CLINTON INVESTMENT MANAGEMENT

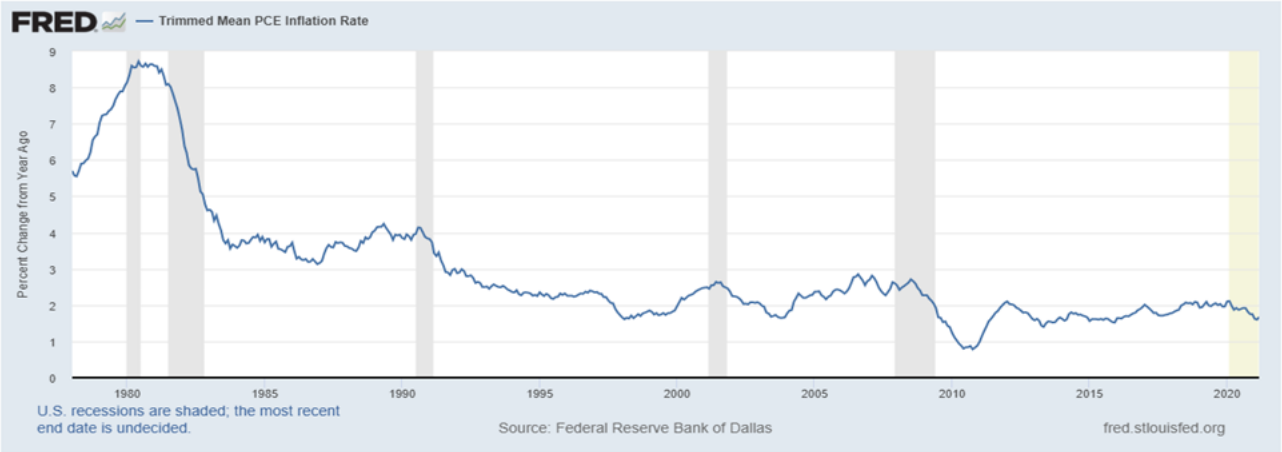
April 2021 Market Review and Outlook

- **The improving outlook around the virus has resulted in a powerful shift in market narratives over the past few months.**
- **As of 4/30/21, our Municipal Credit Opportunities and intermediate Municipal Market Duration strategies have delivered returns of +14.94% and +9.89% net respectively, over the previous 12 months.**
- **MTA's are among our very best performing credits, during that last 6 months, returning between +10.00% and +17.00% over several maturities.**
- **US Personal Consumption Expenditures (PCE), the Federal Reserve's preferred measure of inflation, has failed to sustain a rate above 2.00% for more than a decade.**
- **Our outlook for municipal credit quality is the most positive it has been in over a decade.**
- **Total AUM now exceed $1.2 billion.**

Not unlike the month of March, the first quarter of 2021 came in like a lion and went out like a lamb. It is truly remarkable to see how far we have come in so little time. While there was great concern around rising COVID-19 cases early in the quarter, more recent news regarding plummeting rates of illness and associated deaths is worthy of celebration. Rapid acceleration in vaccinations throughout the US, has played an important role in arresting the spread of the virus. We are gaining more clarity, by the day, as to when economic and societal norms might return to pre-pandemic levels. The improving outlook around the virus has resulted in a powerful shift in market narratives over the past few months. Sentiment surged to hope from despair as the near-term lifting of lockdown measures raised expectations that economic growth could resume in earnest. Confidence has rapidly returned to markets. The unprecedented and historic scale of Federal spending, associated with the American Recovery Plan (ARP), also helped to tamp down fears of future financial calamity. The ARP included cash payments to households as well as a half a trillion dollars for state and local governments. All is not right with the world, however. To the contrary, COVID continues to rage offshore, while shutdowns persist around the world, decimating lives and constraining local economies. In addition, hundreds of thousands of US businesses have been destroyed in the last year, while over eight million individuals, who were employed prior to the shutdowns, remain unemployed. While we all long for normalization and reopening, we are reminded that much of the scarring from the COVID shutdowns will likely be permanent. This will result in a slower recovery and more challenging path to sustained levels of growth in the future. The current interest rate environment clearly reflects this new reality. Treasury bond yields rose dramatically in the February as investors reacted to fears that "headline", or commodities inflation, was accelerating. Investors feared that the transient nature of commodities-based, headline inflation, could, one day, translate into sustained longer-term "core" Inflation. It is important to note, however, that US Personal Consumption Expenditures (PCE), the

Federal Reserve's preferred measure of inflation, has failed to sustain a rate above 2.00% for more than a decade, see Figure 1.

