

TABLE 3

	6 Mos	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	20 Yrs	30 Yrs
Non-Parallel Change	xv3k	v13	v13	v13y	z3	u31u	u31u	5u3	5v3ux
Key Rate Duration	u3uyv	u3v	u3y	u3y	u3y	u3yu	v3y	v3zv	u3yv
5	5u1vx	5u1v	5u1x	5u1	5u3ux	5u3uz	u3uu	u3uv	u3uy

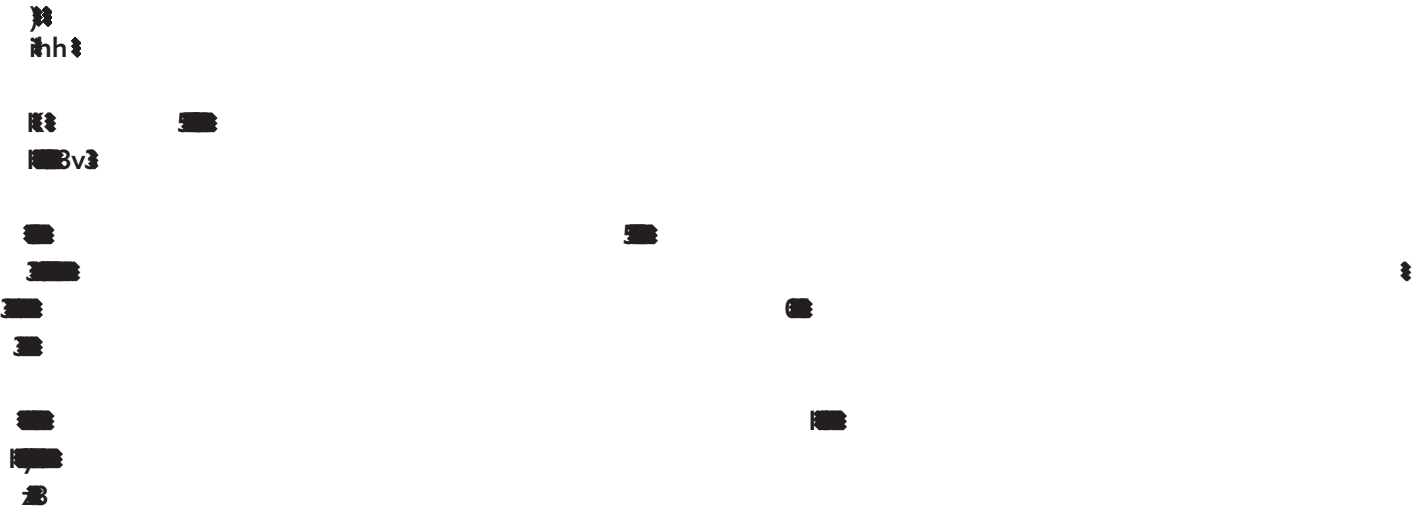


TABLE 4

	ra r r M	IDR/PCR
Change in Dur5Adj Average OA Spread ^{a)}	u3zuu	v3z
(b)	v3	x3y
Sector/Quality Return ^(-b*a)	5u1u	5u3uz
Market Value Weight ^(c)	13	u3
Contribution to Duration ^(b*c)	u3	u3uy
Contribution to Sector/Quality Return ^(-b*c*a)	5u1uu	5u1uu

TABLE 5

	A-rated Transportation	A-rated IDR/PCR	AA-rated Local-GO	AA- Rated Insured
Change in Dur-Adj Average OA Spread ^(a)	-6.862	-12.238	-2.504	-3.432
OA Spread Duration ^(b)	5.308	4.724	5.263	6.124
Sector/Quality Return ^(b*a)	0.364	0.578	0.132	0.210
Market Value Weight ^(c)	4.939	2.468	9.713	6.017
Contribution to Duration ^(b*c)	0.26215	0.11658	0.51121	0.36851
Contribution to Sector/Quality Return ^(b*c*a)	0.01799	0.01427	0.01280	0.01265

Table 6 below shows the states and territories with the five best state-specific spread returns while Table 7 shows the states and territories with the five worst state-specific spread returns. This is the portion of return from change in spread after adjusting for the sector/quality composition of the state's bonds, capturing the extent to which the state's bonds' average performance differs from the national averages.

Puerto Rico bonds outperformed the national market in Insured and Transportation sectors, on average, as shown by its State-Specific Spread Return. For Tennessee, Local GOs were the standout performers. While Guam was heavily weighted in Dedicated Tax bonds, its Dedicated Tax bonds underperformed the general market; however, Guam's Water / Sewer bonds made up for this with their strong outperformance.

While all states benefited from the spread tightening seen in lower-rated bonds (as shown by Return from Sector/Quality Composition in the tables below), some states benefited less than others (as shown by their negative State-Specific Spread Return). Kansas & Arkansas were both dragged down by their Local GO, Insured, and Health Care bonds. Wyoming's bonds lagged the national market in the Insured and Housing sectors, but especially in IDR / PCR.

TABLE 6

State or Territory	Total Return Weight	Return from Sector/Quality Composition	State-Specific Spread Return	Total Spread Return
Iowa	0.08%	0.159%	0.167%	0.326%
Puerto Rico	1.37%	0.215%	0.123%	0.338%
Virgin Islands	0.06%	0.455%	0.119%	0.574%
Wyoming	3.17%	0.131%	0.116%	0.247%
District of Columbia	1.09%	0.208%	0.102%	0.310%

TABLE 7

State or Territory	Total Return Weight	Return from Sector/Quality Composition	State-Specific Spread Return	Total Spread Return
North Dakota	0.15%	0.251%	-0.090%	0.161%
New Jersey	3.11%	0.273%	-0.093%	0.180%
Kansas	0.47%	0.125%	-0.100%	0.025%
Arkansas	0.29%	0.205%	-0.151%	0.054%
Wyoming	0.05%	0.249%	-0.233%	0.016%

Coupon Return was 0.376%, based on the index's average coupon of 4.365%. The average beginning-of-month market yield was 3.427%, resulting in a Market Amortization Return of -0.114%. These two terms sum to a total income effect of 0.262%.

Note that Coupon Return reflects both interest payments and changes in accrued interest throughout the month. Market Amortization Return is negative because of yields being lower on average than coupon rates. Premium bond prices, absent any change in yield, naturally decline over time to their redemption price. This decline is called market amortization

CONTACT US

All table data and figures in this report were produced using Investortools, Inc.'s **Custom Index Manager™** product.

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