Ultra Short Tax-Free Income Fund Commentary

Market Overview

The short end of the municipal market experienced dramatically higher yields in the first quarter as market participants became concerned that the Federal Reserve is behind the curve in the fight against inflation and will need to raise the overnight lending rate more than anticipated. Yields on fixed-rate paper in the 1-year maturity range rose over 100 basis points (1.0%) during the period. This move was not only due to tracking the Treasury market, but also attributable to pressure caused by outflows from municipal bond funds during the quarter. The subsequent selling of bonds by funds in the secondary market in order to meet the redemptions pushed rates higher as supply outweighed demand. Yields on variable rate demand notes (VRDNs) also moved up considerably during the period. The SIFMA index rose from 0.10% to 0.51% during the quarter, reaching its highest level since April 2020.

Positioning the Ultra Short Tax-Free Income Fund

Portfolio composition is subject to change.

The Fund will continue to seek opportunities to lock in attractive yields in the fixed rate market. In addition, with rates on VRDNs finally starting to rise in conjunction with the Fed's moves, the Fund will look to have a more balanced mix of fixed rate and variable rate holdings.

Why should investors consider investing in this Fund?

The Ultra Short Tax-Free Income Fund should provide an attractive tax-free yield as well as a relatively stable net asset value in a rising rate environment as the Fed continues its tightening cycle in the coming months.

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Disclosures

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THE SIFMA Municipal Swap index is a 7-day6 high-grade market index comprised of tax-exempt VRDNs reset rates that are reported to the Municipal Securities Rule Making Board's (MSRBs) SHORT reporting system. The index is calculated on an actual/actual basis and is published every Wednesday by 4pm Eastern Time. The bonds going into the index are selected from all eligible bonds reporting data through the SHORT system that meet the index criteria as set forth by SIFMA. The index is calculated by Bloomberg as the calculation agent for SIFMA.

Investment Risks

Fixed income securities are subject to interest rate risks. The principal value of a bond falls when interest rates rise and rise when interest rates fall. During periods of rising interest rates, the value of a bond investment is at greater risk than during periods of stable or falling rates. Short term investment grade bonds offer less risk and generally a lower rate of return than longer term higher yielding bonds. Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in price, especially for longer term issues and in environments of changing interest rates. The Fund's income may be subject to certain state and local taxes and, depending on one's tax status, to the federal alternative minimum tax.