

The Continued Importance of Municipal Investor Relations in a Changing Market

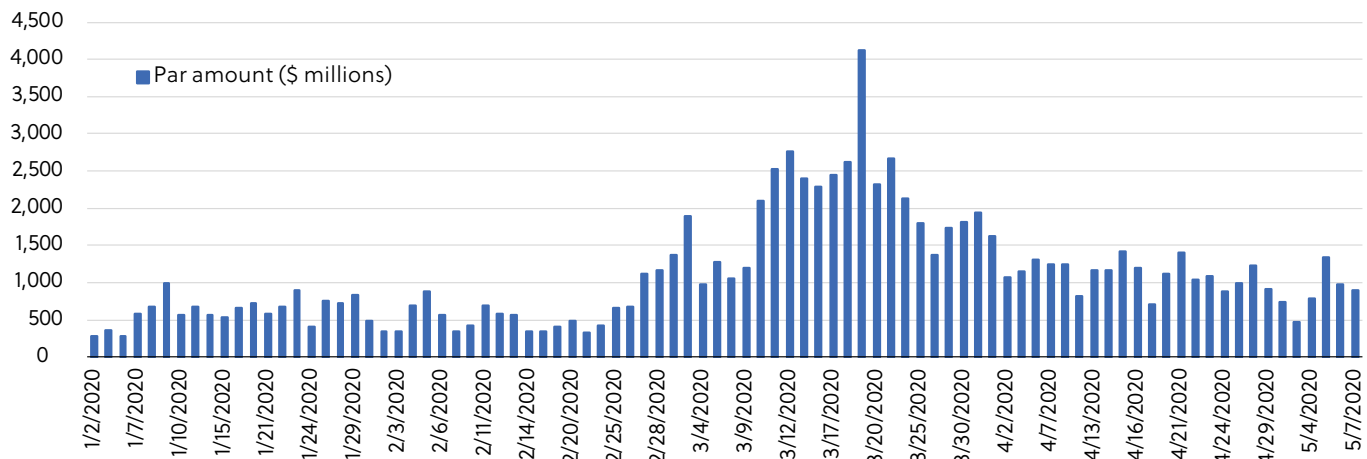
The COVID-19 pandemic will have long-lasting effects on municipal bond issuers and the municipal marketplace. Municipal bond investors are seeking to best understand the market and credit implications of the COVID-19 crisis and reemerge as consistently active buyers.

Communicating and engaging with investors through a proactive investor relations program is increasingly valuable and important for municipal bond issuers in the “new normal” for the municipal market. Issuers can further differentiate themselves in the post-COVID-19 market through active and regular communication with investors who provide capital for critical infrastructure projects.

While timely fulfillment of mandatory 15c2-12 disclosure requirements remains critically important during times of market disruption, the implementation of a robust investor relations program can engage investors when investment capital is at a premium. Frequent and comprehensive communication with investors is important, not just for primary market issuances, but also for secondary market activity, as secondary market trades help to inform primary market pricing levels. The impact of secondary market activity is especially relevant in the current environment where there is lower primary market issuance volume and elevated secondary trading activity as compared to pre-COVID-19 levels (see Chart 1 below).

GFOA recommends the implementation and maintenance of an Investor Relations website as a best practice for municipal bond issuers.¹

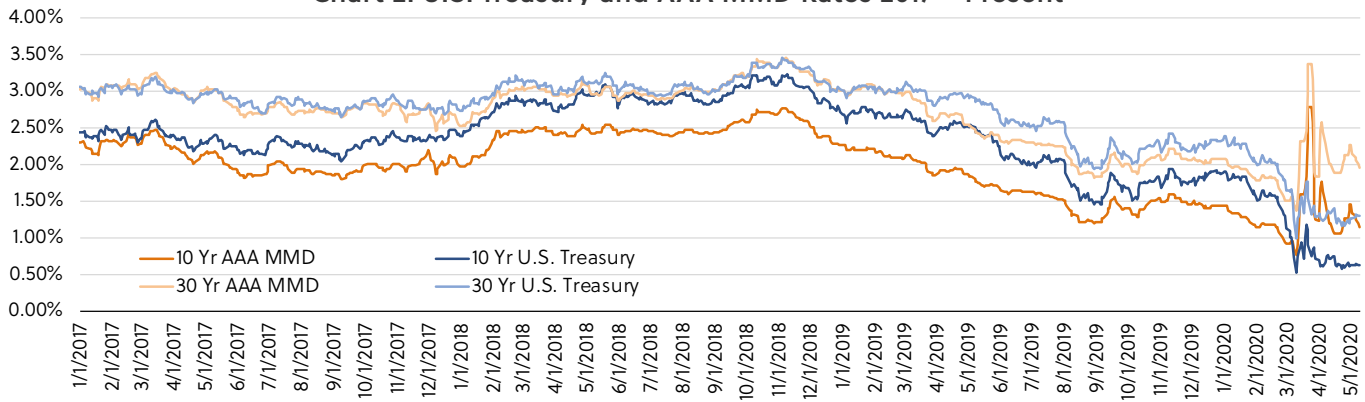
Chart 1: Municipal Bids Wanted (Total Par Out for Bid)



Source: Bloomberg, Municipal Bids Wanted (MBWK), May 8, 2020.

