Municipal Bonds - A Winding Road

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Securities and Exchange Commission
Municipal Field Hearing
San Francisco, California
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• Santa Clara University - 1983
• CPA - PriceWaterhouse
• Small business owner since 1987
• Initial goal for municipal bonds - capital preservation
• Used full service broker initially
• Became educated on bonds and ventured out
Investment Background

• Equities Boom / Bust Cycle
• Volatility with equities
  – Crash of 1987
  – Long Term Capital - 1998
  – Dot Com - 2001
  – Financial Crisis – 2008
• Diversification - asset classes
Municipal Bond Types?

• What was the difference? In the beginning, I did not understand the differences
  – General Obligation
  – Revenue
  – Industrial
  – Healthcare
  – Mello Roos
Insurance Protection

• Initially not concerned about underlying. Relied on insurance protection

• Bond Insurance - Provided AAA rating and offered a wrapper of insurance protection.

• Underwritten by municipal bond insurers
  – AMBAC, FGIC, MBIA
Things Changed

- Bond insurer ratings and financial strength crumble
- I had strong initial concerns
- What was I going to do?
- I needed to understand my investments and exposure
- However, opportunities presented themselves . . .
Research Opportunities

• In post melt down environment bonds lose homogeneous character as insurance no longer considered credible.
• Financial crisis changes landscape
• Yields for small credits soar and present opportunities
• Investors need to research more than ever
Education

• As an individual investor what resources were available to me?
  – Securities Industry and Financial Markets Association
    • Investing in Bonds
  – Municipal Securities Rulemaking Board (MSRB)
    • EMMA
Education

- Initial offering statements
- S&P Reports
- Broker dealer information
- Market and sector outlooks
- General interest publications
- Specialty focused publications
Screen for Opportunities

- Use ZionsDirect, Fidelity, UBS, SY
- Set Search Criteria
  - Review Opportunities
  - Research Opportunities
  - Obtain CUSIP
    - Offering Statement
    - EMMA
    - MSRB
    - Municipalbonds.com
Purchase - Only the Beginning

- Monitor
- Changes
  - Insurance
  - Financial Crisis
  - Opportunities
  - Exposure
Personal Strategy

- Bond Ladder from 2015 – 2045
  - Primarily GO paper

- Investment Objectives
  - Provide financial security
  - Work to meet those objectives
  - Monitor investments
  - Change strategy as appropriate
  - Add inventory as available
My Investment Strategy

• Use a combination of do it your self and full service brokers
• Buy new issues almost exclusively through full service broker dealer
• Buy secondary offerings primarily through self service channel
Do it Yourself Strategy

• Education
• Resources
• Traits / Skills:
  – Persistence
  – Patience
  – Monitor
  – Update
  – Flexibility
Hire an Advisor Strategy

• Interview
• Specialty / focus
• Check References
• Due diligence for advisor
• Due diligence on firm
Thank You

• Securities and Exchange Commission members and representatives
  – Thank you for including me in the hearing.

• Audience members
  – Thank you for your attention and listening to my municipal bond story.