

# Meritage

## Tax-Exempt Fixed Income

The Meritage Tax-Exempt Fixed Income strategy is managed for clients looking specifically for municipal bond exposure. The strategy is benchmarked to a 3.7 year portfolio duration, and will opportunistically take positions in US Treasuries and Corporate bonds when valuations are deemed more attractive than municipal bonds on a tax-equivalent basis. The Tax-Exempt strategy focuses on high quality issues, and portfolios are customized to a client's home state residency to maximize the tax benefit. Tax-Exempt income is the primary focus of the strategy. Meritage's decades-long network of municipal bond dealers ensures clients get access to bonds from states and their municipalities across the U.S.

### Core Beliefs and Focus Points

- Fixed income serves an important role in a client's overall asset allocation, but not all market environments are the same, and active management is vital.
- Tax-Exempt income is the focus of the Tax-Exempt Fixed Income strategy.
- Municipal bonds should come with a liquidity discount, and we believe yields must be greater than US Treasuries and Corporates on a tax-equivalent basis to add exposure.
- Given the precarious state of developed market Government debt, we currently steer clients away from long-duration fixed income portfolios.

### Key Facts

Inception	December 31, 2000
Benchmark	Bloomberg 5 Yr Municipal Bond Index
Firm AUM	\$2.4 billion as of 6/30/2024
Total Strategy Assets	\$151.4 million
Firm Associates	18

# Meritage Tax-Exempt Fixed Income Performance

Portfolio Characteristics		Taxable Equivalent Yield		
		6/30/2024		
	Meritage Tax-Exempt Fixed Income		30% Tax Rate	40% Tax Rate
Duration	3.04 yrs	Tax-Exempt Yield-to-Maturity	3.9%	3.9%
Yield-to-Maturity	3.85%	Tax Equivalent Yield-to-Maturity	5.5%	6.4%
Average Life	3.0 yrs			

Annualized Returns (%)	Periods Ending 6/30/2024				
	QTR*	1 Year	3 Years	5 Years	10 Years
<b>Meritage Tax-Exempt Fixed Income Gross</b>	0.6	3.5	0.5	1.2	1.5
<b>Meritage Tax-Exempt Fixed Income Net</b>	0.4	2.6	-0.4	0.4	0.7
Bloomberg 5 Yr Municipal Bond Index	-0.4	2.3	-0.6	0.8	1.6

\*Unannualized results.

Calendar Year Returns (%)										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Meritage Tax-Exempt Fixed Income Gross</b>	3.8	-3.4	0.4	3.4	4.2	1.7	1.9	0.3	1.8	2.6
<b>Meritage Tax-Exempt Fixed Income Net</b>	2.9	-4.2	-0.5	2.6	3.4	0.9	1.0	-0.5	0.9	1.8
Bloomberg 5 Yr Municipal Bond Index	4.3	-5.3	0.3	4.3	5.5	1.7	3.1	0.4	2.4	3.2

Please see GIPS Report for the Meritage Tax-Exempt Fixed Income Strategy on pages 4-5.

# Meritage Tax-Exempt Fixed Income Strategy Manager



**Christopher E. Hayes**  
Senior Fixed Income Portfolio Manager

Chris is the lead manager and primary trader for Meritage's fixed income strategies. He has over 15 years of institutional trading experience primarily in the fixed income space with over ten years spent on the buy side at established firms including Federated Investors and Neuberger Berman. He was also Head of Credit Trading at multi-billion dollar hedge fund Highland Capital Management in Dallas, and Head of Trading at startup credit hedge fund Antora Peak Capital here in Kansas City. Chris received his B.A. from Georgetown University in Washington, D.C. and his MBA from INSEAD in Fontainebleau, France.



Meritage Portfolio Management is an institutionally based investment management firm, providing asset management and wealth management services for individuals, families, foundations, corporations and qualified retirement plans. The firm manages \$2.4 billion in assets for local, regional, and national clients from its base in Overland Park, Kansas.

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# Tax-Exempt Fixed Income

## GIPS Report



Meritage Tax-Exempt Fixed Income Returns				Annualized Ex-Post		Composite Assets			
Year Ending	Total Gross Asset-Wtd.	Total Net Asset-Wtd.	BB5MUN* Benchmark	Gross Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Number of Portfolios	Asset-Wtd. Internal Dispersion	End of Period (Mln)	Firm Assets (Mln)
12/31/14	2.7%	1.8%	3.2%	1.25%	2.11%	85	0.49%	120.1	1,593.3
12/31/15	1.8%	1.0%	2.4%	1.24%	2.10%	101	0.23%	138.2	1,528.3
12/31/16	0.3%	-0.6%	-0.4%	1.39%	2.43%	104	0.23%	138.3	1,513.8
12/31/17	1.9%	1.0%	3.1%	1.49%	2.59%	110	0.27%	151.7	1,646.6
12/31/18	1.7%	0.9%	1.7%	1.55%	2.57%	110	0.19%	155.3	1,530.2
12/31/19	4.2%	3.4%	5.5%	1.31%	2.00%	118	0.48%	192.9	1,810.4
12/31/20	3.4%	2.6%	4.3%	1.77%	2.89%	122	0.51%	174.5	1,942.4
12/31/21	0.4%	-0.5%	0.3%	1.77%	2.88%	108	0.23%	171.3	2,315.7
12/31/22	-3.4%	-4.2%	-5.3%	2.72%	4.53%	105	0.80%	167.8	1,939.7
12/31/23	3.8%	2.9%	4.3%	2.81%	4.98%	89	0.24%	143.9	2,367.5

