



**AAII LOS ANGELES**  
**JUNE 15, 2024**

## **SUFFERING FROM BOND STRATEGY FATIGUE?** ***THE DOCTOR IS IN***

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**2024**

January "The Fed will lower rates six times," they shouted  
March "The Fed will stay higher for longer," they said  
April "The Fed will lower rates 25 basis points."  
May "Higher for longer," they murmured

Question: To whom do you listen?

Answer: No one. Look for value in the bond market now.





This year there's been a mad rush to:

- Money Market Funds
- CDs
- T-Bills

But where will your portfolio be when yields peak, flatten out, or even fall?

June 2024: There's a \$6 trillion wall of money out there ready for deployment



Everyone is in the money market, T-Bill, and CD pool now. What's your next move? *Have you even anticipated a next move?*

There are several compelling reasons to extend maturities. Just not too far.

Asset gatherers and wealth managers sell the public on ETFs, open-end and closed-end funds. They trumpet the perils of owning individual stocks and bonds. Not us!



**Envision Capital...**  
***We are dinosaurs***

## **ENRON:**

Went bankrupt on December 2, 2001

Dragged Arthur Anderson, CPAs down with it

There's no protection for bondholders if a corporation is cooking the books as was Enron

Some new clients begin by saying, "I want a portfolio only of AAA corporate bonds".

My response is, "There are only two—Microsoft and Johnson & Johnson—you don't need an investment manager."

The take-away is that 70% of the corporate bond market has issuers with BBB+ and BBB-ratings



## We have 17 corporate bond recommendations



*Yields as of June 11, 2024*

Issuer	Coupon	Maturity	Yield To Maturity
Bank of America	4.450%	3-3-26	5.45%
Keysight Tech.	4.600%	4-6-27	5.35%
Jabil	4.250%	5-15-27	5.40%
Ryder Systems, Inc.	4.300%	6-15-27	5.40%
Boardwalk Pipeline	4.450%	7-15-27	5.45%
Marathon Oil	4.400%	7-15-27	5.12%
Huntington Ingalls	3.483%	12-1-27	5.48%
Targa Resources Ptnrs	5.000%	1-15-28	5.67%
Howmet Aerospace	6.750%	1-15-28	5.65%
Vici Properties	4.750%	2-15-28	5.60%
Trane Technology	3.75%	8-21-28	5.05%
Cheniere Energy	4.625%	10-15-28	5.55%
GLPI	5.300%	1-15-29	5.75%
Motorola Solutions	4.600%	5-23-29	5.23%
Murphy Oil	4.750%	9-15-29	6.10%
Oracle	6.150%	11-9-29	5.14%
Ford Motor	Various	From 4-7 years	5.80%-6.24%

## Explanation of Our Bond Recommendations Businesses

Issuer	Description
Bank of America	Operates as a financial holding company. The Company offers saving accounts, deposits, mortgage and construction loans, cash and wealth management, certificates of deposit, investment funds, credit and debit cards, insurance, mobile, and online banking services. Bank of America serves customers worldwide.
Keysight Tech.	Offers electronic measurement services using wireless, modular, and software solutions.
Jabil	Operates as a manufacturing services company. The Company offers digital prototyping, printed electronics, device integration, circuit designing, and volume board assembly services. Jabil serves automotive, consumer health, data centers, energy, and defense and aerospace sectors worldwide.
Ryder	Ryder works behind the scenes providing technology-driven supply chain, dedicated transportation, and fleet management solutions to companies of all sizes from emerging retailers to some of the world's most known brands.
Boardwalk Pipeline	Provides transportation and storage of natural gas and liquids. The Company owns and operates interconnected natural gas pipelines. Boardwalk Pipeline Partners serves customers in the United States.
Marathon Oil	Independent international energy company. The Company engages in exploration and production of petroleum and natural gas. Marathon Oil serves customers globally.
Huntington Ingalls	Designs, builds, and maintains nuclear and non-nuclear ships for the United States Navy and Coast Guard. The Company also provides after-market services for military ships worldwide. HII consists of two primary business divisions, Newport News Shipbuilding and Ingalls Shipbuilding.
Targa Resources	Targa is a midstream energy infrastructure corporation, is one of the largest infrastructure companies delivering natural gas and natural gas liquids in the United States. Their operations are based largely, though not entirely, on the Gulf Coast, particularly in Texas and Louisiana.
Howmet Aerospace Corp.	Provides high-performance engineered solutions paired with advanced manufacturing expertise. Makes quieter, more fuel-efficient engines for airplanes and gas turbines.