Figure 1. US PCE



The Federal Reserve is acutely aware of this fact which is why Chair Powell and the FOMC has been deliberate in reminding investors that the supply chain disruptions and corresponding price increases in commodities and raw materials are highly transient in nature and are expected to moderate materially as the economy reopens fully. Ten year, Treasury yields have now fallen by roughly 0.25% to roughly 1.5% since hitting a high of 1.74% on 3/31/21, reflecting the reality that Fed is committed to keeping rates low for many months to come.

CIM Performance and Credit Selection

Clinton Investment Management continues to deliver superior returns to our clients. As of 4/30/21, our Municipal Credit Opportunities strategy and intermediate Municipal Market Duration strategies have delivered returns of +14.94% and +9.89% net-of-fees respectively, over the previous twelve months. The Bloomberg Barclays Municipal Bond Index and Bloomberg Barclays US Treasury Index returned +7.75% and -3.80% respectively, over the same time period. We attribute the alpha we consistently deliver to our tactical efficacy and demonstrated ability to proactively identify emerging trends, while capitalizing on the inefficiencies that persist in the municipal bond market day-to-day. We moved to a neutral duration bias early in 1Q as we anticipated that economic reopening would result in increased investor expectations for higher inflation, which could push interest rates higher, in the near-term. While we firmly disagree with the notion that inflation is headed materially higher over the longer-term, we recognize that rising headline inflation could create uncertainty for investors, resulting in higher interest rates in the near-term. Our duration decision benefited client portfolios as rates rose in February. We also correctly identified several important credit opportunities during the first quarter and over the past twelve months. Our overweight positions in select credits generated significant value for our clients over the last six months, in particular. Our decision to overweight, wherever possible, client portfolios in New York Metropolitan Transit Authority (MTA) bonds serves as an excellent illustration of the differentiated nature of our team's deep credit research experience. During the pandemic, retail and institutional investors reacted to fears of imminent default of the MTA. Dramatically reduced ridership, due the temporary COVID stay-at-home orders, was the primary catalyst for investor decisions to liquidate MTA's, with extreme prejudice, during 2020. The volume of selling caused MTA bond spreads and yields to rise dramatically commensurate with bonds that were rated single "BB", in spite of the agency's single "A" rating. It was evident to us that the over 2.50% higher yield that MTAs offered, relative to the AAA rated munis, reflected an unrealistic expectation that the New York metropolitan region would never return to mass transit. MTA yields were very attractive as they provided ample compensation for what we determined to be an extremely low risk of default. Over the prior six months, we added MTA's to client portfolios, making it one of our most widely held positions, across all of our strategies. The performance

of these bonds has been nothing short of extraordinary. MTA's are among our very best performing credits, during that last six months, returning between +10.00% and +17.00% over several maturities.

Higher Taxes - Bad News for the Wealthy, Good News for Municipal Bond Holders

Recent news regarding President Biden's +$4 trillion spending proposal, relating to infrastructure, and spending on social programs, has created a high degree of anxiety and uncertainty for the wealthy. Biden's plan includes dramatic tax increases on capital gains, corporate taxes, and income taxes for individuals and families, making more than $400,000 per year. This is unwelcome news for an economy looking to lift itself out of the worst economic contraction in our lifetimes. We are also now seeing evidence that the reopening and economic recovery may not be as strong as we had hoped, as evidenced by last week's disappointing nonfarm payrolls report where we learned that only 266,000 new jobs had been created in the month of April, as opposed to the expected +1 million jobs the market was anticipating. This provides more support to our view that the economic recovery will be uneven at best. We are now seeing wealthy investors beginning to shift asset allocations to protect as much of their income from taxes as possible. This is driving record inflows into tax-free municipal bonds. We are also seeing substantial rebalancing away from risk assets toward municipal bonds due to the euphoric valuations on risk assets more broadly. Equity market valuations have now reached or exceeded the valuations seen just prior to the bursting of the dot.com bubble in 2000. The underlying safety, stability, and improved credit outlook for municipal bonds are increasingly drawing investors to the asset class. We expect this trend to continue as individuals anticipate the pain of dramatically higher taxes and the impact they may have on corporate profitability. An important data point to remember is that municipalities achieved higher tax collections in 2020, during the global pandemic, than they received in the prior year. Yet, cities and states will be receiving over $500 billion in Federal money from the ARP. For this reason, our outlook for municipal credit quality is the most positive it has been in over a decade. Therefore, we are recommending investors move out of the highest quality, extremely low yielding, AAA and AA rated bonds, given the meaningfully higher yields that exist in lower investment grade and below investment grade munis. We expect this segment of the market to continue to outperform going forward.

