"History Doesn't Repeat, but it Often Rhymes"

Over the past few months the interest rate environment changed quickly as inflation rose, Putin invaded Ukraine, and the Fed decided to raise its rates. It is, however, a bit of déjà vu for us at Caprin. Our portfolio managers have seen this before and have navigated our strategies through similar environments.

Take a look at the table below that shows how the Bloomberg Municipal Aggregate Bond Index rebounded after previous periods of rising rates. In each instance, the following 12 month period had significant positive total return, and the index recovered in a relatively short time. While past market action doesn't guarantee the same result in the future, we found this pattern to be quite interesting.

Date	Total Return Qtr	Total Return Next 12 months	Breakeven (Months)	Catalyst
3/31/1994	-5.49%	7.43%	15	Post-recession; S&L crisis
6/30/1999	-1.77%	10.70%	12	Fed signaling hikes; dot com bubble expansion
6/30/2004	-2.37%	5.45%	5	Aggressive Fed hiking
9/30/2008	-3.21%	14.85%	7	Lehman Bankruptcy and start of Financial Crisis
12/31/2010	-4.17%	6.11%	9	Meredith Whitney called for widespread muni credit bankruptcies
6/28/2013	-2.97%	8.24%	11	Bernanke Taper Tantrum
12/30/2016	-3.62%	3.25%	9	Trump election

Source: Bloomberg

When interest rates rise, the cash flows from maturities and interest payments are powerful resources to capture the higher income offered by the new level of rates. Investors who overreact during or shortly after down quarters miss out on great opportunities to buy higher yielding bonds and to realize returns in the periods that follow.

Reinvesting bond cash flows at higher yields is just one tool to improve income. A Caprin managed portfolio also uses selective swaps and dollar cost averaging from periodic deposits to increase the percentage of higher yielding bonds owned. As rates stay elevated, the entire portfolio can eventually become invested in higher yielding bonds, generating much more income and recovering from the down period.

All too often investors try to time changes in interest rates. Our experience suggests this frequently doesn't work out as the panicked investor misses a great opportunity to capture higher bond yields that may not return for some time.

Caprin's strategic approach helps combat rising interest rates while seeking a desirable portfolio profile for attractive returns and beneficial income. Rising interest rates might be a little unsettling, but we encourage investors to remain patient and seize the opportunity that higher yields offer as part of a solid financial plan.