## Explanation of Our Bond Recommendations Businesses

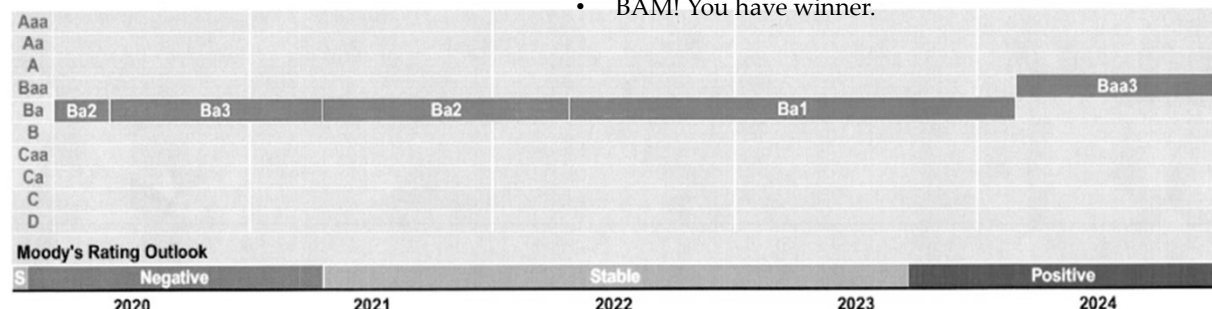
Issuer	Description
Vici Properties	Experiential real estate investment trust that owns one of the largest portfolios of market-leading gaming, hospitality and entertainment destinations, including the world-renowned Caesars Palace. VICI Properties' strategy is to create the nation's highest quality and most productive experiential real estate portfolio.
Trane Technologies	Manufactures industrial equipment. Offers central heaters, air conditioners, electric vehicles, air cleaners, and fluid handling products. Serves customers worldwide.
Cheniere Energy	Energy company focused on LNG-related businesses. The Company owns and operates liquefied natural gas (LNG) receiving terminals and liquefied natural gas (LNG) pipelines. Cheniere Energy manages and operates projects in Louisiana and Texas.
GLPI	REIT focused on acquiring real property assets leased to gaming operators. World class grandeur, amenities and experience. GLPI's portfolio of 65 premier gaming assets is geographically diversified across 20 states.
Motorola Solutions	Data communications and telecommunications equipment provider. The Company develops data capture, wireless, infrastructure, bar code scanning, two-way radios, and wireless broadband networks. Motorola also produces public safety and government products, voice and data communications products and systems, and wireless LAN.
Murphy Oil	Operates as a gas filling station. The Company focuses refined products through its network of branded gasoline stations, convenience stores customers, and unbranded wholesale customers. Murphy USA also supplies and wholesales assets such as production distribution terminals and pipelines.
Oracle	Supplies software for enterprise information management. The Company offers databases and relational servers, application development and decision support tools, and enterprise business applications. Oracle's software runs on network computers, personal digital assistants, set-top devices, PCs, workstations, minicomputers.
Ford Motor Company	Designs, manufactures, and services cars and trucks. The Company also provides vehicle-related financing, leasing, and insurance through its subsidiary.

### MOODY'S INVESTORS SERVICE

## HOWMET AEROSPACE INC. HWM

### Rating History

#### 5 Year Rating History for 022249AU0



Factors that Could Lead to a Downgrade *Continued from Page 1*



## Don't Get Too Comfortable With What Everyone Else Is Doing

### Rule #1: Stay away from bond funds or ETFs

- If short-term rates decline, you'll be investing at lower yields. With bond funds and bond ETFs, other investors rushing in will reduce your yield by forcing the fund or ETF to buy lower yielding bonds to meet the demand.
- If rates increase, the usual panic will ensue, causing massive bond fund outflows, and nuking the Net Asset Value of your fund
- Don't put yourself in a *heads you lose, tails you lose* situation.

### Rule #2: Lengthen maturities

- It is imperative that you lengthen your laddered maturities to 3, 5, 6, and maybe even 8 years so you aren't caught with reinvestment risk at lower yields.

## This Is The Gospel



Rolling down the yield curve works. It doesn't insulate you from losses, BUT it does provide income and maturity predictability that ETFs, open-end and closed-end bond funds cannot.



**Out migration is real. You don't get paid for the credit risk  
of the weakest cities and states.**

Note to municipal bond investors: Buy into states and cities that  
are reshaping the country.

