



MSRB Taps CFI for Expertise

By Charles "Skip" Fish, CEO and CIO

As most of you know, Skip served our industry well while on the Municipal Securities Rulemaking Board (MSRB) both as board member and Chair from 1991-1993. Once again, CFI's experts are called to advise the MSRB on issues related to investor protection. We are proud to announce Betsy's appointment to the newly formed Investor Advisory Group. Please help us congratulate Betsy for receiving this high honor. We are confident her contribution will make a positive impact.

MSRB Announces Members of Investor Advisory Group

Date: November 30, 2015

MSRB ANNOUNCES MEMBERS OF INVESTOR ADVISORY GROUP

Alexandria, VA - The Municipal Securities Rulemaking Board (MSRB) today announced the names of the members of its 2016 Investor Advisory Group, which was created recently to provide the MSRB's Board of Directors with access to additional expertise on municipal market practices, transparency and investor protection issues.

Members of the 2016 MSRB Investor Advisory Group are:

- Joseph John Bridy, Partner, Hamlin Capital Management
- Joseph P. Darcy, Executive Vice President, Sector Head, Municipal Fixed Income, Hartford Investment Management Company
- Lyle Fitterer, Managing Director, Head of Tax-Exempt Fixed Income, Wells Capital Management
- Thalia Meehan, Portfolio Manager, Putnam Investments
- Bill Oliver, Retail Investor
- Betsy C. Shelton, Director of Research and Senior Portfolio Manager, Charles Fish Investments, Inc.
- Benjamin S. Thompson, President and Chief Executive Officer, Fiera Capital Inc.

"The Investor Advisory Group will help ensure that the Board's deliberations on key issues include the perspectives of active and knowledgeable municipal securities investors," said MSRB Chair Nat Singer. "The advisory group members each have decades of experience that will enhance the work of the MSRB to promote a fair and efficient market."

Visit MSRB.org for the complete press release.

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Our Mission

CFI is dedicated to the task of securing for each individual account the best possible after-tax performance net of fees. We accomplish this by actively managing tailored portfolios in strict adherence to the strategic objectives of each client. It is our responsibility to employ the most suitable fixed income assets and strategies in a manner most effective for every account. It is our duty to devote the resources, intensity and vigilance necessary to insure all clients consistent superior results.



"If you are planning for a year, sow rice; if you are planning for a decade, plant trees; if you are planning for a lifetime, educate people."

-Chinese Proverb



CFI Supports Life Long Learning Through Online Education

It is no secret that the love of learning is in the DNA of every member of the CFI team. And if you have benefited from taking bond school at CFI headquarters over the years, you know there is no shortage of information to be shared. For these reasons, we are pleased to announce that CFI has joined forces with Fixed Income Academy to deliver

online training to an even broader audience. Check out www.fixedincomeacademy.com for a preview of Beyond the Basics: *Municipal Bond Credit Analysis* taught by none other than our own Betsy Shelton.

If you would like to take the full course, please contact **Gloria Dunn** at 949-296-3982 or Gloria@charlesfishinvestments.com for a promo code to access the course free of charge.

Please note: Fixed Income Academy, L.P. is not affiliated with CFI. However, FIA is owned and operated by General Partner, Mustard Seed Consulting, Inc., a corporation owned by Susan Munson, CFI's Director of Client Services. For additional information, please contact Susan Munson at smunson@fixedincomeacademy.com or 714-319-4166.

FISH SCALES									
	1.09		2019	1.15	1.39	1.04	1.95	1.49	+60
	1.26		2020	1.34	1.63	1.23	2.23	1.65	+68
	1.44		2021	1.56	1.87		2.56	1.87	+81
	1.60		2022	1.77	2.10		2.82	1.99	+89
	1.76		2023	1.98	2.33		3.04	2.05	+100
	1.90		2024	2.17	2.52		3.22	2.18	+104
	2.02		2025	2.33	2.70		3.34	2.21	+113
	2.14		2026	2.46	2.87		3.53		
	2.22		2027	2.59	3.02		3.64		
	2.30		2028	2.66	3.14		3.73		
	2.38		2029	2.75	3.24		3.83		
	2.46		2030	2.84	3.28		3.90	2.48	+145
	2.72		2035	3.09	3.56		4.16	2.63	+165
	2.89		2040	3.24	3.61		4.30	2.88	+160
	2.96		2045	3.35	3.68		4.40	2.97	+162

* National Scales from MMD
 **Proxy for Non-Rated Paper

November 30, 2015

AS OF DATE



Credit Corner

By Betsy Shelton, Director of Research /
Sr. Portfolio Manager.

