



NEW YORK TAX FREE FUND

MARKET REVIEW

- The municipal market, as represented by the Bloomberg Barclays Municipal Bond Index, returned 2.90% during the first quarter of 2019.
- As risk assets rallied during the first quarter, lower credit quality tiers and longer dated bonds outperformed their higher quality and shorter term counterparts. This was a sharp reversal from the previous quarter which saw higher-rated bonds outperforming lower-rated issues amid investor concerns regarding slowing global growth, increasing market volatility, and the inversion of the front end of the Treasury curve. Notably, the high yield segment of the municipal bond market returned 3.83% during the quarter.
- Yields across the tax-free curve moved lower, with the intermediate and long portions experiencing the largest decreases in rates. On average, rates declined more than 35 basis points during the first three months of the year.
- Municipal bond funds extended their record year-to-date inflows to \$22.5 billion, representing the best start to a year since Lipper established the data series in 1992.
- Using estimated total tax collections for full-year 2018, 46 states posted growth in tax revenue, with an average year-over-year gain of 7.2%, according to JP Morgan.

PORTFOLIO POSITIONING

- Relative to its benchmark, the Bloomberg Barclays Municipal Bond Index, the portfolio is underweight bonds in the 1- to 7-year maturity range, while maintaining an overweight to longer maturity bonds.
- The portfolio continues to maintain an overweight to revenue bonds, specifically in the transportation, special tax-backed, education, and industrial development sectors.

STRATEGY OUTLOOK

- Public policy developments at the federal and state level will continue to play a major role in the coming months. While the prospects for a comprehensive infrastructure plan have been dim for years, there is renewed interest from both political parties to engage in initial conversations that would determine the scale and viability of certain projects.
- We expect the higher tax-equivalent yields available on municipal bonds versus Treasuries and corporates, municipal bonds' solid performance across ratings categories, and strengthening credit fundamentals to support the broader case for tax-free securities in today's environment. While investor demand for municipals has increased, we continue to see attractive values on offer in the market.

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