

**KEY NUMBERS (as of 8/31/22)**
2022 Inflation

CPI YoY	8.50%
CPI Core YoY	5.90%

AAA Muni Yields

3Y	1.67%
10Y	2.25%
30Y	2.87%

Other Yields/Spreads

HYD <sup>1</sup> (High Yield Muni ETF)	3.66%
HYG (High Yield Corporate ETF)	4.68% (taxable)
AAA-BBB Muni Spread	0.75%
<b>GSTAX distribution yield</b>	<b>5.90%</b>
Taxable Equivalent Yield	9.96%
30-Day Standardized Yield <sup>2</sup>	5.90%
30-Day Standardized Yield <sup>3</sup>	5.78%

<sup>1</sup>HYD is the VanEck High Yield Muni ETF. It is shown as another high yield muni fund to compare to the Principal Street High Income Municipal Fund. HYD's expense ratio is 0.35%, and its investment objective is to seek "to replicate as closely as possible, before fees and expenses, the price and yield performance of the ICE High Yield Crossover Municipal Bond Transition Index."

<sup>2</sup>Subsidized <sup>3</sup>Unsubsidized

## 2022 FALL UPDATE: Inflation and Rising Rates – Short Term Pain, Long Term Gain for Income Investors

Municipal bond performance so far in 2022 has been poor with rates rising 100-200 bps up and down the yield curve. Rate changes have caused significant declines in bond prices across the board. Inflation and inflation expectations firmly took hold of the market. And, once inflation expectations have embedded themselves within a market, they are difficult to shake off and tend to monopolize the focus of investors. Outflows were significant across the board as municipal bond funds returned all of the money brought in during 2021 and then some.

As of 8/31/22, GSTAX yielded a Morningstar High Yield Muni category-leading 5.89% (it was 5.12%, also category-leading, to start the year) and 251 bps over the category average. We have been able to use our nimbleness to add credits with stable cash flows at discounted prices and take advantage of the outflows and volatility in the High Yield municipal bond market so far this year. We are flat YTD for flows, although we have been able to create value by buying when the market is in turmoil and looking for liquidity and selling when the market strengthens a bit. We continue to diversify the portfolio and expand position and sector exposures. One example is Charter Schools where we see value in certain states that have had challenges in their public school system over the past few years. The fund has increased Charter School exposure, with yields above 6% tax exempt.

Fundamentals of underlying municipal credit remains strong, as state and local governments continue to reap the rewards of Federal pandemic stimulus programs. We expect the financial strength of municipalities to remain supported over the next several years, and we are focusing on credits that will endure any downturn in the economic cycle. One of the many benefits of most municipal credits is that they are not highly correlated to the general business cycle. This does not mean the market is immune to volatility or defaults, but that volatility presents the best buying opportunities and we constantly strive to position the fund properly in order to take advantage of such opportunities. **This is where we concentrate our efforts.**

For its part, GSTAX's relative performance has been in line with our expectations since we took over management of the fund on 3/1/21.

As of 8/31/22, GSTAX offered a distribution yield of 5.90% tax-free (SEC yield 5.78% unsubsidized, 5.90% subsidized).

GSTAX Total Returns				
As of 8/31/22	YTD <sup>1</sup>	1-Year <sup>2</sup>	Since Manager Inception (3/1/21) <sup>*2</sup>	Exp. Ratio Gross/Net <sup>3</sup>
GSTAX	-9.42%	-9.65%	-4.04%	0.78%/0.73%
<b>M'Star HY Muni Category Percentile Rank</b>	<b>15<sup>th</sup></b>	<b>17<sup>th</sup></b>	<b>8<sup>th</sup></b>	
M'Star HY Muni Category Average	-11.41%	-11.25%	-6.64%	
Bloomberg HY Muni IX	-10.51%	-10.06%	-3.07%	

*The performance data quoted represents past performance. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost, and current performance may be lower or higher than the performance data quoted. Short term performance in particular is not a good indication of the Fund's future performance, and an investment should not be made solely on returns. For performance current to the most-recent month end, please visit [www.principalstreetfunds.com](http://www.principalstreetfunds.com) or call 844.678.6900.*

## It's About Choices

While GSTAX is a True High Yield Muni Fund, we knew it was important to offer an option at the other end of the risk-reward spectrum, especially now with a flatter yield curve and short rates at levels where meaningful income can be earned. As managers we just happened to have had a lot of experience starting and running such a fund. So, on April 27, 2022, we launched the Principal Street Short Term Municipal Fund (PSTYX). We refer to it as the Muni Fund for the Pathetically Risk-Averse Yield Seeker.