Despite Challenges, Munis Poised for Positive 2016

By the time you receive this newsletter it will be early December. I hope it will find you having had a wonderful Thanksgiving Day with family and friends. When I think about the overwhelming number of choices at my own Thanksgiving table it reminded me of the many choices that you, the municipal bond investor and we as professional bond managers, have been faced with throughout this past year. Rather than recite the litany of all the issues and events so far, I would like to share with you a follow up to last month's pension article and a summary of what to expect for the first quarter of the coming year.

First is what I call "*The Tale of Three Cities*" and it refers to the ongoing issue of the ever-increasing burden of public pension liabilities and three outcomes to proposed reforms. As we mentioned in our last newsletter, this is a complex matter with a multitude of moving parts. The three cities, each of which has had legal challenges to their proposed reform measures, are San Jose, Sacramento and Atlanta. Space constraints keep us from going into detail nor do we want to re-hash last month's discussion, so here is the "quick and dirty" as to what happened to each of these entities.

Based on a series of court rulings dating as far back as 1955 that have become known as the "California Rule", the California Supreme Court blocked the City of San Jose's demand for higher employee contributions. According to Fitch, the California Rule "provides that pension benefits are a vested contractual right and cannot be impaired for existing public employees or retirees". In late August, after much wrangling, San Jose settled with its police and firefighter unions in an agreement that gives between 5% and 8% bonuses in exchange for higher employee contributions for new hires only. In the meantime, former San Jose

City Mayor, Chuck Reed, and former San Diego City Councilman, Carl DeMaio, continue to work on crafting a pension reform initiative for the November 2016 ballot that will hopefully withstand legal challenge, either from the unions or the State.

Across the bay and up the road apiece, the City of Sacramento thought they had struck an agreement on pension reform with the leadership of all three of the City's unions only to have the rank and file membership reject the changes. As of this writing the City is back at the proverbial drawing board as they search for a plan that will be acceptable to the unions and the courts alike.

But all the news on this matter is not gloomy. In fact, there is an instance where it is most encouraging. In late October the Georgia Supreme Court ruled that requiring employees to pay an additional share of the City of Atlanta's pension costs was indeed constitutional. The result is a savings of more than \$500 million dollars and the elimination of the City's projected nearly \$1.5 billion pension liability. According to Moody's, the ruling "solidifies pension reform flexibility for local governments across the State", especially single-employer plans.

The takeaway we wish to leave with our readers is 1) the outcome of most proposed reform measures remains uncertain, 2) court opinions vary widely across the country, 3) leadership and membership do not always agree on any proposed resolution, and 4) based on all the aforementioned, this saga is sure to continue for some time to come. Stay tuned for additional updates in the months ahead.

As 2015 draws to a close, we are happy to end on an optimistic note. Despite all the negative media news on the issuer front, both market fundamental and technical factors are strong. We are seeing more rating upgrades as local economies and related government entity finances continue to improve. Both crossover and bank buyers are back in the market and retail demand remains strong both at the individual and mutual fund levels. Even the prospect

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of an imminent Fed rate hike does not appear to be damping investors' appetite for municipals. When such healthy demand is combined with dwindling supply (new issuance was down 21.6% in November, the lowest for that month since 2002) and sizable January redemptions (commonly known as the "January Effect"), the fundamentals of Economics 101 are in full swing. We are once again reminded that when demand exceeds supply, yields will decline until such time as demand recedes or supply increases. Given that most municipalities are not ready to issue debt in the early months of a new year, we anticipate that the municipal market will continue to outperform other fixed income sectors well into the first quarter of 2016.

We close by wishing each of you and your families a most wonderful, joyous, and safe holiday season. The next time you will hear from us we will have entered a new year. May 2016 bring us all good health, peace, and compelling investment opportunities!

For more information visit

CharlesFishInvestments.com

or call Susan Munson at 949-296-3970 or

susan@charlesfishinvestments.com

to schedule a private consultation.