

Municipal Bonds - A Winding Road

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Peter Kuhn – Brief Bio

- 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

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.