CRAWFORD
INVESTMENT COUNSEL
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NATIONAL MUNICIPAL BOND UPDATE

Market Commentary

What a difference a quarter makes! We experienced a vast range of market dynamics in the 4th quarter. Early in the quarter the 10 year U.S. Treasury yield rose to 3.25% on the back drop of strong economic growth and solid job creation. We then had our new Federal Reserve Chairman quip on an interview that we were “no where near” the neutral rate in regards to the Federal Funds rate, indicating the Fed would be pushing up the rate significantly as we move in to 2019. At that point the stock market began to drop and from the beginning of December fell over 10%. The 10 year Treasury note fell in concert as yields plummeted from 3.25% to 2.75% in less than 60 days. Volatility in the equity and interest rate markets prevailed and investors remained nervous heading in to the final days of the year. Continued drama emitting from the White House did not help matters as resignations of key officials along with the public bashing of Federal Reserve Chairman Powell did little to instill calm. In spite of the turmoil that has rocked the markets in the last quarter, we remain optimistic about 2019. It is our opinion that the economy remains reasonably healthy. Economic data continues to reflect that we may have seen a peak in economic growth in 2018, however, we should continue to enjoy growth in the foreseeable future albeit a slower rate. Job creation remains solid, and inflation has not exhibited any tendency to accelerate. Within this framework we believe the markets will move in a more constructive manner heading in to 2019.

As we look back on the year from an interest rate perspective, the yield of the 10 year U.S. Treasury note increased from 2.46% at year-end 2017 to a peak of 3.25% in October/November of 2018, then fell to finish the year at 2.68%. All in all the yield ended up only modestly higher for the year, but an 80 basis point increase followed by a 50 basis point decrease showed the path was certainly not a boring one! As for the municipal market, the asset class performed quite well for the year and outperformed nearly all high quality fixed income in 2018. The short end of the municipal maturity range performed the best in 2018, specifically the 3 year maturity bucket, with returns approximating 2.00% for the year. Most of the return was in the form of tax exempt income. The average maturity of our National Municipal Strategy is slightly under 3 years. We began to extend maturities as interest rates peaked in the 4th quarter and we added bonds in the 5 to 7 year effective maturity range as opportunities presented themselves. It is our intention to continue this extension program as we replace maturing bonds in 2019 as long as the market cooperates. By this we mean seeing interest rates drift higher and valuations remain reasonable. At year end our cash position is the lowest it has been in a number of years with just several million dollars looking to be placed out of total municipal assets under management of $1.6 billion.

Looking forward, we anticipate interest rates to continue to drift higher as the economy grows but at a slower rate. We also expect the Federal Reserve to become more restrained in their rate hikes for 2019, which may actually have the effect of allowing rates to drift higher. By being more restrained, the market will perceive there will not be a Fed policy error of raising rates too quickly thus precipitating a recession. Specific to the municipal market, we believe that supply will increase slightly in 2019 and the demand shift away from banks and insurance companies that began in 2018 after the tax act lowered the corporate income tax rate to 21% will continue. We believe that municipal bond valuations will remain reasonable as new issue supply increases. We are also quite certain that there will be many variables to these predictions as the New Year evolves and we are confident we have the ability to recognize and adjust as necessary to protect principal and at the same time maximize our income.

Quarterly Performance

During the 4th quarter of 2018, the Crawford National Intermediate Municipal Bond Composite returned 1.07% gross of fees (0.99% net of fees). During the same time period, the Barclays 3-Year Municipal Index returned 1.11%. The average effective maturity of the Crawford National Composite at the end of the quarter was 2.37 years and the average final stated maturity of the portfolio composite was 4.54 years. Our performance over the quarter benefited from the short term nature of our maturity positioning.

Evaluating Our Performance

The Crawford National Municipal Bond strategy is a high quality, income driven investment program. Our investment process is national in scope and focuses on tax-backed and essential service municipal issuers. In our experience, traditional attribution metrics (e.g., duration, quality, sectors, etc.) do not provide adequate explanation for evaluating municipal performance. We believe yield is the best measure of a portfolio's ability to generate income.

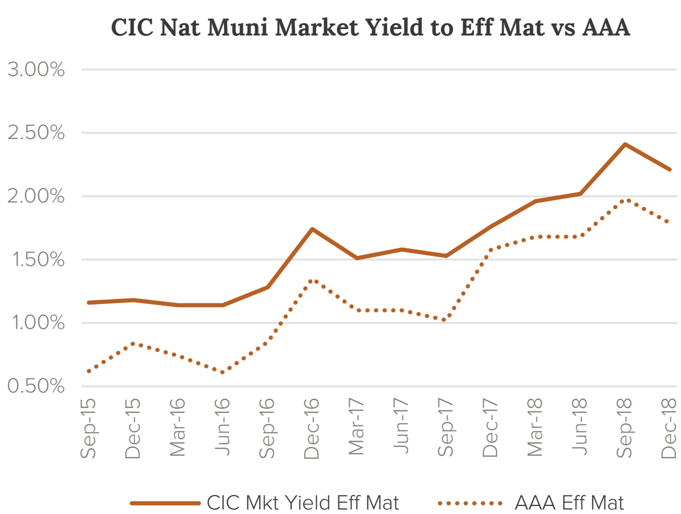
From a performance standpoint, we believe our strategy is distinguished by our ability to identify and capture inefficiencies in the municipal bond market. Given the issuer and investor dynamics of the municipal market, structural characteristics provide professional investors an opportunity to obtain relative value (higher yield for a given level of quality). These structural characteristics include call options, put options, and mandatory sinking fund schedules.

