CRAWFORD
INVESTMENT COUNSEL
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NATIONAL MUNICIPAL BOND UPDATE

Market Commentary

Continued softening in economic data over the quarter both globally and domestically resulted in the continuation of the drop in bond yields since the beginning of the year. As global economies have slowed and expectations for higher inflation have waned, the Federal Reserve has signaled their willingness to cut interest rates. This is a significant change in policy to say the least, and bond markets have taken notice. In somewhat of a perverse move, equities have also rallied in this environment as the belief that the Federal Reserve will reduce rates as necessary to prolong the current economic expansion which has taken hold. It is not common to see both equities and bonds rally at the same time and we do not believe this will continue indefinitely. The debate is which market decouples from the other and when will it happen. Interest rates have fallen significantly from the beginning of the year, and may be somewhat overdone at this point.

On a relative basis, municipals have given back a little ground versus Treasuries over the quarter. While the move in the 10-year Treasury note was a drop in yield of 40 basis points, the drop in yield for a 10-year municipal was closer to 30 basis points. Municipals are still quite rich as compared to taxable investments from a historical perspective. Supply was down modestly from years past in the quarter, but we have seen near record demand for municipals as over $32 Billion has flowed into the municipal bond mutual fund space since the beginning of the year. This uninterrupted demand even resulted in inflows over the weeks surrounding the April 15th tax payment date, which is quite rare for our market. Typically, bond funds have seen outflows in the form of redemptions as taxpayers pay Uncle Sam. We also would usually see municipal bond valuations cheapen during this period, but that has not been the case. This demand is somewhat attributable to the new tax law that went into effect in 2018 that reduced the SALT (State and Local Taxes) deduction to a maximum of $10,000. This has enticed more investors to seek out the tax-free income that municipals provide, especially in high tax states such as New York and California. In fact, these two states are trading very expensively from a historical perspective. Against this backdrop the municipal market entered into several months of technical strength from a net supply standpoint. Heavy maturities and coupon payments in June and July provide ample cash for buyers, and, of late, this has caused municipal performance to surge again. On one day in particular during the second week of July, we saw Treasuries sell off and rise 8 basis points while municipals rallied and fell 2 basis points.

As we mentioned above, municipal valuations were expensive over the quarter, making value difficult to find. However, we were able to exploit several large sellers within a particular sector that we favor, the single family mortgage sector. The market became saturated with large bank sellers, and we were able to take advantage of the buying opportunity over the quarter. As we enter July and August we anticipate our cash positions to increase modestly as we wait for more supply, which typically surfaces in September. This should result in cheaper valuations and make our search for value more palatable. In the meantime, as situations arise that present opportunity, we will certainly take advantage of them on a case by case basis.

Looking forward, we anticipate interest rates to drift within a narrow band as we wait for further direction from the economy and the Federal Reserve. The recent move down could have been overdone, and a partial retracement of 10-year yields is possible. However, the global glut of negative yielding debt continues to rise and now exceeds $13 Trillion. This will make it difficult for domestic yields to increase significantly. The only caveat to this prediction is if we see GDP growth pick up unexpectedly or if we see an increase in inflation over the near term. However, we do not think this is a scenario that is likely.

Quarterly Performance

During the second quarter of 2019, the Crawford National Intermediate Municipal Bond Composite returned 0.97% gross of fees (0.89% 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 2.19 years, and the average final stated maturity of the portfolio composite was 4.80 years. Our relative performance over the quarter was slightly less than the benchmark due to 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 (i.e., 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.

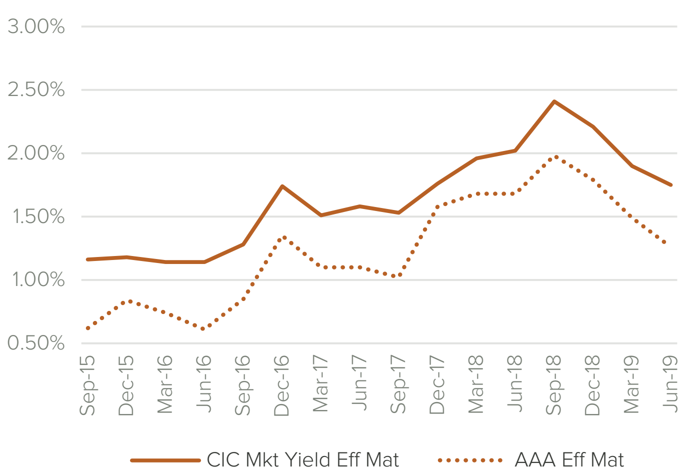
Yield and yield spreads are the best representation of the amount of relative value added by our team's ability to exploit inefficiencies. As illustrated in the tables below, we have been successful in extracting relative value for our investors relative to the Municipal Market Data AAA scale.

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

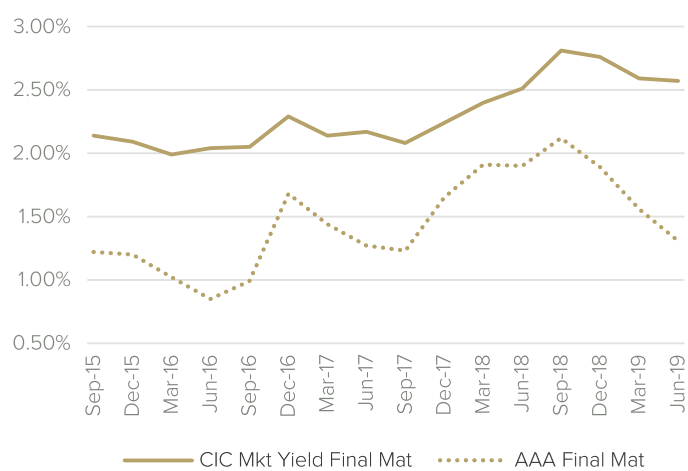
Quarter	CIC Avg. Eff. Maturity	CIC Avg. Final Maturity	CIC Yld. To Eff. Maturity	CIC Yld. To Final Maturity	AAA Scale (Eff. Mat.)	AAA Scale (Final Mat.)	CIC Spread to AAA Scale (Eff Mat.)	CIC Spread to AAA Scale (Final Mat.)
Jun 2019	2.19 Yrs	4.80 Yrs	1.75%	2.57%	1.26%	1.31%	49 bps	126 bps
Mar 2019	2.35 Yrs	4.75 Yrs	1.90%	2.59%	1.49%	1.56%	41 bps	103 bps
Dec 2018	2.37 Yrs	4.54 Yrs	2.21%	2.76%	1.79%	1.89%	42 bps	87 bps
Sep 2018	2.32 Yrs	4.16 Yrs	2.41%	2.81%	1.98%	2.12%	43 bps	69 bps

Source: Crawford, Bloomberg, Barclays, TM3

CIC Nat Muni Market Yield to Eff Mat vs AAA



CIC Nat Muni Market Yield to Final Mat vs AAA



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
2018	$5,655	$509	0%	2%	160	1.75%	1.42%	1.24%	0.2%	1.76%	1.54%
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%

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.