



September 30, 2026

Dear Shareholder:

By offering low volatility and steady tax-free income, municipal bonds have traditionally been seen as the “quiet corner” of the fixed-income sector. Unfortunately, the third quarter proved to be anything but quiet for municipal bond investors. The municipal bond market experienced a sharp selloff as renewed inflation fears, expectations for additional interest rate hikes, and rising oil prices hammered municipal bonds prices (yields up).

The Federal Reserve (the “Fed”) voted unanimously to raise the fed funds target rate range a quarter point to 3.75%-4.00% at its September meeting. The Fed noted that its policy action “will support a timelier return to the committee’s 2% goal” and that it expects inflation will continue to slowly decline and reach its 2% goal sometime around 2029.

The recent spike in bond yields and the sheer magnitude of the increase caught us and other investment professionals off guard. It is difficult, if not impossible, to accurately predict where yields may end up at a given point in time. Among other things, the size of the Fed’s rate hikes, the shape of the yield curve heading into a tightening cycle, and the prevailing economic conditions at the start of a tightening cycle all influence yields. In addition to Fed policy action, municipal bond yields are also impacted by supply and demand dynamics, credit spreads, reinvestment flows, and seasonal factors.

We have always tried to emphasize to our shareholders that **you should buy bonds to secure a steady stream of income**. While a bond’s current market price can and will change daily, its interest payment does not! Although the recent selloff has caused the share prices of our funds to decline, it’s important to understand that the distribution yields of our funds have not been negatively impacted. There is no loss to an investor who holds on to their shares.

Income is the single most important component of long-term fixed-income returns. The ability to reinvest into a rising interest rate environment can help investors build long-term growth. Today’s higher absolute yields also provide investors with a bigger income cushion which can help offset any further price declines.

Although interest rate hikes can result in losses for short-term investors, periods of rising rates don’t necessarily correlate to losses in bond portfolios over the long run. Over the long-term, higher yields ultimately benefit fixed-income investors with higher returns.

Thank you for investing with us.

Sincerely,

A handwritten signature in blue ink that reads "Allen E. Grimes, III".

Allen E. Grimes, III
President