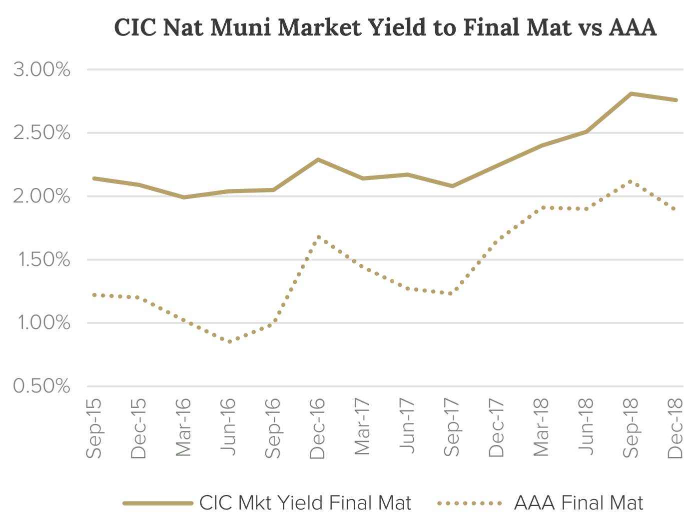
Yield and yield spreads are the best representation of the amount of relative value added by our team's ability to exploit inefficiencies. As illustrated in the tables below, we have been successful in extracting relative value for our investors relative to the Municipal Market Data AAA scale.

Crawford National Municipal Bond Strategy relative to the Municipal Market Data AAA Scale

Quarter	CIC Avg. Eff. Maturity	CIC Avg. Final Maturity	CIC Yld. To Eff. Maturity	CIC Yld. To Final Maturity	AAA Scale (Eff. Mat.)	AAA Scale (Final Mat.)	CIC Spread to AAA Scale (Eff Mat.)	CIC Spread to AAA Scale (Final Mat.)
Dec 2018	2.37 Yrs	4.54 Yrs	2.21%	2.76%	1.79%	1.89%	42 bps	87 bps
Sept 2018	2.32 Yrs	4.16 Yrs	2.41%	2.81%	1.98%	2.12%	43 bps	69 bps
June 2018	2.40 Yrs	4.11 Yrs	2.02%	2.51%	1.68%	1.90%	34 bps	61 bps
Mar 2018	2.35 Yrs	4.17 Yrs	1.96%	2.40%	1.68%	1.91%	28 bps	49 bps

Source: Crawford, Bloomberg, Barclays, TM3





Source: Crawford, Bloomberg, Barclays, TM3

National Intermediate Municipal Bond Composite
Annual Disclosure Presentation

						Composite				Bloomberg Barclays 3 Year Municipal Bond Index	
Year	Firm Assets ($ Millions)	Composite Assets ($ Millions)	% Of Balanced Carve-Outs	% Of Non-fee paying accounts	# Of Accounts	Gross Return	Net Return	3-Year Standard Deviation	Internal Dispersion	Return	3-Year Standard Deviation
2017	$5,901	$582	0%	1%	175	2.05%	1.74%	1.21%	0.4%	1.56%	1.48%
2016	$5,044	$501	0%	2%	169	0.30%	-0.02%	1.10%	0.3%	0.08%	1.23%
2015	$4,149	$443	0%	1%	148	1.52%	1.19%	0.94%	0.3%	1.18%	0.91%
2014	$4,610	$365	0%	0%	140	2.63%	2.28%	0.92%	0.6%	1.22%	0.86%
2013	$4,388	$308	0%	0%	117	0.87%	0.54%	1.15%	0.3%	1.32%	0.97%
2012	$3,812	$264	0%	0%	95	2.52%	2.18%	1.28%	0.5%	1.86%	1.13%
2011	$3,369	$217	0%	0%	80	4.91%	4.58%	2.01%	1.1%	3.46%	1.67%
2010	$3,111	$144	0%	0%	50	3.14%	2.83%	3.18%	0.7%	1.81%	2.68%
2009	$2,592	$172	22%	0%	50	5.79%	5.45%	3.09%	0.6%	5.78%	2.55%
2008	$2,046	$131	15%	0%	25	5.58%	5.20%	2.78%	N/A	5.52%	2.33%

N/A - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Crawford Investment Counsel claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Crawford Investment Counsel has been independently verified for the period January 1, 1981 through December 31, 2016. A copy of the verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS. Verification does not ensure the accuracy of any specific composite presentation.

Crawford Investment Counsel, Inc. is an independent registered investment adviser with the Securities and Exchange Commission.

The National Intermediate Municipal Bond Composite contains all discretionary, taxable national intermediate municipal bond accounts with a minimum account size of $1 million. An account managed in the national intermediate municipal bond style focuses on investment grade municipal bond issuers of short to intermediate maturity with exposure across at least 5 states with no more than 50% in a single state.

For comparison purposes the composite is measured against the Bloomberg Barclays 3 Year Municipal Bond Index. Effective February 1, 2016, the secondary benchmark, Barclays Capital 5 Year Municipal Bond Index, was removed. The change was made as it was decided that it was not relevant to show multiple benchmarks.

Results are based on discretionary accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance. Balanced portfolio segments are included in this composite prior to January 1, 2010 and in periods where single asset segments exist, cash has been allocated according to the average cash position those single segment accounts held. A 5% cash allocation has been consistently applied to the composite for periods where no single asset accounts are included. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance is calculated based on the actual fees experienced by the client. The 3-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The annual composite dispersion presented is an asset weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is not necessarily indicative of future results.

The investment management fee schedule for the composite is 0.40% on the first $5 million; 0.35% on the next $5 million; and 0.30% on the balance. Actual investment advisory fees incurred by clients may vary.

The National Intermediate Municipal Bond Composite was created in January of 2007. A complete list of composite descriptions is available upon request.