Avoid

New York  
California  
Washington  
Oregon

San Francisco  
Los Angeles  
New York City  
Washington DC

Buy

Texas  
Tennessee  
Florida

Dallas  
Houston  
Miami  
Nashville

*The Power Shift is Mighty*

## The Dynamic Four



### Dallas

- Biggest population jump of any US metro area
- Local airports serve more cities
- America's biggest land-locked metropolis

### Miami

- Houses over 1100 Latin American headquarters
- Miami airport is #1 for international freight ops
- Jeff Bezos and multiple hedge funds have moved to Miami



### Houston

- Home to 25 Fortune 500 companies
- At 7.3 million people, 5<sup>th</sup> biggest US metropolis
- Port of Houston is largest by tonnage in the US



### Nashville

- Home to 800 healthcare companies
- Business hubs to Amazon, Oracle, Meta
- Huge influx of new residents



Don't invest in San Francisco or Los Angeles City bonds. GO's, rapid transit, COPs, school bonds are okay, but only if insured.

## Here's What's Shaping Up in Muniland

- More emphasis on timely, accurate disclosure
- There are now downgrades for municipalities that don't file financials
- Faster trade reporting hopefully means more accurate prices
- Because interest rates have increased dramatically since 2020 be careful of the municipal bond *De Minimus Rule*





## De Minimus Rule Explained

Yes, municipal bond interest is federally tax-free. However, some circumstances can make it subject to taxation.

The *de minimus rule* states that a bond bought at a discount of more than a quarter point per year from the purchase date to maturity would be subject to ordinary income tax on the gain. The ordinary income tax rate is higher than the capital gains rate.

In plain English: Avoid low-coupon, deeply discounted municipal bonds. The coupon will be federally and state tax exempt (if it's your state of residence), but the discount may be taxed as ordinary income.

## Municipal Bond Areas To Avoid

- Hospitals
- Nursing homes
- Sports facilities
- Private colleges, dorms, and parking facilities
- Revenue bonds for court houses, law enforcement and fire facilities, prisons and jails, libraries, parks, charter schools, city rapid transit



Avoid this list to spare yourself pain and financial anguish

## How To Tell Good To Great Municipal Bond Investments

Compare the yield to maturity on a municipal bond to a comparably maturing Treasury bond. Compute the percentage of the municipal bond's YTM to the Treasury YTM. Use these guides:

- 40%-50% don't buy
- 60%-70%: it's pricey
- 70%-80%: Interesting. Take a nibble
- 80%-90%: An excellent buy
- 100%: Buy every good quality municipal bond in sight