1. Source: GFOA <https://www.gfoa.org/maintaining-investor-relations-program>.

Chart 2: U.S. Treasury and AAA MMD Rates 2017 – Present



Source: Refinitiv and Bloomberg Indices, May 8, 2020.

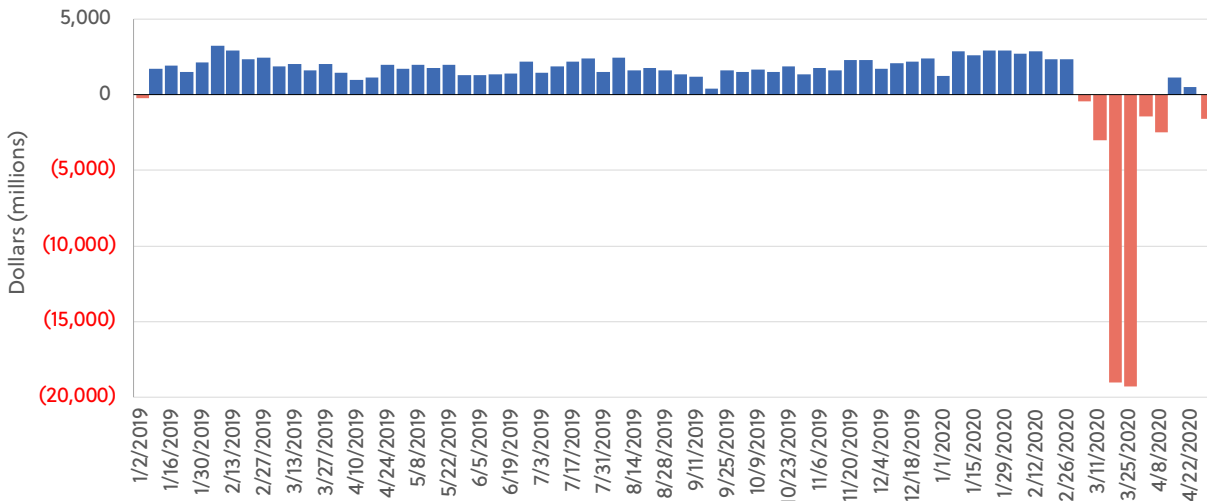
Prior to the COVID-19 crisis, municipal bond funds experienced 60 consecutive weeks of inflows.² As a result, municipal market technicals favored issuers as investor demand typically outpaced new issue supply, helping fuel a historic run of low interest rates. Since the start of the COVID-19 crisis, municipal bond fund flows have reversed, with aggregate fund outflows of \$45.60 billion through May 6, 2020², leading to reduced market liquidity and a sharp increase in municipal bond borrowing rates. While the municipal new issuance market has seen increased stability since mid-April, borrowing rates are elevated and municipal/U.S. Treasury ratios remain disjointed.

Given these changing market dynamics, which include short- and expected long-term municipal credit impacts, new Federal Reserve programs and unprecedented legislative actions, investors are in search of information and are likely to be

more selective with their investment decisions, especially if they have fewer funds available. Given these circumstances, it is expected that issuers who take a proactive approach to investor relations will drive important differentiation in the post-COVID-19 market.

Utilizing the Munite platform is one way that municipal bond issuers can implement or enhance their existing investor relations program. Munite is the municipal market’s one-stop shop information platform with full coverage of more than 60,000 issuers nationwide. Sector-specific data is up-to-date and radically transparent, placing actionable information at market participants’ fingertips. Munite also includes a powerful dashboard feature, enabling investors to quickly surveil and monitor a portfolio of issuer credits that trade in the secondary market or sell in a primary offering. The ability for investors

Chart 3: ICI Global Weekly Net Municipal Bond Fund Flows



Source: ICI Global, Combined Estimated Long-Term Fund Flows and ETF Net Issuance May 6, 2020.

2. Source: ICI Global, Combined Estimated Long-Term Fund Flows and ETF Net Issuance May 6, 2020.

to make quick and accurate assessments of critical credit information supports efficient and orderly markets. Munite allows issuers and investors to forge stronger bonds, providing an effortless interface with information that investors want, to fund the projects that issuers need.

We are living through an unprecedented time for municipal bond issuers and investors alike, but issuers that maintain a keen focus on disclosure, both mandatory and voluntary, will be in the best position to weather the storm.

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