



## Carret Kansas Insights



### Carret Kansas Tax-Exempt Bond Fund

#### Co-Directors Fixed Income

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

**Neil D. Klein**  
212.207.2340  
nklein@carret.com

#### Fund AUM (12/31/24)

**\$118.1 Million**

The Federal Reserve (FED) lowered interest rates by 50 basis points (bp) on September 18th, its first rate cut in four and a half years. On that date, the yield on the 10Yr U.S. Treasury (UST) stood at 3.62%. The FED cut again on November 7th and December 18th by an additional 25 bp on each date, bringing the decrease in the Federal Funds Rate (FFR) to 1.00% from September of 2024 to December of 2024. Interestingly, the yield on the 10Yr UST stood at 4.58% at year-end... So, the FED cut rates by a full 1.00% and long-term interest rates increased by 0.96%.

We believe inflation will continue to decline in 2025, albeit at a very slow rate. However, the FED will face a protracted battle with inflation given the macroeconomic/geopolitical uncertainties that will surface from Washington. We are monitoring the following inflationary forces: higher tariffs, immigration/deportation, lower taxes, looser regulation, onshoring, and the increasingly in focus U.S. deficit/debt. One wild card is fiscal stimulus (government spending). Many in Washington want spending to be curtailed, while others want to spend, build, and grow our way out of our debt problems (as a % of GDP). Despite the creation of the Department of Government Efficiency (DOGE), we are in the camp that sees spending increasing, not decreasing - another inflationary item.

We believe that the outlook for municipal bonds in 2025 is favorable. Municipal yields ended the year near 20-year highs. Municipal bonds continue to be a compelling asset class that offers investors attractive absolute and taxable-equivalent yields along with sound credit fundamentals.

Municipal credit strength endures. Issuers should be well-positioned after the past few years of solid fundamentals. Throughout the year, rating upgrades outpaced downgrades by a 2.5 to 1 margin. Looking forward, robust revenues and record funding of reserves for state and local governments make municipal credits well-positioned to manage effectively through economic strength or uncertainty. Credit research is key to portfolio performance, helping to identify opportunities for relative value and credit upside.

We do not expect essential service providers, especially those funded with local tax revenues, to be materially affected by policy changes at the federal level. With elevated municipal yields, strong fundamentals, and attractive spreads, we anticipate a solid year ahead for the municipal marketplace.

From the state of Kansas perspective - Governor Laura Kelly memorialized, in late November, that since the start of her administration in 2019, Kansas has attracted more than \$20 billion in committed private sector investment to the state. This historic milestone has resulted in commitments to create or retain nearly 70,000 jobs with 1,312 successful projects in 87 of Kansas' 105 counties.

## Carret Kansas Insights

At year-end, Governor Kelly previewed her annual budget, which is balanced and continues to fully fund Kansas' K-12 public schools. The budget also invests in early childhood services and special education and addresses both short and long-term water needs. The other key elements of the annual budget include a focus on expansion of Medicaid coverage, new funding for agriculture and natural resources, additional support for disability and employment services, improvements to public safety, and additional investments in economic development and tourism.

Additionally, Kansans will no longer pay state sales tax on groceries. A 2022 law set out a three-year plan to reduce the state's sales tax on groceries, which was at 6.5% in 2022. In 2023, it was reduced to 4%, in 2024 to 2%, and will be 0% to start the new year. When the bill was introduced, Kansas had one of the highest food sales taxes, second to Mississippi with 7%. The Kansas Health Institute found that not only did the tax harm low-income Kansans financially, but also in terms of health. Governor Kelly noted that, "the average family of four would save over \$500 a year, just on sales tax elimination."

For the Carret Kansas Tax-Exempt Bond Fund, assets fell slightly from \$123.0 million to \$118.1 million during the fourth quarter. The structure of the Fund stayed relatively constant throughout the quarter. The average coupon is 3.92%, Yield to Maturity (YTM) is 3.88%, and the Fund's average credit rating remained stable at AA. The Fund primarily holds Kansas municipal bonds with no exposure to derivatives or bonds subject to Alternative Minimum Tax (AMT).

The Fund continues to seek investment-grade GOs and essential service revenue bonds. Representative bond issues in the Fund include, State of KS Department of Transportation, Allen Co KS School District, Johnson Co KS Unified School District, and Johnson Co KS Public Building Commission. The Fund's largest sector allocations are to School Districts, General Obligations, and Essential Revenue Bonds.

The Fund's weighted average maturity is 7.5 years, down from 8.5 yrs at calendar year-end 2023. The Fund holds 164 different bond issues with 79% of those rated AA or better. The Fund's duration to maturity is 6.0 years. The Institutional Share Class returned -1.2% during the Q. Over this same period, the Bloomberg 7 Year U.S. Municipal Bond Index returned -1.3% while the Lipper Other State Intermediate Municipal Bond Index returned -1.0%. For the calendar year - the Institutional Share Class returned 0.3%. Over this same period, the Bloomberg 7 Year U.S. Municipal Bond Index returned 0.8% while the Lipper Other State Intermediate Municipal Bond Index returned 0.5%.

