benefiting from record high tax revenues and healthy reserve balances. Moody's reported upgrades outpaced downgrades by 1.9x (in paramount) in 2025, and defaults tracked well below 2024 levels. Municipal credit fundamentals continue to be strong while headline risks remain quiet. State and local revenues grew significantly over the past 5 years along with conservative budgeting to maintain rainy day funds, reduce debt, and improve pension and healthcare funding. Despite some recent spending of these hefty reserves, states ended fiscal year 2025 with over double the level of reserves that they had in fiscal year 2020. Some states have also improved controls by adding protections to limit spending rainy day funds and introducing requirements to build up reserves when revenues are strong.

A key turning point for 2025 was the passage of the "One Big Beautiful Bill Act" in July. The bill preserved the municipal tax exemption, alleviating investor concern that had caused some early-year anxiety and volatility. Looking ahead to 2026, primary market supply is expected to deliver another record year, with Covid-19 federal funding reserves running low and costly infrastructure projects continuing their need for funding across most municipal sectors. The steep municipal yield curve should continue to compensate investors for taking on additional duration as we continue to see broad value in both the short and long maturity segments of the yield curve. We believe an active approach to yield curve and sector positioning will benefit investors in 2026.

Data as of December 31, 2025	Taxable Fixed Income	Municipal Fixed Income	Opportunity Fixed Income	Enhanced Cash
Maturity	5.6	8.6	3.3	0.2
Duration / Dur to Worst	4.7	6.7 / 4.4	3.0	0.2
YTM / YTW	4.46%	3.47% / 3.03%	5.29%	3.81% [3]
Taxable Equiv YTM/YTW		6.71% / 5.86% [1]		3.92% [1,2,3]
Coupon	4.35%	4.53%	5.58%	1.58%
Credit Rating	A-	AA	BB+	A+

Source: Carret / Bloomberg

Sector Allocations:				
U.S. Treasury	15%		4%	63%
Government Agency	11%			1%
Corporate - Inv Grade	68%	1%	22%	34%
Corporate - High Yield			65%	
Preferreds	5%		7%	
Convertible				
Municipal		98%		
Cash	1%	1%	2%	2%

[1] Assumes a combined federal and state effective tax rate of 48.30%. Taxable Equivalent Yield is illustrative. Actual investor tax rates differ. Results may vary by state, AMT, and investor circumstance [2] Assumes a state tax rate of 7.50% [3] Yield on Invested Assets

Taxable Fixed Income Strategy

- The Taxable Fixed Income Strategy posted a solid gross return of 6.8% and net return of 6.3% during 2025 versus the Bloomberg Intermediate Gov't Credit Index return of 7.0%.
- The strategy's duration, which ended the year marginally longer than the benchmark, detracted from relative performance to the index as the yield curve steepened with the Fed cutting short term interest rates three times.
- IG spreads, as measured by the 3-5 Yr A rated FactSet Index, tightened by 9 bp during 2025, decreasing from 67 bp to 58 bp.
- IG spreads, as measured by the 3-5 Yr BBB rated FactSet Index, widened by 2 bp during the year, increasing from 92 bp to 94 bp.
- Year-end strategy duration, at 4.7 Yrs, was steadily extended throughout 2025 from 4.1 Yrs on December 31st, 2024. The healthy interest rate environment since 2022 has provided the opportunity to increase strategy duration while investing at attractive yield levels. We continue to analyze yield curve movements and trends to position the strategy around the sweet spot of the yield curve.
- Average portfolio quality remained steady Y / Y at A-.
- The strategy's Yield to Maturity (YTM) decreased during the year from 4.98% on December 31st, 2024 to 4.46% at year-end.
- The top economic sectors within the strategy are Financials, Energy, and Consumer Discretionary.
- The strategy's 5% allocation to preferred securities provides higher yields and aims to capture incremental cash flows.
- During the year, exposure to U.S. Agencies was increased from a 9% to an 11% allocation and exposure to UST was increased from 12% to 15%. U.S. Agency bond valuations are attractive, boasting healthy spreads above UST. Despite historically tight corporate market spreads, we continue to find value in corporate credits with an allocation of 68%.
- Looking forward, the strategy will utilize reinvestment of maturities, calls, and coupon cash flows as well as swap opportunities to take advantage of market yield movements. With corporate credit spreads remaining at tight levels, we continue to methodically diversify into UST and Agency positions and maintain an outsize focus on credit research and "knowing what you own".