### Composite Description:

The Meritage Tax-Exempt Fixed Income composite is an actively managed fixed income strategy. The Tax-Exempt Fixed Income strategy invests in high quality municipal bonds and on occasion taxable bonds when advantageous, and is structured around an intermediate maturity target. In-state municipal bonds are emphasized because of their double tax exemption. Geographic diversification is considered when out-of-state bonds are found with attractive after-tax yields. The benchmark is the Bloomberg 5 Year Municipal Bond Index.

### Benchmark Description:

The Bloomberg 5 Year Municipal Bond Index is a capitalization weighted bond index and is representative of major municipal bonds of all quality ratings with an average maturity of approximately five years.

### Definition of the Firm:

Meritage Portfolio Management is an independent investment management firm that is not affiliated with any parent organization.

### Basis for Composites:

Meritage Portfolio Management's Tax-Exempt Fixed Income Composite, created on October 1, 2006, is composed of managed, fully discretionary, fee paying accounts managed in the Meritage Tax-Exempt

Fixed Income strategy. The composite inception date is 12/31/2000.

### Definition of Significant Cash Flows:

Effective June 30, 2002, Meritage temporarily excludes portfolios from the composite for periods experiencing a significant cash flow defined as an aggregate of flows exceeding 10% of the portfolios beginning market value for the month of the flow.

### Fees:

Returns are presented gross and net of management fees. Gross-of-Fees performance returns are presented before management fees. Net-of-Fees performance returns are calculated by deducting Meritage Portfolio Management's standard fee rates from the gross composite return on a monthly frequency. This produces a compounding effect on the total rate of net return. Other fees reflected in both gross and net returns include withholding taxes. Withholding taxes on foreign-based investments have been deducted from both gross and net performance, contingent on how the withholding information is received from the firm's independent third party pricing source. Once withholding tax information is received from the custodian, performance is trued up to be consistent with what the custodian withheld.

## Tax-Exempt Fixed Income

### GIPS Report

As of October 7, 2019 the composite consists of a subset of accounts subject to commission free trading brokerage arrangements.

#### Meritage Portfolio Management's standard fee schedules are as follows:

For the Tax-Exempt Fixed Income Composite the standard fees are: 1.00% on the first \$2,500,000; 0.85% on the next \$2,500,000; 0.80% on the next \$5,000,000; 0.70% on the next \$15,000,000; 0.60% on the next \$25,000,000; 0.50% on the next \$50,000,000; and 0.40% on assets over \$100,000,000.

Actual investment management fees incurred by clients may vary.

#### Calculation Methodology:

Returns from cash and cash equivalents held in portfolios are included in total return calculations. Total return includes realized and unrealized gains and losses, plus reinvestment of income. Gross-of-Fees returns are calculated before the deduction of investment management fees and after the deduction of direct trading expenses. Net-of-Fees returns are calculated after the deduction of Meritage Portfolio Management's standard investment management fee rates and direct trading expenses. Both gross-of-fees and net-of-fees returns are calculated after or before the deduction of withholding taxes on foreign dividends, contingent on how the withholding tax information is received from our independent third party pricing source. Accounts may be subject to customized commission schedules.

Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Past performance is no guarantee of future results.

#### Minimum Account Size:

The established minimum portfolio market value is \$200,000, effective as of 02/28/2009. A portfolio is included in the composite the month after it reaches the minimum size inclusion level. A portfolio is excluded from composite if the portfolio market value drops below \$200,000. Prior to 06/30/2021, a portfolio was excluded from the composite if the portfolio market value dropped below \$150,000 for 2 consecutive months. Prior to 02/28/2009, the established minimum inclusion level was \$300,000, with a minimum exclusion level of \$250,000.

#### Currency:

Returns are calculated and presented in U.S. dollars.

eInvestment universe returns, benchmark indices and related statistics are presented gross-of-fee.

A list of composite descriptions and a list of limited distribution pooled fund descriptions are available upon request.

Internal dispersion is calculated using the asset-weighted

standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.

Meritage Portfolio Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Meritage Portfolio Management has been independently verified for the periods December 31, 2000 through December 31, 2023. The verification report(s) is/are available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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\*Bloomberg 5 Year Municipal Bond Index.

Annualized Returns	Periods Ending 12/31/2023			
	1 Yr	3 Yrs	5 Yrs	10 Yrs
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