CA	NR	AA	<u>Foothill California P REV 4% 11/01/2028</u> Spl Redem Provs 3461BBC9 Semi-Annual	4.0	11/01/2028	Yes	Ask	10	70	50	103.74400	3.081	--	--
CA	NR	AA	<u>Vallejo Ca Wtr REV 4% 05/01/2029</u> 919259CA7 Semi-Annual	4.0	05/01/2029	No	Ask	25	85	50	106.43600	2.589	--	--
CA	AI	AA	<u>Lucia Mar Usd Ca Cop REV 4% 05/01/2029</u> Spl Redem Provs 549479EU3 Semi-Annual	4.0	05/01/2029	Yes	Ask	25	75	50	106.14700	2.651	--	--
CA	NR	AA	<u>Marvsville Ca Sd Cop REV 4% 06/01/2029</u> Spl Redem Provs 574348CY2 Semi-Annual	4.0	06/01/2029	Yes	Ask	25	85	50	105.78500	2.747	--	--
CA	AI	AA	<u>Onward Ca Uhsd Cop REV 4% 06/01/2029</u> Spl Redem Provs 692045DT1 Semi-Annual	4.0	06/01/2029	Yes	Ask	50	285	50	106.21100	2.658	--	--
CA	NR	AA	<u>Downey California Pu REV 4% 06/01/2029</u> 260892AH7 Semi-Annual	4.0	06/01/2029	No	Ask	50	240	50	107.19800	2.453	--	--
CA	AI	AA	<u>Coachella Vv Ca Usd GO 3.5% 08/01/2029 OID Callable</u> 08/01/2024 @ 100.00000 Continuously-Callable 189849KV3 Semi-Annual	3.5	08/01/2029	Yes	Ask	10	50	50	99.71900	3.560	5.469	3.560
CA	AI	AA	<u>San Bernardino Ca Usd GO 4% 08/01/2029</u> 796711E21 Semi-Annual	4.0	08/01/2029	No	Ask	25	85	50	107.28900	2.480	--	--
CA	NR	AA	<u>Ceres Ca Usd GO 4% 08/01/2029</u> 156753QU2 Semi-Annual	4.0	08/01/2029	No	Ask	5	75	50	103.47000	3.260	--	--
CA	NR	AA	<u>Rosemead Ca Sd GO 4% 08/01/2029 Callable</u> 08/01/2027 @ 100.00000 Continuously-Callable 777326LW2 Semi-Annual	4.0	08/01/2029	Yes	Ask	25	50	50	104.74100	2.997	2.422	2.422
CA	AI	AA	<u>San Leandro Ca Usd GO 4% 08/01/2029</u> 798458VB8 Semi-Annual	4.0	08/01/2029	No	Ask	25	65	50	107.55200	2.427	--	--
CA	NR	AA	<u>San Pablo California REV 4% 11/01/2029</u> Spl Redem Provs 799135CB2 Semi-Annual	4.0	11/01/2029	Yes	Ask	5	80	50	104.93700	3.000	--	--
CA	NR	AA	<u>Riverbank Ca Usd Cop REV 4% 11/01/2029 Callable</u> 11/01/2026 @ 100.00000 Continuously-Callable Spl Redem Provs 76856PBV0 Semi-Annual	4.0	11/01/2029	Yes	Ask	5	100	50	101.34700	3.721	3.407	3.407
CA	NR	AA	<u>West Hills Community REV 4% 03/01/2030</u> Spl Redem Provs 95330RAM3 Semi-Annual	4.0	03/01/2030	Yes	Ask	10	50	50	104.50300	3.134	--	--
CA	NR	AA	<u>Marvsville Ca Sd Cop REV 4% 06/01/2030 Callable</u> 06/01/2029 @ 100.00000 Continuously-Callable Spl Redem Provs 574348CZ9 Semi-Annual	4.0	06/01/2030	Yes	Ask	25	250	50	105.00700	3.076	2.911	2.911
CA	NR	AA	<u>Hacienda La Puente C REV 4% 06/01/2030</u> Spl Redem Provs 40450PB09 Semi-Annual	4.0	06/01/2030	Yes	Ask	50	50	50	107.08800	2.707	--	--



**Look into these eyes...**

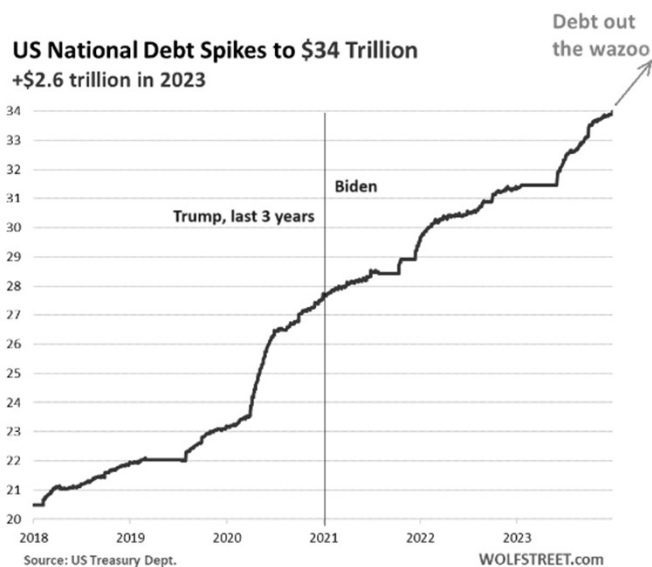
**Have you taken the plunge and locked up 5%-6% corporate  
bond yields and 3.5%-4.0% muni yields?**

**No? Why not?**

**What Keeps Me Up At Night?**



**The zeros: \$34 trillion in US debt.  
\$34,000,000,000,000**



The US is on an unsustainable debt trajectory

### Investor's Words To Live By

- Leave your defensive posture and extend some of your maturities
- The strategy of building up more and more cash in Money Market Funds, CDs, and T-bills won't last forever
- The interest rate cycle will change...maybe you should too
- Don't suffer investment envy
- Surrender to your successes
- Shoulda-Woulda is not an investment strategy

Envision Capital Management, Inc.  
*Fixed Income Money Managers*

**MINIMUM ACCOUNT SIZE: \$500,000**

***MARILYN COHEN***

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