Municipal Fixed Income Strategy

- The Municipal Fixed Income Strategy gross return during 2025 was 5.1% and the net return was 4.7%, while the Bloomberg Municipal Managed Money Intermediate Index returned 5.2%.
- The Strategy was positively impacted by the decline in municipal bond yields. Price appreciation and coupon driven cash flows had the largest impact on municipal bond performance during the year.
- Representative AA rated 5 Yr Municipal Bond yields declined 45 bp during 2025. The Yield to Maturity (YTM) of the index began the year at 2.98% and closed the year at 2.53%. Over the same period, 5 Yr UST yields fell by 65 bp.
- The Strategy's YTM fell slightly during the year from 3.66% at year-end 2024 to 3.48% on December 31st, 2025. The strategy's Yield to Worst (YTW) also declined slightly during 2025 from 3.28% to 3.03%.
- The 2 Yr-to-10 Yr municipal curve spread experienced meaningful volatility during 2025 only to close the year relatively unchanged. The slope of the curve began the Yr at 31 bp and ended 2025 at 29 bp. The greatest point of curve steepness at 100 bp occurred on August 25th.
- The Strategy's duration-to-worst was 4.4 and the duration-to-maturity was 6.7 at year-end 2025. Duration-to-maturity increased 0.9 from year-end 2024 as a result of opportunistic maturity extension trades, supported by positive fundamentals and yield curve steepness. On December 31st, 2025, the duration-to-worst and duration-to-maturity for the Bloomberg Municipal Managed Money Intermediate Index was 5.5 and 6.8, respectively.
- Average portfolio quality remains AA. The strategy continues to be anchored in high-quality Essential Revenue and General Obligation (GO) credits.
- From the Taxable Equivalent Yield (TEY) perspective, municipals continue to offer very compelling relative yields. For example, a 3.47% Tax-Exempt municipal yield equates to a TEY of 6.71% for investors in the 48.3% combined tax bracket. The Crossover Rate (the tax rate where an investor would be indifferent between owning a municipal or a corporate bond) was 42.8% on December 31st, 2025.
- Looking forward, the strategy aims to opportunistically increase yield by lengthening portfolio maturity. At the same time, we will continue to diligently evaluate credits and market fundamentals against the backdrop of the evolving economic and geopolitical landscape.

Opportunity Fixed Income Strategy

- The Opportunity Fixed Income Strategy outperformed the Bloomberg Intermediate Gov't Credit Index during 2025, with a gross return of 7.5% and a net return of 6.7% versus the index's return of 7.0%. Our outperformance was a result of credit management and duration extension at opportune times throughout the year. The April tariff announcement presented opportunities to move down quality and add value.
- HY rates (as measured by the iBoxx HY Index) decreased from 7.52% on December 31st, 2024, to 6.85% at year-end, a decrease of 67 bp, while the 5 Yr UST decreased an almost identical 65 bp.
- HY spreads, while very volatile as a result of the tariff announcement and subsequent uncertainty, widened only nominally during the 1st H of 2025, increasing from 314 bp on December 31st, 2024 to 333 bp at mid-year, a widening move of 19 bp. Spreads then tightened 21 bp from mid-year to end the year at 312 bp.
- IG spreads, as measured by the 3-5 Yr BBB rated FactSet Index, widened by 2 bp during the year.
- The strategy's YTM decreased from 5.84% on December 31st, 2024 to 5.29% at year-end. We are outyielding our benchmark by 139 bp as of December 31, 2025.
- The top economic sectors within the strategy are Consumer Discretionary, Financials, Energy, and Communication Services.
- The strategy's duration increased during the 1st half of 2025 from 2.7 to 3.1 and decreased 0.1 to 3.0 at year-end.
- Average portfolio quality held constant throughout the year at BB+.
- As we enter 2026, we are defensively positioned from a duration perspective, with a duration 0.7 shorter than our benchmark. With credit spreads at record lows (tightness), we remain vigilant in analyzing risk/reward opportunities. We remain focused on high quality HY companies. We believe further geopolitical uncertainty in 2026 will create additional credit opportunities. We have ample flexibility to add value as credit and interest rate

opportunities arise – nearly 19% of the strategy holdings mature in the next 12 months and 49% of the strategy holdings mature in the coming 36 months.

Enhanced Cash Strategy

- Ultra-short-term interest rates declined dramatically during 2025 as a result of three consecutive 25 bp cuts to the Fed's benchmark rate, bringing the target rate range down from 4.25% – 4.50% at the beginning of the year to 3.50% – 3.75% at year-end. As a result, short-duration fixed-income assets experienced both declining reinvestment yields and modest price appreciation, reshaping return dynamics for cash-oriented strategies.
- The 6 MO UST began the year yielding 4.27%, and finished 2025 yielding 3.61%, marking a 66 bp decline, slightly less than yields on the 3 Month UST, which declined 69 bp during the same period. The 1 Yr UST finished the Yr yielding 3.47%, a 68 bp decrease from where it began the year at 4.15%
- IG spreads, as measured by the ICE BofA 0-1 Yr A-AAA U.S. Corp Index relative to the ICE BofA 0-1 Yr UST Index, tightened moderately during the Yr, decreasing from 53 bp to 40 bp. Tightening spreads, coupled with the strategy's 34% allocation to IG corporate bonds, resulted in price appreciation in client portfolios.
- Average portfolio quality declined slightly during the Yr, moving one notch from an AA- rating to A+. The reduction in overall credit quality was driven by an increased allocation to IG corporate bonds and a decrease in exposure to UST during the year.
- Average duration remained steady during the year, with a slight decline from 0.21 to 0.20.
- Over the course of 2025, the strategy's YTM decreased from 4.03% to 3.57% in tandem with declining short-term interest rates.
- During 2025, the Enhanced Cash Strategy performed in line with the benchmark, with a gross return of 4.32% and a net return of 3.62%, versus the ICE BofA 0-1 Yr UST Index return of 4.32%.
- While short-term UST yields declined from prior-year peaks, short-duration bonds continue to offer an attractive risk-adjusted return profile relative to cash, supported by tax benefits, stable fundamentals, and low volatility. This relative attractiveness is expected to persist in the near term, as the Fed appears inclined to maintain a more patient policy stance, limiting the likelihood of multiple rate cuts in the immediate future.

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 Yrs) 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 Yrs), which enables us to utilize bonds in the 2 - 12 Yr 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 Yrs) 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, U.S. Treasury and Agency securities, as well as taxable and tax-exempt Municipal bonds to enhance overall after-tax returns.

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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