Clinton Investment Management Update

CIM continued to grow assets under management (AUM) in the first quarter, growing by over 21%. Total AUM now exceed $1.2 billion, reflecting the consistency with which our strategies have delivered superior returns over time. Our entire CIM team would like to express our sincerest thanks to our clients and advisors, whom we serve, for their ongoing trust and confidence. We are deeply grateful for your loyalty and look forward to building on the strength of our relationships in the future.

Please do not hesitate to reach out to us if you should have any questions regarding the content in this commentary or where we are finding value today.

Sincerely,

Andrew Clinton

CEO

CLINTON INVESTMENT MANAGEMENT, LLC

www.clintoninvestment.com

MUNICIPAL CREDIT OPPORTUNITIES

COMPOSITE PRESENTATION | DECEMBER 2020

For the Period Ending	Gross of Fees (%)	Net of Fees (%)	Barc 65/35 Muni Index (%)	Number of Accounts	Wrap Accounts (%)	Composite 3 Yr Std Dev (%)	Barc 65/35 Muni Index 3 Yr Std Dev (%)	Composite Dispersion (%)	Composite Assets (Millions)	Total Firm Assets (Millions)
2020	6.68	6.28	5.2	119	81	6.63	5.34	0.65	342	1048
2019	10.72	10.30	8.63	94	51	3.45	2.54	0.55	251	748
2018	0.70	0.30	2.49	65	47	4.83	3.8	0.36	152	550
2017	8.41	7.95	6.93	39	41	4.73	3.84	0.52	100	440
2016	1.22	0.65	1.21	10	-	-	-	0.55	47	373
2015	5.71	5.18	2.8	≤ 5	-	-	-	NA	10	283
*2014	1.84	1.71	1.32	≤ 5	-	-	-	NA	4	276

**September 30, 2014 thru December 31, 2014*

Clinton Investment Management, LLC (CIM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. CIM has been independently verified for the periods May 31, 2007 through December 31, 2019. The verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards 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 standards. Verification does not ensure the accuracy of any specific composite presentation.

Notes:

1. CIM is an independent registered investment adviser. CIM was established in 2007 and primarily manages fixed income products for high-net-worth, ultra-high-net worth, and institutional clients.

2. The Municipal Credit Opportunities composite includes portfolios that invest in municipal bonds. The objective of the composite is to track and/or outperform the benchmark in any given cycle. This strategy seeks to enhance portfolio income and deliver total returns that are similar to or higher than that of its benchmark, the Bloomberg Barclays Municipal 65% HG/35% HY Index, through investment in lower to below investment grade securities. Other major statistical factors are considered when constructing portfolios but may not be primary constraints such as duration position, sector allocation, and credit quality selection. Leverage and derivatives are not used.

3. The composite consists of fully discretionary, fee paying accounts under management, including terminated accounts for the period they were fee paying accounts. The composite was created on *September 30, 2014.

5. The US dollar is the currency used to express performance.

4. The benchmark for the composite is the Bloomberg Barclays Municipal 65%HG/35%HY Index which measures the performance of the blended US high grade (65%) and high yield (35%) municipal bond universe. It includes approximately 53,638 municipal issuers. It is constructed to provide a comprehensive and unbiased blended municipal bond market barometer. Please note an investor cannot invest directly in an index.

6. Gross-of-fees performance returns represent returns prior to the deduction of management fees but after all trading expenses. Net-of-fees performance returns are calculated by deducting the actual investment management fee from the gross returns. Accounts may be charged additional advisory fees on top of CIM's investment management fee.

7. The performance numbers include the reinvestment of income and capital gains.

8. Internal dispersion is calculated when five or more portfolios were in the composite for the entire year using the asset-weighted standard deviation of those portfolios that were included in the composite for an entire year. The 3-Year Standard Deviation represents the annualized standard deviation of actual composite and benchmark returns, using the rolling 36-months ended each year-end.

9. Past performance is not indicative of future returns. Actual results may differ from the composite results depending upon the size of the account, investment objectives, guidelines and restrictions, inception of the account and other factors.

10. The fee schedule is: 0.85%. Investment advisory fees are negotiable based on account size, investment strategy and relationship type and may differ between accounts.