The Fund did not employ any derivative investments during the quarter ending December 31, 2024.

### 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.*

## Carret Kansas Insights

### Important Disclosure Information

Investment advice offered through Carret Asset Management LLC, a registered investment adviser. This presentation is neither an offer to sell nor a solicitation of any offer to buy any securities, investment products, or investment advisory services. All investment portfolios carry risk, including the risk of loss. No assurances can be given that Carret will attain its investment objective or that an investor will not lose invested capital. Past performance is not a guarantee of future results. This material is for informational purposes only and is not intended to serve as a substitute for personalized investment advice or as a recommendation of or solicitation of any particular security, strategy, or investment product. Carret does not provide legal or tax advice, and nothing contained in these materials should be taken as legal or tax advice. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Although Carret believes the data to be reliable, Carret does not guarantee the accuracy of third-party data. Indices are presented herein for illustrative and comparative purposes only. Such indices may not be available for direct investment, may be unmanaged, assume reinvestment of income, do not reflect the impact of any trading commissions and costs, management or performance fees, and have limitations when used for comparison or other purposes because they, among other things, may have different strategies, volatility, credit, or other material characteristics (such as limitations on the number and types of securities or instruments).

This material is for informational purposes only, as of the date indicated, is not complete, and is subject to change. Additional information is available upon request. Any opinions expressed herein represent current opinions as of the date of publication only and may change based on market or other conditions. This material may contain assumptions that are “forward-looking statements,” which are based on certain assumptions of future events. Actual events are difficult to predict and may differ from those assumed. There can be no assurance that forward-looking statements will materialize or that actual results will not be materially different from those described here. Certain information herein has been provided by and/or is based on third-party sources and, although believed to be reliable, has not been independently verified, and Carret is not responsible for third-party errors.

No representation is made with respect to the accuracy, completeness or timeliness of information or opinions herein and Carret assumes no obligation to update or revise such information or opinions.

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by Carret Asset Management, LLC

(“Carret”), or any non-investment related services, will be profitable, equal any historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Carret is neither a law firm nor accounting firm, and no portion of its services should be construed as legal or accounting advice. Moreover, you should not assume that any discussion or information contained in this document serves as the receipt of, or as a substitute for, personalized investment advice from Carret. Please remember that it remains your responsibility to advise Carret, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure Brochure discussing our advisory services and fees is available upon request. The scope of the services to be provided depends upon the needs of the client and the terms of the engagement.

The referenced performance results reflect the reinvestment of dividends and other account earnings and are gross of applicable account transaction fees (unless indicated) and Carret Asset Management (CAM)’s investment management fee. In instances where performance figures are presented gross, performance would be lower as a result of transaction fees and CAM’s investment management fee. Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges and the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Carret account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Carret accounts; and, (3) a description of each comparative benchmark/index is available upon request. The historical benchmark performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or a prospective client in determining whether the investments meet, or continues to meet, his/her investment objective(s). It should not be assumed that account holdings will correspond directly to any of the comparative index benchmarks. No current or prospective client should assume that future performance will be profitable, or equal to either the composite performance results reflected above, or the performance results for any of the comparative benchmarks provided. For reasons including variances in strategy, account holdings, variances in the investment management fees incurred, market fluctuation, the date on which a client engaged CAM’s investment management services, and any account contributions or withdrawals, the performance of a specific client’s account may have varied substantially from the indicated composite performance results.

Neither rankings and/or recognition by unaffiliated rating services, publications, or other organizations, nor the achievement of any designation or certification, should be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if Carret is engaged, or continues to be engaged, to provide investment advisory services. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser. Rankings are generally limited to participating advisers. No ranking or recognition should be construed as a current or past endorsement of Carret by any of its clients.

Portfolio managers at Carret generally make collective investment decisions. However, in certain instances, portfolio managers may make client specific investment choices. As a result, portfolio dispersion may be increased in certain time periods. Dispersion can also be impacted by factors including but not limited to individual client investment objectives and guidelines, tax considerations, allocation of investment opportunities, order execution, and timing of funding. The material is intended as a broad overview of portfolio, philosophy, process, and style.

Holdings are as of the date indicated and subject to change without notice. The list does not constitute a recommendation to buy, sell or hold a security. Individual accounts may vary. The Representative Holdings have been selected based on objective, non-performance-based criteria. Holdings shown in this presentation may or may not be suitable for an individual’s account. Holdings are provided to illustrate a broad view of a particular strategy and are for illustrative purposes only.

Due to various factors, including the passage of time and changing market conditions, content in this presentation may be outdated and no longer reflective of current conditions.