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The Anytime 30-Day Call Bond A Bond you will never see from your Financial Advisor

This paper will introduce and explain a certain type of municipal bond known simply as "The Anytime 30-day Call Bond." On an hourly basis, we search for bonds that are past its call date, but still have a year or longer until maturity. Here is how it works. Upon settlement of purchase, the authority has the right, not the obligation to call these bonds *after at least 30 days*. Callable bonds are simply bonds that can be redeemed by the issuer/authority by a designated call date which is prior to maturity. These high quality, investment grade bonds may allow the bondholder to earn substantially more yield.

Why have these bonds not been called by the authority? Perhaps, the authority is asleep at the switch, or perhaps they are waiting for a better market or lower interest rates to issue new paper. We do not know. All of these bonds are investment quality, trade very close to par, have minimal interest rate risk, and can provide a superior yield to the owner if the authority does not immediately call the bond. These special situations bonds are not easy to locate and this is a strategy that is unknown by most financial advisors.

One will never be offered an "Anytime 30-day Call Bond" by your financial advisor if you invest through a brokerage firm like UBS, Morgan Stanley, Merrill Lynch, Wells Fargo or through any financial advisor. These brokerage firms are not in the business of selling/distributing a bond which can be called within 30-days to their thousands of financial advisors. Their bond desk does not have the time nor the inclination to tell this story. Why would they? In addition, there is little to no profit inherent to the bond desk because these bonds cannot be marked up \$15 or \$20 per bond in commissions which is how much the advisor or trading desk wants to earn. Finally, these bonds are difficult to locate and tend to trade in smaller, odd lots.

For example, Philadelphia Housing Authority issued revenue bonds in July 2002, which became callable in December 2012, and matured in December 2019. The coupon was 5.5% tax free; the bonds traded within a point of par, were rated AA by S&P, and insured by Assured Guaranty. For a Pennsylvania resident, we were looking at 9.46% tax equivalent yield and some of our clients had owned these bonds for 7 years!

In 2022, we have been tracking and purchasing a credit named Miami Dade Expressway Authority Tollway System Revenue Bonds, callable since July 2020, maturing in 2041. This A3/A credit has traded slightly above par and even at a discount in the 3rd quarter of 2022 giving investors an "entry point" tax exempt yield above 5%. Many clients request a portfolio stocked full of "Anytime 30-day Call Bonds", but it does not work that way.



We typically allocate these “special situation” bonds to clients who have capital in their account and make sure to share these “goodie” bonds with as many of our accounts as possible.

To conclude, we pride ourselves as a RIA in delivering a differentiated solution like these “Anytime 30-Day Call Bonds” to our clients who have reaped the benefits of earning substantially more yield in low interest rate environments. It is an example of how we exploit certain inefficiencies of this \$ 4 trillion asset class of which approximately 70% is owned directly and indirectly by individual investors. In addition, we immensely enjoy the hunt of locating these bonds on our municipal bond platforms and ultimately purchasing them for our clients.

To learn more about our RIA and how we invest your “stay rich” money, please call or email us.

Sincerely,
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