11. A listing of composite descriptions, policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

CLINTON INVESTMENT MANAGEMENT, LLC
www.clintoninvestment.com

MUNICIPAL MARKET DURATION

COMPOSITE PRESENTATION | DECEMBER 2020

For the Period Ending	Gross of Fees (%)	Net of Fees (%)	Bloomberg Muni Index (%)	Number of Accounts	Wrap Accounts (%)	Composite 3 Yr Std Dev (%)	Bloomberg Muni Index 3 Yr Std Dev (%)	Composite Dispersion (%)	Composite Assets (Millions)	Total Firm Assets (Millions)
2020	6.37	6.07	5.21	180	32	4.46	3.96	0.70	512	1048
2019	8.49	8.18	7.54	124	4	2.49	2.44	0.59	338	748
2018	1.57	1.27	1.28	104		3.53	3.35	0.44	274	550
2017	5.30	4.91	5.44	85		3.50	3.30	0.51	155	440
2016	0.17	-0.43	0.25	84		3.52	3.38	0.53	155	373
2015	3.66	3.05	3.30	79		3.12	3.36	0.44	145	283
2014	7.02	6.38	9.05	62		3.65	3.67	2.27	118	276
2013	-1.80	-2.38	-2.55	53		3.80	3.97	1.32	96	223
2012	6.47	5.83	6.78	57		3.62	3.71	0.82	105	253
2011	8.83	8.19	10.70	40		4.64	4.57	0.82	81	200
2010	3.18	2.56	2.38	25		6.27	6.26	0.46	56	166
2009	11.34	10.68	12.91	21		-	-	1.05	40	160
2008	1.74	1.13	-2.47	9		-	-	0.71	58	100
*2007	4.92	4.56	2.68	<5		-	-	0.00	2	2

**May 31, 2007 thru December 31,2007*

Clinton Investment Management, LLC (CIM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. CIM has been independently verified for the periods May 31, 2007 through December 31, 2019. The verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards 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 standards. Verification does not ensure the accuracy of any specific composite presentation.

Notes:

1. CIM is an independent registered investment adviser. CIM was established in 2007 and primarily manages fixed income products for high-net-worth, ultra-high-net worth, and institutional clients.

2. The Market Duration composite includes portfolios that invest in municipal bonds. The objective of the composite is to track and/or outperform the benchmark in any given cycle. This is a risk based quantitative methodology (RBQM) that is designed to outperform a given index with a reduced risk level. This strategy is to have a portfolio duration that is similar to that of its benchmark, the Bloomberg Barclay's Municipal Bond Index. Other major statistical factors are considered when constructing portfolios but may not be primary constraints such as maturity and credit quality. Leverage and derivatives are not used.

3. The composite consists of fully discretionary, fee paying accounts under management, including terminated accounts for the period they were fee paying accounts. The composite was created on *May 31, 2007.

4. The US dollar is the currency used to express performance.

5. The benchmark for the composite is the Bloomberg Barclays Municipal Bond Index which measures the performance of the US municipal bond universe. It includes approximately 50,607 investment grade municipal issuers. It is constructed to provide a comprehensive and unbiased municipal bond market barometer. Please note an investor cannot invest directly in an index.

6. Gross-of-fees performance returns represent returns prior to the deduction of management fees but after all trading expenses. Net-of-fees performance returns are calculated by deducting the actual investment management fee from the gross returns. Accounts may be charged additional advisory fees on top of CIM's investment management fee.

7. The performance numbers include the reinvestment of income and capital gains.

8. Internal dispersion is calculated when five or more portfolios were in the composite for the entire year using the asset-weighted standard deviation of those portfolios that were included in the composite for an entire year. The 3-Year Standard Deviation represents the annualized standard deviation of actual composite and benchmark returns, using the rolling 36-months ended each year-end.

9. Past performance is not indicative of future returns. Actual results may differ from the composite results depending upon the size of the account, investment objectives, guidelines and restrictions, inception of the account and other factors.

10. The fee schedule is: 0.60% on the first $1 million in assets, 0.50% for the next $5 Million and 0.37% thereafter. Investment advisory fees are negotiable based on account size, investment strategy and relationship type and may differ between accounts.

11. A listing of composite descriptions, policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Important Disclosure Information

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter (article), will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter (article) serves as the receipt of, or as a substitute for, personalized investment advice from Clinton Investment Management, LLC. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. The PSN universes were created using the information collected through the PSN investment manager questionnaire and use only gross-of-fee returns. The PSN/Informa content is intended for use by qualified investment professionals. Please consult with an investment professional before making any investment using content or implied content from any investment manager. advice from Clinton Investment Management, LLC. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.