APPLETON
PARTNERS, INC.

Portfolio Implications of the Russia-Ukraine Crisis:

February 24, 2022

Fixed Income Points of Emphasis:

The Russian invasion of Ukraine introduces acute humanitarian concerns, and our thoughts and sympathies are with all those affected. Geopolitical risk of this nature is unnerving to investors, and we would like to share a few thoughts.

- The events unfolding in Ukraine have not changed our municipal portfolio positioning. The impact to the tax-exempt marketplace is expected to be minimal.
- Municipals are often considered a safe haven asset class, a characteristic borne out by today's positive price action. High grade municipals often follow Treasuries in "flights to quality" and we expect this relationship to persist in the days ahead.
- Our strategies are high quality and defensive in nature relative to coupon, call structure, and curve positioning, characteristics that tend to mitigate volatility during "risk-off" periods as well as duration impact as rates change.
- Municipal credit remains very strong across the investment grade universe of issuers in which we invest, and the current situation is not expected to have a meaningful effect.
- Spread widening is to be expected among investment grade corporates, particularly in longer duration, lower quality issues.
- Although events in Ukraine are creating considerable market uncertainty, we feel the Fed will remain data dependent in its interest rate policy. We do not believe the current geopolitical situation will in and of itself alter the magnitude and pace of Fed rate hikes. CPI and other economic data will also weigh heavily. A March rate hike remains highly likely.
- Energy is at the core of US economic impact, and we do not expect significant broader economic implications.
- Although a spike in energy prices will aggravate short-term inflationary pressures, sanction-driven supply constraints are likely to be offset over time by increased OPEC and domestic sources.