PSTYX is a high grade, short-duration muni fund that seeks to provide a low volatility NAV experience, while still producing enough tax-free income to be compelling (relative to its peer group). While it is table stakes within that peer group to deliver NAV stability, far less common among the category is the ability to garner meaningful amounts of tax-free income at the same time.

The popular misperception is that the only ways to increase income is through credit or duration exposure. Either is not appropriate for those investors with low-risk tolerances. We have, over many years of experience, developed strategies to build portfolios seeking certain bond structures and implementing trading strategies which can offer yield advantages over plain vanilla bonds, while also avoiding greater credit and price volatility. Trafficking in these types of securities requires commitment to a more labor-intensive process than just pooling high grade bonds and forsaking the yield. **We believe that kind of work is what investors are paying us a management fee for.**

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One final thought on the funds: we have seen (and encourage) advisors pairing GSTAX and PSTYX together in order to enjoy the best of both worlds. Be it 20/80 or 80/20 or whatever you desire in order to target a duration or yield target for a given client which almost always is an improvement over alternative options in these categories. That strikes us as a far more efficient strategy for accomplishing something like duration management than us trying to move an entire portfolio based on interest rate predictions.

### Looking Ahead To The Rest of 2022

Reflecting back on our 2022 Outlook piece that was published in January of this year, we closed with a series of maybes, as far as what to expect in 2022. We wrote: *“Perhaps there will be periods where we cycle between the “risk-on/risk-off” trade, perhaps the fed raises short term rates and the yield curve changes shape, perhaps the trend of heavy flows into the asset class abates, maybe rates climb steadily all year or spooked investors drive more concentrated periods of increases.”* Unfortunately, most of these scenarios have occurred this year. Fortunately, we were at least aware of these potential issues and were prepared to work through, and at times take advantage of, them.

Most investors have no doubt experienced some pain over the first part of 2022, but at least income-focused investors now have the opportunity to capture more income for all their trouble.

Sincerely,

Troy Willis, Charlie Pulire, Joe Gulli, Rich Stein, Rene Vecka & Nick Henry  
The Principal Street Municipal Bond Strategies Team

*\*3/1/21 is the current management team’s start date on the fund. Prior to 3/1/21, the Fund operated under a different management from its inception date of 9/15/17. The per share income and capital changes for the prior fiscal years of the Fund were disclosed in the Fund’s prospectus. Performance for the periods beginning with Fund inception date through current dates as used above has been dropped for marketing purposes. Average annual total returns for the 3-year and since (Fund) inception periods pre-dating the current management team’s start date are available upon request.*

<sup>1</sup>Cumulative Total Return

<sup>2</sup>Average Annual Total Return

<sup>3</sup>The contractual Operating Expenses Limitation Agreement is indefinite but cannot be terminated through at least February 14, 2023. The net expense ratio is applicable to investors.

Ticker	Gross Expense Ratio	Net Expense Ratio
GSTAX	0.78%	0.73%
GSTEX	1.28%	1.24%
GSTFX	1.03%	0.99%

*The Operating Expenses Limitation Agreement is indefinite, but cannot be terminated through at least February 14, 2023.*

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*You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. This and other important information is contained in the Fund's summary prospectus and prospectus, which can be obtained by calling 1.877.914.7343 or visiting our website at [principalstreetfunds.com](http://principalstreetfunds.com). Read carefully before you invest.*

Mutual Fund investing involves risk. Principal loss is possible. The Fund's value investments are subject to the risk that their intrinsic values may not be recognized by the broad market or that their prices may decline. Fixed-income securities are or may be subject to interest rate, credit, liquidity, prepayment and extension risks. Interest rates may go up resulting in a decrease in the value of the fixed-income securities held by the Fund. High-yield fixed income securities or "junk bonds" are fixed-income securities held by the Fund that are rated below investment grade are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on public perception of the issuer. The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. The Fund is new with no operating history, legislative or political changes and there can be no assurance that the Fund will grow to or maintain an economically viable size.

Tax Equivalent yield is the interest rate which must be received on a taxable security to provide the bondholder the same after-tax return as that earned on a tax-exempt security. The tax rate used to calculate the Taxable Equivalent Yield is the 37% marginal federal income tax bracket.

*Credit Rating: A private independent rating service evaluates a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from "AAA", which is the highest grade, to "D", which is the lowest grade. In limited situations when the rating agency has not issued a formal rating, the rating agency will classify the security as non-rated. Weighted Average Maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security.*

Principal Street Partners, LLC is the Investment Adviser to the Principal Street Partners High Income Municipal Fund, which is distributed by Quasar Distributors, LLC.

## CONTACT INFORMATION

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